"Castrol India Limited

1Q 2024 Earnings Conference Call"

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MANAGEMENT: **MR. SANDEEP SANGWAN – MANAGING DIRECTOR - CASTROL INDIA LIMITED**
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Moderator: Ladies and gentlemen, welcome to our 1Q and FY 2024 Earnings Conference Call for Castrol India Limited. Please note all participant lines will be in the listen only mode, you can ask your questions after the opening statements. If you need assistance during the call, please press star then zero on your touch tone phone to reach the operator. We have with us Mr. Sandeep Sangwan, Managing Director, Castrol India Limited; and Mr. Deepesh Baxi, CFO and Whole-Time Director, Castrol India Limited.

I now hand the conference over to Mr. Sangwan for his remarks.

Sandeep Sangwan: Yes. Hi. Good afternoon, everyone. I hope you can hear me. First of all, a big thank you for participating in Castrol India's First Quarter '24 Earnings Call. As you would know, we report from Jan to December. So this is the first quarter for us rather than the fourth quarter. I trust you and your family are in good health, especially given the heat that we're seeing -- heatwave that we're seeing in some parts of the country. So please stay safe.

We are delighted to announce that Castrol India Limited achieved modest growth in the first quarter of 2024. I'd like to reiterate that our reporting follows the Jan to December calendar year, as I said before. I think despite a bit slow consumer demand that we witnessed in the beginning of the quarter, we maintained resilience. Our volumes grew by 6%, showcasing the value of our strategic approach and our strength in navigating market dynamics.

And with this, I'd invite our CFO, Mr. Deepesh Baxi, and Whole-Time Director, to take you through the first quarter financial performance and key numbers.

Deepesh Baxi: Thank you, Sandeep, and good afternoon to all of you. We released our first quarter FY 2024 results on Tuesday. And I'd like to share some key financial highlights with you. In the first quarter, we reported a modest financial performance. Our revenue from operations was INR1,325 crores, which is up 2% year-on-year from INR1,294 crores in 1Q 2023. Profit before tax was INR292 crores again a 1% year-on-year compared to INR288 crores in 1Q 2023. And our net profit, profit after tax was up 7%.

We remain committed to prudent financial management and strategic investments and are confident in ensuring that our momentum continues in the forthcoming quarters as well. We will drive a balanced approach between volume and margin growth, ensuring success in our operations.

I would now like to hand over back to Sandeep.

Sandeep Sangwan: Thank you, Deepesh. In addition to discussing our financial performance, I'd like to highlight some significant business developments at Castrol India. First, we are pleased to announce the addition of Shah Rukh Khan as our brand ambassador, embodying our commitment to innovation and excellence.

Our strategic partnership with Mumbai Indians and KTM Cup 2024 as the official performance partner, highlights our commitment to excellence and high-performance lubricants. Castrol POWER1's India's ultimate MotoStar attracted over 10,000 registrations nationwide with significant participation from Tier 2 and 3 cities. The selected winners among the top 18 aspiring contenders will receive training at the LCR Honda Castrol MotoGP Team's facility in Europe.

Our #BadhteRahoAage campaign and CRB TURBOMAX Pragati Ki Paathshaala initiative has empowered over 12,000 truckers across 31 cities nationwide, showcasing our impactful business development efforts. Expanding into rural Bharat, we've significantly increased our reach, making our products available in more than 33,500 outlets situated in the remote parts of the country.

Expanding our aftermarket presence, we've grown to over 9,000 multi-brand passenger car workshops, showcasing impressive double-digit growth quarter-on-quarter. We've also reached nearly 28,000 independent bike workshops adding over 1,000 outlets each quarter. The Patalganga plant received the prestigious OHSSAI Gold Award for its outstanding safety practices and performance while our Paharpur plant was honored with the Apex India Green Leaf Platinum Award for plant efficiency, making an improvement from last year's Gold Award.

Castrol Auto Service campaign achieved notable recognition at the EMVIES 2024, securing the Silver Award for Best Media Innovation in using digital for performance and the Bronze Award for Responsible Advertising. These developments and initiatives are expected to enhance our market position in the future, providing a positive outlook for the year ahead.

With that, I express my gratitude for your attention and invite you to share your questions, feedback and views as we open the floor for discussions. Thank you.

Moderator: Thank you very much Mr. Sangwan and Mr. Baxi. We will now begin the question-and-answer session. The first question is from the line of Nitin Tiwari from Phillip Capital.

Nitin Tiwari: Good day and thanks for taking my question. First question is on the volume. So what was the volume that we sold in this quarter and what's the outlook for rest of the year as well? Second question is related to margins. So in this quarter, we saw margin compression on operating profit level. So what were the key reasons behind this compression in margin that we've seen? And if you could highlight if there any price revisions that you have taken during the quarter or in [inaudible 0:07:22]

Sandeep Sangwan: Thanks, Nitin. I'll let Deepesh answer your questions.

Deepesh Baxi: Yes, thanks. So I think Sandeep had mentioned in his opening statement, volume grew 6%. So we did 58 million-liter this quarter. In terms of the outlook, as we have given the guidance earlier, the market grows in the range of 4% to 5%, and our intent is to grow above the market levels.

And third question was around pricing. In the first quarter, we haven't taken any significant price increases. So as you know, we do have strategic pricing. We've got models in place, and looking at the future outlook, we made the interventions as necessary. On the question around operating margins. Well, operating margins is in the range of 22%, which was similar levels last year. Basically, in this quarter, what has happened is -- there was a slowdown or a sluggish start to the year, Jan to December year. And the mix of the volumes has turnover mix impact of 2% versus the volume growth of 6%.

Nitin Tiwari: Sorry, Deepesh, I lost you in between. So you said something about mix of volumes. So can you repeat that again, please?

Deepesh Baxi: Yes. What I was saying is that your question was, why is there a margin compression? Yes. So what I'm saying is that margins were in the range of 22%, so slightly lower 2 or 3-point percentage compared to last year...

Nitin Tiwari: I was talking more on the sequential terms because last quarter, we did about 26%. So in this quarter it has contracted to 22% odd. Whereas like the base oil price that we track, that looked more or less flattish to slightly down only on a quarter-on-quarter basis. I was wondering that what led to this margin contraction? And you mentioned something about the sales mix. So if you could just elaborate a little bit more on that, that how the sales mix was in this quarter in terms of automotive and nonautomotive, et cetera?

Deepesh Baxi: Yes, yes. So versus 4Q '23, firstly, there is an increase in the COGS, which is the cost of materials. And so that, of course, has had some impact. But I would not take too much into it because base oil has been almost flattish. The impact is largely from some other raw materials and also as Jan to December year is that we get annual rebates from our suppliers globally.

So that is typically in 4Q. So when you compare from 4Q to 1Q, typically, you will see that difference in the cost of materials, which is higher. So that's one. On volume, what I was saying, is that the mix of volume with a slowish start to the year has contributed to the mix impact on the gross margin.

Nitin Tiwari: So is it like what you're trying to say is that in this quarter, the sales of industrial volumes was comparatively higher as compared to automotive volumes?

Deepesh Baxi: So sales of commercial vehicles and industrial have been higher compared to the personal mobility. I mean, although personal mobility has grown in line with the market, but commercial and industrial both put together have actually grown above the market

Nitin Tiwari: If you can help us with a broad ballpark like that would be really great in terms of -- breakup.

Sandeep Sangwan: So Nitin, I think we wouldn't like to share sector-wise breakup because that's something that we hold close to us. But overall, I think we are very happy with seeing about a 6% volume growth in the business despite what we hear from the other FMCG companies and environment based on first quarter results, I think the consumer demand has been under pressure as far as FMCG is concerned. And in light of that, I think 6% volume growth is quite a healthy number.

Moderator: The next question is from the line of Manoj Rajani, an individual investor.

Manoj Rajani: Congratulations on a good set of numbers. Sir, I just wanted to ask, can we anticipate a 10% increase in the EPS over the next few years, just an approximate guideline?

Deepesh Baxi: So we don't -- we don't give EPS frame as such, okay. But as you know, the frame that we've given is in the range of the 22% to 25% of operating margins, and we are comfortable to operate in that range for the entire year as well.

Manoj Rajani: Okay. And sir, my second question is that, I mean, any insight in the breakdown of cost of the goods sold? I mean, overall -- I mean, what kind of performing, if you can just give some proportion that constitutes fixed and variable costs? And if the production volumes increase, can we anticipate some kind of margin improvement? And is it reasonable to expect that cost per liter of raw materials and selling price per liter correlate like closely?

Deepesh Baxi: Yes. So firstly, I mean, I don't know if you attended the previous calls. But in terms of our cost of materials, almost 70% of the cost comes from base oil. And within that 70%, I would say 70% is imported and then you have additives and packaging and all the other products. Between quarter 4 to quarter 1 and even compared to quarter 1 last year, there has not been a material movement in the cost of base oil. Of course, there is always a lag effect, okay So that's the first part of it. Internally, we have a strategic pricing process. So we make sure that we have a line of sight on future and crude is a bit volatile right now. So we'll see how that goes. And whenever it's necessary, we do take pricing interventions in the market as well.

I wouldn't like to share with you the breakup of fixed and variable because then that just sort of creates a bit of confusion. But fundamentally, the logic that you put forward is correct as volumes will go up, the cost of production will come down. So that logic is absolutely right? And we will start seeing that as we start going towards growing above the market, which is our endeavour.

Manoj Rajani: That answers quite a lot of my queries. I'll join the queue once again if I have a question.

Moderator: We have the next question from the line of Abhishek Jain from Alfaccurate Advisors.

Abhishek Jain: Sir, my question is on the competitive intensity. Now many players are entering into this space, especially Amara Raja has also entered into this space and there is very aggressive. So if you can throw some light over there?

Sandeep Sangwan: Yes. Thanks, Abhishek, I'll take that question. So first of all, I think you're absolutely right, and it's a great question. The competitive intensity is likely to increase in the Indian market because -- that's a good sign because India is one market globally, which will continue growing in the core lubricants business for the next 10, 15 years, okay? And that's why you see a lot of more people coming to the market.

Second is, I think more competition encourages us to be more competitive and play the game, and we have 100-plus years' history in this country, okay? And we've been here, and we know how to play against the competition in a fair manner, respecting all the laws of the country. Okay, and that is important to us.

So we're not bothered about the -- we are cognizant of the competition, but not afraid of them, okay? And I think more competition will encourage all the players in the industry to give better value to customers and consumers. So because of that intensity, consumers and customers will get better quality products, better technology products, and we are a lead player in that.

So that's how we see the competitive intensity, it will increase. But it also encourages us to be more efficient and more driving more value to the customers and consumers, and that's how we see it. And the last thing I would say is Castrol over the years has been built by brand investments, and we are a premium brand, and we'll continue building in continue investing in our brands.

As I said, we've just signed up Shah Rukh Khan as our brand ambassador, there's no bigger Bollywood property as far as the Indian consumers are concerned. And what also helps us is we have the largest scale in the country in terms of distribution, okay And we're further making inroads into rural Bharat, as I said in the beginning. So I think it's a good thing for customers and consumers. It makes us more competitive and stay ahead of the game. So all in all, it's good for everyone.

Abhishek Jain: Yes. So my second question is on the channel mix. So maybe what is the percentage of revenue, or the volume comes from these OEM channels?

Sandeep Sangwan: I think the OEM channel contributes about 16% to 20% of our total volume and the balance is there's a bit from industrial and then rest is aftermarket automotive channel.

Moderator: The next question comes from the line of Harsh Maru from Emkay Global.

Harsh Maru: So my first question is relating to the other expenses in the first quarter. So they have risen by about 10-odd percent sequentially as well Y-o-Y. So do we see any one-offs here?

Deepesh Baxi: Yes. Okay. Thanks for the question. So I think there are 2 or 3 reasons for those expenses to go up. Firstly, travel is up. And travel is up because also and this is all frontline related travel and Sandeep was explaining, we are now going deeper into the hinterland and in rural areas. So good cost to incur in that sense.

And then there is elements related to volume impact because volume has gone up. So things around rent rates, taxes and power and fuel. So all those also are part of those expenses. There is some element of one-off around that. I would say our total expenditure, I think from the press release, it's about INR69 crores. I would say INR2 crores or INR3 crores out of that is one-off.

Harsh Maru: Right. Okay. And in terms of basically the non-lubricant business, could you share some more insights into how the Auto Care product segment is moving as to any kind of think benefits that we are seeing from the ki Mobility segment? Anything you could share on these 2 fronts?

Sandeep Sangwan: Yes. I think very good questions again. Both the initiatives in early days, and I think we're making progress on both fronts. I think on the Auto Care now, our products are available across about 50,000-plus outlets in the country. And we will be also introducing new products in the range in the coming months and quarters. So I think we're pretty happy with the performance, okay? We're getting very positive feedback from customers in terms of quality of products and satisfaction level.

So that's something that we'll continue building. As far as ki Mobility is concerned, that is also progressing well. They're expanding their network. And as with any digital business, they also keep learning and reinventing their go-to-market and business model. But all in all, I think consumers are trusting myTVS as a brand for aftermarket, both in spare parts and services. And they're also kind of improving their loyal base of customers from a service angle. So I think both the initiatives we're quite happy with and progressing well.

Moderator: Next question comes from the line of Mandar Pawar from Kotak Mahindra Asset Management.

Mandar Pawar: Sir, I wanted to further check on this other expenditure, you mentioned the travel-related expense and one-off. But if can give, how much will be the ad and promotion expenses? And if you can give a comparable number from the previous quarters? And in the light of the new promotion initiatives that we are talking of going forward, what is the guidance that you can give in terms of the A&P expenses for the full year?

Deepesh Baxi: Yes, sure. So the advertisement expenses that we've incurred in this quarter is in the range of 2.5% of the turnover. And we keep this range about 2% to 3%, 3.5%. In quarter 2, again, with the brand investments that we have made, it will continue to be in that range or slightly higher. So that's the advertisement expenditure. Sorry, sorry was there another question or...

Mandar Pawar: Yes, I was asking a comparable number in the previous quarter? Was it around 2.5%? Or was it lower? Would just adding to the delta...

Deepesh Baxi: No, no, it's the same roughly. I mean it's 2.5% in the last quarter as well, last year, right? Last year, 2.5%. This year also 2.5%. And we would expect it to be about 3% or so in the next quarter.

Mandar Pawar: Okay. Got it, sir. And just 1 final question. So related to the input price of base oil, how are the prices behaving given where we have seen some bit of oil price volatility, some disruption on the trade routes also Now and previously, Nitin highlighted, I think the prices are more or less flat or an slightly lower. Is that benefit going to come post with some lag? Or is there some disruptions that we are seeing in terms of supply?

Deepesh Baxi: I think on supply side, we were broadly okay. You cannot actually say with the geopolitical issues that are there right now. But sitting over here, I think it looks fine. We do have contract globally as well with many of our suppliers. So that helps in terms of the continuity even when there is a bit of a stretch or shortage in the market.

But having said that, on crude especially and you would have observed, it is volatile. And the base oil as a corresponding effect in quarter 2 could be slightly higher than quarter 1, but not significant. I mean it is within the range that we would expect. So we are on a watch, we'll take necessary actions when we need to at the right time.

Moderator: The next question is from the line of Rohan Vora from Envision Capital.

Rohan Vora: Yes. So sir, what would be the capacity utilization in each of our plants today?

Deepesh Baxi: Yes. So we've got 3 plants and overall capacity utilization is about 80%.

Moderator: The next question is from the line of Angad Katdare from Sameeksha Capital.

Angad Katdare: Sir, earlier you mentioned about the Indian lubricant market is growing at 4% to 5% per annum. Is this volume growth or overall value growth? I just wanted to clarify.

Sandeep Sangwan: Volume growth. .

Angad Katdare: Okay. And on the auto care products, can you just give us a rough idea about the total size of the market in India in terms of it would be it would help us in estimating going forward.

Sandeep Sangwan: Yes. I think, to be honest, we are also trying to answer that question because a lot of these markets, it's an unorganized sector right now. And I think as the market gets branded because you have other players also in this category, the likes of and very good products and very good competition Pidilite, 3M, to name a few. I think at this stage, I would like to kind of give a market size estimation because we are also learning in the process, to be honest, okayAnd we have a very broad idea but I wouldn't like to communicate any numbers in public domain right now.

Angad Katdare: Okay. And just 1 last question. Sir, if I go through the petroleum website, the government database of petroleum products, it shows the lubes increases volume in around 400 crores in tons. But when you talk about the lubricant market, it's generally estimated to be around 280 crores litres around that level. Can you just give us some idea on like which will be like a reliable source, like how do you look at it like from overall market level point of view for the lubricant?

Sandeep Sangwan: Sorry, this question is catching even us by surprise. We typically take the liter volume that you're saying seems to be the right number for us as far as lubricants is concerned. Now I don't know how the government adds up various greases and other kind of lower-end products that we don't participate in. But broadly, if I look at automotive lubricants and industrial lubricants, the 2.8 number ballpark seems to be the right number in terms of volume.

Angad Katdare: Okay. And that is growing at 4% to 5%?

Sandeep Sangwan: Yes. So the automotive lubricants, which is our participation area is growing at about 4% to 5%. And I think there's a lot of industrial lubricants that we don't participate in, the products like gear oil, generator oils, furnace oils. We don't participate in that segment, and we don't track that segment because that's not where we play.

Moderator: We have the next question from the line of Anuj Panwar from Family Office.

Anuj Panwar: I just have 1 question. So what is going to be the major focus area going ahead? Is it going to be on the margins or the volumes?

Sandeep Sangwan: So I think as Deepesh mentioned, the focus is driving top line growth, okay, ahead of the category, but maintaining our EBITDA margin in the range of 22% to 25%. And the balance is a mix exercise. I think it's a conversation for us. We have to grow volumes, but we also need to sell premium products -- and so we have to grow volumes both on top end, which is a differentiated portfolio and then also kind of participate in not the commodity segment, but also the value segment consumers are looking for better value for money to say.

So we've launched a range of products called, for example, Activ Essential, CRB Essential that play slightly in the mid or slightly lower mid-part of the portfolio. So to summarize, I think growing top line and keeping our margin between 22% to 25%, that's the focus area.

Anuj Panwar: Okay. Understood. That was helpful. If I can squeeze in one more question. I just wanted to check, in the advertising expenses this quarter compared with the previous quarter and the same quarter last year, what are the major activities that we have done?

Sandeep Sangwan: Yes. So I think the major activities, I would say, is one is, as I said, we did India's MotoStar, okayThat was a program, Ultimate MotoStar, that was ongoing, talking to the 2-wheeler passionate riders. We did for in the commercial vehicle segment, we did Pragati Ki Paathshaala, where we activated more than 10,000 truck drivers and work with them across 30 plus cities in India.

And then as you would have seen, although not the first quarter, we've been on air on TV with IPL, which started in April. So these are some of the big activities. And we're quite excited about Shah Rukh Khan being our brand ambassador, which will come live in the second half of this year.

Deepesh Baxi: I mean just to build on what Sandeep said, I mean, of course, other than that, we do spend on digital media as well, especially in the personal mobility space. So that is something which is an active expense that we do, and we've shifted that in this quarter as well along with to support our strategy of what Sandeep was saying on volume mix, et cetera, we're spending money on market research as well.

Moderator: The next question comes from the line of Bharat Sheth from Quest Investment.

Bharat Sheth: Sir, my question is related I mean little medium-term perspective, say, the last 3-4 years and now the way the Indian CV market as well as 2-wheeler and truck market is developing as well as infrastructure expansion happening and, sir, better road. So on CV side, people -- I mean, more of in low end, volume is not growing at that pace vis-a-vis the premium segment are growing. Same thing is happening on the 2-wheeler side? And CV side, a higher end trucker -- I mean, so rather I mean 14 toners, I mean, 36 toners already. So how in this underlying our market changing scenario, we want to strategize our whole strategy to capture a larger market share?

Sandeep Sangwan: Yes. So a very good question. And I think if I look at Castrol was the first one to introduce the BS-VI rating products in India when the technology change and the government regulation came around BS-VI. And you're right, as the quality of infrastructure improves in India, customers would demand better and better specification products and we're fully prepared for that.

Just to share with you, on the commercial vehicle side, we have Castrol VECTON and Castrol CRB, which is a premium brand, which have all the latest specifications. And you may not you may or may not know. So we have products which are the CK-4 specification, CI-4 specification. And we have products in the older specification like CFO. So we are completely ready with whatever technical demand there of new age vehicles and we can fulfil that demand.

Similarly, on the passenger car side, we have Castrol Edge as our top brand, which stands for performance, for unmatched performance. We have Castrol MAGNATEC, which gives superior protection and then you have GTX, which kind of plays in like older viscosity profile. And we have products across 0Ws, 5Ws, 10Ws, 20Ws. So I think these are just a few examples. And even on 2-wheeler side, we have Castrol POWER1, which is our top technology performance brand and then we have Activ, which is for the mass market. So we have a full range of product portfolio to cater to all kinds of technologies and new-age vehicles.

Bharat Sheth: Simultaneously, all this vehicle earlier, which used to go to, I mean, roadside garage now, a lot of, I mean, premium cars are moving to company authorized dealerships. And how do we want to, I mean, enter in this business where, I mean, to get that either [OEM] themselves supply the oil or so lubricant. So my question is, again, related to that, so that new market, how do we really working on to attack in this market and getting an entry?

Sandeep Sangwan: So we have very strong partnerships with the OEMs also. So for example, we have a very long-standing relationship with Maruti Suzuki. We supply oil to their franchise workshops. We have a very strong relationship with Tata Motors. We work with global OEMs like Renault; we work with Jaguar Land Rover. So we also have those OEM relationships where we supply our products either for a factory fill or first fill, as we call it, or the aftermarket. So it's not that we're only available in the aftermarket. We do work with OEMs and have very strong partnerships.

Moderator: The next question is from the line of Sabyasachi Mukerji from Bajaj Finserv Asset Management.

Sabyasachi Mukerji: Okay. So I have 1 question. So your new product for data center, immersion cooling yes it cooling and also on the EV fluids. How are you seeing the traction? How is the market? How is the competition if you can throw some light for a better understanding?

Sandeep Sangwan: Okay. Let me start with EV fluids first. So we have a brand, a global brand of EV fluid under the name of Castrol ON, which is a combination of transmission fluids, greases and coolants. And that Castrol ON was launched in India about 1.5 years ago, and we supply to 2 of the largest OEMs, manufacturing EV passenger cars in India also, okayAnd then we supply to global OEMs also. But that business is relatively quite small right now, okay

And as the EV penetration grows, that business will grow. So this will take time, but we already supply and are available for all the leads of EVs as far as India is concerned. On the data center thermal management solutions, I think Castrol globally kind of called out that there's an opportunity area from an immersion cooling perspective.

And right now, we're working with various data center builders, operators or companies that operate in that space. And in terms of proof-of-concept stages. So we've already announced an investment about 2 years ago, GBP 50 million in an R&D facility in our global headquarters in the U.K. And we've already established our R&D setup in that facility around data center thermal management. So in active conversations and partnerships to bring that business to a commercial scale.

Sabyasachi Mukerji: Right. Sir, if you can also give us some sense on the market size growth, both domestic and if at all globally also, we have any opportunities for both the segments, EV fluids and data center filling?

Sandeep Sangwan: Sorry, I didn't understand. Are you talking of EV and thermal data center?

Sabyasachi Mukerji: So both I mean I just want to understand a broad sense of how big is the market? How much is the competition and in both the segments, data center filling as as well as EV fluids going ahead?

Sandeep Sangwan: So I think on EV fluids, you have all the traditional lubricant players who are competition, and I think you can correlate the EV fluid market growth with the growth of EVs depending on which market you pick up because all the EVs would meet some EV fluids. But the absolute size is pretty small. It's not a huge contributor to the business. I think on data center thermal management, as I said, a lot of conversations around commercialization of the new technology. It's a new technology which is immersion cooled servers. And again, there, the competition is pretty similar to lubricants with the major global players participating in that value chain or trying to participate in that value chain.

Moderator: The next question comes from the line of Darshan Bhandarkar from Banyan Tree Advisors.

Darshan Bhandarkar: I just wanted a segment-wise volume break in passenger -- commercial vehicle, industrial and personal mobility. .

Deepesh Baxi: You mean for the quarter?

Darshan Bhandarkar: Yes.

Deepesh Baxi: So the cars and bikes portfolio, which is the personal mobility,that is about 45% and CVO is about 40%, and the rest is industrial.

Moderator: The next question comes from the line of Nilesh Shah from Bank Julius.

Nilesh Shah: Are you able to hear me?

Sandeep Sangwan: Yes.

Nilesh Shah: Okay. Great. Just 1 small point. I noticed in your PPT that you are now talking about Castrol-branded service centres, right, which are now very sizable. I think I'm sort of just trying to find the slide, but I remember about 500 or so outlets, right? Could you comment on the revenue model here and the potential for scale up? And just to give you context, I'm asking when I look at your annual report, I see bulk of the revenue is through sale of product. I don't see any sale of service. But at the same time, I can see that you care very much about your brand, your sort of share of voice and continued advertising spend. So it would be logical to think that you were sort of thinking of brand extensions. I would like to hear about your comments on this area.

Sandeep Sangwan: Yes. Thanks for your question. And first of all, I must compliment you on your memory. You're right, the number of Castrol auto service centres is 500 plus. I think we're getting to a 550 kind of a level. Now these are workshops, which we don't own or which we don't operate, but these are independent entrepreneurs where we provide them support by means of branding, by means of training and by selling our lubricants into those workshops. And the key reason behind that is, given the strength of Castrol as the brand consumers trust Castrol brand, and they get quality service in these workshops because we also have a certification program for these workshops. So consumers can get a trusted quality service for their workshops.

You're right, our primary revenue generation is from sale of lubricants to these customers. And I think what we are trying to do is we're also tying up with some of the fleet or some of the companies like Mahindra Insurance Brokers, which can drive more demand into these workshops, which helps the workshop get more business, but they stay -- also stay loyal to us because we're adding value to them and bringing them more business. So that's the model right now.

I think as far as brand extensions are concerned, we keep looking at any opportunity that exists. So that's constantly on our mind. And to keep the focus, we are right now focusing on building auto care as a new business for us rather than spreading ourselves too thin on various areas.

Nilesh Shah: Sir, could you please expand on what you exactly mean by auto care...

Sandeep Sangwan: Yes, we launched a range of products which are non-lubricant products. So these products include anti-rust, waxes, chain lube for 2-wheelers and shine with basic consumer promise of we help you protect your vehicles from inside and outside, okay So these are the products that we are selling now which are available in about 30,000 plus outlets across the nation.

Nilesh Shah: And what is your aspiration for this product line. How large are you intending it to become as a percentage of your top line over the next 3, 4, 5 years?

Sandeep Sangwan: I think I wouldn't like to comment on that because there's just a new business, new vertical that kind of we're trying to build. And I think once we've done that for 2, 3 years, then we'll have more confidence in sharing any kind of numbers around that.

Moderator: Ladies and gentlemen, we are at time. This brings us to the end of the call. On behalf of Castrol India Limited, I thank you all for joining this call. You may now disconnect your lines. Wish you a good day ahead.

Sandeep Sangwan: Thank you, everyone.

Deepesh Baxi: Thank you.