



Press Release
MATRUTIRTH SINDKHEDRAJA INFRA PRIVATE LIMITED
October 29, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	61.00	ACUITE A- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	61.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long term rating to '**ACUITE A-**' (read as **ACUITE A minus**) on the Rs. 61.00 Cr. bank facilities of Matrutirth Sindkhedraja Infra Private Limited (MSIPL). The outlook is '**Stable**'.

Rationale for rating reaffirmation

The rating considers the completion of project before the scheduled time along with all the milestone payments received from PWD (Government of Maharashtra) and eight annuity payments has been received by the company. Further, the rating factors in the adequate liquidity of the company in the form of DSRA created equivalent to 2 principal instalments and 12 months interest and escrow mechanism. The team has also considered the technical support and funding support in the form of corporate guarantees 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 changes in operational and interest cost.

About the Company

Matrutirth Sindkhedraja Infra Private Limited (MSIPL), an SPV incorporated on 25th May 2018 was set up to implement the project for development, maintenance and management of state highways and major district roads in Maharashtra. It also undertakes upgradation to two-lane with paved shoulders as per IRC standards wherever required, for state highway HAM-76. The project includes development from Lonar Lake in Buldhana district (Deulgaon Raja Sindhkhed Raja Dusarbidlonar to Buldhana district border) at a length of 48.50 km, in Maharashtra. It is carried by Mr. Girish Bhagwat Chaudhari, Mr. Rajesh Prakash Chaudhari & Mr. Arjun Bhivasan Kate.

Unsupported Rating

Not Applicable

Analytical Approach

For arriving at the rating, Acuite has considered the standalone credit profile of MSIPL. Further, Acuite has also considered DSRA which was created upfront equivalent to 2 principal instalments and 12 months interest and escrow mechanism, as specified in the loan sanction letter while arriving at the rating.

Key Rating Drivers

Strengths

Strong counterparty linked revenue profile

The company entered into a concession agreement with PWD Maharashtra for improvement to roads in Buldhana district in Maharashtra on 21st of July 2018. The project was completed in January 2020 and the PCOD was received in March 2020 well ahead of the scheduled completion date, thus earning early completion bonus. The concession is granted to the company for 10 years after the CoD and during the concession bi-annual annuity payment would be paid by MPWD and the company has received 8 annuity payments from December 2020 for the completed project. Along with annuity payments, interest shall be payable to MSIPL on reducing balance of

completion cost at a rate equal to applicable bank rate plus 3 per cent. MPWD shall also reimburse O&M bid expenses adjusted to Price Index Multiple on the annuity payment dates to MSIPL.

Strong operational and financial support from the sponsor

BNC Power Projects Limited (BNCPPL) has decades of experience in the civil construction, electrical-transmission and substations segments. The sponsor holds 59.78% shares of the company and provides funds and technical support to the project. The company has achieved revenues of Rs. 102.89 Cr. till 31st August 2024. nThe

sponsor has a healthy order book of about ~Rs.1433 Cr. (unexecuted) till 31st August 2024 from electrical transmissions, substations and road divisions. The OB/OI stood at 4.33 times. The sponsor has provided corporate guarantees on the bank loans of the company. Acuite believes that the sponsor is expected to provide technical or funding support in case of any exigency over the medium term.

Waterfall Mechanism in ESCROW Account and Debt Service Reserve Account (DSRA)

The repayments for term loan will be recovered from Escrow account. MSIPL 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. The debt service coverage ratio (DSCR) is expected to remain at over 1.34 times for the tenure of the loan. The company maintains DSRA equivalent in the form of fixed deposits to mitigate any unforeseen risk related to delay in annuity receipts.

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
- Higher than expected O&M cost

Liquidity Position

Adequate

MSIPL's liquidity position is adequate marked by continuous support from the sponsor BNC Power Projects limited (BNCPPPL). The project was completed before the scheduled time and the company has started receiving the annuity from Maharashtra PWD since December 2020. The DSCR is expected to be adequate, and the company will maintain DSRA and cash collateral of debt obligation will cushion liquidity. Fund support is likely from sponsor for any exigency including O&M and major maintenance expenses. Acuite expects the liquidity of MSIPL is likely to remain adequate backed by consistent support from sponsor and government in terms of annuity payments.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	8.62	10.05
PAT	Rs. Cr.	(2.71)	2.01
PAT Margin	(%)	(31.40)	20.05
Total Debt/Tangible Net Worth	Times	2.76	2.68
PBDIT/Interest	Times	0.48	1.45

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>
- 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>
- Infrastructure Investment Trust (InvIT): <https://www.acuite.in/view-rating-criteria-72.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. Acuité'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
01 Aug 2023	Term Loan	Long Term	61.00	ACUITE A- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	6.00	Simple	ACUITE A- Stable Reaffirmed
Bank of Maharashtra	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2029	55.00	Simple	ACUITE A- Stable Reaffirmed

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About Acuité Ratings & Research

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