

# V GUARD INDUSTRIES

## Re-stocking spurs revenue beat

India Equity Research | Consumer Durables

V-Guard (VGI) clocked robust Q2FY18 performance spearheaded by strong re-stocking, primarily in UPS, stabilisers & kitchen appliances, which boosted OPMs. Key highlights: a) strong festive re-stocking post a tepid Q1 led to 4/25% sales/EBITDA beat spurred by higher growth in high-margin electronics/durables segments; b) GST & weak end user demand adversely impacted cables/switchgears growth; and c) management is confident of 15% top line CAGR over FY17-19E led by addition of 15K retailers, non-South revenue contribution jumping to 50% and higher SKU range rather than new products. While we are optimistic on the company's growth path and sustained profitability, we maintain 'HOLD' given rich valuations at 40x FY19E EPS even as we revise our TP to INR175 (INR163 earlier) building in higher earnings growth for FY19E led by better growth in kitchen appliances & potential for better OPMs.

### Q2FY18: Key takeaways

VGI's Q2FY18 revenue jumped 17% YoY due to: a) partial channel restocking; b) favourable impact of festive season in South (Onam); and c) launch of new products (mixer grinder/cooktops), which spurred electronics and consumer durables segments. Though the electricals segment clocked tepid growth due to subdued construction sector, it was better than for peers concentrating on North India, where restocking and transition to GST were tardy. With balance re-stocking expected to pick up in ensuing quarters, we expect VGI to recover lost sales and meet FY18 guidance of 15% excise adjusted sales growth.

### What do we expect going ahead?

We expect VGI to: a) generate higher revenue via SKU ramp up (launch of differentiated products, especially in kitchen appliances) with expanding non-South sales (adding 15k retailers) and restocking; b) focus on branding & marketing; and c) improve margin through operational efficiency (Udaan) & favourable product mix.

### Outlook and valuations: Rich valuations; maintain 'HOLD'

We envisage growth prospects to be bolstered by new revenue streams (kitchen appliances) with falling share of low-growth conventional businesses. The company's sharpened focus on beefing up dealer network (especially in non-South areas) instills confidence. At CMP the stock trades at 40x FY19E EPS. We maintain 'HOLD/SP'.

#### Financials

(INR mn)

Year to March	Q2FY18	Q2FY17	% Chg	Q1FY18	% Chg	FY17	FY18E	FY19E
Net revenues	5,599	4,788	16.9	5,595	0.1	21,506	24,555	28,760
EBITDA	670	515	30.2	326	105.2	2,150	2,478	3,089
Adjusted Profit	465	372	25.0	232	99.9	1,518	1,752	2,220
Diluted EPS (INR)	1.1	0.9	25.0	0.5	99.9	3.6	4.1	5.2
Diluted P/E (x)						57.9	50.2	39.6
EV/EBITDA (x)						40.9	35.2	28.0
ROAE (%)						37.6	34.2	35.8

#### EDELWEISS 4D RATINGS

Absolute Rating	HOLD
Rating Relative to Sector	Performer
Risk Rating Relative to Sector	Low
Sector Relative to Market	Equalweight

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

CMP	: INR 208
Target Price	: INR 175
52-week range (INR)	: 221 / 109
Share in issue (mn)	: 424.7
M cap (INR bn/USD mn)	: 88 / 1,360
Avg. Daily Vol.BSE/NSE('000)	: 1,062.3

#### SHARE HOLDING PATTERN (%)

	Current	Q1FY18	Q4FY17
Promoters *	65.2	65.2	65.2
MF's, FI's & BK's	11.3	10.3	10.1
FII's	11.2	11.5	12.5
Others	12.4	13.0	12.2
* Promoters pledged shares (% of share in issue)	:		NIL

#### PRICE PERFORMANCE (%)

	Stock	Nifty	EW Capital Goods Index
1 month	12.0	4.8	4.7
3 months	9.7	3.2	2.7
12 months	36.4	20.1	23.0

#### Amit Mahawar

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

#### Darshika Khemka

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

#### Ashutosh Mehta

+91 (22) 2286 2748  
 ashutosh.mehta@edelweissfin.com

October 26, 2017

### Q2FY18 conference call: Key highlights

#### Performance:

- Revenue grew 15% YoY. Sans the GST impact, which reduced the list price by 6%, revenue would have grown 21%.
- Product mix and seasonality led QoQ margin expanding 610bps.

#### FY18 guidance:

- Management expects revenue growth of 10-11% in FY18 and 15% on like-to-like basis (i.e. excise adjusted sales) with margin of 10.0-10.5%.
- Non-South sales pegged at INR8.5-9.0bn in FY18.
- Management envisages sales of INR1bn in kitchen appliances in South market alone.
- The potential market size of kitchen appliances segment is pegged at INR220bn and management is targeting at least 10% revenue contribution from this segment.

#### GST and re-stocking:

- There was only partial re-stocking during Q2FY18 wherein the company managed to regain sales worth INR0.25-0.30bn; INR0.2-0.25bn sales are pending.
- Re-stocking of seasonal products like fans, pumps and AC stabilizers will commence only in Jan/Feb.
- Res-stocking has been slow in non-South regions than in South.
- Management stated that there has not been any major change in non-billed sales and it will continue to remain the same until the E-Way bill is launched mostly by April next year.

**Durables versus electricals segment:** The durables segment is more organised with minuscule cash sales, lower number of customers and higher value sales. Moreover, dealers already have IT systems in place in contrast to the electricals segment. Hence, the durables segment has done better in terms of migration to GST compared to the electricals segment. However, the GST transition in the electricals segment has been better in South, whereas other regions have been slow. Also, the construction sector has come to a standstill, which is another reason for the electricals segment not performing well during the quarter.

#### New products:

- VGI launched gas cooktops during Q2FY18, which clocked excellent sales during Onam.
- The company has been investing in people and products (new category of mixer grinder and gas cooktops). New mixer grinders launched during Onam evinced good response.
- It is planning to launch more differentiated products to garner more shelf space among dealers, especially during the festive season.

#### Segmental and regional data

- **Revenue growth**
  - UPS and stabilisers: 21% YoY.

- Pumps: 15% YoY.
- Water heaters: 15%.
- Fans: 18%.
- Cables & wires: 5.7% (discontinued LT cables— 2% of total sales of INR0.32bn— which is included in last year's revenue; excluding which cables & wires grew 11% YoY).
- Cables & wires segment's gross margin grew 4% YoY riding inventory gains. Q2FY18 volumes grew 3% and were flat in H1FY18. Value growth is pegged at 10% in H1FY18.
- Non-South's gross margin came in at 25% versus 24% in Q2FY17.
- South's gross margin in Q2FY18 was 29% versus 26% in Q2FY17.
- Volume growth in induction cooktops was 26% and 15% in mixer grinders.

**Pricing:**

- Stabilisers' sales value did not drop drastically as they are still in the 18% tax bracket.
- Price rise of 3-5%, planned in April, was effected in June due to resistance from dealers and competitors not increasing prices.
- A second round of price hikes has been planned in Q3FY18.
- Pricing gap between organised and unorganised segments was in the 20-25% range earlier. However, unorganised dealers have hiked prices now, narrowing the price differential to the 5-6% range.

**Other comments:**

- Ad expenses of 5.7% in Q2FY18 versus 4.5% in Q2FY17.
- Warranty costs are 1.5% of sales and there is scope to reduce it going forward. VGI perceives this more of risk management.
- WC days improved by 7 due to inventory control. Management stated that GST has not led to any improvement in WC, rather it has led to disruption.
- The Sikkim facility may see some increase in employee cost and COGS may be impacted temporarily. Also, the operations cost may be high due to higher transportation cost.
- Employee cost may jump due to INR50mn ESOP in H1FY18.
- The company may resort to in-house manufacturing, which will increase cost in the short term, but entail long-term benefits.
- Management expects rural demand to improve due to better rains and expects higher contribution from non-South areas, especially East.

## Consumer Durables

**Table 1: Segmental snapshot (standalone)**

Year to March	Q2FY18	Q2FY17	% change	H1FY18	H1FY17	% change
<b>Segment revenue (INR mn)</b>						
Electronics	2,334	2,136	9.3	3,913	3,542	10.5
Electrical	1,646	1,352	21.7	4,700	4,415	6.4
Consumer Durables	1,619	1,363	18.8	2,677	2,503	7.0
<b>Total</b>	<b>5,599</b>	<b>4,851</b>	<b>15.4</b>	<b>11,290</b>	<b>10,460</b>	<b>7.9</b>
<b>Segment revenue mix (%)</b>						
Electronics	41.7	44.0		34.7	33.9	
Electrical	29.4	27.9		41.6	42.2	
Consumer Durables	28.9	28.1		23.7	23.9	
<b>EBIT (INR mn)</b>						
Electronics	195	165	18.3	509	541	(5.8)
Electrical	269	206	30.8	262	357	(26.8)
Consumer Durables	180	125	44.2	173	225	(22.7)
<b>Total</b>	<b>644</b>	<b>495</b>	<b>30.0</b>	<b>945</b>	<b>1,122</b>	<b>(15.8)</b>
<b>EBIT margin (%)</b>						
Electronics	8.3	7.7		13.0	15.3	
Electrical	16.4	15.2		5.6	8.1	
Consumer Durables	11.1	9.1		6.5	9.0	
<b>Total</b>	<b>11.5</b>	<b>10.2</b>		<b>8.4</b>	<b>10.7</b>	
<b>EBIT mix (%)</b>						
Electronics	30.3	33.3		53.9	48.2	
Electrical	41.8	41.6		27.7	31.8	
Consumer Durables	27.9	25.1		18.4	20.0	

Source: Company, Edelweiss research

## Financial snapshot

(INR mn)

Year to March	Q2FY18	Q2FY17	% change	Q1FY18	% change	YTD18	FY18E	FY19E
Net revenues	5,599	4,788	16.9	5,595	0.1	11,195	24,555	28,760
Direct costs	3,797	3,335	13.8	4,058	(6.4)	7,855	16,844	19,701
Employee expenses	422	345	22.2	428	(1.5)	850	1,622	1,829
Other expenses	710	593	19.7	782	(9.2)	1,492	3,610	4,142
EBITDA	670	515	30.2	326	105.2	996	2,478	3,089
Depreciation	47	40	18.9	45	4.4	92	187	197
EBIT	623	475	31.1	281	121.4	904	2,291	2,891
Other income	21	38	(45.5)	32	(34.9)	52	173	226
Interest	4	5	(19.2)	4	(2.5)	9	31	34
Add: Prior period items								
Profit before tax	639	507	26.0	309	107.2	948	2,434	3,084
Provision for taxes	174	136	28.7	76	129.4	251	681	863
Reported net profit	465	372	25.0	232	99.9	697	1,752	2,220
Adjusted Profit	465	372	25.0	232	99.9	697	1,752	2,220
Equity capital(FV INR 5)	425	425		425		849	425	425
No. of shares (mn)	425	425		425		849	425	425
Diluted EPS (INR)	1.1	0.9	25.0	0.5	99.9	1.6	4.1	5.2
<b>As % of net revenues</b>								
Raw material	67.8	69.7		72.5		70.2	68.6	68.5
Employee cost	7.5	7.2		7.7		7.6	6.6	6.4
Other expenses	12.7	12.4		14.0		13.3	14.7	14.4
EBITDA	12.0	10.7		5.8		8.9	10.1	10.7
Depreciation	0.8	0.8		0.8		0.8	0.8	0.7
EBIT	11.1	9.9		5.0		8.1	9.3	10.1
Interest expenditure	0.1	0.1		0.1		0.1	0.1	0.1
Other income	0.4	0.8		0.6		0.5	0.7	0.8
Reported net profit	8.3	7.8		4.2		6.2	7.1	7.7
Tax rate	27.3	26.7		24.6		26.4	28.0	28.0

## Change in Estimates

	FY18E			FY19E			Comments
	New	Old	% change	New	Old	% change	
Net Revenue	24,555	24,419	0.6	28,760	28,255	1.8	
EBITDA	2,478	2,456	0.9	3,089	2,918	5.9	
EBITDA Margin	10.1	10.1		10.7	10.3		
Adjusted Profit After Tax	1,752	1,736	0.9	2,220	2,088	6.3	Building in better growth in kitchen appliances & potential for better OPMs
Net Profit Margin	7.1	7.1		7.7	7.4		
Capex	350	350	0.0	350	350	0.0	

### Company Description

VGI, incorporated in 1977, is a leading player in household electrical and electro mechanical products (wires, cables, stabilisers, geysers) with dominance in tier 2, 3 and 4 cities in South India. It has a hybrid model, where it manufactures one third products it sells, while balance are outsourced. The company grew rapidly to become a name synonymous with voltage stabilisers across South India. It soon extended its range of products to voltage stabilisers, digital UPS, inverters & inverter batteries, electric water heaters, solar water heaters, domestic pumps, agricultural pumps, industrial motors, domestic switch gears, distribution boards, wiring cables, industrial cables, induction cooktops, mixer grinders and fans.

### Investment Theme

Historically, VGI has maintained leadership led by strong franchise in electrical products (stabilisers/UPS etc) with high market share of 34%. As a result, the company posted impressive top line/PAT CAGR of 27/26% over past 10 years. Its 2-pronged strategy: a) increasing market share in non-South regions for existing businesses; and b) penetrating new scalable businesses (pumps, water heaters and cables & wires) has incrementally impelled growth for the company. However, stabilizers which is its core product has been seeing a structural decline in the industry. V-Guard derives a large portion of its revenues from South India and has been trying to expand its presence in non-South. These we believe might be challenging for the company.

### Key Risks

- Seasonality in revenues since sales of a few product categories are dependent on summer/ winter season.
- Volatility in commodity prices, especially copper.
- Rising competitive intensity with entry of new players.
- Slowdown in construction/realty sectors impacting sales of a few products.

## Financial Statements

### Key Assumptions

Year to March	FY16	FY17	FY18E	FY19E
<b>Macro</b>				
GDP(Y-o-Y %)	7.9	6.6	6.8	7.4
Inflation (Avg)	4.9	4.5	4.0	4.5
Repo rate (exit rate)	6.8	6.3	5.8	5.8
USD/INR (Avg)	65.5	67.1	65.0	66.0
<b>Company</b>				
Pumps	7.0	7.0	13.0	13.5
Stabilizers	1.4	2.0	2.0	2.0
UPS (Digital + Standalone)	(6.5)	1.0	1.0	1.0
Water Heaters (Electric+Solar)	12.4	12.0	12.0	11.5
Fans	9.8	9.8	13.0	13.3
Kitchen Appliances (Cooks+Mixers)	-	1.5	5.4	8.0
Cables & Wires	19.0	10.0	13.0	13.5
Switchgears	20.7	10.0	10.3	10.5
Stabilizers Market Share	29.5	34.2	35.5	36.8
UPS (Digital + Standalone) Market Share	3.9	3.3	4.0	4.2
Pumps Market Share	1.4	1.6	1.8	1.9
Cables & Wires Market Share	1.5	1.5	1.5	1.6
Water Heaters (Electric+Solar) Market Share	9.7	9.7	9.8	10.7
Fans Market Share	1.9	2.1	2.2	2.4
Kitchen Appliances (Cooks+Mixers) Market Share	5.5	6.7	8.5	13.0
Switchgears Market Share	0.8	1.1	1.4	1.6
Depreciation	6.2	6.0	6.0	5.7
Tax rate (%)	30.6	27.8	28.0	28.0
Capex (INR mn)	140	430	350	350

### Income statement

(INR mn)

Year to March	FY16	FY17	FY18E	FY19E
Income from operations	18,623	21,506	24,555	28,760
Materials costs	13,123	14,780	16,844	19,701
Employee costs	1,108	1,375	1,622	1,829
Other mfg expenses	2,611	3,201	3,610	4,142
Total operating expenses	16,843	19,356	22,076	25,672
EBITDA	1,780	2,150	2,478	3,089
Depreciation	154	162	187	197
EBIT	1,626	1,988	2,291	2,891
Add: Other income	72.31	134.61	172.74	225.93
Less: Interest Expense	89	21	31	34
Profit Before Tax	1,610	2,102	2,434	3,084
Less: Provision for Tax	493	584	681	863
Reported Profit	1,117	1,518	1,752	2,220
Adjusted Profit	1,117	1,518	1,752	2,220
Shares o /s (mn)	326	425	425	425
Diluted shares o/s (mn)	326	425	425	425
Adjusted Diluted EPS	3.4	3.6	4.1	5.2
Adjusted Cash EPS	3.9	4.0	4.6	5.7
Dividend per share (DPS)	0.7	0.8	0.8	1.0
Dividend Payout Ratio(%)	20.4	23.1	20.0	20.0

### Common size metrics

Year to March	FY16	FY17	FY18E	FY19E
Operating expenses	90.4	90.0	89.9	89.3
EBITDA margins	9.6	10.0	10.1	10.7
Net Profit margins	6.0	7.1	7.1	7.7

### Growth ratios (%)

Year to March	FY16	FY17	FY18E	FY19E
Revenues	6.7	15.5	14.2	17.1
EBITDA	33.8	20.8	15.2	24.6
Adjusted Profit	57.9	35.9	15.4	26.7

## Consumer Durables

Balance sheet		(INR mn)			
As on 31st March	FY16	FY17	FY18E	FY19E	
Share capital	301	425	425	425	
Reserves & Surplus	37	-	-	-	
Shareholders' funds	4,708	6,371	7,703	9,391	
Short term borrowings	15	1	15	15	
Long term borrowings	56	153	153	153	
Total Borrowings	71	154	169	169	
Long Term Liabilities	176	88	88	88	
<b>Sources of funds</b>	<b>5,029</b>	<b>6,668</b>	<b>8,014</b>	<b>9,702</b>	
Gross Block	2,526	2,762	3,112	3,462	
Net Block	1,610	1,684	1,847	2,000	
Capital work in progress	1	104	104	104	
Total Fixed Assets	1,611	1,788	1,951	2,104	
Non current investments	-	3	3	3	
Current Investments	194	889	889	889	
Cash and Equivalents	76	157	874	1,622	
Inventories	2,047	2,736	3,119	3,648	
Sundry Debtors	2,792	3,193	3,565	4,176	
Loans & Advances	434	603	664	796	
Other Current Assets	11	39	41	41	
Current Assets (ex cash)	5,284	6,571	7,388	8,661	
Sundry creditors	1,793	2,509	2,859	3,344	
Provisions	343	231	231	231	
Total Current Liab	2,136	2,740	3,090	3,575	
Net Curr Assets-ex cash	3,149	3,831	4,298	5,085	
Net Deferred tax	75	55	55	55	
<b>Uses of funds</b>	<b>5,029</b>	<b>6,668</b>	<b>8,014</b>	<b>9,702</b>	
BVPS (INR)	14.5	15.0	18.1	22.1	

Free cash flow		(INR mn)			
Year to March	FY16	FY17	FY18E	FY19E	
Reported Profit	1,117	1,518	1,752	2,220	
Add: Depreciation	154	162	187	197	
Interest (Net of Tax)	62	15	22	24	
Others	94	(5)	(164)	(216)	
Less: Changes in WC	116	501	467	787	
Operating cash flow	1,311	1,189	1,330	1,438	
Less: Capex	140	430	350	350	
<b>Free Cash Flow</b>	<b>1,171</b>	<b>759</b>	<b>980</b>	<b>1,088</b>	

Cash flow metrics		FY16	FY17	FY18E	FY19E
Year to March					
Operating cash flow		1,311	1,189	1,330	1,438
Investing cash flow		(316)	(1,054)	(177)	(124)
Financing cash flow		(941)	(55)	(436)	(566)
Net cash Flow		53	81	717	748
Capex		(140)	(430)	(350)	(350)
Dividend paid		250	356	420	532

Profitability and efficiency ratios		FY16	FY17	FY18E	FY19E
Year to March					
ROAE (%)		26.3	27.4	24.9	26.0
ROACE (%)		37.2	37.6	34.2	35.8
Inventory Days		65	59	63	63
Debtors Days		51	51	50	49
Payable Days		56	53	58	57
Cash Conversion Cycle		60	57	56	54
Current Ratio		2.5	2.4	2.4	2.4
Gross Debt/EBITDA		-	0.1	0.1	0.1
Gross Debt/Equity		-	-	-	-
Adjusted Debt/Equity		-	-	-	-

Operating ratios		FY16	FY17	FY18E	FY19E
Year to March					
Total Asset Turnover		3.9	3.7	3.3	3.2
Fixed Asset Turnover		11.5	13.1	13.9	15.0
Equity Turnover		4.0	3.4	3.2	3.1

Valuation parameters		FY16	FY17	FY18E	FY19E
Year to March					
Adj. Diluted EPS (INR)		3.4	3.6	4.1	5.2
Y-o-Y growth (%)		64.6	4.3	15.4	26.7
Adjusted Cash EPS (INR)		3.9	4.0	4.6	5.7
Diluted P/E (x)		60.6	58.1	50.3	39.7
P/B (x)		14.4	13.8	11.4	9.4
EV / Sales (x)		3.6	4.1	3.6	3.0
EV / EBITDA (x)		37.9	40.6	34.9	27.8



## Additional Data

### Directors Data

Mr. Kochouseph Chittilappilly	Chairman	Mr. Cherian N Punnoose	Vice Chairman
Mr. Mithun K Chittilappilly	Managing Director	Mr. Ramachandran Ventaraman	Director & COO
Mr. C J George	Managing Director	Mr. A K Nair	Managing Director
Mr. Ullas K Kamath	Managing Director	Mrs. Joshna Johnson Thomas	Managing Director

Auditors - S R Batliboi & Associates LLP

*\*as per last annual report*

### Holding – Top 10

	Perc. Holding		Perc. Holding
Chittilappi Kochouseph Tho	19.39	Dsp Blackrock Investment Manager	4.54
Chittilappilly Mithun K	16.85	Nalanda India Equity Fund	4.30
Chittilappilly Arun K	13.09	Nalanda India Fund Ltd	2.60
Kochouseph Sheela	10.95	Sundaram Asset Management Co Ltd	2.22
K Chittilappilly Trust	4.90	Axis Asset Management Co Ltd	2.01

*\*as per last available data*

### Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
------	-------------------	-----	------------	-------

No Data Available

*\*in last one year*

### Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
05 Apr 2017	KOCHOUSEPH CHITTILAPPILLY	Sell	20808000.00
03 Apr 2017	KOCHOUSEPH CHITTILAPPILLY	Sell	20808000.00
31 Mar 2017	KOCHOUSEPH CHITTILAPPILLY	Sell	20808000.00
28 Mar 2017	ABIE ABRAHAM	Sell	31150.00
24 Mar 2017	Nandagopal Nair	Sell	23285.00

*\*in last one year*

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

### ABSOLUTE RATING

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

### RELATIVE RETURNS RATING

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

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

### RELATIVE RISK RATING

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

Risk ratings are based on Edelweiss risk model

### SECTOR RATING

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

Edelweiss  
Ideas create, values protect



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

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

Aditya Narain

Head of Research

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

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

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

#### Recent Research

Date	Company	Title	Price (INR)	Recos
08-Sep-17	<b>Bajaj Electricals</b>	Change underway; <i>Company Update</i>	340	Hold
07-Sep-17	<b>KEI Industries</b>	On a strong growth trajectory; <i>Company Update</i>	264	Buy
07-Sep-17	<b>Symphony</b>	Growth confidence reinstated ; <i>Company Update</i>	1,305	Buy

#### Distribution of Ratings / Market Cap

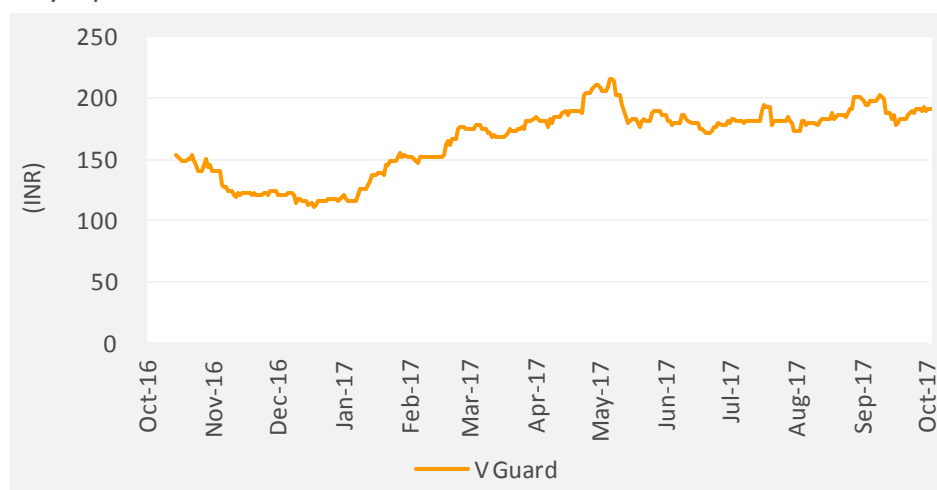
##### Edelweiss Research Coverage Universe

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

#### Rating Interpretation

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

#### One year price chart



### DISCLAIMER

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

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

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

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

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

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

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

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

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

ESL has financial interest in the subject companies: No

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

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

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

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

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

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

#### **Analyst Certification:**

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

#### **Additional Disclaimers**

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

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

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

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

### Disclaimer for U.K. Persons

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

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

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

### Disclaimer for Canadian Persons

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

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

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

### Disclaimer for Singapore Persons

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

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