



December 26, 2023

To,

**Listing Compliance
Department
BSE Limited**

Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400001

BSE Scrip Code: 544029

**Listing & Compliance Department
National Stock Exchange of India
Limited**

Exchange Plaza, 5th Floor
Plot No. C/1, “G” Block
Bandra-Kurla Complex
Bandra (E), Mumbai – 400 051

Symbol: GANDHAR

Subject: Transcript of earnings call

Dear Sir(s)/Madam(s),

In furtherance to our letter dated December 19, 2023 regarding the audio recording of the investor’s earnings call for the quarter and half year ended September 30, 2023 (Q2&H1 FY2024), please find enclosed herewith the transcript of the said call.

The said transcript is also available on the Company’s website i.e. www.gandharoil.com

This is for your information and records.

Thanking you.

Yours faithfully,

For **Gandhar Oil Refinery (India) Ltd**

Jayshree Soni
Company Secretary & Compliance officer
Mem. No.: FCS 6528

Encl: as above

Registered Office

18th Floor, DLH Park, S.V.Road, Near MTNL
Goregaon West, Mumbai 400 062 India
CIN : U23200MH1992PLC068905
T: +91 22 4063 5600 F: + 91 22 4063 5601
E-mail: sales@gandharoil.com
Website : www.gandharoil.com



“Gandhar Oil Refinery (India) Limited Q2 & H1 FY24
Earnings Conference Call”

December 19, 2023



**MANAGEMENT: MR. ASLESH PAREKH – JOINT MANAGING DIRECTOR,
GANDHAR OIL REFINERY (INDIA) LIMITED
MR. INDRAJIT BHATTACHARYYA – CHIEF FINANCIAL
OFFICER, GANDHAR OIL REFINERY (INDIA) LIMITED**

MODERATOR: MR. NIKUNJ JAIN – ORIENT CAPITAL

Moderator: Ladies and gentlemen, good day and welcome to the Gandhar Oil Refinery (India) Limited Q2 & H1 FY24 Earnings Conference Call.

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. Nikunj Jain from Orient Capital. Thank you and over to you, sir.

Nikunj Jain: Good morning, ladies and gentlemen. I welcome you to the Q2 & H1 FY24 Earnings Conference Call of Gandhar Oil Refinery (India) Limited.

To discuss this Quarter's "Business Performance", we have from the Management Mr. Aslesh Parekh – Joint Managing Director, and Mr. Indrajit Bhattacharyya – Chief Financial Officer.

Before we proceed with this call, I would like to mention that some of the statements made in today's call may be forward-looking in nature and may involve risk and uncertainty. For more details, kindly refer to the "Investor Presentation" and other filings that can be found on Company's website.

Without further ado, I would like to hand over the call to management for their opening comments and then we can open the floor for Q&A. Thank you and over to you.

Aslesh Parekh: Thank you. Good morning, everyone.

First of all, I would like to welcome you all to the First Earnings Call of Gandhar Oil Refinery (India) Limited to discuss our performance on Q2 and obviously H1 FY24.

I would like to extend my gratitude to everybody who has taken the time to attend this call. I would also like to thank every one of you for such an overwhelming response to our IPO. Your trust and belief in Gandhar have been instrumental in making this endeavor a resounding success. I have along with me, Mr. Indrajit Bhattacharyya, who is our CFO, to address the queries.

Before I start with the business update:

I would like to take this opportunity to formally introduce the Company to all the participants here. The Company was incorporated as Gandhar Oil Refinery (India) Private Limited in the year 1992. Subsequently, the Company had become a public limited Company in August 2005, and the name was changed to Gandhar Oil Refinery (India) Limited. We are one of the leading manufacturers of White Oil in India and one of the top five players globally, having a specific focus on the consumer and the healthcare industry.

Our products suite comprises over 440 products which are manufactured across Personal Care Healthcare Division, that is the PHPO Division, the Lubricants Division and the PIO, that is the Process and Insulating Oil Division. All the products are falling under a brand name “Divyol.”

We boast a distinguished clientele of more than 3,500 customers spread across 100-plus countries. Our products serve as the key ingredients for top Indian and international companies used in the production of final goods across various sectors such as consumer, healthcare, pharmaceuticals, automotive, industrial, tyre and rubber industry.

In the specialty oil sector, the white oil market is experiencing the fastest growth. And in the fiscal year 2023, we are one of the largest white oil manufacturers by revenue encompassing both domestic and overseas sales.

On the operational front:

Currently we operate the three state-of-the-art manufacturing facilities strategically located to meet the demands of both our Indian and global operations. Two of our plants are located in Western India, while the third plant stands proudly in Sharjah, UAE. The combined expanse of these facilities spans an impressive 128,454 square meters. Our Silvassa plant is dedicated to production of specialty oils and lubricants, while our Taloja facility is primarily focusing on the PHPO products, which is the Personal Care, Healthcare, Performance Oil products including key products like White Oils, Petroleum Jellies, Specialized Waxes, and the Taloja facility is primarily for the key marquee FMCG customers and overseas sales. Lastly, our UAE plant is instrumental in crafting Specialty Oils for Africa, GCC and the Middle Eastern region.

In our commitment to continual growth, we are in the process of expanding our production capacity at our Taloja facility by 100,000 KL. 25,000 KL is already on stream and balance 75,000 KL we expect to be onstream by end of this fiscal.

In terms of the market outlook, we maintain a high level of confidence in India's growth trajectory. Despite potential challenges, such as fluctuation in the raw material pricing, the crude oil pricing demand, moderation, inflation acting as a transient setback, we firmly believe that the prospect of double-digit growth endeavors us in the long run.

In conclusion, we hold a positive outlook for the rest of the year and our confidence is grounded in a belief that our strategies, which center on expanding our customer base, emphasizing high margin segments and our dedication to research and development position us favorably to achieve the robust operational and financial performance in the forthcoming years.

With this, now, I hand over this call to Mr. Indrajit to take you to the “Financial Performance” of the Company. Thank you.

Indrajit Bhattacharyya: Thank you, Aslesh bhai. Thank you, everyone, for joining the call.

I will take you through the “Financial Performance” of the Company for the period ended on 30th September 2023.

In the quarter gone by, our consolidated revenue from operations stood at 10,010 million as compared to 10,704 million in the previous quarter. Our half yearly consolidated revenue stood at Rs.20,714 million. Our total overseas sales for Q2 FY24 stood at 4,896.3 million comprising 48.9% of the overall sales as compared to total overseas sales for Q1 FY24 stood at 6,905 million and 11,801 million in H1 FY24 comprising 64.6% and 57% respectively of overall sales.

Our consolidated EBITDA for the quarter stood at Rs.759 million as compared to Rs.841 million in the previous quarter. Our half yearly EBITDA stood at 1,600 million. EBITDA margin for the quarter is 7.6% as compared to 7.9% in the previous quarter and 7.7% in H1 FY24.

Our consolidated profit after tax for the quarter stood at 481 million as compared to Rs.542 million in the previous quarter. Our half yearly profit after tax stood at 1,023 million. The PAT margin for the quarter is 4.8% as compared to 5% in the previous quarter and 4.9% in H1 FY'24.

The manufacturing gross margin spread for the quarter stood at 10,060 million* as compared to Rs.10,837 million* in Q1 FY'24 and Rs.10,438 million* and H1 FY'24.

Thank you, all. That is all from my side, and now we can open the floor for your questions.

* The gross margin spread number was inadvertently called out as million in place of per kilolitre (kl). The Manufacturing Gross Margin Spread for the quarter stood at Rs. 10,060/kl as compared to Rs. 10,837/kl in Q1FY24 and Rs. 10,438/kl in H1FY24.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Rushabh Shah from O3 WAM. Please go ahead.

Rushabh Shah: I have a few questions. What is the term of contract with your customers you have let's say a term of one month, three months, six months?

Aslesh Parekh: So, with a few of our customers, we have a long-term contract for a year.

Rushabh Shah: Few of them you have a long-term contract, and you have a short term like what is the time period?

Aslesh Parekh: Our sales are divided into two kinds of models; one is the long-term contracts that we have with a few of our customers and the balance is the spot sales. Now, in long-term contracts, our prices are based on raw material pricing. We have a price pass-through contract with our customers. And for the spot customers, we have a price that is generated to our marketing team every 15 days, taking into account the movement in the raw material pricing, taking into account the fluctuations of the dollar-rupee movement as well.

Rushabh Shah: So, when you decide to go for a long-term contract, how do you manage price fluctuations?

- Aslesh Parekh:** As I told you, we have a price pass-through contract, so this typically has a part of the contract built up as raw material pricing. So, there is an index which is publicly available called ICIS where the raw material pricing forms a part of the contract. So, the price increment or decrement can be passed on to the customers accordingly.
- Rushabh Shah:** If you could just expand a bit on what is the risk management policy of your Company like through derivatives or on what front?
- Aslesh Parekh:** For the dollar-rupee, we mostly enter into plain forward contracts with our banks. We perceive the following risks, one is the FOREX risk wherein more than 55% of the total revenue is the overseas sale, which contributes as a natural hedge to the Company. The second risk is customer concentration. If you see, we have more than 3,500 set of customers and the top five or top ten or top 20 customers will not contribute more than 15% to 18% of the total revenue of the Company. So, the credit risk is spread across to so many customers. So, we don't perceive it specifically. And the third one is the commodity price risk. As I informed you, thanks to the contracts that we have with our customers, we are in a position to pass on the increment or decrement of our raw material pricing to our customers.
- Rushabh Shah:** What is the advantage of The Indian companies like Gandhar, Panama, Savita, Apar, what advantage do they have in this industry and what competition are you facing from China?
- Aslesh Parekh:** Till date, we have not faced any such competition from China. Now, if you see the white oil market, is not more than \$0.43 billion. So, the market is too small for Chinese to think of entering into the business. But having said that, with the quality of customers that we have, with the approvals that are required for entering into key marquee names of the FMCG industry, the empanelment time is nothing less than four to five years for getting empaneled by a marquee customer. So, the process itself is so huge that you end up giving your time. And that too, with no clarity that at the end of the day they would definitely buy from you or no.
- Rushabh Shah:** But that would be the China part. Then what advantage the Indian companies have like there are three or four companies: Apar, Savita, Panama, Gandhar, what advantage do you all have in the industry?
- Aslesh Parekh:** See, I would be focused on Gandhar. We are the largest manufacturers of the white oil and market leaders in India and one of the top five players globally. Our focus, unlike other companies, is purely on the personal care and healthcare division which contributes to more than 55%, 56% of the total revenue of the Company. Having said that, the second point is our overseas sale has contributed more than 57% of the total revenue of the Company. So, the Company is purely focused on the personal care and health care division and also focused on expanding wallet share with its customers, empaneling new customers and growth with existing customers.

- Rushabh Shah:** Why is it that the Gandhar is focused so much on the white oil industry when there are already other players and not focused on some other industry like the ink industry? What do you think could change in the white oil industry since you have entered this industry?
- Aslesh Parekh:** See, as per the CRISIL report, white oil industry is expected to grow at a double digit CAGR in the next five years when there is enough room for expansion in this industry. Second thing, with the marquee customers that we have, we are empaneled with a few of our customers globally as well and that too with some customers we are just approved for one or two regions. So, there's enough room for further expansion in this industry. And with the approvals that we have, with the quality of customers that we have, and with the quality continuity or the quality assurance that we will give to our customers, customers are happily increasing our wallet share year-on-year.
- Moderator:** The next question is from the line of Pranay from JNJ Holdings. Please go ahead.
- Pranay:** Our Company in FY'21, broadly, the sales were in the range of about 2,000 crores, from '21 to '23 gone to 4,000 crores, whereas the gross margins have gone down from 18% to say 13%, and working capital days have increased from 19 to 31 days, so if you can just explain us what has happened in between these two years -- have we ventured into products which were lower margin products?
- Indrajit Bhattacharyya:** So, see, FY'21 was the corona year. That is the year in which we were the only one that could open the plant within 15 days of the lockdown. Everyone else was closed. So, that was the period when we could command those margins which were there both in terms of gross margin and EBITDA. Subsequently, when it opened up, this, this advantage was not available, that's why we came back to the normal levels. So, FY'21 can be considered as beyond normal year for us.
- Pranay:** So, what is a sustainable gross profit margin that we can see as a Company going forward?
- Indrajit Bhattacharyya:** Gross margins going forward, I can't tell you, but what you see around a 13% to 14% gross margins that we are living with right now. Endeavor is to improve it.
- Moderator:** The next question is from the line of Anirudha Jain from AHU. Please go ahead.
- Anirudha Jain:** I have two broad questions. One is on the growth aspect. So, can we envisage how we will grow in the next five to six years down the line? And the second is, we have extremely good, repeated contract. So, can you please brief us on what makes clients stick with us?
- Aslesh Parekh:** Can you just repeat the second part of the question? It was not clear.
- Anirudha Jain:** My second question is we have good, repeated client orders. So, just wanted to understand what makes the clients stick with us?

Aslesh Parekh: I would like to answer this in two parts. One is the growth trajectory. If you go back to the history of Gandhar, as you know, has witnessed a strong growth over the past three financial years of more than 40%. Coming to the future prospects, we anticipate having a volume growth of at least more than 10% in the future years. We are also endeavoring to increase our production capacity in our Taloja facility, specifically for the personal care, healthcare division where we anticipate the growth for the business would be coming from. Coming back to the clientele, why they would like to want to do repeat orders is, see, one is the quality, second thing is consistency in the quality and increasing the wallet share, because if you see the products that are being given by Gandhar to these customers are used in brands. So, as a multi-billion-dollar brand, the Company would not want to change its vendor frequently. So, all these multinational companies would like to prefer to stick to a couple of manufacturers to ensure stability in supply and consistency in quality. Having said that, the strategy is that Gandhar would be focused on four key criteria basically, growth with existing customers. So, today with few customers we are only approved in Indian facilities. We are endeavoring our best to get the products approved globally. So, that is one part of the reasons. With a few of the customers we have also manufactured new products and some of the commercial supplies have already started to these customers. So, that is how we want to increase our wallet share with the existing customers, grow with the customers and also focus on acquiring new customers.

Moderator: The next question is from the line of CA Nihar Shah from Crown Capital. Please go ahead.

CA Nihar Shah: As I'm new to this industry, can you just guide me, is there any seasonality in our business?

Aslesh Parekh: If you see the quarter-on-quarter, revenues or growth are quite similar across the quarters but specifically if you see historically some quarters are better performing quarters. So, we anticipate Q3, Q4 to be a better performing quarter. At Gandhar, if you see on the revenue front or on the sales front, the quarter-on-quarter performance are almost similar. So, there's no such acute seasonality in the business.

CA Nihar Shah: We have been growing in the last three years like CAGR of around 40%. So, do we see that going ahead in a similar range or can it be lower or higher something around that?

Aslesh Parekh: As discussed, we would like to clearly focus on personal care, health care division. The strategies are very clear within the Company as to how we want to grow in terms of expanding the wallet share with the customers, grow with the customers and expanding across geographies. So, we would like to focus on our strategy and obviously, growth will be a function of how well we implement our strategies, how closely we work with our existing customers and empanel new customers.

CA Nihar Shah: You won't be giving any guidance like any double-digit growth, I guess you have said that in your commentary in the beginning.

- Aslesh Parekh:** The endeavor of the Company is obviously to generate growth and generate value for our shareholders as well. But having that it will be difficult for me to give you specific forward-looking guidance on the exact number that you are expecting from us. But yes, we would like to focus on strategies and would like to grow as we have grown in the past.
- CA Nihar Shah:** I know you won't be giving a number, but can you give a ballpark number for let's say where we see the top line three years from now?
- Aslesh Parekh:** Top line is a function of the raw material pricing as well, but if you go back to the history of Gandhar, we have generated stupendous growth in terms of revenue as well as volumes as well. So, we would like to focus on increasing our volumes in the future with the strategies that we have.
- Moderator:** The next question is from the line of Ritesh Poladia from Girik Capital. Please go ahead.
- Ritesh Poladia:** A few questions on this Taloja expansion for these 1,00,000 kiloliters. So, what's the CAPEX?
- Indrajit Bhattacharyya:** Sorry, can you repeat that?
- Ritesh Poladia:** I wanted to ask you about the Taloja plant expansion of 1,00,000 kiloliters. What is the capital expenditure on this?
- Indrajit Bhattacharyya:** So, the CAPEX is mostly from internal accruals and a bit of term lending. 100,000 kiloliters will roughly cost around Rs.6,000-7,000 a KL and is expected to come onstream by the end of this financial year.
- Ritesh Poladia:** So, 60, 70 crores would be a CAPEX for this plant?
- Indrajit Bhattacharyya:** Exactly.
- Ritesh Poladia:** Your gross margin is about 10,000 KL?
- Indrajit Bhattacharyya:** Yes, Rs.10,000 per KL.
- Ritesh Poladia:** It's like even on EBITDA basis you recover your investment in one year, is that the economics behind the business?
- Aslesh Parekh:** See, the endeavor is we are putting up the capacity, taking care in mind our future growth prospects. So, the idea is to utilize this capacity over the next couple of years. So, it's not that on the first year of setup we'll be using the full capacity to the prep. Obviously, the capacity utilization will spread across couple of years.
- Ritesh Poladia:** Absolutely, I perfectly agree with you. I just wanted to know at peak capacity utilization, you recover money in one year time of your investment.

- Indrajit Bhattacharyya:** If on a hypothetical basis you're talking, I use the entire 75,000 KL in the first year, yes, probably in 1.5 years we will recover it. But the point is we will not be able to do that. See, just because I have additional capacity of 75,000 KL, doesn't mean I'm going to sell entire 75,000 KL in one year, it will take me 2, 2.5, 3 years to come up to about 80%, 90% capacity utilization of that 75,000.
- Ritesh Poladia:** In a different way, after a year three to be absolutely on optimistic side, you will recover your investment in one year time and that will be annual?
- Aslesh Parekh:** See, the idea is, once the capacity is set up, there are a couple of points which we need to fix in terms of getting assured supply from our suppliers, strategically, tying up with our customers and then the capacity utilization holds up. So, as Mr. Indrajit informed you the utilization will not happen in the very first year, it will take a couple of years to come up to 75%, 80% of the capacity for the newly installed capacities.
- Ritesh Poladia:** What is the current capacity of Taloja plant?
- Indrajit Bhattacharyya:** About 1,43,000 KL.
- Ritesh Poladia:** Do you supply from any other plant for personal care products and pharmaceuticals, or this is a dedicated plant?
- Aslesh Parekh:** It's not a dedicated plant, but the majority of supplies happening to this PHPO industry is from our Taloja facility.
- Moderator:** The next question is from the line of Surya Narayan from Sunidhi Securities. Please go ahead.
- Surya Narayan:** One question; a), our margins are lower to competitors, and we tend to believe when that kind of strategy would be there, then obviously the volumes should have been rising at a good pace, whereas we are going lower than our historical average on the reported half we have grown around 6.9% volume wise. So, what would be the strategy, I mean is it that now we are new to this industry and perhaps the competitors have been there, and they have established their presence, and they are enjoying a better margin than us, what is the sense it is coming from there?
- Aslesh Parekh:** First of all, see, we at Gandhar would specifically focus on the personal care, health care division, unlike other players in the industry, where some are having major market share in the other businesses, we are the leaders of white oil in India. We would like to grow in the Personal Care and Health Care division. Unlike others, we carry a substantially lower inventory; if you see our inventory days are substantially lower even amongst our peers as well. For FY23 our inventory days were 34 to 35 days. So, we are able to deliver the products to our customers on time. Second point, obviously the idea or the strategy at Gandhar would be definitely in place in terms of increasing our wallet share with our existing customers. The growth trajectory we have internally

set as a benchmark is as to how we want to grow. Now, having said that, we are definitely increasing our capacity by 100,000 KL at our Taloja plant specifically for the personal care and healthcare division. The strategies of Gandhar would be again to grow with the existing customers, increase wallet share with the existing customers, to develop new customers also. There are still a couple of customers which are still not on customer base at Gandhar. So, the team is consistently in discussion with the new customers, so the new business also could come in. Also, the third growth strategy is also to develop new products for the customers. So, this is where we would like to focus on our strategies and ensure the volumes of the companies are growing in the near future.

Surya Narayan: My sense is that now if we segregate the base oil derivative industry between say auto industry and others vis-à-vis the personal care and healthcare, so here what I'm understanding is that the competitors who are majorly present in the other aspect of this industry, auto and others, so they are deriving better margin than us. So, is it that the healthcare industry is not generating that kind of spread because in FY'21 as the CFO was telling, the spread was 10,000 to 11,000 Rs/KL in FY21, and we are still at the nearly lower to that and first half we generated around 10,250 per kiloliter spread. So, what is the trajectory, I mean, if that is the case then obviously, we should be doing more of the revenue and then the margin I mean to get absolute higher EBITDA.

Indrajit Bhattacharyya: Auto lubes is a degrowing market. We don't want to be going to that market. With the coming of electric vehicles, we don't see auto lubes picking up. One of our peers is bigger in the auto lubes. That's why currently concentrating totally on auto lubes. Another peer of ours is very high on transformer oils. We are not very keen on getting into transformer oils because transformer oils suck up my working capital, the payment terms are hugely extended, we are also not looking into that part of it. For us it is a plain vanilla case of we would like to take this PHPO forward and grow in this. Yes, the margins are what they are right now. They will grow as the PHPO part of it increases in our product mix.

Aslesh Parekh: And just to add, there is a consistency in the gross margin that the Company has been delivering. With the volume growth that we have done and with the consistency in the gross margins, and with increasing the wallet share, we will ensure the mix is improving, the quality of customers are improving, and also the endeavor is to improve the margin going ahead.

Surya Narayan: Because the Raj Petro has been taken over by the Brenntag group and it is a German based Company. So, is it that reached to the global MNCs better than us so that they are deriving better, that is of course an unlisted Company. So, just to get from your side how can we increase the realizations of spread? During the IPO time, I understand that we were eyeing around Rs.12,000 per spread, but it is far below than that. So, how do you plan to achieve that kind of feet of Rs.12,000 per kiloliter, as of now it is 10,250, we are not even touching 11,000.

Aslesh Parekh: See, first of all, I would like to stress on our beloved Prime Minister Narendra Modi's campaign of Make in India. So, being in India, obviously, we would not like to comment if they are a German based Company, they will have access to MNCs, I don't think that is the correct fact.

See, we are also operating with many multinational customers, we export to 100-plus countries. More than 55% of the total revenue is generated from exports business. I don't think this is a threat that if it is German-based Company, they have better access to MNCs. That is not the fact what I would like to accept. Second point, yes, the current gross margins are 10,000 to 11,000 Rs per KL approximately. Now, if you see, we are the latest entrant in this business. The competitors that you just named have been in the business is more than 50 years, 70 years. But after having said that, we are the leaders of white oil in India. The endeavor is to grow in the personal care, healthcare division. We have seen few of our customers who are still not empaneled with us. We are striving hard to increase our wallets with the customers and with the strategies that we have we have devised for the future growth path. We should be in a position to improve our gross margins in the near future.

Surya Narayan: This Sharjah facility is the highest, there is 45% of your capacities there. So, it was known from the RHP that it was underutilized compared to the Indian units. Also, during our IPO interaction time it was mentioned that three leading marquee names were actually currently in the process of onboarding. So, that process is still pending. So, what is the current capacity utilization of Sharjah, Silvassa and Taloja, if you can give what is the year ending capacity utilization you are estimating?

Indrajit Bhattacharyya: So, the Indian plants are 95%-plus capacity utilization. That is why there is need for CAPEX in the Indian plants and that is why the capacity enhancement is happening in India. The Sharjah plant is currently around 65% to 68% capacity utilization. Yes, the accreditation process with the marquee buyers over there is still going on. We expect them to be shortly completed and we expect the capacity utilization to go higher by next year.

Moderator: The next question is from the line of Rohan Gupta from Nuvama. Please go ahead.

Rohan Gupta: Sir, couple of questions from my side. First is our segmental contribution. So, if you can just share how has the revenue contribution in the first half coming from the PHPO and has it improved over the last year FY'23?

Indrajit Bhattacharyya: Rohan, it has stayed in that usual 53% to 55%, it has not gone up or come down. So, I can tell you on a sale of 1,000 crores in Q2, 521 is PHPO, so it's that 52%.

Aslesh Parekh: More than 72% is coming from the consumer and the healthcare sector.

Rohan Gupta: That is in first half?

Indrajit Bhattacharyya: Yes, that is in Q2.

Rohan Gupta: I mean the entire first half will be roughly 70%-plus coming from the PHPO.

- Indrajit Bhattacharyya:** No, no, no, PHPO is 50%-odd, Rs.1,073 crores out of 2,071 crores. So 50%, 52% is PHPO, out of that PHPO 70% is coming from these two segments.
- Rohan Gupta:** Just wanted to understand, is there any seasonality in our working capital because in Q1 versus Q2, our debtor days has gone up sharply, because it was 53 days in Q1 and then 67 days has gone to Q2, while FY23 was just 45 days, so there has been 50% increase is there in debtor days, so any seasonality or any particular reason for that?
- Indrajit Bhattacharyya:** No, it has not gone up to 60-days at all. So, Rohan, can you repeat the number of days that you have said?
- Rohan Gupta:** I'm referring to the Company's presentation on Q2 FY24 debtor days is 67-days.
- Indrajit Bhattacharyya:** First and foremost, Rohan, these are a reflection of what it is as at the end of the H1. It is not a reflection of the working capital days for the entire year. We expect total net working capital to come down to around 40 or 45 days by the end of the year.
- Rohan Gupta:** In the first half which has gone up in both inventories as well as debtor days compared to FY23, by year end it will be normalizing to the FY23 level, that's what you're saying?
- Indrajit Bhattacharyya:** That's the endeavor.
- Rohan Gupta:** Sir, in terms of gross margin, we have been maintaining, I mean, first quarter was roughly 10,400, Q2 is roughly 10,060, almost not much different. You mentioned that Sharjah facility which is still at 65% to 70%; however, India business is at 95% almost, so do we see with the pickup in utilization level at Sharjah, these gross margins are likely to improve over next one year, how do we see the margin profile of the Company will be planning out?
- Indrajit Bhattacharyya:** The general endeavor is to increase the PHPO part of it. As the PHPO increases, the gross margins will increase across the board all the facilities taken together.
- Rohan Gupta:** Yes, but the matter of fact is that our PHPO is still holding on to 52% and the ratio has yet not changed significantly, so.
- Indrajit Bhattacharyya:** The PHPO segment will grow as the capacity utilization of the Sharjah plant picks up. See, there will be value added products which will add to the gross margins also. So, basically, product mix, value addition and increased capacity utilization at Sharjah.
- Rohan Gupta:** Sir, any indication you will be comfortable in giving a share of PHPO over the next two years in total revenues?
- Indrajit Bhattacharyya:** Difficult giving that forward-looking statement right now, but the endeavor is to grow PHPO all the way.

- Moderator:** The next question is from the line of A Suresh Babu from Consultant Equity Research. Please go ahead.
- A Suresh Babu:** I'm Suresh Babu, an independent research analyst from Chennai. My one small question here is to all anyone can answer, in your investor presentation you mentioned overseas sales contribution for FY23, 53%. Based on this, is it possible for you to give me an approximate figure for what will be the overseas sales for FY24?
- Indrajit Bhattacharyya:** So, as our sales pick up across geographies, the overseas sales will pick up. It is also our endeavor to spread to other continents. It will be in excess of 50%. This much I can assure you right now. Difficult giving any more detailed figures for the future.
- Moderator:** The next question. Is from the line of Pritam from Wealthyvia. Please go ahead.
- Pritam:** So, as you are saying that we expect a double-digit growth, so is it only coming from PHPO or there will be a double-digit growth for all the three segments because in the earlier call you had mentioned that your transformation is actually shifting your working capital and there is a degrowth in auto lubes?
- Indrajit Bhattacharyya:** Where did you say you saw the degrowth in the auto lubes?
- Pritam:** In the previous call I suppose like you have mentioned in auto lubricant there is not a significant growth.
- Indrajit Bhattacharyya:** No, so that's a degrowing market I mentioned, I didn't say there's a degrowth there. In fact, in volume terms, it has gone up a bit, there is a growth in the auto lubes.
- Aslesh Parekh:** Just to add to what Mr. Indrajit is trying to say, we would like to focus on the PHPO business, which is the personal care, health care division, the other two businesses complete the total basket offering for our customers.
- Moderator:** In the interest of time, that was the last question. I would now like to hand the conference over to Mr. Nikunj Jain for closing comments.
- Nikunj Jain:** I would like to thank the management for taking the time out for this conference call today and also thanks to all the participants. If you have any queries, please feel free to contact us. We are Orient Capital, investor relations advisors to Gandhar Oil Refinery (India) Limited. Thank you so much.
- Moderator:** On behalf of Gandhar Oil Refinery (India) Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.