

Bandipur Cable Car Private Limited

Rating

Facilities/Instrument	Amount (Rs. in Million)	Ratings ¹	Rating Action
Long Term Bank Facilities	1,000.00	CARE-NP BB [Double B]	Reaffirmed
Total Facilities	1,000.00		

* Details of Facilities in Annexure 1

CARE Ratings Nepal Limited (CRNL) has reaffirmed the rating of 'CARE-NP BB [Double B]' to the long-term bank facilities of Bandipur Cable Car Private Limited.

Detailed Rationale & Key Rating Drivers

The reaffirmation of the rating assigned to the bank facilities of BCCPL continues to be constrained by project implementation and stabilization risk associated with construction phase of the project coupled with significant cost overrun and time overrun in the project, albeit majorly due to change in scope of the project. The rating also takes into consideration BCCPL's exposure to volatile interest rate and likely seasonality of revenues once the project is operational.

The rating, however, continues to derive strength from experienced promoters and management team, strategic location of the project and government initiative and support for tourism sector. The rating also factors in technical assistance from a well-known contractor and financial closure achieved for Phase I of the project.

Going forward, the ability of company to timely execute of the project within the expected commercial operation date (COD) avoiding any further time or cost overrun will be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses

Project implementation & 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 4 star Hotel at hilltop of Bandipur cable car. Phase I of the project is expected to be completed by Mid-April 2023. Till February 2022, financial progress of the project was around 76%. Installation of towers for the cable cars are near completion and rope pulling will start after the complete installation of towers. Since the project is still in construction phase, BCCPL remains exposed to the residual risks associated with project implementation and satisfactory operations thereafter.

Significant cost and time overrun

Estimated cost for the project has increased by 41% to Rs. 2,355.68 Mn from earlier estimated cost of Rs. 1668.83 Mn. The revision in cost is mainly attributable to change in scope of the project, coupled with some time overrun due amid the covid-19 pandemic. The capacity of the project has been revised to 500 passengers per hour from 192 passengers per hour. The project is proposed to be funded in Debt-to-Equity ratio of 61:39. BCCPL has achieved financial closure amounting to Rs. 700.00 Mn for Phase-I whereas the financial closure for the Phase II is yet to be completed. The expected COD is now revised to mid-April 2023 (previous COD was January 2022). Timely execution of project without further cost and time overrun will be critical from credit perspective.

¹Complete definitions of the ratings assigned are available at www.careratingsnepal.com and in other CRNL publications.

Exposure to volatile interest rate

The company's interest expense is based on floating rates which reset every quarter. The base rate of the banks and financial institutions in Nepal remains quite volatile as they are impacted by change in liquidity position which leads to change in interest rates. Therefore, funding taken by the company from banks is subject to volatile interest rate.

Impact of covid-19 pandemic in the tourism sector of Nepal

The tourism sector in Nepal has been adversely affected by COVID-19 and is slowing trying to revive despite the lingering impact of the pandemic. The revenue generation of BCCPL would depend on tourist footfall, both domestic and foreign. Timely revival of the tourism sector by the time the project becomes operational remains crucial for the company.

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. The BOD is assisted by a management team with reasonable experience in hospitality sector.

Strategic location of the project

The site of the project i.e. Bandipur, Nepal is one of the major tourist destinations in Nepal with hilltop view and culturally preserved village with 18th century traditional architectures and houses. It is located in a medium elevation with excellent views of Himalayas (Dhaulagiri, Annapurna, Manaslu, Ganesh and Langtang Himal) which is a key attraction point for both the domestic and international tourist. It also serves as gateway for trekkers visiting Bandipur Hilltop, Ramkot village and to the Siddha Cave (one of the largest caves in Nepal). 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.

Technical assistance from well know Contractor

BCCPL had signed an agreement with 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 & abroad.

About the Company

Bandipur Cable Car Private Limited (BCCPL) is a private limited company, incorporated on January 6, 2013. It is coming up with a 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 a "National Priority Project" by National Planning Commission (NPC).

Annexure 1: Details of the Facilities Rated

Nature of the Facility	Type of the Facility	Amount (Rs. in Million)	Rating
Long Term Bank Facilities- Term Loan I	Term Loan	700.00	CARE-NP BB
Long Term Bank Facilities- Term Loan II (Proposed)	Term Loan	300.00	CARE-NP BB
Total		1,000.00	

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