Choice

IPO Report

"SUBSCRIBE" to

Gandhar Oil Refinery (India) Ltd.

India's largest white oil catering to consumer & healthcare market

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23rd Nov. 2023

Salient features of the IPO:

- **Gandhar Oil Refinery (India) Ltd.** (GORIL), India's largest white oil producer is coming up with an IPO to raise around Rs. 500cr, which opens on 22nd Nov. and closes on 24th Nov. 2023. The price band is Rs. 160 - 169 per share.
- The IPO is a combination of fresh and OFS issues. GORIL will not receive any funds from the OFS portion. However, from the fresh issue net proceeds, it will be utilizing Rs. 185cr for funding the working capital requirement, Rs. 27.7cr to fund the capital expenditure at the Silvassa plant and another Rs. 22.7cr will be used for investing in the subsidiary company, which in turn will prepay/repay the borrowing availed by it.
- Couple of promoter & promoter group (P&PG) entities are participating in the OFS and offloading 0.675cr shares. Post-IPO, the P&PG will have a 64.63% stake in the company. Consequently, the public stake will increase from current 12.5% to 35.37%.

Key competitive strengths:

- Leading market share of the Indian white oils market with significant overseas sales, focused on the consumer and 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

Risk and concerns:

- Exchange rate fluctuations in various currencies in which they do business could negatively impact the business
- Struggling to handle business growth or follow the plan can hurt the business
- Late deliveries, sudden price changes, or reduction in the supply of raw materials can hurt the business
- Rely on a few suppliers for a significant share of raw materials without long-term contracts
- Significant working capital requirements

Below are the key highlights of the company:

- Incorporated on October 7, 1992, GORIL stands as a revenue-leading manufacturer of white oils, with an expanding focus on consumer and healthcare sectors. As of June 30, 2023, their diverse product suite encompasses over 440 items, primarily spanning personal care, healthcare, performance oils ("PHPO"), lubricants, and process and insulating oils ("PIO") divisions, all under the distinguished "Divyol" brand. Renowned for their application as key ingredients, GORIL's products play a crucial role in the manufacturing processes of leading Indian and global companies across consumer, healthcare, automotive, industrial, power, and tyre and rubber sectors.
- With three decades of expertise in the specialty oils sector, the company has expanded its operations over the years, simultaneously enhancing efficiency and cutting costs. The journey began in 1993 with the establishment of the Taloja Plant, followed by the inauguration of the Silvassa Plant in 2000. Additionally, in 2017, the company ventured into the United Arab Emirates by establishing Texol, which has now become its subsidiary since March 30, 2022. This strategic growth reflects the company's commitment to advancing its presence and capabilities in the industry.

Issue details	
Price band	Rs. 160 - 169 per share
Face value	Rs. 2
Shares for fresh issue	1.787 - 1.888cr shares
Shares for OFS	1.176cr shares
Fresh issue size	Rs. 302cr
OFS issue size	Rs. 188.1 - 198.7cr
Total issue size	2.963 - 3.063cr shares (Rs. 490.1 - 500.7cr)
Bidding date	22nd Nov. - 24th Nov. 2023
Implied MCAP at higher price band	Rs. 1,654cr
Implied enterprise value at higher price band	Rs. 1,481cr
Book running lead manager	Nuvama Wealth Management Ltd. and ICICI Securities Ltd.
Registrar	Link Intime India Pvt. Ltd.
Sector	Specialty Chemicals
Promoters	Mr. Ramesh Babulal Parekh, Mr. Samir Ramesh Parekh and Mr. Aslesh Ramesh Parekh

Issue break-up

Category	Percent of issue (%)	Number of shares
QIB portion	50%	1.481 - 1.532cr shares
Non institutional portion (Big)	10%	0.296 - 0.306cr shares
Non institutional portion (Small)	5%	0.148 - 0.153cr shares
Retail portion	35%	1.037 - 1.072cr shares

Indicative IPO process time line	
Finalization of basis of allotment	30th Nov. 2023
Unblocking of ASBA account	1st Dec. 2023
Credit to demat accounts	4th Dec. 2023
Commencement of trading	5th Dec. 2023

Pre and post - issue shareholding pattern

	Pre-issue	Post-issue
Promoter & promoter group	87.50%	64.63%
Public	12.50%	35.37%
Non-promoter & Non-public	0.00%	0.00%
Total	**100.00%**	**100.00%**

Retail application money at higher cut-off price per lot	
Number of shares per lot	88
Application money	Rs. 14,872 per lot

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Key highlights of the company (Contd…):

Company name	Face value (Rs.)	CMP (Rs.)	MCAP (Rs. cr)	EV (Rs. cr)	Stock return 1 M	3 M	6 M	1 Y	TTM total operating revenue (Rs. cr)	TTM EBITDA (Rs. cr)	TTM PAT (Rs. cr)	TTM gross margin	TTM EBITDA margin	TTM PAT margin
Gandhar Oil Refinery (India) Ltd.	**2**	**169**	**1,654**	**1,481**					**4,266**	**306**	**177**	**11.9%**	**7.2%**	**4.1%**
Apar Industries Ltd.	10	5,133	19,643	19,310	-5.6%	31.2%	68.0%	261.8%	15,609	1,467	784	24.7%	9.4%	5.0%
Fairchem Organics Ltd.	10	1,151	1,499	1,549	1.1%	8.6%	-6.0%	-37.5%	566	51	29	23.6%	9.1%	5.1%
Galaxy Surfactants Ltd.	10	2,845	10,087	10,079	6.3%	7.1%	15.7%	0.9%	4,228	543	356	30.6%	12.9%	8.4%
Panama Petrochem Ltd.	2	311	1,880	1,658	-1.0%	5.8%	3.5%	1.7%	2,227	281	214	19.2%	12.6%	9.6%
Privi Speciality Chemicals Ltd.	10	1,280	4,998	5,920	6.0%	22.7%	13.9%	-3.0%	1,683	228	27	39.3%	13.6%	1.6%
Rossari Biotech Ltd.	2	714	3,943	3,856	-15.0%	-14.7%	3.5%	-17.1%	1,690	230	117	29.5%	13.6%	6.9%
Savita Oil Technologies Ltd.	2	324	2,239	1,958	-0.1%	4.7%	16.5%	8.7%	3,648	218	168	15.3%	6.0%	4.6%
Average												**26.0%**	**11.0%**	**5.9%**

Company name	4Y revenue growth (CAGR)	4Y EBITDA growth (CAGR)	4Y PAT growth (CAGR)	4Y average EBITDA margin	4Y average PAT margin	4Y capital employed growth (CAGR)	4Y CFO growth (CAGR)	4Y average working capital cycle (Days)	4Y average CFO / EBITDA	4Y average CFO / Capital employed	4Y average fixed asset turnover (x)	4Y average total asset turnover (x)	4Y average RoE	4Y average RoIC
Gandhar Oil Refinery (India) Ltd.	**39.2%**	**50.7%**	**55.7%**	**8.4%**	**5.1%**	**46.0%**	**14.0%**	**20.9**	**54.7%**	**28.2%**	**11.5**	**2.1**	**28.4%**	**28.8%**
Apar Industries Ltd.	24.6%	36.6%	67.7%	6.9%	2.9%	15.3%	95.0%	17.2	46.8%	19.6%	9.7	1.5	16.6%	23.1%
Fairchem Organics Ltd.	28.3%	14.3%	7.8%	15.2%	9.8%	21.0%	16.7%	69.3	57.3%	18.2%	2.9	1.7	24.7%	23.3%
Galaxy Surfactants Ltd.	19.6%	15.6%	18.3%	13.5%	8.9%	15.0%	22.0%	67.3	67.5%	21.9%	3.6	1.5	20.4%	19.5%
Panama Petrochem Ltd.	30.9%	79.7%	100.7%	11.5%	8.3%	22.7%	5.4%	79.8	122.7%	27.7%	7.5	1.4	21.3%	22.0%
Privi Speciality Chemicals Ltd.	6.7%	-5.2%	-46.6%	14.7%	7.1%	17.2%	-39.1%	131.2	49.4%	11.5%	1.6	0.8	13.7%	9.1%
Rossari Biotech Ltd.	40.3%	27.0%	18.0%	14.9%	8.8%	64.0%	39.0%	48.5	45.2%	14.5%	3.6	1.1	16.6%	15.8%
Savita Oil Technologies Ltd.	21.1%	29.3%	33.2%	11.1%	7.9%	19.9%		81.4	60.2%	20.8%	13.7	1.4	17.4%	18.0%
Average	**24.5%**	**28.2%**	**28.4%**	**12.5%**	**7.7%**	**25.0%**	**23.2%**	**70.7**	**64.2%**	**19.2%**	**6.1**	**1.3**	**18.7%**	**18.7%**

Company name	TTM EPS (Rs.)	BVPS (Rs.)	DPS (Rs.)	Debt equity ratio (x)	TTM fixed asset turnover ratio (x)	TTM total asset turnover ratio (x)	TTM RoE	TTM RoCE	TTM P / E (x)	P / B (x)	EV / TTM sales (x)	EV / TTM EBITDA (x)	MCAP / TTM sales (x)	TTM Earning yield
Gandhar Oil Refinery (India) Ltd.	**18.1**	**105.0**	**0.4**	**0.2**	**14.6**	**2.2**	**17.2%**	**38.6%**	**9.4**	**1.6**	**0.3**	**4.8**	**0.4**	**10.7%**
Apar Industries Ltd.	204.8	584.4	15.0	0.1	14.9	1.9	35.1%	71.1%	25.1	8.8	1.2	13.2	1.3	4.0%
Fairchem Organics Ltd.	22.2	199.1	13.0	0.2	3.0	1.7	11.1%	15.6%	51.9	5.8	2.7	30.1	2.6	1.9%
Galaxy Surfactants Ltd.	100.4	531.0	36.0	0.1	4.0	1.6	18.9%	25.3%	28.3	5.4	2.4	18.5	2.4	3.5%
Panama Petrochem Ltd.	35.4	157.4	9.0	0.0	8.5	1.6	22.5%	36.6%	8.8	2.0	0.7	5.9	0.8	11.4%
Privi Speciality Chemicals Ltd.	6.9	212.2	2.0	1.1	1.5	0.7	3.3%	8.4%	184.4	6.0	3.5	26.0	3.0	0.5%
Rossari Biotech Ltd.	21.1	165.7	0.5	0.1	2.8	1.1	12.8%	17.8%	33.8	4.3	2.3	16.8	2.3	3.0%
Savita Oil Technologies Ltd.	24.3	209.7	5.0	0.0	18.3	1.6	11.6%	16.8%	13.4	1.5	0.5	9.0	0.6	7.5%
Average			**11.5**	**0.2**	**7.6**	**1.4**	**16.5%**	**27.4%**	**49.4**	**4.8**	**1.9**	**17.1**	**1.9**	**4.5%**

Note: Financials as of FY23 and TTM (with IPO adjustments); Stock return data as on 9th Nov. 2023; Source: Choice Broking Research

- Their diverse product suite, labeled under the "Divyol" brand, encompasses over 440 items across three main divisions. 1) In the Personal Care, Healthcare, and Performance Oils (PHPO) division, products like white oils, waxes, and jellies find applications in consumer goods, healthcare, plastics, chemicals, textiles, and fragrance industries. 2) The Lubricants division contributes to the automotive and industrial sectors with products such as automotive oils and industrial oils, serving automobiles, industrial machines, and equipment. 3) Lastly, the Process and Insulating Oils (PIO) division provides transformer oils and rubber processing oils, catering to transformer manufacturers, power generation and distribution, as well as tyre and rubber product manufacturers. These products are integral components used by leading Indian and global companies in the manufacturing of end products across various industries.
- In the territory of specialty oils, the white oil market stands out as the fastest-growing segment, and GORIL holds the title of India's largest manufacturer of white oils by revenue in FY23, encompassing both domestic and international sales. In the calendar year 2022, the company ranked among the top five players globally in terms of market share. As of June 30, 2023, GORIL's products reached a global audience, being sold in over 100 countries.
- Serving a diverse clientele of over 3,500 customers in FY23, GORIL collaborated with leading Indian and global companies, including household names such as Procter & Gamble ("P&G"), Unilever, Marico, Dabur, Encube, Patanjali Ayurved, Bajaj Consumer Care, Emami, and Amrutanjan Healthcare. This widespread success is underpinned by a robust global supplier network and efficient manufacturing operations located in both India and the United Arab Emirates.
- By consistently catering to a diverse customer base, GORIL has forged enduring relationships with key clients, establishing a foundation of robust customer loyalty. In the quarter ending June 30, 2023, and throughout the financial years 2023, 2022, and 2021, an impressive 83.74%, 69.11%, 68.86%, and 66.37% of customers, respectively, demonstrated their satisfaction by placing repeat orders. This sustained high percentage reflects the company's commitment to meeting and exceeding customer expectations over time.

Key highlights of the company (Contd…):

- As of June 30, 2023, the company operates three manufacturing facilities with a collective annual production capacity of 522,403 KL. These plants are situated in i) Taloja, Maharashtra (the "Taloja Plant"), ii) Silvassa, the Union Territory of Dadra and Nagar Haveli and Daman and Diu (the "Silvassa Plant"), and iii) Sharjah, United Arab Emirates (the "Sharjah Plant"). This strategic distribution of facilities allows the company to efficiently meet the demand for its products both domestically and internationally.
- The total production capacity of the company, considering its Taloja Plant, Silvasa Plant, and Sharjah Plant, was 4,97,403 KL per year in FY21. Over the subsequent years, this capacity has seen growth, reaching 522,403 KL per year by FY23. Moreover, the capacity utilization rate has shown a significant improvement. In FY21, the company was utilizing 65.43% of its total capacity, and this has risen remarkably to 83.29% in FY23. This increase in both installed production capacity and capacity utilization signifies the company's enhanced efficiency and growth in its operational capabilities over this period.
- As of June 30, 2023, the company's Silvassa Plant boasts an annual production capacity of 143,853 KL, focusing on manufacturing specialty oils tailored for the Indian market. Meanwhile, the Taloja Plant, with an annual production capacity of 143,256 KL, centers its production on white oils, petroleum jelly, and waxes, primarily for international sales. The Sharjah Plant, with an annual production capacity of 235,294 KL, primarily specializes in producing specialty oils catering to the GCC, Africa, and Middle-East regions.
- GORIL is currently working on increasing the production capacity of its Taloja Plant by a total of 100,000 KL. As of October 2022, the company has successfully commissioned an additional capacity of 25,000 KL. The plan is to finance this capacity expansion using internal earnings and external borrowings secured by the company.
- The company anticipates completing the production capacity enhancement by the end of FY24. Additionally, they plan to allocate Rs. 27.7cr from the net proceeds to improve manufacturing capabilities, aiming to add a combined annual production capacity of 18,840 KL at their Silvassa Plant to support the expansion of automotive oil capacity.
- The Taloja Plant is strategically located near major ports like Mumbai and JNPT, with excellent road and rail connectivity. This advantageous location not only saves time but also reduces transportation costs for delivering final products to customers both within the country and internationally. Additionally, the company operates an R&D facility at their Silvassa manufacturing unit, where they conduct R&D activities to support their manufacturing processes. This R&D facility is registered with the Department of Scientific and Industrial Research (DSIR).
- White oil, a rapidly expanding sector within the Indian specialty oil market, is projected to be valued at $ 0.47bn in 2023, with an estimated growth to $ 0.76bn by 2028, reflecting a CAGR of 9.9%. In terms of volume, it is expected to increase from 782 KT in 2023 to 1,236 KT by 2028, at a CAGR of 9.6%. Especially, the personal care and cosmetics category is experiencing rapid growth within this sector. The market's momentum is attributed to an improving standard of living and a rising demand for cosmetics. Another noteworthy category on the rise is pharmaceuticals.
- Furthermore, the Indian specialty oil market is projected to be valued at $ 7.33bn in 2023, with an anticipated growth to $ 9.30 bn by 2028, reflecting a CAGR of 4.9%. In volume terms, the market is estimated to be 5,578 KT in 2023 and is expected to reach 7,098 KT by 2028, with a parallel CAGR of 4.9%. Despite holding the largest market share, automotive oil is poised for relatively slow yet steady growth. Industrial oil, the second-largest product category by market size, is also expected to contribute significantly to the market.
- One of the company's notable strengths lies in its global supplier base, featuring some of the world's largest oil companies, both global and Indian. The majority of their raw materials are sourced from South Korea and the Gulf Co-operation Council Region ("GCC Region"). Key suppliers in these regions include industry giants like SK Lubricants, S-Oil, GS Caltex, and other global base oil suppliers.
- Specifically, they acquire highly refined grades of base oil from these suppliers, which are predominantly used in the PHPO division for the production of consumer and pharmaceutical products. The company also secures the rest of its raw materials, including additional base oil requirements, additives, and waxes, from various Indian oil refining companies.
- Over the span of fiscal years 2021 to 2023, the proportion of sales attributed to overseas markets has experienced a significant increase, rising from 36% to 55%. As of June 30, 2023, a substantial 65% of the total revenue is derived from international sales. Meanwhile, the remaining sales are generated within the domestic market, where the revenue share has undergone a notable shift. In FY21, the domestic market accounted for 64% of the total revenue, but this figure declined to 47% in FY23. Particularly, during the quarter ending on June 30, 2023, the domestic market contributed 35% to the overall revenue.

Peer comparison and valuation: GORIL has successfully established itself in the white oil market and has experienced significant growth in both its top and bottom lines. Expanding manufacturing capabilities can also allow GORIL to meet the growing demand for its products, potentially capturing a larger market share.

The above peers may not be engaged in identical businesses, but they serve the same end-user industry. At a higher price band, GORIL is demanding a TTM P/E multiple of 9.4x (to its TTM earning per share of Rs. 18.1), which is at a discount compared to its peers. Going forward, we believe that this increased production capacity can lead to cost efficiencies and potentially higher revenue, and thus the issue seems to be attractively priced and we assign a **"SUBSCRIBE"** rating to the issue.

About the issue:

- GORIL is coming up with an IPO with 2.963 – 3.063cr shares (fresh issue: 1.787 – 1.888cr shares; OFS: 1.176cr shares) in offering. This offer represents 30.3% of the post-issue paid-up equity shares of the company. Total IPO size is Rs. 490.1 – 500.7cr.

- The issue is through book building process with a price band of Rs. 160 - 169 per share.

- Lot size comprises of 88 equity shares and in multiple of 88 shares thereafter.

- The issue will open on 22^{nd} Nov. 2023 and close on 24^{th} Nov. 2023.

- The IPO is a combination of fresh and OFS issue. GORIL will not receive any funds from the OFS portion. However, from the fresh issue net proceeds, it will be utilizing Rs. 185cr for funding the working capital requirement, Rs. 27.7cr to fund the capital expenditure at the Silvassa plant and another Rs. 22.7cr will be used for investing in the subsidiary company, which in turn will prepay/repay the borrowing availed by it.

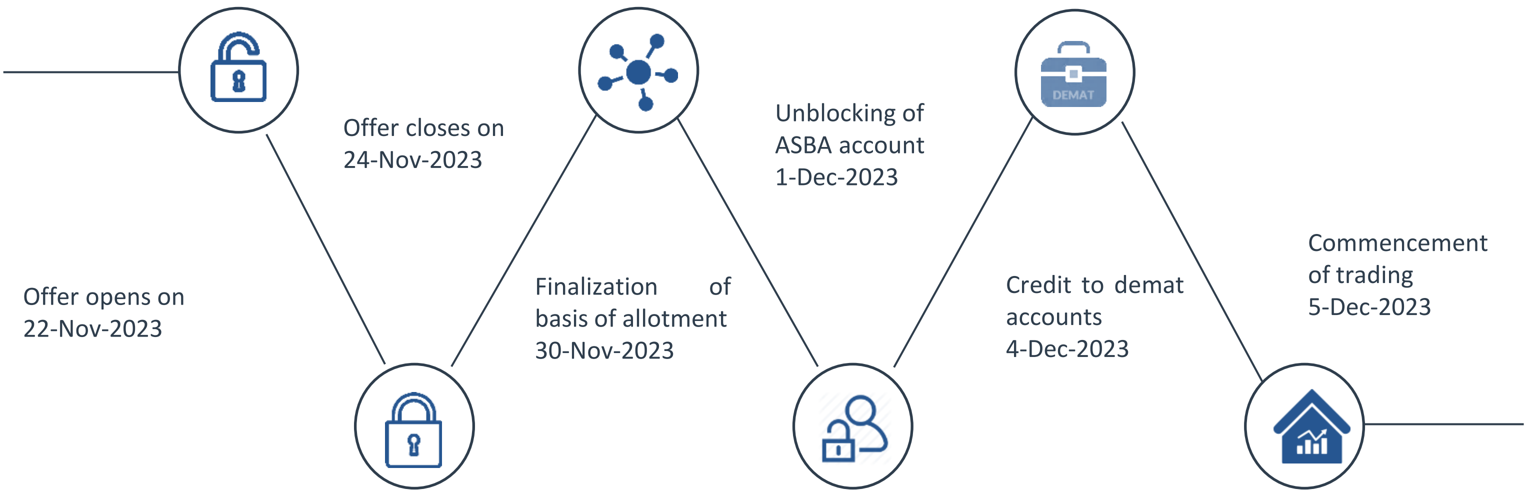
- 50% of the net issue is reserved for qualified institutional buyers, while 15% and 35% of the net issue is reserved for non-institutional bidders and retail investors, respectively.

- Promoter & promoter group currently have 87.50% in the company, which will get reduced to 64.63% post-IPO. Consequently, the public stake will increase from 12.50% to 35.37% post-IPO.

Pre and post-issue shareholding pattern (%)		
	Pre-issue	**Post-issue (at higher price band)**
Promoter & promoter group	87.50%	64.63%
Public	12.50%	35.37%
Non-promoter & Non-public	0.00%	0.00%

Source: Choice Equity Broking

Indicative IPO process time line:



Pre-issue financial performance:

Performance over FY20-23: Over FY20-FY23, the company experienced strong growth in its revenue. This was primarily driven by an expansion in the portion of business from existing customers, particularly in the consumer and pharmaceutical industries. Additionally, the company increased its global footprint through overseas sales and acquired new customers during this period.

The company reported a 39.2% CAGR growth in pro-forma consolidated revenue to Rs. 4,079.4cr in FY23 due to increase in the sales products. The EBITDA exhibited a substantial increase, at a 50.7% CAGR to Rs. 316.6cr, with a significant margin of 7.8% in FY23. Similarly, PAT demonstrated a robust growth of 55.7% CAGR, reaching Rs. 190.1cr, with a corresponding margin of 4.7%.

Furthermore, the company managed its financial liabilities effectively, experiencing a marginal decrease of -1.4% CAGR. The debt-to-equity ratio improved significantly from 1.1x in FY20 to 0.3x in FY23. In terms of financial performance indicators, the Pre-issue RoIC and RoE were impressive, standing at 29.9% and 26.2%, respectively. These metrics underscore the company's solid financial health and efficient capital utilization.

Performance during Q1 FY24: The pro-forma consolidated revenue experienced a significant Y-o-Y growth, rising by 21.1% to Rs. 1,070.3cr. This expansion can be credited to heightened sales volumes, particularly within the PHPO division, as well as an upswing in overseas sales. However, the EBITDA margin witnessed a decline of 289 bps Y-o-Y, settling at 7.9%. This contraction is primarily a result of increased operating costs associated with materials.

Furthermore, the PAT margin displayed a parallel reduction in line with the operating margin, experiencing a decline of 239 bps Y-o-Y to 4.2%. This suggests that the decrease in profitability aligns closely with the challenges faced by the operating margin. On TTM basis, pro-forma consolidated top-line stood at Rs. 4,265.8cr with EBITDA and PAT margin of 7.2% and 4.1%, respectively.

Proforma pre-issue consolidated financial snapshot (Rs. cr)	FY20	FY21	FY22	FY23	Q1 FY23	Q1 FY24	TTM	CAGR over FY20-23	Y-o-Y (FY23 annual)
Personal care, healthcare and performance oils (PHPO)	695.2	771.7	1,479.8	2,098.3	395.6	552.6	2,255.2	44.5%	41.8%
Lubricants	330.6	473.3	594.2	955.6	218.1	262.9	1,000.3	42.5%	60.8%
Process and insulating oils (PIO)	167.8	219.2	291.6	363.3	100.2	65.9	329.0	29.4%	24.6%
Channel partners	170.5	264.6	400.5	401.0	70.9	100.3	430.5	33.0%	0.1%
Sale of finished goods	*1,364.0*	*1,728.7*	*2,766.2*	*3,818.2*	*784.8*	*981.7*	*4,015.0*	*40.9%*	*38.0%*
Sale of traded goods	*143.4*	*330.5*	*618.2*	*257.6*	*97.9*	*87.7*	*247.3*	*21.6%*	*-58.3%*
Sales of services	*1.9*	*2.5*	*2.2*	*0.2*	*0.1*	*0.1*	*0.2*	*-50.5%*	*-89.8%*
Other operating revenue	*3.5*	*1.9*	*2.5*	*3.5*	*1.1*	*0.9*	*3.2*	*0.1%*	*42.2%*
Revenue from operations	1,512.7	2,063.7	3,389.1	4,079.4	883.9	1,070.3	4,265.8	39.2%	20.4%
Gross profit	204.2	379.3	456.7	523.2	142.8	128.9	509.2	36.8%	14.6%
EBITDA	92.5	248.4	267.4	316.6	95.0	84.1	305.7	50.7%	18.4%
Reported PAT	50.4	151.4	167.9	190.1	58.1	44.8	176.8	55.7%	13.2%
Restated reported EPS	5.1	15.5	17.2	19.4	5.9	4.6	18.1	55.7%	13.2%
Cash flow from operating activities	70.4	118.1	166.7	104.4	(105.8)	(132.7)	77.5	14.0%	-37.4%
NOPLAT	63.4	180.0	201.3	236.1	71.7	64.2	228.6	55.0%	17.3%
FCF		32.5	(32.3)	81.0		(43.2)			
RoIC (%)	21.1%	39.5%	32.7%	29.9%	10.2%	7.5%	26.0%	878 bps	(282) bps
Revenue growth rate		36.4%	64.2%	20.4%		21.1%			
Gross profit growth rate		85.8%	20.4%	14.6%		-9.8%			
Gross profit margin	13.5%	18.4%	13.5%	12.8%	16.2%	12.0%	11.9%	(67) bps	(65) bps
EBITDA growth rate		168.7%	7.7%	18.4%		-11.5%			
EBITDA margin	6.1%	12.0%	7.9%	7.8%	10.7%	7.9%	7.2%	165 bps	(13) bps
Restated reported PAT growth rate		200.5%	10.9%	13.2%		-22.9%			
Restated reported PAT margin	3.3%	7.3%	5.0%	4.7%	6.6%	4.2%	4.1%	133 bps	(29) bps
Inventory days	25.1	27.0	28.4	34.7	49.6	40.3	41.0	11.4%	22.4%
Debtor days	64.7	62.2	47.2	44.9	52.4	57.3	58.3	-11.4%	-4.9%
Payable days	(78.4)	(70.3)	(53.2)	(48.5)	(64.9)	(44.6)	(45.4)	-14.8%	-8.8%
Cash conversion cycle	11.4	18.9	22.4	31.1	37.0	53.1	54.0	39.8%	38.8%
Fixed asset turnover ratio	7.5	10.0	14.5	14.0	3.6	3.6	14.4	23.0%	-3.7%
Total asset turnover ratio	1.9	1.9	2.6	2.5	0.5	0.6	2.4	10.1%	-1.7%
Current ratio	1.2	1.4	1.6	1.7	1.5	1.6	1.7	11.3%	6.1%
Quick ratio	1.0	1.1	1.1	1.1	1.0	1.1	1.1	2.4%	-1.9%
Total debt	247.8	224.9	213.0	237.5	327.3	412.8	412.8	-1.4%	11.5%
Net debt	182.2	118.6	30.2	129.3	186.1	268.3	268.3	-10.8%	328.1%
Debt to equity	1.1	0.6	0.4	0.3	0.5	0.5	0.5	-34.1%	-16.8%
Net debt to EBITDA	2.0	0.5	0.1	0.4	2.0	3.2	0.9	-40.8%	261.6%
RoE (%)	23.3%	40.9%	31.0%	26.2%	9.8%	5.8%	23.0%	294 bps	(482) bps
RoA (%)	6.3%	13.8%	12.7%	11.8%	3.6%	2.5%	9.8%	547 bps	(95) bps
RoCE (%)	33.7%	65.6%	55.6%	40.1%	15.8%	10.5%	37.0%	640 bps	(1,548) bps

Note: Pre-IPO financial and ratios; Source: Choice Equity Broking

Competitive strengths:

- Leading market share of the Indian white oils market with significant overseas sales, focused on the consumer and 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

Business strategy:

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

Risk and concerns:

- Exchange rate fluctuations in various currencies in which they do business could negatively impact the business
- Struggling to handle business growth or follow the plan can hurt the business
- Late deliveries, sudden price changes, or reduction in the supply of raw materials can hurt the business
- Rely on a few suppliers for a significant share of raw materials without long-term contracts
- Significant working capital requirements

Financial statements:

Proforma consolidated profit and loss statement (Rs. cr)	FY20	FY21	FY22	FY23	Q1 FY23	Q1 FY24	TTM	CAGR over FY20 - 23	Annual growth over FY22
Revenue from operations	**1,512.7**	**2,063.7**	**3,389.1**	**4,079.4**	**883.9**	**1,070.3**	**4,265.8**	**39.2%**	**20.4%**
Cost of materials consumed	(1,173.9)	(1,390.7)	(2,382.3)	(3,326.0)	(660.0)	(867.6)	(3,533.6)	41.5%	39.6%
Purchases of stock-in-trade	(134.7)	(325.3)	(572.5)	(214.6)	(90.3)	(81.2)	(205.6)	16.8%	-62.5%
Changes in inventories of finished goods, work-in-progress and stock-in-trade	(0.0)	31.7	22.4	(15.6)	9.1	7.3	(17.4)	872.2%	-169.9%
Gross profit	**204.2**	**379.3**	**456.7**	**523.2**	**142.8**	**128.9**	**509.2**	**36.8%**	**14.6%**
Employee benefits expense	(18.7)	(24.8)	(34.0)	(52.4)	(9.1)	(11.0)	(54.3)	41.0%	54.3%
Other expenses	(93.0)	(106.1)	(155.3)	(154.2)	(38.8)	(33.8)	(149.2)	18.3%	-0.7%
EBITDA	**92.5**	**248.4**	**267.4**	**316.6**	**95.0**	**84.1**	**305.7**	**50.7%**	**18.4%**
Depreciation & amortization expense	(11.3)	(13.8)	(14.1)	(16.5)	(4.0)	(4.7)	(17.1)	13.3%	17.0%
EBIT	**81.1**	**234.5**	**253.3**	**300.1**	**90.9**	**79.4**	**288.6**	**54.7%**	**18.5%**
Finance costs	(26.5)	(30.6)	(30.4)	(51.5)	(10.1)	(13.5)	(54.9)	24.8%	69.6%
Other income	5.8	5.7	8.7	22.4	1.7	1.2	21.9	56.5%	155.7%
PBT	**60.4**	**209.7**	**231.7**	**271.0**	**82.5**	**67.1**	**255.6**	**64.9%**	**16.9%**
Tax expenses	(13.2)	(48.7)	(47.5)	(57.8)	(17.5)	(12.9)	(53.1)	63.7%	21.5%
PAT before minority interest	**47.2**	**161.0**	**184.1**	**213.2**	**65.0**	**54.3**	**202.4**	**65.3%**	**15.8%**
Minority interest	3.2	(9.5)	(16.2)	(23.1)	(6.9)	(9.5)	(25.6)	-294.1%	42.1%
Reported PAT	**50.4**	**151.4**	**167.9**	**190.1**	**58.1**	**44.8**	**176.8**	**55.7%**	**13.2%**

Proforma consolidated balance sheet statement (Rs. cr)	FY20	FY21	FY22	FY23	Q1 FY23	Q1 FY24	TTM	CAGR over FY20 - 23	Annual growth over FY22
Equity share capital	16.0	16.0	16.0	16.0	16.0	16.0	16.0	0.0%	0.0%
Other equity	200.5	354.0	525.1	709.3	579.2	753.8	753.8	52.4%	35.1%
Minority interest	(5.5)	5.7	19.6	34.9	23.1	41.0	41.0	-284.7%	78.3%
Non-current borrowings	71.0	64.1	47.1	46.1	58.0	40.4	65.2	-13.4%	-2.3%
Non-current lease liabilities	22.0	21.3	27.9	46.3	35.8	45.8	45.8	28.1%	66.1%
Non-current provisions	2.1	2.5	2.4	3.5	2.7	3.6	3.6	17.6%	46.4%
Net deferred tax liabilities			0.2		1.5		0.0		
Trade payables	324.9	470.5	517.3	567.3	637.8	530.2	530.2	20.4%	9.7%
Current borrowings	135.9	112.6	111.0	123.4	203.7	295.2	270.4	-3.2%	11.2%
Current lease liabilities	3.4	4.5	4.7	4.1	6.1	3.5	3.5	6.7%	-12.6%
Other current financial liabilities	15.5	22.3	22.2	17.5	23.8	27.8	27.8	4.3%	-21.1%
Current provisions	0.4	0.4	1.1	1.2	1.1	1.3	1.3	46.8%	14.4%
Net current tax liabilities			4.8	1.7	17.7	12.4	12.4		-65.1%
Other current liabilities	11.5	23.7	18.7	42.1	15.6	24.5	24.5	54.2%	124.6%
Total liabilities	**797.6**	**1,097.7**	**1,318.2**	**1,613.4**	**1,622.1**	**1,795.6**	**1,795.6**	**26.5%**	**22.4%**
Property, plant and equipment	161.8	158.2	158.3	174.7	156.7	173.1	173.1	2.6%	10.4%
Intangible assets	0.5	1.3	1.2	1.1	1.3	1.1	1.1	35.7%	-4.2%
Capital work-in-progress	12.4	21.6	44.0	72.7	53.0	80.7	80.7	80.1%	65.1%
Investment property	4.1	0.7	0.8	0.8	0.8	0.8	0.8	-40.9%	-0.7%
Right-of-use assets	22.9	23.9	29.0	42.5	36.8	41.0	41.0	22.8%	46.4%
Goodwill			0.3	0.3	0.3	0.3	0.3		0.0%
Non-current investments	0.0	0.2	0.2	0.2	0.1	0.2	0.2	69.0%	-3.0%
Non-current loans	0.0	0.0	0.1	0.2	0.1	0.2	0.2	68.4%	94.9%
Other non-current financial assets	1.9	6.4	20.4	62.4	8.1	39.9	39.9	220.4%	205.6%
Net deferred tax assets	1.6	0.0		0.1		0.6	0.6	-60.9%	
Other non-current assets	2.2	1.9	2.2	3.5	3.0	4.1	4.1	17.0%	54.3%
Inventories	104.2	201.3	325.6	450.9	487.4	479.2	479.2	63.0%	38.5%
Trade receivables	268.0	435.2	442.0	561.8	514.3	681.9	681.9	28.0%	27.1%
Cash & cash equivalents	65.6	106.3	182.8	108.2	141.2	144.5	144.5	18.2%	-40.8%
Current loans	0.1	0.1	0.2	8.7	9.7	4.8	4.8	321.3%	4786.6%
Other current financial assets	120.4	88.8	11.2	18.8	13.2	19.3	19.3	-46.1%	68.6%
Current net tax assets	1.3	(2.1)					0.0		
Other current assets	30.7	54.0	99.8	106.4	196.0	123.8	123.8	51.4%	6.6%
Total assets	**797.6**	**1,097.7**	**1,318.2**	**1,613.4**	**1,622.1**	**1,795.6**	**1,795.6**	**26.5%**	**22.4%**

Note: Pre-IPO financials; Source: Choice Equity Broking

Financial statements (Contd…):

Consolidated cash flow statement (Rs. cr)	FY20	FY21	FY22	FY23	Q1 FY23	Q1 FY24	TTM	CAGR over FY20 - 23	Annual growth over FY22
Cash flow before working capital changes	98.4	170.2	275.6	341.1	91.8	84.8	334.1	51.3%	23.8%
Working capital changes	(27.4)	(51.1)	(52.5)	(175.4)	(194.3)	(215.0)	(196.1)	85.7%	234.2%
Cash flow from operating activities	**70.4**	**118.1**	**166.7**	**104.4**	**(105.8)**	**(132.7)**	**77.5**	**14.0%**	**-37.4%**
Purchase of fixed assets and CWIP	(16.7)	(10.4)	(115.6)	(55.7)	(10.0)	(9.5)	(55.1)	49.4%	-51.9%
Cash flow from investing activities	**(23.5)**	**(22.4)**	**(116.0)**	**(73.4)**	**(20.3)**	**(6.6)**	**(59.7)**	**46.1%**	**-36.7%**
Cash flow from financing activities	**(44.5)**	**(91.1)**	**(4.1)**	**(43.8)**	**91.9**	**151.5**	**15.8**	**-0.6%**	**960.9%**
Net cash flow	**2.3**	**4.6**	**46.6**	**(12.8)**	**(34.2)**	**12.2**	**33.6**		
Opening balance of cash	6.2	8.5	13.1	59.7	59.7	46.8	25.5	113.2%	355.2%
Closing balance of cash	**8.5**	**13.1**	**59.7**	**46.8**	**25.5**	**59.0**	**59.0**	**76.7%**	**-21.5%**

Proforma consolidated financial ratios							
Particulars	**FY20**	**FY21**	**FY22**	**FY23**	**Q1 FY23**	**Q1 FY24**	**TTM**
Profitability ratios							
Revenue growth rate		36.4%	64.2%	20.4%		21.1%	
Gross profit growth rate		85.8%	20.4%	14.6%		-9.8%	
Gross profit margin	13.5%	18.4%	13.5%	12.8%	16.2%	12.0%	11.9%
EBITDA growth rate		168.7%	7.7%	18.4%		-11.5%	
EBITDA margin	6.1%	12.0%	7.9%	7.8%	10.7%	7.9%	7.2%
EBIT growth rate		189.2%	8.0%	18.5%		-12.7%	
EBIT margin	5.4%	11.4%	7.5%	7.4%	10.3%	7.4%	6.8%
Restated reported PAT growth rate		200.5%	10.9%	13.2%		-22.9%	
Restated reported PAT margin	3.3%	7.3%	5.0%	4.7%	6.6%	4.2%	4.1%
Turnover ratios							
Inventory receivable turnover ratio	14.5	13.5	12.9	10.5	1.8	2.2	8.9
Trade receivable turnover ratio	5.6	5.9	7.7	8.1	1.7	1.6	6.3
Accounts payable turnover ratio	4.7	5.2	6.9	7.5	1.4	2.0	8.0
Fixed asset turnover ratio	7.5	10.0	14.5	14.0	3.6	3.6	14.4
Total asset turnover ratio	1.9	1.9	2.6	2.5	0.5	0.6	2.4
Return ratios							
RoIC (%)	21.1%	39.5%	32.7%	29.9%	10.2%	7.5%	26.0%
RoE (%)	23.3%	40.9%	31.0%	26.2%	9.8%	5.8%	23.0%
RoA (%)	6.3%	13.8%	12.7%	11.8%	3.6%	2.5%	9.8%
RoCE (%)	33.7%	65.6%	55.6%	40.1%	15.8%	10.5%	37.0%
Per share data							
Restated adjusted EPS (Rs.)	5.1	15.5	17.2	19.4	5.9	4.6	18.1
DPS (Rs.)	0.7	0.2	4.5	0.4	0.0	0.0	0.0
BVPS (Rs.)	22.1	37.8	55.3	74.1	60.8	78.7	78.7
Operating cash flow per share (Rs.)	7.2	12.1	17.0	10.7	(10.8)	(13.6)	7.9
Free cash flow per share (Rs.)		3.3	(3.3)	8.3		(4.4)	
Dividend payout ratio	14.3%	1.1%	26.2%	2.1%	0.0%	0.0%	0.0%

Note: Pre-IPO financial ratios; Source: Choice Equity Broking

IPO rating rationale

Subscribe: An IPO with strong growth prospects and valuation comfort.
Subscribe with Caution: Relatively better growth prospects but with valuation discomfort.
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