

Press Release
MSRDC PUNE RING ROAD LIMITED
September 16, 2024
Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Shc R
Bank Loan Ratings	9800.00	ACUITE A- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	9800.00	-	-

Rating Rationale

Acuité has assigned its long-term rating of '**ACUITE A-**' (read as ACUITE A minus) to the Rs. 9800 Cr. proposed bank facilities of MSRDC Pune Ring Road Limited (MPRRL). The outlook is 'Stable'.

Rationale for the rating assigned

The rating assigned reflects established track record of operations of MSRDC Pune Ring Road Limited - MPRRL's parent Maharashtra State Road Development Corporation (MSRDC) in the infrastructural construction segment, strong resource mobilization ability on account of continued operational and financial support from MSRDC and Government of Maharashtra (GOM). The rating factors in the funding shortfall support agreement which the company will receive from Government of Maharashtra as per the draft Concession Agreement. Further the rating also factors in the collection of toll income after the achievement of COD, which will be used to service the debt repayment of the company. However, the rating is constrained by the nascent stage of the project, as the finalization of the Concession Agreement is yet to be done by the authority along with equity infusion by the promoter and sanctioning of debt financing by the company. Further rating also factors in the significant implementation risk in getting land clearance from MSRDC and timely execution of EPC works.

About the Company

Incorporated in January, 2022, MSRDC Pune Ring Road Limited (MPRRL) is a wholly owned subsidiary of MSRDC, incorporated for implementation of 6-lane, access-controlled greenfield expressway around the western periphery of the city of Pune. The current directors of the company are Mr. Anilkumar Baliram Gaikwad, Mr. Sahebrao Kundlikrao Survase, Mr. Rajesh Bhagwan Patil and Mr. Manuj Jindal.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone approach while assessing the business and financial risk profile of MPRRL and has factored in financial, operational and managerial support it receives from GoM through MSRDC by virtue of being a step-down subsidiary of the GoM. The rating factors in the 100 percent holding of MSRDC (a GoM entity) in MPRRL along with the strategically important role played by the entity in implementing a key infrastructure project in the state.

Key Rating Drivers

Strengths

Extensive experience of the promoter in the infrastructure industry and entity of

Government of Maharashtra

MPRRL, which is the concessionaire, is a wholly owned subsidiary of Maharashtra State Road Development Corporation (MSRDC). MSRDC is fully owned by the Government of Maharashtra (GoM). MSRDC, the sponsor of the project was appointed by MSRDC as the implementing agency for the development of 6-lane, access-controlled greenfield expressway around the western periphery of the city of Pune. MSRDC has an extensive experience in the infrastructure industry and have successfully completed several key projects such as Mumbai Pune Express Way (MPEW), Bandra Worli Sea Link (BWSL) and many others. The GoM exercises significant control over the working of MSRDC through its board of directors. All the directors are nominated by the GoM from time to time. The key management personnel and the board of directors of MPRRL comprise members drawn from the senior management of MSRDC.

Acuite believes MPRRL's linkages with the GoM, through its sponsor MSRDC will provide adequate support to the credit profile of the company.

Key Location of the project with increased convenience to user leading to higher toll collection.

A significant portion of the highway traffic plying between Mumbai to Bangalore is expected to use the proposed ring road and will ease the intensity of traffic on the present NH-48 passing through the Pune city. As per the draft concessionaire agreement, the tenure of the concession period will be 40 years from the date of appointment of the concessionaire, which include 3 years of construction period for EPC contractor. The Scheduled Commercial Operation Date for the Project is 3.5 years days from date of appointed. The Company will be collecting toll income on the road from the date of achievement of COD.

Funding shortfall support agreement from Government of Maharashtra under the draft Concession Agreement

A tripartite Concession Agreement shall be executed amongst the Borrower, as the Concessionaire, MSRDC as the Sponsor and GoM as the Concessioneing Authority. This agreement will form the basis of the support from GoM which will be available to MPRRL. As per articles of the draft agreement in case of cash shortfall during the Operation Period and/or the Construction period or in case of cost overruns beyond the envisaged total project cost it would be met by the Concessioneing Authority. The Project is being built on DBFOT basis. The company will be collecting toll till the end of the Concession Period. The project cost as estimated in the draft CA is Rs.19617.63 crore which will funded by the means of debt funding as well as equity infusion by the promoter. The debt availed by the company will be serviced from the toll collection cashflows which the company will be receiving after the achievement of COD.

Weaknesses

Nascent stage of project with significant Implementation risk

The concessionaire agreement for the Pune Ring Road Project is yet to be signed by the authority. Acuite has rated the proposed facility based on draft Concessionaire Agreement. Further, MSRDC is responsible for making the timely land availability for the construction work which will be awarded to EPC contractor. As on May 2024, the financial bids for the EPC contractors are opened and more than 86 percent of the total land has been acquired by MSRDC for this project. As per Article 10.3.2 of the draft Concession Agreement, 80 percent land is to be acquired before the commencement of construction work, i.e. 3H stage (payment made), while the balance 20 percent of the land will be available under 3G stage (determination of amount payable), MSRDC proposes to issue the letter of award to EPC contractors only after at least 90 percent of the land has been acquired for the project. Given the greenfield nature of the project, the company is exposed to various risks including cost and time overruns. However, the project is split into 4 packages and awarded to multiple contractors, which mitigates the risk of failure of any individual contractor. The GoM as per the Article 25 of the draft concessionaire agreement would also provide equity shortfall support during the construction period that mitigates any funding risk and cost overruns.

Linkages to the fiscal position of Maharashtra

Maharashtra is India's leading industrial state, its gross state domestic product (GSDP) is expected (at current prices) to be Rs. 38.79 Lakh Cr. for FY2023-24 as against Rs 35.27 Lakh Cr. for FY2022-23 (RE). The fiscal deficit of Maharashtra for FY2023- 24 (RE) is marked at 2.5 percent of GSDP against 2.7% percent in FY2022-23. Any adverse changes in the fiscal indicators of GoM due to factors such as the prolonged slowdown in industrial activities or socio-economic challenges faced by Maharashtra, can have a significantly impact MJNEPL, and will be a key monitoring factor.

Rating Sensitivities

Acuite has rated the proposed banking facility on basis of the draft Concessionaire Agreement. Any changes in the final Concessionaire Agreement impacting the credit risk profile will remain a key rating sensitivity.

Liquidity Position

Adequate

Acuite expects the cash flow from operations to remain negative for the first few years of operations for MPRRL. However, MPRRL will continue to get support from GoM under the Concession Agreement during the construction as well as operational period. The debt repayment of the proposed facility is expected to commence after the achievement of COD as per the draft concession agreement. The liquidity of the company is likely to remain adequate over the medium term on account of continued support from GoM and promoters, i.e. MSRDC to fund the liquidity deficit in the initial stage of operations.

Outlook: Stable

Acuite believes that MPRRL will maintain a 'Stable' credit profile over the medium term on the back of support from GoM. The outlook may be revised to 'Positive' if there is any improvement in the credit profile of the GoM and project completion within scheduled time and cost. Conversely, the outlook may be revised to 'Negative' in case of delay in commencement of commercial operations and absence of the GoM support to fund the cost overrun and equity shortfall during the construction period which will affect the debt serviceability of the company.

Other Factors affecting Rating

None

Key Financials :

Not Available, as the company has not yet started any operations yet

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>
- 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 level 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
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	9800.00	ACUITE A- Stable Assigned

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

Sr.No.	Company Name
1	Government of Maharashtra
2	MSRDC Pune Ring Road 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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