

Press Release

MCGN Roadways Limited Liability Partnership

March 01, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	82.00	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	82.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) on the Rs.82.00 Cr. bank facilities of MCGN Roadways Limited Liability Partnership (MRLLP). The outlook is '**Stable**'.

Reason for rating reaffirmed

The rating reaffirmation is on account of the benefits derived from annuity based revenue model for the awarded project from PWD, Maharashtra. The rating continues to factors in technical and financial support received from both its sponsors i.e. Manjeet Cotton Private Limited (MCPL) and GNI Infrastructure Private Limited (GIPL). The rating also takes into account the nine months extension received for completion of project from PWD owing to delay in construction activities during the covid-19 pandemic period. However, the rating have been constrained by risks associated towards completion of the project within the stipulated timelines and delay in receiving receipts of annuity on time.

About the Company

Maharashtra based MRLLP is a Special Purpose Vehicle (SPV) which was incorporated in 2020 and is sponsored by GNI Infrastructure Private Limited (GIPL) and Manjeet Cotton Private Limited (MCPL) for construction and widening of existing Beed bypass road part of Aurangabad - Jalna Road, Aurangabad including service road and VUP (Length: 17.90 KM).

The project has been awarded by Public Works Department (PWD), Government of Maharashtra (GOM) for concession period of 12 years including a construction period of 2 years on Hybrid Annuity Method (HAM) with 60 per cent construction support and rest 40 per cent in annuity payments to be received during the concession period.

Analytical Approach

The team has considered the standalone business and financial risk profile of MCGN Roadways Limited Liability Partnership (MRLLP) while arriving at the rating. The financial support expected from the Parent/Sponsor companies Manjeet Cotton Private Limited (MCPL, rated ACUITE A/Stable/A1) and GNI Infrastructure Private Limited (GIPL) whenever required has been factored while arriving at the rating.

Key Rating Drivers

Strengths

Benefits derived from an annuity based revenue model

The project developed by MRLLP is an annuity-based revenue model. Under this model, the PWD, Maharashtra will make bi-annual payment over the concession period to the concessionaire. As a result, the firm does not bear any traffic risk as it recovers whole of the capital cost through annuity receipts. Further, bi annual operational & maintenance expense along interest cost reimbursement to the extent of bank rate+3 per cent will be given to the concessionaire during the concession phase. The firm has received around 10 per cent mobilization advances till January 31, 2022.

Technical and financial support from GIPL and MCPL

The sponsors of firm includes Manjeet Cotton Private Limited (MCPL, rated ACUITE A/Stable/A1) and GNI Infrastructure Private Limited (GIPL). GIPL has more than a decade of experience in the infrastructural construction business and have established a track record for successful project execution of more than ~Rs.400.00 crore. It was started by Mr. Harvinder Singh Bindra, Mr. Mr. Khushbir Singh Bindra, Mr. Narendra Singh Bindra and Mr. Ravinder Singh Bindra. The company is registered as 'A-1' contractor with PWD, GoM. Extensive experience of the promoters has helped the company in establishing and maintaining healthy relations with clients and sanctioning authorities. MCPL will be providing the financial support to project undertaken by MRLLP. The company was incorporated in 2005. It was promoted by Mr. Bhupendra Rajpal, Mr. Rajendra Rajpal and Mr. Sanchit Rajpal. The company was constituted to consolidate the existing businesses of the Manjeet Group which have been in operations since 1982. MCPL is engaged in cotton ginning, trading, export and extraction of cotton oil seeds. MCPL has manufacturing units at 18 cities located in the states of Madhya Pradesh, Maharashtra, Karnataka, Telangana, Odisha and Rajasthan. The company has annual ginning & pressing capacity of 64 lacs quintal.

Acuité believes the firm will benefit from the experience, established position, technical and financial support of its sponsors.

Extension awarded by PWD, Maharashtra towards completion of project

The onset of covid-19 pandemic impacted the construction activities to a large extent with nationwide lockdowns restricting movement of goods and people. The ongoing project of the firm was also impacted due to the pandemic which slowdown the construction pace. As a result, the project received an extension of nine months from PWD, Maharashtra towards the completion of project from the earlier stipulated timeline as mentioned in the CA. The original schedule completion of the project was July 01, 2022 and after extension the completion date now stands as March 31, 2023. Despite an unexpected delay in completion of project due to unprecedented circumstances, the cost overruns expected is mitigated to a large extent as the firm has already factored in the cost associated due to inflation effect in the CA.

Weaknesses

Susceptibility to risks related risk related to delay in receipt of annuity

The project developed by MRLLP is an annuity-based revenue model in which the PWD, Maharashtra will make annuity payments over the concession period to the concessionaire. As per the concession agreement, the firm is expected to receive a semi-annual annuity over the concession period as per CA. Any delay in timely receipt of the annuity payments could adversely impact debt-servicing ability of the firm. However, such risks are mitigated to some extent as the concession authority is a department of Government of Maharashtra.

Rating Sensitivities

- A successful implementation of project without time and cost overruns will be a key monitorable.
- Timely payment of annuity receipts from PWD, Maharashtra after completion of project

Material covenants

None

Liquidity Position: Adequate

The firm will receive 60 percent of project cost as construction support during the construction period from the PWD, GoM and rest as annuity payments during the concession period as per the CA. Acuité also expects financial support from MRLLP's sponsors whenever it is required. The liquidity of the firm is likely to remain adequate over the medium term on account of construction support from PWD, GoM and from continued support from its sponsors to fund the liquidity deficit in the initial stage of operations.

Outlook: Stable

Acuité believes that the outlook on MCGN's 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

The firm is yet to start commercial operations therefore financials are not applicable.

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>
- 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

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Dec 2020	Proposed Long Term Loan	Long Term	82.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Term Loan	01-03-2021	8.85	30-06-2032	82.00	ACUITE BBB- Stable Reaffirmed

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About Acuité Ratings & Research

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