



**SMC Ranking**  
 ★★☆☆☆ (2.5/5)

### Issue Highlights

Industry	FMCG
Offer for sale (Shares)	11,756,910
Fresh Issue (Shares)	17,869,822
<b>Net Offer to the Public</b>	<b>29,626,732</b>
Issue Size (Rs. Cr.)	474-501
Price Band (Rs.)	160-169
Offer Date	22-Nov-23
Close Date	24-Nov-23
Face Value	2
Lot Size	88

### Issue Composition

	In shares
Total Issue for Sale	29,626,732
QIB	14,813,366
NIB	4,444,010
Retail	10,369,356

### Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	87.50%	64.63%
QIB	12.49%	20.24%
NIB	0.01%	4.54%
Retail	0.00%	10.60%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

\*calculated on the upper price band

### Objects of the Issue

The objects of the Offer are:

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 expansion in capacity of automotive oil at our Silvassa Plant;

Funding working capital requirements of our Company; and General corporate purposes.

#### Book Running Lead Manager

- ICICI Securities Limited
- Nuvama Wealth Management Limited

#### Name of the registrar

- Link Intime India Private Ltd

### About the company

Gandhar Oil Limited is a prominent manufacturer of white oils that caters to the consumer and healthcare industries. The company offers an extensive range of 440 products which primarily fall under three categories 1. Personal care Healthcare performance oils (PHPO) 2. Lubricants and 3) Process and insulating oils. The company's products serve as crucial ingredients for various end products in sectors such as consumer goods, healthcare, automotive, industrial, power, tyre, and rubber, and are used by leading Indian and global companies. The company has catered to over 100 countries across the globe. It served more than 3500 clients including companies like P&G, Unilever, Marico, Dabur, Encube, Patanjali Ayurved, Bajaj Consumer Care, Emami and Amrutanjan Healthcare.

### Strength

**Leading market share of the Indian white oils market:** The company is 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, the company offered a diverse portfolio of over 440 products primarily across the PHPO, lubricants and PIO divisions. Gandhar Oil Refinery India's 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. Its pro forma consolidated revenue from finished goods sold has grown at a CAGR of 48.61% over the last three Financial Years, from Rs.1728.74 crore in the Financial Year 2021 to Rs. 3818.2 crore in the Financial Year 2023 and Rs. 981.68 crore in the quarter ended June 30, 2023. The PHPO division is its largest business division and contributed to 54.96% of its pro forma consolidated revenue from finished goods sold for the Financial Year 2023 and 56.29% for the quarter ended June 30, 2023. The company has significant overseas business across over 100 countries across the Asia-Pacific region ("APAC"), Europe, Africa and the Americas as of June 30, 2023, with the PHPO division contributing to 64.75% of its revenue from overseas sales, calculated on the basis of its Pro Forma Consolidated Financial Information. Gandhar Oil's revenue from overseas sales, calculated on the basis of Pro Forma Consolidated Financial Information, as a proportion of its pro forma consolidated revenue from sale of products for the quarter ended June 30, 2023 and the Financial Years 2023, 2022 and 2021 was 64.57%, 53.32%, 39.76% and 36.00% respectively.

**Extensive and diversified customer base:** Gandhar Oil Refinery India believes that its customer engagement, relationships and certifications obtained by its manufacturing facilities demonstrate the strength of its reputation, the quality and consistency of its products and the strength of operations, management and technical capabilities. This provides it with a significant competitive advantage over new entrants in the industry. It manufactures products for its customers based on purchase orders issued by them. For certain customers, it enters into agreements that are renewed annually, which include provisions for price pass-through to the customers.

**Strategically located manufacturing facilities and in-house R&D capabilities:** It currently operates 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 its Indian and global operations. As of June 30, 2023, the combined annual production capacity of its manufacturing facilities was approximately 522,403 kL. Its Silvassa Plant, with an annual production capacity of 143,853 kL as of June 30, 2023, primarily manufactures specialty oils for the Indian market. Its 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. Its 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. The company is also in the process of enhancing the production capacity of its Taloja Plant by an aggregate of 100,000 kL, out of which, it commissioned an incremental capacity of 25,000 kL in October 2022. This enhancement of capacity is proposed to be funded out of its internal accruals and through external borrowings obtained by the Company. It expects to complete the enhancement to its production capacity during the Financial Year 2024. Its 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 the company to save time and cost towards transportation of final products to domestic and international customers.

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

The Company has three decades of experience in the specialty oils industry. It has increased the scale of its operations over the years, while increasing efficiency and reducing costs. The Company started with the Taloja Plant in 1993, subsequently set up the Silvassa Plant in 2000 and set up Texol (which has become its Subsidiary with effect from March 30, 2022) with a partner in 2017, to expand into United Arab Emirates. Its business model affords it the flexibility to grow and manage its operations. The company has also made investments in expanding its production capacities, upgrading its equipment and technology systems over the last three Financial Years. It has a diversified customer base, which limits concentration risk and mitigates the risk of any one of customers defaulting or delaying payments. Set forth below are details of the contribution of its top five, top 10 and top 20 customers to its pro forma consolidated revenue from finished goods sold for the periods indicated.

	Quarter ended June 30, 2023	Financial Year 2023	Financial Year 2022	Financial Year 2021
	(% of pro forma consolidated revenue from finished goods sold)			
<b>Top 5 customers</b>	13.54%	14.45%	9.70%	8.09%
<b>Top 10 customers</b>	19.21%	20.85%	15.01%	13.04%
<b>Top 20 customers</b>	26.32%	28.01%	22.49%	20.91%

**Track record of consistent financial performance:** It has a track record of consistent financial performance, which positions it for future growth and diversification. Its pro forma consolidated revenue from operations was Rs. 1070.3 crore for the quarter ended June 30, 2023. Its pro forma consolidated revenue from operations grew at a CAGR of 40.59% to Rs. 4079.4 crore in the Financial Year 2023 from Rs. 2063.9 Crore in the Financial Year 2021. Its pro forma consolidated revenue from finished goods sold grew at a CAGR of 48.61% from Rs. 1728.7 crore in the Financial Year 2021 to Rs.2766.20 crore in the Financial Year 2022 and Rs.3818.16 crore in the Financial Year 2023 and was Rs.981.68 crore for the quarter ended June 30, 2023. Its Manufacturing Gross Margin Spread, based on its Pro Forma Consolidated Financial Information grew to Rs.11,429.60/kL in the Financial Year 2023 from Rs.9,735.78/kL in the Financial Year 2022 and from Rs.10,977.06/kL in the Financial Year 2021 and was Rs.10,836.86/kL for the quarter ended June 30, 2023. It has put in measures to minimize commodity price volatility risks and protect its gross margin spreads from any positive and negative moves in raw material price volatility. As a result, its EBITDA margins have been stable at 7.76% in the Financial Year 2023 and 7.85% for the quarter ended June 30, 2023.

**Strategy**

**Enhanced focus on the consumer and healthcare end-industries:** Gandhar Oil Refinery India believes that it is well-positioned to take advantage of favorable industry trends for the consumer and healthcare end-industries and will focus on expanding its 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. The consumer and healthcare end-industries accounted for 30.22% and 7.89%, respectively, of its pro forma consolidated revenue from finished goods sold for the Financial Year 2023 and 33.70% and 6.40%,

respectively, for the quarter ended June 30, 2023. It will leverage its relationships with existing customers in the consumer and healthcare end-industries to expand its wallet share with them and look at acquiring new customers in these end-industries. It is also in discussions with a global manufacturer in the consumer and pharmaceuticals end-industries to add them as a customer. It also continues to collaborate with its customers to provide offerings customized for their requirements using its R&D and manufacturing capabilities.

**Continue to increase overseas sales by strategically expanding product offerings:** It is working towards increasing penetration in existing geographies and potential entry into new geographies based on current customer relationships to support its growth globally. The revenue from overseas sales, calculated on the basis of its Pro Forma Consolidated Financial Information, as a percentage of pro forma consolidated revenue from sale of products has increased from Rs.741.36 crore or 36.00% for the Financial Year 2021 to Rs.2173.35 crore or 53.32% for the Financial Year 2023, at a CAGR of 71.22%, and to Rs.690.56 crore or 64.57% for the quarter ended June 30, 2023. It intends to focus on expanding its overseas business to additional countries where it currently has a limited business presence. As of June 30, 2023, it 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. It intends to leverage its existing customer relationships to expand into manufacturing ingredients for its key customers, particularly in the PHPO division, for their products in other geographies, such as Indonesia, Europe and the United States.

**Strengthen manufacturing and R&D capabilities:** The company is also in the process of enhancing the production capacity of Taloja Plant by an aggregate of 100,000 kL, out of which, it commissioned an incremental capacity of 25,000 kL in October 2022. This enhancement of capacity is proposed to be funded out of its internal accruals and through external borrowings obtained by Company. It expects to complete the enhancement to its production capacity during the Financial Year 2024. In addition, it separately intends to utilize Rs.27.73 Crore of the Net Proceeds to invest in capital expenditure at its Silvassa Plant to enhance its production capacity by an aggregate of 18,840 kL to cater to the increasing demand for automotive oils. It will enhance its product development and customization capabilities to increase the application of its products across multiple industries. It has in the past developed customized specialized oils for customers in the PHPO division and the lubricants division and will look to offer such services to more customers in the future. It intends to continue enhancing its operational efficiencies, to increase economies of scale, better absorb its fixed costs, reduce its other operating costs and strengthen its competitive position.

### Risk factor

- The company depends significantly on its personal care, health care and performance oil business division and downturns in the industries may adversely affect the business.
- The inability to effectively manage its growth and expansion or to successfully implement its business plan and growth strategy could have an adverse effect on its business.
- The company is exposed to counterparty credit risk, and any delay in or non-receipt of payments may adversely affect its cash flows and results of operations.

### Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Savita Oil Tech	3637.62	167.72	24.27	13.58	1.49	220.55	2	329.55	2277.20
Panama Petrochem	2187.03	193.77	32.03	9.56	1.82	168.18	2	306.10	1851.71
Privi Speci.	1682.62	27.09	6.93	186.72	5.85	221.26	10	1294.00	5054.71
Galaxy Surfact.	3979.62	349.34	98.53	28.67	4.93	572.40	10	2824.40	10013.84
Rossari Biotech	1689.82	116.83	21.15	34.38	4.11	177.14	2	727.15	4015.85
Fairchem Organic	565.97	28.88	22.18	52.61	5.71	204.23	10	1166.80	1519.28
Gandhar Oil Refinery India Limited**	4079.44	213.17	21.78	7.76	1.48	114.08	2	169.00	1654.00

\*Peer companies financials are TTM based.

\*\* Financials are related to FY2023

### Valuation

Considering the P/E valuation, on the upper end of the price band of Rs.169, the stock is priced at pre issue P/E of 6.34x on FY2023 EPS of Rs.26.65. Post issue, the stock is priced at a P/E of 7.76x on its EPS of Rs.21.78. Looking at the P/B ratio at Rs.169, pre issue, book value of Rs. 101.81 of P/Bvx 1.66x. Post issue, book value of Rs. 114.08 of P/Bvx 1.48x.

Considering the P/E valuation, on the lower end of the price band of Rs.160, the stock is priced at pre issue P/E of 6.00x on FY2023 EPS of Rs.26.65. Post issue, the stock is priced at a P/E of 7.35x on its EPS of Rs.21.78. Looking at the P/B ratio at Rs.160, pre issue, book value of Rs. 101.81 of P/Bvx 1.57x. Post issue, book value of Rs. 114.08 of P/Bvx 1.40x.

### Industry Outlook

The global specialty oil market value, estimated at \$129.90 billion in 2023, is expected to grow to \$154.0 billion by 2028, at a CAGR of 3.5%. The Indian specialty oil market is estimated to be \$7.33 billion in 2023 and reach \$9.30 billion by 2028, at a CAGR of 4.9%. White oil is expected to be the fastest-growing segment over the forecast period, given the favourable outlook for end-user industries amid rising focus on product safety and awareness about health and hygiene.

### Outlook

The company is a leading manufacturer of white oils which caters to the consumer and healthcare end-industries. The company is selling its products under "Divyol" brand. It has created a niche place for white oil and is among the top 5 players with renowned customers like HUL, P & G, Emami, Marico, Dabur, etc. As the company depends significantly on its personal care, health care and performance oil business division and downturns in the industries may adversely affect the business.

### An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	22-November-23
BID/ISSUE CLOSES ON	24-November-23
Finalisation of Basis of Allotment with the Designated Stock Exchange	30-November-23
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	01-December-23
Credit of Equity Shares to demat accounts of Allottees	04-December-23
Commencement of trading of the Equity Shares on the Stock Exchanges	05-December-23

## Annexure

### Consolidated Financials

#### Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Jun-23 (3 Months)	Period ended 31-Mar-23 (12 Months)	Period ended 31-Mar-22 (12 Months)
Revenue from operations	1,070.34	4,079.44	3,543.37
Total expenditure	986.28	3,762.82	3,297.41
<b>Operating Profit</b>	<b>84.06</b>	<b>316.62</b>	<b>245.97</b>
OPM%	7.85	7.76	6.94
Other Income	1.18	22.35	26.10
<b>PBDIT</b>	<b>85.24</b>	<b>338.97</b>	<b>272.06</b>
Depreciation	4.65	16.51	15.10
<b>PBIT</b>	<b>80.59</b>	<b>322.46</b>	<b>256.96</b>
Interest	13.45	51.51	31.73
<b>PBT</b>	<b>67.14</b>	<b>270.95</b>	<b>225.23</b>
Total tax expenses	12.85	57.78	61.65
<b>PAT</b>	<b>54.28</b>	<b>213.17</b>	<b>163.58</b>

Balance sheet is on next page

## Balance Sheet

Rs. in Cr.

Particulars	As on 30-Jun-23	As on 31-Mar-23	As on 31-Mar-22
<b>Non-current assets</b>			
Property, plant and equipment	173.11	174.75	158.31
Capital work-in-progress	80.68	72.67	44.01
Investment Property	0.84	0.84	0.84
Right of Use Asset	41.02	42.51	29.03
Goodwill	0.33	0.33	0.33
Intangible assets	1.06	1.13	1.18
Investments	0.19	0.16	0.17
Loans	0.24	0.19	0.10
Other financial assets	39.93	62.36	20.40
Deferred tax assets (net)	0.55	0.10	-
Other non-current assets	4.07	3.47	2.25
<b>Total non-current assets</b>	<b>342.01</b>	<b>358.50</b>	<b>256.62</b>
<b>Current assets</b>			
<b>Inventories</b>	<b>479.19</b>	<b>450.87</b>	<b>325.63</b>
<b>Financial Assets</b>			
Trade receivables	681.95	561.83	441.98
Cash and cash equivalents	59.05	46.85	59.68
Other bank balances	85.46	61.40	123.11
Loans	4.83	8.75	0.18
Other financial assets	19.32	18.85	11.18
Other current assets	123.78	106.40	99.83
<b>Total current assets</b>	<b>1,453.57</b>	<b>1,254.93</b>	<b>1,061.58</b>
<b>Total Assets</b>	<b>1,795.58</b>	<b>1,613.44</b>	<b>1,318.21</b>
<b>Non-current liabilities</b>			
<b>Financial liabilities</b>			
Borrowings	15.58	22.30	33.90
Lease Liabilities	45.80	46.33	27.89
Provisions	3.64	3.48	2.38
<b>Total non-current liabilities</b>	<b>65.02</b>	<b>72.11</b>	<b>64.16</b>
<b>Current liabilities</b>			
<b>Financial Liabilities</b>			
Borrowings	320.04	147.23	124.26
Lease Liabilities	3.53	4.13	4.73
Trades Payable - MSME	3.46	3.02	2.59
Trade Payables - other than MSME	526.71	564.23	514.74
Other financial liabilities	27.82	17.52	22.21
Other current liabilities	24.49	42.08	18.74
Provisions	1.27	1.23	1.07
Current tax liabilities (net)	12.44	1.68	4.82
<b>Total current liabilities</b>	<b>919.76</b>	<b>781.13</b>	<b>693.16</b>
<b>Total</b>	<b>984.78</b>	<b>853.23</b>	<b>757.32</b>
Net worth represented by:			
Equity Share Capital	16.00	16.00	16.00
Other Equity	753.79	709.30	525.12
Non-controlling interest	41.00	34.91	19.58
<b>Net Worth</b>	<b>810.79</b>	<b>760.21</b>	<b>560.71</b>

## RANKING METHODOLOGY

<b>WEAK</b>	★
<b>NEUTRAL</b>	★★
<b>FAIR</b>	★★★
<b>GOOD</b>	★★★★★
<b>EXCELLENT</b>	★★★★★

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