



CASTROL INDIA LTD

ISIN: INE172A01019 BSE: 500870 NSE: CASTROLIND CMP: Rs. 135.75

Wed, 27th Oct '21

OVERVIEW

- Castrol India Ltd manufactures and sells engine oil, transmission fluids, and other lubricants to the automotive industry.
- The company sells its products under the Castrol brand.
- Its reportable business segments consist of a single segment of lubricants.
- The majority of all revenue comes from India.

OPPORTUNITIES

- Improving technology in trucks.
- Growth in agriculture sector.
- Original Equipment Manufacturer (OEM) partnership.
- Advance Mobility Solutions.
- Access to New Channels.
- BS VI compliance.

CASTROL EDGE OVER COMPETITORS

- Programme for holistic development of truck drivers - Castrol Sarathi Mitra
- The Castrol Eklavya programme launched in 2009.
- Castrol expanded its Full Synthetic Engine oils portfolio for bikes with the launch of Castrol POWER1 ULTIMATE with a 5-in-1 formula.
- The company also launched Castrol GTX SUV to cater to rapidly growing SUV segment. GTX SUV provides 50% better engine protection under heavy loads.

OPPORTUNITIES

- Personal mobility: With the growth of opportunities including the growth of first-time users, increase in usage in smaller towns and rural areas, emerging new vehicle segments such as SUVs, premium bikes and gearless scooters, the Company is tapping these segments through new introductions and sustained brand building campaigns.
- Medium / light commercial vehicles (MLCV): As last mile connectivity improves further, the MLCV segment is expected to grow, enabling the Company to continue its focus on this category
- Improving technology in truck
- Growth in agricultural sector:

THREATS

- Economic uncertainty: Based on the current and future market environment estimates, the base oil trends are expected to continue to be volatile.
- Competitive activity: Competition in the lubricants market is intense and likely to remain high in the foreseeable future.
- Electrification: Growth of electric vehicles in future is likely to impact demand for lubricants in the long term.

SUMMARY OF FINANCIALS

- Revenue from operations of company has declined by 23%.
- Operating and other expense decreased by INR 60 Crores.
- Profit before Tax decreased by about 32%.
- Company gross profit declined by 19% in 2020.
- Earnings per share = 5.89
- Dividend per share = 5.50
- Book value per share = 14.30

Disclaimer: The analysis is only for information purposes only. Please consult your financial advisor, agent, broker before acting on any information. We may or may not have positions in the stock. We would not be responsible for the profit/loss resulting from this analysis.

Growth Rates (Compound Annual)	1 Yr	3 Yr	5 Yr	10yr
Revenue %	-22.7	-5.8	-1.9	0.9
Operating Income %	-33.0	-19.7	-4.3	0.4
Earnings/Share %	-29.6	-5.6	-1.1	1.7
Dividends %	4.8	6.9	6.6	8.8
Book Value/Share %	3.5	11.5	10.1	9.8
Stock Total Return	35.3	4.4	-6.1	4.7
Market +/-	1.0	-10.2	-16.7	-4.5

Valuation Analysis	Current	5Yr Avg	Ind	Mkt
Price/Earnings	18.4	24.8	20.0	15.2
Forward P/E	-	-	-	-
Price/Cash Flow	17.8	26.0	-	9.9
Price/Free Cash Flow	19.4	28.7	-	-
Dividend Yield %	3.8	3.3	1.5	2.8
Price/Book	9.4	19.9	2.4	2.1
Price/Sales	3.7	4.8	1.4	-

Profitability Analysis	Current	5Yr Avg	Ind.	Mkt.
Return on Equity %	56.0	62.7	12.1	15.4
Return on Asset %	33.6	34.3	5.3	5.6
Gross Margin %	53.5	51.4	18.4	-
Operating Margin %	26.1	29.3	10.4	-
Net Margin %	20.2	19.7	6.9	21.4
Inventory Turns	4.4	4.9*	5.8	-
Fixed Asset Turns	16.1	21.1	1.7	-

Financial Position (INR)	03-20(Mil.)	03-21 (Mil.)
Cash	1,947	3,672
Inventories	3,669	4,742
Receivables	-	-
Current Assets	19,436	20,583
Fixed Assets	2,510	2,292
Intangibles	18	50
Total Assets	23,935	24,723
Payables	8,372	6,103
Short-Term Debt	-	-
Current Liabilities	9,466	9,346
Long-Term Debt	-	-
Total Liabilities	9,793	9,637
Total Equity	14,142	15,086

Source: Company filings & Analyst research