



Press Release

MCGN Infra Private Limited

February 19, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facility	57.80 (reduced from Rs. 65.96 crore)	IVR BBB/ Positive (IVR triple B with Positive outlook)	Reaffirmed	Simple
Total	57.80 (INR fifty-seven crore and eighty lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics has reaffirmed its rating on the bank facilities of MCGN Infra Private Limited (MIPL) on the back of the operational nature of the project with stable revenue stream, experienced promoters & management team along with good resource raising ability of the sponsor and adequate debt protection metrics. The ratings are, however, constrained by exposure to post-construction risk and maintenance of project stretch and presence of counterparty risk with delays in annuities.

The rating outlook of MIPL is Positive on account of the operational nature of the company's project, which eliminates the execution risks, and healthy operational and financial profile of its sponsor. The rating outlook also factors in the expected stable revenue stream, with 40% of the bid project cost (BPC) scheduled to be paid out as annuity throughout the concession agreement period.

Key Rating Sensitivities:

Upward Factors

- Track record of timely receipt of future annuities and maintenance of adequate reserve for major maintenance, leading to improvement in the cumulative DSCR



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Downward Factors

- Significant delay in receipt of annuities or deductions in annuity payment
- Higher-than-envisaged O&M costs leading to lower-than-expected cumulative DSCR

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Operational nature of the project with stable revenue stream**

MIPL has completed the project and achieved the COD in January 2021, which was before the scheduled completion time that is June 2021. The achievement of COD primarily eliminates the execution risks. The project was funded through construction grant from the state government entity (60% of BPC) and the rest was predominantly funded through a term loan from the Bank of India. The project's revenues are in the form of annuities and therefore is expected to have a stable revenue stream. Also, the HAM project includes indexation of the operation and maintenance (O&M) cost to inflation, along with interest payments on residual annuity payments during the operational period. Nonetheless, given the limited track record of timely annuity payments by PWD Maharashtra, the same will remain a key credit monitorable.

- **Experienced promoters & management team along with good resource raising ability of the sponsor**

The promoters of the sponsor company – GNI Infrastructure Private Limited (GIPL) have an experience of more than a decade in the infrastructure sector and are registered as Class A-1 contractor with PWD Maharashtra. With their long extensive experience, they are able to build healthy relationships with government authorities and suppliers. While the given Hybrid Annuity Model (HAM) project is the first venture of Manjeet Cotton Private Limited (MCPL) in the infrastructure sector, the company enjoys good resource raising ability in the market due to its long-standing presence of almost four decades in the cotton industry. The day-to-day operations of MCGN are looked after by a team of experienced and qualified professionals under the guidance of the promoters of its sponsor companies.

- **Adequate debt protection metrics**



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The company's DSCR is expected to remain adequate over the medium term. The repayment of the debt commenced from November 2021, onwards and is spread out over the concession period, which is expected to provide liquidity buffer for debt repayment. The waterfall mechanism ensures that annuity receivables are escrowed to meet the principal repayment and interest payments. As per the terms of sanction of the project debt, the company maintains DSRA of an amount equivalent to next six months of interest payment due and one instalment of principal payable in respect of term debt facility. The principal and interest payment would be made by utilizing the amounts in DSRA.

Key Rating Weaknesses

- **Exposure to post-construction risk and maintenance of project stretch**

MIPL faces moderate post-construction risk regarding timely O&M over 10 years along with necessary major maintenance expense. The company has received three annuities to date. Timely receipt of annuities and maintenance of adequate maintenance reserve will be critical. Any significant delay and deduction in annuities could impact the company's debt-servicing ability.

- **Counterparty risk with delays in annuities**

MIPL has attained the COD and has received five annuities which was due till July 2023, out of which there were delays in the four out of five annuities. Any delay in annuities from PWD Maharashtra in the future could impact the company's debt-servicing ability.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning rating outlook](#)



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Liquidity – Adequate

MIPL's liquidity is adequate, given that its cash flow from operations are expected to be sufficient to meet the debt servicing obligations on the term loan taken for the HAM project. The company maintains DSRA of an amount equivalent to next six months of interest payment due and one instalment of principal payable in respect of term debt facility.

About the company

MCGN Infra Private Limited (MIPL) is a joint venture floated in December 2018 by Manjeet Cotton Private Limited (MCPL; 37% stake), GNI Infrastructure Private Limited (GIPL; 37% stake) and BP Sangle Constructions Private Limited (BPSCPL; 26% stake). After the COD of the project in January 2021, BP Sangle Constructions exited and now there are two stake holders – MCPL and GIPL. MCPL holds 37% and GIPL holds 63% of share capital in MIPL. The company has entered into a 12 year Concession Agreement (CA) (including construction period of 730 days [about 2 years] from the appointed date i.e., May 17, 2019) with Public Works Department (PWD) for the development, maintenance and management of Road SH-224 and Road SH-225 between Badnapur – Nanegaon – Jamkhed towards NH-211 (Length is 31.49 km) and Sillod to Deulgaonraja (SH-51, Length is 23.70 km) to two lanes / four lanes in the State of Maharashtra on hybrid annuity basis. The bid project cost after adjusting price index multiple of 1.10 is Rs.255.20 crore. Since, the company is executing this project via HAM, 60% of the project cost has been funded by PWD, while the remaining 40% would be paid out as annuity by PWD during the operational phase of the project. The project has achieved COD on January 16, 2021, as against the earlier envisaged COD of June 01, 2021. The company has received grant from PWD to the extent of Rs.163.61 crore. The company has also received five annuities which was due till July 2023.



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Financials (Standalone):

(Rs. Crore)		
For the year ended* / As on	31-March-22 (Audited)	31-March-23 (Audited)
Total Operating Income	48.92	12.22
EBITDA	5.88	4.76
PAT	1.35	0.36
Total Debt	65.96	61.88
Tangible Net-worth (including quasi equity)	41.49	36.11
EBITDA Margin (%)	12.02	38.97
PAT Margin (%)	2.65	2.58
Overall Gearing Ratio (x) (adjusted)	1.59	1.71

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23		Date(s) & Rating(s) assigned in 2021-22 (Jul 23, 2021)	Date(s) & Rating(s) assigned in 2020-21 (Nov 2, 2020)
					(Dec 28, 2022)	(Sep 29, 2022)		
1.	Term Loan	Long Term	57.80	IVR BBB/ Positive	IVR BBB/ Positive	IVR BB+ ISSUER NOT COOPERATING*	IVR BBB/ Stable	IVR BB+ ISSUER NOT COOPERATING*

** Issuer not cooperating, based on best available information*

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About Infomerics Ratings:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.



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Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	May 2030	57.80	IVR BBB/ Positive

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-MCGN-Infra-feb24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.