Press Release

Ashoka Belgaum Dharwad Tollway Limited (ABDTL)

21 January, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.454.13 Cr
Long Term Rating	SMERA BBB (SO)/Stable (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned rating of **'SMERA BBB (SO)' (read as SMERA triple B Structured Obligation)** on the above mentioned bank facilities of Ashoka Belgaum Dharwad Tollway Limited (ABDTL). The outlook is **'Stable'**.

ABDTL incorporated in 2010, is the Special Purpose Vehicle (SPV) promoted by Ashoka Group. The company has implemented 79.36 km six laning project at Belgaum-Dharwad section of NH – 4 under design, built, finance, operate and transfer (DBFOT) basis.

Analytical approach: Credit Enhancement in the form of waterfall mechanism in Escrow account

List of key rating drivers and their detailed description

Strengths:

Steady flow of toll revenues: In FY2016, ABDTL achieved operating income of Rs.69.66 crore as against Rs.65.09 crore in FY2015 owing to stable traffic and annual revision of toll rates. For HY2016-17, the company reported revenue of Rs.36.40 crore.

Strong ongoing funding and technical support from the Ashoka group: The management team of the group comprises Mr. Ashish Ashok Katariya, Mr. Rajendra Chand Lalchand Singhvi and Mr. Sharadchandra Damodar Abhyankar who possess over two decades of experience in the infrastructure sector. Ashoka Buildcon Limited (ABL), the sponsor, has an established track record of two decades in executing EPC contracts and (Build, Operate, Transfer) BOT road projects. As on 31 March, 2016, it had an order book of around Rs.41 billion, of which, around 30 per cent was from BOT projects. The company was one of the early entrants in the segment, with the first project executed in 1997. The Ashoka group has 18 BOT projects, of which 13 are operational, two in the final stage of construction, and three in the early stage. The group also has six foot over bridges from which it generates advertising revenue. Of the total projects, seven are housed in Ashoka Concessions Limited (ACL) out of which six are operational and one is in the nascent stage of construction. ABL has been continuously providing funding as well as technical support to all projects. The sponsor support agreement is in place and a copy of the same is available with SMERA.

Sanction of premium deferment by NHAI: The total premium payable is ~Rs.1940.00 crore, of which ABDTL received sanction from the National Highways Authority of India (NHAI) for premium deferment during FY2014-15 to FY2024-25. The deferment will ease the pressure on cash flows and liquidity.

Waterfall mechanism in ESCROW account and Debt-service reserve account (DSRA): ABDTL has escrow mechanism through which cash flows from toll collection is routed and used for payment as per the defined payment waterfall. Only surplus cash flow after meeting operating expense, debt servicing obligation, and provision for major maintenance expense, can be utilised for payment of the deferred premium during the concession period. Furthermore, a debt-service reserve account equivalent to three months of debt servicing obligation, is maintained in the form of bank guarantee given by the sponsor – ABL. Any mismatch in cash flows arising out of lower toll collections is expected to be met through support from ABL.

Weaknesses:

Susceptibility of toll revenues to volatility in traffic volume - inherent traffic risk: ABDTL has implemented 79.36 km six laning project at Belgaum-Dharwad section of NH – 4 under design, built, finance, operate and transfer (DBFOT) basis. Along the project highway there are major settlements such as Belur (industrial area), Tegur (semi-urban area), Kittur (historic place), Hubli (commercial area), Belgaum (city) and Kakti (commercial/industrial area).

The project is entirely toll based, thus operations are susceptible to fluctuations in traffic movements. Traffic movement is linked to level of economic activity in and around the operational area. Any events or regulatory interventions likely to affect traffic movement may create pressure on toll revenues thereby affecting the cash flows of the company. In such situations, the company is dependent on the sponsor for funding support.

Analytical approach: As mentioned above.

Applicable Criteria

- Securitised Transactions - https://www.smera.in/criteria-securitization.htm
- Application of Financial Ratios and Adjustments: https://www.smera.in/criteria-fin-ratios.htm
- Default Recognition: https://www.smera.in/criteria-default.htm

Outlook - Stable

SMERA believes that the outlook on ABDTL's rated facilities will remain stable over the medium term on account steady flow of toll revenues from the project coupled with strong support of the sponsors. The outlook may be revised to 'Positive' in case of significant improvement in toll revenues and augmentation of cash flows from operations. Conversely, the outlook may be revised to 'Negative' in case of sharp decline in toll revenues and/or lack of timely support from the sponsor.

About the Rated Entity

Set up in 2010, ABDTL is a special-purpose vehicle promoted by Ashoka Concessions Limited (subsidiary of Ashoka Buildcon Limited holding 66 per cent) for the implementation of six laning of Belgaum-Dharwad section of NH – 4 from km 433.00 to km 515.00 (length – 79.36 km) in Karnataka. ABDTL commenced toll collection on 30 April, 2015 for a concessional period of 30 years.

For FY2015-16, the company reported net loss of Rs.34.30 crore on operating income of Rs.69.66 crore, as compared with net loss of Rs.31.61 crore on operating income of Rs.65.09 crore in FY2014-15. The net worth stood at Rs.68.85 crore as on March 31, 2016 against Rs.103.16 crore a year earlier.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Term Loan I	LT	105.49	SMERA BBB (SO)/Stable	-	-	-	-	-	-
Term Loan II	LT	105.99	SMERA BBB (SO)/Stable	-	-	-	-	-	-
Term Loan III	LT	76.62	SMERA BBB (SO)/Stable	-	-	-	-	-	-
Term Loan IV	LT	85.18	SMERA BBB (SO)/Stable	-	-	-	-	-	-
Term Loan V	LT	79.52	SMERA BBB (SO)/Stable	-	-	-	-	-	-
Fund Based Facility (Proposed)	LT	1.33	SMERA BBB (SO)/Stable	-	-	-	-	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Term Loan I	01December, 2014	NA	15 August, 2028	105.49	SMERA BBB (SO)/Stable (Assigned)
Term Loan II	01December, 2014	NA	15 August, 2028	105.99	SMERA BBB (SO)/Stable (Assigned)
Term Loan III	01December, 2014	NA	15 August, 2028	76.62	SMERA BBB (SO)/Stable (Assigned)
Term Loan IV	01December, 2014	NA	15 August, 2028	85.18	SMERA BBB (SO)/Stable (Assigned)
Term Loan V	01December, 2014	NA	15 August, 2028	79.52	SMERA BBB (SO)/Stable (Assigned)
Fund Based Facility (Proposed)	NA	NA	NA	1.33	SMERA BBB (SO)/Stable (Assigned)

Note on complexity levels of the rated instrument: https://www.smera.in/criteria-complexity-levels.htm

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ABOUT SMERA

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