

## IPO Note

IPO Date	22 <sup>nd</sup> Nov'23- 24 Nov'23
Face value	Rs. 2/-
Price band	160 -169
Lot Size	88 shares
Fresh Issue+ OFS	302 Cr + 198 Cr
Listing at	BSE and NSE

### Object of the Issue:

The Offer comprises the Fresh Issue and the Offer for Sale. The company will not receive any proceeds from the Offer for Sale and the proceeds received from the Offer for Sale will not form part of the Net Proceeds. The company proposes to utilize the Net Proceeds from the Fresh Issue towards funding the following objects:

Investment in 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 (i) expansion in capacity of automotive oil at the company's Silvassa Plant; (ii) expansion in the capacity of petroleum jelly and accompanying cosmetic product division at the company's Taloja Plant; and (iii) expansion in capacity of white oils by installing blending tanks at the company's Taloja Plant;
- Funding working capital requirements of the Company; and
- General corporate purposes.

### About the Company

Gandhar Oil refinery (India) Limited is a known name in the world of Specialty Oils and having 3 decades of the experience in Specialty oil industry. It is principally engaged in three segments namely, manufacturing and trading of specialty oils, trading of non-coking coal and providing consignment / del-credere agency services for sale of polymers to local markets. Company is a leading manufacturer of white oils by revenue with a growing focus on the consumer and healthcare end-industries.

Company has extensive and diversified customer base- **(Business Division Divyol)**

- Pharmaceutical, Health Care, and Performance oil (PHPO)
- Process insulating oil (PIO)
- Automotive lubricants and Industrial Oil

As June 2022 Company has sold in over 100 Countries, company caters to 3500 customers, Company's client base includes: **Procter & Gamble ("P&G"), Unilever, Marico, Dabur, Encube, Patanjali Ayurved, Bajaj Consumer Care, Emami and Amrutanjan Healthcare**, supported by our global supplier base and manufacturing operations in India and UAE, in PHPO division.

Gulf Oil, Adani Ports and Special Economic Zone and other users of industrial machines and equipment in the lubricants division;

Toshiba Transmission and Distribution Systems (India) and other leading manufacturers of transformers and power distribution and transmission companies in the PIO division.

#### **Current and Future Manufacturing unit Expansion:**

currently operate three manufacturing facilities with a combined annual production capacity of 497,403 KL as of June 30, 2022 (enhanced to 522,403 KL in October 2022), with plants located in (i) **Taloja, Maharashtra** (the "Taloja Plant"), (ii) the Union Territory of **Silvassa, Dadra and Nagar Haveli and Daman and Diu** (the "Silvassa Plant") and (iii) **Sharjah, United Arab Emirates** (the "Sharjah Plant") to cater to domestic and overseas demand for products.

Company is also in the process of enhancing the production capacity of our Taloja Plant by an aggregate of 100,000 KL, out of which, have commissioned an incremental capacity of 25,000 KL in October 2022. This enhancement of capacity is proposed to be funded out of internal accruals and through external borrowings of **₹250 million obtained by Company**. Co. expects to complete the enhancement to production capacity during the Financial Year 2024. In addition, **Company separately intends to utilize ₹591.69 million out of the Net Proceeds towards enhancing our manufacturing capabilities and expect to add an aggregate of 116,000 KL of annual production capacity across our Taloja Plant for expansion in capacity of petroleum jelly and accompanying cosmetic product division and white oils by installing blending tanks and Silvassa Plant for expansion in capacity of automotive oil.**

## Industry Outlook

White oil, the fastest-growing segment of the Indian specialty oil market, is estimated to be worth \$0.43 billion in 2022 and reach \$0.69 billion by 2027, at a CAGR of 9.8%. In terms of volume, it is expected to reach 1,128 KT by 2027 from 718 KT in 2022, at a CAGR of 9.5%. The market expansion is being driven by the encouraging growth demonstrated by a broad range of end-use sectors, the steady increase in foreign direct investment, as well as growing government initiatives to support the country's economy. One of the categories in this area that is growing particularly quickly is **personal care and cosmetics**.

### Growth Drivers in the Industry

1. Anticipated improvement standard of living and rising demand for cosmetics
2. Govt initiatives such as PLI scheme, low-cost generic patent drugs

### Strength:

- The Global White oil market is oligopolistic with a few players highly active in the market and the top 10 players account for 40-45% of the global white oil market. **Gandhar oil is India's one of the top 5 players globally in terms market share.**
- Co. pro forma consolidated revenue from finished goods sold has grown at a CAGR of 42.41% over the last three years.
- Co. has competitive advantage by the high barrier to this industry.
- Co has business across over 100 Countries across Asia Pacific region, Europe, Africa and America.
- Strategically located manufacturing facilities and in-house R&D capabilities

### Competition:

- Co. compete with several regional and local companies, as well as large multi-national companies. **specialty oil peers include Savita Oil Technologies Limited and Panama Petrochem Limited.** Co. cater to end-use applications such as pharmaceuticals and consumer products, which are also catered to by other Indian specialty chemical companies such as Rossari Biotech, Privi Specialty, Fairchem Organics, and Galaxy Surfactants. Further, Co face competition in the lubricants and PIO segments from companies such as Apar Industries Limited, Raj Petro Specialties, Savita Oil Technologies Limited and Gulf Oil Lubricants Limited.
- According to the CRISIL Report, there are a limited number of players involved in manufacturing of white oil in India. The key players include Gandhar Oil, Raj Petro Specialties, Savita Oil Technologies and Apar Industries accounting together for approximately 70-75% of the domestic market by value

## Key Highlights:

### Group Companies

1. Gandhar Coals & Mines Private Limited;
2. Gandhar Oil & Energy DMCC; and
3. Nature Pure Wellness Private Limited.

### Dividend Payment

Financial Year/Period	Dividend for equity shares of our Company	Amount (₹ million)
July 1, 2022 until the date of this Draft Red Herring Prospectus	-	-
Quarter ended June 30, 2022	-	-
Financial Year 2022	Interim dividends of (i) ₹3 per Equity Share of face value of ₹2, declared by our Board on November 11, 2021; and (ii) ₹2.5 per Equity Share of face value of ₹2, declared by our Board on March 17, 2022	440.00
Financial Year 2021	₹1 per equity share of face value of ₹10 of our Company, declared by our Board on July 22, 2021*	16.00
Financial Year 2020	Interim dividend of ₹4.5 per equity share of face value of ₹10 of our Company, declared by our Board on March 18, 2020	72.00

\*Dividends declared in Financial Year 2021 have been paid during the Financial Year 2022.

Co. has **divested its 100% stake in its Coal business segment**, to sell its coal business as a Going Concern on slump sale basis by entering into Business Transfer Agreement dated March 30, 2022 with Gandhar Coals & Mines Private Limited for a consideration of ₹ 40.36 million and recognized a gain of ₹ 5.10 million

On March 30, 2022, **the Co. acquired one share of Texol Lubritech FZC, Sharjah, UAE**, a joint Venture Company from ESPE Petrochemicals FZE, its joint venture partner. The effect of acquisition of one share from ESPE Petrochemicals FZE has resulted into Texol Lubritech FZC now being a partly owned subsidiary of the Parent company whereby the shareholding of the Company will increase from 50.00% to 50.10%.

### Financial Analysis

#### Specialty Oil Companies

- Revenue from operation grew at 49.7% CAGR from fiscal 2020 to 2022
- RoE in fiscal 2022 was ~39.4%,
- RoCE (27.6% to 47.0%) over fiscal 2020 to 2022,
- Cash conversion cycle in fiscal 2022 at ~22 days
- PAT and EBITDA, which have been grown at 97.4% and 70.1% CAGRs

Particulars	June 2023	Fy 2022	FY 2021	FY 2020
Revenue (mn)	8,839.37	33,890.72	20,636.52	15,127.45
Gross Profit (mn)	1428.30	4,566.63	3,792.97	2,041.53
Gr. Profit Margins (%)	16.16	13.47	18.38	13.50
PAT (mn)	650.17	1,841.47	1,609.51	472.3
PAT Margins (%)	7.34	5.42	7.78	3.11
Working Cap Cycle (days)	32	22	19	11*
Net Debt to EBITDA	2.49	0.37	0.67	2.17
ROE	11.03	39.36	52.90	22.40
ROCE	13.77	4.699	62.78	27.63

#### Peer Analysis- Special oil

Metric	Gandhar Oil	Savita Oil	Apar Indus	Panama Petro
Rev From Operations (mn)	33,890	29,382	93199	21323
Rev -CAGR	49.7%	19.8%	12%	45.8%
EBITDA (mn)	2,674	3,580	5,479	2,960
EBITDA-Margins-%	7.9	12.2	5.9	13.9
PAT (mn)	1,841	2,604	2,567	2,303
PAT margin	5.4	8.8	2.7	10.8
ROE	39.4	22.5	16.5	34.7
ROCE	47	28.7	24.2	42.6

**Rationale for IPO Investment:** Company has healthy top and bottom line margins co. is placed among top 5 players, Gandhar Oil is comfortably positioned to take advantage of the increasing demands of the Indian economy. One can take the opportunity in the ipo to invest for long term.

**Disclaimer:**

I, Kunnj Lalka am not a SEBI registered Research Analyst and this report is solely meant for educational purposes. This research report is for informational purposes only and should not be considered as investment advice or a recommendation to buy, sell, or hold any securities. Investors should conduct their independent research and consult with their financial advisors before making any investment decisions. The information and analysis provided in this report are based on publicly available information, and I have used reasonable efforts to ensure the accuracy of the information. However, I make no representation or warranty, express or implied, as to the accuracy, completeness, or timeliness of the information contained herein. All opinions and estimates expressed in this report are subject to change without notice I do not undertake to update or revise any forward-looking statements or projections contained in this report. Past performance is not indicative of future results, and the value of investments can go up or down. Investing in securities involves risks, including the risk of loss of principal. I shall not be liable for any direct or indirect damages arising from the use of this report.