

Castrol leverages global strengths for BS VI ride

As both OEMs and suppliers gear up for BS VI emission norms, which will kick in from April 2020, companies like lubricant major Castrol are actively working to ensure a smooth ride for industry. **Nilesh Wadhwa** has the latest update on the company which has been in India since a 100 years.

Of the global automotive growth markets, Asia is where the action is and within the continent, China and India. While China remains in a trajectory of its own, given its standing as the world's largest automobile market, India is now regarded as one of the most dynamic and attractive markets with a strong growth rate. It's a market that Castrol had first bet big on way back in 1910 as its first overseas market.

"Castrol India is the only lubricant company with an uninterrupted presence in the country for over a hundred years with a wide range of products servicing different needs of customers and consumers. We have consistently delivered results and successfully grown the category, with a sustained record of innovation and technology leadership. We are working towards being ready to adapt to changes in the future as well," says Omer Dormen, managing director, Castrol India.

The company was founded by Charles Cheers Wakefield, a former employee of Vaccum Oil (now known as Mobil), who started his own firm for manufacturing automotive lubricant oil in 1899. In 1909, Castrol was registered as the lubricant brand by Wakefield. Within a year, the company opened its first overseas operation in India and in 1919 set up its branch office in Bombay (Mumbai), its first overseas branch.

India, now the world's fourth largest auto market

Castrol India's three manufacturing plants – in Patalganga, Silvassa and Kolkata – have a combined manufacturing capacity of 280 million litres.



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and tipped to drive past Japan by 2021, is of particular relevance to the lubricants world. Already the third largest lubricants market after the USA and China, India, with a total annual consumption of around 2.4 billion litres, the country's demand for lubes is expected to grow between 2-4 percent, making it an "exciting market" for lubricant players, says Castrol India.

According to the lubricant major, there are an



estimated 2,000 players of varying sizes and strengths, catering to different sets of customers and consumers. The Indian lubricant market is estimated to be around 2.4 billion litres (in 2017), with industrial lubricants accounting for approximately 50 percent of that. The personal mobility market, which includes two- and four-wheelers, comprises 20 percent of lube demand while commercial vehicles account for 30 percent of the consumption.

"Castrol, along with national oil companies, accounts for 40 percent of the market. Other multinational companies make up 30 percent of the market while local players constitute the rest.

Over the years, Castrol India, with its strong brand equity, has established a well-entrenched position in automotive lubricants, the predominant category in this industry," says Dormen. He further adds that as per company estimates, 30 percent of the lubricants are sold in the retail segment where Castrol "enjoys a 20 percent market share".



TEST OF TIME

Explaining his view on the company's strong standing, Dornen says, "Castrol has always led the market in forward thinking and believing in the potential of the Indian market. There are multiple instances which illustrate how Castrol India has stood the test of time, built its reputation, credibility and trust over the years and helped keep India in motion. There was a period when many international lubricant brands chose to exit India due to regulatory reasons, but Castrol India stayed on."

"Castrol led the development of the bazaar trade in 1990s when international brands were not able to access fuel courts, which was the only point of consumption at that time. We continue to focus on our strengths – from our state-of-the-art manufacturing plants to distribution reach of 150,000 retail outlets across India, from Castrol's brand power to enduring relationships with key OEMs, and to our cutting-edge technology that enables us to have a series of new product launches every year with superior quality to meet increasing consumer demands," adds Dornen.

The company claims that one in every three cars, four motorcycles and five trucks uses Castrol as its preferred

aftermarket lubricant. Castrol states that more than 80 percent of its volume growth in 2018 has come from new products introduced in the past 12 months. As part of its aftermarket strategy to be close to the customer, at present the company has a countrywide distribution network reaching over 150,000 outlets both in urban and rural markets and is constantly working to provide a "premium brand experience" across various touch-points.

OPPORTUNITIES AND CHALLENGES

The lubricant maker says the present time is an "exciting" phase for the industry. In the next five years, it foresees 88 million vehicles being added to the current vehicle parc while growth in the infrastructure and manufacturing segments is also expected to drive lube demand. "With new engine technology, we are seeing a demand shift towards high-premium, thinner synthetic oils in the passenger vehicle segment. The immediate change will be the transition to BS VI in 2020 and all OEMs are focusing on getting ready for this transition by producing fuel efficient engines that meet the norms. We are actively working with OEMs on new products to meet the BS VI

Castrol's R&D in India focuses on analytical, deployment, product performance and testing functions, OEM technology, platform development and quality assurance.

emission legislation changes in India, leveraging our global experience of similar journeys in other regions."

"In the commercial segment, there is a drive for fuel efficiency as well as extended oil drain intervals. We are also seeing an increase in the last-mile segment driven by a rise in mini light commercial vehicles, one of the key focus areas for Castrol," says Dornen.

"In parallel, together with our global teams, Castrol India is preparing the business for the longer-term future by developing and exploring new revenue models, so we are in a position to take advantage of market changes in the mid- to long-term, focusing on lower carbon, advanced mobility including electric vehicles and digitisation," adds Dornen.

FUTURE OUTLOOK AND EXPANSION

In terms of manufacturing capabilities, Castrol India has three manufacturing plants – in Patalganga, Silvassa and Kolkata – with a combined capacity of 280 million litres. "We continue to look at the mix of products we are selling and how to make relevant capacity additions which are in line with our future demands. We normally expand capacity by 15-20 percent YoY. We invest Rs

100-150 crore every year, not just on plant capacity but for other capex as well," reveals Dornen.

Speaking on the target for the upcoming five years, the Castrol India boss says, "We have seen growth in the last 11 quarters except for the quarter related to GST transition. Personal mobility is a focus area of our growth strategy in which we have grown consistently. We are currently witnessing growth in the commercial vehicle segment too."

As industry readies for BS VI norms, Castrol India has identified AdBlue as a key input for its automotive diesel offering. The company says AdBlue will become a part of its portfolio and will be required along with Selective Catalytic Reduction post-combustion technology treatment for diesel vehicles to reduce harmful emissions of nitrogen oxides.

Commenting on plans for diversification, Dornen says, "We constantly monitor the market and analyse new business ideas to understand the strategic fit for our business. We evaluate these options quite closely."

Suffice it to say that this long-term player remains strongly wedded to the evolving Indian automotive market, 101 years after it first set up shop in this part of the world. ■

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