

Q2FY26 Quarterly Results Review

Margin stability with volume growth

Sector view: Positive



Q2FY26 Lubricants Industry: Key Success Factors



Strategic Sourcing

Effective base oil procurement and supplier management



FX hedging

Proactive currency risk management protecting margin



Pricing Strength

Ability to raise average realised price while growing market share

Base Oil sourcing strategy and FX hedging proved key to profitability in Q2FY26

- In Q2 FY26, a ~13% y/y drop in Brent failed to boost lubricant-player margin meaningfully as base-oil cost fell just ~4% y/y and a ~4% y/y currency depreciation eroded gains.

Amid falling base oil prices, price hike is difficult for the companies. Industry leader sourced higher quantity of base oil domestically while the other key player improved product mix to protect the margins.

Comparison between two key players in lubricants industry – Q2FY26		
Metric	GOLI	Competitor
Revenue growth	13%	6%
Volume growth	9%	7%
Average Realised Price	4%	-1%
Imported Base Oil (%age of total consumption)	70%	50-55%
EBITDA margin	12.38% (Guidance of 12-14%) Choice Estimate above 14% in FY2027-28	23.70% (Guidance of 21% to 24%) Ceiling of 24% guided, going forward
Forex exposure hedging	Board Policy of 50%, Up to 90% in Q2FY26	Generally, 80%, Up to 90% in Q2FY26
Mechanics Program organized	Launched M-Power Rangers to build loyal advocacy among mechanics	Super Mechanic Saptah – 5000+ participants
Branding events organized/planned	Key sponsor for India Bike Week, Goa for third consecutive year	Drive with Celebrity and Event attracting 5 million biking enthusiasts

Source: GOLI, Company reports, Choice Institutional Equities

Current Market Conditions for Base Oil and Key Developments

Bearish sentiment for base oil prices, going forward

- IOC Haldia refinery expansion:** To reduce Base Oil III imports dependence and, thereby, preserve FX
- US post-hurricane release:** Competitive pricing expected from seasonal inventory drawdown by the US refineries

Transformer oil and White oil markets

Strong Industry tailwind for transformer oil, robust demand from personal care and healthcare sectors

- India added 22,455 MVA of substation capacity in Q2FY26 (+46% YoY), driving a sharp uptick in transformer oil demand.
- The white oil market demonstrated strong performance, characterized by robust demand in the personal care and healthcare sectors.

Our Long-Term Investment Idea



TP: 1600 | Upside: 38.4%

Volume growth coupled with rising average realised prices, underpinned by strategic foresight, agile plant, brand equity and strong sales team

Proven pricing strength amid the falling base oil prices

Increased stake from 51% to 65% in EV charger manufacturing firm, Tirex

Regulatory Tailwinds and Improving Optionality



Rising demand for premium lubricants amid upcoming regulatory roll-outs



Every third bus now being charged by GOLI through Tirex



12+ OEM approvals including MG

Source: GOLI, Company reports, Choice Institutional Equities

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Key Takeaways from Management
Commentary in Q2FY26

Recommendation			
Company (Ticker)	CMP (INR)	TP (INR)	Rated
Gulf Oil Lubricants India Ltd. (GOLI)	1,156	1,600	BUY

*CMP as on Nov 24, 2025

GOLI has exceptionally increased its average realised price of 4% amid falling base oil prices

Volume growth with mixed pricing

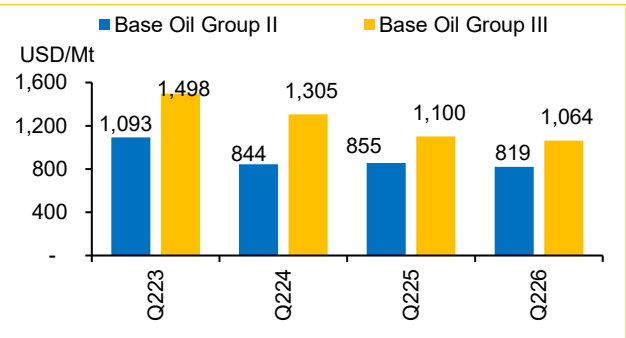
As part of our initiation report, we had identified four levers of competitive advantage for the lubricants industry, which are: (a) Pricing strength, (b) Branding (c) Supplier cost pressure and (d) Upcoming environmental regulations. In Q2FY26, pricing strength and supplier cost pressures were key differentiators in gaining advantage in the lubricants market. Looking into the details, **GOLI has been able to grow volumes at 9%**, while its revenue grew at 13% - **implying 4% increase in average realised price**. Meanwhile, its **closest competitor observed a decrease in average realised price of 1%, while growing at only 7% on a comparable base**. Overall, crude oil prices are down 13% y-o-y and on the back of which base oil prices have corrected by just 4% yet. Simultaneously, rupee depreciated by 4%, eroding gains from lower base oil prices. In such an environment, **GOLI has exceptionally increased its average realised price of 4% along with growing the volumes at 9%, which is ~3x the industry average**. The rise in average realised price seems to be on the back of lowering the discounts, or suspension of a scheme. According to our view, GOLI has proven track record of identifying the pockets of growth across the 15 segments which it operates in and is backed by agile plant and strong marketing team, which results in a **consistent ROE of >20%**

What is the market missing for lubricants industry and particular for GOLI?

In a significant change in its stance, IEA informed that global demand would continue to rise to 113 million barrels per day (mbd) through 2050, as compared to its earlier prediction of demand peaking over the next few years. The agency reiterated that India would continue to drive growth in global oil demand, with India's oil consumption, rising from 5.5 mbd in 2024 to ~8.0 mbd in 2035. In our opinion, increased ownership and use of personal vehicles, will increase demand for transport fuel (such as, petrol and diesel), sequentially leading to higher consumption of lubricants in India

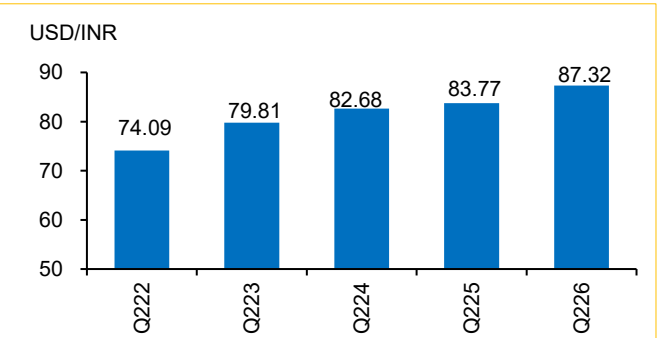
GOLI has increased its stake in EV charger manufacturing company, Tirex, from 51% to 65% in this quarter. It is already supplying 3.1 kV A.C. home chargers to one of the highest-selling EV manufacturers in the country – MG motors, which has north of 3000 EVs sold every month. Meanwhile, every third bus in the country is now being charged using GOLI's chargers. On back of this, we increasingly expect this optionality in the business to pan out over the next three years, adding **INR 3 to 4 Bn to the topline with an EBITDA margin of 12-14%**. On a consolidated basis, we expect the company to expand its margins, ultimately surpassing a ~14% EBITDA margin in FY27-28. Under our current assumptions, this translates to an ROE of approximately 25% in FY28 - increasing to around 30% if we incorporate optionality. **At an ROE of 30%, comparable peers generally trade at ~9.0x P/B, suggesting meaningful re-rating potential for GOLI from its current multiple of 3.5x.**

Base Oil prices to correct due to lower crude prices...



Source: Lubes and Greases, Choice Institutional Equities

However, overhang of depreciation in currency persists



Source: FactSet, Choice Institutional Equities

Key takeaways from management commentary in Q2FY26

Company Name	Key Takeaways
Gulf Oil Lubricants India Ltd. (GOLI)	<i>Margin</i> - EBITDA margin contraction is on the back of rupee depreciation. However, the company is pursuing premiumisation efforts to improve margin in the long-term including launching new products - Overall, the company maintains its EBITDA margin guidance range of 12–14%
	<i>Hedging</i> GOLI has forex experts on its panel, who advise on how rupee will track. Based on the recommendation, the organisation decides the percentage of hedge between 50% and 75% and, at some point, the firm also hedged about 90%. Therefore, protecting the margin from currency depreciation.
	<i>Volumes</i> GOLI continues to aim to grow at 2–3x of the market, which continues to grow at 3–4%
	<i>Pricing</i> The company adopted selective pricing to help maintain gross margin despite rupee depreciation
	<i>Capital allocation</i> GOLI has increased its payout ratio over the past 3 years, from 35% to 60%
	<i>Raw material cost and inventory</i> - Base oil prices should correct if the Brent continues to remain at USD 65-70/b - The firm plans to procure base oil domestically as and when it becomes available from Indian PSUs. At present, the firm imports approximately 70% of the base oil requirement.
	<i>M&A</i> The firm has surplus cash, north of INR10 Bn, which it maintains for potential M&A opportunities, particularly in EVs, industrial lubricants and core lubricant portfolios
	<i>Macroeconomic tailwinds</i> The reduction in GST rates for automobiles adds to the overall vehicle pool, leading to further upside for the firm
	<i>Branding</i> The company has launched M-power mechanics program to build brand advocacy and relationships with the mechanics
	<i>Product launches</i> The firm has developed two products for data centres: a highend (POA-based) synthetic fluid and a mineral-based fluid. These are undergoing proof-of-concept trials, with support from the company's global technical team and its R&D centre in Chennai.

Brief insight on long-term investment ideas

GOLI

Key Financials					
INR Mn	FY24	FY25	FY26E	FY27E	FY28E
Revenue	33,012	36,312	41,017	44,545	48,488
YoY (%)	10.1	10.0	13.0	8.6	8.9
EBITDA	4,210	4,723	5,418	6,437	7,249
EBITDAM%	12.8	13.0	13.2	14.4	14.9
Adj PAT	3,080	3,574	4,379	5,392	6,172
EPS	62.2	71.9	88.1	108.5	124.2
ROE%	23.8	24.4	23.4	25.2	25.2
ROCE%	26.0	26.1	25.5	26.6	26.7
PE (x)	15.0	15.8	13.0	10.6	9.2
EV/EBITDA	10.1	10.7	8.8	7.0	5.9
BVPS	278	311	392	447	510

Gulf Oil Lubricants India Ltd: Rating: BUY | Target – INR 1,600

Volume Outperformance via Integrated Approach: GOLI's strategic alignment across **operations, sales and strategy** has created a **competitive advantage**. The firm has delivered **7–8% CAGR** as compared to the industry's average growth rate of **3.8%**. Moreover, it has the ability to anticipate demand across 15 segments, such as Passenger Cars and Industrials. Therefore, it has **invested appropriately in plant's agility** to grow market share in the B2C segment, which accounts for 53% of the business. Having secured partnerships with over **40 OEMs** in order to expand in the B2B market, we believe **GOLI is well-positioned to increase volumes**.

From Pricing Leverage to Profit Stability – GOLI's Game Plan: GOLI has raised its average realised price by ~21% over the past 7 years, driven by product mix, price hikes and schemes. By comparing the average realised price with Brent crude and Asian Base Oils, we conclude **GOLI is now focusing on maintaining or increasing margin coupled with volume growth**. As we expect Brent prices to decline over the next year, in line with US EIA and IEA; we expect **GOLI's EBITDA margin to rise above its current guidance band of 12–14% for FY27-28**.

Consistent Investment in Branding Builds Competitive Moat: GOLI has consistently invested **INR0.5-1bn p.a. over the past 10 years in order to build its brand equity**. This has propelled loyalty, margin-backed volume growth, and landed GOLI a competitive advantage. The firm has further sharpened its consumer insight by appointing FMCG leaders Abhijit Kulkarni (as COO) and Aarthy Shridhar (as CMO).

Investment View: We expect GOLI's Revenue/EBITDA/PAT CAGR of 10%/15%/20% from FY25–28E. We have a 'BUY' rating and target price of INR 1,600/share with an upside of ~38%. We primarily value the company using DCF model, implying a PE multiple of 14.6x/12.8x at FY27E EPS/FY28E EPS. **GOLI trades at PEG ratio of 0.8 as compared to the industry leader which trades at ~3.0, implying strong upside for GOLI.**

Optionality: Tirex, an EV charging manufacturing company which GOLI acquired in FY23, is targeting INR 3–4 Bn in revenue p.a. over the next 3–4 years with ~12–14% of EBITDA margin. If this plays out, it positions GOLI for a meaningful upside to our current estimate.

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ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
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SELL	The security is expected to show downside of 10% or more over the next 12 months
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NEUTRAL (N)	Fundamentals of the sector are expected to be in statis over the next 12 months
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