"Castrol India Limited Q1 FY22 Earnings Conference Call"

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Moderator: Ladies and gentlemen, welcome to our Q1 Earnings Conference Call for Castrol India Limited. Please note that all participant lines will be in the listen only mode and you can ask your questions after the presentation. If you need assistance during the call, please press '*' then '0' on your touchtone phone to reach the operator.

We have with us Mr. Sandeep Sangwan – Managing Director, Castrol India Limited; and Mr. Deepesh Baxi – Chief Financial Officer and Whole Time Director, Castrol India Limited.

I now hand over the conference to Mr. Sandeep Sangwan. Thank you, and over to you, sir.

Sandeep Sangwan: Thanks. Good afternoon, everyone, and thank you for joining us today. I hope you and your family are doing well and are safe and healthy. We're pleased to share that Castrol India Limited has delivered strong performance in the first quarter ended 31st March 2022. I'd like to highlight once again that we follow the January to December period for our reporting and that's why we call it quarter 1 for us.

In first quarter '22, CIL registered revenue from operations of Rs. 1,236 crores registering a growth of 9% compared to Rs. 1,139 crores in the first quarter of '21. Profit before tax for the quarter stood at Rs. 311 crores compared to Rs. 332 crores in first quarter of 2021. If I look at first quarter '22, it's one of the best quarters we've had with Castrol India delivering double-digit growth in volumes, revenues, gross profit and PBT making a significant growth over the previous quarter, which was October to December quarter, which was fourth quarter of last year. So, in all parameters, we've delivered double-digit growth.

Our volumes were also higher versus pre-pandemic levels in 2019, indicating that our strategic market actions are working well. Despite a brief impact from the third wave of COVID-19 in January in the first fortnight, our business operations resumed normalcy and first quarter '22 witnessed a good resurgence in demand. While inflationary and supply side pressures continue to be high, Castrol India was able to serve its customers' needs by leveraging its strong distribution networks and supplier relationships. May I please request people to go on mute if they're not commenting or ask any questions because there's some disturbance on the line.

Now I invite Deepesh to take you through our numbers and financial performance. Deepesh, over to you.

Deepesh Baxi: Thank you, Sandeep, and good afternoon to all. Let me share some key highlights from our 1Q 2022 results for Castrol India Limited, which we announced on 2nd May. We reported strong financial performance in the first quarter. Our revenue from operations was Rs. 1,236 crores. This was up 9% from Rs. 1,139 crores in the first quarter of last year, which was 1Q 2021, and then we are up 13% on revenues from Rs. 1,091 crores in sequential quarter, which is the fourth quarter of 2021.

As far as PBT is concerned, we delivered Rs. 311 crore this quarter. This was up 21% from Rs. 257 crores in sequential quarter 4Q of 2021. However, it was a drop of 6% from Rs. 332 crores in the corresponding quarter of last year, which was the first quarter of 2021. With shortages in supplies of driveline products and overall category being soft in 1Q 2022 versus 1Q '21 plus some impact due to third wave of COVID in the first fortnight of Jan, our profit before tax for this quarter registered a slight drop of 6% compared to 1Q 2021. However, on an overall basis, we remain confident of our strong business fundamentals hence long-term profitable growth.

Sandeep, I'll hand over back to you.

Sandeep Sangwan: Thanks, Deepesh. Besides the financial performance, I'd like to draw your attention to some interesting business developments at our end. We continue to make strategic investments to leverage growth opportunities through independent workshops, premium branded products, and new formats such as Castrol auto service centers and Castrol express oil change outlets. Apart from investing in our brands, we are also strengthening in service, our service and maintenance offerings. Castrol express oil change is our new service on offer at Jio-bp mobility stations across India. 38 such outlets are currently operational across India offering swift and reliable oil change to 2-wheeler consumers on the go. We expanded our Castrol auto service network and now we have 116 multi-brand passenger car workshops in 50-plus cities across India.

In addition to existing partnerships with 2 of the leading manufacturers of 4-wheeler electric vehicles in India; BYD or B-Y-D, which is a Chinese OEM, has approved the use of Castrol fluid for its first all-electric MPV in India. Further, Castrol India is exploring technology collaboration with some of the leading 2-wheeler EV manufacturers in India as they work on technology improvement, especially around battery cooling and battery management system around especially the higher end performance kind of bike segment or performance 2-wheeler segments because that's a challenge that they need to solve.

With the transition to BS VI emission norms requiring refreshed offerings of lubricants with lower saps and thinner grades, Castrol has led the industry move towards BS VI compatible lubricants. Our new fully synthetic Castrol MAGNATEC range is designed for BS VI engines but is also backward compatible with many older applications.

The new range is available in 4 variants and will help meet automotive OEMs recommendations for thinner grade lubricants. Each of the variants are based on Castrol's unique Dual Lock technology that reduces engine wear by 50%. We also recently concluded the fourth edition of our Castrol Super Mechanic Contest, which is India's largest mechanic skilling initiative aimed at upskilling Indian mechanics through a competitive national platform. The winners were felicitated by the Union Minister for Education, Skill development and Entrepreneurship, Shri Dharmendra Pradhan. The contest registered record participants from 140,000-plus mechanics across India. In partnership with the Automotive Skills Development Council, we created especially designed curriculum covering new aged vehicle diagnostics, digital tools for next generation vehicles and BS VI technology, et cetera. The master classes were attended by over 24,000 mechanics across India.

In the backdrop of the current geopolitical situation, the external environment will continue to remain volatile. In this scenario, we will continue to take necessary interventions to manage input costs well and also maximize spends, which support our brand building efforts. Lastly, while we've resumed business as usual operations with most of our employees back in offices, we are also cognizant of the recent rise in COVID cases in India. The management team at Castrol India Limited will continue to observe the external situation closely and respond with timely and appropriate actions as needed to safeguard our employees' health and safety and our business performance.

On that note, I'd like to open the session for your questions. Thank you.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Tushar from Perpetuity Wealth Management.

Tushar: Sir, my question is based on our EV lubricant and other oils portfolio. So, could you please delve a bit deeper into how many products we are offering, what is their purpose, their consumable and replacement cycles so that we can what is our recurring and replacement demand like? And my second question will be on the state of the cash reserves that the company is holding. Sir, given that we have a high dividend payout and in our current Indian -- according to our current Indian tax laws, won't dividend be a much more efficient option for all shareholders while also increasing the EPS of the share? It's like it will be a win-win for all.

Sandeep Sangwan: Let me take the EV question and then I'll pass on to Deepesh to talk about cash reserves that we have on our balance sheet. As far as EVs are concerned, so let me reassure everybody I think India will continue to see a robust lubricant demand going into 2035s, 2040s because I think the penetration levels of personal mobility vehicles in India is still very low if I compare it to the likes of China, which are almost kind of getting to a developed level or the developing countries. So, there is a huge room for ownership penetration increase and that demand will not be fulfilled by EVs alone, okay? So, first of all, let me reassure you that we see a robust growth in internal combustion engines also going forward for another 15 years, another 20 years especially in the 4-wheeler personal mobility space. Second is we have launched a global range of EV fluids called Castrol ON, which is also available to all our OEM partners in India because right now the vehicles haven't even started coming into the aftermarket because the volumes are so small.

Let me just give you an example, okay? India sells about 18 million to 19 million 2-wheelers in a year, okay? Out of that currently the EV wheelers that we've sold are in the tune of, if you have a good month, 40,000, 50,000. So, I think there is enough headroom, but we also don't have our head in the sand. So, first of all, we are actively working with OEMs on EV fluids and there are 3 kinds of EV fluids that go into EV vehicles. It can be transmission fluids; it can be coolants depending on the battery performance needs and the third area is greases. So, we're actively working with the largest OEMs and we currently supply to the largest car EV manufacturers in

India EV fluids. And we also started technology partnerships on understanding the needs for EV 2-wheelers. So, that's kind of the story on EVs. And with that, let me hand over to Deepesh to talk about the cash reserves.

Deepesh Baxi: So, on the cash part, I'd like to address this in 2 or 3 ways. Firstly, whatever cash we have and it's growing and that's really good news, we are looking at how we can kind of increase the yield on the cash that we have through whatever investments and treasury portfolio that we currently deploy, right? So, constantly endeavor is to ensure that there is better yield. The second point is as far as the dividend payout is concerned, you're right. I mean always paying dividend is something which is rewarding for our shareholders and we have been consistently doing that over the last so many years. We're paying dividend of around Rs. 5.50 in '19, in '20 and our yields or the payout ratio is anything between 75% to 90%, right? And we have a policy, which is to ensure that good times, bad times, we will continue to pay that dividend and reward our shareholders, right? So, that's definitely something we look at.

The third element is how do we sort of utilize this cash for growth and we can do it in couple of ways. One is you either invest in plants and expansion or you invest in growth projects. And Sandeep sort of shared some of the news around what we are doing in the service and maintenance. So, we have a tie-up with Jio-bp, we have put up Castrol quick lube centers, we're investing in Castrol auto services. And these are all organic ways of deploying our cash for CAPEX to make sure that there is a growth that gets in return for the volumes. So, that's the broad frame of how we are looking at cash. I mean we are constantly guided by the Board in terms of what options we can do and how we can push the boundaries on to rewarding our shareholders more and more. But rest assured, I mean we've been here for years and we've been making sure that we reward our shareholders. We'll continue to do so. We'll definitely make sure that that is done.

Tushar: Ma’am, my question has actually not been answered. Sir, my question was not on how we are using our cash reserves, but why aren't we using the buyback option instead of dividend? Because if you look at our current market price, it's around Rr. 100 odd and a Rs. 5 dividend is a 5% yield and plus given the Indian taxation laws, won't it be much more efficient for all shareholders that you do buybacks instead of dividends?

Deepesh Baxi: Okay. So, let me quickly answer that. Sorry, I didn't hear buyback in your comments, so apologies. So, buyback is always an option, right? But I would like to share that currently there is nothing around that that we are discussing. I was explaining the cash utilization from a point of view that there are a lot of opportunities that are available in the market to effectively utilize the cash as well. The decision to buyback also is dependent on what and how the Board decides, how the parent company decides. But as I said earlier, we are definitely looking into options on how best we could utilize the cash and reward the shareholders may not be buyback, but many other means.

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

Nitin Tiwari: I was asking that my first question was a bookkeeping one. So, what's the volume for the quarter and the volume split if we can have between passenger cars, 2-wheelers, and other segments? So, that's the first one.

Sandeep Sangwan: Deepesh, do you want to take that. The volumes -- how much is the volume and split between various segments?

Deepesh Baxi: So, I'll just repeat myself. I think the volume for first quarter was about 59 million liters and personal mobility, which is bikes and cars is about 43% to 45%, CVO which is commercial vehicles is about 40% and the rest is industrial.

Nitin Tiwari: That's really helpful. And my second question was more around the strategic direction that company is taking. Sir, as Sandeep mentioned in his initial comments that we still see a robust demand for lubricants for another decade, decade, and a half. So, what after that? One is that. And second question is even in the near term, are you strategically focusing more on say Tier 2, Tier 3 towns where the vehicle penetration is even lower than what we have perhaps in metro and as you know there the vehicle penetration would improve much faster than perhaps it could do in Metro. So, some comments on that would be very helpful.

Sandeep Sangwan: So, Nitin, let me kind of try and answer your questions. I hope you can hear me. So, first of all, as far as strategically shift is concerned, absolutely right. I think we are a responsible company for our shareholders and we're looking at all the opportunities even like what does -- how does Castrol be in 2040 and beyond and 2050 and beyond when the electrification really picks up pace and what are the kind of areas we'll play in.

And as a result of that, we are actively kind of looking at service and maintenance as one area where we start extending ourselves from products into products and services, okay, and that's why we spoke about the Castrol Lube Express and Castrol Auto Service because these are all formats that can in future turn to an EV kind of a maintenance ecosystem because we need to -- as a responsible company, we also want to make sure that the independent aftermarket becomes ready for EV vehicle’s needs. So, that's one area where a strategic shift is happening.

And the second is I think we're looking at adjacencies also. So, I think you're all aware that we had a tie-up on car care range with 3M and in this year post pandemic in the last few months, we've extended that kind of product portfolio in the aftermarket space to 10-plus cities and I think that's given us good results. It's still in a pilot stage, but I think that's something that we'll keep continue building on. That's an area of adjacencies and we keep looking as Deepesh was saying any additional opportunities whether organic or inorganic.

The third area we are looking at is as you rightly said, we're already the largest distributed brand in our category across India. We serve almost about 90,000 retail points. We serve more than 30,000 independent workshops. And as retail penetration grows in Tier 2, Tier 3 towns, and even rural areas, that's actively kind of our focus area in terms of our presence and coverage. So, that's something that we will keep doing.

Moderator: The next question is from the line of Narayan Selvamuphukumar**,** an individual investor.

Narayan S: My question regarding, do we have any specific market share, market segment in the wind turbine segment, lubricant for wind turbine or anything like that? My second question regarding Castrol ON, how much market share has that available? Can we expect any product line this year regarding EV fluids?

Sandeep Sangwan: We do have wind applications. We work very closely with the likes of Vestas at a global level and we also work with the local wind manufacturers and operators. So, we have a very strong portfolio on wind products especially around wind sales and something called Optigear and the whole industry range on wind sector. As far as the market share is concerned, I think our market share is -- we have the largest market share in the retail segment in India in the automotive market upwards of about 20%-odd and whereas the second closest is almost ¼ of our kind of market share position. As far as EV fluids, I think I already answered that question. We have a range of products called Castrol ON and we almost work with 50% of the global OEMs.

Moderator: The next question is from the line of Abhijeet Bora from Sharekhan.

Abhijeet Bora: Sir, as you mentioned that the auto service centers are the key growth areas. So, are they contributing anything to the revenues or profitability currently?

Sandeep Sangwan: So, let me take that. It's just kind of at a concepted. The idea is to give a value proposition to the consumers in the aftermarket space where they can get a quality service. As far as revenue models from that space are concerned, it's still kind of work in progress and I wouldn't like to comment on that. Our first intent was to kind of make sure that we are able to provide a quality service, which the consumers expect post warranty period and that's where the focus has been.

Abhijeet Bora: And secondly, more on Jio-bp stations, sir. I understand that all these stations are operational currently where you have collaborations. But like are we seeing any kind of market share gain from this partnership?

Sandeep Sangwan: Yes, absolutely. In a sense as far as the Jio-bp is concerned, we are the sole exclusive suppliers on Jio-bp fuel courts for lubricants. So, Castrol is the only brand and if you looked at some of the rebranded sites or even the old Reliance branding, all these sites are getting converted to Jio-bp branding where Castrol is a prominent brand driving consumer traffic into the store and we definitely see contribution because it is a new channel for us. The retail sites were dominated or still are dominated by the national oil companies, but it's definitely a new channel expansion for us where we see value. And especially where we put in the lube express change centers, we see a multiplication in the footfall that we saw -- that we see on the fuel court and our lubricant sales because consumers get that oil change service for free while they buy a quality lubricant at the gas station and they also get a 10-point diagnostic check on their motorcycle or scooter as the case may be.

Moderator: The next question is from the line of Hemang Khanna from Kotak Securities.

Hemang Khanna: So, if you can just help us understand obviously crude prices are extremely volatile and we've seen a lot of that in the previous few months. If you could just help us understand how the raw material scenario is panning out obviously in this quarter on a blended basis. We did see some kind of moderation in the overall raw material costs. But if you could help us understand how the trend is looking at and what are current raw material prices? And I'll just continue with the follow-up post this.

Sandeep Sangwan: So, Deepesh, do you want to take that question, please?

Deepesh Baxi: So, I think as far as the crude price and therefore the base oil price, which is our key raw material input, continue to be volatile. First quarter 2021, we were looking at base oil in the range of Rs. 600, Rs. 750 and we're now hovering in the range of about Rs. 900, Rs. 950. And given the way crude is behaving and developments in the geopolitical environment and supply issues, it looks like it will further go up. It could be in the range of plus Rs. 1,100 as well. So, that's the kind of volatility that is there in the range.

There is one more element, which is apart from base oil additives, which is also another important raw material component that is for every lubricant company, that has also shown an increase. Almost it has increased by 15% to 20% in the last 1 year as well. So, I mean all of this is something we keep looking at as a management team, keep a more medium-term view and if required, we take action in the market. But also with our global relationship and local relationship with our suppliers where we have some term contracts as well, we try to optimize and take some trade-off decisions in terms of having the most effective cost as well.

Hemang Khanna: And just to understand, sir, I think the peak pricing for base oils in the previous year reached to about Rs. 1,200. With the current construct of the overall supply/demand is, do we see us getting back to those kind of levels? I mean obviously crude has come off from $130 plus to close to $100 right now and obviously the Russian scenario, no one has a clear handle on that. But assuming things stay the way they are, do you see that we would go back to a Rs. 1,200 kind of handle? And in the event of that, in a previous call you sort of indicated that you have already taken the necessary pricing actions to maintain margins? How does the view on margins look in this kind of scenario?

Deepesh Baxi: So, I mean it's very difficult to predict, right. One thing I would like to share with you is not always does the crude price and base oil price move hand in hand, there is a lag effect or a disassociation as well. So, while crude is coming down, we are seeing base oil going up, right? I mean best view you can actually give is only for a couple of months and as I said, it is looking like 1,100 plus for sure. But other elements of input costs like FOREX as we import about 60% to 70% oil as well, so that plays into the whole scheme of things. As far as margin is concerned, I think we always share that we take a more broader and strategic look to the pricing, so we were able to manage that.

Our operating margins as a frame are in the percentage of 24% to 27%. That's what we want to operate in and we're continuously being able to do that. That just gives us a bit of a flex as well from a timing recovery of pricing also. But I don't see a major issue in terms of the drag on the margin.

Hemang Khanna: Actually, my question was, I mean thanks for your input obviously, if we look at the past 4 quarters, you'll have increased margins at a very healthy base from the lows of 22%, which was hit in the second quarter. So, coming into this quarter, you are at 25.7%, so definitely margins have improved at a very healthy pace. So, my question was, is this a fair kind of number to work with the 25%, 27% ballpark margin over the next couple of years? Is that a fair assessment for us to be looking at?

Deepesh Baxi: Yes, I would say 24% to 27%.

Moderator: The next question is from the line of Sami Sabnis, an individual investor.

Sami Sabnis: I just joined 2 minutes late, so I'm not sure whether I missed out on this. Just wanted the volume numbers for this quarter.

Deepesh Baxi: It's 59 million liters.

Sami Sabnis: 59 million liters, okay. And what is the price hike that has been taken in this quarter?

Sandeep Sangwan: So, I think let me take that, Deepesh. I can talk about myself and whatever information is available in the public domain. So, we took a price increase, which was ranging anywhere from Rs. 12 to Rs. 20 kind of depending on the various product segments and stuff, but that's the ballpark number.

Sami Sabnis: So, Rs. 12 to Rs. 20?

Sandeep Sangwan: Yes, depending on the segment and the product categories.

Moderator: The next question is from the line of Mandar Pawar from Kotak Mutual Fund. Please go ahead.

Mandar Pawar: My question is as a follow-up to the previous question that Hemang asked and your reply to that given the volatility that is in the base oil prices. Sir, wanted to check how your working capital is being handled in the sense because of the uncertainty, which is prevailing with of tonnage, in tonnage term if there is an increase or decrease that the way you are managing it? And just as a bookkeeping, can you also give number on the cash flow from operations that were generated for the first quarter?

Sandeep Sangwan: Deepesh, over to you.

Deepesh Baxi: I'll take that. So, in terms of the working capital management, I think we continue to be for the quarter into a negative working capital, right, which is good management of our working capital, I'm excluding cash out of that. I think we have taken quite a few steps both on the debtor side and the creditor side to ensure that we either do necessary prebuying in terms of the trade-offs that we do because we've been seeing the base oil and the other additives pricing going up. We've also signed. But at the same time given some liquidity crunch in the market, we have supported our partners with some enhanced limits to ensure that we support our distributors. So, that helps us obviously then as surety on collections as well. So, overall, I think from working point of view, we are in a good place. Our cash balance is in the range of Rs. 1,600 crores and we continue to be in the negative working capital up of Rs. 100 crores.

Mandar Pawar: So, is there any increase in the inventory tonnage terms or it is maintained at similar levels? And the cash flow from operations, what would be that number in amount?

Deepesh Baxi: So, increase in tonnage terms, you mean to say whether we have more inventory, is that what your question is in quantity terms?

Mandar Pawar: Yes.

Deepesh Baxi: No, not much. I think a few million liters and that was a tactical buy mainly to ensure that we prebuy the material to ensure. And by the way, quarter 2 is generally our best quarter as well, so we wanted to make sure that we have enough stock at the books. So, from a point of view, it's not a significant amount. It's a couple of million liters. And the other question, how much is the operating working capital? We've generated about Rs. 300 crores this quarter.

Moderator: The next question is from the line of Bhagyesh Kagalkar from HDFC Mutual Fund.

Bhagyesh Kagalkar: Sir, I agree with the assessment that the conventional ICE oriented loading in the industry has a long way to go, 10 to 15 or even 20 years depending on other thing. The issue here is the 2 wheelers may happen faster and it will take time for the personal wave. What do you feel is the market share and how many market share you can target? Because ultimately over about 15, 20 years this market is shrinking. So, what is the market share we should target and at the expense of whom basically, the PSUs or the other players? So, what is happening on that front or is the company losing market share?

Sandeep Sangwan: So, let me answer both the questions. So, first of all, I think you're absolutely right. The electrification in 2 wheelers will come much faster than the 4-wheelers, but there's a bit of compensation and I don't want to get into all kind of projection to start because what happens is if a 2-wheeler uses 1 liter of oil for a vehicle change, the car uses like 4 to 5 liters of oil for a lube change. So, I think as the cars penetration grows, there's that volume compensation also. But again, you are absolutely right that the electrification in 2 wheelers will come much faster. We're conscious of that and that's why we're working on incremental or additional revenue areas where we can start building for the future now rather than waiting for 10 years or 15 years and then start building for that. So, that's one question. Can you just repeat second part of your question?

Bhagyesh Kagalkar: Second part is what is the market share now and how much market share you target because if the market is going to shrink, whatever one may say, how much market share you can target? And to add to one more point, see even in CVs, there is an indirect disruption on from your side or your competitors that your drain intervals are increasing. So, what is the drain interval guaranteed by Castrol now for various products? If you can highlight that also, that will be fine.

Sandeep Sangwan: So, as far as market share is concerned, I think we have an overall market share in the automotive aftermarket of about 20% plus, okay? And I think our intent is always to grow ahead of market and I think can we grow more than 20%? Definitely yes because we've grown shares in the last 1 year. In 2021, we've grown our share by about more than 1% plus, okay. So, there is room to grow share. It's not that we've reached the peak of that. Where it comes from is we play in all segments of the market and kind of our intent is to keep serving consumers better quality products and better services. At the end of the day, that's what drives share. I think as far as an drain interval on CVs are concerned, I think there's a lot of development and BS VI vehicles have better performance, better drain intervals. But there are also other factors. So, drain interval is not the only factor. It has an impact on lubricant consumption. But on the other hand, the improvement in infrastructure improvement in highways and a lot of infrastructure activity taking place, that is creating additional demand for commercial vehicles and different kind of products. So, I think it's not a single factor that determines demand. It's a combination of factors that determine demand and we continue to see robust growth in the CV demand also.

Moderator: The next question is from the line of Hemal, an individual investor. Please go ahead.

Hemal: Most of my questions are answered. I just have one clarification that I wanted to have. When you give these base oil price, as I have understood, there are different qualities of base oil. So, are you saying g Castrol only using 1 type of base oil or are there wide varieties and each of your prices averaged out as Rs. 1100?

Sandeep Sangwan: So, I think let me take that. There are different varieties of base oils and it also depends on the kind of product that you're manufacturing. If you’re manufacturing a synthetic product, then it requires a different quality and different standard of base oil. And if you're manufacturing a more lower-end lubricant which is mono-grade or a multi-grade non-synthetic product, that is a different base oil. So, when we talk about Rs. 1,100, Rs. 1,000, Rs. 900, Rs. 860, it's almost averaged out across product categories. So, it's the individual base oils could be very differently priced.

Hemal: So, you're saying the ones that are used for industrials, the base oil prices may have not driven as that much as that is for the commercial vehicle?

Sandeep Sangwan: Not necessary. The reason I say not necessary is because industrial lubricants also we sell very high-performance lubricants, something that we call HBF, which go into specific applications in the industrial sector especially around metalworking fluids and these are high quality products, which require a good quality base oil.

Hemal: And do the EBITDA margins remain quite consistent for industrial versus nonindustrial? I'm assuming they will be lower, right?

Sandeep Sangwan: I think we look at the business as a whole and Deepesh, maybe you want to comment. So, I think our intent is and that's something that Deepesh and I talk about is we want to keep our EBITDA margins for the whole business in the range of 24 to 27 kind of a range and how we play the portfolio game. So, Deepesh, anything you want to add?

Deepesh Baxi: Yes. I just wanted to add that I think in response to your question, within the segments, personal mobility, commercial vehicles, industrial; obviously, they operate at different margins, right? However, as an organization, the range we want to keep it is 24% to 27%. Generally automotive grades will have higher margin and some of the other grade will have--.

Sandeep Sangwan: Sorry, I just want to kind of go back to the previous question. I think there was a question around drain interval. The drain intervals also tend to be between 40,000 to 80,000 depending on the kind of truck, the kind of vehicle, the kind of work that they are performing. So, there's not a fixed number and we supply all ranges of products. I thought I'll just clarify that.

Moderator: Ladies and gentlemen, this will be the last question, which is from the line of Nitin Tiwari from Yes Securities. Please go ahead.

Nitin Tiwari: So, I was saying that the price increase that you spoke about Rs. 12 to Rs. 20 per liter, in that yet to flow through because your blended realization on per unit basis are actually lower on a sequential basis.

Sandeep Sangwan: So, Nitin, typically what happens is when we announce a price increase, not everything starts flowing in the same month because trades are sitting on inventories and we also have inventories kind of old base stocks. So, typically it could take anywhere from 1 month to 3 months depending on which segment and which category you're talking about for the 100% price realization to flow through to the financials.

Nitin Tiwari: So, it's like if the understanding is correct, so we are going to see a chunk of that improvement perhaps in this quarter in the June quarter when you close through.

Sandeep Sangwan: Again, as I said, it's a very dynamic environment so the input cost also changing at the same time. It's not that like the input costs are static. So, the intent is, as Deepesh was saying, is to keep protecting our margin and keep improving the margin. I think that's the way we want to work at. Deepesh, I don't know if you want to add anything.

Deepesh Baxi: No Sandeep, I think you've covered it.

Nitin Tiwari: So, finally, just push on a little bit of clarification mode over here. So, if base oil prices remain where they are, they don't change much and the price increase that we have taken, is that sufficient to cover the increase in base oil price for the time being? Is that the right way of looking at it?

Sandeep Sangwan: We don't want to comment on future pricing actions or what we'll do. I think our intent is to give the best value to our customers and keep the price value equation in mind so that our consumers are willing to pay for the value that we're offering them and we have a pricing strategy. So, it's very difficult to say whether it covers or does not cover. I think we'll keep a watch on the environment and take action, as necessary.

Moderator: Ladies and gentlemen, as this was the last question for today, I now hand back the conference to Mr. Sandeep for closing remarks.

Sandeep Sangwan: Thanks, Ritika. And sincere thanks to all the people who've participated in the analyst investor call and thanks for your questions, very insightful. I just want to kind of reassure our people on the call that as a company, I think we are very conscious of the input situation, the supply situation, the cost pressure. But our intent is to continue growing the top line, keep protecting the margins and deliver a healthy bottom line for our shareholders and that's something that we'll continue to do. We are also very conscious of continuing to invest in building our brands and also continuing to expand our business in lower tier towns. And I think we're also transitioning the company to be future ready and taking all the steps in that direction to make sure that Castrol is as resilient and as robust in a future electric world as it is today. So, thanks for joining the call and I wish you all a very safe and good period because I think this -- keep an eye on COVID cases as they have started rising in some of the pockets. So, please take due precaution and best wishes to everyone on the call and their families. Thank you.

Deepesh Baxi: Thank you.

Moderator: Thank you. On behalf of Castrol India Limited, I thank you for joining this call. You may now disconnect your lines. We wish you a good day ahead.