Gulf Oil Lubricant

Management Meet Note | Oil & Gas

DALAL & BROACHA

Equity Research Desk

10 March 2025

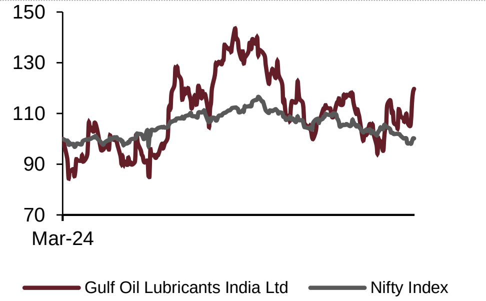
A smoothly running engine; the perfect harmony of internal and external factors to power growth.

Rating	TP (Rs)	Up/Dn (%)
BUY	1,440	17

Market Data		
Current price	Rs	1,233
Market Cap (Rs.Bn)	(Rs Bn)	61
Market Cap (US$ Mn)	(US$ Mn)	698
Face Value	Rs	2
52 Weeks High/Low		Rs 513.55 / 849.15
Average Daily Volume	('000)	347
BSE Code		538567
Bloomberg		GOLI.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Dec-24	Sep-24
Promoters	67.14	67.22
Public	32.86	31.78
Total	100	100

Source: Bloomberg

We recently met the CFO of Gulf Oil Lubricant to assess the demand scenario, competitive intensity, and future plans of the company.

Why we are Evaluating the Company?

- **The company continues to achieve volume growth at 2x-3x the rate of the industry's growth**: India's lubricants industry is well-positioned for substantial growth, with lubricant demand expected to grow by approximately 3% in volume over the next few years, and an even stronger 6% value growth in both the Consumer and B2B segments, driven by premiumization. Despite the global push for decarbonization, the company anticipates that electric vehicle (EV) penetration will reach a maximum of 18-20% by FY28E, which will continue to support lubricant demand. Additionally, factors such as the large population, lower per capita consumption (8 liters in China compared to 2.5 liters in India), infrastructure development, and government support are expected to maintain strong demand. GOLI forecasts that by FY28E, a total of 428 million vehicles will be internal combustion engine (ICE) vehicles, growing at a compound annual growth rate (CAGR) of over 8% from FY24 to FY28E.

- **Strategic partnership with a focus on strong financial discipline:** The company has recently formed a strategic partnership with Nayara to supply lubricants and exclusively distribute AdBlue products through its extensive network of over 6,000 outlets. In addition, it has extended its collaboration with Piaggio India through 2032. GOLI anticipates that the transition to BS-VII will drive increased demand for AdBlue, as it requires a higher proportion of AdBlue mixed with diesel fuel. The company maintains a debt-free position with a cash balance of Rs 4.5 billion and plans to grow its volumes by expanding its distribution network and offering an attractive range of products. Additionally, it is targeting steady growth within the EV value chain, supported by an overall annual capital expenditure (capex) plan of Rs 250-300 million.

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- **GOLI scaling up the future of charging:** Gulf Oil is aggressively expanding into the EV ecosystem through strategic investments in Tirex and Indra Renewables. With a 51% stake in Tirex, the company aims to double its revenue annually, targeting Rs500mn in FY25 and Rs6-7bn in next 4-5 years, while also exploring export opportunities. The EV charger market in India is projected to reach ~1mn units by 2030 (Rs80-100 bn), with a global market potential of USD 200bn. Additionally, its 7.5% stake in Indra Renewables focuses on bringing affordable slow AC chargers to India, catering to homes, offices, and commercial spaces. While financial impact remains limited in the near term, these investments position Gulf Oil as a key player in India's evolving EV infrastructure.

Valuation: Multiples are at appealing levels; maintain BUY rating

Over the past year, GOLI has seen an impressive performance in its stock price compared to its peers, as the market has recognized its above-industry volume growth, superior margin profile, and strong brand loyalty from customers. The company has made significant strides in growing its brand presence and OEM relationships, ensuring that both its B2B and B2C segments continue to grow steadily over the next decade.

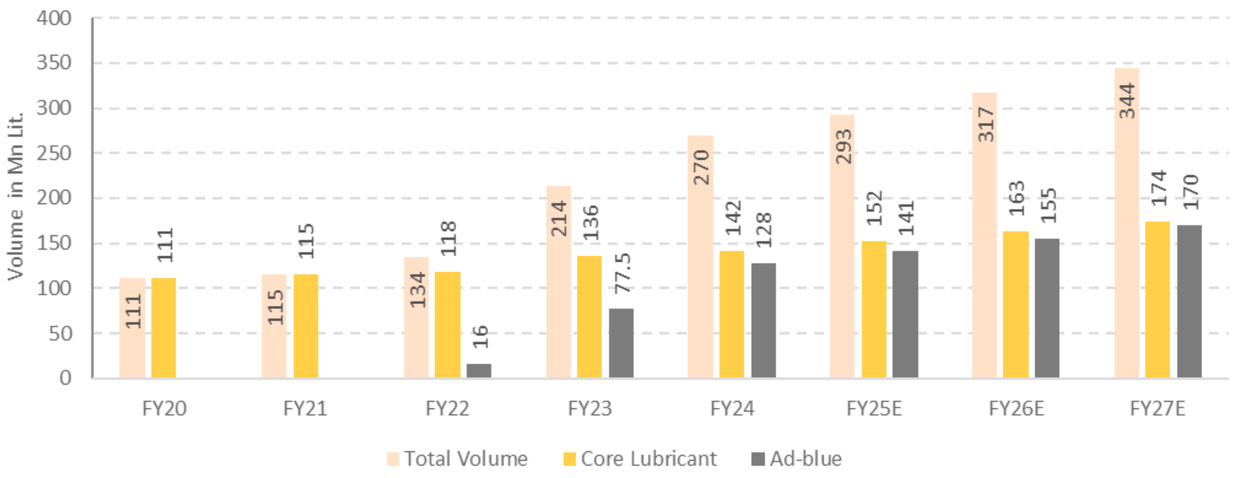
GOLI is well-positioned to strengthen its market presence, with its core and AdBlue market shares in India at 6%-8% and 20%, respectively. Its diversification into the EV and DC cooling fluid spaces further justifies the re-rating, its strategic expansion into EV infrastructure enhances its long-term growth prospects, aligning with the evolving automotive landscape.

The company is also set to drive sustained profitability, with EBITDA and PAT expected to grow at CAGRs of 13% and 13%, respectively, during FY24-27E. Core lubricants and AdBlue volumes are forecasted to grow at CAGRs of 7% and 10%, respectively, during the same period. The stock is attractively priced at a PER of 14x/13x for FY26E/FY27E, with an ROE/ROCE of 25%+ and a dividend yield of nearly 4%.

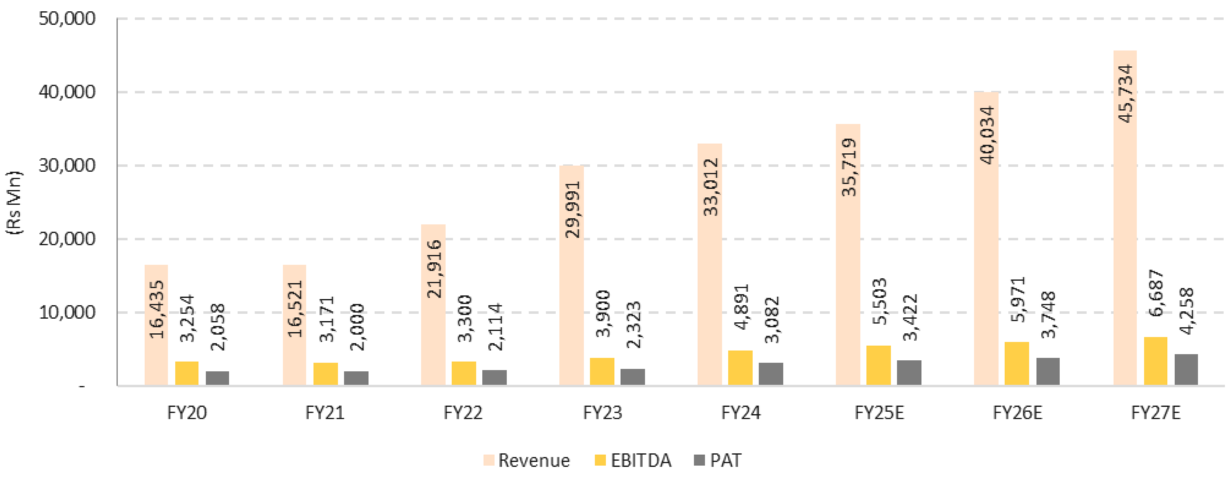
We maintain a BUY rating with a target price of Rs 1,440, based on a PER of 16x. With its well-diversified portfolio, including its presence in EV infrastructure, GOLI is well-hedged against any future industry shifts, ensuring long-term resilience and growth.

Focus charts – Strong metrics in prospect

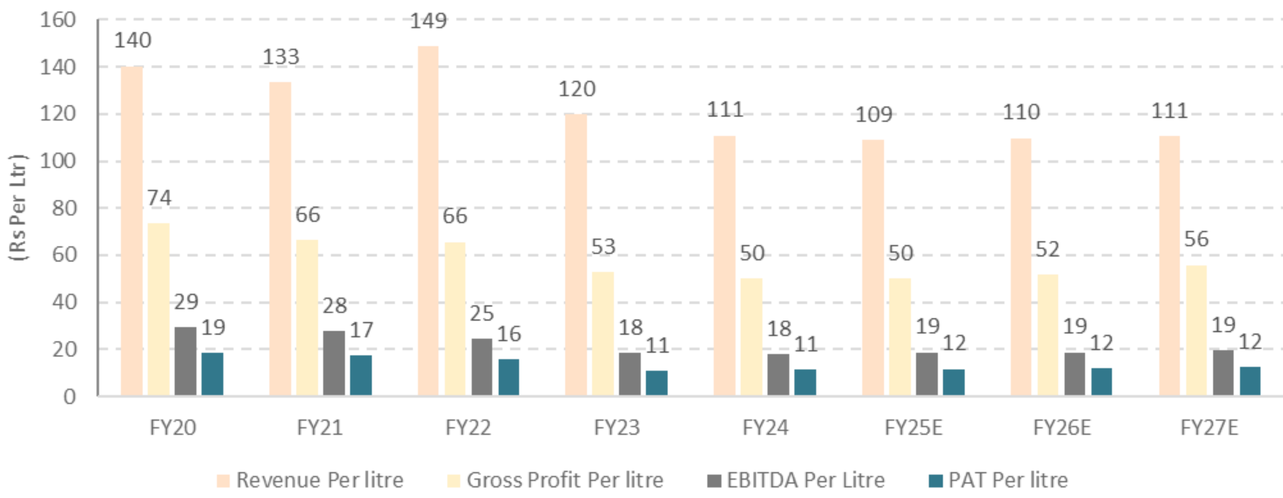
GOLI's Volume Growth Trajectory: Core Lubricants & AdBlue (FY20-FY27E)



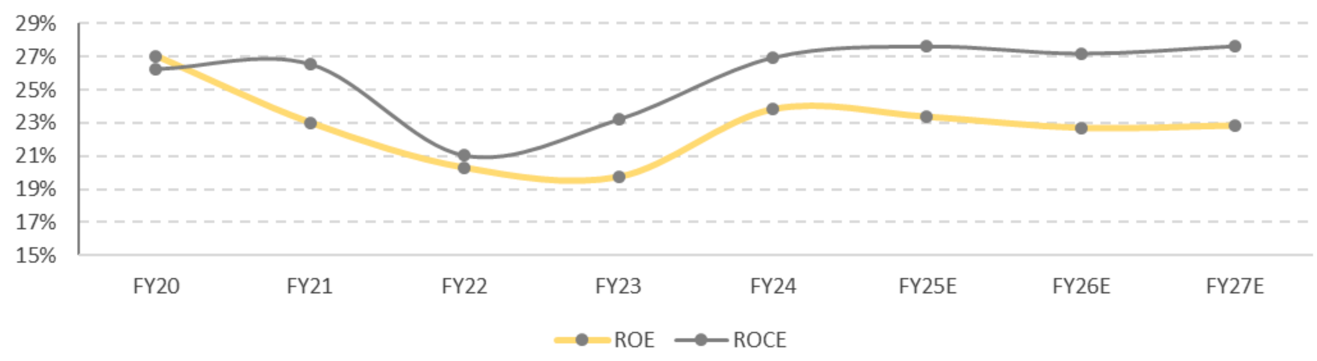
GOLI's Financial Growth Outlook: Revenue, EBITDA & PAT (FY20-FY27E)



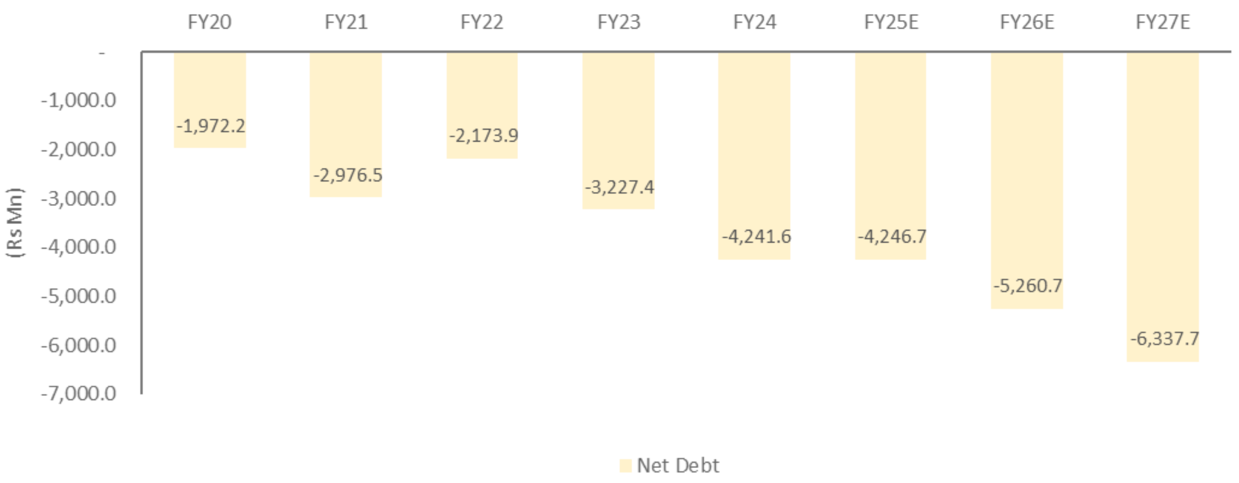
GOLI's Per-Litres Financial Performance: Revenue, Gross Profit, EBITDA & PAT (FY20-FY27E)



GOLI's Return Ratios Trend: ROE & ROCE (FY20-FY27E)



Net debt remains in negative territory



Source: - Company and Dalal & Broacha Research

Ownership Stakeholder Value creation

Declared Total Dividend Rs 36.00; Dividend Yield stands at 3.4%
(as on 22nd May, 2024); **1800% on FV of Rs 2 each at the end of Mar'24**

- Continuous increase in dividend with **23.2%** CAGR (from FY15 to Fy24)
- Generated healthy INR **348 crore** cash flow from operations in Fy24
- Total quantum of dividend paid in last 5 years (FY'20 to FY'24) **Rs 475 crs**. Additionally, there was buyback amounting to **Rs 85 crs** in Fy22.
- For FY24 & FY23 Payout ratio stands at **57% & 53%** respectively.
- Annual maintenance CAPEX requirement of INR **25-30 crore**

Source: - Company and Dalal & Broacha Research

Investment Rationale

Enhancing market leadership through a diversified product portfolio involves expanding offerings, driving innovation, and targeting diverse customer segments to strengthen market position and minimize risks.

GOLI has significantly impacted India's lubricant market with its diverse range of products, including automotive, industrial, and specialty lubricants. The company has built a strong brand, innovation, and a robust distribution network, leading to a notable market share compared to competitors. GOLI's lubricant volumes grew at an impressive 8.2% CAGR over the past decade (FY14-FY24), outpacing the industry's 3.2% growth by 2.6 times. Including AdBlue volumes, the company reported a remarkable 15.4% CAGR, reflecting 4.8 times industry growth. A key differentiator for GOLI is its ability to serve both premium and mass-market segments, offering high-performance synthetic lubricants for vehicles in various price ranges. Even post-COVID, from FY21-FY24, GOLI's lubricant volumes (excluding AdBlue) grew at a healthy 7.28% CAGR, compared to the industry's 2.9%. The company's balanced focus on both automotive and industrial lubricants has helped it navigate sector-specific slowdowns, and management projects strong growth, exceeding 2x the industry's expected 2-3% CAGR in the coming years.

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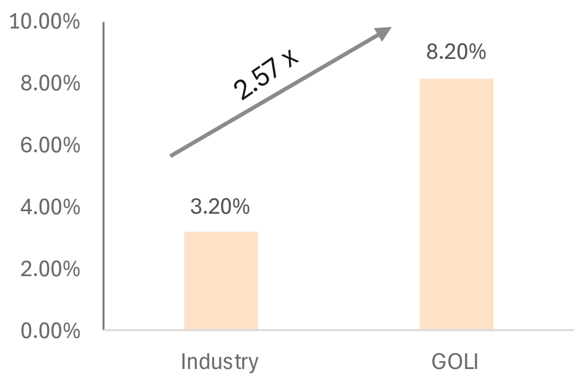
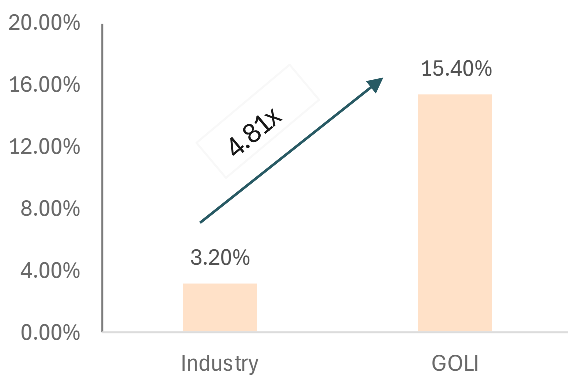


……Including AdBlue volumes, the company reported a remarkable 15.4% CAGR, reflecting 4.8 times industry growth

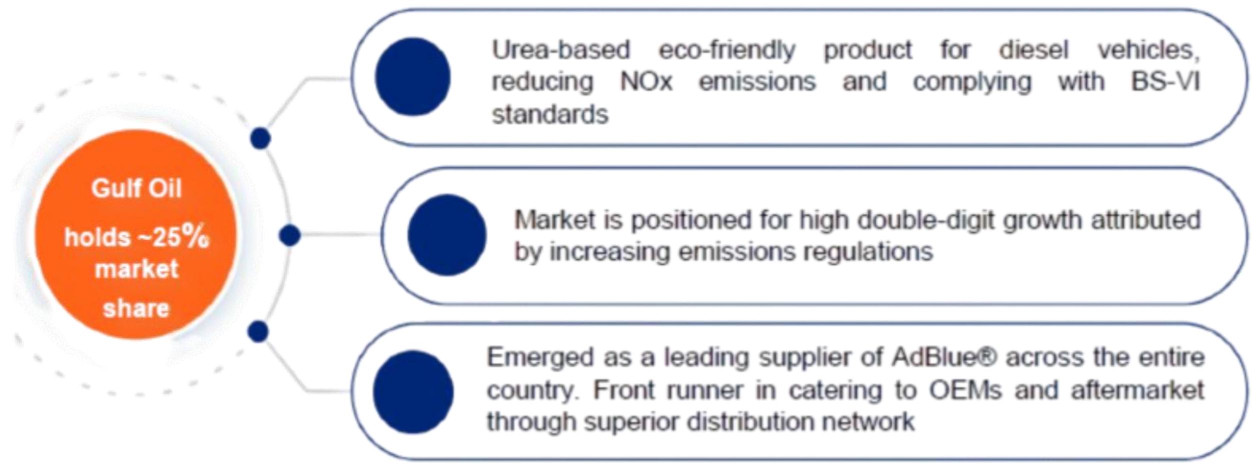


Source: Company, Dalal & Broacha Research

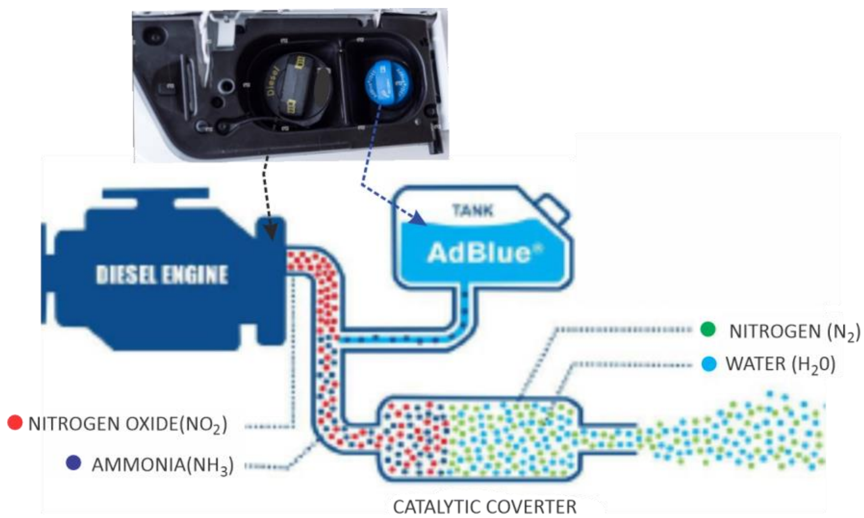
AdBlue market: Continuously gaining traction and increasing market share

A key growth driver for GOLI is its strategic entry into the AdBlue market, a niche but rapidly expanding segment in India. The demand for AdBlue is expected to surge due to the implementation of Bharat Stage (BS) VI norms, which aim to reduce nitrogen oxide (NOx) emissions in diesel vehicles. AdBlue is a urea-based, eco-friendly product that helps convert NOx into nitrogen and water droplets in diesel engines through selective catalyst reduction (SCR) technology, reducing NOx by 90%-95%. The company launched the product in FY21 with a volume of 3 million liters and has rapidly scaled up to 128 million liters in FY24. AdBlue's contribution to GOLI's total volume grew significantly from 12% in FY22 to 47% in FY24. With its well-established distribution network and strong OEM relationships, GOLI has captured around 25% of the AdBlue market. While margins in this segment are low single digit, the high sales volumes make it a significant contribution. Moreover, the market is expected to continue growing in high double digits, driven by increasing regulations on emissions.

Complementary product; Huge synergy in supply chain, distribution and end customer segments



How does it work?



Source: Company, Dalal & Broacha Research

AdBlue® manufacturing capacity: ~75,000 KL in-house, >2,75,000 KL with over 13 Satellite Plants

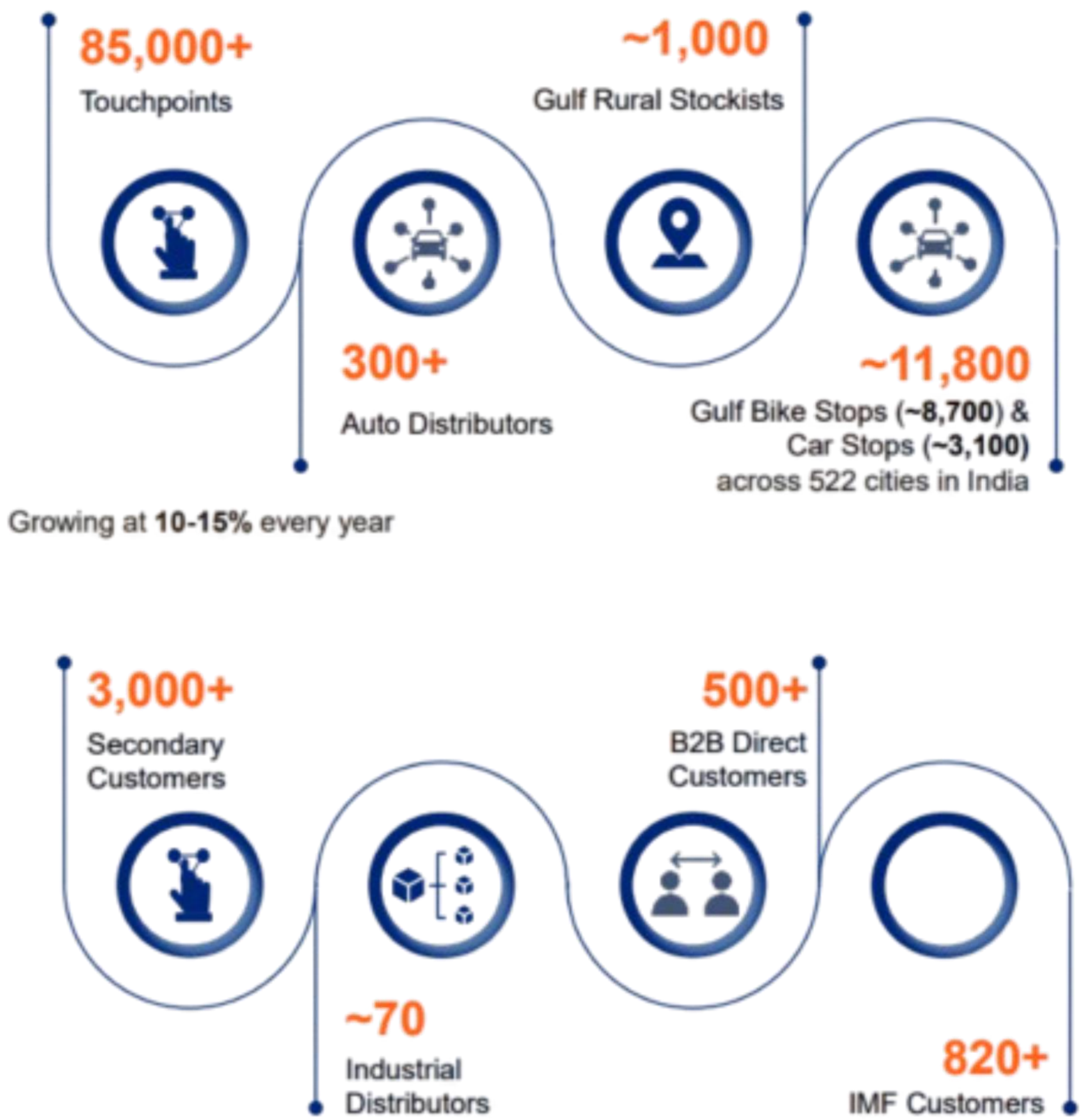
Source: Company, Dalal & Broacha Research

Leveraging expansion initiatives and strategic partnerships

The company has recently entered a strategic partnership with Nayara to provide lubricants and exclusively distribute AdBlue products through its network of over 6,000 outlets. Additionally, it has extended its partnership with Piaggio India through 2032. GOLI expects BS-VII to accelerate the demand for AdBlue as it needs a higher mixture of AdBlue with diesel fuel. The company remains debt-free with a cash balance of Rs 4.5 billion and plans to increase its volumes by expanding its distribution network and offering attractive product ranges. It also aims for steady growth in the EV value chain with an overall annual capex plan of Rs 250-300 million.

In addition to forming OEM partnerships, GOLI has embarked on an aggressive expansion strategy to enhance its market share. GOLI has been expanding its distribution network, especially in Tier II and III markets, where the demand for lubricants is expected to be rapid. As of FY24, GOLI had a distribution network of more than 85,000 retail outlets, 300+ distributors, and strong coverage in rural markets. This broad network provides GOLI with the competitive advantage to broaden its distribution network and position itself better to identify and capture emerging growth opportunities.

Stellar Pan India Network- B2C Network & B2B Network



Source: Company, Dalal & Broacha Research

Diversification into EV business

GOLI has made significant inroads into positioning itself as a major player poised to benefit from the rapidly expanding Electric Vehicle (EV) ecosystem. From AC home chargers to high-capacity DC fast chargers and innovative e-mobility solutions, GOLI envisions establishing an end-to-end presence across the EV landscape.

Strategic initiatives to participate in end-to-end EV Value Chain

2021

Indra Renewable Technologies

~INR 30 Crore
(~7.5% Stake)
Gulf Group globally
holds controlling stake

Slow Home AC Chargers

- UK based company . Makes Home chargers with advanced features like Vehicle to Grid (V2G\)

2022

Techperspect Software Pvt Ltd.

~INR 15 Crore
(26% Stake)

SaaS provider

- IoT based e-mobility solutions and software
- as a service provider catering to customers
- in EV space with leading OEM's

2023

Tirex Transmission

~INR 103 Crore
(~51% Stake)

DC Fast Chargers

- Over 2,000 high-capacity EV fast chargers deployed across India
- Caters to PSUs, Charge Point Operators(CPOs), Automotive OEMs and Retail
- Range of 30KW to 240 KW capacity

Potential and Prospects

Indra Renewable Technologies

- Strong relations with OEM's and commands market share of 7-8% in UK home EV chargers segment
- Superior technology chargers to be launched globally, including India after studying the market fit.
- Exclusive rights to use Indra's technology for EV charging and products in India.

Techperspect Software Pvt Ltd.

- 50K + downloads of ElectreeFi charging app
- Developing solutions and leveraging strengths to cater to rapidly-developing e-mobility space for 2/3 wheelers and cars
- Superior solutions with regards to EV charging, EV fleet management and battery swapping

Tirex Transmission

- Signed MoU with Government of Gujarat for a large EV DC Charger Mfg Plant
- Estimated to be having 8-10% market share in India for DC fast chargers
- Keen for export opportunities

*India's EV Charger segment-

- Demand surge to ~1 mn chargers (AC+DC) by 2030
- India's Potential DC charger Market size ~$1 bn to $1.4 bn

Global EV Charger segment-

- $20bn to $200 bn by 2030

~INR 148 crore **Total Investment in EV Ecosystem**

**IESA -Indian Energy Storage Alliance* ***Independent Workshops*

Source: Company, Dalal & Broacha Research

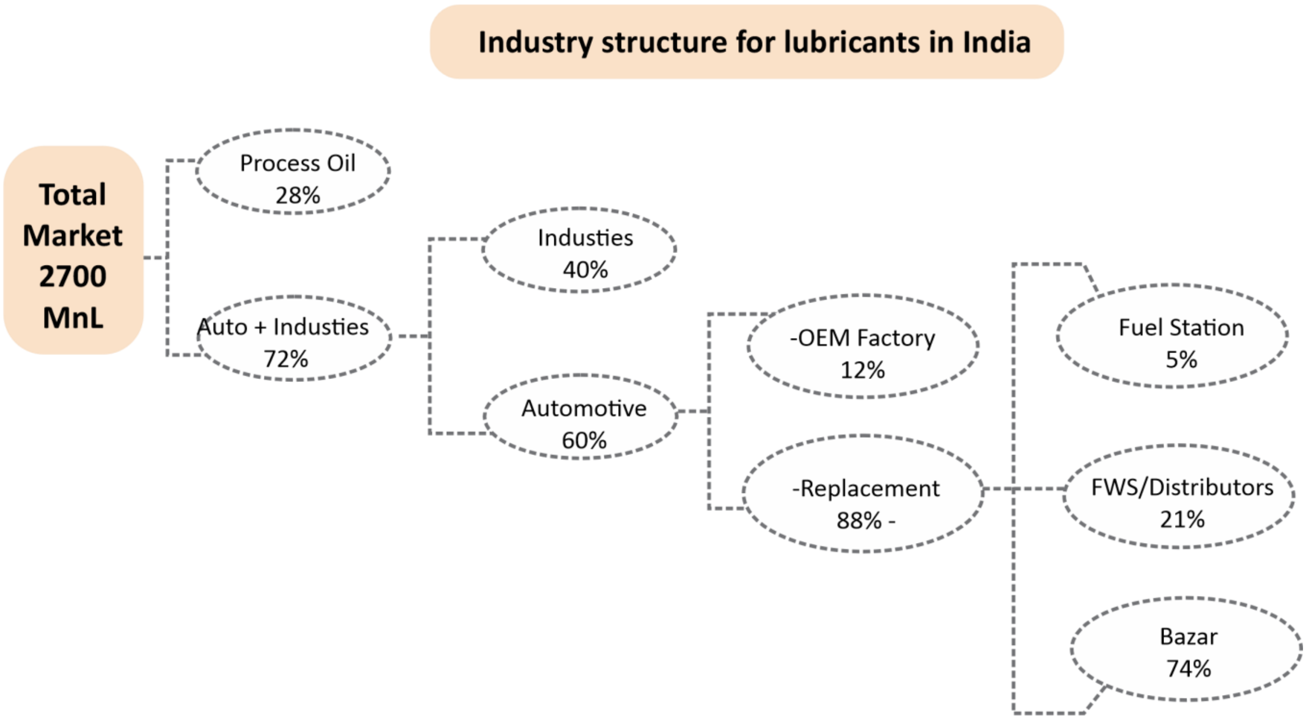
Industry Background

The lubricants industry is an essential component of most engines – essentially, a lubricant is any substance that reduces friction between surfaces in mutual contact, thus minimising the heat generated when the surfaces are in motion. The use of lubricants, while prevalent from as early as 1400 BC, really picked up pace since the Industrial Revolution era, with the increasing use of metal-based machinery at a large scale. Relying initially on natural oils, needs for such machinery shifted toward petroleum-based materials early in the 1900s. A breakthrough came with the development of vacuum distillation of petroleum in the 1920s. This helped remove impurities from the lubricant on a large scale, thus, enhancing the effectiveness of the product.

Typical lubricants are comprised of base oil (a petroleum refining derivative or natural vegetable oils) and additives (used to further reduce friction, increase viscosity, create anti-corrosion/anti-oxidation properties etc.), typically in a 90:10 ratio. There are some non-liquid lubricants as well, such as Dry Graphite, PTFE, tungsten disulphide etc. which are primarily used in specialised and very high temperature environments.

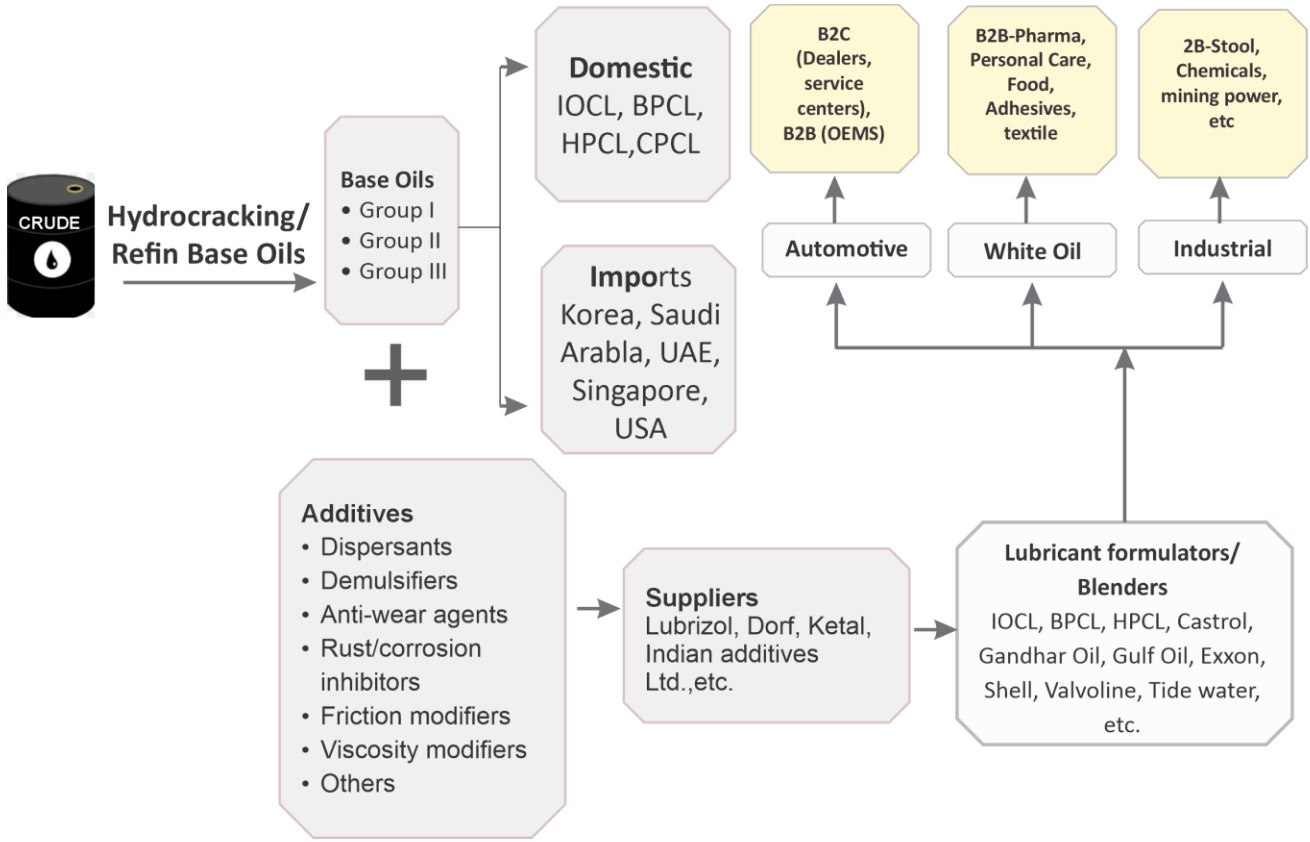
The global lubricant market is enormous, valued at ~USD 139.4bn in CY23 and projected to reach ~USD 170bn by CY30E. As per other estimates, in terms of volumes, global lubricants demand is at 44.41bn litres in CY24. In contrast, the Indian lubricant market is just ~2.7bn litres, as of CY23.

Industry structure for lubricants in India



Source: Company, Dalal & Broacha Research

Lubricant Supply Chain Process: From Crude Oil to End-Use Applications



Source: Company, Dalal & Broacha Research

Base oil is a basic raw material for manufacturing lubricant. They are majorly classified into three categories – Group-I, II and III. Group-I base oils are SN-150, SN 300, SN 500; Group-II grades such as N-150, N-500, Aramco Prima; and Group-III grades such as Aramco Ultra 2,3 and 8.

Group-I base oils have higher sulphur content (>0.03%) and less than 90% saturates, which makes them less preferred compared to Group-II and Group-III base oils. GroupII/IIIs will capture demand from Group-I base stocks. Group-II's will continue to lead the demand even though Group-III's will grow at a faster rate.

Classification of Base Oils and Their Properties

Base Oil

	Group I	Group II	Group III	Group VI	Group V
Manufacturing Process	Solvent Refining	Hydrocracking	Catalytic Dewaxing	Chemical Reactions	All Others not included in group I, II, III and IV
Saturate Level	<90%	>=90%	>=90%	100% Poly Alpha Olifins	
Sulphur Level	>0.03%	<0.03%	<0.03%		
Viscosity Index	80-120	80-120	>=120		

Source: Company, Dalal & Broacha Research

India still lags other countries in terms of its industrial facilities and more than 70% of India's base oil needs are met by imports from the UAE, Saudi Arabia, South Korea, United States, and Singapore

Going forward, with a material expansion in Indian refining capacity, India's net-deficit for base stocks is expected to narrow. The mix of volumes will not be uniform however, with Group-II's category to widen while Group-III's to move into surplus over the next 5-7 years. This will create a sharply higher margin trajectory; we believe for the more premium end of the lubricant market and enable GOLI to leverage its comprehensive product portfolio to enhance its margin profile over the next 3-5 years.

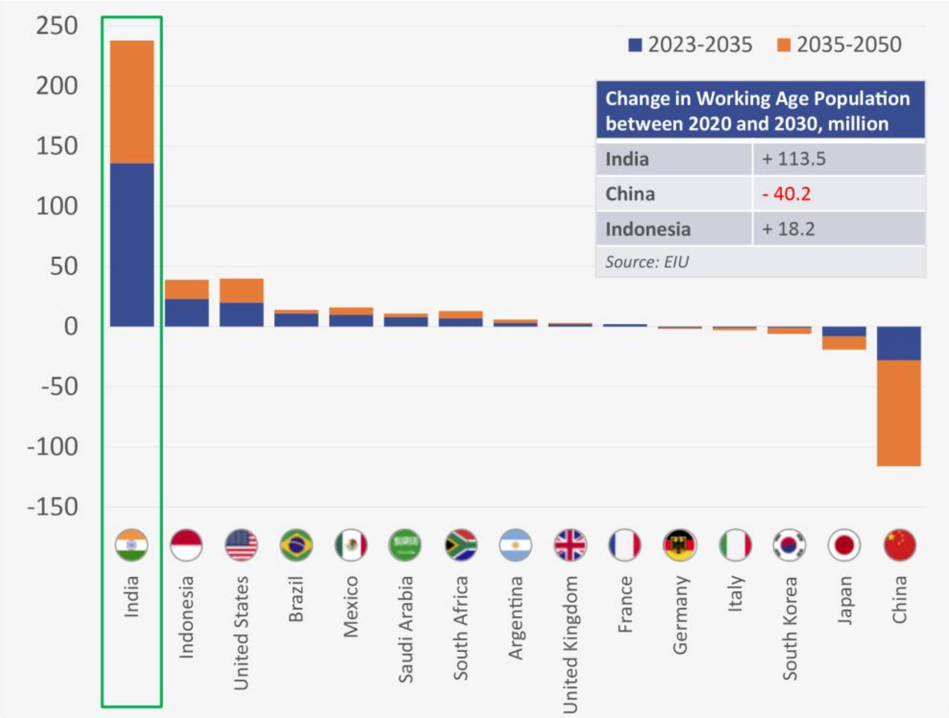
The global lubricants industry has been facing concerns about slowing growth prospects in the coming years, driven by the potential phasing out of traditional internal combustion engine (ICE) vehicles as renewable mandates and EV adoption gain momentum. Automotives account for around 50% of global lubricant demand by volume and 55% by value. However, despite these challenges, **the global lubricant market is enormous, valued at ~USD 139.4bn in CY23 and projected to reach ~USD 170bn by CY30E. As per other estimates, in terms of volumes, global lubricants demand is at 44.41bn litres in CY24. In contrast, the Indian lubricant market is just ~2.7bn litres, as of CY23.**

The Indian lubricants market is set for significant growth, driven by several key factors:

1. **Favorable Demographics and Economic Expansion Fueling PV Demand**: India is projected to become the world's third-largest economy within the next five years, with its GDP expected to surpass USD 5 trillion by CY27-28E. This economic rise has spurred a sharp increase in passenger vehicle (PV) sales, growing from approximately 1.5 million in FY08 to over 4 million in FY23—nearly tripling in 15 years with a CAGR of ~6.8%. However, per capita vehicle ownership remains lower than in developed nations and China, indicating substantial room for further growth.

Global Population Growth Trends & Working Age Population Shifts (2023-2050)

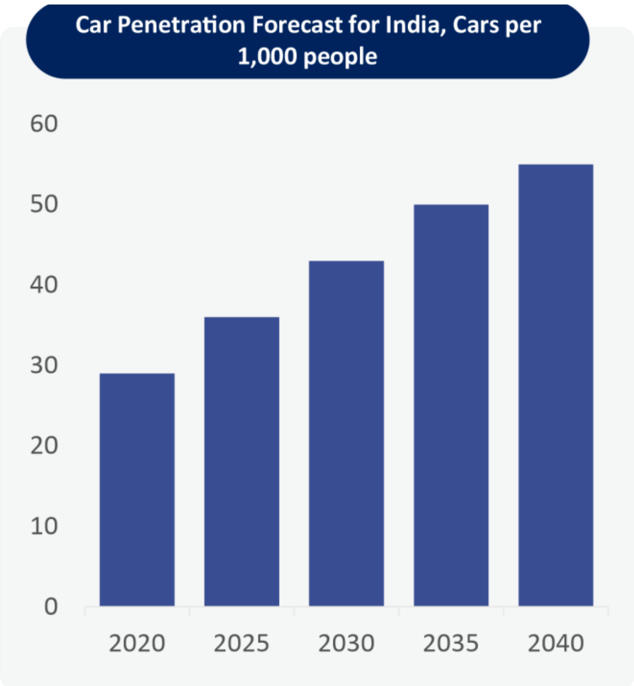
Population Growth; *million people*



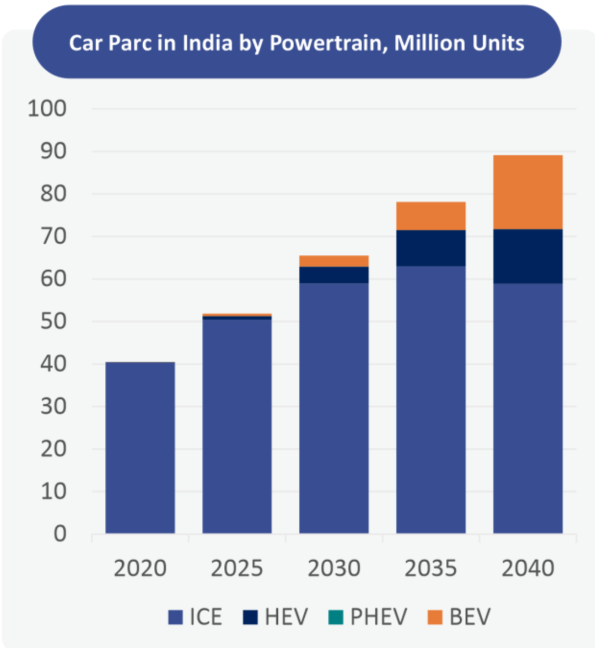
Change in Working Age Population between 2020 and 2030, million	
India	+ 113.5
China	- 40.2
Indonesia	+ 18.2
Source: EIU	

Source: Company, Dalal & Broacha Research

India's Car Penetration & Powertrain Evolution: Forecast till 2040



- Car penetration in India is expected to almost double between 2020 and 2040.
- Car sales are not only growing in cities but also in rural areas with the latter accounting for 44% of Maruti Suzuki's overall sales in 2022.



- In 2022, 99% of the total car parc comprised of ICE vehicles.
- ICE and HEV parc will continue to grow till 2040.

Source: Company, Dalal & Broacha Research

2. **Premiumization of Vehicle Mix Enhancing Margins**: A major driver in the PV segment is the growing preference for larger Utility Vehicles (UVs) over smaller cars and sedans. UVs typically require higher-quality lubricants, creating opportunities for improved margins as premium lubricants gain traction. This trend is expected to persist in the coming years.

3. **Rising MHCV and LCV Demand Due to Infrastructure Growth**: After a period of sluggish demand from FY19-22—caused by the pandemic and a slowdown in freight and infrastructure activity—the Medium and Heavy Commercial Vehicle (MHCV) and Light Commercial Vehicle (LCV) segments have witnessed a strong recovery. Increased infrastructure investment, along with rising demand for last-mile deliveries and short-haul freight, is set to drive further growth in these segments, subsequently boosting lubricant consumption. Key contributors to commercial vehicle (CV) demand include:
   - Expansion in construction, real estate, railways, and road networks
   - Development of industrial corridors and multimodal logistics parks
   - Continued dominance of internal combustion engine (ICE) vehicles in the CV sector, as EV adoption remains slower compared to passenger vehicles

4. **Expanding Bus Fleet Due to CGD Network Growth**: Urbanization, the need for better intercity connectivity, and efforts to enhance public transportation in major cities are expected to drive bus fleet expansion. While the shift toward EVs will influence this growth, the expansion of the City Gas Distribution (CGD) network will play a crucial role in increasing the number of CNG buses. With over 295 Geographical Areas (GAs) awarded in CGD rounds IX and X, the number of CNG buses is expected to rise significantly by FY30E.

5. **Vehicle Scrappage Policy Driving Replacement Demand**: The Scrappage Policy introduced in CY22 mandates the phasing out of older vehicles, with commercial vehicles (CVs) over 15 years and passenger vehicles (PVs) over 20 years required to undergo mandatory fitness tests. Testing for heavy commercial vehicles (HCVs) began on April 1, 2023, while for other CVs and PVs, it is scheduled to start in June 2024. Additionally, Public Sector Undertaking (PSU) and government vehicles over 15 years old were required to be scrapped by April 1, 2022.

As of CY22, India had over 5 million Light Motor Vehicles (LMVs) aged 20 years or older. If just 10% of these vehicles are replaced, annual vehicle sales could increase by ~8-9%, further stimulating lubricant demand nationwide.

Is EV an opportunity or an industry killer?

We believe that EVs will present an opportunity for the lubricant industry at least until CY30. Below is a brief analysis highlighting the opportunities for various decarbonization levers.

India's Decarbonization Ambitions: - Uncertainty in a problem requires diversity in its solution

Net Zero by 2070

India's Decarbonization Ambitions

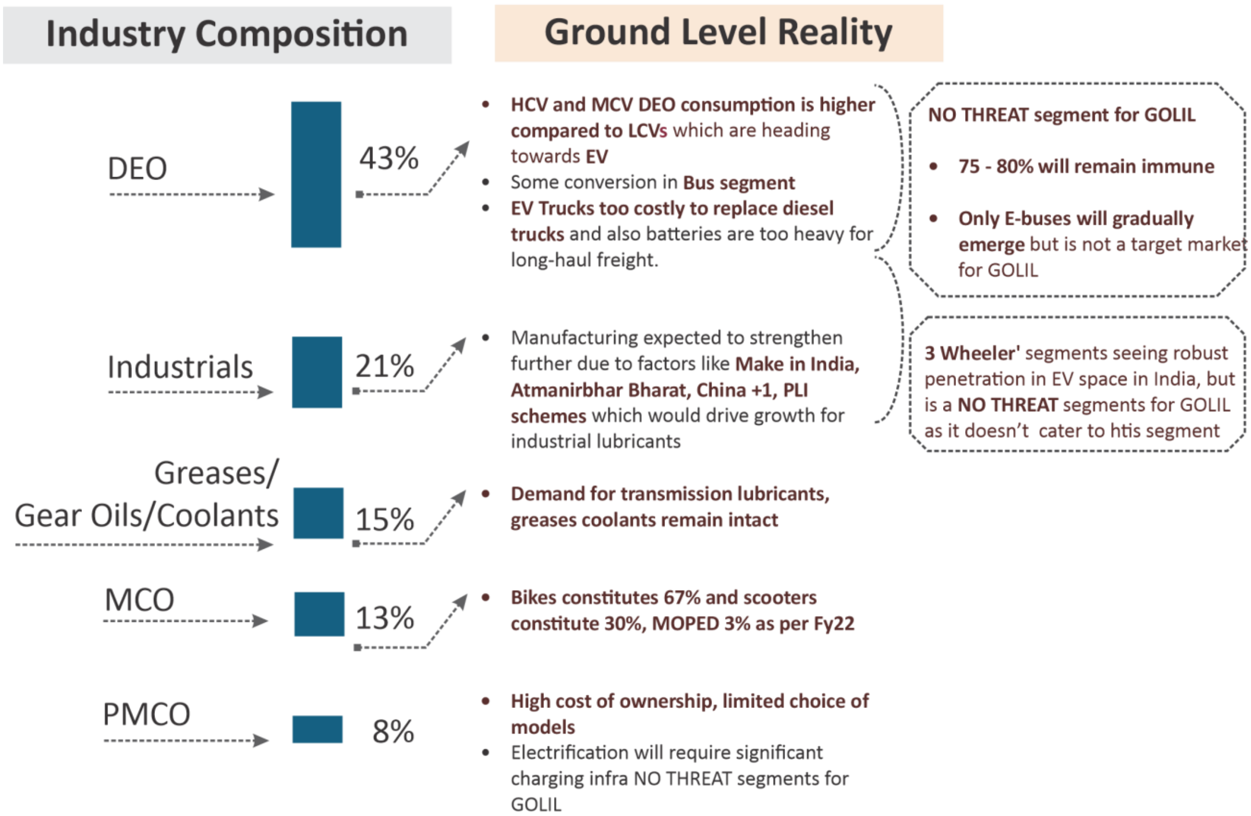
Deacarbonization Levers	Ambition	Impact on lubricants
EV Sales Target (2030)	30% of PC sales 80% of 2W/3W sales	More mfg → more ind. lubes. New EV fluids New high value greases
Green Hydrogen Ecosystem Target (2030)	5 million tonnnes of Green H2 100 GW Electrolyzer capacity 125 GW Green H2 transmission capacity	More mfg → more ind. lubes. H2 ICE → New engine oils? More renewable cap → lubes
Renewable Energy (Solar / Wind) Capacity Target (2030)	500 GW	More mfg → more ind. lubes. Industrial gear oils, hydraulic fluids, grease, circulating oils
Low Carbon Fuels	Ethanol: 20% by 2026 Methanol: TBD Natural gas/Bio gas	New niche markets for lubricants
Carbon Market	CCUS: Policy awaited Carbon credit trading: **Policy announced**	

Source: Company, Dalal & Broacha Research

The most significant impact of EV adoption on lubricant demand will be seen in the light passenger vehicle (PV) and two-wheeler (2W) segments, which currently account for approximately 30% of the total lubricants market. However, demand from the industrial sector, heavy vehicles, and other categories is expected to continue growing, driven by rising transportation needs and industrial expansion. This sustained growth will propel overall lubricant demand in India over the next decade.

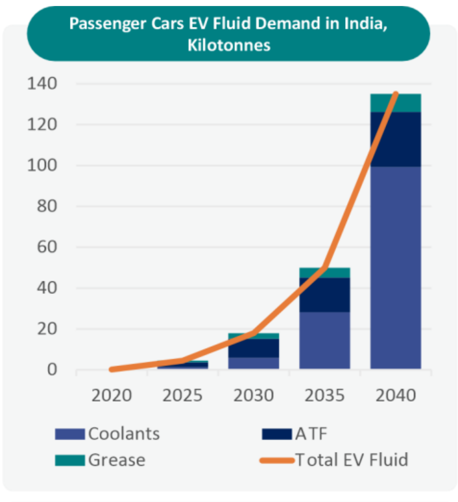
The demand for EV fluids is projected to increase significantly over the next 20 years. According to Kline Research, EV fluid demand is expected to rise from negligible levels by CY25E to over 130kt by CY40E.

Industry Composition vs. Ground-Level Reality: Impact of Electrification on Lubricants Market



Source: Company, Dalal & Broacha Research

EV Fluid Demand in India



- EV fluids will witness rapid growth after 2025.
- Coolants will witness the most significant growth in due to the increased sale of EVs.
- EVs require much larger volumes of coolants to cool the inverter, electronics, and battery.

Source: Company, Dalal & Broacha Research

In addition to conventional brake fluids, coolants, and transmission fluids, EVs require specialized fluids to address the challenges of high-torque battery-powered systems. These include:

1. **Foam Control** – Preventing foam formation caused by the exposure of internal fluids to air.
2. **Motor Cooling** – Protecting sensitive electric components near motors and brakes.

These specialized fluids present additional long-term opportunities for lubricant companies as the EV market evolves.

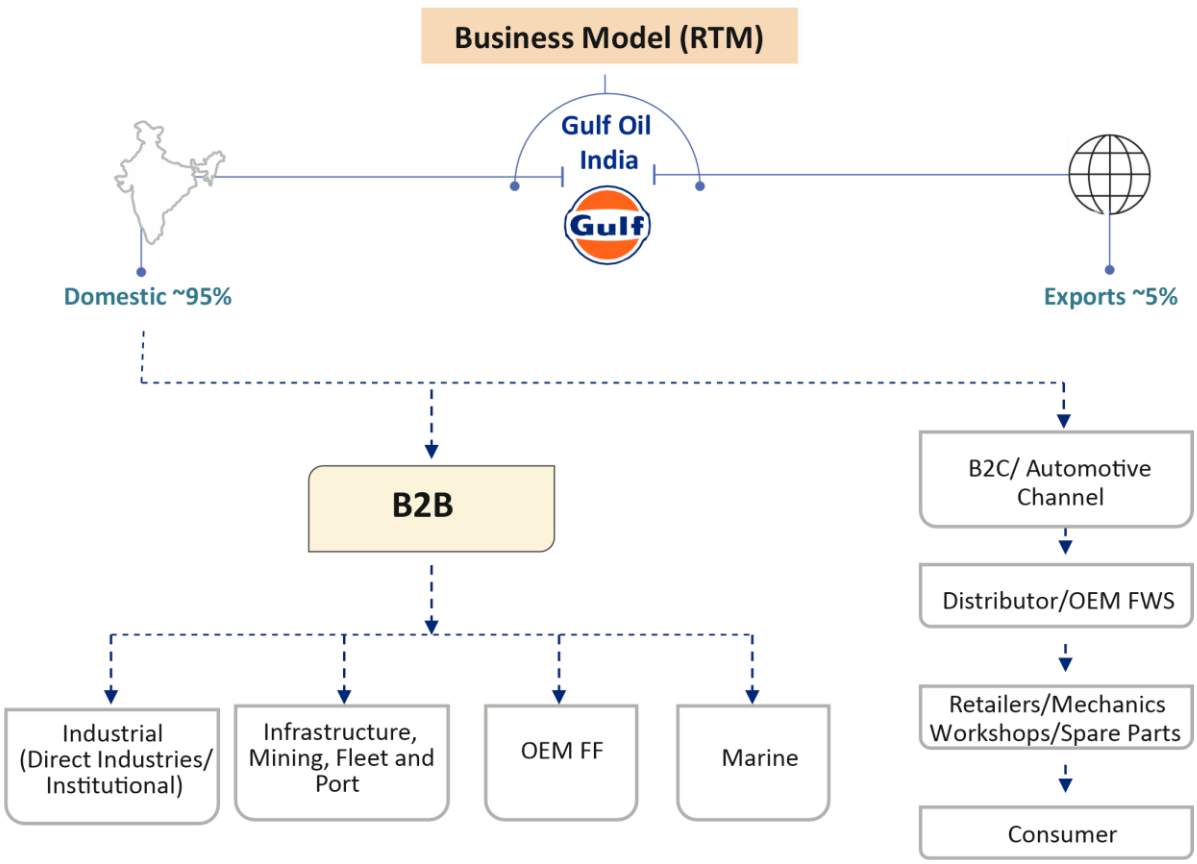
About The company

Gulf Oil, part of the esteemed Hinduja Group, boasts a brand legacy that dates back to the early days of the US oil industry. Founded in Texas in 1901, Gulf Oil has been responsible for several industry milestones, including the first-ever drilling operation and the first-ever fuel station. The Gulf Oil brand globally is owned by Gulf Oil International (GOI), the parent company of GOLI.

GOLI primarily operates in the automotive and industrial segments, with a strong presence in the B2C market through an extensive distribution network of over 80,000 retail points. The company has also forged partnerships with various OEMs and B2B customers across industries such as infrastructure, mining, fleet services, and state transport and government undertakings. In response to the growing demand for electric vehicles, GOLI has made significant investments in EV companies and launched EV fluids, positioning itself to hedge against potential declines in traditional internal combustion engine (ICE) vehicle demand over the next decade.

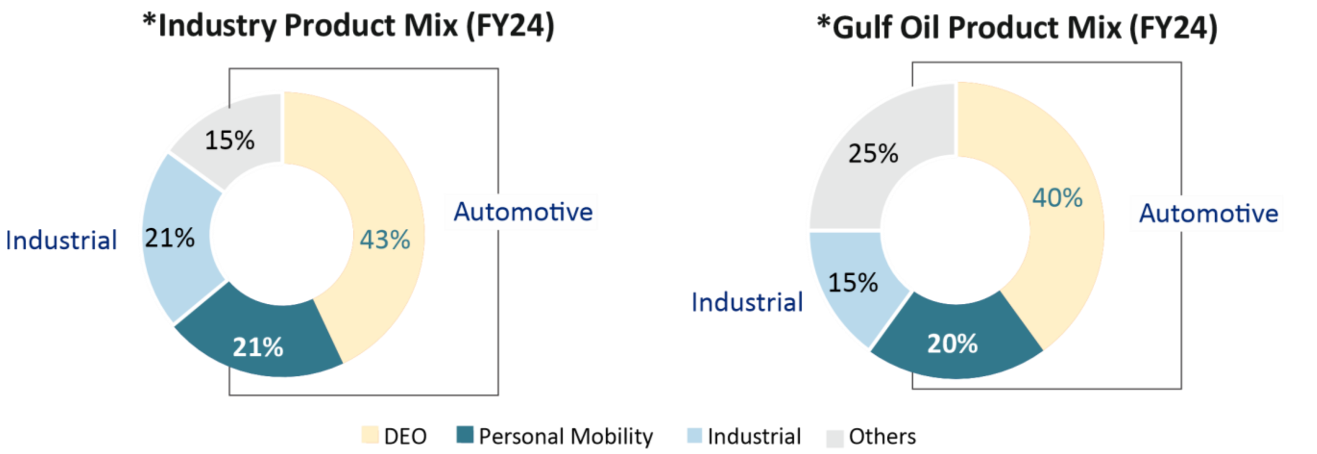
Gulf Oil has experienced substantial growth in the size and scale of its business over the past 8-9 years following its spin-off in 2014. Revenues have increased from INR 9.7 billion in FY15 to INR 30 billion in FY23, more than tripling with a CAGR of 15.2% over FY15-23. Operating profits have grown from INR 1.3 billion in FY15 to INR 3.4 billion by FY23, reflecting a CAGR of 13%, while net earnings have risen from INR 0.8 billion in FY15 to INR 2.3 billion in FY23, marking a CAGR of 14.7%. The company's stock market capitalization has also grown steadily, rising from INR 25.3 billion at the end of FY15 to INR 49.4 billion as of March 1, 2024, reflecting an annualized CAGR of 7.7% over the last nine years.

Business Model



Source: Company, Dalal & Broacha Research

Product Portfolio



*Internal estimates

*DEO - Diesel Engine Oil

Others - Gear, Grease Oil, Coolants, Brake Fluids etc

Source: Company, Dalal & Broacha Research

Management Team

Name	Designation	Experience
Mr. Sanjay G. Hinduja	Chairman, Non-Executive Director	Mr. Sanjay G. Hinduja has a Business Administration Bachelor's Degree from Richmond College in London. With a professional background at renowned financial institutions such as Credit Suisse Bank and Chase Manhattan Bank, he offers a wealth of knowledge and specialisation in the worldwide oil and energy industry.
Mr. Ravi Chawla	Managing Director and CEO	Mr. Ravi Chawla has over 25 years of experience in the Lubricants space having earlier worked in the top management of Pennzoil India (which also was part of Shell for 3 years from 2003 onwards) for 8 years from 1998 to 2006, prior to his continuing stint of 17 years+ with Gulf Oil. Overall, he has over 34 years of professional experience and has previously worked with various organisations (Indian and MNC's) across multiple sectors like FMCG, Tyres, Luggage, Photographic consumables, Tractors. He has rich experience and knowledge in leading/ delivering the P&L for organisations and his key strengths are people and strategy development and strong execution initiatives to deliver business plans consistently.
Mr. Manish Kumar Gangwal	Chief Financial Officer & President – Strategic sourcing, IT & legal	Mr. Gangwal serves as the company's CFO and President Strategic Sourcing, IT and legal. He also served as the CFO of GULF Oil Corporation Ltd (GOCL) from 2011 to 2014. He has served as General Manager Finance & Accounts at GOCL since Aug'08. He is a Chartered Accountant, Company Secretary and Graduate member of the Institute of Costs and Works Accountants of India. · He has over 30 years of professional experience and has worked with Poddar Pigments Limited and Hindustan Development Corporation Limited.

The company has two lubricant manufacturing plant at Silvassa and Chennai. Some of the AdBlue products are manufactured in-house and most of it is outsourced.

Installed Capacity

KL	Silvasa Plant	Chennai Plant	Total	Outsouced	Total
Lubricant	90,000	50,000	**140,000**		**140,000**
AdBlue- in house capacity	36,000	39,000	**75,000**	200000+	**275000+**
Total	**126,000**	**89,000**	**215,000**	**200000+**	**415000+**

Source: Company, Dalal & Broacha Research

GOLI boasts a diversified product mix across various usage segments and product categories, covering the full spectrum from engine oils, hydraulic fluids, greases, and specialty fluids for the Automotive segment to industrial lubricants and marine lubricants. Additionally, the company has recently launched a range of EV fluids, further broadening its product offering. This comprehensive portfolio positions GOLI to effectively address a wide range of market needs and continue growing across different industry cycles over the next decade.

EV fluids are an important offsetting factor for GOLI, as the company has already launched a comprehensive suite of EV fluids as part of its product portfolio. This includes transmission fluids, brake fluids, and coolants, all tailored to meet the specific needs of electric vehicles. These offerings not only diversify GOLI's product range but also position the company to capitalize on the growing EV market, helping to hedge against potential slowdowns in the traditional internal combustion engine vehicle segment.

Gulf Batteries: Energizing Tomorrow’s Mobility

The battery division is set to grow in scale, driven by increasing demand and expansion efforts. With rising adoption of electric vehicles (EVs) and the growing need for energy storage solutions, the division is well-positioned to capitalize on these trends. The company's strategic investments and focus on product innovation will support its growth, enabling it to capture a larger share of the expanding market.

GOLI entered the battery distribution space in CY13 and has made significant progress over the past decade. Its foray into the motorcycle battery market 7-8 years ago has been particularly successful, yielding an estimated 2-3% market share in the replacement market, with sales volumes reaching approximately 1.4 million units by FY24E. While revenues from this segment stand at INR 0.9 billion, they still represent a relatively small portion of GOLI’s total revenue, accounting for about 3% of FY24E sales.

GOLI has set an ambitious target of more than doubling its sales revenue from the battery division over the next four to five years, aiming for approximately INR 2 billion. The company plans to leverage its advanced Valve Regulated Lead Acid (VRLA) batteries and its growing network of 12,000 touch points to further penetrate the market, providing an additional diversification lever for the company in the long term.

To achieve this goal, GOLI has localized its battery sourcing, as the current sourcing model relies heavily on imports from China and Vietnam. With increased localization, the company aims to achieve around 20% annualized growth in this segment, boosting its market position and overall revenue from batteries.

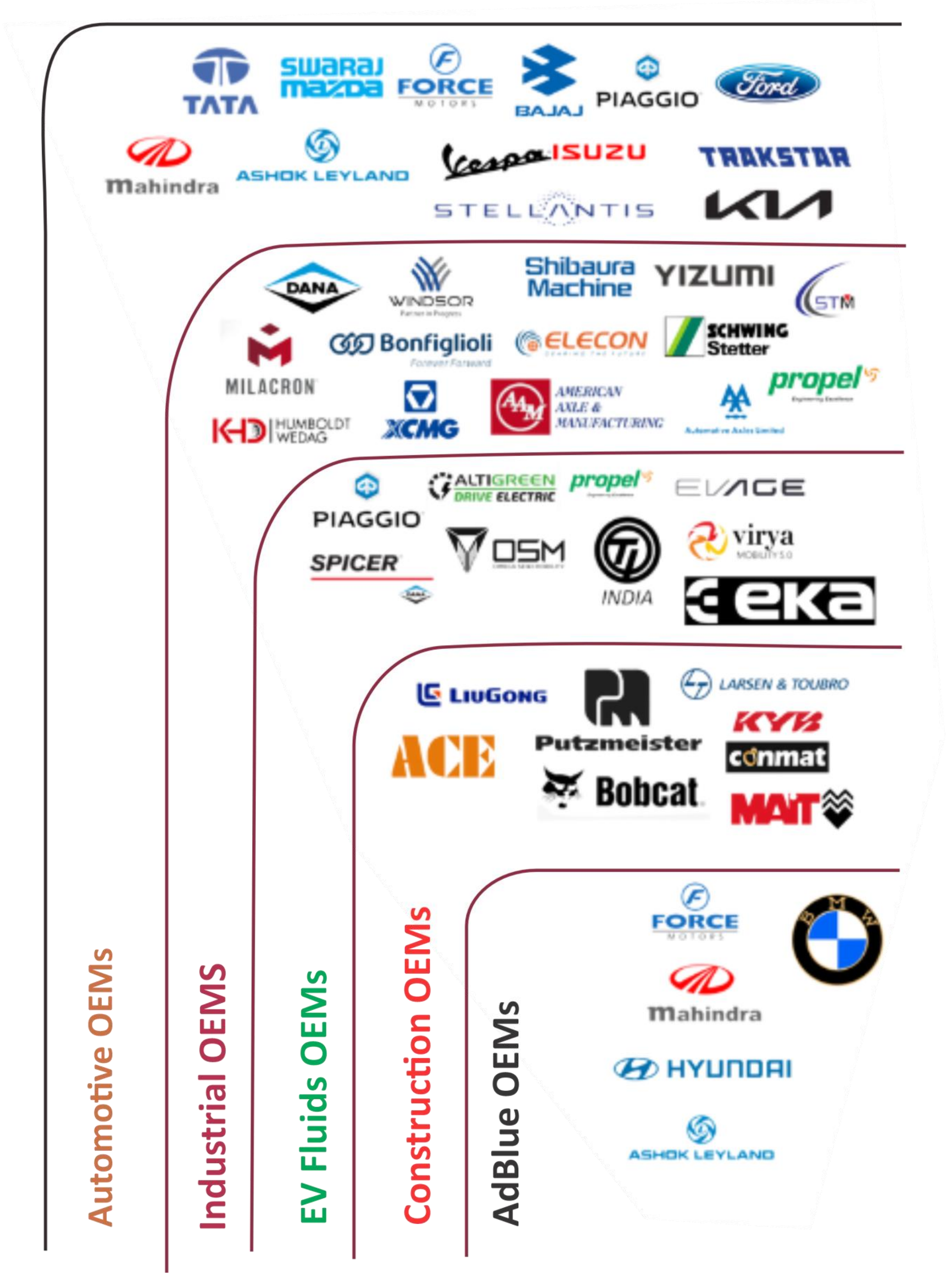
Comprehensive Lubricant & Fluid Solutions Across Industries

Source: Company, Dalal & Broacha Research

Enhancing Value: - Future-focused Product Innovations

Source: Company, Dalal & Broacha Research

OEM Partnerships Across Automotive, Industrial, EV, Construction & AdBlue Segments



Source: Company, Dalal & Broacha Research, Note:-Above clients as of FY2024 annual report

Market Share of GOLI across category

Category	(%)
DEO(New Generation)	8-9%
MCO	8-9%
Private Cars	3-4%
Industrial Segments	3-4%
Ad-blue	15-20%
Battery	2-3% in 2W retail market

Source: Company, Dalal & Broacha Research

Gulf Lubricants & Batteries: A Strong and Growing Distribution Footprint

GOLI has been consistently expanding its distribution footprint across India, and this expansion is expected to accelerate in the coming years. Over the last 5 years, the company has increased its touch points by 30%, with car stop touch points and rural stockists doubling during this period. These strategic expansions have played a key role in driving a 2.2x growth in volumes over the same timeframe.

Distribution Reach Across the Country

	FY18	FY22	FY23	FY24
Total Volume KL	95	134	214	270
Touch points	60000+	75000+	80000+	85000+
Auto Distributors	320	300+	300+	300+
Gulf rural Stockists	550+	~1000	~1000	~1000
Industrial distributors	50+	65+	70+	70+
B2B customers	200+	200+	500+	500+
Gulf Bike Stops	7000	~8000	~8000	8700
Retail touch points – Battery	0	0	~12500	~12500
Gulf car stops	1300	~2000	~2600	3100
Battery service points	0	0	~430	~435
Depos	33	~30	~30	~30
Exports Countries	0	25+	25+	25+
OEM partnership	10+	25+	25+	25+

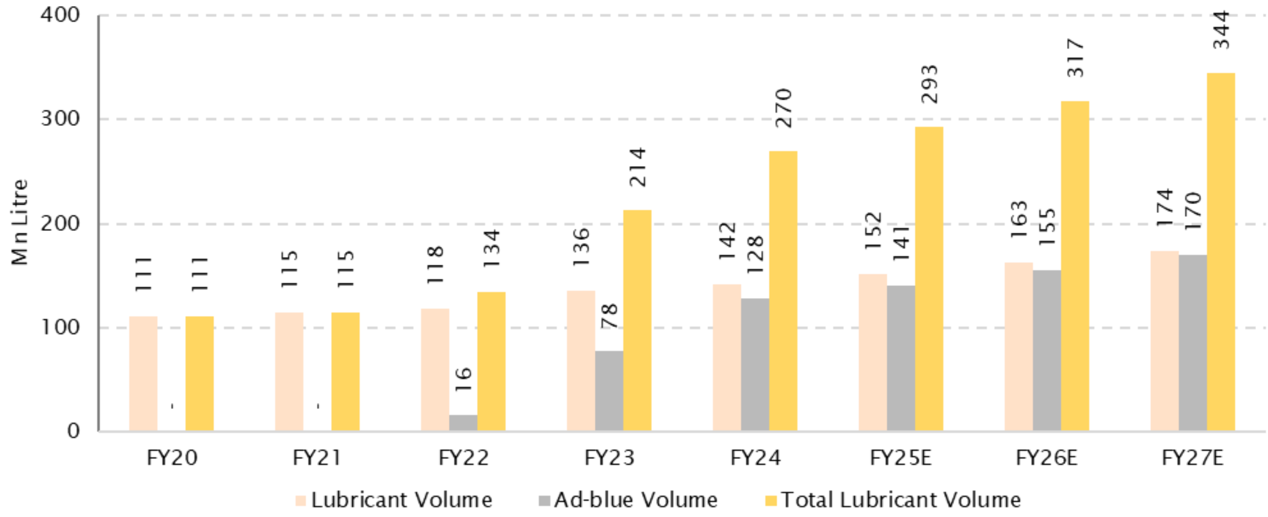
Source: Company, Dalal & Broacha Research

Gulf Oil Financial Analysis: Performance & Growth Insights

Even under conservative projections, the FY24-27E period is expected to experience significant growth

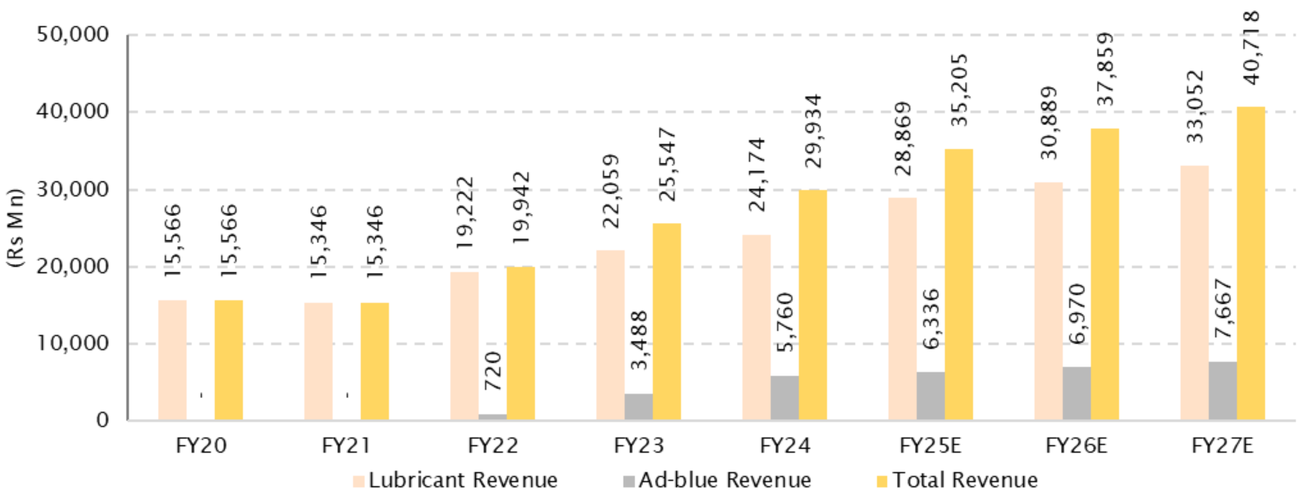
We anticipate a steady 8% CAGR in volumes over the next three years, supported by continued expansion in distribution, an increasing range of product offerings, and overall industry growth. Due to the higher base, we expect faster growth in the newer AdBlue segment, while the core Lubricant business is projected to grow at an industry-leading 7% CAGR over FY24-27E (with industry growth expected to be more moderate at 2-3% during the same period). Revenue growth is expected to mirror volume trends, with an estimated 11% CAGR for Lubricants and approximately 13% for the AdBlue segment. We anticipate a battery segment to grow at a 10% CAGR and project the revenue from the EV segment to double (at this stage) every year till FY27, resulting in an overall revenue CAGR of 13% for GOLI over FY24-27E.

GOLI's Volume Growth Trajectory: Core Lubricants & AdBlue (FY20-FY27E)



Source: Company, Dalal & Broacha Research

GOLI's Financial Growth Outlook: Revenue, EBITDA & PAT (FY20-FY27E)

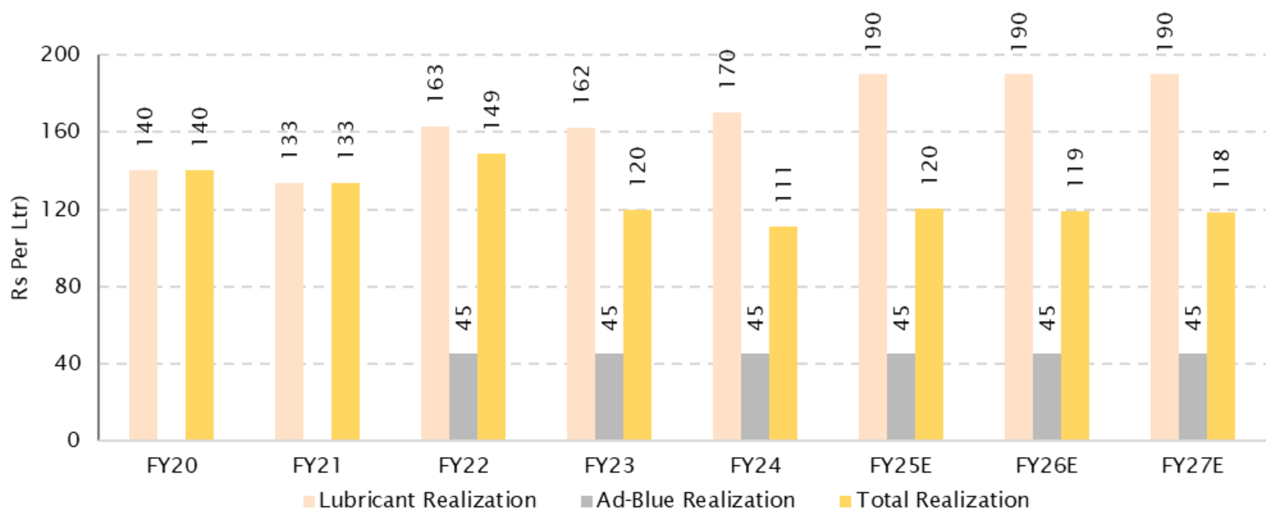


Source: Company, Dalal & Broacha Research

Margins are expected to remain at FY24 levels, with upside potential if realizations improve

We project a flat trend for net realizations over the next three years, with average realizations assumed to be INR 118-120 per litre for FY24-27E. This includes an annual improvement in Lubricant realizations and a flat trend for the faster-growing AdBlue segment,

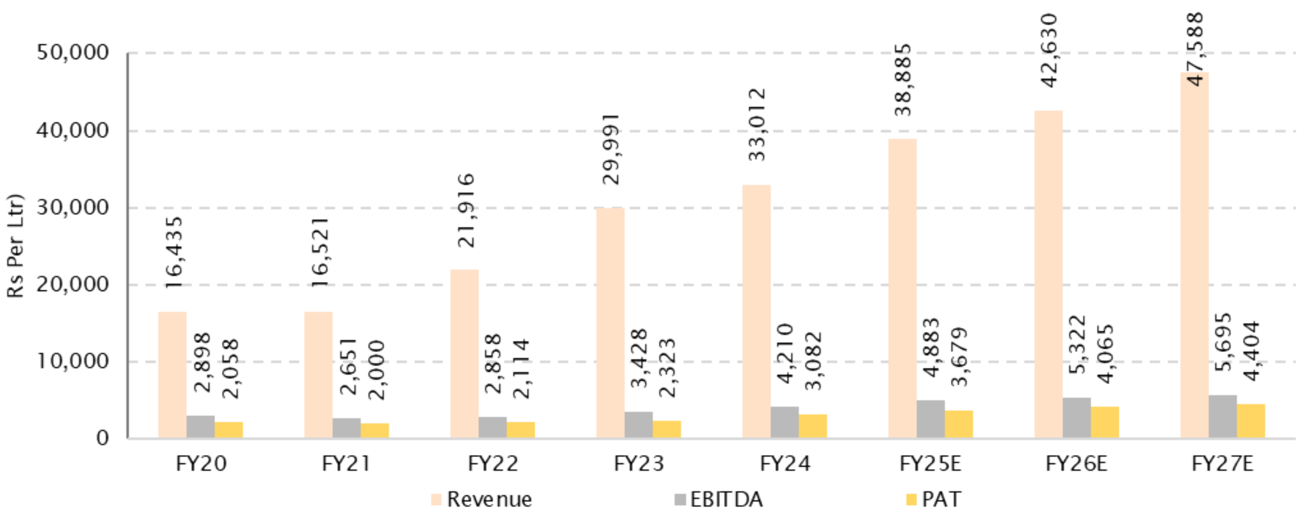
GOLI's Per-Litres Financial Performance: Revenue, Gross Profit, EBITDA & PAT (FY20-FY27E)



Source: Company, Dalal & Broacha Research

As for EBITDA margins, we anticipate some moderation due to aggressive efforts to expand distribution and higher advertising and sales promotion expenses. We expect Advertising and Sales Promotion costs to grow in line with revenue, maintaining a significant ~13% of revenue throughout the forecast period. Alongside the rise in other overheads, steady growth in depreciation costs, and relatively slower progress in realizations, we project EBITDA, EBIT, and PAT margins to remain stable over FY24-27E. However, it is worth noting that management's guidance suggests stronger margins ahead, as they believe realizations will grow faster than our projections during this period

GOLI's Financial Growth Outlook: Revenue, EBITDA & PAT (FY20-FY27E)



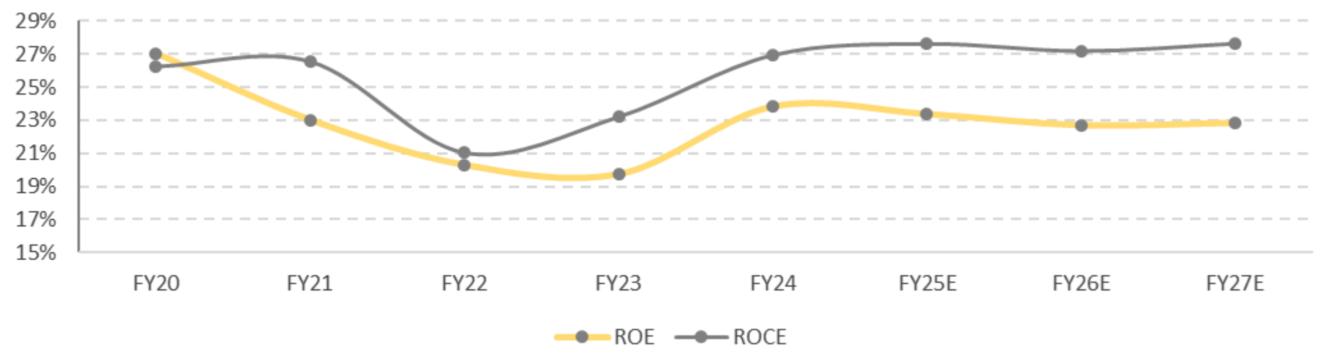
Source: Company, Dalal & Broacha Research

Overall, our estimates project a CAGR of 13% in Revenue, 11% in EBITDA, and 13% in PAT over FY24-27E. While these growth rates are slower compared to those observed in FY15-23 or even FY19-23, we still consider them to be industry-leading over the forecast period.

Balance Sheet to Continue Gaining Strength

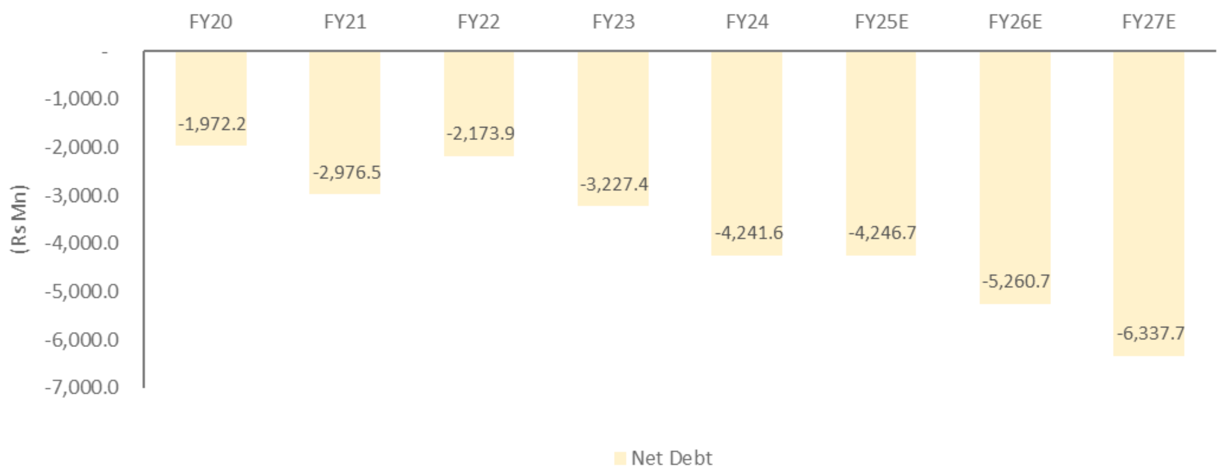
GOLI has consistently been a Net Cash company over the last several years and we do not see that trend changing over the next few years. The steady profitability improvement and capex remaining at the INR 250mn mark ensures that return ratios and leverage will likely continue to improve steadily over the next several years.

ROCE & ROE



Source: Company, Dalal & Broacha Research

Net Debt remains in Negative Territory



Source: Company, Dalal & Broacha Research

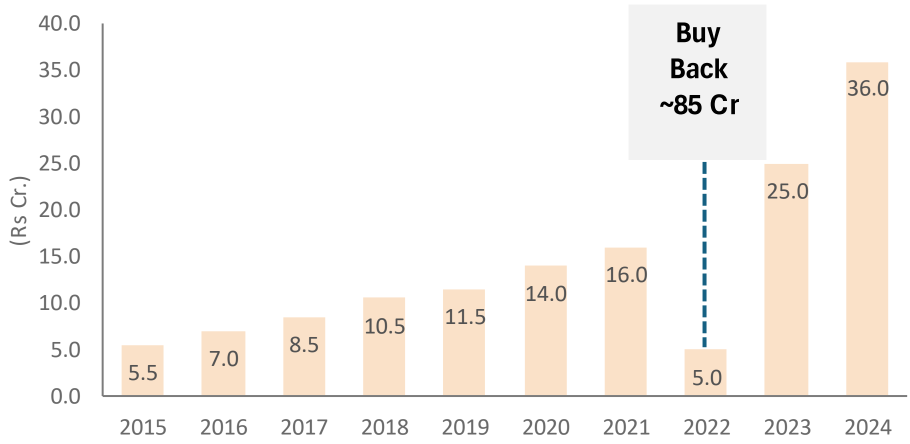
The higher profitability and the management's aggressive focus on enhancing shareholder returns are expected to result in a steady increase in Dividend per Share, driving a growing dividend yield at current prices over FY24-27E.
We believe there is significant potential within the company's Balance Sheet to substantially raise dividends, even with an increased capex allocation toward the Battery and EV charging segment.

Ownership and Stakeholder Value creation

Declared Total Dividend Rs 36.00; Dividend Yield stands at 3.4%
***(as on 22nd May, 2024);* 1800% on FV of Rs 2 each at the end of Mar'24**

- Continuous increase in dividend with **23.2%** CAGR (from FY15 to Fy24)
- Generated healthy INR **348 crore** cash flow from operations in Fy24
- Total quantum of dividend paid in last 5 years (FY'20 to FY'24) **Rs 475 crs**. Additionally, there was buyback amounting to **Rs 85 crs** in Fy22.
- For FY24 & FY23 Payout ratio stands at **57% & 53%** respectively.
- Annual maintenance CAPEX requirement of INR **25-30 crore**

Dividend Per share



Source: Company, Dalal & Broacha Research

Peer Comparison

INR Mn	CY20/ FY21	CY21/ FY22	CY22/ FY23	CY23/ FY24	CY24/ FY25E	CY25/ FY26E	CY26/ FY27E	Past 5 Years CAGR
Volume (Kilo-Litre)								
Castrol	**166**	**207**	**211**	**220**	**234**	**241**	**248**	**7%**
Growth	*-19%*	*25%*	*2%*	*4%*	*6%*	*3%*	*3%*	
Gulf Oil	**115**	**134**	**214**	**270**	**293**	**317**	**344**	**20%**
Growth	*4%*	*17%*	*60%*	*26%*	*9%*	*8%*	*9%*	
Revenue								
Castrol	**29,969**	**41,921**	**47,745**	**50,746**	**53,783**	**56,657**	**61,626**	**13%**
Growth	-23%	40%	14%	6%	6%	5%	9%	
Gulf Oil*	**16,521**	**21,916**	**29,991**	**33,012**	**38,885**	**42,630**	**47,588**	**19%**
Growth	1%	33%	37%	10%	18%	10%	12%	
EBITDA								
Castrol	**8,141**	**10,660**	**11,111**	**11,979**	**12,862**	**14,153**	**14,790**	**10%**
Growth YoY	*-29%*	*31%*	*4%*	*8%*	*7%*	*10%*	*5%*	
EBITDA Margin %	*27%*	*25%*	*23%*	*24%*	*24%*	*25%*	*24%*	
EBITDA INR/ltr	*49.042*	*51.498*	*52.659*	*54.450*	*54.966*	*58.721*	*59.577*	
Gulf Oil Lubricants	**2651**	**2858**	**3428**	**4210**	**4883**	**5322**	**5695**	**14%**
Growth YoY	-9%	8%	20%	23%	16%	9%	7%	
EBITDA Margin %	*16%*	*13%*	*11%*	*13%*	*13%*	*12%*	*12%*	
EBITDA INR/ltr	*23.05*	*21.33*	*16.02*	*15.59*	*16.67*	*16.79*	*16.55*	
PAT								
Castrol	**5,829**	**7,581**	**8,152**	**8,641**	**9,492**	**10,477**	**10,823**	**11%**
Growth YOY	*-30%*	*30%*	*8%*	*6%*	*10%*	*10%*	*3%*	
PAT Margin %	*19%*	*18%*	*17%*	*17%*	*18%*	*18%*	*18%*	
Gulf Oil Lubricants	**2,000**	**2,114**	**2,323**	**3,082**	**3,679**	**4,065**	**4,404**	**14%**
Growth YOY	*-3%*	*6%*	*10%*	*33%*	*19%*	*11%*	*8%*	
PAT Margin %	*12%*	*10%*	*8%*	*9%*	*9%*	*10%*	*9%*	
EPS								
Castrol	**5.9**	**7.7**	**8.2**	**8.7**	**9.5**	**10.4**	**10.9**	
Gulf Oil	**39.84**	**41.95**	**47.30**	**62.81**	**74.98**	**82.85**	**89.75**	
DPS								
Castrol	**5.5**	**5.5**	**6.5**	**7.5**	**8.2**	**8.4**	**15**	
Gulf Oil	**21**	**9**	**5**	**41**	**37**	**41**	**45**	
Dividend Payout								
Castrol	**93%**	**71%**	**79%**	**86%**	**86%**	**81%**	**138%**	
Gulf Oil	**52%**	**21%**	**11%**	**65%**	**50%**	**50%**	**50%**	
ROCE								
Castrol	52%	64%	58%	54%	81%	66%	70%	
Gulf Oil	21%	20%	20%	23%	25%	26%	26%	
ROE								
Castrol	42%	50%	46%	43%	64%	52%	60%	
Gulf Oil	25%	22%	21%	24%	25%	25%	26%	
Cash Flow from Operations								
Castrol	**8,928**	**6,302**	**9,159**	**8,530**	**10441**	**11765**	**11256**	
Gulf Oil	**1,935**	**(237)**	**2,733**	**3,414**	**2451**	**3432**	**3469**	
Capex								
Castrol	**238**	**832**	**1,097**	**955**	**927**	**1300**	**1300**	
Gulf Oil	**86**	**246**	**232**	**250**	**250**	**500**	**500**	
Free Cash Flow								
Castrol	**8,690**	**5,470**	**8,062**	**7,575**	**9,514**	**10,465**	**9,956**	
Gulf Oil	**1,849**	**(483)**	**2,501**	**3,164**	**2,201**	**2,932**	**2,969**	
P/E								
Castrol	38	29	27	26	23	21	20	
Gulf Oil	30	28	25	19	16	14	13	

2.85X Higher Volume Growth

1.46X Higher Growth

1.4X Higher Growth

1.27X Higher Growth

*Includes Grease and Battery Revenue & Note:- Castrol Estimate are consenus

Valuation & Outlook

Valuation: Multiples are at appealing levels; maintain BUY rating

Over the past year, GOLI has seen an impressive performance in its stock price compared to its peers, as the market has recognized its above-industry volume growth, superior margin profile, and strong brand loyalty from customers. The company has made significant strides in growing its brand presence and OEM relationships, ensuring that both its B2B and B2C segments continue to grow steadily over the next decade.

GOLI is well-positioned to strengthen its market presence, with its core and AdBlue market shares in India at 6%-8% and 20%, respectively. Its diversification into the EV and DC cooling fluid spaces further justifies the re-rating, its strategic expansion into EV infrastructure enhances its long-term growth prospects, aligning with the evolving automotive landscape.

The company is also set to drive sustained profitability, with EBITDA and PAT expected to grow at CAGRs of 13% and 13%, respectively, during FY24-27E. Core lubricants and AdBlue volumes are forecasted to grow at CAGRs of 7% and 10%, respectively, during the same period. The stock is attractively priced at a PER of 14x/13x for FY26E/FY27E, with an ROE/ROCE of 25%+ and a dividend yield of nearly 4%.

We maintain a BUY rating with a target price of Rs 1,440, based on a PER of 16x. With its well-diversified portfolio, including its presence in EV infrastructure, GOLI is well-hedged against any future industry shifts, ensuring long-term resilience and growth.

Financials

P&L (Rs mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	16,521	21,916	29,991	33,012	38,885	42,630	47,588
Total Operating Expenses	8,890	13,121	18,677	19,461	23,313	25,589	28,098
Employee Cost	1,165	1,168	1,352	1,507	1,940	2,127	2,850
Other Expenses	3,816	4,770	6,534	7,833	8,749	9,592	10,945
Operating Profit	2,651	2,858	3,428	4,210	4,883	5,322	5,695
Depreciation	339	357	396	507	373	410	447
PBIT	2,312	2,501	3,032	3,703	4,510	4,912	5,248
Other income	521	442	471	681	629	741	856
Interest	146	96	376	259	233	233	233
PBT (Before exceptional)	2,686	2,847	3,127	4,125	4,905	5,420	5,872
PBT (post exceptional)	2,686	2,847	3,127	4,125	4,905	5,420	5,872
Provision for tax	687	733	804	1,043	1,226	1,355	1,468
Reported PAT	2,000	2,114	2,323	3,082	3,679	4,065	4,404

Balance Sheet (Rs mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	101	101	98	98	98	98	98
Reserves	8,594	10,327	11,684	12,846	14,685	16,718	18,920
Net worth	**8,695**	**10,428**	**11,782**	**12,944**	**14,783**	**16,816**	**19,018**
Non Current Liabilites	247	385	479	599	599	599	599
Current Liabilites	5,448	7,112	8,455	9,825	10,743	11,338	12,126
TOTAL LIABILITIES	**14,390**	**17,925**	**20,717**	**23,368**	**26,125**	**28,753**	**31,743**
Non Current Assets	**3,167**	**3,307**	**3,881**	**4,802**	**4,829**	**4,919**	**4,972**
Tangible + Intangible Assets	2,463	2,456	2,418	3,205	3,232	3,322	3,375
Goodwill	-	-	-	277	277	277	277
Non Current Investments	203	214	738	764	764	764	764
Deferred Tax Asset	-	-	-	2	2	2	2
Other Financial Assets	315	255	247	174	174	174	174
Other Non Current Assets	186	383	477	380	380	380	380
Current Assets	**11,222**	**14,618**	**16,837**	**18,566**	**21,296**	**23,834**	**26,771**
Current investments	-	-	-	-	-	-	-
Inventories	3,765	4,763	4,717	4,943	5,810	6,371	7,114
Trade Receivables	1,890	2,959	4,100	5,018	5,897	6,467	7,220
Cash and Bank Balances	4,956	5,744	6,543	7,573	7,857	9,266	10,705
Short Term Loans and Advanc	2	2	3	4	4	4	4
Other Current Assets	610	1,150	1,474	1,027	1,727	1,726	1,727
TOTAL ASSETS	**14,390**	**17,925**	**20,718**	**23,368**	**26,125**	**28,753**	**31,743**

Cashflow (Rs mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
PBT	2,686	2,847	3,127	4,125	4,905	5,420	5,872
Depreciation	339	357	396	507	373	410	447
Net Chg in WC	-234	-2,388	148	140	-1,105	-535	-758
Taxes	-551	-762	-934	-1,024	-1,226	-1,355	-1,468
Others	-305	-291	-32	-372	-495	-508	-623
CFO	**1,935**	**-237**	**2,733**	**3,376**	**2,451**	**3,432**	**3,469**
Capex	-86	-246	-232	-277	-400	-500	-500
Net Investments made	-137	-361	101	-898	-	-	-
Others	527	434	435	669	629	741	-1,229
CFI	**304**	**-173**	**304**	**-506**	**229**	**241**	**-1,729**
Change in Share capital	71	40	2	53	-	-	-
Change in Debts	-1,522	1,583	-260	7	-	-	-
Others	-1,321	-642	-1,764	-2,440	-2,073	-2,266	-2,435
CFF	**-2,772**	**982**	**-2,021**	**-2,379**	**-2,073**	**-2,266**	**-2,435**
Total Cash Generated	**-534**	**572**	**1,016**	**491**	**607**	**1,408**	**-695**
Cash Opening Balance	**5,456**	**4,916**	**5,488**	**6,510**	**7,001**	**7,857**	**7,857**
Cash Closing Balance(a)	**4,916**	**5,488**	**6,503**	**7,001**	**7,857**	**9,264**	**10,705**
Other Bank Balances (b)	**40**	**257**	**41**	**571**	-	-	-
Total(a+b)	4,956	5,744	6,543	7,572	7,857	9,264	10,705

Ratios	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OPM	16%	13%	11%	13%	13%	12%	12%
NPM	12%	10%	8%	9%	9%	10%	9%
Tax rate	26%	26%	26%	25%	25%	25%	25%
Growth Ratios (%)							
Net Sales		33%	37%	10%	18%	10%	12%
Operating Profit		8%	20%	23%	16%	9%	7%
PBIT		8%	21%	22%	22%	9%	7%
PAT		6%	10%	33%	19%	11%	8%
Per Share (Rs.)							
Net Earnings (EPS)	39.84	41.95	47.30	62.81	74.98	82.85	89.75
Dividend Per Share (DPS)	20.78	8.92	5.05	41.05	37.49	41.43	44.88
Valuation Ratios							
P/E(x)	30	28	25	19	16	14	13
P/B(x)	6.828	5.706	4.909	4.482	3.925	3.450	3.051
EV/EBIDTA(x)	21	20	16	13	11	10	9
Div. Yield(%)	1.76%	0.76%	0.43%	3.48%	3.18%	3.51%	3.80%
Return Ratios (%)							
ROE	23%	20%	20%	24%	25%	24%	23%
ROCE	27%	21%	23%	27%	28%	28%	27%
RoIC	37%	26%	30%	38%	38%	39%	39%

Source: Dalal & Broacha Research, Company

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