Gandhar Oil Refinery

Operator: Ladies and gentlemen, good day and welcome to the Q2 and H1 FY27 earnings conference call hosted by Gandhar Oil Refinery (India) Ltd.

As a reminder, all participant lines will be in 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 the operator by pressing star followed by zero on your touchtone phone. Please note that this conference is being recorded.

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

Operator: Thank you. Good morning, everyone. On behalf of the company, I welcome you all to the earnings conference call for Q2 and H1 FY27. Today, we have with us from management Mr. Aslesh Parekh, Joint Managing Director, and Mr. Indrajit Bhattacharya, Chief Financial Officer.

We will begin the call with opening remarks from management, followed by a question-and-answer 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 will not be responsible in any way 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 – Joint Managing Director: 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 FY27 into Q2, delivering yet another exceptional quarter for Gandhar. During this quarter, we achieved our highest-ever quarterly revenue and, for the second consecutive quarter, maintained 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 H1 FY27 is already nearly three times the profit we reported for the entire FY26. This performance reflects the strength of our diversified businesses and our continued focus on value-added products.

The operating environment during this quarter continued to remain challenging, with ongoing tensions in West Asia and disruptions to global shipping routes. The availability and prices of our key raw material, base oil, remained uncertain, while freight and insurance costs continued to impact supply chain planning.

In this environment, our longstanding supplier relationships 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.

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Moving to our segment-wise performance, let me take you through the key developments across our businesses.

Starting with PHPO, which is the Personal Care, Healthcare and Performance Oil segment, volumes for 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 slower offtake from certain key personal care customers who are facing increased competition from newer and smaller brands. However, demand from the healthcare and pharmaceutical sectors remained steady. PHPO continues to be our largest and 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 Insulating Oil segment, this business continued to deliver a very strong performance, with H1 volumes growing 23% year-on-year. The growth was driven by healthy demand from the transformer, power and rubber industries. With increasing electricity demand and continued investment in power infrastructure in India and globally, we see encouraging long-term growth opportunities for this segment.

In our lubricant business, volumes remained broadly stable year-on-year while improving by approximately 9% sequentially compared with the previous quarter. We view this sequential improvement positively and 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 continued to register healthy quarter-on-quarter growth despite price increases. However, export volumes moderated during this quarter, primarily due to geopolitical developments in West Asia and their impact on shipping and logistics. Total overseas revenue, including Texol, stood at 1,721 crores, contributing 48% of consolidated revenue. While near-term conditions remain 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 the UAE, export volumes were lower during this quarter amid the geopolitical situation and instability in the region. However, revenue from the unit increased during the quarter. Our focus remains on ensuring operational efficiency, maintaining reliable customer service, managing external disruptions and minimizing their impact. We are closely monitoring developments in West Asia, particularly their 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 heavy rainfall and a flood-like situation in July this year. Our priority was to carry out the required cleaning, inspection and 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 the insurer. 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 1,114 crores. This reflects the

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confidence of our lending partners and gives 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 the 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 Bhattacharya, who will take you through the financial performance in greater detail. Thank you. Over to you, Mr. Indrajit.

Indrajit Bhattacharya – Chief Financial Officer: Thank you, Aslesh, and good morning, everyone. I will now take you through the financial performance for Q2 and H1 FY27.

On a consolidated basis, revenue for the quarter stood at 1,847 crores compared with 1,068 crores in Q2 FY26, a growth of about 73%, and 1,732 crores in Q1 FY27. This is the highest quarterly revenue in the company's history.

Gross profit stood at Rs.388 crores compared with 130 crores in Q2 FY26, with a gross margin of 21%. The gross margin spread was approximately Rs.29,128 per kiloliter compared with Rs.9,000 per kiloliter in Q2 FY26 and Rs.28,000 per kiloliter in Q1 FY27. The spreads this quarter reflect current market pricing, supported by disciplined sourcing and our index-linked pricing model.

EBITDA for the quarter stood at 288 crores compared with 66 crores in Q2 FY26, a growth of approximately 337% year-on-year. EBITDA margin was 15.6% compared with 6.2% in Q2 FY26.

Profit after tax stood at 186 crores compared with 40 crores in Q2 FY26, a growth of approximately 368% year-on-year. EPS for the quarter was 17.9 rupees.

For H1 FY27, revenue stood at 3,579 crores, up 82% year-on-year. EBITDA stood at 569 crores compared with 112 crores in H1 FY26, and PAT stood at 392 crores compared with Rs.66 crores, which is about 2.9 times the PAT for the entire FY26.

The flooding at Silvassa resulted in an inventory loss of approximately 21 crores. As this is a one-time event, we have presented it as an exceptional item, so gross profit and EBITDA reflect 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 during the half year. The standalone 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 85 crores as of September 30, 2026, from 168 crores in March 2026. With cash and bank balances of about 135 crores, we are net-cash positive at the consolidated level.

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Management: Total equity increased to 1,771 crores from 1,400 crores in March 2026. As Mustaqeem mentioned, CRISIL has reaffirmed our credit rating at A+ Stable and A1. These facilities are predominantly non-fund-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, 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. Thank you.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Vineet Thakkur from +91. Please go ahead.

Vineet Thakkur – +91: Hi, sir. Thank you for the opportunity. Congratulations on the results. I noticed that we have increased the capacity from 597 to 8 lakh something in our presentation. Could you throw some light on that?

Management: Vineet, it is nice to hear from you again. How are you?

Vineet Thakkur – +91: I am good. How are you?

Management: All good. We have been capitalizing our CWIP over the last 1.5 to 2 years, which has been enhancing capacity at both the Indian plants. Having enumerated the same, our installed capacity for the Indian plants now stands at 602,713. Add the unchanged installed capacity of Texol of 235,924, and the total installed capacity now stands at 838, which is an enhancement of 240 over the existing capacity of 598. It is basically on account of the capitalization of capital WIP over the last few quarters.

Vineet Thakkur – +91: Okay, sir. What utilization are we aiming for this year?

Management: Sorry, what did you ask?

Vineet Thakkur – +91: What utilization are we aiming for this year, and what was the utilization in Q2 with the new capacity?

Management: I can tell you that currently the utilization at the standalone level is 80%, 82% to be precise.

Vineet Thakkur – +91: Okay.

Management: At the consolidated level, it is around 61%.

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Vineet Thakkur – +91: Okay. But, sir, we generally run at 130% in three shifts. Are we operating in three shifts, or are we operating in two shifts now?

Management: Two shifts. Two shifts.

Vineet Thakkur – +91: Two shifts. [laughs] Okay. What else? Could you throw some light on the incremental sales volume going forward with the capacity expansion?

Management: Hello? Your voice is slightly garbled. I could not hear the question properly.

Vineet Thakkur – +91: I am asking whether you could throw some light on the sales volume going forward with the West Asia crisis. Are we seeing any decline in sales volume going forward? How will we be able to maintain—

Mustaqeem: No, I heard your question. If you look at the sales volume, we have grown by around 16% on a standalone basis year-on-year, comparing H1 last year with H1 of the current year. However, since the Dubai plant, the Texol plant, is in the UAE, practically between the Strait of Hormuz, its capacity and sales have been affected. This is why you see an overall decline when you consolidate the balance sheet. But yes, the volumes are going up. Once the situation eases in Dubai as well, we are very optimistic that the lost volume and lost business will come back once the Strait is open. Having said that, our domestic sales on a standalone basis have increased by around 15% year-on-year.

Management: We remain confident of taking this forward.

Vineet Thakkur – +91: Okay. Just to confirm again, the 8,38,000 is purely debottlenecking, right? There is no new capacity addition.

Mustaqeem: No. Apart from debottlenecking, there were investments made from the IPO proceeds and also from some internal accruals. These investments, as I just informed you, have been transferred from CWIP to fixed assets. So, it is a combination of debottlenecking and new capacity.

Management: This is mostly capacity enhancement, Vineet.

Vineet Thakkur – +91: Okay, sir. Got it. Just one last question. What would be our guidance for margins this year?

Management: Currently—

Mustaqeem: We—

Management: Yes, please go ahead.

Vineet Thakkur – +91: I was asking whether you are able to sustain these margins for the next few quarters.

Mustaqeem: As we discussed, the situation remains as it was when the war erupted in early March this year. In addition, the availability of raw material is still a challenge. We remain optimistic about protecting the margins that we are currently getting and the gross margin that we are currently

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earning in the quarters to come.

Vineet Thakkur – +91: There is also a 3-times jump in our employee expense from our usual run rate. So, are we—

Management: There is an ex gratia payment of 15 crores to 16 crores being paid across the board to everybody.

Vineet Thakkur – +91: Okay, got it, sir. Thank you so much.

Management: Thank you, Vineet.

Operator: Thank you. The next question is from the line of Dhaval from Choice International Limited. Please go ahead.

Dhaval – Choice International Limited: Thank you for the opportunity, and congratulations on a good set of numbers. I wanted to understand whether it is possible for you to break down the inventory gain that may have come in over the past 6 months in your business. If possible, could you provide some color on the same?

Management: If you look at our inventory, we do not have much inventory. Therefore, any inventory gain or loss is insignificant in this entire matter. There is practically no inventory gain. We have been maintaining very low levels of inventory.

Dhaval – Choice International Limited: As far as revenue growth is concerned, revenue has grown by about double digits. How much of it would be on the back of—okay, that is pretty much it. Thank you. That answers my question. Thank you.

Management: Dhaval, I did not get your question.

Thank you, Dhaval.

Operator: Thank you. The next question is from the line of Mohammed Farooq Omer from Pearl Capital. Please go ahead.

Mohammed Farooq Omer – Pearl Capital: Good morning. Can you hear me?

Management: Yes.

Mohammed Farooq Omer – Pearl Capital: Hello?

Mustaqeem: Yes, we can hear you. Please go ahead.

Mohammed Farooq Omer – Pearl Capital: Thank you for the opportunity, and congratulations. Your revenues and profits have grown fivefold, while your volume growth is in the single digits. Could management quantify how much revenue and profit growth came from higher selling realizations, volume growth, better procurement and cost savings?

Management: The average realization currently is 1,35,000 rupees per kiloliter, which has grown from close to 80,000 rupees per kiloliter at the end of last year. So, there has been an increase. In

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addition, there has been a 16% increase in volume terms from H1 to H1. So, it is a mix of both.

Mohammed Farooq Omer – Pearl Capital: Perfect, sir. Is the rate currently in October still at the 1,36,000 level, or has it dropped or increased?

Management: It is currently in the same region.

Mohammed Farooq Omer – Pearl Capital: Around 1,36,000, or is there no change?

Management: The current selling price is around the same 1,35,000 rupees per kiloliter.

Mohammed Farooq Omer – Pearl Capital: Okay, perfect. My second question is that trade receivables have increased from 700,000 to 1, almost doubling. Does management expect these receivables to decline in the next quarter?

Management: Trade receivables have increased, but sales have also practically doubled. What has happened is that trade receivables today are only about 70 days of sales, compared with 57 days earlier. Therefore, in terms of days, they have not increased substantially at all.

Mohammed Farooq Omer – Pearl Capital: Correct. I agree with that.

Management: My average debtor days are 70 to 75 days.

Mohammed Farooq Omer – Pearl Capital: Okay. So, will that remain in the same range in the future, or may it come down?

Management: Yes.

Mohammed Farooq Omer – Pearl Capital: The employee expense you mentioned earlier—is that increase one-time, or will it continue?

Management: That increase is one-time.

Mohammed Farooq Omer – Pearl Capital: One-time? Okay, perfect. Thank you, and I really appreciate your performance this quarter. Thank you.

Management: Thank you.

Operator: Thank you. The next question is from the line of Aditya from Gennext. Please go ahead.

Aditya – Gennext: Hello?

Management: Hello.

Aditya – Gennext: Hi, sir. Good morning. I have one question. Your spreads in Q2 were approximately 29,000 per kiloliter. In October, where are they currently, because the base oil supply from the Gulf is coming back?

Management: Yes.

Aditya – Gennext: Okay.

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Management: What was your question about the spreads?

Aditya – Gennext: The spread and the base oil supply from the Gulf.

Management: What is that about the base oil supply?

Base oil—majority of our supply comes from South Korea. That remains uninterrupted. Gulf suppliers have begun supplying to us again in smaller quantities. Therefore, the margins are also protected.

Aditya – Gennext: Okay. In July, you guided for 8% to 11% volume growth for FY27. In the first half, growth is approximately 1%. Where are we on that particular guidance?

Mustaqeem: As informed in the earlier question, if you look at a standalone basis, volume growth has been more than 15%, approximately 16%. However, because of the Dubai problem, the Gulf crisis, the Middle East situation and the problems around the Strait of Hormuz, we are not able to get enough raw material at our UAE facility. We are trying to mitigate this problem by buying domestically and buying through road transport.

Having said that, we are trying our level best to ensure the volumes that we had indicated and achieve that volume growth. However, with certain geopolitical situations that are completely beyond our control, we are trying to mitigate the risk and ensure stability in performance and overall profitability.

Aditya – Gennext: Correct me if I am wrong. Are you saying that volume growth in the standalone business is fine, but volumes in the foreign subsidiary have been somewhat affected?

Mustaqeem: Yes.

Aditya – Gennext: Okay. In the first half, we generated profit of 341 crores, while cash flow from operations was 24 crores. Can you throw some light on that point?

Management: It is 183 crores, right? Cash flow from operations on a consolidated basis.

Aditya – Gennext: Yes.

Management: That is correct. Cash flow is 183 crores.

Mustaqeem: Positive cash flow.

Management: Positive—179, 174—

Aditya – Gennext: Yes. Profit on a consolidated basis is 302 crores, and positive cash flow is approximately 179 crores. When can we expect the remaining profit to convert into cash flow?

Management: As we go ahead, operating cash flows will also increase.

Aditya – Gennext: Okay. Thank you very much.

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Operator: Thank you. The next question is from the line of Dinesh from KMD Capital. Please go ahead.

Dinesh – KMD Capital: Hello, am I audible?

Management: Yes.

Dinesh – KMD Capital: There is a slight dip in the margin. Is it because of our overseas subsidiary? Last quarter it was around 17%, and now it is less than 15%.

Management: Are you talking about PAT?

Dinesh – KMD Capital: No, margins—net margins and operating margins.

Management: EBITDA?

Dinesh – KMD Capital: Yes, overall margins. There is a slight quarter-on-quarter dip.

Management: This quarter, we took a hit of about 21 crores on account of [cut off]

Management: ...flooding at our Silvassa plant. That has been the only reason why we have taken a hit, but the margins have reduced.

Analyst: Okay, that 21 crores is inventory?

Management: No, it is not only inventory. That 21 crores represents, as shown under exceptional items after PBT, the loss of stock, contamination of stock and expenses incurred to get the factory up and running again.

Analyst: Okay. So, that is one-time, right?

Management: Yes, that is a one-time item. We do not expect floods every time.

Analyst: Okay. Thank you.

Management: Thank you.

Operator: Thank you. The next question is from the line of Swesha Jain from ANS Capital. Please go ahead.

Swesha Jain – ANS Capital: Thank you for giving me this opportunity. I have a couple of questions. My first question is regarding the gross margin spread. How do you see this going forward? Do you see these high gross margins continuing for the next couple of quarters? Second, when do you see this normalizing back to the 8,000-9,000 levels? Earlier, our gross margin spread was always in that range. When do you anticipate the margin spread returning to those levels?

Management: Coming back to your first question regarding gross margins, as you said, current gross margins are at the level of Rs.29,000 per kiloliter. We are quite optimistic and positive that we will continue achieving this run rate in the coming quarters. We are quite optimistic for Q3 and Q4.

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Coming to your second question about normalizing to 8,000-9,000 per kiloliter, I think your guess is the same as ours. We never know when the war will stop and when the Strait of Hormuz will open. We are absolutely unclear about when it will happen and how it will happen. Our focus therefore continues to remain on servicing our customers and focusing on our value-added products.

Swesha Jain – ANS Capital: Understood. Would you be able to give me the volumes for H1 FY26 segment-wise? I think one of the slides gives the segment-wise volumes for this year, FY27.

Management: We can give it. We will share it with you.

Management: We will send it by separate email. Just reach out to our investor team, and they will be able to help you with your query.

Swesha Jain – ANS Capital: Fair enough. Is it possible for you to share with us the segment-wise EBITDA margins in PHPO, PIO and lubricants?

Management: No, ma'am. That is slightly difficult because we have segment-wise information only at the gross margin level. After that, because of the commonality of expenses, it becomes difficult to split them across our various segments.

Swesha Jain – ANS Capital: One last question. How are freight rates now? Have they moved higher compared with the last quarter, or are they in the same range? How do you see freight rates now?

Management: Quarter-on-quarter, freight rates have been more or less at the same level. There may have been a slight increase, but there has not been a substantial movement in freight compared with the previous quarter. We have not seen a significant increase, but the war-risk premium has been added, especially for vessels coming out of the Strait of Hormuz.

Management: Insurance rates have also gone up, ma'am.

Swesha Jain – ANS Capital: Insurance rates have gone up?

Management: Yes.

Swesha Jain – ANS Capital: These costs are passed on to our customers, right?

Management: Yes.

Swesha Jain – ANS Capital: Is the base oil shortage still the same, or is there a greater shortage? How do you see that?

Management: There is a supply gap because of refinery closures and vessel disruptions. Therefore, there continues to be a gap between demand and supply.

Swesha Jain – ANS Capital: How are we managing it? I know you mentioned it in your commentary—

Management: With our optimal sourcing strategy, we are able to mitigate the risk and deliver volumes and value to our customers.

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Swesha Jain – ANS Capital: Has the base oil shortage worsened?

Management: What did you say? What did you say?

Management: As informed to you earlier, there has been an ongoing base oil shortage because of the disruptions. The situation therefore remains precarious, and we are trying our best to mitigate the risk by diversifying our sourcing partners and efficiently focusing on our valued buyers, including domestic suppliers.

Swesha Jain – ANS Capital: Thank you, sir. That really helps. I appreciate it.

Management: Thank you.

Operator: Thank you. A reminder to all participants: anyone who wishes to ask a question may press star and one on their touchtone telephone. The next question is from the line of Pragyam from Omni Management LLP. Please go ahead.

Pragyam – Omni Management LLP: Good morning, sir. Congratulations on the good set of numbers. Firstly, regarding the increased capacity, we have increased capacity in India through debottlenecking and some capacity additions from the IPO proceeds, right? Once the war cools off, what do you think will be the sustainable quarterly or annual run rate for these volumes, given the current capacity? This is my first question.

Management: Would you like us to answer that?

Pragyam – Omni Management LLP: Yes.

Management: Capacity utilization is currently around 82% on an annualized basis.

Pragyam – Omni Management LLP: Is this for our Indian capacity?

Management: For the standalone Indian plants.

Pragyam – Omni Management LLP: Okay.

Management: Sharjah is impacted. We expect capacity utilization to improve slightly in Q3 and Q4 as well. However, this will leave us enough scope for further additions to capacity utilization next year.

Pragyam – Omni Management LLP: Secondly, regarding gross margins, once the war cools off, you said that you do not expect gross margins to return to around 8,000-9,000 and that they will stay elevated. What is your view right now? Do you think you can sustain margins of 14,000-15,000 even after the war is—

Management: Currently, my gross margin is Rs.29,000 per kiloliter. Before the war, it was around Rs.8,000-9,000 per kiloliter. If and when the war settles, there will be a reduction, but we do not know to what level it will reduce. I do not think my gross margin will return to those days when it was 8,000-9,000. It may not remain at 29,000, but it will settle somewhere in between.

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Pragyam – Omni Management LLP: Okay. My last question is whether this increase in gross margin is due to a particular segment, such as PHPO or PIO. Which segment is contributing most to this elevated margin?

Management: It is mostly across the board, across all products.

Pragyam – Omni Management LLP: Thank you. That is all. Thank you very much.

Management: You are welcome.

Operator: Thank you. The next question is from the line of Anirudh Sharma from Ekant Investments. Please go ahead.

Anirudh Sharma – Ekant Investments: Hi, sir. Good morning. Am I audible?

Management: Yes.

Anirudh Sharma – Ekant Investments: Congratulations on the numbers. I have a few questions. Firstly, how are you positioning your products against domestic and international competitors, particularly when customers are becoming more sensitive to pricing?

Management: How are we positioning them? That was your question, right?

Anirudh Sharma – Ekant Investments: Yes, sir.

Management: The main reason my gross margin has increased to Rs.29,000 per kiloliter is that we have been able to pass on the increase and the additional margin to our customers. The pass-on effect has worked very well in our case, and demand for these products is such that, despite the price increases, there has been no reduction in demand. We have therefore been able to pass on the increase, and we have not seen any reduction in volumes on account of the price increase.

Anirudh Sharma – Ekant Investments: Have you seen any changes in customer preference? Do customers tend to move toward low-cost alternatives, and has this affected the company's ability to maintain its product mix?

Management: I do not think any low-cost substitute for these specific products is available at present. These are application-oriented products that are manufactured and supplied to various multinational and domestic end users. There is no cheap substitute available in the market. These products are formulated after extensive research and R&D approvals from the relevant customers. Therefore, there are no such substitutes.

Anirudh Sharma – Ekant Investments: Understood. One last question from my side. To what extent can stronger customer relationships and product approvals help us protect our market share against new entrants?

Management: This is obviously more of an oligopolistic market because of the sourcing strategies and the demand-supply gap in base oil. The availability of raw material therefore becomes a key challenge. For a new entrant, it becomes even more difficult because there is no established network of suppliers or customers. As I informed you, it is more of an oligopolistic market. We are

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open to competition from anyone in the market.

Anirudh Sharma – Ekant Investments: Understood. That is all from my side. Thank you for the opportunity.

Operator: Thank you. The next question is from the line of Prisha Shah from Shah Family Office. Please go ahead.

Prisha Shah – Shah Family Office: Hello, good afternoon, sir. I have a couple of questions. Firstly, considering the decline in PHPO volumes, I wanted to understand whether this is due to weaker demand from existing personal care customers, increased competition or possibly a change in the customer sourcing pattern.

Management: PHPO is and still remains our forte. The drop and decline in PHPO volumes is not significant enough to alarm us. Second, we do not see any significant competition entering this business because marquee names such as Unilever, Procter & Gamble and others are very particular about their sourcing and suppliers. Therefore, this is not something alarming, and it is not something over which we are losing sleep.

Management: To clarify, standalone PHPO volumes have shown a good improvement, from 45% to around 50%–51% in the domestic standalone business. Because of the geopolitical situation and the Strait of Hormuz situation in the UAE, there has been a significant drop in the volumes catered by the Texol plant toward PHPO customers.

Prisha Shah – Shah Family Office: Understood, sir. That was regarding PHPO. I would also like to understand more about PIO volumes, which have grown significantly. The gains coming from [hesitates] am I audible?

Management: Yes. Please go ahead. What is your question?

Prisha Shah – Shah Family Office: My question was regarding the strong growth we are observing in PIO volumes. I wanted to understand whether these gains are coming from new customer additions, deeper penetration of existing accounts or a shift toward higher-value applications. I wanted to understand the growth in volumes.

Management: There has been a robust increase in demand from the power sector, contributed by the addition of data centers and the increase in power requirements across the country. In PIO, we have transformer oil, which is primarily used in transformer manufacturing. We have registered growth not only from existing customers but also from new customers. We anticipate this growth will continue with the increase in power requirements and the country's substantial reliance on power. We are therefore quite optimistic and hopeful that this increase in PIO volumes will continue in the coming quarters.

Prisha Shah – Shah Family Office: Understood. These were my questions. Thank you very much for addressing them.

Management: Thank you.

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Operator: Thank you. The next question is from the line of Ishika from VGX Investments. Please go ahead.

Operator: Miss {? Ishika ?}, you are not audible.

Ishika – VGX Investments: Hello?

Operator: Yes, you are audible. Please go ahead.

Ishika – VGX Investments: My question is regarding gross margin per kiloliter. I cannot understand how we are able to source oil at higher prices and then pass it on to customers. Why is there such a significant change in the price from 8,000 per kiloliter to 29,000 per kiloliter?

Management: What is your question, ma'am?

Ishika – VGX Investments: Hello?

Management: What is your question?

Ishika – VGX Investments: Why is there such a significant change in the gross margin that we are earning per kiloliter? We are sourcing oil at higher prices and then passing it on to customers. Where is this spread coming from?

Aslesh Parekh: The spread is basically coming from our optimal sourcing strategy. There has been, and there continues to be, an increase in gross margins as we focus on our value-added customers and efficient sourcing strategy.

Ishika – VGX Investments: Okay, sir. Thank you.

Operator: Thank you. The next question is from the line of TD from Eleven H Advisors. Please go ahead.

TD – Eleven H Advisors: Good morning, and thank you for the opportunity to ask questions. Congratulations to management on a fantastic result. I have a couple of questions. If I have to model the sustainable EBITDA margin for the next 2 years, what would that broadly be? Second, I think our interest cost this year was about 40 crores in FY26, and depreciation was around 30 crores. What should I model for the next 2 years, given our expansion across the various segments? Third, what do you see as a resolution to the current ongoing conflict in terms of crude prices? How does that impact fresh inventory sourcing on a spread basis? If you can provide guidance for the next 2-3 quarters, if not longer, those would be the broad 2-3 questions.

Management: Interest cost is expected to come down in the future because SOFR rates have softened. Most of our interest cost is not on account of cash credit or packing credit. Most of our interest cost is on account of SBLC and suppliers' credit. SOFR has softened, although spreads have gone up, but we expect interest cost to improve slightly in the next 2 quarters.

Regarding depreciation, currently, at the consolidated level, we are at 9-9.5 crores per quarter. We expect that to be around 10-10.5 crores, not much beyond that. What was your third question?

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TD – Eleven H Advisors: The third question was about the resolution of the current war situation and sourcing inventory for the next 2–3 quarters. At what rate will we source it compared with the previous 2–3 quarters, and as a result, where will spreads land toward the middle or end of FY28? If some kind of guidance can be developed on that.

Aslesh Parekh: Currently, it is difficult to give you a 1-year guidance. However, Q3 and Q4, and at least Q3, provide near-term guidance that we are able to give you. We remain quite optimistic about sustaining the margin that we have achieved over the past 2 quarters. With elevated crude pricing, we anticipate that base oil pricing will also remain on the higher side. We are quite optimistic that our existing suppliers will be in a position to deliver the raw materials required for servicing our customers.

TD – Eleven H Advisors: Understood. My last question is whether we have any plans to increase the contribution of higher-value-added products over the next 2 years, particularly products such as transformer oil. Where do you see management taking the share of those products in percentage terms over the next 2 years?

Aslesh Parekh: The company is trying its best to increase value-added products, apart from transformer oil and other oils. There are new products under formulation and R&D. Since these products are still at the R&D stage, it would be difficult for me to disclose more details about them. However, the company is endeavoring to add new products to its portfolio.

TD – Eleven H Advisors: All right. Thank you very much for answering the questions. That is all from my side. All the best for Q3.

Aslesh Parekh: Thank you.

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

Aslesh Parekh: Thank you once again for participating in this conference call. At the outset, I wish all our investors a very Happy Diwali and a prosperous New Year. Thank you.

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

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