

Consumer Durables

Revival on the cards?

Most consumer durable categories (excl Wires & Cables) have endured a rather difficult 12-18 months on the back of inflation-led pressure on demand and margin. However, notwithstanding near-term pressures and with most headwinds now seemingly behind, we expect consumer durables demand to revive and remain constructive on the sector over the medium-long term, given (1) the long runway for growth (GDP multiplier benefits and under penetration); (2) resilient housing/home improvement theme; (3) rising consumer aspiration backed premiumization trend; and (4) product basket diversification opportunities. Moreover, the government's thrust on "Atmabirbhar Bharat" and "Make in India for the World" is likely to open up avenues to the largely untapped global opportunities for certain categories (W&C, RAC, EMS, etc.).

Given the recent underperformance of the sector, valuation correction and expectation of demand revival, we believe the risk reward has turned favorable. We remain positive on W&C, ECD and B2B segments while in Room AC, demand-supply mismatch led heightened competitive intensity remains a key monitorable. Assume coverage with BUY on Crompton Consumer; ADD on Havells, Orient Electric, V-Guard Voltas; and REDUCE on Symphony, TTK Prestige. We rate Crompton Consumer, Orient Electric and Havells as our top picks.

- **Most headwinds now largely behind:** After witnessing a surge in demand post-COVID (pent-up and home improvement-led), most consumer durable categories in FY23 (excl Wires & Cables) witnessed some moderation in demand as consumer wallet share shifted towards out-of-home consumption. Moreover, the sector has seen various challenges over the last few quarters due to (1) unseasonal rains in peak summer months; (2) weak consumer sentiment, given the inflationary environment; (3) inability to pass on cost increase due to weak demand; (4) technology-led price erosion in LED lamps and; (5) energy rating change in fans impacting primary sales (due to delayed liquidation of non-rated fans inventory). We believe most of these headwinds are now appearing to be behind.
- **Softening inflation and real estate to act as a tailwind:** Historically, we have seen there exists a negative correlation between inflation and consumer demand (Exhibit 1). Notwithstanding near-term weakness, we expect demand recovery to pick up pace with cooling inflation and likely pre-election populous budget should further aid demand. Moreover, the real-estate sector continues to sustain its momentum with new launches/ units sold trending higher than in previous years (Exhibit 2). This should in turn act as a tailwind to consumer durable demand, which usually comes into the cycle with a couple of years lag. In addition to this, prices of key input materials (copper, aluminum, etc.) have corrected meaningfully over their post-covid peaks (Copper: -19%; Aluminum: -35%; Polypropylene: -31%). This shall enable better operating performance going forward.
- **Positive on W&C and ECD; hyper-competitiveness in RAC to sustain:**
 1. We expect the momentum witnessed in the B2B portfolio to sustain, given a healthy order book on the back of government spending and private capex. Although execution delay on account of elections is a near-term risk, we remain positive on the Wires & Cables category in the medium-long term.

HSIE Universe

Companies	CMP* (INR)	TP (INR)	Rating
Crompton Consumer	324	375	BUY
Havells	1,440	1,500	ADD
Kaynes Technology	2,758	2,850	BUY
Orient Electric	234	260	ADD
Symphony	931	950	REDUCE
TTK Prestige	772	750	REDUCE
V-Guard	290	325	ADD
Voltas	1,061	1,150	ADD

* CMP as on 15 January 2024

Top picks

Crompton Consumer

Orient Electric

Havells

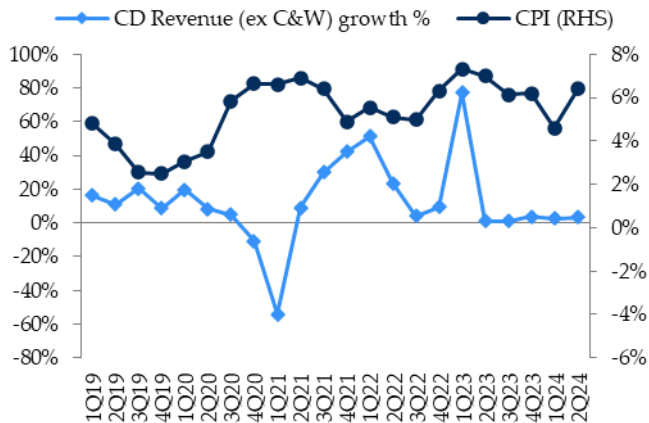
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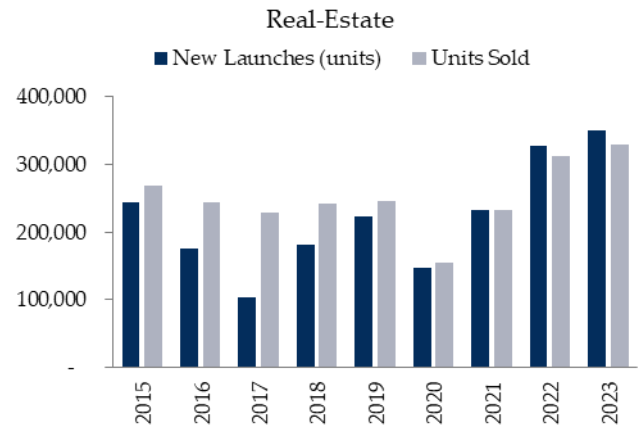
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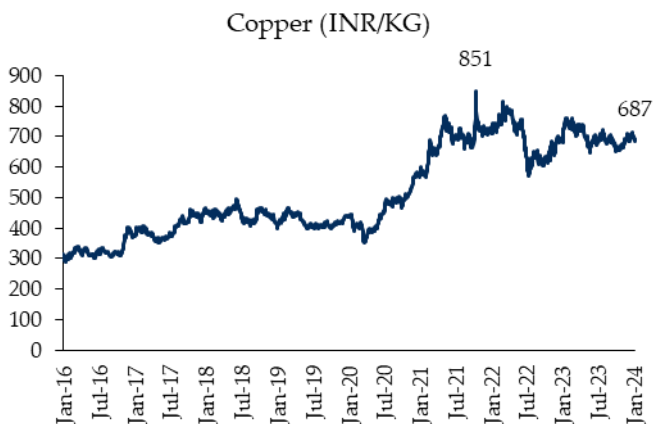
2. With the 'housing' theme still going strong, we believe categories like fan, lighting, RAC, and kitchen appliances will benefit going ahead, especially in FY25.
 3. Within ECD, with non-rated fans inventory now liquidated, we expect fan category volume growth to pick starting Q4FY23 along with possibilities of price hikes.
 4. Although expectation of a harsh summer (on account of El-Nino) is likely to aide demand for cooling products, we remain watchful on margins, given hyper-competitive intensity among brands and possible short-term demand-supply mismatch due to increasing manufacturing capacity in the country.
- **Current valuations turn risk-reward favorable:** In the past 12-18 months with the sector earnings being plagued by (1) weak demand and (2) inflation-led margin pressure, valuations across the sector (excl Wires & Cables) have seen a sharp correction. Most consumer durables names have underperformed NIFTY in the past 2-3 years (Exhibit 7) while its valuation premium over NIFTY too has softened. We remain constructive on the sector over the medium-long term on (1) runway for growth, given GDP multiplier benefits and under penetration across most categories; (2) resilient housing/home improvement theme; (3) rising consumer aspiration backed premiumization trend; and (4) product basket diversification opportunities. We believe improving macro environment and softening RM inflation will enable better performance in FY25, which shall help counter the recent underperformance of consumer durables stocks in FY23-24.
 - **Channel checks suggest no significant change in demand scenario:** Our interactions with channel partners indicated festive trends (Diwali this year falling in Q3FY24) mirrored that of LY. Although they fell short of initial expectations. The number of festive schemes running this year was lower than LY. Moreover, against the hope of festive season acting as an inflection point, demand has slumped back to pre-festive trends. Non-rated fans channel inventory now stands cleared and channel filling for upcoming summer season should commence by Feb'24. RAC saw some traction during the quarter due to high temperatures in Oct'23. B2B momentum continues to sustain and order backlog remains healthy. Upcoming summer season and expectation of a populous pre-election budget remains key monitorable in the near term.
 - **Q3FY24 Preview:** Our consumer durable coverage universe (ex EMS) is expected to deliver revenue growth of 13% YoY. With the softening of the commodity basket, we expect improvement in both gross margins and EBITDAM. We expect our coverage universe to report EBITDA growth of 14% YoY.
 - **Key estimates/rating changes:** We have cut our FY24-26 earnings for most of our coverage universe ([Exhibit 8](#)) due to festive sales being below expectation and slower than expected recovery in demand. Assume coverage with BUY on Crompton Consumer; ADD on Havells, Orient Electric, V-Guard Voltas; and REDUCE on Symphony, TTK Prestige. We rate Crompton Consumer, Orient Electric and Havells as our top picks.

Exhibit 1: Negative correlation between inflation & demand

Source: Company; CMIE; HSIE Research

Exhibit 2: Sustained increase in launches/units sold

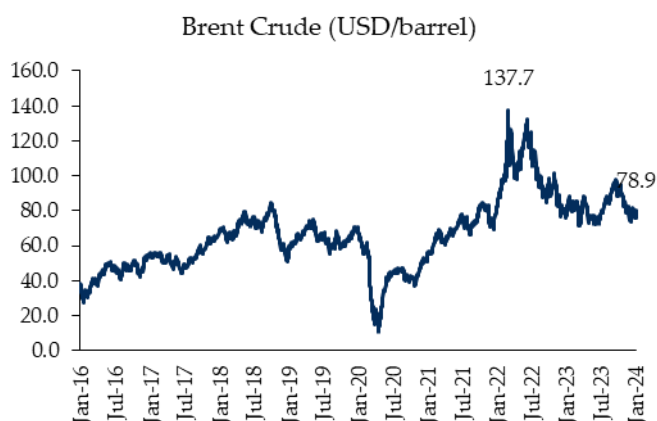
Source: Knight Frank; HSIE Research

Exhibit 3: Copper has corrected by 19% over covid highs

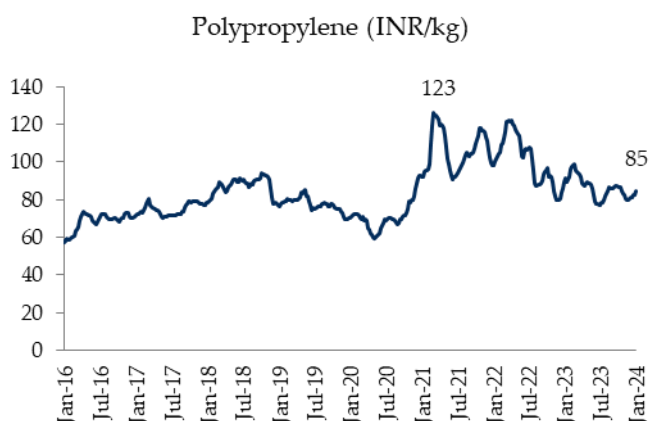
Source: Bloomberg

Exhibit 4: Aluminum has corrected by 35% over covid highs

Source: Bloomberg

Exhibit 5: Crude Oil corrected by 42% over covid highs

Source: Bloomberg

Exhibit 6: HDPE has corrected by 31% over covid highs

Source: Bloomberg

Exhibit 7: Stock and valuation performance vs Index

Company	Returns %						Valuations (x)			
	1M	3M	6M	1yr	3yr	5yr	1yr PE	3yr PE	5yr PE	10yr PE
FMEG										
Bajaj Electricals	3.7	-2.8	-4.5	0.7	67.3	149.6	34	36	32	31
Butterfly Gandhimathi	-0.1	-15.0	-13.9	-31.4	98.4	305.6				
Crompton Consumer	11.2	7.9	10.7	-3.8	-18.8	42.2	30	36	35	35
Finolex Cables	-3.7	4.2	28.5	95.3	154.4	132.6	20	17	15	15
Havells India	6.7	3.2	11.0	20.1	41.1	107.8	51	54	52	43
Hawkins Cookers	0.3	5.0	16.7	21.6	29.8	161.5				
KEI Industries	0.8	10.7	23.4	108.0	513.0	737.3	32	25	20	19
Orient Electric	7.8	3.8	-9.9	-13.4	-4.0	61.1	35	38	38	38
Polycab India	-29.0	-24.0	4.7	48.7	215.7	na	38	33	27	27
RR Kabel	-12.8	2.5	na	na	na	na	43	43	43	43
Stove Kraft	-2.4	-16.0	3.4	-6.9	na	na	19	25	25	25
TTK Prestige	-0.1	-2.3	2.3	-3.1	24.4	21.5	32	36	36	37
V-Guard	-1.2	0.4	1.0	14.5	36.9	43.0	38	38	38	38
White Goods										
Blue Star	2.6	16.3	30.3	63.8	147.2	226.6	38	38	37	32
Eureka Forbes	-12.2	-1.7	-3.6	-5.8	na	na	42	42	42	42
IFB Industries	4.4	11.7	19.6	7.6	-14.8	19.4	27	33	31	32
Johnson Controls -	10.2	0.2	18.7	11.1	-51.3	-28.8	67	52	54	54
Symphony Ltd	5.3	7.5	5.8	-4.0	-14.5	-16.5	34	36	37	39
Voltas Ltd	24.2	23.3	38.6	30.6	15.5	94.7	42	45	40	33
Whirlpool	1.5	-21.0	-6.8	-8.4	-44.7	-8.5	48	44	44	44
Index										
Nifty 50	4.7	10.6	12.9	22.6	50.3	102.8	19	20	19	18
Nifty Midcap	6.6	17.2	30.5	51.5	113.2	169.1	24	25	23	21
BSE CD	6.1	10.9	18.9	31.7	65.7	145.3	43	46	42	37

Source: Company; Bloomberg; HSIE Research

Exhibit 8: Change in estimates /Rating

Company	CMP (INR)	Rating		TP (INR)		Target P/E (x)		Old EPS			New EPS			Change %		
		OLD	NEW	OLD	NEW	OLD	NEW	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Crompton Consumer	324	BUY	BUY	400	375	35	35	8.7	10.7	12.7	6.9	9.2	11.3	-19.9	-13.6	-10.7
Havells	1,440	ADD	ADD	1,450	1,500	48	50	22.2	27.5	33.3	20.5	25.6	31.8	-7.4	-6.7	-4.3
Orient Electric	234	REDUCE	ADD	240	260	28	33	6.0	7.6	9.0	3.5	6.5	8.5	-41.6	-14.3	-5.6
Symphony	931	REDUCE	REDUCE	900	950	30	30	23.1	29.2	32.8	21.5	28.4	33.0	-6.9	-2.8	0.4
TTK Prestige	772	REDUCE	REDUCE	775	750	30	30	21.9	24.3	26.8	20.0	22.8	26.1	-8.8	-6.1	-2.8
V-Guard	290	REDUCE	ADD	250	325	30	38	6.6	7.6	8.8	5.9	7.3	9.1	-11.7	-3.6	3.8
Voltas	1,061	REDUCE	ADD	800	1,150	33	42	14.0	22.5	25.6	15.0	24.1	28.4	7.0	7.3	11.0

Source: Company; HSIE Research

Exhibit 9: Valuation Summary

Company	Mcap (INR bn)	CMP (INR)	TP (INR)	RECO	EPS (INR)				P/E (x)				RoE %				Rev CAGR	EPS CAGR
					FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E		
Crompton Consumer	206.1	324	375	BUY	7.3	6.9	9.2	11.3	44.5	46.6	35.1	28.6	18.1	13.6	16.2	17.5	10	16
Havells	902.2	1,440	1,500	ADD	17.2	20.5	25.6	31.8	83.9	70.1	56.1	45.2	17.1	18.4	20.4	22.2	13	23
Kaynes Technology	176.2	2,758	2,850	BUY	16.3	30.0	42.2	58.4	168.8	92.0	65.4	47.2	16.4	16.7	19.5	21.9	42	53
Orient Electric	49.8	234	260	ADD	3.6	3.5	6.5	8.5	65.6	66.3	35.9	27.6	13.5	12.2	19.9	22.3	12	34
Symphony	65.1	931	950	REDUCE	16.6	21.5	28.4	33.0	56.3	43.3	32.8	28.3	13.5	16.6	20.2	21.0	9	26
TTK Prestige	107.0	772	750	REDUCE	18.4	20.0	22.8	26.1	42.0	38.6	33.8	29.6	13.9	13.7	14.3	14.7	7	12
V-Guard	125	290	325	ADD	4.4	5.9	7.3	9.1	66.3	49.4	39.6	31.9	12.5	14.9	16.4	17.8	14	28
Voltas	351	1,061	1,150	ADD	11.5	15.0	24.1	28.4	92.6	70.8	44.0	37.3	6.9	8.7	12.9	13.8	16	35

Source: Company; HSIE Research

Exhibit 10: Quarterly Snapshot

Companies	NET SALES (INR bn)			EBITDA (INR bn)			EBITDA Margin (%)			APAT (INR bn)			Adj. EPS (INR)		
	Q3 FY24	QoQ (%)	YoY (%)	Q3 FY24	QoQ (%)	YoY (%)	Q3 FY24	QoQ (bps)	YoY (bps)	Q3 FY24	QoQ (%)	YoY (%)	Q3 FY24	QoQ	YoY
Consumer Durables															
Crompton	17.4	(2.4)	14.7	1.7	(0.2)	14.3	10.0	20	-	1.0	1.9	16.2	1.5	1.9	15.4
Havells	45.2	16.1	9.7	4.7	25.4	10.6	10.4	80	10	3.2	27.9	12.2	5.1	27.9	12.1
Orient Electric	7.2	27.2	(2.5)	0.5	127.4	(14.3)	6.5	290.0	(90.0)	0.2	na	(26.8)	1.1	na	(27.0)
Symphony	2.2	10.9	(2.6)	0.6	4.5	(1.1)	25.5	(160.0)	40.0	0.5	1.3	(2.6)	7.2	1.3	(2.6)
TTK Prestige	7.3	7.3	12.5	1.0	14.7	22.6	13.0	80.0	110.0	0.7	11.9	21.1	5.0	11.8	21.1
V-Guard	11.5	1.5	17.3	0.9	2.1	43.4	8.2	10.0	150.0	0.5	(9.0)	36.5	1.2	(9.0)	35.9
Voltas	25.0	8.9	24.5	1.0	42.4	31.0	4.0	90.0	20.0	0.7	97.4	168.1	2.2	97.4	168.1
Aggregates	115.8	9.8	13.1	10.3	19.3	14.1				6.9	24.1	19.1			
EMS															
Kaynes	4.5	24.5	55.4	0.7	38.1	63.7	15.0	150.0	80.0	0.5	43.0	102.1	7.2	30.1	83.8
Aggregates	4.5	24.5	55.4	0.7	38.1	63.7				0.5	43.0	102.1			

Source: Company; HSIE Research

Havells India

One-stop shop – FMEG behemoth

Havells, through its multi-product portfolio serving a diverse consumer base (B2C/B2B mix: 70/30%), is well placed to benefit from the current uptick seen in private/government capex and real-estate tailwind, given (1) diverse product portfolio covering 70%+ of household electric sockets; (2) it is among the top 3 players in most product categories; (3) Lloyd portfolio is gaining traction; and (4) innovation focus and GTM expansion to become more omnipresent. Despite the RM headwinds impacting its margins, Havells has sustained its strategic investments (manufacturing, distribution, marketing) to maintain its market competitiveness. We believe the margin has hit a trough and will improve from here on, given (1) the softening RM inflation; (2) an increase in the premium mix; and (3) reducing losses in Lloyd. We estimate Revenue/EBITDA/PAT CAGR of 13/21/23% over FY23-26E and value the stock at 50x Dec25 EPS. Assume coverage with an ADD rating and a target price of INR 1,500.

- **Diverse product offerings across the consumer value chain:** Havells boasts of one the most diverse offerings across the consumer durable sector (TAM of INR 2.3 trillion) covering 70%+ of electric sockets used in a household. Havells has created a clear brand architecture, with Havells positioned as a premium brand, REO as a mass brand and Standard as a mid-market brand thereby providing offerings across the consumer value spectrum. With 75% of its portfolio falling in high growth categories, we expect Havells to be a key beneficiary from the real estate tailwind seen in the country.
- **Lloyd gaining consumer acceptance; margins to improve here on:** Post acquiring Lloyd in 2017, Havells has successfully repositioned it as a mass-premium offering. Lloyd's RAC has consistently grown faster than the industry and is now among the top 3 brands in the country. However, this has come with a drag on profitability, given investments in branding, distribution, and manufacturing. Although the margins will remain under pressure in the near term, we believe they have reached a trough and will improve here on, led by (1) softening RM inflation; (2) operating leverage; (3) better cost absorption of new Sri City plant; and (4) cost-saving measures.
- **Omni-channel presence; going deeper into rural markets:** Over the years, Havells has transformed its GTM into an omni-channel approach with its products available right from GT, MT, E-com, brand shops and CSD. Moreover, to tap into the large opportunity arising from rural India, Havells has launched its 'Rural Vistaar' program through which it has a direct presence in 3,000 towns (10,000-50,000 population) covering 42,000+ retail points. Through its exclusive Utsav stores format, Havells aims to have 2,000 stores (present 400+) in towns with <10,000 population by FY24.
- **Valuation and outlook:** We estimate Revenue/EBITDA/PAT CAGR of 13/21/23% over FY23-26. Havells's margin was impacted due to RM inflation and sustained investments in strategic initiatives. However, we expect the margin to improve from here on, given (1) softening RM inflation; (2) increasing premium mix; and (3) lowering losses in Lloyd. Assume coverage with an ADD rating and target price of INR 1,500 (50x Dec25 EPS).

Financial summary

YE Mar (INR mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	1,04,279	1,38,885	1,68,684	1,87,994	2,15,912	2,45,998
EBITDA	15,653	17,576	16,030	18,714	23,077	28,417
APAT	10,298	11,947	10,750	12,866	16,070	19,943
Diluted EPS (INR)	16.5	19.1	17.2	20.5	25.6	31.8
P/E (x)	87.5	75.5	83.9	70.1	56.1	45.2
EV / EBITDA (x)	56.6	50.0	55.0	46.9	37.7	30.4
RoE (%)	21.8	21.4	17.1	18.4	20.4	22.2

Source: Company, HSIE Research

ADD

CMP (as on 15 Jan 2024)	INR 1,440
Target Price	INR 1,500
NIFTY	22,097

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 1,450	INR 1,500
EPS %	FY25E -7%	FY26E -4%

KEY STOCK DATA

Bloomberg code	HAVL IN
No. of Shares (mn)	627
MCap (INR bn) / (\$ mn)	903/11,039
6m avg traded value (INR mn)	1,191
52 Week high / low	INR 1,472/1,128

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	3.6	12.5	22.9
Relative (%)	(7.1)	1.5	1.2

SHAREHOLDING PATTERN (%)

	Jun-23	Sep-23
Promoters	59.43	59.43
FIs & Local MFs	9.79	9.49
FPIs	23.78	24.19
Public & Others	7.00	6.89
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

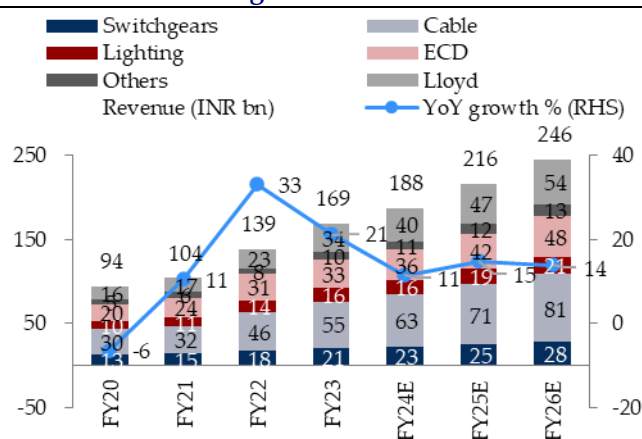
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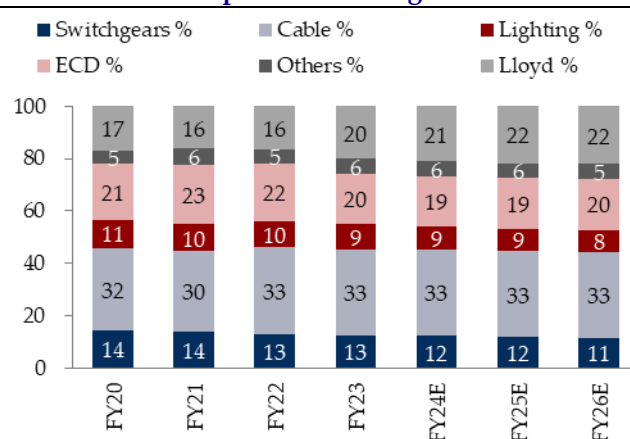
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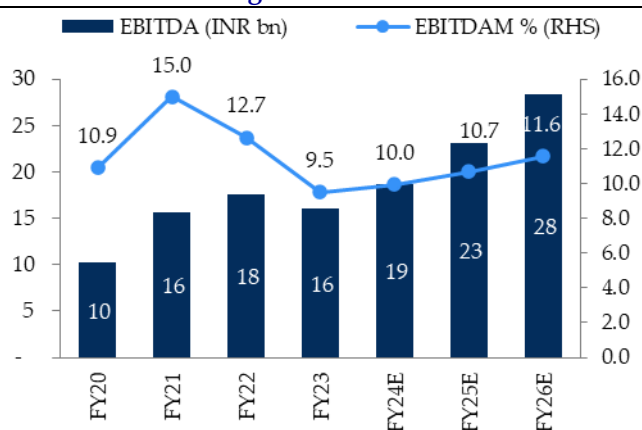
Story in Charts

Exhibit 1: Revenue to grow at 13% CAGR over FY23-26E


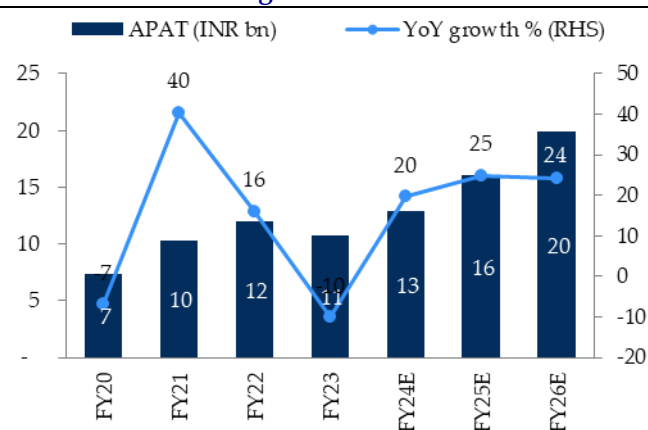
Source: Company, HSIE Research

Exhibit 2: Diverse product offerings


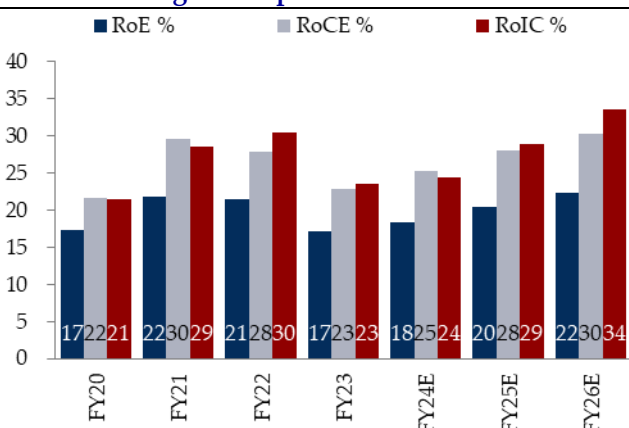
Source: Company, HSIE Research

Exhibit 3: EBITDA to grow at 21% CAGR over FY23-26E


Source: Company, HSIE Research

Exhibit 4: Revenue to grow at 23% CAGR over FY23-26E


Source: Company, HSIE Research

Exhibit 5: Strong return profile


Source: Company, HSIE Research

Exhibit 6: Trading at 56x 1-year forward P/E


Source: Bloomberg, HSIE Research

Exhibit 7: Change in estimates and rating: Assume coverage with ADD rating

Change in Estimates	Old			New			Change %		
Year End (March) - INR mn	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	1,92,267	2,17,797	2,45,472	1,87,994	2,15,912	2,45,998	-2	-1	0
EBITDA	19,715	24,019	28,541	18,714	23,077	28,417	-5	-4	0
EBITDAM %	10.3	11.0	11.6	10.0	10.7	11.6	-30bps	-30bps	-10bps
APAT	13,892	17,217	20,846	12,866	16,070	19,943	-7	-7	-4
EPS (INR)	22.2	27.5	33.3	20.5	25.6	31.8	-7	-7	-4
Rating	ADD			ADD					
Target Price (INR)	1450			1500					
Target P/E (x)	48x (Sep-25)			50x (Dec-25)					

Source: Company; HSIE Research

Exhibit 8: Key Assumptions

Year End (March)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue (INR mn)							
Switchgears	13,394	14,609	17,864	21,196	22,839	25,237	27,761
Cable	29,942	31,802	46,451	55,326	62,518	71,271	81,249
Lighting & Fixtures	10,143	10,846	13,709	16,015	16,416	18,550	20,776
Electrical Consumer Durables	20,054	23,770	30,669	32,958	35,924	42,031	48,336
Others	4,857	6,365	7,587	9,503	10,548	11,919	13,469
Havells (Ex-Lloyd)	78,389	87,392	1,16,279	1,34,998	1,48,245	1,69,008	1,91,590
Lloyd	15,903	16,888	22,606	33,686	39,749	46,904	54,408
Total	94,292	1,04,279	1,38,885	1,68,684	1,87,994	2,15,912	2,45,998
Revenue Growth %							
Switchgears	-15	9	22	19	8	11	10
Cable	-7	6	46	19	13	14	14
Lighting & Fixtures	-22	7	26	17	2	13	12
Electrical Consumer Durables	-4	19	29	7	9	17	15
Others		31	19	25	11	13	13
Havells (Ex-Lloyd)	-5	11	33	16	10	14	13
Lloyd	-14	6	34	49	18	18	16
Total	-6	11	33	21	11	15	14
EBIT (INR mn)							
Switchgears	3,249	4,047	4,908	5,564	6,132	6,877	7,634
Cable	3,321	4,038	5,403	5,247	7,346	8,731	10,156
Lighting & Fixtures	1,457	2,041	2,576	2,469	2,364	2,782	3,220
Electrical Consumer Durables	2,870	4,037	4,576	4,189	4,491	5,569	6,646
Others	-250	310	567	350	369	477	606
Havells (Ex-Lloyd)	10,647	14,472	18,029	17,818	20,702	24,436	28,263
Lloyd	-401	741	-711	-2,209	-1,789	-1,173	544
Total	10,246	15,213	17,318	15,609	18,913	23,264	28,807
EBIT Margin %							
Switchgears	24.3	27.7	27.5	26.2	26.9	27.3	27.5
Cable	11.1	12.7	11.6	9.5	11.8	12.3	12.5
Lighting & Fixtures	14.4	18.8	18.8	15.4	14.4	15.0	15.5
Electrical Consumer Durables	14.3	17.0	14.9	12.7	12.5	13.3	13.8
Others	-5.1	4.9	7.5	3.7	3.5	4.0	4.5
Havells (Ex-Lloyd)	13.6	16.6	15.5	13.2	14.0	14.5	14.8
Lloyd	-2.5	4.4	-3.1	-6.6	-4.5	-2.5	1.0
Total	10.9	14.6	12.5	9.3	10.1	10.8	11.7

Source: Company; HSIE Research

Financials

Standalone P&L

Year End (March) - INR mn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Revenues	94,292	1,04,279	1,38,885	1,68,684	1,87,994	2,15,912	2,45,998
Growth (%)	(6.3)	10.6	33.2	21.5	11.4	14.9	13.9
Material Expenses	58,351	64,749	93,841	1,16,713	1,26,896	1,44,661	1,63,589
Employee Expense	8,996	8,853	10,147	12,617	15,040	16,733	19,065
Other Expenses	16,671	15,024	17,322	23,325	27,344	31,441	34,928
EBITDA	10,274	15,653	17,576	16,030	18,714	23,077	28,417
EBITDA Growth (%)	(13.2)	52.4	12.3	(8.8)	16.7	23.3	23.1
EBITDA Margin (%)	10.9	15.0	12.7	9.5	10.0	10.7	11.6
Depreciation	2,179	2,489	2,608	2,961	3,232	3,592	3,915
EBIT	8,095	13,164	14,968	13,069	15,482	19,485	24,502
Other Income (Including EO Items)	1,120	1,450	1,604	1,770	2,144	2,485	2,688
Interest	197	726	534	336	357	400	421
PBT	9,017	13,888	16,038	14,503	17,270	21,570	26,769
Total Tax	1,687	3,590	4,091	3,753	4,404	5,500	6,826
Exceptional Gain/ (loss)	-	98	-	-	-	-	-
RPAT	7,330	10,396	11,947	10,750	12,866	16,070	19,943
Adjusted PAT	7,330	10,298	11,947	10,750	12,866	16,070	19,943
APAT Growth (%)	(6.9)	40.5	16.0	(10.0)	19.7	24.9	24.1
EPS	11.7	16.5	19.1	17.2	20.5	25.6	31.8
EPS Growth (%)	(6.9)	40.4	16.0	(10.1)	19.7	24.9	24.1

Standalone Balance Sheet

Year End (March) - INR mn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
SOURCES OF FUNDS							
Share Capital - Equity	626	626	626	627	627	627	627
Other Equity	42,422	51,019	59,260	65,518	73,059	82,863	95,288
Total Shareholders' Funds	43,048	51,645	59,886	66,145	73,685	83,490	95,915
Long Term Debt	-	3,937	2,726	-	-	-	-
Short Term Debt	-	-	1,230	-	-	-	-
Total Debt	-	3,937	3,955	-	-	-	-
Net Deferred Taxes	2,865	3,391	3,506	3,615	3,788	4,003	4,271
Other Non-Current Liabilities	1,485	1,658	2,640	3,349	3,646	4,020	4,328
TOTAL SOURCES OF FUNDS	47,398	60,630	69,988	73,109	81,119	91,513	1,04,514
APPLICATION OF FUNDS							
Net Block	15,668	15,132	15,877	17,957	21,601	23,735	24,069
Goodwill	3,105	3,105	3,105	3,105	3,105	3,105	3,105
CWIP	861	899	572	1,664	1,500	500	500
Intangible assets	11,395	11,191	11,017	10,823	10,649	10,474	10,297
Right of Use Assets	3,327	3,475	4,337	4,320	4,678	4,922	5,160
Non-Current Investments	16	16	2,743	205	205	205	205
Other Non-Current Assets	1,571	1,512	1,529	2,840	2,965	2,824	3,031
Total Non-current Assets	35,943	35,331	39,179	40,914	44,702	45,764	46,366
Current-Investments	-	3,063	1,534	1,809	-	-	-
Inventories	18,719	26,199	29,681	37,085	38,629	43,182	49,200
Debtors	2,409	5,603	7,648	9,713	10,301	11,831	13,479
Cash & Equivalents	11,069	16,247	25,358	18,619	24,769	31,543	39,168
Other Current Assets	2,339	1,759	1,651	3,292	3,474	3,827	4,062
Total Current Assets	34,536	52,872	65,872	70,518	77,173	90,383	1,05,909
Creditors	14,141	15,968	23,794	26,425	28,328	31,352	33,698
Other Current Liabilities & Provisions	8,940	11,604	11,269	11,897	12,428	13,282	14,063
Total Current Liabilities	23,081	27,572	35,064	38,323	40,755	44,634	47,761
Net Current Assets	11,455	25,300	30,809	32,195	36,418	45,749	58,148
TOTAL APPLICATION OF FUNDS	47,398	60,630	69,988	73,109	81,119	91,513	1,04,514

Source: Company, HSIE Research

Standalone Cash Flow

Year End (March) - INR mn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Reported PBT	9,017	13,888	16,038	14,503	17,270	21,570	26,769
Non-operating & EO Items	(533)	(923)	(1,017)	(1,264)	(1,087)	(1,104)	(1,577)
Interest Expenses	197	726	534	336	357	400	421
Depreciation	2,179	2,489	2,608	2,961	3,232	3,592	3,915
Working Capital Change	(215)	(6,985)	3,420	(6,969)	111	(2,561)	(4,778)
Tax Paid	(2,398)	(2,714)	(4,138)	(3,919)	(4,404)	(5,500)	(6,826)
OPERATING CASH FLOW (a)	8,248	6,481	17,446	5,647	15,479	16,397	17,925
Capex	(3,592)	(1,536)	(2,490)	(5,855)	(6,895)	(4,795)	(4,311)
Free Cash Flow (FCF)	4,655	4,945	14,956	(208)	8,585	11,602	13,614
Investments	(2,509)	(7,296)	(6,051)	5,004	(3,191)	(5,000)	(6,000)
Non-operating Income	625	894	949	1,201	1,439	1,838	1,950
Others	-	309	-	40	-	-	-
INVESTING CASH FLOW (b)	(5,477)	(7,629)	(7,592)	391	(8,646)	(7,958)	(8,361)
Debt Issuance/(Repaid)	(937)	4,233	(973)	(3,937)	-	-	-
Interest Expenses	(52)	(559)	(394)	(253)	(357)	(400)	(421)
FCFE	3,770	9,737	14,376	(3,891)	8,941	12,002	14,035
Share Capital Issuance	242	98	312	267	-	-	-
Dividend	(6,413)	(1,878)	(4,073)	(4,703)	(5,325)	(6,265)	(7,518)
Others	-	-	(345)	(443)	-	-	-
FINANCING CASH FLOW (c)	(7,159)	1,894	(5,473)	(9,069)	(5,682)	(6,665)	(7,939)
NET CASH FLOW (a+b+c)	(4,388)	746	4,380	(3,031)	1,151	1,774	1,625
EO Items, Others	-	98	-	-	-	-	-
Closing Cash & Equivalents	2,421	3,266	7,637	4,569	5,719	7,493	9,118

Ratios

Year End (March)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
PROFITABILITY (%)							
GPM	38.1	37.9	32.4	30.8	32.5	33.0	33.5
EBITDA Margin (%)	10.9	15.0	12.7	9.5	10.0	10.7	11.6
EBIT Margin	8.6	12.6	10.8	7.7	8.2	9.0	10.0
PBT Margin	9.6	13.3	11.5	8.6	9.2	10.0	10.9
APAT Margin	7.8	9.9	8.6	6.4	6.8	7.4	8.1
RoE	17.3	21.8	21.4	17.1	18.4	20.4	22.2
RoIC (or Core RoCE)	21.4	28.6	30.5	23.4	24.4	28.8	33.6
RoCE	21.6	29.6	27.8	22.8	25.2	28.0	30.3
EFFICIENCY							
Tax Rate (%)	18.7	25.8	25.5	25.9	25.5	25.5	25.5
Fixed Asset Turnover (x)	4.0	4.1	5.2	5.6	5.4	5.3	5.5
Inventory (days)	73	79	73	72	75	73	73
Debtors (days)	13	14	17	19	20	20	20
Other Current Assets (days)	9	7	4	5	7	6	6
Payables (days)	58	53	52	54	55	53	50
Other Current Liab & Provns (days)	36	36	30	25	24	22	21
Cash Conversion Cycle (days)	1	11	13	17	23	24	28
Net D/E (x)	(0.3)	(0.2)	(0.4)	(0.3)	(0.3)	(0.4)	(0.4)
Interest Coverage (x)	41.0	18.1	28.0	38.9	43.4	48.7	58.2
PER SHARE DATA (Rs)							
EPS	11.7	16.5	19.1	17.2	20.5	25.6	31.8
CEPS	15.2	20.4	23.2	21.9	25.7	31.4	38.1
Dividend	4.0	6.5	7.5	7.5	9.0	11.0	14.0
Book Value	68.8	82.5	95.6	105.6	117.6	133.3	153.1
VALUATION							
P/E (x)	122.9	87.5	75.5	83.9	70.1	56.1	45.2
P/BV (x)	20.9	17.5	15.1	13.6	12.2	10.8	9.4
EV/EBITDA (x)	86.6	56.6	50.0	55.0	46.9	37.7	30.4
EV/Revenues (x)	9.4	8.5	6.3	5.2	4.7	4.0	3.5
OCF/EV (%)	0.9	0.7	2.0	0.6	1.8	1.9	2.1
FCF/EV (%)	0.5	0.6	1.7	(0.0)	1.0	1.3	1.6
FCFE/Mkt Cap (%)	0.4	1.1	1.6	(0.4)	1.0	1.3	1.6
Dividend Yield (%)	0.3	0.5	0.5	0.5	0.6	0.8	1.0

Source: Company, HSIE Research

Voltas

Worst is over

Voltas has shed some market share (c.600bps over its peak) and margin (high-single-digit vs low teens) in the RAC segment (still a leader) on account of heightened competitive intensity (demand-supply mismatch). However, notwithstanding the near-term pressure, we believe the worst is over and expect recovery (albeit gradually) in both market share and margins given the company (1) is scaling up presence in the south; (2) expanding capacities and backward integration (INR 5bn capex) (3) has a superior product range (launched 64 SKUs in FY23); (4) has an extensive channel network (25,000+ touchpoints; 260+ EBOs); and (5) is making brand investments to further leverage its strong legacy. In the EMPS segment, while domestic project business is trending well (order inflow and execution), delayed collection and termination of contracts in overseas projects has been a drag to profitability. Voltas-Beko JV is scaling up well and remains on target to achieve EBITDA break-even by FY25-26. We estimate Revenue/EBITDA/PAT CAGR of 16/28/35% over FY23-26E and value the stock on a SOTP basis (UCP: 45x Dec25 EPS). Assume coverage with an ADD rating and a TP of INR 1,150.

- **RAC market share and margins set to improve:** In line with the government's push to increase the country's manufacturing base (PMP; PLI), most of the brands have expanded their manufacturing footprint within the country. This has led to a demand-supply mismatch. As a result, the industry is witnessing heightened competitive intensity leading to margins moving to single digits industrywide. Voltas has seen its market share crash to 19% (YTD) from a high of c.26% in FY22 while its margin has shrunk to high-single-digits vs low teens. However, Voltas remains focused on ploughing back the market share (while maintaining margin leadership) through channel expansion, innovation and increasing penetration in south India. We believe the worst is over and are baking in UCP margins in the range of 9-10% over FY24-26.
- **Overseas projects dragging EMPS profitability:** While Voltas has witnessed improving order booking and execution in the domestic business, overseas projects have been a drag to segment profitability. Voltas made provisions of INR 2.4bn in FY23 on account of the termination of the contract and encashment of bank guarantees in Dubai and Qatar. Moreover, they have been making ECL provisions due to delayed collections, thereby impacting margins. Voltas is establishing more stringent processes while bidding for new projects which shall aid margin improvement.
- **Voltas-Beko (Voltbek) scaling up well:** Since its launch, Voltbek has been one of India's fastest-growing home appliance brands having sold 3.3mn+. Voltbek is looking to rapidly expand its network to 15,000 outlets (currently 7,000) and remains on track to achieve EBITDA break-even by FY25-26.
- **Valuation and Outlook:** We estimate Revenue/EBITDA/PAT CAGR of 16/28/35% over FY23-26. We expect gradual recovery in RAC market share and margins. Given a healthy domestic order book and stringent processes for overseas projects, we expect recovery in EMPS profitability. Assume coverage with an ADD rating & SOTP-based target price of INR 1,150 (UCP: 45x Dec25 EPS)

Financial summary

YE Mar (INR mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	75,558	79,345	94,988	1,16,914	1,33,462	1,48,609
EBITDA	6,414	6,816	5,724	6,818	10,206	11,910
APAT	5,251	5,041	3,788	4,956	7,977	9,405
Diluted EPS (INR)	15.9	15.2	11.5	15.0	24.1	28.4
P/E (x)	66.8	69.6	92.6	70.8	44.0	37.3
EV / EBITDA (x)	54.0	50.5	60.6	51.6	34.5	29.5
RoE (%)	11.2	9.5	6.9	8.7	12.9	13.8

Source: Company, HSIE Research

ADD

CMP (as on 15 Jan 2024) INR 1,061

Target Price INR 1,150

NIFTY 22,097

KEY CHANGES	OLD	NEW
Rating	REDUCE	ADD
Price Target	INR 800	INR 1,150
EPS %	FY25E +7%	FY26E +11%

KEY STOCK DATA

Bloomberg code	VOLT IN
No. of Shares (mn)	331
MCap (INR bn) / (\$ mn)	351/4,292
6m avg traded value (INR mn)	1,373
52 Week high / low	INR 1,068/737

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	25.5	40.6	31.6
Relative (%)	14.8	29.6	9.9

SHAREHOLDING PATTERN (%)

	Sep-23	Dec-23
Promoters	30.30	30.30
FIs & Local MFs	36.03	37.21
FPIs	17.83	17.17
Public & Others	15.84	15.32
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

Paarth Gala

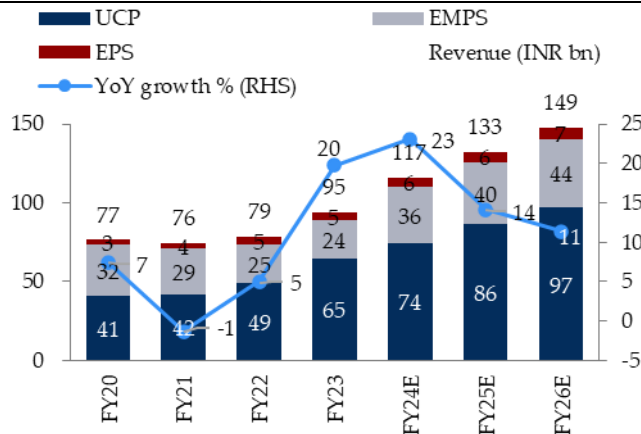
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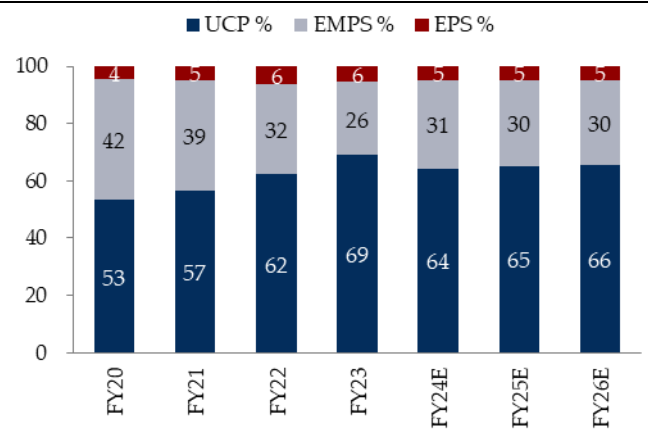
Story in Charts

Exhibit 1: Revenue to grow at 16% CAGR over FY23-26



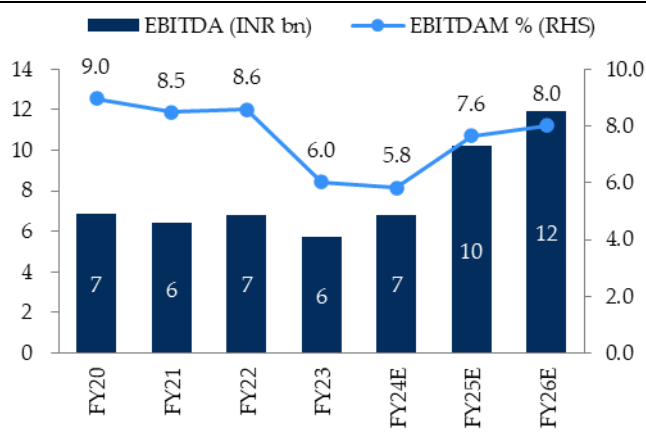
Source: Company, HSIE Research

Exhibit 2: UCP segment dominates revenue mix



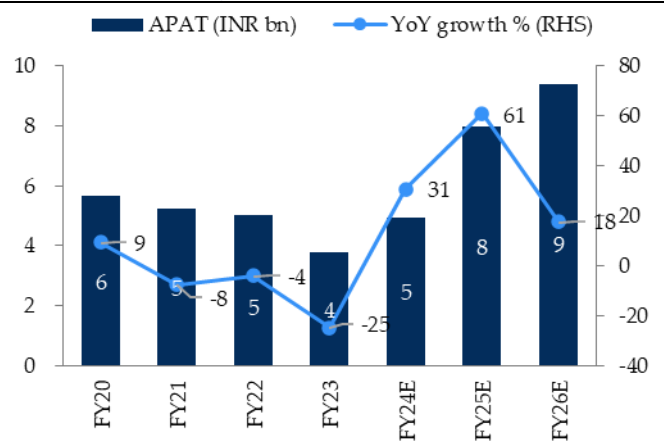
Source: Company, HSIE Research

Exhibit 3: EBITDA to grow at 28% CAGR over FY23-26



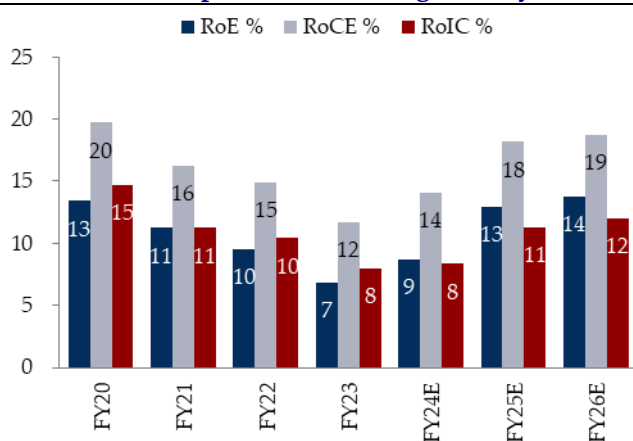
Source: Company, HSIE Research

Exhibit 4: PAT to grow at 35% CAGR over FY23-26



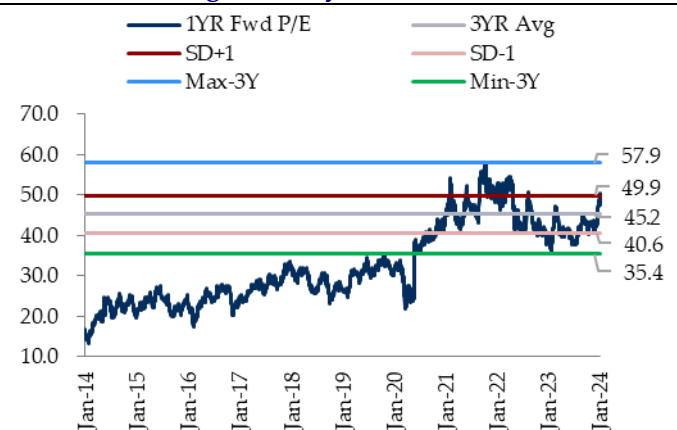
Source: Company, HSIE Research

Exhibit 5: Return profile to recover gradually



Source: Company, HSIE Research

Exhibit 6: Trading at 50x 1-year forward P/E



Source: Bloomberg, HSIE Research

Exhibit 7: Change in estimates and rating: Assume coverage with an ADD rating

Change in Estimates	Old			New			Change %		
Year End (March) - INR mn	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	1,16,781	1,30,165	1,43,537	1,16,914	1,33,462	1,48,609	0	3	4
EBITDA	5,748	9,171	10,193	6,818	10,206	11,910	19	11	17
EBITDAM %	4.9	7.0	7.1	5.8	7.6	8.0	90bps	60bps	90bps
APAT	4,633	7,436	8,472	4,956	7,977	9,405	7	7	11
EPS (INR)	14.0	22.5	25.6	15.0	24.1	28.4	7	7	11
Rating	REDUCE			ADD					
Target Price (INR)	800			1150					
Target P/E (x)	SOTP (UCP - 32x Sep25)			SOTP (UCP - 45x Dec25)					

Source: Company; HSIE Research

Exhibit 8: Key Assumptions

Year End (March)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue (INR mn)							
UCP	40,737	42,185	48,819	64,745	74,457	86,370	96,734
EMPS	32,461	28,786	24,705	24,029	35,678	39,544	43,631
EPS	3,317	3,595	4,887	5,220	5,794	6,489	7,138
Total	76,515	74,566	78,411	93,994	1,15,929	1,32,402	1,47,503
Revenue Growth %							
UCP	29	4	16	33	15	16	12
EMPS	-10	-11	-14	-3	48	11	10
EPS	6	8	36	7	11	12	10
Total	8	-3	5	20	23	14	11
EBIT (INR mn)							
UCP	5,121	5,837	5,134	5,378	6,515	7,989	9,190
EMPS	1,704	270	1,258	-582	-892	791	1,091
EPS	993	1,143	1,579	2,007	2,260	2,498	2,748
Total	7,817	7,250	7,971	6,803	7,883	11,278	13,029
EBIT Margin %							
UCP	12.6	13.8	10.5	8.3	8.8	9.3	9.5
EMPS	5.2	0.9	5.1	-2.4	-2.5	2.0	2.5
EPS	29.9	31.8	32.3	38.5	39.0	38.5	38.5
Total	10.2	9.7	10.2	7.2	6.8	8.5	8.8

Source: Company; HSIE Research

Financials

Consolidated P&L

Year End (March) - INR mn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Revenues	76,581	75,558	79,345	94,988	1,16,914	1,33,462	1,48,609
Growth (%)	7.5	(1.3)	5.0	19.7	23.1	14.2	11.3
Material Expenses	55,549	55,785	58,967	73,782	89,147	1,01,097	1,12,051
Employee Expense	6,717	6,017	6,176	6,672	7,892	9,009	10,031
Other Expenses	7,448	7,343	7,386	8,810	13,058	13,150	14,617
EBITDA	6,867	6,414	6,816	5,724	6,818	10,206	11,910
EBITDA Growth (%)	12.3	(6.6)	6.3	(16.0)	19.1	49.7	16.7
EBITDA Margin (%)	9.0	8.5	8.6	6.0	5.8	7.6	8.0
Depreciation	320	339	373	396	484	632	756
EBIT	6,547	6,075	6,443	5,328	6,333	9,574	11,154
Other Income (Including EO Items)	2,306	1,889	1,892	1,685	2,517	2,713	2,764
Interest	211	262	259	296	413	388	395
PBT	8,642	7,702	8,076	6,716	8,437	11,899	13,522
Total Tax	2,233	1,804	1,913	1,709	2,278	3,034	3,448
Profit before JV/Associates/NCI	6,409	5,898	6,163	5,007	6,159	8,865	10,074
Share of JV/Associates	(687)	(610)	(1,103)	(1,207)	(1,191)	(875)	(655)
Non-controlling Interest	39	37	19	12	12	13	14
Exceptional Gain/ (loss)	(512)	-	-	(2,438)	-	-	-
RPAT	5,172	5,251	5,041	1,350	4,956	7,977	9,405
Adjusted PAT	5,684	5,251	5,041	3,788	4,956	7,977	9,405
APAT Growth (%)	9.4	(7.6)	(4.0)	(24.8)	30.8	61.0	17.9
EPS	17.2	15.9	15.2	11.5	15.0	24.1	28.4
EPS Growth (%)	9.4	(7.6)	(4.0)	(24.8)	30.8	61.0	17.9

Consolidated Balance Sheet

Year End (March) - INR mn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
SOURCES OF FUNDS							
Share Capital - Equity	331	331	331	331	331	331	331
Other Equity	42,471	49,603	54,665	54,190	57,740	63,997	70,922
Total Shareholders' Funds	42,802	49,933	54,996	54,521	58,071	64,328	71,252
NCI	365	361	381	417	429	442	455
Long Term Debt	-	-	-	212	-	-	-
Short Term Debt	2,090	2,514	3,432	5,948	5,846	6,006	5,944
Total Debt	2,090	2,514	3,432	6,160	5,846	6,006	5,944
Net Deferred Taxes	(715)	(558)	(317)	(303)	(218)	(99)	36
Other Non-Current Liabilities	1,241	1,219	1,404	1,393	1,505	1,648	1,832
TOTAL SOURCES OF FUNDS	45,783	53,470	59,896	62,187	65,632	72,323	79,520
APPLICATION OF FUNDS							
Net Block	2,402	2,384	2,305	3,611	6,728	9,216	10,593
Goodwill	723	723	723	723	723	723	723
CWIP	263	88	593	983	1,000	1,000	1,000
Intangible assets	95	85	72	62	83	98	111
Right of Use Assets	130	133	204	357	387	459	510
Non-Current Investments	18,229	27,971	31,811	28,015	26,140	26,791	29,200
Other Non-Current Assets	3,205	2,720	2,523	4,220	4,003	4,109	4,220
Total Non-current Assets	25,048	34,103	38,231	37,970	39,064	42,397	46,357
Current-Investments	5,204	2,493	4,343	3,072	2,046	2,336	2,601
Inventories	14,689	12,796	16,614	15,920	19,859	22,670	24,429
Debtors	18,273	18,009	21,097	21,919	27,227	31,080	33,793
Cash & Equivalents	3,084	4,588	5,717	7,084	2,655	2,050	3,495
Other Current Assets	14,534	14,008	11,022	16,471	17,250	19,357	21,554
Total Current Assets	55,784	51,894	58,792	64,465	69,037	77,494	85,872
Creditors	26,889	24,645	29,421	30,126	32,031	36,565	40,715
Other Current Liabilities & Provisions	8,160	7,882	7,707	10,121	10,438	11,002	11,995
Total Current Liabilities	35,049	32,527	37,127	40,247	42,469	47,567	52,709
Net Current Assets	20,736	19,367	21,665	24,218	26,568	29,927	33,163
TOTAL APPLICATION OF FUNDS	45,783	53,470	59,896	62,187	65,632	72,323	79,520

Source: Company, HSIE Research

Consolidated Cash Flow

Year End (March) - INR mn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Reported PBT	7,955	7,092	6,973	5,510	7,246	11,024	12,867
Non-operating & EO Items	(890)	141	845	884	(362)	(858)	(699)
Interest Expenses	211	262	259	296	413	388	395
Depreciation	320	339	373	396	484	632	756
Working Capital Change	(911)	(1,580)	(438)	(3,836)	(7,804)	(3,674)	(1,526)
Tax Paid	(2,061)	(693)	(2,169)	(1,656)	(2,278)	(3,034)	(3,448)
OPERATING CASH FLOW (a)	4,625	5,561	5,842	1,594	(2,301)	4,478	8,346
Capex	(832)	(187)	(469)	(1,774)	(3,661)	(3,196)	(2,186)
Free Cash Flow (FCF)	3,792	5,375	5,373	(181)	(5,961)	1,281	6,160
Investments	(1,242)	(2,963)	(3,474)	253	2,901	(941)	(2,674)
Non-operating Income	443	323	156	450	765	1,003	897
Others	(474)	267	141	255	-	-	-
INVESTING CASH FLOW (b)	(2,105)	(2,559)	(3,646)	(816)	5	(3,135)	(3,964)
Debt Issuance/(Repaid)	(1,057)	425	918	2,728	(314)	160	(61)
Interest Expenses	(253)	(267)	(225)	(284)	(413)	(388)	(395)
FCFE	2,989	6,066	6,516	2,831	(5,863)	1,829	6,494
Share Capital Issuance	-	(15)	-	-	-	-	-
Dividend	(1,627)	(1,358)	(1,676)	(1,829)	(1,406)	(1,720)	(2,481)
Others	-	-	(87)	(65)	-	-	-
FINANCING CASH FLOW (c)	(2,937)	(1,215)	(1,070)	550	(2,133)	(1,948)	(2,937)
NET CASH FLOW (a+b+c)	(417)	1,787	1,126	1,328	(4,428)	(605)	1,445
EO Items, Others	-	-	-	-	-	-	-
Closing Cash & Equivalents	2,693	4,480	5,605	6,934	2,499	1,894	3,339

Ratios

Year End (March)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
PROFITABILITY (%)							
GPM	27.5	26.2	25.7	22.3	23.8	24.3	24.6
EBITDA Margin (%)	9.0	8.5	8.6	6.0	5.8	7.6	8.0
EBIT Margin	8.5	8.0	8.1	5.6	5.4	7.2	7.5
PBT Margin	11.3	10.2	10.2	7.1	7.2	8.9	9.1
APAT Margin	7.4	7.0	6.4	4.0	4.2	6.0	6.3
RoE	13.4	11.2	9.5	6.9	8.7	12.9	13.8
RoIC (or Core RoCE)	14.7	11.3	10.4	8.0	8.4	11.3	12.0
RoCE	19.7	16.2	14.9	11.7	14.1	18.2	18.8
EFFICIENCY							
Tax Rate (%)	25.8	23.4	23.7	25.4	27.0	25.5	25.5
Fixed Asset Turnover (x)	16.4	15.5	16.2	16.9	14.4	11.7	10.7
Inventory (days)	61	66	68	63	62	62	60
Debtors (days)	87	88	90	83	85	85	83
Other Current Assets (days)	63	69	58	53	54	53	53
Payables (days)	121	124	124	114	100	100	100
Other Current Liab & Provns (days)	34	39	36	34	33	30	29
Cash Conversion Cycle (days)	56	60	55	49	68	70	66
Net D/E (x)	(0.0)	(0.0)	(0.0)	(0.0)	0.1	0.1	0.0
Interest Coverage (x)	31.0	23.2	24.9	18.0	15.3	24.7	28.2
PER SHARE DATA (Rs)							
EPS	17.2	15.9	15.2	11.5	15.0	24.1	28.4
CEPS	18.2	16.9	16.4	12.7	16.4	26.0	30.7
Dividend	4.0	5.0	5.5	4.3	5.2	7.5	9.0
Book Value	129.4	151.0	166.3	164.8	175.6	194.5	215.4
VALUATION							
P/E (x)	61.7	66.8	69.6	92.6	70.8	44.0	37.3
P/BV (x)	8.2	7.0	6.4	6.4	6.0	5.5	4.9
EV/EBITDA (x)	50.2	54.0	50.5	60.6	51.6	34.5	29.5
EV/Revenues (x)	4.5	4.6	4.3	3.7	3.0	2.6	2.4
OCF/EV (%)	1.3	1.6	1.7	0.5	(0.7)	1.3	2.4
FCF/EV (%)	1.1	1.6	1.6	(0.1)	(1.7)	0.4	1.8
FCFE/Mkt Cap (%)	0.9	1.7	1.9	0.8	(1.7)	0.5	1.9
Dividend Yield (%)	0.4	0.5	0.5	0.4	0.5	0.7	0.8

Source: Company, HSIE Research

Crompton Consumer

On the right path

Crompton has pivoted its strategy to an absolute profit-led mindset (away from its erstwhile profitability-led mindset) wherein it will focus on accelerated growth albeit at some cost to margins. Through its Crompton 2.0 strategy, the focus will be on (1) protecting and growing the core (fans, pumps); (2) scaling up the kitchen portfolio (both SDA and LKA) as new vector for growth; (3) transform the lighting business; (4) premiumization of the portfolio led by innovation; (5) GTM excellence and diversification; and (6) entering 2-3 new segments. Early results of this are visible with Crompton outperforming its peers in ECD (TTM), growing by 6% vs Havells'/Orient's growth of -2/4% YoY. We believe sustained execution of Crompton 2.0 strategy and industry outperformance can help rerate the stock. We estimate Revenue/EBITDA/PAT CAGR of 10/13/16% over FY23-26E and value the stock at 35x Dec25 EPS. Assume coverage with BUY rating and a target price of INR 375.

- **Crompton 2.0—focus on profit-led growth:** Through the Crompton 2.0 strategy, aim is to grow faster than the industry by focusing on (1) consumer need-led innovation; (2) premiumization of portfolio; (3) supply chain & GTM excellence; (4) digital enablement; and (5) profit-led growth. Crompton has revamped its organizational structure by creating new business units and has centralized manufacturing and procurement functions. This will create the bandwidth for business leaders to work on innovation.
- **Protecting and growing the core:** Crompton has maintained its leadership position in fans (largest category) and has gained 400-500bps market share over the past c.5 years (consistent gains in premium category). In pumps, Crompton has arrested the decline seen in the last three years by changing the brand architecture. Despite external challenges (rating change in fans; industry slowdown in pumps), Crompton has outperformed its peers in ECD, growing by 6% vs Havells'/Orient's growth of -2/4% YoY.
- **Focus on innovation; creating new legs of growth:** After successfully scaling up its air cooler (top 4) and water heater (top 3) portfolios, Crompton has identified kitchen (both SDA and LKA) as the next vector for growth. Synergy with BGAL is a key monitorable. Moreover, Crompton has entered the large kitchen appliances. Through its state-of-the-art innovation center, it continues to focus on bringing out consumer meaningful innovations. Its innovation cycle has shrunk to <12 months from earlier 12-14 months.
- **Turning around lighting:** Crompton has lagged the industry in the lighting segment as it was highly dependent on the government B2B channel and higher mix towards bulbs. In its bid to turnaround the business, Crompton has decentralized the sales structure with a dedicated sales and distribution team. Moreover, it is focusing on increasing its mix towards ceiling and decorative lighting. Results of which are expected to be seen in FY25.
- **Valuation and outlook:** We estimate Revenue/EBITDA/PAT CAGR of 10/13/16% over FY23-26. We believe Crompton's 2.0 strategy will enable it to grow ahead of the industry along with some margin expansion. Assume coverage with a BUY rating and target price of INR 375 (35x Dec25 EPS).

Financial summary

YE Mar (INR mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	48,035	53,941	68,696	73,210	82,709	92,592
EBITDA	7,205	7,695	7,705	7,476	9,325	11,088
APAT	5,400	5,914	4,632	4,420	5,875	7,203
Diluted EPS (INR)	8.6	9.3	7.3	6.9	9.2	11.3
P/E (x)	37.7	34.7	44.5	46.6	35.1	28.6
EV / EBITDA (x)	27.0	26.8	27.1	27.4	21.5	17.6
RoE (%)	31.8	27.0	18.1	13.6	16.2	17.5

Source: Company, HSIE Research

BUY

CMP (as on 15 Jan 2024)	INR 324
Target Price	INR 375
NIFTY	22,097

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 400	INR 375
EPS %	FY25E	FY26E
	-14%	-11%

KEY STOCK DATA

Bloomberg code	CROMPTON IN
No. of Shares (mn)	640
MCap (INR bn) / (\$ mn)	207/2,537
6m avg traded value (INR mn)	757
52 Week high / low	INR 341/251

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	8.0	10.8	(3.9)
Relative (%)	(2.7)	(0.2)	(25.6)

SHAREHOLDING PATTERN (%)

	Sep-23	Dec-23
Promoters	0.00	0.00
FIs & Local MFs	47.99	48.30
FPIs	34.86	35.58
Public & Others	17.15	16.12
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

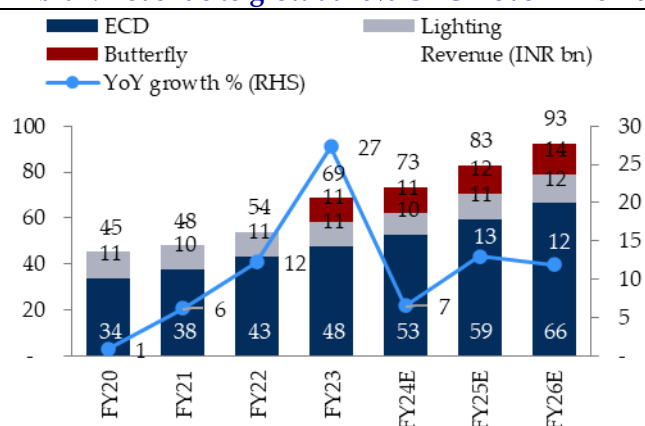
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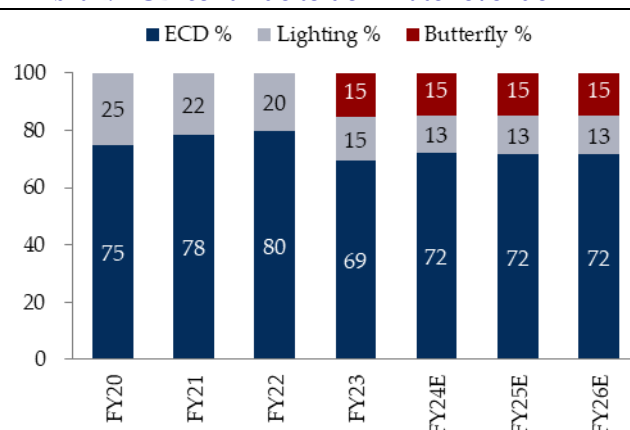
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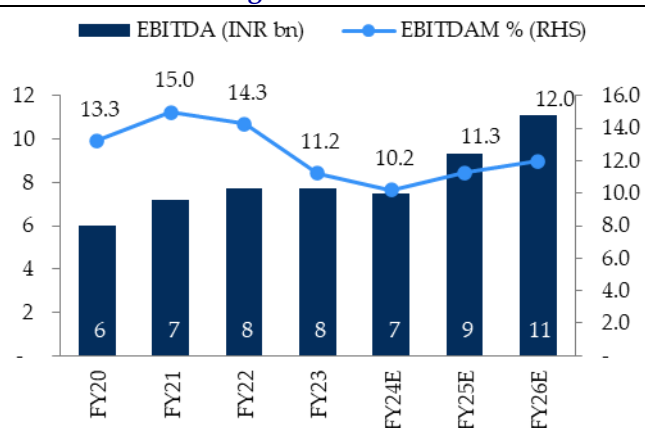
Story in Charts

Exhibit 1: Revenue to grow at 10% CAGR over FY23-26


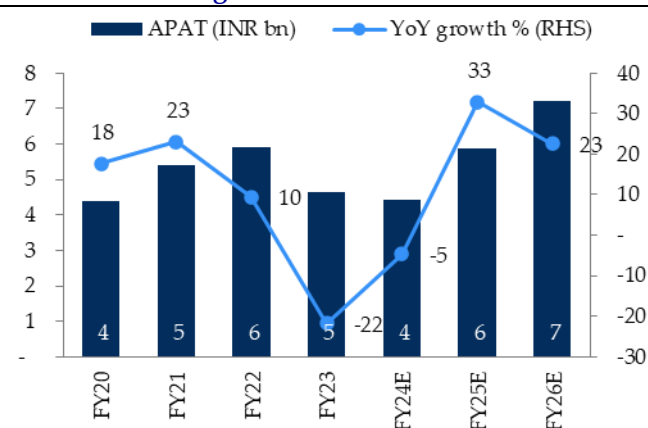
Source: Company, HSIE Research

Exhibit 2: ECD continue to dominate revenue mix


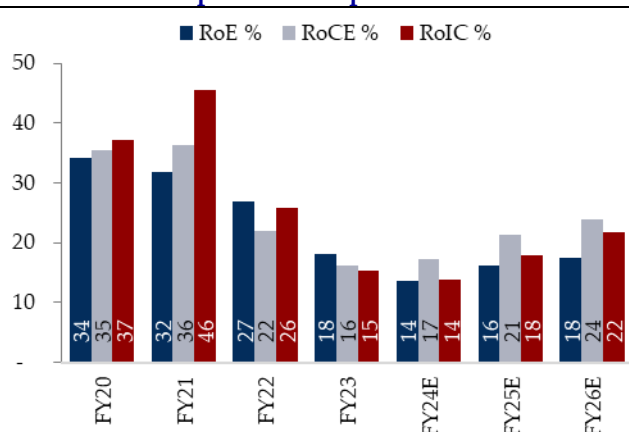
Source: Company, HSIE Research

Exhibit 3: EBITDA to grow at 13% CAGR over FY23-26


Source: Company, HSIE Research

Exhibit 4: PAT to grow at 16% CAGR over FY23-26


Source: Company, HSIE Research

Exhibit 5: Return profile to improve


Source: Company, HSIE Research

Exhibit 6: Trading at 35x 1yr-forward P/E


Source: Bloomberg, HSIE Research

Exhibit 7: Change in estimates and rating: Assume coverage with BUY rating

Change in Estimates	Old			New			Change %		
Year End (March) - INR mn	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	76,300	86,342	97,218	73,210	82,709	92,592	-4	-4	-5
EBITDA	8,643	10,403	12,008	7,476	9,325	11,088	-14	-10	-8
EBITDAM %	11.3	12.0	12.4	10.2	11.3	12.0	-110bps	-80bps	-40bps
APAT	5,517	6,802	8,061	4,420	5,875	7,203	-20	-14	-11
EPS (INR)	8.7	10.7	12.7	6.9	9.2	11.3	-20	-14	-11
Rating	BUY			BUY					
Target Price (INR)	400			375					
Target P/E (x)	35x (Sep-25)			35x (Dec-25)					

Source: Company; HSIE Research

Exhibit 8: Key Assumptions

Year End (March)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue (INR mn)							
ECD	33,890	37,571	43,110	47,557	52,812	59,358	66,440
Lighting	11,312	10,464	10,831	10,581	9,629	11,073	12,402
Butterfly	-	-	-	10,558	10,769	12,277	13,750
Total	45,203	48,035	53,941	68,696	73,210	82,709	92,592
Revenue Growth %							
ECD	5	11	15	10	11	12	12
Lighting	-11	-7	4	-2	-9	15	12
Butterfly	-	-	-	-	2	14	12
Total	1	6	12	27	7	13	12
EBIT (INR mn)							
ECD	6,731	7,392	8,267	7,893	7,394	8,607	9,800
Lighting	706	1,317	1,278	1,005	1,059	1,273	1,457
Butterfly	-	-	-	840	781	1,044	1,306
Total	7,437	8,710	9,545	9,738	9,234	10,924	12,563
EBIT Margin %							
ECD	19.9	19.7	19.2	16.6	14.0	14.5	14.8
Lighting	6.2	12.6	11.8	9.5	11.0	11.5	11.8
Butterfly				8.0	7.3	8.5	9.5
Total	16.5	18.1	17.7	14.2	12.6	13.2	13.6

Source: Company; HSIE Research

Financials

Consolidated P&L

Year End (March) - INR mn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Revenues	45,203	48,035	53,941	68,696	73,210	82,709	92,592
Growth (%)	0.9	6.3	12.3	27.4	6.6	13.0	11.9
Material Expenses	30,703	32,672	37,018	46,804	50,039	56,242	62,500
Employee Expense	3,110	3,366	3,624	5,408	6,040	6,617	7,222
Other Expenses	5,399	4,792	5,605	8,780	9,655	10,525	11,782
EBITDA	5,991	7,205	7,695	7,705	7,476	9,325	11,088
EBITDA Growth (%)	2.5	20.3	6.8	0.1	(3.0)	24.7	18.9
EBITDA Margin (%)	13.3	15.0	14.3	11.2	10.2	11.3	12.0
Depreciation	268	297	423	1,159	1,267	1,426	1,641
EBIT	5,723	6,908	7,272	6,545	6,209	7,899	9,448
Other Income (Including EO Items)	591	758	727	668	715	734	775
Interest	407	429	353	1,092	838	496	238
PBT	5,907	7,236	7,645	6,121	6,086	8,137	9,985
Total Tax	1,517	1,837	1,732	1,358	1,522	2,075	2,546
Profit before JV/Associates/NCI	4,390	5,400	5,914	4,764	4,565	6,062	7,439
Non-controlling Interest	-	-	-	132	145	187	236
Exceptional Gain/ (loss)	574	767	(130)	-	-	-	-
RPAT	4,964	6,167	5,784	4,632	4,420	5,875	7,203
Adjusted PAT	4,390	5,400	5,914	4,632	4,420	5,875	7,203
APAT Growth (%)	17.7	23.0	9.5	(21.7)	(4.6)	32.9	22.6
EPS	7.0	8.6	9.3	7.3	6.9	9.2	11.3
EPS Growth (%)	17.7	22.9	8.5	(22.0)	(4.6)	32.9	22.6

Consolidated Balance Sheet

Year End (March) - INR mn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
SOURCES OF FUNDS							
Share Capital - Equity	1,255	1,255	1,267	1,272	1,272	1,272	1,272
Other Equity	13,429	18,059	23,263	25,328	28,157	32,283	37,577
Total Shareholders' Funds	14,683	19,314	24,530	26,600	29,430	33,555	38,850
NCI	-	-	7,825	4,477	4,622	4,809	5,045
Long Term Debt	1,797	2,988	46	5,972	2,972	-	-
Short Term Debt	1,700	1,800	16,030	3,250	3,000	2,972	-
Total Debt	3,497	4,788	16,075	9,222	5,972	2,972	-
Net Deferred Taxes	(507)	(586)	394	123	153	235	334
Other Non-Current Liabilities	191	1,363	1,618	2,004	2,072	2,282	2,447
TOTAL SOURCES OF FUNDS	17,865	24,879	50,441	42,425	42,248	43,853	46,676
APPLICATION OF FUNDS							
Net Block	836	974	4,045	4,080	4,070	4,110	4,177
Goodwill	7,794	7,794	12,855	12,855	12,855	12,855	12,855
CWIP	199	109	130	265	100	100	100
Intangible assets	45	28	15,124	14,805	14,750	14,710	14,668
Right of Use Assets	415	353	711	760	858	867	926
Non-Current Investments	-	-	3	4	4	4	4
Other Non-Current Assets	306	335	1,184	1,193	1,175	1,235	1,298
Total Non-current Assets	9,595	9,594	34,052	33,961	33,811	33,880	34,027
Current-Investments	5,408	7,697	6,238	5,478	5,478	7,278	9,478
Inventories	4,636	5,186	7,210	7,439	7,822	8,611	9,386
Debtors	4,635	4,608	5,936	6,706	6,820	7,478	8,371
Cash & Equivalents	481	6,040	9,152	1,095	1,388	1,426	2,004
Other Current Assets	2,257	2,264	1,898	1,866	1,944	2,066	2,243
Total Current Assets	17,417	25,795	30,434	22,583	23,453	26,859	31,483
Creditors	6,436	8,204	10,097	10,354	11,032	12,463	13,952
Other Current Liabilities & Provisions	2,711	2,305	3,948	3,766	3,984	4,423	4,882
Total Current Liabilities	9,147	10,509	14,045	14,119	15,016	16,886	18,834
Net Current Assets	8,270	15,286	16,389	8,464	8,437	9,974	12,649
TOTAL APPLICATION OF FUNDS	17,865	24,879	50,441	42,425	42,248	43,853	46,676

Source: Company, HSIE Research

Consolidated Cash Flow

Year End (March) - INR mn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Reported PBT	5,907	7,236	7,645	6,121	6,086	8,137	9,985
Non-operating & EO Items	(305)	(529)	(264)	(409)	(212)	(85)	(172)
Interest Expenses	407	429	353	1,092	838	496	238
Depreciation	268	297	423	1,159	1,267	1,426	1,641
Working Capital Change	(721)	1,445	1,005	(1,039)	355	285	87
Tax Paid	(1,446)	(575)	(1,798)	(1,399)	(1,522)	(2,075)	(2,546)
OPERATING CASH FLOW (a)	4,109	8,303	7,364	5,526	6,812	8,184	9,232
Capex	(483)	(198)	(1,706)	(708)	(1,135)	(1,434)	(1,725)
Free Cash Flow (FCF)	3,627	8,105	5,658	4,818	5,677	6,750	7,507
Investments	363	(5,027)	1,829	8,027	(200)	(2,000)	(2,400)
Non-operating Income	209	267	(3,551)	432	295	333	389
Others	-	-	(13,930)	(5,119)	-	-	-
INVESTING CASH FLOW (b)	89	(4,957)	(17,359)	2,632	(1,041)	(3,101)	(3,736)
Debt Issuance/(Repaid)	(3,000)	1,300	10,769	(6,842)	(3,250)	(3,000)	(2,972)
Interest Expenses	(586)	(342)	(505)	(765)	(838)	(496)	(238)
FCFE	1,212	9,747	16,932	(1,259)	3,264	4,246	4,774
Share Capital Issuance	52	73	603	416	-	-	-
Dividend	(1,506)	(1,874)	(1,564)	(1,578)	(1,590)	(1,749)	(1,908)
Others	(88)	(119)	(230)	(337)	-	-	-
FINANCING CASH FLOW (c)	(5,128)	(962)	9,073	(9,105)	(5,678)	(5,245)	(5,118)
NET CASH FLOW (a+b+c)	(930)	2,384	(922)	(948)	94	(162)	378
EO Items, Others	574	767	(130)	-	-	-	-
Closing Cash & Equivalents	240	2,624	1,703	768	862	700	1,078

Ratios

Year End (March)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
PROFITABILITY (%)							
GPM	32.1	32.0	31.4	31.9	31.7	32.0	32.5
EBITDA Margin (%)	13.3	15.0	14.3	11.2	10.2	11.3	12.0
EBIT Margin	12.7	14.4	13.5	9.5	8.5	9.6	10.2
PBT Margin	13.1	15.1	14.2	8.9	8.3	9.8	10.8
APAT Margin	9.7	11.2	11.0	6.7	6.0	7.1	7.8
RoE	34.2	31.8	27.0	18.1	13.6	16.2	17.5
RoIC (or Core RoCE)	37.1	45.5	25.9	15.3	13.9	17.9	21.6
RoCE	35.4	36.3	22.1	16.3	17.2	21.2	24.0
EFFICIENCY							
Tax Rate (%)	25.7	25.4	22.6	22.2	25.0	25.5	25.5
Fixed Asset Turnover (x)	19.0	18.2	12.3	11.2	10.9	10.9	10.8
Inventory (days)	33	37	42	39	39	38	37
Debtors (days)	42	35	36	34	34	33	33
Other Current Assets (days)	14	17	14	10	10	9	9
Payables (days)	53	56	62	54	55	55	55
Other Current Liab & Provns (days)	21	19	21	20	20	20	19
Cash Conversion Cycle (days)	15	15	9	8	8	6	5
Net D/E (x)	0.2	(0.1)	0.3	0.3	0.2	0.0	(0.1)
Interest Coverage (x)	14.1	16.1	20.6	6.0	7.4	15.9	39.7
PER SHARE DATA (Rs)							
EPS	7.0	8.6	9.3	7.3	6.9	9.2	11.3
CEPS	7.4	9.1	10.0	9.1	8.9	11.5	13.9
Dividend	3.0	2.5	2.5	2.5	2.8	3.0	3.8
Book Value	23.4	30.8	38.7	41.8	46.3	52.8	61.1
VALUATION							
P/E (x)	46.3	37.7	34.7	44.5	46.6	35.1	28.6
P/BV (x)	13.8	10.5	8.4	7.7	7.0	6.1	5.3
EV/EBITDA (x)	33.5	27.0	26.8	27.1	27.4	21.5	17.6
EV/Revenues (x)	4.4	4.0	3.8	3.0	2.8	2.4	2.1
OCF/EV (%)	2.0	4.3	3.6	2.6	3.3	4.1	4.7
FCF/EV (%)	1.8	4.2	2.7	2.3	2.8	3.4	3.9
FCFE/Mkt Cap (%)	0.6	4.8	8.3	(0.6)	1.6	2.1	2.3
Dividend Yield (%)	0.9	0.8	0.8	0.8	0.8	0.9	1.2

Source: Company, HSIE Research

V-Guard Industries

Recovery in sight

V-Guard Industries (VGRD), over the years, has de-risked its business by entering new markets (its non-South mix is at 45%) and product categories (incl inorganic through Sunflame). VGRD's 12% revenue CAGR over FY16 has been led by the non-South region, which has grown by 17% vs the south region's 10% growth. With further scope to fill white spaces and increase wallet share in existing counters, we expect non-South to remain a key growth lever. Moreover, VGRD is targeting to increase its in-house manufacturing mix to 75% (currently at 60%; 35% eight years back) in a bid to enhance its cost competitiveness, product quality, and time to market. Sustained investments have led to margin pressures. However, we are baking in 220bps margin improvement over FY23-26 on (1) softening RM basket; (2) stabilizing manufacturing ops; and (3) oplev. We estimate revenue/EBITDA/PAT CAGR of 14/24/28% over FY23-26E and value VGRD at 38x Dec25 EPS (in line with historical avg) to arrive at a target price of INR 325. Assume coverage with an ADD rating.

- **De-risking dependency on South India:** VGRD has traditionally been a strong player in South India. Over the years, VGRD has expanded its non-South, which now contributes c.45% of revenue (c.22% in FY11). Over FY16, the non-South revenue grew at a CAGR of 17% vs 10% for South. In the non-south markets, there exists further levers for growth, given the current presence is limited to only larger cities and there is scope to further deepen wallet share in existing counters. With South market more or less mature, non-South remains key monitorable for driving digit revenue growth.
- **Increasing in-house manufacturing mix:** Moving away from an asset light business model, VGRD has been progressively increasing its in-house manufacturing mix (currently at 60% vs 35% 8-years back; target of 75%). This will help in enhancing its cost competitiveness, providing better speed to market, driving product quality and innovation besides reducing dependence on imports. Sustained investments has impacted its margins.
- **Sunflame acquisition could help fire kitchen appliances portfolio:** Sunflame's wide portfolio, product development capabilities and integrated manufacturing provide VGRD with a perfect opportunity to scale up its Kitchen Appliances business while also unlocking synergy benefits. Sunflame is a strong player in the north with limited presence in south (c.15%). Moreover, it has a strong presence in GT and has a limited presence in alternate channels. This acquisition provides multiple levers of synergistic benefits across geography, portfolio, channel and customer dimensions.
- **Valuation and outlook:** We estimate revenue/EBITDA/PAT CAGRs of 14/24/28% over FY23-26. Sustained investments have led to margin pressures. However, we are baking in 220bps margin improvement over FY23-26 on (1) softening RM basket; (2) stabilizing manufacturing ops; and (3) oplev. Assume coverage with an ADD rating and TP of INR 325 (38x Dec25 EPS).

Financial summary

YE Mar (INR mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	27,212	35,002	41,260	48,150	54,344	61,113
EBITDA	3,121	3,402	3,199	4,089	5,096	6,101
APAT	2,008	2,277	1,891	2,535	3,167	3,928
Diluted EPS (INR)	4.7	5.3	4.4	5.9	7.3	9.1
P/E (x)	62.1	55.0	66.3	49.4	39.6	31.9
EV / EBITDA (x)	39.1	36.6	40.3	31.1	24.7	20.3
RoE (%)	18.1	17.3	12.5	14.9	16.4	17.8

Source: Company, HSIE Research

ADD

CMP (as on 15 Jan 2024)	INR 290
Target Price	INR 325
NIFTY	22,097

KEY CHANGES	OLD	NEW
Rating	REDUCE	ADD
Price Target	INR 250	INR 325
EPS %	FY25E -4%	FY26E +4%

KEY STOCK DATA

Bloomberg code	VGRD IN
No. of Shares (mn)	434
MCap (INR bn) / (\$ mn)	126/1,541
6m avg traded value (INR mn)	116
52 Week high / low	INR 335/229

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(3.1)	2.5	12.5
Relative (%)	(13.7)	(8.5)	(9.1)

SHAREHOLDING PATTERN (%)

	Sep-23	Sep-23
Promoters	55.62	54.57
FIs & Local MFs	19.36	20.45
FPIs	13.16	13.02
Public & Others	11.86	11.96
Pledged Shares	0.00	0.00

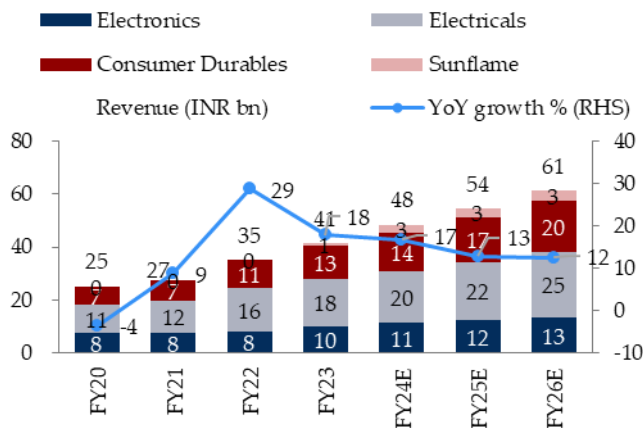
Source : BSE

Pledged shares as % of total shares

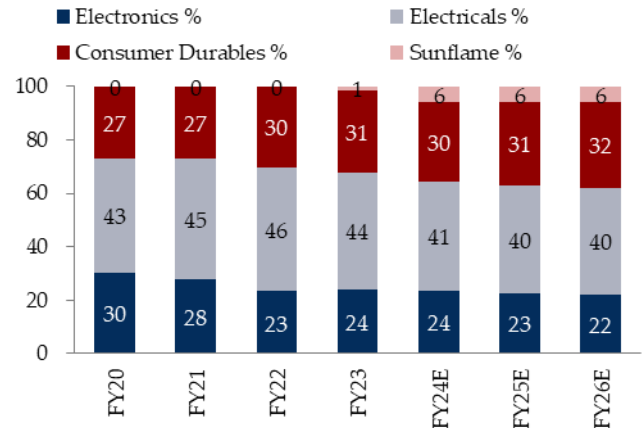
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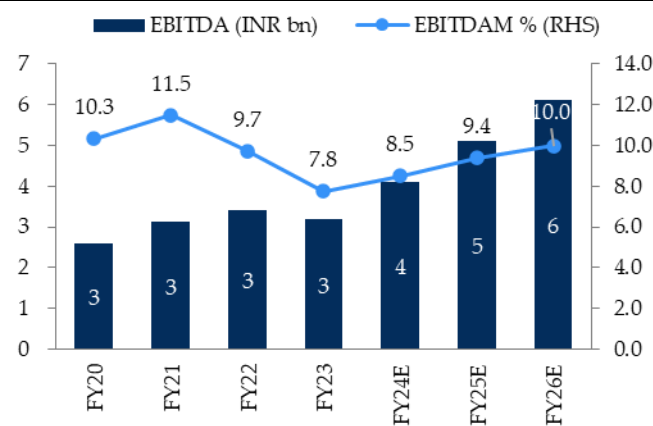
Story in Charts

Exhibit 1: Revenue to grow at 14% CAGR over FY23-26


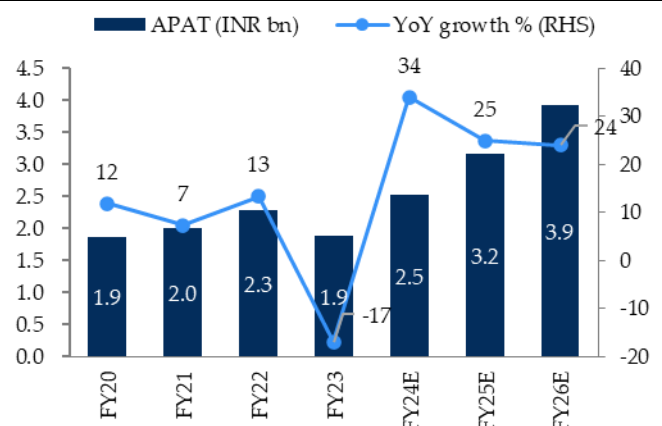
Source: Company, HSIE Research

Exhibit 2: De-risking segmental concentration


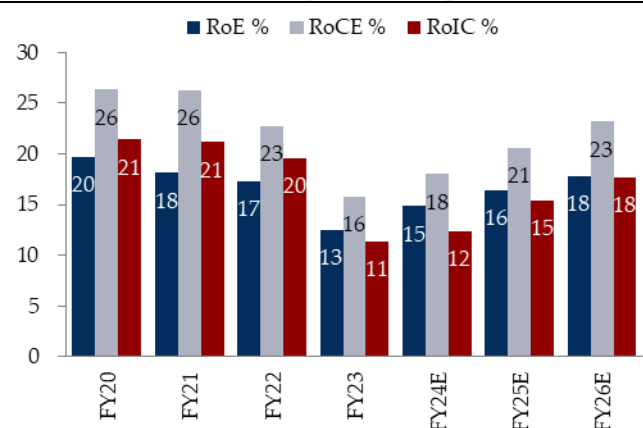
Source: Company, HSIE Research

Exhibit 3: EBITDA to grow at 24% CAGR over FY23-26


Source: Company, HSIE Research

Exhibit 4: PAT to grow at 28% CAGR over FY23-26


Source: Company, HSIE Research

Exhibit 5: Investments impact return profile


Source: Company, HSIE Research

Exhibit 6: Trading at 38x 1-year forward P/E


Source: Bloomberg, HSIE Research

Exhibit 7: Change in estimates and rating: Assume coverage with ADD rating

Change in Estimates	Old			New			Change %		
Year End (March) - INR mn	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	49,320	54,353	59,650	48,150	54,344	61,113	-2	0	2
EBITDA	4,699	5,238	5,906	4,089	5,096	6,101	-13	-3	3
EBITDAM %	9.5	9.6	9.9	8.5	9.4	10.0	-100bps	-30bps	10bps
APAT	2,871	3,286	3,785	2,535	3,167	3,928	-12	-4	4
EPS (INR)	6.6	7.6	8.8	5.9	7.3	9.1	-12	-4	4
Rating	REDUCE			ADD					
Target Price (INR)	250			325					
Target P/E (x)	30x (Sep-25)			38x (Dec-25)					

Source: Company; HSIE Research

Exhibit 8: Key Assumptions

Year End (March)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue (INR mn)							
Electronics	7,545	7,589	8,156	9,940	11,371	12,326	13,409
Electricals	10,740	12,257	16,206	17,988	19,649	21,976	24,590
Consumer Durables	6,745	7,367	10,640	12,763	14,380	16,935	19,634
Sunflame	-	-	-	569	2,750	3,108	3,480
Total	25,029	27,212	35,002	41,260	48,150	54,344	61,113
Revenue Growth %							
Electronics	-1	1	7	22	14	8	9
Electricals	-7	14	32	11	9	12	12
Consumer Durables	-1	9	44	20	13	18	16
Sunflame						13	12
Total	-4	9	29	18	17	13	12
EBIT (INR mn)							
Electronics	1,237	1,442	1,368	1,309	1,666	1,880	2,112
Electricals	859	1,104	1,586	1,386	1,572	1,868	2,152
Consumer Durables	399	403	171	79	72	423	785
Sunflame	-	-	-	80	268	350	400
Total	2,495	2,948	3,124	2,853	3,578	4,521	5,449
EBIT Margin %							
Electronics	16.4	19.0	16.8	13.2	14.7	15.3	15.8
Electricals	8.0	9.0	9.8	7.7	8.0	8.5	8.8
Consumer Durables	5.9	5.5	1.6	0.6	0.5	2.5	4.0
Sunflame				14.1	9.8	11.3	11.5
Total	10.0	10.8	8.9	6.9	7.4	8.3	8.9

Source: Company; HSIE Research

Financials

Consolidated P&L

Year End (March) - INR mn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Revenues	25,029	27,212	35,002	41,260	48,150	54,344	61,113
Growth (%)	(3.5)	8.7	28.6	17.9	16.7	12.9	12.5
Material Expenses	16,618	18,525	24,139	28,844	32,189	36,139	40,488
Employee Expense	2,088	2,266	2,700	3,029	4,430	4,891	5,347
Other Expenses	3,744	3,300	4,761	6,188	7,443	8,218	9,177
EBITDA	2,580	3,121	3,402	3,199	4,089	5,096	6,101
EBITDA Growth (%)	15.0	21.0	9.0	(6.0)	27.8	24.6	19.7
EBITDA Margin (%)	10.3	11.5	9.7	7.8	8.5	9.4	10.0
Depreciation	294	386	491	644	805	876	961
EBIT	2,286	2,735	2,911	2,555	3,284	4,221	5,140
Other Income (Including EO Items)	251	207	108	164	436	238	267
Interest	42	61	79	162	317	237	171
PBT	2,496	2,881	2,940	2,557	3,402	4,222	5,237
Total Tax	613	862	655	667	868	1,056	1,309
Profit before JV/Associates/NCI	1,883	2,019	2,284	1,890	2,535	3,167	3,928
Non-controlling Interest	11	11	7	(1)	-	-	-
Exceptional Gain/ (loss)	-	-	-	-	-	-	-
RPAT	1,871	2,008	2,277	1,891	2,535	3,167	3,928
Adjusted PAT	1,871	2,008	2,277	1,891	2,535	3,167	3,928
APAT Growth (%)	11.9	7.3	13.4	(16.9)	34.0	24.9	24.0
EPS	4.4	4.7	5.3	4.4	5.9	7.3	9.1
EPS Growth (%)	11.5	6.9	13.0	(17.1)	34.0	24.9	24.0

Consolidated Balance Sheet

Year End (March) - INR mn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
SOURCES OF FUNDS							
Share Capital - Equity	428	430	432	432	432	432	432
Other Equity	9,526	11,683	13,638	15,644	17,617	20,092	23,199
Total Shareholders Funds	9,955	12,113	14,070	16,076	18,049	20,524	23,631
NCI	36	47	55	-	-	-	-
Long Term Debt	-	-	-	2,729	2,079	761	-
Short Term Debt	128	130	118	1,467	981	878	820
Total Debt	128	130	118	4,196	3,061	1,640	820
Net Deferred Taxes	(25)	(38)	(91)	951	1,005	1,026	1,052
Other Non-Current Liabilities	469	663	678	1,065	1,265	1,368	1,446
TOTAL SOURCES OF FUNDS	10,563	12,914	14,829	22,287	23,380	24,558	26,949
APPLICATION OF FUNDS							
Net Block	2,346	2,949	3,728	4,592	5,289	5,789	5,973
Goodwill	37	37	37	2,528	2,528	2,528	2,528
CWIP	669	196	170	273	100	100	100
Intangible assets	60	81	85	4,258	4,165	4,073	3,980
Right of Use Assets	400	628	777	1,073	1,273	1,420	1,570
Non-Current Investments	-	334	334	334	504	504	504
Other Non-Current Assets	409	477	543	876	730	744	758
Total Non-current Assets	3,920	4,701	5,674	13,935	14,588	15,157	15,413
Current-Investments	360	-	-	1	350	350	350
Inventories	4,790	6,315	8,596	7,674	9,234	10,422	11,720
Debtors	3,243	3,881	4,841	5,687	6,200	6,700	7,535
Cash & Equivalents	1,116	2,812	613	669	774	686	1,683
Other Current Assets	1,096	1,003	1,254	1,021	945	1,010	1,196
Total Current Assets	10,605	14,010	15,304	15,052	17,503	19,169	22,484
Creditors	3,051	4,747	4,535	4,885	6,596	7,444	8,372
Other Current Liabilities & Provisions	910	1,050	1,613	1,814	2,116	2,324	2,576
Total Current Liabilities	3,961	5,797	6,148	6,700	8,712	9,768	10,947
Net Current Assets	6,643	8,213	9,155	8,352	8,791	9,400	11,536
TOTAL APPLICATION OF FUNDS	10,563	12,914	14,829	22,287	23,380	24,558	26,949

Source: Company, HSIE Research

Consolidated Cash Flow

Year End (March) - INR mn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Reported PBT	2,496	2,881	2,940	2,557	3,402	4,222	5,237
Non-operating & EO Items	(115)	43	195	(51)	158	(74)	(117)
Interest Expenses	42	61	79	162	317	237	171
Depreciation	294	386	491	644	805	876	961
Working Capital Change	(522)	(413)	(3,185)	1,414	16	(698)	(1,139)
Tax Paid	(788)	(737)	(888)	(488)	(868)	(1,056)	(1,309)
OPERATING CASH FLOW (a)	1,407	2,222	(368)	4,238	3,831	3,508	3,803
Capex	(846)	(647)	(1,245)	(1,012)	(1,435)	(1,431)	(1,202)
Free Cash Flow (FCF)	561	1,575	(1,613)	3,227	2,396	2,077	2,601
Investments	(405)	877	3	(214)	(619)	-	(300)
Non-operating Income	132	139	33	21	243	184	206
Others	8	40	-	(6,507)	-	-	-
INVESTING CASH FLOW (b)	(1,111)	409	(1,208)	(7,712)	(1,811)	(1,247)	(1,296)
Debt Issuance/(Repaid)	(13)	2	(12)	4,078	(1,136)	(1,421)	(819)
Interest Expenses	(32)	(51)	(69)	(162)	(317)	(237)	(171)
FCFE	579	1,628	(1,556)	7,467	1,578	893	1,953
Share Capital Issuance	22	46	46	20	-	-	-
Dividend	(875)	(1)	(516)	(561)	(562)	(691)	(821)
Others	(17)	(55)	(71)	(114)	-	-	-
FINANCING CASH FLOW (c)	(915)	(57)	(623)	3,261	(2,015)	(2,349)	(1,811)
NET CASH FLOW (a+b+c)	(619)	2,573	(2,200)	(213)	6	(88)	697
EO Items, Others	-	-	-	-	-	-	-
Closing Cash & Equivalents	234	2,808	608	395	401	313	1,010

Ratios

Year End (March)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
PROFITABILITY (%)							
GPM	33.6	31.9	31.0	30.1	33.2	33.5	33.8
EBITDA Margin (%)	10.3	11.5	9.7	7.8	8.5	9.4	10.0
EBIT Margin	9.1	10.0	8.3	6.2	6.8	7.8	8.4
PBT Margin	10.0	10.6	8.4	6.2	7.1	7.8	8.6
APAT Margin	7.5	7.4	6.5	4.6	5.3	5.8	6.4
RoE	19.7	18.1	17.3	12.5	14.9	16.4	17.8
RoIC (or Core RoCE)	21.4	21.2	19.6	11.4	12.4	15.4	17.7
RoCE	26.3	26.3	22.8	15.8	18.0	20.6	23.2
EFFICIENCY							
Tax Rate (%)	24.6	29.9	22.3	26.1	25.5	25.0	25.0
Fixed Asset Turnover (x)	7.0	6.5	6.7	6.4	6.2	6.1	6.2
Inventory (days)	62	74	78	72	70	70	70
Debtors (days)	57	48	45	47	47	45	45
Other Current Assets (days)	14	14	12	10	7	7	7
Payables (days)	48	52	48	42	50	50	50
Other Current Liab & Provns (days)	12	13	14	15	16	16	15
Cash Conversion Cycle (days)	73	71	73	72	58	56	57
Net D/E (x)	(0.1)	(0.2)	(0.0)	0.2	0.1	0.0	(0.0)
Interest Coverage (x)	54.9	44.8	36.9	15.8	10.3	17.8	30.1
PER SHARE DATA (Rs)							
EPS	4.4	4.7	5.3	4.4	5.9	7.3	9.1
CEPS	5.1	5.6	6.4	5.9	7.7	9.4	11.3
Dividend	0.9	1.2	1.3	1.3	1.6	1.9	2.4
Book Value	23.2	28.2	32.6	37.2	41.8	47.5	54.7
VALUATION							
P/E (x)	66.4	62.1	55.0	66.3	49.4	39.6	31.9
P/BV (x)	12.5	10.3	8.9	7.8	6.9	6.1	5.3
EV/EBITDA (x)	47.6	39.1	36.6	40.3	31.1	24.7	20.3
EV/Revenues (x)	4.9	4.5	3.6	3.1	2.6	2.3	2.0
OCF/EV (%)	1.1	1.8	(0.3)	3.3	3.0	2.8	3.1
FCF/EV (%)	0.5	1.3	(1.3)	2.5	1.9	1.6	2.1
FCFE/Mkt Cap (%)	0.5	1.3	(1.2)	6.0	1.3	0.7	1.6
Dividend Yield (%)	0.3	0.4	0.4	0.4	0.6	0.7	0.8

Source: Company, HSIE Research

TTK Prestige

Soft demand; high competitive intensity

TTK Prestige (TTKPT), a leader in kitchen appliances, enjoyed the home improvement-led pent-up demand during COVID-19 (FY22: +25%; H1FY23: +20%). However, post-return of normalcy the wheels have come off, given (1) inflation-led demand softness and (2) a shift in consumer wallets away from kitchen appliances. Moreover, with the category witnessing an influx of new players and M&A activity, there has been an increase in competitive intensity (both online/offline channels) with brands offering discounts, especially on entry-level products. Even on the export front, global macro weakness remains a headwind. TTKPT's export target of INR 5bn (up a mere 2x over a decade) remains a key monitorable. We expect that competitive pressure (more so in the mid-economy segment) with slow demand will continue to impact performance in the near term. We estimate Revenue/EBITDA/PAT CAGR of 7/11/12% over FY23-26E and value the stock at 30x Dec25 EPS to arrive at a target price of INR 750. Assume coverage with a REDUCE rating.

- **Demand pangs:** With the return to normalcy post-COVID, there has been a shift in consumer wallet shares away from consumer durables (especially kitchen appliances) in favour of travel, entertainment and hospitality. Moreover, unprecedented inflation seen over the past two years has impacted consumer sentiment especially in low to middle-income groups. However, demand from the upper-middle-income group onwards is sustaining while value-added products are gaining ground.
- **Hyper-competitive intensity across channels:** The kitchen appliance space over the past 3-5 years has seen an influx of new small/regional players. Also, there was a pick-up in M&A activity (Crompton-Butterfly; VGuard-Sunflame). E-comm, post-COVID, has developed as an important channel providing small/regional players a platform to sell their products country-wide. Both online and offline channels have seen an increased competitive intensity with brands offering discounts, especially in entry-level products. This has impacted the scale-up of TTKPT's economy offering – "Judge".
- **Target to double revenue over FY22 base:** TTKPT is targeting to double its revenue in the next five years over its FY22 base (implying a CAGR of 15%) of which INR 10bn will come via the inorganic route while INR 5bn through exports (H1FY24 exports at INR 380mn). While we believe organic domestic CAGR of c.8% for the categories TTKPT is present in is a fair ask, scaling up of exports (INR 700mn in FY23 – up a modest 2x over the decade) is a key monitorable. TTKPT has INR 8.6bn in free cash and remains on the lookout for suitable inorganic opportunities.
- **Valuation and outlook:** We estimate Revenue/EBITDA/PAT CAGR of 7/11/12% over FY23-26. We expect that competitive pressure (more so in the mid-economy segment) with slow demand will continue to impact performance in the near term. Assume coverage with a REDUCE rating and target price of INR 750 (30x Dec25 EPS).

Financial summary

YE Mar (INR mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	21,942	27,225	27,771	28,329	31,032	34,002
EBITDA	3,273	4,259	3,585	3,725	4,272	4,893
APAT	2,457	3,054	2,550	2,772	3,165	3,614
Diluted EPS (INR)	17.7	22.0	18.4	20.0	22.8	26.1
P/E (x)	43.5	35.0	42.0	38.6	33.8	29.6
EV / EBITDA (x)	31.0	23.5	27.6	26.2	22.5	19.2
RoE (%)	17.5	18.9	13.9	13.7	14.3	14.7

Source: Company, HSIE Research

REDUCE

CMP (as on 15 Jan 2024)	INR 774
Target Price	INR 750
NIFTY	22,097

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 775	INR 750
	FY25E	FY26E
EPS %	-6%	-3%

KEY STOCK DATA

Bloomberg code	TTKPT IN
No. of Shares (mn)	139
MCap (INR bn) / (\$ mn)	107/1,311
6m avg traded value (INR mn)	82
52 Week high / low	INR 833/652

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(2.6)	(0.4)	(2.2)
Relative (%)	(13.2)	(11.4)	(23.8)

SHAREHOLDING PATTERN (%)

	Sep-23	Dec-23
Promoters	70.41	70.41
FIs & Local MFs	13.42	14.62
FPIs	8.00	6.72
Public & Others	8.17	8.25
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

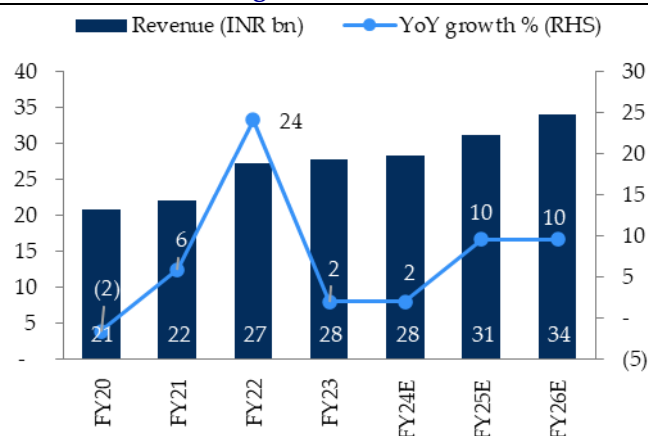
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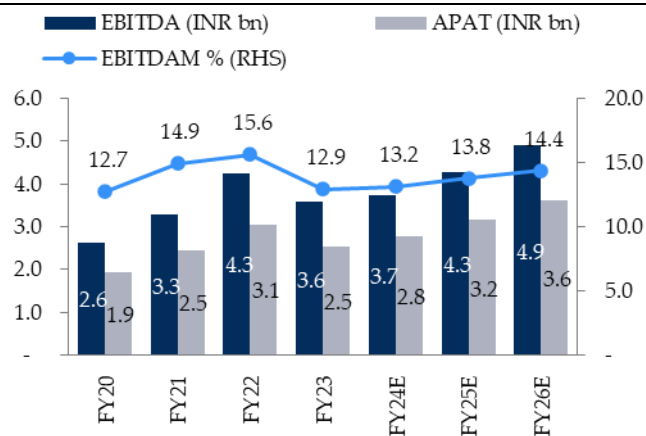
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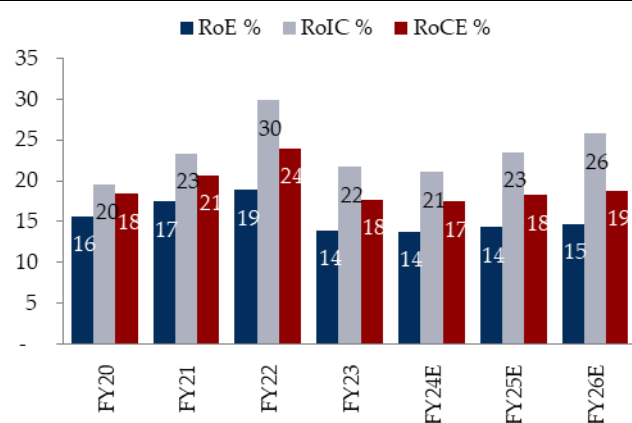
Story in Charts

Exhibit 1: Revenue to grow at 7% CAGR over FY23-26


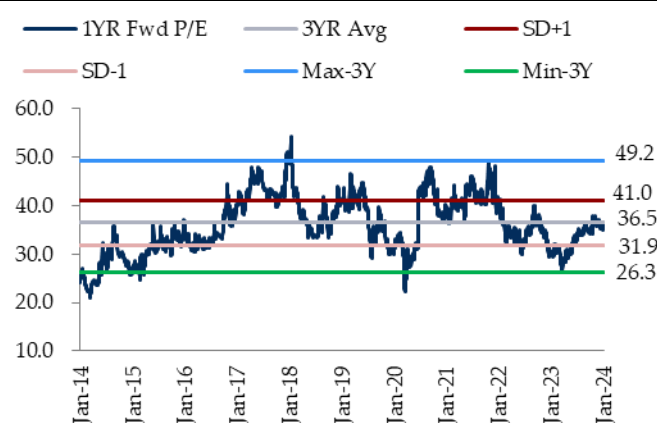
Source: Company, HSIE Research

Exhibit 2: EBITDA/PAT CAGR of 11/12% over FY23-26


Source: Company, HSIE Research

Exhibit 3: Healthy return profile


Source: Company, HSIE Research

Exhibit 4: Trading at 36x 1-year forward P/E


Source: Bloomberg, HSIE Research

Exhibit 5: Change in estimates and rating: Assume coverage with a REDUCE rating

Change in Estimates	Old			New			Change %		
Year End (March) - INR mn	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	29,799	32,512	35,361	28,329	31,032	34,002	-5	-5	-4
EBITDA	4,134	4,593	5,052	3,725	4,272	4,893	-10	-7	-3
EBITDAM %	13.9	14.1	14.3	13.2	13.8	14.4	-70bps	-40bps	10bps
APAT	3,040	3,373	3,720	2,772	3,165	3,614	-9	-6	-3
EPS (INR)	21.9	24.3	26.8	20.0	22.8	26.1	-9	-6	-3
Rating	REDUCE			REDUCE					
Target Price (INR)	775			750					
Target P/E (x)	30x (Sep-25)			30x (Dec-25)					

Source: Company; HSIE Research

Financials

Consolidated P&L

Year End (March) - INR mn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Revenues	20,730	21,942	27,225	27,771	28,329	31,032	34,002
Growth (%)	(1.6)	5.8	24.1	2.0	2.0	9.5	9.6
Material Expenses	12,046	12,762	15,949	16,607	16,427	17,919	19,645
Employee Expense	1,893	1,912	2,187	2,364	2,603	2,890	3,209
ASP Expense	1,377	1,144	1,505	1,691	1,694	1,858	2,038
Distribution Expense	1,679	1,591	1,960	2,069	2,129	2,326	2,498
Other Expenses	1,100	1,261	1,365	1,455	1,749	1,767	1,719
EBITDA	2,635	3,273	4,259	3,585	3,725	4,272	4,893
EBITDA Growth (%)	(9.8)	24.2	30.1	(15.8)	3.9	14.7	14.5
EBITDA Margin (%)	12.7	14.9	15.6	12.9	13.2	13.8	14.4
Depreciation	366	400	442	530	583	641	700
EBIT	2,269	2,873	3,818	3,055	3,143	3,630	4,193
Other Income (Including EO Items)	247	287	351	457	663	687	720
Interest	55	51	62	80	101	88	84
PBT	2,461	3,110	4,106	3,432	3,704	4,230	4,829
Tax	499	800	1,052	882	932	1,065	1,215
RPAT	1,845	2,368	3,054	2,550	2,772	3,165	3,614
Adjustment	88	89	-	-	-	-	-
Adjusted PAT	1,933	2,457	3,054	2,550	2,772	3,165	3,614
APAT Growth (%)	0.5	27.1	24.3	(16.5)	8.7	14.2	14.2
Adjusted EPS (Rs)	13.9	17.7	22.0	18.4	20.0	22.8	26.1
EPS Growth (%)	0.5	27.1	24.3	(16.5)	8.7	14.2	14.2

Consolidated Balance Sheet

Year End (March) - INR mn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
SOURCES OF FUNDS							
Share Capital - Equity	139	139	139	139	139	139	139
Reserves	12,924	14,912	17,157	19,279	20,804	23,068	25,711
Total Shareholders' Funds	13,087	15,050	17,296	19,418	20,942	23,207	25,850
Long Term Debt	186	404	-	408	408	408	408
Short Term Debt	372	-	398	-	-	-	-
Total Debt	559	404	398	408	408	408	408
Net Deferred Taxes	329	349	372	303	303	303	303
Other Non-Current Liabilities	345	432	536	923	923	923	923
TOTAL SOURCES OF FUNDS	14,319	16,235	18,601	21,051	22,576	24,840	27,483
APPLICATION OF FUNDS							
Net Block	4,132	3,976	4,110	4,303	4,520	4,628	4,678
CWIP	57	180	66	98	98	98	98
Other intangible assets	30	22	68	82	82	82	82
Goodwill	1,251	1,299	1,281	1,561	1,561	1,561	1,561
Non-Current Investments	1	1	195	2	2	2	2
Other Non-Current Assets	663	947	1,081	1,215	1,336	1,470	1,617
Total Non-current Assets	6,134	6,424	6,801	7,260	7,599	7,841	8,038
Inventories	4,706	4,479	5,856	5,930	6,049	6,626	7,260
Debtors	2,781	2,909	3,297	3,331	3,320	3,552	3,798
Other Current Assets	508	756	784	910	928	1,016	1,114
Cash & Equivalents	3,885	5,815	7,407	8,445	9,742	11,389	13,435
Total Current Assets	11,881	13,960	17,344	18,615	20,039	22,583	25,608
Creditors	1,978	2,257	3,894	2,712	2,767	3,031	3,321
Other Current Liabilities & Provisions	1,718	1,893	1,650	2,111	2,295	2,553	2,841
Total Current Liabilities	3,696	4,149	5,544	4,823	5,062	5,584	6,162
Net Current Assets	8,185	9,810	11,800	13,791	14,977	16,999	19,446
TOTAL APPLICATION OF FUNDS	14,319	16,235	18,601	21,051	22,576	24,840	27,483

Source: Company; HSIE Research

Consolidated Cash Flow

Year End (March) - INR mn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Reported PBT	2,344	3,168	4,106	3,432	3,704	4,230	4,829
Non-operating & EO Items	(64)	-	65	(95)	-	-	-
Interest Expenses	6	51	62	80	101	88	84
Depreciation	366	400	442	530	583	641	700
Working Capital Change	556	305	(811)	(1,142)	112	(375)	(400)
Tax Paid	(672)	(800)	(928)	(816)	(932)	(1,065)	(1,215)
OPERATING CASH FLOW (a)	2,535	3,123	2,936	1,990	3,568	3,519	3,998
Capex	(577)	(262)	(412)	(654)	(800)	(750)	(750)
Free Cash Flow (FCF)	1,958	2,861	2,524	1,335	2,768	2,769	3,248
Investments	(1,413)	(894)	(1,967)	(1,351)	(250)	(250)	(250)
Non-operating Income	153	(284)	170	437	(121)	(134)	(147)
INVESTING CASH FLOW (b)	(1,837)	(1,440)	(2,210)	(1,569)	(1,171)	(1,134)	(1,147)
Debt Issuance/(Repaid)	(346)	(155)	-	-	-	-	-
Interest Expenses	(33)	(51)	(62)	(39)	(101)	(88)	(84)
FCFE	1,579	2,656	2,461	1,297	2,667	2,681	3,163
Share Capital Issuance	-	-	-	-	-	-	-
Dividend	(501)	(554)	(762)	(485)	(1,247)	(901)	(970)
Others	(75)	83	(83)	(151)	33	-	-
FINANCING CASH FLOW (c)	(955)	(677)	(907)	(675)	(1,315)	(989)	(1,054)
NET CASH FLOW (a+b+c)	(257)	1,006	(181)	(254)	1,081	1,397	1,796
EO Items, Others	22	30	2,616	2,163	(33)	(0)	0
Closing Cash & Equivalents	576	1,612	4,046	5,956	7,003	8,400	10,196

Ratios

Year End (March) - INR mn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
PROFITABILITY (%)							
GPM	41.9	41.8	41.4	40.2	42.0	42.3	42.2
EBITDA Margin	12.7	14.9	15.6	12.9	13.2	13.8	14.4
EBIT Margin	10.9	13.1	14.0	11.0	11.1	11.7	12.3
APAT Margin	9.3	11.2	11.2	9.2	9.8	10.2	10.6
RoE	15.6	17.5	18.9	13.9	13.7	14.3	14.7
RoIC (or Core RoCE)	19.6	23.3	29.8	21.7	21.1	23.5	25.7
RoCE	18.4	20.7	23.9	17.7	17.4	18.2	18.8
EFFICIENCY							
Tax Rate (%)	20.3	25.7	25.6	25.7	25.2	25.2	25.2
Fixed Asset Turnover (x)	3.8	4.0	4.5	4.2	3.8	3.8	3.8
Inventory (days)	82.9	74.5	78.5	77.9	77.9	77.9	77.9
Debtors (days)	49.0	48.4	44.2	43.8	42.8	41.8	40.8
Other Current Assets (days)	8.3	12.6	10.5	12.0	12.0	12.0	12.0
Payables (days)	34.8	37.5	52.2	35.6	35.6	35.6	35.6
Other Current Liab & Provsns (days)	5.2	6.2	4.6	9.1	9.1	9.1	9.1
Cash Conversion Cycle (days)	100.1	91.7	76.4	88.9	87.9	86.9	85.9
Net D/E (x)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)	(0.5)	(0.5)
Interest Coverage (x)	41.6	56.9	61.4	38.3	31.1	41.4	49.8
PER SHARE DATA (Rs)							
EPS	13.9	17.7	22.0	18.4	20.0	22.8	26.1
CEPS	16.6	20.6	25.2	22.2	24.2	27.5	31.1
Dividend	2.0	5.0	5.0	6.0	6.5	7.0	7.5
Book Value	94	109	125	140	151	167	187
VALUATION							
P/E (x)	55.4	43.5	35.0	42.0	38.6	33.8	29.6
P/BV (x)	8.2	7.1	6.2	5.5	5.1	4.6	4.1
EV/EBITDA (x)	39.3	31.0	23.5	27.6	26.2	22.5	19.2
EV/Revenues (x)	5.0	4.6	3.7	3.6	3.4	3.1	2.8
OCF/EV (%)	2.4	3.1	2.9	2.0	3.7	3.7	4.3
FCF/EV (%)	1.9	2.8	2.5	1.3	2.8	2.9	3.5
FCFE/Mkt Cap (%)	1.5	2.6	2.5	1.3	2.7	2.8	3.4
Dividend Yield (%)	0.3	0.6	0.6	0.8	0.8	0.9	1.0

Source: Company; HSIE Research

Symphony

RoW execution key to rerating

Symphony (SYML), a dominant player in the Indian air cooler industry (>50% organized share), over the past 3-4 years, has seen its peak revenue months (summer season) being disrupted by COVID and erratic summers. Moreover, the geographical diversification (also impacted by macro headwinds) bet has so far been below expectations. SYML has embarked on transforming the Australian business (CT, Australia) through (1) reduction in the cost of doing business; (2) pivoting from pre-installed products/B2B focus to more portable products/ B2C focus; and (3) asset-light model. In the domestic market, SYML remains optimistic about further fortifying its presence through (1) the launch of innovative value-added products (Duet; LSV); (2) calibrated strategic price hikes; (3) expanding distribution in semi-urban and rural areas; and (4) scale-up of alternate channels (30% of sales vs 10% pre covid). Although we remain positive on the scale-up of the domestic business, RoW execution is still a WIP and we expect a gradual recovery. Execution of RoW turnaround remains a key monitorable. We estimate Revenue/EBITDA/PAT CAGR of 9/27/26% over FY23-26E and value the stock at 30x Dec25 EPS to arrive at a target price of INR 950. Assume coverage with a REDUCE rating.

- **India business a key strength; entering adjacent product categories:** SYML continues to enjoy a dominant position (>50% organized share) in the Indian air cooler market and remains a key beneficiary from an unorganized (60% of industry) to organized shift. With air cooler sales having high sensitivity to the summer season, over the past 3-4 years, SYML has seen disruption on account of COVID and erratic weather patterns. In its bid to extend demand for its products throughout the year, SYML has entered adjacent product categories (cooling fan, large space ventilation). It has also diversified into alternate channels by scaling up its presence in rural, modern retail and e-comm. Alternate channels now contribute 30% to sales vs 10% pre-COVID.
- **Geographical diversification is still a WIP:** With dependence on a single product which in turn has high seasonal volatility, SYML has been trying to diversify its revenue by entering new geographies and it has made some inorganic acquisitions. This has led to its TAM expanding to INR120bn (the India TAM is INR 40bn). Although operations at IMPCO Mexico and GSK China have more or less stabilised, Climate Tech Australia remains a drag to profitability. SYML has undertaken certain steps to transform the business through (1) reduction in the cost of doing business (from AUD 15mn to AUD 7-8mn); (2) revamping of product categories (from pre-installed to portable); (3) asset-light model; (4) increasing B2C mix. We believe that given global headwinds, recovery in the international business will be more gradual.
- **Valuation and outlook:** We estimate Revenue/EBITDA/PAT CAGR of 9/27/26% over FY23-26. Although SYML enjoys industry-leading margins in the domestic market, international business remains a WIP and a drag on profitability in the near term. Execution of international business turnaround is a key monitorable. Assume coverage with a REDUCE rating and target price of INR 950 (30x Dec25 EPS).

Financial summary

YE Mar (INR mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	9,000	10,390	11,880	11,712	13,517	15,351
EBITDA	1,390	1,610	1,380	1,801	2,377	2,796
APAT	1,126	1,211	1,158	1,505	1,985	2,305
Diluted EPS (INR)	16.1	17.3	16.6	21.5	28.4	33.0
P/E (x)	57.9	53.8	56.3	43.3	32.8	28.3
EV / EBITDA (x)	44.5	38.3	44.4	33.5	24.9	20.8
RoE (%)	16.1	15.2	13.5	16.6	20.2	21.0

Source: Company, HSIE Research

REDUCE

CMP (as on 15 Jan 2024)	INR 932
Target Price	INR 950
NIFTY	22,097

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 900	INR 950
EPS %	FY25E -3%	FY26E 0%

KEY STOCK DATA

Bloomberg code	SYML IN
No. of Shares (mn)	69
MCap (INR bn) / (\$ mn)	64/786
6m avg traded value (INR mn)	55
52 Week high / low	INR 1,219/825

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	7.5	6.5	(4.7)
Relative (%)	(3.2)	(4.5)	(26.4)

SHAREHOLDING PATTERN (%)

	Sep-23	Dec-23
Promoters	73.39	73.39
FIs & Local MFs	10.44	11.04
FPIs	3.82	3.40
Public & Others	12.35	12.17
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

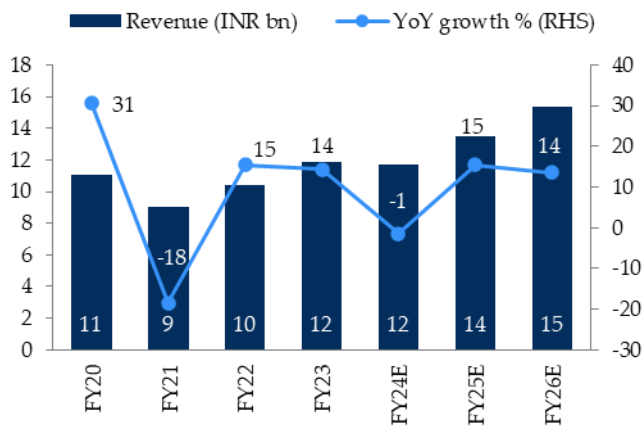
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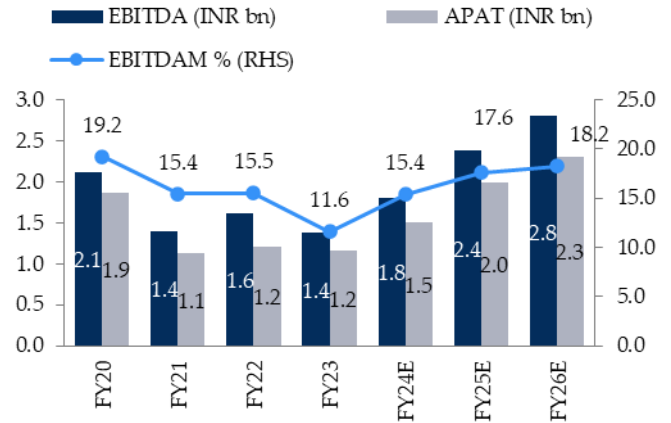
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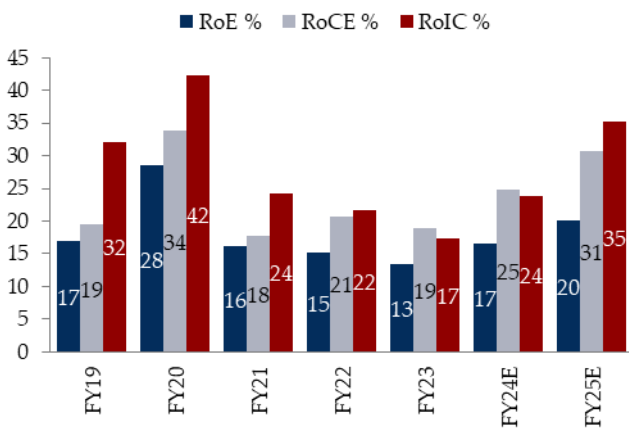
Story in Charts

Exhibit 1: Revenue to grow at 9% CAGR over FY23-26


Source: Company, HSIE Research

Exhibit 2: EBITDA/PAT CAGR of 27/26% over FY23-26


Source: Company, HSIE Research

Exhibit 3: Healthy return ratios


Source: Company, HSIE Research

Exhibit 4: Trading at 33x 1-year forward P/E


Source: Bloomberg, HSIE Research

Exhibit 5: Change in estimates and rating; Assume coverage with REDUCE rating

Change in Estimates	Old			New			Change %		
Year End (March) - INR mn	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	11,698	13,377	14,896	11,712	13,517	15,351	0	1	3
EBITDA	1,854	2,309	2,644	1,801	2,377	2,796	-3	3	6
EBITDAM %	15.9	17.3	17.8	15.4	17.6	18.2	-50bps	30bps	50bps
APAT	1,617	2,042	2,296	1,505	1,985	2,305	-7	-3	0
EPS (INR)	23.1	29.2	32.8	21.5	28.4	33.0	-7	-3	0
Rating	REDUCE			REDUCE					
Target Price (INR)	900			950					
Target P/E (x)	30x (Sep-25)			30x (Dec-25)					

Source: Company; HSIE Research

Financials

Consolidated P&L

Year End (March) - INR mn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Revenues	11,030	9,000	10,390	11,880	11,712	13,517	15,351
Growth (%)	30.7	(18.4)	15.4	14.3	(1.4)	15.4	13.6
Material Expenses	5,830	4,970	5,710	6,670	6,166	7,103	8,066
Employee Expense	1,130	1,030	1,160	1,240	1,249	1,371	1,505
ASP Expense	450	250	457	791	820	879	921
Distribution Expense	-	-	-	-	-	-	-
Other Expenses	1,500	1,360	1,454	1,799	1,677	1,788	2,063
EBITDA	2,120	1,390	1,610	1,380	1,801	2,377	2,796
EBITDA Growth (%)	60.7	(34.4)	15.8	(14.3)	30.5	32.0	17.6
EBITDA Margin (%)	19.2	15.4	15.5	11.6	15.4	17.6	18.2
Depreciation	210	210	240	260	280	299	318
EBIT	1,910	1,180	1,370	1,120	1,520	2,078	2,478
Other Income (Including EO Items)	507	244	400	500	585	606	620
Interest	107	107	89	102	59	44	44
PBT	2,310	1,317	1,681	1,518	2,046	2,640	3,054
Tax	480	240	470	360	541	655	750
RPAT	1,830	1,077	1,211	1,158	1,505	1,985	2,305
Adjustment	(28)	(49)	-	-	-	-	-
Adjusted PAT	1,858	1,126	1,211	1,158	1,505	1,985	2,305
APAT Growth (%)	71.8	(39.4)	7.6	(4.4)	30.0	31.9	16.1
EPS	26.6	16.1	17.3	16.6	21.5	28.4	33.0
EPS Growth (%)	71.8	(39.4)	7.6	(4.4)	30.0	31.9	16.1

Consolidated Balance Sheet

Year End (March) - INR mn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
SOURCES OF FUNDS							
Share Capital - Equity	140	140	140	140	140	140	140
Reserves	6,252	7,452	8,255	8,669	9,195	10,201	11,456
Total Shareholders' Funds	6,392	7,592	8,395	8,809	9,335	10,341	11,596
Long Term Debt	715	1,397	1,130	827	614	-	-
Short Term Debt	1,017	443	1,085	1,141	440	440	440
Total Debt	1,732	1,840	2,215	1,968	1,054	440	440
Net Deferred Taxes	68	(33)	80	(102)	(102)	(102)	(102)
Long Term Provisions & Others	373	368	316	306	342	366	391
TOTAL SOURCES OF FUNDS	8,565	9,766	11,006	10,981	10,629	11,044	12,325
APPLICATION OF FUNDS							
Net Block	3,185	3,536	3,551	3,509	3,494	3,445	3,377
CWIP	18	5	-	-	-	-	-
LT Loans & Advances	40	41	10	5	10	10	10
Other Non-Current Assets	7	6	7	10	10	10	10
Total Non-current Assets	3,250	3,588	3,567	3,524	3,514	3,465	3,397
Inventories	1,178	1,184	1,732	2,497	2,070	2,390	2,708
Debtors	1,210	1,661	2,077	1,152	953	1,101	1,247
Other Current Assets	632	443	556	829	562	626	691
Cash & Equivalents	4,376	5,228	5,676	5,836	5,920	6,369	7,550
Total Current Assets	7,395	8,517	10,041	10,314	9,505	10,486	12,196
Creditors	1,145	1,357	1,494	1,655	1,420	1,703	1,929
Other Current Liabilities & Provisions	890	934	1,055	1,202	970	1,204	1,338
Total Current Liabilities	2,035	2,291	2,549	2,857	2,390	2,907	3,268
Net Current Assets	5,360	6,226	7,492	7,457	7,115	7,579	8,928
TOTAL APPLICATION OF FUNDS	8,610	9,814	11,059	10,981	10,629	11,044	12,325

Source: Company; HSIE Research

Consolidated Cash Flow

Year End (March) - INR mn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Reported PBT	1,820	1,070	1,210	1,160	2,046	2,640	3,054
Non-operating & EO Items	150	(150)	160	100	-	-	-
Interest Expenses	110	110	90	100	59	44	44
Depreciation	210	210	240	260	280	299	318
Working Capital Change	(150)	(10)	(770)	170	462	9	(143)
Tax Paid	(570)	(340)	(360)	(540)	(541)	(655)	(750)
OPERATING CASH FLOW (a)	1,570	890	570	1,250	2,306	2,337	2,524
Capex	(170)	(150)	(90)	(109)	(268)	(250)	(250)
Free Cash Flow (FCF)	1,400	740	480	1,141	2,038	2,087	2,274
Investments	(1,120)	-	-	-	(505)	(500)	(1,000)
Non-operating Income	190	90	95	240	-	-	-
INVESTING CASH FLOW (b)	(1,100)	(60)	5	131	(773)	(750)	(1,250)
Debt Issuance/(Repaid)	(140)	(30)	247	(389)	(914)	(614)	-
Interest Expenses	(110)	(110)	(89)	(102)	(59)	(44)	(44)
FCFE	1,150	600	638	650	1,065	1,429	2,230
Share Capital Issuance	(90)	-	-	(43)	-	-	-
Dividend	(2,060)	(80)	(496)	(703)	(979)	(979)	(1,049)
Others	(90)	-	-	(43)	-	-	-
FINANCING CASH FLOW (c)	(2,490)	(220)	(338)	(1,280)	(1,952)	(1,638)	(1,093)
NET CASH FLOW (a+b+c)	(2,020)	610	237	101	(419)	(50)	180
EO Items, Others	1,737	(480)	53	(209)	3	0	(0)
Closing Cash & Equivalents	254	385	676	567	151	101	281

Ratios

	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
PROFITABILITY (%)							
GPM	47.1	44.8	45.0	43.9	47.4	47.5	47.5
EBITDA Margin	19.2	15.4	15.5	11.6	15.4	17.6	18.2
EBIT Margin	17.3	13.1	13.2	9.4	13.0	15.4	16.1
APAT Margin	16.8	12.5	11.7	9.7	12.8	14.7	15.0
RoE	28.5	16.1	15.2	13.5	16.6	20.2	21.0
RoIC (or Core RoCE)	42.2	24.3	21.6	17.3	23.8	35.2	42.0
RoCE	33.8	17.8	20.8	18.9	24.9	30.7	32.2
EFFICIENCY							
Tax Rate (%)	20.8	18.2	28.0	23.7	26.5	24.8	24.5
Fixed Asset Turnover (x)	4.3	3.2	3.5	3.7	3.5	3.8	4.1
Inventory (days)	39.0	48.0	60.8	76.7	64.5	64.5	64.4
Debtors (days)	40.0	67.4	73.0	35.4	29.7	29.7	29.7
Other Current Assets (days)	20.9	18.0	19.5	25.5	17.5	16.9	16.4
Payables (days)	37.9	55.1	52.5	50.9	44.2	46.0	45.9
Other Current Liab & Provsns (days)	29.4	37.9	37.1	36.9	30.2	32.5	31.8
Cash Conversion Cycle (days)	32.6	40.5	63.8	49.8	37.3	32.7	32.8
Net D/E (x)	(0.4)	(0.4)	(0.4)	(0.4)	(0.5)	(0.6)	(0.6)
Interest Coverage (x)	18	11	15	11	26	47	56
PER SHARE DATA (Rs)							
EPS	26.6	16.1	17.3	16.6	21.5	28.4	33.0
CEPS	29.6	19.1	20.7	20.3	25.5	32.7	37.5
Dividend	23.0	4.0	5.0	12.0	14.0	14.0	15.0
Book Value	91.4	108.5	120.0	125.9	133.5	147.8	165.8
VALUATION							
P/E (x)	35.1	57.9	53.8	56.3	43.3	32.8	28.3
P/BV (x)	10.2	8.6	7.8	7.4	7.0	6.3	5.6
EV/EBITDA (x)	29.5	44.5	38.3	44.4	33.5	24.9	20.8
EV/Revenues (x)	5.7	6.9	5.9	5.2	5.2	4.4	3.8
OCF/EV (%)	2.5	1.4	0.9	2.0	3.8	3.9	4.3
FCF/EV (%)	2.2	1.2	0.8	1.9	3.4	3.5	3.9
Dividend Yield (%)	2.5	0.4	0.5	1.3	1.5	1.5	1.6

Source: Company; HSIE Research

Orient Electric

Strategic investments to benefit in the long term

Orient Electric (OEL) has underperformed its peers over the past 18-24 months on account of subdued fan portfolio performance (largest contributor) as it embarked on revamping its distribution strategy. This was further hampered by energy rating change, an erratic summer, and high inflation. Moreover, OEL continued to make strategic investments in branding, capability building, working capital efficiency and seeding alternate channels, which impacted margins. During this time, the Lighting segment has been a shining light and we expect it to bounce back quickly once technology-led price erosion settles. With most headwinds now seemingly behind, we expect better revenue and margin print from OEL, given (1) improving opelev; (2) premiumization of portfolio; (3) peaking-out of strategic spends; (4) innovation; (5) distribution expansion; and (6) brand investments. Improving margins and return profile should help re-rate the company. We estimate Revenue/EBITDA/PAT CAGR of 12/29/34% over FY23-26E and value the stock at 33x Dec25 EPS. Assume coverage with an ADD rating and a target price of INR 260.

- **Most external and internal headwinds in fans now behind:** FY23 was a difficult year as external and internal challenges impacted OEL's fan portfolio. In certain underperforming states, OEL moved to a direct-to-market strategy (DTM) from master distributor. While these markets (stabilized) registered a growth of 29% in FY23, there is a two-quarter transition impact on sales. Also, this coincided with industry headwinds (inflationary pressures, BEE star rating transition and erratic summers). On a TTM basis, OEL has recorded a decent showing in the ECD segment (+4% vs +6/-2% of Crompton/Havells). With most headwinds now behind and real-estate tailwind, we believe the worst is behind and bake in 12% revenue CAGR over FY23-26.
- **Lighting segment has been a shining light:** Since the demerger, the Lighting segment has performed admirably (14% revenue CAGR; 600bps margin expansion). Lighting now contributes c.30% of revenues (up 500bps). Growth was broad-based across both B2B and B2C channels. OEL has benefitted from increased government/private capex given its comprehensive range of professional luminaires along with design capabilities for façade lighting. Even on the B2C side, given its higher luminaries mix vs industry, OEL has been less impacted by the price erosion witnessed in LED lamps.
- **Strategic investments to bear fruit over time:** Despite external headwinds, OEL has sustained investments in long-term initiatives such as distribution expansion, new channels, capability & brand building, new Hyderabad plant and working capital efficiency. OEL has onboarded an external consultant for the same. This increased spending (with low op-lev) has put pressure on margins. However, as these spends will likely peak out by Q1FY25, we expect margins to improve and bake in 300bps expansion over FY23-26.
- **Valuation and outlook:** We estimate Revenue/EBITDA/PAT CAGR of 12/29/34% over FY23-26. OEL is trading at a discount to its peers. Better revenue and margin print should help re-rate the stock. Assume coverage with an ADD rating and target price of INR 260 (33x Dec25 EPS)

Financial summary

YE Mar (INR mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	20,326	24,484	25,292	28,283	31,991	35,832
EBITDA	2,195	2,313	1,510	1,745	2,616	3,235
APAT	1,197	1,266	758	751	1,387	1,807
Diluted EPS (INR)	5.6	6.0	3.6	3.5	6.5	8.5
P/E (x)	41.5	39.2	65.6	66.3	35.9	27.6
EV / EBITDA (x)	21.5	20.9	32.0	28.3	18.5	14.7
RoE (%)	29.4	25.4	13.5	12.2	19.9	22.3

Source: Company, HSIE Research

ADD

CMP (as on 15 Jan 2024)	INR 234
Target Price	INR 260
NIFTY	22,097

KEY CHANGES	OLD	NEW
Rating	REDUCE	ADD
Price Target	INR 240	INR 260
EPS %	FY25E	FY26E
	-14%	-6%

KEY STOCK DATA

Bloomberg code	ORIENTEL IN
No. of Shares (mn)	213
MCap (INR bn) / (\$ mn)	50/608
6m avg traded value (INR mn)	105
52 Week high / low	INR 285/208

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	3.7	(3.1)	(12.8)
Relative (%)	(7.0)	(14.1)	(34.5)

SHAREHOLDING PATTERN (%)

	Jun-23	Sep-23
Promoters	38.31	38.31
FIs & Local MFs	27.87	29.98
FPIs	5.51	5.69
Public & Others	28.31	26.02
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

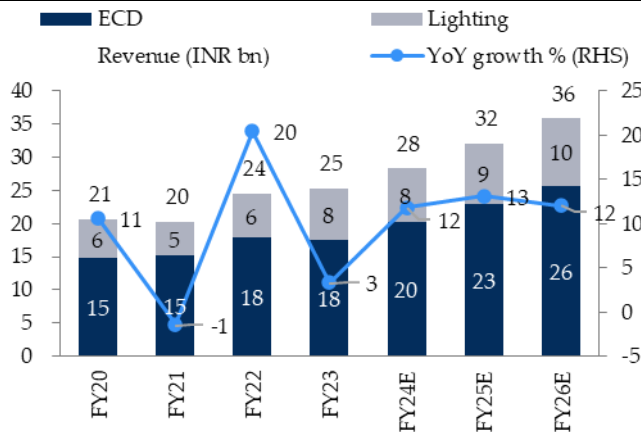
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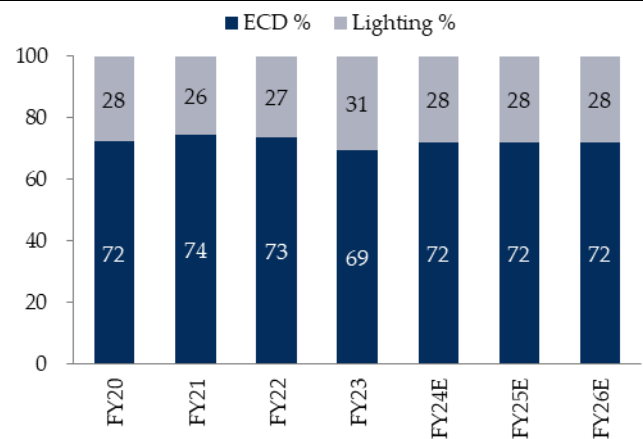
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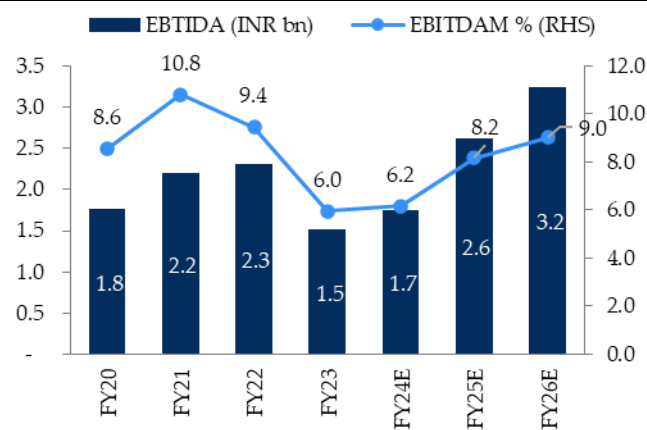
Story in Charts

Exhibit 1: Revenue to grow at 12% CAGR over FY23-26E


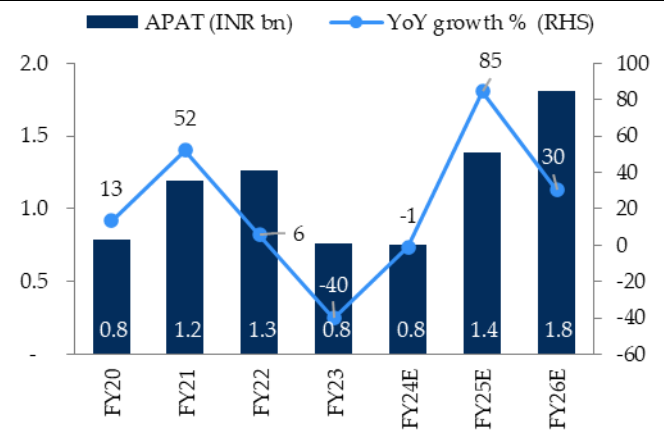
Source: Company, HSIE Research

Exhibit 2: ECD continues to dominate revenue mix


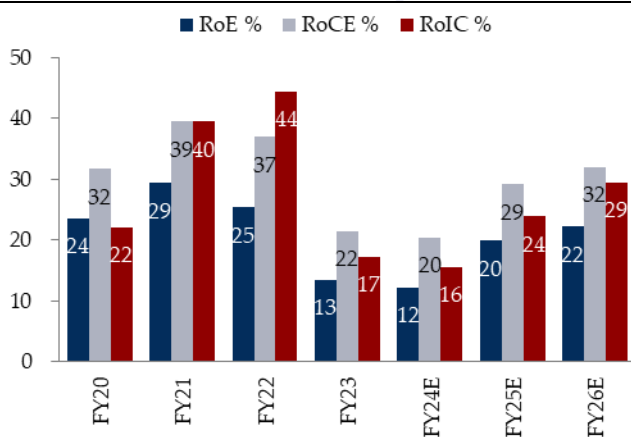
Source: Company, HSIE Research

Exhibit 3: EBITDA to grow at 29% CAGR over FY23-26E


Source: Company, HSIE Research

Exhibit 4: PAT to grow at 34% CAGR over FY23-26E


Source: Company, HSIE Research

Exhibit 5: Return ratios set to improve


Source: Company, HSIE Research

Exhibit 6: Trading at 36x 1-year forward P/E


Source: Bloomberg, HSIE Research

Exhibit 7: Change in estimates and rating: Assume coverage with an ADD rating

Change in Estimates	Old			New			Change %		
Year End (March) - INR mn	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	28,955	32,756	36,564	28,283	31,991	35,832	-2	-2	-2
EBITDA	2,237	2,757	3,183	1,745	2,616	3,235	-22	-5	2
EBITDAM %	7.7	8.4	8.7	6.2	8.2	9.0	-160bps	-20bps	30bps
APAT	1,282	1,614	1,909	751	1,387	1,807	-41	-14	-5
EPS (INR)	6.0	7.6	9.0	3.5	6.5	8.5	-42	-14	-6
Rating	REDUCE			ADD					
Target Price (INR)	240			260					
Target P/E (x)	28x (Sep-25)			33x (Dec-25)					

Source: Company; HSIE Research

Exhibit 8: Key Assumptions

Year End (March)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue (INR mn)							
Electric Consumer Durables	14,916	15,139	17,993	17,518	20,326	22,982	25,712
Lighting & Switchgear	5,702	5,187	6,491	7,774	7,957	9,009	10,120
Total	20,618	20,326	24,484	25,292	28,283	31,991	35,832
Revenue Growth %							
Electric Consumer Durables	12	1	19	-3	16	13	12
Lighting & Switchgear	7	-9	25	20	2	13	12
Total	11	-1	20	3	12	13	12
EBIT (INR mn)							
Electric Consumer Durables	1,818	2,052	2,012	1,599	2,012	2,413	2,828
Lighting & Switchgear	597	692	949	1,162	1,190	1,374	1,543
Total	2,414	2,744	2,960	2,761	3,202	3,787	4,372
EBIT Margin %							
Electric Consumer Durables	12.2	13.6	11.2	9.1	9.9	10.5	11.0
Lighting & Switchgear	10.5	13.3	14.6	14.9	15.0	15.3	15.3
Total	11.7	13.5	12.1	10.9	11.3	11.8	12.2

Source: Company; HSIE Research

Financials

Standalone P&L

Year End (March) - INR mn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Revenues	20,618	20,326	24,484	25,292	28,283	31,991	35,832
Growth (%)	10.6	(1.4)	20.5	3.3	11.8	13.1	12.0
Material Expenses	14,094	14,210	17,666	18,242	19,515	21,994	24,545
Employee Expense	1,985	1,792	1,905	1,926	2,475	2,559	2,777
Other Expenses	2,776	2,130	2,600	3,614	4,548	4,822	5,275
EBITDA	1,764	2,195	2,313	1,510	1,745	2,616	3,235
EBITDA Growth (%)	24.9	24.4	5.4	(34.7)	15.6	49.9	23.7
EBITDA Margin (%)	8.6	10.8	9.4	6.0	6.2	8.2	9.0
Depreciation	401	432	471	535	590	682	771
EBIT	1,363	1,764	1,842	975	1,156	1,934	2,465
Other Income (Including EO Items)	41	63	58	266	135	151	184
Interest	261	207	203	222	221	223	224
PBT	1,143	1,619	1,698	1,019	1,069	1,862	2,425
Total Tax	357	422	431	261	318	475	618
Exceptional Gain/ (loss)	-	-	-	-	187	-	-
RPAT	786	1,197	1,266	758	938	1,387	1,807
Adjusted PAT	786	1,197	1,266	758	751	1,387	1,807
APAT Growth (%)	13.4	52.3	5.8	(40.1)	(1.0)	84.7	30.2
EPS	3.7	5.6	6.0	3.6	3.5	6.5	8.5
EPS Growth (%)	13.4	52.3	5.8	(40.3)	(1.0)	84.7	30.2

Standalone Balance Sheet

Year End (March) - INR mn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
SOURCES OF FUNDS							
Share Capital - Equity	212	212	212	213	213	213	213
Other Equity	3,382	4,344	5,201	5,634	6,252	7,246	8,553
Total Shareholders' Funds	3,594	4,557	5,413	5,846	6,465	7,459	8,766
Long Term Debt	-	17	-	-	-	-	-
Short Term Debt	947	135	147	101	184	160	161
Total Debt	947	153	147	101	184	160	161
Net Deferred Taxes	(214)	(263)	(263)	(255)	(244)	(225)	(201)
Other Non-Current Liabilities	706	554	739	964	994	1,067	1,133
TOTAL SOURCES OF FUNDS	5,033	5,000	6,036	6,657	7,399	8,461	9,859
APPLICATION OF FUNDS							
Net Block	1,296	1,298	1,424	1,272	2,799	3,352	3,680
Goodwill	-	-	-	-	-	-	-
CWIP	103	26	31	860	500	100	100
Intangible assets	63	143	219	183	190	192	189
Right of Use Assets	542	504	477	803	917	1,013	1,058
Non-Current Investments	-	-	-	-	-	-	-
Other Non-Current Assets	384	425	511	579	641	464	489
Total Non-current Assets	2,387	2,397	2,661	3,696	5,047	5,121	5,516
Current-Investments	-	-	-	-	-	-	-
Inventories	2,865	2,492	3,261	2,846	3,487	3,769	4,221
Debtors	3,637	3,552	3,904	3,560	4,262	4,645	5,203
Cash & Equivalents	75	2,576	1,505	1,642	572	1,655	2,441
Other Current Assets	427	345	280	647	515	550	584
Total Current Assets	7,004	8,964	8,950	8,696	8,835	10,620	12,449
Creditors	3,305	5,191	4,495	4,530	5,269	5,960	6,676
Other Current Liabilities & Provisions	1,053	1,169	1,080	1,205	1,214	1,320	1,431
Total Current Liabilities	4,358	6,360	5,575	5,735	6,483	7,280	8,107
Net Current Assets	2,646	2,604	3,375	2,961	2,352	3,340	4,343
TOTAL APPLICATION OF FUNDS	5,033	5,001	6,036	6,657	7,399	8,461	9,859

Source: Company, HSIE Research

Standalone Cash Flow

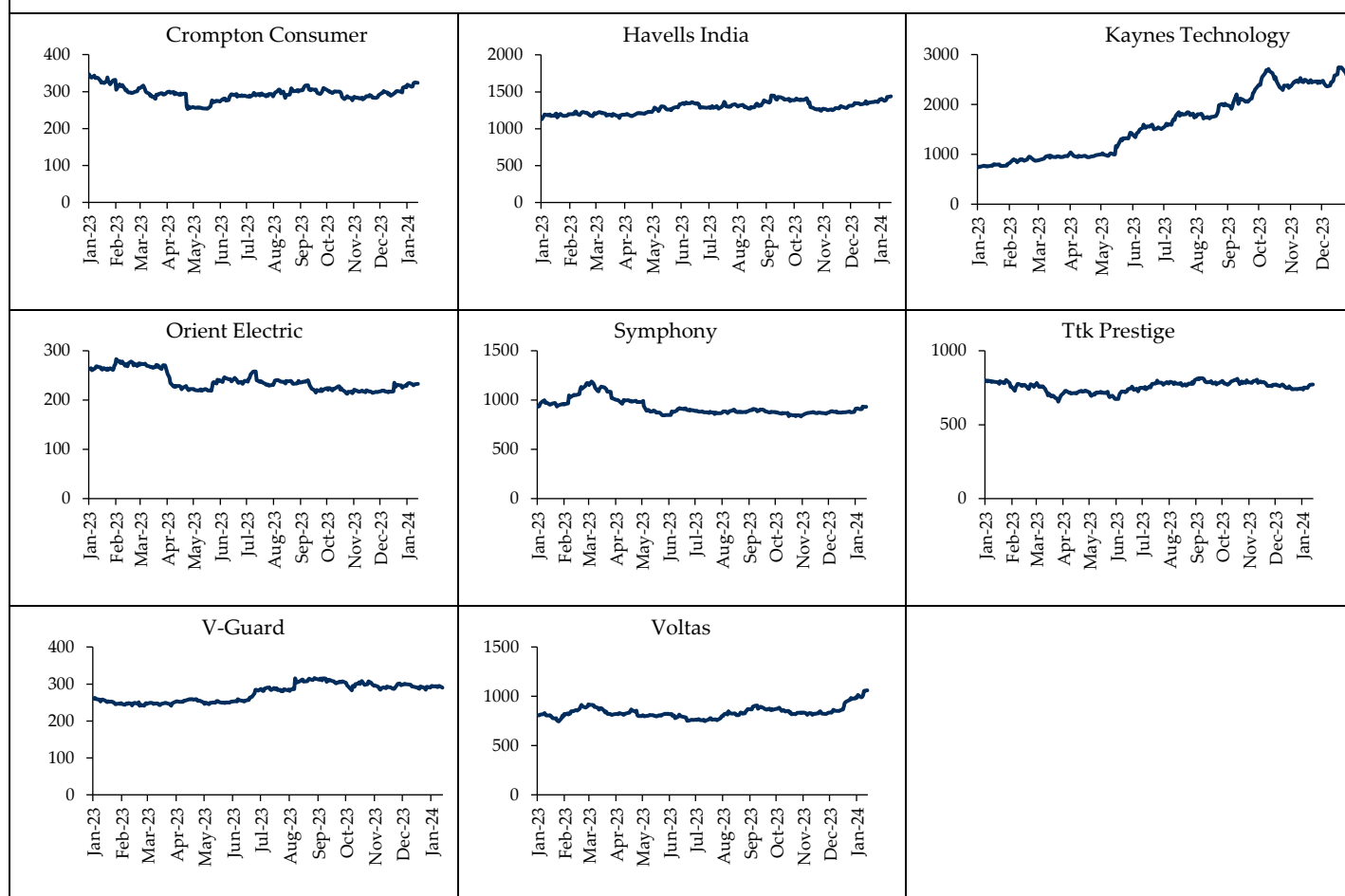
Year End (March) - INR mn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Reported PBT	1,143	1,619	1,698	1,019	1,069	1,862	2,425
Non-operating & EO Items	392	218	30	(97)	73	228	4
Interest Expenses	261	207	203	222	221	223	224
Depreciation	401	432	471	535	590	682	771
Working Capital Change	(423)	2,211	(1,906)	567	(581)	81	(234)
Tax Paid	(482)	(414)	(508)	(349)	(318)	(475)	(618)
OPERATING CASH FLOW (a)	1,292	4,273	(13)	1,897	1,055	2,601	2,572
Capex	(522)	(359)	(423)	(1,136)	(1,879)	(932)	(1,141)
Free Cash Flow (FCF)	771	3,914	(435)	761	(824)	1,669	1,431
Investments	(4)	(1,170)	1,172	(58)	(350)	(750)	(600)
Non-operating Income	17	22	33	95	50	55	77
Others	-	-	-	-	161	-	-
INVESTING CASH FLOW (b)	(508)	(1,506)	782	(1,099)	(2,017)	(1,627)	(1,664)
Debt Issuance/(Repaid)	(367)	(832)	(57)	(46)	83	(24)	1
Interest Expenses	(259)	(210)	(38)	(34)	(221)	(223)	(224)
FCFE	662	3,292	(455)	749	(520)	1,868	1,656
Share Capital Issuance	-	-	-	89	-	-	-
Dividend	(294)	(265)	(424)	(425)	(319)	(394)	(500)
Others	(109)	(129)	(151)	(246)	-	-	-
FINANCING CASH FLOW (c)	(1,029)	(1,437)	(670)	(661)	(458)	(640)	(723)
NET CASH FLOW (a+b+c)	(245)	1,330	99	137	(1,420)	333	185
EO Items, Others	-	-	-	-	187	-	-
Closing Cash & Equivalents	71	1,401	1,500	1,636	216	550	735

Ratios

Year End (March)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
PROFITABILITY (%)							
GPM	31.6	30.1	27.8	27.9	31.0	31.3	31.5
EBITDA Margin (%)	8.6	10.8	9.4	6.0	6.2	8.2	9.0
EBIT Margin	6.6	8.7	7.5	3.9	4.1	6.0	6.9
PBT Margin	5.5	8.0	6.9	4.0	3.8	5.8	6.8
APAT Margin	3.8	5.9	5.2	3.0	2.7	4.3	5.0
RoE	23.6	29.4	25.4	13.5	12.2	19.9	22.3
RoIC (or Core RoCE)	22.2	39.5	44.4	17.4	15.6	23.9	29.5
RoCE	31.7	39.5	37.0	21.6	20.5	29.2	32.0
EFFICIENCY							
Tax Rate (%)	31.2	26.0	25.4	25.6	29.8	25.5	25.5
Fixed Asset Turnover (x)	8.5	7.5	8.1	7.9	6.8	5.7	5.5
Inventory (days)	49	48	43	44	45	43	43
Debtors (days)	67	65	56	54	55	53	53
Other Current Assets (days)	7	7	5	7	7	6	6
Payables (days)	60	76	72	65	68	68	68
Other Current Liab & Provns (days)	18	20	17	16	16	15	15
Cash Conversion Cycle (days)	45	23	14	23	23	19	19
Net D/E (x)	0.2	(0.5)	(0.3)	(0.3)	(0.1)	(0.2)	(0.3)
Interest Coverage (x)	5.2	8.5	9.1	4.4	5.2	8.7	11.0
PER SHARE DATA (Rs)							
EPS	3.7	5.6	6.0	3.6	3.5	6.5	8.5
CEPS	5.6	7.7	8.2	6.1	6.3	9.7	12.1
Dividend	1.1	2.0	2.0	1.5	1.9	2.4	2.9
Book Value	16.9	21.5	25.5	27.5	30.4	35.1	41.2
VALUATION							
P/E (x)	63.2	41.5	39.2	65.6	66.3	35.9	27.6
P/BV (x)	13.8	10.9	9.2	8.5	7.7	6.7	5.7
EV/EBITDA (x)	28.6	21.5	20.9	32.0	28.3	18.5	14.7
EV/Revenues (x)	2.5	2.3	2.0	1.9	1.7	1.5	1.3
OCF/EV (%)	2.6	9.0	(0.0)	3.9	2.1	5.4	5.4
FCF/EV (%)	1.5	8.3	(0.9)	1.6	(1.7)	3.5	3.0
FCFE/Mkt Cap (%)	1.3	6.6	(0.9)	1.5	(1.0)	3.8	3.3
Dividend Yield (%)	0.5	0.9	0.9	0.6	0.8	1.0	1.2

Source: Company, HSIE Research

1 Yr Price history



Rating Criteria

BUY: >+15% return potential

ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: >10% Downside return potential

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