

Press Release

Thane Creek Bridge Infrastructure Limited

February 11, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non Convertible Debentures (NCD)	99.00	Provisional ACUITE AA CE Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	99.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned a long term rating of '**Provisional ACUITE AA (CE)**' (read as **Provisional ACUITE double A (Credit Enhancement)**) to the Rs. 99.00 Cr proposed non-convertible debenture issue of Thane Creek Bridge Infrastructure Limited (TCBIL). The outlook is '**Stable**'.

The rating on the Rs.99.00 Cr proposed NCD is provisional and the final rating is subject to receipt of pending documentation:

1. Final NCD term sheet
2. Executed agreement with debenture trustee and trust deed
3. Copy of the tripartite concession agreement including the guarantee from GoM

Rationale for the rating assigned

The rating takes into account the strategic importance of the project undertaken by TCBIL and the parent's i.e. Maharashtra State Road Development Corporation's (MSRDC) extensive experience in undertaking large strategic road projects in Maharashtra. The project is designed to enhance the connectivity between Mumbai and Navi Mumbai particularly after the construction of the proposed new airport in the latter region. The rating derives comfort from the funding support available to TCBIL during the construction as well as operational period from the Government of Maharashtra (GoM) through a guarantee under a tri-partite concession agreement signed by GoM, TCBIL and MSRDC as well as funding commitment from CIDCO. It further takes into account the structured payment mechanism under the terms of the proposed NCD issue. The rating strengths however are partly offset by moderate project execution risk. The completion of the project without significant time and cost overruns will remain a key rating sensitivity.

About the Company

TCBIL is a state government company incorporated in January 2018 at Mumbai. It is a fully owned subsidiary of Maharashtra State Road Development Corporation Limited (MSRDC) which was incorporated to oversee the construction of Thane Creek Bridge – III (TCB - III) project. Currently, there are two bridges which connect Mumbai and Navi Mumbai over the Thane Creek located in the Sion Panvel Highway (TCB - I and TCB - II). These were

constructed in 1973 and 1997 respectively. The older bridge is now shut down for repairs and TCB - II handles traffic exceeding its capacity. The Government of Maharashtra (GOM) through MSRDC has decided to develop, maintain and operate a 3 Lane major bridge on either side of existing TCB II having length of 1.84 Km (each) including approaches of 1.31 Km length near Vashi, Navi Mumbai on Design, Build, Finance, Operate & Transfer (DBFOT) basis in accordance with the terms & conditions set forth in the concession agreement in 2018.

Standalone (Unsupported) Rating:

ACUITE AA- (including notchup for the strong linkages MSRDC and GoM)

Analytical Approach

Acuité has considered the business and financial risk profile of TCBIL on a standalone basis and has thereafter, factored the parental support from MSRDC and GoM though the concession agreement; additionally, credit enhancement is available on account of the structured payment mechanism to arrive at the final CE rating.

Key Rating Drivers

Strengths

Established track record of parent in the road infrastructure industry

TCBIL is a subsidiary of MSRDC (100 per cent stake) and a step-down subsidiary of GoM. MSRDC, established and fully owned by the GOM, is a limited company incorporated in 1996. It was established to oversee large road infrastructure projects across the state of Maharashtra. MSRDC has successfully completed strategic projects such as Mumbai Pune Expressway (MPEW), Bandra Worli Sea Link (BWSL) and Satara Kagal Road amongst others. MSRDC has also been tasked with the execution of the critical Maharashtra Samruddhi Mahamarg Project, a ~701 km project connecting key cities Mumbai and Nagpur and passing through 10 districts of Maharashtra which is also supported by GoM. It reported an operating profit of Rs. 844 Cr. on an operating income of Rs. 1032 Cr. in FY2020 (Provisional). The Board of TCBIL comprises of civil servants appointed by the GoM. CEO of TCBIL also holds the post of Managing Director for MSRDC. TCBIL is tasked by MSRDC with the execution of the TCB - III project in Mumbai. The project is designed to reduce traffic congestion on the existing bridge TCB II bridge commissioned in 1997. The strategic importance of the project to MSRDC and support from GoM is likely to facilitate the funding available to the project from various financial institutions and investors.

Funding shortfall support from Government of Maharashtra under the concession agreement alongwith support of the structured payment mechanism

A tripartite Concession Agreement has been executed amongst TCBIL as the Concessionaire, MSRDC as the Sponsor & GOM as the Concessioneing Authority in 2018. This agreement forms the basis of the support from GOM available to TCBIL. As per articles of the agreement, any cash shortfall during the Operation Period and/or the Construction period or any cost overruns beyond the envisaged total project cost would be met by the Concessioneing Authority. The agreement also provides for support from GoM for TCBIL if it is not able to generate subsistence revenue during operation period. Alongwith the funding support from GoM, the terms of the debenture issue also provide for structured payment mechanism monitored by a debenture trustee. The mechanism involves a check for the adequacy of the funds available for debt servicing from T-60 days. The debenture trustee checks the adequacy of funds and if any shortfall remains till T-30 days, the Sponsor (MSRDC) and Concessioneing Authority (GoM) will be notified. If the shortfall still persists till T-15 days, the support and the guarantee under concession agreement from GoM will be invoked. The mechanism allows for replenishment of any shortfall for debt servicing from T-60 days. Acuité believes that the funding support available from GoM alongwith the structured payment mechanism strengthens TCBIL's credit risk profile significantly.

Access to toll collection funds on the Vashi Corridor of Mumbai Entry Points toll

The project cost is estimated to be ~Rs. 777 Cr. Out of this Rs. 177 Cr. will be funded through

equity by MSRDC, Rs. 200 Cr. by CIDCO in form of long term quasi equity and debt will be raised for the balance Rs. 400 Cr. The debt is expected to be raised in tranches through NCD issuances. There will be not be any payout of either coupon or principal till FY2028 and first repayment is expected in FY2029. Coupon payments till FY2028 will be accumulated and later paid over the tenure of the NCD. Acuite believes that the current repayment have been structured to create better matching of cash inflows and out flows. The project construction has started in October 2020 and is expected to be completed by October 2023. However the TCBIL will only have access to toll collection on the Vashi Corridor of Mumbai Entry Points Toll from FY2028. Mumbai Entry Points comprises of toll collected at five Mumbai entry points (Eastern Express Highway Corridor, Western Express Highway Corridor, Lal Bahadur Shastri Marg Corridor and Airoli Bridge Corridor and Vashi Corridor). Currently the operations and collections operations have been allotted to Mumbai Entry Point Infrastructure Developers Limited (MEP) by MSRDC. This agreement is likely to cease in FY2027. After that the operations and collection rights for the Vashi Corridor will be allotted to TCBIL. This is expected to reduce demand risk as it gives TCBIL a stable source of revenue. This toll bridge has a demonstrable traffic track record which is expected to grow further given the ongoing development in Navi Mumbai and the construction of the new international airport.

Weaknesses

Project execution risk

TCBIL is constructing the TC – III at an estimated cost of Rs. 777 Cr. to be funded through equity of Rs. 177 Cr. contributed by MSRDC, long term quasi equity fro CIDCO and NCD of Rs. 400 Cr. Although TCBIL has infused by way of equity ~Rs. 18 Cr. as on October 31, 2021 (Provisional) debt tie ups still remains pending. Timely closure of debt tie ups remains critical to the completion of project. The civil work and construction has commenced in October, 2020 is expected to be completed by October, 2023. L&T Limited has been selected as the EPC contractor based on competitive bidding process. Although the project is exposed execution risk as the construction is at nascent stage this is largely mitigated as the slected EPC contractor has a track record of handling projects of such complexity. Further, the investors are isolated from the project implementatio risk on account of the inclusion of mandatory early redepmtion clause in the terms of the NCD issue. Under this in the unlikely scenario of the project getting abandoned or delayed indefinitely the NCD issue will be redeemed by the sponsor - MSRDC through cashflow available to it from its existng projects. The execution risk is further mitigated on account of support from MSRDC and funding shortfall support from GoM in the construction as well as operational period.

However, Acuite believes that timely completion of the construction will remain a key rating monitorable.

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 socio-economic challenges faced by Maharashtra can have a significant impact on MSRDC and TCBIL and will be a key monitoring factor.

Rating Sensitivities

- Timely completion of project and commencement of commercial operations without significant cost overruns.
- Any change in the shareholding or support available from the GoM.

Material covenants

None

Assessment of Adequacy of CE Structure:

While the funding support from MSRDC as also GoM is clearly laid down in the concession agreement, the CE structure has been designed to ensure timeliness in the receipt of such funding. An independent trustee will be appointed

to monitor the structured payment mechanism and such monitoring will be initiated at T-60 days. Adequate intimation will be provided to both MSRDC and GoM at T-30 days to fund shortfall in the debt service account, if any. In an unlikely scenario where the debt service account is still not fully funded by T-15 days, the guarantee invocation is expected from the trustee which also gives adequate time for the processes involved in honouring the guarantee at GoM's end.

Liquidity Position: Strong

TCBIL is expected to have a strong liquidity position. While Acuité does not foresee any positive net cash accruals in the first year of operations, TCBIL will continue to get support from GoM through the concession agreement for the construction as well as operational period. The maturing debt repayment is expected to commence only from FY29. The liquidity of the company is likely to remain strong over the medium term on account of the commitment from MSRDC as well as GoM to fund the liquidity deficit in the initial stage of operations.

Outlook: Stable

Acuité believes that TCBIL 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 stabilises operations as scheduled and exhibits the ability to generate cash flows commensurate to its debt. Conversely, the outlook may be revised to 'Negative' in case of delay in commencement of commercial operations and slower than expected pick up in revenues affecting its intrinsic debt servicing ability.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	0.00	0.00
PAT	Rs. Cr.	(0.01)	(0.01)
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

Part 1. Supplementary disclosures for Provisional Ratings

A. Risks associated with the provisional nature of the credit rating

1. Absence of any structured payment mechanism.
2. In case there are material changes in the terms of the transaction after the initial assignment of the provisional rating and post the completion of the issuance (corresponding to the part that has been issued) Acuite will withdraw the existing provisional rating and concurrently, assign a fresh final rating in the same press release, basis the revised terms of the transaction.

B. Rating that would have been assigned in absence of the pending steps/ documentation The rating would be equated to the standalone rating of the entity: ACUITE AA- / Stable

C. Timeline for conversion to Final Rating for a debt instrument proposed to be issued: The provisional rating shall be converted into a final rating within 90 days from the date of issuance of the proposed debt instrument. Under no circumstance shall the

provisional rating continue upon the expiry of 180 days from the date of issuance of the proposed debt instrument.

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>
- Explicit Credit Enhancements: <https://www.acuite.in/view-rating-criteria-49.htm>

Note on complexity levels of the rated instrument

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

Rating History:

Not Applicable

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 Non Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	95.00	Provisional ACUITE AA CE Stable Assigned
Not Applicable	Not Applicable	Proposed Non Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	4.00	Provisional ACUITE AA CE Stable Assigned

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About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 8,850 credit 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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