Gulf Oil Lubricants India Limited

June 3, 2021

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai- 400001
Scrip Code:538567

National Stock Exchange of India Ltd.
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex, Bandra (E)
Mumbai – 400 051
Scrip symbol: GULFOILLUB

Dear Sir,

Sub.: Earnings Conference Call Transcript - Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations")

We enclose herewith the transcript of the 'Earnings Conference Call' conducted on Monday, 31 May 2021 at 4.00 p.m. IST.

This information will also be hosted on the Company's website, at www.gulfoilindia.com.

This is for your information & record.

For Gulf Oil Lubricants India Limited

SHWETA VIKAS GUPTA
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Shweta Gupta
Company Secretary & Compliance Officer

Encl.: as above

"Gulf Oil Lubricants Limited Q4 FY21 Earnings Conference Call hosted by Yes Securities"

May 31, 2021

MANAGEMENT: **MR. RAVI CHAWLA- MD & CEO, GULF OIL LUBRICANTS LIMITED**
MR. MANISH GANGWAL – CFO, GULF OIL LUBRICANTS LIMITED

MODERATOR: **MR. NITIN TIWARI - YES SECURITIES**

Moderator: Ladies and gentlemen, Good Day and welcome to the Gulf Oil Lubricants Limited Q4 FY21 Earnings Conference Call hosted by Yes Securities. 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 '*' and then '0' on your touchtone phone. I now hand the conference over to Mr. Nitin Tiwari from Yes Securities. Thank you and over to you, sir.

Nitin Tiwari: Thank you Tanvi. Good evening ladies and gentlemen. On behalf of Yes Securities, I welcome everyone to Gulf Oil Lubricants fourth quarter and FY21 Earnings Call. Today we have the pleasure of having with us the MD and CEO of Gulf Oil – Mr. Ravi Chawla and the CFO – Mr. Manish Gangwal.

I will now hand over the call to Mr. Chawla for his opening remarks which shall be followed by a Q&A session. Over to you, sir.

Ravi Chawla: Thank you Nitin. Good day, good evening, and good morning to everybody who is joining us for the Quarter 4 call. I hope all of you are safe and your families are safe and of course I would like to start off by saying that we have had a good quarter, but for us the priority now is the safety of everybody as all of us around India go through this second wave and just to highlight a few things to all of the people on the call this is obviously the second wave we have seen it has come upon us and Gulf as a company has been not only for our employees and our associates we have formed a special task force to take care of them and of course follow all the rules. We have also spent a lot of our time in helping to provide oxygen, to provide ventilators even our Silvassa plant and all helping the local authorities to deal with this national crisis that we are going through and of course it would definitely be everybody needs to be safe and that is the top priority as we look at today's time.

Coming to the Quarter 4 again I must say that we have definitely seen improved demand conditions across our markets and I would like to say here that the company has delivered significant revenue and volume growth crossing 500 crores top line for the first time with record quarterly volumes of 35,000 KL which have certainly shows that the demand conditions were very good and delighted to share with you also that this is not only the highest quarter volume of 35,000, but also the highest revenue we had in a quarter and the volume growth for this quarter we have seen has been excellent again more than three times the industry growth rate we have had good demand conditions in Quarter 4 across segments and all segments have ended with a double digit growth that is again last year Quarter 4.

We know last year Quarter 4 was definitely March the second week as an impact, but I am very happy to share that there has been excellent pickup in Quarter 4 revenues has also grew by 44% and definitely we have taken up our prices to deal with the cost challenges and we are confident that going forward we will go in our margin range which we always talk about. There has been enough price increase is taken at this stage as we see margin has got impacted this quarter, but we will be doing well, and we are confident of that and clearly that remains a focus area for us.

In terms of the brand initiatives we not only did our advertising during the IPL, we also started a new campaign which towards the end of the quarter which is to highlight our new improved products which is in the motorcycle range Gulf Pride 4T Ultra Plus and not only did we have the product value proposition of longer drain faster pickup, but we added protection and really consistency in protection and pickup which is the new CVP which we launched which we launched with a very innovative campaign towards the end of the quarter which has had the younger Dhoni talking to the older Dhoni and giving him the message of consistency, the attribute of consistency in Cricket and in the products that we have.

So, this was the key thing that happened and just again to share with you that during this pandemic crisis we also done a lot on our CSR and mentioned a lot of work we have done with many foundations with Hinduja Foundation, Mukul Madhav Rotary Club to bring in all that we could do definitely to help us and we have really seen that in the annual analysis we have been able to deliver the profit and the volumes as per last year when the industry has probably degrown double digit so again maintain a record of going ahead increasing our market share ahead of industry and we have seen record performances of Quarter 2, Quarter 3 in profits and excellent growth also in Quarter 4.

So, I am happy to share that this comeback we made month-on-month as soon as markets were opened, a good discipline on our cost, robust volume top line growth as we faced so many challenges and in the last quarter the challenge on the cost which came in, but the company has been focused, margin management has been key, volume growth has been key for us. We have not only done that, we have make sure we have taken care of all our people been there right through this and passion is one of our attributes. We have continued with that started investing in our brand again and our brand visibility also you must have seen during IPL it was very high with Chennai Super Kings and this campaign has come back and we are fully geared up to look at the challenges currently that are coming in and manage the second wave of COVID and ensure the safety and our top priority is that and also look at growth and hopefully we will bounce back very strongly like we did last year and manage this second wave. I will now hand over to Manish to take you through some of the other highlights. Manish.

Manish Gangwal: Thank you Ravi. Good afternoon good evening everybody and I would say that hope you are all keeping safe and your families too. To just to add on few points what Ravi said just now in addition to those our battery business has done well as we have been highlighting for the last two quarters also this year as a whole has been a phenomenal year of growth for battery business and for the full year we have clocked in nearly 80 crore of revenue and positive bottom line and also the cash flow from operations have been very high. We have generated again 195 crore during the year as cash flow from operations versus the PAT of 200 crores. So, it is nearly like

95% plus convergence of profit to cash and we have managed our working capital very well throughout the year.

Also last two years we have generated more than 425 crore of cash flow in the year which have been difficult years the year before was year with automotive slowdown and the last year we all know was a COVID impacted year, but still we have generated more than 425 crore of cash from operations alone in this two years in tough years. So, that reflects well on the robustness of business of the company and because of this the board was also happy to increase the dividend payout ratio and we have increased the final dividend board has now recommended a higher final dividend of 450% nearly Rs. 9 per share as against so the full year dividend goes to around Rs. 16 versus last year Rs. 14 on the same PAT. So, that also is quite encouraging and shows the confidence of the board in the business model and the future ahead.

With that, we would be happy to now take questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sabri Hazarika from Emkay Global. Please go ahead.

Sabri Hazarika: I have two questions the first one is relating to your EBITDA margin outlook so right now we have seen Q4 EBITDA margin falls around 15%, but I guess 18% was a guidance now if you take your price hike also I think on a percentage terms I think significant price hikes would be required because already we have cost rising significantly and now also crude oil prices are quite strong at $70, so on a EBITDA per liter basis I think things are more comfortable was on the margin front it looks that we need to take substantial hike going ahead, so you still maintain 18% or EBITDA per liter would be a better representative now?

Manish Gangwal: If you see the quarter has seen an unprecedented hike in the base oil prices globally including in India and those prices as we have been always highlighting that the industry has been such that with a time lag you are in a position to pass on those increases to the end consumer customers, but that takes some time and we have taken price actions as you mentioned in this period to manage the margins, but to cope up with such a significant increase of nearly 5% gross margin erosion in one quarter you have seen. We have been able to manage cost and because of a good top line and robust demand the operating leverage came in which gave us nearly 2%, 3% advantage and overall, the margin was slightly lower at EBITDA level to around 15% plus. For the full year I would say that it is very difficult to talk off quarters, but for the full year you would still aim at the band which we have been always talking about 16%, 18% bands depending on how the market moves of course the Quarter 1 will be a challenge because of on the both fronts not only the cost and also because the demand condition, because of second wave and lockdowns, but overall we have seen last year and you all have noticed that once the lockdowns were lifted from June 20 onwards the business bounce back very sharply and swiftly and we delivered record quarters of profits in Quarter 2, Quarter 3 and a very good quarter on top line for Quarter 4 as well and of course a decent bottom line. So, we are quite hopeful that this business being a semi essential category business it bounces back very swiftly, sharply and we hope that once the lockdowns of this second wave ease out and from June onwards somewhere in June things will start improving and we will be able to bounce back very sharply and overall, for the full year we will still try to aim the same band of margins, but we have to really wait and see as the things plan out.

Sabri Hazarika: Second question is more related to certain book keeping numbers the first one is you have small amount, but you have CWIP somewhere like 3.7 crores for FY21, but I guess 66 lakhs which was in FY20, so what would that be?

Manish Gangwal: These are some of the CAPEX which is ongoing which is not yet capitalized.

Sabri Hazarika: It pertains to core business or something else?

Manish Gangwal: Mostly in the plant you have to keep doing some base oil tankages you have to keep adding some of the peripheral infrastructure on account of that.

Sabri Hazarika: For the full year, your volumes will be how much 115 how many KL that will be the number?

Manish Gangwal: For the last year yes 115,000 KL.

Sabri Hazarika: And the price hike you said you have taken so when was the last price hike you have taken?

Ravi Chawla: So, different segments we have different price increases so in the bazaar I think right from December we have been taking up there have been two to three price increases there and I think with OEM you have a formula and then of course industrial also we have taken prices two times. So, this is as we get an opportunity we keep taking up and this is some of the dates which we can remember, but this is regular last I think three to four months we have gone up twice or thrice.

Moderator: Thank you. The next question is from the line of Viraj Kacharia from Security Investment Management. Please go ahead.

Viraj Kacharia: My question largely on the EV Readiness for the company I was just trying to understand what is a play with respect to EV fluids, so if you can just give some color in terms of where are we in any pipeline you can give both with the incumbent and non-incumbent players, what is our readiness and capability here so that is one and second is related to EV fluids compared to ICE, Lubes how does your ASP really work so if you can give some thought on that?

Manish Gangwal: See we have a range of EV fluids which you have launched globally we will be obviously introducing them in India, but the requirement is not very high at the moment as you know the numbers. Now EV fluids is of course the fully electric do not require any engine oil. So, the consumption if you are looking at fully electric convergence the engine oil goes away which is a major part. So, they do have some other fluids. So, we have those products which we look at segment wise, which we offer, but not much volume in that as you know now with the EV populations though it is growing. Going forward we are looking at the EV value chain. We do not have petrol stations so obviously we want to use we have already made an announcement of small investment in a UK based company called Indra who is making charges for the home charging and other V2G requirements. So, we are studying that and fine tuning that and how we can look at those products in India and other parts of the value chain also we are studying which we can participate. So, I guess once the plans are firmed up we will get back to all of you and regarding the growth of lubricants I think we have been seeing that very often that given the population of ICE engines in various segments whether you take trucks, tractors, cars of course bikes also are there and the industrial engines and all which are there in construction equipments. The lubricant demand will continue to be there both in terms of penetration numbers and replacements for at least two decades we look at the demand growing India being a large market, but yes as an EV value chain we are looking at options how we can get them and have a large play and as I mentioned Indra is one of such associations where we have pumped up and we are looking at how we can bring their markets to India and EV fluids will be there as required.

Viraj Kacharia: It is good to know we have already developed the capability I mean so far we just know the MNCs have entered in the market so just three follow ups on that, one is what is the barrier in EV fluids how complex the technology is for one to make it, so just still trying to understand I understand you right now maybe quite small, but like a market for future so just trying to understand it better?

Ravi Chawla: So, we have the whole range we can bring the range, but you see right now the requirement is very low with the numbers that you have now OEMs and others are making. So, we can give it, but obviously when the fully electric vehicles comes there will be no engine oil which is a main thing. So, the impact of that is definitely in cars and two wheelers also you see people are trying a lot, but so we will have the fluids the technology is available in our global technology.

Viraj Kacharia: I mean indicatively what will be the ASP and the lifecycle of a fluid in EV compared to an ICE?

Manish Gangwal: Definitely there is no engine oils so the other fluid will be I would say definitely they will not change as often as the current one, but these are all transmission fluids and other coolants and all which come in. So, engine oil not being there obviously the volumes will come down if it is a fully electric vehicle and hybrid it is similar, but the usage of the engine depends on that India is of course trying to go fully electric. So, likewise we will have to see the conditions here how these various products come in and what is the lifecycle.

Viraj Kacharia: Are we there with any of the non-incumbent say Ola or Ather or even with **(Inaudible) 18.27** so they have pretty aggressive expansion plans?

Manish Gangwal: So, we are not able to announce anything, but obviously we are looking at the EV value chain as we told you.

Moderator: Thank you. The next question is from the line of Manikantha Garre from Axis Capital. Please go ahead.

Manikantha Garre: Just wanted to ask couple of questions to start with book keeping questions what is the A&P percentage spent at the percentage of sales increase also?

Manish Gangwal: It is 4% for the quarter Manikantha because we have IPL during the quarter, we had a campaign as Ravi mentioned Dhoni versus Dhoni, so it is 4% for the quarter.

Manikantha Garre: So, if it is for 4% than the other expenses looks like has fallen significantly by 14% quarter-on-quarter basis despite our volumes have increased 6%, can you give more color on that other expenses part where are we controlling the cost sir?

Manish Gangwal: We have done a cost optimization across and of course travel was not there and there have been operating leverage. As a percentage also if you are talking of absolute number we have done almost similar number, but as a percentage because the top line growth has been very robust the operating leverage part has come in and the percentage looks better.

Manikantha Garre: Sir with respect to the volumes I know that we have started getting from the pentup demand from Q2 onwards itself and that was very much helpful for us in Q3, just want to understand little bit more about the incremental volumes that we got in Q4 so we have seen 2 million data incremental volumes in Q4 which segments out of the 3 B2B volume industrial I think you mentioned in the press release that these are the segments where we have record volumes again, so which out of these three has helped us out of these 2 million incremental volume that we have seen or anything with respect to that?

Manish Gangwal: All segments Manikantha has delivered double digit growth for us in this Quarter 4 all business segments. The gross growth has been across the board across all segments and including retail infrastructure channel OEM also had a very good Quarter 4. So, across we had a very good exports also, so I think the volume has come from all segments nothing particular specific even B2B industrial has done very well for us the industrial segment. All segments have pitched in with double digits.

Manikantha Garre: So, on that context can you please give me latest product and volume mix for Q4?

Manish Gangwal: So, as all the segments have grown double digit the product mix more or less remains the same even personal mobility has grown double digit. So, across the board more or less the product mix also remains the same.

Manikantha Garre: So, last quarter it was 65-35 for B2C and B2B that remain same you are saying that?

Manish Gangwal: No 65-35 has come down to nearly 60-40 for the quarter because again in the month of March the some of the Western parts of India announce the partial lockdown Maharashtra parts of MP etcetera because the second wave started coming in, but more or less I would say the product mix is similar plus minus 1% here and there in categories.

Manikantha Garre: So, the volume mix remained more or less remained same at 37%?

Manish Gangwal: Yes.

Manikantha Garre: Industrial segment volumes remained at 15%?

Manish Gangwal: Yes has gone up by 1%, 2%.

Manikantha Garre: Last question with respect to the price hikes I think you have mentioned earlier that by Q1 also we may not be taking a full price hikes, if we think that by June end we will have unlock and we will be able to come back soon with higher volumes vigorously, can we expect by Q2 end that all the price hikes could have been unnecessary would have been taken or it would be more gradual process on that?

Manish Gangwal: So, we have already announced all the price hikes including three price hikes in retail over the last four months, five months, but all of that will start flowing in from Q2 because it takes some time channel has inventory and there are lockdowns and also it takes slightly a longer time because the inventory has to move to the market, but yes from Q2 we should be able to have a definitely full realization of whatever we have announced.

Manikantha Garre: And the April hikes for OEMs participation have been taken or not?

Manish Gangwal: So, OEMs are on formula basis on quarterly basis, and we have some 6-monthly basis. So, that keeps coming every quarter so something came in January something has further come in April and some more may come from July also depending on how the base oil is behaving. So, that is quite standardized process I would say with B2B we have to negotiate and many of the negotiations have already been done in B2B distributor business we have already taken price hikes and in of course in retail we have already taken price hikes.

Moderator: Thank you. The next question is from the line of Viraj Kacharia from Security Investment Management. Please go ahead.

Viraj Kacharia: Just had two follow up questions one is on the raw material price trend so I mean if you can just provide some kind of how is the RM inflation now been for last few months there is a kind of price increase which we talked about 3 in the retail will that be enough to kind of cover the RM inflation we have seen, or we would have to take few price increases to cover the inflation?

Manish Gangwal: So, basically we have taken price increases in base oil what we have seen over the last two, three weeks is also stabilizing at those higher levels. So, the upward trend is sort of been slightly controlled and it is not as steep as it has been in the earlier period and as we see going forward the unlocking and the economy start picking up not only in India it is more about global as we see that US has started and how economy has started picking up and air traffic has improved and within Europe the air traffic has improved the vehicle movements have improved. So, the refineries will be more now confident to ramp up the supplies and with that the pressure it was more driven by the base oil pricing was more driven by supply constraint rather than anything else. So, if that in the refining process air turbine fuel, petrol, diesel all those are the first cuts and first, second, third cut and then comes the base oil. So, since the demand for the top tier cuts through a products were not there the base oil also came under supply constraints, but as the things start moving up on the other fronts demand on other fronts we hope that base oil supply constraint will ease out, timeframe is very difficult to say, but yes we are seeing some stabilization at these higher level for the base oil.

Viraj Kacharia: Sir cumulatively in the retail segment in the bazaar, what would be the price increase do you have taken cumulatively?

Manish Gangwal: It is very different from product segment to product segment for motor cycle, diesel engine oil and personal mobility. So, very difficult to give a number, but overall, we are saying that whatever the increase so far we have seen we would be largely able to absorb that once these price increase are realized in the market.

Viraj Kacharia: And in the bazaar segment I mean especially in the two-wheeler and the four-wheeler segment in retail how would our market share moved in March volume?

Ravi Chawla: As I mentioned to you having seen that April and May last year were very challenging months and also in June you saw certain pickups in certain segments, diesel engine oil came little late. So, the market has not grown in these segments. Now if you look at our growth we have always been saying that we have been growing two to three times the market growth rate. So, certainty our growth that have in the last three quarters has enabled us to grow very well across and I think market share gain for us has happened because overall market has been double digit down and we have managed to get the same volumes overall. Getting into specific segments I think bazaar we must say that yes there is a challenge two and half months there was not much sale, but we have been well ahead of the industry. So, I think we have continued this two to three times the industry growth rate and therefore increased our market share across segments agriculture, two-wheeler, passenger car, commercial vehicle, rural so I think what I can assure you is that we have grown our market share and the growth figures also speak for themselves.

Viraj Kacharia: And incrementally I mean would distribution be a driver for going forward?

Ravi Chawla: 100% we have got now 70,000 plus touch point our brand consideration is one of the top I would say two to three we have clearly seen the data so adding touch points have always been our mantra and we have invested a lot both in urban and rural distribution to take our touch points and as you see our volume growth has been consistent for so many years even our distribution growth has been in line with the volume growth. So, this continues to be a focus on adding outlets so that the brand is available for customers to buy.

Viraj Kacharia: And lastly if you can just throw out some color how is the share of synthetic in terms of total volumes?

Ravi Chawla: So, synthetics I have been telling that the semi synthetic, synthetic so again like if we are trying to grow our normal business by x we would tried to grow many multiple of that x in the synthetics, so it is a small percentage single digit, but we continue to focus to make that a big segment of growth for us going forward.

Moderator: Thank you. The next question is from the line of Nitin Tiwari from Yes Securities. Please go ahead.

Nitin Tiwari: Actually I have a question on the OEM part of the business and there is a wider belief that post pandemic and with whatever has happened in the personal mobility space would see a growth in terms of people having tendency to purchase more personal vehicle be two wheelers or four wheelers, so are you seeing such demand trends from OEM side as well or like possibly like in orders coming down for several months down the line for possibly a higher production or higher requirement for lubricating oil from the OEM segment?

Ravi Chawla: Yes I think Nitin Manish mentioned that OEMs the factory filled well in Quarter 4 Manish you mentioned that I think, and you see we have obviously got a challenge with the current lockdowns, but whatever we are hearing from the OEMs everybody is looking to make a comeback and definitely the prognosis for the year ahead in terms of automotive OEMs across segments is quite robust with the GDP growth predicated whatever we are talking. So, I think that we continue to be optimistic of course the second wave has caused a market closure in parts I would say in phases. So, the figures coming in from the OEMs also will be a positive growth going forward in the next year. Nitin I do not know if I answered your question definitely everybody is looking for a good growth in the OEM new vehicles.

Nitin Tiwari: that answers the question I was asking on the perspective of is there a higher requirement for lubricant oil which is getting indicated from OEMs and to you guys like expecting a higher sales down the year so that was primarily my question was because it is widely believe people will have a more sort of affinity towards personal vehicle rather than using public transport?

Ravi Chawla: See you are right what has happened is that personal mobility whether it is bike and also public transport being curtailed in many ways. We did see that bikes and cars definitely people were using more in Quarter 2, Quarter 3 and even Quarter 4. So, definitely personal mobility requirements went up because public transportation was limited, and people were preferring to travel alone on the bikes for examples. So, you have seen that your observation is absolutely right, but of course given what has happened now on partial closure we hope that we come back like last year also is strong and of course the first thing is the safety, but yes offshoot of that more two wheelers are being used as personal mobility as and when the people have to move around.

Nitin Tiwari: My second question was around competitive action in the fourth quarter which is the March quarter so did we see competitive activity in this CV segment and did that impact our realization for margins?

Ravi Chawla: No there is specific action in terms of any segment as such. As we saw the cost going up everybody has come with price increases and I think segment wise definitely you see that certain segments last year for example agriculture did very well initially than diesel engine oils took some time, three wheelers are taking time to come in. So, I think it is a segment wise sort of approach and as and when the seasonality comes people do put in some inputs, but we have not seen anything where there has been any drastic sort of change in the competitive scenario in pricing.

Nitin Tiwari: So, because of what I gathered is one of the large competitors did some correction on the price being used in the CV segment, so I was wondering if that impacted us in any ways?

Ravi Chawla: See there are schemes that people give out so based on for Gulf the positioning is very clear where we would like to position on a brand and definitely some of the other players that are there would have some pricing strategies which they want to look at volume growth. We obviously need to calibrate and also make sure that our strengths are to the fore.

Moderator: Thank you. The next question is from the line of Manikantha Garre from Axis Capital. Please go ahead.

Manikantha Garre: Sir, just two more questions from my side you mentioned that the full year industry growth was negative double digit, but you have the number for Q4 how the industry has moved in Q4?

Manish Gangwal: See Mr. Garre there is nothing published for this, this is an estimate we get from our own MIS and other things. So, because of lot of the private sector and other players so there is no Quarter 4 real analysis as we have done, but at some point of time we have our own estimate segment wise. It is obviously Quarter 4 has been good for demand overall that is what we know.

Manikantha Garre: I mean can that be assume that ruled out?

Ravi Chawla: Yes.

Manikantha Garre: Second question is sir can you give us a latest counts of touch points, bike, pitch **stops** in rural outlets by end of FY21?

Ravi Chawla: So, I think we have indicated it is 70,000 and Manish you want to just give bike stock figure the latest.

Manish Gangwal: Yes it has remained more or less similar because the activities on the ground because of the safety of employees have been very control in terms of people movement within the organization. So, the distribution side you can take actually the numbers as more or less the same 70,000 retail touch points and nearly 8,000 bike stops which we had announced earlier. These are in the similar range only currently because you need to do lot of BTL and all to grow this further. So, as soon as now the movement starts you have to pick up that again.

Manikantha Garre: Because agri was doing well for us with the price increase in our rural outlets and did we get that chance or that also is not possible?

Manish Gangwal: So, rural has gone up for us definitely during these times as well. So, because that is one segment which was especially in the wave 1 it was very less impacted. So, we got the growth on the rural distribution definitely of course last 3 months the rural also is impacted as far as the COVID second wave is concerned.

Manikantha Garre: Would we have any number there how many rural outlets by end of FY21?

Manish Gangwal: I do not have the latest count on that we will come back to you may be separately.

Moderator: Thank you. The next question is from the line of Anuj Sharma from M3 Investment. Please go ahead.

Anuj Sharma: My questions were just on the synthetic side you said that we have a single digit revenue contribution from synthetic now what is the rate at which market is evolving in synthetic, can you just give some color as to the market growth in evolution?

Ravi Chawla: Anuj just to clarify I meant that there are two types of synthetic semi synthetic and fully synthetic and there is mineral based and there is POA ester based which is the chemical. So, I meant that the percentage of synthetics varies across segments and semi synthetic are slightly higher these percentage as an industry is single digit. For us also it is single digit low so we see potential in growing to a higher level with some of our competitors have may be higher levels as an industry of course we are doing well, but we need to grow more than that. So, when you go into this range the idea is that if you are growing x in your normal overall range we would like to if you want to gain market share you should grow 2x to 3x of that. So, for us it is a multiplier effect and quite honestly when we look at synthetics the pure synthetics which are POA ester-based they are very expensive they probably used and hire bikes and cars and we are seeing that as and when we bring in these hire products this is also where we like to sell more. So, there are plans and I would say this year again with the COVID challenges we have obviously got plans to take this further and we have been going 2x to 3x anyway the market, but in synthetic you right to grow multiple of that 2x to 3x. So, this is our efforts and at some point of time obviously we hope it can become good growth engine. At the engine it is too focused more on the semi synthetic and the mineral synthetic. So, we are obviously passenger cars, motor oils, the motor cycle oils some of the industrials also have. So, we are obviously working on this and hope to increase our market share here going forward.

Anuj Sharma: So, I wanted to understand what has been the natural growth of both semi and synthetics in our Indian markets, so what is that x?

Ravi Chawla: So, I think as I told you single digit could be anything around 4%, 5% as an industry. So, again you have to look at the semi synthetic so slightly complicated because you do not do that breakup though we have it segment wise it will be difficult to explain over a call. So, definitely if we say that we want to grow our market share by x, but we want to grow our synthetic market share 3 times x. So, I guess each segment is a different play and I would say that it is still below 5% for the industry.

Anuj Sharma: And also, on this is it the natural demand which is coming because of better engine or better or higher end engines being sold or there is a case to be made in the regular engine as well as for these types of oils and what is your strategy to drive up the market share the 2x to 3x can we just explain something on that?

Ravi Chawla: So, the strategy is obviously there is a pricing element when you buy a fully synthetic it is more synthetic. So, if you want to really buy a fully synthetic you have to pay more. So, how much will people pay more and also to tell you like for example BS-VI lubricants. BS-VI lubricants people they are much better lubricants they are giving better performance; they are mineral based. So, those are also better products for better engines and better emissions. So, I think the market is moving towards these BS-VI engines which also will deliver better value. So, we are working on this BS-VI which we already have and synthetic I think there is going to be a price point if you want to go fully synthetic. India still we feel it is still a niche market, but certainty semi synthetics are growing. So, we will continue following that market and of course trying to push more like we are trying to push more passenger car motor oil. So, there we have scope to grow more.

Moderator: Thank you. The next question is from the line of Viraj Kacharia from Security Investment Management. Please go ahead.

Viraj Kacharia: We just had a follow up on the previous participants questions so for BS-VI what is the typical price increase versus the BS-IV lubricant and correspondingly is there any additional cost pertaining to that so that is one and second is when we say a BS-VI lubricant so does the past park size of say BS-IV vehicles or even older vehicles they also becomes eligible for so is it like a complete upgrade of the overall park size to BS-VI lubricants or it is more like a gradual process in terms of adoption of BS-VI?

Ravi Chawla: So, BS-VI in different segments are different requirements just to tell you that they have to have a low ash and sulfur because they have to deal with different fuel and engine and also have lower emission so every BS-VI vehicle will require different oil which they cannot be what they are using in BS-IV will not work. So, this is where we have launched the product. Each product definitely requires more of technology, so it is more expensive than the BS-IV. So, there is a pass on of the cost and that is across commercial vehicles, cars, bikes all this happens, and this is definitely it is more expensive to make. It has to meet the emission standards; it has to meet the engine requirements what we call low SAPS oils and that is one commercial vehicle. So, this has already happened we have also done one more thing is that our BS-VI commercial vehicle oil can be used in the BS-IV vehicle for a higher life. So, we have done the compatibility so can be used the higher oil can be used in the BS-IV also it is compatible for commercial vehicles so that is to explain to you that definitely the oil requirement for BS-VI vehicle is at a higher level and as and when these BS-VI vehicles come the proportion of the sale will go up, but you must remember one thing that there is a huge population of BS-IV also currently which we service. So, I say gradually over the next 5, 10 years we will see more of BS-VI oil selling.

Viraj Kacharia: Sir the reason I was asking is one of the larger players in the space has been talking about the existing stock of BS-IV also being very attractive market for upgradation to BS-VI lubes, so I was just trying to understand?

Ravi Chawla: That is what I told you the BS-VI oil can also be used for the BS-IV vehicle to give better performance, but obviously you will have to pay a slightly higher price for that.

Viraj Kacharia: And what would typically be price inflation be?

Ravi Chawla: It varies from high single digit to double digit.

Viraj Kacharia: And second question was on the synthetic part so if you look at certain major advance markets US or even China for that matter the share of synthetic is significantly high double digits, so if you have to learn from how the evolution or scale up of synthetic has been in those markets, so other than price or affordability are there any other factors will drive the acceleration adoption of fully synthetic or semi synthetic?

Ravi Chawla: One is the adoption of technology which anyway we are going towards that semi synthetic, synthetic and the other is of course the price differential. So, each economy has behaved differently, but obviously European economies in US have gone faster because they have also had that affordability factor on the price. I think it is a combination of both and whatever learning is there is obviously a lubricant company you would like to sell the higher technology which OEMs want. So, everybody is in that direction, but you cannot get away from the fact that there will be lot of vehicles which we are using BS-IV, so I think yes you have to manage both.

Moderator: Thank you. The next question is from the line of Manikantha Garre from Axis Capital. Please go ahead.

Manikantha Garre: Just on a semi synthetic you mention that industry is growing at 4% to 5% I mean we would like to grow at multiple of 2 to 3 means can we expect more than 25%, 30% I agree the base is very low, so can we expect that kind of volume growth 30%, 40%?

Ravi Chawla: So, Manikantha we can take this offline 4% to 5% is our estimate of the percentage of synthetic and semi synthetic the growth rate I referred to the percentage that we think the semi synthetic, and synthetic is as a total not the growth rate.

Moderator: Thank you. That was the last question. I now hand the conference over to management for closing comments.

Manish Gangwal: Well, I would like to thank all of you for your time for the call and we have tried to obviously answer the questions to the best of our ability. I would just like to say that Quarter 4 for us with the records on volume, revenue and managing the challenges have been obviously the key things for us. We are hoping that going forward we can see a phase opening of the lockdown and get back to demand which we believe will be the pent-up demand is there, lubricant being semi essential we hope we can meet that as we have done successfully obviously safety is the primary importance to all of us and we thank you for all for your help and of course I would like to thank my team and all of you for your good wishes and of course the team for a good performance and hope to see you soon. Thank you so much.

Moderator: Thank you very much sir. On behalf of Yes Securities India Limited that concludes the conference. Thank you for joining us and you may now disconnect your lines.