

# CROMPTON GREAVES CONSUMER

## Intensifying competition takes a toll; growth matrix intact

India Equity Research | Consumer Durables



Crompton Greaves Consumer's (Crompton) healthy profit growth sustained in Q3FY18 as well, despite slowdown in fans, pumps and geyser segments. Key highlights: a) robust spurt in lighting (up 23% YoY) was offset by mere 7% YoY growth in consumer durables due to dip in geysers and tepid growth in pumps; b) EBITDA grew a 20% YoY led primarily by gross margin expansion on account of rise in premium products & sustained cost focus; and c) while Crompton's overall fan sales growth was lower compared to large peers, its market share in premium offerings jumped—reflected in high growth (20% YoY) over past many quarters. While we remain enthused by Crompton's comprehensive business strategy with clear focus areas, we trim FY18/19E EPS 7%/15% building in lower-than-expected 9mFY18 performance. Maintain 'BUY' with revised TP of INR290 (INR260 earlier) as we roll forward to FY20E, estimating ~19% EPS CAGR and spurt in free cash flow over FY17-20 led by industry-leading growth in fans and lighting segments.

### Tepid pumps & geysers offset blooming lighting & premium fans

In our view, heightened competition and adverse impact from small / unorganised sector in pumps and geysers impacted Crompton's Q3FY18 ECD top line (up mere 7.4% YoY). The growth was tepid despite a robust 28% YoY surge in premium fans (MRP >INR2,500)—now contribute 20% to overall fans' revenue. We believe, competition's SKU ramp up in geysers, residential pumps etc., has impacted Crompton.

### Key monitorables over 12-24 months

We expect Crompton's growth to revive in ensuing quarters, especially in fans and residential pumps, as new launches start bearing fruits, apart from sustained growth in lighting. We also appreciate its sharpened focus on a more robust organizational build up—long-term supply chain and marketing initiatives. These, we believe, are targeted at wresting share from organised players, which we envisage to play out over the following 12-24 months.

### Outlook and valuations: Ready for big leap; maintain 'BUY'

Crompton has reaped most of the low-hanging benefits reflected in profitable growth over the past three-four quarters. Key monitorable now remains top management's capital allocation strategy to expand industry coverage even as Crompton tries to achieve its objective of higher-than-market profitable growth. Maintain 'BUY/SO'.

#### Financials

(INR mn)

Year to March	Q3FY18	Q3FY17	% Chg	Q2FY18	% Chg	FY17	FY18E	FY19E
Net revenues	9,382	8,792	6.7	9,597	(2.2)	39,759	41,990	48,661
EBITDA	1,165	972	19.8	1,207	(3.5)	4,902	5,299	6,286
Adjusted Profit	695	543	27.9	708	(1.8)	2,932	3,218	3,905
Diluted EPS (INR)	1.1	0.9	27.9	1.1	(1.8)	4.7	5.1	6.2
Diluted P/E (x)						53.6	48.8	40.2
ROAE (%)						76.4	49.8	44.1

#### EDELWEISS 4D RATINGS

Absolute Rating	BUY
Rating Relative to Sector	Outperform
Risk Rating Relative to Sector	Low
Sector Relative to Market	Overweight

#### MARKET DATA (R: NA, B: CROMPTON IN)

CMP	: INR 251
Target Price	: INR 290
52-week range (INR)	: 295 / 147
Share in issue (mn)	: 626.8
M cap (INR bn/USD mn)	: 157 / 2,599
Avg. Daily Vol.BSE/NSE('000)	: 1,132.6

#### SHARE HOLDING PATTERN (%)

	Current	Q2FY18	Q1FY18
Promoters *	34.4	34.4	34.4
MF's, FI's & BK's	14.6	14.6	16.7
FII's	35.1	35.1	33.2
Others	15.9	15.9	15.7
* Promoters pledged shares (% of share in issue)	:		NIL

#### PRICE PERFORMANCE (%)

	Stock	Nifty	EW Capital Goods Index
1 month	(1.5)	5.6	8.2
3 months	19.0	8.8	18.6
12 months	58.0	32.1	43.6

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### Q3FY18 conference call: Key takeaways

#### Performance:

- Crompton's revenue grew 12.2% with comparable growth in the Electrical Consumer Durable segment of 7.4% and 23.0% in lighting segment.
- **Fans**
  - Premium fans grew 28% and constitute 20% of total fans business.
  - The company had minimal presence in premium fans two-three years ago with premium fans constituting mere 5-6% of total fans turnover. However, currently, it is a leading player in this segment and not just in overall fans.
  - The value growth was driven by volume growth with little salience coming from premium fans. Non-premium fans business also grew.
  - **EESL:** It has 400,000 fans order (to be executed in 6 months) and recently delivered 50,000 units.
- **Lighting**
  - LED jumped 56% during the quarter and constitutes 70% of overall lighting business.
  - Crompton is now the second-largest lighting company after Philips. It was hardly present in the lighting segment two years ago and in just 24 months it has scaled up to become the second-largest player.
  - The value growth was 23% and volume growth was 30% with lower value growth due to price erosion in LEDs.
  - **EESL:** Total revenue from EESL was INR400mn, of which INR200mn was street lights and INR220mn was B2B. It has INR500mn worth of orders pending execution. It earlier supplied lamps and fixtures; but going forward, management expects the proportion of lamps to dip.
- **Geysers:** Crompton's market share in geysers declined during the quarter.
- **Pumps:** The company's market share has not declined. But its growth rate in the segment has declined. Agri pumps grew 19% during the quarter.

#### Input prices and price increase

- Commodity prices increased during the quarter (with QoQ index up 2% points).
- Management believes it is not possible to pass on the entire commodity price hike to customers. Hence, it hiked prices of fans only 1.5% in November.
- The other 2 ways to offset the commodity price increase are: 1) favourable mix; and 2) cost cutting in other areas, which the company has been successfully implementing.

#### Growth of new products segments

- **New product additions:** Crompton aims to add only those products in which there is scope to bag the No. 2 position as it believes most of the value is captured by the top 2 players in a segment.
- **Geysers and air coolers**
  - Geysers and coolers are currently the company's priority. It aims to be the No.2 player from the current 6/7 position in both the categories.

- In terms of inorganic growth opportunities in these 2 segments, management believes if there is a good acquisition opportunity which will help it scale up its position only then it will consider it.
- New offerings in geysers will be launched in early part of next year. New products in coolers will be launched in the current season itself.
- Electrical stores are the main distribution channel for geysers. Coolers have a separate distribution channel, but with the launch of coolers they will get entry into a different distribution channel (which in our view may help rollout new products going ahead).

### Flavour on the industry and challenges faced by Crompton during Q3FY18

- The company faced challenges particularly in ECD business with subdued growth in domestic pumps.
- Crompton is the leader in domestic pumps, but it faced significant competitive pressure in North and East India due to introduction of mid and low priced pumps by competitors. The company also introduced a mid price range of pumps during the quarter to battle the competitive pressure. Management believes growth in pumps will recover reasonably quickly.
- Water heaters volume declined during the quarter despite being a seasonal quarter along with significant rise in competitive intensity. Besides this, the company also lost share due to lagging in its innovation pipeline.
- **Fans:** YTD growth in the market is flat. The market was declining in early part of the year, but has started reviving. Hence, cumulatively, it shows growth. Management estimates the industry to recover to 6-8% growth in line with historical growth rate. Also, the housing sector, which drives growth of fans, has been subdued. Exports have been flat. 80-85% is replacement demand and balance is new demand; it's the same in case of premium fans.
- In the view of the management trade has largely smoothened out, post the impact of GST.

### Go-to-market (GTM) programme:

- The GTM programme is running in western regions. The programme's objective is to develop new partners and leverage technology to improve scale by using real time data and involves the roll out of sales force automation.

### Other comments:

- **Supply chain:** Crompton has tied up with Future Logistics, which has better technology and a transformative supply chain programme.
- **Cost reduction programme** continues to deliver benefits, reflected in higher margins.
- **Ad spends:** Spent INR160mn during the quarter.

## Consumer Durables

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

Year to March	Q3FY18	Q3FY17	% change	Q2FY18	% change	9MFY18	9MFY17	% change
<b>Segment revenue (INR mn)</b>								
Lighting & Fixtures	3,265	2,859	14.2	3,378	(3.4)	9,391	8,188	14.7
Electrical Consumer Durables	6,117	6,188	(1.1)	6,219	(1.6)	20,397	20,902	(2.4)
<b>Total</b>	<b>9,382</b>	<b>9,046</b>	<b>3.7</b>	<b>9,597</b>	<b>(2.2)</b>	<b>29,788</b>	<b>29,090</b>	<b>2.4</b>
<b>Segment revenue mix (%)</b>								
Lighting & Fixtures	34.8	31.6		35.2		31.5	28.1	612.6
Electrical Consumer Durables	65.2	68.4		64.8		68.5	71.9	(100.8)
<b>EBIT (INR mn)</b>								
Lighting & Fixtures	452	312	45.1	427	6.0	1,099	749	46.7
Electrical Consumer Durables	1,112	996	11.6	1,110	0.2	3,636	3,505	3.7
<b>Total</b>	<b>1,564</b>	<b>1,308</b>	<b>19.6</b>	<b>1,536</b>	<b>1.8</b>	<b>4,735</b>	<b>4,254</b>	<b>11.3</b>
<b>EBIT margin (%)</b>								
Lighting & Fixtures	13.8	10.9		12.6		11.7	9.1	
Electrical Consumer Durables	18.2	16.1		17.8		17.8	16.8	
<b>EBIT mix (%)</b>								
Lighting & Fixtures	28.9	23.8		27.8		23.2	17.6	
Electrical Consumer Durables	71.1	76.2		72.2		76.8	82.4	

Source: Edelweiss research

## Financial snapshot

(INR mn)

Year to March	Q3FY18	Q3FY17	% change	Q2FY18	% change	YTD FY18	FY18E	FY19E
Net revenues	9,382	8,792	6.7	9,597	(2.2)	18,979	41,990	48,661
Direct costs	6,277	6,104	2.8	6,686	(6.1)	12,963	28,973	33,479
Employee expenses	742	633	17.3	699	6.1	1,441	2,847	3,154
Other expenses	1,198	1,084	10.6	1,005	19.3	2,203	4,871	5,742
EBITDA	1,165	972	19.8	1,207	(3.5)	2,372	5,299	6,286
Depreciation	32	26	22.4	32	1.9	64	132	137
EBIT	1,133	946	19.7	1,175	(3.6)	2,308	5,167	6,149
Other income	66	50	31.3	35	87.5	102	286	329
Interest	158	162	(2.5)	157	0.8	315	650	650
Profit before tax	1,040	834	24.8	1,054	(1.3)	2,094	4,802	5,829
Provision for taxes	345	290	18.9	346	(0.1)	691	1,585	1,923
Reported net profit	695	543	27.9	708	(1.8)	1,403	3,218	3,905
Adjusted Profit	695	543	27.9	708	(1.8)	1,403	3,218	3,905
Equity capital(FV INR 5)	1,254	1,254		1,254		2,507	1,254	1,254
No. of shares (mn)	627	627		627		1,254	627	627
Diluted EPS (INR)	1.1	0.9	27.9	1.1	(1.8)	2.2	5.1	6.2
<b>As % of net revenues</b>								
Raw material	66.9	69.4		69.7		136.6	69.0	68.8
Employee cost	7.9	7.2		7.3		15.2	6.8	6.5
Other expenses	12.8	12.3		10.5		23.2	11.6	11.8
EBITDA	12.4	11.1		12.6		25.0	12.6	12.9
Depreciation	0.3	0.3		0.3		0.7	0.3	0.3
EBIT	12.1	10.8		12.2		24.3	12.3	12.6
Interest expenditure	1.7	1.8		1.6		3.3	1.5	1.3
Other income	0.7	0.6		0.4		1.1	0.7	0.7
Reported net profit	7.4	6.2		7.4		14.8	7.7	8.0
Tax rate	33.2	34.8		32.8		66.0	33.0	33.0

## Change in Estimates

	FY18E			FY19E			Comments
	New	Old	% change	New	Old	% change	
Net revenue	41,990	44,873	(6.4)	48,661	53,328	(8.8)	Building in lower-than-expected 9mFY18 performance
EBITDA	5,299	5,635	(6.0)	6,286	7,132	(11.9)	
EBITDA margin	12.6	12.6		12.9	13.4		
Adjusted PAT	3,218	3,458	(7.0)	3,905	4,573	(14.6)	
Net profit margin	7.7	7.7		8.0	8.6		
Capex	225	225	0.0	200	200	0.0	

### Company Description

Crompton was set up in 1878 as REB Crompton to manufacture electrical equipment. Later, it was merged with F&A Parkinson to form Crompton Parkinson. The latter was bought in 1947 by the Thapar family and in 1966 restructured into Crompton Greaves. Crompton was in multiple sectors including electrical goods. In October 2015, the electrical and lighting business was demerged into Crompton Greaves Consumer Electricals. The Thapars sold their stake to 2 private equity firms, Advent International and Temasek Holdings, in 2016. The company broadly has 4 business segments—fans, lightings, pumps and electrical appliances. Crompton is a market leader in the fans and residential pumps segments, with over 25% market share in each.

### Investment Theme

#### **Higher share of premium offerings, new launches spurring profitability:**

Crompton is the leader in fans and residential pumps with 27% and 28% market shares, respectively, wherein it is positioned as a premium products player anchored by a robust distribution network. While FY17 profitability sprung a positive surprise for the Street, we expect the improvement to sustain given the humungous scope to enhance the share of premium products (fans, lighting, appliances, etc). This, we believe, the company will achieve by unwavering focus on product innovation/branding.

#### **Potential for strong brand leverage :**

While the new management has kick started many initiatives to drive value in key segments like fans and lighting, we believe, brand Crompton is yet to be fully leveraged. We perceive significant scope to improve value market share in lighting and agri pumps wherein the company has low market share of ~5%. In lighting, current focus is on cost control, where Crompton has created significant value by improving operating margin. Also, in the pumps segment, leveraging its dominance in residential pumps, Crompton has sharpened focus on agri pumps.

### Key Risks

#### **Competition**

Rising competitive intensity especially from local peers, we believe could be a risk to our growth and profitability estimates.

#### **Consumer discretionary slow down**

Rise in disposable income levels are key driver for consumer discretionary and hence any slowdown in disposable income could post down side risk to Crompton's earnings.

## Financial Statements

## Key Assumptions

Year to March	FY17	FY18E	FY19E	FY20E
<b>Macro</b>				
GDP(Y-o-Y %)	6.6	6.5	7.1	7.6
Inflation (Avg)	4.5	3.8	4.5	5.0
Repo rate (exit rate)	6.3	6.0	6.0	6.5
USD/INR (Avg)	67.1	64.5	65.0	66.0
<b>Company</b>				
Lighting	15.5	15.0	16.3	16.3
Pumps	7.0	10.0	13.5	14.0
Fans	9.8	8.0	13.3	13.5
Appliances	4.2	5.0	10.0	10.0
Fans (%)	12.5	2.9	14.6	15.8
Lighting (%)	0.1	12.4	16.7	17.5
Pumps (%)	15.0	(3.5)	14.8	16.5
Appliances (%)	32.4	(11.6)	13.4	16.7
Depreciation	1.1	1.3	1.3	1.4
Tax rate (%)	32.5	33.0	33.0	33.0

## Income statement

(INR mn)

Year to March	FY17	FY18E	FY19E	FY20E
Income from operations	39,759	41,990	48,661	56,702
Direct costs	27,349	28,973	33,479	38,784
Employee costs	2,252	2,847	3,154	3,477
Other Expenses	5,257	4,871	5,742	6,804
Total operating expenses	34,857	36,691	42,375	49,066
EBITDA	4,902	5,299	6,286	7,637
Depreciation	110	132	137	143
EBIT	4,792	5,167	6,149	7,494
Add: Other income	195.00	285.68	329.44	361.92
Less: Interest Expense	655	650	650	500
Profit Before Tax	4,331	4,802	5,829	7,356
Less: Provision for Tax	1,399	1,585	1,923	2,427
Net profit	2,932	3,218	3,905	4,928
Extraordinary item	(25)	-	-	-
Adjusted Profit	2,932	3,218	3,905	4,928
Shares o /s (mn)	627	627	627	627
Basic EPS (INR)	4.7	5.1	6.2	7.9
Diluted shares o/s (mn)	627	627	627	627
Adj. Diluted EPS (INR)	4.7	5.1	6.2	7.9
Adjusted Cash EPS	4.9	5.3	6.4	8.1
Dividend per share (DPS)	1.5	1.7	2.0	2.3
Dividend Payout Ratio(%)	32.1	33.6	31.8	29.0

## Common size metrics

Year to March	FY17	FY18E	FY19E	FY20E
Operating expenses	87.7	87.4	87.1	86.5
Staff costs	5.7	6.8	6.5	6.1
S G & A expenses	13.2	11.6	11.8	12.0
Direct Cost	68.8	69.0	68.8	68.4
Depreciation	0.3	0.3	0.3	0.3
Interest Expense	1.6	1.5	1.3	0.9
EBITDA margins	12.3	12.6	12.9	13.5
EBIT margins	12.1	12.3	12.6	13.2
Net Profit margins	7.4	7.7	8.0	8.7

## Growth ratios (%)

Year to March	FY17	FY18E	FY19E	FY20E
Revenues	119.5	5.6	15.9	16.5
EBITDA	134.0	8.1	18.6	21.5
PBT	152.5	10.9	21.4	26.2
Adjusted Profit	146.3	9.7	21.4	26.2
EPS	23.0	9.7	21.4	26.2

## Consumer Durables

Balance sheet		(INR mn)			
As on 31st March	FY17	FY18E	FY19E	FY20E	
Share capital	1,254	1,254	1,254	1,254	
Reserves & Surplus	4,138	6,274	8,936	12,435	
Shareholders' funds	5,392	7,528	10,190	13,688	
Secured loans	6,500	6,500	6,500	3,500	
Total Borrowings	6,500	6,500	6,500	3,500	
<b>Sources of funds</b>	<b>11,892</b>	<b>14,028</b>	<b>16,690</b>	<b>17,188</b>	
Gross Block	9,964	10,189	10,389	10,564	
Depreciation	1,349	1,481	1,618	1,761	
Net Block	8,615	8,708	8,771	8,803	
Total Fixed Assets	8,615	8,708	8,771	8,803	
Cash and Equivalents	700	2,472	5,051	5,432	
Inventories	2,348	2,488	2,875	3,330	
Sundry Debtors	5,434	5,773	6,651	7,750	
Loans & Advances	685	981	1,128	1,297	
Total current assets	8,468	9,242	10,654	12,377	
Sundry creditors	8,448	8,949	10,341	11,980	
Provisions	811	811	811	811	
Total Current Liab	9,258	9,760	11,152	12,791	
Net current assets	(791)	(519)	(498)	(413)	
Net Deferred tax	182	182	182	182	
<b>Uses of funds</b>	<b>11,892</b>	<b>14,028</b>	<b>16,690</b>	<b>17,188</b>	
BVPS (INR)	8.6	12.0	16.3	21.8	

Free cash flow		(INR mn)			
Year to March	FY17	FY18E	FY19E	FY20E	
Reported Profit	2,932	3,218	3,905	4,928	
Add: Depreciation	110	132	137	143	
Interest (Net of Tax)	442	436	436	335	
Others	136	(71)	(115)	(197)	
Gross cash flow	3,621	3,714	4,363	5,209	
Less: Changes in WC	517	272	20	85	
Operating cash flow	3,105	3,442	4,343	5,124	
Less: Capex	148	225	200	175	
<b>Free Cash Flow</b>	<b>2,956</b>	<b>3,217</b>	<b>4,143</b>	<b>4,949</b>	

Cash flow metrics		FY17	FY18E	FY19E	FY20E
Year to March					
Operating cash flow		3,105	3,442	4,343	5,124
Investing cash flow		(3,151)	61	129	187
Financing cash flow		(1,094)	(1,731)	(1,893)	(4,930)
Net cash Flow		(1,140)	1,772	2,579	381
Capex		(148)	(225)	(200)	(175)
Dividend paid		(940)	(1,081)	(1,243)	(1,430)

### Profitability and efficiency ratios

Year to March	FY17	FY18E	FY19E	FY20E
ROAE (%)	76.4	49.8	44.1	41.3
ROACE (%)	51.5	42.1	42.2	46.4
Inventory Days	30	30	29	29
Debtors Days	44	49	47	46
Payable Days	114	110	105	105
Cash Conversion Cycle	(40)	(30)	(29)	(29)
Current Ratio	0.9	0.9	1.0	1.0
Debt/EBITDA (x)	1.3	1.2	1.0	0.5
Fixed asset turnover (x)	4.6	4.8	5.6	6.5
Debt/Equity (x)	1.2	0.9	0.6	0.3
Adjusted Debt/Equity	1.2	0.9	0.6	0.3
Interest Coverage Ratio	7.3	7.9	9.5	15.0

### Operating ratios

Year to March	FY17	FY18E	FY19E	FY20E
Total Asset Turnover	4.1	3.2	3.2	3.3
Fixed Asset Turnover	4.6	4.8	5.6	6.5
Equity Turnover	10.4	6.5	5.5	4.7

### Valuation parameters

Year to March	FY17	FY18E	FY19E	FY20E
Adj. Diluted EPS (INR)	4.7	5.1	6.2	7.9
Y-o-Y growth (%)	23.0	9.7	21.4	26.2
Adjusted Cash EPS (INR)	4.9	5.3	6.4	8.1
Diluted P/E (x)	53.6	48.8	40.2	31.9
P/B (x)	29.1	20.9	15.4	11.5
EV / Sales (x)	4.1	3.8	3.2	2.7
EV / EBITDA (x)	33.2	30.4	25.2	20.3
Dividend Yield (%)	0.6	0.7	0.8	0.9

### Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		P/B (X)		ROAE (%)	
		FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
Crompton Greaves Consumer Electrical	2,599	48.8	40.2	20.9	15.4	49.8	44.1
Bajaj Electricals	843	40.1	28.4	5.5	4.8	14.5	18.0
Havells India	5,730	52.5	40.5	9.8	8.7	19.7	22.7
Median	-	48.8	40.2	9.8	8.7	19.7	22.7
AVERAGE	-	47.2	36.4	12.0	9.6	28.0	28.2

Source: Edelweiss research



## Additional Data

### Directors Data

Mr. Shantanu Khosla	Managing Director	Mr. Mathew Job	Chief Executive Officer
Mr. Sandeep Batra	CFO	Mr. P. M. Murty	Independent Director
Mr. D. Sundaram	Independent Director	Mr. Hemant Madhusudan Nerurkar	Independent Director
Ms. Shweta Jalan	Independent Director	Mr. Promeet Ghosh	Independent Director
Mr. Ravi Narain	Independent Director		

Auditors - Sharp & Tannan Chartered Accountants

### Holding – Top10

	Perc. Holding		Perc. Holding
Amalfiacio limited	22.34	Macritchie invs pte	12.03
Capital group compan	3.9	Aditya birla sun lif	3.66
Nomura	3.34	Life insurance corp	3.24
Amansa capital pvt l	2.8	Goldman sachs group	2.58
Nordea bank ab	2.27	Vanguard group	2.13

*\*in last one year*

### Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
17 Mar 2017	Vanguard Funds Public Ltd Company Vanguard Ftse All Wor	Buy	4973627	195.28

*\*in last one year*

### Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
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No Data Available

*\*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	SP	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

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## 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
23-Jan-18	<b>Symphony</b>	Profitable growth momentum recoups; upside capped; <i>Result Update</i>	1967	Hold
23-Jan-18	<b>V Guard Industries</b>	In recovery mode; brand transformation underway; <i>Result Update</i>	239	Hold
22-Jan-18	<b>Havells India</b>	Favorable base leads to in-line quarter; growth profile intact; <i>Result Update</i>	553	Buy

### Distribution of Ratings / Market Cap

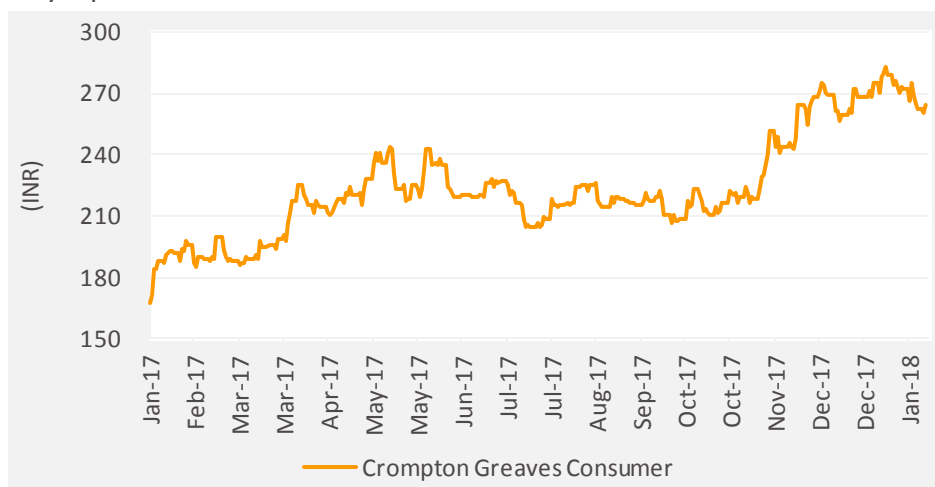
#### Edelweiss Research Coverage Universe

	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



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