



“Gulf Oil Corporation Limited Q1 FY13 Earnings Conference Call”

August 03, 2012



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MR. MANISH KUMAR GANGWAL – CFO
MR. RAVI CHAWLA– CEO, LUBRICANT DIVISION
MR. T. T. DAS-HEAD OF CONSULT MINING BUSINESS
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Moderator Ladies and gentlemen, good day and welcome to the Gulf Oil Corporation Limited's Q1 FY13 earnings conference call hosted by Enam Securities Private Limited. As a reminder all participant lines will be in the listen only mode, there will be an opportunity for you to ask questions at the end of today's presentation. If you should need any assistance during this conference call, please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Prashant Tarwadi from Enam Securities. Thank you and over to you sir.

Prashant Tarwadi Thank you Marina. On behalf of Enam Securities Private Ltd I welcome all the participants on the conference call of Gulf Oil Corporation Ltd. Today we have with us Mr. Subhas Pramanik – Managing Director, Mr. Manish Kumar Gangwal – CFO, Mr. Ravi Chawla – CEO of Lubricant Division and Mr. T.T. Das – Head of Consult Mining Business. They will start with overview of their current performance and then we can move to question and answer session. Thank you very much and over to you Pramanik sir.

Subhas Pramanik Would afternoon to all of you and welcome to our first interaction after the Q1 results have been published. We propose to continue this kind of interaction on a regular basis from henceforth. To take you through the Q1 position I would just like to summarize the issues. Our sales have actually risen by 14% and the bottom line of course has been slightly lower at 10.07 crores as against 15.05 in the Q1 of last year. As you would have noticed from the results that we have published this difference is mainly because of a negative position in the exceptional items which has reduced from 7.11 to 1.70. Again this is a one-time situation which has happened because in Q1 of last year we had additional income of 5.4 from redemption of preference share which of course we did not get in this quarter. But the plus points which you would have noticed by now is that our EBITDA level has increased 17.36%, it is now at 23.86% versus previous quarter last year was 20.33. So the operational side of the business has really improved in this quarter and which is visible. The other part which you would have noticed is of course it is not apparent from the results that we have published is the FOREX loss which we have in the lubricant side of 4.5 crores which would have actually helped us to show a better bottom line. But that it is basically a notional transaction and we hope that the situation will improve and we should be able to recover this in the next quarter. So that is in short the briefing for this quarter.

Regarding the segmental results you would have noticed also that there is an improvement in the consult division that is the mining infrastructure contracts group which was really has been badly affected because of the mining policies and regulations which have been imposed in each of the states that we operate. Now there has been an improvement, the improvement is mainly due to our review of all the costs, all our leases etc and we are trying to adjust to the fact that we may have to wait for sometime more to bounce back. As all of you would be aware that is totally dependent on the policies of the Central and the State government with



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regard to mining. Having said this you would have also noticed the lubricant side as I mentioned little bit earlier we have a segmental profit which we have shown as 21.68 which is 9.9% of the turnover as against previous year same quarter 20.28 which was 11.15% on sales. Now this is in spite of what I said little earlier that rupee being weak, base oil prices have been moved up and we have been able to make some price increases in Q1 which of course will cascade into Q2 so there is possibility of increase over there but adjustment in the next quarter.

Explosives side, many of you would have noticed that against 5.28 crores that we had shown a segmental profit in Q1 of last year, it is 1.81 that is mainly because of the exports not having taken place in this quarter which I feel the shipments will take place in the next quarter so it is a question of movement between quarters. Now this is roughly the overall view and I would now like to take the question and answers, on the QAs my colleagues are here also they could answer, we could take this issue up one at a time and then try to give you satisfactory replies.

Moderator Thank you very much. Ladies and gentlemen we will now begin the question and answer session. The first question is Utsav Mehta from Birla Derivium, please go ahead.

Utsav Mehta Sir just to begin with the lubricant sector can you just give a bit of an overview of what exactly is going on as far as competitive scenario with Castrol?

Ravi Chawla Basically what is happening is the situation is the biggest competitive we have is Castrol and we have faced competitive scenario from them in the sense that our motorcycle oils which are doing extremely well they have revised their pricing so it is actually started quite earlier in Jan but they kind of confirmed it again in this quarter and they have dropped the price of their motorcycle oils by Rs. 20 so that is one.

Utsav Mehta But is this aggression continuing with them into this quarter, I'm basically looking at this from a margin point of view.

Ravi Chawla It is continuing and the good news is a force in June you are able to raise prices for all our automotive products so the margins are impacted but there is a good price increase that has been able to bring into the market. It is competitive in this segment as of now, motorcycle seems to be getting more competitive where margins are under pressure but the other segments of course we have been able to again take up prices in June. The competition level as we see is growing. We have other competitors like Valvoline also who are looking at major price offs. But our strategy has been always to grow the business on 2-3 fundamentals one is of course the qualitative part which we are building up our business which we continue doing on the brand, on the distribution, on taking our long drain products more to the market so we are not going to change that but yes tactically there will be some promotions and we are doing it quite well, we managed to keep our volume growth again nearly 2 to 3 times about the industry. We have been able to do that quite successfully I would say even in Q1.



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- Utsav Mehta** So what was the volume growth in Q1?
- Ravi Chawla** We estimated the industry was growing about 3-4% so we have a volume growth which is roughly about 2.5 times that.
- Utsav Mehta** So you are looking at around 10% sign or so?
- Ravi Chawla** And our channel growth is close to that.
- Utsav Mehta** Just to give a sense this decrease in margins that we have, how much of it can be attributed to increase in base oil and depreciation of rupee and how much to the increased competition?
- Ravi Chawla** To break it up into all three but the cost that is gone up on the rupee, base oil cost and that again of course good part is also that base oil per se internationally has come down now in the 2nd Quarter so that is being offset but again rupee depreciation has increased the cost for Quarter 1 and from as you know we carry stock, all companies carry about 45 days to 60 days stock. So that impact we will recover but competitive pressure is on the motorcycle segment, one will have to wait and watch Castrol is doing and we probably then have to also increase volume. If the margin is coming down based on the unit of sales we will have to increase the number of liters we sell in the category. So we are trying to do both plus we are hoping we can get into few more niche areas where your competitors have some gaps, maybe more volume lesser margin per liter.
- Utsav Mehta** And as far as lubricants last question, capital employed has jumped up significantly in this quarter.
- Manish Kumar Gangwal** Basically you will see that there is a volume growth which is happening and there is a continuous increase in working capital. Considering the market scenario there has been some increase in the credit also but more importantly the reason is that we have as the base oil prices were going up in tandem with dollar and base oil rates, we have done some bit of stocking of inventory so that the pressure in the margin on Q2 is less. Margin prices, there has been a slight inventory buildup at our end considering the future. It is a temporary phenomenon.
- Moderator** The next question is from Raj Gandhi from Principal Mutual Fund, please go ahead.
- Raj Gandhi** I believe recently have launched lubricant oil with the drain period of about 80,000 km so how has been the response to it?
- Ravi Chawla** This is a co-branded range with Ashok Leyland and the current application is basically limited to vehicles which are with this Euro-4 norms so it is limited to some metros where these new trucks or buses are coming in.



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- Raj Gandhi** But primarily Ashok Leyland selling it as an OEM recommended product.
- Ravi Chawla** It is co-branded OEM recommended product and the current volume is not so high. So it is basically be used by Ashok Leyland workshops and also for open market wherever these vehicles are out of warranty, this is very few at the moment.
- Raj Gandhi** And you are also positioning it for trucks and CVs of other brands or it will be primarily you will try and attract.
- Ravi Chawla** This particular range is only for the Ashok Leyland vehicles.
- Raj Gandhi** And you are planning it to do for other?
- Ravi Chawla** We have launched a new range of products for the other truck segments. And this is a new brand we have launched it is called Super-fleet Turbo, the brand introduced in Quarter 1 and that's also been one of the successes for us. This is an oil with the drain interval of I think it is 40,000 in this case so this is meant for the Tata, Eicher and other vehicles so there again the 40,000 is significant because most of the people are still using the 25,000.
- Raj Gandhi** But 40,000 Km product is available with Castrol and other guys as well, right as of now?
- Ravi Chawla** Yeah, I wouldn't say it is like over 80,000 but still for us it is a gap which we had in our portfolio so we are kind of plugging it and we're going after the wider segment which you will appreciate. We are not only looking at the Ashok Leyland business, we are building our penetration into the other commercial vehicles.
- Raj Gandhi** For this 80,000 you are saying you are in process of even launching this 80,000 for other brands, right?
- Ravi Chawla** At the moment nothing is announced but work is in progress with a lot of OEMs.
- Raj Gandhi** And just generally what will be the costing difference?
- Ravi Chawla** About 15%.
- Raj Gandhi** The synthetic lubricants and all that, are you trying to do something significantly in that the segment which is..
- Ravi Chawla** We will be launching some synthetic lubricants in the car space but that is again we have not yet announced our exact plans. We would like to announce it once we are ready with them.



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- Raj Gandhi** What will be the margin profile difference between this normal lubricants and this synthetic lubricants?
- Ravi Chawla** Synthetic actually will be significantly higher, I would say in terms of percentage it would be probably about if we are currently making 25% plus and something that could be close to around 40%, 15 to 20% more margin.
- Raj Gandhi** And how as the competition emerging in this segment?
- Ravi Chawla** In synthetics?
- Raj Gandhi** Yeah.
- Ravi Chawla** Synthetic is a very small segment of the market as of now but you have players like obviously Castrol is there and Mobil these are the main players.
- Raj Gandhi** No primarily out of this diesel engine oil, CVs and all where in the original purchases are too much of engagements, for these are the passenger vehicles and all that how are you trying target the market since increasingly it is going to workshops and all that that kind of mode so will it become too competitive in the sense what kind of margins you offered to the workshops?
- Subhas Pramanik** Right know our current first step is to look at the retail. We are indirectly supplying to workshop, we have not evolved the workshop model as of now so we have looked at the retail model and we are looking at is high throughput retailers, obviously there are annual tie-ups with both recognition and intensives as building strategies along with the product which meets the required specks. So we are focused on a number of retailers across key PCMO markets that have been started. But still a long way to go for us in PCMO actually there is potential for us to grow there.
- Raj Gandhi** Is there an increasing trend towards OEM recommended oils?
- Subhas Pramanik** Yes certainly we are seeing. What happens is that as the product technology is going up most vehicle owners and you will also be an individual who will subscribe to it in your own personal behavior, you tend to because you are paying high value for the whether it is for the car or a mid-level or high-level car, you generally want to go to the workshop because nowadays so called the independent workshops actually don't have some technologies to also do the proper servicing and repairs.
- Raj Gandhi** But is this the trend in Tier 1 and Tier 2 cities as well?



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- Subhas Pramanik** No you are right, it is more in the higher Tier cities but I'm also saying that provided you have a mass market in the vehicles which form the lower end and mid-size, combination of both, the Marutis and the Fiats and whatever the other vehicles which are there. We are still growing itself so it is a two-way process.
- Raj Gandhi** So here are the margins lower in OEM recommended lubricants because it is mainly selling because of the OEM recommendation in that sense so they would like to get the cost of operation for the user lower so is there a margin differential that when you sell on the Gulf Oil brand versus when you sell it on an OEM co-branded kind of platform.
- Ravi Chawla** The net margin to us as a company?
- Raj Gandhi** Yes.
- Ravi Chawla** Yes certainly because there is a royalty aspect. OEMs have a **royalty christened 17.41** to which they would require when they give a brand endorsement, it can vary right from if you take a percentage it can be from 5% to even at times 15-20% of the price.
- Raj Gandhi** So then as a lubricant manufacturer, the increasing trend is towards OEM cobranded lubricant, how do you protect your margins?
- Ravi Chawla** You need to obviously look at volumes with them, volumes and share will help to get the overall percentage margin yes and the other is to take your price positioning to a better level so obviously if you deliver more value in terms of the product you can claim more price and brand positioning that is what the other thing is. If your brand is positioned well you can obviously command a bit more claim, but you are right. There are segments like the construction equipment segment which is very operator driven, low-cost of operations, there are the price would be more and obviously for places like motorcycle the price would be, you can take some sort of premium. But it is a mix to be honest Raj you have so many players today you have the multinational players, you have the mid-players, you have the PSUs so often we see categories also change depending on which player is dominating. If you go for Yamaha you may have particular brand of oil being pushed by particular a particular manufacturer who decides to go low price and it varies.
- Moderator** The next question is from Ajit Surana from Dimensional Securities, please go ahead.
- Ajit Surana** What is your foreign-exchange exposure at the moment?
- Manish Kumar Gangwal** As of 30th June we had close to 35 million of foreign exposure of which we were covered more than 50%.



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- Ajit Surana** What is the nature of this foreign-exchange exposure, it's a loan?
- Manish Kumar Gangwal** Mainly towards working capital in the form of buyers credit.
- Ajit Surana** And what is the margin expected on a lubricants division this year if you can give me a ballpark figure?
- Manish Kumar Gangwal** At EBIT level currently we are clocking in 9.9 to 10% we hope to continue this margin levels because there has been pressure on the from the base oil side but as Mr. Ravi mentioned that we have taken the price up in the end of Quarter 1, June that will help us in protecting the margin going forward.
- Ajit Surana** Now I have several questions on your property, on your Bangalore property this 1800 development cost has been done by Hinduja Realty?
- Manish Kumar Gangwal** That is right.
- Subhas Pramanik** That is the type of agreement we have.
- Ajit Surana** And what is the sharing ratio?
- Subhash Praanik** Sharing ratio is 30-70, 30 to Gulf Oil.
- Ajit Surana** You have given projections of lease rentals and sales, is that your portion of the total?
- Subhas Pramanik** It is our portion only.
- Ajit Surana** And you are saying in that that you are going to lease out 24.50 lakhs and the remaining is for sale?
- Subhas Pramanik** The sale part is only 30% of the non-SEZ portion which is 10 acres, the balance which is SEZ will have to be leased totally I mean we cannot do any sale there.
- Ajit Surana** And what is reason for that?
- Subhash Praanik** That is the SEZ requirement.
- Ajit Surana** And in terms of the projections you have taken the current market rates or projected some rise in prices?
- Subhas Pramanik** We have taken rise in prices into account in giving that projection but then the good news is that there is a demand in Bangalore segment is growing very rapidly, there are not any SEZs



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available now so basically we are expecting better demand then maybe what we have projected there.

Ajit Surana What is the current lease rental average on your SEZ expected currently and what have you projected?

Subhas Pramanik I do not have this figure specifically just now because again that is a projection two years hence that is our first revenues are expected in year '13-14 last quarter. So that is just a projection so as of now I think it is somewhere around 42 that's what I remember the figure. But on a projection basis and we have been of course trying to be conservative in our projections so if you can read the two together I think it is better idea.

Ajit Surana What occupancy levels are you projecting for the first year, second year, third year since once the project is ready?

Subhas Pramanik We are developing it in phases, we are not developing the whole area together so the first buildings have been started now, the first phase which is approximately 1/6th the total SEZ area. We feel that by that time the first lot will be about 1/6th that is about 1 million sq ft which will be available of which we will be having 30%.

Ajit Surana The projections take in to account the sales wise development?

Subhas Pramanik This specifically first part is basically lease the first buildings which are now started constructions after that when we take out the non-SEZ portion a bit later then the sale considerations come up that is projection is in the year last quarter 2016.

Ajit Surana No my question was in terms of lease rentals that you have projected is for the entire property only or for the 1/6th of the property for the SEZ?

Subhas Pramanik This is as it is happening, as we are developing that's why you will see a bunching if you do have the paper, retail sales in 2017 so that is the bunching there. But at the moment we are basically on the leasing model SEZ portion.

Ajit Surana In 2018 you are projecting 74 crore, 19,000,000.

Subhas Pramanik That's right.

Ajit Surana This is for the entire SEZ only for a portion?

Subhas Pramanik 18 we will become into the last phase.



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- Ajit Surana** And in terms of your Hyderabad property any projections, that is also lease or totally to be sold?
- Subhas Pramanik** That is the model which is now being worked out as we have given in the NSE site. This is just been signed three days ago now. We have now given it over to the architects, they are doing the work and we have now also taken on property consultants who are doing the various models which we are going to study.
- Ajit Surana** And is 10.5 million sq ft is saleable area?
- Subhash Praanik** Yeah that is saleable area.
- Ajit Surana** And what are the current rates in that area?
- Subhas Pramanik** The current rates are at the moment bit dull because of the evidently the Hyderabad situation so there is not much of commitments at the moment. But it is in the range of about 30-32, this is for lease.
- Ajit Surana** This is also for lease I mean most of the property or for selling also?
- Subhas Pramanik** That's why I'm telling you the model has not been finalized to be able to answer you.
- Ajit Surana** And what would be the sale rates just as an example if you were to sell a property there?
- Subhash Praanik** The current rates in that area just off the cuff figures that we have, we have Lodhas which are behind us, Lodhas is the new project they are starting at about 4700. The people who had already built in front of us on one side of our project they are now at about 3400 but then maybe the type of development is not comparable.
- Ajit Surana** And you have to give no construction cost at all?
- Subhas Pramanik** No we are actually trying our best, our objective is to give a level of construction which is very superior.
- Ajit Surana** What I'm trying to say is to your partner Hinduja there is absolutely no sharing of construction cost that is their responsibility?
- Subhas Pramanik** Totally. The same idea in Hyderabad that we are giving the land, they are doing the full development and after that we get the full 35% of the full development to our share.
- Ajit Surana** And any plans for the mining division which is showing losses like are they going to shut down or keep on continuing till things improve?



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- Subhas Pramanik** I think you are aware of the.
- Ajit Surana** I am aware and you also pointed out in your presentations.
- Subhas Pramanik** An overall also you would have noticed that there is a quite a big lull in the developments taking place in the mining sector, there are lot of negatives still there but there is some easing showing up. We feel that with the reforms being brought back into action there could be a lot of change taking place in the next two months or so by the time the monsoon is over.
- Moderator** The next question is from Prem Kumar from PCS Securities, please go ahead.
- Prem Kumar** Sir this lubricant EBITDA of 22 crores that we reported is it net off FOREX loss?
- Subhas Pramanik** Yes.
- Prem Kumar** Sir can you give me this breakup of 5.66 crores of other income?
- Manish Kumar Gangwal** 5.6 crores is mainly interest income, the major parties interest income.
- Prem Kumar** Any update on this lubricant demerger?
- Subhas Pramanik** No there is nothing as of now. Of course such a major decision will have to be announced before we take the decision. So this will be intimated to the stock exchanges when we are ready for it.
- Prem Kumar** Your press release indicates that there is an increase in the price of automotive products in last quarter so how much was the increase and how would it affect our margins?
- Ravi Chawla** We work on a principle where we want to recover the 100% but what happens is as you announce the new prices there are old stocks in the market so we are planning to recover the entire cost to maintain our margin. As we said we want to keep our margins around 10% overall so we have factored that in but it have been done in phases because we have different segments, automotive, industrial it takes time a little bit in industrial. So quantum of increase varies product wise and of course input wise so it varies like for example automotive would vary anything from Rs. 6-Rs. 10.
- Prem Kumar** So on an average this would be Rs. 6-Rs. 10, right?
- Ravi Chawla** This would be.
- Prem Kumar** And in percentage term?



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- Ravi Chawla** Effective increase would be 5 to 6%.
- Prem Kumar** The question on real estate, how much land do we own in Hyderabad?
- Subhas Pramanik** Are you talking about the current development, which were taken place?
- Prem Kumar** Currently 77 acres we understand but total land that we own?
- Subhas Pramanik** On which we are operating as of now is 800 acres.
- Prem Kumar** Do we have any plan for the rest also as of now?
- Subhas Pramanik** Not as yet we are going segment by segment. I think this development itself you would have noticed is taken us for sometime to really announce because of all the formalities and all the procedures we had to follow. At the moment it is too premature to even giving you any answer to this.
- Prem Kumar** Do we have any plan for that Bhiwandi land that we own?
- Subhas Pramanik** Not as yet.
- Moderator** The next question is from Naresh Kumar, an individual investor, please go ahead.
- Naresh Kumar** What is the split between OEM versus Bazaar sales for Gulf, how much do we supply what percentage of our sales are to OEM and to the Bazaar segments?
- Ravi Chawla** Per se we have the automotive sales, which is about 75% odd of our sales. Now within the automotive we also have co-branded ranges of many OEMs so we not only have Ashok Leyland we have couple of other OEMs MAN, we do Volvo and others which are part of that and we also do Mahindra co-brand, these are the four co-brands which are the significant ones in our turnover. So if you take OE as you know divided into some is factory fill and then there is this service fill which is to the workshops and then there is co-brand so there are three types of OEM businesses we do currently. One is factory fill where the vehicles leave the manufacturing location, second is with the workshops which the OEMs consume oil and third is the open market where the normal vehicle owner or the influencer or the garage would buy it from the open trade. Which segment do you want?
- Naresh Kumar** Bazaar part the rest I assume there will be the pre-segments combined for OEMs so what percentage would be the Bazaar in the sense where really the vehicle owner goes and buys himself from the auto space stores or lubricant stores?



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- Ravi Chawla** That's why I'm telling you there is OEM relates are threefold, one is factory, second is service fill of workshop and third is Bazaar so which one do you want to know?
- Naresh Kumar** I just want the split of Bazaar alone out of your roughly 1000 crores what part is Bazaar and rest of course I know it is other two segments.
- Ravi Chawla** Bazaar is I told you 75%.
- Naresh Kumar** Just one more question, we spoke about the land at Bangalore and also the Hyderabad 76 plus 700 acres I believe we also have land at Bhiwandi, can you please elaborate on what is the size of the land and any plans in the future to develop that as well?
- Subhas Pramanik** In the future we do have plans, the developing this 80 acre plot which we have but as of now we have no specific points to make here.
- Moderator** The next question is from Rajeev Rupani, an individual investor, please go ahead.
- Rajeev Rupani** Sir now we have recently signed the development agreement with Hinduja Realty so generally can you let me know by when will all the permissions for development be granted in the next 3-4 months or six months?
- Subhas Pramanik** No it would take a little time because it is largish development and we have just handed over all the details to the architects RSP, it is going to take time. After we get all that then we will be approaching for the actual approvals for specific buildings and areas. As you know we are dividing this place in two segments for development but the master plan has to be finalized first. So that is where we are now and that's the current position. We are on the development of the master plan and then looking at how to take up the segments as depending on the demands that are available.
- Rajeev Rupani** Can I assume it will take about six months to finalize everything and get the permission?
- Subhas Pramanik** Once it is certain, it will take to finalize but beyond that as of now I am sorry I am not in a position to comment because we are still not crossed that stage of come to some concrete positioning.
- Rajeev Rupani** In the earlier analyst meet which you had in Mumbai in my interaction with Mr. Babbar I was told that now the company is getting 35% of the developed area that is the company is getting 3.5 million sq ft of the developed area, now I was informed that 70% of all the development at Kukatpally will be residential, am I right?



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Subhas Pramanik That is area which we are waiting for the modeling to be done by the consultants not the architects. So at the moment we are still new into this project so I won't be able to give you a straightforward answer on this one.

Rajeev Rupani Now for the residential the base case rates can we assume about Rs. 3000 a foot a minimum for the....

Subhas Pramanik I have said this a little while ago, see behind this project is the Lodha development taking place and they are the current rates, the launch rates are somewhere around 4700 and besides us there is another development which is about 60% complete that they are now at about 3400 but they are not really comparable to the type of development we are doing.

Rajeev Rupani Regarding the Bangalore development now going through the PDF file you have said that 2016-17-18 we have given the sales plan for the non-SEZ area so all those amounts are belonging to Gulf Oil, right?

Subhas Pramanik This is what we have given is only Gulf Oil.

Rajeev Rupani My last question is I have said this earlier also the company is focusing on the lubricant division and the lubricant division is doing well by when can we expect the other two divisions mainly explosive and mining to do well because if we see solar explosives by making only explosives has made a net profit of 100 crores. Now I can understand that the mining division is not doing superbly because of the mining problem in the country but what about the explosive division, why is it not performing well? I as a shareholder would like all the three divisions of my company to do well.

Subhas Pramanik We would also like that to happen but unfortunately a) the economy is in a particular positioning. B) The explosives business as you are aware is basically tender driven and as of now Gulf Oil is only having the accessories and **debt net 38.40** is block so that is the kind of situation there. It is mainly tender driven. Well there is a good amount of exports but this first quarter as I said in the beginning that we have not been able to export because there has been shipping delays so it doesn't figure in Q1.

Rajeev Rupani Going forward in next 1 to 2 years can the other two divisions do better, explosive and mining?

Subhas Pramanik As far as the mining division is concerned it will bounce back as soon as the policies are clear and the governments are adequately empowered to give decisions. So that part of it we are certainly expected to happen. As far as the explosive is concerned you will also have noticed one interesting feature in the segmental results that in the last quarter Q4 of last year we had a negative position and now in Q1 we are 1.81 crores plus so you can see it is changing. But then



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it is being a tender driven business we will have to wait for actually all tenders to be in for the year to be able to give you a very precise position.

- Moderator** The next question is from Utsav Mehta from Derivium, please go ahead.
- Utsav Mehta** Just one very brief question remaining, currently what capacity are we operating at as far as our mining division goes?
- Subhas Pramanik** We are low here, we have just got two projects going on because of the monsoons also we were to shut down. The irrigation project is closed till the monsoon is over and as far as the mining site is concerned there are only two projects at the moment going on that is uranium mining and for Uranium Corporation and iron ore mining is for SL mining.
- Utsav Mehta** I'm guessing we talk in terms of the amount is excavated per year, right?
- T.T. Das** Volume has gone down heavily actually once upon a time the mines were used to buying about something like 3 lakh tonnes per month. We have gone down to a level of about 0.5 lakh ton only. These are the main reasons and Uranium Corporation also we faced some problem with the locals for which we are not responsible. UCIL is trying to sort those out. We hope that after the rain is over from September-October onward volume in UCIL and also in the iron ore mine sector wherever we are working volume should come good and you may be knowing that we are doing manganese ore mining for Adhunik Group also and also actually we are doing one or two more mining blocks for SL Mining. Those blocks are absolutely zero now. We hope they will start by October-November so let us hope after Dushehra new door opens, we have order booked in our back but unfortunately we are not able to execute them.
- Utsav Mehta** So in case if everything goes as per what you are saying, everything goes as per expected total combined all the mines what is the amount of volume that you are looking at?
- T.T. Das** The kind of equipments what you are having, you are asking volume in terms of rupees?
- Utsav Mehta** No volumes in terms of amount excavated and hence what should be your approximately breakeven level?
- T.T. Das** Actually we have got equipment which can handle something like about 20 lakh cubic meter per month but unfortunately we are not even handling even 25% of it currently and that is why fixed cost is basically eating us up but still if you see that with respect to the last quarter we have controlled control costs a heavily and then you can see some reduction in losses also that will happen. But there is a kind of bare minimum cost we will have to bear if you want to keep the division alive. This is what we are trying and let us hope because everywhere in the Ministry we are now seeing some positive signs because coal and iron ore these two you may



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be hearing last time in the meeting also I told some of the companies they have started even importing iron ore pallets which is very ridiculous and I hope everybody should wake up and this mine should open and as we used to do the result something like three years back we should be able to restore back our position.

Utsav Mehta I'm just trying to get a sense of idea of how many projects which will be running on full capacity for us to breakeven in this division on and EBIT level?

T.T. Das It is not number of projects really. It is like say whatever equipments we are having or which I need about something like as I told you 20 lakh cubic meters to handle every month and currently we are handling on the 25% of it.

Utsav Mehta So we need to be working on projects to cover 20 lakh cubic meters essentially?

T.T. Das Also volume I need to actually increase my volume in terms of volume in cubic meters.

Utsav Mehta So we need to increase our volume by how much for us to break even on EBIT level that's where I'm actually going at?

T.T. Das We will have to annually something like 120 to 150 crores to breakeven.

Moderator The next question is from Prem Kumar from PCS Securities, please go ahead.

Prem Kumar The revenue of this consultancy division has gone down a lot like from 19 crores to if I see the picture?

Subhas Pramanik From 16 crores to 9 crores in the quarter, right?

Prem Kumar Yes sir but if I see the EBIT of the same segment that has not gone down by that much. It has gone down by only if I see quarter-on-quarter 8.87 crores loss to 6.93 crores loss.

T.T. Das This losses are mainly because of the idling which is more in the nature of fixed cost so it is not linked to the revenue per se because minimum fixed cost we have to incur in any case and that's why the losses will not go down proportionately in terms of the volume because the fixed cost impact is there.

Prem Kumar So mainly depreciation losses?

T.T. Das This is one of the fixed cost, lease rentals are there and other fixed cost is there for the running of the equipment plus the manpower cost we have to keep to continue the unit going.

Moderator The next question is from Ajit Surana from Dimensional Securities, please go ahead.



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- Ajit Surana** I have a couple of questions, what is the current value of the land that you have at Hyderabad, some ballpark figures at 800 acres?
- Manish Kumar Gangwal** That we have announced in the March result but the land has been revalued and based on the registrar rates prevailing at that time and that comes to 926 crores for the area which is identified for the property development.
- Ajit Surana** That is entire 800 acres?
- Manish Kumar Gangwal** That is 77 acres which is under development.
- Ajit Surana** I'm talking about what is the current rate suppose we were to develop 800 acres what is the current land price, market value?
- Subhas Pramanik** If you are talking about the development the land price is really not relevant.
- Ajit Surana** No I am saying you're going to develop the entire 800 acres over a period of time?
- Subhas Pramanik** That is a little speculative and in the future so I don't think we will be in a position to answer this question.
- Ajit Surana** And would it be safe to assume if 77 acres amount to 926 crores than 800 acres I just have to multiply and find out the value?
- Subhas Pramanik** The positioning of these plots will also change with respect to access points, etc., so it will not be possible at this point of time, maybe on a later date I may be in a position to answer this.
- Ajit Surana** So the 926 crores is only for 77 acres?
- Subhas Pramanik** That's right.
- Ajit Surana** And Bhiwandi what is the current rate for the land per acre if you have any indication?
- Subhas Pramanik** Valuation on that because it is still in the distant future about when to develop rate and all that. We are really following up on the development taking place in the area. At the moment it is not very much except for some warehousing developments which are taking place. So frankly we have not given it any kind of priority at the moment.
- Ajit Surana** What is the top-line growth in value terms you see lubricants in '12-13 over '11-12?
- Ravi Chawla** In terms of value you are asking?



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- Ajit Surana** Yes in terms of value.
- Ravi Chawla** Value depends upon the pricing how it will go in the market.
- Ajit Surana** But sense at the moment I do understand there are going to be variables which will change.
- Ravi Chawla** But if you see Quarter 1 the value has gone up by 20-22% and we are expecting similar kind of levels.
- Ajit Surana** In terms of your mining division I mean given all the projects that might come through, if they come through what would be the turnover this year again in value terms?
- Subhas Pramanik** In order booking what we are having if those mines start, this year we should be able to touch about 75 crores and then also some new projects also we are chasing. Let us hope in Q4 the results should be up may be about 2-3 new projects also we can we should be able to bag.
- Ajit Surana** And this would be from any lakh a month? The 75 crores will result in how many lakh cubic meter per month on average which will spread out throughout the year?
- Subhas Pramanik** 50% of our capacity maybe about 10 lakh cubic meter.
- Ajit Surana** And in terms of explosive what are the growth rates expected this year in value terms again?
- Subhas Pramanik** In value terms we are maybe just about 10 to 15% up because the market is still quite dull thanks to the situation in the mining segment.
- Moderator** The next question is from Amitabh Sonthalia from SKS Capital, please go ahead.
- Amitabh Sonthalia** I wanted to know about the CIL's exclusive tender they are discussing in their boards. Are we tendering for them or any update on that?
- Subhas Pramanik** Certainly we are tendering, the only thing is that ammonium nitrate costs are still fluctuating heavily and that of course those quotations are going to be given by our 100% subsidiary IDL Explosives. Detonator side part of the requirements are known the other part we are waiting for the tenders to come out so that is still in a state of finalization. We have not finalized anything there.
- Amitabh Sonthalia** How much detonators orders you have received?
- Subhas Pramanik** Last year we made about 140 million detonators so this year we are actually expecting better orders than that. But again as I said a little earlier a lot of the private mines and all that are still not clear, the position whether how much they will be able to produce. So tentatively I'm



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saying that we will maybe around the same figure this year. But of course we expect marginal increase in prices.

Amitabh Sonthalia

And when should this order will be clear by CIL any timeline from their side?

Subhas Pramanik

Normally these are all cleared by September.

Amitabh Sonthalia

Because what I am saying is that 31st July I guess they have their board meeting on this and CIL was going to decide on the explosive thing so they are also going to take the call on JV between the IOC's explosive division and CIL taking up 50% stake on that so based on that if they invest in 50% JV with IOC's explosive division how much diversion will take place from your order, like your share of order from CIL?

Subhas Pramanik

This doesn't affect our company directly; it affects our subsidiary IDL Explosives the first part of the question. The only thing is that the action which has been announced by the chairman of Coal India is frankly going to be at the moment they are supplying about 25% of the requirements of the CIL.

Amitabh Sonthalia

That we also got to know from the press releases and all. It just meet the 25% of the total CIL requirement?

Subhas Pramanik

That is right and the CIL chairman has mentioned he wants to grow that supply position so we expect that maybe they will be going up to about 40% that is what is expected. But it does not affect Gulf Oil in any current form, it only affects our subsidiary.

Moderator

Ladies and gentlemen due to time constraint we will take one last question from Paras Nagda from Enam Holdings, please go ahead.

Paras Nagda

Sir I had to questions, one is what was the performance of IDL Explosives for the current quarter?

Subhas Pramanik

We haven't got a published position here but they were positive EBITDA and positive PBT.

Paras Nagda

One more thing on the mining division, do we have any plan B with respect to what if the coal mines don't open so we also heard the chairman in the press sometimes back saying that they might be looking to close the division also so what is the kind of plan B going on for this division?

Subhas Pramanik

At the moment I don't want to comment on plan B or plan C but the catch is that technically we've been negative on this segment right up to this year, for last two years we have been negative. Evidently it is tapping our patience but then the catch is that this is the industry position. So we are just waiting to see whether there is going to be a change in the government



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policies which we are told that it must happen because there is a shortage of coal, power situation is getting worst in most states and at the same time iron ore positions are dwindling with all the manufacturers of steel, government is also looking at importing what was said by Mr. TT Das a little earlier that they are thinking of importing iron ore, doesn't make much sense. But then of course that the way to mitigate the position just now in the absence of a policy decision. So we do expect the things will change very dramatically as at least the Prime Minister has given us that kind of a hope. In fact they have started clearing some of the major projects like Mahan, Sasan then in Orissa some expectations are there that a lot of easement in the restrictions will come in.has been freed from a lot of restrictions, earlier only NMDC was allowed to mine, now they are releasing that. So we do expect that things will change now. So therefore if these come about in the short term certainly there is no question of looking at plan B or plan C. But as of now the timing is not certain and that's where we are little worried that we have continued like this for two years and how long should we keep waiting.

Paras Nagda

So you were not in the sense willing to share a timeline with respect to how much time you're willing to wait?

Subhas Pramanik

As we have mentioned just now because of the fact that we have long-term contracts also on hold just now. Now exiting them would also mean that there are legal causes to self circumvent that's a tough job. So I don't think at the moment we are ready to give you any very precise answer on this one.

Moderator

Ladies and gentlemen that was the last question. I now hand over the conference back to Mr. Prashant Tarwadi for closing comments.

Subhas Pramanik

I have just one small correction. I said a little earlier that there is positive EBITDA in our subsidiary and the positive position in PBT. I'm sorry I missed out one point that there is a FOREX minus there so that I don't have the exact figures to even tell you. But it will not be positive PBT because of the FORX position.

Prashant Tarwadi

Thank you very much to Gulf Oil management for devoting time for the call and let me request Mr. Pramanik for his final closing comment please.

Subhas Pramanik

Thank you very much Prashant for handling this conference. What I would like to say is that except for mining where we are still little I would say woolly on the outcomes because the dependent on policy and governmental action, other than that all our other divisions are in very positive situation and lubricant is as you have heard we are very clear about our objectives in that division and the direction in which we are moving. Explosives also we are very clear except that there is imponderable coming from CIL side because that tendering is very



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important. So other than that we do not see any problem in the quarters ahead. That is what I would like to tell the participants here.

Moderator

Thank you very much. On behalf of Enam Securities Private Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.