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4 November 2022

To,

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

Scrip Code: 500870

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

Scrip Symbol: CASTROLIND

Dear Sir,

Sub.: Transcript of audio recording of the Post Earnings Call for 3Q FY 2022

Pursuant to Regulation 30 and 46 read with 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 with analysts/investors held on Tuesday, 1 November 2022 is enclosed. The same is 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 --- 2022 --- 3Q FY 2022

Kindly take the same on record.

Thank You.

Yours faithfully,
For **Castrol India Limited**

HEMANGI
YATEEN
GHAG

Digitally signed by HEMANGI YATEEN GHAG
DN: c=IN, postalCode=400055, st=MAHARASHTRA, street=MUMBAI, l=MUMBAI, o=Personal, serialNumber=aac195dbdaec298aac135ee56411932eca22efcf109568162c11b6e1cd75e10d, pseudonym=bce6a60d3d4c4cf299dc4f1bf8c9e804, 2.5.4.20=294ca86f1818aa2a3388dc6f1a930ea14fbffba6270cc047443c9a49f4a49fc3, email=HEMANGI.GHAG@BP.COM, cn=HEMANGI YATEEN GHAG
Date: 2022.11.04 14:41:44 +05'30'

Hemangi Ghag
Company Secretary & Compliance Officer

Encl.: a/a

"Castrol India Limited
Q3 FY '22 Earnings Conference Call"
01 November 2022

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 2022 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 remarks. If you need assistance during the conference call, please press star then zero on your touchtone phone to reach the operator. We have with us Sandeep Sangwan, Managing Director, Castrol India Limited, and Deepesh Baxi, CFO and Whole-time Director, Castrol India Limited.

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

Sandeep Sangwan: Thanks. Good afternoon, everyone, and thank you for joining us today. I hope you and your family are doing well and are safe and healthy. We are pleased to share that Castrol India Limited has delivered a resilient performance in the third quarter and nine months ended 30th September 2022. Our third quarter performance was in the backdrop of extreme ForEx and inflationary pressures arising from volatile crude oil prices, leading to rising cost of additives and base oil.

To safeguard our margins and deliver bottom line growth, we employed rigorous pricing and cost management. The inflationary and ForEx pressures will most likely continue in fourth quarter '22 and our top most priority will be to continue driving growth in line with our strategy and serving our customers' needs while protecting our margins. The balancing act in our view will need to continue at least for a couple of quarters.

I now invite Deepesh to take you through our numbers and financial performance in detail.

Deepesh Baxi: Thank you, Sandeep, and good afternoon to everyone. Let me share with you some key financial highlights from our third quarter and nine month 2022 results, which we announced yesterday. In third quarter 2022, we reported strong financial performance. Our revenues were up by 4%. The total revenues were INR 1,121 crores compared to last quarter of INR 1,073 crores. Profit before tax was INR 254 crores, up 2% from INR 250 crores in 3Q 2021. With our 3Q 2022 results, nine month revenue from operations stands at INR 3,598 crores and this was a growth of 16% compared to INR 3,102 crores in nine month 2021.

Our profit before tax for nine month 2022 was INR 845 crores, 9% higher than nine months 2021, which stood at INR 772 crores. Overall, we remain confident of our strong business fundamentals and long-term profitable growth in India.

I would now like to hand the call back to Sandeep.

Sandeep Sangwan: Thanks, Deepesh, for sharing those numbers. Besides the financial performance, I'd like to draw your attention to some key business developments at our end. First, as part of Castrol's ongoing sustainability initiatives, we introduced a new more sustainable packaging for our premium engine oil brand POWER1 ULTIMATE for two-wheelers, in line with our Global Path 360 sustainability agenda. The brand will now be available in a 100% post-consumer recycled or PCR bottle made from reprocessed plastic waste instead of virgin plastic.

Plastic waste management is an important aspect of Castrol's sustainability roadmap for India. In '21, we had introduced new lightweight bottle designs for our medium packs, which is 3 liters to 5 liters, that reduced our plastic use on average by about 20% per liter. Our new Castrol POWER1 ULTIMATE bottles are the first 100% PCR plastic lubricant bottles in India.

An integral element of our future-ready strategy is our foray into the automotive aftercare market and into service, maintenance and repair. We're making good progress in this segment with our Castrol Auto Service workshops and Castrol Express Oil Change centers. In third quarter, we expanded our Castrol Auto Service network reached to 210 multi brand passenger car workshops in 110 cities across India. Our CAS workshops are equipped to serve both EV and non-EV segments.

Our Castrol Express oil change outlets, which are present in GOBP mobility stations across India expanded to 42. The outlets offer two-wheeler consumers swift and reliable oil change on the go. To continue supporting mechanic upskilling and contribute towards the transition to greener and more sustainable mobility, Castrol India introduced a unique EV readiness training program for mechanics. Over 100 top tier car and bike mechanics underwent the ASDC endorsed training in New Delhi and also previewed the Castrol ON range of advanced EV fluids, which will soon be launched in India.

In addition to our current EV partnerships with Tata Motors and MG Motors, we are also exploring further collaborations with electric vehicle OEMs to help advance electric mobility in India and supporting mechanics to get EV ready while continuing to launch new superior performing products in the traditional lubricant space.

Earlier in the second quarter, we'd also shared about BP's plans to invest GBP 50 million or roughly about INR 500 crores in a global battery research and development center at Castrol's global headquarters. This technology center is planned to be operational in 2024, which will help us find solutions for our customers on thermal management of batteries, which is a key pain point as far as EVs are concerned.

So we continue exploring opportunities in the EV space to create value and solutions for our customers. And on that note, I'd like to open the session for your questions.

Moderator: Thank you, very much. We will now begin the question-and-answer-session. If you wish to ask a question, please press star and one on your touchtone telephone. If you wish to withdraw your questions from the question queue, please press star and two. Participants are requested to use handsets while asking a question. Also in lieu of time, will stick to two questions per person. If you have any further questions, kindly rejoin the question queue. Ladies and gentlemen, let us wait for a moment while the questions come in.

The first question is from the line of Chetan Shah from Jeet Capital. Please go ahead.

Chetan Shah: Sir, congratulation on a good set of number.

Moderator: Sir, if you can take the phone off speaker, please? The audio is a bit muffled, sir.

Chetan Shah: Actually I'm on a hand phone. Just a second. Now is it okay?

Sandeep Sangwan: Continue, Chetan, we can hear you.

Chetan Shah: Two quick questions. First question from my side in terms of understanding the new business opportunity specifically into services and services side of the business, which you kind of partly elaborated in your previous call. But if you can give us some sense that what are we looking at in this business for next three years to five year time horizon and how do you see this business switch to our existing core business? One is that.

And second, to extend your opening comment about BP investing into EV R&D facility on Castrol Global. How do you see that reflecting into Castrol India's operation and opportunity going forward? These are the two very specific questions from my side, sir.

Sandeep Sangwan: Chetan, let me first kind of respond to your question on service and maintenance. So if you look at Castrol in India has a legacy of about 100 years and consumers trust Castrol as a brand. Consumers have a huge trust on Castrol as a brand for providing quality products. We want to take that trust into the service area by working with premium workshops across India in providing service and maintenance solutions to consumers and that offering is based on a concept of a certified workshop in the aftermarket. Because one of the pain points consumers have is in the independent aftermarket, they don't know which work shop to trust the quality and the service offered unlike a franchise dealership.

So what we are creating is a network of workshops where consumers can get quality service from a trusted certified workshop. When I say certified, these workshops are certified by a certification agency which in this case is TUV as they call it in Germany. And our intent is as the service and maintenance ecosystem develops and gets more, if you say, consolidated, we play into that opportunity. So while we provide lubricants in future, we will continue adding more services to serve our consumers and customers. So that's the first one.

The second is Castrol India has always leveraged the R&D and technology support available from our global headquarters, which is located in United Kingdom. Just to give you a very small example. When BS VI specifications came in India, Castrol was the first company to have a BS VI ready portfolio for our customers because in Europe that had happened quite a few years ago. So similarly as EV technology develops by having a technology center based out of UK and working with a large number of European and global OEMs and when I say global OEMs; it's European OEMs, we have very strong relationships with some of the big Chinese OEMs which are becoming big names in EV space. So Castrol India will get the advantage of products and technologies, which have been proven in developed markets for electric vehicles, and we'll be able to leverage that to serve the needs of consumers and customers in India.

Chetan Shah: Just a small clarification. No, just a clarification on the previous question. So when you spoke about the service center, will this all be owned by Castrol or it will be owned by somebody else and we'll be certifying that? Just that clarification, sir.

Sandeep Sangwan: Yes. So these are not owned by Castrol. These are certified by Castrol to provide quality services. These are entrepreneur owners who run these workshops and we're not going to change that model. I think our intent is to support these people in professionalizing their workshops, professionalizing their services and give better services to the consumers.

Moderator: Thank you. Reminder to the participants, please limit your questions to two per participant. The next question is from the line of Nitin Tiwari from YES Securities. Please go ahead.

Nitin Tiwari: My questions are book-keeping ones. So what was the volume for the third quarter and for the nine month period?

Sandeep Sangwan: So I'll let Deepesh take that.

Deepesh Baxi: Right. Nitin, the volume for third quarter was in the range of 47 million to 48 million liters.

Nitin Tiwari: And for the 9M period?

Deepesh Baxi: Yes. And for the 9M period, it was 162 million liter in that range.

Nitin Tiwari: And secondly, I noticed that there is a sharp drop in your other expenses in this quarter vis-a-vis previous quarter and also same quarter last year, so what could be the possible reason for that? And related to that only, if you can elaborate a little bit on how does ForEx impact our business and where it is accounted for?

Deepesh Baxi: Sure. So the other expenses have dropped mainly because of our aggressive cost management initiatives. We are looking at costs into efficiencies and effectiveness on different fronts, right? So there have been various cost buckets in which we've been able to pull levers and have some sustainable cost savings. By the way, we do this as a regular exercise, so there have been initiatives which have yielded cost savings.

As far as your question on ForEx is concerned, we do get impacted by ForEx and as Sandeep had mentioned in his opening statement, because we import almost 60% to 70% of our raw materials, ForEx does impact us. However, we do have a hedging strategy and this year we've been able to do very well on that hedging strategy as well. ForEx gets accounted in two parts. The ForEx loss or gain related to the time that you import the material and book the invoice, all that goes into the cost of materials. And ForEx gain or loss, which is really the difference between the accounting on the date of when you book the invoice to the time you made the payment which by the way can be hedged, goes in other expenses.

Nitin Tiwari: So that's why I'm asking question because you had mentioned that ForEx movement has impacted you in this quarter, but other expenses have actually gone down. So I was also under the impression that typically ForEx related movement is captured in the other expenses. And secondly like continuing on the other expenses bit so are these the levels that we should like continue to look ahead as well in the coming quarters or there will be changes in that or is there any one-off in the other expense in this quarter, which might not be in the fourth quarter or subsequent quarters?

Deepesh Baxi: So just to clarify, I mean there is a small component of ForEx in the other expenses, but as I mentioned most of the ForEx differential that comes through, because of the import cost going up that sits in the cost of materials. On other expenses, how sustainable it is? Well, just there are fixed expenses and then there are variable expenses. As our volumes will go up obviously the variable expenses related to other, which are in other expenses will get impacted as well and will go up. However, our endeavor is to keep other expenses at a sustainable level. But there will be that 4%, 5% inflation, which any business will go through. And you know that the inflation is going up. So we are working hard to make sure that we are able to manage that in a sustainable way.

Moderator: So sorry to interrupt. But for any follow-up questions, may we request you to...

Nitin Tiwari: No, I'm continuing on the same question. I'm not asking a new question. I just wanted to get a breakup of the ad expense in this quarter and previous quarter, which is a part of other expense. So I will like to just ask that. That would be my last query.

Deepesh Baxi: I'll just quickly answer. Our advertisement expenses generally are in the range of 3%, 4% of our revenues so we operate within that range. You can do the calculation...

Moderator: Thank you. Participants are requested to limit their questions two per person. The next question is from the line of Siddharth Gupta from Voyager Capital. Please go ahead.

Siddharth Gupta: Congratulations on a good set of numbers. I have two questions. Firstly, could you elaborate on the changes made to the AOA and the MOA? How exactly is it going to impact us in terms of what possible business opportunities were outside our scope of MOA, which have now been incorporated and what are we looking at? And the second question is with regard to something that you mentioned on the call of exploring the certified workshops in the aftermarket. So you mentioned that these won't be owned by Castrol, these would be owned by the entrepreneurs who are running them. So apart from the certification costs that we might derive as profit are there any other profit avenues we're looking in that particular model?

Sandeep Sangwan: So first of all, let me take the MOA and Articles of Association question. I think there's a huge transformation happening in the automotive sector. Castrol legacy-wise has been a lubricants brand and we just wanted to open up the opportunity for Castrol to participate in future value streams, which today we don't know all the exact answers. But I think we just wanted to kind of make sure that we are not left behind because of our MOA and Articles of Association, which limit our presence in the lubricants category. So the intent is to open our participation to future value pools that may come about. That was 1 intent, okay.

Coming to your question on Castrol authorized service centers, I think just to give you an example. So today, we sell lubricants. If you're aware, we launched auto care, car care range of products. That could be another kind of category that we get into. We can also generate some service revenues on the back of driving consumer traffic into these workshops, which we are working on. So I think there will be future value streams which we keep testing and piloting, which will help us generate additional sources of revenue. But what is more important is to create a network of workshops across India, which consumers can trust for a quality service. I think that's what Castrol has always stood for and that's what our intent is.

Moderator: The next question is from the line of Sabri Hazarika from Emkay Global.

Sabri Hazarika: Just one question. So currently, how is the mix in terms of automotive versus industrial and also personal mobility versus CVs and industrials?

Sandeep Sangwan: So I'll let Deepesh take that question. So Deepesh, if you want to take the answer.

Deepesh Baxi: Yes. So in terms of volumes, typically I mean, we said we've done about 47 million to 48 million liters so roughly 40 million liters out of that is automotive, the rest is the industrial. Sorry, what was the other question you had?

Sabri Hazarika: Within automotive, the breakup between personal mobility and CVs?

Deepesh Baxi: Yes. So roughly about 50% of our volume comes from personal mobility and I would say about 30% volume comes from CV. The rest is industrial.

Sabri Hazarika: Okay. Fair enough. And your volumes have been little bit like I think below expectation from what the past run rates have been. Is there anything specific or it's just the monsoon and seasonal factors, which is affecting?

Sandeep Sangwan: So I think, as I said, we've seen the highest inflation in quarter three. In fact August, September have been very heavy and this year we've taken three price increases just to manage our margins and volume balance. So I think that's one of the reasons why volumes are a bit stressed, because we wanted to make sure that we're just not playing a unprofitable volume game. But rather balancing the whole P&L and balancing our business to make sure that our margins stay healthy.

I think once -- we're already starting to see some easing of cost input pressures and I think while they are likely to continue for next couple of quarters. But the underlying growth in the market is still there and we've held our share. We've held our market share broadly. So I think it's more a balancing act in this quarter and foreseeably into the next quarter and we get back on our growth trajectory in 2023. That's how I see it.

Moderator: The next question is from the line of Faisal Hawa from HG Hawa & Company.

Faisal Hawa: So sir, this plan of getting into actually managing workshops and having just co-branding with the existing authority. So how many such workshops have we added in the last three quarters quarter-on-quarter? Is there some growth in that? And you will also appreciate that business as usual or the same culture or the same management, who has sold a very, very well-entrenched oil brand may not be able to make a lot of headway in an industry, which is very largely unorganized. So are we making key management personnel changes to really make this a reality and to really go after that? And what is the kind of revenue we want to achieve like two years hence from this new vertical?

And third is, sir, what is the thinking going on in the global management of Castrol? Because this is like now a very momentous turn of events and the disruption nowadays, they take place very soon and are almost brutal. So this could actually change the company's course. So it's all very well to say that we have very good relationships with the OEMs, but our overall culture of having sold a very well entrenched brand all through our existence could prove to be a big millstone around the neck. So how is the global management actually seeing the various other opportunities except apart from the EV batteries opportunity that you mentioned?

And sir, if you have an organized mechanic who you're trying to make a branded organized shop and the OEMs themselves have their own workshops and their own aftersales from which they derived most -- from which the dealers derive most of the revenues. How will we really price our products and what will be our USP to really gain volumes there?

Sandeep Sangwan: Thanks for your question. I think you've asked too many questions and I may not remember all of them in the order that you asked them, but let me kind of share. First of all, Castrol's strongest asset is the brand. It's a brand that consumers and customers trust for providing them quality products and what we are trying to do is we're trying to leverage the strength of the brand and step into adjacencies and more service-oriented offerings in the future that can create future value for the company. Point number one.

Second is I'd like to clarify we are not running these workshops. All we are providing for is our expertise, our branding option which gives that trust to consumers to go into a workshop, we're providing a certification process for these workshops so that they've become better workshops versus a completely unorganized sector. So that's the intent. And I think you've asked a question on quarter-on-quarter growth. I think we started in this journey last year. Last year we had Castrol Auto Service and by the end of this third quarter we've been able to establish 210 plus Castrol authorized service centers.

You have a question around OEMs, that OEMs also have their workshops. Absolutely OEMs have their own workshops. But typically what happens is a large part of the consumers after their warranty period gravitate towards the aftermarket or the non-franchise workshops. As a result, what happens is -- and the reason consumers go there is for cost reasons, because they find independent automotive aftermarket a better value proposition from a servicing aspect. And all that we're trying to do is we're trying to make sure that when the consumers go to this or vehicle owners go to these aftermarket, they can find places which they can trust and get quality service. I think that's the broad scheme of things.

The last question you had was around what is global management thinking. We are absolutely aware of the changes happening in the automotive industry and as a result, I think we are actively looking at opportunities where Castrol as a brand can play and Castrol has been in existence in existence for the last 100 years -- 100-plus years. We've been in India for last 100 years and we will continue to be in existence in the next 100. The sources of value may be very different as the ecosystem evolves and we are fully cognizant of that.

Faisal Hawa: Sir, and what is the revenue we are trying to get?

Moderator: Mr. Hawa, sorry to interrupt. But for any follow-up, may we request you to rejoin the queue, please. Before we take the next question a reminder to the participants. We will have the Q&A session for another 20 minutes. Thank you. The next question is from the line of Deepan Shankar from Trustline PMS. Please go ahead.

Deepan Shankar: Congratulations for a good set of numbers. Sir, firstly wanted to understand so do we have lubricants for even CNG engine vehicles? And if so, then is there a change in the content per vehicle or it remains same as compared to ICE vehicles?

Sandeep Sangwan: So we have product offerings for CNG vehicles. In fact we just launched this year an offering for CNG vehicles. And each of our product is made and formulated to cater to the needs of the vehicle. So it's not that just we brand something for CNG and it's the same product which goes into other vehicles. We definitely work on what is the most efficient product for that kind of engine.

Deepan Shankar: So currently how is our value proposition for the CNG vehicle lubricants in terms of 2-wheeler passenger vehicles and CVs, because there is lot of transition happening from ICE vehicles to CNG, then only we are expecting more shift towards EV? So initially, how do we see the content per vehicle for us in CNG as compared to ICE?

Sandeep Sangwan: So I'm not sure if I understand the question correctly. Are you asking that how is the transition happening in the vehicles from ICE to using CNG and then CVs?

Deepan Shankar: No, sir. So my question is so content per vehicle for us in ICE vehicle and compared to the CNG vehicle. So is the content same or we are having lower content per vehicle in terms of CNG lubricants?

Sandeep Sangwan: So I think CNG vehicles use the similar kind of volumes and quantities as internal combustion engine. Because the basic construct of the engine is same, only that the fuel is slightly different. Instead of petrol or diesel, you have CNG as the fuel. So from a lubricant consumption perspective, it's similar.

Deepan Shankar: So my second question is like over the past three quarters, we have seen really sharp increase in RM prices like to the extent of 23%, but realization have increased only 12% to 13%. So are we planning more such hikes in Q4 or we are facing some challenges in some segments for price increases?

Sandeep Sangwan: I'll let Deepesh talk to that. But I think based on the numbers that I read and Deepesh will answer, we've been able to recover majority of our cost increases and we've taken three price increases in the year. We took a price increase in March, we took a second increase in June and we took a third price increase in September. Now obviously there are certain segments, which are more price sensitive where you cannot just price. But I think having 80% of our business under automotive, personal mobility and having a premium brand gives us the strength to pass on cost increases through pricing.

As far as future is concerned, I would not like to speculate whether we'll take another price increase or not take another price increase. It will depend on environment. We have a pricing strategy. We operate at a certain premium to the market and dependent on the environment and the pricing strategy, we'll take pricing actions which continue providing fair value to our consumers and customers.

Deepesh Baxi: Yes, and just to build on what Sandeep said, I think the way we look at pricing and I think as a team we have shared that in the past, it's more on a strategic basis than a tactical basis. So there is a possibility that you will find an over-recovery on pricing in one quarter compared to the COGS or vice versa. But that's just a quarter impact. When you look at it on an end-to-end basis and looking at our numbers, I think on a per liter basis we've recovered most of the COGS increases or input cost increases that we've incurred in the last 9 to 12 months.

Moderator: Reminder to the participants you will have a Q&A session for another 15 minutes. Thank you. The next question is from the line of Viraj Kacharia from Securities Investment Management.

Viraj Kacharia: Just have three broader questions. First is on the service and maintenance business. So if you can just give some update in terms of how has the learning been. We had a tie-up with 3M for the vehicle care products and it's been quite a fairly long time in terms of the trials and the pilots we have been doing. So what has been the learning?

And the related question is through the Castrol Auto Service centers, which we're trying to scale up and eventually turn them into consumption for the product, what is the value proposition we intend to offer? And I'm asking this is because if you see the marketplace, you have various other reputed brands say Bosch and TVS Supply Chain Solutions and then you have other players in the market as well who was offering these kind of services.

So for us when we kind of look at Castrol Auto Services, what is the value proposition and how you go about actually enforcing the quality levels which you talk about? So that is one. Second is largely in terms of the changes in the MOA and the Articles of Association. Just trying to understand when you talk about the EV value landscape, what activities or areas we will be looking to enter into and what areas we would not be looking to enter into.

So just to give an example. We're doing pilot trials for chargers in some of the COPP retail networks. So what is the thought process? What is the right to win because it's a very different ballgame compared to the traditional lubricant business? So just any perspective or thought process how are we looking at different value chain?

And lastly is on the lubricant business alone. While the per liter EBIT has been stable, but if you look at it in relation to the mix where the personal mobility has kind of improved significantly, per liter is still flattish for the last few quarters. So this seems a much more larger under-recovery in terms of raw material than one would think. So any thought process how should 1 understand the per liter moving in coming quarters?

Sandeep Sangwan: Viraj, I think that's four questions rolled into kind of one or two questions because I just want to be fair to all the participants on the call, but let me try and answer since you asked the questions.

I think on the 3M car care range, auto car care range, we have very strong learnings. We scaled it up to 10 plus cities this year. I think it has helped us refine the product range that we can offer to workshops and what sells more.

So we have a core portfolio of about I think five or six SKUs or products that we sell in this range and our intent is now getting into '23 to expand this range nationally. And we see this as an unbranded category or very fragmented local brands playing into this category. And I think as players like Castrol get into this, we will be able to give better solutions to consumers and customers in this segment.

I think the second question related to workshops and what kind of service revenue. I can't share exact numbers. I think the first intent is to create a network of workshops. You're absolutely right. I think there are different players trying to play in this segment. But let me just share a number with you, okay? In Europe the independent aftermarket or in developed markets, almost 50% to 60% of the market is consolidated under some sort of franchise, some sort of branded offering. In India, that number is below 10%.

And I think Castrol with the largest share in lubricants and having relationships with these workshops and mechanics can play a huge role because we have the largest scale, we have the largest distribution, we have the largest customer relationships and that's what we're banking on. And I think there is enough space in the market for players like Bosch, Castrol, all the others who are trying to play into this space on making sure that consumers and customers get better offerings from the independent aftermarket. I think that's what will happen.

There were two other questions. I think there was one on EVs, you said which of the areas we will play or not play, I think there is no definition of the areas of where we will play or not play. Right now the ecosystem is evolving, okay? You're right, GOBP is working for example on charging stations and it's another company where BP has invested. Castrol, as you know, is 51% owned by BP.

And I think it's more about partnerships rather than taking hard positions on where we will play or not play. So even if GOBP is kind of working on charging stations and battery swap stations, we're trying to see work together with them as to how do we leverage the scale and acceptance of Castrol as a brand and bring a proposition together to consumers and customers. And I'll just give you a case in point. If you read the news where we signed a technology MOU -- or not technology, a MOU with MG Motors in India where GOBP, Castrol and MG Motors, all three of us are participating together to create an EV charging infrastructure for MG Motors. I forget the last question. I think it's about per liter. Let Deepesh take that.

Deepesh Baxi: So I think if I understood your question properly, how it seems like we may not have fully recovered pricing into different segments, right? That is what your question was.

Viraj Kacharia: Yes. I mean if you look in relation to the mix especially with the personal mobility being around 50% of the volume, that segment historically has the highest margin profile in the business. And if you look at overall per liter EBIT for last few quarters, it's been around 107, 110, 115 broadly in that range.

That's why the mix has being improving. So it seems that either the other business base profitability is further eroded or there is much more under-recovery in terms of raw material cost or inflation in those businesses broadly at the portfolio level. So any perspective you can share?

Deepesh Baxi: Yes. I mean there is a lot of factors in play into that segment because within personal mobility cars, bikes, then you have the segment of industrial, then we have B2B within which we have heavy duty, et cetera. So there is a lot of play segment. And as we have been always saying, we have a pricing strategy and we look at each segment in a particular.

Okay. I'll nevertheless complete the answer. So I was just going to say that different plays and aspects play into that whole pricing strategy. Mix plays into that pricing strategy. But on an overall basis, as Sandeep had mentioned at the beginning, we're making sure that in highly volatile environment where there are different inputs, whether it's base oil, whether it's ForEx, whether it's the chemical inputs; all of them which are rising disproportionately, we are able to balance our pricing recovery versus our overall profitability and margins. So I would just summarize in that fashion in terms of our pricing strategy. Back to you.

Moderator: Thank you. Reminder to the participants we will have the Q&A session for the next 5 minutes. We will be taking questions from last two participants depending on the time. The next question is from the line of Yogesh Tiwari from Arihant Capital Markets. Please go ahead.

Yogesh Tiwari: My first question is basically since we import raw materials, if you can give a sense of what would be the freight rates compared to end of September and currently; maybe single digit, double digit. If you can help with that. The other question is on the inventory which we keep for base oils, going forward -- what would be the inventory like if going forward the prices decline, then when can we see positive effect from that? And lastly, a small one. If we can quantify the price rise which we took. Out of the three price rises, what would be the approximate quantum?

Sandeep Sangwan: So let me see how I can answer that question. I mean freight obviously is a factor of again multiple elements. How much you import, from where you import, which type of base oil you import, which type of additives you import. But freight cost per liter is generally in single digit and we do very well on that. Our supply chain colleagues, we have global contracts that we leverage on. We have the opportunity to optimize both from where our manufacturing happens and the way the CFAs and warehouses have been structured.

In terms of the quantum of price increase, I mean that will be difficult for me to share at this moment because it's a mix, as I said, of various factors. It's more forward-looking than backward-looking price increases and we take the price increases in line with the expectations that we have around our COGS input and other input price increases. Sorry, you had a question on inventory.

So inventory management, I mean first, inventory management is just one part of the overall working capital and we operate on a negating working capital and that's the reason we are able to generate cash and have that cash on our balance sheet. So the teams here is highly focused along with the business in terms of making sure that the buying is done, keeping that trend of base oil additives and other input costs in future. But I wouldn't want to share with you our internal strategy on how we optimize the inventory, but rest assured, we look at both the trade-off of how much we want to have inventory in a rising or a decreasing base oil scenario.

Yogesh Tiwari: Sir, in terms of freight cost, just wanted to understand at the end of September and currently approximately what would be the decline like, single-digit decline, in the freight cost for the company?

Sandeep Sangwan: I'm not sure if I'm understanding your question. You mean have our freight cost per liter declined? Is that the question?

Yogesh Tiwari: Yes.

Sandeep Sangwan: I mean given that the freight cost is single digit, I think it's more answered appropriately in terms of the percentage decline, but it has declined. We do a very good job on that, let me assure you that. But I wouldn't want to disclose that.

Yogesh Tiwari: Sure. And on the...

Moderator: Sir, sorry to interrupt. But for any follow-up, may we request you to rejoin the queue, please. Thank you. The next question is from the line of Shalabh Agarwal from Snowball Capital. Please go ahead.

Shalabh Agarwal: Sir firstly, we had a volume decrease of around 5%, 6% year-on-year if you look at the volumes. So would it be correct to say that all the three segments; which is personal mobility, CVO and industrial; did they also decline in broadly similar fashion and did also industry also decline broadly, similarly? That's the first question. And secondly, going forward given whatever macro conditions that we are seeing or whatever market interventions we are making across each of these segments, which segments would you think would grow the fastest or grow the least because we do expect CY '23 for us to come back in volume growth?

Sandeep Sangwan: So let me try and answer the question. I think we've seen the various segments behave differently versus last year. I think our passenger car volumes are still up versus last year. I think the biggest impact we've seen is on commercial vehicles driven by the agri sector also, because if you look at new vehicle sales also, the trend in tractors is not so positive as it was last year. Overall the tractor sales have declined this year. So I think that's different. So declines have been more in agri commercial vehicle segment, less so in bikes. Even bikes, new bike sales are slightly muted as compared to last year. Last year we'd seen much higher growth.

Cars has grown, and I think if I look at '23, we expect the market to be growing at about 4%-odd. I think that's what we think will happen. Cars will grow the fastest because our penetration on cars is very low. So cars category will grow the fastest. And then possibly commercial vehicles have seen a very healthy growth this year and that will have an impact on volumes in the coming year. So this year commercial vehicles are growing at about 40%-odd, but it's also a balancing thing because last year commercial vehicles were down. So we expect this fastest growth in cars, then commercial vehicles, bikes potentially in a similar range and agri is again very season dependent and rain dependent. Let's see where that goes.

Shalabh Agarwal: How was industrial, sir, like first nine months, this quarter and our expectations for industrial given we do expect an economic revival?

Sandeep Sangwan: Yes. Industrial I think our volumes are slightly down in this quarter, but not hugely unlike what we've seen in commercial vehicles, and I think going forward, the GDP is forecast to grow at about 6.8% next year. Whether it is 6.5%. So we expect the economic recovery to continue and industrial volumes also to grow going into next year once hopefully the cost inflations slightly settle down.

Shalabh Agarwal: And sir, can I squeeze in just one thing. You said the new sales were down for tractors and two-wheelers, so how much is new sales for us compared to the volumes in the pool that we sell for personal mobility and CV?

Sandeep Sangwan: So new sales impact two-wheelers are much more than they impact passenger cars because consumers when they buy a new vehicle, they tend to stay in warranty period mostly in cars. I think on two-wheelers, the transition to the independent aftermarket is the fastest so that's how it operates.

Shalabh Agarwal: No, I'm saying in terms of volume breakup broadly, how much would new sales contribute to our volumes, broadly?

Sandeep Sangwan: Very difficult for me to kind of segregate, but our franchise, our B2B business where we supply to franchise workshops is about 10% of our overall volume.

Shalabh Agarwal: I'm asking factory fills?

Sandeep Sangwan: Factory fills depends on which the number of OEMs we work with. We don't work with all the OEMs, but we work with a large number of OEMs. But volume-wise factory fills, Deepesh, do you have a number that you can share?

Deepesh Baxi: Broadly. I think it's in single digit.

Shalabh Agarwal: Single digit of the overall volume.

Deepesh Baxi: Overall volume, yes.

Moderator: Thank you. Ladies and gentlemen, we take that as the last question for today. On behalf of Castrol India Limited, I thank you all for joining this call. You may now disconnect your lines. We wish you a good day ahead. Thank you.