“Gandhar Oil Refinery (India) Limited

Q2 & H1 FY27 Earnings Conference Call”

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MODERATOR: **MS. AASHVI SHAH – ADFACTORS PR**

Moderator: Ladies and gentlemen, good day, and welcome to Q2 and H1 FY '27 Earnings Conference Call hosted by Gandhar Oil Refinery (India) Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Aashvi Shah from Adfactors PR. Thank you, and over to you, ma'am.

Aashvi Shah: Thank you. Good morning, everyone. On behalf of the company, I welcome you all to the earnings conference call for Q2 and H1 FY '27. Today on this call, we have with us from the management, Mr. Aslesh Parekh, Joint Managing Director; Mr. Indrajit Bhattacharyya, Chief Financial Officer.

We will begin the call with opening remarks from the management followed by a Q&A session. Please note that certain statements made during this call may be forward-looking in nature. Such forward-looking statements are subject to certain risks and uncertainties that could cause actual results or projections to differ materially from those statements. Gandhar Oil Refinery (India) Limited will not be in any way responsible for any actions taken based on such statements and undertakes no obligation to publicly update these forward-looking statements.

I would now like to hand over the call to Mr. Aslesh Parekh for his opening remarks. Thank you, and over to you, sir.

Aslesh Parekh: Thank you. Good morning, everyone, and thank you all for joining us on this call. We have successfully sustained the strong performance momentum of Q1 FY '27 into the quarter 2, delivering yet another exceptional quarter for Gandhar. During this quarter, we achieved our highest ever quarterly revenue and for the second consecutive quarter, maintaining our gross margin spreads at elevated levels, demonstrating the strength and resilience of our business performance.

What makes this performance particularly noteworthy is that our profit for the first half of '27 is already near 3x the profit we reported in the entire FY '26. This performance reflects the strength of our diversified businesses and our continued focus on value-added products.

The operating environment during this quarter continues to remain challenging with ongoing tensions in the West Asia and disruptions to the global shipping routes. Our key raw material base oil availability and prices remain uncertain and freight and insurance costs continue to affect supply chain planning.

In this environment, our long-standing supplier relationship and multiple sourcing options proved to be an important strength. We continued with the sourcing strategy that served us well in Q1, buying from our long-term international suppliers as well as domestic base oil producers. This ensured uninterrupted supply to our customers.

Moving to our segment-wise performance, let me take you through the key developments across our businesses. Starting with our PHPO, which is the Personal Care, Healthcare, Performance Oil segment. The volumes of the first half remained broadly in line with the previous year, although we saw a slight decline in the second quarter compared with the same period last year.

This was primarily due to the slower offtake from certain key Personal Care customers who are facing increased competition from the newer and smaller brands. However, demand from the health care and pharmaceutical sectors remained steady. The PHPO continues to be our largest and the most important product category, and we remain focused on strengthening our customer relationships and addressing evolving market dynamics.

Moving to our PIO segment, the Process and the Insulating Oil segment. This business continued to deliver a very strong performance with H1 volume growing 23% year-on-year. The growth was driven by healthy demand from the transformers, power and the rubber industry. With increasing electricity demand and continued investment in the power infrastructure in India and globally, we see encouraging long-term growth opportunity for this segment.

In our lubricant business, volume remained broadly stable year-on-year, while improving by approximately 9% sequentially compared with our previous quarter. We view this sequential improvement positively and we will continue to focus on expanding our customer base, strengthening existing relationships and improving our product mix to support our future growth.

Turning to our geographical performance. Domestic volumes continue to register healthy Q-on-Q growth despite price increases. However, export volume had moderated during this quarter, primarily due to the geopolitical developments in West Asia and the impact on the shipping and logistics.

The total overseas revenue, including Texol stood at INR1,721 crores, contributing to 48% of the consolidated revenue. While the near-term condition remains challenging, exports continue to be an important part of the business, and we remain focused on serving our international customers and capturing long-term growth opportunities.

Finally, at Texol, our subsidiary in UAE, export volumes were lower during this quarter amid the geopolitical situation in the region and its instability. However, revenue from the unit increased during the quarter. Our focus remains on ensuring operational efficiency, maintaining reliable customer service and managing and minimizing the impact of external disruption. We are closely monitoring the development in West Asia, particularly the implications for raw material availability, shipping and logistics.

Our installed capacity on a consolidated basis now stands at 838,637 kiloliters. As shared earlier, our Silvassa unit 2 was affected by a heavy rainfall and a flood-like situation in July this year. Our priority was to carry out required cleaning, special repair work and restart operations safely. Thanks to the efforts of our team, operations resumed in early August. The facility is insured and we have lodged our claim with insurance and Mr. Indrajit will take you through the financial impact of this specific event.

During this quarter, CRISIL reaffirmed our long-term rating at A+/Stable and our short-term rating at A1. At the same time, our rated bank facilities were enhanced to INR1,014 crores. This reflects the confidence of our lending partners and give us headroom to support the larger scale of our procurement and businesses.

Moving ahead, our priorities remain clear: deepen our presence across segments, expand into new geographies, move into higher value chain and expand capacity. While we remain watchful of global macroeconomic and geopolitical developments, the underlying demand environment remains encouraging.

With a strong balance sheet, robust internal accruals and a disciplined approach to capital allocation, we are very well positioned to capitalize on emerging opportunities and create long-term value for all our stakeholders.

With that, I will now hand over this call to Mr. Indrajit Bhattacharyya, who will take you through the financial performance in a greater detail. Thank you. Over to you, Mr. Indrajit.

Indrajit Bhattacharyya: Thank you, Aslesh Bhai, and good morning, everyone. I will now take you through the financial performance for Q2 and H1 FY '27. On a consolidated basis, revenue for the quarter stood at INR1,847 crores compared with INR1,068 crores in Q2 FY '26, a growth of about 73% and INR1,732 crores in Q1 FY '27. This is the highest quarterly revenue in the company's history.

The gross profit stood at INR388 crores compared with INR130 crores in Q2 FY '26 with a gross margin of 21%. The gross margin spread was approximately INR29,128 per kl compared with INR9,000 per kl in Q2 FY '26 and INR28,000 per kl in Q1 FY '27. The spread this quarter reflects current market pricing supported by disciplined sourcing and our index-linked pricing model. EBITDA for the quarter stood at INR288 crores compared with INR66 crores in Q2 FY '26, a growth of approximately 337% year-on-year.

EBITDA was 15.6% compared with 6.2% in Q2 FY '26. Profit after tax stood at INR186 crores compared with INR40 crores in Q2 FY '26, a growth of approximately 368% year-on-year. EPS for the quarter was INR17.9.

For first half of FY '27, revenue stood at INR3,579 crores, up 82% year-on year. EBITDA stood at INR569 crores compared with INR112 crores in H1 FY '26. And PAT stood at INR392 crores compared with INR66 crores which was about at 2x the PAT for the entire FY '26.

The flooding at Silvassa resulted in an inventory loss of approximately INR21 crores. As this is a onetime event, we have presented it as an exceptional item. So gross profit and EBITDA reflects the performance of the underlying business. We have lodged our claim with the insurers and the insurance proceeds will be recognized once they are received.

Our financial position strengthened further within the half year. The stand-alone company remains debt-free as of date. Consolidated borrowings which relate mainly to trade finance and borrowings at our overseas Texol level reduced to about INR85 crores as on 30th September '26 from INR168 crores in March '26. With cash and bank balances of about INR135 crores, we are

net cash positive at the consolidated level. Total equity increased to INR1,771 crores from INR1,400 crores in March '26.

As Aslesh Bhai mentioned, CRISIL has reaffirmed the credit rating at CRISIL has rated at A+/Stable and A1. These facilities are predominantly nonfund based and support our raw material procurement requirements.

Our strong earnings performance in H1 provides us with significant flexibility in capital allocation. Our priorities remain focused on funding growth CapEx largely through internal accruals, maintaining a prudent balance sheet and creating sustainable long-term value for our shareholders.

We will continue to emphasize disciplined working capital management, operational efficiency and prudent capital allocation while ensuring that our financial strength supports the company's long-term growth objectives.

With that, I conclude my remarks, and we will now be pleased to take your questions.

Moderator: First question is from the line of Vinit Thakur from Plus91.

Vinit Thakur: Congratulations on the results. Sir, I noted that we have increased the capacity from 597,000 to 8 lakh something in our PPT. Could you throw some color on that?

Indrajit Bhattacharyya: So, see, we've been capitalizing our CWIP over the last 1.5-2 years which has been enhancing capacity at both the Indian plants. Having enumerated the same, our installed capacity for the Indian plants now stood at 602,713. As the installed capacity remains unchanged of Texol of 2,35,924, the total installed capacity now stands at 838,000 which is an enhancement of 240,000 over the existing capacity of 5,98,000, which is basically on account of the capitalization over the last few quarters of the capital WIP.

Vinit Thakur: So, then what is the utilization are we aiming this year then? What is the utilization we are aiming for this year and what was the utilization this Q2 with the new capacity?

Indrajit Bhattacharyya: So, I can tell you currently, currently the utilization on stand-alone level is 80%, 82% to be precise.

Vinit Thakur: Okay.

Indrajit Bhattacharyya: The consol level, it is around 61%.

Vinit Thakur: Okay. But we can run on 130% at 3 shifts. So, we are operating at 3 shifts or we are operating at 2 shifts now?

Indrajit Bhattacharyya: 2 shifts.

Vinit Thakur: 2 shifts. Okay. And what is now the incremental sales volume going forward with the expansion?

Indrajit Bhattacharyya: Your voice is slightly garbled, I couldn't hear the question properly.

Vinit Thakur: So, I'm asking, could you throw some color with the sales volume going forward with the West Asia crisis, are we seeing some decline in sales volume going forward? Are we able to maintain?

Aslesh Parekh: So, I'm Aslesh here. I heard your question. Now, see, if you look at the sales volume, we have grown at a volume of around 16% on stand-alone basis year-on-year, H1 last year and H1 current year. But obviously, since the Dubai plant, is in UAE, which is, practically between the Strait of Hormuz, so obviously the capacity, the sales have been affected which is why you see an overall decline if you consolidate the balance sheet.

But yes, I mean, the volumes are going up, once the situation eases in Dubai as well, we are very optimistic that the lost volumes or the lost businesses will be coming back once the Strait is opened. But having said that, yes, our domestic sales from a stand-alone basis have increased by around 15% year-on-year.

Indrajit Bhattacharyya: And we remain confident of taking this forward.

Vinit Thakur: And just to confirm again, the A+ certificate is just for the debottlenecking, there is no new capacity addition?

Aslesh Parekh: So, apart from debottlenecking, there were investments which were done from the IPO proceeds and also from some internal accruals, for which Mr. Indrajit has informed, it has been transferred from CWIP to the fixed assets. So that's a combination of debottlenecking and new capacity.

Indrajit Bhattacharyya: This is mostly capacity enhancement, Vinit.

Vinit Thakur: Got it. And just last one question. What would be our guidance for margins this year now?

Indrajit Bhattacharyya: See, current...

Vinit Thakur: Are we able...

Aslesh Parekh: See, we -- yes, please go ahead.

Vinit Thakur: No, just I'm asking, are you able to sustain these margins for the next few quarters?

Aslesh Parekh: See, as we discussed, the situation remains what it was when the war had started in March this year. So over and above that, the availability of raw material is still a challenge. We remain optimistic in ensuring the margins that we are currently getting, the gross margins that we are currently earning to be protected in the quarters to come.

Vinit Thakur: And sir, there is 3x jump in our employee expense also from our usual run rate. So, our...

Indrajit Bhattacharyya: There is a INR15 crores -- INR16 crores ex gratia which has been paid across the board to everybody.

Vinit Thakur: Okay. Thank you.

Moderator: Next question is from the line of from Dhaval from Choice International Limited.

Dhaval: Congratulations on good set of numbers. I just wanted to understand that is it possible for you to break the part of our inventory gains that may have come in over the past 6 months in your business as in, if possible, provide some color on the same?

Indrajit Bhattacharyya: So, we -- if you see our inventory, we don't have much of inventory, so any inventory gain or loss is insignificant in this entire thing. There is no inventory gain practically. We have been maintaining very low levels of inventory.

Dhaval: Okay. And as far as the revenue growth has grown by about double digits, how much of it would be on the back of...No, that's immaterial. That all answers my question. Thanks.

Moderator: Next question is from the line of Muhammad Farooq Umer from Pearl Capital.

Muhammad Farooq: Thank you so much for the opportunity and Congratulations. Your revenues and profits have grown like fivefold while your volume growth is in single digit. Could the management quantify how much revenue and profit growth came from higher selling realization, volume growth and better procurement and cost savings?

Indrajit Bhattacharyya: The average realization currently is INR135,000 per kl, which has grown from close to INR80,000 per kl at the end of last year. So, there has been an increase, plus in addition to this, there has been a 16% increase in volume terms from H1 to H1. So, it's a mix of both.

Muhammad Farooq: So, is the rate currently in October is the same INR1,36,000 level or it has dropped or increased?

Indrajit Bhattacharyya: No, no, it is currently in the same region.

Muhammad Farooq: Around INR1,36,000 or if anything, no change? Yes?

Indrajit Bhattacharyya: The current selling price is around the same INR135,000 a kl.

Muhammad Farooq: Second question is, the trade receivable has increased from INR700,000 to almost doubled. Does the management expect this receivable to decline in the next quarter?

Indrajit Bhattacharyya: The trade receivable has increased but the sale has also doubled practically. So, what has happened is the trade receivables today is only around 70 days of sales, which was 37 days earlier. So, it is in terms of days, it has not increased substantially at all.

Muhammad Farooq: Correct. Yes, I agree with you.

Indrajit Bhattacharyya: My average debtor days is 70, 75 days.

Muhammad Farooq: Okay, fine. So that will be the same range in the future also, so may come down, yes. So, the employee expense you mentioned before, that's one-time, yes, the increase or it's going to continue?

Aslesh Parekh: The increase is one-time.

Muhammad Farooq: Okay. Thank you and really appreciate your performance for this quarter.

Moderator: Next question is from the line of Aditya from Genuity.

Aditya: Hello, Good morning sir I have one question. Your spreads in Q2 were approximately INR29,000 per kl in the month of October. Where are they right now because the base supply from Gulf --is the base oil supply from the Gulf is coming back?

Aslesh Parekh: Yes.

Aditya: Okay.

Indrajit Bhattacharyya: So, what was your question on the spreads?

Aditya: Yes, spreads and the base oil supply from the Gulf.

Indrajit Bhattacharyya: So base oil --see, majority of our supply comes from South Korea. That remains uninterrupted. The Gulf supplies has begun, again supplying back to us in smaller quantities. So yes, the margins are protected.

Aditya: Okay. Okay. And sir, in July, you guided for 8% to 11% volume growth for FY '27. And in first half, the growth is approximately 1%. So, where are we on that particular guidance range?

Aslesh Parekh: See, as informed in the earlier question, if you look on a stand-alone basis, the volume growth has been registered is more than 15%, roughly around 16-odd percent. But because of the Dubai problem, because of the Gulf crisis and because of the Middle East and the Strait of Hormuz problems, we are not able to get enough raw materials in our UAE facility. So, we are trying to mitigate this problem by buying domestically and buying through road, by using surface transport.

But having said that, we are trying our level best to ensure the volumes that we had indicated would be -- we are trying our level best to achieve that volume growth. But obviously, with certain geopolitical situation which is absolutely out of our control, we are trying to just mitigate the risk and ensure there is a stability in performance and overall profitability.

Aditya: Okay, so, correct me if I'm wrong, you are trying to say, in the stand-alone business, the volume growth is fine, then the subsidiary which is our current subsidiary, there the volumes have been bit slumpy, right?

Aslesh Parekh: Yes.

Aditya: Okay. And the cash flow conversion, in the first half we generated profits of INR341 crores and the cash flow conversion is INR22 crores. Can you throw some light on that particular point?

Indrajit Bhattacharyya: It's INR183 crores right, the cash flow from operations on a consol basis.

Aditya: Yes.

Indrajit Bhattacharyya: So, that is exactly it. The cash flow is INR183 crores.

Aslesh Parekh: Positive cash flow.

Indrajit Bhattacharyya: Positive. INR179.74 crores.

Aditya: The profit is --on the consol the profit is INR22 crores, and the positive cash flow is approximately INR179 crores. So, the remaining cash flow when can we expect it to convert it to --the remaining profit, when can we expect it to convert into profit -- cash?

Indrajit Bhattacharyya: As we go ahead, the operating cash flow will also increase.

Moderator: Next question is from the line of Dinesh from KMD Capital.

Dinesh: Yes, so there is a slight dip in the margins. Is it because of our overseas subsidiary? Because last quarter it was around 17%, now it is less than 15%.

Indrajit Bhattacharyya: You're talking about PAT?

Dinesh: No, the margins, margins, net margins, operating margins.

Indrajit Bhattacharyya: EBITDA?

Dinesh: No, overall margins I'm talking about, quarter-on-quarter there is a slight dip.

Indrajit Bhattacharyya: This quarter, we have taken a hit of about INR21 crores on account of flooding at our Silvassa plant. That has been the only reason why we have taken a bit of hit and the margins have reduced.

Dinesh: Okay, that INR21 crores in inventories.

Indrajit Bhattacharyya: No, it's not only inventory INR21 crores represents -- if you see the thing, it's shown as an exceptional items after PBT, that represents loss of stock, contamination of stock and expenses incurred to get the factory up and running again.

Dinesh: Okay. So that's one-time, right?

Indrajit Bhattacharyya: It's one-time. We don't expect floods every time.

Moderator: Next question is from the line of Swechha Jain from ANS Capital.

Swechha Jain: Hi sir, thanks for giving me this opportunity, I have couple of questions. First question is regarding the gross margin spread. Sir, how do you see this going forward? Like do you see these high gross margins for the next couple of quarters, a, is that? Second, related to this is like when do you see the spreads normalizing back to INR8,000, INR9,000 level, which earlier our gross margin spreads were always in that range. So how do you -- when do you anticipate margin spreads being at these elevated levels?

Aslesh Parekh: So, coming back to your first question in terms of the gross margins, as you said, the current gross margins are in the level of INR29,000 per kl. Obviously, we are quite optimistic. We will continue -- we are quite optimistic and quite positive in achieving this run rate even for the quarters to come, Q3 and Q4, we are quite optimistic. Coming -- going back to your second

question about normalizing to INR8,000, 9,000 kl, I think it's -- your guess is the same as our guess. I mean we never know when the war will be stopped and when the Hormuz will be open, right? Absolutely, we are very unclear about it as to when it will happen and how it will happen. So obviously, our focus continues to remain on servicing our customers and focusing on our value-added products.

Swechha Jain: And sir, would you be able to give me the volumes for H1 FY '26 segment-wise? Because I think in one of the slides, you've given the volume segment for this year for FY '27?

Indrajit Bhattacharyya: We can give it. We'll share it with you…

Aslesh Parekh: In separate email. Just reach out to our investor team, and they will be able to help you with your queries.

Swechha Jain: Fair enough, sir. And sir, is it possible for you to share with us the segment-wise EBITDA margins that we make, like in PHPO, PIO and lubricants?

Indrajit Bhattacharyya: No, ma'am, that is slightly difficult because we -- segment-wise, we have it only for gross margin level. After that, because of the commonality of the expenses, it becomes difficult splitting them into the various segments of ours.

Swechha Jain: And sir, just last question. Sir, how are the freight rates now? Have they moved on a higher side compared to last quarter or they are in the same range? I mean how do you see the freight rates now?

Aslesh Parekh: So, quarter-on-quarter, if you ask me, I mean the freight rates have been more or less at the same, maybe it's a slight increase, but there's not been a substantial movement in terms of freight compared to previous quarter. So, we have not seen so much but only the war risk premium has been added from especially the vessels coming out of the Hormuz.

Indrajit Bhattacharyya: Insurance rates have gone up ma'am.

Swechha Jain: Insurance has gone up, is it?

Indrajit Bhattacharyya: Yes.

Swechha Jain: So, these are passed on, right, to our customers?

Aslesh Parekh: Yes.

Swechha Jain: Okay. And base oil shortage is still the same or there is more shortage in the base oil? How do you see that?

Aslesh Parekh: Obviously, there is a supply gap because of refinery closures because of vessel disruption. So, there continues to be a gap between the demand and the supply.

Swechha Jain: So how are we managing? I know you mentioned in your commentary, I mean...

Aslesh Parekh: Obviously yes, with our optimum sourcing strategy, we are able to mitigate the risk and deliver the volumes and value to our customers.

Swechha Jain: But has it worsened the base oil shortage across the industry?

Aslesh Parekh: Yes, so as informed to you earlier, there has been a base oil shortage ongoing because of the disruption. So, the situation still remains precarious and we are trying our best to mitigate the risk by diversifying our sourcing partners and efficiently focusing on our valued buyers, even from our domestic suppliers.

Swechha Jain: Thank you sir, that is very helpful.

Moderator: Next question is from the line of Pragyam from Omni Management LLP.

Pragyam: Good Morning Sir, Congratulations for a good set of numbers. Firstly, on the increased capacity, we have increased capacity in India through debottlenecking and some capacity additions from the IPO proceeds, right. So, once the war cools off, what do you think will be sustainable quarterly or annual run rate for these volumes given the current capacity? This is the first question.

Indrajit Bhattacharyya: Okay, you would like us to answer that?

Pragyam: Yes.

Indrajit Bhattacharyya: So, the capacity, like I mentioned is currently around 82% utilization, capacity utilization on an annualized basis.

Pragyam: This is from Indian capacity?

Indrajit Bhattacharyya: I'm talking about stand-alone Indian plants. Sharjah is impacted. So, we expect the capacity utilization to go slightly better in Q3 and Q4 also. But it will leave me enough scope for further addition to my capacity utilization for the next year also.

Pragyam: Okay. Secondly, sir, on your gross margins, once the war cools off, you said you were not going to see margins around INR8,000, INR9,000 again and it will stay elevated. So, what is your take on it right now? And do you think that you can sustain margins of like, INR14,000, INR15,000 even after the war ends?

Indrajit Bhattacharyya: Currently, my gross margin is at INR29,000 per kl. At the earlier -- before the war it was about INR8,000, INR9,000 per kl. Yes, if and when the war does settle off, there will be a reduction, but we don't know as to what level it will reduce. My gross margin, I don't think will go back to days where it will be INR8,000, INR9,000. It might not be INR29,000, it will settle somewhere in between.

Pragyam: Okay. And the last question, this increase in gross margin is due to which segments, like is it our PHPO, PIO, which segment is contributing most to this elevated margins?

Indrajit Bhattacharyya: It's mostly across the board, all the products.

Moderator: Next question is from the line of Anirudh Sharma from Ekant Investments.

Anirudh Sharma: Congratulations on the numbers, sir. So, I just had a few questions. So firstly, how are you positioning your products against domestic and international competitors, particularly when customers are becoming more sensitive to pricing?

Indrajit Bhattacharyya: How are we positioning? That was your question, right?

Anirudh Sharma: Yes, sir.

Indrajit Bhattacharyya: Okay. So, the main increase -- the fact that my gross margin has increased to INR29,000 a kl has been because we've been able to pass on the increase and the additional margin to my customers. So, the pass-on effect has very much worked in our case. And the demand for this product is such that in spite of the prices being increased, there has been no reduction in demand. So yes, we've been able to pass it on and we've not seen any reduction in volumes on account of the price increase.

Anirudh Sharma: Okay. Sir, have you seen any changes in the customer preference, as in, do they tend to go towards low-cost alternatives and has this affected the company's ability to maintain its product mix?

Aslesh Parekh: I don't think -- I mean there is no such low-cost substitute as we speak, is available for the specific products. I mean there are these are all application-oriented products that have been manufactured and supplied to various multinational and domestic end users. So, there is no such cheap substitute which is available in the market. And these products are formulated after high end of research and R&D approvals from necessary customers. So, there is no such substitute.

Anirudh Sharma: Okay. Okay. Understood. One last question from my side. So, to what extent can stronger customer relationships and product approvals can help you protect its market share against new entrants?

Aslesh Parekh: Obviously, this is more of an oligopolistic market I mean because of the sourcing strategies, because of the base oil demand supply gap, obviously, avail of raw material becomes a key challenge. And with the new entrant, it becomes all the more difficult because there is no established network in terms of suppliers, in terms of customers. So it is more of an oligopolistic market, as I informed you. So, we don't -- we are pretty open to competition, whatever any, in the market, so.

Moderator: Next question is from the line of Prisha Shah from Shah Family Office.

Prisha Shah: Sir, I have a couple of questions. Firstly, considering your volume declines of PHPO, just wanted to understand is this because of the weaker demand from the existing Personal Care customers or it is because of the increased competition or possibly because of the change in the customer sourcing pattern, if you could help me with this?

Indrajit Bhattacharyya: So, ma'am, PHPO is and still remains our forte and the drop and the decline in the volumes of PHPO is not so significant that it will alarm us. Second is that, see we don't see any huge

competition coming into this business because these marquee names like Unilever, Procter & Gamble, others, they kind of are very finicky about the sourcing, their sourcing and their suppliers. So yes, no, it is not something which is alarming, and it is not something on which we are losing sleep.

Aslesh Parekh: And just to clarify, the stand-alone volumes in PHPO in the stand-alone balance sheet, there has been a good improvement from 45% to around 50%, 51% in the domestic -- in the standalone because of the geopolitical situation and the Strait of Hormuz in UAE, there has been a significant drop in the volume status from the Texol plant to the PHPO customer.

Prisha Shah: Okay. Understood. So that was about the PHPO. I also would like to understand more about the PIO volumes, which have grown significantly. So, the gains which are coming from...

Aslesh Parekh: Yes, yes, what is your question?

Prisha Shah: My question was regarding the increase in the strong growth we are observing in the PIO volumes. So just wanted to understand that these gains are coming from the new customer addition or it would be because of the deeper penetration of existing accounts or there is a shift towards the higher value application? So just wanted to understand the growth in the volumes?

Aslesh Parekh: See, there has been a robust increase in the demand from the power sector contributed by addition of data centers, increment of the power requirement across the country. So, the -- I mean, in the PIO we have the transformer oil, which is primarily used in the transformer manufacturing businesses, wherein we have registered a growth not only in terms of existing customers, but also new customers.

So, we anticipate this growth to continue with the increased power requirement and substantial reliance on power by the country. So, we are quite optimistic and quite hopeful this increment in terms of the volumes from the PIO will continue in the quarters to come.

Moderator: Next question is from the line of Ishika from VJX Investments.

Ishika: My question is regarding our gross margin per kl. So, I just can't understand that we are able to source the oil at higher prices and then pass on it to customer. So why is there so much change in price from INR8,000 kl to INR29,000 kl?

Indrajit Bhattacharyya: What's your question?

Ishika: So why there is so much change in gross margin that we are earning per kl, like we are sourcing at higher prices and then passing it on to customer. So where is the spread coming from?

Aslesh Parekh: Spread is basically coming because of our optimum sourcing strategy. So obviously, there has been an increase in the gross margins as we see and while focusing on our value-added customers and efficient sourcing strategy.

Moderator: Next question is from the line of Tanay Desai from 11H Advisors.

Tanay Desai: Congratulations to the management for a fantastic results. Sir, I just had a couple of questions. If I have to model the sustainable EBITDA margin for the next, say, 2 years, what would that be broadly, number one? Number two, I think our interest cost this year was about INR40 crores in FY '26. Depreciation was around INR30 crores. What do I model that for the next 2 years given our expansion in all the various segments?

And what do you see as a resolution for the current ongoing conflict in terms of crude prices? How does that impact the fresh sourcing of inventory on a spread basis? If you can guide for the next maybe 2, 3-odd quarters, if not longer? Those would be the broad 2, 3 questions.

Indrajit Bhattacharyya: If I come to your -- interest cost is expected to come down in the future because the SOFR rates have softened. Most of our interest cost is not on account of CC or packing credit. Most of our interest cost is on account of SBLC and supplies credit. SOFR has softened, although the spreads have gone up, but we expect interest cost to improve slightly in the next 2 quarters. On the depreciation, currently on a consol level, we are around INR9 crores, INR9.5 crores per quarter. We expect that to be around INR10 crores, INR10.5 crores, not much beyond that.

What was your third question?

Tanay Desai: Third question was the resolution of the current situation and sourcing of inventory for the next 2, 3 quarters. At what rate will we source it compared to the previous 2, 3 quarters? And as a result of that, where do spreads land towards the middle or end of FY '28, if some kind of a guidance can be developed on that?

Aslesh Parekh: Currently, it's difficult to give you like a 1 year guidance. But obviously, quarter 3 and quarter 4 are -- quarter 3 is a near-term guidance what we are able to give you. I mean, obviously, we remain quite optimistic in sustaining the margins that we have given across the past 2 quarters. With the elevated pricing of crude, we anticipate the base oil pricing also will be on the higher side. And we are quite optimistic in ensuring that our existing suppliers will be in position to deliver the raw materials that we require for servicing our customers.

Tanay Desai: Understood, sir. And the last question would be if we have any plans to increase the contribution of higher value-added products over the next 2 years, particularly, let's say, things like transformer oil, where do you see the management taking the share of those products in the next 2 years in percentage terms?

Aslesh Parekh: Yes. The company is obviously trying its best to increase the value-added products apart from transformer and other oil. So, there are new products which are under formulation, under R&D. Obviously, we will -- but since we are in the R&D stage, it will be difficult for me to divulge more details about the products. But obviously, the company is endeavoring to add new products to its portfolio.

Moderator: That was the last question for today. I now hand the conference over to Mr. Aslesh Parekh for closing comments.

Aslesh Parekh: Thank you once again for participating in this con call. And at the outset, we'll wish all our investors a very happy Diwali and a prosperous New Year. Thank you.

Moderator: Thank you. On behalf of Gandhar Oil Refinery (India) Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.