

Gowra Petrochem Private Limited

Instrument	Amount In Rs Crore	Rating Action
Long Term Fund Based Limits	9.82 (Revised from 7.00)	[ICRA]BBB(stable) reaffirmed
Long Term Non-Fund Based Limits	1.10	[ICRA]BBB(stable) reaffirmed
Short Term Non-Fund Based Limits	9.40	[ICRA]A2 upgraded
Long Term / Short Term Fund Based/Non-Fund Based Limits	24.50	[ICRA]BBB(stable)/[ICRA]A2 assigned
Short Term Unallocated Limits	0.98 (Revised from 10.30)	[ICRA]A2 upgraded

ICRA has reaffirmed the long term rating of [ICRA]BBB (pronounced ICRA triple B) assigned to Rs. 9.82 crore¹ fund-based limits (revised from Rs. 7.00 crore) and Rs. 1.10 non-fund based limits of Gowra Petrochem Pvt. Ltd. (GPPL)². ICRA has upgraded the short-term rating assigned to the Rs.9.40 crore non-fund based limits and Rs. 0.98 crore short-term unallocated limits (revised from Rs. 10.30 crore) to [ICRA]A2 (pronounced ICRA A two) from [ICRA]A3+ (pronounced ICRA A three plus). ICRA has also assigned the ratings of [ICRA]BBB/[ICRA]A2 to the Rs. 24.50 crore fund-based/ non-fund based limits (fully interchangeable limits) of GPPL. The outlook on the long-term rating is Stable.

The short term rating upgrade factors in improved liquidity position of the company as reflected by low average utilisation of fund based limits in the last 12 months owing to decrease in debtors in FY2016. The ratings continue to factor in GPPL's established relationship with Reliance Industries Limited (RIL) as a Del Credere Agent (DCA); diversified portfolio with revenues from DCA and trading business; and comfortable financial risk profile with gearing of 0.67 times as on March 31, 2016, interest coverage of 4.04 times, Total Debt/OPBDITA at 2.28 times and NCA/Total Debt at 19% for FY2016. The rating also takes into account the robust risk management practices followed by GPPL to mitigate the counterparty credit risk in the DCA business.

However, the ratings are constrained by the reduced volume off-take in FY2016 by ~12.5% owing to lower off-take of RIL Polypropylene (PP) and Poly vinyl chloride (PVC) resins; dip in operating margins from 10.45% in FY2015 to 9.55% in FY2016 with increasing contribution from trading sales and moderate net worth base compared to the credit risk undertaken by GPPL. The top five debtors in the DCA business accounted for 73% of total net worth as on March 31, 2016 which has improved from 84% levels as on March 31, 2015. GPPL is exposed to the counterparty credit risk in its DCA business as any default on payments could have an adverse impact on the profitability of the company. The company faces moderate customer concentration risk in both trading and DCA businesses.

Going forward, increase in RIL's volumes, improvement in profitability and management of liquidity will be the key rating sensitivities.

Company Profile

M/s Gowra Petrochem Pvt. Ltd. (GPPL) was incorporated in March 1995 to conduct business in indenting, consignment sales, stocking and trading of various polymers, organic, inorganic chemicals, solvents and intermediates. The firm is a del credere agent (DCA) of Reliance Industries Limited (RIL) for distribution of polymer products in Andhra Pradesh since 1996. The company is also a DCA for Thirumalai Chemicals Ltd., Chemidye Manufacturing Company, Chemplast Sanmar Ltd., Payal Polyplast Pvt. Ltd. and Cabot Senmar Ltd. GPPL is also involved in direct trading of some chemicals and solvents used in the pharmaceuticals industry.

Recent Results

¹100 lakh = 1 crore = 10 million

²For complete rating scale and definitions, please refer to ICRA's website <http://www.icra.in> or other ICRA Rating Publications.

As per the audited financials, GPPL reported an operating income of Rs. 127.94 crore with profit after tax of Rs. 6.37 crore in FY2015. The company reported an operating income of Rs. 133.70 crore with profit after tax of Rs. 6.25 crore in FY2016 (unaudited and provisional).

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