Gulf Oil Lubricants India Limited

November 11, 2022

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Dear Sir,

Sub.: Earnings Conference Call Transcript - Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations")

We enclose herewith the text transcript of the Q2FY2023 'Earnings Conference Call' conducted on November 09, 2022.

This information is also hosted on the Company's website, at the web link:

https://www.gulfoilindia.com/investors/financials/transcription-of-conference-call/.

This is for your information & record.

For Gulf Oil Lubricants India Limited

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Company Secretary & Compliance Officer

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Gulf Oil Lubricants India Limited

"Q2 FY'23 Earnings Conference Call"

November 09, 2022

MANAGEMENT: **MR. RAVI CHAWLA – CHIEF EXECUTIVE OFFICER – GULF OIL LUBRICANTS INDIA LIMITED**
MR. MANISH GANGWAL – CHIEF FINANCIAL OFFICER – GULF OIL LUBRICANTS INDIA LIMITED

MODERATOR: **MR. NITIN TIWARI – YES SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to Gulf Oil Lubricants India Limited Q2 FY '23 Earnings 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. Nitin Tiwari from Yes Securities. Thank you and over to you, sir.

Nitin Tiwari: Thank you, Faizan. Good day, ladies and gentlemen. On behalf of Yes Securities, I welcome everyone to Gulf Oil Lubricants India's second quarter earnings call. We have the pleasure of having with us today, the CEO of Gulf Oil Lubricants, Mr. Ravi Chawla; and the CFO, Mr. Manish Gangwal. I will now hand over the call to Mr. Chawla for his opening remarks. This shall be followed by a question and answer session. Over to you, sir.

Ravi Chawla: Thank you, Nitin. Good day to everybody. Ladies and gentlemen, welcome to the quarter 2 call for Gulf Oil Lubricants India Limited. I hope all of you are fine and we would like to share some of the highlights of quarter 2. I will just start with an overall highlights of the -- what was done in quarter 2. Very happy to share that we have delivered a 35% growth in revenue and a 10% growth in our core volumes, which in the second quarter has been quite a tough quarter in terms of looking at how the market was around us.

Generally, it is a quarter which is, due to the monsoons also one of the lowest in terms of demand. We did see some challenges in terms of the demand. If you look at the liquidity with the trade because prices have been increased. We had the motorcycle segment where the prices have gone up and the agri-segment also having challenges. But in spite of that, we are really happy to share that we achieved this 10% volume growth in our core volumes.

And just to clarify here, over last year quarter 2 we had done 29,000 in our core volumes. This year, we have done 32,000. So that is the 10.4% growth in our core lubricants. AdBlue, as we have explained to all of you is a product which is doing very well with the BS6 coming in, all the commercial vehicles are using that as a after treatment for the reducing the NOx, and that has really taken off. It is a complementary product to our diesel engine oils where we have a lot of strength in terms of our Ashok Leyland and other BharatBenz and other OEMs plus our own products which sell.

So that last year was around 4,000 kl in the quarter 2 and this year, it's grown 3x to nearly -- more than 3x, actually 14,000 kl. So that is why also you see good revenue. But overall core lubricants has grown 10% and that is what I wanted to emphasize.

On the business side, obviously with the margins, we were hoping it would go well. It has gone, I would say we have managed it well, but rising input costs continued, the crude and base oil, the foreign exchange impact on that. we are importing 70% of our base oils. Additive prices, which are also going up all over the world and we saw that also impacting the cost. Of course, we have done all the price increases now. We are in a good position where we see this coming in a phased manner.

Overall, of course, inflationary trend, depreciating INR liquidity challenges in trade, contracting demand conditions were always a challenge we were there. But really happy to share our B2B segments are really seeing a lot of good growth. Some pressure on the B2C happened would have done even better. We saw some flattish volumes, liquidity challenges, seasonal impact, as mentioned, lower demand from the agri segment. And of course, continuous price increases have created a little bit of, I would say, consumption delay. But hopefully, that will come back as we are seeing that this is this quarter that is -- currently there is a -- it's a very good quarter in terms of demand.

I would also like to add a few other things that we achieved, we launched EV fluids for two OEMs, Piaggio, which is already buying lubricants from us, the core lubricants, they are into 3-wheelers that everyone knows and a lot of the 3 wheelers are now getting electric. So we launched the product with them. We also had our brand ambassador Mr. M.S. Dhoni, our Chairman here in Mumbai, and we had this launch. In addition, the same day we launched with Switch Mobility who is doing buses and buses and 3 wheelers again, two segments where EVs are picking up.

We anticipate that this will give us at least about 100 kl do a small start in terms of volumes, but we are there. We're also talking to a few more OEMs. Coming back to the core business, we did see the B2C, B2B ratio in Q2 was around 57/43, which is normally 60/40. Of course, I have mentioned about some of the challenges in the B2C segment.

Happy to share that H1, if you take the H1 numbers, we're significantly ahead of last year on all parameters, growing our revenues by 50%. EBITDA has also grown 38% and PAT by 20%. And our volumes are now, H1 at 20% plus, in terms of our core lubricants. So H1, again, I would say, shows that we have obviously gained market share across segments, and we're also seeing a revival of the commercial vehicle segment in terms of new production. So that is again helping us and hoping that agri will pick up as we go forward.

Also, I'd like to share we have started -- we have invested more in the brand in terms of above the line, below the line. so those activations happened on the ground. We launched a few new products. For example, we are quite strong in the long drain interval diesel engine oils. We launched a product, Gulf XHD Supreme Plus for the tractor segment, which has got a 1000-odd drain interval, again showing that we are giving more value to customers, which will also be focused on the rural segment.

Happy to also share that our distribution is growing well. We have crossed 80,000 touch points, growing again double digit and that's some of the agreement we've had. AdBlue, as I mentioned, is getting good traction, and we are also increasing some of the supply points there, making sure we can meet the quality needs. Supply chain is very important for AdBlue, and we are doing well there. We have more than 10 OEMs today we have tie-ups with.

On the marketing front, again, we had announced the joining of Smriti Mandhana, who is the Vice Captain of the Indian Women's Cricket Team, joining our elite brand ambassadors, Mr. M.S. Dhoni and Hardik Pandya, which will further help us not only to promote our brand, our value propositions, but also as we see the scooter segment and other segments where we have women also playing a role in decision-making, this is another first in the industry. So that will also help us going forward in terms of communicating.

So these are some of the things we have obviously seen happening in the market. I'll now hand over to Manish to take us through some of the more details and also some of the financial aspects. Manish, over to you.

Manish Gangwal: Thanks Ravi and good afternoon, everyone. Basically, I would like to highlight two, three points. One is that, as Ravi mentioned, there was a continuous pressure from the input cost side on account of volatile base oil and depreciating INR plus the additive prices going up. And you must have seen from the results that there is a 3% Q-o-Q impact on the gross margins because of this.

And obviously, as we speak, the crude obviously is now stable at around $95 and with a little bit of stability, if it comes in the INR, we should see that the input cost stabilizing at some point, packaging costs, freight costs have started coming down. So, these are some of the positive indications. Also, in the forex side, we have two ways it impacts us. One is, of course, that it increases our landed cost of the imported material and which hits our raw material. And another is on the open exposure, it hits the finance cost.

So, you see that during the quarter, the finance cost, although it is lower than the last quarter, but still a good impact on account of forex. There's nearly INR 7 crores out of INR 10 crores. Total finance cost is forex impact, which a large part of it is mark-to-market and if rupee tends to reverse some of its increases, then probably we will get some rollback out of that.

Overall, I would say again the -- on the balance sheet side, we have continued to maintain a healthy cash balance and our quarterly, or at the end of half year, the cash on the balance sheet is nearly INR 520 crores. This is after the buyback payout of INR 100 crores during the quarter, INR 105 crores during the H1 sorry.

So overall, we have continued on a good cash generation. And for the H1, the cash flow from generation from operation is nearly INR 91 crores. If you see the same period last year, the figure was relatively negative sites. So overall, there is a good improvement in the cash flow generation now, which is a very positive sign, which means that somewhere the working capital is getting stabilized also, although there is an increase in the inventory. But overall, I guess, we will be seeing a downward trend in the working capital as well as the prices stabilize. So, these are some of the highlights from the financial side and we would be happy to take questions now. Thank you.

Moderator: The first question is from the line of Hemal, an individual investor.

Hemal: I have a question just broadly in two areas strategy and P&L. But one on the strategy, the inventory days that we are aiming for, is now – if you can give some guidance on where you feel that the business inventory days should lie? And what were the deals in the first half, if you can share that, I would appreciate it?

And the second piece is on the investment of capex that we did last year in the AdBlue as well as in metal fluids, if you can share, what are some company's IRR number that you look for when you do these capex, like your threshold that you minimum must abide by before you do those investments?

Manish Gangwal: I think on the inventory side, you will notice that for the H1, the revenues have grown by 50%. And nearly 20% is because of the volume risk is because of the pricing and AdBlue. So overall, there is a proportionate increase in the working capital, which is in line with the revenue. Inventories, we usually carry 45 to 60 days of inventory because base oil is an imported category and there is a transit time, so we carry that.

Sometimes the demand supply challenges coming in the global trade, we have seen a lot of turbulence in terms of availability of cargoes, container ships, bulk cargoes. So there have been slight increase in the inventory number of days in terms of what we have been trying to keep, although it has come down from the peak levels, but still it is at a level of around 70 days, in terms of overall inventory.

And total working capital, including receivable -- gross working capital, I'm talking, is around 113, 114 days, which is nearly 3, 4 days higher than the previous quarter. So that's where the overall working capital is. In terms of capex, we have given earlier, the guidance also that usually, our capex is in the range of around INR 15 crores, INR 20 crores annually. And the projects, some of these are like AdBlue projects or these are part of that only. So, while there is an individual IRR calculation, but overall, we see where is the need and balancing equipment required to keep augmenting the capacity.

We have enough blending capacity to give you an example. So, what we have to do is we have to keep adding the filling lines and some of the peripheral storage area, etcetera to augment that capacity. So overall, the capex is in the range of INR 15 crores, INR 20 crores, which is not much.

Hemal: Sir, I'm asking from the perspective, like is there an internal like you benchmark like 15%, 20% IRR, whenever each -- any capex that you do for metal fluids or even for ADBlue expansion. Is there some IRR cutoff that you have in mind because you undertake these projects?

Manish Gangwal: So Hemal, there is a detailed discussion and all the IRRs are done. But many of these equipment's and blending equipment are fungible. So, there is -- it will be difficult to give you a particular IRR, what we try to achieve, but many of these filling lines and all which we add are fungible in terms of they can also fill, if they need be, lubricant and if the need be AdBlue also. So many of these are fungible.

Hemal: Sir, then on the second half of the year, just my last question is, your working capital and EBITDA outlook, do you believe that our guidance that we have for 14% to 16% would still hold through for the year? And where do you see by the end of the year where you will land with the working capital as you mentioned, a couple of days higher? So if you can give some perspective on these two, would really appreciate it.

Manish Gangwal: So overall, as I mentioned in my opening remarks that working capital, we should see some improvement from here on because of the stability, which we see in the crude and the base oil prices and in terms of number of days also, since the availabilities have improved over the last quarter in terms of various grades, as well as there is a stability in terms of availability of cargoes and ships. So we may reduce few number of days in terms of inventories overall.

But receivables and all also are a function of price. So as long as the price keeps increasing the working capital requirements are more. But again, in the working capital side, I would say we have perhaps crossed the peak in terms of our requirement at least for the current year. We have to really keep evaluating the situation on the macro front. So that's it on the working capital side.

EBITDA, you see the top line has gone up significantly because of pricing. So 14% to 16% is our long-term trajectory, but it's a journey we have to travel. And each quarter from here on, we anticipate that there will be improvements from the current levels because we see stability on many inputs and price action, which we have taken.

We have taken a price increase in September end again in the retail channel, which will come into play in the current quarter partially and then fully from next quarter onwards. And many of the OEMs, the quarterly formula pricing figures in. So there are various factors. It depends on segment to segment. But we see upward trajectory in EBITDA.

As a guidance, whether 14% to 16% or first trajectory now is 12% to 14%. So, we have to really keep evaluating that quarter-by-quarter.

Hemal: So you even -- do you believe that even midpoint kind of 13% is still feasible for the remaining part of…

Manish Gangwal: We have to work to our -- yes. As I mentioned again, and I will keep repeating that, that there are many macro factors, INR stabilizing versus dollar is a very critical factor also. So that is anybody's guess, where it will head to. But if these external macro figures are stable, I think the trajectory is for upwards from here.

Moderator: The next question is from the line of Sabri Hazarika from Emkay Global Financial Services.

Sabri Hazarika: I have a few questions. The first is, basically, so this quarter, I think 32,000 kl was the core volumes and 14.5 was the AdBlue volumes, is that right?

Ravi Chawla: Yes.

Sabri Hazarika: And in Q2 FY '22, what was the breakup?

Manish Gangwal: As Ravi mentioned, 29,000 kl was core volume and 4,000 kl of AdBlue so total was 33,000 kl.

Sabri Hazarika: Okay, 29 plus 4. And also wanted that figure for Q3, if possible, Q3 FY '22?

Manish Gangwal: Q3 FY '22 we have to really work out. We'll get back to you.

Sabri Hazarika: Right it will be somewhere around 4 million liters only, right? Because last quarter, you mentioned that Q4 was around 4.5 million.

Manish Gangwal: So yes, so I have the number now. It is the 31,000 kl of core lubricant and 5,000 kl of AdBlue, so total was 36,000.

Sabri Hazarika: And second thing is, you mentioned on the EV fleet front, so you said that you are targeting around 100 kl, is that right? So this is an annual target, right?

Manish Gangwal: Yes. See, it is now, as you know, electric vehicle, the three-wheeler and buses, obviously, buses, the orders will go up. So this is what we think should be a reasonable expectation at this stage. We'll have to wait and see how these OEMs are actually putting the products out. But we have done some calculations that this should be what we should look at as a realistic figure. In fact, in some of the STUs where buses have been already EV, we have started supplying already in EV.

Sabri Hazarika: So if you do a comparison on the net realization part of this EV fluid, so your net realization in Q2, the blended net realization, which you report from, which we calculate from the results of like, say, around INR 155 per liter. So what would this be for the EV fleets? I just wanted to know what kind of pricing and what kind of net realization differences there between this and your core business?

Ravi Chawla: Currently, these EV fluids, they are evolving. They are definitely the technology is slightly different to the lubricants. So at the moment, it is a similar sort of pricing because these are OEM-related prices. The replacement demand is going to come only later. So currently, you can take it based on the bus and the three-wheeler segment, it is similar, maybe 5% here-and-there, but we'll get back to you on specifics, but it's similar to [inaudible].

Sabri Hazarika: So you're saying since it being OEM sales, so you're mostly pricing it at the…

Ravi Chawla: You start the whole journey on putting the products in the market.

Sabri Hazarika: And just a conceptual thing. So EV fluids will basically encompass transmission oil, brake oil, gear oil and those parts, but not…

Ravi Chawla: There's no engine oil. So it's mainly transmission and the other fluids, which you mentioned.

Sabri Hazarika: So which comprises around how much, around 20% of the IC engine, IC vehicle, right?

Ravi Chawla: It varies. These are buses. So obviously, there's no engine oil. Engine oil is the most used one. These are just to keep the fluid, vehicles going on, as you rightly said, in transmission and in brake and other areas.

Sabri Hazarika: But for a normal bus, that would comprise around 20% of the total lubricant use.

Ravi Chawla: Yes, it's not the major part.

Sabri Hazarika: And regarding AdBlue, so there has been a big jump up, so what we have noticed from Q1 FY '23 onwards. So last time, you said that, of course, it was surprising also in a way. But do you think, I mean, any particular reason why this big quarter-on-quarter jump happened and whether, and what could be the volume growth trajectory for AdBlue in particular, core volumes, you are giving around 12%, 13%, 14%. So what about AdBlue, how the volume trajectory would be like?

Ravi Chawla: See, AdBlue is an add-on product. As I mentioned in my remarks, it is the commercial vehicle segment, particularly, they require about 2% to 3% of their diesel consumption, they'll have to use AdBlue in order to reduce the emission. So this is a -- we are in the high-quality range. We have 10 OEM tie-ups. We have distribution. We are providing more supplies all across the country. So it is definitely, as I mentioned, grown threefold for us. If you take last year's Q2 versus now. This segment is going to grow. But please remember, it's an add-on. It's not the -- our core lubricants is still where the real focus is also there. And AdBlue, of course, the growth opportunity is there. But we are obviously looking at the -- see the consumption is going to go up. More BS6 vehicles are going to run more. So then the consumption is going to go up more than threefold actually.

Sabri Hazarika: And the EBITDA per liter of AdBlue will be how much that of lubes?

Ravi Chawla: We mentioned it last time, it was low single digit.

Sabri Hazarika: Low single digit will be EBITDA per liter. That's nevertheless accretive to the overall earnings of the company.

Moderator: The next question is from the line of Pinaki Banerjee from AUM Capital.

Pinaki Banerjee: Actually, just the first question is, what is the capacity utilization levels at the two plants at present? And sir, second one is on year-to-date, your total volumes were around 66,000 kl combining Q1 and Q2. So how much are you expecting to produce for the remaining year?

Ravi Chawla: So you see the, we have two plants, one in Silvassa and one in Chennai, and the combined capacity is 140,000 kl. We currently are at a 90% capacity utilization on an overall basis. As I mentioned, these capacities are typically on a two-shift basis. So if you run the third shift, we can produce more. So there not an immediate requirement to have a big capex on the blending side of it, but we have to keep adding the filling lines, the storage, which I mentioned in one of the previous questions to keep augmenting the overall capacity. So while the rated capacity is 140,000 kl the overall, we can produce more. So that is on your first question. Sorry, I missed your second question.

Pinaki Banerjee: Sir, second question is combining from year-to-date. Actually, your total volumes produced is around 66,000 kl if I'm not wrong, because Q1 was around 34,000 and this quarter is around 32,000 right?

Ravi Chawla: 33 plus 32, 65, yes.

Pinaki Banerjee: And for H2, how much are you expecting based on your own internal calculation and demand supply situation?

Ravi Chawla: Yes. So from 66,000 kl. Basically, you see we try to grow 2% to 3% as a industry, which we have delivered over the last many years. And industry currently is growing at 2% to 3% or slightly more. But we have grown in this quarter, one of the toughest quarter also at double digit. So considering that, I think our trajectory is good on the volume side, while the static numbers, we do not share. But overall, our aim is to grow 2% to 3% as the market growth rate. And given the tailwind which may come even if -- and mainly, we are expecting it from rural area, where there was some sort of a slowness in Q2. And if those bounce back with a good monsoon, then things could look upward.

Moderator: The next question is from the line of Manoj Oberoi an individual investor.

Manoj Oberoi: I've got a couple of questions. Firstly, we have even other operating expenses line item, which has seen a decline by 8% sequentially. What's the reason behind that?

Manish Gangwal: Which line item you are talking about?

Manoj Oberoi: Sir, the other operating expenses, it has declined 8% quarter-on-quarter.

Manish Gangwal: That is, see, as I mentioned, there's a slightly lower volume from last quarter, so many of these expenses, which are there, freight, the plant production costs, etcetera, which are variable. So part of that is because of that and others are in general, other expenses would also include the OEM royalties. So if the sales to the OEMs is lower in the -- from the previous quarter, that will also be lower. So these two would be the major factor. I like to mention also here that we have increased our A&P expenses. So we have started rebuilding our -- putting our resources back into -- after the two years of COVID, our team is back in the market. A lot of BTL activities are also happening. So that expenses have gone up. But overall, these are the few reasons for lower other expenses.

Manoj Oberoi: Sir, we have got pretty strong operating cash flows. What do you think is the best to way to utilize these fronts?

Manish Gangwal: So we have been earlier talking about this in many of our calls that we are looking at opportunities. First is to grow the current business of lubricants and keep investing in that. Second is, of course, looking at some of the acquisition opportunities, if there are specific in terms of certain product segment or certain high-end or specific segment specific product categories, where we want to grow faster. Third, of course, is then the EV, evolving EV space. We have done a few investments in the last one year or 1.5 years in the EV space. Where we have acquired a stake in Indra Technologies, which is a home charger manufacturing company in UK, around 7.5% stake there.

And also, we have invested in a company called ElectreeFi Techperspect is the name of the company where we have invested 26%. We have taken as 26% stake. And the results of which are now consolidated and we consolidate the results on a quarterly basis. And these are -- and we are looking at the EV space very closely, where we can play in the EV ecosystem, our role as on the strength of our brand, on the strength of our relationship with OEMs and our distribution strength. So we keep evaluating these opportunities. And obviously, we will use the cash. We continue to pay more than 40% back to the shareholders as either dividend or buyback. So that has also been our trend to return cash to shareholders. So these are the areas where we use our cash.

Manoj Oberoi: Sir, can I sneak in one more question, if I may?

Ravi Chawla: Please.

Manoj Oberoi: So first of all, a sincere apologies if you have already answered this since I logged in a little late. Sir, how has been the base oil trend this quarter? And what's the outlook as for you? How do you foresee the prices going from here on?

Manish Gangwal: In quarter 2, you are asking?

Manoj Oberoi: Yes.

Manish Gangwal: So overall, it was on an upward trajectory. And obviously, it is linked to crude over a longer period of time. So there has been a volatility, I would say, in the base oil. But more than that also, I think the forex impact because we import a lot of base oil and the industry also does import at least 70% of the requirement. So the landed cost of the product also goes up because of the forex and other input costs also have been going up. So overall base oil is a fluctuating pricing, difficult to predict. It depends on how broadly the crude and INR behave over a period.

Manoj Oberoi: Since you said the outlook is basically a bit upward trajectory. So just hypothetically, if in case say that tomorrow the -- we see some price correction, the base oil prices. So would that be given back to the customers? Or shall we use that opportunity to shore up of our margins. Just last one.

Manish Gangwal: So I mentioned that the trend has been so far of base oil will be -- now that crude has stabilized around $95, unless there is a major shakeup in the global macro environment and the geopolitical situation. If the crude remains stable, we should see stability in the base oil, going forward. So that's the first point. Whether we can retain the downward trend in our margins or not is a function of many things, including the competition behaviors and the pricing in the market. So it has to be decided at that point in time when it happens. Typically, there is a margin retention like any other FMCG in this industry, especially in the retail segment, but obviously, we have to play with the schemes, we have to maybe pass on some benefits back to the consumers because prices have gone really high, 30%, 40% in the regular prices are definitely not a long-term endurance for the industry as a whole.

Moderator: The next question is from the line of Chirag from RatnaTraya Capital.

Chirag Fialoke: Sir, just wanted to understand the 320 basis points of contraction in the gross margin, while the drivers are clear to us, could you help us quantify what the effect of the what was the base oil impact? What was the FX impact? What were the other additives impact, even if you can do that broadly? That's the first part of the question. And the second part of the question is maybe it's just not clear to me. But how does FX play out? Because when we hedge it, and the INR depreciates, shouldn't that -- because I'm getting you already have a purchase in dollars. So I'm guessing our open interest has being advantages and maybe I'm missing something. Could you just explain our hedging policy also a little bit to us?

Manish Gangwal: So we will not be able to give you an exact breakup of how this 3.2% effect came out. But a large part of it is because of obviously the forex, the additive price increases and the base oil. While the packaging cost and all have been more or less stable during the quarter. But these three components largely play the role in the overall….

Chirag Fialoke: But between these three, was there any one component which was most impacting it? Or broadly, this is all three of them a big major?

Manish Gangwal: So it will be difficult to comment on the individual component and how they behave because it also depends on the segment mix, what products we are selling, in terms of the sales to the retail is slightly flattish, which was the case in Q2, then obviously, the margin trajectory is also impacted by that because -- as Ravi mentioned in his opening remarks, the B2C, B2B ratio was at 57:43 versus last quarter, 60:40, which has been our band in many quarters. So if the retail sales are slightly impacted because of the reasons mentioned by Ravi in his opening remarks. That also impacts. So it's a function of both pricing as well as cost inputs. It's not -- as you will appreciate. So that is the point No. 1.

And on the hedging side, we do hedge at least 50% at any point in time of our open exposure. And the impact you see is basically on the balanced unhedged portions, which depending on the rupee movement. But a large part of it, as we speak, is also mark-to-market. So not a realized loss sort of a thing. So if rupee remains stable or does come back from the high points, that should be slightly – a rollback is possible on that account in the coming quarters. I hope I have been able to answer your question.

Moderator: The next question is from the line of Yogesh Tiwari from Arihant Capital Markets.

Yogesh Tiwari: My question is regarding the volume growth. So on an overall basis, it is about 10% volume growth. So sir, can you please share the volume growth by subsegment at least some direction for commercial, passenger, motorcycle and the industrial segment.

Ravi Chawla: I think H1, we mentioned we've had a growth of 20% plus. So all segments as well -- if you take the H1 numbers, B2C, B2B, we're all seeing a very healthy growth H1. But we must remember last year, April, May, June, there was a bit of closure. But what we are seeing in quarter 2 is that our B2C business, this is channel business, that has been flattish due to the agri and the motorcycle segments, which will pick up now. Also, July, August, September is usually a monsoon say season where the consumption is lower for many reasons.

But B2B is doing very strong in spite of the B2B and even OEMs are becoming a lot, the OEMs we deal with are doing very well. So I would say that, that continues in quarter 2. Quarter 2, yes, B2C has been flattish, but H1 is in a healthy shape. We've also been able to take our distribution up. And definitely, going forward, October, November, December and the rest of the year are strong months in terms of consumption. As Manish mentioned, we're hoping the agri season, which has been slightly unseasonal, rain has been there.

And of course, there are challenges as we talk about many areas, but we are quite strong in our distribution. We are pretty -- our segment-wise approach has given us a lot of the traction in terms of there. We're investing back in the BTL activations. So I think, yes, looking at that, we've been going 2 to 3x market growth rate, which I think will be around 4%, 5% in the next two quarters. So given that, we should be able to maintain our trajectory of double-digit growth.

Yogesh Tiwari: And just to confirm, if like there were some challenges in the motorcycle oil segment. So has the volume growth in Q2 basically specifically? Or it was like flat or maybe slightly negative.

Ravi Chawla: Well it is flattish because as we mentioned, overall demand also in motorcycles, there is rural and agri. So definitely, it is flattish, but we are hoping that we have made some corrective actions, both tactically and one or two products will be coming in, which will augment our sales.

So we're hoping that will help us to get the growth back. But PCMO has done very well. It's an area where we have low market share. So we have seen really good growth for us, and we continue to focus on that.

And as you know, personal mobility for us in both these two segments. And we also have good OEM businesses, which are tracking pretty well. And really, we have looked at PCMO sales in our Q1 was 21%. But that is obviously improved. And we maintained overall both the personal mobility, when we take motorcycle and car together. So car has done better for us while we maintain, but we hope that MC also will do well in the coming quarters. We are quite confident of that actually.

Moderator: Mr. Tiwari, the audio is not clear from your line.

Yogesh Tiwari: So just to have a query on the EV flow. So we launched this product for two OEMs in EV and our target would be like the 3-wheeler segment. But if you look at the 3-wheeler segment, most of the oils are from the unorganized sector. And we are looking for something like a 100 kl volume. So can you share some industry dynamics in India in the EV fluids, what would be the organized, unorganized market like? And what would be the total potential? And how many players would be there in this EV fluids?

Ravi Chawla: The EV numbers are known to everybody. Whatever is being made in EV -- in all segments, that reports are available. The OEMs that we are talking about here, Piaggio and Switch, the factory -- the product that we are giving the EVs is for what is left -- what is produced by the factory. And definitely, these are all the OEMs that are making these EVs are using from the organized players. So what you're talking about is replacement demand, which is going to -- an EV is going to be very -- it's going to come very later.

And OEMs generally today are buying from the organized sector for these EV goods. And of course, it's too early when you look at what's happening around. We basically are feeding our EV fluids into the OEMs. We are talking to a couple of more OEMs that we hope we can get our fluids in. And I would say, more introduction stage in this whole segment.

Yogesh Tiwari: And sir, lastly, on the industrial segment, it was told in the press release that we have benefited from premium products. So what exactly would be the contribution of premium products in this segment for industrial oil.

Ravi Chawla: So right now, it all depends how you classify by what we mean premium is there are some semi synthetic, synthetic grades which are coming. And that is moving -- that is -- and we also look at some high-end products and metalworking fluids in some cases. So that depends on the customer and the segment. So as a general trajectory we want to obviously get a share in that segment, and it would be around 10%, 15% in some of the segments, which I'm talking about. We want to grow right obviously because that is also a long-term value creation.

Yogesh Tiwari: And you would be a market leader in that or in that premium segment or industrial?

Ravi Chawla: Industrial, our share in industrial markets is less than 5% overall. And we are strong in the commercial vehicle and the motorcycle segment, where we are close to 9%-10% in some of the [inaudible] segments. So there is a lot of scope for us to grow in industrial CMO. As we have mentioned often, that is a good opportunity for us, and that's how the 2 to 3x sometimes higher than that growth is also a good strategy for us, which we are doing through a lot of our B2C and B2B initiatives.

Yogesh Tiwari: And just last one question. So it's like have we told that we will grow by about 2%, 3% more than the industry in terms of volume. So if the industry grows about 2%, 3%, or target would be like about 5%, 6% in the long term, right, the volume growth? Am I correct?

Ravi Chawla: We said 2 to 3x. So if the industry is growing 3%, we should try to grow 2 to 3x that.

Moderator: Ladies and gentlemen, we'll take the last question from the line of Babita, an individual investor.

Babita: Congratulations for the best set of reviews for the 1H. One is the [inaudible] question. So what is the battery turnover for the quarter?

Ravi Chawla: For Q2, the battery turnover was roughly around INR 44 crores.

Babita: And on the present turnover, as we've seen some of these are exposed as well, right? So what would be the percentage in the current quarter for export business versus local? And what would be the margin earning on that?

Ravi Chawla: Typically, exports are in the range of 5% of our total volume. It used to be around 3%, 4%. It has gone up to 5% because we have started exporting many of the OEM products also to various geographies right up to Latin America. So we are working closely with Indian OEMs, wherever they are -- their vehicles are going, we are trying to piggyback on that and try to increase our export. So there have been a good traction there. But overall, it is still around 5% of our total volumes.

Babita: And what would be the gross margin or the EBITDA margin on those approximately? Is it equal to the core that you [inaudible] normally have or some lower?

Ravi Chawla: So we do not share the segment-wise margins, Ms. Babita. But overall, I think we do not do businesses where we do not get margin as per our expectation. So just to highlight, just to add a bit, the OEM products, definitely, the OEMs, as you know, we do pay royalty to the OEMs. So it would defer the margins based on the OEM. And of course, we also export some of our own products to our entity which again, exports is obviously a good opportunity too also, create additional incremental revenue and profit.

Babita: And last one, sir, on the advertising piece, I think you said you have made a couple of investments in this quarter. So what would be the typical range or the percentage of the advertising spend on an overall turnover basis, like I understand it is within the range of 3% to 4% in quarter.

Ravi Chawla: Yes, you got it right. That's what the answer is. You've given the answer.

Moderator: Ladies and gentlemen, that was the last question. I now hand the conference over to the management for closing comments.

Ravi Chawla: Thank you. I hope you've been able to answer your questions to give a reasonable feedback to all of you. Manish and me have taken you through a lot of the challenges we had. And of course, the quarter for us has been, I would say, a mixed bag. But looking forward to a lot of our distribution and other strengths that have happened. And as we mentioned, a bit of stability around the cost. The quarter 3, obviously, we're looking at is demand conditions would do improve.

And we're hoping that the agri segment also goes up and sees good demand overall for the industry, and we have stability. So we are looking at the next quarter, where we can continue our 2 to 3x growth of the market and definitely look at whatever best we can do on the margin front. We hope that we can -- obviously, with the growth in the economy, commercial vehicles, infrastructure segment, industrial, the moment of now people moving around so much in terms of whatever is there, our acquisition rates of our B2B customers distribution increase.

We're able to take the growth journey forward as we have consistently and definitely create long-term value and look at how we can further increase our market shares, which have happened. And also look at some of the EV space where we have started seeding both in terms of EV fluids and newer areas, but maintaining that the core business is going to be a strength, and we see a lot of demand. A lot of capacities are going up globally and looking at the Indian market as a high-growth market. So very happy that the brand is getting stronger with the addition of Smriti Mandhana to our two elite cricketers.

We hope we get the brand also and with our global associations, we can obviously leverage that in social media and other areas. And as you know, we are associated with cricket in a big way in India with IPL and CSK. So a lot of those assets obviously are very excited about how we can increase this and grow our business, along with a lot of our price management, which Manish has spoken about. And we will try to do our best there and try to see how we can account it. Thank you so much, and have a good day.

Moderator: Thank you. Ladies and gentlemen, on behalf of Yes Securities, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.