



Press Release

Ganesh Benzoplast Ltd (GBL)

July 06, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (INR Crores)	Rating Assigned	Rating Action
1.	Long Term Debt – Term Loan	25.09 (Reduced from INR 40.025 crore)	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	Re-affirmed
2.	Long Term/Short Term Facility – Non Fund Based – Bank Guarantee	8.25 (enhanced from INR 3.25 crore)	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook) / IVR A3 (IVR A Three)	Re-affirmed
3.	Proposed Long Term/Short Term Facility – Non Fund Based – Bank Guarantee	4.73	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook) / IVR A3 (IVR A Three)	Re-affirmed
	Total	38.07		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating affirmation to the bank facilities of the entity derives comfort from its Experienced promoters & management, locational advantage with long term lease tie-up, reputed clientele and improvement in capital structure and debt protection metrics. However, the rating strengths are partially offset by moderate scale of operations, thin profitability in the chemical division, raw material price risk and susceptibility to foreign exchange fluctuations, customer and supplier concentration risk & high amount of contingent liability as compared to net worth and a high creditor period.



Press Release

Key Rating Sensitivities

Upward factors:

- Growth in scale of operation and profitability in the manufacturing division
- Significant improvement in debt protection parameters

Downward factors:

- Potential impact of contingent liabilities
- Significant deterioration in gearing parameters

Key Rating Drivers with detailed description

Key Strengths

Experienced promoters and management

Mr. Ramesh Pilani, the founder promoter and CFO of the company, has an experience of more than four decades in the chemical manufacturing, trading and liquid storage industry. GBL's MD & CEO is Mr. Rishi Pilani, second generation entrepreneur, who is a chemical engineer by qualification and has prior experience of working with General Electric Company, USA in the past. The promoters are assisted in the day-to-day operations by a team of experienced professionals having relevant industry experience.

Locational advantage with long term lease tie-up

The company has three Liquid Storage Terminal (LST) facilities located at Goa, Cochin and JNPT in Mumbai. JNPT is the biggest handling port in India, handling around 55% of the country's containerized cargo while Cochin and Goa are also major ports in India, ensuring a steady flow of business for the company.

Reputed clientele

The company has well established relations with various reputed companies like Asian Paints Ltd, BPCL, Jubilant Life Sciences Ltd, Lasons India Pvt Ltd. etc. Further, the company also has long term contracts of around 3-7 years in place with Golden Agri Resources Pvt Ltd, Bharat Petroleum Corporation Ltd, Smartchem Technologies etc. in the LST division.



Press Release

Improvement in capital structure and debt protection metrics

The company's overall gearing ratio stood at 0.36x as on March 31, 2019 as compared to 0.65x in FY18. Further, the company's interest coverage was comfortable and 3.60x during FY19 which have shown an improvement from and 1.50x in FY18. Furthermore, the interest coverage ratio has improved to 6.52x in the 9MFY20 financials.

Key Rating Weaknesses

Moderate scale of operation

The company's topline, although increased from INR 170.40 crore in FY18 to INR 212.60 crore in FY19 due to an increase in the manufacturing division, continues to remain modest. The company has achieved INR 179.80 crore in 9MFY20, owing to the increase in demand for storage containers arising from the oil production crisis which saw an overproduction of oil due to disputes between Russia and Saudi Arabia as neither of the countries could come to a common standing on pricing of oil which lead to over-production as demand was cut due to the coronavirus pandemic leading to excess supply and a drastic decline in oil prices.

Thin profitability in the chemical division

The company's EBITDA in the manufacturing division remained thin at INR 2.80 crore in FY19 (a minor improvement from INR 2.50 crore in FY18). The same continues to remain constrained on account of unutilized capacity, which has resulted in under absorption of fixed overhead expenses.

Raw material price risk and susceptibility to foreign exchange fluctuations

The key raw materials for GBL in the manufacturing division are magnesium oxide, toluene, etc. which are derivatives of crude oil. Crude oil has exhibited considerable volatility in the past on account of various reasons. Any adverse fluctuation in crude oil prices going forward may adversely impact the profitability of GBL.

Customer and supplier concentration risk

The company's top 10 customer constitutes around 73% of the total revenues in the manufacturing division. However, the average collection days being in the range of 50-60 days



Press Release

and good standing of the customers negate the customer concentration risk significantly. Further, its top six suppliers constitute almost its entire raw purchases during FY19, indicating concentration risk for the company.

High amount of contingent liability as compared to net worth

The company had a high amount of contingent liability of INR 52.32 crore as on March 31, 2019. The same is on account of claims by various counterparties and creditors, statutory demands and claims for delayed interest. Further, the company has not been able to determine an appropriate amount with respect to the claim by Marmugao Port Trust, which is in arbitration. Going forward, the potential impact of these contingent liabilities on the net worth of the company is a key rating sensitivity.

High creditor period

The company has a high amount of creditors, with the average creditor days standing at 236 days for FY19, though it has come down from 323 days for FY18. These include various long outstanding creditors post BIFR to whom the company has not been making payment to on account of continuing losses in the chemical division. The company has utilised internal accruals towards capex and repayment of debt while delaying payments to its creditors.

Analytical Approach & Applicable Criteria

Standalone Approach

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity – Stretched

Liquidity is stretched, characterised by high amount of creditors outstanding (including legacy creditors pertaining to period prior to the company getting into BIFR), current ratio below unity although the company has a moderate level of GCA at INR 43.60 crore and the same is expected to increase further with increase in scale of operation. The company had no major long term debt as on 31st March, 2019. The company also maintained a moderate cash and bank balance of INR 3.57 crore to meet its liquidity requirements.



Press Release

About the Company

Incorporated in 1986, Ganesh Benzoplast Ltd (GBL) is a listed entity on the BSE, promoted by Mr. Ramesh Pilani. The company commenced operation by setting up its first manufacturing plant at Tarapur, Boisar, for manufacturing of chemicals. Subsequently, in 1993, the company diversified into storage of liquid chemicals/products by setting up a facility at JNPT for clients who import their products in bulk. The day to day affairs of the entity are currently managed by Mr. Rishi Pilani, CMD. He is a second generation entrepreneur having past experience of working with General Electric Company, while his father Mr. Ramesh Pilani, the founder of the company, though stepped down from the Board, he continues to participate in the operations of the company in his current role of CFO. Currently, the company operates two main divisions: LST (Liquid storage terminal) division and chemical manufacturing and trading division. The company has one manufacturing facility located at Tarapur in Boisar with an installed capacity of 15600 M.T. per annum and capacity utilization of around 44%.

Financials (Standalone)*:

(INR crore)

For the year ended/ As On	31-03-2018 (Audited)	31-03-2019 (Audited)
Total Operating Income	170.4	212.6
EBITDA	53.0	57.1
PAT	80.7	31.3
Total Debt	64.5	47.1
Tangible Net-worth	99.6	130.9
Ratios		
EBITDA Margin (%)	31.08	26.85
PAT Margin (%)	17.47	16.21
Overall Gearing Ratio (x)	0.65	0.36

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Brickwork Ratings in its press Release dated on September 26, 2019 has classified the case under Issuer Not Cooperating status on account of non-submission of relevant information

Any other information: None



Press Release

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR crore)	Rating	Date(s) & Rating(s) assigned in 2019-20 (December 31, 2019)	Date(s) & Rating(s) assigned in 2018-19 (December 14, 2018)	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Facility – Fund Based - Term Debt	Long Term	25.09	IVR BBB-/ Stable Outlook	IVR BBB-/ Stable Outlook	IVR BBB-/ Stable Outlook	--
2.	Long Term/Short Term Facility – Non Fund Based – Bank Guarantee	Long/ Short Term	8.25	IVR BBB-/ Stable Outlook / IVR A3	IVR BBB-/ Stable Outlook / IVR A3	IVR BBB-/ Stable Outlook / IVR A3	--
3.	(Proposed) Long Term/Short Term Facilities – Non Fund Based – Bank Guarantee	Long/ Short Term	4.73	IVR BBB-/ Stable Outlook / IVR A3	IVR BBB-/ Stable Outlook / IVR A3	IVR BBB-/ Stable Outlook / IVR A3	--

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.

Name and Contact Details of the Rating Team:

Name: Rajath Rajpal

Tel: (022) 62396023

Email: rrajpal@infomerics.com

Name: Amit Bhuwania

Tel: (022) 62396023

Email: abhuania@infomerics.com

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.



Press Release

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term Facility –Fund Based - Term Loan	NA	NA	December 2023	25.09	IVR BBB-/ Stable Outlook
Long Term/ Short Term Facility – Non Fund Based – Bank Guarantee	NA	NA	NA	8.25	IVR BBB-/ Stable Outlook / IVR A3
(Proposed) Long Term/Short Term Facilities – Non Fund Based – Bank Guarantee	NA	NA	NA	4.73	IVR BBB-/ Stable Outlook / IVR A3