

Press Release
Mumbai Wtr Private Limited

October 01, 2018

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

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

Mumbai Wtr Private Limited (MWPL), incorporated in 2011 is a part of Essel Group, the leading industrial group with significant presence in media, entertainment, technology, infrastructure, packaging, financial services and education among others. Mr. Subhash Chandra is the promoter of the Group. MWPL, an EPC contractor company, undertakes projects for the Essel group. It is led by Directors, Mr. Nitin Vitthalrao Thorve, Mr. Mangesh Deshpande, Mr. Amit Bera and Mr. Deepak Gupta.

Analytical Approach

To arrive at its rating, Acuite has considered the standalone financials to evaluate the credit quality of MWPL and subsequently factored support from the Essel Group.

Key Rating Drivers

Strengths

• **Experienced promoter group and established market position**

The Essel group has over two decades of experience in the infrastructure business through Essel Infraprojects Limited (EIL). The group also has its presence in solar, wind, hydro power, water distribution, Municipal solid waste (MSW) management and road projects through EIL. MWPL functions as the EPC aggregator for EIL's solar and power transmission projects. As per the arrangement, the SPVs of EIL will bid for projects which will be subcontracted either entirely or in part to MWPL which in turn will subcontract to third parties. Thus, MWPL will continue to play a pivotal role in Essel group's infrastructure initiatives.

• **Healthy order book position**

For FY2018 (Provisional), MWPL reported operating income of Rs.432.35 crore as against Rs.91.98 crore in FY2017. The company has healthy order book of Rs.1647.32 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, 2018. Apart from equity capital, the promoters and other group/related companies have supported MWPL by way of debentures and unsecured loans from time to time. The credit facilities of the company are secured by pledge of shares of key companies of Essel group. The backing of the Essel group significantly enhances the resource raising ability of MWPL 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. Acuite believes that the Essel group will continue to support MWPL, 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

The solar and power transmission segments are focus areas for the government. This can attract significant investment in the sector making the company exposed to significant competitive pressure from several other 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. Additionally, delays in realisation of receivables from counterparties can also prove to be challenging and impact operating cash flows of EPC contractors. Acuite believes that MWPL will be able to mitigate most of these risks by virtue of its established position. However, company's credit profile remains vulnerable to events like slowdown in receipt of orders or delinquencies in respect of the major receivables.

Outlook: Stable

Acuite believes that MWPL will maintain a stable outlook over the medium term on account of its strong linkages with, and support from, the Essel Group. The outlook may be revised to 'Positive' in case the company exhibits healthy growth in cash accruals while managing its working capital requirements efficiently. Conversely, the outlook may be revised to 'Negative' in case of any dilution of support from the Essel Group, thereby impacting its debt servicing ability or any further deterioration in the financial risk profile and liquidity position of the company.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	432.35	91.98	13.88
EBITDA	Rs. Cr.	92.88	19.93	3.86
PAT	Rs. Cr.	1.49	(4.23)	(105.14)
EBITDA Margin	(%)	21.48	21.67	27.78
PAT Margin	(%)	0.35	(4.60)	(757.32)
ROCE	(%)	7.68	2.59	1.30
Total Debt/Tangible Net Worth	Times	(10.04)	(10.90)	(5.95)
PBDIT/Interest	Times	1.02	0.86	0.08
Total Debt/PBDIT	Times	13.73	57.38	83.25
Gross Current Assets (Days)	Days	1,482	6,886	33,511

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>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Entities in the service sector - <http://acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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
30-Jun-17	Term Loan	Long Term	750.00	ACUITE BBB-/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 loans	Not Applicable	Not Applicable	Not Applicable	750.00	ACUITE BBB-/Stable

Contacts

Analytical	Rating Desk
Aditya Gupta Head- Corporate and Infrastructure Sector Tel: 022-67141111 aditya.gupta@acuite.in Avadhoot Mane Analyst - Rating Operations Tel: 022-67141138 avadhoot.mane@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (*erstwhile SMERA Ratings Limited*) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.