

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

**November 17, 2022**



**Rating Assigned and Reaffirmed**

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Total Withdrawn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

**Rating Rationale**

Acuite has converted its long-term rating to 'ACUITE AA-' (read as ACUITE double A minus) from 'Provisional ACUITE AA-' (read as Provisional ACUITE double A minus) on the Rs. 100 Cr. Non Convertible Debentures of MSRDC SEA LINK LIMITED (MSLL).

The conversion is on account of receipt of the following documents ;

- Receipt of final Term Sheet
- Receipt of executed Trust Deed
- Satisfactory feedback from the trustee confirming compliance with all the terms and conditions of the deed

Further, Acuite has reaffirmed its long-term rating of 'ACUITE AA-' (read as ACUITE double A minus) on the Rs. 1550.00 Cr bank loan facility of MSRDC Sea Link Limited (MSLL). The outlook is 'Stable'.

**Rationale for the rating**

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 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. 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 Concessioneing 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 Concessioneing 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 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 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 MSLL 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 MSLL's cash flows. The primary cash outflows for MSLL 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 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 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 MSLL and will be a key monitoring factor.

### **ESG Factors Relevant for Rating**

#### **Environment**

GHG emissions, air pollutant emissions, environmental management and energy efficiency are significant environmental issues in the transport industry. Additionally, key material issues such as waste management, water efficiency can influence environmental scores.

#### **Social**

Labor management issues, such as employee safety & development and employment quality, are a crucial risk transport industry. Furthermore, key material issues such as community support & development, product quality & safety, human rights and equal opportunity have a significant impact the social scores for this industry.

#### **Governance**

For this industry, corporate governance is a crucial risk. Regulatory compliance, critical incident risk management, board oversight and business ethics are key governance issues for this industry. Moreover, corruption and bribery related to land transport & transport via pipelines industry, inadequate antitakeover mechanisms, shareholders' rights, financial audit & control and board & management compensation have a significant impact on the governance scores.

The Maharashtra State Road Development Corporation (MSRDC) had economic, safety and environmental measures built into the project details while planning the Mumbai Pune Express Way. However, these measures were project-specific, e.g. the development of food plazas, rest areas and convenience stops along certain points on the expressway; the installation of road safety signs, barriers and warnings; and the plantation of approximately 60,000 trees using drip-irrigation along the highway medians. The MSRDC ensured the transplantation of 500 trees cut down in the RoW.

### **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

## Material covenants

None

## Liquidity Position

### Strong

MSLL 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 MSLL 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, Acuite expects MSLL 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 MSLL

### Outlook: Stable

Acuite 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.

## Other Factors affecting Rating

None

## Key Financials

| 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           |
| PBDIT/Interest                | Times   | 0.61           | 0.88           |

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

None

## 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](http://www.acuite.in)

## Rating History

| Date        | Name of Instruments/Facilities      | Term      | Amount (Rs. Cr) | Rating/Outlook                               |
|-------------|-------------------------------------|-----------|-----------------|--|
| 07 Feb 2022 | Term Loan                           | Long Term | 1550.00         | ACUITE AA-   Stable (Assigned)               |
|             | Non Convertible Debentures          | Long Term | 100.00          | ACUITE Provisional AA-   Stable (Reaffirmed) |
| 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       | Complexity Level | Quantum (Rs. Cr.) | Rating  |
|---------------------|----------------|----------------------------------|---------------------|----------------|---------------------|------------------|-------------------|---|
| Not Applicable      | INE04K307016   | Non-Convertible Debentures (NCD) | Mar 30 2021 12:00AM | Not Applicable | Mar 30 2046 12:00AM | Simple / Complex | 100.00            | ACUITE AA-   Stable   Assigned   Provisional To Final |
| State Bank of India | Not Applicable | Term Loan                        | Not available       | Not available  | Mar 31 2035 12:00AM | Simple           | 1550.00           | ACUITE AA-   Stable   Reaffirmed                      |

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|---|--|
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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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