

Press Release

Sahakar Global Limited

November 26, 2020



Rating Reaffirmed, Assigned & Withdrawn

Total Bank Facilities Rated*	Rs. 500.00 Cr.
Long Term Rating	ACUITE A-/ Outlook: Stable (Reaffirmed and Assigned)
Short Term Rating	ACUITE A2+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) and the short-term rating to '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs.470.00 crore bank facilities of Sahakar Global Limited (SGL). The outlook is '**Stable**'.

Further, Acuite has assigned the long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) on the Rs.30.00 crore bank facilities of Sahakar Global Limited (SGL). The outlook is '**Stable**'.

Also, Acuite has withdrawn the long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) and the short-term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs.125.00 crore bank facilities of SGL.

The rating reaffirmation considers the comfort drawn on the long track record of operations, stable business risk profile with a healthy order book position and steady profitability margins. Coupled to that, the firm has a comfortable financial risk profile and adequate liquidity. The rating, however, remains constrained on account of an expected decline in revenues in FY2021 mainly on account of the impact of COVID-19.

The Mumbai-based Sahakar Global Limited (SGL) incorporated in 1996 undertakes toll collection projects through e-tendering for National Highway Authority of India (NHAI), Maharashtra State Road Development Corporation (MSRDC), Airports Authority of India (AAI) and Other Government Agencies/PWDs. SGL was promoted by Mr. Kishore Agarwal and others.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of 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, MSRDC, AAI and Other Government Agencies/PWDs. 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 31 October, 2020, the company operates at 22 tolls in 10 states.

Acuite 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 of SGL is healthy marked by healthy net worth, low gearing and moderate debt protection metrics. The tangible net worth stood healthy at Rs.179.88 crore as on 31 March, 2020 as against Rs.144.72 crore as on 31 March, 2019.

The company follows a conservative leverage policy as reflected by its peak gearing of 1.32 times as on 31 March, 2020. The total debt of Rs.236.61 crore as on 31 March, 2020 comprises NCD of Rs. 125 crore, term loan of Rs.13.24 crore from banks & financial institutions, unsecured loans of Rs.16.43 crore and short term borrowings from banks of Rs.81.54 crore. The term loans are availed mainly to fund security deposits to be placed with government authorities. The gearing is expected to remain low in future due to expectations of healthy net worth.

In FY2020, net cash accruals increased to Rs.26.64 crore as against Rs.17.32 crore in FY2019. The net cash accruals have increased on account of the increase in net profits. However, the coverage indicators are moderate with an interest coverage ratio (ICR) of 1.75 times for FY2020 (PY: 2.14 times). The moderation in interest coverage ratio in FY2020 is on account of factoring of actual as well as accrued interest obligation on the NCDs availed by the company. The DSCR stood at 1.57 times for FY2020 (PY: 1.02 times). The total outside liabilities to tangible networth (TOL/TNW) stood at 1.54 times as on March 31, 2020. Acuite expects the coverage indicators of SGL to remain moderate on account of the stable profitability margins.

Acuite 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 operating margins**

SGL booked revenue of Rs.1932.03 crore for FY2020 as against Rs.1363.85 crore for FY2019. This is mainly on account of new tolls that the company has bid for. However, the revenues for FY2021 are expected to be modest mainly as an impact of nationwide lockdown due to COVID-19. The toll collection activity was suspended from March 25, 2020 till April 19, 2020. The company achieved revenue of Rs.423.82 crore from April 20, 2020 to September 30, 2020. SGL has healthy revenue visibility over the medium term backed by a healthy order book of ~Rs.2800.00 crore. The EBIDTA margin stood stable at 3.16 per cent for FY2020 compared to 3.52 per cent for FY2019. The marginal decline in margins was on account of increase in other operating expenses.

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

Weaknesses

- **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 a 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.

Rating Sensitivity

- Steady cash flows.
- Significant deterioration in liquidity profile.

Material Covenants

None

Liquidity Position – Adequate

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 26.64 crore during the four years through 2016-20, while its maturing debt obligations were Rs.2.48-14.02 crore for the same period. The cash accruals of the company are estimated to remain around Rs.10.00 to 45.10 crore during 2021-23. Also, the company has liquid investments in gold to the tune of Rs. 3.24 crore along with free cash amounting to Rs.44.89 crore as on March 31, 2020. Further, the security deposits given to the contracting authority, which are released after the completion of contract are deployed towards repayment of debt. The company is also in the process of contesting several claims with NHAI/MSRDC owing to Covid induced force majeure clause for its contracts at various stages of arbitration which will provide an additional cushion to the liquidity.

Outlook: Stable

Acuite 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 a significant improvement in toll revenue and cash flows. Conversely, the outlook may be revised to 'Negative' in case of a sharp decline in toll revenues, cash flow and/or higher than expected debt intake.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	1932.03	1363.85
PAT	Rs. Cr.	24.36	15.85
PAT Margin	(%)	1.26	1.16
Total Debt/Tangible Net Worth	Times	1.32	1.12
PBDIT/Interest	Times	1.75	2.14

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition -<https://www.acuite.in/view-rating-criteria-52.htm>
- Entities in Services Sector-<https://www.acuite.in/view-rating-criteria-50.htm>
- Financial Ratios And Adjustments -<https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
29-Mar-2019	Additional Security Deposit Demand Loan*	Long Term	25.00	ACUITE A-/Stable (Reaffirmed)
	Overdraft	Long Term	10.00	ACUITE A-/Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	35.00	ACUITE A-/Stable (Assigned)
	Working Capital Demand Loan	Long Term	50.00	ACUITE A-/Stable (Assigned)
	Loan Against Property	Long Term	12.30	ACUITE A-/Stable (Assigned)
	Bank guarantee	Short Term	35.00	ACUITE A2+ (Reaffirmed)
	Bank guarantee**	Short Term	76.50	ACUITE A2+ (Reaffirmed)
	Bank guarantee***	Short Term	40.00	ACUITE A2+

				(Reaffirmed)
	Bank guarantee****	Short Term	40.00	ACUITE A2+ (Reaffirmed)
	Bank guarantee	Short Term	40.00	ACUITE A2+ (Reaffirmed)
	Letter of Guarantee*****	Short Term	57.28	ACUITE A2+ (Reaffirmed)
	Bank guarantee*****	Short Term	50.00	ACUITE A2+ (Assigned)
	Proposed Bank Facility	Short Term	28.92	ACUITE A2+ (Assigned)
27-Feb-2019	Additional Security Deposit Demand Loan*	Long Term	25.00	ACUITE A-/Stable (Reaffirmed)
	Overdraft	Long Term	10.00	ACUITE A-/Stable (Reaffirmed)
	Bank guarantee	Short Term	35.00	ACUITE A2+ (Reaffirmed)
	Bank guarantee**	Short Term	52.72	ACUITE A2+ (Reaffirmed)
	Bank guarantee***	Short Term	40.00	ACUITE A2+ (Reaffirmed)
	Bank guarantee****	Short Term	40.00	ACUITE A2+ (Reaffirmed)
	Bank guarantee	Short Term	40.00	ACUITE A2+ (Reaffirmed)
	Letter of Guarantee*****	Short Term	57.28	ACUITE A2+ (Reaffirmed)
05-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

*****Includes sublimit of medium term loan of Rs. 20.00 crore and performance bank guarantee of Rs. 50.00 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)
Working Capital Demand Loan	Not Applicable	Not Applicable	Not Applicable	35.00	ACUITE A- (Withdrawn)
Working Capital Demand Loan	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A- (Withdrawn)
Loan Against Property	25-Jan-2019	Not Applicable	31-Mar-2034	11.69	ACUITE A-/Stable (Reaffirmed)
Short Term Loan/EMD^	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A-/Stable (Assigned)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	35.00	ACUITE A2+ (Reaffirmed)
Bank guarantee**	Not Applicable	Not Applicable	Not Applicable	76.50	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+ (Withdrawn)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE A2+ (Reaffirmed)
Letter of Guarantee^^	Not Applicable	Not Applicable	Not Applicable	70.00	ACUITE A2+ (Reaffirmed)
Bank guarantee*****	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A2+ (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	111.81	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 clean overdraft of Rs. 10.00 crore.

^^Includes sublimit of BG for sub contract of Rs.21.00 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 medium term loan of Rs. 20.00 crore and performance bank guarantee of Rs. 50.00 crore.

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About Acuité Ratings & Research:

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