

Press Release

Shenwa Infrastructure Private Limited

June 17, 2022



Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	13.00	ACUITE A- Stable Assigned	-
Bank Loan Ratings	30.19	ACUITE A- Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	43.19	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded its long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) from '**ACUITE BBB+**' (read as **ACUITE triple B plus**) on the Rs. 30.19 crore bank facilities of Shenwa Infrastructure Private Limited (SIPL). The outlook is 'Stable'.

Also, Acuite has assigned its long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) on the Rs.13.00 crore bank facilities of Shenwa Infrastructure Private Limited (SIPL). The outlook is 'Stable'.

Rationale for upgrade in rating

The upgrade in rating considers the completion of project on time along with all the milestone payments received from PWD and also two annuity payments has been received by the company for October 2021 and March 2022. Further, the rating factors in the adequate liquidity of the company in the form of DSRA created equivalent to 2HY installments and six months interest and escrow mechanism. 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

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 revised scheduled commercial operation date (COD) was March 31, 2021. The construction was completed on time and the company has also received the final completion certificate. The two annuity payments has also been received by the company in October 2021 and March 2022 respectively.

Analytical Approach

For arriving at the rating, Acuité has considered the standalone credit profile of Shenwa Infrastructure Private Limited (SIPL), which is strengthened by the support from the parent company Anish Infracon India Private Limited (AIPL). Further, Acuité has also considered corporate guarantee from sponsor and DSRA equivalent to 2HY instalments and six months interest 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. Further, the company has received the final completion certificate and two annuity payments from the authorities in October 2021 and March 2022 respectively. And also the existing loan with Bank of India has been taken over by SBI with a Top up loan of Rs 13.00 crores amounting to total loan sanctioned of Rs 43.19 crores.

>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

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 - 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 going forward
- >Significant deterioration in the sponsor's credit profile

Material covenants

The borrower/sponsor shall maintain DSRA which is to be created upfront, of an amount equivalent to the two Half year installments and six months of interest and all other obligations due and payable in respect of facility amount.

Liquidity Position: Adequate

SIPL's liquidity position is adequate marked by timely milestone payment received from PWD, while executing the project and also the company has started receiving annuity payments from October 2021 and has already received the two bi-annual payments. The project was completed as per schedule time. Acuité expects the liquidity of SIPL is likely to remain adequate backed by consistent support from government 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 AMFPPL'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 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	8.96	29.04
PAT	Rs. Cr.	0.07	0.11
PAT Margin	(%)	0.83	0.36
Total Debt/Tangible Net Worth	Times	7.02	3.06
PBDIT/Interest	Times	1.02	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>
- 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
14 Jun 2021	Term Loan	Long Term	30.19	ACUITE BBB+ Stable (Reaffirmed)
20 Mar 2020	Term Loan	Long Term	30.19	ACUITE BBB+ (CE) Stable (Assigned)
11 Sep 2019	Proposed Term Loan	Long Term	30.19	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
State Bank of India	Not Applicable	Term Loan	29-03-2022	8.45	30-10-2029	30.19	ACUITE A- Stable Upgraded
State Bank of India	Not Applicable	Term Loan	29-03-2022	8.45	30-10-2029	13.00	ACUITE A- Stable Assigned

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About Acuité Ratings & Research

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