

December 02, 2019

Ashoka Belgaum Dharwad Tollway Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term Loan	450.73	450.73	[ICRA]A(CE)(Stable); Reaffirmed
Total	450.73	450.73	

*Instrument details are provided in Annexure-1

Rating Without Explicit Credit Enhancement	[ICRA]BBB
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Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. Earlier, the rating symbol for this instrument/facility used to be accompanied by the (SO) suffix. The change in suffix is not to be construed as a change in rating. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement

Rationale

The above rating is based on the strength of the corporate guarantee provided by Ashoka Concessions Limited (ACL / Guarantor, rated [ICRA]A (Stable)), the parent of Ashoka Belgaum Dharwad Tollway Limited (ABDTL), for the rated Term Loan. The Stable outlook on this rating reflects ICRA's outlook on the rating of the guarantor, Ashoka Concessions Limited.

Adequacy of credit enhancement

The rating of the instrument is based on the credit substitution approach whereby the rating of the guarantor has been translated to the rating of the said instrument. The guarantee is legally enforceable, irrevocable, unconditional, covers the entire amount and tenor of the rated instrument. Given these attributes, the guarantee provided by ACL is adequately strong to result in an enhancement in the rating of the said instrument to **[ICRA]A(CE)** against the rating of [ICRA]BBB without explicit credit enhancement. In case the rating of the guarantor were to undergo a change in future, the same would reflect in the rating of the aforesaid instrument as well.

Salient covenants related to the credit enhancement, as specified in the guaranteed documents

- » *The lenders may act as though the Guarantor were the principal debtor to the Lender.*
- » *The guarantee shall be continuing one and shall remain in full force until the Borrower repays the obligations in full.*
- » *In event of any default by the Borrower, Guarantor shall upon demand forthwith pay to Lenders without demur all amounts payable by the Borrower*

Key rating drivers and their description

Credit strengths

Corporate guarantee provided by ACL to rated bank facilities – The rating is based on the strength of the corporate guarantee provided by the Guarantor. The guarantee is legally enforceable, irrevocable, unconditional, covers the entire amount and tenor of the rated instrument.

Liquidity position

The liquidity position of the guarantor ACL is **adequate**. It does not have any external debt as on March 2019 and has cash and cash equivalents of ~Rs. 1.12 crore as on March 2019. (The rating rationale for Ashoka Concessions Limited can be found [here](#))

Rating sensitivities

Positive Triggers: ICRA could upgrade ABDTL’s rating if there is any improvement in the credit profile of guarantor.

Negative Triggers: Negative pressure on rating could arise in case of deterioration in the credit profile of guarantor or ABDTL’s weakening of linkages with the guarantor.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Approach for rating debt instruments backed by third-party explicit support Rating Methodology for BOT (Toll) Roads
Parent/Group Support	Parent/Group Company: Ashoka Concessions Limited ([ICRA]A (Stable)) Ultimate Parent Company: Ashoka Buildcon Limited The assigned rating is based on the unconditional, irrevocable corporate guarantee extended by ABDTL’s parent company, ACL
Consolidation/Standalone	Standalone

About the company

ABDTL is a special purpose vehicle of ACL, which is a subsidiary of Ashoka Buildcon Limited (ABL). ABDTL is assigned to convert the existing four lanes to six lanes. Additionally, it will operate and maintain the 79.36-km Belgaum-Dharwad stretch of National Highway-4 (NH-4) in Karnataka, under the National Highways Development Project Phase V, on a design, build, finance, operate, transfer (DBFOT) basis. The company started collecting the toll on the existing four lanes from May 2011. The project achieved commencement date (CoD) on March 2014. The concession period for the project is 30 years (including 30 months for construction) and involves an annual grant pay out of Rs. 31.0 crore and a 5% increment every year. ABDTL also got a sanction for a 10-year premium deferment from National Highway Authority of India (NHAI) in September 2014; however, the total deferment should not exceed Rs. 250.0 crore.

Key financial indicators of ABDTL (audited)

	FY2018	FY2019
Operating Income (Rs. crore)	87.6	91.6
PAT (Rs. crore)	-65.8	-55.5
OPBDIT/OI (%)	74.7%	81.8%
RoCE (%)	10.2%	14.1%
Total Outside Liabilities/Tangible Net Worth (times)	-8.08	-6.12
Total Debt/OPBDIT (times)	9.48	8.46
Interest Coverage (times)	0.55	0.63
DSCR	0.42	0.47

Source: Company

About the Guarantor

Incorporated in April 2011, Ashoka Concessions Limited (ACL) is a subsidiary of Ashoka Buildcon Limited (ABL). In 2012, SBI Macquarie infused Rs.800 crore and acquired 34% stake in ACL with ABL holding the remaining 66%. ACL acts as an exclusive BOT project developer for both ABL and Macquarie SBI. ACL currently holds six operational BOT toll projects, one operational BOT annuity project and eight under-construction hybrid annuity projects. Apart from these, one BOT toll project was terminated in April 2016.

Key financial indicators of ACL (audited)

	FY2018	FY2019
Operating Income (Rs. crore)	131.7	90.7
PAT (Rs. crore)	11.6	-73.9
OPBDIT/OI (%)	61.6%	34.7%
RoCE (%)	1.1%	-1.4%
Total Outside Liabilities/Tangible Net Worth (times)	0.08	0.34
Total Debt/OPBDIT (times)	1.56	17.21
Interest Coverage (times)	9.60	0.84
DSCR	9.95	-0.70

Source: Company

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2020)			Rating History for the Past 3 Years						
		Type	Amount Rated	Amount Outstanding (March 31, 2019)	Rating	FY2019	FY2018		FY2017		
					2-Dec-2019	8-Oct-2018	30-Oct-2017	28-Aug-2017	1-Feb-2017	1-Dec-2016	4-Nov-2016
1	Term Loan	Long Term	450.73	448.09	[ICRA]A(CE) (Stable)	[ICRA]A(SO) (Stable)	[ICRA]A(SO) (Stable)	Provisional [ICRA]A(SO) (Stable)	[ICRA]BBB(SO) (Stable)	[ICRA]BB &	[ICRA]BBB(Stable)

Amount in Rs. Crore

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	Jun-2017	NA	Aug- 2028	450.73	[ICRA]A(CE) (Stable)

Source: Company

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