

IPO Details	
Opening Date	September 25, 2023
Closing Date	September 27, 2023
Stock Exchange	NSE SME
Lot Size	2000 Shares
Issue Price	₹70 per share
Issue Size	Aggregating up to 20.24 Cr.
Fresh Issue	Aggregating up to 20.24 Cr.
Application Amount (@ upper band for retail Investors)	₹ 1,40,000

IPO Objective	
1.	To meet Working Capital requirements.
2.	General corporate purposes.
3.	To meet issue expenses.

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	80,00,000	100.00%
Public	-	-

Promoter of the Company	
1.	Hemant Dalsukhrai Mehta
2.	Manan Hemant Mehta

Competitive Strengths	
1.	One Stop Shop for All Lubricants.
2.	Research and development capabilities allowing product innovation and customization.
3.	Long Standing Relationship with its customers.
4.	Quality Assurance and Standards.
5.	Experienced and Qualified Management.

Company Background	
○	Arabian Petroleum Limited was incorporated in the year 2006 and has its registered office in Thane, Maharashtra.
○	The company is in the business of manufacturing wide range of Lubricants including Specialty Oils, Coolants etc used for application in automobiles and industrial machines and appliances.
○	Company's business is categorized into two distinctive product division: (i) Automotive Lubricants – Arzol and (ii) Industrial Lubricants – SPL.
○	Company is dedicated to consistently providing products that deliver stellar quality and comply with statutory requirements in the Automotive and Industrial Lubricants domain.
○	As on 31 st March 2023, the company had 207 employees on its payroll.

Market Capitalization (In Cr.)	
Pre-Issue	Post-Issue
₹56	₹76

Financial Summary (In Lacs.)			
For the Period Ended	Mar-21	Mar-22	Mar-23
Total Assets	5,031.88	7,134.93	7,650.88
Net Assets	1,301.98	1,716.32	2,202.80
Total Borrowings	2,197.76	2,948.98	3,830.66
Total Revenue	11,024.53	19,159.10	24,394.67
Profit After Tax	287.53	414.35	486.48

Tentative Timeline	
Opening Date	September 25, 2023
Closing Date	September 27, 2023
Basis of Allotment	October 04, 2023
Initiation of Refunds	October 05, 2023
Credit of Shares to Demat	October 06, 2023
Listing Date	October 09, 2023

Company Background and Analysis

Being incorporated in the year 2006, Arabian Petroleum Limited (APL) have a decent track record of existence in the business. Company is in the business of manufacturing wide range of Lubricants including Specialty Oils, Coolants etc used for Industrial and Automotive applications.

Company's business is categorized into two distinctive product division:

- (i) Automotive Lubricants – Arzol: This includes Two-Wheeler Four Stroke Engine Oils, Passenger Car Motor Oils, Diesel Engine Oils, Gear and transmission Oils, Universal Tractor and Transmission Oils, Pump Set Oils, and Hydraulic Oils.
- (ii) Industrial Lubricants – SPL: Company's SPL brand of Industrial Lubricants provides products that improve productivity, reduces mechanical wear, prevents system failure, and reduces energy cost, by extending efficiency and performance of machines. APL offers a variety of oils and lubricants to choose from the classic to the contemporary and from the new and emerging, to the technologically advanced. It combines performance, longevity, efficiency and economy.

In addition to the above-mentioned lubricants company has entered into an agreement with XADO group to enter into a Strategic partnership for manufacturing and marketing of products made with special additive technology called “Revitalizant” additives supplied by them. This XADO product is patented in the US. Thus, company introduced a new series of Automotive Lubricants with Revitalizant Technology in the blends namely, PROBUZ and REVERTO lubricants. This range was the first of its kind of lubricants in India.

Further product wise revenue is given below: -

(Rs. Lakhs)

Particulars	Mar-23		Mar-22		Mar-21	
	Amt	(%)	Amt	(%)	Amt	(%)
Automotive	8,952.36	36.87	6,735.37	35.26	4,651.84	42.29
Industrial	15,189.02	62.55	12,310.42	64.45	6,338.16	57.63
Other	142.29	0.59	55.49	0.29	8.70	0.08
Total	24,283.67	100.00	19,101.28	100.00	10,998.70	100.00

Company's domestic and international customers are spread across multiple industries, including pharmaceutical, FMCG, chemicals, steel, rubber and tyre, power, civil engineering, electrical appliances, textile, telecommunication, chemical, cables and conductors and automobile industry etc. Apart from private players, company also derive revenues under the contracts from the Government sectors (both central and state) and associated entities such as Indian Armed Forces.

Company also manufactures and package lubricants on private label basis for some of the customers for B2B as well as B2C verticals. Some of its clientele include: Varroc Engineering Limited, Mahindra First Choice Services Limited, Greaves Cotton Limited, Gabriel India Limited, Ki Mobility Solutions Private Limited - TVS Group Company, HELLA India Lighting Ltd, Petrelplus Inc, Nand Persaud & Co Ltd, J K Files (India) Limited - a Raymond Group Company, Godrej & Boyce Manufacturing Co. Ltd etc. Company also has government clientele including BEML Limited, Bharat Coking Coal Limited, Bharat Electronics Limited, Bharat Heavy Electricals Limited, Hindustan Aeronautics Limited, Indian Air Force, Mazagon Dock Shipbuilders Limited,

Indian Navy (Controller of Procurement Material Organisation), Municipal Corporation of Greater Mumbai, Indian Railway, Western Coalfields Limited, SouthEastern Coalfields Limited, Northern Coalfields Limited etc. Furthermore, company is exporting its products to countries like: Guyana, Oman, Qatar, Vietnam, Sri Lanka, Sierre Leone, Zambia, Bangladesh, Chile, Jordan, Seychelles, Maldives, Fiji, Congo, Gautemala, Suriname, Peru, Mauritius, Dubai etc.

To conclude, the company operates in business segment with good prospect and has a product portfolio with verity of usage in different industries.

Business Strategies

1. Strengthening its Industrial and Automotive lubricants products portfolio.

Company proposes to strategically move along the production chain and diversify its product offerings beyond the existing range of oils, lubricants and greases it currently offers. Company intends to further diversify its product base and include more value-added products which yield better margins such as Specialty metalworking fluids, Auto care range of products, Mechanical Maintenance products, etc.

2. Expanding company's customer reach, distribution network and export sales.

Company aims to continue developing and nurturing its customer relationships and existing distributor relationships, and create new customer base, distribution channels and depot network in under and non-penetrated geographies.

3. Continue to strive for cost efficiency.

Company aims to continue to maintain its focus on cost management, including in-house integrated manufacturing capabilities across its business to deliver growth as well as to achieve economies of scale. Company will continue to seek to manage supply chain costs through optimal inventory levels, economic orders and other measures.

4. Focus on consistently meeting quality standards.

Company intends to focus on adhering to the quality standards of the products. Quality of the product is very important for the company from both customer point of view and regulatory point of view. Continuous quality review of products and timely corrective measures in case of quality diversion are keys for maintaining quality standards of the products.

Competitive Scenario and Peer Mapping

Competition

The company compete with several regional and local companies, as well as large multi-national companies. The principal elements of competition in this industry are product features, design, quality, price, delivery, general customer experience, availability of after-sale and logistics support etc. The barriers to entry in the oil and gas sector are extremely strong and include high resource ownership. Whereas, the bargain power of the customers is relatively high.

Peer Analysis

The comparison of the key performance indicators of the listed peers as on Mar-21 is given below –

Particulars	Arabian Petroleum Limited	Tide Water Oil Co. (India) Limited	GP Petroleums Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	3%	11%	3%
EBITDA Margin	6%	12%	4%
Return on Capital Employed	29%	15%	10%
Return on Equity	22%	17%	8%
EPS (INR)	3.59	345.55	3.48

The comparison of the key performance indicators of the listed peers as on Mar-22 is given below –

Particulars	Arabian Petroleum Limited	Tide Water Oil Co. (India) Limited	GP Petroleums Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	2%	9%	3%
EBITDA Margin	4%	8%	4%
Return on Capital Employed	36%	13%	10%
Return on Equity	24%	16%	8%
EPS (INR)	5.18	62.72	3.71

The comparison of the key performance indicators of the listed peers as on Mar-23 is given below –

Particulars	Arabian Petroleum Limited	Tide Water Oil Co. (India) Limited	GP Petroleums Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	2%	6%	3%
EBITDA Margin	4%	5%	5%
Return on Capital Employed	32%	10%	11%
Return on Equity	22%	12%	9%
EPS (INR)	6.08	49.95	4.94

Industry Overview

Exhibit 1: Lubricants Market Size.

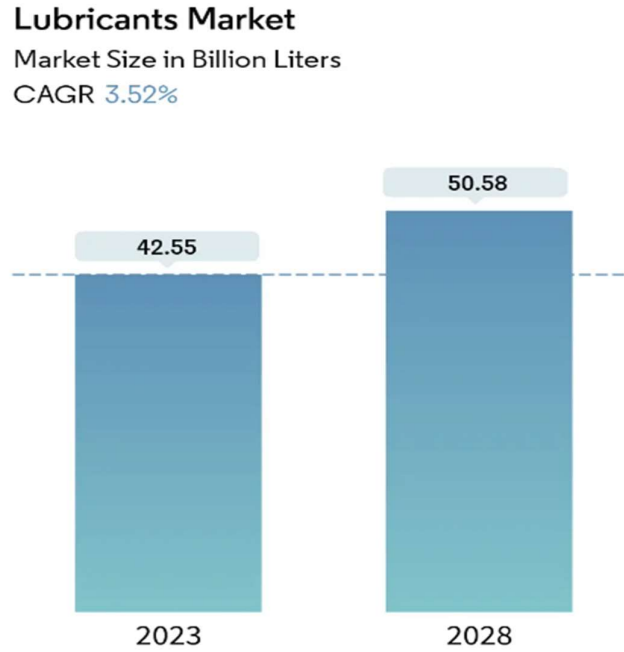
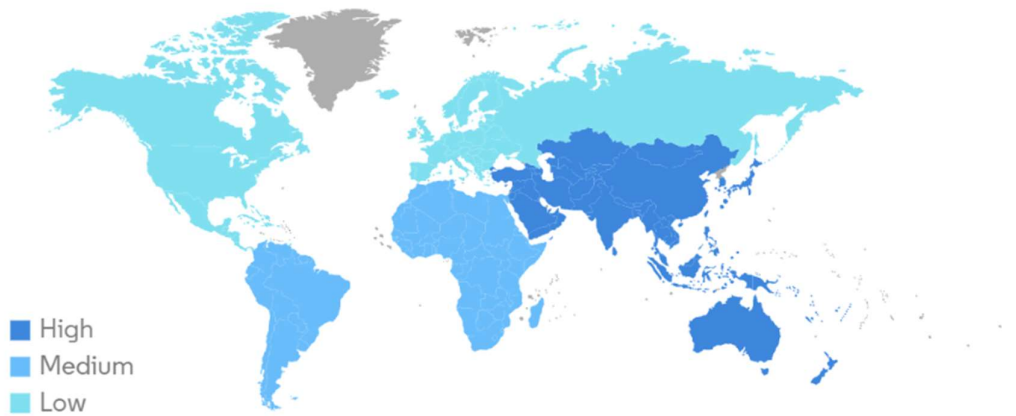


Exhibit 2: lubricant consumption in the region during the forecast period.

Lubricants Market - Growth Rate by Region, 2023-2028



(Source: mordorintelligence.com)

Lubricant Industry

Lubricating oil is considered as a fluid structural element of machines and devices. Its main task is to create a layer in the form of a microfilm between the moving elements of the device. Due to the specific properties, lubricating oil during operation can fulfil many functions, such as minimization of friction, elimination of scuffing of rubbing machine elements, washing of carbon deposits and micro particles, anti-corrosion, cooling, and other effects. Both environmental and application properties must be supported when the lubricants content is designed. Therefore, it must be characterized not only by an accurate biodegradability rate, but also, by appropriate physicochemical properties, such as an appropriate range of the viscosity index, dynamic viscosity at negative temperatures, melt temperatures, flash points, evaporability, as well as the basic or acidic number. Lubricating oil is a mixture of base oil (>85%) and enriching additives.

The growing Indian Economy, increasing demand for lubricants equipment, push to the infrastructure of the country by the government, rising oil, steel, Automobile sector are result in demand for lubricators. Growing per-capita income and disposable income which is resulting in strong and growing domestic demand for Oil & Gas, Steel, Automobiles, power plant, coal Industry and other manufacturing units.

In the Asia-Pacific region countries such as India, China, Indonesia and Japan are rapidly increasing their infrastructure projects steel Oil & Gas sector which also acts as a major key factor for increasing requirement of lubrication device. India is the second-largest lubricant consumer in the region, and exports from the sector have registered a consistent increase over the past few years.

The demand in the domestic market

India is the second-largest lubricant consumer in the region, and third in the world, after the United States and China. The country is the fourth and sixth largest producer of commercial vehicles and passenger cars, respectively.

In India, with the increasing demand for vehicles, several automakers have started investing heavily in various segments of the industry. Furthermore, the Indian government has been rolling out initiatives to attract FDI in the automotive industry, allowing 100% FDI under the automatic route. The government has also planned to introduce a new Green Urban Transport Scheme with central assistance of about INR 250 billion, to boost the growth of urban transport, along the low-carbon path, with an aim to reduce air pollution substantially. The aforementioned growth in the automotive industry is expected to boost the demand for lubricants in the country.

(Source: prospectus)

Key Managerial Personnel

Hemant Dalsukhrai Mehta, aged 64 years, is the Chairman and Managing Director of the company. He has completed his B.Com. from University of Bombay in the year 1980. He has an overall experience of 41 years in trading activities and is into the business of trading and manufacturing of lubricants for the last 15 years. He is currently involved in overall business operations of the Company. Primarily he looks after the manufacturing operations and is involved in planning, production and purchase activities of the company.

Darshana Hemant Mehta, aged 57 years is the non-Executive director of the company. She has completed her Master of Science in Physics from University of Bombay in the year 1989. She has an overall experience of 16 years in administrative and marketing operations of the company.

Manan Hemant Mehta, aged 33 years, is the Whole time Director of the company. He holds a degree of B. Tech. in Chemical Engineering and Master of Business Administration in Technology Management from Narsee Monjee Institute of Management Studies. He has an overall experience of 9 years in manufacturing and trading of lubricants. He is currently involved in sales and marketing and quality control operations of the company.

Dharman Manoj Mehta, aged 32 years, is the Whole time Director and CFO of the company. He is a Chartered Accountant and has worked as an associate for 2 years in Price Waterhouse Coopers, Mumbai. Thereafter he has been associated with the company since 2017 and looks after sales and marketing and finance operations of the company.

Milan Mohanlal Paleja, aged 59 years, is the Independent Director of the Company. He has completed his ICWAI and BCom in the year 1984. He started his career in 1984 in various finance roles in Novartis group and was associated with the Novartis group for 35 years. Lately from May 2018 to May 2019 he was appointed the MD of Novartis India Limited. Thereafter in the year 2019, he founded Wellesta Holdings Pte Limited based at Singapore.

Dinesh Babulal Panchal, aged 48 years, is the Independent Director of the Company. He holds degree of Bachelor of Engineering from Mumbai University passed in the year 1998. He has completed Master of Management in Operations in the year 2005 from Indian Institute of Technology, Bombay and has completed Ph.D on "Management Studies" from Narsee Monjee Institute of Management Studies in the year, 2021. He has an overall experience of 24 years. He started his career in 1998 with Larsen & Toubro Limited as Assistant Manager in Heavy Engineering Division for around 7 years.

To conclude, the promoters of the company have a good experience in the industry that company operates in, the remaining directors have decent knowledge and experience in the different industry and in the fields which will help in the growth of the business.

Financial Snapshot

Profit and Loss Statement				(In Lacs.)
Particulars	FY 21	FY 22	FY 23	
Revenue from Operations	10,998.70	19,101.28	24,283.67	
Other Income	25.83	57.82	111.00	
Total Income	11,024.53	19,159.10	24,394.67	
Expenses				
Cost of materials consumed	8,846.25	16,320.45	20,791.99	
Changes in inventories	-134.30	-666.02	-273.23	
Employee benefits expense	627.42	924.70	1,007.37	
Finance costs	122.67	175.30	253.69	
Depreciation and Amortization expense	138.59	142.57	137.79	
Other expenses	1,033.92	1,679.79	1,823.21	
Total Expenses	10,634.55	18,576.79	23,740.82	
Earnings Before Interest, Taxes, Depreciation & Amortization	625.41	842.36	934.33	
EBITDA Margin	6%	4%	4%	
Profit/(Loss) before exceptional items and tax	389.98	582.31	653.85	
Less: Exceptional Items	-	-	-	
Profit/(Loss) before tax	389.98	582.31	653.85	
<u>Tax Expense</u>				
Current Year	103.87	160.08	179.59	
Earlier Year	-	-	-0.01	
Deferred tax	-1.42	7.88	-12.21	
Total Tax Expense	102.45	167.96	167.37	
Profit/(Loss) for the year	287.53	414.35	486.48	
Net Profit Margin	3%	2%	2%	

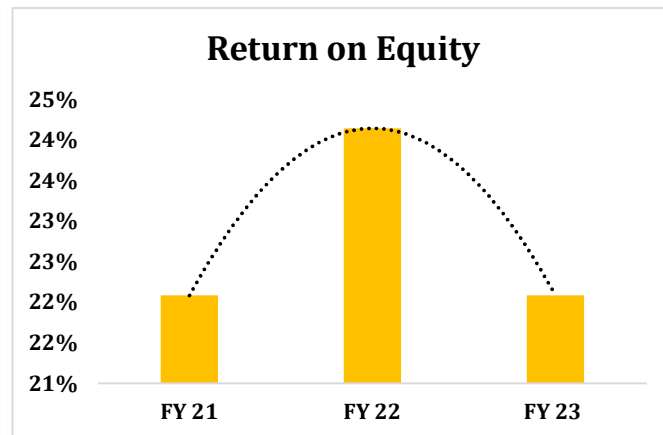
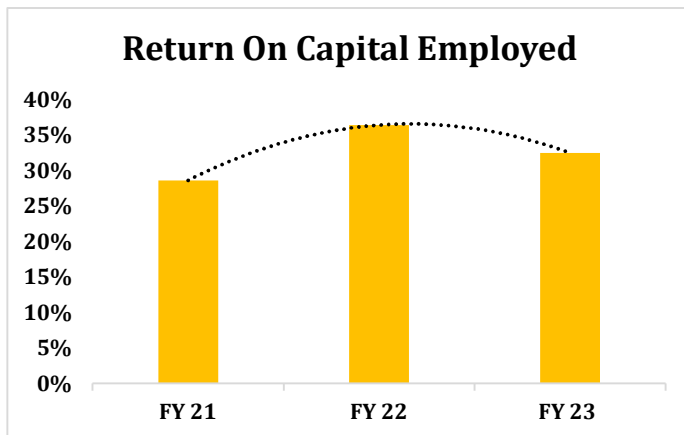
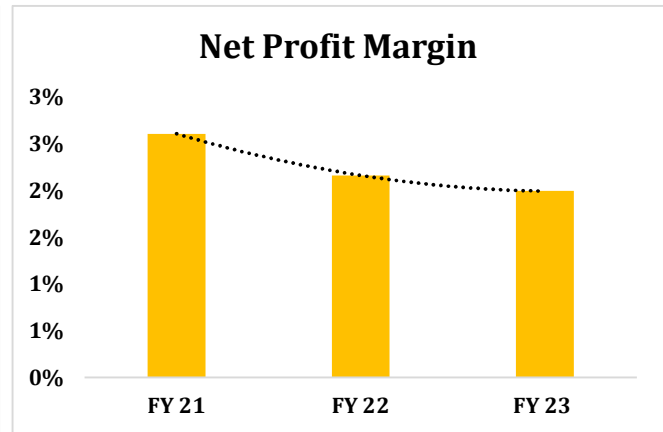
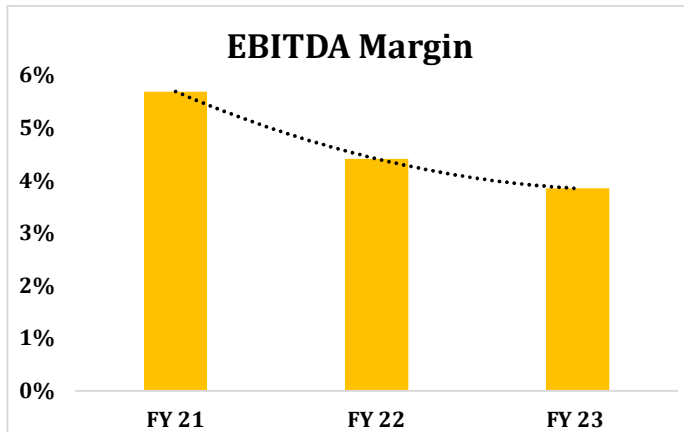
Balance Sheet				(In Lacs)
Particulars	FY 21	FY 22	FY 23	
EQUITY AND LIABILITIES				
1. Shareholders' funds				
(a) Share Capital	200.00	200.00	800.00	
(b) Reserves and surplus	1,101.98	1,516.32	1,402.80	
Total Equity	1,301.98	1,716.32	2,202.80	
2. Non-current liabilities				
(a) Long-term borrowings	399.73	198.65	208.95	
(b) Long-term provisions	0.65	8.79	41.66	
Total Non-current liabilities	400.38	207.44	250.61	
3. Current liabilities				
(a) Short-term borrowings	1,798.03	2,750.33	3,621.71	
(b) Trade payables	1,230.32	1,733.85	1,310.03	
(c) Other current liabilities	98.02	536.54	125.84	
(d) Short-term provisions	203.16	190.46	139.90	
Total Current liabilities	3,329.53	5,211.18	5,197.48	
Total Liabilities	3,729.91	5,418.62	5,448.09	
Total Equity and Liabilities	5,031.89	7,134.94	7,650.89	
ASSETS				
1. Non-current assets				
(a) Fixed Assets				
(i) Tangible Assets	958.54	921.73	826.11	

Balance Sheet			(In Lacs)
(ii) Intangible assets	1.99	0.79	8.25
(b) Capital work-in-progress	2.02	149.77	455.37
(c) Non-current investments	-	-	10.00
(d) Deferred tax assets (net)	12.03	4.15	16.36
(e) Long-term loans and advances	6.33	13.00	13.17
Total Non-Current assets	980.91	1,089.44	1,329.26
2. Current assets			
(a) Trade receivables	2,281.50	2,892.04	3,410.13
(b) Cash and cash equivalents	21.02	26.01	67.91
(c) Inventories	1,565.21	2,729.02	2,574.36
(d) Short-term loans and advances	48.65	91.72	73.31
(e) Other Current Assets	134.59	306.70	195.91
Total Current assets	4,050.97	6,045.49	6,321.62
Total Assets	5,031.88	7,134.93	7,650.88

Cash Flow Statement			(In Lacs)
Particulars	FY 21	FY 22	FY 23
Net Cash Flow from Operating Activities	-353.99	-318.59	-230.87
Net Cash Flow from Investing Activities	-151.26	-252.33	-355.23
Net Cash Flow from Financing Activities	421.37	575.92	627.99

Ratio Sheet			
Particulars	FY 21	FY 22	FY 23
Per Share Data			
Diluted EPS	3.59	5.18	6.08
BV per share	11.95	15.76	20.22
Operating Ratios			
EBITDA Margins	6%	4%	4%
PAT Margins	3%	2%	2%
Inventory days	51.94	52.15	38.69
Debtor days	75.71	55.26	51.26
Creditor days	47.41	37.63	23.48
Return Ratios			
RoCE	29%	36%	32%
RoE	22%	24%	22%
Valuation Ratios (x)			
EV/EBITDA	5.56	5.51	6.38
Market Cap / Sales	0.69	0.40	0.31
P/E	19.50	13.51	11.51
Price to Book Value	5.86	4.44	3.46
Solvency Ratios			
Debt / Equity	1.69	1.72	1.74
Current Ratio	1.22	1.16	1.22
Quick Ratio	1.22	1.16	1.22
Asset Turnover	2.19	2.68	3.17
Interest Coverage Ratio	3.97	3.99	3.14

Financial Charts



Key Risk Factors

1. Company, Company's Promoters, Group Company and its Directors are involved in certain litigations including tax related litigations amounting to Rs. 39.12 Lacs, which if determined against the company, can affect financial conditions of the company.
2. Company has had negative cash flow from operating activity in all three previous fiscal years.
3. Company has contingent liabilities amounting to Rs. 77.76 Lacs, if this contingent liability is materialized, fully or partly, the financial condition of the Company could be affected.

Track Record of Lead Manager

The lead manager to the issue is Hem Securities Limited. A table has been set below highlighting the details of the IPO of the last 10 companies handled by the Lead Managers in recent times –

Hem Securities Limited –

Sr. No	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing date	CMP* (INR)
1.	Kahan Packaging Limited	5.76	80.00	September 15, 2023	147.87
2.	Asarfi Hospital Limited	26.94	52.00	July 26, 2023	118.30
3.	Kaka Industries Limited	21.23	58.00	July 19, 2023	176.30
4.	Greenchef Appliances Limited	53.62	87.00	July 06, 2023	119.30
5.	Hemant Surgical Industries Limited	24.84	90.00	June 05, 2023	198.90
6.	Vasa Denticity Limited	54.07	128.00	June 02, 2023	430.00
7.	Labelkraft Technologies Limited	4.75	55.00	March 23, 2023	83.00
8.	Systango Technologies Limited	34.82	90.00	March 15, 2023	264.25
9.	Macfos Limited	23.74	102.00	March 01, 2023	328.00
10.	Earthstahl & Alloys Limited	12.96	40.00	February 08, 2023	60.00

As per the offer document, Hem Securities Limited has had 27 mandates in the last three fiscal years. For Hem Securities Limited out of the 10 mentioned above, all the mandates opened at premiums on the listing day.

*CMP for all the above-mentioned companies is taken as on 22nd September 2023.

Recommendation

The company has experienced good growth with respect to the various financial indicators as well as decent improvement in the balance sheet position in the last three Fiscals, i.e., company has seen an increase in its net worth. Whereas, company has seen a decline in its profit margins.

The management outlook of the company is good, with proper bifurcation of the roles and responsibilities of its top management.

The P/E on an annualised and Post IPO basis is around 15.67 times which seems to be fully priced looking at the performance and size of the company.

The Company has shown a good growth in its revenue and profits, but company's profit margins have declined. Whereas, the business segment in which the company operates has good prospect and it faces relatively less competition in domestic market. At the given P/E a well-informed investor can **APPLY** for this IPO.

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