

September 07, 2023

COMPANY UPDATE | Sector: Energy

Gulf Oil Lubricants India Ltd

Another investment into EV Space

Gulf Oil Lubricants India has recently announced to acquire 51% stake in Tirex Transmission for Rs 1030mn. Tirex based in Ahmedabad is working on DC fast chargers and currently has over 400 charges installed for customers such as NTPC, HPCL, PowerGrid and Electra. This is Gulf Oil Lubricant's third investment in the EV charging space after investing in Indra Renewables which is in AC & bidirectional charging and in ElectreeFi which is a SaaS provider having expertise in implementation of IoT based e-mobility solutions. Gulf Oil Lubricant is envisaging Revenue of more than INR 5bn from Tirex in next 5 - 6 years from India market. For Battery business have plans to grow at ~20% CAGR for next 5 years and revenue of Rs 2bn. Core lubricant business to incur Rs 200mn capex each year for next 3 years. The focus is to remain primarily on growth of Lubricants and additional investment opportunities being evaluated where it has synergies and its existing network, brand and partnerships can be leveraged.

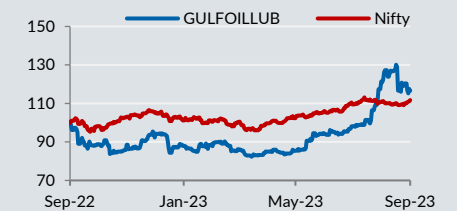
- Tirex Transmission Private Limited:** Tirex based in Ahmedabad is working on DC fast chargers for last 5 years and currently has over 400 charges installed for customers such as NTPC, HPCL, PowerGrid and Electra, Kerala State Electric Board, etc. Revenue for FY22: 79.4m, FY23: 132.6m. Gulf Oil Lubricant has strategically invested in Tirex where it will be supporting the founder team lead by Arth Patel. Deal is expected to close in next quarter. Approximately 2/3 of the amount that would be invested in Tirex Transmission has been earmarked for improving operations, capacity upgradation and R&D. As per India Energy Storage Alliance, the demand for chargers will surge to 1m units out of which approximately 15% is expected to be fast DC chargers. DC fast charger market is growing at fast pace globally and can pose further opportunities for Tirex. Tirex currently holding around 8% of the market share and aims to maintain a 10% share in this rapidly growing market.
- Indra Renewables:** Gulf Oil Lubricants India holds 7.5% stake in the company. Gulf Oil International holding has increased to majority recently. It is situated in UK and engaged in the business of AC chargers. It is pioneering in bidirectional charging enabling control of the flow between EV, home & Grid. Trials are currently running in India to suit the needs of consumers and requirement of vehicles in India.
- Battery:** The revenue from Battery segment it registered was Rs 160m in Q1FY24. It forayed into two-wheeler batteries 8 years ago. It is in replacement market with its valve regulated lead acid batteries. Annual volumes sold were 1.35m batteries through its network of 12,000 touchpoints across the country. These batteries are currently imported, while work is on for localization of the batteries manufacturing. Once manufacturing is localized, margins will improve. Gulf Oil has market share of around 3%. Ambitious plans to grow by ~20% CAGR for next 5 years and reach Revenue of Rs 2000m.
- Lubricants:** The current market share is of ~6-7%. Annual capex that will be incurred is around Rs 250m. Gulf Oil Lubricant has been growing its market share at 2-3x the industry which is growing at 2-3%. The Adblue volumes have been growing at faster pace as it is mandatory for BS VI vehicles

Reco	: BUY
CMP	: Rs 566
Target Price	: Rs 700
Potential Return	: +24%

Stock data (as on Sept 07, 2023)

Nifty	19,727
52 Week h/l (Rs)	645 / 399
Market cap (Rs/USD mn)	28028 / 337
Outstanding Shares (mn)	49
6m Avg t/o (Rs mn):	32
Div yield (%):	5.21
Bloomberg code:	GOLI IN
NSE code:	GULFOILLUB

Stock performance



Shareholding pattern (As of Jun' 23 end)

Promoter	72.0%
FII+DII	10.4%
Others	17.6%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	700	700

Financial Summary

(Rs bn)	FY23	FY24E	FY25E
Revenue	30.0	32.4	36.5
YoY %	37%	8%	13%
EBIDTA	3.4	4.1	4.5
YoY %	20%	19%	10%
PAT	2.3	2.9	3.2
YoY %	10%	26%	9%
ROE	0.2	0.2	0.2
EPS	46.1	58.2	63.4
P/E	12.4	9.8	9.0
BV	233.7	265.7	300.6
EV/EBITDA	7.4	5.7	4.9

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FINANCIALS

Exhibit 1: Income statement

Y/e 31 Mar (Rs mn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Revenue	11,311	13,322	17,058	16,435	16,522	21,916	29,991	32,357	36,548
Total Expense	9,507	10,965	14,227	13,570	13,870	19,061	26,563	28,286	32,085
Operating Profit	1,804	2,357	2,831	2,865	2,652	2,855	3,428	4,071	4,463
Other Income	215	261	295	355	521	442	471	521	571
Depreciation	73	104	224	327	339	357	396	383	395
EBIT	1,947	2,514	2,902	2,894	2,834	2,940	3,503	4,210	4,639
Interest	97	85	152	248	146	96	376	288	365
PBT	1,849	2,429	2,751	2,645	2,687	2,843	3,127	3,921	4,274
Tax	638	843	973	620	687	733	804	988	1,077
PAT	1,211	1,586	1,778	2,025	2,001	2,111	2,323	2,933	3,197
Adj. PAT	1,211	1,586	1,778	2,025	2,001	2,111	2,323	2,933	3,197
Eps	24.0	31.4	35.3	40.2	39.7	41.9	46.1	58.2	63.4

Exhibit 2: Balance sheet

Y/e 31 Mar (Rs mn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity capital	99	99	100	100	101	101	98	98	98
Reserves	3,442	4,575	5,768	7,513	8,593	10,326	11,686	13,300	15,058
Net worth	3,541	4,674	5,867	7,613	8,694	10,427	11,784	13,398	15,156
Debt	1,785	2,481	2,831	3,537	1,979	3,570	3,316	4,922	5,514
Deferred tax liab (net)	45	106	196	143	132	124	190	190	190
Capital Employed	5,371	7,261	8,895	11,293	10,805	14,121	15,290	18,510	20,860
Fixed assets	1,472	2,661	2,712	2,618	2,463	2,456	2,418	2,173	2,029
Investments	37	42	46	46	203	359	883	893	903
Net working capital	3,862	4,559	6,137	8,629	8,139	11,307	11,989	15,443	17,927
Inventories	1,499	2,368	3,388	3,283	3,765	4,763	4,717	6,056	6,812
Sundry debtors	1,096	1,346	1,507	1,870	1,890	2,959	4,100	3,546	4,005
Cash & Bank Balance	2,896	3,262	2,926	5,509	4,956	5,744	6,542	10,446	12,297
Other current assets	382	611	846	1,139	1,179	1,644	2,055	1,310	1,310
Sundry creditors	1,331	2,229	1,959	2,585	2,898	2,707	3,906	4,361	4,905
Other liabilities	680	799	571	587	752	1,095	1,519	1,555	1,593
Application of Funds	5,371	7,261	8,895	11,293	10,805	14,121	15,290	18,510	20,860

Exhibit 3: Cash flow statement

Y/e 31 Mar (Rs mn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
PBT	1,849	2,429	2,751	2,646	2,688	2,843	3,127	3,921	4,274
Depreciation & amortisation	73	104	224	327	339	357	396	383	395
Interest expense	97	85	152	248	146	96	376	288	365
(Inc)/Dec in working capital	28	(330)	(1,914)	91	(64)	(2,380)	117	450	(633)
Tax paid	(639)	(843)	(973)	(620)	(687)	(733)	(804)	(988)	(1,077)
Less: Interest/Dividend Income Received	(215)	(261)	(295)	(356)	(521)	(442)	(471)	(521)	(571)
Other operating Cash Flow	-	(19)	(16)	-	-	-	-	-	-
Cash flow from operating activities	1,194	1,165	(72)	2,337	1,902	(258)	2,741	3,533	2,753
Capital expenditure	(456)	(1,294)	(275)	(233)	(184)	(350)	(358)	(138)	(250)
Inc/(Dec) in investments	(6)	(4)	(5)	-	(157)	(156)	(525)	(10)	(10)
Add: Interest/Dividend Income Received	215	261	295	356	521	442	471	521	571
Cash flow from investing activities	(246)	(1,037)	16	122	180	(64)	(412)	373	311
Inc/(Dec) in share capital	-	-	-	1	-	-	(3)	-	-
Inc/(Dec) in debt	(162)	696	350	706	(1,558)	1,591	(254)	1,606	592
Dividend Paid	(501)	(619)	(678)	(835)	(805)	(252)	(1,261)	(1,320)	(1,439)
Others	261	162	48	253	(273)	(222)	(13)	(288)	(365)
Cash flow from financing activities	(402)	238	(280)	125	(2,635)	1,117	(1,530)	(2)	(1,212)
Net cash flow	545	366	(336)	2,584	(554)	795	799	3,903	1,852

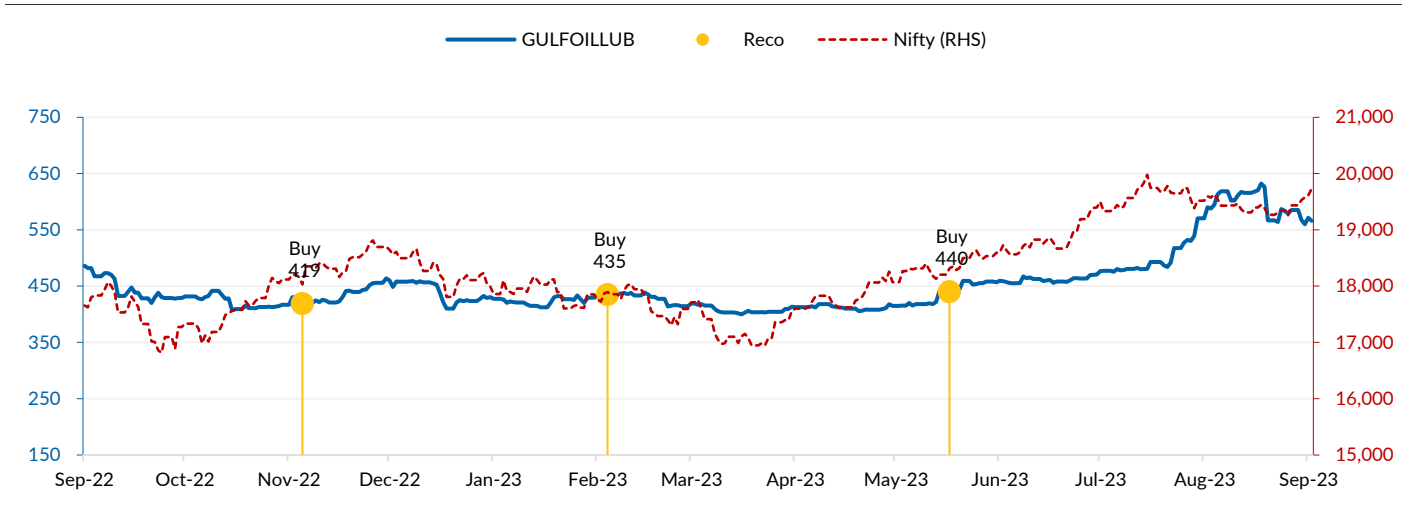
Exhibit 4: Du-pont analysis

Y/e 31 Mar (Rs mn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Tax burden (x)	0.7	0.7	0.6	0.8	0.7	0.7	0.7	0.7	0.7
Interest burden (x)	0.9	1.0	0.9	0.9	0.9	1.0	0.9	0.9	0.9
EBIT margin (x)	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1
Asset turnover (x)	1.5	1.3	1.5	1.1	1.1	1.2	1.4	1.3	1.3
Financial leverage (x)	2.3	2.2	2.1	1.9	1.8	1.7	1.7	1.8	1.8
RoE (%)	37.7	33.1	32.1	26.9	24.5	19.9	19.5	21.5	21.2

Exhibit 5: Ratio analysis

Y/e 31 Mar	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Growth matrix (%)									
Revenue growth	11.8	17.8	28.0	(3.7)	0.5	32.6	36.8	7.9	13.0
Op profit growth	13.3	30.7	20.1	1.2	(7.5)	7.7	20.1	18.7	9.6
EBIT growth	13.8	29.1	15.5	(0.3)	(2.1)	3.7	19.2	20.2	10.2
Net profit growth	20.7	31.0	12.1	13.9	(1.2)	5.5	10.1	26.3	9.0
Profitability ratios (%)									
OPM	15.9	17.7	16.6	17.4	16.1	13.0	11.4	12.6	12.2
EBIT margin	17.2	18.9	17.0	17.6	17.2	13.4	11.7	13.0	12.7
Net profit margin	10.7	11.9	10.4	12.3	12.1	9.6	7.7	9.1	8.7
RoCE	26.1	26.3	23.7	22.3	19.3	17.8	18.0	18.8	17.8
RoE	40.2	38.6	33.7	30.0	24.5	22.1	20.9	23.3	22.4
RoA	17.5	18.0	16.4	15.7	14.0	13.3	12.4	13.5	12.8
Per share ratios									
EPS	24.0	31.4	35.3	40.2	39.7	41.9	46.1	58.2	63.4
Dividend per share	9.9	12.3	13.4	16.6	16.0	5.0	25.0	26.2	28.5
Cash EPS	25.4	33.5	39.7	46.6	46.4	48.9	53.9	65.8	71.2
Book value per share	70.2	92.7	116.4	151.0	172.4	206.8	233.7	265.7	300.6
Valuation ratios									
P/E	23.7	18.1	16.2	14.2	14.4	13.6	12.4	9.8	9.0
P/CEPS	22.4	17.0	14.4	12.2	12.3	11.6	10.6	8.7	8.0
P/B	8.1	6.1	4.9	3.8	3.3	2.8	2.4	2.1	1.9
EV/EBIDTA	15.3	11.9	10.1	9.3	9.7	9.3	7.4	5.7	4.9
Payout (%)									
Dividend pay out	35%	33%	32%	35%	40%	12%	54%	45%	45%
Tax payout	35%	35%	35%	23%	26%	25%	25%	25%	25%
Liquidity ratios									
Debtor days	30.7	35.6	32.2	41.5	41.7	49.3	49.9	40.0	40.0
Inventory days	96.5	127.8	137.6	153.2	165.9	147.9	110.6	125.0	125.0
Creditor days	85.7	120.2	79.6	120.7	127.7	84.1	91.6	90.0	90.0

Recommendation Tracker



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