



Gulf Oil Lubricants India Limited

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Dear Sir/ Madam,

Sub.: Transcript for Q2 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 Q2 FY-25 Earnings Conference Call conducted on November 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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Encl.: as above

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HINDUJA GROUP



**“Gulf Oil Lubricants India Limited
Q2 & H1-FY 2025 Earnings Conference Call”
November 07, 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. HARSH MARU – EMKAY GLOBAL FINANCIAL
SERVICES**



Moderator:

Ladies and gentlemen, welcome to the Q2 FY '25 Earnings Conference Call of Gulf Oil Lubricants India Limited, hosted by Emkay Global Financial Services. 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 any assistance during conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference call is being recorded.

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

Harsh Maru:

Yes. Thank you. On behalf of Emkay Global Financial Services, we welcome you all to the Q2 FY '25 Earnings Conference Call of Gulf Oil Lubricants India Limited. From the management side, we have Mr. Ravi Chawla, Managing Director and CEO; and Mr. Manish Gangwal, CFO. I will now hand the conference over to the management for their opening remarks, followed by the Q&A session.

Ravi Chawla:

Thank you. Morning, afternoon, and good evening, everyone. Welcome to the Q2 FY '25 call for Gulf Oil Lubricants India Limited. Let me start on a festive note. I think we all have seen Diwali festival and the New Year coming in. So I'd like to wish everybody a very happy festive season and the New Year going into the future quarter three. Thank you for joining our call.

We are very happy to share that quarter two, which is normally a quarter with heavy rains and other things has been a strong quarter for us in terms of volume growth. Happy to share that 9% volume growth continues our trajectory of being 2 to 3x the market. This has really happened as we have looked at many demand pockets for us. While we also see the market growing by 3% to 4%, we have seen that in this quarter, there was some lingering effect of the elections and certain liquidity challenges, but given our strategies, we have posted strong volume numbers.

Of course, we'll cover the figures in detail, but we've also seen a lot of our segments growing, and we have –recorded a volume growth of 8.8%. If you take out the factory fill, which is the new vehicles, mainly commercial vehicles where we are also involved, our growth is actually double digit in this quarter. A lot of good growth has happened in terms of double-digit growth in the motorcycle category, in the agri channel retail segments.

We also continued our growth in the B2B segment, which has been growing double digit and high double digit in Q2 FY '25. We have seen that the channel OEM business in particular did very well, and the agri segment is the highlight there.

We have seen that a lot of our sales and marketing initiatives undertaken during the quarter were really working for us and we are very happy to share with you that we had launched one of Gulf's biggest ever campaigns towards the end of Q2 FY '25, the 360-degree campaign, which we call The Unstoppables, which had not only used a lot of media vehicles, but it also featured the three brand ambassadors we have. The iconic, Mahendra Singh Dhoni; and the Cricket superstars, Hardik Pandya and Smriti Mandhana, for the first time, in an advertisement, which not only showcased the brand values of Gulf, which is, Together we're Unstoppable, The Hindi line being Har Kadam Berok, but also spoke about our products, and of course, created that connection and



the engagement with our target audiences. This was 360 degrees and definitely, this investment is paying off. We also saw some positive confidence in the trade and we are also continuing this.

Other highlights of this quarter have been the exports, which have also grown for us and was also a good contributor. We continue to focus on our premium range of products. And again, we are happy to share that this has contributed to the overall kitty by notching up double the growth rate, though it is a small contribution in terms of percentage, but this is growing at double the rate which we are growing which augurs well to our strategy of profitable growth. Our distribution has also grown, particularly in the rural segment with our bike stops and car stops, therefore, increasing our penetration level. I think all in all, it has been a very good quarter.

There has been a slight decline in AdBlue this quarter, which I think would be a seasonal impact due to overall consumption, slowness in a bit of demand as we have seen, but I think overall, we are growing well in the year, with a double digit. I would say that a lot of our strategies, which we have put in place for our commitment to really outperform the market amid a lot of challenging conditions has given us the results, and it positions us well to continue this growth. I would like to say that the outlook for us and the growth momentum that is there, is also responding well to our strategic and our tactical measures which we are taking, and some of these have been industry-leading. So I think that Q2 FY '25 has been a strong quarter for us, and we hope to continue this.

I now hand over the call to Manish to cover a few of the other highlights.

Manish Gangwal:

Thank you, Ravi. Good afternoon, everyone. So as Ravi highlighted, it has been another good quarter for us from an overall volume perspective. At the same time, we have also been able to deliver good increase in the gross margin by nearly 100 basis points. Our EBITDA has also been in the guided range of 12% to 14%, coming at 12.6% for the quarter after investments, as Ravi was highlighting. There is a higher A&P during the quarter because of the mega campaign, The Unstoppables, and there are more investments into human resources and building the company for the future but in spite of that, the EBITDA is continuing to be in our guided range. Overall, the, PAT growth is at 15% for Q2 FY '25, and for H1 FY'25, it is 22%, so it has been quite a strong performance at the PAT level as well.

On cash flow side, we have been able to continue to generate good cash. You can see from the cash flow published that INR147 crore of cash has been generated during H1 FY'25, which is more than even the last year H1 of INR140 crores. So overall, there has been a good control on the working capital, and there is some increase in the inventories because of some shutdowns of big refineries globally. But overall, still, we have been able to do very good at the working capital and generated a good cash flow for H1 FY'25.

With that overview, we would like to go for Q&A.

Moderator:

Thank you. The first question is from the line of Probal Sen from ICICI Securities Limited. Please go ahead.

Probal Sen:

Thank you and good afternoon, sir. A couple of questions. First one, the basic one, if we can get the number of the volumes for the quarter.



- Manish Gangwal:** Good afternoon Mr. Probal. So core lubricant volume has been 37,000 kl, and AdBlue volume has been 29,000 kl.
- Probal Sen:** Okay. So AdBlue, I think, Ravi sir did mention that it was a tad weak in this quarter. How should we therefore look at the H2 in terms of growth in both these numbers? I mean just as a trend; how should we actually sort of look at the second half?
- Manish Gangwal:** We have grown AdBlue over the last two years significantly, nearly 600%, 6x from FY '22 base, so there has been a very rapid growth in that segment for us and for the industry as well. Obviously, at these elevated higher levels, we are seeing that there is a stability coming in terms of overall numbers. However, this was a seasonally impacted quarter as Ravi highlighted already. During monsoon season, obviously, the movement of trucks and CVs, which is the large consumption segment is relatively lower, and we are also monitoring, but on a YTD basis, we are still on a double-digit growth. We are seeing a clear trajectory, a minimum stability, of at least 10,000 kl per month which has been seen in this segment. How it grows from here on will really depend on how BS VI grows. I also think some of the segments are being added for AdBlue consumption like construction equipment, etc., from 1st of April. That should also augur well for the overall segment going forward.
- Probal Sen:** Okay. The second question was with respect to the A&P cost increase that was mentioned about The Unstoppables campaign. You also mentioned that there was some increase in the staff cost as well. Is it fair to say that only a certain portion of this is going to be there for the rest of the year and some part of margin improvement can come through once these campaign costs are done with?
- Manish Gangwal:** We usually calibrate our A&P expenses on quarter-to-quarter basis. Quarter one was slightly higher because of IPL season. Quarter two, we have done this mega campaign, which is the single biggest campaign we have ever done in the history of Gulf. There is obviously some impact of those, but overall, we try to calibrate our marketing and on the ground activities in line with. But yes this is still a slightly elevated quarter to the extent of 40-50 basis points.
- Probal Sen:** Right, which is what I'm saying. Just wanted to get a sense that we have been obviously seeing a steadily increasing trend in terms of not just gross margins, but even EBITDA margins as well for the past several quarters. This quarter, obviously, as we mentioned, is a bit of an aberration because these costs were higher. So can we expect a return to that trajectory?
- Ravi Chawla:** Our A&P investments are based on our objectives in terms of consumers, how we want to convert, what are the various brands we have. Then there is a share of voice where you have competition also getting that share. Today, it's a bit different because you have many media platforms, so we do calibrate our A&P based on that. As of now, we did do this mega campaign in Q2 FY '25 in which we had to put in a slightly more investment. We'll have to wait and watch what that is, but yes, we are not going to have these mega campaigns. It's a huge campaign, which still is going on. This is obviously an investment we make in our brand, for which we'll have to wait and watch in terms of share of voice, but yes, we do see that this campaign is also having a good impact on our sales.



- Probal Sen:** Is it fair to therefore say that some overflow of these costs will be there in Q3 before maybe Q4 sort of in a normalized opex environment?
- Ravi Chawla:** It's a continuous process. I would say that yes there will be some spill over in quarter three.
- Probal Sen:** Understood. Last question, if I may. With respect to revenue from the battery segment, is it possible to share the number for this quarter?
- Manish Gangwal:** The battery turnover was INR20 crore for the quarter.
- Probal Sen:** Okay. Overall, I think it was mentioned that Tirex has grown its revenue quite substantially in percentage terms, is it possible to share the absolute number as well right now?
- Manish Gangwal:** Yes. So Tirex, is a DC charger manufacturer, where we hold 51%. We invested in this EV company, and they are really doing very well in terms of getting into the segment and growing their revenues and in terms of customer acquisition. In terms of top line, we consolidate their top line. For Q2 FY '25, it was around INR14 crore, and for the H1 FY'25, it is around INR24 crore-INR25 crore, which in the last full year turnover was around INR24 crore-INR25 crore for Tirex.
- They've achieved the last year number in H1 FY'25 itself. We have been also guiding in the past that we want to at least double the turnover every year for the next few years. Obviously, we are on course to that. If you compare H1 to H1, they have grown their turnover by nearly 3x. Although on a small base, these are numbers which are still relatively quite small compared to our overall revenue, but yes, we are seeing very good traction there in that business.
- Probal Sen:** Understood, sir. That's very, very useful. Thank you very much. I'll come back-in the queue thank you.
- Moderator:** Thank you. The next question is from the line of Sabri Hazarika from Emkay Global Financial Services Limited. Please go ahead.
- Sabri Hazarika:** I just wanted some idea on the overall base oil pricing trend. In terms of your cost of raw material on a dollar per metric ton basis, rough cut, I mean some sort of like ballpark rate. What was it in Q1? And what was it in Q2? And right now, what kind of rate you are seeing?
- Manish Gangwal:** I think as you all know, the base oil rates are linked to the crude movement, which is a volatile commodity. We saw an elevated crude oil prices in April, May during this year, and there is a lag effect in the base oil to the extent of one to two months. Sometimes different grades of base oil also plays a different role. As I was mentioning, some of the big refineries of base oil globally are going for shutdown during October, November.
- There are a lot of interventions, which are there in the base oil prices coming from different quarters. From time to time, we have seen elevations in the base oil movement, linked to the crude movement. But on a ballpark, I can give you that if crude remains at the current level, which is \$75 to \$80 range. Of course, it sometimes goes to \$85 also during the quarter. It went



up to \$90 in April; and it went up to \$85 in July. It is volatile thing and difficult to comment, but if it remains at the current levels, we are comfortable to maintain our gross margins.

Sabri Hazarika:

Is there a possibility of increasing your margin guidance from 12% to 14%? I mean, more so in terms of, say, EBITDA per litre. For example, based on the numbers you have given, I think it is close to INR16 per litre of EBITDA, and this is like on an oil price base of, say, \$84, \$85, if I take a three months pricing lag. Now against that INR\$84, \$85, I mean, if there's a base oil correction, are you in a position to like improve your margins? because when we see the numbers, both yours as well as your larger competitor, what we have noticed is that last three, four years have been like good in terms of volumes, but I think there's some sort of like catch up in terms of margins which could be there. I mean, both for you as well as for your larger competitors. So is there a thought process that there could be some increase in the overall margin guidance and you can benefit from this lower oil price cycle?

Manish Gangwal:

–Margin's as you know, is a function of many things, including the pricing in the market, the competitive activities., the product mix and the segment mix. We have been highlighting that as a part of our unlock 2.0, we have been focusing on premiumization. We obviously see that there is a stability in the input cost, but there is a competitive intensity, which is also going up.

Considering all this, it's difficult to say that in the short term, there can be a benefit of the lower crude sustained, but over a longer-term trajectory, over the next one to two years, obviously, our endeavour is to increase our gross margins and increase our EBITDA margins to the higher trajectory. On a medium- to long-term basis, we are very positive to do that, but on the short term, it's very difficult to comment whether the short-term crude movements or base oil movements can really help us generate those kind of elevated levels.

Sabri Hazarika:

Got it. Got it. Thank you so much.

Moderator:

Thank you. The next question is from the line of Nitin Tiwari from Phillips Capital. Please go ahead.

Nitin Tiwari:

Good evening, sir and best wishes for the festive season. Thanks for the opportunity. Sir, my question was related to the A&P expense that you highlighted. Just wanted to understand that, was this expense also present in the first quarter? Or is it specific to this quarter? That was one.

Secondly, when it comes to measuring the returns, what are the metrics that we perhaps deploy to understand what kind of returns on the investment that we are doing in brand building and A&P is stimulating for us?

Thirdly, sir, what would be a more normalized level of expenses that we should consider if we are looking at like this brand campaign related expense as an aberration in overall scheme of things?

Ravi Chawla:

Our ratio of our A&P to overall revenue which we have been sharing is around 3% to 3.5% at times. Sometimes it goes higher in some quarter. These are all expenses which are planned on a campaign basis and on an annual basis. Then we have to obviously look at the share of voice and other campaigns which we do. It is basically around that level only which we plan.



Of course, we have to see the share of voice and what our objectives are. It is around this range at present, and in this quarter, it was slightly more because we had a mega campaign. Of course, we would like to continue investing in the brand, so the more we can invest, the more it helps us in the market, but it has to be a balanced approach. I think that is what we basically keep calibrating.

Manish Gangwal: Just to add, Nitin, we have already guided that our usual advertisement is in the range of 3% to 4%, as Ravi highlighted. In a normalized way, we would be towards the lower end of this band. In this quarter, we are on the higher side of this band. That's where the delta is, anywhere between 50 basis points to 75 basis points in given quarters. That's where we usually play.

Nitin Tiwari: Sure, sir. The reason I asked is because in quarter one, we had other expenses of about INR209 crore roughly, which is like at about INR208 crore in this quarter. This is actually lower. I suppose the A&P expense is a part of other expenses only, right?

Manish Gangwal: Nitin, that is mainly because of the lower AdBlue volume. The freight expenses are lower in this quarter because there is nearly an 8,000 kl lower AdBlue volume from last quarter. That's where the freight has been lower, so you see that there is a lower freight and there are other expenses, which include advertisement, and OEM royalties, which are slightly higher. On the net basis, you see a similar figure, –because it's an interchange between these two, three things.

Nitin Tiwari: Understood, sir. I was just trying to understand the EBITDA margin in this perspective because if I look at the gross margin, it is actually on the high side. The only difference, therefore, lies in the employee expenses which has gone up on a sequential basis. I suppose that you indicated that you are building a team for future growth, I suppose that would be the explanation right?

Manish Gangwal: Yes, absolutely, right.

Nitin Tiwari: Second would be more on the bookkeeping side. If you can help us with a broad segmentation of the volumes in terms of various segments. What would be the percentage breakup?

Manish Gangwal: For Q2 FY '25, I think we are roughly 39% in terms of diesel engine oil, which is similar to quarter one. In terms of personal mobility, we are higher by around 2%. In terms of industrial and others, we are lower by 2% So more or less in that range. But as we mentioned, motorcycle has been very good in this quarter. That is sort of a 2% increase in the mix in terms of personal mobility.

Nitin Tiwari: Would it be right to consider that personal mobility would be at about, say, 22% and industrial at about 18%. Now those would be the right numbers?

Manish Gangwal: Yes, that's correct.

Nitin Tiwari: And the rest would be about, I think, gear oil, brake goods, etc., right, which would be remaining 20%?

Manish Gangwal: Correct.

Nitin Tiwari: Yes. Got it. Okay. Thank you, sir.



- Moderator:** Thank you. The next question is from the line of S. Ramesh from Nirmal Bang Equities. Please go ahead.
- S. Ramesh:** Good evening and thank you very much. If you look at your balance sheet, what is the reason for the increase in debt because there is a loan given during the period in the cash flow Can you explain why you had to increase the debt between March and September?
- Manish Gangwal:** As I mentioned in my opening remarks, Mr. Ramesh, we have had to store higher inventory because as I was mentioning in one of the earlier questions, some of the refineries where we have a term contract, were going for a maintenance shutdown during October, November we had to prebuy some of the inventories and that's where you see increase in the borrowings.
- S. Ramesh:** How do you see this debt being fair, say, in the next few quarters?
- Manish Gangwal:** Yes, obviously.
- S. Ramesh:** In terms of your overall volume growth of 9%, how does it compare with the overall growth in the Indian industry for your comparable segments?
- Ravi Chawla:** We don't have data validated, but by whatever we are gauging, the industry is growing by 3% to 4%. I think that is where some people say 4% to 5% because of Bazaar growth or different segments, but for us, the 3% to 4% growth is what the industry is getting in terms of volume. I think we are continuing to look at two to three times of that, so that's the way the industry is growing. Of course, we have various segments which for us also depends on how your position is, what your geographies are. We also have B2C and B2B. So overall industry growth is 3% to 4%.
- S. Ramesh:** If you look at your diesel and personal mobility, which is the lubricants for vehicles, can you put a number in terms of what would be your best guess on market share? Where do you see that going, say, in the next two, three years?
- Ravi Chawla:** If you look at the segments, we are strong in diesel engine oils. We have close to 8%, 9% market share there. Similarly, motorcycle, we are 8% to 9%. I think this is where we are. In most of the other segments, we are 5% or below.
- S. Ramesh:** Will you be able to build and increase this market share?
- Ravi Chawla:** Yes, that is what we keep stressing. You see our brand is in the top three, and we obviously have to convert more consumers to buy us, so that's where the whole piece on the approach in terms of marketing, distribution comes up. We see good opportunity where we have these, I would say, moderate market shares, and we want to grow by 2x where we are strong. We continue doing that across B2C, B2B, as we have been doing in the segments that we have identified, and that is where we create our sort of differentiation to be able to gain market share ahead of market.
- S. Ramesh:** Just two more thoughts. Based on this kind of strength you have in the market, what is the kind of increase in ROCE one can expect, say, over the next two, three years, basically the



investments you're making in brands and the growth in the market and your own market share increase, roughly, what is the kind of internal target you have to improve your ROCE?

Manish Gangwal:

ROCE is, again, a function of many things. We have been keeping cash also on the balance sheet to look for opportunities in terms of investments into EV business and to look for more play in that segment. We have been currently paying out roughly 55%, 60% as dividend payouts. That we have increased over the last two, three years from 35%, 40% to now 55%, 60%.

Obviously, ROCE is impacted partly because of keeping the cash for the investment for future. If we see that there are opportunities that are not immediately forthcoming, and we increase the payout, then ROCE obviously can improve. There are many factors. Obviously, from an EBITDA perspective and PAT perspective, we have been growing much ahead of the industry and overall more than double digit for the last two, three years quite significantly. That also is all a positive factor.

S. Ramesh:

Understood. Now coming to Tirex, if you look at the notes to the accounts, number six in consolidated accounts, there seems to be a loss in the second quarter of around INR1.5 crores. When do you see the Tirex breaking even? If you take two, three years from now, what is the size you expect in terms of revenue and, say, EBITDA margin? Can you throw some numbers on that?

Manish Gangwal:

In the last call for the quarter June, I think we explained that it's a very nascent business and a small company at this stage in terms of top line, but we have been investing significantly in terms of their capability building for R&D, for manpower, creating Indian service network for chargers. All these investments are being put into the company for the future sustainability and growth. Obviously, as I mentioned in the previous question they have already delivered INR25 crore top line in this H1 FY'25, which is equal to last full year.

We will be obviously aiming to double the top line every year at least for the next three, four years. That's where we believe, and we have announced in the past also that we want to take this company at least to INR500 crore to INR700 crore top line in the next five years. Then obviously, at the EBITDA margin level, we believe that they should be EBITDA neutral to EBITDA positive, marginally in the current year itself.

S. Ramesh:

Okay. Any additional investments you need to make in the next one or two years?

Manish Gangwal:

We have invested INR65 crore in the company as a primary investment when we acquired this company. That cash was with them to grow the business for their working capital needs and plant expansion. At this stage, we do not see any need to put more money for the growth of the business. Of course, some working capital loans can be availed from the bank if we want to. We have 51%, and we have all the ROFR clauses. If we want to increase the investment or percentage of shareholding, then further investment will be needed, which at this stage, we have not been thinking about.

S. Ramesh:

That's very helpful. Thanks a lot and wish you all the best and the best of each. Thank you very much, sir.



- Moderator:** Thank you. The next question is from the line of Yash Nandwani from IIFL Securities Limited. Please go ahead.
- Yash Nandwani:** I just wanted to confirm the realization per litre for AdBlue and the margins for the same.
- Manish Gangwal:** It has been around INR45 realization for Q2 FY'25, which was earlier around INR50. And the margin remains roughly similar, mid-single digit.
- Yash Nandwani:** Could you throw some light on your dealer margins as a percentage of your sales price? Could you give some details as compared to your competitors as well?
- Ravi Chawla:** In the lubricant industry, the margins vary based on the brand strength. They get a base margin and then they get certain other margins, which they get for their various activations. I think that is the brand positioning. – We have a quarterly annual scheme, which we give them incentives. That is the construct overall, and it also is relative to our brand strength. I think that is something which we obviously don't publish publicly. It is a document between us and the trade.
- Yash Nandwani:** Okay. Thank you.
- Moderator:** Thank you. The next question is from the line of Angad Katdare from Sameeksha Capital. Please go ahead.
- Angad Katdare:** Thank you for the opportunity. I just have one small book keeping question. Could you please give me the volume data for core lubricant and AdBlue?
- Manish Gangwal:** The core lubricant was 37,000 kl and AdBlue was 29,000 kl for the quarter.
- Moderator:** Thank you. The next question is from the line of Probal Sen from ICICI Securities. Please go ahead.
- Probal Sen:** I actually had a couple of longer-term questions. EV fluids as a segment, is it still too early to speak about it? Has it gained any sort of scale at this point of time? Or is it still very early days for it to sort of be spoken about this type of business?
- Ravi Chawla:** You see, EV fluid, obviously, the fluids that are going in our transmission, break fluids, grease, and coolants. As we have been explaining, we are present in some of the EVs, we have close to 9-10 EVOEMs. It's going to be a very small volume, even if it comes for all the EVs that are going to be made, which are now going up.
- As you know, the penetration is going up from 3%, 4% to even 50% in three-wheelers. I think it's going to be a growing segment. We want to be part of it because we are there. We already have a good partnership with few OEMs, but not a very large volume. It will still be a very small volume of the overall pie.



Probal Sen:

I mean in your view in terms of how you have seen the segment evolve. By when do you see this actually developing into a material component of our business?

Ravi Chawla:

If you track the EV penetration today, whatever numbers we have, as I told you, 3-wheelers is 50%. All the others are low single-digit penetration of new vehicles. By the time these vehicles come up and two-wheelers is probably going to be at 6%-7%. It can go up to double maybe next two years. So once it is a sizable side, we are anywhere there with the OEMs. We have the products in our range for EV, few new products will come in like coolants, and other slightly better things. As this evolves, we have a global range. We'll be able to play in the share with whatever is there in the market. As you know, we are very strong with OEMs. We have very large number of OEMs as you look at our customer base. I think it's going to be still single-digit volume even if it goes to its maturity.

Probal Sen:

Understood, sir. The other question was you also just alluded to the OEM relationships. You did speak about giving some details in the year-end analyst presentation. I just wanted to sense that what has happened to OEM relationships in H1 FY'25? How many more have we added? Where are we right now? Also if you can speak a bit on how the B2B business has evolved? Where do you see that going forward for the next six to 12 months?

Ravi Chawla:

I'll start with B2B. We are present in the B2B segment with industrial customers. We have a distributor network, plus we have infrastructure customers, IMF. For us in both these segments, we have less than 5% market share. In some geographies may be higher, but overall. This business has been growing double-digit volume for us. Obviously, we have certain strengths which we have in each of the segments. We have a product range. We are working on getting more OEM approvals. In our distributors also we have appointed and maybe a few locations are left.

This business is growing well with India manufacturing base going up. The way Indian manufacturing industry is going up, you take sectors whether you take textile, you take food, you take cement, you take metals, all of this is going up in India. We are part of this growth, and we'll continue increasing our market share if we are growing double digits because this industry is also growing maybe 4% to 5%. That's where our endeavor is on.

Coming to the OEMs, we have very strong relations with OEMs, both automotive, industrial, construction. Of course, now with EV fluids, we are there with them and we are even getting some of the new EV OEMs. We continue to keep growing there. Of course, aftermarket is where 90% of our volume gets sold. OEMs, again, give us products which we can sell in aftermarket like the franchisee workshop. In terms of any new OEMs added in this quarter, we are working on a few prospects, but we are also growing with our current OEMs. So that's a positive where we get extra territories. We cover more in terms of their spread. They are exporting for few OEMs. I think it's been a very good quarter, as I mentioned to you that the channel OEM business has grown double digit for us, with the current OEM. No new announcements, but hopefully, we'll get a few. We have more or less got representation in most of the sectors in the OEMs.



Probal Sen: One last question with respect to The Unstoppables campaign. Typically, a campaign, which, as you mentioned, which is more ambitious than one thing that we have done. Will this also be accompanied by probably an aggressive push to grow our retail distribution platform is there?

Ravi Chawla: Yes, if you have seen the advertisement, it talks about our three brand ambassadors. Obviously, there's an emotional connect to the campaign, it's a rescue film. Then it talks about how we show a bike and the car and then obviously, we talk about the human aspect of being unstoppable and then related to our products. These are campaigns which send messages to consumers. Our current consumers who are using our product will use more and new customers will be added. It has got a lot of trade activations.

Let me share with you that on the ground, once the campaign hit the media and it still continues to go, we had display across thousands of our retailers done within four days of the campaign. This is where we have seen the confidence in the trade also going up because when you invest in the brand, they definitely want to stock and sell more. Of course, new outlets are joining us. The objective therefore of these campaigns are also to get that what you just mentioned.

Moderator: Thank you. The next question is from the line of Rajit Aggarwal from Atharva Investment Managers. Please go ahead.

Rajit Aggarwal: Good afternoon, sir. Just one small question. On the Tires business, how do you see the margins in this business once this business has achieved a reasonable scale, say, two to three years down the line, will it be higher than our existing business or will it be in the similar range?

Manish Gangwal: As we see the business progressing, which is more a B2B business. Of course, it has a component of retail, and it has a component of some elements of B2C, but a good part of this is a B2B business. We believe that once we reach a size and scale, it should deliver at least a similar EBITDA margins as our lubricant business. It will not be a margin diluting business on a consol basis.

Rajit Aggarwal: Just a small follow-up. When you say it's B2B. So towards the end users of this service or product?

Manish Gangwal: Tires makes DC fast chargers. They are the charges with a capacity which is 30-kilowatt going up to 240-kilowatt and even higher. These are basically chargers which are used to charge buses, for example, e-buses. E-bus manufacturers and E-bus operators are the target customers. Of course, we then have fuel stations of private and public PSUs. They are also being guided to electrify their fuel stations, so they are our potential customer.

Retail, wherever there is a construction and there are new malls being constructed or even in the existing malls or shopping malls, housing societies, they also put fast chargers and create some slots. Overall, some of these are target segment as of now. Of course, CPOs, which are the charge point operators, they are also a category who are electrifying highways and putting chargers across Pan India to create a charging infra. All these are the potential customers for this kind of a fast charger.



- Rajit Aggarwal:** Right, sir, so these charges are for passenger vehicles as well, as you said it's a high voltage. Is it for passenger vehicles and buses, etc., both? Or is it only for buses?
- Manish Gangwal:** Yes. Public charges are mostly fast chargers, but cars, etc., can be charged with the AC slow chargers also at home.
- Moderator:** Thank you. The next question is from the line of Sarvanath, an individual investor. Please go ahead.
- Sarvanath:** I just wanted to ask about the dividend payout being around 40% right now. For our future plans are you going to sustain it or are you going to change it?
- Manish Gangwal:** I think we have increased our dividend payout to now nearly 55% plus in the last two, three years. It's not 40% anymore. 40% was our payout three years ago, where we were maintaining around 35%-40%. As we continue to generate good cash and our cash conversion to profits have been also very high at nearly 80%90%. Also considering that our capex requirement for lubricant business also is around INR20 crore, INR25 crore-INR30 crore annually. We continue to generate good cash, and we have increased the payout already to 55%, 60%.
- Sarvanath:** Okay. Got it. Are you going to sustain a number in the years going forward?
- Manish Gangwal:** While we do not have an announced policy for the percentage, but obviously, our trajectory has been to maintain it and as I mentioned in one of the earlier questions, if the use of cash is not quite visible in the near future, it can be increased also.
- Moderator:** Thank you. The next question is from the line of Nisha Mulchandrani an Individual Investor. Please go ahead.
- Nisha Mulchandrani:** For the AdBlue segment since you mentioned there is a drop in the volume in the current month because of the seasonal impact. What is the route to market for AdBlue? Is it only through the OEM segment or it is distributed along all the states and channels?
- Ravi Chawla:** No, it is right across all our touchpoints.
- Nisha Mulchandrani:** The majority of it we assume must be because of the diesel engine oil and the OEM segment, right?
- Ravi Chawla:** Yes. AdBlue is used for diesel engine.
- Nisha Mulchandrani:** Okay and as you have mentioned in the press release that exports have shown a good growth in this quarter. What is the overall percentage of the exports on the total portfolio? Has that also gone up versus earlier quarters?



Manish Gangwal: Yes, I think we are now at around 6%-7% in terms of our export as a percentage. While earlier it used to be 3%-4% and then we stabilized around 5%. Now it has gone to 6%-7%.

Nisha Mulchandrani: One last question, specifically on the new technology that has been developed around the data center. Any view on that point that have you started anything or any product development for that

Ravi Chawla: Yes, we have started. We have products. We are developing them globally.

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

Ravi Chawla: Thank you. I'd like to thank all of you for being on the call. Hopefully we answered your questions. Going forward, obviously, we have continued the trajectory of two to three times industry volume growth. Our focus remains to do that, and, to look at revenue growth and be ahead in the industry. We are quite confident that we will continue our market-leading growth to gain market share.

We will continue our focus on margin management, profitable and sustainable growth, better product mix and marketing initiatives. We have shared with some of you earlier, to achieve the next level of growth and success, we have embarked on the theme, Unlock 2.0, which is accelerate premiumize and transform. For acceleration, we are not only growing ahead of the market, we are also focusing on growing more in areas where our market share is lower.

Given what is happening in the Indian economy, the demographics, the growth of automotive industry, manufacturing industry, and of course, we believe that this will give us opportunities to grow faster and much better in terms of categories where we are strong and also where we have less market share and also to enhance our profitability. While we premiumize, we are looking at the value growth, which the industry is also seeing in terms of having a higher value growth than volume growth.

We will continue to look at that, bring in products which can give us a part of this growth and also where India is the third largest lubricant consuming country, we are clear that, in spite of EV, we are going to see 3%-4% volume growth and double of that in terms of value growth. So over the next decade, premiumization in terms of products is important. We are focusing on that in both in terms of product development and placing the products.

The third theme of transformation, we are looking at not only digital infrastructure, brand investments, digital, social media, but also EV charging solutions and really the core transformation and transformation across the organization plus the EV ecosystem is what we are talking about. We are quite confident of this. We are also, as we have mentioned on the EV, we have started making some inroads to our charging business.

The recent PM e-drive, which was announced in August and is now effective from October 1st, is again, talking about giving a lot of incentives to increase the charging infrastructure. This



helps us and the Tires business. This is a good development that has happened. Of course, as Manish mentioned, we are going to look at more investments going forward. Overall, I think looking at continuing the growth, and certainly, we also have other companies with Tires, Electreffi, which makes software. Indra AC chargers, which we plan to bring in India.

Given our business relationships, our brand and our touch points, we want to also capitalize on that, but the core lubricants and of course, continuing our AdBlue growth is also a key focus area. That's all from my side. Thank you so much for joining us on this call and look forward to you joining our next call. 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. Thank you.

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