Castrol

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6 February 2025

To,

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400 001

Scrip Code: 500870

National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex,
Bandra East, Mumbai – 400 051

Scrip Symbol: CASTROLIND

Dear Sir,

Sub.: Transcript of audio recording of the Post Earnings Call for 4Q FY 2024

Pursuant to Regulation 30 and 46 read with Para A Part A of Schedule III to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the audio recording of the Company's post earnings call for 4Q FY 2024 with analysts/investors held on Tuesday, 4 February 2025 is enclosed. The same is also available on the website of the Company.

The transcript of the audio recording can be accessed on the following link:
https://www.castrol.com/en_in/india/home/investors/information-for-shareholders.html
under INVESTOR CALL DETAILS --- 2024 --- 4Q FY 2024

Kindly take the same on record.

Thank You.

Yours faithfully,
For **Castrol India Limited**

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“Castrol India Limited

4Q FY 2024 Earnings Conference Call”

4 February 2025

MANAGEMENT: MR. KEDAR LELE – MANAGING DIRECTOR – CASTROL INDIA LIMITED
MR. DEEPESH BAXI – CHIEF FINANCIAL OFFICER & WHOLE TIME DIRECTOR – CASTROL INDIA LIMITED

Moderator: Ladies and gentlemen, welcome to our 4Q and 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 certain risks and uncertainties, which are difficult to predict.

We have with us Mr. Kedar Lele:, 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. Lele for his remarks.

Kedar Lele: Good afternoon to you and to everyone, and thank you for participating in Castrol India's Fourth Quarter and Full Year 2024 Earnings Call. Since this is my first address to you all as the Managing Director of this company, allow me to give you a brief background about myself. Prior to my current assignments, I've spent over 2 decades at Unilever in various leadership roles, latest being the Executive Director of HUL with responsibilities for sales and customer development for India and South Asia.

I've also established HUL's e-commerce initiative over a decade ago, apart from steering the modern trade and institutional business, post which I led the Unilever Bangladesh as its Chairman and Managing Director from 2017 to 2021. And before that, I have spent extensive time in the field of advertising, digital innovation and sales, building my expertise in marketing, customer development and general management. I've also served as Vice President of FICCI Bangladesh in the past, and I'm excited to have joined Castrol India and look forward to working with my colleagues to drive this company's growth in the coming time.

Moving on to this performance for this year. I'm delighted to announce that Castrol India has continued its growth trajectory in the fourth quarter as well as the full year 2024. I would like to iterate that -- rather reiterate that our reporting follows January to December calendar year. Our focus on continuous product and service innovation, along with consistent investments in our brand has driven a top line growth of 6% for the year, highlighting our ability to adapt and thrive in an ever-evolving market landscape.

Let's start by having Deepesh take us through our fourth quarter financial performance. Deepesh, over to you.

Deepesh Baxi: Thank you, Kedar, and good afternoon to all of you. Before I begin, I would like to extend a warm welcome to you, Kedar, for joining Castrol as the Managing Director. I would also like to welcome Rakesh Makhija, who's taken over as the Chairman of the Company; and Satyavati Berera, who's joined us as the Independent Director.

Together, all of you bring tremendous experience and business acumen to the company's health, and we're all delighted to have you. Now talking about the numbers and how our performance has been, we released our fourth quarter and full year results on Monday. Here are some key financial highlights.

Firstly, for 4Q 2024, I believe we reported strong financial performance. Our revenue was INR1,354 crores, which is up 7% from 4Q 2023 of INR1,264 crores. Our profit before tax was INR371 crores, and that's an increase of 14% year-on-year on a quarterly basis compared to 4Q 2023. And our 4Q 2024 PAT rose to INR271 crores, which is up 12%.

Now let me just talk briefly about full year. Full year, we achieved a revenue of INR5,365 crores, which is a 6% increase compared to last year, Jan to December 2023, where we delivered a revenue of INR5,075 crores. And this reflects our consistent effort to expand operations, optimize performance and execute our strategy. Profit before tax stood at INR1,258 crores for the full year 2024, and that's grown by about 6% from INR1,181 crores in full year '23. This improvement highlights our focus on operational efficiency and cost management.

And finally, profit after tax. PAT reached INR927 crores, which is a 7% increase compared to last year of INR864 crores. This solid growth underlines our ability to drive profitability while navigating challenges, also making sure that we do a robust growth performance. The Board of Directors have proposed a final dividend of INR9.5 per equity share with a face value of INR5 each for the financial ending 31st December 2024.

This is, of course, subject to shareholder approval. This will bring the total dividend for the year 2024 to INR13 per share. The INR9.5 final dividend that we have declared includes INR4.5 of special dividend that we have declared to commensurate the 125 years of celebration of global Castrol.

Before handing the call back to Kedar, I would like to highlight some of the biggest recognition that Castrol has garnered in the industry this year. Our 3 plants in Paharpur, Patalganga and Silvassa have received multiple awards for safety, quality and efficiency. We have now reached 12 years of injury-free operations at our Castrol CMS site, a testament to our commitment to safety.

Our customers like Tata Motors and JCB have recognized us for innovation and technology progress and our marketing campaigns have won more than 30 awards, both nationally and internationally.

With that, Kedar, I would like to hand over to you.

Kedar Lele: Thanks, Deepesh. In addition to discussing our performance, I would like to highlight some significant business developments at Castrol India during this period. To start with this year, witnessed several new product launches across our portfolio. We introduced Castrol EDGE variants aimed at SUVs, hybrids as well as European vehicles and CRB TURBOMAX+ CK4, a premium lubricant for trucks, strengthening our commercial vehicle portfolio as well.

We expanded our Auto Care range with 2 new products and developed 4 advanced rust-preventive solutions, which is called Rustilo DW series that combine high performance with environmental benefits. Moreover, we inaugurated our state-of-the-art technology center in Patalganga, which is now here to drive innovation, blending, analytical testing and advanced EV and data center solutions. We have also installed state-of-the-art filling lines at our Paharpur and Silvassa plants, helping us unlock the headroom to grow in the time to come.

In terms of brand building initiatives, you all remember, Shah Rukh Khan became our ambassador. And he endorsed Castrol EDGE Stay Ahead campaign, which is boosting our visibility across digital, TV and outdoor platforms. We managed to reach out to over 70,000 truckers across 35 cities through the CRB TURBOMAX Pragati Ki Paathshaala program. We also launched Castrol POWER1 Ultimate MotoStar initiative with training opportunities for the winners at Castrol Honda, LCR MotoGP's Team's European facilities.

In terms of geographical expansion, we also made huge inroads in rural markets. Now we reach over 36,000 workshops and retail outlets in rural India and our national presence has now grown to over 143,000 outlets, including 600 Castrol auto service centers also called CAS; 29,500 independent workshops and 10,000 multi-brand car workshops.

Now sustainability remains a key aspect for the business with over 50% of recycled plastic now being used in our HDPE bottles. We've also commissioned rainwater harvesting and solar plant power projects at our Silvassa plant, thereby reducing our CO_2 emission by 45%.

If you ask me all this reflects the hard work, innovation and dedication of our teams across the country in delivering these results for 2024. Looking ahead, in 2025, we shall continue to focus on delivering high-quality products and services to the automotive and industrial sector.

A key focal point for the team will be expanding our footprint further in rural India while introducing innovative services and products across various regions. But this is indeed in line with our strategy to make Castrol more accessible and affordable for consumers through our growing network.

I'm hugely excited about the road ahead and remain committed to driving growth, sustainability and excellence in all that we do. Thank you for your attention. I invite you to share any questions, feedback or views as we open the floor for discussions.

Moderator: Thank you very much, Mr. Lele and Mr. Baxi. We have the first question from the line of Harsh Maru from Emkay Global Financial Services. Please go ahead.

Harsh Maru: So my first question is relating to the volumes. So if you could share the fourth quarter volumes as well as the full calendar year volumes.

Deepesh Baxi: Yes, Harsh. So the fourth quarter volume was 59 million liters and the full year volume was 234 million liters.

Harsh Maru: Right. And should -- like diving a little bit more in terms of volumes, could you share some bit of approximation in terms of the essentials range that you have? And what is the kind of ballpark volume share that you are having in the essentials range? And do you see any down trading like within this essentials range from your existing customers?

Deepesh Baxi: Yes. So thanks for that question. I think firstly, we are quite excited about new essentials range that we have launched in. It is not only in commercial vehicle, but it is also in the 2-wheeler segment as well. If you look at the volume, we've grown about 6% compared to last year and almost 4% of the PAT is coming from the essential CV.

Of course, when we introduced, and this is the second year of our operation, really, there is definitely some down trading that happens. But the reality also is there is a complete demarcation in terms of the kind of consumers that we are targeting. And therefore, we're happy with where there has been down trading, and we are expecting not only to just look at essential as a growth profile for next year, but also the premium volumes, both in commercial vehicles and cars.

Harsh Maru: Right. And just one more question to Kedar in specific. So in terms of the strategy now, we intend to become more accessible to customers. So could you elaborate on what -- like what does this imply in terms of financial as well as operational terms?

Kedar Lele: Harsh, you would have followed the organization for a long time, you know that Castrol is a market leader across all the spaces that we operate as well as a premium brand, perceived to be premium, priced at a premium, which means that we left out a large part of our market, which is called middle kingdom or many of the market, where we did not compete.

And over the last 1 year, the organization introduced essential brand, which is a sub-brand across most of the spaces that we've got and made it available. And by doing focused market testing, we realize that as Deepesh also said, the amount of cannibalization is not very high. It's a very small amount of cannibalization. It tells us 3 things. One, consumers love the brand Castrol, and they always wanted to have it, but they couldn't afford it. Second, when you make high-quality products available at an affordable price, new consumers start coming into the franchise.

And third, retailers who have been able to store or stop both premium as well as affordable range of products have seen growth across their portfolio. So that allows us to really be consistently growing while also maintaining the profitable profile of the organization that you have seen in Q4 in this year. And that is what we will continue to do in the time to come.

Moderator: The next question is from the line of Hardik from ICICI Securities.

Hardik: Sir, can you just share how the loose prices are more during the year and during the quarter? And also, just wanted to understand in case of the increase in crude prices or in case of increase in the crude-linked prices, which is our raw material, how are we passing the input cost hike? That's the number one, sir.

Deepesh Baxi: Okay. Thanks, Hardik. On this crude oil, first I just wanted to explain that in the past many years, we've seen a strong relationship between crude oil and base oil. Base oil is our input cost -- input material as you know. But over the last year or so, that relationship has decoupled, but notwithstanding that, if I look at the average base oil for 2023 versus 2024, it has been broadly flat, $1,000 plus minus, yes, a few percentage. As far as 2025 is concerned, of course, with the geopolitical, it can be anybody's guess where the crude oil will go, but our assumption is that it will be in the range of $75 to $80.

So for that, I think we have a sort of pricing strategy in place if we need to input into the market. But the input cost that we are already seeing a hit coming through is forex. So as you know, we import almost 50% to 60% of our input materials and forex, which is averaged out about 83 in 2024 is expected to be in the range of 86 roughly, again, you know following the global events. So that is something that we're keeping an eye on. By the way, as I've explained in the past, these input cost increases are part of our business. We have predictive models that we use within the organization and take strategic pricing.

As part of that, a part of our portfolio, retail, we've taken some pricing intervention already in the month of January as well. So that is something that I would like to share with you in terms of the same numbers too as of now.

Hardik: Okay, okay. And sir, you mentioned that the volume for the CY '24 is around 235 million liter, right? So just want the guidance on how the volume should grow going forward for next 2 to 3 years? And if you look at for the quarter, the margin we have almost hit the all-time high EBITDA level. So just want a guidance, is this a sustainable or what has driven -- drove this margin expansion?

Deepesh Baxi: So EBITDA margin for 4Q is definitely at a higher level. But when we look at full year '24, we are within the guidance that we said, which is 22% to 25%. And for '25 as well, we will continue to maintain that margin of 22% to 25%.

Hardik: And on volume growth?

Deepesh Baxi: Yes, volume growth, so across our portfolio, and as you know, we have a very balanced portfolio, give and take, we will see the market will grow in the range of 4% to 5%, and we are committed to grow above the market.

Hardik: Okay. And sir, one more, if I can. Can you just break down the volume details in terms of the passenger vehicles, motor cycles? If you can just break down for the -- how the growth has been? Or in the percentage term, how the volume constitute has been?

Deepesh Baxi: So look, 40% of our volumes come from commercial vehicles. And clearly, in the commercial vehicles on the back of our introduction of the essential series and Bharat portfolio, we've seen a double-digit growth there. Without getting into the details on cars and bikes, we look at both of them together, which is personal mobility.

So in personal mobility, we've grown in single digits. And we are expecting a good momentum right now, and that should continue in the next year as well. And typically, industrial portfolio is also growing in single digits. As you know, industrial portfolio does not get impacted at all by electric vehicles. That's definitely another area of focus that we are looking at for 2025.

Moderator: The next question is from the line of Ashwini Damani from Manyavar Family Office.

Ashwini Damani: Sir, you mentioned that you expect a volume growth of 4% to 5%. If we look at the last 10-year data, our volume growth has hardly been 1% or 2%. I understand that you are increasing the outlets, but do you have some benchmark on the sale per outlet because if we plot the data going back to, say, 2018, '19, '20, we used to do sales per outlet of almost INR1,500, INR1,600 per liter, which has now fallen down to, say, INR1,200 per liter.

So how will volume growth come, A, on one side, vehicles need lesser and lesser fluids? Your own sale per outlet is reducing. So how do you plan to change this scenario?

Deepesh Baxi: Great. Ashwini, thank you. I'll share my thoughts, and then I'll invite Kedar to build on. So firstly, what I said is that's classification, 4% to 5% is market growth. And we will grow above the market. You're right, in the past, we have not grown in line with the market, but we've grown our profits and gross margin much above the market. The shift, and I think we've spoken earlier whenever we met, is that this -- the last couple of years, there has been a conscious effort to do a volume-led growth.

And if you look at the last 2 years, both years, we've grown volume above the market. And that's been a part of a very specific intervention strategy. For example, we've got into rural, and that's definitely an area of focus for us. We have launched this middle market, middle kingdom as we call it, which is also giving us at a slightly lower price point the volume uplift. So we are confident that we will continue to grow above that 4% to 5% up market growth rate. Kedar, would like to build anything?

Kedar Lele: I think you've answered the question, but maybe a perspective I can bring in is, Ashwini, when I started looking at this business a few months ago, I realized that the vehicle ownership in India is expanding rapidly, not just in new cars and new bikes, but also in the second-hand market. And with that, as the ownership increases, so does the reach of these vehicles in the rural areas.

So you're right in saying that expansion of outlet coverage leads to per outlet throughput coming down. But collectively, it goes up because our products become available in the vicinity of these consumers who could be in urban areas, in the new suburbs, which are coming up, or in rural areas.

So the idea is to be present where consumers are. Idea is to easily bring them into our consumer franchise, brand franchise, and make brands and products available at the top end of innovation, which is our performance as needed, as well as at a more affordable end of the portfolio where consumers are looking for a good product, which is what we offer. So that's how -- firing on all cylinders is what the plan should be for the time to come.

Ashwini Damani: Sure. Sir, one more question. The stock market today feels that Castrol is in a situation where there is terminal decline in the business because of the onslaught of electric vehicles and the stock prices are also similarly valued. At the same time, you coming from such an illustrious career background and from such an organization as large as HUL, what is your thought process when you join a company, and I wanted to understand your cycle if -- so that would help us understand that as a senior person, how do you approach Castrol that at this stage of your career coming to a company, which is being considered on a terminal decline?

Kedar Lele: That's a very good question, Ashwini, I must say. And it challenges maybe my decision to have joined Castrol, but I should tell you my induction experience has been incredibly immersive. It's a new category that I have begun to love and understand. And I made this decision with a lot of thought. So I must tell you two things, which are maybe more factual in nature and more macroeconomic.

If you look at today, the vehicle park that we have, look at the vehicle park for 2-wheelers, it's over 240 million vehicles, vehicle park for 4-wheelers is 45 million vehicles. Every year, India sells about 4 million, give or take, cars and about 20 million, 22 million of 2-wheelers. Now the penetration of EVs in that is about 5%, 5.5% for 2-wheelers and 2%, 2.5%, just about for 4-wheelers. India as a country that doesn't have an incentive like China does to drive EV penetration at the same speed because for us, whether it be EV charging batteries or fuel or the crude oil, everything is import at the moment.

So internal benefit as the evolution of vehicle technology changes from ICE to hybrid to EVs, and we will have EVs coming in, in sectors such as -- look at the buses in the towns or cities, look at the 2-wheeler mobility that last-mile users or salesmen and women use, now those are kind of things which should become EV very, very quickly. Rest, I think next 15 to 20 years horizon, ICE engines will continue to remain relevant.

Castrol as a business is also innovating and finding new applications for products in not just the lubricant, but also in different products that we're getting into, which is coolants and transmission liquids and fluids for data centers and so on. So while I appreciate your view on market viewing the business as terminal value zero, there's a lot more, so to say, juice in the lemon to squeeze for the next 2 decades and more. That's how my perspective has been, and we can really create a very different business in the time to come for this brand to keep growing.

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

Nitin Tiwari: Sir, my questions basically are related to your raw material costs and gross margins to start with. So your gross margin actually had a very decent expansion on a sequential basis in this quarter, raw material prices, I mean, were lower on per unit basis. So what led to that? I just wanted to understand that first.

Deepesh Baxi: So for the quarter, compared to sequential, this quarter was a sequential quarter, the main reason is that every year in fourth quarter, we get our rebates, which is on the volumes that we purchase both for local and international. So that is the one-off that is leading to the reduction in the per liter cost of the materials. I mean there are many other factors, of course, it offsets -- there was a forex in time but before we're simplifying the...

Nitin Tiwari: I'm sorry, I missed on that. You said that rebates that you offer, I didn't get that, or debates you are offered.

Deepesh Baxi: Because we have term contracts with suppliers for purchase of raw materials both global and local, at the end of the year, the rebate, which is a slab, that transferred, we will go with it, so our cost of production goes down.

Nitin Tiwari: Okay. Is it right to understand that, I mean, most of the rebates that came in for the year were in the last quarter? That would be the right understanding?

Deepesh Baxi: That is exactly, and it happens every year. So if you compare last year fourth quarter and this year's fourth quarter as well, you will find that the count is slightly lower compared to sequential quarters.

Nitin Tiwari: Understood. And secondly, if I were to look at your raw material in terms of breakup between base oil and additive pricing, so what would be a broad bifurcation in terms of percentages, if specifics are not feasible, between how much would be additives and basically base oil, when I look at it in volume terms in percentages and then in terms of cost, in terms of percentage?

Deepesh Baxi: So I can't give you exact breakdown, but broadly, you will find that 60% to 70% is base oil, 10% to 15% is additive, then 5% to 7% is the cost of packing material, and then all the other overheads, etcetera, will form the remaining, very high level.

Nitin Tiwari: 60% to 70% is base oil in cost terms?

Deepesh Baxi: In cost terms, yes.

Nitin Tiwari: And in volume terms, how much is base oil in a liter of lubricant?

Deepesh Baxi: What do you mean in volume terms, meaning what's...

Nitin Tiwari: I mean, if I'm looking at the liter of lubricant, so in volume percentage terms, how much of that would be base oil and how much would be additive?

Deepesh Baxi: So look, I mean that's almost a question around what are below material billed is, and that I don't think we will be comfortable sharing with you on that granularity.

Nitin Tiwari: I mean, that's more of a population question, but that's fine. I mean even a broad percentage would be okay with me, if you can...

Deepesh Baxi: Yes. Look, I mean, it will still follow the similar sort of cost profile. It's not materially way off, if you want to take a ballpark.

Nitin Tiwari: Okay. And secondly, I mean, this would be the last one. How do we account for our inventories? I mean was there any incidence of inventory losses in this quarter because our raw material prices declined? So have we booked any inventory losses as well?

Deepesh Baxi: We do it on a weighted average cost, but there aren't any inventory losses that we're able to share.

Nitin Tiwari: And how many days of inventory do we carry generally?

Deepesh Baxi: So of course, base oil and finished goods, both are different. But on an average, you can take that we are -- we tend between -- so fixed -- so finished goods is much lower, okay? And raw materials is slightly higher because there are imports involved, so there is a lag time. But I would say you can take anything between on an average 30 to 40 days.

Nitin Tiwari: 30 to 40 days combined for both raw mat and...

Moderator: Sorry to interrupt you, sir. We request you to please rejoin the queue if you have follow-up questions.

Nitin Tiwari: Sure. I mean it's just continuation of the same question. I understand that I'm not going to ask more than this. So base oil and basically raw mat both combined along with final products is 30 to 40 days basically?

Deepesh Baxi: No, so that will be -- yes, I mean, that will be slightly higher, given that we also have additives. So I think base oil -- that's my answer for base oil and finished goods. So there's base oil, finished good, additives, if I put all of that together, that will be about 50 days.

Nitin Tiwari: 50 days, great, great.

Deepesh Baxi: Thank you.

Moderator: The next question is from the line of Kirtan Mehta from Baroda BNP Paribas Mutual Fund.

Kirtan Mehta: One question on what are the margin drivers for the upcoming quarter. So what I understood from is that there was a higher rebates, which had benefited the cost, probably that would be absent during the next coming quarter. However, we may see some impact from the depreciation of the rupee, and this could probably be partially offset by the higher volumes, which are typical for the Q1 quarter. So how would we see the net margin moving sequentially in the next quarter?

Deepesh Baxi: Great question. So one thing, one is the rupee depreciation to a large extent we've -- already, as I was mentioning earlier, we've taken our necessary pricing interventions to cover that, okay? Every year, our quarter 1 compared to quarter 4, we'll see the cost of materials going slightly up because we take away that underlying rebate impact, yes? So strictly, the comparison will be with previous quarter or as in the previous year quarter 1, in this case quarter 1 2024. All our strategic interventions are firing when it's a good place.

And from that point of view, we do continue to expect that the volume growth will be above the market. And that volume growth once we get the mix right, which is the mix of the portfolio, which is essential series and our brand, and that I think we are making a lot of interventions in quarter 1 as well.

We believe that the margin profile on an EBITDA level will continue to be in that range of 22% to 25%. I wouldn't comment on the gross profit because as a listed entity, we would like to look at the full P&L as well. We will continue to invest in our brands, very important. We have taken -- and you'll see it in the market as well. We are relaunching our flagship brand Activ, and there is a lot of action on other initiatives that we are taking to help the volume growth as well.

Kirtan Mehta: Right, sir. One follow-up on the same. In terms of the Q1 being a seasonally strong quarter for the market, do we expect our margin to be on the higher end of the range during the quarter on a seasonal trade?

Deepesh Baxi: So again, look, I may sound boring, but I'm going to continue to say that we will see it in the range of 22% to 25%. And let me just explain why we are doing it this way. The reason is the input costs have fluctuated and we've seen this year-on-year. Even if you see the fourth quarter's EBITDA margin that we've had in this year, we are very close to 22% in 1Q.

And as we went along, we were able to take the necessary action to get the volume growth, get the right mix and then navigate through these uncertain times in terms of the geopolitical situation and forex. So that's the reason we need a bit of an elbow room to make sure that we were able to balance the volume and the margin. That's really what our intent is.

One other thing you might want share about our business is, while we have the automotive business, and we also have the retail business, we also have very strong B2B business in industrial business, and some of the interventions around price to get the new customer acquisition, I mean that takes time.

And that's not directly -- you can't start in 1 quarter and finish in the same quarter as well. So that's the reason we are giving a range, and this year is a classic example where we've grown the top line, we've grown gross profit, we've grown PBT, and we have managed to be in the EBITDA margin of 22% to 25%.

Kirtan Mehta: Right, sir. One more question on the volume side. We mentioned that around 4% out of the 6% growth came in from the essential range. Would you also be able to give us some color in terms of how the rural expansion is helping us to drive the volume growth? How much would you attribute to our rural expansion?

Deepesh Baxi: Look, I think the rural impact is -- so let me just clarify. Rural, while most of our middle kingdom volume is in rural, not all the rural in middle kingdom, if that makes sense. So in the rural, there is a huge opportunity and requirement from our customers and we will get the right volume -- right mix and right product. So the rural volume growth is much higher, in fact in double digit than what we have done compared to last year.

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

Karthik: This is actually with reference to the last quarter's call. You mentioned about liquid cooling, and you made some strides in the space. I would like to get an update on where this is? Is it picking up in India or abroad? Do you have some use cases that you can share? Any information on this would be useful.

Deepesh Baxi: So I mean, I don't have too much update except for the fact that there is a significant amount of work that is happening and all in the right direction in U.S., in Europe, and we are taking the lead in terms of the data center capacity development. And we know that in India, we could grow double digit in terms of the market of the liquid cooling.

We are, in India, in talks, talking to our customers to both, do a proof of concept and commercial viability of these projects. So a lot of different technologies are currently in progress. So hopefully, I think in the second half of the year, towards the end of the year, we will be able to give you a more concrete answer on where we are and what our road map is for the liquid cooling.

But I must say that there is a lot of work happening globally as well. In fact, in our Patalganga plant, we have set up an R&D center. This is in addition to what global team has set it up at the cost of INR500 crores in U.K. So we are doing that in India as well. So that hopefully gives you an assurance. I think you'll have to just give us some more time, and we'll come back to you in terms of the road map.

Karthik: So based on what you're saying is, you're saying that there is a good amount of promise outside of India, where it has been -- a pilot has been done and looks promising and you want to expand it in India. Can I make that statement? Is that correct?

Deepesh Baxi: No, no. What I'm saying is, the growth is essentially led by global. And there is technology aspect of it. And then there is a commercial viability and testing of the product aspect of it. All that work is happening in global. We are in conversations with them and with the help of our global, we're doing similar conversations in India.

We've now set up something in India as well. And India market, not Castrol India, India market is expected to grow at about 20% on this cooling solutions. That's the frame I would like you to operate in. And Castrol being a leader in technology, we will play into that aggressively. However, we can't give you exact numbers at this stage.

Moderator: The next question is from the line of Natraj Shankar from DSP Mutual Fund.

Natraj Shankar: I just had a follow-up to Karthik's question earlier. So the road map, you said you will probably share in the Jan call in the previous 2 calls. I just wanted to follow up on that by -- you said in 6 months, probably you'll give some color. Is that understanding correct?

Kedar Lele: Maybe I can take that, Natraj, because I could give you a color from my induction time and some learning as well. See, if you look at the number of data centers that exist across the world, most of them are in the U.S. followed by some in China, Europe and then India is an emerging space. Within the data centers, as you would know, the liquid coolant-based data center is a new technology coming up to manage the thermal management as well as the carbon emissions of data centers, which is now becoming a big area of concern.

Now as we said earlier, Castrol is now leading conversations with multiple partners because a data center has 3 or 4 big partners have to come together. There is server manufacturers, chip manufacturers, tank manufacturers, liquid coolant providers and then a technology integrator. And those are some of the pilots, which have started in India as well.

At this stage, we are not at a freedom to disclose who these customers are because we are in advanced stages, some of the pilots have succeeded. We are waiting for the next stages of expansion. But as it expands, for India it is good for our business, it's good for data centers. So we will have freedom or rather privilege to announce those as the agreement gets signed in. And before the ink dries on the paper, you would get to hear about it anyway.

Natraj Shankar: Okay. And secondly, on the 240 million 2-wheelers and the 45 million passenger vehicles you spoke about, what would be your aspirational market share, let's say, 3 years hence, from where we stand today? And if you could also give a color on where you stand today? I mean, ballpark aspirational.

Kedar Lele: Yes. I decided when I came into the role that as a matter of principle, I'll not comment on market share because you would know already that Castrol is a market leader across the 3 spaces of commercial vehicles, 2-wheelers as well as cars. Now the aspirational market share is a pipe dream for many people because there are aspects of coverage of Nielsen, where do you pick up the data and so on and so forth. At an overall level, as long as we continue to grow our volumes ahead of the market, we would see our shares would grow.

And that, to me, is a real testimony to our performance in terms of innovations that we will bring to market, which would be in constant currency with engine changes, which are taking place as well as consumer affordability for value and value price equation that we'll offer. So you would see us, in fact, firing on all the cylinders in the time to come.

Moderator: The next question is from the line of Vipulkumar Shah from Sumangal Investment.

Vipulkumar Shah: So what type of R&D spend we are looking from Castrol in India on data center solutions per annum?

Kedar Lele: Vipul ji, see, the fact is R&D is global in nature for Castrol. And every year, the company spends anywhere between $250 million to $350 million, $400 million on R&D. And given that we have a globally wired organization, all of those innovations come into the country without any delay. So India specifically doesn't need to spend on R&D for data centers.

It's a global project. It has some portions being done in India, some parts being done in Europe, some in the U.S., and then it all comes together. So I think suffice it to say that we will have access to the best and the latest from the day it gets signed off and approved with our vendors and customers.

Vipulkumar Shah: Okay. So can we assume that over the next 2 years, we should be getting sizable revenue from our data center solutions?

Kedar Lele: I think I would have to bring in some more understanding of how data centers would expand in the country and how would they look at reshaping themselves. Because today, opening up a data center and most of large companies and data centers are doing it, still have to understand how immersive cooling system will work in those data centers. And that's what we are all pushing for. So it's a third degree of impact on our category after data centers start changing their shape and structure. But yes, we will all be hoping for that kind of a change to happen in the environment for us to have another fresh line of business coming to us.

Moderator: The next question is from the line of Rohan Jadhav from Jadhav Family Office.

Rohan Jadhav: Congratulations on a good set of numbers. So I have 3 questions. One is, what would be the advertising expenses during the quarter? And what would be the major activities done in regards to advertising? Secondly, any price hike taken during the quarter and for the year and in which segments? And lastly, what would be your B2C and B2B growth for the quarter?

Deepesh Baxi: Okay. Sure. So in terms of advertisement, I am going to simplify the definition, advertisement and sales promotion, if I add together, that is in the range of about 8% of our turnover, and that is something that we will continue to do. In fact, we would want to do more as we go forward. As far as price hike is concerned, I assume your question is, did we take any price increase in 2024?

So in 2023 fourth quarter, we took a price increase. And like I was explaining earlier, price increase and price reduction is a matter of strategic pricing, both to cover input costs and inflation as well. So we did take one more price increase in the middle of the year and that's about it.

On B2C and B2B breakup, look, I think you need to first understand the model because B2C is retail and B2B is what to do with a lot of contracts, which we have with OEM and some of the other businesses. I won't be able to share the breakup of both the sectors in the specific terms, but B2C, we grew single digits; and B2B, we grew double digit.

Moderator: The next question is from the line of Hardik from ICICI Securities.

Hardik: Sir, as you mentioned that going forward, not very nearby, but going forward, there will be some demand that might flow from the EV space as well. So just want to understand any investment, acquisitions we have done or looking for in the battery space or the coolant space, if you can just throw lights on that?

Secondly, you did give the breakup of the segment-wise volume growth. But I just want to understand how the constitute is? For example, the diesel, for the commercial vehicle, if the volume is 70%, 80%. That's how if you can just break up within the segment?

Deepesh Baxi: So on the -- I think the question is more wider in terms of inorganic. So if we work through the capital frame, and this is our projection for the organic capex, which we will grow next year, and our dividend policy and our intent to share the success of our cash generation with our shareholders, if you factor all of that, we will -- in terms of that trade, we will continuously be looking for any inorganic investments.

We did one investment of INR500 crores in the service and maintenance space in key Mobility about 2 years ago. And not only EV, but there are other areas also where we continuously look at the market in terms of scanning and finding opportunity to invest. These are matters of board discussions.

So of course, I cannot share with you, but rest assured, cash is not a constraint. We want to invest in inorganic. And in fact, for a matter of fact, as you must have seen, we have declared a special dividend of INR4.5, which is the highest ever as well, in line with our if we look at distributed cash to our shareholders. So that's on EV. The second question constituent of commercial vehicle purpose. Can you expand what you really meant? I mean commercial vehicles is broadly 40% of our volumes. What constituents were you looking at?

Hardik: Right, so that's what. So basically, commercial vehicle would be a 40% and 2-wheelers, then your passenger vehicles. What's the breakup and the industrial segment?

Deepesh Baxi: So 45% will be the personal mobility, cars and bikes, and the remaining 65% is industrial.

Moderator: The next question is from the line of Gaurav Shah from Harshad Gandhi Securities.

Gaurav Shah: Sir, my question is on the advanced EV and the data center opportunity. So just wanted to reconfirm, so whenever the said opportunity materializes, it's going to be flowing through the listed entity? I just have one question.

Deepesh Baxi: Yes. I think we are actively working on those opportunities, as Kedar had also explained. And currently, I do not have any other ideas in terms of telling you otherwise. So Castrol brand in India is operating through the listed entity. Gaurav, maybe I'll ask you the question in return. So what was on your mind? What exactly were you looking for?

Gaurav Shah: So whenever the opportunity materializes, in sales, when you start the selling and all that, so it's going to be booked in the listed entity, not in some other unlisted entity, right? So Castrol India listed entity will get all the benefit from that opportunity, right?

Deepesh Baxi: Yes. As long as it's Castrol brand, it will be in Castrol entity. But you know, I mean, these are matters of structuring, right? I mean, it's very difficult for me to say anything on that part. But the intent is that diversification is very much an important pivot of our forward strategy for Castrol, not only in India, but globally as well.

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

Deepesh Baxi: Thank you.

Kedar Lele: Thank you.