



TM

Consumer Electricals

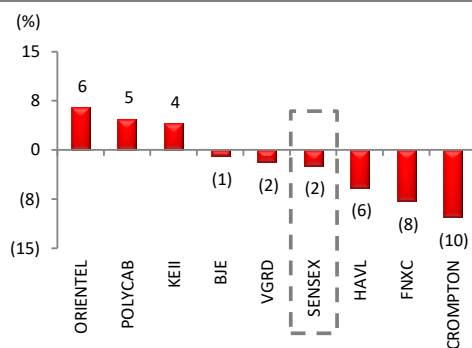
20 February 2024

SECTOR UPDATE

Industry

Consumer Electricals

CE - stock price performance (1-month)



Source: BSE

Consumer Electrical - coverage universe

Company	Old Reco	New Reco	Old TP (Rs)	New TP (Rs)	Upside (%)
Bajaj Electricals (BJE)	Buy	Buy	1,192	1,192	17
Crompton Consumer (CROMPTON)	Hold	Hold	298	298	5
Finolex Cables (FNXC)	Hold	Hold	1,165	1,165	14
Havells (HAVL)	Hold	Hold	1,389	1,389	(1)
KEI Industries (KEII)	Hold	Hold	3,325	3,325	1
Orient Electric (ORIENTEL)	Hold	Hold	225	225	11
Polycab (POLYCAB)	Buy	Buy	5,171	5,654	21
V-Guard (VGRD)	Hold	Hold	310	310	(0)

Note: Click on the links above to open company section

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ECD recovery still away; C&W's traction sustained

3QFY24 results and key trends: Aggregate revenue/EBITDA/PAT of 8 companies within our coverage universe (up 10%/5%/6% YoY, up 6%/1%/3% QoQ) came 4%/15%/15% below our estimates owing to continued subdued results of FMEG divisions marred by weak consumer sentiment towards discretionary spends. Management of leading FMEG companies remained optimistic about recovery 4Q onward without any meaningful signs visible yet. Basis 9M results, we cut FY24E earnings estimates but kept it broadly same for FY25E/26E for our coverage FMEG companies. Momentum sustained in the Cables & Wires (C&W) industry on continuing healthy traction in housing and infrastructure activities. Consolidated revenue of 5 leading companies under our coverage grew healthy at 14% YoY and 4% QoQ (broadly in line) driven by robust volumes in cables. POLYCAB (up 17% YoY and 3% QoQ) led the pack followed by KEII (up 15% YoY and 6% QoQ). Wires segment faced some slowdown and thus restricted YoY revenue growth of HAVL (up 11%), VGRD (up 8%), FNXC (up 8%) and RR Kabel (up 9%). Copper price was flattish QoQ (up 5% YoY) in 3Q on a 3-month rolling basis. We broadly maintained our FY25E/26E earnings estimates of C&W coverage companies post 3Q result.

Outlook: For FMEG, amid general weak consumer sentiment towards discretionary spends, management continued to sound optimistic about recovery 4Q onward without any meaningful signs visible yet. Our sanguine outlook on the C&W industry factors in continuing healthy traction in housing and infrastructure activities; moderate returns in scrips are expected after significant re-rating in last 1-2 years.

Preferred Picks: POLYCAB, BJE

FMEG - weak consumer sentiment continued to drag demand; recovery still away: Consolidated FMEG revenue of 7 companies under our coverage grew 4% YoY and 8% QoQ and missed our estimates by 7%. This was dragged by BJE (down 6% YoY), ORIENTEL (up 2% YoY) and HAVL (up 4% YoY) among leaders. Amid general weak consumer sentiment towards discretionary spends, management continued to sound optimistic about recovery 4Q onward without any meaningful signs visible yet. Fans demand is slowly coming back after liquidation of non-rated fans inventory in the channel. Lighting volumes have been healthy; continued price cuts in B2C LED restricted revenue growth though. Premium segment across categories continued to do well. We cut FY24E earnings estimates basis 9M results but kept it broadly the same for FY25E/26E for our coverage companies.

C&W – healthy traction continued, led by cables; robust outlook intact: Consolidated revenue of 5 leading companies under our coverage came broadly in line with our estimates and grew healthy at 14% YoY and 4% QoQ driven by robust volumes in cables. POLYCAB (up 17% YoY and 3% QoQ) led the pack followed by KEII (up 15% YoY and 6% QoQ). Wires segment faced some slowdown and thus restricted YoY revenue growth of HAVL (up 11%), VGRD (up 8%), FNXC (up 8%) and RR Kabel (up 9%). Copper price was flattish QoQ (up 5% YoY) in 3Q on a 3-month rolling basis. We broadly maintained our FY25E/26E earnings estimates post 3Q result. Our sanguine outlook on the C&W industry factors in continuing healthy traction in housing and infrastructure activities.

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Valuation Table

Exhibit 1: Valuation table – 1

	M-cap (Rs bn)	CMP 16-Feb	Rating	TP (Rs)	Upside (%)	Target PE FY26E (x)	1-yr forward PE (5-year)			P/E			RoIC (%)	
							Mean	+1 SD	-1 SD	FY24E	FY25E	FY26E	FY23	FY26E
Bajaj Electric	117	1,021	Buy	1,192	17	27	52	72	31	66	31	23	21	30
Crompton	181	284	Hold	298	5	25	38	49	27	42	30	24	13	29
Finolex Cables	153	998	Hold	1,165	14	19	14	18	10	24	19	16	15	25
Havells	877	1,400	Hold	1,389	(1)	42	56	69	44	70	50	42	29	43
KEI Industries	296	3,280	Hold	3,325	1	35	20	28	12	51	42	34	22	36
Orient Electric	43	203	Hold	225	11	25	53	70	35	46	26	23	26	50
Polycab	698	4,658	Buy	5,654	21	35	25	33	17	40	34	28	36	47
V-Guard	134	310	Hold	310	(0)	30	46	52	40	50	37	30	15	24

Source: BSE, Systematix Institutional Research

Exhibit 2: Valuation table – 2

	EPS (Rs)			CAGR (%) (FY18-23)			CAGR (%) (FY23-26E)			RoE (%)		RoCE (%)		EV/EBITDA (x)	
	FY24E	FY25E	FY26E	Rev	EBITDA	PAT	Rev	EBITDA	PAT	FY23	FY26E	FY23	FY26E	FY23	FY26E
Bajaj Electric	15	33	44	3	4	21	6	24	33	11	18	19	27	33	17
Crompton	7	9	12	14	10	9	10	13	18	17	21	16	22	24	16
Finolex Cables	42	52	62	10	3	9	12	20	23	12	15	13	16	28	15
Havells	20	28	33	16	9	10	13	22	25	16	20	22	28	50	26
KEI Industries	65	79	95	15	16	27	16	20	22	18	19	26	27	38	22
Orient Electric	4	8	9	12	3	4	12	28	36	13	23	22	34	30	14
Polycab	116	139	164	16	21	29	18	22	25	19	21	28	31	34	18
V-Guard	6	8	10	12	11	7	14	28	33	12	18	15	22	42	19

Source: Systematix Institutional Research

Consumer Electricals - Stock price performance (%)

	1-month	3-month	6-month	12-month	3-years
KEI Industries	4	20	33	95	544
Polycab	5	(12)	(2)	53	251
Crompton Consumer	(10)	(1)	(2)	(5)	(29)
Havells	(2)	9	9	14	15
Finolex Cables	(6)	9	(6)	49	163
Orient Electric	(8)	(8)	(15)	(25)	(28)
V-Guard	6	6	1	25	7
Bajaj Electricals	(2)	3	(10)	(11)	(3)

Source: BSE, Systematix Institutional Research

Company-wise quarterly performance

(Rs mn)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	YoY (%)	QoQ (%)	FY24 (2Q+3Q)	YoY (%)
Consol. (excl. RR Kabel)									
Revenue	1,53,165	1,72,331	1,66,093	1,58,387	1,68,627	10	6	3,27,014	11
EBITDA	16,353	19,409	16,778	16,953	17,107	5	1	34,061	14
EBITDA margin (%)	10.7	11.3	10.1	10.7	10.1			10.4	
PAT	11,427	13,599	12,082	11,710	12,083	6	3	23,792	20
Bajaj Electricals									
Revenue	13,095	12,920	11,121	11,128	12,282	(6)	10	23,411	(5)
EBITDA	1,055	946	676	753	576	(45)	(23)	1,329	(36)
EBITDA margin (%)	8.1	7.3	6.1	6.8	4.7			11	(32)
PAT	611	519	371	273	374	(39)	37	646	(47)
Lighting revenue	2,700	3,054	2,395	2,553	2,716	1	6	5,268	(3)
EBIT margin (%)	6.4	7.5	8.1	5.6	8.4			7.0	
Consumer Products revenue	10,395	9,865	8,726	8,576	9,567	(8)	12	18,142	(6)
EBIT margin (%)	7.5	6.6	4.7	4.8	1.7			3.2	
Crompton Consumer									
Revenue	15,162	17,910	18,769	17,823	16,927	12	(5)	34,750	8
EBITDA	1,524	2,114	1,858	1,745	1,498	(2)	(14)	3,243	(6)
EBITDA margin (%)	10.1	11.8	9.9	9.8	8.8			9.3	
PAT	853	1,312	1,183	972	860	1	(12)	1,832	(13)
ECD	10,201	13,257	14,290	12,380	12,093	19	(2)	24,472	18
EBIT margin (%)	15.8	16.4	12.7	14.2	13.6			13.9	
Lighting	2,477	2,786	2,290	2,387	2,494	1	4	4,881	(6)
EBIT margin (%)	10.3	10.9	11.9	10.5	11.2			10.9	
Butterfly Products	2,484	1,867	2,189	3,056	2,341	(6)	(23)	5,397	(12)
EBIT margin (%)	7.3	2.0	7.3	6.6	(0.8)			3.4	
Finolex Cables									
Revenue	11,503	12,243	12,043	11,874	12,217	6	3	24,091	7
EBITDA	1,459	1,457	1,465	1,461	1,337	(8)	(8)	2,798	14
EBITDA margin (%)	12.7	11.9	12.2	12.3	10.9			-	
PAT	1,543	1,750	1,604	1,542	1,510	(2)	(2)	3,052	46
Electrical wires	9,468	10,318	10,115	9,885	10,209	8	3	20,095	10
EBIT margin (%)	13.9	12.8	13.1	14.2	11.7			12.9	
Communication cables	1,469	1,400	1,365	1,365	1,303	(11)	(5)	2,667	(13)
EBIT margin (%)	2.4	2.3	2.0	2.0	2.1			2.0	
ECD + Lighting	515	453	465	549	599	16	9	1,147	15
EBIT margin (%)	1.0	0.9	1.5	1.6	1.6			1.6	

(Rs mn)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	YoY (%)	QoQ (%)	FY24 (2Q+3Q)	YoY (%)
Havells									
Revenue	41,197	48,496	48,237	38,912	44,006	7	13	82,919	6
EBITDA	4,237	5,308	4,024	3,735	4,326	2	16	8,061	13
EBITDA margin (%)	10.3	10.9	8.3	9.6	9.8			9.7	
PAT	2,840	3,617	2,874	2,491	2,879	1	16	5,370	14
ECD + Lighting	21,008	20,174	20,331	19,281	21,813	4	13	41,094	3
EBIT margin (%)	14.8	17.6	15.1	14.9	13.7			14.2	
Cables & Wires	14,121	15,682	14,852	14,702	15,727	11	7	30,428	10
EBIT margin (%)	11.5	12.0	11.4	11.6	10.4			11.0	
Lloyd	6,068	12,640	13,055	4,930	6,467	7	31	11,396	12
EBIT margin (%)	(9.8)	(1.7)	(4.7)	(14.9)	(10.1)			(12.2)	
KEI Industries									
Revenue	17,843	19,545	17,826	19,466	20,617	16	6	40,083	18
EBITDA	1,822	2,038	1,783	2,039	2,169	19	6	4,208	23
EBITDA margin (%)	10.2	10.4	10.0	10.5	10.5			10.5	
PAT	1,286	1,381	1,214	1,402	1,507	17	7	2,909	24
Cables & Wires	16,440	17,600	16,220	17,860	18,850	15	6	36,710	19
EBIT margin (%)	9.2	9.4	8.7	10.7	10.5			10.6	
Stainless steel wires	540	630	580	580	460	(15)	(21)	1,040	(16)
EBIT margin (%)	10.4	9.4	5.4	6.2	7.8			6.9	
EPC	950	1,350	1,110	1,130	1,460	54	29	2,590	39
EBIT margin (%)	12.5	6.5	13.9	10.0	11.6			29.0	
Orient Electric									
Revenue	7,390	6,579	7,056	5,669	7,519	2	33	13,188	6
EBITDA	549	464	440	207	489	(11)	137	696	5
EBITDA margin (%)	7.4	7.0	6.2	3.6	6.5			5.3	
PAT	326	246	197	185	243	(25)	32	428	33
ECD	5,388	4,577	5,150	3,634	5,352	(1)	47	8,986	6
EBIT margin (%)	12.0	9.7	9.5	8.2	11.3			10.0	
Lighting & Switchgear	2,003	2,003	1,906	2,035	2,167	8	7	4,202	5
EBIT margin (%)	15.6	19.5	16.1	13.2	14.2			13.7	
Polycab									
Revenue	37,152	43,237	38,894	42,177	43,405	17	3	85,582	21
EBITDA	5,038	6,095	5,486	6,089	5,695	13	(6)	11,784	27
EBITDA margin (%)	13.6	14.1	14.1	14.4	13.1			13.8	
PAT	3,576	4,248	3,996	4,256	4,129	15	(3)	8,384	34
Cables & Wires	33,418	40,783	35,338	38,047	39,041	17	3	77,088	22
EBIT margin (%)	13.7	14.5	14.8	14.6	14.0			14.3	
ECD + Lighting	3,420	3,052	3,145	3,300	2,962	(13)	(10)	6,261	(3)
EBIT margin (%)	(0.7)	(2.3)	(1.8)	(1.8)	(12.4)			(6.8)	
EPC	1,260	1,338	1,496	2,015	2,475	96	23	4,490	94
EBIT margin (%)	12.1	6.1	12.3	11.2	15.9			12.5	

(Rs mn)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	YoY (%)	QoQ (%)	FY24 (2Q+3Q)	YoY (%)
V-Guard									
Revenue	9,823	11,401	12,148	11,338	11,654	19	3	22,991	17
EBITDA	669	987	1,048	925	1,016	52	10	1,941	39
EBITDA margin (%)	6.8	8.7	8.6	8.2	8.7			7.6	
PAT	393	527	642	590	582	48	(1)	1,172	41
Electronics (stabiliser, inverter etc.)	1,917	2,717	3,637	2,551	2,236	17	(12)	4,787	14
EBIT margin (%)	11.6	12.0	16.1	14.5	12.9			13.7	
Electricals (wires, switchgears etc.)	4,364	5,253	4,567	4,623	4,727	8	2	9,350	9
EBIT margin (%)	9.1	9.1	6.3	8.3	9.1			8.7	
ECD + Lighting	3,542	2,862	3,312	3,547	3,928	11	11	7,475	8
EBIT margin (%)	(1.3)	(0.4)	0.3	(0.0)	3.0			1.5	
Sunflame	-	569	632	617	763		24	1,380	
EBIT margin (%)	-	-	14.1	9.2	6.0			8.6	
RR Kabel									
Revenue	14,795	15,165	15,973	16,097	16,335	18	1	32,432	14
EBITDA	1,176	1,004	1,129	1,209	1,126	88	7	2,335	28
EBITDA margin (%)	7.9	6.6	7.1	7.5	6.9			7.2	
PAT	714	653	743	741	710	112	(0)	1,451	36
Wires & Cables	13,124	13,218	14,231	14,504	14,331	19	2	28,835	14
EBIT	1,346	914	1,246	1,329	1,147	126	7	2,476	28
EBIT margin (%)	10.3	6.9	8.8	9.2	8.0			8.6	
FMEG	1,712	1,974	1,851	1,598	2,005	7	(14)	3,603	13
EBIT	(347)	41	(170)	(198)	(124)			(322)	(45)
EBIT margin (%)	(20.3)	2.1	(9.2)	(12.4)	(6.2)			(8.9)	

Source: Company, Systematix Institutional Research

Cables & Wires – Revenue

(Rs mn)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	YoY (%)	QoQ (%)	FY24 (2Q+3Q)	YoY (%)
Finolex Cables	9,468	10,318	10,115	9,885	10,209	8	3	20,095	10
Havells	14,121	15,682	14,852	14,702	15,727	11	7	30,428	10
KEI Industries	16,440	17,600	16,220	17,860	18,850	15	6	36,710	19
Polycab	33,418	40,783	35,338	38,047	39,041	17	3	77,088	22
V-Guard	4,364	5,253	4,567	4,623	4,727	8	2	9,350	9
RR Kabel	13,124	13,218	14,231	14,504	14,331	9	(1)	28,835	14
Total (excl. RR Kabel)	77,812	89,635	81,092	85,117	88,554	14	4	1,73,671	17

Source: Company, Systematix Institutional Research

ECD + Lighting – Revenue

(Rs mn)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	YoY (%)	QoQ (%)	FY24 (2Q+3Q)	YoY (%)
Bajaj Electricals	13,095	12,920	11,121	11,128	12,282	(6)	10	23,411	(5)
Crompton Consumer	15,162	17,910	18,769	17,823	16,927	12	(5)	34,750	8
Finolex Cables	515	453	465	549	599	16	9	1,147	15
Havells	21,008	20,174	20,331	19,281	21,813	4	13	41,094	3
Orient Electric	7,390	6,579	7,056	5,669	7,519	2	33	13,188	6
Polycab	3,420	3,052	3,145	3,300	2,962	(13)	(10)	6,261	(3)
V-Guard	3,542	3,431	3,943	4,164	4,691	32	13	8,855	28
RR Kabel	1,712	1,974	1,851	1,598	2,005	17	25	3,603	13
Total (excl. RR Kabel)	64,132	64,519	64,830	61,913	66,793	4	8	1,28,706	4

Source: Company, Systematix Institutional Research

Consumer Electricals - Systematix vs. Bloomberg estimates

(Rs mn)	Estimates before 3QFY24 result			Estimates after 3QFY24 result			% Var			Bloomberg estimates			% Var vs. Systematix		
	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26
Bajaj Electricals															
Revenue	50,292	58,570	65,598	48,533	58,436	65,449	(3)	(0)	(0)	52,963	60,024	67,695	9	3	3
EBITDA	3,640	5,386	6,894	2,983	5,408	6,893	(18)	0	(0)	3,447	4,328	5,570	16	(20)	(19)
<i>EBITDA margin (%)</i>	7.2	9.2	10.5	6.1	9.3	10.5				6.5	7.2	8.2			
PAT	2,337	3,802	5,083	1,768	3,810	5,083	(24)	0	0	2,204	3,039	3,374	25	(20)	(34)
EPS (Rs)	20.3	33.0	44.2	15.4	33.1	44.2	(24)	0	0	18.2	27.6	35.7	19	(17)	(19)
Crompton Consumer															
Revenue	75,140	84,154	94,250	72,898	81,643	91,438	(3)	(3)	(3)	72,947	82,161	92,443	0	1	1
EBITDA	8,822	10,773	12,348	7,273	9,370	11,107	(18)	(13)	(10)	7,337	8,966	10,491	1	(4)	(6)
<i>EBITDA margin (%)</i>	11.7	12.8	13.1	10.0	11.5	12.1				10.1	10.9	11.3			
PAT	5,520	7,142	8,595	4,367	6,065	7,633	(21)	(15)	(11)	4,495	5,845	7,083	3	(4)	(7)
EPS (Rs)	8.6	11.2	13.4	6.8	9.5	11.9	(21)	(15)	(11)	7.0	9.2	11.2	3	(3)	(6)
Finolex Cables															
Revenue	50,984	57,228	64,240	50,079	56,206	63,085	(2)	(2)	(2)	50,812	58,629	66,222	1	4	5
EBITDA	6,365	7,295	8,693	6,035	7,468	8,878	(5)	2	2	6,314	8,105	8,856	5	9	(0)
<i>EBITDA margin (%)</i>	12.5	12.7	13.5	12.1	13.3	14.1				12.4	13.8	13.4			
PAT	6,929	8,135	9,404	6,458	7,887	9,429	(7)	(3)	0	6,512	7,796	9,440	1	(1)	0
EPS (Rs)	45.3	53.2	61.5	42.2	51.6	61.6	(7)	(3)	0	42.6	51.0	61.7	1	(1)	0
Havells															
Revenue (Rs bn)	188.5	214.9	244.6	187.5	213.8	243.2	(1)	(1)	(1)	187.0	213.2	242.1	(0)	(0)	(0)
EBITDA	19,117	25,968	30,466	18,292	25,004	29,340	(4)	(4)	(4)	18,304	23,535	28,220	0	(6)	(4)
<i>EBITDA margin (%)</i>	10.1	12.1	12.5	9.8	11.7	12.1				9.8	11.0	11.7			
PAT	13,289	18,315	21,734	12,530	17,436	20,715	(6)	(5)	(5)	12,397	16,235	19,696	(1)	(7)	(5)
EPS (Rs)	21.2	29.2	34.7	20.0	27.8	33.1	(6)	(5)	(5)	20.2	26.2	31.9	1	(6)	(4)
KEI Industries															
Revenue (Rs bn)	81.8	94.3	109.1	80.9	93.3	108.0	(1)	(1)	(1)	81.6	95.6	113.2	1	3	5
EBITDA	8,582	10,166	12,084	8,453	10,164	12,081	(2)	(0)	(0)	8,586	10,576	12,889	2	4	7
<i>EBITDA margin (%)</i>	10.5	10.8	11.1	10.4	10.9	11.2				10.5	11.1	11.4			
PAT	5,932	7,107	8,569	5,849	7,111	8,577	(1)	0	0	5,931	7,300	9,049	1	3	6
EPS (Rs)	65.8	78.8	95.0	64.9	78.8	95.1	(1)	0	0	65.6	79.7	98.9	1	1	4
Orient Electric															
Revenue	28,003	31,363	35,127	28,031	31,394	35,162	0	0	0	28,777	33,008	36,814	3	5	5
EBITDA	1,907	3,045	3,439	1,716	2,832	3,200	(10)	(7)	(7)	1,841	2,659	3,140	7	(6)	(2)
<i>EBITDA margin (%)</i>	6.8	9.7	9.8	6.1	9.0	9.1				6.4	8.1	8.5			
PAT	1,107	1,804	2,107	938	1,632	1,916	(15)	(10)	(9)	884	1,444	1,765	(6)	(12)	(8)
EPS (Rs)	5.2	8.5	9.9	4.4	7.7	9.0	(15)	(10)	(9)	4.3	6.8	8.3	(2)	(12)	(8)

(Rs mn)	Estimates before 3QFY24 result			Estimates after 3QFY24 result			% Var			Bloomberg estimates			% Var vs. Systematix		
	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26
Polycab															
Revenue (Rs bn)	176.2	203.6	235.3	175.0	202.1	233.5	(1)	(1)	(1)	174.7	201.8	231.8	(0)	(0)	(1)
EBITDA	24,985	29,790	34,427	24,432	29,034	33,775	(2)	(3)	(2)	24,300	28,020	32,292	(1)	(3)	(4)
<i>EBITDA margin (%)</i>	14.2	14.6	14.6	14.0	14.4	14.5				13.9	13.9	13.9			
PAT	17,527	21,096	24,570	17,414	20,787	24,532	(1)	(1)	(0)	16,986	19,529	22,683	(2)	(6)	(8)
EPS (Rs)	117.0	140.9	164.1	116.3	138.8	163.8	(1)	(1)	(0)	113.5	130.3	151.3	(2)	(6)	(8)
V-Guard															
Revenue	48,537	54,442	61,069	47,688	53,669	60,404	(2)	(1)	(1)	48,113	54,261	60,978	1	1	1
EBITDA	4,539	5,853	6,748	4,368	5,507	6,705	(4)	(6)	(1)	4,216	5,285	6,273	(3)	(4)	(6)
<i>EBITDA margin (%)</i>	9.4	10.8	11.1	9.2	10.3	11.1				8.8	9.7	10.3			
PAT	2,855	3,835	4,462	2,666	3,603	4,460	(7)	(6)	(0)	2,588	3,380	4,155	(3)	(6)	(7)
EPS (Rs)	6.6	8.9	10.3	6.2	8.3	10.3	(7)	(6)	(0)	6.1	7.9	9.5	(2)	(6)	(8)

Source: Bloomberg, Systematix Institutional Research

Commodity prices, currency movement

Exhibit 3: LME Copper price

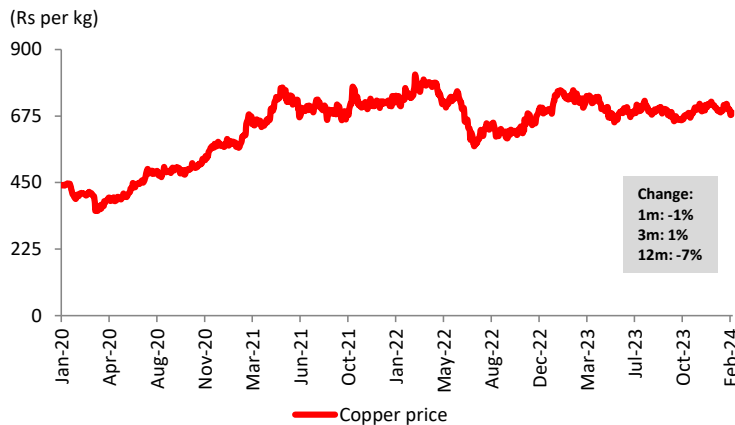


Exhibit 4: LME Copper price - 3-month rolling average

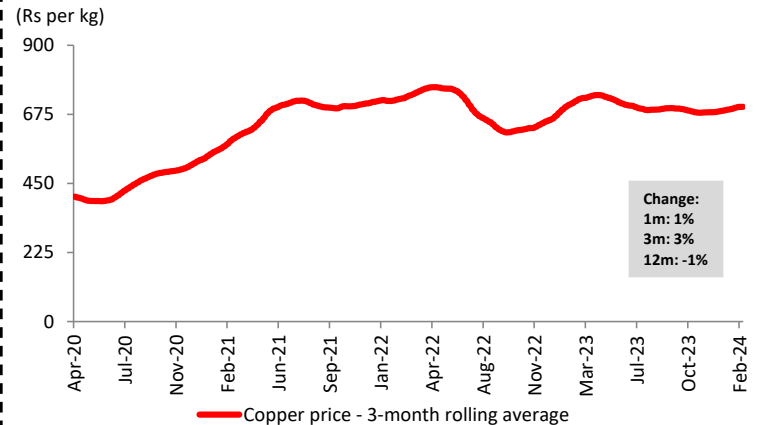


Exhibit 5: LME Aluminium price



Exhibit 6: LME Aluminium price - 3-month rolling average

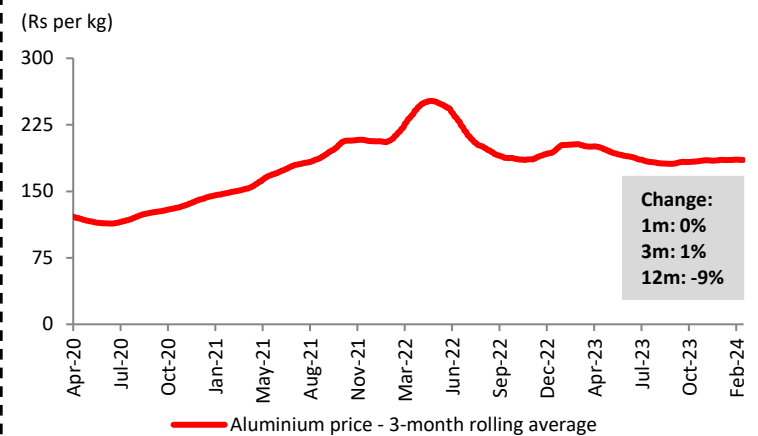


Exhibit 7: Polypropylene (PP) price

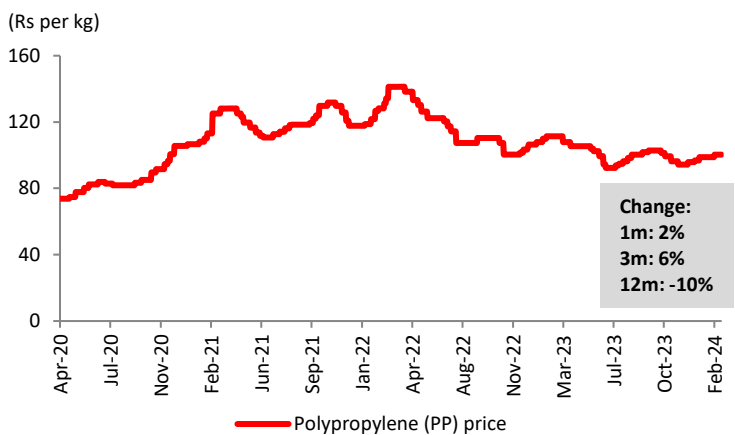
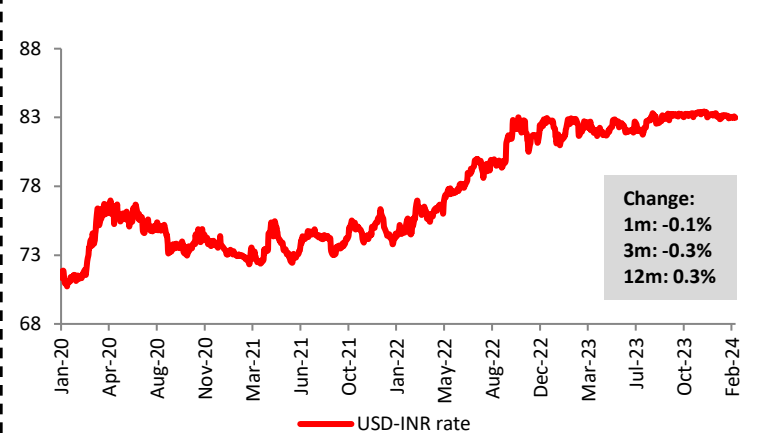
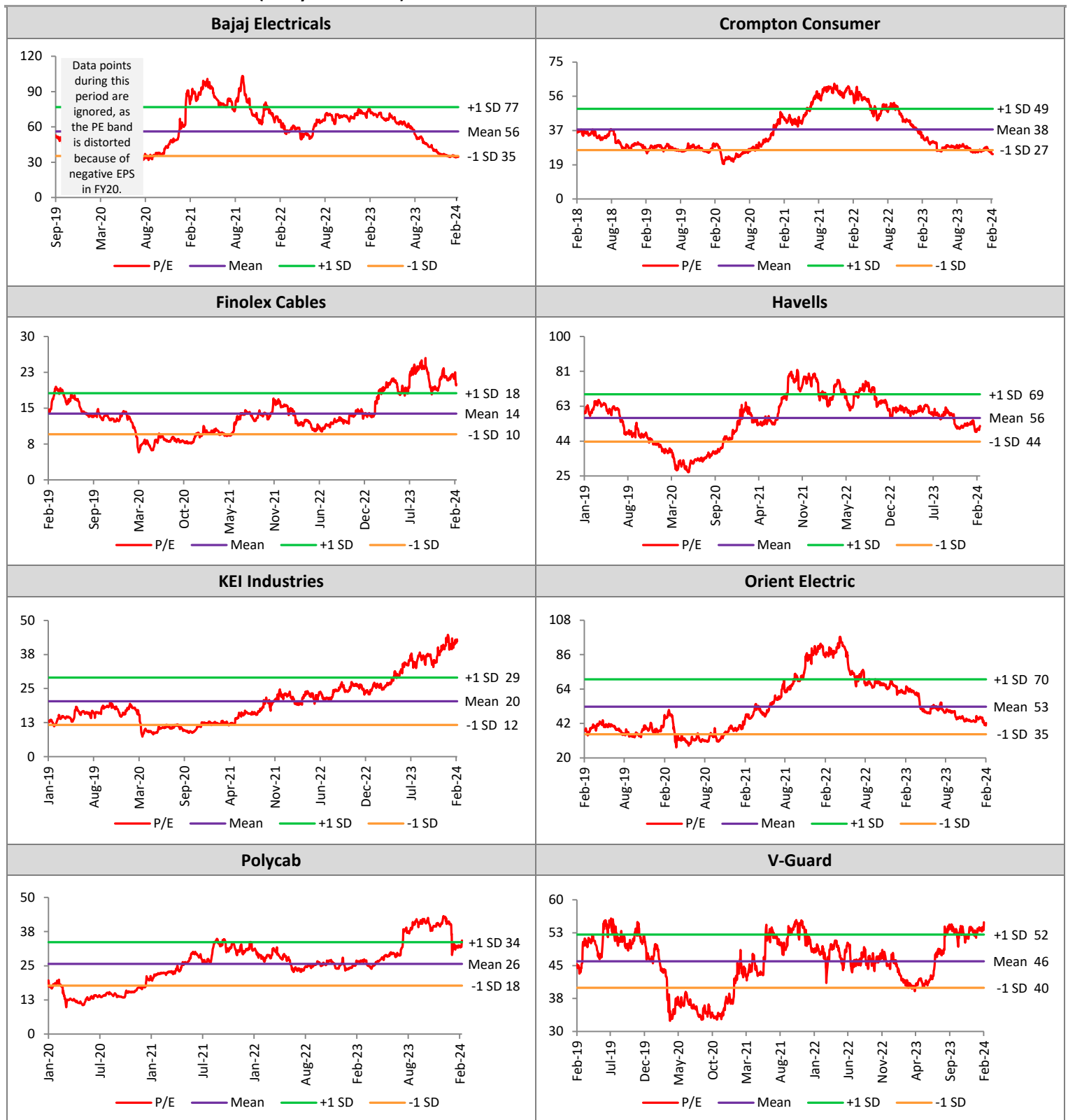


Exhibit 8: USD-INR rate



Source: Bloomberg

PE band and standard deviation (one-year forward)



Source: BSE, Systematix Institutional Research

Consumer Electricals – Detailed financial peer comparison

								CAGR (%)	
	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY23-26E	FY21-23
Revenue (Rs bn)									
KEI	49	42	57	69	81	93	108	16	29
Polycab	88	88	122	141	175	202	234	18	27
Orient Elec	21	20	24	25	28	31	35	12	12
Havells	94	105	139	169	188	214	243	13	27
Bajaj Elec	50	46	48	54	49	58	65	6	9
Crompton	45	48	54	69	73	82	91	10	20
V-Guard	25	27	35	41	48	54	60	14	23
Finolex Cables	29	28	38	45	50	56	63	12	27
RR Kabel	25	27	44	56					43
Total (excl. RR Kabel)	401	403	518	614	691	791	900	14	23
EBITDA (Rs mn)									
KEI	4,971	4,556	5,887	7,062	8,453	10,164	12,081	20	25
Polycab	11,350	11,111	12,652	18,521	24,432	29,034	33,775	22	29
Orient Elec	1,764	2,195	2,313	1,510	1,716	2,832	3,200	28	(17)
Havells	10,287	15,718	17,604	15,991	18,292	25,004	29,340	22	1
Bajaj Elec	2,083	3,032	2,502	3,577	2,983	5,408	6,893	24	9
Crompton	5,991	7,205	7,695	7,769	7,273	9,370	11,107	13	4
V-Guard	2,580	3,121	3,402	3,199	4,368	5,507	6,705	28	1
Finolex Cables	3,834	3,702	4,285	5,094	6,035	7,468	8,878	20	17
RR Kabel	2,048	2,301	3,032	3,223					18
PAT (Rs mn)									
KEI	2,563	2,696	3,759	4,773	5,849	7,111	8,577	22	33
Polycab	7,591	8,821	9,086	12,700	17,414	20,787	24,532	25	20
Orient Elec	786	1,197	1,266	758	938	1,632	1,916	36	(20)
Havells	7,356	10,443	11,965	10,717	12,530	17,436	20,715	25	1
Bajaj Elec	(93)	1,906	1,285	2,162	1,768	3,810	5,083	33	7
Crompton	4,964	5,346	5,784	4,632	4,367	6,065	7,633	18	(7)
V-Guard	1,871	2,008	2,277	1,891	2,666	3,603	4,460	33	(3)
Finolex Cables	3,910	4,615	5,991	5,043	6,458	7,887	9,429	23	5
RR Kabel	1,224	1,354	2,139	1,899					18

	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
EBITDA margin (%)							
KEI	10.2	10.9	10.3	10.2	10.4	10.9	11.2
Polycab	12.9	12.6	10.4	13.1	14.0	14.4	14.5
Orient Elec	8.6	10.8	9.4	6.0	6.1	9.0	9.1
Havells	10.9	15.0	12.6	9.5	9.8	11.7	12.1
Bajaj Elec	4.2	6.6	5.2	6.6	6.1	9.3	10.5
Crompton	13.3	15.0	14.3	11.3	10.0	11.5	12.1
V-Guard	10.3	11.5	9.7	7.8	9.2	10.3	11.1
Finolex Cables	13.3	13.4	11.4	11.4	12.1	13.3	14.1
RR Kabel	8.3	8.4	6.9	5.8			
PAT margin (%)							
KEI	5.2	6.4	6.6	6.9	7.2	7.6	7.9
Polycab	8.6	10.0	7.4	9.0	10.0	10.3	10.5
Orient Elec	3.8	5.9	5.2	3.0	3.3	5.2	5.5
Havells	7.8	10.0	8.6	6.3	6.7	8.2	8.5
Bajaj Elec	(0.2)	4.2	2.7	4.0	3.6	6.5	7.8
Crompton	11.0	12.8	10.7	6.7	6.0	7.4	8.3
V-Guard	7.5	7.4	6.5	4.6	5.6	6.7	7.4
Finolex Cables	13.6	16.7	15.9	11.3	12.9	14.0	14.9
RR Kabel	4.9	5.0	4.9	3.4			
Net debt to equity (x)							
KEI	0.1	0.1	(0.0)	(0.1)	(0.2)	(0.2)	(0.3)
Polycab	(0.1)	(0.2)	(0.2)	(0.3)	(0.3)	(0.4)	(0.4)
Orient Elec	0.2	(0.5)	(0.3)	(0.3)	(0.2)	(0.3)	(0.4)
Havells	(0.3)	(0.2)	(0.4)	(0.3)	(0.3)	(0.4)	(0.4)
Bajaj Elec	0.5	0.2	(0.1)	(0.2)	(0.2)	(0.1)	(0.2)
Crompton	(0.3)	(0.5)	0.0	0.1	0.0	(0.1)	(0.2)
V-Guard	(0.1)	(0.2)	(0.0)	0.3	0.2	0.1	(0.0)
Finolex Cables	(0.5)	(0.2)	(0.2)	(0.4)	(0.4)	(0.4)	(0.4)
RR Kabel	0.2	0.3	0.3	0.2			
Net Working Capital Days							
KEI	79	120	109	92	88	84	80
Polycab	90	91	71	57	55	55	55
Orient Elec	61	20	44	29	30	30	30
Havells	27	55	36	44	46	46	46
Bajaj Elec	170	155	85	72	85	85	85
Crompton	23	12	21	20	20	20	20
V-Guard	73	73	89	75	75	75	75
Finolex Cables	79	100	62	56	55	55	55
RR Kabel	90	113	88	66			
Debtor days							
KEI	102	118	89	73	71	69	67
Polycab	66	65	41	34	35	35	35
Orient Elec	69	69	62	54	50	50	50
Havells	10	20	20	21	21	21	21
Bajaj Elec	186	153	103	105	95	95	95
Crompton	37	35	40	36	36	36	36
V-Guard	47	52	50	50	50	50	50
Finolex Cables	24	23	17	18	20	20	20
RR Kabel	62	56	43	39			

	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Inventory days							
KEI	64	67	69	58	56	54	52
Polycab	80	83	66	76	70	70	70
Orient Elec	51	45	49	41	45	45	45
Havells	72	91	78	80	80	80	80
Bajaj Elec	51	79	76	72	50	50	50
Crompton	37	39	49	40	40	40	40
V-Guard	70	85	90	68	68	68	68
Finolex Cables	75	100	63	55	55	55	55
RR Kabel	55	72	59	56			
Payable days							
KEI	87	65	49	40	40	40	40
Polycab	56	56	36	53	50	50	50
Orient Elec	59	93	67	65	65	65	65
Havells	55	56	62	57	55	55	55
Bajaj Elec	67	76	94	105	60	60	60
Crompton	52	62	68	55	55	55	55
V-Guard	44	64	51	43	43	43	43
Finolex Cables	20	23	18	17	20	20	20
RR Kabel	27	15	14	29			
RoE (%)							
KEI	17	15	18	18	19	19	19
Polycab	20	19	16	19	22	22	21
Orient Elec	22	26	23	13	15	23	23
Havells	17	20	20	16	17	20	20
Bajaj Elec	-1	12	7	11	9	16	18
Crompton	34	32	24	17	15	19	21
V-Guard	19	17	16	12	15	17	18
Finolex Cables	13	14	15	12	13	14	15
RR Kabel	14	13	17	13			
RoCE (%)							
KEI	27	21	24	26	27	27	27
Polycab	30	23	21	28	32	32	31
Orient Elec	32	39	37	22	21	34	34
Havells	20	28	26	22	23	27	28
Bajaj Elec	7	14	13	19	15	25	27
Crompton	42	39	22	16	16	20	22
V-Guard	26	25	22	15	17	20	22
Finolex Cables	14	12	12	13	15	16	16
RR Kabel	29	14	18	16			
RoIC (%)							
KEI	18	15	18	22	24	34	36
Polycab	32	23	26	36	44	46	47
Orient Elec	33	54	60	26	27	46	50
Havells	25	36	36	29	30	38	43
Bajaj Elec	7	13	13	21	17	28	30
Crompton	58	61	26	13	13	24	29
V-Guard	29	29	24	15	18	21	24
Finolex Cables	19	18	19	15	19	23	25
RR Kabel	34	17	21	18			

	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OCF/ EBITDA (%)							
KEI	(3)	32	38	70	50	55	55
Polycab	20	102	38	72	53	54	54
Orient Elec	72	189	(1)	107	71	67	67
Havells	72	38	90	32	54	59	59
Bajaj Elec	246	177	287	104	70	45	57
Crompton	62	104	87	66	74	73	72
V-Guard	50	67	(10)	126	52	57	58
Finolex Cables	65	26	95	57	54	60	65
RR Kabel	93	(28)	28	127			
OCF/ PAT (%)							
KEI	(5)	57	61	108	76	82	82
Polycab	32	142	56	112	82	82	82
Orient Elec	164	357	(1)	250	141	123	118
Havells	112	63	144	53	88	92	91
Bajaj Elec	NA	345	711	208	164	79	93
Crompton	83	135	127	119	134	120	111
V-Guard	75	111	(16)	224	92	94	93
Finolex Cables	79	25	79	71	65	70	73
RR Kabel	176	(52)	46	239			
Total asset turnover (x)							
KEI	2.5	2.0	2.3	2.5	2.4	2.4	2.3
Polycab	2.2	1.7	2.1	2.1	2.1	2.0	2.0
Havells	2.1	1.7	2.1	2.4	2.4	2.3	2.2
Bajaj Elec	1.1	1.1	1.2	1.2	1.2	1.2	1.2
Crompton	2.8	2.0	1.1	1.7	1.7	1.8	1.9
V-Guard	2.4	2.1	2.4	1.9	2.0	2.0	2.0
Finolex Cables	0.9	0.8	0.9	1.0	1.0	1.0	0.9
RR Kabel	2.3	1.9	2.8	4.0			

Source: Company, Systematix Institutional Research

COMPANY SECTION



TM

Bajaj Electricals

Rural stress continues; expect gradual recovery.

COMPANY UPDATE

Sector: Consumer Electricals Rating: BUY

CMP: Rs 1021 Target Price: Rs 1,192

Stock Info

Sensex/Nifty	72,427/22,041
Bloomberg	BJE IN
Equity shares (mn)	115.1
52-wk High/Low	1,289/983
Face value	Rs 2
M-Cap	Rs 117.5bn/USD 1.4bn
3-m avg turnover	USD 0.8mn

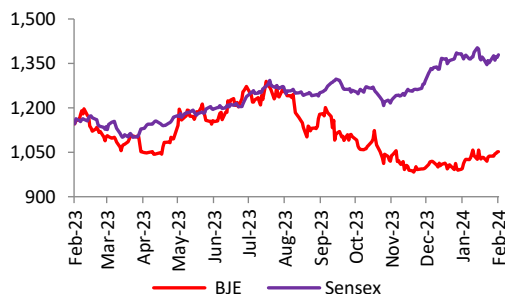
Financial Snapshot (Rs mn)

Y/E Mar	FY24E	FY25E	FY26E
Net sales	48,533	58,436	65,449
EBITDA	2,983	5,408	6,893
OPM (%)	6.1	9.3	10.5
PAT (adj.)	1,768	3,810	5,083
EPS (Rs)	15.4	33.1	44.2
PE (x)	66.5	30.8	23.1
P/B (x)	5.8	5.0	4.2
EV/EBITDA (x)	38.5	21.4	16.6
RoE (%)	8.7	16.1	18.2
RoCE (%)	14.9	24.8	27.2
Net-D/E (x)	(0.2)	(0.1)	(0.2)

Shareholding Pattern (%)

	Dec'23	Sep'23	Jun'23
Promoter	62.9	62.9	62.9
- Pledged			
FII	10.4	10.5	10.9
DII	12.1	12.1	12.0
Others	14.6	14.6	14.3

Stock Performance (1-year)



Weak consumer sentiment continued to hurt Bajaj Electricals' (BJE) performance (3Q revenue down 6% YoY, 4.7% EBITDA margin). Drop in Consumer Products (CP) revenue was led by appliances and fans. EBITDA margin got impacted due to lower sales, higher schemes/discounts (owing to intense competitive intensity) and one-time warranty provision (Rs 230mn). Despite weak results, cash flow was healthy (Rs 1.15bn in 9M) on working capital (22 days net) optimisation; cash surplus stands at Rs 1.98bn. On adjusted basis, CP's gross margin improved 100bps+ on richer product mix and channel efficiency. General Trade (down 7% YoY) witnessed demand slowdown; broad based growth witnessed across key alternate channels. Jan'24 was a soft month; management expects gradual recovery only. Lighting revenue (up 1%/6% YoY/QoQ) and EBIT margin (up 273bps QoQ at 8.4%) came healthy despite continued price erosion in consumer LED. After a weak 3Q and no immediate revival in sight, we had cut FY24E earning by 24% but broadly maintained it for FY25E/26E. We expect CAGR of 6%/24%/33% in revenue/EBITDA/PAT over FY23-26E (after a muted 3%/4%/21% CAGR over FY18-23), with EBITDA margin reaching towards 11% and 27%+ RoCE in FY26E. Expecting gradual recovery, we maintain BUY on BJE with an unchanged TP of Rs 1,192 (27x FY26E P/E).

3Q – weakness continued: Revenue declined 6% YoY on account of rural stress and muted consumer demand. Drop in CP revenue was led by appliances and fans (high base). EBITDA margin (4.7%, down 207bps QoQ) got impacted due to lower sales and higher schemes/discounts owing to intense competitive intensity. One-time warranty provision (brought last year) of Rs 230mn (expensing vs. capitalising earlier; lighting 20mn) in other expenses also limited EBITDA. Other income includes Rs 360mn interest on IT-refund. Despite weak earnings, a Rs 1.15bn CFO was generated during 9M on working capital (22 days net) optimisation. Cash surplus stands at Rs 1.98bn.

Consumer products revenue down 8% YoY; a low 1.7% EBIT margin on intense competition and one-off expense: Continued rural stress, muted consumer demand and high base effect in fans impacted 3Q. Kitchen appliances was a major drag where BJE has larger exposure compared to its peers. Morphy Richard showed marginal growth; other categories declined. Margins got suppressed due to intense competition and one-time warranty provision (Rs 210mn). On adjusted basis, gross margin improved 100bps+ on richer product mix and channel efficiency. General Trade (down 7% YoY) witnessed demand slowdown; broad based growth witnessed across key alternate channels (MFR up 28%, E-Com up 21%, Institutional up 28%, CSD up 9% and exports up 119%). Inhouse manufacturing stands low at 20%; a Rs 900mn capex in 9M was mainly on moulds (4Qe Rs 400mn). It added 100+ distributors in last one year to 650+ now. Mix of premium products has risen 6% in 9M. Jan'24 was a soft month; management expects gradual recovery only. ([concall KTAs](#))

Lighting revenue up 1%/6% YoY/QoQ despite continued price erosion; healthy 273bps QoQ uptick in EBIT margin at 8.4%: Despite subdued demand especially in consumer lighting and price erosion, revenue grew healthy in 3Q. B2B:B2C mix is broadly 50:50. After a soft 2Q, B2B demand rebounded strongly due to festivals.

Expect gradual recovery; maintain BUY: After a weak 3Q and no immediate revival in sight, we had cut FY24E earning by 24% but broadly maintained it for FY25E/26E. We now expect CAGR of 6%/24%/33% in revenue/EBITDA/PAT over FY23-26E with EBITDA margin reaching towards 11% and 27%+ RoCE in FY26E. Expecting gradual recovery, we maintain BUY on BJE with an unchanged TP of Rs 1,192 (27x FY26E P/E).

3QFY24 concall key highlights and outlook

3QFY24 results & Outlook

- Revenue was down 6% YoY on account of rural stress, muted consumer demand and high base effect in fans
- Consumer Products (CP) Segment: Drop in appliances and fans revenue YoY due to tepid demand
- Morphy Richards showed marginal growth; other categories declined
- Lighting Solutions (LS) Segment: Flattish revenue growth YoY despite sluggish demand and LED price erosion
- Margins got impacted due to higher schemes and discount offerings owing to intense competitive intensity
- One-time warranty provision (brought last year) of Rs 230mn (expensing in contrast to capitalizing it earlier; lighting Rs 20mn) in other expenses limited EBITDA margin
- Other income includes Rs 360mn interest on IT-refund
- Jan'24 was a soft month; expect gradual recovery ahead
- Gross margin is improving on richer product mix and channel efficiency

Channel Highlights

- General Trade (down 7% YoY) witnessed demand slowdown
- Broad based growth across key alternate channels – MFR (~28%), E-Com (~21%), Institutional (~28%), CSD (~9%) and Exports (~119%)

Cash Position

- Healthy OCF of Rs 1.15bn mainly on account of working capital optimisation
- Cash surplus of Rs 1.98bn

Inhouse manufacturing at 20% of revenue

Capex on moulds - Rs 900mn over 9MFY24, Rs 400mn expected in 4QFY24

Added 100+ distributors over last one year to reach 650+ now

NWC cycle stands at 22 days

Exhibit 1: Bajaj Electricals - Quarter results (Consol.)

(Rs mn)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	YoY (%)	QoQ (%)	9MFY24	9MFY23	YoY (%)
Total Income	13,095	12,920	11,121	11,128	12,282	(6)	10	34,532	35,973	(4)
Raw material costs	8,636	9,016	7,760	7,786	8,664	0	11	24,209	24,611	(2)
Employee costs	891	881	900	963	958	8	(1)	2,821	2,557	10
Other expenses	2,513	2,077	1,786	1,627	2,084	(17)	28	5,497	6,004	(8)
EBITDA	1,055	946	676	753	576	(45)	(23)	2,005	2,801	(28)
Depreciation	174	224	230	269	295	70	10	794	514	54
Finance costs	151	120	115	141	204	35	45	459	316	45
Other income	114	206	199	108	427	274	296	734	244	201
PBT	845	809	530	452	505	(40)	12	1,486	2,215	(33)
Tax	223	279	155	135	131	(41)	(3)	421	590	(29)
Profit from discontinued ops.	(11)	(12)	(4)	(44)	-			(48)	19	
PAT after discontinued ops.	611	519	371	273	374	(39)	37	1,018	1,643	(38)
EPS (Rs)	5.3	4.5	3.2	2.4	3.2	(39)	37	9.3	14.1	(34)
As % Total Income						YoY (bps)	QoQ (bps)			YoY (bps)
Gross margin	34.0	30.2	30.2	30.0	29.5	(459)	(58)	29.9	31.6	(169)
Employee costs	6.8	6.8	8.1	8.7	7.8	100	(85)	8.2	7.1	106
Other expenses	19.2	16.1	16.1	14.6	17.0	(222)	235	15.9	16.7	(77)
EBITDA margin	8.1	7.3	6.1	6.8	4.7	(337)	(207)	5.8	7.8	(198)
Depreciation	1.3	1.7	2.1	2.4	2.4	108	(1)	2.3	1.4	87
Finance costs	1.2	0.9	1.0	1.3	1.7	51	39	1.3	0.9	45
Other income	0.9	1.6	1.8	1.0	3.5	261	251	2.1	0.7	145
PBT	6.5	6.3	4.8	4.1	4.1	(234)	5	4.3	6.2	(185)
Effective tax rate	26.4	34.5	29.2	29.8	26.0	(41)	(384)	28.3	26.7	165
PAT	4.7	4.0	3.3	2.5	3.0	(163)	59	2.9	4.6	(162)
Segment Revenues						YoY (%)	QoQ (%)			YoY (%)
Consumer Products	10,395	9,865	8,726	8,576	9,567	(8)	12	26,868	27,777	(3)
Lighting	2,700	3,054	2,395	2,553	2,716	1	6	7,664	8,196	(6)
Segment EBIT (%)						YoY (bps)	QoQ (bps)			YoY (bps)
Consumer Products	7.5	6.6	4.7	4.8	1.7	(583)	(317)	3.6	6.6	(293)
Lighting	6.4	7.5	8.1	5.6	8.4	193	273	7.4	7.9	(58)
Blended	7.3	6.8	5.4	5.0	3.1	(413)	(187)	4	7	(250)
Unallocable exp	(0.3)	(0.4)	(0.4)	(0.3)	(2.6)			(1.2)	(0.2)	

Source: Company, Systematix Institutional Research

* EPC has been reported under discontinued operations

** Note: Segment EBIT margin is as reported and not adjusted for the unallocable expense/income

Valuation and View

BJE's CP business has been on a consistent growth trajectory, with timely product launches, wide geographical reach and the RREP program. After its EPC revenues rose substantially in FY19, the company altered its strategy to bid only for select projects that offered reasonable margins. This improved cash flows and helped BJE reduce its high working capital debt. After demerger of EPC division, BJE's focus has largely been on consumer business only.

After a weak 3Q and no immediate revival in sight, we had cut FY24E earning by 24% but broadly maintained it for FY25E/26E. We expect CAGR of 6%/24%/33% in revenue/EBITDA/PAT over FY23-26E (after a muted 3%/4%/21% CAGR over FY18-23), with EBITDA margin reaching towards 11% and 27%+ RoCE in FY26E. Expecting gradual recovery, we maintain **BUY** on BJE with an unchanged TP of Rs 1,192 (27x FY26E P/E).

Exhibit 2: Change in estimates

(Rs mn)	Estimates before 3QFY24 result			Estimates after 3QFY24 result			% Var			Bloomberg estimates			% Var vs. Systematix		
	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26
Revenue	48,533	58,436	65,449	48,533	58,436	65,449	-	-	-	52,963	60,024	67,695	9	3	3
EBITDA	2,983	5,408	6,893	2,983	5,408	6,893	-	-	-	3,447	4,328	5,570	16	(20)	(19)
EBITDA margin (%)	6.1	9.3	10.5	6.1	9.3	10.5				6.5	7.2	8.2			
PAT	1,768	3,810	5,083	1,768	3,810	5,083	-	-	-	2,204	3,039	3,374	25	(20)	(34)
EPS (Rs)	15.4	33.1	44.2	15.4	33.1	44.2	-	-	-	18.2	27.6	35.7	19	(17)	(19)

Source: Systematix Institutional Research

Exhibit 3: P/E band – One-year-forward and standard deviation



Source: BSE, Systematix Institutional Research

Key risks

- Inadequate price hikes amid intense competition could dent margins.
- Aggressive bidding in EPC projects, like in earlier years could again deteriorate the quality of its balance sheet.

BAJAJ ELECTRICALS (FINANCIALS)

Profit & Loss Statement

YE: Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net revenues	48,130	54,293	48,533	58,436	65,449
Growth (%)	5	13	-11	20	12
Raw material expenses	32,913	37,119	34,092	39,250	43,268
Gross Margin (%)	31.6	31.6	29.8	32.8	33.9
Employee & Other exp.	12,716	13,597	11,458	13,779	15,288
EBITDA	2,502	3,577	2,983	5,408	6,893
EBITDA margins (%)	5.2	6.6	6.1	9.3	10.5
Depreciation	692	817	1,104	995	1,055
Other income	683	758	1,177	1,242	1,396
Finance costs	697	484	663	540	410
PBT	1,663	3,034	2,394	5,115	6,825
Effective tax rate (%)	25.2	28.7	26.2	25.5	25.5
Associates/(Minorities)	41	-	-	-	-
Net Income	1,285	2,162	1,768	3,810	5,083
Adjusted net income	1,285	2,162	1,768	3,810	5,083
Shares outstanding	115	115	115	115	115
FDEPS (Rs)	11.2	18.8	15.4	33.1	44.2
FDEPS growth (%)	(33)	68	(18)	116	33

Balance Sheet

YE: Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	230	230	230	230	230
Net worth	17,316	19,072	20,379	23,614	28,006
Total debt	756	722	722	722	722
Minority interest	(263)	-	-	-	-
DT Liability/ (Asset)	-	54	54	54	54
Capital Employed	17,808	19,848	21,155	24,389	28,782
Net tangible assets	4,263	4,785	4,481	4,286	4,030
Net Intangible assets	2,121	2,107	2,107	2,107	2,107
Goodwill	-	-	-	-	-
CWIP	282	410	405	400	395
Investments (Strategic)	-	-	3,000	6,000	9,000
Investments (Financial)	1,357	1,763	2,763	3,763	4,763
Current Assets	30,468	34,002	26,769	30,515	33,109
Cash	1,425	3,705	1,882	238	490
Current Liabilities	22,108	26,924	20,251	22,919	25,112
Working capital	8,360	7,079	6,518	7,596	7,997
Capital Deployed	17,808	19,848	21,155	24,389	28,782
Contingent Liabilities	1,256	869	-	-	-

Cash Flow

YE: Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
EBIT (incl. other income)	2,248	3,478	1,879	4,412	5,838
Non-cash items	692	817	1,104	995	1,055
OCF before WC changes	2,940	4,296	2,983	5,408	6,893
Incr./ (decr.) in WC	(6,647)	(429)	(561)	1,078	401
Others including taxes	446	228	648	1,327	1,763
Operating cash-flow	9,141	4,496	2,896	3,002	4,729
Capex	429	609	795	795	795
Free cash-flow	8,712	3,887	2,101	2,207	3,934
Acquisitions	8	-	-	-	-
Dividend	-	345	460	576	691
Equity raised	143	90	-	-	-
Debt raised	(6,582)	(669)	-	-	-
Fin Investments	1	353	4,000	4,000	4,000
Misc. Items (CFI + CFF)	1,548	381	(536)	(724)	(1,008)
Net cash-flow	732	2,229	(1,823)	(1,644)	251

Ratios @ Rs 1021

YE: Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	91.2	54.3	66.5	30.8	23.1
EV/EBITDA (x)	46.6	31.9	38.5	21.4	16.6
EV/sales (x)	2.4	2.1	2.4	2.0	1.7
P/B (x)	6.8	6.2	5.8	5.0	4.2
RoE (%)	7.4	11.3	8.7	16.1	18.2
RoCE (%)	12.9	18.7	14.9	24.8	27.2
ROIC (%)	13.2	21.3	17.3	27.7	30.2
DPS (Rs per share)	3.0	4.0	4.0	5.0	6.0
Dividend yield (%)	0.3	0.4	0.4	0.5	0.6
Dividend payout (%)	26.8	21.3	26.0	15.1	13.6
Net debt/equity (x)	(0.1)	(0.2)	(0.2)	(0.1)	(0.2)
Receivables (days)	103	105	95	95	95
Inventory (days)	76	72	50	50	50
Payables (days)	94	105	60	60	60
CFO:PAT (%)	711	208	164	79	93

Source: Company, Systematix Institutional Research



TM

Crompton Greaves Consumer

Focus on innovative products amid tough demand scenario

COMPANY UPDATE

Sector: Consumer Electricals **Rating:** HOLD

CMP: Rs 284 **Target Price:** Rs 298

Stock Info

Sensex/Nifty	72,427/22,041
Bloomberg	CROMPTON IN
Equity shares (mn)	636.1
52-wk High/Low	325/252
Face value	Rs 2
M-Cap	Rs 181bn/USD 2.2bn
3-m avg turnover	USD 0.8mn

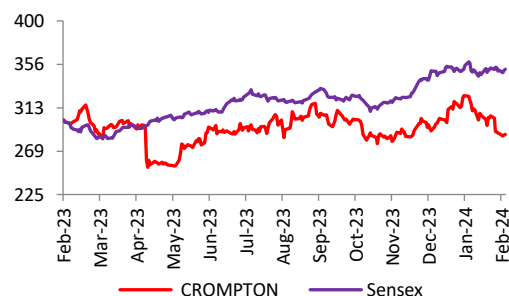
Financial Snapshot (Rs mn)

Y/E Mar	FY24E	FY25E	FY26E
Net sales	72,898	81,643	91,438
EBITDA	7,273	9,370	11,107
OPM (%)	10.0	11.5	12.1
PAT (adj.)	4,367	6,065	7,633
EPS (Rs)	6.8	9.5	11.9
PE (x)	41.6	30.0	23.8
P/B (x)	6.3	5.6	4.9
EV/EBITDA (x)	25.1	19.1	15.7
RoE (%)	15.2	18.8	20.6
RoCE (%)	16.1	19.9	22.4
Net-D/E (x)	0.0	(0.1)	(0.2)

Shareholding Pattern (%)

	Dec'23	Sep'23	Jun'23
Promoter	-	-	-
- Pledged			
FII	35.6	35.7	35.0
DII	48.0	47.7	48.7
Others	16.4	16.7	16.3

Stock Performance (1-year)



Crompton Greaves Consumer's (CROMPTON) 3Q (revenue/EBITDA/PAT up 12%/-2%/1%) was impacted by continued weak results of Butterfly (revenue down 6%/23% YoY/QoQ, 1% EBITDA margin). Management is working on restructuring Butterfly's channel mix and aims ~10% cost saving from operational integration with Crompton. A 65% YoY surge in A&P spends restricted EBITDA margins (8.8%, down 120bps YoY). ECD revenue grew 19% YoY driven by Fans (up 11%), Pumps (up 28%) and Appliances (up 23%); EBIT margin contracted 227bps YoY at 13.6%. It is now no. 2 BLDC fans player. Focus remains on premium category for Water Heaters & Air Coolers. Pumps revenue recovered (up 28% YoY), after years of weakness, driven by 39% rise in Agri segment. Lighting revenue grew just 1% YoY despite 5% rise in LED volume as price erosion in B2C LED continues. Correction measures taken are yielding results. Growth is back in B2B Lighting segment (revenue up 4% YoY); strong order book supports healthy outlook. Cost optimization and superior mix drove EBIT margin (up 77bps QoQ at 11.2%). After weak 3Q, we had cut earnings estimates by 10-20% and expect 10%/13%/18% CAGR in revenue/ EBITDA/PAT over FY23-26E with ~21% RoE and ~29% RoIC in FY26E. Maintain HOLD with an unchanged Rs 298 TP at 25x FY26E P/E. ([concall KTAs](#))

3Q – weak Butterfly results continue to mar overall performance. Revenue grew 12% YoY (down 5% QoQ) driven by the ECD segment. Despite YoY flat gross margin (32.5%), EBITDA margin contracted 120bps to 8.8% due to 65% YoY surge in A&P spends to strengthen brand saliency in Crompton and Butterfly. These led to flattish EBITDA and PAT. Butterfly results (revenue down 6%/23% YoY/QoQ, EBIT loss) continue to dent overall performance.

ECD revenue up 19% YoY driven by Fans, Pumps and Appliances; EBIT margin 13.6%, down 227bps YoY: Fans revenue grew 11% YoY driven by premium Ceiling Fans and TPW category. Premium fans mix stood at 26.5% (up 220 bps YoY). The company could moderately pass cost increase in Nov'23. It is now no. 2 player in the BLDC category. Appliances revenue increased 23% YoY led by Water Heaters (highest ever; no. 1 brand in e-commerce) & Small Domestic Appliances. Large Kitchen Appliances revenue stood at Rs 190mn. Continued focus on premium category for Water Heaters & Air Coolers to drive growth. Pumps revenue recovered (up 28% YoY), after years of weakness, driven by a 39% rise in Agri segment. Strong traction was seen in alternate channels incl. rural.

Lighting revenue up 1% YoY; cost optimization and superior mix drive EBIT margin (up 77bps QoQ at 11.2%): Lighting revenue grew just 1% YoY despite 5% rise in LED volume as price erosion in B2C LED continues. Correction measures taken are yielding results. A significant focus has been on mix improvement, new product development and channel partner appointments. Growth is back in the B2B segment with 4% YoY rise in 3Q revenue with strong order book. A dedicated sales team is carved out for large projects. Focus is on direct dealers and product range addition.

Butterfly revenue down 6% YoY and 23% QoQ; continued A&P spend drove EBIT loss: Core categories such as Mixer Grinder, LPG Stove and Pressure Cookers grew 12% YoY. Growth in Retail (up 11%), Modern trade (up 14%) & E-commerce channels offset by decline in corporate channel. Share of business from new products stood at 14% of total revenue. EBITDA margin of 1% impacted due to higher A&P spends (Rs 220mn, up 31% YoY in 3Q) and investments in people capabilities. Restructuring of channel mix will likely drive performance. Operational integration with Crompton is well on track (8-10% cost savings expected).

3QFY24 concall key highlights and outlook

ECD revenue up 19% YoY driven by Fans (up 11%), Pumps (up 28%) and Appliances (up 23%)

Fans revenue up 11% YoY

- Growth was driven by premium Ceiling Fans and TPW category
- Premium fans mix at 26.5% (up 220 bps YoY)
- Moderately passed cost increase in Nov'23
- Now commands #2 position in BLDC category

Pumps revenue up 28% YoY

- Growth was driven by 39% rise in Agri segment
- Healthy recovery after years of weakness
- Strong traction in alternate channels including rural
- Secured orders for Solar Pumps from Haryana
- Superior product mix drove expansion in EBIT margin

Appliances revenue up 23% YoY

- Growth was led by Water Heaters & Small Domestic Appliances
- Highest ever quarterly sales in Water Heaters in 3Q; #1 brand in E-commerce
- Premium mix improvement in trade channel for Water Heaters & Air Coolers
- Continued focus on premium category for Water Heaters & Air Coolers
- Large Kitchen Appliances - 3Q revenue was Rs 190mn

Lighting revenue grew just 1% YoY despite 5% rise in LED volume as price erosion continues

- Corrective measures taken are yielding results on volume growth and margins
- Significant focus on mix improvement, new product development and channel partner appointments
- In B2C LED - focus areas are ceiling lights, higher wattage lamps, battens, decorative & strip lighting; stronger focus on E-commerce through new product introductions; price erosion accelerated in battens and lamps
- In B2B – back on growth trajectory with 4% YoY rise in 3Q revenue; secured prestigious projects such as Mumbai Coastal Road, Ahmedabad Municipal Corporation, Chennai Municipal Administration; dedicated sales team carved out for large projects
- Drop in CFL revenue is limiting overall growth
- Continued focus on channel development through direct dealer appointments and range addition

EBIT Margin expanded 77bps QoQ at 11.2% owing to cost optimization and mix improvement initiatives

Butterfly revenue down 6% YoY and 23% QoQ; loss at EBIT level

- Growth in Retail & E-commerce was offset by decline in Corporate channel
- Core categories like Mixer Grinder, LPG Stove and Pressure Cookers grew 12% YoY
- Share of business from new products stands at 14% of total revenue
- EBITDA Margin of 1% impacted due to higher A&P spends and investments in people capabilities
- Kitchen Appliance business of Crompton is doing better than Butterfly
- Restructuring channel mix
- Operational integration with Crompton is well on track
- Retail counters grew 11% YoY and Modern Trade reach rose 14% YoY
- Significantly increased A&P spend (Rs 220mn, up 31% YoY in 3Q)
- Targeted approach towards E-commerce to build brand awareness & consideration

Focus on strengthening distribution network

- In 3Q - alternate channels grew by 38% YoY while e-commerce sales doubled
- **A&P spends rose 65% YoY** to strengthen brand saliency in Crompton and Butterfly

Exhibit 1: Crompton Greaves Consumer – Quarterly result summary

(Rs mn)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	YoY (%)	QoQ (%)	9MFY24	9MFY23	YoY (%)
Total Income	15,162	17,910	18,769	17,823	16,927	12	(5)	53,518	50,787	5
Raw material costs	10,230	12,260	12,983	12,240	11,428	12	(7)	36,652	34,544	6
Employee costs	1,341	1,301	1,434	1,501	1,457	9	(3)	4,392	4,108	7
Other expenses	2,067	2,235	2,494	2,336	2,544	23	9	7,374	6,481	14
EBITDA	1,524	2,114	1,858	1,745	1,498	(2)	(14)	5,101	5,654	(10)
Depreciation	297	304	292	321	325	9	1	938	855	10
Finance costs	294	274	206	215	215	(27)	-	636	818	(22)
Other income	213	168	198	149	167	(22)	12	514	500	3
Exceptional (loss)/ gain	-	-	-	-	-			-	(64)	
PBT	1,146	1,704	1,558	1,358	1,125	(2)	(17)	4,040	4,417	(9)
Tax	264	389	338	349	270	2	(23)	957	969	(1)
PAT	882	1,316	1,220	1,009	855	(3)	(15)	3,083	3,449	(11)
Minority Interest	29	4	37	37	(5)	(118)	(115)	68	128	(47)
PAT (after minority)	853	1,312	1,183	972	860	1	(12)	3,015	3,321	(9)
EPS (Rs)	1.3	2.0	1.8	1.5	1.3	0.9	(12)	4.8	5.4	(11)
As % Total Income						YoY (bps)	QoQ (bps)			YoY (bps)
Gross margin	32.5	31.5	30.8	31.3	32.5	(4)	116	31.5	32.0	(47)
Employee costs	8.8	7.3	7.6	8.4	8.6	(24)	18	8.2	8.1	12
Other expenses	13.6	12.5	13.3	13.1	15.0	140	192	13.8	12.8	102
EBITDA margin	10.1	11.8	9.9	9.8	8.8	(120)	(94)	9.5	11.1	(160)
Depreciation	2.0	1.7	1.6	1.8	1.9	(4)	12	1.8	1.7	7
Finance costs	1.9	1.5	1.1	1.2	1.3	(67)	6	1.2	1.6	(42)
Other income	1.4	0.9	1.1	0.8	1.0	(42)	15	1.0	1.0	(3)
Effective tax rate	23.0	22.8	21.7	25.7	24.0	98	(168)	23.7	21.9	175
PAT	5.8	7.3	6.5	5.7	5.0	(77)	(61)	5.8	6.8	(103)
Segment Revenues						YoY (%)	QoQ (%)			YoY (%)
ECD	10,201	13,257	14,290	12,380	12,093	19	(2)	38,762	34,295	13
Lighting	2,477	2,786	2,290	2,387	2,494	1	4	7,171	7,796	(8)
Butterfly Products	2,484	1,867	2,189	3,056	2,341	(6)	(23)	7,586	8,696	(13)
Mix (%)										
ECD	67	74	76	69	71			72	68	
Lighting Products	16	16	12	13	15			13	15	
Butterfly Products	16	10	12	17	14			14	17	
EBIT (%)						YoY (bps)	QoQ (bps)			YoY (bps)
ECD	15.8	16.4	12.7	14.2	13.6	(227)	(60)	13.5	16.7	(322)
Lighting	10.3	10.9	11.9	10.5	11.2	95	77	11.2	9.0	219
Butterfly Products	7.3	2.0	7.3	6.6	(0.8)			4.5	9.2	(471)
Blended	13.5	14.1	12.0	12.4	11.2	(229)	(114)	11.9	14.2	(234)
Unallocated inc./ (exp)	(4.0)	(3.0)	(2.6)	(3.6)	(3.3)			(3.1)	(3.8)	

Source: Company, Systematix Institutional Research; * Note: Segment EBIT margin is as per reported numbers and not adjusted for the unallocable expenses/income

Valuation and View

CROMPTON is a leader in fans, residential pumps and lighting segments. The company's Butterfly acquisition in 2022 gave it entry into the fast-growing kitchen appliances segment. A five-dimensional growth strategy has helped CROMPTON strengthen its position in key categories.

After weak 3Q, we had cut earnings estimates by 10-20% and expect 10%/13%/18% CAGR in revenue/EBITDA/PAT over FY23-26E with ~21% RoE and ~29% RoIC in FY26E. Maintain **HOLD** with a Rs 298 TP at 25x FY26E P/E. Butterfly's performance is the key monitorable in the near term.

Exhibit 2: Change in estimates

(Rs mn)	Estimates before 3QFY24 result			Estimates after 3QFY24 result			% Var			Bloomberg estimates			% Var vs. Systematix		
	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26
Revenue	72,898	81,643	91,438	72,898	81,643	91,438	-	-	-	72,947	82,161	92,443	0	1	1
EBITDA	7,273	9,370	11,107	7,273	9,370	11,107	-	-	-	7,337	8,966	10,491	1	(4)	(6)
EBITDA margin (%)	10.0	11.5	12.1	10.0	11.5	12.1				10.1	10.9	11.3			
PAT	4,367	6,065	7,633	4,367	6,065	7,633	-	-	-	4,495	5,845	7,083	3	(4)	(7)
EPS (Rs)	6.8	9.5	11.9	6.8	9.5	11.9	-	-	-	7.0	9.2	11.2	3	(3)	(6)

Source: Systematix Institutional Research

Exhibit 3: One-year-forward - P/E band and standard deviation



Source: BSE, Systematix Institutional Research

Key risks

- Delay or failure in integrating the new business verticals
- Keener competition from regional players as well as big brands (including CG Power's foray into small appliances)

CROMPTON GREAVES CONSUMER (FINANCIALS)

Profit & Loss Statement

YE: Mar (Rs mn)	FY22*	FY23	FY24E	FY25E	FY26E
Net revenues	53,941	68,696	72,898	81,643	91,438
<i>Growth (%)</i>	12	27	6	12	12
Raw material expenses	37,018	46,804	49,941	54,790	60,841
<i>Gross Margin (%)</i>	31.4	31.9	31.5	32.9	33.5
Employee & Other exp.	9,229	14,124	15,683	17,483	19,489
EBITDA	7,695	7,769	7,273	9,370	11,107
<i>EBITDA margins (%)</i>	14.3	11.3	10.0	11.5	12.1
Depreciation	423	1,159	1,268	1,324	1,380
Other income	727	668	681	572	732
Finance costs	353	1,092	856	653	457
PBT	7,515	6,121	5,831	7,965	10,001
<i>Effective tax rate (%)</i>	23.0	22.2	23.9	23.0	23.0
Associates/(Minorities)	-	(132)	(68)	(68)	(68)
Net Income	5,784	4,632	4,367	6,065	7,633
Adjusted net income	5,784	4,632	4,367	6,065	7,633
Shares outstanding	633	636	640	640	640
FDEPS (Rs per share)	9.1	7.3	6.8	9.5	11.9
<i>FDEPS growth (%)</i>	(6)	(20)	(6)	39	26

Balance Sheet

YE: Mar (Rs mn)	FY22*	FY23	FY24E	FY25E	FY26E
Share capital	1,267	1,272	1,280	1,280	1,280
Net worth	24,530	26,600	28,735	32,239	36,991
Total debt	16,517	9,781	8,581	7,881	7,181
Minority interest	7,825	4,477	4,477	4,477	4,477
DT Liability/ (Asset)	394	123	123	123	123
Capital Employed	49,265	40,981	41,915	44,720	48,772
Net tangible assets	4,756	4,840	4,572	4,248	3,868
Net Intangible assets	15,124	15,016	15,016	15,016	15,016
Goodwill	12,855	12,855	12,855	12,855	12,855
CWIP	130	55	55	55	55
Investments (Strategic)	-	-	-	-	-
Investments (Financial)	6,242	5,482	7,482	10,482	14,482
Current Assets	16,228	17,203	18,118	19,969	22,036
Cash	9,152	1,095	333	248	410
Current Liabilities	15,221	15,564	16,514	18,152	19,948
Working capital	1,007	1,640	1,604	1,817	2,088
Capital Deployed	49,265	40,981	41,915	44,720	48,772
Contingent Liabilities	1,922	2,038	-	-	-

Cash Flow

YE: Mar (Rs mn)	FY22*	FY23	FY24E	FY25E	FY26E
EBIT (incl. other income)	7,734	6,804	6,006	8,046	9,727
Non-cash items	423	1,159	1,268	1,324	1,380
OCF before WC changes	8,157	7,963	7,273	9,370	11,107
Incr./ (decr.) in WC	(1,005)	1,039	(36)	213	271
Others including taxes	1,798	1,399	1,448	1,884	2,352
Operating cash-flow	7,364	5,526	5,861	7,274	8,484
Capex	1,706	708	1,000	1,000	1,000
Free cash-flow	5,658	4,818	4,861	6,274	7,484
Acquisitions	14	-	-	-	-
Dividend	1,564	1,578	2,241	2,561	2,881
Equity raised	603	416	8	-	-
Debt raised	10,769	(6,842)	(1,200)	(700)	(700)
Fin Investments	16,023	(2,908)	2,000	3,000	4,000
Misc. Items (CFI + CFF)	365	670	190	98	(258)
Net cash-flow	(908)	(948)	(762)	(85)	162

Ratios @ Rs 284

YE: Mar	FY22*	FY23	FY24E	FY25E	FY26E
P/E (x)	31.1	39.0	41.6	30.0	23.8
EV/EBITDA (x)	23.5	23.7	25.1	19.1	15.7
EV/sales (x)	3.4	2.7	2.5	2.2	1.9
P/B (x)	7.3	6.8	6.3	5.6	4.9
RoE (%)	23.6	17.4	15.2	18.8	20.6
RoCE (%)	21.9	16.1	16.1	19.9	22.4
ROIC (%)	25.8	13.4	12.7	24.2	29.3
DPS (Rs per share)	2.5	3.0	3.5	4.0	4.5
Dividend yield (%)	0.9	1.1	1.2	1.4	1.6
Dividend payout (%)	27.5	41.2	51.3	42.2	37.7
Net debt/equity (x)	0.0	0.1	0.0	(0.1)	(0.2)
Receivables (days)	40	36	36	36	36
Inventory (days)	49	40	40	40	40
Payables (days)	68	55	55	55	55
CFO:PAT (%)	127	119	134	120	111

Source: Company, Systematix Institutional Research

*Note: Butterfly nos. are consolidated from 25th March, 2022.



TM

Finolex Cables

A soft 3Q; margin recovery is key to support earnings

COMPANY UPDATE

Sector: Consumer Electricals **Rating:** HOLD

CMP: Rs 998 **Target Price:** Rs 1,165

Stock Info

Sensex/Nifty	72,427/22,041
Bloomberg	FNXC IN
Equity shares (mn)	153
52-wk High/Low	1,196/597
Face value	Rs 2
M-Cap	Rs 153bn/ USD 1.8bn
3-m avg turnover	USD 4.2mn

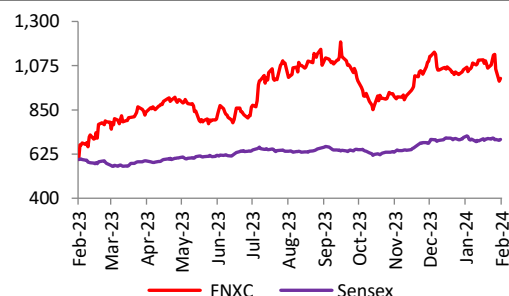
Financial Snapshot (Rs mn)

Y/E Mar	FY24E	FY25E	FY26E
Net sales	50,079	56,206	63,085
EBITDA	6,035	7,468	8,878
OPM (%)	12.1	13.3	14.1
PAT (adj.)	6,458	7,887	9,429
EPS (Rs)	42.2	51.6	61.6
PE (x)	23.6	19.3	16.2
P/B (x)	3.1	2.7	2.4
EV/EBITDA (x)	22.5	17.6	14.1
RoE (%)	13.1	14.0	14.6
RoCE (%)	14.8	15.5	15.9
Net-D/E (x)	(0.4)	(0.4)	(0.4)

Shareholding Pattern (%)

	Dec'23	Sep'23	Jun'23
Promoter	35.9	35.9	35.9
- Pledged			
FII	11.1	11.8	11.3
DII	15.9	15.6	15.6
Others	37.1	36.7	37.3

Stock Performance (1-year)



Finolex Cables (FNXC) 3Q was soft as revenue grew by a low 6% YoY and EBITDA margin contracted 136bps QoQ to 10.9% owing greater mix of low margin auto cables. Electrical wires division reported 8% volume and value growth; management expects volumes to improve with visible rise in construction activity. Communication cables revenue dipped 11% YoY owing to delay in Bharatnet tender process coupled with private telecom operators focus on operationalizing 5G rollouts. The tenders are now expected to be floated toward end of Feb'24 with possible order flows 2-3 months thereafter. FMEG revenue has scaled up in last 2 years (FY24E: ~Rs 2.3bn, took 8 years to cross Rs 1bn), continued spending on product launches, dealer schemes and A&P is restricting margins. We are watchful of FNXC's Rs 5bn revenue guidance in 2-3 years. Capex programs are progressing well. The E-Beam plant will likely operationalize by Apr'24 while Preform plant is expected to commission by 4QFY25. Post 3Q, we broadly maintained FY25E/26E earnings and expect 12%/20%/23% CAGR in revenue/EBITDA /PAT over FY23-26E on recovery in volumes and margins. Maintain HOLD with an unchanged TP of Rs 1,165 (20x FY26E P/E to the core business for ~15%/25 RoE/RoIC). ([concall KTAs](#))

3Q – soft revenue, lower margins restricted PAT growth: Revenue grew by a low 6% YoY and 3% QoQ and missed our estimates by 6%. EBITDA margin at 10.9% contracted ~135bps QoQ dragged by similar drop in gross margin. Thus, EBITDA and PAT declined 8% and 2% YoY, respectively.

Electrical wires & cables – soft revenue and margins: A 8% YoY rise in revenue (up 3% QoQ) was driven by 8% uptick in volumes. EBIT margin contracted 241bps QoQ to 11.7% impacted by greater mix of lower margin auto cables. In 9M, revenue grew 14% YoY with a similar rise in volumes. With visible improvement in construction activity, management expects volumes to improve in the coming quarters. Post years of weakness, a revival in the real estate sector seems sustainable. FNXC's market share gain in wires may be tough, given the taut competition among incumbents. At ~65% CU, it is adding capacities wherever needed (auto cables etc.). The E-Beam plant is expected to be operational by Apr'24.

Communication cables – weak performance continued: Segment revenue declined 11% YoY and 5% QoQ. Low revenue and intense competition continue to suppress EBIT margin (2.1%). Volume of Optic Fiber Cable (OFC) decreased owing to delay in Bharatnet tender process coupled with private telecom operators focus on operationalizing 5G rollouts. The tenders are now expected to be floated toward end of Feb'24 with possible order flows 2-3 months thereafter. In 9M, volume of metal-based products grew 4% YoY while OFC volumes were down YoY. FNXC's Rs 3bn capex plan to manufacture Preforms to draw fiber and enhance fiber-cabling capacity is expected to operationalize by 4QFY25.

FMEG - we are watchful of Rs 5bn revenue guidance: 3Q revenue (Rs 599mn) grew 16% YoY and 9% QoQ with a low 1.2% EBIT margin. Volume growth in new products within the appliance/FMEG (except Fans) categories grew 20%. Lighting and Conduit products saw significant volume growth; however, price erosion was severe in Lighting. Industry witnessed volume decline in Fan and Water heater. Revenues have scaled up in last 2 years (FY24E: ~Rs 2.3bn, took 8 years to cross Rs 1bn), continued spending on product launches, dealer schemes and A&P is restricting margins. We are watchful of FNXC's Rs 5bn revenue guidance in 2-3 years.

Conference call KTAs (3QFY24)

3QFY24 – a soft quarter

- 3Q revenue grew by a low 6% YoY and 3% QoQ and missed our estimates by 6%
- 3Q EBITDA margin at 10.9% contracted ~135bps QoQ due to similar dip in gross margin owing to inferior product mix (auto cables ++)
- EBITDA and PAT declined 8% and 2% YoY, respectively.

Electrical wires - soft volumes/ revenue; greater auto cables mix impacted margins

- A 8% YoY rise in revenue (up 3% QoQ) was driven by 8% uptick in volumes
- EBIT margin contracted 241bps QoQ to 11.7% impacted by inferior product mix (auto cables ++)
- In 9M, revenue grew 14% YoY with a similar rise in volumes
- Revenue mix: South 45%, West 30%
- 720 distributor, 4500 dealers
- Management expects volumes to improve in the coming quarters with visible improvement in construction activity.

Communication cables – weak performance continued

- Revenue declined 11% YoY and 5% QoQ; low revenue and intense competition continue to suppress EBIT margin (2.1%)
- Volume of OFC decreased as the tender for the Govt. sponsored Bharatnet project has been delayed
- Further procurement by private telecom operators has also been slow as they seem to be concentrating on operationalizing the initial phase of their 5G rollouts as well delay in procurement process
- In 9M, volume of metal-based products grew 4% YoY while OFC volumes were lower YoY
- OFC revenue mix ~65%
- Tenders are now expected to be floated toward end of Feb'24 with possible decisions in 2-3 months thereafter

FMEG - we are watchful of Rs 5bn revenue guidance

- 3Q revenue (Rs 599mn) grew 16% YoY and 9% QoQ with a low 1.2% EBIT margin
- Volume growth in new products within the appliance/ FMEG (except Fans) categories grew 20%
- Lighting and Conduit products saw significant volume growth; however, price erosion was severe in Lighting.
- In case of Fan and Water heater, overall industries declined

Capex program is progressing well

- The first E-Beam equipment is likely by end of Feb'24 and the plant is expected to be operational by Apr'24.
- Will add E-beam compound capacity subsequently
- Increasing auto cables capacity
- Preform project - factory construction is expected to be completed by May'24 and the plant is expected to operationalize by 4QFY25.

Exhibit 1: Finolex Cables – Quarterly results (consolidated)

(Rs mn)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	YoY (%)	QoQ (%)	9MFY24	9MFY23	YoY (%)
Total Income	11,503	12,243	12,043	11,874	12,217	6	3	36,134	32,568	11
Raw material costs	8,927	9,634	9,500	9,230	9,658	8	5	28,388	25,811	10
Employee costs	421	393	427	426	451	7	6	1,304	1,234	6
Other expenses	696	759	651	758	771	11	2	2,179	1,887	16
EBITDA	1,459	1,457	1,465	1,461	1,337	(8)	(8)	4,263	3,637	17
Depreciation	112	151	105	108	109	(3)	0	322	313	3
Finance costs	1	9	3	4	4	223	(5)	12	4	195
Other income	330	418	388	418	450	37	8	1,257	759	66
PBT	1,675	1,715	1,745	1,767	1,675	(0)	(5)	5,186	4,079	27
Tax	346	528	496	523	468	35	(11)	1,486	924	61
PAT before JV/Asso.	1,330	1,188	1,249	1,244	1,207	(9)	(3)	3,700	3,155	17
Share of JV/Asso.	213	562	355	298	303	42	2	956	138	595
PAT after JV/Asso.	1,543	1,750	1,604	1,542	1,510	(2)	(2)	4,656	3,293	41
EPS (Rs)	10.1	11.4	10.5	10.1	9.9	(2)	(2)	30.4	21.5	41
As % Total Income						YoY (bps)	QoQ (bps)			YoY (bps)
Gross margin	22.4	21.3	21.1	22.3	20.9	(145)	(133)	21.4	20.7	69
Employee costs	3.7	3.2	3.5	3.6	3.7	3	10	3.6	3.8	(18)
Other expenses	6.1	6.2	5.4	6.4	6.3	25	(7)	6.0	5.8	24
EBITDA margin	12.7	11.9	12.2	12.3	10.9	(174)	(136)	11.8	11.2	63
Depreciation	1.0	1.2	0.9	0.9	0.9	(8)	(2)	0.9	1.0	(7)
Finance costs	0.0	0.1	0.0	0.0	0.0	2	(0)	0.0	0.0	2
Other income	2.9	3.4	3.2	3.5	3.7	82	16	3.5	2.3	115
PBT	14.6	14.0	14.5	14.9	13.7	(86)	(117)	14.4	12.5	183
Effective tax rate	20.6	30.8	28.4	29.6	27.9	731	(166)	28.7	22.7	601
PAT	13.4	14.3	13.3	13.0	12.4	(106)	(63)	12.9	10.1	277
Segment Revenues						YoY (%)	QoQ (%)			YoY (%)
Electric Cables	9,468	10,318	10,115	9,885	10,209	8	3	30,210	26,517	14
Communication Cables	1,469	1,400	1,365	1,365	1,303	(11)	(5)	4,033	4,391	(8)
Others (FMEG)	515	453	465	549	599	16	9	1,612	1,500	7
Copper Rod (external sales)	51	73	98	76	106	109	40	280	159	75
Segment EBIT (%)						YoY (bps)	QoQ (bps)			YoY (bps)
Electric Cables	13.9	12.8	13.1	14.2	11.7	(219)	(241)	13.0	12.3	71
Communication Cables	2.4	2.3	2.0	2.0	2.1	(28)	12	2.0	2.2	(21)
Others (FMEG)	1.0	0.9	1.5	1.6	1.2	23	(33)	1.4	1.2	27
Copper Rods	0.1	0.1	0.2	0.2	0.2	8	2	0.2	0.3	(7)
Blended	11.9	11.1	11.4	12.2	10.2	(168)	(198)	11.2	10.4	80
Un-allocable exp	2.7	3.0	3.1	2.8	3.6	85	81	3.2	2.1	105

Source: Company, Systematix Institutional Research

Note: Segment EBIT margin is as per reported numbers and not adjusted for the unallocable expenses/income

Valuation and View

We like FNXC for its leadership in electrical wires, strong brand equity, pan-India distribution network, robust balance sheet, and FCF generation. However, performance over the last few years has been mixed, as i) it has not been able to replicate the success in FMEG and Finolex J-Power JV so far, and ii) its huge cash balance, currently yielding low returns, is suppressing its RoE. With the right initiatives on the profitability front, FNXC has managed to expand EBITDA margin by >400bps from 10.5% to ~15% over FY14-18, rendering the company cash rich.

Margin expansion, diversification into consumer-facing businesses and ~20% PAT CAGR led to significant re-rating in the stock price in the five years to FY18. Post FY18, the stock de-rated, largely due to flat earnings in its core businesses, lack of scale in FMEG and lower return ratios over FY17-21.

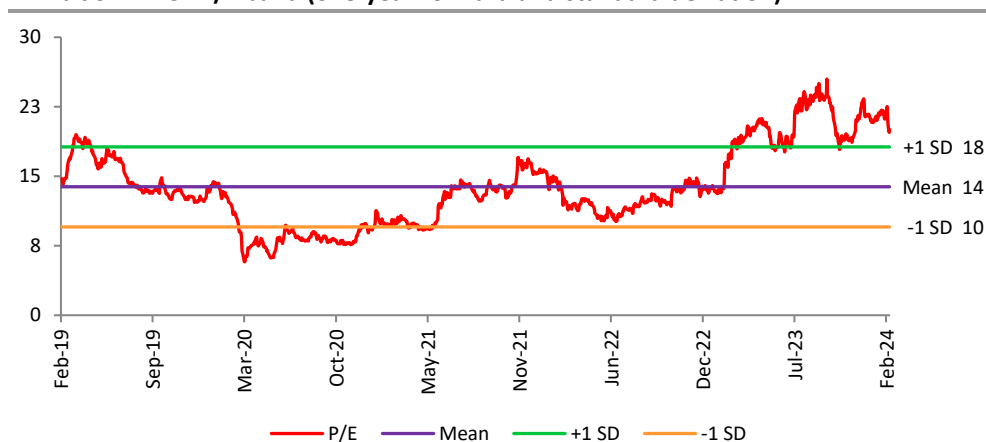
Post 3Q, we broadly maintained FY25E/26E earnings and expect 12%/20%/23% CAGR in revenue/EBITDA /PAT over FY23-26E on recovery in volumes and margins. Maintain **HOLD** with an unchanged Rs 1,165 TP (20x FY26E P/E to core business for ~15%/25 RoE/RoIC). Any positive surprise in earnings could further drive a re-rating.

Exhibit 2: FNXC - SoTP based target price calculation

	FY26E (Rs mn)	Per share (Rs)
Core business profit	7,255	
Target P/E (x)	20	
Core business market-cap	1,45,102	949
Finolex Ind m-cap on our TP (Rs 220) at 25% holdco discount	33,047	216
Target market-cap	1,78,149	1,165

Source: Systematix Institutional Research

Exhibit 3: FNXC - P/E band (one-year-forward and standard deviation)



Source: BSE, Systematix Institutional Research

Key risks

- Sharp volatility in copper prices.
- Continuing losses in newer businesses

FINOLEX CABLES (FINANCIALS)

Profit & Loss Statement

YE: Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net revenues	37,681	44,811	50,079	56,206	63,085
Growth (%)	36	19	12	12	12
Raw material expenses	29,663	35,445	39,265	43,141	47,917
Gross Margin (%)	21.3	20.9	21.6	23.2	24.0
Employee & Other exp.	3,734	4,273	4,779	5,597	6,290
EBITDA	4,285	5,094	6,035	7,468	8,878
EBITDA margins (%)	11.4	11.4	12.1	13.3	14.1
Depreciation	389	464	436	607	668
Other income	714	1,177	1,655	1,731	1,821
Finance costs	15	12	16	20	24
PBT	4,596	5,795	7,238	8,573	10,008
Effective tax rate (%)	40.8	25.1	29.3	28.1	27.5
Associates/(Minorities)	3,271	700	1,340	1,722	2,174
Net Income	5,991	5,043	6,458	7,887	9,429
Adjusted net income	5,991	5,043	6,458	7,887	9,429
Shares outstanding	153	153	153	153	153
FDEPS (Rs per share)	39.2	33.0	42.2	51.6	61.6
FDEPS growth (%)	30	(16)	28	22	20

Balance Sheet

YE: Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	306	306	306	306	306
Net worth	39,221	43,704	49,244	56,213	64,724
Total debt	3	3	4	5	6
Minority interest	-	-	-	-	-
DT Liability/ (Asset)	2,617	2,695	2,645	2,595	2,545
Capital Employed	41,841	46,402	51,893	58,813	67,275
Net tangible assets	3,799	4,335	6,400	7,793	8,625
Net Intangible assets	3	14	14	14	14
Goodwill	-	-	-	-	-
CWIP	868	210	190	170	150
Investments (Strategic)	10,954	10,935	10,935	10,935	10,935
Investments (Financial)	9,189	15,164	17,664	21,664	25,664
Current Assets	19,748	18,412	20,129	21,739	23,504
Cash	379	734	664	981	3,287
Current Liabilities	3,099	3,403	4,104	4,484	4,905
Working capital	16,649	15,009	16,025	17,256	18,599
Capital Deployed	41,841	46,402	51,893	58,813	67,275
Contingent Liabilities	2,392	2,469	-	-	-

Cash Flow

YE: Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
EBIT (incl. other income)	4,167	4,747	6,529	8,173	9,974
Non-cash items	389	464	436	607	668
OCF before WC changes	4,555	5,211	6,965	8,780	10,642
Incr./ (decr.) in WC	(1,520)	318	1,016	1,230	1,344
Others including taxes	1,345	1,330	1,761	2,048	2,393
Operating cash-flow	4,731	3,563	4,188	5,501	6,906
Capex	668	310	2,480	1,980	1,480
Free cash-flow	4,063	3,253	1,708	3,521	5,426
Acquisitions	-	-	-	-	-
Dividend	838	915	918	918	918
Equity raised	-	-	-	-	-
Debt raised	(16)	(39)	1	1	1
Fin Investments	4,302	3,244	2,500	4,000	4,000
Misc. Items (CFI + CFF)	(1,172)	(1,296)	(1,639)	(1,712)	(1,797)
Net cash-flow	78	350	(69)	316	2,307

Ratios @ Rs 998

YE: Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	25.5	30.3	23.6	19.3	16.2
EV/EBITDA (x)	33.6	27.2	22.5	17.6	14.1
EV/sales (x)	3.8	3.1	2.7	2.3	2.0
P/B (x)	3.9	3.5	3.1	2.7	2.4
RoE (%)	15.3	11.5	13.1	14.0	14.6
RoCE (%)	11.8	13.2	14.8	15.5	15.9
ROIC (%)	18.8	15.4	19.1	23.2	25.4
DPS (Rs per share)	6.0	7.0	6.0	6.0	6.0
Dividend yield (%)	0.6	0.7	0.6	0.6	0.6
Dividend payout (%)	15.3	21.2	14.2	11.6	9.7
Net debt/equity (x)	(0.2)	(0.4)	(0.4)	(0.4)	(0.4)
Receivables (days)	17	18	20	20	20
Inventory (days)	63	55	55	55	55
Payables (days)	18	17	20	20	20
CFO:PAT (%)	79	71	65	70	73

Source: Company, Systematix Institutional Research



TM

Havells

Infrastructure led demand remains; B2C to gradually recover

Havells (HAVL)'s 10% miss in 3Q EBITDA/PAT was driven by lower-than-expected margins in all the key segments, impacted by higher A&P spend (up 38% YoY at Rs 1.76bn, 4% of revenue; should normalise ahead). Cash flow remains robust with Rs 28.8bn cash at end-Dec'23. Consumer demand continues to be subdued, though recent trends suggest some recovery, per management. Festive channel filling was muted versus last year. Infrastructure led demand remains robust supporting Cables & Professional Lighting. Consumer lighting still impacted by LED price deflation, despite volume growth. Greater mix of cables impacted its segment margin. Premium segment continues to do well across product categories. Lloyd's revenue grew 8% YoY with its EBIT margin at negative 10%. Continued efforts on brand building, distribution and category expansion and under absorption of 2nd facility at Sricity would likely suppress margins in near term. Along with domestic market, Lloyd is also exploring supply of HVAC products to USA (subsidiary in place), Middle East and other markets. HAVL continues to augment capacities with capex (Rs 5.16bn in 9M) in cable (underground), Lloyd and lighting categories. We had cut earnings by ~5% after a weak 3Q and estimate 13%/22%/25% CAGR in revenue/EBITDA/PAT over FY23-26E (16%/9%/10% CAGR in over FY18-23). Robust OCF will likely be utilised for future capex and aid in generating strong ~20% RoE, ~28% RoCE and ~43%+ RoIC in FY26E. On rich valuation, we maintain HOLD rating on the stock, with an unchanged Rs 1,389 TP, based on 42x FY26E P/E. Strong growth, FCF and RoCE are keys to sustain HAVL's premium valuations.

3Q – weak operating performance: HAVL reported 7%/2%/2% YoY rise in revenue/EBITDA/PAT. While revenue came inline, EBITDA/PAT missed our estimates by ~10%. EBITDA margin came flattish at 9.8% vs. 10.3% estimated, driven by lower margins in all the segments. Higher A&P spend (up 38% YoY at Rs 1.76bn; 4% of revenue) restricted margins. The company booked a reversal of ~Rs 400mn for the provision made earlier w.r.t. some government scheme. Cash flow remains robust; cash balance surged to Rs 28.8bn at end-Dec'23 vs. 21.6bn at Mar'23.

B2B demand stays healthy; B2C to gradually recovery: Consumer demand continues to be subdued, though recent trends suggest some recovery. Festive channel filling was muted versus last year. Infrastructure led demand remains robust supporting Cables & Professional Lighting. Consumer lighting still impacted by LED price deflation, despite volume growth. Greater mix of cables impacted its segment margin. ECD growth was muted as the festive gains were offset by fans high base. Premium segment continues to do well across product categories. Strong brands have become stronger only in electrical products market. The high A&P spend in 3Q (up 38% YoY at Rs 1.76bn; 4% of rev) should normalise ahead. HAVL continues to augment capacities with capex (Rs 5.16bn in 9M) in cable (underground), Lloyd and lighting categories. ([concall KTAs](#))

Lloyd – losses continued; growth levers intact for the coming season: 3Q revenue grew 8% YoY with its EBIT margin at negative 10%. Continued efforts on brand building, distribution and category expansion and under absorption of 2nd facility at Sricity would likely to suppress margins for few more quarters. Lloyd has gained healthy market share in RAC over the years and have attained top-3 status; doubling of capacity to 2mn units after commencement of Sri City plant will further drive gains. A comprehensive portfolio (RAC, refrigerators and washing machines) and in-house manufacturing should enable sustained growth. It is also exploring to supply HVAC products to USA (subsidiary in place), Middle East and other markets.

COMPANY UPDATE

Sector: Consumer Electricals Rating: HOLD

CMP: Rs 1,400 Target Price: 1,389

Stock Info

Sensex/Nifty	72,427/22,041
Bloomberg	HAVL IN
Equity shares (mn)	626.5
52-wk High/Low	1,450/1,144
Face value	Rs 1
M-Cap	Rs 77bn/USD 10bn
3-m avg turnover	USD 11.3mn

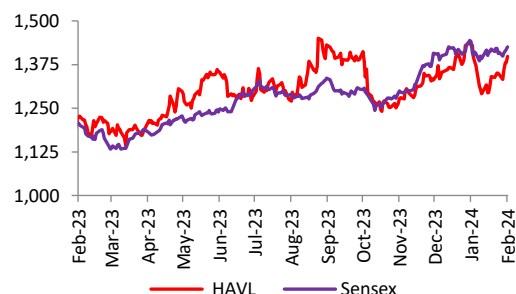
Financial Snapshot (Rs mn)

Y/E Mar	FY24E	FY25E	FY26E
Net sales	1,87,515	2,13,766	2,43,215
EBITDA	18,292	25,004	29,340
OPM (%)	9.8	11.7	12.1
PAT (adj.)	12,530	17,436	20,715
EPS (Rs)	20.0	27.8	33.1
PE (x)	65.0	46.7	39.3
P/B (x)	10.8	9.1	7.7
EV/EBITDA (x)	43.2	31.2	26.2
RoE (%)	16.6	19.5	19.6
RoCE (%)	23.1	27.4	27.6
Net-D/E (x)	(0.3)	(0.4)	(0.4)

Shareholding Pattern (%)

	Dec'23	Sep'23	Jun'23
Promoter	59.4	59.4	59.4
- Pledged			
FII	24.0	24.2	23.8
DII	10.1	9.5	9.8
Others	6.5	6.9	7.0

Stock Performance (1-year)



3QFY24 concall key highlights and outlook

Result commentary & Outlook:

- Consumer demand continues to be subdued, though recent trends suggest some recovery
- Festive channel filling has been muted vis-a-vis last year due to low consumer enthusiasm
- Infrastructure led demand remains robust supporting Cables & Professional Lighting
- Consumer lighting is still impacted by LED price deflation, despite volume growth
- Cables – greater mix of cables impacted margins
- ECD growth was muted as the festive gains were offset by fans high base
- Premium segment continues to do well across product categories
- Strong brands have become stronger only in electrical product markets

Lloyd - revenue up 8% YoY; EBIT loss continued though

- Growth levers are intact for the coming season
- Exploring supply of HVAC to USA (subs in place), Middle East and other markets

Capex - Rs 5.16bn in 9M

- Continues to augment capacities with capex in cable (underground), Lloyd and lighting categories
- Will consider capacity addition at 75% utilisation

Cash flow remains robust; cash balance of Rs 28.8bn at end-Dec'23 vs. 21.6bn at Mar'23

A&P spend in 3Q (up 38% YoY at Rs 1.76bn; 4% of revenue) should normalise going forward

Write-back of ~Rs 400mn for the provision made earlier with respect to some government scheme

Exhibit 1: Havells (Consolidated) – Quarterly results

(Rs mn)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	YoY (%)	QoQ (%)	9MFY24	9MFY23	YoY (%)
Total Income	41,276	48,592	48,338	39,003	44,139	7	13	1,31,480	1,20,515	9
Raw material costs	27,656	33,803	33,659	26,019	29,447	6	13	89,125	83,252	7
Employee costs	3,282	3,279	3,570	3,783	3,779	15	(0)	11,132	9,404	18
Other expenses	6,102	6,239	7,089	5,467	6,587	8	20	19,143	17,140	12
EBITDA	4,235	5,271	4,020	3,734	4,327	2	16	12,080	10,719	13
Depreciation	746	774	763	812	877	18	8	2,451	2,188	12
Finance costs	73	98	85	93	102	40	9	280	239	17
Other income	396	467	648	525	559	41	6	1,732	1,310	32
PBT	3,813	4,867	3,821	3,353	3,907	2	17	11,081	9,603	15
Tax	979	1,287	950	862	1,028	5	19	2,840	2,467	15
PAT	2,834	3,580	2,871	2,491	2,879	2	16	8,241	7,136	15
EPS (Rs)	4.5	5.7	4.6	4.0	4.6	2	16	13.1	11.4	15
As % Total Income						YoY (bps)	QoQ (bps)			YoY (bps)
Gross margin	33.0	30.4	30.4	33.3	33.3	29	(0)	32.2	30.9	129
Employee costs	8.0	6.7	7.4	9.7	8.6	61	(114)	8.5	7.8	66
Other expenses	14.8	12.8	14.7	14.0	14.9	14	90	14.6	14.2	34
EBITDA margin	10.3	10.8	8.3	9.6	9.8	(46)	23	9.2	8.9	29
Depreciation	1.8	1.6	1.6	2.1	2.0	18	(10)	1.9	1.8	5
Finance costs	0.2	0.2	0.2	0.2	0.2	5	(1)	0.2	0.2	1
Other income	1.0	1.0	1.3	1.3	1.3	31	(8)	1.3	1.1	23
PBT	9.2	10.0	7.9	8.6	8.9	(39)	26	8.4	8.0	46
Effective tax rate	25.7	26.4	24.9	25.7	26.3	65	60	25.6	25.7	(5)
PAT	6.9	7.4	5.9	6.4	6.5	(34)	14	6.3	5.9	35
Segment Revenues						YoY (%)	QoQ (%)			YoY (%)
Switchgears	5,143	6,010	5,409	5,336	5,206	1	(2)	15,950	15,192	5
Cable	14,121	15,682	14,852	14,702	15,727	11	7	45,280	39,645	14
Lighting & Fixtures	4,232	4,160	3,710	3,999	4,335	2	8	12,045	11,986	0
ECD	9,357	7,495	8,775	7,331	9,615	3	31	25,721	25,488	1
Others	2,319	2,536	2,483	2,662	2,695	16	1	7,840	6,967	13
Sub-total	35,173	35,882	35,229	34,029	37,578	7	10	1,06,836	99,276	8
Lloyd Consumer	6,103	12,710	13,109	4,974	6,561	8	32	24,644	21,239	16
EBIT (%)						YoY (bps)	QoQ (bps)			YoY (bps)
Switchgears	24.7	28.6	27.7	26.4	24.1	(58)	(228)	26.1	25.3	80
Cable	11.5	12.0	11.4	11.6	10.4	(114)	(123)	11.1	8.5	263
Lighting & Fixtures	12.7	18.1	14.3	14.3	14.2	151	(9)	14.2	14.4	(14)
ECD	13.1	12.8	10.9	11.6	11.2	(197)	(41)	11.2	12.7	(148)
Others	3.1	4.5	3.5	1.5	1.6	(149)	11	2.2	3.4	(119)
Havells (excl. Lloyd)	13.5	15.2	13.5	13.4	12.3	(117)	(115)	13.1	12.5	58
Lloyd Consumer	(9.8)	(1.8)	(4.7)	(15.0)	(9.8)	(0)	515	(8.1)	(9.4)	129
Blended	10.0	10.7	8.6	9.8	9.0	(101)	(81)	9.1	8.6	47
Unallocable exp.	0.6	0.5	0.5	1.0	(0.1)			0.4	0.5	(1)

Source: Company, Systematix Institutional Research

Valuation and View

We like HAVL for its ability to sustain its leadership position in FMEG. By leveraging its strong brand pull, mass-premium product range, vast distribution network and robust processes, the company has emerged among the top 3 players in several FMEG product categories. HAVL enjoys the highest margins among peers in many product categories and generates healthy FCF despite high capex (unlike most peers, the company has opted for in house production).

We had cut earnings by ~5% after a weak 3Q and estimate 13%/22%/25% CAGR in revenue/EBITDA/PAT over FY23-26E (16%/9%/10% CAGR in over FY18-23). Robust OCF will likely be utilised for future capex and aid in generating strong ~20% RoE, ~28% RoCE and ~43%+ RoIC in FY26E. On rich valuation, we maintain **HOLD** rating on the stock, with a Rs 1,389 TP, based on 42x FY26E P/E. Strong growth, FCF and RoCE are keys to sustain HAVL's premium valuations.

Exhibit 2: Change in estimates

(Rs mn)	Estimates before 3QFY24 result			Estimates after 3QFY24 result			% Var			Bloomberg estimates			% Var vs. Systematix		
	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26
Revenue (Rs bn)	187.5	213.8	243.2	187.5	213.8	243.2	-	-	-	187.0	213.2	242.1	(0)	(0)	(0)
EBITDA	18,292	25,004	29,340	18,292	25,004	29,340	-	-	-	18,304	23,535	28,220	0	(6)	(4)
EBITDA margin (%)	9.8	11.7	12.1	9.8	11.7	12.1				9.8	11.0	11.7			
PAT	12,530	17,436	20,715	12,530	17,436	20,715	-	-	-	12,397	16,235	19,696	(1)	(7)	(5)
EPS (Rs)	20.0	27.8	33.1	20.0	27.8	33.1	-	-	-	20.2	26.2	31.9	1	(6)	(4)

Source: Systematix Institutional Research

Exhibit 3: P/E band – 1-year-forward and standard deviation



Source: BSE, Company, Systematix Institutional Research

Key Risks

- Lower-than-expected improvement in macroeconomic factors
- Weakness in real-estate activities
- Intensifying competition, with return of the non-regulated (informal) sector

HAVELLS (FINANCIALS)

Profit & Loss Statement

YE: Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net revenues	1,39,385	1,69,107	1,87,515	2,13,766	2,43,215
<i>Growth (%)</i>	33	21	11	14	14
Raw material expenses	94,220	1,17,055	1,27,803	1,42,675	1,62,262
<i>Gross Margin (%)</i>	32.4	30.8	31.8	33.3	33.3
Employee & Other exp.	27,561	36,061	41,420	46,087	51,614
EBITDA	17,604	15,991	18,292	25,004	29,340
<i>EBITDA margins (%)</i>	12.6	9.5	9.8	11.7	12.1
Depreciation	2,609	2,962	3,348	3,638	3,927
Other income	1,604	1,777	2,281	2,283	2,602
Finance costs	534	336	380	213	170
PBT	16,066	14,471	16,845	23,436	27,844
<i>Effective tax rate (%)</i>	25.5	25.9	25.6	25.6	25.6
Associates/(Minorities)	-	-	-	-	-
Net Income	11,965	10,717	12,530	17,436	20,715
Adjusted net income	11,965	10,717	12,530	17,436	20,715
Shares outstanding	626	627	627	627	627
FDEPS (Rs per share)	19.1	17.1	20.0	27.8	33.1
<i>FDEPS growth (%)</i>	15	(10)	17	39	19

Balance Sheet

YE: Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	626	627	627	627	627
Net worth	60,029	66,255	75,652	89,329	1,05,659
Total debt	3,955	-	-	-	-
Minority interest	-	-	-	-	-
DT Liability/ (Asset)	3,506	3,615	3,715	3,815	3,915
Capital Employed	67,490	69,870	79,367	93,144	1,09,574
Net tangible assets	20,603	22,279	23,981	25,393	26,515
Net Intangible assets	14,126	13,958	13,908	13,858	13,808
Goodwill	-	-	-	-	-
CWIP	568	1,634	1,134	634	134
Investments (Strategic)	-	-	-	-	-
Investments (Financial)	2,727	200	10,200	20,200	30,200
Current Assets	41,729	54,802	60,801	68,886	77,859
Cash	25,480	18,702	13,972	13,857	16,279
Current Liabilities	37,742	41,705	44,629	49,684	55,222
Working capital	3,987	13,097	16,172	19,202	22,637
Capital Deployed	67,490	69,870	79,367	93,144	1,09,574
Contingent Liabilities	820	616	-	-	-

Cash Flow

YE: Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
EBIT (incl. other income)	15,582	13,571	14,944	21,366	25,412
Non-cash items	2,609	2,962	3,348	3,638	3,927
OCF before WC changes	18,191	16,532	18,292	25,004	29,340
Incr./ (decr.) in WC	(3,031)	6,964	3,075	3,030	3,435
Others including taxes	3,944	3,919	4,206	5,892	7,020
Operating cash-flow	17,278	5,649	11,011	16,083	18,884
Capex	2,583	5,878	4,500	4,500	4,500
Free cash-flow	14,695	(229)	6,511	11,583	14,384
Acquisitions	-	-	-	-	-
Dividend	4,071	4,703	3,133	3,759	4,386
Equity raised	312	267	-	-	-
Debt raised	(1,467)	(4,563)	-	-	-
Fin Investments	6,051	(5,204)	10,000	10,000	10,000
Misc. Items (CFI + CFF)	(795)	(917)	(1,892)	(2,061)	(2,423)
Net cash-flow	4,212	(3,107)	(4,729)	(115)	2,422

Ratios @ Rs 1,400

YE: Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	68.1	76.0	65.0	46.7	39.3
EV/EBITDA (x)	45.0	49.8	43.2	31.2	26.2
EV/sales (x)	5.7	4.7	4.2	3.7	3.2
P/B (x)	13.6	12.3	10.8	9.1	7.7
RoE (%)	19.9	16.2	16.6	19.5	19.6
RoCE (%)	26.0	21.6	23.1	27.4	27.6
ROIC (%)	36.4	28.9	29.5	38.3	42.5
DPS (Rs per share)	7.5	4.5	5.0	6.0	7.0
Dividend yield (%)	0.6	0.3	0.4	0.5	0.5
Dividend payout (%)	39.3	26.3	25.0	21.6	21.2
Net debt/equity (x)	(0.4)	(0.3)	(0.3)	(0.4)	(0.4)
Receivables (days)	20	21	21	21	21
Inventory (days)	78	80	80	80	80
Payables (days)	62	57	55	55	55
CFO:PAT (%)	144	53	88	92	91

Source: Company, Systematix Institutional Research



TM

KEI Industries

Robust demand intact; huge capex to drive 15%+ revenue CAGR

COMPANY UPDATE

Sector: Consumer Electricals **Rating:** HOLD

CMP: Rs 3,280 **Target Price:** Rs 3,325

Stock Info

Sensex/Nifty	72,427/22,041
Bloomberg	KEII IN
Equity shares (mn)	90.2
52-wk High/Low	3385/1518
Face value	Rs 2
M-Cap	Rs 295.8bn/USD 3.5bn
3-m avg turnover	USD 11.7mn

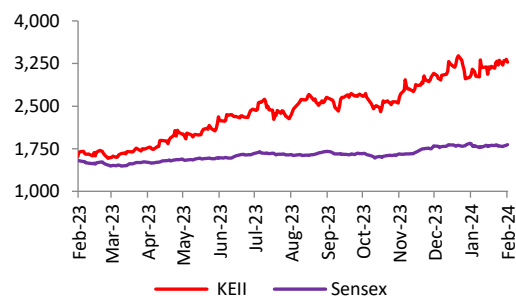
Financial Snapshot (Rs mn)

Y/E Mar	FY24E	FY25E	FY26E
Net sales	80,902	93,266	1,07,979
EBITDA	8,453	10,164	12,081
OPM (%)	10.4	10.9	11.2
PAT (adj.)	5,849	7,111	8,577
EPS (adj.) (Rs)	64.9	78.8	95.1
PE (x)	50.6	41.6	34.5
P/B (x)	9.4	7.8	6.5
EV/EBITDA (x)	34.4	28.3	23.5
RoE (%)	18.6	18.7	18.7
RoCE (%)	27.1	27.2	27.2
Net-D/E (x)	(0.2)	(0.2)	(0.3)

Shareholding Pattern (%)

	Dec'23	Sep'23	Jun'23
Promoter	37.1	37.1	37.1
- Pledged			
FII	31.0	29.6	27.7
DII	16.1	17.7	19.6
Others	15.9	15.7	15.7

Stock Performance (1-year)



KEI (KEII) healthy and inline 3Q (volume/revenue/EBITDA/PAT up 13%/16%/19%/17% YoY) was led by ~2x surge in EHV cable sales (Rs 1.86bn) and exports (Rs 1.96bn). EBITDA margin came flattish at 10.5%. The strong Rs 38.3bn order book comprises of EPC (Rs 9.5bn), exports (Rs 4.8bn) and all verticals. Retail sales (up 16.4% YoY) contributed 46% to total sales (to reach 50% soon). Pan-India network expansion is helping KEI to gain market-share in wires. Looking at robust market potential, KEI plans to invest over Rs 15bn over the next 3 years (~Rs 5bn annually) in building capacities across product lines and achieve 15%+ revenue CAGR. The ongoing capex of Rs 1.1bn at Chinchwad for Housewire is likely to be operational in phases by Mar'25 and would have ~Rs 9bn revenue potential. The greenfield plant (~Rs 10bn capex at Sanand over the next 3 years) is likely to be operational in phases from 4QFY25 having Rs 50bn revenue potential. Rise in scale and superior mix (retail, EHV) will drive EBITDA margins towards 12% in 3 years (~10.5% currently). We had broadly maintained our earnings estimates post an inline 3Q result and expect 16%/20%/22% CAGR in revenue/EBITDA/PAT over FY23-26E (FY18-23: 15%/16%/27% CAGR). Healthy RoE (19%), RoCE (27%) and RoIC (36%) in FY26E should sustain. Strong OCFs (~Rs 5-6bn annually) will be deployed towards planned capex. We remain sanguine about KEI's promising growth prospects. However, post significant re-rating and currently at ~34x FY26E P/E, we maintain HOLD rating on the stock with an unchanged TP of Rs 3,325 (35x FY26E P/E). Strong earnings growth visibility would continue to evince investor interest, in our view.

Healthy and broadly inline 3Q: Revenue/EBITDA/PAT grew 16%/19%/17% YoY (~5% miss on our estimates). Gross margin contracted 39bps QoQ to 24.8%, EBITDA margin came flat at 10.5%. Net debt stood at Rs 25mn at end-Dec'23 incl. acceptance of Rs 337mn and channel-finance of Rs 1.3bn. The pending order book of Rs 38.3bn includes Rs 9.5bn of EPC and Rs 4.8bn exports.

3Q volumes up 13% YoY (up 22% in 9M); sharp uptick in EHV cables and exports: Volumes grew strongly by 13% YoY in 3Q and 22% YoY in 9M. Infrastructure, construction and real-estate sectors continue to drive volume growth. In wires, KEI is regularly gaining market share on network expansion pan-India and still sees many white spaces to expand further. Domestic EHV cable sales surge ~2x YoY to Rs 1.84bn; a ~Rs 6bn annual revenue is likely till FY26 until new capacity comes on stream. Retail sales (up 16.4% YoY) contributed 46% to total sales. Exports almost doubled YoY to Rs 1.96bn and are on a strong footing; KEI is looking to expand its geographical footprint. Robust market potential and huge capex plans will help KEI to achieve a 15%+ revenue CAGR over the next 5 years. Rise in scale and superior mix (retail, EHV) will drive EBITDA margins to 12% in 3 years. ([concall KTAs](#))

Large capex to achieve 15%+ revenue CAGR over 5 years: KEI plans to invest over Rs 15bn over next 3 years (FY24E Rs 5bn) in building capacities across product lines. The recently commissioned LT cables capacity in Silvassa can generate Rs 5bn revenue. The greenfield plant (~Rs 10bn capex at Sanand over the next 3 years) is likely to be operational in phases from 4QFY25 having Rs 50bn revenue potential. Strong earnings, tight WC management and a rise in channel financing (~40% of sales) could drive healthy cash flows, which KEI would use for growth capex.

3QFY24 concall key highlights and outlook

Result commentary & Outlook:

- **Volume growth:** 3Q up 13% YoY; 9M up 22% YoY
- Infrastructure, construction and real-estate sectors driving growth
- **Wires - gaining market share** on network expansion; sees many white spaces
- Cables segment is currently facing capacity constraints (95% CU)
- Wires segment has sufficient capacities to drive strong growth
- Brownfield capex will drive 16-17% revenue growth for next 2 years
- Greenfield capex gives visibility for 15%+ CAGR in long-term
- **EBITDA margin** will remain at ~11% in near term
- **A&P spend** to be < 2%; IPL - renewed contract with Royal Challengers Bangalore
- **EHV cables** will remain at ~Rs 6bn revenue till FY26 till new capacity is operational at Sanand, Gujarat
- **WC-cycle** scope to reduce to 2.2 month from 2.4 month currently (similar in domestic and exports)
- Price gap of ~5% with leaders will narrow by 1% each year
- Cables cost is ~4% of the total cost of a large project

Capex plans - FY24: Rs 4.5bn; FY25: Rs 5bn

- Chinchwada brownfield capex of Rs1.1bn for house wires (Rs 8-9bn revenue potential) to be fully operational in phases by Mar'25
- Gujarat Sanand capex of Rs 8-10bn
 - o Construction work has started
 - o Phase-1 of Rs 3bn LT/HT cables to be operational in 4QFY25 followed by EHV cables in next 6 months
 - o Capex spend thereafter will be in phases of Rs 3-4bn each over next 2-3 years

3QFY24 segment performance:

- Total institutional sales including exports was up 13% YoY at Rs 9.4bn
- Domestic EHV cable sales rose to 2x YoY at Rs 1.84bn
- Exports almost doubled YoY to Rs 1.96bn
- Retail sales up 16.4% at Rs 9.5bn, contributing 46% to total rev (46.9% in 9M)
- EPC rev up 53% YoY; SS wires sales down 15% YoY

Pending order book Rs 38.3bn [EPC Rs 9.5bn, EHV Rs 5.94bn, Exports Rs 4.8bn, rest domestic cables]

Net debt at Rs 25mn at end-Dec'23 including acceptance of Rs 337mn and channel-finance of Rs 1.3bn

Exhibit 1: KEI Industries – Quarterly results (Consolidated)

(Rs mn)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	YoY (%)	QoQ (%)	9MFY24	9MFY23	YoY (%)
Total Income	17,843	19,545	17,826	19,466	20,617	16	6	57,909	49,578	17
Raw material costs	13,445	14,427	13,342	14,552	15,494	15	6	43,388	37,297	16
Employee costs	595	657	650	662	664	12	0	1,976	1,663	19
Other expenses	1,982	2,424	2,051	2,213	2,290	16	3	6,554	5,595	17
EBITDA	1,822	2,038	1,783	2,039	2,169	19	6	5,990	5,024	19
Depreciation	144	143	147	156	154	7	(1)	456	428	7
Finance costs	78	101	89	75	109	40	45	274	246	11
Other income	138	51	83	77	118	(14)	54	278	226	23
PBT	1,737	1,845	1,630	1,884	2,024	17	7	5,538	4,575	21
Tax	451	464	416	482	518	15	7	1,416	1,183	20
PAT	1,286	1,381	1,214	1,402	1,507	17	7	4,123	3,392	22
EPS (Rs)	14.3	15.3	13.5	15.5	16.7	17	7	45.7	37.6	22
As % Total Income						YoY (bps)	QoQ (bps)			YoY (bps)
Gross margin	24.7	26.2	25.2	25.2	24.8	20	(39)	25.1	24.8	30
Employee costs	3.3	3.4	3.6	3.4	3.2	(11)	(18)	3.4	3.4	6
Other expenses	11.1	12.4	11.5	11.4	11.1	(0)	(26)	11.3	11.3	3
EBITDA margin	10.2	10.4	10.0	10.5	10.5	31	5	10.3	10.1	21
Depreciation	0.8	0.7	0.8	0.8	0.7	(6)	(5)	0.8	0.9	(8)
Finance costs	0.4	0.5	0.5	0.4	0.5	9	14	0.5	0.5	(2)
Other income	0.8	0.3	0.5	0.4	0.6	(20)	18	0.5	0.5	2
PBT	9.7	9.4	9.1	9.7	9.8	8	14	9.6	9.2	34
Effective tax rate	26.0	25.1	25.5	25.6	25.6	(42)	(2)	25.6	25.9	(29)
PAT	7.2	7.1	6.8	7.2	7.3	10	11	7.1	6.8	28
Revenue mix (Rs mn)						YoY (%)	QoQ (%)			YoY (%)
Insti cables - domestic	7,230	8,140	5,420	6,800	7,400	2	9	19,620	18,560	6
Insti cables - exports	1,050	1,240	2,380	1,830	1,960	87	7	6,170	3,780	63
Retail sales	8,160	8,220	8,420	9,230	9,490	16	3	27,140	22,760	19
Revenue mix (%)	45.7	42.0	47.2	47.4	46.0			46.9	45.9	
LT cable	7,150	8,140	7,210	7,360	7,640	7	4	22,210	20,260	10
HT cable	3,600	3,570	2,980	2,600	3,640	1	40	9,220	8,510	8
EHV	1,030	1,110	510	1,910	1,860	81	(3)	4,280	2,550	68
Housewire/WW	4,660	4,780	5,520	5,990	5,710	23	(5)	17,220	13,770	25
Stainless steel	540	630	580	580	460	(15)	(21)	1,620	1,850	(12)
EPC	950	1,350	1,110	1,130	1,460	54	29	3,700	2,700	37
Segment EBIT (%)						YoY (bps)	QoQ (bps)			YoY (bps)
Wires & Cables	9.3	9.4	8.8	10.8	10.6	131	(22)	10.1	9.0	110
Stainless Steel	10.0	9.2	5.3	6.1	7.8	(228)	165	6.3	6.9	(60)
EPC	12.5	6.5	13.9	10.0	11.6	(92)	159	11.5	10.8	69
Un-allocable expenses	0.8	0.3	0.5	0.4	0.6	(20)	17	0.6	(0.3)	86

Source: Company, Systematix Institutional Research

*Note: Segment EBIT margin is as reported and not adjusted for the un-allocable expense/income

Valuation and View

We remain optimistic on KEII's strong earnings growth potential, supported by healthy demand in its cable business across institutional, retail and export verticals. Given the lower proportion of EPC in its overall sales mix, we believe a shorter working capital cycle should help the company in generating healthy FCF.

We had broadly maintained our earnings estimates post an inline 3Q result and expect 16%/20%/22% CAGR in revenue/EBITDA/PAT over FY23-26E (FY18-23: 15%/16%/27% CAGR). Healthy RoE (19%), RoCE (27%) and RoIC (36%) in FY26E should sustain. Strong OCFs (~Rs 5-6bn annually) will be deployed towards planned capex.

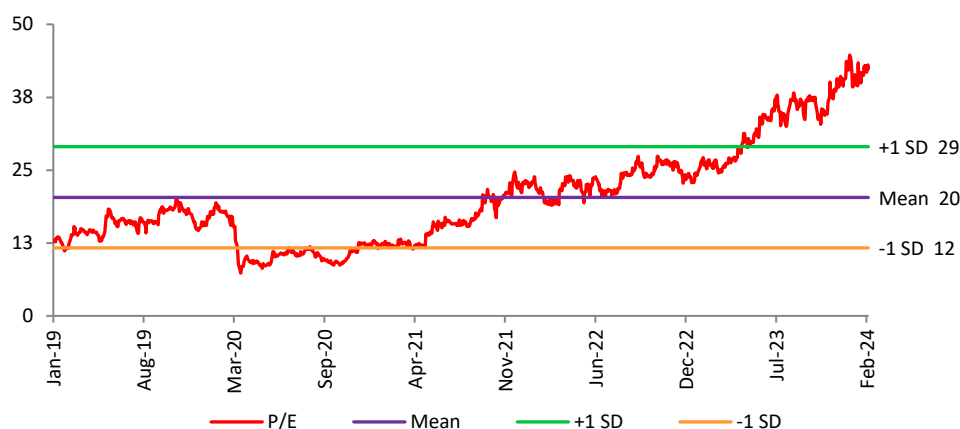
We remain sanguine about KEII's promising growth prospects. However, post significant re-rating and currently at ~34x FY26E P/E, we maintain **HOLD** rating on the stock with an unchanged TP of Rs 3,325 (35x FY26E P/E). Strong earnings growth visibility would continue to evince investor interest, in our view.

Exhibit 2: Change in estimates

(Rs mn)	Estimates before 3QFY24 result			Estimates after 3QFY24 result			% Var			Bloomberg estimates			% Var vs. Systematix		
	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26
Revenue (Rs bn)	80.9	93.3	108.0	80.9	93.3	108.0	-	-	-	81.6	95.6	113.2	1	3	5
EBITDA	8,453	10,164	12,081	8,453	10,164	12,081	-	-	-	8,586	10,576	12,889	2	4	7
EBITDA margin (%)	10.4	10.9	11.2	10.4	10.9	11.2				10.5	11.1	11.4			
PAT	5,849	7,111	8,577	5,849	7,111	8,577	-	-	-	5,931	7,300	9,049	1	3	6
EPS (Rs)	64.9	78.8	95.1	64.9	78.8	95.1	-	-	-	65.6	79.7	98.9	1	1	4

Source: Systematix Institutional Research

Exhibit 3: P/E band – 1-year-forward and standard deviation (SD)



Source: BSE, Systematix Institutional Research

Key risks

- **Volatile raw material (RM) prices:** Copper and aluminium are key raw materials in W&C, constituting ~70% of costs. Any substantial volatility in RM prices could cause fluctuations in operating margins, posing a key risk to our estimates.
- **Slowdown in government's infra push:** Government's push on infra has been a key growth driver for W&C since the past few years. Any slowdown in this spending could have a huge impact on KEII's growth.

KEI INDUSTRIES (FINANCIALS)

Profit & Loss Statement

YE: Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net revenues	57,266	69,123	80,902	93,266	1,07,979
<i>Growth (%)</i>	37	21	17	15	16
Raw material expenses	42,142	51,724	60,587	69,614	80,498
<i>Gross Margin (%)</i>	26.4	25.2	25.1	25.4	25.5
Employee & Other exp.	9,237	10,338	11,862	13,488	15,400
EBITDA	5,887	7,062	8,453	10,164	12,081
<i>EBITDA margins (%)</i>	10.3	10.2	10.4	10.9	11.2
Depreciation	555	571	620	727	842
Other income	146	276	406	468	594
Finance costs	404	347	383	354	313
PBT	5,074	6,420	7,856	9,550	11,519
<i>Effective tax rate (%)</i>	25.9	25.6	25.5	25.5	25.5
Associates/(Minorities)	-	-	-	-	-
Net Income	3,759	4,773	5,849	7,111	8,577
Adjusted net income	3,759	4,773	5,849	7,111	8,577
Shares outstanding	90	90	90	90	90
FDEPS (Rs)	41.7	52.9	64.9	78.8	95.1
<i>FDEPS growth (%)</i>	39	27	23	22	21

Balance Sheet

YE: Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	180	180	180	180	180
Net worth	21,355	25,892	31,380	37,950	45,805
Total debt	3,520	1,572	1,482	1,392	1,302
Minority interest	(0)	(0)	(0)	(0)	(0)
DT Liability/ (Asset)	294	266	256	246	236
Capital Employed	25,170	27,730	33,118	39,588	47,343
Net tangible assets	5,288	5,656	7,537	9,309	10,967
Net Intangible assets	21	17	17	17	17
Goodwill	-	-	-	-	-
CWIP	165	146	166	186	206
Investments (Strategic)	-	-	-	-	-
Investments (Financial)	20	13	3,013	6,013	9,013
Current Assets	26,176	26,498	29,935	33,311	37,186
Cash	3,600	5,372	3,888	3,717	4,702
Current Liabilities	10,101	9,972	11,437	12,965	14,747
Working capital	16,075	16,527	18,498	20,346	22,438
Capital Deployed	25,170	27,730	33,118	39,588	47,343
Contingent Liabilities	2,867	2,084	-	-	-

Cash Flow

YE: Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
EBIT (incl. other income)	5,483	6,693	7,833	9,437	11,239
Non-cash items	554	571	620	727	842
OCF before WC changes	6,038	7,264	8,453	10,164	12,081
Incr./ (decr.) in WC	2,505	280	1,972	1,848	2,092
Others including taxes	1,246	1,844	2,020	2,453	2,956
Operating cash-flow	2,286	5,139	4,461	5,863	7,033
Capex	584	755	2,520	2,520	2,520
Free cash-flow	1,703	4,384	1,941	3,343	4,513
Acquisitions	-	-	-	-	-
Dividend	224	271	361	541	722
Equity raised	1	0	-	-	-
Debt raised	(191)	(202)	(90)	(90)	(90)
Fin Investments	9	550	3,000	3,000	3,000
Misc. Items (CFI + CFF)	(110)	2,153	(26)	(117)	(284)
Net cash-flow	1,389	1,208	(1,484)	(171)	986

Ratios @ Rs 3,280

YE: Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	78.6	62.0	50.6	41.6	34.5
EV/EBITDA (x)	50.2	41.4	34.4	28.3	23.5
EV/sales (x)	5.2	4.2	3.6	3.1	2.6
P/B (x)	13.8	11.4	9.4	7.8	6.5
RoE (%)	17.6	18.4	18.6	18.7	18.7
RoCE (%)	23.6	25.6	27.1	27.2	27.2
ROIC (%)	18.5	21.7	24.1	34.0	35.7
DPS (Rs per share)	2.5	3.0	4.0	6.0	8.0
Dividend yield (%)	0.1	0.1	0.1	0.2	0.2
Dividend payout (%)	6.0	5.7	6.2	7.6	8.4
Net debt/equity (x)	(0.0)	(0.1)	(0.2)	(0.2)	(0.3)
Receivables (days)	89	73	71	69	67
Inventory (days)	69	58	56	54	52
Payables (days)	49	40	40	40	40
CFO:PAT (%)	61	108	76	82	82

Source: Company, Systematix Institutional Research



TM

Orient Electric

Weak 3Q fans volume likely to revive in 4Q

COMPANY UPDATE

Sector: Consumer Electricals **Rating:** HOLD

CMP: Rs 203 **Target Price:** Rs 225

Stock Info

Sensex/Nifty	72,427/22,041
Bloomberg	ORIENTEL IN
Equity shares (mn)	212.8
52-wk High/Low	282/210
Face value	Rs 1
M-Cap	Rs 43.2bn/USD 0.5mn
3-m avg turnover	USD 1.3mn

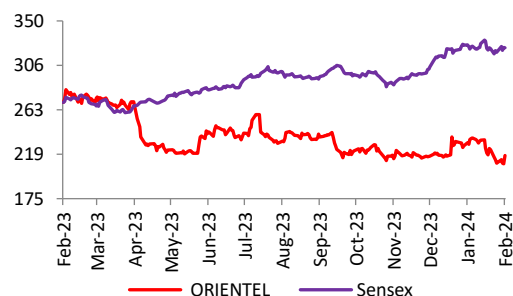
Financial Snapshot (Rs mn)

Y/E Mar	FY24E	FY25E	FY26E
Net sales	28,031	31,394	35,162
EBITDA	1,716	2,832	3,200
OPM (%)	6.1	9.0	9.1
PAT (adj.)	938	1,632	1,916
EPS (adj.) (Rs)	4.4	7.7	9.0
PE (x)	46.0	26.4	22.5
P/B (x)	6.9	6.0	5.1
EV/EBITDA (x)	24.3	14.4	12.5
RoE (%)	15.0	22.5	22.8
RoCE (%)	20.8	34.2	33.7
Net-D/E (x)	(0.2)	(0.3)	(0.4)

Shareholding Pattern (%)

	Dec'23	Sep'23	Jun'23
Promoter	38.3	38.3	38.3
- Pledged			
FII	5.9	5.7	5.5
DII	29.2	30.0	27.9
Others	26.5	26.0	28.3

Stock Performance (1-year)



Orient Electric's (ORIENTEL) 3Q revenue (up 2% YoY) came inline; lower EBITDA margin (6.5% vs. 8% estimated due to soft demand and continued investments in A&P etc.) led to a wide miss in PAT (down 25% YoY). Appliances, lighting and switchgear segment reported healthy growth whilst fans reported muted performance. ECD revenue came flat YoY on account of high base effect, soft consumer demand and discounting in fans. TPW/Exhaust/premium fans and Heating Appliances (room/water heaters) delivered robust growth. Thrust remains on improving distribution in the appliances segment in high potential markets. It continued to improve its market share in the DTM (direct-to-market) states. Lighting & Switchgear (L&S) revenue grew 8% YoY driven by high double-digit growth in B2B segments with increased enquiries and order book in Professional Luminaries and Switchgears. EBIT Margin at 14.2% (up 92bps QoQ) was aided by product mix (increase in share of C-Lum and high wattage lamps) and raw material cost reduction. B2C lighting continued to see price erosion. The Hyderabad plant (Rs 1.8bn capex so far) will boost ceiling and TPW fans portfolio. The cost savings program (Rs 450mn in 9M, guided by McKinsey) could boost margins ahead despite continued high A&P spend (~4.5% of revenue). Post weak 3Q margins, we had cut earnings estimates by 10-15%. After a muted 10%/2%/3% CAGRs in revenue/EBITDA/PAT over FY18-23, we expect 12%/28%/ 36% CAGR over FY23-26E. Maintain HOLD with an unchanged Rs 225 TP, based on 25x FY26E P/E. ([concall KTAs](#))

3Q - revenue inline; lower margins impacted EBITDA/PAT: Revenue grew 1.7% YoY driven by appliances, lighting and switchgear segment whilst fans reported muted performance. Exports grew by high teens. Gross margin increased by 127bps YoY to 29.9% led by mix improvement and input cost reduction; EBITDA margin contracted 92bps YoY to 6.5% on higher employee cost and other expenses. Stocking-up of inventory during festive season resulted in net-WC cycle at 24 days (vs. 20 days LY)

ECD – muted growth in fans impacted revenue; greater focus on appliances ahead: ECD revenue came flat YoY on account of high base effect, soft consumer demand and discounting in fans. TPW, Exhaust and premium fans category showed YoY growth. Heating Appliances (room/water heaters) delivered robust growth. Thrust remains on improving distribution in the appliances segment in high potential markets. It continued to improve its market share in the DTM states. Digital revenue grew by high teens YoY. E-commerce business momentum continued across categories. Exports revenue grew by high teens YoY despite global disturbances, particularly Red Sea disruption in key markets like Iraq, Sri Lanka and Ghana.

Healthy traction in B2B and B2G L&S segments; price erosion continue to impact B2C lighting revenue: L&S revenue grew 8% YoY and 7% QoQ driven by high double-digit growth in B2B segments with increased enquiries and order book in Professional Luminaries and Switchgears. EBIT Margin at 14.2% (up 92bps QoQ) was aided by product mix (increase in share of C-Lum and high wattage lamps) and raw material cost reduction. B2C lighting continued to see price erosion.

Strong traction in direct distribution model; Hyderabad plant to widen product basket: ORIENTEL claimed to have gained market share in Direct-To-Market states (3Q revenue up 36% YoY and 9M up 68% YoY, in 7 states where present). Gujarat DTM is ramping up well. The Hyderabad plant (Rs 1.8bn capex so far) will boost ceiling and TPW fans portfolio. The cost savings program (Rs 450mn in 9M, guided by McKinsey) could boost margins ahead despite continued high A&P spend (~4.5% of revenue).

3QFY24 concall key highlights and outlook

Outlook and Guidance:

- 3Q demand was muted; Fans demand likely to revive from 4Q and cover up for 3Q
- Operating leverage from the investments to kick over next 2 quarters
- 3QFY23 was exceptionally well due to channel filling with non-star rated fans which led to high base effect
- Gross margin improved to 29.9% on input cost reduction and product mix change
- **No impact on the exports demand** as of now due to Red Sea crisis

Launched **15 new products** (12 lighting, 3 ECD)

Not focusing on becoming a large player in wires biz

To implement **DTM model in 4 more states** in next year

EPR financial implication roughly around Rs 150mn; real outcome unclear yet
ECD

- **Fans:** Weak demand coupled with price discounting; de-growth in low single digit
- DTM states grew 36% YoY in 3QFY24 and 68% YoY for 9MFY24
- **DTM market share increased;** Gujarat DTM ramping up in progress
- Heating appliances faced strong demand; TPW, Exhaust and premium category showed growth YoY
- Exports grew by high-teens YoY
- Cheaper range of fans saw low demand, premium continued to do well
- Focus will be on in-house production and product strengthening
- **100k water heaters sold through E-comm**
- Aims **15%+ CAGR over next 3 years**

Lighting and switchgears:

- Value de-growth witnessed in B2C due to price cuts
- Robust B2B demand on government capex on infrastructure and B2G initiatives
- C-Lum grew in double digit and Lamps grew in mid-single digit; P-Lum and Facade saw high double-digit growth
- Switchgear growth was aided by B2B project wins
- House wires displayed robust traction in North

Hyderabad plant:

- Total capex of Rs 1.8bn incurred till date
- TPW/non-ceiling fans installation on course with 3 Chinese engineers on ground
- Focus is on exporting TPW fans

WC cycle elevated at 24 days (vs 20 days LY) on inventory stocking

Net cash at Rs 440mn

Project Sanchay: cost savings of Rs 450mn in 3Q

Large format retail:

- 43% QoQ growth albeit on a low base
- Large modern trade partners were onboarded in Q3

Capex:

- Planned capex for Faridabad plant upgradation for Rs 200mn

Exhibit 1: Orient Electric - Quarterly results

(Rs mn)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	YoY (%)	QoQ (%)	9MFY24	9MFY23	YoY (%)
Total Income	7,390	6,579	7,056	5,669	7,519	2	33	20,245	18,713	8
Raw material costs	5,275	4,715	4,893	3,952	5,272	(0)	33	14,117	13,527	4
Employee costs	573	451	671	583	636	11	9	1,890	1,475	28
Other expenses	993	950	1,052	928	1,122	13	21	3,101	2,664	16
EBITDA	549	464	440	207	489	(11)	137	1,136	1,046	9
Depreciation	139	137	143	142	150	9	6	435	398	10
Finance costs	60	61	59	52	54	(11)	4	165	160	3
Other income	86	63	29	34	43	(50)	27	105	203	(48)
Exceptional (loss)/profit	-	-	-	187	-			187	-	
PBT	436	328	266	234	328	(25)	40	828	691	20
Tax	110	82	69	49	85	(23)	72	203	179	14
PAT	326	246	197	185	243	(25)	32	625	512	22
EPS (Rs)	1.5	1.2	0.9	0.9	1.1	(25)	32	2.9	2.4	22
As % Total Income						YoY (bps)	QoQ (bps)			YoY (bps)
Gross margin	28.6	28.3	30.7	30.3	29.9	127	(40)	30.3	27.7	255
Employee costs	7.8	6.9	9.5	10.3	8.5	70	(181)	9.3	7.9	145
Other expenses	13.4	14.4	14.9	16.4	14.9	148	(145)	15.3	14.2	108
EBITDA margin	7.4	7.0	6.2	3.6	6.5	(92)	286	5.6	5.6	2
Depreciation	1.9	2.1	2.0	2.5	2.0	12	(50)	2.2	2.1	3
EBIT margin	5.5	5.0	4.2	1.1	4.5	(104)	336	3.5	3.5	(1)
Finance costs	0.8	0.9	0.8	0.9	0.7	(10)	(20)	0.8	0.9	(4)
Other income	1.2	1.0	0.4	0.6	0.6	(60)	(2)	0.5	1.1	(56)
PBT	5.9	5.0	3.8	0.8	4.4	(153)	353	3.2	3.7	(53)
Effective tax rate	25.3	25.0	26.0	21.1	25.8	54	477	24.5	25.9	(134)
PAT	4.4	3.7	2.8	3.3	3.2	(117)	(2)	3.1	2.7	35
Segment Revenues						YoY (%)	QoQ (%)			YoY (%)
ECD	5,388	4,577	5,150	3,634	5,352	(1)	47	14,137	12,942	9
Lighting/switchgear (L&S)	2,003	2,003	1,906	2,035	2,167	8	7	6,108	5,771	6
Segment EBIT (%)						YoY (bps)	QoQ (bps)			YoY (bps)
ECD	12.0	9.7	9.5	8.2	11.3	(71)	309	9.8	8.9	93
Lighting/switchgear (L&S)	15.6	19.5	16.1	13.2	14.2	(139)	92	14.5	13.4	110
Blended	12.9	12.7	11.3	10.0	12.1	(84)	211	11.2	10.3	95
<i>Un-allocable exp as % net sales</i>	<i>6.7</i>	<i>7.0</i>	<i>6.9</i>	<i>8.6</i>	<i>7.2</i>	<i>59</i>	<i>(134)</i>	<i>7.5</i>	<i>5.9</i>	<i>157</i>

Source: Company, Systematix Institutional Research

Note: Segment EBIT margin is as per reported numbers and not adjusted for the unallocable expenses/income.

Valuation and View

ORIENTEL is a leader in fans and lighting, is also striving to expand in newer categories (appliances, switchgear, etc). The new management's renewed focus since 2015 has helped ORIENTEL reposition itself as a serious, young and energetic player, focused on premiumisation and innovation. From master distributor model, the company is also exploring direct-distribution channel in few markets to gain market share in these markets.

Post weak 3Q margins, we had cut earnings estimates by 10-15%. After a muted 10%/2%/3% CAGRs in revenue/EBITDA/PAT over FY18-23, we expect 12%/28%/ 36% CAGR over FY23-26E. The cost savings program (Rs 450mn in 9M, guided by McKinsey) could boost margins ahead despite continued high A&P spend (~4.5% of revenue). Maintain **HOLD** with an unchanged Rs 225 TP, based on 25x FY26E P/E.

Exhibit 2: Change in estimates

(Rs mn)	Estimates before 3QFY24 result			Estimates after 3QFY24 result			% Var			Bloomberg estimates			% Var vs. Systematix		
	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26
Revenue	28,031	31,394	35,162	28,031	31,394	35,162	-	-	-	28,777	33,008	36,814	3	5	5
EBITDA	1,716	2,832	3,200	1,716	2,832	3,200	-	-	-	1,841	2,659	3,140	7	(6)	(2)
EBITDA margin (%)	6.1	9.0	9.1	6.1	9.0	9.1				6.4	8.1	8.5			
PAT	938	1,632	1,916	938	1,632	1,916	-	-	-	884	1,444	1,765	(6)	(12)	(8)
EPS (Rs)	4.4	7.7	9.0	4.4	7.7	9.0	-	-	-	4.3	6.8	8.3	(2)	(12)	(8)

Source: Systematix Institutional Research

Exhibit 3: P/E band – 1-year-forward and standard deviation



Source: BSE, Systematix Institutional Research

Key risks

- **RM price volatility:** RM comprises ~65% of ORIENTEL's revenues; any marked volatility here could hamper its earnings/profitability if it is unable to hike prices.
- **Heavy dependence on summer-relevant products:** ORIENTEL's ECD division largely manufactures summer-relevant products like fans and coolers. Thus, a cooler summer could impact the company's performance.

ORIENT ELECTRIC (FINANCIALS)

Profit & Loss Statement

YE: Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net revenues	24,484	25,292	28,031	31,394	35,162
Growth (%)	20	3	11	12	12
Raw material expenses	17,666	18,242	19,490	21,232	23,752
Gross Margin (%)	27.8	27.9	30.5	32.4	32.4
Employee & Other exp.	4,504	5,540	6,825	7,330	8,210
EBITDA	2,313	1,510	1,716	2,832	3,200
EBITDA margins (%)	9.4	6.0	6.1	9.0	9.1
Depreciation	471	535	590	655	715
Other income	58	266	155	165	185
Finance costs	203	222	220	170	120
PBT	1,698	1,019	1,248	2,172	2,550
Effective tax rate (%)	25.4	25.6	24.9	24.9	24.9
Associates/(Minorities)	-	-	-	-	-
Net Income	1,266	758	938	1,632	1,916
Adjusted net income	1,266	758	938	1,632	1,916
Shares outstanding	212	213	213	213	213
FDEPS (Rs)	6.0	3.6	4.4	7.7	9.0
FDEPS growth (%)	6	(40)	24	74	17

Balance Sheet

YE: Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	212	213	213	213	213
Net worth	5,413	5,846	6,252	7,246	8,418
Total debt	147	101	101	101	101
Minority interest	-	-	-	-	-
DT Liability/ (Asset)	-	-	-	-	-
Capital Employed	5,560	5,947	6,353	7,347	8,519
Net tangible assets	1,900	2,075	2,280	2,220	2,099
Net Intangible assets	234	216	221	226	231
Goodwill	-	-	-	-	-
CWIP	15	827	829	831	833
Investments (Strategic)	-	-	-	-	-
Investments (Financial)	-	-	500	1,500	2,500
Current Assets	8,219	7,887	8,648	9,553	10,564
Cash	1,505	1,642	1,087	878	873
Current Liabilities	6,313	6,699	7,211	7,860	8,581
Working capital	1,905	1,188	1,437	1,693	1,983
Capital Deployed	5,560	5,947	6,353	7,347	8,519
Contingent Liabilities	178	178	-	-	-

Cash Flow

YE: Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
EBIT (incl. other income)	1,930	1,144	1,313	2,177	2,485
Non-cash items	471	535	590	655	715
OCF before WC changes	2,401	1,679	1,903	2,832	3,200
Incr./ (decr.) in WC	1,969	(714)	249	256	290
Others including taxes	445	496	332	561	655
Operating cash-flow	(13)	1,897	1,322	2,014	2,255
Capex	423	1,136	802	602	602
Free cash-flow	(435)	761	520	1,412	1,653
Acquisitions	-	-	-	-	-
Dividend	424	425	532	638	745
Equity raised	-	89	-	-	-
Debt raised	(168)	(46)	-	-	-
Fin Investments	(1,172)	58	500	1,000	1,000
Misc. Items (CFI + CFF)	45	185	43	(17)	(87)
Net cash-flow	99	137	(555)	(209)	(5)

Ratios @ Rs 203

YE: Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	34.0	56.9	46.0	26.4	22.5
EV/EBITDA (x)	18.0	27.6	24.3	14.4	12.5
EV/sales (x)	1.7	1.6	1.5	1.3	1.1
P/B (x)	8.0	7.4	6.9	6.0	5.1
RoE (%)	23.4	13.0	15.0	22.5	22.8
RoCE (%)	37.0	21.6	20.8	34.2	33.7
ROIC (%)	60.4	26.0	27.1	46.5	50.4
DPS (Rs per share)	2.0	1.5	2.5	3.0	3.5
Dividend yield (%)	1.0	0.7	1.2	1.5	1.7
Dividend payout (%)	34	42	57	39	39
Net debt/equity (x)	(0.3)	(0.3)	(0.2)	(0.3)	(0.4)
Receivables (days)	62	54	50	50	50
Inventory (days)	49	41	45	45	45
Payables (days)	67	65	65	65	65
CFO:PAT (%)	(1)	250	141	123	118

Source: Company, Systematix Institutional Research



TM

Polycab

Broadly inline 3Q; robust outlook intact

COMPANY UPDATE

Sector: Consumer Electricals **Rating:** BUY

CMP: Rs 4,658 **Target Price:** Rs 5,654

Stock Info

Sensex/Nifty	72,427/22,041
Bloomberg	POLYCAB IN
Equity shares (mn)	149.7
52-wk High/Low	5,691/2,753
Face value	Rs 10
M-Cap	Rs 697.3bn/USD 8.3bn
3-m avg turnover	USD 67.4mn

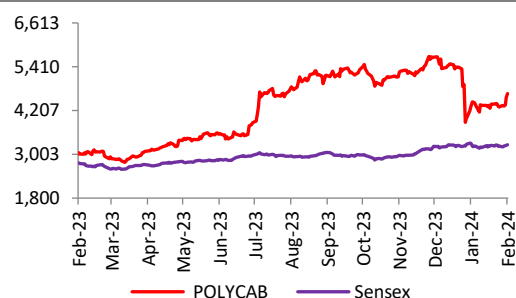
Financial Snapshot (Rs mn)

Y/E Mar	FY24E	FY25E	FY26E
Net sales	1,74,974	2,02,135	2,33,517
EBITDA	24,432	29,034	33,775
OPM (%)	14.0	14.4	14.5
PAT (adj.)	17,414	20,787	24,532
EPS (adj.) (Rs)	116.3	138.8	163.8
PE (x)	40.1	33.6	28.4
P/B (x)	8.7	7.2	6.0
EV/EBITDA (x)	27.5	22.8	19.3
RoE (%)	21.7	21.5	21.2
RoCE (%)	32.0	32.0	31.3
Net-D/E (x)	(0.3)	(0.4)	(0.4)

Shareholding Pattern (%)

	Dec'23	Sep'23	Jun'23
Promoter	65.8	65.9	66.0
- Pledged			
FII	13.4	12.4	9.7
DII	7.6	8.1	9.7
Others	13.2	13.6	14.6

Stock Performance (1-year)



Polycab's (POLYCAB) 3QFY24 result came broadly in line with its revenue/EBITDA/PAT growing healthy 17%/13%/15% YoY to Rs 43.4bn/Rs 5.7bn/Rs 4.1bn (~5% miss on our estimates). Revenues were all driven by strong volumes in C&W. EBITDA margin contracted to 13.1% (down 44bps YoY and 132bps QoQ), mainly due to higher A&P spends. Net cash further improved to Rs 18.4 bn vs. Rs 15.3 bn QoQ. Business is running as usual and POLYCAB has not yet received any communication from the IT department on their findings during search operation. Management expects strong traction in domestic C&W to sustain on healthy public and private capex. FMEG's performance too should improve after channel rejig. It has upped its FY24 capex budget to Rs 8-9bn (from Rs 6-7bn earlier) and has maintained Rs 6bn+ annual capex in FY25 and beyond. Post 3Q, we broadly maintained our earnings estimates and expect 18%/22%/25% CAGR in revenue/EBITDA/PAT over FY23-26E (FY18-23: 16%/21%/29%), with RoIC of ~47%, RoE of ~22%, and likely strong FCFs. 'Project LEAP' provides comfort on POLYCAB's long-term sustainable growth. We remain structurally positive on C&W industry and POLYCAB's prospects. Maintain BUY with a revised Rs 5,654 TP at 35x FY26E P/E (earlier Rs 5,171 at 32x). ([concall KTAs](#))

3Q – robust traction continued: Revenue/EBITDA/PAT grew healthy 17%/13%/15% YoY to Rs 43.4bn/Rs 5.7bn/Rs 4.1bn (~5% miss on our estimates). Revenues were driven by strong volumes in C&W. Gross margin stood healthy at 27% (up 128bps YoY, flattish QoQ). However, EBITDA margin contracted to 13.1% (down 44bps YoY and 132bps QoQ), mainly due to higher A&P spends (Cricket World Cup and other events). PAT margin stood high at 9.5% (flattish YoY and QoQ). Net cash further improved to Rs 18.4 bn vs. Rs 15.3 bn QoQ.

C&W – strong volume driven growth; robust outlook intact: Revenue in the C&W segment grew 17% YoY and 3% QoQ, driven by strong volumes. EBIT margin in the segment stood at 14% (up 28bps YoY, down 56bps QoQ). Demand momentum continued to be strong supported by government and private capex. Institutional business growth outpaced distribution business growth. Exports revenue (6.2% mix) was impacted by Israel-Hamas war and distribution led channel transition in USA (likely to revive 4Q onward). QoQ decline in margins was on account of lower exports sales mix and higher A&P spends. The company maintains its robust prospects on the segment with a healthy margin. A&P spend will be maintained at 3-5% of the B2C sales. The FY24 capex budget is raised to Rs 8-9bn (from Rs 6-7bn earlier) and has maintained Rs 6bn+ annual capex in FY25 and beyond.

FMEG remains on a slow recovery path; distribution rejig to aid a rebound: The segment revenue declined 13% YoY and 10% QoQ; The EBIT margin reported a negative 12.4%. Sustained weakness in consumer demand continued to restrict growth. Higher A&P spends and the absence of economies of scale resulted in losses. Fans grew sequentially, but registered YoY de-growth, on account of a higher base of the previous year due to stock liquidation activities prior to the BEE transition. The BLDC portfolio has seen healthy traction; the *Silencio* series will be soon available pan India. Lighting saw 5% more price erosion after a 20-25% reduction in last 1 year. Both Switches & Switchgears segments exhibited robust growth during 3Q. The company merged FMEG and Power businesses under a unified Business Unit Head. However, distribution rejig may impact sales for 2-3 more quarters before scaling up.

3QFY24 concall key highlights and outlook

IT raids - no communication so far from ITD on findings

- Business is running as usual

A&P spend - 2x QoQ in 3Q to Rs 904mn vs. Rs 446bps in 2Q (Rs 636mn in 3QFY23)

- Higher due to Cricket World Cup and other events
- Aims 3-5% of B2C business (~35% of total revenue)

Exports revenue mix: 6.1% in 3Q (8.5% in 9M); expects strong recovery 4Q and beyond

- 3Q impacted by Isreal-Hamas war and transition to distribution model in US (transitory sales loss)

Capex: upped FY24 budget to Rs 8-9bn (9M: Rs 6.3bn)

- Aims Rs 6bn+ in FY25

C&W: 17% YoY revenue growth was mainly driven by volume growth

- Institutional segment outpaced distribution, albeit on lower base
- Wires volume grew in single digits due to rising prices (~5% in 3Q) and slowdown in some states due to elections
- Wires revenue mix in 3Q at ~30% vs 35% normally
- EBIT margin 14% (up 28bps YoY, down 56bps QoQ); lower exports mix and higher ad spends impacted margin
- 3Q capacity utilisation at ~75%
- Robust growth outlook for many years

FMEG - revenue down 13% YoY and 10% QoQ; EBIT margin -12.4%

- Sustained weakness in consumer demand continued to restrict growth
- Higher A&P spends and the absence of economies of scale resulted in losses
- Healthy traction in BLDC Fans portfolio
- *Silencio* series doing well – will be available pan India soon
- Lighting 5% more price erosion after 20-25% reduction in last 1 year
- Both Switches & Switchgears segments exhibited robust growth during 3Q
- Merged FMEG and Power businesses under a unified Business Unit Head
- Distribution rejig may impact sales for 2-3 more quarters before scaling up

Exhibit 1: POLYCAB - Quarterly results (consolidated)

(Rs mn)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	YoY (%)	QoQ (%)	9MFY24	9MFY23	YoY (%)
Total Income	37,152	43,237	38,894	42,177	43,405	17	3	1,24,475	97,841	27
Raw material costs	27,603	32,357	28,581	30,739	31,692	15	3	91,011	72,752	25
Employee costs	1,132	1,187	1,349	1,557	1,494	32	(4)	4,400	3,381	30
Other expenses	3,378	3,598	3,478	3,792	4,524	34	19	11,795	9,282	27
EBITDA	5,038	6,095	5,486	6,089	5,695	13	(6)	17,270	12,426	39
Depreciation	525	535	571	603	619	18	3	1,793	1,557	15
Finance costs	93	282	249	268	322	248	20	839	316	166
Other income	397	515	640	353	710	79	101	1,703	818	108
PBT	4,818	5,794	5,305	5,572	5,464	13	(2)	16,340	11,371	44
Tax	1,199	1,446	1,273	1,274	1,299	8	2	3,846	2,800	37
PAT	3,579	4,248	3,996	4,256	4,129	15	(3)	12,380	8,456	46
EPS (Rs)	23.8	28.3	26.6	28.3	27.5	15	(3)	82.4	56.3	46
As % Total Income						YoY (bps)	QoQ (bps)			YoY (bps)
Gross margin	25.7	25.2	26.5	27.1	27.0	128	(13)	26.9	25.6	124
Employee costs	3.0	2.7	3.5	3.7	3.4	39	(25)	3.5	3.5	8
Other expenses	9.1	8.3	8.9	9.0	10.4	133	143	9.5	9.5	(1)
EBITDA margin	13.6	14.1	14.1	14.4	13.1	(44)	(132)	13.9	12.7	117
Depreciation	1.4	1.2	1.5	1.4	1.4	1	(0)	1.4	1.6	(15)
Other Income	1.1	1.2	1.6	0.8	1.6	57	80	1.4	0.8	53
Finance costs	0.2	0.7	0.6	0.6	0.7	49	11	0.7	0.3	35
PBT	13.0	13.4	13.6	13.2	12.6	(38)	(62)	13.1	11.6	151
Effective tax rate	24.9	25.0	24.0	22.9	23.8	(112)	91	23.5	24.6	(108)
PAT	9.6	9.8	10.3	10.1	9.5	(12)	(58)	10.0	8.8	128
Segment Revenues						YoY (%)	QoQ (%)			YoY (%)
Wires & Cables	33,418	40,783	35,338	38,047	39,041	17	3	1,12,426	86,992	29
FMEG	3,420	3,052	3,145	3,300	2,962	(13)	(10)	9,407	9,555	(2)
Others (EPC)	1,260	1,338	1,496	2,015	2,475	96	23	5,986	3,309	81
Less: Inter segment	827	1,784	781	1,074	701	(15)	(35)	2,556	1,781	44
Segment EBIT (%)						YoY (bps)	QoQ (bps)			YoY (bps)
Wires & Cables	13.7	14.5	14.8	14.6	14.0	28	(56)	14.4	12.4	200
FMEG	(0.7)	(2.3)	(1.8)	(1.8)	(12.4)			(5.1)	0.1	
Others (EPC)	12.1	6.1	12.3	11.2	15.9	388	477	13.4	13.2	25
Blended	12.4	13.2	13.4	13.2	12.4	1	(79)	13.0	11.3	169

Source: Company, Systematix Institutional Research

Note: Segment EBIT margin is as per reported numbers and not adjusted for the unallocable expenses/income

Valuation and View

After having captured the top slot in the C&W space (22-24% market share currently), POLYCAB entered the FMEG segment in FY14, and scaled it up quite fast in a relatively short time. We like the company for its large pan-India manufacturing base, distribution reach, professional management-driven business, strong promoter family and focus on cashflows.

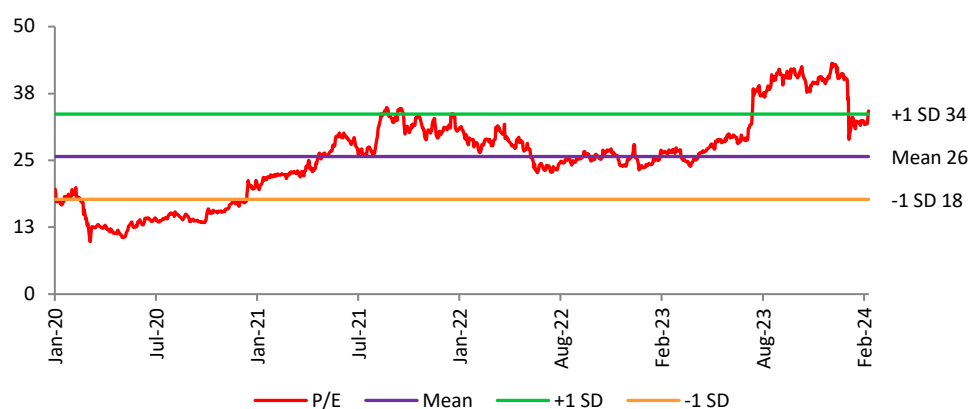
Management expects strong traction in domestic C&W to sustain on healthy public and private capex. FMEG's performance too should improve after channel rejig. It has upped its FY24 capex budget to Rs 8-9bn (from Rs 6-7bn earlier) and has maintained Rs 6bn+ annual capex in FY25 and beyond. Post 3Q, we broadly maintained our earnings estimates and expect 18%/22%/25% CAGR in revenue/EBITDA/PAT over FY23-26E (FY18-23: 16%/21%/29%), with RoIC of ~47%, RoE of ~22%, and likely strong FCFs. 'Project LEAP' provides comfort on POLYCAB's long-term sustainable growth. We remain structurally positive on the C&W industry and POLYCAB's prospects. Maintain **BUY** with a revised Rs 5,654 TP at 35x FY26E P/E (earlier Rs 5,171 at 32x).

Exhibit 2: Change in estimates

(Rs mn)	Estimates before 3QFY24 result			Estimates after 3QFY24 result			% Var			Bloomberg estimates			% Var vs. Systematix		
	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26
Revenue (Rs bn)	175.0	202.1	233.5	175.0	202.1	233.5	-	-	-	174.7	201.8	231.8	(0)	(0)	(1)
EBITDA	24,432	29,034	33,775	24,432	29,034	33,775	-	-	-	24,300	28,020	32,292	(1)	(3)	(4)
EBITDA margin (%)	14.0	14.4	14.5	14.0	14.4	14.5				13.9	13.9	13.9			
PAT	17,414	20,787	24,532	17,414	20,787	24,532	-	-	-	16,986	19,529	22,683	(2)	(6)	(8)
EPS (Rs)	116.3	138.8	163.8	116.3	138.8	163.8	-	-	-	113.5	130.3	151.3	(2)	(6)	(8)

Source: Company, Systematix Institutional Research

Exhibit 3: P/E band – One-year-forward and standard deviation



Source: BSE, Systematix Institutional Research

Key risks

- **Volatile raw material prices:** Copper and aluminium are key raw materials (RM) used in C&W and constitute ~70% of the costs. Any major volatility in RM prices could cause operating margins to fluctuate and pose a key risk to our estimates.
- **Slowdown in government's infra push:** Government's infra push has been a key growth driver for C&W since the last few years. Any slowdown in government infra spending could significantly impact POLYCAB's growth, especially given its huge investments in capacity and branding.

POLYCAB (FINANCIALS)

Profit & Loss Statement

YE: Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net revenues	1,22,038	1,41,078	1,74,974	2,02,135	2,33,517
Growth (%)	39	16	24	16	16
Raw material expenses	94,657	1,05,109	1,28,484	1,47,620	1,70,305
Gross Margin (%)	22.4	25.5	26.6	27.0	27.1
Employee & Other exp.	14,729	17,448	22,057	25,481	29,437
EBITDA	12,652	18,521	24,432	29,034	33,775
EBITDA margins (%)	10.4	13.1	14.0	14.4	14.5
Depreciation	2,015	2,092	2,415	2,792	3,106
Other income	899	1,333	2,161	2,716	3,242
Finance costs	352	598	1,089	1,036	997
PBT	11,184	17,165	23,089	27,922	32,914
Effective tax rate (%)	24.2	24.8	23.9	25.0	25.0
Associates/(Minorities)	(113)	(216)	(154)	(154)	(154)
Net Income	9,086	12,700	17,414	20,787	24,532
Adjusted net income	9,086	12,700	17,414	20,787	24,532
Shares outstanding	149	150	150	150	150
FDEPS (Rs)	60.8	84.8	116.3	138.8	163.8
FDEPS growth (%)	3	39	37	19	18

Balance Sheet

YE: Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	1,494	1,498	1,498	1,498	1,498
Net worth	55,437	66,311	80,131	96,605	1,15,961
Total debt	831	1,551	1,451	1,351	1,251
Minority interest	251	374	411	452	497
DT Liability/ (Asset)	272	409	399	389	379
Capital Employed	56,791	68,646	82,393	98,799	1,18,090
Net tangible assets	16,522	20,466	25,046	27,249	29,139
Net Intangible assets	230	203	208	213	218
Goodwill	-	-	-	-	-
CWIP	3,755	2,508	508	488	468
Investments (Strategic)	93	-	-	-	-
Investments (Financial)	7,641	13,505	19,505	26,505	33,505
Current Assets	41,809	50,607	59,471	68,319	78,382
Cash	4,071	6,952	6,988	9,172	13,920
Current Liabilities	17,328	25,596	29,333	33,148	37,542
Working capital	24,481	25,011	30,138	35,171	40,840
Capital Deployed	56,791	68,646	82,393	98,799	1,18,090
Contingent Liabilities	2,564	4,583	-	-	-

Cash Flow

YE: Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
EBIT (incl. other income)	11,342	16,945	22,317	26,242	30,669
Non-cash items	2,088	2,092	2,415	2,792	3,106
OCF before WC changes	13,430	19,037	24,732	29,034	33,775
Incr./ (decr.) in WC	4,974	1,058	5,127	5,033	5,669
Others including taxes	3,340	3,704	5,392	6,852	8,100
Operating cash-flow	5,115	14,275	14,214	17,149	20,006
Capex	5,265	4,584	5,000	4,980	4,980
Free cash-flow	(150)	9,691	9,214	12,169	15,026
Acquisitions	-	-	-	-	-
Dividend	1,492	2,094	3,594	4,313	5,176
Equity raised	-	-	-	-	-
Debt raised	(168)	332	(100)	(100)	(100)
Fin Investments	(769)	7,665	6,000	7,000	7,000
Misc. Items (CFI + CFF)	121	252	(816)	(1,428)	(1,998)
Net cash-flow	(1,161)	11	336	2,184	4,748

Ratios @ Rs 4,658

YE: Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	76.6	54.9	40.1	33.6	28.4
EV/EBITDA (x)	54.2	36.6	27.5	22.8	19.3
EV/sales (x)	5.6	4.8	3.8	3.3	2.8
P/B (x)	12.6	10.5	8.7	7.2	6.0
RoE (%)	16.4	19.2	21.7	21.5	21.2
RoCE (%)	21.5	28.3	32.0	32.0	31.3
ROIC (%)	26.2	36.1	44.0	45.6	47.2
DPS (Rs per share)	14.0	20.0	24.0	28.8	34.6
Dividend yield (%)	0.3	0.4	0.5	0.6	0.7
Dividend payout (%)	23.0	23.6	20.6	20.7	21.1
Net debt/equity (x)	(0.2)	(0.3)	(0.3)	(0.4)	(0.4)
Receivables (days)	41	34	35	35	35
Inventory (days)	66	76	70	70	70
Payables (days)	36	53	50	50	50
CFO:PAT (%)	56	112	82	82	82

Source: Company, Systematix Institutional Research



TM

V-Guard

Signs of soft demand revival; 4Q likely to be a strong quarter

COMPANY UPDATE

Sector: Consumer Electricals Rating: HOLD

CMP: Rs 300 Target Price: Rs 310

Stock Info

Sensex/Nifty	72,427/22,041
Bloomberg	VGRD IN
Equity shares (mn)	432.2
52-wk High/Low	317/241
Face value	Rs 1
M-Cap	Rs 129.7bn/USD 1.5bn
3-m Avg turnover	USD 1mn

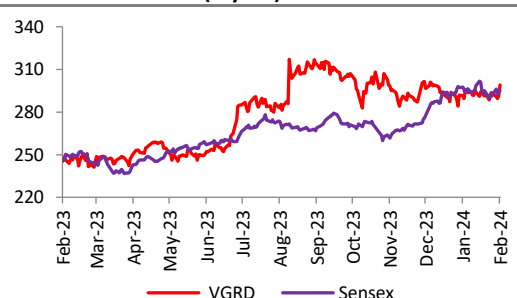
Financial Snapshot (Rs mn)

Y/E Mar	FY24E	FY25E	FY26E
Net sales	47,688	53,669	60,404
EBITDA	4,368	5,507	6,705
OPM (%)	9.2	10.3	11.1
PAT (adj.)	2,666	3,603	4,460
EPS (Rs)	6.2	8.3	10.3
PE (x)	48.6	35.9	29.0
P/B (x)	7.2	6.2	5.3
EV/EBITDA (x)	30.5	23.9	19.3
RoE (%)	14.7	17.2	18.1
RoCE (%)	17.0	20.4	22.5
Net-D/E (x)	0.2	0.1	(0.0)

Shareholding Pattern (%)

	Dec'23	Sep'23	Jun'23
Promoter	54.6	55.6	55.6
- Pledged			
FII	13.0	13.2	12.8
DII	20.5	19.4	19.4
Others	12.0	11.8	12.2

Stock Performance (1-year)



V-Guard's (VGRD) 3Q revenue (up 19% YoY) came inline while EBITDA/PAT missed our estimates on lower-than-expected EBITDA margin (8.7% vs. 9.8% estimated) despite inline gross margin. It generated Rs 4.1bn CFO in 9M; net-debt stands at Rs 1.45bn. Southern and Northern, both regions grew by ~11% YoY. Unlike peers, VGRD saw healthy traction in fans category driven by early liquidation of non-rated fans (in Nov'23). Electronics EBIT margin saw 165bps QoQ contraction while it expanded for other divisions. Amid subdued demand, some signs of revival were seen at the quarter end. After a soft 1H, Sunflame revenue came healthy (up 2% YoY and 24% QoQ) aided by festive demand. Its EBIT margin also expanded 477bps QoQ to 10.8%. Management is confident of accelerating growth in the coming years on the back of measures taken since its acquisition. The acquisition will likely speed up VGRD's expansion in kitchen appliances (cooktops and chimneys contribute ~60%), especially in the non-south markets (80% revenue mix). A Rs 4bn debt taken for acquisition will be repaid in 24 months (starting from Apr'24). With the upcoming summer season and indications of demand revival, VGRD is hopeful of a stronger topline growth in 4Q. Post 3Q, we had cut FY24E/25E earnings by ~6% but kept it unchanged for FY26E. We now estimate a CAGR of 14%/28%/33% in revenue/EBITDA/PAT over FY23-26E (FY18-23: 12%/11%/7%) driven by healthy growth across categories and better margins, as cost pressures recede. Tight WC management would aid healthy OCFs and ~23% RoCE. While we like VGRD's 1) strength in south India, 2) strategy to expand pan India and its product portfolio, and 3) healthy OCF generation, we see low margin of safety in its scrip at 29x FY26E P/E. We thus maintain HOLD rating on the stock, with an unchanged target price of Rs 310 (30x FY26E). Growth and margin trajectory in all segments including Sunflame would be key monitorables.

3Q – revenue inline; PAT missed estimates on lower margin in Electronics division: Revenue/EBITDA/PAT grew 19%/52%/48% YoY. Revenue came inline while EBITDA/PAT missed our estimates on lower-than-expected EBITDA margin (8.7% vs. 9.8% estimated) despite inline gross margin (33.9%, flattish QoQ on softening RM costs). It generated Rs 4.1bn CFO in 9M; net-debt stands at Rs 1.45bn.

Electronics/Electricals/ECD revenue up 17%/8%/11% YoY: Overall subdued consumer spending on discretionary items continued to hurt demand of kitchen and domestic appliances. However, some signs of revival were seen at the quarter end. Southern and Northern, both regions grew by ~11% YoY. Unlike peers, VGRD saw healthy traction in fans category driven by early liquidation of non-rated fans (in Nov'23). Electronics EBIT margin saw 165bps QoQ contraction while it expanded for other divisions. New channels (modern trade, e-commerce), deeper penetration in rural/ non-south areas, in-house manufacturing and new categories remain focus areas. ([concall KTAs](#))

Sunflame revenue up 2% YoY and 24% QoQ with healthy QoQ uptick in margins: After a soft 1H, revenue came healthy aided by festive demand. EBIT margin also expanded 477bps QoQ to 10.8%. Management is confident of accelerating growth in the coming years on the back of measures taken since its acquisition. The acquisition will likely speed up VGRD's expansion in kitchen appliances (cooktops and chimneys contribute ~60%), especially in the non-south markets (80% revenue mix). A Rs 4bn debt taken for acquisition will be repaid in 24 months (starting from Apr'24).

3QFY24 concall key highlights and outlook

3QFY24 & Outlook:

- Soft demand; signs of revival by 3Q-end
- Expects robust 4Q growth on upcoming summer season
- Saw good traction in electronics

One-offs - impacted operating margin

- Expenses for strategic investment project in electronics - Rs 45mn
- Provision for end-of-life product recycling (per legislation) - Rs 45mn
- Write back of doubtful debt of Rs 110mn in 3QFY23 making it a higher base

Geo-mix (3Q)

- South rev grew 10.6% YoY; Non-South rev grew 11.2% YoY
- Non-South mix at 45.6% of total rev in 3Q

Growth order ahead: ECD> Electronics> Electricals

Electricals: Aims 9-9.5% in 4Q; margins are sustainable at 9.5-10%

ECD - Robust growth under fans

- Old fans stock was liquidated by Nov'23, thus no discounting in 3Q to push old stock sales leading to higher growth YoY
- Fan sales have been robust in Jan'24 as well
- Margins under-indexed under fans n Kitchen appliances
- 50-60% inhouse production of fans vs. earlier 100% outsourcing model
- TPW unit to operationalise in FY25
- Under-indexed in electrical Water heaters market

Sunflame - Built-in kitchens, gas cooktops, hoods and stoves to drive growth

- 3Q growth at 2% YoY, arresting the decline in 1H
- 25-30% revenue from E-comm
- To start repaying term loan taken for Sunflame acquisition from Apr'24

Capex and Others:

- Battery and Kitchen units will commence production during 4QFY24
- Ad spends at 2.7% of rev in 3Q (vs. 2.7% LY)
- CFO at Rs 4.1bn for 9M (vs. Rs 4.3bn LY)
- Net debt at Rs 1.45bn as on 3Q is (vs. net cash of Rs 3.4bn LY)
- NWC days at 68 (vs 70 LY)

Exhibit 1: V-Guard – Quarterly results (Consolidated)

(Rs mn)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	YoY (%)	QoQ (%)	9MFY24	9MFY23	YoY (%)
Total Income	9,823	11,401	12,148	11,338	11,654	19	3	35,139	29,880	18
Raw material costs	6,907	7,831	8,199	7,509	7,706	12	3	23,414	21,013	11
Employee costs	776	802	1,040	1,061	826	7	(22)	2,927	2,227	31
Other expenses	1,471	1,781	1,862	1,842	2,106	43	14	5,809	4,411	32
EBITDA	669	987	1,048	925	1,016	52	10	2,989	2,230	34
Depreciation	167	191	198	198	191	15	(3)	587	454	29
Finance costs	24	102	109	93	94	294	1	296	60	390
Other income	50	26	118	142	32	(36)	(77)	291	122	139
PBT	528	721	859	775	763	44	(2)	2,397	1,838	30
Tax	136	193	217	186	180	33	(3)	583	473	23
PAT	393	527	642	590	582	48	(1)	1,814	1,364	33
EPS (Rs)	0.9	1.2	1.5	1.4	1.3	48	(1)	4.2	3.1	33
As % Total Income						YoY (bps)	QoQ (bps)			YoY (bps)
Gross margin	29.7	31.3	32.5	33.8	33.9	419	11	33.4	29.7	369
Employee costs	7.9	7.0	8.6	9.4	7.1	(81)	(227)	8.3	7.5	88
Other expenses	15.0	15.6	15.3	16.2	18.1	309	182	16.5	14.8	177
EBITDA margin	6.8	8.7	8.6	8.2	8.7	191	56	8.5	7.5	104
Depreciation	1.7	1.7	1.6	1.7	1.6	(6)	(10)	1.7	1.5	15
Finance costs	0.2	0.9	0.9	0.8	0.8	57	(1)	0.8	0.2	64
Other income	0.5	0.2	1.0	1.2	0.3	(24)	(98)	0.8	0.4	42
PBT	5.4	6.3	7.1	6.8	6.5	116	(30)	6.8	6.2	67
Effective tax rate	25.7	26.8	25.2	24.0	23.6	(204)	(35)	24.3	25.8	(145)
PAT	4.0	4.6	5.3	5.2	5.0	100	(20)	5.2	4.6	60
Segment Revenues						YoY (%)	QoQ (%)			YoY (%)
Electronics	1,917	2,717	3,637	2,551	2,236	17	(12)	8,424	7,228	17
Electricals	4,364	5,253	4,567	4,623	4,727	8	2	13,917	12,744	9
ECD	3,542	2,862	3,312	3,547	3,928	11	11	10,786	9,908	9
Sunflame	-	569	632	617	763		24	2,011	-	
Segment EBIT (%)						YoY (bps)	QoQ (bps)			YoY (bps)
Electronics	11.6	12.0	16.1	14.5	12.9	129	(165)	14.7	13.6	113
Electricals	9.1	9.1	6.3	8.3	9.1	(2)	78	7.9	7.1	79
ECD	(1.3)	(0.4)	0.3	(0.0)	3.0			1.2	0.9	24
Sunflame	-	14.1	9.2	6.0	10.8		477	8.8	na	
Blended	5.8	7.6	7.8	7.0	7.9	201	89	7.5	6.6	90
Unallocable exp.	(0.2)	(0.4)	0.2	0.7	(0.5)			(0.1)	0.3	

Source: Company, Systematix Institutional Research

*Note: Segment EBIT margin is as per reported numbers and not adjusted for the unallocable expenses/income

Valuation and View

VGRD, a Kochi-based company founded in 1977, started its journey with voltage stabilisers, and has now well-diversified into consumer appliances; it also offers a wide range of light electrical products. A leader in South India, VGRD is expanding its non-Southern footprint as well. New channels (modern trade, e-commerce, ~10% of sales), deeper penetration in rural/ non-southern regions, in-house manufacturing and new categories are VGRD's key focus areas.

Post 3Q, we had cut FY24E/25E earnings by ~6% but kept it unchanged for FY26E. We estimate a CAGR of 14%/28%/33% in revenue/EBITDA/PAT over FY23-26E (FY18-23: 12%/11%/7%) driven by healthy growth across categories and better margins, as cost pressures recede. Tight WC management would aid healthy OCFs and ~23% RoCE.

While we like VGRD's 1) strength in south India, 2) strategy to expand pan India and its product portfolio, and 3) healthy OCF generation, we see low margin of safety in its scrip at 29x FY26E P/E. We thus maintain **HOLD** rating on the stock, with an unchanged target price of Rs 310 (30x FY26E). Growth and margin trajectory in all segments including Sunflame would be key monitorable.

Exhibit 2: Change in estimates

(Rs mn)	Estimates before 3QFY24 result			Estimates after 3QFY24 result			% Var			Bloomberg estimates			% Var vs. Systematix		
	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26
Revenue	47,688	53,669	60,404	47,688	53,669	60,404	-	-	-	48,113	54,261	60,978	1	1	1
EBITDA	4,368	5,507	6,705	4,368	5,507	6,705	-	-	-	4,216	5,285	6,273	(3)	(4)	(6)
EBITDA margin (%)	9.2	10.3	11.1	9.2	10.3	11.1				8.8	9.7	10.3			
PAT	2,666	3,603	4,460	2,666	3,603	4,460	-	-	-	2,588	3,380	4,155	(3)	(6)	(7)
EPS (Rs)	6.2	8.3	10.3	6.2	8.3	10.3	-	-	-	6.1	7.9	9.5	(2)	(6)	(8)

Source: Systematix Institutional Research

Exhibit 3: P/E band – 1-year-forward and standard deviation



Source: BSE, Systematix Institutional Research

Key risks

- High and volatile key raw material prices may impact demand and margins.
- Any slowdown in VGRD's high exposure in the southern region (fraught with severe challenges such as prolonged impact of COVID-19, natural calamity, etc) could impact the company's performance and suppress its growth versus peers.

V-GUARD (FINANCIALS)

Profit & Loss Statement

YE: Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net revenues	35,002	41,260	47,688	53,669	60,404
Growth (%)	29	18	16	13	13
Raw material expenses	24,139	28,844	31,582	35,167	39,193
Gross Margin (%)	31.0	30.1	33.8	34.5	35.1
Employee & Other exp.	7,461	9,217	11,739	12,996	14,506
EBITDA	3,402	3,199	4,368	5,507	6,705
EBITDA margins (%)	9.7	7.8	9.2	10.3	11.1
Depreciation	491	644	793	859	906
Other income	108	164	349	456	483
Finance costs	79	162	387	322	362
PBT	2,940	2,557	3,538	4,782	5,920
Effective tax rate (%)	22.3	26.1	24.7	24.7	24.7
Associates/(Minorities)	7	(1)	(1)	(1)	(1)
Net Income	2,277	1,891	2,666	3,603	4,460
Adjusted net income	2,277	1,891	2,666	3,603	4,460
Shares outstanding	432	432	432	432	432
FDEPS (Rs)	5.3	4.4	6.2	8.3	10.3
FDEPS growth (%)	13	(17)	41	35	24

Balance Sheet

YE: Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	432	432	432	432	432
Net worth	14,070	16,076	18,094	20,963	24,602
Total debt	662	5,119	4,719	4,319	3,919
Minority interest	55	-	-	-	-
DT Liability/ (Asset)	-	1,033	1,033	1,033	1,033
Capital Employed	14,786	22,227	23,845	26,314	29,553
Net tangible assets	4,505	5,665	5,873	6,014	6,108
Net Intangible assets	200	6,822	6,822	6,822	6,822
Goodwill	-	-	-	-	-
CWIP	92	237	137	37	(63)
Investments (Strategic)	3	18	18	18	18
Investments (Financial)	334	334	834	1,834	2,834
Current Assets	15,220	15,324	17,555	19,642	21,973
Cash	613	669	369	578	1,450
Current Liabilities	6,180	6,842	7,763	8,631	9,589
Working capital	9,040	8,482	9,792	11,011	12,384
Capital Deployed	14,786	22,227	23,845	26,314	29,553
Contingent Liabilities	3,334	566	-	-	-

Cash Flow

YE: Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
EBIT (incl. other income)	3,213	2,668	3,576	4,648	5,799
Non-cash items	491	644	793	859	906
OCF before WC changes	3,705	3,313	4,369	5,507	6,705
Incr./ (decr.) in WC	3,185	(1,414)	1,310	1,219	1,373
Others including taxes	888	488	608	915	1,196
Operating cash-flow	(368)	4,238	2,450	3,373	4,136
Capex	1,245	7,627	900	900	900
Free cash-flow	(1,613)	(3,389)	1,550	2,473	3,236
Acquisitions	-	-	-	-	-
Dividend	516	561	648	735	821
Equity raised	46	20	-	-	-
Debt raised	(84)	3,964	(400)	(400)	(400)
Fin Investments	(3)	106	500	1,000	1,000
Misc. Items (CFI + CFF)	36	141	301	129	143
Net cash-flow	(2,200)	(213)	(300)	209	872

Ratios @ Rs 300

YE: Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	56.9	68.5	48.6	35.9	29.0
EV/EBITDA (x)	38.1	41.9	30.5	23.9	19.3
EV/sales (x)	3.7	3.3	2.8	2.5	2.1
P/B (x)	9.2	8.1	7.2	6.2	5.3
RoE (%)	16.2	11.8	14.7	17.2	18.1
RoCE (%)	21.9	14.7	17.0	20.4	22.5
ROIC (%)	24.3	14.9	17.8	20.8	23.8
DPS (Rs per share)	1.3	1.3	1.5	1.7	1.9
Dividend yield (%)	0.4	0.4	0.5	0.6	0.6
Dividend payout (%)	24.6	29.7	24.3	20.4	18.4
Net debt/equity (x)	(0.0)	0.3	0.2	0.1	(0.0)
Receivables (days)	50	50	50	50	50
Inventory (days)	90	68	68	68	68
Payables (days)	51	43	43	43	43
CFO:PAT (%)	(16)	224	92	94	93

Source: Company, Systematix Institutional Research

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DISCLOSURES/APPENDIX

I. ANALYST CERTIFICATION

I, **Ashish Poddar, Pranay Shah, Kalash Jain**, hereby certify that (1) views expressed in this research report accurately reflect my/our personal views about any or all of the subject securities or issuers referred to in this research report, (2) no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report by **Systematix Shares and Stocks (India) Limited (SSSIL)** or its group/associate companies, (3) reasonable care is taken to achieve and maintain independence and objectivity in making any recommendations.

Disclosure of Interest Statement	Update
Analyst holding in the stock	No
Served as an officer, director or employee	No

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