

## Tide Water Oil Co. (India) Limited

Instrument	Amount Rated	Rating Action
Fund Based Limits	Rs. 57.50 Crore	[ICRA]AA (Stable) reaffirmed
Non-Fund Based Limits	Rs. 47.50 Crore	[ICRA]A1+ reaffirmed

ICRA has reaffirmed the [ICRA]AA (pronounced ICRA double A) rating assigned to Rs. 57.50-crore<sup>1</sup> fund-based bank facilities of Tide Water Oil Company (India) Limited (TWO)<sup>2</sup>. The outlook on the rating is Stable. ICRA has also reaffirmed the [ICRA]A1+ (pronounced ICRA A one plus) rating assigned to Rs. 47.50-crore short-term non-fund based bank facilities of TWO.

The ratings take into account TWO's strong financial profile characterised by its debt-free status and a healthy cash balance as on date, which provides it with a comfortable liquidity position. ICRA, while assigning the ratings, has factored in the company's recent acquisition of a 100% equity stake in the UK-based lubricant manufacturer, Price Thomas Holdings Limited, which allows TWO a wider global market reach. ICRA believes that the acquisition is strategic to the company's expansion plans in the European market. The ratings continue to factor in the prevailing favourable base oil price levels, which result in healthy accruals from business, the company's long presence in the business of lubricating oil manufacturing in India and the technical expertise that the company has developed over the years in manufacturing up to the highest grade of lubricants available in India. The ratings also draw comfort from the wide marketing and distribution network of the company that has helped TWO penetrate the lubricant market across the country. However, the long-term rating is constrained by the susceptibility of TWO's operating margins to volatile base oil prices, which is a crude derivative, and its status as a price taker due to the presence of larger players in the market. However, ICRA notes that price increases in the past by market leaders have enabled the company to pass on such increases. The ratings also take into account the stagnating sales volume of lubricating oils for the company, although ICRA notes that the trend is in line with that of the industry. To increase its sales volume, the company has ventured into the international lubricant market, but the move is yet to contribute significantly to the company's revenues and profits.

### Company Profile

Tide Water Oil Co. (India) Limited (TWO), incorporated in 1921 is a part of the Andrew Yule Group, with Andrew Yule and Company Limited owning 26% of TWO's equity capital. TWO is engaged in the production of lubricating oils and greases from its manufacturing plants located in Faridabad in the North, Silvassa and Turbhe in the West, Howrah in the East and Oragadam in the South. The company services the requirements of its customers through its wide marketing-and-distribution network comprising about 100 distributors, 300 dealers and 20,000 sub-dealers. TWO markets its products under the brand name of "Veedol" in the Indian lubricating market. During 2011-12, TWO acquired 100% equity shares of Veedol International Limited, which owned the global rights of the brand "Veedol". Post this acquisition, TWO has ventured into the international lubricants market through its two 100% subsidiaries, Veedol International DMCC in the UAE and Veedol International BV in The Netherlands.

### Recent Results

TWO registered a profit after tax of Rs. 77.69 crore (which includes exceptional loss of Rs 24.49 crore) on the back of net sales of Rs. 984.98 crore in 2015-16. In 2014-15, the company had registered a profit after tax of Rs. 171.15 crore (which includes exceptional profit of Rs 150.33 crore) on the back of net sales of Rs. 954.15 crore.

**June 2016**

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>2</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications



*For further details please contact:*

**Analyst Contacts:**

**Mr. Jayanta Roy**, (Tel. No. +91-33-22876617 / 22800008)

jayanta@icraindia.com

**Relationship Contacts:**

**Mr. Jayanta Chatterjee** (Tel. No. +91 33 7150 1100)

jayantac@icraindia.com

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001  
Tel: +91-11-23357940-50, Fax: +91-11-23357014

**Corporate Office****Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: [vivek@icraindia.com](mailto:vivek@icraindia.com)

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002  
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

**Mumbai****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

3rd Floor, Electric Mansion  
Appasaheb Marathe Marg, Prabhadevi  
Mumbai—400025,  
Board : +91-22-61796300; Fax: +91-22-24331390

**Kolkata****Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: [jayanta@icraindia.com](mailto:jayanta@icraindia.com)

A-10 & 11, 3rd Floor, FMC Fortuna  
234/3A, A.J.C. Bose Road  
Kolkata—700020  
Tel +91-33-22876617/8839 22800008/22831411,  
Fax +91-33-22870728

**Chennai****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

5th Floor, Karumuttu Centre  
634 Anna Salai, Nandanam  
Chennai—600035  
Tel: +91-44-45964300; Fax: +91-44 24343663

**Bangalore****Bangalore****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

'The Millenia'  
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,  
Murphy Road, Bangalore 560 008  
Tel: +91-80-43326400; Fax: +91-80-43326409

**Ahmedabad****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

907 & 908 Sakar -II, Ellisbridge,  
Ahmedabad- 380006  
Tel: +91-79-26585049, 26585494, 26584924; Fax:  
+91-79-25569231

**Pune****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range  
Hills Road, Shivajinagar, Pune-411 020  
Tel: + 91-20-25561194-25560196; Fax: +91-20-  
25561231

**Hyderabad****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj  
Bhavan Road, Hyderabad—500083  
Tel:- +91-40-40676500