Gulf Oil Lubricants India Limited

February 12, 2024

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Dear Sir/ Madam,

Sub.: Transcript for Q3 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 Q3 FY-24 Earnings Conference Call conducted on February 6, 2024.

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

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“Gulf Oil Lubricants India Limited
Q3 & 9MFY24 Earnings Conference Call”
February 06, 2024

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

MODERATOR: **MR. SABRI HAZARIKA - EMKAY GLOBAL FINANCIAL**

Moderator: Ladies and gentlemen, good day, and welcome to the Gulf Oil Lubricants India Limited Q3 & 9M FY24 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 after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sabri Hazarika from Emkay Global Financial Services. Thank you, and over to you, sir.

Sabri Hazarika: Thank you, Aditya. So on behalf of Emkay Global, I am pleased to welcome you all to the Q3 & 9MFY24 earnings conference call of Gulf Oil Lubricants India Limited. The company is represented by top management, Mr. Ravi Chawla, MD and CEO; and Mr. Manish Kumar Gangwal, CFO.

Today's session would be a brief on the results followed by the question and answer round. So without any further delay, now I would like to hand it over to Mr. Chawla. Over to you, sir.

Ravi Chawla: Thank you, Sabri. Good afternoon, and good evening, ladies and gentlemen. Welcome to the Q3 & 9MFY24 earnings call for Gulf Oil Lubricants India Limited. I'm happy to share with you that this quarter again, we have continued the positive momentum to achieve a 29% growth in PAT and also the milestone for us is the highest ever EBITDA of INR 111 crore.

As we say in cricket, these are back-to-back centuries, last quarter also we had crossed INR 100 crore, and we are very happy to add one more, registered INR 111 crore EBITDA for this quarter. Sequentially, also, we have improved our margins despite increased A&P investments, which have been quite good in this quarter.We're happy to do that. And of course, when you look at the whole milestone we reached the team and, of course, our trade partners and all the other customers really delivered an excellent December quarter and further strengthening our position in nine months. and our nine months performance is ahead of the industry in terms of most of the key parameters, which is from April to December.

Again, reinforcing our dedication to continuous growth and operational excellence. The success that we've had, obviously, spans across various categories we've looked at our robust distribution, brand initiatives and our focus remains on the strategic sustainable and profitable growth across our portfolio.

We also, as I mentioned, you saw a significant elevation in Ad investments with the activations like India Bike Week, we have participated in the CII Exxon exhibition, into TVC's new campaigns with our brand ambassadors. Obviously, to amplify our brand awareness, there was an increased market share. So really happy that all this has happened.

Our core lubes volume growth for the quarter, was 36,000 kl with a 5.8% growth over last year quarter, which is 2x of the industry and we saw good double-digit growth in Infra, B2B segments. We also saw retail volume channel showing growth in agriculture and motorcycle products with double-digit growth. I think all this helped us to achieve a good quarter. Our product mix also we focused on premiumization and profitable business in segments like OEM industrial B2B.

Moderator: Sorry to interrupt, sir. Your voice is not clear, sir. Can you -- it's muffled.

Ravi Chawla: Is this better now? Is this better?

Moderator: Yes, sir. Yes, sir, better.

Ravi Chawla: Okay. So we focused also on, obviously, the core lube volume for the quarter was 36,000 kl with a growth of 5.8% over last year, which is 2x of the industry and mainly due to double-digit growth in Infra, B2B segments and agri and motorcycle products. Our product mix also we focused on premiumization and profitable business in segments like OEM industrial B2B.

We have seen demand for high-quality products, but also looking at the value range, which has also been well for us. New customer acquisitions in infrastructure, and we've seen, again, channel retail that passenger car also picked up along with agri and all this has helped us and the B2B segment, has given us very good growth. OEM, delivered good focused growth.

Overall, I think a very good quarter. Just to talk a bit about India Bike Week. India Bike Week is targeting premium bike owners and we have a brand called Gulf Syntrac which is one of our key brands, which is going to help us to grow.We introduced the page called Ride With Gulf where we have seen our engagement on social media with all these passionate motorcycle riding communities is doing very well. We've had rides across 20 cities called Chai Pakora rides.

Definitely, all this is going well for our growth. In addition to this, I'd like to mention on sustainability, we've enhanced our solar power capacity in both the plants, and we're looking at further enhancement there in order to create sustainable packaging solutions. In our CII exhibition Excon, we focused on our innovative products like bio degradable hydraulic oils.

We also went to showcase our EV charging solutions, which we have invested in a company called Tirex DC Chargers and ElectreeFi so this also got a lot of attention. I think this has been a good quarter. I now hand over to Manish to cover some of the other highlights of the company and of the finances. Over to you, Manish.

Manish Gangwal: Thanks, Ravi. Good afternoon, everyone. As Ravi mentioned, this has been one more good quarter for us on all parameters. Our growth momentum continued what was picked up in September quarter. This quarter has been the highest ever revenue of INR 817 crore, highest ever EBITDA of INR 111 crore and highest ever PAT of nearly INR 80.75 crore and quarterly EPS of INR16.46, this is an all-time high quarter in terms of PAT and EPS.

At the same time, the margin management has been the key focus for the company, and we have seen the result of that. Our gross margins have improved by nearly 5.6% on a Y-o-Y basis over last year December quarter, and that's a significant improvement of 5.6%. A part it, we have invested back like our A&P, we have invested more in the brand during the quarter by nearly one percentage point, and we have been able to improve our EBITDA also by nearly 200 basis points on a Y-o-Y basis.

In this quarter, considering that the performance has been good, the Board was confident enough to announce an interim dividend of INR 16 per share, which is 800% of the face value of INR 2 and obviously, on the back of last year INR 25 was the full year dividend.

We continue to maintain a healthy cash balance. As on 31 December, 2023 we continue to carry gross cash close to INR 700 crore of cash and net cash is nearly INR 320 crore. This is after the payment of final dividend in October and investment in Tirex, which is INR102 crore, as you all know.

So overall, in spite of these investments and routine capex, we have been able to continue to maintain a healthy cash balance and generate overall good cash from the operations. We have also during the quarter on 30th of October, completed the Tirex acquisition this is a strategic move in the EV charging segment with Indra Technology for slow chargers and Tirex for fast chargers.

Overall, we see that this business segment will continue to be contributing substantially in the coming years as the market we see will keep maturing on the EV side over a period of time. These investments are in the line of future businesses. Overall, on all trends, I would say, a healthy quarter, a strong quarter from us, and we would be happy to take questions now. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. Our first question is from the line of Probal Sen from ICICI Securities.

Probal Sen: Congratulations on a strong set of numbers. First question that I had -- am I audible, sir?

Manish Gangwal: Yes, your voice is slightly breaking, but – please go on…

Probal Sen: I will try to be louder. Sir, first question, if I look at your EBITDA margins, you did mention about the improvement that has happened. Just wanted to understand our EBITDA margins have now hit a seven-quarter high from what I can see, of 13.6%. I think the last time they exceeded 13% was way back in Q4FY22.

So one, if you can kindly sort of give some broad factors on what has driven this margin improvement? And what sort of guidance should we take from this for maybe the next couple of years in terms of how this margin will actually be? That was my first question.

Manish Gangwal: Yes. So thank you, Mr. Sen. Basically, as you have rightly picked up 13.6% EBITDA margin for the quarter is the highest among the last many quarters and we have been guiding about it that we are going to see sequential improvement in margins as we move forward, and that has been our guidance for the last two, three quarters, and we have been trying to deliver that.

Key factors I would say is that there has been a stable input cost. And a year ago, you will all remember, that there had been an inflationary environment across categories and especially in the lubricant sector, where base oil had rallied significantly on the back of crude rally and at the same time, other input costs like additives, etcetera, have also increased.

We had to pass on significant cost increases to the end consumer customers, and that has resulted in a significant increase in the top line.We have been also mentioning that whenever there is a stability in the input cost which comes back, typically then some margin retention happens and we have to pass on some of the cost improvement back to the customer for the benefit of them but in the process, there is some retention which happens so that has been one reason.

We have been continuously also working on product mix improvement and premium products, high-margin products, synthetic products which has been our continuous focus. All the business segments within the company have been prioritizing or pushing in terms of improvement in the product mix that's also one of the key factor or driving factor.

Third, of course, is also the operating leverage, as we keep growing our top line and volumes, we get that operating leverage of trading the fixed cost over a larger volume or revenue base. I would say, a combined effect of all these 2-3 points have been that our margins are seeing a continuous upward trend.

Probal Sen: Right. Just to reiterate the second part of my question, in terms of guidance, is it fair to assume that given that crude seems to be operating in a narrow range, and therefore, base oil prices might not also see too much of escalation from there. Can we then build in some more margin expansion from here over the next 12 to 18 months, sir?

Manish Gangwal: It's a continuous effort, to keep working on the margin. We have been initially guiding about a 12% to 14% margin band and we are on the upper trajectory of that band now. Ass I mentioned, our work on premiumization and on getting that operating leverage also is going on. Our twin focus of growing the volume and at the same time, keeping a margin band intact, and slowly improving to the next band of margins is an ongoing effort. While we do not give a specific guidance as such but overall, yes, we are looking for a margin trajectory, which is going to be havingupward trend is our objective.

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Manish Gangwal: Basically what we are trying to say is that we operate in different segments of the market, as he was talking about the retail segment, and then we have a large OEM-related segment as well and plus the B2B segment where we operate infrastructure customers, industrial customers.

Qur objective is to continue to grow volumes across all these segments, sub segments and still keep working on delivering or improving our set of margin band, currently we are in 12% to 14% margin band. Obviously, going forward, we would like to move to the next band at the opportunities whenever we have.

Our focus will also be to continue to grow 2-3x as per industry in terms of revenues which has been also our key priority, and we want to continue that as well.

Probal: Understood. Sir, I have just had one more question. And Chawla sir did mention in his briefing. Unfortunately, the audio was not there. If I can please get the volumes of lubricants and AdBlue for the quarter?

Manish Gangwal: Core lubricant volume for the quarter has been 36,000 kl and AdBlue volume has been 31,000 kl. The total volume for the quarter is 67,000 kl.

Probal: Understood. And lastly, sir, just in terms of the acquisition of Tirex that was completed. In your estimation, when can we actually see these -- the electric which EV portion of our business are should be starting to become material in terms of overall revenue? And I'm asking a broad question I realize. I mean, from a business mix perspective, is it fair to say that it's probably still two years away before these businesses actually start to show up as a material part of our revenue, with the electric charging business that actually swapping part of it and so on?

Manish Gangwal: What we are seeing currently is that in certain segments of the vehicle categories, the penetration of EV will be sooner than many of the other categories. It is actually going to be dependent on many factors, including how much is the government also going to push or give incentives in terms of pushing the categories of EVs.

But the question is, right now, it is about chicken and egg, I would say, whether there should be a charging infra created first for the vehicle owners to be propelled towards EV buying or it is going to be a sizable EV population for the charging infrastructure companies to put up so that they get some ROI on the investments they make so it's a very difficult situation.

But in terms of overall trajectory, there will be an EV penetration in certain segments, like, for example, e-buses, where definitely, there is going to be a good movement. Most of the fast chargers which Tirex is making are going to be towards those segments, which are requiring high capacity charging, like fast charging or DC charging with 240-kilowatt chargers.

Obviously, that categories are going to be prioritized first, and we have recently heard an announcement from government that out of 24 lakh government buses, 8 lakh buses are going to be converted to EV by 2030 so these are the kind of initiatives where you will require this fast charging infra to be there and that's where Tirex's prime focus is and that's the prime category in target markets. So obviously, we are quite hopeful of this business.

Also at the same time, the slow charging business of products also is going to be relevant for certain categories like 2-wheelers or car.Qverall, we see a good potential but when there can be that tipping point is something is dependent on many factors.

Ravi Chawla: Yes, so there are four segments. As Manish said, there is the bus OEMs, the public sector, fuel stations are also putting charges, there is a charge point operators and then there is the retail. When we had partnered with Tirex, we looked at the segments and definitely it's going to take off, we feel as soon as adoption goes up it will give substantial revenue, currently it has 8%, 10% market share.

If they continue delivering on the market share and of course, we hope to improve on the products and technology, we should be able to become an 8% to 10% player in the DC charger mix plus, there is a potential to export this charger once we get the product approval. I think it's got a good sort of uptick once the market starts responding, it could become material, as you said rightly, in a few years' time.

Moderator: Our next question is from the line of S. Ramesh from Nirmal Bang Equities.

S Ramesh: So if you look at your consolidated numbers, you have given the details of the Tirex acquisition. So is the capital employed in the Tirex subsidiary, INR 146 crore? And is that the gross number which we should look at?

Manish Gangwal: Yes, we have invested INR 102 crore from the company for a 51% stake.

S Ramesh: Yes. So I'm just trying then look at that business, you've given the working for the goodwill and the adjustment. So there is -- okay, the INR 146 crore is the net time definable asset acquired. So your -- what is the underlying capital employed for which you have paid INR 102 crore, just to understand the size of the company?

Manish Gangwal: Yes. INR146 crore.

S Ramesh: INR 146 crore is the correct number. So when you're looking at the business plan to achieve a certain ROC, that is the number on which you have to earn a certain ROC, right?

Manish Gangwal: Right.

S Ramesh: Okay. Okay. So just to get things in perspective before I go to the main business, what is the additional capital expenditure you will need to do, say, over the next two to three years to scale up and achieve, say, a certain commercial scale and breakeven in the Tirex?

Manish Gangwal: Out of our investment, INR 65 crore, as we have highlighted in our earlier calls also, INR 65 crore has gone as primary investment into the company. They are fully funded for the next 2 - 3 years of their capital requirements and by the time, I think they will be self-sustainable in terms of cash flow generation.

S Ramesh: Okay. So now in the main business, see, in terms of the overall segment mix, how much is auto now? And what is the infrastructure and other segments if I may ask?

Manish Gangwal: Our mix has more or less remained the same as per the earlier quarters. There is slight improvement in the B2C section in this quarter, B2C for the quarter was around 58% versus B2B 42%, while it was 56% (B2C), 44% (B2B) in the previous quarter.

S Ramesh: Okay. And in terms of the other expenditure, can you give us a breakup in terms of how much is the advertising and sales promotion expense since you said you're stepping that up. So what percentage of the revenue has been spent on third quarter, nine months? And how do you see this moving over the next 1 or two years?

Manish Gangwal: We have spent a percentage more in this quarter, as I mentioned in my opening remarks and the percentage of A&P to revenue in this quarter was close to 4% as compared to our usual 3% on a full year basis, if we take, or nine-month basis.

S Ramesh: Okay. So in terms of your overall volume growth and aspiration, what is the kind of volume growth you can achieve, say, FY25, FY26, assuming the kind of stable oil and base oil prices?

Manish Gangwal: As we have been also highlighting that our guidance and objective has been to grow 2x to 3x the market growth rate, which we have been delivering over the last 10- 12 years and even in the current year, we have been able to do that. Our nine-month revenue has grown by 10% already.If we take the lube industry, the usual volume growth is, let's say, 3% on an average.

Value growth, of course, is higher than that, almost sometimes double of that. We have been able to deliver 6% volume growth in this quarter. One of the business segment for us is factory fill business. where we supply lubricants when the vehicle leaves the factory for the first time and a large part of that is relating to commercial vehicle for us.

We have seen that there is some slowdown in that commercial vehicle segment sales during this quarter. They have been doing extremely well till September, October so there has been some slowdown snd because of that, there is some impact in our factory fill volumes in this quarter. If we exclude factory fill,other business sales have grown overall 8% instead of 6% combined.

So that is one point I wanted to make it clear that this 36,000 kl volume could have been even better if the factory fill would have continued at the same pace. Our overall guidance also for future years is that we will continue to grow 2x to 3x the industry growth rate.

Moderator: Our next question is from the line of Pritesh Chheda from Lucky Investment.

Pritesh Chheda: Sir, what is your nine-month volume and the volume growth rate?

Manish Gangwal: Overall, for the nine-month period, our core lubricant volume is 1,05,000 kl.

Pritesh Chheda: And what is the volume growth rate, sir?

Manish Gangwal: Overall volume growth rate is nearly 5%.

Pritesh Chheda: Okay. So any reason why for the year, we have not grown more than two or 3x the industry growth rate so far?

Manish Gangwal: We believe that the industry is growing, the nine-month period if we take, overall, the industry would have grown 2% to 3%, and we have grown 2x nearly. One of the reasons, there is some impact also, as I mentioned in my previous question because some of the factory fill businesses are slightly negative in especially in this quarter which has resulted in some slowdown. Overall, our trajectory of delivering two to three times continues. On the revenue side, we have already done 10% YTD growth.

Pritesh Chheda: And you mentioned that factory fill business in this quarter declined or is that volume...

Manish Gangwal: Yes.

Pritesh Chheda: Okay. And can you just give some broader idea, how much is factory fill business for us and how much is the Bazar business?

Manish Gangwal: Factory fill is roughly 10% and 90% of our business is replacement market, whether it is through Bazar or through OEMs, say, franchisee workshop or through the industries, but direct factory fill business is close to 10%.

Pritesh Chheda: Okay, okay. And the base oil price average for us for the nine months should be what?

Manish Gangwal: There are various categories of base oil at different price levels, Group 1, Group 2, Group 3 base oils, each has their different price levels. On an average, I would say that base oil has been steady for the quarter across all categories, except that some of the refiners, especially of Group 1, have taken some sort of shutdowns or maintenance shutdowns and all so Group 1 prices have slightly gone up.

Qverall, as a trend, base oil follows crude and with a lag of one to two months. Crude has been stable to slightly lower in terms of trajectory, what it was in July, August or September and also even up to October post Israel conflict. We are seeing a downward to a stable trajectory in crude oil, which augurs well for base oil as well. We've seen a stable input cost going forward.

Moderator: Our next question is from the line of Arkopratim Pal from Sanjay Agrawal Broking.

Arkopratim Pal: Am I audible?

Moderator: Yes.

Arkopratim Pal: Okay, sir. My first question is, what is your expectation of volume and sales growth on quarterly and year-on-year basis?

Manish Gangwal: So I've just replied that in the previous question, sir. We will continue to grow two to three times at the industry growth rate. Industry, we assume, is growing at 3% on an average in terms of volume and in terms of value, it is higher, let's say, 5% to 6%, and we continue to deliver two to 3x and that's what our objective has been to continue to deliver two to 3x, the overall industry growth rate.

Arkopratim Pal: What is your expectation demand scenario in current environment of the market?

Manish Gangwal: In terms of cost or volume?

Arkopratim Pal: Cost and volume, both in connection.

Manish Gangwal: I think I mentioned just now, we expect lubricant market to remain robust and when we say robust, it is a 2% to 3% growth, in some good quarters, it can be even slightly more. Overall, we see a good traction happening on the vehicle side.

India is an underpenetrated country in terms of vehicle per capita. Infrastructure segment, the significant investments, which are happening and going to happen are going to continue to push the sales of commercial vehicle and other related movement of goods and services and GDP is going to continue to grow at 6% to 7% as is estimated.

Overall, all these factors augured very well for lubricant growth. I would say we are in a situation where we see continuous growth in the lubricant segment at least with 3% volume growth annualized.

Moderator: Our next question is from the line of Pinaki Banerjee from AUM Capital.

Pinaki Banerjee: Sir, just one question. Sir, apart from the agri segment, as you know, the Indian government is now focusing on that ethanol blending of 20%, ethanol blending targets of -- in petrol by so 2025, 2026. And also addressing the automakers to come out with flex-fuel. As you know that Toyota and Maruti, there are two automakers, which have already made some important sites in this coming out to this flex-fuel. So actually, we have you made any special R&D with regard to this segment?

Manish Gangwal: First of all, I would like to clarify that ethanol blended fuel and engine, these engines which cater to that require similar kind of and same lubricant and in terms of quantity. There is no change in demand due to the mixing of ethanol or anything. The demand is going to remain similar because the engine performance is accordingly tweaked and lubricants are required there as well in the same quantity.

In terms of change in the formulations to cater to those engines, we are ready with all the products, we work very closely with OEMs in terms of engine technology and with our additive supplier. As and when the requirement will be there, we will be ready with all the products.

Ravi Chawla: Just to add -- can you hear me, Manish?

Pinaki Banerjee: Yes,s. Please carry on.

Ravi Chawla: We have a global R&D center of Gulf in Chennai which is continuously developing products to meet all these kinds of requirements, so we are fully prepared for that, sir, just to assure you.

Moderator: Our next question is from the line of Nitin Tiwari from Phillip Capital.

Nitin Tiwari: Sir, just you can help us understand our capacity utilization at this juncture. And are we planning any investment in capacity to meet the need for our growth in volumes...

Manish Gangwal: Thanks, Nitin. I think we are almost now 99%-100% utilized in terms of capacity. Overall, if we take both plants in terms of blending but this is on two shift so we'll continue to keep augmenting the third shift in terms of our volume growth requirement. Qur capex guidance of INR 20 crore, INR 25 crore annualized is mostly for filling lines and storage capacities to be enhanced in line with the volume requirement.

And with that capex of INR20 crore, INR25 crore for the next two, three years, I think we can sustain our volume growth of two to three years and thereafter, we'll have to see how to further improve the capacity. Overall, blending wise, I think we have enough capacity for the next three years, at least.

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

Chirag: If I'm audible, just one quick bookkeeping question. What was the battery sales for the quarter?

Manish Gangwal: Battery sales for the quarter was nearly INR19 crore.

Chirag: Understood, sir. And sir, two quick questions, sir. then given these -- probably our realization in the core volumes has trended down by around 4%-odd- quarter-on-quarter and more than 7% year-on-year. Is that broadly in the right horizon? Are our realizations a little bit -- given that input costs have stabilized and come down, has the realization as a mix or a percent or just price that doesn't come down by around that quantum?

Manish Gangwal: As I mentioned in my opening remarks also that whenever there is a stable input cost after eating multiple year high sort of input cost levels. When it comes down, we have to obviously pass on some of those to the end customer consumers of course, while doing that, we end up retaining always the margins to some extent.

There is some pass-on which happens for scheme recalibration usually happens in retail market and in the OEM businesses also price variation clauses are there for quarterly pass on or pass back so to that extent, when there is a softness, there is some downward trend in the realization, but that is usually less than the input cost per liter downward trend, and hence, we end up retaining margins.

Chirag: Just my question is the quantum of that would be close to 4% to 7%, depending on how you look at it, around in that...

Manish Gangwal: That is because of the several mix also. There is an AdBlue which comes into play, AdBlue sales, which is growing as a percentage of the overall kitty and then there are segments within that, suppose the industrial segment, which is relatively lower than your retail segment so all those factors play in, but I'm giving you a general trend that how the industry operates.

Chirag: Understood. Sir, the second question is, in the last nine months, we have probably spent around INR 95 crore to INR 100 crore on advertising. Is that -- it's been 4% for the last three quarters, right? Is that -- right?

Manish Gangwal: We usually give percentage so close to 3% has been for nine months, 3%- 3.5%. This quarter was a percentage higher.

Moderator: Our next question is from the line of Hemal, an Individual Investor.

Hemal: Congratulations on good set of numbers. Just one quick one on the net working capital base. Can you say, are we seeing improvement out there? Or what did we end up within end of December?

Manish Gangwal: Our working capital remained similar to the last quarter when we answered the same question. It is in the range of 110 to 115 days on a gross basis.

Hemal: And when do you -- so wherein before this year, you would see significant improvement out there? Or do you believe it will be in the same vicinity?

Manish Gangwal: With our revenues growing by 10% and overall input costs also stable, we don't see major changes but at the same time, inventory wise, we have been slightly better off because as the situation of global demandand supply chain, especially improved. Of course, now we are seeing some Red Sea crisis and all, we have to see how much that impacts. Trajectory of our inventories have been slightly improved in terms of number of days, while the receivable continues to be at the similar level. Some marginal improvement going forward, but not very significant changes we see.

Hemal: Okay. And the final is, have we seen that you sell through e-commerce also, right? Like is that a very small percentage of revenue? I'm assuming it's small, but is it extremely small?

Manish Gangwal: E-commerce is a very small percentage, negligible as of now in this industry, or for us as well because the concept of Do it Yourself is still not there in India. We usually go to mechanics and to the nearby garages to get our servicing done. The e-commerce is yet to pick up. While we are present on all the marketplaces in terms of our products again, but the offtake is very negligible.

Moderator: Our next question is from the line of Prashant from ISJ Securities.

Prashant: My first question is what is the revenue contribution from lubricant business, battery business and charging business?

Manish Gangwal: Our most revenues are from lubricant business only, battery business has contributed close to INR 19 crore, as I mentioned.

Prashant: Okay, sir. Can you tell me the margins in the lubricant business and battery business and charging business? What is the EBITDA margin?

Manish Gangwal: While we do not give break up, charging business is yet to take off. There are no meaningful revenues to be discussed. The battery business is more or less at this moment, EBITDA neutral so the margin contribution comes from lubricant business mostly.

Prashant: Okay, sir. And what are the revenue targets specifically for AC and DC chargers segment over the next two or three years?

Manish Gangwal: I think Mr. Ravi answered this question in one of the earlier questions. And I also added there that this is a very nascent segment. It is expected to grow rapidly as the government has a lot of plans to put charging infrastructure across the territory. In the recent budget also Honourable Finance Minister has mentioned clearly about the charging infra and government push towards that and investment towards that in her speech.

It is going to be having a very fast growth in the coming years. Since it is a very nascent one and depends on many factors, including government push, it's difficult to give a number, but Ravi did mention that this Tirex company is 8% to 10% currently in terms of market share.

The fast charger market is expected to be more than INR 10,000 crore to INR 12,000 crore by FY 2030 and if Tirex can continue to maintain their share of 8% to 10%, you can do the math of the kind of potential it has.

Moderator: Our next question is from the line of R Ramesh from Nirmal Bang Equities.

S Ramesh: If you look at your consolidated numbers, there is a loss of INR 65 lakhs. So is this part of the Tirex P&L? Where does it come from?

Manish Gangwal: Yes, they have started consolidating now.

S Ramesh: Okay. And that share of JVs from the other two entities, right? There's a INR 4 lakh and the loss of INR 25 lakhs, nine months.

Manish Gangwal: That is from ElectreeFi company Techperspect Private Limited which isa SaaS (Software-as-a-Service) provider to EV charger, and vehicle companies, and OEMs. Since we have only 26% stake there, that's the share of associates. In another company called Indra Technology, which is U.K. based, we do not consolidate that as we only hold 7% stake there.

S Ramesh: Okay. So this minority interest loss in Tirex, if I may ask, is it just the normal loss as a result of the accounting? Or do you see some operating loss, say, in the next few quarters? How do you think the pendulum will move in terms of the consolidated numbers?

Manish Gangwal: They are investing significantly in terms of technology, in terms of resources, in terms of manpower. Obviously, while it's not going to be a very significant cash burn, but we expect there's sort of some sort of stability to come to them in terms of EBITDA numbers in three to four quarters from now when there is a sizeable turnover. For the next two, three quarters, there will be some minor negative EBITDA, not something very significant.

S Ramesh: That's useful. So finally, when you talk about this ability to grow 3x industry, how do you explain this? And what are the factors which are helping you do that because HPCL is talking about hiving off their lube business. Is Castrol is trying to regain market share. So how are you able -- because basically you are saying that you will keep increasing market share. So is it your pricing? Is it your brand? What is actually driving that growth rate compared to the industry?

Manish Gangwal: Ravi, are you there on the line?

Ravi Chawla: Yes, yes. I'll take it. Just to explain to you, 15 years ago, we were number six or seven in the private sector andnow we are number two in the private sector. We have taken a strategy. We are not really that big. We have good market share in motorcycle and commercial vehicle oils and with OEMs but we've grown our business with a five-pronged strategy.

One is to look at the segment-wise growth, whichever segment, we think we can win, we have grown, like motorcycle, commercial vehicle. We've built our brand up to be the top two. We have built brand through cricket. We have increased our distribution. We also looked at other segments in B2B like infrastructure and industrial.

OEMs, we had only a couple of OEMs in 2007. Now we have more than 40 OEMs. So this strategy is what has made us in two to 3x. So these five things I talk you now, and of course, you see our team is more passionate and we do a lot of above the line below the line.

So building our brand, growing segment wise, and more importantly, also leveraging our technology. We have long drain products. We have the longest product in tractor now. We also had created long drain in the commercial vehicle segment. Our products are very high quality with group.

So this is the six strategies which has helped us to grow. And we still believe some segment we're below 5% market share, we can grow more than two to 3x the market. But overall, we gave a guidance of two to 3x of the market growth, which we have done successfully for the last 10 to 12 years consistently.

And we believe still there is enough headroom for us to use our brand, increase our distribution, increase our sales. And of course, now look at other things, which we are also looking at strategically.

S Ramesh: If I might ask, in terms of your management's aspiration, where is your market share target, say, in the next three to five years?

Ravi Chawla: Yes, we have gone from number six, number seven to number two and obviously, there was an aspiration, right, to make it and finally we have reached the second position. Now the aspiration is to grow two to 3x and definitely increase our market share in the passenger car segment, grow two to 3x all across. We have a very strong brand so the aspiration step is to look at two to 3x the market growth in the segments that we are present.

Moderator: Our next question is from the line of Nikunj Doshi from Bay Capital.

Nikunj Doshi: I just wanted to understand what is scope of premiumization in your business? And how would you classify it? And what percentage would you say is from premium products right now?

Ravi Chawla: Premiumization is looking at the synthetics, which are low single digit for us, so really across motorcycle, car, and definitely looking at those segments. The other is the products which give us a better margin, that is premiumization, so even in the B2B segment, OEM segments, there are certain products which have a better margin. The shift is to at least try to grow that in our portfolio, which are also long-term solutions, better solutions for consumers.

Idea is focusing on these products, which today maybe 3%-4% of our business, if we can take the 3%-4% to a double digit, that is the endeavour to improve the premiumization and anyway the market is moving towards more value creation, so lower viscosity grades, there are grades like 0W30 which are big in the car segment where we have got low market share so this is what we mean by going towards a better mix and premiumization.

Nikunj Doshi: Okay. And another thing is, just want to understand, are there any adjacencies to your business, which you can look at for growth. So say, lubricant coolant or whatever it is. So are there any adjacencies which can be looked at for growth?

Ravi Chawla: For us, AdBlue is a big adjacency, which you have seen, we have made a success, and we're on the top 3. We also have a few motorcycle products we are bringing in. I think for us getting into the EV space we can use our brand distribution and our network and our business relations. These are adjacencies that we believe we can use our strengths.

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

Sabri Hazarika: Congratulations on a good set of numbers. So I just wanted to like -- just wanted to have a view on overall, your margin guidance for the next like few quarters and for a few years, could be like it's the same like 12% to 16% range? Or do you think that, I mean, it could go up considering that we have got a benign oil and base oil environment and overall demand looking good enough for the sector?

Manish Gangwal: Thanks, Sabri. I think we have been talking about it in many of the sessions that we guided a band of 12% to 14%, and we are now almost towards the upper end of that band. If we actually exclude some of the overall AdBlue and all which has also impacted the overall margin from a percentage point of view, although adding to the overall kitty, we are already above 14% in those core lube margins, if we say really.

Qur efforts on premiumization continues our operating leverage also will help and benign input costs, as you rightly mentioned, definitely are going to be a positive. Overall, we are looking at not only continuing to be intact in this band of 12% to 14%, obviously, with every opportunity, we would like to take the band higher.

Sabri Hazarika: Right, sir. And second question is regarding your dividend, I think the policy remains the same, right? So because you don't have any major capex also lined up, so the payout and all will be similar to what has been the case so far, right? Or are you like thinking about giving more cash back to the shareholders?

Manish Gangwal: This has been extremely strong nine-month period performance and considering that only theBoard has announced already INR 16 dividend against the last full year, INR 25 for the full year final dividend. The trajectory not only continues, but obviously, we have been slightly moving up on that chain.

Secondly, as we do not have significant capex coming up in our core lubricant business, we have already done some investments in the EV and we continue to generate cash. One of the key objective is obviously to return cash to shareholders so INR 16 interim dividend is in line with that in terms of returning excess cash to shareholders.

Sabri Hazarika: Right, sir. So that's all I think we come to the end of this session. And thank you so much for this call. And before we hang up, any closing comments?

Ravi Chawla: Yes. So I would like to thank everybody. And of course, as we have been discussing over this call, our focus is remaining to achieve both revenue growth and surpass the market trend by 2 to 3x, along with margin management. Our Q3 volumes also have clocked a similar trajectory of 2 to 3x. Of course, we have seen moderation in input costs and sequential improvement in gross margin, which is quite visible.

EBITDA has improved sequentially, and it's also our endeavour to invest in the brand, which we are doing with a lot of campaigns. We have had a number of campaigns, which have gone on last four to six months. We are confident that we will continue our market-leading growth and gain market share with continuous focus on margin management, better product mix, marketing initiatives.

Also, I think, first, we are looking at segments where we have less than 5% market share like industrial, passenger cars, and a series of new products are coming in, new SUV oil has been launched and definitely grow more in these segments and in geographies also where we have lesser market share. Further, we keep evaluating investments in e-mobility, definitely with Tirex, and ElectreeFi, and Indra, we look how we can bring this to the market more in terms of getting more market share here.

And also look at the synergies that these businesses can get from our current business in terms of our brand distribution and our partnerships to ensure that we can sustain a meaningful growth in these also.

So that's all from my side. And again, thank you very much for all your time, everybody, and look forward to catching up in the next call. Thank you.

Manish Gangwal: Thank you.

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