



Press Release
Versova Bandra Sea Link Limited
September 23, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5500.00	ACUITE A- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	5500.00	-	-

Rating Rationale

Acuite has reaffirmed a long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) to the Rs. 5500 Cr. bank facilities of Versova Bandra Sea Link Limited (VBSLL). The outlook is '**Stable**'.

Rationale for Rating Reaffirmation

The rating reaffirmation considers the strategic importance of the project which will connect Versova to the Bandra-Worli Sea Link and further to the Mumbai-Coastal Road. The rating further takes into account the extensive experience of Maharashtra State Road Development Corporation (MSRDC) in undertaking large strategic road projects in the state of Maharashtra. Further, the rating also draws comfort from the financial closure achieved during the year, along with an equity infusion of approximately Rs. 2811.04 crore received by VBSLL as of May 21, 2024 and funding support until the project completion available to VBSLL from the Government of Maharashtra (GOM) under the tri-partite concession agreement signed by GOM, VBSLL and MSRDC. However, the rating remains constrained by the substantial execution and demand risk the project is exposed to. It is at a very nascent stage and completion of the project without further time and cost overruns will continue to remain a key credit sensitivity.

About the Company

VBSLL, incorporated in April 2018 has been established to conceptualize, plan, design and construct Versova Bandra Sea Link, a project by Maharashtra State Road Development Corporation (MSRDC). Government of Maharashtra (GoM) has appointed MSRDC as the nodal agency for the development of a new sea link that will connect Bandra and Versova in

Mumbai, Maharashtra on a Design, Build, Finance, and Operate and Transfer (DBFOT) basis. The project is intended to connect the Bandra end of the existing Bandra Worli Sea Link (BWSL) and to extend towards Versova as a new sea link. The main carriageway of the project will be located on the Arabian Sea, approximately 900m from the coast. The project would have a length of ~17.17 Km and shall connect the Bandra end of Bandra Worli Sea Link to Versova, near the Nana Nani Park. The project construction will entail the construction of the Main Sea Bridge of the project having a length of 9.6 Km, four Connectors at Bandra (1.17 Km), Otters Club (1.80 Km), Juhu Koliwada (2.80 Km) and Nana Nani Park (1.80 Km). The total estimated cost of the project was Rs. 9,943 crore which has now been revised upward to Rs. 11232.86 Cr. Out of the total, estimated project cost Rs. 5,500 crore will be funded by debt and the rest by equity.

Standalone (Unsupported) Rating

Acuite BB / Stable

Analytical Approach

Acuité has considered the standalone approach while assessing the business and financial risk profile of VBSLL and has factored in financial, operational and managerial support it receives from GoM through MSRDC by virtue of being a step-down subsidiary of the GoM. The rating factors in the 100 percent holding of MSRDC (a GoM entity) in VBSLL along with the strategically important role played by the entity in implementing a key infrastructure project in the state capital.

Key Rating Drivers

Strengths

Established track record of parent in the road infrastructure industry.

VBSLL is a subsidiary of MSRDC (100 per cent stake) and a step-down subsidiary of GoM. MSRDC, a corporation established and fully owned by the GoM, is a limited company incorporated in 1996. It is established to oversee large road infrastructure projects across the state of Maharashtra. MSRDC has successfully completed key projects such as Mumbai Pune Express Way (MPE), Bandra Worli Sea Link (BWSL) and Satara Kagal Road amongst others. MSRDC has also been tasked with the execution of the critical Hindu Hridaysamrat Balasaheb Thakare Maharashtra Samruddhi Mahamarg Project, a ~701 km project passing through 10 districts of Maharashtra which is also supported by GoM. The Board of VBSLL comprises of civil servants appointed by the GoM. VBSLL is tasked by MSRDC with the execution of the Versova Bandra Sea Link project in Mumbai. The project is designed to connect Versova, a neighbourhood in the suburb of Andheri to the Bandra -Worli Sea Link and further to the Mumbai Coastal Road with a view to reduce traffic congestion in the heart of the state capital. The strategically important nature to MSRDC and support from GoM ease the funding available to the project from various financial institutions.

Acuité believes the continued management of the company by MSRDC and support from GoM will be beneficial for VBSLL in the long term.

Moderate construction progress

The current project cost is envisaged at around Rs. 11,233 Cr. Around 20.027% of physical progress has been achieved as on May, 2024. As of May, 2024, MSRDC has infused equity to the tune of ~Rs. 2811.04 Cr against Rs. 2600 Cr. as on March 31, 2023. Further, the debt tie-ups have also been accomplished with SBI & UBI and the lenders in consortium have sanctioned a debt of Rs. 5500 Cr. towards construction of the project. Additionally, the company has free cash and bank balances available to the tune of ~Rs. 369.17 Cr. as on March 31, 2024(Prov.). Acuité believes that going forward the pace of construction is likely to pick up owing to funding being available in the form of surplus cash balances, equity infusion and debt tie-ups being completed.

Funding shortfall support agreement from Government of Maharashtra under the Concession Agreement.

A tripartite Concession Agreement has been executed in 2018 amongst VBSLL as the Concessionaire, MSRDC as the Sponsor & GoM as the Concessioneing Authority. This agreement forms the basis of the support from GoM available to VBSLL. As per articles of the agreement in case of cash shortfall during the Operation Period and/or the Construction period or in case of cost overruns beyond the envisaged total project cost it would be met by the Concessioneing Authority. The agreement also protects the Concessionaire by restricting the GoM from the construction of any competing roads and also provides for compensation to the Concessionaire if any such a road is constructed before the achievement of targeted traffic.

Weaknesses

Project execution risk and offtake risk

VBSSL is constructing the Versova Bandra Sea Link at an estimated cost of Rs. 11233 Cr. to be funded through equity of Rs. 5733 Cr. and term loan of Rs. 5500 Cr. Further, the expected commencement of operations has been revised from November 2025 to January 2027 and currently March 2028 on account of historical delays in construction caused by lockdowns brought on by COVID 19. The civil work and construction had commenced in April 2020 but the pace of work was significantly affected by the lockdowns brought on by the second Covid 19 wave in early 2021. Further, the JV between Reliance Infrastructure and Astaldi initially was selected as the EPC contractor based on competitive bidding process. However, Reliance Infrastructure exited the JV and transferred its stake to Apco Infratech in January 2022 with approval of MSRDC. This also caused a delay in financial closure. Further, the project is exposed to substantial execution risk as only 20.027% of the physical progress has been accomplished as of May 2024. The complex construction work has to be undertaken and consensus amongst various stakeholders will be required for getting final clearances required for the project completion. The project also remains susceptible to risk of litigations as was observed in the completion of Bandra Worli Sea Link (BWSL). This risk is mitigated on account of support from MSRDC and funding shortfall support from GOM in the construction as well as operational period. From an offtake standpoint, VBSSL will be exposed to offtake risk in the initial stages as the connecting roads get constructed. Once the connecting roads are completed offtake risk will be reduced as the project aims to release traffic congestion in a very busy route (Western suburbs to Island City) in the Mumbai. The revenue pick up of the project is expected to be gradual. Since the operating cash flows will stabilise over a period of time, the repayment is expected to start in FY2030 in order to align operational cash flows to the debt service commitments.

Linkages to fiscal position of State of Maharashtra

Maharashtra is India's leading industrial state, its gross state domestic product (GSDP) is expected (at current prices) to be Rs. 40.44 Lakh Cr. for FY2023-24 as against Rs 32.71 Lakh Cr. for FY2022-23. The fiscal deficit of Maharashtra for FY2023- 24 (RE) is marked at 2.5 percent of GSDP against 2.7% percent in FY2022-23. Any adverse changes in the fiscal indicators of GoM due to factors such as the prolonged slowdown in industrial activities or socio-economic challenges faced by Maharashtra, can have a significantly impact VBSSL, and will be a key monitoring factor.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

- Timely completion of project and commencement of commercial operations without significant cost overruns.

Liquidity Position

Adequate

VBSSL has an adequate liquidity position. Acuité does not foresee any positive net cash accruals in the first year of operations. However, as on March 31, 2024(prov.) the company has cash and bank balances of around ~Rs. 369.17 Cr. Further, VBSSL will continue to get funding support from GoM through the concession agreement for the construction as well as operational period. The maturing debt repayment is expected to commence from FY2030. The liquidity of the company is likely to remain adequate over the medium term on account of ability of GoM and promoters i.e. MSRDC to fund the liquidity deficit in the initial stage of operations.

Outlook: Stable

Acuité believes that VBSSL will maintain a 'Stable' credit profile over the medium term on the back of support from GoM. The outlook may be revised to 'Positive' if the company is able to

achieve substantial progress in terms of physical construction of the project as scheduled and exhibits ability to generate cash flows commensurate as per its debt. Conversely, the outlook may be revised to 'Negative' in case of delay in commencement of commercial operations and slower than expected pick up in revenues affecting its debt servicing ability.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	0.00	0.00
PAT	Rs. Cr.	0.25	(0.02)
PAT Margin	(%)	0.00	0.00
Total Debt/Tangible Net Worth	Times	0.21	0.16
PBDIT/Interest	Times	0.86	2.90

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

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
26 Jun 2023	Term Loan	Long Term	3000.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	2500.00	ACUITE A- Stable (Reaffirmed)
28 Mar 2022	Proposed Long Term Loan	Long Term	5000.00	ACUITE A- Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	500.00	ACUITE A- Stable (Reaffirmed)
24 Nov 2021	Proposed Long Term Loan	Long Term	5000.00	ACUITE A- Stable (Reaffirmed)

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 avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2042	Simple	3000.00	ACUITE A- Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2042	Simple	2500.00	ACUITE A- Stable Reaffirmed

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr.No.	Company Name
1	Government of Maharashtra
2	Maharashtra State Road Development Corporation
3	Versova Bandra Sea Link Limited

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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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