

Coral Associates

January 09, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	12.90	CARE BBB; Stable	Assigned
Long Term Bank Facilities	28.00 (Enhanced from 17.50)	CARE BBB; Stable	Upgraded from CARE BBB-; Stable
Long Term / Short Term Bank Facilities	117.75 (Enhanced from 77.00)	CARE BBB; Stable / CARE A3	LT rating upgraded from CARE BBB-; Stable and ST rating reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

For arriving at the ratings of Coral Associates (COA), CARE Ratings Limited (CARE Ratings) has considered the combined business and financial profiles of COA and Riddhi Siddhi Associates (RSA), together referred to as Coral Group, as both entities have common management and promoter group, presence in similar line of business, and financial linkages.

The revision in the long-term rating assigned to Coral group is on the back of strong growth in its scale of operations in FY24 (FY refers to the period from April 1 to March 31) and H1FY25 supported by new contracts awarded to the group for toll collection, and group's healthy order book on hand providing short-term revenue visibility. The ratings also continue to derive strength from vast experience of group's promoters, comfortable capital structure as well as debt coverage indicators, and adequate liquidity. The ratings, however, continue to remain constrained on account of thin profitability of Coral group, inherent risk associated with toll collection business due to short-term nature of contracts, and presence in a competitive toll collection business.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in total operating income (TOI) above Rs. 6000 crore along with PBILDT margin above 2.00% on sustained basis.
- Improvement in debt coverage indicators with Total debt/ PBILDT below 2x on sustained basis.

Negative factors

- Decline in scale of operations with total operating income (TOI) below Rs.2000 crore and PBILDT margin below 1.20% on sustained basis.
- Deterioration in debt coverage indicators with PBILDT interest coverage below 2.50x on sustained basis.

Analytical approach: Combined

CARE Ratings has considered combined financial and operational risk profile of COA and RSA as both the firms are engaged in similar line of business, promoted by same promoter group, and have financial linkages.

Outlook: Stable

CARE Ratings believes that the performance of the group shall continue to remain stable on the back of experienced promoters with established track record of operations in toll collection business.

Detailed description of key rating drivers:

Update on on-going case of group entity

One of the group companies, Riddhi Siddhi Infraprojects Private Limited (RSIPL) was charged by Enforcement Directorate (ED) on account of money laundering case. The entity was earlier prohibited from transfer/sale without NOC of ED vide order dated April 08, 2019, April 23, 2019, May 01, 2019, & May 23, 2019. However, ED had issued order dated July 04, 2022, removing the prohibition to transfer/sale of properties (barring few properties with saleable area 21,204 Sq. feet). Further, the management of the Coral group is not involved in the day-to-day operations of RSIPL, and on-going investigation does not have any impact on the operations of the Coral group as reflected from growing scale of operations and receipt of new orders on regular basis.

Key strengths

Strong growth in scale of operations with healthy order book on hand

The group's total operating income more than doubled to Rs.3,539 crore in FY24 as against Rs.1,612 crore in FY23. The increase in income was on account of increase in toll and royalty collection contracts received by the group. In FY24, coral group generated ~96% of its revenue from toll collection, ~2.80% from royalty collection and rest from boating tenders and manpower maintenance. Furthermore, in 7MFY25 as well, the growth trajectory continued and the group reported TOI of Rs.2624.71 crore.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

In current year, RSA has contracts of Rs.2629.63 crore whereas COA has contracts of Rs.2740.03 crore. CARE Ratings expects Coral group's scale of operations to exceed Rs.4,000 crore in FY25.

Experienced promoters

Mr. Sourabh Tak, MBA by Qualification, has around a decade of experience in the industry and looks after overall management of the group. The group has also appointed qualified & experienced second tier management to look after day-to-day operations.

Comfortable capital structure and debt coverage indicators

The capital structure of the group remained comfortable marked by overall gearing of 0.51x as on March 31, 2024 (0.41X as on FY23 end). The group availed working capital term loans as well as had higher utilization of working capital borrowings in FY24 to support growth in scale of operations. For contracts awarded, the group has to give deposit to the awarding authority equivalent to 15 days or 10% of contract value and these working capital limits were largely utilized towards this. Partners also infused capital of Rs.15 crore in FY24 leading to augmentation of networth base to Rs.262.19 crore as on March 31, 2024. Debt coverage indicators of the group remained moderate with PBILDT interest coverage of 3.17x (P.Y: 3.25x) and total debt/ GCA of 3.56x (P.Y: 3.80x) in FY24.

Key weaknesses

Thin profitability

PBILDT margin of the group declined to 1.22% in FY24 as against 1.71% in FY23 on account of lower margin on contracts executed during this period. PBILDT margin has historically remained thin due to tendering nature resulting in intense competition and aggressive bidding with tenders being awarded to highest bidder. In line with operating profitability, PAT margin moderated to 1.03% in FY24 as against 1.55% in FY23.

Inherent risk associated with toll collection business with short term nature of contracts

COA and RSA operate in an industry wherein the income is primarily dependent on the renewal of old contracts as well as awarding of fresh contracts. Moreover, CARE Ratings notes that any short fall in the collection of contractual amounts mentioned in the contract have to be borne by the entities. Majority of the contracts range from 3 to 36 months and are re-awarded through bidding process. Thus, the turnover of the firm is highly dependent upon the renewal of the existing contract as well as generation of new contracts. Additionally, the players are exposed to the traffic risk associated with the projects since their revenue is linked with the toll to be collected from the project roads.

Presence in a competitive industry

The capital expenditure required for undertaking a toll collection contract is lower when compared to the highly capital-intensive build-operate-transfer (BOT) projects. This results in low entry barriers for the new players to foray into the toll collection contracts segment, making it a highly competitive business. The market is fragmented with both large and small players looking for a share in the toll collection contracts.

Liquidity: Adequate

Liquidity is adequate marked by sufficient Cash accruals of Rs. 37.18 crore at FY24 end and envisaged cash accruals in range of Rs. 40-70 crore in the next 3 years as against debt repayment obligations in range of Rs.10-14 crore in the projected period. The average utilisation of its fund based, and non-fund-based WC limits of group remained moderate at ~85% and 87% respectively during the trailing twelve months ended October 2024.

Collection period for the group remained comfortable as the collection happens on daily basis. The group is required to pay fixed obligation on every contract to awarding authority irrespective of the lower collection of royalty or toll which exposes firm to short term liquidity mismatches. The contracts generally require firm to pay weekly instalment of the bid amount to NHAI and monthly instalments to DMG.

As on March 31, 2024, the group had free cash and bank balance of Rs. 21.36 crore.

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

[Infrastructure Sector Ratings](#)

[Consolidation](#)
[Definition of Default](#)
[Short Term Instruments](#)
[Road Assets-Toll](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Transport Infrastructure	Road Assets–Toll, Annuity, Hybrid-Annuity

Udaipur based Coral group is promoted by Tak family and is presently managed by Mr. Sourabh Tak. Both COA & RSA are engaged in toll collection primarily for National Highway Authority of India (NHAI) (CARE AAA; Stable) as well as royalty collection. Apart from this, both entities also provide manpower management services to other entities operating in this segment. The group also has presence across other industries such as real estate development, hospitality etc.

About COA

Udaipur (Rajasthan) based COA was formed as a partnership concern in 2013. COA is engaged in toll collection and royalty collection on contractual basis all over India. COA participate in tender floated by NHAI for toll collection and participates in auctions for Royalty collection floated by Directorate of Mines & Geology (DMG).

Brief Financials (₹ crore)	Combined			Standalone		
	March 31, 2023 (A)	March 31, 2024 (A)	7MFY24 (UA)	March 31, 2023 (A)	March 31, 2024 (A)	7MFY24 (UA)
Total operating income	1604.30	3538.81	2624.71	742.65	1,498.45	1247.55
PBILDT	27.49	43.18	NA	13.26	21.83	NA
PAT	24.87	36.39	NA	13.7	18.39	NA
Overall gearing (times)	0.41	0.51	NA	0.19	0.33	NA
Interest coverage (times)	2.51	3.17	NA	4.81	5.01	NA

A: Audited UA: Unaudited; Note: these are latest available financial results; NA: Not available

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Bank Overdraft		-	-	-	18.00	CARE BBB; Stable
Fund-based - LT-Bank Overdraft		-	-	-	10.00	CARE BBB; Stable
Fund-based - LT-Working Capital Demand loan		-	-	31-12-2028	12.90	CARE BBB; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	117.75	CARE BBB; Stable / CARE A3

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	117.75	CARE BBB; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (25-Jan-24) 2)CARE BBB-; Stable / CARE A3 (03-Jan-24)	1)CARE BB; Stable / CARE A4 (28-Dec-22)	1)CARE BB-; Stable / CARE A4 (01-Oct-21) 2)CARE B-; Stable / CARE A4; ISSUER NOT COOPERATING* (02-Jun-21)
2	Fund-based - LT-Bank Overdraft	LT	18.00	CARE BBB; Stable	-	1)CARE BBB-; Stable (25-Jan-24) 2)CARE BBB-; Stable (03-Jan-24)	1)CARE BB; Stable (28-Dec-22)	1)CARE BB-; Stable (01-Oct-21) 2)CARE B-; Stable; ISSUER NOT COOPERATING* (02-Jun-21)
3	Fund-based - LT-Bank Overdraft	LT	10.00	CARE BBB; Stable	-	1)CARE BBB-; Stable (25-Jan-24) 2)CARE BBB-; Stable (03-Jan-24)	1)CARE BB; Stable (28-Dec-22)	-
4	Fund-based - LT-Working Capital Demand loan	LT	12.90	CARE BBB; Stable				

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Bank Overdraft	Simple
2	Fund-based - LT-Working Capital Demand loan	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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