

Press Release

Ashoka Dhankuni Kharagpur Tollway Limited (ADKTL)

24 May, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 1607.67 Cr
Long Term Rating	SMERA BBB+ (SO)/Stable (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned ratings of '**SMERA BBB+ (SO)** (**read as SMERA triple B plus structure obligation**)' on the above mentioned bank facilities of Ashoka Dhankuni Kharagpur Tollway Limited (ADKTL). The outlook is '**Stable**'.

ADKTL incorporated in 2011, is a Special Purpose Vehicle (SPV) promoted by Ashoka Group. The company has implemented a 111.40 km six laning project between Dhankuni (near Howrah) and Kharagpur in West Bengal in the section of National Highway-6 under design, built, finance, operate and transfer (DBFOT) basis.

Analytical approach: For arriving at the rating, SMERA has considered the standalone credit profile of ADKTL which is strengthened by the support from the parent company Ashoka Concessions Limited (ACL). Further, SMERA has considered credit enhancement in the form of DSRA equivalent to three months of interest obligations in the form of a bank guarantee and escrow structure with a well-defined waterfall mechanism while arriving at the rating.

List of Key Rating Drivers and their detailed description

Strengths:

Steady flow of toll revenues: ADKTL has road project at Dhankuni (near Howrah) and Kharagpur in West Bengal. The traffic on this stretch is largely influenced by the volume of activity towards Haldia Port and in the region.

In FY16, ADKTL achieved operating income of Rs. 244.22 crore ~20 per cent jump from FY2012. The growth in revenues is driven by increase in toll rates and rise in traffic volumes. For FY2017 (provisional), ADKTL reported collection of Rs. 255.77 crore. During Oct to Dec 2016, toll collections were lower as compared to the corresponding period in the previous year. Toll collections were suspended for 23 days due to demonetisation. The average daily gross collection for December 2016 was Rs. 69.40 lakh against Rs. 70.30 lakh in December 2015 and Rs. 69.50 lakh in October 2016 before demonetisation. Further, the average daily gross collection for March 2017 was Rs. 88.00 lakh against Rs. 75.11 lakh in March 2016.

SMERA believes that ADKTL will benefit from the volume growth in Haldia port region primarily due to the revival in mining activity.

Healthy cash flows and debt serviceability: In FY2016, ADKTL registered net cash accruals (PAT+ Depreciation) of Rs. 39.64 crore vis-a-vis debt servicing commitments of Rs. 1.72 crore. Going ahead, with steady flow of toll collections, net cash accruals are expected to remain positive and improve further. The interest coverage ratio (ICR) stood at 1.27 times and debt service coverage ratio (DSCR) at 1.26 times in FY2016.

Sanction of premium deferment by NHAI: On August 14, 2016, ADKTL project received sanction of premium deferment from NHAI. The total premium payable was ~Rs. 5630.65 crore, of which ADKTL received premium deferment for Rs. 1089.37 cr payable during FY2015-16 to FY2024-25. The deferment of premium has eased the liquidity further.

Strong ongoing funding and technical support from the Ashoka group: The management team of the group comprises Mr. Ashish Ashok Katariya, Mr. Satish Parakh, Mr. Paresh Mehta and Mr. Sanjay Londhe who possess over two decades of experience in the infrastructure sector. Ashoka Buildcon Limited (ABL), the sponsor, has an established track record of over two decades in executing EPC contracts and (Build, Operate, Transfer) BOT road projects. As on December 2016, it has an unexecuted order book of Rs. 6220.30 cr, of which Rs. 1779.30 crore is in BOT, Rs. 2760.20 crore is in EPC (roads) and Rs. 1680.80 crore in T& D Power Sector.

The company was one of the early entrants in the segment, with the first project executed in 1997. ABL along with Ashoka Concessions Limited (ACL), a subsidiary of ABL, has 12 toll based operational projects (6 for NHAi and 6 for State). Further, it has five under construction annuity based projects. The group also has six foot over bridges from which it generates advertising revenue. 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.

Waterfall Mechanism in ESCROW account and Debt-service reserve account (DSRA): ADKTL 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 and ACL.

Weaknesses:

Susceptibility of toll revenue to volatility in traffic volume - inherent traffic risk: ADKTL has implemented 111.4 km six laning project at between Dhankuni (near Howrah) and Kharagpur, in West Bengal under design, built, finance, operate and transfer (DBFOT) basis. Major traffic along the highway is towards Haldia Port, which has shown improvement in traffic movement in the past three years.

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. Other than cyclical, any event or regulatory interventions likely to affect traffic movement may create pressure on toll revenues thereby affecting the cash flows of the company.

SMERA believes that the company's operating performance will remain susceptible to movement in traffic volumes. In the event of a significant mismatch between the company's cash flows from operations and its financial/commercial commitments, the company may have to rely on the support from the sponsor.

Analytical approach: As mentioned above.

Applicable Criteria

- Securitised Transactions - <https://www.smera.in/criteria-securitization.htm>
- Infrastructure Sector - <https://www.smera.in/criteria-infra.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Application Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Outlook - Stable

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

About the Rated Entity - Key Financials

For FY2015-16, ADKTL reported operating income of Rs.244.22 crore as compared to Rs.25.82 crore for FY2014-15. The net worth stood at Rs.153.15 crore as on March 31, 2016 as compared with Rs.186.65 crore as on March 31, 2015.

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	FY 2018			FY 2017		FY 2016		FY 2015	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Term Loan I	LT	392.25	SMERA BBB+ (SO)/Stable (Assigned)	-	-	-	-	-	-
Term Loan II	LT	92.05	SMERA BBB+ (SO)/Stable (Assigned)	-	-	-	-	-	-
Term Loan III	LT	184.10	SMERA BBB+ (SO)/Stable (Assigned)	-	-	-	-	-	-
Term Loan IV	LT	92.05	SMERA BBB+ (SO)/Stable (Assigned)	-	-	-	-	-	-
Term Loan V	LT	294.72	SMERA BBB+ (SO)/Stable (Assigned)	-	-	-	-	-	-
Term Loan VI	LT	184.10	SMERA BBB+ (SO)/Stable (Assigned)	-	-	-	-	-	-
Term Loan VII	LT	92.09	SMERA BBB+ (SO)/Stable (Assigned)	-	-	-	-	-	-
Term Loan VIII	LT	92.19	SMERA BBB+ (SO)/Stable (Assigned)	-	-	-	-	-	-
Term Loan IX	LT	184.12	SMERA BBB+ (SO)/Stable (Assigned)	-	-	-	-	-	-

***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	N.A	N.A	March 2028	392.25	SMERA BBB+ (SO)/Stable (Assigned)
Term Loan II	N.A	N.A	March 2028	92.05	SMERA BBB+ (SO)/Stable (Assigned)
Term Loan III	N.A	N.A	March 2028	184.10	SMERA BBB+ (SO)/Stable (Assigned)
Term Loan IV	N.A	N.A	March 2028	92.05	SMERA BBB+ (SO)/Stable (Assigned)
Term Loan V	N.A	N.A	March 2028	294.72	SMERA BBB+ (SO)/Stable (Assigned)
Term Loan VI	N.A	N.A	March 2028	184.10	SMERA BBB+ (SO)/Stable (Assigned)
Term Loan VII	N.A	N.A	March 2028	92.09	SMERA BBB+ (SO)/Stable (Assigned)
Term Loan VIII	N.A	N.A	March 2028	92.19	SMERA BBB+ (SO)/Stable (Assigned)
Term Loan IX	N.A	N.A	March 2028	184.12	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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