

Press Release

MSRDC Infrastructure Projects Limited

November 02, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	550.00	ACUITE A Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	550.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE A**' (read as **ACUITE A**) to the Rs. 550 Cr. bank facilities of MSRDC Infrastructure Projects Limited (MIPL). The outlook is '**Stable**'.

Rationale for the rating reaffirmation

The rating reaffirmation takes into account the managerial and financial support MIPL is likely to receive from its parent MSRDC (Maharashtra State Road Development Corporation) and the benefits inherent to the annuity based revenue model. The rating however is constrained by MIPL's susceptibility to project execution risk as the project is currently in nascent stages (~11 percent in October 2022). Further timely completion of project and commencement of annuity payment from NHAI is likely to remain a rating sensitivity factor.

About the Company

MIPL was incorporated in 2016 in Mumbai as a fully owned subsidiary of MSRDC. It is currently undertaking the six/eight laning of 23.80 km Vadape-Thane section of National Highway – 3 (NH - 3) for National Highway Authority of India (NHAI). The project has been awarded to MIPL under Hybrid Annuity Method (HAM). The project was awarded to MIPL after NHAI decided to terminate its existing agreement with - MEP Long Jian VTR Private Limited – JV of MEP Infrastructure Developers Limited (MIDL) and Long Jian Road & Bridge Company Limited (LRBCL). MSRDC then agreed to take over the project through MIPL by way of Harmonious Substitution considering the Project's proximity to MSRDC's flagship project Nagpur Mumbai Super Communication Expressway (NMSCEW).

The total project cost is estimated to be Rs. 1229.82 Cr. which is expected to be funded through Rs. 141.94 Cr equity, debt of Rs. 543.90 Cr. and grant from NHAI of Rs. 543.98 Cr. The project was expected to be completed in July 2021 as per the agreement with the original concessionaire. However post the harmonious substitution in June 2021, NHAI has agreed to extend the completion date by 868 days from the endorsement date. Now, project is expected to be completed by October 2023. As on October 2022 ~11 percent of the construction has been completed.

Analytical Approach

Acuite has considered a standalone approach while assessing the business and financial risk profile of MIPL and has factored in managerial and financial support it receives from MSRDC by virtue of being a wholly owned subsidiary. The rating also factors the strategically important role played by MIPL in implementing a project critical to MSRDC.

Key Rating Drivers

Strengths

Managerial and financial support from MSRDC MIPL is a fully owned subsidiary of MSRDC

MSRDC was established by Government of Maharashtra (GoM) 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 Expressway (MPEW), Bandra Worli Sea Link, Airoli Bridge Project and Satara Kagal Road amongst others. MSRDC has also been tasked with the execution of Missing Link Project on MPEW, Versova Bandra Sea Link Project and the critical NSCEW Project, a ~701 km project passing through 10 districts of Maharashtra with project cost of ~Rs. 55000 Cr. MSRDC reported operating profit of Rs. 844.40 Cr. on an operating income of Rs. 1032.20 Cr. in FY2020 (Provisional).

MSRDC through its subsidiary MIPL has undertaken the six/eight laning of 23.80 km Vadape – Thane section of NH-3. Completion of this project is critical to MSRDC as it is in proximity to and will act as a feeder road for its flagship project NMSCEW. MIPL is therefore expected to receive managerial and financial support from MSRDC in completion of this project. MIPL is completely managed by bureaucrats from MSDRC. Acuité believes the continued managerial and financial support from MSRDC will remain a critical rating factor.

Benefits derived from annuity-based revenue model

The project undertaken by MIPL has an annuity-based revenue model. Under this model, post completion of construction NHAI will make thirty semi-annual payments to MIPL. MIPL does not bear any traffic risk as it recovers whole of capital cost through these annuity payments. Further, operational and maintenance (O&M) costs and interest costs are also reimbursed by NHAI. Annuity payments have been indexed to inflation thus protecting from any increase in costs and interest costs are reimbursed to the extent of bank rate+3 per cent. MIPL will also provide for a Major Maintenance Reserve (MMR) through its excess cash flow or promoter infusion to cover maintenance costs in excess of the routine O&M expenses. This will be done post commencement of commercial operations. Further, MIPL has received Rs. 81 Cr. mobilization advance as on October 2022. However MIPL remains susceptible to any delay in receipt of annuity payments from NHAI. However this risk remains low as NHAI is an arm of Government of India (GoI).

Weaknesses

Project execution risk

MIPL is currently undertaking the six/eight laning of 23.80 km Vadape-Thane section of National Highway – 3 (NH - 3) NHAI under HAM. MIPL got the project under harmonious substitution after NHAI decided to terminate their agreement with the original concessionaire - MEP Long Jian VTR Private Limited. The total project cost is estimated to be Rs. 1229.82 Cr. which is expected to be funded through Rs. 141.94 Cr equity, debt of Rs. 543.90 Cr. and Grant from NHAI of Rs. 543.98 Cr. The project was expected to be completed in July 2021 as per NHAI's agreement with the original concessionaire. However post the substitution in June 2021 NHAI has agreed to extend the completion date by 868 days from the endorsement date. Now, project is expected to be completed by October 2023. The original concessionaire had appointed MIDL as the EPC contractor for the project which continues to remain the same post substitution. However the project still remains at very nascent stage of completion. As on October 2022 ~11 percent of the project has been completed. The completion of project without significant time and cost overruns remains critical as the commencement of annuity payments is based on timely completion of the project. However this risk is mitigated to some extent on account of MSRDC's established track record of completing road infrastructure projects of similar scale within the state and its long experience of working with MIDL. Acuité believes that the completion of the project without significant time and cost overruns will remain a key monitorable.

Rating Sensitivities

Completion of project without significant time and cost overruns.
Continued managerial and financial support from MSRDC.

Material covenants

None

Liquidity Position: Adequate

MIPL has not yet started commercial operations. The company does not have any repayment obligations until the project is construction is completed that is till October 2023. Thereafter MIPL is entitled to semi-annual annuities from NHAI which will be used to service the repayment obligations. Besides this financial support is also expected from MSRDC. Thus MIPL's liquidity profile is expected to remain adequate over the medium term on account of adequate cash inflows vis-à-vis its repayment obligations and expected support from the parent.

Outlook: Stable

Acuité believes that the outlook on MIPL's rated facilities will remain 'Stable' over the medium term on account steady cash flow of annuity expected from the project coupled with a strong financial and technical support of its parent. The outlook may be revised to 'Positive' in case faster than expected completion of the project and commencement of annuity payments. Conversely, the outlook may be revised to 'Negative' in case of delays in completion of project and commencement annuity payments affecting MIPL's liquidity profile.

Other Factors affecting Rating

None

About the Rated Entity - Key Financials

Particulars	Units	FY2022 (Prov.)	FY2021 (Actual)
Operating Income	Rs. Cr.	0.00	0.00
Profit after Tax (PAT)	Rs. Cr.	(0.02)	(0.01)
PAT Margin	%	NA	NA
Total Debt/ Tangible Net Worth	Times	NA	NA
PBDIT/ Interest	Times	NA	(88.25)

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, Acuité 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
04 Aug 2021	Proposed Bank Facility	Long Term	550.00	ACUITE A 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	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	6.10	ACUITE A Stable Reaffirmed
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	543.90	ACUITE A Stable Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Parth Pandit Manager-Rating Operations Tel: 022-49294065 parth.pandit@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.