



Press Release
Raj Infra Nsk 60 LLP
May 31, 2024
Rating Reaffirmed

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

Rating Rationale

Acuite has reaffirmed 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**'.

Rationale for rating Reaffirmation

The rating reaffirmation takes into the account that the project is already completed along with all the milestone payments received from PWD (five annuity payments have been received by the company). The firm maintains adequate liquidity along with DSRA equivalent to half yearly instalment and six months interest and escrow mechanism. Further, it is also supported by the sponsor – Raj Infrastructure Developments India Private Limited, in the form of corporate guarantees for the loan availed while arriving at the rating. The ratings are constrained by the entity's profitability and the cashflows being exposed to the risk related to delay in annuity payments and changes in operational and interest cost.

About the Company

The entity is an SPV sponsored by Raj Infrastructure Developments (India) Private Limited (RID IPL). Raj Infra NSK 60 LLP was formed in 2018, for the construction of road in Dhule district in the state of Maharashtra and is Pune based entity. It's core business focuses on highway construction, irrigation projects, land development, industrial & residential construction, public private projects. Designated Partners of Raj Infra NSK 60 LLP are Mr. Adhiraj Ram Nimbalkar and Mr. Ram Udaysing Nimbalkar.

Unsupported Rating

Not Applicable

Analytical Approach

For arriving at the rating, Acuité has considered the standalone credit profile of RINSK, which is strengthened by the managerial support from the sponsor –RID IPL. Further, Acuité 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 five 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 reduction in the bank rate will impact 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

RINSK's liquidity position is adequate marked by timely milestone payment received from PWD, while executing the Back to top 11 project and the company has started receiving annuity payments from April 2022. The project was completed as per schedule time. Besides, the firm has pre-paid its loan to the extent of Rs.1.25 cr. Acuité expects 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	7.12	2.55
PAT	Rs. Cr.	2.04	0.01
PAT Margin	(%)	28.65	0.43
Total Debt/Tangible Net Worth	Times	1.30	1.49
PBDIT/Interest	Times	1.44	1.00

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>
- 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, 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
03 Mar 2023	Term Loan	Long Term	50.00	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
State Bank of India	Not avl. / Not appl.	Term Loan	05 Nov 2022	Not avl. / Not appl.	17 Jul 2030	Simple	50.00	ACUITE A- 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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