



Press Release
MSRDC INFRASTRUCTURE PROJECTS LIMITED
January 30, 2024
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	-	-

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 reflects established track record of operations of MIPL'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 also takes into account the the benefits inherent to the annuity based revenue model. The rating, however is constrained by MIPL's susceptibility to project execution risk with ~37% completed as on November 2023 end. The timely completion of project and commencement of annuity receipts from NHAI is likely to remain a rating sensitivity.

About the Company

Incorporated in 2016 in Mumbai, MSRDC Infrastructure Projects Limited is 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 revised timeline for the project completion is by September 11, 2024.

Unsupported Rating

Not Applicable

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

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. MIPL was formed as MSRDC's subsidiary to undertake 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 a fully owned subsidiary and is completely managed by 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 Hybrid 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. 171.11 crore mobilization advance as on March 2023. The risk of MIPL to any delay in receipt of annuity payments from NHAI 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 October 2023 as per NHAI's agreement with MIPL. However, due to delays in getting the approvals from the forest and Mangrove departments, NHAI has agreed to extend the completion by 316 days i.e, September 11, 2024. However, till November 30, 2023, ~37.6% of the project construction has been completed. Hence, 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 the current EPC contractor. 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.

Liquidity Position Adequate

Currently, the company is in the construction phase and doesnot has any repayment

obligations until the COD is achieved. Thereafter, MIPL is entitled to semi-annual annuities from NHA which will be used to service the repayment obligations. Besides this support is also expected from its parent MSRDC, a Government of Maharashtra subsidiary. Thus, MIPL's liquidity profile is expected to remain adequate over the medium term.

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/or commencement annuity payments affecting MIPL's liquidity profile.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	0.00	0.00
PAT	Rs. Cr.	0.06	(0.02)
PAT Margin	(%)	0.00	0.00
Total Debt/Tangible Net Worth	Times	0.00	0.00
PBDIT/Interest	Times	0.00	0.00

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
02 Nov 2022	Proposed Bank Facility	Long Term	6.10	ACUITE A Stable (Reaffirmed)
	Term Loan	Long Term	543.90	ACUITE A Stable (Reaffirmed)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.10	ACUITE A Stable Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2037	Simple	543.90	ACUITE A 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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