



Quality Endurance Passion

ANNUAL REPORT  
2019-20

# #NewWay Forward

Gulf Oil Lubricants India Limited



HINDUJA GROUP

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## Highlights of FY 2019-20

### VOLUMES

**110,500** KL

### REVENUE

**₹1,644** crores

### EBITDA

**₹287** crores

**EBITDA margin 17.5%**

### PROFIT AFTER TAX (PAT)

**₹203** crores

### NET WORTH

**₹761** crores

### CASH GENERATED FROM OPERATIONS

**₹237** crores

# #NewWayForward

The new normal is teaching us many lessons as we have all experienced in the past few months. There is a rapid change in consumer behaviour and as a result, their decision-making processes. Consequently, it is important to understand and track the normalisation of demand after the virtual halt witnessed during the lockdown. Thus, we are listening keenly to our consumers and working more closely to understand how they would like to better use our products and services.

Companies globally are taking a relook at their way of doing business, across both B2C and B2B channels. And, so are we at Gulf Oil. We are focused on delivering customer satisfaction, adding value and growth for the long term. We are more results-driven than ever before, challenges notwithstanding. We recognise that it is absolutely critical to stick to our core, leverage our strengths, energise the now-more-relevant and effective components of our DNA. The strength of our core renders us agile enough to keep modifying our approach towards greater success, even as we emerge in this 'new normal'.

## Our key focus areas are:



### Digitalisation

To enhance customer centricity and accelerate digital transformation across the board. We evolved a clear roadmap to achieve this. We are empowering our teams with greater flexibility and skills as well as strong platforms and mobile apps to engage efficiently with our customers.



### Brand building

We are engaging in value-driven collaborations to strengthen our brand recognition as well as build brand equity, which helps us stand out in the market and drive more product usage.



### Capturing greater opportunities

The current global crisis has presented us with challenges and enthused us to relook at more opportunities. At Gulf Oil, our growth mindset drives us to focus on expanding into the high potential areas and increase our customer base by offering superior value and responsive propositions.



### Safety, health and environment is a key priority

At Gulf Oil, we place as much importance on aspects of safety, health and environment, as on our financial performance. We recognise that these are key contributors to our ability to create long-term value.



### Growing return on investments

We are looking to build our operational leverage through more prudent cost management without compromising on the business needs. Our aim is to make smart choices and derive more out of our investments.

**Our #NewWayForward will take into account all these aspects, towards consistent value creation over the long term. This is our commitment to our stakeholders.**

## GULF OIL AT A GLANCE

# Consolidating the core. Building the new.

*We are proud of our mantle of one of the fastest-growing lubricant companies in India for over a decade*

Our parent company, Gulf Oil International, owns brand Gulf Oil globally (except in USA, Spain and Portugal) and is part of the Hinduja Group. We are present across all two important business segments in the lubricant industry, namely, automotive and industrial. Our products are manufactured at our two state-of-the-art facilities situated in Silvassa and Chennai. Our customer centricity drives our approach to innovation. We have pioneered the wave of 'Long Drain' products in India, which helped improve the performance of vehicles, reduce oil consumption and maintenance costs. Our customers include leading global and Indian

OEM's and Industries as well as retail consumers. We are committed to providing them with distinct, need-based products, which deliver superior value for our retail and industrial customers through our robust distribution network across both physical and digital platforms.

The coronavirus crisis has affected demand for lubricants; however, a new normal is waiting to emerge as the situation continues to improve. We are working towards capitalising on the emerging opportunities and are ready to build a new future.

## Values

### Quality



We produce quality products to meet market demands.



Our products exceed the latest industry standards.



All products are subjected to strict audit procedures to ensure consistent high quality.

### Endurance



Our products and services perform consistently for one of the longest time frames when compared to other industry players.



We enjoy enduring relationships with our customers and employees.

### Passion



Our brand exudes a winning mentality.



We are truly flexible and our genuine commitment to go the extra mile sets our brand, our people and products apart.





## Hinduja Group at a glance



*Hinduja group motto*

***"My dharma (duty) is to work, so that I can give"***

**Shri. Parmanand Deepchand Hinduja** (1901-1971), Founder, Hinduja Group

The five principles of the Hinduja group serve as the cultural cornerstones of our business.

- ▶ **Work to give**
- ▶ **Word is a bond**
- ▶ **Act local, think global**
- ▶ **Advance fearlessly**
- ▶ **Partnership for growth**

We are proud to be a part of the renowned Hinduja Group, one of the largest diversified conglomerates in the world. In the past 100+ years, the Group has ventured successfully into the automotive, oil and specialty chemicals, power, banking and financial services, IT and ITeS, real estate, healthcare, media and entertainment and cybersecurity businesses. Founded in 1914 by Shri. Parmanand Deepchand Hinduja, the Group embodies his principles and follows a strong value system.

His motto for establishing the Hinduja group was – 'My duty is to work, so that I can give', which continues to inspire all of us to deliver our best, not just to the organisation but also to the society. The Group also supports numerous charitable and philanthropic activities globally through the Hinduja Foundation in the fields of healthcare (P. D. Hinduja Hospital), education (K.P.B. Hinduja College of Commerce), water, arts and culture, social welfare and rural development, to name a few.

### Quick facts on Hinduja Group



**EMPLOYEES**

**150,000+**



**COUNTRIES**

**38**

**(Direct)**

**100+**

**(Indirect)**

OUR PRESENCE

# *Closer to customers. Around India.*

Channel  
network

**70,000+**

Retailers

**300+**

Auto distributors

Urban focus: Independent  
Work Shops (IWS)

**8,000+**

Bike stops

**2,000+**

Car stops

B2B industrial  
network

**200+**

Direct industries

**50+**

Industrial distributors

Exports

**20+**

Countries

Rural focus: Gulf Rural  
Stockist (GRS)

**1,000+**

Infrastructure, Mining  
and Fleet

**500+**

Customers

## Our OEM tie-ups in India



**ASHOK LEYLAND**

**VOLVO  
PENTA**

**Mahindra**

**SWARAJ**

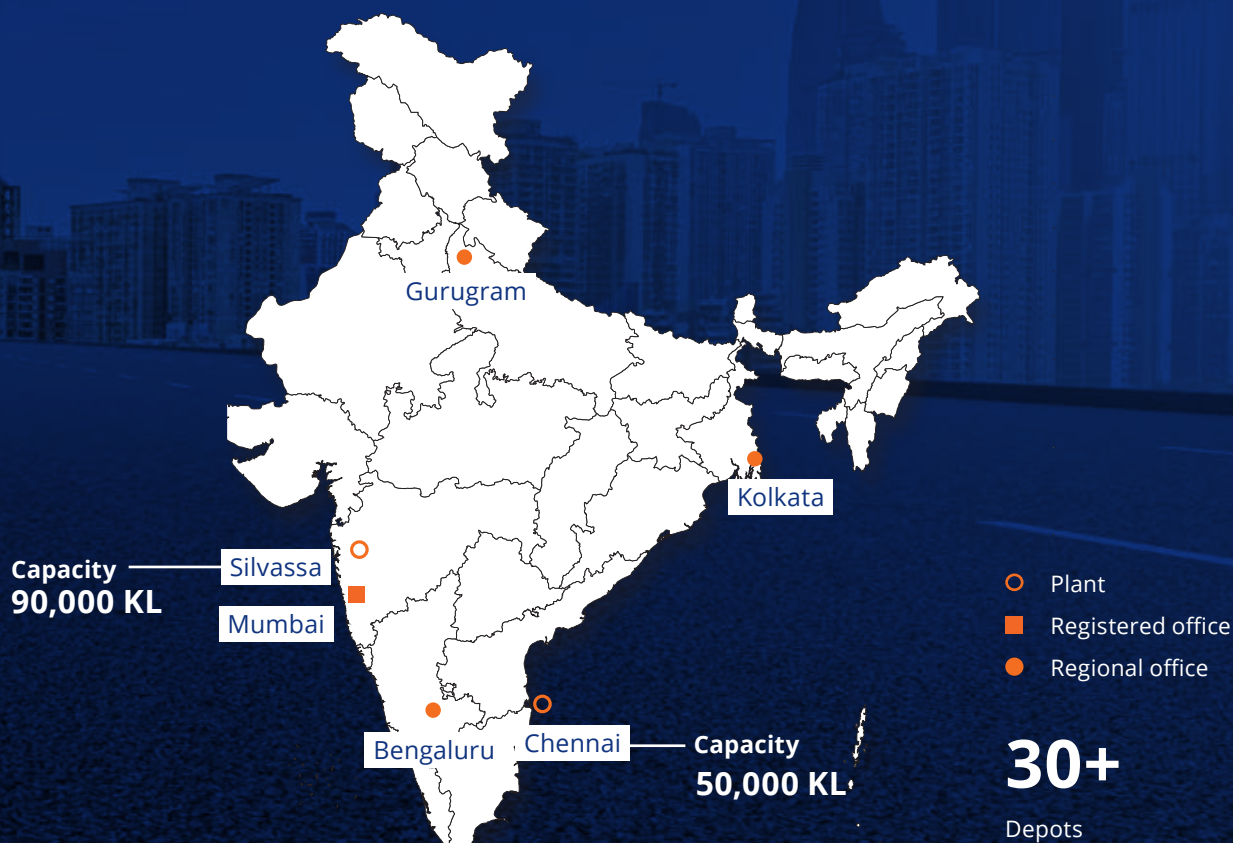


**BAJAJ**



**SCHWING  
Stetter**





Shibaura  
Machine

TATA MOTORS



KOBELCO

WHITMORE

PIAGGIO

Map not to scale

CHAIRMAN'S MESSAGE

## ***Built to endure***



Dear Stakeholders,

At the outset, let me wish all of you and your family members the best of health and well-being. These are difficult times, with a global health crisis disrupting our lives and posing newer challenges. These unprecedented circumstances made us introspect and are paving the way for a new normal to emerge. I am pleased to share with you that despite all-round slowdown in the economy, as well as within the automotive and lubricant industry, we continued to demonstrate resilience in delivering industry-leading performance.

### **A year of multiple macroeconomic challenges**

Global economies continued to slow down in FY 2019-20 amid weakening demand, dampening consumer and investor confidence and rising uncertainty around US-China trade. Even before benefits from a temporary resolution between US and China could begin to fructify, the outbreak of COVID-19 pandemic brought economic activity across the world to a standstill.

***Even in these testing times, owing to our robust business model and the passion of our teams, we continued to focus on our strategic priorities and gained market share across all our core segments.***

Indian economy, though dealing with its own problems, remained one of the fastest growing around the world. Global headwinds, liquidity constraints and subdued consumption demand were leading to some moderation in the growth rate. However, with a nationwide lockdown coming into effect (in last week of March), the country's GDP grew at a multi-year low rate of 4.2%.

The automotive sector felt the ripples from a slowing economy and witnessed one of its toughest years, with new vehicle sales covering all product segments declining sharply. Limited availability of vehicle loans, growing congestion in bigger cities, rising prominence of shared mobility services and weakening consumption were other pressure points. Implementation of BS VI norms entailed replacement of older inventory and also contributed to the slowing automobile sales. Implementation of the nationwide lockdown further aggravated the situation. Consequently, the lubricants industry in India too witnessed a decline of about 5-6% (as per our internal estimates), including automotive and industrial segments during the year.

### **A resilient performance by Gulf Oil**

Even in these testing times, owing to our robust business model and the passion of our teams, we continued to focus on our strategic priorities and gained market share across all our core segments. In fact, we were clocking double-digit volume growth in our key segments upto February 2020, except factory fill, which is around 8-10% of our total volumes. Factory fill is directly linked to new automobile production, which dropped significantly during FY 2019-20.

We continued to strengthen our distribution reach, relationships with our existing OEMs and also welcomed several new OEMs and B2C and B2B customers across

automotive, industrial and construction sectors. This, along with new products with superior customer value propositions and innovative engagement initiatives with customers, mechanics and other business partners were the key drivers of our performance.

But for the impact of lockdown in the economy during March, our full year performance would have reflected the buoyancy witnessed until February. Our core volumes stood at 110,500 KL, slightly lower than the volumes sold in FY 2018-19 due to macro factors beyond our control. However, we continued to perform better than the industry, for yet another year, even amid several adversities.

For FY 2019-20, we posted the highest-ever PAT in our history of ₹203 crores, an increase of 13.9% over FY 2018-19. EBITDA too touched an all-time high of ₹287 crores, inching up by 1.2% over FY 2018-19. The challenges notwithstanding, we declared a total dividend of ₹14 per equity share during the year (dividend payout ratio of 35%) as a way of expressing our gratitude to our shareholders for their unwavering support to our Company.

### Fortifying brand Gulf

During the year under review, we continued to strengthen our brand and gain strength from our many India-centric and global branding associations, as we have consistently done for over a decade. Our innovative marketing communication and activations across focus segments added to the growth of our brand and businesses. I am truly delighted to share with you that, with all the work done in this area, brand Gulf has climbed up to become the second placed brand in the Industry in terms of brand recall metrics and importantly for the brand consideration scores (as per our extensive internal brand track done in January-February 2020) in India. This certainly puts us in a position to attract and add even more 'value' and 'premium brand' conscious customers consumers and continue increasing our market shares in the future.

Gulf Oil International's global brand associations like Manchester United, Aprilia Racing for the Moto-GP and the recently announced multi-year strategic partnership with McLaren racing and luxury supercar McLaren Automotive augur well and will further strengthen our brand recall in India.

### Growing responsibly

At Gulf Oil, we believe in driving inclusive growth and giving back to our communities, business partners and other stakeholders. Our focus areas include supporting water conservation, security and development initiatives at a group level, skill development programmes for mechanics, road safety, community support programmes

and providing medical health services in Silvassa. During the pandemic we stepped up our existing initiatives and started several measures to actively support communities who were affected the most. These included our mechanics, daily wage earners/communities around Silvassa and in Tamil Nadu. We worked closely with local and government bodies to be a part of programmes that provided immediate help and relief to those worst hit.

At Gulf Oil, ethics, transparency and sincere governance practices are absolutely non-negotiable. This approach has enabled us to gain the trust of all our stakeholders and create sustained value for them through the ebbs and flows during different business cycles.

### Embarking on an exciting future

As the situation normalises around the country, the world as we know is likely to change for the better. We are ready for the new and the team is looking at tapping into the current focus segments more and more and looking at newer opportunities where we can take the lead and work on how we can reimagine the ways to grow. Our strategies will need to evolve to leverage our core strengths and exemplary execution capabilities, which will remain the tools for our future success. We will continue to build on our collective strengths, grow our reach and offer distinctive products that will offer more value to our customers. Gulf Oil International will continue to stand together with Gulf Oil India to support the brand and its technology and facilitate value add in these important areas for all our stakeholders.

With this, I want to extend my heartfelt gratitude to all of you, including our teams who continue to take the Company to greater heights under the able guidance of the MD & CEO Ravi Chawla. I am also thankful to our customers, business partners, bankers as well as shareholders for being our solid pillars of support.

While India's long-term growth prospects remain intact, good monsoon along with positive effects of several fiscal and monetary measures could provide support in the foreseeable future.

We see a new way forward and are confident of continuous and consistent value creation.

Yours sincerely,



Sanjay G Hinduja



## MD & CEO'S STATEMENT

# Geared up to grow



### Dear Stakeholders,

It is my pleasure to share with you our annual report for FY 2019-20. Once again, we have tried our very best to demonstrate our ability to withstand the many unforeseen and unexpected external challenges and crises, to emerge stronger and more motivated. The performance by the teams revalidated our faith in our strength areas and our fast-execution capabilities. Despite a 5-6% drop in overall industry volumes and the issues emerging post lockdown, we grew volumes across all our segments (except factory fill) to clock in 110,500 kl. Though our revenues declined 3.7% y-o-y to ₹1,644 crores, rising operational efficiencies enabled us to achieve growth in PAT and EBITDA of 13.9% and 1.2%, respectively. Our growth was 2-3x above industry in all the segments as we maintained our trajectory of market share gains across all key areas of the bazaar market, including new focus areas like passenger cars, rural and agriculture. We focused on further leveraging our core strengths in motorcycle oils and diesel engine oils, direct industries, industrial products, infrastructure related customers and OEMs.

We continued our focus on brand investments with a number of innovative ATL/BTL initiatives and were aptly well recognised for many of these in the foremost marketing forums and competitions. Our focused and innovative branding campaigns and associations enabled us to become the number 2 lubricant brand in India (as per our independent brand track exercise).

We have been one of the key sponsors of Chennai Super Kings, a marquee Indian Premier League (IPL) team for a decade. During the year under review, we delivered one of the highest return on investments for our brand, which placed us in the topmost quartile among team sponsor brands in the IPL in terms of brand impact. Additionally, our year-round communication campaigns like 'pick up your dream' leveraged our brand ambassador associations with leading cricketers Mahendra Singh Dhoni and Hardik Pandya for our motorcycle segment. Several other brand communications across key segments helped us differentiate our product offerings and were the key tools to taking our brand to this coveted position.

The move to have our Captain Gulf- Mahendra Singh Dhoni as a special invitee at Asia's largest construction equipment exhibition – EXCON was seen as a gamechanger as we made our mark in this prestigious event.



Mr Dheeraj Hinduja, Charman, Ashok Leyland, Mr Shom Hinduja, Director, Gulf Oil, Mahendra Singh Dhoni, our brand ambassador at a AL-Gulf event

During the last few months, our brand communication on social media revolved around the themes of #GulfSafetyFirst, #NewWayForward and #GulfGetMoving. Our messages of social relevance were received positively by all our stakeholders.

During the year under review, our sharp focus on implementing multiple IT and digital initiatives to be always ready held us in good stead. We took important strides towards becoming a more digital-first organisation. Upgradation of our IT systems from SAP