

Press Release
Confidence Petroleum India Limited
March 28, 2024
Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	141.00	ACUITE A Stable Upgraded Positive to Stable	-
Bank Loan Ratings	71.20	-	ACUITE A1 Upgraded
Total Outstanding Quantum (Rs. Cr)	212.20	-	-

Rating Rationale

Acuite has upgraded its long-term rating to '**ACUITE A**' (read as **ACUITE A**) from '**ACUITE A-**' (read as **ACUITE A minus**) to the Rs 141 crore long-term bank facilities and its short-term rating to '**ACUITE A1**' (read as **ACUITE A one**) from '**ACUITE A2+**' (read as **ACUITE A two plus**) to the Rs. 71.20 crore of short-term bank facilities of Confidence Petroleum India Limited (CPIL). The outlook revised from '**Positive**' to '**Stable**'.

Rationale for the rating

The rating upgrade takes into account the augmentation in the revenues in FY23 to Rs. 2208.83 Cr. from Rs. 1427.69 Cr. in FY22; marking a 55% growth. Increased scale has also resulted in an increased EBDITA to Rs. 222.62 Cr. in FY23 from Rs.186.02 Cr. in FY22. The rating upgrade also considers the substantial increase in the net-worth base of the company in FY23 and FY24 mainly with healthy accruals coupled with equity infusion through issue of warrants and preferential allotments. The group's debt protection metrics remain strong albeit moderation. The rating draws comfort from CG's foray into CNG segment thus further diversifying its revenue profile. The group has successfully commissioned over 32 CNG stations (and 5 under approval stage for completion) in Bengaluru out of 100 planned CNG stations. Acuite factors in the experience of the management and the company's established track record of operations. However, the rating remains constrained on account of exposure to tender-based business in a regulated industry and large funding requirements for the import of LPG. Acuite will continue to monitor the progress of the completion of the ongoing capex.

About Company

Incorporated in 1994, CPIL is part of a Maharashtra based business group referred to as Confidence Group (CG) promoted by Mr. Nitin Poonamchand Khara. CPIL is engaged in the manufacturing of LPG cylinders and is also a supplier of Auto LPG in India with its network of bottling plants and ALDS (Auto LPG dispensing Station) across India. The company has its packed LPG cylinder division in the market, under the brand name 'Go Gas'. Further, the company is also engaged into LPG bottling under the brand name 'Gaspoint' catering to the industrial and commercial requirements of their own and offers job work to the companies such as Bharat Petroleum Corporation Limited (BPCL), Hindustan Petroleum Corporation Limited (HPCL), Indian Oil Corporation Limited (IOCL) and Reliance group, to name a few. At present, the company has 15 cylinder manufacturing units, 254 ALDS and 68 LPG bottling

plants pan India. The company has forayed in CNG segment business, with agreements to set up CNG Mobile Refuelling Units (MRUs) in Pune and 100 CNG stations in the city of

About the Group

Maharashtra based, Confidence Group is promoted by Mr. Nitin Poonamchand Khara. The group has two of its companies, viz; Confidence Petroleum (I)Limited (CPIL) & Confidence Futuristic Energetic Limited listed on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). Most of the business concentration comes under CPIL which is engaged in the manufacturing of LPG cylinders, ALDS (Auto LPG dispensing Station) and is a supplier of LPG in India with its network of bottling plants across India. The group has widespread network of 2000+ dealers & distributors across India spreading in over 22 states. The group has recently forayed into CNG segment business through: 1) Setting up of CNG Mobile Refuelling Units (MRUs) with Maharashtra Natural Gas Limited (MNGL). 2) Entered in agreement with GAIL Gas Limited to set up 100 CNG stations in the city of Bengaluru of which 32 has commenced operations and 5 are awaiting approval for commencement. 3) Commenced operations of the CNG cylinder manufacturing plant in Umred, Nagpur and at Dahej, Gujarat.

Unsupported Rating

Not applicable.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has considered the consolidated view of business and financial risk profiles of CPIL with its subsidiaries to arrive at this rating together referred to as Confidence Group (CG). List of subsidiaries consolidated has been added below, separately in the Annexures-2.

Key Rating Drivers

Strengths

Established presence in the industry with considerable experience of promoters

CG is promoted by Mr. Nitin Khara along with his brothers Mr. Nalin Khara and Mr. Elesh Khara, possess more than two decades in the LPG distribution business. The operations of the group are spread across the country with a total of 15-cylinder manufacturing units, 68 LPG bottling and blending plants and 254 ALDS stations. CG has recorded a significant increase in revenue which stood at Rs. 2208.83 Cr. in FY2023, marking a 55% growth from Rs. 1427.69 Cr. in FY2022. The increase was majorly attributable to the Packed gas segment wherein the company started bulk gas selling along with ALDS segment wherein the stations increased to 227 in FY23 from 209 in FY22. Owing to its established track record of operations and management experience, the group has been able to build reputed client profile spanning both private as well as government companies in the energy and oil industry, viz. IOCL, BPCL and HPCL among others. The group also has well-established relationships with suppliers such as Steel Authority of India (SAIL), Essar group, etc. Acuité believes that CG will continue to leverage its healthy relationships with customers and suppliers, operational track record and management expertise to further grow its presence in the industry.

Strong financial risk profile albeit moderation

The financial risk profile of CG is strong marked by strong net worth, healthy leverage levels and debt protection metrics. The net worth of the group stood healthy at Rs. 788.98 Cr. as on March 31, 2023 as against Rs.667.54 Cr. The net worth levels have seen significant improvement over the last three years on account of healthy profitability and persistent infusion of funds by promoters. Also, there has been a further equity infusion to the extent of

Rs.282.63 Cr in the current fiscal through preferential allotments and issuance of warrants. The debt of the company has increased to fund the increased working capital requirements and to fund capex for CNG Stations, CNG manufacturing unit in Umred and adding storage tanker fleet. The working capital requirements have increased in FY23 with the company's entrance in the bulk gas supply segment. It has led to an increase in the gearing ratio to 0.51 times as on March 31, 2023 as against 0.14 times as on March 31, 2022. Nonetheless, the group has followed a conservative financial policy, which is reflected through comfortable gearing and total outside liabilities to tangible net worth (TOL/TNW) levels. The coverage indicators though moderated stood healthy marked by debt-service coverage-ratio and interest coverage ratio at 6.05 times (11.46 times in FY2022) and 10.26 times (20.95 times in previous year) respectively. Acuité believes the overall financial risk profile is expected to remain strong given the healthy accruals and equity infusion to fund the capex.

Weaknesses

Exposure to risk inherent in tender-based business

CG manufactures LPG cylinders and is also engaged in the bottling of LPG for PSU Oil majors, which accounts for almost ~30-32 per cent of its revenue. The group gets orders through tenders and operates in a highly fragmented industry, which limits its bargaining power, and may impact its profitability. However, the tenders include an escalation/ de-escalation clause on a monthly basis that restricts the risk to the extent of inventory carried by the group.

Presence in highly regulated industry with volatile margins

The group is exposed to regulatory risks associated with tariff rates and changes in government policies for fuel. The group faces intense competition from other gas filling companies and gas pipeline companies with increased usage of gas pipeline in urban area. In addition to this, the group has to sell the cylinders only through permitted dealers with adequate/required/licensed infrastructure due to explosive/ PESO norms. This risk is to an extent mitigated on account of established network of 2000+ dealers across the country. Further, the group is exposed to volatility of margins as the total raw material cost forms 77% plus of the total sale value. The prices of gases are decided by PSUs & being volatile in nature may affect group's ability to pass on the incremental prices to its customers. The impact of LPG availability due to geopolitical issues was reflected in decline in company's EBITDA margins to 10.08 percent in FY23 from 13.03 percent in FY22 and 14.02 percent in FY2021. The decline was partially also on account of increase in the revenues from the Packed 'Go Gas' cylinder (including the bulk gas) as it is comparatively a lower margin business. Nonetheless, the EBDITA margins have improved to 12% in 9MFY2024.

Rating Sensitivities

- Sustainable improvement in the revenues along with improved margins emanating from the completion of the ongoing capex.
- Higher than projected debt funded capex or significant increase in its working capital requirement leading to deterioration in the working capital profile and the liquidity profile.

Liquidity Position

Strong

The group has strong liquidity profile marked by healthy net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs. 170.35 Cr. during FY2023, while its maturing debt obligations were modest at Rs. 10.15 Cr. for the same period. Further, the company has a buffer in its working capital limits as reflected by moderately utilized limits at ~62 per cent during the last seven months ended February 2024. The group plans to incur a capex of Rs. 657 Cr. over FY24 and FY25. Against the said capex, the company has brought in term loans of Rs. 63.84 Cr. and equity infusion of ~Rs. 282 Cr. and the remaining is to be funded through issuance of warrants and internal accruals. Going forward, the liquidity position of the company is expected to remain strong with an expected annual cash accrual of Rs. 232 to 300 Cr. against annual repayments of Rs. 46 Cr. to 57 Cr.

Outlook: Stable

Acuité believes that the CG will maintain a 'Stable outlook over the medium term on account of extensive experience of management and the stable operating performance of its LPG segment and growth expected from the CNG business. The outlook may be revised to positive in case of higher-than-expected scale up of operations while maintaining its profitability and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case significant cost and time overruns in completion of planned capex leading to lower than expected scale of operations and cash accruals or in case of deterioration in the company's financial risk profile or significant elongation in working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	2208.83	1427.69
PAT	Rs. Cr.	88.14	87.84
PAT Margin	(%)	3.99	6.15
Total Debt/Tangible Net Worth	Times	0.51	0.14
PBDIT/Interest	Times	10.26	20.95

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

Not applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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
17 Jan 2023	Bank Guarantee (BLR)	Short Term	20.00	ACUITE A2+ (Assigned)
	Bank Guarantee/Letter of Guarantee	Short Term	10.00	ACUITE A2+ (Reaffirmed)
	Bills Discounting	Long Term	20.00	ACUITE A- Positive (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE A- Positive (Assigned)
	Cash Credit	Long Term	4.00	ACUITE A- Positive (Reaffirmed)
	Cash Credit	Long Term	20.14	ACUITE A- Positive (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE A- Positive (Reaffirmed)
	Cash Credit	Long Term	2.66	ACUITE A- Positive (Assigned)
	Covid Emergency Line.	Long Term	0.95	ACUITE A- Positive (Assigned)
	Letter of Credit	Short Term	11.20	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	30.00	ACUITE A2+ (Assigned)
	Proposed Long Term Bank Facility	Long Term	2.00	ACUITE A- Positive (Reaffirmed)
	Term Loan	Long Term	50.00	ACUITE A- Positive (Reaffirmed)
	Working Capital Term Loan	Long Term	1.25	ACUITE A- Positive (Reaffirmed)
01 Dec 2021	Bank Guarantee/Letter of Guarantee	Short Term	0.18	ACUITE A2+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	10.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	4.00	ACUITE A- Positive (Assigned)
	Cash Credit	Long Term	20.00	ACUITE A- Positive (Reaffirmed)
	Cash Credit	Long Term	9.50	ACUITE A- Positive (Reaffirmed)
	Letter of Credit	Short Term	11.20	ACUITE A2+ (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	29.81	ACUITE A- Positive (Reaffirmed)
	Term Loan	Long Term	50.00	ACUITE A- Positive (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	2.00	ACUITE A- Positive (Reaffirmed)
	Working Capital Term Loan	Long Term	1.90	ACUITE A- Positive (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	10.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Bank Guarantee (BLR)	Short Term	0.18	ACUITE A2+ (Upgraded from ACUITE A2)
		Long		ACUITE A- Positive (Upgraded from

19 Apr 2021	Cash Credit	Term	9.50	ACUITE BBB+ Stable)
	Cash Credit	Long Term	20.00	ACUITE A- Positive (Upgraded from ACUITE BBB+ Stable)
	Letter of Credit	Short Term	11.20	ACUITE A2+ (Assigned)
	Proposed Long Term Bank Facility	Long Term	27.37	ACUITE A- Positive (Upgraded from ACUITE BBB+ Stable)
	Term Loan	Long Term	2.00	ACUITE A- Positive (Upgraded from ACUITE BBB+ Stable)
	Working Capital Term Loan	Long Term	2.44	ACUITE A- Positive (Upgraded from ACUITE BBB+ Stable)
	Working Capital Term Loan	Long Term	1.90	ACUITE A- Positive (Upgraded from ACUITE BBB+ Stable)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	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	10.00	ACUITE A1 Upgraded (from ACUITE A2+)
Axis Bank	Not avl. / Not appl.	Bills Discounting	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE A Stable Upgraded Positive to Stable (from ACUITE A-)
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE A Stable Upgraded Positive to Stable (from ACUITE A-)
Central Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.66	ACUITE A Stable Upgraded Positive to Stable (from ACUITE A-)
Central Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.14	ACUITE A Stable Upgraded Positive to Stable (from ACUITE A-)
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE A Stable Upgraded Positive to Stable (from ACUITE A-)
								ACUITE A

Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.00	Stable Upgraded Positive to Stable (from ACUITE A-)
Central Bank of India	Not avl. / Not appl.	Covid Emergency Line.	01 Aug 2022	Not avl. / Not appl.	31 Oct 2026	Simple	0.95	ACUITE A Stable Upgraded Positive to Stable (from ACUITE A-)
ICICI Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	11.20	ACUITE A1 Upgraded (from ACUITE A2+)
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	30.00	ACUITE A1 Upgraded (from ACUITE A2+)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.00	ACUITE A Stable Upgraded Positive to Stable (from ACUITE A-)
Axis Bank	Not avl. / Not appl.	Term Loan	09 Sep 2022	Not avl. / Not appl.	30 Sep 2025	Simple	50.00	ACUITE A Stable Upgraded Positive to Stable (from ACUITE A-)
Central Bank of India	Not avl. / Not appl.	Working Capital Term Loan	01 Aug 2022	Not avl. / Not appl.	30 Jun 2024	Simple	1.25	ACUITE A Stable Upgraded Positive to Stable (from ACUITE A-)

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr. No.	Particulars	Relationship
1	Confidence Petroleum India Limited	Parent Company

2	Confidence Go Gas Limited	Subsidiary
3	Gaspoint Bottling Private Limited	Subsidiary
4	Unity Cylinders Private Limited	Subsidiary
5	Confidence Technologies Private Limited	Subsidiary
6	Agwan Coach Private Limited	Subsidiary
7	Keppy Infrastructure Developers Private Limited	Subsidiary
8	Hemkunt Petroleum Limited	Subsidiary
9	Nine Infra Projects Private Limited	Subsidiary
10	Chhattisgarh Gaspoint Bottling Private Limited	Subsidiary
11	Papusha Gaspoint Private Limited	Subsidiary
12	Blueflame Petroleum Private Limited	Subsidiary
13	Confidence Futuristic Energetech Limited	Subsidiary
14	Taraa LPG Bottling Private Limited	Subsidiary
15	PT Surya Go Gas Indonesia	Subsidiary
16	Sneha Petroleum (acquired in FY2019-20)	Subsidiary
17	North East Cylinders (acquired in FY2019-20)	Subsidiary
18	Blue flame Industries Limited (acquired in FY2019-20)	Subsidiary
19	SV Engineering Private Limited (acquired in FY2019-20)	Subsidiary
20	Uma Gaspoint Bottling Private Limited	Subsidiary
	Confidence Enterprise Ltd (Confidence	Stepdown

21	Futuristic)	Subsidiary
22	Sarju Impex Ltd (Confidence Futuristic) (Acquired in FY2021-22)	Stepdown Subsidiary

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About Acuité Ratings & Research

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