Gulshan Polyols Limited

February 18, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	-	-	Reaffirmed at CARE A+; Stable (Single A Plus; Outlook: Stable) and Withdrawn
Short Term Bank Facilities	-	-	Reaffirmed at CARE A1+ (A One Plus) and Withdrawn
Total Bank Facilities	**0.00 (Rs. Only)**		

Details of facilities in Annexure-1

Detailed Rationale and Key Rating Drivers:

CARE Ratings Ltd. has reaffirmed and withdrawn the outstanding ratings of 'CARE A+; Stable/CARE A1+' [Single A plus; Outlook: Stable/ A One Plus] assigned to the bank facilities of Gulshan Polyols Limited. with immediate effect. The above action has been taken at the request of Gulshan Polyols Limited and 'No Objection Emails' received from the banks that have extended the facilities rated by CARE Ratings Ltd.

The reaffirmation for the ratings assigned to the bank facilities of Gulshan Polyols Limited (GPL) continue to derive strength from GPL's comfortable financial risk profile characterized by comfortable solvency and debt coverage indicators. The ratings also take into account extensive experience of GPL's promoters and management team with established track record of operations, diversified product profile and its reputed clientele from various industries. The ratings are, however, constrained by volatility in prices of agro-based raw material and consequent impact on margins and competition from organized and unorganized players.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters and management team

The promoter of GPL, Dr CK Jain, has an experience of over four decades in the chemical industry. The company's senior management team comprises well-qualified and experienced professionals.

Diversified product profile

GPL has a diversified range of products comprising of Calcium Carbonate (CC), Sorbitol & liquid glucose (LG) and starch in its product portfolio. The manufacturing facilities for CC and starch (corn grinding) are located at Muzaffarnagar (UP), Dhaula Kuan (HP) and Bharuch (Gujarat) with total installed capacity of 1,06,000 MTPA for CC and 87000 MTPA for sorbitol and liquid glucose and 60,000 MTPA for starch as on March 31, 2020. The company also manufactures by-products like gluten, corn oil and animal feed used for cattle and poultry feed. The company has also set up facilities for Onsite Precipitated Calcium Carbonate (Onsite PCC) Plant for various companies in Paper Industry including ITC Ltd, Orient Paper Mill, etc. The Onsite PCC plant for paper mills is a patent technology developed by the company which helps GPL to derive economy in cost, production and supply chain.

Further, from Dec 2017, GPL had commenced the commercial production of ENA and Rectified Spirit and as on date the total installed capacity of the same stands at 60,000 liters per day. Till FY20 (refers to period April 01 till March 31), the sales contribution from ENA/ Liquor related segment has remained low at around 1-2% of total sales, however, the same has started picking up in H1FY21 as the company has sold more ethanol to oil marketing Public Sector Undertakings in H1FY21. Going forward, the company expects to increase its sales from this segment. Further, the company has also got license in September 2020 for wholesale supply of country spirits/ liquor in the state of Madhya Pradesh which will further enhance its scale of operations along with diversifying its revenue profile.

Reputed clientele from diverse industries

The client profile of GPL is diversified and includes reputed players from various industries. GPL derives its revenue from sale of products like sorbitol, liquid glucose, fructose, CC, by-products and ENA/IMFL as well as trading of calcium carbonate. Sorbitol, starch and its derivative products find application in diverse industrial and commercial uses such as food & drink, paper & board, personal care & pharmaceuticals, textile, FMCG, animal & pet foods etc. CC is used in PVC irrigation pipes and cables, paints, dentifrice, detergents, rubbers, plastics etc. along with personal health and food production. It is also used as a building material in marble and as an ingredient of cement.

Comfortable financial risk profile

The financial risk profile of GPL remained comfortable. During FY21 (refers to period from April 01 to March 31), the company has registered growth in operating income of 23.31% to Rs.766.69 crore (PY: Rs 621.74 crore). The PBILDT margin for FY21 stood at 17.41% as against 11.23% in FY20 primarily due to higher demands and better realizations because of improvement in

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

raw material prices in H2FY21. Further in 9MFY21 (refers to period April 01 till December 31), the company registered the revenue of Rs. 809.44 crore as compared to Rs.539.25 crore in 9MFY21 with a substantial increase of 50.10% y-o-y. The improvement in revenue is attributable to the grain processing business which has grown substantially due to favourable conditions and good demand in the market as compared to 9MFY21 which was affected due to the pandemic. The PBLIDT and PAT for 9MFY22 stood at Rs.126.33 crore (PY: Rs.88.39 crore) and Rs.73.80 crore (PY: Rs.40.91 crore) respectively. The increase in profitability and margins is on account of increase of sales contribution from distillery and grain processing segment which fetched better margins for the company. The capital structure of the company also stood comfortable with the debt to equity and overall gearing ratio stood 0.03x and 0.03x respectively as on March 31, 2021 improved from previous year when the respective ratios stood at 0.14x and 0.33x as on March 31, 2020 due to scheduled repayment of debt and enhanced net worth base on account of accretion of profits to reserves. Company is planning to undertake capex to expand its ethanol manufacturing unit.

Liquidity: Adequate

The liquidity profile of the company is adequate with the average working capital utilization of ~75% for the last 12 months ending leaving sufficient buffer in the working capital lines. The company has further, reduced its overall sanctioned working capital limits from Rs.110 crore to Rs.90 crore in August 2020. The company has an operating cycle of 73 days as on March 31, 2021. As on March 31, 2021, the company had cash and cash equivalents of Rs. 17.88 crore. Current ratio stood at 2.33x (PY: 1.43x) as on March 31, 2021.

Key Rating Weaknesses

Volatility in agro-based raw material availability & prices

The Maize prices remain volatile on account of various factors including changes in minimum support prices (MSP) announced by the government, actual production levels, inflation, growth in the economy, demand supply scenario etc. Maize is mainly a rain fed kharif crop which is sown just before the onset of monsoon and is harvested after retreat of the monsoon. Cost of maize forms around 70% of the operating income of the company. When the price of maize falls significantly, in order to protect farmers' interests, the government implements minimum support prices at which maize should be sold in the market. This impacts the cost of procurement of maize.

Competition from the organized and small-scale unorganized units

In the Sorbitol industry, although the company is having a dominant position, it faces competition from other large organized players. Furthermore, the CC industry in India comprises of few organized players and other small-scale unorganized players. GPL faces competition from both the organized and unorganized players. The company also faces competition from cheaper imports.

Analytical approach: Standalone

Applicable criteria

Policy on Withdrawal of ratings
Criteria on assigning Outlook to Credit Rating
Criteria for Short Term Instruments
CARE's default recognition policy
Financial ratios - Non Financial Sector
Rating Methodology- Manufacturing companies

About the Company

GPL was incorporated in 1981 as Gulshan Sugar & Chemicals Ltd (GSCL) for manufacturing of Calcium Carbonate with an initial capacity of 2100 MTPA at Muzaffarnagar (UP). In 1996, GSCL diversified into manufacturing Sorbitol with an initial capacity of 15000 MTPA. In 2000, the Sorbitol business was demerged into a separate entity in the name of Gulshan Polyols Ltd (GPL). In 2007, the management decided to merge the two entities to drive cost benefits and improve overall profitability. In effect, GSCL was merged with GPL. Presently, GPL is engaged in the manufacturing of Calcium Carbonate (CC) and Sorbitol & Liquid Glucose (LG) and starch. The manufacturing facilities for CC are located at Muzaffarnagar (UP), Dhaula Kuan (HP), Abu Road (Rajasthan) and Patiala (Punjab) while that of Sorbitol & LG are located at Bharuch (Gujarat). Further, from Dec 2017, GPL had commenced the commercial production of ENA and Rectified Spirit and as on date the total installed capacity of the same stands at 60,000 liters per day. As on March 31, 2020, the total installed capacity of Sorbitol & LG stood at 87,000 MTPA, CC was 1,06,000 MT and starch was at 60,000 MTPA.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY21 (UA)
Total operating income	621.74	766.69	809.44
PBILDT	69.82	131.38	126.36
PAT	20.58	62.46	73.80
Overall gearing (times)	0.33	0.03	-
Interest coverage (times)	6.13	20.07	35.30

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based-Long Term		-	-	-	0.00	Withdrawn
Non-fund-based-Short Term		-	-	-	0.00	Withdrawn
Term Loan-Long Term		-	-	-	0.00	Withdrawn

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based-Long Term	LT	-	-	-	1)CARE A+; Stable (08-Jan-21)	1)CARE A+; Stable (17-Jan-20)	1)CARE A+; Stable (28-Dec-18)
2	Non-fund-based-Short Term	ST	-	-	-	1)CARE A1+ (08-Jan-21)	1)CARE A1+ (17-Jan-20)	1)CARE A1+ (28-Dec-18)
3	Term Loan-Long Term	LT	-	-	-	1)CARE A+; Stable (08-Jan-21)	1)CARE A+; Stable (17-Jan-20)	1)CARE A+; Stable (28-Dec-18)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: NA

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based-Long Term	Simple
2	Non-fund-based-Short Term	Simple
3	Term Loan-Long Term	Simple

Annexure 5: Bank Lender Details for this Company
To view the lender wise details of bank facilities please click here

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About CARE Ratings Limited:
Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.
With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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