



Economy News

- ▶ The Telecom Regulatory Authority of India (TRAI) has proposed that the powers to issue licences to telecom companies would be brought under its purview. (BL)
- ▶ Inflation eased marginally to 6.89 per cent in March, following some moderation in the prices of manufactured products. The wholesale price index (WPI)-based inflation was 6.95 per cent in February 2012. It was 9.68 per cent in March 2011. (BL)
- ▶ The decision on export of another million tonne of sugar gets delayed as differences between ministries of the food and agriculture delay notification of the decision. (BS)

Corporate News

- ▶ **Coal India Limited** has agreed to sign fuel-supply agreements (FSAs) with some 50 thermal power units commissioned between April 2009 and December 2011. (BL)
- ▶ **Tata Motors** sale of vehicles rose 16 percent in FY12. Cumulative sales were over 12 lakh units for the year. The global wholesale numbers for March stood at 1,39,655, higher by 26 per cent over March 2011. (BL)
- ▶ **ABB** will invest Rs 250 crore to build new facilities in India to manufacture high-voltage power products and transformers. (BL)
- ▶ The ailing **Kingfisher** is in talks with GMR Group on payment schedule for outstanding dues. The airline had agreed upon a schedule earlier but could not follow it. (BL)
- ▶ **Gammon India Ltd, IVRCL, Simplex Infrastructure Ltd and L&T Ltd** are among the twenty two firms which have qualified for the Eastern dedicated freight corridor for track work from New Karwandiya to Durgawati section. (BL)
- ▶ Essel Group has said that it does not intend to hike its stake in **IVRCL Ltd** from 12.27 percent. This announcement has ended speculations of a hostile bid. (BL)
- ▶ **Piramal Healthcare** has signed an agreement with Bayer to acquire the worldwide rights of the latter's molecular imaging research and development portfolio. The company did not give the deal amount. (BL)
- ▶ The residual stake sale in **Hindustan Zinc Ltd** and Bharat Aluminium Co Ltd (Balco) is unlikely to happen soon, with the government deciding to tread cautiously keeping in mind the high stakes and the litigation process involved. (BS)
- ▶ **Essar Oil** which is about to come out of its Rs 90 bn-crore corporate debt restructuring (CDR) exercise at the end of this month, the company is planning to take another bold step by taking on additional debt of Rs 63 bn from SBI for six years at 12.25% p. a. (BS).
- ▶ The Utkal Alumina project, a 1.5 million tonne per annum (mtpa) alumina refinery plant being set up by **Hindalco Industries** at Kashipur in south Odisha's Rayagada district, is set to go into production by December this year. (BS)

Equity

	16 Apr 12	% Chg		
		1 Day	1 Mth	3 Mths
Indian Indices				
SENSEX Index	17,151	0.3	(1.8)	4.2
NIFTY Index	5,226	0.4	(1.7)	5.2
BANKEX Index	12,029	1.2	0.5	15.7
BSET Index	5,378	(0.5)	(11.4)	(4.6)
BSETCG INDEX	10,009	1.1	(2.3)	1.7
BSEOIL INDEX	7,960	(0.3)	(3.4)	0.7
CNXMcap Index	7,604	0.3	(0.5)	13.1
BSESMCAP INDEX	6,837	0.6	2.0	9.2
World Indices				
Dow Jones	12,921	0.6	(2.4)	3.5
Nasdaq	2,988	(0.8)	(2.2)	9.5
FTSE	5,666	0.3	(5.0)	(0.5)
NIKKEI	9,471	(1.7)	(6.1)	12.4
HANGSENG	20,611	(0.4)	(3.6)	4.7

Value traded (Rs cr)

	16 Apr 12	% Chg - Day
Cash BSE	1,730	(40.4)
Cash NSE	8,967	(32.5)
Derivatives	91,671	(33.1)

Net inflows (Rs cr)

	13 Apr 12	% Chg	MTD	YTD
FII	172	(6.7)	494	44,531
Mutual Fund	262	(274.4)	(372)	(5,801)

FII open interest (Rs cr)

	13 Apr 12	% Chg
FII Index Futures	9,684	0.5
FII Index Options	37,383	0.8
FII Stock Futures	23,113	0.9
FII Stock Options	1,247	11.8

Advances / Declines (BSE)

	16 Apr 12	A	B	T	Total	% total
Advances	127	1,149	272	1,548	53	
Declines	71	926	225	1,222	42	
Unchanged	4	103	24	131	5	

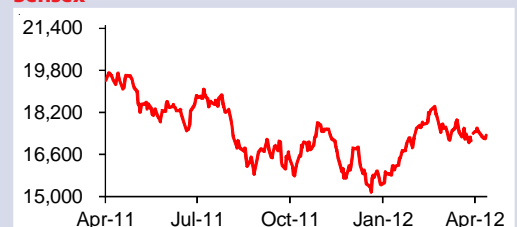
Commodity

	16 Apr 12	1 Day	1 Mth	3 Mths
Crude (NYMEX) (US\$/BBL)	103.0	0.1	(3.8)	2.3
Gold (US\$/OZ)	1,649.6	(1.0)	(0.4)	(0.5)
Silver (US\$/OZ)	31.4	(0.8)	(3.7)	4.1

Debt / forex market

	16 Apr 12	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	8.45	8.47	8.42	8.29
Re/US\$	51.7	51.3	50.2	51.4

Sensex



RESULT UPDATE

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CASTROL INDIA LTD. (CIL)**PRICE: Rs.538****RECOMMENDATION: ACCUMULATE****TARGET PRICE: Rs.570****CY13E P/E: 18.3x****Summary table**

(Rs mn)	CY11E	CY12E	CY13E
Sales	29,816	31,948	33,984
Growth (%)	9.0	7.1	6.4
EBITDA	6,698	8,054	10,304
EBITDA Margin	22.5	25.2	30.3
PBT	7,159	8,555	10,848
Net Profit	4,810	5,715	7,255
EPS (Rs.)	19.5	23.1	29.3
Growth (%)	(1.2)	18.8	26.9
CEPS	20.5	24.2	30.5
BV (Rs/Share)	24.4	27.3	30.9
DPS (Rs.)	15.0	17.3	22.0
ROE (%)	60.4	64.2	70.0
ROCE (%)	60.6	64.2	70.0
Net Debt / (Cash)	(5,493)	(7,302)	(8,718)
NW Capital (Days)	2.5	-2.4	2.1
P/E (X)	27.6	23.2	18.3
P/BV (X)	22.0	19.7	17.4
EV/Sales (X)	4.2	3.9	3.7
EV/EBITDA (X)	19.5	16.1	12.5

Source: Company, Kotak Securities - Private Client Research

- ❑ Castrol's net profit is exactly in line with our estimates. The Company has reported a PAT of Rs.1.23 Bn as against our estimate of Rs.1.22 Bn.
- ❑ PAT has increased by 15.1% QoQ but was lower by 10% YoY. On a sequential basis, Castrol's bottom line has increased mainly due to 1). Higher other income, 2). Lower staff cost, 3). Better sales mix and 4). Marginally lower depreciation cost.
- ❑ In Q1CY12, Castrol has launched Castrol GTX Modern Engine. It has also re-launched its flagship brands Castrol CRB plus and Castrol CRB Turbo with "Durashield Booster" that provide up to two times engine life. The full benefit of the same is expected to come in next few quarters, which will improve volumes and margins.
- ❑ The company is also focusing on driving volume growth through increasing distribution reach and strengthening advocacy amongst key stakeholders. Wider distribution network will improve the sales volume of the Company, going forward.
- ❑ Revenue has grown both in the automotive and non-automotive segment on YoY and QoQ basis. Higher net revenue growth was witnessed in the non-automotive segment as compared to automotive segment. Further, it must be noted that non-automotive segment enjoys higher operating margins.
- ❑ Other Income (OI) has increased by 10.6% YoY and by 127.9% QoQ to Rs.335 Mn. OI has increased partly due to some provisions written back and partly due to higher cash balance, along with this higher interest rates brought in higher interest income. Also, note that other income to PBT has increased by 3.3% YoY to 18.2% in Q1CY12.
- ❑ Its PAT margin was up by 180 bps but fell by 250 bps YoY to 15.7% in Q1CY12.
- ❑ Blended operating margin up by 20 bps QoQ but fell by 380 bps YoY to 20.1% in Q1CY12. Going forward, we expect ease in raw material prices and better realization due to better sales mix and expected price hike.
- ❑ The Company's management has indicated the lubricant market growth has been slower due to the economic slowdown and inflationary pressures. This has been compounded by continuing input cost pressure and rupee depreciation which have impacted margins.

Outlook and valuation:

- Our revised earnings estimate with EPS of Rs.23.1 CY12E and 29.3 CY13E. We expect raw material prices to fall along with the crude oil prices. Also, management has indicated for price hike going forward. In Q1CY12, average Base oil prices have fallen to \$1300/ MT from average \$1450/MT in Q4CY11. This shows that raw material cost pressure is easing and margins can improve going forward.
- On the basis of our estimates, the stock at current market price of Rs.538 is fairly valued at 16.1x EV/EBITDA, 23.2x P/E and 19.7x P/BV on the basis of CY12E earnings.
- Based on our DCF valuation model, the 12-month target price of Castrol is Rs.570 (Rs.430 earlier) and we now recommend ACCUMULATE (earlier REDUCE) because we expect raw material prices to fall significantly. We are bullish on Castrol's healthy balance sheet, wide product portfolio and established brand, which will help in boosting volumes. Castrol is a zero debt company and has cash of ~Rs.5000 Mn in its books.

Key risk remains in terms of:

- Any significant rise in the crude oil price will increase the base-oil price (with a lag of six months) which can impact its margins and can lower the lubricant consumption.
- Any significant rupee depreciation will impact the raw material cost.

Quarterly Result Analysis - Q1CY12

(Rs mn)	Mar-12	Mar-11	YoY (%)	QoQ (%)
Domestic Revenues	9,008	8,612	4.6	1.6
Excise Duty	1,191	1,105	7.8	2.0
Net domestic revenues	7,817	7,507	4.1	1.6
Incr/(Decr) in stock	339	303	11.9	(235)
Total Expenditure	6,588	6,016	9.5	11.4
EBIDTA	1,568	1,794	(12.6)	2.5
Depreciation	60	63	(4.8)	(4.8)
EBIT	1,508	1,731	(12.9)	2.8
Other income	335	303	10.6	127.9
Interest-net	7.0	4.0	75.0	75.0
PBT	1,836	2,030	(9.6)	14.0
Tax	607	664	(8.6)	12.0
PAT	1,229	1,366	(10.0)	15.1
Basic EPS	4.97	5.52	(10.0)	15.1

Profitability Analysis (%)

EBITDA Margin	20.1	23.9	(3.84)	0.2
EBIT Margin	19.3	23.1	(3.8)	0.2
Adj PAT Margin	15.7	18.2	(2.5)	1.8
Other Income/PBT	18.2	14.9	3.3	9.1
Tax/PBT	33.1	32.7	0.4	(0.6)
Excise/net dom sales	13.2	12.8	0.4	0.0
Excise/VoP	14.6	14.1	0.5	(1.1)

Source: Company

NOTE: The lubricant business is a seasonal business and volume gets affected due to various seasonal factors. Hence, quarter-on-quarter result comparison will not give the correct picture. We have observed that for Castrol Quarter 2 (April- June) and Quarter 4 (Oct-Dec) of the calendar year are generally the best quarters.

Operational Parameters

	Mar-12	Mar-11	YoY (%)	QoQ (%)
Raw Materials	4,577	4,158	10.1	13.1
staff costs	265	259	2.3	(7.0)
Purchase of Finished Goods	352	110	220.0	(1.4)
Advertisement Exp.	591	508	16.3	26.0
Carriage, Freight & Insurance (CIF)	237	223	6.3	24.1
Other Expenses	566	758	(25.3)	0.2
Total	6,588	6,016	9.5	11.4

Source: Company

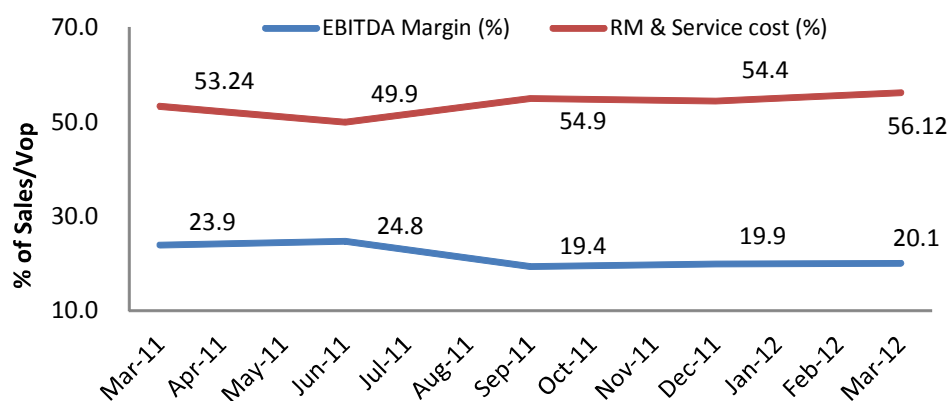
Cost Ratio Analysis (% of (Net sales + Inventory))

	Mar-12	Mar-11	YoY (%)	QoQ (%)
RM & Service cost	56.12	53.24	2.88	1.76
Staff cost	3.25	3.32	(0.1)	(0.6)
Purchase of FG	4.32	1.41	2.9	(0.5)
Advertisement Exp. (Net Sales)	7.6	6.8	0.8	1.5
Carriage, Freight & Insurance	2.9	2.9	0.1	0.3
Other Expenses	6.94	9.71	(2.8)	(0.7)

Source: Company

Result Analysis**Quarterly Result Analysis - Low volume growth and contraction in margins**

- In Q1CY12, its net profit has increased by 15.1% QoQ but was down by 10% YoY to Rs.1229 Mn resulting in an EPS of Rs.4.97. The bottom line has increased mainly due to 1).Higher sales volume, 2). Lower employee cost, 4). Lower Depreciation cost, and 5). Better sales mix.
- The Company's top line has increased by 4.6% YoY and 1.6% QoQ to Rs.9.0 Bn mainly due to higher volume growth.
- Revenue has grown both in the automotive and non-automotive segment on YoY and QoQ basis. Higher net revenue growth was witnessed in the non-automotive segment as compared to automotive segment. Automotive segment grew 3.6% YoY and 1.4% QoQ, while Non-automotive grew 7.3% YoY and 3.1% QoQ, leading to an overall growth of 4.13% YoY in the topline.
- Raw material cost increased by 10.1% YoY and 13.1% QoQ to Rs.4.58 Bn. Lube oil is a derivative of crude oil and Brent crude prices has increased in Q1CY12. In comparison with Q1CY11. We expected going forward crude oil price to fall.
- Higher raw material cost is partly offset by lower employee cost and other expenses.
- Raw material cost as a proportion to net sales increased to 56.12% higher by 288 bps YoY and 1.76% QoQ. Similarly, cost of goods purchased as a proportion to net sales moved to 4.32%, higher by 290 bps YoY but down by 50 bps QoQ.
- Overall operating margin fell by 384 bps YoY but was up by 20 bps QoQ to 20.1% in Q1CY12. Its margin was down YoY basis due to rise in raw material cost (Lube oil prices). Due to competition the company has not taken any price hikes in Q1CY12.
- Other Income (OI) has increased by 10.6% YoY and by 127.9% QoQ to Rs.335 Mn. OI has increased partly due to some provisions written back and partly due to higher cash balance along with higher interest rates brought in higher interest income. Also, note that other income to PBT has increased by 3.3% YoY to 18.2% in Q1CY12.
- Finance/Bank charges has increased to Rs.7.0 Mn from Rs.4 Mn on QoQ basis. As on 31st March'12, the Company is a Zero debt Company.
- Depreciation cost (non-cash) has gone down by 4.76% YoY to Rs. 60 Mn due to sale of its plant.
- Similarly, PAT margin fell by 250 bps YoY but up by 180 bps QoQ to 15.7% in Q1CY12 due to various reasons cited above.

Improvement in margins

Source: Kotak Securities - Private Client Research

Segment-wise performance

	Mar-12	Mar-11	YoY (%)	QoQ (%)
Segment Revenue (Net Sales)				
Automotive	6,744	6,507	3.6	1.4
Non-Automotive	1,073	1,000	7.3	3.1
Total	7,817	7,507	4.13	1.6
Segment Revenue Contribution (%)				
Automotive	86.3	86.7	(0.41)	(0.2)
Non-Automotive	13.7	13.3	0.41	0.2
Segment EBIT (Adj for exceptional)				
Automotive	1,461	1,646	(11.2)	13.9
Non-Automotive	243	266	(8.6)	4.3
Total	1,704	1,912	(10.9)	12.4
EBIT Margin %				
Automotive	21.7	25.3	(3.63)	2.4
Non-Automotive	22.6	26.6	(3.95)	0.3
Segment EBIT Contribution (%)				
Automotive	85.7	86.1	(0.35)	1.1
Non-Automotive	14.3	13.9	0.35	(1.1)
Capital Employed (Rs. Mn)				
Automotive	2,595	2,233	16.2	103.2
Non-Automotive	1,164	1,017	14.5	14.1
Un-allocable	3,513	3,651	-3.8	(6.2)
Total	7,272	6,901	5.4	20.4
EBIT/CE (%)				
Automotive	225.2	294.8	(23.6)	(44.0)
Non-Automotive	83.5	104.6	(20.2)	(8.6)
Total	93.7	110.8	(15.4)	(6.6)

Source: Company

Automotive Segment - Improvement in margins

In Q1CY12, Castrol India booked a net revenue growth of 3.6% YoY and 1.4% QoQ to Rs.6.7 Bn. Automotive segment had contributed ~86.3% of the revenue, down by 0.41% YoY and 0.2% QoQ. Further, operating profit was down by 11.2% YoY but up by 13.9% on sequential basis. EBIDTA margin has fallen by 363 bps YoY but up by 240 bps QoQ to 21.7%, EBIDTA for the quarter stand at Rs.1.46 Bn, up 13.9% QoQ.

Industrial Segment - Improvement in revenue and margins

In Q1CY12, Castrol India booked a revenue growth of 3.1% YoY to Rs.1.07 Bn. Industrial segment contributed ~13.7% of the total revenue up by 0.41% YoY and 0.2% QoQ. In terms of operating profit, this segment has contributed 14.3% of the total operating profit. EBIDTA margin has fallen by 396 bps YoY but up by 30 bps QoQ to 22.6%, EBIDTA for the quarter stand at Rs.243 Mn (+ 4.3% QoQ).

Valuation

- Our revised earnings estimate with EPS of Rs.23.1 CY12E and 29.3 CY13E. We expect raw material prices to fall along with the crude oil prices. Also, management has indicated for price hike going forward. In Q1CY12, average Base oil prices have fallen to \$1300/ MT from average \$1450/MT in Q4CY11. This shows that raw material cost pressure is easing and margins can improve going forward.
- On the basis of our estimates, the stock at current market price of Rs.538 is fairly valued at 16.1x EV/EBIDTA, 23.2x P/E and 19.7x P/BV on the basis of CY12E earnings.
- Based on our DCF valuation model, the 12-month target price of Castrol is Rs.570 (Rs.430 earlier) and we now recommend ACCUMULATE (earlier REDUCE) because we expect raw material prices to fall significantly. We are bullish on Castrol's healthy balance sheet, wide product portfolio and established brand, which will help in boosting volumes. Castrol is a zero debt company and has cash of ~Rs.5000 Mn in its books.

We recommend ACCUMULATE on Castrol India with a price target of Rs.570

Bulk deals

Trade details of bulk deals

Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. price (Rs)
16-Apr	8K Miles Soft	Rangawala Aslambhai Yusufbhai	B	45,000	54.5
16-Apr	8K Miles Soft	Rupal Piyush Avlani	S	35,000	54.5
16-Apr	8K Miles Soft	Paulomi Ketan Doshi	S	35,000	54.5
16-Apr	Brahmaputra Inf	Brahmaputra Finlease Pvt Ltd	S	75,000	51.6
16-Apr	Celestial	Sunil Agrawal	B	138,056	26.0
16-Apr	Exelon Infra	Harsha Jain	B	100,000	9.9
16-Apr	Exelon Infra	Anil Balkrishan Maheshwari	S	100,000	9.9
16-Apr	Global Sec	Nishith Babulal Shah	B	200,000	17.3
16-Apr	Global Sec	Tejas Babulal Shah	B	155,000	17.3
16-Apr	Global Sec	Dharmendra Harilal Bhojak	S	272,700	17.3
16-Apr	Hittco Tools	Mehjabeen Moiz Boriawala	B	31,724	9.8
16-Apr	Invicta Meditek	R Sundararaghavan	S	55,025	17.5
16-Apr	Jayant Merc	Laxmidevi Gopikumar Singhanian	S	325,000	2.3
16-Apr	Karur Vysya Bank	Boyance Infrastructure Pvt Ltd	S	550,034	380.0
16-Apr	Mahaveer Info	Kariya Mrugesh Kaushik	B	30,800	14.9
16-Apr	Olympic Cards	M/S Gadanna Properties Llp	B	132,000	30.2
16-Apr	Pasupati Fin	Ashlesh Guntantbhai Shah	B	30,000	42.5
16-Apr	Pasupati Fin	Hitesh Jayantilal Shah	B	35,200	42.5
16-Apr	Raymed Labs	Amzel Limited	B	85,000	30.0
16-Apr	Raymed Labs	Utkrishta Exports Pvt Ltd	S	45,800	30.0
16-Apr	Shreychem	Somaiya Manoj Premjibhai	S	45,181	46.8
16-Apr	Sterling Hol	Parthasarathi Financial Advisory Ser	B	296,975	90.0
16-Apr	Sunlake Resorts	Jamuna Popatlal Shah	S	99,800	10.5
16-Apr	Sunlake Resorts	Pramilaben Amrutlal Shah	S	50,900	10.5
16-Apr	Sunlake Resorts	Jagruti Ketan Shah	S	58,500	10.5
16-Apr	Vaishnavi	Ravi Uttarkar	S	125,000	6.2

Source: BSE

Gainers & Losers

Nifty Gainers & Losers

	Price (Rs)	chg (%)	Index points	Volume (mn)
Gainers				
ITC Ltd	241	2.0	8.4	4.0
Tata Motors	301	3.9	6.5	12.2
SBI	2,265	2.4	4.4	2.1
Losers				
Infosys Ltd	2,365	(1.6)	(5.9)	4.2
Bharti Airtel	317	(2.0)	(2.5)	3.9
Reliance Ind	748	(0.5)	(1.9)	2.4

Source: Bloomberg

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