GP Petroleums
passion for growth!

November 9, 2022

To, **BSE Limited** Department of Corporate Services, P. J. Towers, Dalal Street, Fort, Mumbai – 400 001 **Scrip Code: 532543**	To, National Stock Exchange of India Ltd. Exchange Plaza, 5th Floor, G-Block, Bandra Kurla Complex, Bandra East, Mumbai - 400 051 **Scrip Symbol: GULFPETRO**

Dear Sir/Ma'am,

Sub.: Intimation under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Credit Rating

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, this is to inform you that India Ratings and Research (Ind-Ra) has affirmed GP Petroleums Limited (GPPL) a Long-Term Issuer Rating of 'IND BBB-'. The Outlook is Stable. The instrument-wise rating is given below:

Instrument type	Size of Issue (million)	Rating/Outlook	Rating Action
Fund Based/Non-Fund Based working capital Limit	INR 1500	IND BBB- /Stable /IND A3	Affirmed

Kindly take this on your record and disseminate the same on your website.

Thanking you,

Yours faithfully
For GP Petroleums Limited

KANIKA YOGI SADANA
Digitally signed by KANIKA YOGI SADANA
Date: 2022.11.09 16:55:22 +05'30'

Kanika Sehgal Sadana
Company Secretary & Compliance officer

India Ratings & Research
A Fitch Group Company

India Ratings Affirms GP Petroleums at 'IND BBB-'/Stable

Nov 09, 2022 | Others

India Ratings and Research (Ind-Ra) has affirmed GP Petroleums Limited's (GPPL) Long-Term Issuer Rating at 'IND BBB-'. The Outlook is Stable. The instrument-wise rating action is given below:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Fund-based/non-fund-based working capital limit	-	-	-	INR1,500	IND BBB-/Stable/IND A3	Affirmed

ANALYTICAL APPROACH: Ind-Ra has assessed the standalone credit profile of GPPL, as the agency has received a management undertaking stating that the ongoing reorganisation and restructuring of the business operations and financial resources of promoters, GP Global APAC Pte Ltd (GPGAPL; 53.55% shareholding) and Nivaya Resources Pvt. Ltd (NRPL; 9.7%), or any group company will not have any impact on the operations and activities of GPPL.

Key Rating Drivers

GPPL Not Impacted by Ongoing Stress in Group Companies: GPPL is part of the Gulf Petrochem FZC Group of companies, promoted by the Goel family. The ultimate parent company - Gulf Petrochem FZC (GPF) – is an oil trader and ship fuel supplier based in the United Arab Emirates. GPF suffered COVID-19-led losses over FY21 and FY22, and had undertaken the reorganisation and restructuring of its business operations and financial resources. GPPL's promoters, including some of the group companies, also suffered losses and have undertaken similar restructuring exercises. However, the management has provided an undertaking that the ongoing reorganisation and restructuring of the business operations and financial resources of GPGAPL, NRPL or any other group company will not have any impact on the operations and activities of GPPL. According to the management's undertaking, GPPL's operations will continue on going-concern basis, without any risk of consolidated restructuring/bankruptcy filing, even if its promoters or ultimate parent undergoes any restructuring/bankruptcy exercise.

There are no loans/guarantees outstanding between GPPL and other group companies, including the parent companies.

There is no cross charge on any assets of GPPL in any other group companies. Also, the only financial interest of GPPL's promoters in the company is in the form of their respective shareholding. Additionally, as part of the restructuring, the promoters might consider divesting their entire equity stake in GPPL, in favour of a potential investor, subject to the applicable laws/regulations in India. Ind-Ra will assess the impact, if and when such a change in shareholding takes place, and the agency might re-assess the ratings at that time. Furthermore, the management has undertaken that there will not be any cash outflows or any support extended to any of these companies as part of the restructuring exercise. The related party transactions between GPPL and group companies remained low over FY18-FY22, accounting for only 5%-6% of the revenues during this period. During FY22, the company was engaged in the trading activity with its group companies, but this had low impact on the financial performance. The company has three independent members on the board out of total six members and it has a professional management team.

In view of the ongoing default in these group companies, the bankers of GPPL had also taken a conservative view and curtailed some of the limits extended to the company (total working capital limits reduced to INR500 million from INR1,400 million; it had previously been reduced from INR2,200 million). However, despite the curtailment, GPPL was able to efficiently manage its business operations, and the same was visible in the scale at which it continued to operate in FY22 and 1QFY23.

Improvement in Credit Metrics: GPPL only has working capital cycle-dependent short-term limits on its books. Its gross debt (excluding lease liability) stood at INR116 million at 2QFYE22 (FYE22: INR317 million, FYE21: INR1,183 million), and consisted entirely of cash credit limits (FY21: INR454 million in cash credit limits and INR729 million in acceptances for import of base oil)

GPPL's credit metrics improved in FY22, driven by an increase in the absolute EBIDTA to INR299 million (FY21: INR268.9 million) and lower debt. The company's gross interest coverage (EBITDA/gross interest expense (excluding forex movement)) improved to 6.54x in FY22 (FY21: 4.4x) and the net leverage (net debt/EBIDTA) improved to 1.16 (4.0x) . The improvement in the leverage was restricted by the write-off for an advance given to a supplier in FY20, which had impacted the EBITDA in FY21 and FY22. Ind-Ra expects the company's credit metrics to remain comfortable over the medium term; however, any higher short-term debt or lower-than-expected EBITDA generation could impact the credit metrics.

Liquidity Indicator- Adequate: GPPL's cash flow from operations turned positive at INR625 million in FY22 (FY21: negative INR559 million), led by a fall in the net working capital to INR1,937 million (INR2,322 million), resulting from lower year-end inventory. Thus, the working capital limit utilisation was low over the 12 months ended September 2022, with maximum utilisation of 52% and average utilisation of 32%, with the existing limits of INR500 million. GPPL's inventory holding period over FY16-FY22 averaged at around 90 days; it has receivable days of around 70 against low payable days of around 20. Resultantly, the company's operations are dependent upon the availability of working capital lines. The fund-based limits are being used to fund advance payments for procurements from domestic refineries. In October 2022, the utilisation of the fund-based limits increased to INR443 million from the levels of INR116 million in September 2022, as the company placed a larger order owing to the availability of a discount. Ind-Ra believes that the available fund-based limits offer sufficient flexibility for domestic procurements. The company has been purchasing the base oil domestically on advance payments, however, if the company were to procure from international refineries, it would require letter of credit facilities, which are in the process of being finalised, as per the management. The inability of the company to avail these limits in a timely manner could be negative for the ratings. Ind-Ra will closely monitor any negative development on the limits; curtailment in the limits or the company's inability to avail the sanctioned limits in a timely manner could be negative for the ratings.

Growth in Revenue: GPPL operates as a manufacturer as well as a trader for base oil derivative products in industrial, automotive and rubber process oils segments. During FY22, GPPL's revenue rose to INR7,175 million (FY21: INR6,098 million) owing to an increase in the final output price as well as volumes. The scale of operations continued to be medium. Of the total revenue, 57% was from the manufacturing segment (FY21: 52%) and 43% was from the trading segment (48%). In FY22, the combined volumes increased to 48,008 kilo litres (KL) (FY21: 43,215KL), driven by increase in volumes in the rubber process oil and industrial segments; meanwhile, the automotive segment saw a decline in volumes. As per the management, GPPL focusses largely on the manufacturing segment, while trading is undertaken only if is highly viable .

Margins Remain Range-bound: Over FY16-FY22, GPPL's EBITDA margins remained rangebound at 5.5%-6.5%, driven by the mix of manufacturing and trading segment operations. GPPL's margins adjusted for one-time provisioning remained almost stable at 6.2% in FY22 (FY21: 6.4%). GPPL incurred provisioning expense of INR150 and INR120 million in FY21 and FY22, respectively, on one supplier to whom an advance of INR270 million had been provided in FY20; this had impacted the absolute EBITDA in FY21 and FY22. Raw material prices continue to be volatile as the costs are linked to crude prices, and any increase in price is recovered from the customer with a lag of a few months and vice versa, thus exposing the company to short-term losses. The margins of the company remain dependent on the final price being set by the industry leaders. The company has been taking certain measures to reduce the overheads and also improve the product mix gradually; however, Ind-Ra expects the revenue and margins to remain in the same range over the medium term.

Rating Sensitivities

Positive: A significant improvement in the scale of operations and EBITDA levels, leading to the interest coverage remaining above 4x, along with the maintaining of sufficient liquidity could be positive for the ratings.

Negative: Any of the following could be negative for the ratings:

-a further decline in the EBITDA generation; higher short-term debt, leading to a decline in the gross interest coverage below 1.5x on a sustained basis

-any cash outflows to support the group level restructuring

-a significant change in management strategy, in case the parent's share is sold to another party

Company Profile

GPPL, incorporated in 1983, is a listed company. It primarily manufactures lubricants and greases in India. The company also trades in base oils, coal and bunker fuel oil whenever the market provides an opportunity. It specialises in the formulation, manufacturing and marketing of automotive and industrial lubricants, process oils, transformer oils, greases and other specialty products under the brand name IPOL in India. GPPL also has exclusive rights to sell REPSOL automotive lubricants, a brand of Spanish oil major Repsol S.A, in India.

FINANCIAL SUMMARY

Particulars	**FY22**	**FY21**
Revenue (INR million)	7,175	6,098
EBITDA (INR million)	299	269
EBITDA margins (%)	4.16	4.41
Net leverage (x)	1.16	3.99
Interest coverage (excluding forex movement) (x)	6.54	4.45
Source: GPPL, Ind-Ra		

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

Rating History

Instrument Type	Rating Type	Rated Limits (million)	Current Ratings/Outlook	Historical Rating/Outlook
				21 October 2021
Issuer rating	Long-term	-	IND BBB-/Stable	IND BBB-/Stable
Fund-based/non-fund-based working capital limit	Long -term/ Short-term	INR1,500	IND BBB-/Stable/IND A3	IND BBB-/Stable/IND A3

Bank wise Facilities Details

Click here to see the details

Complexity Level of Instruments

Instrument Type	Complexity Indicator
Fund-based/non-fund-based working capital limit	Low

For details on the complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity-indicators.

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APPLICABLE CRITERIA

Evaluating Corporate Governance

Corporate Rating Methodology

Short-Term Ratings Criteria for Non-Financial Corporates