



EXPLORING NEW FRONTIERS WITH AN EYE ON GROWTH

GS Caltex India will continue to invest towards new technology and superior products catering to existing and new segments.

- Rajesh Nagar
CEO & MD of GS Caltex

This year
GS Caltex
India would
be foraying
deeper into
the African
continent.

Could you elaborate on decade-long journey of GS Caltex in India with the milestones achieved?

GS Caltex, headquartered in Seoul, South Korea, is a leader in petroleum, lubricant and petrochemical businesses. It was founded in 1967, as a 50-50 joint venture GS Energy, South Korea & Chevron Corporation, USA. It operates the fourth largest refinery in the world and is the largest producer of aromatics products globally. The company is a major exporter of petroleum products, including lubricants. Building on this competitiveness the company decided to venture into large overseas markets like India, Russia, China and many other countries. The Indian subsidiary was established in Mumbai, India on 2nd February 2010, thus, marking the beginning of our Indian journey. For a relatively young company like ours we have managed to make our own place in the Indian lubricant industry on the strength of our superior technology and products.

You entered the industrial segment within two years of your India re-entry. Share the experience.

In 2012 we started with few products in

industrial segment and then kept on adding to our portfolio. We initially started with hydraulic oils and followed by transmission oil and synthetic products and new technology products.

What was the impact of market dip of 2019 on a company like yours? How did Caltex cope?

We certainly cannot be insulated from the market or OEMs when economy conditions are challenging. Top line across the industry was down and inventory was piling up in around mid-2019. It was expected that with the budget in July things would improve. On the contrary, it further declined and severely impacted OEMs & retail segments. GS Caltex, at the same time, was exploring new territories within India and overseas market opportunities. Therefore, we were able to cover up the decline in the domestic market from new territories within India and overseas market through exports.

Which are the geographies that are catered by GS Caltex India?

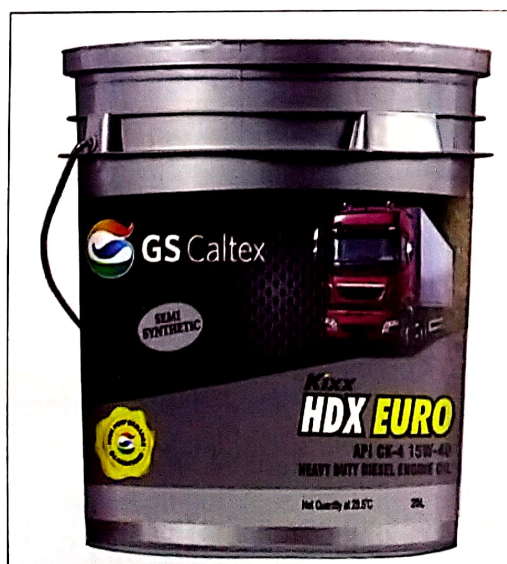
We export to Africa, Nepal, Bhutan and Turkey. This year GS Caltex India would be foraying deeper into the African continent.. Africa is a potential market and will be key growth driver for GS Caltex.

Could you quantify the percentage of exports from GS Caltex India?

At this moment, exports constitute 5-10% of our business. However, the future plan is definitely positive and in next 2-3 years export will constitute a major portion of our revenues.

What were the challenges in the domestic market in 2019?

A few things went wrong, over-emphasis or hype about BSVI, and at the very same time India adopting EV technology. Probably industries, policy makers, opinion leaders etc, everyone played it too much that created a very negative sentiment among



the consumers. The buyers got confused and deferred their buying decisions. It is a collective error coupled with lack of clarity in the policy. Traditionally, we witness a dip in buying pattern whenever there is a technology change. The extent of the dip has been higher this time. It created a chain reaction across the two-wheelers, automobile and construction equipment industries.

What are your expectations for India in 2020?

There were two or three factors that destabilised the market in 2019. Generally, in every election year sales are slower till election results are announced. Last year, however, the elections were held in May and it led to the economy being in an election-induced slowdown. It was followed by monsoon season quarter which is typically a slow quarter. Post-monsoon the sentiments got bogged down due to issues of BSVI & EV news items.

We believe that from April 2020, things would definitely improve and the recovery will be surprising. The slide after May 2019 was also unexpected. Everyone looked at it as a cyclical slowdown, but the numbers from the automobile industry were lowest in decades. It was not a normal phenomenon. So the extent and speed of recovery could also be surprising. From Q2 FY21 onwards it will be really good.

Barring domestic factors what was the impact of global meltdown in the Indian market?

The global slowdown has been there for quite some time. The growth in Europe is more or less stagnant and the US economy has been showing differing results quarter to quarter. I would not rest the blame so much on global factors. Yes, we are globally impacted and we cannot insulate ourselves. The Indian economy is more impacted globally when the crude prices or forex rates fluctuate. This economic dip has been an outcome of domestic sentiments, actions and the technological change. It is more of psychological or sentimental phenomena and, yes, we as a country have miscommunicated & misunderstood the message of technological changes in automobile segment for BSVI as well as EV.

GS Caltex got a brand ambassador for the first time in the last decade, what was the impact?

The idea of having a brand ambassador was there for a couple of years. Last year, we thought it was the right time as we have been very active



in BTL activities. The purpose of getting a brand ambassador was to convey the product qualities along with a character of that personality. Shikhar Dhawan was a very easy choice in the sense that he represents our brand in a positive and impactful manner. The brand got a huge boost in recognition and awareness among the masses.

As part of reaching out to the next-generation, we are heavily investing in activities that are on digital platforms. It has been a very fruitful association

and we hope to continue that.

What are your strategies in this highly competitive and price sensitive market, especially in an economic downturn?

GS Caltex keeps exploring new territories within India and overseas. Customers now demand products that would reduce their downtime and thus reduce the cost of ownership. The high-performance lubricants from GS Caltex offer ultimate reliability at all temperatures, lower oil consumption, significantly lower fuel consumption and specifically extended service intervals. Whenever engines run freer and more reliably, operating costs are lower because they consume less. Depending on operating conditions, even 1% lower fuel consumption means fuel savings of several hundred rupees per vehicle per year. Every penny saved is penny earned! Our constant efforts to help our customers reduce the cost of ownership have been highly appreciated and helped us grow. Despite the tough conditions across the automobile sector we were able to ensure growth at the end of the year.

We spoke about BSVI and the market moving towards it, what is your product line for 2020?

We already have these products in our portfolio prepared as early as a year or two back. So we have engine oils meeting requirements of BSVI. At the recently held EXCON we showcased some of our futuristic portfolio meeting BSVI standards, which includes BSVI compatible engine oils Kixx HDX Euro CK-4 15W-40, long-life high performance hydraulic oil Kixx HVL range and High performance fully synthetic gear oil Kixx GearSyn GL-5 75W-90. As we are already in 2020 we are also looking ahead towards the decade to come.

GS Caltex India will continue to invest towards new technology and superior products catering to existing and new segments with the objective of adding value to our customers and stakeholders.

CT

GS Caltex keeps exploring new territories within India and overseas.