

## Press Release

### MCGN Roadways Limited Liability Partnership

April 25, 2023



## Rating Reaffirmed

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

## Rating Rationale

Acuite 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 revised to '**Positive**' from 'Stable'.

### Rationale for revision in outlook

The revision in outlook is majorly on account of completion of construction of the project on time and receiving all the milestone payments from the authority i.e. PWD Maharashtra as per stipulated timelines mentioned in the concession agreement. Furthermore, the firm has already filed an application for the PCOD certificate which is expected to be received by April 2023 and the annuity payments will start from October 2023. Also, the rating continues to derive strength from its sponsors experience as a developer of existing Beed bypass road (HAM Project) + annuity-based revenue model with 20 annuities which will start from October 2023 and would continue till April 2033. The ratings also take into account the adequate liquidity position of the company with the presence of a debt service reserve account (DSRA) with waterfall mechanism. However, these strengths are offset by susceptibility towards risks related to any delay in receipt of annuity from the counter party.

### 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.

### Standalone (Unsupported) Rating

ACUITE BB+ / 'Positive'

### 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, biannual 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 successfully completed the construction of the road project on time (after getting extension from PWD due to covid-19 pandemic) and has also received all the milestone payments from the authority i.e. PWD Maharashtra as per stipulated timelines mentioned in the concession agreement. Furthermore, the firm has already filed an application for the PCOD certificate which is expected to be received by April 2023 and the annuity payments will start from October 2023.

#### >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.

#### >Waterfall mechanism in ESCROW account and DSRA

MRLLP has escrow mechanism through which cash flows from Authority 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. Any mismatch in cash flows arising out of mismatch in receipt of annuity and debt repayment is expected to be met through support from MCPL. The firm also has to maintain a DSRA account equivalent to six months interest and one principal repayment. The firm has already maintained DSRA account with balance of Rs.6.6 Cr.

### 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 has received 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. The liquidity is also supported by the financial support received from MRLLP's sponsors whenever it was required during the tenor of the construction of the project. Acuité believes that the liquidity of the firm is likely to remain adequate over the medium term on account of construction support received from PWD, GoM and from continued support from its sponsors to fund the liquidity deficit in the initial stage of operations. Also, the firm is expected to receive annuity payments starting from October 2023.

## Outlook: Positive

Acuité has revised the outlook of MCGN LLP from 'Stable' to 'Positive' on account of completion of construction of the project on time and receiving all the milestone payments from the authority as per scheduled timelines. The rating may be upgraded in case of timely receipt of PCOD for the project and timely start of annuity payments from October 2023. The outlook may be revised to 'Stable' in case of any delay in receiving the PCOD certificate and annuity payments on time from the authority.

## Other Factors affecting Rating

None

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	100.44	0.00
PAT	Rs. Cr.	3.52	0.00
PAT Margin	(%)	3.50	0.00
Total Debt/Tangible Net Worth	Times	10.15	2364.64
PBDIT/Interest	Times	3.90	1.00

## 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, Acuité 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](http://www.acuite.in).

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
01 Mar 2022	Term Loan	Long Term	82.00	ACUITE BBB-   Stable (Reaffirmed)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Term Loan	01 Mar 2021	8.85	30 Jun 2032	Simple	82.00	ACUITE BBB-   Positive   Reaffirmed   Stable to Positive

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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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