

Press Release

Aiipl Mu Five Project Private Limited

September 11, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 41.77 Cr.
Long Term Rating	Provisional ACUITE BBB+(SO)/ Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**Provisional ACUITE BBB+(SO)**' (**read as Provisional ACUITE triple B Plus structured obligation**) on the Rs. 41.77 crore bank facilities of AIIPL MU FIVE PROJECT PRIVATE LIMITED (AMFPL). The outlook is '**Stable**'.

The rating on the Rs.41.77 crore proposed term loan is provisional and the final rating is subject to the execution and validation of the following documents by Acuité:

- Receipt of accepted copy of sanction letter from Bank/Financial Institution.
- Sponsor support agreement entered into between Sponsor, SPV and lender/s.

The provisional rating is valid for 90 days and Acuité reserves the right to alter/modify/withdraw the rating any time prior to 90 days, in the case of occurrence of any material credit event.

AMFPL is wholly-owned Special Purpose Vehicle (SPV) sponsored by Anish Infracon India Private Limited (Anish) for construction, improvement and widening of Mokhada-Kasara- Dolkhamb-Tokawade-Vaishakhare-Mhasa Road Tal. Shahapur and Murbad District Thane of state highway 78 in the state of Maharashtra. The project road runs from 44/100 to 130/540 thereby covering a length of 80.35 KM.

The project has been awarded by Public Work Department, Government of Maharashtra (GoM) for concession period of 11.50 years including construction period of 1.5 years. The project is to be executed on Design, Build, Operate and Transfer (DBOT), Hybrid Annuity Model basis i.e. post completion of construction, SPV will benefit from 20 bi-annual annuities of 40% of completion cost in addition to O&M expenses and interest cost (adjusted for price inflation index). AMFPL signed the concession agreement with PWD, GoM on August 08, 2018. The appointed date was obtained in January 2019 and the scheduled commercial operation date (COD) is July 11, 2020.

Analytical Approach

For arriving at the rating, Acuité has considered the standalone credit profile of AMFPL, which is strengthened by the support from the parent company ANISH Infracon India Private Limited (ANISH). Further, Acuité has considered credit enhancement in form of escrow structure with a well-defined waterfall mechanism while arriving at the rating.

Key Rating Drivers

Strengths

• Benefits derived from the annuity-based revenue model

The project being developed has an annuity-based revenue model. Under this model, the PWD, Maharashtra makes bi-annual payment over the concession period to the concessionaire. The company does not bear any traffic risk as it recovers whole of the capital cost through annuity. Further, bi annual operational and maintenance expense and interest cost reimbursement to the extent of bank rate+3 per cent is given to the concessionaire during the concession phase. The company has achieved ~30 per cent construction stage against which it has received 10 per cent mobilisation advance and two milestone payment from the authority till August 2019.

- **Technical and financial support from Anish Infracon India Private Limited**

ANISH has more than three decades of experience in the construction business and have established a track record for successful project execution. The company is led by the Vijapura family, since inception. Extensive experience of the promoters has helped the company in establishing and maintaining healthy relations with clients and sanctioning authorities. The promoters' extensive experience is also reflected through the healthy order book position of around Rs.500.00 crore as on 30 June, 2019.

Acuité believes that sponsor's entrepreneurial experience and long track of operations will support its business risk profile over the medium term. Further, ANISH has contributed 10 per cent funding in the HAM project.

- **Waterfall mechanism in ESCROW account**

AMFPL has escrow mechanism through which cash flows from Authority 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 as per borrower's discretion during the concession period. Furthermore, bank guarantee given by the sponsor - ANISH. The bank facilities will be backed by corporate guarantee from ANISH.

Weaknesses

- **Susceptibility to risks related to delay in receipt of annuity**

As per the concession agreement, the company is expected to receive a semi-annual annuity. Any delay in timely receipt of the annuity could adversely impact debt-servicing ability.

- **Funding risk**

AMFPL is yet to achieve financial closure for its project. The total project cost is of Rs.139.22 crore and it is funded by debt of Rs.41.77 crore, equity of Rs.13.92 crore and PWD grant of Rs.83.83 crore.

Acuité believes that the any delay in project funding will have negative bias on the rating and will be a key moniterable.

Liquidity Position

The company is yet to meet financial closure thus, no fund based or non-fund based facility is outstanding as on date.

Outlook: Stable

Acuité believes that the outlook on AMFPL's rated facilities will remain 'Stable' over the medium term on account of steady flow of annuity from the project coupled with strong support of sponsors. The outlook may be revised to 'Positive' in case of significant improvement in free cash flow from operations. Conversely, the outlook may be revised to 'Negative' in case of delays in completion of the project or lack of timely support from the sponsor.

About the Rated Entity - Key Financials

	Unit	FY2019(Actual)	FY2018 (Actual)	FY2017 (Actual)
Operating Income	Rs. Cr.	NA	NA	NA
EBITDA	Rs. Cr.	NA	NA	NA
PAT	Rs. Cr.	NA	NA	NA
EBITDA Margin	(%)	NA	NA	NA
PAT Margin	(%)	NA	NA	NA
ROCE	(%)	NA	NA	NA
Total Debt/Tangible Net Worth	Times	NA	NA	NA
PBDIT/Interest	Times	NA	NA	NA
Total Debt/PBDIT	Times	NA	NA	NA
Gross Current Assets (Days)	Days	NA	NA	NA

The operations commenced from January 2019.

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>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	41.77	Provisional ACUITE BBB+(SO)/ Stable

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About Acuité Ratings & Research:

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