

Press Release

SAHAKAR GLOBAL LIMITED

February 27, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 300.00 Cr.
Long Term Rating	ACUITE A-/ Outlook: Stable
Short Term Rating	ACUITE A2+

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE A-**' (**read as ACUITE A minus**) and short term rating of '**ACUITE A2+**' (**read as ACUITE A two plus**) on the Rs. 300.00 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.

Analytical Approach

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

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 February, 2017, the company operates at 22 tolls in 10 states.

Acuité 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.130.13 crore as on 31 March, 2018 as against Rs.116.85 crore as on 31 March, 2017. The gearing (debt-equity) stood at 0.71 times as on 31 March, 2018 as against 0.86 times as on 31 March, 2017. The total debt of Rs.91.92 crore as on 31 March, 2018 comprises term loan of Rs.16.94 crore from financial institutions, unsecured loans of Rs.14.92 crore and short term borrowings from banks of Rs.60.06 crore. The term loans are availed mainly to fund security deposits to be placed with government authorities. The Interest coverage ratio stood at 2.29 times for FY2018 as against 2.05 times for FY2017. The DSCR stood at 1.04 times for FY2018. The Net Cash Accruals to Total Debt stood at 0.17 times for FY2018.

Acuité 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.743.92 crore for FY2017 as against Rs.658.75 crore for FY2016. Further, the company achieved revenue of Rs.1126.61 crore for FY2018. During the six months of FY2019, the company booked revenue of Rs.726.22 crore. This is mainly on account of new tolls that the company has bid for. The EBIDTA margin stood stable at 3.33 per cent for FY2018 compared to 3.29 per cent for FY2017.

Acuité 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.130.13 crore as on 31 March, 2018. The company has extended loans and advances worth Rs.31.09 crore which includes advances against property of Rs.17.39 crore as on 31 March, 2018. The adjusted tangible net worth stood at Rs.99.04 crore as on 31 March, 2018. The adjusted gearing stood at 0.93 times as on 31 March, 2018.

• 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.

Liquidity Position

SGL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.9.71 to 15.30 crore during the four years through 2015-18, while its maturing debt obligations were Rs.14.02 crore for FY2018. The cash accruals of the company are estimated to remain around Rs.17.73 to 25.41 crore during 2019-21 with no debt repayment obligation till FY21. The current ratio of the company stood healthy at 1.82 times as on March 31, 2018. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuité 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

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	1,126.61	743.92	658.75
EBITDA	Rs. Cr.	37.48	24.48	21.20
PAT	Rs. Cr.	13.46	7.67	9.22
EBITDA Margin	(%)	3.33	3.29	3.22
PAT Margin	(%)	1.19	1.03	1.40
ROCE	(%)	17.19	13.07	13.74
Total Debt/Tangible Net Worth	Times	0.71	0.86	0.44
PBDIT/Interest	Times	2.29	2.05	2.99
Total Debt/PBDIT	Times	2.33	3.79	2.10
Gross Current Assets (Days)	Days	57	70	56

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Entities in Services Sector- <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
5-Dec-2017	Additional Security Deposit Demand Loan*	Long Term	25.00	ACUITE A-/ Stable (Assigned)
	Overdraft	Long Term	10.00	ACUITE A-/ Stable (Assigned)
	Bank Guarantee	Short Term	35.00	ACUITE A2+ (Assigned)
	Bank Guarantee **	Short Term	40.00	ACUITE A2+ (Assigned)
	Bank Guarantee***	Short Term	40.00	ACUITE A2+ (Assigned)
	Bank Guarantee****	Short Term	40.00	ACUITE A2+ (Assigned)
	Bank Guarantee	Short Term	40.00	ACUITE A2+ (Assigned)
	Letter of Guarantee*****	Short Term	57.28	ACUITE A2+ (Assigned)
	Proposed Bank Facility	Short Term	12.72	ACUITE A2+ (Assigned)

*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

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Additional Security Deposit Demand Loan*	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A-/ Stable (Reaffirmed)
Overdraft	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A-/ Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	35.00	ACUITE A2+ (Reaffirmed)
Bank Guarantee **	Not Applicable	Not Applicable	Not Applicable	52.72 (enhanced from Rs.40.00 Cr)	ACUITE A2+ (Reaffirmed)

Bank Guarantee***	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE A2+ (Reaffirmed)
Bank Guarantee****	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE A2+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE A2+ (Reaffirmed)
Letter of Guarantee*****	Not Applicable	Not Applicable	Not Applicable	57.28	ACUITE A2+ (Reaffirmed)

*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

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About Acuité Ratings & Research:

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