

January 31, 2022

Q3FY22 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	BUY		BUY	
Target Price	533		530	
Sales (Rs. m)	61,985	70,290	61,985	70,290
% Chng.	-	-	-	-
EBITDA (Rs. m)	9,090	10,555	9,275	10,801
% Chng.	(2.0)	(2.3)	-	-
EPS (Rs.)	11.3	13.3	11.7	13.6
% Chng.	(3.4)	(2.4)	-	-

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	1.4	1.7	1.9
RoE (%)	31.2	27.5	28.1	29.0
RoCE (%)	38.8	33.5	35.4	38.2
EV/Sales (x)	5.4	4.7	4.1	3.5
EV/EBITDA (x)	36.4	33.3	27.7	23.5
PE (x)	50.5	45.4	37.7	32.1
P/BV (x)	13.9	11.4	10.0	8.7

Key Data

CROP.BO | CROMPTON IN

52-W High / Low	Rs.513 / Rs.350
Sensex / Nifty	58,014 / 17,340
Market Cap	Rs.267bn/ \$ 3,578m
Shares Outstanding	628m
3M Avg. Daily Value	Rs.645.89m

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)	(12.7)	(0.6)
Relative	(2.4)	(20.9)	(20.7)

Amnish Aggarwal

arnishaggarwal@plindia.com | 91-22-66322233

Paarth Gala

paarthgala@plindia.com | 91-22-66322242

Crompton Greaves Consumer Electricals (CROMPTON IN)

Rating: BUY | CMP: Rs425 | TP: Rs533

Sustained investments in LT strategic initiatives

Quick Pointers:

- Fans (Premium & Deco/ Super Premium) grew by 11% (10%/30%). Appliances grew by 13%. B2C lighting up 22%. Pumps decline marginally
- To continue Brand investments in Lighting. Margins sustainable at 10-11%

We cut our FY22/ FY23/ FY24 earnings by 4.6%/ 3.4%/ 2.4% given 1) margin pressure led by inflationary RM environment and 2) lower treasury income with cash utilized to pre-pay NCDs. With Omicron cases subsiding and opening up of markets, early demand trends remains encouraging. Crompton remains optimistic of strong bounce in demand for the summer season sales aided by tailwinds in real estate and infrastructure segments. With unprecedented RM inflation, Crompton has focused on maintaining the structural profitability of business through 1) pricing actions (17-18% in 12 months) 2) improving business mix 3) cost saving program (Project Unnati: Rs460mn saving in 3Q22, Rs1.3bn in 9MFY22) and 4) advance booking of key RM at lower prices.

We remain structurally positive on CROMPTON for longer term 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. Maintain BUY

Sales up 6.6%, PAT down 8.2%: Revenues grew by 6.6% YoY to Rs14.1bn. Gross margin fell 60bps YoY to 31.7%. EBITDA de-grew by 3.6% YoY to Rs2bn; margins fell by 150bps YoY at 14.3%. Opex/ employee cost was down 10bps/ 30bps while A&P spends were up 130bps YoY. PAT de-grew by 8.2% YoY to Rs1.5bn

ECD sales up by 6.1%, Lighting sales up by 8.3%: ECD segment sales grew by 6.1% YoY to Rs11bn. EBIT grew by 4.1% YoY to Rs2.1bn while margins fell by 40 bps YoY to 19.4%. Lighting revenues grew by 8.3% YoY to Rs3.1bn. EBIT de-grew by 2.5% YoY to Rs326mn, while margins contracted by 120bps YoY to 10.5%

Concall Takeaways: 1) ECD ex pumps grew by 11% YoY. Pumps de-grew marginally impacted by industry wide slowdown. 2) Fans grew by 11% YoY. Market share up 2.3% YTD to 27%. Premium+Deco/ Super premium fans grew by 10%/ 30% 3) Material inflation stabilized a bit in 3Q. Monitoring sustainability over next couple of quarters. 4) B2C LED lights grew by 22%. B2B (non-tender) portfolio grew by 22%+. B2G (down 92%) and conventional lights (down 30%) remain a drag. 5) Within B2C lighting have good presence in bulbs and battens. Increased focus on ramping up ceiling offerings. 6) Lighting will continue to see brand investments. Margins sustainable at 10-11%. 7) Regularly billed dealers at 56%. Secondary sales tracking at 80%+. 8) Inventory a little over normalized levels compared to LY.

Exhibit 1: 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. (%)
Net Sales	14,102	13,231	6.6	13,848	38,412	32,347	18.7
Operating & Manufacturing Expenses	9,635	8,956	7.6	9,415	26,137	21,811	19.8
<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>	
Gross Profit	4,467	4,275	4.5	4,434	12,275	10,536	16.5
<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>	
Personnel Cost	941	929	1.3	962	2,789	2,446	14.0
<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>	
Other Expenses	1,510	1,254	20.4	1,330	4,101	3,152	30.1
<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>	
Total Expenditure	12,086	11,140	8.5	11,707	33,026	27,408	20.5
EBITDA	2,016	2,092	-3.6	2,141	5,385	4,939	9.0
<i>Margin (%)</i>	<i>14.3</i>	<i>15.8</i>		<i>15.5</i>	<i>14.0</i>	<i>15.3</i>	
Other income	138	199	-30.8	284	619	553	11.9
Depreciation	102	69	47.8	101	278	225	23.4
EBIT	2,052	2,222	-7.6	2,325	5,726	5,266	8.7
Interest	67	106	-36.8	80	248	325	-23.7
PBT before exceptional item	1,986	2,116	-6.2	2,245	5,479	4,942	10.9
Total Taxes	504	502	0.5	540	1,361	1,219	11.7
<i>ETR (%)</i>	<i>25.4</i>	<i>23.7</i>		<i>24.1</i>	<i>24.8</i>	<i>24.7</i>	
Adj. PAT	1,481	1,614	-8.2	1,705	4,117	3,722	10.6
Exceptional item	0	0		0	0	0	
PAT	1,481	1,614	-8.2	1,705	4,117	3,722	10.6

Source: Company, PL

Exhibit 2: 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. (%)
Revenues							
Electric Consumer Durables	10,993	10,359	6.1	10,964	30,801	25,641	20.1
Lighting Products	3,109	2,872	8.3	2,884	7,611	6,706	13.5
EBIT							
Electric Consumer Durables	2,130	2,046	4.1	2,300	5,988	5,229	14.5
<i>EBIT margin (%)</i>	<i>19.4</i>	<i>19.8</i>		<i>21.0</i>	<i>19.4</i>	<i>20.4</i>	
Lighting Products	326	334	-2.5	330	817	665	22.9
<i>EBIT margin (%)</i>	<i>10.5</i>	<i>11.6</i>		<i>11.4</i>	<i>10.7</i>	<i>9.9</i>	

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Net Revenues	47,500	54,327	61,985	70,290
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
EBITDA	7,047	7,688	9,090	10,555
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
EBIT	6,750	7,303	8,696	10,136
Margin (%)	14.2	13.4	14.0	14.4
Net Interest	429	300	153	48
Other Income	756	825	933	1,063
Profit Before Tax	7,077	7,828	9,477	11,151
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
Profit after tax	5,281	5,871	7,070	8,319
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	5,281	5,871	7,070	8,319
YoY gr. (%)	20.7	11.2	20.4	17.7
Margin (%)	11.1	10.8	11.4	11.8
Extra Ord. Income / (Exp)	767	-	-	-
Reported PAT	6,047	5,871	7,070	8,319
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
Equity Shares O/s (m)	628	628	628	628
EPS (Rs)	8.4	9.4	11.3	13.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Non-Current Assets				
Gross Block	3,500	4,230	4,562	5,228
Tangibles	3,336	4,046	4,358	5,004
Intangibles	164	184	204	224
Acc: Dep / Amortization	2,144	2,528	2,921	3,340
Tangibles	2,008	2,370	2,739	3,130
Intangibles	136	159	183	210
Net fixed assets	1,356	1,702	1,641	1,888
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
Current Assets				
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
Total Assets	35,639	37,807	40,856	44,783
Equity				
Equity Share Capital	1,255	1,255	1,255	1,255
Other Equity	17,935	22,236	25,540	29,339
Total Network	19,190	23,492	26,795	30,594
Non-Current Liabilities				
Long Term borrowings	2,988	2,788	1,288	-
Provisions	214	217	232	264
Other non current liabilities	-	-	-	-
Current Liabilities				
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
Total Equity & Liabilities	35,639	37,807	40,856	44,783

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)
Net cash from Op. activities	8,149	4,580	8,189	9,249
Capital expenditures	(198)	(722)	(332)	(666)
Interest / Dividend Income	265	-	-	-
Others	(4,955)	(1,489)	(2,367)	(1,888)
Net Cash from Invt. activities	(4,887)	(2,211)	(2,700)	(2,553)
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	-	-	-	-
Net cash from Fin. activities	(962)	(3,858)	(5,406)	(5,842)
Net change in cash	2,300	(1,488)	83	853
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
Per Share(Rs)				
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
Return Ratio(%)				
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
Balance Sheet				
Net Debt : Equity (x)	(0.6)	(0.5)	(0.5)	(0.6)
Net Working Capital (Days)	13	25	19	17
Valuation(x)				
PER	50.5	45.4	37.7	32.1
P/B	13.9	11.4	10.0	8.7
P/CEPS	47.8	42.7	35.8	30.5
EV/EBITDA	36.4	33.3	27.7	23.5
EV/Sales	5.4	4.7	4.1	3.5
Dividend Yield (%)	1.3	1.4	1.7	1.9

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY21	Q1FY22	Q2FY22	Q3FY22
Net Revenue	15,153	10,462	13,848	14,102
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
EBITDA	2,248	1,228	2,141	2,016
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
EBIT	2,177	1,152	2,041	1,915
Margin (%)	14.4	11.0	14.7	13.6
Net Interest	104	101	80	67
Other Income	203	197	284	138
Profit before Tax	2,276	1,248	2,245	1,986
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
Profit after Tax	1,698	931	1,705	1,481
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,698	931	1,705	1,481
YoY gr. (%)	70.2	26.3	24.4	(8.2)
Margin (%)	11.2	8.9	12.3	10.5
Extra Ord. Income / (Exp)	767	-	-	-
Reported PAT	2,465	931	1,705	1,481
YoY gr. (%)	147.0	26.3	24.4	(8.2)
Margin (%)	16.3	8.9	12.3	10.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,465	931	1,705	1,481
Avg. Shares O/s (m)	628	628	628	628
EPS (Rs)	2.7	1.5	2.7	2.4

Source: Company Data, PL Research

Price Chart

Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	7-Jan-22	BUY	530	441
2	25-Oct-21	BUY	530	451
3	6-Oct-21	BUY	518	486
4	26-Jul-21	BUY	518	468
5	6-Jul-21	BUY	454	450
6	24-May-21	BUY	454	398
7	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	1,230	1,223
4	Britannia Industries	Accumulate	4,093	3,660
5	Burger King India	BUY	220	133
6	Colgate Palmolive	Accumulate	1,733	1,394
7	Crompton Greaves Consumer Electricals	BUY	530	441
8	Dabur India	Accumulate	647	583
9	Emami	Accumulate	624	511
10	Havells India	Accumulate	1,381	1,309
11	Hindustan Unilever	BUY	2,900	2,262
12	ITC	BUY	270	221
13	Jubilant FoodWorks	Accumulate	4,109	3,638
14	Kansai Nerolac Paints	BUY	707	596
15	Marico	Accumulate	546	472
16	Mold-tek Packaging	BUY	793	706
17	Nestle India	Accumulate	18,723	19,936
18	Pidilite Industries	Hold	2,491	2,461
19	Titan Company	BUY	2,651	2,576
20	Titan Company	BUY	2,915	2,596
21	Voltas	Hold	1,200	1,250
22	Westlife Development	Accumulate	603	542

PL's Recommendation Nomenclature (Absolute Performance)

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



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Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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