

September 05, 2025

Ashoka Ranastalam Anandapuram Road Limited: Rating continues to be on Watch with Developing Implications

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term loan	292.37	265.00	[ICRA]AAA; continues on Rating Watch with Developing Implications
Total	292.37	265.00	

*Instrument details are provided in Annexure I

Rationale

The rating of Ashoka Ranastalam Anandapuram Road Limited (ARARL) favourably factors in the healthy track record of receipt of nine annuity receipts and operations and maintenance (O&M) payments from the National Highway Authority of India (NHAI, rated [ICRA]AAA (Stable)), in a timely manner, without any penalties/deductions. Further, the debt coverage metrics are expected to remain strong with a cumulative debt service coverage ratio (DSCR) of more than 1.25 times during the debt tenure. The rating of ARARL continues to be on Watch with Developing Implications, given the announcement of 100% stake acquisition of ARARL by EAAA India Alternatives Limited (EIAL). The rating positively factors in the presence of structural features of the debt, including the presence of escrow, cash flow waterfall mechanism, restricted payment clause with a minimum DSCR of 1.15 times, debt service reserve account (DSRA) equivalent to six months of debt obligations and a major maintenance reserve (MMR) for its periodic maintenance requirements. ICRA notes that there is cushion of more than 20 days available between the annuity receipt date and the scheduled debt servicing date of the loan facilities, along with the presence of DSRA, which provides comfort.

The rating considers the stable annuity revenue stream over the term of the concession from the project owner and annuity provider, NHAI, which is a key Central Government entity responsible for the development and maintenance of India's national highway programme. The rating notes the strong profile of the O&M contractor and sponsor – Ashoka Concessions Limited (ACL) – the holding company of the road assets of Ashoka Buildcon Limited (ABL, rated [ICRA]A1+). ARARL has entered into an annual fixed-price contract with ACL to take up routine maintenance activities. The demonstrated track record of the Ashoka Group in executing O&M works within the budgeted time and cost provides comfort.

The rating, however, factors in the cash flows remaining sensitive to the spread between the Reserve Bank of India's (RBI) bank rate and the lender's MCLR as the interest earned on the outstanding annuities is linked to the bank rate, while the interest payable on the project loan is linked to lender's MCLR. Further, ARARL's cash flows are exposed to inflation risk as O&M receipts, though linked to inflation index (70% WPI and 30% CPI), may not be adequate to compensate for the actual increase in O&M/periodic maintenance expenses. ICRA notes the single asset nature of the project exposing its debt metrics to any deductions in annuity and O&M receipts. Hence, the company must ensure satisfactory upkeep of the carriageway and undertake O&M of the project stretch as per the Concession Agreement to avoid any deductions from annuities. Any significant deductions from annuities or rise in routine and major maintenance (MM) expenses from the budgeted level could impact its coverage metrics, which remain a key rating monitorable. The debt structure remains moderate due to the presence of the cross default clause, wherein a default by the sponsor (ACL)/sister concern will constitute as an event of default for ARARL and could lead to acceleration of its debt at the lender's discretion. However, given its favourable operational and financial profile (strong coverage metrics and counterparty – NHAI), if such a clause is exercised by the lender, the company is expected to be able to refinance its debt within the available grace period, thereby mitigating the risk to a major extent.

ICRA will resolve the watch post the change in shareholding after understanding the impact of the transaction on the company's operational and financial profile and the financial policy of the incoming investor after concluding discussions with the new management. In the interim, ICRA understands that the sponsor, ACL will honour all its obligations related to the special purpose vehicle (SPV), in a timely manner, until the complete transfer of ownership of asset to the new shareholder.

Key rating drivers and their description

Credit strengths

Annuity nature of project with track record of nine semi-annuities in a timely manner – The project will have a stable annuity revenue stream over the term of the concession from the project owner and annuity provider, the NHAI, which is a key Central Government entity responsible for development and maintenance of India's national highway programme. As of now, ARARL has received nine semi-annuity payments, including O&M payment, without any penalties in a timely manner and ICRA expects the same to continue going forward.

Strong debt coverage metrics – The projected debt coverage metrics are strong with a cumulative DSCR of above 1.25 times during the debt tenure. Further, structural features of the debt including the presence of escrow, cash flow waterfall mechanism and restricted payment clause with a minimum DSCR of 1.15 times, provide credit support. The company maintains a DSRA of Rs. 27.99 crore as on June 30, 2025, which is sufficient to cover six months of debt obligations. It also has an MMR of Rs. 95.42 crore as on June 30, 2025, in the form of fixed deposits with the lead lender and is in line with the lender's base case financial model.

Established track record of O&M contractor – ARARL is a wholly-owned subsidiary of ACL, which is a part of the Ashoka Buildcon Group. ACL has been appointed as the O&M contractor to take up routine maintenance activities at an annual fixed-price contract. The Ashoka Buildcon Group has a demonstrated track record of executing O&M works within the budgeted time and cost.

Credit challenges

Project returns exposed to interest rate risks – The project's cash flows and returns are exposed to the interest rate risk and depend on the spread between the RBI's bank rate and the interest rate charged by lenders. However, the risk is mitigated to a major extent by the strong debt coverage metrics, which is expected to withstand any adverse movements, if any, in the spread.

Undertaking O&M as per concession requirement and risk of deductions from annuity/O&M payout – ARARL has to undertake regular as well as periodic maintenance of the project as per specifications of the Concession Agreement to ensure no deductions in the annuity receipts, which will be a key credit sensitivity. ICRA notes the single asset nature of the project, which exposes its debt metrics to any deductions in annuity and O&M receipts. Hence, the company must ensure satisfactory upkeep of the carriageway and undertake O&M of the project stretch as per the Concession Agreement to avoid any deductions from annuities. Any significant deductions from the annuities or rise in routine and MM expenses from the budgeted level could impact its coverage metrics, which remain a key rating monitorable. Further, ARARL's cash flows are vulnerable to inflation risk as O&M receipts, though linked to inflation (70% WPI and 30% CPI), may not be adequate to compensate for the increase in O&M/periodic maintenance expenses.

Moderate debt structure due to presence of cross default clauses – ARARL's debt terms have a cross default clause, where any default by the sponsor/sister concern will constitute as an event of default for ARARL and could lead to acceleration of its debt at the lender's discretion. However, given its favourable operational and financial profile (robust coverage metrics and strong counterparty –NHAI), if such a clause is exercised by the lender, the company is expected to be able to refinance its debt within the available grace period, thereby mitigating the risk to a major extent.

Liquidity position: Adequate

ARARL's liquidity is adequate with free cash balance of Rs. 71.33 crore as on June 30, 2025. Further, it has debt repayment obligation of Rs. 52.2 crore in FY2026 and Rs. 50.6 crore in FY2027, which can be comfortably met from its cash flow from operations. The company's liquidity position is supported by the availability of cash DSRA of Rs. 27.99 crore as on June 30, 2025, which is equivalent to six months of debt servicing obligations.

Rating sensitivities

Positive factors – Not applicable.

Negative factors – Pressure on the rating could arise if there are major deductions or delays in receipt of semi-annual annuities or O&M payments, or if an increase in O&M expenses or any additional debt availed by the SPV results in a deterioration of the debt coverage indicators. The rating could also come under pressure if there is any non-adherence to the debt structure.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Roads – Hybrid Annuity
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Ashoka Ranastalam Anandapuram Road Limited (ARARL) is a 100% subsidiary of Ashoka Concessions Ltd (ACL/Sponsor), a holding company of the road assets of Ashoka Buildcon Limited (ABL). The special purpose vehicle (SPV) was formed to undertake construction, operation, and maintenance for six laning of NH16 from Ranastalam to Anandapuram (Visakhapatnam) from km 634.000 to km 681.000 (47 Km) in Andhra Pradesh under National Highway Development Project (NHDP) Phase V (Package II) on Design, Build, Operate and Transfer (Hybrid Annuity) basis. The total revised project cost of Rs. 1,173.02 crore is to be funded by equity of Rs. 104.6 crore (8.9% of project cost), PIM adjustment Rs. 47.5 crore (4.0%), term loan of Rs. 391 crore (33.3%) and NHAI grant of Rs. 474.84 crore (40.5%). The company achieved provisional completion certificate on September 24, 2020. The annuity and interest on outstanding annuities will be received on a semi-annual basis, along with the inflation adjusted O&M payments. The SPV achieved final COD on June 30, 2021, for the entire project length.

Key financial indicators (audited)

Standalone	FY2024	FY2025
Operating income	81.1	63.1
PAT	23.7	20.2
OPBDIT/OI	62.5%	64.5%
PAT/OI	29.2%	32.0%
Total outside liabilities/Tangible net worth (times)	1.9	1.5
Total debt/OPBDIT (times)	6.1	6.8
Interest coverage (times)	1.9	1.6

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

ARARL follows IndAS and key financial ratios are not representative of actual cash flows

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs crore)	September 05, 2025	Date	Rating	Date	Rating	Date	Rating
Fund-based – Term loan	Long Term	265.00	[ICRA]AAA; Rating Watch with Developing Implications	May 09, 2024	[ICRA]AAA (Stable)	-	-	Mar 17, 2023	[ICRA]AAA (Stable)
				Jan 10, 2025	[ICRA]AAA; Rating Watch with Developing Implications	-	-	-	-
Fund-based – Term loan	Long Term	-	-	-	-	-	-	Mar 17, 2023	[ICRA]AAA (Stable); withdrawn

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Term loan	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan	July 2022	-	Oct 2033	265.00 ¹	[ICRA]AAA; Rating Watch with Developing Implications

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis - Not applicable

¹ Initially, project was sanctioned debt of Rs. 415 crore at the time of financial closure. In December 2022, the company refinanced loan with sanction limit of Rs. 362.57 crore and current rated amount is in accordance with the outstanding loan.

ANALYST CONTACTS

Ashish Modani

+91 22 6169 3300

ashish.modani@icraindia.com

Suprio Banerjee

022-61143443

supriob@icraindia.com

Vinay Kumar G

+91 40 69396424

vinay.g@icraindia.com

Vamshi Kinnera

+91 40 69396420

vamshi.kinnera@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

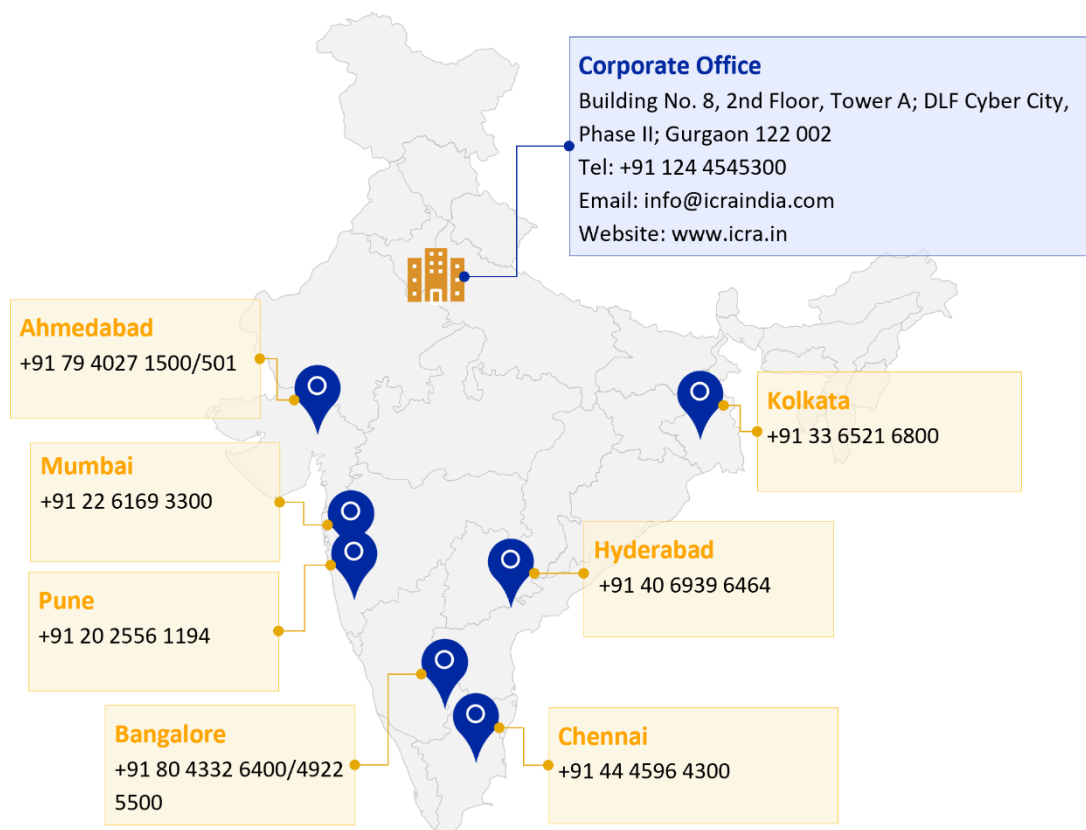


Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



© Copyright, 2025 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.