



Gulf Oil Lubricants India Limited

May 25, 2022

BSE Limited
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Through: BSE Listing Center

National Stock Exchange of India Ltd
Scrip symbol: GULFOILLUB

Through: NEAPS

Dear Sir,

Sub.: Transcript of earnings conference call for quarter and financial year ended March 31, 2022

In compliance with Regulation 30, 46 and other applicable provisions, if any, of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith, the transcript of the earnings conference call with Analysts/ Investors held on Monday, 23rd May 2022. The transcripts have been uploaded on the website of the Company within the stipulated timelines and the same can be accessed on the following link: <https://www.gulfoilindia.com/investors/financials/transcription-of-conference-call/>

This is for your information & record.

For Gulf Oil Lubricants India Limited



Shweta Gupta
Company Secretary & Compliance Officer

Encl.: as above

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HINDUJA GROUP



“Gulf Oil Lubricants India Ltd. Q4 FY22 Earnings
Conference Call”

May 23, 2022



MANAGEMENT: **MR. RAVI CHAWLA – MANAGING DIRECTOR & CEO,
GULF OIL LUBRICANTS INDIA LTD.
MR. MANISH GANGWAL – CHIEF FINANCIAL OFFICER,
GULF OIL LUBRICANTS INDIA LTD.**

MODERATOR: **MR. NITIN TIWARI – YES SECURITIES INDIA LTD.**



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Moderator: Ladies and gentlemen, good afternoon and welcome to the Gulf Oil Lubricants India Ltd. Q4 FY22 Earnings Conference Call hosted by Yes Securities Ltd. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nitin Tiwari from Yes Securities India Ltd. Please go ahead, sir.

Nitin Tiwari: Thanks Ryan. Good day, ladies and gentlemen. On behalf of Yes Securities, I welcome everyone to Gulf Oil Lubricants India Ltd. fourth quarter and FY22 Earnings Call. We have the pleasure of having with us today the CEO of Gulf Oil Lubricants – Mr. Ravi Chawla and the CFO – Mr. Manish Gangwal.

I will now hand over the call to Mr. Chawla for his opening remarks, which shall be followed by a question and answer session. Over to you, sir.

Ravi Chawla: Thanks, Nitin. Good evening, ladies and gentlemen. Welcome to the quarter 4 call for Gulf Oil Lubricants India Ltd. I am delighted to share with all of you that quarter 4 has been an all-time high for us in terms of our quarterly volumes, revenues, EBITDA and PBT. We are delighted with this all-round performance by the team to deliver the highest quarter and of course this performance is in the environment where we have seen significant external challenges in the form of rising input costs, supply chain disturbances, unabated inflationary cycle and it speaks well of the strength of our robust business model and strategies, our distribution, strengths, our brand equity, our customer strengths, and the determination of our team.

The Company continued its run as to growing the revenues and of course we had all segments of the business doing well in quarter 4. Demand conditions have picked up. Our diesel engine oils for commercial vehicles and our passenger car motor oils saw very good volume growth and traction. We have increased our market share both in B2C and B2B segments, which has been very good. There are some challenges in the retail business, but we have seen that even that, the agri season coming, motorcycle picked up towards the end of the quarter.

We have had excellent growth in the industrial B2B segments, the OEM franchise workshops and from customers in the infrastructure segment. The quarter 4 volume is the highest ever at 37,500 KL, a 7% year-on-year growth and also a growth quarter-on-quarter. Revenues are also all-time record.

Definitely, as I mentioned, the market share increases have happened and if you take the annualized basis, we have ended on a high note. Our full year volumes have grown double digit at 16.5%, full year revenues at 32% and EBITDA also grown at 8%.



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Given all the challenges, this growth that we have got and we have estimated that the industry growth may be flattish to very low single-digit or maybe even negative. Our market shares have gone up from 0.5% to 1% across segments.

Also, some of the other highlights I would like to mention of quarter 4 here. We pushed in terms of our brand investment. For the South region where we have more opportunity in our personal mobility, we have launched a customized campaign where MS Dhoni has shot 5 new films for us in the local languages, which are towards the motorcycle and the CVO segments, and also there are some creatives that have been put out for the social media where Gulf has a very high engagement, in fact, one of the highest amongst lubricant brands for our car segment with the Chennai Super Kings. So all these 5 commercials and ground-level support is happening in the South and certainly that is a good thing that has happened. We are investing back.

We launched a retail display contest for our agriculture products, which again with the season coming should help us. We have had 2 new OEM tie-ups; one with International Tractors Limited, Sonalika for the factory fill OEM workshop and distributor channels, which is good. Also, started factory fill supplies to Hyundai Motors for some grades.

In the industrial B2B business, we have received first fill business from the green projects of ThyssenKrupp and Welspun Steel. Another important thing that is happening now as we reboot is the distribution outlet expansion in retail. This has witnessed a positive uptick as we have seen that the conditions of travel have picked up.

The Company is pushing to reboot the retail expansion programs as travel has normalized. A special focus on increasing retail outlets in personal mobility and also in South where I mentioned that we have good opportunities because we are very strong in the diesel engine oil there. We have also increased our focus on Gulf Bike Stop and Car Stop channels, which are important consumption points with the launch of new program for FY23.

Also, to increase our treasury, we have launched Mechanic Idol program for our specialized mechanic partners to recognize the best talent in this space. So, overall, a lot of good things are happening. The demand conditions are going better as we have ended the year and definitely we're looking at how we can take this further going forward.

Before we take the questions, I will request Manish to cover some of the financial highlights, some of the things that the board has decided and some of the other things that will help you understand how the quarter 4 and the year has gone.

Manish Gangwal:

Thanks, Ravi. Good evening everyone. As Ravi mentioned, it was a record-breaking quarter for us in terms of all key parameters.



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You'll also notice that in terms of EBITDA, it was Rs. 89 crores EBITDA for the quarter, which is highest ever, and it is 14% growth over last year same quarter and over December quarter also nearly 15.7% growth. With this our EBITDA margins have also improved from December quarter. It was 12.8% to now 14% nearly.

So, overall from a financial perspective, it has been a very good quarter for us. And to recognize the profits, the board has declared a dividend of Rs. 5, which is 250%. You will recall that Company had announced a buyback in the month of February, which was at a premium of 26% to the market price at Rs. 600 per share and that also has been concluded in the month of April now. The buyback process is over on 25 April, which is in the current quarter.

With this background, we would request for the Q&A session please. Thank you.

Moderator: Thank you. We will now begin the question and answer session. The first question is from the line of Pradeep Vaswani with Karva Capital. Please go ahead, sir.

Pradeep Vaswani: I just have 2 questions. Could you explain the receivables that are end of year going up by 50% and the inventories are up by 20% and if you look at cash flow, it seems to be down by 80% for the year.? That's my first question. Second, the stock, even though the numbers are really good, the stock seems to be at an 8-year low. There are concerns on the capital allocation, it's like the dividend is down to 10%, which is down again 67% from last year even though the buyback happened. The buyback also happened at a price, which is 50% higher than where the stock is right now. And maybe you can put some color on the investment in a SaaS company of Rs. Crores or so. When we take Rs. 15 crores and the buyback at a higher price and cut in the dividend, even with the balance sheet having almost Rs. 900 crores of net cash, but no CAPEX requirement, maybe you can put some color on how you're deciding on capital allocation and if there is any buyback or any commitment from Management given the stock is at an 8-year low and there's a lot of cash in the balance sheet to make some capital allocation decisions.

Manish Gangwal: First coming to your working capital question. This year has been a very inflationary year, as we all know and the full year topline of the Company has grown by nearly 33%. Accordingly, there's an impact to that extent driven by the topline growth, which is quite obvious and that has increased the receivables overall. If you see the number of days of receivables, it has gone up by only 5 to 6 days over last year and inventories also have gone up because of the inflation, which is there and raw material prices going up. Secondly, we have slightly stocked some of the key raw materials more in terms of overall stocking because of global supply chain disturbances, which are really unpredictable in these times and we do not know suddenly which part of the world will delay the supplies. So, a lot of imported materials are used in our process and that is one of the reasons why inventories have also gone up. Third reason is that March for us was a very-very high month, all-time high March we had and those are all standing in the receivables at the end of the year because balance sheet is as on a particular date. So, these 3 factors have put in the working capital at the numbers you have seen in the balance sheet. Overall inventories



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in terms of number of days are well in the same line. Only 3, 4 days, 5 days more maybe in terms of the number of days plus receivables are also only 5 to 6 days higher. So, overall we are in control of the working capital. Now that the increased level of operations or I would say funding has been scattered into through the cash flows in the working capital, the incremental impact on cash flows will be normalized as we speak. Second point coming to Company has announced a dividend in spite of the buyback, which was recently concluded wherein close to Rs. 85 crores cash was returned back to shareholders. In addition, the Company has also paid nearly Rs. 20 crores as buyback tax. So, total cash outflow was Rs. 105 crores. Further, the board has now declared 250% dividend. We have made some investments in the EV space, which have been also announced from time to time. We have actually made 2 forays in the EV. One was last year and one in the March quarter itself, the recent quarter wherein we have acquired 26% stake in Electrify, which is a Software-as-a-Service Company catering to EV Sector. So, the board and management is looking keenly at the EV space and we are exploring where Gulf can play a synergistic role and where we can participate in this EV value chain, which will help us to participate in the evolving EV space. So for that we are looking at opportunities and obviously cash will be preserved. Our incremental CAPEX in the current business is around Rs. 15 to 20 crores annually, and there also now that the full year volume is at 1,34,000 KL, we are looking at how we can take our capacities with these incremental CAPEX to cater to next 2 to 3 years of needs. So, these are the broad reasons why you will see that cash is being preserved on the balance sheet to look for the investment opportunities across current business as well as in the evolving space. I hope we have been able to answer your question.

Pradeep Vaswani:

I still have a little bit of general concern on the capital allocation with EV space. You're not a SaaS Company, so investment in a SaaS business model where competition is pretty high and then as an investor base, you're investing in lubricants business, which you have shared that there is plenty of growth left in the next 10 to 15 years. So, I am curious of the amount of investment you are thinking in terms of like you have net cash of Rs. 500 crores, maybe you get a 10% yield on your current stock price, why wouldn't you fuel some of that firepower to invest in your own stock and buyback more? Given that promoter holding is still 70% to 73% you probably buy another 2% of your stock and still hit the 75% target and still have enough cash to extend your business model. Can you share some color on how much investment are you thinking, either in the SaaS space or something else so that we understand what are we investing in for the future?

Manish Gangwal:

Just to tell you in terms of legal requirements, a Company, which has done a buyback cannot do another buyback for at least a period of 12 months. So, that is something which is there clearly as a regulation. As we mentioned, Electrify is not only about investing in a SaaS company. It is a strategic investment for us because we are looking at charging infrastructure and they are a software provider for integrating the chargers to the vehicle and payment gateways. So, as and when Gul decides to go full throttle in this that strategic relationship with Electrify will definitely help us to strengthen our position in this space. So, it is not an investment only for the sake of investment. It is a strategic investment for us from that perspective. We are obviously looking at our two-wheeler battery business is going to grow significantly over the next 2 to 3 years and



that will also be requiring some working capital and other investments, which we are gearing up to.

Moderator: Thank you. The next question comes from the line of Sadanand Shetty with True Equity Advisors. Please go ahead.

Sadanand Shetty: The impact of base oil on this quarter over the last quarter considering oil was volatile?

Manish Gangwal: So, if you see our material cost has gone up by nearly Rs. 3 and in line with that realization also has gone up by the similar amount per liter and we have been able to maintain our material margin, rather slightly improved during March quarter over December quarter. So, sequentially, the material margin per liter has been kept intact in spite of the inflationary pressures around. Of course the recent crude really, which has been ignited by this Russia/Ukraine crisis has led to further increase in the base oil pricing and as we speak, the Company has already announced the price increase in the retail segment in the mid of April, which will be fully realized during this current quarter. As you know, there is a time lag between the announcement and the stock in the pipeline, so the full price realization happens over the next 2 months or so. So, those are already being taken so that the retention of margin management strategy continues for us.

Sadanand Shetty: Sure, I can see a bump up in your finance cost, although on year-on-year basis, it's substantially down. Any technical reason why this bump up of finance cost for the quarter?

Manish Gangwal: The finance cost for the quarter also includes the forex losses marked-to-market because during the quarter post-Russia/Ukraine crisis, the Rupee became very volatile and there was a marked-to-market impact on the open Forex exposure to the tune of Rs. 3 crores. This also includes the forward premium for the coverage, which we are doing, but as you rightly said for the full year basis, we are much lower than the last year finance cost.

Sadanand Shetty: So, how is that trend for the coming quarters given the hedge position that you have?

Manish Gangwal: We have a revolving hedging position. Now, of course, the current Rupee situation is very dynamic and very volatile. Our payments to the extent of 70% were hedged when we started the current quarter. So, we keep ourselves substantially hedged at any point in time and that should help us in this very depreciating Rupee scenario also, but overall there will be some impact in the current quarter as well on the balance open exposures.

Sadanand Shetty: When do you think your investments will make material difference to the consolidated number and is there any incremental investment that you will have to make?

Manish Gangwal: EV space is a very-very nascent space as of now. We are making investments based on our strategic priorities in that segment, but the numbers to make a meaningful difference also require a lot of EV's on the ground, which we all know are not there as of now as a population, whether



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it is investment in our INDRA Charges in UK Company or in Electrify. These are all linked to future and for the next 2-3 years, how much of this will be impacting our consolidated revenues is a very-very wild guess because the numbers itself are very dynamic as we speak, but these are considering a very-very long-term future. It is not something which is very immediate basis, but these are good investments to have from longer term perspective.

Sadanand Shetty:

Any incremental investment that you would like to make over the next 2 years?

Manish Gangwal:

We may have to, depending on how they perform and how they perform and how they start getting market share in their respective areas. So, we may have to line up a few more investments to them or to some other companies as well. So, the board and the management is quite actively looking at all those possibilities as we speak.

Moderator:

Thank you. The next question comes from the line of Sabri Hazarika with Emkay Global Financial Services Limited. Please go ahead.

Sabri Hazarika:

I just wanted to know the average base oil price whatever your benchmark is in Q4 versus currently and what was the quantum of hike taken in April?

Manish Gangwal:

Basically it is very difficult to say, again, benchmarking of base oil. As we have been highlighting, there are many grades of base oil. Each have their own demand and supply challenges. So, sometimes the group 1 becomes short in the market and sometimes group 2 or sometimes group 3, very difficult to state. Overall, we have seen the trajectory that base oil follows crude over a medium term and crude has gone up from nearly \$90 to now \$110. If this remains in this range, obviously 15% to 20% increase in the base oil is expected and that we are seeing also currently in the current quarter. We have already taken a price increase as we mentioned.

Sabri Hazarika:

So, QoQ, 15% to 20% increase in the cost of goods sold is the trend right now?

Manish Gangwal:

No, it is again because we carry inventory for a period of 60 to 90 days and the impact will be staggered over a period of 2 quarters unless again crude comes down. So, impact will be staggered over a period of 2 quarters. It is not going to be happening in 1 quarter alone.

Sabri Hazarika:

Any rough numbers of the amount of price hike that you have taken in April?

Manish Gangwal:

The price hike taken in April is roughly to the tune of about 3% to 4% and we are looking at various sub-segments also and if there will be margin management required then we will keep looking at that space.

Sabri Hazarika:

So, this 3% to 4% is on the Bazaar segment as a whole, right?



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Manish Gangwal: This is currently on Bazaar and our OEM segment anyway has a quarterly formula linked to base oil.

Sabri Hazarika: Yes, that I am aware, but 3% to 4% would be retail selling price in the Bazaar segment?

Manish Gangwal: Yes, plus you also have the Industrial segment also where the price hikes are.

Sabri Hazarika: The second question is relating to your overall medium-term or long-term growth outlook, so I think the Company has maintained the 2x to 3x industry growth guidance, so can you elaborate, I know last 5 to 6 years have been like significant growth, but how do you think that you would be able to maintain this momentum for the next 4 to 5 years again?

Manish Gangwal: So, as you know, last 10 to 12 years, we have been growing more than 2x to 3x, actually double-digit growth, whereas this industry normally grows 2% to 3% and also for the last few years, it has had negative growth. So, our estimate is that 2021-22, it could be flat, it could be -1% to -2%, it could be even -3% to -4% in the Bazaar market, consumption. 95% of our sale is replacement. So, our estimate is that last year the market was negative, so consumption was less because April also was closed partly. There are a lot of challenges in consumption and offtake and next year that is 2022-23, obviously, we believe the lube industry estimated is that we will get back to positive growth given that the base also has fallen in the last 2 years. So, if the industry grows 2% to 3%, then that is a good tailwind for us to look at growth. In addition, GDP is doing well. COVID, the travel has resumed as you can see from the traffic out and also we are also seeing in all the segments. Industrial B2B is doing very well in terms of consumption. Infrastructure is again going very well in terms of the consumption and we have seen that also in the last many months for us. Of course, there is going to be a challenge on how this will continue, but we are very clear that if GDP is growing, lube industry is growing, it gives us a great opportunity and we don't have that strong market shares except obviously diesel engine oils, we have a large growth. We have got opportunities in growing in the other segments and our business model has given us this growth through various ups and downs. So, we are well set in terms of looking at an outlook where we will grow double-digit again and again look at how we can maintain our margin band of 14% to 16%. Of course, there are challenges, as we look at the raw material price and we have been growing in all the segments that we have participated. There will be some segments going up and down like for example, agriculture we are expecting the season to come in, we have launched a display contest that should go up. Our passenger car, commercial vehicle, diesel engine oil have done very well. Even motorcycle is now picking up. Rural is picking up, which was impacted by the third wave and so really for us, it is to go out there and re-energize the growth and reboot ourselves to really make the distribution go up and we're looking at an outlook where we will grow and continue to gain market share.

Sabri Hazarika: I could understand the sectoral part, but probably next 3 to 4 also if you are thinking that you would be able to maintain the 2x to 3x growth, so it would be a combination of both low base as well as the strategies, so can you elaborate on that and who are the ones who would be losing



market shares that you would be gaining actually, would it be the PSU's or would it be some other?

Manish Gangwal: We are growing our distribution. So, distribution is a strength where we have our Bazaar business and we're growing our OEM businesses with everybody. So, we're not targeting anything. Ours is a product, which is at a certain value, certain position in the market with push and pull. So, we would like to gain wherever we would put in the effort. As you know, our brand is amongst the top 3 brands. In fact, our brand consideration is the top 2 as per internal study. So, we want to use that to grow our distribution and focus at all the segments we are there and we believe that customers who obviously use Gulf, look at value, look at brand, look at quality and look at value addition to their businesses and their usage. So, ours is a very focused strategy and I think for us, obviously other players are going. So, that's a good sign.

Sabri Hazarika: Right, but the market share gain is at the cost of OMC's or would it be some other players?

Manish Gangwal: We are targeting our consumer segment. We don't target the type of usage. The customers are upgrading, customers are looking at products. So, ours is more customer focused strategy.

Moderator: Thank you. Our next question comes from the line of Ankit Mahajan, an investor. Please go ahead.

Ankit Mahajan: My first question is on rural demand. I just want to know how has been the rural demand during the quarter and how do you expect that demand trend in coming quarters and my second question is once again on CAPEX that I want to confirm. What is your CAPEX guidance for FY23 and FY24?

Manish Gangwal: So, as we mentioned, we are looking at lot of opportunities in the emerging spaces. In addition to that, our routine CAPEX requirement for the current business for the next 2 years is roughly in the range of Rs. 15 crores to 20 crores annually. I also mentioned that our volume is currently at 134,000 last year full year, and obviously we have to see what is the further requirement considering we have capacity for the next 2 years at least, but going forward, we have to look at how to do our incremental CAPEX for the expansion also. So, this is what currently we are working on.

Ravi Chawla: Rural for us obviously, we have been present in rural for many-many years, but last 4 to 5 years, we have got into the rural distribution. We have a Gulf rural stockist, which is servicing the rural outlets and penetrating that and the rural demand definitely, they consume the agricultural tractor lubricants, they consume motorcycles, they also do a bit of car and other ancillaries, which we have. So, we have seen the rural demand, which had got slightly subdued, I would say, in COVID wave 3 and agriculture also which had a very good sale 2 years ago, when COVID was there in the peak and started. So, in 2021, agriculture did very well. In 2021-22, we did see some drop in the Agri demand, but we are now seeing that and you saw that in the tractor sales also, tractor



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sales were doing very well in 2021-22 first few months, then they started coming down. So, agricultural demand did get a bit subdued, but now I think we are back on track. The COVID wave is gone, people are out there also and rural demand is picking up. So, we believe the outlook should be the rural demand, and the season starts now, will again get back to normal and probably not at the peak what it did in 2020-21, but rural demand is picking up and our rural stockists are expanding and we are now reconnecting them, giving them a lot of below the line activations to go back in the market and get the distribution back. So, rural demand is going to pick up with the Agri season coming in the next few months.

Moderator: Thank you. Our next question comes from the line of Manoj Oberoi, an investor. Please go ahead.

Manoj Oberoi: My query is on the demand side as well as on the price hike quantum side has already been answered by you. I have got only one data keeping question left with me. I think you said that our market share has increased by 50 to 100 basis points for the year across the categories, do we have the data handy, if it is handy, can we have the market share numbers for the top?

Ravi Chawla: It is very difficult to estimate. The segments that we are in, we look at the demand, which we are potentially looking at with our competition. The data at a macro level we know the segments, but this is very difficult because there is no data available. There is some AC Nielsen, which comes. So, our estimate is the base figure remains what it is what we have and the overall market share is what we are talking about in the growth. Segment wise, yes, sometimes the data we calibrate based on whatever market intelligence we have, we have increased our market share by 0.5% to even little above 1% in certain segments. That is the overall estimation, but sharing the data will not help, because it keeps changing. We do have some tracks which come in, but those tracks are not very accurate.

Moderator: Thank you. Our next question comes from the line of Saurabh Doshi with Yes Securities Limited. Please go ahead.

Saurabh Doshi: I have two questions. Firstly, on the capacity, which is the total of around 150 million liters and I see we have done sales of about 135 million liters in FY22. So, do we foresee any need for investment in capacity in upcoming periods?

Manish Gangwal: Our capacity is based on two shift basis. If we run our plant on third shift basis, we can increase the capacity to some extent and that is why I mentioned that we will have to look, and we are doing incremental CAPEX of around Rs. 15 crores to 20 crores to make some of the filling lines, etc. Blending capacity, we have sufficient capacity. We can do much higher than what is currently being produced, but it is all about the auxiliary support systems in the plant in terms of filling, in terms of storage, etc., so that needs to be augmented and hence the incremental CAPEX. Blending capacity on third shift basis can be much higher.



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Saurabh Doshi: Secondly, on the current distribution network, in terms of distributor, retailers, etc., can you throw some light on that and also on the addition that we have done in the year within the distribution network?

Ravi Chawla: With the travel restrictions and the closure of markets, the distribution numbers obviously last 2 years, you have seen number of outlets also closing down. We have Bike Stops and Car Stops. You'll appreciate that the market is obviously, a lot of people have the shops in different cities, they live in different cities. So that has been the challenge. Our distribution, we have been saying 70,000 to 75,000 based on the numbers that we have totally across segments and our endeavor is to increase that by 10% to 15% and right now, we are rebooting, re-energizing it so that we can get the distribution back and then we have a targeted distribution plan, rural, urban and also segment wise. So, we would like to see a 10% to 15% growth going forward. Obviously, some of the distribution will be recouped now or got back into the fold because of the challenges last 2 years. So, we have a lot of programs from our loyalty programs to our coverage programs to giving our retail outlets like rural, a boost in terms of below the line activations, and about 45% to 50% of the business is like a consumer product business where distribution plays a key role. So, a lot of the work is going on in that direction. I am happy to share with you the last few months, we have put that in the pipeline to be able to get our distributors, our rural stockists to go out there and increase, I mentioned Bike Stop, Car Stop in my opening remarks. So, a lot of these programs are now going to go into full throttle and we hope the market doesn't close down for any reason, and that is going to help us gain our distribution across segments.

Saurabh Doshi: Can you get the number on the percentage that we have increased in this financial year?

Ravi Chawla: This financial year, I have told you the markets were closed. So, obviously, we are getting back our distribution this last financial year.

Moderator: Thank you. Our next question comes from the line of Chirag Fialoke with RatnaTraya Capital Partners. Please go ahead.

Chirag Fialoke: Just three questions. First is the bookkeeping one, can you give us the B2B and B2C split and the split of volume across the segment for this quarter?

Manish Gangwal: Our B2C and B2B was similar to December quarter at 55:45 and overall I would say the product mix has also been more or less similar. There is slight increase in the diesel engine oil and overall slight reduction in the others and industrials. So, our personal mobility continues to be in the range of around 18% to 20%, diesel engine oil is around 35% to 37% band, industrial is at around 16% to 18% band and others are at around 25% to 27% band. So, this is our band and usually the mix has remained in this band only.

Chirag Fialoke: And for the quarter, the battery sales?



- Manish Gangwal:** The battery sales for the quarter was around Rs. 18 crores. This figure, we had a challenge of supplies from import in terms of batteries. So, there was a sort of, I would say, 15% reduction in the battery sales overall, but as we found that this is going to be challenging, we mentioned in December quarter call that we have expedited our efforts to localize the production of batteries and the work has progressed significantly on that. We are quite hopeful that from the beginning of H2, sometime in October, we should be able to market our locally produced batteries or at least for some of the key SKU's.
- Chirag Fialoke:** My second question was just around margins broadly. Is there a guidance that you can provide that if say crude remains at \$100 per barrel, after we are done with the cycle of price increases, do you believe you can go back to the historical EBIDTA margins or are margins from hereon looking suppressed?
- Manish Gangwal:** As a percentage margin, when we say that March quarter we achieved 14% margin and if you take that realizations of last year March quarter, we are already at the band of around 16% in terms of our margin. It is just because the top line has gone up and we have been able to recover our per liter margin, the percentage looks lower, but overall we have been able to not only recoup in the margin band, which we have been guiding of 14% to 16%, in a good quarter may be 17%, we are already in that range and we try to manage that range except if there is a sudden sharp increase in base oil, which takes time to pass on. Overall, I think we are quite confident that we will be able to maintain this band of 14% to 16% on a higher revenue base.
- Chirag Fialoke:** Irrespective of oil, finally the band will be 14% to 16%, is that the correct understanding?
- Manish Gangwal:** Yes, because the industry and the Company has the ability to pass it on periodically if there is a significant increase. That is the way and OEM's, which is a good part of our business also are formula driven, so with every increase, there is a change in formula every quarter or six monthly. So, we are in a position to recoup it or maybe sometimes with a delay of 1 quarter, but overall we are ultimately in that band. That is one good part of this industry.
- Chirag Fialoke:** Last question, just on the volume guidance, so essentially when you say 2x to 3x of market, we understand broadly what that range is, but for a more short-term, say next 3 years or 2 years, is there a more concrete number that you can share with us that you are targeting?
- Ravi Chawla:** Client, which is the expert they talk about 2% to 3% growth of lubricant industry in a normal year. So, if you take that, obviously we have been saying that our mission is to at least get a double digit growth in volumes given that we play in many segments. We have mentioned the segments to you. So, our endeavor is to get a double-digit growth and if the market is growing 2% to 3%, that is the 3x growth.
- Chirag Fialoke:** So close to 10% odd is what you are aspiration is?



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- Ravi Chawla:** That is the internal target and of course, internal targets we try to do better in some segments where our market shares are relatively lower.
- Moderator:** Thank you. Our next question comes from the line of Amber Shukla, an investor. Please go ahead.
- Amber Shukla:** I have just a couple of questions. First, what would be the utilization level at the Chennai plant?
- Manish Gangwal:** We are currently at around 60% utilization in our Chennai plant.
- Amber Shukla:** You have already highlighted about the impact of electrification trend, as asked by one of the earlier participants, but just wanted to get more sense on this trend, how it is going to impact us, I know it is hard to quote some number, but directionally how are you seeing this across segments.
- Manish Gangwal:** The overall India market is very large in terms of vehicles and we are underpenetrated in terms of vehicle per capita. With the growth in the economy, the vehicle population, we are going to continue to witness a robust growth that is what the automobile sector is talking about. Within that, there will be some segments, which have seen some more adaptation of EV, for example, buses, etc. will definitely be going towards electrification, three-wheelers are going towards electrification and to some extent, some portion of the scooters are going to be converting partly to electric, but overall the number is going to be very-very low as compared to the total market of vehicles. Our estimation is that currently last 2 years, actually two-wheeler sales have been slightly subdued. India sales roughly 20 million two-wheelers every year, new vehicles. Out of this, last 2 years have been slightly lower, but the overall impact of EV conversion will be even lower and within that, only 30% scooter. So we have to see that the two-wheeler segment is also not going to be impacted more than 10%, 15%, 20% over the next 5, 6, 10 years that is our estimate and impact of conversion of buses, etc. is not going to be much on lubricant side on our Company because that consumption was not our target segment, the buses and the three-wheelers in particular. So, overall we continue to believe that the lubricant demand is going to be very robust and growing till at least 2035-2040 and the overall market of lubricants will be much higher than what we see today.
- Moderator:** Thank you. Our next question comes from the line of Aditya Shetty with Finserv Consultants. Please go ahead.
- Aditya Shetty:** My question is with regard to the sales promotion spend. What would be the approximate amount that you would have spent in terms of sales promotion?
- Manish Gangwal:** You are talking about advertisement and promotion, right? That usually is now in the range of around 4%. It used to be roughly 6% but because of the market closures etc., we had cut it down to around 4% and as we speak, as Ravi mentioned the markets are now opening up and there are



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lot of activations, BTL activities have been started, this will be again going to 4% to 5% range and will continue to be in that range.

Moderator: Thank you. The next question comes from the line of Pradeep Vaswani with Karva Capital. Please go ahead.

Pradeep Vaswani: Just a follow-up on the Bike Stop, Car Stop business. Are you serious on the Car Stop Bike Stop business model? Are these like stores that are changing oil, are these co-owned by you or are you branding it, how many shops are there and what's your ambition for the future?

Ravi Chawla: So, we have about 8,000 of these. Obviously, some of them have gone through last 2 years, some of them have closed down, but these are just branded by us and we do have an arrangement with them where we provide them certain support services and they would sell our product from their outlets. Most of them would be selling our product exclusively and we basically are developing these points because they are able to provide oil change and other services to both the car segment and the bike segment and our focus is, as mentioned in the beginning of the call, we are relaunching the programs to energize this segment to grow more and we continue to increase these touch points which we call Gulf Bike Stops and Car Stops. So, that is a continued strategy for us and there is a lot of scope for this because as we look at independent workshops that's an important segment and we continue to grow in this segment and focus on it.

Pradeep Vaswani: Is there ambition to actually run and own these shops?

Ravi Chawla: No, we provide a lot of services and of course we are having some of the premium outlets where we would provide more support, but owning them it's all about real estate there. So, more for us it is a tie up, which enables us to do a long-term strategy with these outlets, both branding and support and obviously promoting products and services together to the end-customer.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, this was the last question. I would now like to hand over the conference to our Management for closing comments.

Ravi Chawla: Thank you. I would like to say that looking at the year ahead and the quarter ahead, we have got obviously the lube industry growth, which should be positive, the OEM's, infrastructure, B2B and the GDP and as you see mobility going up and vehicles out there in all segments, whether it is Agri, car, tractors, scooters, even three-wheelers. So, we are seeing that there is going to be definitely a different scenario where the industry will grow positively and this really helps us because we're going to focus on profitable volume growth. We are rebooting a lot of our initiatives where we are re-establishing connect with all parts, whether it's our distributor or it's the sales person on the ground, the retail outlets, the mechanics, which drive our primary, secondary and tertiary sales. So, a lot more is going to be focusing on that, which is already underway. B2B we are obviously looking at growth because in that segment, we do have lower market share. So, a lot of initiatives are out there and as we see normalcy coming and definitely



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free movement of goods and people, we will be focusing a lot more on improved customer satisfaction, creating more value, bringing in digitization, customer connect, enhanced supply chain capabilities, definitely to increase the width and depth of our product availability, as our brand is strong and this is really going to be our endeavor and we have mentioned that for Gulf, the segment-wise approach, continue to invest in the brand and leveraging all our assets and our people. So that's really going to be how we can look at continuing our growth journey and market share increase. I would like to end on that and thank everybody and we hope we have been able to answer your questions to the best of our ability and look forward to all of you joining our next call and thank you for your support. Thank you.

Moderator:

Thank you. On behalf of Yes Securities Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.