Salasar Techno Engineering Limited

April 23, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	680.45	IVR A/RWDI (IVR A with Rating Watch with Developing Implication)	IVR A/ Positive (IVR A; with Positive Outlook)	Rating Placed on Watch with Developing Implications	Simple
Short Term Bank Facilities	18.00	IVR A1/RWDI (IVR A One with Rating Watch with Developing Implication)	IVR A1 (IVR A One)	Rating Placed on Watch with Developing Implications	Simple
Total	**698.45**	**Rupees Six Hundred Ninety Eight Crore and Forty Five Lakh Only**			

Details of Facilities/Instrument are in Annexure 1

Facility wise lender details are at Annexure 2

Detailed explanation of covenants is at Annexure 3

Detailed Rationale

Infomerics Valuation and Rating Limited (IVR) has placed the ratings under 'Rating Watch with Developing Implication (RWDI)' for the bank loan facilities of Salasar Techno Engineering Limited (STEL).

The rating has been placed under RWDI, on account of search operation conducted by Enforcement Directorate (ED) on 16th April 2025 at the residential premises of Mr. Alok Kumar, Chairman & Managing Director, and Mr. Shashank Agarwal, Joint Managing Director of STEL. The status on the same is unclear as ED is yet to come back to the promoters of the company on the observations or findings of search operations. IVR will continue to monitor the developments in this regard including any further observations by the ED and the impact on STEL's business.

Rating watch will be resolved, and appropriate rating action will be taken once there is further clarity on the outcome of ED findings of search operations at promoters' premises.
The rating continues to draw comfort from the established track record of operations and experienced management, diversified product portfolio and geographical presence, healthy order book, reputed clientele with low counterparty risk, improving scale of operations and comfortable financial risk profile. However, these strengths are partially offset by working

capital intensive nature of operations, tender based nature of business and susceptibility of profitability to raw material prices volatility.

IVR has principally relied on the standalone audited financial results of STEL upto 31 March 2024 (refers to period April 1st, 2023, to March 31, 2024), 9MFY25 unaudited results and projected financials for FY2025, FY2026 and FY2027, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:
Upward Factors

- Substantial improvement in the scale of operations with TOI above 1300 crore
- Improvement in debt protection metrics
- Sustenance of the overall gearing below 0.60x

Downward Factors

- Significant reduction in the scale of operations and profitability margins,
- Deterioration in debt protection metrics and overall gearing

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Established track record of operations and experienced management:**
  The company commenced its operations in 2006 and has a successful track record of around 16 years in the existing line of business. Overall, the activities of STEL are managed by four directors with Mr. Alok Kumar being the Managing Director. He has more than 4 decades' experience in the steel and EPC business. He is ably supported by three other directors namely Mr. Shashank Agarwal, Mr. Shalabh Agarwal and Ms. Tripti Gupta, who have effective experience in steel and EPC business as well as supported by qualified and well experienced management team.

- **Diversified product portfolio and geographical presence:**
  The company manufactures and sells products like telecom and transmission towers, utilities poles, railway over bridges, railway overhead electrification structures, stadium lights etc. It is also engaged by carrying out engineering, designing, fabrication, galvanization and deployment of towers, transmission lines and railway electrification lines. Their products are sold in PAN India and EPC services are being provided in the states Delhi, Haryana, Uttar Pradesh, Jharkhand, Himachal Pradesh, Assam, Gujarat, Rajasthan, Bihar, Orissa and Uttarakhand. Also, the company is exporting its products to countries like Philippines, Africa, Nepal, USA etc.

- **Reputed clientele with low counterparty risk:**

In tower, heavy steel structures and EPC business, the company is dealing with government and private clients namely Indus Tower Limited, Bharti Airtel Limited, Delhi Metro Rail Corporation, Power Grid Corporation of India Limited, RITES Limited, Paschim Anchal Vidyut Vitran Nigam Limited, IRCON International Limited etc., which carries low credit default risk. The majority of the orders in the EPC segment are backed by government-funded programmes, providing payment assurance. Furthermore, electrification and telecom being a part of infrastructure, enjoys special focus from the Government of India (GoI). Hence, regular order inflows from both the sectors are expected in near future.

- **Healthy order book position:**
  Under EPC segment the company has a healthy unexecuted order book position to the tune of about Rs 2063.52 crore, besides this, the company has orders of Rs. 65.13 crores for heavy steel structures, monopoles orders of Rs. 39.32 crore and telecom orders are received on a rolling basis on a site-to-site basis, and the company always has Rs. 30 crore- Rs 35 crore orders in hand on a monthly basis for the telecom tower structure. The total overall unexecuted orders in hand as on 31st December 2024 stood at Rs. 2,197.97 crore, thereby providing revenue visibility for the medium term.

- **Improving scale of operations and profitability margins:**
  The total operating income (TOI) improved by ~19.69% to Rs. 1196.92 crore in FY2024 from Rs. 1000.06 crore in FY2023. In 9MFY25 the TOI has improved by 10.74% to Rs. 941.86 crore from Rs. 840.69 Crore in 9MFY24. The operating profitability and net profit margins have improved to 10.01% and 4.27% respectively in FY2024, as compared to 9.13% and 4.00% respectively in FY2023, due to improved scale of operations.

- **Comfortable financial risk profile:**
  The tangible networth improved to Rs. 447.71 crore in FY2024 from Rs. 399.60 crore in FY2023. In 9MFY25 the TNW further improved to Rs. ~702.97 crore due to preferential issue of shares/warrants. Overall gearing stood comfortable at 0.78x in FY2024. In terms of the debt protection metrics, the interest service coverage ratio (ISCR) and debt service coverage ratio (DSCR) stood at 2.75x and 1.95x respectively in FY2024.

Key Rating Weaknesses

- **Working capital intensive nature of operations:**
  STEL's operations are working capital intensive in nature, supported largely by bank borrowings. The average utilization of fund based, and non-fund based working capital limits of the company stood high around 95.80% and 85.94% respectively during the last 12 months ending 31st July 2024. They have an elongated operating cycle of 175 days in FY2024 (FY2023:175 days) mainly due to the high receivable period of 101 days in

FY2024 (116 days in FY2023). The receivables are high due to retention money, besides receivables from government entities usually takes more than 100 days in the case of a project of a long duration.

- **Tender based nature of business:**
  The company has around Rs 1130.36 crore an unexecuted order book position to the tune of about under engineering, procurement and construction (EPC) segment. For this segment it is mostly getting its orders through tenders floated by various government departments. As the infrastructure industry is highly fragmented due to the presence of many organized and unorganized players, the tender driven nature of business leads to volatility in revenue and profitability. Further, being in an infrastructure segment the company is exposed to inherent risks associated in this industry like a slowdown in new order inflows, risks of delays in execution, political issues etc.

- **Susceptibility of profitability to raw material price volatility:**
  The company is exposed to volatility in raw material prices. The prices of these raw materials are highly volatile and can lead to volatility in the profitability margins. However, this risk of volatility in prices is partially mitigated by the company's long-standing relations and understanding with clients on the price front and price escalation clauses that work on both sides; in case raw material prices decline, the company passes on the benefit to customers, and in case the prices move upward, the company gets compensated for the same. Additionally, most of the orders in the telecom sector are of a short duration; hence, volatility in raw material prices can be incorporated in the new purchase order, preventing the company from large price movements.

Analytical Approach: For arriving at the ratings, IVR has analysed STEL's credit profile by considering the standalone financial statements of the company.

Applicable Criteria:

Rating Methodology for Manufacturing Companies
Financial Ratios & Interpretation (Non-Financial Sector)
Criteria for Assigning Rating Outlook
Policy on Default Recognition
Policy for Placing Ratings on Rating Watch
Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

The company has an adequate liquidity position. There are long-term secured borrowings from banks, amounting to Rs. 58.26 crore, as on 31st March 2024. Against a current portion of long-term debt (CPLTD) of Rs 10.88 crore in FY2024, the company had a cash accrual of Rs. 62.69 crore in FY2024. The company projected to generate cash accruals Rs. 91.88

crore in FY2025 against a CPLTD of Rs. 19.46 crore. With the adequate expected cash accruals against repayments, the liquidity position will remain adequate.

About the Company

Salasar Techno Engineering Limited (STEL) was incorporated in 2006 under the leadership of Mr. Alok Kumar and Mr. Shashank Agarwal. It is currently managed by directors namely Mr. Alok Kumar (Managing Director), Mr. Shashank Agarwal, Mr. Shalabh Agarwal and Ms. Tripti Gupta. The company is engaged in manufacturing and sale of galvanized steel structures for telecom towers, transmission towers, utilities poles, railway over bridges, railway overhead electrification structures, stadium lights etc. It is also engaged EPC solutions by carrying out engineering, designing, fabrication, galvanization and deployment of towers, transmission lines and railway electrification lines. The company has three manufacturing units is in Hapur, Uttar Pradesh with total installed capacity of 1,96,000 metric tonne per annum (MTPA). Also, the company has heavy steel structure division (HSD) with a capacity of 15,000 MTPA which mainly manufacture heavy steel girders for use in rail/road over bridges, prefabricated buildings and other steel structures. It is an ISO certified company. The company is listed on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE).

Financials (Standalone):

(Rs. crore)

For the year ended as on	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	1000.06	1196.92
EBITDA	91.28	119.80
PAT	40.09	51.31
Total Debt	270.45	348.29
Tangible Networth	399.60	447.78
EBITDA Margin (%)	9.13	10.01
PAT Margin (%)	4.00	4.27
Overall Gearing Ratio (x)	0.68	0.78
Interest Service Coverage Ratio (x)	2.92	2.75

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Type of Instrument/Facility	Current Ratings (Year 2025-26)			Rating History for the past 3 years			
		Tenure	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25 05 Sep 2024	Date(s) & Rating(s) assigned in 2023-24 16 Jan 2024	Date(s) & Rating(s) assigned in 2023-24 22 Aug 2023	Date(s) & Rating(s) assigned in 2022-23 05 Aug 2022
1.	Fund Based	Long Term	370.45	IVR A /RWDI	IVR A /Positive	IVR A /Stable	IVR A /Stable	IVR A /Stable
2.	Non-Fund Based	Long Term	310.00	IVR A /RWDI	IVR A /Positive	IVR A /Stable	IVR A /Stable	IVR A /Stable
3.	Non-Fund Based	Short Term	18.00	IVR A1/RWDI	IVR A1	IVR A1	IVR A1	IVR A1

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About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt Ltd] (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit/WCDL	-	-	-	300.00	IVR A/Positive
Term Loan	-	-	September 2027	23.81	IVR A/Positive
Term Loan	-	-	December 2028	21.66	IVR A/Positive
GECL-TL	-	-	December 2025	4.91	IVR A/Positive
GECL-TL	-	-	March 2026	7.10	IVR A/Positive
GECL-TL	-	-	April 2026	0.86	IVR A/Positive
GECL-TL	-	-	December 2027	5.82	IVR A/Positive
GECL-TL	-	-	May 2028	6.29	IVR A/Positive
Bank Guarantee*	-	-	-	310.00	IVR A/Positive
Letter of Credit				15.00	IVR A1
LER	-	-	-	3.00	IVR A1

*BG Tenor is more than 12 months and also includes LC as sublimit

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-salasartechno-apr25.pdf

Annexure 3: Detailed explanation of covenants of the rated securities/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/combined analysis: Nil

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.