May 03, 2016

CARE ASSIGNS 'CARE AA-' RATING TO THE BANK FACILITIES OF GULF OIL LUBRICANTS INDIA LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities (Term Loan - Proposed)	50	**CARE AA- (Double A Minus)**	Assigned
Total Facilities	**50 (Rupees Fifty crore only)**		

Rating Rationale

The rating assigned to the bank facilities of Gulf Oil Lubricants India Limited (GOLIL) takes into account strong parentage and their established track record in lubricant business. The rating also considers the company's segment-wise focus driven by product innovation and brand recognition and expansion plans for Indian market along with strong distribution network. Furthermore, the rating also takes into account consistent growth in revenues with healthy profitability margins, comfortable capital structure, strong debt coverage indicators coupled with moderate working capital cycle and liquidity profile.

However, the rating strengths are constrained by contingent liability arising out of guarantee to associate company (although fully covered by a back to back guarantee from Gulf Oil International), profitability of the company partially susceptible to raw material price volatility and forex movement, intense competition from other players and risk associated with new project.

Going forward, the ability of the company to increase its scale of operation along with improvement in profit margins, capital structure and working capital cycle are the key rating sensitivities.

Background

GOLIL, part of the Hinduja Group, is an established player in Indian lubricant market. The company commenced its operations as a demerged entity of lubricant business of Gulf Oil Corporation Ltd (GOCL) w.e.f April 1, 2014. The Board of Directors of GOCL had approved the Scheme of Arrangement for demerger of lubricant business of the company in August 2013, and same was transferred to Gulf Oil Lubricants India Limited (earlier known as Hinduja Infrastructure Ltd). As per scheme of arrangement, one equity share in GOLIL was allocated to shareholders of GOCL for every two equity shares of face value of Rs.2 each.

GOLIL is engaged in the manufacturing, trading and marketing of wide range of automotive and industrial lubricants, greases, 2-wheeler batteries, etc. The company sells its lubricant products under the "Gulf" brand. Presently, the Gulf brand is present in more than 100 countries across five continents. The company has 90,000 KLPA (kilo litre per annum) manufacturing capacity at Silvassa. With capital outlay of Rs.150 crore, the company plans to set a Greenfield project near Chennai of 40,000-50,000 KLPA capacity to cater Indian market.

During FY15 (refers to the period April 1 to March 31), GOLIL reported a net profit of Rs.77.41 crore on a total operating income of Rs.976.67 crore. During 9MFY16, the company reported PAT of Rs.70.27 crore on a total operating income of Rs.739.45 crore.

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

Analyst Contact
Name: Mr Ravi Kumar
Tel: 022-67543421
Cell: + 91 9004607603
Email: ravi.kumar@careratings.com

****For detailedRationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

CONTACT

Head Office Mumbai

Mr. Saikat Roy
Mobile: + 919820998779
E-mail: saikat.roy@careratings.com

Mr. Amod Khanorkar
Mobile: + 91 9819084000
E-mail: amod.khanorkar@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED
Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Mehul Pandya
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-98242 56265
Tel: +91-79-4026 5656
E-mail: mehul.pandya@careratings.com

BENGALURU
Mr. Deepak Prajapati
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-9099028864
Tel: +91-80-4115 0445, 4165 4529
E-mail: deepak.prajapati@careratings.com

CHANDIGARH
Mr. Sajan Goyal
2nd Floor, S.C.O. 196-197, Sector 34-A,
Chandigarh - 160 022.
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: sajan.goyal@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni
304, PashupatiAkshatHeights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr.Pratim Banerjee
9th Floor, Pride KumarSenate,
Plot No. 970, Bhamburda, SenapatiBapat Road,
ShivajiNagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail:pratim.banerjee@careratings.com

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