

RATING RATIONALE

09 Mar 2020

Gourishanker Polymers

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹ 40.50 Crores of Gourishanker Polymers

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Jan 2019)	Present
Fund Based					
DFS Limits	20.00	30.00	Long Term	BWR BB[^] Stable	BWR BB Stable (Reaffirmation)
CC Limit	12.50	3.00			
Non-fund Based					
LC/BG	12.50	7.50	Short Term	BWR A4+[^]	BWR A4+ (Reaffirmation)
Total	45.00	40.50	INR Forty Crores & Fifty Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank facilities is provided in Annexure-I

[^]RNR advisory issued on 06 Jan 2020

RATING ACTION

The ratings of Gourishanker Polymers (GP or 'the firm') is reaffirmed, as the firm has sustained its debt protection metrics owing to improvements in EBITDA & net profit despite increase in interest expenses. Further, the firm has no large long term debt and all cash surplus is used to service working capital debt adding comfort to the rating. The ratings, however, remain constrained owing to deteriorating gearing ratios due to reduction in proprietor's capital and increase in short term borrowings. The ratings are also constrained by the proprietorship constitution of the firm limiting its financial flexibility and inheritance risks of capital withdrawal.

OUTLOOK: STABLE

BWR believes that the business risk profile of **Gourishanker Polymers** will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

KEY RATING DRIVERS

Credit Strengths:

- **Long experience of the proprietor:** GP, the proprietorship firm of Mr Vipul Mittal started trading in polymers in 1998. From FY18 onwards, the firm started functioning as an Del Credere Associate (commission agent) of Indian Oil Corporation Ltd. for the Uttarakhand region on a commission basis. However, it has continued to trade in products of companies other than IOCL also.
- **Moderate networth & profitability:** GP's net worth stood at Rs 9.84 crore at the end of FY19. Further, despite fall in revenues owing to a change in the business model (trading to commission based), the firm has increased its profits from Rs 0.81 Crs (FY18) to Rs 1.92 Crs in FY19. As a result, ISCR of the firm has improved from 1.23x (FY18) to 1.55x in FY19.

Weakness:

- **Elevated debt levels in FY19 resulting in higher gearing:** GP's debt levels have remained high in FY19 as it provides credit to the end customers of IOCL using the bank limits, although the available credit period from IOCL is agreed upon as per its DCA arrangement. The firm collects interest from its debtors in lieu of extending credit as its other income. However, the HDFC bank's cash credit limits have now been reduced from Rs 12.5 Crs to Rs 3 Crs in view of the change in the business model. The firm's projected short term borrowings in FY20 will be significantly less at Rs 30 Crs against Rs 42 Crs in FY19. The Debt:Equity & TOL/TNW ratio of the firm stood high at 4.42x & 5.46x in FY19.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

The rating of Gourishanker Polymers is arrived at on a standalone basis after independent evaluation of its financial risk profile. For arriving at its ratings, BWR has applied its rating methodology as detailed in the rating criteria detailed below (hyperlinks provided at the end of this rationale)

RATING SENSITIVITIES

Positive: Rating is sensitive to the firm's gearing and may be improved if gearing is reduced as a result of infusion of capital or reduction in debt; besides the firm maintaining or improving its revenues and profitability margins to say over 50% each respectively, amongst other key financial parameters facilitating an upgrade .

Negative: Ratings may be downgraded if the gearing is deteriorated further or there is a significant drop in the profitability margins.

LIQUIDITY POSITION: STRETCHED

Stretched liquidity indicated by high utilisation of bank limits (>90%), modest cash & cash equivalents of Rs 0.16 Crs in FY19 and highly elongated cash conversion cycle (233 days) because of high receivables (261 days).



ABOUT THE FIRM

Gourishankar Polymers(GP), a Delhi based proprietorship concern of Mr Vipul Mittal started operations in 1988. GP is engaged in the trading of various kinds of polymers such as Polypropylene (PP), Polyethylene (PE), EVA & PVC. These polymers find application in various sectors such as packaging, textile, automobile, pipes etc. Mr. Vipul Mittal, who holds a B.E. degree from MIT, Manipal, has got the DCA agreement (commission basis) with IOCL for selling its polymers to the allocated customers. For other customized requirements, the polymers are imported from international markets such as UAE, Saudi Arabia, Korea, Taiwan, USA, Australia & Brazil.

KEY FINANCIAL INDICATORS

Key Parameters	Units	FY 19	FY 18
Result Type		Audited	Audited
Total Operating Income	Rs Crore	5513	71.80
OPBDIT	Rs Crore	5.30	3.23
PAT	Rs Crore	1.92	0.81
Tangible Net worth (TNW)	Rs Crore	9.84	10.70
Total Debt/TNW	Times	4.42	3.47
Current Ratio	Times	1.19	1.37

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NONE

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: NONE

RATING HISTORY (including suspended/withdrawn)

Instrument / Facilities	Current Rating (2020)			Rating History						
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	05 Jan 19			23 Jan 2018			2017
Fund Based Non-fund Based	Long Term Short Term	33.00 7.50	09 Mar 2020 BWR BB/Stable BWR A4+	FB	32.50	BWR BB/Stable	FB	32.50	BWR BB/Stable	NA
				NFB	12.50	BWR A4+	NFB	12.50	BWR A4+	
			06 Jan 2020							NA
			FB	32.5	RNR*					
			NFB	12.5	RNR*					
Total		40.50	INR Forty Crores & Fifty Lakhs Only							

*Rating Not Reviewed advisory issued on 06 Jan 20

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Trading Entities](#)

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Gourishanker Polymers

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1	SBI	Channel finance limit	20.00	-	20.00
2	Yes Bank	Channel finance limit	10.00	-	10.00
3	HDFC Bank	Cash Credit	3.00	-	3.00
4		LC/BG	-	7.50	7.50
TOTAL			33.00	7.50	40.50

Total Rupees 40.50 Crores only.

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