



“Castrol India Limited 2QFY2022 Earnings Conference  
Call”

**August 02, 2022**



**MANAGEMENT: MR. SANDEEP SANGWAN –MANAGING DIRECTOR,  
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WHOLE-TIME DIRECTOR, CASTROL INDIA LIMITED.**



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**Moderator:** Ladies and gentlemen, good day and welcome to 2Q 2022 Earnings Conference Call of Castrol India Limited. We have with us Mr. Sandeep Sangwan - Managing Director, Castrol India Limited, and Mr. Deepesh Baxi - CFO and Whole-Time Director, Castrol India Limited.

As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘\*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded.

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

**Sandeep Sangwan:** 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 are pleased to share that Castrol India Limited has delivered strong performance in the 2<sup>nd</sup> Quarter and half-year ended 30<sup>th</sup> June, 2022. I would like to highlight once again that we follow the Jan to December period for our reporting.

In 2<sup>nd</sup> Quarter 2022, Castrol India registered revenue from operations of Rs. 1,242 crores and profit before tax of Rs. 280 crores. Our 2<sup>nd</sup> Quarter performance was in the backdrop of a volatile market environment where we had to balance rising input costs, while maintaining an optimal price and volume mix.

And I am sure all of you kind of been reading the news and the volatility that the businesses are seeing in the first half, and it's likely to possibly continue in the second half also. So, to take care of the rising input costs, we affected two price increases in the first half of the year, which enabled us to deliver a resilient performance, and helped our business stay ahead of 2<sup>nd</sup> Quarter 2021. Though, we felt a bit of pressure on volumes and margins, as compared to the 1<sup>st</sup> Quarter of 2022, which is a sequential previous quarter.

As we progress further into the year, we will keep balancing the need to drive growth, and serve our customers needs while protecting our margins as inflationary and Forex pressures are likely to continue in second-half of 2022.

I will now invite Deepesh, our CFO to take you through our numbers and financial performance in a bit more detail. Deepesh, over to you.

**Deepesh Baxi:** And good afternoon to all, hope everyone is doing good. Let me share key highlights from our 2<sup>nd</sup> Quarter and 1H 2022 Results which we declared yesterday.

In 2Q 2022, we reported a strong financial performance. Our revenue from operations was Rs. 1,242 crores, which marked a growth of 40% compared to Rs. 890 crores in the pandemic impacted 2Q 2021. This was higher by half a percent, from Rs. 1.236 crores compared to the sequential quarter 1Q 2022. Our profit before tax was Rs. 280 crores. And this was up 47% from



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Rs. 190 crores into Q2 2021, a drop of 11% from Rs. 311 crores in the sequential quarter 1Q 2022.

With our 2Q Results, our 1H performance looks good, with half yearly revenue from operations of Rs. 2,477 crores, about 22% growth and profit before tax of Rs. 591 crores and profit after tax of Rs. 435 crores so that's up 13%.

The Board of Directors of the Company have declared an interim dividend of Rs. 3 per share. Overall, we remain confident of our strong business fundamentals and long term profitable growth in India.

I would now like to hand over back to Sandeep. Over to you, Sandeep.

**Sandeep Sangwan:**

Besides the financial performance, I would like to draw your attention to some key business developments at our end. First of all, building on our strategy to be future-ready, we are foraying into service and maintenance with new formats such as Castrol Auto Service and Castor Express Oil Change outlets.

In 2<sup>nd</sup> Quarter we expanded our Castrol Auto Service reach to 163 multi brand passenger car workshops and 90 plus cities across India. And our Castrol Express Oil Change outlets, which are present at Jio-BP mobility stations across India, expanded to 39 and the plan is to further grow both these formats. The outlets offer two-wheeler consumers swift and reliable oil change on the go, and this is the Castrol Express Oil Change outlets.

In addition, we are also exploring collaborations with electric vehicle OEMs to help advance electric mobility in India, while continuing to launch new superior performing products in the traditional lubricant space.

We strengthened our product portfolio with the launch of CRB Plus CI-4 for agriculture vehicles, and GTX Diesel CI-4 Plus variants, upgrading the specifications of the products to offer better protection and performance. We launched Castrol Power 3 in 1 with Synthetic Technology. The new formula provides excellent acceleration, excellent protection and smooth riding.

The 2<sup>nd</sup> Quarter also saw the launch of our integrated campaign on Castrol MAGNATEC, leveraging mass-media platforms, digital, connected TV and digital innovations. The campaign highlights the superior protection offered by Castrol MAGNATEC from every stock.

I would also like to draw your attention to a strategic global announcement made by BP yesterday, where BP plans to invest up to £50 million which is roughly about Rs. 500 crores in a new global battery research and development center in Britain. This is of strategic importance to Castrol as the new facility will be housed at Castrol's global headquarters in Pangbourne, Berkshire in UK. And the Technology Center is expected to open in 2024. This will give us new muscle to be far more relevant and competitive in the EV future, which is beginning to unfold across geographies now.



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And the new facility will also help us to work with car manufacturers around the globe, to co-engineer future battery technology and associated thermal management fluids. It will also look to develop future technologies required to help, to enable ultra-fast charging.

This significant new investment will now allow us to build additional strategic technologies and capabilities to further advance EV sales for the future as I said before. And this facility will also be an amazing showcase to demonstrate our integrated technology expertise to customers as we help drive the transition to EVs.

On that note, I would like to open the session for your questions.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Parthiv Jhonsa from NVS Brokerage. Please go ahead.

**Parthiv Jhonsa:** My questions are quite simple, the first question is will the growth momentum continue for the next two quarters, that is till December of this year, considering the vehicle sales have been improved and the overall scenario as far as the four-wheelers are concerned, it is showing some kind of an improvement.

Point number two, with you entering into this new agri space of lubricants, what is the potential there?

My third question is, how do you perceive this entire EV, because you gave a quite a good description at the start, but just want to understand in detail, how do you perceive the entire EV space and the lubricants in the EV space going forward?

**Sandeep Sangwan:** So, kind of, let me try and answer all the questions that you asked. The first question is, do we continue foreseeing the growth in the balance two quarters, I would just like to remind that this quarter, the 2<sup>nd</sup> Quarter Results should also be looked at in relation to the 2<sup>nd</sup> Quarter of last year which during April, if you remember the nation went through the horrible thing of COVID second wave or the pandemic second wave. So, April in last quarter was a bit subdued. So, while we expect growth to continue, it may not be at the same level in the 3<sup>rd</sup> and the 4<sup>th</sup> Quarter, but our intent is to continue driving growth. That's point number one.

Second is as far as these are concerned, I think EVs will come, okay, it's a question of when and how fast not whether they will come or not. But I think we are fully prepared for an EV future. I think I would just like to remind everyone on the call that we foresee based on our projections, given the low penetrations of four-wheelers in India, specially cars in India, we expect the lubricants market to continue to grow well into 2035, 2040. So, the traditional legacy business will continue to be strong, while the world transitions and we will see faster transitions on three-wheelers and two-wheelers.

From a fluids perspective, we have launched a global brand of EV fluids called Castrol ON. Currently it is being supplied to OEMs because in the aftermarket, there is not so much of



demand given that the car park or the vehicle park is very small, but we have a range of E-coolants, transmission fluids, E-transmission fluids. We have a range of E-greases, which are relevant for the EVs.

Your third question was around agricultural sector, I think we have always played in agricultural sector it's not that we are entering the agricultural sector now. It's a important part of our business. I think what we have introduced some new products in that segment, which help us our customers get better performing products, and also the latest specification. So, agricultural sector was and will continue to be an important sector for us.

**Parthiv Jhonsa:** The market share of our Company as on date in the market?

**Sandeep Sangwan:** So, Parthiv, our share is around 20%, 21%, 22%. And typically it stays in that range. And last year we grew our share, this year is also at similar level. There are some segments which are up, we have gained share on cars. There are some segments which are under pressure, due to all the rising cost inputs and the pricing pressures and the premiums. But it is in the range of 21%, 22% in the automotive aftermarket, retail.

**Moderator:** Thank you. The next question is the from the line of Girish Shetty from Banyan Tree Advisors. Please go ahead.

**Girish Shetty:** Firstly, if you could help me out with the volume numbers for the quarter?

**Deepesh Baxi:** So, volume this quarter was around 56 million liters.

**Girish Shetty:** And just wanted to understand, on a long-term basis, my first question is like, in the last five years, if I see your revenue growth of say around 4.5%, most of it has come from realization, and very few was around volume growth. So, I just wanted to understand the future trend, how is the growth likely to come from and if you could just give an idea of how the realization will tend to move and the volume would tend in the future. Would it be on the same lines or you are expecting something different.

**Sandeep Sangwan:** So, maybe I will take that at a very top level, I think and then Deepesh you can expand on that. I think if you talk of the last 3, 4 years, last two years have been COVID impacted and that's why in 2020 and in 2021, the volumes actually were lower if you compare it to 2019. But I am very happy to kind of state that actually, this year in the first half our volumes are ahead of 2019, which was a pre-pandemic normal year.

So, the intent is definitely to grow volume and also grow turnover. And we made some interventions on some of the product categories where we thought we were too premium. So, going forward, our intent is not only to focus on realization per liter, but also drive volume growth and top-line growth through a combination of volume and turnover.



**Deepesh Baxi:** And then going forward, clearly there is a focus on areas that Sandeep had initially explained in his opening remarks around, we have got into the Service and Maintenance space, we have got these outlets, which is growing month-on-month. So, the focus is to find new avenues on how we can grow volumes, and at the same time, clear focus of growth and market share.

**Girish Shetty:** And my last question would be in the annual report you also mentioned about implementing a big change in your B2C sales model. So, if you can elaborate or just give us an idea on what is it and how is it progressing right now?

**Sandeep Sangwan:** What we have done as we moved all our distributors, sales reps, which were around about 1100 people, to an agency sourced model. So, a professional sales agency, which is kind of hosting all our distributor sales, what used to be distributor sales people and I think that's giving us very good results, based on a number of factors.

First of all, I am really happy to say that we have been able to move all these 1100 odd people to a formal employment structure, because in distributed businesses, many of these were getting social benefits, but some of them were also not getting. So, we moved them to a more formal employment structure where they get benefits such as insurance, social security. So, I think from a community perspective, it's a very good thing.

The second is, it's also helping us professionalize feet on street. So, we are able to give them much better professional training, make them much more capable and also improve the discipline of operations. As a result, we are seeing key positive influence on factors such as our coverage or sales productivity. So, overall, I think it's moving in the right direction, and we are very satisfied with the change.

**Moderator:** Thank you. The next question is from line of Sabri Hazarika from Emkay Global. Please go ahead.

**Sabri Hazarika:** So, I have two questions. Firstly, regarding this, this global, this UK center of BP. So, how important is it? Or how substantial is it versus what BP has done so far in the battery and EV space?

**Sandeep Sangwan:** So, I think it's a significant investment, it's a quite a significant investment because so far, we were researching on fluids. And as I said earlier, we have already launched a range of E-Fluids based on our current kind of technological capabilities, but £50 million investment or Rs. 500 crore investment will definitely give us much more muscle to work with OEMs because a lot of European OEMs like the VW, BMW, Mercedes, they are all based out of Europe, and it gives us much more robust capability to work with them as EV technology advances.

And if you would allow me to say, I think battery technology will be a key driver of future EV adoption, because the issues such as range anxiety, the issue such as thermal management for fast charging. So, I think it's a huge step and significant step from BP or Castrol to become far more technologically advanced and be able to help our customers in the EV space.



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And how it helps India, is globally Castrol has our headquarters in UK, and we get access to all the R&D that our Global Innovation Center does. So, we will have access to better technology and better products for EV vehicles.

**Sabri Hazarika:** So, this is more like an integrated thing rather than just being restricted to EV fluids, is that right?

**Sandeep Sangwan:** So, one is, it will focus on batteries because we already have Engine Testing Center and R&D capability, as far as traditional internal combustion engines are concerned. And now we are kind of investing in future technologies and battery is a key area of technical innovation as far as EVs are concerned. So, that's we are making the business future ready.

**Sabri Hazarika:** Are you in any way suggesting that battery manufacturing for E-Vehicles is something which might be looked into, in the medium term.

**Sandeep Sangwan:** No, I would not like to speculate, I think as far as our intent right now is to support the EV fluid development in battery, as I said, the thermal management of batteries. I think that's the scope of the conversation. What may happen or not happen in future is pure speculation.

**Sabri Hazarika:** And just one small second question, with respect to your non-lubricant businesses, whether it's like Car Care or other segments. So, do you have a certain sort of revenue or EBITDA target, EBITDA share target to be more specific, say 5 years or 10 years down the line? So, how do you see about it? And how do you like, how do you feel that in terms of the size considering that's still a small market in India, what makes you confident that it can be like substantial probably say, 5, 10 years down the line?

**Sandeep Sangwan:** So, responding to first part of your question, we have not set any target for EBITDA anything like that for next 5 years, or 10 years. I think as you yourself was saying it's a very small category in India, but a category we believe will expand, it's like the decorative. Or when iPhone came there was no accessories market for mobile phones. But suddenly, when iPhone came out, there is a huge accessories market. And I think as the ownership of cars grows in India, I am sure there will be a huge play for Car Care products. And that's why we are kind of testing with this.

Just to share with you we expanded our presence to about 10 cities as part of that learning experience. We have learnt about products, which products sell, which products don't sell, that way we have made our product range much more sharper, okay. And the intent is to kind of continue building that category. All categories start small at end of the day, but we believe there is potential in this category.

**Moderator:** Thank you. The next question is from the line of Himanshu Upadhyay from O3 Investments. Please go ahead.

**Himanshu Upadhyay:** I had two question, first was on the consumer behavior, whenever we have seen such a steep price hikes are customers doing or prone to go to lower price points or downtrading or people



differ the change or engine oil change? And how difficult is to get back the customers, if they do downtrading? Can you elaborate historically how the mindset of people have behaved?

**Sandeep Sangwan:**

So, I think you will see a multiplicity of behaviors, Himanshu. As you said, some consumers would postpone the servicing of their vehicles. And some consumers would potentially look at cheaper options. I think the way we address that market is, first of all, we believe in giving the right value to our consumers from a product performance perspective. And it's not only our category which is inflationary. I think there is inflation all across.

I think as long as you give customers the assurance of a good product that protects their asset, in this case, it could be a car or a motorcycle, and helps build longevity of that asset. Consumers are willing to pay a premium, and I think we have enough technological superiority in our products, to deliver that value to our consumers.

The second thing I would say is we just don't have premium products we also have a portfolio of products across spaces, which give consumers choice of various price points, various products across the segment. So, that is how we kind of, but end of the day, I think if consumers trust a brand, if they believe the brand is giving them good value for money, they are willing to pay the premium that we have.

**Himanshu Upadhyay:**

See there are categories like where people use the vehicle for commercial purpose. And there are categories where you use it for personal purpose. So, is downtrading more prevalent in commercial, is that the case? Or you find whatever happens or the deferring happens in both the segments?

**Sandeep Sangwan:**

I think, I would not like to segregate commercial or personal vehicles because at the end of the day vehicle is an asset. In case of commercial vehicles, that asset is providing livelihood to people so they want to take care of that asset. And personal mobility, that asset is for their own use so they want to protect that asset. So, I think the downtrading behaviors or deferring services behaviors, potentially occur more I think more in the personal space, commercial vehicles, the vehicles have to keep running. Okay, that's why maintenance so important. Any downtime on a commercial vehicle is a loss of revenue for the asset holder. So, I think it's a very complex kind of a situation. But again, let me reiterate, if consumers or customers see value in our products, they will continue buying us and that's where we focus on.

**Himanshu Upadhyay:**

And second question, see we stated in our Annual Report that on industrial side, there was strong momentum, but second half the momentum got reduced. And so how is it?

And one more thing on B2C, we are making a lot of efforts to grow that business and which may have eventual challenge, very long dated challenge. But on the B2B segment on industrial and marine, where the challenge is not going to be there, at least in the foreseeable future. In what special or what efforts can you do to make that bigger and more profitable and sustainable? Are you thinking about putting more services on that business? And what is the traction in that business means on the industrial side?





**Sandeep Sangwan:** So, pretty long question. And I do want to kind of give more time to others also, to other question. But in summary, I think in the second half of last year, the industrial sales are related to manufacturing activity in the country. And I think we just felt a bit of a slowdown in the second half in the overall kind of environment. And that's why we saw a slowdown.

I think, as I said, the traditional lubricants market and automotive also will continue to be strong till 2035/2040 that's our projection, time will tell. But we are also focusing on industrial products and like automotive, our focus on industrial is in segments, where we can give a differentiated value proposition to industrial customers, and where we can make a difference in performance of their machines or their equipment or their assets. So, there are specific sectors we play in where we can be differentiated in premium. And this is an area where we will continue investing an even in industrial, we are also kind of moving from products to products and services, so giving digital solutions, working in areas such as predictive maintenance so that we can help create value for our customers. So, industrial will continue to be a focus area.

**Moderator:** Thank you. The next question is from the line of S.M. Kumar, Retail Investor. Please go ahead.

**SM Kumar:** I would like to know about what are your future plans regarding EV, how much capital allocation towards on the EV research space? Can you throw some color on that?

**Deepesh Baxi:** So, I mean, as Sandeep mentioned earlier, EV is front and foremost as part of our strategy, right. And the way we are investing in EV is on from twofold. Firstly, the investment is happening at a global level. And the benefits of those investments is also taken by growth countries like India where the advent of EV is going to be much faster than what it has been in the past, so that's one. And building up this Technology Center is clearly an example of that.

On the other side, we are constantly in conversations with the OEMs and bases that whatever investments we need to make in the plant or in terms of our business, right. We have cash on hand and that's clearly a part of our strategy. I am unable to give you at this stage a clear number, if that's what you are looking for, but in our forward-looking plan and strategic goals, this is at the core of our strategy.

**SM Kumar:** My second question regarding Jio and BP partnership, how much charging centers can we expect next year, same time, any numbers?

**Sandeep Sangwan:** So, I think I wouldn't like to talk about Jio BP, my request would be to reach out to Jio BP press office. They have a press office and they will be able to answer your questions, I cannot answer on their behalf.

**Moderator:** Thank you. Next question is from line of Akshita Ray from Green Portfolio. Please go ahead.

**Akshita:** I have two questions. My first question is based on EV lubricant, like EV transition is very much visible, though still on a small scale, but with rapid growth. In this reference, can you please tell



me how much rupee worth of various oils like engine brakes, gear oil etc. used in ICE against EV in a year?

**Sandeep Sangwan:** Well, I don't have those numbers because the market is still evolving. And I think depending on the kind of technology the EVs will evolve to, will determine the number of fluids because you could have in future, let's say liquid-immersed batteries for better thermal management. So, right now what I can say is in the dry battery spaces, the requirement of E-fluids is much lower than what you use in an internal combustion engine because these vehicles don't use engine oil. But I don't have any rupee comparison or rupee numbers to share at the moment.

**Akshita:** My second question is also on EV, like assuming that ICE vehicles stopped running on roads and EV has taken over 100%. Further assuming that we have same share in EV fluid market as we have today in lubricant market, what will be our sales on full year bases?

**Sandeep Sangwan:** Too early to start speculating, sorry on that. I would say our intent is to also have leadership in EV fluids as the market evolves, as I said earlier, as far as India is concerned, I think even in a 2035, 2040, there will be robust lubricant demand. Just to give you a number, our car penetration in India is about 22 cars per 1000 population. In China, it's in the 300 in Europe, it is in 600, and then U.S. it is in 900s per 1000 population. So, there is a lot of room for growth in penetration and all this cannot be fulfilled by EVs, because EVs have to be a combination of infrastructure and everything. So, that's why we see trade here, a pretty robust growth getting into 2030s or early 2040s as far as India is concerned. And how EV technology will evolve in 2040, could be very different from what we see today. So, that's our view right now, while we are working on future EV ready business, too early to start kind of projecting on total sales volumes and how will 2050 look like? I think it's too early to say that.

**Moderator:** Thank you. Next question is from line of Vipul Kumar from Sumangal Investments. Please go ahead.

**Vipul Kumar:** My question is what percentage of turnover right now we are getting from EV related products like E-fluid and etc. And where do you see it five years from now?

**Sandeep Sangwan:** I think just to put things in perspective, last year, only 0.2% of total vehicle sales were EV. So, currently, we supply EV fluids to two of the larger car manufacturers, which is in India. But in terms of numbers, it's still very small. It's insignificant to our total business.

**Vipul Kumar:** And where do you see five years from now that number, any guess?

**Sandeep Sangwan:** It will still be pretty small.

**Vipul Kumar:** And my second question is base oil prices must be coming down with crude oil prices. So, benefit of that, which quarter will it get reflected?



**Deepesh Baxi:** So, firstly, I just wanted to clarify that not always do you find, crude linkage with the base oil, in terms of the price increase and decrease. And if you have followed some of the comments, we have given last year, which was the opposite last year. But having said that, from the projections that we are sort of looking at, it feels like in 3<sup>rd</sup> Quarter, our 3<sup>rd</sup> Quarter, the pressure on the base oil price will continue. So, it will continue to increase. And towards the end of the last quarter, early next year is when we will start seeing softening of the base oil.

I think the other factor that is worth considering is, Foreign Exchange is clearly an element of the overall input cost. And with rupee at all-time high, that definitely puts a bit of pressure on the margins, but we have a hedge strategy, we have covered in 3Q. So, from that point of view, we are well placed. But in summary seeing today's prediction, 4<sup>th</sup> Quarter, late 4<sup>th</sup> quarter is what base oil will come down.

**Moderator:** The next question is from line of Nimesh Maheshwari from RS Ventures. Please go ahead.

**Nimesh Maheshwari:** I have one question only. Can you share the split of revenue among the two-wheeler, three-wheeler, or like four-wheelers, EV and commercial retail space? How much revenue you generate?

**Deepesh Baxi:** So, I will probably talk about the core business breakup we will keep EV separate, EV as Sandeep mentioned, it's early days, so that's a small part of our revenue portfolio. But in terms of the turnover, almost 50% comes from personal mobility which is cars and bikes. And then commercial vehicles is roughly around 35% to 40%, it ranges depending, and then the balance is the industry portfolio.

**Moderator:** Thank you. Next question is from the line of Hemang from Kotak Securities. Please go ahead.

**Hemang:** I have a couple of them. So, you all just spoke about base oil prices, so just to get a more sense on that. Towards the previous quarter, we had indicated base oil prices being about \$900, which had increased to about \$1,000 per ton, or \$1,100 rather. Could you please help with what base oil prices have averaged roughly for this quarter? And when we look at base oil prices easing out towards 4Q, in the previous year, base oil prices averaged about \$1,200 to \$1,300 per ton I understand you can't give an exact number on that. But what would your sense be, where would that number settle around?

And the second part was on the realization front. If we look at realizations in the previous few quarters or even on a YoY basis, you all have done a really fantastic job in raising the realizations like give or take Rs. 20 to Rs. 25 odd. How do you look at realization going forward? Has there been any price hike which you all have taken to pass on base oil prices in the current quarter?

And when you look at that from a possibility from demand elasticity point of view, how does that actually work out? Do you all have enough pricing power to be able to continue with these price hikes? Or does it start impacting personal mobility at a particular point? And how is it also working out in this EV space?



**Sandeep Sangwan:** So, I think I will answer the second part of your question on pricing, demand, elasticity, I think we monitor the situation very closely. And I think as I have always maintained, it's a fine balance between volume expectation and margin protection. And we will continue doing that. And we will continue taking action. For example, we took price increases, but somewhere on two-wheeler segment, we felt a bit more pressure. So, we gave a consumer price or promotion, which is in public domain, nothing secret about it. So, we gave Rs. 15 off per liter on Activ, which is one of the largest brands. And we will continue monitoring the situation as we go forward into second half of this year, and the situation is going to stay volatile.

The base oil prices haven't really started coming down as Deepesh was saying it's a multiplicity of factors, it's availability, it's what refiners do, because they are getting better margin on diesel now, so there is base oil versus diesel. So, there are all kinds of factors that go into base oil pricing.

**Deepesh Baxi:** So, you are right, I think initially, I think last time I had said something around 1100 is where we were looking at. And that's exactly where we kind of landed on 2Q. I just wanted to clarify, I mean, this is not, I am not just talking about our consumption rate, right, I mean, this is really the market rate, as well. We have a medium-term contract, and we do lots of activities to make sure that we get the best rate. But just to give you an idea, 1100 is what the base oil was average around this quarter. And going forward, it is expected to go up in 3Q, it will come down in 4Q. From a pricing point of view, we again don't look at it very tactical, we took one in March. And by the way, that quarter that we are talking about something like 900, 950. And we knew three months going forward, this is the range of the base oil. So, we have put that into our pricing strategically.

Again, if base oil is going to go up in the next couple of months, we will decide looking at next three to six months horizon, whether we want to take price increases or not. But you know, you just go back last four or five quarters, you will see that our sales per liter and our base oil costs are COGS per liter we manage our margins in a way that we are able to recover that makes sure that we don't become high premium. And that's the way we make sure that we protect our margin.

**Moderator:** Thank you. The next question is from the line of Hemal, Individual Investor. Please go ahead.

**Hemal:** I actually have two questions actually; other expenses increased a lot this quarter-on- quarter. What was the reason for that? And if you can share where you believe, like how much of a rise you think the base oil will have in Quarter 3, like \$50 to \$60 or even higher than that?

**Deepesh Baxi:** So, other expenses includes the various elements, it includes trade, it includes insurance, travel. So, when you look at previous quarter, clearly, there are variable costs, which are dependent on volume increase. And freight is one such, which has actually been a double-whammy, with of course volume freight goes up, but then there is a (Inaudible 00:43:42) cost increase. So, freight is one element of that. Then, last year, not everybody was traveling, both from the sales side, and we are all in the market. So, from that point of view, although this is within our plan, so we don't see a reason to worry about that cost has gone up.



And the other element is general inflation, insurance costs, term insurances, the health insurances, the transport insurances, there is a huge downside on that cost. So, those are the three or four main reasons why the other expenses has gone on.

**Hemal:** Where do you expect the base oil price to go next quarter as you are saying it's expected to rise, what is your estimate?

**Deepesh Baxi:** I mean, about anything between \$100 to \$150 -- yes maybe more. It is very difficult to predict, see, I mean, because there is an element of FOREX as well. And I just wanted to say something more, base oil is one part, but when you look at the overall COGS portfolio, or input cost, there are other elements as well, like additives, packaging. And sometimes when base oil goes up, there is a corresponding effect on some of the other aspects of the input cost also.

So, it's a mixed bag in terms of the overall increase. So, we wouldn't want just base oil to be a key element for when we take pricing decisions, because then we also have some forward buying. So, we will average on that as well.

**Hemal:** What is the volume growth here, you said 56 million was the volume. What was the, I don't have the last year's numbers, so if you can tell me last year's number, was the volume growth?

**Deepesh Baxi:** So, we grew 20%, 22%, actually over last quarter 2Q, '21.

**Moderator:** Thank you. Ladies and gentlemen due to time constraint we will take that as the last question. I now hand the conference over to Mr. Sandeep Sangwan for closing comments.

**Sandeep Sangwan:** Thanks to all the people who asked questions, and thanks for your interest in Castrol. And I think, as Management of this Company, we will continue to focus on top-line growth, which has been one of the areas where we are putting in some programs and initiatives, which are beginning to bear fruit. So, top-line growth will continue to be a focus and it will be a combination of volume and realization. And I think we are committed to also protecting our margins, but giving fair value to our consumers and customers and keeping that balance right.

And have a good day, and hope to speak to at the end of the next quarter. But our sense is the second half will also continue to be very volatile, but we have good capable team, as in the Management team and the people that we have in our business, to face those challenges. So, thank you for your interest and have a good rest of the day and stay safe. Thank you.

**Moderator:** Thank you very much. On behalf of Castrol India Limited that concludes this conference. Thank you for joining us, you may now disconnect your lines. Thank you.