

## Press Release

Sahakar Global Limited

February 03, 2022



## Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	101.07	ACUITE A-   Stable   Reaffirmed	-
Bank Loan Ratings	398.93	-	ACUITE A2+   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	500.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## 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.500.00 crore bank facilities of Sahakar Global Limited (SGL). The outlook is 'Stable'.

## Rationale for rating reaffirmation

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 healthy financial risk profile and adequate liquidity to meet its obligations.

## About the Company

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 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 30 November, 2021, the company operates at 24 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 of SGL is healthy marked by healthy net worth, low gearing and moderate debt protection metrics. The tangible net worth stood healthy at Rs.193.12 crore as on 31 March, 2021 as against Rs.179.88 crore as on 31 March, 2020. The company follows a conservative leverage policy as reflected by its peak gearing of 1.32 times as on 31 March, 2020 as against the gearing of 1.21 times as on 31 March, 2021. The total debt of Rs.234.39 crore as on 31 March, 2021 comprises NCD of Rs. 123.44 crore, term loan of Rs.12.68 crore from banks & financial institutions, unsecured loans of Rs.16.36 crore and short term borrowings from banks of Rs.81.92 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.

The coverage indicators are moderate with an interest coverage ratio (ICR) of 1.41 times for FY2021 (PY: 1.75 times). The moderation in interest coverage ratio in FY2021 is on account decline in overall profitability due to covid pandemic. The DSCR stood at 1.24 times for FY2021 (PY: 1.57 times). The total outside liabilities to tangible network (TOL/TNW) stood at 1.67 times as on March 31, 2021.

Acuité expects the coverage indicators of SGL to remain moderate on account of the stable profitability margins. 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 operating margins**

SGL generated revenues of Rs.1161.28 crore for April-October, 2021 as against Rs.542.80 crore during same period for previous year. This is mainly on account of new tolls that the company has bid for. However, the revenues during FY2021 were 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.1205.15 crore for FY2021. SGL has healthy revenue visibility over the medium term backed by a healthy order book of ~Rs.4376.36 crore. The EBITDA margin improved and stood 4.61 per cent for FY2021 compared to 3.16 per cent for FY2020. The improvement in margins was on account of decrease in other operating expenses.

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**

#### **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 Sensitivities**

- 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.15.30 to 26.64 crore during the four years through 2018-21, while its maturing debt obligations were Rs.2.48-16.67 crore for the same period. The cash accruals of the company are estimated to remain around Rs.40.00 to 60.00 crore during 2022-24. Also, the company has liquid investments in gold to the tune of Rs. 3.24 crore along with free cash amounting to Rs.62.01 crore as on March 31, 2021. 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**

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 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.

**Other Factors affecting Rating**

None

**Key Financials**

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	1205.15	1932.03
PAT	Rs. Cr.	13.26	24.36
PAT Margin	(%)	1.10	1.26
Total Debt/Tangible Net Worth	Times	1.21	1.32
PBDIT/Interest	Times	1.41	1.75

**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>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
26 Nov 2020	Term Loan	Long Term	25.00	ACUITE A-   Stable (Reaffirmed)
	Bank Guarantee	Short Term	40.00	ACUITE A2+ (Reaffirmed)
	Secured Overdraft	Long Term	10.00	ACUITE A-   Stable (Reaffirmed)
	Bank Guarantee	Short Term	76.50	ACUITE A2+ (Reaffirmed)
	Proposed Bank Facility	Short Term	111.81	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	40.00	ACUITE A2+ (Withdrawn)
	Bank Guarantee	Short Term	35.00	ACUITE A2+ (Reaffirmed)
	Short Term Loan	Long Term	30.00	ACUITE A-   Stable (Assigned)
	Bank Guarantee	Short Term	40.00	ACUITE A2+ (Reaffirmed)
	Working Capital Demand Loan	Long Term	35.00	ACUITE A- (Withdrawn)
	Term Loan	Long Term	11.69	ACUITE A-   Stable (Reaffirmed)
	Letter of Credit	Short Term	70.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	50.00	ACUITE A2+ (Reaffirmed)
	Working Capital Demand Loan	Long Term	50.00	ACUITE A- (Withdrawn)
29 Mar 2019	Bank Guarantee	Short Term	40.00	ACUITE A2+ (Reaffirmed)
	Term Loan	Long Term	12.30	ACUITE A-   Stable (Assigned)
	Bank Guarantee	Short Term	40.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	57.28	ACUITE A2+ (Reaffirmed)
	Working Capital Demand Loan	Long Term	50.00	ACUITE A-   Stable (Assigned)
	Secured Overdraft	Long Term	10.00	ACUITE A-   Stable (Reaffirmed)
	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)
	Proposed Bank Facility	Short Term	28.92	ACUITE A2+ (Assigned)
	Bank Guarantee	Short Term	50.00	ACUITE A2+ (Assigned)
	Working Capital Demand Loan	Long Term	35.00	ACUITE A-   Stable (Assigned)
		Long		ACUITE A-   Stable

	Term Loan	Term	25.00	(Reaffirmed)
27 Feb 2019	Working Capital Demand Loan	Long Term	25.00	ACUITE A-   Stable (Reaffirmed)
	Secured 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 Credit	Short Term	57.28	ACUITE A2+ (Reaffirmed)
05 Dec 2017	Security Receipts	Long Term	25.00	ACUITE A-   Stable (Assigned)
	Secured 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 Credit	Short Term	57.28	ACUITE A2+ (Assigned)
	Proposed Bank Facility	Short Term	12.72	ACUITE A2+ (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
CSB Bank Limited	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A2+   Reaffirmed
Bandhan Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A2+   Reaffirmed
ICICI Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	35.00	ACUITE A2+   Reaffirmed
Bank of Baroda	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE A2+   Reaffirmed
Punjab National Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE A2+   Reaffirmed
Union Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	70.00	ACUITE A2+   Reaffirmed
Indusind Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	76.50	ACUITE A2+   Reaffirmed
Yes Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A2+   Reaffirmed
Punjab National Bank	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A-   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	52.43	ACUITE A2+   Reaffirmed
Union Bank of India	Not Applicable	Short-term Loan	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A-   Stable   Reaffirmed
CSB Bank Limited	Not Applicable	Short-term Loan	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A-   Stable   Reaffirmed
Bandhan Bank	Not Applicable	Short-term Loan	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A-   Stable   Reaffirmed
South Indian Bank	Not Applicable	Term Loan	25-01-2019	Not available	31-03-2034	11.07	ACUITE A-   Stable   Reaffirmed
ICICI Bank Ltd	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	25.00	ACUITE A-   Stable   Reaffirmed



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### About Acuité Ratings & Research

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