Prabhudas Lilladher
POWERING YOUR FINANCIAL GROWTH

Consumer Durables

Oct-Dec'22 Earnings Preview

January 4, 2023

Long term positive, near term challenging

We resume coverage on consumer durables sector with optimistic view for long term, while near term slowdown prevails. In 3QFY23 companies are expected to register sales growth of 5.2% YoY with EBITDA/PAT decline of 4.0%/ 6.8% YoY. The sector has huge opportunity given low penetration and consolidation in the market, which we believe, will increase long-term demand. However, demand softness was witnessed in a seasonally weak quarter, due to winters affecting both RAC and fan sales along with no demand uptick in festive season. Rural demand has been poor, due to inflationary environment and outlook remains weak.

We prefer companies with robust return profile, controlled working capital, cost leader and continuously expanding opportunity market. We rate Havells India (HAVL) and Crompton Greaves Consumer Electricals (CROMPTON) as our top picks.

Exhibit 1: PL Universe

Companies	Rating	CMP (Rs)	TP (Rs)
Bajaj Electricals	HOLD	1,196	1,147
CC Cons. Elect.	BUY	338	435
Havells India	BUY	1,195	1,442
KEI Industries	HOLD	1,503	1,555
Polycab India	HOLD	2,626	2,651
Voltas	BUY	815	1,030

Source: PL

Top Picks

Havells India

Crompton Greaves Consumer Electricals

Weak season and inflation dampen demand

- **ECD and lighting segment continue to be weak:** With softening rural demand, weak festive season and new BEE rating in fans, there was slowdown in Electrical Consumer Durables (ECD) and lighting segments. We are expecting sales de-growth of 1.1%/2.7% in ECD/lighting segment in 3QFY23 across our coverage universe. The new BEE ratings enforced from 1st Jan 2023 will put further pressure on margins of ECD players due to its cost implications, which will speed up consolidation of markets. Although we remain structurally positive on long-term prospects, we see demand headwinds in the near term due to inflation, slowdown and regulatory changes. CROMTON continues to benefit from long term initiatives and cost leadership along with consolidation of Butterfly, that would drive profitability in near future. Weak rural demand is not favorable for Bajaj Electrical in near term, however, slight improvement sequentially is visible. HAVL is benefitting from Lloyd's ramp-up, healthy growth from cable business and widening of distribution network.

- **RAC segment experienced seasonally weak demand:** Currently there is a slowdown in secondary demand of RAC, which resulted in subdued primary demand from channel partners in seasonally weak quarter. Competitive pricing and slowdown in demand restricted the price action. We believe upward revision in price is possible, only when demand picks up in the coming summer season. Voltas is expected to report 15.6% decline in profitability in 3QFY23 mainly with margin pressure. However, given considerable measures taken, we believe Voltas will maintain its market share in RAC segment.

- **Cable & Wire business expected to perform relatively better:** KEI/Polycab will continue to benefit from industrial uptick, while stretched valuation may keep limited upside potential for the stocks.

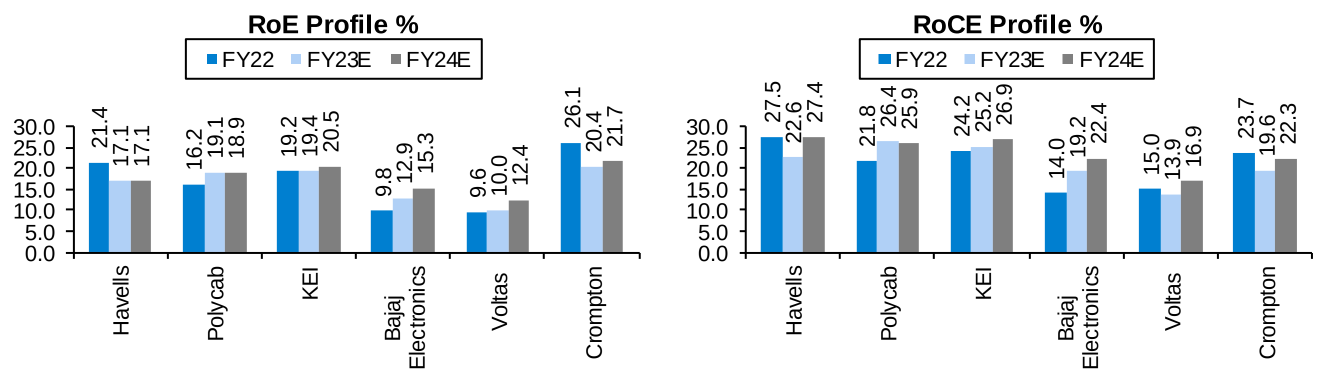
Praveen Sahay
praveensahay@plindia.com |

Exhibit 2: Coverage segmental date – Healthy growth expected in Cable & wire and ECD segment

	FY17	FY18	FY19	FY20	FY21	FY22	*3 yr CAGR*	FY23E	FY24E	FY25E	*FY22-25E CAGR*
Cables & wires (INR Bn)											
Havells	26.8	26.8	32.3	29.9	31.8	46.5	*12.8%*	54.9	63.1	72.6	*16.1%*
Polycab	56.1	62.4	69.3	75.2	75.8	107.0	*15.6%*	118.9	134.7	151.2	*12.2%*
KEI Industries	21.8	28.1	35.0	41.2	37.2	53.5	*15.2%*	64.2	74.5	85.1	*16.7%*
Cables & Wires margin %											
Havells	12.2	16.3	16.1	16.3	16.3	14.6		16.0	16.0	16.0	
Polycab	7.1	10.3	12.1	12.3	12.0	9.7		11.8	12.0	12.0	
KEI Industries	12.5	10.8	10.7	10.9	11.2	9.3		10.4	10.9	11.4	
FMEG (INR Bn) (ECD & Lighting)											
Polycab	3.38	4.85	6.43	8.36	10.34	12.54	*14.5%*	13.95	16.99	20.40	*17.6%*
Bajaj Electricals	23.14	22.28	27.41	30.85	33.04	37.28	*6.5%*	48.17	54.35	60.16	*17.3%*
Havells	40.95	42.53	53.31	52.10	55.57	77.19	*14.0%*	89.33	102.73	117.15	*14.9%*
Crompton	40.17	41.05	44.79	45.12	48.04	53.94	*6.1%*	58.26	64.46	71.08	
FMEG margin %											
Polycab	1.03	1.82	1.16	2.01	5.47	1.56		2.00	3.50	5.50	
Bajaj Electricals	4.28	4.88	6.57	6.75	9.81	7.50		5.88	7.10	7.63	
Havells	25.15	27.60	27.07	27.46	27.08	25.73		27.63	27.63	27.63	
Crompton	14.79	16.61	16.14	16.43	17.81	17.70		18.18	18.44	18.49	
EPC(INR Bn)											
KEI Industries	6.75	9.56	10.33	13.97	9.77	8.73	*-14.5%*	8.47	9.38	10.29	*5.6%*
Bajaj Electricals	19.83	24.88	39.32	18.92	12.69	10.42	*-18.0%*	2.80	6.08	9.11	*-4.4%*
EPC margin %											
KEI Industries	9.15	10.86	13.76	11.72	9.29	9.39		8.50	8.50	8.50	
Bajaj Electricals	7.14	7.82	4.97	(1.83)	(4.27)	(3.40)		3.00	3.00	4.00	

Source: Company, PL

Exhibit 3: Above mid teen ROE / ROCE for most players



Source: Company, PL

Exhibit 4: Efficient working capital management; Crompton and Voltas have best cash cycle

Days		Havells	Polycab	KEI	Bajaj Electricals	Voltas	Crompton
Inventory	FY22	78	66	69	72	76	49
	FY23E	70	88	60	75	55	40
	FY24E	70	85	60	75	50	40
Debtor	FY22	20	39	89	86	97	42
	FY23E	14	28	75	78	87	34
	FY24E	14	26	75	65	85	34
Payable	FY22	62	47	49	93	135	69
	FY23E	55	65	50	95	121	57
	FY24E	47	65	45	79	119	58
Cash Cycle	FY22	35	58	109	66	38	22
	FY23E	29	51	86	59	21	17
	FY24E	37	46	90	61	16	16

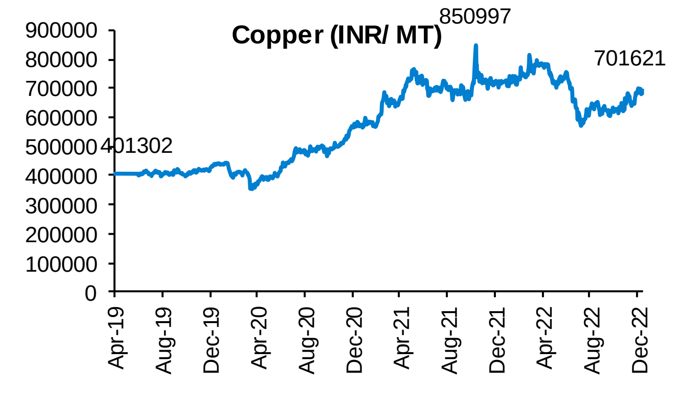
Source: Company, PL

Exhibit 5: FCF improvement visible across companies, FCF/ PAT remains strong

		Net Profit	CF before WC changes	(Increase)/ Decrease in WC	OCF	(Increase)/ Decrease in Capex	FCF	*OCF/PAT (%)*	*FCF/PAT (%)*
Havells	FY22	11,965	18,184	3,243	17,278	(2,528)	14,751	*144.4%*	*123.3%*
	FY23E	11,057	17,535	883	14,643	(4,163)	10,480	*132.4%*	*94.8%*
	FY24E	15,559	24,353	(4,471)	14,570	(2,600)	11,970	*93.6%*	*76.9%*
Polycab	FY22	8,361	13,430	(4,974)	5,116	5,330	10,446	*61.2%*	*124.9%*
	FY23E	11,451	17,406	(953)	12,336	(4,259)	8,077	*107.7%*	*70.5%*
	FY24E	13,292	20,204	(1,078)	14,618	(4,176)	10,442	*110.0%*	*78.6%*
KEI Industries	FY22	3,760	6,088	(2,555)	2,286	(596)	1,690	*60.8%*	*44.9%*
	FY23E	4,588	6,947	632	5,933	(2,942)	2,991	*129.3%*	*65.2%*
	FY24E	5,848	8,800	(3,345)	3,357	(2,277)	1,080	*57.4%*	*18.5%*
Bajaj Electicals	FY22	1,800	9,611	190	9,358	(49)	9,309	*NA*	*NA*
	FY23E	2,417	4,251	212	3,622	(1,434)	2,189	*149.9%*	*90.5%*
	FY24E	3,192	5,347	(1,643)	2,593	(864)	1,730	*81.2%*	*54.2%*
Voltas	FY22	5,060	8,449	(438)	5,842	(469)	5,373	*115.5%*	*106.2%*
	FY23E	4,585	5,700	(104)	3,579	(1,161)	2,418	*78.1%*	*52.7%*
	FY24E	7,543	11,960	210	9,572	(1,729)	7,843	*126.9%*	*104.0%*
Crompton	FY22	5,862	8,034	1,028	7,359	(1,712)	5,648	*125.6%*	*96.4%*
	FY23E	5,195	9,736	(1,166)	6,735	(1,398)	5,337	*129.6%*	*102.7%*
	FY24E	6,099	10,644	(1,868)	6,624	(96)	6,529	*108.6%*	*107.1%*

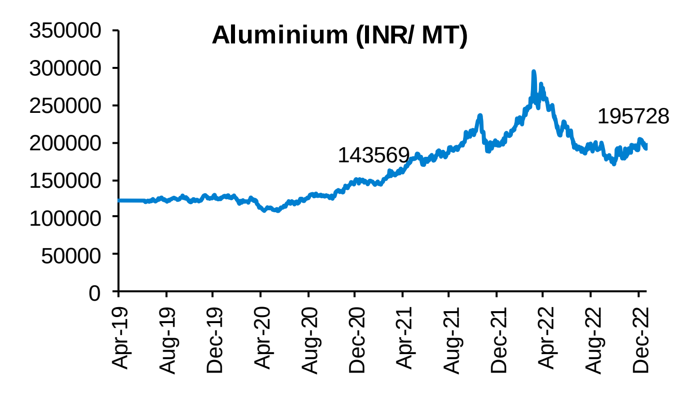
Source: Company, PL

Exhibit 6: Copper price down 9.6%YoY / up 6.2%QoQ



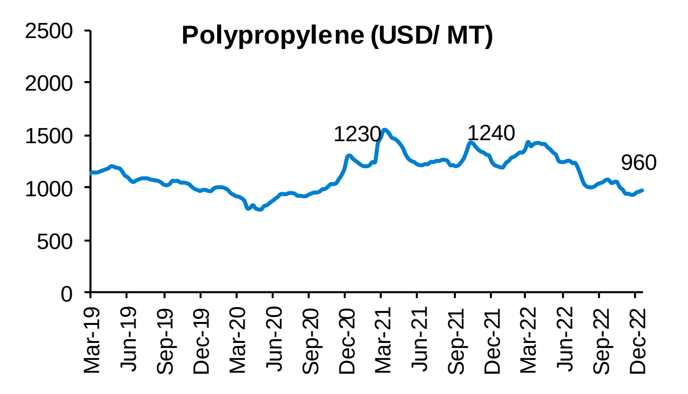
Source: PL

Exhibit 7: Aluminum price down 7.2%YoY / up 2.1%QoQ



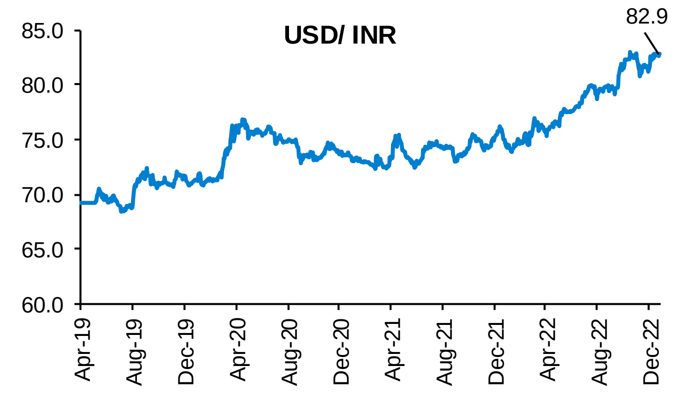
Source: PL

Exhibit 8: Polypropylene prices down 25.3%/ 9% YoY/ QoQ



Source: PL

Exhibit 9: Avg INR depreciated by 9.7%/ 3.0% YoY/ QoQ



Source: PL

Bajaj Electricals

Rating: HOLD | CMP: Rs1,196 | TP: Rs1,147

Expected to benefit from demerger of EPC business and restructuring of distributor network

We resume coverage on Bajaj Electricals (BJE) with 'HOLD' rating at SOTP based TP of Rs1,147 (derived P/E of 33.5x on March'25 EPS, Consumer business valued at 35x). We remain structurally positive on long term prospects given 1) strong brand with leadership position in kitchen appliances 2) increasing shelf space by leveraging industry leading distribution network & brand strength 3) improving balance sheet aided by robust cash flow generation and 4) demerger of EPC business and restructuring of distribution network to bring growth. We estimate Sales/EBITDA/PAT at 13.2%/36.4%/32.9% CAGR over FY22-25E. Resume coverage with 'HOLD' rating.

Sales flat YoY amidst high inflation, rural stress and weak consumer demand. We expect BJE to register Sales/EBITDA/PAT growth of 0.5%/16.5%/8.6% YoY in 3QFY23.

Soft rural demand and weak festive season impacted revenue growth

- BJE estimated to report 0.5% YoY growth in sales mainly due to demand softness more so in rural India, weak festive season and inability to pass on input cost inflation through price hikes. However, sequentially rural demand has improved (mainly quantum of de-growth has reduced in Q3FY23 vs Q1/Q2FY23) which is reflected in consumer lighting business of BJE. Also, appliance business (mainly water heater/geyser) is expected to be sequentially good, being seasonal healthy quarter.
- Consumer Products are expected to grow by 2.4% YoY; appliance by 4% and fan segment by 2%.
- The lighting segment (combined consumer lighting and professional lighting) is expected to show sequential growth of 3%, mainly growth from consumer lighting with sequentially improvement in rural demand.

EPC continue to de-grow in 3QFY23

- EPC to de-grow by 17.8% QoQ due to lower order book, however, management guided new order book will drive sales Q1FY24 onwards.
- EBITDA margin estimated at 7.3% (+100bps YoY) and adj. PAT estimated at Rs672mn (+8.6% YoY).

Key Financials - Standalone

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. m)	47,703	50,968	60,437	69,271
EBITDA (Rs. m)	2,271	3,604	4,757	5,761
Margin (%)	*4.8*	*7.1*	*7.9*	*8.3*
PAT (Rs. m)	1,667	2,417	3,192	3,912
EPS (Rs.)	14.5	21.0	27.8	34.1
Gr. (%)	*(3.3)*	*45.0*	*32.0*	*22.6*
DPS (Rs.)	3.0	4.0	5.0	5.0
Yield (%)	*0.3*	*0.3*	*0.4*	*0.4*
RoE (%)	*9.8*	*12.9*	*15.3*	*16.4*
RoCE (%)	*14.0*	*19.2*	*22.4*	*23.8*
EV/Sales (x)	2.9	2.7	2.2	1.9
EV/EBITDA (x)	60.0	38.0	28.6	23.4
PE (x)	82.4	56.9	43.1	35.1
P/BV (x)	7.7	7.1	6.2	5.4

Exhibit 10: Quarterly Snapshot: Muted demand with slowdown in rural India

Particulars (Rs mn)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23E
Revenue from Operations	**8,528**	**12,907**	**13,044**	**13,224**	**12,236**	**12,204**	**13,110**
YoY gr.	*40.3%*	*6.3%*	*-12.8%*	*5.4%*	*43.5%*	*-5.5%*	*0.5%*
Gross Profit	2,819	3,601	3,488	3,329	3,728	3,822	4,025
margin %	*33.1%*	*27.9%*	*26.7%*	*25.2%*	*30.5%*	*31.3%*	*30.7%*
Other Expenses	2,748	2,814	2,666	2,737	2,984	2,884	3,068
% of sales	*32.2%*	*21.8%*	*20.4%*	*20.7%*	*24.4%*	*23.6%*	*23.4%*
EBITDA	**71**	**787**	**821**	**592**	**745**	**938**	**957**
Margin	*0.8%*	*6.1%*	*6.3%*	*4.5%*	*6.1%*	*7.7%*	*7.3%*
YoY gr.	*-134.4%*	*-23.7%*	*-44.3%*	*-17.4%*	*943.0%*	*19.3%*	*16.5%*
Other Income	133	280	280	320	101	198	198
Depreciation	144	134	141	148	170	178	165
Interest	147	127	158	98	76	97	86
PBT	**-87**	**805**	**802**	**666**	**600**	**862**	**904**
Tax	-23	171	184	188	155	223	232
ETR	*26.0%*	*21.3%*	*22.9%*	*28.2%*	*25.9%*	*25.9%*	*25.7%*
Profit before JV/Associates/Minority Interest	**(64)**	**634**	**618**	**478**	**445**	**639**	**672**
Share of JV/Associates	-	-	-	-	-	-	-
Non-controlling Interest	-	-	-	-	-	-	-
Adj PAT	**(64)**	**634**	**618**	**478**	**445**	**639**	**672**
Adj. PAT margin %	*-0.8%*	*4.9%*	*4.7%*	*3.6%*	*3.6%*	*5.2%*	*5.1%*
YoY gr.	*-84.6%*	*17.5%*	*-25.8%*	*-19.0%*	*-791.3%*	*0.8%*	*8.6%*
Exceptional item	-	-	-96	7	-	-	-
Reported PAT	**-64**	**634**	**522**	**485**	**445**	**639**	**672**
Segments - Revenue (Rs mn)							
Consumer Products	6,132	10,238	10,648	10,257	8,498	8,777	9,720
EPC	2,395	2,667	2,396	2,965	999	669	550
Lighting	-	-	-	-	2,738	2,757	2,840
Total	**8,528**	**12,907**	**13,044**	**13,223**	**12,236**	**12,204**	**13,110**
Segments - EBIT (Rs mn)							
Consumer Products	155	934	919	642	443	611	661
EPC	(133)	(135)	(49)	71	0	58	44
Lighting	-	-	-	-	215	258	261
Total	**20**	**799**	**870**	**715**	**658**	**928**	**966**
Segments - EBIT margin (%)							
Consumer Products	2.5	9.1	8.6	6.3	5.2	7.0	6.8
EPC	(5.6)	(5.1)	(2.0)	2.4	0.0	8.7	8.0
Lighting					7.8	9.3	9.2
Total	**0.2**	**6.2**	**6.7**	**5.4**	**5.4**	**7.6**	**7.4**

Source: Company, PL

Crompton Greaves Consumer Electricals

Rating: BUY | CMP: Rs338 | TP: Rs435

CROMTON benefiting from its LT initiatives and cost leadership

We resume coverage on Crompton Greaves Consumer Electricals (CROMPTON) with a 'BUY' rating at TP of Rs435. We remain structurally positive on CROMPTON for a longer term given 1) market share gains in its core categories of Fans and Pumps 2) sustained investments in LT initiatives and cost leadership (brand building, GTM, innovation, business processes & teams) 3) well defined plan of entering and scaling up appliances business (through Butterfly) and new categories (Water Heaters, Air Coolers, Mixer-Grinders) and 4) strong balance sheet (Sep22 net debt/equity: 0.2x). We estimate Sales/ EBITDA/PAT CAGR of 17.4%/16.0%/10.9% over FY22-25E (including Butterfly). We value the stock at 36x FY25 EPS. The stock is currently trading at 39.7x/33.8x/28.3x FY23/24/25 earnings. Resume coverage with 'BUY' rating.

Butterfly consolidation to drive CROMPTON revenue growth

Weak performance expected in Q3FY23, amidst continued margin pressure: We expect CROMPTON to register a sales growth of 19.0% YoY, with consolidation of Butterly and EBITDA/PAT decline of 2.6%/ 21.6% YoY in 3QFY23.

ECD segment estimated revenue decline of 3% YoY

- ECD segment's estimated revenue declined by 3% YoY, due to slowdown in demand, implementation of new BEE rating in fan segment and increase in competitive intensity in pump business. However, appliance business, mainly water heater, is expected to see healthy growth. ECD segment is expected to see significant volatility in revenue and margins in coming quarters with new regulations in fan segment.

- Lighting segment expected to report decline of 5% YoY in revenue mainly due to decline in conventional lighting and project business, however, B2C LED lighting is expected to be flat sequentially.

Butterfly expected to benefit from expansion in retail network, operational efficiencies and cost control initiative programme named 'Munetran'

- Butterfly's revenue is expected to grow by 23% YoY & decline 14% QoQ to INR3.3bn, on account of a strategic decision of restructuring channel mix and premiumisation EBITDA margin expectation of 10.6% (+240bps YoY).

- CROMPTON's consolidated EBITDA margin is expected to contract by 260bps YoY to 11.7%, mainly due to contraction in operating margin in its core businesses along with butterfly integration.

Key Financials – Consolidated

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. m)	53,941	70,718	78,631	87,198
EBITDA (Rs. m)	7,513	8,841	9,942	11,372
Margin (%)	*13.9*	*12.5*	*12.6*	*13.0*
PAT (Rs. m)	5,732	5,388	6,321	7,565
EPS (Rs.)	9.0	8.5	10.0	11.9
Gr. (%)	*(2.5)*	*(6.0)*	*17.3*	*19.7*
DPS (Rs.)	2.5	7.2	8.2	8.2
Yield (%)	*0.7*	*2.1*	*2.4*	*2.4*
RoE (%)	*26.1*	*20.4*	*21.7*	*24.3*
RoCE (%)	*23.7*	*19.6*	*22.3*	*27.3*
EV/Sales (x)	4.0	3.0	2.7	2.4
EV/EBITDA (x)	28.7	24.1	21.2	18.2
PE (x)	37.3	39.7	33.8	28.3
P/BV (x)	8.7	7.6	7.1	6.6

Exhibit 11: Quarterly Snapshot: Revenue growth with consolidation of Butterfly; slowdown expected in existing segments

Particulars (Rs mn)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23E
Revenue from Operations	**10,505**	**13,848**	**14,102**	**15,479**	**18,629**	**16,995**	**16,784**
YoY gr.	*47.3%*	*15.6%*	*6.6%*	*2.2%*	*77.3%*	*22.7%*	*19.0%*
Gross Profit	3,417	4,434	4,467	4,716	5,849	5,461	5,388
margin %	*32.5%*	*32.0%*	*31.7%*	*30.5%*	*31.4%*	*32.1%*	*32.1%*
Other Expenses	2,146	2,292	2,451	2,334	3,650	3,530	3,424
% of sales	20.4%	16.6%	17.4%	15.1%	19.6%	20.8%	20.4%
EBITDA	**1,271**	**2,141**	**2,016**	**2,382**	**2,199**	**1,931**	**1,964**
Margin	*12.1%*	*15.5%*	*14.3%*	*15.4%*	*11.8%*	*11.4%*	*11.7%*
YoY gr.	*28.6%*	*15.2%*	*3.3%*	*5.9%*	*73.0%*	*-9.8%*	*-2.6%*
Other Income	197	284	138	180	104	183	162
Depreciation	76	101	102	145	276	283	263
Interest	101	80	67	106	225	299	311
PBT	**1,292**	**2,245**	**1,986**	**2,312**	**1,803**	**1,533**	**1,552**
Tax	317	540	504	335	479	226	391
ETR	*24.5%*	*24.1%*	*25.4%*	*14.5%*	*26.6%*	*14.7%*	*25.2%*
Profit before JV/Associates/Minority Interest	975	1,705	1,481	1,976	1,260	1,307	1,161
Share of JV/Associates	-	-	-	-	-	-	-
Non-controlling Interest	-	-	-	-	(49)	(49)	(47)
Adj PAT	**975**	**1,705**	**1,481**	**1,976**	**1,210**	**1,258**	**1,114**
Adj. PAT margin %	*9.3%*	*12.3%*	*10.5%*	*12.8%*	*6.5%*	*7.4%*	*6.9%*
YoY gr.	*32.2%*	*24.4%*	*0.5%*	*16.4%*	*24.2%*	*-26.2%*	*-24.8%*
Exceptional item	-	-	-	-	64	-	
Reported PAT	**975**	**1,705**	**1,481**	**1,976**	**1,274**	**1,258**	**1,114**
Segments - Revenue (Rs mn)							
Electric Consumer Durables	8,844	10,964	10,993	12,309	13,472	10,622	10,663
Lighting Products	1,661	2,884	3,109	3,170	2,623	2,696	2,954
Butterfly Products	-	-	-	-	2,535	3,677	3,168
Total	**10,505**	**13,848**	**14,102**	**15,479**	**18,629**	**16,995**	**16,784**
Segments - EBIT (Rs mn)							
Electric Consumer Durables	1,558	2,300	2,130	2,279	2,285	1,814	1,845
Lighting Products	177	330	326	448	232	215	207
Butterfly Products	-	-	-	-	219	403	295
Total	**1,735**	**2,629**	**2,456**	**2,727**	**2,736**	**2,432**	**2,346**
Segments - EBIT margin (%)							
Electric Consumer Durables	17.6	21.0	19.4	18.5	17.0	17.1	17.3
Lighting Products	10.7	11.4	10.5	14.1	8.8	8.0	7.0
Butterfly Products					8.6	11.0	9.3
Total	**16.5**	**19.0**	**17.4**	**17.6**	**14.7**	**14.3**	**14.0**

Source: Company, PL

Havells India

Rating: BUY | CMP: Rs1,195 | TP: Rs1,442

Havells India - Diverse product portfolio covering 70% of household electric sockets

We resume coverage on Havells India (HAVL) with a 'BUY' rating at DCF based TP of Rs1442 (implied P/E 47x FY25E). We are optimistic on the company's long term growth prospects given 1) diverse product portfolio covering 70% of household electric sockets, 2) amongst top 3 players in most product categories 3) focus on innovation and to continuously drive brand affinity and 4) expanding distribution reach with focus on untapped rural market (through rural vistaar project covered 40,000 outlets in FY22 and planned opening of >1000 Utsav stores by FY23). We estimate Sales/EBITDA/PAT CAGR of 15.1%/13.4%/17.0% over FY22-25E. Resume coverage to 'BUY'.

Focus on rural market with rural vistaar project to increase its rural penetration

Weak performance expected in a seasonally weak quarter: We expect HAVL to register a sales growth of 4.0% YoY and EBITDA/PAT decline of 24.7%/ 26.8% YoY in 3QFY23.

- Revenue is expected to grow by 4% YoY, led by growth in Cables (+8% YoY) followed by Lloyd (+3% YoY) and Switchgear (+3% YoY).

ECD and light segment expected to be muted in 3QFY23

- The slowdown in demand is mainly due to inflation, weak sentiment and BEE rating change in fan segment (expected to dampen the growth in ECD and lighting segments). We estimated 1% YoY growth in ECD and 1% decline in lighting segment for the company.

EBITDA margins are expected to contract by 330bps YoY

- EBITDA margins are expected to contract by 330bps YoY to 8.7% and EBITDA is expected to de-grow by 24.7% YoY, due to expected lower gross margin (contract 125bps YoY at 31.0%).
- In terms of segmental EBIT margin, Wires and cables/Lighting/ECD/ Switchgear margin is estimated at 7.3%/13.5%/12.5%/25.0% (contract 310bps/770bps/10bps/420bps YoY).
- We are expecting losses in Lloyd to continue in Q3FY23, being weak season along with price competition. PBT is expected to de-grow by 26.9% YoY to Rs3.0bn and adj. PAT is expected to de-grow by 26.8% YoY to Rs 2,237mn.

Key Financials

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. m)	1,39,385	1,63,527	1,86,974	2,12,602
EBITDA (Rs. m)	17,604	16,298	21,373	25,705
Margin (%)	*12.6*	*10.0*	*11.4*	*12.1*
PAT (Rs. m)	11,965	11,057	15,559	19,181
EPS (Rs.)	19.1	17.7	24.9	30.6
Gr. (%)	*14.6*	*(7.6)*	*40.7*	*23.3*
DPS (Rs.)	4.5	5.0	7.5	9.5
Yield (%)	*0.4*	*0.4*	*0.6*	*0.8*
RoE (%)	*21.4*	*17.1*	*20.5*	*21.5*
RoCE (%)	*27.5*	*22.6*	*27.4*	*28.9*
EV/Sales (x)	5.2	4.4	3.8	3.3
EV/EBITDA (x)	41.2	43.9	33.1	27.0
PE (x)	62.5	67.7	48.1	39.0
P/BV (x)	12.5	10.8	9.1	7.8

Exhibit 12: Quarterly Snapshot: Weak performance; contraction in EBITDA margin (~330bps YoY) expected in Q3FY23

Particulars (Rs mn)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23E
Revenue from Operations	**26,100**	**32,380**	**36,642**	**44,171**	**42,301**	**36,795**	**38,092**
YoY gr.	*75.9%*	*31.7%*	*15.4%*	*32.3%*	*62.1%*	*13.6%*	*4.0%*
Gross Profit	9,316	11,072	11,816	12,869	12,263	11,356	11,809
margin %	*35.7%*	*34.2%*	*32.2%*	*29.1%*	*29.0%*	*30.9%*	*31.0%*
Other Expenses	5,762	6,622	7,414	7,763	8,649	8,488	8,495
% of sales	*22.1%*	*20.5%*	*20.2%*	*17.6%*	*20.4%*	*23.1%*	*22.3%*
EBITDA	**3,553**	**4,450**	**4,402**	**5,106**	**3,614**	**2,869**	**3,314**
Margin	*13.6%*	*13.7%*	*12.0%*	*11.6%*	*8.5%*	*7.8%*	*8.7%*
YoY gr.	*170.0%*	*5.5%*	*-13.7%*	*0.5%*	*1.7%*	*-35.5%*	*-24.7%*
Other Income	342	333	488	441	470	438	457
Depreciation	616	623	662	707	721	721	693
Interest	110	111	123	191	98	68	75
PBT	**3,170**	**4,048**	**4,106**	**4,650**	**3,266**	**2,517**	**3,003**
Tax	812	1,024	1,047	1,218	841	647	766
ETR	*25.6%*	*25.3%*	*25.5%*	*26.2%*	*25.8%*	*25.7%*	*25.5%*
Profit before JV/Associates/Minority Interest	**2,358**	**3,024**	**3,058**	**3,432**	**2,424**	**1,870**	**2,237**
Share of JV/Associates	-	-	-	-	-	-	-
Non-controlling Interest	-	-	-	-	-	-	-
Adj PAT	**2,358**	**3,024**	**3,058**	**3,432**	**2,424**	**1,870**	**2,237**
Adj. PAT margin %	*9.0%*	*9.3%*	*8.3%*	*7.8%*	*5.7%*	*5.1%*	*5.9%*
YoY gr.	*268.5%*	*-7.3%*	*-12.7%*	*13.0%*	*2.8%*	*-38.2%*	*-26.8%*
Exceptional item	-	-12	-	88	-9	-12	-10
Reported PAT	**2,358**	**3,012**	**3,058**	**3,520**	**2,416**	**1,858**	**2,227**
Segments - Revenue (Rs mn)							
Switchgears	3,773	4,482	4,960	4,745	5,167	4,879	5,108
Cable	8,072	11,440	12,058	14,881	11,929	13,594	13,023
Lighting & Fixtures	2,144	3,591	4,129	4,052	3,711	4,018	4,088
Electrical Consumer Durables	5,763	7,294	8,955	8,727	8,381	7,735	9,045
Others	1,373	2,112	1,841	2,261	2,276	2,372	1,989
Lloyd Consumer	4,975	3,463	4,698	9,596	10,837	4,198	4,839
Total	**26,100**	**32,380**	**36,642**	**44,263**	**42,301**	**36,795**	**38,092**
Segments - EBIT (Rs mn)							
Switchgears	1,031	1,218	1,448	1,239	1,353	1,220	1,328
Cable	1,262	1,153	1,256	1,734	875	859	969
Lighting & Fixtures	331	784	874	633	611	576	613
Electrical Consumer Durables	676	1,257	1,128	1,515	1,098	900	1,135
Others	54	202	44	269	122	41	50
Lloyd Consumer	97	(188)	(429)	(213)	(559)	(840)	(581)
Total	**3,451**	**4,426**	**4,322**	**5,176**	**3,500**	**2,756**	**3,514**
Segments - EBIT margin (%)							
Switchgears	27.3	27.2	29.2	26.1	26.2	25.0	25.0
Cable	15.6	10.1	10.4	11.7	7.3	6.3	7.3
Lighting & Fixtures	15.5	21.8	21.2	15.6	16.5	14.3	13.5
Electrical Consumer Durables	11.7	17.2	12.6	17.4	13.1	11.6	12.5
Others	3.9	9.6	2.4	11.9	5.4	1.7	2.0
Lloyd Consumer	2.0	(5.4)	(9.1)	(2.2)	(5.2)	(20.0)	(12.0)
Total	**13.2**	**13.7**	**11.8**	**11.7**	**8.3**	**7.5**	**8.8**

Source: Company, PL

KEI Industries

Rating: HOLD | CMP: Rs1,503 | TP: Rs1,555

KEII aim to achieve Rs 100bn in revenue by FY26 with an EBITDA margin target of 11-12%

We resume coverage on KEI Industries (KEII) with a 'HOLD' rating at TP of Rs1555 (valuing at 20x FY25 EPS). We are positive on the company for long term given 1) focus on diversifying product portfolio and de-risking business (retail accounts for 41%, expected to increase to ~50% in coming 2 years) 2) focus on scaling up distribution network (1,900 dealers, grow by 10% p.a) 3) healthy balance sheet with net cash of Rs 1.1bn (including acceptances) by Sep-23 and 4) planned capacity expansion which will generate around Rs 40bn revenue. KEII aims to achieve Rs 100bn in revenue by FY26 with an EBITDA margin target of 11-12%. We estimate Sales/EBITDA/PAT CAGR of 15.8%/20.5%/22.9% over FY22-25E. The stock is currently trading at 29.4x/23.1x/19.3x FY23/24/25 earnings. Resume coverage with 'HOLD' rating.

Expected to report healthy number in 3QFY23 with 15.4% YoY growth in earnings

Diversification towards retail, maintain growth trajectory: KEII is estimated to report healthy numbers (9.9%/12.9%/15.4% YoY growth in revenue/EBITDA/Adj. PAT) in Q3FY23, mainly with LT cable/HW&WW sales to grow by 14.1%/18.9%. We are estimating a gross margin of 23.7% (slight improvement sequentially and YoY) and EBITDA margin of 10.3% in Q3FY23. The healthy growth in PAT of 15.4% YoY with improvement in other income.

Management guided for 17-18% growth in sales and a 10.5% EBITDA margin for FY23

Healthy growth guidance from management: The management guided for 17-18% growth in sales and 10.5% EBITDA margin for FY23. There is a delay in the expansion plan mainly due to land procurement, while KEII initiated brownfield expansion at its Silvassa plant with capex of Rs 350-400mn for low-tension power cable which will generate Rs 5bn sales and take care of growth for FY24.

Key Financials - Consolidated

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. m)	57,265	67,520	77,992	88,857
EBITDA (Rs. m)	5,887	7,023	8,773	10,304
Margin (%)	*10.3*	*10.4*	*11.2*	*11.6*
PAT (Rs. m)	3,760	4,588	5,848	6,986
EPS (Rs.)	41.8	51.1	65.1	77.8
Gr. (%)	*39.5*	*22.0*	*27.5*	*19.5*
DPS (Rs.)	2.5	4.5	5.5	6.5
Yield (%)	*0.2*	*0.3*	*0.4*	*0.4*
RoE (%)	*19.2*	*19.4*	*20.5*	*20.2*
RoCE (%)	*24.2*	*25.2*	*26.9*	*26.4*
EV/Sales (x)	2.4	2.0	1.7	1.5
EV/EBITDA (x)	22.9	18.8	15.0	12.9
PE (x)	35.9	29.4	23.1	19.3
P/BV (x)	6.3	5.2	4.3	3.6

Exhibit 13: Quarterly Snapshot: Expected to maintain EBITDA margin in Q3FY23, moderation in revenue growth

Particulars (Rs mn)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23E
Revenue from Operations	**10,176**	**13,534**	**15,638**	**17,917**	**15,654**	**16,081**	**17,190**
YoY gr.	*36.5%*	*30.5%*	*35.6%*	*43.8%*	*53.8%*	*18.8%*	*9.9%*
Gross Profit	2,812	3,423	3,630	3,978	3,683	3,702	4,074
margin %	*27.6%*	*25.3%*	*23.2%*	*22.2%*	*23.5%*	*23.0%*	*23.7%*
Other Expenses	1,675	1,961	2,061	2,258	2,087	2,097	2,303
% of sales	*16.5%*	*14.5%*	*13.2%*	*12.6%*	*13.3%*	*13.0%*	*13.4%*
EBITDA	**1,137**	**1,462**	**1,568**	**1,720**	**1,596**	**1,606**	**1,771**
Margin	*11.2%*	*10.8%*	*10.0%*	*9.6%*	*10.2%*	*10.0%*	*10.3%*
YoY gr.	*49.1%*	*23.8%*	*22.2%*	*21.5%*	*40.4%*	*9.8%*	*12.9%*
Other Income	28	23	17	78	35	53	52
Depreciation	139	140	137	139	139	145	151
Interest	114	99	90	100	92	76	93
PBT	**912**	**1,246**	**1,358**	**1,559**	**1,400**	**1,438**	**1,578**
Tax	241	329	346	399	363	369	410
ETR	*26.4%*	*26.4%*	*25.5%*	*25.6%*	*25.9%*	*25.6%*	*26.0%*
Profit before JV/Associates/Minority Interest	**671**	**917**	**1,012**	**1,160**	**1,038**	**1,069**	**1,168**
Share of JV/Associates	0	0	-	-	0	0	-
Non-controlling Interest	-0	-0	-0	-0	-0	-0	-
Adj PAT	**671**	**917**	**1,012**	**1,160**	**1,038**	**1,069**	**1,168**
Adj. PAT margin %	*6.6%*	*6.8%*	*6.5%*	*6.5%*	*6.6%*	*6.6%*	*6.8%*
YoY gr.	*71.1%*	*35.0%*	*27.1%*	*29.8%*	*54.6%*	*16.6%*	*15.4%*
Exceptional item	-	-	-	-	-	-	-
Reported PAT	**671**	**917**	**1,012**	**1,160**	**1,038**	**1,069**	**1,168**
Segments - Revenue (Rs mn)							
Cables	8,844	12,112	14,057	16,214	14,206	14,445	15,829
Stainless Steel Wire	478	518	652	612	610	735	719
EPC	1,379	2,754	2,428	2,174	1,536	1,059	1,105
Total	**10,701**	**15,384**	**17,137**	**19,000**	**16,352**	**16,238**	**17,653**
Segments - EBIT (Rs mn)							
Cables	947	1,238	1,366	1,313	1,274	1,261	1,345
Stainless Steel Wire	30	42	31	34	30	45	32
EPC	125	213	233	249	95	148	89
Total	**1,102**	**1,494**	**1,629**	**1,595**	**1,399**	**1,454**	**1,467**
Segments - EBIT margin (%)							
Cables	10.7	10.2	9.7	8.1	9.0	8.7	8.5
Stainless Steel Wire	6.3	8.1	4.7	5.5	5.0	6.1	4.5
EPC	9.0	7.7	9.6	11.4	6.2	14.0	8.0
Total	**10.3**	**9.7**	**9.5**	**8.4**	**8.6**	**9.0**	**8.3**

Source: Company, PL

Polycab India

Rating: HOLD | CMP: Rs2,626 | TP: Rs2,651

Polycab aim to achieve Rs 200bn revenue by FY26E and maintain EBITDA margin at 12-13%

We resume coverage on Polycab India (Polycab) with a 'HOLD' rating at SOTP based TP of Rs2,651 (derived PE of 26.0x FY25 EPS; W&C/ FMEG valued at 26x/ 30x). We expect a double digit growth in sales with an aim to achieve Rs 200bn revenues by FY26E under Project LEAP and margins of 12-13% to be maintained given 1) sustained growth from infrastructure/ renovation/construction activities 2) focus on B2C through deepening reach and premiumization of product portfolio 3) continued GTM expansion and 4) gains from shift in consumer demand from unorganized to organized sector. We estimate Sales/ EBITDA/PAT CAGR of 12.8%/ 20.7%/22.7% over FY22-25E. Resume coverage with 'HOLD' rating given its rich valuation leaving limited scope for upside.

Healthy growth in profitability to continue in Q3FY23: We expect Polycab to register sales/EBITDA/PAT growth of 2.1%/18.1%/17.9% YoY in 3QFY23 on account of a sequential sustained margin of 12.4% maintained by cautious price pass through, with volatile commodity prices and increase in B2C businesses.

Expected healthy growth in cable (excl. export)

- Cables (excl. export) is expected to register a revenue growth of 11.0% YoY with sequential increase in commodity prices and healthy growth in volumes.
- Export revenue is expected to decline by 26.5% YoY as order flow from export market still not consistent, but is expected to revive in coming quarter.
- Wire business (incl. switches and switchgear) expected to be flat YoY even after negative impact of re-alignment of distribution network, mainly with increase in cross-selling and healthy performance from ETIRA wires.

FMEG revenue impacted due to BEE norm in Fan and slowdown in demand

- The FMEG segment is expected to de-grow by 10% YoY in Q3FY23 due to weak demand environment and dealer/distributors realignment. However, we expect a sequential improvement in FMEG margins.
- Fan business is expected to be impacted due to seasonality, inflationary environment and implementation of new BEE ratings.

Key Financials - Consolidated

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. m)	1,22,037	1,35,869	1,54,897	1,75,055
EBITDA (Rs. m)	12,648	16,887	19,491	22,241
Margin (%)	*10.4*	*12.4*	*12.6*	*12.7*
PAT (Rs. m)	8,361	11,451	13,292	15,456
EPS (Rs.)	55.9	76.6	88.9	103.4
Gr. (%)	*(0.4)*	*37.0*	*16.1*	*16.3*
DPS (Rs.)	14.0	15.3	18.5	22.5
Yield (%)	*0.5*	*0.6*	*0.7*	*0.9*
RoE (%)	*16.2*	*19.1*	*18.9*	*18.8*
RoCE (%)	*21.8*	*26.4*	*25.9*	*25.8*
EV/Sales (x)	3.1	2.8	2.4	2.0
EV/EBITDA (x)	30.2	22.2	18.8	16.1
PE (x)	46.9	34.3	29.5	25.4
P/BV (x)	7.1	6.1	5.2	4.4

Exhibit 14: Quarterly Snapshot: Normalized export and slowdown in FMEG segment, expected to impact revenue growth

Particulars (Rs mn)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23E
Revenue from Operations	**18,552**	**30,066**	**33,720**	**39,699**	**27,366**	**33,323**	**34,434**
YoY gr.	*90.0%*	*42.2%*	*20.5%*	*30.7%*	*47.5%*	*10.8%*	*2.1%*
Gross Profit	4,356	6,592	7,625	8,808	6,842	8,699	8,781
margin %	*23.5%*	*21.9%*	*22.6%*	*22.2%*	*25.0%*	*26.1%*	*25.5%*
Other Expenses	3,014	3,662	4,008	4,049	3,731	4,423	4,511
% of sales	*16.2%*	*12.2%*	*11.9%*	*10.2%*	*13.6%*	*13.3%*	*13.1%*
EBITDA	**1,342**	**2,930**	**3,617**	**4,759**	**3,111**	**4,276**	**4,270**
Margin	*7.2%*	*9.7%*	*10.7%*	*12.0%*	*11.4%*	*12.8%*	*12.4%*
YoY gr.	*133.5%*	*-6.2%*	*-3.8%*	*13.0%*	*131.8%*	*46.0%*	*18.1%*
Other Income	240	275	216	168	443	-22	225
Depreciation	493	509	511	503	510	523	516
Interest	98	51	78	125	84	139	112
PBT	**991**	**2,645**	**3,244**	**4,300**	**2,960**	**3,592**	**3,867**
Tax	233	664	763	1,047	722	880	947
ETR	*23.5%*	*25.1%*	*23.5%*	*24.3%*	*24.4%*	*24.5%*	*24.5%*
Profit before JV/Associates/Minority Interest	**759**	**1,981**	**2,481**	**3,253**	**2,238**	**2,712**	**2,920**
Share of JV/Associates	(21)	(3)	3	(4)	(13)	(8)	(10)
Non-controlling Interest	13	26	16	32	-	-	-
Adj PAT	**724**	**1,952**	**2,467**	**3,218**	**2,226**	**2,704**	**2,910**
Adj. PAT margin %	*3.9%*	*6.5%*	*7.3%*	*8.1%*	*8.1%*	*8.1%*	*8.4%*
YoY gr.	*202.7%*	*-11.5%*	*-6.0%*	*14.3%*	*207.2%*	*38.5%*	*17.9%*
Exceptional item	-	-	-	-	-	50	-
Reported PAT	**724**	**1,952**	**2,467**	**3,218**	**2,226**	**2,754**	**2,910**
Segments - Revenue (Rs mn)							
Wires & Cables	16,164	26,000	29,679	35,110	23,885	29,259	30,562
FMEG	1,919	3,429	3,404	3,792	3,052	3,032	3,063
Copper	-	-	-	-	-	-	-
Others	575	795	745	827	751	826	808
Total	**18,658**	**30,225**	**33,827**	**39,729**	**27,688**	**33,116**	**34,434**
Segments - EBIT (Rs mn)							
Wires & Cables	1,034	2,263	3,044	4,064	2,756	3,435	3,400
FMEG	(143)	172	63	105	62	(28)	74
Copper	-	-	-	-	-	-	-
Others	65	145	106	122	105	141	-
Total	**955**	**2,580**	**3,213**	**4,291**	**2,923**	**3,547**	**3,473**
Segments - EBIT margin (%)							
Wires & Cables	6.4	8.7	10.3	11.6	11.5	11.7	11.1
FMEG	(7.5)	5.0	1.8	2.8	2.0	(0.9)	2.4
Copper							
Others	11.2	18.2	14.3	14.8	14.0	17.0	15.0
Total	**5.1**	**8.5**	**9.5**	**10.8**	**10.6**	**10.7**	**10.4**

Source: Company, PL

Voltas

Rating: BUY | CMP: Rs815 | TP: Rs1,030

Leader in RAC segment, expected to retain its market share.

We resume coverage on Voltas Ltd (VOLT) with 'BUY' rating at SOTP based TP of Rs1030 (valuing UCP business at 45x FY25 EPS). We are positive on the company for long term given 1) leadership position in high potential RAC segment 2) balance sheet comfort (Rs8.6bn net cash H1FY23) and 3) better traction in order flow from domestic as well as international side in EMPS segment. However, near term challenges related to demand and margins expected to continue due to price competition, high cost inventory & demand slowdown in UCP segment and slowdown in order flow from international side. We estimate a 20.9% EPS CAGR over FY22-25E. Resuming coverage with a 'BUY' rating.

Subdued performance expected in seasonally weak quarter: VOLT is estimated to report weak numbers. We expect VOLT to register a sales growth of 2.1% YoY and EBITDA/PAT decline of 26.1%/ 15.6% YoY in 3QFY23.

Weak season for RAC segment.

- UCP segment expected to report 1.9% YoY growth due to subdued primary demand from channel partners in a seasonally weak quarter for RAC. The festive demand was not so great during four weeks of Diwali and 3Q is generally winter (which is seasonally weak quarter for RAC).

High cost inventory to impact margin.

- Voltas had reported YTD market share of 22.8% in August 2022 (vs 25.9% YTD Q2FY22 and 24.1% YTD Q1FY23) and continues to maintain the same. In terms of market share, this quarter is insignificant because it was seasonally weak.

- The challenges on margin front persists in the quarter, due to high carrying cost of inventory and intensive competitive pricing along with subdued demand.

Order flow in EMPS segment expected to recover.

- EMPS segment expected to grow 5% YoY and maintained sequential operating margin of 2.5% in 3QFY23. We believe, project business should recover from 3QFY23 w.r.t growth and margins, as restructuring of projects division is completed. The management expects good order flow from international geography, better than last year in 2HFY23.

Key Financials - Consolidated

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. m)	79,345	90,962	1,03,499	1,17,128
EBITDA (Rs. m)	6,816	6,777	8,746	10,190
Margin (%)	*8.6*	*7.5*	*8.5*	*8.7*
PAT (Rs. m)	5,060	5,650	7,543	8,944
EPS (Rs.)	15.3	17.1	22.8	27.0
Gr. (%)	*(3.6)*	*11.7*	*33.5*	*18.6*
DPS (Rs.)	5.3	8.5	10.3	11.5
Yield (%)	*0.6*	*1.0*	*1.3*	*1.4*
RoE (%)	*9.6*	*10.0*	*12.4*	*13.6*
RoCE (%)	*15.0*	*13.9*	*16.9*	*18.1*
EV/Sales (x)	3.3	2.9	2.5	2.2
EV/EBITDA (x)	38.6	38.6	29.8	25.7
PE (x)	53.2	47.7	35.7	30.1
P/BV (x)	4.9	4.6	4.3	3.9

Exhibit 15: Quarterly Snapshot: Subdued growth in UCP segment (~1.9% YoY revenue growth) in seasonally weak quarter

Particulars (Rs mn)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23E
Revenue from Operations	**17,852**	**16,891**	**17,936**	**26,666**	**27,680**	**17,684**	**18,313**
YoY gr.	*37.6%*	*-11.9%*	*-10.1%*	*0.6%*	*55.1%*	*4.7%*	*2.1%*
Gross Profit	4,976	4,485	4,839	6,078	5,687	4,308	4,432
margin %	*27.9%*	*26.6%*	*27.0%*	*22.8%*	*20.5%*	*24.4%*	*24.2%*
Other Expenses	3,618	3,194	3,282	3,468	3,917	3,300	3,282
% of sales	*20.3%*	*18.9%*	*18.3%*	*13.0%*	*14.2%*	*18.7%*	*17.9%*
EBITDA	**1,358**	**1,291**	**1,556**	**2,610**	**1,770**	**1,008**	**1,150**
Margin	*7.6%*	*7.6%*	*8.7%*	*9.8%*	*6.4%*	*5.7%*	*6.3%*
YoY gr.	*103.4%*	*-37.2%*	*6.7%*	*-21.1%*	*30.3%*	*-21.9%*	*-26.1%*
Other Income	750	483	288	372	268	644	350
Depreciation	86	95	97	94	85	97	95
Interest	35	62	36	125	40	67	60
PBT	**1,986**	**1,617**	**1,711**	**2,762**	**1,913**	**1,488**	**1,346**
Tax	456	385	425	647	508	195	256
ETR	*23.0%*	*23.8%*	*24.8%*	*23.4%*	*26.6%*	*13.1%*	*19.0%*
Profit before JV/Associates/Minority Interest	**1,530**	**1,232**	**1,286**	**2,116**	**1,405**	**1,293**	**1,090**
Share of JV/Associates	-306	-189	-320	-289	-310	-289	-280
Non-controlling Interest	6	7	6	0	6	-	-
Adj PAT	**1,218**	**1,036**	**960**	**1,827**	**1,089**	**1,004**	**810**
Adj. PAT margin %	*6.8%*	*6.1%*	*5.4%*	*6.9%*	*3.9%*	*5.7%*	*4.4%*
YoY gr.	*50.1%*	*-19.8%*	*-25.0%*	*-23.2%*	*-10.6%*	*-3.1%*	*-15.6%*
Exceptional item	-	-	-	-	-	-1,064	-
Reported PAT	**1,218**	**1,036**	**960**	**1,827**	**1,089**	**-60**	**810**
Segments - Revenue (Rs mn)							
Unitary Cooling Products	9,631	10,068	10,936	18,184	21,622	10,477	11,149
Electro-Mechanical Projects & Services	6,884	5,365	5,538	6,918	4,547	5,540	5,815
Engineering Products & Services	1,151	1,254	1,247	1,235	1,243	1,374	1,350
Total	**17,666**	**16,687**	**17,721**	**26,337**	**27,412**	**17,391**	**18,313**
Segments - EBIT (Rs mn)							
Unitary Cooling Products	1,180	1,017	1,017	1,919	1,662	765	892
Electro-Mechanical Projects & Services	306	113	363	476	(125)	143	145
Engineering Products & Services	379	392	400	408	509	480	459
Total	**1,865**	**1,523**	**1,780**	**2,803**	**2,046**	**1,388**	**1,496**
Segments - EBIT margin (%)							
Unitary Cooling Products	12.3	10.1	9.3	10.6	7.7	7.3	8.0
Electro-Mechanical Projects & Services	4.4	2.1	6.6	6.9	(2.7)	2.6	2.5
Engineering Products & Services	32.9	31.3	32.1	33.0	40.9	35.0	34.0
Total	**10.6**	**9.1**	**10.0**	**10.6**	**7.5**	**8.0**	**8.2**

Source: Company, PL

Exhibit 16: Q3FY23 Result Preview

Company Name		Q3FY23E	Q3FY22	YoY gr. (%)	Q2FY23	QoQ gr. (%)	Remark
Bajaj Electricals	Sales	13,110	13,044	*0.5*	12,204	*7.4*	We expect sales to grow by 0.5% YoY. Consumer Products to grow by 2.4% YoY with appliance by 4%. Lighting expected sequential growth of 3% while EPC to de-grow by 17.8% QoQ due to low order book. We expect margin of 7.3% (+100pbs YoY). Changing mix, reducing interest burden and cost saving measures will help deliver better profitability, going forward.
	EBITDA	957	821	*16.5*	938	*2.0*	
	Margin (%)	*7.3*	*6.3*		*7.7*		
	PBT	904	802	*12.7*	862	*4.9*	
	Adj. PAT	672	618	*8.6*	639	*5.1*	
Crompton Greaves Consumer Electricals	Sales	16,784	14,102	*19.0*	16,995	*(1.2)*	We expect sales to grow by 19.0% mainly with consolidation of Butterfly, while ECD/Lighting segment expected to de-grow by 3%/5%. Butterfly's revenue expected to grow by 23% YoY & decline by 14% QoQ. We expect margins to remain under pressure due to increase in expenses and butterfly integration. PAT to decline by ~25%.
	EBITDA	1,964	2,016	*(2.6)*	1,931	*1.7*	
	Margin (%)	*11.7*	*14.3*		*11.4*		
	PBT	1,552	1,986	*(21.8)*	1,533	*1.3*	
	Adj. PAT	1,114	1,481	*(24.8)*	1,258	*(11.4)*	
Havells India	Sales	38,092	36,642	*4.0*	25,982	*46.6*	We expect core segment sales to grow by 4.0% YoY. Lloyd expected to grow at 3% in seasonally weak quarter. We expect margins to remain under pressure due to cost inflation and higher contribution from Lloyd. PAT expected to decline by 26.8% YoY.
	EBITDA	3,314	4,402	*(24.7)*	3,531	*(6.1)*	
	Margin (%)	*8.7*	*12.0*		*13.6*		
	PBT	3,003	4,106	*(26.9)*	3,148	*(4.6)*	
	Adj. PAT	2,237	3,058	*(26.8)*	2,343	*(4.5)*	
KEI Industries	Sales	17,190	15,638	*9.9*	16,081	*6.9*	We expect sales to grow by 9.9% mainly with LT cable / HW&WW sales to grow by 14.1%/ 18.9%. We expect EBITDA margin to maintain at 10.3% due to contraction in cable business with price correction. We expect PAT to grow by 15.4% YoY.
	EBITDA	1,771	1,568	*12.9*	1,606	*10.3*	
	Margin (%)	*10.3*	*10.0*		*10.0*		
	PBT	1,578	1,358	*16.2*	1,438	*9.8*	
	Adj. PAT	1,168	1,012	*15.4*	1,069	*9.3*	
Polycab India	Sales	34,434	33,720	*2.1*	33,323	*3.3*	We expect sales to grow by 2.1% YoY with Wires & Cables growing by 3% and FMEG declining by 10%. We expect margins to improve with judicious price revisions on correction in commodity prices and increase in B2C business. PAT expected to grow by 17.9% YoY.
	EBITDA	4,270	3,617	*18.1*	4,276	*(0.1)*	
	Margin (%)	*12.4*	*10.7*		*12.8*		
	PBT	3,867	3,244	*19.2*	3,592	*7.6*	
	Adj. PAT	2,910	2,467	*17.9*	2,704	*7.6*	
Voltas	Sales	18,313	17,936	*2.1*	17,684	*3.6*	We expect sales to grow by 2.1% with UCP/ EMPS sales growing by 1.9%/ 5%. We expect margins to contract by 240bps YoY due to price competition and RM inflation in weak quarter for UCP. We expect PAT to de-grew by 15.6% YoY. We expect JV to report a loss of Rs280mn.
	EBITDA	1,150	1,556	*(26.1)*	1,008	*14.1*	
	Margin (%)	*6.3*	*8.7*		*5.7*		
	PBT	1,346	1,711	*(21.3)*	1,488	*(9.5)*	
	Adj. PAT	810	960	*(15.6)*	1,004	*(19.3)*	

Source: Company, PL

Exhibit 17: Valuation Summary

Company Names	S/C	Rating	CMP (Rs)	TP (Rs)	MCap (Rs bn)	Sales (Rs bn)				EBITDA (Rs bn)				PAT (Rs bn)				EPS (Rs)				RoE (%)				PE (x)			
						FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E
Bajaj Electricals	S	HOLD	1,196	1,147	137.4	47.7	51.0	60.4	69.3	2.3	3.6	4.8	5.8	1.7	2.4	3.2	3.9	14.5	21.0	27.8	34.1	9.8	12.9	15.3	16.4	82.4	56.9	43.1	35.1
Crompton Greaves Consumer Electricals	C	BUY	338	435	213.9	53.9	70.7	78.6	87.2	7.5	8.8	9.9	11.7	5.7	5.2	6.1	7.6	9.0	8.2	9.6	11.9	26.1	19.8	21.2	24.6	37.3	41.2	35.1	28.3
Havells India	C	BUY	1,195	1,442	748.1	139.4	163.5	187.0	212.6	17.6	16.3	21.4	25.7	12.0	11.1	15.6	19.2	19.1	17.7	24.9	30.6	21.4	17.1	20.5	21.5	62.5	67.7	48.1	39.0
KEI Industries	C	HOLD	1,503	1,555	135.1	57.3	67.5	78.0	88.9	5.9	7.0	8.8	10.3	3.8	4.6	5.8	7.0	41.8	51.1	65.1	77.8	19.2	19.4	20.5	20.2	35.9	29.4	23.1	19.3
Polycab India	C	HOLD	2,626	2,651	392.4	122.0	135.9	154.9	175.1	12.6	16.9	19.5	22.2	8.4	11.5	13.3	15.5	55.9	76.6	88.9	103.4	16.2	19.1	18.9	18.8	46.9	34.3	29.5	25.4
Voltas	C	BUY	815	1,030	269.4	79.3	91.0	103.5	117.1	6.8	6.8	8.7	10.2	5.1	5.6	7.5	8.9	15.3	17.1	22.8	27.0	9.6	10.0	12.4	13.6	53.2	47.7	35.7	30.1

Source: Company, PL *S=Standalone / C=Consolidated / Acc=Accumulate*

PL's Recommendation Nomenclature

Buy	:	> 15%
Accumulate	:	5% to 15%
Hold	:	+5% to -5%
Reduce	:	-5% to -15%
Sell	:	< -15%
Not Rated (NR)	:	No specific call on the stock
Under Review (UR)	:	Rating likely to change shortly

ANALYST CERTIFICATION

(Indian Clients)

We/I Mr. Praveen Sahay- MBA Finance Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

(US Clients)

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

DISCLAIMER

Indian Clients

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at www.plindia.com.

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is a registered with SEBI under the SEBI (Research Analysts) Regulation, 2014 and having registration number INH000000271.

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

PL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months.

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might 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 twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Praveen Sahay- MBA Finance Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts 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.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company 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 or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

US Clients

This research report is a product of Prabhudas Lilladher Pvt. Ltd., 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 Prabhudas Lilladher Pvt. Ltd. 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, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

www.plindia.com