

# Voltas

Refer to important disclosures at the end of this report

## Showcases strong execution yet again

**CMP: Rs 629**  
as of (August 17, 2020)

**TP: Rs 608 (▲)**  
12 months

**Rating: HOLD (■)**

**Upside: (3.3) %**



We appreciate your support in the [Asiamoney Brokers Poll 2020](#)

- Voltas reported better-than-estimated numbers, with the UCP segment delivering another quarter of strong margins. It has showcased strong execution with a 60% decline in UCP revenue despite an unfavorable base of 47% in Q1FY20 and robust inventory push in Q4.
- The market share in RAC further improved ~200bps yoy/qoq to 26.2%. Slow execution and time-based provisioning impacted the projects segment's performance with negative EBIT of Rs393mn. The total outstanding order book stood at Rs76.6bn.
- Management maintained its margin guidance for UCP at 11-12% despite the strong Q1 performance. VoltBek received a strong response for its DC refrigerators while it is facing supply challenges due to the labor shortage.
- The projects business will face execution and collections issues in the near term. The lower-than-estimated decline in Q1 has led to a 5%-13% upgrade in EBITDA over FY21-23E. We maintain Hold and UW in EAP, with a revised SoTP-based TP of Rs608.

**UCP posts better-than-expected revenue despite challenging conditions:** Consolidated revenue declined 51% yoy to Rs12.96bn in Q1FY21. The UCP segment's revenue declined 59.6% (on base of +46.8%), better than peers and estimates. Electro-mechanical Products and Services (EMPS) also surprised positively with a revenue decline of 37.1% yoy despite challenges due to the lockdown. EBITDA fell 77.1% yoy to Rs668mn, while EBITDA margins contracted by 583bps yoy to 5.1% on higher provision and negative operating leverage. Other expenses and employee costs dropped 25% and 4% respectively. PAT was down 50.8% yoy to Rs818mn, aided by higher other income and lower ETR.

**Outlook:** Voltas yet again surprised positively in the UCP segment with strong revenue and margin delivery. Our channel checks suggest that the pent-up demand and inventory liquidation happened at a fast pace in northern India on the back of harsh summers. Sustained market share improvement showcase superior execution capabilities. Additionally, cost control in the UCP segment added to the positivity. Although the company has a strong order book, the near-term macro challenges would impact execution and collections. Management has stated that international orders would also see slower execution on account of weak macro conditions as there has been a delay in global events, tourism and lower crude oil prices. In the wake of excellent execution in UCP and sustained market share gains, we have increased our (UCP) target multiple to 40x Sept'22E. Key risks to our call: Sustained market share gains in RACs, better-than-estimated performance from VoltBek, lower-than-estimated impact in the projects business and sustained macroeconomic slowdown.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Consumer Durables \(page 12\)](#)

### Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	71,241	76,581	66,348	80,954	95,566
EBITDA	6,117	6,867	5,507	7,043	8,314
EBITDA Margin (%)	8.6	9.0	8.3	8.7	8.7
APAT	5,256	5,722	4,650	6,104	7,420
EPS (Rs)	15.9	17.3	14.1	18.5	22.4
EPS (% chg)	(8.9)	8.9	(18.7)	31.3	21.6
ROE (%)	13.1	13.6	10.4	12.4	13.6
P/E (x)	39.6	36.4	44.8	34.1	28.0
EV/EBITDA (x)	31.4	27.7	33.8	25.8	21.4
P/BV (x)	5.1	4.9	4.4	4.0	3.6

Source: Company, Emkay Research



### Change in Estimates

EPS Chg FY21E/FY22E (%)	25.7/0.5
Target Price change (%)	21.2
Target Period (Months)	12
Previous Reco	HOLD

### Emkay vs Consensus

	EPS Estimates	
	FY21E	FY22E
Emkay	14.1	18.5
Consensus	13.6	20.0
Mean Consensus TP (12M)	Rs 596	

### Stock Details

Bloomberg Code	VOLT IN
Face Value (Rs)	1
Shares outstanding (mn)	331
52 Week H/L	741 / 427
M Cap (Rs bn/USD bn)	208 / 2.78
Daily Avg Volume (nos.)	27,53,575
Daily Avg Turnover (US\$ mn)	20.3

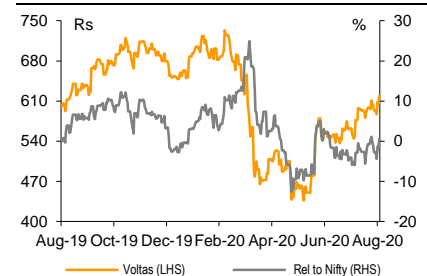
### Shareholding Pattern Jun '20

Promoters	30.3%
FIIIs	10.7%
DIIIs	38.9%
Public and Others	20.1%

### Price Performance

(%)	1M	3M	6M	12M
<b>Absolute</b>	9	36	(9)	5
<b>Rel. to Nifty</b>	6	11	(3)	3

### 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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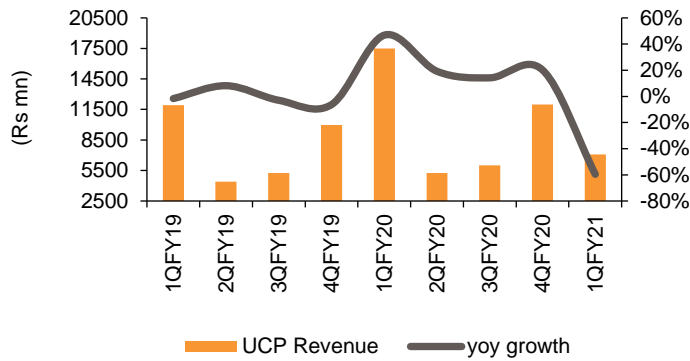
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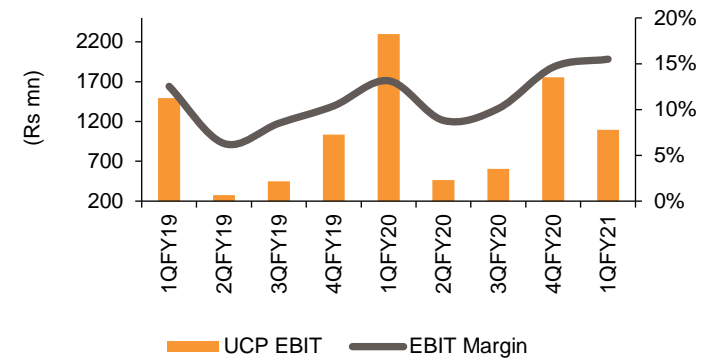
# Story in Charts

**Exhibit 1: UCP revenue: quarterly trend**



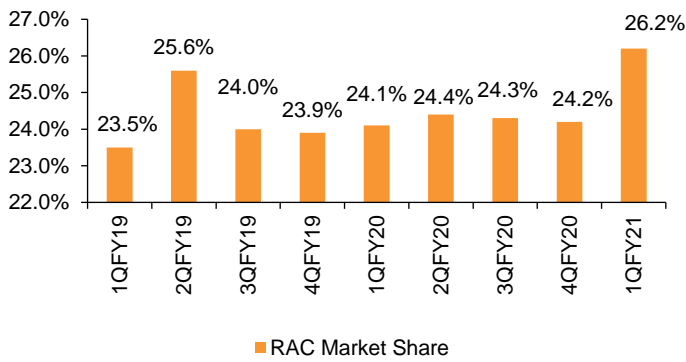
Source: Company, Emkay Research

**Exhibit 2: UCP EBIT and EBIT margin: quarterly trend**



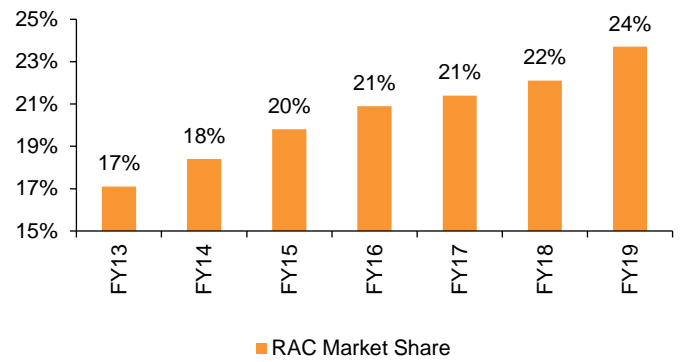
Source: Company, Emkay Research

**Exhibit 3: Voltas RAC market share – Quarterly**



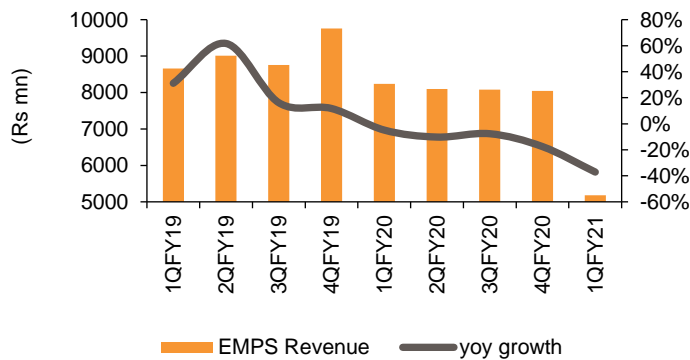
Source: Company, Emkay Research

**Exhibit 4: Voltas RAC volume market share – Annual**



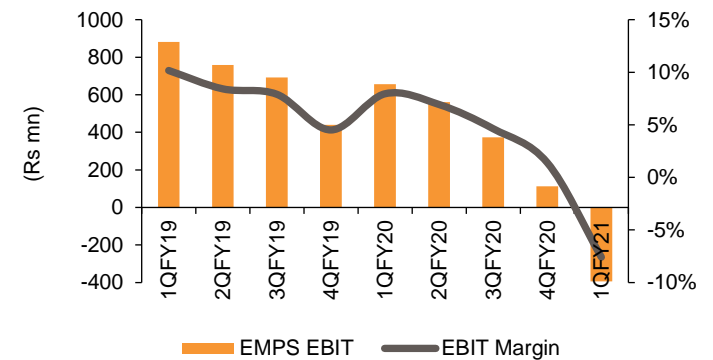
Source: Company, Emkay Research

**Exhibit 5: EMPS revenue – Quarterly trend**



Source: Company, Emkay Research

**Exhibit 6: EMPS EBIT and EBIT margin – Quarterly trend**



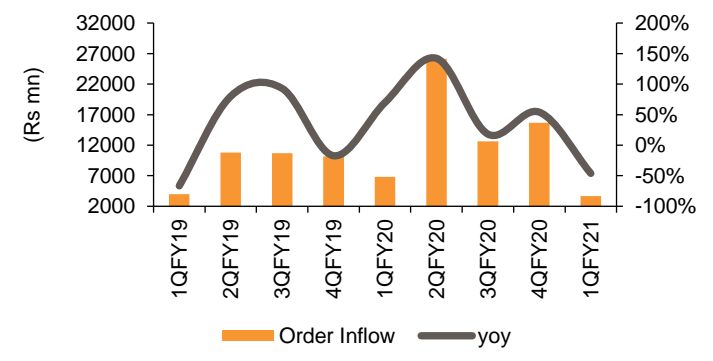
Source: Company, Emkay Research

**Exhibit 7: Order book – Quarterly trend**



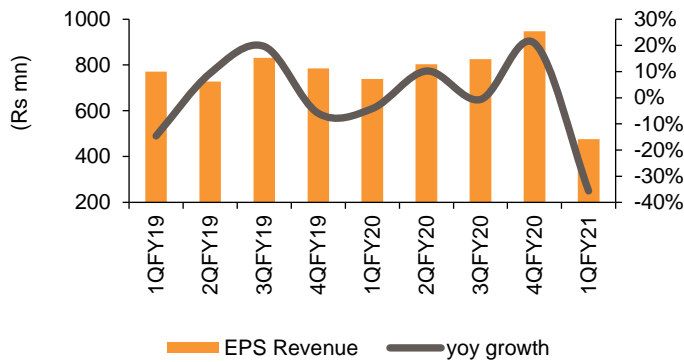
Source: Company, Emkay Research

**Exhibit 8: Order inflow – Quarterly trend**



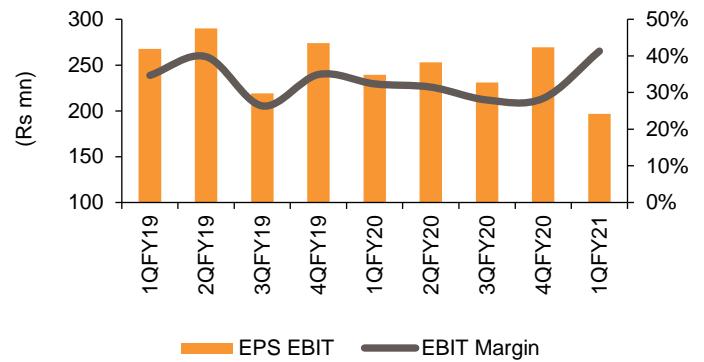
Source: Company, Emkay Research

**Exhibit 9: EPS revenue – Quarterly trend**



Source: Company, Emkay Research

**Exhibit 10: EPS EBIT and EBIT margin – Quarterly trend**



Source: Company, Emkay Research

## Other highlights

### UCP segment

- Q1FY21 revenue declined 60% yoy as RAC sales were impacted in the peak period of April and May. Voltas has managed to sell 0.29mn RACs in Q1 despite losing significant peak-period sales.
- EBIT margin stood at 15.5%, up 236bps yoy, due to a change in the product mix towards inverter AC, significant lower A&P spends and lower raw material costs.
- Voltas continues to be the leader in RACs, with a market share of 26.2% in Q1FY21 vs. 24.2% at the end of Q4FY20.

### EMPS segment

- Revenue of the EMPS segment was down 37.1% yoy, impacted by the lockdown and slow pace of execution due to unavailability of skilled labor, social distancing norms and job site closures.
- EBIT loss stood at Rs393mn, owing to negative operating leverage and conservative time-based provisions made amid the tight liquidity.
- On the international front, the company has remained very selective in taking new orders as it foresees slowdown in the Middle East due to the decline in oil prices, leading to a delay in billing and getting receivables.

### EPS segment

- The EPS segment posted a revenue decline of 36% yoy in Q1FY21, while EBIT margin stood at 41.3%, expanding by 895bps and 1290bps yoy and qoq, respectively.

### Other highlights

- Gross margin expanded by 458bps and 133bps yoy and qoq, respectively, as the company had already purchased materials before the increase of the import duty.
- Voltas has invested Rs3.37bn in Voltas-Beko JV at the end of Q1FY21.
- The Voltas-Beko plant in Gujarat (Sanand) has started production of direct cool refrigerators and has the capacity to produce 1mn units of refrigerators. However, the company is facing difficulties in ramping up the production due to the lack of skilled workforce.
- The company has maintained its target to capture a 10% market share by FY25E for Voltas-Beko in categories it is present. However, it now expects this JV to break-even from FY24 vs FY25 earlier estimated.

## Exhibit 11: Actual vs. Estimates (Q1FY21)

(Rs mn)	Actual	Estimate		% variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Revenue	12,969	8,648	10,606	50%	22%	Market share gains in RAC and lower decline in EMPS revenue led to revenue beat
EBITDA	668	389	351	72%	90%	
EBITDA Margin	5.1%	4.5%	3.3%	65 bps	184 bps	Strong performance of UCP led to cost optimisation
PAT	818	378	255	116%	221%	

Source: Company, Emkay Research

## Exhibit 12: Quarterly financials

Rs mn	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	YoY (%)	QoQ (%)
<b>Net Sales</b>	<b>26,540</b>	<b>14,219</b>	<b>14,925.1</b>	<b>20,896</b>	<b>12,969</b>	<b>(51.1)</b>	<b>(37.9)</b>
Raw Material	19802	10181	10655	14912	9082	(54.1)	(39.1)
as % of sales	74.6	71.6	71.4	71.4	70.0		
Employee Cost	1631.9	1576.0	1733.6	1775.7	1574.1	(3.5)	(11.4)
as % of sales	6.1	11.1	11.6	8.5	12.1		
Other operating expenses	2194	1404	1561	2288	1646	(25.0)	(28.1)
as % of sales	8.3	9.9	10.5	10.9	12.7		
<b>Total Expenditure</b>	<b>23628</b>	<b>13161</b>	<b>13950</b>	<b>18976</b>	<b>12302</b>	<b>(47.9)</b>	<b>(35.2)</b>
<b>EBITDA</b>	<b>2912</b>	<b>1059</b>	<b>975</b>	<b>1920</b>	<b>668</b>	<b>(77.1)</b>	<b>(65.2)</b>
Depreciation	77.2	80.2	80.2	82.0	82.2	6.5	0.2
<b>EBIT</b>	<b>2835</b>	<b>979</b>	<b>895</b>	<b>1838</b>	<b>585</b>	<b>(79.4)</b>	<b>(68.2)</b>
Other Income	433	726	543	605	674	55.8	11.5
Interest	44	49	57	61	67	53.4	11.1
Share of Profit and loss from associate	-214	-92	-187	-195	-117		
Exceptional Items	-430	-61	0	-20	0		
<b>PBT</b>	<b>2580</b>	<b>1503</b>	<b>1193</b>	<b>2167</b>	<b>1075</b>	<b>(58.3)</b>	<b>(50.4)</b>
Tax	917	430	314	573	258	(71.9)	(55.0)
<b>PAT</b>	<b>1663</b>	<b>1073</b>	<b>879</b>	<b>1595</b>	<b>818</b>	<b>(50.8)</b>	<b>(48.7)</b>
<b>Margins (%)</b>						<b>(bps)</b>	<b>(bps)</b>
Gross Margin	25.4	28.4	28.6	28.6	30.0	458	133
EBIDTA	11.0	7.4	6.5	9.2	5.1	(583)	(404)
EBIT	10.7	6.9	6.0	8.8	4.5	(617)	(428)
EBT	9.7	10.6	8.0	10.4	8.3	(143)	(208)
PAT	6.3	7.5	5.9	7.6	6.3	4	(133)
Effective Tax rate	35.5	28.6	26.3	26.4	24.0	(1,158)	(248)

Source: Company, Emkay Research

**Exhibit 13: Segment-wise quarterly financials**

Rs mn	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	YoY (%)	QoQ (%)
EMPS	8,241	8,093	8,081	8,046	5,181	(37.1)	(35.6)
EPS	740	803	826	948	476	(35.6)	(49.8)
UCP	17,488	5,256	6,005	11,989	7,071	(59.6)	(41.0)
Less: Intersegment	2	2	42	198	21	978.9	(89.7)
Income from operations	26,467	14,150	14,871	20,784	12,708	(52.0)	(38.9)
<b>PBIT</b>							
EMPS	655.6	561.1	374.2	112.9	-392.8	(159.9)	(447.9)
EPS	239.4	252.9	231.0	269.4	196.7	(17.8)	(27.0)
UCP	2297.5	462.8	606.8	1753.7	1095.6	(52.3)	(37.5)
<b>Total PBIT</b>	<b>3,193</b>	<b>1,277</b>	<b>1,212</b>	<b>2,136</b>	<b>900</b>	<b>(71.8)</b>	<b>(57.9)</b>
Less: Unallocable expense	138.4	-336.5	-38.5	-112.1	-243.0	(275.6)	116.8
Operating Income	3054	1613	1251	2248	1143	(62.6)	(49.2)
Less: Interest Expense	44	49	57	61	67	53.4	11.1
Exceptional	-430	-61	0	-20	0	(100.0)	
<b>PBT</b>	<b>2580</b>	<b>1503</b>	<b>1193</b>	<b>2167</b>	<b>1075</b>	<b>(58.3)</b>	<b>(50.4)</b>
<b>PBIT Margins (%)</b>						<b>(bps)</b>	<b>(bps)</b>
EMPS	8.0	6.9	4.6	1.4	(7.6)	(1,554)	(898)
EPS	32.4	31.5	28.0	28.4	41.3	895	1,290
UCP	13.1	8.8	10.1	14.6	15.5	236	87
Total PBIT	12.1	9.0	8.2	10.3	7.1	(498)	(320)

Source: Company, Emkay Research

**Exhibit 14: Key assumptions**

Revenue (Rs mn)	FY18	FY19	FY20	FY21E	FY22E	FY23E
EMPS	28,452	36,191	32,461	29,901	35,282	43,670
yoy	7%	27%	-10%	-8%	18%	24%
Order Inflow	35,862	35,331	60,581	39,378	43,315	45,481
yoy	28%	-1%	71%	-35%	10%	5%
Order Book	44,223	49,760	77,880	87,357	95,391	97,202
yoy	20%	13%	57%	12%	9%	2%
EPS	3,099	3,117	3,317	2,985	3,283	3,612
yoy	-7%	1%	6%	-10%	10%	10%
UCP	32,026	31,556	40,737	33,146	42,003	47,828
yoy	7%	-1%	29%	-19%	27%	14%
<b>Total Revenue</b>	<b>63,577</b>	<b>70,863</b>	<b>76,515</b>	<b>66,032</b>	<b>80,568</b>	<b>95,110</b>
yoy	6%	11%	8%	-14%	22%	18%
<b>PBIT (Rs mn)</b>						
EMPS	1,854	2,773	1,704	1,047	2,187	3,275
% Margin	7%	8%	5%	4%	6%	8%
EPS	992	1,051	993	985	985	1,084
% Margin	32%	34%	30%	33%	30%	30%
UCP	4,749	3,254	5,121	3,978	4,935	5,596
% Margin	15%	10%	13%	12%	12%	12%
<b>Total PBIT</b>	<b>7,595</b>	<b>7,077</b>	<b>7,817</b>	<b>6,009</b>	<b>8,108</b>	<b>9,955</b>
% Margin	12%	10%	10%	9%	10%	10%

Source: Company, Emkay Research.

Considering the better-than-expected performance of RAC, we have increased our estimates in UCP by 7.6%/6.3%/9.9% for FY21/FY22/FY23. While delayed project execution would lead to slower revenue accretion in FY22 and FY23. We increased EBITDA margin assumptions by 45bps/20bps/10bps in FY21/FY22/FY23 on favorable mix toward the UCP segment.

## Exhibit 15: Changes in Estimates

Particulars (Rs mn)	FY21E			FY22E			FY23E		
	Old	New	% Change	Old	New	% Change	Old	New	% Change
EMPS	28,267	29,901	5.8%	36,295	35,282	-2.8%	44,224	43,670	-1.3%
EPS	2,819	2,985	5.9%	3,101	3,283	5.9%	3,411	3,612	5.9%
UCP	30,801	33,146	7.6%	39,516	42,003	6.3%	43,529	47,828	9.9%
Total Revenue	61,941	66,348	7.1%	78,980	80,954	2.5%	91,242	95,566	4.7%
EBITDA	4,862	5,507	13.3%	6,713	7,043	4.9%	7,847	8,314	6.0%
EBITDA Margin %	7.9	8.3	45 bps	8.5	8.7	20 bps	8.6	8.7	10 bps
PAT	3699	4650	25.7%	6076	6104	0.5%	7149	7420	3.8%
EPS	11.2	14.1	25.7%	18.4	18.5	0.5%	21.6	22.4	3.8%

Source: Emkay Research

## Exhibit 16: SoTP valuation

Market Cap	PAT	Multiple	Rs mn
EMPS	2,039	14	29,358
EPS	772	10	7,721
UCP	3,931	40	1,57,239
Total MCAP			1,94,318
Number of Shares			331
Target Price			587
Value of VoltBek			21
<b>Total Value</b>			<b>608</b>

Source: Company, Emkay Research.

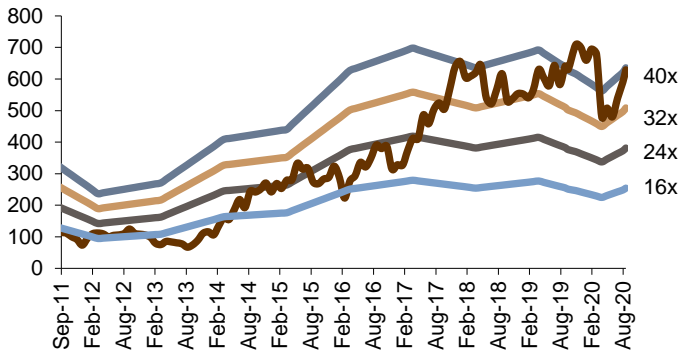
## Conference call highlights

- **UCP:** RAC secondary sales declined 45% for Voltas, better than the 49% fall for the industry, Voltas managed to sell 0.34mn cooling products in 45 days in Q1. In June, Voltas' market share was higher by 1400bps from the closest competitor and higher than the combined market share of 2<sup>nd</sup> and 3<sup>rd</sup> player. The latest market share in inventor RACs is at 22.9% and it contributes 66% of Split ACs.
  - Voltas has Rs11bn worth inventory (140 days of inventory) and addition to this, there is 45 days of inventory in the trade.
  - Demand in the West region was impacted the most, while other regions saw improvement due to pent-up demand or seasonality.
  - Unsold inventory led to an aggressive pricing strategy and Voltas did not restore any such price cuts. **Improved product mix (sales of inventor ACs picked strongly) and cost savings (absence of ad spends on traditional mediums) led to margins expansion. Around 60-65% of annual ad spends happen in 1Q. Annual margins guidance remains at 11-12%.**
  - Air Coolers declined 70% yoy. Improved electricity in villages and affordable prices points augur well for medium-term growth.
  - **Manufacturing facility:** The Company maintains its stance that it would be setting up a facility in South India. The company has brought in few components in its existing facilities.
    - Major import include compressor, PCBA controllers, display sensors and motors. Management is not thinking of backward integration of components. At current juncture, 40% of RAC BoM is imported.
- **EMPS:** GCC countries have cut infra spends. Domestic infrastructure spending is also expected to remain weak on account of stretched budget of the government. The **Projects business would take a couple of quarters to bounce back.**
  - Slower execution has led to weak revenue booking while one-time costs towards employees and fixed overheads were charged, impacting margins. Provisions and expected credit loss (ECL) were on account of delayed collections.
  - International projects are also seeing slower execution due to a delay in various global events and the lack of visibility on the tourism. There is one project in Oman, which has been seeing delayed payments and management has been providing for the same.
  - The domestic business has seen weakness in Q1 while costs were continuing. 70% of original workforce has returned.
    - **Out of the total domestic order book of Rs47.5bn**, MEP order book is Rs21.5bn, Electrification is 5bn, Solar projects at 1.5bn and Water projects at Rs17bn. Management indicated that it has enough provision buffer. Majority of the orders are for government contracts as there is no risk of payment defaults even if there are some payment delays.
  - Order inflows during the quarter were Rs3.66bn.
- **VoltBek:** Washing machines, Dishwashers and Microwaves have seen strong demand. DC refrigeration was well accepted by the channel. **The manufacturing facility is running on a full swing to meet the welled demand for DC refrigerators.** Currently, the company is facing supply constraints and is able to manufacture only 1300 DC refrigerators/day.
  - During initial days of lockdown relaxation, the company faced manpower shortage, wherein management has hired new employees and currently undergoing training.
  - The company has not provided additional credit terms to the distribution channel to push Beko products. **The company now has 130 EBOs and 6000 touch points.**
  - **Total investment (Voltas share) stands at Rs3.73bn with capacity of 1mn DC refrigerators.**

Guidance of a 10% market share gain by 2025 for its current categories, with investment break-even in the same year.

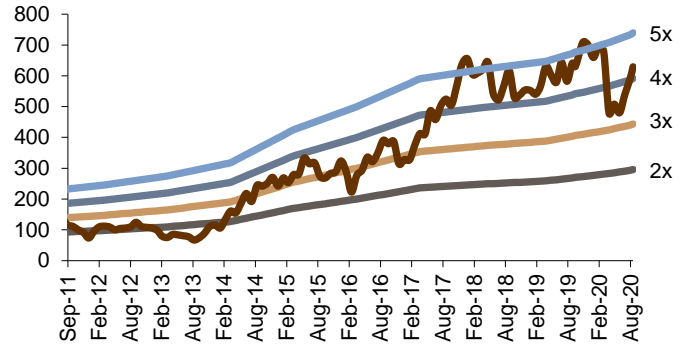
## Valuation charts

**Exhibit 17: 1-year forward P/E band**



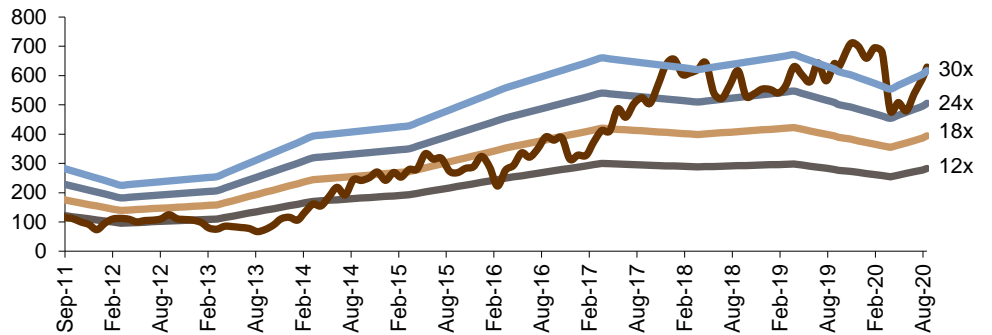
Source: Bloomberg, Emkay Research

**Exhibit 18: 1-year forward P/B band**



Source: Bloomberg, Emkay Research

**Exhibit 19: 1-year forward EV/EBITDA band**



Source: Bloomberg, Emkay Research

**Key Financials (Consolidated)****Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>71,241</b>	<b>76,581</b>	<b>66,348</b>	<b>80,954</b>	<b>95,566</b>
<b>Expenditure</b>	<b>65,124</b>	<b>69,714</b>	<b>60,841</b>	<b>73,911</b>	<b>87,251</b>
<b>EBITDA</b>	<b>6,117</b>	<b>6,867</b>	<b>5,507</b>	<b>7,043</b>	<b>8,314</b>
Depreciation	240	320	342	360	387
<b>EBIT</b>	<b>5,877</b>	<b>6,547</b>	<b>5,165</b>	<b>6,683</b>	<b>7,928</b>
Other Income	1,863	2,306	2,230	2,427	2,655
Interest expenses	330	211	225	210	275
<b>PBT</b>	<b>7,410</b>	<b>8,642</b>	<b>7,170</b>	<b>8,900</b>	<b>10,308</b>
Tax	1,635	2,233	1,969	2,444	2,831
Extraordinary Items	(118)	(512)	0	0	0
Minority Int./Income from Assoc.	(518)	(687)	(551)	(352)	(58)
<b>Reported Net Income</b>	<b>5,139</b>	<b>5,211</b>	<b>4,650</b>	<b>6,104</b>	<b>7,420</b>
<b>Adjusted PAT</b>	<b>5,256</b>	<b>5,722</b>	<b>4,650</b>	<b>6,104</b>	<b>7,420</b>

**Balance Sheet**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	331	331	331	331	331
Reserves & surplus	40,769	42,471	46,505	51,512	57,311
<b>Net worth</b>	<b>41,100</b>	<b>42,802</b>	<b>46,836</b>	<b>51,843</b>	<b>57,642</b>
<b>Minority Interest</b>	<b>348</b>	<b>365</b>	<b>365</b>	<b>365</b>	<b>365</b>
<b>Loan Funds</b>	<b>3,147</b>	<b>2,179</b>	<b>2,327</b>	<b>2,874</b>	<b>3,393</b>
Net deferred tax liability	(993)	(715)	(715)	(715)	(715)
<b>Total Liabilities</b>	<b>43,601</b>	<b>44,631</b>	<b>48,814</b>	<b>54,367</b>	<b>60,685</b>
<b>Net block</b>	<b>2,968</b>	<b>3,351</b>	<b>4,572</b>	<b>4,575</b>	<b>4,752</b>
<b>Investment</b>	<b>23,859</b>	<b>23,433</b>	<b>23,433</b>	<b>23,433</b>	<b>23,433</b>
<b>Current Assets</b>	<b>47,178</b>	<b>53,786</b>	<b>54,048</b>	<b>63,223</b>	<b>74,896</b>
Cash & bank balance	3,211	3,084	7,081	12,309	16,498
Other Current Assets	8,550	9,769	9,151	9,186	9,221
<b>Current liabilities &amp; Provision</b>	<b>30,560</b>	<b>36,201</b>	<b>33,502</b>	<b>37,126</b>	<b>42,658</b>
<b>Net current assets</b>	<b>16,618</b>	<b>17,585</b>	<b>20,546</b>	<b>26,097</b>	<b>32,238</b>
Misc. exp	0	0	0	0	0
<b>Total Assets</b>	<b>43,601</b>	<b>44,631</b>	<b>48,814</b>	<b>54,367</b>	<b>60,685</b>

**Cash Flow**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
<b>PBT (Ex-Other income) (NI+Dep)</b>	<b>5,547</b>	<b>6,336</b>	<b>4,939</b>	<b>6,473</b>	<b>7,653</b>
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(6,959)	(815)	1,036	(322)	(1,953)
<b>Operating Cashflow</b>	<b>(3,214)</b>	<b>4,625</b>	<b>4,574</b>	<b>4,277</b>	<b>3,531</b>
Capital expenditure	(799)	(809)	(1,564)	(364)	(564)
<b>Free Cash Flow</b>	<b>(4,013)</b>	<b>3,816</b>	<b>3,010</b>	<b>3,913</b>	<b>2,967</b>
Investments	4,124	426	0	0	0
Other Investing Cash Flow	(1,261)	(4,028)	0	0	0
<b>Investing Cashflow</b>	<b>3,927</b>	<b>(2,105)</b>	<b>667</b>	<b>2,064</b>	<b>2,092</b>
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	1,724	(968)	149	547	519
Dividend paid (incl tax)	(1,551)	(1,572)	(1,167)	(1,449)	(1,678)
Other Financing Cash Flow	(181)	104	0	0	0
<b>Financing Cashflow</b>	<b>(339)</b>	<b>(2,646)</b>	<b>(1,244)</b>	<b>(1,112)</b>	<b>(1,434)</b>
<b>Net chg in cash</b>	<b>374</b>	<b>(127)</b>	<b>3,997</b>	<b>5,228</b>	<b>4,188</b>
Opening cash position	2,837	3,211	3,084	7,081	12,309
<b>Closing cash position</b>	<b>3,211</b>	<b>3,084</b>	<b>7,081</b>	<b>12,309</b>	<b>16,498</b>

Source: Company, Emkay Research

**Key Ratios**

<b>Profitability (%)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
EBITDA Margin	8.6	9.0	8.3	8.7	8.7
EBIT Margin	8.2	8.5	7.8	8.3	8.3
Effective Tax Rate	22.1	25.8	27.5	27.5	27.5
Net Margin	8.1	8.4	7.8	8.0	7.8
ROCE	18.4	20.1	15.8	17.7	18.4
ROE	13.1	13.6	10.4	12.4	13.6
RoIC	44.7	38.3	28.8	36.7	40.8

<b>Per Share Data (Rs)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
EPS	15.9	17.3	14.1	18.5	22.4
CEPS	16.6	18.3	15.1	19.5	23.6
BVPS	124.2	129.4	141.6	156.7	174.3
DPS	4.0	4.0	3.5	4.4	5.1

<b>Valuations (x)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
PER	39.6	36.4	44.8	34.1	28.0
P/CEPS	37.9	34.4	41.7	32.2	26.7
P/BV	5.1	4.9	4.4	4.0	3.6
EV / Sales	2.7	2.5	2.8	2.2	1.9
EV / EBITDA	31.4	27.7	33.8	25.8	21.4
Dividend Yield (%)	0.6	0.6	0.6	0.7	0.8

<b>Gearing Ratio (x)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Net Debt/ Equity	(0.4)	(0.4)	(0.5)	(0.5)	(0.5)
Net Debt/EBIDTA	(2.6)	(2.6)	(4.0)	(3.8)	(3.6)
Working Cap Cycle (days)	68.7	69.1	74.1	62.2	60.1

<b>Growth (%)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Revenue	11.2	7.5	(13.4)	22.0	18.0
EBITDA	(7.7)	12.3	(19.8)	27.9	18.0
EBIT	(7.9)	11.4	(21.1)	29.4	18.6
PAT	(11.1)	1.4	(10.8)	31.3	21.6

<b>Quarterly (Rs mn)</b>	<b>Q1FY20</b>	<b>Q2FY20</b>	<b>Q3FY20</b>	<b>Q4FY20</b>	<b>Q1FY21</b>
Revenue	26,540	14,219	14,925	20,896	12,969
EBITDA	2,912	1,059	976	1,920	668
<b>EBITDA Margin (%)</b>	<b>11.0</b>	<b>7.4</b>	<b>6.5</b>	<b>9.2</b>	<b>5.1</b>
PAT	1,663	1,073	880	1,595	818
<b>EPS (Rs)</b>	<b>5.0</b>	<b>3.2</b>	<b>2.7</b>	<b>4.8</b>	<b>2.5</b>

Source: Company, Emkay Research

<b>Shareholding Pattern (%)</b>	<b>Jun-19</b>	<b>Sep-19</b>	<b>Dec-19</b>	<b>Mar-20</b>	<b>Jun-20</b>
Promoters	30.3	30.3	30.3	30.3	30.3
FIIs	13.0	10.2	10.9	9.9	10.7
DIIs	35.9	39.0	38.2	39.6	38.9
Public and Others	20.8	20.5	20.6	20.2	20.1

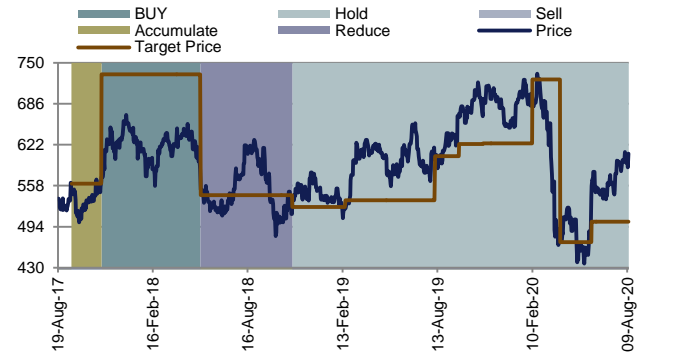
Source: Capitaline

**RECOMMENDATION HISTORY TABLE**

Date	Closing Price	TP	Period (months)	Rating	Analyst
02-Jun-20	558	502	12m	Hold	Naval Seth
07-Apr-20	485	470	12m	Hold	Naval Seth
03-Apr-20	473	470	12m	Hold	Naval Seth
16-Mar-20	603	724	12m	Hold	Naval Seth
13-Feb-20	686	724	12m	Hold	Naval Seth
10-Feb-20	682	724	12m	Hold	Naval Seth
16-Dec-19	679	624	12m	Hold	Naval Seth
19-Nov-19	713	624	12m	Hold	Naval Seth
08-Nov-19	694	624	12m	Hold	Naval Seth
23-Sep-19	671	623	12m	Hold	Naval Seth
18-Sep-19	631	604	12m	Hold	Naval Seth
11-Sep-19	633	604	12m	Hold	Naval Seth
08-Aug-19	598	604	12m	Hold	Naval Seth
18-Feb-19	522	535	12m	Hold	Amar Kedia
09-Nov-18	539	525	12m	Hold	John Perinchery
18-May-18	552	543	12m	Reduce	John Perinchery
14-May-18	596	732	12m	Buy	John Perinchery
12-Feb-18	593	732	12m	Buy	John Perinchery
10-Nov-17	572	732	12m	Buy	John Perinchery
14-Sep-17	545	561	12m	Accumulate	John Perinchery

Source: Company, Emkay Research

**RECOMMENDATION HISTORY CHART**



Source: Bloomberg, Company, Emkay Research

## Emkay Alpha Portfolio – Consumer Durables



**Analyst: Naval Seth**

**Contact Details**

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+91 22 66242414

**Sector**

Consumer Durables, Media & Entertainment, SMID and Telecom

**Analyst bio**

Naval holds an MBA in Finance and has more than 12 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)
<b>Consumer Durables</b>	<b>0.76</b>	<b>0.76</b>	<b>0%</b>	<b>0</b>	<b>100.00</b>
Amber Enterprises	0.00	0.01	NA	1	1.15
Blue Star	0.00	0.00	NA	0	0.00
Crompton Greaves CE	0.17	0.19	9%	2	24.48
Dixon Technologies	0.00	0.03	NA	3	4.00
Havells India	0.25	0.22	-11%	-3	29.5
V-Guard Industries	0.00	0.00	NA	0	0.00
Voltas	0.23	0.21	-8%	-2	28.00
Whirlpool Of India	0.11	0.10	-7%	-1	12.90
<b>Cash</b>	<b>0.00</b>	<b>0.00</b>	<b>NA</b>	<b>0</b>	<b>0.0</b>

Source: Emkay Research

\* Not under coverage: Equal Weight

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

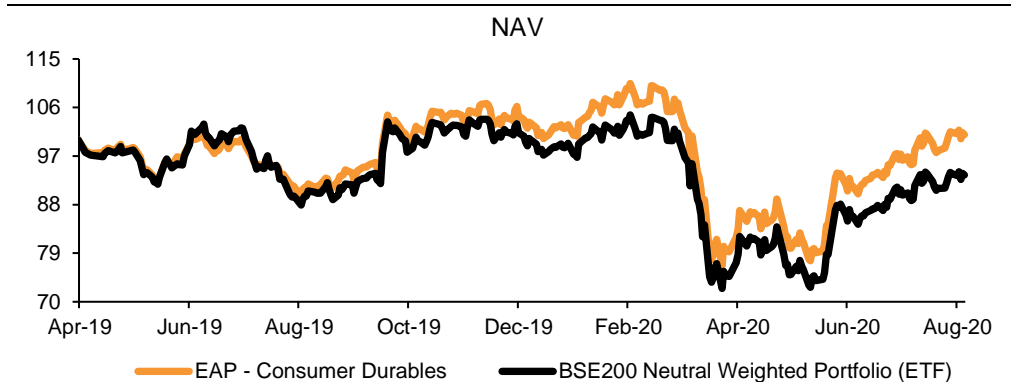
**Sector portfolio NAV**

	Base					Latest
	01-Apr-19	11-Nov-19	14-Feb-20	15-May-20	15-Jul-20	14-Aug-20
EAP - Consumer Durables	100.0	105.1	106.6	81.0	95.4	101.0
BSE200 Neutral Weighted Portfolio (ETF)	100.0	102.9	100.9	76.0	88.8	93.5

\*Performance measurement base date 1<sup>st</sup> 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”

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

Completed Date: 18 Aug 2020 02:45:45 (SGT)

Dissemination Date: 18 Aug 2020 02:46:45 (SGT)

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