

Bansal Pathways (Damoh-Katni) Private Limited

January 07, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	148.25 (Reduced from 159.38)	CARE BBB+; Stable (Triple B Plus; Outlook: Stable)	Reaffirmed
Long Term / Short Term Bank Facilities	-	-	Withdrawn*
Total Bank Facilities	148.25 (Rs. One Hundred Forty-Eight Creore and Twenty-Five Lakhs Only)		

*Proposed Bank guarantee facility has not been placed and is accordingly withdrawn as per the client request.

Details of facilities in Annexure-1

Detailed Rationale and Key Rating Drivers:

The reaffirmation of ratings assigned to the bank facilities of Bansal Pathways (Damoh-Katni) Private Limited (BPDKPL) continue to derive strength from its sponsors' experience as a developer of various BOT road projects, toll + annuity-based revenue model with track record of timely receipt of twelve annuities and stable toll revenues. The ratings continue to take into account the presence of a debt service reserve account (DSRA) of more than stipulated requirement of one quarter of debt servicing resulting in adequate liquidity and low counter party credit risk of the Concession Authority- Madhya Pradesh Road Development Corporation Ltd [MPRDC; rated CARE A (Is); Stable]. The ratings further take cognizance of successful completion of first cycle of major maintenance and reduction in interest rate.

The ratings, however, continue to be constrained by the risks associated with traffic volume for part of its revenue, inherent operation and maintenance risk (O&M), interest rate fluctuations risk and non-creation of major maintenance reserve account (MMRA). Increasing exposure to its group companies in the form of loans and advances are other credit monitorable.

Rating Sensitivities

Positive factors - Factors that could lead to positive rating action/upgrade:

- Increase in toll collection by over 15% on y-o-y basis leading to improvement in project DSCR at above 1.50x, on a sustained basis.
- Improvement in the credit profile of the Concessioning Authority (i.e. MPRDC).
- Built-up of significant liquidity at BPDKPL's level, including MMRA.

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Deterioration in the credit profile of Concessioning Authority (i.e. MPRDC).
- Inordinate delay in receipt of annuities.
- Withdrawal of funds from the company affecting liquidity and debt coverage indicators.
- Poor road maintenance triggering annuity deductions, thereby impacting debt coverage indicators
- Significant dip in toll collection.

Detailed description of the key rating drivers

Key Rating Strengths

Promoter's experience in road construction

Bansal group is engaged in construction since 1980 through its erstwhile entity viz. Bansal Construction Works; a partnership firm, engineering procurement construction (EPC) business of which is now being carried out by Bansal Construction Works Pvt Ltd (BCWPL; rated CARE BBB-; Stable/ CARE A3) in 2010. Apart from EPC works, Bansal group had six SPVs, of which four are fully operational, comprising three BOT- toll + annuity projects and one BOT-toll project.

Track record of timely receipt of twelve annuities and increasing toll income

BPDKPL has received 12 annuities of Rs.17.74 crore each from MPRDC after commencement of project till August 2021, along with early completion bonus of Rs.21.66 crore received in Feb 2016. Further, in its 6 year of operational track record, the monthly toll income has largely been on an increasing trend. Despite the various covid induced restrictions on movement of vehicles, toll revenue during FY21 stood relatively higher, largely on account of labour migration from different states towards Uttar Pradesh and Bihar, coupled with increase in traffic flow of commercial vehicles backed by increased demand for logistic services. Resultantly the average daily toll collection (ADTC) for May-Dec 2020 increased to Rs.5.22 lakh per day as against the average toll collection of Rs. 3.74 lakh rupee during FY20.

However, impacted by second wave of Covid-19 pandemic, toll collection has witnessed a marginal dip during April -May 2021 and the same has regularised from the month of June 2021.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Low counterparty credit risk:

MPRDC is a Government of Madhya Pradesh (GoMP) undertaking and is responsible for the management of state highways and major district road projects in Madhya Pradesh. Being the nodal agency for implementation of road projects, MPRDC has comfortable cash flow mechanism with GoMP for receipt of project funds and has a demonstrated track record of timely payment of annuities in other projects executed by other major developers in Madhya Pradesh.

Structured payment mechanism with DSRA in place:

All toll revenues, annuity receipts and any other revenues are to be deposited in an Escrow Account. The funds are also to be transferred from the Escrow Account to designated accounts like DSRA per the sanction terms. The company has created DSRA of Rs.12.50 crore in the form of fixed deposits as on November 30, 2021, which is equivalent to around two quarters repayment obligation as against DSRA stipulation equivalent to one quarter instalment and interest amount, which is expected to be maintained throughout the tenure of the loan.

Key Rating Weaknesses**Risks associated with fluctuation in traffic volume:**

BPDKPL has undertaken a toll plus annuity based project, hence changes in traffic volume can impact the cash flows of the project. However, the project stretch is a major connectivity road between important industrial towns in MP and neighbouring states, thus having good potential for commercial and passenger traffic. Furthermore, the toll revenues have grown at CAGR of around 11.58% over FY18-21.

Inherent interest rate risk:

While there has been a reduction in rate of interest leading to improved debt coverage indicators, BPDKPL continues to remain exposed to interest rate fluctuation risk given the floating interest rate of the project debt. Any adverse movement in the interest rate may lead to higher interest cost which in turn can impact the company's profitability and debt coverage indicators.

Inherent O&M risk:

BPDKPL is mandated to operate and maintain the road as per specifications set out in the concession agreement (CA) for the entire concession period, non-compliance of which could result in penalties / deduction of annuities by MPRDC and thereby company is exposed to inherent maintenance risk attached to BOT-Annuity plus Toll projects. The maintenance period is fraught with risk of higher than anticipated maintenance costs due to volatility in prices of key raw materials such as bitumen and cement, thus exposing the company to risks associated with O&M of the project stretch within envisaged cost parameters. While the company completed its first major maintenance cycle and has also entered into a fixed price O&M contract with BCWPL, given the absence of any provisions for MMRA, any significant increase in maintenance costs or deduction in annuity could impact the debt servicing ability of the company.

Liquidity: Adequate

The liquidity position of the company is adequate with timely receipt of annuities (~Rs.35.50 crore annually) supported by increasing toll collection as against the repayment obligations of around Rs. 28.00 crore. The company has created DSRA of Rs.12.50 crore as on November 2021, which is equivalent to around two quarters of debt servicing obligation as against the stipulated requirement of one quarter debt service obligation.

Analytical approach: Standalone**Applicable Criteria**

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial Ratios – Non Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Rating Methodology – Annuity-based Road Projects](#)

[Rating Methodology - Infrastructure Sector Ratings](#)

[Rating Methodology for Toll Road Projects](#)

[Policy on Withdrawal of Ratings](#)

About the Company

Incorporated in May 2013, BPDKPL is a Special Purpose Vehicle (SPV) sponsored by Bansal group of Bhopal. BPDKPL is an operational road project concessioned on Design, Build, Finance, Operate and Transfer (DBFOT) – Annuity + Toll basis for two laning of Damoh-Katni section of State Highway 14 in the state of Madhya Pradesh. It has a chainage from Teen Guli square at Damoh city of kilo meter (km) 76/8 to km 4/8 at Katni junction and total length of 117.93 km. The CA between MPRDC and BPDKPL (Concessionaire) with concession period of 15 years. BPDKPL achieved provisional commercial operations date (PCOD) on August 18, 2015, which was 10 months ahead of the scheduled COD of June 4, 2016. It achieved final commercial operations date (COD) on July 30, 2016.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	H1FY22 (UA)
Total operating income	49.39	50.56	NA
PBILDT	45.11	46.58	
PAT	4.11	8.34	
Overall gearing (times)	19.49	19.25	
Interest coverage (times)	2.33	2.55	

A: Audited; UA: Unaudited; NA: Not Available

Status of non-cooperation with previous CRA: ACUITE has continued to place the rating of BPDKPL under issuer non-cooperating category vide its press release dated February 05, 2021 on account of its inability to carry out a rating surveillance in absence of requisite information from BPDKPL.

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	Sep 2027	148.25	CARE BBB+; Stable
Non-fund-based - LT/ ST-Bank Guarantees		-	-	-	0.00	Withdrawn

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	148.25	CARE BBB+; Stable	-	1)CARE BBB+; Stable (05-Jan-21)	1)CARE BBB+; Stable (24-Dec-19)	1)CARE BBB+; Stable (13-Nov-18)
2	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST*	-	-	-	1)CARE BBB+; Stable / CARE A2 (05-Jan-21)	1)CARE BBB+; Stable / CARE A2 (24-Dec-19)	1)CARE BBB+; Stable / CARE A2 (13-Nov-18)

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

Name of the Instrument	Detailed explanation
A. Financial covenants	The DSCR shall not be lower than 1.04 during the tenure of the facility.
B. Non-financial covenants	<ul style="list-style-type: none"> • The company shall create a DSRA reserves from own sources equivalent to the avg quarterly installment + 3 months interest thereon. • During the currency of the facility, the project company shall not without prior permission of the lenders in writing: <ul style="list-style-type: none"> ○ Effect any change in the company's capital structure. ○ Formulate any scheme of amalgamation or reconstruction. ○ Implement any scheme of expansion or acquire fixed assets, except normal replacements indicated in the funds flow statement submitted to and approved by the bank. ○ Enter into borrowing or non-borrowing arrangements either secured or unsecured with any bank, financial institution, company, firm or otherwise or otherwise or accept deposits in excess of the limits laid down by Reserve Bank of India. ○ Invest by way of share capital or lent or advance funds to or place deposits with any other company/firm, concern including group companies/associates/persons. Normal trade credit or security deposit in the normal course of business or advance to employees can, however, be extended. ○ Undertake guarantee obligations on behalf of any other company/firm/person. ○ Declare dividend for any year except out of profits relating to that year after meeting all the financial commitments to the bank and making all due and necessary provisions.

Annexure 4: Complexity Level of various facilities rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Term Loan	Simple
2	Non-fund-based - LT/ ST-Bank Guarantees	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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