Castrol (India)

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Annual Report Analysis CY19

Annual Report CY19 – Resilient Year

Castrol India had a roller coaster CY19 on a macro level as well as company level. Ambiguity around GST, volatility in raw material price, crude oil and currency movement impacted the volume growth and profitability. CSTRL focused of innovation, new product launches, moved into adjacencies and OEM tie ups to drive growth. They have been continuously working on protecting margins with sustainable growth and are taking pricing actions time and again. With the de-growth in volumes due to economic slowdown and demand disruption due to Covid, raw material prices getting stable and improving product mix towards personal mobility segment, CSTRL profitability should gain traction in CY21 after a weak CY20.

DART View

Castrol growth is led by aggressive volume push through personal mobility and power brands and continued focus on profitability. The push has been towards **profitable volume growth** rather than profitability per litre. We believe this shall lead to material market share gains primarily at the expense of OMCs / local players. We believe pent up demand to come in from the personal mobility segment but the demand will be slow for next few months. However, the demand for lubes can also be deferred by customers. Higher growth in the personal mobility segment and increasing proportion of synthetic base lubricants (though in single digits), we expect profitability growth to get better driven by revenue growth and margin expansion from CY21 before a subdues CY20.

Industry Overview

India is the world's third largest lubricants market1 after US and China with approximately 2.7 billion litres of annual consumption. The lubricants market in India is highly competitive and fragmented comprising national oil companies, several international majors and a large number of local companies. While the Company operates in all major categories such as automotive, industrial and marine & energy applications, it is the leading international player with a well-entrenched position in retail automotive lubricants and a significant presence in specialized industrial lubricants.

MD&A Overview

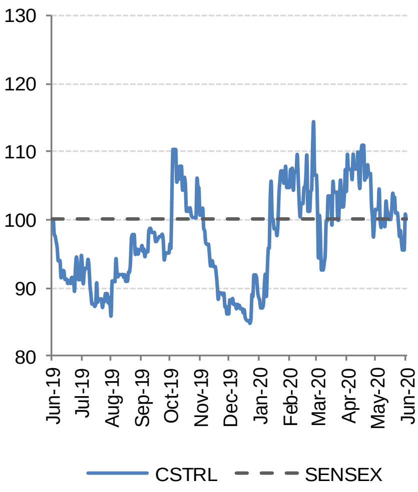
CSTRL has clocked growth in gross profits due to benefit from lower taxation, volumes de-growth of 4.5% was witnessed due to economic slowdown and flattish revenues were clocked in. Operating profit decline was marginal despite severe raw material headwinds due to unfavourable crude and forex trends. Favourable product-mix changes as well as appropriate pricing interventions have helped buoy the revenues. New product launches, moving into adjacencies and OEM tie up will further help in volume growth. CSTRL is ready with a range of BSVI products to cater to their larger audience. Product catalogue refreshes are expected to get bolstered with the announcement of capacity expansion at the Silvassa plant. Retail touch-points are increasing and they are now selling CSTRL products through online portal.

Financial Snapshot

Revenues were flat YoY to Rs 38.7 billion in 2019 to Rs39 billion. Despite the challenging external environment, it delivered a strong Gross Profit growth of 7% in 2019 over 2018.Cost of Raw materials de-grew 8.3% YoY. Inventories were down by 33% YoY due to effective management of working capital. Operating cash flow for CY19 was Rs 8,795 mn as compared to Rs 5,495 mn in CY18. Free cash flow to the firm in CY19 was Rs 7,820 mn as compared to Rs 4,715 mn in CY18. Tight liquidity in market also saw receivables going up by 23% YoY. Overall YoY volume de-growth was at -4.5%.

CMP	Rs 127
Target / Upside	Rs 139 / 10%
BSE Sensex	35,478
NSE Nifty	10,471
Scrip Details	
Equity / FV	Rs 4,946mn / Rs 5
Market Cap	Rs 126bn
	USD 2bn
52-week High/Low	Rs 162/Rs 90
Avg. Volume (no)	13,30,680
NSE Symbol	CASTROLIND
Bloomberg Code	CSTRL IN
Shareholding Pattern Mar'20(%)	
Promoters	51.0
MF/Banks/FIs	18.5
FIIs	9.0
Public / Others	21.5

Castrol Relative to Sensex



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DOLAT CAPITAL

Annual Report Macro View

Key Management	**The Board re-appointed Mr. Omer Dormen, as Managing Director of the company for a term of one year with effect from 12 October 2019 upto 11 October 2020.**
Board of Directors	Cessation of Mr. Peter Weidner as Non-Executive, Nominee Director on the Board from 31 January 2019. Re-appointment of Mr. R. Gopalakrishnan as an Independent Director for a term of five (5) years with effect from 1 October 2019 upto 30 September 2024 Cessation of Mr. S.M. Datta as an Independent Director and Chairman with effect from 1 October 2019 Appointment of Mr. R. Gopalakrishnan as Chairman of the Board of Directors with effect from 1 October 2019.
Auditors	No change. M/s Deloitte Haskins & Sells LLP continue to be the Auditors of the Company.
Insider Holdings	No insider transactions during the year.
Credit Ratings	Not Available
Pledged Shares	No change.
Macro-economic factors	Within a span of the first four months, crude rose by almost 20% and touched a year high of $71 bbl in April and settling at around $60 bbl from August. Amid challenging economic conditions in India and overseas, the rupee lost its value by almost 1.5% over this year. In base oil, price decline was a constant feature primarily due to ample supplies as a result of capacity additions across Asia & Pacific and Europe coupled with lacklustre demand throughout this year. GDP growth rate for India reduced to 4.7% for 2019 on account of investment led slowdown leading to lower consumption; driven by weak job creation and financial stress amongst rural households.

Key Holders

Category of Shareholder (%)	CY2019	CY2018
Promoters		
i) Castrol India	51.00	51.00
Bank, FIs, Insurance Companies & Mutual Funds		
i) Mutual Funds	3.86	5.88
ii) AIFs	0.01	0.01
iii) Fis & Banks	1.5	2.28
iv) Insurance Companies	13.50	10.32
Non-Institutions	17.92	21.54
FPIs	12.21	8.97
Total	100.00	100.00

Source: Company, DART

What's New

Product Launches

"During the economic slowdown of 2019, we clocked revenue growth in personal mobility, which is a strategic priority, and delivered strong operating performance and earnings."

Sandeep Sangwan, Managing Director

- Castrol GTX ULTRACLEAN with 50% superior sludge protection compared to tough industry standards was launched across 20 markets.
- New Castrol Activ ESSENTIAL was launched, extending the Castrol Activ range to new price segments.
- A new category of lubricants, Castrol MAGNATEC SUV was launched, catering to the fast increasing SUV population.
- Extending the CI4 offering to a new price segment, Castrol RX ESSENTIAL 15W-40 commercial vehicle oil suitable for all OEMs who recommend API CI4, was introduced.
- Castrol RADICOOL ESSENTIAL range of coolants, which provide protection against overheating and corrosion to engines in warmer climates, was unveiled.
- Vehicle care co-branded products like bike and car shampoos, glass cleaners, cream waxes, dashboard and tyre dressers were introduced
- Also, experimented with advanced mobility solutions such as improved internal combustion engine technology, hybridization and e-fluids, including for diesel engines, to decarbonize transport now, and in the future

Partnerships

- Castrol India Limited inked a partnership with Honda Motorcycle & Scooter India Private Limited to launch Castrol Activ Honda range of lubricants exclusively for their two-wheelers.
- Castrol India Limited signed a strategic agreement with Renault India Private Limited for supply of exclusive aftersales engine oil lubricants across Renault India's countrywide network.
- Castrol India unveiled carbon neutral sustainability solutions with Pratham Motors in Bengaluru making it the first 'Castrol
- certified carbon neutral' car dealership for this industry-leading initiative in India.
- Castrol India Limited signed a strategic collaboration with 3M India Limited. With this development, the Company progressed beyond lubricants into vehicle care products.
- Found new channels to enhance visibility and reach, with the proposed fuels and mobility alliance between BP and Reliance Industries. This gives the opportunity to market lubricants across its retailing network.

> *"The Company worked on a best value purchase model and value-based inventory management, keeping a close watch on cash costs and working capital."*

Key Takeaways from the MD&A

- 2019 has been a tough year for vehicle sales with overall vehicle sales declining by 14% YoY
- GDP growth rate for India reduced to 4.7% for 2019 on account of investment led slowdown leading to lower consumption; driven by weak job creation and financial stress amongst rural households.
- Industrial output for 2019 grew marginally with declining trends in the last two quarters of 2019.
- The overall automotive lubricant demand grew marginally at less than 1% in 2019 compared to 2018.
- This growth is driven by personal mobility, however commercial segment demand reduced in the year due to several macroeconomic factors.

Demand

- Demand for automotive lubricants is driven by the expansion of vehicle population as well as the usage of vehicles in the country.
- Industrial lubricants demand is observed to have a strong co-relation with the IIP, which is largely driven by economic activity. In case of marine & energy lubricants, the demand drivers include global and local ship movements, which facilitate large scale movement of cargo as well as the installed base of offshore rigs and their uptime.

Supply

- Lubricants are manufactured by blending base oils with additives. India is a net base oil deficit market leading to large scale import of base oil and additives. This exposes the lubricants business to fluctuations in foreign exchange rates.

Automotive lubricants:

- CSTRL continued to deliver strong performance with top line growth in personal mobility while continuing to drive premiumization of the category to drive better performing and environment-friendly products.
- They further strengthened its position in the mid-price segment in key categories to drive growth as well as its close association with key OEM customers.
- Commercial vehicle performance has been impacted by several macro-economic factors.
- CSTRL sustained its focus on innovation and new product launches across segments.
- With the imminent introduction of BS VI norms, they are well poised to manage this transition with a BS VI ready portfolio.

Demand Drivers:

- Personal mobility: With increasing vehicle numbers of two-wheelers and four wheelers, this category of engine oils will continue to see an upward trend. With its wide distribution reach and strong brands, they are expected to capitalize on the opportunity. Synthetic oils will continue to lead the growth for passenger cars

- and are well placed to take advantage of the same with its wellrounded portfolio of synthetic products.
- Commercial vehicles: Despite short term challenges in the lubricants demand for commercial vehicles, this segment is expected to grow once economic activities pick up with a strong and growing vehicle numbers.
- Growth in construction and off-highway sectors due to investment in infrastructure is likely to lead to lubricants demand growth in this category.
- They are also investing in plant capacity expansion to cater to increasing demand. An expansion plan for its Silvassa plant was approved to scale up installed capacity at the facility by 50%.

Industrial lubricants:

- CSTRL drove the Industrial business through acquisition of new customers and introduction of new products, despite a tough external environment.

Demand Drivers:

- The demand for Industrial lubricants saw a significant slowdown due to the decline in IIP seen in H2CY19. However, the long term industrial lubricants demand is likely to grow with economic reforms gaining momentum as India's long-term prospects for growth remain optimistic. As global OEMs continue their focus in India, growth prospects are likely to get bolstered further.

"During 2019, appropriate strategic and pricing interventions were taken in the market keeping in mind input costs, competitive positioning and product brand strategy."

Marine & energy lubricants:

- CSTRL focuses on providing best in class products and services and offering value-added services, along with best practices from its marine businesses globally, strengthening customer confidence.

Demand Drivers:

- With the imminent implementation of IMO global sulphur cap effective January 2020, they recently launched Cyltech 40 SX - a fully miscible, compatible, OEM approved and Marpol 2020 compliant lubricant to help adhere to this compliance requirement.
- With cargo traffic in ports of India continuing to see an increase and with distributors for all segments of customers (including spot market), new product introduction and better availability, they have increased its outreach and intends to leverage its brand equity to penetrate untapped markets.

Channels of distribution

- CSTRL's products are distributed through over 350 distributors who service over one lakh customers and sub-distributors who reach out to additional outlets in semi-urban and rural markets.
- It also leverages its distribution channels to reach a wider network of independent workshops.
- They serve close to 3,000 key institutional accounts directly, and in some cases through its distributors.
- Over the last few years, the focus on priority channels has contributed to growth in their business.
- They have also explored a new channel of distribution and its products are now sold online via major e-commerce portals in the country.

- Aligned to the long-term strategic direction and on the back of continued investments in technology and brands, aggressive growth plans, innovative marketing programmes and delivery of premium customer experience at multiple touch points, CSTRL is confident of continuing to deliver robust business performance.

Opportunities:

- Despite slowdown in vehicle sales, vehicle population in India has grown by nearly 6% with growth in two wheelers, commercial vehicles as well as cars
- CSTRL is poised to take advantage of further enhanced technologies becoming the first Company in the industry to have BS VI compliant products across all categories of automotive lubricants. They have begun selling its products online as an additional channel.
- They are exploring different business models through adjacent businesses, moving beyond lubricants. It announced a strategic collaboration with 3M India to introduce a range of quality vehicle care products to be made available in the automotive after-market.
- The partnership between BP and Reliance Industries in India for their new fuels and mobility joint venture gives CSTRL an opportunity to market its lubricants across the venture's retailing network which is expected to be scaled up to 5,500 fueling stations in the next five years.

Threats:

- The base oil and forex trends are expected to continue to be volatile.
- There is also a trend of OEMs introducing lubricants under their own brand name, further impacting the competitive landscape.

Covid 19:

- The initial lockdown meant a complete slowdown of the economy and very limited demand for CSTRL's products and services.
- It has geared itself to serve markets in different locations as the country re-opens, as per central and local government advisories.
- CSTRL is also working on various options to ensure that it effectively navigates through the crisis and emerges stronger.

Miscellaneous

- CSTRL's people agenda focuses on building distinctive capabilities which allows it to deliver in the short term and develop new capabilities for the future. 42% of open positions in the Company were filled internally. The overall number of women in the managerial population is 18% in 2019 and overall at 19%.
- CSTRL is also undertaking environment management programs and projects to minimize environment footprint, energy and water consumption as well as waste generation from manufacturing operations
- Expenditure on R&D has gone down in CY2019 to Rs72.9 million from Rs97million in CY2018.

Profit & Loss Analysis

- CSTRL delivered a gross profit growth of 7% in CY2019 over CY2018, Volume de-growth of around -4.5%.
- Cost of sales decreased during 2019 by 8% YoY, primarily due to lower input costs as a result of efficiency & procurement savings during the year. CY2019 witnessed volatility in both Brent Crude and foreign exchange. Base oil price decline was mainly due to ample supplies as a result of capacity additions across with a slowdown in demand throughout the year.
- Operating and other expenses increased by Rs 490 mn as compared to 2018 due to investment in safety, people, brands and business growth opportunities.
- Profit before Tax increased by about 4.4% over previous year to Rs11.5 billion.
- Tax rate for CY19 declined to 27.9% as compared to 35.5% in CY18. CSTRL has adopted to new taxation system.
- Profit After Tax increased by Rs 1,190 mn and is at Rs 8,270 mn, compared to 2018 due to higher profit and lower statutory tax rate.
- The Board of Directors of the Company recommended a final dividend of Rs3 per share for the financial year ended 31 December 2019. This is in addition to an interim dividend of Rs2.5 per share for the financial year ended 31 December 2019. Final dividend for CY2019 was Rs 5.5 per share. (CY2018 dividend was Rs 5 per share).
- Interest cost increased by 9% to Rs12 million from Rs11 million and depreciation increased by 25% to Rs697 million in CY2019.

"CSTRL has delivered a resilient performance for the year despite the challenging external environment with declining industrial production levels and muted consumer offtake."

Balance Sheet Analysis

- Inventories increased by 33% to Rs3 billion in CY2019 from Rs4.6 billion in CY2018 due to effective working capital.
- Trade receivables increased by 23% to Rs4.8 billion in CY2019
- Cash and bank balances clocked a 27% increase, rising from Rs7.5 billion to Rs9.5 billion in CY2019
- Provisions went up by 18% to Rs671 million in CY2019

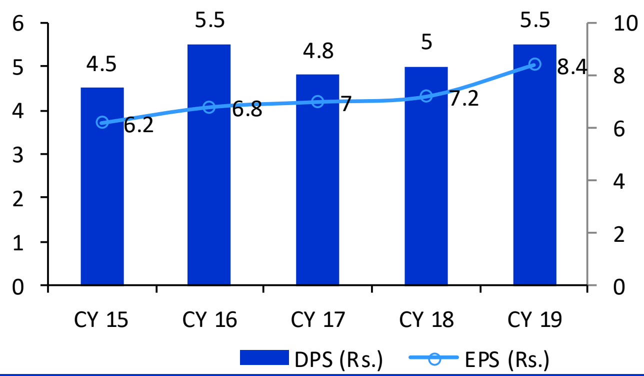
Ratios	CY 19	CY18	% Chg.
Debtor Turnover (x)	8.87	11.54	-23.1
Inventory Turnover (x)	10.18	10.06	1.2
Current Ratio (x)	2.18	1.87	16.6
RONW %	65	65	0.0
OPM %	30	28	7.1
NPM %	21	18	16.7

Source: DART

Cash Flow Analysis

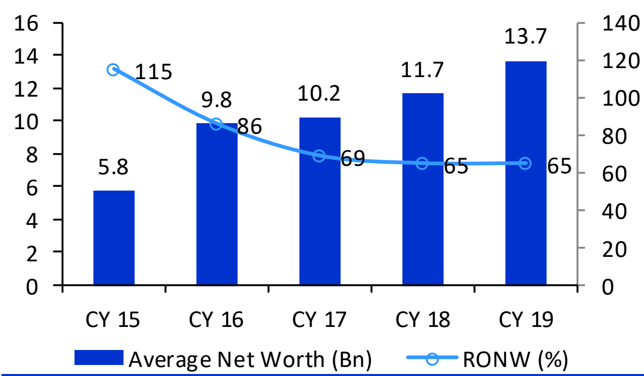
- The Net Cash Flow from Operating Activities improved by 60% to Rs8.8 billion in CY19 from Rs5.5 billion in CY18 due to the changes in working capital and lesser taxation.

Exhibit 1: Basic EPS and DPS (Rs Per share)



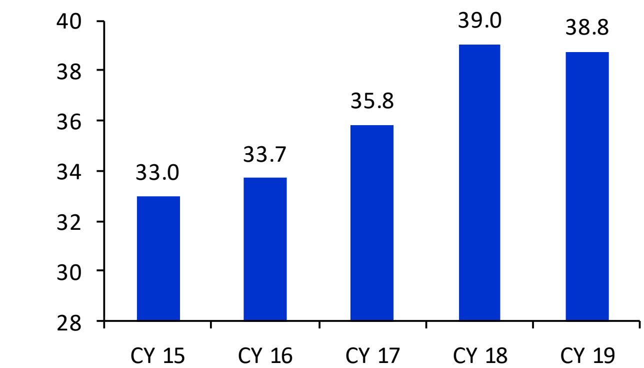
Source: Company, DART

Exhibit 2: Return on Net Worth



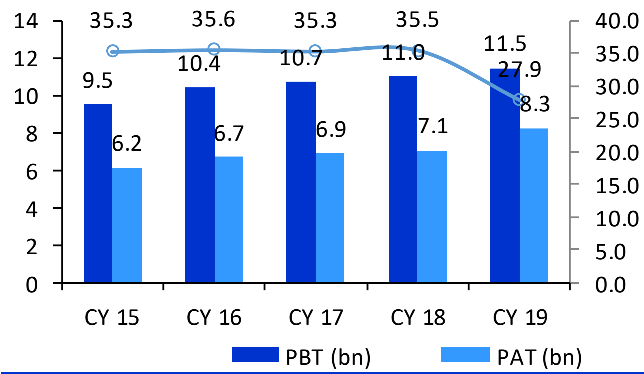
Source: Company, DART

Exhibit 3: Sales (Rs. Bn)



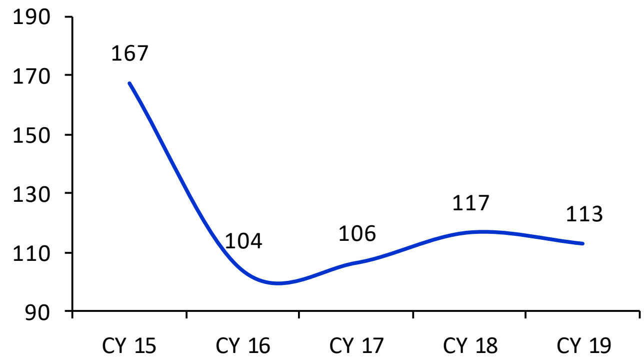
Source: Company, DART

Exhibit 4: Profit and Effective Tax rate



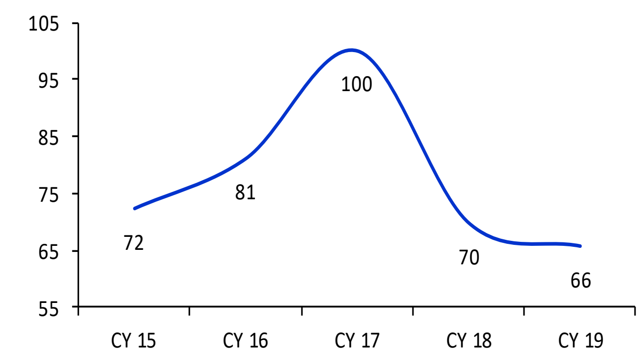
Source: Company, DART

Exhibit 5: OCF/FCF Conversion (%)



Source: Company, DART

Exhibit 6: Dividend Payout (%)



Source: Company, DART

4-Quarter conference call Trend Analysis

Particulars	Q1CY19	Q2CY19	Q3CY19	Q4CY19
CSTRL Growth	Topline improvement of 5% YoY was contributed by growth in personal mobility space, focus channels and new premium products.	Strong financial delivery due to continued growth in personal mobility segment and growing product mix.	Industrial and commercial segments were under pressure in Q3CY19 due auto slowdown. (July and August demand was under pressure). Majority impact on the volumes in Q3CY19 was due industrial production loss and freight movement reduction.	Personal Mobility has shown a steady growth in CY19. It continued to be a growth area for CSTRL and contributed 6% of total revenues.
	Through careful cost control initiatives, well managed working capital, new product launches, strategic sourcing and holding on to product mix, they have been able to protect margins QoQ.	Through careful cost control initiatives, well managed working capital, new product launches, strategic sourcing, and holding on to product mix, the company has been able to protect margins QoQ.	Personal mobility segment has retained its share in Q3CY19 and slightly grown in 9MCY19.There was a slight decline in CVO in the quarter.	CSTRL have sold 5 cr packs of Castrol Activ in CY19 which is 1/3 of total 2W segment.
	Personal mobility continued to be a key growth driver with growth in power brands and synthetics. They have gain market share in personal mobility.	Personal mobility volume growth is high single digit which is ahead of the market. CIL has gained market share in this segment. Commercial/Industrial lubricant demand is low (negative).	In Q3CY19, personal mobility was flat, CVO showed a decline of single digit and industrial had a decline in double digit. Industrial impact in Q3 was more due to exisiting customers having low production.	CVO segment has shown muted demand. Company has realigned its products and introduced new products in CVO segment for boost demand.
	Commercial and Industrial segments degrew, which was in line with the market. Personal mobility which includes cars and bikes increased continuously. Personal mobility grew single digit whereas CVO and industrial de grew in single digit.	45% of CIL's volumes are from Personal mobility. 1/3 is 4W and 2/3 is 2W. Synthetic products constitute 7% volumes.	Volume Mix in Q3CY19: Personal Mobility: 45%-50%, Industrial: 12% rest was CVO.	Revenue mix- 75% is Bazaar segment and rest is B2B. Personal mobility contributes 45%-50%, industrial is 12% and rest is CVO and heavy duty. They have improved in personal mobility by 1%-2% in CY19.
			Q3 is usually lowest quarter due to monsoons, this year it was worsened due to floods. Improvement is seen from September. June quarter is usually the highest followed by Jan quarter.	

Particulars	Q1CY19	Q2CY19	Q3CY19	Q4CY19
Market Growth	▪ Overall lubricant market de grew 9% in Jan-Feb and it de-grew 5% in the preceding quarter. In the last 6 months Lubricant market is de-growing. CSTRL de-grew 2%.	▪ CIL is expecting strong stability post Q3CY19 in the economy.	▪ If market will grow at 2%-4%, Castrol will grow at 5% in CY2020.	
New Product launches and tie up	▪ In Q1CY19, Castrol Activ range of two wheeler engine oils portfolio was refreshed with formulation changes and two new variants were also launched, in line with changing needs of bikers providing 3X protection across all stages of riding.	▪ Strategic alliance between Groupe Renualt and Castrol for lubricant space.		▪ They moved into adjacencies going beyond the engine providing leading vehicle care products in the automotive sector through a strategic partnership with globally recognized technology company 3M India.
	▪ Last quarter, CSTRL tied up with Mahindra and Mahindra and this quarter did a strategic tie up with Ford India including supply of engine and transmission oils to their dealerships in India, and working jointly to develop and co-engineer products to further enhance performance efficiency of Ford vehicles.	▪ Stategic collaboration with 3M in vehicle care market. First set of products will be launched in Q3CY19. They offer cleaning products for the cars. Market size of vehicle care products is $20,000 mn and is expected to grow at 10% every year.		
		▪ Launched BS VI ready range of products across categories (Passenger vehicles, commercial and motorcycle). BS VI products were launched in June-July in the market. Products prices are the same. Quality is different with specific formulations of lower viscosity. They are mostly synthetic products which are premium products. These products can also be used in BSIV and BSIII engines.		

Source: Company, DAR

Particulars	Q1CY19	Q2CY19	Q3CY19	Q4CY19
Distribution	▪ CSTRL has invested well in brands and retail distribution.			
	▪ In difficult times CSTRL provided extra support to the dealers and distributors, which they pulled back in this quarter.			
Financials	▪ Operating expenses were higher QoQ, due to CSTRL's investments in brand and increase in salaries which increased the employee cost. Also, there was more feet on the street in terms of distribution strength, inflation in selling and distribution expenses and due to increase volumes in OEM had to pay joint royalty (which is a positive), altogether increased the other expenses.			▪ They are investing in growth. They have reduced inventory in CY19 and redeployed money in the market to support channel partners.
	▪ Advertisement Expenses were 3%-4% of turnover.			
	▪ Cash on books as on 31st March, 2019 is Rs. 8,000 Mn.			
Raw material pricing	▪ Base oil prices are trending in last 4-5 quarters. There was a slight decline in Q1CY19. There was also a lag effect seen in Q1CY19. Additives prices have also gone up significantly in 1 year. Forex have declined 9% YoY. All of these have contributed to increase in input cost.	▪ Crude prices have been stable in the last quarter. Additives prices have increase, forex have reacted adversely and base oil prices have shown positive contributions in the quarter.	▪ Base oil prices were down which was mitigated due to adverse rupee depreciation and increase in additives and packaging.	
	▪ If crude oil rises above $70/bbl then can see increase in base oil prices.		▪ Base oil, rupee and crude are now rangebound. Currently they don't see further price intervention. If this trend continues it can be profitable.	

Particulars	Q1CY19	Q2CY19	Q3CY19	Q4CY19
Threat of Electric Vehicles	▪ Electric vehicle threat will not be seen in in the near term. 3-W, 2-W and city buses will be converted to EV. There will be opportunity to supply coolants, greases, transmission fluids.		▪ CSTRL does not see major disruption due to EV's in the next 5 years.	
	▪ Commercial and Industrial segment will still continue to use lubricants. Also, passenger car transition is delayed due to huge investment.			
	▪ There is no threat from EV as growth will come from passenger car, commercial, industrial segment and 2 wheeler segment for next 10 years.			
	▪ CSTRL has also made use of opportunity of BS VI conversion. In the last 18 months introduced synthetic oils to be used in BS VI compliant vehicles.			
Capex	▪ Last quarter announced a capex of Rs 1,400 Mn for the Silvassa plant expansion which will take place over 2 years.	▪ Silvasa expansion is happening in a phased manned and inauguration will take place in April 2020.		▪ Capacity utilisation is 80%.
	▪ In current quarter added Rs. 200 Mn capex for installation of signages which can be capitalised and will depreciate over 3 years. The signages are dealer signages and retail shops which hold CSTRL signage.			▪ Silvassa plant will be operational by CY2021. They have not spent significantly on this plant in the last year. Significant spending will start in H2CY20.

Particulars	Q1CY19	Q2CY19	Q3CY19	Q4CY19
Factors driving long term growth for CSTRL	▪ First Phase of Silvassa plant has started operations, which shows the management's confidence of long term growth in India.	▪ Last price hike taken was in March 2019.	▪ Price intervention was done in September'19.	▪ Volume guidance for long term is 5%-6%.
	▪ Commercial activity revival will be long term positive for the company.			▪ CSTRL's focus will be personal mobility segment, maintaining margins through product mix and manage efficiencies in cost by supply chain and efficiency in procurement.
	▪ Agri-market is also under pressure. Rural uptick is not happening. All these are putting pressure on volumes.			
	▪ Gross margins will be in the range of Rs. 90/L-Rs. 100/L due to increase in product mix. § 90 Mn new vehicles are expected to be added in next 5 years.			
	▪ Q1CY19 has been a low quarter, Q2CY19 is expected to be better than Q1 due agri season and from Q3CY19 onwards, the management see positive impact. Management is pessimist for H1CY19 but they expect CY19 will be good.			

Profit and Loss Account

(Rs Mn)	CY18A	CY19A	CY20E	CY21E
Revenue	**39,046**	**38,768**	**34,981**	**38,713**
Total Expense	**28,338**	**27,238**	**24,347**	**26,790**
COGS	19,066	17,477	15,566	17,034
Employees Cost	2,034	2,131	1,994	2,245
Other expenses	7,238	7,630	6,786	7,510
EBIDTA	**10,708**	**11,531**	**10,634**	**11,924**
Depreciation	556	697	931	1,201
EBIT	**10,152**	**10,834**	**9,703**	**10,723**
Interest	11	12	16	17
Other Income	843	648	700	800
Exc. / E.O. items	0	0	0	0
EBT	**10,984**	**11,469**	**10,387**	**11,506**
Tax	3,901	3,195	2,614	2,896
RPAT	7,084	8,274	7,773	8,610
Minority Interest	0	0	0	0
Profit/Loss share of associates	**0**	**0**	**0**	**0**
APAT	**7,084**	**8,274**	**7,773**	**8,610**

Balance Sheet

(Rs Mn)	CY18A	CY19A	CY20E	CY21E
Sources of Funds				
Equity Capital	4,946	4,946	4,946	4,946
Minority Interest	0	0	0	0
Reserves & Surplus	6,711	8,724	6,661	5,434
Net Worth	**11,657**	**13,670**	**11,606**	**10,380**
Total Debt	0	0	0	0
Net Deferred Tax Liability	(533)	(585)	(400)	(400)
Total Capital Employed	**11,124**	**13,084**	**11,206**	**9,980**
Applications of Funds				
Net Block	**1,860**	**1,997**	**2,316**	**2,365**
CWIP	350	273	250	250
Investments	0	0	0	0
Current Assets, Loans & Advances	**18,325**	**19,432**	**18,862**	**18,321**
Inventories	4,568	3,047	2,875	2,970
Receivables	3,918	4,820	4,504	4,985
Cash and Bank Balances	7,439	9,460	9,556	8,600
Loans and Advances	1,259	1,447	1,302	1,172
Other Current Assets	1,142	658	625	593
Less: Current Liabilities & Provisions	**9,411**	**8,618**	**10,222**	**10,956**
Payables	5,840	4,718	5,971	6,534
Other Current Liabilities	3,571	3,900	4,251	4,422
sub total				
Net Current Assets	8,913	10,814	8,640	7,365
Total Assets	**11,124**	**13,084**	**11,206**	**9,980**

E – Estimates

Important Ratios

Particulars	CY18A	CY19A	CY20E	CY21E
(A) Margins (%)				
Gross Profit Margin	51.2	54.9	55.5	56.0
EBIDTA Margin	27.4	29.7	30.4	30.8
EBIT Margin	26.0	27.9	27.7	27.7
Tax rate	35.5	27.9	25.2	25.2
Net Profit Margin	18.1	21.3	22.2	22.2
(B) As Percentage of Net Sales (%)				
COGS	48.8	45.1	44.5	44.0
Employee	5.2	5.5	5.7	5.8
Other	18.5	19.7	19.4	19.4
(C) Measure of Financial Status				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage	931.4	902.8	606.4	630.7
Inventory days	43	29	30	28
Debtors days	37	45	47	47
Average Cost of Debt				
Payable days	55	44	62	62
Working Capital days	83	102	90	69
FA T/O	21.0	19.4	15.1	16.4
(D) Measures of Investment				
AEPS (Rs)	7.2	8.4	7.9	8.7
CEPS (Rs)	7.7	9.1	8.8	9.9
DPS (Rs)	5.0	5.5	8.5	8.5
Dividend Payout (%)	69.8	65.7	108.2	97.7
BVPS (Rs)	11.8	13.8	11.7	10.5
RoANW (%)	64.8	65.3	61.5	78.3
RoACE (%)	68.3	68.5	64.1	81.4
RoAIC (%)	369.6	296.4	367.9	707.8
(E) Valuation Ratios				
CMP (Rs)	127	127	127	127
P/E	17.7	15.2	16.2	14.6
Mcap (Rs Mn)	1,25,668	1,25,668	1,25,668	1,25,668
MCap/ Sales	3.2	3.2	3.6	3.2
EV	1,18,229	1,16,208	1,16,112	1,17,067
EV/Sales	3.0	3.0	3.3	3.0
EV/EBITDA	11.0	10.1	10.9	9.8
P/BV	10.8	9.2	10.8	12.1
Dividend Yield (%)	3.9	4.3	6.7	6.7
(F) Growth Rate (%)				
Revenue	8.9	(0.7)	(9.8)	10.7
EBITDA	3.6	7.7	(7.8)	12.1
EBIT	2.8	6.7	(10.4)	10.5
PBT	2.6	4.4	(9.4)	10.8
APAT	2.4	16.8	(6.1)	10.8
EPS	2.4	16.8	(6.1)	10.8

Cash Flow

(Rs Mn)	CY18A	CY19A	CY20E	CY21E
CFO	5,495	8,795	11,089	10,148
CFI	661	(4,482)	7,647	(1,251)
CFF	(5,674)	(6,277)	(9,852)	(9,853)
FCFF	4,715	7,802	9,862	8,898
Opening Cash	2,155	2,636	672	9,556
Closing Cash	2,637	672	9,556	8,600

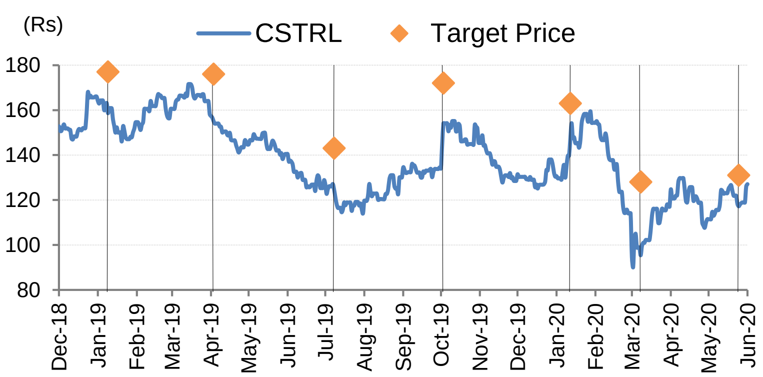
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	**> 20%**
Accumulate	**10 to 20%**
Reduce	**0 to 10%**
Sell	**< 0%**

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Jan-19	Accumulate	177	159
Apr-19	Accumulate	176	155
Jul-19	Accumulate	143	125
Oct-19	Accumulate	172	154
Feb-20	Accumulate	163	147
Mar-20	Buy	128	95
Jun-20	Accumulate	131	117

**Price as on recommendation date*

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