



## GOCL Corporation Limited

Instrument	Amount	Rating Action
Term Loans / LOC facility	USD 180 million	[ICRA]BBB reaffirmed; outlook revised to Positive from Stable
Fund Based Limits	Rs. 20.00 crore	[ICRA]BBB reaffirmed; outlook revised to Positive from Stable
Non-Fund Based Limits	Rs. 85.00 crore	[ICRA]A3+ reaffirmed

ICRA has reaffirmed the long-term rating of [ICRA]BBB (pronounced ICRA triple B) and the short-term rating of [ICRA]A3+ (pronounced ICRA A three plus) to the fund based limits and non-fund based limits of GOCL Corporation Limited (GOCL; erstwhile Gulf Oil Corporation Limited) aggregating to Rs. 105.00 crore<sup>†</sup>. ICRA has also reaffirmed the long-term rating of [ICRA]BBB to the USD 180 million bank borrowing of GOCL's associate company, which has been used to part fund an overseas acquisition. The outlook on the long-term rating has been revised from Stable to Positive.

The revision in the rating outlook to 'Positive' takes into account the cash flow potential arising from the company's sizeable real estate assets; the company has started receiving impact fees for its Hyderabad realty project from the developer while cash flows from the on-going Bengaluru development project are expected in the near term.

The reaffirmation of ratings takes into account the strong parentage of GOCL being a part of the Hinduja group, and its established track record in the explosives and mining businesses. The ratings also positively consider the limited borrowing requirements of the company post the demerger of its lubricants business (w.e.f. April 1, 2014) which has resulted in a comfortable capital structure. The company has reported healthy sales growth in its Energetics division (~15% y-o-y growth in FY2015) and has also seen healthy order inflows from Coal India Ltd recently which would support further revenue growth.

The ratings however remain constrained by the exposure of the company's operations to the domestic mining sector outlook which has faced a slowdown in recent years due to regulatory and environmental issues. While the company has a modest order book in its Mining & Infrastructure Services division, there has been no addition of new orders in the past year. The ratings also remain constrained by the competition present in the explosives and mining businesses from other established players, which has led to shrinkage in the profitability levels of the Energetics division in recent quarters (PBIT of 2.3% for 6m-FY2016). In the Realty business, the Bengaluru project is yet to tie-up sales and lease agreements which would have to be completed soon so as to ensure cash inflows commence in FY2017.

ICRA notes that the company has sizeable contingent liabilities arising from corporate guarantee extended to bank lines of wholly-owned subsidiary IDL Explosives Ltd, group company Gulf Oil Lubricants India Ltd and cash deficit undertaking provided to loans raised by an associate company for overseas acquisition of Houghton International Inc (Houghton). ICRA has however factored in the healthy financial profile of Gulf Oil Lubricants India Ltd ([ICRA]A+ (stable) / [ICRA]A1+) which reduces the possibility of the corporate guarantee being invoked. ICRA has also considered that the acquisition loan of USD 173 million outstanding (out of USD 300 million raised) will be serviced from the surplus cash flows of Houghton and guarantee from another group company, with GOCL not having material involvement. Nonetheless, any extension of financial support by GOCL owing to slippage in the envisaged cash flows from Houghton will be a key rating sensitivity.

### Company Profile

\* 100 lakh = 1 crore = 10 million

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



GOCL Corporation Limited (GOCL), a Hinduja Group company, was formed in January 2002. Post the demerger of its Lubricants business, it has reclassified its business divisions into the following three verticals.

- a) Energetics Division is involved in manufacture along with providing marketing and technical services in industrial explosives, detonators, explosive bonded metal clads and special devices for Defence and Space applications.
- b) Mining & Infrastructure Services Division undertakes mining services in coal, iron ore, limestone and bauxite mines. It has taken up contracts in the infrastructure sector such as underground metro railways, elevated highways, industrial structures / buildings etc.
- c) Realty Division is involved in development of large properties at Bengaluru and Hyderabad into SEZ, industrial parks and commercial conglomerates.

For FY2015, GOCL reported Profit after Tax (PAT) of Rs. 30.68 crore on an operating income of Rs. 109.61 crore. For 6m-FY2016, GOCL has reported PAT of Rs. 11.07 crore on an operating income of Rs. 52.74 crore (provisional).

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