

Press Release

Bansal Pathways Damoh Katni Private Limited

June 19, 2018



Rating Assigned

| | |
|-------------------------------------|-----------------------------|
| Total Bank Facilities Rated* | Rs. 40.00 Cr. |
| Long Term Rating | ACUITE A- / Outlook: Stable |

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE A-**' (**read as ACUITE A minus**) on the Rs. 40.00 crore bank facilities of Bansal Pathways Damoh Katni Private Limited (BPDK). The outlook is '**Stable**'.

Bansal Pathways Damoh Katni Private Limited (BPDK) is a special-purpose vehicle (SPV) and sponsored by Bansal Construction Works Private Limited (BCWPL). The company was incorporated in 2013 to undertake construction of 2-lane road between Damoh and Katni in Madhya Pradesh. The technical support is provided by Prakash Asphalting & Toll Highways India Limited. The project road is a section of State Highway-14, with a total length of 117.94 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. The project cost was Rs.261.52 crore and was funded through term loans of Rs.196.00 crore, equity of Rs.10.00 crore and preference share capital of Rs.55.52 crore. BPDK signed the concession agreement with MPRDC on 04 June, 2013. The appointed date was obtained in 01 December, 2013. Further, the scheduled COD was August 18, 2015.

Key Rating Drivers

Strengths

- **Experienced management**

The Bansal Group, a civil construction company established in 1980 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.

- **Early completion of the project**

BPDK has completed the construction and achieved final commercial operation date (COD) i.e. 18 August, 2015 10 months before the actual COD i.e. 04 June, 2016. On account of early completion, BPDK has received bonus annuity of Rs.26.60 crore in March 2016. Further, the company has also received 5 annuities as on May 2018. Moreover, the company has created DSRA account of Rs.10.50 crore equivalents to three months of debt servicing.

- **No counter party default risk**

BPDK has lower counter party risk considering that MPRDC is a government entity and counter-party default risk is minimal. BPDK is expected to receive most of the revenue of Rs.15.00 crore in annuity basis bi-annually from MPRDC.

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

BPDK has escrow mechanism through which cash flows from toll collection and annuity 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 for other expenses. Furthermore, a debt-service reserve account equivalent to three months of debt servicing obligation is maintained in the form of bank guarantee given by the sponsor- Bansal Construction Work Private Limited.

Weaknesses

- **Risk associated with traffic and major maintenance of the road**

BPDK undertook BOT plus annuity based project on account of which the company books revenue from toll and annuity. Since the BPDK's revenue is derived from annuity received from MPRDC and a fraction of revenue from toll, 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. The company has to ensure maintenance of the road for the entire concession period so as to be eligible for annuities.

Analytical Approach

Acuité has considered standalone financial and business risk profile of BPDK to arrive at the rating.

Outlook: Stable

Acuité believes that the outlook on BPDK'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.

About the Rated Entity - Key Financials

| | Unit | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 46.76 | 43.86 | 0.00 |
| EBITDA | Rs. Cr. | 46.15 | 46.31 | 9.76 |
| PAT | Rs. Cr. | 1.48 | 1.56 | 0.00 |
| EBITDA Margin (%) | (%) | 98.70 | 105.59 | 0.00 |
| PAT Margin (%) | (%) | 3.17 | 3.56 | 0.00 |
| ROCE (%) | (%) | 10.18 | 11.60 | 11.41 |
| Total Debt/Tangible Net Worth | Times | 23.31 | 21.85 | 7.40 |
| PBDIT/Interest | Times | 1.93 | 1.97 | 1.00 |
| Total Debt/PBDIT | Times | 5.56 | 5.43 | 15.45 |
| Gross Current Assets (Days) | Days | 57 | 98 | 0 |

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Crore) | Ratings/Outlook |
|------------------------|------------------|----------------|----------------|-------------------------------|--------------------|
| Term loans | Not Applicable | Not Applicable | Not Applicable | 40.00 | ACUITE A- / Stable |

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About Acuité Ratings & Research:

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