



# Gulf Oil Lubricants India Limited

August 08, 2022

**BSE Limited**  
**Scrip Code: 538567**

*Through: BSE Listing Center*

**National Stock Exchange of India Ltd**  
**Scrip symbol: GULFOILLUB**

*Through: NEAPS / Digital Exchange*

Dear Sirs,

**Sub: Transcript of Q1 FY 2023 Earnings Conference Call**

**Ref: Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").**

We enclose herewith the transcript of the Q1 FY 2023 Earnings Conference Call conducted on Thursday, August 04, 2022 at 4:00 p.m. IST.

This information will also be hosted on the Company's website, at [www.gulfoilindia.com](http://www.gulfoilindia.com).

This is for your information & record.

Yours faithfully,

**For Gulf Oil Lubricants India Limited**

**Shweta Gupta**  
**Company Secretary and Compliance Officer**

*Encl.: as above*

**Gulf Oil Lubricants India Limited**

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HINDUJA GROUP



**“Gulf Oil Lubricants India Limited Q1 FY23 Earnings  
Conference Call”**

**August 04, 2022**



**MANAGEMENT: MR. RAVI CHAWLA – MD & CEO, GULF OIL  
LUBRICANTS INDIA LIMITED  
MR. MANISH KUMAR GANGWAL – CFO, GULF OIL  
LUBRICANTS INDIA LIMITED**

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



*Gulf Oil Lubricants India Limited  
August 04, 2022*

**Moderator:** Ladies and gentlemen, Good day and welcome to the Gulf Oil Lubricants India Limited Q1 FY23 Earnings Conference Call hosted by YES Securities.

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 '\*' and 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. Thank you and over to you, Sir.

**Nitin Tiwari:** Thank you Vikram. Good day, ladies and gentlemen. On behalf of YES Securities, I welcome everyone to Gulf Oil Lubricants India Limited first quarter FY23 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 Kumar 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:** Thank you Nitin. Good evening and good day ladies and gentlemen. Welcome to the Quarter 1 call for Gulf Oil Lubricants India Limited. It gives me great pleasure and happiness to share with you that we have got off to a very good start in the Quarter 1 for FY23. We will recall that Quarter 4 which is usually a very high quarter last year was a record quarter for us and what we have seen in Quarter 1 is the all-time record in terms of volumes for us, in terms of our core lubes at 34,000 KL. The entire team here is quite satisfied with what we have done in this quarter of course we look at the challenges ahead, but it has been really a resilient growth-oriented performance by the company.

There were lot of inflationary pressures on all cost line items, many challenges around us, but having achieved the highest ever quarterly volumes for coal lubricants really gives us a good start to the year and we can look at how we can continue to grow our industry leading market share growth and other objectives for the year ahead. We have gained share in all categories and if we look at Quarter 1 we have seen robust growth in our B2B, B2C business and what is really gratifying is that our B2C business has actually grown very well and has improved the ratios going in the last quarter which was normally we used to have a 45 ratio this has gone to 60-40 and this was our objective to increase our distribution to increase our B2C sales so that is very gratifying.

Of course, industrial B2B, OEM continue to grow very well and the ratios have improved also which has helped us. Challenges of the cost has obviously impacted, but we have handled it very well and I think we have really looked at how we managed our key input cost there is the obviously staggered price increases, good price increased is announced and margin management has been a key focus Manish will talk about that later. What we also mentioned in the last quarter you will remember is how do we reconnect; how do we reenergize growth. We had a lot of regional meets at all levels with our trade, with our teams and now that the markets are fully



*Gulf Oil Lubricants India Limited  
August 04, 2022*

opened and operating near normal post two years of pandemic and our theme which was to reestablish, connect and reenergize growth has really got us back to distribution in many ways and this is really encouraging for us. The numbers are all there our Quarter 1 revenues crossed 700 crores for the first time highest ever so that has been a really good quarter for us.

Our marketing and sales initiatives both above the line, below the line have reignited now as COVID has eased out and helped us to really gain our distribution and personal connect at all levels. Definitely last year quarter if we take the year-on-year comparative that was impacted by COVID so some of the numbers you will see have excellent growth, but still it is an achievement and I think the industry leading again where we have seen significant growth in terms of our numbers. Over last year quarter EBITDA is up double and PBT is up 80% plus similarly PAT so really good numbers, lot of challenges as we go ahead, but the start has been very promising and of course we will explain a few other things as we take the questions. Now I hand over to Manish to cover some of the other highlights. Manish, over to you.

**Manish Kumar Gangwal:** Thanks Ravi. So, overall, as Ravi mentioned it was a fantastic quarter sourcing of 700 crores of top line and the core lubricant volume which came at 34,000 KL you will recall that we have been doing it category called AdBlue also which was not the high numbers in early of quarters. So, now from this quarter onwards we have seen a definite significant pickup in the AdBlue volumes as well. The AdBlue basically over and above this 34,000 KL. So, what we are talking here 34,000 KL is the core lubricant volumes for the quarter which is the highest ever lubricant volume for us so that is quite heartening and from the gross margin perspective you will see that in spite of significant cost pressure crude going up and base oil going up, additive cost going up and also the rupee depreciation which caused imported products to be costlier. We have been actually able to not only maintain our gross margins slightly improve from Quarter 4.

So, sequential improvement in the gross margins and overall of course we have delivered almost double the EBITDA from last year YoY basis, but because of certain challenges on the I would say inflationary pressures from the other expenses like freight going up and also AdBlue volumes an increase of freight amount plus we have spent more on A&P we have spent, Ravi mentioned we have started reconnecting people and tribal has gone up. So, all those factors including the OEM royalties because OEMs also did almost all time high number in this quarter. So, OEM royalties have also gone up.

So, overall, I would say the gross margins well maintained and pricing action taken. Of course slight dip in EBITDA percentage is because of the other expenses because of the factors I mentioned just now. Overall, I think this quarter in the month of April we paid the buyback amount also. So, the buyback which was declared earlier the buyback amount was paid to all the shareholders in the month of April and we close the buyback on 25th of April. So, these are I would say the quarter highlights and we would now like to now take the Q&A. Thank you.



*Gulf Oil Lubricants India Limited  
August 04, 2022*

- Moderator:** Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. We have our first question from the line of Hemal he is an investor. Please go ahead.
- Hemal:** Just some basic ones working capital so this time how much are we going in line with our last guidance that we are going to go towards reduce our networking capital, what was the net working capital this time?
- Ravi Chawla:** So, yes we have been able to slightly improve from March levels in terms of number of days on both receivables and inventory, but as we speak the revenues are going up and this quarter also as you see even from March quarter there is a 10% increase in revenue. So, revenues are going up so working capital will be in line with the revenue going up because of the price increase is taken, the value of the products have gone up, but overall, yes we have been able to reduce the number of days in terms of all working capital items.
- Hemal:** Sir how much would it be like would be less than 115 or 110?
- Ravi Chawla:** Sorry in terms of number of days you are saying.
- Hemal:** Yes.
- Ravi Chawla:** So, overall number of days I think around 110 now we are.
- Hemal:** And is it still guidance go back close to 100 days?
- Ravi Chawla:** We will continuously work on working capital. The point is that the inflationary trend is not in our hand and if the revenue is because of the volume plus the price increases then in proportion the working capital quantum goes up, but I think we are almost at the peak of the working capital at March and this year we should see the working capital further going down from March levels what we had done last year because last year I think we have fully funded the working capital 31st March. So, every quarter we will see improvement on this.
- Hemal:** So and what would be our net cash position as at the end of the quarter?
- Ravi Chawla:** As I mentioned we have paid out 100 crore of buyback in the month of April, but we continue to maintain roughly net cash of around 180 crore to 200 crores.
- Hemal:** And finally from my side as you actually said rightfully source of the base oil price would you have an average number or how much it is increased quarter-on-quarter and where do you see it going in the next one or two quarters?
- Ravi Chawla:** You see in every call we highlight that there are various grades of base oil. So, it is very difficult to give a range where because different grades of group 1, group 2, group 3 base oil have



*Gulf Oil Lubricants India Limited  
August 04, 2022*

different price levels. In line with crude the base oil have gone up during the quarter and if you see our price increases we have taken price increases in April, March end and April and again we have announced one more price to us at the end of June which will be coming in effect in the current quarter. So, yes base oil has gone up and I would say additive cost, other inputs have continued to go up, but we have been able to not only manage the margins, but rather slightly optimize it and that is also because of the good mix, we have a very good sale of B2C. So, all these factors have contributed in maintaining the lead. I would say now crude has come up from the peak of 120, 125 vectors in the month of May. So, the translation to base oil and other cost happens with the lag time of one to two months. So, the translation to base oil and other cost happens with the lag time of one to two months. So, we will have to really wait and watch on all the variables including the rupee INR versus USD because India imports a lot of base oil. So, we have to really see both and then we will take our margin calls.

**Moderator:** Thank you. We have next question from the line of Sabri Hazarika with Emkay Global Financial Services. Please go ahead.

**Sabri Hazarika:** Firstly I just wanted to know you have like you have mentioned that your volume was around 34 million liters and this is excluding AdBlue so like-to-like probably it is not I mean from what you have been reporting in the past I think this is slightly different, for example, last quarter you have reported around 37 million, 38 million that kind of a run rate, so against that what would be the like-to-like comparison in terms of volumes and if you could break it up between core volumes and AdBlue volumes in total?

**Ravi Chawla:** In the last quarter we had close to 33,000 KL of lubricant volumes and 4,500 KL of AdBlue, but this quarter since the AdBlue volumes went up to 14,000 KL in a single quarter which was perhaps the figure more than last full year. So, we thought it is prudent to disclose those numbers separately. So, 34,000 KL for the current quarter is the pure lube numbers and 14,000 AdBlue on top of it.

**Sabri Hazarika:** So, it is like almost 48,000 KL?

**Ravi Chawla:** Yes and also then that means that we have not only grown 36% close to 36% on core lubricant over last year Q1 sequentially we have grown our volume over March quarter by 3% which as you know and everybody on this call will remember that March is usually a very high quarter for us because lot of distributors, incentive etcetera are linked for the March end full year figure, but this quarter has surpassed even the March number so in terms of core lubricant so it has been an all-time high excellent quarter for us in terms of coal lubricants.

**Sabri Hazarika:** And what about AdBlue what is the reason behind this big jump?



*Gulf Oil Lubricants India Limited  
August 04,2022*

**Ravi Chawla:** Let me explain to you AdBlue is a complementary product which is growing into BSVI vehicles this basically treats the emissions. It is an AdBlue solutions which is spread and it is separate chamber it is put in and used as the NOx value of the emissions. So, this has started we are one of the pioneers. One of the first two companies in India to manufacture it here, we have a license from Germany we control the quality a lot. So, we have been working with OEMs right from the last 8 years on this. Now finally BSVI coming and BSIV some vehicles did change to this and BSVI all it is compulsory you have to have both the technology which is called EGR plus SCR. So, this is basically a treatment fluid which goes in, it is a separate chamber, it is roughly 3% to 4% of the petrol consumption does not get mixed with petrol. So, this is an add on complementary product which all commercial vehicles, diesel engines are using. We have a tie up with 10 and we want to focus on the quality part of it, we do not want to get into market, the market is huge, but we are focusing to our distribution touch points and OEMs. So, it is a complementary product for our consumers, for our trade partners, for everybody. So, it is an add margin I would say single digit margin, but it is doing well and we are also seeing that the current pricing is good and we want to focus on the high quality segment. We will not be going for a huge volume in this, but we will be also ensuring we can service all our customer efficiently. Just to let you know we have a tie up with 10 OEMs right now on this, both commercial vehicle, all diesel engine and cars and SUVs.

**Sabri Hazarika:** Sir just last question as a follow up to this so definitely the base changes drastically for the company we had to do a forecast using these numbers, so whatever the Q1 numbers should be probably is the realignment in terms of the EBITDA per liter as well as the volume of lube, so would you suggest that we should go ahead with it is there any risk of life again going back to a normalized kind of a run rate?

**Ravi Chawla:** I think you should focus on the coal lube which is 34,000 that we have given you a track versus last quarter so that should be focus now.

**Sabri Hazarika:** Q1 FY22 what would be the coal lube?

**Ravi Chawla:** 25,000 KL. So, I think the total volume was 27,500 and AdBlue was 2,500 so 25,000 KL was the coal lube.

**Sabri Hazarika:** And for the full year FY22 just last question for the full year FY22 how much you tell me?

**Ravi Chawla:** It was roughly around 12,000.

**Sabri Hazarika:** 12,000 was the AdBlue volumes?

**Ravi Chawla:** I will get back to you in a second on that.



*Gulf Oil Lubricants India Limited  
August 04, 2022*

**Moderator:** Thank you. We have a next question from the line of Aadesh Varma an Investor. Please go ahead.

**Aadesh Varma:** My first question is sir if you could just give us an idea what were the utilization level for the Silvassa and the Chennai plant?

**Ravi Chawla:** For the quarter we were close to 90% utilization in terms of both the plants on an average I mean Silvassa was almost running capacity whereas Chennai was at around 70%. So, almost 90% close to that in terms of utilization.

**Aadesh Varma:** Along with this if you could just give us an idea on what is the outlook for growth in CNG volumes for the rest of FY23 given that we have been listening a lot of about a rural slowdown market and generally it slows down due to inflation, so just give us an idea of what is the outlook for growth?

**Ravi Chawla:** The slowdown we are seeing is only in the motorcycle category actually we have seen a good pickup in commercial vehicles, industrial sales are doing very well. We are seeing our PCM also is growing well obviously we have different segments. So, if you look at the overall industry our sort of forecast is normally GDP is growing it grows half of that and of course there are other factors which the long run lubricants and all are there, there is a growth in automobile population of new vehicles, old vehicles, servicing, rural grows penetration. So, if you take all these factors it is expected the industry will grow at least 3% to 4% if markets are open there is no COVID closure and normally we target 2x to 3x minimum in terms of volume growth. So, our outlook is to obviously maintain our growth and as you see we have been having good growth even this quarter is a good demonstration of that in terms of the growth and with all our segments where we are focusing on we would continue this growth fast. There will be obviously some pressure on the cost in Quarter 2 we are expecting and Quarter 3 in fact we are also looking that we should be able to if things remained steady on the base oil and things are open and growing even our margins we hope we can look at better margins from Quarter 3, but obviously we would try even Quarter 2 to see how we can maximize. There is some pressure because pricing has gone up very high in the market for many categories like motorcycle you see that there is obviously some pressure, but we are increasing our distribution we will be able to offset that with better distribution. B2B continues to grow very well. As you know industries are growing very well and lubricants are consumed right across all industries. Some slowdown happened in steel sector maybe last few months, but other sectors we are also improving our customer base.

**Moderator:** Thank you. We have next question from the line of Bhagyesh Kagalkar with HDFC Mutual Fund. Please go ahead.

**Bhagyesh Kagalkar:** In your previous statement you mentioned it is a small segment that you have collaborated with machine company for the tactical requirement this must be a part of B2B, but on B2B can you





*Gulf Oil Lubricants India Limited  
August 04,2022*

throw more light because this segment is not prone to disruption unlike the automotives also volumes, your expectation of volume for next three, four years etcetera?

**Ravi Chawla:**

So you see for us there is a B2B industrial portfolio we sell through distributors and we also sell directly to customers. So, if you take that obviously our margin share is not high, but we are seeing excellent traction in these segments and we have a very dedicated team and our focus is to grow both the distributor market with supplies to small and medium industries right across the sectors and we also have direct sales to steel plants, to plastic industry, to textile industry, wind. So, all the other segments is where our focus is and if you take our overall market share if it is about 7%, 8% in our shares in industrial is half of that 3% to 4% and that is where we are focusing. In terms of mix of our B2B we have been giving 60-40 is there, but of course our B2B also takes OEMs. So, industrial it is more it is part of B2B. So, this is the way we look at industries per se and our B2B of course root to market more with OEMs, a good part of that is industrial and that is growing including our B2B will include the infrastructure customers. So, roughly about 15% to 16%, 17% will be pure industrial sales to manufacturing units.

**Moderator:**

Thank you. We have next question from the line of Chirag Fialoke with RatnaTraya Capital. Please go ahead.

**Chirag Fialoke:**

The first thing is that can you please share the breakup of the four segments that you usually do DEO vs mobility industry ?

**Ravi Chawla:**

As we have highlighted in the press release also diesel engine oil has done very good last quarter and their share has gone up to 41% from 37%, 38%. Personal mobility also has done very well and actually it was in the range of around 18, 20 last few quarters, but this quarter it is 21% and industrial is at around 14%, 15% and others is at around 23%, 24% so that is the breakup. Overall, I think led by diesel engine oil and personal mobility B2C ratio has gone up as we highlighted earlier to 60-40 so that is the good improvement I would say and good performance.

**Chirag Fialoke:**

Just the question diesel engine oil would include the AdBlue revenues also?

**Ravi Chawla:**

These numbers I am talking are all excluding the AdBlue this is out of the lubricant proportion on top we have that 14,000 KL of AdBlue which we are now saying that it is a separate category. So, this is the mix of the lubricant I am talking about. AdBlue is separate for us lubricant is the coal lubricant. So, whenever you refer to that AdBlue would be a separate liquid and for the last year I think Sabri earlier asked about the full year figure. The last year full year volume of AdBlue was 16,000 KL.

**Chirag Fialoke:**

Just one question on the other manufacturing expenses out of the new employee expenses that seemed to have gone up around 30 Cr this quarter, could you help us understand what are the things that led to that increase and are we still running two shifts in most of our plants or any



*Gulf Oil Lubricants India Limited  
August 04, 2022*

plants shifted to more than that, can you just throw a little bit more light on this out of broad structure?

**Ravi Chawla:** For few days we had to run our plants on three shifts, but it is not all working days just to keep balancing the demand versus production, but overall largely I would say still operating on two shifts basis and hence we have spare capacity to take care of the growth which we are projecting. Your another question was slightly we could not hear it properly can you repeat that.

**Chirag Fialoke:** I was asking about the other manufacturing expenses on a quarter-on-quarter basis is gone up by around 50 odd crores, in the opening remarks you have mentioned a few drivers would you quantify that and help us understand the bridge how much was A&P last quarter, how much is A&P this quarter and so on and so forth?

**Ravi Chawla:** So, we usually do not give the breakup, but the key components as I mentioned have been higher A&P, higher travel and of course freight because 14,000 KL of AdBlue also you need to transport it so higher freight as well as the OEM royalties which have gone up. So, it is a combination of all the four I would say largely.

**Chirag Fialoke:** What are exactly royalties pay to the OEMs for the first full?

**Ravi Chawla:** No, so these are royalties paid to the OEMs for the sale of products in the franchise workshop, in the aftermarket in some cases. So, we have different combination of arrangement with OEMs and on some of those products we need to pay royalties to them.

**Chirag Fialoke:** That number has gone up because that volume has gone up?

**Ravi Chawla:** Yes and we are also adding OEM so it goes up both ways.

**Moderator:** Thank you. We have next question from the line of Ambar Shukla an Investor. Please go ahead.

**Ambar Shukla:** I have couple of questions first of all I just want to know how is our procurement of base oil divided between imports and exports currently and what are the advantages or disadvantages maybe if we procure it domestically?

**Ravi Chawla:** First of all India does not produce full requirement of base oil. So, there is a lot of imports happens and almost every player should be dependent on imports for the purpose of fulfilling its requirements. So, it is not about a choice also the national oil companies have their own lubricants brands. So, they consume their own production of base oil first for the **(Inaudible)** 27:45 and then surplus is sold out in the market. So, the market dynamics is like that. We have been importing close to 70% of our base oil as imported. We have some contract with some of the overseas refiners and that has been quite helpful for us in terms of these volatile times.



*Gulf Oil Lubricants India Limited  
August 04, 2022*

Overall, I would say we buy local it depends on the availability. So, it is mix of both import and local depending on the availability.

**Management:** Just to add here Ambar the base oil that we are using they also add to the consistent quality and the product approvals and the consistency of the base oil is also important. So, these are also elements where we develop sources of base oil which stands for example we are pioneering the long drain oils, we have been using the best base oil there the group 2, group 3. So, just to highlight one more thing is that not only do we tie up with them commercially. It is also the quality and the approvals which are based on the base oil specifications from various refineries.

**Ambar Shukla:** And sir do we have domestic supply of all grades of base oil available?

**Ravi Chawla:** Not all grades we have few grades, but some grades are only available in the imports.

**Ambar Shukla:** And what was our pricing response to the increase in base oil and in which grade of product basically?

**Ravi Chawla:** Sorry this question is not clear you are asking of which grades of base oil have seen the price increase?

**Ambar Shukla:** Yes and then what was our pricing response to that?

**Ravi Chawla:** You know various grades of base oil will increase based on demand supply situation sometimes the group 1 prices are increased slightly more than group 2 depending on where the demand is coming from. If the demand is coming from Asian or African countries the group 1 demand will be more because that is where the large consumption is and if the demand is from Europe and US side then the group 2 prices and group 3 prices will go up. So, it depends on demand and supply also the crude always has a role to play. So, it is very difficult to say which one has gone up overall this is the trend depending on demand and supply and the grades of base oil, but the differences are not typically very high if x base oil goes up \$100 the other would go up in a similar range.

**Moderator:** Thank you. We have next question from the line of Hemal an Investor. Please go ahead.

**Hemal:** So, what is the battery revenue for the quarter?

**Ravi Chawla:** It is around Rs. 20 crore. We have as mentioned in the last call we are working out on solutions to localize the production and we are in advanced stages hopefully from Quarter 3 onwards we will be able to source some of those from India itself and that will help us penetrate the market more.



*Gulf Oil Lubricants India Limited  
August 04, 2022*

**Hemal:** So, you do have a number for this year like is there like last couple of quarters we have been speaking on this, but I know due to COVID we had some restrictions, but do you have goal as to in the next two, three years where to reach in this battery business?

**Ravi Chawla:** So, we want to aggressively grow this category that is what we can say as of now without giving any guidance on the numbers we would say that the focus is to aggressively grow the battery segment for us.

**Hemal:** And sir are you giving because you are now giving AdBlue volumes separately, what percentage of the revenue would it be contributing?

**Management:** You see again as I mentioned as Ravi mentioned in this remarks that it is low margin high volume product. So, the realization also are much lower than the all lubricant side of it, but we would like to not quantify the revenue part of it, but overall we can say that this is a very low margin and low realization in the product as compared to the lubricants.

**Hemal:** So, should we consider like for the year this year like 10% of the revenue I mean not asking for exact, but just less than 10% somewhere as a revenue number for the whole year/

**Management:** Yes I think so that is roughly the estimate.

**Ravi Chawla:** Let me tell you Hemal this is a complimentary offering when we offer a commercial vehicle diesel engine oil we have to offer this for a customer even the OEM. So, this will very we are going to focus on the high-quality market, but overall AdBlue is a single digit margin product and of course it all depends on the supply chain. We are making this in both our plants, but we also have satellite plants which are under our quality supervision. So, some of these are available because it is also logistic on supplies of AdBlue. So, we will play it by what happens. So, currently we are seeing the quarter which just went by we saw good increase in our OEMs also are asking us for these products because quality is very important. There are other products which do not give the quality standard and this is something which is useful both for the environment and required for the BSVI in terms of the performance and the emission levels. So, we will have to play it by the year, but yes if the trend is good we will continue hopefully getting a single digit margin on this and also the pricing is also. It would form roughly what Manish mentioned every quarter like it has in the last quarter.

**Moderator:** Thank you. We have next question from the line of Jimesh Sanghvi from Khoj Advisory. Please go ahead.

**Jimesh Sanghvi:** Sir can you share the percentage of advertising percent led to the sales revenue?

**Manish Gangwal:** This quarter it was around 3.5%.



*Gulf Oil Lubricants India Limited  
August 04, 2022*

- Jimesh Sanghvi:** And sir your employee cost has seen a sharp increase, so what was that relating were there any bonus payout or anything that were there during this quarter?
- Manish Gangwal:** We follow usually the April to March cycle in terms of performance and rewards. So, you will see that usually there is an increase based on this is the starting of the first quarter so you will see that increase that is I would say increases from roughly 4.5% and we are more or less in the same band 4.6% because also because the top line has gone up as a percentage the impact is not much.
- Jimesh Sanghvi:** We look at it as an absolute number or should we look at it as a percentage or revenue because how should one look at it?
- Manish Gangwal:** I think the absolute number will give you a better indication for this quarter we will give you an overall trajectory for the year.
- Jimesh Sanghvi:** So, on an average can we expect that somewhere around 30 odd crores to be the average run rate for the employee cost?
- Manish Gangwal:** This quarter it is around 32.5 crore.
- Jimesh Sanghvi:** So, going forward like normalized scenario?
- Manish Gangwal:** That should be the average.
- Jimesh Sanghvi:** And sir the other income has also interest expenses also seen a sharp spike, so was there any forex related loss or anything or MTM losses which were included I there?
- Manish Gangwal:** So, as you know rupee depreciated quite sharply during the quarter and the reason why our EBITDA has grown strongly, but there is some impact on the PBT and PAT is also because of the FOREX which is part of the interest cost for us finance cost close to Rs. 8 crore on account of FOREX volatility although we cover more than 50% of our positions are always hedged, but on the open exposure there is a mark-to-market a large part of it is unrealized as of 30th June and if rupee tends to appreciate we can reverse part of it, but overall I would say yes the increase in finance cost is because of the FOREX.
- Moderator:** Thank you. We have next question from the line of Babita Chetwani an Investor. Please go ahead.
- Babita Chetwani:** So, just wanted again on the AdBlue thing and I know that this quarter results between 700 crores of turnover it does not include AdBlue, but I guess even though it was a small volume in



*Gulf Oil Lubricants India Limited  
August 04, 2022*

Q2 21 and Q1 22 the turnover included that part, so what was the turnover amount which was included which we have to see it on a comparative basis for total 21 and 22 for the AdBlue?

**Manish Gangwal:** You see as I mentioned in one of the earlier question somebody asked because this is a figure which we will not like to always comment on, but as a combined figure I would say you can take roughly 8% to 9% of the topline as AdBlue.

**Babita Chetwani:** For both the quarters?

**Manish Gangwal:** This figure is not be consistently follow it is an add on product for us. We basically define our growth with lubricants.

**Babita Chetwani:** Yes, but since it is included in the last quarter we just wanted to understand?

**Manish Gangwal:** We just wanted to clarify because there has been a growth in this quarter.

**Babita Chetwani:** And the second part around I guess you had already said that, but I guess I missed in the Q1 22 where the volume was total 38 around 5 ml to 6 ml was AdBlue right?

**Manish Gangwal:** Sorry come again your line is again not clear.

**Babita Chetwani:** In the Q1 total volume of 38 around 5 to 6 ml was AdBlue and rest all is coal lubricants is that right?

**Manish Gangwal:** Yes, you are talking from calendar year perspective I think you are following lot of MNCs. Basically, it was 37,500 KL full volume and out of 4,500 was AdBlue, 33,000 KL was coal lubricants.

**Moderator:** Thank you We have next question from the line of Hemal an Investor. Please go ahead.

**Hemal:** One last question was on the recharging that the company we had invested, any indication I remember like we had spoken in around a year back by 2021 or 2022 we would have some plans for the EV side as to how do we integrate amongst our distribution point and where are we going to go in the next three, five years, do we have any line of sight or any testing or any outcome of the testing in that area can you share with us?

**Ravi Chawla:** We have shared that we are testing it this is the evolving space. Once we are clear about the product success, we will make the next move. So, the status remains the same Hemal.

**Hemal:** Any timeline for that like in October, December, January?



*Gulf Oil Lubricants India Limited  
August 04, 2022*

**Ravi Chawla:** We have to talk to a lot of people this is a very developing area. So, once we talk to OEMs and others then we are clear we can make a move once that comes right now it is not the time we have not had anything.

**Hemal:** And then EV fluids are you seeing any pick up any OEM tie up that you may have more recent in this quarter?

**Ravi Chawla:** You must have read this under this. It is a very small stage, but we have the range and we are approaching many of the OEMs.

**Moderator:** Thank you. We have next question from the line of Chirag Fialoke from RatnaTraya Capital. Please go ahead.

**Chirag Fialoke:** Just one clarification can you give us a little bit of a guidance on the EBITDA margin or EBITDA per liter however you look at some of profitability of the business, do you think this is where we are now given the AdBlue contribution expected to continue probably, is it a new normal for us or are we hopeful to revert back to the older margins?

**Manish Gangwal:** See ideally we would like to definitely go up from the levels we have because of course AdBlue is one factor, but if you see in spite of such a high AdBlue our gross margins have been quite intact and I would say rather improved from March quarter. So, it is all about adding up some of the parts AdBlue is as an additional line of I would say business is helpful too, but overall from the lubricant side there have been significant cost pressures. We have been able to successfully manage and pass on large part of it to our customer consumers. If there is a tailwind or help from the rupee side from crude side and we get an upside obviously there is an uptake. We have taken another price increase in this quarter end towards the quarter end which will also be realized in the current quarter. So, the effect of all this we are expecting an update from Q3 because everybody carries inventory of raw materials at least for one to two months. So, we expect everything else remaining the same there should be some improvement from Q3 onwards on the EBITDA margin or I would say gross margin side.

**Chirag Fialoke:** we talked about these things on the calls anytime and even our large competitors talk about it, but from the perspective of EV is coming in and new sales of IC is going down, is my understanding correct that the stock of vehicles which is estimated I think close to 300 million please correct me if I am wrong that is where 95% of our sales lies the stock of vehicles as opposed to the new vehicles have come on road, can you just throw little bit more light on this and a few more numbers I know you always talked about market growing?

**Manish Gangwal:** Numbers are same 95% of our lubricants is for replacement and 5% is only the factory.

**Chirag Fialoke:** And 95% would then refer to the stock of vehicles which are already on road.



*Gulf Oil Lubricants India Limited  
August 04, 2022*

- Manish Gangwal:** Absolutely right stock of vehicles, the equipment, all the machineries, all those are currently using. So, basically you see there is a vehicle park which is there and there is addition to the vehicle park everyday as OEM keep selling the IC based vehicle which we have studied and we foresee that for the next 10 to 15 years there is a growth which is going to continue in the lubricant side in terms of lubricant consumption because of new vehicles being sold and the vehicle park on the road and also we have to remember that India is an underpenetrated country in terms of vehicles per capita. So, while the increasing demand some of the factors will have some share of EV I think a large part of the vehicles are going to continue to be on the IC side.
- Moderator:** Thank you. We have next question from the line of Jimesh Sanghvi from Khoj Advisory. Please go ahead.
- Jimesh Sanghvi:** Couple of other things how should one look at the AdBlue volume going ahead should we continue to see this kind of a growth or volumes number going ahead as well?
- Ravi Chawla:** No Jimesh we have explained this that currently this quarter went up that is why we explain. So, we will give you a tracker for AdBlue. We will tell you about that and this is about 12,000, 14,000 we are getting per quarter. So, it should be this level going forward. So, we will report is separately.
- Jimesh Sanghvi:** But you do not expect it to further jump up from here on?
- Ravi Chawla:** No, it can jump if we find that it is decently profitable for us we have the right distribution we do not want to hear into price products. This is just a complimentary product which we are supplying. We could even supply more, but we want to restrict ourselves to do a certain band of business in this of course some of it we have to do because commercial vehicles, customers, OEMs would demand this as this grows as a package. The product that goes with the OEMs please remember it is a very high-quality product whether it is Lubricant or its AdBlue and they would prefer to have because sometimes even in lubricants and in AdBlue they are curious. So, we want to ensure that we give the right product with our customers for what they supply to their new vehicles and of course the older vehicles as the BSVI vehicles get older they would also continue consuming this AdBlue from various touch points even petrol station.
- Jimesh Sanghvi:** Do we need to have an additional capacity or something for this or this gets kind of?
- Ravi Chawla:** No we have, but as I told you there are satellite plants which we control in terms of QC. So, we have expanded there and we will take a call if it is going to be sensible thing to do.
- Jimesh Sanghvi:** Sir secondly can you share the margins that one could look at in the battery segment probably which we are planning to grow?





*Gulf Oil Lubricants India Limited  
August 04, 2022*

**Ravi Chawla:** Typically the battery segment margins we have seen in the aftermarket because we are not into supplying batteries to the OEMs. So, the margins are going to be in the similar range as lubricants as coal lubricants and we are focused on two wheeler battery as of now that is why we have chosen we have a strong brand Gulf Pride the same brand and we have 12,500 touch points as we grow these now with the local supplies which we get. So, we are looking at a similar margin to what our lubricant mix.

**Moderator:** Thank you. We have next question from the line of Nemish Shah with Emkay Investment Managers. Please go ahead.

**Nemish Shah:** I had just one question I just wanted to understand what is the price hike that we have taken in the coal lubricant segment or both QoQ and YoY?

**Ravi Chawla:** You know we have taken one price increase as we mentioned in the last call 3% to 4% in our retail segment and then there is another price increase which has been taken towards the end of the quarter June end which is also to the tune of 3%, 4%. Of course in the B2B segment it is a bit of negotiation with the customers that keeps happening every quarter and OEMs are formula based. So, there is a formula every quarter or with some OEMs 6 monthly where with the global base oil indices the price increase or decrease happens. So, this is the way we take our pricing calls. So, from the retail side I would say both price increases for the quarter one is March, April and another in June would be combined to the tune of around 7% to 8%.

**Moderator:** Thank you. We have next question from the line of Nirav Savai with Abakkus Investments. Please go ahead.

**Nirav Savai:** Just one thing about this OEM royalty part which you said has gone up this quarter, so how much is it OEM royalty this quarter vis-à-vis last quarter?

**Ravi Chawla:** We will not be able to share the absolute number Nirav, but as the volume goes up the OEM royalty will keep going up depending on the quarter in which we sell how much as a percentage to OEMs. See OEMs products are sold as factory fill as the dealership and it will also sold in the aftermarket for certain brands. So, based on the segment where we get the traction the royalties would differ and these are all contracted with specific OEMs. So, just to give you this that you know obviously it helps the business OEMs also get high quality product with good service, their customers get. We also get a benefit because we are able to take the distribution up and it helps us to sell our other products also. So, it is good win-win thing and last quarter we have seen a very good growth in OEMs. They are also adding many OEMs. So, as we add OEMs some of them will have a royalty or someone will have pricing. So, this is the way the business is growing. In addition of course we sell our own brands in the bazaar which is the large part product.



*Gulf Oil Lubricants India Limited  
August 04, 2022*

**Nirav Savai:** So as the AdBlue would be contributing what about 8% to 9% of revenue this quarter or would it be less than that?

**Ravi Chawla:** Yes in that range only.

**Moderator:** Thank you. As there are no further questions from the participants I now like to hand the conference back over to the management for closings comments. Over to you, Sir.

**Ravi Chawla:** Thank you so much. I think as we mentioned in the call today we have seen a good strong quarter to start of the year and we are very confident that the industry will also grow this time to 2%, 3% or 4% and hopefully Quarter 2 we have obviously some challenges on the margins, but Gulf is always focused on the 2x, 3x of industry growth rate. So, we continue that. There are definitely exciting segments as we look at it. Our growth in PCMO, our growth in the B2C business and side by side we are seeing industrial growth and industrial lubricants going up. So, it is really going to be a good quarter I think some of reestablishing connect and realizing growth in the B2C business and in the other business this is doing very well. It is bringing back a lot of personal touch at all points and I think Gulf has this DNA that we can connect well, we can involve we are having a lot of meet at retailer levels at our own level, with customer levels, our technology Gulf Oil technology is available in India one of the companies which has technology based in India with R&D. So, all this is helping us, we are going to rule out as we are rolling out a lot of extensive reach programs to gain distribution, to add customers definitely focusing on our margin management. So, this is what we are going to look at and as Manish mentioned also Quarter 2 some challenge, but we want to get back to our margins hopefully sooner and definitely we see a lot of optimism in terms of the current year and this is obviously ability to pass on the cost increase and of course give benefits. So, we will continue to do that and thank you so much everybody for your questions. Hope we have been able to answer them to level of good satisfaction. Thank you again.

**Moderator:** Thank you very much sir. Ladies and gentlemen, on behalf of YES Securities that concludes this conference. Thank you for joining with us and you may now disconnect your lines.