

## Press Release

### Salasar Highways Private Limited

August 20, 2019

#### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs.185.74 Cr.
<b>Long Term Rating</b>	ACUITE BBB- / Outlook: Stable (Assigned)

\* Refer Annexure for details

#### Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.185.74 crore bank facilities of SALASAR HIGHWAYS PRIVATE LIMITED. The outlook is '**Stable**'.

Gurugram-based, Salasar Highways Private Limited (SHPL) was incorporated in 2012, which is a special purpose vehicle (SPV) of Galfar Engineering & Contracting SAOG and Galfar Engineering & Contracting India Pvt. Ltd. SHPL was incorporated to undertake the development and operation of a road project awarded by National Highways Authority of India (NHAI). The project involves two-laning of Rajasthan Border-Fatehpur Salasar section of NH-52 and NH-58 (earlier known as NH-65) having a length of 154.141 KM in Rajasthan on Design, Build, Finance, Operate and Transfer (DBFOT) Basis. The company has achieved provisional commercial operation date (PCOD) for 148.37 Km and commenced toll collection from May 20, 2017.

#### Analytical Approach

For arriving at its rating, Acuite has considered the standalone business and financial profile of SHPL, while factoring in the support from the parent company Galfar Engineering & Contracting India Pvt. Ltd.

#### Key Rating Drivers

##### Strengths

##### • Steady flow of revenues and healthy revenue visibility

SHPL is currently operating a road project at Fatehpur Salasar section of NH-52 and NH-58 in Rajasthan under BOT model. The company also collects toll for the same stretch. The revenues of SHPL has increased to Rs.54.95 crore for FY2019 (Prov.) as against Rs.42.72 crore in the previous year. The improvement in toll collection is majorly on account of increase in traffic volume and hike in toll rate of ~4.4 per cent (effective from April 1, 2019). Going ahead, Acuite believes the toll collection revenues of SHPL will improve backed by increase in volumes and hike in toll prices.

##### • Strong Parentage

SHPL is promoted by Galfar Engineering & Contracting SAOG (GECS) and Galfar Engineering & Contracting India Pvt. Ltd. (GECIPL). GECS holds around 19.59 per cent and GECIPL hold around 80.41 per cent in SHPL. Galfar Engineering & Contracting SAOG is Oman's largest construction company with EPC capability in Oil & Gas, Roads & Bridges and Civil & Utilities and has a presence of more than 4 decades in the said business. The group has presence in India through its wholly-owned subsidiary Galfar Engineering & Contracting (India) Pvt. Limited's (Galfar India) and 5 BOT projects, Salasar Highways being one of the 5 projects. The rating factors in the technical expertise, financial support and established position in infrastructure sector of its parent.

##### • Waterfall mechanism in ESCROW account

SHPL has maintained an escrow account wherein the cash flows (toll collection) will be routed and used for payment as per the defined payment waterfall. Only surplus cash flow after meeting operating expense, debt servicing obligation, and provision for major maintenance expense, can be utilized as defined in escrow agreement.

## Weaknesses

### • Significant exposure to traffic risks

The cash flows are entirely toll-based. Thus, operations are susceptible to fluctuations in traffic movements. Traffic movement is linked to the level of economic activity in and around the operational area. Any event or regulatory interventions likely to affect traffic movement may create pressure on toll revenues thereby affecting the cash flows of the company. In such situations, the company is dependent on the sponsor for funding support in case of any requirement.

### • Timely completion of the remaining stretch

Length of the project is 154.141 Km, out of which 151.36 Km has been completed and the balance stretch of 2.78 Km is expected to be completed by August, 2019. Provisional commercial operation date (PCOD) has been achieved for 148.37 Km. Timely execution of balance stretch will be critical to the revenue growth.

## Liquidity Profile

SHPL has adequate liquidity profile. During FY2019, net cash accruals generated by the company were less than its maturing debt obligation. However, these obligations were met by timely infusion of funds from its parent. The cash accruals of the company are estimated to remain in the range of around Rs.35.00 crore to Rs.78.00 crore during FY2020-24 against structured repayment obligations ranging from Rs.23.77 to Rs.44.51 crore during the same period. The company's working capital operations are efficient marked by gross current asset (GCA) days of 46 days in FY2019 (Provisional). Company maintained unencumbered cash and bank balances of Rs.2.09 crore as on 31 March 2019 (Provisional).

## Outlook: Stable

Acuite believes that the outlook on SHPL's rated facilities will remain 'Stable' over the medium term on account of steady flow of toll revenues from the project coupled with strong support of sponsors. The outlook may be revised to 'Positive' in case of significant improvement in toll revenues and improvement in cash flows from operations. Conversely, the outlook may be revised to 'Negative' in case of sharp decline in toll revenues or cash flow and/or lack of timely support from the sponsor.

## About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	54.95	42.72	8.36
EBITDA	Rs. Cr.	39.28	25.34	0.00
PAT	Rs. Cr.	9.93	-3.33	0.00
EBITDA Margin	(%)	71.48	59.32	0.00
PAT Margin	(%)	18.06	-7.79	0.00
ROCE	(%)	8.25	5.57	0.00
Total Debt/Tangible Net Worth	Times	1.03	1.17	1.15
PBDIT/Interest	Times	1.68	1.12	0.00
Total Debt/PBDIT	Times	5.13	8.57	0.00
Gross Current Assets (Days)	Days	46	69	232

## Status of non-cooperation with previous CRA:

CARE, vide its press release dated March 09, 2018 had denoted the rating of Salasar Highways Private Limited as 'CARE BB-/Stable (ISSUER NOT COOPERATING)' on account of lack of adequate information required for monitoring of ratings.

## Any other information

Not Applicable

#### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>

#### Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

#### Rating History (Upto last three years)

Not Applicable

#### \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	114.29	ACUITE BBB- / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	71.45	ACUITE BBB- / Stable (Assigned)

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#### About Acuité Ratings & Research:

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