

**Press Release**  
**Sahakar Global Limited**

**March 14, 2023**



**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	181.09	ACUITE A-   Stable   Reaffirmed	-
Bank Loan Ratings	318.91	-	ACUITE A2+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	500.00	-	-

**Rating Rationale**

Acuite has reaffirmed 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.500.00 crore bank facilities of Sahakar Global Limited (SGL). The outlook is '**Stable**'.

**Rationale for rating reaffirmation**

The rating reaffirmation takes into account the long track record of operations, stable business risk profile and healthy order book position of SGL. The rating also considers healthy financial risk profile and adequate liquidity position of SGL. The rating is however constrained on account of higher repayment obligations linked to the NCDs redemption over the near term and susceptibility of toll collections towards traffic volume.

**About the Company**

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, incorporated in 1994, 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 is promoted by Mr. Kishore Agarwal (B.E. Electronics) and the family is into the industry for over two decades. The company has been dealing with NHAI since 2011. As on February 2022 the company operates at 28 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.210 Cr. as on March 31, 2022, against Rs.193.12 crore as on March 31, 2021. The company follows a conservative leverage policy as reflected by its peak and YoY improving gearing which stood at 1.08 times as on March 31, 2022 against 1.23 times as on March 31, 2021 and 1.32 times as on March 31, 2020. The total debt of Rs.227.34 crore as on 31 March, 2022 comprises outstanding NCD of Rs. 100.22 Cr, term loan of Rs.23.75 Cr. from banks & financial institutions, unsecured loans of Rs.2.29 crore and short-term borrowings from banks of Rs.98.31Cr. The term loans are availed mainly to fund security deposits to be placed with government authorities and in the current year the company has incurred capex towards additions to the building premises. The coverage indicators improved however remain moderate with an interest coverage ratio (ICR) of 1.71 times for FY2022 against 1.41 times for FY2021 and the DSCR deteriorated marginally and stood at 1.04 times for FY2022 (owing to higher NCD redemption) against 1.25 times in FY2021. The total outside liabilities to tangible network (TOL/TNW) stood at 1.50 times as on March 31, 2022.

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 and order book position**

During FY2022, with resumption in traffic volumes and operations being back to normalcy there are no issues faced by the company with respect to toll collection unlike earlier year. This is reflected through its significant increase in the total toll collection during FY2022 which stood at Rs. 2108 Cr. against Rs. 1205 Cr. in FY2021 marking a growth of almost 75%. The company had around 28 tolls operational during FY2022. Further, SGL has healthy revenue visibility over the medium term backed by a healthy order book of ~Rs.2565 crore. Coupled to this, the company bids for tenders continuously throughout the year and also gets repeat/extension on existing contracts; aggregate value of tenders bid are around Rs. 9000 Cr, with a conversion ratio of around 20-25%.

## **Weaknesses**

### **Susceptibility of toll collection towards traffic volumes along with contract renewal risk**

SGL is engaged in short term toll collection on a contractual basis and mainly bids for NHAI and PWD projects. The contracts are bid only for a period of 12 months, and post 12 months, company again has to bid afresh for the project. Thus SGL faces renewal risk. Further, the company has 100 per cent tender based business and is exposed to intense competition among other players bidding for contracts. The cash flows are entirely toll based, thus operations are susceptible to fluctuations in traffic volume. Traffic movement is linked to the level of economic activity in and around the operational area. Any event or regulatory interventions are likely to affect traffic movement which 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 it has its pre-survey team that carries out the entire traffic survey before the bidding.

### **High repayment obligations towards NCDs redemption in the near term**

All NHAI contracts received by the company have a mandatory requirement to submit Security Deposit along with Performance BG (Equivalent to 1 month or 15 days toll collections). In order to fund the same, and to partially repay its earlier debt, SGL had availed NCD to the tune of Rs. 125 Cr. during FY2020. As per the terms of the sanction, the NCD is structured under 3 series: Series IA, IB and II of Rs. 75 crore, Rs. 25 crore and Rs. 25 crore respectively for a tenure ranging from 36 to 54 months with principal moratorium ranging between 12-36 months. As there was a moratorium on the NCD instruments; the major repayments fall due in FY2024, and an amount equivalent to Rs.67 Cr is to be paid in FY2024 towards NCD redemption. However, these repayments are to be redeemed from expected release of security deposits maintained by SGL towards its toll projects. Further, SGL has already prepaid NCDs to the tune of Rs. 11.65 Cr. during FY2023 and as on February 2023 the total outstanding NCD stand at Rs. 55.35 Cr. As on 28th February 2023, the company has security deposits to

the tune of Rs. 195 Cr out of which around Rs. 75 Cr have been lien against the NCD redemption, and balance would be redeployed in the business. Further, company has made additional provisions for future security deposits that will be required for new bids by availing fund based limits from banks to the tune of Rs. 185 Cr. As on February-2023 SGL has unutilised limits to the tune of Rs. 101.80 Cr.

Acuité believes that the timely redemption of its NCDs in the near term will be key monitorable.

### Rating Sensitivities

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

### Material covenants

None

### Liquidity Position

#### Adequate

SGL currently has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.21.49 Cr. during FY2022, while its maturing debt obligations stood at Rs.19.41 Cr. which includes the NCD maturities of Rs. 17.71 Cr. for FY2022. The future NCD maturities will be redeemed through company's NCA and from the security deposits given to the contracting authority, which are released after the completion of contracts. The security deposits as on March 31, 2022 stood at Rs. 265.58 Cr. The cash accruals of the company are estimated to remain around Rs.34.00 to 44.00 Cr. during FY2023 & FY2024. Further, the company has liquid investments in gold to the tune of Rs. 3.68 Cr. Additionally, as per the revision in the security maintenance clause by NHAI, SGL will now have to maintain a security deposits and performance BG equivalent to 15 days of the contract value while earlier a security deposit along with performance BG equivalent to 1 month had to be maintained. This is expected to provide additional cushion to the liquidity. However, in some cases the amount for security deposit & performance BG may vary depending on each authority and contract size.

### 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 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	2108.00	1205.15
PAT	Rs. Cr.	18.98	13.26
PAT Margin	(%)	0.90	1.10
Total Debt/Tangible Net Worth	Times	1.08	1.23
PBDIT/Interest	Times	1.71	1.41

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

None

### 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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Feb 2022	Proposed Bank Facility	Short Term	52.43	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	35.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	15.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	76.50	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	20.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	70.00	ACUITE A2+ (Reaffirmed)
	Term Loan	Long Term	11.07	ACUITE A-   Stable (Reaffirmed)
	Short Term Loan	Long Term	15.00	ACUITE A-   Stable (Reaffirmed)
	Bank Guarantee	Short Term	50.00	ACUITE A2+ (Reaffirmed)
	Secured Overdraft	Long Term	10.00	ACUITE A-   Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	25.00	ACUITE A-   Stable (Reaffirmed)
	Short Term Loan	Long Term	10.00	ACUITE A-   Stable (Reaffirmed)
	Bank Guarantee	Short Term	40.00	ACUITE A2+ (Reaffirmed)
	Short Term Loan	Long Term	30.00	ACUITE A-   Stable (Reaffirmed)
	Bank Guarantee	Short Term	40.00	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)

26 Nov 2020	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)
	Term Loan	Long Term	25.00	ACUITE A-   Stable (Reaffirmed)
	Bank Guarantee	Short Term	40.00	ACUITE A2+ (Reaffirmed)
		Long		ACUITE A-   Stable
	Secured Overdraft	Term	10.00	(Reaffirmed)
	Bank Guarantee	Short Term	76.50	ACUITE A2+ (Reaffirmed)
	Proposed Bank Facility	Short Term	111.81	ACUITE A2+ (Reaffirmed)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bandhan Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A2+   Reaffirmed
UCO Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE A2+   Reaffirmed
CSB Bank Limited	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A2+   Reaffirmed
ICICI Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	35.00	ACUITE A2+   Reaffirmed
Bank of Baroda	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE A2+   Reaffirmed
Punjab National Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE A2+   Reaffirmed
Union Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	70.00	ACUITE A2+   Reaffirmed
Indusind Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	17.25	ACUITE A2+   Reaffirmed
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	26.66	ACUITE A2+   Reaffirmed
Bandhan Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A-   Stable   Reaffirmed
Indusind Bank Ltd	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	0.86	ACUITE A-   Stable   Reaffirmed
Punjab National Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A-   Stable   Reaffirmed
Union Bank of India	Not Applicable	Short-term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A-   Stable   Reaffirmed
CSB Bank Limited	Not Applicable	Short-term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A-   Stable   Reaffirmed
South Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	10.23	ACUITE A-   Stable   Reaffirmed
Bank of Maharashtra	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	50.00	ACUITE A-   Stable   Reaffirmed
ICICI Bank Ltd	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	25.00	ACUITE A-   Stable   Reaffirmed



UCO Bank	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	Simple	25.00	ACUITE A-   Stable   Reaffirmed
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*\*Secured OD from Bandhan Bank has a sublimit of WCDL to the tune of Rs. 15 Cr.*

*\*BG from BOB has a sublimit of OD to the tune of Rs.15 Cr.*

## Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>  Jaitashree Hukerikar Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:jaitashree.hukerikar@acuite.in">jaitashree.hukerikar@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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