



Press Release

Ganesh Benzoplast Limited

March 31, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned	Rating Action
1.	Long Term Bank Facility – Fund Based – Term Loan	28.79	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)	Revised
2.	Long Term/Short Term Facility – Non Fund Based – Bank Guarantee	8.25	IVR BBB/Stable Outlook / IVR A3+ (IVR Triple B with Stable Outlook and IVR A Three Plus)	Revised
	Total	37.04		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating revision to the bank facilities of the entity derives comfort from the growth profitability and a comfortable financial risk profile, experienced promoters and management and locational advantage with long term lease tie-ups catering to reputed clientele. However, raw material price risk and susceptibility to foreign exchange fluctuations and high amount of contingent liability are the rating constraints.

Key Rating Sensitivities

Upward factors:

- Maintaining profitability as projected
- Continued improvement in debt protection and coverage metrics

Downward factors:

- Uncertain/potential impact of contingent liabilities
- Increase in leverage leading to pressure on coverage and liquidity measures



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Key Rating Drivers with detailed description

Key Rating Strengths

Growth in profitability and comfortable financial risk profile

The company has seen their operating income grow by 20.76% over the past three fiscals from INR169.16 crore in FY18 to INR211.64 crore in FY19 to INR246.67 crore in FY20, the revenues have been boosted by increase in capacity addition and optimum operating levels at the liquid storage division; better capacity utilisation and increased volume sales at the chemical manufacturing division. The risk profile of the company is comfortable with a gearing ratio of 0.26x, the improvement has been on the back of continual de-leveraging of the balance sheet through internal accruals, with total debt amounting to INR42.84 crore consisting of term loans. The continual increase in profitability has led to a strong interest coverage ratio of 13.28x, TOL/ANW at 0.63x.

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 catering to reputed clientele

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. 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.



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Key Rating Weaknesses

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.

High amount of contingent liability as compared to net worth

The company had a high amount of contingent liability of INR21.61 crore. 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 still remains in arbitration. Going forward, the potential impact of these contingent liabilities on the net worth of the company is a key rating sensitivity.

Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity - Adequate

The company has a current ratio of 1.10x in FY20. The short term obligations amount to INR28.30 crore with gross cash accruals amounting to INR54.09 crore; giving the company adequate balances left post payment of short term obligations. Owing to the healthy profitability and cash accruals, the coverage ratios are expected to be comfortable.

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



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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	31-03-2019	31-03-20
	(Audited)	(Audited)	(Audited)
Total Income	170.4	212.6	247.0
EBITDA	53.0	57.1	63.2
PAT	80.7	31.3	33.7
Total Debt	64.5	47.1	42.8
Tangible Net-worth	99.6	130.9	164.5
Ratios			
EBITDA Margin (%)	31.08	26.85	25.62
PAT Margin (%)	17.47	16.21	13.63
Overall Gearing Ratio (x) ²	0.65	0.36	0.26

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: None



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Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)				Rating History for the past 2 years	
		Type	Amount outstanding (INR crore)	Rating	Rating (PR dated July 06, 2020)	Date(s) & Rating(s) assigned in 2019-20 (PR dated December 31, 2019)	Date(s) & Rating(s) assigned in 2018-19 (PR dated December 14, 2018)
1.	Long Term Bank Facility – Fund Based – Term Loan	Long Term	28.79	IVR BBB/ Stable	IVR BBB- / Stable	IVR BBB-/ Stable	IVR BBB-/ Stable
2.	Long Term / Short Term Facility – Non Fund Based – Bank Guarantee	Long/ Short Term	8.25	IVR BBB/ Stable / IVR A3+	IVR BBB-/ Stable / IVR A3	IVR BBB-/ Stable / IVR A3	IVR BBB-/ Stable / 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.

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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 (INR Crore)	Rating Assigned/ Outlook
Long Term Bank Facility – Fund Based – Term Loan	NA	NA	Up to 2023	28.79	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+