

One Stop Investment Avenue



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CAPITAL

## IPO Note

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# GANDHAR OIL REFINERY (INDIA) LTD

November 22, 2023



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**Details of the Issue**

Price Band	₹ 160 - ₹ 169
Issue Size	₹ 500.6 Cr
Face Value	₹ 2
Bid Lot	88
Listing on	BSE, NSE
Post Issue Mcap	₹ 1654 Cr
Investment Range	₹ 14,080 - ₹ 14,872

**Important Indicative Dates (2023)**

Opening	22 - Nov
Closing	24 - Nov
Basis of Allotment	30 - Nov
Refund Initiation	01 - Dec
Credit to Demat	04 - Dec
Listing Date	05 - Dec

**No of shares (Mn)**

Fresh Issue of Shares	17.86
Offer for Sales	11.75
Total No of Shares	29.61

**Lead Manager**

Nuvama alth Management Limited
ICICI Securities Limited

**Offer Details**

Offer Size	₹ 500.7 Cr
Fresh Issue	₹ 302 Cr
OFS	₹ 198.7 Cr

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lor	
QIB	250	14.80	15.87	50
NIB	75	4.44	4.76	15
Retail	175	10.36	11.11	35
Em- ploy.	-	-	-	-
Total	500.6	26.61	31.75	100

**Invest Now****Company Profile**

Gandhar embarked on its journey to success in 1992, capitalizing on the positive momentum following liberalization. Under the guidance of a capable and seasoned management team ll-versed in the specialty oils sector, boasting expertise in administration, marketing, and human resource management, Gandhar began its ascent.

Originating from a modest inception in Mumbai with a limited product range, Gandhar swiftly evolved into a prominent player in the industry, attributed to its proficient management. Today, Gandhar stands as a key manufacturer of white oils by revenue, specializing in Pharmaceutical, Healthcare, and Performance Oils (PHPO), Process Insulating Oil (PIO), as ll as Automotive and Industrial Lubricants. These offerings adhere to stringent national and international quality benchmarks, holding certifications from India FDA, ISO, Kosher, BIS, and Halal.

With an approximate workforce of 800 skilled individuals, the group reigns as a premier white oils manufacturer by revenue in India, extending its operations to serve over 100 countries worldwide.

**Business Highlights & Services**

Company operates with three Business Division Named as 1. PHPO (Personal Care, Healthcare & performance Oils), 55% of FY23 revenue 2. Lubricants 25% of FY23 revenue 3. PIO (Process & Insulating Oils), 9.5% of FY23 revenue 4. Channel Partners, 10.5% of FY23 revenue.

The PHPO division stands as largest business segment, contributing ₹5,525.78 million or 56.29% for the quarter ended June 30, 2023, and ₹20,982.98 million or 54.96% for the entire Financial Year 2023 in pro forma consolidated revenue from finished goods sold. growth in the specialty oils sector has been nurtured over three decades, guided by a skilled and seasoned management team. Its strategic focus has particularly honed in on bolstering production and supply chain capabilities in the last three Financial Years. This approach involved technological advancements, product innovation, tailored offerings for clientele, as ll as fortifying both supplier and customer networks.

**Customers:** In FY 2023, served 3,558 diverse clients, including major names like P&G and Unilever. strong customer loyalty, with an 83.74% repeat order rate in Q2 2023, reflects quality, reputation, and operational strength, giving a competitive edge.

**Suppliers:** Company has forged partnerships with global and Indian oil giants for primary raw material, base oil, streamlining procurement to boost efficiency and cut costs. Its annual supplier agreements include index-linked pricing and volume-based discounts, optimizing purchasing strategies.

**Geographical Presence:** Companys global presence spans 100+ countries, with overseas operations contributing significantly to revenue. Over the past three years, overseas sales have surged at a 71.22% CAGR, reaching ₹21,733.50 million in FY 2023. In Q2 2023 alone, overseas sales accounted for 64.57% of consolidated product revenue.

**Manufacturing Facilities and R&D:** Company run three plants in Maharashtra, Dardra and Nagar Haveli and Daman, and Sharjah, meeting global demand. certified facilities produce high-quality, halal and kosher-certified products like petroleum jelly and mineral oils. With cutting-edge tech like SCADA and strong R&D, sites boast features like jet-mixing, fast-unloading, and ongoing capacity expansions, funded internally and through external borrowings, to enhance production.



**Industry Outlook**

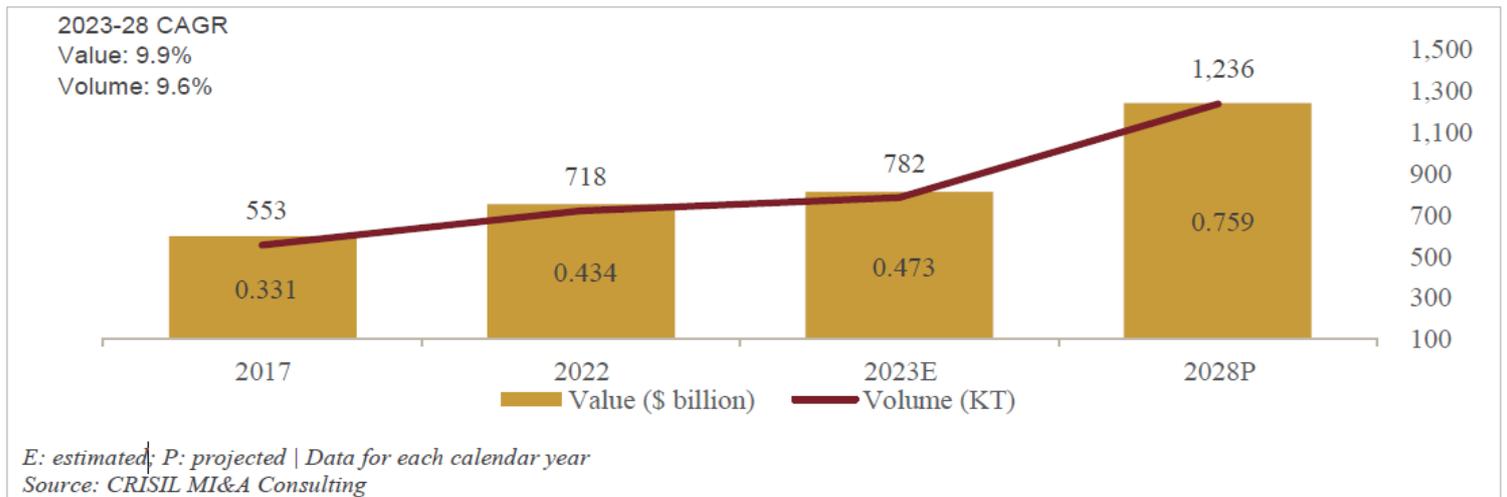
The white oil segment, rapidly growing within India's specialty oil market, is forecasted to hit \$0.76 billion by 2028 from \$0.47 billion in 2023, exhibiting a 9.9% CAGR. This surge is notably fueled by the expanding personal care and cosmetics sectors, driven by heightened living standards and increased cosmetic demand. Pharmaceuticals are also on the rise, bolstered by governmental initiatives like the PLI scheme and India's prowess in affordable generic drugs.

Indian white oil manufacturers, prominently involved in exports across APAC, Europe, MEA, and America, target key countries such as Indonesia, Italy, Tanzania, and Canada, among others. This export thrust is particularly critical for African and Asian nations due to limited local white oil manufacturers and rising end-use applications.

Furthermore, India's specialty oil market is estimated to grow from \$7.33 billion in 2023 to \$9.30 billion by 2028, showcasing a 4.9% CAGR. Automotive oil dominates market share, poised for steady yet slower growth, while industrial oil stands as the second-largest category in terms of market size.

**Industry Size:** The Indian white oil market, estimated at 782 KT by 2023, is projected to grow to 1,236 KT by 2028, showing a 9.6% CAGR. Valued at \$0.473 billion in 2023, it's anticipated to reach \$0.759 billion by 2028, with the consumer segment accounting for around 40% of the market in 2022, directly influencing the market's growth. This growth, driven by improving living standards and cosmetics demand, aligns with the pharmaceutical sector's positive outlook, a key driver of white oil usage.

**India White Oil Market Size**



**White Oil Applications**

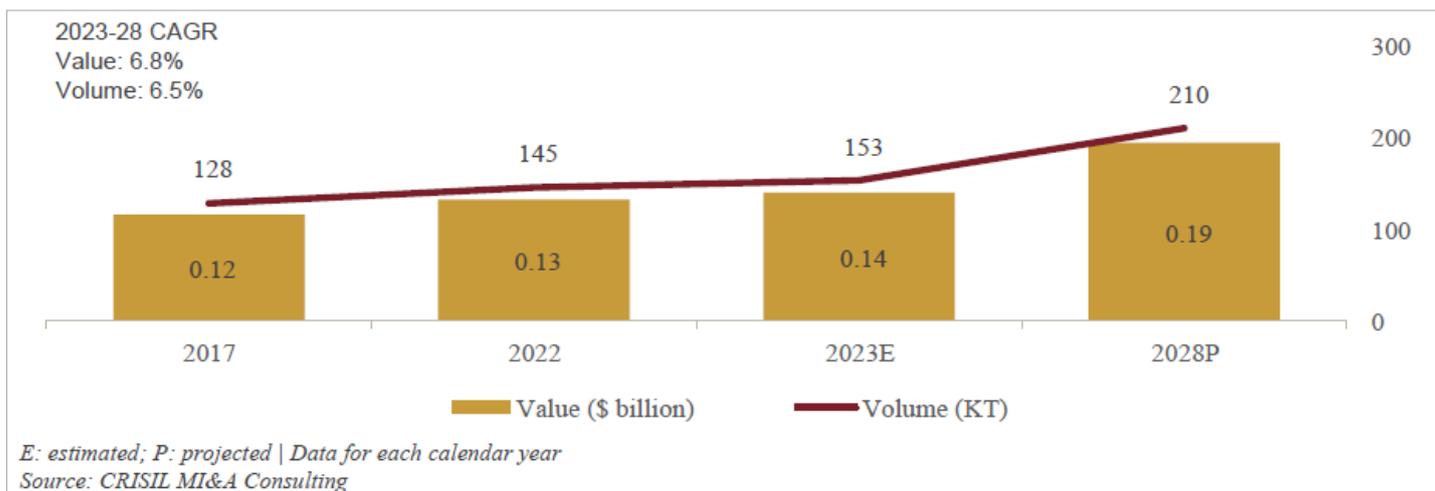
Application	Description	Percentage
<b>Consumer products</b>	Beauty & Personal Care (BPC): Used as emollients and moisturisers in skin care creams, hair products as hair oils and styling gels, shaving creams, and lotions Consumer food: Food grade white oils are commonly used as a lubricating agent in food processing, releasing agent, and a de-foaming agent	40.4%
<b>Pharmaceuticals</b>	Bases for tropical formulations such pomades, balms, creams, and lotions; a delivery system for injectables, pharmaceutical active components, vaccinations, and laxatives	13.7%
<b>Plastics/Polymers</b>	Extensors, dyes, lubricants, plasticisers, softeners and plasticisers for polythene, rubber and utilised as a catalyst vehicle	16.9%
<b>Adhesives and sealants</b>	Applied in adhesive and hotmelt compositions	8.8%
<b>Textiles</b>	Employed in the production of wool, pulverisation of cotton bales and production of specialised lubricants for textile machinery	13.5%
<b>Others</b>	Includes agrochemicals, paints, and papers. Used as a solvent or ingredient in oil paint, high molecular weight polyethylene, rubber, and leather manufacturing	6.7%

Source: CRISIL MI&A Consulting



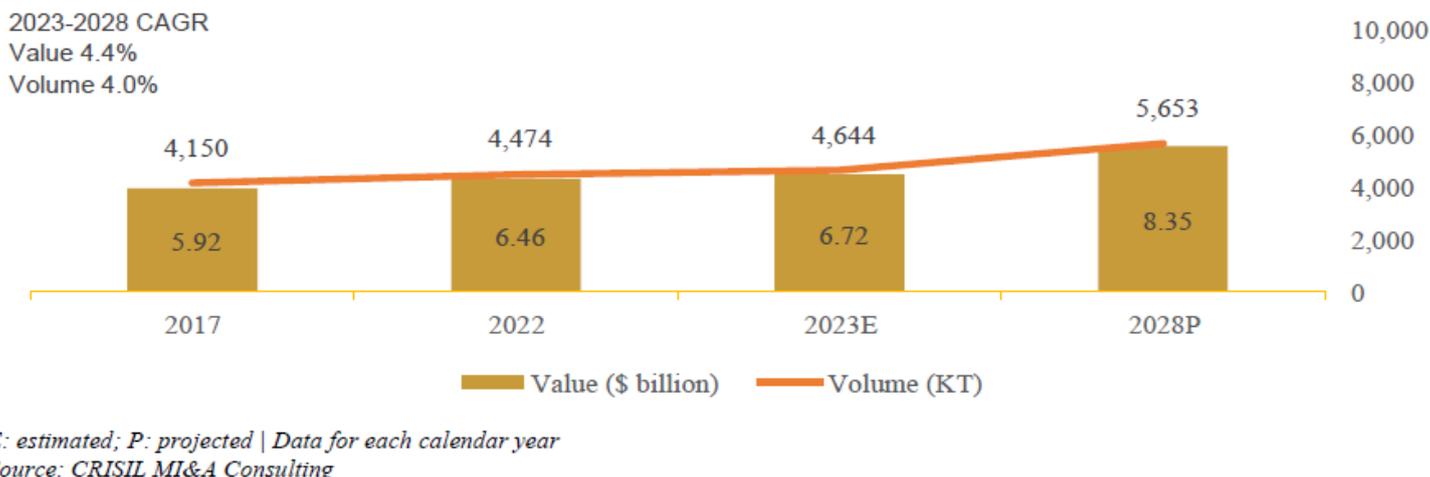
**Petroleum Jelly Market Size:** As of 2023, the Indian petroleum jelly market stands at 153 KT and is projected to grow at a 6.5% CAGR to reach 289 KT over the next decade. Valued at \$0.14 billion currently, it's estimated to reach \$0.19 billion by 2028, growing at a 6.8% CAGR. Comprising microcrystalline wax, paraffin wax, and Grade 2 base oil, petroleum jelly serves diverse purposes in industrial lubrication, finishing processes, and pharmaceutical compositions. Petroleum jelly serves various sectors like pharmaceuticals, cosmetics, personal care, food, textiles, and more. Its use in pharmaceuticals is expected to grow rapidly due to its effectiveness in treating atopic dermatitis, acting as a strong moisturizer and preventing skin infections post-surgeries. Widely available in healthcare settings, it offers a practical and affordable solution for dermatitis treatment and prevention, reducing air loss and shielding against skin irritation caused by masks and spectacles.

Indian petroleum jelly market



**Other Specialty Chemicals Market Size:** The Indian other specialty oil market, valued at \$6.72 billion and sized at 4,644 KT in 2023, is expected to grow to \$8.35 billion at a 4.4% CAGR by 2028. By volume, it's anticipated to reach 5,653 KT at a 4.0% CAGR. Growth is fueled by increased sales of passenger cars and two-wheelers, rising por demand, government initiatives enhancing por infrastructure, industrial growth, expanded domestic manufacturing, increased machinery usage, and growing tire demand from the automotive sector. Automotive lubricants enhance engine performance and longevity, crucial for automakers ensuring seamless manufacturing quality. Transformer oil maintains transformer performance by reducing heat damage, also used in high-voltage circuitry. Industrial lubricants optimize machinery efficiency across industries like por generation, metal, mining, food, and turbines. Rubber process oil, vital in rubber production, finds commercial use in tires, various products, polishes, industrial hoses, shoes, and carbon black applications.

Indian other specialty oils market growth trajectory





## Gandhar Oil Refinery India Ltd.'s positioning

Gandhar Oil's wide-ranging product portfolio mitigates risks linked to product or customer concentration, ensuring robust revenue growth. In FY 2023, white oil sales constituted 63.7% of their manufacturing revenue. Domestically, they hold a 26.5% market share in India's white oil sector and lead in revenue generation. Globally, they're a top-five player with approximately 9.6% market share in 2022. With a diverse clientele, Gandhar isn't heavily reliant on specific customers for business success. Their growth has outpaced the specialty oil industry in the past two years, aided by sourcing from top-tier suppliers to ensure high-quality products.

## Gandhar Oil's market positioning in India and globally

S. no	Products	Consolidated manufacturing sales (Rs cr) (A)	Domestic sales (Rs cr) (B)	India market size (Rs cr) (C)	Company's market share – India (B/C)	Global market size (Rs cr) (D)	Company's market share globally (A/D)
1	White oil/paraffin/mineral oil	2,432	903	3,408	26.5%	25,350	9.6%
2	Petroleum jelly/wax	275	63	1,040	6.1%	5,784	4.8%
3	Automotive oil	312	112	24,409	0.5%	3,98,204	0.1%
4	Industrial oil	390	311	24,059	1.3%	4,85,320	0.1%
5	Transformer oil	273	252	1,389	18.2%	27,825	1.0%
6	Rubber processing oil	136	133	900	14.7%	17,586	0.8%
	<b>Total sales</b>	<b>3,818</b>	<b>1,775</b>	<b>55,205</b>	<b>3.2%</b>	<b>9,60,069</b>	<b>0.4%</b>

## Peers Comparison

Metric/company	Units	Gandhar Oil	Savita Oil	Apar Industries	Panama Petrochem
Revenue from operations	Rs million	40,794.4	36,304.4	143,521.5	22,487.2
Revenue CAGR (FY21-FY23)	%	40.6	34.7	49.9	24.7
EBITDA	Rs million	3,166.2	3,345.9	12,269.5	3,089.7
EBITDA CAGR (FY21-FY23)	%	12.9	3.7	71.1	45.7
EBITDA margin	%	7.8	9.2	8.5	13.7
PAT	Rs million	2,131.7	2,257	6,377.2	2,329.7
PAT CAGR (FY21-FY23)	%	15.0	-2.5	99.3	31.2
PAT margin	%	5.2	6.2	4.4	10.4
Gross margin	%	12.8	19.4	25.4	21.8
ROE	%	32.3	16.7	32.3	27.1
ROCE	%	41.2	23.0	49.6	34.4
Working capital cycle	No. of days	31	70	15	64
Net debt	Rs million	1,226.8	-509.5	-1,946.5	-965.3
Net debt-to-equity	Times	0.2	NA	NA	NA
Net debt-to-EBITDA	Times	0.4	NA	NA	NA
Gross fixed asset turnover <sup>1</sup>	Times	17.4	-	10.8	-
Manufacturing gross margin spread**	Rs/KL	11,429.6	-	-	-

## Objective of IPO

- 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 Silvassa Plant.
- Funding working capital requirements of Company.
- General corporate purposes.

**Companies Competitive Strength :**

- Leading market share in white oils market with significant overseas sales, focused on the consumer & healthcare end-industries
- Extensive and diversified customer base and a supplier base comprised of leading oil companies with competitive pricing terms
- Strategically located manufacturing facilities and in-house R&D capabilities
- Resilient, flexible and scalable business model with prudent risk management framework
- Track record of consistent financial performance
- Experienced and qualified management team.

**Key Strategies Implemented by Company**

- Enhanced focus on the consumer and healthcare end-industries
- Continue to increase overseas sales by strategically expanding product offerings
- Strengthen customer base by growing existing customer business and acquiring new customers
- Strengthen manufacturing and R&D capabilities .

**Financial Highlights**

Particulars	2023	2022	2021
Equity Share Capital	16	16	16
Reserves	690.2	544.7	428.8
Networth As Stated	706.2	560.7	444.8
Revenue From Operation	4101.7	3568.9	2242.5
Revenue Growth (%)	14.93%	59.15%	
Net Profit the Period	213.1	163.5	100.3
Net Profit (%) as Stated	5.20%	4.58%	4.47%
RoNW (%)	30%	29%	23%
ROA (%)	13%	12%	9%

**Valuations and Recommendation:**

- SANDHAR'S annualized PAT (Based on Q1FY24) arrives at INR 217 Cr. At upper price band of ₹ 169, Company is looking for post issue market cap of INR 1654 Cr, Which implies a earnings multiple (P/E) of 7.6 (x).
- It has demonstrated strong performance, showing growth in both revenue and profit for the specified periods. The company has established itself as a key player in the white oil market, ranking among the top 5 with ll-known clients such as HUL, P & G, Emami, Marico, Dabur, and others. Considering the projected annual earnings for FY24, the offering seems to be attractively valued. Investors might find it appealing for potential medium to long-term gains. Hence, We recommend "Subscribe" rating to the stock issue.



## Notes

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