

Press Release

RBG JSC Infrastructure Private Limited

August 06, 2020



Rating Assigned

Total Bank Facilities Rated*	Rs.29.72 Cr.
Long Term Rating	ACUITE BBB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BBB** (read as ACUITE triple B) on the Rs.29.72 crore of bank facilities of RBG JSC Infrastructure Private Limited (RJIP). The outlook is '**Stable**'.

RJIP is a Special Purpose Vehicle (SPV) sponsored by R B Ghodke (RBG) (74%) and Jai Sai Construction (JSC) (26%) for construction, for improvement and widening of Shelu-Washim Road in District Washim, state of Maharashtra. The road project covers a length of 32 KM.

The project has been awarded by Public Work Department (PWD), Government of Maharashtra (GoM) for a concession period of 10 years and construction period of 2 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). RJIP signed the concession agreement with PWD, GoM on Dec 28, 2018. The appointed date was obtained in January 2019 and the scheduled commercial operation date (COD) is January 24, 2021.

Analytical Approach

For arriving at the rating, Acuité has considered the standalone credit profile of RJIP.

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 a bi-annual payment over the concession period to the concessionaire. The company does not bear any traffic risk as it recovers the whole of the capital cost through an 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 ~93.75 per cent construction stage against which it has received mobilisation advances and all three-milestone payment from the authority till June, 2020.

- **Technical and financial support from R B Ghodke (RBG)**

RBG has more than three decades of experience in the construction business and has established a track record for successful project execution. The firm is led by the Ghodke family, since inception. Extensive experience of the promoters has helped the company in establishing and maintaining healthy relations with clients and sanctioning authorities. Further, RBG has contributed 10 per cent funding in the HAM project. The promoter's extensive experience is also reflected through the healthy order book position of around Rs.123.13 crore for RBG as on June, 2020.

Acuité believes that sponsor's entrepreneurial experience and long track of operations will support its business risk profile over the medium term.

- **Waterfall mechanism in ESCROW account**

RJIP has an escrow mechanism through which cash flows from PWD 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 for subsequent debt obligation during the concession period.

Weaknesses

- **Susceptibility to risks related to delay in receipt of an 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.

RJIPL would be incurring loss in FY2024 and FY2028 on account of major maintenance expense. However, RJIPL would be maintaining a separate MMR fund from FY2022 in order to complete that expense without any burden.

Rating Sensitivities

- Timely project execution as per schedule
- Delays in annuity payment from government leading to increased dependence on external borrowings will have a negative bias on the rating

Material Covenants

None

Liquidity Position: Adequate

RJIPL's liquidity position is adequate, marked by continuous support from the parent RBG and timely milestone payment received from PWD, while executing the project. The project is going as per schedule time. Further, the financial closure of the company has completed. Repayments of Rs.29.72 crore term loan would commence from FY2021. The company would be receiving 20 bi-annual annuities of 40% of the total project cost, which would be utilising in repaying external debt. Acuité expects the liquidity of RJIPL is likely to remain adequate backed by consistent support from parent and government in terms of annuity payments along with maintenance and interest on an annuity.

Outlook: Stable

Acuité believes that the outlook on RJIPL rated facilities will remain 'Stable' over the medium term on account of the steady flow of milestone payments and annuity from the government coupled with the strong support of sponsors. The outlook may be revised to 'Positive' in case of a 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 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	69.01	0.00
PAT	Rs. Cr.	1.95	0.00
PAT Margin	(%)	2.83	0.00
Total Debt/Tangible Net Worth	Times	0.00	263.31
PBDIT/Interest	Times	4.27	9.05

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

Not Applicable

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/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Not Applicable

***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-Jan-2022	Not Applicable	31-Jan-2029	29.72	ACUITE BBB / Stable

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About Acuité Ratings & Research:

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