

Press Release

Bansal Pathways N R R - 2 Private Limited

March 29, 2023

Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	459.64	ACUITE BB+ Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	459.64	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BB+**' (read as **Acuite double B plus**) on Rs. 459.64 crore bank facilities of Bansal Pathways NRR2 Private Limited (BPNRR2). The outlook is '**Stable**'.

Rationale for rating assigned

The rating assigned reflects the strong support from its sponsor Bansal Construction Works Pvt Ltd (BCWPL) which has 99.99 percent of shareholding in the company. BCWPL has an established track record of operations of over three decades in engaged in all verticals of the infrastructure construction domain including cash contracts on Engineering Procurement and Construction (EPC) basis, PPP (Public Private Partnership) model through BOT contracts, BOT (Annuity+ Toll) Projects, BOT (Annuity) projects, Hybrid Annuity Mode (HAM) projects for government clients like NHAI and Madhya Pradesh Road development corporation limited (MPRDCL). 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 susceptibility of delay in completion of project thereby leading to delay in receipt of milestone and annuity payments and change in operational and interest cost.

About the Company

Bansal Pathways NRR2 is a SPV of Bansal Group and was incorporated to undertake construction of four lane standalone ring road bypass in Nagpur of 28.035 Km. Such project was initially executed by an SPV of another construction company and BPNRR2 was awarded the project in September 2021 and NHAI Approval was received in January 2022. The project was awarded by NHAI under the hybrid annuity mode. The concession agreement was signed for 17.5 years with a construction period of 2.5 years. The scheduled completion date for the project is October 2023.

Standalone (Unsupported) Rating

ACUITE BB/Stable

Analytical Approach

For arriving at the rating, Acuite has considered the standalone business and financial risk profile of Bansal Pathways NRR2 Pvt Ltd (BPNRR2) which is strengthened by the support from

its sponsor company Bansal Construction Works Pvt Ltd (BCWPL) whenever required by BPNRR2. Further, Acuite has also considered the corporate guarantee of the promoter company will be available till the perfection of DSRA and personal guarantee of promoters till receipt of 2nd annuity.

Key Rating Drivers

Strengths

Experienced management along with extensive experience of sponsor

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 NRR2 Pvt Ltd (BPNRR2) is a special-purpose vehicle (SPV) and sponsored by Bansal Construction Works Private Limited (BCWPL) in 2021. The SPV has undertaken construction of four lane standalone ring road bypass in Nagpur of 28.035 Km. The funding and technical support is provided by Bansal Construction Works Pvt Ltd. The project has been awarded by NHAI and is executed under Hybrid Annuity mode with a concession period of 17.5 years.

Acuite believes that the company will benefit from the experienced track record of operations of the sponsor- Bansal Construction Works Pvt Ltd in the near to medium term.

Annuity based revenue model

The project being constructed under hybrid annuity model. Under this model, NHAI reimburses 60% of the construction cost on milestone basis thereafter making bi-annual annuity payments over the concession period to the concessionaire. The company does not bear any traffic risk as it recovers whole of the capital cost through annuity. The company has completed physical progress upto 62% and is expected to complete 100% construction by October 2023. Along with annuity payments, interest shall be payable to BPNRR2 on reducing the completion cost net of construction grants at a rate equal to Bank Rate plus 3%. Further, NHAI shall also reimburse Operating and maintenance expense adjusted to Price Index Multiple on the annuity payment dates to BPNRR2.

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

BPNRR2 has escrow mechanism through which cash flows from authority is routed and used for payment as per the defined payment waterfall. The company also has to maintain DSRA equivalent to 6 months interest and operating expenses at the time of COD and 6 months equivalent interest and principal is to be maintained on after receipt of 1st Annuity. Further, corporate guarantee of sponsor is available till the perfection of DSRA. Any shortfall in debt servicing and shortfall in resources required for completion of project are to be met through support from BCWPL.

Weaknesses

Susceptibility of delay in completion of project

The project is under construction phase and is 62 percent complete as on December 2022. The SPV has applied for the milestone payments for the construction undertaken as on date and expects to receive the same in the near to medium term. Further, Rs. 182 crore of NHAI grant and Rs. 144 crore of undisbursed term loans are also available for completion of the project.

Acuite believes that timely completion of project will remain a key rating sensitivity.

Susceptibility to risks related to delay in receipt of annuity and changes in operational cost & interest rate

As per the concession agreement, the company is expected to receive a semi-annual

annuity after completion of the construction. Any delay in timely completion and receipt of the annuity could adversely impact debt-servicing ability. Along with fixed annuities, the project will receive interest payments on the balance annuities that are linked to the bank rate plus 3%. Further, the company is exposed to risks related to maintenance of the project. If the prescribed standards are not met, annuity payment may be reduced. Any significant delay and deduction in annuities could impact the debt servicing ability of the company. However, strong track record of sponsor, who is also the O&M contractor, is expected to mitigate this risk.

Rating Sensitivities

Timely completion of project
Timely receipt of annuity payments from the Government
Significant deterioration in the sponsor's credit profile

Material covenants

None

Liquidity Position

Adequate

Liquidity position of BPNRR2 is adequate marked by strong funding and technical support from its sponsor BCWPL. The project is also expected to receive the milestone payments for the work done in the near to medium term. Further, Rs. 182 crore of NHAI grant and Rs. 144 crore of undisbursed term loans are also available for completion of the project. The term loans availed from banks also enjoy a moratorium and principal repayments start from June 2024. Acuite believes that the liquidity position of the company is likely to remain adequate on account of the continued funding support from its sponsor and likely achievement of COD as per the terms of concession agreement thereby leading of timely receipt of annuity

Outlook: Stable

Acuite believes that the outlook on BPNRR2's rated facilities will remain 'Stable' over the medium term on account of strong support of sponsors. The outlook may be revised to 'Positive' in case of significant improvement in the construction of the project and improvement in cash flows through timely receipt of annuity. Conversely, the outlook may be revised to 'Negative' in case of delays in achieving the scheduled completion date thereby leading to delay in receipt of the milestone payments 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.	0.00	0.00
PAT	Rs. Cr.	0.00	0.00
PAT Margin	(%)	0.00	0.00
Total Debt/Tangible Net Worth	Times	9.07	0.00
PBDIT/Interest	Times	0.00	0.00

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, 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 :

Not Applicable

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	237.63	ACUITE BB+ Stable Assigned
India Infrastructure Finance Company Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	98.67	ACUITE BB+ Stable Assigned
IDBI Bank Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	19.88	ACUITE BB+ Stable Assigned
Mumbai District Central Co-Op Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	64.86	ACUITE BB+ Stable Assigned
Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	38.60	ACUITE BB+ Stable Assigned

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About Acuité Ratings & Research

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