Gulf Oil Lubricants India Limited

August 13, 2024

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Through: BSE Listing Centre

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Scrip symbol: GULFOILLUB

Through: NEAPS

Dear Sir/ Madam,

Sub.: Transcript for Q1 FY-25 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 Q1 FY-25 Earnings Conference Call conducted on August 7, 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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Company Secretary & Compliance Officer

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“Gulf Oil Lubricants India Limited

Q1FY25 Earnings Conference Call”

August 07, 2024

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

MODERATOR: **MR. HARSH MARU – EMKAY GLOBAL FINANCIAL SERVICES**

Moderator: Ladies and gentlemen, welcome to the Gulf Oil Lubricants India Limited Q1 FY '25 Conference Call hosted by Emkay Global Financial Services. As a reminder, all participants' 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 star then zero on your touch-tone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Harsh Maru from Emkay Global Financial Services. Thank you, and over to you, sir.

Harsh Maru Behalf of Emkay Global Financial Services, I welcome you all to the 1Q FY '25 Post Earnings Conference Call of Gulf Oil Lubricants India Limited. From the company, we have the senior management team represented by Mr. Ravi Chawla, MD & CEO; and Mr. Manish Kumar Gangwal, CFO.

So I now hand the conference over to the management for their opening remarks, followed by a Q&A session. Thank you, and over to you, sir.

Ravi Chawla: Thank you. Good afternoon, good morning, good evening, everyone. Thank you for joining our quarterly call. Well, I'd like to start by saying that we are happy to report that we've had another strong quarter, continuing our growth momentum. Of course, the growth levels have been maintained, but we must say that we did have challenges because of the election year, which slows down the retail a bit and a few of the heat waves.

Our segments like retail and definitely will look at infrastructure, these do get impacted but nonetheless, a very strong quarter, aligning with our team profitable and sustainable growth, increasing market share and distribution. I think we have demonstrated that this has been the highest ever quarterly revenue, EBITDA and profitability this quarter, of course, coupled with the 2x industry growth rate mantra, which we continued to deliver to.

We maintained our growth trajectory with this 2x growth of the market, which is at about 3% to 4%. Core volumes for Q1 FY '25 was INR 37,000 kl with a growth of 5.7% year-on-year. The factory fill segment was the only segment which probably saw some decline around 10%, 11% due to a decline in production by some OEMs, which clearly is not in our control, but impacting our volumes slightly. Excluding factory fill, our growth is 2x of the industry. So happy to report that.

The growth that we achieved in quarter 1 was majorly driven by good volume growth in the B2C channel, which is now showing a lot of good demand for us. Passenger car oils got a high single-digit growth, and agriculture stand out with good double-digit growth. In addition to these B2C channels, the industrial segment, what we call B2B Industrial also reported high and double-digit volume growth despite some sectors like steel, cement, textile being under some pressure due to the seasonality effect.

So all in all, I think that is really good to see that happen. We have grown in this quarter on all counts relative to the March quarter. So it's not significantly, March quarter is usually a very, very strong quarter because of the year ending schemes and closures. I think that's also to see that another quarter where the EBITDA was INR 116 crore, earlier it was INR 115 crore. So all in all, a very good result.

The product mix is also improving across segments like channel retail. Our focus is on premiumization. The product mix enrichment is happening retail channel, OEM business, industrial B2B, of course, supported by the demand for quality products, which help to create value. We've been focusing on this premiumization agenda and growing our business profitably. Focus on new customer acquisitions in infra, industrial and OEM coupled with robust marketing activities and customer outreach supported this growth. We have seen our distribution also go up by double digit in this quarter and segments like commercial and personal mobility to stand out in terms of distribution growth this quarter.

We've mentioned about double-digit growth in the industrial. Infrastructure, I mentioned earlier, it slowed down slightly due to general elections and the heat wave challenges. Rural has also started showing a better performance in spite of what we faced. Exports is another call out for us, both Gulf and OEM branded products registered remarkable export growth with significant volume increase.

I'd like to also share a few other highlights. Gulf was recognized as the ESG champion of India 2024 under Oil & Gas sector in the second edition of Dun & Bradstreet ESG Leadership Summit. We also received a gold award recognition for our service and contribution by esteemed OEMs like Ashok Leyland and Swaraj Motors as a top-performing supplier and valuable contributor.

I'd like to highlight some of the marketing investments and branding investments whichwe have continued. As you know, the IPL season came in this quarter, partly and we continued our investment with Chennai Super Kings and had a campaign called Gulf Unstoppable Army, where we generated more than 400 million digital impressions. Also, the creative there used was quite innovative this time. Normally, our CSK players make the ads, but this time, we asked the fans to create ads.

And they had over 3,000 video ad entries and the best ad was actually aired in a match on main media, which was a very unique thing. We've obviously continued our digital investments. Happy to share that today in India, with the India marketing we do here, we are the number one player in the lubricant industry on platforms such as YouTube, Facebook and of course, trying to grow our stature in the Instagram area where we are number three amongst the lubricant players.

We also had one more campaign on our SUV brand. In fact, we're one of the first companies to really focus on SUV with our brand called Formula SUV and a successful campaign this quarter featuring Hardik Pandya that achieved again a lot of digital impressions more than 120 million. We've also had this campaign across not only on digital, but also we had it in out-of-home hoardings, print ads, and radio presence.

The third investment we made was in our Agri segment, which had a multipronged approach. We had tactical consumer offers. We had a month long print campaign featuring Mahendra Singh Dhoni, this was also resulted in driving our double-digit growth and strengthening our brand equity. So all in all, all round performance. I'd like to now invite Manish to cover some of the other highlights of the business and financials. Manish, over to you.

Manish Gangwal: Thanks, Ravi. Good afternoon, everyone. It has been, again, a very good quarter on all perspectives. We have grown our revenues to INR 885 crore for the quarter, almost nearly touching INR 900 crore now in terms of the top line. And as Ravi mentioned, INR 116 crore EBITDA is the highest ever, and INR 88 crore of PAT is the highest ever quarterly profit after tax for the company.

You will also see from the result that we have grown our gross margin by nearly 200 basis points Y-o-Y over last year June quarter and even from March quarter, we have grown our gross margins by another 50 basis points nearly so that has translated into excellent EBITDA growth of 25% and profit after tax of 29% nearly. We continue to generate healthy cash and at the end of June, we are carrying nearly INR 850 crore of cash and our net cash also has gone up in terms of after removing some short-term borrowings, that is also now upwards of INR 450 crore.

Overall, a good financial performance on all accounts. You will all recall that the board had announced a final dividend of INR 20 in our earlier board meeting, which will be paid now after AGM, which is scheduled on 12th of September, so the dividend payout with the earlier interim dividend of INR 16 stands at INR 36 for the last year.

So with that, we would like to invite the Q&A from the investors attending the call. Thank you very much.

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

Hardik: Congratulations on a good set of numbers. So can you share the volume breakup lubricant and AdBlue. Second is during the quarter, if you look at the depreciation quarter-on-quarter, it has gone down. So any specific reason for that? And thirdly, if you can help us understand the EBITDA margin for the quarter is 13.1% as compared to the Q3 and Q4, that was about 13.5%. Can you just through lights on all three questions?

Manish Gangwal: The core lubricant for the quarter is 37,000 kl, which is translating to nearly 5.7% growth in terms of core lubes on a Y-o-Y basis. AdBlue volume for the quarter has been 38,000 kl, which is roughly 26% growth over the last year same quarter. In terms of depreciation, there was a one-off in the March quarter because of some accelerated depreciation on the filling line because of the re-estimation of the residual life which was a one-off. We are back, if you see now our run rate of around INR 11 crore order in terms of depreciation every quarter.

I think we spoke about EBITDA margins, while the gross margins have seen an improvement, we have invested back in the brand more because this being the IPL quarter as well and also, there has been increase in freight and some of the OEM royalties in line with our volume growth so that's the primary reason.

Overall, we are in that band of 12% to 14%, which we have been guiding on the EBITDA margins, while continuing to grow our volumes, investing back in brand, a lot of digitization and transformation efforts which the company is embarking on. Thank you.

Hardik: Yes. Just a follow-up on this. What was the brand expense -- expenditure during the quarter? And how much was the royalty you paid?

Manish Gangwal: No. So our advertisement is in the range of around 3% to 4% of the top line, and that's what we continue. It can be -- depending on the quarter and the activities, it can be towards the higher band or the lower band of this. We do not give specific breakup of OEM royalties, et cetera, but they are all part of the other expenses, which are published in the results.

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

S. Ramesh: So if you look at the difference between your stand-alone and consolidated revenue and PBT, the revenue has gone up by about INR 9 crore, but the PBT is down by about INR 4 crore. So if you can give us some insight into that, and then I'll move it to the next question.

Manish Gangwal: Yes. So I think our investment in the EV sector, as you know, we have invested in a company called Tirex Transmission they are into DC fast charger manufacturing. They have done well in this quarter, in quarter 1, if you compare like-for-like, which is not published because we acquired this company in the month of October '23 so we have not consolidated the June quarter but on a Y-o-Y basis, they are more than 3 times, the revenue in terms of their growth. It's a growing and very nascent business so at this stage, we are nurturing these businesses to go to a meaningful level.

They are ramping up their production, their manpower, their strength in R&D department so obviously, the expenses are slightly on a higher side. Overall, there we will be aiming for a very good market share and continue to do in terms of products, getting more customers traction. We are supporting them in their journey to be a good player in the DC fast chargers segment.

S. Ramesh: Okay. So I understand that. So -- but if you see the note 6 in your consolidated results, where the auditor has given the comments on the consolidated impact of 1 subsidiary, the loss given INR1.5 crore. So that's why I was wondering, the PBT is on the higher side, the difference in the PBT is about INR4 crore. So this INR1.5 crore loss is -- must be in the Tirex business, right?

Manish Gangwal: Yes. We only consolidate Tirex business and the other associated company, which we have is an ElectreeFi, TechPerspect, which is the company's name, brand ElectreeFi, there, we hold 26% so that is consolidated at a line item, not on a line-to-line basis.

S. Ramesh: Yes. So the difference between, if the PBT is down by INR 4 crore between consolidated and standalone, you have a loss of INR 1.5 crore after that. So is there a higher tax element? Or is there some other adjustment I'm just trying to understand. Because the other JVs are consolidated on the equity accounting. Just on the subsidiary, there is a INR 4 crore impact at the PBT level, there's a loss INR 1.5 crore.

Manish Gangwal: Amortisation of intangibles also that is involved there, that is why you see the loss there. It's not a cash out.

S. Ramesh: Okay. So when would you see -- on a like-to-like basis, when do we see the subsidiary and the other EV JVs generating positive growth in terms of revenue and profit after tax.

Manish Gangwal: As I mentioned, these are very nascent businesses. At this stage, India EV and charging infrastructure is evolving. The aim is to continue to gain market share and make these companies a very robust companies in terms of product, product quality and service so that's the aim we are targeting to achieve. Too early to call out on the period but last year itself it was at INR 25 crore top line, I guess they were EBITDA-neutral.

We believe that these companies are especially direct transmission, which is DC fast charger company, we'll try to double at least the turnover every year and with that turnover, we believe that during this year itself, they should be a EBITDA neutral to EBITDA positive but beyond that, we will not be able to share.

S. Ramesh: No, that is useful. So if you look at your core business of the lubricants, how do you read the slowdown in the automobile sector. And you have said that in the OEM sector, there is a slowdown in the volume growth. So if you take both the OEM sector and the retail on a blended basis over the next 9 months, how do you see the volume growth? And obviously, FY '26 is a bit difficult to forecast. But assuming the same trend continues, do you see the OEM segment picking up in '26?

Ravi Chawla: Mr. Ramesh, the OEM sector, we are doing factory fill only commercial vehicle. Commercial vehicle will go through their cyclical; this is all production so it goes through. Commercial vehicles are going to grow positively this year, overall, in terms of sales, but production will vary. As you look at lubricants, as we have communicated, this industry is going to grow at least 3% in volume for the next decade, at least that in the normal circumstances, unless something goes wrong macro so this is a growth industry in terms of lubricant consumption. We are part of this growth industry.

The things we are talking on factory fillers because we supply factory fill to commercial vehicles mainly, that will have its ups and downs but even that is going to grow positively this year. I think overall this is where we are and we try to grow 2x, 3x the industry growth rate, which is going to be around 3% to 4%, which is what we generally also track.

Manish Gangwal: I want to add, factory fill is only 10% of our volume, less than 10% of our volume. Aas long as the economy is growing, the vehicle are moving, the replacement market is at 90% and that's where the consumption happens so as long as the economy is doing well, manufacturing, infrastructure, rural, the volumes are going to continue to grow.

Moderator: The next question is from the line of Anand Trivedi from Nepean Capital.

Anand Trivedi: My question is around one of the potential growth sectors, which is the data center business. Can you just throw some light in terms of from a cooling solutions standpoint, is there something you all are doing out there? And, if yes, what is the opportunity?

Ravi Chawla: It's not a very large market, but obviously, globally, it's important and if you take the total percentage, whatever numbers we are seeing today in India, the potential for this in 2025, if the entire data centers converts to this technology, which is called liquid cooling, which is not actually the way it's going to go. If you just take a theoretical figure, what we have, we are limited to the data we have, so we can stand corrected because there's a lot of industry data which is looked at.

From the India point of view, –if there's 100% conversion, which will not be the case still it is not even 1% of market nearly, if you take out process oils from the whole industry volumes in India, process oil is around 840 million litres, if you take that out, you're left with 2,060 million litres or say 2,000 million litres. This is where the market size at 100% conversion will be 1%, it's a very small market but still a very good sector because it's going to add in terms of the whole data cooling is a phenomenon which is happening. There is obviously going to be high-power density, high compute applications.

This liquid cooling is very good to conserve the energy and a good solution for sustainability. A small market, but niche market, and we are looking at getting some technical products, and it will take some time for us, maybe a couple of quarters to come out with our products. We have the product but it needs to be tested.

Anand Trivedi: Sure. When you say 1%, can you put a rupee or dollar number to that, how big is that 1%?

Ravi Chawla: We don't know the value. 1% is the volume from the Indian market without process oils that's our sort of working now.

Moderator: The next question is from the line of Parv Jain from Niveshaay Investment Advisory.

Parv Jain: Congrats on the good set of numbers. Sir, my first question is on the side of AdBlue segment. So our AdBlue segment has grown very -- at a very good pace for the last 3 years. I mean, can you help me understand what could be the approximate revenue contribution and the operating profit contribution from that? Any broad sense on that side? I mean I have the volumes, but if you can help me with the figures on the rupees side?

Manish Gangwal: We have been explaining in the past that it is a high volume, low realization, low-margin product, but it is a complementary product to our lubricant product line and all the BS-VI diesel vehicles have to compulsorily consume it and its consumable, so it gets used during the process of when the emission comes out. It's the consumable item, so gets consumed very fast and hence, the consumption is going up. We have been one of the leading players in this segment we started early, and we are now clearly in number 2 in terms of our volumes in this category.

Overall, it's a low realization single-digit margin product, but it is quite complementary and the end customer consumer is the same so it was just a perfect fit for us to go into this and make sure that our end customers and consumers are getting the product, which is a high-quality product as we believe in maintaining a very high quality standard for this product.

Parv Jain: Okay, sir. Sir, I understand that part. But any broad sense of how much percentage of the revenues would that be? I mean you could give me a broad range.

Manish Gangwal: Revenues are a function of the market. But on a ballpark basis, you can take INR 50 on an average realization and mid-single-digit margin profile is what we would say, for your understanding and competition.

Parv Jain: Okay. Sir, I think that helps. Sir, second question. So other than this consumption, which is happening in BS-VI vehicles, is there any regulatory development, which is helping us grow this?

Ravi Chawla: It's compulsory. So in all BS VI, it is compulsory to be using this, there's a tank, which store this AdBlue, when the emission comes out, it controls the emission and makes it purer. It is compulsory for BS-VI vehicles in terms of the manufacturer, any manufacturer who wants to meet BSVI normal diesel has to have that. It's a necessity.

Parv Jain: Okay, sir. And just broadly on this AdBlue segment again. I mean how big is this market currently in kiloliter terms? How is it growing? And also, could you help me understand the competitive intensity around this side? And what we are expecting to do, is there any capacity plans here?

Manish Gangwal: It's very difficult because this, as a product category, is quite widespread and many regional local players are also there but we obviously don't compete. We compete in a very high-quality market, and largely also to prestigious OEMs. Our quality standards are way above the overall market in terms of this product. However, we believe that we are at least 20% of the overall market share in terms of our quarterly run rate so you can do the math that if 38,000 kl volume is the 20% roughly of the market, what is the size of the market?

Ravi Chawla: This will grow. If the BS-VI vehicle goes up, it should have at least 10%, 15% growth minimum.

Parv Jain: Okay, sir. I think that helps. On the EV fluids side, sir, can you tell us what are our future growth plans?

Ravi Chawla: Yes. EVs, again, a very small segment in terms of volume so we are working. We've got about 7, 8 OEMs, looking to add another 7, 8 OEMs, it's not going to be major volumes, but we are there,I guess, for us, it is now just getting in with the OEM. As the OEM business goes up for EVs, then the figures will be to some relevance. Right now, the figures are very small.

Moderator: The next follow-up question is from the line of S. Ramesh from Nirmal Bang Equities.

S. Ramesh: So have you taken any price increase in the first quarter or after June?

Manish Gangwal: Yes,we took a small price increase in retail in mid-May. Obviously, it takes some time to realize the price increase,I think all the participants will recall that crude went above $90 in April and that's where base oil also follows with a lag of one month or so, and the price increase was taken in mid-May. Obviously, it takes some time to realize butas we see, the crude is already down, and it got stabilized between $80 to $85 during May, June, but now it is even below $80.

Obviously, base oil follows with a lag of a month or so and sometimes 2 months depending also demand and supply condition in each grade of base oil but, if crude remains around $80 or below, there is a possibility, obviously, that the scheme adjustments will happen especially in the retail market. Also, OEM businesses, which is a good part of our overall mix, we have a price variation clauses quarterly or half yearly so depending on the movement in the input cost, there is a price pass-on or pass back, which happens on a quarterly or half yearly basis so that's where we are in terms of overall price realization.

S. Ramesh: Okay. So that means basically we'll be able to maintain the kind of margins you are earning now and perhaps even improve it as we go along.

Manish Gangwal: Yes. Consider it has to, again, correlate with the crude movement but yes, if the crude remains below $80, it can be a good opportunity.

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

Nikunj Doshi: Congratulations on a good set of numbers. Just wanted to understand the industrial lubricant demand side. I mean, you mentioned some challenges in textile and a few sectors. So what is this current contribution of industrial lubricants, I believe it's less than 5%, and we have aimed to increase that proportion. So what is the view on that market in the remaining of the year?

Ravi Chawla: We have an industrial business, which we sell direct to larger industries like JSW and steel plants, cement plants, thermal users. We have a distributor network which supplies industrial distributors, they are called and his is an area where our market share is below 5%. Just to clarify, our market share is below 5%. We know, obviously, as you know, industrial business and all these plants are going to grow given the Indian economy. We have been growing very well in this.

For us, really, when I mentioned that steel and the other sectors, sometimes within the quarter, some sectors are not doing well, so steel production may come down. It may be muted, we have said that last quarter, some of these consumption in these sectors came a bit down, but we are continuing to grow good double digit in this sector because our market share is low and our efforts we are making here across these industries with our product, service and technology and technical services.

Our endeavor is to really as India is now as a manufacturing hub also, a lot of work has happened here, and we continue to grow across industries andwith the low market share, it gives us a good opportunity to be able to continue to grow good double-digit in this.

Nikunj Doshi: And margin wise, this industry is better or auto is better?

Ravi Chawla: I think we have explained here. You see the margins when you look at the retail margins, channel retail, the margins are the best, but you do have to invest in the promotions, mechanic. Otherwise, industrial business and others, they have, I would say, good margin to be able to have a long-term value addition.

Nikunj Doshi: And also, we are working on doing a lot of research and working on premiumization and introducing new products. So what is the contribution of a percentage of revenue from these premium products or the new products introduced?

Ravi Chawla: In every sector, it varies but for us, premiumization means that if you are making x margin and if you have products which are higher than that x, it could be a delta, I mean 2x. You try to increase the proportion. Each of the segments, it could be a single-digit percentage now. We want to obviously try to get into that so that's the endeavor and also introduce products which are going to be more of the new technology pieces.

So both are there and I would say we'll be happy to share with you. Currently, we want to get this premiumization piece it is part of our DNA now. We are pushing it and that's one of the reasons where margin can also get improved. Our endeavor is to certainly take up so if we are growing x in the normal products, we would like to grow at least 2x in these products. That's the norm.

Moderator: The next question is from the line of Ajaykumar Surya from Niveshaay.

Ajaykumar Surya: Yes. Sir, congratulation on good set of numbers. Sir, my question is regarding we have new product offerings like EV fluids and the data center fluids. So if I'm not mistaken, in the FY '24 leaded around INR 80 crore of top line. So sir, what are the plans going forward on this? And at what run rate this will be able to breakeven?

Manish Gangwal: I guess you are talking of INR 80 crore of top line for battery business. which is a lead-acid battery business. It's not an EV or lithium-ion batteries, lithium ion batteries. So that business, we have been nurturing over the last 5, 6 years now. And if your question is about that, then I can go on to explain you. Is that?

Ajaykumar Surya: It is regarding the EV fluids and the data center fluid?

Manish Gangwal: The turnover was not INR 80 crore. I think you got confused.

Ravi Chawla: EV fluids is a very small business. We are present with 7 to 8 OEMs, so really quite small and in terms of volume, and data center, we said we are developing products. We do have global products, but they have to be approved and ratified. We have tried to explain the opportunity from our perspective and this is a product which will take a few quarters to get approvals and look at how we can commercialize it.

Ajaykumar Surya: Okay, sir, got it. Sir, my next question is regarding...

Ravi Chawla: It's a good opportunity for everybody, but it is going to take some time, and in terms of volume, it is quite a small opportunity at present.

Ajaykumar Surya: Thank you sir for all the clarification. My next question is regarding AdBlue. Sir, if I look at our performance over the last 2, 3 years, that has been pretty significant over the last few years in the AdBlue segment. Sir, can there be any export opportunity, which can arise in AdBlue? And also regarding the Indian market, sir, is the Indian market also fulfilled by any import for AdBlue?

Manish Gangwal: We do not see any imports of AdBlue or export opportunities to a meaningful level because this is ultimately a water and urea based solution. We do not see any major opportunities nor India is importing any quantity of AdBlue.

Ajaykumar Surya: And sir, can there be any regulatory change which is expected, which can increase the volume at a significant rate.

Ravi Chawla: Let us explain to you. In the diesel engine, this is technology where it's called SCR and EGR, you can look at on the Internet, it will explain to you. With this technology, for BS-VI or Euro 6, whatever, and in fact, some cases, in BS-IV also, it came. The OEMs that make these engines, they have to have this technology to make sure that the emissions that come out are in line with what the emission norms are required. As you see this technology, it is something which is in every engine, it is compulsory for a BS-VI engine. If you use 100 liters of diesel around 4% of AdBlue has to be used to meet these norms so this is a technical requirement for meeting the BS-VI standards in the industry.

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

Hardik: Sir, if you look at the blended realization for the quarter, it has moved to 118 versus 115. That is 2.4% quarter-on-quarter. And as you mentioned that you have taken a price hike. So I just want to understand, was the quantum so high that the branded realization has gone up 2.4% quarter-on-quarter.

Manish Gangwal: I guess it is a mix of 3 things. One is that our segment mix is better, our product mix is better and also a partial impact of the price hike so all 3 put together is what you are seeing, the increase in realization. A large part of it is because of the product mix and the premiumization efforts which each segment within our company is aiming at, and is part of their sort of KRAs.

Hardik: Okay. And sir, I just want to understand, Exports as a percentage of revenue?

Manish Gangwal: Yes, we used to be around 4%, 5%, if I recall 3 years ago, but now it has gone to 6%, 7% of our volumes, and we are seeing good traction in terms of export opportunities, especially with some of the OEM-related products, where the more the vehicles are exported by our OEMs, we on the back of that increase are also increasing our supplies to those geographies in terms of lubricant. It is a mix of Gulf branded products plus the OEM co-branded products, but the export opportunities for OEMs in terms of vehicles will clearly drive our exports going forward.

Hardik: Okay. So it would be just an Indian OEMs, right? Because if there is an other -- the export consumption is required, and it will be supplied by the Gulf International, right? Is that understanding correct?

Manish Gangwal: A good part of it is Indian OEM, but we do have foreign OEMs or overseas OEMs and there Southeast Asia, some of the products are being also exported by us from our India manufacturing units so it is a combination of both.

Ravi Chawla: Just to add, we have a very good state-of-the-art plant in Chennai also our Silvassa plant, which is very good so a lot of these OEMs who work with us have approved this plant, not only for supplies in India, but in the region. And as India, some of the vehicles are made in India and some of the Indian OEMs, of course, are doing very well in some segments so it is a combination of that and India is also becoming a retail hub for some products. I think all these things help us to look at this opportunity.

Moderator: The next question is from the line of Manas Thakkar, an Individual Investor.

Manas Thakkar: Is the operating margin of around 13% is the peak? Or there are any chances of improving it in the future?

Manish Gangwal: I think we have been guiding about a 12% to 14% band of EBITDA margins. We have also been highlighting that our efforts on premiumization of products and segments are ongoing. We obviously want to not only sustain these margins but over a longer period of time, we want to obviously move to the next bands also. Our efforts are to continue to grow 2 to 3 times the industry volume growth while stabilizing and maintaining our margins, but on a longer-term basis also to take it to the next trajectories.

Manas Thakkar: So for now it is 12% to 14% for '25, financial year '25, right?

Manish Gangwal: Yes, that's right.

Manas Thakkar: And like any impact like the raw material, which you use like the prices of oil increased in April then stabilized in May and June. And now it is reasonably lower size. So would that like have a bigger impact on your operating margins going forward?

Manish Gangwal: As I mentioned in one of the previous questions that if the crude sustains for a reasonable period below $80 and all, there can be recalibration in some of the schemes and all, but that input cost also will come down with the lag base oil also reacts so we'll keep managing our margins to see that overall, we deliver what we are guiding.

Manas Thakkar: Okay. And sir, like in revenue you told in quarter one, there was a very good impact due to IPL season. So like would it impact in quarter 2 onwards?

Ravi Chawla: Yes. So, IPL is our brand-building initiative. When we say the campaign had a good impact, so it will take time. Brands get built with a lot of investments so that's what we meant. The impact of the campaign has been good.

Manish Gangwal: It's not an immediate one-to-one correlation during the quarterly volumes.

Ravi Chawla: Yes, so just to add here, any brand building will take time. It's not a promotion. It's more of a brand visibility, brand building.

Moderator: The next question is from the line of Misha, an Individual Investor.

Misha: So, sir, 2 questions. What is the battery turnover for this quarter?

Manish Gangwal: I think battery turnover was around INR17.5 crore, INR18 crore roughly for the quarter.

Misha: Okay. Perfect. And like you mentioned for AdBlue, if you can give a higher level, what is the margin on the battery business, like what is the kind of margins that we plan or we are earning as of now on battery?

Ravi Chawla: On battery?

Misha: Yes.

Manish Gangwal: We aim to be EBITDA neutral during the current year in terms of our battery operations.

Misha: Okay. Okay, sir. And the last question, I think on the mix piece, how are we going in terms of the mix on the personal mobility and the diesel engine oil line? Has there been any change versus the previous quarter?

Manish Gangwal: I think we have mentioned in our press release also that personal mobility has done well for us as compared to earlier quarters and diesel engine oil also has done well. Agri has done well for us, yes.

Ravi Chawla: We have market share opportunities in many geographies, many segments so we continue to pursue that,there's a lot of opportunity for us as we see it.

Misha: Okay. There is not any change in terms of the percentage out of the overall volume, right? Or both of the,I mean the profile remains the same.

Manish Gangwal: The mix remains more or less similar, plus minus 1%, 2% doesn't make a meaningful difference.

Moderator: The next question is from the line of Nitin Tiwari from PhillipCapital.

Nitin Tiwari: Just to add a sort of a theoretical question. So noticed there's a lot of conversation about LNG trucking and LNG being used as a fuel for trucking. So just wanted to understand what are the lubricant requirements for such trucks do? So are there -- are the lubricant requirements any different for these trucks? And do we have that product line? Or are we thinking in that direction? Just your thoughts on that, sir.

Ravi Chawla: Yes. So Nitin, we are well prepared for all the fuels that are coming now. There is a bit of tweak sometimes. Some of them are similar. I think we are all ready with that. Whatever alternative fuels are coming, we have the pipeline of products.

Manish Gangwal: And just to add on what Ravi said, except the pure electric vehicles, all form of vehicles, continue to use same or more lubricants and some of them in terms of quality may be even higher. The lubricant market is not impacted by any alternative form of energy except for pure electric vehicles.

Ravi Chawla: We have the pipeline, so just to give you an example, CNG is becoming big in India, higher levels, so we have now products which are being tested. We have some products with OEMs, which deliver a much better value proposition compared to competition in CNG. We are working, continuously R&D on looking at the various fuel scenario and also the multiplex kind of approach but lubricants are available for these applications. Even hydrogen, et cetera, once they come, we're all prepared for that.

Nitin Tiwari: That's very heartening to know, sir, that you already have the production. Because the question came to my mind because -- it's a super chill fluid. So I was just wondering that would that require any incremental sort of additive or some other.

Ravi Chawla: It will require, but we have that range available once we see a good opportunity.

Nitin Tiwari: Sure, sir. That's very helpful, sir. And sir, can you sir, just if you can help us understand a broad idea around what would be sort of a markup in terms of, say, dealer distributor margins over and above probably like what our pricing would be when we go into the B2C channel. So if you can give us some idea around that?

Ravi Chawla: Yes. So see distributors require a lot of infrastructure and other things are there they require good pricing and definitely they required to be able to sell that for the brand status. They would get a margin of anywhere industry offers from 6% to 8%, 10% based on the brand strength. Retailers, they don't sell at the price that is the MRP, some of them have to be a little bit lower than that on the retail sales, so they would definitely make 15%, 20%, some would make less depending on their set up. I think this is the general industry breakup.

Moderator: The next follow up question is from the line of Parv Jain from Niveshaay Investment.

Parv Jain: Sir, just a follow-up question. I just missed the part when you were explaining the data center opportunity. I mean it would be helpful if you could repeat that part.

Ravi Chawla: We are seeing this market from the India perspective so just to clarify that. If you take the total lubricant market, we say it is 2,900 million lites out of that, if you take out process oils of 840 million litres it's about 2,060 million litres. Now from that, if you take all the data centers, we understand from whatever limited sources we have, the potential is defined as per megawatts, so megawatts is 1,700 megawatts is what we have is, the data again can be varying based on where you get the data from? And if you calculate that, the number of liters required, every data center converts to this, what we call liquid cooling.

Now, liquid cooling today, the data centers are pulled by air conditioners. They have air conditioners and they have a structure. Now to get into liquid cooling, they have to change the configuration of the whole way the servers are put and they'll have to put trays and liquids. Now currently, the usage is extremely low but even if we had to take a theoretical calculation, this will become in 2025, it is 1,700 megawatts and some growth is there 20%.

If everything is to convert, it will be 14 million liters, which is not even 1% of this market outside the process oil which I give you, so if you look at that and the conversion has to happen only once data centers go to this new structure because even the high-power density servers, high compute applications, which will come in, this is a very good technology to help that, cooling off that high level of operations.

Now all this is just being seen as a definite opportunity because it is going to be one. It is good. But the extent of that will depend on how many of these data centers convert to this liquid cooling. This is an explanation, which obviously my team has given in terms of what it is going to be so it's going to be a small opportunity. Even if 100% converts, it will be less than 1% of the volume in India of the industry without process oils.

Parv Jain: Okay. And sir, but I'm given to understand that this kind of fuel -- the cooling fluids that we use requires a different kind of technology, which is more of ester-based cooling fluids.

Ravi Chawla: There are different types of data cooling liquids. Some are mineral-based, some are ester-based. You're right. The top end of it is the ester-based.

Parv Jain: Okay. So is it fair to assume that the realizations on this part is going to be fairly higher than what we have seen for the automotive industry side?

Ravi Chawla: Yes, yes. So as it develops, we are also developing a product range, which should be made available for these types of applications.

Parv Jain: Okay. Any broad sense you could give on what are the expected realizations or anything if there is any player who is already into this segment?

Ravi Chawla: Many of the global players do have approvals, they may be doing. But as I told you, it's a very small percentage in India, so we are studying in India.

Moderator: The next question is from the line of Arya Patel from Emkay Global.

Arya Patel: Congrats on a good set of numbers. So I have a set of 3 questions. So sir, it would be helpful if you can provide any operational insight or numbers on our investment in ElectreeFi, Tirex and Indra. The second is, how are we looking to scale up Indra in India? And lastly, if you can throw some color on the base oil and additive prices and their trends?

Manish Gangwal: On the EV investment side, we have invested close to INR 150 crore in all the 3 investments put together and out of this Tirex transmission, which is a DC fast charger company, we have 51% stake, ElectreeFi, which is a software as a service company, we have 26% stake and Indra Technologies, which is a UK-based company manufacturing slow AC home chargers there, we have 7.5% stake from India balance sheet so that's our investment in the EV space. We are working closely with Indra Technology, U.K., in terms of their product. It's a very advanced product from India market perspective because it has many features which are V2G, which is vehicle to grid technology, et cetera, which are as of now not required in Indian market.

And hence, we are working with them how we can sort of optimize the product to bring it to India market and at some stage, maybe look at manufacturing of that for India market in India so that's the work going on with Indra technology. I think third question you asked about was the base oil and additive pricing trend. Base oil is linked to crude largely with the time lag and there are various rates of base oil, so giving a range is not possible. Eventually, we see that if you plot a chart of base oil and crude over a 1-year period or 5-year time period, you will see a lot of symmetry.

So that's how base oil tracks. Additives are pure chemical products, so they have limited suppliers globally, and they have their own pricing trajectory. We have been mentioning in the past calls that additive prices have gone up significantly over the last 2 years so that was one of the reasons and the industry had to take a lot of price increases. I hope I have been able to answer the question.

Moderator: The next question is from the line of Yash Nandwani from IIFL.

Yash Nandwani: Yes, sir, my question is, what is the current volume breakup between the Personal Mobility Industrial segment and the other automotive segment?

Manish Gangwal: I think we answered in one of the earlier questions that the percent similar to what we have given in the last call which is for quarter four.

Yash Nandwani: Okay. And sir, what was the capex in first quarter? And how do you look forward for FY '25 and '26.

Manish Gangwal: On a yearly basis, we have given a capex guidance of around INR 25 crore which is largely to get some filling lines and some auxillary. We have enough blending capacity in our both plants, if we run third-shift so what we augment is the filling lines and other storage area and other capacity so that's the capex roughly INR25 crore on an annual basis on lubricant side.

Yash Nandwani: Sure. So there is nothing expansion plan now, right, sir?

Manish Gangwal: We have sufficient capacity for next 2, 3 years. If we run our plants on a third shift basis, especially from the blending side, so we may have to continue to add filling lines and some of the augmentation of storage area et cetera.

Moderator: Ladies and gentlemen, we are taking this as a last question for today's conference. I now hand the conference over to the management for closing comments.

Ravi Chawla: First of all, thanks to everybody for joining the call. As we would like to end by, obviously, talking about profitable growth Mantra. Definitely, that's something that has been our focus. While we look at that, we have internally spoken about a thing called Unlock 2.0, which is Accelerate, Premiumize and Transform. Acceleration for us means obviously, growing ahead of the industry in the core business as you look at the economy and really a lot happening around us, manufacturing led economy, it's a consumption economy. We continue that mantra.

And of course, in categories where we have less market share, we want to look at growing more, and overall enhancing our profitability so that's clearly our acceleration. For premiumize, we've been mentioning how we're looking at this across all our businesses and looking to improve the quality of lubricants, and given our brand and technology, we want to really look at how we can premiumize and sell more of it.

Kline has mentioned that as the volumes will grow 3%, the value will grow 6%. Being part of this value is also the endeavor to premiumize. We are looking to transform not only in our core business, which is looking at digital infrastructure, brand investments, but is still, again, it's a big need to reach customers. We're also looking at transforming into the EV charging solutions and definitely looking at the internal people and the culture to change into taking transformation as a key agenda.

A lot of our areas will require digital inputs right from customer interfacing to our internal systems so that's another transformation we are undergoing. I think that is really for us what we call APT strategy, accelerate premiumize and transform. We are quite confident we'll be able to continue our market-leading growth, gaining market share while continuously focusing on our margin management, profitable and sustainable growth, better product mix and marketing.

As we've been advising our EBITDA margin band to be at 12% to 14%, obviously aiming to go higher and I think Manish and we have covered a lot of the other aspects. I look forward to talking to you and thank you so much.

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.

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