

30 October 2024

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

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

Scrip Code: 500870

Scrip Symbol: CASTROLIND

Dear Sir,

Sub.: Transcript of audio recording of the Post Earnings Call for 3Q 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 3Q FY 2024 with analysts/investors held on Monday, 28 October 2024 is enclosed. The same is also available on the website of the Company.

The transcript of the 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 --- 3Q FY 2024

Kindly take the same on record.

Thank You.

Yours faithfully,
For **Castrol India Limited**

Hemangi Ghag
Company Secretary & Compliance Officer

Encl.: A/a

Registered address:

Castrol India Limited

CIN: L23200MH1979PLC021359

Technopolis Knowledge Park, Mahakali Caves Road, Andheri (East), Mumbai – 400093

Tel: +91 22 7177 7111/ Fax: +9122-66984101

Customer Service Toll Free No: 1800222100 / 18002098100



“Castrol India Limited
3Q FY 2024 Earnings Conference Call”
28 October 2024



**MANAGEMENT: MR. SANDEEP SANGWAN – MANAGING DIRECTOR -
CASTROL INDIA LIMITED
MR. DEEPESH BAXI – CHIEF FINANCIAL OFFICER &
WHOLE TIME DIRECTOR – CASTROL INDIA LIMITED**

Moderator: Ladies and gentlemen, welcome to our 3Q 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 touch-tone 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 a guarantee of future performance and involve certain risks and uncertainties, which are difficult to predict.

We have with us Mr. Sandeep Sangwan, Managing Director, Castrol India Limited; and Mr. Deepesh Baxi, CFO and Whole-Time Director, Castrol India Limited. I now hand the conference over to Mr. Sangwan for his remarks.

Sandeep Sangwan: Hi. Good morning, everyone, and thank you for joining Castrol India's Third Quarter and nine Months 2024 Earnings Call. I hope you and your family are in good health and all in a festive mood, because of Diwali. So I'd like to start by wishing every one of you and your families, a very happy Diwali. We're delighted to announce the strong growth that Castrol India Limited achieved in the third quarter of 2024. Please note that our reporting follows the January to December calendar.

The company's strong performance this quarter, achieving strong third quarter sales volume and profit reflects our strategic focus and operational excellence. Our balanced approach to optimizing volumes and margins, along with continuous innovation, expanding distribution infrastructure and brand-building efforts had driven sustained revenue growth. This quarter also marked the end of my tenure at Castrol India.

And during my time serving Castrol India and our stakeholders, we made significant progress by transcending lubricants with the launch of Castrol ON a range of EV Fluids. We introduced Castrol Auto Care range, which is a step ahead of our expansion into non-lubricant-related categories. We joined forces with ki Mobility with our investment in ki Mobility and also strengthened our ties with OEMs.

From Shah Rukh Khan becoming the face of our brand to expanding deep into the heart of India's vast rural landscape, it's been an incredible journey that I will cherish always. I'm confident that Castrol India will continue to thrive and contribute to India's progress as a leading force in the future. And I also want to kind of take the opportunity to thank you for your interest in our company.

Now I'll hand over to Deepesh, who will walk you through our financial performance and key numbers for both the third quarter and 9 months of this year. Deepesh, over to you.

Deepesh Baxi:

Thank you, Sandeep, and good morning to all of you. I, too, would like to join Sandeep and wishing all of you a happy Diwali and a great New Year ahead. We released our third quarter full year 2024 results, and I would like to share some of the key financial highlights with you. In the third quarter, we reported a strong financial performance. Our revenues were up 9% from INR1,183 crores to INR1,288 crores and 8% decline compared to the sequential quarter of 2Q 2024.

Profit before tax was INR280 crores, a gain of 6% year-on-year compared to INR264 crores in 2Q 2023. Increased volumes and balanced margins enabled us to achieve strong performance in 9 months ending on September 30, 2024. Our revenues reached INR4,011 crores, representing a 5% increase from INR3,811 crores in 9 months 2023 and profit before tax rose by 3% to INR887 crores compared to INR857 crores in 9 months ending 2023.

We are committed to maintaining our momentum in the coming quarters as well, and we look forward for the rest of the year in terms of our performance delivery. I would now like to hand back to Sandeep.

Sandeep Sangwan:

Yes. Thanks, Deepesh. In addition to discussing our financial performance, I'd like to highlight some significant business developments at Castrol India. This quarter, we launched four new rust-preventive products in our industrial portfolio under the brand Castrol Rustilo, catering to evolving customer needs. These products offer superior performance, environmental benefits and ease of use.

The Auto Care product range also saw new additions, establishing a footprint in over 45,000 outlets and major e-commerce platforms. The recently launched Castrol EDGE variants and Castrol CRB TURBOMAX plus CK-4, suitable for use across OEM engine platforms in the commercial vehicles received widespread positive market reception, solidifying Castrol's position in the premium lubricants.

Castrol EDGE premium range, which is for passenger cars is now widely available through various channels and the successful marketing campaign with Shah Rukh Khan has driven consumer upgrades. The company's continued efforts to expand its distribution network has resulted in reaching 35,000 workshops and retail outlets in rural India. With a robust network of 580 Castrol Auto Service outlets, 29,500 bike points and 9,400 multi-brand car workshops, and dealers, Castrol now has a national footprint exceeding 1,36,000 outlets.

Recycled content and high-density polyethylene plastic bottles, HDPE, increased to 50% aligning with Castrol's sustainability goals. The company also empowered and trained over 8,000 truck drivers and more than 4,000 mechanics this quarter. We have progressively impacted the lives of more than 5 lakh truckers and mechanics since inception of our social investment or CSR programs.

We also launched the Two Wheels One Life program in Pune to promote safe two-wheeler riding among youth. There are some changes in the board as well. The appointment of Mr. Rakesh Makhija as Chairman; and Ms. Satyavati Berera as Independent Director and Audit Committee Chairperson, strengthened Castrol leadership and governance.

Castrol Chemical Management & Services celebrated 12 years of incident-free operations across multiple customer sites, reinforcing Castrol's commitment to safety. Castrol's brand communication efforts for Castrol MAGNATEC and Castrol CRB TURBOMAX Pragati ki Paathshaala, were recognized with six awards at the Indian Digital Marketing Awards, demonstrating their effectiveness in fostering brand equity and engaging with target audiences.

Thank you for your attention. And now I invite you to share any questions, feedback or views as we open the floor for discussions. 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 Saket Kapoor from Kapoor & Company.

Saket Kapoor: Sir, firstly, if you could allude to us what kind of volume growth are we looking in terms of the fillers from the OEM, taking into account the current trends in the auto industry, what should be pencilling in going ahead?

Sandeep Sangwan: So I think, typically, what we're seeing is the volume growth is likely to be what, like 4%- to 5%-odd for this year. That's kind of our estimate for the category. I think in some of the segments, the new vehicle sales have been a bit muted in this year. But I think most of our business from a Castrol perspective is not dependent on new vehicle sales, but it's more dependent on the aftermarket. So that's how we see the total market will continue to grow at about 4%-5%.

Saket Kapoor: And can you comment on the raw material part? And one more question is pertaining to the application in the data center industry. Sir, there have been talks of our products being into cables and as a coolant and can you comment on our play into the data centers electrification part or it is just a misnomer?

Sandeep Sangwan: Yes. So I'll try and answer the questions. I didn't get your question on raw materials. What was the question?

Saket Kapoor: I was looking at the grease and the grease part, how are the raw material basket shaping up and going ahead, with crude correcting and remaining lower? Does that lead to incremental margins for us going ahead?

Sandeep Sangwan: Yes. So I'll let Deepesh answer the raw materials question, and then I'll comment on the data center question that you asked. Deepesh, do you want to talk on raw materials?

Deepesh Baxi: Yes, sure. So as you know, our raw materials primarily is base oil and then there are additives. And if you see the last 9 months, while crude has gone up and down, base oil goes up and down with a lag. So if I were to just take a 9-month average versus 9 months of last year, the base oil has been input cost has been largely flat, yes, a couple of percentages. And that, I think we are able to manage with necessary pricing in the market. And when price goes down of input costs, we do pass on to the consumer as well.

Going forward, again, with all the geopolitical tension, it is very hard to say. But our prediction is that at least for the near term, the input cost is largely going to be in the range of what we've experienced in the last 9 months. So not a material sort of change is what we are kind of expecting. Over and above that, we do have long-term contracts, term contracts with our suppliers. We do spot purchases so that we can manage our sort of overall inventory and input cost averages as well. And that is a continuing strategy that we work on.

Sandeep Sangwan: Yes. And on the data center bit, I think we see that as an opportunity area in terms of commercialization may still take some time. We are running pilots, experiments with some of the customers for confidentiality reasons, I cannot name them. But as a company, we've invested in an R&D facility in Pangbourne, which is our global UK headquarters around in this space, in terms of liquid cooling and immersion cooling for data centers, which brings efficiencies both in terms of space and energy usage.

So early days, but definitely, this is an area that we see as an opportunity going forward, given the emergence of -- and especially with AI going to play more and more role, increasing role in business, this will be definitely an area for growth.

Saket Kapoor: Correct, sir. So I just -- I missed your point on the base oil part. So we are not going -- we are not seeing any margin improvement on account, because of the long-term contracts, offtake contracts we have or how should we take into it, since the crude prices have been benign for now over last 2-3 quarters in a bank and that too trending lower?

Sandeep Sangwan: Yes. So look, like as we've been sharing with the community in the past as well, the reason why we have put the EBITDA margin range bound, which is about 22% to 25% is precisely for this reason because 1 or 2 percentage plus/minus margins do happen during the year, during month and on a quarterly basis. And we expect that we will -- so this time, we ended up with about 22.5%. And if -- unless there is a sort of a big variation in the crude oil and base oil, we would like to manage to be delivering within that margin range.

So typically, 1 percentage margin on EBITDA would be INR50 crores or so as a company. So you can do the math. That's really where I think it could be. But we need that elbow rule, every manoeuvre because every time there is an increase in input cost, we can't just go and take a price increase. Similarly, whenever there is a reduction, we just can't take price reductions or pass on. So we do a bit more medium-term outlook through strategic pricing, and that's why that margin. So in summary, we expect that next 3 to 6 months, we will be in that range bound 22% to 25%.

- Moderator:** We have the next question from the line of S M Kumar, an Individual Investor.
- S M Kumar:** Just I could likely to know about how much cash available as of now?
- Deepesh Baxi:** We have about INR1,200 crores on our balance sheet as of September 30th.
- S M Kumar:** Sir, regarding next question, what about Castrol ON? Any volume growth specifically? Can you share or throw numbers?
- Sandeep Sangwan:** Yes. I think, we sell Castrol ON, but the volumes are very insignificant right now given the penetration of EVs in India. So I think is it making a significant impact to our financials? Not at the moment. In times, it will grow.
- Moderator:** We have the next question from the line of Rajakumar Vaidyanathan, an Individual Investor.
- Rajakumar V.:** Actually, my question is regarding the data center liquid cooling opportunity that you've talked about. First is, as you know, large-scale data centers are getting built, and we've moved from air cooling to liquid cooling, which is I think it's the right approach. When you start -- these data centers are built much ahead before they come online, right?
- So I'd like to know whether when you build this infrastructure, we'll move from air cooling to liquid cooling. Is it the data centers that we are building today, we can do the switch immediately and they can be liquid cooled immediately? Or is it something that you need to plan ahead? And also, how big is this opportunity? And whether you are doing it in India? Or is it like outside India, in the U.S., is this already tried out? Could you add more color to it, just that could be very helpful.
- Sandeep Sangwan:** So first of all, thanks for asking the question because you're asking the right question. And to be honest, I'm not the technical expert on data centers. But the way we see it is, it is a global opportunity. India is not only the market. I think, there are much bigger markets like U.S. and Europe, where there's a lot more capacity, which has been built up or installed from a data center perspective.
- The second thing is, as I understand, you're absolutely right. This is something that has to be designed in the inception stage of data center. It's not something that you can retrofit. Maybe there's a retrofit solution. But based on my limited understanding, I think this is something that needs to be a part of the design tool.
- And that's why we are working with people who design data centers or customers who are building data centers. So it's a -- it's an evolving space right now, but I think we have the right intention and the right capability that we brought into the organization to work in this area.

- Rajakumar V.:** Yes. And so just one more question, sir. So can you at least, sort of, the data centers that we are building today in India, right? Can we say, at least, they are already catering towards -- at least trying liquid cooling that Castrol is exploring. Is that something like that?
- Sandeep Sangwan:** I wouldn't like to comment on that.
- Rajakumar V.:** Sorry.
- Sandeep Sangwan:** I would not like to comment on that, because that is something that we are still working on. This is not information which is available in public domains. So...
- Moderator:** The next question is from the line of Manoj Rajan from Rajan Family Office.
- Manoj Rajani:** Actually, the question I want to ask the management is that, how is this -- significantly how the company is planning to handle the slower supply chain distributions, given the extensive plan that the company might be having? So basically the measures that they are implementing to reduce any kind of cost that might come.
- Sandeep Sangwan:** Sorry, I could not understand your question.
- Manoj Rajani:** So basically, like what is -- how is the company handling the supply chain distribution, given that -- given the extensive plan that they have from manufacturing to end users basically?
- Sandeep Sangwan:** So I think, this is something which is not very new to us. We are the largest scale player in the private sector and the Indian lubricant industry, and we are the largest reach and distribution in the country. As I said, we covered more than about 156,000 outlets. And we have a very robust established supply chain right from sourcing to reaching the end consumer point. So -- and we keep innovating in our route to market, like, for example, a few years ago, we moved our distributor sales reps, for example, to a sales agency called Smollan.
- This is the information which is available in public domain because, we think, we can that way train better people, better frontline sales people. So in terms of -- in terms of our supply chain, I think, we have a very cost efficient and a robust route to market model, which makes our available -- which makes our products available to every nook and corner of the country.
- Deepesh Baxi:** And I will just add to what Sandeep said. So I mean, if you just step back, I'm just going to reiterate our current sort of model, which itself has the flexibility to expand. So we have plants, then we have our CVCs or in other words, the C&F agents, about 15 of them. And then, we have more than 500 distributors, then there are retailers and dealers, which is more than about 50,000, then there are independent workshops, where the mechanics play advocacy role and then consumers and truck drivers. So that's our ecosystem, which is actually much more than 200,000 to 300,000.

And every time we are looking to go deeper, whether it's in rural or any other newer areas. And that is something that we shared in our press release, and we just mentioned that when we started our Auto Care products, that's already available at more than 35,000 outlets. But our core products are available at more than 50,000 outlets. So if you have to expand, I think, in fact, we believe that we have a competitive advantage given that we've been here for more than 100 years, and we built this over a period of time.

So from that point of view, I think we are well covered, but we'll continue to innovate, especially in digital and other areas to make our products reach faster.

Moderator: We have the next question from the line of Abinash S from Nafa Asset Management Company.

Abinash S: I just wanted to know what has been the volume growth in this quarter? And what's the split between OEM and aftermarket sales?

Deepesh Baxi: Yes. So volume growth has been about 8% between this year's quarter 3 and last year's quarter 3. In terms of the -- so I think I just need to explain here because the retail business, that's almost 60% of our business. So -- and that and OEM in both the categories, the volume growth has been about 8% or so in this quarter.

Now when you break it down further, then there are those other market spaces that we operate in, like personal mobility and commercial vehicle. So in commercial vehicle, we've grown about in double-digit and personal mobility, we've grown in middle single-digit. And all of this has been above the market growth.

Abinash S: So for this quarter, it would be 59%...?

Deepesh Baxi: 8%, overall for Castrol India.

Moderator: The next question is from the line of Rohit Maheshwari from Tata.

Rohit Maheshwari: Can you give the absolute numbers for volume for this quarter?

Deepesh Baxi: Yes. So we did 55 million liters.

Rohit Maheshwari: Right. And any specific reason, because when I see quarter-over-quarter trend -- in the last quarter, we sold around 61 million liters. And this quarter, close to 55 million liters. Any specific reason for it?

Sandeep Sangwan: Yes. So I think, there is a seasonality in our business. Quarter 3, even if you look at the historical data, quarter 3 tends to be low compared to the second quarter, and then you see again a bump in the fourth quarter, and this is also driven a lot by the agricultural cycles in the country. And -- that's why you see quarter 3 being the lowest quarter.

So it's not an area of concern for us. We know the seasonality and the patterns. And that's why I think, what is more important is to see the growth rates versus last year rather than the sequential quarter.

Rohit Maheshwari: And in the last earnings call, give me -- you mentioned that, we'll be, by the year-end, we will be looking at analyst presentation on the data center opportunity. Any update on that front?

Sandeep Sangwan: I think, what we said is we're working on it. And I don't know how firm commitment you take our comments to be. But definitely, as we work through this and we gain more and more insights and knowledge, this is something we'll bring to our investor community. By year-end, unlikely most -- yes, or it will possibly be next year sometime.

Moderator: The next question is from the line of Samrudhi, an Individual Investor.

Samrudhi: My question was regarding raw material prices that how are we -- are we hedged against the volatility of oil prices?

Deepesh Baxi: Samrudhi, thanks for that question. So I mean, within the raw material, the base oil, which is a byproduct of crude is what we normally import from other parts of the world. And that earlier used to be about 70%. Now it has become 50%. We do not hedge locally anything on base oil. But of course, we have support from our global parent. And some of the rates and term contract that we entered into with our suppliers are actually supported by global, because the scale is much higher than prices are negotiated globally.

So we get that advantage. So frankly, on that piece, there isn't a need for local entity to do a hedging. What we hedge is the foreign exchange impact for this 50% imports that we do and some of the other materials. So that we do locally. And I think so far, we'll be able to do a good job on that.

Samrudhi: The second question I have was regarding any capex. So are we doing -- going for any major investment plan or any capex?

Deepesh Baxi: Yes. So typically, we've invested about INR100 crores capex in a year. As at sort of 9 months, we've spent about INR60 crores, INR60 crores to INR65 crores so far. Our capex will be on in two or three categories. First category is going to be the organic capex, and that is really about the investments that we will make in some of our expansion into the rural market and some of the newer businesses that we are entering into, like Castrol Auto Services, etcetera. So that's the kind of organic capex we will invest in.

Given the trajectory of the growth plan that we have from a supply chain capacity building perspective, we don't need to invest at least for the next couple of years, because we do have capacity, plus so we can outsource that. And I think the third part, always, as you know, is what

can we do differently more in a different area of diversification in order, I mean, that's a capex, which is a part of the board discussion.

So to summarize, INR100 crores is what we spend. I mean, we will, in the next couple of years be in the range of INR125 crores to INR150 crores.

Moderator: The next question comes from the line of Rohan Jain, Individual Investor.

Rohan Jain: Sir, just a couple of questions, sir. The first one being given the current geopolitical tensions around the world, but primarily in the Middle East. Would our business face any kind of threat at all from these tensions?

Sandeep Sangwan: So I think right now, we've not seen any impact because of the current geopolitical situation, difficult to comment on how the future will unfold. But none of our supplies are impacted per se because most of our base oil is either sourced out of Singapore or locally procured and same for additives.

And I think, we're fine for the time being. And at least, we don't foresee any major impact from a supply side perspective. And on demand side, our business is more -- not more, almost 100% driven by domestic demand. So we don't have any export component, which could be impacted.

Rohan Jain: That's great to know. Secondly, I wanted to understand from you, given the government's focus on clean energy and like the reduction in carbon footprint across the different corporate entities. So just wanted to ask you like, are we taking any steps in regards to these? Like are we doing any kind of initiatives for that?

Sandeep Sangwan: Yes, absolutely. So I think, sustainability as a responsible organization is very important to us. And we do have a carbon reduction program. And some of the things that we worked on, first of all, like we are making major progress on plastic side from a sustainability perspective. Most of our bottles now have at least 50%, if not more, recycled plastic content. We do collect all the plastic that we put in the market. And we've reduced, if I'm not mistaken about 1,000 tons of virgin plastic usage in our packaging.

The second area we work on is energy consumption in our plants. So Patan, one of our plants is completely on renewable energy from the grid. And we've installed solar energy system, solar panels in two of our other plants to make use of renewable energy. And the third area is, for example, in one of our plants, which was earlier running on fossil fuel for our boilers, we've shifted back to pipe natural gas. So multiple initiatives. We also work in water conservation in our plants. So there are multiple initiatives around this area.

Rohan Jain: And do these initiatives make any cost benefits for us like or are we spending more money for these? Or are they making any monetary benefits for that?

Sandeep Sangwan: I think it's more -- we see it as the right thing to do rather than looking at monetary benefits. Something which is good for the society, which is something that is good for the environment. And in the sense, cost is a consideration. But this is the only consideration? No.

Moderator: We have a follow-up question from the line of Saket Kapoor from Kapoor & Company.

Saket Kapoor: Sir, you mentioned that our capex ballpark number is INR100 crores to INR120 crores and our cash balance is of INR1,200 crores. So how are we looking to utilize this cash in value creation ideas for your shareholders?

Deepesh Baxi: Yes. No, great question. And I think, that is definitely a continuous confrontation with the board. So while I shared with you our capex numbers, which are part of our immediate plan, obviously, we're looking into what other organic expansions we continue to supplement the growth plans that we have. So there will be -- there is an intent clearly to ensure that we spend the capex for the right reasons.

Now apart from that, I can't say much about the other sort of avenues that we are exploring. But the fact is we want to continuously make sure that we add the value to the shareholders and share the sort of the cash in best way either with the shareholders or invest into the wider projects that we are in the process of thinking. I'm sorry, I can't tell you much beyond that, but I mean, obviously, this is something which is on top of our mind. Sorry, go ahead.

Saket Kapoor: Sir, what has been our average cash balance for the last 3 fiscal? How have the cash balance grown, if you could give an understanding since you are working with the same of how to deploy it more efficiently? If you just could give me the color on the same? And then, sir, when you were speaking about data center, sir, the another thrust or the another area of growth has been global capability center that are getting a lot of traction in the country, not only in terms of the numbers, but also in terms of the size and the volume they are generating.

So have we worked out on how efficiently the applicability of us in data centers can replicated -- that could be replicated the same model with global capability centers. Their numbers are 2,700 - 2,800 in the country as of now, what we have read news of it.

Deepesh Baxi: Yes. I'll just take the cash question first. So firstly, we manage our working capital and cash deliveries really, really well. And therefore, a sort of a positive thing to sort of acknowledge that as a business across every part of the business is we work towards generating that cash. Traditionally, for the last, you would say, last 3-4 years, we've generated about INR700 crores, INR800 crores of cash every year in addition to the opening balance that we had.

And the dividends that we pay is in the range of about 80% - 85% of PAT. So that is one sort of outflow of cash, one in terms of major. Other piece is that we invested INR487 crores to make an organic investment in a company called Ki Mobility, which is a part of the TVS Group,

and that was a conscious investment, a strategic investment, where we got a stake in that company, and this is about aftermarket independent workshops.

And so principally, these are the two big outflows other than the INR100 crores, INR150 crores of cash so that we have for our organic capex or supply chain capex.

Saket Kapoor: Right, sir. And the comment on global capabilities?

Sandeep Sangwan: Yes. Yes. So definitely, I think, first of all, thanks for your suggestion of looking at GCC, which are expanding in India and India has become a major force in that area. So as part of BP, our parent company, we are also looking at leveraging GCC both from a building capability and efficiency perspective, but that's a part of a bigger kind of corporate programs. In terms of applicability of data center concepts to GCC, I think, that's an excellent suggestion, and that's something that we'll definitely take into consideration.

Saket Kapoor: Last small point before I join the queue again. Sir, you mentioned about 88% of our cash profit being -- our profit after tax being shared with your investors, but taking into account the tax regime and the changes being done over the past few years, that incidence on dividend income has gone up significantly. So the cash being shared from your -- from the company level to what it goes to the investors get knocked off by anywhere between 20% to 40%. So why -- why not the promoter is looking at innovative ways of sharing cash with investing communities where there is lower tax incidence? That thought process was that, sir.

Deepesh Baxi: No, absolutely. Thanks for the thought. But I mean, let me assure you that we have a dividend policy. So we work within that frame, that's first. And the second piece is, we're definitely looking at options, which are just beyond dividend as well. But at this stage, it's very difficult to say. And after we do our analysis, is when we really come down to what is the best way to reward our shareholders. So that's really what it is. It's a part of the shareholder value creation work that we keep doing.

Saket Kapoor: And sir, lastly, on the employee benefit part also, we have seen that also escalating Q-on-Q, year-on-year. So is that the variable part of the portion? Or what has attributed to this -- if we compare the year-on-year numbers from 69 to 81 and Q-on-Q, it is from 77 to 81. So if you could just explain that trend? And what is our annual expense for the next financial year also or the next calendar year rather for us to take into account in terms of the employee benefit expenses?

Deepesh Baxi: Yes. So you're right. I mean, the employee benefit expense quarter-on-quarter has gone up by about 17%, the number that you mentioned. Now in that, there are sort of all the elements that is between last year and this year. Obviously, there is a salary increase that is there across the board, because April 1 is when we get our salary increase. So then there is an impact of that. Then the second impact of that is in variable bonus. And the third is, there has been some restructuring costs that is included in this number. So that is also a part of that. So I don't think

it's a recurring one. The restructuring is a onetime expense, and hopefully, it will come range-bound in the rest of the year.

Saket Kapoor: So what should be the quarterly run rate? So only to conclude, sir. What sir has explained. I was just concluding that. What should be the quarterly run rate in terms of the employee benefit expenses and your thought on also the other expenses line item?

Deepesh Baxi: Yes. So I don't -- so look, there isn't a one-off other than this. I mean, in 3 months, we'll get the results. So you'll see what the number will look like. But in India, the inflation goes up between the range of 5% to 8%, depending upon which category do you see. And we have various programs that run so that we can sort of arrest that inflation through efficiency and effectiveness. So at this stage, I would not like to give you that number. That's -- I give you a sense around what the numbers will look like in terms of the cost inflation.

Saket Kapoor: And other expenses, if you can comment something, I'll join the queue. Where the variation is, how to understand the variation Q-on-Q and year-on-year? Yes.

Deepesh Baxi: Sure. Look, I mean, every company will have a component of fixed and variable. As you see, from 1Q versus last year, we grew 6% volume. In second quarter of the last year, we again grew 6% volume. This year, we grew 8% -- sorry, this quarter, we grew 8% volume. Yes, so there is a variable part of that expense also which plays into a lot of the expenses here, which are also linked and are a part of the other expenses.

So, you have to take that out. And then there is a fixed component. So basically, 7%-8% has been the volume growth and 3%-4% is the inflation growth, and that's really what the combination of the other expenses is. But you have to sell more, you have to travel more, and that's really the principle that will be there.

Moderator: The next question is from the line of Rajakumar Vaidyanathan, an Individual Investor.

Rajakumar V.: Sorry to ask on the data center liquid cooling again. So, assuming that the pilot in terms of successful, would it require Castrol to set up a new plant? And what kind of capex are you looking at when the pilot gets successful? Could you add some color to this, sir?

Sandeep Sangwan: I think, we have enough installed capacity. This will require some capex, because the quality requirements of these fluids are very different. But I think, both from capacity perspective and technology perspective, and capex perspective, we don't see any issues right now. The exact case has not been worked out as yet. So...

Rajakumar V.: So also for the current pilot, I'm assuming there is no revenue. So the cost of this is already baked into the P&L, right?

Sandeep Sangwan: Yes.

- Rajakumar V.:** So would you be able to tell us like how much you spent in the time?
- Sandeep Sangwan:** Something -- that's something that I wouldn't like to comment or share. But the costs have already been kind of there in the P&L. So...
- Rajakumar V.:** And yes, and congratulations Mr. Sandeep, for your bigger role.
- Sandeep Sangwan:** Thank you, sir. Thank you for your interest.
- Moderator:** The next question is from the line of Aditya Shah from Meteor Management.
- Aditya Shah:** Aditya here. Sir, just I have one concern or you can just highlight this. As the market is evolving towards more of the EV segment, say, cars or bikes or everything. So how does Castrol picture itself for the next 5 years towards the EV segment? So is -- do you see a product increase? Or are you going to have new product development? Because even luxurious cars to any cars today, are going towards the EV segment. So, can you shed some light, how does Castrol see itself for the next 5 years compared to the EV segment?
- Sandeep Sangwan:** Yes. So let me, kind of just, answer this question in two components. So, first of all, we see for the next 5 years, a robust growth in the ICE vehicle market. Because as car penetration increases in India, not the whole demand cannot be fulfilled by EVs alone. So EVs will grow, but I think the ICE will grow and also hybrids are growing at a much faster pace now. Because all the Japanese OEM see hybrids as not even as a transitional technology but as a main technology that will support the low-carbon agenda. That's number one.
- The second is, we already supply EV Fluids to two of the largest EV manufacturers in the country. So, we already have supply positions. We also have global supply positions with OEMs on EV Fluids. And as these OEMs bringing more EV modules or EV cars into the country, we are fully geared to supply to them as well. So, I think both from a growth perspective and from a participation in the EV segment, we are well positioned to continue doing our business.
- Aditya Shah:** So just to add on to that. If you can just share the EBITDA margin in the next 5 years compared to this, like any ballpark number, like do you see a growth by see 5%, 10%. What ballpark number do you see in the same margin?
- Sandeep Sangwan:** So, I think, I would not like to share a specific number. We said we will continue to operate in the range of 22% to 25% from an EBITDA margin perspective. That's something that we committed to maintaining.
- 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 all for joining this call. You may now disconnect your lines. Wish you a good day ahead.