

Change in Rating Symbol

September 16, 2019

Ashoka Dhankuni Kharagpur Tollway Limited

Total Bank Facilities Rated	Rs. 1,607.67 Cr
Long Term Rating	ACUITE BBB+ / Stable

Pursuant to SEBI Circular SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2019/ 70 dated June 13, 2019 there is a revision in the rating symbol. The change to 'CE' suffix / removal of 'SO' suffix for the rated instrument(s) is not to be construed as any change in the rating or Acuite's credit opinion on the said instrument(s). The previous rating rationale is appended herewith for reference.

For the background note, please visit: [https://www.acuite.in/pdf/General%20Communication%20For%20Website%20\(1\).pdf](https://www.acuite.in/pdf/General%20Communication%20For%20Website%20(1).pdf)

Criteria for assigning ratings with 'SO' suffix: <https://www.acuite.in/view-rating-criteria-48.htm>

Criteria for assigning ratings with 'CE' suffix: <https://www.acuite.in/view-rating-criteria-49.htm>

Press Release

Ashoka Dhankuni Kharagpur Tollway Limited

August 06, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 1607.67 Cr.
Long Term Rating	ACUITE BBB+ (SO) / Outlook: Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

ACUITE has reaffirmed the long term rating of '**ACUITE BBB+ (SO)**' (read as **ACUITE triple B plus**) from on the Rs. 1607.67 crore bank facilities of Ashoka Dhankuni Kharagpur Tollway Limited (ADTKL). The outlook is 'Stable'.

ADTKL is a special-purpose vehicle of Ashoka Concessions Ltd (ACL), a 66% subsidiary of Ashoka Buildcon Limited, incorporated in 2011. 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.

Key Rating Drivers

Strengths

- **Steady Flow of revenues**

ADTKL 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. ADTKL has achieved operating income of Rs 321.36 crore in FY2018 as against Rs 261.16 crore in FY2017. The revenues during FY2017 have been partly impacted due to the demonetization event. Further the company has collected Rs 29.60 crore in April 2018 as Rs 26.22 crore in April 2017 and Rs 30.26 crore in May 2018 as against Rs 26.89 crore in May 2017.

- **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. ABL is engaged in the execution of Engineering, Procurement and Construction (EPC) contracts and Build Operate Transfer (BOT) road projects for over two decades. ABL had an order book of Rs.5848.70 Cr. as on March 2018 that includes BOT road projects worth Rs.2236.70 Cr., EPC road projects worth Rs.2019.10 Cr. and EPC Power Transmission and Distribution worth Rs.1593.00 Cr.. Post March 2018, ABL received further orders of Rs.6063 Cr. Thus, the company has a total order book of Rs. 11911.80 Cr. The sponsor support agreement is in place and a copy of the same is available with Acuite.

- **Waterfall mechanism in ESCROW account and Debt-service reserve account (DSRA)**

ADTKL 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

ABL is exposed to risks such as delays in receipt of approvals in the infrastructure segment, which may impact operational cash flows. The timely flow of orders and their execution are critical to the maintenance of a steady revenue growth. ABL is also required to support the projects till the projects reach optimal utilization.

The cash flows of a toll based project are dependent on traffic volumes which in turn are largely influenced by the level of economic activity in and around the area of operation. In the event of a project's cash flows being insufficient to meet its debt servicing commitments/maintenance commitments, the support would be required to be extended from either ABL or ACL. For instance the Sambalpur Baragarh Road Tollway is presently dependent on parent (ACL) support to meet its operational/financial commitments. Additionally, lower than expected traffic volumes due to prolonged slowdown in the economic activity due to events such as mining bans etc. may also impact cash flows causing cash flow mismatches. In such cases, support may be required to be extended to the SPVs.

Analytical Approach

For arriving at the rating, ACUITE has considered the standalone credit profile of ADKTL which is strengthened by the support from the parent company Ashoka Concessions Limited (ACL). Further, ACUITE 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.

Outlook: Stable

Acuite 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

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	321.36	261.16	244.31
EBITDA	Rs. Cr.	244.23	215.16	206.13
PAT	Rs. Cr.	(178.01)	(194.90)	(173.20)
EBITDA Margin	(%)	76.00	82.39	84.37
PAT Margin	(%)	(55.39)	(74.63)	(70.89)
ROCE	(%)	15.13	12.03	22.26
Total Debt/Tangible Net Worth	Times	(4.41)	(8.32)	(29.68)
PBDIT/Interest	Times	0.65	0.58	0.61
Total Debt/PBDIT	Times	6.53	7.50	7.63
Gross Current Assets (Days)	Days	15	29	17

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Entities in the infrastructure sector - <http://acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Criteria For Rating Of Securitized Transactions - <http://acuite.in/view-rating-criteria-29.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
24-May-17	Term Loan	Long Term	1607.67	ACUITE 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	Not Applicable	Not Applicable	Not Applicable	1607.67	ACUITE BBB+ (SO) /Stable (Reaffirmed)

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About Acuité Ratings & Research:

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