



### Press Release

## GUJARAT POLYSOL CHEMICALS LIMITED (ERSTWHILE GUJARAT POLYSOL CHEMICALS PRIVATE LIMITED)

August 08, 2024

### Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	17.56	ACUITE A-   Stable   Assigned	-
Bank Loan Ratings	55.21	ACUITE A-   Stable   Reaffirmed	-
Bank Loan Ratings	77.00	-	ACUITE A2+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	149.77	-	-

### Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) and the short-term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs.132.21 Cr. bank facilities of Gujarat Polysol Chemicals Limited (GPCL). The outlook remains '**Stable**'.

Acuite has assigned the long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) on the Rs.17.56 Cr. bank facilities of Gujarat Polysol Chemicals Limited (GPCL). The outlook remains '**Stable**'.

### Rationale for reaffirmation

The rating reaffirmation considers the stable business risk profile of the company, established market position of the company in the chemical industry with experienced promoters. The rating also factors in the healthy financial risk profile and adequate liquidity position of the company. However, the rating is constrained by the working capital-intensive nature of operations and susceptibility of operating performance to input price volatility and foreign fluctuation risk.

### About the Company

Gujarat Polysol Chemicals Limited (Erstwhile Gujarat Polysol Chemicals Private Limited) is a Vapi, Gujarat based company incorporated in 1989. It is engaged in manufacturing of chemicals where the end use is in various sectors like Infrastructure, textile, agriculture and leather. The company's finished products are the intermediates which are used as raw

material for further admixture industries to make their final products. The company has 4 manufacturing facilities, 2 units in Vapi, 1 unit Sarigam (Gujarat) and the last one at Dadra & Nagra Haveli at a capacity of 184,400 Metric Tonnes Per Annum (MTPA). The promoters of the Company are Mr. Shaileshkumar Balvantrai Desai, Mr. Umang Shaileshbhai Desai and Ms. Bhavisha Shaileshbhai Desai.

### **Unsupported Rating**

Not Applicable

### **Analytical Approach**

Acuité has considered the standalone business and financial risk profile of GPCL while arriving at the rating.

### **Key Rating Drivers**

## Strengths

### Established track record of operations and experienced management

GPCL is being promoted by Mr. Shailesh Desai and family members. The promoters have an experience of more than three decades in the chemical industry. The extensive experience of the promoters and established track record of operation has helped the company to maintain healthy relationship with its customers and suppliers. The chemicals manufactured by the company find it use in industries like Infrastructure, Agro/ Pesticide, Leather and Textile industries wherein the chemicals are used as an admixture to make the final product.

The company generates around 64.5 percent of revenue from Infratech chemicals followed by 11.00 percent from textile and 19.00 and 5.50 percent respectively from agrochemicals and leather chemicals. Through continuous innovations and R & D the company keeps adding products to its portfolio which can be used in various industries. Acuite believes that the company will benefit from its experienced management, long track of operation and diversified product portfolio.

### Stable operating performance

GPCL has witnessed growth in operating performance with a 3.18% growth in the absolute terms of its revenues. Revenue of the company stood at Rs.504.99 Cr. in FY2024(Prov) as against Rs.489.41Cr. in FY2023. However there had been growth by ~22% in terms of volume of the products. But in absolute term it is showing at a lower percentage due to decline in the price realisation. The growth seen in the revenue is driven by the increased demand on account of resumption of infrastructural and manufacturing activities in the industry.

The operating margins of the company improved to 18.39% in FY2024(Prov) vis-à-vis 15.93% in FY2023. The same has been a result of better absorption of costs and reduction in price of raw materials. With constant modifications and innovations, new products are being added in product portfolio which fetch higher margins. Also, the company's PAT margins have also improved to 12.34 % in FY2024(Prov) from 10.13 % in FY2023 mainly on account of improvement in operating margins.

Acuite believes that the business risk profile of the company will continue to improve with the diversified product portfolio and healthy demand expected in the chemical industry. Further, with the acquisition of sister concern's manufacturing facility, the company's scale of operations is expected to improve over the medium term.

### Healthy financial risk profile

GPCL's financial risk profile is healthy marked by strong net worth, low gearing coupled with comfortable debt protection metrics and coverage indicators. The company's net worth stood at Rs.295.51 Cr. as on 31<sup>st</sup> March 2024(Prov) as against Rs.231.92 Cr. as on 31<sup>st</sup> March 2023. Increase in tangible net worth is on account of healthy accretion of profits to reserves over the period.

Gearing of the company remains at the same level 0.24 times as on 31<sup>st</sup> March 2024(Prov) and as on 31<sup>st</sup> March 2023. Total debt of the company stood at Rs. 70.43 crore in FY2024(Prov) as against Rs.56.29 crore in FY2023. Total debt of the company includes long term debt of Rs.46.79 Cr. and short term debt of Rs. 23.63 Cr. TOL/TNW of the company improved and stood at 0.53 times as on 31<sup>st</sup> March 2024(Prov) as against 0.55 times as on 31<sup>st</sup> March 2023. NCA/TD stood at similar level i.e 0.98 times as on 31<sup>st</sup> March 2024(Prov) as against 0.97 times as on 31<sup>st</sup> March 2023.

Debt protection metrics of the company are comfortable with DSCR at 4.62 times in FY2024(Prov) as against 3.36 times in FY2023. Interest coverage ratio (ICR) improved and stood at 19.42 times in FY2024(Prov) as against 11.12 times in FY2023.

Acuite believes that the financial risk profile of the company will continue to remain healthy on account of its healthy revenue growth, healthy cash accruals and no major debt funded capex in near to medium term.

## Weaknesses

### Working capital intensive nature of operations

Working capital operations of the GPCL are intensive with GCA days at 226 days in FY2024(Prov) as against 187 days in FY2023. Elongated GCA days are driven by high debtor

collection period and significant loans and advances to related parties. The extent of exposure of funds to related parties would remain a key monitorable.

Debtor days stood at 113 days in FY2024(Prov) as against 111 days in FY2023 in line with credit policy of the Company. The inventory holding period improved and stood at 37 days in FY2024(Prov) as against 41 days in FY2023. The creditor days stood at 81 days in FY2024(Prov) as against 63 days in FY2023. The average bank limit utilization stood low at around 20.66 percent for six months ended June, 2024.

Acuite expects the working capital operations to remain intensive over the medium term on account of higher debtor collection period offered to its customers for the payment realization.

### **Susceptibility of operating performance to input price volatility and foreign fluctuation risk**

The raw materials are procured both from the domestic market as well as through the imports. Around 50 percent of the products are procured through imports from countries like South Korea, Spain Singapore and China to name a few. The prices of the raw material are highly volatile in nature and any adverse movement in the price of raw material may impact the profitability of the Company. Due to significant exposure to imports, there is a foreign fluctuation risk associated to it. However, the company mitigates this risk as it carries forward the price fluctuation risk on its customer. There is a price escalation clause in every contract wherein a specific timeline is mentioned for supplying the product and also any fluctuation in the price of the raw material is carried forward on the customers. Engaging itself into forward contracts, placing back-to-back orders and procuring the raw material at bulk quantity helps the company to mitigate price volatility risk to a larger extent. Despite this, the operating margin of the company has fluctuated between 15.93% and 14.88% in last 2 years with an operating margin of 18.39% as on March 31, 2024(Prov). Acuite believes that the operating margins of the company will continue to remain volatile and susceptible to raw material price changes and foreign exchange fluctuations over the medium term.

### **Rating Sensitivities**

- Improvement in the scale of operation while sustainability its profitability margin at the current level
- Elongation of working capital cycle
- Any large debt funded capex plan
- Extend of fund exposure in group entities

### **Liquidity Position Adequate**

Liquidity of GPCL is adequate with sufficient net cash accruals as against its debt repayment obligation. Net cash accruals of the company stood at Rs.68.67 Cr. in FY2024(Prov) as against debt repayment obligation of Rs. 11.03 Cr. Net cash accruals are expected to remain sufficient in the range of Rs 73 Cr. to Rs. 83 Cr. as against debt repayment obligation of Rs. 7 Cr. to Rs. 11 Cr. Bank limit utilisation remained low with average utilisation of 20.66% for 6 months ended June 2024. GPCL has maintained unencumbered cash balance of Rs 1.47 crore as on 31st March 2024(Prov) as against Rs.0.95 crore as on 31st March 2023. The current ratio of the company stood at 2.29 times as on March 31, 2024(Prov). However, the company has extended unsecured loans to its wholly owned subsidiary for setting up a chemical plant in Alwar, Rajasthan and is expected to support the group company over the medium term to set up the plant . GPCL has also acquired another unit Phthalo colours and chemicals (India) Limited. The capital outlay till year ended FY24 is of Rs. 57.37 Cr. Out of Rs 57.37 Cr. Rs 45.31 Cr. were funded to Phthalo colours and chemicals (India) Limited and the same would be recovered in the coming 4 months i.e upto Dec-24. No further funding would be done for this unit. The company has also provided corporate guarantees to the bank debts of Phthalo colours and chemicals (India) Limited.

Acuite believes that the liquidity of GPCL will remain adequate on the back of increasing accruals, absence of major debt funded capex plans, healthy current ratio low bank limit utilisation over the medium term.

**Outlook: Stable**

Acuité believes that the company will maintain a stable outlook over the medium term backed by its experienced management, established track record of operation in the chemical industry and healthy financial risk profile. The outlook may be revised to 'Positive' if the company registers higher than expected growth in its revenue while maintaining its operating margins at its current levels along with efficient working capital management. Conversely, the outlook may be revised to "Negative", if the company registers lower than expected growth in revenues , decline in profitability or in case of further exposure to group entities or elongation in the working cycle.

**Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	504.99	489.41
PAT	Rs. Cr.	62.33	49.57
PAT Margin	(%)	12.34	10.13
Total Debt/Tangible Net Worth	Times	0.24	0.24
PBDIT/Interest	Times	19.42	11.12

### Status of non-cooperation with previous CRA (if applicable)

Not Applicable

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
17 Nov 2023	Term Loan	Long Term	1.88	ACUITE Not Applicable (Withdrawn)
	Term Loan	Long Term	0.47	ACUITE Not Applicable (Withdrawn)
	Term Loan	Long Term	10.04	ACUITE Not Applicable (Withdrawn)
	Proposed Long Term Bank Facility	Long Term	0.40	ACUITE Not Applicable (Withdrawn)
	Letter of Credit	Short Term	40.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	1.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	35.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	23.00	ACUITE A-   Stable (Reaffirmed (Positive to Stable))
	Bills Discounting	Long Term	1.00	ACUITE A-   Stable (Reaffirmed (Positive to Stable))
	Cash Credit	Long Term	15.00	ACUITE A-   Stable (Reaffirmed (Positive to Stable))
	Term Loan	Long Term	13.45	ACUITE A-   Stable (Reaffirmed (Positive to Stable))
	Proposed Long Term Bank Facility	Long Term	3.76	ACUITE A-   Stable (Reaffirmed (Positive to Stable))
24 Aug 2022	Cash Credit	Long Term	23.00	ACUITE A-   Positive (Reaffirmed (Stable to Positive))
	Term Loan	Long Term	1.88	ACUITE A-   Positive (Reaffirmed (Stable to Positive))
	Bills Discounting	Long Term	1.00	ACUITE A-   Positive (Reaffirmed (Stable to Positive))
	Term Loan	Long Term	0.47	ACUITE A-   Positive (Reaffirmed (Stable to Positive))
	Cash Credit	Long Term	15.00	ACUITE A-   Positive (Reaffirmed (Stable to Positive))
	Term Loan	Long Term	23.49	ACUITE A-   Positive (Reaffirmed (Stable to Positive))
	Proposed Long Term Bank Facility	Long Term	4.16	ACUITE A-   Positive (Reaffirmed (Stable to Positive))
	Letter of Credit	Short Term	40.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	1.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	35.00	ACUITE A2+ (Reaffirmed)
	Term Loan	Long Term	17.92	ACUITE A-   Stable (Assigned)
	Term Loan	Long Term	2.50	ACUITE A-   Stable (Upgraded from ACUITE BBB+   Stable)
	Term Loan	Long Term	1.88	ACUITE A-   Stable (Upgraded from ACUITE BBB+   Stable)
	Proposed Long Term Bank Facility	Long Term	7.70	ACUITE A-   Stable (Assigned)
		Long		ACUITE A-   Stable (Upgraded from

28 May 2021	Cash Credit	Term	15.00	ACUITE BBB+   Stable)
	Cash Credit	Long Term	23.00	ACUITE A-   Stable (Upgraded from ACUITE BBB+   Stable)
	Bills Discounting	Long Term	1.00	ACUITE A-   Stable (Upgraded from ACUITE BBB+   Stable)
	Letter of Credit	Short Term	35.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Letter of Credit	Short Term	40.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Bank Guarantee (BLR)	Short Term	1.00	ACUITE A2+ (Upgraded from ACUITE A2)



## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE A2+   Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Bills Discounting	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE A2+   Reaffirmed
Axis Bank	Not avl. / Not appl.	Cash Credit	31 Aug 2023	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE A-   Stable   Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	15 Sep 2023	Not avl. / Not appl.	Not avl. / Not appl.	Simple	23.00	ACUITE A-   Stable   Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	40.00	ACUITE A2+   Reaffirmed
Axis Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	35.00	ACUITE A2+   Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	12 Feb 2024	Not avl. / Not appl.	07 Mar 2031	Simple	6.34	ACUITE A-   Stable   Reaffirmed
Axis Bank	Not avl. / Not appl.	Term Loan	05 Aug 2020	Not avl. / Not appl.	31 Jan 2027	Simple	10.87	ACUITE A-   Stable   Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	12 Feb 2024	Not avl. / Not appl.	07 Mar 2031	Simple	17.56	ACUITE A-   Stable   Assigned

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### About Acuité Ratings & Research

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