

## Press Release

### Gangamai Kalyan Acr Private Limited

April 14, 2022



## Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	390.00	ACUITE BBB-   Stable   Assigned	-
Bank Loan Ratings	46.00	-	ACUITE A3   Assigned
Total Outstanding Quantum (Rs. Cr)	436.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BBB-**' (read as ACUITE triple B minus) on the Rs.390.00 Cr. long term bank facilities and a short term rating of 'ACUITE A3' on Rs.46.Cr. of short term bank facilities of Gangamai Kalyan ACR Private Limited(GKACR). The outlook is '**Stable**'.

### Rationale for Rating Assigned

The rating assigned takes into account the benefits derived from annuity based revenue model and financial and technical support from its sponsor GICL and KTIL respectively. It derives comfort from the sponsor established track record in the civil construction segment. However, the project is till exposed to project execution risk as only 30 percent of the project is completed and some funding risk as the promoters have to infuse 50 percent of their contribution which acts as a constraining factor. Completion of project without significant time and cost escalation will remain key rating sensitivity.

### About the Company

Maharashtra based GKACR was incorporated in December 2020 as a joint venture between Gangamai Industries & Construction Limited (GICL) (51%) and Kalyan Toll Infrastructure Limited (KTIL) (49%).It was formed as a special purpose vehicle (SPV) to undertake the four laning of Ausa Chakur road which is part of National Highway 361 near Aurangabad under the Hybrid Annuity Model (HAM). NHAI is the concessioning authority for the project. The present directors of GKACR are Mr. Ranjeet Padmakar Mulay and Mr. Padmakar Haribhau Mulay.

### Analytical Approach

The team has considered the standalone business and financial risk profile of Gangamai Kalyan ACR Private Limited (GKACR) while arriving at the rating. The financial support expected from the Parent/Sponsor companies Gangamai Industries and Construction Private Limited (GICL) whenever required has been factored while arriving at the rating.

### Key Rating Drivers

## Strengths

### Benefits derived from an annuity based revenue model

The project developed by GKACR is an annuity-based revenue model. Under this model, the NHAI will make bi-annual payment over the concession period to the concessionaire post completion of the construction. As a result the company does not bear any traffic risk as it recovers whole of the capital cost through annuity receipts. Further, bi annual operational & maintenance expense along interest cost reimbursement will be given to the concessionaire during the concession phase. Also, the company has been allotted around 9 per cent mobilization advances by NHAI till February 2022

### Technical and financial support from KTIL and GIPL

GKACR is an SPV formed to undertake the Ausa Chakur road four laning project. It is a joint venture between GICL and KTIL.. GICL was incorporated in year 1999 and operates in sugar production, infrastructural construction and renewable power generation. It has an established operational track record of a decade. It is promoted by Mr. Padmakar Haribhau Mulay, Mr. Ranjeet Padmakar Mulay, Lata Padmakar Mulay, Sameer Mulay Padmakar. KTIL is a public limited company based out of Indore and incorporated in 2002 for developing and operating road projects majorly under BOT (Build Operate Transfer) model. It is promoted by Tikamchand Garg, Rajesh Kumar Garg, Amit Kumar Garg, and Jyoti Soni. The company is primarily engaged in construction of roads, pipelines, buildings on BOT and Hybrid Annuity Model (HAM) basis and till date has executed more than Rs. 1600 Cr. of orders. The company is registered as Class 'A' contractor with PWD, Maharashtra & Madhya Pradesh.

Acuité believes the company will benefit from the financial support from its sponsor GICL and technical support from KTIL in completion of the project.

## Weaknesses

### Project execution risk

The total project cost for the proposed four laning road is estimated at around Rs. 952 Cr. Means of finance through which funds would be raised include NHAI support (Rs.437Cr.) Promoter contribution (Rs.164 Cr.) and Bank Term loan (Rs.350 Cr.) Promoter's have currently infused equity to the tune of Rs.75 Cr. and plan to arrange for the balance in the near 3-4 months. Although, funding tie-ups are completed but certain conditions are to be met by the company which includes raising entire equity prior to the disbursal. Further, the loan would be disbursed only after achievement of 2nd milestone, which the company has achieved already. Therefore execution risk stands high and timely completion of the project without time and cost overruns will remain key sensitivity factor.

### Susceptibility to risks related risk related to delay in receipt of annuity

The project developed by GKACR is an annuity-based revenue model in which the NHAI, will make annuity payments over the concession period to the concessionaire. As per the concession agreement, the GKACR is expected to receive a semi-annual annuity over the concession period as per CA. Any delay in timely receipt of the annuity payments could adversely impact debt-servicing ability of the company. However, such risks are mitigated to some extent as the concession authority is a department of Government of India.

## Rating Sensitivities

- A successful implementation of project without time and cost overruns will be a key monitorable.
- Timely payment of annuity receipts from NHAI after completion of project

## Material covenants

None

## Liquidity Position Adequate

The company will receive 45 percent of project cost as construction support during the

construction period from the NHAI and rest as annuity payments during the concession period as per the concession agreement. Acuité also expects financial support from GKACR's sponsors whenever it is required. The liquidity of the firm is likely to remain adequate over the medium term on account of construction support from NHAI and from continued support from its sponsors to fund the liquidity deficit in the initial stage of operations.

### Outlook: Stable

Acuité believes that the outlook on GKACR's rated facilities will remain stable over the medium term on account of steady flow of annuity from the project coupled with support of sponsors. The outlook may be revised to 'Positive' in case of significant improvement in free cash flow from operations. Conversely, the outlook may be revised to 'Negative' in case of delays in annuity receipt or lack of timely support from the sponsor.

### Other Factors affecting Rating

Not Applicable

### About the Rated Entity - Key Financials

The firm is yet to start commercial operations therefore financials are not applicable.

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

Not Applicable

### 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>

### Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Yes Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	46.00	ACUITE A3   Assigned
L&T Finance Limited	Not Applicable	Term Loan	Not available	Not available	Not available	40.00	ACUITE BBB-   Stable   Assigned
L&T Finance Limited	Not Applicable	Term Loan	Not available	Not available	Not available	350.00	ACUITE BBB-   Stable   Assigned

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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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