Company Update
Ganesh Benzoplast Ltd

nuvama professional clients group

Foray into LPG storage to boost growth

We met with the management of Ganesh Benzoplast's (GBP) to get an insight into its business and future plans. GBP was founded in 1988 and is engaged in logistic infrastructure and chemicals. Its liquid storage terminals/tanks (LST, used for storing petrochemicals) are located at JNPT (Mumbai) and the Goa and Cochin ports. Its chemical manufacturing facility is located at Tarapur. LST and chemicals contribute equally to revenue. The combined annual LST capacity at the three ports (80 storage tanks) stood at 309,000kl KL, with 240,000kl at JNPT and the remainder at Cochin and Goa ports. At JNPT, it is the market leader with a share of over 50%.

CMP INR 174
Rating: Not Rated
Date: August 28, 2023

Bloomberg:	GBP:IN
52-week range (INR):	119/180
M-cap (INR cr):	1,177
Promoter holding (%)	40.96

LST business: India's largest bulk liquids and chemical storage provider

- The company's LST division is the leading independent provider of liquid storage tanks, specialising in the storage and handling of liquid chemicals and oil products, with storage terminals at JNPT (Navi Mumbai) and Cochin and Goa ports. JNPT is India's largest port, handling ~55% of containerized cargo. Cochin and Goa are also significant ports in India, ensuring a steady flow of business for GBP.
- With nearly three decades of experience in bulk storage and handling of liquids, it has a combined storage capacity of over 3,09,000kl for storage of all types of liquids, including 'A', 'B', and 'C' class liquids. The company's 80 storage tanks at JNPT, Goa, and Cochin terminals comprise all storage categories including stainless steel, mild steel, and pre-coated steel. Having a good mix of long and short-term capacity contributes to greater value realisation. GBP is continually modernising its storage facilities by refurbishing tanks and pipelines.
- The company has well established relations with various reputed companies like Asian Paints, Bharat Petroleum Corporation, Jubilant Pharmova, and Lasons India Pvt. It also has long-term contracts (three-to-seven years) in place with Golden Agri Resources Pvt, BPCL, Smartchem Technologies, etc. in the LST division. It has signed a memorandum of understanding with JM Baxi for exclusive access to a jetty at JNPT. This can result in customer savings and improve their stickiness.
- It was granted a 25-year lease on additional land from JNPT in July 2022. The 4.5-hectare (45,090 sq. metre) plot of land has been leased to GBP from 2022 to 2047. GBP has built a variety of tanks for the storage and handling of edible oil, acetone, acetic acid, ammonia, propane, etc. The management commissioned new storage capacity at JNPT in Q1, which is expected to generate a revenue of INR14–15cr in FY24, with an EBITDA margin of 70–80% as these to be used for higher realisation petroleum products.

LPG terminal: The next big trigger for growth

- GBP intends to install an LPG terminal at JNPT. The management has obtained the necessary statutory approvals for development of LPG storage tanks at its JNPT facility. It plans to aggressively pursue the same in coming years. It owns land at JNPT and plans to construct a 48,000t LPG plant at a cost of INR450–500cr (with a payback period of three-to-four years). This plant is expected to get commissioned in Q3FY26.
- Of this, INR100–150cr to be met via internal accruals, with the balance accruing from debt. GBP is in the final stages of negotiating an LPG contract and is considering a small QIP to raise capital. It is open to joint ventures for the LPG terminal and is actively pursuing value-maximizing options.
- The management's focus is on increasing margin by modifying its product mix and expediting cargo evacuation. It aspires to be competitive in the LPG market and offer customers lower prices, a quicker turnaround time, and the capacity to handle entire VLGCs.
- LPG storage revenue is estimated at INR1,200–1,500/kl, which is 50–70% greater than current JNPT blended revenue. At full capacity and with just three throughputs per month, it can generate INR190–200cr in annual revenue. The current EBITDA margin for the LST business is 50–55%, while the EBITDA margin for new capacities is 75–80%. By FY27e, it is anticipated that the LST business's overall EBITDA margin can reach 65-67% level.

Year to March	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Revenues (INR Cr)	270	358	421	480	532	671	848
Rev growth (%)	9.6	32.2	17.7	14.0	10.9	26.0	26.5
EBITDA (INR Cr)	79	61	88	105	122	202	303
Net Profit (INR Cr)	22	33	55	65	71	119	193
P/E (x)	54	36	22	18	17	10	6
EV/EBITDA (x)	15	19	13	11	10	7	4
RoACE (%)	27	21	19	22	21	22	27
RoAE (%)	15	13	17	17	16	22	27

Source: Company, Nuvama Wealth Research

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Chemical Business: Utilisation rises with an improvement in demand

- The chemical division manufactures and exports a wide variety of specialty chemicals, including food preservatives, plasticisers, lubricant additives, components, and petroleum sulfonates. The company is the sole manufacturer in India of pure benzoic acid and its derivatives, including the widely used food preservative sodium benzoate and the superior plasticiser benzoplast. Unit one/two produces oil additives/specialty chemicals and food preservatives. The company's manufacturing facilities are located at MIDC, Tarapur, with a capacity of 24,000mtpa.
- GBP products are utilised in food and beverage, paint, automotive, pharmaceutical, lubricant industries, among others. It distributes its products in Argentina, South Africa, the US, Taiwan, China, Brazil, and Nigeria.
- Historically, the chemical business has experienced higher volatility with uneven quarterly margin. It is a capital-intensive industry (to improve facilities) with a high working capital and low-capacity utilisation (70% in FY23). Due to an improving demand environment and better operational efficiency, the management expects a steady increase in capacity utilisation (4–5% each year) with improving profitability.

Separating the business may unlock shareholder value, but court proceedings delay the process

- GBP is considering separating the two businesses (LST and chemical), which can be governed by distinct, well-defined leaderships to focus on each vertical separately. This can enable the company to plan and strategise for different businesses and prepare game plans for sustainable growth. However, a pending court case with Morgan Securities has temporarily halted the demerger of its chemical division.
- The case is currently pending before the Delhi High Court, and a decision is expected soon. To provide clarity on the operations and value of its underlying businesses, GBP has transferred its entire chemical business to a separate wholly owned subsidiary (GBL Chemical). This enables investors to assess the underlying value of each business independently.

Rail logistics business: Deepening its service offerings.

- Under the LST business division, the company handles rail logistics through its subsidiary Infrastructure Logistic Systems (formerly known as Stolt Rail Logistic Systems). This subsidiary also provides transportation facilities from its port-based storage facilities to the client’s plant.
- ILSL utilises the Indian Railways to run the rakes for transportation of liquids. It has loading and unloading facilities at JNPT, Nagpur, Dahej, and Daund. GBP provides end-to-end logistics solutions for transportation of liquid cargo to the customers’ doorstep from various ports and inland locations of India.
- It owns 45 ISO containers for liquid cargo movement and storage. The company has in-house capabilities to design and fabricate ISO containers for transportation of liquid cargo by train to the remote locations of clients and handle rail logistics of containers to economise transportation costs for its customers. It also provides bulk liquid cargo transportation which carries liquid cargo to the customers’ doorsteps from the ports. This business ensures safety by avoiding manual truck handling, improves efficiency, and increases profits due to the reduction in supply-chain costs for the buyer.

Outlook and view

GBP aims to increase margin and ensure sustainable growth in line with its internal targets. Its long-term growth prospects to be significantly enhanced by an increase in the tank height for higher capacity and throughput, upgrading normal tanks to specialised cargo tanks, and providing heating and chilling facility for the cargo at the port, resulting in higher realisations. The acquisition of ILSL led to long-term customer relationships and higher service revenue as it able to offer door-to-door cargo handling. The successful implementation of its LPG project at JNPT to be the primary catalyst for its medium- to long-term growth. There is a possibility of raising funds through QIP and debt for new projects. If we go with the expansion plans laid out by the management in the LST business and expected improvement in the chemical business, we can expect revenue to double (LST to grow 2.9x) along with EBITDA and PAT to grow 3.5x by FY27e on a base of FY23. The stock is Not Rated.

Case scenario (SOTP based valuation)

Base case		Bear case		Bull case	
Valuation		**Valuation**		**Valuation**	
LST Business		**LST Business**		**LST Business**	
EBITDA FY27	270	EBITDA FY27	238	EBITDA FY27	321
Assigned Multiple (x)	12	Assigned Multiple (x)	10	Assigned Multiple (x)	15
EV Derived	3,238	EV Derived	2,380	EV Derived	4,821
Chemical Business		**Chemical Business**		**Chemical Business**	
EBITDA FY27	25	EBITDA FY27	21	EBITDA FY27	25
Assigned Multiple (x)	5	Assigned Multiple (x)	5	Assigned Multiple (x)	8
EV Derived	124	EV Derived	103	EV Derived	199
Rail Logistic Business		**Rail Logistic Business**		**Rail Logistic Business**	
EBITDA FY27	13	EBITDA FY27	13	EBITDA FY27	13
Assigned Multiple (x)	5	Assigned Multiple (x)	5	Assigned Multiple (x)	8
EV Derived	67	EV Derived	67	EV Derived	107
Combined EV	3,429	Combined EV	2,549	Combined EV	5,127
Debt (INR in Cr)	239	Debt (INR in Cr)	289	Debt (INR in Cr)	239
Cash (INR in Cr)	187	Cash (INR in Cr)	140	Cash (INR in Cr)	221
M cap (INR in Cr)	**3,377**	**M cap (INR in Cr)**	**2,401**	**M cap (INR in Cr)**	**5,109**

Source: Nuvama Wealth Research

Key Risks

- The LST business requires various approvals from the environmental clearance board, the pollution control board, port authorities, and state governments. Any delays in clearance can jeopardise its future expansion plans.
- The company is expanding into the LPG storage tanks, which is expected to be completed by Q2FY26. Any project completion delays can have an impact on future growth.

Focus Charts

Exhibit 1: Revenue expected to double by FY27e

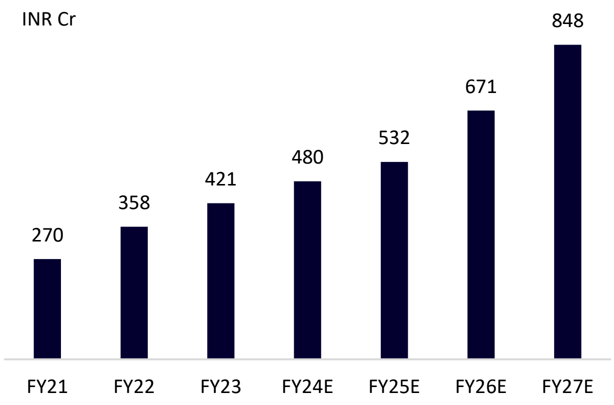


Exhibit 2: LST business to see sharp upsurge post commissioning of LPG project

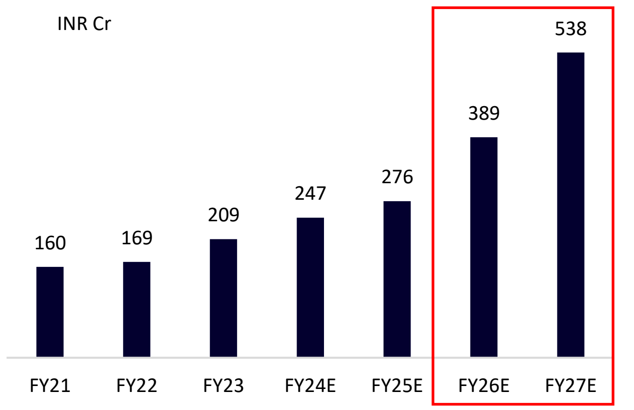


Exhibit 3: Improving demand to drive chemical business revenue.

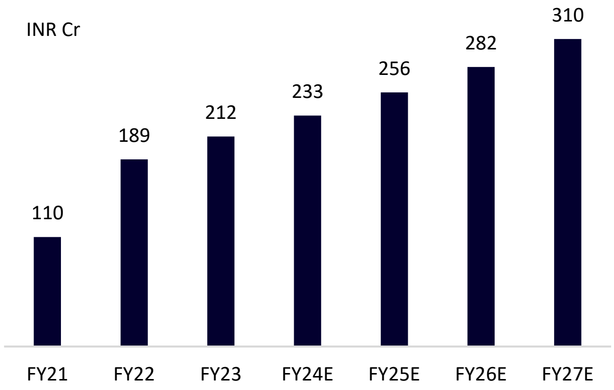


Exhibit 4: New capacity commissioning to aid LST's revenue dominance

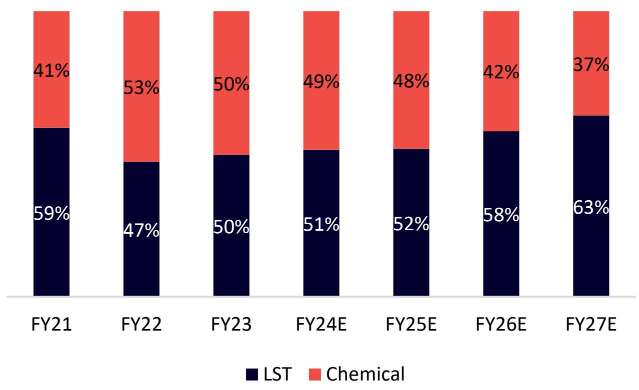


Exhibit 5: Increasing contribution from LST to drive overall margin performance

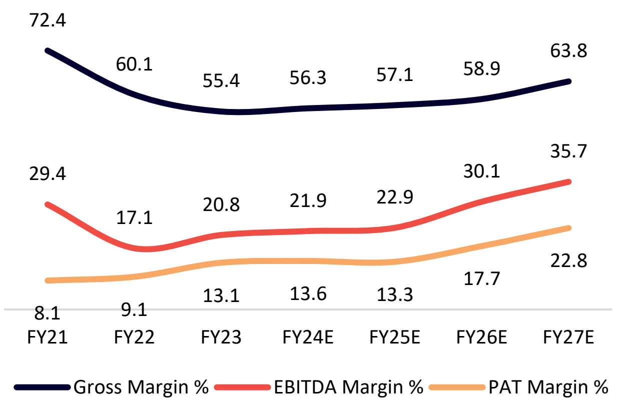
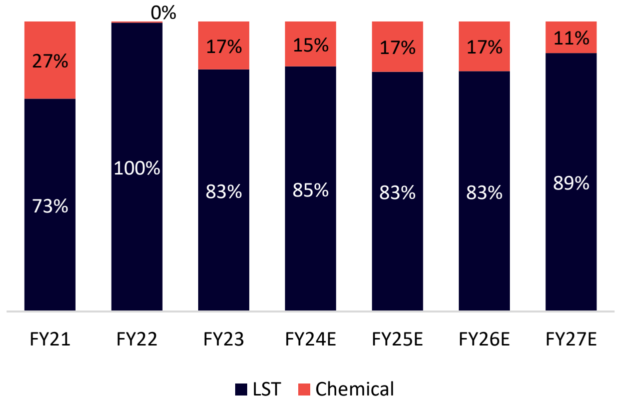


Exhibit 6: Improving EBITDA mix towards high-margin segment



Source: Company, Nuvama Wealth Research

Exhibit 7: Healthy Return ratios

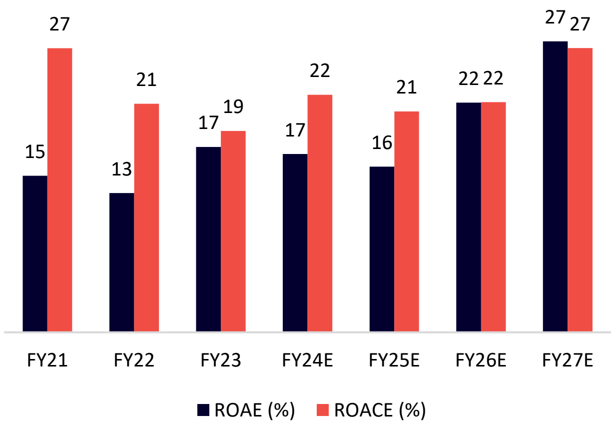


Exhibit 8: Comfortable leverage ratios

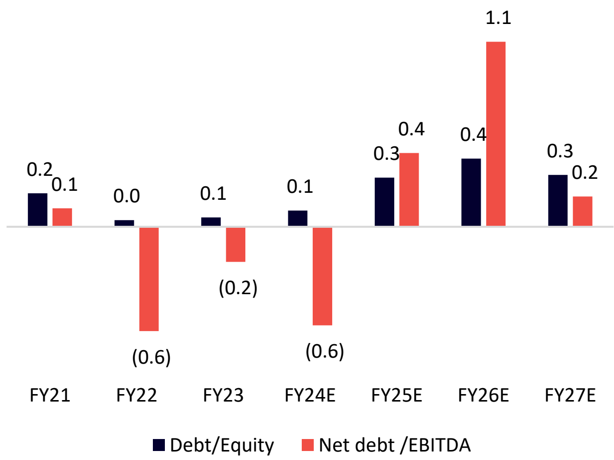


Exhibit 9: Tight working capital cycle

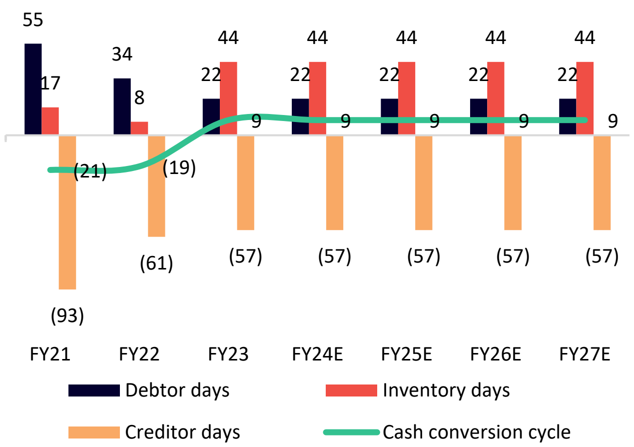
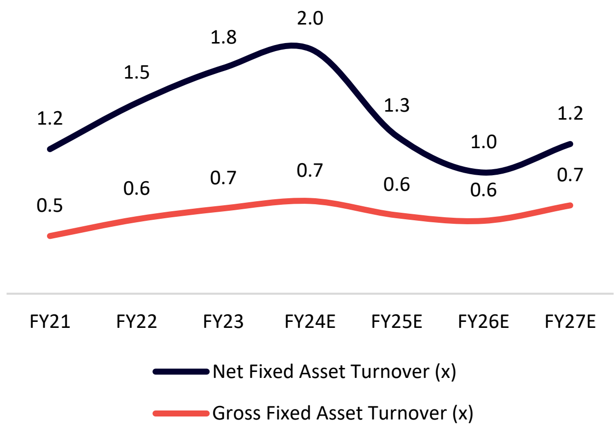
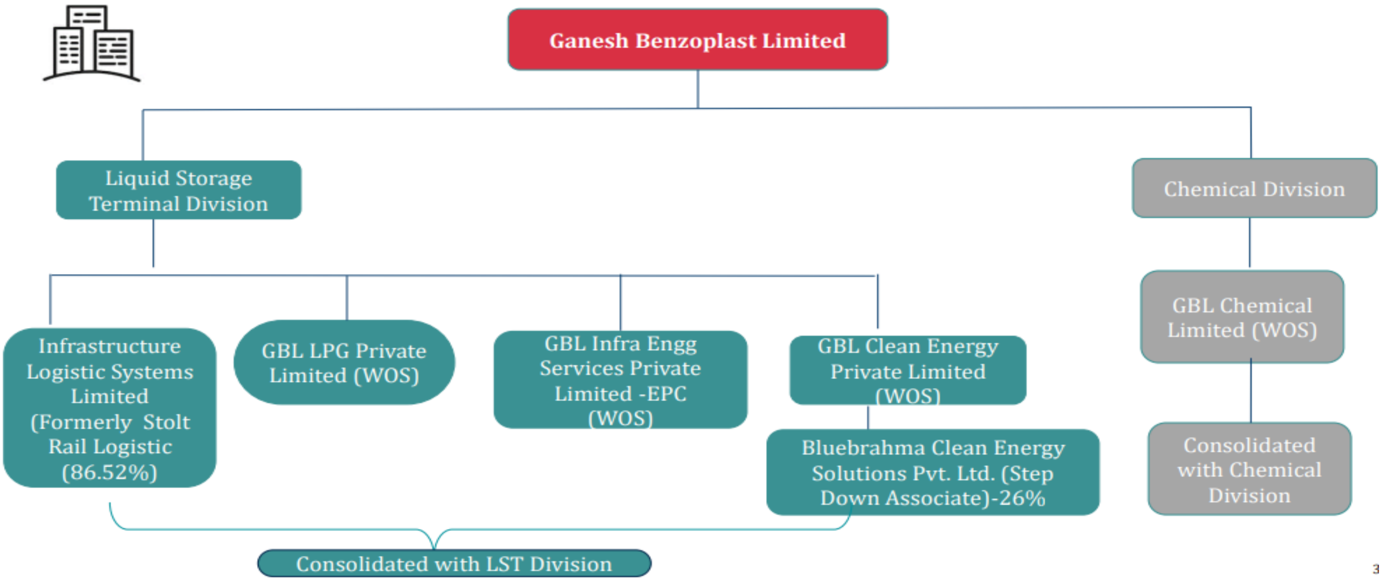


Exhibit 10: Increasing asset base to reduce asset turn in short term



Source: Company, Nuvama Wealth Research

Corporate Structure



Established Presence at Major Sea Ports

	JNPT	COCHIN	GOA
Year of Establishment	1996	1999	2000
Tank Capacity	500 KL-14,000KL	750 KL – 5,000 KL	750 KL-14,000KL
Certified Terminals	ISO 9001:2015	ISO 9001:2015	ISO 9001:2015
Number of Tanks	64	12	4
Capacity	240000 KL	43000 KL	26000 KL

Infrastructure at terminals are fully equipped with modern firefighting and safety equipment

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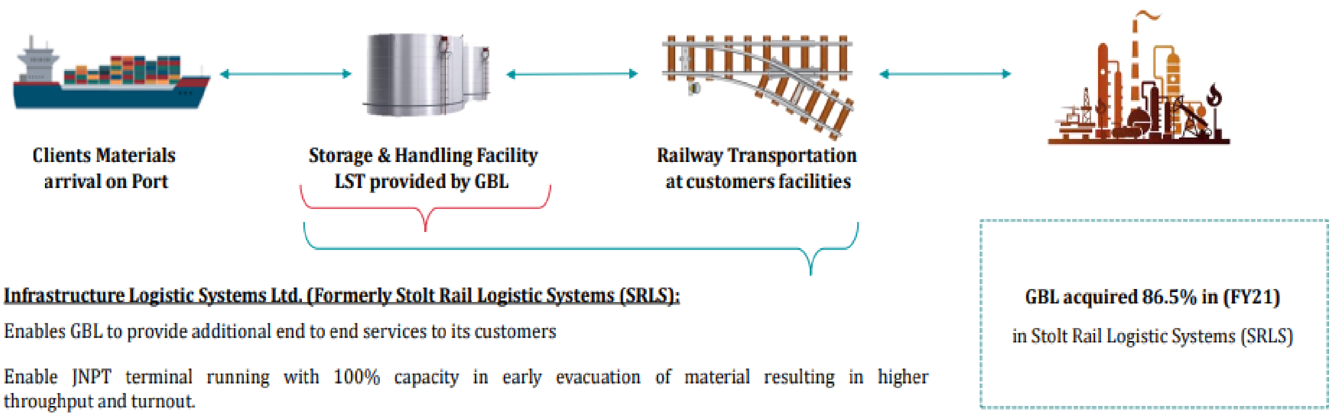
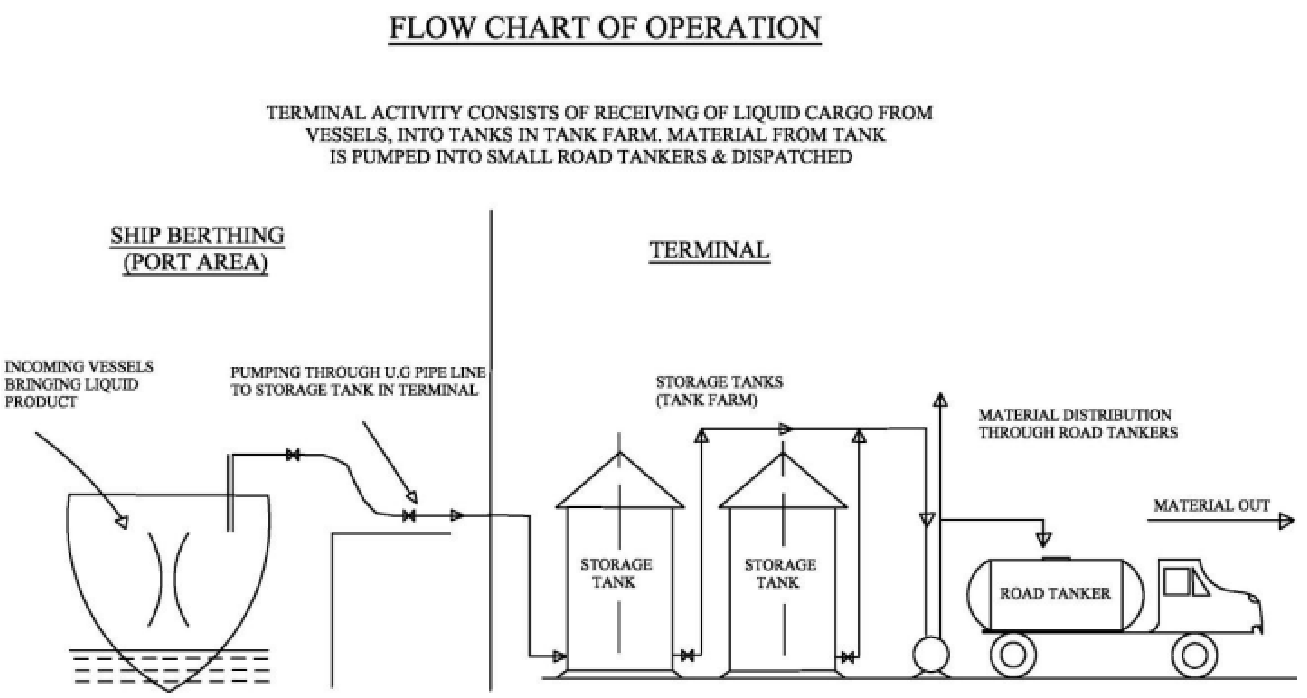
Foray into Railway Logistics – Deepening Service Offerings



Source: Company, Nuvama Wealth Research

Flow chart of operations at Kochi LST



Source: Industry, Nuvama Wealth Research

Chemical Division

Renowned Manufacturer & exporter of specialty chemicals, food preservatives & lubricant additives in industry; enjoys virtual monopoly of pure **Benzoic Acid & it's derivatives** in India

Specialty Chemicals : Methyl Benzoate, Ethyl Benzoate etc

Food Preservatives : Benzoic Acid, Sodium Benzoate and Benzoate Plasticizers

Lubricant Additives : Automotive and Industrial Lubricant additives, Antiwear, Antioxidant, Dispersants, PIBSA, Extreme pressure additives

Petroleum Sulfonates : Sodium, Barium, Calcium, Magnesium based.

Manufacturing Facilities at MIDC, Tarapur with capacity of **24,000 MTPA**

Unit 1 Manufactures oil additives

Unit 2 Manufactures specialty chemicals and food preservatives

Markets its products through distributors in Argentina, Brazil, South Africa , Nigeria, USA, Mexico, Taiwan, China and Middle East.

Products are used in food & beverage, paints, automobile, pharmaceutical,lubricants industries etc

Product Portfolio

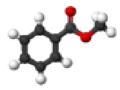

Sodium Benzoate


Benzoic Acid


Gear Oil Additive


Petroleum Sulphate


Hydraulic Oil Additive


Magnesium Benzoate

Source: Company, Nuvama Wealth Research

Financials

Year to March (INR Cr)	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Income from operations	270	358	421	480	532	671	848
Direct costs	75	143	188	210	228	276	307
Gross Profit	196	215	233	270	304	395	541
Employee costs	16	20	25	27	30	33	36
Other expenses	100	134	121	138	153	160	202
Total Operating expenses	191	296	333	375	411	468	545
EBITDA	79	61	88	105	122	202	303
Depreciation and amortisation	15	15	17	18	24	32	34
EBIT	64	47	70	87	98	170	269
Interest expenses	7	4	4	8	11	19	19
Non-operating Income	1	3	8	8	8	8	8
Extraordinary Income	(6)	(1)	(0)	-	-	-	-
Profit before tax	53	45	74	87	95	159	258
Provision for tax	31	12	19	22	24	40	65
Adj. profit after tax	22	33	55	65	71	119	193
Share of Minority in profits	-	-	-	-	-	-	-
Profit after tax	22	33	55	65	71	119	193
Shares outstanding	6.8	6.8	6.8	6.8	6.8	6.8	6.8
Adjusted EPS	3.2	4.8	8.1	9.6	10.4	17.5	28.4

Common size metrics- as % of net revenues

Year to March	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Operating expenses	70.6	82.9	79.2	78.1	77.1	69.9	64.3
Depreciation	5.5	4.1	4.1	3.8	4.5	4.8	4.0
Interest expenditure	2.5	1.0	1.0	1.7	2.1	2.9	2.3
EBITDA margins	29.4	17.1	20.8	21.9	22.9	30.1	35.7
Net profit margins	8.1	9.1	13.1	13.6	13.3	17.7	22.8

Growth metrics (%)

Year to March	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Revenues	9.6	32.2	17.7	14.0	10.9	26.0	26.5
EBITDA	25.8	(22.9)	43.2	20.0	15.6	66.2	49.9
PBT	44.1	(22.4)	62.2	16.7	9.2	67.4	62.5
Net profit	(35.0)	49.4	68.5	18.1	9.2	67.4	62.5
EPS	(35.0)	49.4	68.5	18.1	9.2	67.4	62.5

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Balance Sheet (INR cr)

As on 31st March	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Equity share capital	6	6	7	7	7	7	7
Reserves & surplus	226	274	350	415	486	605	799
Shareholders funds	232	281	357	422	493	612	805
Total Debt	45	11	19	39	139	239	239
Deferred Tax Liabilities	26	29	73	73	73	73	73
Minority interest	4	4	5	5	5	5	5
Sources of funds	308	324	454	539	710	929	1,122
Gross block	582	597	613	643	843	1,143	1,193
Depreciation	350	364	381	399	423	455	489
Net block	232	233	232	243	420	687	704
Capital work in progress	12	20	44	44	44	44	44
Total fixed assets	244	253	276	288	464	732	748
Intangible Assets	1	2	67	67	67	67	67
Investments	14	28	39	39	39	39	39
Inventories	12	8	51	58	65	81	103
Sundry debtors	41	34	25	29	32	41	51
Cash and equivalents	37	47	37	98	88	27	187
Loans and advances	28	26	38	66	73	91	114
Total current assets	134	145	257	357	364	346	562
Sundry creditors	49	50	52	75	83	105	133
Provisions and others	22	24	27	31	34	43	55
Total CL & provisions	70	73	79	106	118	148	187
Net current assets	64	72	178	251	246	197	374
Misc expenditure	-	-	-	-	-	-	-
Uses of funds	308	324	454	539	710	929	1,122
Book value per share (INR)	34	41	52	62	72	90	118

Cash flow statement

Year to March	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Operating Profit After Tax Before WC changes	48	49	69	83	98	162	238
WC Changes	8	17	(40)	(12)	(5)	(13)	(16)
CFO	56	65	28	72	93	149	221
CFI	(97)	(34)	(109)	(22)	(192)	(292)	(42)
CFF	75	(21)	70	12	89	81	(19)
Total Cash Flow	33	10	(10)	62	(10)	(62)	160

Ratios

Year to March	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E
ROAE (%)	14.7	13.1	17.4	16.7	15.5	21.5	27.3
ROACE (%)	26.6	21.4	18.9	22.3	20.7	21.6	26.6
Debtors (days)	55.2	34.3	22.1	22.1	22.1	22.1	22.1
Current ratio	1.7	1.6	1.9	2.4	2.2	1.6	2.4
Debt/Equity	19.1	3.8	5.3	9.2	28.0	38.8	29.5
Inventory (days)	17	8	44	44	44	44	44
Payable (days)	93	61	57	57	57	57	57
Cash conversion cycle (days)	(21)	(19)	9	9	9	9	9
Debt/EBITDA	0.6	0.2	0.2	0.4	1.1	1.2	0.8
Adjusted debt/Equity	0.2	0.0	0.1	0.1	0.3	0.4	0.3

Valuation Parameters

Year to March	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Diluted EPS (INR)	3.2	4.8	8.1	9.6	10.4	17.5	28.4
Y-o-Y growth (%)	(35)	49	68	18	9	67	62
Diluted P/E (x)	54	36	22	18	17	10	6
Price/BV(x)	5.1	4.2	3.3	2.8	2.4	1.9	1.5
EV/Sales (x)	4.4	3.3	2.8	2.5	2.2	1.8	1.4
EV/EBITDA (x)	15.1	18.8	13.4	10.7	10.2	6.9	4.1
Diluted shares O/S	6.8	6.8	6.8	6.8	6.8	6.8	6.8
Basic EPS	3.2	4.8	8.1	9.6	10.4	17.5	28.4
Basic PE (x)	54	36	22	18	17	10	6

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