

Havells India

Refer to important disclosures at the end of this report

Solid top-line growth but margin compression continues

- Revenue print was solid with 31% yoy growth, led by a 20% rise in volumes. All segments, except for Switchgear, beat revenue estimates. The disruption in house construction in Jan-Feb led to Switchgear's poor show. GMs fell by 800bps yoy, surprising negatively.
- EBITDA margin contracted 340bps yoy despite lower ad spends and other opex. Lloyd's 62% revenue growth yoy was led by distribution expansion and market share gains, while management attributed commodity inflation and delayed price hikes to the EBIT loss.
- Demand momentum continued in Apr'22. Management said it will wait for some more time to pass on commodity inflation fully. Lloyd's strategy for gaining market share is working well. However, management remained non-committal regarding profitability timelines.
- We have cut FY23E EPS by 3% but have raised FY24E EPS by 3%. Commodity inflation and delayed price hikes should keep margins under check in near term. Maintain Hold with a revised Jun'23E TP of Rs1,240 (implied PE of 41x vs. 43x, using a 2-stage DCF model).

Robust topline growth, but margin print remains sub-par: Revenue, at Rs44.2bn, grew by 32.6% yoy and 20.9% qoq. Revenue, ex-Lloyd, increased 26.2% yoy to Rs34.6bn, driven by C&W, ECD and Lighting. EBIT growth (ex-Lloyd) was 14% yoy, with margins declining by 193bps yoy due to the C&W and Lighting segments. EBITDA rose to Rs5.2bn from Rs5.1bn in Q4FY21, while EBITDA margins were 11.8%, down 339bps yoy and 30bps qoq. The impact of staggered price hikes and cost inflation reduced gross margins by 812bps yoy. Other expenses were flat yoy. A&P spends were down 13% (3-yr CAGR) and stood at 1.6% of sales, vs. 1.7% a year ago and 2.7% in Q3. RPAT rose 16.8% yoy to Rs3.5bn on a low base.

Outlook: Havells has once again showcased its execution strength, with solid revenue growth across segments (Switchgear was an exception, though). That said, the current inflationary scenario could pose risks to volume growth once the pent-up demand in the ongoing summer season is fulfilled. The continuation of commodity prices at current levels and delayed price hikes could keep margins and profitability under pressure. Lloyd's faster-than-expected market share gain was a pleasant surprise, but the lack of clarity on profitability timelines is definitely a discouraging sign. Continued losses in Lloyd in the next 2-3 years could be potentially negative. Capex recovery, government spending and sustained demand from the real-estate sector should support volume growth. Capex in FY23 would be Rs7-8bn for capacity expansion in RAC and C&W, along with routine spending. Valuations, which already reflect a lot of potential positives, continue to be an area of discomfort for us. **Upside risks:** sustained market share gains and faster-than-expected margin recovery. **Downside risks:** continued cost inflation, slow economic growth, and sustained margin pressure.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Consumer Durables \(Page 13\)](#)

Financial Snapshot (Consolidated)

(Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	104,279	138,885	162,832	185,148	208,067
EBITDA	15,653	17,499	21,100	25,766	29,124
EBITDA Margin (%)	15.0	12.6	13.0	13.9	14.0
APAT	10,396	11,870	14,547	18,197	20,999
EPS (Rs)	16.6	19.0	23.2	29.1	33.5
EPS (% chg)	41.8	14.2	22.5	25.1	15.4
ROE (%)	22.0	21.3	22.6	24.4	24.2
P/E (x)	75.2	65.9	53.8	43.0	37.2
EV/EBITDA (x)	49.0	43.2	35.6	28.8	25.1
P/BV (x)	15.1	13.1	11.3	9.8	8.4

Source: Company, Emkay Research

CMP	Target Price
Rs 1,249 as of (May 5, 2022)	Rs 1,240 (▲) 12 months
Rating	Upside
HOLD (■)	(0.7) %

Change in Estimates

EPS Chg FY23E/FY24E (%)	(2.9)/
Target Price change (%)	3.3
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY23E	FY24E
Emkay	23.2	29.1
Consensus	23.2	27.7
Mean Consensus TP (12M)	Rs 1,353	

Stock Details

Bloomberg Code	HAVL IN
Face Value (Rs)	1
Shares outstanding (mn)	626
52 Week H/L	1,504 / 958
M Cap (Rs bn/USD bn)	782 / 10.26
Daily Avg Volume (nos.)	1,111,917
Daily Avg Turnover (US\$ mn)	17.3

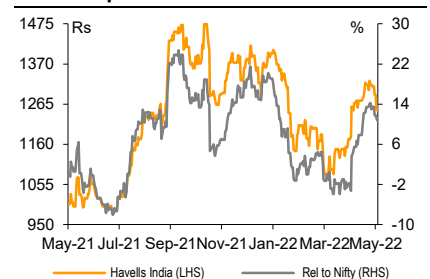
Shareholding Pattern Mar '22

Promoters	59.5%
FIIIs	24.4%
DIIIs	8.2%
Public and Others	7.9%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(1)	3	(4)	25
Rel. to Nifty	7	8	4	10

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:

Naval Seth

naval.seth@emkayglobal.com
+91 22 6624 2414

Vijayant Gupta

vijayant.gupta@emkayglobal.com
+91 22 6612 1257

Exhibit 1: Actual vs. Estimates (Q4FY22)

(Rs mn)	Actual	Estimate (Emkay)	Consensus estimate (Bloomberg)	% variation		Comment
				Emkay	Consensus	
Revenue	44,171	40,860	39,158	8%	13%	Higher-than-expected growth at Lloyd and C&W
EBITDA	5,205	5,084	4,949	2%	5%	Better profitability at ECD and C&W
<i>EBITDA Margin</i>	<i>11.8%</i>	<i>12.4%</i>	<i>12.6%</i>	<i>-66 bps</i>	<i>-85 bps</i>	
PAT	3,529	3,629	3,398	-3%	4%	

Source: Company, Bloomberg, Emkay Research

Exhibit 2: Summary of quarterly financials

Rs mn	Q4FY19	Q4FY20	Q4FY21	Q3FY22	Q4FY22	YoY (%)	QoQ (%)	3 yr CAGR
Switchgears	4,085	3,027	4,633	4,960	4,744	2.4	(4.3)	5%
Cable and Wires	8,979	6,823	10,292	12,058	14,881	44.6	23.4	18%
Lighting and Fixtures	3,312	2,343	3,287	4,080	3,994	21.5	(2.1)	6%
Electrical Consumer Durables	5,331	4,177	7,124	8,926	8,698	22.1	(2.6)	18%
Lloyds	5,324	4,579	5,906	4,657	9,592	62.4	106.0	22%
Others		1,213	2,070	1,841	2,261	9.2	22.8	
Total Sales	27,535	22,161	33,312	36,523	44,171	32.6	20.9	17%
Raw Material	17382	14,146	20,841	24,730	31,223	49.8	26.3	22%
<i>as % of sales</i>	<i>63.1</i>	<i>63.8</i>	<i>62.6</i>	<i>67.7</i>	<i>70.7</i>			<i>4%</i>
Employee Cost	2217	1,989	2,585	2,574	2,753	6.5	7.0	7%
<i>as % of sales</i>	<i>8.1</i>	<i>9.0</i>	<i>7.8</i>	<i>7.0</i>	<i>6.2</i>			<i>-8%</i>
Other operating expenses	4787	3,573	4,829	4,815	4,989	3.3	3.6	1%
<i>as % of sales</i>	<i>17.4</i>	<i>16.1</i>	<i>14.5</i>	<i>13.2</i>	<i>11.3</i>			<i>-13%</i>
Total Expenditure	24386	19,708	28,255	32,119	38,965	37.9	21.3	17%
EBITDA	3149	2,453	5,057	4,403	5,205	2.9	18.2	18%
Depreciation	392	625	650	662	707	8.8	6.8	22%
EBIT	2757	1,828	4,407	3,742	4,498	2.1	20.2	18%
Other Income	311	195	372	488	442	18.7	(9.5)	12%
Interest	61.4	46	235	123	191	(18.9)	54.9	46%
PBT	3006	1,977	4,544	4,107	4,749	4.5	15.7	16%
Tax	1000	205	1,521	1,047	1,220	(19.8)	16.5	7%
PAT	2007	1,772	3,023	3,059	3,529	16.7	15.3	21%
Margins (%)						(bps)	(bps)	
Gross Margin	36.9	36.2	37.4	32.3	29.3	(812)	(298)	
EBIDTA	11.4	11.1	15.2	12.1	11.8	(339)	(27)	
EBIT	10.0	8.2	13.2	10.2	10.2	(304)	(6)	
EBT	10.9	8.9	13.6	11.2	10.8	(289)	(49)	
PAT	7.3	8.0	9.1	8.4	8.0	(109)	(39)	
Effective Tax rate	33.3	10.4	33.5	25.5	25.7	(779)	18	

Source: Company, Emkay Research

Exhibit 3: Segment-wise revenue and EBIT performance

Rs mn	Q4FY19	Q4FY20	Q4FY21	Q3FY22	Q4FY22	YoY (%)	QoQ (%)	3 yr CAGR
Switchgears	4,085	3,027	4,633	4,960	4,744	2.4	(4.3)	5%
Cable and Wires	8,979	6,823	10,292	12,058	14,881	44.6	23.4	18%
Lighting and Fixtures	3,816	2,343	3,287	4,080	3,994	21.5	(2.1)	2%
Electrical Consumer Durables	5,331	4,177	7,124	8,926	8,698	22.1	(2.6)	18%
Lloyds	5,324	4,579	5,906	4,657	9,592	62.4	106.0	22%
Others		1,213	2,070	1,841	2,261	9.2	22.8	
Total Sales	27,535	22,161	33,312	36,523	44,171	32.6	20.9	17%
PBIT								
Switchgears	1605	670	1234	1454	1231	(0.3)	(15.3)	
Cable and Wires	1575	666	1528	1256	1732	13.4	37.9	
Lighting and Fixtures	981	329	680	869	617	(9.3)	(29.0)	
Electrical Consumer Durables	1372	560	1090	1138	1501	37.7	31.9	
Lloyds	798	85	318	-418	-213	(167.0)	(49.1)	
Others		-13	145	46	265	83.5	478.8	
Total PBIT	6,330	2,297	4,994	4,344	5,133	2.8	18.1	
Un-allocable expense	3249	273	215	115	193	(10.3)	68.1	
<i>as % of sales</i>	12	1	1	0	0			
Exceptional Items	0	0	0	0	0			
PBT	3082	2023	4779	4230	4940	3.4	16.8	17%
PBIT Margins (%)						(bps)	(bps)	
Switchgears	39.3	22.1	26.6	29.3	25.9	(70)	(337)	
Cable and Wires	17.5	9.8	14.8	10.4	11.6	(320)	122	
Lighting and Fixtures	25.7	14.0	20.7	21.3	15.4	(523)	(585)	
Electrical Consumer Durables	25.7	13.4	15.3	12.7	17.3	195	451	
Lloyds	15.0	1.9	5.4	(9.0)	(2.2)	(760)	676	
Others		(1.1)	7.0	2.5	11.7	474	924	
Total PBIT	23.0	10.4	15.0	11.9	11.6	(337)	(27)	

Source: Company, Emkay Research

Other highlights

- Revenue grew 32.6% yoy and 20.9% qoq to Rs44.2n. **Ex-Lloyd, revenues increased 26.2% yoy to Rs34.6bn.**
- **EBITDA was Rs5.2bn vs. Rs5.1bn in Q4FY21. EBITDA margins stood at 11.8%, a contraction of 339bps yoy and 30bps qoq.**
 - Gross margin declined 812bps yoy due to staggered price hikes and cost increases.
 - Other expenses were flat yoy. **A&P spends were down 13% on a 3-yr CAGR basis and stood at 1.6% of sales vs. 1.7% in the year-ago quarter and 2.7% in Q3.**
- **RPAT was up 16.8% yoy to Rs3.5bn on a low base from last year.**

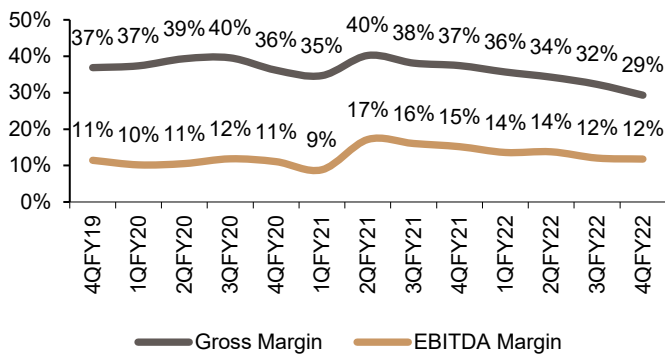
Segment-wise performance

- **Electrical Consumer Durables:** Topline grew 22.1% yoy (3-yr CAGR: 18%) to Rs8.7bn, with EBIT of Rs1.5bn vs. Rs1.1bn in Q4FY21. **EBIT margin stood at 17.3% vs. 15.3% a year ago.**
- **Wires and Cables:** Revenue was up 44.6% yoy (3-yr CAGR: 18%) to Rs14.9bn, driven by a **healthy mix of volume and value growth**, with EBIT of Rs1.7bn. EBIT margin was 11.6% vs. 14.8% in Q4FY21.
- **Lighting and Fixtures:** Revenue rose 21.5% yoy to Rs4.0bn, **driven by B2C demand.** EBIT margins of Lighting were 15.4%, down 523bps yoy and 585bps qoq, due to the incomplete pass-through of cost inflation.
- **Lloyd:** Revenue was Rs9.6bn, up 62.4% yoy (22% on a 3-yr CAGR basis). The segment saw an **EBIT loss of Rs213mn**, down from a Rs418mn loss in Q3FY22, **as high competitive intensity led to a delay price hikes.**
- **Switchgears:** Revenue grew 2.4% yoy to Rs4.7bn, **impacted by Covid-induced disruption of construction activity.** EBIT margin stood at 25.9% vs. 26.6% in Q4FY21.
- **Others:** Revenues increased by 9.2% to Rs2.3bn, while margins expanded by 474bps yoy and 924bps qoq and stood at 11.7%.

Balance Sheet

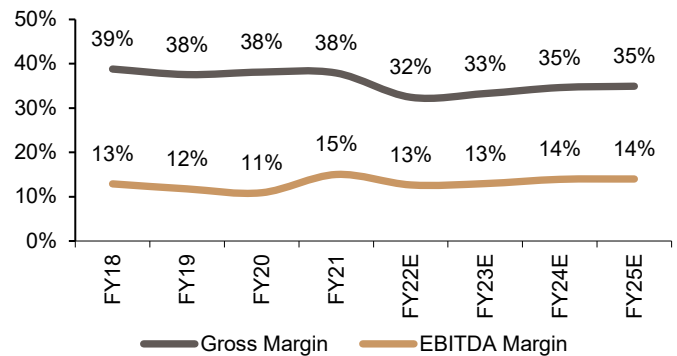
- Net working capital days declined to 36 days from 56 in Q4FY21.
- **Net cash stood at Rs25.9bn vs. Rs21.2bn in Q3FY22 and Rs14.4bn in Q4FY21. FY22 capex was Rs2.5bn, relating to Washing Machine, AC controller, Water heater and Air conditioner units.**

Exhibit 4: Gross margin contracted further due to staggered price actions



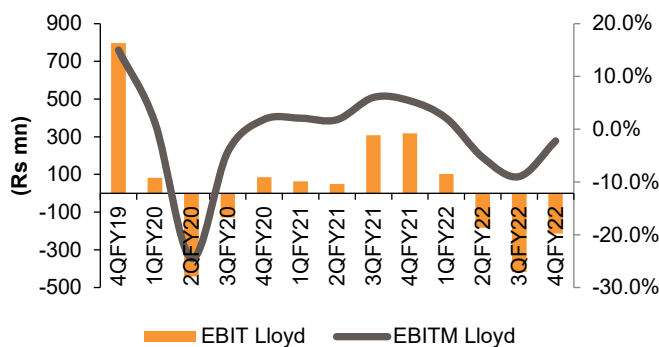
Source: Company, Emkay Research

Exhibit 5: Gross margins are expected to recover in FY23



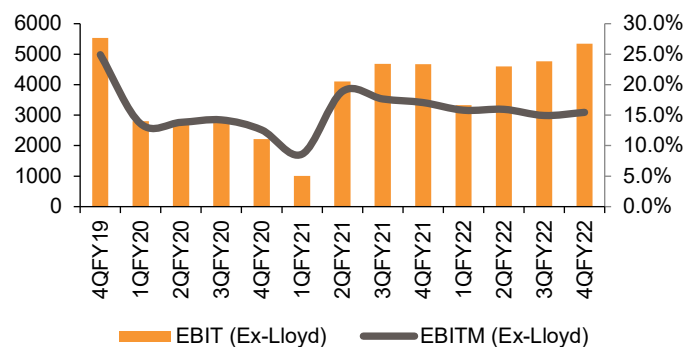
Source: Company, Emkay Research

Exhibit 6: Lloyd's EBIT loss narrowed, underperforms estimate



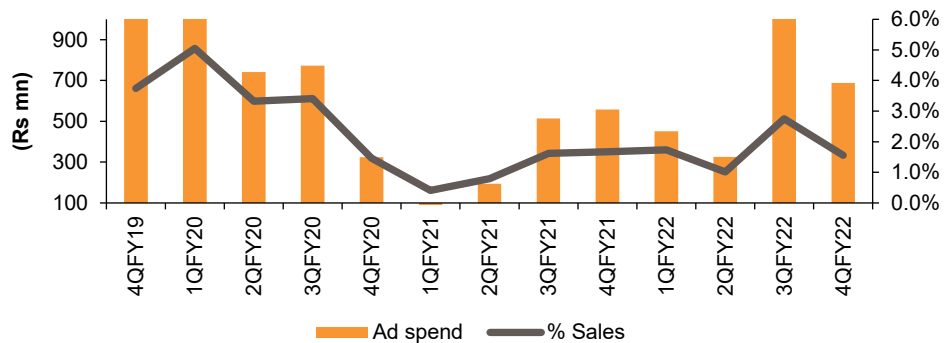
Source: Company, Emkay Research

Exhibit 7: Quarterly EBIT and EBIT margin trend (ex-Lloyd)



Source: Company, Emkay Research

Exhibit 8: Ad spends return below normalized levels



Source: Company, Emkay Research

Exhibit 9: Changes in estimates

Particulars	FY23E			FY24E			FY25E
	Old	New	% Change	Old	New	% Change	Introduced
Revenue	153,531	162,832	6.1%	174,534	185,148	6.1%	208,067
EBITDA	21,295	21,100	-0.9%	24,602	25,766	4.7%	29,124
EBITDA Margin %	13.9	13.0	-91 bps	14.1	13.9	-18 bps	14.0
EBIT	18,294	17,738	-3.0%	21,200	22,003	3.8%	24,960
PAT	14,963	14,547	-2.8%	17,597	18,197	3.4%	20,999
EPS	23.9	23.2	-2.8%	28.1	29.1	3.4%	33.5

Source: Company, Emkay Research

Exhibit 10: Revenue and margin assumptions

Rs mn	FY20	FY21	FY22	FY23E	FY24E	FY25E
Switchgear	13,394	14,609	17,864	20,008	22,409	25,098
% yoy growth	-15%	9%	22%	12%	12%	12%
Cables and wires	29,942	31,802	46,451	53,418	58,760	64,636
% yoy growth	-7%	6%	46%	15%	10%	10%
Lighting and Fixtures	10,143	10,846	13,709	15,765	18,130	20,305
% yoy growth	-22%	7%	26%	15%	15%	12%
Electrical consumer durables	20,054	23,770	30,669	35,528	40,549	45,933
% yoy growth	-4%	19%	29%	16%	14%	13%
Lloyd's consumer	15,903	16,888	22,606	29,388	35,265	40,555
% yoy growth	-14%	6%	34%	30%	20%	15%
Others	4,857	6,365	7,587	8,725	10,034	11,539
% yoy growth		31%	19%	15%	15%	15%
Total Revenue	94,292	104,279	138,885	162,832	185,148	208,067
% yoy growth	-6%	11%	33%	17%	14%	12%

Rs mn	FY20	FY21	FY22	FY23E	FY24E	FY24E
Switchgear	3,249	4,047	4,908	5,502	6,162	6,902
% margin	24%	28%	27%	28%	28%	28%
Cables and wires	3,321	4,038	5,403	6,410	7,051	7,756
% margin	11%	13%	12%	12%	12%	12%
Lighting and Fixtures	1,457	2,041	2,576	2,917	3,445	3,858
% margin	14%	19%	19%	19%	19%	19%
Electrical consumer durables	2,870	4,037	4,576	5,685	6,691	7,579
% margin	14%	17%	15%	16%	17%	17%
Lloyd's consumer	-401	741	-711	-735	1,234	2,028
% margin	-3%	4%	-3%	-3%	4%	5%
Others	-250	310	567	654	803	981
% margin	-5%	5%	7%	8%	8%	9%
Total PBIT	10,246	15,213	17,318	20,433	25,386	29,104
% margin	11%	15%	12%	13%	14%	14%

Source: Company, Emkay Research

Con-call highlights

The timely onset of summer and pent-up demand led to strong growth for Lloyd. **ECD** - Fans bounced back strongly, followed by Small Domestic Appliances and Water heaters. **As of now, demand is not hampered by price increases; however, if commodity prices remain at elevated levels, it could impact future demand.** Demand momentum has continued in Apr'22 across product categories and is likely to sustain in the near term. In the next 2-3 years, revenue growth is expected in early teens.

Volume growth: Overall FY22 growth was 11-12%; Q4 growth stood at 20%.

Price increase: The majority of the price hikes were taken in Q3, with some hikes in Switchgear and ECD done only in Q4. The price increase for Lloyd in FY22 was 10%, with the last hike happening in Dec'21. The company is holding back some price increases, as there were already substantial price hikes in the last four quarters. The benefits of any potential near-term price increase in RACs will flow-through only after Q1. Management said it will wait for some more time to fully pass on the cost inflation to customers. At current levels of commodity prices, RAC, Lighting and Fans require additional price hikes.

ECD: Q4 volume growth was 15% and remaining ~7% driven by price hikes. Management does not expect any disruptions in Fans with BLDC convergence.

Lighting: About 30% of revenues came from B2B and it grew at a slower pace than B2C. In B2B, the focus is on profitable projects.

Lloyd: RACs contributed 80-85% to revenues in Q4. RAC Channel inventory, as of end of April, is not high as the summer season is going well. Distribution expansion is continuing, which has led to both market share improvement and revenue growth. The company is working on growing Washing Machine and Refrigerator shares as well, and the RAC market share has now reached the targeted level.

- **North and West started with strong sales in March. South has also picked up in April. 70-80% of RAC sales are in the Inverter category.**
- **There is no change in the distributor margin policy.**
- **The entire EBIT loss in Q4 was due to higher commodity prices. Operating leverage will take time to kick in with scale-up in volumes. The current focus is on gaining market share, and profitability will come within some time, as a moderation in commodity prices also happens. R&D, new product launches and brand investments will continue. The response to Refrigerators and Washing Machines is encouraging from both the channel and customers.**
- **Capacity: Lloyd has 1mn RAC capacity and is setting up additional capacity in South (Sri City), which will be operational by CY22-end.**

Others: A large part of other revenues is from Electric Motors, followed by Water Purifiers, Solar and Grooming products.

Ad spends: There has been no impact on the share of voice despite lower ad spends in the last few quarters, as industry spends were also lower. Management reiterated that ad spends will normalize in FY23.

Capex: FY23 capex is estimated to be ~Rs7-8bn, largely for AC (Rs3-3.5bn) and C&W segments.

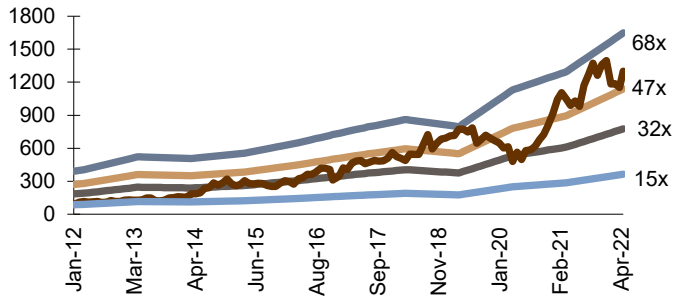
Exhibit 11: Target multiple derived from a 2-stage growth model

Revenue CAGR [FY22E-25E] (%)	14.4
EPS CAGR [FY22E-25E] (%)	20.7
Stage-1: FY25E-35E	
EPS in Yr-0 [FY25E] (Rs)	33.5
EPS in Yr-1 (Rs)	38.6
EPS CAGR (%)	15.0
Years of growth [n]	10.0
Incremental RoE (%)	40.0
CoE (%)	11.00
Implied DPR (%)	63
Terminal stage: >FY35E	
EPS growth (%)	7.0
Incremental RoE (%)	40.0
Implied DPR (%)	83
Fair value P/E in Mar'25E (x)	34.0
Fair value in Mar'25E (Rs/share)	1,311
Fair value in Jun'23E (Rs/share)	1,092
NPV of dividends in FY22E-25E (Rs/share)	35
Overall fair value in Mar'23E (Rs/share)	1,127
Jun'24E EPS (Rs)	30
Implied fair value P/E in Jun'23E (x)	37.3
Premium applied to FV (%) [a]	10.0
Target P/E in Jun'23E (x)	41.1
Target price in Jun'23E (Rs/share)	1,240
CMP	1,249
Upside	(1)

Source: Company, Emkay Research, [a] Premium for potential new product categories

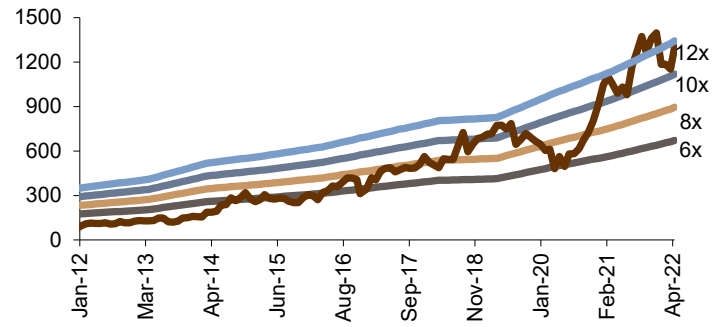
Valuation charts

Exhibit 12: 1-year forward P/E band



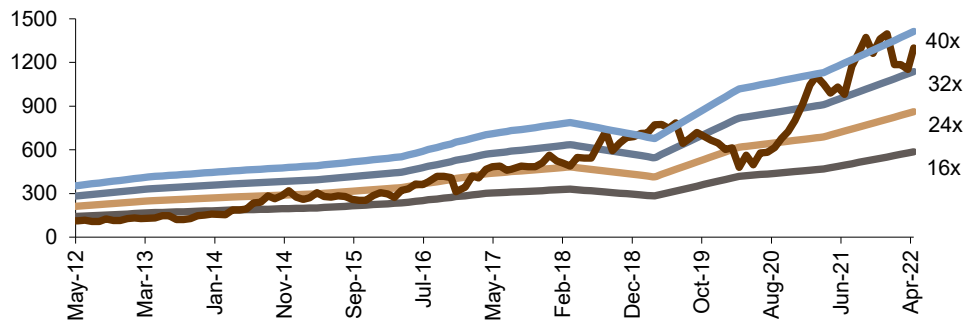
Source: Bloomberg, Emkay Research

Exhibit 13: 1-year forward P/B band



Source: Bloomberg, Emkay Research

Exhibit 14: 1-year forward EV/EBITDA band



Source: Bloomberg, Emkay Research

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	104,279	138,885	162,832	185,148	208,067
Expenditure	88,627	121,386	141,732	159,381	178,943
EBITDA	15,653	17,499	21,100	25,766	29,124
Depreciation	2,489	2,608	3,362	3,763	4,164
EBIT	13,164	14,891	17,738	22,003	24,960
Other Income	1,878	1,604	1,842	2,456	3,243
Interest expenses	726	534	140	140	140
PBT	14,316	15,961	19,440	24,318	28,062
Tax	3,919	4,091	4,893	6,121	7,063
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	10,396	11,870	14,547	18,197	20,999
Adjusted PAT	10,396	11,870	14,547	18,197	20,999

Balance Sheet

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Equity share capital	626	626	626	626	626
Reserves & surplus	51,019	59,260	68,274	79,557	92,576
Net worth	51,645	59,886	68,900	80,183	93,202
Minority Interest	0	0	0	0	0
Loan Funds	4,922	3,955	937	937	937
Net deferred tax liability	3,391	3,506	3,391	3,391	3,391
Total Liabilities	59,958	67,348	73,228	84,510	97,530
Net block	32,903	34,358	39,068	40,377	41,285
Investment	22	4,285	22	22	22
Current Assets	54,378	65,860	79,922	96,187	114,760
Cash & bank balance	19,310	25,358	31,267	40,896	52,654
Other Current Assets	1,328	1,344	1,864	2,087	2,316
Current liabilities & Provision	28,245	37,704	46,647	52,938	59,400
Net current assets	26,133	28,156	33,275	43,248	55,360
Misc. exp	0	0	0	0	0
Total Assets	59,958	67,334	73,228	84,510	97,530

Cash Flow

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
PBT (Ex-Other income) (NI+Dep)	12,438	14,357	17,598	21,863	24,819
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(5,618)	4,140	675	(344)	(354)
Operating Cashflow	6,579	17,444	18,957	19,407	21,817
Capital expenditure	(1,935)	(3,700)	(8,399)	(5,072)	(5,072)
Free Cash Flow	4,644	13,744	10,558	14,336	16,745
Investments	192	(4,263)	4,263	0	0
Other Investing Cash Flow	(7,764)	(1,235)	(389)	(107)	(109)
Investing Cashflow	(7,629)	(7,594)	(2,683)	(2,723)	(1,938)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	4,517	(967)	(3,019)	0	0
Dividend paid (incl tax)	(1,878)	(4,071)	(5,528)	(6,915)	(7,980)
Other Financing Cash Flow	18,447	21,080	23,680	31,267	40,896
Financing Cashflow	20,360	15,508	14,993	24,211	32,776
Net chg in cash	19,310	25,358	31,267	40,896	52,654
Opening cash position	11,069	19,310	25,358	31,267	40,896
Closing cash position	19,310	25,358	31,267	40,896	52,654

Source: Company, Emkay Research

This report is intended for team.emkay@whitemarquesolutions.com use and downloaded at 05/06/2022 02:13 PM

Emkay Research is also available on www.emkayglobal.com and Bloomberg EMKAY<GO>. Please refer to the last page of the report on Restrictions on Distribution. In Singapore, this research report or research analyses may only be distributed to Institutional Investors, Expert Investors or Accredited Investors as defined in the Securities and Futures Act, Chapter 289 of Singapore.

Key Ratios

Profitability (%)	FY21	FY22	FY23E	FY24E	FY25E
EBITDA Margin	15.0	12.6	13.0	13.9	14.0
EBIT Margin	12.6	10.7	10.9	11.9	12.0
Effective Tax Rate	27.4	25.6	25.2	25.2	25.2
Net Margin	10.0	8.5	8.9	9.8	10.1
ROCE	28.3	25.9	27.9	31.0	31.0
ROE	22.0	21.3	22.6	24.4	24.2
RoIC	35.6	38.7	45.3	52.5	57.6

Per Share Data (Rs)	FY21	FY22	FY23E	FY24E	FY25E
EPS	16.6	19.0	23.2	29.1	33.5
CEPS	20.6	23.1	28.6	35.1	40.2
BVPS	82.5	95.7	110.1	128.1	148.9
DPS	3.0	6.5	8.8	11.0	12.7

Valuations (x)	FY21	FY22	FY23E	FY24E	FY25E
PER	75.2	65.9	53.8	43.0	37.2
P/CEPS	60.7	54.0	43.7	35.6	31.1
P/BV	15.1	13.1	11.3	9.8	8.4
EV / Sales	7.4	5.4	4.6	4.0	3.5
EV / EBITDA	49.0	43.2	35.6	28.8	25.1
Dividend Yield (%)	0.2	0.5	0.7	0.9	1.0

Gearing Ratio (x)	FY21	FY22	FY23E	FY24E	FY25E
Net Debt/ Equity	(0.3)	(0.4)	(0.4)	(0.5)	(0.6)
Net Debt/EBIDTA	(0.9)	(1.5)	(1.4)	(1.6)	(1.8)
Working Cap Cycle (days)	23.9	7.4	4.5	4.6	4.7

Growth (%)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	10.6	33.2	17.2	13.7	12.4
EBITDA	52.4	11.8	20.6	22.1	13.0
EBIT	62.6	13.1	19.1	24.0	13.4
PAT	41.8	14.2	22.5	25.1	15.4

Quarterly (Rs mn)	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Revenue	33,312	25,982	32,210	36,523	44,171
EBITDA	5,057	3,531	4,436	4,403	5,205
EBITDA Margin (%)	15.2	13.6	13.8	12.1	11.8
PAT	3,023	2,343	3,016	3,059	3,530
EPS (Rs)	4.8	3.7	4.8	4.9	5.6

Source: Company, Emkay Research

Shareholding Pattern (%)	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Promoters	59.5	59.5	59.5	59.5	59.5
FIs	24.9	24.0	26.8	26.5	24.4
DIs	7.9	8.2	6.1	6.3	8.2
Public and Others	7.7	8.3	7.6	7.8	7.9

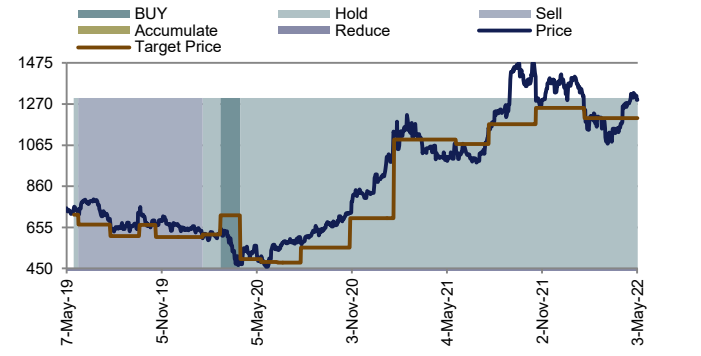
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
22-Jan-22	1,242	1,200	12m	Hold	Naval Seth
17-Nov-21	1,375	1,250	12m	Hold	Naval Seth
21-Oct-21	1,286	1,250	12m	Hold	Naval Seth
23-Aug-21	1,259	1,170	12m	Hold	Naval Seth
29-Jul-21	1,179	1,170	12m	Hold	Naval Seth
23-Jul-21	1,144	1,170	12m	Hold	Naval Seth
21-May-21	1,028	1,070	12m	Hold	Naval Seth
22-Jan-21	1,123	1,093	12m	Hold	Naval Seth
30-Oct-20	728	701	12m	Hold	Naval Seth
28-Jul-20	576	554	12m	Hold	Naval Seth
13-Jun-20	552	480	12m	Hold	Naval Seth
13-May-20	511	482	12m	Hold	Naval Seth
7-Apr-20	500	497	12m	Hold	Naval Seth
3-Apr-20	472	497	12m	Hold	Naval Seth
16-Mar-20	566	715	12m	Buy	Naval Seth
25-Feb-20	644	715	12m	Buy	Naval Seth
13-Feb-20	618	619	12m	Hold	Naval Seth
22-Jan-20	601	619	12m	Hold	Naval Seth
16-Dec-19	649	607	12m	Sell	Naval Seth
28-Nov-19	674	607	12m	Sell	Naval Seth
19-Nov-19	666	607	12m	Sell	Naval Seth
24-Oct-19	670	607	12m	Sell	Naval Seth
23-Sep-19	732	668	12m	Sell	Naval Seth
11-Sep-19	665	611	12m	Sell	Naval Seth
29-Jul-19	665	611	12m	Sell	Naval Seth
13-Jun-19	784	669	12m	Sell	Naval Seth
29-May-19	731	669	12m	Sell	Naval Seth
20-May-19	756	719	12m	Hold	Naval Seth

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Consumer Durables



Analyst: Naval Seth

Contact Details

naval.seth@emkayglobal.com
+91 22 66242414

Sector

Consumer Durables, Media & Entertainment, SMID and Telecom

Analyst bio

Naval holds an MBA in Finance and has more than 13 years of experience in equity research. His team currently covers 19 stocks spread across three different sectors.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight based on Current NAV	Change vs last published EAP (bps)
Consumer Durables	1.13	1.13	0%	0	100.00	
Amber Enterprises	0.00	0.00	NA	0	0.00	0
Blue Star	0.00	0.00	NA	0	0.00	0
Crompton Greaves CE	0.22	0.23	4%	1	20.79	0
Dixon Technologies	0.14	0.13	-10%	-1	11.08	0
Havells India	0.33	0.33	3%	1	29.65	0
KEI Industries	0.00	0.00	NA	0	0.00	0
Polycab India	0.10	0.11	4%	0	9.50	0
V-Guard Industries	0.00	0.00	NA	0	0.00	0
Voltas	0.28	0.27	-4%	-1	24.23	0
Whirlpool Of India	0.05	0.05	0%	0	4.51	0
Cash	0.00	0.00	NA	0	0.23	0

Source: Emkay Research

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

Sector portfolio NAV

	Base					Latest
	1-Apr-19	5-May-21	3-Nov-21	4-Feb-22	5-Apr-22	4-May-22
EAP - Consumer Durables	100.0	155.7	192.6	181.4	184.3	170.9
BSE200 Neutral Weighted Portfolio (ETF)	100.0	142.3	177.9	169.8	172.7	160.0

*Performance measurement base date 1st April 2019

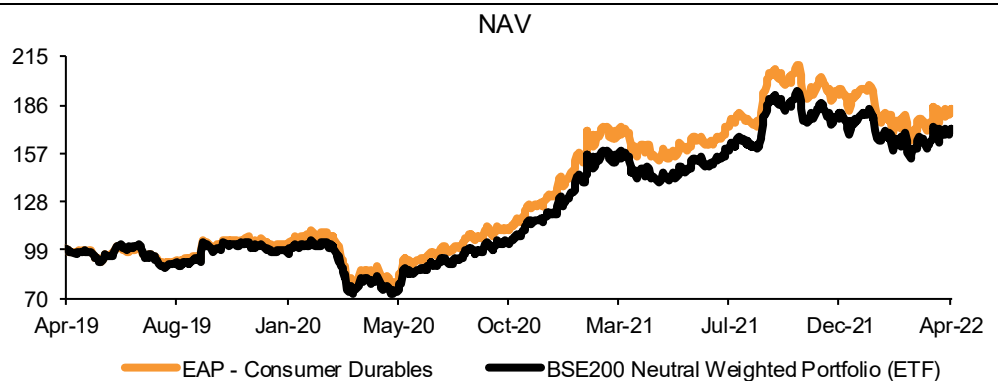
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Consumer Durables	-7.3%	-5.8%	-11.2%	9.7%
BSE200 Neutral Weighted Portfolio (ETF)	-7.4%	-5.8%	-10.1%	12.4%

Source: Emkay Research

NAV chart



Source: Emkay Research

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

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

“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: 05 May 2022 21:29:34 (SGT)

Dissemination Date: 05 May 2022 21:30:34 (SGT)

Sources for all charts and tables are Emkay Research unless otherwise specified.

GENERAL DISCLOSURE/DISCLAIMER BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Emkay Global Financial Services Limited (CIN-L67120MH1995PLC084899) and its affiliates are a full-service, brokerage, investment banking, investment management and financing group. Emkay Global Financial Services Limited (EGFSL) along with its affiliates are participants in virtually all securities trading markets in India. EGFSL was established in 1995 and is one of India's leading brokerage and distribution house. EGFSL is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX). EGFSL along with its subsidiaries offers the most comprehensive avenues for investments and is engaged in the businesses including stock broking (Institutional and retail), merchant banking, commodity broking, depository participant, portfolio management, insurance broking and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.emkayglobal.com

EGFSL is registered as Research Analyst with SEBI bearing registration Number INH000000354 as per SEBI (Research Analysts) Regulations, 2014. EGFSL hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in last five years, except that NSE had disabled EGFSL from trading on October 05, October 08 and October 09, 2012 for a manifest error resulting into a bonafide erroneous trade on October 05, 2012. However, SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on EGFSL for certain operational deviations in ordinary/routine course of business. EGFSL has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

EGFSL offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report

EGFSL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject EGFSL or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to Emkay. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of EGFSL. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of EGFSL or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

- This publication has not been reviewed or authorized by any regulatory authority. There is no planned schedule or frequency for updating research publication relating to any issuer.
- Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets

Disclaimer for U.S. persons only: This research report is a product of Emkay Global Financial Services Limited (Emkay), which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of Financial Institutions Regulatory Authority (FINRA) or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account. This report is intended for distribution to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors.

ANALYST CERTIFICATION BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL)

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible of the content of this research report, in part or in whole, certifies that he or his associate¹ does not serve as an officer, director or employee of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant). The research analyst(s) primarily responsible for the content of this research report or his associate does not have financial interests² in relation to an issuer or a new listing applicant that the analyst reviews. EGFSL has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the EGFSL and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of EGFSL compensation to any specific investment banking function of the EGFSL.

¹ An associate is defined as (i) the spouse, or any minor child (natural or adopted) or minor step-child, of the analyst; (ii) the trustee of a trust of which the analyst, his spouse, minor child (natural or adopted) or minor step-child, is a beneficiary or discretionary object; or (iii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

² Financial interest is defined as interest that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at the arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

COMPANY-SPECIFIC / REGULATORY DISCLOSURES BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

1. EGFSL, its subsidiaries and/or other affiliates do not have a proprietary position in the securities recommended in this report as of May 5, 2022
2. EGFSL, and/or Research Analyst does not market make in equity securities of the issuer(s) or company(ies) mentioned in this Research Report
- Disclosure of previous investment recommendation produced:**
3. EGFSL may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by EGFSL in the preceding 12 months.
4. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's does not have any material conflict of interest in the securities recommended in this report as of May 5, 2022.
5. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's does not have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the May 5, 2022
6. EGFSL, its subsidiaries and/or other affiliates and Research Analyst have not received any compensation in whatever form including compensation for investment banking or merchant banking or brokerage services or for products or services other than investment banking or merchant banking or brokerage services from securities recommended in this report (subject company) in the past 12 months.
7. EGFSL, its subsidiaries and/or other affiliates and/or and Research Analyst have not received any compensation or other benefits from securities recommended in this report (subject company) or third party in connection with the research report.
8. Securities recommended in this report (Subject Company) has not been client of EGFSL, its subsidiaries and/or other affiliates and/or and Research Analyst during twelve months preceding the May 5, 2022

RESTRICTIONS ON DISTRIBUTION

General	This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.
Australia	This report is not for distribution into Australia.
Hong Kong	This report is not for distribution into Hong Kong.
Indonesia	This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia.
Malaysia	This report is not for distribution into Malaysia.
Singapore	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 16800306E) or DBSVS (Company Regn. No. 1860024G) both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an agreement under Regulation 32C of the financial Advisers Regulations. Singapore recipients should contact DBS Bank Ltd at 6327 2288 for matters arising from, or in connection with the report.
Thailand	This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd.
United Kingdom	This report is disseminated in the United Kingdom by DBS Vickers Securities (UK) Ltd, ("DBSVUK"). DBSVUK is authorised and regulated by the Financial Conduct Authority in the United Kingdom. In respect of the United Kingdom, this report is solely intended for the clients of DBSVUK, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBSVUK. This communication is directed at persons having professional experience in matters relating to investments. Any investment activity following from this communication will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this communication.
Dubai International Financial Centre	This research report is being distributed by DBS Bank Ltd., (DIFC Branch) having its office at units 608-610, 6 th Floor, Gate Precinct Building 5, PO Box 506538, Dubai International Financial Centre (DIFC), Dubai, United Arab Emirates. DBS Bank Ltd., (DIFC Branch) is regulated by The Dubai Financial Services Authority. This research report is intended only for professional clients (as defined in the DFSA rulebook) and no other person may act upon it.
United Arab Emirates	This report is provided by DBS Bank Ltd (Company Regn. No. 196800306E) which is an Exempt Financial Adviser as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. This report is for information purposes only and should not be relied upon or acted on by the recipient or considered as a solicitation or inducement to buy or sell any financial product. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situation, or needs of individual clients. You should contact your relationship manager or investment adviser if you need advice on the merits of buying, selling or holding a particular investment. You should note that the information in this report may be out of date and it is not represented or warranted to be accurate, timely or complete. This report or any portion thereof may not be reprinted, sold or redistributed without our written consent.
United States	DBSVUSA did not participate in its preparation. The research analyst(s) named on this report are not registered as research analysts with FINRA and are not associated persons of DBSVUSA. The research analyst(s) are not subject to FINRA Rule 2241 restrictions on analyst compensation, communications with a subject company, public appearances and trading securities held by a research analyst. This report is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. This report may only be distributed to Major U.S. Institutional Investors (as defined in SEC Rule 15a-6) and to such other institutional investors and qualified persons as DBSVUSA may authorize. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.
Other jurisdictions	In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com