"Gulf Oil Lubricants India Limited Q4FY15 Earnings Conference Call"

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Gulf Oil Lubricants India Limited Q4FY15 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. Please note that this conference is being recorded. I now hand the conference over to Mr. Prashant Tarwadi from Axis Capital. Thank you and over to you sir.

Prashant Tarwadi: 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 performance for the quarter and then we can switch to question-and-answer session. Thank you and over to you Chawla sir.

Ravi Chawla: Thank you, Prashant. Good Evening, all, and thank you for joining the call. It is Friday late afternoon, so thanks once again. The Q4 for us has again been a positive quarter; net sales have come in at Rs.264 crores which is 5.7% growth over last year quarter and volumes have gone up by 6.5% this quarter. The EBITDA has also moved up to Rs.35.8 crores and the EBITDA margin has gone to 13.6% compared to 11.75% which it was last year quarter. So the quarter for us has been a positive quarter, again March being the year-end, volumes have been on the positive side, if you look at industry also which we feel has been at flat to a single low digit, so there has been a positive quarter for us. If you look at the overall annual figures that we now clock in as the first year for us, we have delivered revenue growth for the full year of 12.2%, PBT growth of 13.6% over the last financial year, net revenues came in at Rs.967 crores vs Rs.862 crores of previous year, PBT at Rs.116 crores Vs Rs.102 crores and EBITDA has again shown a healthy growth of 21%, EBITDA margins for the full year had come in at 13.6% which was 100 basis points over last year. What we had indicated earlier also that this would be the kind of growth. For us, of course, the heartening thing is that both double digit revenue and profit growths in a challenging year when industry actually witnessed low single digit volume growth. Of course, we have been dependent on the economy infrastructure which have been challenging, we all were hoping for optimistic outlook on these, but again we are not seeing that happen. B2B has been a big win for us, our B2B volumes have grown, we would say the new businesses with Mahindra Tractors, and other OEMs have been positive for us. The second half saw a lot of competitive actions post November-December we have seen discounting in the market, a few changes in that, so there was pressure on that score but still we have managed to deliver our margins and volumes.

Company is happy to share and has announced earlier that the Board has recommended a final dividend of Rs.3.5 per share which is 175% of the face value and of course subject to shareholders' approval. Together with the interim dividend the total dividend is at 275%.

The year has been good, looking ahead as we go forward with better conditions for demand. We have launched a few new products in the Scooter category which were done and few investments went into that in the quarter also, launching this product, and pre-IPL also we had our burst in terms of our communication, so Q4 there was some advertising investments in that area. We sponsored the Zeegnition Awards which were basically to also build our brand and image with the OEM segment in this quarter and a tie-up with Schwing Stetter which we announced earlier which is on the B2B side for concrete construction equipment. So overall Q4 has been a positive quarter and we hope that next coming quarters will be better. Thank you.

Moderator: Thank you. We will now begin the question-and-answer session. We have a question from the line of Sanjeev Kumar Panda from Sharekhan Limited. Please go ahead.

Sanjeev K Panda: Sir, the crude price decline was a major factor where we were all expecting a better time for us because possibly we can make better margin. Certainly there are also concerns that there could be discounting in the market because the entire market will be benefiting from that. So these are the dynamics we understand but if you can help us to understand how it is happening in a market in terms of discounting, how much who is giving and what kind of competitive environment over there, at the same time how far we can actually retain or what we have retained in terms of this benefit and how much we have passed it on, and how the things are at the competitive side, if you can help us to understand the dynamics?

Ravi Chawla: November onwards we saw that the discounting in the market definitely it has started in the channel market and B2B prices as we mentioned to earlier are linked to the whole formula-based. Now usually require a 3 to 6-month kind of environment where the prices remain low where we can bring in benefits as most of us hold carry stocks. Though we have seen foreign exchange also was not so favorable, so margin expectation was a bit I would say diffused because of these two happenings where discounting happened, and again last quarter being a volume quarter, we have seen our channel sales as a percentage come down, B2B has been higher, so that again the mix part in terms of channel versus B2B sales also has impacted us by say 2% in terms of shift and we have grown our margins if you notice in from Q4 last year there has been nearly about 1.85% growth in margin but if you take the full quarter which came through we have maintained say 13.59% EBITDA and as mentioned earlier this is a volume quarter, there are of course incentives targets will go to distributors, channels, so those obviously also did needed to be done, we have invested a bit in the Scooter launch which has come in, again, our B2B piece going up means the pricing there would be slightly more competitive, base oil price has started going up slightly now. We are hopeful that going forward whatever stock we are carrying now, if pricing remains good, then there would be an upside to that.

Manish K Gangwal: And if you notice from the last year Q4 we have been able to improve material margins by 3% and even from December quarter sequentially the material margin level there is an upside of nearly 2%. So obviously the entire fall in base oil could not be retained as Ravi mentioned about the competitive action in the market, but overall there is an improvement of nearly 2% in the material margin in the quarter over December quarter and nearly 3% over last year December quarter.

Sanjeev K Panda: So sir going forward assume that the crude oil base prices will remain as it is now, so what do we can expect our margin to remain and broadly ballpark number or any number that you can give us?

Ravi Chawla: It is going to depend on the competitive scenario, as we see now competition is also in terms of spends, etc., we are seeing in the market that people are pushing in terms of discounts, etc., but we are looking at the upside that if this price remains, to just give you an example, I think base oil has moved up in the last 21-days we have seen base oils go up by at least 15% in terms of the pricing which we were earlier having, and the exchange rate is the other call. So we are hopeful that things will improve in terms and hopefully the market competitive discount scenario will be at a static level.

Sanjeev K Panda: I know that there are a lot of moving elements like dollar as you said and at the same time base price also moving up and down, but net-net assume that we will be getting X which is 100% the benefit because of the crude decline compared to the last year net-net can we say that 60-70% will be passed on and then remaining 20-30% could be retained with us or will that be a possible scenario, can it be doable for us?

Ravi Chawla: As you rightly said, there are so many elements which happen, large customers also are looking at price off there and the same scenario as you are asking, "what is going to happen to the crude oil price" so it is going to be a tough call as I look forward, and obviously when we are under volume growth also, we would like to grow our volumes and market share also. So we will have to balance both.

Sanjeev Panda: If you can share your developments regarding the CAPEX plan that we are talking about, how is the ramp up and how things are moving ahead?

Ravi Chawla: We are happy to share the Silvassa expansion is now completed, so the production what we wanted in terms of capacity of 90,000 is ready now, of course, the requirement is going to happen in the year as we grow our volumes in the current level, Chennai is on stream again, the planning process, registration has taken place, so now the permissions, etc., will happen. So both the projects as is envisaged are going on track in terms of our expansions.

Sanjeev K Panda: The completion time and the ramp up time line, where do you see that these benefits….?

Ravi Chawla: Yes, we are on track for that.

Moderator: Thank you. Our next question is from the line of Raj G from Sundaram Mutual Fund. Please go ahead.

Raj G: Sir, on the base oil as you mentioned it has started moving up again but let us say from the Q3 average Q3 would have been the peak of base oil cost for you on a reported basis?

Manish K Gangwal: Q3 would be the peak so partial benefit has come, as I mentioned nearly 2% in terms of cost declining in the quarter March and since we carry inventory which were spilling to Q4 the peak for us would be this quarter.

Raj G: You said for you Q4 will be in terms of per tonne basis of Lubricant the base oil prices has peaked, right?

Manish K Gangwal: Yes, Q3 was last year December quarter where we peaked, partially it had come down in Q4, and we should peak actually in this current quarter. We should be the lowest in terms of this quarter as we see that base oil has again started going up, but we carry inventory. So this quarter actually we have sufficient inventory.

Raj G: Q4 as you said that you saw some benefit of 2%, next quarter how much likely is it to be?

Manish K Gangwal: Again, since we are talking in terms of percentage, and competition so far has been fairly stable in last 2-months, we do not know what will happen because still there is nearly 1.5 month to go.

Raj G: If not in percent term let us say from Q3 cost basis at the bottom how much did base oil prices correct for you as in obviously if you take out this 15% hike recently in the last 21-days, how much did it correct from the Q3 average?

Manish K Gangwal: Our cost has come down by nearly Rs.5 per liter and may be another similar amount or slightly lower will be again in this quarter because base oil we have to understand that constitute only 60% of the material cost, there are other factors, Additive cost, packaging, and then there are inflationary things on the other side.

Raj G: On the Additive side how has the pricing been, any correction as yet on the cost?

Ravi Chawla: No, Additives companies were actually increasing their prices till Q3, so Q4 whatever price increase they have planned, they have not done it in Q4. As of now the situation looks stable as far as Additives is.

Raj G: So till Q3 they were increasing prices, so the effect to you would have come in Q4 of FY-'15, right which…?

Ravi Chawla: Additives we hold slightly lesser in terms of number of days, take about 30-days or 45-days for the new prices to come in.

Raj G: But now given that eventually there are crude derivatives and crude has settled about $50 lower, so any benefit likely here or the only…?

Ravi Chawla: Again, like as Manish mentioned, ours is 60% is due to base oil, theirs is even lower, because they go more by chemical industry like this also, plus there are 3 or 4 major suppliers of Additives, so the technology is limited to them, so pricing is to that extent little less flexible for them. Lubrizol and Chevron, these are all global players, so they do look at global scenario also when they decide.

Raj G: Because any chemical index I see sir at least 10-15% it is off?

Ravi Chawla: But Additive industry if you see the trend, if you can research that a bit you will see that they have been taking up their prices across the globe, Lubrizol and if you see the others.

Raj G: And sir in terms of A&P spends, do you intend to keep it here or given that you have some urgent lever, you will try and increase there?

Ravi Chawla: No, we are increasing, starting today there is a new 'Motorcycle Campaign' which is for our Motorcycle range, so we are investing in that, we have been quite not much in media, so

Scooter product which was launched, Scooter as you know is one of the fastest growing categories in the 2-Wheeler segment, so we have just launched the scooter product, but that is not going to be heavily promoted in television, but our main line which is the Motorcycle Oil now we are launching a complete campaign starting today in fact. We are going to continue investing in that because that is one of the other key markets which are growing very well. So obviously to get market share in that.

Raj G: So sir your A&P spend for this Q1FY16 will be lumpy because of this campaign which you are launching so that initial launch and expense or something would be there?

Manish K Gangwal: So we will be in the range of 6% to 7% obviously because we always balance it out with some other activities to be deferred for the next quarter. So for us it is not a concentration in a particular quarter per se, we even it out by deferring some of the other things which we do. So it will be in the range of 6% to 7% which we have been doing.

Raj G: And sir just for you possible to highlight how much market share you have in CV segment; 4-Wheelers and 2-Wheelers what is the market share that you have or broadly in terms of your sales some breakup how much of it is in CV, how much is industrial, how much is B2B, so just some broad breakup of your sales?

Ravi Chawla: Since we are playing in certain segments limited to the bazaar, for example, in Motorcycle Oils we would be again at about at a 7-8% market share there, similar share in a new generation Diesel Engine Oils, so similar sort of share in these two segments which for us are larger segments, and if you take overall bazaar market we have been talking about nearly about 6.5% to 7%, so that is there, of course PCMO which is a Passenger Car Motor Oil we would be less than 5%. So that is an area which we want to grow in the future. B2B if you look at various segments that we play in, again as I said we are into segments of segments so broadly there the play we have there would be about 4% overall.

Raj G: And again sir in terms of regional presence, when you say that in Motorcycle you have 7 to 8% and in Diesel Engine Oil you have 7 to 8% is it again concentrated in certain areas like western IC you are not there as much it is Veedol and Castrol, so how would be your geographical concentration be?

Ravi Chawla: Geographically, in the Diesel Engine Oil we are strong in the South and in West, and we are present across all regions, may be North for us is the area for development and Motorcycle again for us South is a good opportunity, otherwise we are present across the regions. So there are pockets where we can grow more. But these are the areas where we can grow more, for example, I mentioned that Diesel Engine Oil North is an area where we can grow. Motorcycle South is still an area where we see opportunity.

Raj G: Any plans outside in neighboring countries whatever?

Ravi Chawla: No, at the moment we are doing very small exports to Bangladesh and a few other countries which is mainly Motorcycle Oils.

Moderator: Thank you. Our next question is from the line of Vishal Gajwani from Birla Sun Life. Please go ahead.

Vishal Gajwani: What is the kind of volume growth one could expect from your company in FY16?

Ravi Chawla: I think as we have been saying consistently we obviously look at 2 to 3x market growth in the segments we have been positioned. So as you would see from our achievements also over that is really the benchmark we set and in segments that we are focusing on, that is what our objective is.

Vishal Gajwani: Sure. What kind of, have we seen any kind of CV cycle revival in terms of demand paying up for our segments?

Ravi Chawla: We would say in the B2B side we are seeing some pick up in the infrastructure segment, the direct customers into infrastructure projects. But really we are waiting for mining and we are waiting for general demand in the channel segment for commercial vehicle to pick up. And in fact we can say now LCV is slightly subdued, so CVs which were growing well two years back that is slightly subdued.

Ravi Chawla: Okay. To 2%, 3% kind of industry volume growth is possible on an overall basis?

Vishal Gajwani: How much?

Ravi Chawla: 2% to 3%.

Vishal Gajwani: Yes, industry would be about 1% to 2%, I think that is the reason Bazaarthe channel market is usually percentage or two more than that, so 1% to 2% overall and 2% to 3% Bazaar is what I think we hope that that is what will happen this financial year.

Ravi Chawla: Okay, sure. Last year you had a tie up with Mahindra and Mahindra to sell oil for the tractors, do we have any other tie ups on the cards?

Vishal Gajwani: Well, Vishal to be very honest, the tie ups what we have we have announced in the market so we are obviously working on with number of OEMs to look at tie ups. These things do take time, so as and when we are finalizing it, we would be sure that we would be announcing in the market and letting and announcing new product ranges. So as of now, yes, work is on with the few OEMs, I can confirm that but of course we cannot announce the names till it is tied up.

Moderator: Thank you. Our next question is from the line of Dhaval Mehta from Emkay Global. Please go ahead.

Dhaval Mehta: Sir my question is again related to the gross margin, sir if we see like sequentially also from Q2 FY15 to Q4 FY15 gross margin, the amount which has been improved is way too less as compared to let's say our peers or similar companies in a different industry where input is more oil based. So my question is that are we seeing any unfavorable product mix or some pricing action from our part?

Ravi Chawla: No, so as mentioned previously the quarter, we carry inventory for finished goods and raw material and some of the competition maybe having at that point in time, slightly maybe 10 days, 15 days, 20 days lower inventory. So that can only be the difference and of course the pricing action for them and us maybe depending on the segment where we have operated. Overall, we see that for us the margins will peak in this quarter and not the March quarter which some of the competition say that they have peaked in the margins.

Dhaval Mehta: Okay. And regarding A&P sir, like can you just give us a ratio like what percentage is advertisement and what percentage is promotion?

Manish K Gangwal: Nearly 50-50 out of 6%, 7% which we do, nearly 50-50.

Dhaval Mehta: So it will be the same ratio going forward or it is likely to change?

Ravi Chawla: No, we usually maintain the ratio but sometimes instead of 50-50 it becomes 60-40, but that also depends on what competition is doing, what product launches are there. So we usually plan this for the year but we review it every six months and then decide what we need to do.

Dhaval Mehta: Okay. And one question regarding our B2B and B2C, sir what percentage is our B2B business and what percentage are B2C and is there any margin difference between the two businesses?

Ravi Chawla: Yes. So obviously B2C channel commands higher margin than B2B and for us nearly 70% is B2C and 30% B2B on an average, on a yearly basis, of course quarter-to-quarter it may vary to some extent, but largely.

Dhaval Mehta: So just to infer, can I say that in Q3 and Q4 we have seen a greater proportion of B2B business that is why our gross margin has not improved drastically as compared to let's say our peers?

Manish K Gangwal: Yes. To some extent yes, the share for example of B2B in quarter four, March quarter, has gone up 33% because the channel was flat and as we have always mentioned that we will strike a balance between volume and margin so we have got certain B2B volumes which are at a decent margin but obviously less than channels, so that also plays out, you are right.

Moderator: Thank you. Our next question is from the line of Sabri Hazarikafrom Antique Stock Broking. Please go ahead.

Sabri Hazarika: Sir can you give me the volume numbers for 4Q and FY15?

Ravi Chawla: Our overall volumes for the year are roughly 68,500 kl.

Sabri Hazarika: Okay. And for 4Q the run rate would be similar to what it was in the other quarter?

Ravi Chawla: Usually Q4 is slightly higher.

Manish K Gangwal: Q4 is slightly higher because it is a year end, because of the distributor.

Sabri Hazarika: Okay. Can you tell us what discounts or pricing that you have taken in 4Q in lubricants?

Manish K Gangwal: So there is no MRP level cut which has happened from our side, but of course there have been some increase in schemes, discounts and promotion in quarter four.

Sabri Hazarika: Okay. And is this likely to continue in 1Q also considering the fact that your margins are expected to peak in 1Q FY16?

Ravi Chawla: The spends will be more or less same what we have done in Q4, but we are hoping as we mentioned our base oil cost will come into play and if there is no further discounting then as we said this would be a good quarter for us in terms of base oil cost being, the lag effect of the base oil being positive for us.

Sabri Hazarika: Right. Because some of your competition maybe planning not to, maybe planning to reverse the discount so in that context probably you would be maintaining you’re pricing.

Ravi Chawla: As we are in a very competitive market, you need to appreciate, we compete both if we talk about competition there is competition above us and at our level and maybe little below us. When we look at volumes and market share, retention and gains, we have to compete at different points in terms of our range. So based on the strength of the competition, strength of our position we do need to look at our flexibility in terms of offering as you know today it is a push pull kind of environment so there is a bit of balancing there.

Sabri Hazarika: Okay. And just one last question, was there any foreign exchange related adjustment in your interest cost because of which it has come down in 4Q?

Ravi Chawla: Sorry, repeat again.

Sabri Hazarika: Why was the interest cost down significantly quarter-on-quarter in 4Q?

Manish K Gangwal: Yes. Because the rupee was stable almost in the quarter Jan to March versus October to December quarter, this is largely because of that.

Moderator: Thank you. Our next question is from the line of Amit Mfrom Deutsche Bank. Please go ahead.

Amit M: Just on the revenue growth, the revenue growth was roughly 6% YoY in the quarter from what I understood, so can you please split it out between volume growth and pricing as we do generally?

Ravi Chawla: For the full year you are saying?

Amit M: For the quarter and also for the full year both actually.

Manish K Gangwal: For the quarter actually our revenues have grown nearly 6%, last year March quarter out of which nearly two-third is again is volume, so nearly 3.5% is volume and rest is realization improvement. And yearly basis, our revenues are up 12.2% of which again 6.5% is a volume growth.

Amit M: But in the fourth quarter you provided some discounts, right, so still the realization was higher as in…?

Manish K Gangwal: Yes, over the last year quarter four, yes, if you see form December quarter it was lower, but over last year the realizations have not gone down to that extent.

Amit M: And what will be the average level of discounts prevailing right now?

Ravi Chawla: No, we could not understand what is the average level of discount.

Amit M: Roughly, I mean is not the discounting is at what, 5% or higher as in on the MRP?

Ravi Chawla: Depends on lot of, the discounts are varied from category to category, I mean everybody has placed some discount as per their spends in the product segment.

Amit M: Okay. But still, is there a rough number that you can indicate on average basis?

Ravi Chawla: You are talking of additional discount or the normal discount?

Amit M: The additional discount that is prevailing.

Ravi Chawla: So additional discount has been nearly in the range of 3% to 4%.

Amit M: Okay. And if I understood you correctly, you said the base oil price will fall by another Rs.5 per liter in the first quarter of FY16.

Manish K Gangwal: That is for us, our holding cost.

Amit M: Okay. And it had fallen by Rs.5 in the previous quarter also?

Ravi Chawla: That is right.

Amit M: Okay. But maybe because the gross margin it was not visible because of some discounting and higher B2B business as what you said.

Manish K Gangwal: Absolutely right.

Amit M: Okay. So incrementally discounts are not rising, right, they are expected to fall now, so we can expect some improvement in gross margin next quarter given that your base oil will fall in the first quarter as well?

Ravi Chawla: That is what we are expecting.

Amit M: Okay. And any guidance or indication on the same in basis points, let's say 100 basis points or 200 basis points?

Manish K Gangwal: That will be very difficult to say because as we mentioned we do not provide guidance but we have given sort of indicative….

Moderator: Thank you. Our next question is from the line of Mr. Prashant Tarwadi from Axis Capital Limited. Please go ahead.

Prashant Tarwadi: If you can elaborate on the initiatives taken in PCMO segment as well as scooter segments, that would be helpful. Thank you.

Ravi Chawla: Yes. Scooter segment as we know is growing 22%, in fact it is going to become a large part of the two wheeler sales. So we had a product gap there, so the scooters as you know the new scooters have no gears so you require a lubricant which is different from a motor cycles, you need something which I know is friction less. So this product has been developed by us and we are the third competitor now to put in the market. We have the put the product range, we have launched campaign through digital, and also there is an ad coming in single screen theaters with Mr. MS Dhoni, so there is a humorous ad which is out. So scooter we are targeting to place a product and then obviously take a bit of the growth from there. The other thing on PCMO, we will be announcing maybe in the next quarter, so right now we do not want to share our plans for obvious reasons but we have plans to do activities in the passenger car where I told your market share is sub-5%.

Moderator: Thank you. Our next question is from the line of Dhaval Mehta from Emkay Global. Please go ahead.

Dhaval Mehta: Sir one last question, I just wanted to know, our CAPEX at the Silvassa plant, the 1500 kl, has it been commissioned and when it is expected to go live?

Ravi Chawla: Silvassa was at 75000 capacity metric ton, we have enhanced that to 90000, so 50000 we have added. Capex I shared with you earlier was 40 crores we have added automatic equipment, we have added extra blow molding capacity and storage, etc. So that is sort of I would say extension of our facilities in the Silvassa plant which will also make it more efficient for us and right now there was a lot of pressure on Silvassa plant, working 2.5 shifts. So that will ease up till the Chennai plant comes into action 2016.

Dhaval Mehta: So have you started production from the remaining 15kl which we have added or…?

Ravi Chawla: Yes, that is on now.

Dhaval Mehta: Okay. And the Chennai facility is on stream, right?

Ravi Chawla: That is right.

Moderator: Thank you. Our next question is from the line of Shraddha Sheth from Edelweiss. Please go ahead.

Shraddha Sheth: Just wanted to understand what is the differential margin between passenger vehicle and the other segments and as that is our focus area, does it help in improving our margins?

Ravi Chawla: Let me share with you, our focus areas have been new generation diesel engine oils, motor cycle and parts of B2B, and of course we have added the tractor piece with the Mahindra tie-up. Passenger car is our next focus segment. We obviously do not want to lose focus on that segment will be a focus gone for so many years which are the three ones or four I mentioned. Passenger car is going to be our next area as we mentioned again it is a low market share, we need to get our pricing, distribution, and promotion right in this area. As an industry, passenger car in the bazaar market gives a better margin. At present, our pricing is being reworked to kind of approach it in that manner. So passenger car today for us is probably at similar margin as motor cycle for us but we are looking at how we can position our range and see how we can improve that.

Shraddha Sheth: Understood. And sir what is our target, say three to five years down the line in terms of market share in that segment and even for us as a pie out of our overall sales?

Ravi Chawla: If you see different companies there are different levels. For us today our passengers, motor oils has a very low part of our contribution. We are hoping that like our motorcycle share we would move up to 7%, 8% market share in the next three to four years.

Shraddha Sheth: Understood. So all in all what I was asking is, with the sales mix also changing over the next three to five years with obviously initially the pricing would be penetrative but over three four years it would stabilize. With the mix improvement also that should improve our margins sustainably?

Ravi Chawla: Well, as you have rightly said that is obviously part of the strategy that passenger car brings in not only market share in the segment, obviously the brand image plus it is a segment which would help us to look at our margins positively in a higher direction.

Shraddha Sheth: Right. Sir and any new product pipeline in that focus for that segment?

Ravi Chawla: For which segment?

Shraddha Sheth: For passenger cars, because as I head we are more focusing on the motor cycle and the scooter segment.

Ravi Chawla: That is what I mentioned to you, we are gearing up for our passenger car segment to look at how we can penetrate further and hopefully in the next call we will be able to share with you some actions in that direction which will include product and promotion and distribution.

Shraddha Sheth: Right sir. Sir and just lastly, just wanted to confirm sir, if I heard it right our expectation for the industry roots would be around 2% to 3% in the bazaar segment, right?

Ravi Chawla: That is right.

Moderator: Thank you. Our next question is from the line of Mayur Matani from ICICI Direct. Please go ahead.

Mayur Matani: Sir, can you share the quarterly volume data with us?

Ravi Chawla: As mentioned to you, our annual volume has 68500 kl, roughly as a percentage 20, now the quarterly volumes are more or less evening our because as we said B2B was also higher this quarter. So March quarter is generally 2% to 3% higher.

Mayur Matani: For the fourth quarter, the volume numbers, approximately will be the average of yearly one?

Ravi Chawla: Around 26% to 27%.

Mayur Matani: Okay. And sir with regards to the other expenditure, last year it was about 30% and this year it has fallen to 22%. So going forward how do you see that trajectory?

Ravi Chawla: Last year you are saying last year 30%?

Mayur Matani: Yes.

Ravi Chawla: Which figure?

Mayur Matani: Other expenditure.

Manish K Gangwal: Are you taking the figure from the published results?

Mayur Matani: Yes sir.

Manish K Gangwal: As per us, last year the other expenditure were in the range of 22% and this is 21% this year.

Ravi Chawla: Just if you can relook at the figure please, you can talk off line if you want, as per our record it shows 22% and roughly 21%.

Mayur Matani: Sure. And sir what are the current prevailing base oil prices now?

Manish K Gangwal: Base oil prices are actually for various categories there are different prices, for some of the categories as high as $1000 to $650, $700.

Ravi Chawla: Range is $650, $700 to about $1000.

Moderator: Thank you. I would now like to hand the floor back to Mr. Prashant Tarwadi for his closing comments. Over to you, sir.

Prashant Tarwadi: Hi, thanks a lot Gulf Oil management for devoting for this call. Thanks a lot to all participants for participating in the call. We really appreciate Gulf Oil management taking time off their busy schedule for this call. Now let me request Mr. Chavla for his final closing comment. Over to you Mr. Chavla.

Ravi Chawla: Yes. Thank you so much Prashant. Of course, again thanks to all for spending a Friday evening, enjoy your weekend and I think we have summarized and taken questions from everybody. Thank you so much for this. We as a company also it is the first year of listing and we are happy to share this with you whatever we can and learn from you also. Manish would just like to share a few things that we have done, just to end the call. And of course, Manish over to you.

Manish K Gangwal: Yes. So as we have mentioned that there is a good improvement in the P&L but at the same time we have published the balance sheet and I would like all of you to also look at that. There is a significant improvement in the balance sheet parameters as well and our net debt in quarter two call we had said is around 90 crores has come down to now 34 crores and our working capital has improved from nearly 114 days to 96 days on a gross basis and the return ratio also has gone up, ROCE has gone up to 57% and ROE has gone up to nearly 41%. So these are some of the balance sheet related improvements also which have happened since the last September quarter balance sheet we published. Thank you very much.

Ravi Chawla: Thank you Prashant. Thank you everyone.

Moderator: Thank you very much. Ladies and Gentlemen, on behalf of Axis Capital Limited that concludes this conference call. Thank you for joining us. You may disconnect your lines.
