

# Tide Water Oil

**Rs 5377**

Ready to ride the favourable trend

BSE Sensex: 35,742

Nifty-50: 10,754

## FINANCIALS: STANDALONE

	SALES	OPM (%)	OP	OTHER INC.	PBIDT	INTEREST	PBDT	DEP.	PBT BEFORE EO	EO	PBT	TOTAL TAX	PAT	EPS* (RS)
<b>1603 (12)</b>	934.99	15.1	140.87	24	164.87	0	164.87	7.11	157.76	-24.49	133.27	50.09	83.18	289.6
<b>1703 (12)</b>	961.5	13.6	131.23	28.66	159.89	1.49	158.4	7.37	151.03	0	151.03	49.62	96.93	285.1
<b>1803 (12)</b>	1074.49	11.7	125.25	30.26	155.51	1.34	154.17	7.62	146.55	0	146.55	49.18	102.75	302.2
<b>1903 (12P)</b>	1300.41	12.2	158.74	30.08	188.83	1.33	187.5	8.07	179.43	0	179.43	60.73	118.7	349.1
<b>2003 (12P)</b>	1422.65	12.2	173.56	31.59	205.15	1.4	203.75	8.47	195.29	0	195.29	65.42	129.87	382

\* EPS on current equity capital of Rs 1.70 crore. Face Value: Rs 5. EO: Extraordinary items. EPS excludes EO and relevant tax. &: AS per new accounting standards. Figures in Rs crore. (P): Projections. Source: Capitaline Database

Tide Water Oil has been one of the leading players in the Indian lubricant industry since 1928. It manufactures and markets Veedol brand of lubricants.

With a pan-India distribution network, Tide Water Oil has the spread and penetration to provide its products to every nook and corner of the country. The extensive distribution network consists of 50 distributors and over 650 direct dealers servicing over 50,000 retail outlets. The network is fed by 5 plants and over 55 depots located strategically across the country.

Quality has been a key area of focus and the company has continued to innovate with high performance products keeping pace with advancements in technology and market needs. It has two R&D centres where new products are developed as per market needs.

Tide Water Oil Co. (I) Ltd. is a part of the PSU multidivisional Andrew Yule group that has diverse interests in Engineering, Electrical, Tea Cultivation, Power Generation, Digital Communication Systems, and Lubricants.

Has repertoire of lubricant products for auto as well as industrial applications

Its repertoire of automotive products includes engine oils for trucks, tractors, commercial vehicles, passenger cars and two/three wheelers. It also produces gear oils, transmission oils, coolants and greases for automobiles.

For industrial application it manufactures industrial oils, greases and speciality products like metal working fluids, quenching oils and heat transfer oils.

Tide Water has tie-ups for manufacture of genuine oils with a number of renowned OEMs in the automotive and industrial equipment segment.

Tide Water Oil manufactures and supplies genuine oils to some of the most reputed brands, which include:

- Royal Enfield
- SML Isuzu Limited
- L&T Komatsu Ltd.
- Hero MotoCorp Ltd.
- Honda Motor Cycle and Scooter India Pvt. Ltd.
- Honda Motor India Pvt. Ltd.
- Honda Cars India Ltd.



## STOCK DATA

BSE Code	:	590005
BSE Group	:	B
NSE Code	:	TIDEWATER
Bloomberg	:	TWO IN
Reuters	:	TIDE.BO
Par Value	:	Rs 5
52-week High/Low	:	Rs 7925/Rs 4870
Sector	:	Chemicals

## SHAREHOLDING PATTERN\*

Category	% of equity
FForeign	: 0.54
Institutions	: 11.16
Govt Holding	: -
Corporate Holding	: 7.88
Promoters	: 57.28
Public & Others	: 23.14
Total	: 100

\* as on 30/9/2018  
Source: Capitaline Databases

- Honda Siel Power Products Ltd.
- India Yamaha Motor Pvt. Ltd.
- George Maijo Industries Pvt Ltd. (Yamaha Outboard Motors Distributor)
- Kobelco Construction Equipment India Pvt. Ltd.
- Kobelco Cranes India Pvt. Ltd.
- Kubota Agricultural Machinery India Pvt. Ltd.
- ISUZU Motors India Private Limited
- Renault Nissan Automotive India Private Limited
- Toyota Boshoku Automotive India Pvt. Ltd.
- KYB Motorcycle Suspension India Pvt. Ltd.
- Yanmar India Pvt Ltd.

### Sharp focus on Research and Development

Tide Water Oil has always had a sharp focus on Research and Development. Tide Water Oil's manufacturing facilities are backed by in-house R&D centres that ensure that the products match the most stringent international standards as well as Original Equipment Manufacturers' requirements.

Products are developed keeping in mind the high performance requirement of modern engines, the extreme operating conditions and emerging environmental regulations and new technologies.

It has been a pioneer in the manufacture of latest engine oils exceeding JASO FC, API SM and API CI-4 Plus performance levels in India.

The R&D centre for lube-oils is located at Turbhe in Navi Mumbai and the R&D centre for greases is at Oragadam, near Chennai. These R&D centres are approved by the Department of Scientific & Industrial Research, Ministry of Science and Technology, Government of India.

### Enjoys good brand equity

Good brand equity of the company's products has helped the company in achieving brand loyalty in niche market segments even in a competitive market.

The brand equity of the company's products built up painstakingly over the years has been further strengthened with higher thrust on promotional activities in the face of growing competition.

Brand building is a major focus area which the company addressed by adopting a more customer-oriented approach, executing extensive campaigns on the electronic media and undertaking elaborate field level activities. The 'bazaar' segment remains one of the main focal points and tie-up with the leading Original Equipment Manufacturers (OEMs) also helped in extending the product line of the company and increase its presence in new markets.

### Demand for premium lubricants is gaining strength

With increasing environmental concerns, awareness about the benefits of high end lubes and need for high quality lubricants to improve fuel economy, the demand for premium lubricants is gaining momentum. Further, the economic growth is expected to stimulate demand and have a positive impact on the overall lubricant industry. With the increase in personal mobility, requirement of vehicle fluids is envisaged to

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be on the rise. To cater to such industry demand, the company has a wide range of excellent products in different segments under its umbrella brand 'VEEDOL'.

#### **After acquiring Brand Veedol, the company is focused on developing international market**

In FY 2011-12, the company acquired 100% shares of Veedol International Limited from Castrol Limited and Lubricants UK Limited, wholly owned subsidiaries of BP Plc. Through this acquisition the company got the global rights to a wide portfolio of registered trademarks for the master brand "VEEDOL" as well as its associated product sub-brands and iconic logos. The acquisition of Veedol International Limited by the company opened up opportunities for export and sale of lubricants under the "VEEDOL" brand to various geographies around the world.

On acquisition of 100% shares, Veedol International Limited had become a wholly owned subsidiary of the Company with effect from October, 2011. Further to explore possibilities of marketing the products under 'Veedol' brand in the Middle East Asian Markets, the company had floated another wholly owned subsidiary under the name Veedol International DMCC at Dubai, UAE. With a view to cater to the European Markets (excepting the DACH region), the company had set up another wholly owned subsidiary viz. Veedol International BV, having its office at Amsterdam, the Netherlands.

As the 'Veedol' brand enjoys considerable brand equity in the DACH region, Veedol Deutschland GMBH (VDG) had been initially set up as a 100% subsidiary of Veedol International BV (VIBV). During 2017-18, the company has acquired 100% shareholding of VDG from VIBV. VDG had initiated its marketing operations for the DACH region and the same operates from Langenfeld, Germany.

Veedol International Americas Inc. has been incorporated as a 100% subsidiary of Veedol International Limited. Veedol International Americas Inc. markets Veedol products in the Andean region of South America. This company operates from Ontario, Canada.

During 2016-17, the company had acquired 100% shares of Price Thomas Holdings Limited (PTHL), having a wholly owned subsidiary viz. Granville Oil & Chemicals Limited, which has its own manufacturing facility and is engaged in manufacturing and selling of lubricants and automotive after care products throughout United Kingdom (UK). GOCL operates from Rotherham, UK.

Veedol International Limited has also licensed the Veedol brand to a licensee in Canada and Mexico and other licensees in Bangladesh, Ecuador, Republic of South Africa and France for sales thereat.

TWOIL formed a 50:50 joint venture company with JX Nippon Oil & Energy Corporation (JX-NOE), the largest petroleum conglomerate in Japan. The joint venture company, JX Nippon TWO Lubricants India Private Limited (JXTL), is leveraging the capabilities of both its parent companies – the technical know-how of JX-NOE and the distribution strength of TWOIL – to serve its customers most effectively.

JXTL is responsible for selling, marketing, distributing, and manufacturing ENEOS brand of lubricants. JXTL has entered into an agreement with TWOIL for manufacturing ENEOS products. JXTL is using the distribution network of TWOIL for distribution of ENEOS products.

#### **Steady growth despite challenging environment**

For the ix months, sales rose 19% to Rs 573.60 crore. OPM improved 30 basis

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In spite of the sluggishness in the lubricant industry, due to continuing advancement of engine design and presence of long-drain lubes, the volume of sales have been recording a satisfactory growth primarily due to continuing focus on the bazaar segment

points to 10.8% which saw OP rise 22% to Rs 61.69 crore. Other income grew 3% to Rs 15.79 crore and interest cost was down 7% to Rs 68 lakh. As depreciation grew 6% to Rs 4.00 crore, PBT went up 19% to Rs 72.80 crore. Provision for taxation went up 13% to Rs 24.62 crore after which PAT grew 22% to Rs 48.18 crore.

In spite of the sluggishness in the lubricant industry, due to continuing advancement of engine design and presence of long-drain lubes, the volume of sales have been recording a satisfactory growth primarily due to continuing focus on the bazaar segment, specially in the premium and emerging product categories.

#### **Consolidated financials are higher than standalone**

Due to expanding international operations the company's consolidated sales and profits are higher than standalone.

On standalone basis, for FY 2018 sales grew 12% to Rs 1074.49 crore. PBT fell 3% to Rs 146.55 crore. PAT fell 6% to Rs 96.93 crore.

On consolidated basis, for FY 2018 sales grew 13% to Rs 1274.69 crore. PBT grew 0.3% to Rs 159.355 crore. PAT fell 1% to Rs 106.84 crore.

Thus consolidated EPS for FY 2018 was Rs 314 compared to Rs 284 on standalone basis. The company declares consolidated financials on annual basis only.

#### **Fall in Crude oil price and recovery in rupee against the US dollar will have positive impact**

The impact of fall in crude price from \$85/barrel to \$ below \$60/barrel will have positive impact and will be visible after a gap of 2-3 months as oil-based raw material prices come down gradually.

Correction in dollar vs rupee will too have a positive impact as raw materials are mainly imported.

#### **Outlook**

Continued momentum in personal mobility space coupled with some recovery in commercial vehicle and industrial segments is driving the demand for lubricants in India. With a rise in demand for vehicles, need for better quality products is simultaneously rising to provide enhanced vehicle performance, better fuel efficiency and lower emissions. Consumer awareness about usage of lubricants has also improved leading to an increased demand for high performance products.

As the per capita lubricant consumption in India is quite low compared to developed countries and other emerging Asian economies, there is good potential in India for growth of lubricants market.

The company is expected to cater to any increased and varied demand, with a wide range of excellent products in different segments under its umbrella brand "VEEDOL". The company's various other sub-brands such as Prima, Max Pro and Take Off have also been able to create goodwill in the market for their quality.

#### **Valuation**

In FY 2019 and FY 2020 we expect Tide Water Oil to register standalone EPS of Rs 349.1 and Rs 382.0.

The company's book value stands at Rs 1929.44. The share price trades at Rs 5377. P/E on FY 2020 projected EPS works out to 14.0. Notably consolidated EPS will be higher than standalone and P/E on consolidated EPS will be lower than 14.

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### TIDE WATER OIL: STANDALONE RESULTS

	1809 (3)	1709 (3)	VAR. (%)	1809 (6)	1709 (6)	VAR. (%)	1803 (12)	1703 (12)	VAR. (%)
Sales	283.78	265.92	7	573.60	483.98	19	1074.49	961.50	12
OPM (%)	10.0	10.7		10.8	10.4		11.7	13.6	
OP	28.26	28.57	-1	61.69	50.57	22	125.25	131.23	-5
Other inc.	11.42	10.27	11	15.79	15.32	3	30.26	28.66	6
PBIDT	39.68	38.84	2	77.48	65.89	18	155.51	159.89	-3
Interest	0.34	0.38	-11	0.68	0.73	-7	1.34	1.49	0
PBDT	39.34	38.46	2	76.80	65.16	18	154.17	158.40	-3
Dep.	2.04	1.92	6	4.00	3.78	6	7.62	7.37	3
PBT	37.30	36.54	2	72.80	61.38	19	146.55	151.03	-3
Total Tax	12.54	13.32	-6	24.62	21.87	13	49.62	48.10	3
PAT	24.76	23.22	7	48.18	39.51	22	96.93	102.93	-6
EPS (Rs) *	#	#		#	#		285.1	302.7	

\* EPS on current equity capital of Rs 1.70 crore. Face Value: Rs 5. #EPS can not be annualized due to seasonality in business. EO: Extraordinary items, PL: Profit to Loss, LP: Loss to Profit. EPS excludes EO and relevant tax. Figures in Rs crore. (P): Projections.  
Source: Capitaline Database