"Castrol India Limited
4Q and FY 2023 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 4Q and FY 2023 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.

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, and thank you for joining Castrol India's Fourth Quarter '23 Earnings Call. I hope you and your family are doing well. We are pleased to share that Castrol India Limited delivered strong growth in the fourth quarter and full year ended 31st December 2023.

And here, I'd like to remind you that we follow the Jan to December calendar year for our reporting purposes. The year gone by saw some macroeconomic challenges that included volatility in crude prices, inflationary pressures and global uncertainties, but we maintain our resilience towards sticking to growth-oriented strategies, investing in our brand and innovation, thus tiding the challenges successfully.

I'm delighted to share with you that we are celebrating 125th year of global presence for Castrol and 115th year of presence in India, which indicates our innovation-based approach and technological prowess. To begin with, I invite Deepesh to take you through our fourth quarter numbers and financial performance in detail.

Deepesh Baxi: Thank you, Sandeep, and good afternoon to all of you. We announced our 4Q 2023 results yesterday, and here are some of the key financial highlights. In fourth quarter of 2023, we reported strong financial performance. Our revenue from operations was INR1,264 crores, which is up by 7% on a year-on-year basis, which is INR1,176 crores in last year 4Q. Profit before tax was INR324 crores, and this is a gain of 31% compared to 4Q 2022 where we delivered INR248 crores of PBT.

In addition to our fourth quarter results, we also achieved a strong performance for the full year ending on 31st December 2023. For the full year, 31st December 2023, we registered revenue from operations of INR5,075 crores, which is a 6% growth compared to INR4,774 crores for the year ended 31st December 2022.

Profit before tax for 2023 was INR1,181 crores, growing 8% from INR1,993 crores in 2022. Building on strong financial performance and marking significant milestones of 125 years globally and 115 years in India, the Company's Board of Directors have recommended a final dividend of INR4.5 per equity share. As you know, the face value of our share is INR5 each, and this is, of course, subject to the approval by the shareholders at the AGM.

This dividend or final dividend takes the total dividend for 2023 to INR7.5 per share. This distribution reflects the Company's appreciation for the ongoing support of its shareholders throughout its 40 years as a public listed entity.

With these opening remarks, I would now like to hand over the call back to you, Sandeep.

Sandeep Sangwan: Yes. Thanks, Deepesh. Apart from the financial performance, I'd like to draw your attention to some key business developments at Castrol India through 2023. In the world of 2-wheelers, we initiated India's ultimate Motostar with Castrol POWER1, aiming to unearth the top moto-sports talent in our nation. This program offers training opportunities at the LCR Honda Castrol MotoGP Team's facility in Europe, providing an incredible platform for aspiring riders.

I'm proud to share that after the success of our #BadhteRahoAaage campaign, our ties with the trucking community, auto dealers and consumers strengthened. Thereafter, we launched the ongoing on-ground initiative "Pragati Ki Paathshaala" for skilling development and entrepreneurship amongst truckers nationwide. This program is more than a venture. It is a commitment to empower truckers with essential skills under the umbrella of Castrol CRB Turbomax.

This reflects our commitment to progress within the trucking community. Expanding our reach into rural Bharat, we enhanced product availability to 32,000 outlets deep in the hinterland and direct consumer outreach, especially through e-commerce platforms has also yielded a positive impact. Further, with regard to our recently launched Auto Care products, the segment is gaining momentum and is now accessible in 21,000 outlets.

Our newly launched products, Castrol MAGNATEC SUV-530 and Castrol CRB ESSENTIAL are gaining traction across various price segments. In our commitment to sustainability, we've introduced bottles with 30% post-consumer recycled or PCR content and achieved 100% renewable electricity at our Patalganga plant aligning with a global PATH360 agenda to save waste and reduced carbon emissions.

In India, Castrol continues its dedicated provision of crucial EV fluids to OEM partners. Furthering our commitment to India's electrification, we've trained over 1,000 independent car and bike mechanics, ensuring their readiness for the future of EVs. As part of its onward, upward, forward strategy, the global brand has introduced Castrol ON immersion cooling fluids for data centres.

Immersion cooling can help to increase the overall efficiency and sustainability of IT operations. It's a proud moment for us as Castrol's plants have also been honoured with the prestigious awards. Silvassa received top awards in Quality Excellence and Occupational Health and Safety. Patalganga earned safety accolades from the National Safety Council and esteemed Golden Peacock awards. Paharpur was commended for Plant Efficiency by the Apex India Foundation.

We are honoured to share that the Governing Council of the Institute of Supply Chain and Management Private Limited has recognized Castrol India as the 'Top 10 Chemical Supply Chain Company of the Year'. Additionally, we celebrated 11 years of injury free-operations at Castrol CMS site in India, equivalent to about 5 million manhours.

These achievements underscore our dedication to excellence and safety. Earlier in 2023, we also introduced a refreshed global brand identity at Castrol India, strengthening our distinct positioning to better address the changing needs of our customers. We are hopeful that these initiatives and resulting progression will help us enhance our market position.

On that note, I'd like to thank you for your attention and would like to open the session for your questions, feedback and views. 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 PhillipCapital.

Nitin Tiwari: My first question is a book keeping one. What was the volume in this quarter? And if you can give us -- basically bifurcation between automotive and non-automotive.. That would be the first one. And second question is around your expenses. So your operating expenses are higher for the quarter by about 13-odd percent year-on-year.

So what was the reason behind that? And if you can, again, help us understand what was the advertising expense in this quarter as a percentage of revenues or in absolute terms, however you feel comfortable?

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

Deepesh Baxi: Yes, Nitin. So on your first question on the volume -- total volume this quarter. Our total volume this quarter has been 55 million Liters. On your second question, I think you asked is, so what is the split between automotive and industrial.

Between automotive and industrial continues to be in the range that we've given in the past. So about 85% is automotive and 15% is industrial. I think your third question was around the advertisement. So advertisement expenses, yes, I mean we can look at it as a percentage of sales, and that continues to be in the range of 2% to 3%. However, when we look at it as a percentage of gross profit, that has slightly gone up. Again, it's in the range that we've had in the last few years of 4% to 6%.

Nitin Tiwari: So Ad expense was in the range of 4% to 6%. So again, what led to a higher operating expense in this quarter because we are looking at a 13% increase on a Y-o-Y and 8% increase on a Q-o-Q basis. So the reason behind, please?

Deepesh Baxi: Yes, sure. So I think there are various aspects on the overall operating expenses. Firstly, as you know, our volumes have grown in this quarter and on the full year basis. So many expenses are a percentage of volume as well in terms of whether it is the freight expenses and some of the other sales provisions expenses that are there. The -- some expenses like advertisement and royalties are a part of the profit. So they are a percentage of profit. So that has gone up.

And then in terms of, of course, to enable growth, and we've passed the COVID year, our travel expenses have also gone up in terms of sales force being in the market as well. And then, salaries, as you know, is inflationary salaries. We want to take care of our employees. So we give a competitive salary.

So there is an increase in that also. I mean having said that, I think the -- there are a lot of initiatives that we have taken as an organization as far as our cost programs are concerned. And those initiatives have also yielded better results. I mean, for example, we do a lot of meetings online now in terms of the meetings that we do with board nationally then also in terms of the negotiations that we do for some of the projects that we are in, we are launching.

And the only other thing I would say is because now we are going into newer areas, expenses related to that also work. But these are all good investments that we are doing. And therefore, if you see at the end of the day, the EBITDA percentage, we have not compromised on that. We are still in that range of 23% to 26%.

Nitin Tiwari: Certainly. So that's very helpful. And if I may like to put in just one more question. So have we like taken a price cuts or offered discounts during the quarter in order to making a push our sales? Would that be the right thing?

Deepesh Baxi: Sorry, can you please comment again?

Nitin Tiwari: So I was asking that like have we offered discounts or taken price cuts in order to promote sales in this quarter? Is that a correct feed?

Sandeep Sangwan: So I think, first of all, what I'd like to say is we have a pricing strategy and a pricing framework under which we operate. And we always keep balancing the environment, the volume growth and our margin, right? But for example, I can talk at a more general level. In 2023, we've seen cost deflation and some of that, we were able -- we've given it back to consumers and customers to drive our growth. And typically, we operate in a certain band of prices, and that's what we want to keep.

Moderator: Next question is from the line of Mayank Shah from Electrum PMS.

Mayank Shah: **Congratulations on good set of numbers.** My question was regarding EV fluids. So what is the total Indian market size of EV fluids and what is our market share in there? And the second question is how will this EV market size grow like for the next 2, 3 years, any trajectory?

Sandeep Sangwan: I think, Mayank. So first of all, the EV fluids market is still very small, okay, to begin with. While we supply to the 2 of the largest 4-wheeler EV manufacturers in the country, the largest OEMs, the volumes are still very insignificant because the total share within the overall category is still very low. And I think if you look at basis our projections, the core lubricants, which is ICE-based market will continue growing for the next 10, 15 years in India, and we expect it to continue to go until about 2040, okay?

We don't track any market shares, etcetera, as far as EV fluids are concerned given that it's such a small part of the business so far. And I think it will continue to be staying small in the next 2, 3 years. While there's a lot of talk of EVs and we are fully supportive of the road to electrification, but it's still a very insignificant part of the business.

Mayank Shah: Okay. Got it. And the next question is, what will be the revenue guidance for FY '25 and FY '26?

Sandeep Sangwan: So typically, we shy away from giving [inaudible].

Mayank Shah: Sorry, your voice is cracking. Can you repeat?

Sandeep Sangwan: Thing is we don't like to give any guidance. But typically, what happens is the lubricants category tends to grow at anywhere around 4% to 5%, and we want to grow ahead of that category growth, and that's been kind of our stance to continue to grow ahead of the market.And we're also putting new plays in place like the Auto Care launch, which are still very small. But I think as we go over the next few years, these initiatives will start gaining momentum and become slightly more meaningful part of the business.

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

Bharat Sheth: As you see last couple of years, we have taken several initiatives like tie-up with the Reliance because of Reliance distribution businesses, I mean, petrol pump are tie-up with the Burmah, our parent company. Then we have taken auto care also tie-up with the 3M for distribution of their product.So how those are really -- is it meaningfully contributing to our growth? And how do we see it on the, say, the scale of the 1 to 10, this growth is current, I mean is showing momentum. And where do you think that it will start really kicking in a bigger way?

Sandeep Sangwan: Yes. So I think, first of all, thanks for asking the question. So there are 2 kind of things I'd like to talk about. So first of all, on JIO-BP, we are the exclusive supplier on JIO-BP fuel court sites as far as lubricants are concerned. And I think as they expand their network, which is already happening, okay? We are seeing a good traction on the volume that we get from that channel because that was a channel where Castrol was not available earlier. We already have to give you 1 number, we have already about 45-plus express service centres on JIO-BP sites now, and we will continue expanding as they expand their site.

And I'm sure you've seen a lot more JIO-BP branded sites coming online now. So that's making good progress. The second is, I think we invested in a company called ki Mobility Solutions, which is part of the TVS Group of companies. We've taken a 7% stake in that company, and they're also doing well.

Their intent is they have a spare parts business, and they're building a digital aftermarket ecosystem where we are the sole kind of suppliers of lubricants in their network, but it also provides access to -- on spare parts to the workshops that we serve. So I think those synergies are there. And I think early years because it's just been -- both of these initiatives have been in play for the last kind of year plus, but momentum is good, and we are very happy with the performance.

On Auto Care, we launched Auto Care in May of last year. In fact, you referred to 3M, we actually kind of ended our relationship with 3M, and we've decided to launch Castrol Auto Care range of products where we have about 5 products now in the range, okay? And they are under Castrol brands so we're not no longer working as distributors for 3M, but we launched our own range and that range is now available across about 21,000 outlets and gaining month-on-month, and we've seen good acceptability from customers and consumers.

Bharat Sheth: So in your sense, I mean this business will really start, I mean, making a significant contribution, maybe still a couple of years away or it is, I mean, maybe a year time.

Sandeep Sangwan: No, I think it's still a few years away because I think this is the build phase on all these initiatives, and I think we'll continue investing behind these initiatives that I've spoken about. But will it become meaningful next year? I don't think so. It will require another kind of gestation period of 4, 5 years before these become more meaningful.

Moderator: The next question is from the line of Balaji Jairaman from Equity Bank.

Balaji Jairaman: My name is Balaji Jayaraman and I am from Equity [inaudible]. First of all, congratulations on a fantastic set of numbers. Sir I have 2 questions. I think one question was asked by a previous gentleman on EV fluids. Could you also talk a little bit about the immersion cooling fluids for the data centres that you have launched in Pangbourne in the parent organization, the size of the market and potential for Castrol India in terms of future revenue?

And the second question is, I understand that Castrol globally is celebrating 125 years and 115 years in India. So as part of the 20th centennial year of celebration, can we expect a bonus and a generous dividend in this coming financial year to reward your mild shareholders? Can that be considered by the board?

Sandeep Sangwan: So let me first answer the question. I'll answer in the reverse order, okay? So we are very happy to celebrate 125 years of Castrol's existence and also about 115 years in India. And I think the Board recognizing this milestone has already recommended a good dividend this year.

As far as bonus, etcetera, are concerned, these are all board decisions to get discussed at the Board level, and I wouldn't like to comment on that. That's not my decision. It's a board decision. The second is coming back on data center thermal fluid, I think Castrol Globally sees that as an opportunity area. And I think a lot of industry players are also looking at data center thermal management or thermal management of batteries because that's a key problem area to be solved as far as batteries are concerned, and data centers are also going to become huge consumers of energy in the future.

So 2 years ago, BP had announced an investment of INR500 crores in our R&D facility in our parent headquarters in U.K. And I think, again, as the technologies evolve, that will open up new markets for Castrol to participate in. So if you specifically ask about India at this stage, we're still in kind of evaluating how big the market is studying the market rather than having any specific numbers to share.

Balaji Jairaman: Are you in dialogue with any of the data center, large data centers player in India, sir? I know Castrol U.K is working at a lot of data centers there where you actually found success. Is that something that you've already started discussing with the local players in India?

Sandeep Sangwan: No, that's something I wouldn't like to comment on because this is all confidential information and any comment in that direction will be purely speculative, and I don't want to speculate.

Moderator: The next question is from the line of Mohit from Guardian Capital.

Mohit: Congratulations on strong numbers. So I just wanted to understand where this volume growth is coming from? Is it the JIO-BP partnership? Is it new initiatives -- where exactly is it coming from? And it will be helpful if you could give some numbers, at least the volume contribution revenue, something.

Sandeep Sangwan: Yes. So I'll let Deepesh take that answer. And then if there's anything helpful on that.

Deepesh Baxi: Yes. So I think -- I mean, the answer is it's coming from all the segments because -- and all the segments have grown whether it is the personal mobility or industrial or our commercial vehicle business. So compared to the volume that we delivered in terms of the growth percentage, double digits. We've almost -- grown double digit in commercial vehicles.We've grown double-digit in bikes, double-digit in cars. JIO-BP, as Sandeep was mentioning earlier, the overall component of the volume contribution is much lesser right now. But as they grow, we will grow as well. I mean, apart from that, some of the new initiatives that we have launched, the Castrol Auto Services, where we have almost 450 workshops. There is a good growth in the volume from there as well. So I think it's been across segments.

Mohit: Got it. And so for the last many calls, I've been hearing this partnership that there is this new channel of retail fuel outlets where we are absent and we are going to create a presence there. But if you look at the number of outlets, it's been around 40 for a while now. So why is that?

Sandeep Sangwan: Which outlets are you referring to? Castrol Express Service outlets?

Mohit: That's right.

Sandeep Sangwan: Okay. Yes. So I think you're right, the outlooks have been -- and for the last 2 years, our outlets have been in the range of about 45 plus because last year, if you remember, there was a bit of a slowdown in our putting up new outlets because the focus of JIO-BP was on rebranding of the sites and while they were doing that, and also, if you remember, there was some kind of diesel pricing and all that. So they've taken a bit of a pause.

And I think as they start expanding again, we'll again start reinvesting and building those express sites. But I think Express site is not the only offering on the fuel court. We supply lubricants on every fuel court that they have. So, it's not that we supply only to 45 outlets. We supply to all their outlet base.

Mohit: Got it. Got it. Okay. Because in diesel, the thing is diesel margins being weak, but for us, the more relevant action would be petrol, right?

Sandeep Sangwan: No, no. So I think for us, both are relevant because we have CRB TURBOMAX brand, CRB TURBOMAX is relevant for trucks, okay? And a lot of JIO-BP sites are on the highways. So commercial vehicles are relevant. And for 2-wheelers, we have Castrol Activ and Castrol POWER1. So -- and then on cars, we have Castrol MAGNATEC and GTX. And these are JIO-BP outlets stock all the kind of three kinds of lubricants that we have, also including DEF, which is diesel exhaust fluid.

Mohit: And just one suggestion, so looking ahead, as the non-lube business case up it would be good if we could just give that along with the result as well revenue coming from the non-lube business.

Sandeep Sangwan: Thanks for your suggestion. Definitely, I think we look at that. We're just kind of mindful that we want to make it a meaningful business first in terms of scale and then start sharing details rather than kind of being speculative at this moment. I think we build first and then kind of we will share.

Moderator: The next question is from the line of Aayush Agarwal, an individual investor.

Aayush Agarwal: I just wanted to ask about your rural expansion. You mentioned that you have 33,000 outlets at the end of December. What was the number at the start of the year, like when we got into January?

Sandeep Sangwan: Yes. I think we've added about 3,000-plus outlets in the last 1 year. We already have a network of around 900 sub-distributors who service the rural markets, okay? But I think our interest is, as you see rural economies grow while quarter 4, if you listen to the other FMCs, and everything has been a bit slow. But we see rural as an opportunity area because almost 50% of 2-wheelers gets sold in rural areas.

And are we -- while we are the largest distributed lubricant company in the country as a private player, I think there is scope to grow further as rural consumers look for quality products.

Aayush Agarwal: And to follow up on this, I wanted to ask, are there any particular states that you're targeting in terms of your reach, especially in the rural segment?

Sandeep Sangwan: Yes, our intent is to cover the whole country rather than I wouldn't like to kind of share what is our strategy in terms of how do we expand in rural. But at a macro level, it's an opportunity area that we believe in.

Aayush Agarwal: Right. So would there be -- would you be able to share a number on how many more outlet that you want to expand into at the end of 2024.

Sandeep Sangwan: No, I wouldn't like to share that number.

Moderator: The next question is from the line of Aditya Bansal from Kotak.

Aditya Bansal: Firstly, raw material costs have declined sharply on a Q-o-Q basis. Can you share some colour on the base oil prices during the quarter and current trends?

Deepesh Baxi: Yes, sure. So the base oil price on -- was about $1,000 on an average, I would say, during quarter four this year. And when I compare that with the last year, same quarter, it was in the range of $1,150 to $1,200. Again, difficult to give the next year's number, but the expectation is, at least from the forecast that we've got, and this is subject to the tension in the red sea, etcetera, which we don't know how it will span up on the supply constraints. It is expected to be in the range of about $1,100.

Aditya Bansal: And what a typical inventory holding period for us? And has it increased of late?

Deepesh Baxi: No. Inventory has not increased. I think we do a very good job in terms of managing our inventory levels. But because almost 60% of our inventory, especially raw materials is imported, I think we need to keep a factor of the lead time for procuring and then storing.

And then, of course, we smartly do local purchases as well, depending upon how the market is evolving and what the forecast is of the base oil and some of the other input costs. But in summary, we hold inventory anything between 50 to 60 days across, I'm saying raw material FD in the system, yes.

Aditya Bansal: Sure. And lastly, can you provide some capex plans for CY '24, like what is the target expect there?

Deepesh Baxi: Yes. So this year, we spent about INR100 crores. This includes the capex related to supply chain as well as the capex on expansion, whether it is signages or some of the expert service stations. I'm expecting at least 50% increase in the capex for next year on this base.

Aditya Bansal: And when would that be...

Moderator: Sorry to interrupt, we request you to please rejoin the queue for follow-up questions.

Aditya Bansal: It is just a follow-up on the scene.

Deepesh Baxi: Okay. I'll just answer that. I think it will be all in growth investments.

Moderator: The next question is from the line of Pritesh Chheda from Lucky Investments.

Pritesh Chheda: Yes, sir, if you could give the volume sold for CY '23 and what is the volume growth? And in your opinion, in that volume growth, have you gained or lost market share as per your assessment.

Deepesh Baxi: CY '23, I assume you're meaning Jan to December financial year, right, because that's what we follow.

Pritesh Chheda: Yes. For the full year.

Deepesh Baxi: So the volume for full year has been 219 million to 220 million litres in that range. And we've grown about 10 million litres versus last year from a comparative basis.

Pritesh Chheda: And in your opinion -- in your assessment, you have gained or lost or retained share?

Sandeep Sangwan: So I think if I look at -- because we had taken multiple price increases in '22, we saw some pressure on market share as we started the year 2023, but happy to share kind of in the second half, we've seen a reversing trend. And so overall, I think it will be more flattish rather than anything else, okay? We gain somewhere lost a bit somewhere so it’s a mixed bag, but I think we've seen good positive tenant coming in the second half.

Pritesh Chheda: Okay. And if you could tell us the base oil average price for our consumption in '23 versus '22. You gave for quarter 4 at $1,000, but what would be for the whole calendar year?

Deepesh Baxi: Yes. So I think '22 -- I mean the base oil for -- I mean it's in the same range, frankly. It's not significantly changed. I'll tell you why, and that Sandeep was mentioning.During the first half of the year, the base oil -- and base oil not crude, base oil price was very high. right?

And that was the time that there was a lot of volatility, and we have to make some intervention in the market as well. But in the last 6 months, which kind of come down. So if I were to just summarize, it's about $1,000 as an average for the entire year 2023. And compared to that, last year, 2022 is in the range of $1100, $1150.

Pritesh Chheda: I couldn't actually understand this comment. You said second half is where base oil prices were lower and first half, it was fairly higher. And it was volatile. And if your quarter 4 base oil is $1,000, then for the full year, you have to be largely above $1,000, right? This is I couldn't understand actually.

Sandeep Sangwan: So I think if you look at in '22, the base oil was around $1,100 plus, okay? And that kind of continued in the first half of '23 in the first quarter at least, and that is when the deflation started. And that's why Deepesh was saying in quarter 4, it was around $1,000. I can't give you specific numbers because we have a base oil procurement strategy and then that's something that we can give you broad numbers.

Pritesh Chheda: So basically, between quarter 3 and quarter 4, there is not much drop in base oil price. That's the correct...

Deepesh Baxi: Yes, that's right. That's right.

Pritesh Chheda: So then the GM expansion that we see between the 2 quarters will be a function of your -- the way you would have managed your inventory and procurement and the mix that would explain it?

Deepesh Baxi: Yes. So look, I mean, the overall volume has gone up, right, in quarter 3 and quarter 4 and quarter 4, especially. So there is an impact of the if you were to say, input costs coming down. But, don't forget that we have to also consider the forex impact. And last year, forex was in the range of 81, 82. And this year, on an average, it was 83, yes.

So that, as a concurred is Rs. 2 increase that we have to look at. So if you add all of that, that's the real input cost. Having said that, I think we have made interventions in the market both from passing on some of the benefits of this reduction in the input cost to our consumers as well.

Moderator: The next question is from the line of Varun Arora from B&K Securities.

Varun Arora: So the margin at 26%. So can we see if this is sustainable for the next quarter and for the upcoming year?

Deepesh Baxi: Look, I think we give a band of the -- or a range of margins that we would like to operate in. And actually -- let me explain the reason why we give the range. And this is depend -- exactly the previous question that was asked because when base oil goes up and down, there is an elbowroom required to be able to manage your margins and it takes time to either take an increase of price pass onto the market or vice versa.

And it takes more than sometimes a quarter as well. So we have a strategic pricing in which we work towards. So having said that, that's the reason we say that we want to keep a range of our EBITDA margin, which will be in the range of 23% to 26%.

Varun Arora: 23% to 26%.

Sandeep Sangwan: Yes?

Varun Arora: 23% to 26%.

Sandeep Sangwan: 23% to 26%, yes.

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

Bharat Sheth: On this rural expansion, if I'm not correct -- I'm correct. Our total reach is around 24,000 and now -- so what kind of potential do we have to expand those networks? There may be time, I don't want to understand the time frame, but what is the potential that we have? And second thing, sir, on industrial lubricant what is the strategy to grow that market, which is, I believe, is a little more profitable?

Sandeep Sangwan: Yes. So I think as far as the rural markets are concerned, I think the potential -- I won't like to comment on specific potential. But as I said in response to one of the earlier questions, I think 50% of 2-wheelers get sold in rural markets approximately, okay? And that is why we see a lot more potential. Today, we cover about 100,000 plus outlets across the country. So, we'll continue working on this rural opportunity as the rural economies also become more affluent.

And we are beginning to see a lot more, for example, car ownership in rural areas. So that's kind of where we're focused. As far as the industrial business is concerned, we -- as part of our strategy, we supply to sectors or industries where we can make a differential value proposition to our customers. So for example, we sell high-performance lubricants, we sell in manufacturing, in steel and some of the focus areas.

We're not into the commodity segments because we believe that we cannot make huge differential value proposition to our customers. So we focus on areas which are high-growth areas, but also kind of where we can make a difference. So that's been our strategy and we'll continue on that strategy.

Bharat Sheth: Sir, last question. Can we -- is it possible to get some kind of a broader -- I mean, market -- I mean two-wheeler, PV and CV our compound of, I mean, business, what is contributing how much?

Sandeep Sangwan: Yes, I think Deepesh maybe can take that.

Deepesh Baxi: Yes. So I mean, as I was mentioning earlier, our -- sorry -- okay. So as I was mentioning earlier, so out of the total portfolio that we have 15% is industrial, yes. And I'm talking on volumes. And then from the automotive, which is bikes, cars and CBO, we generally tend to club bikes and cars as personal mobility. So that's about 45%. And the remaining 40% is commercial vehicle oil.

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 for joining us. You may now disconnect your lines. Wish you a good day.

Sandeep Sangwan: Thank you. Thanks, everyone.