

GANDHAR OIL REFINERY (INDIA) LIMITED

22-11-2023 to 24-11-2023

Industry: Specialty Chemicals

Price Band: ₹ 160 - 169

Recommendation: Subscribe for Listing Gains

Post Implied Market Cap: ₹ 1,582 - 1,654 Cr

Key Data

| | |
|-----------------------|----------------------------|
| Issue Size (₹ Cr) | 501 |
| Fresh (₹) | 302 |
| OFS (₹) | 199 |
| No of shares offered | 30,631,910 - 29,626,732 |
| Face Value (₹ /share) | 2 |
| Bid Lot | 88 |

About the Company

Gandhar Oil Refinery (India) Limited, established in 1992, is a prominent manufacturer of white oils, focusing on personal care, healthcare, lubricants, and insulating oils under the "Divyol" brand. As of June 30, 2023, it operates three manufacturing facilities in India and the UAE, with a total capacity of 522,403 kL. Gandhar is India's largest white oil manufacturer by revenue in FY2023 and among the top five globally by market share in 2022. With a diverse customer base of 3,558, including major companies like P&G, Unilever, and Marico, their products are sold in over 100 countries. The company also distributes automotive oil products domestically through 282 distributors and 27 depots, including four company-operated ones.

Indicative Timetable

| | |
|------------------------------------|-------------|
| Activity | On or about |
| Finalisation of Basis of Allotment | 30-11-2023 |
| Refunds/Unblocking ASBA Fund | 01-12-2023 |
| Credit of equity shares to DP A/c | 04-12-2023 |
| Trading commences | 05-12-2023 |

Investment Rationale

- Leading market share of the Indian white oils market with significant overseas sales, focused on the consumer and healthcare end-industries:** Gandhar is India's leading white oil manufacturer by revenue in FY2023, ranking among the top five globally by market share in 2022. With a diverse portfolio of over 440 products, they play a crucial role in various consumer and healthcare industries, including cosmetics, skincare, medicines, lubricants, and processing oils. Their focus on the consumer and healthcare sectors is evident in the Personal Care, Healthcare, and Performance Oils division. Operating in over 100 countries across Asia-Pacific, Europe, Africa, and the Americas, Gandhar has a significant global presence as of June 30, 2023.
- Extensive and diversified customer base and a supplier base comprised of leading oil companies with competitive pricing:** Gandhar maintains strong customer loyalty with repeat order percentages of 83.74%, 69.11%, 68.86%, and 66.37% for the quarters ending June 30, 2023, and fiscal years 2023, 2022, and 2021, respectively. They establish annual agreements, some with price pass-through provisions, with certain customers. The company predominantly sources raw materials from South Korea and the Gulf Co-operation Council Region, relying on key suppliers such as SK Lubricants, S-Oil, GS Caltex, and other global base oil suppliers.
- Strategically located manufacturing facilities and in-house R&D capabilities:** Gandhar operates three manufacturing facilities with a total annual production capacity of approximately 522,403 kL as of June 30, 2023. The Talaja Plant, strategically located near Mumbai and JNPT ports with excellent road and rail connectivity, enhances logistical efficiency. Additionally, the company conducts research and development activities at their Silvassa manufacturing facility to support their manufacturing operations.
- Resilient, flexible, and scalable business model with prudent risk management framework:** With three decades of experience in specialty oils, Gandhar has expanded operations, emphasizing efficiency and cost reduction. In the capital-intensive and complex specialty oil industry, they prioritize risk mitigation through strategies such as minimizing price and foreign exchange risks, efficient inventory management, and prudent capital, credit, and liquidity management. Diversification in their customer base safeguards against concentration risk. As of September 30, 2023, they maintain substantial liquidity with working capital facilities of around ₹1,966.38 crore to support their business operations.

Shareholding (No. of shares)

| | |
|--------------------------------|-------------|
| Pre-Issue | 8,00,00,000 |
| Post Issue (Lower price band) | 9,88,75,000 |
| Post Issue (Higher price band) | 9,78,69,822 |

Shareholding Pattern

| | % |
|------------------------------------|--------|
| Promoters: | |
| Pre Issue | 42.49% |
| Post Issue | 32.43% |
| Promoter Group: | |
| Pre Issue | 45.01% |
| Post Issue | 32.20% |
| Public - Other Selling S/h: | |
| Pre Issue | 6.25% |
| Post Issue | 0.00% |
| Public -Others: | |
| Pre Issue | 6.25% |
| Post Issue | 35.37% |

Issue Breakup

| | |
|--------|-----|
| QIB | 50% |
| NIB | 15% |
| Retail | 35% |

Risk

- Dependency on limited supplier for a significant portion of raw material.
- Fluctuation in the price of raw material.

MView

We believe Gandhar Oil IPO offers gives investors an opportunity to invest in the largest manufacturer of white oils company which exports over 100 countries. We think as a well-established player in white oil, a company holding a dominant market share with an extensive product portfolio of 440 products, caters to diverse consumers and healthcare worldwide. We also believe with the evidence of repeat order percentage exceeding ~80% underscore a stable customer relationship and competitive pricing. The 3 decades of experience in the specialty oils sector reflect a resilient, flexible and scalable business model with emphasis on efficiency, cost reduction, and risk mitigation strategies that showcase a prudent risk management framework. By looking at the financials the company has shown a strong growth between fiscal 2022 and 2023 with a 59.4%/15.13% in revenue from operations and 63%/30% in net profit. On Valuation parse at upper price band of ₹ 169/-, the issue is asking for a Market Cap of ₹ 1654 Cr. Based on annualized FY24 earnings and fully diluted post-IPO paid-up capital, the company is asking a P/E of 7.62x which seems the valuations are reasonable when compared to its industry peers which are trading above ~17x on average. Giving a good room of listing gains due to valuation gap between listed and Gandhar Oil. We believe the company has created a niche place in white oil and serving diversified industrial users which gives this company an edge against the peers in the segment. Hence, considering all the parameters, we are recommending investors to "SUBSCRIBE" the issue for listing only.

Other Details

BRLMs: Nuvama Wealth, ICICI Securities

Registrar: Link Intime India Pvt. Ltd.

Listing: BSE & NSE

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CONSOLIDATED FINANCIAL TABLES

BASIC FINANCIAL DETAILS

| Particulars ₹ (in Cr) | As at June' 30 | As at March' 31 | | |
|---------------------------------|----------------|-----------------|----------|----------|
| | 2023 (03) | 2023 | 2022 | 2021 |
| Equity Share Capital | 16 | 16 | 16 | 16 |
| Reserve | 753.79 | 709.30 | 525.12 | 428.83 |
| Non-Controlling Interest | 41.00 | 34.91 | 19.58 | - |
| Net Worth | 810.79 | 760.21 | 560.71 | 444.83 |
| Revenue From Operations | 1,070.34 | 4,079.44 | 3,543.37 | 2,221.00 |
| Revenue Growth % | - | 15.1% | 59.5% | - |
| EBITDA | 84.06 | 316.62 | 245.97 | 138.77 |
| EBITDA Margin (%) | 7.85% | 7.76% | 6.97% | 6.25% |
| Profit Before Tax | 67.14 | 270.95 | 225.23 | 120.28 |
| Net Profit for the Period | 54.28 | 213.18 | 163.58 | 100.32 |
| Net Profit Margin (%) as stated | 5.07% | 5.20% | 4.58% | 4.47% |
| EPS (₹) | 5.6 | 23.77 | 18.42 | 12.54 |
| RONW(%) | 6.91% | 32.38% | 32.54% | 24.77% |
| NAV (₹) | 101.35 | 95.03 | 70.09 | 55.6 |

Source: Company RHP

COMPARISON WITH LISTED PEERS ₹ (in Cr)

| Companies | Consolidated/ Standalone | Mcap (in Cr) | FV | Revenue from Operation FY 2023 (In Cr) | EPS | NAV | P/E | RONW |
|----------------------------------|--------------------------------------|-----------------|----|--|--------|--------|------|--------|
| Gandhar Oil Refinery (India) Ltd | Consolidated (Annualised FY 2024) | 1654 | 2 | 4,079.44 | 22.18 | 161.2 | 7.62 | 32.28% |
| Savita Oil Technologies Ltd | Consolidated | 2,243 | 2 | 3,630.44 | 32.66 | 209.7 | 13.5 | 16.68% |
| Apar Industries Ltd | Consolidated | 21,456 | 10 | 14,352.15 | 166.64 | 584.39 | 27.5 | 32.28% |
| Panama Petrochem Ltd | Consolidated | 1,898 | 2 | 2,248.72 | 38.51 | 157.39 | 9.8 | 27.08% |
| Galaxy Surfactants Ltd | Consolidated | 10,025 | 10 | 4,445.24 | 107.46 | 530.97 | 28.7 | 22.04% |
| Privi Specialty Chemicals Ltd | Consolidated | 4,989 | 10 | 1,607.82 | 5.45 | 213.88 | 224 | 2.57% |
| Rossari Biotech Ltd | Consolidated | 3,913 | 2 | 1,655.88 | 19.46 | 165.92 | 33.5 | 12.47% |
| Fairchem Organics Ltd | Consolidated | 1,542 | 10 | 648.04 | 33.41 | 199.11 | 53.4 | 17.70% |

Date as on 31st March 2023, Cline Mcap, PE calculated as on 22-11-2023

Gandhar Oil India Ltd, Revenue EPS/PE, NAV calculated on annualised basis post money



MSEARCH

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Msearch's Recommendation (Absolute Performance)

Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

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