

## 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\*/POLYCAB\* (\*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   |
|---------------------------|---|--|---|
| <b>Bajaj Electricals*</b> | ❖ 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.                    |
| <b>Crompton</b>           | ❖ 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.         |
| <b>Havells</b>            | ❖ 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.   |
| <b>KEI Industries*</b>    | ❖ 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.  |
| <b>Orient electric</b>    | ❖ 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.                   |
| <b>Polycab*</b>           | ❖ 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. |
| <b>V-Guard*</b>           | ❖ 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**

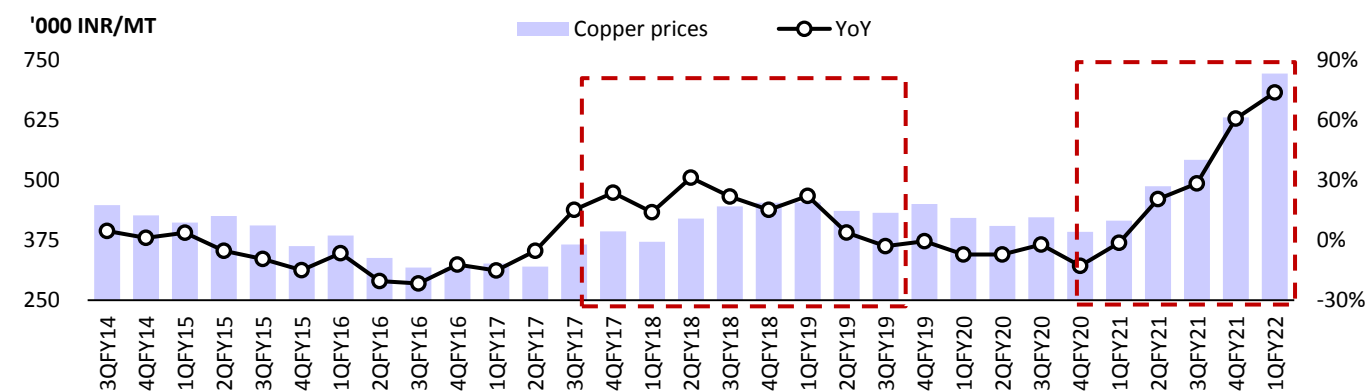
| Company                | Trends in 1QFY22  | Demand outlook   | Key comments from concall  |
|------------------------|---|--|--|
| <b>Blue Star</b>       | ❖ The RAC market grew 55% YoY in 1QFY22; BLSTR grew 58%.  | ❖ BLSTR expects the RAC market to be flat in FY22 (v/s FY20), provided there is no 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.  |
| <b>IFB Industries*</b> | ❖ 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.                          |
| <b>Voltas</b>          | ❖ 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. |
| <b>Lloyd</b>           | ❖ 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  |
| Voltas #                  | 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 |

**YoY (%)**

|                           |      |       |       |       |       |       |      |      |      |
|---------------------------|------|-------|-------|-------|-------|-------|------|------|------|
| 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 |
| Voltas                    | 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 |

**2-year CAGR (%)**

|                           |       |      |      |      |       |
|---------------------------|-------|------|------|------|-------|
| 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 |
| Voltas                    | -12.3 | 13.9 | 49.8 | 28.8 | -29.9 |
| Whirlpool                 | -21.4 | 16.4 | 11.0 | 14.6 | -17.6 |

**EBIT margin (%)**

|                           |      |       |      |      |       |      |      |      |       |
|---------------------------|------|-------|------|------|-------|------|------|------|-------|
| 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  |
| Voltas #                  | 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    |
| Voltas                    | 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    |
| Voltas                     | 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  |
|                              |        |        |        |        |        |        |        |        |        |
| Other expenses as % of sales | 1QFY20 | 2QFY20 | 3QFY20 | 4QFY20 | 1QFY21 | 2QFY21 | 3QFY21 | 4QFY21 | 1QFY22 |
| 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

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

**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

**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    |
| Voltas                    | 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  |
| Voltas                    | -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<br>(INR b) | CMP<br>(INR) | TP<br>(INR)  | Upside<br>(%) | Rating     | P/E (x)     |             |             | EV/EBITDA (x) |             |             | RoE (%)     |             |             |
|-----------------|------------------|--------------|--------------|---------------|------------|-------------|-------------|-------------|---------------|-------------|-------------|-------------|-------------|-------------|
|                 |                  |              |              |               |            | 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<br>(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<br>Price (INR) | Upside<br>(%) | 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

## Blue Star

## BSE SENSEX

57,552

## S&amp;P CNX

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 &amp; 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

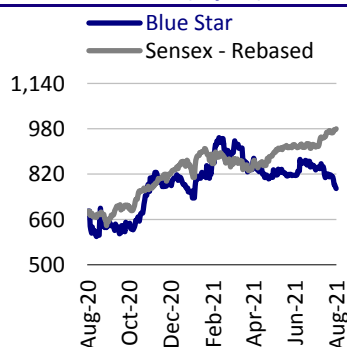
|               |      |      |      |
|---------------|------|------|------|
| P/E (x)       | 74.1 | 50.8 | 32.9 |
| P/BV (x)      | 8.4  | 7.8  | 6.9  |
| EV/EBITDA (x) | 31.5 | 26.1 | 19.8 |
| Div Yield (%) | 0.0  | 1.0  | 1.5  |
| FCF Yield (%) | 4.9  | 0.2  | 1.7  |

## 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%)

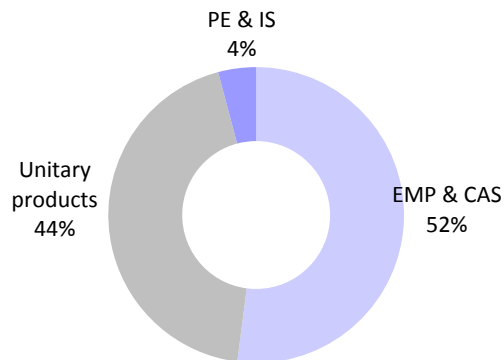
Upgrade to Neutral

## 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.

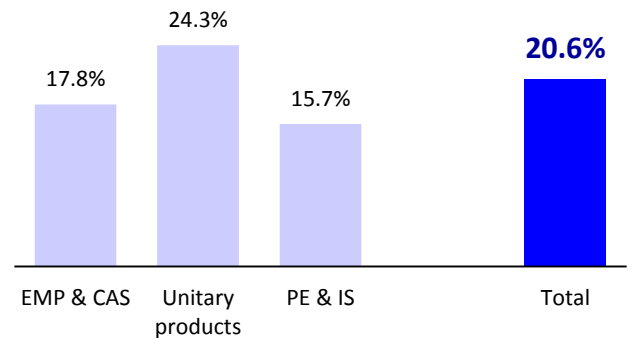
## Story in charts

**Exhibit 18: FY21 revenue split**



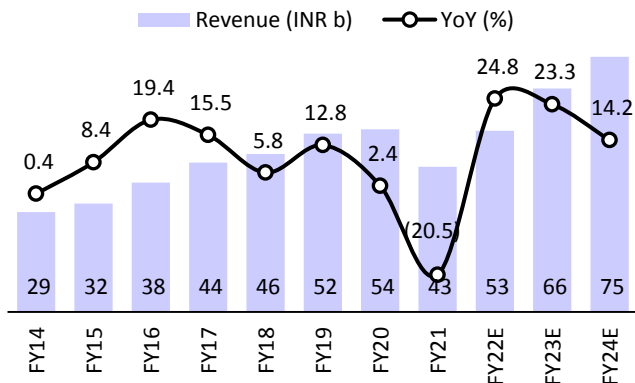
Source: MOFSL, Company

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



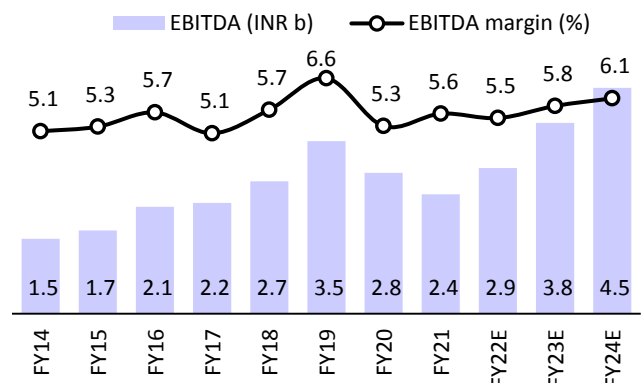
Source: MOFSL, Company

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



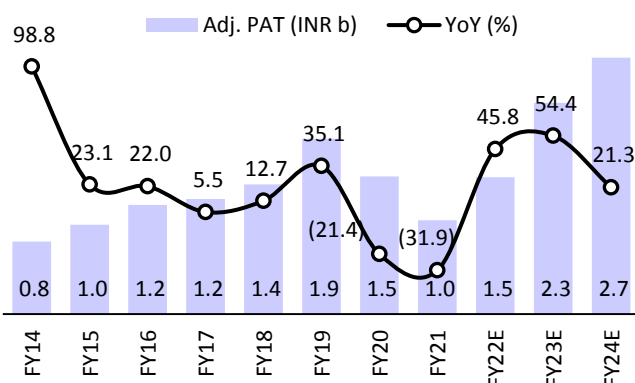
Source: MOFSL, Company

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



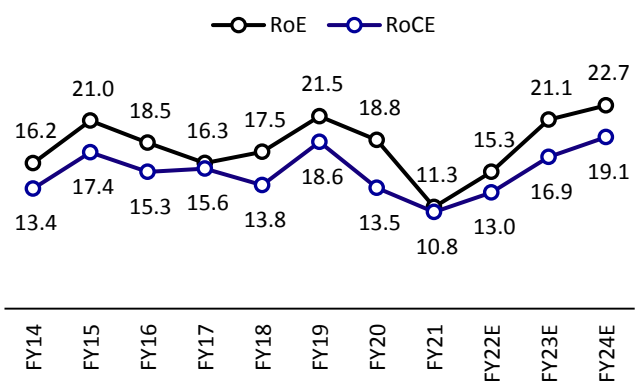
Source: MOFSL, Company

**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**

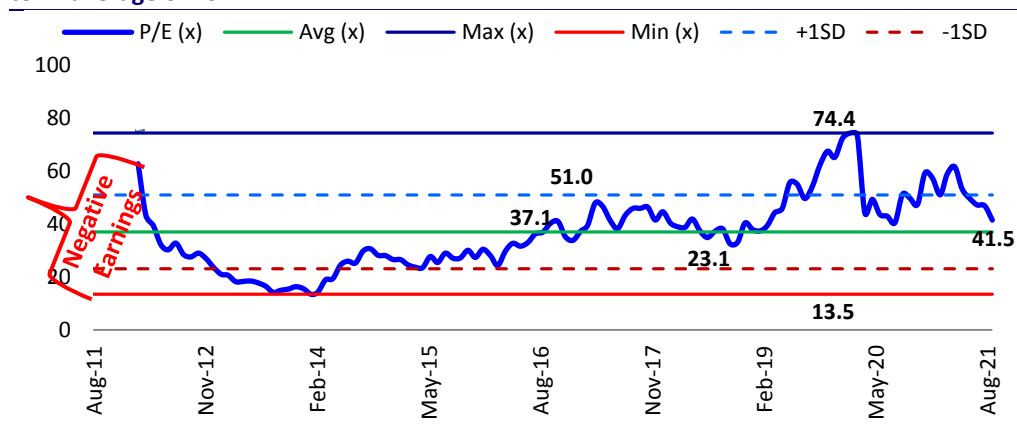


Source: MOFSL, Company

**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

(INR m)

| 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  
57,552S&P CNX  
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 &amp; 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  |

## Ratios

|            |       |       |       |
|------------|-------|-------|-------|
| 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  |

## Valuations

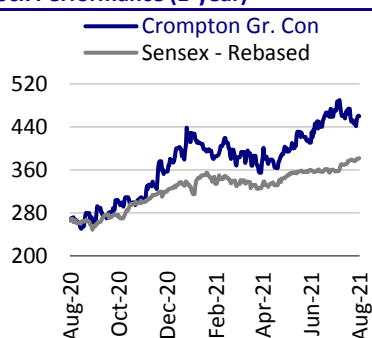
|               |      |      |      |
|---------------|------|------|------|
| P/E (x)       | 58.0 | 50.5 | 42.8 |
| P/BV (x)      | 16.0 | 13.4 | 11.3 |
| EV/EBITDA (x) | 43.3 | 38.9 | 33.1 |
| Div Yield (%) | 0.6  | 0.8  | 0.9  |
| FCF Yield (%) | 2.6  | 1.5  | 1.9  |

## 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%)

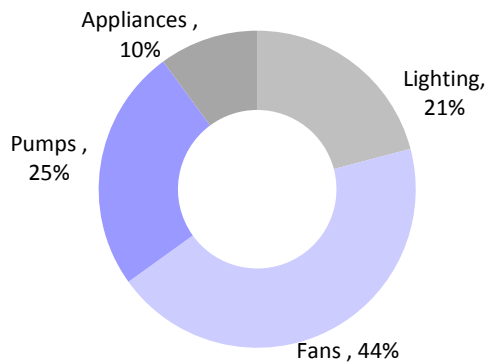
Buy

## Near-term outlook robust, but need to expand portfolio

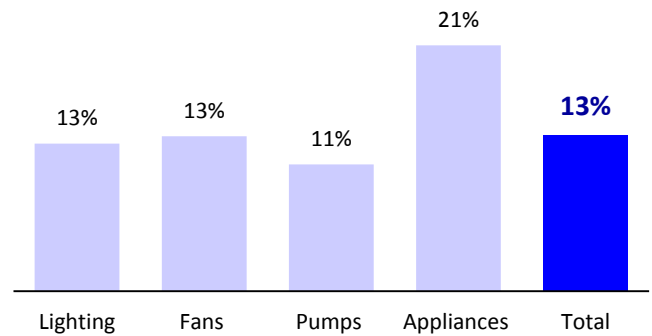
- **Strong demand in northern and western India aids recovery:** Post the unlock in Jun'21, northern and western India were quick to recover, leading to robust sales for the brand in these geographies. However, sales were impacted in southern and eastern India as these geographies took time to recover. 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

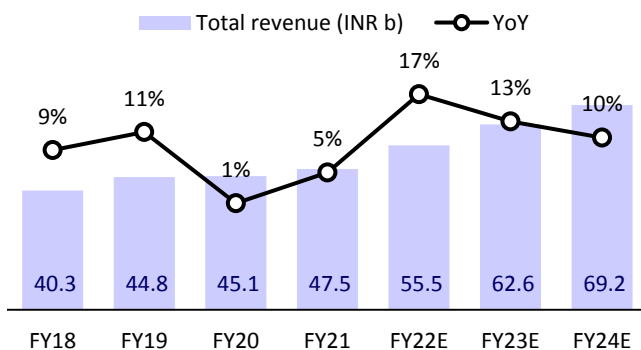
**Exhibit 26: FY21E revenue breakup**



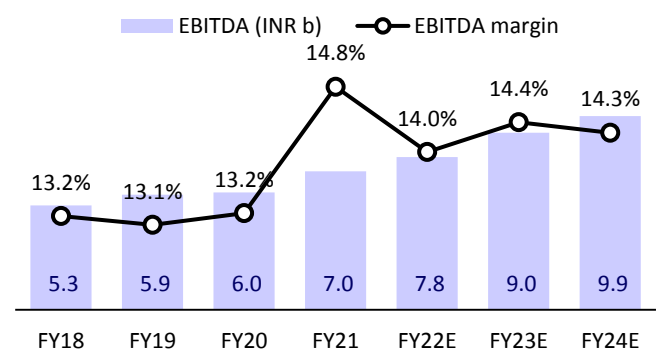
**Exhibit 27: FY21–24 CAGR estimates, by category**



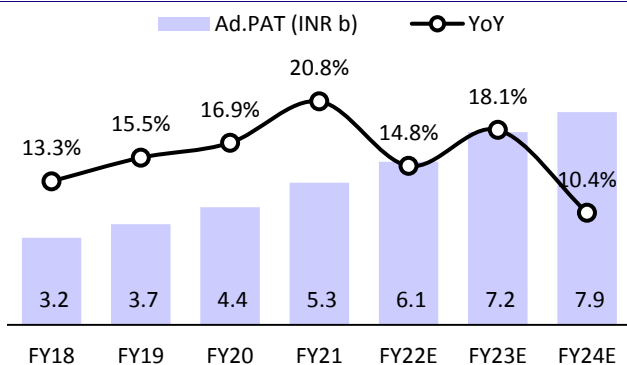
**Exhibit 28: Expect ~13% total revenue CAGR over FY21–24**



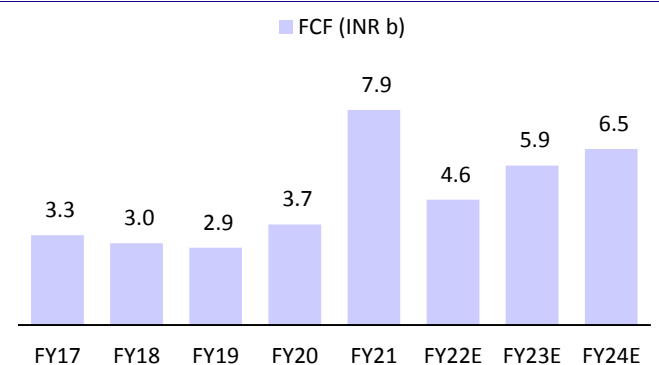
**Exhibit 29: Expect EBITDA margin to moderate over FY22–24**



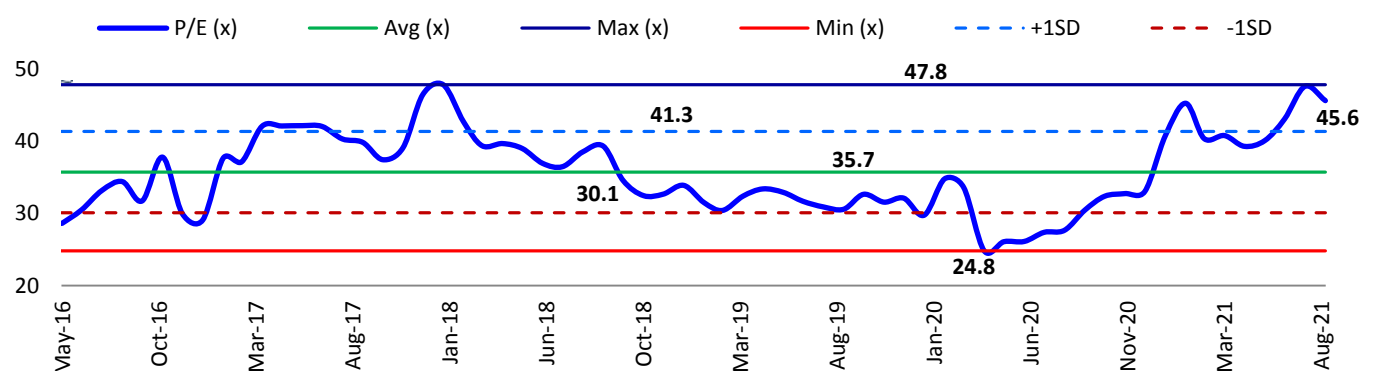
**Exhibit 30: Expect ~14% adj.PAT CAGR over FY21–24**



**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**



Source: MOFSL, Company

## Financials and valuations

| Income Statement      |        |        |        |        |        |        | (INR m) |
|-----------------------|--------|--------|--------|--------|--------|--------|---------|
| Y/E March             | FY18   | FY19   | FY20   | FY21   | FY22E  | FY23E  | FY24E   |
| Total Revenue         | 40,254 | 44,789 | 45,120 | 47,500 | 55,500 | 62,615 | 69,156  |
| Change (%)            | 8.6    | 11.3   | 0.7    | 5.3    | 16.8   | 12.8   | 10.4    |
| EBITDA                | 5,310  | 5,858  | 5,969  | 7,047  | 7,773  | 9,008  | 9,855   |
| % 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      |
| PBT                   | 4,854  | 5,616  | 5,883  | 7,077  | 8,099  | 9,566  | 10,561  |
| 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    |
| Adjusted PAT          | 3,238  | 3,741  | 4,373  | 5,281  | 6,060  | 7,158  | 7,903   |
| Extra-ordinary Income | -      | 285    | 574    | 767    | -      | -      | -       |
| Reported PAT          | 3,238  | 4,025  | 4,947  | 6,048  | 6,060  | 7,158  | 7,903   |
| 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  |
| Net Worth               | 7,895  | 10,985 | 14,678 | 19,190 | 22,826 | 27,121 | 31,863  |
| Loans                   | 6,486  | 6,493  | 3,497  | 4,788  | 2,988  | 2,988  | -       |
| Capital Employed        | 14,381 | 17,477 | 18,175 | 23,978 | 25,814 | 30,109 | 31,863  |
| 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   |
| Net Fixed Assets        | 8,616  | 8,632  | 9,090  | 9,150  | 9,340  | 9,516  | 9,676   |
| Capital WIP             | 6      | 10     | 199    | 109    | 109    | 109    | 109     |
| Investments             | -      | 142    | 142    | 7,753  | 7,753  | 7,753  | 7,753   |
| Curr. Assets            | 15,628 | 17,915 | 18,010 | 18,627 | 21,074 | 26,791 | 29,853  |
| 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   |
| Current Liab. and Prov. | 9,869  | 9,221  | 9,265  | 11,661 | 12,462 | 14,060 | 15,528  |
| 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   |
| Net Current Assets      | 5,759  | 8,694  | 8,745  | 6,967  | 8,612  | 12,732 | 14,325  |
| Application of Funds    | 14,381 | 17,477 | 18,175 | 23,978 | 25,814 | 30,109 | 31,863  |

## Financials and valuations

### Ratios

| Y/E March                       | FY18       | FY19       | FY20       | FY21       | FY22E      | FY23E       | FY24E       |
|---------------------------------|------------|------------|------------|------------|------------|-------------|-------------|
| <b>Basic (INR)</b>              |            |            |            |            |            |             |             |
| <b>Adj. EPS</b>                 | <b>5.2</b> | <b>6.0</b> | <b>7.0</b> | <b>8.4</b> | <b>9.7</b> | <b>11.4</b> | <b>12.6</b> |
| 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

(INR m)

| Y/E March                    | FY18           | FY19           | FY20           | FY21           | FY22E          | FY23E          | FY24E          |
|------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>PBT before EO Items</b>   | <b>5,423</b>   | <b>5,788</b>   | <b>5,817</b>   | <b>6,864</b>   | <b>8,099</b>   | <b>9,566</b>   | <b>10,561</b>  |
| 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 |

## Ratios

|            |       |       |       |
|------------|-------|-------|-------|
| 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  |

## Valuations

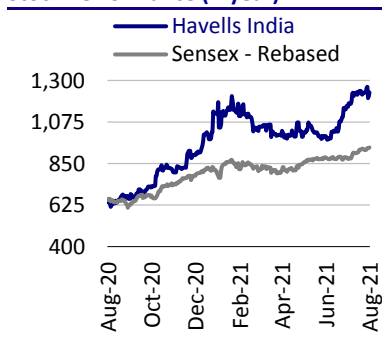
|               |      |      |      |
|---------------|------|------|------|
| P/E (x)       | 81.7 | 66.5 | 59.9 |
| P/BV (x)      | 16.3 | 13.9 | 12.0 |
| EV/EBITDA (x) | 53.1 | 44.6 | 40.8 |
| Div Yield (%) | 0.2  | 0.5  | 0.5  |
| FCF Yield (%) | 0.6  | 1.4  | 1.1  |

## 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%)

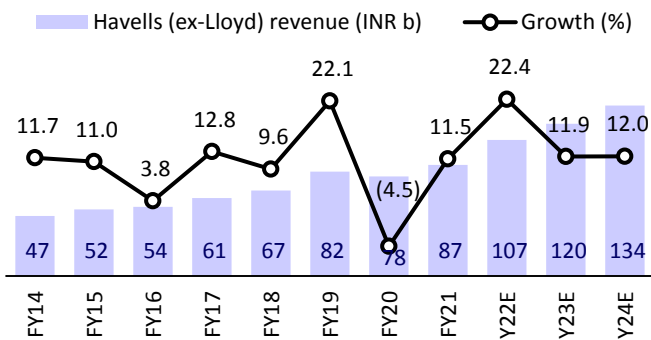
Neutral

## Diversified product portfolio aids swift recovery

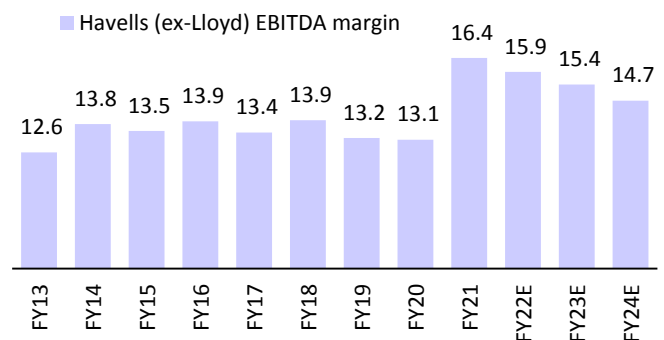
- **Robust recovery led by B2B business:** Havells ended 1QFY22 with a two-year revenue CAGR of -2%, the strongest in our Coverage Universe. Recovery across the Projects and Institutional segments aided sales in Havells' core segment, especially in Cables and Wires and Switchgear. While Real Estate has 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

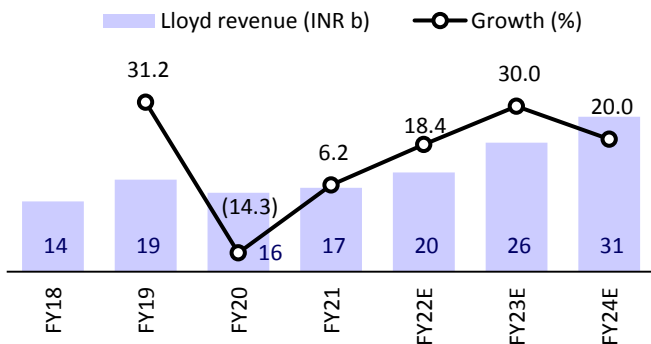
**Exhibit 33: Havells' (ex-Lloyd) revenue trend (INR b) – double-digit growth at portfolio level to continue**



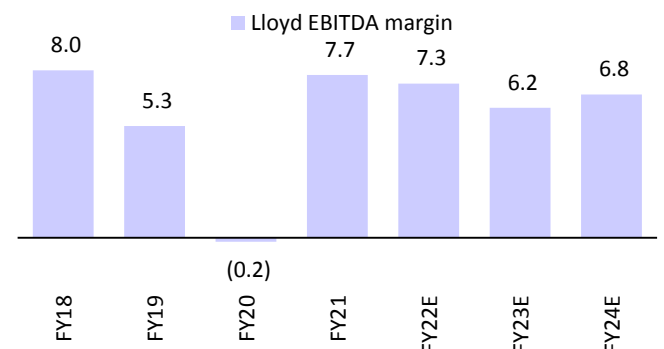
**Exhibit 34: Havells' (ex-Lloyd) EBITDA margin to normalize at 14.7% by FY24E, above 13–14% range pre-COVID**



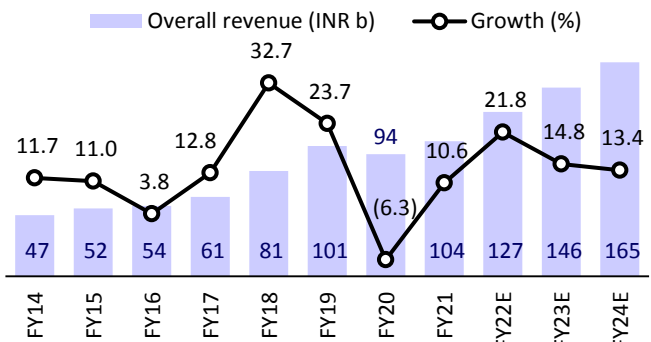
**Exhibit 35: Lloyd's revenue trend (INR b) – AC sales partially lost this season; expect ~22% CAGR over FY21–24**



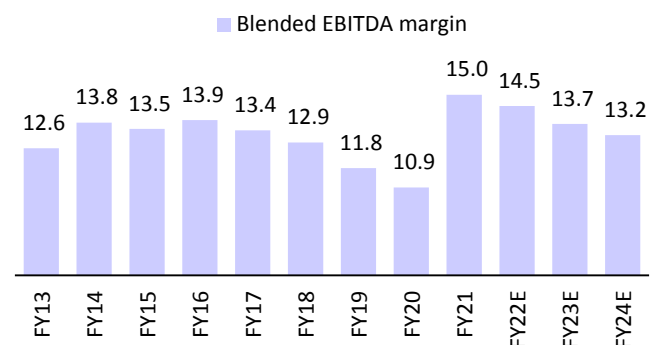
**Exhibit 36: Lloyd's EBITDA margin trend (%) – expect margins to settle at ~7% over medium term**



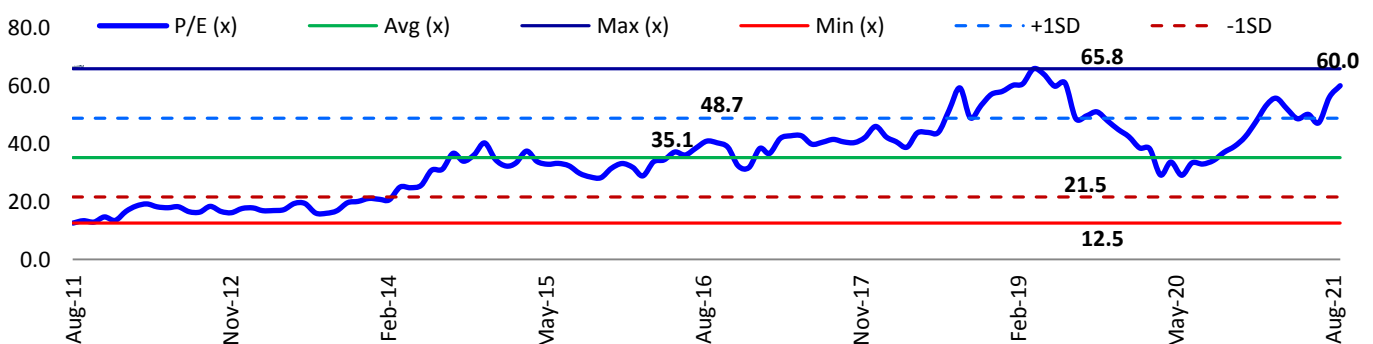
**Exhibit 37: Overall revenue trend (INR b) – expect CAGR of ~17% over FY21–24**



**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**



Source: MOFSL, Company



## 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>              |             |             |             |             |             |             |             |
| <b>Adjusted EPS</b>             | <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>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

57,552

S&amp;P CNX

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 &amp; 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  |

## Ratios

|            |       |       |       |
|------------|-------|-------|-------|
| 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  |

## Valuations

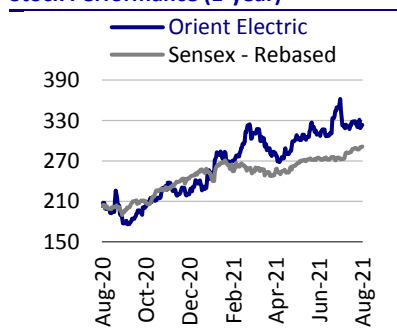
|               |      |       |      |
|---------------|------|-------|------|
| P/E (x)       | 58.7 | 51.0  | 37.9 |
| P/BV (x)      | 15.4 | 12.7  | 10.3 |
| EV/EBITDA (x) | 30.9 | 28.4  | 22.0 |
| Div Yield (%) | 0.4  | 0.6   | 0.8  |
| FCF Yield (%) | 5.6  | (1.1) | 2.3  |

## 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%)

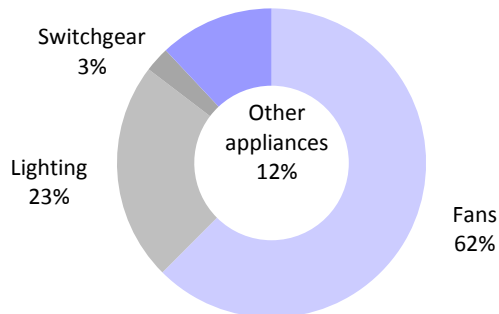
Buy

## 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 FMEG 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.

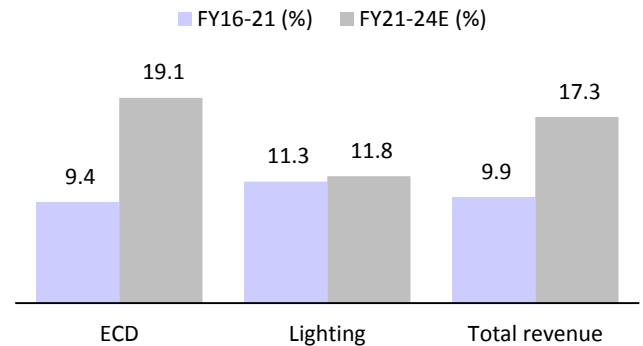
## Story in charts

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



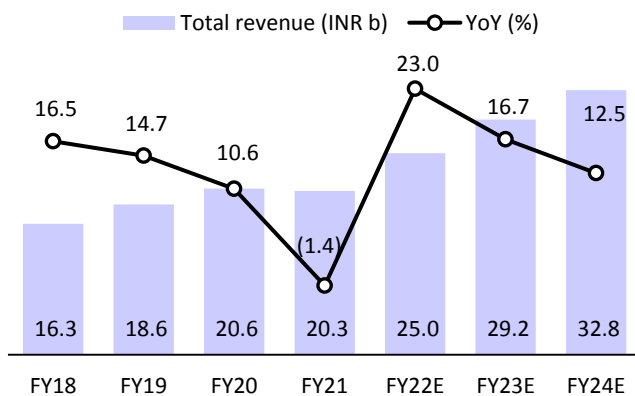
Source: MOFSL, Company

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



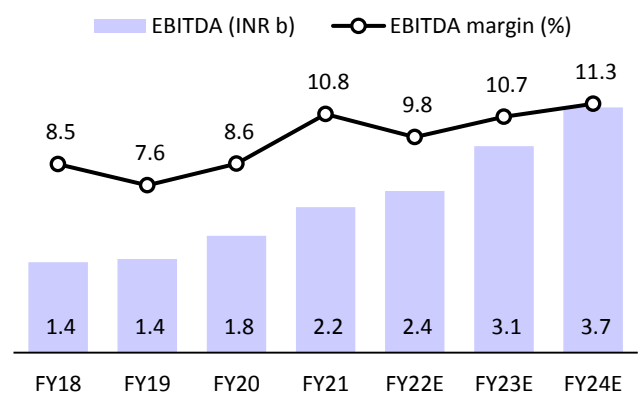
Source: MOFSL, Company

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



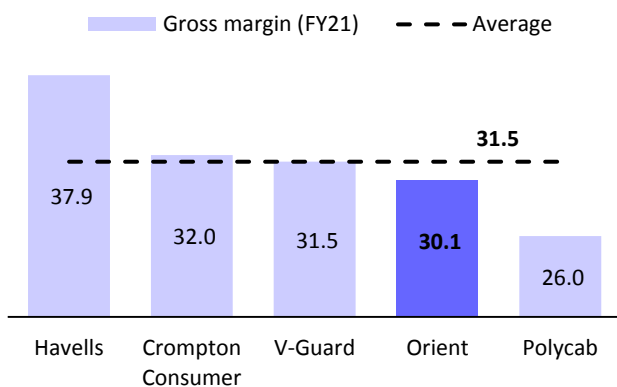
Source: MOFSL, Company

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



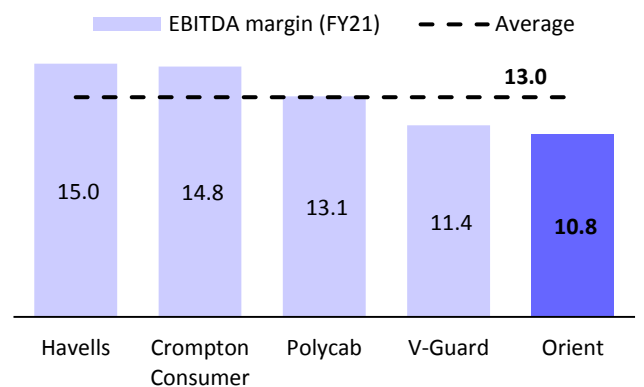
Source: MOFSL, Company

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

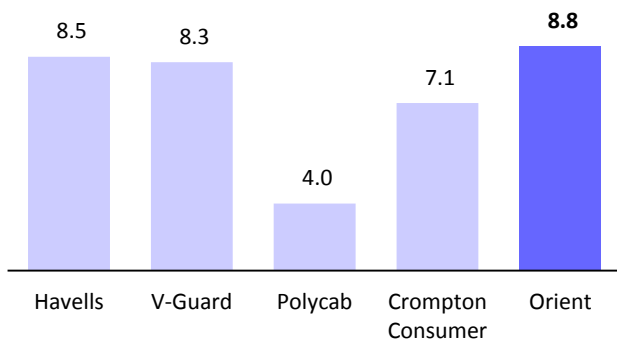


Source: MOFSL, Company

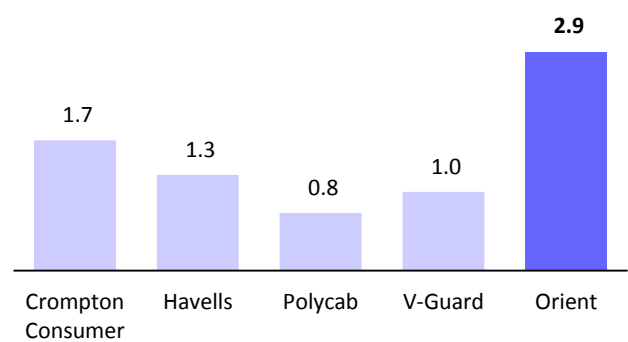
**Exhibit 45: ...while the differential is slightly higher on EBITDA margin due to higher overheads**



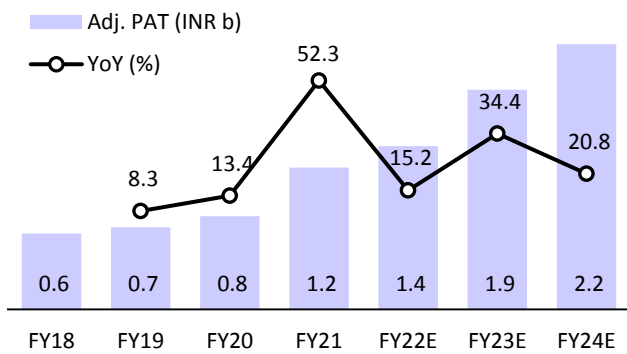
Source: MOFSL, Company

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

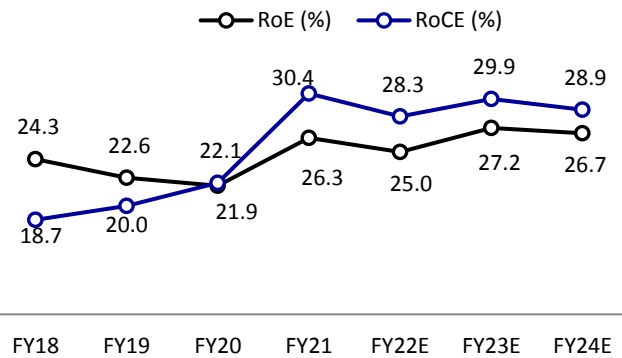
Source: MOFSL, Company

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

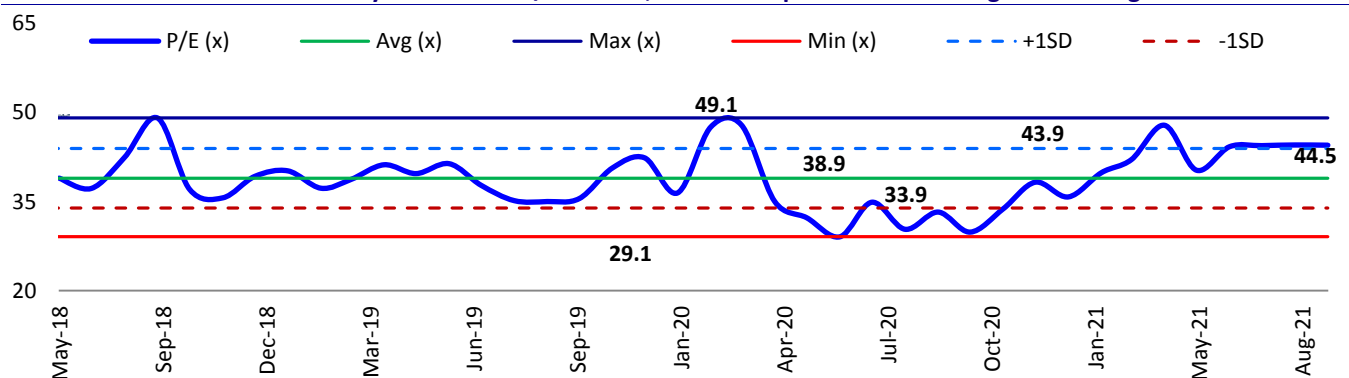
Source: MOFSL, Company

**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   |
| Net Sales                 | 15,998 | 18,644 | 20,618 | 20,326 | 25,000 | 29,180 | 32,837  |
| Change (%)                |        | 16.5   | 10.6   | -1.4   | 23.0   | 16.7   | 12.5    |
| EBITDA                    | 1,365  | 1,413  | 1,764  | 2,195  | 2,440  | 3,115  | 3,700   |
| % 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      |
| PBT                       | 978    | 1,049  | 1,143  | 1,619  | 1,844  | 2,479  | 2,996   |
| 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       |
| Reported PAT              | 640    | 693    | 786    | 1,198  | 1,380  | 1,855  | 2,242   |
| Change (%)                |        | 8.3    | 13.4   | 52.3   | 15.2   | 34.4   | 20.8    |
| Adjusted PAT              | 640    | 693    | 786    | 1,198  | 1,380  | 1,855  | 2,242   |
| Change (%)                |        | 8.3    | 13.4   | 52.3   | 15.2   | 34.4   | 20.8    |

| Balance sheet           |       |       |       |       |        |        | (INR m) |
|-------------------------|-------|-------|-------|-------|--------|--------|---------|
| 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   |
| Net Worth               | 2,632 | 3,066 | 3,594 | 4,557 | 5,522  | 6,821  | 8,390   |
| Loans                   | 1,641 | 1,349 | 985   | 153   | 153    | 153    | 153     |
| Deferred Tax Liability  | 0     | -197  | -214  | -263  | -263   | -263   | -263    |
| Capital Employed        | 4,274 | 4,219 | 4,365 | 4,446 | 5,412  | 6,711  | 8,280   |
| 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   |
| Net Fixed Assets        | 1,057 | 1,166 | 1,358 | 1,442 | 1,471  | 1,450  | 1,361   |
| Capital WIP             | 47    | 43    | 103   | 113   | 113    | 113    | 113     |
| Investments             | 0     | 0     | 0     | 0     | 0      | 0      | 0       |
| Curr. Assets            | 6,980 | 7,483 | 7,929 | 9,806 | 10,057 | 12,418 | 14,987  |
| 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   |
| Current Liab. and Prov. | 3,810 | 4,473 | 5,025 | 6,914 | 6,229  | 7,270  | 8,181   |
| 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     |
| Net Current Assets      | 3,170 | 3,010 | 2,904 | 2,892 | 3,828  | 5,148  | 6,806   |
| Application of Funds    | 4,274 | 4,219 | 4,365 | 4,446 | 5,412  | 6,711  | 8,280   |

## Financials and valuations

### Ratios

| Y/E March                       | FY18       | FY19       | FY20       | FY21P      | FY22E      | FY23E      | FY24E       |
|---------------------------------|------------|------------|------------|------------|------------|------------|-------------|
| <b>Basic EPS (INR)</b>          |            |            |            |            |            |            |             |
| <b>Adjusted EPS</b>             | <b>3.0</b> | <b>3.3</b> | <b>3.7</b> | <b>5.6</b> | <b>6.5</b> | <b>8.7</b> | <b>10.6</b> |
| 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)       |

### Cash Flow Statement

| 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> |



# Voltas

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

# VOLTAS

|                       |             |
|-----------------------|-------------|
| 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 |

## Ratios

|            |       |       |       |
|------------|-------|-------|-------|
| 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  |

## Valuations

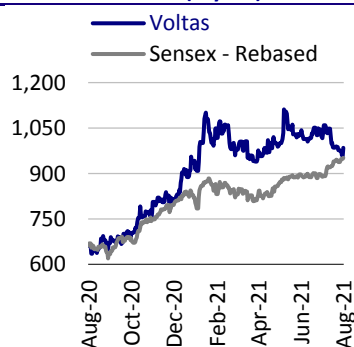
|               |      |      |      |
|---------------|------|------|------|
| P/E (x)       | 65.9 | 60.7 | 47.1 |
| P/BV (x)      | 6.9  | 6.4  | 5.8  |
| EV/EBITDA (x) | 53.6 | 48.2 | 37.4 |
| Div Yield (%) | 0.4  | 0.4  | 0.5  |
| FCF Yield (%) | 1.7  | 1.4  | 1.3  |

## 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

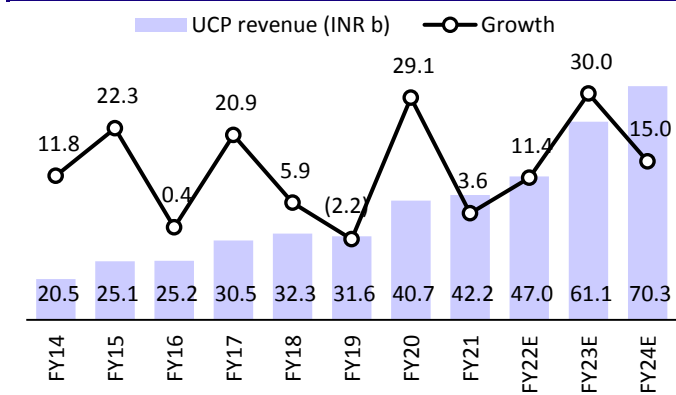
## Near-term headwinds pose risk to earnings

- **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 IN61.5b, 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.



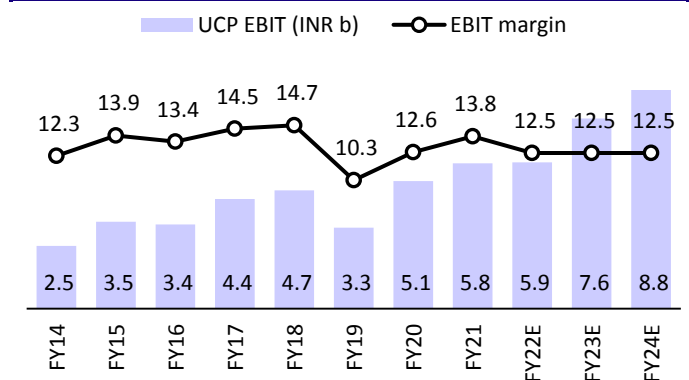
## Story in charts

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



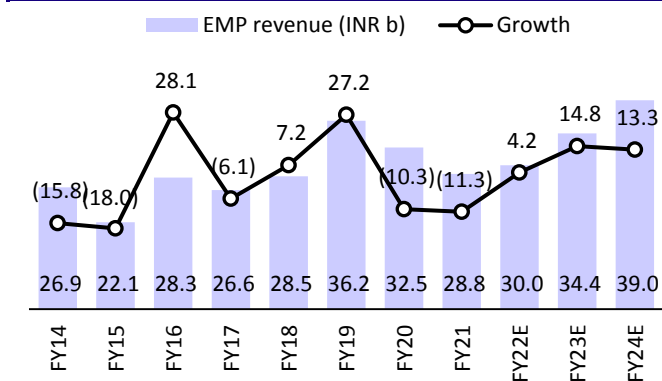
Source: MOFSL, Company

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



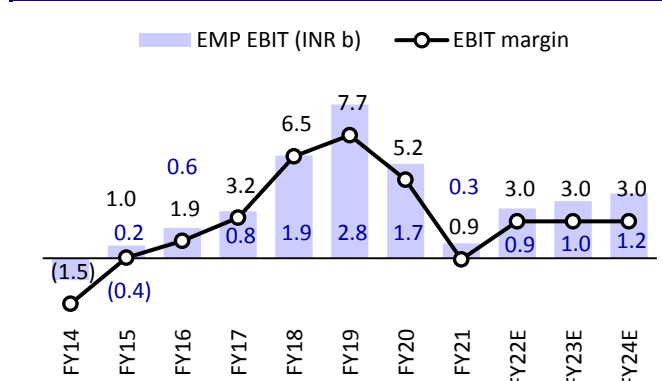
Source: MOFSL, Company

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



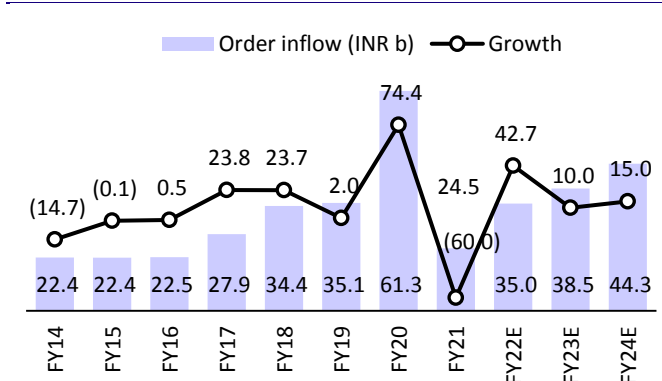
Source: MOFSL, Company

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



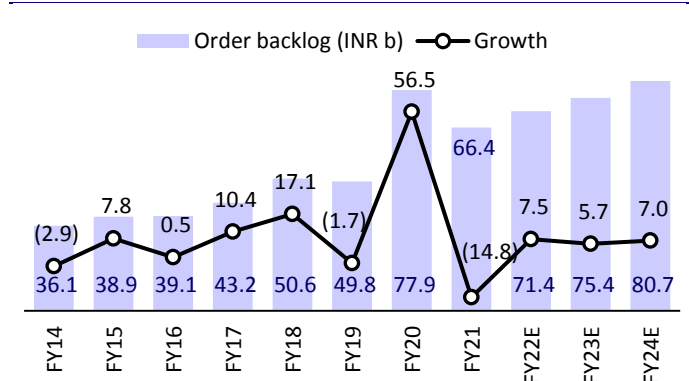
Source: MOFSL, Company

**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**

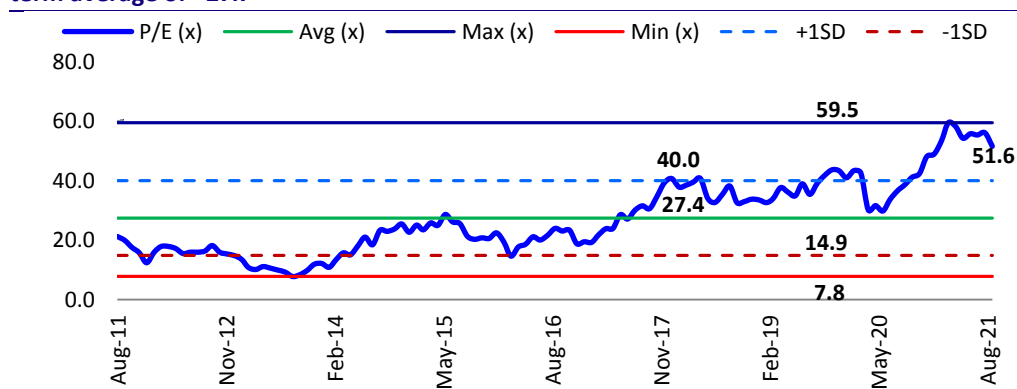


Source: MOFSL, Company

**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>              |             |             |             |             |             |             |             |
| <b>Adj. EPS</b>                 | <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

| Y/E March                    | FY18          | FY19          | FY20          | FY21          | FY22E         | FY23E         | FY24E         |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>(INR m)</b>               |               |               |               |               |               |               |               |
| <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

57,552

S&amp;P CNX

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 |

## Ratios

|            |       |       |       |
|------------|-------|-------|-------|
| 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  |

## Valuations

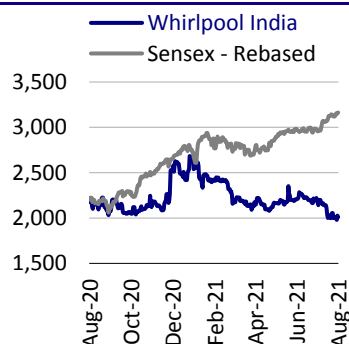
|               |      |      |      |
|---------------|------|------|------|
| P/E (x)       | 76.3 | 65.3 | 44.7 |
| P/BV (x)      | 9.5  | 8.5  | 7.3  |
| EV/EBITDA (x) | 45.7 | 40.0 | 27.5 |
| Div Yield (%) | 0.2  | 0.2  | 0.3  |
| FCF Yield (%) | 1.6  | 1.3  | 2.1  |

## 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%)

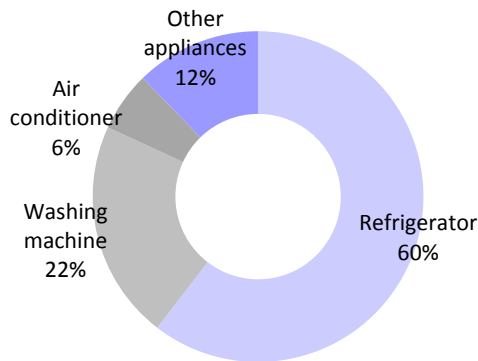
Buy

## Resilient performance despite disruption

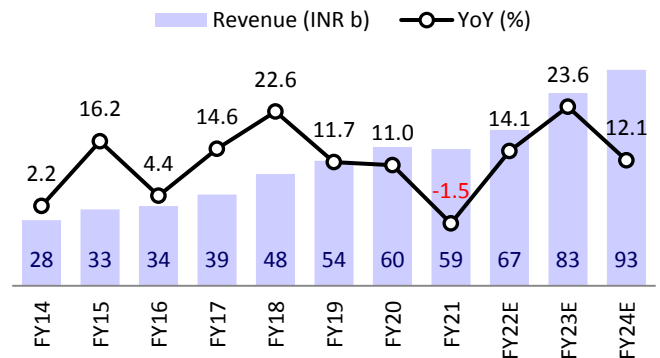
- **Offtake better v/s RAC peers:** While demand quickly normalized for Consumer Electricals categories, offtake for Durables remained under pressure in 1QFY22. WHIRL's 1QFY22 two-year revenue CAGR of -18% was better v/s RAC players in our Coverage Universe (barring Lloyd). This gives us the confidence 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

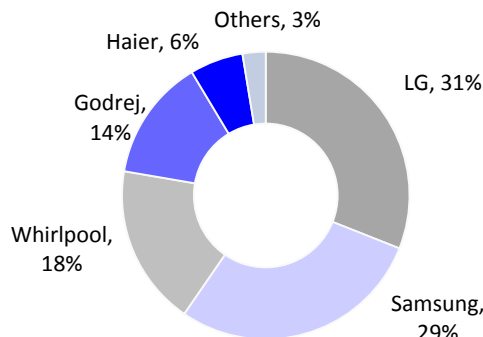
**Exhibit 59: Revenue breakdown (FY21E)**



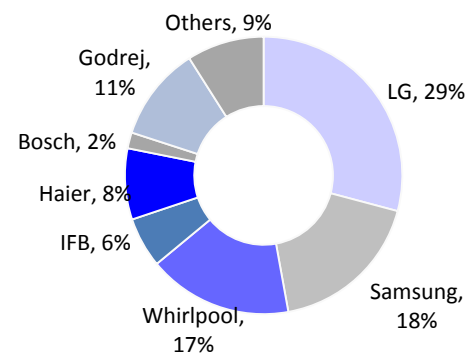
**Exhibit 60: Expect ~16% revenue CAGR over FY21–24**



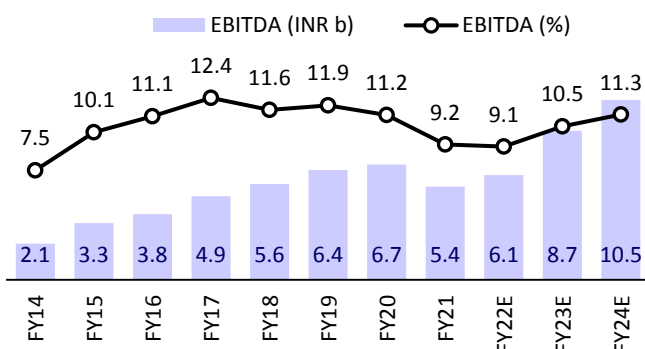
**Exhibit 61: 18% market share in Refrigerators in Indian market**



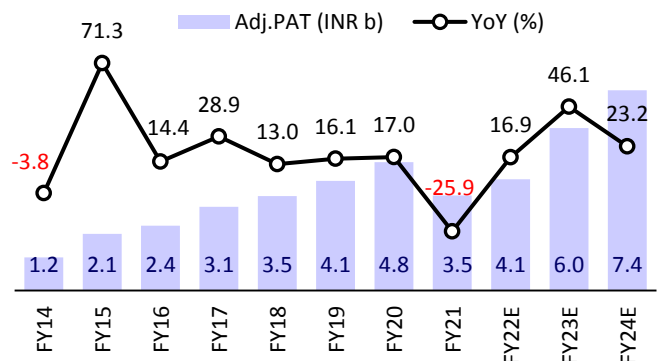
**Exhibit 62: 17% market share in Washing Machines in Indian market**



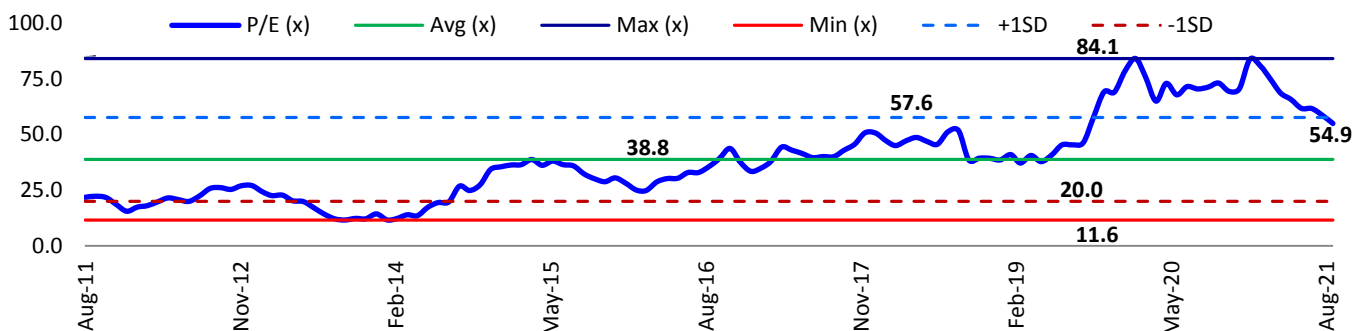
**Exhibit 63: Expect ~25% EBITDA CAGR over FY21–24, with margins scaling back to FY20 levels**



**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**



Source: MOFSL, Company

## 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>(INR m)</b>               |               |               |               |               |               |               |               |               |
| <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



| Explanation of Investment Rating |  |
|----------------------------------|--|
| Investment Rating                | Expected return (over 12-month)  |
| BUY                              | >=15%  |
| 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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