

Gulshan Polyols Ltd

November 07, 2017

Ratings

Facilities	Amount(Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	199.44 (enhanced from 170.51)	CARE A+; Stable (Single A Plus; Outlook: Stable)	Reaffirmed
Short-term Bank Facilities	5.56 (reduced from 12.18)	CARE A1+ (A One Plus)	Reaffirmed
Total Bank Facilities	205 (Rupees Two Hundred And Five Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings of Gulshan Polyols Ltd (GPL) continue to derive strength from GPL's comfortable financial risk profile characterized by growing scale of operations, 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, its reputed clientele from diverse industries along with diversified product profile. The ratings are, however, constrained by volatility in prices of agro-based raw material and consequent impact on margins, its high working capital cycle and competition from organized and unorganized players. Going forward, the company's ability to sustain profitability margins and overall gearing and timely completion of the project within the envisaged cost would remain the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Comfortable financial risk profile

In FY17, the total income increased by 14.20% on account of increase in sales volume of Sorbitol, liquid glucose, calcium carbonate, DMH and MDP. PBILDT and PAT margins however moderated slightly on account of increase in raw material prices of maize and rice and relatively lower realizations. The financial risk profile of GPL have improved with repayment of term loans despite moderate increase in working capital limits as reflected by overall gearing (0.64 times as on March 31, 2017) and strong coverage indicators (interest coverage ratio of 11.67 times for FY17).

Experienced promoters & management team

The promoter of GPL, Dr CK Jain, B.Sc. and Ph. D, has an experience of over four decades in indigenizing, developing and operating the chemicals industry. The company's senior management team comprises well-qualified and experienced professionals. The company's board comprises of ten directors of which five are executive directors looking after separate operational areas.

Diversified product profile

GPL is having a diversified product profile comprising of Calcium Carbonate (CC), Sorbitol & liquid glucose (LG). In FY17 the company has further added starch to its portfolio. The manufacturing facilities for calcium carbonate (CC) and starch (corn grinding) are located at Muzaffarnagar (UP), Dhaula Kuan (HP), Bharuch (Gujarat), Sahibabad (UP) and Patiala (Punjab) with total installed capacity of 135,000 MTPA for CC and 40000 MTPA for starch. The company has also set up facilities for Onsite Precipitated Calcium Carbonate (Onsite PCC) Plant for various companies in Paper Industry and will also maintain the supply of raw material for the same. The manufacturing unit for Sorbitol & LG is located in Bharuch (Gujarat) with total installed capacity of 82,000 MTPA as on March 31, 2017.

Reputed clientele from diverse industries

The client profile of GPL is diversified and includes reputed players from various industries. Sorbitol finds application in Tooth paste, Pharma, Vitamin-C Cosmetics, Paper and paints. Apart from this, GPL exports Sorbitol to over 25 countries covering three continents of Asia, Africa & Australia. CC is used as filler or extender in various chemical and allied industries such as PVC, Rubber, Oral care, paper, paints, pharmaceuticals etc. The top 10 customers contributed to 33% of the total sales in FY17

Prospects

The favorable demand conditions in the domestic and export market augur well for the company. Starch finds applications in diverse industries which include food and beverage, paper, pharmaceutical, textile, etc. With the companies globally focusing on innovations in their product portfolio through R&D, the demand for starch and its derivatives has picked up in a number of industries in India as well as in the international markets. Going forward, the company's ability to improve the profitability margins would remain the key rating sensitivity.

Key Rating Weaknesses

Volatility in agro-based raw material availability & prices

GPL's major raw material for manufacture of Sorbitol, LG and starch is maize (corn) and is mainly available on seasonal basis from Punjab, Karnataka, Maharashtra and Andhra Pradesh (September-February) and Madhya Pradesh, Uttar Pradesh and Bihar (May-July). The maize prices remain volatile on account of fluctuations in minimum support prices (MSP) by the government, actual production levels, inflation, growth in the economy etc.

Elongated working capital cycle

The working capital of the company is comfortable with the current ratio of 1.23 times, though the operating cycle is elongated at 84 days as on March 31, 2017 (PY:84 days) on account of seasonal nature of raw materials. The average working capital utilization is comfortable at 57% in the last 12 months ending September, 2017.

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 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

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology-Manufacturing Companies](#)

[Criteria for Short Term Instruments](#)

[Financial ratios – Non-Financial Sector](#)

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). The manufacturing facilities for CC are located at Muzaffarnagar (UP), Dhaula Kuan (HP), Bharuch (Gujarat), Sahibabad (UP), Abu Road (Rajasthan) and Patiala (Punjab) while that of Sorbitol & LG are located at Bharuch (Gujarat) & Muzaffarnagar (UP). The total installed capacity of Sorbitol & LG is 82,000 MTPA, CC is 135,000 MTPA and for starch is 60000 MTPA as on March 31, 2017.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	441.15	503.81
PBILDT	60.77	60.59
PAT	30.50	27.91
Overall gearing (times)	0.63	0.64
Interest coverage (times)	15.78	11.67

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based-Long Term	-	-	-	130.00	CARE A+; Stable
Non-fund-based-Short Term	-	-	-	5.56	CARE A1+
Term Loan-Long Term	-	-	August 2020	69.44	CARE A+; Stable

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based-Long Term	LT	130.00	CARE A+; Stable	-	1)CARE A+ (12-Sep-16)	1)CARE A+ (18-Sep-15)	1)CARE A+ (08-Dec-14)
2.	Non-fund-based-Short Term	ST	5.56	CARE A1+	-	1)CARE A1+ (12-Sep-16)	1)CARE A1+ (18-Sep-15)	1)CARE A1+ (08-Dec-14)
3.	Term Loan-Long Term	LT	69.44	CARE A+; Stable	-	1)CARE A+ (12-Sep-16)	1)CARE A+ (18-Sep-15)	1)CARE A+ (08-Dec-14)

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