



## RESULT UPDATE

## VOLTAS

## Regaining lost mojo in AC; JV launches to be key

India Equity Research | Consumer Durables



Voltas sprung a positive surprise in Q1FY20 with 18%/16% revenue/ PAT (adjusted) beat versus consensus led by strong room AC (RAC) sales. Compared to industry growth of 36% on a low base, Voltas' cooling products (UCP) jumped 47% led by market share gain in RAC and strong air coolers growth. While 13.1% (up 60bps YoY) UCP EBIT margin indicates recovery, we believe it is much lower compared to volume growth, reflecting its strategy of preferring market share and limited pricing ability in a tough year (duty impact). In our view, Voltas' track record of optimally managing costs versus peers and a robust brand building & distribution expansion capability augur well for the Voltas-Beko JV's expansion into a broader white goods range. We retain Voltas as our top pick in the domestic consumer durables space with 'BUY' and revised TP of INR710 (INR660 earlier) rolling forward to December 2020E.

## Sharp growth in cooling on a low base; modest growth in margin

Voltas' UCP segment grew a strong 47% in Q1FY20 on a low base (flat growth in Q1FY19; RAC market grew 36%). The spurt was a consequence of leaders (Voltas/LG) preferring market share (24.1% in Q1FY20 versus 23.5% in Q1FY19) versus margin. This, along with limited pricing ability and customs duty impact, resulted in low 60bps expansion in UCP's EBIT margin. Revenue of EMP segment fell 5% reflecting slowdown in project execution.

## Incremental focus to shift to JV product launches now

The company is now focusing on innovative SKU launches in the Voltas-Beko JV (refrigerators, washing machines, etc) in the upcoming festive season. This, we believe, would chart out its trajectory for the next two-three quarters. Apart from launches, Voltas is gunning for deeper distribution of JV products beyond RAC distribution network via exclusive business outlets/distributors (150-plus/500 currently). That said, we are mindful of the NBFC slowdown, which is impacting financing of consumer durables, and will watch out for its impact at large.

## Outlook and valuation: Maintaining leadership; retain 'BUY'

Voltas continues to maintain its leading position in the RAC industry. However, we believe, SKU ramp in the Voltas-Beko JV to increase foothold and operating margin recovery remain key monitorables. We maintain 'BUY/SO' with revised TP of INR710.

## Financials

(INR mn)

Year to March	Q1FY20	Q1FY19	% Chg	Q4FY19	% Chg	FY19	FY20E	FY21E
Net revenues	26,540	21,481	23.6	20,628	28.7	71,241	82,315	93,479
EBITDA	2,912	2,432	19.7	1,443	101.8	6,118	7,762	9,383
Adjusted Profit	2,082	1,839	13.2	1,396	49.1	5,198	6,056	7,463
Adjusted Diluted EPS	6.3	5.6	13.2	4.2	49.1	15.7	18.3	22.6
Diluted P/E (x)						38.0	32.7	26.5
ROAE (%)						13.0	13.9	15.2

## EDELWEISS 4D RATINGS

Absolute Rating	BUY
Rating Relative to Sector	Outperform
Risk Rating Relative to Sector	Low
Sector Relative to Market	Underweight

## MARKET DATA (R: VOLT.BO, B: VOLT IN)

CMP	: INR 598
Target Price	: INR 710
52-week range (INR)	: 663 / 471
Share in issue (mn)	: 330.9
M cap (INR bn/USD mn)	: 198 / 2,830
Avg. Daily Vol.BSE/NSE('000)	: 1,521.4

## SHARE HOLDING PATTERN (%)

	Current	Q4FY19	Q3FY19
Promoters *	30.3	30.3	30.3
MF's, FI's & BK's	36.3	35.1	33.3
FII's	13.0	13.7	14.6
Others	20.4	20.9	21.8
* Promoters pledged shares (% of share in issue)	:		NIL

## PRICE PERFORMANCE (%)

	Stock	Nifty	EW Capital Goods Index
1 month	(9.4)	(5.7)	(11.6)
3 months	(3.3)	(5.4)	(2.6)
12 months	2.6	(2.1)	(4.0)

## Amit Mahawar

+91 22 4040 7451  
amit.mahawar@edelweissfin.com

## Darshika Khemka

+91 22 4063 5544  
darshika.khemka@edelweissfin.com

## Ashutosh Mehta

+91 22 6141 2748  
ashutosh.mehta@edelweissfin.com

August 8, 2019

### Voltas Q1FY20 concall takeaways

#### UCP segment:

- **Revenue growth:** Heat wave in a harsh summer and delayed monsoon benefitted the RAC industry, leading to 36% growth. Voltas posted growth of 47% in the UCP segment in Q1FY20.
- **Market share:** With higher growth, market share of Voltas improved to 24.1% for quarter ended June 2019 and 25% for June, 2019.
- **New launch:** The launch of adjustable AC was appreciated by customers, which helped the company post higher growth and increase market share as well.
- **Inverter AC:** For the industry, split AC account for 80% of the total and inverter AC 60% of the split AC market. For Voltas, split AC account for 76% of AC revenue and inverters account for 50%.
- **Margin:** Better quality/wider range of products, attractive consumer offers and branding helped the company improve margin by 60bps: 1) at a time when the entire industry missed taking a price hike in January due to higher inventory in the channel; and 2) rise in customs duty (compressors from 7.5% to 10.0% and for IDUs from 10% to 20%).
- **Partnership with EESL:** Voltas has partnered with EESL for supply of 50,000 super efficient AC at affordable prices. These AC will be supplied to government customers (BSES, DDRL, etc.) in Delhi as an exchange offer.
- **Inventory level:** Inventory has also reduced during the quarter, evident in low capital employed. However, the company is now building inventory to prepare for the festive season and is looking forward to the second summer in October.
- **Strategy:**
  - The focus is to protect market share while making sure market share ramp-up is not at the cost of profitability.
  - Indigenisation efforts –
    - Voltas has been focusing on indigenisation and is investing in its own moulds with the aim of reducing dependency on imports from China. The impact of this will be visible from the next season. The company has already made moulds for high volume IDUs. ODUs are outsourced in the domestic market.
    - Also, there isn't a domestic manufacturer of compressors, which constitutes 40-50% of the cost of an AC. That said, a few players are investing in putting up manufacturing plants for compressors in India. Voltas plans to have a tie up with such companies to source them.
    - Besides, the company is also investing in a manufacturing facility for AC.
- **Water purifiers:** Voltas also launched water purifiers during the year in three ranges.

#### EMP segment:

- Order book stands at INR47.56bn wherein international contribution stands at INR18.52bn and domestic at INR29.04bn with order inflow of INR6.8bn (INR4.50bn of domestic orders and balance is international).

- **Domestic projects business**

- The domestic market is under pressure due to lower private spending and slower execution. However, with increase in order inflow and Lols in the pipeline, uptick is expected in earnings in ensuing quarters.
- Also, water is an area that the management plans to enter in to (given Gol's focus on Namami Gange and to have a tap in every house) apart from scaling up in the electrification space while focusing on industrial and government orders.
- The subsidiary RIEL which focuses on electrification is looking to venture in to solar business.

- **International projects business –**

- Middle East regions are going through turbulent times. However, the government has announced investment in long-term infra projects and Voltas focuses on taking quality projects with better margins.
- Meanwhile, the Oman JV partner Carelian continues to face issues and the company remains watchful of the same.

**Voltas-Beko:**

- Voltas-Beko is stabilising in line with the plans of the company and products launched have been received well by the trade with customers appreciating the India centric features of products.
- That said, the company doesn't have the full range of products (currently has 31 SKUs in refrigerators, 5 in front load washing machines and 12 in top load washing machines versus 70-80 SKUs in AC) even for the festive season and some initial hiccups have been witnessed in the regional market.
- The manufacturing facility at Sanand is expected to be operational in December 2019, which will manufacture DC refrigerators and top load washing machines.
- The company is focusing on increasing SKUs to strengthen foothold, apart from expanding its distribution network, which currently stands at 500 distributors and 150 unique outlets (for Voltas as well as Voltas-Beko products).

**Other comments:**

- The exceptional item of INR430mn pertains to the write down of one of the VRS mutual fund schemes the company had invested in.

## Consumer Durables

**Table 1: SOTP valuation**

(INR mn)	FY20E			FY21E			Valuation Multiple		Volta's Dec 2020 Stake	TP (INR)
	Revenue	PAT	EPS (INR)	Revenue	PAT	EPS (INR)	methodolgy	(x) Comment		
EMP Segment	38,945	2,390	7.2	43,601	2,708	8.2	P/E	16 In-line with S&P BSE Capital Goods Index		123
Engineering Segment	3,366	843	2.5	3,568	892	2.7	P/E	14 15% discount to S&P BSE Capital Goods Index		36
Unitary Cooling Segment	39,554	3,591	10.9	45,894	4,468	13.5	P/E	38 25% premium to CD given sustained product leadership		485
<b>Total (ex - Voltbek)</b>	<b>81,865</b>	<b>6,824</b>	<b>20.6</b>	<b>93,063</b>	<b>8,068</b>	<b>24.4</b>				<b>644</b>
Voltbek				9,816			P/S	5 5x for Voltbek (back-ended revenues), 3x for Whirlpool (mature business)	50%	67
<b>Total</b>										<b>710</b>

Source: Edelweiss research

**Table 2: Segmental snapshot**

Year to March	Q1FY20	Q1FY19	% change	Q4FY19	% change	FY19	FY18	% change
<b>Revenue (INR mn)</b>								
Electro mechanical projects (EMPS)	8,241	8,664	(4.9)	9,760	(15.6)	36,191	28,452	27.2
Engineering products & services (EPS)	740	772	(4.1)	785	(5.7)	3,117	3,099	0.6
Unitary cooling products (UCP)	17,488	11,911	46.8	9,976	75.3	31,556	32,261	(2.2)
Others	2	2	5.6	4.1	(53.7)	17.0	9.8	73.3
<b>Total revenue</b>	<b>26,471</b>	<b>21,348</b>	<b>24.0</b>	<b>20,525</b>	<b>29.0</b>	<b>70,880</b>	<b>63,822</b>	<b>11.1</b>
<b>Segment revenue mix (%)</b>								
Electro mechanical projects (EMPS)	31.1	40.6		47.6		51.1	44.6	
Engineering products & services (EPS)	2.8	3.6		3.8		4.4	4.9	
Unitary cooling products (UCP)	66.1	55.8		48.6		44.5	50.5	
<b>EBIT (INR mn)</b>								
Electro mechanical projects (EMPS)	656	881	(25.6)	441	48.8	2,773	1,854	49.6
Engineering products & services (EPS)	239	268	(10.5)	274	(12.7)	1,051	992	5.9
Unitary cooling products (UCP)	2,298	1,493	53.9	1,037	121.6	3,254	4,749	(31.5)
<b>Total EBIT</b>	<b>3,193</b>	<b>2,641</b>	<b>20.9</b>	<b>1,752</b>	<b>82.3</b>	<b>7,077</b>	<b>7,595</b>	<b>(6.8)</b>
<b>EBIT margin (%)</b>								
Electro mechanical projects (EMPS)	8.0	10.2		4.5		7.7	6.5	
Engineering products & services (EPS)	32.4	34.7		34.9		33.7	32.0	
Unitary cooling products (UCP)	13.1	12.5		10.4		10.3	14.7	

Source: Company, Edelweiss research

**Financial snapshot**
**(INR mn)**

Year to March	Q1FY20	Q1FY19	% change	Q4FY19	% change	FY19	FY20E	FY21E
Net revenues	26,540	21,481	23.6	20,628	28.7	71,241	82,315	93,479
Staff costs	1,632	1,431	14.1	1,664	(1.9)	6,419	7,212	8,103
Direct costs	19,802	15,626	26.7	15,790	25.4	52,621	60,468	67,900
Other expenses	2,194	1,992	10.2	1,732	26.7	6,083	6,873	8,092
Total expenditure	23,628	19,049	24.0	19,185	23.2	65,123	74,553	84,096
EBITDA	2,912	2,432	19.7	1,443	101.8	6,118	7,762	9,383
Depreciation	77	59	30.0	59	30.2	240	304	357
EBIT	2,835	2,373	19.5	1,384	104.9	5,878	7,458	9,027
Interest	44	27	60.4	106	(58.8)	330	376	405
Other income	433	282	53.4	572	(24.3)	1,863	2,198	2,370
Add: Exceptional items	(430)					(118)	(430)	
Profit before tax	2,794	2,627	6.3	1,849	51.1	7,293	8,849	10,991
Tax	917	762	20.4	239	284.2	1,635	2,456	3,050
Minority interest	11	31	(63.7)	21	(46.5)	60	64	79
Associate profit share	(214)	5	NA	(193)	NA	(518)	(704)	(399)
Reported net profit	1,652	1,839	(10.2)	1,396	18.3	5,080	5,625	7,463
Adjusted Profit	2,082	1,839	13.2	1,396	49.1	5,198	6,056	7,463
Equity capital(FV INR 1)	331	331		331		331	331	331
Diluted shares (mn)	331	331		331		331	331	331
Adjusted Diluted EPS	6.3	5.6	13.2	4.2	49.1	15.7	18.3	22.6
<b>As a % of revenues</b>								
Raw material	74.6	72.7		76.5		73.9	73.5	72.6
Employee cost	6.1	6.7		8.1		9.0	8.8	8.7
Other expenses	8.3	9.3		8.4		8.5	8.3	8.7
EBITDA	11.0	11.3		7.0		8.6	9.4	10.0
Reported net profit	7.8	8.6		6.8		7.3	7.4	8.0
Tax rate	32.8	29.0		12.9		22.4	27.8	27.8

### Company Description

Voltas, part of the TATA group which holds 30.3% stake, is a leading air conditioning and engineering services provider. Founded in 1954, it offers engineering solutions through three business segments in areas such as heating, ventilation & air conditioning, refrigeration, climate control, electromechanical projects, textile machinery, machine tools, mining & construction, material handling, water management, building management systems, pollution control and chemicals. Voltas has a higher market share of ~21% in the residential AC market. The company has one of the highest distribution touch-points (over 15,000) which can compare well with many mid-size local FMCG companies. Unitary Cooling Product and Engineering & Mechanical Project Segment together contribute ~90% topline of the company, while Unitary Cooling Product contributes more than 60% to the profit of the company.

### Investment Theme

Low cost power availability driving up AC sales: A new phenomenon as electricity penetration in India increases.

Low penetration of ACs lends comfort on long term sales growth: AC penetration in India stands at <5% versus ~25% in China and ~50% in Korea. Various industry participants indicate that AC sales should see a strong 10-15% growth for the next 3-5 years, given the current low penetration levels.

Voltas's unique positioning through distribution/marketing ensures that it capture incremental first time sales in the country. With its Volt-Bek JV the company is ready to expand its addressable market leveraging on its mass premium brand image and robust product profile of the JV partner.

We estimate an EPS CAGR of 20% over FY19-21E assuming average 14% UCP segment revenue CAGR. EPS for UCP division is estimated at grow at 25% CAGR over FY19-21E. We see a bigger growth story now with Voltas entry into the USD5-7bn white goods market which is clocking 15% CAGR.

### Key Risks

#### White goods business

Voltas has an asset light model and is a distribution based franchise which could face risk of lower cash flow and return if MNC aggression intensifies, which to date has been well managed by Voltas.

#### Volt-Bek JV

Delay in execution/launch of products further could pose a downside risk to current valuations as we believe the stock is getting some value for new business ahead.

#### Domestic/Middle East infra slowdown

Domestic/Middle East infra slowdown could hamper growth and operating margins which have sustained better performance for 2-3 quarters.

## Financial Statements

### Key Assumptions

Year to March	FY18	FY19	FY20E	FY21E
<b>Macro</b>				
GDP(Y-o-Y %)	6.7	7.1	7.1	7.3
Inflation (Avg)	3.6	3.7	4.0	4.5
Repo rate (exit rate)	6.0	6.3	5.8	5.8
USD/INR (Avg)	64.5	70.0	72.0	72.0
<b>Company</b>				
EMP revenue growth (%)	7.2	27.2	7.6	12.0
Eng. rev growth (%)	(6.6)	0.6	8.0	6.0
Unitary Cooling product	5.9	(2.2)	25.3	16.0
Room AC ( Qnty)	1,120,505	1,101,708	1,487,305	1,665,782
NSR (INR)	22,293	22,182	21,294	22,359
Order inflow (INR bn)	36.5	35.7	40.0	46.0
Total no. of employees	8,118	8,261	8,757	9,282
Employee cost per head	722,752	776,976	823,595	873,010
Tax rate (%)	28.3	22.4	27.8	27.8
Capex (INR mn)	331	804	2,919	2,526
Dep. (% gross block)	1.9	0.1	5.4	3.2

### Income statement

(INR mn)

Year to March	FY18	FY19	FY20E	FY21E
Income from operations	64,044	71,241	82,315	93,479
Direct costs	45,675	52,621	60,468	67,900
Employee costs	5,867	6,419	7,212	8,103
Other Expenses	5,875	6,083	6,873	8,092
Total operating expenses	57,417	65,123	74,553	84,096
EBITDA	6,626	6,118	7,762	9,383
Depreciation	244	240	304	357
EBIT	6,383	5,878	7,458	9,027
Less: Interest Expense	119	330	376	405
Add: Other income	1,741	1,863	2,198	2,370
Profit Before Tax	8,011	7,293	8,849	10,991
Less: Provision for Tax	2,270	1,635	2,456	3,050
Less: Minority Interest	55	60	64	79
Add: Exceptional items	6	(118)	(430)	-
Associate profit share	38	(518)	(704)	(399)
Reported Profit	5,724	5,080	5,625	7,463
Exceptional Items	6	(118)	(430)	-
Adjusted Profit	5,718	5,198	6,056	7,463
Shares o/s (mn)	331	331	331	331
Adjusted Basic EPS	17.3	15.7	18.3	22.6
Diluted shares o/s (mn)	331	331	331	331
Adjusted Diluted EPS	17.3	15.7	18.3	22.6
Adjusted Cash EPS	18.0	16.4	19.2	23.6
Dividend per share (DPS)	4.0	4.0	3.5	4.3
Dividend Payout Ratio(%)	23.1	26.6	24.9	23.1

### Common size metrics

Year to March	FY18	FY19	FY20E	FY21E
Operating expenses	89.7	91.4	90.6	90.0
EBITDA margins	10.3	8.6	9.4	10.0
Net Profit margins	9.0	7.4	7.4	8.1

### Growth ratios (%)

Year to March	FY18	FY19	FY20E	FY21E
Revenues	6.2	11.2	15.5	13.6
EBITDA	16.9	(7.7)	26.9	20.9
Adjusted Profit	10.7	(9.1)	16.5	23.2

## Consumer Durables

Balance sheet		(INR mn)			
As on 31st March	FY18	FY19	FY20E	FY21E	
Share capital	331	331	331	331	
Reserves & Surplus	38,721	40,769	45,699	51,836	
Shareholders' funds	39,052	41,100	46,030	52,167	
Minority Interest	317	348	411	491	
Secured loans	1,423	3,147	3,397	3,647	
Total Borrowings	1,423	3,147	3,397	3,647	
Long Term Liabilities	883	854	854	854	
Def. Tax Liability (net)	(46)	(993)	(993)	(993)	
<b>Sources of funds</b>	<b>41,629</b>	<b>44,454</b>	<b>49,698</b>	<b>56,165</b>	
Gross Block	4,076	4,533	5,033	10,033	
Net Block	1,705	2,155	2,385	7,067	
Capital work in progress	41	157	2,550	50	
Intangible Assets	820	812	805	792	
Total Fixed Assets	2,565	3,124	5,740	7,909	
Non current investments	23,107	11,964	12,964	13,964	
Cash and Equivalents	7,713	15,568	16,041	17,621	
Inventories	8,130	10,907	12,425	13,952	
Sundry Debtors	15,703	18,330	21,171	24,066	
Loans & Advances	48	116	128	141	
Other Current Assets	15,652	14,151	15,566	16,345	
Current Assets (ex cash)	39,533	43,504	49,290	54,503	
Trade payable	21,764	23,745	27,335	30,695	
Other Current Liab	9,525	5,962	7,002	7,139	
Total Current Liab	31,289	29,706	34,337	37,833	
Net Curr Assets-ex cash	8,244	13,798	14,953	16,670	
<b>Uses of funds</b>	<b>41,629</b>	<b>44,454</b>	<b>49,698</b>	<b>56,165</b>	
BVPS (INR)	118.1	124.3	139.2	157.7	

Free cash flow		(INR mn)			
Year to March	FY18	FY19	FY20E	FY21E	
Reported Profit	5,724	5,080	5,625	7,463	
Add: Depreciation	244	240	304	357	
Interest (Net of Tax)	85	256	272	293	
Others	(2,327)	(2,334)	496	185	
Less: Changes in WC	473	6,456	1,155	1,717	
Operating cash flow	3,253	(3,214)	5,542	6,581	
Less: Capex	331	804	2,919	2,526	
<b>Free Cash Flow</b>	<b>2,922</b>	<b>(4,019)</b>	<b>2,623</b>	<b>4,055</b>	

Cash flow metrics		FY18	FY19	FY20E	FY21E
Year to March					
Operating cash flow		3,253	(3,214)	5,542	6,581
Financing cash flow		(1,814)	(183)	(1,150)	(1,475)
Investing cash flow		(1,992)	3,927	(3,919)	(4,526)
Net cash Flow		(553)	531	473	580
Capex		(331)	(804)	(2,919)	(2,526)
Dividend paid		(1,407)	(1,577)	(1,400)	(1,725)

Profitability and efficiency ratios		FY18	FY19	FY20E	FY21E
Year to March					
ROAE (%)		15.9	13.0	13.9	15.2
ROACE (%)		21.4	18.1	20.4	21.5
Inventory Days		69	66	70	71
Debtors Days		86	87	88	88
Payable Days		167	158	154	156
Cash Conversion Cycle		(12)	(5)	4	3
Current Ratio		1.5	2.0	1.9	1.9
Debt/EBITDA (x)		0.2	0.5	0.4	0.4
Fixed asset turnover (x)		25.3	25.9	26.7	16.9
Gross Debt/Equity		-	0.1	0.1	0.1
Adjusted Debt/Equity		-	0.1	0.1	0.1
Interest Coverage Ratio		53.6	17.8	19.8	22.3

Operating ratios		FY18	FY19	FY20E	FY21E
Year to March					
Total Asset Turnover		1.7	1.7	1.7	1.8
Fixed Asset Turnover		25.3	25.9	26.7	16.9
Equity Turnover		1.8	1.8	1.9	1.9

Valuation parameters		FY18	FY19	FY20E	FY21E
Year to March					
Adj. Diluted EPS (INR)		17.3	15.7	18.3	22.6
Y-o-Y growth (%)		10.7	(9.1)	16.5	23.2
Diluted P/E (x)		34.6	38.0	32.7	26.5
P/B (x)		5.1	4.8	4.3	3.8
EV / Sales (x)		3.0	2.6	2.3	2.0
EV / EBITDA (x)		28.9	30.3	23.9	19.6
Dividend Yield (%)		0.7	0.7	0.6	0.7

### Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		P/B (X)		ROAE (%)	
		FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Voltas	2,830	32.7	26.5	4.3	3.8	13.9	15.2
Havells India	5,690	44.9	35.9	8.7	7.7	20.4	22.7
Median	-	38.8	31.2	6.5	5.7	17.1	19.0
AVERAGE	-	38.8	31.2	6.5	5.7	17.1	19.0

Source: Edelweiss research



## Additional Data

### Directors Data

Ishaat Hussain	Chairman	Pradeep Bakshi	Managing Director &CEO
N N Tata	Non Independent & Non Executive Director	Vinayak Deshpande	Non Independent & Non Executive Director
J S Bilimoria	Independent Non-Executive Director	R N Mukhija	Independent Non-Executive Director
S N Menon	Independent Non-Executive Director	Nani Javeri	Independent Non-Executive Director
Nasser Munjee	Independent Non-Executive Director	Anil George	Deputy Managing Director

Auditors - Deloitte Haskins & Sells

*\*as per last annual report*

### Holding – Top10

	Perc. Holding		Perc. Holding
Tata sons ltd	26.64	Life insurance corp	4.99
Hdfc asset managemen	4.83	Franklin resources	3.06
Tata investment corp	3.01	Mirae asset global i	2.61
Aditya birla sun lif	2.16	Aditya birla sun lif	2.09
Hdfc life insurance	1.82	Sbi funds management	1.69

*\*in last one year*

### Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
No Data Available				

*\*in last one year*

### Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
No Data Available			

*\*in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Amber Enterprises	BUY	SO	M	Bajaj Electricals	HOLD	SP	M
Crompton Greaves Consumer Electrical	HOLD	SP	L	Finolex Cables	BUY	SO	M
Havells India	BUY	SO	L	KEI Industries	BUY	SO	M
Symphony	REDUCE	SU	M	V Guard Industries	REDUCE	SU	L
Voltas	BUY	SO	L	Whirlpool of India	BUY	SO	M

## ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

## RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

## RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

## SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return

**Edelweiss Securities Limited**, Edelweiss House, off C.S.T. Road, Kalina, Mumbai – 400 098.

Board: (91-22) 4009 4400, Email: [research@edelweissfin.com](mailto:research@edelweissfin.com)

Aditya Narain

Head of Research

[aditya.narain@edelweissfin.com](mailto:aditya.narain@edelweissfin.com)

### Coverage group(s) of stocks by primary analyst(s): Consumer Durables

Amber Enterprises, Bajaj Electricals, Crompton Greaves Consumer Electrical, Finolex Cables, Havells India, KEI Industries, Symphony, V Guard Industries, Voltas, Whirlpool of India

#### Recent Research

Date	Company	Title	Price (INR)	Recos
06-Aug-19	KEI Industries	Outperformance sustained; retail business focus vital; <i>Result Update</i>	440	Buy
01-Aug-19	Symphony	Comeback quarter; long-term challenging; <i>Result Update</i>	1265	Reduce
29-Jul-19	Havells India	Braving rough times; investment focus intact; <i>Result Update</i>	666	Buy

#### Distribution of Ratings / Market Cap

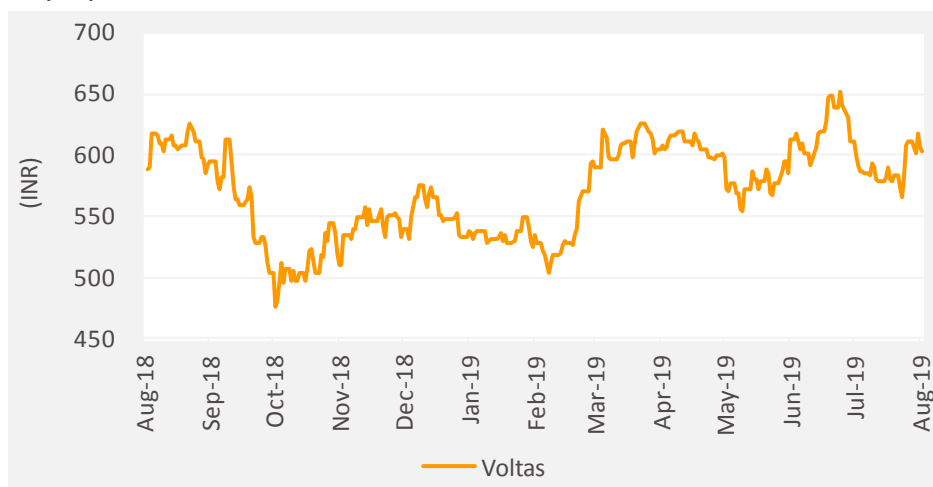
##### Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240
* 1stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

#### Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

#### One year price chart



### DISCLAIMER

Edelweiss Securities Limited ("ESL" or "Research Entity") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. The business of ESL and its Associates (list available on [www.edelweissfin.com](http://www.edelweissfin.com)) are organized around five broad business groups – Credit including Housing and SME Finance, Commodities, Financial Markets, Asset Management and Life Insurance.

This Report has been prepared by Edelweiss Securities Limited in the capacity of a Research Analyst having SEBI Registration No. INH200000121 and distributed as per SEBI (Research Analysts) Regulations 2014. This report does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Securities as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 includes Financial Instruments and Currency Derivatives. The information contained herein is from publicly available data or other sources believed to be reliable. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in Securities referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors.

This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ESL and associates / group companies to any registration or licensing requirements within such jurisdiction. The distribution of this report in certain jurisdictions may be restricted by law, and persons in whose possession this report comes, should observe, any such restrictions. The information given in this report is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. ESL reserves the right to make modifications and alterations to this statement as may be required from time to time. ESL or any of its associates / group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. ESL is committed to providing independent and transparent recommendation to its clients. Neither ESL nor any of its associates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including loss of revenue or lost profits that may arise from or in connection with the use of the information. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. Past performance is not necessarily a guide to future performance. The disclosures of interest statements incorporated in this report are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. The information provided in these reports remains, unless otherwise stated, the copyright of ESL. All layout, design, original artwork, concepts and other Intellectual Properties, remains the property and copyright of ESL and may not be used in any form or for any purpose whatsoever by any party without the express written permission of the copyright holders.

ESL shall not be liable for any delay or any other interruption which may occur in presenting the data due to any reason including network (Internet) reasons or snags in the system, break down of the system or any other equipment, server breakdown, maintenance shutdown, breakdown of communication services or inability of the ESL to present the data. In no event shall ESL be liable for any damages, including without limitation direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by the ESL through this report.

We offer our research services to clients as well as our prospects. Though this report is disseminated to all the customers simultaneously, not all customers may receive this report at the same time. We will not treat recipients as customers by virtue of their receiving this report.

ESL and its associates, officer, directors, and employees, research analyst (including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the Securities, mentioned herein or (b) be engaged in any other transaction involving such Securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company(ies) discussed herein or act as advisor or lender/borrower to such company(ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance. ESL may have proprietary long/short position in the above mentioned scrip(s) and therefore should be considered as interested. The views provided herein are general in nature and do not consider risk appetite or investment objective of any particular investor; readers are requested to take independent professional advice before investing. This should not be construed as invitation or solicitation to do business with ESL.

ESL or its associates may have received compensation from the subject company in the past 12 months. ESL or its associates may have managed or co-managed public offering of securities for the subject company in the past 12 months. ESL or its associates may have received compensation for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. ESL or its associates may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. ESL or its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. Research analyst or his/her relative or ESL's associates may have financial interest in the subject company. ESL and/or its Group Companies, their Directors, affiliates and/or employees may have interests/ positions, financial or otherwise in the Securities/Currencies and other investment products mentioned in this report. ESL, its associates, research analyst and his/her relative may have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance.

Participants in foreign exchange transactions may incur risks arising from several factors, including the following: ( i) exchange rates can be volatile and are subject to large fluctuations; ( ii) the value of currencies may be affected by numerous market factors, including world and national economic, political and regulatory events, events in equity and debt markets and changes in interest rates; and (iii) currencies may be subject to devaluation or government imposed exchange controls which could affect the value of the currency. Investors in securities such as ADRs and Currency Derivatives, whose values are affected by the currency of an underlying security, effectively assume currency risk.

Research analyst has served as an officer, director or employee of subject Company: No

ESL has financial interest in the subject companies: No

ESL's Associates may have actual / beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report.

Research analyst or his/her relative has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

ESL has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

Subject company may have been client during twelve months preceding the date of distribution of the research report.

There were no instances of non-compliance by ESL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years except that ESL had submitted an offer of settlement with Securities and Exchange commission, USA (SEC) and the same has been accepted by SEC without admitting or denying the findings in relation to their charges of non registration as a broker dealer.

A graph of daily closing prices of the securities is also available at [www.nseindia.com](http://www.nseindia.com)

#### **Analyst Certification:**

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

#### **Additional Disclaimers**

##### **Disclaimer for U.S. Persons**

This research report is a product of Edelweiss Securities Limited, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Edelweiss Securities Limited only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Edelweiss Securities Limited has entered into an agreement with a U.S. registered broker-dealer, Edelweiss Financial Services Inc. ("EFSI"). Transactions in securities discussed in this research report should be effected through Edelweiss Financial Services Inc.

### Disclaimer for U.K. Persons

The contents of this research report have not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000 ("FSMA").

In the United Kingdom, this research report is being distributed only to and is directed only at (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005 (the "Order"); (b) persons falling within Article 49(2)(a) to (d) of the Order (including high net worth companies and unincorporated associations); and (c) any other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons").

This research report must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this research report relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this research report or any of its contents. This research report must not be distributed, published, reproduced or disclosed (in whole or in part) by recipients to any other person.

### Disclaimer for Canadian Persons

This research report is a product of Edelweiss Securities Limited ("ESL"), which is the employer of the research analysts who have prepared the research report. The research analysts preparing the research report are resident outside the Canada and are not associated persons of any Canadian registered adviser and/or dealer and, therefore, the analysts are not subject to supervision by a Canadian registered adviser and/or dealer, and are not required to satisfy the regulatory licensing requirements of the Ontario Securities Commission, other Canadian provincial securities regulators, the Investment Industry Regulatory Organization of Canada and are not required to otherwise comply with Canadian rules or regulations regarding, among other things, the research analysts' business or relationship with a subject company or trading of securities by a research analyst.

This report is intended for distribution by ESL only to "Permitted Clients" (as defined in National Instrument 31-103 ("NI 31-103")) who are resident in the Province of Ontario, Canada (an "Ontario Permitted Client"). If the recipient of this report is not an Ontario Permitted Client, as specified above, then the recipient should not act upon this report and should return the report to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any Canadian person.

ESL is relying on an exemption from the adviser and/or dealer registration requirements under NI 31-103 available to certain international advisers and/or dealers. Please be advised that (i) ESL is not registered in the Province of Ontario to trade in securities nor is it registered in the Province of Ontario to provide advice with respect to securities; (ii) ESL's head office or principal place of business is located in India; (iii) all or substantially all of ESL's assets may be situated outside of Canada; (iv) there may be difficulty enforcing legal rights against ESL because of the above; and (v) the name and address of the ESL's agent for service of process in the Province of Ontario is: Bamac Services Inc., 181 Bay Street, Suite 2100, Toronto, Ontario M5J 2T3 Canada.

### Disclaimer for Singapore Persons

In Singapore, this report is being distributed by Edelweiss Investment Advisors Private Limited ("EIAPL") (Co. Reg. No. 201016306H) which is a holder of a capital markets services license and an exempt financial adviser in Singapore and (ii) solely to persons who qualify as "institutional investors" or "accredited investors" as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Pursuant to regulations 33, 34, 35 and 36 of the Financial Advisers Regulations ("FAR"), sections 25, 27 and 36 of the Financial Advisers Act, Chapter 110 of Singapore shall not apply to EIAPL when providing any financial advisory services to an accredited investor (as defined in regulation 36 of the FAR). Persons in Singapore should contact EIAPL in respect of any matter arising from, or in connection with this publication/communication. This report is not suitable for private investors.

Copyright 2009 Edelweiss Research (Edelweiss Securities Ltd). All rights reserved