

Press Release

City and Industrial Development Corporation of Maharashtra Limited

March 22, 2021



Rating Assigned

Total Bank Facilities Rated*	Rs. 6000.00 Cr.
Long Term Rating	ACUITE AA+/ Outlook: Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned its long-term rating of '**ACUITE AA+**' (**read as ACUITE double A plus**) on the Rs. 6000.00 crore bank facilities of City and Industrial Development Corporation of Maharashtra Limited (CIDCO). The outlook is '**Stable**'.

The rating takes into account the strategic role of CIDCO in infrastructure development in the state of Maharashtra, expectation of support from successful track record in development of Navi Mumbai, its strong resource mobilization ability and healthy financial flexibility. These strengths are partly offset by the implementation risks inherent in its relatively long gestation projects involving both time and cost overruns.

About the Company

CIDCO is a city planning agency of the Government of Maharashtra (GOM). CIDCO was incorporated in March 1970 at Mumbai under the Indian Companies Act of 1956. Its purpose at the time of its creation was to develop a satellite town to Mumbai (namely Navi Mumbai). Post completion of its initial objective it now functions as a New Town Development Authority (NTDA) and Special Planning Authority (SPA) of GOM. It is now engaged in development of new towns by planning and developing entire urban infrastructure, executing large scale infrastructure projects and providing municipal services. Some of the projects undertaken by CIDCO include Navi Mumbai International Airport, Navi Mumbai Metro. It also launched India's first smart city project. CIDCO has monopolistic rights to land in new towns in which it carries out its development activities. It has one of largest reserved land bank of any Government authority in India spanning over 2000 hectares.

About Current Projects

CIDCO plans to develop 90000 affordable housing units for total project cost of ~Rs. 29000 Cr funded partly by debt of Rs. 5000.00 Cr and rest by customer advances and internal accruals of CIDCO. Phase 1 will be of 67000 units for total cost of Rs. 17000 Cr. Against this CIDCO is expecting receipts of Rs. 20000 Cr. The project was launched in September 2019 and actual construction started in November 2020. CIDCO is also developing Navi Mumbai Metro Line I Project for a total cost of ~Rs. 3200 Cr. Out of this around Rs. 2200 Cr has already been infused. The debt raised of Rs. 1000 Cr will be infused in construction of Metro Station on the Metro line I. Initially, 5 stations will be constructed and this segment will commence operations from December 2021 and rest from December 2022.

Analytical Approach

Acuité has considered a standalone approach while assessing the business and financial risk profile of CIDCO and has factored in the operational and managerial support it receives from Government of Maharashtra (GOM) by virtue of being subsidiary of the GoM. The rating factors in the full shareholding of GOM in CIDCO along with the strategically important role played by the entity in implementing the key infrastructure projects in the state

Key Rating Drivers

Strengths

- Fully owned and strategically key subsidiary for GOM with a long successful track record of operations

CIDCO is a city planning agency of the GOM. It carries out commercial and residential infrastructure

development on behalf of the GOM. CIDCO was incorporated in March 1970 at Mumbai. Its objective at the time of its creation was to develop a satellite town to Mumbai (namely Navi Mumbai). CIDCO successfully developed various nodes of Navi Mumbai, which is one of largest planned cities in the world and transferred them to different Municipal Corporations such as Navi Mumbai Municipal Corporation, Panvel Municipal Corporation and Uran Municipal Corporation. Post completion of its initial objective it now functions as a New Town Development Authority (NTDA) and Special Planning Authority (SPA) of GOM. It is engaged in development of new towns by planning and developing entire urban infrastructure, executing large scale infrastructure projects and providing municipal services. Currently, it has ongoing projects across Maharashtra in Aurangabad, Nashik, Latur, Jalna and NAINA (Navi Mumbai Airport Influence Notified Area). Other projects undertaken by CIDCO include development of Trans Thane Creek (ITC) MIDC, Navi Mumbai SEZ, JNPT Port, Navi Mumbai Metro and Navi Mumbai International Airport. CIDCO has monopolistic rights to the land in new towns in which it carries out its development activities as it acts as an agent of GOM. It has one of largest reserved land bank of any Government authority in India of over 2000 hectares. CIDCO also gets substantial managerial support from the GOM. All members of its Board of Directors are IAS officers with the GOM.

Acuité believes that CIDCO will continue to benefit from its position as a strategically important subsidiary of GOM engaged in implementing infrastructure development policies of GOM.

- **Strong financial flexibility and resource mobilization ability**

CIDCO has access to a large reserved land bank (over 2000 hectares) as a city planning and development authority of GOM. CIDCO develops commercial and residential infrastructure on these lands to sell it to public at large. It develops and sells plots, tenements, shops and other units. The long operational track record of the Corporation has helped it accumulate substantial reserves. They also provide municipal services to areas they develop. The charges against these services also contributes to their reserves. CIDCO also receives a surcharge from Railways as a compensation for projects jointly developed with them (Railways). Their bank balances (fixed deposits as well as current account) stood at Rs. 5985 Cr as on March 31, 2020 (Prov.) against Rs. 8412.71 Cr March 31, 2019 (Prov.). It also receives ~Rs. 67.51 Cr and Rs. 65.39 Cr in FY2019 (Prov.) towards water and service charges, respectively. These charges are expected to remain stable at the same range over the medium term.

Acuité expects CIDCO's financial flexibility and resources mobilization ability to remain strong over the medium on account of its large deployable bank balances.

Weaknesses

- **Implementation, demand and funding risk**

The total debt raised of Rs. 6000 Cr is expected be deployed in two projects – PMAY affordable housing project and Navi Mumbai Metro. CIDCO plans to develop 90000 affordable housing units for total project cost of ~Rs. 29000 Cr funded partly by debt of Rs. 5000.00 Cr and rest by customer advances and internal accruals of CIDCO. Phase 1 will be of ~ 67000 units for total cost of Rs. 17000 Cr. Against this CIDCO is expecting receipts of Rs. 20000 Cr. The project was launched in September 2019 and actual construction started in November 2020. The construction is at nascent stage and considerable project execution risk exists. However this is mitigated given CIDCO's long track record of undertaking project of a similar nature. Out the total units the ~55 percent units will be reserved for Economically Weaker Section (EWS) and Lower Income Group (LIG) segment. The reserved units will be sold at discounted rates and rest of the total units will be sold in open market at prices marginally below market rates. Given the discounted prices of the units demand risk is expected to be low. The units will be allotted on a first come first serve basis. Previously in CIDCO lottery system allotments the demand for such projects far exceeded supply with 20-30 applicants for each unit.

CIDCO is also developing Navi Mumbai Metro Line I Project for a total cost of ~Rs. 3200 Cr. Out of this around Rs. 2200 Cr has already been infused. The debt raised of Rs. 1000 Cr will be infused in construction of Metro Station on the Metro line I. Initially 5 stations will be constructed and this segment will commence operations from December 2021 and rest from December 2022. For the initial years the cash flows from this project is expected to be negative. As the other lines commence and operations stabilize the project will start generating positive cash flows. This project faces

moderate execution risk as majority of cost has been incurred. However initially demand risk for the project will be substantial. To mitigate the off take risk CIDCO has securitized the charges it receives for providing water and other municipal services amounting to ~Rs. 130 Cr every year towards the repayment of this loan.

For PMAY housing project out of the total cost of Rs. 29000 Cr Rs. 5000 Cr will be funded by debt and rest by customer advances and CIDCO contributions. For Metro project out of the total project cost of Rs. 3200 Cr Rs. 2200 Cr as already incurred by CIDCO from internal sources and remaining Rs. 1000 Cr is to be funded by debt. Financial tie ups are pending for the both the projects. However, CIDCO is in advanced stage of negotiations with lenders for the same. Considering resources available with CIDCO and support from GOM, the funding non-availability risk will be low.

Acuité believes that the completion of the above mentioned projects without significant time and cost overruns will be a key rating sensitivity.

Liquidity Position: Strong

CIDCO's long operational track record of developing and selling land under its control has helped it accumulate substantial reserves. It also provide municipal services to areas they develop. This also contributes to their reserves. CIDCO also receives a surcharge from Railways as a compensation for projects jointly developed with them (Railways). Their bank balances (fixed deposits as well as current account) stood at Rs. 5985 Cr as on March 31, 2020 (Prov.) against Rs. 8412.71 Cr March 31, 2019 (Prov.). It also receives ~Rs. 67.51 Cr and Rs. 65.39 Cr in FY2019 (Prov.) towards water and service charges, respectively. This income from services provided is expected to remain stable at the current levels over the medium term. Acuite expects CIDCO's liquidity profile to remain strong on account of its large bank balances and resource mobilization ability.

Material Covenants

None

Rating Sensitivities

- Completion of the PMAY affordable housing and Navi Mumbai Metro Line 1 project as per scheduled timelines without significant time and cost overruns.

Rating Outlook: Stable

Acuité believes that the CIDCO will maintain a 'Stable' outlook over the medium term on account of long track record of operations and strong financial flexibility. The outlook may be revised to 'Positive' in case of faster than expected completion of project and commencement of cash inflows. Conversely, the outlook may be revised to 'Negative' in case significant cost and time overruns in completion of the project impacting the liquidity position of the company.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)
Operating Income	Rs. Cr.	0.05	0.05
PAT	Rs. Cr.	0.03	0.03
PAT Margin	(%)	69.00	69.00
Total Debt/Tangible Net Worth	Times	1.19	1.40
PBDIT/Interest	Times	NA	NA

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

CIDCO charges all the receipts and expenditure for all its ongoing projects under the particular project account. The balances at the end of the period under any of the project accounts are either payable to or receivable from GOM. This is done as CIDCO acts as an agent of GOM. It also is entitled to receive an agency fee of Rs. 0.05 Cr each year. However in practice CIDCO actually uses the excess funds received from projects to carry out development work.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Infrastructure Entities – <https://www.acuite.in/view-rating-criteria-51.htm>
- Criteria for State Government Support - <https://www.acuite.in/view-rating-criteria-26.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	Bank Name
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	6000.00	ACUITE AA+/Stable (Assigned)	NA

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Parth Pandit Analyst - Rating Operations Tel: 022-49294032 parth.pandit@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research:

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