



Press Release

GOCL Corporation Limited

August 21, 2024

Ratings

Instrument Facility /	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	15.00	IVR A/Stable (IVR Single A with Stable Outlook)	IVR A-/Stable (IVR Single A Minus with Stable Outlook)	Upgraded	Simple
Short Term Bank Facilities	1445.00*	IVR A1 (IVR A One)	IVR A2+ (IVR A Two Plus)	Upgraded	Simple
Total	1460.00	(Rupees One Thousand four hundred and sixty crore only)			

**Includes SBLC of USD value 168.75 million*

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has upgraded its rating assigned to the bank facilities for the long-term facilities to IVR A with stable outlook and short-term facilities to IVR A1 of GOCL Corporation Limited (GOCL).

The rating upgrade takes into consideration improvement in performance by virtue of reduction in losses facilitated by better price mechanism with end users supported by stabilisation of raw material prices. The ratings continue to draw comfort from long track record of operations, strong promoter group and experienced management coupled with demonstrated support from Hinduja Group. The ratings further draw support from moderate capital structure and MOU signed for land monetization amounting to Rs. 3418.00 crore for which Rs. 390.08 crore has been received till June 30, 2024. However, these rating strengths are partially offset by low profitability, weak debt coverage indicator along with high exposure to group/related entities coupled with vulnerability of profitability to fluctuations in raw material price.

The 'Stable' outlook reflects Infomerics Ratings expectation of sustained benefit on account of stabilization of raw material prices. Infomerics believes GOCL will continue to benefit from its operational track record in the business resulting in increased scale of operations.

Infomerics Ratings has principally relied on the consolidated audited financial results of GOCL, IDL Explosives Limited and HGHL Holdings Limited up to 31 March 2024 (refers to period



Press Release

April 1st, 2023, to March 31st, 2024) and Q1FY25 (refers to period April 1st, 2024 to June 30th, 2024), and projected financials for FY2025 (refers to period April 1st, 2024, to 2 March 31st, 2025) - FY2027 (refers to period April 1st, 2026, to March 31st, 2027), and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Substantial & sustained improvement in the revenue & EBITDA margin while improving the debt protection metrics.

Downward Factors

- Any further decline in revenue and/or EBITDA margin leading to a decline in debt protection metrics.
- Sizeable increase in direct and indirect exposure to group companies, large acquisitions, or capex.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Long track record of operations**

GOCL was incorporated in 1961 for manufacturing industrial explosives, reflecting a track record of more than six decades. In the past, the company had forayed into various segments like lubricants, mining, real estate, wind energy, food chemicals, pharmaceuticals, etc. through various joint ventures/ subsidiaries. Currently, it has its presence mainly in energetic & explosives with realty segments constituting a small proportion of revenue at present.

- **Strong promoter group and experienced management**

The company is a part of the Hinduja Group which came into existence in 1918. It is one of the largest diversified groups having presence in around 30 countries in sectors encompassing automotive, oil &, banking & finance, power, IT & BPO, media and healthcare. The company has experienced top management and are well assisted by a team of experienced management professionals whose experience in running various businesses is a key strength for GOCL.



Press Release

- **Demonstrated support from Hinduja Group**

The operating businesses of the Company mainly comprise of Energetic and Explosives business, Realty business & Investments. The company has also ventured into the realty segment, wherein it is in the process developing an SEZ at Bengaluru. The Board is also looking at the opportunities for investments that will be value enhancing for the Company in the international market.

- **Moderate capital structure**

The capital structure of the group stood comfortable marked by the Overall Gearing Ratio at 0.80x as on March 31, 2024, improved from 1.16x as on March 31, 2023, on account of accretion of profits to general reserve along with schedule repayment of bank borrowings along with lower utilization of working capital bank borrowings as on balance-sheet date. However, adjusted tangible net worth remained negative due to significant exposure to group companies and subsidiary.

Key Rating Weaknesses

- **Thin profitability**

The EBITDA margin remained thin and at 0.64% in FY24 (FY23: -0.23%). The PAT margin declined by 989 bps on y-o-y basis to 5.08% in FY24 due to decline in other income from Rs. 472.50 crore in FY23 to Rs. 219.01 crore in FY24. Gross Cash Accrual stood at Rs. 53.70 crore in FY24 declined from Rs. 222.14 crore in FY23 due to lower profitability.

- **Weak debt coverage indicators**

The debt protection metrics of the group marked by the interest coverage ratio stood below unity at 0.03x in FY24 against negative of -0.02x in FY23. The DSCR of the group stood below unity at 0.31x in FY24 compared to 2.83x in FY23. The Total Debt to GCA of the group stood high at 22.08 years in FY24 compared to 7.92 years in FY23 on account of decline in GCA during FY24.



Press Release

- **High exposure to group/related entities:** The company's exposure to group/related entities at consolidated level stood high at Rs. 2,130.03 crore as on March 31, 2024, as against Rs. 2,564.85 crore as on March 31, 2023. It mainly includes loans extended to 57 Whitehall Investments SARL Luxemburg by its subsidiary, HGHL Holdings Ltd. which also holds 10% stake in this company, which in-turn has invested in the downstream joint venture project which is engaged in the development of a residential and hospitality project at UK.
- **Vulnerability to profitability to fluctuations in raw material price**
The basic raw materials required by the company are coating materials, chemicals, metals, etc. the prices of which are volatile in nature. Hence, the profitability of GOCL is exposed to variations in raw material prices. Also, globally the tensions over trade issues, Russia Ukraine war and Middle East issues are hitting up crude oil prices to a higher level. This is expected to pose problems in the Indian economy unless some de-escalation takes place.

Analytical Approach: Consolidated.

For arriving at the ratings, Infomerics has consolidated view of GOCL Corporation Limited and its subsidiary i.e. HGHL Holdings Limited (100%) and IDL Explosives Limited (100%), based on common promoters/ management, cash flow fungibility and strong financial linkages between the entities. Infomerics has analysed the consolidated financial statement to arrive at the ratings.

(Extent of Consolidation: Full)

List of companies considered for consolidation analysis is given at Annexure 4

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Criteria of consolidation of companies](#)

[Policy on Default Recognition](#)



Press Release

Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

The liquidity position of the company is adequate, marked by expected sufficient cash accruals as against its repayment obligations. The Company's average fund based working capital limit utilization stood moderate at 16.38% for the last 12 months ended May 2024 indicate adequate buffer in its working capital limits. Further, the company had free cash and cash equivalents to the tune of Rs.44.12 crore as on June 30, 2024, which is expected to support the liquidity profile of the company in the near to medium term. The current ratio of the company stood moderate at 4.23x as on March 31, 2024. Further, the company expects sufficient cushion in cash accruals against its debt repayments. The Working Capital Cycle of the company stood at 73 days in FY24 days against 43 days in FY23.

About the Company

GOCL Corporation Limited (GOCL), formerly Gulf Oil Corporation Limited, was incorporated in 1961 as Indian Detonators Ltd. (IDL), in Hyderabad. The company is a part of the "Hinduja Group" which is one of the largest diversified groups in the country spanning various sectors of the economy. The Company's equity shares are listed on the Bombay Stock Exchange (BSE) since 1963 and on the National Stock Exchange (NSE) since 2007. GOCL is a multi-division, multi-location Company, a leader in businesses in energetics, commercial explosives and realty. It has 2 wholly owned subsidiaries – IDL Explosives Limited and HGHL Holdings Limited in UK. GOCL is a Star House exporter of energetic and commercial explosive products to over 20 countries.

Financials (Consolidated):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	937.21	730.02
EBITDA	-2.15	4.71
PAT	211.15	48.25
Total Debt	1759.90	1185.92
Tangible Net Worth	1398.82	1404.24
EBITDA Margin (%)	-0.23	0.64
PAT Margin (%)	14.98	5.08
Overall Gearing Ratio (x)	1.26	0.84



Press Release

Interest Coverage (x)	-0.02	0.03
-----------------------	-------	------

**Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: None

Any other information: Not applicable

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-2025)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					May 24, 2023	-	Feb 25, 2022
1.	Fund Based Limits	Long Term	15.00	IVR A/ Stable	IVR A-/ Stable	-	IVR A/ Stable
2.	Non-Fund Based	Short Term	1445.00*	IVR A1	IVR A2+	-	IVR A1

**Includes SBLC of USD value 168.75 million*

Analytical Contacts:

Name: Vipin Jindal
Tel: (011) 45579024
Email: vipin.jindal@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.



Press Release

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs 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/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Facility – Cash Credit	-	-	-	-	15.00	IVR A/Stable
Short Term Facility – Bank Guarantee	-	-	-	-	15.00	IVR A1
Short Term Facility – Letter of Credit	-	-	-	-	20.00	IVR A1
Short Term Facility – SBLC	-	-	-	-	1409.00*	IVR A1
Short Term Facility – Forward Contract	-	-	-	-	1.00	IVR A1

*USD value 168.75 million

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-qocl-aug24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable



Press Release

Annexure 4: List of companies considered for consolidated analysis:

Name of the company	Consolidation Approach
GOCL Corporation Limited	100%
IDL Explosives Limited	100%
HGHL Holdings Limited	100%

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

