

INDUSTRY	APPLIANCES		
CMP (as on 19 Jul 2017)	Rs 467		
Target Price	Rs 536		
Nifty	9,900		
Sensex	31,955		
KEY STOCK DATA			
Bloomberg	HAVL IN		
No. of Shares (mn)	625		
MCap (Rs bn)/(US\$ mn)	292/4,535		
6m avg traded value (Rs mn)	627		
STOCK PERFORMANCE (%)			
52 Week high / low	Rs 526 / 303		
	3M	6M	12M
Absolute (%)	(3.9)	20.4	29.8
Relative (%)	(12.8)	3.3	14.8
SHAREHOLDING PATTERN (%)			
Promoters	61.58		
FIs & Local MFs	3.18		
FPIs	26.32		
Public & Others	8.92		
Source : BSE			

Better days ahead

Havells' 1QFY18 net revenue grew by 9% (ex- Lloyd consumer) to Rs 15.9bn vs. expectation of 5%. EBITDA and APAT (Ex-Lloyd) were down by 20% and 22% YoY.

Havells registered healthy revenue growth, despite destocking pressure. The Cables & Wire business witnessed strong 19% growth on preponement of demand (14% expectation). Ex-Cable, revenue grew by 2% vs. flat expectation.

Underlying demand remained healthy (even in June), giving us confidence of the co's performance in ensuing quarters. Our channel checks suggest the same.

Lloyd's contribution was partial in 1QFY18 (50 days). On a like-for-like basis, Lloyd grew by 20% YoY in 1Q.

EBITDA margin (ex-Lloyd) was down by 370bps YoY to 10%, owing to an adverse product mix (higher cable mix), unabsorbed fixed costs and non-recurring costs related to Lloyd's acquisition. We view this quarter's performance as an aberration, and expect margins to normalise in the coming quarters.

Havells has the potential of substantial growth in the coming years. We like Havells owing to its (1) Strong brand positioning (2) High focus on dealer/distributor network expansion (3) Consistent new launches (4)

Financial Summary

(Rs mn)	1QFY18	1QFY17	YoY (%)	4QFY17	QoQ (%)	FY16	FY17	FY18E	FY19E	FY20E
Net Revenue	18,605	14,668	26.8	17,102	8.8	53,783	61,353	90,994	1,07,695	1,25,529
EBITDA	1,724	2,004	(14.0)	2,296	(24.9)	7,549	8,241	10,984	13,443	16,264
APAT	1,217	1,456	(16.4)	1,710	(28.9)	5,141	6,078	7,087	8,915	11,070
EPS (Rs)	1.9	2.3	(16.5)	2.7	(28.9)	8.2	9.7	11.3	14.3	17.7
P/E (x)						56.7	48.0	41.2	32.7	26.4
EV/EBITDA (x)						36.9	35.2	26.6	21.7	17.9
Core RoCE (%)						27.8	35.5	30.8	29.5	36.2

Source: Company, HDFC sec Inst Research

Market share gain with margin expansion (5) Healthy core RoCE of ~35% (lower after Lloyd's business acquisition) and (6) Huge potential in Lloyd's business.

In Havells' business, we expect revenue/EBITDA CAGR of 15%/18% respectively over FY17-20. In Lloyd's business, we expect revenue/EBITDA CAGR of 20%/33% respectively over FY17-20.

We value Havells on 35x P/E on Jun-19EPS, hence our TP is Rs 536 (Rs 520 earlier). The stock has corrected by ~10% after our downgrade in May. With a 15% stock upside, we upgrade our rating to BUY.

Highlights for the quarter

- **Revenue grew 9%:** Havells registered 9% growth, led by 19% growth in Cables & Wires, and preponement of demand in anticipation of an increase in prices. Consumer Durables, Switch Gears and Lighting segments reported 2%, -4% and 4.6% growth.
- **Contraction in EBITDA margin:** Weak revenue growth (Ex-Cable 2%), unfavourable product mix and one-off cost on acquisition resulted in margin contraction. Contribution margin and EBITDA margin were down by 160bps and 370bps YoY respectively.

Revenue growth stood at 27%, led by Lloyd's acquisition. Ex-Lloyd, revenue growth was 9% vs. expectation of 5%

Gross margin contracted by 658bps, owing to unfavourable product mix (higher cable revenues) and low gross margin Lloyd acquisition.

High employee expenses indicate Havells' preparation for an uptick in demand

ASP spend was strong during the quarter

EBITDA and APAT declined by 14% and 16% respectively

NPM contracted by 339bps YoY

Quarterly Financials

Year to March (Rs mn)	1QFY18	1QFY17	YoY Chg	4QFY17	QoQ Chg
Net Revenue	18,605	14,668	26.8	17,102	8.8
Material Expenses	11,965	8,467	41.3	10,415	14.9
Employee Expenses	1,619	1,239	30.6	1,312	23.4
ASP Expenses	735	486	51.1	404	81.9
Other Operating Expenses	2,562	2,472	3.7	2,676	(4.2)
EBITDA	1,724	2,004	(14.0)	2,296	(24.9)
Depreciation	336	280	20.0	308	9.1
EBIT	1,389	1,724	(19.5)	1,988	(30.2)
Other Income	348	314	10.7	419	(17.0)
Interest Cost	34	16	109.9	71	(52.1)
FX Gains / (Loss)	-	-	na	768	na
Exceptional item	-	-	na	-	na
PBT	1,703	2,022	(15.8)	1,569	8.5
Tax	489	567	(13.7)	622	(21.4)
RPAT	1,214	1,456	(16.6)	947	28.2
APAT	1,217	1,456	(16.4)	1,710	(28.9)

Source: Company, HDFC sec Inst Research

Margin Analysis

Year to March (Rs mn)	1QFY18	1QFY17	YoY Chg	4QFY17	QoQ Chg
Material Expenses % Net Sales	64.3	57.7	658	60.9	341
Employee Expenses % Net Sales	8.7	8.4	25	7.7	103
ASP Expenses % Net Sales	3.9	3.3	63	2.4	159
Other Operating Expenses % Net Sales	13.8	16.9	(308)	15.6	(187)
EBITDA Margin (%)	9.3	13.7	(439)	13.4	(416)
Tax Rate (%)	28.7	28.0	69	26.6	209
APAT Margin (%)	6.5	9.9	(339)	10.0	(346)

Source: Company, HDFC sec Inst Research

Net revenue (Ex-Lloyd) grew by 9%, owing to strong 19% growth in Cables & Wire business

Underlying demand remained strong even in June. Smooth GST implementation has further increased our confidence on revenue growth acceleration

Contribution margin contracted by 143bps, owing to unfavourable product mix and higher business from EESL

Weak revenue growth (Ex-Cable 2%), unfavorable product mix and non-recurring cost on Lloyd acquisition resulted into margin contraction

Ex-non recurring expense, EBITDA margin for Havells was down by 286bps to 10.8%

Quarterly Performance

Particulars (Rs mn)	Havells (Ex-Lloyd)			Lloyd Consumer	Havells (With Lloyd)	
	1QFY18	1QFY17	YoY Chg	1QFY18	1QFY18	YoY Chg
Net Revenue	15,933	14,668	8.6	2,672	18,605	26.8
Contribution	3,747	3,659	2.4	394	4,141	13.2
Contribution Margin (%)	23.5%	24.9%	-143bps	14.7%	22.3%	-269bps
ASP	554	486	14.0	181	735	51.2
(% of sales)	3.5%	3.3%	16bps	6.8%	4.0%	64bps
Other Expenses	1,893	1,449	30.6	124	2,017	39.2
(% of sales)	11.9%	9.9%	200bps	4.6%	10.8%	96bps
EBITDA	1,596	2,004	(20.4)	128	1,724	(14.0)
EBITDA Margin (%)	10.0%	13.7%	-365bps	4.8%	9.3%	-440bps
Depreciation/Amortisation	296	280	5.7	39	335	19.6
Interest (Inc. Forex)	34	16	112.5	-	34	112.5
Other income	253	307	(17.6)	-	253	(17.6)
PBT	1,602	2,023	(20.8)	101	1,703	(15.8)
Tax	460	567	(18.9)	29	489	(13.8)
Tax Rate (%)	28.7%	28.0%	69bps	1.1%	2.6%	-2,540bps
PAT	1,142	1,456	(21.6)	72	1,214	(16.6)
NPM (%)	7.2%	9.9%	-276bps	2.7%	6.5%	-340bps

Source: Company, HDFC sec Inst Research

In anticipation of a hike in Cables & Wires prices, there was preponement of demand, which resulted in 19% growth

Ex-Cables, all segments were muted owing to channel destocking pressure

Segmental Quarterly Performance

Year to March (Rs mn)	1QFY18	1QFY17	YoY Chg (%)	4QFY17	QoQ Chg (%)
Segmental Revenues					
Cables and Wires	6,363	5,329	19.4	6,780	(6.2)
Consumer Durables	3,583	3,514	2.0	3,888	(7.8)
Switch Gears	3,389	3,529	(4.0)	3,753	(9.7)
Lighting & Fixtures	2,053	1,962	4.6	2,249	(8.7)
Lloyd Consumer Division	2,672	-	na	-	na
Others	545	344	58.4	431	26.5
Total	18,605	14,678	26.8	17,101	8.8
Segmental EBIT					
Cables and Wires	859	719	19.4	875	(1.8)
Consumer Durables	816	913	(10.6)	951	(14.2)
Switch Gears	1,307	1,435	(8.9)	1,441	(9.3)
Lighting & Fixtures	621	513	21.0	635	(2.3)
Lloyd Consumer Division	394	-	na	-	na
Others	144	79	na	96	50.8
Total	3,747	3,659	2.4	3,998	(6.3)
Less:					
(a) Interest Cost & Bank Charges	34	16	109.9	71	(52.1)
(b) Other Un-allocable Expenses	2,405	1,620	48.4	1,590	51.2
PBT	1,308	2,023	(35.3)	2,337	(44.0)
Capital Employed					
Cables and Wires	3,555	5,381	(33.9)	4,946	(28.1)
Consumer Durables	2,252	2,352	(4.2)	2,131	5.7
Switch Gears	4,069	4,232	(3.8)	3,714	9.6
Lighting & Fixtures	1,884	2,492	(24.4)	1,695	11.2
Lloyd Consumer Division	13,110	-	na	-	na
Others	1,498	260	na	642	133.4
Total	13,258	14,717	(9.9)	13,127	1.0
Unallocable Capital Employed	7,719	16,353	(52.8)	19,609	(60.6)
Total Capital Employed	20,977	31,070	(32.5)	32,736	(35.9)

Source: Company, HDFC sec Inst Research

Channel destocking has impacted margins of most segments

We expect margins to normalise from 2QFY18

Revenue growth during 1QFY18 was strong owing to Lloyd's acquisition

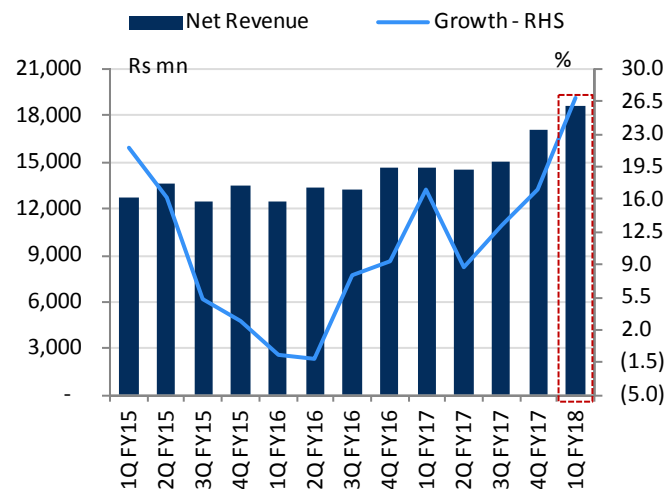
Gross margin was under pressure, owing to revenue and channel mix

Segmental PBIT Margin

(% of Revenues)	1QFY18	1QFY17	YoY Chg	4QFY17	QoQ Chg
Cables and Wires	13.5	13.5	0	12.9	59
Consumer Durables	22.8	26.0	(320)	24.5	(169)
Switch Gears	38.6	40.7	(209)	38.4	18
Lighting & Fixtures	30.2	26.2	409	28.2	200
Lloyd Consumer Division	14.7		na		na
Others	26.4	-	na	22.2	426
Total	20.1	24.9	(479)	23.4	(324)

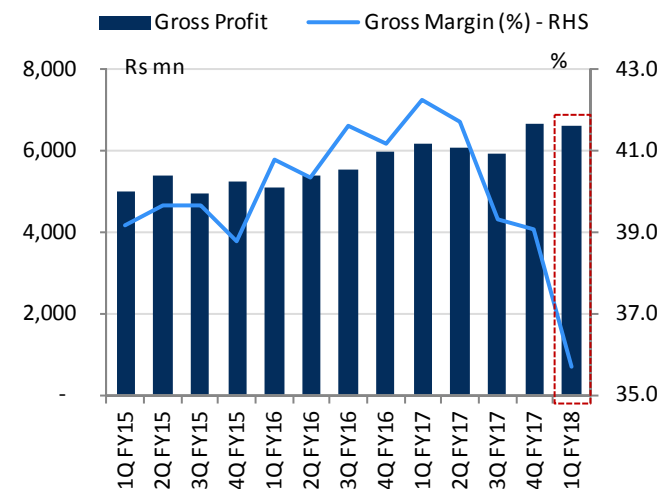
Source: Company, HDFC sec Inst Research

Net Revenue



Source: Company, HDFC sec Inst Research

Gross Margin



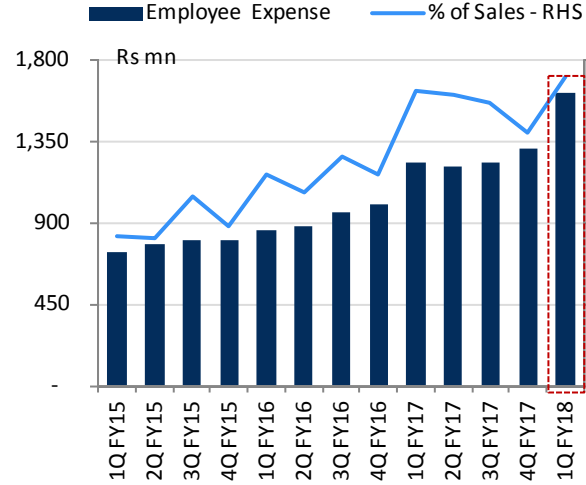
Source: Company, HDFC sec Inst Research

High employee expense implies Havells' preparation for demand uptick

ASP spend was strong during the quarter

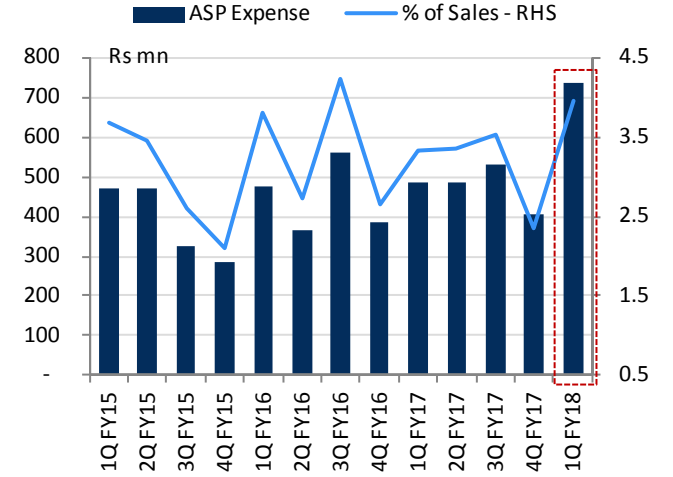
Overall EBITDA margin fall owing to weak operational margin and lower margin of Lloyd's business

Employee Expense



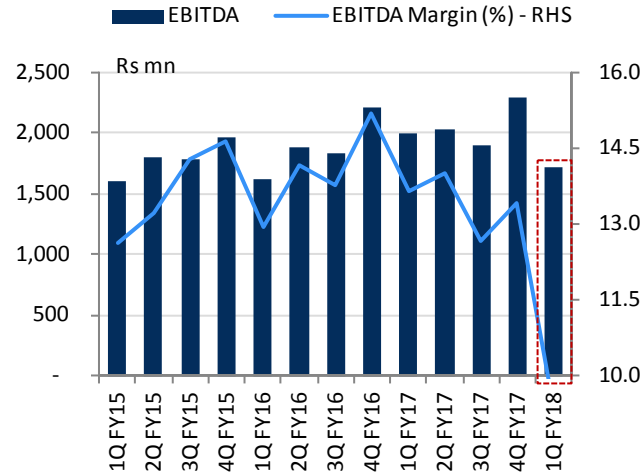
Source: Company, HDFC sec Inst Research

ASP Expense



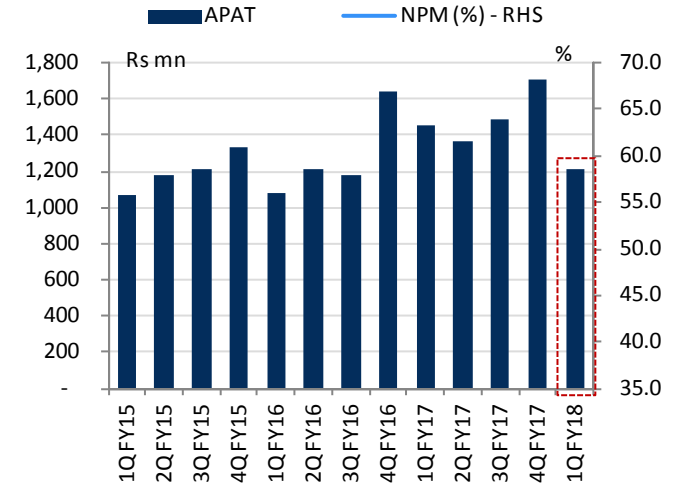
Source: Company, HDFC sec Inst Research

EBITDA



Source: Company, HDFC sec Inst Research

APAT



Source: Company, HDFC sec Inst Research

Segmental Analysis

Cable & Wires	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18
Sales (Rs mn)	5,914	4,951	5,690	5,079	5,581	5,178	6,028	5,329	5,592	6,092	6,780	6,363
Sales Gr. (%)	21.4	4.2	1.8	(4.0)	(4.8)	6.0	7.0	4.9	0.2	17.7	12.5	19.4
Sales Mix (%)	43.3	39.7	42.2	40.6	41.8	38.9	41.3	36.3	38.5	40.5	39.6	34.2
Contr. Margin (%)	12.0	11.8	13.6	14.1	13.5	14.1	14.8	13.5	14.2	14.3	12.9	13.5
Contr. Margin Chg	175bps	158bps	74bps	321bps	181bps	250bps	106bps	-61bps	63bps	14bps	-194bps	0bps
Contribution Mix (%)	23.1	20.1	25.2	24.6	24.5	22.1	24.8	19.7	21.5	23.7	21.9	20.7

Note: Sales growth/margin expansion for 1QFY16 to 4QFY16 are calculated based on OLD AS

Consumer Durables	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18
Sales (Rs mn)	2,414	2,308	2,867	2,903	2,525	2,799	3,037	3,514	3,085	3,296	3,888	3,583
Sales Gr. (%)	24.9	11.7	24.0	9.3	6.0	23.0	7.2	21.1	22.2	17.8	28.0	2.0
Sales Mix (%)	17.7	18.5	21.3	23.2	18.9	21.0	20.8	23.9	21.2	21.9	22.7	19.3
Contr. Margin (%)	24.9	24.4	25.5	25.2	21.9	26.0	28.2	26.0	26.6	24.6	24.5	22.8
Contr. Margin Chg	-249bps	-173bps	-205bps	-57bps	-317bps	126bps	235bps	81bps	465bps	-143bps	-374bps	-320bps
Contribution Mix (%)	19.6	19.4	23.8	25.1	18.0	22.0	23.8	24.9	22.2	22.1	23.8	19.7

Note: Sales growth/margin expansion for 1QFY16 to 4QFY16 are calculated based on OLD AS

Switchgears	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18
Sales (Rs mn)	3,387	3,275	3,055	2,936	3,309	3,243	3,237	3,529	3,474	3,309	3,753	3,389
Sales Gr. (%)	8.0	5.9	(4.6)	(3.4)	(1.3)	-	7.1	20.2	5.0	2.0	15.9	(4.0)
Sales Mix (%)	24.8	26.3	22.6	23.4	24.8	24.4	22.2	24.0	23.9	22.0	21.9	18.2
Contr. Margin (%)	36.6	37.4	35.4	38.3	39.6	40.2	39.7	40.7	41.6	39.0	38.4	38.6
Contr. Margin Chg	3bps	195bps	-181bps	164bps	281bps	271bps	378bps	234bps	198bps	-116bps	-127bps	-209bps
Contribution Mix (%)	40.4	42.1	35.2	38.6	42.5	39.4	35.6	39.2	39.2	35.2	36.0	31.6

Note: Sales growth/margin expansion for 1QFY16 to 4QFY16 are calculated based on OLD AS

Lighting & Fixtures	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18
Sales (Rs mn)	1,936	1,940	1,880	1,607	1,944	2,085	2,295	1,962	2,118	2,121	2,249	2,053
Sales Gr. (%)	7.7	0.3	(5.7)	(1.8)	1.5	9.0	23.3	22.1	9.0	1.7	(2.0)	4.6
Sales Mix (%)	14.2	15.6	13.9	12.8	14.6	15.7	15.7	13.4	14.6	14.1	13.2	11.0
Contr. Margin (%)	26.9	27.6	25.7	21.4	23.8	26.0	24.7	26.2	26.8	30.2	28.2	30.2
Contr. Margin Chg	436bps	428bps	-237bps	-470bps	-311bps	-145bps	-124bps	478bps	295bps	421bps	353bps	409bps
Contribution Mix (%)	17.0	18.4	15.7	11.8	15.0	16.4	15.7	14.0	15.4	17.5	15.9	15.0

Note: Sales growth/margin expansion for 1QFY16 to 4QFY16 are calculated based on OLD AS

Havells Market Share

Segments	Market Size (Rs bn)	Havells' Mkt Share (%)	Rank	Organized Penetration	Peers
Switchgears - MCB	20	27-28	1	Medium	Legrand, Schneider
Switchgears - Switches	22	14-15	3	Medium	Panasonic (Anchor), Legrand
Cable - Domestic	80	16	3	Low	Finolex, Polycab
Cable - Industrial	120	10	3	Low	Polycab, KEI
Lighting & Fixtures	65	10-14	2-4	Medium	Philips, Crompton, Bajaj, Wipro
Fans	62	15	3	High	Crompton, Orient, Usha
Water Heater	14	9	4-5	Low	Racold, AO Smith
Other Appliances	52	2-3	na	Low	Bajaj, Philips

Source: Company, HDFC sec Inst Research

Business Breakup and Assumptions

Particulars (Rs mn)	FY17	FY18E	FY19E	FY20E
Revenue				
Havells	61,353	70,030	81,280	93,303
Lloyd Consumer		20,964	26,414	32,226
Total	61,353	90,994	1,07,695	1,25,529
YoY Gr. (%)				
Havells	14.1	14.1	16.1	14.8
Lloyd Consumer		22.0	26.0	22.0
Total	14.1	48.3	18.4	16.6
EBITDA				
Havells	8,242	9,559	11,462	13,621
Lloyd Consumer		1,426	1,981	2,643
Total	8,242	10,984	13,443	16,264
EBITDA Margin (%)				
Havells	13.4	13.6	14.1	14.6
Lloyd Consumer		6.8	7.5	8.2
Total	13.4	12.1	12.5	13.0

Source: Company, HDFC sec Inst Research

Havells Core Business Assumption

Cable & Wires	FY16	FY17	FY18E	FY19E	FY20E
Sales (Rs mn)	21,866	23,793	27,346	31,174	35,778
Sales Gr. (%)	1.0	8.8	14.9	14.0	14.8
Sales Mix (%)	40.7	38.8	30.1	28.9	28.5
Contribution Margin (%)	14.2	13.7	14.1	14.6	15.1
Contribution Margin Chg	204bps	-49bps	42bps	50bps	50bps
Contribution Mix (%)	24.0	21.7	18.7	18.2	18.1

Consumer Durable	FY16	FY17	FY18E	FY19E	FY20E
Sales (Rs mn)	11,264	13,783	15,623	18,506	21,467
Sales Gr. (%)	11.0	22.4	13.3	18.5	16.0
Sales Mix (%)	20.9	22.5	17.2	17.2	17.1
Contribution Margin (%)	25.5	25.3	24.7	25.6	26.1
Contribution Margin Chg	38bps	-12bps	-60bps	90bps	50bps
Contribution Mix (%)	22.2	23.3	18.7	18.9	18.8

Switchgears	FY16	FY17	FY18E	FY19E	FY20E
Sales (Rs mn)	12,725	14,065	15,536	18,150	20,872
Sales Gr. (%)	1.0	10.5	10.5	16.8	15.0
Sales Mix (%)	23.7	22.9	17.1	16.9	16.6
Contribution Margin (%)	39.5	39.9	39.8	40.5	41.0
Contribution Margin Chg	297bps	43bps	-9bps	72bps	50bps
Contribution Mix (%)	38.9	37.4	29.9	29.3	28.7

Light	FY16	FY17	FY18E	FY19E	FY20E
Sales (Rs mn)	7,931	8,450	9,906	11,571	13,307
Sales Gr. (%)	8.0	6.5	17.2	16.8	15.0
Sales Mix (%)	14.7	13.8	10.9	10.7	10.6
Contribution Margin (%)	24.2	27.9	28.7	29.0	29.5
Contribution Margin Chg	-240bps	373bps	77bps	29bps	50bps
Contribution Mix (%)	14.9	15.7	13.8	13.4	13.2

Source: Company, HDFC sec Inst Research

Income Statement

(Rs mn)	FY16	FY17	FY18E	FY19E	FY20E
Net Revenues	53,783	61,353	90,994	1,07,695	1,25,529
Growth (%)	2.7	14.1	48.3	18.4	16.6
Material Expenses	31,735	36,485	52,052	62,824	73,233
Employee Expense	3,708	5,004	5,861	6,593	7,384
ASP Expense	1,788	1,906	3,072	3,515	4,097
Distribution Expense	1,917	2,215	3,286	3,889	4,533
Other Expenses	6,404	6,748	14,623	16,109	18,479
EBITDA	7,549	8,241	10,984	13,443	16,264
EBITDA Growth (%)	8.0	9.2	33.3	22.4	21.0
EBITDA Margin (%)	14.0	13.4	12.1	12.5	13.0
Depreciation	1,049	1,196	1,466	1,662	1,858
EBIT	6,500	7,045	9,519	11,781	14,406
Other Income (Including EO Items)	2,717	765	653	944	1,340
Interest	127	122	198	198	198
PBT	9,090	7,688	9,973	12,527	15,547
Total Tax	1,970	2,298	2,846	3,570	4,431
RPAT	7,120	5,390	7,127	8,957	11,116
Adjusted PAT	5,141	6,078	7,087	8,915	11,070
APAT Growth (%)	10.6	18.2	16.6	25.8	24.2
Adjusted EPS (Rs)	8.2	9.7	11.3	14.3	17.7
EPS Growth (%)	10.5	18.2	16.6	25.8	24.2

Source: Company, HDFC sec Inst Research

Balance Sheet

(Rs mn)	FY16	FY17	FY18E	FY19E	FY20E
SOURCES OF FUNDS					
Share Capital - Equity	625	625	625	625	625
Reserves	28,912	32,111	35,908	40,802	47,120
Total Shareholders Funds	29,537	32,736	36,533	41,427	47,744
Long Term Debt	-	-	-	-	-
Short Term Debt	444	1,981	1,981	1,981	1,981
Total Debt	444	1,981	1,981	1,981	1,981
Net Deferred Taxes	863	1,138	1,138	1,138	1,138
Other Non Current Liabilities	100	137	137	137	137
TOTAL SOURCES OF FUNDS	30,943	35,990	39,788	44,681	50,999
APPLICATION OF FUNDS					
Net Block	11,773	12,476	13,810	14,948	15,891
Goodwill		182	15,200	15,200	15,200
CWIP	306	747	747	747	747
Non Current Investments	3,096	2,274	2,274	2,274	2,274
LT Loans & Advances	631	259	259	259	259
Other Non Current Assets	305	136	136	136	136
Total Non-current Assets	16,111	16,072	32,425	33,563	34,505
Inventories	7,844	9,284	13,711	15,933	18,571
Debtors	1,576	2,285	3,241	3,836	4,471
Other Current Assets	925	804	1,163	1,366	1,582
Cash & Equivalents	14,973	20,992	10,760	15,350	21,322
Total Current Assets	25,318	33,365	28,875	36,484	45,946
Creditors	4,363	6,296	9,224	10,917	12,725
Other Current Liabilities & Provns	6,123	7,151	12,288	14,449	16,727
Total Current Liabilities	10,486	13,446	21,512	25,366	29,452
Net Current Assets	14,832	19,919	7,363	11,118	16,494

Source: Company, HDFC sec Inst Research

Cash Flow Statement

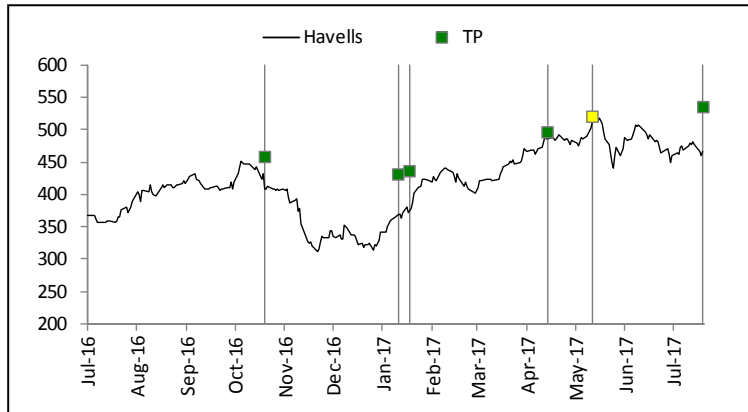
(Rs mn)	FY16	FY17	FY18E	FY19E	FY20E
Reported PBT	9,142	7,688	9,973	12,527	15,547
Non-operating & EO Items	(2,014)	(31)	40	42	46
Interest Expenses	(450)	(122)	(198)	(198)	(198)
Depreciation	922	1,196	1,466	1,662	1,858
Working Capital Change	(911)	1,033	(787)	99	(162)
Tax Paid	(1,446)	(2,298)	(2,846)	(3,570)	(4,431)
OPERATING CASH FLOW (a)	5,243	7,468	7,648	10,563	12,660
Capex	(1,741)	(2,073)	(2,800)	(2,800)	(2,800)
<i>Free Cash Flow (FCF)</i>	<i>3,502</i>	<i>5,395</i>	<i>4,848</i>	<i>7,763</i>	<i>9,860</i>
Investments	2,412	736	(14,282)	-	-
Non-operating Income	(1,427)	(170)	-	-	-
INVESTING CASH FLOW (b)	(756)	(1,506)	(17,082)	(2,800)	(2,800)
Debt Issuance/(Repaid)	(434)	1,717	2,294	650	666
Interest Expenses	(62)	122	198	198	198
<i>FCFE</i>	<i>3,129</i>	<i>6,991</i>	<i>6,944</i>	<i>8,215</i>	<i>10,328</i>
Share Capital Issuance	41	(320)	-	-	-
Dividend	(4,511)	(2,559)	(3,290)	(4,021)	(4,752)
Others	-	275	-	-	-
FINANCING CASH FLOW (c)	(4,965)	(765)	(798)	(3,173)	(3,888)
NET CASH FLOW (a+b+c)	(478)	5,197	(10,232)	4,590	5,972
EO Items, Others	12,692	-	-	-	-
Closing Cash & Equivalents	750	19,375	9,143	13,733	19,705

Source: Company, HDFC sec Inst Research

Key Ratios

	FY16	FY17	FY18E	FY19E	FY20E
PROFITABILITY (%)					
GPM	41.0	40.5	42.8	41.7	41.7
EBITDA Margin	14.0	13.4	12.1	12.5	13.0
EBIT Margin	12.1	11.5	10.5	10.9	11.5
APAT Margin	13.2	8.8	7.8	8.3	8.9
RoE	19.3	19.5	20.5	22.9	24.8
RoC (or Core RoCE)	27.8	35.5	30.8	29.5	36.2
RoCE	18.7	18.4	19.1	21.4	23.4
EFFICIENCY					
Tax Rate (%)	27.9	27.8	28.5	28.5	28.5
Fixed Asset Turnover (x)	3.4	3.4	4.3	4.5	4.7
<i>Inventory (days)</i>	<i>53.2</i>	<i>55.2</i>	<i>55.0</i>	<i>54.0</i>	<i>54.0</i>
<i>Debtors (days)</i>	<i>10.7</i>	<i>13.6</i>	<i>13.0</i>	<i>13.0</i>	<i>13.0</i>
<i>Other Current Assets (days)</i>	<i>6.3</i>	<i>4.8</i>	<i>4.7</i>	<i>4.6</i>	<i>4.6</i>
<i>Payables (days)</i>	<i>29.6</i>	<i>37.5</i>	<i>37.0</i>	<i>37.0</i>	<i>37.0</i>
<i>Other Current Liab & Provns (days)</i>	<i>41.0</i>	<i>43.5</i>	<i>49.3</i>	<i>49.0</i>	<i>48.6</i>
Cash Conversion Cycle (days)	(0.4)	(7.4)	(13.6)	(14.3)	(14.0)
Net D/E (x)	(0.4)	(0.5)	(0.2)	(0.3)	(0.4)
Interest Coverage (x)	56.5	69.0	51.4	64.3	79.5
PER SHARE DATA (Rs)					
EPS	8.2	9.7	11.3	14.3	17.7
CEPS	9.9	11.6	13.7	16.9	20.7
Dividend	6.0	3.5	4.5	5.5	6.5
Book Value	47.3	52.4	58.5	66.3	76.4
VALUATION					
P/E (x)	56.7	48.0	41.2	32.7	26.4
P/BV (x)	9.9	8.9	8.0	7.0	6.1
EV/EBITDA (x)	36.9	35.2	26.6	21.7	17.9
EV/Revenues (x)	5.2	4.7	3.2	2.7	2.3
OCF/EV (%)	1.9	2.6	2.6	3.6	4.3
FCF/EV (%)	1.3	1.9	1.7	2.7	3.4
FCFE/Mkt Cap (%)	1.1	2.3	2.4	2.8	3.5
Dividend Yield (%)	1.3	0.7	1.0	1.2	1.4

Source: Company, HDFC sec Inst Research

RECOMMENDATION HISTORY


Date	CMP	Reco	Target
20-Oct-16	409	BUY	459
10-Jan-17	361	BUY	432
18-Jan-17	379	BUY	437
14-Apr-17	486	BUY	497
12-May-17	513	NEU	520
20-Jul-17	467	BUY	536

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- BUY** : Where the stock is expected to deliver more than 10% returns over the next 12 month period
NEUTRAL : Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period
SELL : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

INSTITUTIONAL RESEARCH
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