Pick of the Week

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- In an ever-changing business environment, some of our investment ideas seem more convincing than others due to better earning visibility and/or attractive valuation. Every Monday, we bring you such fundamental stock ideas through our "Pick of the Week" report.
  - **Investment Horizon:** Though the ideal investment horizon for such ideas remain 6-9 months, our picks may provide some profit-making opportunities even to short-term investors.
  - **Risk-Return Profile:** Pick of the week ideas are the best high return research ideas at this point in time.

Scrip	Mcap (Rs Cr)	CMP	Target Price *	Potential Upside (%)	Reco
Gulf Oil Lubricants India	3770	760	836	10.0%	Buy

** Note: Investment horizon Approx. 6 months., CMP as on 16th June, 2017.*

Gulf Oil Lubricants India

CMP	Target
760	836

MARKET DATA

No. of Shares	: 5.0
Market Cap	: Rs 3,770 Cr
52-week High / Low	: Rs 833 / 511
BSE Code	: 538567
NSE Code	: GULFOILLUB

Investment Rationale

- **Strong growth in distribution:** Gulf has significantly improved its distribution in FY17. Retailers increased to 55,000 (up 15% from March '16), bike stops to 6,000 (3,800 in March '16), branded workshops for cars at 900 (185 in March '16) and rural stockiest to 400 (123 in March '16)
- **Best-placed lubricant player:** Gulf has progressed from a B2B player to a premium lubes company over past 7-8 years. Balanced approach to B2B and B2C segments has led to strong volume growth at firm margin.
- Product portfolio covers entire gamut of auto lubes, with no product gaps. We expect Gulf to gain market share on new product launches (in two-wheelers/cars), OEM tie-ups and brand building.
- **Volume growth**: We assume volume growth of 10% YoY in FY18/19. Our growth assumption is conservative, as it does not factor in following over next 2 years: (a) renewal of bulk institutional order and (b) any new OEM tie-ups. Note that Gulf has a strong history of 2-3 new OEM tie-ups every year over the past 4-5 years
- We maintain a **BUY** with a target of Rs 836.

Financial Summary

Y/E Mar	Sales (Rs Cr)	EPS (Rs)	RoE (%)	DPS (Rs)
FY17	1,129	24.4	40.2	8.5
FY18E	1,242	28.7	35.9	10.0
FY19E	1,366	31.8	32.8	12.7

Source: Axis Securities, Bloomberg, Capitaline

Performance

No of Stocks Matrix		
No of Stocks	**< 9m**	**>9m**
Met Target	56	-
Not Met Target	2	5

Performance Matrix		
% Return	**< 9m**	**>9m**
Met Target	14.75%	-
Not Met Target	(18.83%)	(23.24%)

Benchmark Performance Matrix		
% Return	**< 9m**	**>9m**
Met Target	2.31%	-
Not Met Target	13.18%	9.70%

Note : performance of the pick of the week is calculated for stocks recommended June-16 To Feb-17

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Ratings	**Expected absolute returns over 12 months**
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%

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