

Press Release

**Salasar Dineshchandra Infraprojects Pvt. Ltd.**

November 08, 2019

**Rating**

Sl. No.	Instrument/Facility	Amount (Rs. Crores)	Supported Rating*	Rating Action
1.	Long Term Debt - Term Loan	200.00	IVR AAA (CE)/Stable Outlook (IVR Triple A [Credit Enhancement] with Stable Outlook)	Assigned
	<b>Total</b>	<b>200.00<sup>&amp;</sup></b>		

\* CE rating based on annuity receivables from National Highway Authority of India (NHAI) & Including proposed facility of Rs. 81.06 crore.

**Details of Facilities are in Annexure I**

**Detailed Rationale**

The aforesaid rating derives comfort from experienced promoters & management team, long track record of the group in road infrastructure segment, low counter-party credit risk, escrow mechanism with a well-defined payment waterfall mechanism and creation of DSRA for repayment of debt. However, the rating is partially offset by financial position of NHAI.

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**.

**Key Rating Sensitivities**

Upward Factors: Timely annuity payment from NHAI.

Downward Factors: Significant increase in O&M and major maintenance costs.

## Detailed Description of the Key Rating Drivers

### 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 Rs.2264.96 crore. All the three projects have achieved financial closure and two of these projects are already operational as on date.

#### *Low counter-party credit risk*

NHAI is vested with executive powers for developing national highways in India by the Ministry of Road Transport & Highways. NHAI receives support from GoI due to its strategic importance as the country's nodal agency for implementing various road sector projects. By virtue of being a quasi-government body with an established & long track record, the counter-party risk on NHAI appears to be minimal. SDIPL has received annuity of Rs.20.57 crore (on semi-annual basis) and additional bonus of Rs.15.79 crore from NHAI for project completion 11 months ahead of schedule in November 2018. Any delays in receipt of future annuities will remain a key rating sensitivity.

#### *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 1.10x 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. As a result, the proportion of debt to total expenditure of NHAI has increased from 33% in FY14 to 66% in FY18. Dependence on debt is expected to continue over the next five years considering the execution of Bharatmala Pariyojana at an estimated cost of Rs.5,35,000 crores. 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 & Applicable Criteria**

Standalone (based on credit enhancement)

Rating methodology for Infrastructure companies

Financial ratios and Interpretation (Non-Financial Sector)

Rating Methodology for Structured Debt Transaction (Non- Securitization Transaction)

### **Liquidity**

Liquidity position of the company is strong marked by accruals in the form of annuity from NHAI. (SDIPL received annuity of Rs.20.57 crore (semi-annually) and Rs.2.35 crore p.a. for O&M expenses). The company also maintains moderate cash and bank balances (Rs.5.50 crore as on March 31, 2019) to meet its liquidity requirements. The waterfall mechanism ensures that annuity receivables will be 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. Further the support extended by Dineshchandra group acts as liquidity bulwark for the company in case of any exigency.

## **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 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 Rs.8798.36 crore as on March 31, 2019 majorly comprising of road and highway projects.

## **Financials**

(Rs. crore)

<b>For the year ended/ As On</b>	<b>31-03-2018</b>	<b>31-03-2019</b>
	<b>(Audited)</b>	<b>(Provisional)</b>
Total Operating Income	309.43	234.62
EBITDA	3.47	30.34
PAT	1.93	20.56
Total Debt	75.00	123.25
Tangible Net-worth	33.91	34.52
<b><u>Ratios</u></b>		

# Infomerics Valuation and Rating Pvt. Ltd.



EBITDA Margin (%)	1.12	12.93
PAT Margin (%)	0.62	8.76
Overall Gearing Ratio (x)	2.21	2.26

Note: Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA: N.A.**

**Any other information: N.A.**

**Rating History for last three years:**

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Fund Based Facility - Term Loan	Long Term	200.00 <sup>+</sup>	IVR AAA (CE)/ Stable Outlook	--	--	--

<sup>+</sup>Including proposed facility of Rs. 81.06 cr.

**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](http://www.infomerics.com).

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## 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.

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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
Long Term Fund Based – Term Loan	--	--	August, 2032	200.00 <sup>+</sup>	IVR AAA (CE) /Stable Outlook

<sup>+</sup>Including proposed facility of Rs. 81.06 cr.