

Press Release

Salasar Highways Private Limited

November 10, 2020



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the 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**'.

About the company

Gurgaon-based Salasar Highways Private Limited (SHPL) was incorporated in 2012, 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-lane construction with paved shoulder, and provision for capacity augmentation from existing two lane to four lane, 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. Company achieved provisional commercial operation date-1 (PCOD-1) for 148.37 Km on May 20, 2017 and subsequently commenced toll collection, PCOD-2 for additional 4.605 Km has been achieved on June 2020 with the balance stretch of 1.170 Km still outstanding.

Analytical Approach

For arriving at its rating, Acuité 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 has undertaken the two lane construction with a paved shoulder at Fatehpur Salasar section of NH-52 and NH-58 in Rajasthan under DBFOT model, and company also collects toll for the same stretch. The toll revenue has increased by ~15 percent to Rs.54.50 crore in FY2020 from Rs.47.60 crore in the previous year. The improvement in toll revenue is majorly on account of increase in traffic volume and a hike in toll rate of ~4.40 percent for FY2020. Owing to lockdown and reduced economic activities toll collection for H1FY2021 reduced by ~19 percent as compared to the corresponding period in FY2020 however, with a gradual uptick in economic activities and ease in lockdown restrictions an upward trend in tollable traffic has been observed in Q2FY2021 over Q2FY2020.

Going ahead, Acuité believes the toll collection revenues of SHPL will improve backed by an 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 holds 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 a presence in India through its wholly owned subsidiary Galfar Engineering & Contracting (India) Private Limited

(Galfar India) and 5 BOT projects. The rating factors in the technical expertise, financial support and established position in the 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 the escrow agreement.

Weaknesses

• Moderate debt protection metrics

The debt protections indicators of the company are moderate and exposed to fluctuation in toll collection, which are dependent on tollable traffic. Any event or regulatory interventions which are likely to affect traffic movement may create pressure on toll revenues, thereby affecting the debt coverage of the company. However, the company derives comfort from the DSRA been created equivalent to debt obligation for one quarter.

Liquidity Profile: Adequate

SHPL has adequate liquidity profile, marked by net cash accruals of Rs.30.64 crore in FY2020 as against repayment obligations of Rs.23.77 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.48.00 crore to Rs.62.00 crore during FY2021-24 against structured repayment obligations ranging from Rs.19.25 to Rs.54.62 crore during the same period. Moreover the company derives additional comfort from the presence of DSRA equivalent to the debt obligation of one quarter. Cash and bank balances stood at Rs.3.42 crore as on 31 March 2020.

Rating Sensitivities

- Significant decline in toll collection
- Decline in DSRA below the stipulated level

Outlook: Stable

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

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	57.85	55.43
PAT	Rs. Cr.	(7.58)	(47.06)
PAT Margin	(%)	(13.10)	(84.89)
Total Debt/Tangible Net Worth	Times	1.35	1.44
PBDIT/Interest	Times	2.56	0.61

Status of non-cooperation with previous CRA:

Not Applicable

Any other information

Not Applicable

Any Material Covenants

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
20-Aug-2019	Term Loans	Long Term	114.29	ACUITE BBB-/Stable (Assigned)
	Term Loans	Long Term	71.45	ACUITE BBB-/Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term loans	April-2016	10.75	Aug-2024	104.55	ACUITE BBB-/ Stable (Reaffirmed)
Term loans	May-2016	10.75	Aug-2024	66.11	ACUITE BBB-/ Stable (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	15.08	ACUITE BBB-/ Stable (Reaffirmed)

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About Acuité Ratings & Research:

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