

INDUSTRY	APPLIANCES
CMP (as on 11 May 2018)	Rs 548
Target Price	Rs 656
Nifty	10,807
Sensex	35,536
KEY STOCK DATA	
Bloomberg	HAVL IN
No. of Shares (mn)	625
MCap (Rs bn)/(US\$ mn)	342/5,089
6m avg traded value (Rs mn)	799
STOCK PERFORMANCE (%)	
52 Week high / low	Rs 593 / 434
	3M 6M 12M
Absolute (%)	6.3 9.2 6.7
Relative (%)	1.8 2.5 (10.8)
SHAREHOLDING PATTERN (%)	
Promoters	59.58
FIs & Local MFs	5.06
FPIs	24.93
Public & Others	10.43
Source : BSE	

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Strength to strength

Havells' core business grew remarkably well with revenue/EBITDA growth of 18/24% YoY. While, Lloyd disappointed with flat revenue growth (11% in FY18) in its seasonal quarter. However, Lloyd's EBITDAM of 12.4/8% in 4Q/FY18 vs. ~6% in FY17 was encouraging.

The company justified its core competence by delivering revenue/EBITDA growth of 13/14% YoY in a challenging year. We continue to be optimistic for Havells core business growth, owing to improving consumption dynamics along with superior execution capabilities.

Lloyd's weak AC performance in 4Q was due to pre-buying (3Q) and delayed summer. However, Havells claims that they have not lost market share in AC in FY18 (value/volume market share of ~10/13%). We believe that over time with Havells' pedigree, Lloyd can start delivering improved performance. Capex plan of Rs 3bn on AC manufacturing vs. outsourcing (80% from China), lends us the notion that Havells' is shaping Lloyd for the next leg of growth.

We like Havells owing to its (1) Strong brand positioning, (2) High focus on dealer/distributor network expansion, (3) Consistent new launches, (4) Market share gain with margin expansion, (5) Acquisition of Lloyd's, provided entry into low penetrated categories like ACs, Washing

Financial Summary

(Rs mn)	4QFY18	4QFY17	YoY (%)	3QFY18	QoQ (%)	FY16	FY17	FY18P	FY19E	FY20E
Net Revenue	25,349	17,102	48.2	19,658	29.0	53,783	61,353	81,386	98,594	113,306
EBITDA	3,577	2,296	55.8	2,622	36.4	7,549	8,241	10,493	13,831	16,446
APAT	2,319	1,706	36.0	1,792	29.4	5,141	5,967	7,035	9,388	11,385
EPS (Rs)	3.7	2.7	35.9	2.9	29.4	8.2	9.5	11.3	15.0	18.2
P/E (x)						66.3	57.2	48.5	36.3	30.0
EV/EBITDA (x)						43.4	41.2	32.5	24.7	20.7
Core RoCE (%)						27.8	35.0	34.2	35.6	41.1

Source: Company, HDFC sec Inst Research

machine and Refrigerator and (6) Improving core RoCE >35% (lower after Lloyd's business acquisition).

For Havells, we expect revenue/EBITDA CAGR of 15/22% over FY18E-20E. For Lloyd, we expect revenue/EBITDA CAGR of 15/28% over FY18E-20E.

We value based on 36x P/E on Mar-20EPS and arrive at a TP of Rs 656. We maintain BUY.

Highlights for the quarter

- Healthy revenue growth:** Like-to-like revenue growth for Cables/ECD/Switchgear/Lighting was at 13/29/12/20%. In ECD, Fans clocked stellar 28/18% in 4QFY18/FY18, resulting in gaining market share. Cables business posted 6% volume growth, ~7% by price hike. Lighting maintains strong growth momentum.
- Robust Core EBITDA growth:** Havells' core business EBITDAM expanded by 119bps to 14.6%. Favorable product mix, price hike and operating leverage led to margin expansion. EBIT growth for Cables/ECD/Switchgears/Lighting was at 51/33/6/37%.
- Near-term outlook:** Weak summer can impact Lloyd AC business. However, improving demand dynamics leads us to believe that Havells will sustain strong core business growth, leading to re-rating in the near term.

Like-to-like core business revenue growth at 18%. Overall growth (including Lloyd) stood at 48%

Rising cost inflation and low margin Lloyd impacted to gross margin

ASP spend was up 67% for its core business (3.5% of ex-Lloyd revenue) due to low base and higher brand investment

Ex-Lloyd EBITDA growth of 24% is remarkable in spite of higher ASP spend. EBITDA growth was primarily driven by margin expansion in cables, lighting and ECD business

Quarterly Financials (Havells + Lloyd)

Year to March (Rs mn)	4QFY18	4QFY17	YoY % Chg	3QFY18	QoQ Chg	FY18	FY17	YoY % Chg
Net Revenue	25,349	17,102	48.2	19,658	29.0	81,386	61,353	32.7
Material Expenses	15,728	10,415	51.0	11,864	32.6	49,808	36,485	36.5
Employee Expenses	1,637	1,312	24.8	1,625	0.7	6,497	5,004	29.8
ASP Expenses	1,046	404	158.9	786	33.0	3,076	1,906	61.4
Other Operating Expenses	3,361	2,676	25.6	2,761	21.7	11,512	9,717	18.5
EBITDA	3,577	2,296	55.8	2,622	36.4	10,493	8,242	27.3
Depreciation	347	308	12.9	363	(4.3)	1,395	1,196	16.6
EBIT	3,230	1,988	62.4	2,259	43.0	9,097	7,045	29.1
Other Income	257	419	(38.6)	278	(7.3)	1,170	1,251	(6.5)
Interest Cost	84	71	17.7	55	52.3	240	122	97.3
PBT	3,404	2,337	45.7	2,482	37.2	10,028	8,174	22.7
Exceptional item	(91)	(768)	na	210	na	119	865	(86.2)
PBT after exceptional	3,313	1,569	111.1	2,691		10,147	7,688	32.0
Tax	1,055	622	69.6	748	41.1	3,022	2,298	31.5
RPAT	2,258	947	138.4	1,943	16.2	7,125	5,346	33.3
Exceptional (net of taxes)	(62)	(759)	(91.9)	151	(140.8)	(90)	622	(114.4)
APAT	2,319	1,706	36.0	1,792	29.4	7,035	5,967	17.9
EPS (adjusted)	3.7	2.7	35.9	2.9	29.4	11.3	9.5	17.9

Source: Company, HDFC sec Inst Research

Margin Analysis (Havells + Lloyd)

(% of Revenues)	4QFY18	4QFY17	YoY Chg bps	3QFY18	QoQ Chg	FY18	FY17	YoY Chg bps
Material Expenses	62.0	60.9	115	60.4	169	61.2	59.5	173
Employee Expenses	6.5	7.7	(121)	8.3	(181)	8.0	8.2	(17)
ASP Expenses	4.1	2.4	176	4.0	13	3.8	3.1	67
Other Operating Expenses	13.3	15.6	(239)	14.0	(79)	14.1	15.8	(169)
EBITDA Margin (%)	14.1	13.4	69	13.3	77	12.9	13.4	(54)
Tax Rate (%)	31.0	26.6	438	30.1	86	30.1	28.1	202
APAT Margin (%)	9.1	10.0	(82)	9.1	3	8.6	9.7	(108)

Source: Company, HDFC sec Inst Research

Havells, ex-Lloyd, revenue grew by 18% on a like to like basis. Better than expectation

Lloyd consumer business was flat owing to pre-buying of air conditioners (~70% of Lloyd) in 3QFY18 on account of change in energy efficiency norms

Lloyd's EBITDA margin at 12.4% was healthy particularly in muted revenue growth

Quarterly Performance

Particulars (Rs mn)	Havells (Ex-Lloyd)			Lloyd Consumer	Havells (With Lloyd)	
	4QFY18	4QFY17	YoY Chg	4QFY18	4QFY18	YoY Chg
Net Revenue	19,507	17,101	14.1	5,841	25,348	48.2
Contribution	5,100	3,998	27.6	1,283	6,383	59.7
Contribution Margin (%)	26.1%	23.4%	277bps	22.0%	25.2%	180bps
ASP	675	404	67.1	371	1,046	158.9
(% of sales)	3.5%	2.4%	110bps	6.4%	4.1%	176bps
Other Expenses	1,863	1,605	16.1	244	2,107	31.3
(% of sales)	9.6%	9.4%	17bps	4.2%	8.3%	-107bps
EBITDA	2,853	2,297	24.2	724	3,577	55.7
EBITDA Margin (%)	14.6%	13.4%	119bps	12.4%	14.1%	68bps
Depreciation/Amortisation	291	308	(5.5)	56	347	12.7
Interest (Inc Forex)	104	109	(4.6)	13	117	7.3
Other income	225	382	(41.1)	-	225	(41.1)
PBT	2,723	2,336	16.6	681	3,404	45.7
Exceptional	91	767	(88.1)	-	91	na
PBT after exceptional	2,632	1,569	67.8	681	3,313	111.2
Tax		622			1,055	69.6
Tax Rate (%)		26.6%			31.0%	437bps
PAT		947			2,258	138.4
Exceptional (net of taxes)		759			61	(91.9)
APAT		1,706			2,319	35.9
NPM (%)		10.0%			8.9%	-107bps

Source: Company, HDFC sec Inst Research

Ex-Lloyd, adjusted revenue for FY18 (excise impact on exempted zones) grew by healthy 13%

Lloyd's consumer business in FY18 grew by 11% on a like-to like-basis. Lloyd maintained value/volume market share in AC at ~10/~13%

Lloyd EBITDAM of 12.4/8% in 4QFY18/FY18 vs. ~6% in FY17 is encouraging

Company plans to invest Rs 3bn on manufacturing facility for air conditioners. The facility to get start by 1QFY20

Yearly Performance

Particulars (Rs mn)	Havells (Ex-Lloyd)			Lloyd Consumer	Havells (With Lloyd)	
	FY18	FY17	YoY Chg	FY18	FY18	YoY Chg
Net Revenue	67,244	61,353	9.6	14,141	81,385	32.7
Contribution	17,510	15,011	16.6	2,683	20,193	34.5
Contribution Margin (%)	26.0%	24.5%	157bps	19.0%	24.8%	35bps
ASP	2,103	1,906	10.3	973	3,076	61.4
(% of sales)	3.1%	3.1%	2bps	6.9%	3.8%	67bps
Other Expenses	7,252	6,059	19.7	768	8,020	32.4
(% of sales)	10.8%	9.9%	91bps	5.4%	9.9%	-2bps
EBITDA	9,366	8,242	13.6	1,126	10,492	27.3
EBITDA Margin (%)	13.9%	13.4%	49bps	8.0%	12.9%	-54bps
Depreciation/Amortisation	1,211	1,196	1.3	184	1,395	16.6
Interest (Inc Forex)	67	-15	(546.7)	-156	-89	493.3
Other income	842	1,205	(30.1)		842	(30.1)
PBT	8,930	8,266	8.0	1,098	10,028	21.3
Exceptional	(119)	578	(120.6)		(119)	na
PBT after exceptional	9,049	7,688	17.7	1,098	10,147	32.0
Tax		2,298			3,022	31.5
Tax Rate (%)		27.8%			30.1%	233bps
PAT		5,390			7,125	32.2
Exceptional (net of taxes)		576			(90)	-
APAT		5,966			7,038	18.0
NPM (%)		9.7%			8.6%	-108bps

Source: Company, HDFC sec Inst Research

Cables business posted 6% volume growth, ~7% by price hike

In ECD, Fans clocked stellar 28/18% in 4QFY18/FY18, resulting in gaining market share

Lighting continue to grow across consumer and professional business with impressive growth in B2B segment

Segmental Quarterly Performance

Year to March (Rs mn)	4QFY18	4QFY17	YoY Chg (%)	3QFY18	QoQ Chg (%)	FY18	FY17	YoY Chg (%)
Segmental Revenues								
Cables and Wires	7,689	6,780	13.4	6,256	22.9	26,834	26,756	0.3
Consumer Durables	4,646	3,888	19.5	4,158	11.7	15,696	14,199	10.5
Switch Gears	3,946	3,753	5.2	3,443	14.6	14,245	14,677	(2.9)
Lighting & Fixtures	3,227	2,680	20.4	2,871	12.4	11,687	10,228	14.3
Lloyd Consumer Division	5,841	-	na	2,930	na	14,141	-	na
Total	25,349	17,101	48.2	19,658	29.0	82,603	65,860	25.4
Segmental Contribution								
Cables and Wires	1,318	875	50.6	1,070	23.1	4,380	3,256	34.5
Consumer Durables	1,262	951	32.6	1,230	2.6	4,202	3,494	20.3
Switch Gears	1,523	1,441	5.7	1,380	10.4	5,572	5,610	(0.7)
Lighting & Fixtures	998	731	36.5	818	22.0	3,356	2,651	26.6
Lloyd Consumer Division	1,283	-	na	480	na	2,683	-	na
Total	6,383	3,998	59.7	4,977	28.2	20,193	15,011	34.5
Less:								
(a) Interest Cost & Bank Charges	84	71	17.7	55	52.3	240	122	97.3
(b) Other Un-allocable Expenses	2,987	1,590	87.8	2,231	33.9	9,807	7,201	36.2
PBT	3,313	2,337	41.8	2,692	23.1	10,147	7,688	32.0
Capital Employed								
Cables and Wires	2,289	4,946	(53.7)	4,183	(45.3)	2,289	4,946	(53.7)
Consumer Durables	1,205	2,131	(43.4)	1,702	(29.2)	1,205	2,131	(43.4)
Switch Gears	3,328	3,714	(10.4)	4,106	(18.9)	3,328	3,714	(10.4)
Lighting & Fixtures	2,508	1,695	48.0	3,033	(17.3)	2,508	2,337	7.3
Lloyd Consumer Division	15,484	-	na	16,975	na	15,484	-	na
Total	24,815	12,485	98.8	29,999	(110.7)	24,815	13,127	89.0
Unallocable Capital Employed	12,577	19,609	(35.9)	5,075	147.8	12,577	19,609	(35.9)
Total Capital Employed	37,391	32,094	16.5	35,074	6.6	37,392	32,736	14.2

Source: Company, HDFC sec Inst Research

Note: Contribution margins are derived after deducting material cost, manufacturing variables, direct selling variables and depreciation from the net revenue

Margin expansion for cables due to better realization and product mix shift to domestic cables

Op-lev benefit played out for ECD segment and lower realization in base quarter due to demonet

Segmental Contribution Margin

(% of Revenues)	4QFY18	4QFY17	YoY (bps)	3QFY18	QoQ (bps)	FY18	FY17	YoY (bps)
Cables and Wires	17.1	12.9	423	17.1	3	16.3	12.2	415
Consumer Durables	27.2	24.5	269	29.6	(242)	26.8	24.6	216
Switch Gears	38.6	38.4	20	40.1	(149)	39.1	38.2	89
Lighting & Fixtures	30.9	27.3	365	28.5	243	28.7	25.9	280
Lloyd Consumer Division	22.0		na	16.4	559	19.0	na	na
Total	25.2	23.4	180	25.3	(14)	24.4	22.8	165

Source: Company, HDFC sec Inst Research

Segmental Revenues (Like-to-like)

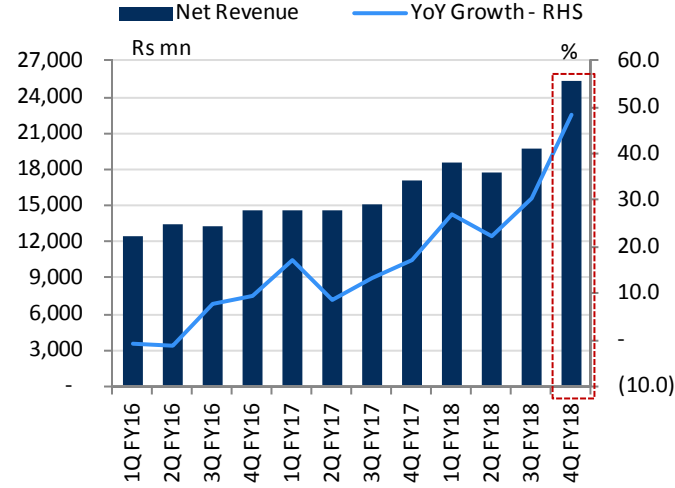
Particulars (%)	4QFY18 YoY Gr. (%)			FY18 YoY Gr. (%)		
	Reported Revenue Gr. (%)	Like-to-like Revenue Gr. (%)	EBIT Gr. (%)	Reported Revenue Gr. (%)	Like-to-like Revenue Gr. (%)	EBIT Gr. (%)
Cables and Wires	13	13	51	9	9	35
Elec. Consumer Durables (ECD)	19	29	33	13	21	20
Switch Gears	5	12	6	0	7	(1)
Lighting & Fixtures	20	20	37	19	19	27
Total Havells	14	18	23	10	13	23
Lloyd Consumer	na	flat	na	na	11	na
Total (Havells+ Lloyd)	48	53	60	33	37	35

Source: Company, HDFC sec Inst Research

Total revenue growth was the fastest as it included Lloyd's first seasonal quarter

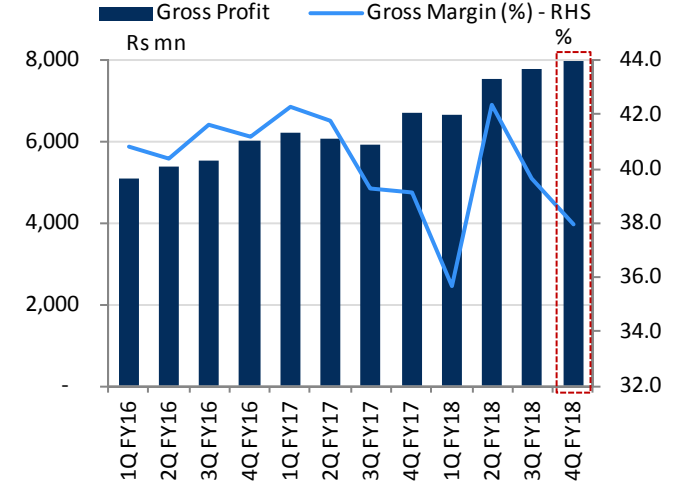
In FY18, ASP expense grew by 10% Ex-Lloyd and 61% for the total business

Net Revenue



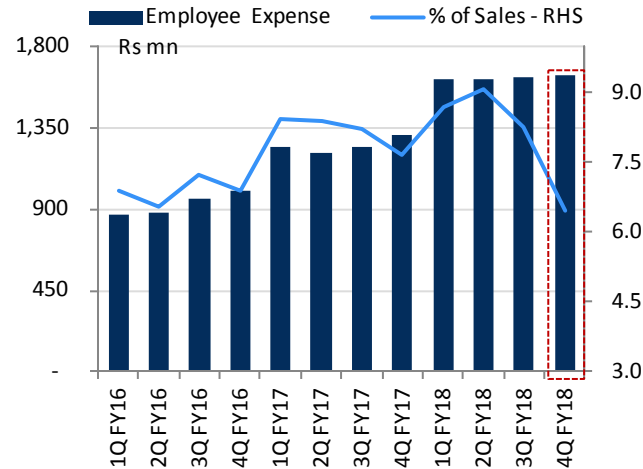
Source: Company, HDFC sec Inst Research

Gross Margin



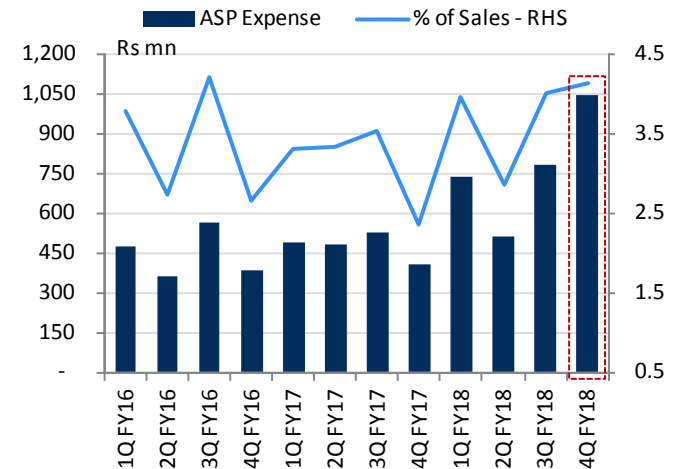
Source: Company, HDFC sec Inst Research

Employee Expenses



Source: Company, HDFC sec Inst Research

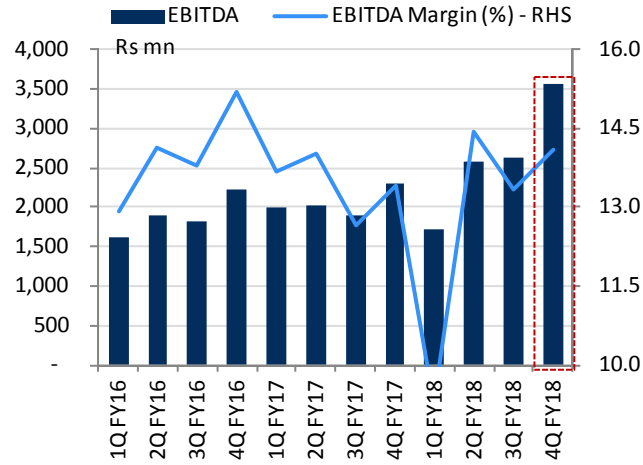
ASP Expenses



Source: Company, HDFC sec Inst Research

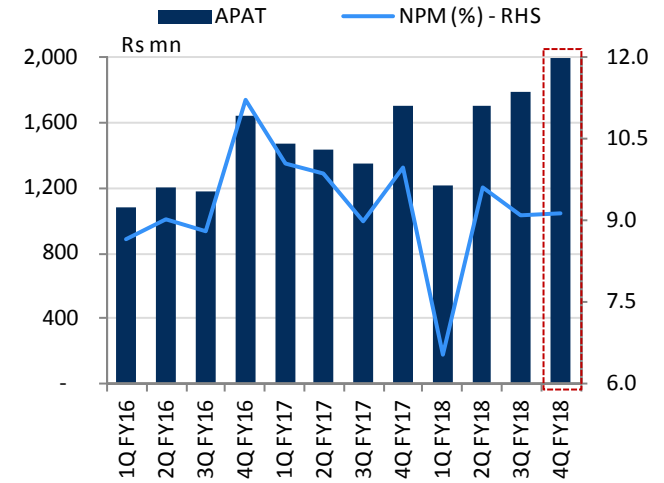
On an Ex-Lloyd basis, EBITDA growth of 14% was healthy in FY18 considering the turbulent economic environment during the year

EBITDA



Source: Company, HDFC sec Inst Research

APAT



Source: Company, HDFC sec Inst Research

Segmental Analysis

Cable & Wires	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18
Sales (Rs mn)	5,581	5,178	6,028	5,329	5,592	6,092	6,780	6,363	5,693	6,256	7,689
Sales Gr. (%)*	(4.8)	6.0	7.0	4.9	0.2	17.7	12.5	19.4	2.0	3.0	13.0
Sales Mix (%)	41.8	38.9	41.3	36.3	38.5	40.5	39.6	34.2	32.0	31.8	30.3
Contribution Gr. (%)	(5.6)	4.6	5.9	4.9	0.2	17.7	12.5	19.4	2.0	3.0	13.0
Contribution Margin (%)	13.5	14.1	14.8	13.5	14.2	14.3	12.9	13.5	19.9	17.1	17.1
Contribution Margin Chg	181bps	250bps	106bps	-61bps	63bps	14bps	-194bps	0bps	573bps	284bps	423bps
Contribution Mix (%)	24.5	22.1	24.8	19.7	21.5	23.7	21.9	20.7	24.2	21.5	20.6

Note: Sales growth/margin expansion for 1QFY16 to 4QFY16 are calculated based on OLD AS *Like-to-like revenue growth 2QFY18-4QFY18

Elec. Consumer Durables	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18
Sales (Rs mn)	2,525	2,799	3,037	3,514	3,085	3,296	3,888	3,583	3,215	4,158	4,646
Sales Gr. (%)*	6.0	23.0	7.2	21.1	22.2	17.8	28.0	2.0	11.0	33.0	29.0
Sales Mix (%)	18.9	21.0	20.8	23.9	21.2	21.9	22.7	19.3	18.1	21.2	18.3
Contribution Gr. (%)	(7.7)	28.9	17.1	24.9	48.1	11.3	11.1	(10.6)	8.9	51.9	32.6
Contribution Margin (%)	21.9	26.0	28.2	26.0	26.6	24.6	24.5	22.8	27.8	29.6	27.2
Contribution Margin Chg	-317bps	126bps	235bps	81bps	465bps	-143bps	-374bps	-320bps	121bps	502bps	269bps
Contribution Mix (%)	18.0	22.0	23.8	24.9	22.2	22.1	23.8	19.7	19.1	24.7	19.8

Note: Sales growth/margin expansion for 1QFY16 to 4QFY16 are calculated based on OLD AS *Like-to-like revenue growth 2QFY18-4QFY18

Switchgears	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18
Sales (Rs mn)	3,309	3,243	3,237	3,529	3,474	3,309	3,753	3,389	3,299	3,443	3,946
Sales Gr. (%)*	(1.3)	-	7.1	20.2	5.0	2.0	15.9	(4.0)	1.0	11.0	12.0
Sales Mix (%)	24.8	24.4	22.2	24.0	23.9	22.0	21.9	18.2	18.6	17.5	15.6
Contribution Gr. (%)	5.7	6.4	18.5	27.6	10.2	(0.9)	12.2	(8.9)	(5.7)	6.9	5.7
Contribution Margin (%)	39.6	40.2	39.7	40.7	41.6	39.0	38.4	38.6	41.3	40.1	38.6
Contribution Margin Chg	281bps	271bps	378bps	234bps	198bps	-116bps	-127bps	-209bps	-27bps	107bps	20bps
Contribution Mix (%)	42.5	39.4	35.6	39.2	39.2	35.2	36.0	31.6	29.0	27.7	23.9

Note: Sales growth/margin expansion for 1QFY16 to 4QFY16 are calculated based on OLD AS *Like-to-like revenue growth 2QFY18-4QFY18

Lighting & Fixtures	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18
Sales (Rs mn)	1,944	2,085	2,295	2,306	2,371	2,363	2,680	2,598	2,869	2,871	3,227
Sales Gr. (%)*	1.5	9.0	23.3	43.5	22.0	13.3	16.8	12.7	21.0	21.0	20.0
Sales Mix (%)	14.6	15.7	15.7	15.7	16.3	15.7	15.7	14.0	16.1	14.6	12.7
Contribution Gr. (%)	(11.1)	1.5	17.4	72.4	36.2	28.3	28.8	29.2	22.8	17.5	36.5
Contribution Margin (%)	23.8	26.0	24.7	25.7	26.6	29.5	27.3	29.4	27.0	28.5	30.9
Contribution Margin Chg	-311bps	-145bps	-124bps	430bps	279bps	344bps	255bps	376bps	39bps	-97bps	365bps
Contribution Mix (%)	15.0	16.4	15.7	16.2	17.1	19.0	18.3	18.5	16.5	16.4	15.6

Note: Sales growth/margin expansion for 1QFY16 to 4QFY16 are calculated based on OLD AS *Like-to-like revenue growth 2QFY18-4QFY18

Havells Market Share

Segments	Market Size (Rs bn)	Havells' Mkt Share (%)	Rank	Organized Penetration	Peers
Switchgears - MCB	22	27-28	1	High	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	Medium	Polycab, KEI
Lighting & Fixtures	65	10-14	2-4	Medium	Philips, Crompton, Bajaj, Wipro
Fans	69	16	3	High	Crompton, Orient, Usha
Water Heater	14	15	3	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	FY18P	FY19E	FY20E
Revenue				
Havells	61,353	67,244	78,096	89,529
Lloyd Consumer*		18,140	20,498	23,778
Total	61,353	81,386	98,594	113,306
YoY Gr. (%)				
Havells	14.1	9.6	16.1	14.6
Lloyd Consumer*		11.0	13.0	16.0
Total	14.1	32.7	21.1	14.9
EBITDA				
Havells	8,242	9,367	11,986	14,068
Lloyd Consumer*		1,451	1,845	2,378
Total	8,242	10,493	13,831	16,446
EBITDA Margin (%)				
Havells	13.4	13.9	15.3	15.7
Lloyd Consumer*		8.0	9.0	10.0
Total	13.4	12.9	14.0	14.5

Source: Company, HDFC sec Inst Research * Lloyd FY18 financials are annualised (acquired on 8 May 2017) and adjusted for GST

Note: Havells like-to-like growth for FY18 is ~13%

Havells Core Business Assumption

Cable & Wires	FY16	FY17	FY18*	FY19E	FY20E
Sales (Rs mn)	21,866	23,793	26,001	29,654	33,911
Sales Gr. (%)	1.0	8.8	9.3	14.0	14.4
Sales Mix (%)	40.7	38.8	31.9	30.1	29.9
Contribution Gr. (%)	16.6	5.1	34.5	4.5	17.2
Contribution Margin (%)	14.2	13.7	16.8	15.4	15.8
Contribution Margin Chg	204bps	-49bps	316bps	-141bps	38bps
Contribution Mix (%)	24.0	21.7	21.7	18.6	18.7

Elec. Consumer Durable	FY16	FY17	FY18*	FY19E	FY20E
Sales (Rs mn)	11,264	13,783	15,602	18,617	21,513
Sales Gr. (%)	11.0	22.4	21.0	19.3	15.6
Sales Mix (%)	20.9	22.5	19.2	18.9	19.0
Contribution Gr. (%)	11.2	21.8	20.3	21.9	18.0
Contribution Margin (%)	25.5	25.3	26.9	27.5	28.1
Contribution Margin Chg	38bps	-12bps	158bps	59bps	57bps
Contribution Mix (%)	22.2	23.3	20.8	20.9	21.0

Switchgears	FY16	FY17	FY18*	FY19E	FY20E
Sales (Rs mn)	12,725	14,065	14,077	16,249	18,524
Sales Gr. (%)	1.0	10.5	7.0	15.4	14.0
Sales Mix (%)	23.7	22.9	17.3	16.5	16.3
Contribution Gr. (%)	7.6	11.7	(0.7)	17.6	14.7
Contribution Margin (%)	39.5	39.9	39.6	40.3	40.6
Contribution Margin Chg	297bps	43bps	-30bps	75bps	25bps
Contribution Mix (%)	38.9	37.4	27.6	26.7	26.1

Lighting	FY16	FY17	FY18*	FY19E	FY20E
Sales (Rs mn)	7,931	9,720	11,565	13,576	15,581
Sales Gr. (%)	8.0	22.6	19.0	17.4	14.8
Sales Mix (%)	14.7	15.8	14.2	13.8	13.8
Contribution Gr. (%)	(2.7)	38.3	26.6	19.1	15.3
Contribution Margin (%)	24.2	27.3	29.0	29.4	29.6
Contribution Margin Chg	-240bps	310bps	175bps	41bps	15bps
Contribution Mix (%)	14.9	17.7	16.6	16.3	16.0

Source: Company, HDFC sec Inst Research

* YoY revenue growth is like-to-like adjusted for GST

Income Statement

(Rs mn)	FY16	FY17	FY18P	FY19E	FY20E
Net Revenues	53,783	61,353	81,386	98,594	113,306
Growth (%)	2.7	14.1	32.7	21.1	14.9
Material Expenses	31,735	36,485	32,609	57,442	66,014
Employee Expense	3,708	5,004	6,497	7,310	8,187
ASP Expense	1,788	1,906	3,076	3,166	3,710
Distribution Expense	1,917	2,215	2,939	3,560	4,091
Other Expenses	6,404	6,748	24,774	12,076	13,468
EBITDA	7,549	8,241	10,493	13,831	16,446
EBITDA Growth (%)	8.0	9.2	27.3	31.8	18.9
EBITDA Margin (%)	14.0	13.4	12.9	14.0	14.5
Depreciation	1,049	1,196	1,395	1,743	1,916
EBIT	6,500	7,045	9,097	12,088	14,529
Other Income (Including EO Items)	2,717	765	1,289	1,148	1,437
Interest	127	122	240	106	42
PBT	9,090	7,689	10,147	13,130	15,924
Total Tax	1,970	2,298	3,022	3,742	4,538
RPAT	7,120	5,391	7,125	9,388	11,385
Adjusted PAT	5,141	5,967	7,035	9,388	11,385
APAT Growth (%)	10.6	16.1	17.9	33.4	21.3
Adjusted EPS (Rs)	8.2	9.5	11.3	15.0	18.2
EPS Growth (%)	10.5	16.0	17.9	33.4	21.3

Source: Company, HDFC sec Inst Research

Balance Sheet

(Rs mn)	FY16	FY17	FY18P	FY19E	FY20E
SOURCES OF FUNDS					
Share Capital - Equity	625	625	625	625	625
Reserves	28,912	32,111	36,587	43,051	50,598
Total Shareholders' Funds	29,537	32,736	37,212	43,676	51,223
Long Term Debt	-	-	810	-	-
Short Term Debt	444	1,981	270	270	270
Total Debt	444	1,981	1,080	270	270
Net Deferred Taxes	863	1,138	2,070	2,070	2,070
Other Non Current Liabilities	100	137	470	470	470
TOTAL SOURCES OF FUNDS	30,943	35,990	40,831	46,485	54,032
APPLICATION OF FUNDS					
Net Block	11,773	12,476	13,017	16,274	16,858
Goodwill		182	14,835	15,200	15,200
CWIP	306	747	241	241	241
Non Current Investments	3,096	2,274	417	417	417
LT Loans & Advances	631	259	402	402	402
Other Non Current Assets	305	136	176	176	176
Total Non-current Assets	16,111	16,072	29,087	32,709	33,293
Inventories	7,844	9,284	16,217	19,179	21,730
Debtors	1,576	2,285	3,254	3,917	4,501
Other Current Assets	925	804	1,432	1,718	1,962
Cash & Equivalents	14,973	20,992	15,245	19,885	27,531
Total Current Assets	25,318	33,365	36,147	44,698	55,724
Creditors	4,363	6,296	16,340	18,908	21,109
Other Current Liabilities & Provsns.	6,123	7,151	8,063	12,014	13,875
Total Current Liabilities	10,486	13,446	24,402	30,923	34,984
Net Current Assets	14,832	19,919	11,745	13,776	20,740
TOTAL APPLICATION OF FUNDS	30,943	35,991	40,831	46,485	54,032

Source: Company, HDFC sec Inst Research

Cash Flow Statement

(Rs mn)	FY16	FY17	FY18P	FY19E	FY20E
Reported PBT	9,142	7,689	10,147	13,130	15,924
Non-operating & EO Items	(2,014)	(45)	-	-	-
Interest Expenses	(450)	(122)	(122)	(240)	(106)
Depreciation	922	1,196	1,395	1,743	1,916
Working Capital Change	(911)	1,033	1,521	(114)	(150)
Tax Paid	(1,446)	(2,298)	(3,022)	(3,742)	(4,538)
OPERATING CASH FLOW (a)	5,243	7,454	9,920	10,777	13,046
Capex	(1,741)	(2,073)	(2,058)	(5,365)	(2,500)
Free Cash Flow (FCF)	3,502	5,381	7,862	5,412	10,546
Investments	2,412	736	(13,917)	3,108	(1,000)
Non-operating Income	(1,427)	(170)	41	-	-
INVESTING CASH FLOW (b)	(756)	(1,506)	(15,934)	(2,257)	(3,500)
Debt Issuance/(Repaid)	(434)	1,717	(478)	1,829	739
Interest Expenses	(62)	122	122	240	106
FCFE	3,129	6,977	7,262	7,001	11,179
Share Capital Issuance	41	(209)	366	914	914
Dividend	(4,511)	(2,559)	(2,924)	(3,838)	(4,752)
Others	-	275	932	-	-
FINANCING CASH FLOW (c)	(4,965)	(654)	(1,984)	(856)	(2,994)
NET CASH FLOW (a+b+c)	(478)	5,293	(7,998)	7,664	6,552
EO Items, Others	12,692	-	-	-	-
Closing Cash & Equivalents	750	19,375	15,245	18,885	26,031

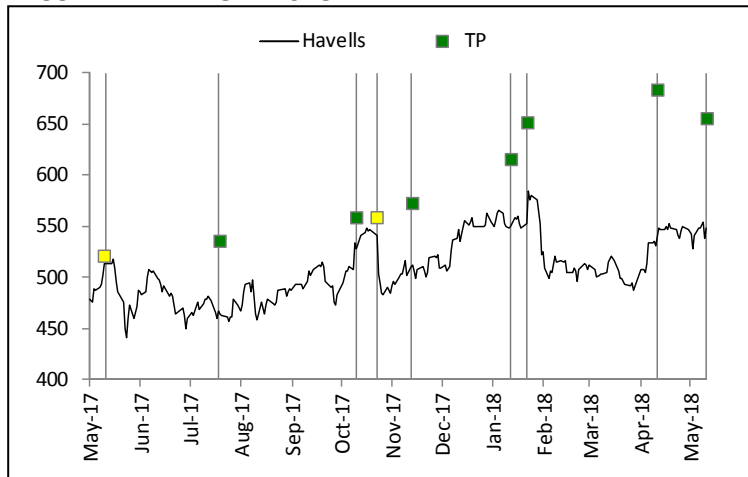
Source: Company, HDFC sec Inst Research

Key Ratios

	FY16	FY17	FY18P	FY19E	FY20E
PROFITABILITY (%)					
GPM	41.0	40.5	59.9	41.7	41.7
EBITDA Margin	14.0	13.4	12.9	14.0	14.5
EBIT Margin	12.1	11.5	11.2	12.3	12.8
APAT Margin	13.2	8.8	8.8	9.5	10.0
RoE	19.3	19.2	20.1	23.2	24.0
RoIC (or Core RoCE)	27.8	35.0	34.2	35.6	41.1
RoCE	18.7	18.1	18.8	21.7	22.7
EFFICIENCY					
Tax Rate (%)	27.9	28.1	29.8	28.5	28.5
Fixed Asset Turnover (x)	3.4	3.4	4.1	3.9	4.1
Inventory (days)	53.2	55.2	72.7	71.0	70.0
Debtors (days)	10.7	13.6	14.6	14.5	14.5
Other Current Assets (days)	6.3	4.8	6.4	6.4	6.3
Payables (days)	29.6	37.5	73.3	70.0	68.0
Other Current Liab & Provns (days)	41.0	43.5	36.2	44.5	44.7
Cash Conversion Cycle (days)	(0.4)	(7.4)	(15.7)	(22.6)	(21.9)
Net D/E (x)	(0.4)	(0.5)	(0.4)	(0.4)	(0.5)
Interest Coverage (x)	56.5	68.3	42.8	125.2	377.5
PER SHARE DATA (Rs)					
EPS	8.2	9.5	11.3	15.0	18.2
CEPS	9.9	11.5	13.5	17.8	21.3
Dividend	6.0	3.5	4.0	5.3	6.5
Book Value	47.3	52.4	59.5	69.9	82.0
VALUATION					
P/E (x)	66.3	57.2	48.5	36.3	30.0
P/BV (x)	11.5	10.4	9.2	7.8	6.7
EV/EBITDA (x)	43.4	41.2	32.5	24.7	20.7
EV/Revenues (x)	6.1	5.5	4.2	3.5	3.0
OCF/EV (%)	1.6	2.2	2.9	3.2	3.8
FCF/EV (%)	1.1	1.6	2.3	1.6	3.1
FCFE/Mkt Cap (%)	0.9	2.0	2.2	2.3	3.5
Dividend Yield (%)	1.1	0.6	0.7	1.0	1.2

Source: Company, HDFC sec Inst Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
12-May-17	513	NEU	520
20-Jul-17	467	BUY	536
10-Oct-17	506	BUY	559
24-Oct-17	542	NEU	558
13-Nov-17	501	BUY	573
12-Jan-18	550	BUY	616
22-Jan-18	552	BUY	652
11-Apr-18	534	BUY	684
12-May-18	548	BUY	656

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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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