

Press Release

Raj Infra Nsk 60 LLP

March 03, 2023

Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	50.00	ACUITE A- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	50.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE A-**' (read as **ACUITE A Minus**) on the Rs. 50.00 crore bank facilities of Raj Infra NSK 60 LLP (RINSK). The outlook is '**Stable**'.

Rating Rationale

The rating assigned considers the completion of project on time along with all the milestone payments received from PWD and also two annuity payments have been received by the company. Further, the rating factors in the adequate liquidity of the company in the form of DSRA created equivalent to 1HY instalment and six months interest and escrow mechanism. Acuite has also considered the technical support and funding support from the sponsor – Raj Infrastructure Developments India Private Limited, in the form of corporate guarantees for the loan availed while arriving at the rating. However, the rating is constrained by risk related to delay in annuity payments and changes in operational and interest cost.

About the Company

The entity is a sponsor of Raj Infrastructure Developments (India) Private Limited (RID IPL). It was formed for the construction of road in Dhule district in the state of Maharashtra.

Analytical Approach

For arriving at the rating, Acuite has considered the standalone credit profile of RINSK, which is strengthened by the managerial support from the sponsor –RID IPL. Further, Acuite has also considered DSRA equivalent to 1HY instalment 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, PWD, Maharashtra makes semi-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, semi-annual operational and maintenance expense and interest cost reimbursement to the extent of bank rate + 3.00 per cent is given to the concessionaire during the concession phase. The company has achieved 100 per cent construction stage. Further, the company has received the final completion certificate and two annuity

payments from the authorities. Further, the company has availed a loan from SBI Rs. 50.00 crores which is fully disbursed.

Technical and financial support from RIDIPL

RIDIPL has more than thirty years of experience in the construction business and has established a track record for successful project execution. The company is led by the Nimbalkar 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.

Waterfall mechanism in ESCROW account

RINSK has escrow mechanism through which cash flows from Authority is routed and used for payment as per the defined payment waterfall. Any surplus cash flow after meeting operating expense, debt servicing obligation, and provision for major maintenance expense, is to be utilised to prepay the loan amount without any prepayment penalty during the concession period. Furthermore, corporate guarantee given by the sponsor - RIDIPL and personal guarantee by its promoters.

Weaknesses

Susceptibility to risks related to delay in receipt of annuity and changes in operational cost & interest rate

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 reduced significantly in 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

Material covenants

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

Liquidity Position

Adequate

RINSK's liquidity position is adequate marked by timely milestone payment received from PWD, while executing the project, and also, the company has started receiving annuity payments and has already received the two semi-annual payments. The project was completed as per schedule time. Acuité expects that the liquidity of RINSK is likely to remain adequate backed by consistent support from government in terms of annuity payments and also DSRA maintained by the company equivalent to 1HY instalment and six months of interest.

Outlook: Stable

Acuité believes that the outlook on RINSK's rated facilities will remain 'Stable' over the medium term on account of steady flow of semi-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 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	54.72	87.71
PAT	Rs. Cr.	3.38	0.99
PAT Margin	(%)	6.19	1.13
Total Debt/Tangible Net Worth	Times	1.29	2.15
PBDIT/Interest	Times	1.76	1.43

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>
- 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>

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:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	50.00	ACUITE A- 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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