

BSE SENSEX  
74,086

S&P CNX  
22,474



#### Stock Info

Bloomberg	GOLI IN
Equity Shares (m)	49.8
M.Cap.(INRb)/(USDb)	51.7 / 0.6
52-Week Range (INR)	1,077 / 399
1, 6, 12 Rel. Per (%)	12/69/122
12M Avg Val (INR b)	806
Free float (%)	27.6

#### Financials Snapshot (INR b)

Y/E March	FY21	FY22	FY23
Sales	16.5	21.9	30.0
EBITDA	2.7	2.9	3.4
PAT	2.0	2.1	2.3
EPS (INR)	39.9	41.9	47.4
EPS Gr. (%)	-1%	5%	13%
BV/Sh.(INR)	174	207	240
<b>Ratios</b>			
Net D:E	-0.3	-0.2	-0.2
ROE (%)	24.5	22.1	20.9
RoCE (%)	25.6	23.4	23.5
Payout (%)	39.8	11.8	53.6
<b>Valuations</b>			
P/E (x)	26.0	24.8	21.9
P/BV (x)	6.0	5.0	4.3
EV/EBITDA (x)	18.5	17.7	14.0
Div. Yield (%)	1.5	0.5	2.4
FCF Yield (%)	4.3	-0.9	4.9

# Gulf Oil Lubricants India

**CMP: INR1,038**

**Not Rated**

## Focus on volume growth and market share gain

- Gulf Oil Lubricants India (GOLI), a Hinduja Group subsidiary, is a prominent player in the Indian Lubricants Industry. As part of Gulf Oil International (GOI), GOLI benefits from global brand ownership. Specializing in automotive and industrial lubricants, GOLI holds a significant position in both B2B and B2C (60% of volumes) markets.
- GOLI exports to over 25+ countries across the globe, contributing to ~5% of its annual turnover. The company has achieved significant growth, recording 2-3 times the industry average within the lubricant sector. We visited the plant of the company in Chennai and below are the key highlights from the same:

## Volume growth and market share gain remain key monitorable

- GOLI has demonstrated a remarkable volume growth, consistently outpacing the market average. Over the last 15 years, GOLI has achieved an impressive 10% growth, while the market has grown at a rate of 3-4%. Currently, the company's strategic focus lies in expanding its market share, particularly in critical segments such as motorcycles and diesel engines, aiming for growth rates 2-3 times higher than the overall market growth.
- In the B2B sector, the company holds a 5% market share, while in the B2C sector, it commands a 9% share, demonstrating a strong focus on market share across both segments. Its current strategic initiative involves the planned launch of agricultural spray oils in India, with the product currently undergoing the approval process. These oils are designed to enhance crop yields, while being non-toxic and non-hazardous. Furthermore, they are biodegradable and environmentally friendly, leaving behind no residue.
- The company is exploring new use cases to expand its market presence, particularly in the PVs (passenger vehicles) sector, where significant growth opportunities exist. It has recently launched EV fluids and is developing new products tailored for the two-wheeler segment. Additionally, it has initiated a study of cooling liquids, particularly for applications such as data centers, considering the increasing global trend in data center construction, which currently stands at approximately 80,000 worldwide and is continuously growing. While this segment may be considered niche in the medium term, the company is looking into its potential as part of its long-term strategy.
- The company is actively developing new products tailored for the CNG and LNG sectors, alongside exploring lubricants that meet the requirements of biofuels. Additionally, research is underway to formulate lubricants suitable for use in hydrogen-fueled vehicles. Already, several products designed for the electric vehicle (EV) market are available, featuring anti-corrosive properties. Key focus areas for new product development encompass gear oils (BEO), specialty lubricants, greases, coolants, and formulations tailored for farm tractors.

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### Distinct product positioning led by strong R&D

- The plant was established in 2015, marked by a groundbreaking ceremony. In addition to local operations, it also houses global R&D facilities at the Chennai plant. While utilization has significantly increased at this facility, there is potential for further expansion by implementing a third shift to boost production volumes. The plant is distinguished by its technological superiority and sustainability, notably incorporating solar power solutions.
- The Chennai plant has a production capacity of 50,000 KL per annum, while the Silvassa plant has a capacity of 90,000 KL per annum. Additionally, AdBlue production amounts to 20,000KL per annum. The key technology utilized in both plants is sourced from ABB France, renowned as world leaders in providing technology to the lubricant industry. Almost all products, up to 98%, are manufactured in-house. Furthermore, significant strides have been made in automation within the new plant.
- The Chennai plant has successfully generated 2.77m units of solar power as well. It is actively engaged in the development of fluids tailored for electric vehicles, aligning with the evolving automotive landscape. Its R&D capabilities encompass five specialized labs, including general testing, performance testing, rheology, analytical, and tribology labs, equipped with state-of-the-art facilities and equipment. Furthermore, all products are fortified by patents, ensuring a distinct product positioning within the market.

### Other highlights

- According to Kline, lubricant demand is projected to increase to 3.4mmt in 2032 from 2.9mmt in 2022. The company has successfully penetrated 7-8 OEMs in the electric vehicle (EV) fluids segment, which boasts of promising margins. Segments such as commercial vehicles (CV), industrial, and infrastructure are expected to remain unaffected by the transition to electric vehicles.
- Margins within the industrial B2B and infrastructure segments exhibit similarity, with the industrial segment incorporating a service component that contributes to favorable margins. Over the last two years, the company has implemented multiple price increases. The sustainability of margins at current levels is contingent upon limited competition. Notably, investments in advertising have been made to bolster brand presence; otherwise, margins could have been even higher.
- The AdBlue venture commenced eight years ago in response to a demand from Ashok Leyland, our largest customer at the time. With the implementation of BS6 regulations, the usage of AdBlue has become mandatory for all engines. Despite being priced higher than other AdBlue products, our margins in this segment remain in single digits. However, the capital expenditure for this business has been minimal. AdBlue volumes are experiencing robust growth, with asset turns in this segment higher than the traditional lubricant business.
- AdBlue consists of 67.5% demineralized water and the rest is urea. It plays a crucial role in addressing the stringent BS-VI emissions standards by converting nitrogen oxide into harmless nitrogen and water, thereby minimizing NOx emissions. AdBlue boasts a long shelf life of 12 months and is environmentally friendly. Its quality remains consistent with local products. Additionally, AdBlue utilization is nearly at 100%, as all diesel vehicles required to comply with BS6

norms. The company's R&D capabilities include five specialized labs, covering general testing, performance testing, rheology, analytical, and tribology, ensuring rigorous quality control and product excellence.

- The company's pricing strategy is largely influenced by changes in crude oil and base oil prices, with the potential for a slight lag of a few months in adjustments. The company upholds a base oil inventory equivalent to 45-50 days' worth of production. Furthermore, storage facilities for base oil are available at the port, allowing for up to a month of storage, in addition to on-site storage at the plant. Situated 8-10kms from the plant, the port facilitates exports from both manufacturing facilities.

**Exhibit 1: Facility and R&D center at Chennai**



Source: Company, MOFSL

**Exhibit 2: Bird's eye view of the Chennai plant**



Source: Company, MOFSL

**Exhibit 3: Entrance of the Chennai facility**



Source: Company, MOFSL

**Exhibit 4: R&D center of the Chennai plant**



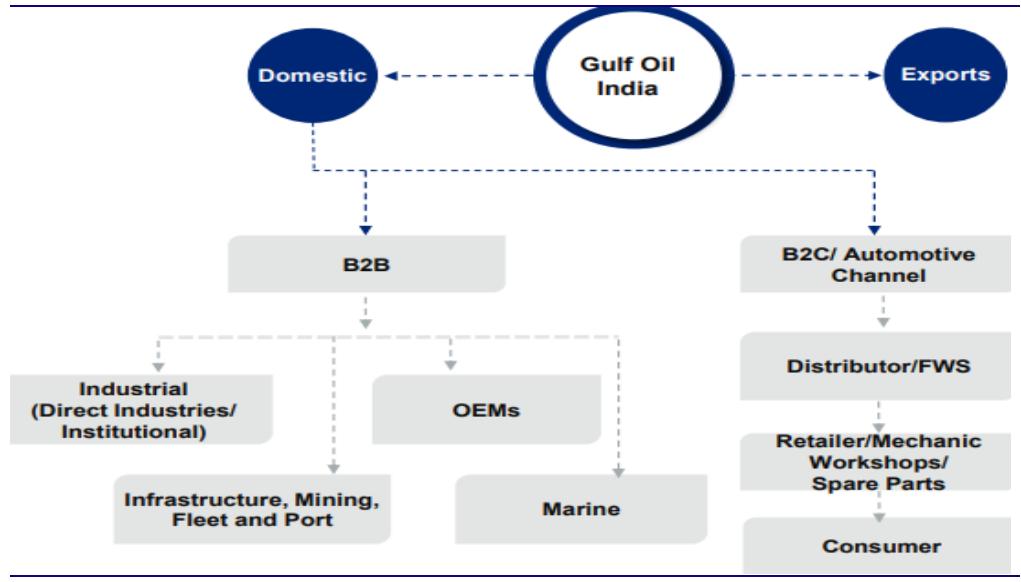
Source: Company, MOFSL

Exhibit 5: Total capacity of GOLI across its plants

Particulars	Silvassa plant	Chennai plant	Total (in house)	Outsourced	Total
Lubricants	90,000	5,000	1,40,000		1,40,000
AdBlue	20,000	18,000	38,000	1,62,000	2,00,000
Specialized metal working fluids	6,000	-	6,000		6,000
<b>Total</b>	<b>1,16,000</b>	<b>23,000</b>	<b>1,84,000</b>	<b>1,62,000</b>	<b>3,46,000</b>

Source: Company, MOFSL

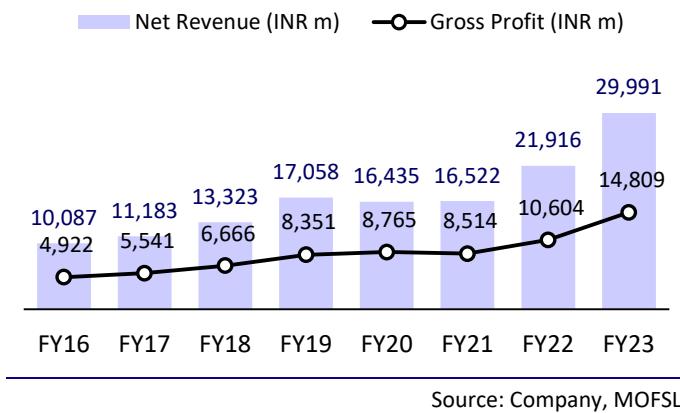
Exhibit 6: Robust business model of GOLI



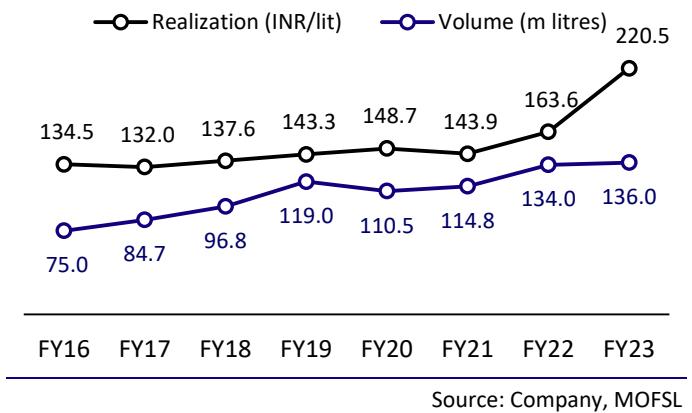
Source: Company, MOFSL

## Story in charts

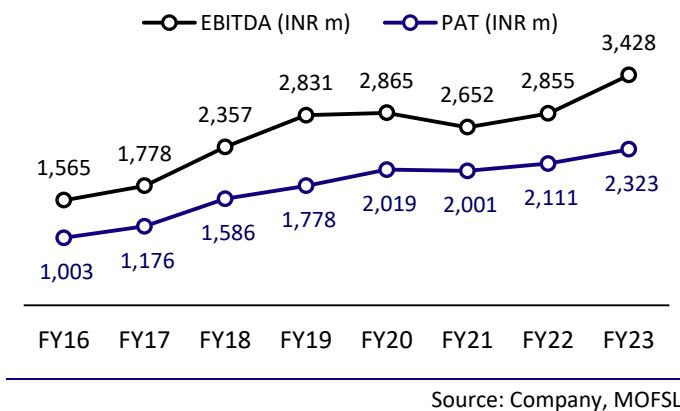
**Exhibit 7: Revenue has registered a CAGR of 18% of FY18-23**



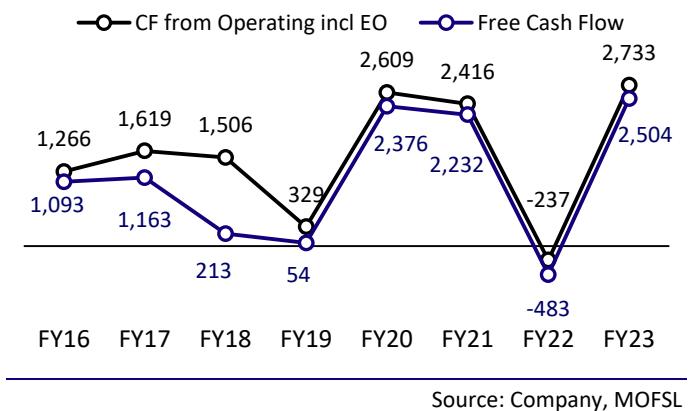
**Exhibit 8: Volume has registered a CAGR of 7% CAGR over FY18-23**



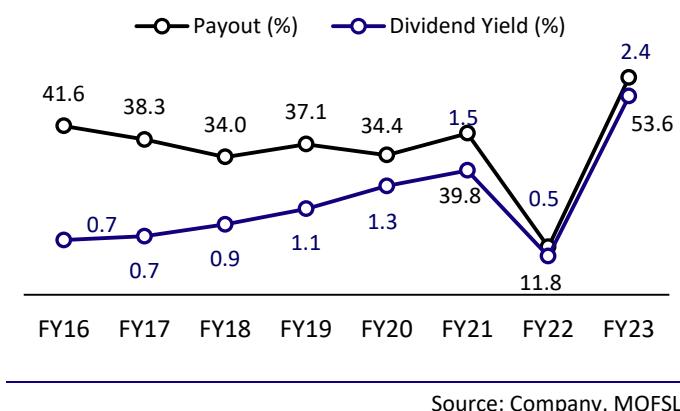
**Exhibit 9: EBITDA/EPS recorded a CAGR of 7% over FY18-23**



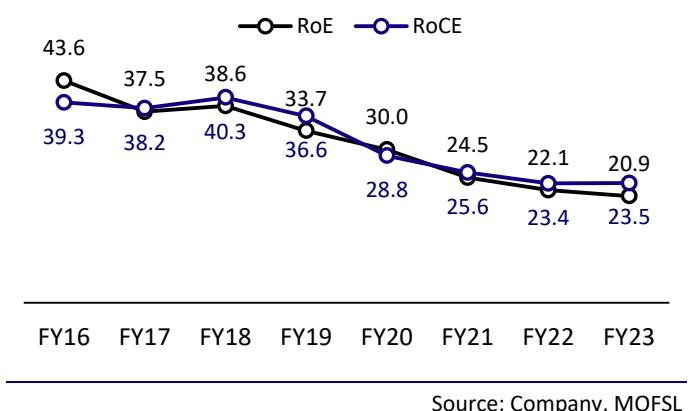
**Exhibit 10: Company is FCF positive**



**Exhibit 11: Payout has been strong in the past five years**



**Exhibit 12: Return ratio profile of GOLI**



## Financials and Valuations

Standalone - Income Statement								(INR m)
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
<b>Total Income from Operations</b>	<b>10,087</b>	<b>10,868</b>	<b>13,323</b>	<b>17,058</b>	<b>16,442</b>	<b>16,522</b>	<b>21,916</b>	<b>29,991</b>
Change (%)	2.9	7.7	22.6	28.0	-3.6	0.5	32.6	36.8
<b>EBITDA</b>	<b>1,565</b>	<b>1,778</b>	<b>2,357</b>	<b>2,831</b>	<b>2,872</b>	<b>2,652</b>	<b>2,855</b>	<b>3,428</b>
Margin (%)	15.5	16.4	17.7	16.6	17.5	16.1	13.0	11.4
Depreciation	60	73	104	224	327	339	357	396
<b>EBIT</b>	<b>1,504</b>	<b>1,706</b>	<b>2,253</b>	<b>2,607</b>	<b>2,545</b>	<b>2,313</b>	<b>2,498</b>	<b>3,032</b>
Int. and Finance Charges	178	98	85	152	248	146	96	376
Other Income	206	203	261	295	349	521	442	471
<b>PBT bef. EO Exp.</b>	<b>1,533</b>	<b>1,811</b>	<b>2,429</b>	<b>2,751</b>	<b>2,645</b>	<b>2,687</b>	<b>2,843</b>	<b>3,127</b>
<b>PBT after EO Exp.</b>	<b>1,533</b>	<b>1,811</b>	<b>2,429</b>	<b>2,751</b>	<b>2,645</b>	<b>2,687</b>	<b>2,843</b>	<b>3,127</b>
Current Tax	529	627	783	884	663	699	746	820
Deferred Tax	0	9	60	89	-42	-12	-13	-16
Tax Rate (%)	34.5	35.1	34.7	35.4	23.4	25.5	25.8	25.7
<b>Reported PAT</b>	<b>1,003</b>	<b>1,176</b>	<b>1,586</b>	<b>1,778</b>	<b>2,025</b>	<b>2,001</b>	<b>2,111</b>	<b>2,323</b>
<b>Adjusted PAT</b>	<b>1,003</b>	<b>1,176</b>	<b>1,586</b>	<b>1,778</b>	<b>2,025</b>	<b>2,001</b>	<b>2,111</b>	<b>2,323</b>
Change (%)	29.6	17.2	34.9	12.1	13.9	-1.2	5.5	10.1
Margin (%)	9.9	10.8	11.9	10.4	12.3	12.1	9.6	7.7
Standalone - Balance Sheet								(INR m)
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Equity Share Capital	99	99	99	100	100	100	101	98
Total Reserves	2,636	3,442	4,575	5,768	7,513	8,593	10,326	11,686
<b>Net Worth</b>	<b>2,735</b>	<b>3,541</b>	<b>4,674</b>	<b>5,867</b>	<b>7,613</b>	<b>8,693</b>	<b>10,427</b>	<b>11,784</b>
Deferred Tax Liabilities	37	45	124	212	156	143	124	190
Total Loans	1,947	1,785	2,481	2,831	3,759	2,114	3,896	3,733
<b>Capital Employed</b>	<b>4,719</b>	<b>5,371</b>	<b>7,279</b>	<b>8,910</b>	<b>11,528</b>	<b>10,950</b>	<b>14,447</b>	<b>15,707</b>
Gross Block	2,667	3,123	4,416	4,691	4,925	5,108	5,427	5,786
Less: Accum. Deprn.	1,579	1,651	1,756	1,979	2,306	2,645	3,002	3,398
<b>Net Fixed Assets</b>	<b>1,088</b>	<b>1,472</b>	<b>2,661</b>	<b>2,712</b>	<b>2,618</b>	<b>2,463</b>	<b>2,425</b>	<b>2,387</b>
<b>Total Investments</b>	<b>35</b>	<b>37</b>	<b>42</b>	<b>46</b>	<b>46</b>	<b>203</b>	<b>359</b>	<b>359</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>5,469</b>	<b>5,873</b>	<b>7,587</b>	<b>8,667</b>	<b>11,608</b>	<b>11,679</b>	<b>15,220</b>	<b>17,582</b>
Inventory	1,569	1,499	2,368	3,388	3,283	3,765	4,763	4,717
Account Receivables	1,174	1,096	1,346	1,507	1,870	1,890	3,345	4,100
Cash and Bank Balance	2,365	2,896	3,262	2,926	5,509	4,956	5,744	6,542
Cash balance							5,487	6,504
Bank balance							257	39
Loans and Advances	360	382	611	846	946	1,068	1,368	2,223
<b>Curr. Liability &amp; Prov.</b>	<b>1,872</b>	<b>2,011</b>	<b>3,010</b>	<b>2,514</b>	<b>2,937</b>	<b>3,505</b>	<b>3,862</b>	<b>5,008</b>
Account Payables	1,841	1,968	2,978	2,481	2,897	3,456	2,697	3,906
Other Current Liabilities	31	43	30	32	38	47	1,165	1,102
Provisions	0	0	2	2	2	2	0	0
<b>Net Current Assets</b>	<b>3,597</b>	<b>3,862</b>	<b>4,577</b>	<b>6,152</b>	<b>8,671</b>	<b>8,174</b>	<b>11,358</b>	<b>12,574</b>
<b>Appl. of Funds</b>	<b>4,719</b>	<b>5,371</b>	<b>7,279</b>	<b>8,910</b>	<b>11,528</b>	<b>10,951</b>	<b>14,447</b>	<b>15,707</b>

## Financials and Valuations

### Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
<b>Basic (INR)</b>								
EPS	<b>20.2</b>	<b>23.7</b>	<b>31.9</b>	<b>35.7</b>	<b>40.4</b>	<b>39.9</b>	<b>41.9</b>	<b>47.4</b>
Cash EPS	21.5	25.1	34.0	40.2	46.9	46.7	48.9	55.5
BV/Share	55.2	71.3	94.0	117.8	151.9	173.5	206.8	240.4
DPS	7.0	7.5	9.0	11.0	13.9	15.9	4.9	25.4
Payout (%)	41.6	38.3	34.0	37.1	34.4	39.8	11.8	53.6
<b>Valuation (x)</b>								
P/E	51.3	43.8	32.5	29.1	25.7	26.0	24.8	21.9
Cash P/E	48.4	41.3	30.5	25.8	22.1	22.2	21.2	18.7
P/BV	18.8	14.5	11.0	8.8	6.8	6.0	5.0	4.3
EV/Sales	5.1	4.6	3.8	3.0	3.1	3.0	2.3	1.6
EV/EBITDA	32.6	28.3	21.6	18.2	17.5	18.5	17.7	14.0
Dividend Yield (%)	0.7	0.7	0.9	1.1	1.3	1.5	0.5	2.4
FCF per share	22.1	23.4	4.3	1.1	47.4	44.6	-9.6	51.1
<b>Return Ratios (%)</b>								
RoE	43.6	37.5	38.6	33.7	30.0	24.5	22.1	20.9
RoCE	39.3	38.2	40.3	36.6	28.8	25.6	23.4	23.5
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	3.8	3.5	3.0	3.6	3.3	3.2	4.0	5.2
Asset Turnover (x)	2.1	2.0	1.8	1.9	1.4	1.5	1.5	1.9
Inventory (Days)	56.8	50.4	64.9	72.5	72.9	83.2	79.3	57.4
Debtor (Days)	36.7	31.8	35.6	32.2	41.5	41.7	55.7	49.9
Creditor (Days)	66.6	66.1	81.6	53.1	64.3	76.3	44.9	47.5
Working Cap. Turnover (Days)	44.6	32.5	36.0	69.0	70.2	71.1	93.5	73.4
<b>Leverage Ratio (x)</b>								
Current Ratio	2.9	2.9	2.5	3.4	4.0	3.3	3.9	3.5
Interest Cover Ratio	8.5	17.4	26.4	17.2	10.2	15.8	26.0	8.1
Debt/Equity	-0.2	-0.3	-0.2	0.0	-0.2	-0.3	-0.2	-0.2

### Standalone - Cash Flow Statement

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	(INR m)
OP/(Loss) before Tax	1,533	1,811	2,429	2,751	2,645	2,687	2,843	3,127	
Depreciation	60	73	104	224	327	339	357	396	
Interest & Finance Charges	178	98	85	152	248	146	96	376	
Direct Taxes Paid	-529	-635	-843	-973	-620	-687	-762	-934	
(Inc)/Dec in WC	13	265	-348	-1,911	64	-57	-2,376	147	
<b>CF from Operations</b>	<b>1,254</b>	<b>1,611</b>	<b>1,427</b>	<b>242</b>	<b>2,665</b>	<b>2,429</b>	<b>159</b>	<b>3,112</b>	
Others	12	8	79	87	-55	-13	-396	-379	
<b>CF from Operating incl EO</b>	<b>1,266</b>	<b>1,619</b>	<b>1,506</b>	<b>329</b>	<b>2,609</b>	<b>2,416</b>	<b>-237</b>	<b>2,733</b>	
(Inc)/Dec in FA	-173	-456	-1,294	-275	-233	-184	-246	-229	
<b>Free Cash Flow</b>	<b>1,093</b>	<b>1,163</b>	<b>213</b>	<b>54</b>	<b>2,376</b>	<b>2,232</b>	<b>-483</b>	<b>2,504</b>	
(Pur)/Sale of Investments	-8	-3	-4	-4	-193	-74	-136	-97	
<b>CF from Investments</b>	<b>-181</b>	<b>-458</b>	<b>-1,298</b>	<b>-279</b>	<b>-426</b>	<b>-258</b>	<b>-173</b>	<b>305</b>	
Issue of Shares	0	0	0	0	1	0	40	-848	
Inc/(Dec) in Debt	-207	-162	696	350	928	-1,645	1,583	260	
Interest Paid	-178	-98	-85	-152	-248	-146	-73	-345	
Dividend Paid	-418	-450	-538	-660	-697	-797	-450	-248	
Others	278	81	86	76	417	-124	-119	-840	
<b>CF from Fin. Activity</b>	<b>-524</b>	<b>-630</b>	<b>158</b>	<b>-386</b>	<b>400</b>	<b>-2,712</b>	<b>981</b>	<b>-2,021</b>	
Inc/Dec of Cash	561	531	366	-336	2,583	-554	571	1,017	
Opening Balance	1,804	2,365	2,896	3,262	2,926	5,509	4,916	5,487	
<b>Closing Balance</b>	<b>2,365</b>	<b>2,896</b>	<b>3,262</b>	<b>2,926</b>	<b>5,509</b>	<b>4,956</b>	<b>5,487</b>	<b>6,504</b>	

**NOTES**

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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