

March 23, 2026

## Ashoka Karadi Banwara Road Private Limited: Continues 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	385.00	360.33	[ICRA]AA-; Continues on rating watch with developing implications
<b>Total</b>	<b>385.00</b>	<b>360.33</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The rating of Ashoka Karadi Banwara Road Private Limited (AKBRPL) continues to favourably factor in the receipt of the four annuities without any material deductions and achievement of provisional completion certificate (PCC) for 93.3% of the project stretch. While the first two annuities were linked to the cost incurred till provisional completion certificate 1 (PCC-1, achieved 41.61 km with effect from September 08, 2023), the subsequent two annuities received corresponds to the PCC 2 cost, achieved for additional 8.60 km of the stretch effective from February 11, 2025. It has further achieved PCC 3 for 2.68 km of the stretch effective from March 07, 2026, thereby alleviating the execution risk to a large extent. Although the receipt of the first and second annuity payments was delayed on account of procedural delays from the authority, the company has received the third and fourth annuities without any major delays. ICRA expects timely receipt of annuity payments without any major deductions going forward. Further, ICRA draws comfort from the gap of around four months between the annuity date and the scheduled debt servicing date providing cushion in case of any delay in annuity receipts.

AKBRPL has created a debt service reserve (DSR) of Rs. 22.66 crore, equivalent to six months' debt servicing obligations as on December 31, 2025, in line with the lenders' base case model, providing comfort. The rating factors in its healthy debt coverage metrics following the change in benchmark interest rate to a repo rate-linked structure from the lender's marginal cost of lending rate (MCLR) post refinancing of the debt, resulting in a reduced interest burden. This provides a natural hedge, aligning better with cash inflows as the interest on annuities is linked to the Reserve Bank of India's (RBI) Bank Rate. The rating notes the stable revenue stream post commissioning with 60% of the inflation-adjusted bid project cost being paid out as annuity, along with interest at bank rate plus 300 bps and operations and maintenance (O&M) payments (adjusted for inflation) over the term of the concession from the project owner and annuity provider, National Highway Authority of India, (NHAI, rated [ICRA]AAA(Stable)), which is a key Central Government entity responsible for the development and maintenance of India's national highway programme.

The rating, however, remains constrained by the residual execution risks for 0.42 km of the available stretch. Nevertheless, the company is adequately placed to fund the balance completion cost through undrawn sanctioned debt, internal cash accruals and balance equity infusion, alleviating the execution risks to a large extent. Further, around 3.4 km of the stretch is not available due to land acquisition issues, which is likely to be descoped and is waiting for the approval from the authority. The implementation risk is mitigated to an extent by the presence of a fixed-price engineering, procurement and construction (EPC) contract with Ashoka Concessions Limited, a holding company of the road assets of Ashoka Buildcon Limited (ABL, rated [ICRA]A1+) for executing the project, who has strong execution capabilities and has demonstrated track record of completing the project within the budgeted cost.

ICRA also notes the single-asset nature of the project operations and thereby must ensure satisfactory upkeep of the carriageway and undertake operation and maintenance (O&M) and major maintenance of the project stretch as per the concession agreement (CA) to avoid any deductions from annuities and O&M payments. Also, the project 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 rise in O&M and periodic maintenance (MM) expenses. Any significant deductions in the annuities or O&M payments or increase in O&M and MM expenses from the budgeted level could impact its coverage metrics and remain the key rating monitorable. The debt structure remains moderate due to the presence of the cross-default clause, whereby a default by the sponsor or subsidiaries will constitute as an event of default for AKBRL and could lead to acceleration of its debt at the lender's discretion. However, given its favourable operational and financial profile (healthy 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 period, thereby mitigating the risk to a major extent.

The rating continues to be on Watch with Developing Implications, given the announcement of 100% stake purchase of AKBRL by EAAA India Alternatives Limited (EIAL). 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 and ultimate sponsor, ABL 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

**Successful achievement of provisional COD and receipt of four annuities** – AKBRL received the provisional completion certificate w.e.f. September 08, 2023 for 41.61 km and achieved PCC 2 for additional 8.6 km w.e.f. February 11, 2025 and received four annuities till date without any major deductions. While the first and second annuities were linked to the cost incurred till PCC-I, the subsequent two annuities correspond to the PCC 2. Further, the project achieved PCC 3 for 2.68 km of the stretch with effective from March 07, 2026, thereby alleviating the execution risk to a large extent. Although the receipt of the first and second annuity payment was delayed on account of procedural delays by the authority, the company received the third and fourth annuities without any significant delays and expects timely receipt of annuity payments without any major deductions, going forward. ICRA draws comfort from the gap of around four months between the annuity date and the scheduled debt servicing date, providing cushion in case of any delay in the annuity receipts.

**Healthy projected debt coverage indicators and presence of structural features** – AKBRL is expected to have robust coverage metrics with the cumulative DSCR likely to remain above 1.25 times during the debt tenure. Further, structural features of the debt, such as the presence of escrow, a cash flow waterfall mechanism, and restricted payment clause with a minimum DSCR of 1.15 times, provide comfort. The company has created a DSRA of Rs. 22.66 crore, equivalent to six months' debt servicing obligations, and maintains MM reserve of Rs. 23.12 crore as on December 31, 2025, in line with the lenders' base case model.

**Established track record of O&M contractor** – AMKRPL 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

**Residual execution risk** – The project is exposed to residual execution risks for around 0.42 km of the available stretch. Nevertheless, the company is adequately placed to fund the balance completion cost through undrawn sanctioned debt, internal cash accruals and balance equity infusion, thus mitigating the execution risks to a large extent. Further, 3.4 km of the stretch is not available due to land acquisition issues, which is likely to be descope and is waiting for the approval from the authority. Given this, timely completion of the project stretch, and achievement of the final completion certificate remains a key rating monitorable. However, the risk is mitigated to an extent by the strong project execution capabilities of Ashoka group.

**Undertaking maintenance as per the concession requirement; cash flows exposed to inflation risk** – Post commissioning, AKBRL's source of income is the annuity, the interest on outstanding annuities and the annual O&M payments from the NHAI. ICRA notes the single-asset nature of the project operations, thereby making the debt metrics of the project sensitive to any deductions in annuity and O&M receipts. Hence, the company must ensure satisfactory upkeep of the carriageway as per the provisions of the CA to avoid any deductions from the annuity amount. Also, the project 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 rise in maintenance expenses. Any significant deductions in the annuities or O&M payments or increase in maintenance

expenses from the budgeted level could impact its coverage metrics and remain a key rating monitorable.

**Moderate debt structure due to presence of cross-default clause:** AKBRL's debt terms have a cross-default clause, whereby any default by the sponsor will constitute as an event of default for the company and could lead to acceleration of its debt at the lender's discretion. Given its favourable operational and financial profile (healthy coverage metrics and strong counterparty –NHA), if such a clause is exercised by the lender, the company is expected to be able to refinance its debt within the available period, thereby mitigating the risk related to the cross default to a major extent.

### Liquidity position: Adequate

AKBRPL's liquidity position is Adequate. The pending project cost and bills payable of around Rs. 50 crore are expected to be funded by undrawn debt of Rs. 40 crore and the rest through internal cash accruals and sponsor infusion. The company had free cash balances of Rs. 40.6 crore as on December 31, 2025, providing comfort. Further, the company has debt repayment obligations of Rs. 23.2 crore in FY2027 and Rs. 22.6 crore in FY2028 and can be comfortably met from its operational cash flows. In addition, the company has created DSRA of Rs. 22.66 crore, equivalent of six months P+I and MMR of Rs. 23.12 crore as on December 31, 2025.

### Rating sensitivities

**Positive factors** – As the rating is placed under Watch with Developing Implications on the back of proposed asset sale, it will be resolved once the transaction is consummated. However, the rating could be upgraded upon sustained track record of timely receipt of annuity and O&M payments without any material deductions, along with receipt of the final completion certificate.

**Negative factors** – Pressure on the rating could arise if there are delays in the receipt of semi-annual annuities or O&M payments, or if there are any major deductions, or if the O&M expenses significantly exceed the estimates adversely impacting its debt coverage metrics. Any additional debt availed by the SPV that impacts its coverage indicators, with the cumulative DSCR reducing below 1.25 times may trigger a downward rating revision. The rating could come under pressure if there is any non-adherence or dilution of the debt structure.

### Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Roads - Hybrid Annuity</a>
Parent/group Support	Not Applicable
Consolidation/standalone	Standalone

### About the company:

AKBRPL 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) has been formed to undertake four laning of Tumkur-Shivamogga section from Karadi (65.195 km) to Banwara (121.900 km) of the NH-206 on a HAM basis under NHDP Phase – IV, in Karnataka. The construction and operation periods for the project are 2 years and 15 years, respectively. The concession agreement was signed on April 20, 2018 and the project has received the appointed date of October 15, 2019. The PCOD of the project was achieved on September 8, 2023 for 41.61 km out of the total 56.71 km against the scheduled COD of October 15, 2021. Further, the project achieved PCC 2 for additional 8.60 km with effect from February 11, 2025 and PCC 3 for additional 2.68 km effective from March 07, 2026.

### Key financial indicators (audited)

	FY2024	FY2025
Operating income	142.8	135.6
PAT	6.7	-4.9
OPBDITA/OI	44.5%	21.0%
PAT/OI	4.7%	-3.6%
Total outside liabilities/tangible net worth (times)	2.2	2.3
Total debt/OPBDITA (times)	5.2	11.3
Interest coverage (times)	2.1	0.8

Source: Annual report; Amount in Rs. crore; PAT: Profit after tax; OPBDITA: Operating profit before depreciation, interest, taxes and amortization  
AKBRPL follows Ind AS and key financial ratios are not representative of actual cash flows

### Status of non-cooperation with previous CRA: Not applicable

**Any other information:** The company also faces prepayment risk, given the possibility of accelerated payment upon the breach of certain financial covenants and rating linked triggers. Upon failure to meet the covenants, if it is unable to get waivers from the lenders or the lenders do not provide it with adequate time to arrange for alternative funding to pay off the accelerated loans, the rating would face pressure.

### Rating history for past three years

Current (FY2026)				Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount Rated (Rs Crore)	Mar 23, 2026	Date	Rating	Date	Rating	Date	Rating
Term loan	Long-term	360.33	[ICRA]AA-; Rating watch with developing implications	18-Oct-24	[ICRA]AA-(Stable)	27-JUL-2023	[ICRA]A (Positive)	19-APR-2022	[ICRA]A-(Stable)
				10-Jan-25	[ICRA]AA-; Rating watch with developing implications	08-MAR-2024	[ICRA]A (Positive)	-	-

### 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	Mar 2025	NA	Dec 2036	360.33 <sup>1</sup>	[ICRA]AA-; 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**

<sup>1</sup> Initially, the project was sanctioned debt of Rs. 385 crore at the time of financial closure. In March 2025, the company refinanced loan with sanction limit of Rs. 360.33 crore.

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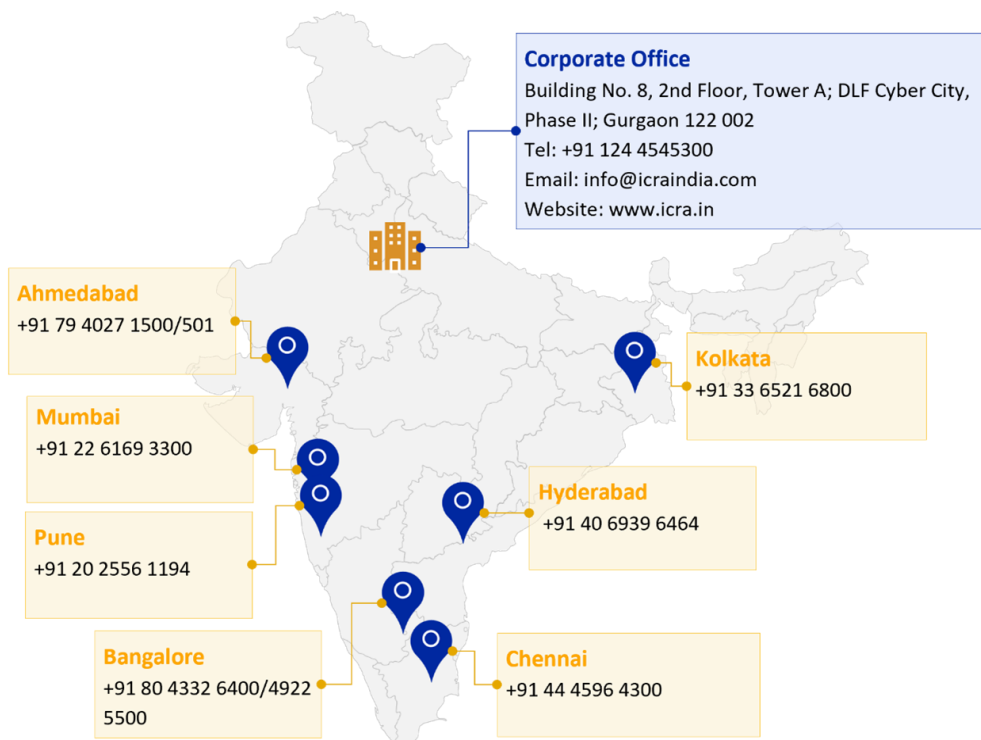


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