



Press Release
MCGN ROADWAYS LIMITED LIABILITY PARTNERSHIP
July 19, 2024
Rating Upgraded

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

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) from '**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 '**Stable**' from '**Positive**'.

Rationale for Upgrade and revision in outlook

The rating upgrade is on account of completion of construction of the project on time and receipt of all the milestone payments from the authority. The rating also takes note of commencement of annuity receipts towards the project. The company till date has received 2 annuity payments and the next annuity payment is due in October, 2024. The rating continues to derive strength from its sponsors' experience also considers the presence of a debt service reserve account (DSRA) with waterfall mechanism and adequate liquidity.

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 present partners of the company are Mr. Harvindersingh Basantsingh Bindra and Mr. Rajendra Singh Rajpal.

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.

Unsupported Rating

Acuite BBB- (Stable)

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

>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.7.06 Cr. as on March 31, 2024.

>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 received the Provisional COD certificate and are expected to get the Final COD certificate by September 2024. The interlude is due to additional EPC work assigned to the firm post attainment of COD in March, 2023. The additional work is to the tune of ~Rs. 20.19 Cr. As per the management, the work is completed as on date. The firm has received part payment towards the work completed in FY2024 and balance stood as work in progress as on March 31, 2024 and was billed to the authority in FY2025.

The firm has received two of its due annuities till date and the next annuity is due in October, 2024. There was a delay of five months in receipt of first annuity, while the second annuity was received ten days in advance. Acuite believes timely receipt of annuities shall remain a key rating monitorable.

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

- Timely receipt of annuity payments from the principal authority.

Liquidity Position

Adequate

The firm has received 60 percent of project cost as construction support during the construction period from PWD, GoM and rest shall be received as annuity payments during the concession period as per the concessionaire agreement. The firm has started to receive annuity payments and has received 2 annuity payments till date. Acuité expects the liquidity of the firm to remain adequate backed by consistent support from the authority in terms of annuity payments and DSRA maintained by the firm equivalent to six months interest and one principal repayment. The liquidity is also likely to remain adequate in view of the financial support receivable by the firm from its sponsors.

Outlook : Stable

Acuité has revised the outlook of MRLLP from 'Positive' to 'Stable' on account of completion of construction of the project on time and receiving all the milestone payments from the authority. 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 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	76.33	228.12
PAT	Rs. Cr.	1.87	4.40
PAT Margin	(%)	2.45	1.93
Total Debt/Tangible Net Worth	Times	1.64	1.65
PBDIT/Interest	Times	1.23	4.66

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
25 Apr 2023	Term Loan	Long Term	82.00	ACUITE BBB- Positive (Reaffirmed)
01 Mar 2022	Term Loan	Long Term	82.00	ACUITE BBB- 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
Indian Bank	Not avl. / Not appl.	Term Loan	01 Mar 2021	Not avl. / Not appl.	30 Jun 2032	Simple	82.00	ACUITE BBB Stable Upgraded Positive to Stable (from ACUITE BBB-)

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

Sr.No.	Company Name
1	MCGN Roadways Limited Liability Partnership
2	GNI Infrastructure Private Limited
3	Manjeet Cotton Private Limited

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Akshat Shah Associate Analyst-Rating Operations Tel: 022-49294065 akshat.shah@acuite.in	Varsha Bist Associate Vice President-Rating Administration Tel: 022-49294011 rating.desk@acuite.in

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.