

Bandipur Cable Car and Tourism Limited

Rating

Facilities/Instrument	Amount (Rs. in Million)	Ratings ¹	Rating Action
Long Term Bank Facilities	1,020.00	CARE-NP BB [Double B]	Reaffirmed
Total Facilities	1,020.00 (One thousand and twenty million only)		

* Details of Facilities in Annexure 1

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

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of BCTL remains constrained by implementation and stabilization risk thereafter associated with the under-construction cable car and hotel project. While there has been significant cost overrun and time overrun, majorly due to change in the project's scope, the funding mix remains equity heavy leading to likelihood of lesser financial burden on the company in initial years of operations. The rating also takes cognizance of BCTL's exposure to volatile interest rates 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, technical assistance from an experienced contractor, and government initiative and support for tourism sector. *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 & operations stabilization risk thereafter

BCTL is setting up cable car project and a hotel in Bandipur, Tanahu District of Nepal. The total project is divided into two phases. Phase I includes construction and installation of cable car system, restaurants, hotel building structure and parking and Phase II includes completion of Five-star Hotel at top station of the cable car. Within Phase I, cable car system of the project is in final stages of construction and is expected to be completed by mid-June 2023. Civil works of the hotel building is completed and interior works are ongoing. Phase II is expected to be completed by mid-December 2023. As per the cost verification report as on mid-March 2023, financial progress of the project (Phase I and Phase II combined) was around 63.50%. Since the project is still in development phase, BCTL remains exposed to the residual risks associated with project implementation and satisfactory operations thereafter.

Significant cost and time overrun

The initial estimated cost of the project was Rs. 1,669 Mn, which after multiple revisions rose to Rs. 2,673 Mn. The revisions were mainly on account of increase in scope and changes in design coupled with increase in interest during construction (IDC) owing to time overrun. The funding mix for the project is Debt-to-Equity in the ratio of 39:61. Although the company has financed the cost escalations till date via equity infusion from promoters, further delays in commencement of operations and any further material cost escalations could affect the company's ability to service its debt obligations, especially during the initial years of operations, which for now seems manageable. 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

BCTL is likely to face increased finance burden in initial years of operations, majorly owing to time overrun leading to increase in IDC. The company's interest rates are based on a floating interest rate regime, where a certain premium is added to the quarterly base rate and interest rate is changed accordingly on quarterly basis. The base rates of the banks and financial institutions (BFIs) in Nepal remain quite volatile as they are impacted by available liquidity in the system which leads to change in interest rates. Higher interest rates than envisaged could result in squeezed profit margins of the company. Hence, funding taken by the company is exposed to volatile interest rate.

Key Rating Strengths

Experienced promoters and management team

BCTL is promoted by five institutional promoters that includes Bandipur Village Municipality, and a group of individual promoters from different backgrounds. The company has a seven-member Board of Directors chaired by Mr. Ramchandra Sharma who has been involved in real estate, finance and other business sectors for over a decade. The board is aptly supported by a management team experienced in hospitality sector.

Strategic location of the project

The site of the project is in Bandipur, Nepal, which is one of the major tourist destinations in Nepal. The hilltop view with clear view of Himalayan range (Dhaulagiri, Annapurna, Machhapuchchre, Manaslu, Ganesh and Langtang) and culturally preserved village with 18th century architectures are key attraction points for both domestic and international tourists. In addition to being located at 140 km to the west of Kathmandu on the way to Pokhara, BCCP's project site also serves as gateway for trekkers visiting Ramkot village and Siddha Cave (one of the largest caves in Nepal). The site is located at a few hours of driving distance from two major international airports in Nepal, Kathmandu International Airport and Pokhara International Airport, which augurs well for the long-term prospects of the project as well.

Technical assistance from an experienced contractor

BCTL has an agreement with M/s Conveyor & Ropeway Services Private Limited (CRSPL), Kolkata, India. CRSPL is an ISO 9001:2008 certified company involved in design, construction and installation of passenger ropeways for more than four decades. The scope of CRSPL in BCTL's cable car project includes ground survey, design and engineering of the system, supply of equipments and machineries, erection of towers and installation of equipments, testing of the machineries, and maintenance of the cable car system for one year from the date of commissioning. CRSPL till date have successfully executed over 100 ropeway installation projects in five different countries.

About the Company

Bandipur Cable and Tourism Limited (BCTL), incorporated on January 6, 2013, is promoted by five institutional promoters and a group of individual promoters to develop and operate cable car and hotel project in Bandipur, Tanahu, Nepal. The project has two modalities of services to be offered– first, transportation from base station to hilltop station and vice-versa through cable car and second, lodging & hospitality services through hotel. The project has also been listed as the '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	Fixed Term Loan	1,020.00	CARE-NP BB
Total		1,020.00	

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