

October 18, 2013

Castrol India Ltd.

BSE Code: 500870 NSE Code: CASTROL Reuters Code: CAST.NS Bloomberg Code: CSTR:IN

Castrol India Ltd. (CASTROL) - Castrol India Limited is engaged in the business of manufacturing and marketing of automotive, non-automotive lubricants and related services. The Company operates in two segments: Automotive and Non-Automotive. The Company is also a supplier of technologically metal working fluids and high performance lubricants. The Company markets its automotive lubricants under two brands: Castrol and BP. The company has three manufacturing plants, including a plant in Silvassa. The Company reaches its consumers through a distribution network of over 270 distributors, servicing approximately 91000 retail outlets.

### Investor's Rationale

**Net profit rose 22% QoQ while net sales growth remained muted** – Castrol India Limited registered a mixed performance during July – September 2013 quarter with a flat growth in net sales at ₹7,196 mn as against ₹7189 mn during the corresponding quarter previous year. However, the company showed improved performance in terms of bottom line with Profit After Tax growing by 22% at ₹1045 mn as against ₹857 mn. The company witnessed a decline on the volume front in the backdrop of continuing rupee depreciation, credit crunch and overall industry slowdown. However, the volume drop was partially offset by a strong performance in the personal mobility sector i.e. the passenger car and two wheeler engine oil segments.

**Non-Automotive segment posted improved performance** – For the nine month period January – September 2013, the net sales remained flat at ₹2,3598 mn as against ₹2,3505 mn during the same period in the previous year. While, Profit after Tax rose 16% to ₹3,824 mn as against ₹3,295 mn. On the segment front, the non-automotive segment leads with 27.5% growth in net profit at ₹190 mn while automotive segment posted 25% growth in net profit at ₹1,297 mn. The B2B (business to business) and in particular, the building and construction segment, were under pressure and witnessed lower volumes during the quarter under review.

**Launched Castrol RX Super Max Fuel Saver** - The company during the September 2013 quarter has re-launched its premium two-wheeler engine oil Castrol Power1 with contemporary new packaging and a refreshed brand proposition. In the commercial vehicle segment, the company launched Castrol RX Super Max Fuel Saver in association with its key partner – Tata Motors. This engine oil will not only enhance the fuel efficiency of Tata trucks by 1.5% (over SAE 15W40 engine oil of similar performance credentials) but will also bring down the amounts of diesel as well as operating costs.

### Market Data

Rating	BUY	
CMP (₹)	308	
Target Price	355	
Stop Loss	285	
Duration	Short-term	
52-week High-Low (₹)	372/284.5	
Rise from 52WL (%)	8.2	
Correction from 52WH (%)	17.2	
Beta	0.2	
1 year Average Volume (mn)	0.1	
	3M-	22.5
Stock Return (%)	6M-	32.0
	1Y-	16.1
Market Cap (₹bn)	152.50	
Book Value (₹)	13.13	

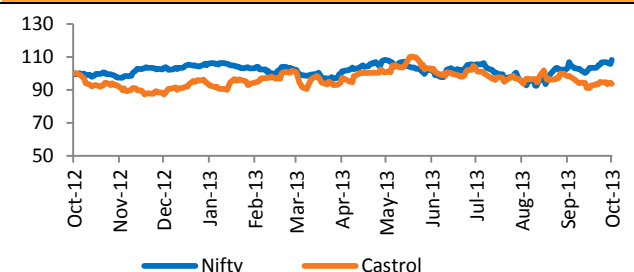
### Shareholding Pattern

	Sep'13	Jun'13	Chg
Promoters (%)	71.03	71.03	0.00
FII (%)	9.17	9.19	(0.02)
DII (%)	5.48	5.62	(0.14)
Public & Others (%)	14.32	14.16	0.16

### Quarterly Performance (Consolidated)

(₹mn)	Q3 CY'13	Q3 CY'12	Q2 CY'13	YoY Change (%)	QoQ Change (%)
Sales	7,196.0	8,588.0	7,189.0	(16.2)	0.1
Op. exp	5,735.0	6,682.0	5,998.0	(14.2)	(4.4)
EBITDA	1,499.0	1,938.0	1,215.0	(22.7)	23.4
OPM (%)	20.7	22.5	16.8	(176)	387.7
Net profit	1,045.0	1,536.0	857.0	(32.0)	21.9
NPM (%)	14.1	17.4	11.7	(329.2)	246.4
EPS (₹)	2.1	3.1	1.7	-32.2%	22.0%

### One Year Price Chart





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