



Gulf Oil Lubricants India Limited

February 14, 2022

BSE Limited
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National Stock Exchange of India Ltd
Scrip symbol: GULFOILLUB

Through: NEAPS

Dear Sir,

Sub.: Transcript of Earnings Conference Call - 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 'Earnings Conference Call' on the Financial Results of the Company for the quarter and nine months ended 31 December 2021, conducted on Friday, 11 February 2022 at 4.00 p.m.

This information is also hosted on the Company's website at www.gulfoilindia.com.

This is for your information & record.

For Gulf Oil Lubricants India Limited

Shweta Gupta
Company Secretary & Compliance Officer

Encl.: as above

Gulf Oil Lubricants India Limited

www.gulfoilindia.com

Registered & Corporate Office:

IN Center, 49/50,
12th Road, M.I.D.C.,
Andheri (E)

Mumbai - 400 093, India

CIN: L23203MH2008PLC267060

Tel: +91 22 6648 7777

Fax: +91 22 2824 8232

Email: info@gulfoil.co.in





Quality Endurance Passion

“Gulf Oil Lubricants India Limited Q3 FY-22 Earnings Conference Call”

February 11, 2022



Quality Endurance Passion



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

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



*Gulf Oil Lubricants India Limited
February 11, 2022*

Moderator: Good day, ladies and gentlemen, and a very warm welcome to the Gulf Oil Q3 FY22 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. Should you need assistance during the conference call, please signal in an operator by pressing '*' then '0' on your touchtone phone.

I now hand the conference over to Mr. Nitin Tiwari from Yes Securities. Thank you and over to you, Nitin.

Nitin Tiwari: On behalf of Yes Securities, I welcome everyone to Gulf Oil Lubricants India Limited's third quarter 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: Thank you, Nitin. Good afternoon, good evening and good day to all of you. I hope all of you are well. Welcome to the quarter three call. Let me start by sharing with you that for us as Team Gulf it has been quite heartening for us to deliver the highest ever quarterly revenues of Rs. 600 crores for the first time.

And of course, this has been achieved when the environment did have a lot of challenges in quarter three, but we are happy to share that this growth has given us a market leading growth. And we have seen that quarter three has been similar to quarter two in terms of profits, but the volumes were higher at 36,000 KL in quarter three, and that is a 9% growth which clearly shows the market share gains for us when the market has been flat to minus 5%, minus 6% in various sectors.

And definitely we have seen some challenges in the demand conditions while they improved for the B2B OEM segments and the B2C segments, some of them we have seen that in the rural side, motorcycle oils and the Agri lubricants there was subdued demand there than what we expected.

But certainly we have seen the market share gains for Gulf, which has gained. And the reasons that we have seen is that also because some of the initiatives that we put in place helped us to reach these growths in some of the new customer acquisitions. OEM for example, the franchisee workshop did very well, industrial infrastructure did very well.

We have seen very good growth in diesel engine oils and passenger cars. But motorcycle and agriculture are the two areas which we are hoping for growth. Overall with the mix we had, which is normally 60:40 for our B2C/B2B that came down in quarter 3 to 55:45.

But the numbers for B2C have remained the same as the previous quarter. Manish will highlight that. And what really affected the realization and of course the profitability was the segment mix



*Gulf Oil Lubricants India Limited
February 11, 2022*

as some bazaar sales saw lower off take as explained in the rural economy. So, that was the reason for that. And also of course the input costs they have studied.

We have taken all the prices up, so that has been very heartening for us. And, we could also share with you that YTD nine months, the volume growth is at 21%, revenue growth at 37%, and PAT is also grown in spite of the unprecedented rising input cost scenario.

And these have been the heartening things for the quarter and as we look at the markets, we are seeing that things are picking up even in the two sectors I mentioned, and I think for us also, we have seen that with the price situation being stable, we look forward to the stable prices helping us to go to our margin levels provided the mix comes what we want.

So, all in all, a very heartening quarter, with the challenges we continued our brand investments. We continued to look at how because the sales team also could go out to the market and do a lot of activations. In December we had a display contest for our motorcycle oil which really made December do very well.

So, number of initiatives on the ground, which have helped us to deliver these highest revenues and also good profits this quarter. I will hand over now to Manish to take us through some of the other things and some of the other events in the company. Manish?

Manish Gangwal:

Thanks, Ravi. Good afternoon everyone. As Ravi mentioned the quarter saw for the first time Rs. 600 crores top line to be crossed which was the highlight for us. And, of course we have been able to deliver same PAT as September quarter.

Last year, December quarter had a lot of pent up demand and the B2C sales volume was quite high, which as Ravi mentioned, was to some extent moderated in this quarter, so that pent up demand and the mix helped us deliver the record quarter in last year December. So, from the base of the quarterly profits are looking 8% lower, but on a QoQ basis we have been stable in spite of some challenges on the input cost side.

Overall, I think working capital also as we highlighted in the previous call, there was a pressure on the working capital because of the rising inflationary trend and nearly series of price increases taken, which increased the realization. So, this time this again we have been able to realize our full price increases in this quarter, which you can see the per liter realization has gone up even on QoQ basis.

Overall, we continue to remain net debt free. We carry more than Rs. 500 crores of cash on the balance sheet which also and the kind of confidence the board has in the earnings visibility going forward. Over a sustainable period of time the board was happy to consider and reward the shareholders by way of announcing the buyback, which is at 26% premium to the closing price.



That decision, I think has been made in the overall interest of shareholders which we hope investors will appreciate. With this opening remarks, we would like to move to Q&A and over to you, Nitin.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. First question is from the line of Rohit Kadam from Entrust Family Office. Please go ahead.

Rohit Kadam: Couple of questions. Firstly, if you could elaborate the thinking on the buyback here, and if promoters will be participating in this? And, do we also expect more buybacks in the future because even after that you will have a fair amount of cash buildup on the books?

Manish Gangwal: I think the buyback has been announced for all the shareholders. It is through tender route which is considered the most transparent way of returning cash to shareholders. And yes promoters have also shown the intention to participate in the buyback. Whether there will be future further buybacks or not, it is a board decision, of course. But our philosophy has been to return cash to shareholders.

We have been paying consistent dividend. Now buyback has been announced. We are also looking at various investment opportunities currently in electric vehicle space, EV value chain, and allied areas. So, depending on the investment plans of the company and future growth all options will be considered by the board, as and when appropriate.

Rohit Kadam: And the second question is, can you comment on the market gains in which segments are we seeing this share gain? We have seen consistent share gains I think over the last few years, but which would be the two or three major segments that we are gaining market share? Is it two-wheeler, four-wheelers or CV oil?

Ravi Chawla: Yeah, so overall the market is we would say minus 5%, minus 6%. Also due to Covid the retail markets have been closed. So, in terms of our growth, what we are seeing across segments, certainly our passenger car motor oils are growing very well, so there is a gain happening.

Diesel engine oils, we have been leading in some segments and the growth is coming well. Industrial B2B segments infrastructure, these are other pockets which are there. And the OEM franchisee workshop, where we have a sizable presence with a lot of OEMs. Our growths are certainly ahead of what we see in the industry.

Also I would say the organized sector, which did very well when COVID came first in 2020. Even in 2021 we would say organized sector products which have come in OEM side also in terms of the higher grades that have launched, that has helped.

So, market share I would say in most of these segments. Motorcycle is 1 segment where the consumption has come down, especially rural. So, there I would say it is quite an intense



competitive area and agriculture demand itself came down in 21 and what we see now also in the seasons.

So, there again, I would say a flattish sort of thing but if you look at the OEMs, we have even on the agriculture side they have done well in some months. So, all round growth for us and market share gain. Most of it, you know, end of year we would know where we are at the end of March.

But I would say a good market share gains because if you have grown around 20% when the market is at flat to minus 5%, the gain is certainly there across segments.

Rohit Kadam: Yeah, what would be the cumulative price hikes you all have taken over the last three or four quarters?

Manish Gangwal: So, there have been series of price increases in various segments. And in retail segment we have taken at least four price increases over the last 8-9 months. And in B2B it is a bit you know negotiation process, so it happens. In OEM business mostly it is formula driven quarterly or half yearly formulas are there. So, with every quarter or half year the price increase happens based on global base oil indices. But across sectors the price increases have happened.

Ravi Chawla: Yes, if you see eight to nine months, there are three to four increases.

Rohit Kadam: I would presume, totally this would be amounting to close to high teens on a YoY basis?

Ravi Chawla: Yes, it is.

Manish Gangwal: It has covered. All the costs are covered, but currently the mix is kind of, you know, a few of the mix has not happened the way it depends on the market demand. Otherwise, most of the cost increases are now into the price, of course, and you know we will have to wait and watch what happens next.

Moderator: Thank you. The next question is from the line of Yash Singhi, an individual investor. Please go ahead.

Yash Singhi: Just a couple of questions. Firstly, what was the reason for a substantial increase in other expenses? And like if you could please throw some light on advertisement and below the line promotional activities during the quarter?

Manish Gangwal: Other expenses include, of course, as you mentioned A&P which is Advertisement and promotions. That has also gone up, because now that markets have started opening the activities where there APL, BPL has been done. And of course the freight rates have gone up with the kind of increases in the diesel prices.



So, some of the freight increases also have come in and of course one more important is the royalties to OEM. So, as and when the OEM share goes up, OEM component goes up, the OEM royalties go up and hence that also is a part of the other expenses.

Ravi Chawla: So, there is lot of servicing happening in the OEM workshops where we have tie ups. So, as you see the older vehicles, and of course vehicles servicing is more there. So, that is also where it is a good sale. And of course that is also helped overall for us also, but the royalties payment goes up there as the volumes were.

Yash Singhi: So, what is the split between OEM and third party service centers currently?

Manish Gangwal: Overall our franchisee works of services are in the part of B2C, which Ravi mentioned this quarter was 55% versus B2B 45%.

Yash Singhi: And would you see any impact of chip shortages in the coming quarters?

Manish Gangwal: You see chip shortages impact OEMs to manufacturing. Our factory field component of the total business is less than 5% or around 5% today out of that and we are 95% replacement market. So, directly it does not impact us because our factory field business is only 5% of the total volume.

Moderator: Thank you. The next question is from the line of Mohit Kumra from Kumra Investment Company. Please go ahead.

Mohit Kumra: My question is regarding, in a way it is a follow up of the first question which was given. So, ever since you were listed in 2014 you have done excellently. Obviously anybody can see, but your return on equity is falling consistently. It started off at like 40 now even after this buyback plus if we assume that you continue our dividend 35% whatever.

We are still in the very early 20s. So, does your management, or your promoters have a range or a line in the sand regarding return on equity? Can your investors expect you to maintain a respectable 20% to 25% is that in your mind?

And another part of the same question is that, organically speaking, do you have any investments organically speaking in the next two years, three years, five years to increase capacity or something? Is that in your mind?

Management: From the first part you see as a growing company when your investment goes up in working capital, our top line has delivered consistently outperformance to the market, your deployment in working capital etcetera is needed in line with the top line growth, and that is where you will see the growing companies, the percentage still of ROE/ROC slightly keeps coming down to some extent. Of course it is in a high teens or above that, which is a decent one.



But the effect of buybacks etcetera is also to increase that as the return ratios to improve over a longer period of time. Of course as the earnings go up, it will also be because last two years if you see our profits have been because of COVID impact, the markets have been shut down every year at least two months, and that has kept our profit also in a band, which will when the market improves and we deliver improvement in profits the ratios will further improve.

Sorry, I missed your second question?

Mohit Kumra: The second question was sort of a continuation. You have like Rs. 500 crores with you right now or that is the investments are they required?

Management: I got it. So, we have 140,000 KL capacity in both our plants. And that can be ramped up. These are on two shifts basis. So, we have enough lending capacity. We may have to do some sort of I would say balancing equipment, some filling lines, etcetera to meet the increased space requirement some civil work etcetera. But annually we do not see more than Rs. 15 crores of CAPEX in our current business for the next 3 to 4 years.

Mohit Kumra: Can I also just hook onto one of the points you were speaking about working capital. So, your inventory is while excellent performance by the company you are going very well, but your inventory is growing at a much faster rate. Now this is because of higher absolute levels or your inventory is growing at a much faster rate than your sales or profits or whatever?

Management: You are referring to the September figure of inventory?

Mohit Kumra: Not specifically means over the last five years, let us say?

Management: Yeah, so you see one of the reason is that we started our second plant in Chennai 3 years to 3.5 years ago. So, with the second plant we have to keep every grade of base oil there. You keep some finished goods inventories there to cater to the market so that led to an increase in that year, which then stabilized. And in the last nine months I would say supply chain disturbances across and base oil for India as a whole is mostly an imported, you know large part of it is imported.

And to mitigate the risk of losing on inventories or in terms of stock availability I think every player has stocked up more of base oils and other raw materials to meet up the supply chain disturbances.

The shipment times have elongated. Overall there are challenges on the no additive supplies. So, to mitigate that, I think everybody has increased the inventory for a short term till the time global supply chain scenario improves.

Moderator: Thank you. The next question is from the line of Sabri Hazarika from Emkay Global. Please go ahead.



Sabri Hazarika: So, I just have one question. This HT your EV investment, so the first investment Indra that company was into home charging, is that right?

Management: Yes. It is a car charging thing mainly catering to the home charging, but of course it can be because this is a slow charger, so ideally suited for home or destination charging.

Sabri Hazarika: This second and the recent one is basically into software solutions, right? Charging only, is that right?

Management: Yes.

Sabri Hazarika: So, how are you like I mean, how are you like looking into this whole thing? It seems like that you are like acquiring companies to build some sort of an ecosystem. So, can you give us some idea how you are planning to take this ahead and how much involved Gulf Oil Lubricants India would be in the entire thing going ahead?

Management: Basically you see we are looking at participating in the EV value chain as we mentioned. We have been mentioning to all of you that over a longer period of time we believe that we should be in that sector somewhere in some way in across the value chain, and we have the strength of our brand. We have the strength of our OEM tie up and our distribution reach which we would like to definitely leverage in the EV ecosystem.

And hence we are picking up things which can be integrated. For example, the recent yesterday's acquisition into a SaaS platform will help us localizing the Indra charger's platforms or chargers in a way where we can if integrated properly it can be because the software requirements and the things will be different for different countries.

So, that is one reason that, and of course we want to overall leverage our distribution strength etcetera. So, that is why we are building up that ecosystem as you rightly said, by picking up the niche companies in those sectors which can help us on a longer term basis.

Sabri Hazarika: Another question I had so I will just add that. You mentioned that your B2C share actually from Q3 FY21 to Q3 FY22 has actually fallen. It has fallen to around 55%. I think in Q3 FY21 it was around 65%. So, that basically points that your B2C volumes have actually seen a YoY decline. But I think, last year there was a major growth also during FY21. So, is that the right assessment that last year it may have grown by close to like 20%, 25% and because of the pent up demand and now it has actually fallen by around 7%, 8%. Is that the right assessment? Because of the reversal of this pent up demand and going ahead they will be like back to the normal growth?

Management: Yeah, so you see there was a pent up demand in last year December quarter and that helped us to deliver record performance there in terms of profitability. As you know, retail if there is a good share of retail in the overall mix, it boosts the profitability and the percentage of 65% coming down to 55% is changing the mix. But overall we have not de-grown in that sector per



se in terms of number because the volume has gone up. As a percentage it is looking lower, but we have been sort of flattish I would say flattish to marginal growth is still in B2C.

Is that only because the overall volumes have gone up, the percentage have shown and then accordingly the ratios of if you compare the per liter EBITDA etcetera, then that shows a sort of slight decline. But overall there is no de-growth per se in any of the segments.

Moderator: Thank you. The next question is from the line of Ankit Mahajan, an individual investor. Please go ahead.

Ankit Mahajan: So, can you please help us with the volume mix across segments like EV, two-wheelers and car etcetera? And also the mix remains change in value terms?

Ravi Chawla: So, as we mentioned, our B2B volumes were slightly better this quarter. Overall mix is roughly 20% is a personal mobility, around 34% diesel engine oil. Industrial segments have gone up to 18%, which usually is around 15%. And others are similar range of around 28%.

Ankit Mahajan: And my second question is on retail lubricant. So, what were the reasons for weakness in this segment during the quarter?

Management: Retail you are saying retail segment?

Ankit Mahajan: Yes, Retail lubricant?

Management: I did not get your question, sorry. Can you repeat it?

Ankit Mahajan: Yes, the reason for weakness in that segment?

Ravi Chawla: As we mentioned, you see in this quarter the rural economy and also agriculture demand of lubricants came down because last year agriculture demand really peaked. As you can see in the tractor sales also they started going negative new tractor. So, Agri was lower and in the rural we saw even motorcycle there was obviously some dip. I think these two are the factors where probably retail ratio did not come through. But still as Manish mentioned, they have still maintained their volume.

And others have grown far ahead of them. Diesel engine oils, cars, gear oil, the other products have grown. So, basically it is obviously demand there was even less than what we expected, but still good.

Moderator: Thank you. The next question is from the line of Hemal, an individual investor. Please go ahead.

Hemal: What would be the battery revenue for this quarter?



*Gulf Oil Lubricants India Limited
February 11, 2022*

Ravi Chawla: Give us the moment we will get back to you. Of course, as we have highlighted in our press release, this quarter the battery performance because of the supply chain imbalances or challenge coming from because we do imported batteries, right. So, far the localization we have not done and imports were quite disturbed this quarter. So, the performance of battery was lower this quarter. Around Rs. 13 crores is the top line for the quarter from that.

Hemal: Are we still going to focus on this battery business going forward in the way that we had envisioned a 1.5 years to 2 years back? Still see there is a growth cross sell area?

Ravi Chawla: Yes, we believe that it can give us a good share in the marketplace and it has a synergy with our distribution and brand which has been the primary objective of going into this. We are now taking very because of the supply chain disturbances we have faced over the last 8-9 months in this segment. Now we have speeden up our localization efforts and we will be taking aggressive stand on localizing the manufacturing.

Hemal: My next question sir, was on this January-February that we are in just on a ballpark, are you seeing improvement in your B2C channels or is it still very similar to what you observed in this quarter?

Ravi Chawla: We will not be able to comment on an ongoing quarter please.

Hemal: No, just like not specific data. Just is it a demand issue has been still existing? Is that what I am asking like is it issue overall ongoing or is it recovering now? Just any highlight you can throw on it on a high level?

Ravi Chawla: This is the season for the lubricant so it is something and agri season also should start. So, we are hoping for a good agri season also to come back because last quarter the agri was not doing well.

Hemal: I am going to go back to the same point that somebody raised earlier about this inventory days. I understood your answer. But I just want to think about it. Is there an optimal inventory level that you would want to manage to like number of days and what I understood this during Covid the issues that came about but let us assume we take it out two, three quarters down the line and Covid is on a back burner.

Where do we imagine this inventory days to settle at like, is there a number in mind and strategically like where do we? Because I am seeing some of your competitors still facing the same issues, slightly gone higher, but having far better inventory days and still managing the business. So, I am just throwing it out there that it may have risen during last three, four quarters.

But it is more of a bigger issue which is coming out from several years and I understand the factory starting but still the inventory management has been just rising, just growing in one



direction. So, is there an optimal number that we have thought through where we should reach in the next two, three quarters?

Ravi Chawla: See our gross working capital has been in the range of when the times were stable in the range of around 90 days to 95 days. That has been our range. Currently it is at around 115 days to 115 days. I am talking gross working capital and of course last the September quarter it had gone even around 120 days.

So, now we are at around 115. Already there is a five day reduction in the last quarter and we hope to stabilize in a normal time back to 90 days around that gross working capital days.

Hemal: Can I ask my one last question? Is that possible?

Ravi Chawla: Yes please.

Hemal: Okay, so in the sense of the dividend policy that we have been having in capital allocation, is that is going to continue ongoing or is that also now because of the share buyback, maybe question or should we assume that it is dividend policy stays as it is? Because I think the payout ratio has been gradually been increasing over the years. Is that being that going to continue?

Ravi Chawla: At this stage we can only say that there are multiple ways of returning cash to shareholders. And all the ways are open to return cash to the shareholders and the subject to of course the investment opportunities in the existing and new line of emerging opportunities in the EV space etcetera.

Moderator: Thank you. The next question is from the line of Deepa Pradeep Banerjee, an individual investor. Please go ahead.

Deepa Pradeep Banerjee: Sir, I have two questions. First on the A&P spend. So, can you give some number on the A&P spend for this quarter?

Ravi Chawla: As I mentioned, it has slightly increased, so it is around 3% of the top line which is an increase top line.

Deepa Pradeep Banerjee: My second question is on your battery segment. So, I mean any range or any margin range that you can share on your battery segment?

Ravi Chawla: Battery for us currently is a very small segment. We are nurturing this. We are growing this and lot of resources are being put behind this. So, the current margins will not be a fair indication of what we are trying to aim and gain out of this segment. So, once we reach the size and scale, it will be an appropriate question at that point in time.

Deepa Pradeep Banerjee: One last question, if I can slip in. So, can you just give some high level numbers in terms of your volume and value share in terms of the lubricants market?



Ravi Chawla: In terms of our market share, you see we are playing in the automotive and industrial. We are quite well placed in the bazaar market where we have close to 8%, 9% share in the diesel engine oil and motorcycle. The others are share is around 5% to 6% of the bazaar. Industrial we are slightly lower at about 4% of the industrial market.

So, this would broadly give you the shares that we have and OEMs of course we are with the OEMs that we are there right from commercial vehicles to cars, bikes there depending on the OEM, of course the shared differs based on whether we are the second supplier or out of three suppliers. So, I think all in all, if you take our share you could take it as higher in the bazaar market, in some segments and overall at a 5%, 6% level.

Moderator: Thank you. The next question is from the line of Manoj Oberoi, an individual investor. Please go ahead.

Manoj Oberoi: I have got two questions for you. Could you please help me with the utilization of the Chennai plant?

Ravi Chawla: The Chennai plant utilization currently is at around 60% level.

Manoj Oberoi: And sir, could you please help me with the CAPEX guidance for 22 and 23?

Ravi Chawla: So, I answered this in one of the earlier question. The regular CAPEX will be in the range of around Rs. 15 crores to Rs. 20 crores.

Manoj Oberoi: Sorry for that. I may have missed earlier. The second question is that, about our recent acquisition of the Electrify. I know a lot of thought process must have gone into, but just wanted to hear from you. What has been the strategic thinking behind the move, sir?

Ravi Chawla: So, I again answered this in the previous question that we are looking at participating in the entire EV value chain. And as SaaS platform is integral to some of the ecosystem in creating charging infrastructure, battery swapping, Electrify already has a software in these segments with the IoT enabled platform, which is helping in the charging and battery swapping infrastructure in India. As you must have seen, our press release also around 40% of all EV car owners today in India use some form of Electrify platform service in one way or the other.

And hence as I mentioned, we want to leverage our strength of brand distribution reach and OEM relationships. And the SaaS platform by Electrify can be a very useful tool to scale up and provide ecosystem for even servicing the OEMs also, which we are already connected in the lubricant space and as and when or some of the new EV OEMs also.

So, all these thought process is there in making a strategic investment in Electrify.

Manish Gangwal: Yes, to add we have also invested in Indra Renewables for the car chargers. So, there is a connectivity there also for the software to play a role.



*Gulf Oil Lubricants India Limited
February 11, 2022*

Moderator: Thank you. The next question is from the line of Mohit Kumra from Kumra Investment Company. Please go ahead.

Mohit Kumra: I wanted to understand something on a longer ask like the sort of I know you cannot give me an exact answer to this, but how much of your business is actually exposed to electrical vehicles? Because the way the market is treating you and your competitors is like your business are going to fail in 5 years or 7 years? But how much after induction of commercial diesel what is actually exposed to electrical vehicles to your total portfolio?

Ravi Chawla: Yes, so you know we want to just assure you and all the people on the call and that given the growth of the Indian economy, India being the third largest lubricant market and you can check the reports of experts like CLIEN and others there is going to be a continued growth of 2% to 3% in the lubricant market for the next 15 to 20 years.

And because the penetration of vehicles is low, so there will be of course EV coming in in various sectors as we know. There is a lot of momentum there. We can see that, but obviously on the ground the numbers are also there to see. There are challenges. So, the lubricant demand is going to continue to be there in the positive territory for next 15 to 20 years, so that is not an issue because we are seeing penetration is required for all the segments including industrial and the diesel engine oil, the car, bus. For us, the sectors which obviously we have business is the two-wheeler segment. We are not much in the three-wheeler segment or it does not go there and 95% of our sale is replacement lubricants. So, the new vehicles is only 5% of our sale.

The factory filled so that will get impacted if the new vehicles come, and also we are into EV fluids. So, we have launched the range of hybrid and fully electric EV fluids globally and India, so we will have a role to play there. Coolants will have a role to play as electric technology EV technology comes. So, I would say the segments which probably we have to look at is the two-wheeler segment.

In buses also we do not supply many lubricants which are converting and three-wheelers we have of course a tie up with Piaggio, but not a lot of volume there. So, I would say the vulnerable segments are going to be two-wheeler and that will take time because the vehicle parked there will continue to grow even if the EV penetration is there in terms of the IC motorcycles.

Of course there will be some dip in that as it goes along, but it will take another 10 to 15 years for that vehicle part to come to a level where it will impact the volumes. So, I think we are of course looking at the EV value chain where we can use our brand distribution in OEM tie-ups. So, I think side by side we will have to look at that and continue to grow our market share in these segments as the demand is still there. So, there is obviously mitigation and EV will come in two-wheelers, in three-wheelers.

In cars we do not have much of a market share. Our market share is 4%. So, there again we are growing our market share but cars again the high-end cars probably you will see some EV



penetration coming in. So, that is the way we look at it. And of course we need to take actions also to look at future growth opportunities here.

Manish Gangwal:

So, I would just like to add you know overall 40%, 45% of the market is diesel engine oil, which is medium to heavy commercial vehicles and tractors. And that segments will take, it is not going to be EV very soon, right? And then there is an industrial segment which is roughly around 20%, 25% of the market and growing rapidly.

Considering the manufacturing push given by the government now in the last two years, three years, the manufacturing side of industrial lubricant side will be a significant beneficiary of the entire thing, and lubrication requirement will significantly increase there.

Then there are certain things, certain oils which keep going into even in electric vehicles. So, the personal mobility segment is overall around 20% of the market within which motorcycle is a large part and scooter within motorcycle is only 30% of the overall two-wheelers where we are seeing mostly the models being launched right now.

Mohit Kumra:

I am very sorry to cut you, but when you say the market, the market, it means your market right, Gulf Oil's market?

Manish Gangwal:

We are talking of the industry.

Ravi Chawla:

No, overall market.

Mohit Kumra:

But could you give me some color on your like what part of your sales are commercial and what is industrial, what is passenger? Can you just give me an overall figure like?

Ravi Chawla:

So, that we have given in our earlier calls also. We have almost similar market share to industry in diesel engine oil and close to similar market share overall in personal mobility within which we have slightly more in two-wheeler and less in personal car.

Industrial, we are below the overall market share where our focus is and last 2, 3 years we have grown high double digit there in terms of our growth in industrial segment. And others remains similar to the market overall. So, overall we see that 15%, 20% of the market over a longer period of time may have some impact or plateauing in the lubricant requirement, not the entire market, which is the perception currently that in the lubricant industry will be finished in five, seven years. That is not going to be the case. Even as per experts also the growth of or the peak of overall lubricant consumption, somewhere maybe in the 2030 to 2040 period.

Moderator:

Thank you. The next question is from the line of Hemal, an individual investor. Please go ahead.

Hemal:

I forgot to ask, do you believe like with crude oil rising with the base or prices have stabilized for this quarter or there is a potential for further raw material hikes this quarter or in the next couple of months?



Ravi Chawla: You see, we have highlighted again in the last call also that base oil preempted the crude increase. The crude was stable for early part of the year, but base oil had significantly risen because of the demand supply situations. Now crude has started going up, but base oil is already at an elevated level, except few grades, which are, you know, there are different market trends for different grades of base oil.

There are 7, 8 grades of base oil. Each one follows their own demand supply pattern. But overall we do not see a very significant increase in base oil because of this recent crude rally because they are already at a very, very high level as compared to what they were in the last year middle or June-July-August for last year was the peak before that in quarter one they were at their lowest point. So, they are still at a much-elevated level to those levels.

Hemal: So, do you believe there is an opportunity for it to fall then further given there is different grades and supply demand and different level of refineries being worked upon and opening up in the world this year? Do you believe there is an opportunity for the base oil to actually fall in the second half of this year calendar year?

Ravi Chawla: See, it is a very difficult question to predict as of today because there are, as I mentioned, multiple grades of base oil following demand supply situation in various parts of the world. Base Oil is a global commodity, and trade happens, you know, consignment go from Southeast Asia to US, and coming from US also.

So, this is a very, very global commodity depends on lot of factors. But typically if the crude is stable in a range the base oil should show a downward trajectory somewhere down the line if crude is stable in a range because the base oil have already risen to a very, very significant level.

Hemal: And my absolute final question is look, it just seems like there has always been a spectacular very nice performance from Gulf Oil in terms of growth, right. In terms of volume and revenue, but somehow just listening to the call today, it seems that where your growth is going in infra or lot of those areas and B2C where you are seeing some stickiness or some issues. Is it could be that we may see this EBITDA margin pressures going forward.

I mean, are we doing growth with the focus on EBITDA margin levels so that they come to the levels that we thought of 15 to 17 sooner? Or is it that we will pursue growth even though EBITDA margins may still stay at this level because I am sure all of these products and all of these sectors have different products, different margins.

So, we are hearing from competitors some want to do growth with EBITDA margin performance to be kept and some depending on this strategy of pursuing the path that you are. So, if you can just help us understand that much for the next couple of quarters of FY22?

Management: Yeah, you see couple of years back or you could say 3, 4 years back our band of margin was lower. Now we see the margin we talk of 14 to 16. You said 15 to 17, so the endeavor is always



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February 11, 2022*

to take the margin also up. Of course you have challenges in the market, which happened due to input costs and other such things as demand because of Covid. So, our progressively is to increase our market share and keep the band also at a level and try to grow the band.

So, that is really been our endeavor. But since we operate in many segments, including B2B, B2C, OEM, industrial, we will obviously take a call to improve those in terms of our market share and keep the band at a healthy level.

So, there is no thinking from the management to lower the band level. We want to go towards the band level, which we have defined, and probably there are opportunities when the prices go up, and the prices come down. We have seen in the industry the margin is gained in that and as we improve our mix in the bazaar market, in the channel market where we are a clear #2 today, we believe that we can definitely maintain the band and try to improve on the band as well as grow the business, both.

Of course, the mix of B2B we are not going to say no to because B2B is also a longer. It is as you see the business, we have a lower market share there so there is potential to grow in all the segments where we are focusing.

Management:

And I would just like to add for the benefit it is an excellent question actually. And if you see we have been able to these series of price increases which we have taken you have seen our realization going up, which has helped us recover the cost per liter basis, which means the top line has gone up, but the margins have remained per liter basis similar or slightly at the same level and that is showing the percentage as a lower one.

If we just translate same on a like-to-like basis from last year December quarter, we are already in that band of 14% to 16%. If you just translate that ignoring the price increase impact, which is just increasing the top line right now.

So, we have already recouped our, you know, we are in that range of 14% to 16% if you just compare like-to-like on a realization basis.

Moderator:

Thank you. As there are no further questions, I now hand the conference over to the management for their closing comments.

Ravi Chawla:

Yeah, well I would like to thank everybody on the call. And of course we have tried our best to answer the questions, Manish and me. I would like to end by saying that our focus is on the segment focused initiatives which we are continuing as we have shared all about these segments and with help coming in from the stabilizing key input cost it looks like it is a good platform to improve our performance going forward.

Also with the Covid situation improving across the country and globally as people and governments are now deciding to take the same in its stride and move towards normalcy, we



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February 11, 2022*

hope to see the demand conditions going up and definitely the GDP growing next year. And we believe that that will be a tailwind for us to re energize are all round growth and definitely Gulf team has been very passionate.

Our business partners have been working hard for growth, so that will be a good tailwind for us. We are also driving up our internal focus to evaluate and participate in the evolving EV space as we mentioned, and where Gulf can make a move to have potential future growth segments like we have grown the segments in the lubricant market.

This is another added segment where we see we can add value. We are examining those. We have made a couple of moves globally and in India. The strengths of our brand distribution reach and OEM relationships will come into play as we look at this value chain which is emerging.

And if you take the Indian economy, we are obviously seeing a trend of economic activities in infrastructure, investments, even mobility, automobile sector looking at positive growth across. And definitely as you know, the lube business is generating a lot of cash for us and that will continue as it is a cash generation business for us.

And investments will come. We will have to examine those. The demand conditions are picking up in the coming months in the next financial year, especially as you know, manufacturing, commercial vehicle production, construction equipment, even B2C there is going to be a lot of money in the hands of consumers and this augurs well for the entire industry, which I think will be back on the growth path.

And we should provide the tailwinds for Gulf to push for further distribution reach, further customer acquisition and further market share growths. So, I will sign off with that and wish all of you a good evening and all the best. Thank you.

Moderator:

Thank you very much. Ladies and gentlemen, on behalf of Yes Securities, that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.