



**Energy – Lubricants**  
**Q3FY26 Results Preview**



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# Energy – Lubricants

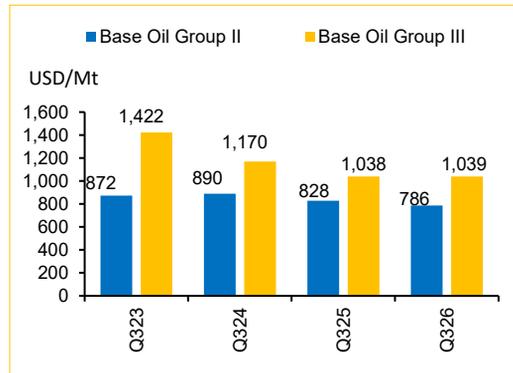
## Q3FY26 Quarterly Results Preview

Sector View: Positive

Recommendation			
Company (Ticker)	CMP (INR)	TP (INR)	Rated
<b>Lubricants</b>			
Gulf Oil Lubricants (GOLI)	1,145	1,600	BUY

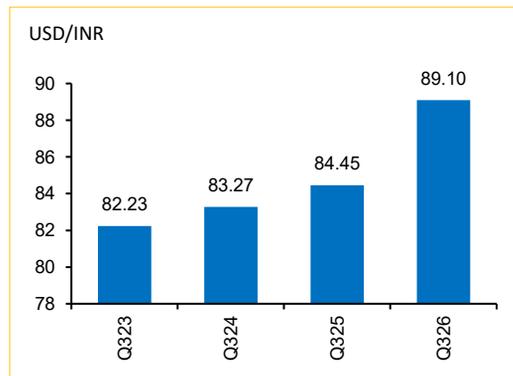
\*CMP as on Jan 12, 2026

### Base oil II price declined by 5% YoY while Base oil III price is flat



Source: Lubes and Greases, Choice Institutional Equities

### Currency depreciated by 5% Y-o-Y



Source: FactSet, Choice Institutional Equities

### Lubricant Companies' Margins Supported by Easing Base Oil Prices amid FX Pressure

We expect select companies to report increase in average realised price for automotive lubricants. **Cost pressure is expected to persist**, as softening in base oil prices will be negated by INR depreciation, keeping the overall cost stack elevated despite FX hedges. A **shift in strategic mix** and **tight cost control** will be important for **margin support**.

### Premium-Led Growth to Offset Industrial Mix Dilution

While volumes are likely to grow YoY, an increased contribution from margin-dilutive industrial lubricants may weigh on realised prices and EBITDA margins. However, a strategic focus on high-growth industrial sub-segments and premium products – **supported by targeted engagement and acquisition of marquee customers** – should drive strong growth and help sustain margin expansion.

### Inventory Losses Offset by Structural Demand Tailwinds

A ~10% QoQ decline in Brent prices in 3QFY26 is likely to lead to **inventory losses** for companies operating in the **White Oil** and **Transformer Oil** segments, exerting near-term pressure on profitability. However, sustained investments in **renewable integration and power grid expansion continue to underpin structural demand for transformer oil**.

**Pricing Leverage:** GOLI has taken the price increase for certain SKUs during 3QFY27. This highlights its ability to **compound volume growth** ahead of the industry while improving realizations, aided by a richer product mix. This pricing discipline should partially offset cost pressures and support gross margins, unlike peers that typically experience volume volatility following price increases.

**Branding and Demand Momentum:** OEM-linked volumes (including factory fill), aided by **GST rationalisation** and **festival-led recovery** across PV and CV segments, are expected to have **trended higher QoQ**. Brand salience remains strong, supported by **high-visibility activation**, such as India Bike Week which **attracted ~25,000 bikers**, and **Syntrac range rollout**, reinforcing **GOLI's premium positioning**. Simultaneously, driver-focused engagement initiatives are being expanded, with Castrol's Saarthi Mitra mobile classrooms currently covering 46 cities in the CV lubricants market.

**Supplier Cost Pressure:** Group II Base Oil price has corrected (~5%), whereas ~5% YoY INR depreciation offsets the decrease in Base Oil II price. Group III price remains largely flat. Even after partial FX hedging, the cost stack is likely to be higher, keeping margin pressure elevated; pricing, mix upgrades and tighter opex discipline being the key mitigants. Moreover, the ability of company to **procure Base Oil locally can support margin expansion**.

### Valuation and Preferred Ideas

**Gulf Oil Lubricants India Ltd.:** The investment case for GOLI centres on **driving volume growth** ahead of peers and **improving realisation even amidst volatile base-oil cost and foreign-exchange conditions**. Driven by plant agility, strong OEM ties (40+) and exclusive ability to identify pockets of growth in 15 segments, the company, while maintaining its margin, delivered 7–8% volume CAGR as compared to industry's ~3.8%.

**We believe the market is underappreciating the value creation potential from Tirex**, the EV charger manufacturing business in which GOLI has invested. GOLI has secured approvals from over 12 OEMs, and every fourth electric bus in India is now being charged using GOLI's charging solutions. Factoring in this embedded optionality, we estimate GOLI's ROE could **incrementally expand by ~685 bps, from 26.9% to 33.6% in FY27E**. Trading at **~3.5x P/B** and **PEG ~0.8**, GOLI remains **discounted as compared to its peers** despite **superior ROE of 25.5%**, offering **attractive re-rating potential**.

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**Lubricants**

	GOLI					
	Q3FY26E	Q2FY26	QoQ%	Q3FY25	YoY%	Comments
Revenue (INR Mn)	9,995	9,568	4.5	9,049	10.5	<ul style="list-style-type: none"> <li>Driven by increase in volumes as well as rise in average realised price on the back of either price hike, schemes or improved product mix, we expect GOLI to deliver revenue growth of 10.46% YoY</li> </ul>
EBITDA (INR Mn)	1,294	1,185	9.3	1,222	5.9	<ul style="list-style-type: none"> <li>Margin to remain within the guidance range of 12% to 14% in the current fiscal year while it is expected to expand next year onwards</li> </ul>
EBITDAM (%)	12.9	12.4	57 bps	13.5	(55) Bps	
Net Income (INR)	1,089	871	25.0	982	10.6	<ul style="list-style-type: none"> <li><b>To watch out for:</b> Management commentary on completion of expansion plants which can provide a boost to earnings. Moreover, acquisitions in battery ecosystem and OEM tie-ups in the industrial segment</li> </ul>

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CHOICE RATING DISTRIBUTION & METHODOLOGY	
<b>Large Cap*</b>	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
<b>Mid &amp; Small Cap*</b>	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
<b>Other Ratings</b>	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
<b>Sector View</b>	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

\*Large Cap: More Than INR 20,000 Cr Market Cap  
 \*Mid & Small Cap: Less Than INR 20,000 Cr Market Cap

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