

# INNOVATING CUSTOMER CENTRIC PRODUCTS FOR GROWTH

BY SHIVANI MODY

## Global perspective and trends in the lubricants industry.

The global lubricants market is projected to grow to 43.87 million tonnes by 2022, at an estimated CAGR of 2.4 percent. High demand from automotive, industrial machinery and construction are expected to drive industry growth over the forecast period. Increasing demand for lightweight passenger cars and heavy-duty commercial vehicles has fostered global automotive production, which in turn is conducive to the development of lubricants for application in this field. Rapid industrialization in China, India, Brazil, and Russia has encouraged applications in industrial machinery maintenance.

Rising construction spending in Asia Pacific and Latin America have also been key drivers for the global industry. These products are extensively utilized in construction and infrastructure sectors for hydraulic oil, bearings, engine oil and grease applications.

Additionally, R&D initiatives such as the development of synthetic polymers to reduce harmful environmental effects are projected to boost global lubricants industry demand.

## Market dynamics of the base oil and additives segment, impacting the lubricants market.

On average, lubricants consist of about 90 percent base oils and 10 percent chemical additives and other components on a volume basis, while on a value base the respective ratio is estimated to be around 80:20.

Due to focus and investments towards environmentally sustainable lubricant solutions market is moving towards fully synthetic products (Group III and PAO based Base Oils). The increasing popularity of the synthetic lubricants due to the various advantages over conventional lubricants such as excellent

### Jayanta Ray,

General Manager - Industrial and OEM, GS Caltex India Pvt Ltd points out the various facets of the lubricants industry and how constantly changing sustainability parameters makes it increasingly important for the lubricant manufacturers to adapt and change its manufacturing strategies.

thermal stability, wear & tear protection coupled with other properties such as good load carrying capacity and low friction are anticipated to propel industry growth in B2B segment over the next five years. GS Caltex is already ready to address the challenges in market and be preferred solution in Synthetic Lubricants (PAO based) category. Additives compliment the performance of the finished lubricants by making it more sustainable, fuel economic and reliable.

### **Market potential for lubricants in India.**

India is the world's third largest lubricant market, behind USA and China, and ahead of Japan, Russia and Brazil, with total consumption of approximately 2.25 Mt in 2016, transport oils account for approximately 55 percent of total inland lubricants demand. In India, use of lubricants is not covered by any regulatory body yet. Over 55 percent of consumers use Group I Base Oil products. However with more awareness created by OEMs gradually customers are moving towards low viscosity higher fuel economy products manufactured from Group II Plus and Group III Base Oils. As India is poised to move towards BS VI by 2020, synthetic and high quality base oils will become norm of the day which supports sustainable future.

### **Sectors witnessing increased demand for use of lubricants.**

Both automotive and industrial segments are growing in India and witnessed more than 6 percent growth Year on Year. Growth in industry segment is driven by strong investments in Infrastructure and government initiatives like 'Make in India.' Passenger car segment is also witnessing a double digit growth which augurs well for the automotive lubricants industry. Core sector industry performance has also improved in recent times providing impetus to growth in Mining, Steel, Power and Energy sectors.

### **Demands from users for the lubricants market.**

OEMs have been under considerable pressure to offer engines that are more durable, more fuel efficient and produce less emission than before. New legislative mandates along with exhaust after-treatment system and engine hardware changes are working together to create harsher conditions in which lubricant is operating and has its effects on overall performance of the oil.

To maximize lubrication effectiveness minimize cost and reduce the risk of application-induced failure, the appropriate choice of lubricant is essential

and needs to be determined by the nature of the environment in which it will be used. Different types of lubricants excel at various uses, depending on their precise combination of ingredients and formulation.

The high performance lubricants from GS Caltex offers ultimate reliability at all temperatures, lower oil consumption, significantly lower fuel consumption and specifically extended service intervals. Whenever engines and gearboxes run freer and more reliably, operating costs are lower only because they consume less. And just 1 percent lower fuel consumption means, depending on operating conditions, fuel savings of several hundred Rupees per vehicle a year.

### **Business expansion plans in India.**

GS Caltex is one of the fastest growing multinational lubricants company in India. Our parents, GS Caltex Corporation in South Korea is quite bullish about Indian operations and has planned to infuse more working capital as the business grows in next few years. Our major plan is to grow profitable volumes and provide sustainable solutions to our customers in our chosen sector and become a preferred player in the Industry. We see a very encouraging scenario for GS Caltex in India in next 3 to 5 years.

### **Progress in R&D and innovation for the company.**

Research and Development is the core strength of GS Caltex in developing product competitiveness for lubricants and polymers. GSC R&D facility is located near Seoul in South Korea, which has developed many award winning lubricants to forge partnerships with major OEMs and key accounts. Our range of high quality finished lubricants is now supplied to large businesses including major OEMs viz. Hyundai Motors, Volvo Construction Equipment, Volvo Trucks and Buses, Hyundai Construction Equipment India, POSCO, KPCL, JSPL, KOHLER, SDLG, HYVA, Indus Towers, Sono Koyo, GTL, Ajax Fiori, Ashoka Buildcon, IRB, Balaji Infra, Sainik Mining to name a few. Recently we have launched PAO based fully synthetic Engine Oils and Gear Oils for Indian market. We are moving ahead in the market place with development of futuristic engine oils meeting API CK4 and FA4 categories with our own Base Oils.

### **Having an edge over competitors in the marketplace.**

GS Caltex Construction Lubricants portfolio focuses on all types of costs including product cost, maintenance costs

and administration costs there by reducing the total cost of ownership for a business house.

GS Caltex products are the reflection of power of technology and innovation packaged into a superior quality lubricant which has already benefitted many OEMs in India and abroad. This has contributed to our market position and guaranteed the outstanding performance of GS Caltex products. Whether grease for bearings in vehicles and machinery, or hydraulic oils for all sorts of applications or engine and gear oils for all the vehicles operating on construction sites – GS Caltex is the single source for the world class lubricants.

GS Caltex India was declared the winner of 2nd Best Lubricant Company Award at Construction Opportunities Excellence Awards 2016 at BAUMA CONEXPO INDIA last year which sums up all our efforts in last 7 years for Indian Industry and OEMs.

### **Hydro cracking technology used to produce high quality, environment-friendly base oil.**

In many industrial applications, oils formulated with GS Caltex premium base oils can dramatically improve performance over Group I formulations – with minimal or no cost increases. Due to the chemical and physical properties of GS Caltex Group II base oils, lubricants blended with them can withstand tougher operations and environments, including higher operating temperatures, smaller sumps, higher power densities, longer drain intervals, lighter materials, and more compact designs than their Group I counterparts. GS Caltex Base Oils possess five base oil attributes that are key to industrial oil quality, including:

- Operates over high viscosity range
- Excellent Oxidative and Thermal Stability
- Improved Water Separability
- Excellent Low Temperature Properties
- Enhanced Air Release Properties

### **Effect of fluctuating crude oil market on lubricants industry**

Base oil prices have been pretty volatile and that does create risk in the marketplace. As an integrated oil company, we participate in the full value chain and are able to manage this risk through our own base oils 'Kixx Lubo' imported from our own refinery in South Korea.

However the key is to continue innovating customer centric products and services to reduce the impact of volatility and build a positive perception in the market place.