



Infomerics Valuation And Rating Pvt. Ltd.

Press Release

Ganesh Benzoplast Limited

December 14, 2018

Rating

Instrument / Facility	Amount (Rs. Crore)	Rating	Rating Action
Long Term Fund Based Facilities	32.50	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned
Short Term Non Fund Based Facilities	2.25	IVR A3 (IVR A Three)	Assigned
Total	34.75		

Details of Facility are in Annexure 1

Detailed Rationale

The ratings derive comfort from the experience of the promoters and senior management, locational advantage with long term lease for the liquid storage terminal, reputed clientele and improvement in capital structure and debt protection metric. The ratings are constrained by moderate scale of operation, low 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 high creditor period. Growth in scale of operation & profitability in the manufacturing division and potential impact of contingent liabilities are the key rating sensitivities.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters and senior 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 Chairman and Managing Director (CMD) 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



Infomerics Valuation And Rating Pvt. Ltd.

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, which is the biggest cargo handling port in India. 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.

Improvement in capital structure and debt protection metrics

The company's net worth stood negative as on March 31, 2017. However, during FY18, the company wrote back outstanding term debt liability as per the settlement with lenders under BIFR and the company's net worth turned positive. The company's overall gearing ratio stood at 0.80x as on March 31, 2018. Further, the company's interest coverage and Debt Service Coverage Ratio (DSCR) stood at 4.74x and 1.50x during FY18.

Key Rating Weaknesses

Moderate scale of operation

The company's topline, although increased significantly from Rs.121.65 crore in FY17 to Rs.170.41 crore in FY18 due to an increase in the manufacturing division, continues to remain modest.

Low profitability in the chemical division

The company's EBITDA margin in the manufacturing division remained thin at 2.94% in FY18, as against a loss in FY17. The same continues to remain constrained on account



Infomerics Valuation And Rating Pvt. Ltd.

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 customer constitutes around 78% of the total revenues in the manufacturing division. However, the average collection days being in the range of 50-60 days and good standing of the customers negate the customer concentration risk significantly. Further, its top six suppliers constitute almost its entire raw purchases during FY18, 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 Rs.53.57 crore as on March 31, 2018. The same is on account of claims by various counterparties and creditors, statutory demands and claims for delayed interest. 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 323 days for FY18, though it has come down from 493 days for FY17. 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.

Analytical Approach & Applicable Criteria

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation – Non-Financial Companies



Infomerics Valuation And Rating Pvt. Ltd.

Liquidity

The company's does not have any fund based working capital limits. The company has a high amount of creditors, with average creditor days of 323 days. But, the company's net worth has turned positive in FY18 and is expected to improve further. Also, the company had generated gross cash accruals upwards of Rs.20 crore in FY17 and FY18.

About the Company

Incorporated in 1986, Ganesh Benzoplast Ltd (GBL) is a listed entity on the BSE, promoted by Mr. Ramesh Pilani. The company operates two main divisions: LST (Liquid storage terminal) division and chemical manufacturing and trading division. In the LST division, the company provides liquid storage tanks on lease rental at three ports in India, namely JNPT, Kochi and Goa. These tanks are used by GBL's clients for storing products like chemicals, biofuels, petroleum and petrochemicals, acids, vegetable oils, etc. The chemical manufacturing plant is situated at Tarapur, Boisar.

GBL had a salt plant located in Gujarat, which was destroyed by an earthquake, affecting the performance of the company. GBL also had ship operation & management contracts with ONGC which were prematurely terminated, which also affected the business operations. The combined effect of these events eroded the net worth of the company entirely and it was referred to the Board of Industrial and Financial Reconstruction (BIFR) in FY2009. GBL's net worth turned positive as on March 31, 2018 with a net worth of Rs.80.7 crore, post the repayment of the refinancing loan the write back of the loans that were no longer payable as per the BIFR scheme.

The company reported PAT of Rs.80.7 crore (including the write back of loans) on total operating income of Rs.170.4 crore for FY18.

Financials (Standalone)

(Rs. Crore)

For the year ended / Rs. Crore*	31-03-2017	31-03-2018
	Audited	Audited
Total Operating Income	121.6	170.4
EBITDA	41.2	53.0
Interest	15.3	11.2



Infomerics Valuation And Rating Pvt. Ltd.

PAT	12.8	80.7
Total Debt	158.6	64.6
Tangible Net worth	-23.4	80.7
<u>Ratios (%)</u>		
a. EBITDA Margin	33.88	31.08
b. PAT Margin	12.24	17.47
c. Overall Gearing ratio	-6.78	0.80

**Classification as per Infomerics standards*

Status of non-cooperation with previous CRA: None

Any other information: Nil

Disclosure

Rating History for last three years:

S. 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.	Long Term Fund Based Facilities	Long Term	32.50	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	--	--	--
2.	Short Term Non-Fund Based Facilities	Short Term	2.25	IVR A3 (IVR A Three)	--	--	--

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 Analyst:

Name: Mr. Sriram Rajagopalan

Tel: (022) 40036966

Email: srajagopalan@infomerics.com



Infomerics Valuation And Rating Pvt. Ltd.

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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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 Facility

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facilities – Term Loan	-	-	-	32.50	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)
Short Term Non-Fund Based Facilities – Bank Guarantee	-	-	-	2.25	IVR A3 (IVR A Three)