

Continued margin improvement

- CROMPTON's Q3FY25 results were in line with estimates. Revenue increased 5%, led by 6/3% growth in ECD/Lighting resp, however, BGAL was flattish. ECD revenue was mainly led by pumps and appliances, while fans exhibited mid-single-digit growth.
- EBITDAM expanded 180bps YoY to 10.6% led by soft RM costs, better product mix and cost optimization measures.
- The company is strengthening channel partnerships and accelerating premium offering in fans for the summer season. We believe CROMPTON is well placed to benefit from 1) its leadership position in core categories, 2) strong distribution network, 3) innovation and 4) supply chain excellence. We have pared our FY25/26/27E EPS est. by 5/5/4% to Rs 8.4/10.7/13.2 resp. Maintain 'BUY' rating with TP of Rs 444 based on 34x FY27E EPS.

Results in line with estimates

Revenue (incl. BGAL) grew 4.5% YoY to Rs 17.7bn in Q3. Standalone revenue stood at Rs 15.5bn, up 6.0% YoY. At consol level, an 80/10/80bps decline in RM costs/staff costs/other expenses respectively, resulted in EBITDA margin expansion of 180bps YoY to 10.6%. EBITDA grew 25.5% YoY to Rs. 18.8bn. APAT stood at Rs. 1.1bn, up 31% YoY.

Good momentum in ECD segment

ECD segment registered 6.5% YoY sales growth in Q3 (lower vs Havells: +15%, in line with Orient: +7%). Margins expanded by 160bps to 15.2%. Fans saw mid- single-digit growth in off-season driven by TPW category. Pumps grew 19% YoY driven by robust execution of solar pump orders. Non-solar pumps are growing in line with industry. Strong growth in Appliances was led by the highest ever pre-season growth in air coolers; and continued traction in mixer grinders (46% YoY), led by new launches and channel expansion. However, delayed winter impacted water heater sales.

Butterfly business on track

BGAL exhibited Rs 2,380mn in Q3FY25, arresting revenue decline (in line with management guidance). E-com channel sustained momentum. The trade channel remained flat while alternate channels continued to perform well. Despite an increase in input cost, gross margins improved 140bps on the back of pricing and product mix. With optimization of key costs, EBITDA margin expanded 620bps YoY to 7.2%. The company continues to work on channel parity, strengthening core categories and markets, and optimizing resource allocation.

Key Data

Nifty	23,045
Equity / FV	Rs 1,287mn / Rs 2
Market Cap	Rs 219bn
	USD 2.5bn
52-Week High/Low	Rs 484/ 261
Avg. Volume (no)	1,860,910
Bloom Code	CROMPTON IN

	Current	Previous
Rating	BUY	BUY
Target Price	444	470

Change in Estimates

(Rs.bn)	Current FY25E	Current FY26E	Chg (%) /bps FY25E	Chg (%) /bps FY26E
Revenue	79	90	(3.0)	(2.9)
EBITDA	9	10	(2.1)	(3.7)
EBITDA (%)	10.8	11.3	10	(10)
APAT	5	7	(5.4)	(5.0)
EPS (Rs)	8.4	10.7	(5.4)	(5.0)

Valuation (x)

	FY25E	FY26E	FY27E
P/E	40.5	31.8	25.8
EV/EBITDA	25.1	20.6	16.9
ROE (%)	18.0	21.2	22.3
RoACE (%)	15.0	17.8	19.4

Q3FY25 Result (Rs Mn)

Particulars	Q3FY25	YoY (%)	QoQ (%)
Revenue	17,692	4.5	(6.7)
Total Expense	15,812	2.5	(6.6)
EBITDA	1,880	25.5	(7.6)
Depreciation	379	16.8	(0.6)
EBIT	1,501	27.9	(9.2)
Other Income	116	(30.4)	(33.8)
Interest	105	(51.4)	(13.0)
EBT	1,512	34.4	(11.5)
Tax	393	45.4	(8.0)
RPAT	1,119	31.0	(12.6)
APAT	1,119	31.0	(12.6)
		(bps)	(bps)
Gross Margin	33.3	81	58
EBITDA (%)	10.6	178	(10)
NPM (%)	6.3	128	(43)
Tax Rate (%)	26.0	196	98
EBIT (%)	8.5	155	(23)

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Lighting impacted by price erosion and A&P spends

Lighting revenue grew 3% in Q3FY25, (lower vs Orient Electric +11.9%, in line with Havells: +3%). Growth was restricted due to ongoing price erosion. EBIT margins fell 40bps YoY to 10.8%. Stable gross margins were offset by a 480bps increase in A&P spends in Q3. Excl. discontinued conventional lighting business in base, Crompton registered industry leading growth in B2C lighting; led by battens, outdoor lighting and accessories. Strong growth in LED Industrial and commercial segments fueled B2B lighting. The company has secured several large orders despite a slowdown in tendering due to elections.

Exhibit 1: Actual vs Estimates Q3FY25

Particulars (Rs mn)	Actual	Dolat Est.	Var (%)	Comments
Sales	17,692	17,968	(1.5)	
EBITDA	1,880	1,860	1.1	
EBITDA margins %	10.6	10.3	30 bps	Other expenses were lower than estimates
PAT	1,119	1,155	(3.1)	

Source: Company, Dolat Capital

Exhibit 2: Change in Estimates

Particulars (Rs mn)	FY25E			FY26E			FY27E		
	New	Old	Chg.(%)	New	Old	Chg.(%)	New	Old	Chg.(%)
Sales	79,418	81,914	(3.0)	90,398	93,087	(2.9)	1,02,747	1,05,666	(2.8)
EBITDA	8,577	8,765	(2.1)	10,215	10,612	(3.7)	12,073	12,574	(4.0)
EBITDA margins (%)	10.8	10.7	10 bps	11.3	11.4	(10 bps)	11.8	11.9	(10 bps)
PAT	5,408	5,719	(5.4)	6,887	7,248	(5.0)	8,476	8,805	(3.7)
EPS - Rs	8.4	8.9	(5.4)	10.7	11.3	(5.0)	13.2	13.7	(3.7)

Source: Company, Dolat Capital

We have built-in Revenue/PAT CAGR of 12/24% over FY24-27E. We have reduced our revenue estimates due to a high base of fans in Q4 and continued price erosion in B2C lighting. We have broadly maintained our EBITDA margin estimates. On YoY basis, the EBITDA margin is expected to improve due to better product mix and operating synergies. Accordingly, we have revised our PAT estimates.

Exhibit 3: Segmental Performance

Particulars (Rs mn)	Q3FY25	Q3FY24	YoY(%)	Q2FY25	QoQ(%)	9MFY25	9MFY24	YoY(%)
ECD	12,878	12,093	6.5	13,927	(7.5)	44,071	38,762	13.7
Lighting	2,577	2,494	3.4	2,531	1.8	7,442	7,171	3.8
Butterfly Gandhimathi*	2,237	2,341	(4.4)	2,502	(10.6)	6,516	7,586	(14.1)
Total	17,692	16,927	4.5	18,960	(6.7)	58,029	45,933	26.3
EBIT								
ECD	1,957	1,642	19.2	2,064	(5.2)	6,608	5,214	26.7
Lighting	278	280	(0.8)	271	2.7	757	803	(5.7)
Butterfly Gandhimathi	123	(19)	(741.7)	177	(30.4)	341	343	(0.4)
Total	2,358	1,903	23.9	2,512	(6.1)	7,706	6,359	21.2
EBIT Margins %			bps		bps			bps
ECD	15.2	13.6	162	14.8	38	15.0	13.5	154
Lighting	10.8	11.2	(45)	10.7	9	10.2	11.2	(102)
Butterfly Gandhimathi	5.5	(0.8)	633	7.1	(157)	5.2	4.5	72

Source: Company, Dolat Capital (Note: *Butterfly revenue is Rs 2,380mn in Q3FY25. The difference in reported revenue is due to inter-company sales)

Exhibit 4: Financial Highlights Q3 and 9MFY25

Particulars (Rs mn)	Q3FY25	Q3FY24	YoY(%)	Q2FY25	QoQ(%)	9MFY25	9MFY24	YoY(%)
Net Revenue	17,692	16,927	4.5	18,960	(6.7)	58,029	53,518	8.4
Total Raw Material Cost	11,801	11,428	3.3	12,756	(7.5)	39,118	36,651	6.7
Staff Expenditure	1,497	1,457	2.8	1,597	(6.3)	4,712	4,392	7.3
Other Expenses	2,514	2,544	(1.2)	2,572	(2.3)	7,962	7,374	8.0
EBITDA	1,880	1,498	25.5	2,034	(7.6)	6,238	5,101	22.3
Depreciation	379	325	16.8	382	(0.6)	1,133	938	20.8
EBIT	1,501	1,173	27.9	1,653	(9.2)	5,105	4,163	22.6
Other Income	116	167	(30.4)	175	(33.8)	529	514	3.0
Interest	105	215	(51.4)	120	(13.0)	380	636	(40.2)
PBT	1,512	1,125	34.4	1,707	(11.5)	5,254	4,040	30.0
Tax	393	270	45.4	427	(8.0)	1,331	957	39.1
Net Profit (Adjusted)	1,119	855	31.0	1,281	(12.6)	3,923	3,084	27.2
EPS	1.7	1.3	31.0	2.0	(12.6)	6.1	4.8	27.2
Operating Cost as a % of Sales			(bps)		(bps)			(bps)
Raw Material Cost	66.7	67.5	(81)	67	(58)	67.4	68.5	(107)
Staff Cost	8.5	8.6	(14)	8	4	8.1	8.2	(9)
Other Expenses	14.2	15.0	(82)	14	64	13.7	13.8	(6)
Margins (%)			(bps)		(bps)			(bps)
Gross margin	33.3	32.5	81	32.7	58	32.6	31.5	107
EBITDA	10.6	8.8	178	10.7	(10)	10.7	9.5	122
EBIT	8.5	6.9	155	8.7	(23)	8.8	7.8	102
PBT	8.5	6.6	190	9.0	(46)	9.1	7.5	150
NPM	6.3	5.0	128	6.8	(43)	6.8	5.8	100

Source: Company, Dolat Capital

Earnings Call KTAs

Fans Category

- Modest mid-single-digit growth in fans during the off-season was largely driven by the TPW segment.
- Demand in TPW has been robust over the last four quarters, outpacing ceiling fans. Growth in this category is expected to continue, supported by lower penetration levels, rising summer temperatures, and warmer winters. Increased demand is driven by TPW fans' ability to enhance cooling, portability, and direct airflow capability.
- Smooth BIS transition completed for the non-ceiling fans portfolio.
- Continued efforts to expand placement across 500+ key retailers to strengthen distribution.
- Calibrated pricing actions implemented in key premium fan models.
- Next-generation platform developed for BLDC and induction fans ahead of the upcoming season. Crompton has made large strides in innovation in the fans portfolio and is soon expected to launch.
- TPW fans contribute approximately 25% of the total fans industry. Premium and TPW fans are growing in double digits, while BLDCs are expanding at over 20% YoY.
- Regulatory changes remain favorable for organized players like Crompton, supporting market consolidation.
- Increased Baddi fans facility capacity by 50% and increased backward integration as well.

Pumps Category

- The pumps segment grew 19% YoY, primarily driven by strong execution of solar pump orders.
- Non-solar portfolio is expanding in line with industry growth, with Crompton gaining market share in residential pumps. The company executed Rs. 2bn orders (cumulative) in solar pumps, with a positive outlook for the segment, going forward.
- Pricing and margins remain stable in solar /agri pumps, with no major concerns in this business.

Appliances Category

- Air coolers witnessed its highest-ever pre-season growth, driven by advanced channel filling following last season's supply shortages.
- Mixer grinders grew 46% YoY, supported by strong demand and successful new product launches. Crompton has been outsourcing some of its mixer grinder requirements to Butterfly.
- Water heater sales were impacted in Q3 due to the advancement of demand in Q2 and a delayed winter season.
- Built-in kitchen appliances maintained steady revenue at Rs. 140mn, with lower EBITDA losses.

Lighting Segment

- Revenue growth was driven by battens, outdoor & accessories in B2C and LED industrial & commercial in B2B. With a strong focus on panels, panels have now become the single largest segment in the B2C portfolio, marking a key shift given the rapid growth in this category. Despite ongoing price erosion in the B2C lighting industry, Crompton has delivered industry-leading growth for the second consecutive quarter.
- Excluding CFL revenue in base, the lighting segment delivered a strong performance in Q3.
- Launched well glass, floodlights, and a full range of sensor-based indoor luminaires to enhance the product portfolio.
- Secured multiple large orders despite a slowdown in street lighting tenders.
- Maintained stable margins at 10.8%, despite higher A&P spending.
- B2B lighting segment remains tepid, with slow order flow. However, Crompton is expanding its presence in street lighting, commercial, and industrial segments to drive future growth. The company has seen higher competitive intensity in recent months yet remains optimistic about an improvement in the segment going forward.

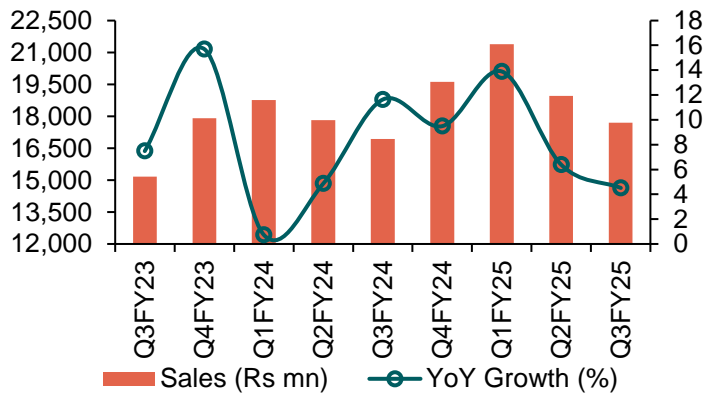
Butterfly Gandhimathi Appliances

- Performance on track, with early signs of recovery driven by resetting terms of trade, pricing strategies, product mix, and channel restructuring.
- Revenue decline arrested, with significant EBITDA margin improvement to 7.2% (+620 bps YoY).
- Strategic focus remains on channel parity, strengthening core categories and markets, and optimizing resource allocation.
- Rs. 3bn debt towards the BGAL acquisition remains, while the rest has been cleared, leading to lower interest costs in Q3.

Other Highlights

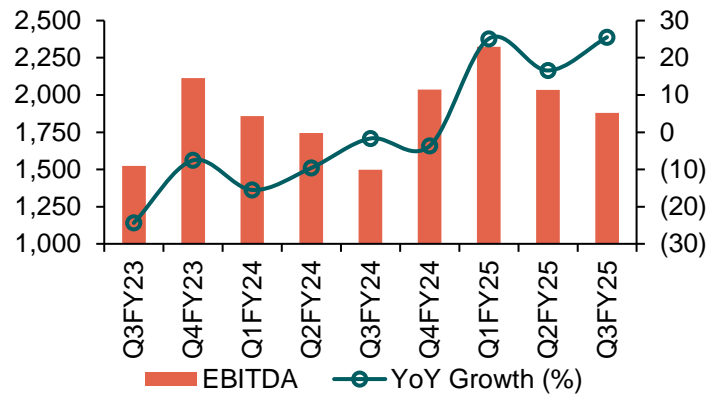
- General Trade channel performed well; Modern Retail channel witnessed double-digit growth. The MFI channel remains impacted, contributing marginally; however, early signs of recovery are visible.
- R&D spends increased from 0.5% of sales in FY21 to 1.1% in FY24.
- Budget announcements are expected to have a positive impact on consumer sentiment and spending.
- Achieved DJSI S&P Global ESG global ranking of #4 for the consumer durables industry, with sharp improvement in score to 62 in 2024, well above the industry average of 34.

Exhibit 5: Sales & YoY Growth



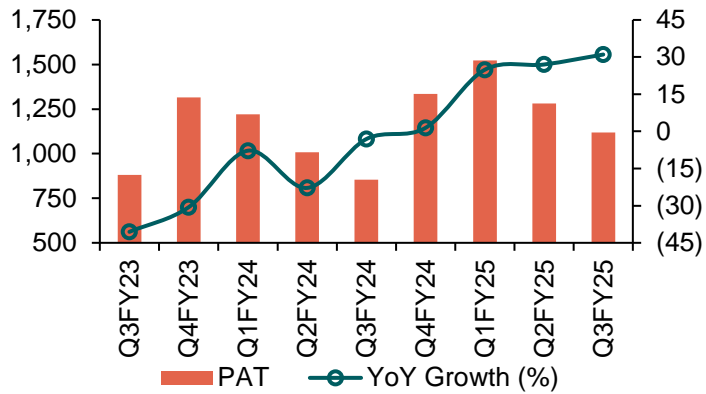
Source: Company, Dolat Capital

Exhibit 6: EBITDA & YoY Growth



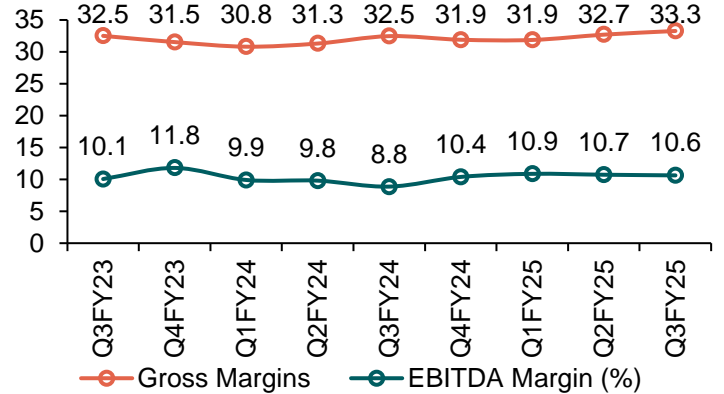
Source: Company, Dolat Capital

Exhibit 7: PAT & YoY Growth



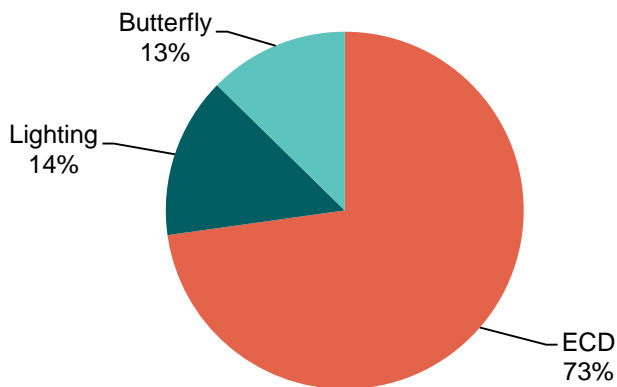
Source: Company, Dolat Capital

Exhibit 8: Margin Trends (%)



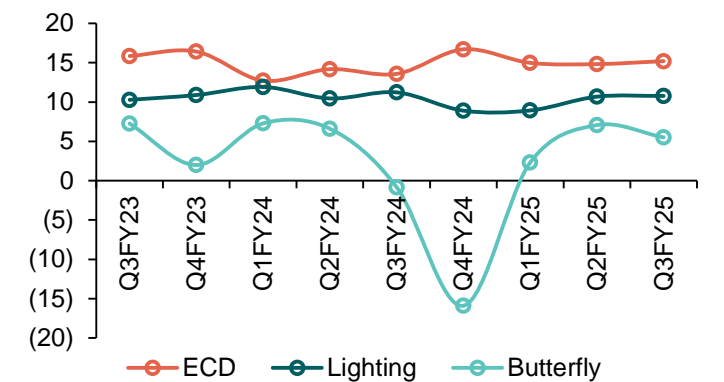
Source: Company, Dolat Capital

Exhibit 9: Segment Revenue Contribution Q2FY25



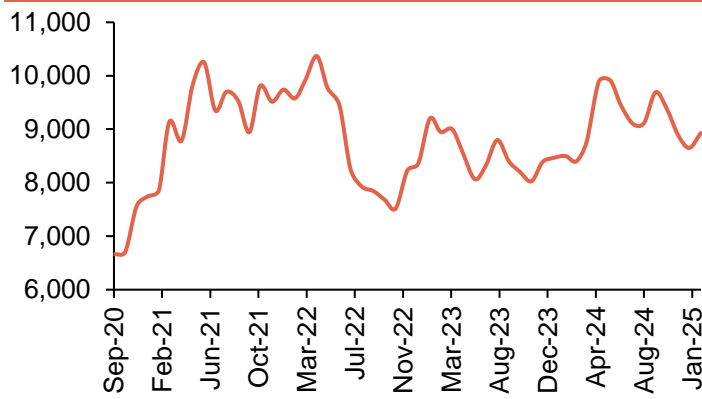
Source: Company, Dolat Capital

Exhibit 10: Segment EBIT margin (%)



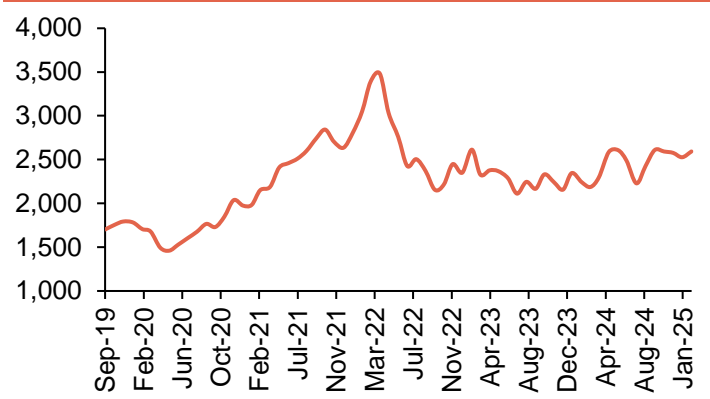
Source: Company, Dolat Capital

Exhibit 11: Trend in Copper Prices (US\$/MT)



Source: Company, Dolat Capital

Exhibit 12: Trend in Aluminium Prices (US\$/MT)



Source: Company, Dolat Capital

Financial Performance

Profit and Loss Account

(Rs Mn)	FY24A	FY25E	FY26E	FY27E
Revenue	73,128	79,418	90,398	102,747
Total Expense	65,991	70,841	80,183	90,674
COGS	50,003	53,687	60,973	69,149
Employees Cost	5,899	6,353	7,051	8,014
Other expenses	10,089	10,801	12,158	13,511
EBIDTA	7,137	8,577	10,215	12,073
Depreciation	1,288	1,476	1,344	1,256
EBIT	5,849	7,101	8,871	10,817
Interest	792	529	373	298
Other Income	674	754	814	925
Exc. / E.O. items	0	0	0	0
EBT	5,731	7,327	9,311	11,443
Tax	1,313	1,854	2,356	2,895
Minority Interest	19	65	68	72
Profit/Loss share of associates	0	0	1	2
RPAT	4,399	5,408	6,888	8,478
Adjustments	0	0	0	0
APAT	4,399	5,408	6,888	8,478

Balance Sheet

(Rs Mn)	FY24A	FY25E	FY26E	FY27E
Sources of Funds				
Equity Capital	1,286	1,287	1,287	1,287
Minority Interest	4,493	4,428	4,360	4,288
Reserves & Surplus	28,710	28,698	33,587	40,038
Net Worth	29,996	29,985	34,874	41,325
Total Debt	5,989	4,989	3,489	2,789
Net Deferred Tax Liability	99	99	99	99
Total Capital Employed	40,578	39,501	42,822	48,501

Applications of Funds

Net Block	32,436	31,960	31,465	31,059
CWIP	114	114	114	114
Investments	0	0	0	0
Current Assets, Loans & Advances	29,355	28,483	32,845	41,030
Current Investments	6,891	6,891	7,580	8,338
Inventories	8,304	8,388	8,950	9,953
Receivables	8,431	8,568	9,305	10,583
Cash and Bank Balances	2,608	1,844	4,097	9,004
Loans and Advances	0	0	0	0
Other Current Assets	3,121	2,792	2,913	3,151
Less: Current Liabilities & Provisions	21,327	21,056	21,602	23,702
Payables	13,143	14,750	15,597	17,141
Other Current Liabilities	8,184	6,305	6,005	6,561
<i>sub total</i>				
Net Current Assets	8,028	7,427	11,243	17,328
Total Assets	40,578	39,501	42,822	48,501

E – Estimates

Important Ratios

Particulars	FY24A	FY25E	FY26E	FY27E
(A) Margins (%)				
Gross Profit Margin	31.6	32.4	32.6	32.7
EBIDTA Margin	9.8	10.8	11.3	11.8
EBIT Margin	8.0	8.9	9.8	10.5
Tax rate	22.9	25.3	25.3	25.3
Net Profit Margin	6.0	6.8	7.6	8.3
(B) As Percentage of Net Sales (%)				
COGS	68.4	67.6	67.5	67.3
Employee	8.1	8.0	7.8	7.8
Other	13.8	13.6	13.5	13.2
(C) Measure of Financial Status				
Gross Debt / Equity	0.2	0.2	0.1	0.1
Interest Coverage	7.4	13.4	23.8	36.2
Inventory days	41	39	36	35
Debtors days	42	39	38	38
Average Cost of Debt	10.4	9.6	8.8	9.5
Payable days	66	68	63	61
Working Capital days	27	26	29	30
FA T/O	2.3	2.5	2.9	3.3
(D) Measures of Investment				
AEPS (Rs)	6.8	8.4	10.7	13.2
CEPS (Rs)	8.8	10.7	12.8	15.1
DPS (Rs)	3.0	3.0	3.1	3.1
Dividend Payout (%)	43.5	35.9	29.0	23.9
BVPS (Rs)	46.6	46.6	54.2	64.2
RoANW (%)	15.5	18.0	21.2	22.3
RoACE (%)	12.9	15.0	17.8	19.4
RoAIC (%)	15.1	18.8	23.2	27.7
(E) Valuation Ratios				
CMP (Rs)	340	340	340	340
Mcap (Rs Mn)	218,841	218,841	218,841	218,841
EV	215,331	215,095	210,652	204,288
MCap/ Sales	3.0	2.8	2.4	2.1
EV/Sales	2.9	2.7	2.3	2.0
P/E	49.7	40.5	31.8	25.8
EV/EBITDA	30.2	25.1	20.6	16.9
P/BV	7.3	7.3	6.3	5.3
Dividend Yield (%)	0.9	0.9	0.9	0.9
(F) Growth Rate (%)				
Revenue	6.5	8.6	13.8	13.7
EBITDA	(7.4)	20.2	19.1	18.2
EBIT	(10.6)	21.4	24.9	21.9
PBT	(6.4)	27.9	27.1	22.9
APAT	(5.0)	22.9	27.4	23.1
EPS	(5.0)	22.9	27.4	23.1

E – Estimates

Cash Flow

Particulars	FY24A	FY25E	FY26E	FY27E
Profit before tax	5,849	7,531	9,344	11,337
Depreciation & w.o.	1,288	1,476	1,344	1,256
Net Interest Exp	674	754	814	925
Direct taxes paid	(984)	(1,854)	(2,356)	(2,895)
Change in Working Capital	2,226	(163)	(873)	(421)
Non Cash	(600)	(4,039)	(610)	(664)
(A) CF from Operating Activities	8,453	3,706	7,663	9,538
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(805)	(1,000)	(850)	(850)
Free Cash Flow	7,648	2,706	6,813	8,688
(Inc.)/ Dec. in Investments	(1,413)	0	(689)	(758)
Other	728	0	0	0
(B) CF from Investing Activities	(1,490)	(1,000)	(1,539)	(1,608)
Issue of Equity/ Preference	893	1	0	0
Inc./(Dec.) in Debt	(3,640)	(1,000)	(1,500)	(700)
Interest exp net	(792)	(529)	(373)	(298)
Dividend Paid (Incl. Tax)	(1,912)	(1,942)	(1,998)	(2,025)
Other	0	0	0	0
(C) CF from Financing	(5,451)	(3,470)	(3,871)	(3,024)
Net Change in Cash	1,513	(763)	2,253	4,907
Opening Cash balances	1,095	2,608	1,844	4,097
Closing Cash balances	2,608	1,844	4,097	9,004

E – Estimates

Notes

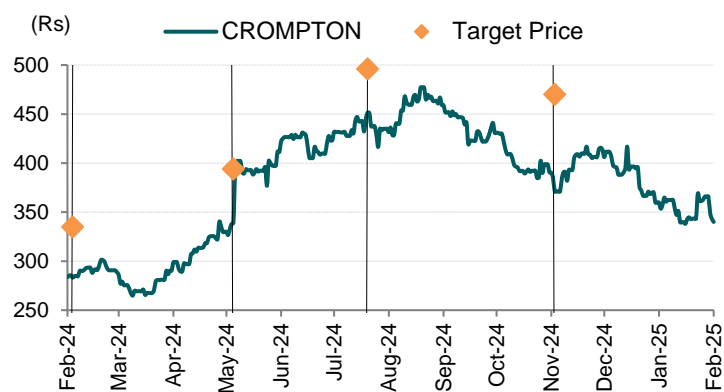
Stock Info and Rating History

Price Performance

Particulars	1M	3M	12M
Absolute (%)	(5)	(13)	20
Rel to NIFTY (%)	(4)	(9)	13

Shareholding Pattern

Particulars	Jun'24	Sep'24	Dec'24
Promoters	0.0	0.0	0.0
MF/Banks/FIs	52.0	50.4	50.4
FIIIs	34.4	36.0	36.0
Public / Others	13.6	13.6	13.6



Month	Rating	TP (Rs.)	Price (Rs.)
Feb-24	BUY	335	283
May-24	BUY	394	339
Jul-24	Accumulate	496	451
Nov-24	BUY	470	371

*Price as on recommendation date

Notes

Dolat Rating Matrix

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Dolat Team

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