

# LM's Trade Mantra

27 Nov 2018



# Trading Ideas

## BANKNIFTY (Dec) - BUY

cmp: 26465  
Target: 26825  
Stop-loss: 26280

*Breakout from three session sideways consolidation resulting in short-term moving averages turning upwards*

## ZEEL - BUY

cmp: 461.60  
Target: 485  
Stop-loss: 448

*Close above 50-day EMA after six-months signals short-term trend reversal and complimented by bullish momentum reading on oscillators*

## HEROMOTOCO (Dec) - BUY

cmp: 3083  
Target: 3250  
Stop-loss: 3000

*High range bullish candlestick breaking out of 8-week highs and supported by a surge in trading volumes*

## YESBANK 200 CE (Dec) - BUY

cmp: 12.60  
Target: 27  
Stop-loss: 5.40

*Trading within a large triangle consolidation pattern and currently at the lower boundary; and PCR of 0.55 signals oversold readings, thus giving short-term headroom*



# Fundamental Idea

## CASTROL INDIA LTD

**CMP:** Rs 152

**Target Price:** Rs 180

**Potential Upside:** 18%

**Time Horizon:** 3 months

**Recommendation:** Buy

### Overview

Castrol India Limited is one of the leading automotive and industrial lubricant manufacturing and marketing companies in India. It is a part of Castrol Limited UK (part of BP Group). BP through its wholly-owned subsidiary, Castrol Limited UK holds 51% stake in Castrol India. Castrol India has three manufacturing plants at Patalganga, Paharpur and Silvassa, serving a distribution network of over 105,000 retail outlets and B2B customers through over 420 distributors.

Castrol India provides a high performance range of products and services across automotive, industrial and marine and energy segments. It is the market leader in the retail automotive lubricant segment, providing iconic, high performance brands like Castrol EDGE, Castrol MAGNATEC and Castrol GTX for passenger cars; Castrol Power1 and Castrol Activ for motorcycles and Castrol CRB, Castrol RX and Castrol VECTON for trucks, amongst various others including specialty products. The company also offers a complete range of products for industrial applications and is market leader in corrosion preventives and metal cutting fluids segment.



# Fundamental Idea

## **Generating Momentum – Good Operating Performance**

- The business is running well, with strong volume growth driven by new products launched in last twelve months.
- Strong profitability and cash delivery with judicious pricing actions to recover input cost.
- Volume growth faster than market 6% year to date, comparable revenue growth 10% year to date.
- Personal mobility continues to be a key strategic growth driver; revival of commercial vehicle business; Industrial has also seen improvement.

## **Strategic Delivery**

- Increased investment in distribution expansion, brands and advocacy.
- Increased distribution reaching 150,000 outlets across urban and rural markets.
- First time three key brands on television – Castrol Activ, Castrol MAGNATEC and Castrol CRB TURBOMAX.

## **High Grading The Portfolio**

- Close to 90% of our volume growth in 2018 has come from the new products introduced in the last twelve months
- In line with our continued commitment to deliver differentiated technologically superior products with distinctive consumer benefits, the most recent launch being Castrol POWER1 range of lubricants for bikes.

## **Valuation**

*We expect Castrol India Ltd to report revenues of Rs 4180 crore for FY19 and net profit of Rs 711 crore. The Earnings per share works out to Rs 7.2. The EPS of Rs 7.2 which when discounted 25 times translates into a target price of 180 implying an upside of 18% from current levels.*

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