



Press Release

Salasar Dineshchandra Infraprojects Pvt Ltd

January 15, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned*
1.	Long Term Fund Based Facility – Term Loan	141.33	IVR AAA [CE]/Stable (IVR Triple A [Credit Enhancement] with Stable Outlook)
	Total	141.33	

*CE rating based on annuity receivables from National Highway Authority of India (NHAI)

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating assigned to the bank facilities of the entity derives comfort from their experienced promoters and management team, long track record of the group in road infrastructure segment, operational and financial support from sponsor and escrow mechanism with a well-defined payment waterfall mechanism and creation of DSRA for repayment of debt. However, the financial position of NHAI is the rating constraint.

The rating of the instrument is based on the annuity receivables from NHAI which are well-defined under a waterfall mechanism wherein the annuity receivables are escrowed to meet the principal and interest payments under which the company also maintains DSRA of an amount equivalent to next six months of principal and interest payments. Given these attributes, considering the annuities received from NHAI and under a water tight escrow mechanism result in an enhancement in the rating of the said instrument to **IVR AAA (CE)/Stable** against the unsupported rating of **IVR BBB+/Stable**.



Press Release

Key Rating Sensitivities

Upward factors:

- None.

Downward factors:

- Significant increase in O&M and major maintenance costs
- Untimely annuity receivables

Key Rating Drivers with detailed description

Key Rating Strengths

Experienced promoters & management team

Salasar Dineshchandra Infraprojects Private Limited (SDIPL) was promoted by Mr. Dineshchandra Agarwal and his brother, Mr. Jagdishchandra Agarwal (both are Directors in the company). The promoters have rich experience of over four decades in the road construction segment, having successfully executed various projects from NHAI and other government authorities over the years. They are also assisted by a team of experienced professionals having relevant industry experience.

Long track record of the group in road infrastructure segment

SDIPL is a part of the Ahmedabad based Dineshchandra group, controlled by the Agarwal family. The group has presence in more than 20 states of the country. Dineshchandra R. Agrawal Infracon Private Limited is the flagship company of the group and is involved in the construction of infrastructure projects such as highways, bridges, water supply and sewage/drainage systems, metro rail etc. for over four decades. The group has undertaken three road construction projects under HAM since FY17 with aggregate bid project cost being INR2264.96 crore. All the three projects have achieved financial closure and two of these projects are already operational as on date.

Operational and Financial support from sponsor

SDIPL benefits from the strong operational and financial support of DRAIPL. The sponsor has provided a corporate guarantee amounting to INR170.00 crore along with an undertaking to support any cost overrun during the construction phase. Furthermore, DRAIPL is also obliged to undertake any shortfall in meeting debt servicing and increase in O&M expense above the base case estimate, during the operational phase. It will also meet any shortfall in debt



Press Release

servicing and debt service reserve account (DSRA). DRAIPL has extensive experience in road sector with a track record of more than four decades in the road segment. As on March 31, 2020 the company has an order book amounting to INR8642.00 crore comprising of road and highway projects.

Escrow mechanism with a well-defined payment waterfall mechanism and creation of DSRA for repayment of debt

The repayment of the debt is spread out over the concession period, which is expected to provide liquidity buffer for repayment of debt. The waterfall mechanism ensures that annuity receivables are escrowed to meet the principal repayment and interest payments. As per the terms of sanction of the project debt, the company maintains DSRA of an amount equivalent to next six months of principal repayment and interest payment due and payable in respect of term debt facility. The structure also stipulates the minimum DSCR shall be at least 1.03x and the DSCR will be checked for trailing 12 months annually. The principal and interest payment would be made by utilizing the amounts in DSRA.

Key Rating Weaknesses

Financial position of NHAI

Project implementation cost of NHAI has increased substantially, particularly due to increasing number of projects being awarded on HAM/EPC basis. These models require NHAI to provide upfront funds and also increases land acquisition costs, leading to high dependence on debt. NHAI's expenditure increased 36% over the past 6 fiscals. This, along with moderate allocation of cess towards NHAI, has resulted in increased dependence on Internal and Extra Budgetary Resources (IEBR) to be arranged by NHAI and has thereby resulted in increase in its borrowings. Dependence on debt is expected to continue over the next five years considering the execution of Bharatmala Pariyojana at an estimated cost of INR5,35,000 crore. However, NHAI will continue to enjoy healthy financial flexibility backed by government support. Also, the toll collections from the projects awarded on HAM/EPC basis may be monetized in case of any exigencies.

Analytical Approach: Standalone



Press Release

Applicable Criteria

Rating Methodology for Infrastructure Companies

Rating Methodology for Structured Debt Transactions (Non-securitization Transaction)

Financial Ratios and Interpretation (Non-Financial Sector)

Liquidity - Strong

The company has adequate liquidity with gross cash accruals amounting to INR3.45 crore along with cash and bank balances of INR11.94 crore at the end of FY20 along with support from sponsor (DRAIPL) backed by a corporate guarantee providing an undertaking to cover for any amount of shortfall that may occur in the DSRA. The company has to maintain DSRA of an amount equivalent to next six months of principal repayment and interest payment due and payable in respect of term debt facility.

About the company

Salasar Dineshchandra Infraprojects Private Limited (SDIPL) was incorporated as a Special Purpose Vehicle (SPV) by Mr. Dineshchandra Agarwal and his brother, Mr. Jagdishchandra Agarwal on August 1, 2016. SDIPL was set-up for implementing two-laning with paved shoulder for up-gradation of Salasar-Nagaur section (a total of 19.59 km) of National Highway 65 (NH-65) in Rajasthan under Hybrid Annuity Model (HAM) on a design, build, finance, operate, and transfer basis. Presently, both Mr. Dineshchandra Agarwal and Mr. Jagdishchandra Agarwal (promoters) are Directors in SDIPL. The promoters have rich experience of over four decades in the road construction, having successfully executed various projects from NHAI and other government authorities over the years. SDIPL is a part of the Ahmedabad based Dineshchandra group, controlled by the Agarwal family. The group has presence in more than 20 states of the country. Dineshchandra R. Agrawal Infracon Private Limited (DRAIPL) is the flagship company of the group and is involved in the construction of infrastructure projects such as highways, bridges, water supply and sewage/drainage systems, metro rail etc. for over four decades. DRAIPL was originally established in 1972 as a partnership firm, Dineshchandra R Agrawal. The constitution of the entity was changed to a private limited company in 2003. At present, the company employs over 3500 employees and had an outstanding order book of INR8642.00 crore as on March 31, 2020 majorly comprising of road and highway projects.



Press Release

Financials (Standalone)*:

(INR crore)

For the year ended/ As On	31-03-18	31-03-19	31-03-20
	(Audited)	(Audited)	(Audited)
Total Operating Income	298.36	262.14	43.78
EBITDA	5.61	-8.81	2.14
PAT	7.96	0.42	0.63
Total Debt	74.14	141.59	133.85
Tangible Net-worth	65.65	72.18	72.97
Ratios			
EBITDA Margin (%)	1.88	-3.36	0.17
PAT Margin (%)	2.89	0.14	6.53
Overall Gearing Ratio (x)	1.13	1.96	1.83

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR crore)	Rating	Date(s) & Rating(s) assigned in 2019-20 (PR - 08.11.19)	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Fund Based Facility – Term Loan	Long Term	141.33	IVR AAA (CE)/ Stable Outlook	IVR AAA (CE)/ Stable Outlook	--	--

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.

Name and Contact Details of the Rating Team:

Name: Rajath Rajpal

Tel: (022) 62396023

Email: rajpal@infomerics.com

Name: Prakash Kabra

Tel: (022) 62396023

Email: prakash.kabra@infomerics.com



Press Release

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facility – Term Loan	NA	NA	Up to 2034	141.33	IVR AAA (CE)/ Stable Outlook