Gulf Oil Lubricants India Limited

August 16, 2021

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

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

Dear Sir,

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

We enclose herewith the transcript of the 'Earnings Conference Call' conducted on Friday, 13 August 2021 at 4.00 p.m. IST.

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

This is for your information & record.

For Gulf Oil Lubricants India Limited

SHWETA VIKAS GUPTA

Digitally signed by SHWETA VIKAS GUPTA
Date: 2021.08.16 17:18:15 +05'30'

Shweta Gupta
Company Secretary & Compliance Officer

Encl.: as above

“Gulf Oil Lubricants India Limited Q1 FY22 Earnings Conference Call”

August 13, 2021

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

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

Moderator: Good day, ladies and gentlemen and a very warm welcome to the Gulf Oil Lubricants Limited Q1 FY22 earnings conference call hosted by Yes Securities. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*'then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nitin Tiwari from Yes Securities. Thank you and over to you, Nitin.

Nitin Tiwari: Thank you Ali. Good day ladies and gentlemen. On behalf of Yes Securities, I welcome everyone to Gulf Oil Lubricants India Limited's 1Q FY22 earnings call. Today we have the pleasure of having with us Mr. Ravi Chawla – CEO and MD of Gulf Oil, and Mr. Manish Gangwal – CFO of Gulf Oil India Limited. I shall now hand over the call to the management for their opening remarks which shall be followed by a question-and-answer session, over to you, sir.

Ravi Chawla: Thank you Nitin. Good day ladies and gentlemen. Welcome to our quarter earnings call for Gulf Oil Lubricants India Limited. On the outset I would like to wish all of you that you are safe and sound. And of course, we are getting out of a difficult situation of the pandemic with the vaccinations going up.

Coming to the results, we are happy to share that, in spite of the market closures in April and May which impacted the retail market we have notched up revenue of 417 crores, which is 73% growth over last year. And, the profit figures, if you take PAT figures also had a 77% growth over last year same quarter at 30.35.

Happy to share that, this trend has continued, last three quarters of last financial year we saw the volumes doing very well. The performance was good. Of course, April and May we saw the retail markets which is part of our business impacted by about 40, 50% in terms of partial closure, but, happy to also report that June we are back to normal and the April, May deficit of course, showed in the volumes where we did 57% growth over last year quarter.

Overall, we have done 27, 500 KL versus last year, same quarter at 17,500. But again, as I mentioned to you, the June figures shows that we are back, the demand has gone up. The challenges of course in addition to the market closure, were related to the costs and we have managed that price increases that have gone in place will get us back to the margin that we expect going forward. But this quarter, of course, the third element, which impacted the margin, was the B2C and B2B mix because of the market closure the retail channel sales were lower, which were expected because of the market is not picking up stocks, secondary resales getting impacted.

Normally our issue of B2C to B2B is 60:40, but this quarter it was 50:50. That also impacted the margin delivery. But must also idea that industrial and the other businesses we have on infrastructure B2B did very well. Again, the rebound is very strong this time. The difference between last year and this year has been that last year, the rural part really picked up. This time, I think in the second wave, the rural has gotten impacted both in terms of the opening of the outlets and also agri production last year boomed a lot. It was going very well. It's just a bit of a stop in this, April-May, but agri is also rebounding back very well.

The Company continues to actually focus on cost and margin management of course, Manish we'll talk a bit later on input costs. But we have seen that, now with the price increases that we have put in place, four of them in the channel retail and also the B2B and OEM, prices have now been set up and that will augur well for us to get us back in our normal margin range. Some of the other highlights of the quarter, like I will quickly mention is that, definitely we have seen that, the brand investments, which we are making they've come back with the IPL coming the brand visibility. We had a special campaign on talking about our new revamped motorcycle oil Pride 40 Plus, which we bought in with another benefit of consistency, more protection, more performance and that we did to a campaign with Dhoni and Chennai Super Kings. So that was, building our brand again.

We have also highlighted, in terms of the input costs, we started going up in the fourth quarter. So, our margin management strategies are initiated. We are well in place on that. The battery business also maintained its performance and continuous profitable growth. And, of course, other parameters Manish we'll cover. I just like to mention that some of the campaigns we have done recently, because we are having now the Raksha Bandhan festival coming.

Gulf is the first Company which has taken on, the cause of vaccinating truck drivers. We'll be vaccinating 10,000 truck drivers, already started some days ago and we'll complete it in the following week. Also, in terms of our employee safety, the second vaccination is a priority so that we can all be safe. And, we also have getting back to work. Our plants and our depots are operating as we were also last year.

So, so this is really an update on the last quarter. I will hand over to Manish to cover some of the other highlights, Manish over to you.

Manish Gangwal: Thanks Ravi. I think, it's mostly covered, but just to add that, the rising input costs or the base oil going up has been a very unprecedented scenario and the cost of base oil moved up very sharply over the last 7 to 8 months. And as Ravi mentioned, the four price increases taken in a span of six months in retail is also unprecedented, but to maintain our margin management strategy, we have done it, last one of that being in June. So, the full effect of all that will start flowing in from this quarter and OEM pricing also is a quarterly variation based on the historical base oil global indices. That also keeps in at every quarter up or down. In addition to that, the cost of rates has gone up. Diesel is at all-time high, packaging costs have gone up, so all those factors were there in the quarter. Third point, which is there is the operating leverage because if we do a volume which is certain below certain threshold, then obviously the overall EBITDA level impact comes in, because certain fixed costs continue in terms of employee costs and other fixed costs. So, the incremental volumes from here onboard straight away add to the bottom-line and without much of variables in there. All those factors have played in, but as we have been highlighting June has been we were back to normalcy and continues to do that. The overall things are coming to quite a good shape again. That's what we are trying to highlight, over to now I think Nitin for questions and answers please.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Hemal an Individual Investor.

Hemal: I have a very quick question for you. Can you repeat the amount of the liters we sold this quarter? And when you say it's got a normal this quarter back, what are your expectations for Q2?

Manish Gangwal: We have done 27,500 KL volume in the quarter.

Hemal: Okay. When you say it's getting normal in Q2, what run rate are you expecting now this year?

Ravi Chawla: So, April and May, the market was affected due to the closure of retail markets in India. So, channel retail when the franchisee workshops they were closed. I would say April and May, in that part of our business was probably 40-50% was closed in phases. When we look at June, whatever we have seen in June and also continued, we are back to a normal level, which we have been doing in the last three quarters of last financial year. That's the normalcy, which is coming except in the OEM factory-fill which is 5% of our volume. That is based on new vehicle production, mainly commercial vehicles, we have some OEMs that is still to pick up otherwise 95% of the business we are seeing it's tracking back to the normal level which happened in the last three financial quarters of last financial year.

Hemal: Is it a fair assumption to have now, that you are back to your 15 to 18% guidance for your EBITDA margin? Is that guidance still existing now for the remaining part of the years to catch up to or are you changing guidance on that at all?

Manish Gangwal: The aim has always been to deliver that margin band which we have been tracking over the last many years now. And, as I mentioned, the price increases take a bit of time to pass on because there is a pipeline inventory in the channel. There is a distributor inventory, which they carry there is an entry at the plant and depot level. When we actually mean price changes, it means an MRP change for the end consumer. For the old stock in the pipeline part, still sold at the old rate. That takes a bit of time in terms of overall, but yes, the overall direction, we are tracking is still the same, with a little support of course we are saying now that the input cost has stabilized over these higher levels and it's not going up further for the last one and half months we have not seen further increases in base oil. That also would also auger well overall.

Hemal: Okay. Can I ask one more or I mean, is it okay if I ask?

Manish Gangwal: Yes please.

Hemal: I think the only other question I had is, I saw in your notes that you have done some amendments to your clauses that you are get into more EV space and infrastructure space on the EV side and battery charging. What's the thought process out there? I know you have some investments in UK that you did recently, but where are we going?

Ravi Chawla: Yes. As you know we've made the investment, along with our parent Company Gulf Oil International, Indra Renewables which is into charging for the UK market and also of course we are testing the products here. In terms of EV value chain and mobility, we are actually looking at how our brand, our distribution and of course, we also want to look at in the value chain there's an opportunity for us. So, with this amendment, obviously the focus is there. We want to make it more sharper. There are studies on to look at where our brand distribution and obviously looking at electric vehicles will be coming in various segments. What can Gulf do and chargers we are already trying to see if the chargers we can get in. Also, with this, we are being approached by various people because we have a very good distribution network in terms of our bike stops, our outlets, our relationships, and our brand is also very strong. For example, not only in the motorcycle segment where we are a number two in the bazaar, overall, as a brand Gulf in the mobility segment is known. Some of these things we are going to think about, and once we are clear on where we are going and the Board approves, we will of course share with everyone.

Hemal: Okay. No CAPEX as of now, right? No specific CAPEX plan in this year?

Ravi Chawla: No, right now the studies are on. Once we get them to some sort of a planning and proposal, then obviously we would table all those in due course.

Moderator: The next question is from the line of Nitin Tiwari from Yes Securities.

Nitin Tiwari: I'm taking the opportunity to ask the question because I just want to stay on that point on EV, that you just mentioned. If you can just help us understand in terms of opportunities while that is there other than EV perhaps let us know what we are looking at in next decade in terms of two-wheelers and four-wheelers vehicle and what is the possibility size over there and how are we gearing up to prepare for that?

Manish Gangwal: Nitin, thank you for this. I think, we have done a lot of internal estimates and all the reports and other things which are talking about the EV penetration in certain segments. We are still of the firm belief that the lubricant market is going to grow for the next 10, 15 years in India. It's not going to start de-growing tomorrow or in 5 years' time or in 10 years' time, it is going to grow because there is a large vehicle park and there is a newer vehicle park which is being added every day, even in the month of July, 11 lakh new IC motorcycles have been sold, two- wheelers have been sold, including the scooters and motorcycles. India sells nearly 15 million new motorcycle two-wheelers every year. It's only one segment and similarly in the other segments car and truck, today the scrappage policy has been announced. So, the M&S, CV and there will be a lot of vehicle scrappage which will happen of the old vehicles, which will be replaced by the new fleet, which is auguring again well for the lubricant players like us who are into advanced lubricant. All these factors make us to believe that the lubricant market is going to grow, and we will continue to get our aggressive stand on the market share gains in the lubricant space. The object clause change what we are looking at here and because we want to also participate in the EV value chain. There are a lot of components around that, in addition to launching definitely a complete range of EV fluid, which is part and parcel of any lubricant Company. We will be looking at how to explore more about our distribution, our brand play and our OEM relationships in that area as well. So overall I think we are looking at both the sides, rather it gives us an additional opportunity to play in certain fields.

Ravi Chawla: Just to add Nitin to what Manish has said, you see, we have got our 95% series for replacement lubricants. That means once the vehicle is there, they would be running the truck, running the tractor, running the equipment, running the bike. So, the penetration of vehicles per se in India growing and of course we have seen a couple of difficult years various reasons, COVID being one. Now, when you look at, obviously electric vehicles coming, that will impact the factory-fill, the first fill. Of course it will take time for that population to grow, but there is a large enough penetration and growth that is going to happen with the conventional vehicles and of course you will see that India being the third largest lubricant market all across, whether it's industries, it's automotive, it's the other sectors, the lubricant's demand is even the experts predict that there will be a 2 to 3% demand, which today 2 to 3 is there, obviously that is because lubricants are getting better in terms of quality, then there are higher end lubricants. All this is augurs well we believe in the next 10 to 15 years, this should continue to grow. Of course, EV we will see that and as Manish mentioned, we are looking at where the value chain will give us opportunities and hopefully some of these will also fructify for us.

Nitin Tiwari: Sure sir. And correct me if I'm wrong. We have a very high proportion of CV volumes as well in our portfolio. I suppose like you know most of that segment anyway would will be insulated from EV, is that understanding correct?

Ravi Chawla: Yes, typically if you take the automotive market, 40, 45% is diesel engine oils, which go into commercial vehicles and tractors. So, there is a similar mix we have and that continues to obviously grow. As you know tractors are growing, commercial vehicle is expected to grow. You're right about 40, 45% in that segment is diesel engine oils.

Manish Gangwal: Plus, the industrial oil which are around 20% of the market. So close to 65% of the market in any way is insulated from the overall EV penetrations.

Nitin Tiwari: Moving from like, a longer-term growth perspective to a more near-term concern of rising base oil prices, are we seeing any moderation in base oil price as you move into July and August and what is the outlook for the rest of the year if you can help us understand a little bit of that?

Manish Gangwal: So, I think. As I mentioned, the base oil prices have not further gone up for the last 1 ½ months. They are not coming down as sharply as also, but they have at least stabilized at that level with a downward bias, as we see, as we speak. We are not expecting a very sharp correction in the base oil prices as of now also till the global supply chain improves in terms of overall, the COVID impact in the economy. It's mainly linked to the air turbine fuel also because if the airlines are flying the air turbines which is the first cut in the refining process, then, the refineries will increase their output of overall crude processing and then base oil supplies will improve as well. Till the time that happens, we are not seeing a very sharp correction, but we are expecting also it has fairly stabilized and certainly not going up.

Nitin Tiwari: Lastly, if we can just give some come in terms of our retail network like where do we stand and we have reached the March quarter and become so far as retail touch points and distributors?

Manish Gangwal: We are at the similar level because the quarter has not given much opportunity to go for the sales team to go in the market. The BTL activities were mostly closed because safety of our employees is of paramount importance. But, as soon as the people start travelling, the numbers again we will focus on, but as of now, the object has been to service the demand, which was coming in.

Moderator: The next question is from the line of Vignesh Shetty from Finserve.

Vignesh Shetty: My question is more on the financials. I see your finance cost has gone up this quarter when I looked at your previous month, I believe in the last quarter you had a cash surplus of around Rs. 490 crores. So just wanted a reason on that?

Manish Gangwal: This finance cost for us also includes the foreign exchange fluctuation. During the quarter the rupee has adversely moved, if I remember the March quarter closing was around 72.50 and this quarter closed at roughly 74.50. That had some mark-to-market losses on the foreign exchange that led to the finance costs, that are also the part of finance costs. The amount is roughly around 2.5 crores for the quarter.

Moderator: The next question is from the line of Praravindh an Individual Investor.

Praravindh: I have two questions here. I just like to understand what is the gross split that we have with respect to the auto and the non-auto space in respect of the industry in our revenue mix? And within auto space do we have percentage to how much we cater to the scooters market? Because we understand that the EV primarily are scooter market, right? So, the motorcycle is much more stable is what the studies are saying, just want to understand that point?

Manish Gangwal: Yes. As you mentioned in a normal quarter, we have 60% of our sales, which is to B2C and 40% B2B. This quarter was 50:50, so 50 was B2C and B2C is towards the retail side of it. B2B is where we directly supply, that is on the route to market side. On the product side, we have close to, again in a normal quarter, roughly 85% of the sale to our automotive products and 15% around industrial products. Within automotive we have around 36% diesel engine oil, 36 to 40% depending on the quarter when the agri season is there it's likely more. So personal mobility is roughly around 22%. Then we have other gear oil, greases, coolants, brake fluid, all those put together as the rest. But this quarter was slightly lower because, as these are retail-oriented products, the diesel engine oil and the personal mobility both put together, we are roughly around the 49, 50% as against their usual around 60% plus. So, that's one of the reasons why we highlighted there's a margin for the quarter also are looking lower, but as the market has started opening in June and onward, we should be tracking the same old ratio that which we had.

Ravi Chawla: So, Manish if I can add, I think Praravindh you are asking a question on a motorcycle oil, see 22%, Manish you mentioned right, personal mobility 18% is motorcycle out of the 22. That means 4% right Manish, roughly 3, 4% will be the passenger car for us. So, 18% is the motorcycle and from the motorcycle, these scooters, which are gearless is probably 5% of that, not 5 out of 18, but 5 out of the total motorcycle. So, the scooters, mopeds because they require different lubricant, that is a very small proportion currently for us. In fact, we don't do much of lubricant to the three-wheeler automotive or the auto rickshaw segment. Just to give you a little bit of granularity that some of these segments, like the three-wheeler auto rickshaws going a lot into, lead acid electric, lithium-ion electric, that kind of battery, small proportion of our motorcycle side into the scooter. I just thought you wanted to know that detail, that's why I just gave you a little more.

Praravindh: Just want to understand your outlook for the battery business side. Are we, looking at scaling it up by manufacturing plant or something or is that the current trading will continue?

Manish Gangwal: Yes. We have looked at localizing the product. Of course, I'm not trying to build up Greenfield plant for that, but we'll be certainly manufacturing it within India, as we move forward. And maybe we'll do a contract manufacturing in India with some player, but till that time the import continues overall the trajectory for this is definitely that we want to grow this business to a very decent level.

Praravindh: When you say contract manufacturing that will still be lead acid battery, right?

Manish Gangwal: Yes, because these are starting the cranking batteries for two-wheeler and not for running of the vehicle. So, these are basically the startup batteries.

Praravindh: There are no other plans with respect to…?

Ravi Chawla: See, we have a brand of motorcycle oils called Gulf Pride. Now that is roughly, we have a good market share, and the brand is quite strong. The Gulf Pride brand is also used for our motorcycle oil and our motorcycle battery. We can use this brand later on for any type of batteries. So that's one of the areas where we'll be also exploring. If you have the future batteries, the Gulf Pride brand can come to play.

Moderator: The next question is from the line of Saurabh Doshi from Yes Securities.

Saurabh Doshi: I just have one question. What would we be the revenue in EBITDA breakup for the battery segment currently?

Manish Gangwal: For the battery segment, we are clocking now 20 to 25 crores per quarter sort of revenues. Definitely we have done, as we mentioned in the last con call, we have done positive on the EBITDA level for this business. For the last few years, we have been nurturing this business and now we have turned EBITDA positive on the overall battery business.

Moderator: The next question is from the line of Hemal an Individual Investor.

Hemal: Thank you for the opportunity again, it's me again. I was the first one. I have one more question I forgot to ask, your market share, is that this quarter still same like last quarter or is it do you think it's improved quarter-on-quarter?

Ravi Chawla: Hemal, there is no data available right across every quarter in this industry. What we generally go by is, understanding what others are doing. Of course, the whole market has got many players as you know, but what we have seen from the growth, the numbers that we received, and Gulf has been growing 2-3x the market growth rate. If the market has been growing to 2-3%, we've been growing many times that, so this continues because we have seen that our growths are much higher than the market growth rate. I would say that last year we did gain market share because we had similar volumes, to the previous year, more or less similar. So, our market share gain continues. I would say in all segments where we are focusing. So, the data is there with us, but we can clearly confirm to you yes, we are gaining market share in 90-95% of the segments last quarter also.

Hemal: The reason I asked is, your competitors on their earnings call said that they gained 2% market share.

Ravi Chawla: Yes, we are aware of it. There are many players in the market, and you see the market segments have many players, not only us, so some of the retail orders do give that trend. In that also we confirm that our market share is gaining. Some of these retail orders come in once a quarter, once in six months. So, we have also in our calculation also, we have gained in across our segments.

Hemal: Approximately would you be able to say what would be your market share?

Ravi Chawla: No, it varies segment wise, so it would be, offline each segment has a different place. We definitely have been gaining because our growth is well above the market growth rate in the last 10-12 years. That's a consistent performance by us. You can see the numbers.

Moderator: The next question is from the line of Manikantha Garre from Axis Capital.

Manikantha Garre: After taking four price hikes so far, can we take it now that there are no further price hikes required because base oil prices as you have mentioned have more or less stabilized? Q2, you said, full price impact would be visible, in that context and because volumes have already improved from June onwards. Can we expect the EBITDA margins moving towards 14-15% in Q2 itself?

Manish Gangwal: What we have mentioned already all these points, Manikantha that, certainly positive things have happened that the volumes are back on track, the rising trend of base oils and other input costs peaked out and the price increases we have taken have started flowing in. As I mentioned, the price increase we took was in June and for any price increase in the retail segment. In for any price increase to fully get materialized it takes to 1 to 2 months, because of the pipeline stocks and all. So, while the full impact may not still be there in this quarter, but definitely from September onwards, they should have that full impact. In any case, the margin trajectory, because of the various factors which I have discussed earlier, should trend it to our targeted band anyways from this quarter itself.

Manikantha Garre: My second question is with respect to I think someone has already asked them about this, Memorandum of Association, which was approved by the Board with respect to increase our presence in the EV value chain. So, two points intrigued me there, we are also pointing out electric vehicles MaaS and SaaS which is I think software as a service and mobility as a service. These three also are coming from the Indra joint venture or for this you might have to go with, some other partner?

Manish Gangwal: So, we are looking at complete spectrum of this EV mobility space, including the MaaS and the SaaS. Wherever we will find an opportunity, Indra Technologies is a charger manufacturing Company. They make chargers for electric vehicles. So that's their domain. Definitely charger target is going to be the part of the overall portfolio for us, and we have already started trying out those chargers in Indian conditions, with our first lot arriving this month. And we will take them, and we will make them suitable to Indian conditions, engine power requirements. Then, obviously we look for opportunities to market that in India, under Gulf brand. In addition to these, we are looking at series of ideas in our e-mobility space, currently it's a very dynamic space, but we will see where Gulf based on its three strengths which Ravi has mentioned of our distribution network and of our OEM relationships and customer relationship where we can play in these three, we will evaluate and obviously then we'll put it to the board for their values.

Manikantha Garre: If I understand it correctly, it's fair to assume that we may see some more partnerships comprising of the other areas of the value chain, right sir?

Manish Gangwal: Yes, for sure.

Ravi Chawla: Manikantha, just to tell you mentioned MasS and SasS mobility as a service and software services also, software as a service. You see all these things that will happen with EV and as know also everybody's been learning about this developing space. You require various software packages, various connectivity for all these things to work together. That is why, you'll have to complete you'll have to be part of the value chain, but still be an integrator. That is where we think Gulf can have a play. Of course, we are, studying this area and it would be an area which obviously is developing as the penetration of EV is expected to be in some form. Right now, even software mobility as a service, these are areas we want to look at.

Manish Gangwal: Yes. Just to further add, we have already been mentioned that we have captive network of, let's say 10,000 plus Gulf bike stops and car stops put together. Now how much of these can be used for putting the charging infrastructure in these, so that they can cater to the EV population, is an area definitely we are looking at. All these chargers now coming are smart chargers. They need a software as a backup to obviously track the battery condition, the usage of battery, even charge per unit, on the basis of use. There are many things which are coming in this field and there is a complete dedicated task force within the Company now to evaluate this spectrum.

Manikantha Garre: Ok, that's helpful. I think just to highlight that there is one startup, which I've been tracking ion energy, which is into this SaaS and MaaS maybe you can look into that setup maybe tying up with them.

Ravi Chawla: Thank you. We will connect definitely on that, and we will definitely look at it.

Moderator: The next question is from the line of Shalabh Agarwal from Snowball Capital.

Shalabh Agarwal: Firstly, the breakup which you have given earlier to one of the questions where in 85% was the automotive, can the breakup be given again? I think I missed it, breakup of the automotive.

Manish Gangwal: I've already given the breakup of the automotive further in the earlier question.

Shalabh Agarwal: Can you give that again? I think 36-40% was HCV what was personal mobility?

Manish Gangwal: In a normal quarter we have around 22%, personal mobility.

Shalabh Agarwal: Okay. That means the balance, around ...

Manish Gangwal: Let me give it again for your benefit. Around 40% is around diesel engine oil, which includes tractors, buses and heavy commercial vehicles, heavy and light commercial vehicles largely. Of course, there is gen sets and there are a few other things as well, around 22% to 24% is personal mobility. Around 20 to 25% in depending on the quarter is the other automotive products, which are greases, gear, oil, coolants, brake fluids, and all the others put together in that category.

Shalabh Agarwal: Thank you. Secondly, the question on market share, I guess, earlier call you have indicated that in the bazaar segment Gulf has a market share and please correct me if I'm wrong, in high single digit, I think 7-8%. If we take the numbers from the market leader, which is around close to 22 to 23%, which means there'll be two players that have 30% market share, but balance all the players have 70% market share, with no single player having more than 7-8% market share. Is that a correct assessment?

Manish Gangwal: Yes, you have more or less correct. Retail market has everybody including the national oil companies.

Ravi Chawla: You see the other retail market, what we call the Bazaar is 200,000 shops in urban, roughly and rural shops. These are these independent shops, which are selling either lubricants, spare parts, their garages. In this you're right where a Gulf is a clear number two in terms of distribution and market share overall. Of course, the other players have slightly less share some have a very low share. So, there are more than 15-20 players and 2-3 PSUs who are there. That's how really the Bazaar market is described.

Shalabh Agarwal: But even, even PSUs have much lower market share.

Ravi Chawla: PSUs have share but their shares are in different, where they are in wholesale channel mainly. So, they are there, PSUs are there in good manner

Shalabh Agarwal: And, when we say that both the leader and the Gulf is gaining market share is what the retail audit is telling. That means is the market loss is primarily from the PSU.

Ravi Chawla: No. It's very difficult to correlate that because we have a tracker. Yes, there is a loss across all the other players, if some are gaining. So that happens on and off quarter wise. Yes, shares are coming down, there are also many other smaller players, which are not gaining now because of various reasons also.

Shalabh Agarwal: Lastly, because, we have a bigger presence in two-wheelers and the passenger cars, what will be our share in the two wheelers specifically?

Manish Gangwal: It should be close to double digit. So, Bazaar we are close to double digit for two wheelers motorcycle oils.

Moderator: The next question is from the line of Debarati an Individual Investor.

Debarati: I wanted to understand the AS&P spend for the quarter?

Manish Gangwal: This quarter we have a high than, because last year Quarter 1 was a very low entry because everything was under lock down, but this time the markets have been operating and B2B specially was open. We had the IPL and few campaigns, as Ravi mentioned. We had close to 4% of our top line spent as A&P, which in a normal quarter, we used to do, anywhere around 5 to 7%. But it came back to 4% as spend.

Moderator: The next question is from the line of Vignesh Shetty from Finserve.

Vignesh Shetty: My question is more in terms of cost management. While I see that the volumes are down, obvious reason was COVID. I want to understand, because I don't see action in terms of cost front. I just wanted to understand why the cost is still high or is there any plan to cut it down?

Manish Gangwal: We have taken series of actions, since the onset of COVID last year March. There have been a series of actions taken for all the controllable cost to be controlled. Obviously, there are certain fixed costs in every line item, which you cannot cut down. We have 32 warehouses across India. We have regional offices; we have got employee cost. We have got brand building to an extent also we have restarted. Overall, if you see last year, Quarter 1 we were down to close to 60 crore in terms of other expenses. As the markets have been, now this time better, we are back to around 97 crores as other expense as a figure, but overall, in a normal quarter, it is around 115 or 220 crores like the March quarter. We are still down in terms of around 15-18 crores on the cost side in this quarter, because of obviously the market were closed and certain activities that are not taken up like BTL activities and all. We are down from the normal other expenses, but definitely higher than last year June quarter, because there was NP, there have been OEM royalties, which are also part of it. This time the OEM segment channel or OEM channel did better than last year Quarter 1.

Moderator: Thank you. As there are no further questions, I now hand the conference over to the management for their closing comments.

Ravi Chawla: Thanks to everyone for joining us on this call. Of course, being a Friday late Friday afternoon, really appreciate that. We hope we've been able to answer the questions to the best of our ability and definitely with the improved market conditions and opening up the retail segment, we are expecting that, the demand conditions are returning to normal levels. We are expecting a robust top-line growth and the pricing actions taken input cost stabilizing, margin levels also should improve and operating leverage plain, which should help us to restore our margins soon. We look forward to that and of course, to your continued support and please stay safe and hope to see you in the next quarter calls. Thank you so much.

Moderator: Thank you very much. Ladies and gentlemen on behalf of Yes Securities, that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.