

February 23, 2022

## Event Update

■ Change in Estimates | ■ Target | ■ Reco

### Change in Estimates

|                     | Current |        | Previous |        |
|---------------------|---------|--------|----------|--------|
|                     | FY23E   | FY24E  | FY23E    | FY24E  |
| <b>Rating</b>       | BUY     |        | BUY      |        |
| <b>Target Price</b> | 533     |        | 533      |        |
| Sales (Rs. m)       | 61,985  | 70,290 | 61,985   | 70,290 |
| % Chng.             | -       | -      | -        | -      |
| EBITDA (Rs. m)      | 9,090   | 10,555 | 9,090    | 10,555 |
| % Chng.             | -       | -      | -        | -      |
| EPS (Rs.)           | 11.3    | 13.3   | 11.3     | 13.3   |
| % Chng.             | -       | -      | -        | -      |

### Key Financials - Standalone

| Y/e Mar        | FY21   | FY22E  | FY23E  | FY24E  |
|----------------|--------|--------|--------|--------|
| Sales (Rs. m)  | 47,500 | 54,327 | 61,985 | 70,290 |
| EBITDA (Rs. m) | 7,047  | 7,688  | 9,090  | 10,555 |
| Margin (%)     | 14.8   | 14.2   | 14.7   | 15.0   |
| PAT (Rs. m)    | 5,281  | 5,871  | 7,070  | 8,319  |
| EPS (Rs.)      | 8.4    | 9.4    | 11.3   | 13.3   |
| Gr. (%)        | 20.7   | 11.2   | 20.4   | 17.7   |
| DPS (Rs.)      | 5.5    | 6.0    | 7.2    | 8.2    |
| Yield (%)      | 1.3    | 1.5    | 1.8    | 2.0    |
| RoE (%)        | 31.2   | 27.5   | 28.1   | 29.0   |
| RoCE (%)       | 38.8   | 33.5   | 35.4   | 38.2   |
| EV/Sales (x)   | 5.2    | 4.5    | 3.9    | 3.4    |
| EV/EBITDA (x)  | 34.8   | 31.9   | 26.5   | 22.5   |
| PE (x)         | 48.5   | 43.6   | 36.2   | 30.8   |
| P/BV (x)       | 13.3   | 10.9   | 9.6    | 8.4    |

### Key Data

CROP.BO | CROMPTON IN

|                     |                     |
|---------------------|---------------------|
| 52-W High / Low     | Rs.513 / Rs.350     |
| Sensex / Nifty      | 57,232 / 17,063     |
| Market Cap          | Rs.257bn/ \$ 3,440m |
| Shares Outstanding  | 628m                |
| 3M Avg. Daily Value | Rs.689.33m          |

### Shareholding Pattern (%)

|                         |       |
|-------------------------|-------|
| Promoter's              | 5.99  |
| Foreign                 | 40.17 |
| Domestic Institution    | 43.18 |
| Public & Others         | 10.66 |
| Promoter Pledge (Rs bn) | -     |

### Stock Performance (%)

|          | 1M    | 6M     | 12M   |
|----------|-------|--------|-------|
| Absolute | (2.8) | (7.4)  | 6.9   |
| Relative | 0.3   | (10.2) | (7.1) |

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## Butterfly acquisition provides growth wings

### Quick Pointers:

- Crompton will acquire upto 81% stake for aggregate consideration of Rs20.8bn in Butterfly
- Acquisition will help achieve scale in kitchen appliances (Rs80bn category)
- Management expects it to be EPS neutral / accretive in FY23/ FY24

**Crompton's acquisition of controlling stake (upto 81%) in Butterfly – a leading Kitchen Appliances player will help accelerate its long-term strategic goal of becoming a leading player in the small domestic appliances segment. Leveraging its capability in driving efficiencies and GTM improvements, management expects to drive synergies across the business and expects the acquisition to be EPS neutral/ accretive in FY23/ FY24. We believe acquisition will be margin dilutive in FY23 as we bake in Rs10bn borrowings to fund the acquisition. However, broad based product portfolio and higher scale in Kitchen appliances business will provide decent returns over long term.**

**CROMPTON continues to remain our preferred bet given 1) market share gains across core categories of Fans, Pumps & LED lights 2) sustained investments in LT initiatives (brand building, GTM, innovation, business processes & teams 3) well defined plan of entering & scaling up new categories (Water Heaters, Air Coolers, Mixer-Grinders) and 4) strong balance sheet (Dec21 net cash: Rs10.8bn). We estimate 16.4% PAT CAGR over FY21-24 and assign a target price of Rs533 @ 42xDec23 EPS. We shall incorporate impact on our earnings upon consummation of transaction. Maintain BUY.**

- **Acquisition of controlling stake for total consideration of up to Rs20.8bn:** Crompton has signed definitive agreement to 1) acquire controlling stake of 55% stake in Butterfly at Rs1403 per share 2) certain Butterfly trademarks for Rs0.3bn. Crompton will also launch the mandatory open offer to the public for acquisition of up to 26% stake at Rs1433.9 per share taking the aggregate total consideration to Rs20.8bn. Will be funded via mix of debt and internal accruals.
- **Butterfly – a leading kitchen and small domestic appliances player:** Butterfly is amongst top 3 brands in India in kitchen and small domestic appliances. It is #1 brand in South in Table Top wet grinders and LPG stores while enjoys top 3 status in South for Mixers and Grinders. Over the past 5 years, Butterfly's revenues have grown at a CAGR of 21% with margins expanding from 6.4% in FY17 to 9.2% in FY21 (9.3% in 9MFY22).
- **Acquisition a good fit in line with LT strategy:** Butterfly immediately helps achieve scale in kitchen appliances (Rs80bn opportunity), a focus area for Crompton over the past several quarters. Acquisition is in line with Crompton's strategic pillars of 1) strong brand 2) diverse product portfolio 3) deep distribution reach in South and GTM 4) in-house manufacturing and strong R&D capabilities and 5) robust organizational processes.

- Synergies between brands to unlock value:** Crompton's capabilities in driving efficiencies and GTM improvements will enable synergies across the entire business. On the revenue side Crompton will look to **1)** unlock north, west and east markets **2)** consolidate position in south **3)** enable premiumization through dual brand strategy and **4)** leverage combined portfolio in MT and E-com. While cost efficiencies will be derived from **1)** in-house manufacturing capabilities **2)** R&D capabilities **3)** Material procurement **4)** logistics footprint optimization and **5)** reduced borrowing costs. Management expects acquisition to be EPS neutral/ accretive in FY23/ FY24.
- Other takeaways:** **1)** Butterfly has strong presence in south. However, strong brand awareness in North and West provides Pan-India opportunity **2)** Near term focus on smooth transition of acquisition. Fans head – Mr Rangarajan Sriram charged with responsibility. **3)** Butterfly manufactures 80% of products in-house with strong backward integration capabilities. **4)** Expect to close transaction by end of FY22. **5)** All Butterfly trademarks now rest with either acquired company or Crompton. **6)** Existing promoters to own c.9% stake and will be reclassified as public shareholders. They will step down from the board and have no role in management. **7)** 80% of revenues come from 4 main categories of Pressure Cookers, Mixer Grinders, Hobs and Stoves and Wet grinders. Overlap with Crompton only exists in Mixer Grinders. **8)** In medium-long term, will look to integrate organizational structure if feasible.

**Exhibit 1: Revenue and cost synergies makes the acquisition EPS accretive**

| Y/e March           | FY23        |             |             | FY24        |             |             |
|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                     | Crompton    | Butterfly   | Combined    | Crompton    | Butterfly   | Combined    |
| Revenues            | 61,985      | 13,314      | 75,298      | 70,290      | 15,977      | 86,266      |
| <i>YoY growth %</i> | <i>14.1</i> | <i>25.0</i> | <i>15.9</i> | <i>13.4</i> | <i>20.0</i> | <i>14.6</i> |
| EBITDA              | 9,090       | 1,398       | 10,487      | 10,555      | 1,837       | 12392.2     |
| <i>Margin (%)</i>   | <i>14.7</i> | <i>10.5</i> | <i>13.9</i> | <i>15.0</i> | <i>11.5</i> | <i>14.4</i> |
| Other income        | 933         | 16          | 349         | 1,063       | 18          | 781         |
| Depreciation        | 393         | 285         | 678         | 418         | 295         | 713         |
| Interest            | 153         | 75          | 978         | 48          | 60          | 808         |
| PBT                 | 9,477       | 1,054       | 9,181       | 11,151      | 1,500       | 11,651      |
| Total Taxes         | 2,407       | 268         | 2,332       | 2,832       | 381         | 2,959       |
| <i>ETR (%)</i>      | <i>25.4</i> | <i>25.4</i> | <i>25.4</i> | <i>25.4</i> | <i>25.4</i> | <i>25.4</i> |
| Minority Interest   | 0           | 0           | 197         | -           | -           | 280         |
| PAT                 | 7,070       | 786         | 6,652       | 8,319       | 1,119       | 8,412       |
| EPS (Rs)            | 11.3        | 44.0        | 10.6        | 13.3        | 62.6        | 13.4        |
| <i>impact %</i>     |             |             | <i>-5.9</i> |             |             | <i>1.1</i>  |

Source: Company, PL

Exhibit 2: Butterfly is amongst top 3 players in Domestic Kitchen Appliances

## Butterfly at a Glance

|  |  |   |
|--|--|---|
| <br><b>Brand</b><br>Well reputed brand with high consumer recall in South, known for Aesthetics and Product Quality    | <br><b>Top 3</b><br>In India in Domestic Kitchen Appliances                  | <br><b>#1</b><br>In South India for Wet Grinders and LPG Stoves                                       |
| <br><b>INR 870 cr</b><br>Revenues from branded products (100% share) in FY21 (~INR 806 cr in 9M FY22)                  | <br><b>CAGR ~21%</b><br>Consistent Growth over past 5 years (FY17-21)        | <br><b>In-house Capability</b><br>~80% of Revenues from In-house Manufactured Products                |
| <br><b>500+   25,000+</b><br>Exclusive Distributors   Total Touchpoints pan-India with deep penetration in South India | <br><b>E-Commerce</b><br>Successful E-Commerce play with Flipkart and Amazon | <br><b>Strong R&amp;D</b><br>First to introduce Stainless Steel Pressure Cookers, LPG Stoves in India |

Butterfly's strong brand, design & technical capabilities and success in e-commerce are powerful enabling factors for its sustained industry leading growth

Source: Company, PL

Exhibit 3: Butterfly's boasts of a complete range of kitchen products

## Butterfly | Product Portfolio

**Kitchen Appliances**

|                |                   |                           |                          |                 |             |                       |                   |
|----------------|-------------------|---------------------------|--------------------------|-----------------|-------------|-----------------------|-------------------|
| <br>LPG Stoves | <br>Mixer Grinder | <br>Electric Rice Cookers | <br>Juicer Mixer Grinder | <br>Wet Grinder | <br>Chimney | <br>Induction Cooktop | <br>Built In Hobs |
|----------------|-------------------|---------------------------|--------------------------|-----------------|-------------|-----------------------|-------------------|

**Cooker & Cookware**

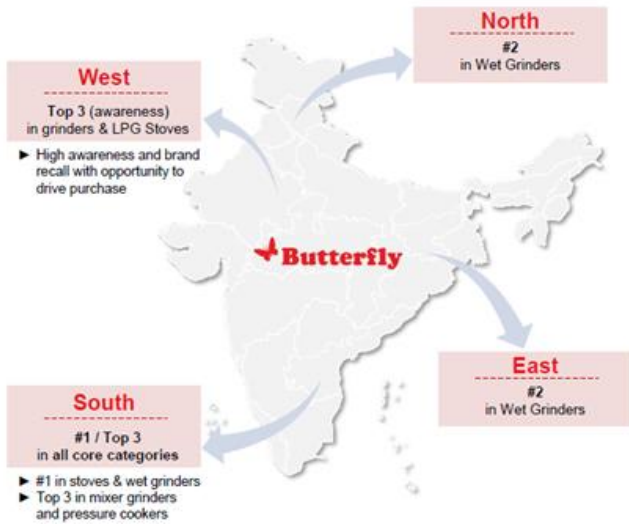
**Others**

|                        |                            |                      |
|------------------------|----------------------------|----------------------|
| <br>Pressure Cookers   | <br>Hand Blender           | <br>Hand Mixer       |
| <br>Non-Stick Cookware | <br>Sandwich Maker         | <br>Pop Up Toaster   |
|                        | <br>Tower Fan              | <br>Cooler           |
|                        | <br>Flasks & Water Bottles | <br>Electric Kettles |
|                        |                            | <br>Manual Chopper   |

A full kitchen play which increases connect with the entire home

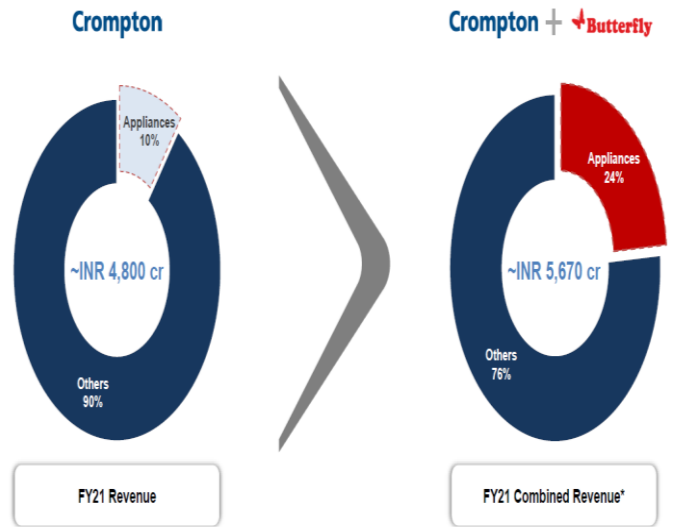
Source: Company, PL

Exhibit 4: Butterfly has a pan-India presence



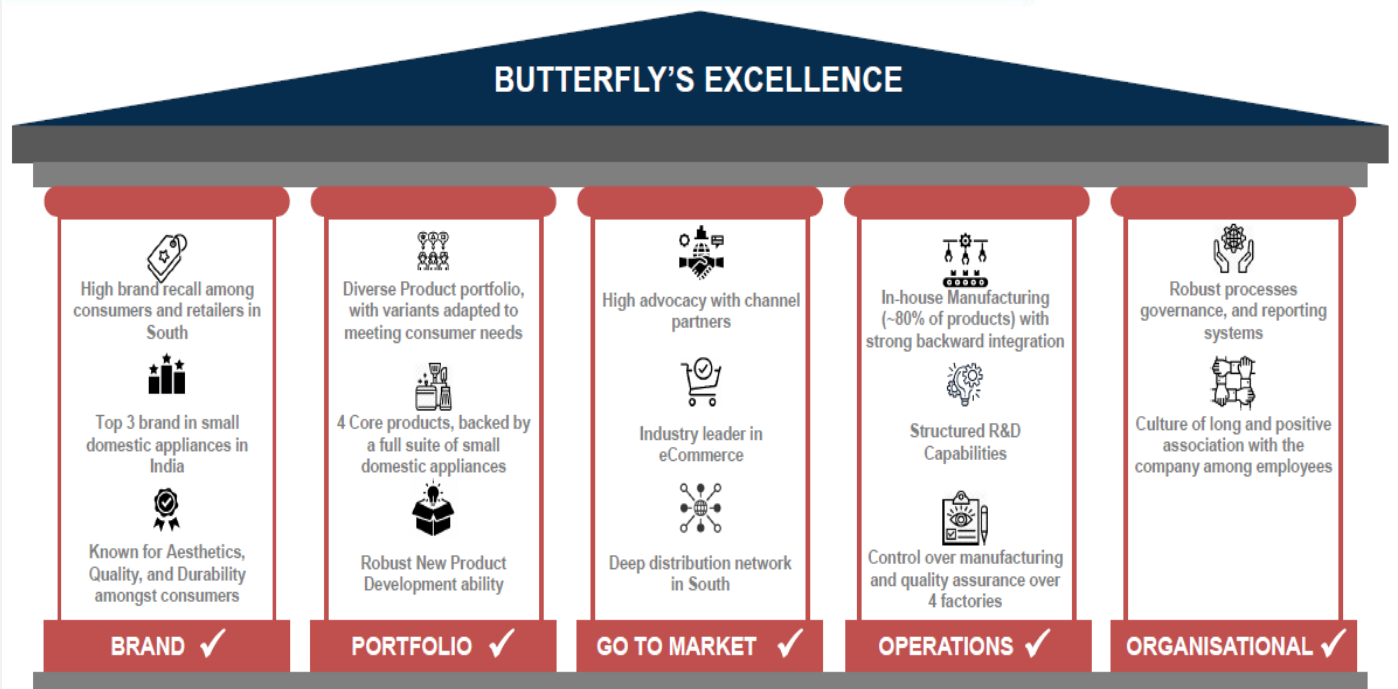
Source: Company, PL

Exhibit 5: 24% of Combined entity FY21 revenue from SDA

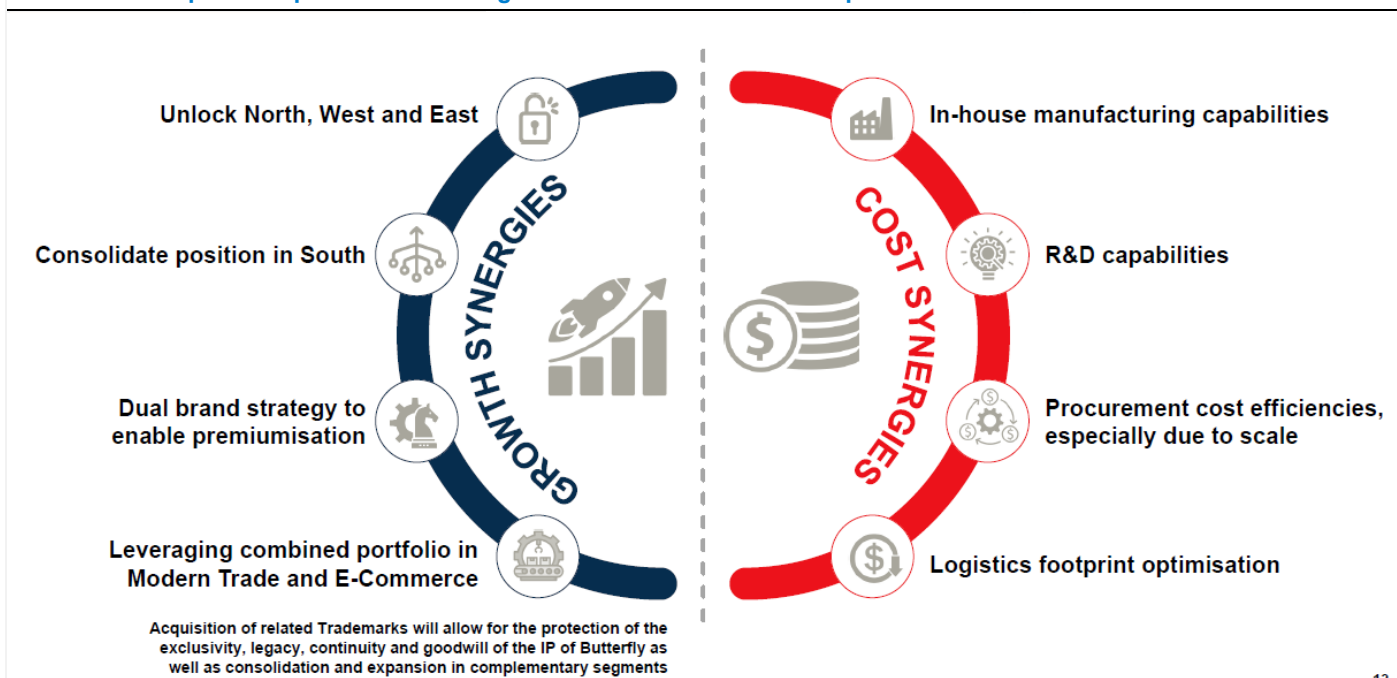


Source: Company, PL

Exhibit 6: Acquisition is in line with Crompton's strategic pillars



Source: Company, PL

**Exhibit 7: Crompton's capabilities in driving efficiencies and GTM will help unlock value**


Source: Company, PL

**Exhibit 8: Crompton Consumer Q3FY22 Result Overview (Rs m): Sales grew by 6.6% YoY; PAT down by 8.2% YoY**

| Y/e March                          | Q3FY22        | Q3FY21        | YoY gr. (%) | Q2FY22        | 9MFY22        | 9MFY21        | YoY gr. (%) | FY21          |
|------------------------------------|---------------|---------------|-------------|---------------|---------------|---------------|-------------|---------------|
| <b>Net Sales</b>                   | <b>14,102</b> | <b>13,231</b> | <b>6.6</b>  | <b>13,848</b> | <b>38,412</b> | <b>32,347</b> | <b>18.7</b> | <b>47,500</b> |
| Operating & Manufacturing Expenses | 9,635         | 8,956         | 7.6         | 9,415         | 26,137        | 21,811        | 19.8        | 32,304        |
| <i>% of Net Sales</i>              | <i>68.3</i>   | <i>67.7</i>   |             | <i>68.0</i>   | <i>68.0</i>   | <i>67.4</i>   |             | <i>68.0</i>   |
| <b>Gross Profit</b>                | <b>4,467</b>  | <b>4,275</b>  | <b>4.5</b>  | <b>4,434</b>  | <b>12,275</b> | <b>10,536</b> | <b>16.5</b> | <b>15,195</b> |
| <i>% of Net Sales</i>              | <i>31.7</i>   | <i>32.3</i>   |             | <i>32.0</i>   | <i>32.0</i>   | <i>32.6</i>   |             | <i>32.0</i>   |
| Personnel Cost                     | 941           | 929           | 1.3         | 962           | 2,789         | 2,446         | 14.0        | 3,366         |
| <i>% of Net Sales</i>              | <i>6.7</i>    | <i>7.0</i>    |             | <i>6.9</i>    | <i>7.3</i>    | <i>7.6</i>    |             | <i>7.1</i>    |
| Other Expenses                     | 1,510         | 1,254         | 20.4        | 1,330         | 4,101         | 3,152         | 30.1        | 4,782         |
| <i>% of Net Sales</i>              | <i>10.7</i>   | <i>9.5</i>    |             | <i>9.6</i>    | <i>10.7</i>   | <i>9.7</i>    |             | <i>10.1</i>   |
| Total Expenditure                  | 12,086        | 11,140        | 8.5         | 11,707        | 33,026        | 27,408        | 20.5        | 40,453        |
| <b>EBITDA</b>                      | <b>2,016</b>  | <b>2,092</b>  | <b>-3.6</b> | <b>2,141</b>  | <b>5,385</b>  | <b>4,939</b>  | <b>9.0</b>  | <b>7,047</b>  |
| <i>Margin (%)</i>                  | <i>14.3</i>   | <i>15.8</i>   |             | <i>15.5</i>   | <i>14.0</i>   | <i>15.3</i>   |             | <i>14.8</i>   |
| Other income                       | 138           | 199           | -30.8       | 284           | 619           | 553           | 11.9        | 756           |
| Depreciation                       | 102           | 69            | 47.8        | 101           | 278           | 225           | 23.4        | 297           |
| <b>EBIT</b>                        | <b>2,052</b>  | <b>2,222</b>  | <b>-7.6</b> | <b>2,325</b>  | <b>5,726</b>  | <b>5,266</b>  | <b>8.7</b>  | <b>7,506</b>  |
| Interest                           | 67            | 106           | -36.8       | 80            | 248           | 325           | -23.7       | 429           |
| <b>PBT before exceptional item</b> | <b>1,986</b>  | <b>2,116</b>  | <b>-6.2</b> | <b>2,245</b>  | <b>5,479</b>  | <b>4,942</b>  | <b>10.9</b> | <b>7,077</b>  |
| Total Taxes                        | 504           | 502           | 0.5         | 540           | 1,361         | 1,219         | 11.7        | 1,797         |
| <i>ETR (%)</i>                     | <i>25.4</i>   | <i>23.7</i>   |             | <i>24.1</i>   | <i>24.8</i>   | <i>24.7</i>   |             | <i>25.4</i>   |
| <b>Adj. PAT</b>                    | <b>1,481</b>  | <b>1,614</b>  | <b>-8.2</b> | <b>1,705</b>  | <b>4,117</b>  | <b>3,722</b>  | <b>10.6</b> | <b>5,281</b>  |
| Exceptional item                   | 0             | 0             |             | 0             | 0             | 0             |             | 767           |
| <b>PAT</b>                         | <b>1,481</b>  | <b>1,614</b>  | <b>-8.2</b> | <b>1,705</b>  | <b>4,117</b>  | <b>3,722</b>  | <b>10.6</b> | <b>6,047</b>  |

Source: Company, PL

**Exhibit 9: Crompton Consumer Segmental Breakup (Rs m): ECD/ Lighting Revenues up by 6.1%/ 8.3%; Margins decline**

| Y/e March                  | Q3FY22 | Q3FY21 | YoY gr. (%) | Q2FY22 | 9MFY22 | 9MFY21 | YoY gr. (%) | FY21   |
|----------------------------|--------|--------|-------------|--------|--------|--------|-------------|--------|
| <b>Revenues</b>            |        |        |             |        |        |        |             |        |
| Electric Consumer Durables | 10,993 | 10,359 | 6.1         | 10,964 | 30,801 | 25,641 | 20.1        | 37,571 |
| Lighting Products          | 3,109  | 2,872  | 8.3         | 2,884  | 7,611  | 6,706  | 13.5        | 9,928  |
| <b>EBIT</b>                |        |        |             |        |        |        |             |        |
| Electric Consumer Durables | 2,130  | 2,046  | 4.1         | 2,300  | 5,988  | 5,229  | 14.5        | 7,392  |
| <i>EBIT margin (%)</i>     | 19.4   | 19.8   |             | 21.0   | 19.4   | 20.4   |             | 19.7   |
| Lighting Products          | 326    | 334    | -2.5        | 330    | 817    | 665    | 22.9        | 1,161  |
| <i>EBIT margin (%)</i>     | 10.5   | 11.6   |             | 11.4   | 10.7   | 9.9    |             | 11.7   |

Source: Company, PL

**Exhibit 10: Butterfly Q3FY22 Result Overview (Rs m): Sales de-grew by 13.2% YoY; PAT down by 51.4% YoY**

| Y/e March                          | Q3FY22       | Q3FY21       | YoY gr. (%)  | Q2FY22       | 9MFY22       | 9MFY21       | YoY gr. (%) | FY21         |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|--------------|
| <b>Net Sales</b>                   | <b>2,585</b> | <b>2,979</b> | <b>-13.2</b> | <b>4,031</b> | <b>8,060</b> | <b>6,634</b> | <b>21.5</b> | <b>8,696</b> |
| Operating & Manufacturing Expenses | 1,555        | 1,736        | -10.4        | 2,517        | 4,939        | 3,844        | 28.5        | 5,061        |
| <i>% of Net Sales</i>              | 60.2         | 58.3         |              | 62.4         | 61.3         | 57.9         |             | 58.2         |
| <b>Gross Profit</b>                | <b>1,030</b> | <b>1,243</b> | <b>-17.1</b> | <b>1,514</b> | <b>3,121</b> | <b>2,790</b> | <b>11.9</b> | <b>3,635</b> |
| <i>% of Net Sales</i>              | 39.8         | 41.7         |              | 37.6         | 38.7         | 42.1         |             | 41.8         |
| Personnel Cost                     | 260          | 225          | 15.5         | 256          | 721          | 550          | 31.2        | 770          |
| <i>% of Net Sales</i>              | 10.1         | 7.6          |              | 6.3          | 8.9          | 8.3          |             | 8.9          |
| Other Expenses                     | 557          | 659          | -15.4        | 793          | 1,645        | 1,580        | 4.1         | 2,068        |
| <i>% of Net Sales</i>              | 21.6         | 22.1         |              | 19.7         | 20.4         | 23.8         |             | 23.8         |
| Total Expenditure                  | 2,373        | 2,620        | -9.4         | 3,566        | 7,304        | 5,973        | 22.3        | 7,899        |
| <b>EBITDA</b>                      | <b>212</b>   | <b>359</b>   | <b>-40.8</b> | <b>465</b>   | <b>756</b>   | <b>661</b>   | <b>14.3</b> | <b>797</b>   |
| <i>Margin (%)</i>                  | 8.2          | 12.0         |              | 11.5         | 9.4          | 10.0         |             | 9.2          |
| Other income                       | 4            | 4            | 20.2         | 4            | 12           | 10           | 25.0        | 16           |
| Depreciation                       | 40           | 38           | 3.9          | 44           | 122          | 112          | 8.6         | 156          |
| <b>EBIT</b>                        | <b>177</b>   | <b>324</b>   | <b>-45.5</b> | <b>425</b>   | <b>646</b>   | <b>558</b>   | <b>15.7</b> | <b>657</b>   |
| Interest                           | 36           | 38           | -5.3         | 33           | 100          | 141          | -29.5       | 174          |
| <b>PBT before exceptional item</b> | <b>140</b>   | <b>285</b>   | <b>-50.9</b> | <b>392</b>   | <b>546</b>   | <b>417</b>   | <b>31.0</b> | <b>483</b>   |
| Total Taxes                        | 49           | 98           | -49.9        | 137          | 191          | 144          | 32.8        | 122          |
| <i>ETR (%)</i>                     | 35.1         | 34.4         |              | 35.0         | 35.0         | 34.5         |             | 25.2         |
| <b>Adj. PAT</b>                    | <b>91</b>    | <b>187</b>   | <b>-51.4</b> | <b>255</b>   | <b>355</b>   | <b>273</b>   | <b>30.0</b> | <b>362</b>   |
| Exceptional item                   | 0            | 0            |              | 0            | 0            | 0            |             | 0            |
| <b>PAT</b>                         | <b>91</b>    | <b>187</b>   | <b>-51.4</b> | <b>255</b>   | <b>355</b>   | <b>273</b>   | <b>30.0</b> | <b>362</b>   |

Source: Company, PL

**Exhibit 11: Butterfly Segmental Breakup (Rs m): Kitchen Appliances revenues de-grew by 18.6% YoY**

| Y/e March                | Q3FY22 | Q3FY21 | YoY gr. (%) | Q2FY22 | 9MFY22 | 9MFY21 | YoY gr. (%) | FY21  |
|--------------------------|--------|--------|-------------|--------|--------|--------|-------------|-------|
| <b>Revenues</b>          |        |        |             |        |        |        |             |       |
| Kitchen Appliances       | 1,804  | 2,217  | -18.6       | 3,080  | 6,015  | 5,166  | 16.4        | 6,711 |
| Cooker/ Cookware         | 710    | 717    | -1.0        | 843    | 1,810  | 1,317  | 37.4        | 1,603 |
| Others                   | 71     | 45     | 57.8        | 109    | 236    | 151    | 56.3        | 382   |
| <b>Revenue break-up%</b> |        |        |             |        |        |        |             |       |
| Kitchen Appliances       | 69.8   | 74.4   | -4.6        | 76.4   | 74.6   | 77.9   | -3.3        | 77.2  |
| Cooker/ Cookware         | 27.5   | 24.1   | 3.4         | 20.9   | 22.5   | 19.9   | 2.6         | 18.4  |
| Others                   | 2.7    | 1.5    | 1.2         | 2.7    | 2.9    | 2.3    | 0.7         | 4.4   |

Source: Company, PL

## Financials

### Income Statement (Rs m)

| Y/e Mar                       | FY21          | FY22E         | FY23E         | FY24E         |
|-------------------------------|---------------|---------------|---------------|---------------|
| <b>Net Revenues</b>           | <b>47,500</b> | <b>54,327</b> | <b>61,985</b> | <b>70,290</b> |
| YoY gr. (%)                   | 5.3           | 14.4          | 14.1          | 13.4          |
| Cost of Goods Sold            | 32,304        | 37,086        | 41,908        | 47,522        |
| Gross Profit                  | 15,195        | 17,241        | 20,076        | 22,768        |
| Margin (%)                    | 32.0          | 31.7          | 32.4          | 32.4          |
| Employee Cost                 | 3,366         | 3,759         | 4,277         | 4,639         |
| Other Expenses                | 3,960         | 4,577         | 5,083         | 5,729         |
| <b>EBITDA</b>                 | <b>7,047</b>  | <b>7,688</b>  | <b>9,090</b>  | <b>10,555</b> |
| YoY gr. (%)                   | 18.1          | 9.1           | 18.2          | 16.1          |
| Margin (%)                    | 14.8          | 14.2          | 14.7          | 15.0          |
| Depreciation and Amortization | 297           | 384           | 393           | 418           |
| <b>EBIT</b>                   | <b>6,750</b>  | <b>7,303</b>  | <b>8,696</b>  | <b>10,136</b> |
| Margin (%)                    | 14.2          | 13.4          | 14.0          | 14.4          |
| Net Interest                  | 429           | 300           | 153           | 48            |
| Other Income                  | 756           | 825           | 933           | 1,063         |
| <b>Profit Before Tax</b>      | <b>7,077</b>  | <b>7,828</b>  | <b>9,477</b>  | <b>11,151</b> |
| Margin (%)                    | 14.9          | 14.4          | 15.3          | 15.9          |
| Total Tax                     | 1,797         | 1,957         | 2,407         | 2,832         |
| Effective tax rate (%)        | 25.4          | 25.0          | 25.4          | 25.4          |
| <b>Profit after tax</b>       | <b>5,281</b>  | <b>5,871</b>  | <b>7,070</b>  | <b>8,319</b>  |
| Minority interest             | -             | -             | -             | -             |
| Share Profit from Associate   | -             | -             | -             | -             |
| <b>Adjusted PAT</b>           | <b>5,281</b>  | <b>5,871</b>  | <b>7,070</b>  | <b>8,319</b>  |
| YoY gr. (%)                   | 20.7          | 11.2          | 20.4          | 17.7          |
| Margin (%)                    | 11.1          | 10.8          | 11.4          | 11.8          |
| Extra Ord. Income / (Exp)     | 767           | -             | -             | -             |
| <b>Reported PAT</b>           | <b>6,047</b>  | <b>5,871</b>  | <b>7,070</b>  | <b>8,319</b>  |
| YoY gr. (%)                   | 22.2          | (2.9)         | 20.4          | 17.7          |
| Margin (%)                    | 12.7          | 10.8          | 11.4          | 11.8          |
| Other Comprehensive Income    | -             | -             | -             | -             |
| Total Comprehensive Income    | 6,047         | 5,871         | 7,070         | 8,319         |
| <b>Equity Shares O/s (m)</b>  | <b>628</b>    | <b>628</b>    | <b>628</b>    | <b>628</b>    |
| <b>EPS (Rs)</b>               | <b>8.4</b>    | <b>9.4</b>    | <b>11.3</b>   | <b>13.3</b>   |

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

| Y/e Mar                               | FY21          | FY22E         | FY23E         | FY24E         |
|---------------------------------------|---------------|---------------|---------------|---------------|
| <b>Non-Current Assets</b>             |               |               |               |               |
| <b>Gross Block</b>                    | <b>3,500</b>  | <b>4,230</b>  | <b>4,562</b>  | <b>5,228</b>  |
| Tangibles                             | 3,336         | 4,046         | 4,358         | 5,004         |
| Intangibles                           | 164           | 184           | 204           | 224           |
| <b>Acc: Dep / Amortization</b>        | <b>2,144</b>  | <b>2,528</b>  | <b>2,921</b>  | <b>3,340</b>  |
| Tangibles                             | 2,008         | 2,370         | 2,739         | 3,130         |
| Intangibles                           | 136           | 159           | 183           | 210           |
| <b>Net fixed assets</b>               | <b>1,356</b>  | <b>1,702</b>  | <b>1,641</b>  | <b>1,888</b>  |
| Tangibles                             | 1,328         | 1,676         | 1,620         | 1,873         |
| Intangibles                           | 28            | 26            | 21            | 15            |
| Capital Work In Progress              | 109           | 100           | 100           | 100           |
| Goodwill                              | 7,794         | 7,794         | 7,794         | 7,794         |
| Non-Current Investments               | 204           | 207           | 216           | 219           |
| Net Deferred tax assets               | 583           | 645           | 759           | 893           |
| Other Non-Current Assets              | 201           | 201           | 204           | 207           |
| <b>Current Assets</b>                 |               |               |               |               |
| Investments                           | 7,611         | 9,100         | 11,467        | 13,355        |
| Inventories                           | 5,178         | 5,954         | 5,944         | 6,355         |
| Trade receivables                     | 4,827         | 5,954         | 6,453         | 7,318         |
| Cash & Bank Balance                   | 5,945         | 4,457         | 4,540         | 4,893         |
| Other Current Assets                  | 1,701         | 1,559         | 1,595         | 1,606         |
| <b>Total Assets</b>                   | <b>35,639</b> | <b>37,807</b> | <b>40,856</b> | <b>44,783</b> |
| <b>Equity</b>                         |               |               |               |               |
| Equity Share Capital                  | 1,255         | 1,255         | 1,255         | 1,255         |
| Other Equity                          | 17,935        | 22,236        | 25,540        | 29,339        |
| <b>Total Network</b>                  | <b>19,190</b> | <b>23,492</b> | <b>26,795</b> | <b>30,594</b> |
| <b>Non-Current Liabilities</b>        |               |               |               |               |
| Long Term borrowings                  | 2,988         | 2,788         | 1,288         | -             |
| Provisions                            | 214           | 217           | 232           | 264           |
| Other non current liabilities         | -             | -             | -             | -             |
| <b>Current Liabilities</b>            |               |               |               |               |
| ST Debt / Current of LT Debt          | -             | -             | -             | -             |
| Trade payables                        | 8,353         | 8,128         | 9,185         | 10,416        |
| Other current liabilities             | 4,893         | 3,182         | 3,355         | 3,510         |
| <b>Total Equity &amp; Liabilities</b> | <b>35,639</b> | <b>37,807</b> | <b>40,856</b> | <b>44,783</b> |

Source: Company Data, PL Research



## Cash Flow (Rs m)

| Y/e Mar                              | FY21           | FY22E          | FY23E          | FY24E          |
|--------------------------------------|----------------|----------------|----------------|----------------|
| PBT                                  | 7,077          | 7,828          | 9,477          | 11,151         |
| Add. Depreciation                    | 297            | 384            | 393            | 418            |
| Add. Interest                        | 429            | 300            | 153            | 48             |
| Less Financial Other Income          | 756            | 825            | 933            | 1,063          |
| Add. Other                           | (525)          | (63)           | (111)          | (109)          |
| Op. profit before WC changes         | 7,278          | 8,449          | 9,912          | 11,509         |
| Net Changes-WC                       | 1,397          | (1,912)        | 684            | 572            |
| Direct tax                           | (526)          | (1,957)        | (2,407)        | (2,832)        |
| <b>Net cash from Op. activities</b>  | <b>8,149</b>   | <b>4,580</b>   | <b>8,189</b>   | <b>9,249</b>   |
| Capital expenditures                 | (198)          | (722)          | (332)          | (666)          |
| Interest / Dividend Income           | 265            | -              | -              | -              |
| Others                               | (4,955)        | (1,489)        | (2,367)        | (1,888)        |
| <b>Net Cash from Inv. activities</b> | <b>(4,887)</b> | <b>(2,211)</b> | <b>(2,700)</b> | <b>(2,553)</b> |
| Issue of share cap. / premium        | 73             | -              | -              | -              |
| Debt changes                         | 1,300          | (1,988)        | (1,487)        | (1,275)        |
| Dividend paid                        | (1,874)        | (1,569)        | (3,766)        | (4,519)        |
| Interest paid                        | (461)          | (300)          | (153)          | (48)           |
| Others                               | -              | -              | -              | -              |
| <b>Net cash from Fin. activities</b> | <b>(962)</b>   | <b>(3,858)</b> | <b>(5,406)</b> | <b>(5,842)</b> |
| <b>Net change in cash</b>            | <b>2,300</b>   | <b>(1,488)</b> | <b>83</b>      | <b>853</b>     |
| Free Cash Flow                       | 7,952          | 3,858          | 7,857          | 8,583          |

Source: Company Data, PL Research

## Key Financial Metrics

| Y/e Mar                    | FY21  | FY22E | FY23E | FY24E |
|----------------------------|-------|-------|-------|-------|
| <b>Per Share(Rs)</b>       |       |       |       |       |
| EPS                        | 8.4   | 9.4   | 11.3  | 13.3  |
| CEPS                       | 8.9   | 10.0  | 11.9  | 13.9  |
| BVPS                       | 30.6  | 37.4  | 42.7  | 48.7  |
| FCF                        | 12.7  | 6.1   | 12.5  | 13.7  |
| DPS                        | 5.5   | 6.0   | 7.2   | 8.2   |
| <b>Return Ratio(%)</b>     |       |       |       |       |
| RoCE                       | 38.8  | 33.5  | 35.4  | 38.2  |
| ROIC                       | 87.3  | 51.3  | 58.1  | 68.2  |
| RoE                        | 31.2  | 27.5  | 28.1  | 29.0  |
| <b>Balance Sheet</b>       |       |       |       |       |
| Net Debt : Equity (x)      | (0.6) | (0.5) | (0.5) | (0.6) |
| Net Working Capital (Days) | 13    | 25    | 19    | 17    |
| <b>Valuation(x)</b>        |       |       |       |       |
| PER                        | 48.5  | 43.6  | 36.2  | 30.8  |
| P/B                        | 13.3  | 10.9  | 9.6   | 8.4   |
| P/CEPS                     | 45.9  | 40.9  | 34.3  | 29.3  |
| EV/EBITDA                  | 34.8  | 31.9  | 26.5  | 22.5  |
| EV/Sales                   | 5.2   | 4.5   | 3.9   | 3.4   |
| Dividend Yield (%)         | 1.3   | 1.5   | 1.8   | 2.0   |

Source: Company Data, PL Research

## Quarterly Financials (Rs m)

| Y/e Mar                           | Q4FY21        | Q1FY22        | Q2FY22        | Q3FY22        |
|-----------------------------------|---------------|---------------|---------------|---------------|
| <b>Net Revenue</b>                | <b>15,153</b> | <b>10,462</b> | <b>13,848</b> | <b>14,102</b> |
| YoY gr. (%)                       | 48.8          | 46.7          | 15.6          | 6.6           |
| Raw Material Expenses             | 10,494        | 7,087         | 9,415         | 9,635         |
| Gross Profit                      | 4,659         | 3,374         | 4,434         | 4,467         |
| Margin (%)                        | 30.7          | 32.3          | 32.0          | 31.7          |
| <b>EBITDA</b>                     | <b>2,248</b>  | <b>1,228</b>  | <b>2,141</b>  | <b>2,016</b>  |
| YoY gr. (%)                       | 62.4          | 24.2          | 15.2          | (3.6)         |
| Margin (%)                        | 14.8          | 11.7          | 15.5          | 14.3          |
| Depreciation / Depletion          | 72            | 76            | 101           | 102           |
| <b>EBIT</b>                       | <b>2,177</b>  | <b>1,152</b>  | <b>2,041</b>  | <b>1,915</b>  |
| Margin (%)                        | 14.4          | 11.0          | 14.7          | 13.6          |
| Net Interest                      | 104           | 101           | 80            | 67            |
| Other Income                      | 203           | 197           | 284           | 138           |
| <b>Profit before Tax</b>          | <b>2,276</b>  | <b>1,248</b>  | <b>2,245</b>  | <b>1,986</b>  |
| Margin (%)                        | 15.0          | 11.9          | 16.2          | 14.1          |
| Total Tax                         | 577           | 317           | 540           | 504           |
| Effective tax rate (%)            | 25.4          | 25.4          | 24.1          | 25.4          |
| <b>Profit after Tax</b>           | <b>1,698</b>  | <b>931</b>    | <b>1,705</b>  | <b>1,481</b>  |
| Minority interest                 | -             | -             | -             | -             |
| Share Profit from Associates      | -             | -             | -             | -             |
| <b>Adjusted PAT</b>               | <b>1,698</b>  | <b>931</b>    | <b>1,705</b>  | <b>1,481</b>  |
| YoY gr. (%)                       | 70.2          | 26.3          | 24.4          | (8.2)         |
| Margin (%)                        | 11.2          | 8.9           | 12.3          | 10.5          |
| Extra Ord. Income / (Exp)         | 767           | -             | -             | -             |
| <b>Reported PAT</b>               | <b>2,465</b>  | <b>931</b>    | <b>1,705</b>  | <b>1,481</b>  |
| YoY gr. (%)                       | 147.0         | 26.3          | 24.4          | (8.2)         |
| Margin (%)                        | 16.3          | 8.9           | 12.3          | 10.5          |
| Other Comprehensive Income        | -             | -             | -             | -             |
| <b>Total Comprehensive Income</b> | <b>2,465</b>  | <b>931</b>    | <b>1,705</b>  | <b>1,481</b>  |
| Avg. Shares O/s (m)               | 628           | 628           | 628           | 628           |
| <b>EPS (Rs)</b>                   | <b>2.7</b>    | <b>1.5</b>    | <b>2.7</b>    | <b>2.4</b>    |

Source: Company Data, PL Research





## Price Chart

## Recommendation History



| No. | Date      | Rating | TP (Rs.) | Share Price (Rs.) |
|-----|-----------|--------|----------|-------------------|
| 1   | 31-Jan-22 | BUY    | 533      | 425               |
| 2   | 7-Jan-22  | BUY    | 530      | 441               |
| 3   | 25-Oct-21 | BUY    | 530      | 451               |
| 4   | 6-Oct-21  | BUY    | 518      | 486               |
| 5   | 26-Jul-21 | BUY    | 518      | 468               |
| 6   | 6-Jul-21  | BUY    | 454      | 450               |
| 7   | 24-May-21 | BUY    | 454      | 398               |
| 8   | 6-Apr-21  | BUY    | 447      | 374               |

## Analyst Coverage Universe

| Sr. No. | Company Name                          | Rating     | TP (Rs) | Share Price (Rs) |
|---------|---------------------------------------|------------|---------|------------------|
| 1       | Asian Paints                          | BUY        | 3,762   | 3,306            |
| 2       | Avenue Supermarts                     | Accumulate | 5,345   | 4,731            |
| 3       | Bajaj Electricals                     | Accumulate | 1,303   | 1,221            |
| 4       | Britannia Industries                  | BUY        | 4,139   | 3,535            |
| 5       | Burger King India                     | BUY        | 220     | 133              |
| 6       | Colgate Palmolive                     | Accumulate | 1,733   | 1,394            |
| 7       | Crompton Greaves Consumer Electricals | BUY        | 533     | 425              |
| 8       | Dabur India                           | Accumulate | 647     | 557              |
| 9       | Emami                                 | Accumulate | 624     | 498              |
| 10      | Havells India                         | Accumulate | 1,381   | 1,309            |
| 11      | Hindustan Unilever                    | BUY        | 2,900   | 2,262            |
| 12      | ITC                                   | BUY        | 284     | 234              |
| 13      | Jubilant FoodWorks                    | Accumulate | 3,600   | 3,302            |
| 14      | Kansai Nerolac Paints                 | BUY        | 651     | 541              |
| 15      | Marico                                | Accumulate | 546     | 472              |
| 16      | Mold-tek Packaging                    | BUY        | 793     | 706              |
| 17      | Nestle India                          | Accumulate | 19,120  | 18,126           |
| 18      | Pidilite Industries                   | Hold       | 2,491   | 2,461            |
| 19      | Titan Company                         | BUY        | 2,832   | 2,475            |
| 20      | Voltas                                | Hold       | 1,200   | 1,169            |
| 21      | Westlife Development                  | BUY        | 648     | 497              |

## PL's Recommendation Nomenclature (Absolute Performance)

|                          |                                   |
|--------------------------|-----------------------------------|
| <b>Buy</b>               | : > 15%                           |
| <b>Accumulate</b>        | : 5% to 15%                       |
| <b>Hold</b>              | : +5% to -5%                      |
| <b>Reduce</b>            | : -5% to -15%                     |
| <b>Sell</b>              | : < -15%                          |
| <b>Not Rated (NR)</b>    | : No specific call on the stock   |
| <b>Under Review (UR)</b> | : Rating likely to change shortly |



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