CHAIRMAN'S MESSAGE

Built to endure

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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.

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