



Press Release
MSRDC Sea Link Limited
November 15, 2024
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	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

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 of MSRDC Sea Link Limited (MSLL). The outlook is 'Stable'.

Acuite has reaffirmed its long-term rating of 'ACUITE AA-'(read as ACUITE double A minus) on the 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 deterioration in operating performance of MSLL during FY2024 on account of low toll collection. The toll collections have been declined and stood at Rs. 145.34 Cr. in FY2024 (Prov.) against Rs. 203 Cr. in FY2023. These have further remained at around ~Rs. 89 Cr. for H1FY2025. Further, the losses have increased at Rs. (243.07 Cr.) in FY2024 (Prov.) against Rs. (170 Cr.) in FY2023. 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. 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 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. Kailash Jadhav, Mr. Rajesh Patil, Mr. Manuj Jindal, and Mr. Vijaya 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

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 the 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 MSLL comprises of civil servants appointed by the GOM. 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 more than 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. However, the toll collections have declined to Rs. 145.34 Cr. in FY2024 (Prov.) against Rs. 202.68 Cr. in FY2023. During FY2023, the traffic has surged post-pandemic as it was an exceptional year. 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 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

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 MSLL. 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 MSLL 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. 40.44 Lakh Cr. for FY2023-24 as against Rs 32.71 Lakh Cr. for FY2022-23. The fiscal deficit of Maharashtra for FY2023- 24 (RE) is marked at 2.5 percent of GSDP against 2.7% percent in FY2022-23. Any adverse changes in the fiscal indicators of GoM due to factors such as the prolonged slowdown in industrial activities or socio-economic challenges faced by Maharashtra, can significantly impact MSRDC and MSRDC Sea Link Limited, and will be a key monitoring factor.

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

Liquidity Position
Adequate

MSLL has generated negative cash accruals in FY2024(Prov.). However, it enjoys timely support from MSRDC and GOM in the form of Unsecured Loans to manage its repayment obligations. Further, as the traffic volumes and mobility increases there will be adequate cushion between cash accruals and repayment obligations. Going ahead, the company has a repayment obligation to the tune of Rs. 62.70 Cr. and Rs. 97.50 Cr. in FY2025 & FY2026 which will be repaid using the cash generated from operations and infusion of funds by the promoter if needed. Since, it enjoys complete support & guarantee from MSRDC & GOM, Acuite expects MSLL to maintain an adequate liquidity profile owing to strong resource mobilization ability of its promoters.

Outlook: Stable**Other Factors affecting Rating**

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	145.34	202.68
PAT	Rs. Cr.	(243.07)	(170.10)
PAT Margin	(%)	(167.25)	(83.92)
Total Debt/Tangible Net Worth	Times	(5.24)	(9.46)
PBDIT/Interest	Times	0.64	0.94

Key Financials :

**FY2023 figures are subject to test / supplementary audit by the office of the Comptroller and Auditor General of India ("CAG"), in addition to the Statutory Audit.*

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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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 2023	Non-Convertible Debentures (NCD)	Long Term	100.00	ACUITE AA- Stable (Reaffirmed)
	Term Loan	Long Term	1550.00	ACUITE AA- Stable (Reaffirmed)
17 Nov 2022	Non-Convertible Debentures (NCD)	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 (NCD)	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	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	INE04K307016	Non-Convertible Debentures (NCD)	30 Mar 2021	Not avl. / Not appl.	30 Mar 2046	100.00	Simple	ACUITE AA- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Jul 2035	1550.00	Simple	ACUITE AA- Stable Reaffirmed

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr.No.	Company Name
1	Government of Maharashtra
2	Maharashtra State Road Development Corporation
3	MSRDC Sea Link Limited

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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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