

Press Release

Mumbai Pune Expressway Limited

August 04, 2022



Rating Reaffirmed & Withdrawn

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|---------------------------------------|---------------------|------------------------------------|-------------------|
| Bank Loan Ratings | 800.00 | ACUITE AA Reaffirmed & Withdrawn | - |
| Total Outstanding Quantum (Rs. Cr) | 0.00 | - | - |
| Total Withdrawn Quantum (Rs. Cr) | 800.00 | - | - |

Rating Rationale

Acuite has reaffirmed and withdrawn its rating of '**ACUITE AA**' (read as ACUITE double A) on the Rs. 800.00 Cr. bank facilities of Mumbai Pune Expressway Limited (MPEL).

The rating withdrawal is in line with Acuite's policy on withdrawal of ratings. The rating is withdrawn after receiving withdrawal request from the issuer and NOC received from the banker.

About the Company

Incorporated in 2018 in Mumbai, MPEL is a fully owned subsidiary of MSRDC. It is a special purpose vehicle (SPV) which holds the concession rights for toll collection operations on Mumbai Pune Expressway (MPEW). MSRDC had appointed a contractor for tolling and O&M of MPEW till August 10, 2019. Then the rights were transferred to MPEL till April 30, 2030. Further MPEL appointed a sub-concessionaire IRBMPEL - a subsidiary of IRB selected through a bidding process to manage tolling operations and O&M for MPEW on Toll Operate Transfer Basis (TOT). IRB had agreed to pay to MPEL an aggregate consideration of Rs. 8262.00 Cr. This was to be received in four tranches (First on March 01, 2020 of Rs. 6500.00 Cr, second on March 01, 2021 of Rs. 850.00 Cr, third on March 01, 2022 of Rs. 850.00 Cr and fourth on March 01, 2023 of Rs. 62.00 Cr). Out of these the first three tranches have already been received.

Analytical Approach

Acuite has considered a standalone approach while assessing the business and financial risk profile of MPEL 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 MPEL along with the strategically important role played by the entity in maintaining a key infrastructure project in the state.

Key Rating Drivers

Strengths

Extensive experience of MSRDC in road and highway infrastructure segment

MPEL 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. It reported operating profit of Rs. 844.40 Cr. on an operating income of Rs. 1032.20 Cr. in FY2020 (Provisional). The Board of MPEL comprises of civil servants appointed by the GoM. CEO of MPEL also holds the post of Managing Director for MSRDC, reflecting the strong management integration. MPEL holds the concession rights to MPEW – an existing road asset connecting Mumbai and Pune, the two largest economic hubs in India. The strategically important nature of the infrastructure asset and its cash generation ability makes MPEL a key subsidiary for MSRDC and GoM thus increasing financial support to it.

Funding shortfall support from Government of Maharashtra under the Concession Agreement

A tripartite Concession Agreement has been executed amongst MPEL 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 MPEL. As per articles of the agreement, in case of cash shortfall during the Operation Period and or for servicing of any debt it would be met by the Concessioneing Authority. The agreement also has provisions for compensation to the Concessionaire in case of stoppage of toll collection from the Authority.

Weaknesses

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. 26,61,629 Cr for FY2020-21 (advanced estimates) as against Rs 28,18,555 for FY2019-20 (revised estimates). The expected decline is on account of economic slowdown brought on by spread of COVID and subsequent lockdowns. The fiscal deficit of Maharashtra for FY2020-21 (RE) increased to 3.3 percent of GSDP against 1.90 percent in FY2019-20. This increase is attributable to shortfall in revenue receipts on account of COVID related lockdowns. Any further adverse changes in the fiscal indicators of GoM due to factors such as prolonged slowdown in industrial activities or socioeconomic challenges faced by Maharashtra can have a significant impact on MPEL and will be a key monitoring factor.

Rating Sensitivities

Not Applicable

Material covenants

None

Liquidity Position: Strong

In case of any short fall it also has support from MSRDC and GoM available under the Concession Agreement. The overall liquidity of the company is likely to remain strong over the medium term on account of healthy buffer between with assured cash flows inflows vis-à-vis repayment obligations and support available from MSRDC and GoM in case of any shortfall.

Outlook: Not Applicable

Other Factors affecting Rating

None

About the Rated Entity - Key Financials

| Particulars | Unit | FY2022 (Prov.) | FY2021 (Actual) |
|--------------------------------|---------|-------------------|--------------------|
| Operating Income | Rs. Cr. | 846.07 | 748.44 |
| Profit After Tax (PAT) | Rs. Cr. | (66.75) | (266.55) |
| PAT Margin | % | (7.89) | (35.61) |
| Total Debt/ Tangible Net Worth | Times | 0.00 | (2.02) |
| PBDIT/Interest | Times | 25.50 | 3.21 |

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

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

| Date | Name of Instruments/Facilities | Term | Amount (Rs. Cr) | Rating/Outlook |
|-------------|--------------------------------|-----------|-----------------|-------------------------------|
| 04 Aug 2021 | Proposed Bank Facility | Long Term | 400.00 | ACUITE AA Stable (Assigned) |
| | Term Loan | Long Term | 400.00 | ACUITE AA 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 | 400.00 | ACUITE AA Reaffirmed & Withdrawn |
| HDFC Bank Ltd | Not Applicable | Term Loan | 15-03-2021 | 6.95 | 15-03-2022 | 400.00 | ACUITE AA Reaffirmed & Withdrawn |

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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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