



Press Release
THANE CREEK BRIDGE INFRASTRUCTURE LIMITED
August 29, 2023

Rating Reaffirmed and Upgraded

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

Rating Rationale

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

Further, Acuite has upgraded the long-term rating to '**Provisional ACUITE AA (CE)**' (read as **Provisional ACUITE double A (Credit Enhancement)**) from '**Provisional ACUITE AA-**' (read as **Provisional ACUITE double A Minus**) 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.

Rationale for rating

The rating upgrade considers change in terms of the proposed NCD issue which now ensures creation of an upfront DSRA and a DSRA replenishment guarantee from a third party along with presence of structured payment mechanism. Further, the rating 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 rating also derives comfort from the funding support available to TCBIL during the construction as well as operational period from the Government of Maharashtra (GoM) under the Concession Agreement which states that in case of any shortfall in subsistence revenue (which would include the servicing of the debentures), the same shall be made good by GoM apart from the funding commitment from CIDCO. The rating strengths however are partly offset by project execution and funding risk. 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 road project connecting key cities of 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 along with 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 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. Further, the revised terms of the proposed debenture issue extend additional comfort to the investors. The terms provide for an initial DSRA creation amounting to 2.5% of the issue size at least 1 day prior to the allotment of the bonds. Additionally, TCBIL is required to open a Designated Escrow Account - (for Bond servicing) and would need to transfer at least 75.50% of the funds received in the escrow account to the bond servicing account before the first semi-annual servicing cycle begins. Thereafter, such transfers are to be made daily until the full built up of each semi-annual servicing pay-out is achieved at least 60 days prior to servicing date (T-60). Furthermore, the terms also provide for a structured payment mechanism monitored by a debenture trustee. The mechanism involves a check for the adequacy of the funds available for debt servicing on (T -59th day). The debenture trustee checks the adequacy of funds and notifies the Sponsor (MSRDC) to fund the shortfall, if any in the account by T-30 days. If any shortfall still remains on (T-29th day), the debenture trustee will again notify (second notice) the sponsors along with a copy marked to GoM to fund the shortfall within next 25 days (T-

4 days) failing to which DSRA would get impaired and consequently the guarantee from MSRDC to the extent of the DSRA impairment would get invoked. If DSRA is not fully restored by MSRDC within the next 15 working days, debenture trustee would request the GoM to fund the shortfall in line with terms of the Concession Agreement. Irrespective of the impairment, the daily transfers from the escrow account must be continued and will be first utilised towards restoring the DSRA which further allows the debenture trustee for replenishment of any shortfall in the DSRA.

Acuité believes that the funding support available from GoM along with 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 construction has started in October 2020 and is expected to be completed by August 2024. Mumbai Entry Points comprises of tolls at five Mumbai entry points (Eastern Express Highway Corridor, Western Express Highway Corridor, Lal Bahadur Shastri Marg Corridor, Airoli Bridge Corridor, and Vashi Corridor). As per the concession agreement, starting from FY2028 TCBIL will have access to toll collection on the Vashi Corridor which will give it a stable revenue source and thus reduce demand risk. The Vashi 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.

Favourable repayment structure

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 principal till FY2028 and redemption along with premium will be done in 14 semi-annual instalments commencing from 30th September 2028 till 31st March 2035. However, Initial coupon payments (not exceeding 5%) will be payable semi-annually starting from 31st March 2024 till 31st March 2028. Since the company would not have any cash flow till 1st April 2028, the NPV of interest payable at the initial coupon rate from the date of allotment till 31st March 2028 would need to be deposited in the Initial Coupon Payment Reserve Account (ICPRA) at least 1 day prior to the allotment of the bonds. Shortfalls if any, are to be funded by MSRDC through its own sources. The difference between the initial and final coupon rates would get accumulated and would be paid in the form of redemption premium. Further, the Vashi Corridor toll rights will be transferred to TCBIL from FY2028 as the redemption towards NCDs start in FY2029.

Acuite believes that the current repayment has been structured to create better matching of cash inflows and out flows.

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. 207 Cr. as on July 2023 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 56 percent of construction has been completed as on 22nd August, 2023. L&T Limited has been selected as the EPC contractor based on competitive bidding process. Although the project is exposed to execution risk being at nascent stage, this is largely mitigated, as the selected EPC contractor has a track record of handling projects of similar 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, Acuité believes that timely completion of the construction will remain 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.
- Credit profile of MSRDC.

All Covenants

- Issuer should maintain adequate books of accounts, as per applicable accounting practices and standards, which should correctly reflect its financial position and scale of operations and should not radically change its accounting system without notice to the Debenture Trustee.
- Issuer should submit to the Debenture Trustee such financial statements as may be required from time to time in addition to the set of such statements to be furnished by the Issuer as on the date of publication of the Issuer's annual accounts.
- In case of default in repayment of the loan/advances or in the payment of the interest thereon or any of the scheduled Debt instalments on due date(s) by the Issuer, the Debenture Trustee/Bond Holder will have an unqualified right to disclose or publish the Issuer's name and its directors/partners/proprietors as defaulters/wilful defaulters in such manner and through such medium as they in their absolute discretion may think fit.
- After provision for tax and other statutory liabilities, the Bonds will have exclusive right as per arrangement of security sharing on the profits of the Issuer for repayment of amounts due to the secured lenders; in case of payment default to the lenders (unless expressly permitted otherwise by any law for the time being in force).
- Issuer shall keep the Debenture Trustee informed of the happening of any event likely to have a substantial effect on their Revenue/profit or business: along with explanations and the remedial steps taken and/or proposed to be taken. For the purpose of this covenant, substantial effect on their revenue/profit or business would mean adverse variance of 10% or more.
- Issuer will utilize the funds for the purpose mentioned in the Transaction Documents including the present arrangement with existing lenders.
- Promoter's shares in the Issuer should not be pledged to any other Entity without prior consent of Debenture Trustee.
- Comply with obligations under the Project Documents and Transaction Documents;
- Maintain adequate insurance in relation to operations under the Project;
- Create and maintain Security as per the timelines;
- Any other favourable covenant including Guarantee or Letter of Comfort from MSRDC and/or Authority stipulated by any of the other lenders to the issuer would apply mutatis mutandis to this facility also & would remain in force / effect till the full & final redemption of all the dues payable under these bonds including the present arrangement with existing lenders.
- In case Government of Maharashtra reduces its holding in MSRDC below 51%, then the bond holders would have an option to ask for premature redemption which can be exercised within 30 days of such official announcement, by servicing a notice to the

Issuer and Debenture Trustee. Such prepayment amount shall be equal to the Issue Price plus the annualised yield compounded yearly from allotment till the date of such payment and will have to be paid within 30 days from the above mentioned notice.

Negative Covenants

Issuer shall not undertake any of the following activities without prior approval from the Debenture Trustee:

- Formulation of any scheme of amalgamation or reconstruction or merger or de- merger
- Any New project or Scheme of expansion or Acquisition of fixed assets if such investment results in breach of financial covenant(s) or diversion of working capital funds for financing long-term assets
- Entering into borrowing arrangement either secured or unsecured, other than Permitted Indebtedness (aggregating to Rs 400 crore).
- Issuing any guarantee or Letter of Comfort in the nature of guarantee on behalf of any other company (including group companies).
- Declare dividends for any year except out of profits relating to that year after making all due and necessary provisions and provided further that no default is subsisting in any repayment obligations to the Bonds/Debt and satisfaction of Restricted Payments Conditions.
- Create any charge, lien or encumbrance over its undertaking or any part thereof
- Sell, assign, mortgage or otherwise dispose of any of the fixed assets charged to the Debenture Trustee. However, fixed assets to the extent of 5% of Gross Block may be sold in any financial year.
- Enter into any contractual obligation of a long-term nature/ adversely affecting the Issuer's financials.
- Amend or modify any of its constitutional documents, which have a material adverse effect;

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, within next 25 days failing to which DSRA would get impaired and consequently the guarantee of the MSRDC would get invoked.

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 FY2029. 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

Not Applicable.

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	0.00	0.00
PAT	Rs. Cr.	(0.13)	(0.04)
PAT Margin	(%)	0.00	0.00
Total Debt/Tangible Net Worth	Times	(50.38)	(3462.90)
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) 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.

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
16 May 2023	Non Convertible Debentures	Long Term	98.00	ACUITE AA- Stable (Downgraded from ACUITE AA (CE) Stable)
	Proposed Non Convertible Debentures	Long Term	302.00	ACUITE Provisional AA- Stable (Downgraded from ACUITE Provisional AA (CE) Stable)
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 Reaffirmed
Not Applicable	Not Applicable	Proposed Non-Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	Simple	302.00	Provisional ACUITE AA CE Stable Upgraded (from ACUITE Provisional AA-)

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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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