



“Castrol India Limited  
2Q FY 2024 Post Earnings Call”  
31 July 2024



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

**Moderator:** Ladies and gentlemen, welcome to our 2Q FY 2024 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 opening statements. If you need assistance during the call, please press star then zero on your touchtone phone to reach the operator.

Also please note that this conference call may contain certain forward-looking statements, which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantee of future performance and involve risks and uncertainties, which are difficult to predict.

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:** Good afternoon, everyone. Thank you for joining Castrol India Second Quarter and First Half 2024 Earnings Call. This is Sandeep Sangwan. I hope you and your families are in good health and doing well.

We're delighted to announce the strong growth that Castrol India Limited achieved in the second quarter of 2024. Please note that our reporting follows the Jan to December calendar year and therefore this is the second quarter for us. Our strong performance this quarter was driven by strategic brand and marketing investments, continued innovation in our products and services along with sustained brand investments has also supported our revenue growth.

Now let me hand over to Deepesh, who will walk you through some of our key financial performance and key numbers for both the second quarter and the first half of this year.

**Deepesh Baxi:** Thanks, Sandeep, and good afternoon to all of you. We released our second quarter 2024 results yesterday, and I would like to share some key financial highlights with you. In 2Q '24, we reported strong financial performance. Our revenue from operations was INR1,398 crores, which is up 5% year-on-year from INR1,334 crores in 2Q 2023 and also up 6% compared to the sequential quarter of 1Q 2024. Profit before tax was INR314 crores, a gain of 3% year-on-year compared to INR305 crores in 1Q 2023 and 8% higher than 1Q 2024.

Balancing volumes and margins enabled us to achieve strong performance in the first half of this year, which is the half year ended June 30, 2024. Our revenues were INR2,723 crores, representing a 4% increase from 1H 2023, and profit before tax rose by 2% to INR606 crores compared to first half of 2023.

We are committed to maintaining our momentum in the coming quarters. Potential stabilization of input costs in the later half of the year could signal a positive trend for the industry. And the Board of Directors in the meeting yesterday declared an interim dividend of INR3.5 per share, which will be paid on or before 28th August 2024.

I would now like to hand the call 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. We launched three new variants of Castrol EDGE, an on-demand performance product range through a 360-degree marketing campaign featuring Shah Rukh Khan. Castrol expanded the Auto Care range by launching the Shiner Sponge for the bike and car care segment. This entire range of Castrol Auto Care products is now available in over 45,000 outlets and on e-commerce platforms in India.

We have also launched Castrol CRB TURBOMAX+ CK4, a top tier truck lubricant that has been rigorously tested on key Indian OEM vehicles for 100,000 kilometers. Castrol POWER1 India's ULTIMATE Motostar, the country's premium motorcycling talent search on MTV has concluded. Out of over 50,000 registrations, three winners are now set to train at the Castrol Honda LCR MotoGP™ team's racing facility in Europe.

The Castrol CRB TURBOMAX Pragati Ki Paathshaala and #BadhteRahoAage campaign has successfully concluded empowering over 12,000 truckers across 35 cities. Sports associations play a crucial role in expanding audience engagement and brand visibility. We sponsored the television broadcast of the ICC World Cup -- T20 World Cup and Wimbledon, leveraging their influence to enhance our reach.

To enhance distribution and broadened market presence, Castrol added over 2,000 new outlets in rural areas. And with 534 Castrol Auto Service outlets, 28,500 bike points, 9,000 multi-brand car workshops and our extensive dealer network, we now have a national footprint exceeding 135,000 outlets.

We also inaugurated a state-of-the-art India Technology Center at Patalganga plant to enhance innovation and development. This facility includes advanced blending and analytical testing equipment. In the future, it will feature the latest testing capabilities for EVs and other thermal fluids to meet the needs of the Indian market.

As part of our onward, upward and forward strategy, we introduced Castrol ON immersion cooling fluids for data centers globally. And in India, our new next gen that will lead the development of high-performance sustainable fluids. We are also deploying proof of concepts with customers and partners to demonstrate the technology's commercial viability and sustainability.

Reinforcing our commitment to sustainability we commissioned a rainwater harvesting project at our Silvassa facility aimed at collecting and reusing almost about 800 to 1,000 kilolitres water annually, thus reducing freshwater consumption. We also set up a solar power plant with 1,200 panels over 10,000 square meters, achieving a 45% reduction in on-site CO2 emissions.

And our Paharpur plant marks seven years of operating what we call DAFWC, which is a day away from work on account of any injury or any safety-related incident, which is a huge safety achievement. Thank you for your attention. I now invite you to share any questions, feedback or views as we open the floor for discussions. Thank you.

**Moderator:** The first question is from the line of Sahil Kanade from Asian Market Securities.

**Sahil Kanade:** Just wanted to understand more on the data center. So you said the cooling fluids are ready. Just wanted to understand what is the status and what is the potential revenue that we should expect out of this?

**Sandeep Sangwan:** I think, Sahil, there's a lot of interest around the data center, thermal management cooling fluids, etcetera. And I think there are right question, but we are very early in this opportunity area. So I think where we are is we have a range of fluids that are relevant for data center thermal management as Castrol globally, we are setting up our R&D facility.

It's in the process, we're investing INR500 crores in our R&D facility on thermal management of looking at the future. I think it's too early to talk any revenue. I think because a lot of work is happening with our partners, customers around testing, proof of concept, a lot more to come, but that's all I can say at the moment.

**Sahil Kanade:** Right. And sir, so just to have some clarity on that. So is it that while you're working on this globally, is this primarily done for customers in India? Or this will begin more as an offering to outside of India and then gradually percolate into India?

**Sandeep Sangwan:** So I think it's a global program. It's not an India-specific program or excluding India. I think we leverage all the technology and innovation that is available from Castrol, our parent company Castrol globally. The second is, I think a lot of development is happening in the Western world, whether it's U.S. or Europe, okay?

And we work with those customers. But not to say that things are not moving in India. Even in India, the data center growth is forecasted to be very robust over the coming 5-6 years. So we'll leverage the learnings from rest of the world and bring what was relevant to our customers in India as part of the offer from Castrol.

**Moderator:** The next question is from the line of Balaji from Visterdom Stock Broker Private Limited.

**Balaji:** Congratulations on the good set of numbers. I actually had two questions, I think one was asked by Sahil previously, so I'll skip the question on the data centers. The second question I had was, I know you have proposed INR3.5 interim dividend. Given it's 125th year for Castrol globally and 115 years for Castrol in India and given our strong financial performance and cash reserves, can we expect a liberal bonus from the management in this financial year itself?

Because I think the last time a bonus was given was in 2017 and prior to that was in 2010 period. And there seems to be a trend of bonus in every seven years that we see being a loyal customer, loyal shareholder of Castrol. So is there any bonus that we can expect in this financial year? And also can we expect some more dividend in this financial year?

**Sandeep Sangwan:** So thanks, Balaji. I think thanks for your interest. So first of all, any dividend decision, any bonus decisions, anything to do with rewarding shareholders is the Board decision. So I'm not the right person to comment on that. We do deliberate in the Board, and the Board will take the right decision and interest of shareholders.

I think we've already announced a dividend -- interim dividend of INR3.50 vis-à-vis 16.7% increase from what we had announced last year as interim dividend. And I think that is based on -- the Board was quite happy with the performance and the way the business is shaping up. But any future, its speculation will be a Board decision at the appropriate time.

**Balaji:** Okay. And sir, one quick question. How is the business that we are looking at from the partnership that we have with TVS Automobile, the Ki Mobility that we picked up stake. How are we getting business? And what kind of additional revenues can we expect going forward from that business?

**Sandeep Sangwan:** Yes. I think our investment in Ki Mobility is a strategic investment. We're not a financial investor. I think it was coming together of 2 brands, 2 trusted brands, I must say, TVS and Castrol to build up the aftermarket service and maintenance ecosystem. And I think the business is progressing well. Anything specific to Ki results, I guess you'll have to ask Ki Mobility people. But I think as far as we are concerned, we are seeing progress because there are various sources of value for us.

They're expanding their network. And I think in the last 2, 3 years, there's been a lot of learning in terms of what work and what doesn't work. And we take -- we discuss that with Ki, but good traction on network expansion. We sell our lubricants into their network. They sell their spare parts into our IWS network. We have a joint branded workshop concept. And I think they're expanding into more geographic areas. So more to come on that, but we are really happy with the progress that has been made.

**Moderator:** We have the next question from the line of Ashwini Damani from Manyavar Family Office.

**Ashwini Damani:** Sir, just wanted to get your thoughts on 2 things, a, we have started spending on advertisement as a customer myself, my service center decides on what lubricant is going. And I have little or no choice, or maybe I don't even bother. So how do you think these kind of advertisement spends will help you in when to take us, say, hiring Shah Rukh Khan, etcetera?

And the second question is, I think for the first time that we have done a lateral hiring at the senior level, Mr. Kedar Lele. If we look at the history of Castrol, it's always been someone who is from within the Castrol team or some British Petroleum that has become a managing director or as a senior person. What is the thought process in hiring someone who is not from the industry, or who is not from the family itself?

**Sandeep Sangwan:** Okay. So, let me answer both your questions. The first question was around consumers, not deciding on the lubricant brand. I think there is all kinds of consumers that are there in the market. There are consumers who want to decide on the brand, who want to be fully aware of what product is going into their car engine or a 2-wheeler engine, there's consumers who give

this responsibility to the workshop owners, they trust in the workshop whatever their workshop recommend.

So I think we work on all the fronts, we worked with the mechanic community also. We work with workshops to educate them on the quality of our products and the performance credentials and how our products is better value for money to be used in their vehicles.

So in addition to advertising, we do a lot of work with the mechanical community with workshops. We cover about 28,000 2-wheelers workshops. We cover 9,500 car workshops. We have a network of 530-plus Castrol auto service. So it's a combination of everything that builds a strong business rather than just advertising on TV.

But as a consumer, our intent is also to build awareness of our products like Castrol EDGE is a new launch. It's top end -- top of the line products in our cars portfolio. We launched variance around hybrids. We've launched variants around SUVs. We've launched variants around European cars.

So as a consumer, when you see the advertisement, at least you have a positive mindset towards Castrol, okay? And then whatever the workshop recommends is something that we build through our training of mechanics, and we have the largest kind of mechanic data set that we interact with. So that's how advertising works.

Second question was on my successor. So first of all, we are very excited to have Kedar as the new Managing Director, who will join us from 1st of October, and he'll take over as MD from 1st of November after change -- handover process with me. I think we wanted to have somebody Indian leading the business, okay, and also bringing in capability to drive the business forward and continuous drive in growth and Kedar comes with very solid experience having worked in Hindustan Unilever. He understands India very well. He understands the business.

So I think it'll be a huge asset to Castrol India Limited in its growth journey and looking forward. Our intent is to have the right set of capability, the right set of leadership leading the business. And that's why we have Kedar joining as Managing Director.

**Moderator:** The next question is from the line of Bharat Sheth from Quest Investment. We'll proceed to the next question, which will be from the line of Vipulkumar Anopchand Shah from Sumangal Investment.

**Vipulkumar Shah:** Congratulations for a very good set of numbers. Can you give the volume number?

**Sandeep Sangwan:** Yes. I'll pass it on to Deepesh, Vipul.

**Deepesh Baxi:** So we did 61 million litres in this quarter.

**Vipulkumar Shah:** So what should we equate it to in tonnages, if that is possible?

**Deepesh Baxi:** 61 million --sorry, what's the question?

**Sandeep Sangwan:** Tonnage?

**Sandeep Sangwan:** Sorry, we don't measure tonnage. We measure litres. I think there will be a fact of tonnage, but typically we measure -- we report our numbers or we measure in litres.

**Vipulkumar Shah:** And sir, second question relates to pricing. So how our pricing stand vis-à-vis competitors? So if you can make some qualitative comments, it will be highly useful.

**Sandeep Sangwan:** Yes. So let me -- so first of all, we have a pricing strategy, okay, in terms of where we want to operate versus the market and versus our competition. We are a premium brand, and we want to maintain those premiums. So we operate a premium to market. But that being a sustained where there a lot of investment in technology, innovation, bringing new products to our customers and consumers and also supported with advertising.

So I think that's what I can say, our pricing strategy will continue to be maintaining the premium that you want to command. At the same time, I think one change we've made over the last, if I can say, 1 to 2 years is we've also introduced products in lower segments, which cater to the mass segment or mass premium segment. So we launched products such as Activ ESSENTIAL. We've launched products CRB ESSENTIAL, which help us cater to consumers and customers who are not being serviced by Castrol.

**Vipulkumar Shah:** So we have a market share in premium and mass market, if you can quantify?

**Sandeep Sangwan:** Yes, I think I wouldn't like to go into very specifics. So mass premium our overall market share in the retail automotive market, as measured by Nielsen because that's the industry practice is around 20% plus.

**Moderator:** The next question comes from the line of Chintan Modi from Haitong Securities India Private Limited.

**Chintan Modi:** Sir, as we can observe that last couple of years, our focus has been improving on the volume side to generate a lot of volume. However, if I look at your last decade, like 2011 to '20, our volume CAGR has been quite slow. Is this a change in strategy? And if you could highlight like why this -- what is leading to this change?

**Sandeep Sangwan:** So thanks, Chintan, very valid question and good question. I think you're right in a sense our focus has shifted. We want to drive top line growth through volume, but also want to drive bottom line growth.

A few reasons for that is, one is India is still a growth market as far as lubricant is concerned, the Indian lubricant market will continue growing well into the 2030s and up to 2040 and maybe beyond because a lot of OEMs are now also calling out hybrid as a main play rather than everybody focused around EVs. So there is a lot of growth to come in India, point number one.

Second is, I think as the vehicle part grows in India, okay, our car penetration is very low. That will also drive volume growth. And I think as a business, we can keep squeezing on margins. But I think unless and until we grow the top line through volume, it will be a business which will be under a huge pressure.

So that's why we want to grow volumes, we want to grow margins, bottom line, but we also said that we want to operate in a 22% to 25% EBITDA range, which is I would presume best-in-class from industry standards. And we've been able to maintain that while kind of rebalancing our growth profile.

**Chintan Modi:** Sure, sure. Apart from automotive, we are also present into industrials. How large could be that industry? And would that be also kind of similar kind of a margin profile? And do we have any aggressive plan to expand considering that lot of manufacturing activities picking up in India?

**Sandeep Sangwan:** Yes. So again, an excellent question because the industrial market for lubricants and fluids is huge in India, okay. But as part of our strategic choice, we don't play in all the segments, okay? There's some very, very commoditized business in the industrial market, okay, which is not the core strength of Castrol, I think where we play is where we can offer differentiated value to our customers, okay, and we'll use their cost of operations or total cost of operations.

And we have focus sectors that we operate in. We operate in metalworking, we operate in automotive, we operate and have very, for example, okay, where we have differentiated products, and we're seeing good growth in that business. But will we ever become a completely commodity players catering to very bottom of the end of the market? Unlikely.

**Moderator:** The next question is from the line of Nitin Tiwari from Phillip Capital.

**Nitin Tiwari:** Sir, my question was actually related to your product mix in this quarter. So how should we look at it in terms of how was the sales distribution between, say, CV and 2-wheeler, etcetera?

**Sandeep Sangwan:** Let Deepesh answer that, sir.

**Deepesh Baxi:** Yes. So thanks for the question,. We grew 6% on volume basis. We grew about 8% to 9% in commercial vehicle and the balance growth came from the personal mobility, which is cars and bikes.

**Nitin Tiwari:** Actually, I'm looking for national distribution of sales in percentage terms across 3 segments, so if you could help with that.

**Deepesh Baxi:** So I mean in general if you say, almost 40% to 45% of our distribution comes from bikes and cars put together and about 40% will come from CVO, which is commercial vehicles. And the rest is industrial and marine and those are much smaller part.

**Nitin Tiwari:** So secondly my second question was actually on pricing and margins. So if we look at our margin in terms of what we are making on rupees per litre terms, right? So that's roughly about INR50, INR55 odd, which translates into about making on INR69 sort of sense per litre, right? So how is this margin looking globally, if we look at international markets and then what Castrol sells globally. So how is that number there? So why I'm asking this is that I want to understand that where perhaps taken the market in India could head in premiumization in terms if at all, like we move in that direction.



**Sandeep Sangwan:** So I think, first of all, I think the margin profile you asked a question around how does it compare globally. There are certain markets where the margins are higher. There are certain markets where the margins are lower. It depends on the vehicle profile and the consumer profile.

So there are many factors that come into play if you start comparing India with other markets. I think as far as we are concerned, our focus is on both growing volume, but we don't want to grow volume for the sake of volume. So there is a lot of premiumization also to come in, okay?

So I give you the example of Castrol EDGE, which is a much higher priced product, but also deliver better performance for vehicles. So the focus will continue to be -- also continue to premiumize the portfolio so that we can keep our EBITDA profile that we've spoken about.

**Nitin Tiwari:** So that's helpful. But the reason for asking this is that we have the premium player in the market. And our -- I mean, EBITDA margins have been in the range of about INR50 to INR55 per litre for quite some time. So do you see this number expanding from here? Is there a scope for this to more expand from here on as well?

**Sandeep Sangwan:** So there is definitely scope to expand this number, but will INR55 become INR100? Unlikely. Okay, will INR55 become INR57, INR58, INR59? That's a continuous endeavour that we kind of keep working on. But again, it also depends on mix. Say for example, if commercial vehicles grow at a much faster pace. The margin profile on commercial vehicles is not same -- similar to as what we get in personal mobility, so that...

**Nitin Tiwari:** That's very helpful. And if...

**Sandeep Sangwan:** What I would want to reassure our analyst community is that margin per litre is definitely a focus area, and that is something that we watch very carefully.

**Nitin Tiwari:** Understood. That's very helpful. And a final question, one more. So just wanted to understand that across different product categories, and I'm talking about the broad category, which is 2-wheeler, cars, etcetera. How many products are available in each category? And what would be a typical price range for these products? Very broad numbers would be okay.

**Sandeep Sangwan:** Yes. So on the -- let me give you, on car space, we operate with 3 brands. There's Castrol EDGE, which is the most premium. Then you have Castrol MAGNATEC, okay, which is the second, it's premium, but slightly lower than EDGE and then you have Castrol GTX. So those are the 3 brands in our profile. EDGE, then MAGNATEC and then GTX. MAGNATEC is center to protection, EDGE is all about performance but performance with protection and GTX is for cleaner engines, which operates at a slightly base level.

In 2-wheelers, we have Castrol POWER1, which is our premium brand, again, position and performance and delivering superior performance to consumers. And then you have Castrol Activ, which is all about protecting your engines. And then in commercial vehicles you have CRB Turbomax and CRB and then you have Castrol Plus and Prima for the agri sector. So those are the broad kind of brands that we operate with.

**Nitin Tiwari:** Right. And what would be a typical sort of price range, if we look at these products?

**Sandeep Sangwan:** I think it will take a lot of time for me to go through the pricing, all the prices are available, if you check on Amazon, you should be able to see all the prices in the market.

**Moderator:** The next question comes from the line of Anuj Sharma from M3 Investment.

**Anuj Sharma:** And I'm not sure if this was answered earlier. But between a like-to-like hybrid vehicle and a normal ICE vehicle, what is the intensity of lubricants, which goes into it?

**Sandeep Sangwan:** I think between a hybrid and ICE vehicle, it's pretty similar. There's no change. The product requirement of the technical specifications change because hybrids operate in different conditions. But from a volume perspective, there's no difference.

**Anuj Sharma:** All right. That's helpful. And the second question is, given the evolution of ICE engine, do you see a change in the drain intervals over the next 3, 5 years? Or do you think it is little bit pretty much similar to what has been in the past?

**Sandeep Sangwan:** I think drain intervals keep reducing, okay? We've seen that happen in commercial vehicles. We've seen that happen in passenger cars, okay? But we have all kind of segments in the market. So for example, the taxi or on-demand segment or fleet segment is a much higher usage of lubricants even though the drain intervals have reduced, but there is a consumer behavior that or the usage patterns, which lead to frequent changes in lubricants.

The other thing that happens in our industry is as the vehicles and engines become more efficient and more advanced, the quality of lubricant required is much higher. So as a result, we are able to kind of premiumize the market. So for example, if you go back 10 years ago, a car would be using a 10W viscosity product. Now they use primarily 5W and there are many cars which use 0W products, which is a much thinner viscosity. So I think, it's a combination of everything that we see and the net result is that the market still grows at about 4%, 5% on volume terms.

**Anuj Sharma:** That's helpful. Just a question, the trend change in drain interval remains the same as in past? Is that a correct assessment?

**Sandeep Sangwan:** Sorry?

**Anuj Sharma:** The rate of change in drain interval in future won't continue to be, let's suppose, what's been in the past 5 years. Is that a correct assessment?

**Sandeep Sangwan:** Difficult for me to say. I think it's for the OEMs to answer that question on where they're investing in their technology and improvement because OEMs are also focusing a lot more investments in to EV now. I think how much efficiency gains you'll get in ICE is something from the OEMs to comment on rather than us. But what we will make sure is that we have relevant products available for each kind of engine or vehicle type that comes in the market.

**Moderator:** Next question is from the Mandar Pawar from Kotak Mahindra Asset Management Company.

**Mandar Pawar:** My question is the opportunity related to the data center, I hear you talking about that, maybe it's early to speak about it but just some technical aspects that we want to understand, one is, if

you have to look on a usage of this fuel per megawatt capacity, how should we look at and what kind of frequency in the working interval...?

**Sandeep Sangwan:** Sorry, it's very difficult to understand your question. We can't hear very clearly.

**Mandar Pawar:** Okay. Is this better?

**Sandeep Sangwan:** Slightly better, yes.

**Mandar Pawar:** Yes, sir. Sir, my question regarding the opportunity on data center, although it's too early to size down that opportunity. But wanted to understand some technical angle to that is, if you have to look at the usage of that fuel on a per megawatt, what is the kind of usage that it will ask for and the frequency of the intervals that it is used. And also, whenever this product is available in the market, what is the kind of margins that we will look at considering that this is a B2B business, how different it can be from our current portfolio?

**Sandeep Sangwan:** Yes. I think -- thanks for asking that question. We're also trying to figure out all the answers to the questions that you've asked. So I think maybe if you asked this question 1 year down the road, I'll be able to answer it much more concretely. But right now, a lot of research or testing or development work going on.

**Mandar Pawar:** Okay. And by when do we expect that this product could be available here in India?

**Sandeep Sangwan:** So depends on how customers develop and if you're able to kind of work with customers to develop this immersion cooling technology and -- but from that perspective, it all depends on how the testing goes, how the customers respond to that. And yes, but globally, this product is available, okay? Our fluids are available for customers.

**Mandar Pawar:** Okay. And just one other question is about the raw material availability for the base oil. At this point, given what the situation we face on the sea trade, is there any kind of syndromes that we are facing and as such the price movement of base oil, if you can give some color on that?

**Deepesh Baxi:** Yes, Mandar. So I think overall, it feels like there is stability, and stability both from a point of view of price and supply. So I don't remember a time where we will be that statement because there are always something or the other that is going on globally, yes, whether that is the Red Sea or whether it is something around the war, etcetera. So I think sitting today, it feels like -- if I just take next 3, 4 months' view, I think there will be a continuation of the stability in the base oil prices and the other inputs. Of course, foreign exchange rate is another aspect that we deal with because there is imports.

And that also looks like a range bound between 83%, 84%. So that's all I can tell you right now. I mean -- but you know if things change, we know how to manage this, we are very proactive, we keep an eye. We have our global margins and tools and global insights. Some of our relationships are also global. So as price move or instability of supply comes in, we're the first to hear about this, given something that happened in U.S. or APAC or whichever way. And I think we make an intervention appropriately.

- Moderator:** The next question comes from line with Rohit Maheshwari from Tata AIG General Insurance.
- Rohit Maheshwari:** Congratulations on a good set numbers. My most of the questions are answered. The one question I have is, sir, can you give some sense of uses of lubricant in ICE versus hybrid versus EV?
- Sandeep Sangwan:** Yes. So I think, as I said earlier, hybrid use the same kind of amount of lubricants as an ICE. On EVs, the usage is much lower, okay? Specifically percentage, etcetera, I can't say, but for example, EVs don't use engine oil, they primarily use transmission fluids, coolants, and greases. So that definitely has a shrinkage of volumes. But I think what we're also seeing in India is given the low penetration of cars and electrification will come much faster in 2-wheelers.
- I think all the modeling work that we've done, the Indian lubricant's market will continue growing well into the late '30s and early '40s, okay? And especially India has very strong -- Japanese OEMs have a strong play in India. And I think they're also seeing hybrid as a -- not as a transition technology, but as a mainstay technology. So hopefully, that keeps the market for lubricants very robust going forward.
- Moderator:** The next question is from line of from Miraj Shah from Arihant Capital.
- Miraj Shah:** I wanted to understand the volumes that you spoke about 61 million litres for this quarter. If you could tell me what was for the previous quarter and the same quarter last year?
- Deepesh Baxi:** Yes. So 2Q '23 volume was in the range of 57 million litres that's a 6% growth. And 1Q '24 sequential quarter, that was also in a similar range of 57 million, 58 million litres.
- Miraj Shah:** Okay. So next is regarding in your opening -- one of the opening remarks that you gave that you're seeing stabilization in the input costs right now. So which input costs in particular are you talking about? And how do you see the margins panning out, do we see healthier from here? Or do we see more movement in the raw material costs over here?
- Deepesh Baxi:** So the input cost I was referring to, and I was explaining to Mandar earlier, is both on the base oil, which is roughly 60% of our costs. And also one can't guarantee it, but also forex seems range bound because we import significant base oil. So that's what I meant by it being stable. As far as margin is concerned, the reason why we have kept this range of 22% to 25%, we landed at 23% is for us to have that elbow room to be able to, in a quarter where there is more stability and less fluctuation to continue to invest in our brand from a medium-term basis and to go after the volumes more aggressively as well.
- But at the same time, if there is external factors that change it, then we look at medium-term view and make an intervention in the market appropriately. So I think it's that balancing act that we need to do, given there is an external dependency for the industry. So I wouldn't sort of signal at this stage anything different than the EBITDA margin that we have kind of been talking about, which is in the range of 22% to 25%.
- Miraj Shah:** Okay. That is a margin range. And just one last thing in the data center part that you gave your initial remark on like you inaugurated Technology Center in Patalganga and you are currently

in the testing phase for fuels. So just wanted to understand that how long will this duration be? And if there are any significant developments, in which unit would this be produced or would you have to put in a new unit to work on this? Just want to understand that.

**Sandeep Sangwan:** Yes. So let me kind of just clarify, all the data center work is happening in the parent company in U.K. rather than in India, but we have access to all the technological developments that come out of there. And I think production capabilities, we have three plants in India who are fully capable of producing whatever we need for the Indian market.

It's a function of when do we start local production based on the volume profile of various products, okay? And our Technology Center in Patalganga does additive work on top of whatever work is done in the global R&D centers for adaptation to local markets. That's how we operate.

**Miraj Shah:** So any developments coming from U.K. from the parent on that we'll be working on and then we'll be able to deploy it in our plants?

**Sandeep Sangwan:** Yes. So I think there is a process of deployment that we go through, but we've done that for many, many years. It's nothing new for us.

**Miraj Shah:** So do we have any existing products into that are actually coming from U.K. or this is just an initial step?

**Sandeep Sangwan:** So we still -- even currently, we import some products which are kind of very high technology products, either in the industrial sector or some of the cars products. But most of the production is local. It's only in specific cases where the volumes are still very small, we import from our global centers.

**Moderator:** 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.