26 October 2026
3QCY26 Results Update | Sector: Oil & Gas

Castrol (India)

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	CSTRL IN
Equity Shares (m)	989
M.Cap.(INRb)/(USDb)	188.7 / 2
52-Week Range (INR)	203 / 170
1, 6, 12 Rel. Per (%)	-4/9/7
12M Avg Val (INR M)	430

Financials & Valuations (INR b)

Y/E Dec	CY26E	CY27E	CY28E
Sales	70.4	71.4	74.9
EBITDA	14.3	14.0	15.5
PAT	10.3	10.0	10.9
EPS (INR)	10.4	10.1	11.1
EPS Gr. (%)	6.3	-2.7	9.5
BV/Sh.(INR)	20.1	21.0	22.0
Ratios			
Net D:E	-0.6	-0.6	-0.7
RoE (%)	52.8	49.1	51.4
RoCE (%)	53.2	49.5	51.8
Payout (%)	91.1	91.1	91.1
Valuations			
P/E (x)	18.4	18.9	17.3
P/BV (x)	9.5	9.1	8.7
EV/EBITDA (x)	12.3	12.6	11.3
Div. Yield (%)	5.0	4.8	5.3
FCF Yield (%)	5.7	5.4	5.9

Shareholding pattern (%)

As of	Sep-26	Jun-26	Sep-25
Promoter	51.0	51.0	51.0
DII	13.3	14.4	15.0
FII	10.4	8.2	10.3
Others	25.3	26.4	23.8

FII includes depository receipts

CMP: INR191 **TP: INR220 (+15%)** **Buy**

Pricing actions & margin recovery remain the key monitorables

- Castrol (CSTRL)'s 3QCY26 EBITDA declined 19% YoY to INR2.6b, with margin contracting 860bp YoY and 1,130bp QoQ to 15.1% (vs. our estimate of 21.5%). Raw material costs increased >60%, compounded by adverse forex movements; pricing actions provided only a partial cushion. Reported PAT came in 30% below our estimate at INR1.8b. Other income and depreciation came in above our estimate.
- **Things we liked about the result:** 1) the industrial business has sustained double-digit volume growth for ~1.5-2 years, driven by customer additions across steel, cement and other sectors, alongside new metalworking fluid launches, with ~400 net customers added in 9MCY26; 2) the industrial business margins remained healthy and are expected to improve YoY, supported by product localization, cost efficiencies, and specialized product offerings; 3) CSTRL expects the rural business to grow ahead of the market, having expanded its rural reach to ~46,000 outlets and its rural service network to 1,000+ locations; 4) nationwide reach expanded to ~167,000 outlets, including ~50,000 physical stores for Auto Care products. The service network comprises 870+ Castrol Auto Service centres, 37,000 independent bike workshops and 16,000 multi-brand workshops.
- **Key monitorables:** 1) Management expects continued input costs and forex volatility in the short to medium term, and although the medium-term EBITDA margin target remains 21-24%, the pace of recovery is uncertain; 2) no near-term volume guidance was provided amid raw material volatility, and passing on cost increases without compromising volumes and market share remains challenging in a competitive industry, with overall volumes likely to remain soft in the short to medium term; 3) progress in the commercialization of data center cooling lubricants remains in focus; and 4) 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 20x Sep'28 EPS to arrive at our TP of INR220. We reiterate our BUY rating.**

Miss due to a weaker-than-estimated EBITDA margin

- CSTRL's 3QCY26 revenue stood 6% above our est. at ~INR17.3b (up 27% YoY).
- EBITDA stood 26% below our est. at INR2.6b (down 19% YoY).
  - EBITDA margin declined 860bp/1130bp YoY/QoQ to 15.1% (est.: 21.5%).
- Reported PAT came in 30% below our estimate at INR1.8b.
  - Other income and depreciation came in above our estimate.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.
Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Press release KTAs

- **Expanded distribution reach and strengthened service network:**
  - Increased the nationwide distribution footprint to ~167,000 outlets, including ~46,000 rural outlets, while extending Auto Care availability to ~50,000 physical outlets alongside e-commerce and modern trade channels.
  - Further strengthened the service network with 870+ Castrol Auto Service centers, 37,000+ independent bike workshops and 16,000 multi-brand workshops. Rural Service Express expanded to 1,000+ locations.
  - Acquired 175+ new customers across automotive and mining segments, including workshops and franchise networks, while the industrial business added 700 customers across automotive and machinery manufacturing, metals, aerospace and sugar.
- **Advanced product innovation and localisation:**
  - Introduced Magna CTX, a circulating oil range for demanding industrial applications, including MORGOIL back-up roll bearings.
  - Expanded localized offerings with Castrol Engine Shampoo for cars and bikes, alongside Hysol 35 XBB and Hysol 61 XBB, a boron-free metalworking fluid for industrial machining.
- **Enhanced brand engagement and community outreach:**
  - Reinforced the “non-stop protection even before you start” proposition for Castrol MAGNATEC, highlighting its ability to protect critical engine components even when the engine is switched off.
  - Organized Freedom to Ride community rides across Mumbai, Pune and Hyderabad, engaging performance biking enthusiasts.
  - Recognized Castrol Super Mechanics through a graduation ceremony, with participants receiving certifications from the Automotive Skills Development Council (ASDC), India's automotive sector skill council.

Valuation and view

- We cut our EBITDA margin estimates to factor in sustained input cost pressures and limited near-term pricing flexibility. We now model EBITDA margins of 20.3%/19.5% for CY26/CY27, below the company’s long-term guidance range of 21-24%, factoring in the impact of elevated crude oil prices and ongoing supply chain disruptions, which are likely to weigh on profitability in the near to medium term. We estimate a volume CAGR of 6% over CY25-27, primarily driven by growth in the industrial and rural segments. The stock currently trades at ~19x CY27E EPS, with a ~5% dividend yield and healthy RoE/RoCE of ~50% in CY27.
- We value the stock at 20x Sep’28 EPS to arrive at our TP of INR220. **We reiterate our BUY rating.**

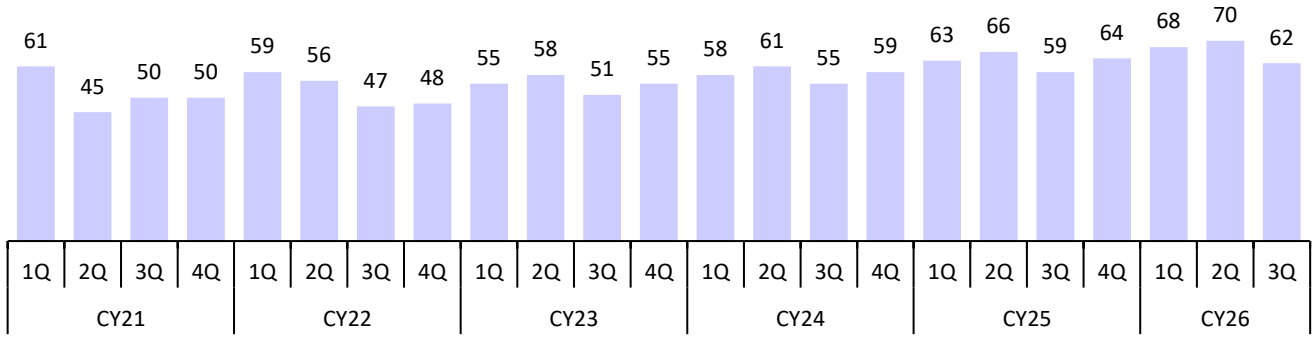
Quarterly Performance

(INR m)

Y/E December	CY25				CY26				CY25	CY26E	CY26	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%)
Volume (m litres)	**63.0**	**66.0**	**59.0**	**63.7**	**67.7**	**70.0**	**62.1**	**67.0**	**251.7**	**266.8**	**62.0**	**0%**
Realization	**226**	**227**	**231**	**226**	**228**	**268**	**279**	**280**	227	264	**265**	**6%**
Net Sales	**14,220**	**14,968**	**13,628**	**14,399**	**15,452**	**18,715**	**17,347**	**18,747**	**57,215**	**70,352**	**16,398**	**6%**
YoY Change (%)	7.3	7.1	5.8	6.4	8.7	25.0	27.3	30.2	6.6	23.0	20.3	
EBITDA	**3,074**	**3,495**	**3,228**	**3,678**	**3,293**	**4,942**	**2,620**	**3,371**	**13,475**	**14,309**	**3,528**	**-26%**
YoY Change (%)	4.6	8.4	12.8	-2.1	7.1	41.4	-18.8	-8.3	5.4	6.2	9.3	
Margin (%)	21.6	23.4	23.7	25.5	21.3	26.4	15.1	18.0	23.6	20.3	21.5	**-30%**
Depreciation	246	266	252	245	277	305	303	267	1,008	1,099	274	
Interest	23	26	21	23	19	17	17	24	93	98	22	
Other Income	322	93	123	136	233	140	134	120	674	628	130	
PBT before EO expense	**3,127**	**3,295**	**3,079**	**3,547**	**3,231**	**4,760**	**2,434**	**3,201**	**13,048**	**13,740**	**3,362**	**-28%**
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**	**2,434**	**3,201**	**12,823**	**13,740**	**3,362**	**-28%**
Tax	793	855	801	875	809	1,283	670	807	3,324	3,462	847	
Rate (%)	25.3	26.0	26.0	26.3	25.0	27.0	27.5	25.2	25.9	25.2	25.2	
PAT	**2,335**	**2,440**	**2,278**	**2,447**	**2,422**	**3,477**	**1,764**	**2,394**	**9,499**	**10,277**	**2,515**	**-30%**
Adj PAT	**2,335**	**2,440**	**2,278**	**2,613**	**2,422**	**3,477**	**1,764**	**2,394**	**9,666**	**10,277**	**2,515**	**-30%**
YoY Change (%)	8.0	5.1	9.8	-3.7	3.7	42.5	-22.6	-8.4	4.2	6.3	10.4	
Margins (%)	16.4	16.3	16.7	18.1	15.7	18.6	10.2	12.8	16.9	14.6	15.3	
E: MOFSL Estimates												
Operational Details (INR/lit)												
Volume (m litres)	63.0	66.0	59.0	63.7	67.7	70.0	62.1	67.0	251.7	266.8	62.0	0%
YoY Change (%)	8.6	8.2	7.3	8.0	7.5	6.0	5.3	5.2	8.0	6.0	5.0	5%
Realization	225.7	226.8	231.0	226.0	228.2	267.5	279.4	279.6	227.3	263.7	264.7	6%
Gross margin	108.5	109.9	115.1	112.2	111.9	136.0	102.1	116.0	111.3	117.3	123.8	-18%
EBITDA	48.8	53.0	54.7	57.7	48.6	70.6	42.2	50.3	53.5	53.6	57.0	-26%
PAT	37.1	37.0	38.6	41.0	35.8	49.7	28.4	35.7	38.4	38.5	40.6	-30%

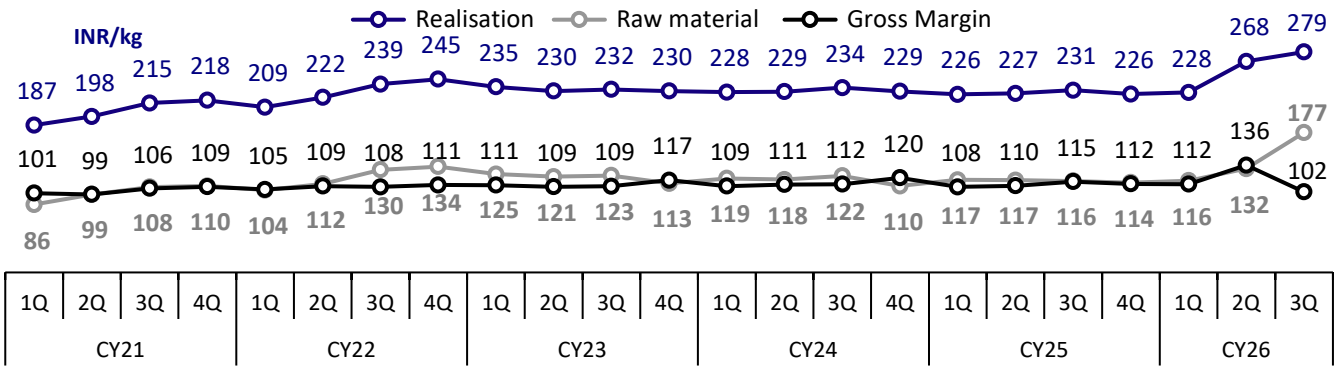
Note: # We have assumed volume growth of 6%/5.3% YoY in 2QCY26/3QCY26

Exhibit 1: Volume stood at 62m liters (up ~5% YoY)



Note: We have assumed volume growth of 6%/5.3% YoY in 2QCY26/3QCY26; Source: Company, MOFSL

Exhibit 2: Realization stood at INR279/liter



Note: We have assumed volume growth of 6%/5.3% YoY in 2QCY26/3QCY26; Source: Company, MOFSL



Key highlights from the management commentary

Volumes and segmental performance:

- **Industrial business sustained double-digit volume growth**, supported by strong customer additions; ~400 net customers added in 9MCY26.
- Industrial business has sustained double-digit volume growth for ~1.5-2 years, driven by new customer acquisition in sectors such as steel and cement, alongside new product launches, particularly in metalworking fluids. Product localization has helped reduce costs and support margins.
- **Industrial margins remain healthy and are expected to be higher YoY, despite potential near-term headwinds.**
- **Rural** distribution and **industrial** business remain key growth engines, with management expecting both to grow ahead of the market.
- Long-term focus remains on volume growth and market-share gains; however, **no near-term volume guidance was provided** given unprecedented raw material volatility.
- Auto care portfolio continues to expand across physical stores, e-commerce and modern trade.

Margins:

- Its 3QCY26 EBITDA declined 19% YoY to INR2.6b, with EBITDA margin at ~15%; PAT fell 23% YoY to INR1.8b.
- Raw material costs increased >60% in the quarter, alongside adverse currency movements, putting pressure on profitability.
- The company will operate within a **medium-term EBITDA margin band of 21-24%**, balancing pricing actions with cost prudence to protect profitability and market share.
- **In the short-term, EBITDA margin would be below under pressure.**

Distribution infrastructure:

- Expanded national distribution reach to ~167,000 outlets, including ~46,000 rural and small-town outlets.
- Auto care products are now available across ~50,000 physical stores.
- Service ecosystem comprises ~870 Castrol Auto Service centers, 37,000 independent bike workshops and 16,000 multi-brand workshops.
- Rural service expert network has expanded to >1,000 locations, supporting deeper rural penetration.

Outlook and capex:

- Operating environment is expected to remain volatile and inflationary in the short to medium term; overall volumes may remain soft.
- Management will calibrate pricing actions based on commodity and foreign exchange movements, while ensuring consumers can absorb price increases and continuing to invest in brand strength and distribution.
- Annual capex has historically been **~INR1-1.5b**, directed towards plant innovation, capacity maintenance and consumer/trade visibility. Investment will continue in portfolio segments that are key growth drivers.
- Cost prudence and supply resilience remain priorities, with margins to be managed through a combination of pricing actions and cost control.
- Long-term focus remains on margin recovery, premiumization, deeper distribution and volume-led market-share gains.

Open offer timeline (no further updates provided):

- 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.

Supplier rebates:

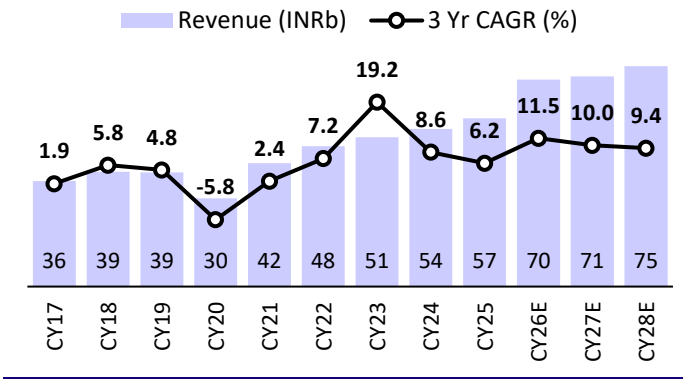
- The company expects to continue negotiations with suppliers to secure rebates under global contracts, as part of its usual business practice. The extent of rebates for 4QCY26 remains uncertain.

Data-center cooling solutions:

- Pilots are ongoing in India, with limited business currently; meaningful scale-up is contingent on data-center infrastructure build-outs materializing.
- **NVIDIA-certified products**: Two recently launched industrial cooling products have received NVIDIA certification for use in data centers adopting direct-to-chip (D2C) cooling solutions.
- **India go-to-market strategy: Indian customers would transact with Castrol India.** The company is engaging with multiple data-center infrastructure players, including developers building their own facilities and those executing projects for third parties.
- **Global customer opportunities:** Management clarified that cooling solutions are typically selected at the individual data-center level. Whether global customer relationships with Castrol translate into business in India remains uncertain; the company will communicate material developments as they arise.

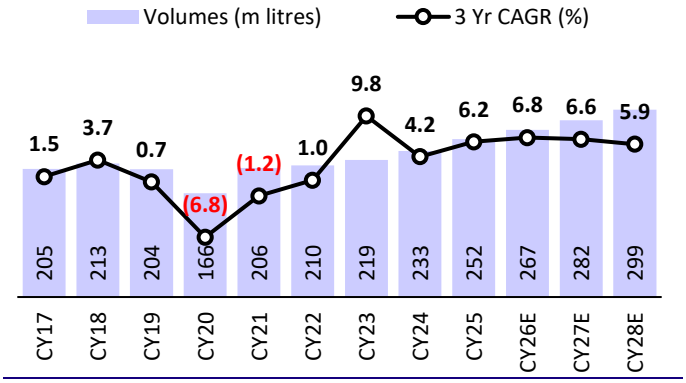
Story in charts

Exhibit 3: Revenue to clock a 9% CAGR over CY25-28E...



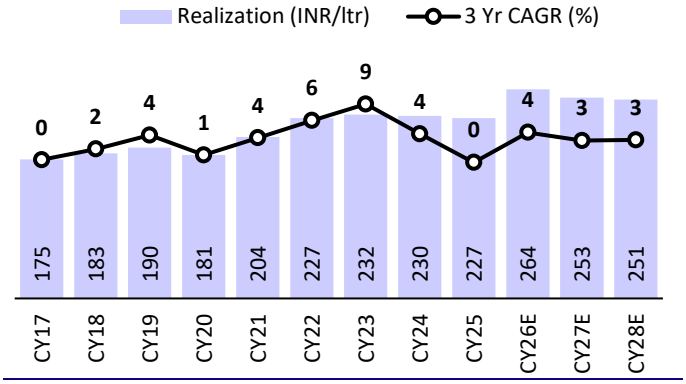
Source: Company, MOFSL

Exhibit 4: ..led by an increase in volumes



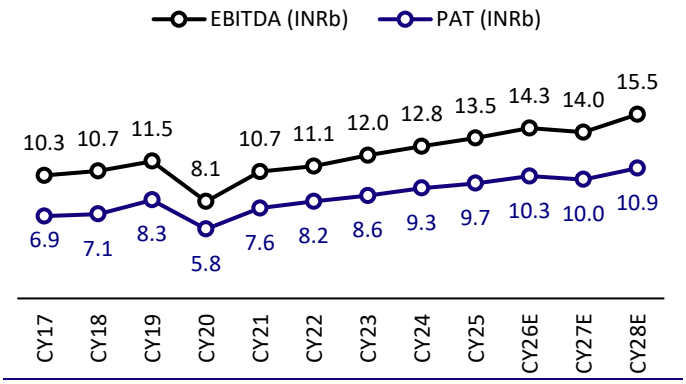
Source: Company, MOFSL

Exhibit 5: Realizations to be ~INR251/lit in CY28E...



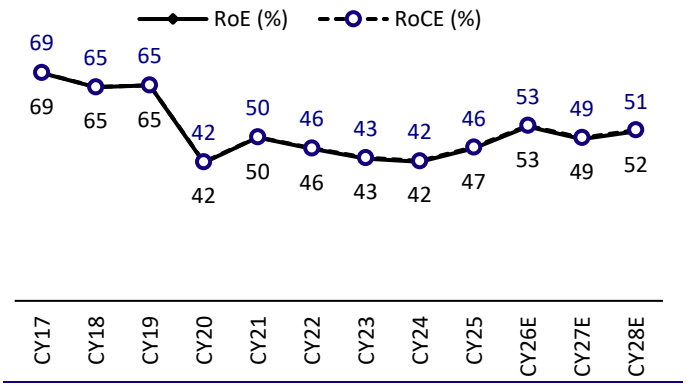
Source: Company, MOFSL

Exhibit 6: ...with EBITDA improving to INR15.5b



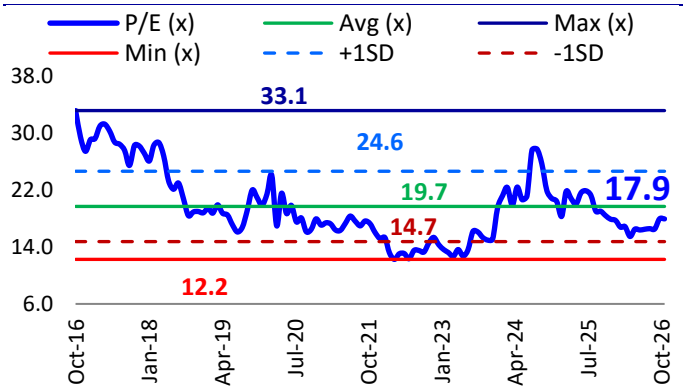
Source: Company, MOFSL

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**	**CY28E**
Net sales	**47,745**	**50,746**	**53,649**	**57,215**	**70,352**	**71,421**	**74,949**
Change (%)	13.9	6.3	5.7	6.6	23.0	1.5	4.9
Gross Margin	**22,746**	**24,382**	**26,370**	**28,021**	**31,289**	**32,418**	**34,857**
Margin (%)	47.6	48.0	49.2	49.0	44.5	45.4	46.5
EBITDA	**11,111**	**12,024**	**12,782**	**13,475**	**14,309**	**13,962**	**15,467**
Margin (%)	23.3	23.7	23.8	23.6	20.3	19.5	20.6
Depreciation	814	924	998	1,008	1,099	1,117	1,128
EBIT	**10,297**	**11,100**	**11,784**	**12,467**	**13,210**	**12,845**	**14,338**
Interest Charges	40	75	94	93	98	102	108
Other Income	670	787	886	674	628	622	405
PBT bef. EO Exp.	**10,928**	**11,811**	**12,576**	**13,048**	**13,740**	**13,365**	**14,636**
Income tax	2,776	3,170	3,304	3,324	3,462	3,368	3,688
Tax Rate (%)	*25.4*	*26.8*	*26.3*	*25.9*	*25.2*	*25.2*	*25.2*
Reported PAT	**8,152**	**8,641**	**9,272**	**9,499**	**10,277**	**9,997**	**10,947**
Change (%)	7.5	6.0	7.3	4.2	6.3	-2.7	9.5
Margin (%)	17.1	17.0	17.3	16.9	14.6	14.0	14.6

Standalone - Balance Sheet							(INR m)
Y/E December	**CY22**	**CY23**	**CY24**	**CY25**	**CY26E**	**CY27E**	**CY28E**
Equity Share Capital	4,946	4,946	4,946	4,946	4,946	4,946	4,946
Total Reserves	13,915	16,271	17,838	14,057	14,971	15,860	16,833
Net Worth	**18,861**	**21,217**	**22,784**	**19,003**	**19,917**	**20,805**	**21,779**
Capital Employed	**18,861**	**21,217**	**22,784**	**19,003**	**19,917**	**20,805**	**21,779**
Gross Block	8,709	9,633	10,631	11,881	12,881	13,881	14,881
Less: Accum. Deprn.	6,800	7,960	8,389	9,282	10,381	11,498	12,626
Net Fixed Assets	**1,909**	**1,673**	**2,242**	**2,599**	**2,499**	**2,383**	**2,254**
Capital WIP	608	1,084	603	721	1,000	1,000	1,000
Curr. Assets, Loans&Adv.	**24,240**	**25,787**	**27,783**	**24,798**	**29,185**	**30,562**	**32,415**
Inventory	5,344	5,329	5,242	5,463	7,000	7,177	7,430
Account Receivables	3,504	4,228	4,377	4,732	5,819	5,907	6,199
Cash and Bank Balance	12,177	11,998	13,990	11,410	12,441	13,493	14,604
Cash	5,545	4,932	4,529	4,266	5,297	6,349	7,460
Bank Balance	6,632	7,066	9,461	7,144	7,144	7,144	7,144
Loans and Advances	3,215	4,231	4,175	3,193	3,925	3,985	4,182
Curr. Liability & Prov.	**11,832**	**12,982**	**13,569**	**14,946**	**18,599**	**18,971**	**19,722**
Account Payables	6,789	7,064	7,037	7,861	10,071	10,326	10,690
Other Current Liabilities	4,516	5,342	5,945	6,283	7,725	7,843	8,230
Provisions	527	576	587	802	802	802	802
Net Current Assets	**12,408**	**12,804**	**14,214**	**9,852**	**10,586**	**11,591**	**12,693**
Deferred Tax assets	686	781	850	956	956	956	956
Appl. of Funds	**18,861**	**21,217**	**22,784**	**19,003**	**19,917**	**20,805**	**21,779**

Financials and Valuations

Ratios

Y/E December	CY22	CY23	CY24	CY25	CY26E	CY27E	CY28E
Basic (INR)							
EPS	**8.2**	**8.7**	**9.4**	**9.8**	**10.4**	**10.1**	**11.1**
Cash EPS	9.1	9.7	10.4	10.8	11.5	11.2	12.2
BV/Share	19.1	21.5	23.0	19.2	20.1	21.0	22.0
DPS	6.5	7.5	13.0	8.8	9.5	9.2	10.1
Payout (%)	78.9	85.8	138.7	91.1	91.1	91.1	91.1
Valuation (x)							
P/E	23.2	21.9	20.4	19.5	18.4	18.9	17.3
Cash P/E	21.1	19.8	18.4	17.7	16.6	17.0	15.6
P/BV	10.0	8.9	8.3	9.9	9.5	9.1	8.7
EV/Sales	3.7	3.5	3.3	3.1	2.5	2.5	2.3
EV/EBITDA	15.9	14.7	13.7	13.2	12.3	12.6	11.3
Dividend Yield (%)	3.4	3.9	6.8	4.6	5.0	4.8	5.3
FCF per share	8.2	7.7	9.6	10.0	10.9	10.4	11.3
Return Ratios (%)							
RoE	46.2	43.1	42.1	46.3	52.8	49.1	51.4
RoCE	46.3	43.4	42.5	46.6	53.2	49.5	51.8
Working Capital Ratios							
Asset Turnover (x)	2.5	2.4	2.4	3.0	3.5	3.4	3.4
Inventory (Days)	41	38	36	35	36	37	36
Debtor (Days)	23	26	26	26	26	26	26
Creditor (Days)	52	51	48	50	52	53	52
Leverage Ratio (x)							
Net Debt/Equity	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.7

Standalone - Cash Flow Statement (INR m)

Y/E December	CY22	CY23	CY24	CY25	CY26E	CY27E	CY28E
OP/(Loss) before Tax	10,928	11,811	12,576	12,823	13,740	13,365	14,636
Depreciation	814	924	998	1,008	1,099	1,117	1,128
Interest & Finance Charges	40	75	94	93	98	102	108
Direct Taxes Paid	-2,740	-3,185	-3,141	-3,475	-3,462	-3,368	-3,688
(Inc)/Dec in WC	307	-706	369	923	297	47	10
CF from Operations	**9,159**	**8,530**	**10,441**	**10,901**	**11,771**	**11,263**	**12,193**
(Inc)/Dec in FA	-1,097	-955	-927	-973	-1,000	-1,000	-1,000
Free Cash Flow	**8,062**	**7,575**	**9,514**	**9,928**	**10,771**	**10,263**	**11,193**
CF from Investments	**618**	**-2,513**	**-2,669**	**1,986**	**-1,279**	**-1,000**	**-1,000**
Interest Paid	-11	-15	-19	-30	-98	-102	-108
Dividend Paid	-5,935	-6,429	-7,913	-12,859	-9,364	-9,108	-9,974
CF from Fin. Activity	**-6,075**	**-6,638**	**-8,191**	**-13,151**	**-9,461**	**-9,211**	**-10,082**
Inc/Dec of Cash	**3,702**	**-621**	**-419**	**-264**	**1,031**	**1,052**	**1,111**
Opening Balance	1,843	5,553	4,948	4,531	4,266	5,297	6,349
Closing Balance	**5,545**	**4,932**	**4,529**	**4,266**	**5,297**	**6,349**	**7,460**

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