



Press Release
BNC PALSIDDHA INFRA PRIVATE LIMITED
October 29, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	30.00	ACUITE A- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	30.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) on the Rs.30.00 Cr. bank facilities of BNC Palsiddha Infra Private Limited (BNCPIPL). The outlook is '**Stable**'.

Rationale for Rating

The rating considers the completion of project along with all the milestone payments received from PWD (Government of Maharashtra) and 4 annuity payments has been received by the company. Further, the rating factors in the adequate liquidity of the company in the form of cash and cash equivalents and escrow mechanism. Acuite has also considered the technical support and funding support in the form of corporate guarantees for the loan availed from the sponsor while arriving at the rating. However, the rating is constrained by risk related to delay in annuity payments and changes in operational and interest cost.

About the Company

Pune – Based, BNC Palsiddha Infra Private Limited was incorporated in 2018. The company is engaged in civil construction works of roads and development projects. It also undertakes upgradation of Road joining to District place to Taluka place in Washim district border to Rithad with a length of 45.40 km in Maharashtra. Directors of the company are Mr. Rajesh Prakash Chaudhari, Mr. Arjun Bhivasan Kate and Mr. Girish Bhagwat Chaudhari.

Unsupported Rating

Not Applicable

Analytical Approach

For arriving at the rating, Acuite has considered the standalone credit profile of BNCPIPL. Further, Acuite has also considered escrow mechanism, as specified in the loan sanction letter while arriving at the rating.

Key Rating Drivers

Strengths

Strong counterparty linked revenue profile

The company has entered into a concession agreement with PWD (Govt. of Maharashtra) for improvement in roads to Taluka place in Washim district border to Rithad in Maharashtra in September 2018. The project was completed in December 2023. The concession is granted to the company for 10 years after the CoD and during the concession bi-annual annuity payment would be paid by MPWD. The company has received the 4 annuity payments for the completed project by May 24. Along with annuity payments, interest shall be payable to BNCPIPL on reducing balance of completion cost at a rate equal to applicable bank rate plus 3 per cent. MPWD shall also reimburse O&M expenses adjusted to Price Index Multiple on the annuity payment dates to BNCPIPL.

Strong operational and financial support from the sponsor

BNC Power Projects Limited (BNCPPL) has decades of experience in the civil construction, electrical-transmission and substations segments. The sponsor holds 59.68% shares of the company and provides funds and technical support to the project. The company has achieved revenues of Rs. 102.89 Cr. till August 2024.

BNCPPL has a healthy order book of about ~Rs.1433 Cr. (unexecuted) till 31st August 2024 from electrical transmissions, substations and road divisions. The OB/OI stood at 4.33 times till 31st August 2024. The sponsor has provided corporate guarantees on the bank loans of the Company. Acuite believes that the sponsor is expected to provide technical or funding support in case of any exigency over the medium term.

Waterfall Mechanism in Escrow Mechanism

The loan is repayable under defined waterfall mechanism. The repayments for term loan will be recovered from Escrow account. BNCPIPL has an escrow mechanism through which all transactions related to the project will be routed. Any surplus in the escrow account will be kept reserved for future Major Maintenance subject to minimum of one instalment and total project MMR expenses due at any given point of time. 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 debt service coverage ratio (DSCR) is expected to remain at over 1.43 times for the tenure of the loan.

Weaknesses

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. Any delay in timely 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 prevailing bank rate. The bank rate has reduced significantly in past couple of years which has impacted the project inflow as a large proportion of the cash inflow is from the interest on balance annuities. However, this risk is partially offset as the interest rate on debt is floating and is also expected to follow the trend in bank rates thus keeping DSCR in check. 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 receipt of annuity payments from the Government
- Higher than expected O&M cost
- Any other debt funded project

Liquidity Position

Adequate

BNCPIPL's liquidity position is adequate marked by continuous support from the parent BNC Power Projects limited (BNCPPPL). The project was completed, and the company has started receiving the annuity from Maharashtra PWD since November 2022. The DSCR is expected to be adequate, and the company maintains cash and cash equivalents and payments received by MPWD will cushion liquidity. Fund support is likely from sponsor for any exigency including O&M and major maintenance expenses. Acuite believes that the liquidity of BNCPIPL is likely to remain adequate backed by consistent support from sponsor and government in terms of annuity payments.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	3.54	13.34
PAT	Rs. Cr.	(1.73)	6.45
PAT Margin	(%)	(48.85)	48.36
Total Debt/Tangible Net Worth	Times	6.70	4.94
PBDIT/Interest	Times	0.47	2.42

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>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.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>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.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. Acuité'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	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.96	Simple	ACUITE A- Stable Assigned
Jalgaon Janata Sahkari Bank Ltd	Not avl. / Not appl.	Term Loan	08 Apr 2019	Not avl. / Not appl.	25 May 2032	2.64	Simple	ACUITE A- Stable Assigned
Nagpur Nagrik Sahakari Bank Ltd	Not avl. / Not appl.	Term Loan	08 Apr 2019	Not avl. / Not appl.	25 May 2032	7.04	Simple	ACUITE A- Stable Assigned
Shikshak Sahakari Bank Limited	Not avl. / Not appl.	Term Loan	08 Apr 2019	Not avl. / Not appl.	25 May 2032	4.40	Simple	ACUITE A- Stable Assigned
The Akola Urban Co Operative Bank Ltd	Not avl. / Not appl.	Term Loan	08 Apr 2019	Not avl. / Not appl.	25 May 2032	4.40	Simple	ACUITE A- Stable Assigned
Janaseva Sahakari Bank Ltd (Pune)	Not avl. / Not appl.	Term Loan	08 Apr 2019	Not avl. / Not appl.	25 May 2032	4.40	Simple	ACUITE A- Stable Assigned
Jalgaon Janata Sahkari Bank Ltd	Not avl. / Not appl.	Term Loan	08 Apr 2019	Not avl. / Not appl.	25 May 2032	6.16	Simple	ACUITE A- Stable Assigned

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Manvi Khaitan Associate Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@acuite.in

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.