April 08, 2021

Ganga Rasayanie Private Limited: Ratings reaffirmed; outlook revised to Stable

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based/non-fund-based facilities	60.00	60.00	[ICRA]BBB; Reaffirmed and Outlook revised to 'Positive from 'Stable'
Fund-based Limits – Term loan	40.00	40.00	[ICRA]BBB; Reaffirmed and Outlook revised to 'Positive from 'Stable'
Long-term/Short-term interchangeable**	(60.00)	(60.00)	[ICRA]BBB/ [ICRA]A3+; Reaffirmed and Outlook revised to 'Positive from 'Stable'
Long-term/Short-term unallocated limits	30.00	30.00	[ICRA]BBB / [ICRA]A3+; Reaffirmed and Outlook revised to 'Positive from 'Stable'
Total	**130.00**	**130.00**	

 # PC/FBP/FBD of Rs. 5.00 crore is sublimit of Cash Credit limit.

**Instrument details are provided in Annexure-1*

Rationale

The revision in the long-term rating outlook to Positive factors in Ganaga Rasayanie Private Limited's (GRPL/ the company) recent revenue growth and the expected northward trajectory as the brownfield expansion is expected to support sales from H1FY2022 onwards. ICRA also notes the relatively low dependence on external debt compared to the earlier estimates for the said capex, which is expected to keep the capital structure and coverage indicators at comfortable levels. Further, ratings reaffirmation continues to consider the experience of the promoters and the company in the solvent industry and the established relationship with its diversified customers across industries.

The ratings are, however, constrained by the risk associated with timely completion and stabilisation of the expansion project, without any significant cost or time overrun. Further, ICRA also notes that GRPL's profitability remains exposed to fluctuations in prices of key raw materials, which are crude oil derivatives, and forex risks owing to significant imports and stiff competition from other large oil refineries and imports.

Key rating drivers and their description

Credit strengths

Experience of management and stablished position of company in aromatic and aliphatic solvent industry - The promoters of the company have more than three decades of experience in the aromatic and aliphatic solvent industry. Furthermore, the company, incorporated in 1977, has established relationship with key intermediaries and end customers, which reduces the off-take risk to some extent.

Large and diversified customer profile - GRPL's revenue is derived from a diversified customer base spread over various industry segments such as paints and coatings, oil-feed chemical industry and petrochemicals, mitigating the sector specific-risks to some extent. Further, GRPL's top-10 customers accounted for ~36% of the total revenue in FY2020, highlighting lower level of customer concentration.

Above average financial risk profile – GRPL's operating income increased by 17% to Rs. 286.23 crore in FY2020 from Rs. 244.27 crore in FY2019. The company's operating margin stood at a moderate 6.60% in FY2020. The ROCE of the company stood at a comfortable level of 26.45% in FY2020. GRPL's financial risk profile remained favourable, with a conservative capital structure gearing of 0.29 times in FY2020 and comfortable debt coverage indicators, as reflected by TD/OPBDITA of 1.22 times and interest coverage of 5.45 times in FY2020. Further, the company is undergoing sizeable capex for capacity expansion, which will support future revenue growth. ICRA notes that the impact of the capex on capital structure and coverage indicator will be minimal as majority of the capex would funded through internal accruals and promoter infusion.

Credit challenges

Risks associated with timely completion and stabilisation of expansion project - GRPL has undertaken an expansion project in Dahej, Gujarat, to install a solvent processing plant with an annual installed capacity of 2,16,000 MTPA and a storage capacity of 20,000 MT. The project is scheduled to be commissioned in H1FY2022. ICRA notes that the management intends to rely lesser on external debt than initially estimated and is in the process to tie up the remaining partial portion of the debt. Thus, timely commissioning of operations without any significant cost overrun and its ability to scale up as expected would remain key rating sensitivities going forward.

Volatility of profitability to adverse fluctuations in raw material prices and foreign exchange rates - Raw material cost accounts for 80-85% of the company's operating income. GRPL's ability to procure raw materials at a competitive price is important to maintain cost competitiveness as raw material prices vary directly with the movement of crude oil prices. Although, the company has entered into long-term contracts with some of its suppliers to reduce the overall cost of raw materials, GRPL continues to remain susceptible to adverse movement in crude oil prices. GRPL also remains exposed to foreign currency fluctuation risks as around 50% of the company's raw materials are imported; however, simultaneous exports of around 40% of the total sales mitigate the risk to some extent. Nonetheless, the absence of a formal hedging mechanism exposes the company to risks associated with adverse fluctuations in foreign currency rates.

Intense competition from large oil refineries and imports – The petrochemicals sector faces intense competition from large refineries in India also from the imports.

Liquidity position: Adequate

GRPL's liquidity expected to remain adequate, even after the sizeable near-term capex, as the repayments are limited compared to the expected accruals and cushion is available in working capital limits (average working capital limit utilisation of 42% during 15-month period of September 2019 – January 2021). Further, the company has cash and liquid investment of ~Rs. 50.00 crore as on December 31, 2020, though some of it may be used for capex; despite it, liquidity is expected to remain at acceptable levels.

Rating sensitivities

Positive factors – ICRA may upgrade GRPL's ratings if the company is able to complete the expansion project within the budgeted cost and time and successfully commission and scale up, while maintaining the profitability and coverage indicators as per the operating parameters.

Negative factors – Negative pressure on GRPL's ratings may arise if there is significant delay and cost overrun during completion of the expansion project or a significant decline in revenue and profitability deteriorates capital structure and overall liquidity profile of the company.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Not applicable
Consolidation/Standalone	The rating is based on the standalone financials of Ganga Rasayanie Private Limited.

About the company

Ganga Rasayanie Private Limited (GRPL), incorporated in 1977, is involved in the business of downstream refining of heavy para-xylene products to produce aromatic compounds used in paints, coatings, printing inks, varnish, adhesives, oil-feed chemical and agro-chemical industries including insecticides and pesticides. These products are produced through refining, fractional distillation, purification and blending of heavy aromatic oils. The company also manufactures aliphatic solvents; however, the proportion of the same in the total products sold remains low. The company has two manufacturing facilities, one each in Ankleshwar (Gujarat) and Panamgadu (Andhra Pradesh) with an installed capacity of 70,000 MTPA and 10,000 MTPA, respectively. The company is also undertaking an expansion project to set up a new facility in Dahej, Gujarat, with an installed processing capacity of 216,000 MTPA and a storage capacity of 20,000 MT, which is expected to go live from H1FY2022.

In FY2020, the firm reported a net profit of Rs. 11.73 crore on an operating income (OI) of Rs. 286.23 crore as against a net profit of Rs. 10.47 crore on an OI of Rs. 244.27 crore in FY2019.

Key financial indicators (audited)

Standalone	FY2019	FY2020
Operating Income (Rs. crore)	244.27	286.23
PAT (Rs. crore)	10.47	11.73
OPBDIT/OI (%)	6.67%	6.60%
PAT/OI (%)	4.29%	4.10%
Total Outside Liabilities/Tangible Net Worth (times)	0.99	1.00
Total Debt/OPBDIT (times)	1.55	1.22
Interest Coverage (times)	5.32	5.45

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Mar 31, 2020 (Rs. crore)	Date & Rating	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					Apr 08, 2021	-	Oct 10, 2019	Jul 30, 2018
1	Long term fund based/non-fund based	Long-term	60.00	-	[ICRA]BBB (Positive)	-	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)
2	Fund based - Term Loan	Long-term	40.00	10.00	[ICRA]BBB (Positive)	-	[ICRA]BBB (Stable)	-
3	Long-term/short-term interchangeable	Long-term & Short-term	(60.00)		[ICRA]BBB (Positive) / [ICRA]A3+	-	[ICRA]BBB (Stable) / [ICRA]A3+	[ICRA]BBB (Stable) / [ICRA]A3+
4	Unallocated limits	Long-term & Short-term	30.00		[ICRA]BBB (Positive) / [ICRA]A3+	-	[ICRA]BBB (Stable) / [ICRA]A3+	[ICRA]BBB (Stable) / [ICRA]A3+

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website click here

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Long term fund based/non-fund based	-	NA	-	60.00	**[ICRA]BBB (Positive)**
NA	Term Loan	June – 2018	NA	June - 2026	40.00	**[ICRA]BBB (Positive)**
NA	Long-term/short-term interchangeable	-	NA	-	(60.00)	**[ICRA]BBB (Positive) / [ICRA]A3+**
NA	Unallocated limits	-	NA	-	30.00	**[ICRA]BBB (Positive) / [ICRA]A3+**

Source: *Company data. Complexity level of the rated instrument*

Annexure-2: List of entities considered for consolidated analysis – Not Applicable

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