Press Release
GANDHAR OIL REFINERY INDIA LIMITED
June 01, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	100.00	ACUITE A | Stable | Reaffirmed	-
Bank Loan Ratings	900.00	-	ACUITE A1 | Reaffirmed
Total Outstanding Quantum (Rs. Cr)	1000.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating to '**ACUITE A**' **('read as ACUITE A') and the** short-term rating to '**ACUITE A1**' **('read as ACUITE A One')** on the Rs. 1000 crore bank loan facilities of Gandhar Oil Refinery India Limited (GORIL). The outlook is '**stable**'.

Rationale for the Rating

The rating reaffirmation considers Gandhar Group's stable revenue growth, comfortable financial risk profile, and improved operating profitability on a consolidated level. The improvement is in line with Acuite's expectations. The improved profitability is attributable to the group's decision to separate the coal trading segment to a different entity in line with the promoters' stated focus on deepening its presence in the manufacturing specialty oil industry. The rating also takes comfort from the group's established track record of operations, relationships with reputed clientele, and strong liquidity profile. However, the rating is constrained on account of high working capital intensity and the susceptibility of the group's profitability to volatility in raw material prices and forex fluctuations.

About Company

GORIL, incorporated in 1992, is engaged in the specialty oil industry. It was started by Mr. Ramesh Parekh, who is also the current chairman. The company is engaged in manufacturing products like white oils and other allied products that have applications in cosmetics, healthcare, pharmaceuticals, and chemical segments, apart from lubricants (industrial and automotive oils) and other specialty oils (transformer oils and rubber processing oils). GORIL has an installed capacity of 2,60,000 kiloliters (KL), which is in the process of being expanded to 3,32,000 KL with manufacturing facilities at MIDC Taloja and Silvassa, catering to the overseas and domestic markets, respectively. The company is ISO 9001:2008, ISO 14001:2004, OHSAS 18001 certified, and FDA approved for manufacturing pharmaceutical-grade mineral oils. The company was also historically engaged in coal trading; however, the trading revenue has reduced considerably and it has completely separated from Gandhar Group in line with the promoter's vision of deepening its presence in the specialty oil industry, particularly in the white oil segment.

About the Group

Gandhar Group is a Mumbai-based entity engaged in manufacturing products like white oils and other allied products and began its operations in 1992 through its flagship company, GORIL. The group was also historically engaged in coal trading; however, currently the trading segment has been separated with a slump sale agreement under a different entity, namely Gandhar Coals and Mines Private Limited. The other entities in the group include Gandhar

Shipping and Logistics Private Limited (GSLPL) and Texol Lubritech FZC (TLF). GSLPL is a Mumbai-based company incorporated in 2010. It is engaged in providing logistical support to the flagship company's (GORIL) operations. It is fully owned by GORIL. TLF is a Sharjah-based company that started its operations in 2019. It is engaged in manufacturing products like white oils, petroleum jelly, industrial and automotive lubricants, transformer oils, and a variety of other specialty oils. It is a subsidiary company of GORIL, where GORIL has around 50.10% ownership. Its manufacturing facility is in Hamriyah Free Zone, Sharjah.

Analytical Approach

Extent of Consolidation

• Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has consolidated the business and financial risk profiles of Gandhar Oil Refinery (India) Limited (GORIL), Gandhar Shipping and Logistics Private Limited (GSLPL), and Texol Lubritech FZC (TLF). Together the entities are referred to as the 'Gandhar Group' (GG). The consolidation is in view of the common management, strong operational & financial linkages between the entities and corporate guarantee extended by GORIL.

In the earlier rating review Gandhar Global Singapore PTE Limited (GGSPL) was considered in the consolidated analysis, however since November 2020 the Company has been shut down.

Key Rating Drivers

Strengths

Extensive experience of promoters in the industry and a long operational t rack record.

Gandhar Group began its operations in 1992 with the establishment of its flagship company, GORIL. It was started by Mr. Ramesh Parekh, who is also the current chairman. He has spent over three decades in the industry. The day-to-day operations are managed by his sons, Mr. Samir Parekh and Mr. Ashlesh Parekh, both of whom have over a decade of experience in the industry. The long operational track record and experience of the promoters have helped the group achieve a relatively large scale of operations and establish relationships with reputed clients and suppliers. Its large scale of operations is reflected in consolidated revenue of Rs. 4081 crore in FY2023 (prov.) against Rs. 3546 crore in FY2022. The revenue growth is attributable to contributions from its subsidiary company, Textol Lubritech FZV (TLF). TLF's revenues stood at Rs. 1183 crore in FY2023 (prov.) against Rs. 617 crore in FY2022. Further, the increase can also be attributed to the group's manufacturing segment, which has product applicability in a diverse range of industries. The product portfolio includes white oils, petroleum jelly, industrial and automotive lubricants, transformer oils, and a variety of other specialty oils. Products manufactured by Gandhar Group have applications in varied industries, including pharmaceutical, FMCG, texturizers, polymers, electricity generation and transmission, railways, steel, sugar, engineering equipment, chemical, rubber and tyre manufacturing, automotive, and defence. The group also caters to a reputed clientele base in more than 100 countries, including the UAE, Brazil, the USA, Europe, and Asia. Besides having two units in India at Taloja and Silvassa, it also has a plant in Sharjah held through its subsidiary, TLF. Some of its noteworthy clients include Indian Railways, State Electricity Boards, and Discoms. The company also has established relationships with its suppliers. The group has entered into supply contracts with large international as well as domestic oil refineries such as Saudi Aramco, S-Oil Corporation, BPCL, and HPCL, respectively.
Acuité believes that Gandhar Group will continue to benefit from its experienced management, established relations with clients and suppliers, and long track record of operations.

Comfortable financial risk profile

Gandhar Group's financial risk profile has remained comfortable despite debt additions in the last two years. The tangible net worth stood strong at Rs. 729.88 crore as of March 31, 2023 (prov.) against Rs. 527.95 crore as of March 31, 2022. The total debt stood at Rs. 217.50 crore as of March 31, 2023 (prov.) against Rs. 190.77 crore as of March 31, 2022. This includes term

loans and lease liabilities of around Rs. 23 crore and Rs. 48 crore, respectively. Further, working capital loans stood at Rs 68.98 crore, and unsecured loans from related parties stood at Rs 58.45 crore. Besides this, the group also has non-fund-based facilities to the tune of Rs. 370 crore in the form of LC and BG. The gearing stood at 0.30 times as of March 31, 2023 (prov.) against 0.36 times as of March 31, 2022. However, the gearing inclusive of non-fund-based limits stood at 0.81 times as of March 31, 2023 (Prov.). Interest coverage ratio (ICR) stood marginally reduced but comfortable at 6.32 times in FY2023 (Prov.) due to additional debt availed as against 8.40 times in FY2022. Further, DSCR stood healthy at 3.91 times during FY2023 (prov.) against 5.98 times in FY2022. Going forward, the coverage indicators are expected to improve in the absence of any additional debt on account of further expected improvements in profitability. The TOL/TNW stood at 1.17 times as of March 31, 2023 (prov) against 1.47 times as of March 31, 2022.
Acuité believes that the group will maintain a comfortable financial risk profile in the absence of any major debt-funded capex over the medium term.

Improvement in operating profitability.
The group's operating profitability has seen improvement on a consolidated level, mainly on account of a reduction in coal trading business over the years. The contribution of the trading segment almost stood at nil in FY2023, against 4 percent in FY2022 and 11 percent in FY2021. This has resulted in a YoY increase in operating profitability as the company has been able to generate stable margins from its manufacturing segment. Revenue and operating margins stood at Rs. 4076 crore and 7.70 percent for FY2023 (prov.) against Rs. 3546 crore and 6.81 percent in FY2022 and Rs. 2220 crore and 5.36 percent in FY2021, respectively.
Gandhar Group's ability to sustain its profitability over the medium term will remain a key rating sensitivity.

Weaknesses

Elongation in the working capital cycle
GG's operations are moderately working capital intensive, as marked by GCA days of 106 in FY2023 (prov.), increasing from 96 in FY2022. This is primarily on account of the increase in receivable period to 50 days in FY2023 (prov.) from 45 days in FY2022. Further, the inventory days have also increased to 45 in FY2023 (prov.) against 36 in FY2022. GCA also consisted of a balance with government authorities of Rs. 61 crore in FY2023, which has resulted in an overall increase in gross current assets. Although there is a marginal increase in the receivables, the clients that the group deals with are large, reputed companies, thus reducing the counterparty risk. The customer concentration risk is also lower, as the top clients in the manufacturing segment only account for 18 percent of the total sales.
Acuité believes the group's ability to restrict further elongation in the working capital cycle will remain a key rating sensitivity factor.

Susceptibility to volatility in raw material prices and exposure to forex risk
The key component in manufacturing specialty oils and lubricants is base oils. It forms 80 percent of the groups' raw material costs. It is a derivative of crude oil, produced by refining crude, and therefore susceptible to volatility in crude oil prices. However, the company holds the requisite quantity of inventory and has 'pass through' clauses in the contracts with the customers to mitigate the risk of volatility in commodity prices, thereby protecting its margins. Further, the group is exposed to significant forex risk as it imports 85 percent of its raw materials. Exports account for 33 percent of the revenue. Hence, foreign exchange risk is reduced to some extent through a natural hedge. However, the group follows an active hedging policy, including forward contracts, and 70 percent of its foreign exchange exposure is hedged, which mitigates a substantial portion of forex risk.

ESG Factors Relevant for Rating

Oil and gas businesses have substantial carbon emissions and toxic waste footprints. Issues like waste and water management, managing environmental impacts, and achieving energy efficiency are significant to the hydrocarbon exploration and refining industry. Furthermore, sustainable procurement is also a key material issue for the industry. Labour management, occupation, workplace health and safety standards, and community development are important socially related factors that can influence social scores in the oil and gas industry.

Other material issues include product quality, product safety, and supply chain management. For oil and gas businesses, corporate governance remains a key risk. Regulatory compliance, board oversight, and business ethics are sensitive issues.

Rating Sensitivities

- Sustained improvement in scale of operations while maintaining profitability.
- Any elongation of working capital cycle leading to increased dependence on bank borrowings.

Material Covenants

None

Liquidity Position

Strong

Gandhar Group's net cash accruals (NCA) stood healthy in the range of Rs. 180–223 crore for the period FY2022-FY2023 against repayment obligations in the range of Rs. 3–14 crore during the same period. Going forward, the group's NCA is expected to remain in the range of Rs. 225–250 crore for the period FY 2023–2024 against repayment obligations in the range of Rs. 20–23 crore for the same period. The company's operations are moderately working capital intensive, as marked by GCA days of 106 during FY2023 (Prov.). Although this makes the company dependent on bank borrowing to fund its working capital requirements, the same are utilised at moderate levels, and average fund-based and non-fund-based bank limit utilisation for the last twelve-month period ended March 2023 stood at 19 percent and 83 percent, respectively. The group has maintained cash in hand at around 1.56 crore and bank balances of Rs. 44.80 crore in FY2023 (prov.). The group's liquidity profile is expected to remain strong over the medium term on account of its healthy cash accruals against repayment obligations, low bank limit utilisation, and healthy cash and bank balances.

Outlook: Stable

Acuité believes Gandhar Group will maintain a "stable" business risk profile in the medium term on the back of an established operational track record, the long-standing experience of the promoters in the business, and established relations with reputed customers and suppliers. The outlook may be revised to "positive" in the case of improvement in the operating risk profile and working capital cycle. Conversely, the outlook may be revised to "negative" in the event of a further decline in profitability or an elongation of the working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	4081.24	3546.30
PAT	Rs. Cr.	206.80	164.12
PAT Margin	(%)	5.07	4.63
Total Debt/Tangible Net Worth	Times	0.30	0.36
PBDIT/Interest	Times	6.32	8.40

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any Other Information

Not Applicable

Applicable Criteria

- Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm
- Consolidation Of Companies: https://www.acuite.in/view-rating-criteria-60.htm
- Default Recognition: https://www.acuite.in/view-rating-criteria-52.htm
- Manufacturing Entities: https://www.acuite.in/view-rating-criteria-59.htm

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
11 Mar 2022	Cash Credit	Long Term	7.50	ACUITE A | Stable (Upgraded from ACUITE A- | Stable)
	Letter of Credit	Short Term	105.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Letter of Credit	Short Term	38.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Proposed Bank Facility	Short Term	91.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Letter of Credit	Short Term	55.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Letter of Credit	Short Term	107.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Bank Guarantee	Short Term	10.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Bank Guarantee	Short Term	10.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Letter of Credit	Short Term	35.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Letter of Credit	Short Term	95.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Cash Credit	Long Term	20.00	ACUITE A | Stable (Upgraded from ACUITE A- | Stable)
	Cash Credit	Long Term	27.50	ACUITE A | Stable (Upgraded from ACUITE A- | Stable)
	Letter of Credit	Short Term	32.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Letter of Credit	Short Term	85.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Letter of Credit	Short Term	124.50	ACUITE A1 (Upgraded from ACUITE A2+)
	Term Loan	Long Term	25.00	ACUITE A | Stable (Upgraded from ACUITE A- | Stable)
	Bank Guarantee	Short Term	2.50	ACUITE A1 (Upgraded from ACUITE A2+)
	Cash Credit	Long Term	15.00	ACUITE A | Stable (Upgraded from ACUITE A- | Stable)
	Letter of Credit	Short Term	110.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Cash Credit	Long Term	5.00	ACUITE A | Stable (Upgraded from ACUITE A- | Stable)
	Cash Credit	Long Term	5.00	ACUITE A- | Stable (Assigned)
	Cash Credit	Long Term	15.00	ACUITE A- | Stable (Assigned)
	Letter of Credit	Short Term	97.00	ACUITE A2+ (Assigned)
	Bank Guarantee	Short Term	10.00	ACUITE A2+ (Assigned)
	Cash Credit	Long Term	27.50	ACUITE A- | Stable (Assigned)
	Letter of Credit	Short Term	38.00	ACUITE A2+ (Assigned)
		Long		

11 Dec 2020	Cash Credit	Term	20.00	ACUITE A- | Stable (Assigned)
	Proposed Bank Facility	Short Term	138.50	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	30.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	55.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	55.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	82.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	110.00	ACUITE A2+ (Assigned)
	Cash Credit	Long Term	7.50	ACUITE A- | Stable (Assigned)
	Term Loan	Long Term	25.00	ACUITE A- | Stable (Assigned)
	Bank Guarantee	Short Term	2.50	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	102.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	75.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	105.00	ACUITE A2+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A1 | Reaffirmed
Punjab National Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	2.50	ACUITE A1 | Reaffirmed
State Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A1 | Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	27.50	ACUITE A | Stable | Reaffirmed
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A | Stable | Reaffirmed
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A | Stable | Reaffirmed
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A | Stable | Reaffirmed
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.50	ACUITE A | Stable | Reaffirmed
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	105.00	ACUITE A1 | Reaffirmed
Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	38.00	ACUITE A1 | Reaffirmed
ICICI Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	32.00	ACUITE A1 | Reaffirmed
IDFC First Bank Limited	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	35.00	ACUITE A1 | Reaffirmed
Bank of Baroda	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	110.00	ACUITE A1 | Reaffirmed
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	95.00	ACUITE A1 | Reaffirmed
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	124.50	ACUITE A1 | Reaffirmed
Indusind Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	107.00	ACUITE A1 | Reaffirmed
Axis Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	85.00	ACUITE A1 | Reaffirmed

Punjab National Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	55.00	ACUITE A1 | Reaffirmed
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	91.00	ACUITE A1 | Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	17 Jan 2019	Not available	16 Jan 2024	Simple	25.00	ACUITE A | Stable | Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Jaitashree Hukerikar Analyst-Rating Operations Tel: 022-49294065 jaitashree.hukerikar@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.