

Press Release
PALGHAR ROAD PROJECT PRIVATE LIMITED
May 16, 2024



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Shc R
Bank Loan Ratings	67.00	ACUITE A- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	67.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of 'ACUITE A-' (read as ACUITE A Minus) on the Rs. 67.00 crore bank facilities of Palghar Road Project Private Limited (PRPPL). The outlook is 'Stable'.

Rationale for Rating

The rating reaffirmation considers timely receipt of annuity payments by the company. Further, the rating factors in the adequate liquidity position of the company in the form of DSRA maintained equivalent to 1HY instalments and six months interest along with escrow mechanism. It further considers the ongoing technical support and funding support in the form of corporate guarantee for the loan availed from the sponsor while arriving at the rating. However, the rating is constrained by risk related to delay in annuity payments and to significant changes in operational and interest cost.

About the Company

Incorporated in 2018 Palghar Road Project Private Limited is a wholly owned Special Purpose Vehicle (SPV) sponsored by Milan Road Buildtech LLP for construction of Two Lanning with Unpaved shoulders to Safale Manda Tembhi Khodave Km 0/000 to 9/100 Taluka District – Palghar, Construction of Two Laning with Unpaved shoulders to road Tarapur MIDC Area from Nandore Mann Kallore road Km 0/00 to 9/200 Taluka District – Palghar, Construction of Two Lanning with Unpaved shoulders Parnali Palghar Road Km 0/00 to 14/900 Taluka District – Palghar, Construction of Two Lanning with Unpaved shoulders to Chinchani Ashagad Udhva Km 0/00 to 34/500 in Taluka Dahanu District Palghar. The above project is in the state of Maharashtra under Maharashtra Road Improvement Programme (MRIP) on Hybrid Annuity Mode. Presently, Mr.Alpeshbhai Girishbhai Patel, Mr.Bhaveshbhai Chandubhai Patel and Mr.Amishkumar Surendra Rawal are the directors of the company.

Unsupported Rating

Not Applicable

Analytical Approach

For arriving at the rating, Acuite has considered the standalone credit profile of PRPPL, which is strengthened by the managerial support from the sponsor – Milan Road Buildtech LLP (MRBL). Further, Acuite has also considered DSRA equivalent to 1HY instalments and six months interest and escrow mechanism, as specified in the loan sanction letter while arriving at the rating.

Key Rating Drivers

Strengths

Benefits derived from the annuity-based revenue model

The project being developed has an annuity-based revenue model. Under this model, the PWD, Maharashtra makes bi-annual payment over the concession period to the concessionaire. The company does not bear any traffic risk as it recovers whole of the capital cost through annuity. Further, bi-annual operational and maintenance expense and interest cost reimbursement to the extent of bank rate +4.25 per cent is given to the concessionaire during the concession phase. The company has achieved 100 per cent construction stage against which it has received 10 per cent mobilisation advances and all milestone payment from the authority. Further, the company has received the final completion certificate and 4 annuity payments from the authorities on time as on date.

Technical and financial support from Milan Road Buildtech LLP (MRBL)

MRBL has more than fifteen years of experience in the construction business and has established a track record for successful project execution. The company is led by the Patel family, since inception. Extensive experience of the promoters has helped the company in establishing and maintaining healthy relations with clients and sanctioning authorities. Acuité believes that sponsor's entrepreneurial experience and long track of operations will support its business risk profile over the medium term. Further, MRBL has contributed 100% funding in the HAM project.

Waterfall mechanism in ESCROW account

PRPPL has escrow mechanism through which cash flows from Authority is routed and used for payment as per the defined payment waterfall. Only surplus cash flow after meeting operating expense, debt servicing obligation, and provision for major maintenance expense, can be utilised as per borrower's discretion during the concession period. Furthermore, bank guarantee given by the sponsor - MRBL. The bank facilities will be backed by corporate guarantee from MRBL.

Weaknesses

Susceptibility to risks related to delay in receipt of annuity

As per the concession agreement, the company is expected to receive a semi-annual annuity. Any delay in timely receipt of the annuity could adversely impact debt-servicing ability. Along with fixed annuities, the project will receive interest payments on the balance annuities that are linked to the prevailing bank rate. The bank rate has been volatile in the past couple of years which has impacted the project inflow as a large proportion of the cash inflow is from the interest on balance annuities. However, this risk is partially offset as the interest rate on debt is floating and is also expected to follow the trend in bank rates thus keeping DSCR in check. Further, the company is exposed to risks related to maintenance of the project. If the prescribed standards are not met, annuity payment may be reduced. Any significant delay and deduction in annuities could impact the debt servicing ability of the company. However, strong track record of sponsor, who is also the O&M contractor, is expected to mitigate this risk.

Rating Sensitivities

- Timely receipt of annuity payments from the Government going forward
- Significant deterioration in the sponsor's credit profile

Liquidity Position

Adequate

PRPPL's liquidity position is adequate marked by timely milestone payment received from PWD, while executing the project and the company has started receiving annuity payments from September 2022. Till date, company has received 4 annuity payments on timely basis. Acuité expects the liquidity of PRPPL to remain adequate backed by consistent support from government in terms of annuity payments and also DSRA maintained by the company equivalent to 1HY instalments and six months of interest.

Outlook:Stable

Acuité believes that the outlook on PRPPL's rated facilities will remain 'Stable' over the medium term on account of steady flow of bi-annual annuity from the government coupled with strong 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 receipt of the annuity or lack of timely support from the sponsor.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	69.00	68.39
PAT	Rs. Cr.	2.06	0.08
PAT Margin	(%)	2.98	0.12
Total Debt/Tangible Net Worth	Times	4.52	0.98
PBDIT/Interest	Times	1.29	1.03

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

Not Applicable

Any other information

The borrower/sponsor shall maintain DSRA which is to be created upfront, of an amount equivalent to the One Half year installments and six months of interest and all other obligations due and payable in respect of facility amount.

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.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 Feb 2023	Proposed Long Term Bank Facility	Long Term	0.20	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	66.80	ACUITE A- 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	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.20	ACUITE A- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	14 Nov 2022	Not avl. / Not appl.	31 Jan 2030	Simple	66.80	ACUITE A- Stable Reaffirmed

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

1. Milan Road Buildtech LLP
2. Palghar Road Project Private Limited

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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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