

Market Cap.
Rs.13,947 Cr.
52 Week H/L
Rs.155 / 110
CMP
Rs.141
Target Price
Rs.155

OIL & GAS (LUBRICANTS)

STOCK DATA

HOLD

 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) **13,25,892 Shares**

Price Performance (%)

1M	3M	6M
(1)	(2)	9

200 days EMA Rs.135

SHARE HOLDING (%)

Promoters	51.0
FII/ MF	12.0
FI	16.5
Bodies Corporate	1.0
Public & Others	19.5

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Castrol India Ltd. recently announced its performance for the quarter ended September 30, 2021. Following are the key highlights.

Particulars	Q3 CY21	Q3 CY20	YoY	Q2 CY21	QoQ
Net Sales	1073.2	883.1	21.5%	889.6	20.6%
EBITDA	262.5	288.2	(8.9%)	197.5	32.9%
EBITDA Margin	24.5%	32.6%	(818 bps)	22.2%	226 bps
Profit before Tax	249.9	277.5	(9.9%)	190.2	31.4%
Profit after Tax	185.9	204.6	(9.1%)	140.0	32.8%
PAT Margin	17.3%	23.2%	(585 bps)	15.7%	(158 bps)
EPS	1.88	2.07	(9.1%)	1.42	32.8%

Highlights from the Quarter (Q3 CY21):

The top-line showcased a growth of 21.5% YoY to Rs.1,073.2 cr during Q3 CY21. The volumes during the quarter stood at 5.0 cr liters (+6.4%, YoY) and the realization per liter improved ~14.2% YoY to Rs.214.6 as the company took three price hikes during the year – January, April & June. During Q2 CY21, the company had sold 4.5 cr liters of lubricants and the realization/liter was at Rs.197.7.

The Management stated that cost of goods sold continued to be challenging due to sharp rise in input costs. However, the company responded through timely pricing interventions and continued investment in brands' advertising and marketing spends to support value delivery to customers and reinforce brand salience.

The EBITDA margin fell 818 bps from 32.6% in Q3 CY20 to 24.5% in Q3 CY21 primarily due to substantial fall in gross margin which fell from 60.1% in Q3 CY20 to 49.6% in Q3 CY21. However, on the sequential basis, the EBITDA margin improved 226 bps.

At the net level, the company reported a profit of Rs.185.9 cr against profit of Rs.204.6 cr in the corresponding quarter of previous year. Castrol reported an EPS of Rs.1.88 as against Rs.2.07 in Q3 CY20 and Rs.1.42 in Q2 CY21.

On nine months basis, the company recorded a sales of Rs.3,101.5 cr in 9M CY21 as against Rs.2,061.7 cr (+50.4%, YoY) in 9M CY20; net profit stood at Rs.589.0 cr vs Rs.395.2 cr (+49.0%, YoY) during the same period.

During the quarter, the company launched new products with the latest BS-VI ready technology such as Castrol MAGNATEC for cars, and four BS-VI ready variants for Castrol CRB Turbomax and CRB Minitruck for commercial vehicles. With the automotive sector rapidly gearing up for electric mobility in the passenger vehicle segment, Castrol is exploring options with two-wheeler electric vehicle (EV) manufacturers for development of EV fluids. At the same time, the company continues supplying EV fluids to two of the top OEMs in India.

The company continued to expand its 'Express Oil Change' service at Jio-bp fuel stations with the objective of providing a convenient and reliable service to their customers. Further, Patalganga plant successfully commercialized a low temperature blending process for select product variants. This will enable them to reduce their overall energy consumption and reduce carbon emissions.

Y/E Mar	Revenue (Rs Cr)	EBITD A (%)	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	16.9	3.6	10.2
CY 2020	2,996.9	27.2%	582.9	19.5%	5.9	23.9	4.7	9.9
CY 2021 E	3,994.9	22.9%	690.3	17.3%	7.0	20.2	3.5	9.9
CY 2022 E	4,446.3	27.8%	930.9	20.9%	9.4	15.0	3.1	9.0

OUTLOOK AND VALUATION

Castrol India reported healthy top-line growth driven moderate growth in volumes but better realizations. The gross margins took a hit amidst rising raw material prices and the COGS is likely to remain under pressure in the upcoming quarters. The Management sounded confident for future profitable growth, however, will be cautiously watching for the third wave of Covid-19. We believe, 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. We have increased our estimates for the current fiscal to factor in the nine months performance. **We expect company to deliver an EPS of Rs.9.4 in CY22; maintaining our previous target multiple of 16.5x, we retain our target price of Rs.155 with an investment horizon of 12-18 months. Thus, we maintain our HOLD rating for the stock.**



Profit & Loss Statement

(Rs. Cr)

Y/E Mar.	CY19	CY20	CY21 E	CY22 E
Revenue	3,877	2,997	3,995	4,446
Raw Material Cost	1,748	1,266	1,957	2,112
Employee Cost	213	220	244	245
Power & Fuel	-	-	-	-
Freight & Forwarding	-	-	-	-
Other Expenses	763	697	879	925
EBITDA	1153	814	915	1165
<i>EBITDA Margin (%)</i>	<i>29.7%</i>	<i>27.2%</i>	<i>22.9%</i>	<i>26.2%</i>
Depreciation	70	87	71	81
EBIT	1083	727	844	1084
<i>EBIT Margin (%)</i>	<i>27.9%</i>	<i>24.3%</i>	<i>21.1%</i>	<i>24.4%</i>
Finance Costs	1	4	3	3
Other Income	65	62	80	89
Profit before Tax	1147	785	920	1170
Tax Expense	320	202	230	293
Net Profit	827	583	690	878
<i>Net Margin (%)</i>	<i>21.3%</i>	<i>19.5%</i>	<i>17.3%</i>	<i>19.7%</i>
EPS	8	6	7	9

Balance Sheet Statement

(Rs. Cr)

Y/E Mar.	CY19	CY20	CY21 E	CY22 E
PP&E (incl. CWIP)	225	216	245	297
Goodwill	-	-	-	-
Intangible /Rights to use Assets	2	2	2	2
Other Non-Current	166	232	232	232
Inventories	305	367	429	376
Trade Receivables	482	180	328	487
Cash and Bank Balances	946	1,274	1,119	951
Other Current Assets	103	122	104	113
Total Assets	2,229	2,394	2,459	2,459
Equity Share Capital	495	495	495	495
Reserves & Surplus	872	920	918	1,004
Borrowings (LT)	-	-	-	-
Other Non-Current Liabilities	21	33	33	33
Borrowings (ST)	-	-	-	-
Trade Payables	472	546	644	521
Other Financial Liabilities	241	305	240	267
Other Current Liabilities	82	44	80	89
Current Tax Liab & Provisions	46	51	51	51
Total Liabilities	2,229	2,394	2,459	2,459

Source: Company, Sushil Finance Research

Cash Flow Statement

(Rs. Cr)

Y/E Mar.	CY19	CY20	CY21 E	CY22 E
PBT	1,147	785	920	1,170
Depreciation	70	87	71	81
Interest	1	4	3	3
CFO before Working Cap chg	1,218	876	995	1,254
Chg in Inventories	152	(62)	(62)	53
Chg in Trade Receivables	(90)	302	(148)	(159)
Chg in Other Current Assets	-	-	-	-
Chg in Trade Payables	(112)	74	98	(123)
Chg in Other Current Liabilities	-	-	-	-
CFO	1,167	1,189	883	1,025
Interest Paid	(1)	(4)	(3)	(3)
Dividend Paid	(653)	(593)	(692)	(791)
Change in Borrowings	-	-	-	-
Taxes Paid	(320)	(202)	(230)	(293)
Others	94	16	(12)	27
CFF	(879)	(784)	(938)	(1,060)
Capital Expenditure	(75)	(78)	(100)	(133)
Others	(11)	1	-	-
CFI	(86)	(77)	(100)	(133)
Opening Cash	744	946	1,274	1,119
Total Cash Flow	202	328	(155)	(168)
Closing Cash	946	1,274	1,119	951

Financial Ratio Statement

Y/E Mar.	CY19	CY20	CY21 E	CY22 E
Growth (%)				
Revenue	(0.7%)	(22.7%)	33.3%	11.3%
EBITDA	7.7%	(29.4%)	12.4%	27.3%
Net Profit	16.8%	(29.5%)	18.4%	27.1%
Profitability (%)				
EBITDA Margin	29.7%	27.2%	22.9%	26.2%
Net Profit Margin	21.3%	19.5%	17.3%	19.7%
ROCE	79.2%	51.4%	59.7%	72.4%
ROE	60.5%	41.2%	48.9%	58.6%
Per Share Data (Rs.)				
EPS	8.4	5.9	7.0	8.9
BVPS	13.8	14.3	14.3	15.1
CEPS	9.1	6.8	7.7	9.7
Valuation (x)				
P/E	16.9	23.9	20.2	15.9
P/BV	10.2	9.9	9.9	9.3
EV/EBITDA	11	15.6	13.9	10.9
P/SALES	3.6	4.7	3.5	3.1
Turnover				
Inventory days	64	106	80	65
Debtor days	45	22	30	40
Creditor days	99	157	120	90
Gearing (x)				
D/E	-	-	-	-

Source: Company, Sushil Finance Research

Earlier Recommendations

Date	Report Type	Reco	Price (Rs.)	Target (Rs.)
03 August 2021	Q2 CY21	Hold	140	155
28 April 2021	Q1 CY21	Buy	127	155
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.

Total Expected Return Matrix (Rating and Return)	BUY : Over 12%	HOLD : 0% to 12%	SELL : 0% to -12%
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Sushil Financial Services Pvt. Ltd and Group Directors Holding	Yes
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