

## Press Release

### Sattva CFS and Logistics Private Limited

July 27, 2022



### Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	17.00	ACUITE BBB+   Stable   Reaffirmed	-
Bank Loan Ratings	3.00	-	ACUITE A2+   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	20.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUI TE BBB+**' (read as **ACUITE Triple B Plus**) and short term rating of '**ACUI TE A2+**' (read as **ACUI TE A Two Plus**) on the Rs. 20.00 Cr bank facilities of Sattva CFS AND Logistics Private Limited (SCLPL; part of Sattva Group). The outlook is 'Stable'.

The rating is reaffirmed taking cognizance of company's healthy business risk profile supported by its established market position, experienced management, presence as end-to-end logistic service provider with strong infrastructure and manpower, healthy financial risk profile, moderate scale of operations and stable EBITDA margins. The rating is constrained by susceptible to economic slowdown and government regulations, other industry-related risks in the competitive and fragmented logistics industry.

### About Company

Incorporated in 2005, SCLPL offers port services, container freight stations, inland container depots, warehousing with container yards, bonded and general warehousing, reefer storage, shipping and other related activities, import and export of cargo, logistics management and port management as well as stevedoring and shipping agency services. The CFS is spread over 27 acre (freehold) at Vichoor village, 15Km from Chennai, Ennore and Kattupalli ports with handling capacity of 100,000 TEUs pa. SCLPL has developed a second facility, a 6.4 acre CFS outside Bangalore with land allotted on 99 year lease by Karnataka Government, handling capacity of 18,000 TEUs per annum. The unit is expected to start generating revenues from FY2022.

Sattva Group is a prominent industrial group based out of Chennai with presence in logistics, engineering and construction, IT & Software and agricultural products sectors. The Group was founded by Mr. S. Santhanam over 40 years ago in 1980 and is currently managed by his four sons - the logistics business is primarily managed by Mr. Narasimhan and Mr. Padmanabhan, while Mr. Govindan manages the cashew exports business and Mr. Seshadri manages the construction and real estate business

## Analytical Approach

### Rationale for Consolidation or Parent / Group / Govt. Support

For arriving at the rating, Acuité has consolidated the business and financial risk profiles of Sattva Hi-tech and Conware Private Limited (SHCPL), Sattva Logistics Private Limited (SLPL) and Sattva CFS and Logistics Private Limited (SCLPL) collectively referred to as Sattva Group, as all the entities have common management, brand name and significant operational and financial linkages. Extent of Consolidation: Full.

### Key Rating Drivers

#### Strengths

##### Extensive experience of the promoters in the logistics industry

Sattva Group was founded by Mr. S. Santhanam who brings over 5 decades of experience in transportation, logistics, and shipping. Prior to this, Mr. Santhanam had a long-standing career in Sanco Trans Limited at various senior-positions and was the key force behind launch of Sanco CFS in 1986, the first private CFS in India. Mr. Santhanam has held senior positions at various trade bodies including President of Trailer Owners Association Madras, Vice President of the Madras Port Stevedores Association, Chairman of the Customs Sub Committee, President of Tamil Chamber of Commerce and Chairman of the Consultative Committee of City Chamber of Commerce. Currently, the business is looked after by his four sons; the logistics business is looked after by Mr. Narasimhan and Mr. Padmanabhan while Mr. Govindan manages cashew export business and Mr. Seshadri manages the construction and real estate business. The promoter's experience in logistic industry has helped the company build healthy relationship with the port trusts/various associations along with its reputed customers like Ford India Private Limited, Hyundai Motor India Limited, JSW Steel Limited and Doosan Bobcat India Private Limited among others to ensure a steady flow of services and large offtake. Acuité believes that promoter's extensive experience in logistic services would aid the business risk profile of the company over the medium term.

##### Presence as end-to-end logistic service provider with strong infrastructure and manpower

Sattva Group is an end-to-end logistic service provider. It provides services like stevedoring, Customs' documentation handling, warehousing and storage, freight forwarding, empty container depot operations, inland container depots, steamer agent activities, CFS Operations and transportation and also consulting activities. The Group operates through ports in Chennai, Ennore, Kattupalli, Ponneri, Visakhapatnam, Gangavaram, Krishnapatnam. The Group also has come into joint ventures with several investment partners in locations like Visakhapatnam, Bangalore for cargo centers and warehousing activities. The Group is having its own fleet of vehicles and handling equipment & Transport fleet of vehicles, like Trailors, Tippers, Dumpers, Loaders, Reach Staker, Empty Contain Handler, Procliners, Cranes, and Forklifts etc. Acuité believes that the group's presence in end-to- end logistic services with strong infrastructure and manpower would aid its business risk profile over the medium term.

##### Healthy financial risk profile

The group's financial risk profile is healthy, marked by healthy net worth, low gearing and healthy debt protection metrics. The tangible net worth stood healthy at Rs.115.95 Cr as on March 31, 2022 (prov.) against Rs.110.26 Cr as on March 31, 2021. The growth in net worth is fueled by healthy accretion to reserves. The company has followed conservative leverage policy, reflected through its gearing and Total outside Liabilities to Tangible net worth (TOL/TNW) level of 0.41 times and 0.72 times as on March 31, 2022 (provisional) vis-à-vis 0.42 0.71 times as on March 31, 2021. The Group's debt protection metrics healthy marked by its interest coverage ratio stood (ICR) 6.46 times and NCA / TD 0.25 times respectively for FY2022 vis-à-vis 6.19 times and 0.28 times in FY2021. Acuité expects the financial risk profile to remain healthy over the medium term on account of healthy accretion to reserves, absence of significantly debt funded capex and moderate profitability margins.

### **Moderate scale and Stable EBITDA margins**

Group has moderate scale of operations as reflected in its total operating income in the range of Rs.100-115 Cr over the last five years ended in FY2022. The EBITDA margins have been moderate and stable in the range of 13.50-15.50 percent over the last 3 years ending FY2022. Over the medium term, Acuité expects that the group's revenue will grow by a modest year over year, and operating margins will continue at their present levels.

### **Weaknesses**

#### **Revenue growth and Margins remain susceptible to economic slowdown and government regulations**

The Group's revenue growth remains susceptible to the global economic slowdown and the changes in the government's policies on export-import trade. The variations in exim trade volumes also impact the overall sales. However, the favourable long-term prospects for container traffic and the Group's established relationships with all the major shipping lines along with its integrated presence in the logistic chain and port operations mitigate the risk to an extent.

#### **Moderate geographical and customer concentration in revenue profile**

Sattva group has CFS across Vizag, Chennai and Bangalore thereby, leading to moderate geographical concentration risk. Sattva groups' top 10 customers contribute nearly 40 percent to the total revenue, thereby, leading to moderate customer concentration risk in its revenue profile. Acuite believes that the group will remain geographically and customer-wise concentrated on moderate basis until diversified to new geography and addition of new clientele.

### **ESG Factors Relevant for Rating**

Not Applicable

### **Rating Sensitivities**

- Healthy growth in operating income and improvement in profit margins on a sustained basis
- Maintenance of a comfortable financial risk profile and adequate liquidity
- Stretched working capital cycle or any large, debt-funded capex weakening the financial risk profile and liquidity

### **Material Covenants**

None

### **Liquidity Position: Adequate**

Sattva has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.12 to 13 Cr during the last three years through 2020-22, while its maturing debt obligations were in the range of Rs.6 to 8 Cr over the same period. The cash accruals of the group are estimated to remain around Rs.12 to 14 Cr during 2023-25 while its repayment obligation are estimated to be around Rs. 2.50 to 3.50 Cr. The group's operations are moderately working capital intensive as marked by gross current asset (GCA) days of 185 in FY 2022. This has led to lower reliance on working capital borrowings, the cash credit limit in the group remains utilized at 38 percent during the last 12 months period ended June, 2022. The group maintains unencumbered cash and bank balances of Rs.15.98 Cr as on March 31, 2022. The current ratio of the group stand healthy at 1.86 times as on March 31, 2022. Further, aiding to the liquidity position is the promoter fund support in the form of unsecured loans of Rs.17 Cr as on March 31, 2022 which are expected to remain in the business over the longer run. Acuite believes that the liquidity of the group is likely to remain adequate over the medium term on account of adequate cash accrual and no major repayments over the medium term.

## Outlook: Stable

Acuite believes that group will continue to benefit over the medium term due to its experienced promoters, established relations with its customers and healthy financial risk profile. The outlook may be revised to "Positive", if the group demonstrates substantial and sustained growth in its revenues and operating margins from the current levels while improving its capital structure through equity infusion. Conversely, the outlook may be revised to "Negative", if company generates lower-than-anticipated cash accruals most likely as a result of sharp decline in operating margins, or further stretch in its working capital cycle, or larger-than expected debt-funded capex.

## Other Factors affecting Rating

Not Applicable

## Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	114.36	102.82
PAT	Rs. Cr.	5.69	6.70
PAT Margin	(%)	4.98	6.52
Total Debt/Tangible Net Worth	Times	0.41	0.42
PBDIT/Interest	Times	6.46	6.19

## 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>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>

## Note on Complexity Levels of the Rated Instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Apr 2021	Term Loan	Long Term	1.38	ACUITE BBB+   Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	4.74	ACUITE BBB+   Stable (Reaffirmed)
	Term Loan	Long Term	6.27	ACUITE BBB+   Stable (Reaffirmed)
	Term Loan	Long Term	2.69	ACUITE BBB+   Stable (Reaffirmed)
	Bank Guarantee	Short Term	3.00	ACUITE A2+ (Reaffirmed)
	Working Capital Term Loan	Long Term	1.92	ACUITE BBB+   Stable (Assigned)
	Proposed Bank Facility	Long Term	4.67	ACUITE BBB+   Stable (Assigned)

03 Jan 2020	Term Loan	Long Term	6.97	ACUITE BBB+   Stable (Assigned)
	Term Loan	Long Term	2.88	ACUITE BBB+   Stable (Assigned)
	Term Loan	Long Term	2.48	ACUITE BBB+   Stable (Assigned)
	Bank Guarantee	Short Term	3.00	ACUITE A2+ (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A2+   Reaffirmed
State Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	1.34	ACUITE BBB+   Stable   Reaffirmed
State Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	0.96	ACUITE BBB+   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	7.86	ACUITE BBB+   Stable   Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	1.86	ACUITE BBB+   Stable   Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	4.98	ACUITE BBB+   Stable   Reaffirmed

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### 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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