

INDUSTRY	APPLIANCES
CMP (as on 10 Aug 2018)	Rs 621
Target Price	Rs 663
Nifty	11,430
Sensex	37,869

KEY STOCK DATA

	VOLT IN
Bloomberg	
No. of Shares (mn)	331
MCap (Rs bn) / (\$ mn)	205 / 2,984
6m avg traded value (Rs mn)	979

STOCK PERFORMANCE (%)

52 Week high / low	Rs 675 / 493		
	3M	6M	12M
Absolute (%)	3.2	4.6	19.4
Relative (%)	(4.3)	(6.8)	(0.7)

SHAREHOLDING PATTERN (%)

Promoters	30.30
FIs & Local MFs	28.73
FPIs	19.99
Public & Others	20.98

Source : BSE
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Strong show

Voltas' reported a strong quarter with 6% primary growth in RAC during an erratic summer. RAC market (secondary level) declined by ~10% while Voltas was flat. Voltas' channel inventory is at normal levels (60 days) which gives us better visibility in the upcoming quarter. It was encouraging to note that Voltas gained market share (23.5% share; up 130bps) when MNCs have raised their game (Daikin and LG). As stated earlier, we backed Voltas (market leader) to bounce back during a tough period. This quarter performance has further strengthened our confidence in the company.

Our dealer checks suggest, there will be a healthy pickup in offtake during the upcoming festival season owing to improving consumer sentiments. We model 9.6% (earlier 7.6%) growth for UCP segment during FY19.

EMPS revenue/EBIT grew by 31/150%. EMPS margins ballooned to 10.2% (up 484bps) owing to execution of higher quality projects (one-off margins). In the last 2 years, the segment has consistently beaten our expectations and deserves a re-rating. With private capex expected to turn, the outlook for EMPS is bright.

Financial Summary: Consolidated

(Rs mn)	1QFY19	1QFY18	YoY (%)	4QFY18	QoQ (%)	FY17	FY18	FY19E	FY20E	FY21E
Net Sales	21,481	19,446	10.5	20,484	4.9	60,328	64,044	72,360	83,596	95,371
EBITDA	2,432	2,083	16.7	2,532	(3.9)	5,791	6,626	7,678	8,560	9,966
APAT	1,839	1,836	0.2	1,927	(4.5)	5,082	5,724	6,410	7,474	8,605
Diluted EPS (Rs)	5.6	5.6	0.2	5.8	(4.5)	15.4	17.3	19.4	22.6	26.0
P/E (x)						40.4	35.8	32.0	27.4	23.8
EV / EBITDA (x)						31.3	26.8	22.8	20.3	17.3
Core RoCE (%)						39.7	43.7	45.0	45.1	47.4

Source: Company, HDFC sec Inst Research

We maintain our thesis on Voltas' to sustain leadership in room AC and maintain healthy EMPS margins. Besides, foray into other consumer durable categories (JV with Arcelik), provides multi-year growth visibility.

We increase our earnings by ~3% owing to strong performance in RAC in 1Q and consistent improvement in EMPS margin. We value based on SOTP, valuing EMPS/EPS/UCP at Jun-20 P/E at 17(15 earlier)/20/35x with TP of Rs 663 (Rs 638 earlier).

Highlights of the quarter

- Inverter mix at 50%:** UCP segment declined by 2% (exp. -3%). Despite a slow start, Voltas matched industry mix of inverters with the highest number of SKU's in the industry. UCP margins at 12.5% (-155 bps YoY) was healthy given competitive intensity and commodity inflation.
- Near-term outlook:** Near term earnings is expected to be healthy with a pickup in consumption dynamics. GST rate cut for the AC industry (18% from 28%) will be a key re-rating trigger.

Consolidated net revenue was up by 10.5% (exp. was 2%)

UCP segment (56% of rev.) declined by 2% (exp. -3%) owing to an erratic summer

EBITDA was 4% ahead of our expectation due to higher margin of EMPS (one-off)

Management noted that commodity prices are rising but margin pressure would be limited on account of price hike

APAT growth was flat to Rs 1,839mn (exp. Rs 2,023) owing to decline in other income

Quarterly Financials Snapshot: Consolidated

(Rs mn)	1QFY19	1QFY18	YoY (%)	4QFY18	QoQ (%)	FY18	FY17	YoY (%)
Net Sales	21,481	19,446	10.5	20,484	4.9	64,044	60,328	6.2
Material Expenses	15,626	13,947	12.0	15,011	4.1	45,675	42,359	7.8
Employee Expenses	1,431	1,478	(3.2)	1,434	(0.2)	5,867	6,184	(5.1)
Other Operating Expenses	1,992	1,938	2.8	1,507	32.2	5,875	6,116	(3.9)
EBITDA	2,432	2,083	16.7	2,532	(3.9)	6,626	5,669	16.9
Interest Cost	27	35	(22.9)	43	(37.1)	119	160	(25.7)
Depreciation	59	61	(2.9)	61	(2.1)	244	245	(0.4)
Other Income (incl E/o items)	282	590	(52.1)	424	(33.5)	1,747	2,131	(18.0)
PBT	2,632	2,586	1.8	2,842	(7.4)	8,011	7,395	8.3
Tax	762	727	4.8	900	(15.3)	2,270	2,004	13.3
PAT	1,871	1,859	0.6	1,942	(3.7)	5,779	5,199	11.2
Minority Interest	31	23	38.3	15	103.9	(38)	193	(119.7)
PAT after MI	1,839	1,836	0.2	1,927	(4.5)	5,779	5,199	11.2
APAT	1,839	1,836	0.2	1,927	(4.5)	5,779	5,199	11.2
EPS (adjusted)	5.6	5.5	0.2	5.8	(4.5)	17.5	15.7	11.2

Source: Company, HDFC sec Inst Research

Margin Analysis: Consolidated

	1QFY19	1QFY18	YoY (bps)	4QFY18	QoQ (bps)	FY18	FY17	YoY (bps)
Material Expenses (%)	72.7	71.7	103	73.3	-54	71.3	70.2	110
Employee Expenses (%)	6.7	7.6	-94	7.0	-34	9.2	10.3	-109
Other operating expenses (%)	9.3	10.0	-70	7.4	192	9.2	10.1	-96
EBITDA Margin (%)	11.3	10.7	61	12.4	-104	10.3	9.4	95
Tax Rate (%)	28.9	28.1	84	31.7	-273	28.3	27.1	124
Net Profit Margin (%)	8.6	9.4	-88	9.4	-84	9.0	8.6	41

Source: Company, HDFC sec Inst Research

Inverter mix for Voltas grew to 50% (in-line with industry) in 1QFY19 vs. 20% in FY18

EMPS EBIT margin was 10.2% in 1QFY19 due to execution of high margin projects. Management stated it was one-off and guides for 7-8% sustainable margin

Segmental Quarterly Performance: Consolidated

(Rs mn)	1QFY19	1QFY18	YoY (%)	4QFY18	QoQ (%)	FY18	FY17	YoY (%)
Segmental Revenues								
EMPS	8,664	6,608	31	8,735	(1)	28,452	26,550	7
Engineering Products & Services	772	904	(15)	834	(8)	3,099	3,318	(7)
Unitary Cooling Products	11,911	12,117	(2)	10,645	12	32,261	30,469	6
Total	21,346	19,628	9	20,215	6	63,812	60,337	6

EBIT	1QFY19	1QFY18	YoY (%)	4QFY18	QoQ (%)	FY18	FY17	YoY (%)
EMPS	881	352	150	665	32	1,854	849	118
Engineering Products & Services	268	257	4	249	7	992	956	4
Unitary Cooling Products	1,493	1,706	(13)	1,830	(18)	4,749	4,403	8
Total	2,641	2,316	14	2,744	(4)	7,595	6,208	22

Revenue Mix (%)	Q1FY19	Q1FY18	YoY (bps)	Q4FY18	QoQ (bps)	FY18	FY17	YoY (bps)
EMPS	40.6	33.7	692	43.2	-263	44.6	44.0	58
Engineering Products & Services	3.6	4.6	(99)	4.1	-51	4.9	5.5	(64)
Unitary Cooling Products	55.8	61.7	(593)	52.7	314	50.6	50.5	6
Total	100.0	100.0		100.0		100.0	100.0	

EBIT Mix (%)	Q1FY19	Q1FY18	YoY (bps)	Q4FY18	QoQ (bps)	FY18	FY17	YoY (bps)
EMPS	33.4	15.2	1,815	24.2	913	24.4	13.7	1,073
Engineering Products & Services	10.1	11.1	(98)	9.1	106	13.1	15.4	(233)
Unitary Cooling Products	56.5	73.7	(1,717)	66.7	-1019	62.5	70.9	(840)
Total	100.0	100.0		100.0		100.0	100.0	

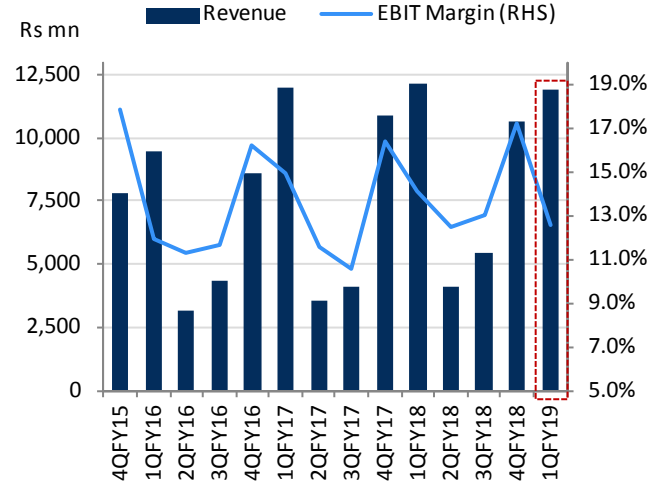
Segmental Margins (EBIT %)	Q1FY19	Q1FY18	YoY (bps)	Q4FY18	QoQ (bps)	FY18	FY17	YoY (bps)
EMPS	10.2	5.3	484	7.6	256	6.5	3.2	332
Engineering Products & Services	34.7	28.5	620	29.8	484	32.0	28.8	321
Unitary Cooling Products	12.5	14.1	(155)	17.2	-466	14.7	14.5	27

Source: Company, HDFC sec Inst Research

Voltas' market share in the Room AC market improved from 21.4% (Mar-17 end) to 22.1% (Mar-18 end)

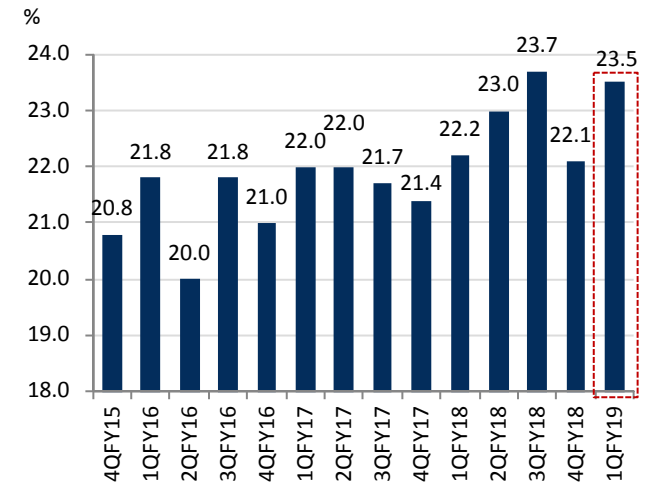
International/domestic new orders during the quarter amounted to Rs 2.5/1.5bn. Total order book is healthy at 46bn

UCP Segment: Revenue And EBIT Margin



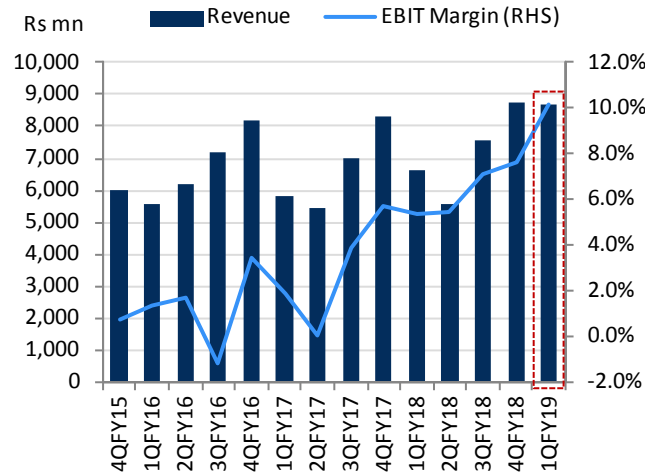
Source: Company, HDFC sec Inst Research

Room AC Market Share



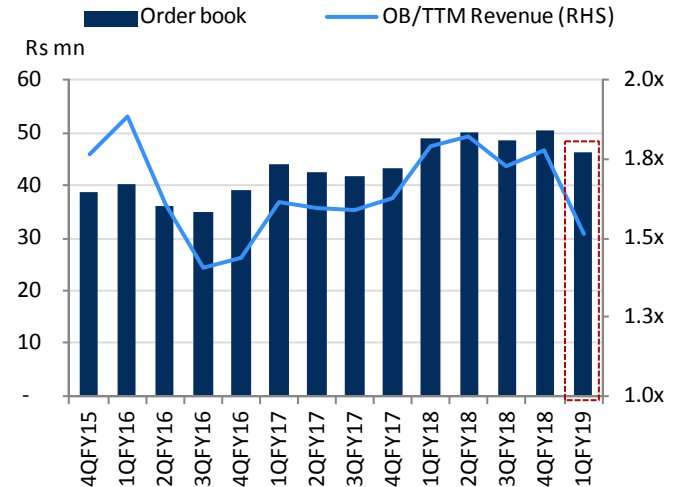
Source: Company, HDFC sec Inst Research

EMPS Segment: Revenue And EBIT Margin



Source: Company, HDFC sec Inst Research

Order Book to bill



Source: Company, HDFC sec Inst Research

Air Conditioner: Industry Production Volume

RAC industry production volume

Volume	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Star 1	107,525	260,019	223,016	88,326	39,782	1,505	415,913
Star 2	1,064,021	1,286,143	1,131,687	927,755	561,870	429,452	538,926
Star 3	894,352	1,017,074	1,342,260	2,486,797	2,785,931	3,629,764	2,846,892
Star 4	147,176	245,353	207,138	130,471	47,836	37,009	99,109
Star 5	541,648	458,976	578,454	1,006,012	1,240,603	1,641,909	1,038,727
Inverter	-	-	-	-	25,006	702,652	1,964,640
Total	2,754,722	3,267,565	3,482,555	4,639,361	4,701,028	6,442,291	6,904,207

Growth YoY (%)	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Star 1		142%	-14%	-60%	-55%	-96%	27535%
Star 2		21%	-12%	-18%	-39%	-24%	25%
Star 3		14%	32%	85%	12%	30%	-22%
Star 4		67%	-16%	-37%	-63%	-23%	168%
Star 5		-15%	26%	74%	23%	32%	-37%
Inverter						2710%	180%
Total		19%	7%	33%	1%	37%	7%

Mix (%)	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Star 1	4	8	6	2	1	0	6
Star 2	39	39	32	20	12	7	8
Star 3	32	31	39	54	59	56	41
Star 4	5	8	6	3	1	1	1
Star 5	20	14	17	22	26	25	15
Inverter	-	-	-	-	1	11	28
Total	100	100	100	100	100	100	100

Source: BEE, HDFC sec Inst Research

FY18 was a year marked by disruptions like 1) GST pre-buying (1QFY18), 2) Modest festive season due to GST pre-buying, 3) Rating change pre-buying (3QFY18), 4) IMD forecast for harsh summer in 2018 and 5) Pre-monsoon showers pan-India has resulted in a weak summer

Air conditioner production volumes grew by only 7% in FY18

1 Star AC's showed an unusual pick-up in growth in FY18. It could be a result of rating change norm (effective Jan'18)

Inverter AC's continued to gain share at an impressive pace (28% in FY18 vs. 11% in FY17)

Volume production data is directionally in-line with value growth for most of the players during FY13-18

Inverter Air Conditioners Gaining Share

Inverter (Volumes)	FY16	FY17	FY18
Star 3	15,072	560,866	1,634,398
Star 4	4,990	70,018	85,676
Star 5	4,944	71,768	244,566
Total	25,006	702,652	1,964,640

Mix (%)	FY16	FY17	FY18
Star 3	60	80	83
Star 4	20	10	4
Star 5	20	10	12
Total	100	100	100

Source: BEE, HDFC sec Inst Research

Industry Production Volume vs. Revenue Growth of Players

	FY13	FY14	FY15	FY16	FY17
Industry Production Volume	19%	7%	33%	1%	37%
Voltas UCP Segment Growth	19%	12%	22%	2%	18%
Johnson (Hitachi) Revenue Growth	17%	18%	43%	6%	20%
Blue Star UCP Segment Growth	3%	12%	24%	18%	27%

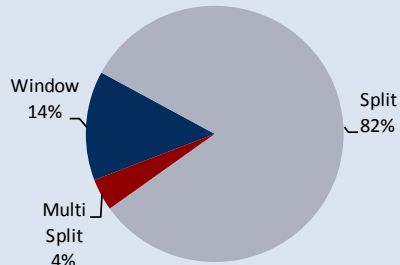
Source: Companies, HDFC sec Inst Research

FY18 Industry growth

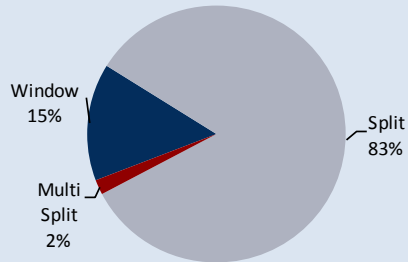
	FY18
Industry AC Production Volume Growth	7%
Industry AC Market Value Growth	11%
Voltas UCP Segment Growth	15%
Blue Star UCP Segment Growth	17%
Lloyd Consumer	11%

Source: Companies, HDFC sec Inst Research

World RAC market (96mn units)



India RAC market (~5mn units)



Source: The Japan Refrigeration and Air Conditioning Industry Association

India RAC market is shifting towards the split AC. Window AC share has gone down to 15% in 2017 vs. 24% in 2012

AC Market: World and India

India is the second fastest RAC (Room Air Conditioners) growing market in the top 10 RAC market in the world after Vietnam. India has the lowest AC penetration coupled with the 2nd highest number of HHs in the world. We believe India can sustain >10% AC volume

CAGR driven by cheaper financing options, growing disposable incomes, rising temperatures and increasing number of HHs (~4.8 members/HH, which is the highest in the world).

Top 10 Countries RAC Volume Annual Demand (CY17)

Rank (RAC Demand)	Country	RAC (mn unit)	10 Year CAGR	5 Year CAGR	3 Year CAGR	Mix of total market	Cooling Degree Days	GDP per capita 2016 (Current USD)	Number of HHs (mn)	Annual AC sales/HHs
1	China	43.5	7%	3%	3%	45%	1,046	8,123	456	10%
2	Japan	8.9	2%	1%	2%	9%	397	38,972	49	18%
3	USA	8.0	0%	1%	-1%	8%	1,555	57,638	134	6%
4	India	4.9	11%	8%	10%	5%	3,120	1,709	248	2%
5	Brazil	2.8	9%	-3%	-12%	3%	2,015	8,649	57	5%
6	Indonesia	2.3	10%	3%	1%	2%	3,545	3,570	61	4%
7	Vietnam	1.9	21%	16%	16%	2%	3,016	2,170	22	8%
8	Saudi Arabia	1.7	4%	2%	-7%	2%	na	20,028	5	35%
9	Thailand	1.3	7%	5%	3%	1%	3,567	5,910	18	7%
10	Argentina	1.1	1%	-4%	-5%	1%	na	12,440	12	9%
	World	96.0	5%	2%	2%	100%	na	10,163	1,650	6%

Source: The Japan Refrigeration and Air Conditioning Industry Association, Davis and Gertler, PNAS 2015, World Bank, HDFC sec Inst

India RAC Market Breakup

	2012	2013	2014	2015	2016	2017	5 Year CAGR	3 Year CAGR
Units (000)								
Window	806	747	703	705	620	718	-2%	1%
Split	2,527	2,699	2,971	3,142	3,662	4,081	10%	11%
Split-Type (Multi)	-	-	-	-	-	91	na	na
Total	3,333	3,446	3,674	3,847	4,282	4,890	8%	10%
Mix (%)								
Window	24%	22%	19%	18%	14%	15%		
Split	76%	78%	81%	82%	86%	83%		
Split-Type (Multi)	0%	0%	0%	0%	0%	2%		
Total	100%	100%	100%	100%	100%	100%		

Source: The Japan Refrigeration and Air Conditioning Industry Association, HDFC sec Inst Research

Key Assumptions: Consolidated

Rs mn	FY17	FY18	FY19E	FY20E	FY21E
Segment Revenues					
Electro-Mechanical Projects	26,277	28,452	33,129	37,578	42,648
<i>Growth YoY</i>	-6.7%	8.3%	16.4%	13.4%	13.5%
Engineering Products & Services	3,284	3,099	3,281	3,639	4,020
<i>Growth YoY</i>	-11.0%	-5.6%	5.9%	10.9%	10.5%
Unitary Cooling Products	30,154	32,261	35,361	41,729	47,988
<i>Growth YoY</i>	20.2%	15.0%	9.6%	18.0%	15.0%
Segment Margins					
Electro-Mechanical Projects	3.2%	6.5%	8.3%	8.3%	8.4%
Engineering Products & Services	29.1%	32.0%	34.1%	34.6%	35.1%
Unitary Cooling Products	14.6%	14.7%	13.9%	14.0%	14.0%

Source: Company, HDFC sec Inst Research

Change in Estimate

Particulars (Rs mn)	FY19			FY20E			FY21E		
	Old	New	Chg (%)	Old	New	Chg (%)	Old	New	Chg (%)
Net Revenues	70,251	72,360	3.0%	80,355	83,596	4.0%	92,029	95,371	3.6%
EBITDA	7,332	7,678	4.7%	8,312	8,560	3.0%	9,617	9,966	3.6%
PAT	6,344	6,410	1.0%	7,295	7,474	2.4%	8,303	8,605	3.6%
EPS	19.2	19.4	1.0%	22.1	22.6	2.4%	25.1	26.0	3.6%

SOTP Valuation

Business	Method	Jun-20E APAT	Multiple (x)	Valuation	VPS
Electro-Mechanical Projects	P/E multiple	2,338	17	39,741	120
Engineering Products & Services	P/E multiple	954	20	19,071	58
Unitary Cooling Products	P/E multiple	4,584	35	160,452	485
SOTP					663

Source: Company, 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	425	680	BUY	680	15.0	17.9	21.3	45.5	37.9	31.9	29.6	24.6	20.4	34.7	39.2	46.6
Voltas	205	621	BUY	663	19.4	22.6	26.0	32.0	27.4	23.8	22.8	20.3	17.3	45.0	45.1	47.4
Crompton	166	265	BUY	290	6.4	7.8	9.6	41.3	33.8	27.7	26.0	21.6	17.8	46.4	55.1	66.2
Symphony	77	1,105	BUY	1,734	25.8	36.6	44.3	42.8	30.2	24.9	32.0	22.2	18.1	52.1	52.5	57.8
V-Guard	90	211	BUY	246	5.3	6.6	8.2	39.6	31.8	25.6	30.1	23.7	19.1	28.2	32.4	36.0
TTK Prestige	75	6,465	NR	8,196	162.3	196.8	237.6	39.8	32.9	27.2	24.0	19.8	16.3	16.6	18.2	20.0

Source: Company, HDFC sec Inst Research

Income Statement: Consolidated

(Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Net Revenues	60,328	64,044	72,360	83,596	95,371
Growth (%)	5.5	6.2	13.0	15.5	14.1
Material Expenses	42,359	45,675	51,324	58,762	66,864
Employee Expenses	6,184	5,867	6,259	6,885	7,574
SG&A Expenses	5,994	5,875	7,099	9,388	10,968
Total Expenses	54,537	57,417	64,682	75,036	85,405
EBIDTA	5,791	6,626	7,678	8,560	9,966
EBIDTA %	9.6	10.3	10.6	10.2	10.4
EBIDTA Growth %	33.7	14.4	15.9	11.5	16.4
Depreciation	245	244	280	315	350
EBIT	5,546.09	6,383	7,398	8,245	9,616
Other Income (Including EO Items)	2,009	1,767	1,700	2,286	2,411
Interest	160	119	94	70	62
PBT	7,395	8,031	9,004	10,461	11,965
Tax (Incl Deferred)	2,088	2,270	2,521	2,929	3,350
Minority Interest	217	17	74	58	10
RPAT	5,090	5,744	6,410	7,474	8,605
EO (Loss) / Profit (Net Of Tax)	8	20	-	-	-
APAT	5,082	5,724	6,410	7,474	8,605
APAT Growth (%)	38.5	12.6	12.0	16.6	15.1
Adjusted EPS (Rs)	15.4	17.3	19.4	22.6	26.0
EPS Growth (%)	38.5	12.6	12.0	16.6	15.1

Source: Company, HDFC sec Inst Research

Balance Sheet: Consolidated

(Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
SOURCES OF FUNDS					
Share Capital	331	331	331	331	331
Reserves	32,735	38,721	43,537	49,019	55,232
Total Shareholders Funds	33,066	39,052	43,868	49,349	55,563
Minority Interest	285	317	378	444	518
Long Term Debt	-	-	-	-	-
Short Term Debt	1,709	1,423	923	823	723
Total Debt	1,709	1,423	923	823	723
Net Deferred Taxes	(198)	(46)	(46)	(46)	(46)
Other Non-current Liabilities & Provns	916	883	1,279	1,482	1,687
TOTAL SOURCES OF FUNDS	35,779	41,629	46,401	52,053	58,444
APPLICATION OF FUNDS					
Net Block	2,276	2,248	2,540	2,925	3,274
CWIP	66	41	41	41	41
Goodwill	723	723	723	723	723
Investments	586	1,558	3,058	6,308	9,558
Other Non-current Assets	183	354	411	475	542
Total Non-current Assets	3,834	4,925	6,773	10,472	14,139
Cash & equivalents	25,407	28,913	30,841	31,927	33,477
Inventories	9,070	8,129	9,562	10,948	12,457
Debtors	14,541	15,703	17,479	19,964	22,515
Other Current Assets	11,638	15,346	16,820	19,431	22,169
Total Current Assets	35,250	39,178	43,860	50,343	57,140
Creditors	19,946	21,764	23,881	27,704	31,532
Other Current Liabilities & Provns	8,766	9,623	11,193	12,985	14,780
Total Current Liabilities	28,711	31,387	35,074	40,689	46,312
Net Current Assets	6,538	7,791	8,787	9,654	10,828
TOTAL APPLICATION OF FUNDS	35,779	41,629	46,401	52,053	58,444

Source: Company, HDFC sec Inst Research

Cash Flow: Consolidated

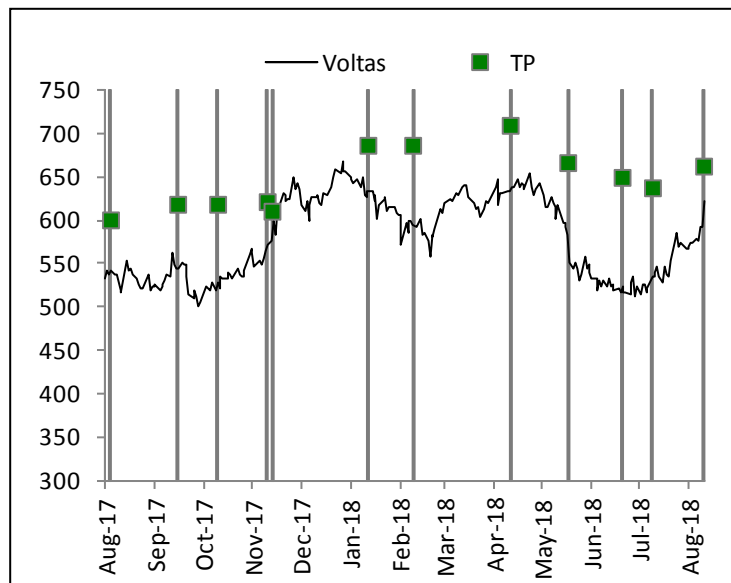
(Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Reported PBT	7,203	8,049	9,004	10,461	11,965
Non-operating & EO items	(2,200)	(2,194)	(1,700)	(2,286)	(2,411)
Interest Expenses	160	119	94	70	62
Depreciation	245	244	280	315	350
Working capital change	692	(473)	(657)	(728)	(1,036)
Tax Paid	(1,819)	(2,492)	(2,521)	(2,929)	(3,350)
OPERATING CASH FLOW (a)	4,281	3,253	4,500	4,904	5,580
Capex	(229)	(331)	(700)	(700)	(700)
Free Cash Flow	4,052	2,922	3,800	4,204	4,880
Investments	(1,307)	(2,197)	(1,500)	(3,250)	(3,250)
Non-operating Income	803	536	1,700	2,286	2,411
INVESTING CASH FLOW (b)	(733)	(1,992)	(500)	(1,664)	(1,539)
Debt Issuance/(Repaid)	(998)	(287)	(500)	(100)	(100)
Interest	(173)	(120)	(94)	(70)	(62)
FCFE	2,882	2,515	3,206	4,034	4,718
Share Capital Issuance	-	-	-	-	-
Minority Interest			(13)	8	63
Dividend	(944)	(1,407)	(1,594)	(1,992)	(2,391)
FINANCING CASH FLOW (c)	(2,115)	(1,814)	(2,201)	(2,154)	(2,489)
NET CASH FLOW (a+b+c)	1,433	(553)	1,800	1,086	1,551
Closing Cash & Equivalents	18,336	24,854	30,713	31,927	33,477

Source: Company, HDFC sec Inst Research

Key Ratios: Consolidated

	FY17	FY18	FY19E	FY20E	FY21E
PROFITABILITY %					
GPM	29.8	28.7	29.1	29.7	29.9
EBITDA margin	9.6	10.3	10.6	10.2	10.4
APAT margin	8.4	8.9	8.9	8.9	9.0
RoE	16.6	15.9	15.5	16.0	16.4
Core RoCE (RoIC)	39.7	43.7	45.0	45.1	47.4
RoCE	15.4	15.0	14.7	15.3	15.7
EFFICIENCY					
Tax Rate (%)	28.2	28.3	28.0	28.0	28.0
Fixed Asset Turnover (x)	25.8	28.0	28.0	28.2	28.8
<i>Inventory (days)</i>	54.9	46.3	48.2	47.8	47.7
<i>Debtors (days)</i>	88.0	89.5	88.2	87.2	86.2
<i>Other Current Assets (days)</i>	70.4	87.5	84.8	84.8	84.8
<i>Payables (days)</i>	120.7	124.0	120.5	121.0	120.7
<i>Other Current Liab & Provns (days)</i>	53.0	54.8	56.5	56.7	56.6
<i>Cash Conversion Cycle (days)</i>	39.6	44.4	44.3	42.2	41.4
Debt/EBITDA (x)	0.3	0.2	0.1	0.1	0.1
Net D/E (x)	(0.7)	(0.7)	(0.7)	(0.6)	(0.6)
Interest Coverage (x)	34.6	53.5	78.8	118.1	155.5
PER SHARE DATA (Rs)					
EPS	15.4	17.3	19.4	22.6	26.0
CEPS	16.1	18.0	20.2	23.5	27.1
Dividend	3.5	4.0	5.0	6.0	7.0
Book Value	100.0	118.1	132.6	149.2	168.0
VALUATION					
P/E (x)	40.4	35.8	32.0	27.4	23.8
P/BV (x)	6.2	5.3	4.7	4.2	3.7
EV/EBITDA (x)	31.3	26.8	22.8	20.3	17.3
EV/Revenues (x)	3.0	2.8	2.4	2.1	1.8
OCF/EV (%)	2.4	1.8	2.6	2.8	3.2
FCF/EV (%)	2.2	1.6	2.2	2.4	2.8
FCFE/Mkt Cap (%)	1.4	1.2	1.6	2.0	2.3
Dividend Yield (%)	0.6	0.6	0.8	1.0	1.1

Source: Company, HDFC sec Inst Research

RECOMMENDATION HISTORY


Date	CMP	Reco	Target
4-Aug-17	542	BUY	601
15-Sep-17	545	BUY	619
10-Oct-17	529	BUY	619
11-Nov-17	572	BUY	622
13-Nov-17	571	BUY	611
12-Jan-18	626	BUY	687
10-Feb-18	593	BUY	687
11-Apr-18	633	BUY	710
18-May-18	583	BUY	667
21-Jun-18	522	BUY	650
9-Jul-18	516	BUY	638
11-Aug-18	621	BUY	663

Rating Definitions

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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