

Press Release

Thane Creek Bridge Infrastructure Limited

May 16, 2023



Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non Convertible Debentures (NCD)	98.00	ACUITE AA- Stable Downgraded	-
Non Convertible Debentures (NCD)	302.00	Provisional ACUITE AA- Stable Downgraded	-
Total Outstanding Quantum (Rs. Cr)	400.00	-	-

Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE AA-**' (read as **ACUITE Double A minus**) from '**ACUITE AA (CE)**' (read as **ACUITE Double A (Credit Enhancement)**) on Rs. 98.00 Cr Non-Convertible Debentures of Thane Creek Bridge Infrastructure Limited (TCBIL).

Further, Acuite has also downgraded the long-term rating to '**Provisional ACUITE AA-**' (read as **Provisional ACUITE double A minus**) from '**Provisional ACUITE AA (CE)**' (read as **Provisional ACUITE double A (Credit Enhancement)**) on the Rs. 302.00 Cr of proposed Non-Convertible Debenture (NCD) issue.

The outlook is '**Stable**'.

The rating on the Rs.302.00 Cr Proposed NCD is Provisional, and the final rating is subject to receipt of pending documentation:

1. Executed agreement with debenture trustee and trust deed.
2. Executed final term sheet and other debt documents.

Acuite has also withdrawn the CE suffix in line with the revised rating guidelines for Explicit Credit Enhancement issued by SEBI in its circular dated September 28, 2022.

Rationale for rating

The rating downgrade is driven by the revision in Acuite's approach towards credit enhancement on the backdrop of SEBI circular dated September 28, 2022. As a result, the adequacy of the enhancement under the current structure stands limited; on account of absence of creation of upfront DSRA for servicing the debt obligations and a DSRA replenishment guarantee from a third party, rendering the structure inadequate for application of credit enhancement. The rating however continues to factor, 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. Also, MSRDC has provided unconditional and irrevocable guarantee for timely servicing of the bonds. 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 between GoM, TCBIL and MSRDC as well as funding commitment from CIDCO. Further, timely debt tie-ups and completion of the project without significant time and cost overrun, 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 is overloaded with 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 BBB- / Stable (Excluding notchup for the strong linkages with 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 through the concession agreement.

Key Rating Drivers

Strengths

Established track record of the 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 the 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. 1359 Cr. on an operating income of Rs. 1623 Cr. in FY2022 (Provisional). The Board of TCBIL comprises of civil servants appointed by the GoM. The CEO of TCBIL also holds the post of Managing Director for MSRDC. MSRDC has tasked TCBIL to execute the TCB - III project in Mumbai. The project is designed to minimize 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.

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 in case of cash shortfall during the Operation Period and/or the Construction period or in case of cost overruns beyond the envisaged total project cost it would be met by the Concessioneing Authority. The agreement also provides for support from GOM in case revenue generated from the project is lower than subsistence revenue.

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 not be any pay out 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 has 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 August 2024. However, TCBIL will only have access to toll collection on the Vashi Corridor of Mumbai Entry Points Toll from FY2028. Mumbai Entry Points comprises of tolls 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 TCB – III at an estimated cost of Rs. 777 Cr. to be funded through equity of Rs. 177 Cr. contributed by MSRDC, Rs. 200 Cr. in the form of long term quasi equity from CIDCO and NCD of Rs. 400 Cr. Although TCBIL has infused by way of equity ~Rs. 197.36 Cr. as on March 31, 2023 (Provisional) debt tie ups for Rs. 302 Cr. still remain pending. Timely closure of debt tie ups remains critical to the project completion. The civil work and construction had commenced in October, 2020 and was expected to be completed by October, 2023 however, the same has now been extended to August 2024. Currently around 47 percent of construction has been completed as on March 31, 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 compensated, as the selected EPC contractor has a track record of handling projects of such complexity. Further, the investors are isolated from the project implementation risk due to the inclusion of mandatory early redemption 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 existing 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. 38.79 Lakh Cr. for FY2023-24 as against Rs 35.27 Lakh Cr. for FY2022-23 (RE). The fiscal deficit of Maharashtra for FY2022- 23 (RE) is increased to 2.70 percent of GSDP against 2.24 percent in FY2021-22. This increase is attributable to shortfall in revenue receipts. Any further adverse changes in the fiscal indicators of GoM factors the prolonged slowdown in industrial activities or socio-economic challenges faced by Maharashtra, can significantly impact MSRDC and TCBIL, and will be a key monitoring factor.

ESG Factors Relevant for Rating

Not Applicable

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

1. If GOM holding in MSRDC reduces below 51 percent, bond holders will have option for premature redemption.
2. Total debt in TCBIL should remain to the extent of Rs. 400 Cr.

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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	0.00	0.00
PAT	Rs. Cr.	(0.04)	(0.01)
PAT Margin	(%)	0.00	0.00
Total Debt/Tangible Net Worth	Times	(3462.90)	0.00
PBDIT/Interest	Times	0.00	0.00

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

Supplementary disclosures for Provisional Ratings 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) Acuité 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.

Rating that would have been assigned in absence of the pending steps/documentation

The rating would be equated to the notched up rating derived from the State Government support to the entity i.e ACUITE AA- / Stable

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>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite 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
20 May 2022	Non Convertible Debentures	Long Term	95.00	ACUITE AA (CE) Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	4.00	ACUITE AA (CE) Stable (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	301.00	ACUITE Provisional AA (CE) Stable (Assigned)
01 Apr 2022	Non Convertible Debentures	Long Term	4.00	ACUITE AA (CE) Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	95.00	ACUITE AA (CE) Stable (Reaffirmed)
16 Feb 2022	Non Convertible Debentures	Long Term	4.00	ACUITE AA (CE) Stable (Assigned)
	Non Convertible Debentures	Long Term	95.00	ACUITE AA (CE) Stable (Assigned)
11 Feb 2022	Proposed Non Convertible Debentures	Long Term	95.00	ACUITE Provisional AA (CE) Stable (Assigned)
	Proposed Non Convertible Debentures	Long Term	4.00	ACUITE Provisional AA (CE) 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	INE0KPD07018	Non-Convertible Debentures (NCD)	16 Feb 2022	8.90	30 Mar 2035	Simple	98.00	ACUITE AA- Stable Downgraded (from ACUITE AA CE)
Not Applicable	Not Applicable	Proposed Non-Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	Simple	302.00	Provisional ACUITE AA- Stable Downgraded (from ACUITE AA CE)

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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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