

## Ganesh Polychem Limited

Instrument	Amount (Rs. crore)	Rating Action
Long-term - proposed Term Loan	15.0	[ICRA]A (stable) assigned
Long-term - Fund Based / Cash Credit	15.0	[ICRA]A (stable) outstanding
Short-term – Non-fund Based Facility	5.0	[ICRA]A1 outstanding

Source: ICRA research

ICRA has assigned a long-term rating of [ICRA]A (pronounced ICRA A) to the Rs. 15.0 crore, proposed, Term Loan facility of Ganesh Polychem Limited (GPL or the company). ICRA also has long-term rating of [ICRA]A (pronounced ICRA A) outstanding on the Rs. 15.0 crore, fund based facilities and short-term rating of [ICRA]A1 (pronounced ICRA A one) outstanding on the Rs. 5.00 crore, non-fund based facilities of GPL. The outlook on long term is 'Stable'.

The ratings take into account the healthy profit margins of the company in FY2015 and FY2016, backed by a higher share of revenue from complex polymer intermediates such as Di-Chloro Di-Phenyl Sulfone (DCDPS), which commands higher margins than other speciality chemicals produced by GPL, such as Dimethyl Sulphate (DMS) and DiMethyl Aniline (DMA). Further, the enhanced capacity for DCDPS and DADPS is expected to commercialise by September 2016, which will almost double GPL's production capacity for Di-Amino Di-Phenyl Sulfone (DADPS or Dapsone) and DCDPS. The ratings continue to derive comfort from the strong managerial and financial support that GPL derives from its promoter, Aarti Industries Limited, and comfortable capital structure with low gearing and healthy coverage indicators. ICRA notes that the lengthy approval process for supplying organic intermediates to end-user industries like aerospace and hybrid cars acts as an entry barrier for other competitors, thereby benefiting incumbents like GPL. In addition, demand for GPL's products is expected to remain strong over the medium term. The ratings are, however, constrained by GPL's working capital intensive nature of business, high client concentration risk with large reliance on a single client, and limited product diversification with top four products commanding about ~96% of its operating income.

### About the Company

Ganesh Polychem Limited is a joint venture (JV) between Mumbai-based Aarti Industries Limited and the Bandodkar (BanChem) Group. Under the JV arrangement, Aarti Industries Limited (AIL) provides the financial flexibility and operational support, while the Bandodkar Group provides the technical expertise in development of complex polymer intermediates. Earlier, AIL had entered into a 50:50 partnership arrangement with Ganesh Chemical Industries (GCI) to manufacture Dimethyl Sulphate (DMS) and DiMethyl Aniline (DMA). In FY2006, GCI, the largest manufacturer of DiMethyl Aniline in the world was merged with GPL, as both GPL and GCI had a similar equity holding structure (50:50 equity holding between AIL and the Bandodkar Group). GPL has two plants at Vapi (Gujarat) and Dombivali (Maharashtra). It is the largest producer of Di-Chloro Di-Phenyl Sulfone (DCDPS) in the world, which is a complex polymer intermediate that finds its application in the aerospace industry, aircrafts and hybrid cars. GPL also produces Di-Amino Di-Phenyl Sulfone (DADPS or Dapsone). With AIL increasing its stake in GPL from 50.00% to 50.24% on 18 March 2016, GPL is now a subsidiary of AIL.

### Recent Results

As per audited financials for FY2016, GPL reported a net profit of Rs. 18.7 crore on an operating income (OI) of Rs. 128.7 crore, as against a net profit of Rs. 22.3 crore on an OI of Rs. 140.3 crore for FY2015.

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