

# Savita Oil Technologies

**Rs 412**
*Specialty Petroleum Products Manufacturer*

Sensex: 72,832

Nifty: 22,097

## FINANCIALS SUMMARY

	NET SALES	OPM (%)	OP	OTHER INCOME	PBIOT	INTEREST	PBDT	DEPRECIATION	PBT	TOTAL TAX	PAT	EPS (Rs)*
2103 (12)	2001.21	15.60%	311.24	39.22	350.46	9.39	341.07	21.07	320	82.8	237.2	34.3
2203 (12)	2,938.21	12.20%	358.06	30.97	389.03	19.3	369.73	21.31	348.42	87.93	260.49	37.7
2303 (12)	3,630.44	9.30%	335.83	22.94	358.77	35.41	323.36	20.59	302.77	77.07	225.7	32.7
2403(12P)	3773.82	7.80%	293.65	69.15	362.8	35.51	327.29	22.89	304.4	79.14	225.25	32.6
2503(12P)	3962.51	8.50%	336.81	76.07	412.88	33.74	379.14	23.81	355.34	92.39	262.95	38.1

\* Annualized On Current Equity Of Rs 13.82 Crore of face value of Rs 2 each. EO: Extraordinary Items, PPI: Prior Period Item. EPS Is Calculated After Excluding EO And Relevant Tax. (P): Projections

Source: Capitaline Databases

Established in 1961, Savita Oil Technologies (SOTL) is a leading manufacturer of specialty petroleum products. Product portfolio includes petroleum speciality oils (transformer oil, white & mineral oils and formulated specialty products) which form around 75% of total sales while lubricating oils (automotive oils and industrial oils) form around 24% of total sales and rest 1% sales are contributed by others. Domestic sales is around 80% while exports are 20% of total sales

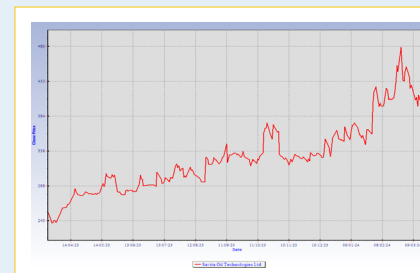
These products are essentially obtained through refining base oil, and topped with additives to derive the required characteristics. Facilities in Navi Mumbai and Mahad in Maharashtra along with Kharadpada and Silli in Silvassa have refining capacities of 450,000 kilolitres per annum. The company also has wind power capacity of 53.80 MW which is sold to SEBs and other users, under long-term agreements.

Transformer oils serve as insulants and coolants across distribution, power and instrumentation transformers. Its diversified and customised transformer oils are offered under the eTRANSOLÍ brand, to suit the needs of domestic and global customers.

The company is among the top 2 suppliers of white & mineral oils in India. Its assorted portfolio of highly refined specialty mineral oil-based products is sold under the TECHNOL and SAVONOL brands. Additionally, it manufacture industrial-grade petroleum jellies that offer good lubricity, smoothness, softness, and resistance to moisture in formulations under the brand name SAVOGEL.

The company automobile lubricants are tailored to meet the vast requirements across B2B and B2C segments. Its B2C lubricant brand SAVSOL manufactures and markets high-performance lubricants, fluids, coolants and greases and ranks amongst the fastest-growing Indian lubricant brands. Its comprehensive range of automotive lubricants that covers sustainable products includes passenger car oils, motorcycle oils, commercial vehicle oils, and other specialty products. Its portfolio also includes products that strictly adhere to the BS VI emission norms for automobiles.

In industrial oils, the company extensive portfolio under the brand SAVSOL serves many industrial applications apart from offering superior lubrication, performance and protection to different categories of machines and industrial equipment. These include a diverse range of hydraulic oils, turbine oils, thermic fluids, heavy-duty industrial gear oils and other specialty oils.



## STOCK DATA

BSE Code	:	524667
BSE Group	:	B
NSE Code	:	SOTL
Bloomberg	:	STEC IN
Reuters	:	SAOL.BO
Par Value	:	Rs 2
52-week High/Low	:	Rs. 484 / 232
Sector	:	Petrochemicals

## SHAREHOLDING PATTERN\*

Category	% of equity
Foreign	: 1.93
Institutions	: 7.91
Govt Holding	: 0.00
Corporate Holding	: 1.92
Promoters	: 71.92
Public & Others	: 16.32
Totals	: 100

\* as on 31/12/2023. Source: Capitaline Databases

The company is also India's leading supplier of formulated & specialty products. In Specialised waxes and emulsions, it offers paraffin wax emulsions, microcrystalline wax, polyethylene wax, oxidised PE wax and a range of wax emulsions. Wax emulsions protect coating and ink surfaces for a wide range of applications. Also its diverse range of cable filling and flooding compounds for copper cables and optic fibre cables come under the SAVOFIL, SAVOFLOD and VITAGEL brand names. They offer moisture tolerance, softness and stability at extreme temperatures. Its diverse range of cable filling and flooding compounds for copper cables and optic fibre cables come under the SAVOFIL, SAVOFLOD and VITAGEL brand names which offer moisture tolerance, softness and stability at extreme temperatures.

The company has also floated a 100% subsidiary ñ Savita GreenTec Limited for the purpose of upscaling and recycling plastics and other allied areas. The first phase of the project is expected to start by Q4 of FY2024.

#### **Established market position in the base oil industry**

The company has an established market position with one-third market share in the domestic transformer oil and white oil segments individually. In the lubricating oil segment, the market share is relatively lower. The company caters to an established and reputed clientele, including Hindustan Unilever Ltd, Dabur Ltd, ABB India Ltd, in addition to various state electricity boards (SEBs). Demand for the major three segments catered to by the company ñ transformer oil, liquid paraffin /white oils and lubricating oil is estimated to be stable.

#### **Significant growth in power and distribution transformer market leading to demand uptick of transformer fluids**

The power and distribution transformer market in India is experiencing significant growth due to India's rapid industrialisation, urbanisation, and electrification efforts which has created a strong demand for reliable power infrastructure. Moreover, the growing demand for energy across different end-use segments, expansion of T&D, modernisation of existing transformers, rapid deployment of smart grid, and increasing adoption of renewable energy sources and green transformers are also propelling the market growth.

Transformer Fluids are indispensable in ensuring secure and seamless operations of transformers, which play a crucial role in bolstering the power grids and augmenting power capabilities in both rural and urban areas. These resilient fluids are engineered to serve as both insulators and efficient heat dissipators, thereby ensuring that the transformers operate within a safe temperature range.

The transformer fluids market in India holds promising opportunities as the country strives to meet its increasing power demands while addressing environmental concerns and adopting technological advancements.

#### **Key growth drivers in the Indian power and distribution transformer market are-**

Increasing Energy Demand - India's growing population and expanding infrastructure have led to a substantial increase in energy consumption. The government provided a substantial impetus to the advancement of infrastructure development by allocating Rs 10 Lakh Crore as capital expenditure for the fiscal year 2023-2024. This will drive the need for power generation, transmission, and distribution, which, in turn, will boost the demand for transformers.

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Product portfolio includes petroleum speciality oils (transformer oil, white & mineral oils and formulated specialty products) which form around 75% of total sales

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Domestic sales is around 80% while exports are 20% of total sales

Government Initiatives - The Indian government's focus on initiatives such as Make in India, Smart Cities, and Power for All aims to enhance domestic manufacturing capabilities and ensure reliable electricity supply to all citizens. The government's efforts to bring electricity to rural and remote areas provide opportunities for distribution transformer installations, as they are crucial for delivering power to the last mile.

Renewable Energy Transition - India is progressively adopting renewable energy sources like solar and wind power. The Indian government has formulated a strategic initiative known as Mission 500 GW with the objective of expanding India's renewable energy (RE) capacity to 500 GW by the year 2030. Presently, the nation has successfully implemented around 172 GW of capacity derived from non-fossil energy sources. Integrating these sources into the grid requires efficient transformers to manage power fluctuations and ensure smooth distribution.

Modernisation of Existing Transformers - Majority of India's transformers and power infrastructure components are ageing and need replacement or modernisation. This drives the demand for newer, more efficient, and technologically advanced transformers.

Implementation of Smart Grid - The development of smart grids requires intelligent transformers that can handle bidirectional power flow, manage voltage fluctuations, and support grid automation. This opens avenues for technologically advanced transformers. Moreover, the demand for energy-efficient transformers that reduce transmission losses and improve overall grid efficiency is steadily expanding in India.

#### **Adoption of natural ester-based transformer fluids will witness substantial growth**

The company also produces bioTransol, a natural ester-based insulating fluid designed for transformers. This groundbreaking product was originally launched by Savita Polymers (earlier a wholly-owned subsidiary of the company which is in the process of being merged into the company), in 2015. Remarkably, it marked the first instance of an Indian company introducing such a product to the market.

With an extensive reach, bioTransol has been applied to over 300 projects, solidifying its impact. This product promotes environmental consciousness with a high proportion of biodegradability. Moreover, its safety and efficiency surpass conventional options across various equipment applications. The company is actively engaged in collaborating with major national and state utility boards, as well as Original Equipment Manufacturers (OEM) clients, to showcase the product's merits. The company is confident that the adoption of natural ester-based transformer fluids will witness substantial growth, becoming an integral component of OEM consumption.

#### **The company is poised to introduce synthetic ester-based insulation fluid Transol Synth100**

The company is poised to introduce Transol Synth100, a cutting-edge synthetic ester-based insulation fluid. This fluid represents a significant advancement in transformer fluid technology, surpassing existing solutions across a range of parameters. Transol Synth100 stands as the most robust transformer fluid to date. As this product comes at a higher cost compared to mineral or natural esters, Transol Synth100 finds application in highly sensitive applications such as locomotives (metro and rail), mining, and floating solar projects. The overall lifecycle

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Transformer oils serve as insulants and coolants across distribution, power and instrumentation transformers

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The company is among the top 2 suppliers of white & mineral oils in India

cost of this fluid effectively offsets its initial investment which will serve as a key driving force in the gradual transition from mineral to ester fluids within the ecosystem. With the launch of Transol Synth100 in the coming financial year, Savital Oil will achieve a remarkable milestone, emerging as the sole manufacturer of the entire spectrum of transformer fluids – Mineral, Natural, and Synthetic.

#### **White oils market in India presents several opportunities**

White Mineral Oils undergo meticulous processing to become one of the most chemically inert substances available. They are widely utilised in various industries, including cosmetics and pharmaceuticals, as well as in plastic processing, elastomer production, and rubber compounding, among other applications.

The white oils market in India presents several opportunities owing to its diverse applications across industries. The booming cosmetics, FMCG, and pharmaceutical sectors are key drivers for white oils. These oils find application in skincare products, hair oils, and topical medications, fostering demand due to growing consumer preferences for safe and effective ingredients. White oils are also crucial in industrial processes, including plastics, polymers, elastomers, and rubber compounding. As these industries continue to expand, the demand for white oils as process aids and additives is projected to rise. The company is amongst the foremost suppliers of white mineral oils in India.

#### **India's lubricant market is expected to have a steady growth rate**

India's lubricant market is expected to grow at a steady compounded annual growth rate (CAGR) of 2-3% in the coming decade, with a significant portion of the demand stemming from the industrial sector. This optimistic outlook is supported by various factors, including India's expanding population, moderate vehicle penetration rates, favourable demographics, ongoing infrastructure development, and government support.

The major driver behind the lubricant market growth has been the escalating production and sale of vehicles. Lubricants play a pivotal role in reducing friction between critical moving components, dissipating heat to enhance equipment durability and availability. Additionally, the government's plans to develop new seaports and airports will positively impact the industrial lubricant market in the country. However, the rising crude oil prices may act as a constraint on the lubricant market's growth.

Automotive production in India is experiencing significant growth, characterised by annual growth rates exceeding 6%. This surge in automotive production augurs well for the demand for engine oils and other lubricants used across the automotive industry.

While the electric vehicle sector is poised for growth, there remains ample untapped potential within the lubricants market.

#### **Wind power offers significant potential**

The total installed capacity in wind power division stands at 53.8 MW. The company generated revenues of Rs 29.65 crore in 9MFY2024 contributing 1% of total revenues from wind power with PBIT of Rs 16.63 crore contributing about 7% of total PBIT.

Wind power offers significant potential to contribute towards the growth and development of India's power sector without impacting the fuel reserves or greenhouse gas emissions. Presently, India's energy basket is dominated by coal.

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The power and distribution transformer market in India is experiencing significant growth due to India's rapid industrialisation, urbanisation, and electrification efforts

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Transol Synth100 finds application in highly sensitive applications such as locomotives (metro and rail), mining, and floating solar projects

Government is working towards increasing the share of renewables in its energy basket. During the year 2022-2023, India generated 73% of its power from coal. Central Electricity Authority (CEA) projects coal's share in the power mix to decline from 73% in 2022-2023 to 55% in 2030. Wind will continue to play a key role to decarbonise the Indian economy and meeting the net zero goal by 2070 set by Govt. During FY2023, India added 2.28 GW of wind power capacity against 1.11 GW capacity addition during the previous year. As of 31st March, 2023, all India total installed wind power capacity stood at 42.63 GW. India's vast coastline offers immense opportunity to tap offshore wind which will address challenges faced by on-shore installation like land acquisition and non-availability of windy sites.

### Improved financial performance

Savital Oil Technologies consolidated net sales increased 5% to Rs 958.39 crore in Q3FY24 compared to Q3FY23. Operating profit margin of the company was higher at 8.9% compared to 4.6% leading to 106% rise in operating profit to Rs 85.54 crore. Provision for interest fell 10% to Rs 9.81 crore. PBDT increased 136% to Rs 99.18 crore. Provision for depreciation rose 34% to Rs 6.84 crore. PBT was up 150% to Rs 92.34 crore. Provision for tax increased 201% to Rs 24.98 crore compared to Rs 8.29 crore. Net profit increased 135% to Rs 67.36 crore. This growth was largely driven by an improved product mix. Despite some headwinds, the company reported an improved performance, which can be attributed in part to a price increase on select finished goods that was implemented in the previous quarter amid the rising crude price trend during that period.

During 9MFY24 net sales of the company increased 3% to Rs 2767.54 crore compared to 9MFY23. Operating profit margin of the company was 7.8% compared to 10.1% leading to 21% decrease in operating profit to Rs 214.79 crore. Provision for interest fell 4% to Rs 27.7 crore. PBDT decreased 10% to Rs 241.24 crore. Provision for depreciation rose 11% to Rs 16.45 crore. PBT was down 11% to Rs 224.79 crore. Provision for tax increased 15% to Rs 54.82 crore compared to Rs 64.35 crore. Net profit decreased 10% to Rs 169.97 crore.

### Outlook

The company expects lubricant division to grow at a healthy pace as it introduces a number of new high-performance fluids in its product range in the coming quarters.

The Indian personal care industry is witnessing a boom due to changing perceptions, growing awareness, and the rise of direct-to-consumer (D2C) companies making waves in the online retail space leading to strong demand environment in white & minerals oils market.

The 5G Telecom spectrum auction held in 2022 and subsequent rollout of the network is expected to generate healthy demand for formulated & specialty products

The company is doing continued investments in increasing capacity to compete effectively with a comprehensive, balanced product portfolio

Margins improved in Q3FY24 due to price increase on select finished goods that was implemented in the previous quarter amid the rising crude price trend during that period and low base. Benefits of low base and higher finished goods prices is expected to continue in the coming quarters.

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The booming cosmetics, FMCG, and pharmaceutical sectors are key drivers for white oils

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## Valuation

In FY 2024 we expect the company to register sales and net profit of Rs 3773.82 crore and Rs 225.25 crore respectively. The sales and net profit is expected to increase to Rs 3962.51 crore and Rs 262.95 crore in FY2025. EPS works out to Rs 38.1 for FY2025. The scrip trades at Rs 412. P/E on FY 2025 projected EPS works out to 11 times.

SAVITA OIL TECHNOLOGIES: RESULTS									
PARTICULARS	2312 (03)	2212 (03)	VAR.(%)	2312 (09)	2212 (09)	VAR.(%)	2303 (12)	2203 (12)	Var.(%)
Net Sales	958.39	908.57	5	2,767.54	2,674.83	3	3,630.44	2,938.21	24
OPM(%)	8.9%	4.6%		7.8%	10.1%		9.3%	12.2%	
OP	85.54	41.62	106	214.79	271.27	-21	335.83	358.06	-6
Other Income	23.45	11.41	106	54.15	26.09	108	22.94	30.97	-26
PBIDT	108.99	53.03	106	268.94	297.36	-10	358.77	389.03	-8
Interest	9.81	10.93	-10	27.7	28.9	-4	35.41	19.3	83
PBDT	99.18	42.10	136	241.24	268.46	-10	323.36	369.73	-13
Depreciation	6.84	5.12	34	16.45	14.84	11	20.59	21.31	-3
PBT	92.34	36.98	150	224.79	253.62	-11	302.77	348.42	-13
Total Tax	24.98	8.29	201	54.82	64.35	-15	77.07	87.93	-12
PAT	67.36	28.69	135	169.97	189.27	-10	225.70	260.49	-13
EPS*	#	#		#	#		32.7	37.7	

\* Annualized On Current Equity Of Rs 13.82 Crore of face value of Rs 2 each. #EPS not annualised due to seasonality of business, PPI: Prior Period Item  
EO: Extraordinary Items, PL: Profit to Loss, LP: Loss to Profit. EPS Is Calculated After Excluding EO And Relevant Tax. Figures In Rs Crore  
Source: Capitaline Databases