"Gandhar Oil Refinery India Limited
Q3 and Nine-Months FY '24 Earnings Conference Call"
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MODERATOR: **MR. NIKUNJ JAIN – ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to Gandhar Oil Refinery India Limited Q3 and Nine-Months FY '24 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 this conference call, please signal an operator by pressing star then zero on your touch-tone 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 Mr. Jain.

Nikunj Jain: Thank you Neerav. Good morning ladies and gentlemen. I welcome you to the Q3 and nine-months FY ‘24 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 the company's website.

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

Aslesh Parekh: Thank you Nikunj. Good morning everyone. I am Aslesh Parekh, Joint Managing Director of Gandhar Oil Refinery India Limited. First of all, I would like to welcome you all for the second earnings call of Gandhar Oil Refinery India Limited to discuss the Quarter 3 and nine-month FY ‘24 financial performance. I would like to extend my gratitude to everybody who has taken time to attend this call. I have along with me Mr. Indrajit Bhattacharyya, who is the CFO of Gandhar.

Before I start with the business update, I would like to give a short introduction of Gandhar Oil to all and for the participants looking at the company for the first time. We are one of the leading manufacturers of white oil in India with a growing focus on consumer and healthcare industries. Our product suite comprises of more than 440 products which are manufactured across our personal care, healthcare and performance oil division, which is the PHPO division, the lubricant division and the PIO division, which is the process and insulating oil division, all falling under our brand name Divyol. Our products are vital for leading companies in India and worldwide.

We serve to more than 3,500 customers spread across 100-plus countries. With three advanced manufacturing facilities spanning across 128,454 square meters, two of which are strategically located in Western India and the third facility is located in Sharjah, UAE. We meet both the local and global demand.

The specialty oil market in India is projected to increase from $7.3 billion in 2023 to $9.3 billion by 2028, reflecting a CAGR growth of 5%. In the evolving market scenario, white oil, plays a crucial role in propelling the fastest growth of the Indian specialty oil market.

The demand for white oil is propelled by the increasing usage of personal care products, pharmaceuticals and the food processing sector. At Gandhar, the emphasis is on R&D remains a pivotal aspect of the company's growth and innovation strategy. Our commitment is to utilize our R&D expertise in nurturing growth, generating values and enhancing our standing as a foremost provider of intelligent and sustainable solutions across diverse industries.

A short glance on the Q3 performance, our revenue and volume in our largest segment, PHPO, has increased by approximately 11% from INR520 crores in Q2 to INR581 crores in Q3 and our volume has simultaneously increased from 64,609 kilolitres to 71,602 kilolitres. Our EBITDA has increased from INR75 crores in Q2 to INR85.12 crores in Q3. Similarly, our profit after tax has also increased from INR48 crores in Q2 to INR51 crores in Q3.

We have witnessed a strong quarter 3 performance in our overseas sales which has increased by a whopping 23% in revenue from INR574 crores in Q2 to INR705 crores in Q3. Similarly, our overseas volume has also increased from 64,000 kilolitres in Q2 to 81,000 kilolitres in Q3 which is roughly around 26%. We remain dedicated to our growth plan and are preparing for the future.

The expansion of our facilities in Taloja and Silvassa is advancing very smoothly and we anticipate its completion by end of this fiscal year. This strategic initiative will not only allow us to venture into new domains but also facilitate production of a diverse range of products for not only our existing customers but also to focus on our new customers.

Further, fuelled by a resilient financial position, expansion in the manufacturing facilities and with a diversified product portfolio, we anticipate substantial growth prospects not only in domestic front but also in international markets across our business verticals.

In conclusion, as the global specialty oil market evolves, white oil takes the centre stage with its exceptional growth trajectory. With stringent quality standards and expanding global reach, white oil proves to be a pivotal force shaping the industry's landscape. In coming years, we have confidence that the strategic position will drive consistent growth allowing us to generate significant value for our stakeholders.

With this, I hand over the call to Mr Indrajit, who is the CFO to take you through the financials. Thank you once again.

Indrajit Bhattacharyya: Thank you, Aslesh bhai. Thank you everyone for joining this call. I will take you through the financial performance of the company for the period ended 31st December, 2023. In the quarter gone by, our consolidated revenue from operations stood at INR11,026 million as compared to INR10,010 million in Q2 FY '24 reflecting 10% growth. For nine-months FY '24, our consolidated revenue stood at INR31,740 million as compared to INR30,923 million in nine-months FY '23. As Aslesh bhai said, our total overseas sales for Q3 FY '24 stood at INR7,086 million comprising 64% of the overall sales as compared to total overseas sales of INR5,746 million in the previous quarter.

For nine-months FY '24, the total overseas sales stood at INR19,748 million comprising 62% of the overall sales as against INR16,702 million in the previous nine-months ended on 31/12/22, which constituted 54% of the total sales. Our consolidated EBITDA for the quarter stood at INR851 million as compared to INR759 million in the previous quarter. For the nine-months ended on 31/12/23, our EBITDA stood at INR2,451 million.

EBITDA margin for the quarter is 7.7 % as compared to 7.6 % in the previous quarter and 7.7 % for nine-months ended FY '24. Our consolidated profit after tax for the quarter stood at INR512 million as compared to INR480 million in the previous quarter. For the nine-months FY '24, our profit after tax stood at INR1,535 million. The PAT margin for the quarter was 4.6% and 4.8% for 9M FY'24. The manufacturing gross margin spread stood at INR10,223 per KL, compared to INR10,060 per KL in the previous quarter.

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

Moderator: Thank you, very much. We will now begin the question-and-answer session. The first question is from the line of Rushabh Shah from O3 Wealth & Asset Management. Please go ahead.

Rushabh Shah: I have a couple of questions. In your presentation, sir, you stated that the Indian white oil market is 0.47 billion in FY '23 and the industrial oil market is 3.2 billion. Any particular reason for concentrating particularly on the white oil market and gain market share in a market which is so small, the white oil market? Why not concentrate on such a big market which is the industrial oil market?

Aslesh Parekh: This is your question, right? This is the only question you have, right?

Rushabh Shah: No, I have two more questions.

Aslesh Parekh: Okay, so you can tell me the questions and I will try to answer all of them together.

Rushabh Shah: Okay. As we are watching there is a slowdown in the FMCG space since the past quarter due to the results we are seeing such a slowdown. So even Gandhar Oil would be affected due to such slowdown in the FMCG space. I just wanted your views. What do you think going ahead for the next five years?

And my third question is that how do you see Gandhar Oil going ahead for the next five years? I wanted to know your growth trajectory and what steps are you taking to take Gandhar Oil ahead?

Aslesh Parekh: Fair enough. Coming back to your first question, why white oil and why not focus on the lubricant business? See, white oil is a part of our PHPO business which is the Personal Care, Health Care and the Performance Oil division which is our largest business division. Now, for entering this white oil space with the FMCG customers, there is a time process of more than four years to five years of empanelment. So, there is a high entry load, there are barriers to entry in the business.

Compared to the lubricant business which involves more B2C marketing, more of advertising spend and with the growing advent of the EV, we anticipate automotive sales maybe after five years, six years will start coming down. So the company would really want to focus on the Personal Care, Health Care division where there are entry barriers to the market where we have marquee customers not only domestically but even internationally.

Coming back to your second question on slowdown in FMCG space and the view of Gandhar over the next five years. Yes, we have seen, we have tracked the FMCG results specially for Hindustan Lever, they have registered a flat growth in the volume. But at Gandhar, see, we are concentrating our strategies not only domestically but internationally as well. Our exports, our overseas sales as I just informed you in the earnings call has increased by more than 20% on revenue basis and more than 20% in volume basis as well. So, there is a perfect blend of domestic and export sales which is helping the company to the newer horizon in the coming years.

Third point, we are internally contemplating on formulating new products for our customers and our R&D team in tandem with the R&D team of our customers are formulating new products which are being well accepted by the market. So, at Gandhar, for the next five years, we want to focus on the PHPO business and enhance our product offerings to this customer.

Rushabh Shah: Just a follow-up on the first question, you said the industrial oil market, there are many new players into the market and Indian white oil market has a lot of entry barriers. So, wouldn't the industrial oil market have entry barriers or do you see a slowdown in the automotive space going ahead?

Aslesh Parekh: See, as I informed with the advent of EV, the use of lubricant for the automotive oil would definitely come down. Because in the EV, two-wheelers or four-wheelers, there are no lubricants which are primarily used. The volume is less than 70% as compared to the current usage. So, obviously the demand for the lubricants for the automotive oil will definitely come down.

Second point, industrial oil, transformer oil, there are not such high entry barriers. The time taken for empanelment is not like five years as we have in the FMCG businesses. For us to get into a pharmaceutical company or a cosmetic company, the empanelment is pretty huge like five years because there are lots of processes involved, there are plant audits involved, there are consumer trials which are involved, which goes behind in approving a product.

If you see any product out of the shelf, there is a huge process that goes behind. So, multinational companies definitely don't want to switch suppliers with small changes in the pricing. That is why I am telling there is a high entry barrier specifically for the PHPO businesses.

And the last point, the important point, the working capital in the other businesses are pretty high compared to the working capital required in the PHPO business. This is why we would like to focus on the PHPO business as such.

Rushabh Shah: Okay, and sir, my last question is, what would you define the key risks in your business except being the crude oil volatility or crude oil pricing? Any key risks you would like to define?

Aslesh Parekh: See, as such, the company has been strategically focusing on the PHPO business. I mean, the risks that we pursue in the business, as we have shared in the presentation, obviously with the crude risk, there is a price pass through contract with our customers, we have term contracts with our suppliers. These are the four risks that we pursue, as I told you. I mean, the foreign exchange risk, we have overseas sales of more than 65%, which acts as a natural hedge. And for the balance, we do forward contracts with our banks, so that is also minimized.

The third point is the credit risk, but with more than 440 products being sold to more than 3,500 customers to global, not only domestically, but internationally, the liquidity risk is evenly spread, the credit risk is equally spread among the customers. And if you see our database, the top five or 10 customers won't contribute more than 10% or 15% of the total revenue of the company. So, the credit risk is very, very, very minimal. And the liquidity risk, we have sufficient liquidity to take care of the business going forward as well. And there are no long-term debts also in the company.

Rushabh Shah: Sure. Thank you so much, sir. I'll come back in queue.

Aslesh Parekh: Thanks.

Moderator: Thank you. Next question is on the line of Sanjesh Jain from ICICI Securities. Please go ahead.

Sanjesh Jain: Good morning, Aslesh bhai. Thanks for taking my question. I got a few of them. Sorry, I got into call late. Apologize if I'm asking it on a repeated basis. One on the other income, other income has fallen some INR17 odd crores in 3Q of last year to INR1.8 crores or INR18 million in this quarter. And it's lower even in the last three quarters as well if I look at the trend. So what is driving down the other income?

Indrajit Bhattacharyya: Sanjesh, this is Indrajit here. So the other income in the previous quarters constituted dividend income received from our subsidiaries. So then that is not there in the current quarters. That is the main reason.

Sanjesh Jain: How much was that?

Indrajit Bhattacharyya: I remember about INR3.5 crores to INR4 crores. I'll check that and get back to you.

Sanjesh Jain: But if it was a subsidiary, it should not come in consolidated financial, right? Even consolidated financial, it shows INR16 crores of other income versus INR1.7 crores in this year.

Indrajit Bhattacharyya: Okay. Let me just check and get back to you on that, Sanjesh. So it is basically INR1.6 crores currently as against INR16 crores in '22. So I'll have to check that and get back to you.

Sanjesh Jain: No, no problem. My second question is on the Texol, which is basically your console minus standalone. If I look at that performance, revenues that have grown are much better than the standalone business with a growth of 20%. But gross profit margin has shrunk from 9.9% to 7.3% and actually absolute EBITDA has declined by 15%. Can you help us understand what has changed in the Texol business?

Indrajit Bhattacharyya: So, Sanjesh, let me explain this to you. As you see, the top line has increased, the sales have increased. Now we had to resort to buying -- on spot basis from distributors to meet our increased commitments to our customers. So this buying on spot from distributors has resulted in our buying at terms which are not so favorable. This has impacted the gross margins, which has then come down all the way to the EBITDA and the PAT. Its main reason is because of the increased requirements of raw material, we had to procure from the spot market.

Aslesh Parekh: Just to add, Sanjesh, and what Indrajit just informed, we are in touch. If you see the standalone numbers, Gandhar Oil, we had a super impressive performance on the standalone basis. Thanks to the contractual commitments we have with our suppliers. Simultaneously, we are trying to mirror the same contractual commitment from our suppliers, even for Texol. So the work is already underway to expand the contractual volumes that we are getting for Texol, looking at our growth perspective in the future as well. So we anticipate the Texol numbers also to improve in the near quarters.

Sanjesh Jain: Okay. I thought the entire reason we were going into the Middle East region was to take the benefit of the favorable supply situation. Does that still work under progress or how should we see how many quarters it may take for us to normalize the situation?

Aslesh Parekh: Even in Gandhar, with the 35 years of history, we have improved our buying efficiency over the past four years. Texol is fairly a new -- a growing baby now. But having said that, with the support of Gandhar, Texol is now having access to the refineries. There are contracts in place. But refineries won't start, for example, if I want 100 units. The refineries won't give me the 100 units all together in the very first year itself.

They want to ensure that whatever contractual obligations Texol is giving to the refinery are honored. So if I want 100 units, they will start with 20 units or 30 units for the first year. Then gradually improve or increase the volumes depending on the performance of the company with that specific refinery. So it won't happen overnight, but it will take the next couple of quarters for it to be on its toes and continue buying its raw material primarily from the refineries.

Sanjesh Jain: Can you help us understand how much do we buy directly in the standalone versus the distributor and what is the ratio in the Texol today?

Aslesh Parekh: I don't have the exact number, but just to give you an estimate of the contractual versus the spot buying, I think around 55% would be contractual commitments and balance would be spot.

Sanjesh Jain: This is in the standalone or in the Texol?

Aslesh Parekh: **No.** I'm talking about Texol.

Sanjesh Jain: And what will be in the standalone?

Aslesh Parekh: Standalone would be 70%, 75%. In fact, excess of 75% would be contractual.

Sanjesh Jain: Okay. Thanks on those numbers. One small request, Aslesh bhai, if you can also give us the manufactured volume, we will really appreciate because that gives us a full picture. You are obviously saving the gross profit per KL. But if you can also give us the manufactured volume, that will really help us in understanding the business a little bit better. And I don't know if I'm asking more, even the PHPO share, we will really appreciate because the whole thesis of our is that we want to become more stronger in the PHPO. And for us as an external investor, it will be really helpful to see the journey along with the numbers.

Aslesh Parekh: Yes. So I have some volumes, which I can offhand share it with you. So our manufacturing volumes of Q2 was 120,457 kilolitres, which has increased to 131,213 kilolitres in Q3 FY '24. Now coming to the PHPO, our volume in PHPO was 64,609 kilolitres in Q2, which has increased to 71,602 kilolitres in Q3.

Sanjesh Jain: Got it. That's fair enough. And my whole request is if you can put it in the presentation, we will be ready with the quality questions and don't ask numerical questions on the call. But super helpful. One last question to Indrajit. This other expenses have declined from INR43.6 crores to INR40 crores. What is driving the drop in the other expenses? Because I can see volumes have gone up quite handsomely. Any reason why the other expenses have come down?

Indrajit Bhattacharyya: Other expenses constitute a whole list of expenses, mostly on the selling distribution and the miscellaneous and the other types. So there has been economies of scale achieved because of this increase in our top line, which has resulted in reduction. So there are expenses in this space like forex cost, there is expenses like storage and all that, which has definitely been able to be brought under control from the previous year.

Sanjesh Jain: Got it. Fair enough, sir. That's it from my side. And thanks for answering all my questions patiently and best of luck for the coming quarters. Thank you.

Aslesh Parekh: Thanks, Sanjesh.

Moderator: Thank you. Next question is from the line of Rohan Gupta from Nuvama Wealth Management. Please go ahead.

Rohan Gupta: Hi sir. Good morning. Thanks for giving the opportunity. Sir, first question is once again on the consolidated minus standalone. So you have given the reason that there has been more spot purchases, which has impacted the gross margin at the subsidiary level. I think that is more driven by the volume growth. And there is a huge difference between the EBITDA margins or gross margin, which we are enjoying right now on a standalone basis versus the subsidiary.

Like at a standalone, we have already reached to almost a gross margin for the current quarter of as high as 14.7% versus just only, you can say, 7% at subsidiary performance. So do we see that when we start getting from the refineries, the desired volume of raw material, the subsidiary margins also will be aligned with the standalone margins, which we are doing right now?

Aslesh Parekh: Thanks, Rohan. See, the endeavor is to ensure and enhance our buying directly from the refineries to reduce our spot buying from the distributors or traders in the market. So obviously, the performance that we have witnessed in the standalone basis in Gandhar, we anticipate the same to be replicated even in Texol. Once the buying pattern primarily shifts from more of contextual buying than for the spot buying.

Rohan Gupta: In what time frame do you think that, because I think that at the time of IPO meets itself, we have been mentioning that now you already have a size at the subsidiary and with the benefit of under the Gandhar, you will be directly procuring from the refineries. So, I mean, by what time frame you are expecting that we should be able to see those kind of margins?

Aslesh Parekh: See, as informed earlier, refineries would treat Texol and Gandhar as two different entities because the requirement of Texol is different, the requirement of Gandhar is different. So they want to ensure, see they are aware of the box is ticked in terms of Gandhar Oil being able to honor its contractual obligations in terms of volumes, in terms of payments on time, etcetera.

Similarly, Texol is a fairly new company. We have started contracts with a few refineries there. You know, obviously, being a first year, obviously, they would not, give me the 100% of my requirement. But the idea is, to move our total contractual buying in terms of the contractual requirement anticipated to be completed in the next two quarters or three quarters. That is the plan going forward.

Rohan Gupta: Okay. Sir, second question on the industry related as you have already mentioned that most of the FMCG companies are talking about the slightly lower growth also coming from the rural side. So, in this kind of scenario, do we see that there is any volume growth risk to our numbers in the near future? And how you are basing yourself with this kind of weakness as far as the India market?

Aslesh Parekh: See, I definitely tracked the results of FMCG companies, where they have registered a flat volume growth. In spite of that we have seen 11% volume growth in PHPO from 64,000 KL to almost 71,600 kiloliters from Q2 to Q3. So, the endeavor is to enhance our offerings with our existing customers. And also, at the same time, our team is focusing on acquisition of new customers as well. So, that is a work-in-progress which is happening and we are very sure that the team is confident about achieving similar kind of volume growth in the future quarters as well.

And the last point is the geography as well. So, as you are well aware, we are exporting to 100-plus countries. So, the growth, the buying pattern, or the growth in FMCG business in India would be different compared to a growth in Africa or South America. So, we are trying to cater to the growth internationally to ensure the growth plan or the strategy that what we have devised at Gandhar are focused on. And we try to achieve the numbers that what we have envisaged.

Rohan Gupta: So, you are saying that with the expansion in the product basket and adding the customers will ensure our volume growth that what has already been in the Q3. Is it also the reason that probably if I adjust for your margin in the subsidiary where it would have been under pressure, standalone margins on a per litre basis, I mean, gross margin per litre which was roughly INR10 per litre last quarter would have improved once again to more than INR11 and a little bit half rupee under current circumstances in Q3? And is it mainly driven by the product mix change or any other particular reason?

Aslesh Parekh: So, our manufacturing gross margin in standalone basis was INR10,000 per kilolitre in Q2 which has increased to INR12,200 per kilolitre in Q3.

Rohan Gupta: From INR10,000 per kilolitre last quarter, right?

Aslesh Parekh: Yes, from INR10,000 per kilolitre last quarter to INR12,200 per kilolitre this quarter.

Rohan Gupta: So, this is a significant improvement of almost 20% on Q-on-Q. So, it is what? It is driven by any raw material cost advantage or any other benefit or just product mix change?

Aslesh Parekh: It is a combination of couple of point, obviously, strategic efficiency in buying of raw materials, key customer accounts that we have, expansion of business with these customers. These are the two key reasons and obviously focus on overseas sales. So, these are the three reasons what I contribute to the increase in…

Rohan Gupta: And this is going to remain there, the sustainable margin?

Aslesh Parekh: The endeavour is to not only maintain but to improve.

Rohan Gupta: Thank you, sir. Thank you so much.

Moderator: Thank you. Next question is from the line of Amit Kumar from Determined Investment. Please, go ahead.

Amit Kumar: Yes, thank you so much, sir. Just one question, given your very wide export footprint, I just wanted to get a sense, all these Red Sea trading disruptions that, we are seeing. If you can just sort of qualitatively, quantitatively if possible, but at least qualitatively, what sort of an impact, is it having in terms of your business, in terms of sales, in terms of supply chain and margins as well? That helps.

Aslesh Parekh: Thanks. Obviously, the Red Sea issue is a globally known issue. We are closely monitoring this issue. We are -- our team in constant touch with the customers, appraising them about the situation, communicating them about the increase in the freight. The customers have also been understanding in terms of the reasons of this issue of this hike in the freight. And to a fair extent, we are trying our best to pass on this cost to the customers.

Amit Kumar: So, there is one element in terms of margin, but in terms of your supply chain also, because you have a factory in UAE, and that's the sort of hotbed. So, in terms of availability of raw material, in terms of delivery schedules, is that on track or have you seen any sort of disruption on that as well?

Aslesh Parekh: We have not seen any headwind in terms of supply chain, in terms of raw material, specifically, from our suppliers.

Amit Kumar: Okay. Got it. Understood. Thank you so much.

Aslesh Parekh: Thanks.

Moderator: Thank you. Next question is from the line of Aditya from Securities Investment Management. Please go ahead.

Aditya: Hi, sir. Thanks for the opportunity. So, if I look at your volumes on a year-on-year basis, they have decreased by 2%. So, if you could just help us explain what has led to this?

Indrajit Bhattacharyya: Just a minute. So, our volumes have grown from year -- on the quarter-on-quarter basis, it has grown definitely. It has grown -- from 1,21,260 to 1,31,000 in this quarter.

Aditya: Sir, I am talking on year-on-year basis. So, last year, the volumes were around 1,35,000. And this year, it is around 1,32,000?

Indrajit Bhattacharyya: Yes. So, this is a nine-month compared to one year you are doing?

Aditya: No, sir. Quarter-on-quarter.

Aslesh Parekh: There has been -- I am just adding this. There has been -- there was a trading component which was involved in the previous year. You know, we have reduced our trading volume. If you compare it on the manufacturing volume, the manufacturing volume has definitely gone up, compared to previous years.

Aditya: Okay. And, sir, second question is regarding the base oil prices. If you could just help us understand how the base oil price is trending considering we are seeing sharp reduction in crude oil?

Aslesh Parekh: See, as informed earlier, we have been in a position to buy our raw material based on Index-link buying. So, whatever changes in the raw material are there, is based on an Index, which publishes the price weekly. So, pricing is -- pricing from our base oil suppliers is based on the Indexes which publishes the ICIS pricing.

Aditya: No, sir, what I wanted to understand was when the prices decrease, the pickup from the customers also reduces. So, are we seeing that sort of trend playing out, currently?

Aslesh Parekh: See, as of now, if you see our Q3 performance, our volume has, our PHPO volume has gone there, popping more than 20%. Our overseas sale has improved. So, obviously, even with the reduction of the crude, I don't see there is an absolute correlation or an apple-to-apple transfer or reduction in sales because of the softening of the raw material pricing.

Aditya: Okay. And, sir, we have seen very nice pickup and growth in exports for the last two years, three years. And this trend is being seen by other listed players of us as well. So, if you just help us understand, what is leading to such high growth in exports for all the players?

Aslesh Parekh: See, I would like to focus on Gandhar. We have been focusing on the PHPO business with the profile of the customers, the quality of customers that we have. You know, we are endeavouring and trying our best to expand our footprints with existing customers and also, strategically focus on acquisition of new customers. So, we envisage, the growth, this kind of growth would continue in the future as well.

Aditya: But has structurally something changed in the industry which is helping Indian players to export more or the competitive dynamics have changed in the industry?

Aslesh Parekh: See, I mean, as informed, I mean, talking about Gandhar, we have witnessed a strong growth and we have, with the quality of products that we are supplying to our customers, the demand for these products is increasing from our customers. And we are getting new customers because of timely delivery, timely service and the right quality. So, this is what we see even repeating in the near future.

Aditya: And sir, which are the major geographies where we are seeing such good Indian exports?

Aslesh Parekh: So, obviously, the demand from APAC and Americas continue to drive our overseas sales.

Aditya: And sir, are we selling directly to brands or we are selling to distributors who in turn sell to customers?

Aslesh Parekh: So, the model that we have is a combination of direct supplies to end users as well. And with some countries where there are -- some distributors are there, some distributors in between or in turn supplying it to the end users.

Aditya: And sir, in what major geographies, what would be the proportion of direct local distributors?

Aslesh Parekh: Sorry, I mean, it would be very difficult for me to give you such kind of detailed analysis in terms of buying, selling to the distributors and sending it to the end users. But having said that, we have more than 3,500 set of customers, and 55% of the total revenue, more than 55% of the total revenue is still from the personal care, healthcare division. So, the company strategically will be focusing on the PHPO business for its future growth and expansion as well.

Aditya: And sir, in PHPO business as well, is there any margin differential between supplying to a pharma segment or supplying to a cosmetic or supplying to plastic segment?

Aslesh Parekh: No, so there is no such difference in terms of supplying to FMCG to pharma. But obviously, PHPO overall margins are better compared to the other businesses. For example, in lubricants, if you see, the advertising costs are far higher. In other industries, for example, the process and the insulating oil segment, there is high inventory, there is high debtor days. So, obviously, the focus of the company is on the PHPO and to manufacture more value-added products for our customers.

Aditya: And sir, is it possible to give a break-up between sales between MNCs, regional or local customers?

Aslesh Parekh: No, it will be very difficult to give such kind of data. It would be a bit, I mean, it's a little bit confidential data, it will be difficult to share.

Aditya: So, just one day to a rough range about a split of sales.

Aslesh Parekh: We will check and get back to you, if we can provide this data.

Aditya: Sure, sir. Thank you for answering my question.

Aslesh Parekh: No problem. Thanks a lot.

Moderator: Thank you. Next question is from the line of Nihar Shah from Crown Capital Partners. Please go ahead.

Nihar Shah: Yes, hello. Good afternoon, sir. One question on our financials, like our revenue has seen good growth, like till now we have done INR31,740 crores. So, can we close the year around INR43,000 crores, INR44,000 crores?

Aslesh Parekh: See, the endeavor is to grow in terms of the revenue, in terms of profitability. Having said that, we witnessed a good growth in quarter 3 compared to quarter 2. So, obviously, we will try our best to target this and ensure the same is reached. I mean, but then obviously it's more of a futuristic answer if I had to give. But the idea is, the strategy of the company is very clear in terms of the PHPO and to focus its revenue, its volumes, its growth on the PHPO business. We will try our best to achieve the said growth plan.

Nihar Shah: Okay. And also our EBITDA has been stable around 7.7%, 7.6% marks. So, can we say these are the sustainable numbers and can grow on from here?

Aslesh Parekh: See, historically, Gandhar has been in a position to -- if you go back to the history, I mean, over the last four years, five years, we have been in a position to achieve EBITDA of 4%, 8% as well. So, the endeavor is to ensure the EBITDA margins are not only sustained but even improved.

Nihar Shah: Okay, sir. Thank you and all the best.

Aslesh Parekh: Thanks.

Moderator: Thank you. Next question is from Surya Narayan from Sunidhi Securities & Finance. Please, go ahead.

Surya Narayan: Thank you for giving me the opportunity. So, one thing Aslesh bhai, that nearly two-thirds of operations are Indian, whereas nearly one-third is, Sharjah. So, still, what is the issue in, I mean, getting the Sharjah unit, getting accredited from your suppliers? Still, you are saying that now still 55% are on the spot basis, whereas it is contractual basis. Rather, it should have been easier for the Sharjah unit to get the contractual basis than India. So, what is the thought process and how long it would take to get the entire process from the contractual?

Aslesh Parekh: I already actually answered this question to one of the participants of this call, but obviously, I will try to answer it again. See, the idea is to ensure buying of Texol is timely from the refineries. Today, as informed by Mr. Indrajit also earlier that because of the volumes commitment to our customers, the contractual commitments were not in place from our suppliers. Suppliers, work little bit differently because they want to see, they want to start slowly and steadily because once the refinery commits a volume, no matter what the refinery would definitely go ahead and supply it.

But refinery would not commit to my entire buying on the very first year. They would like to monitor the performance. They would ensure that whether the supplier, whether the customer is in a position to fulfill a contractual obligation, only then try to increase the volume slowly and steadily.

Similarly, if you see at Gandhar also, it's a 35-year-old company, but we've managed to get contractual commitments from our suppliers only over the past five years, past four years or past five years. So, we see, it takes time, once we are there into it, then obviously, there's no turning back.

Surya Narayan: So, when can we expect the contractual things to pan out in Texol, I mean, for second half of next year?

Aslesh Parekh: The idea is, I mean, the endeavor or the buying thing, the supply chain team is constantly in touch with the suppliers to improve its buying from the refineries. It would be difficult for me to give you an exact date as to when or which quarter it would be happening. But, obviously, the idea is, obviously, we at Gandhar also would want to ensure that, it happens yesterday than today.

Surya Narayan: So, if it happens, let's say, on a full year basis, if it happens, then how much effect it will have on the EBITDA margin or let's say, cost margin?

Aslesh Parekh: I mean, it's pretty easy to calculate the math. If you see, I mean, you've seen the performance on standard on basis of Gandhar Oil, I mean, you've seen, I mean, if you just minus the Texol, you'll come to know, what performance Gandhar has delivered. So, obviously, you can work out the math and you'll get a clarity on what it could be.

Surya Narayan: And you said the current quarter, out of 1,32,243 kilometers, so around last year, there was some trading element. So, what percentage was there in last year's revenue, let's say, on the volume wise? So, can it be quantified?

Aslesh Parekh: I'll check and get back to you. I mean, I don't have the data upfront in terms of volume of FY '23 in terms of trading, but I'll check and get back to you.

Surya Narayan: Okay. And last quarter -- last year, the last quarter, we saw that, the majority of the expenses, other expenses are booked in the fourth quarter and, resultantly, the EBITDA and as well as the PAT declined significantly. So, what has led to that kind of situation and whether that kind of situation is going to pan out this year?

Indrajit Bhattacharyya: There is no such thing that majority expenses are booked in the fourth quarter. The expenses are booked as and when they are incurred and on a uniform basis. It's only some provision entries which are passed in the fourth quarter, which is beyond what is incurred. We do not agree with the fact that they were incurred or they were all booked in the fourth quarter.

Surya Narayan: Because the gross -- this period at the gross level was not affected. It was around, last year, last quarter was around 10,413. So, it is quite good. So, despite that, EBITDA support due to the higher other expenses. So, that is the reason I am asking.

Indrajit Bhattacharyya: I couldn't understand your question.

Surya Narayan: My question is that, what has led to the spike in the other expenses in the fourth quarter of the last year, which led to drop in the EBITDA?

Indrajit Bhattacharyya: It's just as and when they were incurred?

Surya Narayan: Yes.

Indrajit Bhattacharyya: There is some provision entries there. There is nothing which is a spike and all that.

Surya Narayan: Okay. And sir, year-to-year, you were saying that during our IPO meet, you were saying that the company is striving to get into a level of around INR11,000 to INR12,000 per kiloliter. I mean there is a gross rate. But, we are nearly far off from that and our top gross margin is around INR11,413 for FY '23. So, again, it is gradually it is dropping and in Q3, it has just improved to INR10,233.

So, what I was checking from the people who are focusing on the industry side or auto side, their realization is around upper of 94,000 or 93,000, whereas our realization is around 84,000 and 10,000 lower? Major thing that has impacted. So, what I wanted to ask is that whether the focus -- because what I saw is that it is quite a blending activity operationally and it is quite fungible. If it was fungible, then when the situation permits, then can it not be focused to the industry side or the auto side to get higher mileage out of that?

Indrajit Bhattacharyya: Okay. See, our endeavor is to stick to the PHPO part of it only because that is the biggest growing segment of the lubricants business. Like Aslesh bhai had explained earlier in this call, the auto lubes or automobile lubes is going to decrease slowly. Industrial does not have, industrial and RPO and transform oil is falls for huge blockage of working capital. So, we expect our main focus to stay on PHPO. We are not -- right now looking -- in spite of it being fungible, we are not looking at turning it around to the other verticals.

Surya Narayan: So, may I know what is the asset turn in the lubricant industry versus the PHPO?

Indrajit Bhattacharyya: We will have to get back to you on that.

Surya Narayan: Okay. Thank you.

Moderator: Thank you. Ladies and gentlemen, 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: Yes. 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: Thank you very much. On behalf of Gandhar Oil Refinery India Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.