



Gulf Oil Lubricants India Limited

October 31, 2023

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Dear Sir/ Madam,

Sub.: Transcript for Q2 FY-24 Earnings Conference Call

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

We enclose herewith the transcript of the Q2 FY-24 Earnings Conference Call conducted on October 26, 2023.

This information will also be hosted on the Company's website, at the web link:
<https://india.gulfoilltd.com/investors/financials/transcript-conference-calls>

For Gulf Oil Lubricants India Limited

Shweta Gupta
Company Secretary & Compliance Officer

Encl.: as above

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HINDUJA GROUP



“Gulf Oil Lubricants India Limited
Q2 & H1 FY2024 Earnings Conference Call”

October 26, 2023



ANALYST: MR. SABRI HAZARIKA – EMKAY GLOBAL FINANCIAL SERVICES

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



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Moderator: Ladies and gentlemen, good day and welcome to the Gulf Oil Lubricants India Limited Q2 & H1 FY2024 earnings conference call hosted by Emkay Global Financial Services. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand over to Mr. Sabri Hazarika from Emkay Global Financial Services. Thank you and over to you Mr. Hazarika!

Sabri Hazarika: Thanks. Welcome good afternoon ladies and gentlemen on behalf of Emkay Global, I welcome you all to this conference call of Gulf Oil Lubricants India Limited Q2 & H1 FY2024 earnings. We are pleased to have the senior management of Gulf Oil led by Mr. Ravi Chawla – MD & CEO and Mr. Manish Kumar Gangwal – CFO. So today's session would be a brief on the results by the management and that would be followed by the question and answer round. So now I request Mr. Chawla for the opening remarks. Over to you Sir!

Ravi Chawla: Good day to everybody and welcome to the Q2 & H1FY24 call for Gulf Oil Lubricants India Limited. It is my pleasure to share with all of you that this quarter is indeed a milestone quarter for us where we have crossed INR 100 crore in terms of our EBITDA for the first time in the history of the company and we also have seen this quarter which is usually a July to September quarter is seasonally impacted quarter for the industry due to the rains across India and we do see a slowdown in the consumption of lubricants due to the vehicle movements, due to the monsoons, due to lower infrastructure projects. However, we have seen that for us the team has done a very good all round performance and the performance in terms of volumes growth, the revenue, the margins, and the profitability have enabled us to achieve this milestone of INR 100 crore EBITDA in a single quarter for the first time. Also happy to share that obviously the EBITDA is up 25% year on year and we have seen also quarter on quarter sequential increase. We have also seen the core lubricants volume for the quarter come in at 34,000 kl with a growth of 6.3% over last year, which indicates to us obviously the market is growing positively, which is in the region of the 2X to the industry growth. For us the double digit growth we have seen across many segments that we cater to the OEM franchisee workshop business is one where we have seen this double digit volume growth in the quarter. There has also been a similar growth in the B2B and infrastructure segments and as I mentioned earlier that despite this being a seasonally subdued quarter, we have achieved this growth. Our retail channel volumes also showed improved growth especially in the agri and motorcycle products coming back much



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stronger compared to the earlier quarter and personal mobility which has contributed 23% in this quarter versus the last quarter of 21%.

Would also like to add here that we have continued to invest in our brands in terms of our various IPs like suraksha bandhan both above the line, below the line and this has been also an additional investment that we are making for the last two quarters and in the periods before that. So that is investment in spite of that the profits have been delivered. Our volumes in terms of Adblue also remained very strong in this quarter. So in addition to the 34,000 kl we achieved in the core lubricants, we have achieved an Adblue volume of 30,000 kl and this is also helped us because obviously the distribution and the strength of our product and our OEM tie ups are helping us here also. This is really again a good growth that has happened and our capacity increase in the satellite plants have again helped us along with the ground level activations for Adblue, so all in all very good expansion of this product which is getting consumed. The advertising cost, obviously we have invested in Q2, we will continue to monitor our share of voice and look at our future brand investments. Also happy to share that we had a very good strategic partnership beginning with Kia for their franchisee workshop so through our relationships with S-Oil whose seven range we are making in the country since a few years and distributing it for them. We got an added sort of tie up through the S-Oil partnership that they have globally to get into the Kia workshop where again we have made a very good start. So happy to share these developments and clearly for us we have seen all around performance and there has been also very good margin management as Manish will talk a little more about those details. Distribution also has been a very good growth area for us and we have seen a double digit increase in our distribution both in urban and rural. So all in all, a very good quarter taking forward our strategies and our marketplace activations and overall as an organization, we have been able to deliver the INR 100 crore once again, which is a century as we have a lot of association with cricket. so it is indeed a proud moment for us to have this. I will now hand over to Manish to take you through the other things and of course many more business highlights both the financial and other key aspects. Over to you Manish.

Manish Gangwal:

Thanks Ravi. Good afternoon everyone. As Ravi mentioned, a very good quarter for us. Margins also tracked very well. We delivered 12.5% EBITDA margins as against 11.5% in the previous quarter, there is EBITDA margin improvement by 100 basis points. At the same time gross margins you must have noticed also improved by nearly 1.8% during Q2 over Q1 and over last year it is more than 400 basis point improvement in the gross margins as the input cost stabilized and we have been talking about it in our earlier calls that these are the periods as and when the input cost stabilizes after a certain spike globally, these are the opportunities for improvement of margins as we tend to retain some of the margins during the process. At the same time, all these resulted in the highest PAT ever in a quarter



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which is INR 73.6 crore a growth or surge of 41% over last year same quarter so again, a very good performance there. All this has also resulted in significant and continuous increase in cash flow generation.

You must have noticed from the cash flow that during H1 we have generated INR 140 crore from operating cash during the period and our cash on the balance sheet stands at nearly INR 720 crore gross cash as on 30th September, 2023. These are very positive signs for the business and a strong business performance and financial performance. We would now like to hand over for Q&A, please, thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Pritesh Chheda from Lucky Investments Managers. Please go ahead Sir.

Pritesh Chheda: Sir, apologies but I missed your comment on volumes. So if you could give your comment on the volume on Q2 and H1.

Manish Gangwal: So our core lubricants volume for Q2 has been 34,000 kl and 30,000 kl of Adblue, so overall it is 64,000 kl of volume during September quarter.

Pritesh Chheda: And what is the volume growth?

Manish Gangwal: Core lubricants have grown by nearly 6.3% and Adblue has grown significantly higher nearly 113% Y-o-Y basis.

Pritesh Chheda: So what is your total aggregate volume growth Sir?

Manish Gangwal: 64,000 kl of total volume versus 46,500 kl of volume in the previous year September quarter. The core lubricants has grown to 34,000 from the last quarter 32,000, so 6.3% growth in the core lubricants.

Pritesh Chheda: And your H1 total volume growth will be now standing at.

Manish Gangwal: This is nearly around 4.6% in core lubricants.

Pritesh Chheda: Okay. My other question is, Sir we were at a certain GM about four to five years back and the GM number is completely different now as I was listening to your past two calls, you were calling out that the margin in the business should be looked at about 13-14%. So why is the GP number still on the lower side.



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Manish Gangwal: I think we have explained it in the previous calls also that there was a significant increase in the input cost over the last 24 months period baring the September quarter, I would say partly June quarter up to 31st March, 2023 there has been significant increase in input cost and there have been continuous price increases we had to take.

We had taken almost five to six price increases in retail segment alone and that resulted in the increase in top line significantly, we grew our top line by 37% last year. On a plain calculation it will look lower as a GP because while we have been able to pass on per liter cost of input to the end consumers, as a percentage it will look lower because if your denominator and nominator goes up by the same amount obviously the percentage will look lower, that's is the reason primarily. On rupee terms per litre basis, we have been able to recover the entire increase in the input cost during those price increases.

Pritesh Chheda: Okay. Thank you very much, Sir.

Moderator: Thank you very much. The next question is from the line of Anik Mitra from Finomic. Please go ahead, Sir.

Anik Mitra: Sir my first question is what is the current trade of lube base oil and crude and what sort of impact we may see due to the current rise in the crude prices because last quarter you told like \$75 to \$85 is the comfort zone for the product. So currently it is hovering above \$85 for quite some time. So what sort of impact we may see going forward?

Manish Gangwal: See the base oil, which is our key raw material for lubricants, is linked to crude over a period of time. Of course the short term movements do not reflect in the base oil immediately, there is a lag effect of usually one to two months depending on various categories of base oil and demand / supply situation in each category. There are many permutation combinations here. It is not a very straightforward thing, but overall on a longer period if the crude sustains above a certain level, obviously the base oil will have a moment and then the pricing action and the margin management action starts at our end.

Anik Mitra: Okay Sir. What is the whole lube market share for Gulf Oil?

Ravi Chawla: Yes so overall, we are in the automotive industrial segment. We are not in the white oil and transformer oils, we have got a 7% plus market share overall and in the private sector, we believe we are in the second position and in certain segments like motorcycle and the diesel engine oils, we have 9% plus market share and in the other segments we have around 4% to 5% market share in the segments we are in. So that is our market share in terms of various segments.



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- Anik Mitra:** Okay Sir. Is there any addition in market share in last, let us say, one year?
- Ravi Chawla:** Yes so we have been growing 2 to 3X market consistently for over a decade now in fact more than 12-13 years. So if you look at our market share it is growing and last year in fact our financial year we grew 15% in our lubricants, so definitely there is increase in market share across our segments and we continue doing that.
- Anik Mitra:** Okay Sir last quarter you told 6% plus market share in the core lube segment.
- Ravi Chawla:** We said 6% to 7% because it is an estimate but it is towards that and certain segments as I told you it is 9% plus as per our data it is around 6% to 7%, right. I said 7% because some segments we are increasing our market share also.
- Anik Mitra:** Got it Sir and what is the OEM and retail contribution in your top line?
- Manish Gangwal:** If we talk of OEMs, there are actually various facets of OEM we deal with. We are dealing with factory fill for few OEMs where the first fill happens then there is a franchisee workshop for OEMS for dealerships where we supply and then there is an aftermarket relationships with many OEMs. So it is very difficult to give you exact number, but the factory fill business, which is the first fill business for us is less than 10% of our total volumes.
- Ravi Chawla:** So just to add, you see we have very strong partnerships with OEMs. We have more than 35-40 OEM's actively, we have OEM partnerships which have been with us since we started, more than 10-12 years ago we started adding OEM then that has gone on. So our OEM's market share differs based on OEM and as Manish said different segments, so clearly for us factory fill is as you said in that 10% that is there and we have also OEM business in franchisee workshops. we do for the aftermarket and also exports so these associations obviously mean that we sell the products in all these areas and it is a very good important segment for us and that continues to grow.
- Moderator:** The next question is from the line of Aman Soni, who is an individual investor. Please go ahead, Sir.
- Aman Soni:** So I have just have slightly one question only which is quite off topic. So since today morning there was a rumor going on about the company entering into the defense business. So just wanted to know your comments on that. So is there anything on that?



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- Manish Gangwal:** No, I think that is the announcement by our other company GOCL Corporation Limited. It is not connected to us. That is a separate listed entity, GOCL Corporation. I think you are mixing it between the two.
- Aman Soni:** Okay alright. No issues. That is all. Thank you.
- Moderator:** Thank you very much. The next question is from the line of S Ramesh from Nirmal Bang Equities. Please go ahead, Sir.
- S Ramesh:** Yes good evening and thank you very much and congratulations on your good result. So if I am looking at your mix of vehicles and the trajectory for growth, if you look at the next two years obviously there is traction in motorcycles perhaps in diesel vehicles and if you see the launch of SUV that could also be a good growth momentum. So in terms of the next two years, if you see the growth in the automobile sector how do you see that increasing your growth rate compared to what you have done this year so far, but the broader question is on that kind of growth expectation what happens to your business say the market like Delhi progressively converting to EVs for the aggregator market, which has been a bit of a concern, so from 2026 to 2030 the aggregator market is going to switch to EVs between 50% by 2026 and 100% by 2030. So how would that impact your volume growth in markets like Delhi, if that were to happen in other states, how would you address that challenge in terms of your own growth strategy in the coming years?
- Ravi Chawla:** Recently in July 26 there is an organization called Kline which does a market study of India and this actually looked at the factors that you are mentioning on the EV penetration and various categories. Based on that Kline kind of shared their analysis which is a very detailed analysis. We can send you a copy of the report if you contact us later. The lubricant market will continue to grow 3% in volume for the next 8 to 9 years, 10 years they have predicted even after the penetration across EV as you know they have estimated and also that is 3% in volume CAGR plus value growth of 6%. So you see without getting into too many details right things are happening. The buses are getting EV, three wheelers are getting into EV from two wheelers and car penetration is happening. We are very focused that given our brand, our distribution, our segment wise approach and our strengths, we will continue looking at two to three times the market growth rate in terms of our volumes. Of course, there are some segments where our market share is below 5% where we think we can grow better plus there are certain segments where certainly we are building strengths like industrial, B2B and we have strong OEM partnerships. Automotive and what we call the retail growth we have a very strong brand we are amongst the top two brands we believe in our service. We want to build our distribution touch points, which will again go into segments both urban and rural, we are pretty focused on that and we see that our growth



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trajectory will continue as a 2 to 3X market growth rate with a very strong model. It would continue for the next decade but definitely in next three to four years, we want to increase our distribution very rapidly. In fact, we want to increase distribution much faster than what we think the volume will because more touch points means better availability and that is our focus.

So a lot of the brand investments go into continuing building our brand and also actively doing brand building at the grass root level both in terms of the influencers, the retailers and of course making sure the reach to our distributor network is optimum and segment wise we look at lot of the gaps that are there in various regions because every region has a different set strength for us. So there is ample scope for growth and we are focused on doing that.

S Ramesh:

Thank you. So the next question is you have announced the JV for high power EV charging stations. So can you give us some color in terms of what is the investment, what is the revenue you can expect per charging unit or station and how do you see that being scaled up and over a period of time what is the kind of share of revenue and profits you can expect to earn from that business?

Manish Gangwal:

So you see this is a company called Tirex Transmission and on 27th August, the board announced acquisition of 51% shareholding in Tirex Transmission. They are a DC fast charger manufacturing company and the total consideration is Rs. 103 crore approximately. We expect to complete this transaction within October itself so in next one week all condition precedents are being complied as we speak. The company is as you rightly said it is into DC fast charging primarily and they currently have more than 500 installations of such DC fast chargers across India and it has nearly 8 to 10% market share today and it is a very interesting opportunity because as the EV numbers and population grows over a period of time, especially in certain segments like buses and all, they all will require fast chargers and it is expected that the opportunity of fast chargers in India will be nearly \$1 billion to \$1.4 billion by 2030. So if the company Tirex continues to maintain its market share, you can do the math in terms of the top line and the expectation from this initiative for us. Together with this, we have earlier mentioned also that we also have a product range through our investment in Indra Technology UK on AC slow chargers as well as the software company called Electeeefi for the software as a service for electric chargers. Overall we have complete gamut of chargers related, slow and fast chargers all in our portfolio and definitely it should be a significant revenue contributor when the sufficient number of EVs are there on the ground, but it is an initiative which is to play the EV value chain.

S Ramesh:

Okay thank you very much and have a good day.



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

Hemal: Hello, Sir. Thank you for the opportunity and congratulations on very good numbers. Just I have two different set of questions.

First, this is the basics, if you can just give the advertising, battery and the working capital cycle would appreciate it.

Manish Gangwal: We have continued our advertisement in this quarter to maintain the share of voice and the expenditure is similar to the previous quarters in terms of percentage what we mentioned earlier, so this has been again good investment into the brand building this quarter as well.

Hemal: Sorry how much is the amount. I do not have it, what was the percentage.

Manish Gangwal: So roughly it is around 3.5% is what we have spent this quarter and coming to your second question, working capital I think in the last call we were at around 105 days of gross working capital that has gone up slightly to around 110 to 112 days and we have also obviously released the balance sheet being the half year ended. There is some increase in the working capital because of the liquidity situation in the market and some built up in the inventory of base oil and finished goods. So overall these are the two questions sorry what was your third question?

Hemal: Battery revenue.

Manish Gangwal: The battery revenue was roughly around INR 20 crore for the quarter.

Hemal: Like now since you explained partially you have invested into AC, DC batteries and we have a software I have one suggestion and one clarification required. One suggestion is would you be sharing what are your plans in the next one to two years. We got that 2030 this is the expectation but since you have bought something substantial now and it is a part of your subsidiary what are the current sale. What do you expect for this year? What are the plans for next year? Is there anything that you can share with us that we are aware of what is happening in these businesses and how it is going to be used in the next one year, two year with Gulf Oil supporting distribution touch points or wherever it is? Do you have anything that you can share with us?

Manish Gangwal: While this is a very nascent industry as of now, what we have tried to do is that we have tried to complete the portfolio around EV chargers. So this is not about battery. We are mostly into manufacturing of chargers both AC and DC chargers. The company Tirex



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which we are talking about and we are going to acquire, they had a turnover of around INR 13-14 crore last year and they have more than 500 installations successfully running at various places and various locations across India. It is a very promising segment because there is a lot of push from government also to create a charging infrastructure across India because that is the one of the trigger point for EVs to have a meaningful number on the road. This is a very exciting segment. The company has a pipeline of discussions with many bus OEMs. The target segments are primarily four, bus OEMs, PSUs, retail segment where shopping malls or offices may install fast charges so these are some of the prime target areas for company and they are in touch with all the stakeholders and we at Gulf Oil will help them because of our relationship with OEMs as well as our retail distribution channel, B2B customer and OEM links. We will be supporting them in their growth journey and obviously currently the founders are having balance 49% and they will be pushing it to take it to the next level with the support of Gulf Oil.

Hemal: So this product generally the EBITDA margins are in the range of 20 percent plus or they are lower than that or how does it work?

Manish Gangwal: You see on a on a decent number of chargers what we can say at this stage is that it will be EBITDA margin accretive to Gulf current business or current EBITDA margins, it will not be margin dilutive.

Hemal: Okay and when you say growth generally this is like 3X like it is large growth 3X, 4X, 5X yearly growth is that how you are imagining or does it go a little bit more slower than that, like do you see FY2026 or FY2025 where you see meaningful contribution to your revenue.

Manish Gangwal: I think we have already highlighted in one of the interactions that in five years time this company Tirex can have a INR 500 crore plus business.

Hemal: Yes, I did hear that on CNBC they did mention that.

Ravi Chawla: This is a growing market with four segments so that is the kind of potential with that 7%, 8%, 10% market share what we mentioned but we have to see how it evolves also in the market

Manish Gangwal: Plus in addition there is an export potential which this company can have and once the company apply for all the certifications for Europe and US then the potential is even bigger.

Moderator: Thank you very much. The next question is from the line of Arpit Shah from Stallion Asset. Please go ahead Sir.



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Arpit Shah: Just wanted to understand a little bit on Adblue volumes. So what is our current market share in this market and what percentage of our sales comes from related products in Adblue volumes?

Ravi Chawla: Mr. Shah this is a product which obviously we are manufacturing and getting manufactured in our own plants and satellite plants. There are number of manufacturers of this. We believe that kind of product that we have put in the market would take us definitely in kind of top three, top five kind of organized players but data again is getting organized in this sector and definitely for us we are looking at the quality product and we wanted to use our distribution and customer base. It is a product which is used for the BSVI vehicles and some BSIV vehicles based on the diesel consumption and whatever diesel consumption is happening in these vehicles, roughly about 4% is the consumption if everybody is using Adblue that will happen so it is a very good growth market. I would say for us it is an add-on supplementary product and we can leverage our brand distribution and we are amongst the top players in terms of this product in India today.

Arpit Shah: Okay so has it by any chance cannibalize the core volumes?

Ravi Chawla: No it is a different product completely. It is an add-on product for the diesel engines

Arpit Shah: And what kind of margin do we make on this product?

Ravi Chawla: We mentioned to you it is a single digit margin.

Arpit Shah: Single digit EBITDA margin, right?

Ravi Chawla: Yes.

Arpit Shah: And on the core lube volume what kind of volume do you envisage let us say in the next two or three years, right now it is around 6%.

Ravi Chawla: In core lubricants.

Arpit Shah: Yes.

Ravi Chawla: We have said if the market is growing at 3% we would definitely look at 2 to 3X of that in terms of our volumes.

Arpit Shah: Any plans to bring margins of Adblue product to the core lube products from margins back to that kind of...



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- Ravi Chawla:** We have to be competitive, right. We have to maintain competitiveness in this product and it is also consumable product. It gets consumed. It needs to have very strong distribution. It is a very high grade of water with automotive urea and of course a certain quality parameters it has to be available at the spot at a convenient location and transportation needs to be minimized otherwise you would be paying a lot of freight cost.
- Arpit Shah:** Anyway you can expand margin in this product?
- Ravi Chawla:** We have to be competitive so it is obvious that it is definitely a supplementary product as I keep saying.
- Arpit Shah:** Got it. Thank you so much.
- Moderator:** Thank you very much. The next question is from the line of Aditya Sen from Robo Capital. Please go ahead, Sir.
- Aditya Sen:** Hi, thank you for the opportunity and congratulations on good set of numbers. Can you please give me realization of both Adblue and core lube in this quarter?
- Manish Gangwal:** So usually we do not share per liter realization. You have the revenue on a total basis and the volumes we have already shared.
- Aditya Sen:** Okay and if you can share the capacity utilization at company level that we have.
- Manish Gangwal:** In this quarter again we are close to 95% to 100% utilization in both our plants and in fact Chennai plant is also touching near 100% capacity utilization but this is on two shift basis. We can always run a third shift and increase the production.
- Aditya Sen:** Thank you. That is all.
- Moderator:** Thank you very much. The next question is from the line of Anik Mitra from Finomic. Please go ahead, Sir.
- Anik Mitra:** Sir my question is what is two wheelers and four wheelers ratio in your top line?
- Manish Gangwal:** The product mix as it goes 23% is personal mobility, that is motorcycle and car put together in this quarter. It varies between 21 to 23% depending on the quarter and the demand in other segments. This quarter has been 23%.
- Anik Mitra:** So 23% is two wheelers and passenger vehicles together.



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- Manish Gangwal:** Yes.
- Anik Mitra:** Okay and what is the share of commercial vehicle.
- Manish Gangwal:** In this quarter it is again 38%, but it is again between 38 to 41% or 42% depending on quarter to quarter and depending on whether there is a seasonal rain because in the monsoon quarter, usually the diesel engine oil consumption will go down like it has happened in this quarter also in September quarter, roughly 38 to 42% is the range there and personal mobility as I mentioned between 20 to 23%.
- Anik Mitra:** Fair enough, Sir. This S-Oil that is the Kia India dealer network what you referred about so when we can see some revenue addition from this particular segment or let us say this particular collaboration.
- Ravi Chawla:** You see with the OEMs, you have to do a lot of work on the product technology and you have to make sure your product is accepted in the vehicle. These are years and years of efforts which happens and then the franchisee workshops which actually happens we are now one of the suppliers there and we have already started selling this in last three months already there is a volume that we are getting from this but we would at this stage not like to reveal because it is a business building process but what we can assure you is that we have been very successful with all OEMs as I mentioned to you, 35-40 OEMs and we have a good share with them. We will continue working in that direction. The shares have already started coming in.
- Anik Mitra:** So like is it for Kia India.
- Ravi Chawla:** This is for Kia India in their service workshops, what we call franchisee workshops where the vehicle goes for servicing after you buy the vehicle from the OEM?
- Anik Mitra:** Got it. Thank you. That was from my side.
- Moderator:** Thank you very much. The next question is from the line of Esha Mulchandani who is an individual investor. Please go ahead.
- Esha Mulchandani:** Thanks for the opportunity. Sir I would like to know what has been the major component for the other expenses increases in this quarter?
- Manish Gangwal:** See, one of the primary reason is freight because as we increased the Adblue volumes, the freight goes up so that is one of the key reason I would say and we have mentioned in one of the earlier questions that advertisement cost has been also higher in this quarter so these



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two are primary reasons plus if you do more OEM sales, there is OEM royalty link so I would say three components primarily.

Esha Mulchandani: Okay thank you and how has been the export as an overall percentage of the turnover in this quarter, has it changed? What is the range of that?

Manish Gangwal: Typically this is in the range of 5-7% for us. So it is in that range only.

Esha Mulchandani: Okay and Sir last thing on the press release, I think you have mentioned something that the margins have been improved on account of better product mix so can you please elaborate a bit more on that? What has been the mix that has driven these margins and in specific segments or something?

Ravi Chawla: Yes it is across segments so what we do is in each of the segments whether it is retail or others, there are products where range selling comes in, the synthetic grades come in and definitely that if you look at even the segments personal mobility as Manish mentioned that has gone up to 23%. So within the category mix and within each segment we have various products which are giving us better margins. It is a complete exercise which is our focus and that is one way to manage the margin so clearly for us that is the focus.

Esha Mulchandani: Okay Sir thank you so much.

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

Hemal: Thank you again. Sorry I just had one clarification. So let me ask you reverse like when you say this new subsidiary JV that you have done. Is there an expectation by when you reach INR 100 crore revenue in that subsidiary like in next year, two years, is there a viewpoint that you have on it?

Manish Gangwal: This is too early to comment on an industry which is at a nascent stage. We have to really see how is the penetration, how is the government spending on this sector but as we mentioned the target is eventually to retain our growth by 8% to 10% market share in this industry, it is very difficult to give milestones at this moment as to when we can achieve INR 100 crore and then again INR 200 crore.

Hemal: Do we see ourselves doing more such acquisitions in the future as part of our EV strategy?

Manish Gangwal: We keep evaluating the space in the EV segment, for sure and we have already done three investments in this segment and obviously we keep looking at investments. We see that



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there will be a point when the vehicle park of EVs will be reasonable enough to cater to that segment because of our three strengths, as we mentioned, brand, our distribution and relationship with OEMs and B2B customers. We continue to look at many opportunities in this space. As soon as we have something concrete, we will definitely share.

Hemal: But you do not think we have overpaid for this acquisition because it is INR 14 crore sales and INR 200 crore. I mean I am doing some math here. It is like 14-15 times sales. So is that expensive, is that like not expensive or relative to what we have seen in the market otherwise?

Manish Gangwal: This is a combination of primary and secondary, we have mentioned that also earlier in our calls that there is a large primary component out of this consideration and the valuation to that extent is what you are talking is post money whereas the pre money valuation is lower and we would not like to comment specifically on whether it was expensive or not because we have done our due diligence and we believe that it is a good fit to our future plans.

Hemal: Okay thank you for the answer.

Moderator: Thank you very much. The next question is from S Ramesh from Nirmal Bang Equities. Please go ahead, Sir.

S Ramesh: Thank you once again. So if you look at the auto sector, there is some inventory buildup, particularly with Maruti because they have been ramping up production. So is there a possibility of a slowdown, say in the next couple of quarters as the automobile industry adjusts itself to clearing out the inventory. So how do you see that going forward and secondly in terms of sustainability and progress towards scope one scope two emissions, how are you seeing the progress over the next one or two years?

Manish Gangwal: For a lubricant industry player like us factory fill business, which is directly linked to the new vehicle sale, whether it is car or trucks or two wheeler as I mentioned in one of the previous questions that our factory fill exposure is less than 10% of our total volumes and that to primarily with one or two OEMs and hence it is not a direct impact of inventory corrections by the vehicle OEMs etc on our business. Our business is more linked to the vehicle running on the ground, the activity happening, the GDP moving up and if there is more running of the vehicle, more cement and steel being carried, manufacturing activity happening, infrastructure activity happening that is where lubricant is consumed on the replacement basis. We are not impacted on a monthly sale of vehicles etc on a direct basis to that extent.



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Ravi Chawla: Just to add, there may be a percentage 2% kind of impact if one of the OEMs or some of the OEMs cut down and most of it as Manish rightly said is to do with activity, use of vehicles, even movement of people. More people move on bikes, on cars, more tractors are used, the activity both in terms of the industry activity, the transportation activity, even transportation of people, the trucks or goods, all this is where large part of the replacement lubricants come to play and of course industries who we supplied.

Manish Gangwal: And in fact Q3 and Q4 are usually better quarters for the industry because after the monsoon season and festival season starts and there is a lot of movement linked to those also, usually the December quarters and the March quarters being the year end quarters are good quarters for the company.

S Ramesh: And on your efforts in the area of sustainability and scope one scope two emission anything you can share?

Ravi Chawla: We are working on that in terms of solar energy in all our plants. We are working on reducing those. We are part of listed companies. We are reporting. Globally also we are active in this area. Surely these are areas of focus for us.

Manish Gangwal: You can refer to our BRSR report which we have published as a part of annual report where you will get a lot of insight into what we have done and what we are pursuing further.

S Ramesh: So is there any additional cost involved which will impact your margins as you go along in terms of your efforts in sustainability.

Manish Gangwal: We do not foresee as of now.

S Ramesh: Okay thank you very much.

Moderator: The next question is from the line of Nitin from Phillip Capital. Please go ahead.

Nitin: Hi Sir, good evening. Thanks for the opportunity. Sir, my question is related to the position of Tirex so I just want to understand that how does the business of Tirex compare with business of Indra Renewable and if you can help us understand the three business models and also the kind of basically similarity or synergy if there is any significance between these three businesses that is the first question and secondly if you can, just as a reminder summarize for us that what we have sort of paid for Indra Renewable and ElectreeFi in the past and what their revenues are on an annual basis and similarly for Tirex as well.



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Ravi Chawla:

Nitin I will try to explain so Indra Renewable is making car chargers which are slow chargers. They make smart charges. In Europe they are supplying and they are into slow car chargers and definitely they are doing well. We have also tested the charger in India to see how we can bring it in so that is the slow car charger in which we are working on based on their inputs. ElectreeFi as you know is a software as a service company. They make software for all kinds of connectivities on EV. They work with car OEMs with charging infrastructure, so they are a software as a service company all kinds of software involved in EV. They are progressing on that and Tirex is a DC charger manufacturer which now specialized in DC chargers which go into fast charging. These are three of the businesses which are there. I think Manish explained on the segments for Tirex etc so these are the three and there is interconnectivity. There is also Gulf having our brand distribution and our customer base so we always want to bring this play together, but importantly what their strengths are, we want to develop and grow with that in those segments so work is on there and I think Manish explained that we have invested 51% in Tirex which is INR 103 crore if I remember the figure and in the case of Indra both our parent company Gulf Oil International and we have invested so Manish can probably share the figures and we have not consolidated, but we have given some figures on that and we have also made an investment of 26% stake in ElectreeFi.

Manish Gangwal:

Basically for Indra we invested roughly around INR 30 crore and you will recall in December 2022, they had raised further rounds and that is where we had an OCI based on next rounds of valuation of around INR 35-37 crore so that is the investment of around INR 30 crore in Indra on original basis another INR 15 crore odd we invested in ElectreeFi, the name of the company is TechPerspect with ElectreeFi brand and this INR 103 crore so roughly INR 154 crore so we have invested in EV, EV related area from India balance sheet. As far as stakes are concerned I think 51% in Tirex, roughly 7.5% on diluted basis in Indra Technology and 26% in ElectreeFi is our current stake.

Nitin:

Great Sir that is very helpful. So in revenue terms like you mentioned revenue for Tirex at about INR 13-14 crore annually, right. So can we have similar figure for Indra and ElectreeFi as well.

Manish Gangwal:

Indra being a minority stake, we will not be able to give you the revenue numbers. We can say that they are doing very well in the terms of the UK market growth. They have more than 20,000 installations for chargers already across UK and Europe market and ElectreeFi we consolidate the numbers so INR 5 crore was roughly last year's gross turnover for FY2023 and current year six month is around INR 2 crore or INR 2.5 crore, usually for ElectreeFi H2 is better than H1 because of a lot of orders fructifying in that period.



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Nitin: Understood that is very helpful. So I mean can we conclude that given that we have now invested in a slow charger business as well as fast charger and also the software service provider which in a way sort of completes the spectrum of investment in the EV charging technology or we would be looking at more investments going ahead.

Manish Gangwal: As far as the charging manufacturing is concerned, I think we have the full slate now and we have to start putting our efforts on localizing some of the things and also bringing Indra chargers to India for Indian market, which we had earlier spoken about so these are going to be our efforts but beyond chargers there are many opportunities in EV including like battery swapping etc which we keep evaluating but if there is something concrete definitely we will come back and share.

Nitin: Sure. Thank you so much that should be all from my end. Have a good day.

Moderator: Thank you very much. The next, the next question from the line on Nirav Savai from Abakkus. Please go ahead.

Nirav Savai: Yes Sir. Thanks for the opportunity. Sir just wanted more understanding on this Tirex transmission. Now we said that we are aspiring to reach revenue of almost about INR 500 crore potentially in next 4-5 years. So what is the revenue model and we how do we see this scaling up and what is the government subsidy part in this part of the business?

Manish Gangwal: This is an outright sale of charges, this is not a CPO sort of a business where it is linked to utilization etc. What they do is they supply to these government PSUs or to bus OEMs or to retail and other customers so they are into make and sale type of a model. It is not actually sort of linked to utilization or anything so it is more buy and sell or rather make and sell.

Nirav Savai: So we are saying we have about 500 charging stations as of now in India so that is what we have sold it or we operate those charging stations.

Ravi Chawla: Tirex makes the charger and sells it and obviously it provides some maintenance for the quality and all and this is an outright sale plus the budgets that we are seeing allocated across various if you take the petrol stations and of course other things are there so as it develops obviously this will help to position products more in the growing segments and we mentioned India and we have also potential overseas once we get the certifications.

Nirav Savai: So this largely dependent on government plans in terms of expansion of EV and all.

Ravi Chawla: It depends on how the infrastructure for charging network is going to develop. There are four segments one is PSU as Manish mentioned electricity boards, petrol stations, then there



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is the retail if you take the fast charging that is happening, the buses that are selling in the depots that requires chargers and then you have even infrastructure where you require fast charging whether it is residential or it is other locations so these are four segments clearly identified.

Manish Gangwal: Just to give you further idea for example if you take electric bus segment every three to four buses will require one such fast charger if they want to operate during certain number of hours during the day and government recently came out with some 15,000 new E buses to be awarded as a contract term through various SKUs and all so the potential is going to be significant in certain categories in terms of demand for such fast chargers.

Nirav Savai: Currently are there competition from India or it is chargers which are imported to India.

Manish Gangwal: No there are few players in India as well.

Nirav Savai: Okay so these are all government tenders and we will be bidding.

Ravi Chawla: As we said Tires is targeting 8 to 10% market share which they already have, close to that.

Manish Gangwal: Plus also many of the government PSU national oil companies are also trying to put chargers at their fuel station so government has mandated that also in addition to these bus OEMs there will be public charging through these fuel stations etc so there is a lot of activity going around that as well.

Nirav Savai: Right. Got it Sir. That is it from my side.

Moderator: Thank you very much. As there are no further questions from the participant. I now hand the conference over to the management for closing comments.

Ravi Chawla: Thank you. Well Q2 has been a good quarter for us and we have grown 2X the industry growth at 6.3% percent and also H1 we have seen positive growth well in line with what our plans were and we have also seen Q2 has been good stability in cost and pricing that has also helped and mix has helped for sequential improvement in gross margins and definitely we are working towards a guided brand as we continue to make investments in our brand. We are confident that we will continue this market leading growth and of course gaining market share with continuous focus on margin management in view of the recent and ongoing I would say lot of developments but definitely geopolitical developments so while we invest in the brand we want to continue to be in this 12-14% margin level and definitely the brand investments will help us in our retail segment to grow where we are focusing a lot on our distribution both in urban and rural also in the car stops and bike stops which are



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garage independent workshops, OEM where we have been doing very well, we continue to have a strength and growing with OEM in various facets as we know there is a lot of new vehicles which we get into the extended warranty period, so right across segments and we are present in a lot of OEMs right across the automotive whether there are two wheeler, OEM, three wheeler OEMs, tractor, commercial vehicle, car OEM. Adblue will continue to be an area which is giving us supplementary benefits and we will focus on continuing our market growth in the stronger product segments that we are there and also where we see potential where we have less than 5% market share like industrial and passenger cars. Also I would like to add here in the outlook that there are series of new products which both deliver value and high quality and moving towards premium products so both these are there and we have introduced some of these and some of them are going to be introduced in the quarter that is coming ahead so the focus is to obviously grow market share with the help of these also. So I think all in all, we as a team focused on that and we look forward to having you with us in the next call and thank you for your support.

Moderator:

Thank you very much. On behalf of Emkay Global Financial Services that concludes this conference. Thank you for joining us and you may now disconnect your lines.