

Press Release

Jijau Infrastructure Mu Project Private Limited

August 06, 2020



Rating Assigned

Total Bank Facilities Rated*	Rs.54.00 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.54.00 crore bank facilities of Jijau Infrastructure Mu Project Private Limited (JIMPPL). The outlook is '**Stable**'.

JIMPPL is wholly-owned Special Purpose Vehicle (SPV) sponsored by Jijau Constructions Road Builder Private Limited (JCRBPL) for construction, improvement and widening of (a) Khambala –Telonda-Kasa-Talwada-Vikramgad-Pali Road and, (b) Wada Devgaon Road (project road runs from 53/800 to 102/250) in District Palghar, state of Maharashtra. The road project covers a length of 85.45 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). JIMPPL signed the concession agreement with PWD, GoM on August 29, 2018. The appointed date was obtained in October 2018 and the scheduled commercial operation date (COD) is October 22, 2020.

Analytical Approach

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

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 ~90 per cent construction stage against which it has received mobilisation advances and all five-milestone payment from the authority till June, 2020.

- **Technical and financial support from Jijau Constructions Road Builder Private Limited**

JCRBPL has more than a decade of experience in the construction business and has established a track record for successful project execution. The company is led by the Sambre family, since inception. Extensive experience of the promoters has helped the company in establishing and maintaining healthy relations with clients and sanctioning authorities. The promoter's extensive experience is also reflected through the healthy order book position of around Rs.600.00 crore 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. Further, JCRBPL has contributed 10 per cent funding in the HAM project.

- **Waterfall mechanism in ESCROW account**

JIMPPL 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 as per borrower's discretion 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.

Funding risk

JIMPPL is yet to achieve financial closure for its project. However, PWD, Maharashtra has disbursed all the 5 milestone payments of Rs.131.70 crore. The total project cost is of Rs.219.50 crore and it is funded by debt of Rs. 54.00 crore, Equity of Rs.33.80 crore and PWD grant of Rs.131.70 crore.

Acuité believes that the project funding risk is moderate at this stage because the financial closure is yet to be executed.

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

JIMPPL's liquidity position is adequate, marked by continuous support from the parent JCRBPL 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 is in process. Acuité expects the liquidity of JIMPPL 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 JIMPPL 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.	99.10	107.07
PAT	Rs. Cr.	3.05	2.87
PAT Margin	(%)	3.07	2.68
Total Debt/Tangible Net Worth	Times	0.00	0.00
PBDIT/Interest	Times	22.27	21.62

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
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	54.00	ACUITE BBB / Stable

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Simranjeet Kaur Analyst - Rating Operations Tel: 02249294052 simranjeet.kaur@acuite.in	

About Acuité Ratings & Research:

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