Press Release

Confidence Petroleum India Limited

D-U-N-S® Number: 67-548-4308

March 05, 2019

Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs. 84.59 Cr.
Long Term Rating	ACUITE BBB / Outlook: Stable
Short Term Rating	ACUITE A3+

** Refer Annexure for details*

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BBB**' **(read as ACUITE BBB)** on the Rs. 62.50 crore bank facilities of Confidence Petroleum India Limited (CPIL). The outlook is **'Stable'**.

Also, Acuité has assigned long-term rating of '**ACUITE BBB**' **(read as ACUITE BBB)** and short-term rating of '**ACUITE A3+**' **(read as ACUITE A three plus)** on the Rs. 22.09 crore bank facilities of CPIL. The outlook is **'Stable'**.

CPIL is the flagship company and has a strong presence in the LPG sector. The company is promoted by Mr. Nitin Poonamchand Khara. Earlier the company was known as Devarsa Gas-Chem Limited. CPIL is engaged in the manufacturing of LPG cylinders and company is also a supplier of Auto LPG in India with its network of bottling plants and ALDS (Auto LPG dispensing Station) Stations across India, CPIL is also into Market by the name of GO GAS as its brand in pack cylinder division and is into selling LPG to both domestic and commercial users. Further the company is also engaged into LPG Blending. CPIL has installed capacity of manufacturing LPG cylinders of around 50 lakhs units per annum. Further the company has around 140 ALDS, 58 LPG bottling plants and 4 blending plants pan India. CPIL is listed on BSE.

Analytical Approach

For arriving at its rating, Acuité has combined the business and financial risk profile of CPIL with its subsidiaries - Confidence Go Gas Limited, Unity Cylinders Pvt Ltd, Confidence Technologies Private Limited, Agwan Coach Private Limited, Keppy Infrastructure Developers Private Limited, Nine Infra Projects Private Limited, Chhatisgarh Gaspoint Bottling Private Limited, Blueflame Petroleum Private Limited, Confidence Futuristic Energetek Limited, Taraa LPG Bottling Private Limited and PT Surya Go Gas Indonesia on account of simililar line of business and operational synergies between them. Extent of Consolidation: Full.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**
  Incorporated in the year 1994, Confidence Petroleum India Ltd. (hssereafter referred as CPIL) is the flagship company promoted by Mr. Nitin Poonamchand Khara. The operations of the company are spread all over India with a total of 15-cylinder manufacturing units, 58 bottling plants, 4 LPG blending plants and 140 ALDS stations at group level. The directors of the company Mr. Sumant Jayantilal Sutaria, Mr. Nitin Punamchand Khara, Mr. Elesh Punamchand Khara, Mr. Supratim Subimal Basu, Mr. Vaibhav Pradeep Dedhia and Ms. Mansi Manoj Deogirkar have over three decades of experience in the manufacturing of LPG cylinders and other products. Due the to the company's established track record of operations and management experience the company has booked the revenue of Rs. 606.74 crore in FY2018 as compared to 496.90 crore in FY2017 and 354.69 crore in FY2016. Further the company has booked revenue of Rs. 718.47 crore as on 31 December 2018. CPIL is expected to continue to leverage its well established relationships with reputed clients and suppliers. Acuité believes that CPIL will continue to benefit from its established track record of operations and

experienced management and their long relationship with reputed customers and suppliers.

- **Established relationship with customers and suppliers**
The company has established presence in the industry, CPIL has been able to build healthy client profile spanning both private as well as government agencies. The company caters to various reputed customers in the energy and oil Industry namely Indian Oil Corporation Limited, Bharat Petroleum Corporation Limited, Hindustan Petroleum Corporation Limited, LPG Infrastructure Private Limited among others. CPIL also has healthy relations of over decades with the various reputed raw material suppliers such as Steel Authority of India Limited, Tata Steels, Essar, Hindustan Aegis LPG limited, Reliance Industries Limited among others.

- **Healthy financial risk profile**
CPIL has healthy financial risk profile marked by healthy tangible net worth, low gearing and healthy debt protection measures. The tangible networth of the company stands at Rs.260.55 crore as on 31 March, 2018 as against Rs.188.45 crore as on 31 March, 2017. The gearing stood at 0.31 times as on 31 March, 2018 as against 0.60 times as on 31 March, 2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) however, stood at 0.78 times as on 31 March, 2018 as against 1.11 times as on 31 March, 2017. The Interest Coverage Ratio (ICR) stood at 6.14 times for FY2018 as against 3.60 times for FY2017. Debt Service Coverage Ratio (DSCR) stood at 5.10 times in FY2018 as against 3.06 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.63 times as on 31 March, 2018 as against 0.26 times as on 31 March, 2017. Going forward, Acuité expects the financial risk profile to remain stable in the absence of major debt funded capex plans backed by moderate cash accruals.

Weaknesses

- **Exposure to risks inherent in tender-based business**
CPIL manufactures LPG cylinders and bottling of LPG for IOCL, BPCL, and HPCL, which account for almost ~45-50 per cent of its revenue. The company gets orders through tenders and operates in a highly fragmented industry, which limits its bargaining power, and may impact its profitability.

- **Competition from other gas players and Sustainability of margins**
The company is exposed to regulatory risks associated with tariff rates and changes in government policies for gas. The company faces intense competition from other gas filling companies and gas pipe line companies. With increase in usage of gas pipeline in urban area, the company faces intense competition from the same. Further, the company is exposed to sustainability of margins as the total raw material comprises of around 70 per cent of total sale. The prices of gases are volatile in nature and the company's ability to pass on the incremental prices to its customers will remain the key rating sensitivity factor.

Liquidity Position:

The company has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.24.24 crore to Rs.51.07 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs.0.50-1.50 crore over the same period. The cash accruals of the company are estimated to remain around Rs.60 - 65 crore during 2019-21 while its repayment obligation are estimated to be around Rs. 2.00 Crore. The company's operations are moderately working capital intensive as marked by gross current asset (GCA) days of 93 in FY 2018. The cash credit limit in the company remains utilized at 90 percent during the last 12 months period ended December 2018. The group maintains cash and bank balances of Rs.9.20 crore as on March 31, 2018. The current ratio of the company stand healthy at 1.55 times as on March 31, 2018. The company is likely to incur capex of Rs.250 - 300 crore over the medium which is likely to be funded by issuance of warrant, preferential allotment and internal accruals. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuité believes that the outlook on CPIL's rated facilities will remain stable over the medium term on account of its promoter's extensive experience in the industry and healthy relation with reputed customers. The outlook may be revised to 'Positive' if the company registers higher than expected growth in revenue while maintaining the profitability and comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of significant decline in cash accruals or stretched working capital cycle resulting in deterioration of its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	606.77	496.90	354.69
EBITDA	Rs. Cr.	71.43	41.79	35.36
PAT	Rs. Cr.	26.57	4.84	1.07
EBITDA Margin	(%)	11.77	8.41	9.97
PAT Margin	(%)	4.38	0.97	0.30
ROCE	(%)	14.97	6.20	8.70
Total Debt/Tangible Net Worth	Times	0.31	0.60	0.25
PBDIT/Interest	Times	6.14	3.60	3.27
Total Debt/PBDIT	Times	1.10	2.61	1.60
Gross Current Assets (Days)	Days	93	103	137

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

None

Any other information

None

Applicable Criteria

- Default Recognition - https://www.acuite.in/criteria-default.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.htm
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-20.htm

Note on complexity levels of the rated instrument
https://www.acuite.in/criteria-complexity-levels.htm

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
18-Feb-2019	Cash Credit	Long Term	9.50	ACUITE BBB/ Stable (Assigned)
	Cash Credit	Long Term	10.50	ACUITE BBB/ Stable (Assigned)
	Working Capital Demand Loan	Short Term	10.00	ACUITE BBB/ Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.50	ACUITE BBB /Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BBB /Stable (Reaffirmed)
Working Capital Term Loan	Not Applicable	Not Applicable	Not Applicable	33.00	ACUITE BBB /Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.89	ACUITE BBB /Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	21.20	ACUITE A3+ (Assigned)

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