



Press Release
MSRDC SEA LINK LIMITED
November 17, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1550.00	ACUITE AA- Stable Reaffirmed	-
Non Convertible Debentures (NCD)	100.00	ACUITE AA- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	1650.00	-	-

Rating Rationale

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 and Rs. 100 Cr. on the Non Convertible Debentures (NCD) 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 operational and financial support from MSRDC and Government of Maharashtra (GOM). The rating further factors in the improved operating performance of MSLL during FY2023 on the back of working environment in Corporates being back to normalcy as seen from the increased toll collections during FY2023 against FY2022. The toll collections stood at ~Rs. 203 during FY2023 (Provisional) against ~Rs. 63 Cr. in FY2022. Further, the losses have also been decreasing gradually over the years and stood at ~Rs. (133 Cr.) during H1FY2024 from Rs. (170 Cr.) in FY2023 (Provisional) and Rs. (298 Cr.) in FY2022. However, the rating strengths are partially offset by MSLL's financial risk profile which remains under pressure on account of substantial debt and susceptibility of profits towards traffic volume on the 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. The current Directors of MSLL are Mr. Sanjay Lalasaheb Yadav, Mr. Radheshyam Laxmanrao Mopalwar and Mr. Vijaya Vivekanand Shenoy.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered a standalone approach while assessing the business and financial risk profile of MSSL 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 Drivers

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 Mumbai Pune Express Way (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 alternative 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 and hence demand risk remains low. This can be also seen from the improved toll collections during FY2023. The toll collections have stood at ~Rs. 203 Cr. in FY2023(Provisional.) against ~Rs. 63 Cr. in FY2022 witnessing a growth of almost 220%. During FY2022 the collections were affected due to covid induced lockdowns and mandatory work from home protocols. 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. 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 Concessioneing 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 Concessioneing Authority.

Weaknesses

Susceptibility of profits towards traffic volume on the Bandra Worli Sea Link (BWSL)

The BWSL project connects two key suburbs Bandra and Worli. The cash flows are entirely toll based, thus operations are susceptible to fluctuations in traffic volume. Traffic movement is linked to the level of economic activity in and around the operational area. Any event or regulatory interventions are likely to affect traffic movement which may create pressure on toll revenues, thereby affecting the cash flows of MSSL. In such situations, the company is dependent on the sponsor for funding support. However this risk is mitigated as funding and operational support is available to MSSL from its parent and GoM as per the concession agreement.

Linkages to the fiscal position of Maharashtra

Maharashtra is India's leading industrial state, its gross state domestic product (GSDP) is expected (at current prices) to be Rs. 38.79 Lakh Cr. for FY2023-24 as against Rs 35.27 Lakh Cr. for FY2022-23 (RE). The fiscal deficit of Maharashtra for FY2022- 23 (RE) is increased to 2.70 percent of GSDP against 2.24 percent in FY2021-22. This increase is attributable to shortfall in revenue receipts. Any further adverse changes in the fiscal indicators of GoM factors the prolonged slowdown in industrial activities or socio-economic challenges faced by Maharashtra, can significantly impact MSRDC and TCBIL, and will be a key monitoring factor.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

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

All Covenants

Mandatory Covenants

- Issuer should maintain adequate books of accounts, as per applicable accounting practices and standards, which should correctly reflect its financial position and scale of operations and should not radically change its accounting system without notice to the Bonds Trustee.
- Issuer should submit to the Bonds Trustee such financial statements as may be required from time to time in addition to the set of such statements to be furnished by the Issuer as on the date of publication of the Issuer's annual accounts.
- In case of default in repayment of the loan /advances or in the payment of the interest thereon or any of the scheduled Debt instalments on due date(s) by the Issuer, the Bonds Trustee/Bond Holder will have an unqualified right to disclose or publish the Issuer's name and its directors/partners/proprietors as defaulters/wilful defaulters in such manner and through such medium as they in their absolute discretion may think.
- After provision for tax and other statutory liabilities, the Bonds will have Second right along with other secured lenders as per arrangement of security sharing on the profits of the Issuer for repayment of amounts due to the secured lenders; in case of payment default to the lenders (unless expressly permitted otherwise by any law for the time being in force).
- Issuer shall keep the Bonds Trustee informed of the happening of any event likely to have a substantial effect on their Revenue/profit or business along with explanations and the remedial steps taken and/or proposed to be taken. For the purpose of this covenant, substantial effect on their revenue/profit or business would mean adverse variance of 10% or more.
- Issuer will utilize the funds for the purpose mentioned in the Transaction documents including the present arrangement with existing lenders.
- Promoter's shares in the Issuer should not be pledged to any other Entity without prior consent of Bonds Trustee, subject to the present arrangement with existing lenders.
- Comply with obligations under the Project Documents and Transaction Documents.
- Maintain adequate insurance in relation to operations under the Project.
- Create and maintain Security as per the timelines;
- Any other favourable covenant including Guarantee or Letter of Comfort from MSRDC and or / Authority stipulated by any of the other lenders to the issuer would apply mutatis mutandis to this facility also & would remain in force/effect till the full & final redemption of all the dues payable under these bonds including the present arrangement with existing lenders.

Negative Covenants

Issuer shall not undertake any of the following activities without prior approval from the Bonds

Trustee:

- Formulation of any scheme of amalgamation or reconstruction or merger or de-merger.
- Any new project or scheme of expansion or Acquisition of fixed assets if such investments result in breach of financial covenant(s) or diversion of working capital funds for financing long term assets.
- Entering into borrowing arrangement either secured or unsecured other than Permitted indebtedness.
- Issuing any guarantee or Letter of Comfort in the nature of guarantee on behalf of any other company (including group companies.)
- Declare dividends for any year except out of profits relating to that year after making all due and necessary provisions and provided further that no default is subsisting in any repayment obligations to the Bonds/Debt and satisfaction of Restricted Payments Conditions.
- Create any charge, lien or encumbrance over its undertaking or any part thereof.
- Sell, assign, mortgage or otherwise dispose of any of the fixed assets charged to the Bonds Trustee. However, fixed assets to the extent of 5% of Gross Block may be sold in any financial year.
- Enter into any contractual obligation of a long-term nature/ adversely affecting the issuer's financials.
- Amend or modify any of its constitutional documents which have a material adverse effect.

Liquidity Position **Adequate**

MSLL has generated negative cash accruals for FY2023, however over the years the losses are reducing. Further, 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. 41.25 Cr and Rs. 70.95 Cr for FY2024 & FY2025. However, as it enjoys complete support & gurantee from MSRDC & GOM, Acuite expects MSLL to maintain an adequate liquidity profile owing to strong resource mobilization ability of its promoters. Going forward as the traffic volumes and mobility increases adequate cushion between cash accruals and repayment obligations is expected to be maintained by MSLL.

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.

Other Factors affecting Rating

Not Applicable.

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	202.68	63.38
PAT	Rs. Cr.	(170.10)	(297.67)
PAT Margin	(%)	(83.92)	(469.68)
Total Debt/Tangible Net Worth	Times	(9.46)	(21.13)
PBDIT/Interest	Times	0.94	0.32

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
17 Nov 2022	Non Convertible Debentures	Long Term	100.00	ACUITE AA- Stable (Assigned)
	Term Loan	Long Term	1550.00	ACUITE AA- Stable (Reaffirmed)
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)	30 Mar 2021	Not Applicable	30 Mar 2046	Simple	100.00	ACUITE AA- Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	01 Jul 2035	Simple	1550.00	ACUITE AA- Stable Reaffirmed

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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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