September 22, 2025

Galfar Engineering and Contracting (India) Private Limited: Ratings assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long term/Short term – Non fund based – Proposed	70.00	[ICRA]BBB- (Stable)/[ICRA]A3; Assigned
Long term – Fund based – Proposed	20.00	[ICRA]BBB- (Stable); Assigned
Long term – Unallocated limits	10.00	[ICRA]BBB- (Stable); Assigned
Total	**100.00**	

**Instrument details are provided in Annexure I*

Rationale

The ratings assigned to Galfar Engineering And Contracting (India) Private Limited (GECIPL) factor in the extensive experience and track record of its parent – the Oman-based Galfar Engineering & Contracting SAOG – in the engineering procurement and construction (EPC) business and GECIPL's established track record of executing road construction projects in India with a reputed clientele (mainly the National Highways Authority of India (NHAI rated [ICRA]AAA(Stable)). While new order addition remained muted over the last few years, it was awarded a highway construction project under the hybrid annuity mode (HAM) in August 2025 by NHAI. Resultantly, GECIPL had an outstanding orderbook (OB) position of ~Rs. 978 crore as of August 2025, which provides near-term revenue visibility (with OB to operating income (OI) ratio of ~2.5 times of OI in FY2025). The project is yet to receive the appointed date (AD) and execution will be a key monitorable. The ratings note GECIPL's low leverage (Total outside liabilities (TOL) /tangible net worth (TNW) of 0.7 times as on March 31, 2025) and adequate liquidity profile.

The ratings are, however, constrained by the company's modest scale of operations (at Rs. 394 crore for FY2025), concentrated OB (with newly awarded HAM accounting for 87% of total), low and volatile profitability margins (2-12% over the last five years) and subdued debt coverage metrics (interest cover of 1.5 times in FY2025). In addition, it is exposed to execution risk (given the HAM project is yet to commence). The company's ability to successfully build up its OB to increase its scale of operations and profitability will be a key monitorable. GECIPL has equity commitment of ~Rs. 127 crore towards the sole HAM project over the next 1-2 year and the same is planned to be partly met from fund infusion from the Group/parent entity. In addition, it plans to monetise stake in two of its operational toll road projects in the near term. Over the medium term, it plans to take up more HAM projects, which will entail additional equity commitments. Given the expected increase in scale of operations and equity commitments such projects entail, GECIPL's ability to judiciously manage its working capital cycle and maintain its execution ramp-up remain important from the credit perspective.

The ratings note the cyclicality inherent in the construction industry, susceptibility of the company's revenues and operating margin to the stiff competition and tender-driven nature of business and its sizeable bank guarantee (BG) limit requirement (mainly for contractual performance and earnest money deposit (EMD)). ICRA, however, draws comfort from GECIPL's execution track record, availability of undrawn BG limits and absence of invocation of guarantees in the past.

The Stable outlook on the long-term rating reflects ICRA's opinion that the company will likely sustain its operating metrics, even though its revenue growth may moderate in FY2026, and its working capital requirements would be funded in a manner that is able to durably maintain its debt protection metrics commensurate with the existing rating.

Key rating drivers and their description

Credit strengths

Established track record of parent in EPC business – The company is a part of the Oman-based Galfar Group and is subsidiary of Galfar Engineering and Contracting SAOG, which has over 40 years of experience in road construction in Oman and other Middle East countries. GECIPL is expected to continue benefiting from the technical expertise/qualifications rendered by the parent.

Reputed clientele – GECIPL has experience as a concessionaire in the road toll projects awarded by the NHAI through two special purpose vehicles (SPVs) where the GECIPL holds 49-51% stake currently. GECIPL's management has the required technical expertise to bid for large road projects in India (on a standalone basis and through its parent). While the company's customer and segment diversification remains low, with primary operations in the road segment with works awarded by the NHAI, the concentration risks are mitigated with the presence of a strong counterparty and its robust credit profile.

Comfortable leverage position – The company's capital structure remains conservative, with leverage (TOL/TNW) at 0.7/0.6 times in FY2025/FY2024, with net worth at Rs. 352 crore as on March 31, 2025. The external debt (unlisted non-convertible debentures or NCDs) stood at Rs. 85 crore as on March 31, 2025. The management expects to prepay this entire debt in the near term from the funds received from monetisation of its two operational SPVs. Over the medium term, the leverage is expected to remain comfortable (TOL/TNW < 0.5 times).

Credit challenges

Modest scale of operations; concentrated OB and execution risks – Despite a long track record of operations in India, GECIPL's scale of operations remain modest with revenue ranging within Rs. 200-400 crore over the last five years (Rs. 394 crore in FY2025). While GECIPL had an OB of Rs. 978 crore as of August 2025, which translates to OB/OI of 2.5 times on the OI of FY2025, nearly 87% of the same (Rs. 854 crore) comprise a single HAM project received in August 2025. Since the HAM project is yet to commence, the company remains exposed to execution risk. Nonetheless, GECIPL has a demonstrated track record of EPC projects as reflected from recent completion of major maintenance work in one of its SPV (Kashipur Sitarganj Highways Pvt Ltd) and four-laning project in other SPV (Salasar Highways Private Limited). GECIPL has equity commitment of ~Rs. 127 crore towards the sole HAM project over the next 1-2 year and the same is planned to be partly met from fund infusion from the Group/parent entity. Going forward, GECIPL's ability to successfully build-up its OB to increase its scale of operations will be a key monitorable.

Working capital intensive operations – The company's operations remain working capital intensive as reflected in the net working capital (NWC) to OI ratio of 20.6% as on March 31, 2025. It extends credit period to counterparties (group SPVs) and receives payment on milestone-based work completion. Also, the profitability remains subdued, partly impacted by intense competition in the road EPC segment. Over the medium term, it plans to take up more HAM projects. Given the increasing scale of operations and equity commitments such projects entail, GECIPL's ability to judiciously manage its working capital cycle while maintaining its execution momentum will remain important from the credit perspective.

Sectoral risks including stiff competition and non-fund-based exposure – GECIPL is exposed to the cyclicality inherent in the construction industry and intense competition in the tender-based contract award system resulting in the risk of volatility in order inflows, revenues and pressure on profit margins. However, its long presence and established relationships with clients provide comfort. Most of the contracts have the provision for price variation in key raw materials such as cement and steel, which protects the profitability to an extent. Further, with the anticipated scale-up in operations, it will be exposed to sizeable contingent liabilities in the form of BGs and surety bonds, mainly for contractual performance, mobilisation advances and security deposits (including earnest money deposits). ICRA, nevertheless, draws comfort from its execution track record and absence of invocation of guarantees in the past.

Liquidity position: Adequate

The company's liquidity is adequate, supported by buffer in working capital limit of ~Rs. 5 crore and unencumbered cash balance of ~Rs. 13 crore as on March 31, 2025 (in addition to DSRA balances of Rs. ~3 crore covering interest obligations for 3 months). It has nil debt repayment obligations in FY2026 and Rs. 30-crore debt repayment obligations in FY2027. The equity funding requirement for the HAM project (estimated at ~Rs. 127 crore) has already been secured from the parent company. Additionally, the receipt of 'change in law' claims (of around Rs. 45 crore) expected in FY2026, is likely to support the liquidity position.

Rating sensitivities

Positive factors – The ratings could be upgraded if a significant and sustained increase in revenue visibility, scale of operations and operating profitability margins, lead to improvement in debt coverage metrics and liquidity position.

Negative factors – The ratings could be downgraded if slow order addition or execution results in sustained decline in revenues or profitability, impacting the coverage indicators. Further, a stretch in the working capital cycle, significant delay in monetising SPVs, or exposure towards BOT projects, or any large debt-funded capex leading to weakening in liquidity and leverage position could exert pressure on the ratings.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Construction
Parent/Group support	NA
Consolidation/Standalone	Standalone assessment while factoring in the ordinary and extraordinary support GECIPL is expected to extend to one of its operational subsidiary for which it has extended a Corporate Guarantee. For another subsidiary (HAM project SPV), ICRA has undertaken limited consolidation, factoring in only the committed funding requirement. All the entities are enlisted in Annexure-II.

About the company

Galfar Engineering and Contracting (India) Private Limited, incorporated on April 21, 2009, is a is a part of the Oman-based Galfar Engineering and Contracting SAOG, founDded by Dr. P Mohamad Ali. It primarily constructs highways in India on an EPC basis and has also sponsored – four BOT (built, operate and transfer) projects. For BOT projects, the company bids as a sponsor either alone or in a joint venture arrangement. As on date, it is a sponsor of two NHAI toll road projects (Salasar Highways Private Limited (51% stake) and Kashipur Sitarganj Highways Private Limited (49% stake). It was awarded its first road HAM project by the NHAI in YTD FY2026 (AD is awaited).

Key financial indicators (audited)

Standalone	FY2024	FY2025
Operating income (Rs. crore)	317.0	393.6
PAT (Rs. crore)	27.5	10.7
OPBDIT/OI (%)	11.9%	6.2%
PAT/OI (%)	8.7%	2.7%
Total outside liabilities/Tangible net worth (times)	0.6	0.7
Total debt/OPBDIT (times)	5.4	7.8
Interest coverage (times)	2.6	1.5

Source: Company, ICRA Research; All ratios as per ICRA's calculations; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

			Current (FY2026)	Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Sep 22, 2025	Date	Rating	Date	Rating	Date	Rating
Non-fund based – Proposed	Long term/Short term	70.00	[ICRA]BBB- (Stable)/ [ICRA]A3	-	-	-	-	-	-
Fund-based – Proposed	Long term	20.00	[ICRA]BBB- (Stable)	-	-	-	-	-	-
Unallocated limits	Long term	10.00	[ICRA]BBB- (Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term/Short term – Non-fund based – Proposed	Very Simple
Long term – Fund-based – Proposed	Simple
Long term – Unallocated limits	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	**Long term/Short term – Non fund based – Proposed**	NA	NA	NA	70.00	[ICRA]BBB- (Stable)/ [ICRA]A3
NA	**Long term – Fund based – Proposed**	NA	NA	NA	20.00	[ICRA]BBB- (Stable)
NA	**Long term – Unallocated limits**	NA	NA	NA	10.00	[ICRA]BBB- (Stable)

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach
Salasar Highways Private Limited	51%	Full Consolidation*
Patna Arrah Highways Private Limited	100%	Limited consolidation

**Corporate guarantee extended by GECIPL for the entire loan tenure*

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ABOUT ICRA LIMITED

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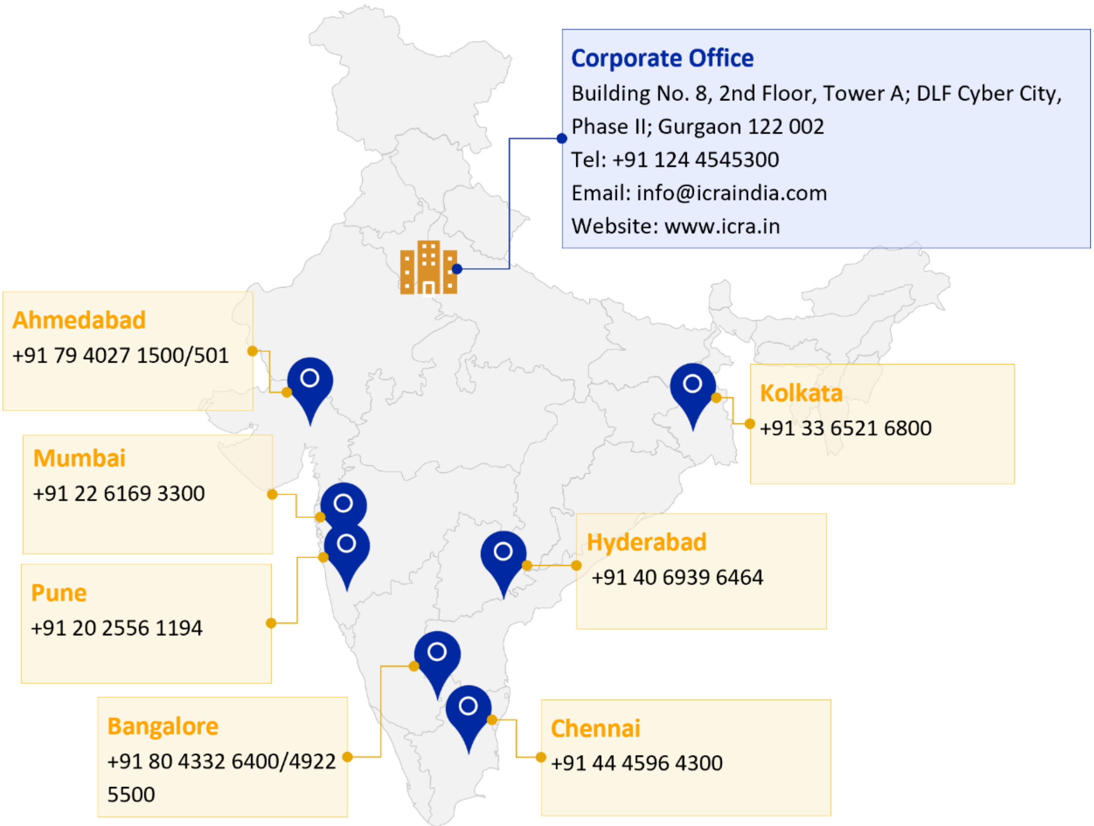

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