

Press Release
Sahakar Global Limited
June 11, 2024
Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	181.09	ACUITE A Stable Upgraded	-
Bank Loan Ratings	318.91	-	ACUITE A1 Upgraded
Total Outstanding Quantum (Rs. Cr)	500.00	-	-

Rating Rationale

Acuite has upgraded the long-term rating to **'ACUITE A' (read as ACUITE A)** from **'ACUITE A-' (read as ACUITE A minus)** and the short-term rating to **'ACUITE A1' (read as ACUITE A one)** from **'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 upgrade

The rating upgrade takes into account the continuous improvement in scale of operations of SGL since the last three years, range bound profitability margins and moderate financial risk profile. The company recorded an operating income of Rs. 3669.57 Cr. in FY2024 (Prov.) as against Rs. 2775.72 Cr. in FY2023 and Rs. 2108 Cr. in FY2022. Further, the operating margins ranged between 2.60% - 3.30% percent during this period. The financial risk profile of the company is moderate marked by low gearing, moderate net-worth and comfortable debt protection metrics. The overall gearing of the company stood at 0.78 times as on March 31, 2024 (Prov) as against 0.87 times as on March 31, 2023 and 1.05 times as on March 31, 2022. The debt to EBITDA ranged between 2.30 times – 3.30 times for the three years ended FY2024(Prov.). The rating is however constrained on account of susceptibility of toll collection towards traffic volumes along with contract renewal risk.

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.

Unsupported Rating

Not Applicable

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

Incorporated in 1994, 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 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 March 2024 the company operates at 38 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.

Moderate financial risk profile

The financial risk profile of SGL is moderate marked by moderate net worth, low gearing and moderate debt protection metrics. The tangible net worth stood at Rs.304.20 Cr. as on March 31 2024 (Prov), against Rs. 252.08 Cr. as on March 31, 2023 and Rs.252.08 crore as on March 31, 2022. The improvement is largely driven by accretion of profits to reserves. The overall gearing of the company stood at 0.78 times as on March 31, 2024 (Prov) against 0.87 times as on March 31 2023 and 1.05 times as on March 31, 2022. The total debt of Rs.236.40 crore as on 31 March, 2024 (Prov) comprises of term loan from banks & financial institutions amount to Rs.65.4 Cr. and short-term borrowings from banks of Rs. 171 Cr. The term loans are availed mainly to fund security deposits to be placed with government authorities and partly towards additions to the building premises. The coverage indicators improved however remained moderate with an interest coverage ratio (ICR) of 2.72 times for FY2024 (Prov) as against 2.50 times for FY2023 and the DSCR deteriorated marginally and stood at 0.88 times for FY2024 against 1.04 times in FY2023. However, the company largely avails term loans to fund security deposits given towards specific contracts. On closure of these contracts, the security deposits is returned and corresponding loan is closed. The total outside liabilities to tangible networth (TOL/TNW) stood at 0.98 times as on March 31, 2024 (Prov). Acuité expects the DSCR to improve in near to medium term in absence of any major debt funded capex plan.

Healthy revenue and order book position

Since FY2022, with resumption in traffic volumes and operations being back to normalcy toll collections have consistently recorded an improvement. This is reflected through SGL's significant increase in the total toll collection during FY2024 (Prov) which stood at Rs. 3669.57 Cr. against Rs. 2775.72 Cr. in FY2023 and Rs. 2108 Cr. in FY22 marking a growth of almost 30% year on year. The company had around 38 tolls operational during FY2024. Further, SGL has healthy revenue visibility over the medium term backed by a healthy order book of ~Rs.3,093.47 crore as on May 2024. Coupled to this, the company bids for tenders continuously throughout the year and also gets repeat/extension on existing contracts.

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 its has its pre-survey team that carries out the entire traffic survey before the bidding.

Rating Sensitivities

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

Liquidity Position Adequate

SGL has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 51.22 Cr. in FY2024(Prov.) and Rs. 42.56 Cr. in FY2023 as against repayment obligation of Rs. 56.81 Cr and Rs. 36 Cr respectively for the period. The major repayment pertained towards repayment of NCD debt which was also partly made from realisation of security deposits. The SD outstanding as on March 31, 2024 (Prov.) stood at Rs. 267.35 Cr. The cash accruals of the company are estimated to remain around Rs.50.00 to 550.00 crore during 2024-25 against repayment obligations Rs.12.75 Cr. for the same period. The average bank limit utilisation for the fund based and non fund based limits of the company stood average at 73% and 68% for twelve months ended March, 2024. Further, as per the revised clause, SGL will now have to keep SD equivalent to 15 days of the contract while earlier it was mandatory to keep a SD equivalent to 1 month. This 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 track record of operations, improving operating performance and moderate financial risk profile. The outlook may be revised to 'Positive' in case of a significant improvement in toll revenue and cash flows while improving is capital structure. 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 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	3669.57	2775.72
PAT	Rs. Cr.	46.41	39.47
PAT Margin	(%)	1.26	1.42
Total Debt/Tangible Net Worth	Times	0.78	0.87
PBDIT/Interest	Times	2.72	2.50

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

In order to inform the investors about complexity of instruments, Acuite 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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
14 Mar 2023	Bank Guarantee (BLR)	Short Term	30.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	40.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	20.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	35.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	40.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	40.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	70.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	17.25	ACUITE A2+ (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	26.66	ACUITE A2+ (Reaffirmed)
	Secured Overdraft	Long Term	20.00	ACUITE A- Stable (Reaffirmed)
	Secured Overdraft	Long Term	0.86	ACUITE A- Stable (Reaffirmed)
	Secured Overdraft	Long Term	10.00	ACUITE A- Stable (Reaffirmed)
	Short-term Loan	Long Term	30.00	ACUITE A- Stable (Reaffirmed)
	Short-term Loan	Long Term	10.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	50.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	10.23	ACUITE A- Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	25.00	ACUITE A- Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	25.00	ACUITE A- Stable (Reaffirmed)
03 Feb 2022	Bank Guarantee (BLR)	Short Term	15.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	20.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	50.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	76.50	ACUITE A2+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	70.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	40.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	40.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	35.00	ACUITE A2+ (Reaffirmed)
		Short		

Proposed Short Term Bank Facility	Term	52.43	ACUITE A2+ (Reaffirmed)
Secured Overdraft	Long Term	10.00	ACUITE A- Stable (Reaffirmed)
Short-term Loan	Long Term	30.00	ACUITE A- Stable (Reaffirmed)
Short-term Loan	Long Term	15.00	ACUITE A- Stable (Reaffirmed)
Short-term Loan	Long Term	10.00	ACUITE A- Stable (Reaffirmed)
Term Loan	Long Term	11.07	ACUITE A- Stable (Reaffirmed)
Working Capital Demand Loan (WCDL)	Long Term	25.00	ACUITE A- Stable (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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	30.00	ACUITE A1 Upgraded (from ACUITE A2+)
UCO Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	40.00	ACUITE A1 Upgraded (from ACUITE A2+)
CSB Bank Limited	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE A1 Upgraded (from ACUITE A2+)
ICICI Bank Ltd	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	35.00	ACUITE A1 Upgraded (from ACUITE A2+)
Bank of Baroda	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	40.00	ACUITE A1 Upgraded (from ACUITE A2+)
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	40.00	ACUITE A1 Upgraded (from ACUITE A2+)
Union Bank of India	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	70.00	ACUITE A1 Upgraded (from ACUITE A2+)
Indusind Bank Ltd	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	17.25	ACUITE A1 Upgraded (from ACUITE A2+)
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	26.66	ACUITE A1 Upgraded (from ACUITE

								A2+)
Bandhan Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE A Stable Upgraded (from ACUITE A-)
Indusind Bank Ltd	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.86	ACUITE A Stable Upgraded (from ACUITE A-)
Punjab National Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE A Stable Upgraded (from ACUITE A-)
Union Bank of India	Not avl. / Not appl.	Short-term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	30.00	ACUITE A Stable Upgraded (from ACUITE A-)
CSB Bank Limited	Not avl. / Not appl.	Short-term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE A Stable Upgraded (from ACUITE A-)
South Indian Bank	Not avl. / Not appl.	Term Loan	28 Jan 2019	Not avl. / Not appl.	28 Nov 2031	Simple	10.23	ACUITE A Stable Upgraded (from ACUITE A-)
Bank of Maharashtra	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	50.00	ACUITE A Stable Upgraded (from ACUITE A-)
ICICI Bank Ltd	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE A Stable Upgraded (from ACUITE A-)
UCO Bank	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE A Stable Upgraded (from ACUITE A-)

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