Gulf Oil Lubricants India Limited

February 12, 2025

BSE Limited **Scrip Code: 538567**	**National Stock Exchange of India Ltd** **Scrip symbol: GULFOILLUB**
Through: BSE Listing Centre	*Through: NEAPS*

Dear Sir/ Madam,

Sub.: Transcript of Earnings Conference Call with Analysts/Institutional Investors for the third quarter and nine months ended December 31, 2024

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

This is in continuation to our letter dated February 3, 2025 intimating the schedule of Earnings Conference call. We enclose herewith the Transcript of the Earnings Conference Call held on Friday, February 7, 2025 with Analysts/Institutional Investors on the Unaudited Financial Results (Standalone & Consolidated) of the Company for the third quarter and nine months ended December 31, 2024.

The said Transcript is also uploaded on the website of the Company and can be accessed on the weblink: https://india.gulfoilltd.com/investors/financials/transcript-conference-calls .

Request you to kindly take note of the same.

Thanking you.

Yours sincerely,
For Gulf Oil Lubricants India Limited

ASHISH PANDEY

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Ashish Pandey
Company Secretary & Compliance Officer

Encl.: as above

"Gulf Oil Lubricants India Limited

Q3 & 9M-FY 2025 Earnings Conference Call"

February 07, 2025

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

MODERATOR: **MR. SUDEEP ANAND – SYSTEMATIX INSTITUTIONAL EQUITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 FY 2025 Earnings Conference Call of Gulf Oil Lubricants India Limited, hosted by Systematix Institutional Equities. 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 star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sudeep Anand from Systematix Institutional Equities. Thank you, and over to you, sir.

Sudeep Anand: Thank you. On behalf of Systematix Institutional Equities, we welcome you all to the Q3 and 9M-FY 2025 conference call of Gulf Oil Lubricants India Limited. From the management side, we have Mr. Ravi Chawla, Managing Director and CEO; and Mr. Manish Gangwal, CFO. I'll now hand over the call to the management for their opening remarks followed by the Q&A session. Over to you, sir.

Ravi Chawla: Thank you. This is Ravi Chawla. Good evening, to everyone who have joined us in this call. I would like to start by, of course, wishing all of you a Happy New Year. We are in the New Year 2025. We are also delighted to share with you that in Q3, we have achieved the highest ever revenue and the highest ever EBITDA in our history of Gulf Oil.

We have definitely seen macroeconomic headwinds in India with the elections, other things had slowed down in Q2 and Q3, but we have been focusing on how we can capitalize on the opportunities, navigate what has been evolving.

For us, this is our highest ever-quarterly volume and strong double-digit top line growth of 11% year-on-year. Crossing these 2 milestones of INR 900 crore in revenue and INR 122 crore in EBITDA for the first time ever in a quarter also shows our strength, our resilience and our team efforts to deliver even when macroeconomic conditions are facing headwinds.

We are also seeing some early signs of demand recovery, so that's really one of the highlights. We also delivered our highest-ever core lubricants volumes of 38,500 kl during the quarter, and this is a growth of 7% year-on-year, so that's another good thing that happened in Q3.

Growth was seen across all major segments for us. In this quarter, it was largely driven by double-digit growth in our Motorcycle Oil segment and a good double-digit growth in B2Band sub segments like infra and industrial giving us this double-digit growth.

We've also seen growth in our B2C sales due to the MCO. Our premium range of products saw a much higher growth level, which was double the normal growth rate. These are the things that augured well for us.

We also had a few other achievements, which we would like to share with you. We had the strategic partnership with Nayara, where we are expanding to their network of 6,000 outlets. We are already selling lubricants there and AdBlue will also get sold, and this is definitely going to help us create availability. This process has now started. We renewed our exclusive partnership with Piaggio India till 2032 and continue to deliver high-quality lubricants across the ranges and have even added 2-wheeler range of high-performance sports bikes. We've obviously got this partnership until 2032, and we have also extended our long-term partnership with Piaggio for the Commercial Vehicle segment up to 2030.

The other good thing that happened this quarter is we had reported AdBlue was slightly soft in Q2. It picked up in Q3, and that's again a good sign for us. I'd also like to mention about our mega brand campaign, The Unstoppables, which was a 360-degree campaign, which started towards the end of September, that continued, and this featured all our 3 brand ambassadors. It was actually a very creative and technology savvy campaign, which was released like a movie, right from the song launch to finally on the ground campaign using outdoor. This was right across retail outlets in all types of media, social media handles using influencers. This was a big success, and I think it solidifies our brand consumer bonding and also did give opportunities for deeper engagement and a long-term affinity.

We had another major event when we are looking at the high end of the biking segment. We've been looking at that as an investment all around in terms of products, reach out programs and also building the brand through influencers. We had sponsored India Bike Week, which is actually a very strong property, which is the biggest in India in terms of the adventure premium biking motorcycle enthusiasts. This is held once a year in Goa and it's one of the biggest in India. It is the biggest actually. We have more than 25,000 motorcycle enthusiasts, adding all the top end bikes and Gulf is the title sponsor there. We had lots of activities, and I had myself gone for the event. It's a very good event with a lot of creation of many properties from Gulf and a lot of OEMs there, a lot of passionate riders. There's a club village, 62 motorcycle clubs come from 15 cities, and we have a property called Ride with Gulf, which is our initiative on social media, lot of influencers and which has really been a good platform, We continue to build our brands. Of course, we are still trying to keep it in the 3%-3.5% range, and that's where we are. I also want to mention on Tirex. As you know, we have got a majority share in, the subsidiary, and this continued to perform well. The 9Month top line is at INR 40 crore, which is nearly 3x growth during this period versus last year. Healthy order pipeline is there, and we are on track to close the year on a strong note in this business, which is going to add to us.

Our brand ElectreeFi which is a software-as-a- service company where we have an investment continues to perform well, securing new customers in the 9 Month period. These are two other good initiatives that are reaching a good stage to take off as the enthusiasm on EV products as we see all around also going up in India. I'd like to now hand over to Manish to take you through some of the other highlights and then, of course, take your questions. Thank you. Over to you, Manish.

Manish Gangwal: Thank you, Ravi. Good evening, everyone. As Ravi mentioned, we had a very healthy performance for Q3, with a double-digit revenue growth and EBITDA of INR 120 crore, which translated into an EBITDA margin at 13.5%, a sequential basis improvement of nearly 90 basis points, which is auguring well towards our guided band of 12% to 14% towards the higher end.

For the 9 Month period also, we continue to deliver very strong performance with nearly 21.5% PAT growth and 14% EBITDA growth. Overall, the financial performance continues to do very well. On the gross margin side, also, you will see that there is an improvement sequentially at the gross margin level, which means that the input costs have been relatively stable, although there was a depreciation of the rupee, which started during the quarter and continues as we speak. Obviously, that requires a margin management to kick in. In spite of that, we have been able to improve our gross margin, led by product mix improvement and overall segment mix. At the same time, you will see that the AdBlue volumes improved. At the net debt level, we continue to remain a debt-free company with net cash position now upwards of INR 450 crore at the end of December.

Our working capital has improved from the last quarter by nearly around 5-6 days. Overall, on the financial side, also, it has been a very good quarter for us. The only thing you will see also in the results published is that the Quarter-on-Quarter finance cost has gone up, and that is because of the forex loss due to rupee depreciation, on our working capital loans, which had an impact of around INR 5 crore for this quarter. Although first H1, we were having a net forex gain. For the YTD 9 Month period, we are at nearly INR 3.5 crore of forex loss as rupee depreciated sharply towards the end of the quarter, especially from November onwards. With that note, we would be happy to take Q&A from the investors. Thank you.

Moderator: The first question is from the line of Probal Sen from ICICI Securities.

Probal Sen: I have a couple of questions. Firstly, as far as the margin improvement is concerned, given the way that crude has behaved where it probably strengthened a bit towards the end of the quarter, but after that has once again softened back and now is at some $75 level. How should we be looking at the margin trend? Of course, as you rightly mentioned, this is offset a bit by the rupee depreciation, which has been a significant drag, but on the whole, are we confident that we can maintain this trajectory of improvement that we have seen in the last quarter over the next couple of quarters? That was my first question.

Manish Gangwal: I think, as you rightly picked up, while there is a stability in the crude, it went up above $80 for some time, but then it stabilized in the range of around $75. As long as the crude remains in this trajectory of $75 to $80, the input costs should remain stable. Of course, the base oil follow with a lag and there is a demand-supply situation in various grades of base oil, but largely, we are hopeful that with crude stability the base oil prices remain stable, but the landed cost due to rupee depreciation obviously goes up because India imports a large part of base oil from overseas, including ourselves, which impacts the landed cost, so as I mentioned in my opening remarks, we will closely monitor the landed cost situations across base oil category, and will accordingly take actions in terms of margin management. We will definitely be maintaining our guided band of EBITDA, which is 12% to 14%, going forward as well, at least for Q4 and Q1 of the next year, which is what we currently estimate.

Probal Sen: On pricing, sir, did we have any significant price changes that is from our business in this quarter?

Manish Gangwal: We keep evaluating the margin management scenario, as I mentioned, and obviously, the competitive action is also there in the market. Based on that, the scheme rationalization and some sort of discounting, which is present, quarterly schemes are there, we try to rationalize those in the interim. If there is a major change in the input cost, then the MRP level changes are also affected. We closely monitor both trying to rationalize through the scheme adjustment. If not, then the MRP level changes are also announced, so we closely monitor that.

Probal Sen: Got it, sir. The second question was more on housekeeping. I'm sorry, I didn't quite catch the exact number of the core lubricant volume and AdBlue volume. Could you kindly provide those numbers?

Manish Gangwal: 38,500 kl is the core lubricant volume for the quarter and AdBlue is at 36,000 kl.

Probal Sen: Okay. Just one last question, if I can squeeze in one. As far as Tirex is concerned, the trajectory of growth that you mentioned where it has grown substantially in the 9 Months of this year. Any guidance you would venture to give us for what target is there for FY 2026? And in order to support this level of growth, does that require a little bit more investment, whether internally or from your side?

Manish Gangwal: Tirex, which is where we have a 51% stake, are into DC fast charger manufacturing. Their last year's full year turnover was around INR 25 crore, this year in the 9-month period, they are at around INR 40 crore. Usually, Q4 is a stronger quarter because many orders materialize in the Q4. If you refer our previous calls, we said that we would like to double the revenues every year for the next few years, and we want to highlight that we are on course for that.

We should definitely, end the year on more than double of last year revenues and trajectory for the next 1-2 years also remains that way.

Probal Sen: With regard to the investment, sir, does that mean any increase in investment is required or is there sufficient capacity to support this kind of revenue growth without any huge investment?

Manish Gangwal: All investors will recall that when we acquired 51% in the company, INR 65 crore was invested as a primary investment into the company. A part of that money is still lying with them to take up some of the expansion projects for capacity increase. We are looking for a slightly enhanced capacity plant and the work is on for that, but till such time for the next 1 to 2 years, they have sufficient capacity.

Plus there are some working capital arrangements needed as we increase the volumes, which are also in place. No major funding for the expansion seems necessary as of now from Gulf Oil to Tirex.

Moderator: The next question is from the line of Sabri Hazarika from Emkay Global.

Sabri Hazarika: Congratulations on good numbers. I have got a few questions. Firstly, with respect to your volume breakup. You mentioned about MCO, but overall, how has the different segments performed in terms of growth during Y-o-Y?

Manish Gangwal: Overall, as Ravi highlighted, our motorcycle grew double digit and Industrial also grew double digit. Rest of the volumes were in the mid-single digits. Overall, we have been able to deliver 2x growth across most categories. Agri was slightly subdued in the quarter, but overall, we have been able to deliver 2x plus volume growth of the industry. We have also seen slight improvement in the personal mobility in our mix. As Ravi mentioned also MCO had a very good growth.

From the classification perspective, diesel engine oil was around 39%, and personal mobility went up by 2% to nearly 23% for the quarter, and rest where others and industrials as we keep highlighting. Overall, we have good growth in certain segments, especially in motorcycle and B2B.

Sabri Hazarika: DEO factory fill has been the area of weakness. Except that, what could be the growth? How are you seeing the current scenario in terms of factory fills?

Manish Gangwal: Excluding factory fill, our quarterly growth was around 7.5% since factory fill was negative for the quarter, although we saw an improvement starting December. As we speak, there is a traction, which is coming back in the factory fill business, and because of which overall DEO volumes are also in the mid-single-digit growth last quarter, but we are seeing an uptick there clearly from the factory fill side. Then the rotational effect will also come into FWS in the coming quarters as well.

Sabri Hazarika: If factory fill normalizes or say suppose grows at a positive rate, then could you be like closer to 10% sort of like Y-o-Y growth in volumes?

Manish Gangwal: Mr. Sabri just to highlight, our 9 Month volume growth for the current year, excluding factory fill is also around 9%. We are very close to the double-digit mark even in the current year, excluding factory fill given the environment we were into in terms of the overall macro economy and the Indian economy. That gives us a lot of confidence going forward that even some of the business pieces like factory fill etc, will also start firing, then obviously, we'll continue our trajectory of 2-3x the market growth rate. That is the expectation we have.

Sabri Hazarika: On AdBlue, the volumes have picked up this quarter. How do you see the overall trajectory of AdBlue for the next, say, 2-3 years?

Ravi Chawla: You'll see, we have been looking at 10% to 15% growth in the segment. I think that is where we see it. Obviously, there are more opportunities now with Nayara, we have entered into a tie-up. I think we would want to look at how we maintain ourselves as a high-quality brand. I think that's the outlook.

Of course, Nayara is going to add an opportunity of outlets. Out of the total outlets, we'll have to see what the consumption is. I think it augurs well for us to try to touch about that 15% mark. Between 10% and 15% is what we could aim for.

Sabri Hazarika: Is there scope for margin improvement in AdBlue also, I mean it's like a single-digit margin product, but can there be any improvement there just because of the fact that the volumes have almost become as big as lubricants itself?

Ravi Chawla: See, we have positioned ourselves with many brands with OEMs and our own brands, which are in the market. It's more, as you see, a supplementary requirement to diesel engine oil. It is going to continue to be competitive. I think we will obviously have to look at market pricing because it's a consumable. People who use the product probably buy it on a monthly basis, so it has to be a price competitive.

I think it is important to have the right distribution. We obviously want to maintain the margins because competitive intensity might go up in this segment as the product gets more used.

Sabri Hazarika: Got it. The other expenditure is slightly higher. Is it because of the campaign and the ad spends due to which it was sort of like higher?

Manish Gangwal: It is also linked to the AdBlue volume increase as well because last quarter was a subdued AdBlue volume and our freight components and all goes up, so it has to do with that. A&P-wise, the quarter has been around 3% of the top line, so we are back to our normal range. Of course, there were these special marketing campaigns, which were there during the quarter, but we moderated some of our other lines of expenses to keep it at 3% of the revenues for the quarter.

Sabri Hazarika: Okay, sir. Just one last question, any update you'd like to share on the EV fluid segment?

Ravi Chawla: I think EV fluids is a small volume. But as we have mentioned earlier, we have more than 10 partnerships in that area. I think we continue to look at it more with both the component makers and the OEMs, so I think that is something, which is steady, but it's a very small number. I think that focus to get more EV partnerships is on, and I think that is based on what we would enter into contracts with some EV manufacturers.

I think that it's a good place to be, and I think we would be in the top 3 there also in terms of EV supplies.

Moderator: The next question is from the line of Probal Sen from ICICI Securities.

Probal Sen: I just had a broader question. I think it has been mentioned over the last couple of years, the attempt to sort of continue to premiumize our product portfolio and sort of grow the B2C segment because obviously, that is a higher-margin segment as compared to the basic factory fill segment. Just wanted your thoughts on how you feel the last 12 months have gone in that direction?

Is it also fair to say that if the premiumization across categories continues to sort of recover. The guided EBITDA range of 12% to 14% can see an uptick over the next couple of years or rather that is the aspiration as a business that we have?

Ravi Chawla: Our aspiration is obviously to try to improve our margins, but given that we are present in both B2B & B2C, and currently, as you know, there is obviously products which make x margin and the premium products make higher margin. If you look at the Kline study, which talks about value and volume growth, we have seen a 3% volume growth and a 6% value growth. That is where the premium products come in and the new products come in.

Our mix is also B2B and OEMs, a lot of OEMs we do business with. As a guided overall figure, we said 12% to 14%, and within each of these segments, we are now trying to push our products, which have higher margin, which are premium. We're also trying to introduce semisynthetic, synthetic.

I gave the example of India Bike Week. Now India Bike Week is all about premium bikes right from the KTMs to the Harley-Davidson to Enfieldso we are looking to sell more there. Obviously, there is going to be a lot of pricing play in various segments, OEM B2B. As a balanced approach, we believe that if we can premiumize more. What we're trying to do is suppose we are growing 7% overall, we would like to have the premium products growing at least twice that, and the percentage varies of that across segments, and that is what our focus is towards.

If you also look at that, it is creating value in terms of pricing. But then the market is also moving towards a value range, because if you look at rural markets or you look at pricing, we have, for example, a top end motorcycle oil or I would call it, higher end, we have the synthetics, the higher end or a range, which we really sell well. Below that, we also have got ranges like a brand called Zipp, which goes into the motorcycle segment.

We have to cater to different markets in different geographies and also price points. Second-hand vehicles are there, they would pay less for a lubricant, so this is, I would say, a complex sort of metrics, which we need to keep. Given that if we can improve our premium grades to get a margin of 12% to 14%, we'd be happy to look at the next trajectory of 14% to 16% as and when we come across that, the sooner the better for all of us.

Probal Sen: Right. Sir, in terms of the OEM relationships, any update you can share in terms of any fresh OEM tie-ups that we may have done over the 9 Months period itself?

Ravi Chawla: We got the 2-wheeler business from Piaggio. That's a new business, which has helped us, which is the higher bikes of Aprilia and Vespa and all, which is a new one. I guess we will make some announcements before the next quarter. We are renewing most of our contracts with our OEMs. Nayara is another one, which we had, which I mentioned earlier, in terms of retail leverage.

Probal Sen: With respect to the Nayara tie-up, what was the revenue model like? Just wanted to understand what's the kind of commercial arrangements, anything you can share outside of what is, of course, confidential?

Ravi Chawla: No, we can't share arrangements. They were doing business with 2 lube companies. We are now doing business with them and one company continues. They have 6,000 retail outlets, which they are going to rapidly expand. You must have seen the kind of investments they have made in the retail outlets, they are Tier 1, Tier 2 and Tier 3. With regards to getting our product available there is an exclusive arrangement for AdBlue, so I think this is more a distribution cum marketing initiative.

You will now see Gulf products available across a lot of their petrol points. I think this is an opportunity for us to also get our brand more available and reach out to more consumers. The arrangements are definitely quite confidential in terms of what we do with various partnerships.

Probal Sen: No, I wasn't trying to get the exact number, sir, I wanted to understand the way it works. Do we have to pay a royalty to Nayara for every unit of products sold from their outlet or how does it work?

Ravi Chawla: That arrangement is actually confidential because we do have to give some margins and sharing between their outlets and, we also work together with Nayara for promotions.

Moderator: The next question is from the line of Kirtan Mehta from Baroda BNP Paribas Mutual Fund.

Kirtan Mehta: One question on the near-term volume outlook. Are we seeing uptick in the volume in the seasonally strong Q4? Would we be seeing a stronger growth than Q3 in Q4?

Manish Gangwal: Our objective has always been to grow 2x to 3x the market. Without being specific, we want to mention that we would like to continue our trajectory of 2x to 3x the market growth rate on an annual basis. Sometimes quarters could vary because of the seasonality in some of them, like our September quarter is usually a monsoon impacted quarter. But trajectory-wise, 2x to 3x growth is what we aim at on an annual basis.

Kirtan Mehta: In terms of the margin, would there be a bit of a sequential pullback in Q4 because of the rupee depreciation, and we are taking a calibrated sort of reduction in the discounts?

Manish Gangwal: Yes, it's a normal situation. We have to evaluate the margin management. As I highlighted earlier also, we keep a very close watch on the margins and of course, some extreme related adjustments are done, which actually results in an immediate impact and an immediate improvement in the realization. But MRP level changes take some time and we have to wait for that in terms of overall trajectory of rupee now.

The good thing is that crude is stable and has in fact come down from the recent highs. That should partly support the input cost in terms of overall impact, but yes, if rupee continues to behave the way it has, definitely pricing actions and/or scheme related adjustments will come in, which will neutralize part of the impact of this input cost increase.

Kirtan Mehta: Right, sir. One more question was about the base oil linkage to the crude. Has that linkage sort of broken out during the last year with base oil remaining more or less stable against the crude variation? Or has it continued as in the past?

Manish Gangwal: We have always maintained that if crude moves on a sustainable basis, that impacts base oil. The short-term movements in the crude are not impacting base oil immediately because there is a lag effect of 1 to 2 months on base oil. Within that, if the crude comes back, then the short-term impact doesn't really matter on the base oil side. The short-term volatility has been more, but the long-term crude over full year basis has remained quite stable, and that is why base oil has also remained quite stable for the year.

Kirtan Mehta: Sure, sir. Would you be able to give more colour between the sort of Group I, Group II, and Group III base oils, how the trend has been and drivers?

Manish Gangwal: That depends on the demand and supply and some of the refineries only make Group I base oil, some of the refiners only make Group II and they take a maintenance shut down for a longer period. Then the availability sometimes becomes short for a short-term period globally. Yes, there are challenges sometimes on the individual grades of base oil, but overall, I think on a larger horizon basis, everybody then follows crude over a longer period. If you plot a chart of base oil and crude for 5 years, you will find a lot of symmetry.

Kirtan Mehta: What would our consumption of Group II and Group III at this point?

Manish Gangwal: We have been one of the large consumers of Group II, Group III base oil because all of our premium grades, and long-drain products are based on Group II, Group III formulation, so yes, the proportion of Group II Group III base oil is quite high in our overall portfolio.

Kirtan Mehta: One more question probably on the base oil, do we also sort of get the annual rebates as well as the base oils where that can support our margin on a quarterly basis?

Manish Gangwal: We follow accrual basis of accounting. Whatever annual rebates are there, we accrue on a quarterly basis on a projected listing of the volume. We usually take it on every monthly quarterly basis in our accounting.

Moderator: The next question is from the line of Yogesh Patil from Dolat Capital.

Yogesh Patil: Congratulations for a good set of numbers. Indian refiners are expanding our capacities, and we hope we will also be building the base oil production capacity based on the market demand. Will it help us in terms of pricing to procure base oil from domestic refiners instead of import? And will that improve any gross margins in the long run?

Manish Gangwal: We currently even buy base oil from the local refiners. The proportion, of course, is slightly lower, but when these Indian national oil companies sell office base oil prices, they consider both global base oil prices and the rupee/dollar ratio. From that perspective, the overall pricing has always been based on the global considerations and rupee/dollar.

While we obviously wait for the capacities to come up, it can definitely help us in reducing our some of the working capital cycles because when it is imported, sometimes we need to store or place orders for 60-75 days in advance. But if it is locally available in sufficient requirement quantity, then some of the working capital cycles can improve. For pricing, of course, we will have to wait and see what they calibrate to.

Yogesh Patil: Sir if I'm not wrong, our transportation cost will also come down right? I just wanted to correct myself.

Manish Gangwal: when everyone announce their price lift now, they also factor in the global transportation, the sea freight and the landed cost alternative available to the buyers here and accordingly calculate their pricing, as I understand.

Yogesh Patil: Okay. Sir, my next question is on capital expenditure. If you could provide us more details on the capital expenditure plans for next year? Also if you could elaborate more on the details on the spending side or project wise?

Manish Gangwal: Our trajectory of capex has been around INR 30 crore annually. Going forward, we estimate to have a capex of around INR 30 crore to INR 40 crore. We are, of course, running our plants at around 100% capacity, and we have purchased some adjoining land near our Silvassa plant as well, which is connected to our plant, so we look for an expansion plan there as well.

Once some sort of crystallization happens there, we will obviously announce it to all of you, but at this stage, this is under discussion stage. Overall, the general capex will be in the range of around INR 30 crore to INR 40 crore.

Yogesh Patil: As you mentioned, our current capacities are running closer to 100% utilization level. Can we take it to 110%-120%? Or do we need to expand our capacity if the demand continues at the rate of double digit for the typical?

Manish Gangwal: When we announce our capacity, it is the blending capacity, which is on two shift basis. We can always do a third shift and manage the requirement for the next 1 to 2 years of growth by running extra shifts and obviously, we keep adding the other infrastructure and filling lines and that's where these capex goes annually. Overall, blending wise, we have sufficient capacity even for the next 2 to 3 years as well.

Yogesh Patil: Last one from my side sir. As you mentioned, the MCO volume growth was in double digit. Is it because of festival season merging in Q3? Or is there any reason as such for this good growth?

Ravi Chawla: The demand conditions will vary. It is also based on initiatives. Of course, we see different segments respond like agriculture is seasonal. It depends on how much is the tractor being used. Similarly, I would say there is no great predictability that it will go up because of festival season. But yes, the demand did go up. We had a lot of initiatives and overall, we saw good buoyancy for our products. It will vary and there is no real fixed kind of seasonability.

Also, as you know this year, you've seen elections, you have seen so many state and central elections. A lot of the projects got delayed, lot of movement was there. The cold weather, hot weather. A lot of factors, but there's no real evidence that because of the festivals the motorcycle demand will go up. It's more something you have to calibrate based on demand.

Monsoon season tends to be low for some segments because the usage is less. But otherwise, it has quite an active demand.

Moderator: The next question is from the line of Chirag Fialoke from RatnaTraya Capital.

Chirag Fialoke: I just wanted to understand for this quarter, the minor difference between stand-alone consolidated numbers are because of Tirex, right?

Ravi Chawla: Yes.

Chirag Fialoke: I think in the footnote, it feels like that Tirex this quarter probably broke even or is almost at a profit. Is that right? Or am I reading something wrong?

Manish Gangwal: No, you are right. So they were almost at EBITDA breakeven for the quarter.

Chirag Fialoke: They have reached it in this quarter, but our consolidated number is still lower than our stand-alone number.

Manish Gangwal: That is mainly because of the depreciation.

Chirag Fialoke: Understood. Fair enough, sir. The second question, just on the continuity of the previous participant. When we have the ability and if we were to run the third shift fully that would allow us to do almost 20%-30% more volumes than we are doing. Is that correct? Or is there a limitation there that we don't understand?

Manish Gangwal: We are already running some sort of a third shift for some days during the month. What we are trying to recalibrate is that we don't want to run all the plants at full third shift capacity around the year, so obviously, we will be looking at some sort of expansion, but that is not yet fully crystallized.

Ravi Chawla: As the product requirement goes up, there is filling lines, which go size-wise, there is a space required for packaging, there is other activities which have to be pipeline made. That's why we acquired some more land in Silvassa. Chennai, we have space as of now. Silvassa will be doing some things, as Manish mentioned, even on the capex once we are clear about the plans, because pack wise you have to create capacity, from drums to small packs.

Chirag Fialoke: Suppose you were to run the third shift on a regular basis, for first half of the month, every month or something like that, that doesn't incur any incremental onetime costs or anything, nothing that would sort of show up in the numbers in one quarter or something like that. That's not something that would be expected, right? Since it's just a continuation of the second shift. I'm just guessing if there is a hiring of more labour or something, which is involved, which involves onetime cost also.

Manish Gangwal: The number could not be any material to be discussed here.

Chirag Fialoke: Understood. Perfect. Thank You for the opportunity. Congratulations for a great set of numbers.

Moderator: The next question is from the line of Kirtan Mehta from Baroda BNP Paribas Mutual Fund.

Kirtan Mehta: In terms of the expansion at Silvassa that we are looking at, what kind of capex could be involved when we are looking at expansion of line and what kind of line size? Some broad colour in terms of what we are considering?

Manish Gangwal: as I mentioned, we are looking at the plans right now. Based on that, once we form the plans, we'll obviously come back and announce.

Kirtan Mehta: What's our current size at Silvassa?

Manish Gangwal: We have 90,000 kl capacity today in Silvassa plant, and Chennai plant is at 50,000 kl.

Kirtan Mehta: What's the typical module of addition when we are considering the addition?

Manish Gangwal: As I mentioned, we have not yet worked up the plan. So we'll have to really work out on the basis of the requirements and the pack-wise requirements as Ravi highlighted. Based on that, we'll have to do a really detailed exercise and then we'll be able to find out.

Moderator: The next question is from the line of Harsh Maru from Emkay Global.

Harsh Maru: My question actually relates to the battery segment. Could you share some bit of financial metric around the battery segment for the 3 Months and the 9 Months of this fiscal? Also, if you could talk about the localization initiatives that you were I think undertaking over there.

Manish Gangwal: Battery business, as we have been highlighting, is crossing around INR 20 crore quarterly revenues, INR 20 crore to INR 25 crore range and have turned EBITDA positive during the current year. They were earlier marginally negative, but now this year, they are at EBITDA positive. Overall we have been able to successfully localized one major SKU and working towards localization of more SKUs.

Harsh Maru: Right, Secondly, in terms of the additives. A couple of things. One, do you see the overall composition of additives in your total inputs increasing? And if you could throw some light on the pricing trends around additives?

Ravi Chawla: Normally, additives are 10% to 15% of the lubricant, so that varies, of course, on the quality of the additive and the percentage dosing. This is a raw material component in all the lubricants. Some products have lesser percentage. I think this is something, which is normally done. We also have a global procurement strategy for additives, which we do globally with all the 4 major additive suppliers.

That continues to be the part of the cost building. We also continue to work with additive companies for higher technology products and new products. Basically, the pricing is quite well set in terms of our global procurement.

Moderator: The next question is from the line of Pratik Dedhia an Individual Investor.

Pratik Dedhia: I wanted to check, you mentioned that you will be doubling your revenue over the previous year. Is that correct?

Manish Gangwal: We mentioned that we will be doubling our revenue for Tirex business, which is our DC fast charger subsidiary in that business, yes.

Pratik Dedhia: Okay. Got it. The other thing I wanted to check, how are you seeing the data centre business, what kind of volumes are you doing? Or what kind of traction are you getting there?

Ravi Chawla: In data centre as we have got our data, the total lubricant market today is at 2,900 million liters. If you take away processed oils in India it is around 2,000 million liters. If the entire data centers, which today are not under immersion cooling and are cooled with air cool, if we were to just take a simple assumption that everything gets converted, which will not happen. Given the potential that everything gets converted, it's very expensive to go into the immersion cooling. It's a new technology and

today, there's hardly any. If we take a very simplistic assumption and say that everything gets converted, our assumption of our Indian market is that this will require 14 million liters against the market side of 2,000 million liters, which is not even 1%. Now at the 1% level, we are getting our products ready. Globally, we have a product technology team. They are working on that. Once the products are ready in a few quarters, we'll be able to place it with some of the data centers who will go for immersion cooling.

With immersion cooling, now the chips are going to get much faster. The requirements of data is going to go very high so we will be in a position to do these trials and hopefully test this segment. It's a good segment globally. We are also definitely looking at it globally, but in India, the context is that how much will get converted. We will be in a state of readiness in a couple of quarters to be able to work in this segment, and hopefully, you will see a lot of large data centers coming.

There are certain cities in India, which are definitely gunning for this couple of cities all mentioned, so this is actually a futuristic product, which we are preparing for.

Pratik Dedhia: Okay. Fair enough. In terms of your margins, just checking historically, 13%-14% is kind of a peak margin that you achieved. How do you see traction going ahead? I don't want the guidance to it, but some ballpark or some guidance to it, will you be able to maintain or improve? How do you see that?

Manish Gangwal: As we mentioned, we continue to track 12%-14% EBITDA margin, which is our current guided band. In one of the previous questions, we mentioned that, –we obviously aspire to move to the higher trajectory over a period of next 2-3 years. Every 2-3 years, we would like to move to the higher band. The premiumization efforts, the Unlock 2.0 strategy theme, which we unveiled sometime last year, is on the go.

Every segment is looking for premiumization of the product and focusing more on selling better products, higher margin products, as Ravi highlighted earlier. With that, the trajectory is always to look for the higher bands, but it will not happen in 1 or 2 quarters. It will be over a period of 2 to 3 years, which is what we are aiming at, and also our strategy to continue to grow volumes towards the market remains, and that's where the operating leverage also keeps coming in and will also help us achieve that.

Moderator: The next question is from the line of Hardik from ICICI Securities.

Hardik: Have you taken any price hikes in this quarter or in this financial year and to what extent?

Manish Gangwal: We have already answered this in one of the previous questions, we are looking at the rupee depreciation and the impact on the input cost, while crude has come off the highs and it is positive overall to maintain some of the stability. Base oil impact has been minimal of the crude movement and base oil has been stable. We are not seeing any major changes in base oil as of now.

Rupee impacts the landed cost, and we will definitely look at margin management and recalibrate our pricing. Currently the entire rupee depreciation has accentuated in the last fortnight or so we would think. We are closely watching that and we'll definitely take some actions if required on the margin management.

Hardik: Yes. So it's not about the price hike that will be taken. I'm just asking have we taken any price hike in this financial year?

Manish Gangwal: If you recall, I think there was only one price increase Q1. Thereafter, there have been no price increases because rupee and base oil have been very stable.

Hardik: To what extent was it? 1%-2%?

Manish Gangwal: As we recall correctly at this moment, it was around 2% at that time.

Moderator: The next question is from the line of Nisha Mulchandani an Individual Investor.

Nisha Mulchandani: What is the amount of battery turnover in this quarter?

Manish Gangwal: Nisha, it was around INR 21 crore for the quarter to be very specific.

Nisha Mulchandani: Okay. Is there any increment into the export percentage? What is the range on the total revenue that we have exports in this quarter?

Manish Gangwal: Exports are growing well for us, but there they are still at single digit of our overall volumes.

Nisha Mulchandani: That would be a higher single digit like as mentioned in the last quarter's investor call?

Manish Gangwal: We will not be able to give that specific number Nisha.

Nisha Mulchandani: Okay. In terms of the subsidiary Tirex that we have, is there any major improvement into the next year that we see like we see that there is a 300% growth. So any major improvement that we can see into the next quarter as well or any major plans for that?

Manish Gangwal: You are talking about the quarter or for the next year, I'm not clear?

Nisha Mulchandani: For the next year, like given the kind of growth that we're showing, is there any substantial improvement that has been planned for the next year as well?

Manish Gangwal: Our aim for the Tirex business, which is a DC fast charger business, of course, depends on the EV penetration and the overall government impetus on the EV charging side of the infrastructure, but yes, we want to definitely take that at a rapid pace over the next few years in terms of our aspiration on the revenue side.

Moderator: As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Ravi Chawla: Thank you. Well, we'd like to, of course, thank everybody for being on the call. We tried to answer the questions to the best of our ability. Our outlook and focus remains on both strategically and also in terms of our executions to deliver consistent 2x to 3x of the market growth, which we anticipate about 3%. We continue our profitability band of 12% to 14%, and of course, volume-led growth, which is profitable in our core lubricant business is our focus.

While we also strengthened the EV charging segment to become a growing contributor to our vision, both in the medium and long term. Looking ahead, we are optimistic about the improving demand conditions that we are seeing both in B2B, B2C. We have definitely started seeing some early signs of demand recovery because it has been slightly challenging in the last few quarters.

As we see the announcement on the middle class income getting expanded, the uptick in government capex and infrastructure, this, of course, augurs well for our segment-wise growth. Our focus remains on strengthening our brand, enhancing the customer experience, increasing our conversion, empowering people obviously and to drive sustainable growth. We continue to do that, focusing also on our theme of Unlock 2.0, which is to accelerate, premiumize and transform.

We are investing a lot in digital, and hopefully, we are going to see a lot of good initiatives in terms. I'd like to also end by mentioning that we have declared a very good return to our shareholders in terms of an interim dividend of INR 20 per share, which is 1,000% on the face value of INR 2. I look forward to chatting with all of you in the next call. Thank you so much, all the best.

Moderator: Thank you. On behalf of Gulf Oil Lubricants India Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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