



## Press Release

### Gulf Petrochem India Pvt Ltd

October 31, 2020

#### Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating	Rating Action
1.	Long Term Bank Facilities	114.00	IVR BB/ Stable Outlook (IVR Double B with Stable Outlook)	Revised from IVR A-(CE) /Stable (IVR A Minus[Credit Enhancement] with Stable Outlook) * and IVR BB+/ Stable (IVR Double B Plus with Stable Outlook) (Unsupported) #
		<b>114.00</b> <b>(Rupees one hundred and fourteen crore only)</b>		

Details of Facilities are in Annexure 1.

#### Note:

Previously the rating was IVR A-(CE) (Stable)/A2+ (CE). The (CE) suffix mentioned alongside the rating symbol indicated that the rated instruments/facilities were backed by some form of explicit credit enhancement. This rating was specific to the rated instruments/facilities, its terms and its structure and did not represent Infomerics opinion on the general credit quality of the entity concerned. # Unsupported rating was based on standalone basis.

#### Detailed Rationale

The revision in the rating assigned to the bank facilities of Gulf Petrochem India Private Limited take into account the financial restructuring in Gulf Petrochem FZC (GPF) which is the flagship company of the GP Global Group amidst global economic meltdown owing to the on-going Covid-19 pandemic coupled with volatility in the oil prices. The financial restructuring was mainly due to reduction in the credit lines extended to GPF by some of its bankers. However, the ratings assigned to the bank facilities of GPIPL continues to derive comfort from its experienced promoters, increase in scale of operations and steady demand prospects of petroleum products. However, these rating strengths are partially offset by its small scale of operations, susceptibility to regulatory changes both in India and overseas, low profitability, exposure to fluctuation in crude price coupled with exposure to foreign exchange fluctuation risk.



## Press Release

Infomerics expects the company's operating as well as financial performance to remain under pressure because of the weak macro-economic environment due to the ongoing pandemic in the near term. The demand recovery is likely to be very small and gradual.

The ratings were earlier accompanied by the suffix CE (Credit Enhancement), which has now been removed with a change in the analytical approach from guarantor's assessment to standalone.

### **Key Rating Sensitivities:**

#### **Upward Factor:**

- Growth in scale of operation with improvement in profit margins leading to improvement in cash accruals and liquidity position on a sustained basis
- Improvement in the capital structure and debt protection metrics of the company
- Improvement in working capital cycle of the company
- Improvement in the liquidity of the GP global group as a whole

#### **Downward factor:**

- In case of decline in scale of operation and/or decline in profitability impacting the debt protection metrics on a sustained basis
- In case of deterioration in the capital structure of the company
- In case of elongation in the operating cycle impacting the liquidity or any adverse regulatory changes
- In case of deterioration in the liquidity position of the GP global group as a whole

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

- **Experienced promoters**

GPIPL was established under the guidance of Mr. Ashok Goel and Mr. Sudhir Goyal, who has over 30 years of experience in trading operations of petroleum products. The promoters are well assisted by a team of professionals having relevant industry experience in the day-to-day operations. Long-standing presence of the promoters in the industry has helped the company to establish healthy relationship with its customers and suppliers and helped it to



## Press Release

get repetitive orders from its customers. The Company is likely to benefit from its promoter's extensive experience going forward.

- **Steady demand prospects of petroleum products**

India imports a large quantity of crude; and a sharp drop in its prices has benefitted the economy by curbing the current account deficit despite the rise in the quantity of imports. The same provides ample growth opportunities to traders like GPGAPL to scale-up the business despite stiff competition that exists.

### Key Rating Weaknesses

- **Small scale of operation albeit continuous increase in scale up of operations**

The scale of operations of the company remained small marked by its revenue of Rs.13.32 crore in FY20 (Prov.) (Rs.9.54 in FY19). Small scale of operations restricts the financial flexibility of the company to an extent. Despite its small scale of operation, the company has witnessed continuous growth in its topline mainly driven by increased storage. However, the company has incurred net loss in last two fiscals. In 4MFY21, the company has generated revenue of Rs.7.82 crore.

- **Susceptible to regulatory changes both in India and overseas**

Crude oil is an important commodity traded in the international market, and trading in crude oil is highly influenced by several government policies and regulations, which changes from time to time.

- **Foreign exchange risk**

Trading and all derivatives contracts are used to hedge physical cargoes with no speculative calls taken on currency movement. The company follows the policy of 100% hedging for products for which paper based trading is available. While forward covers are not available for bitumen, base oil and grease, the remaining products are 100% hedged. However, for these commodities, the price movement is not as volatile as crude. Base oil follows a 2-3 months' lag effect in terms of pricing. Overall~ 100% of the inventories are hedged / back to back contracts.

**Analytical Approach: Standalone.** Earlier the ratings were based on assessment of the credit profile of Gulf Petrochem FZC (GPF), provider of unconditional and irrevocable corporate guarantee to the bank facilities of GPIPL. However, with signs of financial stress in



## Press Release

GPF and on request from the company (GPIPL), Infomerics has now changed the analytical approach to Standalone.

### Applicable Criteria:

Rating Methodology for Service Companies

Financial Ratios & Interpretation (Non-financial Sector)

### Liquidity: Stretched

Liquidity is marked by tightly matched accruals to repayment obligations

### About Gulf Petrochem India Pvt Ltd

Gulf Petrochem India Pvt Ltd was incorporated by GPF as its wholly-owned subsidiary in 2011. The company commenced commercial operation at Pipavav port, Gujarat, in October 2015; this is used for storage and distribution of bulk petroleum, oil, and lube liquids. The primary business is leasing of storage tanks on rent to third parties. The facility is being developed on an area of 90,507.1 square meters (m<sup>2</sup>) and comprises 48 tanks with a combined storage capacity of 250000 kiloliters (KL). The storage is being utilized for Petroleum, Oil and Lubes (POL), Bitumen and Vegetable Oil. Gulf Petrochem FZC (GPF) rated IVR A-(Is)/Stable on May 27, 2020 is the flagship company of the group.

### Financials (Standalone)

(Rs. crore)

For the year ended* / As On	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	9.54	13.32
EBITDA	2.10	4.49
PAT	-27.65	-25.48
Total Debt	131.97	112.69
Tangible Net worth	127.73	106.42
EBITDA Margin (%)	22.01	33.70
PAT Margin (%)	-6.37	-6.58
Overall Gearing Ratio (x)	1.03	1.06

\*Classification as per Infomerics' standards.

**Status of non-cooperation with previous CRA:** CRISIL has moved the rating to issuer non cooperating category vide its press release dated August 14, 2020 due to lack of cooperation from the client and in absence of information.

**Any other information:** NA

**Rating History for last three years:**



## Press Release

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	
2.	Term Loan	Long Term	114.00	IVR BB/ Stable Outlook	IVR A- [CE]/ Stable Outlook* (July 06,2020)	-	-	

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or



## Press Release

the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Limits- Term Loan	-	-	-	114.00	IVR BB/ Stable Outlook