

Price: 1,128

Recommendation: Buy

Industry: Lubricants

Sector: Energy

Report Date: 03-Apr-2025

Gulf Oil Lubricants India Limited is poised for significant growth, aiming to double revenues annually by leveraging existing resources and strategic partnerships, such as with Nayara. The company focuses on premiumization, expanding its product range, and enhancing brand engagement through initiatives like "The Unstoppables" campaign. With a profitability target of 12-14%, Gulf Oil is also exploring opportunities in EV charging and immersion cooling technology, while addressing challenges in the DEO segment.

Sales		Profit & Loss		Profitability Matrix	
Current Year	3492 Cr	Operating Profit(Year)	461 Cr	Operating Profit Margin	13.2 %
Previous Year	2999 Cr	Operating Profit(Quarter)	122 Cr	EBITDA Margin	13.83 %
Current Quarter	905 Cr	PAT (Year)	306 Cr	Net Profit Margin	9.31 %
Previous Quarter	849 Cr	PAT (Quarter)	98.2 Cr	EPS	72.3
Revenue (QYoY)	817 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	15.7	Sales Growth	8.34 %	Sales Growth	6.6 %
PEG Ratio	1.37	PAT Growth	32.47 %	Sales Growth QYoY	10.77 %
EV/EBITDA	9.33	EPS Growth	15.31 %	PAT Growth	16.35 %
P/B	4.05	Dividend Yield	3.21	PAT Growth QYoY	21.69 %
Capital Allocation		Holdings		Leverage	
RoE	24.7 %	Promoter	67.1 %	Debt/Equity	0.33
RoA	14.0 %	FII	7.29 %	Debt	452 Cr
RoCE	27.2 %	DII	9.59 %	Market Cap	5563 Cr
RoIC	22.4 %	Public	15.7 %	Enterprise value	5160 Cr
		No of Shares	4.93 Cr	Cash Equivalents	855 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

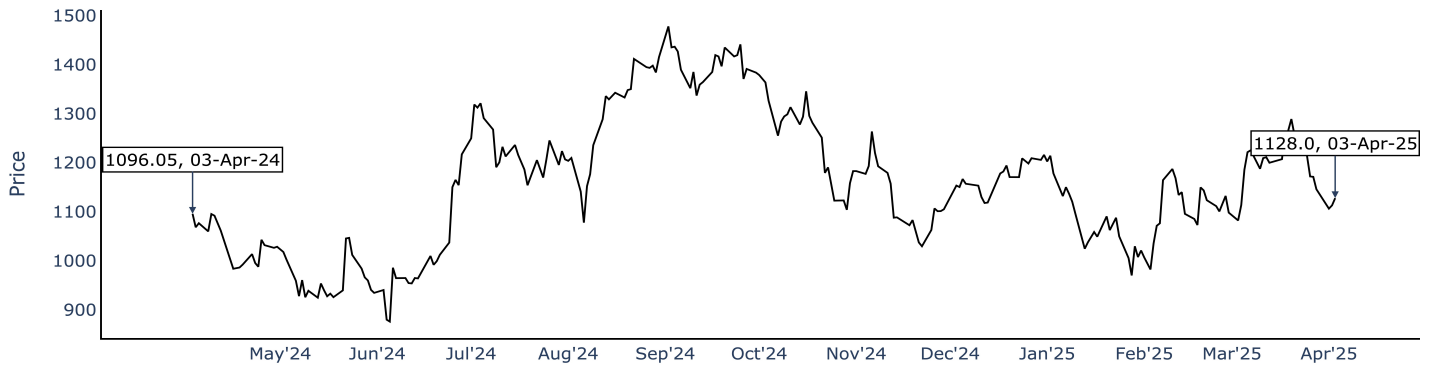
In the recent conference call, Gulf Oil Lubricants India Limited highlighted several new initiatives and strategic directions. The company is on a trajectory to double its revenues annually over the next few years, emphasizing its commitment to growth. A significant part of this strategy involves expanding its capacity without major new investments, leveraging existing resources to support increased volumes. The company has also entered into a strategic partnership with Nayara, expanding its network to 6,000 outlets, which will enhance the availability of its products, including AdBlue. This partnership is expected to bolster Gulf Oil's market presence and drive growth in the AdBlue segment, which is projected to grow between 10% and 15% annually.

The company is focusing on premiumization and diversification of its product offerings. The "Unlock 2.0" strategy aims to elevate product quality and margins by introducing higher-margin products and enhancing the premium product range. This includes a focus on the Motorcycle Oil segment, which has seen double-digit growth, and the B2B and industrial segments. Gulf Oil is also investing in brand-building initiatives, such as the "The Unstoppables" campaign, which has been a creative and technological success, strengthening consumer engagement and brand affinity. Additionally, the company has renewed its exclusive partnership with Piaggio India until 2032, which includes expanding its product range to high-performance sports bikes.

Looking ahead, Gulf Oil is optimistic about its growth prospects, driven by improving demand conditions in both B2B and B2C segments. The company aims to maintain a profitability band of 12% to 14% and continue its volume-led growth strategy. The EV charging segment is also a focus area, with plans to strengthen its contribution to the company's vision in the medium to long term. The company is preparing for future opportunities in immersion cooling technology, which is expected to become significant as data center demands increase. Gulf Oil's strategic focus on premiumization, capacity expansion, and strategic partnerships positions it well for sustained growth.

While the company has shown resilience and strategic foresight, there are areas for improvement. The DEO factory fill segment has been a weakness, although there are signs of recovery. The company must continue to manage its margins effectively, especially in light of rupee depreciation and input cost fluctuations. Additionally, while the AdBlue segment shows promise, maintaining competitive pricing and distribution efficiency will be crucial as market competition intensifies. Overall, Gulf Oil's strategic initiatives and growth plans are well-aligned with market opportunities, but careful execution and market responsiveness will be key to achieving its ambitious growth targets.

GULFOILLUB Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
SRF	85926.18	74.88	12.22%	1.96%	14.36%	34.58%	6.96%
Gulf Oil Lubric.	5563.31	15.66	24.73%	6.54%	10.72%	16.26%	21.59%
Linde India	52558.10	121.02	12.88%	-4.50%	-14.21%	9.20%	-2.70%
Gujarat Fluoroch	42336.72	92.84	7.69%	-3.37%	15.73%	4.13%	57.50%
Godrej Industrie	37300.32	48.34	0.65%	0.41%	34.39%	-34.57%	76.86%

Aspect	Commentary
Revenue	The company shows a robust revenue increase, with current year sales at 3492 Cr, up from 2999 Cr last year. Quarterly growth is also positive, indicating strong market demand and effective sales strategies. This consistent growth trajectory suggests a solid foundation for future expansion and market penetration.
Profit & Loss	Operating profit for the year stands at 461 Cr, with a quarterly figure of 122 Cr. The PAT is 306 Cr annually, reflecting efficient cost management and operational effectiveness. The quarterly PAT of 98.2 Cr highlights the company's ability to maintain profitability amidst market fluctuations.
Profitability Matrix	The operating profit margin is 13.2%, with an EBITDA margin of 13.83% and a net profit margin of 9.31%. These figures indicate a healthy profitability level, suggesting effective cost control and pricing strategies. The EPS of 72.3 further underscores the company's strong earnings performance.
Valuation Matrix	The trailing P/E ratio is 15.7, with a PEG ratio of 1.37, indicating reasonable valuation relative to growth. The EV/EBITDA of 9.33 and P/B of 4.05 suggest the company is valued fairly in the market, reflecting investor confidence in its growth prospects and financial health.
Growth (YoY)	Year-over-year sales growth is 8.34%, with PAT growth at 32.47% and EPS growth at 15.31%. This robust growth across key metrics highlights the company's successful strategic initiatives and market positioning, reinforcing its potential for sustained future growth.
Growth (QoQ)	Quarter-over-quarter sales growth is 6.6%, with a QYoY increase of 10.77%. PAT growth is 16.35% QoQ, with a QYoY rise of 21.69%. These figures demonstrate the company's ability to capitalize on market opportunities and drive consistent performance improvements.
Capital Allocation	The company exhibits strong capital efficiency, with RoE at 24.7%, RoA at 14.0%, RoCE at 27.2%, and RoIC at 22.4%. These metrics reflect effective capital allocation strategies, ensuring high returns on investments and supporting long-term financial stability.
Holdings	Promoter holding is 67.1%, with FII at 7.29%, DII at 9.59%, and public holding at 15.7%. This ownership structure indicates strong promoter confidence and a balanced investor base, which can provide stability and support for strategic initiatives and growth plans.
Leverage	The debt/equity ratio is 0.33, with total debt at 452 Cr. The market cap is 5563 Cr, and enterprise value is 5160 Cr. Cash equivalents of 855 Cr provide liquidity, indicating prudent financial management and a strong balance sheet, supporting future growth and investment opportunities.

Analyst viewpoint: Gulf Oil Lubricants India Limited demonstrates a compelling growth trajectory bolstered by strategic partnerships and robust financial metrics. The company has shown significant growth with quarterly sales rising by 6.6% and a PAT boost of 16.35% quarter-over-quarter. This consistent performance is reinforced by the reasonable valuation metrics, with a trailing P/E ratio of 15.7 and EV/EBITDA at 9.33, indicating strong market confidence. Capital allocation remains efficient with a RoE of 24.7% and a manageable debt/equity ratio of 0.33, underscoring their capacity to drive growth sustainably. Gulf Oil's focus on premium product lines and strategic initiatives like the partnership with Nayara, along with advancements in the EV charging segment, are expected to propel the company into stronger market positions and revenue streams.

Despite these strengths, it's noteworthy that the company faces challenges in the DEO segment, which could pose slight pressures on certain operational margins. Nonetheless, Gulf Oil's wide-ranging initiatives, including an innovative product focus and strategic expansion efforts, provide a firm basis for continued growth and market leadership. Their medium-term vision, coupled with strategic capital utilization and enhanced market penetration, aligns well with projected industry trends, positioning them strongly for noteworthy successes in the upcoming quarters.

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