

## Press Release

### Shahpur Road Project Private Limited

June 17, 2022



### Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	14.42	ACUITE BBB+   Positive   Assigned	-
Bank Loan Ratings	35.08	ACUITE BBB+   Positive   Reaffirmed   Stable to Positive	-
Total Outstanding Quantum (Rs. Cr)	49.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) on the Rs.35.08 crore bank facilities of Shahpur Road Project Private Limited (SRPPL). The outlook is revised from '**Stable**' to '**Positive**'.

Also, Acuite has assigned its long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) on the Rs. 14.42 crore bank facilities of Shahpur Road Project Private Limited (SRPPL). The outlook is '**Positive**'.

#### Rationale for revision in Outlook

The revision in outlook from Stable to Positive considers the completion of project on time along with all the milestone payments received from PWD. However, the completion certificate from authorities and bi-annual annuity payments for October 2021 and March 2022 are yet to be received by the company. Acuite has also considered the technical support and funding support in the form of corporate guarantees for the loan availed from the sponsor while arriving at the rating.

#### About the Company

SRPPL is wholly-owned Special Purpose Vehicle (SPV) sponsored by Anish Infracon India Private Limited (Anish) for construction, improvement and widening of (a) Shahpur Shenwa Dolkhambh Chonda Sangamner Shegaon nanded Dharmabad Raod SH-50 and, (b) Kambare Piwali NH-3 to Washind Road MDR-57 District Thane, state of Maharashtra. The project covering a length of 58.650 KM.

The project has been awarded by Public Work Department, Government of Maharashtra (GoM) for concession period of 11.08 years including a 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 per cent of completion cost in addition to O&M expenses and interest cost (adjusted for price inflation index). SRPPL signed the concession agreement with PWD, GoM on August 22, 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 final completion certificate.

## Analytical Approach

For arriving at the rating, Acuité has considered the standalone credit profile of Shahpur Road Project Private Limited (SRPPL), which is strengthened by the support from the parent company Anish Infracon India Private Limited (AIPL). Further, Acuité has also considered the 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 all milestone payment from the authority. However, company has not received the final completion certificate yet and annuity payments are yet to be started.

#### >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. 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

SRPPL 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 - AIPL. The bank facilities will be backed by corporate guarantee from AIPL.

### 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 Sensitivities

>Timely receipt of 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

SRPPL's liquidity position is adequate marked by continuous support from the parent AIPL and all the milestone payment received from PWD, while executing the project. The project was completed as per schedule time. Acuité expects the liquidity of SRPPL is likely to remain adequate backed by consistent support from government receivable in terms of annuity payments and also DSRA to be maintained by the company equivalent to six months installments and interest.

### Outlook: Positive

Acuité believes that the outlook on SRPPL's rated facilities will remain 'Positive' over the medium term on account of completion of project on time and expected annuity payments from the government coupled with strong support of sponsors. The rating may be upgraded in the case of receipt of completion certificate and timely receipt of bi-annual annuity payments from the government. Conversely, the outlook may be revised to 'Stable' in case of delays in receipt of completion completion or lack of timely annuity repayment from the government.

### Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	17.09	16.32
PAT	Rs. Cr.	0.06	0.12
PAT Margin	(%)	0.37	0.73
Total Debt/Tangible Net Worth	Times	3.28	3.18
PBDIT/Interest	Times	1.01	1.06

### 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 Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
14 Jun 2021	Term Loan	Long Term	35.08	ACUITE BBB+   Stable (Reaffirmed)
23 Mar 2020	Term Loan	Long Term	35.08	ACUITE BBB+ (CE)   Stable (Assigned)
11 Sep 2019	Proposed Term Loan	Long Term	35.08	ACUITE Provisional BBB+ (SO)   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	14.42	ACUITE BBB+   Positive   Assigned
Bank of India	Not Applicable	Term Loan	31-03-2020	11.30	31-03-2029	35.08	ACUITE BBB+   Positive   Reaffirmed   Stable to Positive

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### About Acuité Ratings & Research

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