

Press Release

Suraj Agro Infrastructure (India) Private Limited (SAIPL)

March 19, 2019

Rating

Instrument / Facility	Amount (Rs. crore)	Rating	Rating Action
Proposed Term Loans	50.00	IVR BBB/Stable outlook [IVR Triple B with Stable Outlook]	Assigned
Total	50.00		

Details of Facilities are in Annexure I

Detailed Rationale

The rating of Suraj Agro Infrastructure (India) Private Limited (SAIPL) derives comfort from the experienced and resourceful promoters and long track record, locational advantage, established relationship with clients, and profitable operation with high cash reserves. The rating also takes into consideration the moderate scale of operation, project implementation risk and customer concentration risk. Growth in scale of operation, maintaining profitability and project implementation risk are the key rating sensitivities.

Detailed Description of the Key Rating Drivers

Key Rating Strengths

Experienced and resourceful promoters and long track record

Mr. Thangamuthu Shanthakumar has been involved with the company since inception and looks after the day-to-day operation. He has over 20 years of experience in the similar line of business. The company itself began operating in 1994. Mr. Paresh K. Mehta has played a key role in setting up the tank terminals in Mumbai and Mangalore. He primarily oversees the finances of the company. They both have interests in jewellery which is run under the name of Kirtilal Kalidas Jewellers Private Limited and this company has 11 showrooms across South India.

Locational advantage

The company has three Liquid Storage Terminal (LST) facilities located at Chennai, Mangalore and JNPT in Mumbai and a dry bulk cargo terminal at Vishakapatnam. JNPT is the biggest handling port in India, handling around 55% of the country's containerized cargo

while Chennai and Mangalore are also major ports in India, indicating a steady flow of business for the company.

Established relationship with clients

The company has established strong relationship with its customers owing to the long experience in this line of business. The clientele includes various companies like Cargill, United Molasses, Louis Dreyfus, Sunraja Oil Industries P. Ltd and Exxon Mobil. Further, the company also has long term contracts of over 6 years with Sri Sai Petro Products for four tanks at its Mangalore facility.

Profitable operation with high cash reserves

The company has built up its net worth over the years. With an equity capital of Rs.3.6 crore, as on March 31, 2018, the company reached a net worth level of Rs.66.6 crore as on the same date. Further, as against the net worth of Rs.66.6 crore, the company held Rs.52.1 crore in the form of free cash/cash equivalents as on March 31, 2018 (including Rs.49 crore in fixed deposits with bank).

Key Rating Weaknesses

Moderate scale of operation

The company's topline for FY18 was Rs.26.1 crore was marginally up from Rs.25.5 crore in FY17 after a fall of 41% from FY16. The company used to trade in gold bullion by purchasing bullion and selling to its group companies, but since FY17, they stopped trading in bullion due to the restrictions imposed by Companies Act, 2013 on related party transactions resulting in decline in total operating income in FY17.

Project implementation risk

The company is undertaking a project to set-up nine new storage tanks at the JNPT facility. It is in the process of raising debt in the form of term loans for funding around 56% of the envisaged capital expenditure. The company shall be utilising substantial portion of its cash reserves to fund the remaining portion of the capex, which provides comfort. The timely completion of construction and commissioning of the proposed new tanks and stabilisation of operations will be critical and one of the key rating sensitivities.

Customer concentration risk

The company's top 10 customer constitutes around 75.67% of the total revenues in FY18. However, almost all its clients pay in advance which negates the customer concentration risk significantly.

Analytical Approach & Applicable Criteria

- Standalone Approach
- Rating Methodology for Service Sector Companies
- Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity

The company is in the process of expanding its capacity at the JNPT facility. It had around Rs.52.1 crore in the form of cash and cash equivalents as on March 31, 2018, which stood at Rs.45.6 crore as on December 31, 2018 (provisional). SAIPL does not have any debt on its books, but is planning to raise term loans of around Rs.48.85 crore for the installation of new tanks. Close to half of the project cost is being funded by the company from its cash reserves and even after the investment the company is expected to maintain a healthy cash reserves.

About the Company

Suraj Agro Infrastructure (India) Pvt Ltd (SAIPL) was incorporated on May 28, 1993 under the name of Viraj Agro Products Pvt. Ltd. Subsequently, on February 23, 2007 the name was changed to Suraj Agro Infrastructure (India) Pvt. Ltd. The company was promoted by Mr. Thangamuthu Shanthakumar and Mr. Paresh Kirtilal Mehta.

SAIPL has three liquid storage terminals at JNPT, Chennai Port and New Mangalore Port. It also has a dry bulk cargo facility at Vishakapatnam. SAIPL stores the products imported / exported by its customers, in specially designed terminals.

Financials (Standalone)

(Rs. crore)

For the year ended/ As On	31-03-2017 (Audited)	31-03-2018 (Audited)
Total Operating Income	25.5	26.1
EBITDA	11.9	9.5
PAT	7.3	0.3
Total Debt	0.0	0.0
Tangible Net worth	67.0	66.6
Ratios		
EBITDA Margin (%)	46.91	36.28

PAT Margin (%)	28.69	1.19
Gearing Ratio (x)	0.00	0.00

Note: Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Not applicable

Rating History for last three years:

Sl. No.	Name of Instrument /Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1	Proposed Term Loan	Long Term	50.00	IVR BBB/Stable outlook [IVR Triple B with Stable Outlook]	--	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Proposed Term Loan		To be decided		50.00	IVR BBB/Stable outlook [IVR Triple B with Stable Outlook]