

Gulf Oil Lubricants: Pricing Agility Enhances Earnings Quality

February 16, 2025 | CMP: INR 1,124 | Target Price: INR 1,600

Expected Share Price Return: 42.2% | Dividend Yield: 3.7% | Potential Upside: 45.9%

Sector View: Positive

Change in Estimates	✓
Change in Target Price	✗
Change in Recommendation	✗

Company Info	
BB Code	GOLI: IN EQUITY
Face Value (INR)	2.0
52w - High/Low (INR)	1,313/1,041
Mkt Cap (Bn)	INR 55.5/ \$0.67
Shares o/s (Mn)	49.4
3M Avg. Daily Volume	41,199

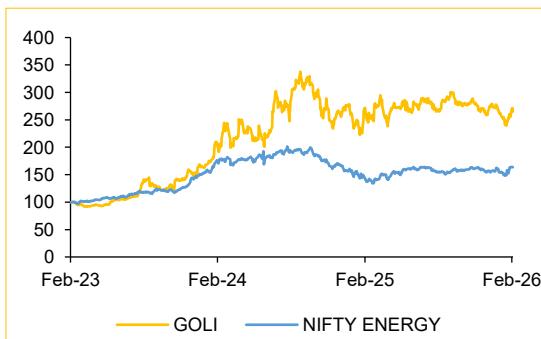
Change in CIE Estimates						
	FY26E		FY27E			
INR Bn	New	Old	Dev. (%)	New	Old	
Revenue	40.7	41.0	(0.7)	44.9	44.5	0.9
EBITDA	5.2	5.2	0.1	6.1	6.4	(5.4)
EBITDAM%	12.8%	12.7%	10bps	13.5%	14.4%	(90) Bps
PAT	4.2	4.2	0.0	5.1	5.4	(4.4)
EPS	85.1	85.0	0.0	103.0	107.7	(4.4)

Actual vs CIE Estimate				
INR Mn	Q3FY26A	CIE Estimate	Dev. %	
Revenue	9,979	9,995	(0.2)	
EBITDA	1,303	1,294	0.6	
EBITDAM %	13.06	12.95	10bps	
PAT	997	1,089	(8.4)	

Key Financials				
INR Mn	FY25	FY26E	FY27E	FY29E
Revenue	36,312	40,725	44,947	49,029
YoY (%)	10.0	12.2	10.4	9.1
EBITDA	4,723	5,213	6,068	6,864
EBITDAM %	13.0	12.8	13.5	14.0
Adj PAT	3,574	4,227	5,118	5,868
EPS (INR)	71.9	85.1	103.0	118.1
ROE %	25.9	25.5	25.7	25.9
ROCE %	26.1	24.6	25.5	25.6
PE(x)	15.8	13.3	10.8	9.4
EV/EBITDA	10.7	8.8	7.3	6.0

Shareholding Pattern (%)			
	Jun-25	Sep-25	Dec-25
Promoters	67.11	67.11	67.11
FII	8.48	9.53	9.22
DII	7.84	7.45	8.13
Public	16.24	15.61	15.25

Relative Performance (%)			
YTD	3Y	2Y	1Y
NIFTY ENERGY	59.6	(7.0)	14.1
GOLI	157.1	34.1	(10.0)



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Timely price hike supports margin coupled with volume growth: GOLI is strategically pivoting its product mix towards high-margin, premium segments so as to drive volume growth and insulating its profitability at the same time. By aggressively expanding into 12 of its 15 operational segments, the company is successfully gaining market share. We are able to conclude this as the industry grows by 3-4% while GOLI continues to grow at 2-3x the market rate, thus increasing its share in overall lubricants market.

As acknowledged by the management, there is going to be **more of B2C business going forward**. In our opinion this will **support margin expansion** in two ways (a) GOLI will be able to **leverage on the brand** that it has built over the decade as **higher B2C business enhances return on A&P expenses** as compared to B2B business, (b) it will be able to exercise pricing leverage, wherein average realised price can be increased through product mix, hikes and schemes even during the falling base oil prices as demonstrated by the firm during Q2FY26.

FX volatility has been a headwind for GOLI; however, the company is actively managing currency risks through expert oversight, while a supportive industry pricing environment enables timely price increases to protect margins.

Overhang of EV penetration: GOLI has raised its stake in EV charger manufacturer Tirex, from 51% to 65% through an investment of INR 380 Mn, reinforcing its strategic entry into the EV supply chain. Around 25% of electric buses are currently charged using GOLI's Tirex chargers. We estimate this optionality could scale up to INR 3-4 Bn revenue, adding ~10% to the topline in the next few years with an EBITDA margin of 12-14%.

View and Valuation: We revise our FY27 EPS estimate by -4% while we maintain our target price of INR 1,600. We value the company using DCF model, implying a PE multiple of 13.4x/11.8x at FY27E /FY28E EPS. We reaffirm our BUY rating on the stock.

Q3FY26 Result: Revenue and EBITDA in line, net income lower than expectation

- Revenue was up 10.3% YoY to INR 9.9 Bn (vs CIE est. of INR 9.9 Bn)
- EBITDA was up 6.6% YoY to INR 1.3 Bn (vs CIE est. of INR 1.3 Bn). EBITDA margin was down 45bps YoY to 13.1% (vs CIE est. at 12.95%)
- PAT was up 1.6% YoY to INR 997Mn (vs CIE est. at INR 1,089Mn)

Capacity Ramp-up to Support Volume Growth: GOLI aims to increase its capacity, from 140,000 to 240,000 kilo litres, by FY27. The additional capacity in Chennai is expected to come online by Q1FY27, while Silvassa facility will ramp up by Q3FY27. This in line with our previous assumption and we bake in those volumes in our estimates.

GOLI (INR Mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
Net Sales	9,979	9,049	10.3	9,568	4.3
Material Expenses	5,661	5,172	9.4	5,486	3.2
Employee Expenses	511	442	15.7	509	0.4
Other Opex Expenses	2,505	2,212	13.2	2,388	4.9
EBITDA	1,303	1,222	6.6	1,185	10.0
Depreciation	152	108	40.9	137	10.6
EBIT	1,151	1,114	3.3	1,048	9.9
Interest Cost	128	141	(9.5)	130	(1.5)
PBT	1,037	1,307	(20.6)	1,170	(11.4)
RPAT	771	982	(21.5)	871	(11.5)
APAT	997	982	1.6	871	14.5

GOLI	Q3FY26	Q3FY25	YoY(bps)	Q2FY26	QoQ (bps)
Emp exp. % of Sales	5.1%	4.9%	24	5.3%	(20.1)
Other Op. Exp % of Sales	25.1%	24.4%	65	25.0%	0.14
EBITDA Margin (%)	13.1	13.5	(45)	12.4	0.67
APAT Margin (%)	10.0	10.9	(85)	9.1	(138)

Source: GOLI, Choice Institutional Equities

Management Call – Highlights

Margin

- The company maintains a guidance of 12% to 14% EBITDA margin, with an ambition to reach 14% to 16% in the medium term
- Tirex is expected to surpass INR 1 Bn in revenue this year and achieve positive EBITDA

Competition

- Amid a competitive landscape, the company continues to guide for 12–14% EBITDA margins and aims to expand further over time, supported by an improved product mix, stronger branding and marketing initiatives, and ongoing operational efficiencies.

Volumes

- Lubricant volumes rose 8% in the quarter - around 2x industry growth - signalling sustained outperformance, with rural and agri markets identified as key drivers of incremental market share

Pricing

- The company has initiated pricing measures, acknowledging that certain OEM contracts include quarterly price adjustment mechanisms which may delay pass-through, though the broader pricing trajectory remains favourable

M&A

- Management indicated that it is actively assessing potential acquisitions, especially in the EV segment and specialised lubricant categories such as industrial and other niche applications

Macroeconomic tailwinds

- The lubricant industry is projected to expand at a 3–4% CAGR in the next decade, with industrial segments likely to grow modestly, supported by rising vehicle penetration, economic expansion and policy-led manufacturing growth

Product Development

- The company has formulated two liquid cooling solutions for data centres in collaboration with its global team. These products are undergoing testing and validation to align with the required specification and ensure compatibility with hardware providers

Plant expansion

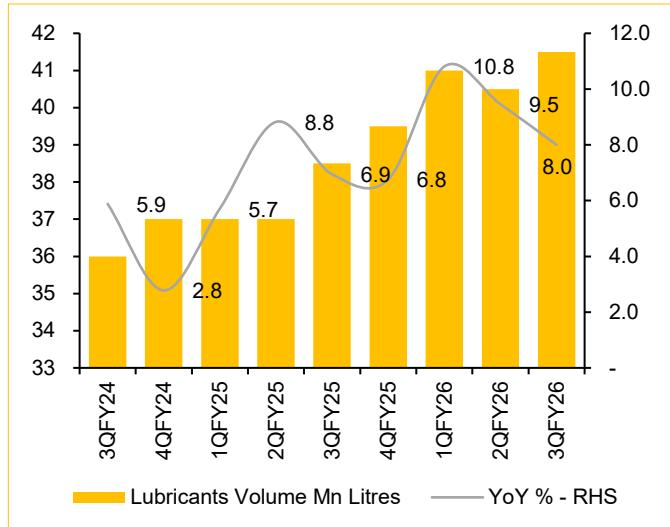
- The Chennai facility expansion is slated for commissioning in Q1 of the upcoming financial year, while the Silvassa unit is expected to be operational by the close of Q3.

GOLI continues to gain market share it grows at 2x the market rate

Firm has surplus cash of INR1000 crore-plus which it maintains for potential M&A opportunities

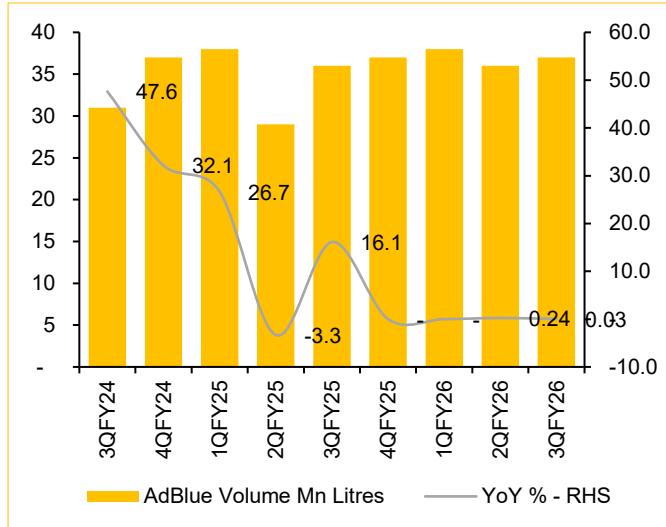
Institutional Equities

Lubricants volume was up 9.5% on a YoY basis



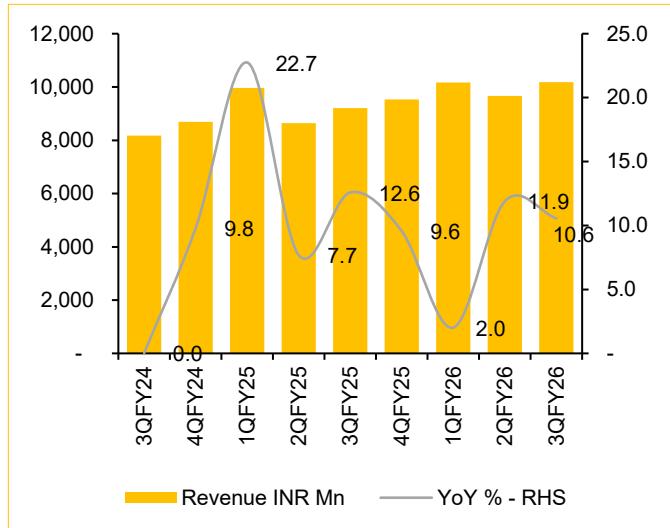
Source: GOLI, Choice Institutional Equities

AdBlue Volume was flat on a YoY basis



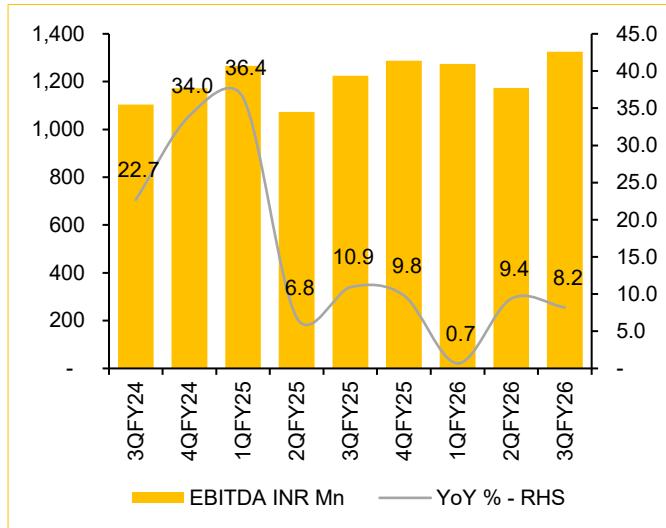
Source: GOLI, Choice Institutional Equities

Revenue was up 11.9% on a YoY basis



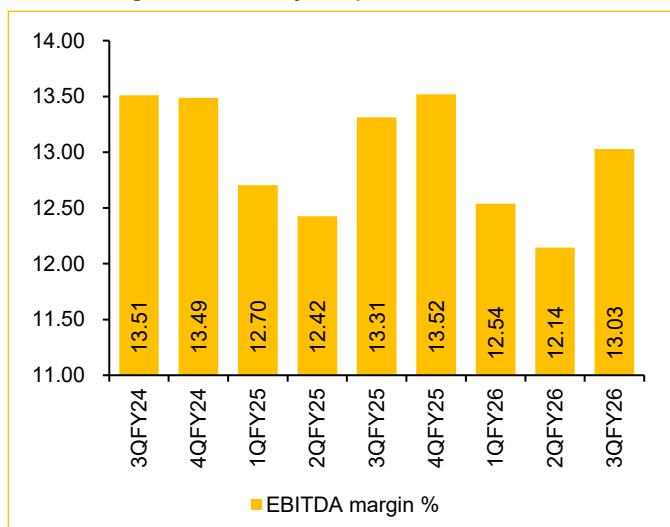
Source: GOLI, Choice Institutional Equities

EBITDA grew 8.2% YoY



Source: GOLI, Choice Institutional Equities

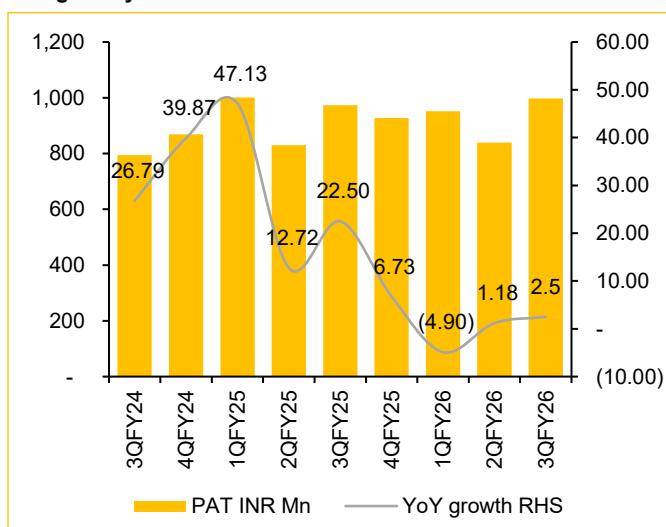
EBITDA margin decreased by 28 bps YoY



Source: GOLI, Choice Institutional Equities

Note: Above charts are based on Consolidated figures

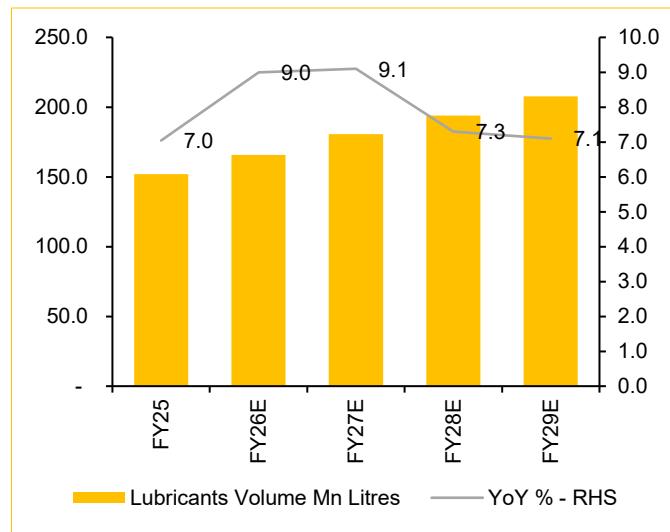
PAT grew by 2.5% YoY



Source: GOLI, Choice Institutional Equities

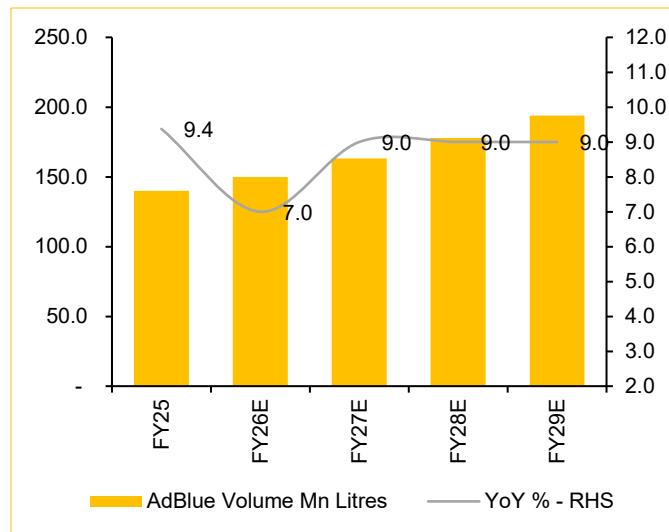
Institutional Equities

Lubricants Volumes expected to expand at 7.8% CAGR



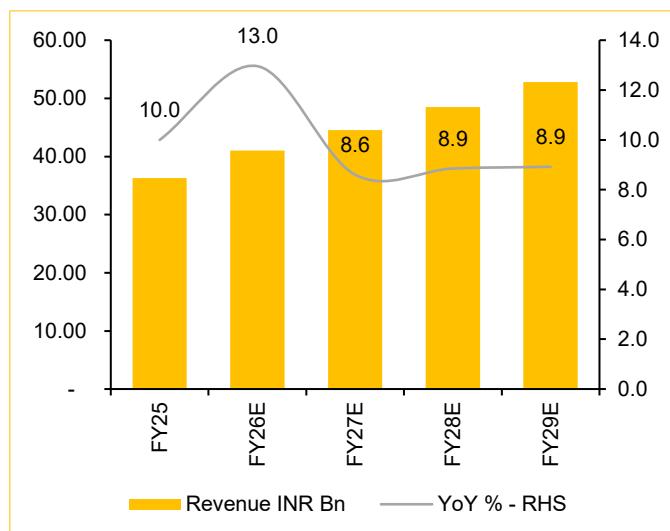
Source: GOLI, Choice Institutional Equities

AdBlue Volume estimated to expand at 9.0% CAGR



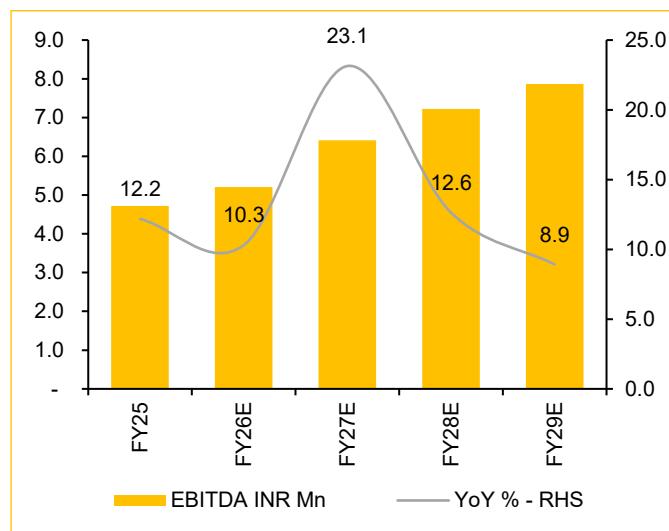
Source: GOLI, Choice Institutional Equities

Revenues forecast to increase at 9.5% CAGR



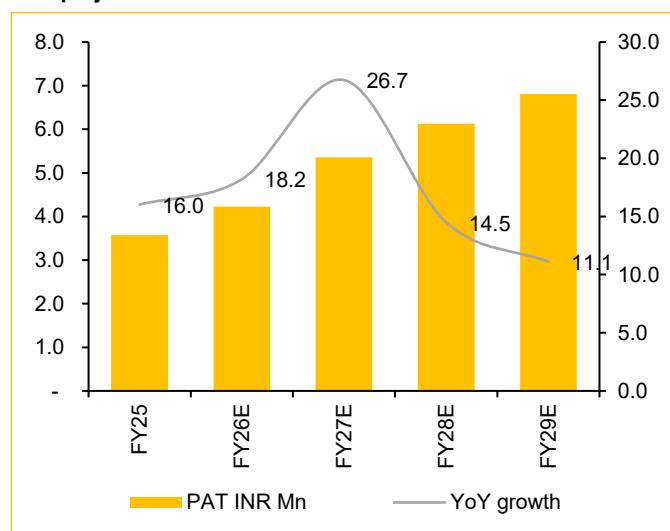
Source: GOLI, Choice Institutional Equities

EBITDA anticipated to expand at 14.1% CAGR



Source: GOLI, Choice Institutional Equities

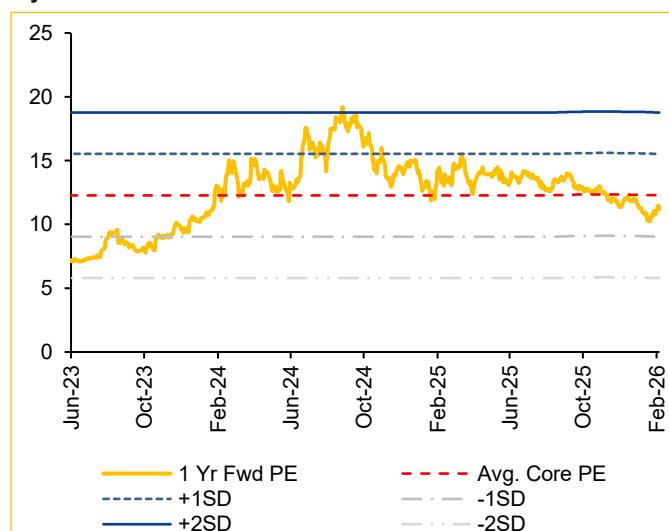
PAT projected to increase at 16.7% CAGR



Source: GOLI, Choice Institutional Equities

Note: Above charts are based on Consolidated figures

1-year forward PE band



Source: GOLI, Choice Institutional Equities

Income Statement (INR Mn)

Particular	FY25	FY26	FY27E	FY28E	FY29E
Revenue	36,312	40,725	44,947	49,029	53,405
Gross profit	15,293	17,104	19,147	21,131	23,231
EBITDA	4,723	5,213	6,068	6,864	7,744
Depreciation	558	332	350	371	393
EBIT	4,165	4,881	5,717	6,493	7,350
Other income	987	1,172	1,597	1,839	2,125
Interest expense	359	321	375	375	375
PAT	3,574	4,227	5,118	5,868	6,711
EPS	71.9	85.1	103.0	118.1	135.0
Ratio Analysis	FY25	FY26	FY27E	FY28E	FY29E
Growth Ratios (%)					
Revenue	10.0%	12.2%	10.4%	9.1%	8.9%
EBITDA	12.2%	10.4%	16.4%	13.1%	12.8%
PAT	16.0%	18.3%	21.1%	14.7%	14.4%
Margins (%)					
EBITDA	13.0%	12.8%	13.5%	14.0%	14.5%
PAT	9.8%	10.4%	11.4%	12.0%	12.6%
Profitability (%)					
ROE	25.9%	25.5%	25.7%	25.9%	26.0%
ROIC	17.0%	16.6%	16.7%	17.1%	17.4%
ROCE	26.1%	24.6%	25.5%	25.6%	25.6%
Working Capital					
Inventory Days	88	88	88	88	85
Debtor Days	50	50	50	50	50
Payable Days	97	97	97	97	97
Cash Conversion Cycle	41	41	41	41	38
Valuation metrics					
PE(x)	15.8	13.1	10.8	9.4	8.3
EV/EBITDA (x)	10.7	8.8	7.3	6.0	5.0
Price to BV (x)	3.7	2.9	2.5	2.2	2.0
EV/OCF (x)	127.7	100.2	118.3	97.3	75.1

Source: GOLI, Choice Institutional Equities

Balance Sheet (INR Mn)

Particular	FY25	FY26	FY27E	FY28E	FY29E
Net Worth	15,312	19,272	21,831	24,765	28,120
Minority Interest	695	672	672	672	672
Deferred Tax	-	-	-	-	-
Total Debt	4,216	4,693	4,693	4,693	4,693
Other Liabilities & Provisions	1,125	860	860	860	860
Total Net Worth & Liabilities	27,577	32,355	35,492	38,984	42,944
Tangible Fixed Assets	2,842	2,692	2,612	2,535	2,462
CWIP	19	48	48	48	48
Investments	743	743	743	743	743
Cash & Cash Equivalents	10,261	13,986	16,101	18,605	21,779
Other Non-Current Assets	219	295	295	295	295
Other Current Assets	1,714	1,503	1,503	1,503	1,503
Tangible Fixed Assets	2,842	2,692	2,612	2,535	2,462
Total Assets	27,577	32,355	35,492	38,984	42,944

Cash Flows (INR Mn)	FY25	FY26E	FY27E	FY28E	FY29E
Cash Flows from Operations	3,953	4,602	3,722	4,268	5,101
Cash Flows from Investing	773	883	1,327	1,545	1,804
Cash Flows from Financing	-1,498	-2,434	-2,934	-3,309	-3,731

DuPont Analysis	FY25	FY26E	FY27E	FY28E	FY29E
Tax Burden (%)	74.5	73.8	73.8	73.8	73.8
Interest Burden (%)	115.1	117.4	121.4	122.5	123.8
EBIT Margin (%)	11.5	12.0	12.7	13.2	13.8
Asset Turnover (%)	1.4	1.4	1.3	1.3	1.3
Equity Multiplier(x)	1.9	1.8	1.7	1.6	1.6
ROE (%)	25.9	25.5	25.7	25.9	26.0

Historical Price Chart: GOLI



Date	Rating	Target Price
August 25, 2025	BUY	1,600
October 1, 2025	BUY	1,600
October 16, 2025	BUY	1,600
October 29, 2025	BUY	1,600
November 07, 2025	BUY	1,600
January 11, 2026	BUY	1,600
February 15, 2026	BUY	1,600

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Large Cap*

BUY	The security is expected to generate upside of 15% or more over the next 12 months
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
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months

Other Ratings

NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change

Sector View

POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

*Large Cap: More Than INR 20,000 Cr Market Cap

*Mid & Small Cap: Less Than INR 20,000 Cr Market Cap

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