



“Castrol India Limited
1Q 2025 Earnings Conference Call”
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**MANAGEMENT: MR. KEDAR LELE – MANAGING DIRECTOR – CASTROL
INDIA LIMITED**

Moderator: Ladies and gentlemen, welcome to our 1Q 2025 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 touch-tone phone to reach the operator.

We have with us Mr. Kedar Lele, Managing Director, Castrol India Limited. I now hand the conference over to Mr. Lele. Thank you, and over to you, sir.

Kedar Lele: Thank you. Namaskar, and good afternoon, everyone. Thank you for participating in Castrol India's First Quarter FY 2025 Earnings Call. I'm happy to reconnect with you all today. In terms of company's performance, we are glad to announce that Castrol India has begun the New Year on a strong note with sound performance. As you might be aware, our reporting follows the January to December calendar year, and hence, this is Q1 for us.

Our relentless efforts towards product and service innovation, expanding distribution and investment in our brand have spurred growth in volume despite the macroeconomic headwinds from input costs and forex volatility. This shows our resilience through different market cycles. Speaking of our financial performance, we released our first quarter FY '25 results on Monday, and I would like to share some key highlights with you.

In 1Q 2025, we reported strong financial performance. Our revenue from operations was INR1,422 crores. This revenue was up 7% year-on-year from INR1,325 crores in 1Q 2024. Profit before tax was INR313 crores, a gain of 7% year-on-year compared to INR292 crores in 1Q '24. And similarly, profit after tax rose to INR233 crores, up 8% from INR216 crores a year ago. The growth in top line reflects our continuous efforts towards enhancing our product portfolio and expanding geographical reach, especially in rural areas.

Improvement in our profits underscores our focus on operational efficiency and cost management, which is a trademark of our resilience through market volatility. I would like to take this opportunity to also highlight the company's initiatives towards strengthening our product portfolio and distribution network and the recognition that our brand continues to gain in the market.

In terms of initiatives for brand building and marketing, we re-launched Castrol Activ with a refreshed pack design and advanced formulation. This was well supported by the Garhi Mein Bhi 3x Protection campaign featuring Shah Rukh Khan. The campaign, in fact, reached more than 220 million consumers across digital, TV and outdoor media.

Our association with Shah Rukh Khan as our brand ambassador has grown stronger after the Castrol EDGE Stay Ahead campaign we did with him in the previous quarters. Our training program for truck drivers known as Sarathi Mitra and mechanics known as Eklavya, also continue to gain further popularity.

Speaking of expanding our network and market footprint, our pan-India network has now grown to approximately 148,000 outlets during this quarter. And this is ahead of the milestone we had reached in the previous quarter, signifying our continuous expansion of market coverage.

We continue to expand our reach in the rural areas also, as I captured earlier, where we crossed 40,000 workshops and retail outlets. We signed a supply agreement with motorcycle manufacturer, Triumph, for Castrol POWER1, a 2-wheeler engine oil with full synthetic technology, one of our best offerings for 2-wheelers.

We made tangible progress in boosting visibility and acquiring new customers in our industrial product range. Our chemical management service, also known as CMS business, saw the addition of a major gearbox manufacturer during this quarter. Moreover, our participation in IMTEX 2025 is expected to spur opportunities from new and existing customers.

Our range of rust prevention products, I generally don't get a chance to talk about it too often, but the focus on industrial business with innovations such as Rustilo DW 800 series, which was launched recently, continues to gain traction in the tube industry and beyond. Our Auto Care products are also witnessing increased adoption across the 60,000-plus outlets and e-commerce platforms.

Moreover, our products aimed at SUVs and commercial vehicles such as Castrol EDGE, MAGNATEC variants and CRB TURBOMAX+ CK4 are also gaining wider adoption. Being among the market leaders, it gives me great pride when our products, facilities and teams do win accolades and recognition. For example, our Patalganga plant was awarded a gold during the ESG Global Awards for maintaining industry-leading standards in occupational health, safety, sustainability and industrial hygiene.

This comes after the OHSSAI Gold Award and the Golden Peacock Award, which the plant won in the previous quarter. Earlier on, our Paharpur and Silvassa plants also achieved industry recognitions. Two of our product campaigns, very, very proud to share this with you. For example, Castrol EDGE and Castrol CRB TURBOMAX together won 11 medals at EMVIE for their impact in the market.

And 2 of our senior team members, Mr. Rohit Talwar and Ms. Chikita Sobti were recognized on national platforms for their leadership in the fields of marketing and communications, respectively. Overall, we strive to push our boundaries and remain at the forefront of the industry. We have begun the New Year on a strong footing.

Looking ahead, we shall continue to focus on delivering high-quality products and services to the automotive and industrial sectors. Our focus on expanding our footprints in rural India, coupled with innovative services is bearing fruit. This is in line with our strategy to make Castrol more accessible and affordable for consumers through our growing network.

We are indeed cautiously optimistic about the ongoing fiscal year, and we remain committed to driving growth with execution excellence in all our endeavours. Thank you for your attention. I now invite you to share any questions, feedback or views as we open the floor for discussions.

Moderator: We'll take our first question from CA Shaishav Vora, Financial Adviser.

CA Shaishav Vora: I have got only one question. I just wanted to know if Castrol is developing any product with respect to the data center cooling environment. Do they have any product? And are they working in that area?

Kedar Lele: Okay. Thanks, Mr. Vora, for that question. In fact, in the last quarter's analyst result also this question had come and so is it before that. And you will be happy to know that we have been working already with bunch of data centers across the world where the coolants for immersive cooling as well as direct-to-chip cooling technology has been adopted, developed and now being prospected with large data centers who are moving from ambient cooling to coolant-based cooling of their CPUs and processors.

It's a business which will expand in the future and Castrol with its own range of products is already playing a role in not just partnering these large hyperscalers, but also with data center providers. I'm not at a liberty to express the name of the prospective customers with whom we are working. But in due course of time, as we close those contracts, I'll be very happy to share with you and other people. Thank you very much.

Moderator: We'll take our next question from the line of Nitin Tiwari from PhillipCapital.

Nitin Tiwari: Just wanted some more color and understanding on your volume mix so what was the volume number in this quarter. And you can you provide some more color in terms of a breakup between your automotive and industrial segments. And also within automotive, if you can help us get some more understanding around what is the volume that is going towards your mid-market segment products and also in the rural areas. So that could be one?

Kedar Lele: Yes, great question, Nitin. So quarter-on-quarter from Q1 2024 to Q1 2025, we have grown volumes by 8% at an overall level. Higher proportion of our volume growth comes from automotive segment because that's almost 85% of our business. But I should first say that all parts of our automotive segment, which is commercial vehicle, cars, 2-wheelers have grown handsomely in this quarter. Volume growth in commercial vehicle has been in double digits.

Volume growth in our cars has been in double-digits and volume growth in our 2-wheeler business has been high single digits. Industrial, on the other hand, has also grown in single digits, but that's a business that grows slowly and then builds momentum. Both urban and rural part of our business have shown progress in both volume as well as profitability.

I'm especially delighted about our expansion in rural because at the end of this quarter is also the season of agriculture that starts, and we are continuously expanding our presence in rural

areas and rural is now contributing to a handsome percentage of our business, and we'll continue to expand there because increasingly, as I said in my last analyst call, more than 50% of 2-wheelers sold in the country now are coming in rural areas.

And we are the market leaders, absolutely market leaders when it comes to 2-wheeler brands that we've got and by a sizable margin, and that's why I'm saying absolute market leaders there. Otherwise, we are market leaders in other 2 spaces also. And that gives us great confidence for not just this quarter, but also for time to come.

Nitin Tiwari:

Great. That's really helpful. So if I understood this right, I mean, you mentioned that your automotive segment has really grown very well where you mentioned that cars and -- cars have double-digit growth and 2-wheelers, high single digit and industrial also high single digit. I think that's the right summary, right? And you also mentioned that your rural segment has been growing very well. But any broad -- I mean, like sort of percentage bifurcation we have -- can we have between the urban and the rural sort of demand that we are seeing for our products?

Kedar Lele:

See, Nitin, I'll give you a construct instead of absolute numbers. And all of us have been saying that 35% of population stays in urban, 65% of population in rural, more than 50% of 2-wheelers are now being sold in rural, but vehicle park is more urban-centric, right, which is the total number of vehicles that exist in India. We have about 45 million cars. We have 240 million bikes. It's largely urban. Rural expansion for automotive and the lubricant space has only started in the last few years.

So the contribution, if I were to say, will actually make it very, very visible to rest of the world. And I do not want to make that visible at the moment. But suffice it to say that growth has been in double digits expanding very healthily and comes at similar profitability. So we are not on profitability challenge when we go to rural. That's the power of a leaders' distribution strength that we see across the country. So it's a good space to be expanding in, and we are very happy about it.

Moderator:

We'll take our next question from the line of Harshit Nagpal from Yes Securities.

Harshit Nagpal:

Sir, 2 questions. One on the EBITDA margins that have been slightly lower to our lower band of 22%. Any particular reason for that? And second, more on the fundamental side. So the EV liquid that we have, we have said that we work with the OEMs and everything and all. So is it that -- so how does that work? Is it for a longer period of time?

Or is it just that when you send for a car for services and the ICE in wheel, the person who's servicing the car changes the liquid? How does that fundamentally work? Just a better understanding on it, if you could give, sir?

Kedar Lele:

Okay. All right. First thing first, thank you, Harshit, for the question. I noticed that you do attend our call regularly. The EBITDA margin that you're talking about is, of course, at the lower end of the guidance that we have given for a while now, which is 22% to 24%-odd. This is a quarter

when I had to take a decision for balancing the volume growth and profitability while also ensuring that a large number of consumers get to see the Shah Rukh Khan's participation with Activ and the expansion that we are doing.

So we advanced -- we invested a bit more fuel for growth that should be advertising and support or promotion budget that we have, and that has helped us gain that momentum. So -- and did we -- could we do a little better? We could, but this is the right time to invest ahead of the time so that rest of the year, we get the benefit of that momentum.

Second comparison that we should always do is not quarter-on-quarter, Q4 to Q1 for calendar year, but year-on-year between Q1 last year to Q1 this year. So when you look at that number, our PAT growth is 8% between the Q1 of last year versus this. And that's very, very healthy because Q4, people -- all of you as analysts with a sharp eye know that for last 2 years, Q4 happens to be a quarter when our profitability expands due to the volume benefit that we get from our large global suppliers of volume material that we purchase.

And because of the IFRS principles, we have to budget all of that in that quarter. So it creates some amount of volatility in comparison between quarter-on-quarter. But once all of us get used to it, you will start seeing it. So Q4 tends to be higher profitability with like-for-like business and Q1 over Q1 is a true comparison of performance, which, in my opinion, this quarter has been very good with 8%, 7%, 8% - 8% volumes, 7% top line, 8% PAT.

So that's the detail and the color for your question on EBITDA. See, when the EVs come alive, now I don't know if you do own an EV, EVs don't have an engine. EVs have a motor. They have a transmission box and 4 wheels and a steering and of course, the electronic components. So the amount of fluid that can go into an EV is actually limited to transmission fluids, some greases and of course, the coolant that we are able to put on to the new high-powered batteries which come in.

Now these products do not require frequent replacement or change. These products last longer. And then you have to change them only during the long service interval when there is a requirement of a change in transmission fluid or a battery damage or whatever else. Now it is important and relevant for any of the leader like Castrol to stay relevant with the change that's taking place. So whether it's in business models or in terms of products that we service to these new-age vehicles.

Now before the EV revolution, always remember that internal combustion engine itself is going through a change. So Japanese OEMs favor a hybrid car, which is both gasoline and battery, and we are relevant there, very, very relevant. It works. There's another thing which is coming, which is ICE hydrogen, which is also a big on in Indian government's agenda. And in those vehicles also, we are very relevant.

So this space is going to be quite complex and interesting. And hence, as I keep saying, what is important and required, essential for us is to really perform while transforming the business for

the future. And those are both, so to say, dimensions or vectors on which we are working continuously. Does that help, Harshit?

Harshit Nagpal: Yes, yes. Sir, one more question, if I could squeeze in. Could you give the million liter volume number for this season -- this quarter?

Kedar Lele: No, no, I will because those are in public space. So we delivered over 63 million liters of volume in this quarter.

Moderator: We'll take our next question from the line of Apurva from BugleRock.

Apurva: Yes. So I just wanted your perspective from a medium to long term on the industrial part of the business, right? You spoke about initially, it would be a little steady growth, then it will maybe gain traction. If you could just give some -- what are we doing in terms of strategy? And how are we going about and where do we see the business over the next 3 to 5 years, I mean, as a part of the entire portfolio, sir that would be helpful.

Kedar Lele: Okay. Right. Thanks, Apurva. That's a great question because I also generally believe that the industrial growth in India will see a huge upside in the time to come. And with that, a large lubricant player like ourselves should get our industrial strategy and portfolio right. So that's exactly what we're doing. Now industrial lubricants is a very large set of products. And if I were to define them for you, it has general industrial oil.

It has products like treating fluids, cutting oils, rust preventers, forming oils and so on and so forth, right? And we are a large player when it comes to rust preventers as well as metalworking fluids. Hydraulic fluids, industrial, general fluids or general industrial tend to be low-margin, high-volume products. And that's where some of the large national oil companies play a more key role because they also create a more sticky solution for industries offering fuel, which could be diesel, petrol, gas and along with that lubricant.

Now we have to play the role of being a specialist high-quality specific industries that require our products. For example, I spoke about rust preventers for tube industry or I spoke about the chemical management solution that we can offer to chemical industries or industries like steel and cement in the future. We are big on not just automotive components, but also in metalworking industry.

That's why we participated in IMTEX. And in the future, the electronics industry that expands in India, we are seeing electronics manufacturing coming in here, will also require specific fluids, which is what we make. So this part of the business has been -- has not been very large. It's about 12%, 15% of our business, and it will grow over a period of time because industries are tough customers who require long-term testing to begin with.

And that post testing, once they switch, then they stay with you for a long period. And that's exactly what our strategy is, create products which are high-quality, technologically advanced,

work with a large number of prospects, offering the trials, technology support and then convert them into the customer base that we can then grow over a period of time.

So that's the strategy, Apurva. And I'm very enthused about what we would be doing because we have a dedicated team led by a leader for industries, very well supported by the technical team here and R&D team, not just here, but also in UK and Germany. So that's the plan, and we are here to stay and expand industrial business.

Apurva:

Sure. Just a follow-up on this. In terms of addressable TAM, there are many segments in the industrial, which we spoke about, right? What are the -- what is the addressable market that we are focusing on? Just as a ballpark, I know it would be a bit -- since we are not doing the hydraulics and which are the volume products, but what is the TAM size that we would look to address in the future, maybe not now, maybe 3 to 5 years?

And in terms of margins since industrial customers, right, difficult to break in, but are the margins -- just some color on that.

Kedar Lele:

Yes. Some color I can certainly offer. See, as you -- I think Apurva, you seem to be an analyst of the segment, so you know what we are talking about. Industrial oils and fluids tend to be a very large market. And if you were to think about the millions of dealers that it runs into, the relevant TAM for us will be about 30% of that volume. And that 30% volume also gets chosen because of its healthy gross margin that a partner or a supplier like us can make.

It tends to be lower margin business than automotive. But remember, it does not have the advertising and support spends of our consumer business, aftermarket business that we do. So all of that margin typically ends up coming into -- more of that margin ends up coming into EBITDA. So it's a sustainable business.

Sustainability of that business is very comparable to our overall business where we talk about 22% to 25% EBITDA as the principle with which we have been operating in the past. So I don't see a reason why we should not be growing industrial because it is healthy. It is consistent long-term partnership, and it is technologically advanced.

So that once you get in and start working with a customer, you actually develop long-term partnerships. So that's the way forward.

Apurva:

So if I can just summarize, 30% of the addressable overall industrial TAM that we are looking to gross margins and EBITDA margins is not similar, but a little in the ballpark range of the automobiles. Is that the right way to look at it, right?

Kedar Lele:

I would say that because you're talking 3 to 5 years that would be very true.

Apurva:

Yes, yes, okay. And the pickup you see maybe generally, what is the customer cycle if you start testing now, how much time does it take for you to onboard a new industrial client and so that it becomes sticky. Just trying to understand the cycle, yes. So that would be my last.

- Kedar Lele:** That's the third question, Apurva, but I will still answer and then we will go off this conversation. It does take time. Some customers convert in 4 weeks, some take about 6 months. But the average, in my opinion, is about 8 to 12 week cycle time.
- Apurva:** 8 to 12 weeks. Okay. So in that cycle, we should see maybe next 1, 1.5 years some progress on that -- yes. Okay.
- Moderator:** We'll take our next question from the line of Nishant Chowhan from Geojit.
- Nishant Chowhan:** Yes. First question would be, recently, we've seen a sharp correction in crude oil prices. So could you just help me understand any impact of the same on our financials?
- Kedar Lele:** Okay. Do you have a follow-up question also on that?
- Nishant Chowhan:** Yes. The second question would be a little to do with the data center piece that you mentioned. I mean it was interesting to hear about the same. So if you can just share some more data like what percentage of revenues it currently forms for us? And what is the TAM that we could possibly see in this segment? That's it.
- Kedar Lele:** Okay. So first thing first, Nishant and all other listeners, we keep talking about the fact that while base oils are made out of crude oil, the correlation between the prices of crude oil to base oil is very low. We don't see high correlation between the spot prices or the monthly prices of crude oil to base oil. It's because of several reasons. One is base oil refineries are limited in number across the world.
- And they also have a forward stock of 2.5 to 3 months. So depending on the crude oil availability and the projection of prices is how refineries decide at what price would the base oil be sold in the quarter in the future. So the probability of crude oil prices being low is high. We are seeing that the crude oil projections in this year will be under \$70 a barrel. With that, we should be able to project a number, though with low correlation of base oil pricing also.
- So when we run those models for next 3 to 4 quarters, I see that our net prices landed in India will be more or less similar and range bound as it was last year. So last year also, the crude was not at \$80. This year also, while crude went to \$65, it's in range bound between \$68 to \$70, so not very different. However, what you might have also seen is the forex impact.
- Last year, when it was a landed price INR2 a liter higher in the base is actually getting affected by forex, which is now INR2 to INR3 more expensive. So net-net, if I look at next 2 to 3 quarters, as I stand today, it looks like our total COGS will be range bound and will not be very different as far as base oil is concerned. But remember, base oil makes 50%, 60% of the COGS. There are also additives.
- There are also the cost of conversion and other things which go into making lubricants available in the market. So base oil answer, range bound with forex headwind should look more or less similar to what it was last year. So that's the -- so I'm not being excited too much with crude oil

actually going down and profitability being jacked up because of the base oil being low correlation to that.

So that I hope explains to everyone also because it's a very frequently asked question by everyone. Now coming to data center piece, it's a classic example of future being bright for a product which today is -- has been developed and is being prospected upon. Now if you are talking only India, you would know better than I that the number of data centers in India are run by 4 or 5 large companies, right, which are of repute.

And as the data centers requirement in terms of processing power goes up, the heat that these processing generates, for example, last couple of weeks, all of us were trying to convert our pictures into something which is inspired by the Japanese cartoon, if you remember. We are seeing a lot of profile pictures coming out of that. That picture when it gets created actually generates tremendous amount of heat on the server or the processor that's making it.

How do you control that heat? Today, it's done through air conditioners. Tomorrow, that heat is so high that air conditioners will be ineffective and you'll have to dip those processors and CPUs into coolants, which are nothing but oil coolants. It is similar to a 2-wheeler being air cooled and a 4-wheeler being oil cooled.

So it's the same thinking just that a new way of running data centers will be required. So in the future, when you walk into data centers, you will see large containers and tubs filled with coolants in which the processors will be fully dipped, and you will see them inside the oil.

And that, of course, will do heat management. That is the technology. Now this requires not just the civil work, but hyperscalers so to work with, people who design those tubs, people like us to design those coolants and people like the hardware manufacturers like Dell and HP and others who do those machines which can remain safe dipped in oil. All of this is happening at a good speed across the world.

Today, those numbers in our P&L are negligible. But 10 years from now, would they be significant? The answer is yes. Would that be a new segment where we have not operated? The answer is yes. Would that be profitable? Surely. Are we doing everything to get there? For sure, 100%. So the point being made is, this -- these are areas which will transform the business.

We have to be ready with technological understanding, innovation, route to market and the design thinking in order to be growing our business in sectors which are going to emerge in the time to come. And that's the journey, Nishant, if I'm able to explain.

Moderator:

We'll take our next question from the line of Abinash S from NAFA AMC.

Abinash S:

So I have 2 questions. So this quarter, I noticed that your other cost expenses as -- on a year-on-year basis as well as on a quarter-on-quarter basis is roughly about INR40 crores, INR45 crores

than the usual range of, say, INR250 crores to INR260-odd crores. So what is the reason for that? That's number one.

Number two, the global parent has announced a strategic review of Castrol business. So is there any preliminary discussions or directives from BP PLC to the Indian operations? So if you could just throw some light on it that will be great?

Kedar Lele:

Thanks, Abinash. Let me answer your second question first, right? So BP announced the strategic review of its Castrol business globally with the intention of accelerating Castrol's next phase of value delivery. It is very clear that BP would want to unlock value out of Castrol and Castrol itself has significant growth ambitions, which includes growing our core mobility business, expanding our participation in industrial lubricants that I just spoke about and also enhancing our mobility services and diversifying into central or data center fluids, right?

Now this proposed strategic review will consider all options with, as I said, the focus would be on value creation. Now if you ask me personally, is this a good opportunity for Castrol to determine how we can become more effective and innovative business partner? Surely, it is. Because history of Castrol is 125-year-old, out of which last 25 years is the time when Castrol as a brand has been with BP.

Now we do aim to ensure that any outcome of this strategic review will help us continue to accelerate these growth ambitions and unlock more collaboration opportunities with our partners. Now it is true for Castrol globally. It is true for Castrol in country in India as well. Now coming to your question on our costs, right? And you've already done the P&L analysis. So thank you for that, and I appreciate your efforts.

There are 2 heads in which our costs this quarter have been higher than the last year. We spent about INR18 crores more in ASP, which is called advertising, digital and mechanic activation. And that INR18 crores more is a sizable sum of money. We made a decision that this is the right time to invest because we got Shah Rukh Khan onboard, new campaign was being unleashed.

I hope you managed to see that campaign where Shah Rukh Khan plays a police officer chasing 2 robbers on a summer afternoon in Rajasthan and his bike, of course, driven by Garmi Mein Bhi 3x Protection proposition actually continues, and he is managing to catch those thieves. And that's a proposition landing in a very interesting manner in our storytelling. So we supported that.

And second is what you would remember as what we call as JBR, which is joint business royalty. And since the time my predecessor, Sandeep, started this partnership with OEMs, deeper partnership, and I have simply decided to expand that further. And our partnership with OEMs is such that our business in B2B, which is OEM related has also grown well.

And for that, we have shelved out close to INR14 crores more in those royalties to our partners. And those 2 put together come to INR44 crores of additional cost that you are seeing in the overheads. Does that answer your question, Abinash?

Abinash S: Yes, sir, it does.

Moderator: We'll take our next question from the line of Rohit Maheshwari from Tata AIG.

Rohit Maheshwari: Sir, with 2-wheeler EV...

Moderator: Rohit, we can't hear you clearly. Can you use your handset mode, please?

Rohit Maheshwari: Sir, as 2-wheeler EV penetration is expected to increase like from 4%, 5% to currently -- to 23% over the next 5-odd years. Can you give some color how this is going to impact Castrol?

Kedar Lele: Okay. Rohit, the straight answer to that is we -- all of us get excited about the in-year number, but the lubricants are being used by the full park. The park is the number of 2-wheelers that India has which is close to 240 million. Every year, India has 23 million to 24 million 2-wheelers getting sold. That's what gets sold. Some go into replacement, some go into new. So you can assume that about 60%, 70% of them get added to the park.

Now today, we are seeing only about 5% of that number, right, of 23 million, 24 million, which is about 1 million-odd EV, 2-wheelers getting sold. Over a period of time, in by 2030, my expectation is if government supports it and the EV charging infrastructure at home also grows and they become more safe to ride on, you should see about 30%, as you rightly said, of the numbers getting sold becoming EV, which means of the park, that number will still be less than 10%.

So 5 to 8 years, hence, the total market for 2-wheeler lubricant, which would have grown by then, will see a 10% correction in total volume requirement. So we are actually talking about if the growth of 8% every year in the park with new vehicles for next 7 to 8 years, gets us to a number. And all of us know the rule of 72. So in 9 years' time, this park will double. And at that stage, about 10% of that park will become EV. That's the macro factors which are operating here.

Now what will be the impact on Castrol? As you know, Castrol is the market leader for 2-wheeler lubricant. We have brands like POWER1, Activ, ESSENTIAL. And all of this put together, I believe, as per external data, we have a one-fourth of this business. Fortunately, for us and bad news for others, we also play in EV fluids, including, as I said, the coolant as well as transmission fluid.

So you will see we will see some impact on our volumes in those days and that period. And we will have to replace that with the fluids which are relevant for EVs. But at an overall level, for next 8 to 10 years, I see the growth in ICE-based 2-wheelers actually fuelling our overall

continued growth of 7% to 8% as the industry or the -- as the park size of the 2-wheeler grows. That's the big story for me here.

Rohit Maheshwari:

Okay. Sir, second question is related to if I see 8% volume growth Y-o-Y, can you help like understand -- like help us understanding that how much was from ESSENTIAL? Because when I see the volume, the volume has been growing for the last -- if you take in the last 15 to 24 quarters, the volume is growing like very healthy volume growth is there.

And I guess on the ESSENTIAL part, as per my understanding, you Castrol will be outperforming the industry growth. So if you can dissect that 8% from ESSENTIAL, how much? That will be very helpful.

Kedar Lele:

Okay. So good, I think right in the beginning, Harshit also asked this question, maybe Nitin asked this question, so I can repeat that and also give you a sense of ESSENTIAL. First is this 8% growth in volume is fuelled by holistic growth that we have seen in commercial vehicles, in cars and in 2-wheelers. And as I said, our commercial vehicles and cars have been in double digits. Our volume growth in 2-wheelers has been high single digit.

Having said that, why did we launch ESSENTIAL? And I have to keep talking about it because it does make sense for our kind of industry and our kind of segment. ESSENTIAL is Castrol's answer to a large -- many of the market, the center of this business where consumers do want a more high-quality, acceptable quality oil at affordable prices.

And Castrol has been a premium oil manufacturer and marketer across the world for 125 years. So now in India, with Bharat's strategy, we decided that we must get ESSENTIAL in. And by getting ESSENTIAL, we have begun to expand operations both in terms of availability and in terms of applicability.

Now because we do not give specific segment-wise contribution of our products because then it becomes pretty visible to everyone, suffice it to say that it has allowed us to grow our consumer franchise by a sizable number. Now many people believe that rural India buys only low-quality, low-priced products. That's not true. Rural India actually buys high-performance good products, which offer good value.

And hence, in our rural India expansion, we have been able to prove and see that both high-end Activ POWER1 as well as ESSENTIAL has started growing. What ESSENTIAL has essentially done for us is to make Castrol more relevant for a wider range of people who aspire to buy Castrol but couldn't afford it earlier.

Now that is available at a low price premium, and hence, that is fuelling our growth ambition. But I can only tell you that our premium variants are also growing very, very well. And all of this growth is not coming from ESSENTIAL. If your concern was about profitability of the business that we have been able to maintain well.

- Rohit Maheshwari:** Okay, okay. Sir, the last question is, can you give some color on the Auto Care part, like what will be as a percentage of sales today? And how do you see next 5 years? Does this -- will have a meaningful contribution? And the Auto Care business is a margin dilutive or margin accretive business for Castrol?
- Kedar Lele:** Great question, Rohit. And while I do want to keep the answers limited to only the products that we sell, the question I do ask is, I hope some of you have started taking care of your vehicles beyond just putting fuel and lubricants. And when that changes, a large market will emerge. It's already a INR2,500 crores market in India of Auto Care products which include chain lubes, chain care products or shining products.
- We've got some -- a cloth for the bike as well as all -- it's called multi-use rust preventive and rust addressal spray. All of these products are actually very good expansion for Castrol. Why? Two reasons. One, it gives our consumers opportunity to interact with our brand more often than their lube change frequency. So it makes brand interaction more frequent, number one.
- Number two, because it's a product which actually commands premium, its P&L will be very healthy and accretive to our overall business. Third, this business is not a business of liters. This is a business of units. As of today, it's available in about 60,000 outlets. It's growing in high double-digits.
- You can also buy it online with Amazon and others. And it will be almost like an FMCG product, which gets bought more often and by more people. So -- and we are in the seeding stage. And at some point in time, towards next year is when I'm thinking I'll bring these numbers in light for everyone to see once I've established this business at scale.
- Rohit Maheshwari:** Okay. Just to clarify, you said this Auto Care market is overall INR2,500 crores in India, correct?
- Kedar Lele:** Correct. In MRP terms, yes. That's our estimate because no clear numbers from industry body is available. And most of that market tends to be unbranded.
- Moderator:** Thank you. Ladies and gentlemen, while we do have more questions, we have run out of time. On behalf of Castrol India Limited, I thank you for joining this call. You may now disconnect your lines. We wish you a good day ahead.