

Press Release

Bansal Pathways Private Limited

December 02, 2022

Rating Assigned and Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	71.00	ACUITE BBB+ Stable Assigned	-
Bank Loan Ratings	25.00	ACUITE BBB+ Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	96.00	-	-
Total Withdrawn Quantum (Rs.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. 25.00 crore bank facilities of Bansal Pathways Private Limited (BPPL). The outlook is '**Stable**'.

Acuite has assigned the long-term rating of '**ACUITE BBB+**' (read as **ACUITE Triple B Plus**) on the Rs. 71.00 crore bank facilities of Bansal Pathways Private Limited (BPPL). The outlook is '**Stable**'.

Rationale for Rating Upgrade

The rating of Bansal Pathways Private Limited (BPPL) takes into account the extensive experience of its sponsors 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 18 bi-annual annuities of Rs.8.51 crore each from concession authority i.e., Madhya Pradesh Road Development Corporation (MPRDC) along with bonus annuity of Rs. ~Rs.14 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 Private Limited (BPPL) is a special-purpose vehicle (SPV) and sponsored by Bansal Construction Works Private Limited (BCWPL). The company was incorporated in 2011 to undertake construction of 2-lane road between Garakota-Rehli-Devri (49.30Km) and Rehli-Gorjhamar(18.08 Km) in Madhya Pradesh. The project road is a section of State Highway-14, with a total length of 67.38 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. BPPL signed the concession agreement with MPRDC on October 2013. The appointed date was obtained in 12th

September, 2012. Further, the scheduled COD was September 2014.

Analytical Approach

For arriving at the rating, Acuité has considered the standalone credit profile of Bansal Pathways Private Limited (BPPL), which is strengthened by the support from the parent company Bansal Construction Works Private Limited (BCWPL). 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 a well-defined 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 Private Limited (BPPL) is a special-purpose vehicle (SPV) and sponsored by Bansal Construction Works Private Limited (BCWPL) in 2011. The SPV has undertaken construction of 2-lane road between Garakota-Rehli-Devri (49.30Km) and Rehli-Gorjhamar(18.08 Km) in Madhya Pradesh. 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

BPPL has completed the construction and achieved final commercial operation date (COD) in October 2013, 10 months before the actual COD i.e. in September 2014. On account of early completion, BPPL has received bonus annuity of Rs.14.31 crore in May 2014. Further, the company has also received 11 number of Bi-Annual Annuities of Rs.8.51 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. May 2027 and the same is expected to be received on time going ahead.

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 BPPL 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)

BPPL 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

>Operational and Maintenance Risk

BPPL undertook BOT plus annuity-based project on account of which the company books revenue from annuity. The company is responsible for periodic maintenance and major maintenances. Further, the risk of higher maintenance cost still exists as compared to projected cost due to volatility in prices of key material used in maintenance. 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
- Increase in O&M expenses may impact the operating profitability

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 BPPL is adequate marked by timely receipt of annuity payments from MPRDC along with Work Bill revenues generated during FY22. The company generated net cash accruals of Rs. ~11 crores in FY22 against debt obligations of Rs.10.24 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 BPPL'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.	20.18	17.02
PAT	Rs. Cr.	2.90	0.03
PAT Margin	(%)	14.35	0.18
Total Debt/Tangible Net Worth	Times	1.98	2.29
PBDIT/Interest	Times	3.01	2.59

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>
- 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, Acuité 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	25.00	ACUITE BB- (Downgraded and Issuer not co-operating*)
05 Feb 2021	Term Loan	Long Term	25.00	ACUITE BB (Downgraded and Issuer not co-operating*)
26 Nov 2019	Term Loan	Long Term	25.00	ACUITE BB+ (Issuer not co-operating*)
21 Aug 2019	Term Loan	Long Term	25.00	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
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	2.98	ACUITE BBB+ Stable Upgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	50.39	ACUITE BBB+ Stable Assigned
ICICI Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	22.02	ACUITE BBB+ Stable Upgraded
ICICI Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.45	ACUITE BBB+ Stable Assigned
ICICI Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	15.17	ACUITE BBB+ Stable Assigned
ICICI Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	4.99	ACUITE BBB+ Stable Assigned

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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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