

| | |
|-----------------------|-----------|
| Estimate change | ↔ |
| TP change | ↔ |
| Rating change | ↔ |
| | |
| Bloomberg | CSTRL IN |
| Equity Shares (m) | 989 |
| M.Cap.(INRb)/(USDb) | 211 / 2.4 |
| 52-Week Range (INR) | 279 / 159 |
| 1, 6, 12 Rel. Per (%) | 0/3/-14 |
| 12M Avg Val (INR M) | 1153 |

| Financials & Valuations (INR b) | | | |
|---------------------------------|-------|-------|-------|
| Y/E Dec | CY24 | CY25E | CY26E |
| Sales | 53.6 | 56.1 | 58.1 |
| EBITDA | 12.8 | 12.9 | 13.4 |
| PAT | 9.3 | 9.3 | 9.5 |
| EPS (INR) | 9.4 | 9.4 | 9.6 |
| EPS Gr. (%) | 7.3 | -0.2 | 2.4 |
| BV/Sh.(INR) | 23.0 | 24.9 | 26.8 |
| Ratios | | | |
| Net D:E | -0.6 | -0.6 | -0.6 |
| RoE (%) | 42.1 | 39.0 | 37.0 |
| RoCE (%) | 42.5 | 39.3 | 37.3 |
| Payout (%) | 138.7 | 80.0 | 80.0 |
| Valuations | | | |
| P/E (x) | 22.7 | 22.8 | 22.2 |
| P/BV (x) | 9.2 | 8.6 | 7.9 |
| EV/EBITDA (x) | 15.4 | 15.1 | 14.5 |
| Div. Yield (%) | 6.1 | 3.5 | 3.6 |
| FCF Yield (%) | 4.5 | 4.3 | 4.4 |

| Shareholding pattern (%) | | | |
|--------------------------|--------|--------|--------|
| As On | Jun-25 | Mar-25 | Jun-24 |
| Promoter | 51.0 | 51.0 | 51.0 |
| DII | 14.9 | 14.6 | 16.1 |
| FII | 10.3 | 10.6 | 10.0 |
| Others | 23.8 | 23.8 | 22.9 |

FII includes depository receipts

CMP: INR213

TP: INR250 (+17%)

Buy

Rural expansion and the industrial segment to drive volumes

- Castrol (CSTR)’s 2QCY25 results were in line with our estimates. EBITDA margin expanded 30bp YoY/175bp QoQ. Its 2Q volumes stood in line with our estimate at 66m liters (up 8% YoY).
- Management highlighted that it remains focused on brand building, widening the distribution network, and launching new products, all of which we believe will drive volume growth and market share expansion.
- CSTR 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 INR250.

Performance in line

- CSTR’s 2QCY25 revenue came in at ~INR15b, in line (up 7% YoY).
- EBITDA was also in line with our estimate at INR3.5b (up 8% YoY).
- EBITDA margin expanded 30bp YoY/175bp QoQ.
- Gross margin remained flat YoY/QoQ.
- PAT was also in line at INR2.4b. However, other income stood below our estimate.
- The Board recommended an interim dividend of INR3.5/sh (FV: INR5/sh).
- Other key highlights:
 - Remarks from Mr. Kedar Lele, MD:** The company remains optimistic about the road ahead. The industrial segment continues to be a key long-term growth driver, with the first half showing positive momentum—new customer additions, improved traction, and a growing share of locally manufactured products. Meanwhile, the rural strategy is progressing well and will be further strengthened in the coming months.
 - Industrial Segment update:**
 - The recently launched **Rustilo DW 800** range of rust preventives—developed and manufactured locally—is now serving over 100 customers across the automotive, bearings, tube, and metal manufacturing sectors.
 - Localized production** of globally recognized metalworking fluids such as Hysol MB50 and the 20XBB range has enabled faster delivery and enhanced value creation.
 - Chemical Management Services (CMS)** segment has been successfully deployed at multiple new sites, further strengthening industrial service offerings.
 - Focus on expanding distribution:**
 - CSTR now has a presence in over **0.16m outlets**, including **32,000+ bike points, 11,000+ multi-brand car workshops**, and a broad dealer network.
 - The **Castrol Auto Service** network continues to grow, currently supporting over **730 workshops across 340+ cities**, offering reliable, professional services in the aftermarket.
 - The **full range of auto-care** products is now widely available across **e-commerce platforms, modern trade outlets, and 50,000+ physical retail points** across India.

Abhishek Nigam – Research Analyst (Abhishek.nigam@MotilalOswal.com)

Rishabh Daga – Research Analyst (Rishabh.Daga@MotilalOswal.com)

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Key takeaways from the management commentary

- CSTR maintained its guidance of growing higher than the industry's average growth rate of 3.5-4.5% and guided a 21-24% EBITDA margin for CY25/26. We estimate ~23% EBITDA margin in both CY25 and CY26.
- Volumes exceeded 66m lit., reflecting an 8% YoY increase. Growth was driven by strong performance across segments, with two-wheeler and passenger car volumes rising in the high single digits, while industrial volumes registered a robust 13% YoY growth. As a result, the company's overall market share has reached approximately 20%.
- Castrol has ~10%+ volumes and profitability share in the Castrol global business.
- Sales mix in 2Q: Personal mobility/CV/Industrial — 43%/44%/13%.

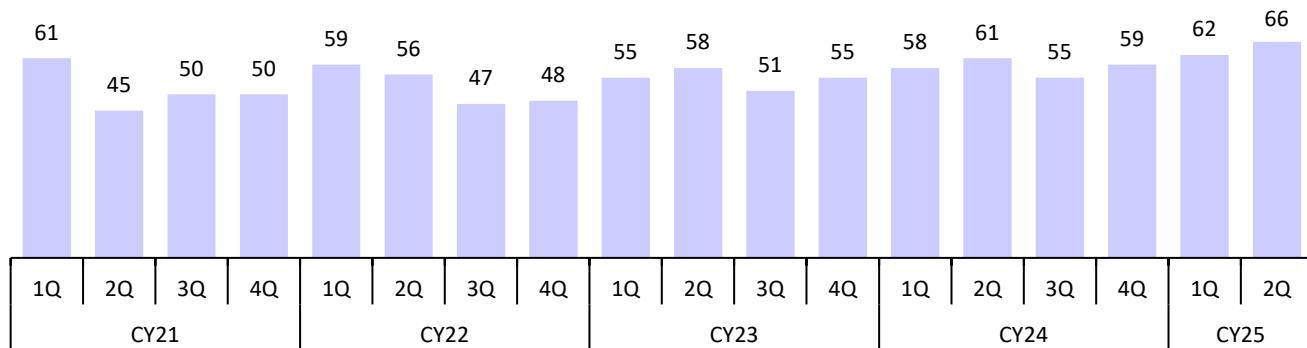
Valuation and view

- Our EBITDA margin assumptions are already within the company's guided range of 22-25%.
- We value the stock at 26x P/E (average: 21.5x and mean + 1 S.D.: 27.9x) and arrive at our TP of INR250. **We reiterate our BUY rating.**

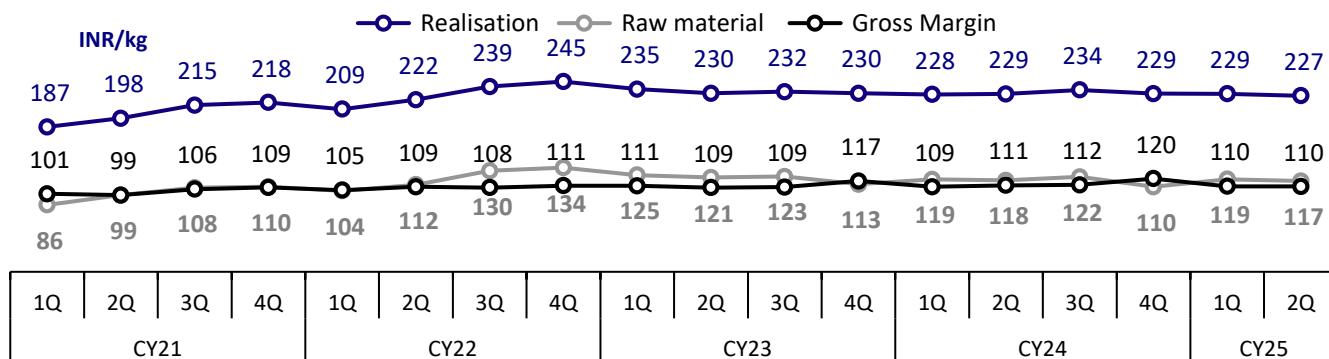
Quarterly Performance

| Y/E December | (INR m) | | | | | | | | CY24 | CY25 | CY24 | CY25E | CY25 | Var. (%) | |
|--------------------------------------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|----------|-----|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | | | | | | |
| | 58.0 | 61.0 | 55.0 | 59.0 | 62.0 | 66.0 | 58.3 | 61.8 | 233.0 | 248.1 | 64.7 | 226 | 226 | 226 | 2% |
| Volume (m liters) | 228 | 229 | 234 | 229 | 229 | 227 | 226 | 222 | 230 | 230 | 226 | 226 | 226 | 226 | 0% |
| Realization | | | | | | | | | | | | | | | |
| Net Sales | 13,252 | 13,975 | 12,882 | 13,539 | 14,220 | 14,968 | 13,179 | 13,727 | 53,649 | 56,094 | 14,617 | 14,617 | 14,617 | 14,617 | 2% |
| YoY Change (%) | 2.4 | 4.8 | 8.9 | 7.1 | 7.3 | 7.1 | 2.3 | 1.4 | 5.7 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | |
| EBITDA | 2,937 | 3,224 | 2,861 | 3,759 | 3,074 | 3,495 | 2,987 | 3,371 | 12,782 | 12,927 | 3,403 | 3,403 | 3,403 | 3,403 | 3% |
| YoY Change (%) | -0.4 | 4.1 | 6.5 | 14.2 | 4.6 | 8.4 | 4.4 | -10.3 | 6.3 | 1.1 | 5.5 | 5.5 | 5.5 | 5.5 | |
| Margin (%) | 22.2 | 23.1 | 22.2 | 27.8 | 21.6 | 23.4 | 22.7 | 24.6 | 23.8 | 23.0 | 23.3 | 23.3 | 23.3 | 23.3 | 0% |
| Depreciation | 237 | 261 | 245 | 254 | 246 | 266 | 251 | 260 | 998 | 1,020 | 267 | 267 | 267 | 267 | |
| Interest | 21 | 26 | 20 | 27 | 23 | 26 | 21 | 28 | 94 | 98 | 27 | 27 | 27 | 27 | |
| Other Income | 241 | 204 | 209 | 232 | 322 | 93 | 132 | 13 | 886 | 560 | 209 | 209 | 209 | 209 | |
| PBT | 2,921 | 3,142 | 2,805 | 3,709 | 3,127 | 3,295 | 2,847 | 3,095 | 12,576 | 12,368 | 3,319 | 3,319 | 3,319 | 3,319 | -1% |
| Tax | 758 | 820 | 730 | 995 | 793 | 855 | 718 | 751 | 3,304 | 3,117 | 836 | 836 | 836 | 836 | |
| Rate (%) | 26.0 | 26.1 | 26.0 | 26.8 | 25.3 | 26.0 | 25.2 | 24.3 | 26.3 | 25.2 | 25.2 | 25.2 | 25.2 | 25.2 | |
| PAT | 2,162 | 2,322 | 2,074 | 2,714 | 2,335 | 2,440 | 2,130 | 2,344 | 9,272 | 9,251 | 2,483 | 2,483 | 2,483 | 2,483 | -2% |
| YoY Change (%) | 6.8 | 3.1 | 6.7 | 12.2 | 8.0 | 5.1 | 2.7 | -13.6 | 7.3 | -0.2 | 6.9 | 6.9 | 6.9 | 6.9 | |
| Operational Details (INR/lit) | | | | | | | | | | | | | | | |
| Volume (m litres) | 58.0 | 61.0 | 55.0 | 59.0 | 62.0 | 66.0 | 58.3 | 61.8 | 233.0 | 248.1 | 64.7 | 64.7 | 64.7 | 64.7 | 2% |
| Realization | 228.5 | 229.1 | 234.2 | 229.5 | 229.4 | 226.8 | 226.1 | 222.0 | 230.3 | 226.1 | 226.1 | 226.1 | 226.1 | 226.1 | 0% |
| Gross margin | 109.4 | 111.3 | 111.9 | 120.0 | 110.2 | 109.9 | 109.5 | 108.4 | 113.2 | 109.5 | 109.5 | 109.5 | 109.5 | 109.5 | 0% |
| EBITDA | 50.6 | 52.9 | 52.0 | 63.7 | 49.6 | 53.0 | 51.2 | 54.5 | 54.9 | 52.1 | 52.6 | 52.6 | 52.6 | 52.6 | 1% |
| PAT | 37.3 | 38.1 | 37.7 | 46.0 | 37.7 | 37.0 | 36.5 | 37.9 | 39.8 | 37.3 | 38.4 | 38.4 | 38.4 | 38.4 | -4% |

Exhibit 1: Volume stood at 66m liters (up 8.2% YoY)



Source: Company, MOFSL

Exhibit 2: Realization stood at INR227/liter


Source: Company, MOFSL


Key highlights from the management commentary

- Increasing rural presence and growth in the industrial segment are driving revenue growth.
- The company shall continue to stay focused on bike segment expansion (more than 50% bikes are being sold in rural India).
- Management maintained its EBITDA margin guidance of 21-24%.
- The company manufactures high-value products in its factories. Further, it provides chemical maintenance services (high-margin value-added service), which aid margins. Hence, the company has reported margin improvement even when the low-margin industrial business is growing in double-digits.

Volume growth:

- 2QCY25 volumes stood at 66m+ lit (8% up YoY).
- Bike and car volumes grew in high single digits YoY. Industrial volumes grew 13% in 2Q.
- Overall market share stands at ~20% now.
- Automotive lubricant space volumes in India are expected to be in the range of 3.5%-4.5%, while Castrol is growing at 7-8%. Hence, Castrol has gained 40bps market share YTD.
- Auto-care products: The company has sold ~27k auto-care products in Jun'25 online. The sales doubled YoY in 2Q.

Castrol global business:

- Castrol has ~10%+ volumes and profitability share in the Castrol global business.

Sales mix in 2Q:

- 43%/44%/13%: Personal mobility/CV/Industrial segment.

Others:

- In 2Q, advertisement expenses stood at INR460m, lower QoQ. However, in 1HCY25, advertisement expense was up 20% YoY.
- Selective price hikes have been taken in the portfolio. ~1.5% delta in 2Q comes from price hike.
- Other income in the range of **INR1b** should be the expected run-rate in the future.

Story in charts

Exhibit 3: Revenue to clock 4.6% CAGR over CY23-26...

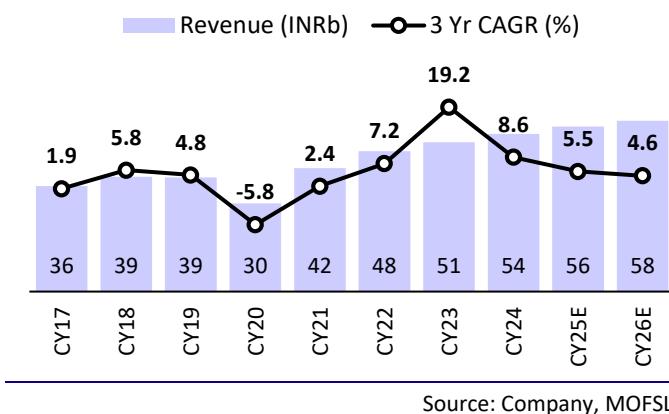


Exhibit 4: ...led by an increase in volumes

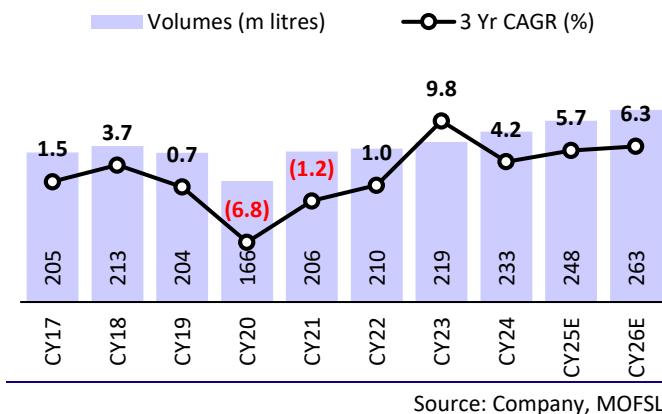


Exhibit 5: Realizations to be ~INR221/lit in CY26...

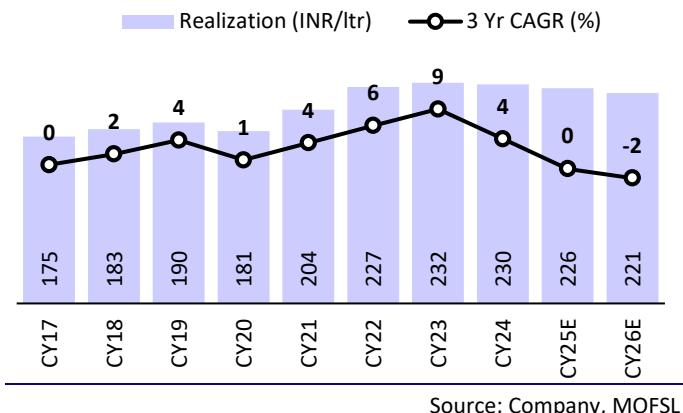


Exhibit 6: ...with EBITDA improving to INR13.4b

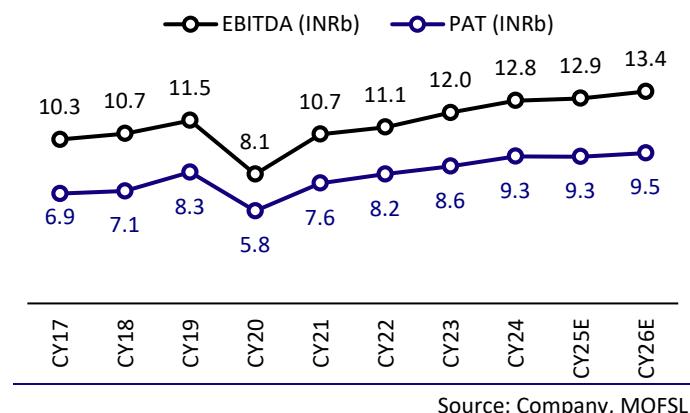


Exhibit 7: Return ratios expected to be around 38%

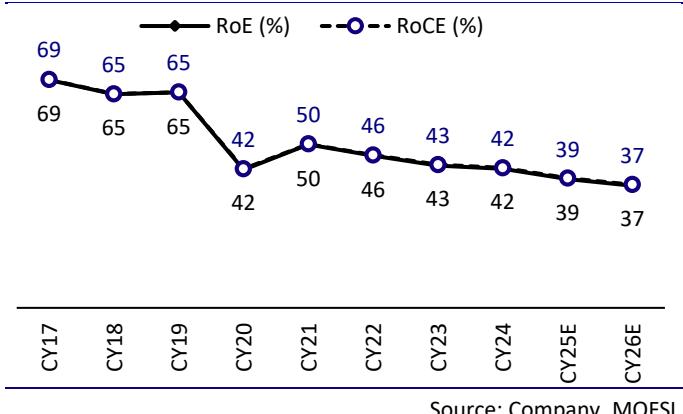


Exhibit 8: CSTR's one-year forward P/E chart



Financials and Valuations

| Standalone - Income Statement | | | | | |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|
| | (INR m) | | | | |
| Y/E December | CY22 | CY23 | CY24 | CY25E | CY26E |
| Net sales | 47,745 | 50,746 | 53,649 | 56,094 | 58,114 |
| Change (%) | 13.9 | 6.3 | 5.7 | 4.6 | 3.6 |
| Gross Margin | 22,746 | 24,382 | 26,370 | 27,167 | 27,594 |
| Margin (%) | 47.6 | 48.0 | 49.2 | 48.4 | 47.5 |
| EBITDA | 11,111 | 12,024 | 12,782 | 12,927 | 13,358 |
| Margin (%) | 23.3 | 23.7 | 23.8 | 23.0 | 23.0 |
| Depreciation | 814 | 924 | 998 | 1,020 | 1,042 |
| EBIT | 10,297 | 11,100 | 11,784 | 11,907 | 12,316 |
| Interest Charges | 40 | 75 | 94 | 98 | 103 |
| Other Income | 670 | 787 | 886 | 560 | 455 |
| PBT bef. EO Exp. | 10,928 | 11,811 | 12,576 | 12,368 | 12,668 |
| Income tax | 2,776 | 3,170 | 3,304 | 3,117 | 3,192 |
| Tax Rate (%) | 25.4 | 26.8 | 26.3 | 25.2 | 25.2 |
| Reported PAT | 8,152 | 8,641 | 9,272 | 9,251 | 9,476 |
| Change (%) | 7.5 | 6.0 | 7.3 | -0.2 | 2.4 |
| Margin (%) | 17.1 | 17.0 | 17.3 | 16.5 | 16.3 |

| 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 | 19,688 | 21,583 |
| Net Worth | 18,861 | 21,217 | 22,784 | 24,634 | 26,529 |
| Capital Employed | 18,861 | 21,217 | 22,784 | 24,634 | 26,529 |
| 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 |
| Net Fixed Assets | 1,909 | 1,673 | 2,242 | 2,472 | 2,680 |
| Capital WIP | 608 | 1,084 | 603 | 1,014 | 1,250 |
| Curr. Assets, Loans&Adv. | 24,240 | 25,787 | 27,783 | 29,659 | 31,608 |
| Inventory | 5,344 | 5,329 | 5,242 | 5,537 | 5,741 |
| Account Receivables | 3,504 | 4,228 | 4,377 | 4,576 | 4,741 |
| Cash and Bank Balance | 12,177 | 11,998 | 13,990 | 15,180 | 16,604 |
| Cash | 5,545 | 4,932 | 4,529 | 5,719 | 7,143 |
| Bank Balance | 6,632 | 7,066 | 9,461 | 9,461 | 9,461 |
| Loans and Advances | 3,215 | 4,231 | 4,175 | 4,365 | 4,522 |
| Curr. Liability & Prov. | 11,832 | 12,982 | 13,569 | 14,236 | 14,734 |
| Account Payables | 6,789 | 7,064 | 7,037 | 7,433 | 7,706 |
| Other Current Liabilities | 4,516 | 5,342 | 5,945 | 6,216 | 6,440 |
| Provisions | 527 | 576 | 587 | 587 | 587 |
| Net Current Assets | 12,408 | 12,804 | 14,214 | 15,423 | 16,874 |
| Deferred Tax assets | 686 | 781 | 850 | 850 | 850 |
| Appl. of Funds | 18,861 | 21,217 | 22,784 | 24,634 | 26,529 |

Financials and Valuations

Ratios

| Y/E December | CY22 | CY23 | CY24 | CY25E | CY26E |
|-------------------------------|------------|------------|------------|------------|------------|
| Basic (INR) | | | | | |
| EPS | 8.2 | 8.7 | 9.4 | 9.4 | 9.6 |
| Cash EPS | 9.1 | 9.7 | 10.4 | 10.4 | 10.6 |
| BV/Share | 19.1 | 21.5 | 23.0 | 24.9 | 26.8 |
| DPS | 6.5 | 7.5 | 13.0 | 7.5 | 7.7 |
| Payout (%) | 78.9 | 85.8 | 138.7 | 80.0 | 80.0 |
| Valuation (x) | | | | | |
| P/E | 25.8 | 24.4 | 22.7 | 22.8 | 22.2 |
| Cash P/E | 23.5 | 22.0 | 20.5 | 20.5 | 20.0 |
| P/BV | 11.2 | 9.9 | 9.2 | 8.6 | 7.9 |
| EV/Sales | 4.2 | 3.9 | 3.7 | 3.5 | 3.3 |
| EV/EBITDA | 17.9 | 16.5 | 15.4 | 15.1 | 14.5 |
| Dividend Yield (%) | 3.1 | 3.5 | 6.1 | 3.5 | 3.6 |
| FCF per share | 8.2 | 7.7 | 9.6 | 9.2 | 9.4 |
| Return Ratios (%) | | | | | |
| RoE | 46.2 | 43.1 | 42.1 | 39.0 | 37.0 |
| RoCE | 46.3 | 43.4 | 42.5 | 39.3 | 37.3 |
| Working Capital Ratios | | | | | |
| Asset Turnover (x) | 2.5 | 2.4 | 2.4 | 2.3 | 2.2 |
| Inventory (Days) | 41 | 38 | 36 | 36 | 36 |
| Debtor (Days) | 23 | 26 | 26 | 26 | 26 |
| Creditor (Days) | 52 | 51 | 48 | 48 | 48 |
| Leverage Ratio (x) | | | | | |
| Net Debt/Equity | -0.6 | -0.6 | -0.6 | -0.6 | -0.6 |

Standalone - Cash Flow Statement

(INR m)

| Y/E December | CY22 | CY23 | CY24 | CY25E | CY26E |
|------------------------------|---------------|---------------|---------------|---------------|---------------|
| OP/(Loss) before Tax | 10,928 | 11,811 | 12,576 | 12,368 | 12,668 |
| 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 | -3,117 | -3,192 |
| (Inc)/Dec in WC | 307 | -706 | 369 | -18 | -28 |
| CF from Operations | 9,159 | 8,530 | 10,441 | 10,352 | 10,593 |
| (Inc)/Dec in FA | -1,097 | -955 | -927 | -1,250 | -1,250 |
| Free Cash Flow | 8,062 | 7,575 | 9,514 | 9,102 | 9,343 |
| CF from Investments | 618 | -2,513 | -2,669 | -1,661 | -1,486 |
| Interest Paid | -11 | -15 | -19 | -98 | -103 |
| Dividend Paid | -5,935 | -6,429 | -7,913 | -7,401 | -7,580 |
| CF from Fin. Activity | -6,075 | -6,638 | -8,191 | -7,500 | -7,684 |
| Inc/Dec of Cash | 3,702 | -621 | -419 | 1,191 | 1,423 |
| Opening Balance | 1,844 | 5,553 | 4,948 | 4,529 | 5,719 |
| Closing Balance | 5,546 | 4,932 | 4,529 | 5,719 | 7,143 |

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

| 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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Nainesh Rajani

Email: nainesh.rajani@motilaloswal.com

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Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

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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