

**Press Release**  
**Sarju Impex Limited**  
**March 28, 2024**  
**Rating Upgraded**



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	43.00	ACUITE A   Stable   Upgraded   Positive to Stable	-
Total Outstanding Quantum (Rs. Cr)	43.00	-	-

### 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. 43 crore long-term bank facilities of Sarju Impex Limited (SIL). The outlook is 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 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 2008, SIL is a manufacturer of CNG Cylinders in India. Since, 2002, It is a 75 percent subsidiary of Confidence Futuristic Energetic Limited which in turn is a subsidiary of the flagship company Confidence Petroleum India Limited (CPIL) of the the Confidence Group. CPIL is a supplier of Auto LPG & LPG business in India with its network of bottling plants and ALDS Stations across India, and has diversified into the CNG segment through SIL. The manufacturing unit is located in Dahej, Gujarat.

#### About the Group

Maharashtra based, Confidence Group is promoted by Mr. Nifin 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 and across India. The group has wide spread

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 CNG cylinder manufacturing plant in Umred, Nagpur and has taken over a running CNG cylinder manufacturing unit (Sarju Impex Limited) 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 SIL 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>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
17 Jan 2023	Cash Credit	Long Term	40.00	ACUITE A-   Positive (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	3.00	ACUITE A-   Positive (Reaffirmed)
01 Dec 2021	Cash Credit	Long Term	40.00	ACUITE A-   Positive (Assigned)
	Proposed Long Term Bank Facility	Long Term	3.00	ACUITE A-   Positive (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indusind Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	30.00	ACUITE A   Stable   Upgraded   Positive to Stable ( from ACUITE A- )
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	13.00	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	Listing Status
1	Confidence Petroleum India Limited	Parent Company	Listed
2	Confidence Go Gas Limited	Subsidiary	Unlisted
3	Gaspoint Bottling Private Limited	Subsidiary	Unlisted
4	Unity Cylinders Private Limited	Subsidiary	Unlisted
5	Confidence Technologies Private Limited	Subsidiary	Unlisted
6	Agwan Coach Private Limited	Subsidiary	Unlisted
7	Keppy Infrastructure Developers Private Limited	Subsidiary	Unlisted
8	Hemkunt Petroleum Limited	Subsidiary	Unlisted
9	Nine Infra Projects Private Limited	Subsidiary	Unlisted
10	Chhattisgarh Gaspoint Bottling Private Limited	Subsidiary	Unlisted
11	Papusha Gaspoint Private Limited	Subsidiary	Unlisted
12	Blueflame Petroleum Private Limited	Subsidiary	Unlisted
13	Confidence Futuristic Energetech Limited	Subsidiary	Listed
14	Taraa LPG Bottling Private Limited	Subsidiary	Unlisted
15	PT Surya Go Gas Indonesia	Subsidiary	Unlisted
16	Sneha Petroleum (acquired in FY2019-20)	Subsidiary	Unlisted
17	North East Cylinders (acquired in FY2019-20)	Subsidiary	Unlisted
18	Blue flame Industries Limited (acquired in FY2019-20)	Subsidiary	Unlisted
19	SV Engineering Private Limited (acquired in FY2019-20)	Subsidiary	Unlisted
20	Uma Gaspoint Bottling Private Limited	Subsidiary	Unlisted
21	Confidence Enterprise Ltd ( Confidence Futuristic)	Stepdown Subsidiary	Unlisted
22	Sarju Impex Ltd (Confidence Futuristic) (Acquired in FY2021-22)	Stepdown Subsidiary	Unlisted



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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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