

Rating Rationale
Bandipur Cable Car Private Limited

Rating

Particulars	Amount (Rs. in Million)	Rating ¹	Rating Action
Long Term Bank Facilities-Term Loan I	540.00	CARE-NP BB [Double B]	Assigned
Long Term Bank Facilities-Term Loan II (Proposed)	460.00	CARE-NP BB [Double B]	Assigned
Total Facilities	1,000.00		

Details of Facilities in Annexure I

CARE Ratings Nepal Limited (CRNL) has assigned rating of ‘CARE-NP BB’ to the long term bank facilities of Bandipur Cable Car Private Limited (BCCPL).

Detailed Rationale & Key Rating Drivers

The ratings assigned to BCCPL are constrained by the construction phase of the project leading to high project implementation and stabilization risk associated with the project. The rating is also constrained by exposure to volatile interest rate, impact of COVID-19 in the tourism sector of Nepal and seasonality of revenue. The ratings, however, derive strength from the experienced promoter group and management team, strategic location of the project and government initiative and support for tourism sector. The ratings also factor in technical assistance from well-known contractor and financial closure achieved for the Phase-I and financial closure yet to be achieved for phase-II of project. The ability of company to timely execution of the project within Commercial Operation Date (COD) avoiding any time or cost overrun and to manage growth in the operation will be the key rating sensitivities.

Detailed Description of the Key Rating Drivers

Key Rating Weaknesses

Project implementation and stabilization risk

BCCPL is setting up cable car project and a hotel in Bandipur, Tanahu District of Nepal. The total project is divided into two phases i.e. phase -I construction of cable car, restaurants, hotel building structure and parking and phase -II completion of Hotel at hilltop of Bandipur cable car. The Cable car project plans to run a monocable on ropeway from the bottom terminal station at Simaldanda to the upper terminal station at Baralthok, which is about 1.6 km long, having 14 Gondolas (cable cars). The cable car has a capacity to transport 300 passengers per hour (PPH). BCCPL is proposed to construct 12 floor Four Star Hotel consisting of ~60 rooms at the upper station base.

The estimated total project cost is Rs. 1,668.83 Mn which is proposed to be financed in Debt-Equity ratio of 61:39. Till January 13, 2021, ~19.05% of the total project cost, which is ~50% of the Phase-I project

¹Complete definitions of the ratings assigned are available at www.careratingsnepal.com

cost of Rs. 1,057.85 Mn has been incurred. As per the project status report of February 2021 submitted by the company, the frame structure at the bottom station has been completed. In upper station, the building structure has been constructed up to 5th floor along with the base of Upper station. The cable car tower foundation works for all 11 towers have been completed. BCCPL expects to bring its cable car into operation from March 2022. As the construction phase is going on, company continues to remain exposed to the risks associated with project implementation and satisfactory operations thereafter. Timely completion of the project within the estimated cost and time and satisfactory operations thereafter are the key rating sensitivities.

Impact of COVID-19 in the tourism sector of Nepal

Inflow of tourist in Nepal has seen continuous growth in last few years with 0.75 Mn tourist visiting Nepal in CY16 which increased to 0.94 Mn in CY17 registering ~25% growth. Further, it recorded a growth of ~24% in CY18 with 1.17 Mn tourist inflows and ~2% in CY19 with 1.19 Mn tourist inflows. The effect of COVID-19 was seen from December 2019. In CY20, a total of 0.23 Mn. tourists arrived in the country until the end of December which is 19.33% of the total tourists who had visited Nepal in CY19. The revenue generation of BCCPL depends slightly on the foreign tourist inflows and majorly on the domestic tourist inflow. The timely revival of Nepal's tourism sector has influential impact on performance of BCCPL.

Project with seasonality of revenues

Considering the nature of the business, BCCPL's revenues will be largely driven by weekends, festive seasons, school/college/other institution's vacations, consumer spending etc. There are many hotels and hospitality service providers operating in Bandipur area providing the catering and lodging facilities at competitive prices whereas BCCPL is yet to start its operations and its ability to attract customers and achieve estimated revenue, remains to be seen.

Key Rating Strengths:

Experienced Promoter groups and management team

BCCPL is promoted by three institutional promoters and a group of individual promoters from different backgrounds. BCCPL has total five Board of Directors chaired by Mr. Ramchandra Sharma who has been involved in the company since its incorporation. He has also worked as a Chairman of Bihani Saving & Credit Co-operative for a period of ten years. He has been assisted by an experienced management team.

Strategic location of the project

The project site i.e. Bandipur, Nepal is one of the known tourist destinations in Nepal. It is located in a medium elevation with views of Himalayas, which is point of attraction for both domestic and international tourists. It also serves as gateway for trekkers visiting Bandipur Hilltop, Ramkot village and to the Siddha Cave (one of the largest cave in Nepal). Other attractions include the Bindyabashini temple,

the ancient library, culturally preserved village with 18th century traditional architectures and houses etc. Bandipur is located at 140 km to the west of Kathmandu and around 80 km to the east of Pokhara. The closet airports to Bandipur are Kathmandu International Airport and Pokhara Airport.

Government imitative and support for tourism

Tourism sector remains as one of the most prioritized sector of Nepal which has contributed 2.05% to national gross domestic product (GDP) in FY18-19 till mid-April 2019. However, due to travel restriction imposed by lockdown from March 2020, tourism sector was able to contribute only 1.41% to national GDP in FY19-20 till mid-April 2020. In recent Budget Announcement for FY2020/21 by Ministry of Finance, the government has allocated Rs. 1.26 Bn for tourism infrastructure development. Also, Unified Directive of 2020/21, has directed “Class B” and “Class-C” banks within mid-July 2024 to allocate minimum 20% of total credit and minimum 15% of total credit respectively to agriculture, energy, SMEs and tourism sector.

Technical assistant from well know & experienced contractor

BCCPL has awarded the cable car installation contract to M/s Conveyor & Ropeway Services Private Limited (CRSPL), Kolkata, India which is an ISO 9001:2008 certified company and is into the business of safe alternative aerial transport. The scope of CRSPL includes ground survey, design and engineering of the system, supply of all required equipment, erection and installation of equipment in all towers, testing and maintenance of the plant for 1 year from date of commissioning. CRSPL till date have successfully executed over 100 projects in India & aboard.

Financial closure achieved for the Phase-I and financial closure of Phase-II yet to be completed

The total cost of the project can be divided into two phase i.e. phase -I comprise, construction of cable car, restaurants, hotel building, parking and gardening and phase -II comprise, completion of 4 Star Hotel at the Bandipur Hilltop. BCCPL has achieved financial closure amounting to Rs. 540 Mn for Phase-I whereas the financial closure for the Phase II is yet to be completed.

About the Company

Bandipur Cable Car Private Limited (BCCPL) is a private limited company, incorporated on January 6, 2013. It is promoted by three institutional promoters and a group of individual promoters to develop cable car and hotel project in Bandipur, Tanahu district of Nepal. The project has two modalities of services to be offered i.e. first transportation from base station to hilltop station and vice-versa through cable car; and second is lodging & hospitality services through Hotel. The project has been listed as the ‘National Priority Project’ on March 6, 2014 by National Planning Commission (NPC).

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Annexure 1: Details of the Facilities rated

S. N.	Name of Bank	Type of the Facility	Amount (Rs. in Million)	Rating
1	Long Term Bank Facilities- Term loan I	Term Loan	540.00	CARE-NP BB [Double B]
2	Long Term Bank Facilities- Term Loan II (Proposed)	Term Loan	460.00	CARE-NP BB [Double B]
Total Bank Facilities			1,000.00	