

Press Release

AIPL Mu Five Project Private Limited

June 14, 2021



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BBB+**' (**read as ACUITE triple B plus**) on the Rs.41.77 crore bank facilities of AIPL Mu Five Project Private Limited (AMFPPL). The outlook is '**Stable**'.

About the Company

AMFPPL is wholly-owned Special Purpose Vehicle (SPV) sponsored by Anish Infracon India Private Limited (AIPL) for construction, improvement and widening of Mokhada-Kasara-Dolkamb-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 revised scheduled commercial operation date (COD) was March 31, 2021. The construction was completed on time and the company is awaiting the completion certificate. The first annuity payment is expected in October, 2021.

Analytical Approach

For arriving at the rating, Acuité has considered the standalone credit profile of AMFPPL, which is strengthened by the support from the parent company Anish Infracon India Private Limited (AIPL). Further, Acuité has also considered credit enhancement in the form of corporate guarantee from sponsor and DSRA equivalent to six months interest & principal installments and escrow mechanism with a well-defined waterfall mechanism, as specified in the loan sanction letter 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 100 per cent construction stage against which it has received 10 per cent mobilisation advances and four-milestone payment from the authority till March, 2021 and fifth milestone payment is expected to receive in next one month.

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

AIPL has more than four 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.857.45 crore as on 31 March, 2021. Acuité believes that sponsor's entrepreneurial experience and long track of operations will support its business risk profile over the medium term. Further, AIPL has contributed 10 per cent funding in the HAM project.

- **Waterfall mechanism in ESCROW account**

AMFPPL 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 - AIIPL. The bank facilities will be backed by corporate guarantee from AIIPL.

Weaknesses

- **Susceptibility to risks related to delay in receipt of annuity and changes in operational cost & interest rate**

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. Along with fixed annuities, the project will receive interest payments on the balance annuities that are linked to the prevailing bank rate. The bank rate has reduced significantly in past couple of years which has impacted the project inflow as a large proportion of the cash inflow is from the interest on balance annuities. However, this risk is partially offset as the interest rate on debt is floating and is also expected to follow the trend in bank rates thus keeping DSCR in check.

Further, the company is exposed to risks related to maintenance of the project. If the prescribed standards are not met, annuity payment may be reduced. Any significant delay and deduction in annuities could impact the debt servicing ability of the company. However, strong track record of sponsor, who is also the O&M contractor, is expected to mitigate this risk.

Rating Sensitivity

- Timely receipt of grants and annuity payments from the Government
- Significant deterioration in the sponsor's credit profile

Material Covenants

- The borrower/sponsor shall maintain DSRA which is to be created upfront upon COD, of an amount equivalent to the next six months of principal, interest, fees and all other obligations due and payable in respect of facility amount.

Liquidity Position – Adequate

AMFPPL's liquidity position is adequate marked by continuous support from the parent AIIPL and timely milestone payment received from PWD, while executing the project. The project was completed as per schedule time. Further, the company has also received sanction of Rs.41.77 crore. Acuité expects the liquidity of AMFPPL is likely to remain adequate backed by consistent support from parent and government in terms of milestone and annuity payments.

Outlook: Stable

Acuité believes that the outlook on AMFPPL's rated facilities will remain 'Stable' over the medium term on account of steady flow of milestone payments and annuity from the government 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	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	41.95	13.92
PAT	Rs. Cr.	0.06	0.06
PAT Margin	(%)	0.15	0.40
Total Debt/Tangible Net Worth	Times	1.12	40.49
PBDIT/Interest	Times	1.03	2.00

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Criteria For Group And Parent Support - <https://www.acuite.in/view-rating-criteria-47.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
20-Mar-2020	Term Loan	Long Term	41.77	ACUITE BBB+ (CE)/Stable (Assigned)
11-Sept-2019	Proposed Term Loan	Long Term	41.77	ACUITE Provisional 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 Loan	31-Mar-2020	11.30%	31-Mar-2029	41.77	ACUITE BBB+/Stable (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President- Corporate and Infrastructure Sector Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Aishwarya Phalke Senior Analyst - Rating Operations Tel: 022-49294031 aishwarya.phalke@acuite.in	

About Acuité Ratings & Research:

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