



Press Release
Sattva CFS and Logistics Private Limited
January 14, 2025
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Total Withdrawn Quantum (Rs.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 ‘**ACUITE BBB+**’ (read as **ACUITE Triple B Plus**) and short term rating of ‘**ACUITE A2+**’ (read as **ACUITE 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**’.

Rationale for reaffirmation of rating:

The rating reaffirmation reflects Sattva Group’s long track record of operations and extensive experience of its promoters in the logistics industry. Further, it takes into account the growth recorded in operating revenues during FY2024 albeit moderation in the operating profit margins. Further, it considers the group’s healthy financial risk profile marked by healthy network, low gearing and moderate debt protection metrics and adequate liquidity position. However, the rating remains constrained by intensive working capital operations and susceptibility of its operating performance to economic slowdown and government regulations. Going forward, the ability of the group to sustain the revenue growth while improving the profitability levels and financial risk profile will remain a key rating monitorable.

About the Company

Incorporated in 2005 in Chennai, Sattva CFS and Logistics Private Limited (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 company is directed by Mr. Sudarshan Gopalchary, Mr. Santhanam Narasimhan and Mr. Santhanam Padmanabhan.

About the Group

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.

Unsupported Rating
Not applicable

Analytical Approach

Extent of Consolidation

• Full Consolidation

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.

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 the 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.

Growth in revenue, albeit moderation in operating profit margin:

Sattva group's revenue improved to Rs.112.45 Cr. in FY2024, reflecting a 10.4 percent growth compared to previous year's revenue of Rs.101.86 Cr. Further, in 8MFY25, the group has registered Rs.78.91Cr. of revenue, which is 9 percent higher than Rs.72.45 Cr. revenue registered during the same period in previous year. The operating profit margin has marginally declined in FY2024 to 13.35 percent from 14.89 percent in FY2023, due to lower margins in the handling segment. The warehousing segment yields better margins compared to handling segment. However, lower warehousing activity in FY2024 led to marginal decline in operating margins. Consequently, the PAT margin also deteriorated marginally to 3.76 percent in FY2024 from 4.87 percent in FY2023. Acuite anticipates moderate revenue growth for the group, while the operating margins are expected to remain within 13-15 percent range, as the management is expected to adjust the product mix to sustain the profitability.

Healthy financial risk profile:

Sattva group's financial risk profile is healthy, marked by healthy network, low gearing and moderate debt protection metrics. The network of the group stood at Rs.126.27 Cr. as on March 31, 2024 compared to Rs.122.04 Cr. as on March 31, 2023. The improvement in network is due to accretion of profits to the reserves. The gearing levels remained low at 0.37 times as on March 31, 2024. Further, the total outside liabilities to tangible network (TOL/TNW) also remained low at 0.55 times as on March 31, 2024 against 0.53 times as on March 31, 2023. The gearing of the company is expected to improve further and remain low over the medium term on account of absence of any debt funded capex plans. The debt protection metrics stood moderate with DSCR and ICR of 1.36 times and 5.77 times respectively as on March 31, 2024. Debt to EBITDA also remained healthy at 3.06 times as on March 31, 2024 against 2.94 times as on March 31, 2023. Acuite believes that the financial risk profile of the company will remain healthy over the medium term due to its conservative leverage policy.

Weaknesses

Moderately Intensive working capital operations:

The group's working capital operations are moderately intensive as marked by Gross Current Asset (GCA) days of 252 days over the past three years. The high GCA days are on account of elevated debtors cycle and high other current assets portion in form of advance tax amount. Generally, the group allows 60-90 days' credit period to its customers. However, due to economic slowdown during FY2024 the group has offered extended credit period to its customers in order to attract sales. Despite this, the dependency on the working capital facilities remained moderate. The fund based working capital facilities were utilized at an average of 54 percent during the past 12 months ending November 2024. Acuite believes that working capital operations of the group will likely remain moderately intensive on account of prolonged debtor days.

Susceptibility 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.

Rating Sensitivities

- Growth in scale of operations while maintaining its operating margins
- Improvement in working capital cycle.
- Inability to achieve the projected operating metrics.
- Any significant elongation in working capital cycle or any large, debt-funded capex weakening the financial risk profile and liquidity position.

Liquidity position: Adequate

Sattva group's liquidity position is adequate as reflected through sufficient net cash accruals against the repayment obligations. The group registered NCA's of Rs.9.72 Cr. as on March 31, 2024, comfortably covering the debt obligation of Rs.6.41 Cr. for the same period. NCA's are expected to range between Rs.9-12 Cr. over the medium term which would comfortably meet the expected repayment in the range of Rs.3-6 Cr. The group's current ratio stood moderate at 1.95 times as on March 31, 2024 and the GCA days remained at 252 days in FY2024. The fund based bank limits were utilized at an average of 54 percent during the past 12 months ending November, 2024. Additionally, the group has Rs.1.91 Cr. in free fixed deposits and Rs.1.78 Cr. cash and bank balances, providing additional liquidity comfort. Acuite believes that the liquidity position of the group will remain adequate over the medium term on account of likely sufficient cash accruals against repayment obligations.

Outlook: Stable**Other Factors affecting Rating**

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	112.45	101.86
PAT	Rs. Cr.	4.22	4.96
PAT Margin	(%)	3.76	4.87
Total Debt/Tangible Net Worth	Times	0.37	0.38
PBDIT/Interest	Times	5.77	5.74

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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
25 Oct 2023	Bank Guarantee (BLR)	Short Term	3.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB+ Stable (Reaffirmed)
	Dropline Overdraft	Long Term	1.83	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	3.90	ACUITE BBB+ Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	0.96	ACUITE BBB+ Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	0.80	ACUITE BBB+ Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	4.51	ACUITE BBB+ Stable (Reaffirmed)
27 Jul 2022	Bank Guarantee/Letter of Guarantee	Short Term	3.00	ACUITE A2+ (Reaffirmed)
	Term Loan	Long Term	1.86	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	4.98	ACUITE BBB+ Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	1.34	ACUITE BBB+ Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	7.86	ACUITE BBB+ Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	0.96	ACUITE BBB+ Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Axis Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.00	Simple	ACUITE A2+ Reaffirmed
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE BBB+ Stable Reaffirmed
Axis Bank	Not avl. / Not appl.	Dropline Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.83	Simple	ACUITE BBB+ Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.38	Simple	ACUITE BBB+ Stable Reaffirmed
Axis Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Jan 2027	3.03	Simple	ACUITE BBB+ Stable Reaffirmed
Axis Bank	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Nov 2026	0.96	Simple	ACUITE BBB+ Stable Reaffirmed
Axis Bank	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Apr 2024	0.80	Simple	ACUITE BBB+ Stable Reaffirmed

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

Sr. No.	Company name
1	Sattva Logistics Private Limited
2	Sattva CFS and Logistics Private Limited
3	Sattva Hi-tech and Conware Private Limited

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Katta Akhil Senior Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@acuite.in

About Acuité Ratings & Research

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