

December 26, 2024

Ganga Rasayanie Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based – Term loan	20.00	6.59	[ICRA]BBB+(Stable); reaffirmed
Long term – Fund-based/Non-fund based	93.00	123.41	[ICRA]BBB+(Stable); reaffirmed
Long term/Short term –Interchangeable	(85.00)	(123.41)	[ICRA]BBB+(Stable)/[ICRA]A2; reaffirmed
Long term/Short term – Unallocated	17.00	-	-
Total	130.00	130.00	

*Instrument details are provided in Annexure-I

Rationale

The reaffirmation of the ratings continues to factor in the extensive experience of Ganaga Rasayanie Private Limited (GRPL/the company) in the solvent industry and its established relationship with diversified customers across industries. The ratings factor in a comfortable financial risk profile with healthy operating income (OI), supported by healthy realisations and sale volumes, conservative capital structure and comfortable debt coverage metrics. Further, the Dahej plant is expected to begin commercial operations in Q4 FY2025, which is likely to support a healthy growth in OI from FY2026.

ICRA notes the delay in achieving the commercial operation of the Dahej plant. However, the relatively low dependence on the external debt for the capex and no major project cost overruns is expected to keep the capital structure and coverage indicators comfortable. Nonetheless, any major upward revision in the project cost remains a sensitivity factor.

The ratings are, however, constrained by the risks associated with the stabilisation of the expansion project at Dahej. Further, ICRA notes that GRPL's profitability remains exposed to the fluctuations in the prices of key raw materials, which are crude oil derivatives. The demand-supply dynamics, forex risks and stiff competition from other large oil refineries and imports are the other constraining factors.

The Stable outlook on the long-term rating reflects ICRA's expectation that GRPL is likely to sustain its operating metrics. Further, the outlook underlines ICRA's expectation that the entity's incremental capex, which will help expand the product portfolio and capacity, will be funded in a manner that it is able to durably maintain its debt protection metrics commensurate with the existing rating.

Key rating drivers and their description

Credit strengths

Experienced management and established position 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. Further, the company, incorporated in 1977, has an established relationship with key intermediaries and end customers, which reduces the offtake risk to some extent.

Large and diversified customer profile - GRPL's revenue is derived from a diversified customer base across various industry segments such as paints and coatings, the oil feed chemical industry and petrochemicals, mitigating the sector-specific risks to

some extent. Further, GRPL's top five customers accounted for ~35% of the total revenue in FY2024, the lower level of customer concentration.

Comfortable financial risk profile - GRPL's financial risk profile remained favourable, with a conservative capital structure (gearing of 0.3 times as on March 31, 2024) and comfortable debt coverage indicators, reflected in TD/OPBDITA of 1.2 times and interest coverage of 11.4 times in FY2024. The capital structure and coverage metrics are expected to remain healthy in the medium term despite a likely moderation in the near term (FY2025) due to a dip in the operating profitability. Further, the company is undergoing capex for capacity expansion, which will support future revenue growth. ICRA notes that the impact of the capex on the capital structure and coverage indicators will be minimal as majority of the capex is funded through internal accruals.

Credit challenges

Risks associated with timely completion and stabilisation of expansion project - GRPL has undertaken an expansion project at 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. Phase I of the project is scheduled to be commissioned in Q4 FY2025, whereas phase II is scheduled to be commissioned in FY2026. ICRA notes the delay in achieving the commercial operation of the plant. However, the relatively low dependence on external debt for the capex and no major project cost overrun is expected to keep the capital structure and coverage indicators comfortable. Nonetheless, any major upward revision in project costs and stabilisation of the expansion project remain the sensitivity factors.

Exposure to raw material price fluctuation and forex risk - The company's profitability metrics remain exposed to the fluctuation in the prices of the raw material and the associated lag in passing on the same to the customers. However, in the three years ended FY2022, the operating profit per kg has been range-bound at Rs. 3.6-3.7 per kg, though it improved sharply in FY2023 and FY2024 due to supply-demand constraints. The same is likely to moderate to historical averages in the near term due to various demand challenges.

GRPL also remains exposed to foreign currency fluctuation risks as 40-50% of the company's raw materials are imported; however, a simultaneous export of around 40% of the total sales mitigates the risk to some extent. Further, the company manages its forex risk through internal risk mitigation policies.

Intense competition from large oil refineries and imports – The petrochemical sector faces intense competition from large refineries in India and from imports. However, the entry barriers in the industry, in terms of quality, chemical usage, pollution control and approval, coupled with its preferred supplier status with the end-user industries, provide GRPL with a competitive advantage.

Liquidity position: Adequate

GRPL's liquidity is expected to remain adequate, even after the near-term capex, as the repayments are limited compared to the expected accruals and cushion is available in the working capital limits (average working capital limit utilisation of 51% during the 12-month period of November 2023-October 2024). Further, the company has cash and liquid investment of ~Rs. 7 crore as on March 31, 2024.

Rating sensitivities

Positive factors – ICRA may upgrade GRPL's ratings if the company is able to scale up its operations, while improving the profitability and coverage indicators.

Negative factors – Pressure on GRPL's ratings could arise if a significant decline in revenue and profitability deteriorates the capital structure and the overall liquidity profile of the company. Further, any major cost overrun in commissioning the Dahej project and additional dependence on debt impacting the company's overall liquidity profile could be a negative trigger.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Chemicals
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the standalone financials of Ganga Rasayan Private Limited

About the company

Ganga Rasayan 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 and the 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 at 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 at Dahej, Gujarat, with an installed processing capacity of 216,000 MTPA and a storage capacity of 20,000 MT, which is expected to achieve commercial operations in Q4 FY2025.

Key financial indicators

GRPL Standalone	FY2023	FY2024
Operating income	540.1	548.6
PAT	27.3	23.1
OPBDIT/OI	7.6%	6.2%
PAT/OI	5.1%	4.2%
Total outside liabilities/Tangible net worth (times)	0.7	1.1
Total debt/OPBDIT (times)	0.9	1.2
Interest coverage (times)	11.4	11.4

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore

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	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
			Dec 26, 2024	Sep 5, 2023	Jul 29, 2022	Apr 08, 2021	-
1 Term loans	Long term	6.59	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB (Positive)	[ICRA]BBB (Positive)	-
2 Fund based/Non-Fund based facilities	Long term	123.41	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB (Positive)	[ICRA]BBB (Positive)	-
3 Interchangeable	Long term and short term	(123.41)	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB (Positive)/ [ICRA]A3+	[ICRA]BBB (Positive)/ [ICRA]A3+	-
4 Unallocated limits	Long term and short term	-	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB (Positive)/ [ICRA]A3+	[ICRA]BBB (Positive)/ [ICRA]A3+	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term loan	Simple
Fund-based/Non-fund-based facilities	Simple
Interchangeable	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan-I	Aug 2020	NA	FY2027	6.59	[ICRA]BBB+(Stable)
NA	Fund-based/Non-fund based facilities	NA	NA	NA	123.41	[ICRA]BBB+(Stable)
NA	Interchangeable	NA	NA	NA	(123.41)	[ICRA]BBB+(Stable)/[ICRA]A2

Source: Company

Annexure II: List of entities considered for consolidated analysis- Not applicable.

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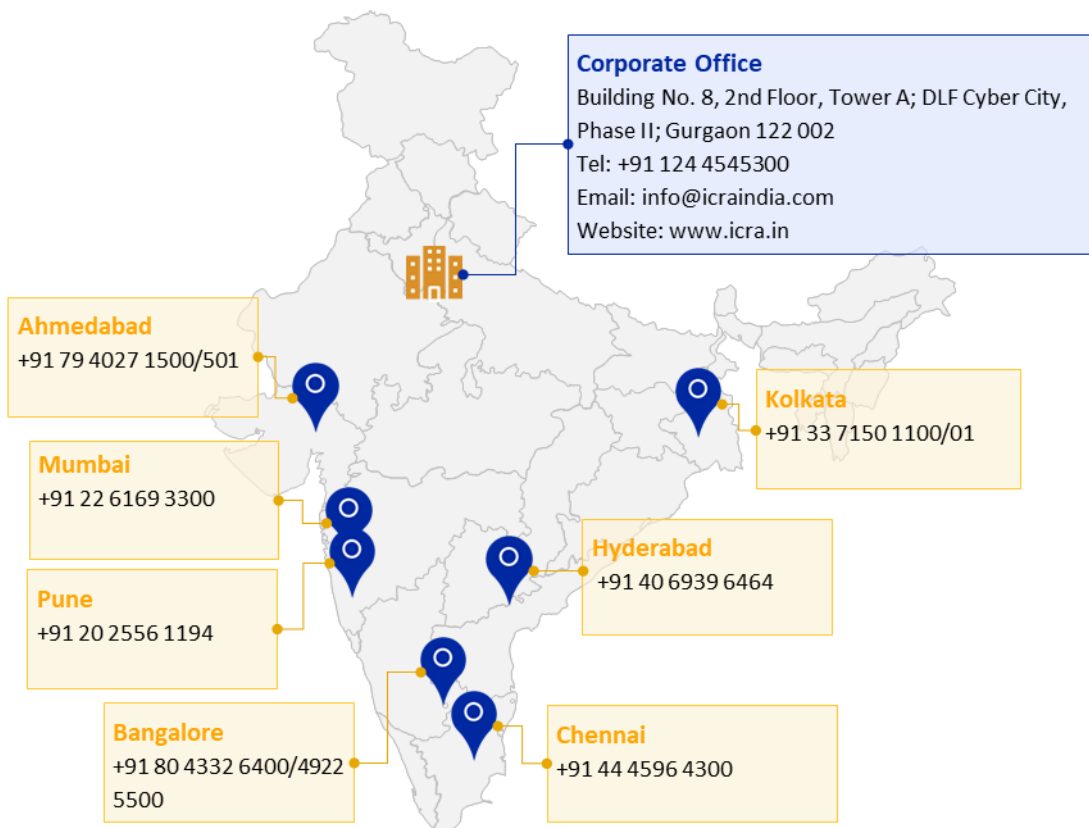
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