September 23, 2025

Salasar Highways Private Limited: Rating upgraded to [ICRA]BBB (Stable)

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based – Term loan	705.98	679.02	[ICRA]BBB (Stable); Upgraded from [ICRA]BBB- (Stable)
Total	**705.98**	**679.02**	

**Instrument details are provided in Annexure I*

Rationale

The upgrade in the rating for Salasar Highways Private Limited (SHPL) favourably factors in the successful completion of the four-lane highway construction project with issuance of completion certificate (or commercial operation date/ COD) by the National Highways Authority of India (NHAI, rated [ICRA]AAA (Stable) in April 2025, thereby eliminating the execution risks. A periodic increase in toll rates (linked to WPI), and a steady traffic flow (given the favourable location) will lead to improved revenue visibility. The company reported a YoY growth of ~31%/71% crore in toll revenues in FY2025/Q1 FY2026 (excluding change in scope works). With increasing toll revenue, SHPL's cash flows is likely to improve in the near to medium term. This, coupled with lower-than-anticipated debt drawdown for the four-lane project and a moderation in applicable interest rate on the same, improves the company's debt service coverage metrics over the loan tenure (vis-à-vis last rating exercise). Despite the nascent phase of implementation, introduction of NHAI's annual toll pass on the project stretch is not expected to have any material impact as the same will largely be compensated under the 'change in law' provision of the concession agreement. Further, the presence of funded debt service reserve account (DSRA) equivalent to one quarter of principal and interest obligations (Rs. 20.3 crore as on June 30, 2025) provides extra buffer in times of any short-term cash flow mismatches.

The rating draws comfort from the favourable location of the project stretch, which is a part of the national highway (NH) network providing inter-state connectivity with an operational track record of over 7 years (for two-lanes; 1 year for four-lane). ICRA takes note of the long experience of its sponsor (Galfar Engineering and Contracting (India) Private Limited, GECIPL, rated [ICRA]BBB(Stable)/A3) in undertaking the engineering, procurement and construction (EPC) works for the project stretch.

The rating, however, remains constrained by the risks inherent in build–operate–transfer (BOT toll) road projects, including the risks arising from volatility in traffic volumes, future toll hikes and their political acceptability, development/ improvement of alternative routes and likelihood of toll leakages, among others. The credit profile remains exposed to the residual execution risk of upcoming major maintenance in future. The company remains exposed to the operations and maintenance (O&M) risk associated with the project, including its ability to undertake routine and periodic maintenance within the stipulated time and budget or adequate provisioning of the same.

The Stable outlook on the rating reflects ICRA's expectation that the company would witness a steady increase in toll collections on the project stretch, given a part of the national highway network, and will be able to durably maintain its debt protection metrics commensurate with the existing rating.

Key rating drivers and their description

Credit strengths

Alleviation of execution risk with receipt of COD; proven track record of toll collections – With receipt of completion certificate for four-laning from the NHAI on April 07, 2025, the execution risks stand eliminated. The COD has been given for 151.86 km, with balance length being de-linked and a settlement agreement entered for the same. SHPL's project stretch starts from Rajasthan/Haryana border and ends at Salasar (Rajasthan), with a total length of ~154 km. The project road consists of sections of NH 52 and NH 58, emerging as a major corridor, which provides inter-state connectivity between Punjab, Haryana, Rajasthan, Gujarat, Madhya Pradesh and other southern states. The strategic location of the stretch has lent itself to steady increase in traffic despite toll rate hikes, which provides comfort. The project was awarded by the NHAI on a BOT (Toll) basis. The concession included the provision for upgradation to four lanes by the end of 12th year from the appointed date, in absence of which the concession period will reduce from 30 years to 12 years. The two-lane project has a tolling track record of more than seven years (provisional COD in 2017, followed by the final COD in 2022).

Established track record of the sponsor and the EPC contractor – SHPL is promoted by GECIPL, which holds 51.20% stake, while the balance is held by the MFAR Developers Pvt. Ltd (also promoted by Dr. P Mohamad Ali of Galfar Group). The sponsor group has experience in the road sector and has invested in four toll road projects in India (including SHPL), and executed EPC works for six road projects in India. Further, the sponsor has infused Rs. 311 crore in SHPL, indicating commitment towards the project.

Satisfactory debt coverage indicators – The toll collection has increased sharply post the commencement of the four-laning project (October 2024) owing to increased toll rates in line with the National Highway Toll Policy and steady traffic volume hike. This along with the long concession period enhances the debt service coverage of the project as indicated by the expected cumulative debt service coverage ratio (DSCR) of over 1.5 times over the loan tenure. Further, the existing debt for the four-laning project leaves a tail period of over seven years, which provides healthy financial flexibility to SHPL for refinancing.

Credit challenges

Risks inherent to toll road projects – The project is exposed to risks arising from the variation in traffic volume over the project stretch, its cyclicality and dependence on the economic activity in the surrounding regions, movement in WPI (for toll rate hike), political acceptability of toll rate hikes over the concession period, development/improvement of alternative routes and likelihood of toll leakages. As the revised toll rates for the users have been recently notified (for 151.86 km - after receipt of COD in April 2025) for the four-lane project, there could be some diversion of traffic to alternative routes. However, the adjacent stretches are already four lane and accordingly higher toll rates are also applicable in those, which mitigates the risk to an extent. Nevertheless, the trend in actual tollable traffic on stretch remains a key credit consideration.

O&M related and interest rate risks – The company is exposed to O&M risk associated with the project, including its ability to undertake routine and periodic maintenance within the stipulated time and budget. However, ICRA has taken comfort from the proposed fixed-price major maintenance (MM) contract with GECIPL. ICRA expects SHPL to maintain adequate reserves for the MM. Further, it is exposed to the interest rate risk on account of the floating nature of interest rates, which is linked to the base rate.

Liquidity position: Adequate

SHPL's cash flows from operations are expected to be adequate to meet the debt servicing obligations. This apart, it had created a DSRA of Rs. 20.3 crore as of June 2025, which is equivalent to over one quarter of principal and interest, coupled with free cash reserves of Rs. 4.2 crore.

Rating sensitivities

Positive factors – The rating could be upgraded if a sustained increase in toll collection results in sustenance in the debt coverage indicators.

Negative factors – Downward pressure on the rating could emerge if toll collection growth is lower than expected on a sustained basis, or if the O&M expenditure is significantly above the budgeted costs resulting in compression of the cumulative DSCR. The rating can come under pressure if there is any additional indebtedness or non-adherence to debt structure leading to weakening in debt coverage indicators.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Roads - BOT Toll
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Salasar Highway Private Limited (SHPL), an SPV, was incorporated for development, maintenance and management of National Highway (NH) 52 (old NH 65) and NH 58 including the project section from Rajasthan border to Salasar via Fatehpur from Km 0.000 to Km 154.141 (as per design chainage), in Rajasthan, under NHDP Phase IV on design, build, finance, operate and transfer (DBFOT) toll basis. The project stretch comprises three toll plazas over a tollable length of ~154 km. It passes through the districts of Churu (approx. 70%) and Sikar (approx. 30%). The road caters to traffic bound between Churu, Bikaner and Sikar districts and to the inter-state traffic between Haryana/Punjab/Delhi and Rajasthan/Gujarat/Maharashtra.

The project's scope comprises two laning, followed by capacity augmentation to four laning. If the concessionaire opts for only two laning, then the concession period would be restricted to 12 years from the appointed date (i.e., till February 05, 2026). In case of four laning, the concession period would be increased to 30 years from the appointed date (i.e., till February 05, 2044). Since the company has undertaken augmentation of the existing two-lane project highway to four lanes, the concession period is till February 05, 2044. The four-laning project received COD in April 2025.

Key financial indicators (audited)

	FY2024	FY2025*
Operating income	76.1	123.4
PAT	-1.5	1.9
OPBDIT/OI	87.21%	69.92%
PAT/OI	-1.99%	1.54%
Total outside liabilities/Tangible net worth (times)	3.93	7.18
Total debt/OPBDIT (times)	7.66	10.30
Interest coverage (times)	9.31	2.60

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore; 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 rating (FY2026)			Chronology of rating history for the past 3 years					
	FY2026			FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs crore)	Sep 23, 2025	Date	Rating	Date	Rating	Date	Rating
Fund-based - Term loan	Long Term	679.02	[ICRA]BBB (Stable)	Nov 05, 2024	[ICRA]BBB- (Stable)	Sep 05, 2023	[ICRA]BBB- (Negative)	Dec 12, 2022	[ICRA]BBB (Negative)
Unallocated	Long Term			-	-	Sep 05, 2023	[ICRA]BBB- (Negative)	Dec 12, 2022	[ICRA]BBB (Negative)

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term Fund-based – Term loan	Simple

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	**Term loan**	FY2024	NA	FY2037	679.02	[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 – Not Applicable

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ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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