

Press Release

Mumbai Wtr Private Limited

June 30, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 750.00 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (**read as SMERA BBB minus**) on the Rs. 750.00 crore bank facilities of Mumbai Wtr Private Limited. The outlook is '**Stable**'.

Mumbai WTR Private Limited (Mumbai WTR), part of the Essel group was incorporated in 2011. An EPC (engineering, procurement and construction) contractor, Mumbai WTR executes projects for the Essel group. It is led by Directors, Mr. Nitin Vitthalrao Thorve, Mr. Mangesh Mukund Deshpande, Mr. Amit Kumar Bera and Mr. Deepak Kumar Gupta.

Key Rating Drivers

Strengths

• Experienced promoters and established market position

The Essel group has over two decades of experience in infrastructure through Essel Infraprojects Limited (EIL). The group has presence in solar, wind, hydro power, water distribution, municipal solid waste (MSW) management and road projects through its flagship infrastructure company EIL. At present, EIL along with Raipur Water Supply Private Limited, promoter entities, hold 95 per cent stake in Mumbai WTR while the rest is held by other entities. However, the shareholding pattern is expected to further undergo change with promoter entities holding majority of the stake in FY2018. Mumbai WTR functions as the EPC aggregator for EIL's solar and power transmission projects. As per the group arrangement, the SPVs of EIL will bid for projects which will be subcontracted entirely or in part to WTR. The latter in turn may subcontract to third parties. Thus WTR will continue to play a pivotal role in Essel group's infrastructure initiatives.

• Healthy order book position

For FY2016-17 (Provisional), Mumbai WTR reported operating income of Rs. 62.07 crore as against Rs. 13.79 crore in FY2015-16. The company has healthy order book of Rs. 2526.38 crore (for solar and power transmission projects) to be executed by 2020. While the order book is from group companies, the ultimate counterparties include Solar Energy Corporation of India, Rural Electrification Corporation Limited and PFC Consulting Limited. The strong order book position provides revenue visibility for the medium term.

• Ongoing support from group companies

EIL and Raipur Water Supply Private Limited together hold 95 per cent stake as on 31 March, 2017. Apart from equity capital, the promoters and other group/related companies have supported Mumbai WTR by way of debentures and unsecured loans from time to time. The promoters have also supported borrowings of Mumbai WTR through corporate guarantees and pledge of shares. The credit facilities of the company are secured by corporate guarantee and pledge of shares of key companies of Essel group. The backing of the Essel group significantly enhances the resource raising ability of Mumbai WTR and strengthens its credit profile. Further, the company will enjoy continuous financial and operational support since it is expected to derive its business from EIL. SMERA believes

that the Essel group will continue to support WTR, as the infrastructure sector is one of the key thrust areas for the group.

Weaknesses

- **Susceptibility of operating performance to timely receipt and execution of orders**

Mumbai WTR is present in the solar and power transmission segments that are focus areas for the government. Hence, the company also faces significant competitive pressures from other industry players, due to which profitability may come under pressure. The timely execution of projects also depends on extraneous factors such as receipt of approvals from the government, availability of funding and other resources for projects. Besides, delays in realisation of receivables from counterparties can prove to be challenging and impact operating cash flows of EPC contractors. The operating margin of Mumbai WTR declined to 27.55 per cent in FY2016 from 36.42 per cent in FY2015. Further, the company incurred net losses of Rs. 108.57 crore due to reduced order flow from group companies in FY2016 vis a vis higher interest cost. SMERA believes that Mumbai WTR will be able to mitigate most of these risks by virtue of its established position. However, the company's credit profile remains vulnerable to slowdown in receipt of orders and delinquencies in respect of the major receivables.

Analytical Approach

SMERA has considered the standalone financial and business risk profiles of Mumbai WTR Private Limited along with the ongoing financial and business support of Essel group to arrive at the rating.

Outlook: Stable

SMERA believes that Mumbai WTR will maintain a stable outlook and continue to benefit over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case of higher-than-expected revenues and improved profitability while maintaining its financial risk profile and liquidity position. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or deterioration in the financial risk profile. This may be owing to higher than expected working capital requirements or lack of funding support from group companies.

About the Rated Entity - Key Financials

For FY2015-16, Mumbai WTR reported net loss of Rs. 108.57 crore on operating income of Rs. 13.79 crore as compared to net profit of Rs. 9.83 crore on operating income of Rs. 315.93 crore in previous years

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*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	Not Applicable	Not Applicable	31-Dec-2021	750.00	SMERA BBB- / Stable

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