

**Press Release**  
**MSRDC Sea Link Limited**

**February 07, 2022**



**Rating Assigned and Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
<b>Bank Loan Ratings</b>	1550.00	ACUITE AA-   Stable   Assigned	-
<b>Non Convertible Debentures (NCD)</b>	100.00	Provisional   ACUITE AA-   Stable   Reaffirmed	-
<b>Total Outstanding Quantum (Rs. Cr)</b>	1650.00	-	-
<b>Total Withdrawn Quantum (Rs. Cr)</b>	0.00	-	-

**Rating Rationale**

Acuité has reaffirmed its long-term rating of '**Provisional ACUITE AA-**' (read as Provisional ACUITE double A minus) to the Rs. 100.00 Cr Non-Convertible Debentures and assigned its long-term rating of '**ACUITE AA-**' (read as ACUITE double A minus) to the Rs. 1550.00 Cr bank loan facility of MSRDC Sea Link Limited (MSLL). The outlook is '**Stable**'.

**Additional Disclosures**

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

- Receipt of the executed trust deed and its legal vetting by Acuité

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 MSLL's financial risk profile which remains under pressure on account of substantial debt and adversely impacted operating performance in FY2021 due to outbreak of COVID-19 with subsequent lockdown, and substantial decrease in traffic volume on Bandra Worli Sea Link (BWSL).

**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 a funded 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 MSSL along with the strategically important role played by the entity in operating a key infrastructure project in the state.

## **Key Rating Driver**

### **Strengths**

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

MSSL 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 Hridayasamrat Balasaheb Thakare Maharashtra Samruddhi Mahamarg Project, a ~701 km project passing through 10 districts of Maharashtra which is also supported by GoM. The Board of MSSL comprises of civil servants appointed by the GOM. CEO of MSSL also holds the post of Managing Director for MSRDC.

MSSL 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 MSSL as the Concessionaire, MSRDC as the Sponsor & GOM as the Concessioneering Authority in 2019. This agreement forms the basis of the support from GOM available to MSSL. 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 Concessioneering Authority.

### **Weaknesses**

#### **Adverse impact on the operating performance due to spread of COVID-19**

MSRDC has sublet the toll collection rights on revenue share basis to MEP Infrastructure (MEP). According to the agreement MSSL 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 issued 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 MSSL has removed the relaxations. However the overall toll collections have not improved as expected. Hence there was some shortfall in payments from MEP which got settled only at

the end of FY2021. However the delay in receipt of funds and the waiving of toll collection in H1 FY2021 has adversely affected MSL's cash flows. The primary cash outflows for MSL are interest servicing and repayment and the cash flows for FY2021 have gone negative and not in line with the repayment obligations. The company has recorded revenue of Rs. 102.22 Cr for FY2021 against Rs. 25.18 Cr in FY2020 (2 months of operations). The company reported a net loss of Rs. 228.09 Cr in FY2021 and Rs. 28.89 Cr in FY2020.

Acuité believes timely pick up in traffic and toll collections will have an impact on MSL'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 FY2021-22 (at current prices) estimated to be Rs. 29,81,024 Cr. The fiscal deficit of Maharashtra for FY2021-22 is estimated at 2.24 percent of the GSDP. 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 MSL and will be a key monitoring factor.

### Rating Sensitivity

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

### Material Covenants

None

### Liquidity Position: Strong

MSL has generated negative cash accruals for FY2021. However it enjoys support from MSRDC and GOM to manage its repayment obligations. Going forward with improvement in the overall toll collections MSL is expected to generate stable cash accruals, while the company has repayment obligations to the tune of Rs. 7.01 Cr to Rs. 19.80 Cr for FY2022 & FY2023. However, as it enjoys complete support & guarantee from MSRDC & GOM the team expects the MSL to maintain a strong liquidity profile owing to strong resource mobilization ability of its promoters. Going forward as the traffic jams return and mobility increases on account of unlocks and easing of lockdowns adequate cushion between cash accruals and repayment obligations is expected to be maintained by MSL.

### Outlook: Stable

Acuité believes that MSL 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.

### Other Factors affecting Rating

None

### Key Financials - Standalone

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	102.22	25.18
PAT	Rs. Cr.	(228.09)	(28.89)
PAT Margin	(%)	(223.13)	(114.71)
Total Debt/Tangible Net Worth	Times	15.52	5.55

## Status of Non-cooperation with previous CRA (If Applicable)

Not Applicable

## Supplementary disclosures for Provisional Ratings

### Risks associated with the provisional nature of the credit rating

1. Lack of third party monitoring of compliance in absence of executed trust deed
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.

### 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

### Rating and Timeline implications for a debt instrument that is already issued

The provisional rating shall be converted into a final rating within 90 days from the date of issuance of the instrument. Under no circumstance shall the provisional rating continue upon the expiry of 180 days from the date of issuance of the debt instrument. If the documentation is not completed within the specified timeline, Acuite will withdraw the existing provisional rating and concurrently, assign a fresh final rating as specified under the aforementioned section "Rating that would have been assigned in absence of the pending steps/ documentation"

### Any Other Information

Not Applicable

### Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.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
30 Mar 2021	Proposed Non-Convertible Debentures	Long Term	100.00	ACUITE Provisional AA-   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Not Applicable	INE04K307016	Non-Convertible Debentures (NCD)	30-03-2021	Not Applicable	30-03-2046	100.00	Provisional   ACUITE AA-   Stable   Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	31-03-2035	1550.00	ACUITE AA-   Stable   Assigned

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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 8,850 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 Kanjurmarg, Mumbai.

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