

11 November 2025

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

**National Stock Exchange of India Limited**  
Exchange Plaza, C-1, Block G,  
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 2025**

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 2025 with analysts/investors held on Thursday, 6 November 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](https://www.castrol.com/en_in/india/home/investors/information-for-shareholders.html)  
under Investor Call Details --- 2025 --- 3Q FY 2025

Kindly take the same on record.

Thank You.

Yours faithfully,  
For **Castrol India Limited**

**Hemangi Ghag**  
**Company Secretary & Compliance Officer**

Encl.: A/a

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“Castrol India Limited  
3Q 2025 Earnings Conference Call”  
6 November 2025



**MANAGEMENT: MR. KEDAR LELE – MANAGING DIRECTOR – CASTROL  
INDIA LIMITED  
MS. MRINALINI SRINIVASAN – CHIEF FINANCIAL  
OFFICER & WHOLE TIME DIRECTOR – CASTROL  
INDIA LIMITED**

**Moderator:** Ladies and gentlemen, welcome to our 3Q 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 touchtone phone to reach the operator.

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 date of this call. These statements are not the guarantee of future performance and involve risks and uncertainties that are difficult to predict.

We have with us Mr. Kedar Lele, Managing Director, Castrol India Limited; and Ms. Mrinalini Srinivasan, CFO, Castrol India Limited.

I now hand the conference over to Mr. Lele. Thank you, and over to you, sir.

**Kedar Lele:** Good afternoon and Namaskar, everyone. Thank you for joining us to discuss Castrol India's performance for the third quarter and 9 months ended 30th September 2025. As you are aware, we are -- our reporting follows the Jan-December calendar year, and hence, this is the third quarter for us.

And I'm pleased to announce that we delivered another quarter of steady, consistent growth backed by a strong focus on profitability and a portfolio that continues to work hard for us to serve our customers across spaces.

As we look ahead, our priority remains the same, to accelerate volume growth, deliver market share gains, maintain the profitability and stay ahead by building solutions that serve the evolving needs of our customers.

With that, I'll hand over to Mrinalini to take you through our financial performance this quarter and the 9-month period.

**Mrinalini Srinivasan:** Thank you, Kedar, and good afternoon to all of you. Let me first talk about the external environment. The market conditions this quarter remained volatile with base oil fluctuations and out-of-range forex movements adding pressure.

Despite this, we've remained nimble, adapting quickly to the changing market dynamics through innovation, operational excellence and deeper customer connections. We are managing it with discipline, staying focused on cost, driving operational efficiencies and making prudent decisions to protect our value.

Let me talk about our revenue from operations. It came in at INR1,363 crores, which represents a 6% year-on-year growth and is primarily driven by higher volumes that grew 7% during this quarter. EBITDA for the quarter was INR323 crores, which is up by INR37 crores, while profit after tax was INR228 crores, which is 10% higher than same quarter last year.

In the 9 months to September '25, revenue reached INR4,282 crores, which is up 7% year-on-year basis, with EBITDA at INR980 crores, up 9% versus the same period. Profit after tax is at INR705 crores, which is up 8% versus comparable period.

Year-to-date volume growth stands at 8%, underscoring that our growth is sustainably driven by a combination of volume, price and portfolio. We continue to invest with intent in our brands, in digital capabilities and in innovation to stay competitive and future ready. Our balance sheet remains robust, giving us the flexibility to navigate near-term volatility while preparing us for emerging opportunities in evolving mobility landscape.

I hand it back to you, Kedar, to walk us through the details of our performance and share some significant business developments. Over to you.

**Kedar Lele:**

Thank you, Mrinalini. These results reflect our continued performance momentum. Our strategic focus on volume-led growth is beginning to yield sustainable results. We have expanded our reach in rural markets and bolstered our industrial segment presence, which are the 2 key speedboats driving our growth.

The strong growth momentum from rural and industrial areas validates our emphasis on penetrating Bharat markets and leveraging infrastructure and manufacturing upticks in line with the Viksit Bharat vision of Prime Minister of India.

We are also maintaining our market leadership position, holding the number one share across key categories, which speaks to the strength of our business and the deep trust that customers repos in Castrol brand. On the operational front, we continue to strengthen our core business while expanding our portfolio. A highlight of the quarter was launch of new products tailored to emerging consumer needs.

Let me talk about the Castrol All-in-One Helmet Cleaner, an innovative foam spray solution addressing helmet hygiene for 2-wheeler riders. This product fills a real market gap. Most riders had no specialized solution for helmet cleaning, and it reinforces Castrol's position as a complete auto care brand beyond traditional engine oils.

As I shared during the launch, the helmet cleaner is a natural extension of our auto care portfolio, solving an everyday need for riders while opening a new repeat use category for our business. Early response has been very encouraging, and we hope to expand this across the country and channels in the time to come.

We are looking at transforming Castrol from a lubricant provider to a full service and maintenance company. Many of our new endeavours are in line with this vision of being a one-stop shop for services and maintenance providers beyond just products.

During Q3, we signed a notable MoU with VinFast Auto, the Vietnamese EV manufacturer to support their foray into India's EV market. Under this agreement, VinFast will leverage Castrol's workshop network, select Castrol auto service outlets, if you will, to provide aftersales service for VinFast EV customers nationally.

This collaboration not only generates a new revenue stream for our workshops, but also aligns with our commitment to support India's transition to sustainable mobility by ensuring EV owners have service support across the country.

It exemplifies how we can leverage our network and expertise in lubricants. And when I say lubricants, it includes EV fluids, of course, to play a broader role in the automotive ecosystem. With a vast network of 750+ Castrol Auto Service centers, over 12,000 multi-brand workshops that we work with and 33,000 independent bike workshops working towards making Castrol a beyond product brand.

And the MoU with VinFast actually marks a key step in expanding beyond the lubricants into what I call service and maintenance space. We have launched EV fluids under the Castrol ON range. We spoke about it in the last calls also. Going forward, we shall be leveraging our technology center to formulate EV transmission and thermal fluids suited for India's environment. This localization of advanced EV fluids is part of our preparation for the future, ensuring we are ready to serve the growing electric mobility ecosystem as well.

In addition, we rolled out upgraded lubricant variants. And when I say updated, it means Castrol MAGNATEC engine oil compliant with the latest specification API SQ. We were the first one to do so and other auto care products during the quarter to broaden our offerings.

You can see that we have been relentlessly expanding our distribution reach and service network to get closer to our customers. And hence, I'm proud to share that Castrol India's products are now available through over 150,000 retail outlets across the country, an important milestone in our accessibility drive.

This includes a footprint of 40,000+ outlets in rural India. And as we deepen penetration in smaller towns and villages to capture untapped demand, about 500 or so rural express. These are Castrol oil change kiosks and focused mechanic programs are also helping us convert the first-time users and accelerate repeat buying with bikers.

This push for rural penetration is reflecting in our performance as volumes continue to grow across sectors. Equally significant is the growth of our branded service network. We now have more than 750 Castrol Auto Service, what I call CAS centers across 300 cities, up from about 580 a year ago.

Around 33,000 independent bike workshops and about 12,000 multi-brand workshops further strengthen our service delivery network. These workshops, along with our brand distribution base and -- distributor base and 150,000+ retail touch points position us to serve our customers whenever they are with the right products at the right price.

Our expanding network is a testament to making Castrol more accessible and affordable across the length and breadth of India. It also strengthens our partnership with mechanics and independent workshops who are critical stakeholders in our success.

Alongside distribution, we are also executing strong marketing and customer engagement initiatives that reinforce our brand leadership and relevance. Let me talk about a few. Activation

across key markets engaged more than 5 million biking enthusiasts with Castrol POWER1, a brand that stands for ultimate performance in our portfolio.

Additionally, our SuperDRIVE with Castrol EDGE, a campaign this quarter offered consumers a unique chance to feature in a drive with a celebrity, which created buzz amongst EDGE lovers. The event drove thousands of consumer trials across key cities and the 2-wheeler segment, Power1 sponsored events like premium bike races, rider academies and that energized the biking aficionado.

We also celebrated the unsung heroes of our industry, the mechanics through initiatives such as Super Mechanic Saptah, a week-long engagement program recognizing mechanics across the country where 5,000+ mechanics participated.

These programs, along with digital outreach, and I have always spoken about Castrol Fast Scan app with a lot of appreciation, which targets mechanics and Castrol Connect platform for consumers, which are strengthening our brand connect and loyalty. They ensure that the Castrol remains a trusted top-of-the-mind brand for both B2C and B2B consumers.

Importantly, our journey is powered by our people and our value-driven culture. We have invested in multiple people and culture programs, extensive programs this year from technical and leadership training to diversity and inclusion initiatives aimed at empowering our talent and fostering innovation.

Consequently, we are proud that Castrol India is regularly recognized with industry accolades reflecting our team's excellence. For instance, Castrol India ranked among the top 30 Supply Chain Champion Teams in the coveted 2025 Institute of Supply Chain Management rankings.

Our RRBO-based engine oil for BS IV vehicles co-engineered with Tata Motors received Tata Motors Sustainability Excellence Award in 2025, and we also won several honors at the e4m IDMA 2025 for creative excellence.

To summarize, Castrol India continues to fire on all cylinders. We are executing our onward, upward forward strategy with discipline and passion, focusing on core automotive growth, pushing into high opportunity industrial and rural markets and investing in future-ready adjacencies like EV fluid and Auto Care.

With our CMS services gaining momentum, we are well positioned to offer a wide gamut of services beyond the traditional auto applications. We are exploring untapped sectors such as cement, steel, glass, etc., catering to sectoral demands through new product introductions and localization.

Our volume-led growth approach, supported by continuous product innovation and network expansion is building a solid foundation for the future. We believe the Castrol brand has never been stronger and our broadening portfolio and associations position us well to capture evolving market opportunities.

Looking ahead, we remain optimistic, yet vigilant. We see significant runway for volume growth as India's vehicle park expands and the economy remains on a strong footing. We will continue to drive market penetration, especially in rural markets and industrial segment, bringing new customers into Castrol fold and increasing usage of our products and services.

At the same time, we are mindful of the external environment, including the global macroeconomic headwinds and shifts in technology. We are preparing for the future of mobility, which means ICE and electric alike and are confident that our customer-centric strategy and agile execution will enable us to navigate challenges and capitalize on these opportunities.

Castrol India's focus will remain on delivering sustainable, profitable growth and creating value for all our stakeholders. Our aim is clear: great products backed by great service, whether that's the mechanic in the rural market, the technician at CAS bay or our CMS team deployed on a factory's shop floor.

In closing, Q3 2025 was another quarter of steady profitable growth for Castrol India. And despite a dynamic environment, we have maintained margin stability and delivered growth, a dual achievement that not many can claim easily. This underlines the strength of our business model and execution.

As we move into the final quarter of 2025, we remain focused on sustaining this performance and we'll continue to invest in strategic priorities like industrial segment and rural penetration and exercise cost and cash discipline like we have done so far. We are confident that these levers will allow us to navigate any near-term headwinds.

With that, I once again thank our employees, distributor partners, mechanics and customers for their trust and contribution to our performance. Thank you very much, and we can now open the floor for any questions.

**Moderator:** Thank you, Mr. Lele. We will now begin the question and answer session. We'll take our first question from the line of Harsh, an Individual Investor.

**Harsh:** So, congratulations to the team for another good quarter. I was just seeking some clarification in terms of the direction of the company. So obviously, we had a leadership change recently and then we are expected to have another leadership change, right?

And we saw with the leadership change how we now are trying to tap into new products, aftercare products as well as building up our industrial portfolio, so on and so forth. So I just wanted to know with the new leadership coming in, should the investors expect a change in the direction or will we continue to focus on our new products as well as the old segments?

**Kedar Lele:** Thanks, Harsh. I should first thank you for your kind remark. And I must also tell you that Mr. Saugata Basuray, who's going to be taking over from me as of 1st of Jan, is a quality product of Castrol having spent 26 years in the company. And this year, we did not change the direction of the company. We simply brought alive what we had been saying for a while with a lot more execution focus.

And Saugata is part of the leadership team, which designed, deployed and executed that strategy. So -- and it's working for us. We have seen now 6 quarters of growing momentum. And with that, a good balance between volume growth, profitability delivery as well as innovations.

So as long as -- as far as I see, there's no change of strategy in the near or midterm. Of course, there will be some decisions that will happen basis the strategic review outcome of Castrol, which should strengthen our play in India and South Asia. And I'm more than excited about what future holds for Castrol in this geography.

**Harsh:** My second question was we have some INR400 crores, INR500 crores invested in ki Mobility Solutions. So could I just get an update on how that investment is performing? And any basically quarterly or yearly updates on that?

**Kedar Lele:** Yes. That's another great question. Now I think we have -- it's been over 2 years since we invested in KMS. And like any prudent organization, every year, twice, we look at the value of that investment, and it gets audited by our auditor as well. And we are maintaining the value of that investment as ki Mobility goes through its own expansion plan as well as pivots that they are having.

As you know, ki Mobility is one of the largest multi-brand service network, opening new outlets. They've also gone into a corporate franchisee route and building a very sharply differentiated ecosystem of digital services, which includes digital spare parts catalog, ordering app as well as integrated workshop management systems.

So it is allowing us to learn a lot about what happens in the service environment. It is also allowing us to make our brand and our products available in those workshops and of course, use them as our partners as we start expanding CAS offerings. So no change from what the blueprint of our investment was, and we continue to remain committed to ki Mobility Solutions.

**Harsh:** And so what about like the revenues and profits, if any, from that?

**Kedar Lele:** So see, it's a private company and our investment is predicted, as I said. And the revenue that we get is from sale of lubricant into that network. We also get a small commission on sale of spare parts in that network and so on. So that is a small part of our revenues, and we don't identify that in our results as yet. But it is consistently meeting the expectations that we had set aside for that business, for both revenues as well as learning.

**Moderator:** We'll take our next question from the line of Dhaval Popat from Choice International.

**Dhaval Popat:** Congratulations on good set of numbers and also on the margin expansion. I understand on the industrial lubricants as we take over the automotive over the next 3, 4 years and the company is already present, I understand, in the premium segment of the industrial lubricants section. But how would you ensure that the margins do not dilute from here on as far as the overall -- on the back of industrial lubricants component is concerned for Castrol? That is one question I have?

**Kedar Lele:** Okay. You have another one also, Dhaval?



**Dhaval Papat:**

Yes. So the second part I wanted to understand is that the key investor question, of course, which, of course, lubricants face is the EV penetration. And I understand that the company already has EV fluids, but it's just 30% to 40% lubricants that being used as compared to engine oil. So what is the company's strategy or I would like to hear your thoughts about the same?

**Kedar Lele:**

Thanks, Dhaval. I always remember you come up with great questions. Last quarter, you asked about strategic pricing. So let me first clarify that industrial is a very large segment when you look at the universe of industrial lubricant requirement, right? But our play is limited into higher end of that industrial lubricant. We don't play general industrial, which is an undifferentiated product, which is almost 60%, 70% of the volume.

Now what do we play? We play high-performance lubricants. We play metalworking fluids, we play rust preventers and so on and so forth. We also play something that I call as CMS services, chemical management services, which in one line is takes lubricants off the mind of manufacturer, reduces the total cost of ownership, reduces the breakdowns and hence, efficiency goes up. That's really the offerings in industrial.

We are also expanding into newer sectors, which are the growth sectors for India, which could be steel, cement, glass and so on, like I mentioned in my prepared remarks. Having said that, you must know that about 12% to 14% of our volumes come from industrial, and they are growing in double digits.

So over the next 10 years, how much ever -- how much faster we grow industrial, I don't see industrial being larger than automotive, right? So it's a good emerging part of our business, which we want to focus on because industrial will remain protected from EV transition, and it's a very long-term strategic focus of the organization to expand.

Having said that, you would appreciate it, Dhaval, that industrial lubricants, how much ever high performance they may be, will never make same money or margin as automotive lubricants do, right? Because it's an industrial COGS. And hence, I keep saying that we have to balance how much growth we get from industrial versus the profitability growth that we must get from ICE engines as well as EV fluids.

So -- and I should give you a good sense to understand if automotive lubricant gross margin is 100 index, then lubricants in industrial will be less than 25, 30. That's a good way to understand the profitability headwind that you will have from pure industrial guide, right?

If you look at some of the global majors in industrial lubricants, they make single-digit EBITDA versus what you are used to seeing with Castrol in the 21% to 24% kind of a range, correct? So we will have to remain cautious, smart and balance the requirements of the business while we make this business future fit by investing into industrial as a pillar of growth.

Now your second question is about EV fluids. See, I'm also concerned about it because if you drive an EV car, there is no engine. So you are not going to replace the engine oil like you do once or twice a year. But an EV vehicle also uses fluids. For example, there is a transmission fluid, there are greases that you have to use and EV vehicle tends to be heavier than a normal vehicle, which means that the rotating parts require more frequent maintenance.

And if your battery tends to use a coolant, then we also make that coolant. So -- and I'm not getting into profitability just now. But if I were to do a broad CLTV analysis, customer lifetime value analysis of lubricants in a vehicle for 5 years versus transmission fluid as well as coolants in an EV for 5 years, it will be a comparable number. It won't be too way off.

So as long as the organization is clear and committed to ensuring that our innovation, our range offerings and our products are available for this energy transition or EV transition that's taking place, we should keep seeing a business that grows with time.

**Moderator:** We'll take our next question from the line of Nitin Tiwari from Phillip Capital India.

**Nitin Tiwari:** I'm sorry, I joined the call a little late and if you already answered this, I'm sorry for this. But just wanted to understand the volume number in this quarter. And if you can also provide some color on that volume in terms of how much of that was automotive and how much was industrial and within automotive breakup between personal mobility and commercial vehicles? That would be the first one?

**Kedar Lele:** Yes. So Nitin, thanks. I'm sure you will look at the recording later again. But volume growth has always been the focus of Castrol in recent years when we started playing for sustainable volume growth of the business to get benefit of scale and also to get higher number of consumer franchise across our brands.

Now this quarter, specifically, we have delivered 7% volume growth, which brings our YTD volume growth to 8%, right? So -- and if you remember the industry numbers, it is way ahead of the industry bottom line volume growth. So we are growing faster than the industry consistently. That's the first good news.

Second is, if you were to break it into personal mobility, CVO and industrial, which is typically the flavor of growth that you are interested in, our personal mobility has grown at over 6%. Our CVO has grown at about 8% and industrial is in good double digits.

**Nitin Tiwari:** Yes. I was saying that if you can provide me a breakup of volume and percentage terms, percentage of the volume in terms of automotive and CV, etc. I really appreciate you provided the growth number?

**Kedar Lele:** Yes, you heard the growth number. And see, we have put these numbers every quarter in our conversations with analysts and the numbers don't change too much. So industrial, marine does about 13%, 14-odd percent. CVO does about 38%, 40% and our personal mobility is balance, which is 48%, 50%.

And depending on the quarter, many a times, you will know that the Q3 is a quarter when there is low agri, low CVO, Q2, summertime is the high CVO months and high agri months. Q4 will also be high agri months. That's why I'm giving you a range and percentages. And hence, these numbers are usually range bound and stay within that.

**Nitin Tiwari:** Really appreciate the color that you provided. I mean this is something that -- I mean, at least to me that quarter 3 is not heavy on agri and on this. Thanks.

**Kedar Lele:** Thanks.

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

**Kirtan Mehta:** One question on the strategic review of Castrol. Would you be able to share at what stage the exercise is and when is the outcome expected? And at the India level, have we participated any data room exercises or something where buyers have started to look at it in a bit more granular details?

**Kedar Lele:** As you would appreciate, Kirtan, I'm committed to expressing any update that comes to me to the regulator and the market within 24 hours. And you know exactly what I know as of today. And I'll repeat, BP announced the strategic review of our Castrol business globally around February in this year, if I remember right.

And the intention was very simple that they accelerate Castrol's next phase of value delivery while BP retires some of its debt by giving the value of the assets called Castrol. We have significant growth ambitions across the world, which includes growing our core mobility business, expanding our participation in industrial lubricants, enhancing our mobility services as well as diversify into data center fluids.

And we believe that this strategic review outcome considers all those options with a focus on true value creation. So it's a good opportunity to determine how we can become even more effective and innovative business partner to our customers.

And we aim to ensure that any outcome of this review helps us continue to accelerate our growth momentum and ambition, not just for India but beyond. Like you said, all parts of the performance units, India or South Asia is one of the performance units.

We have been supplying data into a data room for potential investors, and that gets run from our central team bound by the NDA and administered by BP's global M&A team directly. And I do not participate in any of that transaction.

**Kirtan Mehta:** A couple of more questions on the operations. You shared sort of growth across 3 different verticals. Would you also be able to share growth in terms of the rural, how much it contributes at this point of time? And what is the growth that we are seeing from our rural penetration?

And the second question was about the base oil. In the opening remarks, we referred to the base oil volatility. Last year, when we have seen it, I think base oil price sort of had a bit of delinked with the crude oil price. So are we now seeing this sort of responding to the crude oil? And does it open up opportunity for sort of reducing the cost levels?

**Kedar Lele:** Yes. So I should tell you something on the second part of your questions first, right? So if somebody asks me, is base oil price connected with crude oil, I'd say there is definite causality. But correlation is low, right? So if the base -- if the crude goes to \$100, would base oil be expensive? For sure, 100%. Well, it will take some time. If crude oil drops to \$50, will it become cheaper tomorrow? The answer is not tomorrow. Eventually, it will. But how much? Time will tell.

Now with that, this year, we have had about 3.5%, if it's a range bound, but I think it's about 3.5% reduction of our cost of base oil is what we've seen, YTD. And a similar inflation is what we have seen in forex. So net-net, we have a small, small, very small reduction of our COGS based on base oil and the forex combination, right? So that's the first point I thought I should tell you.

Second is the question that you've asked. So I think I've answered that. You can give, if there is a color on that, yes. Second question was about how much do we get out of rural. Now I can tell you that there are about 40,000-odd outlets in rural that we service directly. And we also have close to about 500 rural service express that we call as Castrol kiosk, right? And I spoke about that. And these 2 put together give us a sustainable double-digit growth year-on-year.

So -- and rural volumes, if I were to just think about what kind of rural volume do we get, it's a sizable 25%, 30% of our B2C numbers. I wouldn't, of course, put an absolute number out there because competitors are always watching for my recording of analyst calls. But suffice it to say that close to 25% of our B2C volumes are now beginning to come from rural and growing in double digits.

**Moderator:** We'll take our next question from the line of Vipul Shah from Sumangal Investments.

**Vipul Shah:** So what percentage of our base oil requirement is imported? And what percentage is domestic sourced?

**Mrinalini Srinivasan:** Yes. Maybe let me take that, Vipul. Thank you for the question. Today, almost about 50% to 55%, slightly more than half of our base oil comes as an import. The balance is all procured locally. But I -- what's interesting for us as we navigate the supply chain is that actually base oil is a commodity, globally traded and hence, prices are almost globally landed.

What we're able to do when we get it locally is we're able to get it at a lower lead time and there's a little bit of logistics costs that we're able to save. And on the imports, we actually -- we use -- we buy from some of the large players in the market, and we hence are able to negotiate a good rate because our buying scale goes up as well. So while there's a split of domestic and import, I think on a cost basis, we have found the right advantage of sourcing.

**Vipul Shah:** And my second question is, can you give the volume in million liters for this quarter and same quarter last year and last quarter also?

**Kedar Lele:** Are you looking for overall top line volume or base oil volume buying?

**Vipul Shah:** No, volume in liters, sir.

**Kedar Lele:** Yes. So overall lubricant volume liters. In fact, I'm very delighted, Vipul, you asked this question every time. Last time also, we were telling you we did 62 million, 66 million and 61 million. And again, I should tell you, if you were to look at this year's 3 quarters, 63 million liters in Q1, 66 million in Q2 and 60 million liters in this quarter.

**Vipul Shah:** 60 in this...

**Kedar Lele:** And I hope you understood what Mrinalini was trying to explain. In base oil, there is no advantage of buying locally. That's the point that she wanted to make so that all of you appreciate it because base oil, whether you buy from imported source or local, pricing is the same. What could benefit is just-in-time supply.

So we don't need to hold on to that in our working capital or in our storage. So base oil in India is short supply, and hence, we have to rely on international providers of base oil, and that will continue. So like Mrinalini said, a great strategy is to get a right combination of 56-44, 58-42 depending on the quarter and availability to suit the requirements for the business. Thank you.

**Moderator:** We'll take our next question from the line of Mandar Pawar from Kotak Mahindra Asset Management Company.

**Mandar Pawar:** Congratulations to the team for excellent numbers and wishing you all the best for your next endeavour and also to Saugata, who will take over. I have 2 questions here. So first is on the previous question where you talked about the gross margin expansion. You talked about the benefit of the -- some bit of net benefit on the COGS. At the same time, there is also, we have seen the realizations have improved on a sequential basis.

So can you confirm if there have been any pricing actions which have been taken in the market which has to expand? And the COGS benefit also whether that is sustainable going forward because we are comparing this to the peer who have reported and such benefit is not specific. I understand there is a mix change, but if there is anything different other than the mix change, but if you can confirm that.

Second question is on the -- we have previously in the call also been talking about the data center opportunities. And even in recent months, we have seen more announcements coming on that front. And within that, the adoption of liquid cooling as compared to air cooling.

Can we -- are we in a position to analyze as to what could be that opportunity be in terms of the units, litres, opportunities, etc., or realization, how different it can be as compared to the current average realization of the portfolio?

**Mrinalini Srinivasan:** Mandar, let me take your first question. And then maybe for the second question, I'll ask Kedar to also pitch in, of course. So you very rightly spotted in the results that indeed, we have improved our overall gross margin. Our cost of goods sold has gone down. So while our volume grew 7%, 8% in the quarter, our cost of goods has only grown 2% to 3%. So that's the benefit that you are talking about. I thought it's good to clarify for the rest of the listeners also.

Now you asked if this is sustainable. I think this is one of the very important focus items for us in the company. We want to make sure that we are able to improve our overall product cost ongoing structurally. Part of it will come through best rate negotiation. We just spoke about it in the previous question. Part of it really comes by optimizing our raw pack material sourcing, optimizing our formulation, optimizing the costs that we incur in our manufacturing locations.

And as a result of all of this, in this quarter, my cost per liter of lubricant has gone down by about 5%. And if I look at it on a 9-month basis, it's actually gone down by, I think, 2% to 3%.

So this is intentional. This is what we use as a muscle to improve our overall profitability, and this effort should continue even in the future.

Now part of it is really a company's effort, but this part of the P&L is also exposed to the macro environment, and that's also important to be aware of. We spoke about base oil, which is a commodity, and hence, it's -- part of my COGS is defined by that market. We buy in dollars. The price is maintained in dollars.

And hence, we are exposed to the U.S. dollar-rupee exchange fluctuations also. So while we put an effort on making sure the cost goes down, we are exposed to this macro environment, and we try to find the balance always.

You also asked a question on realization. Net realization for us, it is evolving. It will evolve also. Premiumization, I think, is a strategy. We definitely want to do that in each of the states that we operate in. But also, we are very aware that we have expanded our portfolio and entered into the essentials segment, Castrol ESSENTIAL.

And you might be familiar, if you're familiar with our portfolio, we have that in many spaces for our bikes, for our CVO part of the portfolio as well. That comes at a lower realization versus a comparable product.

So we are actually ready for a realization drop, a mix drop in a way. And we do fund part of it with the savings formulation optimization so that at a gross margin level, each of these products give us a good realization. You also asked the question on pricing. I think pricing for us is a strategic lever.

We definitely -- every year or every once in a year, we sit down and we look at those pockets where there is an opportunity and we think we can offer the consumer a better value and price for it. And on the contrary, we also look if there is an opportunity and we need to consider pricing down, and we need to pass on either via promotion or strategic price down. So it's a strategic discussion. We don't do that on a knee-jerk basis or on a shock basis. But yes, we do consider that ongoing. Kedar?

**Kedar Lele:**

Yes. So to be -- to talk about data center opportunity, Mandar, this is my favourite part of the answer because there are no numbers to talk about only principles and concept. Data center opportunity is real. It's a global opportunity which runs into millions of liters of coolant, whether we do a liquid cooling directly to chip or liquid cooling through containers where the processors and CPUs are dipped into the coolant.

Now I have been waiting for my first announcement to be made in India because these testing go on for a very long time. So we work with hyperscalers as well as data center operators, and they are running very long tests, not just with the coolant, but also with the technology to prove the heat management promise that the coolant does over ambient management, which happens through air conditioners.

Now these tests would last 9 months to a year, and we have a sizable amount of liquid coolants now available in India, which we are ready to supply. And you'll be the first one because we'll

not leave a chance to make a media blitz once we win our first customer on the coolant business because we believe it makes our entry into data centers and the future of digital technology makes our products and services relevant to a totally new sector.

And I said last time that in coolant space, the accepted margin in Western world is about \$1 per liter. So if we are able to get some of this business coming in, it will add a good amount of delta to the business, which will not replace anything else that's happening in automotive or industrial or automotive or Auto Care sectors that we are currently focusing on.

So watch this space is what I will say. I'm waiting like you are for our first set of customers to finish the trials and order the liquid.

**Moderator:** Next question is from the line of Nitin Tiwari from Phillip Capital India.

**Nitin Tiwari:** Actually, my 2 questions are also related to, one, your raw material cost and other data center opportunity. So on the raw mat cost, did we factor in any discounts or rebates from the suppliers? And do we typically do that in the fourth quarter. Is there...

**Moderator:** I'm sorry, Nitin, your voice is sounding muffled. Can you use your handset mode, please?

**Kedar Lele:** Speak slowly because the voice is muffled, it's difficult, just speak slowly and then pace slowly.

**Nitin Tiwari:** [inaudible 0:46:51]

**Moderator:** No, you're sounding muffled again. No, we can't hear you at all now. Until then should we take the next question, sir, because we are unable to hear him?

**Kedar Lele:** Yes.

**Moderator:** We'll take the next question from the line of Kirtan Mehta from Baroda BNP Paribas.

**Kirtan Mehta:** We spoke about sort of transitioning from new provider to full service and maintenance providers, so adding beyond just products. So over the next 5 years' time, how do we want the mix to evolve? What could be the probable mix that we are looking at?

**Kedar Lele:** Yes. Kirtan, good question, but this is too early for us to start giving a guidance on mix because if you remember, we used to have just about 300, 400 CAS's. Now that number has moved to 750. And our recent tie-up with VinFast has taught us that we can make this network available as a source of reliable and accessible aftersales support for even EV customers and smaller manufacturers and OEMs. So we are looking at the network effect coming into play in the future.

And it will take a lot of efforts and a lot of, I should say, resources from our side, whether it is in people, technology, network, guidance, services, spare parts, lubricants. And all of that put together will make the service and maintenance offerings complete. And you will see this organization transform over the next 3 to 5 years. And every quarter, you will start seeing some small numbers coming in and over a period of time, will add to a sizable number.

And just for sake of comparison I could offer, these are not numbers, but an inspirational case. I was in the U.S. with the leadership team, and I saw how Valvoline Quick Lube change network of 2,000 outlets across U.S. is a very large business that Valvoline did not sell along with its lubricant brand when they did the transaction.

So -- and we believe that something -- a CAS network, which offers a reliable service could become a strategically very important lever of our future growth, but no numbers as yet for me to share.

**Kirtan Mehta:** Sure. And is this ambition primarily at the India entity level? Or does the global Castrol also have the similar ambitions?

**Kedar Lele:** I think what's relevant for CIL listed perspective is the ambition in India, which is being tested out, should see light of the day and get scaled up. And it will have to be supported globally with both ways of working, technology and processes, but that's not relevant for CIL investors or for this conversation.

**Moderator:** We'll take our next question from the line of Parimal Mithani, an Individual Investor.

**Parimal Mithani:** Sir, this is regarding your data cooling business. I would like to know, sir, how competitively are you going to be priced in terms of your competitors in the similar space and who have their products out? And how do you see it -- what's the differentiation between the Castrol coolant versus the existing companies like Motivair which have? If you can throw light on that much better, sir.

**Kedar Lele:** Yes. First is, as I explained just in the last question to Mandar ji, that these are long gestation period sale, which happens not because you offer a price, but you offer a technology, a formulation and then the assurance of supply over a period of time, right?

It's not just about a data center deciding, but also the equipment that gets dipped into the liquid coolant or the processors which will get cooled with your coolant. So there's a lot more that goes behind the scene here in formulating the product and then delivering it to the promise.

So it wouldn't matter whether we offer at X value per liter versus somebody else who could be offering at Y liter per value. What is important is that we get these contracts and we remain with those customers for a long time to come. And I gave you a benchmark number of gross margin, which also is yet to be realized and seen in Indian context.

But that -- those were the 2 answers so that if somebody is modeling to see what it could be, you have some numbers to work with because those are the numbers that we are also working with for the time to come. But that's where this would be. Time will tell how sustainable this product advantage would be and how we'll continue to work with our customers closely to offer value in their systems and processes.

**Moderator:** Next question is from the line of Dhaval Popat from Choice International.



**Dhaval Popat:**

Again, a, I want to understand if the company plans to expand into the space of diesel exhaust fuel. I understand company is already doing certain numbers and whether they would be able to ramp up from here on. B, I understand the company is already hedging about 80% of its forex exposure. But if the currency depreciates from here on, does the company have a plan further on to protect its margins?

And ultimately, c, I understand the EBITDA margin guidance of 21% to 24%, but do you -- does the company see it breaking out of this 24% and moving it higher? I do understand lubricants is a commoditized business, but Castrol is doing it so well. Can it break it to the next level of EBITDA margin?

**Kedar Lele:**

Okay. Dhaval, you are really pushing hard on this. And if I said DEF is not something that we want to expand only because you expect us to be at the higher end of that margin, that will be an appropriate answer because DEF is a commodity.

And you will not take your vehicle to a Castrol store to choose Castrol DEF if I charge you INR2 liter more because I have to deliver in the guidance. So DEF is undifferentiated product. We are present there, but we wouldn't want to expand it aggressively. That's the answer for DEF.

Forex exposure, I'll ask Mrinalini to let you have the answer. But realize the fact of our life is that RBI is sitting on a very large cash or forex reserve over INR650 billion, if I'm not mistaken. And RBI will do enough to keep it within a permissible limit. And if it keeps it within the permissible limit, I think we should be good with our assumptions for 2026.

But I'll let Mrinalini give you specific answers. And if I were you, I would be really, really happy with Castrol as long as Castrol delivers the EBITDA in 21, 23, not even 24 and consistently delivers the volume growth of 7%, 8% and the sales growth of 6%, 7%, which means you're seeing an EPS growth of 6% to 7% on a very, very solid base instead of then asking saying, can you do more?

Because in the comparable universe of a listed company, you can see where the EBITDA margins are. As a matter of fact, we are almost at a level where no lubricant company has been able to operate for such a long time. So going back to Mrinalini on forex.

**Mrinalini Srinivasan:**

So Dhaval, good question on the forex. When it comes to forex volatility, I think of it in 2 parts. What we at Castrol do is we ensure that the volatility doesn't give us any shocks in the P&L, which is why while in the July, August, September quarter, the rate went from, I think, \$86 and it even touched \$90 at a point in time, our P&L was protected because we had hedged for the quarter, and we didn't see any shocks and we didn't have to respond with any shocks.

So we definitely focus on ensuring that the volatility doesn't impact us. But on a longer-term period, will I increase my hedge cover to a longer period? I don't know. We keep looking at these efficiency models.

We look at what all forex is to cover, how much period to cover. And I think if at any point in time, it comes with -- it shows us that, that level of discipline will help us additionally, we may.

But as of now, the focus is to ensure short-term shocks are avoided by our hedging strategy. And in the long term, we plan for it because it becomes a structural cost for me to incur.

**Dhaval Papat:** Yes, thanks a lot on the FX. And yes, really happy to see that Castrol may not expand in DEF.

**Moderator:** We'll take our next question from the line of Harsh, an Individual Investor.

**Harsh:** So if I'm not wrong, we have some seasonality in our profits due to the bonus or the incentive that we get, right, once a year. So -- from our parent essentially. So I wanted to know if/when Castrol is sold, will that jeopardize our incentive? So essentially, does the incentive come from Castrol or does it come from BP directly?

**Mrinalini Srinivasan:** Harsh, thanks for the question. And I must say it's good to interact with you when you have gone through the results in detail and you have spotted this correctly. You are right. On our employee costs, because of certain base effects, which happened in the same quarter, comparable quarter last year, it appears that the employee cost has gone down.

Now while I think Kedar said, I think the result of the strategic review will be announced when it does and all the changes that, if any, have to happen will be announced there. I think what is very clear is we in Castrol India wants to invest in the organization, especially as we prepare to deliver the onward upward and forward strategy.

So we invest in 2 forms. One, we invest in making sure that there are people staffed to do the job and the people who are staffed already are motivated and retained for the longer term. An average tenure in Castrol is 10-plus years, which means that we really invested in our employee cost. So there are no really knee-jerk shock reactions expected on how we manage our employee cost base, but you're right in spotting that there was some base impact.

**Harsh:** No. So I'm talking about -- I think there was some discount or something like that, that we received -- that we receive 1 quarter every year...

**Kedar Lele:** I'll answer that. I think she was meaning to tell you that. So no, BP globally does not make any base oil and Castrol is the one across the world for our 2.2 billion, 2.3 billion liters of sales, we do buy base oil from multiple suppliers.

And these global deals are with Castrol, and we get benefited because we also consume a hell of a lot of that material, and we get appropriately discount coming into our numbers because of what we buy as part of global Castrol. So none of these discounts that we see in the Q4 will get affected by any strategic sales. You can be rest assured. Thank you very much.

**Moderator:** Ladies and gentlemen, we are in time, and hence, we are closing this call. On behalf of Castrol India Limited, we thank you all for joining this call. You may now disconnect your lines. We wish you a good day ahead.