



Gulf Oil Lubricants India Limited

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Dear Sir/ Madam,

Sub.: Transcript for Q4 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 Q4 FY-24 Earnings Conference Call conducted on May 22, 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

Shweta Gupta
Company Secretary & Compliance Officer

Encl.: as above

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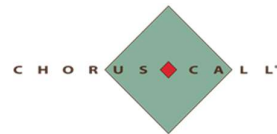
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“Gulf Oil Lubricants India Limited
Q4 & FY ‘24 Results Conference Call”

May 22, 2024



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

MODERATOR: **MR. SABRI HAZARIKA – EMKAY GLOBAL FINANCIAL
SERVICES**



Moderator: Ladies and gentlemen, good day and welcome to the Q4 and FY '24 Results Conference Call of Gulf Oil Lubricants India Limited, hosted by Emkay Global Financial Services. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

Sabri Hazarika: Yes. Thanks, Srijala and good afternoon, everyone. On behalf of Emkay Global Financial Services, I welcome you all to the Q4 and FY '24 post-earnings conference call of Gulf Oil Lubricants India Limited. We have with us the top management of the company; Mr. Ravi Chawla, Managing Director and CEO; and Mr. Manish Kumar Gangwal, Chief Financial Officer.

So without any further delay, I would now ask the management for the opening remarks, and then we'll move over to the question and answer round. Over to you, sir.

Ravi Chawla: Thank you, Sabri. Good day to everybody. Thank you for joining us on the Q4 call. We are very happy to share with you that this has been a record-breaking quarter for us in terms of our results and our achievements. It's definitely an excellent quarter. We've maintained our growth momentum and this is the third quarter in a row where we've crossed our EBITDA of INR 100 crore. In fact, INR115 crore is the highest EBITDA for the company ever so a strong quarter end as March is expected to be with all our programs and our initiatives going on so really happy about that.

To add here, obviously, that our EBITDA margin sequentially went up 13.5%, tracking towards the higher band, which we talk about 12% to 14%, definitely margin management efforts, increased focus on cost and focus on premium products helped us to get us there so these were the highlights.

The growth has been majorly driven by a lot of double-digit volume growth in infra and B2B, as in the press release which we have released. Overall, of course, our B2C sale also showed very good growth in the quarter and good uptick in the motorcycle oils, commercial vehicle oils and agri segment, which is really beginning to show good demand.

As you have seen in other industries also, rural demand is picking up, and we have seen that also happening in March and then continuing. If you look at the annual performance, we have seen our EBITDA crossing the INR 400 crore mark, reaching INR 419 crore, growth of 22% definitely a good sign for us.

We've also seen a lot of good gain in market share overall in the year with our Bazaar segment growing led by Agri and new generation Commercial Vehicle oils. Happy to also share there



are Car Stops and Bike Stops, which is a key initiative for us, have also experienced strong double-digit volume growth in terms of secondary sales. And overall, our distribution focus in retail segment has paid off we've grown double digit in that, both in rural and urban areas.

So overall, annually, and in the quarter, I would say, a very satisfying year. In terms of volumes, we have closed the year with 2x the market growth and in the quarter also happy to share we have achieved 37,000 kl in core lubes and we also have the highest in AdBlue this year where we did 37,000 kl in AdBlue. While the growth overall is 3% in the quarter because factory fill as we've been sharing has dropped by double digits which is more due to the production for OEMs

Without factory fill our 2x market growth has been 7% in the quarter and in the year, also, we are close to that 6.5%. I would say, the 2x to 3x mantra which we have in terms of market growth, we have maintained. So a good quarter again, once again led by a lot of investments in the brand, continued push in terms of all our businesses, B2B, B2C. We are also doing a lot of digitization and other efforts.

I'll now hand over to Manish to take you through some of the other details, which he can highlight. Over to you, Manish.

Manish Gangwal:

Thank you, Ravi. Good afternoon, everyone. Yes, as Ravi highlighted, it's been a very good quarter for us, all-around performance. And of course, our profit after tax on the back of a solid EBITDA has risen by 37% to INR 85 crore and also for the full year, the profit after tax is INR 308 crore, which is again 33% growth nearly on a full year basis as well. Overall, very good year and quarter from PAT perspective.

At the same time, our margin management, as Ravi was highlighting, has been robust, we have improved our gross margins by nearly 3.5% over the year and sequentially, we see a slight dip because the crude was volatile during Q4 and we have seen nearly a 1.6% drop on the gross margin level sequentially, but we have been able to deliver the same EBITDA almost 13.5% for the quarter in spite of the slight dip in the gross margin.

Having said that, we have always been focusing on margin management, all the actions are already being taken to continue to be robust on the margin management side. We have just now announced the price increase in our retail segment and also in certain B2B segments already we are taking the prices up.

So that is on the margin management, a very robust cash generation from operations, INR 348 crore of cash during the financial year generated out of operations versus INR 273 crore last year so very healthy cash generation continues with effective working capital management and overall delivery by EBITDA.

Based on this cash flow generation and the profitability, the Board has been very happy to announce higher payout and the final dividend of 1,000%, which is INR 20 per share. You will all recall that we have just in February paid an interim dividend of INR 16 per share so with that, the overall dividend for the year is INR 36, which is 1,800% on a face value of INR 2. So



overall, I think the journey on returning good cash to shareholders continues with a higher payout this year. With that we will be happy to take questions from the participants. Thank you.

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

Probal Sen: Sir, just first question was regarding the margin environment. Now if we really go back a little bit and look at the kind of margins we earned over FY '16 through to FY '21, just wanted to understand, sir, that in that current input price environment and with the kind of pricing we are seeing across our portfolio, what would it actually take for us to go back to that environment, if at all feasible? Is it -- what I'm trying to get at is, is the margin improvement to that extent even feasible? Or we should look at a more steady state gradual margin growth over what we have achieved in terms of EBITDA margin, that was my first question?

Manish Gangwal: So yes, I think Mr. Probal, I understand where you are coming from. We have been delivering 16% EBITDA margins in the period you mentioned, roughly 16% to even sometimes 17% and we have explained in the call earlier also and for the benefit of everyone on this call, you see, the input cost increased during the post COVID period significantly.

And for that, we had to take a series of price increases and our realizations went up. While the per litre margin, we have been able to recover fully what we were in the period which we are mentioning 5 years ago, the percentage looks lower because you are dividing the numerator and denominator by the same amount so if you take on per litre basis, actually for the core lubes, we have already recovered those margins, and we are in the similar band.

Secondly, overall for the company as a whole, the margin slightly looks lower because our AdBlue volumes have picked up significantly, which we all understand is a slightly lower margin product. This is a blended margin as compared to earlier when we used to have mostly 95% plus to 98% was only core lubes. In spite of that, we have been able to deliver this kind of margin in the 12% to 14% guided band. We actually dipped to 11% in one of the quarters just before, but we have been able to recover from there significantly, and now we are tracking nearly 13.5%.

Of course, always there is a premiumization which Ravi talked about, and there are product mix and there are continuous improvements. And there will be a sort of, I would say, leveraging effect, operating leverage will also keep coming in, which will help us to move back to the 14%, 16% band, but that we will have to really take it as a future target.

Probal Sen: Understood, sir. And the second question, of course, was about the volume growth. Now I think Ravi also talked about the fact that volume growth even in this year, if we take out the factory sale portion, it's probably at about 6% to 7%, but on an overall basis, there, sir, is it fair to assume that for the next couple of years, given that factory filling will remain in a fairly large portion or at least a material portion of our business, that low- to mid-single-digit growth is what we should be working in on an overall basis, that's more realistic to assume?



Manish Gangwal: Basically, factory fill is only 10% of our volumes. It's not a very significant portion but if that 10% dips is by nearly 20%- 25%, you have an overall impact of 2%- 2.5% on the total volume.

Probal Sen: Understood.

Manish Gangwal: Our trajectory, our guidance has been to grow 2-3x the market growth, which we have done in the last years as well, and we continue to aim that. If the market, let's say, get some tailwind, and market grows at 4%, we will definitely aim at a double-digit growth. And if the market is at 2% to 3%, then high single digits that's what we are currently aiming at.

Probal Sen: Right. The third question was, sir, with respect to and this obviously gets asked to our company as well as others in this case. In terms of EVs on the ground, what are our activities right now? Any update you can share with us? And also if you can kindly share whatever revenue we did from the Battery segment for this year if feasible?

Ravi Chawla: Yes. So on EV, Mr. Sen, let me mention that the EV fluids business is a very small business, not even a half a percent of the volume but we are with about 10 OEMs now, looking another 5-6 so that's going to be continuing EV fluids journey. As we are investing in the charger business in Tirex and we've also got ElectreeFi, a software company, we are looking to grow that part with our EV business.

In the Battery business, we will be at about INR 80 crore and we are looking at toll manufacturing local product and looking to grow that business quite aggressively going forward because a lot of touch points are coming in and that continues to be part of our Gulf Pride brand extension. I think we are hoping that also grows double digit, and it will. This is where we are with both these businesses.

And just to add to your other point on what Manish was trying to explain. For us, our mix is B2B and B2C. We, as a company, are focused on various segments so in order to maintain the margin and be competitive, we want to grow all the segments that we are focusing on or example, OEM industrial, where we have great opportunity. OEMs, we are pretty strong we believe in the private sector, we are amongst the leaders. That is why our margin band is what it is because we have to compete and grow so that's probably what I want to answer.

Probal Sen: I was just saying just from a next 12-month perspective for FY '25, sir, any specific strategic moves that we should be aware of or we should be keeping track of in terms of our company? Obviously, you've laid out a broad strategic vision in any case for the next few years in terms of how you want to grow, but just for the immediate twelve months, anything specific we should be looking at, any OEM tie up, any specific segment growth that we should be looking at? Just wanted to get more of a sense in terms of how to build a more granular growth for FY '25 in particular? Any color you can throw would be useful.

Ravi Chawla: I think our core strategy is to get that 2x to 3x growth. Within certain segments, we see the opportunity to be greater, we have some market segments where our market share is about 8%, 9%, like in motorcycle, commercial vehicles there are opportunities, but there are certain



segments where our market share is below 5%, like passenger car, in the case of industrial, so these are the segments where we believe we can grow much faster than the 2x to 3x.

So I would say that's one call out. The other is premiumize and offer value products. There are lot of digital efforts happening in the company, which will also fructify in terms of both customer value creation and benefits, these are the 3 themes I would call out.

The fourth, of course, very important, which has now become our sixth strategy, is a focus on EV so both with OEMs for EV fluids, we're also looking at the charger business through Tirex and that's going to be another focus where we mentioned in the press release that there's been a good closing for them. So next year, we are pretty charged up terms of the DC chargers so we will be looking at a good growth. These are the 4, 5 new call outs.

Moderator:

The next question is from the line of Prakash Kapadia from Spark PMS.

Prakash Kapadia:

Two to three questions from my end. For the financial year, out of the approximate INR 33 billion sales, could you give us some sense of B2B, B2C sales or industrial and auto, what has been the sales mix and what have been the growth rates? And within Auto, if you could help us understand -- you mentioned there are certain segments where market share is low. So how is CV, passenger, 2-wheeler sales mix been for us and Industrial segment, how is the end user's industries for us? And what are we trying to focus on?

Ravi Chawla:

Yes. So just to take up a few segments to share with you. Our B2C, what we call, is basically the channel Bazaar business, we have set of distributors and we also sell to the franchisee workshops, that is roughly about 60% of our sales which we call, B2C, which is more route to market. So obviously, they sell different products.

The 40% is our B2B, which also has automotive grades, it basically talks about selling to the OEM factory fill, like a B2B sale. Then we talk about direct industries and smaller industries. Of course, we have distributor networks, that we call as B2B, then we have one segment called infrastructure mining, which is only catering to construction companies, which is roughly 8%, 9% of our volume. We have other segments like exports and marine, et cetera, which we cater to. We have 55%, 60% is B2C, roughly if you see the quarter-wise thing.

And then within the segments, if you look at commercial vehicle oils where we are amongst the top players, we have a very good share in certain geographies, we have very good share with certain OEMs. We see a lot of potential in some of the OEMs and some of the geographies where we may be less than our 8%, 9%, 10%.

There's an opportunity in each segment, but to call out 2- 3 segments very clearly, one is the Passenger Car motor oils where we don't have too many OEM tie-ups, but we have a lot of scope because our brand is strong and we want to really grow in that. If we are growing 0.5% market share overall or little more than that, we would like to grow at least double of that in Passenger Car.



Passenger Car is one call-out segment. In industrial, there are certain pockets where our share is low, so we can grow on that. And I would say, these are the 2 call outs and within certain segments, like tractor, some geographies, will do less. I think across the board, we have scope to grow in these segments. Overall, that's what our sort of outlook is.

Prakash Kapadia: Sure, sure. And if I understand this correctly, you said around 40% is B2B. So the industrial would fall across that. And is it fair to say that it's growing faster as of now, given the thrust on manufacturing...

Ravi Chawla: You're right. That is giving us very good growth, because also we have got good products

Prakash Kapadia: And that should grow in the near term and that should continue to grow slightly faster than the other B2C business, right, in the near term?

Ravi Chawla: Definitely.

Prakash Kapadia: Okay. And lastly, what is the kind of capex we have done on the EV charging segment until now?

Manish Gangwal: In December quarter, we acquired a company, the name is Tirez Transmission OEM for making DC fast chargers right from 30-kilowatt to 240-kilowatt charges. And that, INR 103 crore of investment we had put in that quarter in that company to get 51% share, and we have a majority on the Board as well so that company deals in the fast charger base space, and they have a series of customers and OEMs, bus OEMs and CPOs who are buying their products. They have already installed more than 800 fast chargers across India and running successfully, that's one investment we have done.

In addition, in earlier years, we have done two more investments, one in a software-as-a-service company called ElectreeFi and another one was in a slow AC slow charger company, which is a U.K.-based company, which is a very advanced technology-based AC slow charger company. There we have some 7.5% stake. So overall, I think from Gulf India balance sheet, we are putting nearly INR 150 crore in these three investments so far in the EV segment.

Prakash Kapadia: Understood. And that over a period of time, we seem pretty optimistic about potential. And I think in the opening remarks, you mentioned around INR 80 crore was the EV fluid plus EV charging revenue, right? Or that was just EV fluids?

Ravi Chawla: No, INR 80 crore was battery business. EV fluids is a very small part. The volume is also low. We have 10 OEMs. EV fluids is quite small. Of course, in the case of DC chargers, Tirez currently has about 8%- 10% market share. Based on how big the market can grow in DC chargers, we'll be looking at obviously keeping our market share and trying to obviously optimize that.

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



Nitin Tiwari:

Just a few clarificatory questions from my end, sir. So in this quarter, our gross margins on a sequential basis is on the lower side. So in the previous quarter, we did about 42.5%, this quarter it's about 41%, but we have maintained EBITDA. So is it right to understand that in this quarter, there were fewer promotional and BTL activities and probably we are reaping some benefits out of the activities which we undertook in the previous quarter? So that would be one.

And related to that, if you could help us understand the ad and the BTL sort of promotional expenditures as a percentage of top line, if you could help us understand that first, and then I'll ask the rest later.

Manish Gangwal:

Yes, you're right. Sequentially, the gross margins are lower by nearly 1.5% and around 50 basis points is the lower A&P. Last quarter, we mentioned that we had a slightly higher A&P in the previous quarter so around 50 basis points from there, and rest is from the overall other costs and all. In spite of the slight sequential dip in the gross margins because the raw material costs and tracking crude, the base oil, were at a slightly elevated level we have been able to deliver 13.5% EBITDA margin.

Nitin Tiwari:

Secondly, sir, on the pricing front, can you help us understand a broad -- basically a broad level is fine in terms of like where our headline prices are for lubricants right now and for AdBlue? And what kind of increase that we have taken in this quarter that you mentioned earlier in the call that you've taken the increase. So where the prices are? And then what kind of percentage increase we would have taken -- a broader understanding will just be fine, sir?

Manish Gangwal:

Overall, on the realization side and just to mention on the margin side also that in this quarter, the AdBlue has been sequentially higher. So last year, December quarter, the AdBlue volume was around 31,000 kl and this quarter was 37,000 kl, so in spite of a higher AdBlue contribution, our margins are maintained or the dip is only 1.6%.

So you can understand that there is an improvement in the overall core lubricant side in terms of that. And at the same time, whenever the cost goes up in the retail segment, we are in a position to pass it on to the end customer/consumer in case we have to take certain adjustments to the scheme or price increases. We have just recently taken a price increase in the retail segment and in B2B segment, it is a matter of negotiations and approaching each customer and convincing them. OEM is a good part of our business there are price variation clauses, which help to maintain our margins.

Nitin Tiwari:

So sir, I was just trying to understand a broad percentage increase that we would have taken. And is this the first increase that we have taken in this year?

Manish Gangwal:

Yes, have not taken any price increases in the retail segment in the last 12- 15 months, this is after a gap of almost twelve months that this price increase is coming. Percentage will be difficult to tell because it is different across different product categories, depending on the markets and competition.



- Nitin Tiwari:** Fair enough. And sir, lastly, if you could just help break down the sales in terms of -- like sales mix in terms of motorcycle oils and PCMO and CVO, sort of slightly detailed mix would be helpful, sir?
- Manish Gangwal:** In this quarter, it was mostly the same as the December quarter in terms of overall percentages. Around 38%- 39% in terms of diesel engine oil, nearly 20% in terms of personal mobility and industrials are also around 20%, and the rest is gear oils, greases and others.
- Nitin Tiwari:** Sorry, personal mobility, you said is about 20%?
- Manish Gangwal:** Yes. Yes.
- Nitin Tiwari:** Which includes both motorcycle and car oils?
- Manish Gangwal:** Yes.
- Moderator:** The next question is from the line of Arkoprati Pal from Sanjay Agarwal Broking.
- Arkoprati Pal:** Congratulations on achieving a significant result. I would like to know that what is your corresponding volume growth rate in terms of the product volume growth rate? And additionally, is there any price increase or decrease that can impact your volume growth?
- Manish Gangwal:** We have already mentioned our volume growth for the quarter and for the full year. Excluding factory fill, our volume growth is 7% nearly for the quarter and for the full year nearly 6%.

And second question is basically that whether the price increases impact your volume. Is that the right question or right way to understand your question?
- Arkoprati Pal:** Yes.
- Manish Gangwal:** So this is a semi-essential product. So of course, it has to be used after a second interval where people have to change oil in their vehicle and industries have to use it. But obviously, if there is a significant price increase, then there is maybe a tendency to shift towards lower value products in some categories. But typically, it's not a very price-elastic sort of product category.
- Ravi Chawla:** Just to add here, you see, if you look at a particular brand and a product which has a certain technical specification, the product laddering for us works in strength of our brand, our distribution so once we have that, I guess, we are clear about our price positioning. Yes, if you do take your prices up above that positioning, then you might lose customers and similarly, if you are very aggressive, you want customers, you've got to go so we have I think Gulf has a certain place in the market with the brand strength, and we are #2 in terms of our brand in most of the categories, #2, #3 in some, and based on that, our positioning of price is what it is today.

And I guess we don't want to really change our pricing to just get market share. We'd rather do it with distribution, good products and grow as the customers are accepting us more and trying our products. As Manish mentioned, this is a semi-essential product. If you just price it too



low, it's not that tomorrow customers would come and buy it because this is a planned purchase also.

Arkoprattim Pal: Okay, I understand. My second question is what is your expectation for the present...My question is what is your expectation for the present demand scenario? And what is your strategy for further growth?

Ravi Chawla: Yes. So as we've been saying, the industry is growing at about 3% and – we've been saying all through last many, many years, more than a decade, we have been growing 2x to 3x at the industry. Our expectation is always to look at growing ahead of the industry and as we look at India today with a strong GDP growth, significant manufacturing impetus, vehicle penetration levels, both automotive industry, manufacturing industry, infrastructure impetus, definitely robust domestic demand will continue for lubricants. There's a growing middle class. We will continue to see the market growing in spite of EV coming and Gulf would like to grow 2x to 3x the market growth rate. Our expectation and our performance has been in line with that.

Arkoprattim Pal: One last question I would like to ask, is there any chance in raw material prices, if that may affect your operational or profit margin?

Manish Gangwal: Our key inputs are linked to crude oil in a certain way with a time lag of 1 to 2 months so depending on the movement of the crude, the input costs can slightly vary and we have to then keep looking at the margin management as a focus area, and that's what we have been doing.

Arkoprattim Pal: So that would partially impact your operating profit margin if the crude oil prices go high, right?

Manish Gangwal: Yes, that's a significant input in the entire raw material cost for us. It's not the direct crude we use. We use the derivative base oil, which is linked to crude.

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

Hardik Solanki: Congratulations on a good set of numbers. So basically an accounting question. So what will be your full year lubricant revenue and AdBlue revenue? And have you made a significant gross margin on Battery segment?

Manish Gangwal: Our Battery segment currently is EBITDA neutral if that was the question. We couldn't hear you properly for the first question.

Hardik Solanki: Yes. So what is the full year revenue from the lubricant and AdBlue, if you can just give a breakup of it?

Manish Gangwal: We only share the volume breakup, which we have already done. We do not share the revenue breakup. We have already mentioned that the full year battery revenue was around INR 80 crore.

Moderator: The next question is from the line of Yash Dantewadia from Dante Equities.



- Yash Dantewadia:** Congratulations on the great set of numbers. Do you have any volume growth guidance for the next financial year?
- Ravi Chawla:** I think, Yash, as we've been mentioning, markets growth expectation is about 3%. It could be slightly higher. We've always been focusing on 2x to 3x the volume of the industry growth and of course, the value growth, we have products, which would cater to the higher-value segment also, we look at a slightly higher value growth. I think this has been our definite outlook in terms of continued kind of performance also. We definitely look at that kind of band in terms of our growth.
- Yash Dantewadia:** What is our margin on the Automotive segment if you could share that number?
- Manish Gangwal:** So you're talking of gross margins at the Automotive segment versus Industry segment?
- Yash Dantewadia:** Yes, Gross margins.
- Manish Gangwal:** Overall, Automotive segment margins are higher versus Industrial, but there are categories within Automotive, there is diesel engine oil, there is passenger car oil, there is motorcycle, each one has a different margin trajectory, gross margin trajectory.
- Yash Dantewadia:** Approximately, if you could net the whole Automotive segment, what would the gross margins be?
- Manish Gangwal:** It will be very difficult to share because then there are lot of ATL, BTL activities which are needed to push the automotive products, whereas B2B, or industrial products are more direct. There are selling costs associated with that also so difficult to quantify. But overall, as a trajectory, automotive product has a slightly higher margin at gross level than the Industrial.
- Yash Dantewadia:** Also, if you could just briefly tell me what raw material pricing affects your operating margins the most if there is anything that I can track in for catching the gross margins of the company overall, what raw material effects the margins the most?
- Manish Gangwal:** aAs I mentioned in the previous question that base oil, which is our key raw material is linked to crude, there are global base oil indices, which can be tracked by all of you which are publicly available data sometimes. Base oil is the key raw material which is linked to crude with a time lag of 1 to 2 months.
- Moderator:** The next question is from the line of Chirag Fialoke from RatnaTraya Capital.
- Chirag Fialoke:** Congratulations on a strong set of numbers. Sir, on the opening remarks, I missed the number, the core volume is 37 kl?
- Ravi Chawla:** Yes, 37,000 kl.
- Chirag Fialoke:** Right. Understood. And for the year, is it correct that probably on an estimated basis, the A&P spend would be around INR 125 crore. Is that right?



- Manish Gangwal:** It is roughly 3%- 3.5% of the revenue.
- Chirag Fialoke:** Understood. Got it. If I may squeeze in then, this might be sort of a repetitive sort of a question, but on the volume side, the reported number is more closer to like a 3%-ish volume growth. And I understand there is an impact of factory fill. Could you maybe talk about this a little bit more from the factory fill perspective? Is it the 2-wheeler side that is feeling the stress or the 4-wheeler because some parts of the markets are putting out good production numbers, which should correlate well to our factory fill because 3% on an overall basis is on the lower side. Is that true? Is that what would be a good estimate from your end also? Just a little bit more color on the volume growth, that's all.
- Manish Gangwal:** Yes. So that's a very good question. I think we also mentioned that roughly total 10% of our volume is coming from factory fill and this is largely from Commercial Vehicle segment. We do not have any major factory fill in the Motorcycle or Car segment, which is obviously doing very well, we have seen that growth in Motorcycle, 2-wheeler is really 13% for the year in terms of Vehicle and Car is also almost near the double digit but Commercial Vehicle in the last two quarters has been slightly lower in terms of production, Commercial Vehicle OEMs and that's where we started getting some hit in terms of our overall volume growth.
- But excluding that, as we mentioned that for Q4, our volume growth is nearly 7% in the core lubricant, which is clearly 2x the market. Because OEM work production, we do not have any control, if they produce less, we have to sell less.
- Chirag Fialoke:** Right. That makes sense. And in the base March '23 quarters, was factory fill was also around 10%? So was it around 3%, 3.5% sales?
- Manish Gangwal:** Yes, it hovers around that.
- Moderator:** The next question is from the line of Varun Arora from B&K Securities.
- Varun Arora:** Sir, I just want 2 clarifications. First on PV market share. So we are holding 5% market share. Is that correct?
- Manish Gangwal:** Around. It's slightly less. 4% to 5%, yes.
- Varun Arora:** Okay. And the next one is on the -- so you're saying that after 15 months later, you have taken the price hike. So how much on that? I mean, in the percentage terms?
- Manish Gangwal:** We mentioned that it is depending on category to category so depending on the competitive actions and overall market scenario and our input cost, where it has gone up in which product category more, we try to then take the price increases. Overall, in the range of around 2%, but varying between categories.
- Varun Arora:** Okay. Fine, sir. Sir, just now on data center. Sir, anything Gulf Oil actually doing something on that -- on the data center. So anything we are developing any products for the data center



since after maybe 2 to 3 years or maybe 4 to 5 years, this will be the humongous opportunity for the company?

Ravi Chawla: Yes, the data center is definitely a buzz word we are seeing all around. We are looking at that segment, but it is an evolving segment. Definitely, that is an area which we want to look at.

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

Arya Patel: First of all, congratulations on great set of numbers. Sir, I just had a question regarding what is the capex number for the FY '24? And are we planning any further capex in EV going ahead?

Manish Gangwal: Our usual capex in the core lubricant business is roughly INR 20 crore, - INR 25 crore, which we have been guiding about. And last year also, we have spent nearly similar amount and we'll continue to do that in the current year as well. This is towards augmenting some of the filling capacity and storage capacity around on the lubricant parts.

And in terms of EVs, we keep evaluating at the space, it's a very nascent space and evolving space so we keep exploring opportunities in the EV side where based on our strength of brand and distribution, how we can play a bigger role because while we know that the lubricants and ICE market, ICE vehicles are going to continue to grow, but there will be a certain percentage in certain categories, which will be converting to EV at least to some percentage and that's why we closely keep watch at the EV space and we keep exploring the opportunities there. Whatever we have done already is towards the charger manufacturing, AC chargers, slow AC charger, fast DC charger, software company, we have already done 3 investments, but we keep looking at this space.

Arya Patel: Thank you. And one more question. Sir, can you guide us on the base oil trends currently?

Manish Gangwal: Base oil follows crude. As we have mentioned in earlier questions that it went up to above \$90 recently and then now has come back to around \$83- \$84, which is a good sign. As long as the crude is in the range of below \$90 or around \$90 to \$92 also, we see stability and unless the geopolitical situation turns really ugly, we believe that the crude will be in this range, and that should augur well for the stability of the margins.

Moderator: The next question is from the line of Misha who is an individual investor.

Misha: Sir, just 2 questions. So there is a steep increase in the other expenses on a 4-year basis that's approximately 18.5% to 19%. Could you help with some reasons around that, sir?

Manish Gangwal: Large part of it is coming from obviously the A&P, which has been higher, which is the advertisement and promotions and also, since our volumes, including AdBlue, has gone up, freight has also gone up so these two contribute a large part of it.

Misha: And sir, you mentioned in your press release that your export has picked up really well in this particular quarter. So what is the total percentage of export on your core volumes if we may get that?



Manish Gangwal: We usually have around 5% to 6% in terms of export. In this quarter was slightly higher because some of the OEMs for which we export has been good. Overall, it is in the range of around 5%, 6% of our core lubricants.

Misha: Understood. And the last one, sir, on the balance sheet, we see if we exclude the cash and cash equivalents, there is a slight deterioration in the net working capital that we have. So could you throw some light on how has been the working capital performance over the year?

Manish Gangwal: Working capital has been quite stable. Overall, we continue to track in the range of around 105 days of gross working capital, 105 to 110 days, which has been our sort of band in the past trend.

Moderator: As there are no further questions from the participants, I now hand the conference over to the management of Gulf Oil for closing comments.

Ravi Chawla: Yes. Thank you so much. Just to close off on the outlook, of course, we thank everybody for being on the call. As you see, the demand conditions are quite strong, given the economic GDP growth, the kind of thrust in terms of the manufacturing sector, infrastructure, it also will pick up now post elections, I think we are seeing strong growth potential for the industry.

We also already detailed in this call that segments which are doing well for us and potential for us to grow in segments we are having lower market share. The brand we have is quite strong so both increasing distribution and increasing our customer base is the endeavour. We have always said 2x to 3x the market growth, which for us is a strategic focus. We are committed to outperform the industry growth rate. We also want to look at value growth, which is above that. Effective margin management, profitability and maximizing returns to shareholders has always been our mantra and in the outlook, of course, as Manish has also mentioned, we are looking at EV space, not only to grow our charger business, but to look at maybe some other investments.

We are going to focus on growing ahead of the market in the strong product segments, like diesel engine oil motorcycle and even higher aggressive growth in segments where we have less than 5% to mention few like industrial and passenger cars. Series of new products have been launched and now definitely, we're seeing these being accepted by consumers.

Our brand investments continue. As we mentioned, we have invested, we have a lot of brand investments into sports, into brand ambassadors like Mahendra Singh Dhoni, Hardik Pandya, Smriti Mandhana. Globally, we are doing Williams Racing with Formula 1 and of course, Chennai Super Kings. Our activities, both above the line, below the line have given us great results. I think this is the outlook that we continue and having had a quarter which has done really well, really happy to share that with all of you and hope we get your support going forward. Thank you so much.

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