

Supplementary Disclosures for Provisional Rating

MSRDC Sea Link Limited

December 31, 2021



Rating Assigned

Total Bank Facilities Rated*	Rs. 100.00 Cr.
Long Term Rating	Provisional ACUITE AA-/Stable (Assigned)

Pursuant to SEBI Circular SEBI/ HO/ MIRSD/ MIRSD_CRADT/ P/ CIR/ 2021/ 554 dated 27th April, 2021, please find below the additional disclosures pertaining to Provisional Rating. The previous rating rationale is appended herewith for reference.

Additional Disclosures

The rating on the Rs. 100 Cr. NCDs is provisional and the final rating is subject to (pending steps/documentation):

1. Receipt of the executed trust deed and its legal vetting by Acuité
2. Receipt of the final term sheet and confirmation from trustee regarding the compliance with all the terms and conditions

Supplementary disclosures for Provisional Ratings

A. Risks associated with the provisional nature of the credit rating

1. Lack of third party monitoring of compliance in absence of executed trust deed and no finalized terms in absence of final term sheet
2. In case there are material changes in the terms of the transaction after the initial assignment of the provisional rating and post the completion of the issuance (corresponding to the part that has been issued) Acuite will withdraw the existing provisional rating and concurrently, assign a fresh final rating in the same press release, basis the revised terms of the transaction.

B. Rating that would have been assigned in absence of the pending steps/ documentation

The rating would be equated to the standalone rating of the entity: ACUITE AA- / Stable

C. Timeline for conversion to Final Rating for a debt instrument proposed to be issued:

The provisional rating shall be converted into a final rating within 90 days from the date of issuance of the proposed debt instrument. Under no circumstance shall the provisional rating continue upon the expiry of 180 days from the date of issuance of the proposed debt instrument.

Policy of Acuite for Provisional Rating: <https://www.acuite.in/provisional-ratings.htm>

Press Release

MSRDC Sea Link Limited

March 30, 2021

Rating Assigned

Total Bank Facilities Rated*	Rs. 100.00 Cr.
Long Term Rating	Provisional ACUITE AA-/Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned its long-term rating of '**Provisional ACUITE AA-**' (**read as Provisional ACUITE double A minus**) to the Rs. 100 Cr proposed Non-Convertible Debentures of MSRDC Sea Link Limited (MSLL). The outlook is '**Stable**'.

The rating on the Rs. 100.00 NCD is provisional and the final rating is subject to:

- Receipt of the executed trust deed and its legal vetting by Acuité
- Receipt of the final term sheet and confirmation from trustee regarding the compliance with all the terms and conditions

The provisional rating is valid for 335 days and Acuité reserves the right to alter/modify/extend/withdraw the rating any time prior to 335 days, if such an action is deemed appropriate.

The rating reflects established track record of operations of MSLL's parent (Maharashtra State Road Development Corporation - MSRDC) in the infrastructural construction segment, strong resource mobilization ability on account of continued support from MSRDC and Government of Maharashtra (GOM). These rating strengths are partially offset by expected decline in operational performance in FY2021 on account of substantial decrease in traffic volume on Bandra Worli Sea Link (BWSL). This has primarily been brought on by spread of COVID-19 and the subsequent lockdown.

About the Company

MSLL is a special purpose vehicle promoted by MSRDC in October 2018 for operation, maintenance and toll collection of the Bandra-Worli Sea Link (BWSL) Bridge situated in Mumbai, Maharashtra. BWSL is an operational asset with a tolling track record of nine years. The total length of the sea link is 5.6 kms consisting 8 lane bridge of 4 kms which includes a cable stayed portion of 500 metres and Bandra side approach of 1.6 kms. BWSL connects two key suburbs of Bandra and Worli in Mumbai significantly reducing commute time.

The toll collections rights of BWSL were transferred to MSLL in February 2020 from MSRDC for a consideration of Rs. 3000 Cr. This was to be paid in two tranches of Rs. 1940 Cr upfront and Rs. 1060 Cr deferred payment in 2039. The Rs. 1940 Cr was funded a debt of Rs. 1650 Cr and rest through promoter's contribution.

Analytical Approach

Acuité has considered a standalone approach while assessing the business and financial risk profile of MSLL 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 MSLL along with the strategically important role played by the entity in operating a key infrastructure project in the state.

Key Rating Drivers

Strengths

- **Extensive experience of MSRDC in road and highway infrastructure segment**

MSLL 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 State of Maharashtra. MSRDC has successfully completed key projects such as MPEW, 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. It reported operating profit of Rs. 844.40 Cr on an operating income of Rs. 1032.20 Cr in FY2020 (Provisional). The Board of MSLL comprises of civil servants appointed by the GOM. CEO of MSLL also holds the post of Managing Director for MSRDC.

MSLL tasked with operation, maintenance and toll collection of the BWSL Bridge situated in Mumbai. BWSL is an operational asset with a tolling track record of nine years. The total length of the sea link is 5.6 kms consisting of 8-lane bridge of 4 kms which includes a cable stayed portion of 500 metres and approach of 1.6 kms on the Bandra side. BWSL connects two key suburbs of Bandra and Worli in Mumbai significantly reducing commute time.

Acuité believes the continued management support from MSRDC and GOM will be a key rating sensitivity.

- **Key location of the project with low risk of alternate routes**

The BWSL project connects two key suburbs Bandra and Worli. It reduces the travelling time between two suburbs by 15 to 30 mins depending on the time of the day. Currently there is a low risk of alternative routes with similar efficiency. Therefore demand risk remains low. However other factors that can affect the traffic on the route are the narrow access route from the Worli end leading to congestion and upcoming Mumbai Metro Line 3 which is expected to start operations end of 2021 or early 2022. However, the planned coastal corridor connecting South Bombay to Western Suburbs of Borivali of which BWSL will be a part would act as mitigating factor for the traffic risk. Also, the low overlap of users of Metro and BWSL will also reduce the risk of Metro becoming a full-fledged alternative to the Sea Link.

- **Funding shortfall support from Government of Maharashtra under the Concession Agreement**

A tripartite Concession Agreement has been executed amongst MSLL as the Concessionaire, MSRDC as the Sponsor & GOM as the Concessioning Authority in 2019. This agreement forms the basis of the support from GOM available to MSLL. As per articles of the agreement in case of shortfall in revenue during the Concession Period or in case of increase in operational & maintenance costs beyond what was earlier envisaged it would be met by the Concessioning Authority.

Weaknesses

- **Adverse impact on the operating performance due to spread of COVID**

MSRDC has sublet the toll collection rights on revenue share basis to MEP Infrastructure (MEP). According to the agreement MSLL is entitled to a weekly amount of Rs. 2.89 Cr from MEP. However from March 2020 lockdowns were announced due the spread of COVID 19. This affected the over toll collection on BWSL as strict stay at home orders were in place and only emergency and essential services were allowed to move around. Further traffic on BWSL primarily is of LMVs and freight traffic is lower. Due extensive adoption of work from home policies by corporate the decline in LMV traffic is even higher. To accommodate the lower toll collection weekly fee was waived off from mid-March 2020 to mid-April 2020. From mid-April 2020 – to mid-August 2020 40 percent of the total weekly fee was collected and from mid-August to end of October 2020 this was increased to 70 percent. Post – October MSLL has removed the relaxations. However the overall toll collections have not improved as expected. Hence there was some shortfall in payments from MEP. To cover the above mentioned short fall MEP has waived the rights to some receivable from MSRDC. However the delay in receipt of funds and the waiving of toll collection in H1 FY2021 has adversely affected MSLL's cash flows. The primary cash outflows for MSLL are interest servicing and repayment and the cash flows for FY2021 are expected to be negative and not in line with the repayment obligations. The company has recorded revenue of Rs. 34.88 Cr in H1 FY2021 (Provisional) against Rs. 25.18 Cr in FY2020 (2 months of operations). The company reported a net loss of Rs. 129.95 Cr in H1 FY2021 (Provisional) and Rs. 28.89 Cr in FY2020.

Acuité believes timely pick up in traffic and toll collections will have an impact on MSLL's cash generation ability and will be a key monitorable.

- **Linkages to the fiscal position of Maharashtra**

Maharashtra is India's leading industrial state with gross state domestic product (GSDP) for FY2019-20 (at current prices) estimated to be Rs. 29,79,556 Cr. The fiscal deficit of Maharashtra for FY2018-19 (RE)

stands at 2.11 percent of the GSDP and is budgeted at 2.07 percent of GSDP for FY2019-20. Any adverse changes in the fiscal indicators of GoM due to factors such as prolonged slowdown in industrial activities or socio-economic challenges faced by Maharashtra can have a significant impact on MSLL and will be a key monitoring factor.

Liquidity Position: Strong

MSLL is expected to generate negative cash accruals for FY2021. However it enjoys support from MSRDC and GOM to manage its repayment obligations. Going forward the in FY2022 –FY2023 the MSLL is expected generate net cash accruals in the range of Rs. 24.80 Cr - Rs. 48.21 Cr against repayment obligations of Rs. 7.01 Cr to Rs. 19.80 Cr. The team expects the MSLL to maintain a strong liquidity profile on account of adequate cushion between cash accruals and repayment obligations and strong resource mobilization ability of its promoters.

Material Covenants

None

Rating Sensitivities

- Timely pick up in traffic and toll collection volumes enabling MSLL to generate cash flows commensurate with repayment obligations
- Continued managerial and financial support from GOM

Rating Outlook: Stable

Acuité believes that MSLL 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 stabilizes operations 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 slower than expected pick up in revenues affecting its liquidity profile.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	25.18	NA
PAT	Rs. Cr.	(28.89)	NA
PAT Margin	(%)	(114.71)	NA
Total Debt/Tangible Net Worth	Times	5.55	NA
PBDIT/Interest	Times	0.88	NA

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>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Infrastructure Entities – <https://www.acuite.in/view-rating-criteria-51.htm>
- State Government Support - <https://www.acuite.in/view-rating-criteria-26.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/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 NCD	Not Applicable	Not Applicable	Not Applicable	100.00	Provisional ACUITE AA- /Stable (Assigned)	NA

Contacts

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

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