motilal oswal Financial Services

5 Augsut 2026
2QCY26 Results Update | Sector: Oil & Gas

Castrol (India)

Estimate change	↑
TP change	↔
Rating change	↔

Bloomberg	CSTRL IN
Equity Shares (m)	989
M.Cap.(INRb)/(USDb)	189.5 / 2
52-Week Range (INR)	225 / 170
1, 6, 12 Rel. Per (%)	2/7/-14
12M Avg Val (INR M)	347

Financials & Valuations (INR b)

Y/E Dec	CY25	CY26E	CY27E
Sales	57.2	62.5	64.9
EBITDA	13.5	13.7	15.1
PAT	9.7	9.8	10.8
EPS (INR)	9.8	9.9	10.9
EPS Gr. (%)	4.2	1.7	10.1
BV/Sh.(INR)	19.2	20.1	21.1
Ratios			
Net D:E	-0.6	-0.6	-0.6
RoE (%)	46.3	50.5	53.2
RoCE (%)	46.6	50.9	53.5
Payout (%)	91.1	91.1	91.1
Valuations			
P/E (x)	19.6	19.3	17.5
P/BV (x)	10.0	9.6	9.1
EV/EBITDA (x)	13.2	12.9	11.7
Div. Yield (%)	4.6	4.7	5.2
FCF Yield (%)	5.2	5.3	5.8

Shareholding pattern (%)

As of	Sep-25	Jun-25	Sep-24
Promoter	51.0	51.0	51.0
DII	15.0	14.9	15.2
FII	10.3	10.3	10.0
Others	23.8	23.8	23.8

FII includes depository receipts

CMP: INR192 TP: INR230 (+20%) Buy

Healthy volume momentum; near-term margin pressure

- Castrol's (CSTRL) 2QCY26 EBITDA came 41% above our estimate. EBITDA margin expanded 310bp YoY to 26.4%. Reported PAT came 41% above our estimate at INR3.5b. Other income came above our estimate at INR140m.
- **Things we liked about the result:** 1) The company implemented low double-digit price hikes during 1HCY26, including one in 2QCY27, to offset supply chain volatility and input cost inflation. This enabled CSTRL to deliver strong EBITDA margin of 26.4% despite cost pressures; 2) The Industrial segment (15% of total volumes) is growing at a higher pace than the other segments; 3) Rural volume growth remained strong, supported by continued expansion in distribution (45,000+ touch points); and 4) Management remains focused on brand building, distribution expansion, and new product launches, which we believe should support sustained volume growth and market share gains.
- **Key monitorables:** 1) Gross margin will be impacted in 3QCY26 by elevated crude, base oil, and packaging costs due to inventory lag; 2) Progress in the commercialization of data center cooling lubricants remains in focus; and 3) Clarity on the timeline for completion of the BP-Stonepeak transaction and the subsequent open offer remains a key monitorable.
- 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 value the stock at 21x Dec'27 EPS to arrive at our TP of INR230. We reiterate our BUY rating.**

Higher-than-estimated margin drives beat

- CSTRL's 2QCY26 revenue stood 19% above our est. at ~INR18.7b (up 25% YoY).
- EBITDA also stood 41% above our est. at INR4.9b (up 41% YoY).
- EBITDA margin expanded 310bp YoY (420bp above est.).
- Reported PAT stood 41% above our estimate at INR3.5b.
- Other income came in above our estimate.
- The Board has declared an interim dividend of INR6.25/sh.

Press release KTAs

- **Expanded market reach and reinforced distribution presence:**
  - Maintained a nationwide distribution network of ~160,000 outlets, while expanding the Auto Care portfolio to ~40,000 physical outlets.
  - Strengthened the service ecosystem through over 850 Castrol Auto Service (CAS) centres, 34,000+ independent bike workshops, and 16,000+ multi-brand workshops.
  - Expanded rural distribution to ~45,000 outlets, supported by more than 950 Rural Service Express centers, delivering sustained double-digit growth.
  - Reinforced its leadership position in the premium passenger vehicle lubricant segment through focused execution across key urban markets.

Abhishek Nigam – Research Analyst (Abhishek.Nigam@MotilalOswal.com)
Rishabh Shivkumar Daga – Research Analyst (rishabh.daga@motilaloswal.com)

- **Strengthened the product portfolio through localization and innovation:**
  - Expanded the full synthetic lubricant range with the launch of Castrol Activ Full Synthetic 10W-30 and 5W-30, upgraded Castrol GTX 5W-30 to Castrol GTX Full Synthetic 5W-30, and introduced Castrol GTX Full Synthetic 0W-20.
  - Advanced localization efforts by launching Alusol SL 61 XBB, a water-soluble coolant designed for high-performance machining of aluminum alloys, while also suitable for cast iron and low-alloy steel applications.
- **Deepened consumer engagement through targeted brand initiatives:**
  - Launched a television campaign for Castrol Activ Full Synthetic featuring Zombie, using humour to highlight the product's differentiated proposition and reaching over 150m consumers.
  - Brand and trade engagement initiatives connected with more than 22m consumers and trade audiences.
  - Engaged over 10,000 riders through Road Trip United, strengthening relationships with leisure biking communities and reinforcing the performance positioning of Castrol POWER1.
- **Continued to prioritize safety and operational excellence:**
  - Paharpur and Silvassa facilities completed nine and three consecutive years, respectively, without any significant safety incidents.
  - The Silvassa plant received the NAMC Gold Award in recognition of its operational excellence and safety performance.
  - Castrol India was honoured with the Special Jury Award for Championing Sustainable Procurement Practices.

Valuation and view

- We build in EBITDA margins of 22%/23.3% for CY26/CY27, within the company's guided range of 21-24%, as we factor in the impact of a sharp rise in crude oil prices and ongoing supply chain disruptions, which are likely to exert near to mid-term pressure on profitability. Further, we build in volumes to clock a 6% CAGR over CY25-27, primarily driven by strong growth in the industrial and rural segment. The stock currently trades at 17.5x CY27 EPS with a 5% dividend yield and ~53% RoE/RoCE in CY27.
- We value the stock at 21x Dec'27 EPS to arrive at our TP of INR230. **We reiterate our BUY rating.**

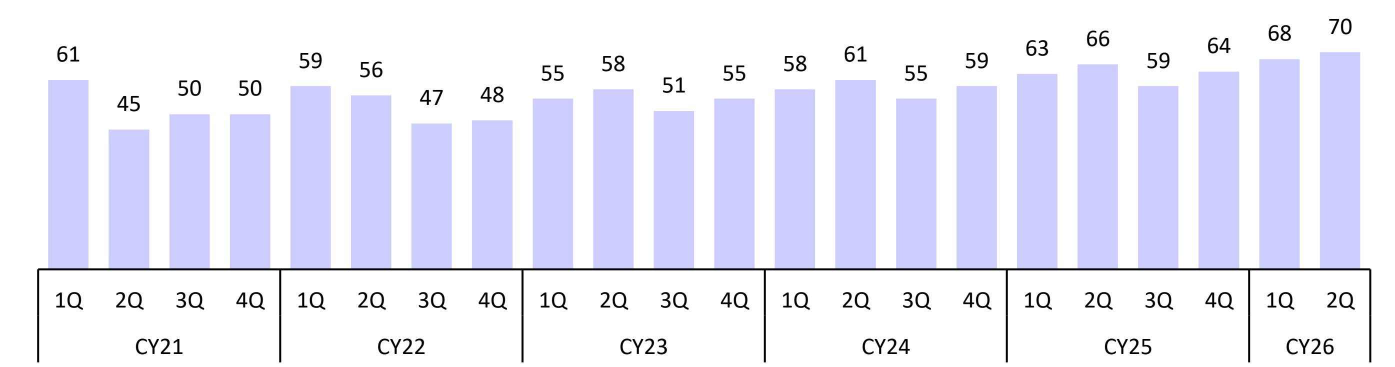
Quarterly Performance

(INR m)

Y/E December	CY25				CY26				CY25	CY26E	CY26	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Volume (m litres)	**63.0**	**66.0**	**59.0**	**63.7**	**67.7**	**70.0**	**62.0**	**67.2**	**251.7**	**266.8**	**70.0**	**0%**
Realization	**226**	**227**	**231**	**226**	**228**	**268**	**238**	**203**	227	234	**226**	**19%**
Net Sales	**14,220**	**14,968**	**13,628**	**14,399**	**15,452**	**18,715**	**14,738**	**13,632**	**57,215**	**62,467**	**15,787**	**19%**
YoY Change (%)	7.3	7.1	5.8	6.4	8.7	25.0	8.2	-5.3	6.6	9.2	5.5	
EBITDA	**3,074**	**3,495**	**3,228**	**3,678**	**3,293**	**4,942**	**2,829**	**2,878**	**13,475**	**13,740**	**3,507**	**41%**
YoY Change (%)	4.6	8.4	12.8	-2.1	7.1	41.4	-12.4	-21.7	5.4	2.0	0.3	
Margin (%)	21.6	23.4	23.7	25.5	21.3	26.4	19.2	21.1	23.6	22.0	22.2	**19%**
Depreciation	246	266	252	245	277	305	274	267	1,008	1,099	284	
Interest	23	26	21	23	19	17	22	24	93	98	28	
Other Income	322	93	123	136	233	140	121	99	674	593	105	
PBT before EO expense	**3,127**	**3,295**	**3,079**	**3,547**	**3,231**	**4,760**	**2,655**	**2,686**	**13,048**	**13,136**	**3,301**	**-2%**
Extra-Ord expense	0	0	0	225	0	0	0	0	225	0	0	
PBT	**3,127**	**3,295**	**3,079**	**3,322**	**3,231**	**4,760**	**2,655**	**2,686**	**12,823**	**13,136**	**3,301**	**44%**
Tax	793	855	801	875	809	1,283	669	677	3,324	3,310	832	
Rate (%)	25.3	26.0	26.0	26.3	25.0	27.0	25.2	25.2	25.9	25.2	25.2	
PAT	**2,335**	**2,440**	**2,278**	**2,447**	**2,422**	**3,477**	**1,986**	**2,009**	**9,499**	**9,826**	**2,469**	**41%**
Adj PAT	**2,335**	**2,440**	**2,278**	**2,613**	**2,422**	**3,477**	**1,986**	**2,009**	**9,666**	**9,826**	**2,469**	**-2%**
YoY Change (%)	8.0	5.1	9.8	-3.7	3.7	42.5	-12.8	-23.1	4.2	1.7	1.2	
Margins (%)	16.4	16.3	16.7	18.1	15.7	18.6	13.5	14.7	16.9	15.7	15.6	
E: MOFSL Estimates												
Operational Details (INR/lit)												
Volume (m litres)	63.0	66.0	59.0	63.7	67.7	70.0 (#)	62.0	67.2	251.7	266.8	70.0	0%
YoY Change (%)	8.6	8.2	7.3	8.0	7.5	6.0	5.0	5.4	8.0	6.0	6.0	25%
Realization	225.7	226.8	231.0	226.0	228.2	267.5	237.9	202.9	227.3	234.1	225.7	19%
Gross margin	108.5	109.9	115.1	112.2	111.9	136.0	107.1	91.5	111.3	111.2	107.6	26%
EBITDA	48.8	53.0	54.7	57.7	48.6	70.6	45.7	42.8	53.5	51.5	50.1	41%
PAT	37.1	37.0	38.6	41.0	35.8	49.7	32.1	29.9	38.4	36.8	35.3	41%

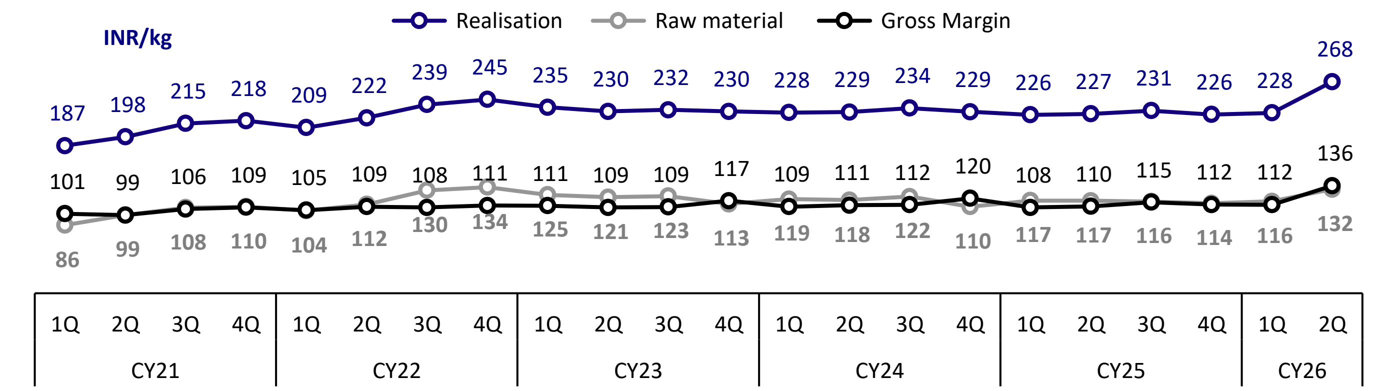
Note: # We have assumed volume growth of 6% YoY in 2QCY26

Exhibit 1: Volume stood at 70m liters (up 6% YoY)



Note: We have assumed volume growth of 6% YoY in 2QCY26; Source: Company, MOFSL

Exhibit 2: Realization stood at INR268/liter



Note: We have assumed volume growth of 6% YoY in 2QCY26; Source: Company, MOFSL

CONFERENCE CALL

Key highlights from the management commentary

Open offer timeline:

- Transaction with Stonepeak is progressing as planned, with the investor obtaining the required regulatory approvals, licenses, and operational clearances across multiple jurisdictions.
- Management indicated that the transaction timeline reflects the complexity of a cross-border deal and that the company will notify SEBI and shareholders once the transaction is formally closed.

Margins and cost outlook:

- **Crude oil rise impact on margins:** Gross margin **will be impacted in 3QCY26** by elevated crude, base oil, and packaging costs due to inventory lag.
- **Price hike:** The company implemented **low double-digit price hikes in 1HCY26**, including one in 2QCY26, to offset supply chain volatility and input cost inflation.

Silvassa plant:

- The Silvassa plant was temporarily shut due to heavy rainfall in early Jul'26 as a precautionary safety measure. Operations have since fully resumed, with the business continuity plan ensuring no lasting operational impact, and the plant is currently operating at peak levels.

Data centers:

- Early-stage trials are underway for data center liquid cooling solutions in India. Contribution remains negligible in the near term, with no formal revenue guidance yet.
- Management remains technology-agnostic in data center cooling, with solutions available for both immersion cooling and direct-to-chip cooling. The eventual dominant technology in India will depend on OEM preferences and is still too early to determine.
- Some previously discussed trial projects have converted into commercial business, although several trials remain long-term in nature. Management expects meaningful demand to materialize only as announced data center projects become operational.

Dividend:

- The company declared one interim dividend and one final dividend (historically: ~5% dividend yield).

Volume and segment performance

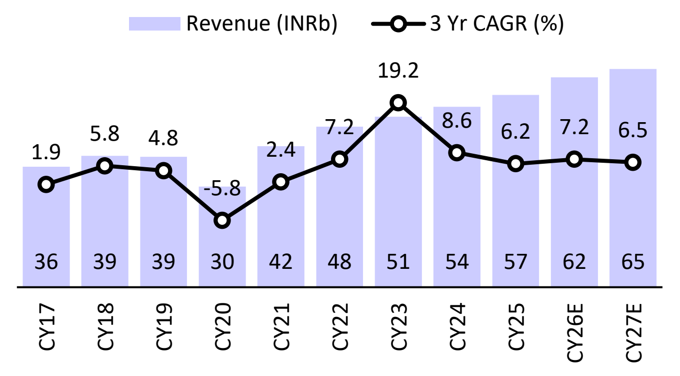
- 2QCY26 volumes were not disclosed on the call. However, the company aims to grow volumes at 7-8% YoY (2x the industry average of 3-4%).
- The industrial segment is **15% of total volumes,** which is growing at a higher pace than the rest of the segments.

Capex:

- The company continues to guide for an **annual capex of ~INR1b**, with roughly equal allocation toward manufacturing and market investments (dealer and workshop visibility).
- Management indicated that strategic investment opportunities are evaluated on an ongoing basis but has **no new investments to announce at present**.

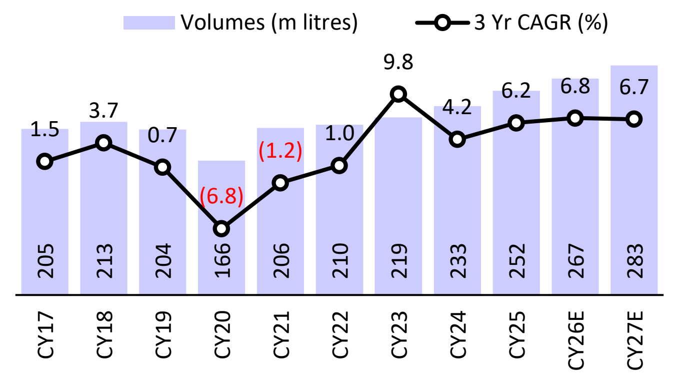
Story in charts

Exhibit 3: Revenue to clock a 7% CAGR over CY24-27…



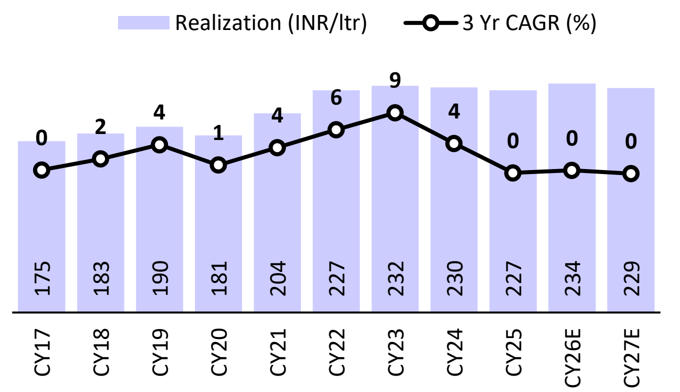
Source: Company, MOFSL

Exhibit 4: …led by an increase in volumes



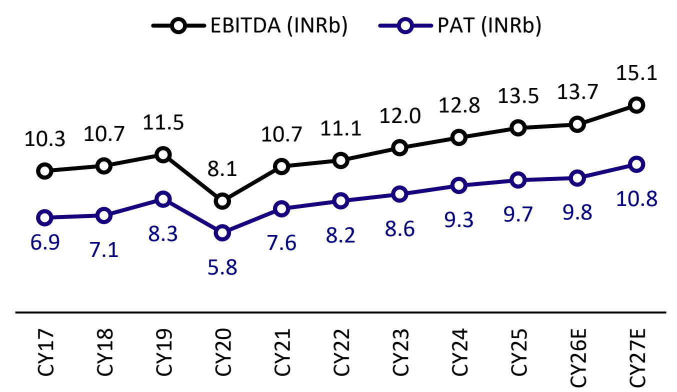
Source: Company, MOFSL

Exhibit 5: Realizations to be ~INR229/lit in CY27…



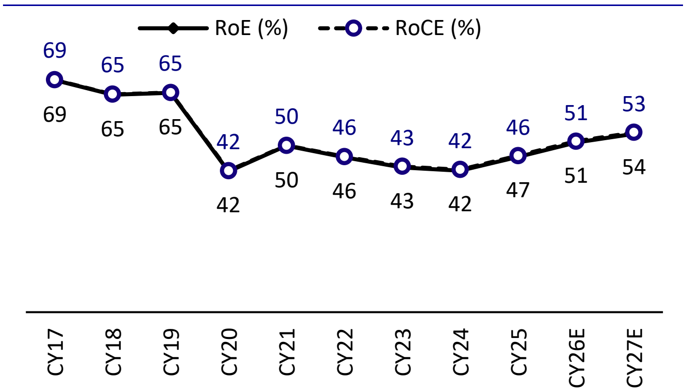
Source: Company, MOFSL

Exhibit 6: …with EBITDA improving to INR15.1b



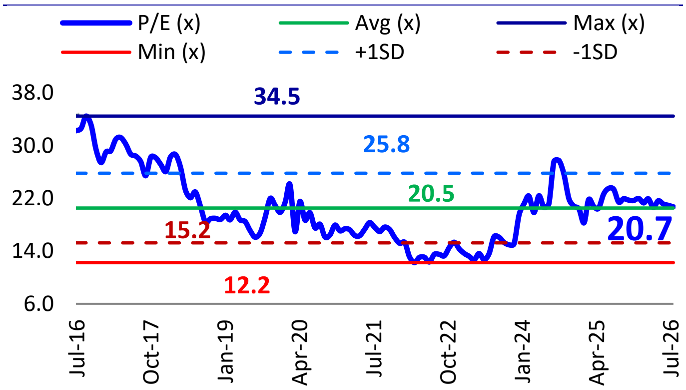
Source: Company, MOFSL

Exhibit 7: Return ratios expected to be around 50%



Source: Company, MOFSL

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



Source: Company, MOFSL

Financials and Valuations

Standalone - Income Statement (INR m)

Y/E December	CY22	CY23	CY24	CY25	CY26E	CY27E
Net sales	**47,745**	**50,746**	**53,649**	**57,215**	**62,467**	**64,891**
Change (%)	13.9	6.3	5.7	6.6	9.2	3.9
Gross Margin	**22,746**	**24,382**	**26,370**	**28,021**	**29,672**	**31,741**
Margin (%)	47.6	48.0	49.2	49.0	47.5	48.9
EBITDA	**11,111**	**12,024**	**12,782**	**13,475**	**13,740**	**15,138**
Margin (%)	23.3	23.7	23.8	23.6	22.0	23.3
Depreciation	814	924	998	1,008	1,099	1,117
EBIT	**10,297**	**11,100**	**11,784**	**12,467**	**12,641**	**14,022**
Interest Charges	40	75	94	93	98	102
Other Income	670	787	886	674	593	550
PBT bef. EO Exp.	**10,928**	**11,811**	**12,576**	**13,048**	**13,136**	**14,469**
Income tax	2,776	3,170	3,304	3,324	3,310	3,646
Tax Rate (%)	*25.4*	*26.8*	*26.3*	*25.9*	*25.2*	*25.2*
Reported PAT	**8,152**	**8,641**	**9,272**	**9,499**	**9,826**	**10,823**
Change (%)	7.5	6.0	7.3	4.2	1.7	10.1
Margin (%)	17.1	17.0	17.3	16.9	15.7	16.7

Standalone - Balance Sheet (INR m)

Y/E December	CY22	CY23	CY24	CY25	CY26E	CY27E
Equity Share Capital	4,946	4,946	4,946	4,946	4,946	4,946
Total Reserves	13,915	16,271	17,838	14,057	14,931	15,893
Net Worth	**18,861**	**21,217**	**22,784**	**19,003**	**19,877**	**20,839**
Capital Employed	**18,861**	**21,217**	**22,784**	**19,003**	**19,877**	**20,839**
Gross Block	8,709	9,633	10,631	11,881	12,881	13,881
Less: Accum. Deprn.	6,800	7,960	8,389	9,282	10,381	11,498
Net Fixed Assets	**1,909**	**1,673**	**2,242**	**2,599**	**2,499**	**2,383**
Capital WIP	608	1,084	603	721	1,000	1,000
Curr. Assets, Loans&Adv.	**24,240**	**25,787**	**27,783**	**24,798**	**26,964**	**28,494**
Inventory	5,344	5,329	5,242	5,463	6,086	6,214
Account Receivables	3,504	4,228	4,377	4,732	5,167	5,367
Cash and Bank Balance	12,177	11,998	13,990	11,410	12,226	13,291
Cash	5,545	4,932	4,529	4,266	5,082	6,148
Bank Balance	6,632	7,066	9,461	7,144	7,144	7,144
Loans and Advances	3,215	4,231	4,175	3,193	3,486	3,621
Curr. Liability & Prov.	**11,832**	**12,982**	**13,569**	**14,946**	**16,419**	**16,869**
Account Payables	6,789	7,064	7,037	7,861	8,757	8,941
Other Current Liabilities	4,516	5,342	5,945	6,283	6,859	7,126
Provisions	527	576	587	802	802	802
Net Current Assets	**12,408**	**12,804**	**14,214**	**9,852**	**10,546**	**11,625**
Deferred Tax assets	686	781	850	956	956	956
Appl. of Funds	**18,861**	**21,217**	**22,784**	**19,003**	**19,877**	**20,839**

Financials and Valuations

Ratios

Y/E December	CY22	CY23	CY24	CY25	CY26E	CY27E
Basic (INR)						
EPS	**8.2**	**8.7**	**9.4**	**9.8**	**9.9**	**10.9**
Cash EPS	9.1	9.7	10.4	10.8	11.0	12.1
BV/Share	19.1	21.5	23.0	19.2	20.1	21.1
DPS	6.5	7.5	13.0	8.8	9.1	10.0
Payout (%)	78.9	85.8	138.7	91.1	91.1	91.1
Valuation (x)						
P/E	23.3	22.0	20.5	19.6	19.3	17.5
Cash P/E	21.2	19.9	18.5	17.8	17.4	15.9
P/BV	10.1	9.0	8.3	10.0	9.6	9.1
EV/Sales	3.7	3.5	3.3	3.1	2.8	2.7
EV/EBITDA	16.0	14.8	13.8	13.2	12.9	11.7
Dividend Yield (%)	3.4	3.9	6.8	4.6	4.7	5.2
FCF per share	8.2	7.7	9.6	10.0	10.3	11.2
Return Ratios (%)						
RoE	46.2	43.1	42.1	46.3	50.5	53.2
RoCE	46.3	43.4	42.5	46.6	50.9	53.5
Working Capital Ratios						
Asset Turnover (x)	2.5	2.4	2.4	3.0	3.1	3.1
Inventory (Days)	41	38	36	35	36	35
Debtor (Days)	23	26	26	26	26	26
Creditor (Days)	52	51	48	50	51	50
Leverage Ratio (x)						
Net Debt/Equity	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6

Standalone - Cash Flow Statement (INR m)

Y/E December	CY22	CY23	CY24	CY25	CY26E	CY27E
OP/(Loss) before Tax	10,928	11,811	12,576	12,823	13,136	14,469
Depreciation	814	924	998	1,008	1,099	1,117
Interest & Finance Charges	40	75	94	93	98	102
Direct Taxes Paid	-2,740	-3,185	-3,141	-3,475	-3,310	-3,646
(Inc)/Dec in WC	307	-706	369	923	123	-13
CF from Operations	**9,159**	**8,530**	**10,441**	**10,901**	**11,145**	**12,029**
(Inc)/Dec in FA	-1,097	-955	-927	-973	-1,000	-1,000
Free Cash Flow	**8,062**	**7,575**	**9,514**	**9,928**	**10,145**	**11,029**
CF from Investments	**618**	**-2,513**	**-2,669**	**1,986**	**-1,279**	**-1,000**
Interest Paid	-11	-15	-19	-30	-98	-102
Dividend Paid	-5,935	-6,429	-7,913	-12,859	-8,952	-9,861
CF from Fin. Activity	**-6,075**	**-6,638**	**-8,191**	**-13,151**	**-9,050**	**-9,963**
Inc/Dec of Cash	**3,702**	**-621**	**-419**	**-264**	**816**	**1,066**
Opening Balance	1,843	5,553	4,948	4,531	4,266	5,082
Closing Balance	**5,545**	**4,932**	**4,529**	**4,266**	**5,082**	**6,148**

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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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Nainesh Rajani
Email: nainesh.rajani@motilaloswal.com
Contact: (+65) 8328 0276

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Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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