

Press Release

Shenwa Infrastructure Private Limited

March 20, 2020



Rating Assigned

Total Bank Facilities Rated*	Rs.30.19 Cr.
Long Term Rating	ACUITE BBB+ (CE) / Outlook: Stable# (Converted from Provisional Rating to Final Rating)

* Refer Annexure for details

#CE in parenthesis suffixed to the rating symbol stands for Credit Enhancement. This symbol is in line with SEBI circular dated June 13, 2019. A CE rating is specific to the rated issue, its terms, and its structure.

Rating Rationale

Acuité has converted the provisional rating to final rating of long term rating of '**ACUITE BBB+ (CE)**' (**read as ACUITE triple B plus (Credit Enhancement)**) on the Rs.30.19 crore of bank facilities of SHENWA INFRASTRUCTURE PRIVATE LIMITED (SIPL). The outlook is '**Stable**'. The conversion of the rating from a provisional rating to a final rating reflects satisfactory completion of the documentation as required by Acuité.

Acuité has received the following final documents from SIPL:

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

The key transaction terms in the executed documents are in line with the proposed terms at the time of provisional rating.

SIPL is wholly-owned Special Purpose Vehicle (SPV) sponsored by Anish Infracon India Private Limited (Anish) for construction, improvement and widening of (a) Shenwa-Kinawali-Nagav-Kalambe-Dehari Road and, (b) Arjunoli-Amne-Titwala Goveli NH-222 Rayta-Dahagaon-Dapivali-Yeranjav-Badlapur Road in District Thane, state of Maharashtra. The project road runs from 0/00 to 32/400 and 0/00 to 32/500 respectively thereby covering a length of 45.820 KM.

The project has been awarded by Public Work Department, Government of Maharashtra (GoM) for concession period of 11.50 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). SIPL signed the concession agreement with PWD, GoM on August 22, 2018. The appointed date was obtained in January 2019 and the scheduled commercial operation date (COD) is July 09, 2020.

Standalone (Unsupported) Rating

ACUITE BBB-/Stable

Analytical Approach

For arriving at the rating, Acuité has considered the standalone credit profile of SIPL, 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 ~55 per cent construction stage against which it has received 10 per cent mobilisation advances and two-milestone payment from the authority till February, 2020 and third milestone payment is expected to receive in next one month.

• 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.341.00 crore as on 29 February, 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

SIPL 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.

Rating Sensitivities

- Timely project execution as per schedule
- Dilution of support from parent company or delays in milestone payment from government leading to increased dependence on external borrowings will have negative bias on the rating.

Material Covenants

None

Liquidity Position: Adequate

SIPL's liquidity position is adequate marked by continuous support from the parent ANISH and timely milestone payment received from PWD, while executing the project. The project is going as per schedule time. Further, the company has also received sanction of Rs.30.19 crore. Acuité expects the liquidity of SIPL 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 SIPL'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	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	10.12	NA
PAT	Rs. Cr.	0.05	NA
PAT Margin	(%)	0.51	NA
Total Debt/Tangible Net Worth	Times	20.27	NA
PBDIT/Interest	Times	2.31	NA

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Infrastructure Sector - <https://www.acuite.in/view-rating-criteria-51.htm>
- 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/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
11-Sep-2019	Proposed Term Loan	Long Term	30.19	Provisional ACUITE 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	22-Jan-2020	Not Applicable	31-Mar-2029	30.19	ACUITE BBB+ (CE) / Stable (Assigned)

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About Acuité Ratings & Research:

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