Gulf Oil Lubricants India Limited

August 8, 2023

BSE Limited
Scrip Code: 538567

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Scrip symbol: GULFOILLUB

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Dear Sir/ Madam,

Sub.: Transcript of Q1 FY-24 Earnings Conference Call

Ref.: Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

We enclose herewith the transcript of the Q1 FY-24 Earnings Conference Call conducted on August 4, 2023.

This information will also be hosted on the Company's website, at the web link: https://www.gulfoilindia.com/investors/financials/transcription-of-conference-call/.

For Gulf Oil Lubricants India Limited

SHWETA VIKAS GUPTA

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Shweta Gupta
Company Secretary & Compliance Officer

Encl.: as above

“Gulf Oil Lubricants India Limited

Q1 FY ‘24 Earnings Conference Call”

August 04, 2023

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. SANYAM VIRA – YES SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Gulf Oil Lubricant Q1 FY '24 Conference Call hosted by YES Securities. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sanyam Vira from Yes Securities. Thank you and over to you sir.

Sanyam Vira: Thank you, Selvan. Good day, ladies and gentlemen. On behalf of Yes Securities, I welcome everyone to Gulf Oil Lubricants India Limited First Quarter Earnings Call. We have the pleasure of having with us today Mr. Ravi Chawla, MD & CEO and Mr. Manish Gangwal, CFO.

I will now hand over the call to Mr. Chawla for his opening remarks, which shall be followed by a question-and-answer session. Thank you, and over to you, sir.

Ravi Chawla: Thank you. Good afternoon, good evening, good day to everyone to join this call of Gulf Oil Lubricants. I'm happy to start by mentioning that this quarter has been a good quarter for us. In fact, we have touched a revenue, which is the highest ever for the company in a quarter, crossing INR 800 crore. We're also happy to share that this is the highest PBT and PAT also for us and EBITDA for us as a quarter.

The quarter has been, I would say, a challenging quarter as we've seen definitely, just a few segments which were not really clicking away for us, but happy to share that all segments we have been focusing on, which is the commercial vehicle oils, the personal mobility, B2B segments, our OEM franchisee workshop and infrastructure; all of them have done very well.

There are 2 segments like factory fill, which was slightly lower in terms of volumes, and the agri segment, which was slightly off because of the monsoons. Otherwise, we have seen excellent revenue growth. We have also seen the margins improving sequentially. There have been obviously some more investments in our A&P, which we have been given in our press release.

But, overall, a very, very heartening quarter where these records have been set, while factory fill in some of the OEMs came down slightly and we saw a little bit, as I said, agriculture demand, but we still managed to get 3% plus growth in our core lube volumes which is good, in spite of the challenges. And looking at a lot of other things, which also did well, the OEM franchisee workshop channel really did very well.

As I mentioned earlier, right across we have OEM tie-ups with commercial vehicle, tractor OEMs, 3-wheeler OEMs, 2-wheeler OEMs, even construction equipment and other OEMs, so this was very good. Export volumes also grew very handsomely in this quarter for us, mainly we have companies like Bajaj and Ashok Leyland, very good response there on exports.

Continuous margin management actions have been followed by us. We have increased the margins, Manish, will talk a bit more about that but given the A&P spend, you're not probably seeing the full impact of what we have improved in the margin with the steadying of costs.

Then, overall, I would say then the other highlights for us has been our distribution drive. We have gained double-digit distribution last quarter, happy to announce that about 2,000 touchpoints were actively started buying new outlets from us, which include our Bikestops and Carstops. We've also seen a robust sales of AdBlue, which continues to sequentially increase as we look at our touch points, our distribution and our customers, both in OEM and aftermarket for this product.

So, all in all, I would say a good robust quarter and happy to share that it's a record quarter and definitely we're looking at continuing the good work. I'll hand over to Manish now to share some of the other highlights of the company in the quarter.

Manish Gangwal: Thanks, Ravi. So, from the results, you must have all seen that there is a sequential improvement in the gross margins, which is very good for us because the raw material cost, the base oil cost and the rupee have been quite stable, and to the extent there is some softening. At the same time, some of the additives are still continuing to remain very, very elevated from the 1 year-ago levels, but we are seeing at least a stability coming there as well. The product mix improvement and with the input cost being very stable, we have been able to sequentially improve margins by 2% at gross level.

Of course at the EBITDA level, as Ravi talked about, we have had a quarter which saw huge IPL-related campaigns, including Gulf Fan Academy which led to 1% nearly extra spend in the IPL-related campaigns and A&P, which we had highlighted in our previous call as well that the next quarter is going to be an elevated from A&P point of view. Still with that, we have been able to improve our EBITDA margins.

Our PAT has improved by 23%. People will recall that last year in June quarter we saw big forex losses coming because rupee suddenly turned very volatile. And with the stability coming to rupee, we are seeing a decrease in the finance cost from nearly INR 10.5 crore to now INR4 - INR 4.5 crore which brings in an additional comfort. We are seeing 23% increase in the PAT.

So, overall, a very good quarter from all perspective. We continue to generate healthy cash and we continue to remain debt free, obviously.

And with that opening remarks, we would like to open the floor for questions please. Thank you.

Moderator: The first question comes from the line of Harsh from Alpha Alternatives.

Harsh: Yes. So my question was, we continue to gain market share. I just wanted to understand who is losing market share to us?

Ravi Chawla: Yes. So, our product is positioned in various segments across, in terms of our own sort of level, we are priced at the #2 level today in the industry. We have segments and we have premium, ultra-premium, we have value segments, so based on that, I think our endeavour is to basically look at consumers who like to -obviously, our brand is strong, so would consider our brand and buying us.

There is no specific market-share that we go after in terms, but we look more at the consumer angle. So, I think for us, the journey has been, since the last many, many years is to try to grow in the segments that we are there and definitely Gulf has made its mark with the brand improving to move to. the value premium segments.

So, I would say that -- we also play in a lot of the OEM business which is across, in terms of the consumer usage. So, we have no targeted -- market shares gaining across segments is more our strategy.

Harsh: So, when the industry is growing at 2%, 3%, there will be someone who is losing market share, right? It can't be that, we are getting additional market.

Ravi Chawla: This industry doesn't have very organized market data, we have data internally which we track, but we would not like to share that data. This is just a more internal guide for us. But definitely, we have seen our market share grow for the last 15 years.

Harsh: Okay. And what is the percentage of unorganized market in the lubricants?

Ravi Chawla: It's difficult because there's lot of unorganized in many segments. So, we would say it is definitely 10% or just more than that.

Harsh: 10% would be the ballpark number?

Ravi Chawla: Yes, maybe slightly more than that, depending on the segments.

Harsh: No, on an overall level?

Ravi Chawla: Figure is around, 7% to 10% is what we anticipate.

Moderator: The question comes from the line of Hemal, an Individual Investor.

Hemal: Congratulations on good set of numbers. Just -- first just on your financials, just basic ones that I ask every time, maybe if you can share the volumes, the networking cycle and days and how much battery and net cash that you have, I would appreciate it.

Manish Gangwal: Yes, thanks Hemal. So, our volume for the quarter for Core Lubricants 35,000 kl. And we have done another 30,000 kl in AdBlue. So overall, 65,000 kl volume. From gross working capital, which we have been sharing every time we are, more or less at the similar quarter to -- similar numbers to March, nearly in the range of around 100 to 105 days. And overall, that is something

which we have been saying that we generate a lot of cash. It's a cash-generating business. And, in this quarter also, we have generated cash. So overall, our 30th June cash position was now more than INR 700 crore.

Hemal: Did you say -- you said INR 700 crore net cash on the cash position?

Manish Gangwal: Gross cash. Net will be around INR 350 crore-odd.

Hemal: INR 350 crore, okay. And sir battery revenue?

Manish Gangwal: For the quarter, we have done battery revenue of around INR 16 crore -INR 18 crore.

Hemal: And I just want to clarify. So, the other expense which, obviously because of IPL, it might have -- that's where the IP advertisement would have gone up. So, for the remaining part of the year, would it be -- what could be the natural advertising? Because you always guided for 4% of revenue to be the advertising expenses, because you have used up in the quarter 1. So remaining three quarters, we should -- what number would -- should you suggest we take? I'm assuming it should be lower, like 2%, 3% of revenue or...?

Manish Gangwal: See, usually, we have been in the -- in the earlier years, we have been spending 5% to 6% of our revenue we have consistently spent or invested back in brand building over the last 10, 12 years. With the COVID onset and with the revenues increasing significantly because of price increases over the last 18 months that number is now in the range of around 3% to 4%. So, in this quarter, we are towards the higher-end of the range. But typically, we would not like to significantly reduce our brand investments.

We are going to continue investing in our brands, depending on, of course, the share of wallet. But overall, this is a band which we will maintain, 3% to 4% is what we anticipate. Maybe in some quarters we'll be towards the higher-end of this band, and in some quarters, we will be towards the lower end of this band.

Hemal: Okay. So, this year, as you're doing margin improvement, is there any -- like you're aiming for still 12% to 14%? Is that the EBITDA margin range for the year, we should take?

Manish Gangwal: Yes. So, as I mentioned, there is a gross margin improvement of 2% in this quarter itself. And we see stability in input costs. So obviously, we'd want to move to the band of 12% to 14% over a period of time.

Hemal: Okay. Sir, my absolute final question is, as we see ourselves over the next 2, 3 years, and I know we have this aspiration that we have articulated 2x to 3x. But we are seeing competitive intensity also climbing up over the last 1 or 2, 3 years, there are already so many players, but there are now more entrants also who may have -- who have entered.

Do you believe -- where do we see our growth? Which segment do we see as our growth multiplier, like you are doing AdBlue, which is a low-margin product. But besides that, in the

segments, where do you believe in the next 3, 4 years, you want to really see growth for the company?

Ravi Chawla: Yes. So, our market share is around 5%, 6%. And if you see industrial, we are even lower. Even in the 5%-6% motorcycle and CVO, we are slightly higher so we see growth shoots in all segments but what we are highlighting a little more is the passenger car segment, where we have a low market-share and industrial.

But it doesn't mean that we will not grow because we still have a very strong brand recall and brand consideration. We are definitely looking at our B2C growth where distributor touch points will get us 2x to 3x of the market, we continue to do that because we see scope. And clearly for us, amongst the OEMs, we have a lot of franchisee workshops. We do a lot of OEM business which is also growing well.

So, it's a mix of all. We have independent workshops where we have Bikestops, Carstops. For us, the opportunity is to grow overall. And recently, we had this study by Kline. Some of you may have seen it. We are part of it we had this on July 27, we had it and the industry met. The industry is looking at a, with whatever is happening around with EV etcetera, clearly, there is a volume growth CAGR for the next decade which is close to 3% and a value growth which is probably 2x that.

So, there is a definite growth as products come in. So 2x to 3x is the volume growth, what we believe, we think that is something which we can continue clocking.

Hemal: So, is it fair then to say that this year, we would be -- because even the other large player in the industry would be growing close to 3% in volume. If you do 2% to 3%, then this year you would be seeing close to 7% to 8% volume growth say, this year?

Ravi Chawla: I think you can do the math. No, it's good.

Moderator: The next question comes from the line of Harsh Maru from Emkay Global.

Harsh Maru: So, I have 2 questions. On is on -- so right now, we have about 35,000 kl of core volumes and 30,000 kl of AdBlue. So how do you see this proportion or this mix moving, say, in the next 2 years? So, if you could like throw some light around this.

Manish Gangwal: So, in the earlier calls also, we have mentioned Harsh that AdBlue is a new category. It is a product which is going in BS VI diesel vehicles and the number of vehicles on road of BS VI diesel are going to increase significantly over the coming years and AdBlue consumption is going to increase significantly, and we are one of the top players in that category.

So the overall AdBlue volumes are going to continue to grow double-digit at least for us, you know high-double digit at least from the next 2- 3 years, what we internally see and basis the numbers which we have and lubricant growth, we have always been talking

about 2x to 3x the market growth rate. So that's our sort of guidance on volume and based on that, the proportion will be obviously there in the future.

Harsh Maru: Right. And could you throw some light on the recent cost trends in terms of base oil additives like some like trends that you are seeing would unfold in the next, say, couple of quarters?

Manish Gangwal: So as I mentioned, base oil has been relatively stable in the April to June quarter. And as of now, we are not seeing any major challenges there. The recent crude run up in the last 4- 5 days from what we see, we believe that, that is in the band, it's still what we have been earlier talking about that as long as the crude is in the band of around $75 to $85, it should be fine for the industry.

We are seeing that rupee is also stable. Unless there is a significant change in the geopolitical situation leading to spike in crude, then we have to really think and again, go back to the table on margin management.

In the past, we have taken significant price increases to pass on the input cost, as you all know, we will have to do that if the need be. As of now, we are not seeing anything of that sort required, plus the lag effect of crude on base oil is 2 to 3 months so we have to really wait and watch for that. Additives, as I mentioned in my opening remarks, continue to remain elevated from the levels a year ago.

We are seeing at least a stability coming there to some softness, but a large-scale reduction is still not there in the additive side, but all the other input costs, including rupee has been stable. We really are looking forward to the coming quarters for a stable margins.

Harsh Maru: Okay. And just one last question. So you saw some softness in the high-tech fields, any specific reasons around that?

Ravi Chawla: For OEMs usually, the March quarter is quite high for most of the OEMs and definitely, based on the demand, they would look at certain productions which they make in the pipelines. So, I think it's more of that kind of OEM-related thing. But otherwise, OEMs, we have got a very good relationship and also we have good share with them. We'll continue with that in the coming quarters.

Moderator: The next question comes from the line of Hemal, an Individual Investor.

Hemal: Sorry sir, just one more clarification. So we did 35,000 kl -- last quarter last year was 34,000 kl. So did like 3% core lubricant volume growth. But you expect, going forward, this growth rate to increase, right? Because I think this time, one of your large competitor did higher volume growth than us also, which is typically we have not observed in a while.

Ravi Chawla: So it's good, the industry is growing. But as we explained to you, there were 2 segments of ours. One is the factory fill, which we have a segment growth. That was a bit slow for us. Otherwise, all other segments are growing very well.

Hemal: So, it's a one-off quarter that we should take it, is that right?

Ravi Chawla: Yes. Yes, we are happy. As I told you, the industry also is reporting very good growth. I mentioned that in my earlier answers that we are seeing a good robust growth in the volume and in the value-added area in the lubricants for the Indian market which is very good that the growth is becoming more positive. I think our track record is that whatever we have done the 2x to 3x growth, even last year, we grew 15%, our core volumes. So we continue to grow in the segments that we focus on.

Manish Gangwal: And if I may add, March for us is a year ending-quarter so typically, for us, the June quarter is relatively lower than the March quarter in all the years, on a sequential point of view, that is always there. We are saying that the guidance of 2x to 3x is always on a full-year basis. We are we are quite confident to beat that, as always.

Moderator: The next question comes from the line of Anik Mitra from Finartha.

Anik Mitra: Sir, what is the spread of base oil and crude?

Manish Gangwal: As we have mentioned in earlier questions that crude has been quite stable in April to June quarter and accordingly the base oil, which is a derivative of crude has also been stable. Typically, base oil follows crude with a time lag of 2 to 3 months.

Anik Mitra: Okay. Sir, what is the spread. I'm asking the spread between basil and crude.

Manish Gangwal: There are various grades of base oil and each one will have a different spread to the crude thing because it's a derivative. There are at least 8 to 10 grades of base oil, which are at a different cut level in the process of refining. It's very difficult to tell you the spread. But typically, on an overall basis, as I mentioned, base oil does follow crude over a longer period of time with a time lag.

Anik Mitra: Okay. So sir, in this quarter, whatever the impact of -- what is the price movement of crude was in the March quarter, that is being reflected. Am I correct?

Manish Gangwal: Typically, crude has been on the softer side right from February onwards which is there till June-July, we have seen it is quite stable. Even today if we see, it is not something which we believe is a very sustainable phenomenon. Of course crude is always volatile but as long as it is within a band, we feel base oil will be stable.

Anik Mitra: Okay. And sir the EV variant, what is the contribution of EV variant at this point of time or let's say in Q1 FY '24?

Ravi Chawla: Yes. EV fluids you're talking about, right? EV variant, I think Mr. Mitra ji, we have been explaining that EV fluids, we have a global range. We have also launched with number of OEMs here. It is a very nascent stage. It is going to be really not even in low single digit for the whole industry in terms of volume at this stage. And of course, it will -- it is -- the engine oil is not

used in EV. So the other products get used, the coolant in the transmission, the other products which are there, the brake fluids etcetera.

This is a very small volume at the present moment and it will remain single-digit for quite a long-time because this is how the lube industry is continuing to grow in the core IC engines and others, this is how the market is, and we are also playing a leadership role there. We have got a number of OEMs with whom we started. It will grow, but it will still be very low-single digit, in our view.

Ravi Chawla: Low single-digit as a composition of the whole pie.

Anik Mitra: Yes, understood. Means, the contribution will be in the low single digit for another few years.

Ravi Chawla: Yes. So, if you sell 100 tonnes of lubricants, this will be very low percentage, very low single-digit.

Moderator: The next question comes from the line of Madhur Rathi from Counter Cyclical Investments.

Madhur Rathi: Yes. So, how much investments are you planning to do in the EV fluids segment for the next 2 to 3 years?

Ravi Chawla: On EV fluids we would say the current lubricant is modified in terms of the features and properties for meeting the EV requirements, thermal and electrical properties, and etcetera. Today, we buy our technology from additive companies, we do a lot of work with them on projects. This is already a technology which is available and there is no major capex from our side or anything. It's basically a formulation which we do.

Of course, we have to do some tests and other things which we do normally. There is no significant capex, but there is investment in terms of projects, which anyway our global R&D is doing and they are evolving these products.

Madhur Rathi: So, like whether -- so like from our current investments and assets, we can switch it to use it with minor adjustment. So like our current assets are fungible in that sense?

Manish Gangwal: Yes. Yes.

Ravi Chawla: Yes. So there is a modification. It's not minor. It is there, but it is all available in technology by our global resources.

Madhur Rathi: Okay. Sir. So, can you just classify me, like how much additional investments we would have to do for switching to these new segments?

Manish Gangwal: On the capex side, we have given a guidance earlier and we maintain that INR 20 crore to INR 25 crore of additional capex is needed every year to meet our growing demand and our volume aspirations what we have highlighted and this will be a part of that only. Anything to do with EV fluids, which is a very nascent and the demand is not going to be very significant over the

next 2- 3 years for sure. It is going to be part of that capex only, we do not foresee any significant additional investment on this account.

Madhur Rathi: Okay. And would you please consider doing a buyback rather than just dividends.

Moderator: The next question comes from the line of Namit Mehta from KC Capital.

Namit Mehta: Sir, couple of questions. One, you've grown at a multiple of the industry growth rate over past several years and gained market share from a lot of competitors. Can you talk about some of the factors and tactics that have enabled this performance over the last few years?

Ravi Chawla: Yes, we've invested in our brand as we keep telling, definitely our segment-wise approach and technology-wise, we've been leading the industry with long-drain products and many other technological innovations. And I would say these 3 are important.

And, of course, our relationship with OEMs so these 4 are the main cornerstones. And I guess, it's also the passion of the team, which has made these things happen because strategy is always there, but execution is equally important.

Namit Mehta: Got it. And how important is sort of credit given in the market or margins given in the market to your market share performance over the past several years relative to some of the factors that you would have mentioned?

Ravi Chawla: Every brand has a certain status in the market, and we are priced at the second level today. And this is, of course, part of the marketing mix. So, I think, definitely we are one of the top players in the industry. We have this position in line with our market position. And it is definitely, we are a push and pull product or a pull and push product. It will depended on both. So, you adequately have to get the trade and others give them earnings. So that is part of, I guess, every product, which is like a consumer product. And of course, for the OEM and B2B, you have to have strong relations, very- high service, and definitely, we have to work with them to make sure that their products are well distributed and accepted. So, it's a mix of both because ours like a B2C and B2B business mix of both.

Namit Mehta: Okay. And second question, sir, the whole industry earns very high returns on capital. Can you talk a little bit about the barriers that prevent price-led competitors from coming in and winning market share in this business?

Ravi Chawla: Yes. I think the whole thing is, there is a demand cycle there is a brand there is an influencer and there is a distribution network. So definitely to create that and have the secondary, tertiary sale happening, is definitely a big task in an Indian market, which is quite complicated and having so many layers. So, establishing that will take decades and decades for brands.

Moderator: The next question comes from the line of Misha Mulchandani, an Individual Investor.

Misha Mulchandani: Congratulations, first of all, on the great set of results, as always. And I think the volume has like you mentioned, the total volume is 53 million litres for core and [inaudible 0:32:07]…

Ravi Chawla: Sorry, again, ma'am. We can't hear you.

Misha Mulchandani: Okay. So I'll be quick on this. Sir, what is the share of the export in the total revenue sir, and just [inaudible 0:32:33] number?

Ravi Chawla: Export has gone up for us. In this quarter actually, we have gone up to 7% nearly. Usually it is 4%, 5%.

Misha Mulchandani: Okay, thank you. And I think you also mention a lot about the OEMs, sir and it has been going well for the company…

Manish Gangwal: Again, the voice is going bad ma'am. Can you come again in the queue, please or re-dial from another number.

Moderator: The next question comes from the line of Anik Mitra from Finartha.

Anik Mitra: Sir, my question is, what is the contribution of OEM in your total revenue?

Manish Gangwal: Well, this question, again, we have answered many times that we work with OEMs on many fronts, right, from their factory field to their franchisee workshop to aftermarket, where we have co-branded products, we have genuine oils also, so to give a breakup is very difficult from OEM perspective. Overall, we have an association with more than 25-30 OEMs, which we are proud of.

Ravi Chawla: And we can also share with you, we are one of the leading OEMs in the private companies dealing with OEMs in the private sector.

Anik Mitra: Okay. Sir, can you give me the breakup of 2-wheelers, 3-wheelers, 4-wheelers in terms of percentage revenue contribution?

Manish Gangwal: Usually, we have been giving a volume sort of breakup idea and this remains similar to the last quarter.

Anik Mitra: Okay. And sir, final one, market share. Like, what is your market share in the domestic market?

Ravi Chawla: Yes. We play in the Automotive and Industrial segment and our market-share is about 6% overall. And in certain segments, like we understand in the CVO diesel engine oil and the motorcycle, we have close to 8%, 9% plus market share.

And industrial is lower market share, but we are doing very well there. Similarly, passenger car we have a lower market share, but we are doing well there. So these are some of the segments. Of course, we play in the B2B, B2C segments, and industrial right across. But overall, I have explained to you our market share.

Moderator: The next question comes from the line of Chirag from RT.

Chirag: I'm sorry I joined this call a little late. Just wanted to know a little bit, and I apologize if this is a repetitive question, but just wanted to know a little bit more on -- clarity on what the management feels are normalized margins now, given the large share of AdBlue, what would you think is the normalized margins?

And once again, I'm sure participants has said, congratulations on a great set of numbers. I think this is the repetitive quarter where we have outperformed our other peers significantly on the top line. So, congratulations on the great set of numbers. But just guidance on normalized margins now with this kind of a mix of business, where do you think -- and it doesn't need to happen maybe in 12 months, but where do you think margins can land on the EBITDA front?

Manish Gangwal: Thank you. You see, our overall gross margins have improved in spite of AdBlue increase in this quarter, if you can just check the numbers, we have sequentially improved nearly 2% at gross margin, although our AdBlue has gone up even from March quarter.

So that gives us a lot of confidence, and it depends on how the overall input cost scenario pans out, how the pricing pans out, how our focus on product mix, which we are continuously trying to increase towards more higher-end synthetic products. So that also should even out some of the, I would say, mix due to AdBlue.

So, overall, our trajectory from currently 11.5%, in some quarters, we have touched even 11% to going back to 12% to 14% first, that is the 12% to 14% band at EBITDA is our first target. And then we will obviously see there from there what to do next. That's the sort of idea.

Chirag: Understood. That's very clear. Yes. No, that's very clear. Thank you. And just, the 12% to 14% band, is that something that you think is sort of a medium-term target or is it going to take maybe a couple of years from here. How do you see that?

Manish Gangwal: Again, it is really depending on how the input scenario pans out, how the pricing in the market behaves. Our objective is that with the operating leverage also coming in with continuously growing our revenues top line at a pace which is 2x to 3x or more than the market growth rate. We believe operating leverage is also playing out and it will continue to play out, which will help us at the EBITDA margins level going forward.

Moderator: The next question comes from the line of Nisha, an Individual Investor.

Nisha Mulchandani: So my question that I was asking was is there -- Is there a reason why the battery revenue has gone down in this quarter as compared to the sequential- quarter?

Ravi Chawla: Yes, so we are distributing our battery right across India. This is obviously something which we want to take-up and we want to increase and these are batteries where there are some supply challenges at times. I think overall, our outlet distribution all is all growing and we should be back in the next quarter in terms of our sales.

Nisha Mulchandani: And the last question, sir, any new OEMs that you have added in this quarter since you are saying that the OEM business has done quite well. So any new OEMs added?

Ravi Chawla: We'll be announcing it through press release.

Moderator: The next question comes from the line of Harsh Maru from Emkay Global.

Harsh Maru: So sir, if you could highlight your initiatives around expanding the -- like the distribution reach that we have. And the other thing is, are we looking at any strategic investments to expand our distribution lead similar to what like Castrol has done. So if you could throw some light around these points.

Ravi Chawla: Yes. as I mentioned to you, our brand metrics are quite high. We want to increase the distribution because availability has to go up. There is a continuous focus on distribution across urban and rural. And definitely for us, we see scope in the segments that we are strong in, we want to take that further. And segments where we want to grow, we want to improve the distribution footprint.

As I mentioned, we have added 2,000 new outlets in this quarter. And in terms of our initiatives, both in rural, we are expanding quite fast with Gulf Rural Stockists model. Digitization both in terms of taking the product to them to have ordering mechanisms to have influencer program. I think digitization is going to help us a lot, and we are on that path.

We have connectivity with our distributors in terms of their secondary sales, their tertiary sales from them and many such initiatives we are doing, which are going to help. We are also definitely looking at where we can tie up with other networks, so that work is on. Once we are clear about that, we'll come back.

But our Gulf Bikestops and Carstops are also going up, which are our branded workshops. So that also is going up. In rural also, we are expanding this concept now, and we are trying to see if we can get some of the other type of independent workshop garages in our fold. Obviously our 15% increase in distribution is what our objective is, which we are quite confident that is happening and will happen.

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

Ravi Chawla: Thank you. So I think for us, the June quarter has been a good quarter and we've shared all the things that have happened here. In terms of our brand, just like to highlight here the concept of the Gulf Fan Academy also on the Jio platform has given us good results. We have seen a brand upliftment there.

In terms of our business, the quarter, we have seen very good robust revenue growth, volume growth also coming in all our focus categories. If you look at our focus categories of DEO, personal mobility, we have grown 2x to 3x even during quarter 1. I would like to reiterate that

even our industrial and OEM franchisee, I mentioned to you, there's been very good growth. Definitely looking at continuing our momentum as we have for so many years.

Our EBITDA has also improved as we mentioned, and also our profit has increased margin band, we have spoken about. And just like to highlight here is that, of course, as we see the different base oil prices going up and down, we don't foresee any significant movement. Also the rupee is expected to be quite stable, looking at major geopolitical and economic factors.

Definitely, July and September is a monsoon quarter. But of course, that is every year, and it slows down slightly in terms of infrastructure and vehicle movement. But as we look at the year, we are very confident that we can continue our 2x to growth and be ahead of the industry, as we have always done.

In terms of EV Fluids, we are looking to expand and I'd like to end on the note again that our confidence in the industry growth and the things you mentioned is furthered by the Kline study where we had an industry roundtable. And the whole impact of that is that there's going to be at least 3% volume growth and double that in terms of value growth, clearly showing a lot of optimism where we look at our plans going-forward.

Further, just to add, the cash generation, Manish mentioned, will enable us to look for opportunities in the emerging fields, which are in the EV mobility space and adjacencies. And we are exploring these where Gulf can play a key role, based on the synergies with our current brand strength, distribution and OEMs to evolve further. Thank you so much.

Moderator: Thank you. On behalf of YES Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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