

July 12, 2024

## Ashoka Dhankuni Kharagpur Tollway Limited: Rating reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	1,353.23	1,067.32 <sup>1</sup>	[ICRA]BBB+(Stable); Reaffirmed
<b>Total</b>	<b>1,353.23</b>	<b>1,067.32</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The rating reaffirmation factors in the operational track record of over 10 years, with the project stretch falling on the busy Chennai-Kolkata corridor (part of NH16 and Golden Quadrilateral), which has an established traffic density of commercial vehicles with low alternative route risk. The toll collections witnessed a compounded annual growth rate (CAGR) of ~7.8% during FY2019-FY2024 to Rs. 515.4 crore in FY2024. Further, the toll collections are expected to increase to more than Rs. 550 crore in FY2025, driven by ~3.3% hike in toll rates and moderate traffic growth of 4-5%. The rating notes the strong profile of the sponsor Ashoka Concessions Limited (ACL, rated [ICRA]A(Stable)), which has extensive experience in construction and operation of road projects and financial flexibility arising out of the long tail period of nine years. ICRA takes comfort from the sponsor's undertaking to fund any shortfall in the debt service reserve account (DSRA), to bring any additional funds required to meet the shortfall in operating expenses and to maintain the minimum DSCR covenant of 1.10 times during the operations period. The presence of DSRA equivalent to one quarter's repayment obligations and an escrow mechanism provide further comfort.

The rating, however, remains constrained by the modest debt coverage metrics owing to high fixed annual premium payment obligation to the authority. The deferment of the National Highways Authority of India's (NHAI) premium till FY2025 (granted in 2015) reduced the committed obligation and has thereby eased the burden on cash flows. The company has prepaid Rs. 391.3 crore of the NHAI's deferred premium obligation till March 2024 from the operating surplus generated. The rating remains constrained by the absence of major maintenance reserve, thereby necessitating dependence on the sponsor to meet the periodic major maintenance expenditure falling due over FY2027-FY2028. Timely fund infusion by the sponsor and the company's ability to undertake routine and periodic maintenance expenditure within the budgeted costs remains important. The rating remains constrained by risks inherent in toll-based projects, which include risks arising from variation in traffic volume over the project stretch, movement in WPI (for toll rate escalation), political acceptability of toll rate hike over the concession period, development/improvement of alternative routes. The profitability and cash flows of the project remain exposed to the interest rate risk, owing to the floating nature of the interest rate for the project debt.

The Stable outlook reflects ICRA's opinion that ADKTL will continue to benefit from the low alternative route risk, the established traffic density supporting the traffic growth and timely support from the sponsor.

### Key rating drivers and their description

#### Credit strengths

**Operational nature of the project with established traffic** – The project stretch is a part of the busy Chennai-Kolkata corridor on NH-16, which has an established traffic density and a tolling track record of over 10 years. The project stretch is close to the Haldia Port. Low competing alternative routes and an improvement in cargo traffic at the Haldia Port supported traffic

<sup>1</sup> Project has sanctioned debt aggregating Rs. 1610.77 crore and current rating is done on outstanding amount of Rs. 1067.32 crore.

growth in the past. The toll collections witnessed a CAGR of ~7.8% during FY2019-FY2024 to Rs. 515.4 crore in FY2024. Further, the toll collections are expected to increase to more than Rs. 550 crore in FY2025, driven by ~3.3% hike in toll rates and moderate traffic growth of 4-5%.

**Strong profile of the sponsor and sponsor undertaking for debt servicing** – ADKTL is a wholly-owned subsidiary of ACL, which is a part of the Ashoka Buildcon Group. The Group has an established track record in the road sector pertaining to operation and engineering, procurement and construction (EPC) of projects. The rating factors in the sponsor's undertaking to fund any shortfall in the DSRA, to bring any additional funds required to meet the shortfall in operating expenses and to maintain the minimum DSCR covenant of 1.10 times during the operations period.

**Presence of DSRA and escrow mechanism** – Presence of DSRA equivalent to one quarter's debt servicing obligation and an escrow structure provide additional comfort. The availability of the tail period of about nine years for the project provides financial flexibility.

### Credit challenges

**Modest debt coverage metrics owing to high premium payments to NHAI** – ADKTL's debt coverage metrics remained modest owing to high fixed amount of the annual premium payment to the authority. However, in August 2015, it received sanction from the NHAI for premium deferment till FY2025 to the extent of Rs. 1,089 crore, thereby reducing the burden on its cash flows. The company has prepaid Rs. 391.3 crore of the NHAI's deferred premium obligation till March 2024 from the surplus operating cash flows generated, thereby reducing its deferred premium liability and consequent interest charges. The rating remains constrained by the absence of a major maintenance reserve, thereby necessitating dependence on the sponsor to meet the periodic major maintenance expenditure falling due over FY2027-FY2028.

**Risks inherent in BOT (toll) road projects** – ADKTL remains exposed to risks inherent in BOT (toll) road projects, including risks arising from variation in traffic volume over the project stretch, movement in WPI (ADKTL's toll rates are 40% linked to the previous year's December WPI and 3% fixed on base year), political acceptability of toll rate hike over the concession period, development/improvement of alternative routes and likelihood of toll leakages. Further, the project cash flows, and profitability remain exposed to the interest rate risk due to the floating nature of the interest rate.

### Liquidity position: Adequate

ADKTL's liquidity is adequate, supported by DSRA of Rs. 89.02 crore equivalent to ensuing one quarter's principal plus interest obligations. Further, it has free cash balance Rs. 10.25 crore as on May 31, 2024. The external debt obligations (principal + interest) of Rs. 340.2 crore in FY2025 can be comfortably met from its operational cash flows and existing cash balances.

### Rating sensitivities

**Positive factors** – The rating could be upgraded upon significant growth in toll collections, resulting in a material improvement in debt coverage metrics.

**Negative factors** – The rating could face downward pressure in case of a significant decline in toll collections, on a sustained basis, leading to a deterioration in debt coverage metrics. Further, any delay in infusion of support from the sponsor, adversely impacting its liquidity position could lead to pressure on the rating. 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 - BOT Toll</a>
Parent/Group support	Parent Company: Ashoka Concessions Limited (ACL) Ultimate promoter: Ashoka Buildcon Limited (ABL) The rating assigned to ADKTL factors in the likelihood of its ultimate parent, ABL, extending financial support to it (through ACL) because of close business linkages between them. ICRA expects ABL to be willing to extend financial support to ADKTL out of its need to protect its reputation from the consequences of a group entity's distress. There also exists a consistent track record of ABL (through ACL) having extended timely financial support to ADKTL in the past, whenever a need has arisen.
Consolidation/Standalone	Standalone

## About the company

Ashoka Dhankuni Kharagpur Tollway Limited (ADKTL), incorporated in 2011, is a special purpose vehicle (SPV) of ACL. The project is involved in construction and conversion from four lanes to six lanes, operation and maintenance of the Dhankuni-Kharagpur stretch of National Highway-6 (new NH-16, previously NH-6 from 17.6 to 129.0 kilometres) in West Bengal, under the National Highways Development Project Phase V (NHDP- V), on a design, build, finance, operate, transfer (DBFOT) basis. The construction started in April 2012, with scheduled construction end date in September 2014. The concession period for the project is 25 years (including 30 months for construction) with an annual premium payment of Rs. 126.1 crore and a 5% increment every year. ADKTL got sanction for premium deferment from the NHAI in August 2015 for ten years with total deferment not exceeding Rs. 1,089.0 crore.

### Key financial indicators (audited)

ADKTL	FY2023	FY2024
Operating income	466.8	515.4
PAT	-93.4	-67.4
OPBDIT/OI	85.08%	85.10%
PAT/OI	-20.00%	-13.08%
Total outside liabilities/Tangible net worth (times)	-4.87	-4.43
Total debt/OPBDIT (times)	5.20	4.53
Interest coverage (times)	1.00	1.07

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; Total debt includes NHAI deferred premium.

ADKTL 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: None

## Rating history for past three years

Instrument		Current rating (FY2025)			Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				Jul 12, 2024	May 30, 2023	Feb 17, 2023	Jan 18, 2022      Sep 13, 2021
1	Term loan	Long term	1067.32	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ Rating Watch with Developing Implications	[ICRA]BBB+ & [ICRA]BBB+ (Stable)

&: Rating Watch with Developing Implications

## 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 loans	May 2016	NA	Aug 2028	1067.32	[ICRA]BBB+ (Stable)

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

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