



Press Release
Sarju Impex Limited
August 07, 2024
Rating Reaffirmed and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	30.00	ACUITE A Stable Reaffirmed	-
Bank Loan Ratings	13.00	Not Applicable Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	30.00	-	-
Total Withdrawn Quantum (Rs. Cr)	13.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE A' (read as ACUITE A)** on the Rs 30.00 crore bank facilities of Sarju Impex Limited (SIL). The outlook is '**Stable**'.

Acuite has withdrawn its long-term rating on the Rs 13.00 crore proposed bank facilities of Sarju Impex Limited (SIL) without assigning any rating. The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating as applicable to the respective facility / instrument. The rating is being withdrawn on account of request received from the Company.

Rationale for the Rating

The rating reaffirmation considers the strong business risk profile along with augmentation in revenues and profitability. The revenue of the group grew to Rs.2698.47 Cr. in FY2024 from Rs.2208.83 Cr. in FY2023 on account of Packed gas segment wherein the company started bulk gas trading. Further, the EBITDA margins also improved to 13.32% in FY2024 from 10.08% in FY2023 on account of increase in operational efficiency in processes, use of technology and automation, Increased economies of scale, and streamlining of logistics and supply chain. The rating also considers increase in net worth to Rs.1159.11 Cr. as of March 31, 2024 from Rs.788.98 Cr. as of March 31, 2024 on account of accretion of profits to reserves and allotment of preference equity. The group's debt protection metrics remain strong albeit moderation. The rating draws comfort from CG's foray into CNG segment and bulk LPG trading, thus further diversifying its revenue profile. Acuite further 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 the 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. 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 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. Elsh 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 264 ALDS stations. CG has recorded a significant increase in revenue which stood at Rs.2698.47 Cr. in FY2024, marking a 22% growth from Rs. Rs. 2208.83 Cr. in FY2023. 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 260 in FY24 from 227 in FY23. 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

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.1159.11 Cr. as on March 31, 2024 as against Rs.788.98 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. The working capital requirements has remained in line with the previous year with the company's focus on the bulk gas supply segment. Gearing ratio improved and stood at 0.37 times as on March 31, 2024 against 0.51 times as on March 31, 2023. 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 2.83 times in FY2024(6.05 times in FY2023) and 5.10 times in FY2024(10.26 times in previous year) respectively. Acuité believes the overall financial risk profile is expected to remain strong in near to medium term on account of healthy accruals.

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. 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. 210 units across India participates in this tender out of which 15 units are owned by CG.

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 ~76-77% 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 EBITDA margins for last three years remain volatile although at healthy levels which stood at 13.32 percent in FY2024 against 10.08 percent in FY2023 & 13.03 percent in FY2022 respectively.

Rating Sensitivities

- Sustainable improvement in the revenues along with improved margins emanating from the completion of the ongoing capex.
- Significant deterioration in its working capital management leading to moderation in its financial risk 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. 265.57 Cr. during FY2024, while its maturing debt obligations were modest at Rs. 46.21 Cr. for the same period. Further, the company has a buffer in its working capital limits as reflected by moderately utilized limits at ~54.03 per cent during the last six months ended February 2024. The group plans to incur major capex in phased manner over the next three years, which would be funded by internal accruals and equity infusion. Furthermore, the simultaneous revenue generation from the units commissioned (as the capex would be in a phased manner) would support the cash flows of the company. Going ahead, the liquidity position is expected to remain strong on account of healthy cash accruals generation to its maturing repayment obligations.

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 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	2698.47	2208.83
PAT	Rs. Cr.	105.27	88.14
PAT Margin	(%)	3.90	3.99
Total Debt/Tangible Net Worth	Times	0.37	0.51
PBDIT/Interest	Times	5.10	10.26

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 Entities: <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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
28 Mar 2024	Cash Credit	Long Term	30.00	ACUITE A Stable (Upgraded (Positive to Stable) from ACUITE A- Positive)
	Proposed Long Term Bank Facility	Long Term	13.00	ACUITE A Stable (Upgraded (Positive to Stable) from ACUITE A- Positive)
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	Proposed Long Term Bank Facility	Long Term	3.00	ACUITE A- Positive (Assigned)
	Cash Credit	Long Term	40.00	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 Reaffirmed
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	Not Applicable Withdrawn

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

Sr. No.	Company Name
1	Confidence Petroleum India Limited
2	Confidence Go Gas Limited
3	Unity Cylinders Private Limited
4	Confidence Technologies Private Limited
5	Agwan Coach Private Limited
6	Keppy Infrastructure Developers Private Limited
7	Hemkunt Petroleum Limited
8	Nine Infra Projects Private Limited
9	Chhattisgarh Gaspoint Bottling Private Limited
10	Papusha Gaspoint Private Limited
11	Blueflame Petroleum Private Limited
12	Confidence Futuristic Energetech Limited
13	Taraa LPG Bottling Private Limited
14	PT Surya Go Gas Indonesia
15	Sneha Petroleum (acquired in FY2019-20)
16	North East Cylinders (acquired in FY2019-20)
17	Blue flame Industries Limited (acquired in FY2019-20)
18	SV Engineering Private Limited (acquired in FY2019-20)
19	Uma Gaspoint Bottling Private Limited
20	Punjab Petroleum Private Limited
21	Confidence Enterprises Private Limited (Confidence Futuristic)
22	Sarju Impex Limited (Confidence Futuristic) (Acquired in FY2021-22)

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Sanidhya Jain Associate Analyst-Rating Operations Tel: 022-49294065 sanidhya.jain@acuite.in	Varsha Bist Associate Vice President-Rating Administration Tel: 022-49294011 rating.desk@acuite.in

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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