

# Castrol (India)

Estimate change	↔
TP change	↔
Rating change	↔

**CMP: INR188**      **TP: INR260 (+36%)**      **Buy**

## Beat fueled by strong margin performance

Bloomberg	CSTRL IN
Equity Shares (m)	989
M.Cap.(INRb)/(USDb)	185.8 / 2.1
52-Week Range (INR)	284 / 163
1, 6, 12 Rel. Per (%)	-6/-24/-14
12M Avg Val (INR M)	1418

### Financials & Valuations (INR b)

Y/E Dec	CY24	CY25E	CY26E
Sales	53.6	55.1	58.2
EBITDA	12.8	12.8	13.5
PAT	9.3	9.4	10.0
EPS (INR)	9.4	9.5	10.1
EPS Gr. (%)	7.3	1.8	6.0
BV/Sh.(INR)	23.0	24.9	27.0

### Ratios

Net D:E	-0.6	-0.6	-0.6
RoE (%)	42.1	39.8	39.0
RoCE (%)	42.5	40.1	39.3
Payout (%)	138.7	80.0	80.0

### Valuations

P/E (x)	20.1	19.7	18.6
P/BV (x)	8.2	7.5	7.0
EV/EBITDA (x)	13.5	13.3	12.5
Div. Yield (%)	6.9	4.1	4.3
FCF Yield (%)	5.1	5.0	5.3

### Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	51.0	51.0	51.0
DII	14.5	15.2	15.9
FII	9.5	10.0	10.4
Others	25.0	23.8	22.7

FII Includes depository receipts

- Castrol's 4QCY24 EBITDA was a beat on our estimate, as the EBITDA margin came in at 27.8% (our est: 21.7%). The 4Q volumes were in line at 59m lit.
- Management highlighted that it remains focused on brand building, widening the distribution network, and launching new products, all of which we believe will contribute to volume growth and market share expansion.
- Management maintains a bullish outlook on India as a market and expects robust demand for lubricants to remain until the late CY30s and early CY40s, largely attributed to the low penetration of cars in the country. While the threat from EVs is real, EV adoption is expected to be gradual.
- CSTRL maintained its guidance of growing higher than the industry's average growth rate of 4-5% while aiming for a 22-25% EBITDA margin for CY25. We estimate ~23% EBITDA margin in both CY25 & CY26.
- CSTRL has always enjoyed a strong brand legacy, and we are confident in its ability to maintain profitability through an improved product mix, stringent cost-control measures, and the launch of advanced products that command better realization. **We reiterate our BUY rating with a TP of INR260.**

## Beat on EBITDA driven by robust margin performance

- Castrol's 4QCY24 revenue stood at ~INR13.5b (+7%/+5% YoY/QoQ), in line with our estimate.
- EBITDA stood 25% above our estimates, at INR3.8b (up 14%/31% YoY/QoQ).
- Beat was driven by a higher-than-estimated EBITDA margin of 27.8% (vs. 22.2% in 3QCY24).
- Gross margin improved QoQ, while employee expenses declined QoQ.
- PAT was 18% above our est. at INR2.7b (+12%/+31% YoY/QoQ).
- The Board has recommended a final dividend of INR9.5/share (including a special dividend of INR4.5/share, FV: INR5/share).
- Other key highlights of CY24**
  - Castrol launched new EDGE variants for SUVs, hybrids, and European cars, plus CRB TURBOMAX+ CK4 premium truck lubricant. Four new rust-preventive solutions (Rustilo DW 800/806/809/812) were also introduced.
  - Castrol opened a new technology center in Patalganga with blending and testing capabilities and future EV/data center testing plans. New filling lines were installed at the Paharpur and Silvassa plants.
  - Castrol expanded its rural presence to over 36k locations. Nationally, they now reach ~143k outlets, including 600 Castrol centers, ~29.5k independent workshops, and 10k multi-brand car workshops.
  - Castrol's marketing efforts included Shah Rukh Khan's "Stay Ahead" campaign for EDGE, reaching digital, TV, and outdoor audiences. The CRB TURBOMAX campaign engaged 70k truckers, and the POWER1 initiative promoted motorcycling talent with MotoGP training.
  - Castrol increased recycled plastic in its bottles to 50%, trained 45k drivers and mechanics (500k+ cumulatively), and implemented green energy projects at its Silvassa plant, cutting CO2 emissions by 45%.

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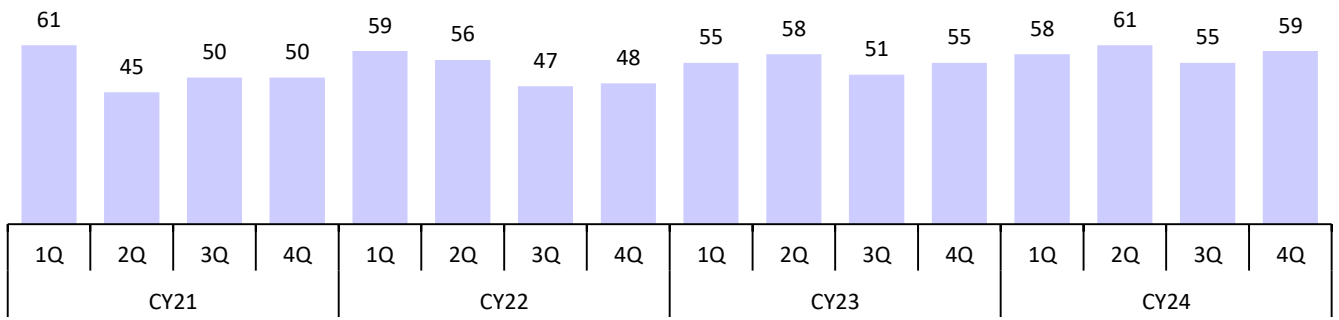
**Valuation and view**

- Our EBITDA margin assumptions are already within the company's guided range of 22-25%.
- We also maintain our valuation multiple of 26x (average: 22.4x and mean + 1 S.D.: 29.6x) and arrive at our TP of INR260. **We reiterate our BUY rating.**

**Quarterly Performance****(INR m)**

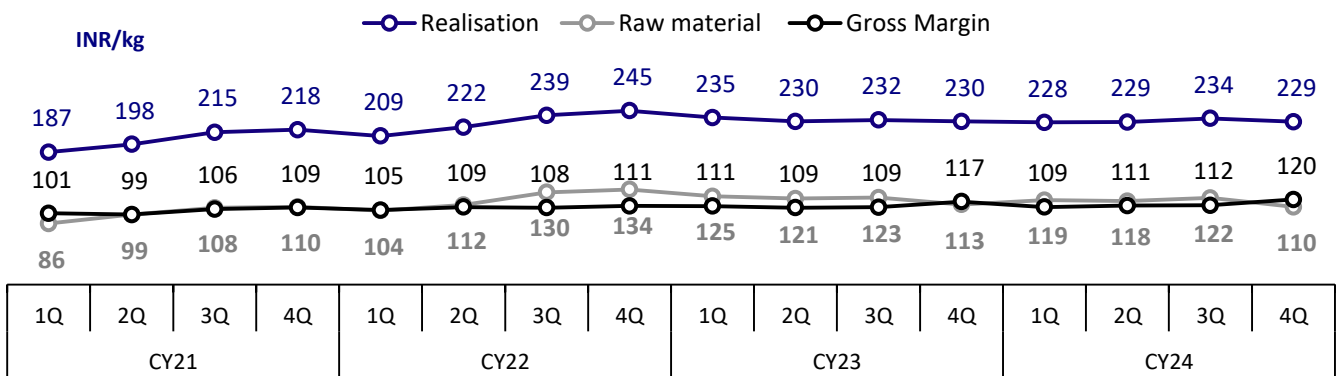
Y/E December	CY23				CY24				CY23	CY24	CY24 4QE	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Volume (m litres)	55.0	58.0	51.0	55.0	58.0	61.0	55.0	59.0	219.0	233.0	61.4	-4%
Realization	235	230	232	230	228	229	234	229	232	230	226	2%
Net Sales	12,939	13,338	11,829	12,640	13,252	13,975	12,882	13,539	50,746	53,649	13,897	-3%
YoY Change (%)	4.7	7.4	5.5	7.5	2.4	4.8	8.9	7.1	6.3	5.7	9.9	
EBITDA	2,950	3,098	2,686	3,291	2,937	3,224	2,861	3,759	12,024	12,782	3,018	25%
YoY Change (%)	-7.0	8.3	4.4	31.3	-0.4	4.1	6.5	14.2	8.2	6.3	-8.3	
Margin (%)	22.8	23.2	22.7	26.0	22.2	23.1	22.2	27.8	23.7	23.8	21.7	28%
Depreciation	227	218	229	250	237	261	245	254	924	998	261	
Interest	17	15	24	20	21	26	20	27	75	94	21	
Other Income	176	186	202	223	241	204	209	232	787	886	224	
PBT before EO expense	2,883	3,050	2,635	3,243	2,921	3,142	2,805	3,709	11,811	12,576	2,960	25%
PBT	2,883	3,050	2,635	3,243	2,921	3,142	2,805	3,709	11,811	12,576	2,960	25%
Tax	858	797	691	824	758	820	730	995	3,170	3,304	663	
Rate (%)	29.8	26.1	26.2	25.4	26.0	26.1	26.0	26.8	26.8	26.3	22.4	
PAT	2,025	2,253	1,944	2,419	2,162	2,322	2,074	2,714	8,641	9,272	2,298	18%
YoY Change (%)	-11.3	9.2	3.9	25.2	6.8	3.1	6.7	12.2	6.0	7.3	-5.0	
<b>Operational Details (INR/lit)</b>												
Volume (m litres)	55.0	58.0	51.0	55.0	58.0	61.0	55.0	59.0	219.0	233.0	61.4	-4%
Realization	235.3	230.0	231.9	229.8	228.5	229.1	234.2	229.5	231.7	230.3	225.8	2%
Gross margin	110.7	108.5	109.2	116.9	109.4	111.3	111.9	120.0	111.3	113.2	103.1	16%
EBITDA	53.6	53.4	52.7	59.8	50.6	52.9	52.0	63.7	54.9	54.9	49.1	30%
PAT	36.8	38.8	38.1	44.0	37.3	38.1	37.7	46.0	39.5	39.8	37.4	23%

**Exhibit 1: Volume stood at 59m liters (up 7.3% YoY)**



Source: Company, MOFSL

**Exhibit 2: Realization stood at INR229/liter**



Source: Company, MOFSL



## Key highlights from the management commentary

### CY25 aim:

- Focus on providing high-quality products and services, and increasing the company's footprint.

### Volume growth outlook:

- Market volumes shall grow at 4-5% and CSTRRL shall grow at a higher rate.
- 4QCY24 volumes stood at 59m lit.
- In CY24, 4% out of 6% YoY volume growth came from the 'essentials' range.
- Rural volume growth is much higher in, double digits.

### EBITDA margin guidance:

- CSTRRL aims EBITDA margin to stay between 22% and 25%.
- CSTRRL receives a rebate on annual volumes in every 4Q.
- In 1QCY25, margins shall decline QoQ as the rebate goes away.

### Inventories:

- Inventories are priced as per WAM. No inventory losses were there in 4Q.
- Base oil & additives and FG inventory days average: 40-50 days (RM days much higher than FG days)

### Rise in crude oil prices & raw material costs:

- Input cost split: base oil 60-70%, additives 10-15%, packing 5-7%, rest is others
- 50-60% of inputs are imported.

### Liquid cooling:

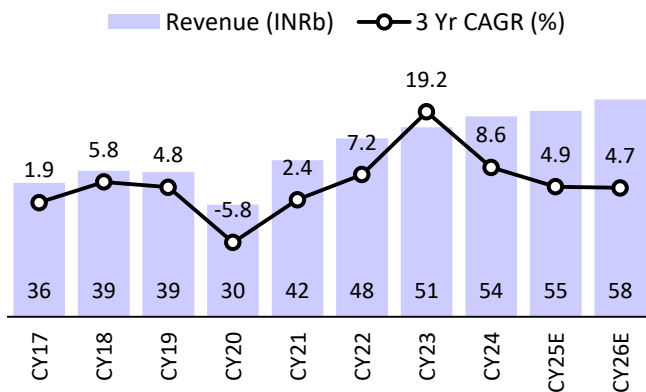
- In India, the liquid cooling market can grow in double digits, led by Data Centers (DC).
- Castrol India shall not be spending on DC R&D.

### Others:

- Advertisement & sales promotion expense in 4Q: 8% of revenue (shall be +8% going forward).
- B2C (retail) volume growth: single-digit growth
- B2B volume growth: double-digit growth

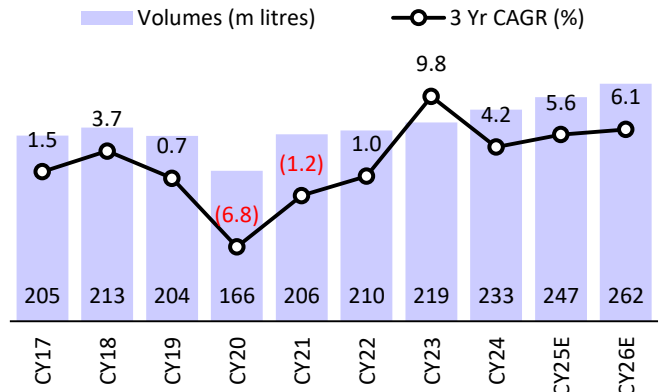
## Story in charts

**Exhibit 3: Revenue to clock 4.7% CAGR over CY23-26...**



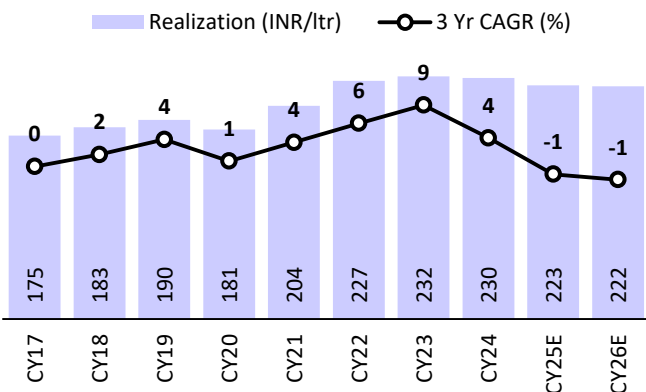
Source: Company, MOFSL

**Exhibit 4: ...led by an increase in volumes**



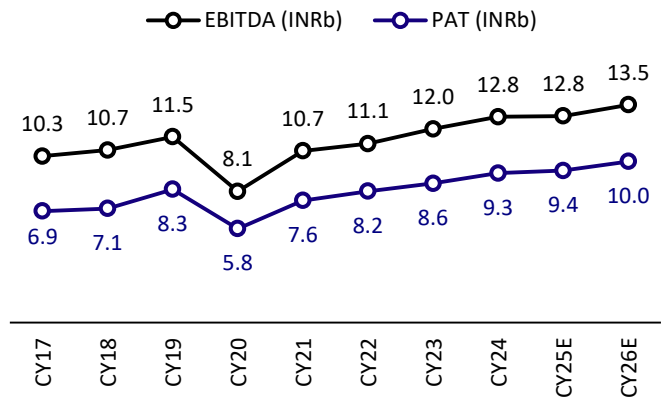
Source: Company, MOFSL

**Exhibit 5: Realizations to be above INR222/lit in CY26...**



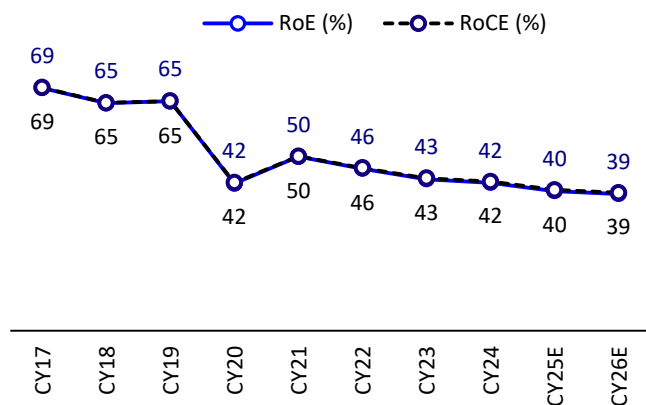
Source: Company, MOFSL

**Exhibit 6: ...with EBITDA improving to INR13.5b**



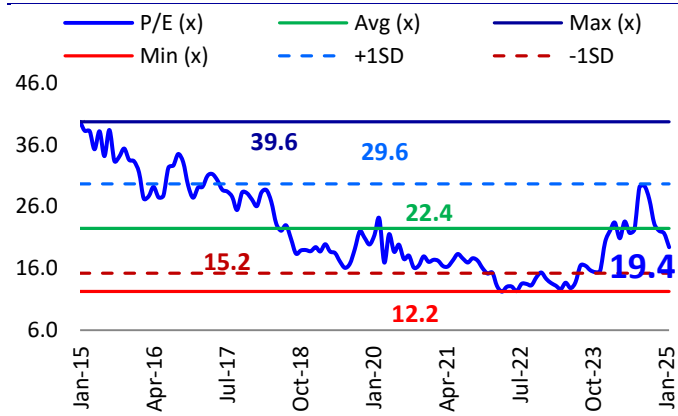
Source: Company, MOFSL

**Exhibit 7: Return ratios expected to be above 50%**



Source: Company, MOFSL

**Exhibit 8: CSTR's one-year forward P/E chart**



Source: Company, MOFSL

## Financials and Valuations

### Standalone - Income Statement

(INR m)

Y/E December	CY22	CY23	CY24	CY25E	CY26E
<b>Net sales</b>	<b>47,745</b>	<b>50,746</b>	<b>53,649</b>	<b>55,065</b>	<b>58,168</b>
Change (%)	13.9	6.3	5.7	2.6	5.6
<b>Gross Margin</b>	<b>22,746</b>	<b>24,382</b>	<b>26,370</b>	<b>26,312</b>	<b>27,775</b>
Margin (%)	47.6	48.0	49.2	47.8	47.7
<b>EBITDA</b>	<b>11,111</b>	<b>12,024</b>	<b>12,782</b>	<b>12,824</b>	<b>13,529</b>
Margin (%)	23.3	23.7	23.8	23.3	23.3
Depreciation	814	924	998	1,020	1,042
<b>EBIT</b>	<b>10,297</b>	<b>11,100</b>	<b>11,784</b>	<b>11,804</b>	<b>12,486</b>
Interest Charges	40	75	94	98	103
Other Income	670	787	886	909	990
<b>PBT bef. EO Exp.</b>	<b>10,928</b>	<b>11,811</b>	<b>12,576</b>	<b>12,615</b>	<b>13,373</b>
Income tax	2,776	3,170	3,304	3,179	3,370
Tax Rate (%)	25.4	26.8	26.3	25.2	25.2
<b>Reported PAT</b>	<b>8,152</b>	<b>8,641</b>	<b>9,272</b>	<b>9,436</b>	<b>10,003</b>
Change (%)	7.5	6.0	7.3	1.8	6.0
Margin (%)	17.1	17.0	17.3	17.1	17.2

### Standalone - Balance Sheet

(INR m)

Y/E December	CY22	CY23	CY24	CY25E	CY26E
Equity Share Capital	4,946	4,946	4,946	4,946	4,946
Total Reserves	13,915	16,271	17,838	19,725	21,726
<b>Net Worth</b>	<b>18,861</b>	<b>21,217</b>	<b>22,784</b>	<b>24,671</b>	<b>26,671</b>
<b>Capital Employed</b>	<b>18,861</b>	<b>21,217</b>	<b>22,784</b>	<b>24,671</b>	<b>26,671</b>
Gross Block	8,709	9,633	10,631	11,881	13,131
Less: Accum. Deprn.	6,800	7,960	8,389	9,408	10,451
<b>Net Fixed Assets</b>	<b>1,909</b>	<b>1,673</b>	<b>2,242</b>	<b>2,472</b>	<b>2,680</b>
Capital WIP	608	1,084	603	1,014	1,250
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>24,240</b>	<b>25,787</b>	<b>27,783</b>	<b>29,422</b>	<b>31,736</b>
Inventory	5,344	5,329	5,242	5,418	5,726
Account Receivables	3,504	4,228	4,377	4,492	4,746
Cash and Bank Balance	12,177	11,998	13,990	15,227	16,738
Cash	5,545	4,932	4,529	5,766	7,277
Bank Balance	6,632	7,066	9,461	9,461	9,461
Loans and Advances	3,215	4,231	4,175	4,285	4,526
<b>Curr. Liability &amp; Prov.</b>	<b>11,832</b>	<b>12,982</b>	<b>13,569</b>	<b>13,963</b>	<b>14,719</b>
Account Payables	6,789	7,064	7,037	7,273	7,686
Other Current Liabilities	4,516	5,342	5,945	6,102	6,446
Provisions	527	576	587	587	587
<b>Net Current Assets</b>	<b>12,408</b>	<b>12,804</b>	<b>14,214</b>	<b>15,460</b>	<b>17,016</b>
Deferred Tax assets	686	781	850	850	850
<b>Appl. of Funds</b>	<b>18,861</b>	<b>21,217</b>	<b>22,784</b>	<b>24,671</b>	<b>26,671</b>

## Financials and Valuations

### Ratios

Y/E December	CY22	CY23	CY24	CY25E	CY26E
<b>Basic (INR)</b>					
<b>EPS</b>	<b>8.2</b>	<b>8.7</b>	<b>9.4</b>	<b>9.5</b>	<b>10.1</b>
Cash EPS	9.1	9.7	10.4	10.6	11.2
BV/Share	19.1	21.5	23.0	24.9	27.0
DPS	6.5	7.5	13.0	7.6	8.1
Payout (%)	78.9	85.8	138.7	80.0	80.0
<b>Valuation (x)</b>					
P/E	22.8	21.5	20.1	19.7	18.6
Cash P/E	20.7	19.4	18.1	17.8	16.8
P/BV	9.9	8.8	8.2	7.5	7.0
EV/Sales	3.6	3.4	3.2	3.1	2.9
EV/EBITDA	15.6	14.5	13.5	13.3	12.5
Dividend Yield (%)	3.5	4.0	6.9	4.1	4.3
FCF per share	8.2	7.7	9.6	9.4	10.0
<b>Return Ratios (%)</b>					
RoE	46.2	43.1	42.1	39.8	39.0
RoCE	46.3	43.4	42.5	40.1	39.3
<b>Working Capital Ratios</b>					
Asset Turnover (x)	2.5	2.4	2.4	2.2	2.2
Inventory (Days)	41	38	36	36	36
Debtor (Days)	23	26	26	26	26
Creditor (Days)	52	51	48	48	48
<b>Leverage Ratio (x)</b>					
Net Debt/Equity	-0.6	-0.6	-0.6	-0.6	-0.6

### Standalone - Cash Flow Statement

Y/E December	CY22	CY23	CY24	CY25E	CY26E
<b>(INR m)</b>					
OP/(Loss) before Tax	10,928	11,811	12,576	12,615	13,373
Depreciation	814	924	998	1,020	1,042
Interest & Finance Charges	40	75	94	98	103
Direct Taxes Paid	-2,740	-3,185	-3,141	-3,179	-3,370
(Inc)/Dec in WC	307	-706	369	-8	-45
<b>CF from Operations</b>	<b>9,159</b>	<b>8,530</b>	<b>10,441</b>	<b>10,545</b>	<b>11,103</b>
(Inc)/Dec in FA	-1,097	-955	-927	-1,250	-1,250
<b>Free Cash Flow</b>	<b>8,062</b>	<b>7,575</b>	<b>9,514</b>	<b>9,295</b>	<b>9,853</b>
<b>CF from Investments</b>	<b>618</b>	<b>-2,513</b>	<b>-2,669</b>	<b>-1,661</b>	<b>-1,486</b>
Interest Paid	-11	-15	-19	-98	-103
Dividend Paid	-5,935	-6,429	-7,913	-7,549	-8,002
<b>CF from Fin. Activity</b>	<b>-6,075</b>	<b>-6,638</b>	<b>-8,191</b>	<b>-7,647</b>	<b>-8,106</b>
<b>Inc/Dec of Cash</b>	<b>3,702</b>	<b>-621</b>	<b>-419</b>	<b>1,237</b>	<b>1,511</b>
Opening Balance	1,844	5,553	4,948	4,529	5,766
<b>Closing Balance</b>	<b>5,546</b>	<b>4,932</b>	<b>4,529</b>	<b>5,766</b>	<b>7,277</b>

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NOTES



Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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