

## Company Overview

Gandhar Oil Refinery India Ltd. is a leading manufacturer of white oils by revenue, with a growing focus on the consumer and healthcare industries. As of June 30, 2023, the company's product suite comprised over 440 products, primarily across the personal care, healthcare and performance oils (PHPO), lubricants and process and insulating oils (PIO) divisions under the Divyol brand. These products are used as ingredients by leading Indian and global companies in end-user industries such as consumer, healthcare, automotive, industrial, power, tyre, and rubber sectors. The company was India's largest manufacturer of white oils by revenue in FY23, including domestic and overseas sales, and is one of the top five players globally in terms of market share in CY22. As of June 30, 2023, the company's products were sold in over 100 countries across the globe. It catered to over 3,500 customers in FY23, including leading Indian and global companies such as Procter & Gamble, Unilever, Marico, Dabur, Encube, Patanjali Ayurved, Bajaj Consumer Care, Emami and Amrutanjan Healthcare, supported by its global supplier base and manufacturing operations in India and the United Arab Emirates. The company currently operates three manufacturing facilities, with two plants in Western India and one in Sharjah, United Arab Emirates, spread across 1,28,454 square meters to cater to domestic and global operations. As of June 30, 2023, the manufacturing facilities' combined annual production capacity was 522,403 kL.

## Objects of the issue

The net proceeds from the fresh issue will be used towards the following purposes:

- ⇒ Investment into Texol by way of a loan for financing the repayment/pre-payment of a loan facility availed by Texol from the Bank of Baroda;
- ⇒ Capital expenditure through purchase of equipment and civil work required for expansion in capacity of automotive oil at Silvassa Plant;
- ⇒ Funding working capital requirements;
- ⇒ General corporate purposes.

## Investment Rationale

### Dominant market share in the Indian white oils market, with a focus on consumer and healthcare industries

The global white oil market is oligopolistic, with a few highly active players and the top 10 players accounting for 40-45% market share. Gandhar Oil Refinery was India's largest manufacturer of white oils by revenue in FY23, including domestic and overseas sales and was one of the top five players globally in terms of market share in CY22. As of June 30, 2023, the company offered a diverse portfolio of over 440 products, primarily across the PHPO, lubricants and PIO divisions. The products form a major component by volume for various consumer and healthcare end-industry products such as cosmetics, skin care products, ointments, over-the-counter and other medicines, lubricants, processing oils and insulating oils. Further, the company has significant overseas business spanning over 100 countries across the Asia-Pacific region (APAC), Europe, Africa and the Americas as of June 30, 2023. In addition to the scale of operations, market share, overseas sales, range of product offerings and diverse manufacturing capabilities, the company differentiate itself from competitors based on a strategic focus on products for the consumer and healthcare end-user industries, which accounted for 30.2% and 7.9%, respectively, of pro forma consolidated revenue from finished goods sold in FY23. With focus on the PHPO business division and consumer and healthcare end-user industries, the company looks well-positioned to continue increasing margins and growing business.

### Comprehensive customer and supplier base of leading oil companies along with competitive pricing bodes well for business

The leading consumers and pharma manufacturers prefer a long-term relationship with established suppliers of specialty oils, as spot purchases from distributors are cost inefficient and lead to erosion in margins. The company has developed sticky relationships with customers by offering customized products and addressing their stringent quality requirements. The company has catered to an extensive customer base of 3,529 Indian and global companies during FY23. The customers in the PHPO division include P&G, Unilever, Marico, Emami, Bajaj Consumer Care, Encube, Patanjali Ayurved, Dabur, Amrutanjan Healthcare, Supreme Petrochem and other leading Indian manufacturers of

Issue Details	
Offer Period	22 <sup>nd</sup> Nov, 2023 - 24 <sup>th</sup> Nov, 2023
Price Band	Rs. 160 to Rs. 169
Bid Lot	88
Listing	BSE & NSE
Issue Size (no. of shares in mn)	17.8
Issue Size (Rs. in bn)	5.0
Face Value (Rs.)	2

Issue Structure	
QIB	50%
NIB	15%
Retail	35%

BRLM	Nuvama Wealth Management Limited, ICICI Securities Ltd.
------	---

Registrar	Link Intime India Pvt. Ltd
-----------	----------------------------

Particulars	Pre Issue %	Post Issue %
Promoter & Promoter Group	87.50%	64.63%
Public	12.50%	35.37%
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

(Assuming issue subscribed at higher band)

Research Team - 022-61596138

## Gandhar Oil Refinery India Ltd.

pharmaceutical products. The customers for the PIO division include Toshiba Transmission and Distribution Systems (India) and other leading manufacturers of transformers and power distribution and transmission companies. Gandhar Oil Refinery has long-standing relationship with several key customers which has helped to maintain high customer loyalty. The company's strong customer relationships and certifications obtained by its manufacturing facilities demonstrate the strength of reputation, quality and consistency of products, thereby providing significant competitive advantage over new entrants in the industry. Further, Gandhar Oil Refinery's business strength lies in its global supplier base, which comprises some of the world's largest global and Indian oil companies. The company procures most of its raw materials from South Korea and the Gulf Co-operation Council region. The key suppliers in these regions include SK Lubricants, S-Oil, GS Caltex and other global base oil suppliers. Over the years, the company has transitioned to directly purchasing raw materials from base oil suppliers from using intermediaries earlier, resulting in increased efficiency, lower costs and improved credit terms.

### Valuation

Gandhar Oil Refinery is a leading manufacturer of white oils by revenue, with a growing focus on the consumer and healthcare industries. The company was India's largest manufacturer of white oils by revenue in FY23, including domestic and overseas sales, and is one of the top five players globally in terms of market share in CY22. The company operates three strategically located manufacturing facilities, with two plants in Western India and one in Sharjah, UAE which are easily connected to global oil supply routes and major markets. The company has a track record of sustained pro forma consolidated revenue from operations which grew at a CAGR of 49.7% during FY21-23. This was the highest CAGR among selected specialty oil peers and the second-highest CAGR growth among selected specialty chemical peers. The percentage of customers placing repeat orders in the FY23, FY22 and FY21 was 68.9%, 66.4% and 59.3%, respectively, demonstrating customer satisfaction and value of the company's products. Overall, healthy financial performance, expansion of product portfolio, improvement of return ratios, and growing overseas business are key growth drivers for the company's performance in the long term. **The issue is valued at a P/E of 7.1x on the upper price band based on FY23 earnings, which is fairly valued. We, therefore, recommend an "SUBSCRIBE" rating for the issue.**

### Key Risks

- ⇒ Gandhar Oil Refinery heavily relies on personal care, healthcare, and performance oil business segments. Downturns or ineffective sales management in these industries could cause a revenue decline, negatively impacting the company's business, financial condition, and operational results.
- ⇒ The company's overall business and product demand are closely tied to end-user industries. Any decline in demand for the customers' end products could adversely affect business, operational results, cash flows, and financial condition.
- ⇒ Gandhar Oil Refinery sources a significant portion of raw materials from a limited number of suppliers without long-term contracts. If key suppliers experience business deterioration or reduce dealings, it could adversely impact the company's business, operational results, cash flows, and financial condition.



# Gandhar Oil Refinery India Ltd.

## Income Statement (Rs. in millions)

Particulars	FY21	FY22	FY23
<b>Revenue</b>			
Revenue from Operations	22,210	35,434	40,794
<b>Total Revenue</b>	<b>22,210</b>	<b>35,434</b>	<b>40,794</b>
<b>Expenses</b>			
Cost of raw materials consumed	11,356	23,823	33,260
Purchases of Stock-in-Trade	7,464	6,764	2,146
Changes in inventory	517	-25	156
Employee benefit expenses	238	366	524
Other expenses	1,247	2,046	1,542
<b>Total Operating Expenses</b>	<b>20,822</b>	<b>32,974</b>	<b>37,628</b>
<b>EBITDA</b>	<b>1,388</b>	<b>2,460</b>	<b>3,166</b>
Depreciation and Amortization expenses	114	151	165
Other income	216	256	224
<b>EBIT</b>	<b>1,489</b>	<b>2,565</b>	<b>3,225</b>
Finance costs	358	317	515
Exceptional Item	0	0	0
<b>PBT</b>	<b>1,132</b>	<b>2,247</b>	<b>2,710</b>
<b>Total tax</b>	<b>200</b>	<b>617</b>	<b>578</b>
<b>PAT</b>	<b>1,003</b>	<b>1,636</b>	<b>2,132</b>
<b>Diluted EPS</b>	<b>12.5</b>	<b>18.4</b>	<b>23.8</b>

Source: RHP, BP Equities Research

## Cash Flow Statement (Rs. in millions)

Particulars	FY21	FY22	FY23
Cash Flow from operating activities	1,181	1,667	1,044
Cash flow from investing activities	-224	-1160	-734
Cash flow from financing activities	-911	-41	-438
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>46</b>	<b>466</b>	<b>-128</b>
Cash and cash equivalents at the beginning of the period	85	131	597
<b>Cash and cash equivalents at the end of the period</b>	<b>131</b>	<b>597</b>	<b>468</b>

Source: RHP, BP Equities Research



# Gandhar Oil Refinery India Ltd.

## Balance Sheet (Rs. in millions)

Particulars	FY21	FY22	FY23
<b>Equity and Liabilities</b>			
Equity Share Capital	160	160	160
Other Equity	4,288	5,447	7,442
<b>Total Equity</b>	<b>4,448</b>	<b>5,607</b>	<b>7,602</b>
<b>Non-Current Liabilities</b>			
Financial Liabilities			
(i) Borrowings	176	339	223
(ii) Lease Liabilities	65	279	463
Provisions	29	24	35
Deferred tax liabilities (net)	-	2	-
<b>Current Liabilities</b>			
Financial Liabilities			
(i) Borrowings	612	1,243	1,472
(ii) Lease Liabilities	52	47	41
(iii) Trade Payable	5,232	5,173	5,673
(iv) Other financial liabilities	199	222	175
Current tax liabilities	193	187	421
Provisions	4	11	12
Other current liabilities	-	48	17
Total Current Liabilities	6,291	6,932	7,811
<b>Total liabilities</b>	<b>6,561</b>	<b>7,575</b>	<b>8,532</b>
<b>Total Equity and Liabilities</b>	<b>11,009</b>	<b>13,182</b>	<b>16,134</b>
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	743	1,583	1,747
Capital work in Progress	216	440	727
Right of Use assets	103	290	425
Intangible Assets	9	12	11
Investment Property	90	8	8
Goodwill on consolidation	3	3	3
Other financial assets	77	206	625
Loans	1	1	2
Deferred tax assets(net)	0	-	1
Other non current assets	18	22	35
<b>Total Non current assets</b>			
Current Assets			
Inventories	1,986	3,256	4,509
Current Tax Assets (Net)	2	-	-
(i)Trade Receivables	5,142	4,420	5,618
(ii)Cash and cash equivalents	1,215	1,828	1,082
(iii)Other Current Financial Assets	101	114	276
Other current assets	1,304	998	1,064
<b>Total Current Assets</b>	<b>9,749</b>	<b>10,616</b>	<b>12,549</b>
<b>Total Assets</b>	<b>11,009</b>	<b>13,182</b>	<b>16,134</b>

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

We analysts and the authors of this report, hereby certify that all of the views expressed in this research report accurately reflect our personal views about any and all of the subject issuer (s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation (s) or view (s) in this report. Analysts aren't registered as research analysts by FINRA and might not be an associated person of the BP Equities Pvt. Ltd. (Institutional Equities).

**General Disclaimer**

This report has been prepared by the research department of BP EQUITIES Pvt. Ltd, is for information purposes only. This report is not construed as an offer to sell or the solicitation of an offer to buy or sell any security in any jurisdiction where such an offer or solicitation would be illegal.

BP EQUITIES Pvt. Ltd have exercised due diligence in checking the correctness and authenticity of the information contained herein, so far as it relates to current and historical information, but do not guarantee its accuracy or completeness. The opinions expressed are our current opinions as of the date appearing in the material and may be subject to change from time to time. Prospective investors are cautioned that any forward looking statement are not predictions and are subject to change without prior notice.

Recipients of this material should rely on their own investigations and take their own professional advice. BP EQUITIES Pvt. Ltd or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. BP EQUITIES Pvt. Ltd. or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

BP EQUITIES Pvt. Ltd and/or its affiliates and/or employees may have interests/ positions, financial or otherwise in the securities mentioned in this report. Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This report is not directed to or intended for display, downloading, printing, reproducing or for distribution to or use by any person in any locality, state and country or other jurisdiction where such distribution, publication or use would be contrary to the law or regulation or would subject to BP EQUITIES Pvt. Ltd or any of its affiliates to any registration or licensing requirement within such jurisdiction.

**Corporate Office:**

4th floor,  
Rustom Bldg,  
29, Veer Nariman Road, Fort,  
Mumbai-400001  
Phone- +91 22 6159 6464  
Fax-+91 22 6159 6160  
Website- [www.bpwealth.com](http://www.bpwealth.com)

**Registered Office:**

24/26, 1st Floor, Cama Building,  
Dalal street, Fort,  
Mumbai-400001  
BP Wealth Management Pvt. Ltd.  
CIN No: U67190MH2005PTC154591  
BP Equities Pvt. Ltd.  
CIN No: U67120MH1997PTC107392