

INDUSTRY	APPLIANCES		
CMP (as on 01 Aug 2018)	Rs 211		
Target Price	Rs 246		
Nifty	11,346		
Sensex	37,522		
KEY STOCK DATA			
Bloomberg	VGRD IN		
No. of Shares (mn)	426		
MCap (Rs bn)/(US\$ mn)	90/1,312		
6m avg traded value (Rs mn)	246		
STOCK PERFORMANCE (%)			
52 Week high / low	Rs 255 / 165		
	3M	6M	12M
Absolute (%)	(12.2)	(8.0)	16.6
Relative (%)	(19.0)	(12.5)	1.5
SHAREHOLDING PATTERN (%)			
Promoters	64.47		
FIs & Local MFs	12.19		
FPIs	11.84		
Public & Others	11.50		
Source : BSE			

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## Change in DNA

V-Guard's revenues grew by healthy 19% (exp. 16%) despite an erratic summer impacting its summer portfolio. Non-South market (44% mix) continued to blossom with 30% growth, while South grew by 12%. EBITDA/PAT grew by 42/48% (exp. 41/45%).

V-Guard's new product launches, rebranding exercise, distribution expansion (non-South) and favourable base have resulted in consistent double digit growth in the recent quarters. During 1QFY19, Havells outperformed in ECD with 43% growth vs. 36% for V-Guard and 23% for Crompton (distribution transition). However, Crompton's pumps grew at a faster clip (product launch) with 30% growth vs. 5% for V-Guard (weak summer).

Non-South region's gross margins are now converging with South margins (~100bps lower vs. ~300-350bps 3 years prior). In non-south region, V-Guard has re-invested its gross margin expansion in brand building and distribution expansion. Therefore, the EBITDA margin gap between south and non-south is at ~700bps. With low incremental requirement of investments in non-south, we believe the EBITDA margin would expand during FY19-21.

We envisage a change in the 'DNA' of V-Guard driven by (1) New brand identity (connect with the youth on pan-India basis), (2) Senior level recruitment and (3) Tech rich

### Financial Summary

Year Ending March (Rs mn)	1Q FY19	1Q FY18	YoY (%)	4Q FY18	QoQ (%)	FY17	FY18	FY19E	FY20E	FY21E
Net Sales	6,349	5,595	13.5	6,586	(3.6)	20,856	23,117	26,965	31,581	37,033
EBITDA	465	327	42.3	379	22.7	2,087	1,870	2,930	3,665	4,454
APAT	421	233	80.9	545	(22.8)	1,447	1,601	2,269	2,827	3,508
Diluted EPS (Rs)	0.99	0.55	80.4	1.28	(22.8)	3.41	3.76	5.33	6.64	8.24
P/E (x)						61.9	56.1	39.6	31.8	25.6
EV / EBITDA (x)						42.5	47.6	30.1	23.7	19.1
Core RoCE (%)						26.8	20.5	28.2	32.4	36.0

Source: Company, HDFC sec Inst Research

product launches in the rather sombre electrical space (Fans, geysers and digital inverters). Our thesis is intact i.e. (1) Diversified product portfolio, (2) Superior mgt. track record (3) Continued focus on new product launches 4) Scope of margin expansion through fixed cost absorption in the non-south region.

We foresee EPS CAGR of 30% over FY18-21E. We value V-Guard at 35x P/E on Jun-20EPS, with TP of Rs 246 (Rs 240 earlier). We maintain BUY.

### Highlights of the quarter

- **Broad-based growth (ex-summer products):** UPS /cables/water heater/fans/kitchen appliances were the outliers with 24/21/22/34/92% growth, while stabiliser/pumps grew at 3/5%.
- **EBITDA up 42%:** Despite slow stabiliser (higher margin) growth, gross margin expanded by 292bps to 30% owing to favourable base (-109bps). ASP was up by 55% (including one-time brand investment) while employee/other expenses grew by 16/8%. EBITDAM expanded by 148bps to 7.3% (exp 7.1%). PAT was up by 48% to Rs 344mn (exp. Rs 337mn).
- **Near-term view:** Improving underlying demand along with V-Guard's aggressive branding exercise will drive strong earnings growth in the ensuing quarters.

*Like-to-like revenue growth was at 19% (exp of 16%)*

*Management expects to sustain 15% volume growth in the next few years*

*Non-South market (~44% of total) grew by robust 30% while South grew by 12% in 1QFY19*

*Gross margins expanded by 292bps despite stabilizer posting muted growth (weak season) owing to a favourable base and healthier price discipline in South India*

*Higher ASP spend is driven by one-time Rs 100mn brand exercise. Mgt is guiding for normalised ad spend from 2QFY19*

### Quarterly Financials

Particulars (Rs mn)	1Q FY19	1Q FY18	YoY (%)	4Q FY18	QoQ (%)	FY18	FY17	YoY (%)
<b>Net Revenue</b>	<b>6,349</b>	<b>5,595</b>	<b>13.5</b>	<b>6,586</b>	<b>(3.6)</b>	<b>23,117</b>	<b>20,856</b>	<b>10.8</b>
Material Expenses	4,419	4,058	8.9	4,658	(5.1)	16,151	14,780	9.3
Employee Expenses	498	428	16.2	421	18.3	1,702	1,439	18.2
ASP Expense	406	263	54.5	640	(36.5)	1,530	950	61.1
Other Operating Expenses	561	519	8.0	489	14.7	1,865	1,601	16.5
<b>EBITDA</b>	<b>465</b>	<b>327</b>	<b>42.3</b>	<b>379</b>	<b>22.7</b>	<b>1,869</b>	<b>2,086</b>	<b>(10.4)</b>
<b>EBITDA (Adjusted)*</b>	<b>565</b>	<b>327</b>	<b>72.9</b>	<b>729</b>	<b>(22.5)</b>	<b>2,219</b>	<b>2,086</b>	<b>6.4</b>
Depreciation	52	45	16.1	51	2.3	191	162	17.7
<b>EBIT</b>	<b>412</b>	<b>282</b>	<b>46.5</b>	<b>328</b>	<b>25.9</b>	<b>1,678</b>	<b>1,924</b>	<b>(12.8)</b>
Other Income	32	32	2.1	33	(3.1)	111	135	(17.4)
Interest Cost	2	4	(43.7)	3	(19.8)	17	21	(20.9)
<b>PBT</b>	<b>442</b>	<b>309</b>	<b>43.2</b>	<b>358</b>	<b>23.6</b>	<b>1,773</b>	<b>2,037</b>	<b>(13.0)</b>
Tax	98	76	29.1	82	19.8	442	591	(25.3)
<b>PAT</b>	<b>344</b>	<b>233</b>	<b>47.8</b>	<b>276</b>	<b>24.7</b>	<b>1,331</b>	<b>1,446</b>	<b>(8.0)</b>
<b>APAT</b>	<b>421</b>	<b>233</b>	<b>80.9</b>	<b>545</b>	<b>(22.8)</b>	<b>1,600</b>	<b>1,446</b>	<b>10.7</b>
<b>EPS</b>	<b>1.0</b>	<b>0.5</b>	<b>80.4</b>	<b>1.3</b>	<b>(22.8)</b>	<b>3.8</b>	<b>3.4</b>	<b>10.7</b>

Source: Company, HDFC sec Inst Research

### Margin Analysis

MARGIN ANALYSIS	1Q FY19	1Q FY18	YoY (bps)	4Q FY18	QoQ (bps)	FY18	FY17	YoY (bps)
Material Expenses % Net Sales	69.6	72.5	(292)	70.7	(112)	69.9	70.9	(100)
Employee Expenses % Net Sales	7.8	7.7	18	6.4	145	7.4	6.9	46
ASP Expenses % Net Sales	6.4	4.7	170	9.7	(332)	6.6	4.6	206
Other Operating Expenses % Net Sales	8.8	9.3	(44)	7.4	141	8.1	7.7	39
<b>EBITDA Margin (%)</b>	<b>7.3</b>	<b>5.8</b>	<b>148</b>	<b>5.7</b>	<b>157</b>	<b>8.1</b>	<b>10.0</b>	<b>(192)</b>
<b>EBITDA Margin (%) – Adjusted*</b>	<b>8.9</b>	<b>5.8</b>	<b>306</b>	<b>11.1</b>	<b>(217)</b>	<b>9.6</b>	<b>10.0</b>	<b>(40)</b>
Tax Rate (%)	22.2	24.6	(243)	22.9	(70)	24.9	29.0	(409)
<b>APAT Margin (%)</b>	<b>5.4</b>	<b>4.2</b>	<b>126</b>	<b>4.2</b>	<b>123</b>	<b>5.8</b>	<b>6.9</b>	<b>(118)</b>

Source: Company, HDFC sec Inst Research | \*EBITDA is adjusted for Rs 100/350mn in 1QFY19/4QFY18 for one-time ad expense

*Electronics growth was driven by robust growth in UPS (in non-south up-country regions) driven by a product refresh and return of power-cuts in some pockets*

*Stabiliser growth was muted owing to weak air conditioners offtake*

*Sluggish pumps impacted electrical segment*

*Consumer durables growth was driven by fans and kitchen appliances*

### Segmental Quarterly Performance

(Rs mn)	1Q FY19	1Q FY18	YoY (%)	4Q FY18	QoQ (%)
<b>Segmental Revenues</b>					
Electronics	2,405	2,268	6.1	2,077	15.8
Electrical	2,614	2,366	10.5	2,946	(11.3)
Consumer Durables	1,330	1,057	25.8	1,563	(14.9)
<b>Total</b>	<b>6,349</b>	<b>5,691</b>	<b>11.6</b>	<b>6,586</b>	<b>(3.6)</b>
<b>Segmental EBIT</b>					
Electronics	224	240	(6.9)	145	54.5
Electrical	183	67	174.1	236	(22.5)
Consumer Durables	38	(6)	na	(31)	na
<b>Total</b>	<b>445</b>	<b>301</b>	<b>47.9</b>	<b>350</b>	<b>27.1</b>
Less:					
(a) Interest Cost & Bank Charges	2	4	(43.7)	3	(19.8)
(b) Other Un-allocable Expenses	(0)	(12)	(99.9)	(11)	(99.9)
<b>PBT</b>	<b>442</b>	<b>308</b>	<b>43.5</b>	<b>358</b>	<b>23.6</b>
<b>Capital Employed</b>					
Electronics	1,850	1,337	38.4	1,985	(6.8)
Electrical	2,372	2,119	12.0	2,921	(18.8)
Consumer Durables	1,567	1,232	27.1	1,369	14.5
<b>Total</b>	<b>5,789</b>	<b>4,688</b>	<b>23.5</b>	<b>6,275</b>	<b>(7.7)</b>
Unallocable Capital Employed	2,128	1,934	10.0	1,241	71.4
<b>Total Capital Employed</b>	<b>7,917</b>	<b>6,621</b>	<b>19.6</b>	<b>7,516</b>	<b>5.3</b>

Source: Company, HDFC sec Inst Research

### Segmental PBIT Margin

(Rs mn)	1Q FY19	1Q FY18	YoY (bps)	4Q FY18	QoQ (bps)
Electronics	9.3	10.6	(129)	7.0	233
Electrical	7.0	2.8	418	8.0	(101)
Consumer Durable	2.9	(0.6)	345	(2.0)	484
<b>Total</b>	<b>7.0</b>	<b>5.3</b>	<b>172</b>	<b>5.3</b>	<b>169</b>

Source: Company, HDFC sec Inst Research

**Broad-based growth witnessed during the quarter, barring summer products (Stabilizer, pumps)**

**Despite stress in new construction switchgear grew by 65% as the co. entered new areas and GST rate revision aided in volume growth**

**We expect fans, inverter, switchgear, kitchen appliances to grow faster than the rest of the business**

### Product-wise Quarterly Performance

Products	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19
<b>Revenue (Rs mn)</b>									
Stabilizers	1,434	813	821	1,221	1,413	984	822	1,205	1,413
UPS (Digital + Standalone)	727	546	356	707	842	662	471	872	993
Pumps	659	486	585	887	690	561	631	872	689
Cables & Wires (PVC + LT)	1,527	1,555	1,362	1,944	1,578	1,643	1,695	1,898	1,740
Water Heaters (Electric + Solar)	499	855	893	429	446	986	968	437	496
Fans	586	327	290	805	551	386	398	948	675
New Products Total	178	276	166	210	170	378	250	353	344
<b>Total</b>	<b>5,610</b>	<b>4,858</b>	<b>4,473</b>	<b>6,203</b>	<b>5,690</b>	<b>5,600</b>	<b>5,235</b>	<b>6,585</b>	<b>6,350</b>
<b>Revenue Gr YoY (%)</b>									
Stabilizers	19.8	14	7.6	22.0	(1.5)	21.0	0.1	1.5	3.0
UPS (Digital + Standalone)	21.8	13	6.0	30.0	15.8	21.2	32.3	33.0	24.0
Pumps	28.5	17	35.4	19.7	4.7	15.4	7.9	7.0	5.0
Cables & Wires (PVC + LT)	(1.2)	4	4.4	25.7	3.3	5.7	24.4	12.0	21.0
Water Heaters (Electric + Solar)	0.6	16	(1.5)	6.2	(10.6)	15.3	8.4	8.0	22.0
Fans	17.0	15	11.1	11.8	(6.0)	18.0	37.2	29.0	34.0
New Products Total	23.6	31	4.4	19.3	(4.5)	37.0	50.6	68.1	102.4
<b>Total</b>	<b>12.4</b>	<b>12.0</b>	<b>7.4</b>	<b>20.9</b>	<b>1.4</b>	<b>15.3</b>	<b>17.0</b>	<b>13.0</b>	<b>19.0</b>
<b>Revenue Mix (%)</b>									
Stabilizers	26%	17%	18%	20%	25%	18%	16%	18%	22%
UPS (Digital + Standalone)	13%	11%	8%	11%	15%	12%	9%	13%	16%
Pumps	12%	10%	13%	14%	12%	10%	12%	13%	11%
Cables & Wires (PVC + LT)	27%	32%	30%	31%	28%	29%	32%	29%	27%
Water Heaters (Electric + Solar)	9%	18%	20%	7%	8%	18%	18%	7%	8%
Fans	10%	7%	6%	13%	10%	7%	8%	14%	11%
New Products Total	3%	6%	4%	3%	3%	7%	5%	5%	5%
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Company, HDFC sec Inst Research

**Mgt. plans to launch products in Kitchen appliances space with ~Rs 1bn revenue target in FY19**

**The company launched new products recently: (1) Air coolers (Delhi and Hyderabad), (2) Modular switches (Kerala) and (3) LED fans**

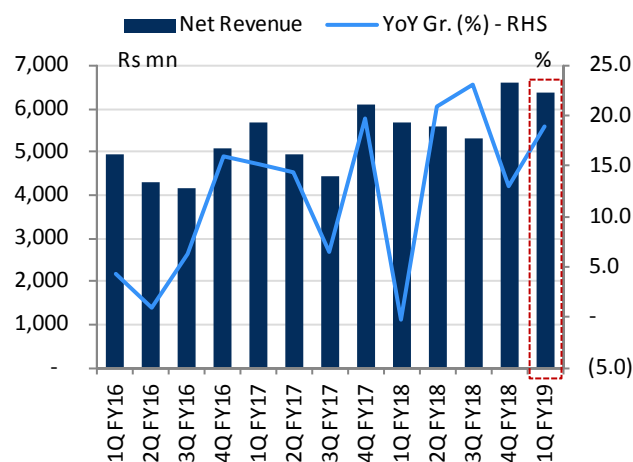
**South FY18 gross margin was at 26.7% vs. 25% FY17, while non-South reported 24.7/24.8% in FY18/FY17 respectively**

**Like-like revenue performance**

Products	1QFY19		
	Revenue (Rs mn)	Revenue Gr. (%)	Revenue Mix (%)
Stabilizers	1,413	3.0	22.3
UPS (Digital + Standalone)	993	24.0	15.6
Pumps	689	5.0	10.9
Cables & Wires (PVC + LT)	1,740	21.0	27.4
Water Heaters (Electric + Solar)	496	22.0	7.8
Fan	675	34.0	10.6
Kitchen Appliances (Cooktops+Mixers)	130	92.0	2.0
Switchgears	153	65.0	2.4
Modular switches	32	na	0.5
Air coolers	29	na	0.5
<b>Total</b>	<b>6,350</b>	<b>19.0</b>	<b>100.0</b>

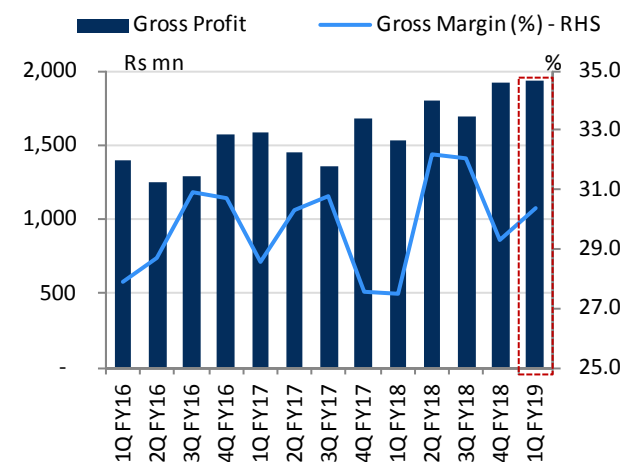
Source: Company, HDFC sec Inst Research

**Net Revenue**



Source: Company, HDFC sec Inst Research

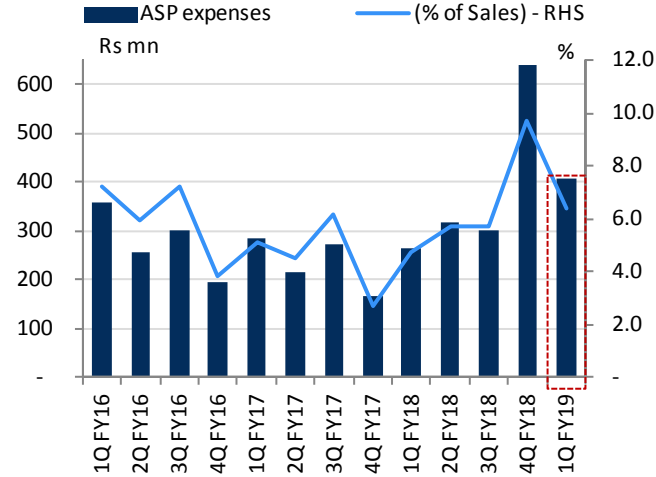
**Gross Margin**



Source: Company, HDFC sec Inst Research

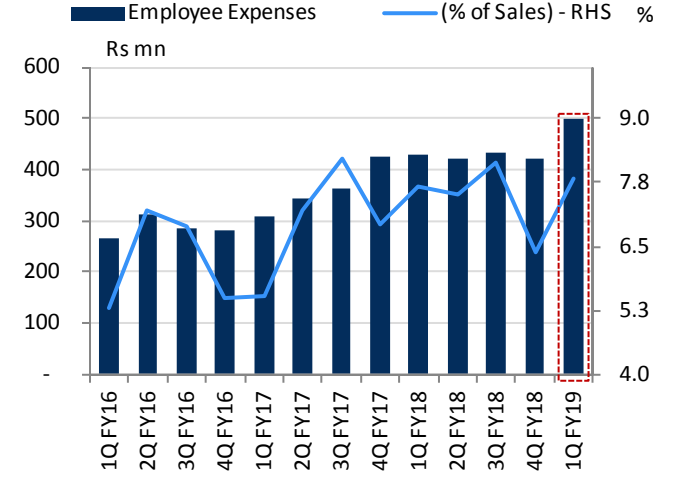
**V-Guard spent Rs 360mn and Rs 100mn during 4QFY18 and 1QFY19 on rebranding exercise (one-time in nature).**

**ASP Expense**



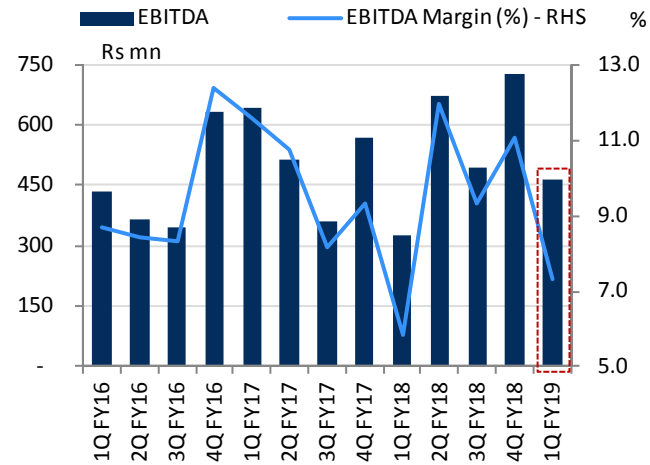
Source: Company, HDFC sec Inst Research

**Employee Expense**



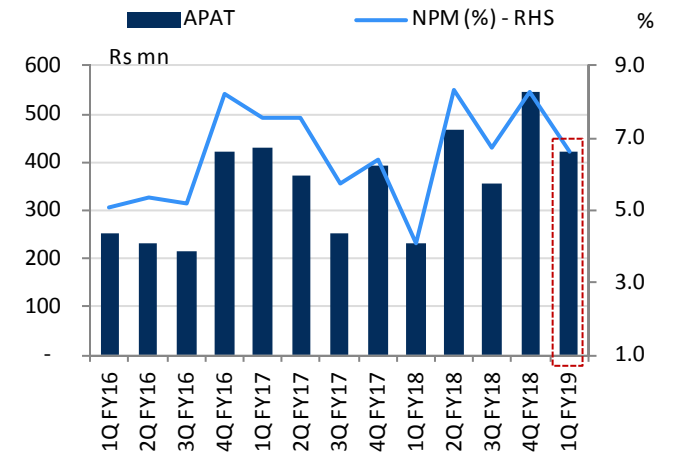
Source: Company, HDFC sec Inst Research

**EBITDA**



Source: Company, HDFC sec Inst Research

**APAT**



Source: Company, HDFC sec Inst Research

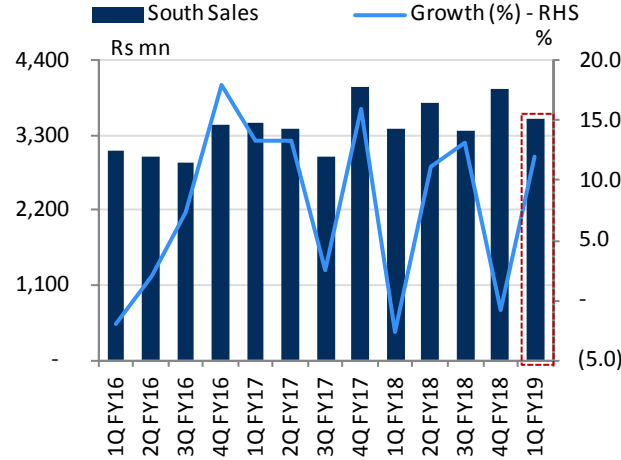
**South EBITDA margin in FY18 was 14% vs. 14.5% in FY17**

**Non-South EBITDA margin was 7.6% vs. 8% in FY17 owing to higher investment in branding**

**Despite FY18 being a challenging year, V-Guard posted healthy 15% like-like revenue growth.**

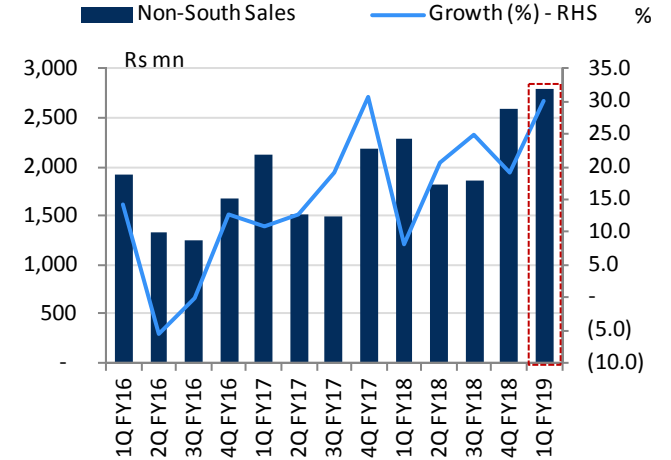
**No significant change in outsourcing and manufacturing strategy**

**South Sales Performance**



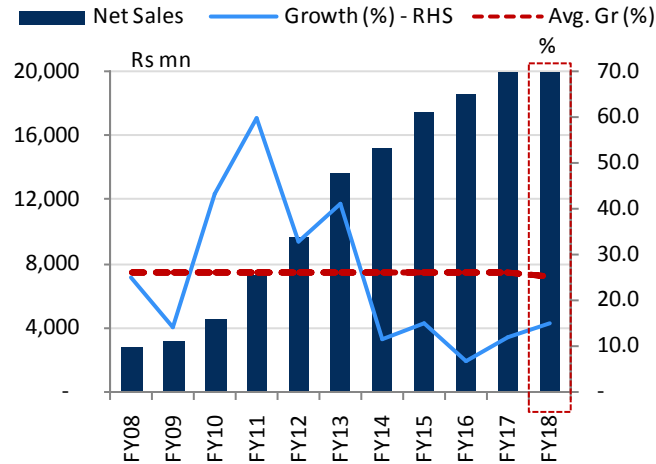
Source: Company, HDFC sec Inst Research

**Non-South Sales Performance**



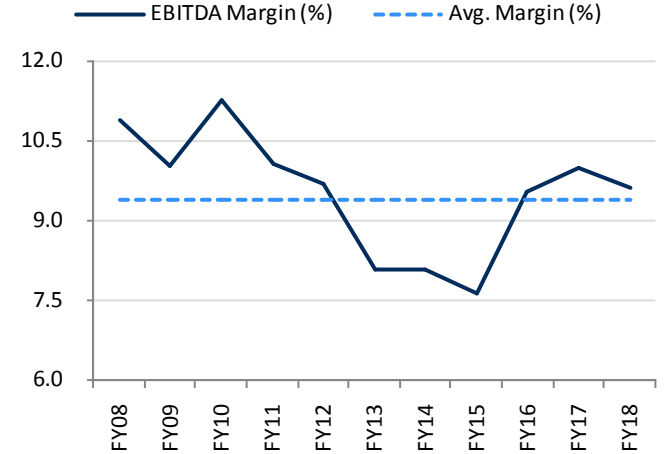
Source: Company, HDFC sec Inst Research

**Sales Performance**



Source: Company, HDFC sec Inst Research

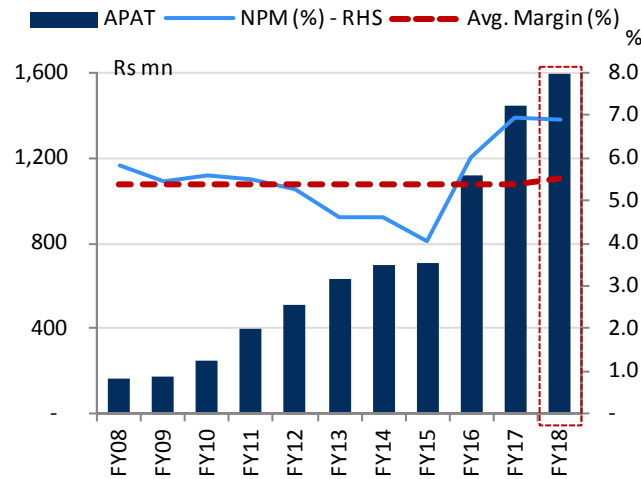
**EBITDA Margin**



Source: Company, HDFC sec Inst Research

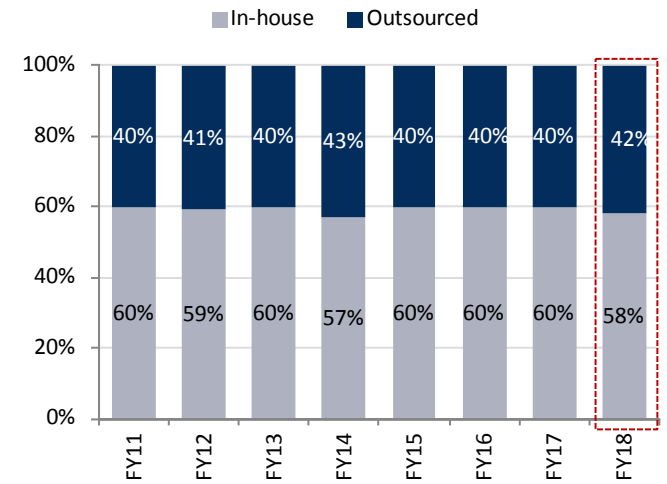
Note – FY18 EBITDA is adjusted for one-time ad expense of Rs 350mn

### APAT Performance



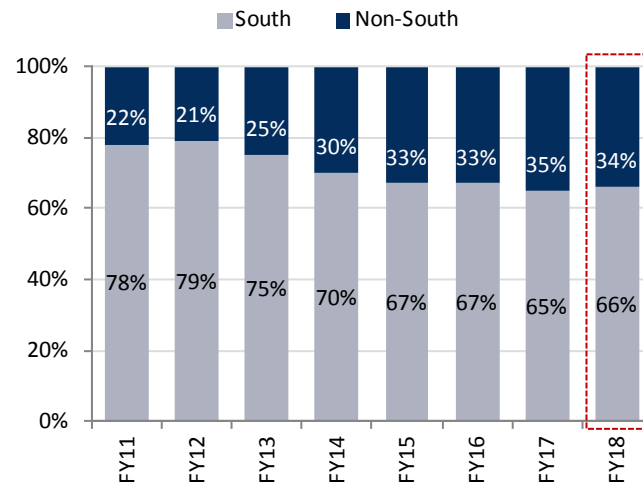
Source: Company, HDFC sec Inst Research FY18 APAT is adjusted for one-time ad expense of Rs 350mn

### In-house Manufacturing Vs. Outsourcing



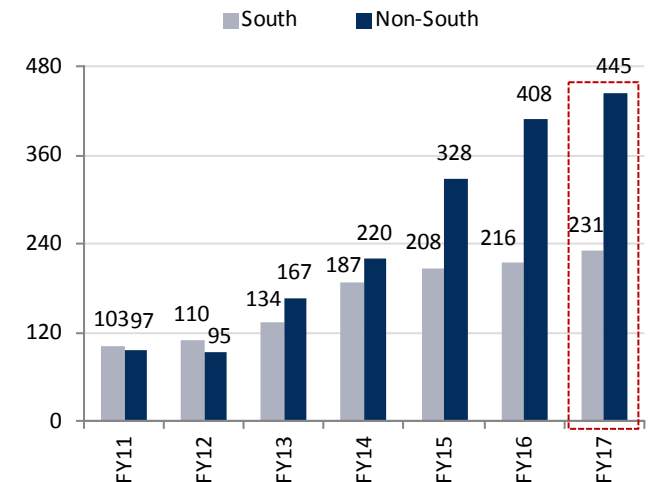
Source: Company, HDFC sec Inst Research

### South & Non-South Sales Mix



Source: Company, HDFC sec Inst Research

### Dealer Network



Source: Company, HDFC sec Inst Research

**Management is guiding for 50% mix from non-south region in the next 5 years**

**Dealer expansion in non-South has been >4x during FY11-17 vs. 2.5x in South. This reflects management's great efforts to become a national brand**



**Adjusted EBITDA margin incorporates one-time ad-spend expense of Rs 350**

**Weak summer resulted in slower revenue growth and gross margin expansion (174bps vs.272bps expectation)**

### Assumptions

Particulars	FY17	FY18E	FY19E	FY20E	FY21E
<b>Consolidated Revenue Growth (%)</b>	12.0	15.0	16.6	17.1	17.3
Stabilizers	16.6	5.0	9.0	13.4	12.1
UPS (Digital + Standalone)	19.1	21.9	18.3	16.9	17.1
Pumps	24.6	14.0	10.9	13.0	13.0
Cables & Wires (PVC + LT)	8.5	21.0	14.8	16.5	16.5
Water Heaters (Electric + Solar)	5.2	12.0	16.6	14.2	14.2
Fans	13.6	21.0	19.1	18.0	18.0
New Products Total	20.5	38.7	62.5	40.0	40.0
Gross Margin (%)	28.3	29.3	31.1	32.2	32.3
Employee (% of sales)	7.9	8.5	7.6	7.5	7.3
ASP (% of sales)	2.5	4.3	5.0	5.0	5.0
Distribution (% of sales)	1.2	1.2	1.2	1.2	1.2
Other Expenses (% of sales)	6.7	7.2	6.4	6.9	6.7
EBITDA Margin (%)	10.0	8.1	10.9	11.6	12.0
Adjusted EBITDA Margin (%)	10.0	9.6	10.9	11.6	12.0
Tax rate (%)	29.0	24.9	24.5	23.5	23.5

Source: Company, HDFC sec Inst Research

### Change in estimates

	FY19E			FY20E			FY21E		
	OLD	NEW	Chg (%)	OLD	NEW	Chg (%)	OLD	NEW	Chg (%)
Sales	26,698	26,965	1.0	30,681	31,581	2.9	36,140	37,033	2.5
EBITDA	2,901	2,930	1.0	3,579	3,665	2.4	4,325	4,454	3.0
APAT	2,249	2,269	0.9	2,761	2,827	2.4	3,399	3,508	3.2
EPS	5.3	5.3	1.0	6.5	6.6	2.4	8.0	8.2	3.2

Source: HDFC sec Inst Research

### Peer Set Comparison

Company	MCap (Rs bn)	CMP (Rs)	Reco.	TP (Rs)	EPS (Rs)			P/E (x)			EV/EBITDA (x)			Core RoCE (%)		
					FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
Havells	394	630	BUY	680	15.0	17.9	21.3	42.1	35.1	29.6	27.3	22.7	18.8	34.7	39.2	46.6
Voltas	188	569	BUY	638	19.2	22.1	25.1	29.7	25.8	22.6	21.8	19.1	16.3	60.5	61.0	64.1
Crompton	152	242	BUY	290	6.4	7.8	9.6	37.7	30.9	25.3	23.7	19.7	16.1	46.4	55.1	66.2
Symphony	76	1,089	BUY	1,734	25.8	36.6	44.3	42.2	29.8	24.6	31.5	21.8	17.8	52.1	52.5	57.8
<b>V-Guard</b>	<b>90</b>	<b>211</b>	<b>BUY</b>	<b>246</b>	<b>5.3</b>	<b>6.6</b>	<b>8.2</b>	<b>39.6</b>	<b>31.8</b>	<b>25.6</b>	<b>30.1</b>	<b>23.7</b>	<b>19.1</b>	<b>28.2</b>	<b>32.4</b>	<b>36.0</b>
TTK Prestige	71	6,145	NR	8,196	162.3	196.8	237.6	37.9	31.2	25.9	22.7	18.7	15.5	16.6	18.2	20.0

**Income Statement**

Year End March (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
<b>Net Revenues</b>	<b>20,856</b>	<b>23,117</b>	<b>26,965</b>	<b>31,581</b>	<b>37,033</b>
<b>Growth (%)</b>	<b>12.0</b>	<b>15.0</b>	<b>16.6</b>	<b>17.1</b>	<b>17.3</b>
Material Expenses	14,949	16,348	18,584	21,406	25,089
Employee Expense	1,640	1,973	2,059	2,358	2,703
ASP Expense	529	991	1,348	1,579	1,852
Distribution Expense	247	279	325	381	446
Other Expenses	1,293	1,521	1,562	2,008	2,272
<b>EBITDA</b>	<b>2,087</b>	<b>1,870</b>	<b>2,930</b>	<b>3,665</b>	<b>4,454</b>
<b>EBITDA Growth (%)</b>	<b>17.2</b>	<b>(10.4)</b>	<b>56.7</b>	<b>25.1</b>	<b>21.5</b>
<b>EBITDA Margin (%)</b>	<b>10.0</b>	<b>8.1</b>	<b>10.9</b>	<b>11.6</b>	<b>12.0</b>
Depreciation	162	191	199	218	237
<b>EBIT</b>	<b>1,924</b>	<b>1,679</b>	<b>2,731</b>	<b>3,447</b>	<b>4,218</b>
Other Income (Including EO Items)	135	111	154	249	368
Interest	21	17	0	-	-
<b>PBT</b>	<b>2,038</b>	<b>1,774</b>	<b>2,885</b>	<b>3,696</b>	<b>4,586</b>
Tax	591	442	692	869	1,078
<b>RPAT</b>	<b>1,447</b>	<b>1,332</b>	<b>2,192</b>	<b>2,827</b>	<b>3,508</b>
<b>APAT</b>	<b>1,447</b>	<b>1,601</b>	<b>2,269</b>	<b>2,827</b>	<b>3,508</b>
<b>APAT Growth (%)</b>	<b>29.5</b>	<b>10.7</b>	<b>41.8</b>	<b>24.6</b>	<b>24.1</b>
<b>Adjusted EPS (Rs)</b>	<b>3.41</b>	<b>3.76</b>	<b>5.33</b>	<b>6.64</b>	<b>8.24</b>
<b>EPS Growth (%)</b>	<b>28.5</b>	<b>10.4</b>	<b>41.8</b>	<b>24.6</b>	<b>24.1</b>

Source: Company, HDFC sec Inst Research

**Balance Sheet**

Year End March (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Share Capital - Equity	425	426	426	426	426
Reserves	5,919	7,090	8,737	10,817	13,453
<b>Total Shareholders Funds</b>	<b>6,344</b>	<b>7,516</b>	<b>9,163</b>	<b>11,243</b>	<b>13,879</b>
Long Term Debt	24	0	0	0	0
Short Term Debt	1	-	-	-	-
<b>Total Debt</b>	<b>25</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net Deferred Taxes	40	29	29	29	29
Long Term Provisions & Others	67	118	132	149	169
<b>TOTAL SOURCES OF FUNDS</b>	<b>6,475</b>	<b>7,664</b>	<b>9,324</b>	<b>11,421</b>	<b>14,077</b>
<b>APPLICATION OF FUNDS</b>					
Net Block	1,684	2,006	2,172	2,304	2,417
CWIP	238	149	109	109	109
Non Current Investments	3	91	91	91	91
LT Loans & Advances	201	221	315	251	266
Other Non Current Assets	-	-	-	-	-
<b>Total Non-current Assets</b>	<b>2,125</b>	<b>2,468</b>	<b>2,686</b>	<b>2,755</b>	<b>2,883</b>
Inventories	2,743	3,105	3,548	4,069	4,670
Debtors	3,121	4,445	5,111	5,899	6,816
Other Current Assets	316	727	727	727	727
Cash & Equivalents	1,038	802	1,554	2,891	4,701
<b>Total Current Assets</b>	<b>7,218</b>	<b>9,078</b>	<b>10,939</b>	<b>13,586</b>	<b>16,914</b>
Creditors	2,186	3,286	3,735	4,302	5,043
Other Current Liabilities & Provns	682	597	566	617	677
<b>Total Current Liabilities</b>	<b>2,868</b>	<b>3,883</b>	<b>4,301</b>	<b>4,920</b>	<b>5,720</b>
<b>Net Current Assets</b>	<b>4,350</b>	<b>5,196</b>	<b>6,638</b>	<b>8,666</b>	<b>11,194</b>
<b>TOTAL APPLICATION OF FUNDS</b>	<b>6,475</b>	<b>7,664</b>	<b>9,324</b>	<b>11,421</b>	<b>14,077</b>

Source: Company, HDFC sec Inst Research

**Cash Flow Statement**

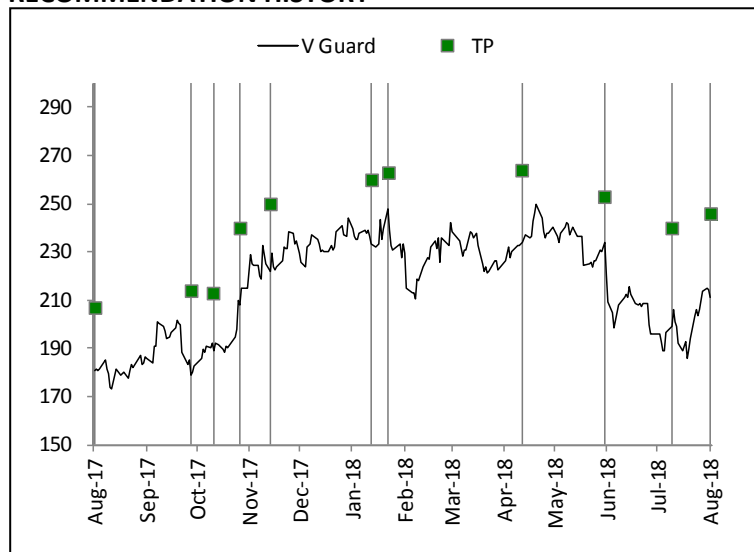
Year End March (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Reported PBT	2,037	1,773	2,885	3,696	4,586
Non-operating & EO Items	176	173	77	-	-
Interest Expenses	(4)	(4)	0	-	-
Depreciation	162	191	199	218	237
Working Capital Change	(418)	(1,183)	(691)	(690)	(718)
Tax Paid	(656)	(408)	(692)	(869)	(1,078)
<b>OPERATING CASH FLOW ( a )</b>	<b>1,298</b>	<b>542</b>	<b>1,778</b>	<b>2,355</b>	<b>3,027</b>
Capex	(422)	(413)	(325)	(350)	(350)
Free Cash Flow (FCF)	876	129	1,454	2,005	2,677
Investments	(3)	(62)	(243)	(87)	(165)
Non-operating Income	(631)	203	-	-	-
<b>INVESTING CASH FLOW ( b )</b>	<b>(1,055)</b>	<b>(271)</b>	<b>(568)</b>	<b>(437)</b>	<b>(515)</b>
Debt Issuance/(Repaid)	(153)	(32)	-	-	-
Interest Expenses	(10)	(7)	(0)	-	-
FCFE	714	90	1,454	2,005	2,677
Share Capital Issuance	92	27	-	-	-
Dividend	(91)	(358)	(623)	(747)	(872)
Others	-	-	14	17	20
<b>FINANCING CASH FLOW ( c )</b>	<b>(161)</b>	<b>(369)</b>	<b>(609)</b>	<b>(730)</b>	<b>(852)</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>82</b>	<b>(99)</b>	<b>602</b>	<b>1,188</b>	<b>1,660</b>
EO Items, Others	-	-	-	-	-
<b>Closing Cash &amp; Equivalents</b>	<b>150</b>	<b>50</b>	<b>652</b>	<b>1,840</b>	<b>3,500</b>

Source: Company, HDFC sec Inst Research

**Key Ratios**

	FY17	FY18	FY19E	FY20E	FY21E
<b>PROFITABILITY (%)</b>					
GPM	28.3	29.3	31.1	32.2	32.3
EBITDA Margin	10.0	8.1	10.9	11.6	12.0
EBIT Margin	9.2	7.3	10.1	10.9	11.4
APAT Margin	6.9	6.9	8.4	9.0	9.5
RoE	26.2	23.1	27.2	27.7	27.9
RoIC (or Core RoCE)	26.8	20.5	28.2	32.4	36.0
RoCE	25.4	22.8	26.7	27.3	27.5
<b>EFFICIENCY</b>					
Tax Rate (%)	29.0	24.9	24.5	23.5	23.5
Fixed Asset Turnover (x)	7.5	6.9	7.5	8.0	8.6
<i>Inventory (days)</i>	<i>48.0</i>	<i>49.0</i>	<i>48.0</i>	<i>47.0</i>	<i>46.0</i>
<i>Debtors (days)</i>	<i>54.6</i>	<i>70.2</i>	<i>69.2</i>	<i>68.2</i>	<i>67.2</i>
<i>Other Current Assets (days)</i>	<i>5.5</i>	<i>11.5</i>	<i>9.8</i>	<i>8.4</i>	<i>7.2</i>
<i>Payables (days)</i>	<i>38.3</i>	<i>51.9</i>	<i>50.6</i>	<i>49.7</i>	<i>49.7</i>
<i>Other Current Liab &amp; Provns (days)</i>	<i>11.9</i>	<i>9.4</i>	<i>7.7</i>	<i>7.1</i>	<i>6.7</i>
Cash Conversion Cycle (days)	58.0	69.4	68.8	66.7	64.0
Net D/E (x)	(0.2)	(0.1)	(0.2)	(0.3)	(0.3)
Interest Coverage (x)	91.7	101.2	na	na	na
<b>PER SHARE DATA (Rs)</b>					
EPS	3.4	3.8	5.3	6.6	8.2
CEPS	3.8	4.2	5.8	7.2	8.8
Dividend	0.7	0.7	1.3	1.5	1.8
Book Value	14.9	17.7	21.5	26.4	32.6
<b>VALUATION</b>					
P/E (x)	61.9	56.1	39.6	31.8	25.6
P/BV (x)	14.1	11.9	9.8	8.0	6.5
EV/EBITDA (x)	42.5	47.6	30.1	23.7	19.1
EV/Revenues (x)	4.2	3.8	3.3	2.7	2.3
OCF/EV (%)	1.5	0.6	2.0	2.7	3.6
FCF/EV (%)	1.0	0.1	1.6	2.3	3.1
FCFE/Mkt Cap (%)	0.8	0.1	1.6	2.2	3.0
Dividend Yield (%)	0.3	0.3	0.6	0.7	0.8

Source: Company, HDFC sec Inst Research

**RECOMMENDATION HISTORY**


Date	CMP	Reco	Target
2-Aug-17	181	BUY	207
27-Sep-17	178	BUY	214
10-Oct-17	193	BUY	213
26-Oct-17	208	BUY	240
13-Nov-17	224	BUY	250
12-Jan-18	236	BUY	260
24-Jan-18	239	BUY	263
11-Apr-18	233	BUY	264
31-May-18	221	BUY	253
9-Jul-18	195	BUY	240
1-Aug-18	211	BUY	246

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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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