



| Previous Coverage | Report Date | Report Price | Buy Range | Target Price |
|-------------------|-------------|--------------|-----------|--------------|
| Quick Insight | 15-Jan-24 | 736 | 725 – 740 | 870 – 890 |

BOOK PROFITS. Achieved 52-week high price of ₹939 on 6th Feb'24

Q3FY24 Result Highlights: Strong Profitability Performance

- Consolidated revenues grew by ~6% YoY to ₹817crs, recorded highest ever revenue, EBITDA and PAT growth in Q3.
- Significant improvement of ~600bps witnessed in gross margin to ~42% YoY and part of it invested in advertising and promotional expenses. A&P as a % of revenue stood at 4% in 9MFY24 vs 3% in 9MFY23.
- EBITDA grew 23% YoY to ₹111crs and PAT grew ~29% YoY to ₹81crs. EBITDA margin expanded to 13.6% YoY (+210bps); recorded highest margin in last 6-7 quarters due to stable input prices. PAT margin expanded to 9.9% YoY (+190bps).
- The board has also declared interim dividend of
- ₹16 per share. As of Dec'23, net cash stood ~320Cr
- Overall volume grew 5% in 9MFY24 to 1,05,000KL against industry growth rate of 2-3% and going forward also the company is aspiring to grow 2-3x of industry.

Concall Highlights

- Strong momentum was maintained during the quarter with good uptick in volume majorly driven by growth in Agri and PCMO rebounding strongly.
- Across all business segments, Infra and B2B recorded impressive double-digit volume growth. OEM workshop business showed good growth driven by many targeted initiatives, while OEM factory fill business saw a slowdown tracking lower sales of new vehicles by few key OEMs.
- Growth spanned various categories, capitalizing on robust distribution and brand initiatives. The key focus remains on strategic, sustainable, and profitable growth across our portfolio. This quarter witnessed a significant elevation in brand investments with activations such as IBW, CII's Excon exhibition, new TVCs, and campaigns with brand ambassadors that amplify brand awareness levels and increase market share in targeted segments.
- The strategic partnership with India Bike Week (IBW), targeting premium bike owners with Gulf Syntrac engine oil, has taken root across Indian cities, catering to both metros and Tier 2 cities. The introduction of "Ride with Gulf" social media page enhances engagement with the passionate motorcycle riding community nationwide.
- Going forward, strategic focus remains twofold: achieving revenue growth surpassing market trends by 2-3x, coupled with improving margin trajectories. Furthermore, company is also committed to leveraging investments in the e-Mobility space, capitalizing on synergies for sustained and impactful future growth.
- On October 30, 2023, Gulf Oil completed the acquisition of 51% majority stake in Tirex Transmissions, a DC Charger manufacturing company, and accordingly, the consolidated results of the company include 2 months of Tirex's operations for Q3FY24 and 9MFY24. It will enable to participate in the fast growing EV charging segment, anticipating substantial business growth in the coming years.
- Battery business recorded ₹19crs of revenue in Q3 (~2% of revenue in Q3).

Important Data

| | |
|--------------------|------------|
| Nifty | 21,887 |
| Sensex | 72,214 |
| CMP | ₹916 |
| Market Cap (₹ crs) | ₹4,488 |
| 52W High/Low | ₹939/₹390 |
| Shares o/s (cr) | 4.9 |
| BSE Code | 538567 |
| NSE Code | GULFOILLUB |
| Bloomberg Code | GOLI:IN |

Shareholding Pattern (%) – Dec'23

| | |
|----------|--------|
| Promoter | 71.94% |
| FII | 04.98% |
| DII | 04.03% |
| Public | 19.08% |

Financials

| Particulars | FY21 | FY22 | FY23 |
|-------------------|------|------|------|
| Revenue | 1652 | 2192 | 2999 |
| EBITDA | 264 | 285 | 330 |
| EBITDA Margin (%) | 16 | 13 | 11 |
| Net Profit | 198 | 209 | 221 |
| EPS (₹) | 40.3 | 42.6 | 45.0 |
| RoE (%) | 23.0 | 20.2 | 19.7 |
| RoCE (%) | 31.7 | 27.2 | 25.6 |
| P/E (x) | 22.7 | 21.5 | 20.3 |
| EV/EBITDA (x) | 10.6 | 5.8 | 4.3 |
| P/BV (x) | 4.2 | 2.0 | 1.68 |

Source: Company, Way2Wealth

Relative performance

| Return (%) | 1Yr | 3Yr | 5Yr |
|------------|-----|-----|-----|
| Gulf Oil | 110 | 26 | 3 |
| Nifty 50 | 21 | 44 | 99 |
| Sensex | 18 | 39 | 97 |

Source: Company, Way2Wealth Research

Ashwini Sonawane

ashwinisonawane@way2wealth.com

91-22-4019 2913

Risk

- Any slowdown in demand would affect sales of key categories, resulting in a moderation of sales volume growth.
- The company remains exposed to the high competitive pressures in the domestic market.

VIEW

Gulf Oil Lubricant India Ltd (GOLIL), India's largest lubricant company (No.2) among private players, has impressively gained market share over the past few years. The company is also proactively expanding its distribution network to enhance the scope of B2C lubricant business further as it brings higher margins compared to the B2B segment. We appreciate the competitive strengths of the company, in terms of the product mix, distribution network, and strong relationship with OEMs etc.

The stock has moved up more than ~25% from our Quick Insight report (dated 15th Jan'24) thereby surpassing the target price range of ₹870-890. The short-term investors can consider it an opportunity to book profits at the current valuation. We thus recommend the short-term investors to BOOK PROFITS while long term investors can continue to stay invested as our confidence in the company's bright prospects is supported by its strong execution track record, better product mix and strong distribution network.

Q3FY24 FINANCIALS

(₹ Cr)

| Particulars | Q3FY24 | Q3FY23 | VAR | Q2FY24 | VAR | 9MFY24 | 9MFY23 | VAR |
|-----------------------------------|--------|--------|---------|--------|--------|---------|---------|--------|
| Net Sales (Net of Excise Duty) | 817.3 | 781.1 | 4.6% | 802.3 | 1.9% | 2,431.3 | 2,207.1 | 10.2% |
| Other Income | 16.6 | 14.3 | 16.7% | 17.1 | -2.5% | 48.0 | 33.3 | 44.1% |
| TOTAL INCOME | 833.9 | 795.4 | 4.8% | 819.4 | 1.8% | 2,479.2 | 2,240.3 | 10.7% |
| Cost Of Materials Consumed | 438.9 | 393.6 | 11.5% | 429.0 | 2.3% | 1,306.4 | 1,152.0 | 13.4% |
| Purchase of stock in trade | 41.9 | 81.0 | -48.3% | 60.0 | -30.2% | 163.7 | 242.7 | -32.6% |
| Stock Adjustment | (10.7) | 18.7 | -157.1% | (17.4) | -38.6% | (36.4) | (22.7) | 60.5% |
| RMC as a %age of sales | 57.5% | 63.2% | | 58.8% | | 59.0% | 62.2% | |
| Employee Benefit Expenses | 37.7 | 35.1 | 7.6% | 39.4 | -4.2% | 112.0 | 101.2 | 10.6% |
| EPC as a %age of sales | 4.6% | 4.5% | | 4.9% | | 4.6% | 4.6% | |
| Other Expenses | 198.4 | 162.7 | 21.9% | 190.8 | 4.0% | 581.3 | 478.5 | 21.5% |
| Other Expenses as a %age of sales | 24.3% | 20.8% | | 23.8% | | 23.9% | 21.7% | |
| TOTAL EXPENDITURE | 706.2 | 691.1 | 2.2% | 701.8 | 0.6% | 2,126.9 | 1,951.8 | 9.0% |
| EBIDTA | 111.1 | 90.0 | 23.4% | 100.5 | 10.5% | 304.3 | 255.3 | 19.2% |
| EBIDTA Margins % | 13.6% | 11.5% | | 12.5% | | 12.5% | 11.6% | |
| Finance Costs | 8.2 | 10.3 | -20.2% | 7.4 | 10.5% | 20.0 | 31.0 | -35.5% |
| PBDT | 119.5 | 94.0 | 27.1% | 110.1 | 8.5% | 332.3 | 257.6 | 29.0% |
| Depreciation | 11.0 | 9.7 | 13.6% | 11.1 | -0.8% | 33.0 | 28.9 | 14.3% |
| PBT before exceptional items | 108.5 | 84.3 | 28.7% | 99.0 | 9.6% | 299.3 | 228.7 | 30.9% |
| PBT | 108.5 | 84.3 | 28.7% | 99.0 | 9.6% | 299.3 | 228.7 | 30.9% |
| Tax | 27.7 | 21.7 | 28.1% | 25.4 | 9.3% | 76.6 | 58.6 | 30.8% |
| Tax Rate | 25.6% | 25.7% | | 25.6% | | 25.6% | 25.6% | |
| Reported Profit After Tax | 80.8 | 62.7 | 28.9% | 73.6 | 9.7% | 222.7 | 170.1 | 30.9% |
| PATM % | 9.9% | 8.0% | | 9.2% | | 9.2% | 7.7% | |
| EPS | 16.5 | 12.8 | 28.9% | 15.0 | 9.7% | 45.4 | 34.7 | 30.9% |

Source: Company, Way2Wealth

Disclaimer

Analyst Certification: I, Ashwini Sonawane, the research analyst and author of this report, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s), principally responsible for the preparation of this research report, receives compensation based on overall revenues of the company (Way2Wealth Brokers Private Limited, hereinafter referred to as Way2Wealth) and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

It is confirmed that Ashwini Sonawane, the author of this report has not received any compensation from the companies mentioned in the report in the preceding 12 months. Our research professionals are paid in part based on the profitability of Way2Wealth, which include earnings from other business. Neither Way2Wealth nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information contained in this report.

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. Way2Wealth is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. The contents of this material are general and are neither comprehensive nor appropriate for every individual and are solely for the informational purposes of the readers. This material does not take into account the specific objectives, financial situation or needs of an individual/s or a Corporate/s or any entity/s.

This research has been prepared for the general use of the clients of the Way2Wealth and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient, you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Way2Wealth will not treat recipients as customers by virtue of their receiving this report. The distribution of this document in other jurisdictions may be restricted by the law applicable in the relevant jurisdictions and persons into whose possession this document comes should inform themselves about, and observe any such restrictions.

The report is based upon information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up to date and it should not be relied upon as such. Way2Wealth or any of its affiliates or employees makes no warranties, either express or implied of any kind regarding any matter pertaining to this report, including, but not limited to warranties of suitability, fitness for a particular purpose, accuracy, timeliness, completeness or non-infringement. We accept no obligation to correct or update the information or opinions in it. Way2Wealth or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. The recipients of this report should rely on their own investigations. In no event shall Way2Wealth be liable for any damages of any kind, including, but not limited to, indirect, special, incidental, consequential, punitive, lost profits, or lost opportunity, whether or not Way2Wealth has advised of the possibility of such damages.

This material contains statements that are forward-looking; such statements are based upon the current beliefs and expectations and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. These uncertainties include but are not limited to: the risk of adverse movements or volatility in the securities markets or in interest or foreign exchange rates or indices; adverse impact from an economic slowdown; downturn in domestic or foreign securities and trading conditions or markets; increased competition; unfavorable political and diplomatic developments; change in the governmental or regulatory policies; failure of a corporate event and such others. This is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any particular trading strategy. No part of this material may be copied or duplicated in any form by any means or redistributed without the written consent of Way2Wealth. In no event shall any reader publish, retransmit, redistribute or otherwise reproduce any information provided by Way2Wealth in any format to anyone. Way2Wealth and its affiliates, officers, directors and employees including persons involved in the preparation or issuance of this report may from time to time have interest in securities / positions, financial or otherwise in the securities related to the information contained in this report.

To enhance transparency, Way2Wealth has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

Disclosure of Interest Statement Gulf Oil Lubricants India Ltd. as on 09 February 2024

| | |
|--|--------------------------------|
| Name of the Security | Gulf Oil Lubricants India Ltd. |
| Name of the analyst | Ashwini Sonawane |
| Analysts' ownership of any stock related to the information contained | NIL |
| Financial Interest | |
| Analyst : | No |
| Analyst's Relative : Yes / No | No |
| Analyst's Associate/Firm : Yes/No | No |
| Conflict of Interest | No |
| Receipt of Compensation | No |
| Way2Wealth ownership of any stock related to the information contained | NIL |
| Broking relationship with company covered | NIL |
| Investment Banking relationship with company covered | NIL |

This information is subject to change without any prior notice. Way2Wealth reserves at its absolute discretion the right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, Way2Wealth is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.