

Press Release

RBG JSC Infrastructure Private Limited

February 01, 2023



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	29.72	ACUITE BBB+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	29.72	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

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

Rationale for Rating Reaffirmation

The rating reaffirmation factors in the strong characteristics of hybrid annuity model-based road project executed by the company 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 which is in the form of biannual annuity instalments from PWD for 10 years and adjusted with Price Index Multiple which already commenced from May 2021. 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

RBG JSC Infrastructure Private Limited was incorporated in 2018 and is a wholly owned Special Purpose Vehicle (SPV) sponsored by R B Ghodke Infrastructure Private Limited (RBGIPL) 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. The project was awarded by Public Work Department, Government of Maharashtra for concession period of 10 years after construction period of 2 years. The project was executed on Design, Build, Operate and Transfer (DBOT), Hybrid Annuity Model basis i.e., post completion of construction, SPV was to be benefited from 20 bi-annual annuities of 40% of completion cost in addition to O&M expenses and interest cost (adjusted for price inflation index).

Analytical Approach

For arriving at this rating, Acuité has taken the standalone business and financial risk profile of the company. The financial support expected from the Parent/Sponsor companies R B GHODKE Infrastructure Private Limited (RBGIPL) whenever required by RJ IPL, has been factored while arriving at the rating.

Key Rating Drivers

Strengths

Benefits derived from the annuity-based revenue model

The company was awarded with a road project covering a length of 32.00 km which was awarded by Public Work Department, Government of Maharashtra for concession period of 10 years after construction period of 2 years. 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) being 30 November 2020. The project was completed by the Company 2 months before the scheduled date of January 2021, and is now receiving annuities, interest, and O&M payments. The project completed 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, biannual 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. In FY2022, revenue of the company stood at Rs.9.95 crore against Rs.65.28 crore in FY2021. From FY2022 onwards, Company is now receiving the annuities. In FY2022, Annuity receipts stood at 2.54 crore, Interest on annuity of Rs.3.02 crore, O&M charges of Rs.2.28 crore & Rs.1.72 crore bonus for early completion of the project.

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

Technical and financial support from R B Ghodke Infrastructure Private Limited

RBGIPPL 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. Acuite believes that promoters' entrepreneurial experience and long track of operations will support its business risk profile over the medium term.

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. Also, the Company maintains DSRA of an amount equivalent to the next three months of principal, interest, fees, and all other obligations due and payable in respect of facility amount.

Strong Counterparty Linked Revenue Profile

The project will receive 40% of the actual completion cost (Rs.42.39 Crore) adjusted for Price Index Multiple, in the form of biannual annuity instalments from PWD for 10 years, which commenced from May 2021. Along with annuity payments, interest is payable to RJPL on reducing the completion cost net of construction grants at a rate equal to bank rate plus 3%. PWD shall also reimburse O&M bid cost adjusted to Price Index Multiple on the annuity payment dates to RJPL.

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. 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 been volatile in the 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 a major maintenance expense in FY2024 and FY2028.

However, RJPL is maintaining a separate MMR fund from FY2022 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 covenants

None

Liquidity Position

Adequate

RJPL's liquidity position is adequate marked by timely receipt of annuity payments. Company has received both the annuities for FY23. Acuite expects the liquidity of RJPL to remain adequate backed by consistent support from the sponsor and government in terms of annuity receipts, in addition DSRA and MMR is being maintained.

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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	9.95	65.28
PAT	Rs. Cr.	1.29	1.60
PAT Margin	(%)	12.93	2.44
Total Debt/Tangible Net Worth	Times	1.77	2.14
PBDIT/Interest	Times	3.88	2.08

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>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.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
08 Nov 2021	Term Loan	Long Term	29.72	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
06 Aug 2020	Term Loan	Long Term	29.72	ACUITE BBB 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	29.72	ACUITE BBB+ Stable Reaffirmed

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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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