



Press Release
Gandhar Oil Refinery (India) Limited
May 30, 2024
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 takes comfort from the company's improved liquidity position with recent fund raised through IPO. The ratings take into account the group's established track record of operations, relationships with reputed clientele, and comfortable financial risk 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. The rating takes note of decline in the revenues and the profitability in Q4FY2024 due to the lower offtake from the FMCG sector. Going forward, the company's operating performance in the near term and its impact on the overall financial risk profile will remain a key rating monitorable.

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 kilolitres (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.

Unsupported Rating
Not Applicable

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.

Key Rating Drivers

Strengths

Extensive experience of promoters in the industry and a long operational track 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. The consolidated scale of operations stood flat at Rs. 4123.10 crore in FY2024 against Rs. 4081.24 crore in FY2023. There has been an increase in the volumes by 12%, however with the decline in the average realisation by 6.22%, the revenues stood flat in FY24 over FY23. 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 Talaja 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 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. The tangible net worth increased at Rs. 1161.67 crore as of March 31, 2024, against Rs. 729.88 crore as of March 31, 2023. The total debt stood at Rs. 203.14 crore as of March 31, 2024, against Rs. 217.50 crore as of March 31, 2023. The company raised funds through IPO in November 2023 which has resulted in improvement in the capital structure and liquidity position as reflected by the gearing of 0.17 times as of March 31, 2024, against 0.30 times as of March 31, 2023. Interest coverage ratio (ICR) stood marginally reduced but comfortable at 4.96 times in FY2024 as

against 6.32 times in FY2023. Further, DSCR stood healthy at 2.86 times during FY2024 against 3.91 times in FY2023. The TOL/TNW stood at 0.62 times as of March 31, 2024, against 1.17 times as of March 31, 2023. 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.

Weaknesses

Moderation in revenues and profitability in Q4FY2024

The company recorded a revenue decline of ~5% in Q4FY2024 as compared to Q3FY2023. Though in FY24, revenues remained flat at Rs. 4,123.10 crore against Rs. 4081.24 crore in FY23. The EBDITA margin stood at 3.6% in Q4FY2024 as against 4.7% during the previous quarter mainly on account of lower off-take and decline in the sales realisation affected by the slowdown in the FMCG industry coupled with increased freight cost. In FY2024, EBDITA margin stood at 7.00 % in FY2024 as against 7.70% in FY2023. The company reported PAT of 4.01% in FY24 against 5.07% in FY23.

Elongation in the working capital cycle

GG's operations are moderately working capital intensive, as marked by GCA days of 119 in FY2024 as against 106 in FY2023. This is primarily on account of the increase in receivable period to 55 days in FY2024 from 50 days in FY2022. Further, the inventory days remains at the similar levels at 43 days in FY2024 against 44 in FY2023. 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

- Sustainable revenue growth along with improvement in its profitability while maintaining its credit risk profile and liquidity position.
- Ability to improve and maintain an efficient working capital cycle.
- Further decline in the profitability impacting its overall credit risk profile.

Liquidity Position Adequate

Gandhar Group's liquidity remains healthy with NCA of Rs. 185.44 crore in FY24 against repayment obligation of Rs. 23.10 crore in FY24. Besides, the company has free cash and a bank balance of Rs. 149.76 crore (including bank deposits) as on March 31, 2024. Also, the repayments in FY2025 remain low at Rs 3.78 cr. Apart from that the company has buffer in the fund Based limits with average utilization of 11.27% in 6 months ending March 2024. 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	4123.10	4081.24
PAT	Rs. Cr.	165.32	206.80
PAT Margin	(%)	4.01	5.07
Total Debt/Tangible Net Worth	Times	0.17	0.30
PBDIT/Interest	Times	4.96	6.32

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

Not Applicable

Any Other Information

None

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
01 Jun 2023	Bank Guarantee (BLR)	Short Term	10.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	2.50	ACUITE A1 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	10.00	ACUITE A1 (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	7.50	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	27.50	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE A Stable (Reaffirmed)
	Letter of Credit	Short Term	105.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	110.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	95.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	124.50	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	107.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	85.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	55.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	38.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	32.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	35.00	ACUITE A1 (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	91.00	ACUITE A1 (Reaffirmed)
	Term Loan	Long Term	25.00	ACUITE A Stable (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	10.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Bank Guarantee/Letter of Guarantee	Short Term	2.50	ACUITE A1 (Upgraded from ACUITE A2+)
	Bank Guarantee/Letter of Guarantee	Short Term	10.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Cash Credit	Long Term	27.50	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Cash Credit	Long Term	20.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Cash Credit	Long Term	15.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
		Long		ACUITE A Stable (Upgraded from

11 Mar 2022	Cash Credit	Term	5.00	ACUITE A- Stable)
	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	110.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Letter of Credit	Short Term	95.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Letter of Credit	Short Term	124.50	ACUITE A1 (Upgraded from ACUITE A2+)
	Letter of Credit	Short Term	107.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Letter of Credit	Short Term	85.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Letter of Credit	Short Term	55.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Letter of Credit	Short Term	38.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Letter of Credit	Short Term	32.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Letter of Credit	Short Term	35.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Proposed Short Term Bank Facility	Short Term	91.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Term Loan	Long Term	25.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)

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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE A1 Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.50	ACUITE A1 Reaffirmed
State Bank of India	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE A1 Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	27.50	ACUITE A Stable Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE A Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE A Stable Reaffirmed
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A Stable Reaffirmed
Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.50	ACUITE A Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	105.00	ACUITE A1 Reaffirmed
Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	38.00	ACUITE A1 Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	32.00	ACUITE A1 Reaffirmed
IDFC First Bank Limited	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	35.00	ACUITE A1 Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	110.00	ACUITE A1 Reaffirmed

Union Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	95.00	ACUITE A1 Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	124.50	ACUITE A1 Reaffirmed
Indusind Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	107.00	ACUITE A1 Reaffirmed
Axis Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	85.00	ACUITE A1 Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	55.00	ACUITE A1 Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	91.00	ACUITE A1 Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	17 Jan 2019	Not avl. / Not appl.	16 Jan 2024	Simple	25.00	ACUITE A Stable Reaffirmed

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

1. Gandhar Shipping and Logistics Private Limited
2. Gandhar Oil and Energy – Dubai
3. Texol Lubritech FZC
4. Gandhar Oil Refinery India Limited

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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.

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