

## Press Release

05 December, 2017

**Sahakar Global Limited (SGL)**

**Rating Assigned**



<b>Total Bank Facilities Rated *</b>	Rs. 300.00 cr
<b>Long Term Rating</b>	SMERA A-/ Outlook: Stable
<b>Short Term Rating</b>	SMERA A2+

# Refer Annexure for details

### Rating Rationale

SMERA has assigned long term rating of '**SMERA A-**' (read as **SMERA A minus**) and short term rating of '**SMERA A2+**' (read as **SMERA A two plus**) on the Rs.300 crore bank facilities of Sahakar Global Limited (SGL). The outlook is '**Stable**'.

The Mumbai-based Sahakar Global Limited (SGL) incorporated in 1996 undertakes short term (i.e. for 1 year) toll collection projects through e-tendering for National Highway Authority of India (NHAI) and Maharashtra State Road Development Corporation (MSRDC). SGL was promoted by Mr. Kishore Agarwal and others.

### Key Rating Drivers

#### Strengths

##### Established track record in toll collection

SGL bids for short term toll collection projects with government authorities such as NHAI and MSRDC. The company benefits from its established track record and extensive experience of the promoters in the industry. SGL was promoted by Mr. Kishore Agarwal (B.E. Electronics) and family having industry experience of over two decades. The company has been dealing with NHAI since 2011. As on 15 November, 2017, the company operates at 17 tolls in 10 states.

SMERA believes that SGL will benefit from its established position in toll collection and its strategy of scaling up through successful bids.

##### Healthy financial risk profile

The financial risk profile is healthy marked by tangible net worth of Rs.116.85 crore as on 31 March, 2017 as against Rs.109.52 crore as on 31 March, 2016. The gearing (debt-equity) stood at 0.86 times as on 31 March, 2017 as against 0.44 times as on 31 March, 2016. The total debt of Rs.100.48 crore as on 31 March, 2017 comprises term loan of Rs.27.75 crore from financial institutions, unsecured loans of Rs.19.24 crore and short term borrowings from banks of Rs.53.49 crore. The term loans are availed mainly to fund security deposits to be placed with government authorities. The Interest coverage ratio stood at 2.05 times for FY2016-17 as against 2.99 times for FY2015-16. The DSCR stood at 1.75 times for FY2016-17. The Net Cash Accruals to Total Debt stood at 0.10 times for FY2016-17.

SMERA believes that the financial risk profile will remain healthy in the medium term mainly due to healthy net worth base and steady accruals.

### **Healthy revenue growth with stable margins**

SGL booked revenue of Rs.658.75 crore for FY2015-16 as against Rs.560.30 crore for FY2014-15. Further, the company achieved revenue of Rs.743.92 crore for FY2016-17. During the six months of FY2018, the company booked revenue of Rs.525.00 crore. This is mainly on account of new tolls that the company has bid for. The EBIDTA margin stood stable at 3.29 per cent for FY2016-17 compared to 3.22 per cent for FY2015-16.

SMERA believes that, SGL will sustain improvement in revenues in the medium term on the back of increasing toll bids and expansion of geographies.

### **Weaknesses**

#### **Extension of funds in loans and advances**

SGL has a tangible net worth of Rs.116.85 crore as on 31 March, 2017. The company has extended loans and advances worth Rs.30.18 crore which includes advances against property of Rs.17.31 crore as on 31 March, 2017. The adjusted tangible net worth stood at Rs.86.67 crore as on 31 March, 2017. The adjusted gearing stood at 1.16 times as on 31 March, 2017.

#### **Susceptibility of toll revenues to volatility in traffic volume - inherent traffic risk**

SGL was incorporated in 1996. The company is engaged in octroi collection for Vashi – Virar Municipal Corporation. In 2007, the company got its first toll collection project and since then the company is engaged in short term toll collection on contractual basis. Since the contract period is for a year, the company faces renewal risk. The company has 100 per cent tender based business and is exposed to intense competition among players bidding for NHAI contracts.

The cash flows are entirely toll based, thus operations are susceptible to fluctuations in traffic movements. Traffic movement is linked to the level of economic activity in and around the operational area. Any event or regulatory interventions likely to affect traffic movement may create pressure on toll revenues thereby affecting the cash flows of the company. In such situations, the company is dependent on the sponsor for funding support. The company mitigates this risk to a certain extent as SGL has its pre survey team that carries out the survey before the bidding.

### **Analytical Approach**

SMERA has considered the standalone business and financial risk profiles of SGL to arrive at the rating.

### **Outlook: Stable**

SMERA believes that SGL will maintain a stable credit profile on the back of its established presence in the service sector and the management's extensive experience. The outlook may be revised to 'Positive' in case of significant improvement in toll revenue and cash flows. Conversely, the outlook may be revised to 'Negative' in case of sharp decline in toll revenues, cash flow and/or higher than expected debt intake.

### **About the Rated Entity - Key Financials**

For FY2017, SGL reported Profit after Tax (PAT) of Rs.7.67 crore on total operating income of Rs.743.92 crore compared with PAT of Rs.9.22 crore on total operating income of Rs.658.75 crore in FY2016.

**Status of non-cooperation with previous CRA (if applicable)**

“CARE has suspended, with immediate effect, the ratings assigned to the bank facilities of Sahakar Global Limited. The ratings have been suspended as the company has not furnished the information required by CARE for monitoring of the ratings.” – (As per CARE rationale dated January 21, 2016)

**Any other information**

None

**Applicable Criteria**

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Entity in Service Sector - <https://www.smera.in/criteria-service.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

**Note on complexity levels of the rated instrument**

<https://www.smera.in/criteria-complexity-levels.htm>

**Rating History**

Not Applicable

**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Additional Security Deposit Demand Loan*	Not Applicable	Not Applicable	Not Applicable	25.00	SMERA A- / Stable
Overdraft	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA A- / Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	35.00	SMERA A2+
Bank Guarantee**	Not Applicable	Not Applicable	Not Applicable	40.00	SMERA A2+
Bank Guarantee***	Not Applicable	Not Applicable	Not Applicable	40.00	SMERA A2+
Bank Guarantee****	Not Applicable	Not Applicable	Not Applicable	40.00	SMERA A2+
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	40.00	SMERA A2+
Letter of Guarantee*****	Not Applicable	Not Applicable	Not Applicable	57.28	SMERA A2+
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	12.72	SMERA A2+

\*Includes sublimit of Line of Credit for Short Term Loans towards Earnest Money Deposit Rs.25.00 crore & One time short term loan of Rs.25.00 crore.

\*\*Includes sublimit of Overdraft/Short Term Loan of Rs.5.00 crore.

\*\*\* Includes sublimit of Overdraft of Rs.15.00 crore.

\*\*\*\* Includes sublimit of Cash Credit of Rs.5.00 crore.

\*\*\*\*\* Includes sublimit of EMD Finance of Rs.10.00 crore

## Contacts:

Analytical	Rating Desk
<p>Vinayak Nayak, Head –Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: <a href="mailto:vinayak.nayak@smera.in">vinayak.nayak@smera.in</a></p> <p>Kashish Shah Rating Analyst Tel: 022-67141152 Email: <a href="mailto:kashish.shah@smera.in">kashish.shah@smera.in</a></p>	<p>Varsha Bist, Sr. Executive Tel: 022-67141160 Email: <a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a></p>

## ABOUT SMERA

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