

**Valuation summary – adjusted for the Projects businesses of BLSTR and VOLT**

Current P/E (x)	Rating	FY23E	FY24E
HAVL	Neutral	59.9	54.0
VOLT	Neutral	47.3	41.0
<b>WHIRL</b>	<b>Buy</b>	<b>44.7</b>	<b>36.3</b>
CROMPTON	Buy	42.8	38.8
BLSTR	Neutral	49.0	37.7
<b>ORIENTEL</b>	<b>Buy</b>	<b>37.9</b>	<b>31.4</b>

Source: MOFSL, Company

**Valuation methodology**

Company	Target Price (INR)	Valuation methodology
BLSTR	730	SOTP (Sep'23 EPS)
CROMPTON	540	45x Sep'23 EPS
HAVL	1,185	50x Sep'23 EPS
ORIENT	435	45x Sep'23 EPS
VOLT	1,065	SOTP (Sep'23 EPS)
WHIRL	2,650	50x Sep'23 EPS

Source: MOFSL, Company

BEE rating change scheduled for next year is expected to further benefit the organized sector in Fans

Refrigerators and Washing Machines may provide an early indication of consumer sentiment in the upcoming festive season.

**Demand scaling back; commodity costs remain elevated**

With consumer electrical and durable companies having reported their 1QFY22 results, and post the conclusion of the Onam festival in Kerala, we have analyzed some important trends for the entire sector. Here are the key highlights:

- **Consumer Electricals sees quick scale-up in demand; white goods sales muted:** While April–May'21 sales were muted due to the lockdowns, consumer electrical companies posted healthy sales in June'21. While the base year was modest, the two-year revenue CAGR for consumer electrical companies stood flat to -14% – HAVL's core business outperformed with a flat two-year revenue CAGR. For white goods, the two-year revenue CAGR range stood in the range of -10% to -30%, with Room Air Conditioner (RAC) companies affected the most due to the washout summer season. **Post June, demand has been robust for electricals, while the real test for white goods would be the upcoming festive season. Note that the recently concluded Onam festival in Kerala was disappointing, perhaps attributable to surging cases in the state.**
- **Cables and Wires benefitting from copper price surge:** Within individual segments, the two-year revenue CAGR for Cables and Wires came in flat for HAVL/KEII\*/POLY CAB\* (\*unrated), as ongoing construction activity despite the lockdowns aided demand (v/s last year's total shutdown). Also, as highlighted in our **commodity inflation note**, the Cables and Wires business tends to benefit from rising copper prices owing to the quick passing on of inflation, coupled with inventory gains. We believe volume growth is scaling back to pre-COVID levels for cables, while price hikes have been strong at 35–40% on account of the surge in copper prices.
- **Electric Consumer Durables segment – organized sector continues to benefit:** As the lockdowns were intermittent across the different states, the sale of appliances compensated for the shortfall in the fan offtake. **Barring HAVL, the two-year revenue CAGR for the Electric Consumer Durables (ECD) segment stood in the range of -9% to -13%.** Market share gains for the Top 3–4 players over the last couple of months in Fans and Appliances have aided growth in the ECD segment, despite the COVID disruption. The unorganized sector and weaker brands have struggled in the Fans and Lighting categories, among others, as they have struggled to manage the manufacturing process alongside supply chain constraints. With the BEE rating change scheduled to be implemented in Fans next year, we see further market share consolidation in favor of the organized sector – the prices of fans are likely to witness 6–8% price inflation.
- **RAC sales most adversely impacted; Refrigerators and Washing Machines fare relatively better:** April–June is a crucial time for RAC sales, with almost ~45% of **overall sales in a year generated over this period**. As the lockdowns disrupted business during the April–May'21 period, RAC sales took a major hit. Hence, the **two-year revenue CAGR stood at -25% to -30%, with Lloyds being an outlier (-13%)**. Relatively, other white goods categories fared better, with the two-year revenue CAGR at around -14%. Due to the seasonality aspect, the real test in terms of RAC demand would be seen only in the next summer season. On the other hand, Refrigerators and Washing Machines may provide an early

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**With muted Onam, the upcoming festive season is key in terms of offtake for White goods.**

**Further price hikes could act as a catalyst for the stocks, especially for the White good players.**

**ORIENT is our top pick in Electricals segment, while WHIRL is our top idea in the White Goods.**

indication of consumer sentiment in the upcoming festive season. We expect primary sales for Refrigerators and Washing Machines to pick up by end-September on account of channel inventory buildup.

- **Commodity costs remain elevated:** Copper, aluminum, and steel prices came in higher at 14%, 17%, 12% QoQ, respectively, in 1QFY22, while plastic prices stood flat QoQ. However, the intensity of the increase in commodity prices moderated in July'21 (v/s June'21). This implies margins would continue to be under pressure in 2Q for various players, especially in the White Goods category.
- **Further price hikes warranted:** With raw material costs elevated in 1QFY22, gross margins were impacted. The intensity of the impact varied, with consumer electricals less impacted v/s consumer durables. Management commentary suggests price hikes of 8–12% across various categories in Consumer Electricals (barring Cables and Wires) in 1HCY21. For consumer durables, price hikes during this period stood at 4–6%. Across companies, management commentaries have indicated further price hikes (varying across companies, higher for white goods) are needed to fully accommodate the commodity price inflation. Any incremental price hikes in white goods could act as a catalyst for the stock.
- **Inventory levels normal in the channel:** Across electricals and white goods, inventory was normal in the channel, with the upcoming festive season a key catalyst for the primary sales offtake. For RACs, while the channel inventory was normal, various companies reported elevated raw material inventory levels. However, this raw material inventory could turn out to be a boon for RAC manufacturers in the case of a further uptrend in commodity costs.
- **Valuation and view:** As per current trends, demand trends remain robust at end-1QFY22, with a gradual scale-up expected on a month-on-month basis. The upcoming festive season holds the key for offtake across various categories. Rising demand could lead to gradual price hikes across categories to cover the commodity cost inflation.
  - **ORIENT** remains our top pick in the Electricals segment, with TP of INR435 (45x Sep'23 EPS).
  - **Whirlpool (WHIRL)** is our top idea in the White Goods space as it offers the best risk-reward matrix at present (TP: INR2,650; 50x Sep'23 EPS).
  - **CROMPTON:** We have a **Buy** rating on Crompton Consumer as well, largely on the optionality to expand beyond the current categories, given the strong cash balance accretion. Otherwise, we find the current portfolio fairly priced at CMP.
  - **Neutral on Havells and Voltas:** Although we like the robust business of **HAVL** and **VOLT**, we have a **Neutral** rating due to expensive valuations.
  - **Blue Star (BLSTR) – upgrade to Neutral:** Over the past year, BLSTR has underperformed the Nifty by >25% and is trading at 10% below its pre-COVID peak. We withdraw our Sell rating and upgrade the stock to Neutral as our TP provides a limited downside post the underperformance. However, we continue to see long-term structural challenges related to its market share in southern India due to competition from leading brands in the AC segment.
- **BJE, IFBI, JCHAC, KEII, POLYCAB, and VGRD** are not rated.
- **Key risk:** Rising commodity prices, coupled with muted demand, could serve as significant headwinds.

**Exhibit 1: Summary of key takeaways and outlook – Consumer Electricals**

Company	Trends in 1QFY22	Demand outlook	Key comments from concall
Bajaj Electricals*	❖ It has doubled ad spends YoY despite the lockdowns.	❖ Demand has further improved in July'21 (v/s Jun'21).	❖ BJE would further hike prices over Aug–Sep'21, which would cover the entire commodity inflation.
Crompton	❖ Northern and western India commenced operations first, while the eastern and southern regions were slower in resuming operations.	❖ Primary sales are in line with secondary sales; hence, it is incorrect to infer that there is lower stocking by dealers.	❖ Commodity costs rose by a further ~10% between 4QFY21 and 1QFY22. CROMPTON took a ~5% price hike in 1QFY22.
Havells	❖ The eastern and southern regions were weak in 1Q, while North did well. East has started improving, but South continues to be impacted.	❖ Compared with last year, there is no pent-up demand this time as markets have remained open, albeit for fewer hours.	❖ Ex-Cables and Wires, price hikes of 10–15% have been taken.
KEI Industries*	❖ Capacity utilization stood at 66% for Cables, 43% for House Wires, and 100% for Stainless Steel Wires.	❖ In exports, demand from the Middle East is strong, while Africa remains muted.	❖ Expect copper prices to stabilize (up 60–65%) in FY21.
Orient electric	❖ Air cooler sales were impacted the most and were less than 50% of 1QFY20 sales.	❖ Dealers are well-stocked, and channel inventory is currently at normal levels.	❖ The ECD segment is seeing an adverse gross margin, partly attributed to the competitive scenario.
Polycab*	❖ A sharp correction in copper prices in mid-June led to dealers refraining from buying, resulting in lower offtake.	❖ Demand is yet to scale back to pre-COVID levels.	❖ Raw material inflation for the company was in the low teens, while price hikes have just touched the double digits.
V-Guard*	❖ The impact of the second COVID wave was higher for VGRD v/s peers due to higher exposure to the southern and eastern markets.	❖ July'21 performance has been also strong, and it appears that the lost sales of 1QFY22 could be recovered.	❖ V-Guard lost market share in Water Heaters due to factory closures, while it gained market share in Fans.

Source: MOFSL, Company, \*Not rated

**Exhibit 2: Summary of key takeaways and outlook ahead – Consumer Durables**

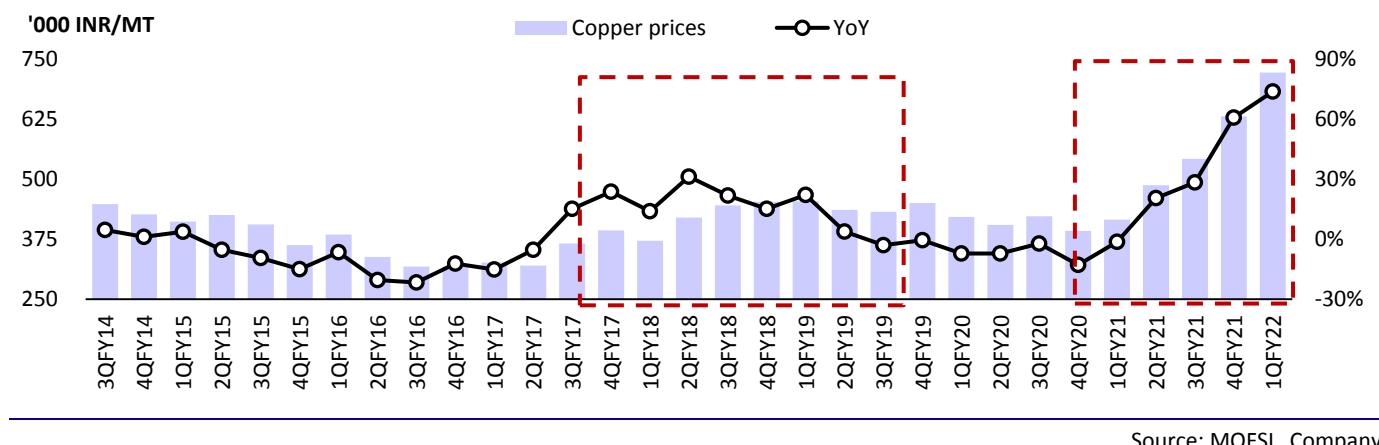
Company	Trends in 1QFY22	Demand outlook	Key comments from concall
Blue Star	❖ The RAC market grew 55% YoY in 1QFY22; BLSTR grew 58%.	❖ BLSTR expects the RAC market to be flat in FY22 (v/s FY20), provided there is no further disruption. It aims to grow ~10% v/s FY20 levels.	❖ BLSTR would further evaluate whether to take any price hikes post the festive season.
IFB Industries*	❖ It recovered a substantial portion of lost market share over Feb–Mar'21 in 1QFY22.	❖ Demand for June and July has been fairly substantial.	❖ Price hikes taken in Jan'21 stood at 4–6%. It would further require a 4–6% price hike to augment the commodity-led inflation.
Voltas	❖ Inventory levels are normal with trade partners, but higher at the company level.	❖ The management expects FY22 industry volume growth to be lower v/s FY20 levels.	❖ Voltas has taken a price increase of 8–10% in the current calendar year and is yet to fully pass on the commodity price inflation to the end consumer.
Lloyd	❖ Northern India saw a good pickup in RAC sales when the lockdown was lifted, but sales moderated with the onset of the monsoon season.	❖ Inventory levels were high in the system at the end of the quarter – largely at the company level, but not at the trade level.	❖ Secondary sales are currently faring better v/s primary sales.

Source: MOFSL, Company, \*Not rated

**Exhibit 3: Cables and Wires – Two-year revenue CAGR flat as construction activity allowed despite lockdowns**

Cables and wires	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
<b>Revenue (INR m)</b>									
Havells	7,785	8,213	7,121	6,823	4,611	7,847	9,052	10,292	8,072
KEI Industries*	8,549	9,948	10,995	10,332	6,462	8,707	9,899	10,675	8,854
Polycab*	15,839	19,005	21,208	17,666	7,742	17,051	22,155	27,621	15,688
<b>YoY (%)</b>									
Havells	3.8	7.2	-13.2	-24.0	-40.8	-4.5	27.1	50.8	75.0
KEI Industries*	22.5	23.0	25.2	6.0	-24.4	-12.5	-10.0	3.3	37.0
Polycab*	6.1	19.9	20.4	-13.6	-51.1	-10.3	4.5	56.3	102.6
<b>2-year CAGR (%)</b>									
Havells					-21.6	1.2	5.0	7.1	1.8
KEI Industries*					-3.8	3.8	6.2	4.6	1.8
Polycab*					-28.0	3.7	12.2	16.2	-0.5
<b>EBIT margin (%)</b>									
Havells	10.9	12.7	10.8	9.8	7.9	14.3	11.3	14.8	15.6
KEI Industries*	10.4	10.5	12.0	11.1	12.0	12.3	12.6	9.4	10.7
Polycab*	11.8	10.6	12.2	16.0	3.2	14.9	13.9	12.0	6.8

Source: MOFSL, Company, \*Not rated

**Exhibit 4: Copper prices up 14% QoQ in 1QFY22**

Source: MOFSL, Company

**Exhibit 5: ECD – Appliance sales comparatively less impacted owing to higher sales via e-commerce; partly aid loss of sales in Fans over Apr–May'21**

ECD	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
<b>Revenue (INR m)</b>									
Bajaj Electricals*#	7,834	6,977	8,579	7,457	3,944	7,886	11,494	9,712	6,132
Crompton	10,729	7,881	7,870	7,411	5,965	9,317	10,359	11,930	8,844
Havells	5,616	4,902	5,359	4,177	3,017	5,799	7,831	7,124	5,760
Orient Electric	4,291	2,832	3,248	4,545	1,035	3,044	4,605	6,456	3,241
Polycab*	2,401	1,947	2,174	1,833	1,374	2,440	3,055	3,467	1,919
<b>YoY (%)</b>									
Bajaj Electricals*	31.2	8.6	12.8	0.6	-49.7	13.0	34.0	30.2	55.5
Crompton	16.0	10.6	10.6	-14.3	-44.4	18.2	31.6	61.0	48.3
Havells	11.4	2.0	-7.4	-21.7	-46.3	18.3	46.1	70.6	90.9
Orient Electric	31.7	16.3	14.1	-4.5	-75.9	7.5	41.8	42.0	213.2
Polycab*	62.1	41.0	34.4	-5.4	-42.8	25.3	40.5	89.2	39.7
<b>2-year CAGR (%)</b>									
Bajaj Electricals*					-18.7	10.8	22.9	14.5	-11.5
Crompton					-19.7	14.3	20.7	17.5	-9.2
Havells					-22.6	9.9	16.3	15.6	1.3
Orient Electric					-43.6	11.8	27.2	16.5	-13.1
Polycab*					-3.7	32.9	37.4	33.8	-10.6
<b>EBIT margin (%)</b>									
Bajaj Electricals*	7.0	5.1	8.2	6.4	2.7	10.7	12.5	8.8	2.5
Crompton	20.3	19.2	19.8	20.0	20.5	21.0	19.8	18.1	17.6
Havells	14.7	14.6	14.4	13.4	12.3	20.2	17.9	15.3	11.7
Orient Electric	10.1	9.3	12.4	15.8	-6.8	16.8	14.9	14.3	7.0
Polycab*	3.7	3.4	0.6	0.1	-4.0	8.0	5.9	7.0	-7.5

Source: MOFSL, Company, \*Not rated, #includes Lighting sales

**Exhibit 6: Lighting – HAVL outperforms peers on two-year revenue CAGR; overall volume sales healthy in B2C Lighting, while B2B business remains muted**

Lighting	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
<b>Revenue (INR m)</b>									
Crompton	2,739	2,877	2,843	2,770	1,166	2,667	2,872	3,223	1,617
Havells	2,504	2,536	2,760	2,343	1,380	2,646	3,533	3,287	2,099
Orient Electric #	1,392	1,514	1,709	1,086	753	1,294	1,579	1,561	982
<b>YoY (%)</b>									
Crompton	-1.8	-11.5	-10.8	-19.1	-57.4	-7.3	1.0	16.4	38.7
Havells	-3.1	-11.2	-27.0	-38.6	-44.9	4.3	28.0	40.3	52.1
Orient Electric	29.5	16.9	25.9	-32.9	-45.9	-14.5	-7.6	43.7	30.5
<b>2-year CAGR (%)</b>									
Crompton					-35.3	-9.4	-5.1	-3.0	-23.2
Havells					-26.9	-3.8	-3.3	-7.2	-8.4
Orient Electric					-16.3	-0.1	7.8	-1.8	-16.0
<b>EBIT margin (%)</b>									
Crompton	5.1	5.2	6.9	7.0	4.7	10.4	11.6	15.4	10.0
Havells	14.2	12.1	16.8	14.0	2.1	19.7	23.0	20.7	15.1
Orient Electric	10.0	7.2	13.2	11.3	6.4	14.6	14.6	14.4	10.5

Source: MOFSL, Company, #Includes Switchgear sales

**Exhibit 7: Consumer Durables – Period from mid-April to May'21 nearly a washout, but extended summer in northern India partly aided sales for RAC sales; sale of refrigerators / washing machines relatively less impacted v/s RACs**

Consumer durables	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
<b>Revenue (INR m)</b>									
Blue Star	9,069	3,772	4,202	5,963	2,749	3,187	4,930	7,818	5,054
Lloyd's	6,520	1,800	3,004	4,579	3,062	2,804	5,116	5,906	4,944
IFB Industries*	6,747	6,925	6,986	4,857	2,794	7,151	9,228	7,993	5,524
Johnson-Controls Hitachi*	9,519	3,766	4,360	4,329	2,696	3,101	4,875	5,794	4,920
Volta #	17,488	5,256	6,005	11,989	9,153	5,717	11,808	16,547	8,591
Whirlpool	19,742	13,935	12,712	13,536	10,271	15,995	14,940	17,794	13,406
<b>YoY (%)</b>									
Blue Star	9.2	10.0	7.3	-15.3	-69.7	-15.5	17.3	31.1	83.9
Lloyd's	-7.9	-30.2	-15.9	-14.0	-53.0	55.8	70.3	29.0	61.5
IFB Industries*	13.9	5.4	4.6	-21.6	-58.6	3.3	32.1	64.6	97.7
Johnson-Controls Hitachi*	19.9	8.6	0.2	-34.9	-71.7	-17.7	11.8	33.8	82.5
Volta	46.8	19.2	14.2	20.2	-47.7	8.8	96.6	38.0	-6.1
Whirlpool	18.9	17.9	4.9	-0.1	-48.0	14.8	17.5	31.5	30.5
<b>2-year CAGR (%)</b>									
Blue Star					-42.5	-3.6	12.2	5.4	-25.4
Lloyd's					-34.2	4.3	19.7	5.3	-12.9
IFB Industries*					-31.3	4.3	17.5	13.6	-9.5
Johnson-Controls Hitachi*					-41.7	-5.5	5.9	-6.7	-28.1
Volta					-12.3	13.9	49.8	28.8	-29.9
Whirlpool					-21.4	16.4	11.0	14.6	-17.6
<b>EBIT margin (%)</b>									
Blue Star	10.9	3.2	1.8	7.3	-1.4	3.7	7.9	7.9	4.3
Lloyd's	1.3	-24.5	-4.3	1.9	2.1	1.8	6.0	5.4	2.1
IFB Industries*	2.0	5.0	3.1	-8.3	-19.7	8.0	8.8	3.3	-10.8
Johnson-Controls Hitachi*	10.3	-2.7	4.0	2.4	-13.1	-7.4	9.0	9.7	-2.7
Volta #	13.1	8.8	10.1	14.6	12.9	11.0	12.3	15.8	13.2
Whirlpool	13.8	7.8	4.7	7.5	1.8	8.7	6.2	8.6	1.7

Source: MOFSL, Company, \*Not rated  
#1QFY21 and 1QFY22 segment sales estimated owing to restructuring of CAC business

**Exhibit 8: Aggregate revenue trend**

Revenue (INR m)	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
Bajaj Electricals*	13,042	10,918	12,815	12,996	6,077	12,142	14,967	12,545	8,528
Blue Star	15,755	12,495	12,359	12,994	6,260	9,021	11,239	16,116	10,520
Crompton	13,468	10,758	10,713	10,181	7,132	11,984	13,231	15,153	10,462
Havells	27,127	22,305	22,699	22,161	14,791	24,518	31,659	33,312	25,982
IFB Industries*	6,747	6,925	6,986	4,857	2,794	7,151	9,228	7,993	5,524
Johnson-Controls Hitachi*	9,519	3,766	4,360	4,329	2,696	3,101	4,875	5,794	4,920
KEI Industries*	10,813	12,302	13,142	12,585	7,453	10,369	11,529	12,463	10,176
Orient Electric	5,683	4,347	4,957	5,631	1,788	4,338	6,183	8,017	4,223
Polycab*	19,513	22,419	25,073	21,294	9,766	21,137	27,988	30,374	18,805
V-Guard*	6,994	6,193	6,266	5,366	4,058	6,167	8,274	8,491	5,607
Voltas	26,540	14,219	14,925	20,896	12,969	16,125	19,946	26,517	17,852
Whirlpool	19,742	13,935	12,712	13,536	10,271	15,995	14,940	17,794	13,406

YoY (%)	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
Bajaj Electricals*	14.4	-31.7	-40.7	-26.7	-53.4	11.2	16.8	-3.5	40.3
Blue Star	4.5	21.0	12.5	-18.6	-60.3	-27.8	-9.1	24.0	68.1
Crompton	11.9	3.7	4.0	-15.6	-47.0	11.4	23.5	48.8	46.7
Havells	4.5	1.8	-10.2	-19.5	-45.5	9.9	39.5	50.3	75.7
IFB Industries*	13.9	5.4	4.6	-21.6	-58.6	3.3	32.1	64.6	97.7
Johnson-Controls Hitachi*	19.9	8.6	0.2	-34.9	-71.7	-17.7	11.8	33.8	82.5
KEI Industries*	22.3	23.4	20.8	-0.0	-31.1	-15.7	-12.3	-1.0	36.5
Orient Electric	31.2	16.5	17.9	-11.7	-68.5	-0.2	24.7	42.4	136.2
Polycab*	15.8	23.7	23.8	-13.6	-50.0	-5.7	11.6	42.6	92.6
V-Guard*	10.2	3.6	5.5	-27.5	-42.0	-0.4	32.0	58.2	38.2
Voltas	23.6	0.0	0.0	1.3	-51.1	13.4	33.6	26.9	37.6
Whirlpool	18.9	17.9	4.9	-0.1	-48.0	14.8	17.5	31.5	30.5

2-year CAGR (%)	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
Bajaj Electricals*					-27.0	-12.8	-16.8	-15.9	-19.1
Blue Star					-35.6	-6.5	1.1	0.5	-18.3
Crompton					-23.0	7.5	13.3	12.0	-11.9
Havells					-24.5	5.8	11.9	10.0	-2.1
IFB Industries*					-31.3	4.3	17.5	13.6	-9.5
Johnson-Controls Hitachi*					-41.7	-5.5	5.9	-6.7	-28.1
KEI Industries*					-8.2	2.0	3.0	-0.5	-3.0
Orient Electric					-35.8	7.8	21.3	12.1	-13.8
Polycab*					-23.9	8.0	17.6	11.0	-1.8
V-Guard*					-20.0	1.6	18.0	7.1	-10.5
Voltas					-22.3	6.5	15.6	13.4	-18.0
Whirlpool					-21.4	16.4	11.0	14.6	-17.6

Source: MOFSL, Company, \*Not rated

**Exhibit 9: Gross margin trend – white goods see higher impact of rising commodity costs**

Gross margin (%)	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
Bajaj Electricals*	27.8	27.3	28.9	23.3	28.1	29.2	29.7	28.9	33.1
Blue Star	24.8	25.2	24.7	25.4	23.5	24.6	24.2	21.9	24.4
Crompton	32.6	31.9	32.0	31.6	32.5	32.9	32.3	30.7	32.3
Havells	37.5	39.3	39.6	36.2	34.7	40.2	38.1	37.4	35.7
IFB Industries*	40.3	44.2	43.7	46.3	42.5	45.6	44.3	43.3	40.6
Johnson-Controls Hitachi*	33.8	35.6	39.3	39.8	35.1	37.8	36.5	38.9	30.9
KEI Industries*	25.6	29.5	27.4	27.4	27.5	28.1	26.1	25.7	27.6
Orient Electric	30.5	34.2	34.1	30.5	28.7	33.3	31.0	28.0	27.3
Polycab*	26.8	26.6	27.5	30.6	27.3	28.4	24.3	25.5	23.4
V-Guard*	32.6	33.8	33.2	33.3	29.2	31.6	32.6	31.4	33.0
Voltas	25.4	28.4	28.6	28.6	30.0	26.0	24.6	25.6	27.9
Whirlpool	37.5	41.9	39.6	38.1	36.0	37.9	36.7	35.6	33.0

Change (bps)	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
Bajaj Electricals*	101 bps	458 bps	780 bps	135 bps	23 bps	189 bps	80 bps	559 bps	500 bps
Blue Star	-62 bps	-7 bps	92 bps	53 bps	-134 bps	-69 bps	-53 bps	-358 bps	95 bps
Crompton	27 bps	330 bps	21 bps	67 bps	-13 bps	101 bps	35 bps	-88 bps	-25 bps
Havells	-8 bps	103 bps	195 bps	-71 bps	-281 bps	89 bps	-145 bps	127 bps	99 bps
IFB Industries*	-335 bps	-96 bps	332 bps	662 bps	228 bps	137 bps	62 bps	-302 bps	-196 bps
Johnson-Controls Hitachi*	-64 bps	-176 bps	635 bps	215 bps	126 bps	218 bps	-284 bps	-91 bps	-417 bps
KEI Industries*	-325 bps	169 bps	-102 bps	51 bps	190 bps	-145 bps	-128 bps	-171 bps	11 bps
Orient Electric	-350 bps	222 bps	-121 bps	-234 bps	-181 bps	-95 bps	-310 bps	-257 bps	-132 bps
Polycab*	187 bps	150 bps	-127 bps	783 bps	50 bps	180 bps	-319 bps	-519 bps	-390 bps
V-Guard*	216 bps	415 bps	319 bps	374 bps	-334 bps	-220 bps	-55 bps	-190 bps	380 bps
Voltas	-187 bps	87 bps	172 bps	518 bps	458 bps	-236 bps	-402 bps	-306 bps	-210 bps
Whirlpool	-47 bps	392 bps	274 bps	50 bps	-156 bps	-403 bps	-292 bps	-247 bps	-295 bps

Source: MOFSL, Company, \*Not rated

**Exhibit 10: Commodity costs remain elevated in 1QFY22; moderate towards end-June'21**

Commodity cost (INR/MT)	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
Steel	43,653	42,868	43,988	43,789	42,314	48,778	57,749	63,502	70,951
Copper	4,21,203	4,04,490	4,22,448	3,92,196	4,15,447	4,87,314	5,42,166	6,30,435	7,21,652
Aluminium	1,23,379	1,21,850	1,26,710	1,18,680	1,15,373	1,27,289	1,44,201	1,54,435	1,80,940
Polyprop	74,316	71,623	67,184	63,154	63,194	67,535	79,078	88,498	84,572

YoY (%)	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
Steel	-9.8	-13.7	-3.1	-3.8	-3.1	13.8	31.3	45.0	67.7
Copper	-7.2	-7.2	-2.2	-12.9	-1.4	20.5	28.3	60.7	73.7
Aluminium	-16.3	-16.7	-7.2	-10.8	-6.5	4.5	13.8	30.1	56.8
Polyprop	-11.3	-17.1	-15.7	-14.8	-15.0	-5.7	17.7	40.1	33.8

QoQ (%)	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
Steel	-4.1	-1.8	2.6	-0.5	-3.4	15.3	18.4	10.0	11.7
Copper	-6.4	-4.0	4.4	-7.2	5.9	17.3	11.3	16.3	14.5
Aluminium	-7.3	-1.2	4.0	-6.3	-2.8	10.3	13.3	7.1	17.2
Polyprop	0.2	-3.6	-6.2	-6.0	0.1	6.9	17.1	11.9	-4.4

Source: MOFSL, Bloomberg

**Exhibit 11: Employee costs – with most companies implementing wage hikes in 4QFY21/1QFY22, employee costs stood elevated YoY and stable sequentially, in most cases**

Employee cost (INR m)	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
Bajaj Electricals*	924	1,011	952	978	955	933	932	1,006	1,020
Blue Star	1,147	1,195	1,260	1,243	699	908	1,045	1,166	1,159
Crompton	820	810	774	706	720	797	929	920	885
Havells	2,416	2,396	2,195	1,989	1,765	2,145	2,358	2,585	2,325
IFB Industries*	711	697	734	736	644	751	792	769	888
Johnson-Controls Hitachi*	445	363	460	478	440	399	354	481	453
KEI Industries*	515	567	592	602	447	496	470	437	505
Orient Electric	488	492	510	496	426	423	465	477	467
Polycab*	920	924	915	899	812	897	896	997	959
V-Guard*	602	450	584	432	546	502	627	570	576
Volta	1,632	1,576	1,734	1,776	1,574	1,432	1,547	1,463	1,474
Whirlpool	1,463	1,535	1,473	1,426	1,487	1,502	1,684	1,626	1,576
Employee cost change (YoY)	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
Bajaj Electricals*	8.8	2.5	3.9	20.0	3.4	-7.8	-2.1	2.9	6.8
Blue Star	14.8	12.9	18.2	13.9	-39.0	-24.0	-17.1	-6.2	65.8
Crompton	14.1	19.9	1.8	-7.7	-12.2	-1.7	20.1	30.3	23.0
Havells	22.6	17.8	2.0	-10.3	-26.9	-10.5	7.4	30.0	31.7
IFB Industries*	16.8	7.1	14.1	13.7	-9.5	7.7	7.9	4.5	37.9
Johnson-Controls Hitachi*	12.5	-2.7	10.0	2.7	-1.0	9.8	-23.1	0.6	3.0
KEI Industries*	27.1	34.1	36.9	27.1	-13.3	-12.6	-20.7	-27.3	13.1
Orient Electric	17.0	20.1	15.3	7.7	-12.6	-13.9	-8.8	-3.7	9.6
Polycab*	29.3	18.3	5.7	39.5	-11.7	-2.9	-2.0	11.0	18.0
V-Guard*	21.1	-11.0	18.8	-17.9	-9.3	11.6	7.4	32.2	5.4
Volta	14.1	-8.5	8.3	6.7	-3.5	-9.1	-10.7	-17.6	-6.3
Whirlpool	21.9	32.5	16.8	8.7	1.7	-2.1	14.3	14.0	6.0

Source: MOFSL, Company, \*Not rated

**Exhibit 12: Other expenses – Most discretionary spends held back QoQ due to second round of lockdowns, but most companies scale up ad spends YoY**

Other expenses (INR m)	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
Bajaj Electricals*	1,893	1,731	2,071	1,722	958	1,580	2,041	1,908	1,729
Blue Star	1,615	1,223	1,222	1,688	757	756	855	1,338	988
Crompton	1,656	1,326	1,281	1,129	610	1,288	1,394	1,491	1,261
Havells	4,975	4,027	4,096	3,573	2,057	3,511	4,628	4,829	3,413
IFB Industries*	1,713	1,869	1,930	1,498	869	1,687	2,221	2,174	1,694
Johnson-Controls Hitachi*	1,670	960	930	973	727	825	751	997	1,022
KEI Industries*	1,116	1,845	1,610	1,643	842	1,281	1,254	1,393	1,170
Orient Electric	803	778	729	572	279	443	612	796	465
Polycab*	2,079	2,329	2,577	2,620	1,282	1,987	2,138	2,521	2,054
V-Guard*	963	866	902	906	549	705	938	999	842
Voltas	2,194	1,404	1,561	2,288	1,646	1,787	1,899	2,011	2,143
Whirlpool	2,919	2,886	2,661	2,356	1,740	2,744	2,522	2,810	2,295
<b>Other expenses as % of sales</b>	<b>1QFY20</b>	<b>2QFY20</b>	<b>3QFY20</b>	<b>4QFY20</b>	<b>1QFY21</b>	<b>2QFY21</b>	<b>3QFY21</b>	<b>4QFY21</b>	<b>1QFY22</b>
Bajaj Electricals*	14.5	15.9	16.2	13.2	15.8	13.0	13.6	15.2	20.3
Blue Star	10.2	9.8	9.9	13.0	12.1	8.4	7.6	8.3	9.4
Crompton	12.3	12.3	12.0	11.1	8.6	10.7	10.5	9.8	12.1
Havells	18.3	18.1	18.0	16.1	13.9	14.3	14.6	14.5	13.1
IFB Industries*	25.4	27.0	27.6	30.9	31.1	23.6	24.1	27.2	30.7
Johnson-Controls Hitachi*	17.5	25.5	21.3	22.5	27.0	26.6	15.4	17.2	20.8
KEI Industries*	10.3	15.0	12.3	13.1	11.3	12.3	10.9	11.2	11.5
Orient Electric	14.1	17.9	14.7	10.2	15.6	10.2	9.9	9.9	11.0
Polycab*	10.7	10.4	10.3	12.3	13.1	9.4	7.6	8.3	10.9
V-Guard*	13.8	14.0	14.4	16.9	13.5	11.4	11.3	11.8	15.0
Voltas	8.3	9.9	10.5	10.9	12.7	11.1	9.5	7.6	12.0
Whirlpool	14.8	20.7	20.9	17.4	16.9	17.2	16.9	15.8	17.1

Source: MOFSL, Company, \*Not rated

**Exhibit 13: Ad spends scaled up in 1QFY22 despite lockdowns impacting sales**

Ad-spends as % of sales	1QFY21	1QFY22
Bajaj Electricals* #	3.5	4.7
Crompton	0.3	2.4
Havells	0.4	1.7
Polycab* #	2.3	4.1

Source: MOFSL, Company, \*Not rated, #as percentage of ECD segment sales

Ad-spends are expected to remain below pre-COVID level in the near term

**Exhibit 14: EBITDA margin – Margin moderates sequentially on under-absorption of costs**

EBITDA margin (%)	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
Bajaj Electricals*	6.2	2.2	5.3	2.6	-3.4	8.5	9.9	5.7	0.8
Blue Star	7.3	5.9	4.6	2.9	0.2	6.1	7.3	6.3	4.0
Crompton	14.2	12.0	12.8	13.6	13.9	15.5	14.8	14.8	11.7
Havells	10.3	10.5	11.8	11.1	8.8	17.2	16.0	15.2	13.6
IFB Industries*	4.3	7.2	5.5	0.3	-11.6	11.5	11.6	6.5	-6.1
Johnson-Controls Hitachi*	11.6	0.5	7.4	6.3	-8.2	-1.7	13.8	13.4	1.0
KEI Industries*	10.5	9.9	10.6	9.6	10.2	10.9	11.1	11.0	11.2
Orient Electric	7.8	5.0	9.1	11.6	-10.8	13.3	13.6	12.1	5.3
Polycab*	11.5	12.1	13.5	14.1	5.9	14.8	13.4	13.9	7.4
V-Guard*	10.2	12.5	9.5	8.4	2.2	12.0	13.7	12.9	7.7
Volta	11.0	7.4	6.5	9.2	5.1	6.1	7.3	12.5	7.6
Whirlpool	15.3	10.2	7.1	10.1	4.5	11.3	8.5	10.7	4.1

Change (bps)	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
Bajaj Electricals*	81 bps	-281 bps	-102 bps	-134 bps	-965 bps	631 bps	452 bps	314 bps	426 bps
Blue Star	-177 bps	26 bps	76 bps	-398 bps	-707 bps	22 bps	264 bps	344 bps	380 bps
Crompton	36 bps	10 bps	54 bps	-37 bps	-39 bps	347 bps	198 bps	124 bps	-212 bps
Havells	-178 bps	-144 bps	21 bps	-37 bps	-140 bps	662 bps	420 bps	411 bps	474 bps
IFB Industries*	-100 bps	74 bps	58 bps	-209 bps	-1593 bps	433 bps	610 bps	616 bps	546 bps
Johnson-Controls Hitachi*	101 bps	-98 bps	811 bps	-533 bps	-1983 bps	-218 bps	638 bps	708 bps	917 bps
KEI Industries*	80 bps	-19 bps	-22 bps	-134 bps	-31 bps	102 bps	53 bps	144 bps	94 bps
Orient Electric	164 bps	45 bps	271 bps	50 bps	-1853 bps	829 bps	448 bps	50 bps	1605 bps
Polycab*	105 bps	17 bps	-215 bps	423 bps	-557 bps	266 bps	-10 bps	-25 bps	152 bps
V-Guard*	285 bps	418 bps	192 bps	-215 bps	-794 bps	-54 bps	424 bps	453 bps	550 bps
Volta	-35 bps	-19 bps	-122 bps	219 bps	-583 bps	-137 bps	78 bps	328 bps	246 bps
Whirlpool	3 bps	105 bps	-100 bps	-253 bps	-1078 bps	115 bps	145 bps	54 bps	-40 bps

Source: MOFSL, Company, \*Not rated

**Exhibit 15: Valuations for our Consumer Durables Coverage Universe**

Company	M-cap	CMP	TP	Upside	Rating	P/E (x)			EV/EBITDA (x)			RoE (%)		
	(INR b)	(INR)	(INR)	(%)		FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E
HAVL	842	1,345	1,185	-12%	Neutral	81.7	66.5	59.9	53.1	44.6	40.8	19.9	20.9	20.0
VOLT	346	1,046	1,065	2%	Neutral	65.9	60.7	47.1	53.6	48.2	37.4	10.5	10.5	12.3
<b>WHIRL</b>	<b>254</b>	<b>2,123</b>	<b>2,650</b>	<b>25%</b>	<b>Buy</b>	<b>76.3</b>	<b>65.3</b>	<b>44.7</b>	<b>45.7</b>	<b>40.0</b>	<b>27.5</b>	<b>12.5</b>	<b>13.0</b>	<b>16.4</b>
CROMPTON	306	488	540	11%	Buy	58.0	50.5	42.8	43.3	38.9	33.1	27.5	26.6	26.4
BLSTR	74	772	730	-5%	Neutral	74.1	50.8	32.9	31.5	26.1	19.8	11.3	15.3	21.1
<b>ORIENTEL</b>	<b>70</b>	<b>331</b>	<b>435</b>	<b>31%</b>	<b>Buy</b>	<b>58.7</b>	<b>51.0</b>	<b>37.9</b>	<b>30.9</b>	<b>28.4</b>	<b>22.0</b>	<b>26.3</b>	<b>25.0</b>	<b>27.2</b>

Source: MOFSL, Company, Bloomberg

**Exhibit 16: Valuations for Consumer Durable peers, adjusted for Projects businesses of VOLT and BLSTR**

Current P/E (x)	M-cap (INR b)	Rating	FY19	FY20	FY21	FY22E	FY23E	FY24E
HAVL	842	Neutral	106.8	114.8	81.7	66.5	59.9	54.0
VOLT	346	Neutral	101.3	69.4	62.2	60.4	47.3	41.0
<b>WHIRL</b>	<b>254</b>	<b>Buy</b>	<b>66.2</b>	<b>56.6</b>	<b>76.3</b>	<b>65.3</b>	<b>44.7</b>	<b>36.3</b>
CROMPTON	306	Buy	81.8	70.0	58.0	50.5	42.8	38.8
BLSTR	74	Neutral	60.1	83.8	114.8	84.2	49.0	37.7
<b>ORIENTEL</b>	<b>70</b>	<b>Buy</b>	<b>101.4</b>	<b>89.4</b>	<b>58.7</b>	<b>51.0</b>	<b>37.9</b>	<b>31.4</b>

Source: MOFSL, Company, Bloomberg

**Exhibit 17: Valuation methodology**

Company	Target Price (INR)	Upside (%)	Valuation methodology
Blue Star	730	-5	❖ SOTP (Sep'23 EPS); UCP target PE at 40x
Crompton	540	11	❖ 45x Sep'23 EPS
Havells	1,185	-12	❖ 50x Sep'23 EPS
Orient	435	31	❖ 45x Sep'23 EPS
Voltas	1,065	2	❖ SOTP (Sep'23 EPS); UCP target PE at 45x
Whirlpool	2,650	25	❖ 50x Sep'23 EPS

Source: MOFSL, Company

BSE SENSEX	S&P CNX
57,552	17,132
	BLUE STAR
Bloomberg	BLSTR IN
Equity Shares (m)	96
M.Cap.(INRb)/(USDb)	74.6 / 1
52-Week Range (INR)	1025 / 590
1, 6, 12 Rel. Per (%)	-18/-28/-27
12M Avg Val (INR M)	119

**Financials & Valuations (INR b)**

Y/E Mar	2021	2022E	2023E
Sales	42.6	53.2	65.6
EBITDA	2.4	2.9	3.8
PAT	1.0	1.5	2.3
EBITDA (%)	5.6	5.5	5.8
EPS (INR)	10.4	15.2	23.5
EPS Gr. (%)	-31.9	45.8	54.4
BV/Sh. (INR)	91.9	99.5	111.2

**Ratios**

Net D/E	0.1	0.2	0.1
RoE (%)	11.3	15.3	21.1
RoCE (%)	10.8	13.0	16.9
Payout (%)	1.2	50.0	50.0

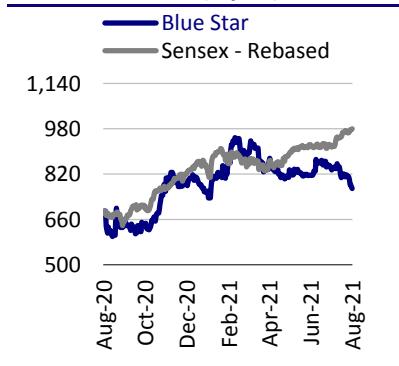
**Valuations**

P/E (x)	74.1	50.8	32.9
P/BV (x)	8.4	7.8	6.9
EV/EBITDA (x)	31.5	26.1	19.8
Div Yield (%)	0.0	1.0	1.5
FCF Yield (%)	4.9	0.2	1.7

**Shareholding pattern (%)**

As On	Jun-21	Mar-21	Jun-20
Promoter	38.8	38.8	38.8
DII	21.9	21.6	23.0
FII	10.8	11.1	8.8
Others	28.5	28.6	29.5

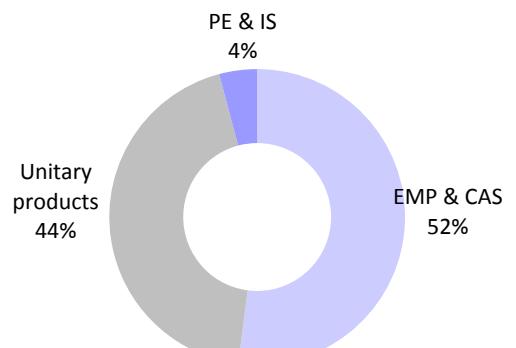
FII Includes depository receipts

**Stock Performance (1-year)****CMP: INR772 TP: INR730 (-5%) Upgrade to Neutral****Onam fails to cheer; downside limited post underperformance**

- **RACs impacted disproportionately:** With the COVID disruption and subsequent lockdowns, RACs were impacted disproportionately – as the offtake was impacted in the key months of April and May. BLSTR's key market of southern India was the worst impacted by the second COVID wave led lockdowns, and the recently concluded Onam festival in this market was also weak. 1QFY22 UCP sales stood at 55% of 1QFY20 levels; the management expects 2QFY22 sales to be at 90% of 2QFY20 levels, indicating weak recovery.
- **Inventory levels normal within channel:** While the channel inventory is at normal levels, it remains moderately elevated at the company level. However, the management is confident of inventory liquidation over the next two months, with the upcoming festive season expected to support sales. Any disappointment in festive sales could prolong the inventory liquidation, thus affecting primary sales.
- **Evaluating international markets; need to address business seasonality:** BLSTR is looking to explore the international markets in the RAC and Commercial Refrigeration segments. The aim is to mitigate any slowdown in the Indian AC industry (due to continuous price increases) and address the business seasonality issue. In the international markets, the management aims to explore the Middle East and African nations.
- **Commodity costs remain elevated; price hikes key going forward:** Commodity costs have continued their uptrend, remaining elevated in 1QFY22 and marginally moderating in July'21. This has led to some impact on segment margins as most of the brands have refrained from passing on the commodity inflation fully to the end user. BLSTR has undertaken 8–10% price hikes in 1HCY21 and would undertake another price hike of 3% in September.
- **UCP margins expected to normalize by 4QFY22:** 1Q (Apr–Jun) tends to influence the margin profile for the full year. However, with the ongoing disruption, margins are expected to increase to ~8% (4QFY21 levels) by 4QFY22. FY22 blended margins should be at 6–6.5%.
- **Market leader in EMP segment:** Blue Star is the market leader in Ducted ACs, second in VRF, and third in Chillers. The order book stood at INR31.5b at 1QFY22-end (v/s INR29.2b in 1QFY21; +8% YoY). Major orders were received from Ola Electric and Netmagic IT Services in 1QFY22.
- **Upgrade to Neutral, with unchanged TP of INR730:** Our SoTP-based TP stands at INR730 (valuing the UCP business at 40x Sep'23E EPS, EMP at 10x, and Professional Electronics at 15x). Over the past year, Blue Star has underperformed the Nifty by >25% and is trading at 10% below its pre-COVID peak. We withdraw our Sell rating and upgrade the stock to Neutral as our TP provides a limited downside post the underperformance. However, we continue to see long-term structural challenges related to its market share in southern India due to competition from leading brands in the AC segment.

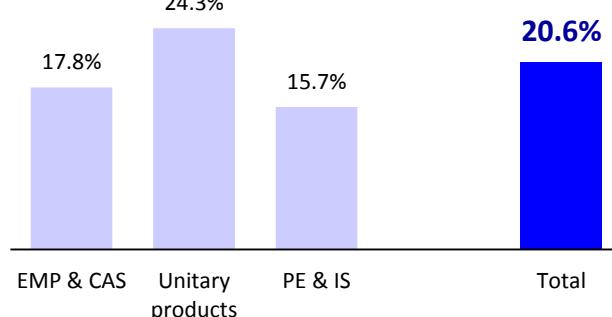
## Story in charts

**Exhibit 18: FY21 revenue split**



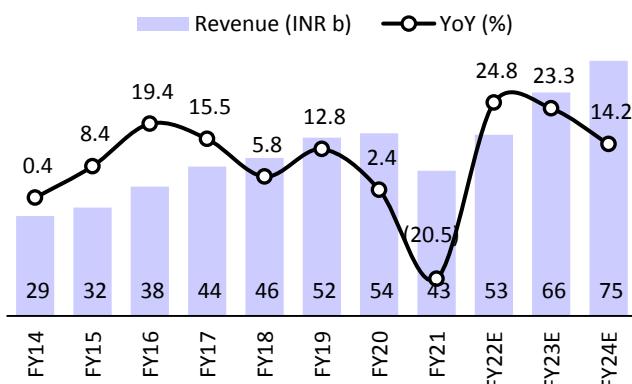
Source: MOFSL, Company

**Exhibit 19: Segmental revenue CAGR (FY21–24E)**



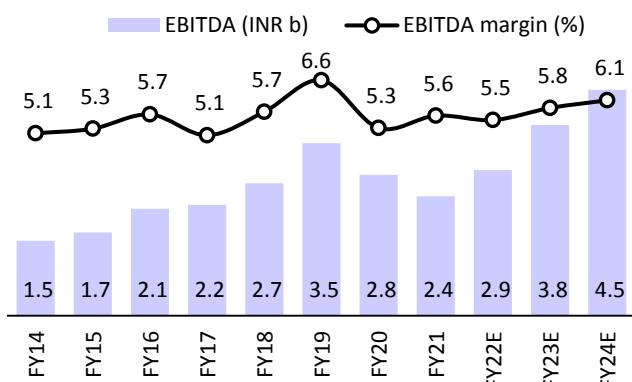
Source: MOFSL, Company

**Exhibit 20: Expect ~21% revenue CAGR over FY21–24, driven by UCP segment**



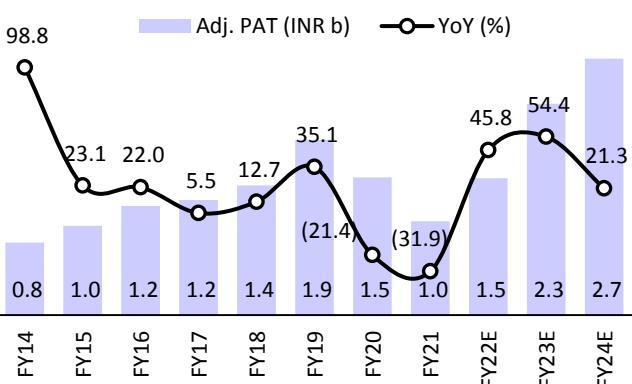
Source: MOFSL, Company

**Exhibit 21: EBITDA margin expansion of 50bps expected over FY21–24**



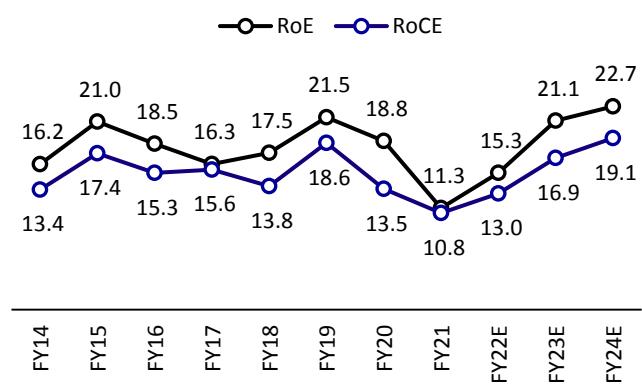
Source: MOFSL, Company

**Exhibit 22: Adj. PAT CAGR expected at ~40% over FY21–24, largely aided by low base of FY21 and lower tax rate**



Source: MOFSL, Company

**Exhibit 23: Return ratios expected to show uptrend from FY22**

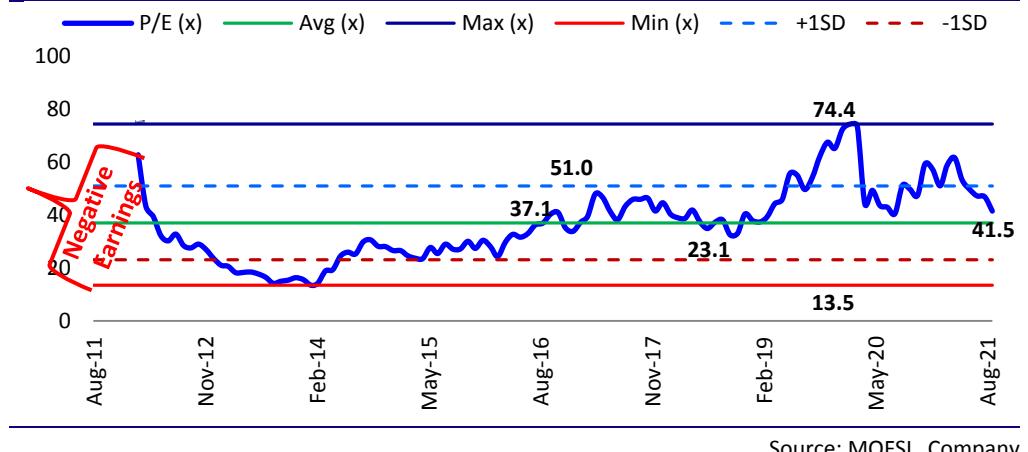


Source: MOFSL, Company

**Exhibit 24: We value BLSTR at INR730/share**

Name of the segment	Sep'23E EPS (INR)	Multiple (x)	Value/share (INR)
Electro Mechanical Projects	6.8	10.0	68
Professional Electronics	4.1	15.0	61
Unitary Cooling Products	15.0	40.0	602
<b>Total</b>	<b>26.0</b>		<b>730</b>

Source: MOFSL, Company

**Exhibit 25: BLSTR trades at one-year forward P/E of ~42x, which is at premium to its long term average of ~37x**

Source: MOFSL, Company

## Financials and valuations

Income Statement							(INR m)
Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Total Revenue</b>	<b>46,390</b>	<b>52,348</b>	<b>53,602</b>	<b>42,636</b>	<b>53,200</b>	<b>65,596</b>	<b>74,878</b>
Change (%)	5.8	12.8	2.4	-20.5	24.8	23.3	14.2
<b>EBITDA</b>	<b>2,659</b>	<b>3,465</b>	<b>2,828</b>	<b>2,398</b>	<b>2,926</b>	<b>3,831</b>	<b>4,534</b>
% of Total Revenue	5.7	6.6	5.3	5.6	5.5	5.8	6.1
Other Income	170	247	447	624	319	394	449
Depreciation	638	749	880	923	939	1,054	1,169
Interest	287	479	295	647	400	200	200
Exceptional items	53	27	-40	0	0	0	0
<b>PBT</b>	<b>1,956</b>	<b>2,511</b>	<b>2,060</b>	<b>1,452</b>	<b>1,906</b>	<b>2,970</b>	<b>3,614</b>
Tax	494	420	653	471	480	748	910
Rate (%)	25.3	16.7	31.7	32.4	25.2	25.2	25.2
<b>Reported PAT</b>	<b>1,440</b>	<b>1,900</b>	<b>1,433</b>	<b>1,004</b>	<b>1,463</b>	<b>2,260</b>	<b>2,741</b>
Change (%)	18.0	32.0	-24.6	-30.0	45.8	54.4	21.3
<b>Adj. PAT</b>	<b>1,387</b>	<b>1,874</b>	<b>1,473</b>	<b>1,004</b>	<b>1,463</b>	<b>2,260</b>	<b>2,741</b>
Change (%)	12.7	35.1	-21.4	-31.9	45.8	54.4	21.3
Balance Sheet							(INR m)
Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Share Capital	192	193	193	193	193	193	193
Reserves	7,735	8,538	7,631	8,659	9,391	10,521	11,891
<b>Net Worth</b>	<b>7,927</b>	<b>8,731</b>	<b>7,824</b>	<b>8,852</b>	<b>9,583</b>	<b>10,713</b>	<b>12,084</b>
Minority Interest	15	18	23	27	30	33	36
Loans	3,699	3,476	4,604	4,516	4,016	3,516	3,016
Deferred Tax Liability	-1,136	-1,076	-818	-475	-475	-475	-475
<b>Capital Employed</b>	<b>10,506</b>	<b>11,149</b>	<b>11,633</b>	<b>12,920</b>	<b>13,154</b>	<b>13,787</b>	<b>14,661</b>
Gross Fixed Assets	5,363	6,194	7,344	7,665	8,665	9,665	10,665
Less: Depreciation	1,443	2,192	2,907	3,829	4,768	5,822	6,991
<b>Net Fixed Assets</b>	<b>3,920</b>	<b>4,002</b>	<b>4,438</b>	<b>3,836</b>	<b>3,897</b>	<b>3,843</b>	<b>3,674</b>
Capital WIP	254	412	674	715	715	715	715
Investments	132	146	169	2,950	2,990	3,030	3,070
<b>Curr. Assets</b>	<b>26,921</b>	<b>27,874</b>	<b>28,295</b>	<b>27,519</b>	<b>28,873</b>	<b>34,954</b>	<b>40,026</b>
Inventory	10,171	8,693	8,698	8,824	8,745	10,783	12,309
Debtors	9,504	11,121	8,377	8,110	9,474	11,681	13,334
Cash and Bank Balance	809	1,009	2,939	3,322	2,128	1,976	2,381
Loans and Other current assets	6,437	7,051	8,281	7,263	8,527	10,513	12,001
<b>Current Liab. and Prov.</b>	<b>20,721</b>	<b>21,285</b>	<b>21,942</b>	<b>22,100</b>	<b>23,321</b>	<b>28,754</b>	<b>32,823</b>
Creditors	15,327	15,346	15,824	16,049	16,033	19,769	22,566
Other liabilities	5,394	5,939	6,118	6,051	7,288	8,986	10,257
<b>Net Current Assets</b>	<b>6,200</b>	<b>6,589</b>	<b>6,353</b>	<b>5,419</b>	<b>5,553</b>	<b>6,200</b>	<b>7,202</b>
<b>Application of Funds</b>	<b>10,506</b>	<b>11,149</b>	<b>11,633</b>	<b>12,920</b>	<b>13,154</b>	<b>13,787</b>	<b>14,661</b>

## Financials and valuations

Ratios							
Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Basic (INR)</b>							
<b>Adjusted EPS</b>	<b>14.4</b>	<b>19.5</b>	<b>15.3</b>	<b>10.4</b>	<b>15.2</b>	<b>23.5</b>	<b>28.5</b>
Cash EPS	21.1	27.2	24.4	20.0	24.9	34.4	40.6
Book Value	82.6	90.7	81.2	91.9	99.5	111.2	125.5
DPS	7.5	10.0	19.9	0.1	7.6	11.7	14.2
Payout (incl. Div. Tax.)	62.3	61.6	156.2	1.2	50.0	50.0	50.0
<b>Valuation (x)</b>							
P/E	53.4	39.7	50.5	74.1	50.8	32.9	27.1
Cash P/E	36.6	28.3	31.6	38.6	30.9	22.4	19.0
EV/EBITDA	29.0	22.2	26.9	31.5	26.1	19.8	16.5
EV/Sales	1.7	1.5	1.4	1.8	1.4	1.2	1.0
Price/Book Value	9.3	8.5	9.5	8.4	7.8	6.9	6.2
Dividend Yield (%)	1.0	1.3	2.6	0.0	1.0	1.5	1.8
<b>Profitability Ratios (%)</b>							
RoE	17.5	21.5	18.8	11.3	15.3	21.1	22.7
RoCE	13.8	18.6	13.5	10.8	13.0	16.9	19.1
RoIC	15.8	22.6	15.6	15.0	18.5	23.7	27.3
<b>Turnover Ratios</b>							
Debtors (Days)	75	78	57	69	65	65	65
Inventory (Days)	80	61	59	76	60	60	60
Creditors (Days)	121	107	108	137	110	110	110
Asset Turnover (x)	4.4	4.7	4.6	3.3	4.0	4.8	5.1
<b>Leverage Ratio</b>							
Net Debt/Equity (x)	0.4	0.3	0.2	0.1	0.2	0.1	0.1
Cash Flow Statement <span style="float: right;">(INR m)</span>							
Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>PBT before EO Items</b>	<b>1,956</b>	<b>2,511</b>	<b>2,060</b>	<b>1,452</b>	<b>1,906</b>	<b>2,970</b>	<b>3,614</b>
Depreciation	638	749	880	923	939	1,054	1,169
Interest and other income	(41)	157	417	175	81	(194)	(249)
Direct Taxes Paid	(451)	(352)	(854)	(102)	(480)	(748)	(910)
(Inc.)/Dec. in WC	(1,913)	(432)	2,072	1,051	(1,328)	(798)	(598)
<b>CF from Operations</b>	<b>189</b>	<b>2,633</b>	<b>4,574</b>	<b>3,498</b>	<b>1,118</b>	<b>2,285</b>	<b>3,026</b>
(Inc.)/Dec. in FA	(924)	(837)	(814)	174	(1,000)	(1,000)	(1,000)
<b>Free Cash Flow</b>	<b>(735)</b>	<b>1,797</b>	<b>3,760</b>	<b>3,672</b>	<b>118</b>	<b>1,285</b>	<b>2,026</b>
Investment in liquid assets	40	138	(68)	(2,569)	319	394	449
<b>CF from Investments</b>	<b>(883)</b>	<b>(698)</b>	<b>(882)</b>	<b>(2,396)</b>	<b>(681)</b>	<b>(606)</b>	<b>(551)</b>
(Inc.)/Dec. in Debt	1,534	(274)	943	(21)	(500)	(500)	(500)
(Inc.)/Dec. in Equity	129	98	-	-	-	-	-
Interest Paid	(285)	(479)	(311)	(395)	(400)	(200)	(200)
Dividend Paid	(864)	(1,154)	(2,301)	(12)	(732)	(1,130)	(1,371)
Others	24	73	(93)	(291)	-	-	-
<b>CF from Fin. Activity</b>	<b>538</b>	<b>(1,735)</b>	<b>(1,762)</b>	<b>(720)</b>	<b>(1,632)</b>	<b>(1,830)</b>	<b>(2,071)</b>
<b>Inc./Dec. in Cash</b>	<b>(157)</b>	<b>201</b>	<b>1,930</b>	<b>382</b>	<b>(1,194)</b>	<b>(151)</b>	<b>405</b>
Add: Beginning Balance	966	809	1,009	2,939	3,322	2,128	1,976
<b>Closing Balance</b>	<b>809</b>	<b>1,009</b>	<b>2,939</b>	<b>3,322</b>	<b>2,128</b>	<b>1,976</b>	<b>2,381</b>

# Crompton Greaves

BSE SENSEX	S&P CNX
57,552	17,132

## Crompton

Bloomberg	CROMPTON IN
Equity Shares (m)	627
M.Cap.(INRb)/(USDb)	297.2 / 4.1
52-Week Range (INR)	498 / 249
1, 6, 12 Rel. Per (%)	-12/6/25
12M Avg Val (INR M)	802

### Financials & Valuations (INR b)

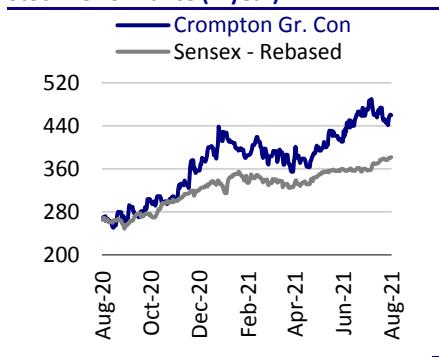
Y/E Mar	2021	2022E	2023E
Sales	47.5	55.5	62.6
EBITDA	7.0	7.8	9.0
PAT	5.3	6.1	7.2
EBITDA (%)	14.8	14.0	14.4
EPS (INR)	8.4	9.7	11.4
EPS Gr. (%)	20.7	14.8	18.1
BV/Sh. (INR)	30.6	36.4	43.2
<b>Ratios</b>			
Net D/E	(0.1)	(0.2)	(0.3)
RoE (%)	27.5	26.6	26.4
RoCE (%)	26.6	24.2	24.3
Payout (%)	35.5	40.0	40.0
<b>Valuations</b>			
P/E (x)	58.0	50.5	42.8
P/BV (x)	16.0	13.4	11.3
EV/EBITDA (x)	43.3	38.9	33.1
Div Yield (%)	0.6	0.8	0.9
FCF Yield (%)	2.6	1.5	1.9

### Shareholding pattern (%)

As On	Jun-21	Mar-21	Jun-20
Promoter	6.0	11.4	26.2
DII	43.7	38.7	25.7
FII	40.1	39.2	29.9
Others	10.2	10.8	18.2

FII Includes depository receipts

### Stock Performance (1-year)



**CMP: INR488** **TP: INR540 (+11%)** **Buy**

Near-term outlook robust, but need to expand portfolio

- Strong demand in northern and western India aids recovery:** Post the unlock in Jun'21, northern and western India were quick to recover, leading to robust sales for the brand in these geographies. However, sales were impacted in southern and eastern India as these geographies took time to recover. The share of revenues in the southern market, the key market for Crompton, stood at 30% (v/s 35% pre-COVID). Extended lockdowns in the eastern market impacted the sale of pumps, with Crompton seeing a higher impact due to its position as the market leader.
- Market leadership across categories:** Crompton was able to quickly recover from the COVID-led lockdowns owing to its leadership position across various categories. Market share across various categories stood as follows:
  - (a) Fans:** 26–27% (two years ago: ~24%),
  - (b) Residential Pumps:** 26–27% (two years ago: ~24%),
  - (c) Water Heaters:** ~13% (close to ranking second),
  - (d) Air Coolers:** single digits (doubled market share in the last two years),
  - (e) Lighting:** ~10% (3–4 years ago: ~5%), and
  - (f) Mixer Grinders:** low single digits.
- Push for cost savings program intact:** Under Project Unnati, Crompton saw cost savings worth INR1.5b, constituting 3.2% of FY21 sales (~3.1% of sales in FY20). Although the second COVID wave led to disruption, the management continued its emphasis on the project, with INR380m in savings (~3.6% of sales) in 1QFY22.
- Inventory levels higher than normal, but not alarming:** With most of the lockdowns gradually ending by June'21, demand is gradually scaling back to pre-COVID levels. Hence, CROMPTON has deployed its cash to build up inventory in anticipation of upcoming festive season demand. The company has also stocked up on key raw materials, such as electronic chips, due to the possibility of a shortage and price escalation in the immediate future.
- Further price hikes to offset commodity inflation impact on margins:** Against commodity inflation of ~10% in 1QFY22, CROMPTON took a ~5% price hike, which was well accepted by the market. With improving demand, any further price hike is expected to cushion margins.
- Valuation and view:** We estimate an adjusted EPS CAGR of ~14% (FY21–24) on the back of a ~13% revenue CAGR. With its strong distribution network, we expect CROMPTON to capitalize on pent-up demand arising post the lifting of lockdown restrictions. We maintain our Buy rating and roll forward our valuation on a Sep'23 basis, with TP of INR540/share (45x Sep'23E EPS). Our target multiple is on the higher side as we believe near-term valuations could remain elevated on the expectation of the utilization of cash balance (gross cash: ~INR10.5b) towards expansion in newer categories. However, the company has yet to deliver on this front despite suggesting such ambitions for the past 2–3 years now.

## Story in charts

Exhibit 26: FY21E revenue breakup

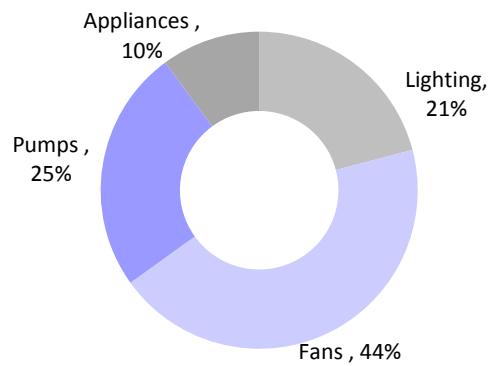


Exhibit 27: FY21–24 CAGR estimates, by category

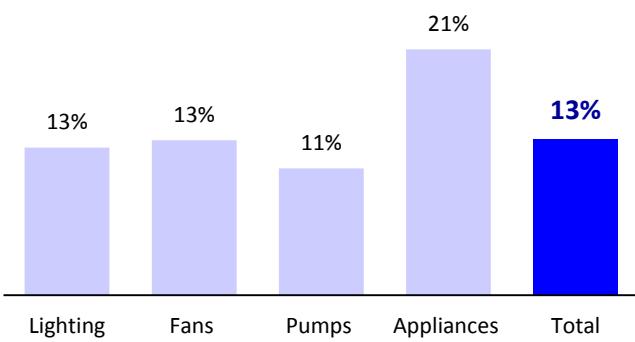


Exhibit 28: Expect ~13% total revenue CAGR over FY21–24

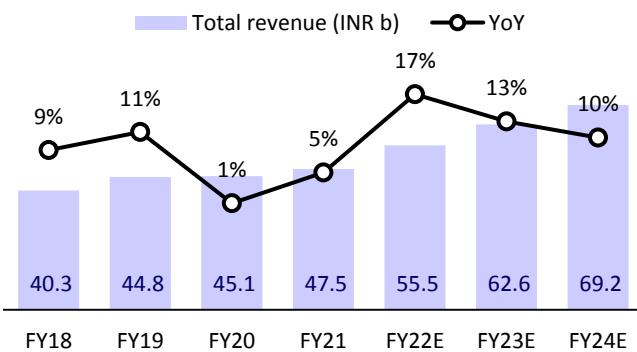


Exhibit 29: Expect EBITDA margin to moderate over FY22–24

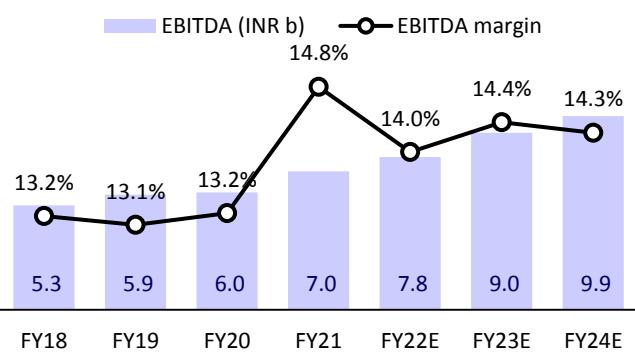


Exhibit 30: Expect ~14% adj.PAT CAGR over FY21–24

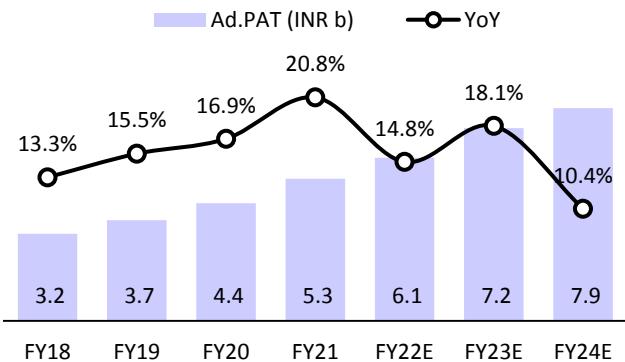


Exhibit 31: Expect strong FCF generation over FY21–24

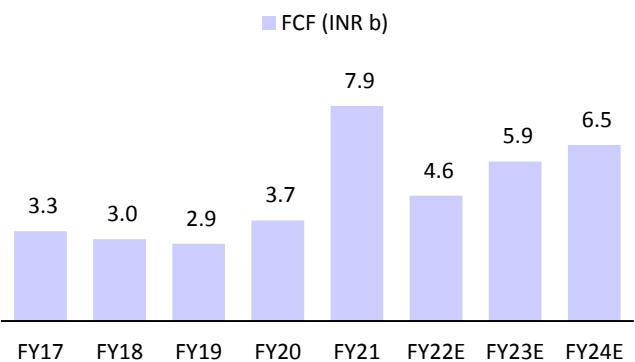
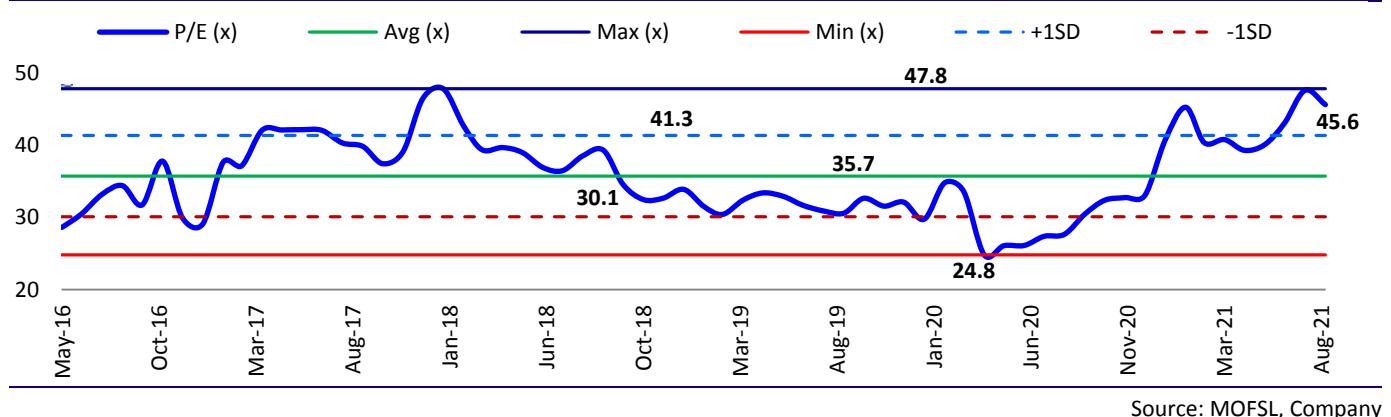


Exhibit 32: Valuation are at premium on expectations of utilization of cash balance towards expansion in newer categories



## Financials and valuations

Income Statement							(INR m)
Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Total Revenue</b>	<b>40,254</b>	<b>44,789</b>	<b>45,120</b>	<b>47,500</b>	<b>55,500</b>	<b>62,615</b>	<b>69,156</b>
Change (%)	8.6	11.3	0.7	5.3	16.8	12.8	10.4
<b>EBITDA</b>	<b>5,310</b>	<b>5,858</b>	<b>5,969</b>	<b>7,047</b>	<b>7,773</b>	<b>9,008</b>	<b>9,855</b>
% of Total Revenue	13.2	13.1	13.2	14.8	14.0	14.4	14.3
Depreciation	126	129	268	297	309	324	339
Other Income	308	483	589	756	900	1,100	1,100
Interest	637	596	407	429	265	218	54
<b>PBT</b>	<b>4,854</b>	<b>5,616</b>	<b>5,883</b>	<b>7,077</b>	<b>8,099</b>	<b>9,566</b>	<b>10,561</b>
Tax	1,617	1,875	1,510	1,797	2,039	2,408	2,658
Rate (%)	33.3	33.4	25.7	25.4	25.2	25.2	25.2
<b>Adjusted PAT</b>	<b>3,238</b>	<b>3,741</b>	<b>4,373</b>	<b>5,281</b>	<b>6,060</b>	<b>7,158</b>	<b>7,903</b>
Extra-ordinary Income	-	285	574	767	-	-	-
<b>Reported PAT</b>	<b>3,238</b>	<b>4,025</b>	<b>4,947</b>	<b>6,048</b>	<b>6,060</b>	<b>7,158</b>	<b>7,903</b>
Change (%)	14.3	24.3	22.9	22.2	0.2	18.1	10.4

Balance Sheet							(INR m)
Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Share Capital	1,254	1,254	1,255	1,255	1,255	1,255	1,255
Reserves	6,641	9,731	13,423	17,935	21,571	25,866	30,607
<b>Net Worth</b>	<b>7,895</b>	<b>10,985</b>	<b>14,678</b>	<b>19,190</b>	<b>22,826</b>	<b>27,121</b>	<b>31,863</b>
Loans	6,486	6,493	3,497	4,788	2,988	2,988	-
<b>Capital Employed</b>	<b>14,381</b>	<b>17,477</b>	<b>18,175</b>	<b>23,978</b>	<b>25,814</b>	<b>30,109</b>	<b>31,863</b>
Gross Fixed Assets	8,849	8,991	9,705	10,056	10,556	11,056	11,556
Less: Depreciation	234	359	616	906	1,215	1,540	1,879
<b>Net Fixed Assets</b>	<b>8,616</b>	<b>8,632</b>	<b>9,090</b>	<b>9,150</b>	<b>9,340</b>	<b>9,516</b>	<b>9,676</b>
Capital WIP	6	10	199	109	109	109	109
Investments	-	142	142	7,753	7,753	7,753	7,753
<b>Curr. Assets</b>	<b>15,628</b>	<b>17,915</b>	<b>18,010</b>	<b>18,627</b>	<b>21,074</b>	<b>26,791</b>	<b>29,853</b>
Inventory	3,032	3,524	4,636	5,178	5,322	6,004	6,631
Debtors	5,536	5,660	4,587	4,827	5,640	6,364	7,028
Cash and Bank Balance	5,450	6,724	5,866	5,945	6,984	10,894	12,296
Other Assets	1,610	2,007	2,920	2,677	3,128	3,529	3,898
<b>Current Liab. and Prov.</b>	<b>9,869</b>	<b>9,221</b>	<b>9,265</b>	<b>11,661</b>	<b>12,462</b>	<b>14,060</b>	<b>15,528</b>
Current Liabilities	8,719	7,530	7,426	9,454	9,884	11,151	12,315
Provisions	1,150	1,691	1,839	2,207	2,578	2,909	3,213
<b>Net Current Assets</b>	<b>5,759</b>	<b>8,694</b>	<b>8,745</b>	<b>6,967</b>	<b>8,612</b>	<b>12,732</b>	<b>14,325</b>
<b>Application of Funds</b>	<b>14,381</b>	<b>17,477</b>	<b>18,175</b>	<b>23,978</b>	<b>25,814</b>	<b>30,109</b>	<b>31,863</b>

## Financials and valuations

Ratios							
Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Basic (INR)</b>							
Adj. EPS	5.2	6.0	7.0	8.4	9.7	11.4	12.6
Cash EPS	5.4	6.2	7.4	8.9	10.1	11.9	13.1
Book Value	12.6	17.5	23.4	30.6	36.4	43.2	50.8
DPS	1.5	1.7	2.0	3.0	3.9	4.6	5.0
Payout (incl. Div. Tax.)	34.9	35.1	34.4	35.5	40.0	40.0	40.0
<b>Valuation (x)</b>							
P/E	94.5	81.8	70.0	58.0	50.5	42.8	38.8
Cash P/E	90.9	79.1	66.0	54.9	48.1	40.9	37.2
EV/EBITDA	57.8	52.2	50.9	43.3	38.9	33.1	29.8
EV/Sales	7.6	6.8	6.7	6.4	5.4	4.8	4.3
Price/Book Value	38.7	27.9	20.9	16.0	13.4	11.3	9.6
Dividend Yield (%)	0.3	0.4	0.4	0.6	0.8	0.9	1.0
<b>Profitability Ratios (%)</b>							
RoE	41.0	34.1	29.8	27.5	26.6	26.4	24.8
RoCE	25.5	25.3	28.9	26.6	24.2	24.3	24.9
RoIC	38.7	36.0	34.8	49.0	50.4	56.7	60.3
<b>Turnover Ratios</b>							
Debtors (Days)	50.2	46.1	37.1	37.1	37.1	37.1	37.1
Inventory (Days)	27.5	28.7	37.5	39.8	35.0	35.0	35.0
Creditors (Days)	69.7	54.1	51.5	64.2	55.0	55.0	55.0
Asset Turnover (x)	2.8	2.6	2.5	2.0	2.1	2.1	2.2
<b>Leverage Ratio</b>							
Net Debt/Equity (x)	0.1	(0.0)	(0.2)	(0.1)	(0.2)	(0.3)	(0.4)

Cash Flow Statement <span style="float: right;">(INR m)</span>							
Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>PBT before EO Items</b>							
	5,423	5,788	5,817	6,864	8,099	9,566	10,561
Depreciation	126	129	268	297	309	324	339
Interest and other	350	293	173	118	(635)	(883)	(1,046)
Direct Taxes Paid	(1,812)	(1,994)	(1,445)	(526)	(2,039)	(2,408)	(2,658)
(Inc.)/Dec. in WC	(933)	(1,202)	(602)	1,397	(607)	(209)	(192)
<b>CF from Operations</b>	<b>3,154</b>	<b>3,014</b>	<b>4,211</b>	<b>8,149</b>	<b>5,128</b>	<b>6,391</b>	<b>7,005</b>
(Inc.)/Dec. in FA	(133)	(160)	(494)	(202)	(500)	(500)	(500)
<b>Free Cash Flow</b>	<b>3,021</b>	<b>2,855</b>	<b>3,717</b>	<b>7,947</b>	<b>4,628</b>	<b>5,891</b>	<b>6,505</b>
Investment and Others	(188)	(1,343)	(18)	(1,511)	900	1,100	1,100
<b>CF from Investments</b>	<b>(322)</b>	<b>(1,503)</b>	<b>(512)</b>	<b>(1,713)</b>	<b>400</b>	<b>600</b>	<b>600</b>
(Inc.)/Dec. in Debt	-	-	(3,088)	1,181	(1,800)	-	(2,988)
Interest Paid	(634)	(587)	(586)	(342)	(265)	(218)	(54)
Dividend Paid	(1,129)	(1,312)	(1,506)	(1,874)	(2,424)	(2,863)	(3,161)
Others	486	1,624	572	(5,396)	-	-	-
<b>CF from Fin. Activity</b>	<b>(1,269)</b>	<b>(237)</b>	<b>(4,556)</b>	<b>(6,358)</b>	<b>(4,489)</b>	<b>(3,081)</b>	<b>(6,204)</b>
<b>Inc./Dec. in Cash</b>	<b>1,564</b>	<b>1,274</b>	<b>(857)</b>	<b>79</b>	<b>1,039</b>	<b>3,910</b>	<b>1,402</b>
Add: Opening Balance	3,886	5,450	6,724	5,866	5,945	6,984	10,894
<b>Closing Balance</b>	<b>5,450</b>	<b>6,724</b>	<b>5,866</b>	<b>5,945</b>	<b>6,984</b>	<b>10,894</b>	<b>12,296</b>

## Havells India

BSE SENSEX  
57,552S&P CNX  
17,132

Bloomberg	HAVL IN
Equity Shares (m)	625
M.Cap.(INRb)/(USDb)	794.3 / 10.9
52-Week Range (INR)	1289 / 609
1, 6, 12 Rel. Per (%)	-1/-3/57
12M Avg Val (INR M)	2254

## Financials &amp; Valuations (INR b)

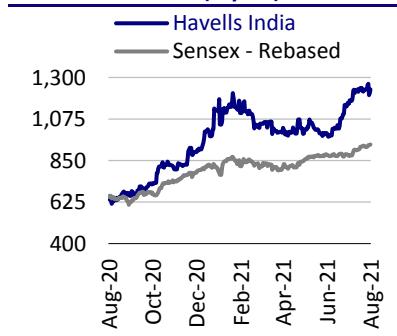
Y/E Mar	2021	2022E	2023E
Sales	104.3	127.0	145.8
EBITDA	15.7	18.4	20.0
PAT	10.3	12.7	14.1
EBITDA (%)	15.0	14.5	13.7
EPS (INR)	16.5	20.2	22.4
EPS Gr. (%)	40.4	22.9	11.1
BV/Sh. (INR)	82.5	96.6	112.4
<b>Ratios</b>			
Net D/E	(0.2)	(0.3)	(0.4)
RoE (%)	19.9	20.9	20.0
RoCE (%)	18.1	19.0	18.2
Payout (%)	18.2	30.0	30.0
<b>Valuations</b>			
P/E (x)	81.7	66.5	59.9
P/BV (x)	16.3	13.9	12.0
EV/EBITDA (x)	53.1	44.6	40.8
Div Yield (%)	0.2	0.5	0.5
FCF Yield (%)	0.6	1.4	1.1

## Shareholding pattern (%)

As On	Jun-21	Mar-21	Jun-20
Promoter	59.5	59.5	59.5
DII	8.3	8.1	9.9
FII	24.1	24.9	22.0
Others	8.2	7.5	8.7

FII Includes depository receipts

## Stock Performance (1-year)



CMP: INR1,345

TP: INR1,185 (-12%)

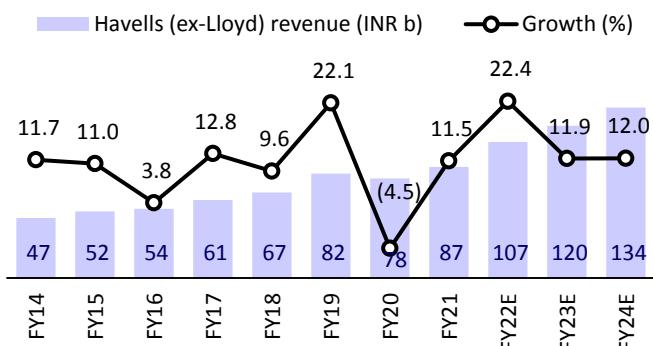
Neutral

## Diversified product portfolio aids swift recovery

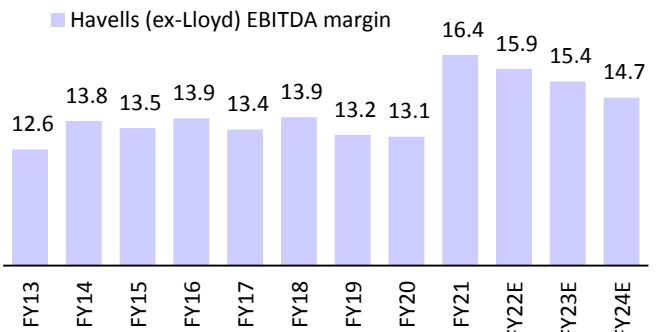
- **Robust recovery led by B2B business:** Havells ended 1QFY22 with a two-year revenue CAGR of -2%, the strongest in our Coverage Universe. Recovery across the Projects and Institutional segments aided sales in Havells' core segment, especially in Cables and Wires and Switchgear. While Real Estate has started gaining traction in terms of new launches, the sustainability of the same needs to be further validated. HAVL's leadership position, especially in northern India, which was quick to recover, drove the offtake. A washed-out summer season impacted Lloyd's performance.
- **Strong distribution aids revenue growth:** Over the last few years, HAVL has focused on expanding its distribution reach in the semi-urban and rural markets under the 'Rural – Vistaar' initiative. At FY21-end, the company had 2,500 distributors covering 28,000 outlets (v/s 1,700 rural distributors and 18,000 outlets in FY20). Overall, HAVL has ~14.2k dealers and ~180k retailers. While the rural channel aided growth after the first lockdown, growth in 1QFY22 was uniform across various channels.
- **Prices hikes cushion impact on margins:** While Cables and Wires and Switchgears benefitted from the commodity price inflation, ECD and Lighting saw margin compression. Lloyd's margins were also impacted by lower demand. Ex-Cables, HAVL has taken a 10–15% price increase over a year across various categories, negating the impact of commodity cost inflation. Minor price hikes would be taken in the ECD segment based on the demand outlook. While ad spends have scaled up gradually, they are expected to remain below pre-COVID levels over the next 2–3 quarters.
- **Inventory at normal levels within channel:** For Lloyds, RAC inventory stood high at the company level, while that in the channel was normal. Hence, secondary sales are currently better v/s primary sales. With a steady demand environment, channel inventory is expected to increase gradually.
- **Category expansion in Lloyds bodes well over longer term:** Lloyd has entered into the Refrigerator category and is setting up a facility to manufacture semi-automatic washing machines in-house. With this, it now has a presence across key Consumer Durables categories.
- **Valuation and view:** Havells' diversified product portfolio is resilient to input cost pressures. In fact, its strong brand positioning enables the company to take price hikes and, thereby, positively impact earnings growth. We expect margins to normalize towards trend margins and bake in an EBITDA margin of 13.2% in FY24E (from 15% in FY21) – still higher than the 11–12% range in FY19/FY20 – as some of the cost rationalization elements would continue for a longer time. Thus, we forecast a revenue / EBITDA / adj. PAT CAGR of 17%/12%/15% over FY21–24. Post the growth in 1QFY22, induced by a low base, earnings growth may be subdued over the next few quarters. We roll forward our valuation methodology on a Sep'23 basis and maintain a **Neutral** rating, with TP of INR1,185/share (50x Sep'23 EPS).

## Story in charts

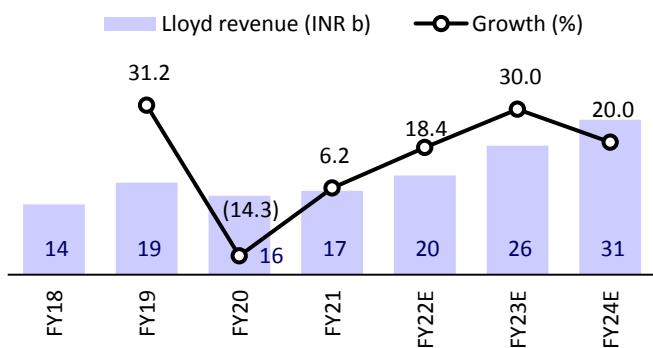
**Exhibit 33: Havells' (ex-Lloyd) revenue trend (INR b) – double-digit growth at portfolio level to continue**



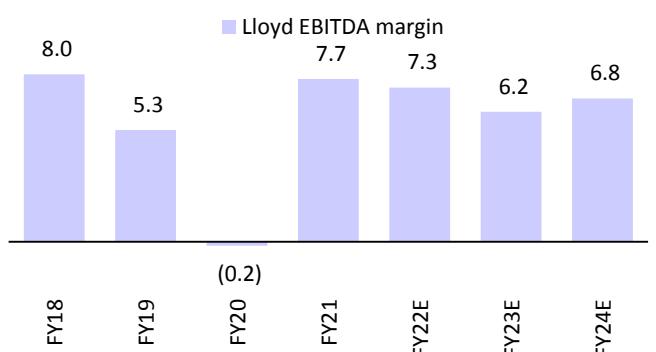
**Exhibit 34: Havells' (ex-Lloyd) EBITDA margin to normalize at 14.7% by FY24E, above 13–14% range pre-COVID**



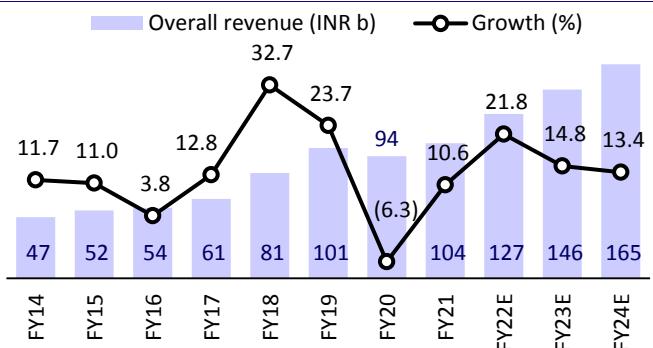
**Exhibit 35: Lloyd's revenue trend (INR b) – AC sales partially lost this season; expect ~22% CAGR over FY21–24**



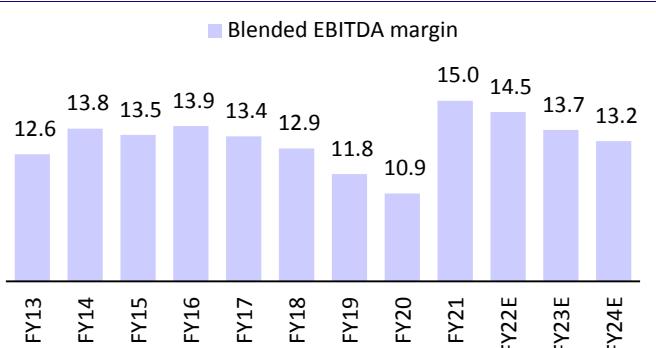
**Exhibit 36: Lloyd's EBITDA margin trend (%) – expect margins to settle at ~7% over medium term**



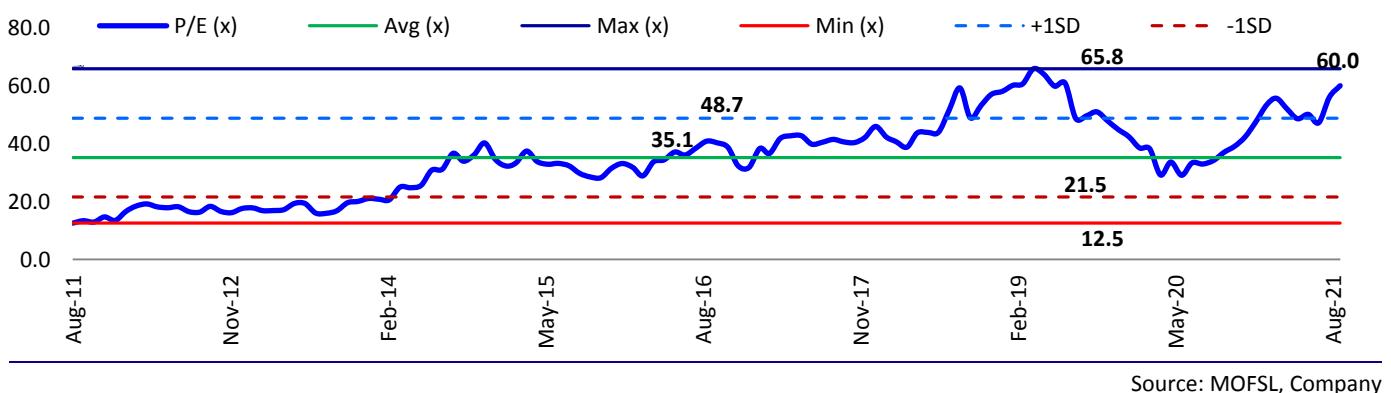
**Exhibit 37: Overall revenue trend (INR b) – expect CAGR of ~17% over FY21–24**



**Exhibit 38: Blended margin trend: EBITDA margin to settle at 13.2% by FY24E as ad spends return**



**Exhibit 39: HAVL trades at one-year forward P/E of 60x, which is at premium to its long term average of ~35x**



## Financials and valuations

Income Statement							(INR m)
Y/E March	2018	2019	2020	2021	2022E	2023E	2024E
<b>Net Sales</b>	<b>81,386</b>	<b>1,00,677</b>	<b>94,292</b>	<b>1,04,279</b>	<b>1,27,000</b>	<b>1,45,760</b>	<b>1,65,297</b>
Change (%)	32.7	23.7	-6.3	10.6	21.8	14.8	13.4
<b>EBITDA</b>	<b>10,493</b>	<b>11,838</b>	<b>10,274</b>	<b>15,653</b>	<b>18,433</b>	<b>19,997</b>	<b>21,851</b>
% of Net Sales	12.9	11.8	10.9	15.0	14.5	13.7	13.2
Depreciation	1,395	1,494	2,179	2,489	2,550	2,811	3,101
Interest	240	161	197	726	600	400	400
Other Income	1,170	1,278	1,120	1,450	1,625	1,991	2,499
<b>PBT</b>	<b>10,028</b>	<b>11,461</b>	<b>9,017</b>	<b>13,888</b>	<b>16,907</b>	<b>18,777</b>	<b>20,849</b>
Tax	3,022	3,588	1,687	3,590	4,256	4,726	5,248
Rate (%)	30.1	31.3	18.7	25.8	25.2	25.2	25.2
Extra-ordinary Inc.(net)	119	0	0	98	0	0	0
<b>Reported PAT</b>	<b>7,125</b>	<b>7,873</b>	<b>7,330</b>	<b>10,396</b>	<b>12,652</b>	<b>14,051</b>	<b>15,601</b>
Change (%)	32.2	10.5	-6.9	41.8	21.7	11.1	11.0
<b>Adjusted PAT</b>	<b>7,006</b>	<b>7,873</b>	<b>7,330</b>	<b>10,298</b>	<b>12,652</b>	<b>14,051</b>	<b>15,601</b>
Change (%)	17.4	12.4	-6.9	40.5	22.9	11.1	11.0
Balance Sheet							(INR m)
Y/E March	2018	2019	2020	2021	2022E	2023E	2024E
Share Capital	625	626	626	626	626	626	626
Reserves	36,766	41,297	42,422	51,019	59,875	69,710	80,631
<b>Net Worth</b>	<b>37,392</b>	<b>41,922</b>	<b>43,048</b>	<b>51,645</b>	<b>60,501</b>	<b>70,336</b>	<b>81,257</b>
Loans	1,080	945	405	4,922	4,922	4,922	4,922
Deferred Tax Liability	2,070	3,168	2,865	3,391	3,391	3,391	3,391
<b>Capital Employed</b>	<b>40,541</b>	<b>46,035</b>	<b>46,318</b>	<b>59,958</b>	<b>68,814</b>	<b>78,649</b>	<b>89,570</b>
Gross Fixed Assets	34,113	34,027	40,479	41,965	45,965	50,965	55,965
Less: Depreciation	6,799	4,989	6,985	9,062	11,612	14,422	17,523
<b>Net Fixed Assets</b>	<b>27,314</b>	<b>29,038</b>	<b>33,494</b>	<b>32,903</b>	<b>34,353</b>	<b>36,542</b>	<b>38,441</b>
Capital WIP	241	2,327	861	899	899	899	899
Investments	955	17	16	3,079	3,079	3,079	3,079
<b>Curr. Assets</b>	<b>36,905</b>	<b>39,875</b>	<b>36,107</b>	<b>51,321</b>	<b>63,527</b>	<b>75,588</b>	<b>89,208</b>
Inventory	16,217	19,190	18,719	26,199	27,836	31,947	36,230
Debtors	3,254	4,242	2,489	5,636	6,864	7,878	8,934
Cash & Bank Balance	15,262	12,877	11,069	16,247	24,884	31,236	38,911
Loans & Advances	0	0	0	0	0	0	0
Other Current Assets	2,173	3,566	3,830	3,238	3,944	4,526	5,133
<b>Current Liab. &amp; Prov.</b>	<b>24,873</b>	<b>25,222</b>	<b>24,160</b>	<b>28,245</b>	<b>33,045</b>	<b>37,460</b>	<b>42,057</b>
Creditors	16,340	15,601	14,141	15,968	19,447	22,320	25,311
Other Liabilities	6,754	7,264	7,564	9,117	10,438	11,980	13,586
Provisions	1,780	2,358	2,456	3,160	3,160	3,160	3,160
<b>Net Current Assets</b>	<b>12,032</b>	<b>14,653</b>	<b>11,947</b>	<b>23,076</b>	<b>30,482</b>	<b>38,129</b>	<b>47,151</b>
<b>Application of Funds</b>	<b>40,541</b>	<b>46,035</b>	<b>46,318</b>	<b>59,958</b>	<b>68,814</b>	<b>78,649</b>	<b>89,570</b>

## Financials and valuations

Ratios							
Y/E March	2018	2019	2020	2021	2022E	2023E	2024E
<b>Basic (INR)</b>							
Adjusted EPS	<b>11.2</b>	<b>12.6</b>	<b>11.7</b>	<b>16.5</b>	<b>20.2</b>	<b>22.4</b>	<b>24.9</b>
Growth (%)	17.3	12.3	-6.9	40.4	22.9	11.1	11.0
Cash EPS	13.4	15.0	15.2	20.4	24.3	26.9	29.9
Book Value	59.8	67.0	68.8	82.5	96.6	112.4	129.8
DPS	3.5	4.0	8.5	2.5	6.1	6.7	7.5
Payout (incl. Div. Tax.)	37.6	38.3	87.5	18.2	30.0	30.0	30.0
<b>Valuation (x)</b>							
P/Sales	10.3	8.4	8.9	8.1	6.6	5.8	5.1
P/E	120.0	106.8	114.8	81.7	66.5	59.9	54.0
Cash P/E	100.1	89.8	88.5	65.8	55.4	49.9	45.0
EV/EBITDA	78.8	70.0	80.9	53.1	44.6	40.8	37.0
EV/Sales	10.2	8.2	8.8	8.0	6.5	5.6	4.9
Price/Book Value	22.5	20.1	19.5	16.3	13.9	12.0	10.4
Dividend Yield (%)	0.3	0.3	0.6	0.2	0.5	0.5	0.6
<b>Profitability Ratios (%)</b>							
RoE	18.7	18.8	17.0	19.9	20.9	20.0	19.2
RoCE	17.7	17.3	16.2	18.1	19.0	18.2	17.8
RoIC	26.1	21.4	18.7	24.0	29.1	29.0	29.5
<b>Turnover Ratios</b>							
Debtors (Days)	15	15	10	20	20	20	20
Inventory (Days)	73	70	72	92	80	80	80
Creditors (Days)	73	57	55	56	56	56	56
Asset Turnover (x)	2.0	2.2	2.0	1.7	1.8	1.9	1.8
<b>Leverage Ratio</b>							
Net Debt/Equity (x)	(0.4)	(0.3)	(0.2)	(0.2)	(0.3)	(0.4)	(0.4)

Cash Flow Statement (INR m)							
Y/E March	2018	2019	2020	2021	2022E	2023E	2024E
<b>PBT before EO Items</b>							
<b>PBT before EO Items</b>	<b>10,028</b>	<b>11,468</b>	<b>9,216</b>	<b>14,104</b>	<b>16,907</b>	<b>18,777</b>	<b>20,849</b>
Add : Depreciation	1,395	1,494	2,179	2,489	2,550	2,811	3,101
Interest	(249)	(728)	(535)	(315)	(1,025)	(1,591)	(2,099)
Less : Direct Taxes Paid	2,450	2,469	2,398	2,714	4,256	4,726	5,248
(Inc)/Dec in WC	(2,556)	4,639	215	6,985	(1,230)	1,294	1,347
<b>CF from Operations</b>	<b>11,281</b>	<b>5,126</b>	<b>8,248</b>	<b>6,579</b>	<b>15,407</b>	<b>13,977</b>	<b>15,256</b>
(Inc)/Dec in FA	(15,962)	(4,996)	(3,592)	(1,227)	(4,000)	(5,000)	(5,000)
<b>Free Cash Flow</b>	<b>(4,681)</b>	<b>130</b>	<b>4,655</b>	<b>5,353</b>	<b>11,407</b>	<b>8,977</b>	<b>10,256</b>
(Pur)/Sale of Investments	4,511	710	625	(2,169)	1,625	1,991	2,499
<b>CF from Investments</b>	<b>(11,451)</b>	<b>(4,287)</b>	<b>(2,968)</b>	<b>(3,396)</b>	<b>(2,375)</b>	<b>(3,009)</b>	<b>(2,501)</b>
(Inc)/Dec in Net Worth	147	135	313	195	-	-	-
(Inc)/Dec in Debt	(901)	(209)	(937)	4,136	-	-	-
Less : Interest Paid	197	134	52	459	600	400	400
Dividend Paid	2,632	3,016	6,413	1,878	3,796	4,215	4,680
<b>CF from Fin. Activity</b>	<b>(3,583)</b>	<b>(3,224)</b>	<b>(7,088)</b>	<b>1,994</b>	<b>(4,396)</b>	<b>(4,615)</b>	<b>(5,080)</b>
<b>Inc/Dec of Cash</b>	<b>(3,754)</b>	<b>(2,385)</b>	<b>(1,808)</b>	<b>5,178</b>	<b>8,636</b>	<b>6,353</b>	<b>7,674</b>
Add: Beginning Balance	19,375	15,262	12,877	11,069	16,247	24,884	31,236
<b>Closing Balance</b>	<b>15,262</b>	<b>12,877</b>	<b>11,069</b>	<b>16,247</b>	<b>24,884</b>	<b>31,236</b>	<b>38,911</b>

# Orient Electric

BSE SENSEX	S&P CNX
57,552	17,132



Bloomberg	ORIENTEL IN
Equity Shares (m)	212
M.Cap.(INRb)/(USDb)	68.6 / 0.9
52-Week Range (INR)	368 / 174
1, 6, 12 Rel. Per (%)	-17/5/16
12M Avg Val (INR M)	155

## Financials & Valuations (INR b)

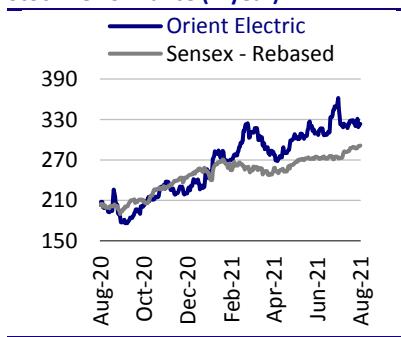
Y/E Mar	2021	2022E	2023E
Sales	20.3	25.0	29.2
EBITDA	2.2	2.4	3.1
PAT	1.2	1.4	1.9
EBITDA (%)	10.8	9.8	10.7
EPS (INR)	5.6	6.5	8.7
EPS Gr. (%)	52.3	15.2	34.4
BV/Sh. (INR)	21.5	26.0	32.1
<b>Ratios</b>			
Net D/E	(0.5)	(0.2)	(0.3)
RoE (%)	26.3	25.0	27.2
RoCE (%)	30.4	28.3	29.9
Payout (%)	22.1	30.0	30.0
<b>Valuations</b>			
P/E (x)	58.7	51.0	37.9
P/BV (x)	15.4	12.7	10.3
EV/EBITDA (x)	30.9	28.4	22.0
Div Yield (%)	0.4	0.6	0.8
FCF Yield (%)	5.6	(1.1)	2.3

## Shareholding pattern (%)

As On	Jun-21	Mar-21	Jun-20
Promoter	38.5	38.5	38.5
DII	22.4	22.6	21.2
FII	8.8	9.2	5.1
Others	30.4	29.7	35.2

FII Includes depository receipts

## Stock Performance (1-year)



**CMP: INR331** **TP: INR435 (+31%)**

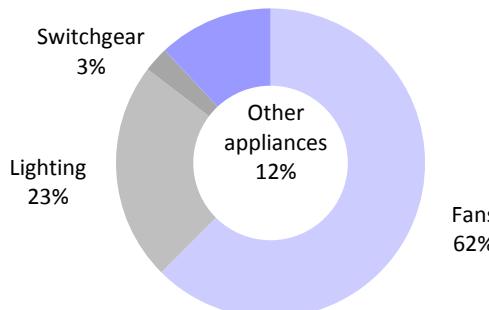
**Buy**

## Operating leverage to aid earnings

- Cost savings program on track:** The cost-saving initiative – ‘Sanchay’ – has been repositioned into an entity-wide overarching ideation and cost consciousness platform, with the program enabled by a cloud-hosted digitized platform. With fixed cost savings, OEL achieved a lower breakeven point in FY21 (v/s FY20) and increased competitiveness across various market cycles. The cost savings program helped OEL cushion the impact of the commodity cost inflation of ~0.5% of revenue in 1QFY22 as well.
- Product expansion strategy in place:** With its products expansion strategy beyond Fans into related categories, such as Lighting, Switchgears, Air Coolers, and Water Heaters, OEL has been addressing the concentration risk. Importantly, it has been focusing on innovation, and its new offerings have been well-received by the market. Such measures give us the confidence that the business is moving in the right direction – towards increasing the structural growth rate of the product portfolio.
- Price hikes taken to absorb commodity cost inflation:** Since the uptrend in commodity price inflation, OEL has taken 15–20% price hikes across various products. However, 1QFY22 margins in the ECD segment were impacted by a lag in the price increase taken due to the competitive scenario.
- Expect EBITDA margin differential with leading companies to converge:** OEL enjoys a similar gross margin as its peers, suggesting that the brand is on par with leading companies, supported by its pricing/procurement strategy. It has one of the lowest EBITDA margins v/s peers. The EBITDA margin stood at just 10.8% in FY21 v/s an average of 13% for its peers. Our analysis of overheads suggests that such a differential is attributable to employee costs, ad spends, and so on, and OEL is perhaps in the investment phase. There is a strong case for potential improvement in the steady-state EBITDA margin to the double digits.
- Balance sheet turns net cash:** With strong cash generation, OEL had almost entirely repaid ~INR1.0b in debt at FY21-end, leading to net cash of INR2.4b (v/s net debt of INR0.9b in FY20).
- Valuation and view:** OEL’s cost structure (with higher employee costs and ad spends as a percentage of sales) makes it a strong operating leverage story. As the economy recovers from the pandemic, it could see strong margin expansion. We forecast a revenue / EBITDA / adjusted PAT CAGR of 17%/19%/23% over FY21–24. We roll forward our valuation methodology on a Sep’23 basis and value OEL at 45x Sep’23 EPS, with TP of INR435. At CMP, the stock trades at an FY22E/FY23E P/E of 50x/37x. Our longer term thesis indicates a reduction in the margin differential between OEL and leading FMCG peers ([refer to our initiation report](#)). On an FY23E P/E multiple basis, OEL is trading at a discount of 37%/11% v/s HAVL/CROMPTON, while on an EV/EBITDA basis, the discount stands at 46%/34%. Maintain Buy.

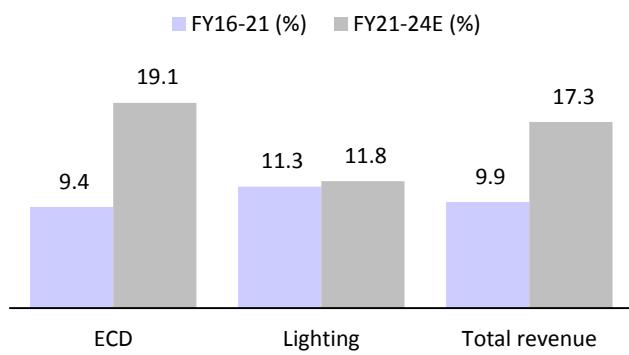
## Story in charts

**Exhibit 40: Revenue breakdown (FY21E)**



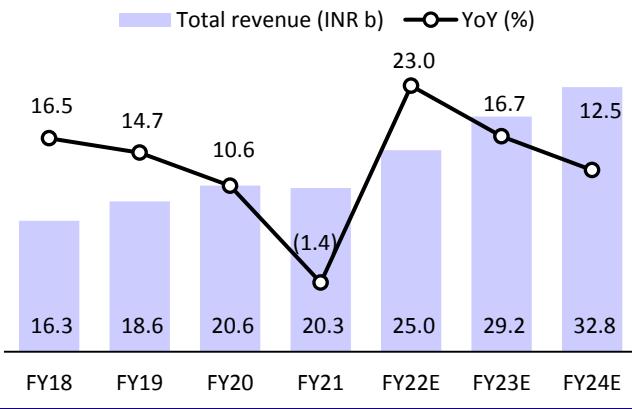
Source: MOFSL, Company

**Exhibit 41: Revenue growth to be led by double-digit CAGR in ECD and Lighting segments**



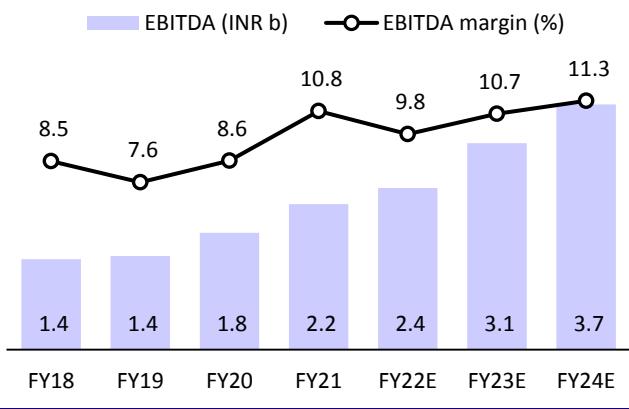
Source: MOFSL, Company

**Exhibit 42: Expect total revenue CAGR of ~17% over FY21–24**



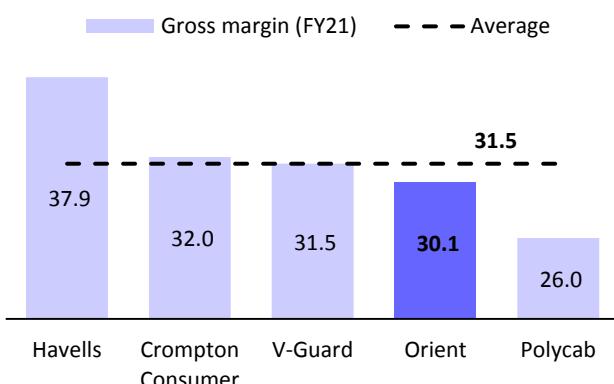
Source: MOFSL, Company

**Exhibit 43: Expect 19% EBITDA CAGR over FY21–24, with double-digit margins**



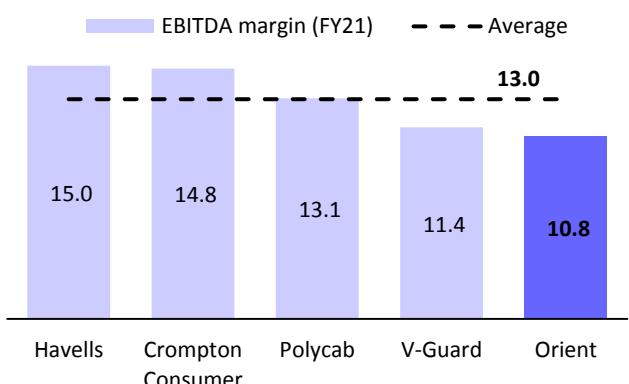
Source: MOFSL, Company

**Exhibit 44: OEL enjoys a gross margin at par with peers...**



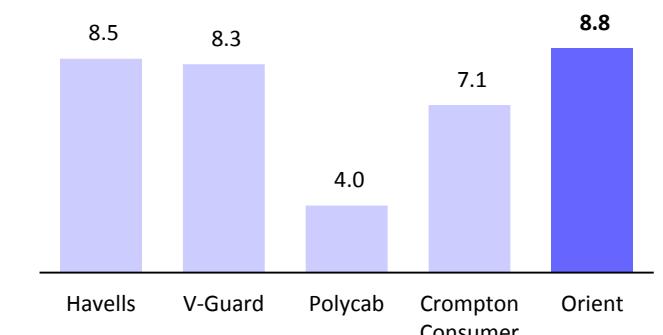
Source: MOFSL, Company

**Exhibit 45: ...while the differential is slightly higher on EBITDA margin due to higher overheads**



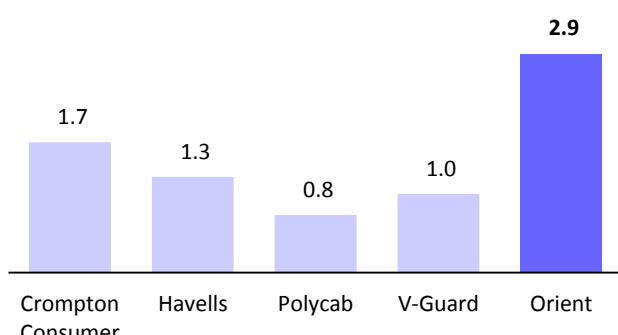
Source: MOFSL, Company

**Exhibit 46: Employee costs, as a percentage of sales, v/s peers**



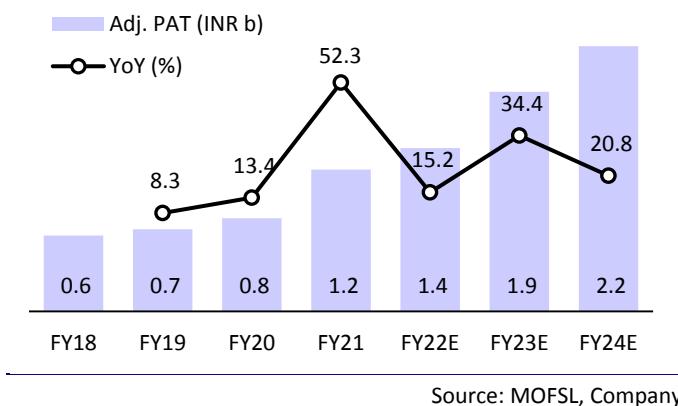
Source: MOFSL, Company

**Exhibit 47: Ad spends, as a percentage of sales, v/s peers**



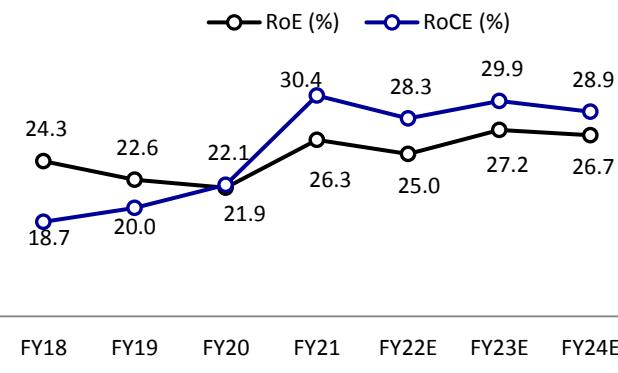
Source: MOFSL, Company

**Exhibit 48: Expect higher operating leverage to lead to ~23% PAT CAGR over FY21–24**



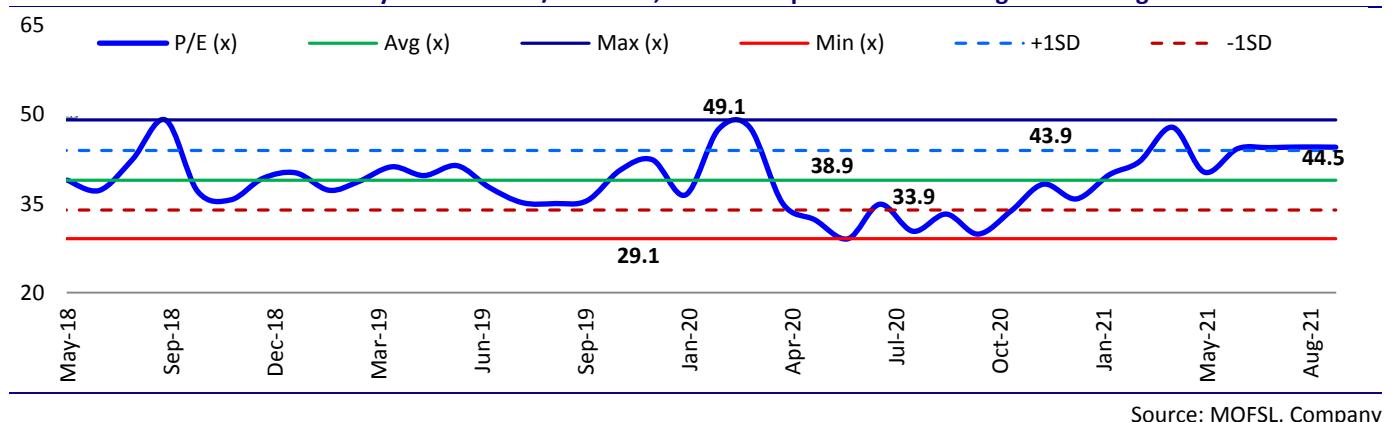
Source: MOFSL, Company

**Exhibit 49: Expect return ratios to remain robust over FY21–24, led by strong operating performance**



Source: MOFSL, Company

**Exhibit 50: ORIENT trades at one-year forward P/E of ~45x, which is at premium to its long term average of ~39x**



Source: MOFSL, Company

## Financials and valuations

Income Statement							(INR m)
Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Net Sales</b>	<b>15,998</b>	<b>18,644</b>	<b>20,618</b>	<b>20,326</b>	<b>25,000</b>	<b>29,180</b>	<b>32,837</b>
Change (%)		16.5	10.6	-1.4	23.0	16.7	12.5
<b>EBITDA</b>	<b>1,365</b>	<b>1,413</b>	<b>1,764</b>	<b>2,195</b>	<b>2,440</b>	<b>3,115</b>	<b>3,700</b>
% of Net Sales	8.5	7.6	8.6	10.8	9.8	10.7	11.3
Depreciation	198	231	401	432	471	521	589
Interest	245	229	261	207	200	200	200
Other Income	55	95	41	63	75	85	85
<b>PBT</b>	<b>978</b>	<b>1,049</b>	<b>1,143</b>	<b>1,619</b>	<b>1,844</b>	<b>2,479</b>	<b>2,996</b>
Tax	338	356	357	422	464	624	754
Rate (%)	34.6	33.9	31.2	26.0	25.2	25.2	25.2
Extra-ordinary Inc. (net)	0	0	0	0	0	0	0
<b>Reported PAT</b>	<b>640</b>	<b>693</b>	<b>786</b>	<b>1,198</b>	<b>1,380</b>	<b>1,855</b>	<b>2,242</b>
Change (%)		8.3	13.4	52.3	15.2	34.4	20.8
<b>Adjusted PAT</b>	<b>640</b>	<b>693</b>	<b>786</b>	<b>1,198</b>	<b>1,380</b>	<b>1,855</b>	<b>2,242</b>
Change (%)		8.3	13.4	52.3	15.2	34.4	20.8
Balance sheet							
Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Share Capital	212	212	212	212	212	212	212
Reserves	2,420	2,854	3,382	4,344	5,310	6,609	8,178
<b>Net Worth</b>	<b>2,632</b>	<b>3,066</b>	<b>3,594</b>	<b>4,557</b>	<b>5,522</b>	<b>6,821</b>	<b>8,390</b>
Loans	1,641	1,349	985	153	153	153	153
Deferred Tax Liability	0	-197	-214	-263	-263	-263	-263
<b>Capital Employed</b>	<b>4,274</b>	<b>4,219</b>	<b>4,365</b>	<b>4,446</b>	<b>5,412</b>	<b>6,711</b>	<b>8,280</b>
Gross Fixed Assets	2,115	2,388	2,788	3,112	3,612	4,112	4,612
Less: Depreciation	1,058	1,223	1,430	1,670	2,141	2,662	3,251
<b>Net Fixed Assets</b>	<b>1,057</b>	<b>1,166</b>	<b>1,358</b>	<b>1,442</b>	<b>1,471</b>	<b>1,450</b>	<b>1,361</b>
Capital WIP	47	43	103	113	113	113	113
Investments	0	0	0	0	0	0	0
<b>Curr. Assets</b>	<b>6,980</b>	<b>7,483</b>	<b>7,929</b>	<b>9,806</b>	<b>10,057</b>	<b>12,418</b>	<b>14,987</b>
Inventory	2,091	2,640	2,865	2,492	3,065	3,577	4,025
Debtors	3,864	4,047	3,889	3,838	4,720	5,510	6,200
Cash and Bank Balance	305	316	75	2,576	1,164	2,038	3,307
Loans and Advances	97	0	0	0	0	0	0
Other Current Assets	624	479	1,101	901	1,108	1,293	1,455
<b>Current Liab. and Prov.</b>	<b>3,810</b>	<b>4,473</b>	<b>5,025</b>	<b>6,914</b>	<b>6,229</b>	<b>7,270</b>	<b>8,181</b>
Creditors	2,762	3,509	3,305	5,191	4,110	4,797	5,398
Other Liabilities	743	569	1,257	1,183	1,455	1,698	1,911
Provisions	306	395	464	540	664	775	872
<b>Net Current Assets</b>	<b>3,170</b>	<b>3,010</b>	<b>2,904</b>	<b>2,892</b>	<b>3,828</b>	<b>5,148</b>	<b>6,806</b>
<b>Application of Funds</b>	<b>4,274</b>	<b>4,219</b>	<b>4,365</b>	<b>4,446</b>	<b>5,412</b>	<b>6,711</b>	<b>8,280</b>

## Financials and valuations

Ratios							
Y/E March	FY18	FY19	FY20	FY21P	FY22E	FY23E	FY24E
<b>Basic EPS (INR)</b>							
Adjusted EPS	3.0	3.3	3.7	5.6	6.5	8.7	10.6
Growth (%)		8.2	13.4	52.3	15.2	34.4	20.8
Cash EPS	3.9	4.4	5.6	7.7	8.7	11.2	13.3
Book Value	12.4	14.4	16.9	21.5	26.0	32.1	39.5
DPS	0.5	1.0	1.2	1.2	2.0	2.6	3.2
Payout (incl. Div. Tax.)	19.9	36.9	37.4	22.1	30.0	30.0	30.0
<b>Valuation (x)</b>							
P/Sales	4.4	3.8	3.4	3.5	2.8	2.4	2.1
P/E	109.8	101.4	89.4	58.7	51.0	37.9	31.4
Cash P/E	83.9	76.1	59.2	43.2	38.0	29.6	24.8
EV/EBITDA	52.5	50.5	40.4	30.9	28.4	22.0	18.1
EV/Sales	4.5	3.8	3.5	3.3	2.8	2.3	2.0
Price/Book Value	26.7	22.9	19.6	15.4	12.7	10.3	8.4
Dividend Yield (%)	0.2	0.3	0.3	0.4	0.6	0.8	1.0
<b>Profitability Ratios (%)</b>							
RoE	24.3	22.6	21.9	26.3	25.0	27.2	26.7
RoCE	18.7	20.0	22.1	30.4	28.3	29.9	28.9
RoIC	19.3	20.0	21.9	69.7	34.7	41.5	46.8
<b>Turnover Ratios</b>							
Debtors (Days)	88	79	69	69	69	69	69
Inventory (Days)	48	52	51	45	45	45	45
Creditors (Days)	63	69	59	93	60	60	60
Asset Turnover (x)	3.7	4.4	4.7	4.6	4.6	4.3	4.0
<b>Leverage Ratio</b>							
Net Debt/Equity (x)	0.5	0.3	0.3	(0.5)	(0.2)	(0.3)	(0.4)
<b>Cash Flow Statement</b>							
(INR m)							
Y/E March	FY18	FY19	FY20	FY21P	FY22E	FY23E	FY24E
<b>PBT before EO Items</b>	<b>978</b>	<b>1,049</b>	<b>1,143</b>	<b>1,619</b>	<b>1,844</b>	<b>2,479</b>	<b>2,996</b>
Add: Depreciation	198	231	401	432	471	521	589
Interest	245	229	261	207	200	200	200
Less: Direct Taxes Paid	259	301	482	414	464	624	754
(Inc.)/Dec. in WC	489	303	423	(2,211)	2,348	445	390
Others	274	446	409	240	-	-	-
<b>CF from Operations</b>	<b>947</b>	<b>1,349</b>	<b>1,310</b>	<b>4,295</b>	<b>(298)</b>	<b>2,131</b>	<b>2,641</b>
(Inc.)/Dec. in FA	(254)	(345)	(522)	(359)	(500)	(500)	(500)
<b>Free Cash Flow</b>	<b>693</b>	<b>1,005</b>	<b>788</b>	<b>3,936</b>	<b>(798)</b>	<b>1,631</b>	<b>2,141</b>
(Pur.)/Sale of Investments	-	-	-	-	-	-	-
<b>CF from Investments</b>	<b>(254)</b>	<b>(345)</b>	<b>(522)</b>	<b>(359)</b>	<b>(500)</b>	<b>(500)</b>	<b>(500)</b>
(Inc.)/Dec. in Debt	(246)	(513)	(476)	(961)	-	-	-
Less: Interest Paid	245	229	259	210	200	200	200
Dividend Paid	128	256	294	265	414	556	673
Others	(3)	4	(0)	1	-	-	-
<b>CF from Fin. Activity</b>	<b>(622)</b>	<b>(994)</b>	<b>(1,029)</b>	<b>(1,436)</b>	<b>(614)</b>	<b>(756)</b>	<b>(873)</b>
<b>Inc./Dec. in Cash</b>	<b>71</b>	<b>11</b>	<b>-241</b>	<b>2,500</b>	<b>(1,412)</b>	<b>874</b>	<b>1,268</b>
Add: Beginning Balance	234	305	316	75	2,575	1,163	2,038
<b>Closing Balance</b>	<b>305</b>	<b>316</b>	<b>75</b>	<b>2,575</b>	<b>1,163</b>	<b>2,038</b>	<b>3,306</b>

BSE SENSEX 57,552  
S&P CNX 17,132

# VOLTA

Bloomberg	VOLT IN
Equity Shares (m)	331
M.Cap.(INRb)/(USDb)	325.8 / 4.4
52-Week Range (INR)	1131 / 627
1, 6, 12 Rel. Per (%)	-10/-18/5
12M Avg Val (INR M)	1804

#### Financials & Valuations (INR b)

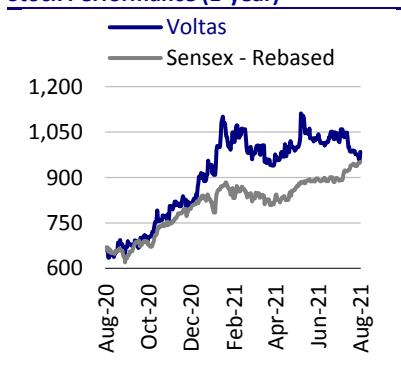
Y/E Mar	2021	2022E	2023E
Sales	75.6	82.5	101.0
EBITDA	6.4	7.1	9.1
PAT	5.3	5.7	7.3
EBITDA (%)	8.5	8.6	9.0
EPS (INR)	15.9	17.2	22.2
EPS Gr. (%)	(5.1)	8.5	29.0
BV/Sh. (INR)	150.9	163.9	180.5
<b>Ratios</b>			
Net D/E	(0.0)	(0.1)	(0.1)
RoE (%)	10.5	10.5	12.3
RoCE (%)	11.6	12.1	13.3
Payout (%)	25.9	25.0	25.0
<b>Valuations</b>			
P/E (x)	65.9	60.7	47.1
P/BV (x)	6.9	6.4	5.8
EV/EBITDA (x)	53.6	48.2	37.4
Div Yield (%)	0.4	0.4	0.5
FCF Yield (%)	1.7	1.4	1.3

#### Shareholding pattern (%)

As On	Jun-21	Mar-21	Jun-20
Promoter	30.3	30.3	30.3
DII	34.1	37.5	39.3
FII	17.2	14.4	10.7
Others	18.3	17.9	19.7

FII Includes depository receipts

#### Stock Performance (1-year)



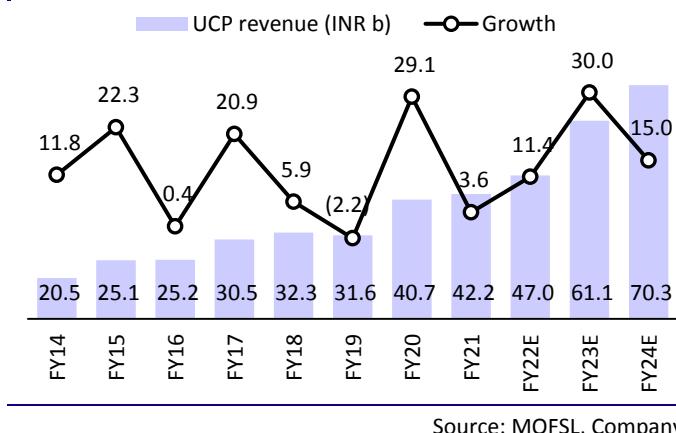
**CMP: INR1,046** **TP: INR1,065 (+2%)** **Neutral**

#### Near-term headwinds pose risk to earnings

- **RAC industry impacted for second consecutive year:** The management expects FY22 industry volume growth to be lower v/s FY20 levels. The RAC industry de-grew 30% by volume in FY21. VOLT expects some growth in FY22 (v/s FY21), but meeting FY20 levels may be challenging, especially amid concerns in the market over a potential third COVID wave. In Jun'21, industry growth stood flat YoY in volume terms.
- **Price hikes taken amid elevated competitive intensity:** VOLT has taken 8–10% price hikes in 1HCY21. However, the commodity price inflation has not been entirely passed on to the consumer. Depending on the demand situation and competitive intensity, the management would take a call on further price hikes.
- **Inventory level moderate; festive season key for primary sales:** Inventory at the trade level is normal, but moderately higher at the company level. Although, most of the company-level inventory is in the form of raw materials. Higher inventory at the company level may turn out to be a blessing in disguise if commodity prices continue to rise.
- **Market leadership position intact, but competition scaling up:** VOLT has consistently maintained its market leadership in the RAC market despite the rising competitive intensity. Over Jan–Feb'20, it emerged as the market leader in inverter ACs as well. It ended FY21 with a 25.2%/21.5% market share in RACs / Inverter ACs. However, players such as Daikin, Hitachi, and Lloyd are scaling up and have gained market share from weaker brands.
- **Expansion of Voltbek categories in progress:** The Sanand facility has been scaled up, with manufacturing potential now at 50k units/month. Voltbek currently has 283 SKUs across product categories (144 for Refrigerators, 46 for Washing Machines, 12 for Microwaves, and 8 for Dishwashers). Despite the COVID disruption, new launches have gained momentum, with 89 SKUs launched in FY21. Its YTD market share in Refrigerators stood at 3.1%, while that in Washing Machines stood at 2.7%.
- **Cautious about bidding for projects in EMP segment:** With a strong order book of INR61.5b, the management's focus is on execution and cash flows rather than higher orders. It would continue to cautiously bid for projects.
- **Valuation and view:** With the summer season behind, VOLT has limited room to surprise on earnings, especially given the strong base quarters. Not only has the AC category lagged behind other categories in terms of growth, but the price hikes have also been inadequate thus far to offset the commodity price inflation. The demand elasticity impact on account of the price hikes is yet to be ascertained in ACs, although we continue to believe a strong summer season is a bigger demand driver. Given the seasonality, this could be determined only in the following summer season. We maintain a Neutral rating, with TP of INR1,065. At CMP, the UCP business is trading at an FY23E/FY24E PE multiple of 47x/41x.

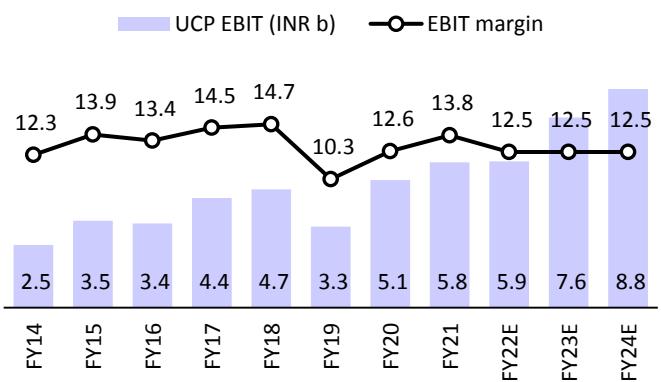
## Story in charts

**Exhibit 51: Expect ~19% revenue CAGR in UCP over FY21–24**



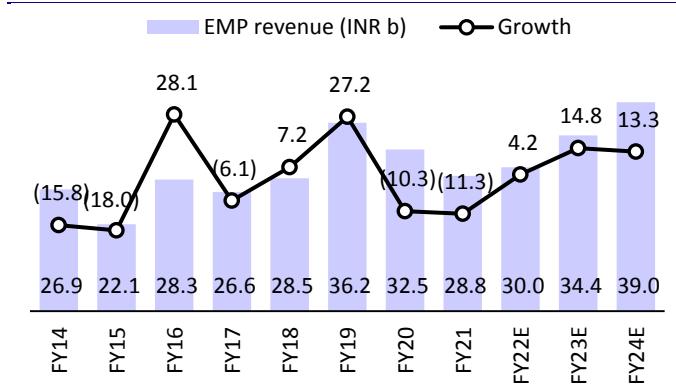
Source: MOFSL, Company

**Exhibit 52: Margins to moderate over FY22–24E on rising competitive intensity and commodity cost inflation**



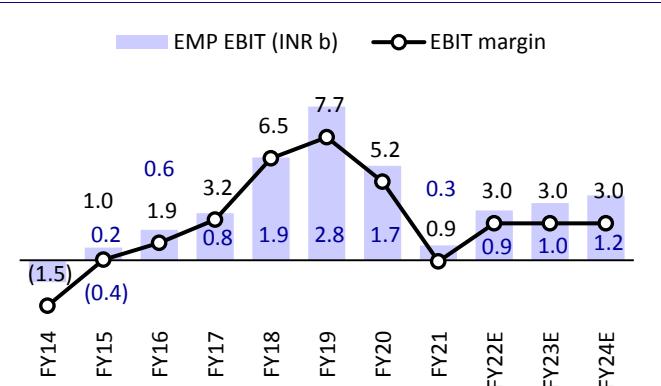
Source: MOFSL, Company

**Exhibit 53: Expect ~11% revenue CAGR in EMP over FY21–24 on moderate order book**



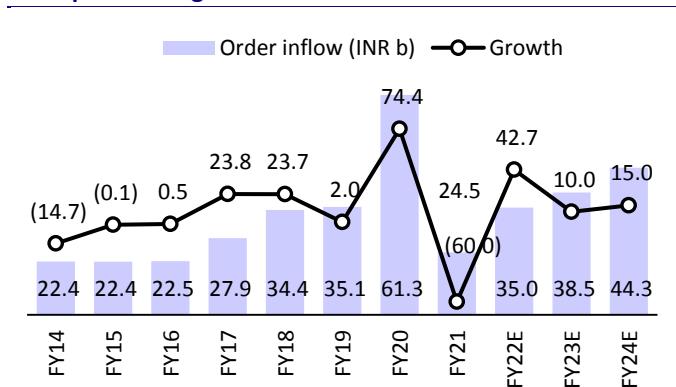
Source: MOFSL, Company

**Exhibit 54: Margins to stabilize over FY22–FY24E with execution of recent order wins**



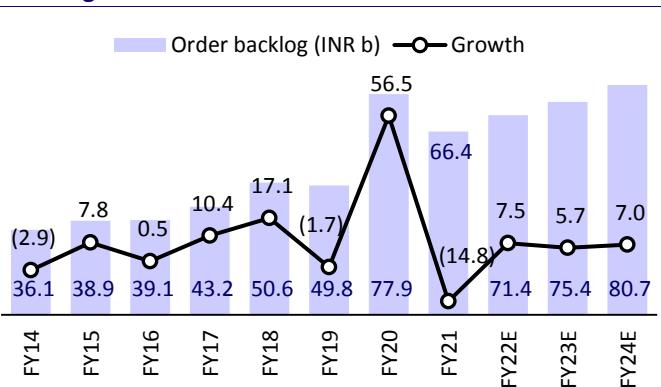
Source: MOFSL, Company

**Exhibit 55: Order inflows should scale up to ~INR35b in FY22E since plummeting in FY21**



Source: MOFSL, Company

**Exhibit 56: Order book to grow moderately over FY21–24E as management focuses on execution**

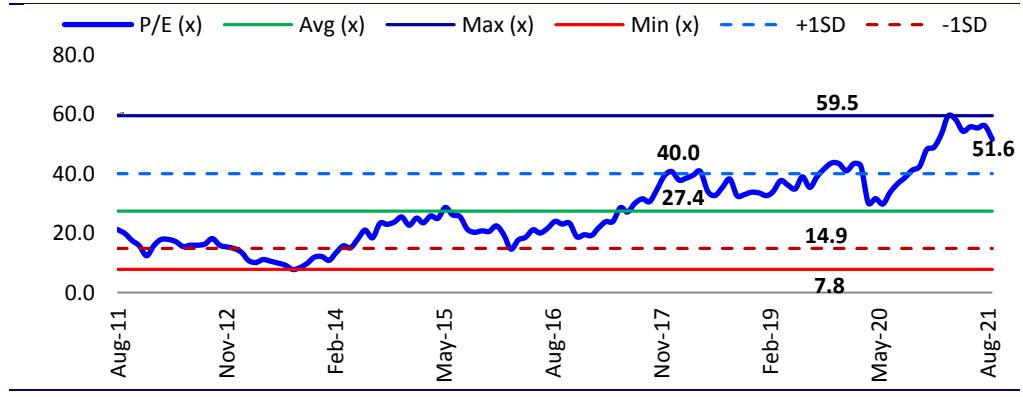


Source: MOFSL, Company

**Exhibit 57: We value VOLT at INR1,065/share**

Name of the segment	Sep'23E EPS (INR)	Multiple (x)	Value/share (INR)
Unitary Cooling Products	19.5	45.0	878
Engineered Products Services	3.3	15.0	49
Electromechanical Products (incl. non-allocable)	2.9	12.0	34
Beko JV	(1.6)	DCF	105
<b>Total</b>	<b>24.0</b>		<b>1,065</b>

Source: MOFSL, Company

**Exhibit 58: VOLT trades at one-year forward P/E of ~52x, which is at premium to its long term average of ~27x**

Source: MOFSL, Company

## Financials and valuations

Income Statement							(INR m)
Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Total Revenue</b>	<b>64,044</b>	<b>71,241</b>	<b>76,581</b>	<b>75,558</b>	<b>82,492</b>	<b>1,01,020</b>	<b>1,14,781</b>
Change (%)	6.2	11.2	7.5	-1.3	9.2	22.5	13.6
<b>EBITDA</b>	<b>6,626</b>	<b>6,117</b>	<b>6,867</b>	<b>6,414</b>	<b>7,094</b>	<b>9,104</b>	<b>10,498</b>
% of Total Revenue	10.3	8.6	9.0	8.5	8.6	9.0	9.1
Other income	1,741	1,863	2,306	1,889	2,350	2,200	2,200
Depreciation	244	240	320	339	356	401	446
Interest	119	330	211	262	200	200	200
Exceptional items	6	-118	-364	0	0	0	0
<b>PBT</b>	<b>8,011</b>	<b>7,292</b>	<b>8,278</b>	<b>7,702</b>	<b>8,888</b>	<b>10,703</b>	<b>12,052</b>
Tax	2,270	1,635	2,380	1,804	2,237	2,694	3,034
Rate (%)	28.3	22.4	28.8	23.4	25.2	25.2	25.2
<b>Reported PAT</b>	<b>5,724</b>	<b>5,079</b>	<b>5,172</b>	<b>5,251</b>	<b>5,696</b>	<b>7,346</b>	<b>8,552</b>
Change (%)	10.6	-11.3	1.8	1.5	8.5	29.0	16.4
<b>Adjusted PAT</b>	<b>5,718</b>	<b>5,197</b>	<b>5,536</b>	<b>5,251</b>	<b>5,696</b>	<b>7,346</b>	<b>8,552</b>
Change (%)	10.7	-9.1	6.5	-5.1	8.5	29.0	16.4
Balance Sheet							(INR m)
Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Share Capital	331	331	331	331	331	331	331
Reserves	38,721	40,769	42,471	49,603	53,875	59,384	65,798
<b>Net Worth</b>	<b>39,052</b>	<b>41,100</b>	<b>42,802</b>	<b>49,934</b>	<b>54,205</b>	<b>59,715</b>	<b>66,129</b>
Minority interest	317	348	365	361	398	434	471
Loans	1,423	3,147	2,179	2,606	2,106	1,606	1,106
Deferred Tax Liability	-46	-993	-715	-558	-558	-558	-558
<b>Capital Employed</b>	<b>40,746</b>	<b>43,601</b>	<b>44,631</b>	<b>52,343</b>	<b>56,151</b>	<b>61,197</b>	<b>67,148</b>
Gross Fixed Assets	5,187	5,591	6,201	6,616	7,616	8,616	9,616
Less: Depreciation	3,013	2,959	3,195	3,534	3,890	4,291	4,737
<b>Net Fixed Assets</b>	<b>2,174</b>	<b>2,633</b>	<b>3,006</b>	<b>3,082</b>	<b>3,726</b>	<b>4,325</b>	<b>4,879</b>
Capital WIP	41	157	263	88	88	88	88
Investments	27,536	23,859	23,433	30,464	30,546	30,919	31,489
Goodwill	798	798	798	798	798	798	798
<b>Curr. Assets</b>	<b>42,370</b>	<b>46,715</b>	<b>53,332</b>	<b>51,565</b>	<b>57,737</b>	<b>70,063</b>	<b>81,019</b>
Inventory	8,130	10,907	14,689	12,796	13,970	17,108	19,439
Debtors	15,703	18,330	18,336	18,009	19,662	24,078	27,358
Cash and Bank Balance	2,837	3,211	3,084	4,588	6,448	7,255	9,655
Loans and Advances	1,218	116	23	23	25	31	35
Other Assets	14,482	14,151	17,200	16,149	17,631	21,591	24,532
<b>Current Liab. and Prov.</b>	<b>32,172</b>	<b>30,560</b>	<b>36,201</b>	<b>33,654</b>	<b>36,743</b>	<b>44,995</b>	<b>51,125</b>
Current Liabilities	21,765	23,745	26,889	24,645	26,907	32,951	37,439
Other Liabilities and provisions	10,408	6,815	9,312	9,009	9,836	12,045	13,686
<b>Net Current Assets</b>	<b>10,198</b>	<b>16,155</b>	<b>17,131</b>	<b>17,911</b>	<b>20,994</b>	<b>25,067</b>	<b>29,894</b>
<b>Application of Funds</b>	<b>40,746</b>	<b>43,601</b>	<b>44,631</b>	<b>52,343</b>	<b>56,151</b>	<b>61,197</b>	<b>67,148</b>

## Financials and valuations

Ratios							
Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Basic (INR)</b>							
Adj. EPS	<b>17.3</b>	<b>15.7</b>	<b>16.7</b>	<b>15.9</b>	<b>17.2</b>	<b>22.2</b>	<b>25.9</b>
Cash EPS	18.0	16.4	17.7	16.9	18.3	23.4	27.2
Book Value	118.0	124.2	129.4	150.9	163.9	180.5	199.9
DPS	4.0	4.0	4.1	4.1	4.3	5.6	6.5
Payout (incl. Div. Tax.)	26.8	31.0	31.5	25.9	25.0	25.0	25.0
<b>Valuation (x)</b>							
P/E	60.5	66.6	62.5	65.9	60.7	47.1	40.5
Cash P/E	58.1	63.6	59.1	61.9	57.2	44.7	38.4
EV/EBITDA	52.0	56.5	50.2	53.6	48.2	37.4	32.1
EV/Sales	5.4	4.9	4.5	4.6	4.1	3.4	2.9
Price/Book Value	8.9	8.4	8.1	6.9	6.4	5.8	5.2
Dividend Yield (%)	0.4	0.4	0.4	0.4	0.4	0.5	0.6
<b>Profitability Ratios (%)</b>							
RoE	14.6	12.6	12.9	10.5	10.5	12.3	12.9
RoCE	14.3	13.8	14.1	11.6	12.1	13.3	13.7
RoIC	50.0	27.8	25.8	26.9	26.4	28.3	29.0
<b>Turnover Ratios</b>							
Debtors (Days)	89	94	87	87	87	87	87
Inventory (Days)	46	56	70	62	62	62	62
Creditors (Days)	124	122	128	119	119	119	119
Asset Turnover (x)	1.6	1.6	1.7	1.4	1.5	1.7	1.7
<b>Leverage Ratio</b>							
Net Debt/Equity (x)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)

Cash Flow Statement								(INR m)
Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E	
<b>PBT before EO Items</b>	<b>8,005</b>	<b>6,774</b>	<b>7,591</b>	<b>7,735</b>	<b>8,888</b>	<b>10,703</b>	<b>12,052</b>	
Depreciation	268	240	320	339	356	401	446	
Interest and other	0	330	211	262	200	200	200	
Direct Taxes Paid	-2,270	-2,708	-2,061	-693	-2,237	-2,694	-3,034	
(Inc.)/Dec. in WC	-1,495	-6,456	-911	-1,580	-1,223	-3,267	-2,426	
<b>CF from Operations</b>	<b>4,508</b>	<b>-1,807</b>	<b>5,223</b>	<b>6,070</b>	<b>5,984</b>	<b>5,343</b>	<b>7,238</b>	
(Inc.)/Dec. in FA	-252	-818	-905	-208	-1,000	-1,000	-1,000	
<b>Free Cash Flow</b>	<b>4,257</b>	<b>-2,625</b>	<b>4,318</b>	<b>5,862</b>	<b>4,984</b>	<b>4,343</b>	<b>6,238</b>	
(Pur.)/Sale of Investments	-4,857	3,181	-1,549	-3,158	-1,000	-1,000	-1,000	
<b>CF from Investments</b>	<b>-5,109</b>	<b>2,364</b>	<b>-2,454</b>	<b>-3,366</b>	<b>-2,000</b>	<b>-2,000</b>	<b>-2,000</b>	
(Inc.)/Dec. in Debt	1,666	1,724	-1,057	425	-500	-500	-500	
Interest Paid	0	-329	-212	-267	-200	-200	-200	
Dividend Paid	-1,534	-1,577	-1,627	-1,358	-1,424	-1,837	-2,138	
<b>CF from Fin. Activity</b>	<b>132</b>	<b>-183</b>	<b>-2,896</b>	<b>-1,200</b>	<b>-2,124</b>	<b>-2,537</b>	<b>-2,838</b>	
<b>Inc./Dec. in Cash</b>	<b>-469</b>	<b>374</b>	<b>-127</b>	<b>1,504</b>	<b>1,860</b>	<b>806</b>	<b>2,400</b>	
Add: Beginning Balance	3,305	2,837	3,211	3,084	4,588	6,449	7,255	
<b>Closing Balance</b>	<b>2,837</b>	<b>3,211</b>	<b>3,084</b>	<b>4,588</b>	<b>6,449</b>	<b>7,255</b>	<b>9,656</b>	

# Whirlpool India

BSE SENSEX	S&P CNX
57,552	17,132



Bloomberg	WHIRL IN
Equity Shares (m)	127
M.Cap.(INRb)/(USDb)	254.9 / 3.5
52-Week Range (INR)	2777 / 1970
1, 6, 12 Rel. Per (%)	-15/-31/-52
12M Avg Val (INR M)	278

## Financials & Valuations (INR b)

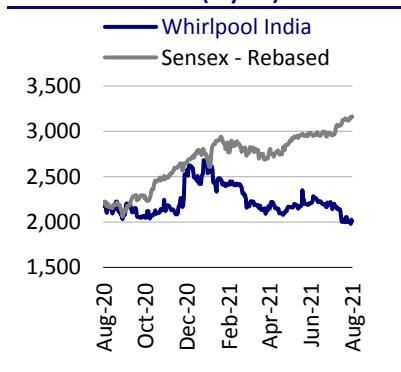
Y/E Mar	2021	2022E	2023E
Sales	59.0	67.3	83.2
EBITDA	5.4	6.1	8.7
PAT	3.5	4.1	6.0
EBITDA (%)	9.2	9.1	10.5
EPS (INR)	27.8	32.5	47.5
EPS Gr. (%)	(25.9)	16.9	46.1
BV/Sh. (INR)	222.5	250.2	290.6
<b>Ratios</b>			
Net D/E	(0.7)	(0.8)	(0.8)
ROE (%)	12.5	13.0	16.4
RoCE (%)	13.1	13.5	16.9
Payout (%)	18.0	15.0	15.0
<b>Valuations</b>			
P/E (x)	76.3	65.3	44.7
P/BV (x)	9.5	8.5	7.3
EV/EBITDA (x)	45.7	40.0	27.5
Div Yield (%)	0.2	0.2	0.3
FCF Yield (%)	1.6	1.3	2.1

## Shareholding pattern (%)

As On	Jun-21	Mar-21	Jun-20
Promoter	75.0	75.0	75.0
DII	11.3	11.0	11.3
FII	2.7	3.4	3.5
Others	11.1	10.6	10.2

FII Includes depository receipts

## Stock Performance (1-year)



**CMP: INR2,123**

**TP: INR2,650 (+25%)**

**Buy**

## Resilient performance despite disruption

- **Offtake better v/s RAC peers:** While demand quickly normalized for Consumer Electricals categories, offtake for Durables remained under pressure in 1QFY22. WHIRL's 1QFY22 two-year revenue CAGR of -18% was better v/s RAC players in our Coverage Universe (barring Lloyd). This gives us the confidence that the company would continue to see market share gains despite the general apprehensions regarding the risk to market share.
- **Commodity cost impacts margins; focus on entry-level products continues:** Gross margins were impacted by commodity cost inflation and adverse revenue mix in 1QFY22. The decline in gross margins may be partly attributable to WHIRL's focus on gaining market share in the mass market categories of Refrigerators and Washing Machines – a prudent strategy, in our view.
- **Investments and brand spends intact despite COVID disruption:** WHIRL has focused on brand endorsements via celebrities and the print media, and maintained its ad spends at ~1.7% of sales in FY21 (v/s average of ~1.6% of sales over FY14–20) despite the COVID disruption. Unlike other companies, it did not resort to aggressive cost-cutting and invested in hiring (employee strength beefed up to 2,679 in FY21 from 1,883 in FY20).
- **Strong player in Refrigerators and Washing Machines:** As per our estimate, WHIRL commands a volume market share of 17–18% in each category. It has been gaining market share in volume terms and its product portfolio is poised for strong structural growth of 12–14% over the next decade.
- **Focus on in-house manufacturing suggests long-term planning:** The company has incurred ~INR8.6b in capex over FY17–21 – banking on the long-term benefits of in-house manufacturing capabilities – in fair contrast to other white goods companies. Despite such a high capex, its RoIC is best in class, suggesting strong profitability and cash flow generation.
- **Exports to propel growth; China+1 strategy could be game-changer:** The management has hinted at using India as an integral part of its global sourcing (China+1 strategy). We have excluded this scenario from our base case as we await concrete steps towards the same. If applicable, the move could open up huge export potential for the Indian entity and help WHIRL leapfrog the competition.
- **Valuation and view:** On a relative basis, demand for washing machines and refrigerators could potentially surprise over the next six months v/s a seasonal category such as ACs – provided consumer demand holds good as the economy opens up. Unlike peers, WHIRL has not resorted to aggressive cost-cutting measures amid COVID-19. As the economy recovers from the lockdowns, operating leverage should aid margin normalization to 11.3% by FY24E. We expect a revenue / EBITDA / adj. PAT CAGR of 16%/25%/28% over FY21–24. We maintain BUY, with TP of INR2,650 (50x Sep'23 EPS).

## Story in charts

Exhibit 59: Revenue breakdown (FY21E)

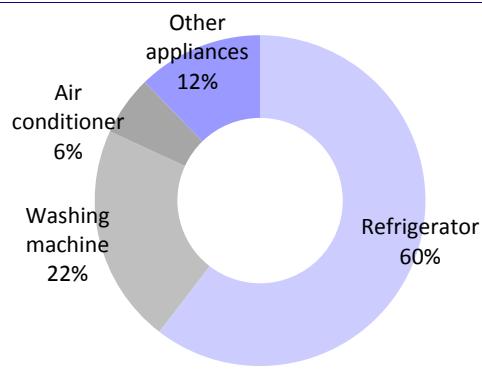


Exhibit 60: Expect ~16% revenue CAGR over FY21–24

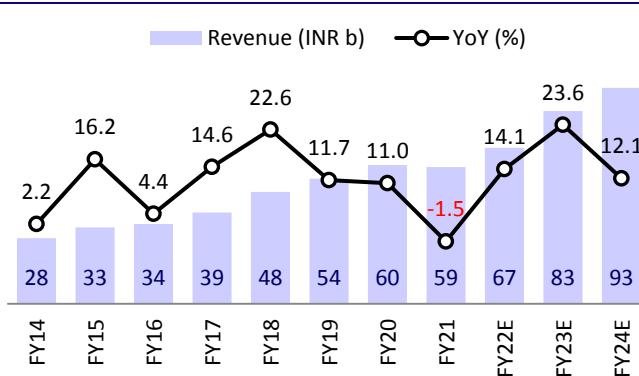


Exhibit 61: 18% market share in Refrigerators in Indian market

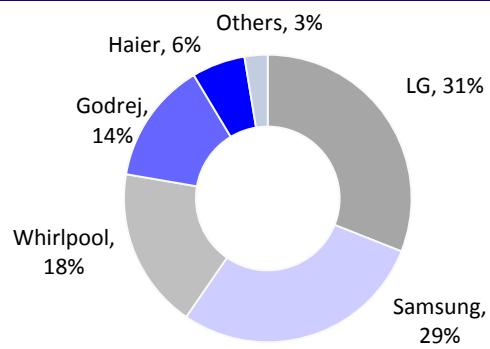


Exhibit 62: 17% market share in Washing Machines in Indian market

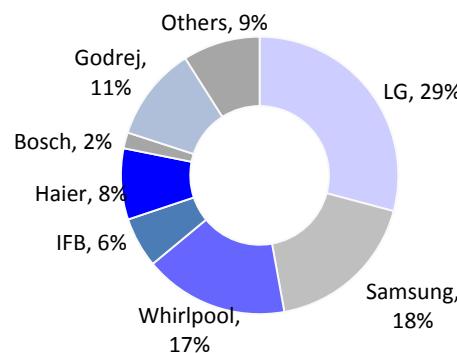


Exhibit 63: Expect ~25% EBITDA CAGR over FY21–24, with margins scaling back to FY20 levels

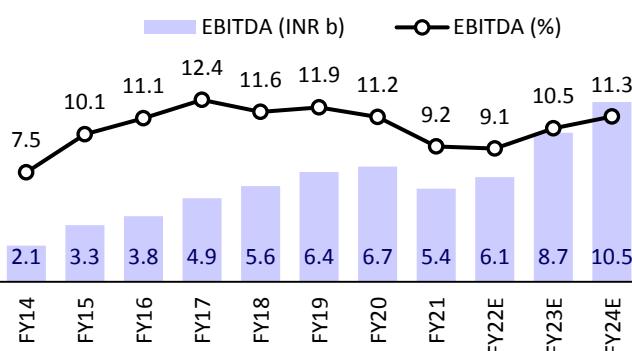


Exhibit 64: Expect ~28% PAT CAGR over FY21–24, aided by COVID-induced lower base effect in FY21

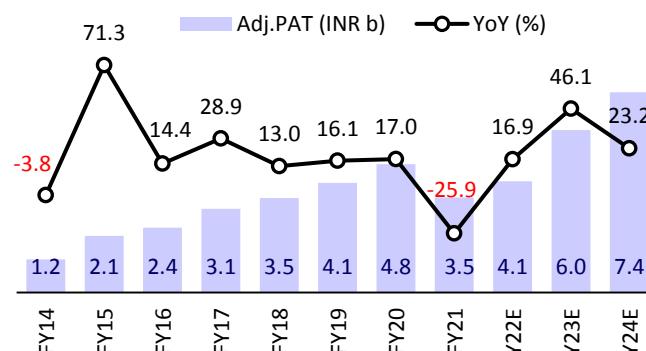
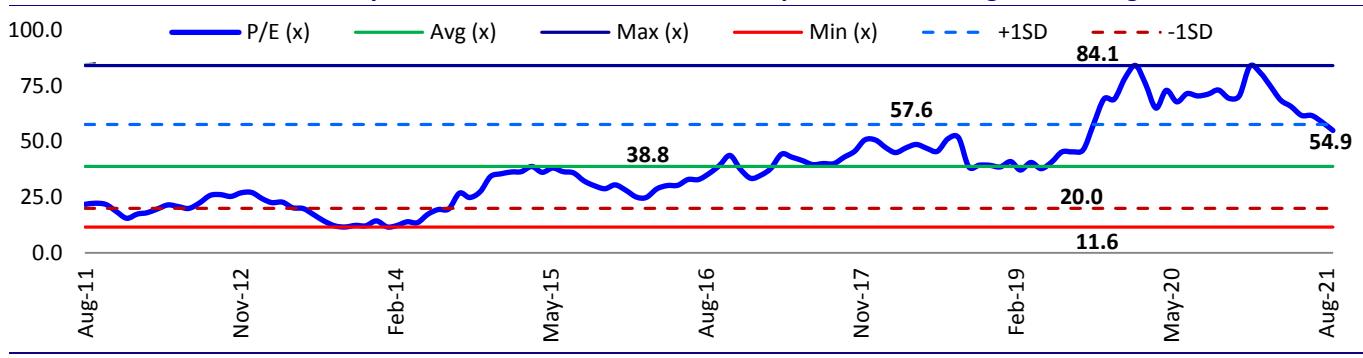


Exhibit 65: WHIRL trades at one-year forward P/E of ~55x, which is at premium to its long term average of ~39x



## Financials and valuations

Income Statement								(INR m)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Net Sales</b>	<b>39,408</b>	<b>48,319</b>	<b>53,977</b>	<b>59,925</b>	<b>58,999</b>	<b>67,296</b>	<b>83,206</b>	<b>93,257</b>
Change (%)	14.6	22.6	11.7	11.0	-1.5	14.1	23.6	12.1
<b>EBITDA</b>	<b>4,889</b>	<b>5,600</b>	<b>6,422</b>	<b>6,734</b>	<b>5,445</b>	<b>6,120</b>	<b>8,709</b>	<b>10,509</b>
% of Net Sales	12.4	11.6	11.9	11.2	9.2	9.1	10.5	11.3
Depreciation	875	1,015	1,113	1,293	1,421	1,433	1,591	1,690
Interest	59	44	91	199	153	153	153	153
Other Income	730	867	1,047	1,287	905	985	1,097	1,270
<b>PBT</b>	<b>4,684</b>	<b>5,408</b>	<b>6,265</b>	<b>6,529</b>	<b>4,776</b>	<b>5,518</b>	<b>8,062</b>	<b>9,935</b>
Tax	1,580	1,902	2,194	1,766	1,245	1,391	2,032	2,504
Rate (%)	33.7	35.2	35.0	27.0	26.1	25.2	25.2	25.2
Extra-ordinary Inc. (net)	0	0	0	0	-197	0	0	0
<b>Reported PAT</b>	<b>3,104</b>	<b>3,507</b>	<b>4,071</b>	<b>4,763</b>	<b>3,333</b>	<b>4,127</b>	<b>6,030</b>	<b>7,431</b>
Change (%)	29.3	13.0	16.1	17.0	-30.0	23.8	46.1	23.2
<b>Adjusted PAT</b>	<b>3,104</b>	<b>3,507</b>	<b>4,071</b>	<b>4,763</b>	<b>3,530</b>	<b>4,127</b>	<b>6,030</b>	<b>7,431</b>
Change (%)	28.9	13.0	16.1	17.0	-25.9	16.9	46.1	23.2

E: MOFSL estimates

Balance Sheet								(INR m)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Share Capital	1,269	1,269	1,269	1,269	1,269	1,269	1,269	1,269
Reserves	13,562	16,695	20,158	24,200	26,963	30,471	35,597	41,913
<b>Net Worth</b>	<b>14,831</b>	<b>17,964</b>	<b>21,427</b>	<b>25,469</b>	<b>28,232</b>	<b>31,740</b>	<b>36,865</b>	<b>43,182</b>
Loans	0	0	0	0	0	0	0	0
Deferred Tax Liability	-159	-279	-344	-375	-417	-417	-417	-417
<b>Capital Employed</b>	<b>14,672</b>	<b>17,685</b>	<b>21,083</b>	<b>25,094</b>	<b>27,815</b>	<b>31,323</b>	<b>36,449</b>	<b>42,765</b>
Gross Fixed Assets	5,617	7,115	8,740	11,667	12,902	14,402	15,902	17,902
Less: Depreciation	1,638	2,655	3,658	4,578	5,830	7,263	8,854	10,544
<b>Net Fixed Assets</b>	<b>3,979</b>	<b>4,460</b>	<b>5,082</b>	<b>7,089</b>	<b>7,072</b>	<b>7,139</b>	<b>7,048</b>	<b>7,358</b>
Capital WIP	295	331	433	441	410	410	410	410
Investments	1,297	4,563	6,563	5,506	1,722	1,722	1,722	1,722
<b>Curr. Assets</b>	<b>23,033</b>	<b>22,626</b>	<b>24,668</b>	<b>30,026</b>	<b>40,511</b>	<b>47,033</b>	<b>58,156</b>	<b>67,894</b>
Inventory	8,888	8,101	8,886	11,989	12,738	14,529	17,964	20,134
Debtors	2,049	2,403	2,556	2,816	3,790	4,323	5,345	5,990
Cash and Bank Balance	10,590	9,819	10,610	12,840	20,632	24,358	30,120	36,471
Loans and Advances	163	190	208	249	268	306	378	424
Other Current Assets	1,343	2,113	2,408	2,133	3,084	3,517	4,349	4,874
<b>Current Liab. and Prov.</b>	<b>13,931</b>	<b>14,296</b>	<b>15,664</b>	<b>17,968</b>	<b>21,901</b>	<b>24,981</b>	<b>30,887</b>	<b>34,618</b>
Creditors	11,223	12,359	12,379	14,311	16,604	18,939	23,416	26,245
Other Liabilities	1,198	133	1,086	1,207	2,348	2,678	3,311	3,711
Provisions	1,510	1,804	2,199	2,451	2,950	3,365	4,160	4,662
<b>Net Current Assets</b>	<b>9,102</b>	<b>8,330</b>	<b>9,004</b>	<b>12,059</b>	<b>18,610</b>	<b>22,052</b>	<b>27,268</b>	<b>33,275</b>
<b>Application of Funds</b>	<b>14,673</b>	<b>17,684</b>	<b>21,083</b>	<b>25,094</b>	<b>27,815</b>	<b>31,323</b>	<b>36,449</b>	<b>42,765</b>

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Basic (INR)</b>								
<b>Adjusted EPS</b>	<b>24.5</b>	<b>27.6</b>	<b>32.1</b>	<b>37.5</b>	<b>27.8</b>	<b>32.5</b>	<b>47.5</b>	<b>58.6</b>
Growth (%)	28.9	13.0	16.1	17.0	-25.9	16.9	46.1	23.2
Cash EPS	31.4	35.6	40.9	47.7	39.0	43.8	60.1	71.9
Book Value	116.9	141.6	168.9	200.7	222.5	250.2	290.6	340.4
DPS	0.0	3.0	4.0	5.0	5.0	4.9	7.1	8.8
Payout (incl. Div. Tax.)	0.0	13.0	14.9	16.1	18.0	15.0	15.0	15.0
<b>Valuation (x)</b>								
P/Sales	6.8	5.6	5.0	4.5	4.6	4.0	3.2	2.9
P/E (standalone)	86.8	76.8	66.2	56.6	76.3	65.3	44.7	36.3
Cash P/E	67.7	59.6	52.0	44.5	54.4	48.4	35.3	29.5
EV/EBITDA	53.0	46.4	40.3	38.1	45.7	40.0	27.5	22.2
EV/Sales	6.6	5.4	4.8	4.3	4.2	3.6	2.9	2.5
Price/Book Value	18.2	15.0	12.6	10.6	9.5	8.5	7.3	6.2
Dividend Yield (%)	0.0	0.1	0.2	0.2	0.2	0.2	0.3	0.4
<b>Profitability Ratios (%)</b>								
RoE	20.9	19.5	19.0	18.7	12.5	13.0	16.4	17.2
RoCE	21.4	20.0	19.6	19.6	13.1	13.5	16.9	17.6
RoIC	95.5	90.0	88.2	58.8	54.5	66.9	115.6	144.3
<b>Turnover Ratios</b>								
Debtor (Days)	19	18	17	17	23	23	23	23
Inventory (Days)	82	61	60	73	79	79	79	79
Creditor (Days)	104	93	84	87	103	103	103	103
Asset Turnover (x)	2.7	2.7	2.6	2.4	2.1	2.1	2.3	2.2
<b>Leverage Ratio</b>								
Net Debt/Equity (x)	-0.7	-0.5	-0.5	-0.5	-0.7	-0.8	-0.8	-0.8

E: MOFSL Estimates

### Cash Flow Statement

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>PBT before EO Items</b>								
<b>4,684</b>	<b>5,408</b>	<b>6,265</b>	<b>6,529</b>	<b>4,511</b>	<b>5,518</b>	<b>8,062</b>	<b>9,935</b>	
Add: Depreciation	861	1,017	1,123	1,323	1,442	1,433	1,591	1,690
Interest	59	44	91	199	153	153	153	153
Less: Direct Taxes Paid	1,805	2,039	2,360	2,064	1,249	1,391	2,032	2,504
(Inc.)/Dec. in WC	-520	-12	33	1,122	-750	-284	-545	-344
Others	-484	-600	-1,061	-1,063	-366	-985	-1,097	0
<b>CF from Operations</b>	<b>3,835</b>	<b>3,842</b>	<b>4,025</b>	<b>3,802</b>	<b>5,241</b>	<b>5,013</b>	<b>7,223</b>	<b>9,619</b>
(Inc.)/Dec. in FA	-1,118	-1,557	-1,864	-3,049	-990	-1,500	-1,500	-2,000
<b>Free Cash Flow</b>	<b>2,717</b>	<b>2,286</b>	<b>2,161</b>	<b>753</b>	<b>4,252</b>	<b>3,513</b>	<b>5,723</b>	<b>7,619</b>
(Pur.)/Sale of Investments	-1,371	-3,203	-1,631	1,377	3,574	0	0	0
Others	8	-104	-15	-5	102	0	0	0
<b>CF from Investments</b>	<b>-2,482</b>	<b>-4,864</b>	<b>-3,510</b>	<b>-1,677</b>	<b>2,686</b>	<b>-1,500</b>	<b>-1,500</b>	<b>-2,000</b>
(Inc.)/Dec. in Net Worth	0	0	0	0	0	0	0	0
(Inc.)/Dec. in Debt	0	0	0	0	0	0	0	0
Less: Interest Paid	13	9	13	107	24	153	153	153
Dividend Paid	0	456	606	765	634	619	905	1,115
Others	686	715	895	977	523	985	1,097	0
<b>CF from Fin. Activity</b>	<b>674</b>	<b>251</b>	<b>276</b>	<b>105</b>	<b>-136</b>	<b>213</b>	<b>39</b>	<b>-1,268</b>
<b>Inc./Dec. in Cash</b>	<b>2,027</b>	<b>-771</b>	<b>791</b>	<b>2,230</b>	<b>7,792</b>	<b>3,726</b>	<b>5,762</b>	<b>6,351</b>
Add: Beginning Balance	8,563	10,590	9,819	10,610	12,840	20,632	24,358	30,120
<b>Closing Balance</b>	<b>10,590</b>	<b>9,819</b>	<b>10,610</b>	<b>12,840</b>	<b>20,632</b>	<b>24,358</b>	<b>30,120</b>	<b>36,471</b>

E: MOFSL estimates

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SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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