

Press Release
SHAHPUR ROAD PROJECT PRIVATE LIMITED
July 04, 2023
Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	St
Bank Loan Ratings	49.50	ACUITE BBB+ Stable Reaffirmed Positive to Stable	-
Total Outstanding Quantum (Rs. Cr)	49.50	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) on the Rs.49.50 crore bank facilities of Shahpur Road Project Private Limited (SRPPL). The outlook is revised from '**Positive**' to '**Stable**'.

Rationale for Rating Reaffirmation and revision in outlook

The rating reaffirmation takes into account the completion of project on time along with the receipt of all the milestone payments from PWD and receipt of regular bi-annuity dues till date. SRPPL has received four annuity payments i.e. for September 2021, April 2022, October 2022, March 2023 respectively. Further, the rating factors in the adequate liquidity position of the company supported by DSRA created equivalent to 2HY installments and six months interest and escrow mechanism.

Post the commencement of operations, the dependence of SRPPL on AIPL (sponsor entity) remains limited as the operation and maintenance of the project is also undertaken by the co-sponsor Milan Road Builtech LLP. In view of the same, the rating no longer derives support from the sponsor entity – Anish Infracon Pvt Ltd.

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 has received final completion certificate.

Analytical Approach

For arriving at the rating, Acuite has considered the standalone credit profile of Shahpur Road Project Private Limited (SRPPL). Since the completion of the project, the dependance of SRPPL on AIPL (sponsor entity) has been reduced significantly. In view of the same, the rating no longer derives support from the sponsor entity – Anish Infracon Pvt Ltd.

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.

- **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.

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

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 timely receipt of milestone payments from PWD while executing the project. The project was completed as per schedule time and also the company has started receiving annuity payments from September, 2021 onwards. 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 maintained by the company equivalent to 2HY installments and six months of interest.

Outlook: Stable

Acuité believes that the outlook on PRPPL's rated facilities will remain 'Stable' over the

medium term on account of steady flow of bi-annual 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 receipt of the annuity or lack of timely support from the sponsor.

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	17.00	16.32
PAT	Rs. Cr.	0.05	0.12
PAT Margin	(%)	0.29	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)

None

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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
17 Jun 2022	Term Loan	Long Term	35.08	ACUITE BBB+ Positive (Reaffirmed)
	Proposed Term Loan	Long Term	14.42	ACUITE BBB+ Positive (Assigned)
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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	49.50	ACUITE BBB+ Stable Reaffirmed Positive to Stable

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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