

**Market Cap.**

Rs.12,562 Cr.

**52 Week H/L**

Rs.140/104

**CMP**

Rs.127

**Target Price**

Rs.155

## OIL & GAS (LUBRICANTS)

### STOCK DATA

**BUY**

 Reuters Code **CAST.BO**  
 Bloomberg Code **CSTR IN**

 BSE Code **500870**  
 NSE Symbol **CASTROLIND**

 Face Value **Rs.5**

 Shares Outstanding **98.9 Cr.**

 Avg. Daily Volume (6m) **17,59,206 Shares**

#### Price Performance (%)

1M	3M	6M
4	3	18

**200 days EMA Rs.124**

#### SHARE HOLDING (%)

Promoters	51.0
FII/ MF	11.6
FI	16.7
Bodies Corporate	-
Public & Others	20.7

#### RESEARCH ANALYST

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Castrol India Ltd. recently announced its performance for the quarter ended March 31, 2021. Following are the key highlights.

Particulars	Q1 CY21	Q1 CY20	YoY	Q4 CY20	QoQ
Net Sales	1138.7	688.0	65.5%	935.2	21.8%
EBITDA	340.1	173.0	96.6%	257.6	32.0%
<b>EBITDA Margin</b>	<b>29.9%</b>	<b>25.1%</b>	<b>472 bps</b>	<b>27.5%</b>	<b>232 bps</b>
Profit before Tax	332.3	169.5	96.0%	249.8	33.0%
Profit after Tax	243.6	125.2	94.6%	187.7	29.8%
<b>PAT Margin</b>	<b>21.4%</b>	<b>18.2%</b>	<b>320 bps</b>	<b>20.1%</b>	<b>132 bps</b>
EPS	2.46	1.27	94.6%	1.90	29.8%

#### Highlights from the Quarter (Q1 CY21):

Building on the lower base of Q1 CY20 on account of onset of Covid-19 pandemic, the top-line showcased a robust growth of 65.5% YoY to Rs.1,138.7 cr during Q1 CY21. The volumes jumped 60.5% YoY to 6.1 cr liters and the realization per liter improved ~3.1% YoY to Rs.186.7. The volumes and realizations were better than previous quarter. During Q4 CY20, the company had sold 5.2 cr liters of lubricants and the realization per liter was at Rs.179.9.

The rebound in volumes inclusive of the pent-up demand positively impacted the profitability of the company; EBITDA margin expanded 472 bps from 25.1% in Q1 CY20 to 29.9% in Q1 CY21 primarily due to decline in staff costs and other expenses, partially offset by rise in raw material expenses, as a percentage of revenue. During Q1 CY21, the Personal Mobility share stood at ~40-45% while Industrial and Commercial Vehicle consisted the remaining ~55-60%.

The market share in the automotive segment stood at 20%; the company has taken two price hikes – one in January and another in April; further, the collaboration with Reliance Jio-BP mobility continues to grow with current supply reaches to 1,400 sites of the targeted 5,000+. The scope in synthetic oils is immense; currently, just 10% of the portfolio is synthetic-based oils.

At the net level, the company reported a profit of Rs.243.6 cr as against profit of Rs.125.2 cr in the corresponding quarter of previous fiscal. Castrol reported an EPS of Rs.2.46 as against Rs.1.27 in Q1 CY20 and Rs.1.90 in Q4 CY20.

The Management stated that focused investments, interventions and actions taken in H2 CY20 towards brand building with increased marketing and advertising spends, new product introductions as well as corrective pricing yielded a positive impact on overall top-line growth. Further, this growth was also aided by improving demand trends especially in tractor and SUV sales in Q1 CY21.

The Management further stated that the second wave of the Covid-19 pandemic in India is resulting in a market slowdown in various parts of the country. In addition, supply disruptions on account of base oil and raw materials availability, logistics challenges and rupee depreciation are likely to adversely impact demand and supply. The management is keeping a close watch on the situation and responding with appropriate actions as needed.

Y/E Mar	Revenue (Rs Cr)	EBITDA (%)	Net Profit (Rs. Cr)	Net Margin (%)	AEPS (x)	P/E (x)	P/S (x)	P/B (x)
CY 2019	3,876.8	29.7%	827.4	21.3%	8.4	15.2	3.2	9.2
CY 2020	<b>2,996.9</b>	<b>27.2%</b>	<b>582.9</b>	<b>19.5%</b>	<b>5.9</b>	<b>21.5</b>	<b>4.2</b>	<b>8.9</b>
CY 2021 E	<b>3,827.7</b>	<b>26.9%</b>	<b>773.9</b>	<b>20.2%</b>	<b>7.8</b>	<b>16.2</b>	<b>3.3</b>	<b>8.4</b>
CY 2022 E	<b>4,446.2</b>	<b>27.8%</b>	<b>932.0</b>	<b>21.0%</b>	<b>9.4</b>	<b>13.5</b>	<b>2.8</b>	<b>7.7</b>

### OUTLOOK AND VALUATION

Castrol India reported healthy top-line growth driven by strong rebound in volumes. The results were above our revenue and profit estimates. Accordingly, we have moderately raised our estimates, however, we would be cautiously watching the numbers over the next couple of quarters which may be challenging in light of second wave of Covid-19. Nevertheless, the leadership position of Castrol India, robust back-up by the parent, strong fundamentals and consistent technological advancements keeps the company best placed to benefit from the opportunity in lubricants space, personal mobility in particular. The company is expanding capacities and the Management is confident of stable and steady growth over the next few years. During Q1 CY21, the company reported robust volumes and healthy realizations. **We expect company to deliver an EPS of Rs.9.4 in CY22; assigning a target multiple of 16.5x (moderately reduced to factor in cautious approach because of ongoing second wave of Covid-19), which is below its median P/E of last 3 Years and 5 Years, we maintain our target price of Rs.155 with an investment horizon of 12-18 months.**



**Profit & Loss Statement**

(Rs. Cr)

Y/E Mar.	CY19	CY20	CY21 E	CY22 E
<b>Revenue</b>	<b>3,877</b>	<b>2,997</b>	<b>3,828</b>	<b>4,446</b>
Raw Material Cost	1,748	1,266	1,722	2,001
Employee Cost	213	220	233	245
Power & Fuel	-	-	-	-
Freight & Forwarding	-	-	-	-
Other Expenses	763	697	842	965
<b>EBITDA</b>	<b>1153</b>	<b>814</b>	<b>1030</b>	<b>1236</b>
<i>EBITDA Margin (%)</i>	<i>29.7%</i>	<i>27.2%</i>	<i>26.9%</i>	<i>27.8%</i>
Depreciation	70	87	71	79
<b>EBIT</b>	<b>1083</b>	<b>727</b>	<b>958</b>	<b>1157</b>
<i>EBIT Margin (%)</i>	<i>27.9%</i>	<i>24.3%</i>	<i>25.0%</i>	<i>26.0%</i>
Finance Costs	1	4	3	3
Other Income	65	62	77	89
<b>Profit before Tax</b>	<b>1147</b>	<b>785</b>	<b>1032</b>	<b>1243</b>
Tax Expense	320	202	258	311
<b>Net Profit</b>	<b>827</b>	<b>583</b>	<b>774</b>	<b>932</b>
<i>Net Margin (%)</i>	<i>21.3%</i>	<i>19.5%</i>	<i>20.2%</i>	<i>21.0%</i>
<b>EPS</b>	<b>8</b>	<b>6</b>	<b>8</b>	<b>9</b>

**Balance Sheet**

(Rs. Cr)

Y/E Mar.	CY19	CY20	CY21 E	CY22 E
PP&E (incl. CWIP)	225	216	240	295
Goodwill	-	-	-	-
Intangible Assets/Rights to use Assets	2	2	2	2
Other Non-Current	166	232	232	232
Inventories	305	367	378	356
Trade Receivables	482	180	315	487
Cash and Bank Balances	946	1,274	1,185	1,084
Other Current Assets	103	122	101	113
<b>Total Assets</b>	<b>2,229</b>	<b>2,394</b>	<b>2,452</b>	<b>2,570</b>
Equity Share Capital	495	495	495	495
Reserves & Surplus	872	920	1,001	1,142
Borrowings (LT)	-	-	-	-
Other Non-Current Liabilities	21	33	33	33
Borrowings (ST)	-	-	-	-
Trade Payables	472	546	566	493
Other Financial Liabilities	241	305	230	267
Other Current Liabilities	82	44	77	89
Current Tax Liab & Provisions	46	51	51	51
<b>Total Liabilities</b>	<b>2,229</b>	<b>2,394</b>	<b>2,452</b>	<b>2,570</b>

## Cash Flow Statement

(Rs. Cr)

Y/E Mar.	CY19	CY20	CY21 E	CY22 E
PBT	1,147	785	1,032	1,243
Depreciation	70	87	71	79
Interest	1	4	3	3
<b>CFO before Working Cap chg</b>	<b>1,218</b>	<b>876</b>	<b>1,106</b>	<b>1,325</b>
Chg in Inventories	152	(62)	(11)	21
Chg in Trade Receivables	(90)	302	(134)	(173)
Chg in Other Current Assets	-	-	-	-
Chg in Trade Payables	(112)	74	21	(73)
Chg in Other Current Liabilities	-	-	-	-
<b>Cash Flow from Operations</b>	<b>1,167</b>	<b>1,189</b>	<b>982</b>	<b>1,101</b>
Interest Paid	(1)	(4)	(3)	(3)
Dividend Paid	(653)	(593)	(692)	(791)
Change in Borrowings	-	-	-	-
Taxes Paid	(320)	(202)	(258)	(311)
Others	94	16	(22)	37
<b>Cash Flow from Financing</b>	<b>(879)</b>	<b>(784)</b>	<b>(976)</b>	<b>(1,068)</b>
Capital Expenditure	(75)	(78)	(96)	(133)
Others	(11)	1	-	-
<b>Cash Flow from Investing</b>	<b>(86)</b>	<b>(77)</b>	<b>(96)</b>	<b>(133)</b>
<b>Opening Cash</b>	<b>744</b>	<b>946</b>	<b>1,274</b>	<b>1,185</b>
<b>Total Cash Flow</b>	<b>202</b>	<b>328</b>	<b>(89)</b>	<b>(101)</b>
<b>Closing Cash</b>	<b>946</b>	<b>1,274</b>	<b>1,185</b>	<b>1,084</b>

## Financial Ratio Statement

Y/E Mar.	CY19	CY20	CY21 E	CY22 E
<b><u>Growth (%)</u></b>				
Revenue	(0.7%)	(22.7%)	27.7%	16.2%
EBITDA	7.7%	(29.4%)	26.5%	20.0%
Net Profit	16.8%	(29.5%)	32.8%	20.4%
<b><u>Profitability (%)</u></b>				
EBITDA Margin	29.7%	27.2%	26.9%	27.8%
Net Profit Margin	21.3%	19.5%	20.2%	21.0%
ROCE	79.2%	51.4%	64.1%	70.7%
ROE	60.5%	41.2%	51.7%	57.0%
<b><u>Per Share Data (Rs.)</u></b>				
EPS	8.4	5.9	7.8	9.4
BVPS	13.8	14.3	15.1	16.5
CEPS	9.1	6.8	8.5	10.2
<b><u>Valuation (x)</u></b>				
P/E	15.2	21.5	16.2	13.5
P/BV	9.2	8.9	8.4	7.7
EV/EBITDA	9.8	13.9	11.0	9.1
P/SALES	3.2	4.2	3.3	2.8
<b><u>Turnover</u></b>				
Inventory days	64	106	80	65
Debtor days	45	22	30	40
Creditor days	99	157	120	90
<b><u>Gearing (x)</u></b>				
D/E	-	-	-	-

Source: Company, Sushil Finance Research

### Earlier Recommendation

Date	Report Type	Reco	Price (Rs.)	Target (Rs.)
30 October 2020	Q3 CY20	Buy	114	155
03 August 2020	Q2 CY20	Buy	114	155
23 June 2020	Q1 CY20	Buy	126	155
24 April 2020	Initiating Coverage	Buy	125	155

#### Rating Scale :

This is a guide to the rating system used by our Institutional Research Team. Our rating system comprises of three rating categories.

<b>Total Expected Return Matrix (Rating and Return)</b>	<b>BUY : Over 20%</b>	<b>HOLD : 0% to 20%</b>	<b>SELL : 0% to -20%</b>
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