

Amber Enterprises

Refer to important disclosures at the end of this report

Weak primary demand to impact FY21

CMP: Rs 1,339
as of (May 31, 2020)

TP: Rs 1,225 (▲)
12 months

Rating: HOLD (■)

Upside: (8.5) %



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- Amber reported better-than-estimated performance, driven by volume growth in RACs vs our estimate of 10% decline. EBITDA was impacted by a forex loss of Rs160mn. Adjusting the same, EBITDA growth was 4.2% yoy.
- Realizations have been falling due to the changing product mix, with strong growth in Indoor Units. Operating performance across the subsidiaries was satisfactory, with margin improvement. Revenue growth of ILJIN was impacted by letting go of low-margin orders.
- We factor in a 17% fall in RAC volumes in FY21 and a strong rebound in FY22. Our estimates bake in Amber's volume drop to be lower than the industry as we hope for incremental volume wins. Sidwal's performance is expected to remain healthy in FY21.
- Increased demand for domestic procurement of components could restrict revenue decline. As we have lowered our revenues, which leads to EPS cut of 17%/4% for FY21/22E. Maintain Hold, with a revised TP of Rs1,225 (20x PE on FY22).

Growth in Air Conditioners leads to revenue beat: Consolidated revenue grew 10% yoy to Rs13.2bn, driven by: 1) Growth in the Air Conditioner segment, which witnessed 2% revenue growth yoy vs. expectation of a decline (RAC volumes grew 35% yoy to 0.57mn units); and 2) Subsidiaries delivered 19.7% growth on the back of consolidation of Sidwal. EBITDA declined 9.9% yoy to Rs1019mn, while EBITDA margins stood at 7.7% (down 171bps yoy). Employee and Other expenses rose 78% and 47% yoy to Rs306mn and Rs864mn, respectively. PAT stood at Rs628mn vs. Rs659mn in Q4FY19.

Outlook: Amber has been positively surprising on RAC volume growth, which has been backed by the increasing focus of brands for indigenization as the government has been raising the import duty. Amber continues to remain in a strong position to capture incremental volumes from the China+1 strategy being adopted by brands. Additionally, a further rise in import duties on RAC and components will increase the order book for companies like Amber. Management is hopeful of export opportunities post-Covid-19, while we are not penciling any benefit arising from exports yet in our estimates. The sustained improvement in margin performance of subsidiaries would aid EBITDA growth. Sidwal's healthy order book provides revenue visibility, and the focus on tight working capital continues to remain a key positive. Key risks: Higher-than-estimated RAC volume decline in FY21; in-house manufacturing by brands that can lead to loss of business for the company; higher working capital requirement; and sustained adverse currency movement.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Consumer Durables \(page 9\)](#)

Financial Snapshot (Consolidated)

| (Rs mn) | FY19 | FY20 | FY21E | FY22E | FY23E |
|-------------------|--------|--------|--------|--------|--------|
| Revenue | 27,520 | 39,628 | 34,818 | 49,688 | 55,637 |
| EBITDA | 2,129 | 3,093 | 2,681 | 3,975 | 4,423 |
| EBITDA Margin (%) | 7.7 | 7.8 | 7.7 | 8.0 | 8.0 |
| APAT | 937 | 1,584 | 1,003 | 1,926 | 2,146 |
| EPS (Rs) | 29.8 | 50.4 | 31.9 | 61.2 | 68.3 |
| EPS (% chg) | 50.3 | 69.1 | (36.7) | 92.0 | 11.4 |
| ROE (%) | 10.0 | 15.0 | 8.5 | 14.5 | 14.0 |
| P/E (x) | 44.9 | 26.6 | 42.0 | 21.9 | 19.6 |
| EV/EBITDA (x) | 20.8 | 14.4 | 16.7 | 11.3 | 9.9 |
| P/BV (x) | 4.3 | 3.7 | 3.4 | 3.0 | 2.6 |

Source: Company, Emkay Research



Change in Estimates

| | |
|-------------------------|----------|
| EPS Chg FY21E/FY22E (%) | (17)/(4) |
| Target Price change (%) | 3.5 |
| Target Period (Months) | 12 |
| Previous Reco | HOLD |

Emkay vs Consensus

| | EPS Estimates | |
|-------------------------|---------------|-------|
| | FY21E | FY22E |
| Emkay | 31.9 | 61.2 |
| Consensus | 54.4 | 73.2 |
| Mean Consensus TP (12M) | Rs 1,424 | |

Stock Details

| | |
|------------------------------|-------------|
| Bloomberg Code | AMBER IN |
| Face Value (Rs) | 10 |
| Shares outstanding (mn) | 31 |
| 52 Week H/L | 1,695 / 750 |
| M Cap (Rs bn/USD bn) | 42 / 0.56 |
| Daily Avg Volume (nos.) | 99,486 |
| Daily Avg Turnover (US\$ mn) | 1.5 |

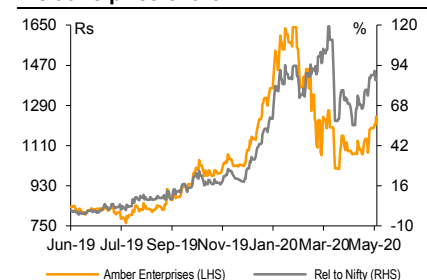
Shareholding Pattern Mar '20

| | |
|-------------------|-------|
| Promoters | 44.0% |
| FIIs | 12.4% |
| DIIIs | 7.2% |
| Public and Others | 36.4% |

Price Performance

| (%) | 1M | 3M | 6M | 12M |
|----------------------|----|-----|----|-----|
| Absolute | 25 | (2) | 30 | 60 |
| Rel. to Nifty | 25 | 11 | 59 | 94 |

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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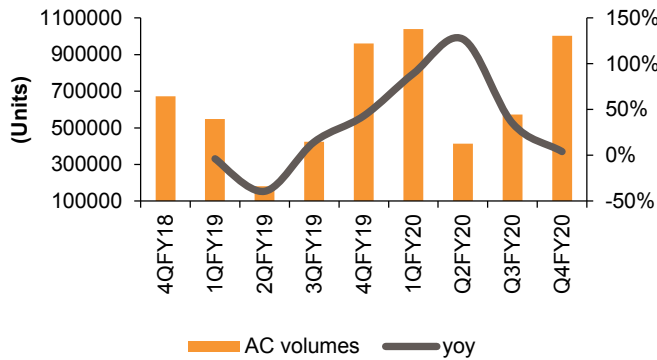
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Other highlights

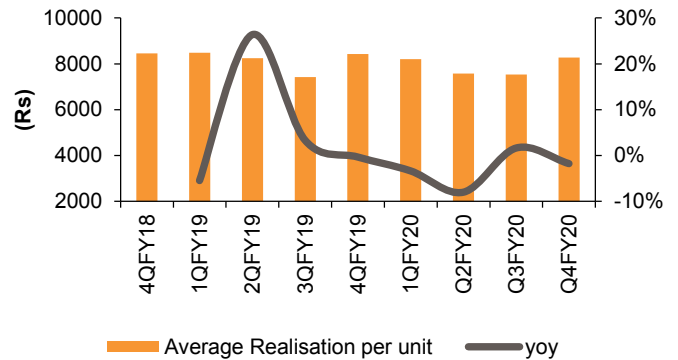
- The Air Conditioner segment reported revenue growth of 2% in Q4 vs. expectation of a decline, while other business grew 26% yoy. Growth is on back of consolidation of Sidwal.
- ILJIN's FY20 revenue stood at Rs3250mn, with an EBITDA margin of 5.8%. PICL's FY20 revenues came in at Rs1850mn, with an EBITDA margin of 5.9%. EVER's FY20 revenue was Rs2970mn and EBITDA margin was 3.4%. Sidwal's FY20 revenue stood at Rs2260mn, with 23.5% EBITDA margin.
- Working capital has seen improvement to 37 days in FY20 vs. 54 days in FY19.

Exhibit 1: RAC volume – Quarterly trend (standalone)



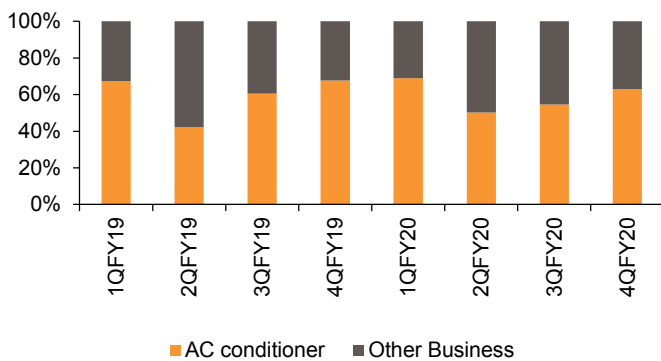
Source: Company, Emkay Research

Exhibit 2: Average realization per unit – Quarterly trend (standalone)



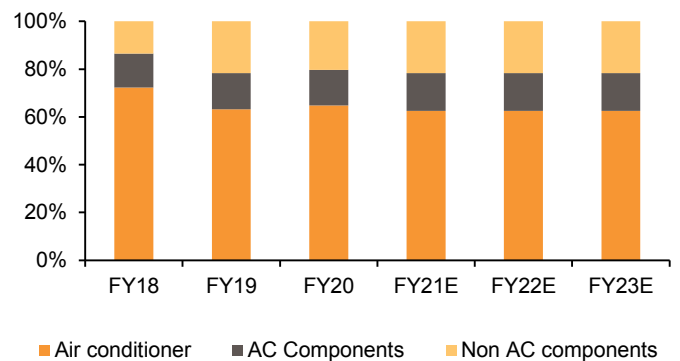
Source: Company, Emkay Research

Exhibit 3: Consolidated quarterly revenue breakdown



Source: Company, Emkay Research

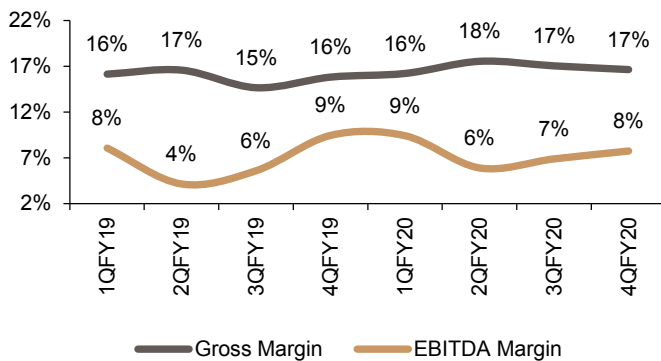
Exhibit 4: Consolidated annual revenue breakdown



Source: Company, Emkay Research

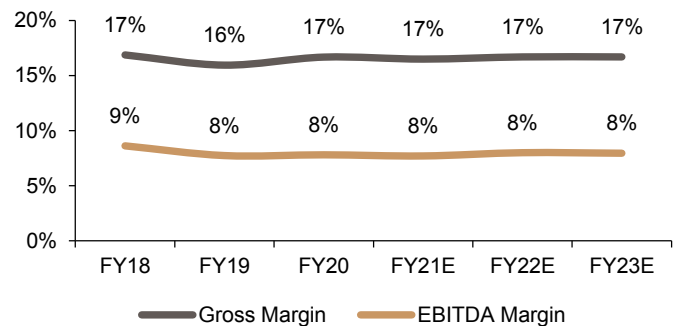
- Consolidated gross margin expanded by 83bps yoy to 16.6% in 4QFY20.

Exhibit 5: Consolidated gross margin and EBITDA margin



Source: Company, Emkay Research

Exhibit 6: Gross margin and EBITDA margin - Consolidated



Source: Company, Emkay Research

Exhibit 7: Actual vs. Estimates – Consolidated (Q4FY20)

| (Rs mn) | Actual | Estimates | | % variation | | Comment |
|---------------|--------|-----------|-----------|-------------|-----------|---|
| | | Emkay | Consensus | Emkay | Consensus | |
| Revenue | 13,152 | 10,748 | 11,803 | 22% | 11% | Growth in Air-conditioners led revenue beat |
| EBITDA | 1,019 | 906 | 1,108 | 12% | -8% | |
| EBITDA Margin | 7.7% | 8.4% | 9.4% | -68 bps | -164 bps | Higher employee and other expense led to decline in EBITDA margin |
| PAT | 628 | 431 | 572 | 46% | 10% | |

Source: Company, Emkay Research

Exhibit 8: Standalone quarterly financials

| Rs mn | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 | YoY (%) | QoQ (%) | FY20 | FY19 | YoY (%) |
|--------------------------|--------------|--------------|--------------|--------------|---------------|---------------|----------------|---------------|---------------|--------------|
| Total Sales | 9,713 | 9,957 | 3,934 | 5,676 | 10,461 | 7.7 | 84.3 | 30,027 | 21,884 | 37.2 |
| Raw Material | 8098 | 8484 | 3351 | 4921 | 8893 | 9.8 | 80.7 | 25,649 | 18,336 | 39.9 |
| as % of sales | 83.4 | 85.2 | 85.2 | 86.7 | 85.0 | | | 85.4 | 83.8 | |
| Employee Cost | 110.9 | 126.0 | 119.6 | 127.8 | 144.3 | 30.1 | 6.9 | 518 | 429 | 20.6 |
| as % of sales | 1.1 | 1.3 | 3.0 | 2.3 | 1.4 | | | 1.7 | 2.0 | |
| Other operating expenses | 480 | 414 | 291 | 358 | 663 | 38.1 | 22.7 | 1,725 | 1,235 | 39.7 |
| as % of sales | 4.9 | 4.2 | 7.4 | 6.3 | 6.3 | | | 5.7 | 5.6 | |
| Total Expenditure | 8,689 | 9,024 | 3,762 | 5,406 | 9,700 | 11.6 | 43.7 | 27,892 | 20,001 | 39.5 |
| EBITDA | 1024 | 933 | 171 | 270 | 761 | (25.7) | 57.7 | 2,135 | 1,883 | 13.4 |
| Depreciation | 130.7 | 145.2 | 149.0 | 155.0 | 161.4 | 23.5 | 4.1 | 611 | 496 | 23.1 |
| EBIT | 893 | 788 | 22 | 115 | 599 | (32.9) | 417.4 | 1,524 | 1,387 | 9.9 |
| Other Income | 49 | 50 | -6 | 20 | -6 | (112) | (445.1) | 59 | 90 | (34.5) |
| Interest | 51.5 | 76.5 | 70.8 | 73.1 | 73.6 | 43 | 3.3 | 294 | 148 | 98.9 |
| PBT | 890 | 762 | -54 | 62 | 520 | (41.6) | (213.7) | 1,289 | 1,329 | (3.0) |
| Tax | 274.9 | 275.9 | -100.2 | -53.6 | -12.5 | (104.5) | (46.6) | 110 | 404 | (72.9) |
| PAT before MI | 616 | 486 | 46 | 115 | 532 | (13.5) | 151.5 | 1,179 | 925 | 27.5 |
| Minority interest | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | | 0 | 0 | |
| PAT | 616 | 486 | 46 | 115 | 532 | (13.5) | 151.5 | 1179 | 925 | 27.5 |
| Margins (%) | | | | | | (bps) | (bps) | | | (bps) |
| Gross Margin | 16.6 | 14.8 | 14.8 | 13.3 | 15.0 | (52) | (149) | 14.6 | 16.2 | (163) |
| EBIDTA | 10.5 | 9.4 | 4.4 | 4.8 | 7.3 | (92) | 40 | 7.1 | 8.6 | (150) |
| EBIT | 9.2 | 7.9 | 0.6 | 2.0 | 5.7 | (51) | 146 | 5.1 | 6.3 | (126) |
| EBT | 9.2 | 7.7 | (1.4) | 1.1 | 5.0 | (63) | 247 | 4.3 | 6.1 | (178) |
| PAT | 6.3 | 4.9 | 1.2 | 2.0 | 5.1 | 104 | 87 | 3.9 | 4.2 | (30) |
| Effective Tax rate | 30.9 | 36.2 | 184 | (86.7) | (2.4) | NM | NM | 8.5 | 30.4 | (2,189) |

Source: Company, Emkay Research

Exhibit 9: Consolidated quarterly financials

| Rs mn | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | 4QFY20 | YoY (%) | QoQ (%) | FY20 | FY19 | YoY (%) |
|--------------------------|---------------|---------------|--------------|--------------|---------------|---------------|--------------|---------------|---------------|--------------|
| Total Sales | 11,960 | 12,359 | 6,232 | 7,884 | 13,152 | 10.0 | 66.8 | 39,628 | 27,520 | 44.0 |
| Raw Material | 10068 | 10355 | 5139 | 6540 | 10963 | 8.9 | 67.6 | 32996 | 23179 | 42.4 |
| as % of sales | 84.2 | 83.8 | 82.4 | 82.9 | 83.4 | | | 83.3 | 84.2 | |
| Employee Cost | 171.3 | 235.7 | 251.1 | 270.5 | 305.6 | 78.4 | 13.0 | 1062.8 | 587.6 | 80.9 |
| as % of sales | 1.4 | 1.9 | 4.0 | 3.4 | 2.3 | | | 2.7 | 2.1 | |
| Other operating expenses | 589 | 605 | 476 | 531 | 864 | 46.7 | 62.7 | 2476 | 1625 | 52.4 |
| as % of sales | 4.9 | 4.9 | 7.6 | 6.7 | 6.6 | | | 6.2 | 5.9 | |
| Total Expenditure | 10829 | 11195 | 5865 | 7342 | 12133 | 12.0 | 65.3 | 36535 | 25391 | 43.9 |
| EBITDA | 1131 | 1164 | 367 | 543 | 1019 | (9.9) | 87.7 | 3093 | 2129 | 45.3 |
| Depreciation | 167.9 | 200.2 | 213.4 | 214.6 | 219.5 | 30.8 | 2.3 | 847.7 | 623.1 | 36.1 |
| EBIT | 963 | 964 | 154 | 328 | 799 | (17.0) | 143.7 | 2245 | 1506 | 49.1 |
| Other Income | 54 | 61 | -1 | 22 | 0 | (100.4) | (100.9) | 82 | 99 | (18.0) |
| Interest | 78.4 | 109.7 | 105.9 | 105.2 | 98.3 | 25.5 | (6.5) | 419.1 | 245.7 | 70.5 |
| PBT | 939 | 915 | 46 | 245 | 701 | (25.4) | 186.3 | 1907 | 1359 | 40.3 |
| Tax | 270.6 | 272.0 | -75.4 | -3.3 | 72.6 | (73.2) | | 266.0 | 411.6 | (35.4) |
| PAT before MI | 668 | 643 | 122 | 248 | 628 | (6.0) | 153.2 | 1641 | 948 | 73.2 |
| Minority interest | 8.9 | 31.1 | 4.0 | 22.4 | -0.1 | | | 57.4 | 11.1 | |
| PAT | 659 | 612 | 118 | 226 | 628 | (4.7) | 178.3 | 1584 | 937 | 69.1 |
| Margins (%) | | | | | | (bps) | (bps) | | | (bps) |
| Gross Margin | 15.8 | 16.2 | 17.6 | 17.1 | 16.6 | 83 | (41) | 16.7 | 15.8 | 96 |
| EBIDTA | 9.5 | 9.4 | 5.9 | 6.9 | 7.7 | (171) | 86 | 7.8 | 7.7 | 7 |
| EBIT | 8.1 | 7.8 | 2.5 | 4.2 | 6.1 | (198) | 192 | 5.7 | 5.5 | 19 |
| EBT | 7.9 | 7.4 | 0.7 | 3.1 | 5.3 | (252) | 222 | 4.8 | 4.9 | (13) |
| PAT | 5.5 | 5.0 | 1.9 | 2.9 | 4.8 | (74) | 191 | 4.0 | 3.4 | 59 |
| Effective Tax rate | 28.8 | 29.7 | (162.3) | (1.3) | 10.4 | (1,846) | 1,171 | 13.9 | 30.3 | (1,633) |

Source: Company, Emkay Research

We now expect RAC volume estimates for FY21 to decline 17% vs. growth of 3% earlier on the lockdown extension and a subsequent recovery in FY22. We also reduced our non-AC business revenue estimates by 11.5% and 3.1%, respectively, for FY21 and FY22.

Exhibit 10: Estimate revision

| Particulars | FY21E | | | FY22E | | | FY23E Introduced |
|-----------------|--------|--------|----------|--------|--------|----------|------------------|
| | Old | New | % Change | Old | New | % Change | |
| AC Revenue | 22,810 | 20,124 | -11.8% | 29,197 | 29,179 | -0.1% | 32,681 |
| Non AC Revenue | 16,600 | 14,695 | -11.5% | 21,158 | 20,509 | -3.1% | 22,956 |
| Revenue | 39,410 | 34,818 | -11.7% | 50,355 | 49,688 | -1.3% | 55,637 |
| EBITDA | 3,054 | 2,681 | -12.2% | 4,154 | 3,975 | -4.3% | 4,423 |
| EBITDA Margin % | 7.8 | 7.7 | -5 bps | 8.2 | 8.0 | -25 bps | 8.0 |
| PAT | 1211 | 1003 | -17.1% | 1999 | 1926 | -3.6% | 2146 |
| EPS | 38.5 | 31.9 | -17.1% | 63.6 | 61.2 | -3.6% | 68.3 |

Source: Emkay Research

Exhibit 11: Key revenue assumptions

| Rs mn | FY18 | FY19E | FY20E | FY21E | FY22E | FY23E |
|----------------------|--------|---------------|---------------|---------------|---------------|---------------|
| Air-Conditioner | 15,404 | 17,408 | 24,246 | 20,124 | 29,179 | 32,681 |
| % yoy growth | | 23% | 39% | -17% | 45% | 12% |
| AC Components | 2,999 | 4,172 | 5,557 | 5,112 | 7,413 | 8,303 |
| % yoy growth | | 58% | 39% | -8% | 45% | 12% |
| Non AC Components | 2,877 | 5,941 | 7,565 | 6,960 | 10,092 | 11,303 |
| % yoy growth | | 37% | 106% | 27% | -8% | 45% |
| Sidwal | | | 2,260 | 2,622 | 3,004 | 3,350 |
| % yoy growth | | | | 16% | 15% | 12% |
| Total Revenue | | 21,281 | 27,520 | 39,628 | 34,818 | 49,688 |
| % yoy growth | | 29% | 29% | 44% | -12% | 43% |

Source: Company, Emkay Research

Conference call highlights

- **Impact of Covid-19 lockdown:** There is pent-up demand from the customers due to the easing of lockdown restrictions. The company does not have finished goods inventory on the books. There is enough raw material inventory to match the demand and there are no challenges on that front. However, the availability of labor is a challenge in the current juncture. It would normalize as the company enters into the non-peak season in Q2.
 - The lockdown in March impacted revenue by Rs1.5-2bn and EBITDA by Rs200mn in Q4.
- Management expects channel inventory to be liquidated in the next few days after which brands would liquidate finished goods inventory. Amber has started supplying small volumes.
- Many dealers have started taking fresh inventory from companies. In the last ~15 days, approx. 0.5mn RCAs have been sold. Assuming the current run rate of consumer demand, Amber moves towards Q2FY19 sales in Q2FY20.
 - **Cost rationalization:** Strict monitoring of fixed costs will reduce the overheads. Promoters will take a 50% salary cut for three months along with the rationalization of salaries across the organization.
 - There will be an impact on the receivable cycle due to liquidity issues, while there are no challenges in payments, given the financial strength of large brands.
 - Many brands are showing interest to reduce dependence on China and Amber will likely be one of the chosen manufacturers for such brands.
- **Costs:** In Q4, the forex loss was Rs160mn (re-statement losses).
- **China substitution:** There are a lot of meeting happening at the government level for policy interventions for import curbs. In value terms so far, 28% of RACs are imported from China (apart from Component imports). Approx. 2mn IDUs are imported from China.
 - Window ACs are fully manufactured in India and India has 6-7% lower price than China.
 - **Components:** Motors, PCBA boards and Heat Exchangers are the key components where Amber has strong presence and will see accelerated demand with the China+1 strategy. **Components will be a big opportunity for Amber going forward. The company has already started orders from customers in USA. Four customers have given orders for Inverter PCBA boards (ILJIN) and four new customers are in the pipeline.**
 - **Commercial AC:** The company has launched a range for 7-12 tons and the production would start from July, with small volumes initially. This has been manufactured in-house by brands, while now brands are looking to outsource the same.
 - **Exports opportunity:** The company has got prototype orders from some brands for exports. US imports 20mn finished RACs annually.
 - **Amber currently has a 23% market share and there is no major competition coming up.**
- **ETR:** Lower tax was on account of MAT credit on the standalone level. The company restated deferred tax liability, which had a positive impact on Q4 and FY20 tax payout. At standalone levels, ETR would be at 35%, while subsidiaries would opt for the new tax regime.
- **Subsidiaries performance:** Revenue growth for Ever and ILJIN in FY20 was impacted as the company let go of some low margin business.
 - Sidwal performance in FY21 would remain strong.

Exhibit 12: Subsidiaries financial

| Rs mn | Revenue (Q420) | Revenue (FY19) | Revenue (FY20) | yoy | EBITDA (FY19) | EBITDA (FY20) | EBITDA M (FY19) | EBITDA M (FY20) |
|--------|----------------|----------------|----------------|-----|---------------|---------------|-----------------|-----------------|
| Sidwal | 650 | - | 2260 | - | - | 530 | - | 23.5% |
| PICL | 570 | 1370 | 1850 | 35% | 65 | 110 | 4.7% | 5.9% |
| ILJIN | 920 | 3346 | 3250 | -3% | 161 | 182 | 4.8% | 5.6% |
| EVER | 830 | 2722 | 2970 | 9% | 66 | 101 | 2.4% | 3.4% |

Source: Company, Emkay Research

Key Financials (Consolidated)**Income Statement**

| Y/E Mar (Rs mn) | FY19 | FY20 | FY21E | FY22E | FY23E |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|
| Revenue | 27,520 | 39,628 | 34,818 | 49,688 | 55,637 |
| Expenditure | 25,391 | 36,535 | 32,137 | 45,713 | 51,214 |
| EBITDA | 2,129 | 3,093 | 2,681 | 3,975 | 4,423 |
| Depreciation | 623 | 848 | 956 | 1,057 | 1,169 |
| EBIT | 1,506 | 2,245 | 1,725 | 2,918 | 3,254 |
| Other Income | 99 | 82 | 168 | 161 | 128 |
| Interest expenses | 246 | 419 | 419 | 419 | 419 |
| PBT | 1,359 | 1,907 | 1,475 | 2,660 | 2,963 |
| Tax | 412 | 266 | 413 | 670 | 746 |
| Extraordinary Items | 0 | 0 | 0 | 0 | 0 |
| Minority Int./Income from Assoc. | 11 | 57 | 59 | 64 | 71 |
| Reported Net Income | 937 | 1,584 | 1,003 | 1,926 | 2,146 |
| Adjusted PAT | 937 | 1,584 | 1,003 | 1,926 | 2,146 |

Balance Sheet

| Y/E Mar (Rs mn) | FY19 | FY20 | FY21E | FY22E | FY23E |
|--|---------------|---------------|---------------|---------------|---------------|
| Equity share capital | 314 | 314 | 314 | 314 | 314 |
| Reserves & surplus | 9,547 | 10,970 | 11,981 | 13,921 | 16,088 |
| Net worth | 9,861 | 11,284 | 12,295 | 14,236 | 16,402 |
| Minority Interest | 190 | 348 | 348 | 348 | 348 |
| Loan Funds | 2,479 | 3,205 | 3,205 | 3,205 | 3,205 |
| Net deferred tax liability | 438 | 678 | 678 | 678 | 678 |
| Total Liabilities | 12,969 | 15,515 | 16,527 | 18,467 | 20,634 |
| Net block | 8,095 | 11,058 | 11,819 | 12,379 | 12,986 |
| Investment | 0 | 0 | 0 | 0 | 0 |
| Current Assets | 15,276 | 17,833 | 15,864 | 21,723 | 25,079 |
| Cash & bank balance | 401 | 700 | 650 | 410 | 1,296 |
| Other Current Assets | 1,150 | 1,741 | 1,612 | 2,010 | 2,169 |
| Current liabilities & Provision | 10,739 | 13,494 | 11,274 | 15,753 | 17,550 |
| Net current assets | 4,537 | 4,339 | 4,590 | 5,970 | 7,529 |
| Misc. exp | 0 | 0 | 0 | 0 | 0 |
| Total Assets | 12,969 | 15,515 | 16,527 | 18,467 | 20,634 |

Cash Flow

| Y/E Mar (Rs mn) | FY19 | FY20 | FY21E | FY22E | FY23E |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| PBT (Ex-Other income) (NI+Dep) | 1,260 | 1,826 | 1,306 | 2,499 | 2,835 |
| Other Non-Cash items | 0 | 0 | 0 | 0 | 0 |
| Chg in working cap | (2,280) | 737 | (301) | (1,620) | (673) |
| Operating Cashflow | (631) | 3,641 | 1,967 | 1,685 | 3,004 |
| Capital expenditure | (1,657) | (3,592) | (1,717) | (1,617) | (1,777) |
| Free Cash Flow | (2,287) | 49 | 250 | 69 | 1,227 |
| Investments | 57 | 0 | 0 | 0 | 0 |
| Other Investing Cash Flow | 383 | 0 | 0 | 0 | 0 |
| Investing Cashflow | (1,117) | (3,511) | (1,548) | (1,455) | (1,649) |
| Equity Capital Raised | 0 | 0 | 0 | 0 | 0 |
| Loans Taken / (Repaid) | 1,340 | 726 | 0 | 0 | 0 |
| Dividend paid (incl tax) | 0 | (121) | (50) | (50) | (50) |
| Other Financing Cash Flow | 1,055 | 384 | 700 | 650 | 410 |
| Financing Cashflow | 2,149 | 570 | 231 | 180 | (59) |
| Net chg in cash | 401 | 700 | 650 | 410 | 1,296 |
| Opening cash position | 1,194 | 401 | 700 | 650 | 410 |
| Closing cash position | 401 | 700 | 650 | 410 | 1,296 |

Source: Company, Emkay Research

Key Ratios

| Profitability (%) | FY19 | FY20 | FY21E | FY22E | FY23E |
|--------------------------|-------------|-------------|--------------|--------------|--------------|
| EBITDA Margin | 7.7 | 7.8 | 7.7 | 8.0 | 8.0 |
| EBIT Margin | 5.5 | 5.7 | 5.0 | 5.9 | 5.8 |
| Effective Tax Rate | 30.3 | 13.9 | 28.0 | 25.2 | 25.2 |
| Net Margin | 3.4 | 4.1 | 3.0 | 4.0 | 4.0 |
| ROCE | 13.7 | 16.3 | 11.8 | 17.6 | 17.3 |
| ROE | 10.0 | 15.0 | 8.5 | 14.5 | 14.0 |
| RoIC | 14.3 | 16.7 | 11.3 | 17.3 | 17.5 |

| Per Share Data (Rs) | FY19 | FY20 | FY21E | FY22E | FY23E |
|----------------------------|-------------|-------------|--------------|--------------|--------------|
| EPS | 29.8 | 50.4 | 31.9 | 61.2 | 68.3 |
| CEPS | 49.6 | 77.3 | 62.3 | 94.9 | 105.4 |
| BVPS | 313.6 | 358.8 | 391.0 | 452.7 | 521.6 |
| DPS | 0.0 | 3.2 | 1.6 | 1.6 | 1.6 |

| Valuations (x) | FY19 | FY20 | FY21E | FY22E | FY23E |
|-----------------------|-------------|-------------|--------------|--------------|--------------|
| PER | 44.9 | 26.6 | 42.0 | 21.9 | 19.6 |
| P/CEPS | 27.0 | 17.3 | 21.5 | 14.1 | 12.7 |
| P/BV | 4.3 | 3.7 | 3.4 | 3.0 | 2.6 |
| EV / Sales | 1.6 | 1.1 | 1.3 | 0.9 | 0.8 |
| EV / EBITDA | 20.8 | 14.4 | 16.7 | 11.3 | 9.9 |
| Dividend Yield (%) | 0.0 | 0.2 | 0.1 | 0.1 | 0.1 |

| Gearing Ratio (x) | FY19 | FY20 | FY21E | FY22E | FY23E |
|--------------------------|-------------|-------------|--------------|--------------|--------------|
| Net Debt/ Equity | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 |
| Net Debt/EBIDTA | 1.0 | 0.8 | 1.0 | 0.7 | 0.4 |
| Working Cap Cycle (days) | 54.9 | 33.5 | 41.3 | 40.8 | 40.9 |

| Growth (%) | FY19 | FY20 | FY21E | FY22E | FY23E |
|-------------------|-------------|-------------|--------------|--------------|--------------|
| Revenue | 29.3 | 44.0 | (12.1) | 42.7 | 12.0 |
| EBITDA | 16.0 | 45.3 | (13.3) | 48.3 | 11.3 |
| EBIT | 11.9 | 49.1 | (23.1) | 69.1 | 11.5 |
| PAT | 50.3 | 69.1 | (36.7) | 92.0 | 11.4 |

| Quarterly (Rs mn) | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 |
|--------------------------|---------------|---------------|---------------|---------------|---------------|
| Revenue | 11,960 | 12,359 | 6,232 | 7,884 | 13,152 |
| EBITDA | 1,131 | 1,164 | 367 | 543 | 1,019 |
| EBITDA Margin (%) | 9.5 | 9.4 | 5.9 | 6.9 | 7.7 |
| PAT | 659 | 612 | 118 | 226 | 628 |
| EPS (Rs) | 21.0 | 19.5 | 3.7 | 7.2 | 20.0 |

Source: Company, Emkay Research

| Shareholding Pattern (%) | Mar-19 | Jun-19 | Sep-19 | Dec-19 | Mar-20 |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| Promoters | 44.0 | 44.0 | 44.0 | 44.0 | 44.0 |
| FIs | 11.5 | 11.4 | 11.5 | 12.5 | 12.4 |
| DIs | 5.9 | 5.7 | 6.0 | 6.0 | 7.2 |
| Public and Others | 38.7 | 38.8 | 38.5 | 37.5 | 36.4 |

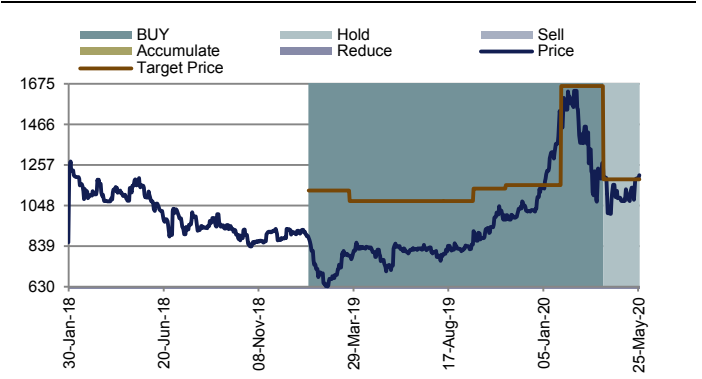
Source: Capitaline

RECOMMENDATION HISTORY TABLE

| Date | Closing Price | TP | Period (months) | Rating | Analyst |
|-----------|---------------|-------|-----------------|--------|------------|
| 07-Apr-20 | 1,190 | 1,184 | 12m | Hold | Naval Seth |
| 03-Apr-20 | 1,193 | 1,184 | 12m | Hold | Naval Seth |
| 16-Mar-20 | 1,225 | 1,664 | 12m | Buy | Naval Seth |
| 05-Mar-20 | 1,423 | 1,664 | 12m | Buy | Naval Seth |
| 13-Feb-20 | 1,606 | 1,664 | 12m | Buy | Naval Seth |
| 31-Jan-20 | 1,510 | 1,664 | 12m | Buy | Naval Seth |
| 16-Dec-19 | 1,016 | 1,154 | 12m | Buy | Naval Seth |
| 28-Nov-19 | 1,016 | 1,154 | 12m | Buy | Naval Seth |
| 19-Nov-19 | 987 | 1,154 | 12m | Buy | Naval Seth |
| 10-Nov-19 | 976 | 1,154 | 12m | Buy | Naval Seth |
| 23-Sep-19 | 916 | 1,136 | 12m | Buy | Naval Seth |
| 11-Sep-19 | 843 | 1,072 | 12m | Buy | Naval Seth |
| 09-Aug-19 | 799 | 1,072 | 12m | Buy | Naval Seth |
| 13-Jun-19 | 817 | 1,072 | 12m | Buy | Naval Seth |
| 27-May-19 | 826 | 1,072 | 12m | Buy | Naval Seth |
| 20-May-19 | 743 | 1,072 | 12m | Buy | Naval Seth |
| 08-Apr-19 | 835 | 1,072 | 12m | Buy | Naval Seth |
| 26-Mar-19 | 780 | 1,072 | 12m | Buy | Naval Seth |
| 23-Mar-19 | 790 | 1,072 | 12m | Buy | Naval Seth |
| 14-Mar-19 | 815 | 1,126 | 12m | Buy | Naval Seth |
| 11-Feb-19 | 700 | 1,126 | 12m | Buy | Naval Seth |
| 21-Jan-19 | 880 | 1,126 | 12m | Buy | Naval Seth |

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Consumer Durables



Analyst: Naval Seth

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Sector

Consumer Durables, Media & Entertainment, SMID and Telecom

Analyst bio

Naval holds an MBA in Finance and has more than 11 years of experience in equity research. His team currently covers 18 stocks spread across three different sectors.

EAP sector portfolio

| Company Name | BSE200 Weight | EAP Weight | OW/UW (%) | OW/UW (bps) | EAP Weight (Normalised) |
|--------------------------|---------------|-------------|-----------|-------------|-------------------------|
| Consumer Durables | 0.76 | 0.76 | 0% | 0 | 100.00 |
| Amber Enterprises | 0.00 | 0.01 | NA | 1 | 0.99 |
| Blue Star | 0.00 | 0.00 | NA | 0 | 0.00 |
| Crompton Greaves CE | 0.18 | 0.20 | 10% | 2 | 26.36 |
| Dixon Technologies | 0.00 | 0.02 | NA | 2 | 2.99 |
| Havells India | 0.24 | 0.23 | -6% | -1 | 30.0 |
| V-Guard Industries | 0.00 | 0.00 | NA | 0 | 0.00 |
| Voltas | 0.21 | 0.19 | -12% | -3 | 24.82 |
| Whirlpool Of India | 0.12 | 0.11 | -7% | -1 | 14.81 |
| Cash | 0.00 | 0.00 | NA | 0 | 0.00 |

Source: Emkay Research

* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

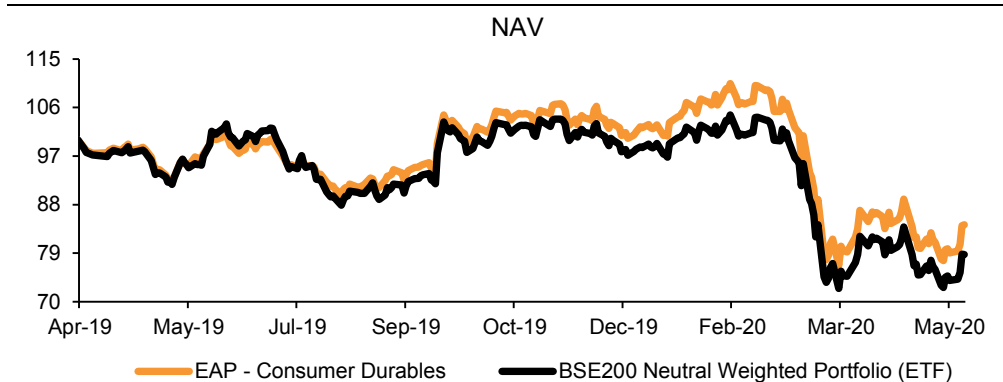
Sector portfolio NAV

| | Base | | | | | Latest |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
| | 01-Apr-19 | 28-Aug-19 | 29-Nov-19 | 27-Feb-20 | 29-Apr-20 | 29-May-20 |
| EAP - Consumer Durables | 100.0 | 93.4 | 104.1 | 107.7 | 86.7 | 84.3 |
| BSE200 Neutral Weighted Portfolio (ETF) | 100.0 | 90.8 | 101.4 | 102.2 | 81.7 | 78.7 |

*Performance measurement base date 1st April 2019

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

Emkay Rating Distribution

| Ratings | Expected Return within the next 12-18 months. |
|---------|---|
| BUY | Over 15% |
| HOLD | Between -5% to 15% |
| SELL | Below -5% |

Completed Date: 02 Jun 2020 12:35:49 (SGT)

Dissemination Date: 02 Jun 2020 12:36:49 (SGT)

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