

Press Release

Bansal Pathways Guna Sironj Private Limited

November 29, 2022



Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	178.00	ACUITE BBB+ Stable Upgraded	-
Bank Loan Ratings	4.00	ACUITE BBB+ Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	182.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded the long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B Plus**) from '**ACUITE BB-**' (read as **ACUITE Double B Minus**) on the Rs. 178.00 crore bank facilities of Bansal Pathways Guna Sironj Private Limited (BPGSPL). The outlook is '**Stable**'.

Acuite has assigned the long-term rating of '**ACUITE BBB+**' (read as **ACUITE Triple B Plus**) on the Rs. 4.00 crore bank facilities of Bansal Pathways Guna Sironj Private Limited (BPGSPL). The outlook is '**Stable**'.

Rationale for Rating Upgrade

The rating of Bansal Pathways (Guna-Sironj) Private Limited (BPGSPL) takes into account the extensive experience of its sponsor's as an established EPC player and developer of various BOT road projects, toll with annuity based projects among others. The rating also factors in the track record of timely receipt of 11 bi-annual annuities of Rs.15.00 crore each from concession authority i.e. Madhya Pradesh Road Development Corporation (MPRDC) along with bonus annuity of Rs.~Rs.26 crores for early completion of the project and stable toll revenues till November 2022. The ratings also take into account the adequate liquidity position of the company with the presence of a debt service reserve account (DSRA) with waterfall mechanism. However, the rating is constrained by the inherent risk associated with traffic volumes and expenses required for operation and maintenance (O&M) for the road.

About the Company

Bansal Pathways Guna Sironj Private Limited (BPGSPL) is a special-purpose vehicle (SPV) and sponsored by Bansal Construction Works Private Limited (BCWPL). The company was incorporated in 2015 to undertake construction of 2-lane road between Guna and Sironj in Madhya Pradesh. The technical support is provided by Prakash Asphaltting & Toll Highways India Limited. The project road is a section of State Highway-23, with a total length of 86.76 kilometres. The project has been awarded by the Madhya Pradesh Road Development Corporation (MPRDC) is to be executed under BOT plus annuity on a build-operate-transfer basis. The concession period is 15 years and the construction period is 2 years and based on semi-annual annuity payment. BPGSPL signed the concession agreement with MPRDC on 10

February, 2015. The appointed date was obtained in August 08, 2015. Further, the scheduled COD was August 06, 2017 and the final COD was achieved on March 2017.

Analytical Approach

For arriving at the rating, Acuité has considered the standalone credit profile of Bansal Pathways Guna-Sironj Private Limited (BPGSPL). Further, Acuité has also considered the corporate guarantee from sponsor and DSRA equivalent to one installment of principal and 3 months interest for debt servicing and escrow mechanism with waterfall mechanism, as specified in the loan sanction letter while arriving at the rating.

Key Rating Drivers

Strengths

>Experienced management along with sponsor's experience as developer

The Bansal Group is a civil construction company established in 1980 which undertakes construction of roads and highways apart from other infrastructure development work through Bansal Construction Work (BCW). Later in 2010, the group floated Bansal Construction Work Private Limited to undertake civil construction work and transferred the construction business to BCWPL. The Directors, Mr. Sunil Bansal and Mr. Anil Bansal have over three decades of experience in civil construction and toll road work.

Bansal Pathways Guna Sironj Private Limited (BPGSPL) is a special-purpose vehicle (SPV) and sponsored by Bansal Construction Works Private Limited (BCWPL) in 2015. The SPV has undertaken construction of 2-lane road between Guna and Sironj in Madhya Pradesh. The technical support is provided by Prakash Asphaltting & Toll Highways India Limited. The project has been awarded by the Madhya Pradesh Road Development Corporation (MPRDC) and is executed under BOT plus annuity on a build-operate-transfer basis for 15 years.

>Timely receipts of annuity payments with early completion of project

BPGSPL has completed the construction and achieved final commercial operation date (COD) in December, 2016 10 months before the actual COD i.e. in November, 2017. On account of early completion, BPGSPL has received bonus annuity of Rs.26.38 crore in June, 2017. Further, the company has also received 11 number of Bi-Annual Annuities of Rs.15.00 crore each within the timelines till November 2022 from MPRDC (Madhya Pradesh Road Development Construction). The annuity payments of the same amount will be received by the company till the concession period i.e. Nov 2030 and the same is expected to be received on time going ahead. Furthermore, the company is also generating revenues from the toll collections from the two tolls present in the constructed road project. The toll generated by the SPV during FY22 stood at Rs.7.18 crores.

Acuité believes that the timely receives of the payment of annuity will remain to be a key monitorable going ahead.

>Low counter party default risk

The road project was assigned to BPGSPL by MPRDC which is an undertaking of government of Madhya Pradesh. MPRDC remains responsible for management of roads & highways for the state of Madhya Pradesh. The company has lower counter party risk considering that MPRDC is a government entity and timely track record of providing annuities for the project over the years.

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

BPGSPL 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 company has to maintain a DSRA equivalent to one installment of principal and 3 months interest for debt servicing.

Weaknesses

>Risk associated with traffic and major maintenance of the road

BPGSPL undertook BOT plus annuity-based project on account of which the company books revenue from toll and annuity. Since the BPGSPL's revenue is derived from annuity received from MPRDC (Rs.30.00 Crore) and a fraction of revenue from toll (Rs.7.18 Crore) in FY2022, its revenue performance will be linked to the traffic volume. Any change in the volume of traffic can impact the cash flows of the company. Also, the company has to ensure proper maintenance of the road for the entire concession period so as to be eligible for annuities. Thus, the company is also inherent risks associated with O&M expenses as any increase in such expenses can impact the operating margins and subsequently impact the debt service ability of the company.

Rating Sensitivities

- Timely receipt of annuity payments from MPRDC
- Any deterioration in traffic volumes and increase in O&M expenses may impact the debt servicing ability

Material covenants

The borrower/sponsor shall maintain DSRA which is to be created upfront upon COD, of an amount equivalent to one installment of principal and 3 months interest for debt servicing and all other obligations due and payable in respect of facility amount.

Liquidity Position: Adequate

The liquidity profile of BPGSPL is adequate marked by timely receipt of annuity payments from MPRDC along with toll revenues generated during FY22. The company generated net cash accruals of Rs. ~18 crores in FY22 against debt obligations of Rs.6.50 crores during the same period. The liquidity of the company is also supported by presence of a DSRA account with waterfall mechanism which to be maintained by the company equivalent to one installment of principal and 3 months interest for debt servicing.

Outlook: Stable

Acuité believes that the outlook on BPGS's rated facilities will remain 'Stable' over the medium term on account of steady flow of toll revenues and annuity from the project coupled with support of sponsors. The outlook may be revised to 'Positive' in case of significant improvement in toll revenues and improvement in cash flows from operations. Conversely, the outlook may be revised to 'Negative' in case of sharp decline in toll revenues or cash flow and/or lack of timely support from the sponsor.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	37.18	35.78
PAT	Rs. Cr.	0.65	2.60
PAT Margin	(%)	1.74	7.27
Total Debt/Tangible Net Worth	Times	(2.02)	(1.60)
PBDIT/Interest	Times	1.90	1.35

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>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
09 May 2022	Term Loan	Long Term	40.00	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	45.60	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	5.00	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	47.40	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	40.00	ACUITE BB- (Downgraded and Issuer not co-operating*)
05 Feb 2021	Term Loan	Long Term	45.60	ACUITE BB (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	40.00	ACUITE BB (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	5.00	ACUITE BB (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	40.00	ACUITE BB (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	47.40	ACUITE BB (Downgraded and Issuer not co-operating*)
26 Nov 2019	Term Loan	Long Term	40.00	ACUITE BB+ (Issuer not co-operating*)
	Term Loan	Long Term	5.00	ACUITE BB+ (Issuer not co-operating*)
	Term Loan	Long Term	45.60	ACUITE BB+ (Issuer not co-operating*)
	Term Loan	Long Term	40.00	ACUITE BB+ (Issuer not co-operating*)
	Term Loan	Long Term	47.40	ACUITE BB+ (Issuer not co-operating*)
19 Jul 2019	Term Loan	Long Term	45.60	ACUITE A- (Issuer not co-operating*)
	Term Loan	Long Term	5.00	ACUITE A- (Issuer not co-operating*)
	Term Loan	Long Term	40.00	ACUITE A- (Issuer not co-operating*)
	Term Loan	Long Term	47.40	ACUITE A- (Issuer not co-operating*)
	Term Loan	Long Term	40.00	ACUITE A- (Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	178.00	ACUITE BBB+ Stable Upgraded
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	4.00	ACUITE BBB+ Stable Assigned

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About Acuité Ratings & Research

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