



Press Release
Gangamai Kalyan Acr Private Limited
July 13, 2023
Rating Reaffirmed

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

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.390.00 Cr. bank facilities and a short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on Rs.46.00 Cr. bank facilities of Gangamai Kalyan ACR Private Limited (GKACR). The outlook is 'Stable'.

Reason for rating reaffirmation

The rating reaffirmation takes into account the benefits derived from annuity based revenue model and financial and technical support from sponsors Gangamai Industries & Construction Limited (GICL) and Kalyan Toll Infrastructure Limited (KTIL) respectively. It derives comfort from the sponsor's established track record in the civil construction segment. As on date, the project is 87-88 percent complete with GICL having infused equity of ~Rs.189 crore out of the total project cost of Rs.1138.83 Cr. The company has adequate liquidity position with the presence of a debt service reserve account (DSRA) with waterfall mechanism. However, the rating is constrained by the susceptibility of delay in receipt of annuity payments and change in operational and interest cost due to delayed completion of project. GKACR is awaiting approval on its completion extension request from NHAI.

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.

Standalone (Unsupported) Rating

ACUITE BB/ Stable

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

Experienced management along with extensive experience of sponsor

Gangamai Kalyan ACR Private Limited (GKACR) is a JV between Gangamai Industries and Constructions Limited (51%) and Kalyan Toll Infrastructure Limited (49%). GKACR was established in December 2020. KIL provides complete technical assistance to GKACR and has more than a decade of experience in the infrastructural construction business and has an established track record of successful project completion of more than Rs.1600.00 crore worth of projects. KIL is promoted by Tikamchand Garg, Rajesh Kumar Garg, Amit Kumar Garg, and Jyoti Soni. GIACL is a part of Padmakar Mulay Group of Companies of Aurangabad, incorporated in May 1999. The group is led by Mr. Padmakar H Mulay an industrialist having more than 45 years of rich experience. GICL has provided the financial support to project undertaken by GKACR wherein ~Rs.189 crore has already been infused by GICL. Acuite believes that the company will benefit from the experienced track record of operations of the sponsor- GICL in the near to medium term.

Annuity-based revenue model

The project being constructed under hybrid annuity model. Under this model, NHAI reimburses 60% of the construction cost on milestone basis thereafter making bi-annual annuity payments 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 with interest cost reimbursement will be given to the concessionaire during the concession phase. The company has completed physical progress upto 87-88% and is expected to complete 100% construction by August 2023.

Waterfall Mechanism in ESCROW account and Debt-service reserve account (DSRA)

GKAPL has escrow mechanism through which cash flows from authority is routed and used for payment as per the defined payment waterfall. The company also has to maintain DSRA equivalent to 6 months interest and principal is to be maintained on or prior to COD till tenure of the Facility. Further, corporate guarantee of sponsor is available. Any shortfall in debt servicing and shortfall in resources required for completion of project are to be met through support from GICL.

Weaknesses

Susceptibility of delay in completion of project

The project is under construction phase and is 87-88 percent complete as on date. Earlier the project was expected to be completed by March 2023. The project execution is delayed due to non-availability of encumbrance free land, delay in possession of land required for construction, monsoon season, etc. The company had applied for an approval of extension of time of 270 days in the last year, out of which 105 days extension was approved by the authority and the revised COD date stood at June 2023. The company has further requested for an approval for extension in the time by 210 days, which is yet to be approved by the authority. As the approval is yet to be received, the project is susceptible to execution risk leading to delay in the receipts of the annuity payments and increase in the operational and interest expenses. The project cost which earlier stood at ~Rs.952 crore is now revised at Rs.1138 crore adjusting the inflation. The SPV has received 4 out of the 5 milestone payments. The company expects to receive the last milestone payment by the end of July 2023. Acuite believes that timely completion of project will remain a key rating sensitivity.

Delay in receipt of annuity, due to delayed project completion

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. As the project is delayed, the annuity payments which were earlier supposed to start from August 2023 will be delayed depending on the COD (annuity starts from 6 months from date of COD).

Rating Sensitivities

Any further delay in the completion of the project.

Any further cost overruns.

Timely payment of annuity receipts from NHAI after completion of project.

Material covenants

None

Liquidity position: Adequate

The company will receive 40 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 company 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. The project has also achieved four of its five milestones during the construction period and the last milestone is expected to be achieved by the end of July 2023. Further the company has availed disbursal of ~Rs.208 crore out of the Rs.390 crore sanctioned as on date, providing adequate liquidity.

Outlook: Stable

Acuité believes that the outlook on GKACR's rated facilities will remain stable over the medium term on account of support of sponsors and benefits from the annuity-based model. 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 further delays in annuity receipt or lack of timely support from the sponsor.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	77.33	2.33
PAT	Rs. Cr.	(0.16)	(0.34)
PAT Margin	(%)	(0.21)	(14.45)
Total Debt/Tangible Net Worth	Times	(1.36)	(0.42)
PBDIT/Interest	Times	0.00	0.00

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

In order to inform the investors about complexity of instruments, Acuité 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
14 Apr 2022	Term Loan	Long Term	40.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	350.00	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Short Term	46.00	ACUITE A3 (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	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	46.00	ACUITE A3 Reaffirmed
L&T Finance Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	390.00	ACUITE BBB- Stable Reaffirmed

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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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