ANANDRATHI

Gandhar Oil Refinery India Limited

21-November-23

Subscribe- Long Term

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Issue Details

Issue Details	
Issue Size (Value in ₹ million, Upper Band)	5,007
Fresh Issue (No. of Shares in Lakhs)	178.69
Offer for Sale (No. of Shares in Lakhs)	117.56
Bid/Issue opens on	22-Nov-23
Bid/Issue closes on	24-Nov-23
Face Value	₹ 2
Price Band	160-169
Minimum Lot	88

Objects of the Issue

- **Fresh Issue: ₹3,020 million**
  - Financing the repayment/pre-payment of a loan facility availed by Texol.
  - Capital expenditure through purchase of equipment and civil work
  - Funding working capital requirements of the Company;
  - General corporate purposes
- **Offer for Sale: ₹1,987 million**

Book Running Lead Managers
Nuvama Wealth Management Limited
ICICI Securities Limited
Registrar to the Offer
Link Intime India Private Limited

Capital Structure (₹ million)	Aggregate Value
Authorized share capital	300.00
Subscribed paid up capital (Pre-Offer)	160.00
Paid up capital (Post - Offer)	195.74

Share Holding Pattern %	Pre-Issue	Post Issue
Promoters & Promoter group	87.5	64.6
Public	12.5	35.4
Total	**100**	**100**

Financials

Particulars (₹ In million)	For the quarter ended 30th June 2023	FY23	FY22	FY21
Revenue from operations	**10,704**	**40,794**	**35,434**	**22,210**
Operating expenses	9,863	37,628	32,974	20,822
EBITDA	**841**	**3,166**	**2,460**	**1,388**
Other Income	12	224	256	216
Depreciation	47	165	151	114
EBIT	**806**	**3,225**	**2,565**	**1,489**
Interest	135	515	317	358
Profit before share of profit/loss from associate and JV and Excep item	**672**	**2,710**	**2,247**	**1,132**
Share of profit/loss from associate and JV				71
Profit before Excep item and tax	672	2,710	2,247	1,203
Exceptional item			(5)	
PBT	**672**	**2,710**	**2,252**	**1,203**
Tax	129	578	616	200
Consolidated PAT	**543**	**2,132**	**1,636**	**1,003**
EPS	**5.55**	**21.78**	**16.71**	**10.25**
Ratios	**For the quarter ended 30th June 2023**	**FY23**	**FY22**	**FY21**
EBITDAM	7.86%	7.76%	6.94%	6.25%
PATM	5.07%	5.23%	4.62%	4.52%
Sales growth	-	15.13%	59.54%	

Sector- Oil Refinery and Marketing **Company Description**

Company is a leading manufacturer of white oils by revenue with a growing focus on the consumer and healthcare end-industries. As of June 30, 2023, their 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. Their products are used as ingredients by leading Indian and global companies for the manufacture of end products for the consumer, healthcare, automotive, industrial, power and tyre and rubber sectors. The white oil market is the fastest growing segment in the specialty oils sector and their Company is India's largest manufacturer of white oils by revenue in Financial Year 2023, including domestic and overseas sales and is one of the top five players globally in terms of market share in the calendar year 2022. Their pro forma consolidated revenue from operations grew at a CAGR of 40.59% between the Financial Years 2021 and 2023, which was one of the highest CAGR among selected specialty oil peers and second highest CAGR among selected specialty chemical peers.

As of June 30, 2023, their products were sold in over 100 countries across the globe. Company catered to over 3,500 customers in the Financial Year 2023, including leading Indian and global companies such as Procter & Gamble ("P&G"), Unilever, Marico, Dabur, Encube, Patanjali Ayurved, Bajaj Consumer Care, Emami and Amrutanjan Healthcare, supported by their global supplier base and manufacturing operations in India and United Arab Emirates. As a manufacturer of speciality oils, their products and processes are required to comply with strict standards and other specifications prescribed by their customers, and they believe that their long-standing relationships with several leading Indian and global companies demonstrate their qualification of these requirements. They have completed rigorous selection processes for securing business from several of their customers and have been able to maintain high customer loyalty.

Their customer engagement, relationships and the quality and other certifications awarded to their manufacturing facilities demonstrate the quality of their products and their capabilities. They have grown their specialty oils business over the last three decades under the leadership of a qualified and experienced management team, with particular focus on enhancing their production and supply chain capabilities over the last three Financial Years through technological upgrades, product development and customized offerings for customers and strengthening their supplier base and their customer base. The PHPO division is their largest business division and contributed to ₹5,525.78 million or 56.29% and ₹20,982.98 million or 54.96% of their pro forma consolidated revenue from finished goods sold for the quarter ended June 30, 2023 and the Financial Year 2023, respectively.

Valuation

Gandhar Oil Refinery India Ltd Limited is leading market share of the Indian white oils market with significant overseas sales, focused on the consumer and healthcare end-industries with extensive and diversified customer base and a supplier base comprised of leading oil companies with competitive pricing terms and resilient, flexible and scalable business model with prudent risk management framework along with Experienced and qualified management team

At the upper price band company is valuing at P/E of 7.04x, EV/EBITDA 5.42x with a market cap of ₹ 16,540 million post issue of equity shares and return on net worth of 32.28%.

We believe that valuations of the company is fairly priced and recommend a "**Subscribe-Long Term**" rating to the IPO.

Description of Business

Company is a leading manufacturer of white oils by revenue with a growing focus on the consumer and healthcare end-industries. They manufacture products under their "Divyol" brand. They were India's largest manufacturer of white oils by revenue in FY 2023, including domestic and overseas sales and were one of the top five players globally in terms of market share in the calendar year 2022. Their pro forma consolidated revenue from finished goods sold constituted 91.80%, 93.68%, 81.73% and 83.95% of their pro forma consolidated revenue from sale of products in the quarter ended June 30, 2023 and the Financial Years 2023, 2022 and 2021, respectively. Their revenue from stock-in-trade sold comprises revenue generated from trading of base oil. Their revenue from stock-in-trade sold constituted 8.20%, 6.32%, 18.27% and 16.05% of their pro forma consolidated revenue from sale of products during such periods.

Set forth below is a breakdown of their pro forma consolidated revenue from sale of products, for the periods indicated.

Particulars	For the quarter ended 30th June 2023		FY23		FY22		FY21	
	Amount (in millions)	Percentage of pro forma consolidated revenue from sale of products (%)	Amount (in millions)	Percentage of pro forma consolidated revenue from sale of products (%)	Amount (in millions)	Percentage of pro forma consolidated revenue from sale of products (%)	Amount (in millions)	Percentage of pro forma consolidated revenue from sale of products (%)
Revenue from finished goods sold	9,816.77	91.8	38,181.63	93.68	27,661.96	81.73	17,287.41	83.95
Revenue from stock-intrade sold	877.25	8.2	2,575.61	6.32	6,182.18	18.27	3,305.48	16.05

Set forth below is a breakdown of their pro forma consolidated revenue from sale of products by geographical divisions based on location of their customers, for the periods indicated.

Particulars	For the quarter ended 30th June 2023		FY23		FY22		FY21	
	Amount (in millions)	Percentage of pro forma consolidated revenue from sale of products (%)	Amount (in millions)	Percentage of pro forma consolidated revenue from sale of products (%)	Amount (in millions)	Percentage of pro forma consolidated revenue from sale of products (%)	Amount (in millions)	Percentage of pro forma consolidated revenue from sale of products (%)
Domestic sales	3,788.43	35.43	19,023.75	46.68	20,387.50	60.24	13,179.37	64
Overseas sales	6,905.58	64.57	21,733.50	53.32	13,456.64	39.76	7,413.61	36

The following table sets forth their revenue from overseas sales, calculated on the basis of their Pro Forma Consolidated Financial Information, based on geography for their overseas sales for the periods indicated:

Particulars	For the quarter ended 30th June 2023		FY23		FY22		FY21	
	Amount (in millions)	Percentage of pro forma consolidated revenue from sale of products (%)	Amount (in millions)	Percentage of pro forma consolidated revenue from sale of products (%)	Amount (in millions)	Percentage of pro forma consolidated revenue from sale of products (%)	Amount (in millions)	Percentage of pro forma consolidated revenue from sale of products (%)
APAC	5,270.76	76.33	15,274.00	70.28	8,321.88	61.84	5,033.66	67.9
Americas	711.82	10.31	3,209.30	14.77	2,636.15	19.59	952.73	12.85
Africa	716.05	10.37	2,769.59	12.74	1,991.67	14.8	1,203.73	16.24
Europe	206.95	3	480.61	2.21	506.94	3.77	223.48	3.01

Set forth below is a breakdown of their pro forma consolidated revenue from finished goods sold across the business divisions that they operate, for the periods indicated.

Particulars	For the quarter ended 30th June 2023		FY23		FY22		FY21	
	Amount (in millions)	Percentage of pro forma consolidated revenue from sale of products (%)	Amount (in millions)	Percentage of pro forma consolidated revenue from sale of products (%)	Amount (in millions)	Percentage of pro forma consolidated revenue from sale of products (%)	Amount (in millions)	Percentage of pro forma consolidated revenue from sale of products (%)
PHPO	5,525.78	56.29	20,982.98	54.96	14,797.93	53.5	7,716.68	44.64
Lubricants	2,628.79	26.78	9,555.78	25.03	5,942.22	21.48	4,733.24	27.38
PIO	659.09	6.71	3,632.55	9.51	2,916.39	10.54	2,191.60	12.68
Channel partners	1,003.10	10.22	4,010.33	10.5	4,005.42	14.48	2,645.90	15.3

Strengths:

- **Leading market share of the Indian white oils market with significant overseas sales, focused on the consumer and healthcare end-industries**

  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. Company was India's largest manufacturer of white oils by revenue in Financial Year 2023, including domestic and overseas sales and was one of the top five players globally in terms of market share in the calendar year 2022. As of June 30, 2023, they offered a diverse portfolio of over 440 products primarily across the PHPO, lubricants and PIO divisions. Their 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, as well as lubricants, processing oils and insulating oils. Their pro forma consolidated revenue from finished goods sold has grown at a CAGR of 48.61% over the last three Financial Years, from ₹17,287.41 million in the Financial Year 2021 to ₹38,181.63 million in the Financial Year 2023 and ₹9,816.77 million in the quarter ended June 30, 2023. The PHPO division is their largest business division and contributed to 54.96% of their pro forma consolidated revenue from finished goods sold for the Financial Year 2023 and 56.29% for the quarter ended June 30, 2023. Within the PHPO division, they focus primarily on products for the consumer and healthcare end-industries, which contributed to an aggregate of 69.34% of the pro forma consolidated revenue from finished goods sold in their PHPO division for the Financial Year 2023 and 71.25% for the quarter ended June 30, 2023. PHPO division has grown at a CAGR of 64.90% from the Financial Year 2021 to the Financial Year 2023. The lubricants division and PIO division contributed 25.03% and 9.51%, respectively, of their pro forma consolidated revenue from finished goods sold for the Financial Year 2023 and 26.78% and 6.71%, respectively for the quarter ended June 30, 2023.

- **Extensive and diversified customer base and a supplier base comprised of leading oil companies with competitive pricing terms**

  Leading consumer and pharma manufacturers prefer long-term relationship with established suppliers of specialty oils as spot purchases from distributors are cost inefficient and lead to erosion in margins. They have been able to establish such relationships with their customers, including through their ability to offer customized products and address their stringent quality requirements. Company catered to an extensive customer base of 3,558 Indian and global companies during the Financial Year 2023. Their 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 pharmaceutical products. They manufacture lubricant oils for Gulf Oil, Adani Ports and Special Economic Zone and other users of industrial machines and equipment. Their customers for the PIO division include Toshiba Transmission and Distribution Systems (India) and other leading manufacturers of transformers and power distribution and transmission companies. They have long-standing relationships with several of their key customers and have been able to maintain high customer loyalty. The percentage of customers placing repeat orders in the quarter ended June 30, 2023 and the Financial Years 2023, 2022 and 2021 was 83.74%, 69.11%, 68.86% and 66.37% respectively. Company believe that their customer engagement, relationships and certifications obtained by their manufacturing facilities demonstrate the strength of their reputation, the quality and consistency of their products and the strength of their operations, management and technical capabilities. This provides them with a significant competitive advantage over new entrants in the industry. They also work closely and collaboratively with their customers to understand and cater to their requirements, including the design and development of customized products, such as a specialized oil for use as a base ingredient in a hair serum manufactured by a British multinational consumer goods company and a specialized automotive oil that can be used in sub-zero temperatures.

- **Strategically located manufacturing facilities and in-house R&D capabilities**

  They currently operate three manufacturing facilities, with two plants located in Western India and one plant located in Sharjah, United Arab Emirates, spread across 1,28,454 square meters to cater to their Indian and global operations. As of June 30, 2023, the combined annual production capacity of their manufacturing facilities was approximately 522,403 kL. Their Silvassa Plant, with an annual production capacity of 143,853 kL as of June 30, 2023, primarily manufactures specialty oils for the Indian market. Their Taloja Plant, with an annual production capacity of 143,256 kL as of June 30, 2023, primarily manufactures white oils, petroleum jelly and waxes for overseas sales. Their Sharjah Plant, with an annual production capacity of 235,294 kL as of June 30, 2023, primarily manufactures specialty oils for the GCC, Africa and Middle-East regions. They are also in the process of enhancing the production capacity of their Taloja Plant by an aggregate of 100,000 kL, out of which, they commissioned an incremental capacity of 25,000 kL in October 2022. This enhancement of capacity is proposed to be funded out of their internal accruals and through external borrowings obtained by their Company. They expect to complete the enhancement to their production capacity during the Financial Year 2024. Their Taloja Plant has close proximity to ports such as the

Mumbai port and the JNPT port besides connectivity to road and rail. This has helped them save time and cost towards transportation of final products to domestic and international customers. They have obtained various quality certifications for their plants, each of which is ISO-certified. Their Taloja Plant is certified by the FSSAI and the Maharashtra FDA for WHO GMP and produces halal and kosher-certified petroleum jelly, paraffin wax and mineral oil products and their Sharjah Plant produces halal-certified petroleum jelly and white oil products. Their food-grade white oil is registered with the NSF. They have improved capacity utilization through technological advancements like jet-mixing and fast-unloading at their Taloja Plant and Silvassa Plant, significantly reducing batch processing time. They also have just-in-time inventory and have implemented SCADA automation in their manufacturing facilities.

- **Resilient, flexible and scalable business model with prudent risk management framework**

Company has three decades of experience in the specialty oils industry. They have increased the scale of their operations over the years, while increasing efficiency and reducing costs. Company started with the Taloja Plant in 1993, subsequently set up the Silvassa Plant in 2000 and set up Texol (which has become their Subsidiary with effect from March 30, 2022) with a partner in 2017, to expand into United Arab Emirates. Their business model affords them the flexibility to grow and manage their operations. For example, they made a strategic decision to exit the coal-trading business during the Financial Year 2022 and continued to expand their specialty oils business. They also made investments in expanding their production capacities, upgrading their equipment and technology systems over the last three Financial Years. The specialty oil business is capital intensive in nature and involves inherent complexities in terms of technology, hazards management and regulations. Scale, size, quality and consistency are crucial factors for manufacturers in the specialty oils industry. Given the nature of their industry as well the stringent quality standards applicable to various products in the end-industries to which they cater, it is difficult for new entrants to replicate their quality, scale and business operations. They believe that their reputation, business model and creditworthiness have contributed to such suppliers establishing direct relationships with them instead of the earlier intermediary arrangements. Their resilience is driven by their risk management framework. They focus on minimizing price risk and foreign exchange risk, efficient inventory management and prudent capital, credit and liquidity management. They conduct quality checks and testing on their raw material. They aim to ensure timely delivery of quality products at competitive prices and seek customer feedback through regular interactions.

Key Strategies:

- **Enhanced focus on the consumer and healthcare end-industries**

End-use industries such as pharmaceuticals and consumer products are expected to grow strongly going forward driven by strong domestic consumption, favorable demographics, and government initiatives. Company believe they are well-positioned to take advantage of favorable industry trends for the consumer and healthcare end-industries and will focus on expanding their offerings to these sectors. The Indian consumer product segment is expected to grow at 9.1% CAGR, reaching $0.92 billion by 2028 from $0.60 billion in 2023. The market volume is estimated to be 455 KT in 2023. This is expected to grow by 9.2% CAGR over the next 5 years, reaching 705 KT by 2028. One of the key elements affecting the market for beauty and personal care goods in India is the growing emphasis on personal looks, social status, personal hygiene, and wellness supported by the rising income levels. Globally, there is rising demand for premium products based on user awareness, social status and lifestyle upgrade, particularly personal care, and beauty products. This is expected to propel demand for white oils, which are used in hair care products, lotions, creams, etc. With growing consumer awareness, demand for high purity ingredients in consumer products is rising at rapid rate and smaller players find it difficult to provide such quality. Further, total demand from the healthcare sector is expected to be $0.340 billion in 2028, ~68% higher than $0.2 billion in 2023. This growth represents 11.0% CAGR over the next five years. Further, specialty oil demand from the healthcare sector is expected to rise to 259 KT by 2028 from 153 KT in 2023, exhibiting 11.1% CAGR. The pharma industry holds a strong growth outlook on the back of increased awareness for health, hygiene and vaccination.

- **Continue to increase overseas sales by strategically expanding product offerings**

They are working towards increasing penetration in existing geographies and potential entry into new geographies based on current customer relationships to support their growth globally. Their revenue from overseas sales, calculated on the basis of their Pro Forma Consolidated Financial Information, as a percentage of their pro forma consolidated revenue from sale of products has increased from ₹7,413.61 million or 36.00% for the Financial Year 2021 to ₹21,733.50 million or 53.32% for the Financial Year 2023, at a CAGR of 71.22%, and to ₹6,905.58 million or 64.57% for the quarter ended June 30, 2023. Their expansion strategy is primarily focused on leveraging their existing customer relationships to increase their wallet share with such customers across multiple jurisdictions. They intend to focus on expanding their overseas business to additional countries where they currently have a limited business presence. As of June 30, 2023, they catered to over 100 countries, including Indonesia, Bangladesh, Thailand, Australia, New Zealand, Russia in the APAC region; United Kingdom, Italy in Europe; Nigeria and Tanzania in Africa; and the United States in North America. They intend to leverage their existing customer relationships to expand into manufacturing ingredients for their key customers, particularly in the PHPO division, for their products in other geographies, such as Indonesia, Europe and the United States.

- **Strengthen their customer base by growing existing customer business and acquiring new customers**

Their growth is the result of increase in their share of business with existing customers, winning new customers, expansion of their product portfolio, expansion of their overseas business and their ability to respond to emerging industry trends towards consumer and healthcare end-industries. They intend to strengthen their relationships with their existing customers and explore opportunities to grow by expanding the array of products and solutions that they offer to their customers, and to win new customer business by developing products and solutions aligned with their needs. They have demonstrated the ability to grow, adapt and integrate in response to their customers' needs. They intend to leverage their relationships with existing customers to increase their wallet share and repeat business with them as well as new business, and potentially become the largest manufacturer for such customers for specific products. They catered to 3,558 customers during the Financial Year 2023. The percentage of customers placing repeat orders in the quarter ended June 30, 2023 and the Financial

Years 2023, 2022 and 2021 was 83.74%, 69.11%, 68.86% and 66.37% respectively. They will also look at diversifying their product offerings and moving up the value chain by expanding their contract manufacturing services for finished products to their customers.

- **Strengthen manufacturing and R&D capabilities**

  For specialty oils, the end use market is volume-driven since users in industries such as food and beverage, pharmaceuticals, and beauty and personal care are all consumption-driven. In the medium to long term, leading end-user businesses need to be assured of an uninterrupted supply. Hence, there is preference for manufacturers with large and multiple facilities to reduce the threat of supply disruption. They are also in the process of enhancing the production capacity of their Taloja Plant by an aggregate of 100,000 kL, out of which, they commissioned an incremental capacity of 25,000 kL in October 2022. This enhancement of capacity is proposed to be funded out of their internal accruals and through external borrowings obtained by their Company. They expect to complete the enhancement to their production capacity during the Financial Year 2024. In addition, they separately intend to utilize ₹277.29 million of the Net Proceeds to invest in capital expenditure at their Silvassa Plant to enhance its production capacity by an aggregate of 18,840 kL to cater to the increasing demand

Industry Snapshot:

Market structure analysis

Global white oil market value share analysis by key companies, 2022

The global white oil market is oligopolistic with a few players highly active in the market. The top 10 players account for 40-45% of the global white oil market. Key market players are Calumet Specialty Products Partners, HollyFrontier, ExxonMobil, Shell, Chevron Corporation and Total Energies. Major Indian players in the global white oil market are Gandhar Oil, Raj Petro, Apar Industries and Savita Oil, where Gandhar is amongst top 2 white oil players and the only Indian player to rank among the top 5 players globally by revenue. The market also has several small and midsize players that give competition to Tier 1 players. Key market participants are strategically focusing on acquisitions and collaborations to widen their market presence and attain higher market shares. Small and midsize manufacturers are focusing on providing cost-effective and value-for-money products to improve their market penetration. With growing consumer awareness, demand for high purity ingredients in consumer products is rising at rapid rate and smaller players find it difficult to provide such quality.

Global market growth drivers

Robust growth in end-user industries and increase in R&D to drive market growth

Over the past few years, there has been immense focus on R&D, innovation, and product development across all major end-user industries, particularly those linked to lifestyle products. Additionally, businesses are concentrating on creating items with greater efficacy due to the modern R&D infrastructure. The expansion of government funding and R&D infrastructure opens doors for creation of innovative, cost-effective white oil-based goods. There is rising demand for premium products based on user awareness, social status and lifestyle upgrade, particularly personal care, and beauty products. This is expected to propel demand for white oils, which are used in hair care products, lotions, creams, etc.

Growing consumerism

The global middle class is expected to reach 5.5 billion by 2030. While developed countries are mostly replacement economies, developing countries have both a growing consuming population and a growing economy. Middle class spending is expected to reach $64 trillion by 2030, driven by growing consuming classes in emerging economies.

Focus on health and hygiene consciousness

The Covid-19 epidemic has accelerated the worldwide trend of rising hygiene and health consciousness. To prevent the spread of illnesses in professional settings, there is a higher understanding of the value of preventative measures, proper hand hygiene, cleaning procedures, and hygiene solutions. The demand for white oil is anticipated to rise as a result. The decline in global poverty, rise in disposable incomes and living standards, and improvement in healthcare access have a beneficial effect on demand.

Uninterrupted power supply vital for end-use industries

The power generation sector is poised to grow on the back of rising demand for reliable power supply. In industries that rely heavily on power, even a brief power outage can cause equipment damage as well as decreased productivity, resulting in customer and revenue loss. Power outages can be caused by inefficient heavy machinery operation as well as unanticipated equipment downtime. As a result, reducing unscheduled downtime is a top concern in the power generation business, to maximize production and profitability. Proper lubrication ensures the operational effectiveness of numerous machines in the power generation business, resulting in highly reliable equipment. Since industrial oils are required to keep operations running smoothly, the demand for these oils will rise in tandem with the expansion of the power generation industry, which is predicted to multiply in the years to come.

Expansion of electrical grids to drive power sector and thereby transformer oil demand

With increasing economic development, access to electricity and development of related infra are among the topmost priorities of nations. In line with this, there is a strong trend of expansion and development of electrical grids in developing nations, and up gradation of these grids in developed economies. Apart from social development, the above trend is also fuelled by increasing urbanization and growing penetration of electric appliances in the market with rising disposable incomes.

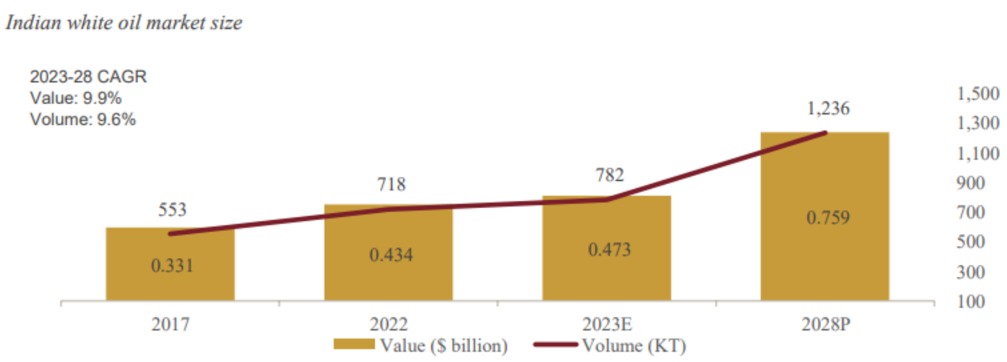
Growing automotive industry to boost demand for automotive oils

The global automotive industry has shown moderate growth. During the projected period, rising automobile production and sales are anticipated to be some of the key drivers boosting the market for automotive oil. Emerging economies are expected to have higher levels of automotive production than industrialized nations, because of rising urbanization and steady economic conditions.

Outlook on the specialty oil industry in India

White oil Industry size

The Indian white oil market is estimated to be 782 KT at the end of 2023. Market volume is expected to grow to 1,236 KT by 2028, at a CAGR of 9.6% during 2023-2028. Further, the market is valued at $0.473 billion by 2023-end. It is anticipated to grow to $0.759 billion by 2028 at a CAGR of 9.9% over the next five years. Since the consumer segment accounts for ~40% of the entire Indian white oil market in 2022, growth of this segment and the white oil market are directly correlated. Additionally, from 2023 to 2028, the CAGR of the consumer segment will be consistent with that of the white oil market in India. Market growth is anticipated to be driven by an improving standard of living and rising demand for cosmetics. White oil also finds significant use in the pharmaceuticals sector. Positive outlook for the pharmaceuticals is one of the key growth drivers.



End-use segments

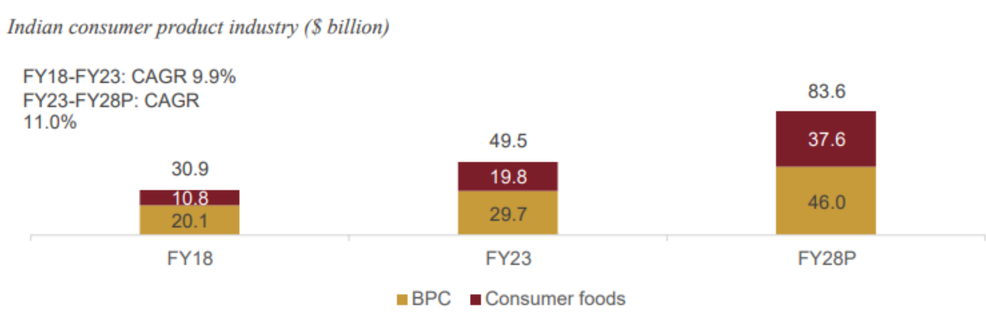
White mineral oil is used in various industries such as cosmetics, pharmaceutical, food and plastics. White mineral oil is used to manufacture products where the safety requirements are high. For instance, white oil used in the cosmetics and pharmaceuticals industries must be of pharmaceutical quality and cannot include any compounds that are harmful to human health. In the cosmetics industry, this is typically used as a principal or auxiliary ingredient in the manufacture of various products such as cream and lotion formulations, baby oil, suntanning products, sun blocks, cosmetics, makeup removers, depilatories, and bath oils. In the pharmaceuticals industry, it is used to make laxatives, formulations for ointments/ pomades, and gelatine capsules. It is also used in the veterinary drug sector to create animal vaccines.

Indian consumer products industry

The Indian consumer product industry size encompassing BPC and F&B segments was $49.5 billion in fiscal 2023 and is anticipated to grow to $83.6 billion by fiscal 2028 at a CAGR of 11.0%. It has recently been growing steadily in India.

Beauty & personal care segment (BPC)

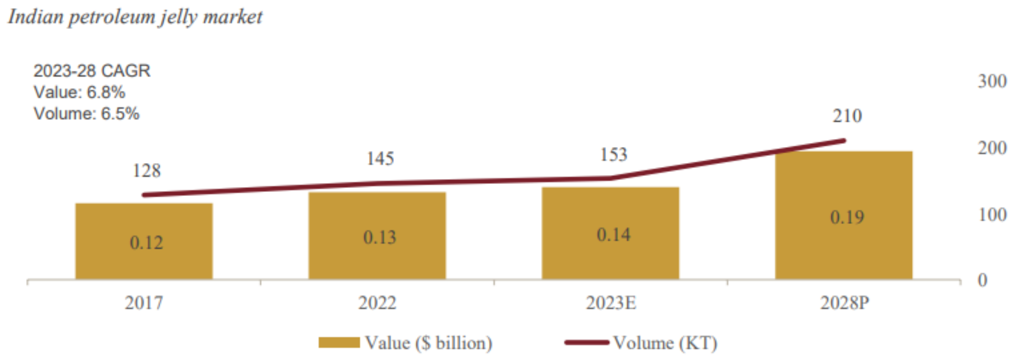
The Indian BPC market is valued an estimated $29.7 billion in 2023 and anticipated to grow to $46.0 billion by 2028. Key growth drivers for this segment are rise in purchasing power, improving standard of living, growing awareness among youth about personal hygiene and wellness, image consciousness and shift in preference among customers from basic nourishment-based products to premium/ specialty problem-solving products.



Petroleum jelly

Industry size

The volume of the Indian petroleum jelly market is 153 KT as of 2023 and is anticipated to increase at a CAGR of 6.5% to 289 KT over the next decade. The market value is estimated at $0.14 billion and is expected to reach $0.19 billion by 2028, at a CAGR of 6.8% over the forecast period. Petroleum jelly is a blend of microcrystalline wax, paraffin wax and Grade 2 base oil. It is used in a variety of industrial lubricating and finishing processes as well as in pharmaceutical compositions.



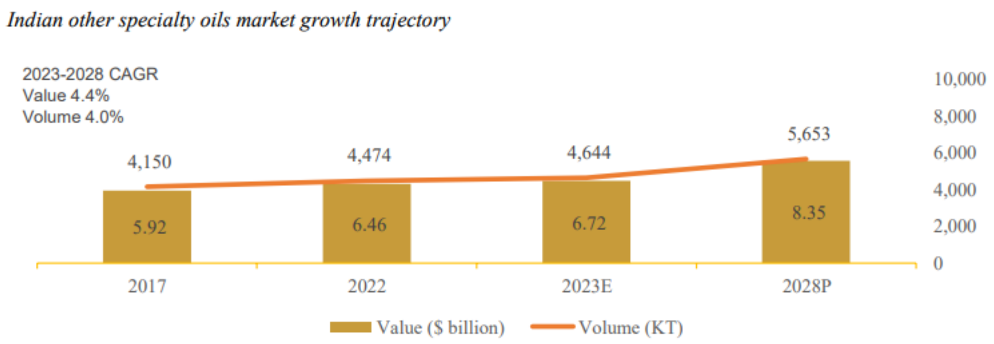
End-use segments

The end-use segments of petroleum jelly include pharmaceutical, cosmetics, personal care, food, textile, and others. The pharmaceutical and medical segments are anticipated to experience extremely rapid revenue growth during the projection period, thanks to the increased use of petroleum jelly as a maintenance therapy for atopic dermatitis, a powerful occlusive moisturizer, and for prevention of skin infections following ambulatory procedures. Petroleum jelly helps reduce the amount of air loss to the front of the masks and offers an additional barrier against skin irritation triggered by surgical spectacles. Petroleum jelly is generally accessible in all healthcare settings and provides a practical and affordable method for dermatitis treatment and prevention.

Other specialty oils

Industry size

The volume of the Indian other specialty oil market is estimated at 4,644 KT and valued at $6.72 billion as of 2023. The market is anticipated to clock a five-year CAGR of 4.4% (by value) to reach $8.35 billion by 2028. Further, the volumetric size of the market is foreseen at 5,653 KT by 2028, at a five-year CAGR of 4.0%. The demand for other specialty oils market in India is driven by growth in sales of passenger cars and two-wheelers, increase in power demand, and the government's emphasis on improving the infra for power transmission and distribution, rising industrialisation and domestic manufacturing, placing rising number of machines in use, and increasing tyre demand from growing automotive sectors.



End-use segments

Automotive lubricants minimize friction, boost engine longevity, and enhance vehicle performance. Performance improvement is a crucial factor for major automakers as they are required to guarantee seamless manufacturing quality. Transformer oil is utilised to maintain the transformer's smooth performance by reducing heat damage. Additionally, high-voltage circuit breakers and switches also use transformer oil. Industrial lubricants help industrial machinery and equipment to operate more effectively and efficiently. These are used across a wide range of industries including power generation, metal and mining, food and beverage, and turbine machineries. Rubber process oil is one of the key ingredients in production of various types of rubber. Commercially, rubber is utilised in the production of tyre and many different products, and in a variety of applications. Additionally, it is utilised in polishes, industrial hoses, shoes, and carbon black.

➢ **Accounting ratios**

Particulars	For the quarter ended 30th June 2023	FY23	FY22	FY21
Return on Net Worth/RoE (%)	6.91%	32.28%	32.54%	24.77%
EBITDA (₹ million)	841	3,166	2,460	1,388
EBITDA Margin (%)	7.85%	7.76%	6.94%	6.25%
PAT (₹ million)	543	2,132	1,636	1,003
PAT Margin (%)	5.07%	5.20%	4.58%	4.47%
RoCE (%)	9.30%	41.19%	42.10%	29.37%

Comparison with listed entity

Name of the company	Revenue from operations (₹ million)	Face Value (₹ per share)	EPS (Basic) (₹)	EPS (Diluted) (₹)	NAV (₹ per share)	P/E	RONW %
Gandhar Oil Refinery India Ltd	40,794.41	2.00	23.77	23.77	95.03	7.05*	32.28%
Listed peers							
Savita Oil Technologies Limited	36,304.35	2.00	32.66	32.66	209.70	10.84	16.68%
Apar Industries Limited	1,43,521.50	10.00	166.64	166.64	584.39	29.96	32.28%
Panama Petrochem Limited	22,487.20	2.00	38.51	38.51	157.39	7.96	27.08%
Galaxy Surfactants Limited	44,452.40	10.00	107.46	107.46	530.97	24.16	22.04%
Privi Speciality Chemicals Limited	16,078.20	10.00	5.45	5.45	213.88	222.13	2.57%
Rossari Biotech Limited	16,558.81	2.00	19.46	19.38	165.92	40.73	12.47%
Fairchem Organics Limited	6,480.41	10.00	33.41	33.41	199.11	32.74	17.70%

Note: 1) P/E Ratio has been computed based on the closing market price of equity shares on NSE on October 25, 2023.
2) */** P/E and EPS of company is calculated on basis TTM and post issue no. of equity shares issued.

Key Risk:

- They depend significantly on their personal care, health care and performance oil business division and downturns in the industries addressed by this business division or an inability to manage sales by the business division effectively leading to any reduction in revenue from this division could adversely affect their business, financial condition and results of operations.

- They are subject to strict quality requirements and standards and inspections and the success and acceptance of their products by their customers is largely dependent on their ability to meet such quality requirements and standards. Their failure to comply with the quality standards and technical specifications prescribed by such customers may lead to a loss of business from such customers and could negatively impact their reputation, which would have an adverse impact on their business prospects and results of operations.

- Their inability to effectively manage their growth and expansion or to successfully implement their business plan and growth strategy, including in relation to the expansion of their manufacturing plants, could have an adverse effect on their business, results of operations and financial condition.

- Delays, interruptions or reduction in the supply of raw materials to manufacture their products and abrupt fluctuations in the prices of their raw materials may adversely affect their business, results of operation, financial condition and cash flows.

- Promoters and their Company are involved in certain regulatory actions (including notices and summons with requests for information from the Enforcement Directorate and the Central Bureau of Investigation) and proceedings and investigations in respect of certain criminal proceedings. Any adverse outcome in such matters may adversely affect their business, reputation, financial condition and results of operations.

- Company source most of their base oil, their key raw material, from South Korea and the Gulf Co-operation Council region. Any inability to obtain base oil from these countries in the absence of alternative sources may result in delay or cancellation of orders for their products, adversely impact customer relationships and have a material adverse impact on their business, financial condition and results of operations.

- Their overall business and the demand for their products is dependent on the end industries in which their products are used and any decline in the demand for their customers' end products could have an adverse impact on their business, results of operations, cash flows and financial condition

Valuation:

Gandhar Oil Refinery India Ltd Limited is leading market share of the Indian white oils market with significant overseas sales, focused on the consumer and healthcare end-industries with extensive and diversified customer base and a supplier base comprised of leading oil companies with competitive pricing terms and resilient, flexible and scalable business model with prudent risk management framework along with Experienced and qualified management team

At the upper price band company is valuing at P/E of 7.04x, EV/EBITDA 5.42x with a market cap of ₹ 16,540 million post issue of equity shares and return on net worth of 32.28%.

We believe that valuations of the company is fairly priced and recommend a "**Subscribe-Long Term**" rating to the IPO.

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Mid Caps (101st-250th company)	>20%	0%-20%	Below 0%
Small caps (251st company onwards)	>25%	0%-25%	Below 0%

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