



Press Release
JIJAU MU3 PROJECT PRIVATE LIMITED
January 12, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	43.09	ACUITE BBB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	43.09	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.43.09 crore bank facilities of Jijau MU3 Project Private Limited (JMU3PPL). The outlook is '**Stable**'.

Rationale for rating assigned.

The rating assigned considers the completion of project along with all the milestone payments received from PWD and also six annuity payments has been received by the JMU3PPL till date. The rating also considers the strong financial risk profile of the sponsor. Further, the rating factors in the adequate liquidity of the company in the form of DSRA created equivalent to 6 months instalments and interest payments along with escrow mechanism. However, the rating is constrained by the risk related to delay faced by the company in receipt of annuity payments. The rating also factors in the changes in operational and interest cost, which could affect the debt serving capabilities of JMU3PPL.

About the Company

Jijau MU3 Projects Private Limited (JMU3PPL), a SPV, setup by Jijau Constructions Road Builders Private Limited to undertake development of Hybrid Annuity Package No. MU-3 in the State of Maharashtra awarded by Public Works Department (PWD) of the Government of Maharashtra. The company entered into Concession Agreement (CA) on August 2018 with the PWD. Under the CA, it upgraded the Tembha Khardi Jawhar Jamsar Bopdari Ruighar road SH-77 in Palghar District on a Hybrid Annuity Mode.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Jijau MU3 Project Private limited to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of sponsor

The sponsor for the project is Jijau Construction Road Builders Private Limited. The company is into EPC business since 2009. Over the years the company has established its presence in the Mumbai, Palghar and Thane districts of Maharashtra, having worked with majority of the government clients. The net-worth of the sponsor stands at Rs.99.61 crore as on 31st March

2023.

Acuite believes that the healthy financial risk profile of the sponsor will support JMU3PPL, if

require going ahead.

Strong counter party linked revenue profile.

The company entered into a concession agreement with PWD Maharashtra for improvement to roads in Palghar district in Maharashtra in August 2018. The company achieved COD in August 2020. The concession is granted to JMU3PPL for 10 years after the COD was received and during the concession, semi-annual annuity payments would be paid by PWD Maharashtra. The company has till date received six annuities until August 2023. Along with annuity payments, interest shall be payable to JMU3PPL on reducing balance of completion cost at a rate equal to applicable bank rate plus spread. PWD Maharashtra shall also reimburse the O&M bid quote adjusted to Price Index Multiple on the annuity payment dates to JMU3PPL.

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

The repayments for term loan will be recovered from escrow account created by bank. JMU3PPL 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 over 1.37 times for the tenure of the loan. The company maintains DSRA equivalent to six months debt service obligation (principal and interest) in the form of fixed deposits to mitigate any unforeseen risk related to delay in annuity receipt etc.

Weaknesses

Risk related to delay in receiving annuity payments

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. Company has already faced a significant delay in receiving the first and second annuity payment. Further the sixth annuity which was due for August 2023 has been received in the month of October 2023.

Acuite believes going ahead the timely receipt of annuity will keenly tracked as any significant delay would led to adversely impact the debt servicing ability of the company.

Exposed to risk of any changes in operational cost & interest rate.

Along with fixed annuities, the project will receive interest payments on the balance annuities at a rate equivalent of prevailing bank rate plus spread. Further, the company is exposed to risks related to maintenance of the project. If the prescribed standards and timely maintenances of the project are not performed, it will significantly affect the annuity payments ultimately impacting the debt servicing ability of the company.

Acuite expects the timely maintenance of the project as and when require will be a key rating sensitivity.

Rating Sensitivities

- Timely receipt of annuity payments from PWD Maharashtra going forward
- Timely support from the sponsor for O&M activities.

Liquidity Position

Adequate

JMU3PPL's liquidity position is adequate marked by receipt of the annuities. The company has faced a delay in receiving few of its annuity payments. Company has received the sixth annuity in the month of October 2023 which was due in August 2023. The DSCR is expected to be adequate and will remain above 1.37 times going forward. The company has maintained DSRA for six months, which is one instalment of repayment. However, the Company needs to make provision for MMR expenses which are to be incurred in the fourth year. Additional fund

support from the sponsor will be keenly watched for any Incremental expense related to O&M and major maintenance expenses.

Acuité expects the liquidity of JMU3PPL is likely to remain adequate backed by receipt of the annuities from the government and the significant amount of DSRA creation by JMU3PPL.

Outlook: Stable

Acuité believes that the outlook on JMU3PPL's rated facilities will remain 'Stable' over the medium term on account of steady flow of semi-annual annuity from the government. 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 as and when needed.

Other Factors affecting Rating

Acuité has considered DSRA equivalent to 6 months instalments and 6 months interest and escrow mechanism, as specified in the loan sanction letter while arriving at the rating.

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	25.59	25.10
PAT	Rs. Cr.	2.39	2.43
PAT Margin	(%)	9.36	9.68
Total Debt/Tangible Net Worth	Times	1.57	2.43
PBDIT/Interest	Times	1.59	1.55

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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 :

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
CSB Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	43.09	ACUITE BBB- 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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