

## Press Release

### RBG JSC Infrastructure Private Limited

November 08, 2021

### Rating Upgraded



<b>Total Bank Facilities Rated*</b>	Rs. 29.72 Cr
<b>Long Term Rating</b>	ACUITE BBB+/Stable (Upgraded from ACUITE BBB/Stable)

\* Refer Annexure for details

### Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BBB+**' (read as **ACUITE triple B plus**) from '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs.29.72 crore bank facilities of RBG JSC Infrastructure Private Limited (RJPL). The outlook is '**Stable**'.

### Rationale for Rating Upgrade

The rating upgrade factors in the completion of project before time and strong characteristics of hybrid annuity model-based road projects such as inflation linked operational annuities, O&M payments and bank-rate linked interest payment to be received from the PWD. The rating also factors the strong Counterparty Linked Revenue Profile. The rating is, however, constrained by susceptibility to risks related to delay in receipt of annuity and changes in operational cost & interest rate

### About the company

RJPL was incorporated in 2018 and it is a wholly owned Special Purpose Vehicle (SPV) sponsored by R B Ghodke and Jai Sai Construction for construction, improvement of Shelu-Washim Road District Washim in the state of Maharashtra. The project road covers a length of 32.00 km. It is promoted by Mr. Ramprasad Ghodke.

The project has been awarded by Public Work Department, Government of Maharashtra for concession period of 10 years after 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% of completion cost in addition to O&M expenses and interest cost (adjusted for price inflation index). RJPL signed the concession agreement with PWD, GoM on December 28, 2018. The appointed date was obtained in January 2018 and the commercial operation date (COD) is 30 November, 2020.

### Analytical approach

For arriving at this rating, Acuite has taken the standalone business and financial risk profile of the company. The financial support expected from the Parent/Sponsor companies R B GHODKE (RBG) whenever required by RJPL, has been factored 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. Therefore, 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 percent is given to the concessionaire during the concession phase. The company has achieved COD in November, 2020 against which it has received 10 per cent mobilisation advances and all five milestone payment from the authority and the company also received part payment of 1<sup>st</sup> Annuity.

Acuite believes that RJPL will benefit from favorable clauses in the concession agreement under the HAM.

• **Technical and financial support from R B GHODKE**

RBGIPL have 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 Ghodke family, since its 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.127.41 crore as on 31 March, 2021. Hence, the healthy order book provides healthy revenue visibility over the medium term. Acuite believes that promoters' entrepreneurial experience and long track of operations will support its business risk profile over the medium term.

• **Strong Counterparty Linked Revenue Profile**

The project shall receive 40% of the actual completion cost (Rs. 55.04 Crore) adjusted for Price Index Multiple, in the form of biannual annuity instalments from PWD for 10 years, which has already commenced from May 2021. Along with annuity payments, interest shall be payable to RJPL on reducing the completion cost net of construction grants at a rate equal to bank rate (4.25%) plus 3%. PWD shall also reimburse Rs.39.52 Crore (O&M bid quote) adjusted to Price Index Multiple on the annuity payment dates to RJPL.

• **Waterfall mechanism in ESCROW account**

RJPL has an escrow mechanism through which cash flows from PWD is routed 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 utilized for subsequent debt obligation during the concession period.

**Weakness**

• **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. 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. RJPL would be incurring loss in FY2024 and FY2028 on account of major maintenance expense. However, RJPL would be maintaining a separate MMR fund from FY2022 in order to complete that expense without any burden. Also, strong track record of sponsor, who is also the O&M contractor, is expected to mitigate this risk.

**Rating sensitivities**

- Delay in receipt of annuity and interest payments

**Material Covenant**

None

**Liquidity Position: Adequate**

RJPL's liquidity position is adequate marked by continuous support from the parent RB Ghodke and timely milestone payment received from PWD, while executing the project. The project was completed before the scheduled time. Further, the company has also received sanction of Rs.29.72 crore. Acuite expects the liquidity of RJPL is likely to remain adequate backed by consistent support from parent and government in terms of milestone and annuity payments.

**Outlook: Stable**

Acuite believes that the outlook on RJPL rated facilities will remain stable over the medium term on account of steady flow of annuity from the project coupled with strong support of sponsors. The outlook may be revised to 'Positive' in case of significant improvement free cash flow from operations. Conversely, the outlook may be revised to 'Negative' in case of delays in annuity receipt or lack of timely support from the sponsor.

### About the Rated Entity - Key Financials

	Unit	FY21 (Prov)	FY20 (Actual)
Operating Income	Rs. Cr.	65.28	69.01
PAT	Rs. Cr.	2.13	0.51
PAT Margin	(%)	3.26	0.73
Total Debt/Tangible Net Worth	Times	2.14	-
PBDIT/Interest	Times	2.31	2.40

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

None

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities in Services Sector- <https://www.acuite.in/view-rating-criteria-50.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
06-Aug-20	Term Loan	Long term	29.72	ACUITE BBB/Stable (Assigned)

### \*Annexure 1- Details of instruments rated

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
State Bank of India	Term Loan	25-Oct-2019	Not Available	30-Nov-2028	29.72	ACUITE BBB+/Stable (Upgraded from ACUITE BBB/Stable)

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