

Press Release

Ashoka Dhankuni Kharagpur Tollway Limited

January 04, 2021



Rating Withdrawn

Total Bank Facilities Rated*	Rs. 1607.67 Cr.
Long Term Rating	ACUITE BBB+ (CE**) (Reaffirmed and Withdrawn)

* Refer Annexure for details

**Credit Enhancement in the form of DSRA from the Sponsor Ashoka Buildcon Limited

Rating Rationale

Acuité has reaffirmed and withdrawn the long-term rating of '**ACUITE BBB+ (CE)**' (**read as ACUITE triple B plus credit enhancement**) on the Rs.1607.67 crore bank facilities of Ashoka Dhankuni Kharagpur Tollway Limited (ADKTL). The rating withdrawal is in accordance with Acuité's policy on withdrawal of rating.

The rating is being withdrawn on account of request received from the company and NOC received from the banker.

About the Company

ADKTL 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.

Standalone (Unsupported) Rating: ACUITE BBB

Analytical Approach

For arriving at the rating, Acuité 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 and principal obligations from the Sponsor Ashoka Buildcon Limited (ABL).

Key Rating Drivers

Strengths

• **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 has 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.8371.90 Cr. as on March 31, 2020 that includes BOT road projects worth Rs.4324.20 Cr., EPC road projects worth Rs.2392.50 Cr., EPC Power Transmission and Distribution worth Rs.698.90 Cr, EPC Railways worth Rs.895.90.00 Cr. And City Gas Distribution of Rs. 60.40 Cr. The sponsor support agreement is in place and a copy of the same is available with Acuité.

• **Steady Flow of 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. ADKTL has achieved operating income of Rs 362.36 crore in FY2020 as against Rs 355.34 crore in FY2019. Further, the company has collected Rs. 181.12 crore for the period April-October, 2020 as against Rs 209.03 crore during the same period in previous year. The decline

was mainly due to nationwide lockdown as an impact of COVID-19.

• 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

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. 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.

Rating Sensitivities

Not Applicable

Material Covenants

- The Borrower shall maintain a Debt Service Reserve Account (DSRA) equivalent to debt service requirements to cover principal and interest payments for the following one quarter.
- The Borrower shall maintain Trust and Retention Account (TRA) which shall include, inter-alia, the Proceeds Account, Compensation Account and Insurance Account. Entire cash flows of the company to be pooled in the TRA. The same shall be utilised/applied in a manner and priority stipulated in the Trust and Retention Account Agreement and generally in line with the concession agreement.

Assessment of Adequacy of Credit Enhancement

Not Applicable

Liquidity Position – Adequate

ADKTL has adequate liquidity. The company has negative networth, however, the sponsor has given undertaking to meet shortfall in interest or debt servicing of the loan.

Outlook

Not Applicable

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	362.36	355.34
PAT	Rs. Cr.	(176.75)	(167.47)
PAT Margin	(%)	(48.78)	(47.13)
Total Debt/Tangible Net Worth	Times	(3.16)	(3.99)

PBDIT/Interest	Times	0.72	0.71
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Status of non-cooperation with previous CRA (if applicable)

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition -<https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Entities -<https://www.acuite.in/view-rating-criteria-51.htm>
- Explicit Credit Enhancements -<https://www.acuite.in/view-rating-criteria-49.htm>
- Financial Ratios And Adjustments -<https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
25-Oct-2019	Term loans	Long Term	1585.18	ACUITE BBB+ (CE) /Stable (Reaffirmed)
	Proposed Term loans	Long Term	22.49	ACUITE BBB+ (CE) /Stable (Reaffirmed)
06-Aug-2018	Term loans	Long Term	1607.67	ACUITE BBB+ (SO) /Stable (Reaffirmed)
24-May-2017	Term loans	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. Cr.)	Ratings/Outlook
Term loans	16-Sept-2011	Not Available	01-Aug-2028	378.77	ACUITE BBB+ (CE) (Reaffirmed and Withdrawn)
Term loans	16-Sept-2011	Not Available	01-April-2028	88.57	ACUITE BBB+ (CE) (Reaffirmed and Withdrawn)
Term loans	16-Sept-2011	Not Available	01-Aug-2028	177.44	ACUITE BBB+ (CE) (Reaffirmed and Withdrawn)
Term loans	16-Sept-2011	Not Available	01-Aug-2028	87.18	ACUITE BBB+ (CE) (Reaffirmed and Withdrawn)
Term loans	16-Sept-2011	Not Available	01-April-2028	283.76	ACUITE BBB+ (CE) (Reaffirmed and Withdrawn)
Term loans	16-Sept-2011	Not Available	01-Aug-2028	177.38	ACUITE BBB+ (CE) (Reaffirmed and Withdrawn)
Term loans		Not Available		88.98	ACUITE BBB+ (CE) (Reaffirmed and Withdrawn)

	16-Sept-2011		01-Aug-2028		
Term loans	16-Sept-2011	Not Available	01-April-2028	88.61	ACUITE BBB+ (CE) (Reaffirmed and Withdrawn)
Term loans	16-Sept-2011	Not Available	01-Aug-2028	177.57	ACUITE BBB+ (CE) (Reaffirmed and Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	59.41	ACUITE BBB+ (CE) (Reaffirmed and Withdrawn)

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About Acuité Ratings & Research:

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