



“Gulf Oil Lubricants India Limited Q2FY16 Earnings Conference Call”

November 3, 2015



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MODERATOR: MR. PRASHANT TARWADI – AXIS CAPITAL



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Moderator

Ladies and Gentlemen, Good Day and Welcome to the Gulf Oil Lubricants Q2 FY16 Earnings Conference Call hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. I now hand the conference over to Mr. PrashantTarwadi. Thank you and over to you, sir.

PrashantTarwadi:

Hi, Good Afternoon to you all. On behalf of Axis Capital I welcome all participants on the Conference Call of Gulf Oil Lubricants India Limited. Today, we have with us Mr. Ravi Chawla – Managing Director; Mr. Manish Kumar Gangwal– CFO; and Mr. Vinayak Joshi – Company Secretary. They will start with the overview of the company’s performance for the current quarter and then we can later switch to question-and-answer session. Thank you and over to you, Chawla sir.

Ravi Chawla:

Thank you Prashant. Good afternoon everybody and welcome to the Q2 investor call. We are happy to share the positive results for quarter two. We have had net revenue gain over last year of 4.1%, this is backed by a strong volume growth of close to 6% in our volumes for quarter two. The PAT, profit after tax has also seen an increase of 22% at Rs. 23.6 crores and EBITDA has moved by 20% at Rs. 38.6 crores. We are happy to share with you that this is the highest PAT we have recorded ever in the history of the lubricants division. The strong volume growth that we achieved of 6% has been due to a couple of reasons, one of them is our B2B factory fill volumes grew very strongly in this quarter. You must have seen the auto numbers, we supply to about five to six factory fill OEMs and that has been strong this quarter.

Our motorcycle contribution to sales have also been high in good double-digit and that contribution of motorcycle went up from 19% to 21% if you look at the quarter. And this growth in profits has also been possible due to the costs and discounts being stable, some minor increases in that but overall it has been stable and that is why you have seen that EBITDA margins have moved to 15.6% which is nearly 200 basis points over last year same quarter and even an improvement over quarter one.

The quarter wise split you will recall in earlier calls where we said that the July, August, September quarter is generally the weaker one, but this quarter we have seen strong volume gains, in fact there has been a close to 8% volume growth in this quarter over quarter one, so that has been mainly due to the factors of B2B factory fill going up and motorcycle sales being robust. So we are happy to share this and as I was told by the accounts team that the last quarter of last year, the March quarter we had highest PAT so far and this quarter has been higher than that PAT, so this is a new record for us. And we are also seeing that the market conditions in terms of the personal mobility is positive, motorcycle, and car. Tractor is a bit challenging at the moment. Commercial vehicles, we hope that this will take off in the next two quarters with the opening of mining, but overall we have seen a good positive quarter for the company and happy to share that with you. Manish, you would you like to add?



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Manish Kumar Gangwal: Yes. As Mr. Ravi mentioned, the quarter has been good for us, from financial numbers you have already seen. You will also notice that the interest cost has been lower than quarter one so we have been able to sequentially reduce the interest cost which includes foreign exchange and this was a challenging quarter for FOREX fluctuations you are all aware of, so in spite of that the interest costs have come down and our EPS is now Rs4.76/share for the quarter which is highest ever again as Mr. Ravi mentioned the PAT is highest.

On the balance sheet side also I would like to point out that we continued our improvement on the balance sheet side and as we notice now that we are net debt free, as we started the year if you will recall at Rs.34 crores of net debt position whereas now we see a surplus cash on the balance sheet of nearly Rs.15 crores. So that is what we have been able to achieve here. And now we can have question-and-answers from the investors.

Moderator: Thank you very much. Ladies and Gentlemen, we will now begin with the question-and-answer session. We will take the first question from the line of MehernoshPanthaki from HDFC Securities.

MehernoshPanthaki: Sir you said that the revenue growth was largely driven by 6% of volume growth, so should I assume that the two percents were the price cuts undertaken by the company during the quarter?

Manish Kumar Gangwal: That's right, the trend continues from quarter one, if you see quarter one also the volume growth was 2% higher than the revenue growth, so whatever price or discounts were given in quarter one continued, so there were no fresh discounting as far as the pricing is concerned which is stable.

MehernoshPanthaki: Sir I was just trying to analyze that the remaining 2% were only the price cuts or there was a mixed contribution also in it and the price cuts were something more than that?

Manish Kumar Gangwal: I would say it is largely attributable to price cuts only, the discounting.

MehernoshPanthaki: And sir just wanted to know the current competitor scenario as of now, do you see more competition coming in and more price cuts in the coming quarters or the discounts and all will continue to remain at same levels what it is currently?

Ravi Chawla: Quarter two we had some discounting in certain product segments, we are seeing products being launched by competition at lower price points, so there is continued competition and we also expect that competition to that extent will continue, October, November, December is again a large quarter. It would be similar to what we have been witnessing this year, maybe one or two new players may come in but they will take some time to get into the act and I guess in our position we are pretty clear where we are so that should not really hamper us.

MehernoshPanthaki: Sir you expect your price discounts to increase in the coming quarters or it will continue to remain at same level?



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- Ravi Chawla:** No, we are expecting it to be similar.
- MehernoshPanthaki:** And sir one more question, your other expenses if I see, on an absolute basis they have gone up by around 20%, so there are some three major heads in your other expenses, one is the A&P spends, one is selling and marketing and then the distribution expenses. Sir I really wanted to know that where the bumper price come during the quarter, is it A&P or is it due to some other reason?
- Manish Kumar Gangwal:** For us A&P this quarter was at 6.5%.
- MehernoshPanthaki:** Sorry?
- Manish Kumar Gangwal:** Advertisement for this quarter was at 6.5% of the turnover, it was 7% in Q1 so that is why we have been always maintaining that our A&P expenses are in the range of usually 6% to 7% depending on some activity is done, so that has been there.
- MehernoshPanthaki:** And last Q2 of 2015 how much it was as a percentage to sales?
- Manish Kumar Gangwal:** Around 6%.
- MehernoshPanthaki:** So the 50 bps increment as a percentage of sale is from A&P spends on a YoY basis but if you see as a percentage of sales, 311 bps increase has been there in your other expenses, so where has the other increase come from?
- Manish Kumar Gangwal:** There are various factors including distribution expenses which include co-branded royalties such as Mahindra tieup coming in and all also feature in that. So there are OEM royalties, there are usual other expenditures, so the admin cost and all have gone up slightly and it also includes CSR expenses which have come in last year, we have not spent CSR. So the CSR expenses proportionately also has gone up, combination of all these factors.
- Moderator:** Thank you very much. We will take the next question from the line of Priyank Chandra from Dolat Capital.
- Priyank Chandra:** Sir my first question is about the bike stop points that you have been doing that, so like it is almost like you are saying you have a number of around 3,000 right now so what is the growth trajectory that you are planning there? And another question is there regarding the scooter lubricant category that has been really going strong, so you are saying that you have achieved around 10%, your product placement is done around 10% so when can we expect this to reach maybe a stage of maybe 50% or 100%?
- Ravi Chawla:** See, bike stops we had started with a number of about 1,200-1,300 that has gone up very well this year, we have more than doubled to 3,000 and that is contributing to nearly 4%, 5% of our motorcycle increase now. And regarding the scooter product that we had launched, as a category



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scooter the scooters are growing in terms of number of scooters but we anticipate that the placement will go up to about 30% of our universe, it would not go to 50% because scooter requirement is not going to be right across. So we are planning to increase our distribution again in those outlets from the current 10% to 30% in the next six months.

Priyank Chandra: Another thing is that sir, how has been the mix of like you can say two wheelers and four wheelers in your automotive like lubricant volumes?

Ravi Chawla: So I think motorcycle we mentioned has gone up to 21% compared to 19% and today our car segment is not so high, it would be close to about 5%, so that is again an area of growth for us which we are planning in the future.

Priyank Chandra: So like quarter is coming from these two segments?

Ravi Chawla: Yes.

Priyank Chandra: And sir what has been base oil price movement in the last two months for you?

Manish Kumar Gangwal: The base oil has been fairly stable now as we see last two three months, it has been fairly stable now.

Priyank Chandra: And sir any change in the pricing of the additives part?

Manish Kumar Gangwal: No, that happens usually once in a year sort of, it is an annual sort of increase unless there is dramatic change and the additives also have been fairly stable during this period.

Priyank Chandra: And sir how has been this Chennai CAPEX like is it on schedule what you have planned?

Manish Kumar Gangwal: You are talking about Chennai plant?

Priyank Chandra: Yes.

Manish Kumar Gangwal: So we are in advance stage of getting approvals and we are quite hopeful that once we receive the approval we can commence construction and should be through by first quarter of 2017.

Priyank Chandra: Sir just one last question, if you can just share with us what was the volume in the absolute numbers in this quarter sir?

Manish Kumar Gangwal: It is upwards of 18,000.

Priyank Chandra: Thank you very much.



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- PrashantTarwadi:** Sir this is Prashant this side. If you can just elaborate on the success of scooter lubricant that we have launched, what kind of acceptance we have seen in the market that would be great. Thank you.
- Ravi Chawla:** Our scooter products which we have launched a couple of months back, as you know large scooter population is gaining very-very rapidly, the product has now been placed across major centers, in fact we have identified 10 centers where scooter sales are high, today it is close to about 7% to 8% of our sales which is coming in. So given that scooter oils will be in demand we also launched a campaign on single screen theaters, we have launched a campaign during the IPL, on digital you will see lot of small ads on our scooter which is again talking about how the lubricant is helping the bike to deliver faster pick up and zoom ahead. So this is really where our customer value proposition and our distribution and of course the quality of the product will get accepted. We hope that like our motorcycle segment we can garner close to 8%, 9% of the scooter oils market as we go ahead.
- Moderator:** Thank you. We will take the next question from the line of VinodBansal from FT.
- VinodBansal:** Hi, two or three questions sir. One is, any new OEM tie-ups so far in this year?
- Ravi Chawla:** Well, this year we not had any new tie-ups this year, end of last year we had gotten the SchwingStetter tie-up, so as of now there is no major tie-up we have announced, obviously we are working on a few and hopefully in the next few months we should be able to announce at least one new tie-up.
- VinodBansal:** So realistically there is a hope of any tie-up coming up in next six months which may impact current year volumes?
- Ravi Chawla:** We hope to tie-up, but again the impact we will see what part of the year we tie-up and obviously once you tie-up there would be the product launch stage. So we hope that the tie-up we get should help us in the next financial year.
- VinodBansal:** And would that be in automotive side or the other side?
- Ravi Chawla:** We are to be very honest working on a couple of options, so at this stage to say which segment we are not in a position to share, till the tie-up happens you will understand as it is not yet done.
- VinodBansal:** Maybe let me ask a different way, would that be sort of large enough to have a material impact on the current pace of volumes? For example, you had a fairly big tie up last year on automotive side in terms of the kind of growth it can provide to volumes, would that be material enough or it would be sort of run of the mill kind of thing?



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- Ravi Chawla:** We do not know what is the tie-up coming through, there are one or two tie-ups which would have a material impact and one or two which are not that significant. So once we are clear which one is happening we will be able to share how much can happen.
- Vinod Bansal:** So there is something in works which may have a material impact on the volume, at least there is an opportunity on that side?
- Ravi Chawla:** Yes, we are looking at such opportunities, yes.
- Vinod Bansal:** Secondly sir, on A&P strategy, we have been talking about this whole CSK thing, what is happening right now, do you see yourself getting out of that contract with them and doing something else or you are continuing with that?
- Ravi Chawla:** See, our legal contracts are well protected knowing the circumstances on various tie-ups, so we have tie-ups which are limited with clauses which give effect to any such sort of happening, so there is no commitment, we will have to decide on the basis of what happens and then take a call. So right now there is no commitment to go forward with it.
- Vinod Bansal:** I understand that, I was asking from business point of view and not from legal point of view, from business point of view I am sure it was giving you some benefit to associate yourself with....
- Ravi Chawla:** We will look at the options, let us see what comes up, surely we will have to look at the options once it is clear as to what are these options.
- Vinod Bansal:** And on retail outlets have you further expanded your reach this year, you were about 50, 55 last year and have you materially expanded that this year?
- Ravi Chawla:** Yes, we have seen 8% to 10% increase in the retail base.
- Vinod Bansal:** So you will be around what, nearing 60s now, is it?
- Ravi Chawla:** Yes, what happens is Vinod you do gain outlets but you also lose some, so I would say net we would be probably at about 5% to 7% increase in overall retail spread.
- Vinod Bansal:** Just two more questions, sir would it be right to say broadly whatever strategies you employed so far be it product launches, be it higher A&P spends or expanding your distribution reach has already played out, they have maxed out their impact and have delivered volume growth. So from here on do you need to do something different or the current things can still propel your volume growth for next two three years?
- Ravi Chawla:** I think the strategies we have we need to take it to higher levels, so clearly that continues to give us our penetration in terms of distribution, our brand value and other propositions. So we see



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more scope to continue doing what we are doing, we are adding new segments, so new segments where we do not have market shares is another strategy which will play out and hopefully we will also be seeing revival in the diesel engine oil segment that will help us. So these are the three, four factors as we see the business forward.

VinodBansal: So basically you will continue to follow the same path that you have so far gone ahead with?

Ravi Chawla: Yes, and we will obviously add some segments, add OEMs, add our B2B segment or customers and of course we hope that the economy also can support, the economic growth can support activities like mining, commercial vehicle, traffic movement, of course personal mobility, needs in terms of smart city development, so all those factors are obviously included into what we want to achieve with our strategies.

VinodBansal: So what is your reading on this whole industrial recovery thing that could help diesel volumes, maybe your partners, the CV players you speak with, your group companies, anything you are hearing that it could be around the corner or it is still....

Ravi Chawla: You are seeing a revival in the new vehicle population, the growths are very good. We need to see that translate in terms of movement of vehicles and certainly we are seeing that as a positive and at the dealership level we are seeing increase in volumes, so that is a positive sign that even the oil change is happening more. I think mining will be a big one, if mining opens up that will be a good factor.

VinodBansal: And do you see it happening this year or it is still farfetched to believe that?

Ravi Chawla: No, we hope it will start happening by quarter three, quarter four.

VinodBansal: And lastly on the margin side, if I look at per liter gross margins they seem to be fairly low compared to what one was expecting let's say four, five months back. Any sense on what, is it that the competition and therefore the price discounts are higher than what the management thought initially they would be let's say five months back and how would you guide for that, would it remain at the current level of Rs.57, Rs.58 or can expand a bit more on that?

Manish Kumar Gangwal: We have grown our gross margins by nearly 6.5% in terms of, we were at 62% in terms of material cost, last year September quarter if you see, here September quarter we are at 55.5, so nearly 6.5% gain in material margin which is a combination of cost coming down in spite of the price reduction or discount, the net addition at gross margin level is 6.5% which we believe is a decent one.

VinodBansal: Indeed it is a decent one, what I was talking about was totally differently, one is on a rupee per liter basis which is perhaps I thought is a more concrete measure to look at and secondly on a sequential basis. Yes, YoY you have gained materially because crude has come down, but if you look at from June to September quarter you are sort of slightly down Rs.2, Rs.2.5, maybe Rs.3. Is



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that a bit of a disappointment for you given higher competition and do you see it going up as we go to December and March quarters? This is where we think it will stay.

Manish Kumar Gangwal: As the calculation which I have in front of me, we have actually gained further Rs.0.60, Rs.0.70 from June quarter in terms of per liter, so we can take it off line and explain to you the numbers.

Moderator: Thank you very much. We will take the next question from the line of SharaddhaSheth from Edelweiss.

SharaddhaSheth: Just wanted to understand, industry growth how has it been in the first half, as I understand for us it has been like a 5% volume growth, how has been for the industry?

Ravi Chawla: We are tracking tertiary sales, so that is close to about 2% as we have seen driven by personal mobility mode. So industry sales we would estimate now is about 2% positive growth.

SharaddhaSheth: So this is from a negative trajectory last year, right, for the industry?

Ravi Chawla: Yes, flat to negative, certainly commercial vehicle was down so you could say flat to negative.

SharaddhaSheth: And sir just wanted this breakup of our volume segment wise, we did 6% on an overall basis, will it be possible to get a segment wise volume growth?

Manish Kumar Gangwal: Shraddha, we have maintained in the past also that segment wise volumes are difficult to share because it leads to too many things, we have already explained that our motorcycle contribution is 21% now.

SharaddhaSheth: Sir motorcycles as you said is double-digit, right?

Manish Kumar Gangwal: Yes, 21%.

SharaddhaSheth: And PV how was the growth?

Manish Kumar Gangwal: That is some 5% is our passenger car.

SharaddhaSheth: That is the contribution, how was the growth in this quarter?

Manish Kumar Gangwal: PV has been flat for us, flat to marginally negative.

SharaddhaSheth: I see, and CVs would also be similar?

Manish Kumar Gangwal: CV as market research is flat, yes we are low single-digit growth.



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- SharaddhaSheth:** And sir just lastly on the pricing, wanted to understand with the price action what is our average price discount to the competition and how are we seeing competition gearing up in the current scenario? Because we are hearing lot of PSUs are getting aggressive.
- Ravi Chawla:** So we actually have each segment as a price positioning with our range, so based on our strength or our position in that segment we obviously look at a certain positioning in the market, so it is therefore different, as we have key players in different segments with different levels
- SharaddhaSheth:** Right. So let me put it this way, how is our price discount, one is say it is a leader and to the average maybe?
- Ravi Chawla:** No, we are following the trend as per the market leader and also the top three or four brands in terms of pricing, we do not want to change our pricing when the price players are cutting it a lot because that will not help us.
- Manish Kumar Gangwal:** We have been able to still retain, as I mentioned close to 6.5% in the gross margin level.
- Ravi Chawla:** So we do not have to react to pricing which is very low if somebody is doing it, we would like to maintain our price positioning and continue our strategies.
- SharaddhaSheth:** And our average pricing to the competition would be say, is there any such...?
- Ravi Chawla:** No, I told you each segment it is different, within the segment also there will be products at different performance levels so we will have to maintain our position.
- SharaddhaSheth:** So say in the personal mobility what is our positioning and what is the average premium or discount if it is possible.
- Ravi Chawla:** Again, in each I told you there are four, four products so it is difficult to give you an average.
- Manish Kumar Gangwal:** Our long range product will obviously have a higher pricing, within the portfolio we have a normal product also, very difficult to say, each product will have its own pricing position.
- SharaddhaSheth:** And we have also seen the leader react to the pricing in the current environment of crude oil declining?
- Ravi Chawla:** No, see the positioning on pricing has more or less remained steady for the last four to five months you would say, certain products have been launched by various players at different price points and you can get that information from the market, we would not like to comment on it.
- SharaddhaSheth:** So we maintain our 2% discount in this quarter just like the last one, right?
- Ravi Chawla:** Yes.



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- Moderator:** Thank you very much. We will take the next question from the line of AbriHazarika from Phillip Capital.
- SabriHazarika:** I just wanted a reconfirmation of this 9% quarter-on-quarter volume growth that is reported, you said that the volume growth was somewhere around like 6%?
- Ravi Chawla:** Yes, so 6% has been for the quarter over last year quarter and 8% has been over this quarter that is quarter two over quarter one.
- SabriHazarika:** Okay, 8% volume growth QoQ?
- Ravi Chawla:** QoQ, yes.
- SabriHazarika:** And it is something like somewhat above 18,000 kl, right?
- Ravi Chawla:** That's right.
- SabriHazarika:** So on the pricing front what you mentioned earlier in the call was that you have not taken any, I mean you have actually come down on discounts during the quarter?
- Ravi Chawla:** No, discounts have been stable, if we take April, May, June and July, August, September there have been more or less similar levels.
- SabriHazarika:** Okay, the discounts are continued and they are likely to be continued at these levels depending on the competition right?
- Ravi Chawla:** Yes.
- Moderator:** Thank you. We will take the next question from the line of Priyank Chandra from Dolat Capital.
- Priyank Chandra:** Sir I just wanted to have a thing that your gross margins on a sequential basis that is Q2 over Q1 of FY16 has still expanded by another 30 basis points, so my calculation seems to be wrong that we were anticipating there could be slight pressure because the crude oil prices were going up during the period of February and March and the impact would have been visible in this quarter. So do we expect that considering the crude still fallen the base oil trajectory will continue, so we can expect another margin expansion to continue maybe in Q3 and Q4 onwards?
- Manish Kumar Gangwal:** Crude oil is fairly stable now where it has reached.
- Priyank Chandra:** But I think the price that you told me that the base oil price is stable in the last two months, but I am sure that this must have seen some decline during the period as compared to the period maybe April, May, June?



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Manish Kumar Gangwal: If you go to our previous call when we declared June quarter results we have mentioned that Jan, Feb, March the base oil was low, April, May, June actually the base oil increased, we said that our margins may peak based on the inventory we carried forward. So we were able to retain that margin in spite of this April, May, June high base oil and we had a good balance of procurement. And since then the base oil prices have been fairly stable, so we hope this trend to continue.

Moderator: Thank you. We will take the next question from the line of GovindlalGilada, Individual Investor.

GovindlalGilada: I want to know what is happening on battery front, any development sir on that.

Ravi Chawla: So two wheeler batteries, the pilot is still on, so I think our strategy we are working on as a long-term strategy, so internally we will work on that and probably once we have clarity internally we will be able to give the next steps, I think that should take about three to six months.

GovindlalGilada: The second question is, how you see ground reality or demand scenario going forward? Now October sales are very good automobile.

Ravi Chawla: So for new automobiles the factory fill goes up and that is why we shared with you earlier our factory sale has gone up, that is an impact but that factory fill is I would say close to about 7%, 8% of volume, so that impact will be positive if our customers who we give factory fill to increase their vehicle sales. Overall, market condition I mentioned to you we are seeing a tertiary growth of 2% in the market so we hope that that will go up in the next few quarters lube industry.

GovindlalGilada: Then another quarter I got is, base oil prices now stabilized, so what is your forecast going forward one two years or six months, how they will behave base oil prices, crude?

Manish Kumar Gangwal: It is very difficult to say what will happen after one, two years timeline.

GovindlalGilada: No, next six months or one year or just a rough base I am asking.

Manish Kumar Gangwal: In fact the crude is stable and so is base oil prices, we carry an inventory of close to two months, so we see at least the next quarter to be fairly stable.

Ravi Chawla: The experts that we have been talking to are talking about crude at 50 to 70 range bound.

GovindlalGilada: Then my last question is, now under this scenario we presume that base oil prices are going to be stable for next one or three, four quarters, so now how our margins, any scope is there for further expansion sir? Same question people have asked, I am again clarifying.

Manish Kumar Gangwal: So margin will be stable, like we have been able to maintain our gross margins at these levels and improve EBITDA by 50 basis points this quarter also. So we believe that this kind of EBITDA margin can continue depending on how much market what it does in terms of



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competition if they come out with something aggressive we do not know, but as of now everything looks stable, even the competition and the input cost.

GovindlalGilada: So third quarter again this current quarter we are expecting another some improvement of 50 basis points in EBITDA?

Manish Kumar Gangwal: We cannot comment on that because it depends clearly we are only one month down the line in terms of quarter.

GovindlalGilada: I know, just now you told you are referring about second quarter or that 50 basis points EBITDA has gone up or you are talking about...?

Manish Kumar Gangwal: Yes, we have increased 50 basis points already in second quarter and at these levels we feel it should be stable.

Moderator: Thank you. We will take our next question from the line of Hemant Patel from Elder Capital.

HemantPatel: I just wanted to understand regarding price deflation, I guess a quite a few questions asked on this. Just in particular to understand, are we a few more quarters away where this price deflation is largely a function of just base oil prices or there is more to it in terms of competitive intensity of sales mix, I mean which one of this is actually working towards this price deflation?

Manish Kumar Gangwal: So it is largely an impact of base oil reduction, competition is of course always there, it was there and it will continue, product mix also for us has been more or less similar with slight increase in motorcycle oil. So all the other sectors are more or less constant, it is mainly a pass on of the base oil price decrease.

Hemant Patel: And if you were to understand the pricing power of this particular segment and if I understand the business cycle where we are which part of the cycle do you think that category as a whole has the maximum pricing part, I mean right now at this particular juncture I believe obviously the demand is weak and base oil prices have come down, but what happens when demand improves and let's say crude oil prices move up slightly from here on, I mean do margins expand at this juncture or do we see a similar scenario play out there?

Ravi Chawla: See it is a balance between the demand conditions, the pricing that the industry does together and of course if some competition who is strong in the segment or who is leading the segment decides that this is going to be a different way to approach the market then one will have to look at your product mix again, your marketing mix. So it is a combination, per say if the prices of generally you have seen in this industry that if the price of raw material goes up we do pass on in terms of the with a lagtime of a couple of months for the channel business and B2B is of course directly linked to formulas in some cases. So if the prices go up there is a price increase and it if you see competition level depending on the key players in the competition one would need to



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position ourselves accordingly. So far the industry has seen a trend where price increases have been recovered and when there is a price drop yes you do need to pass on a part of it.

Manish Kumar Gangwal: So during a price decrease situation typically some margin declines which you will see from the results also everybody has been able to do that, and when the price increase happens we can pass it on in the time line.

Hemant Patel: So just one final bit, so if I do believe that if the competitive intensity remains at the current levels where we are and if base oil prices do increase along with crude prices, we should see a gradual improvement in margin if the business cycle turns upwards?

Manish Kumar Gangwal: Yes, if the demand picks up then the volumes obviously play a bigger role and with the scale obviously the margins at the bottom-line EBITDA level goes up if the volumes can come in.

Moderator: Thank you very much. As there are no further questions, I would like to hand the conference over to Mr. PrashantTarwadi for closing comments.

PrashantTarwadi: Thanks a lot Gulf Oil Management for devoting time for this call. Thanks a lot to all participants for taking time off and participating in the call. Now let me request Mr. Chawla for his final closing comments. Over to you Chawla sir.

Ravi Chawla: Thank you Prashant. Thank you to everybody to join us for the call. I hope we were able to answer your questions to the best of our ability. We have seen a good quarter, quarter two has been good, hopefully we are looking at better demand conditions, and also our strategy is to continue as we go forward. Yes the competition intensity will have to be obviously gauges quarter-on-quarter but we are looking at a positive outlook at we have seen quarter one and quarter two going in the right direction for us and we will be happy to be with you for the next call and of course hopefully the market conditions will improve. Thank you so much.

Moderator: Thank you. On behalf of Axis Capital that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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