

# KEI Industries

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## Demand continues unabated

- KEI's Q4 revenues were up 43.8% yoy and beat our estimates by 8% with 'LT Cable', 'HT Cables' and 'EHV' segments topping expectations by 7%/14%/21%. EPC revenue fell 18% yoy on a conscious scale-down. Overall volumes grew 19.7% yoy in Q4 and 21% in FY22.
- Due to RM inflation and the lag in price increase in the institutional business, GMs fell to a multi-year low of 22.2% (down 385bps yoy/101bps qoq). EBITDA was in line with estimates, with operating leverage limiting margin contraction.
- Management aims for healthy revenue growth of 18-20% in FY23. It also reiterated the focus on increasing retail sales and taking the retail contribution to 50% of total sales from 40% in FY22 in the next two years. FY23 should see continued improvement in WC cycle.
- We have raised FY23-24 revenue estimates by 2-3%, but cut EBITDAM by 14-80bps. Maintain Buy with a revised Jun'24E TP of Rs1,350 (Rs1,290 earlier). Our target PE is derived using a two-stage DCF model.

**Strong revenue growth across C&W segments:** Revenues grew by 12% on a 3-yr CAGR basis, with the Cable and Wires businesses growing by 18% and the Turnkey business declining by 24%. Wires grew even faster at 28% and saw both value and volume growth, driven by distribution expansion and a strong real-estate cycle. Demand is still robust despite copper/aluminium prices rising 40%/54% yoy. Although EBITDA margin fell by 43bps qoq to 9.6%, it is expected to recover from Q2FY23 as commodity inflation has started to moderate. The WC cycle improved to 109 days from 144 days in Q3 (120 days in Q4FY21), thanks to the rising contribution of retail sales and the receipt of retention money from the government. Net debt (incl. acceptance) fell to Rs2.7bn from Rs4.9bn in Q3 as the WC release was used to repay debt.

**Outlook:** KEI has reaffirmed its strategy to expand the retail network and grow its house wire business. The company has been able to increase the sales contribution from its dealer network from 34% in FY21 to 40% in FY22. It expects this to rise to 50% within 2-3 years. It is not expanding FMEG hastily, as it is currently looking to further ramp up the Wires business to strengthen the retail franchise network to leverage for Switchgear category expansion, which is expected after six months. With secular tailwinds such as increased government spending on infrastructure projects and higher private capex in select industries, topline growth is expected to remain strong. The focus on B/S deleveraging, consistency in working capital delivery, and robust revenue growth with margin improvement should lead to sustained valuation rerating. **Key risks:** weak government spends on infra, power and other key sectors; delayed private capex recovery; market share loss; and continued commodity price inflation.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Consumer Durables \(Page 11\)](#)

### Financial Snapshot (Consolidated)

(Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	41,815	57,266	68,254	80,015	94,760
EBITDA	4,605	5,888	7,506	9,329	11,286
EBITDA Margin (%)	11.0	10.3	11.0	11.7	11.9
APAT	2,734	3,760	4,836	6,017	7,314
EPS (Rs)	30.4	41.8	53.8	67.0	81.4
EPS (% chg)	6.3	37.5	28.6	24.4	21.6
ROE (%)	16.6	19.2	20.5	21.0	20.9
P/E (x)	37.8	27.5	21.4	17.2	14.1
EV/EBITDA (x)	22.6	17.5	13.7	11.0	9.0
P/BV (x)	5.8	4.8	4.0	3.3	2.7

Source: Company, Emkay Research

<b>CMP</b>	<b>Target Price</b>
Rs 1,149 as of (May 10, 2022)	Rs 1,350 (▲) 12 months
<b>Rating</b>	<b>Upside</b>
BUY (■)	17.5 %

### Change in Estimates

EPS Chg FY23E/FY24E (%)	(2.2)/3.0
Target Price change (%)	4.7
Target Period (Months)	12
Previous Reco	BUY

### Emkay vs Consensus

EPS Estimates		
	FY23E	FY24E
Emkay	53.8	67.0
Consensus	53.3	64.6
Mean Consensus TP (12M)	Rs 1,337	

### Stock Details

Bloomberg Code	KEI IN
Face Value (Rs)	2
Shares outstanding (mn)	90
52 Week H/L	1,320 / 505
M Cap (Rs bn/USD bn)	104 / 1.34
Daily Avg Volume (nos.)	282,183
Daily Avg Turnover (US\$ mn)	4.2

### Shareholding Pattern Mar '22

Promoters	38.0%
FIIIs	25.3%
DIIIs	21.5%
Public and Others	15.2%

### Price Performance

(%)	1M	3M	6M	12M
<b>Absolute</b>	(10)	11	14	120
<b>Rel. to Nifty</b>	(1)	20	27	103

### Relative price chart



Source: Bloomberg

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

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**Exhibit 1: Actual vs. Estimates (Q4FY22)**

(Rs mn)	Actual	Estimate (Emkay)	Consensus estimate (Bloomberg)	% variation		Comment
				Emkay	Consensus	
Revenue	17,917	16,636	13,980	8%	28%	Beat led by higher commodity prices
EBITDA	1,720	1,714	1,524	0%	13%	
<i>EBITDA Margin</i>	<i>9.6%</i>	<i>10.3%</i>	<i>10.9%</i>	<i>-70 bps</i>	<i>-130 bps</i>	Margin contraction due to lower GM and higher freight
PAT	1,161	1,158	976	0%	19%	

Source: Company, Bloomberg, Emkay Research

**Exhibit 2: Summary of standalone quarterly financials**

Rs mn	Q4FY19	Q4FY20	Q4FY21	Q3FY22	Q4FY22	YoY (%)	QoQ (%)	3-year CAGR	FY22	FY21	YoY (%)
<b>Net Sales</b>	<b>12,588</b>	<b>12,585</b>	<b>12,463</b>	<b>15,638</b>	<b>17,917</b>	<b>43.8</b>	<b>14.6</b>	<b>12.5%</b>	<b>57,265</b>	<b>41,815</b>	<b>37.0</b>
Raw Material	9201	9134	9217	12009	13939	51.2	16.1	14.9%	43,422	30,550	42.1
<i>as % of sales</i>	<i>73.1</i>	<i>72.6</i>	<i>74.0</i>	<i>76.8</i>	<i>77.8</i>						
Employee Cost	473	602	437	511	499	14.2	(2.3)	1.8%	2,006	1,849	8.5
<i>as % of sales</i>	<i>3.8</i>	<i>4.8</i>	<i>3.5</i>	<i>3.3</i>	<i>2.8</i>						
Other operating expenses	1538	1643	1393	1550	1759	26.3	13.5	4.6%	5,949	4,770	24.7
<i>as % of sales</i>	<i>12.2</i>	<i>13.1</i>	<i>11.2</i>	<i>9.9</i>	<i>9.8</i>						
Total Expenditure	11212	11,379	11,047	14,070	16,197	46.6	15.1	13.0%	51,378	37,170	38.2
<b>EBITDA</b>	<b>1376</b>	<b>1,206</b>	<b>1,416</b>	<b>1,568</b>	<b>1,720</b>	<b>21.4</b>	<b>9.7</b>	<b>7.7%</b>	<b>5,888</b>	<b>4,645</b>	<b>26.8</b>
Depreciation	86	137	145	137	137	(5.9)	(0.6)	16.5%	553	578	(4.4)
EBIT	1289	1,069	1,271	1,431	1,583	24.6	10.6	7.1%	5,335	4,067	31.2
Other Income	37	24	25	17	78	213.4	357.2	28.5%	149	201	(25.8)
Interest	423	277	125	90	101	(19.8)	11.8	-38.1%	404	573	(29.5)
PBT	903	816	1171	1358	1561	33.3	14.9	20.0%	5,080	3,694	37.5
Tax	304	207	278	346	399	43.5	15.5	9.5%	1,315	931	41.2
<b>PAT</b>	<b>599</b>	<b>608</b>	<b>893</b>	<b>1012</b>	<b>1161</b>	<b>30.0</b>	<b>14.7</b>	<b>24.7%</b>	<b>3,764</b>	<b>2,763</b>	<b>36.2</b>
<b>Margins (%)</b>						<b>(bps)</b>	<b>(bps)</b>				<b>(bps)</b>
Gross Margin	26.9	27.4	26.0	23.2	22.2	(385)	(101)		24.2	26.9	(277)
EBITDA	10.9	9.6	11.4	10.0	9.6	(176)	(43)		10.3	11.1	(83)
EBIT	10.2	8.5	10.2	9.2	8.8	(136)	(31)		9.3	9.7	(41)
EBT	7.2	6.5	9.4	8.7	8.7	(68)	3		8.9	8.8	4
PAT	4.8	4.8	7.2	6.5	6.5	(68)	0		6.6	6.6	(3)
Effective Tax rate	33.6	25.4	23.8	25.5	25.6	181	12		25.9	25.2	68

Source: Company, Emkay Research

**Other highlights**

- Revenue grew 43.8% yoy to Rs17.9bn (12% on 3-year CAGR basis). Growth was seen across all product categories, except for the EPC, which declined 18% yoy.
  - Domestic Institutional C&W revenue rose 47% yoy, while exports were up 24% yoy.
  - Dealer sales stood at Rs7.2bn (+55% yoy), forming 40% of the total sales, vs. 40.5% in Q3FY22 and 37% in the base quarter.
  - **HW/WW saw 64% growth yoy, driven by price increases and focus on expanding the network, which expanded to 1,805 dealers in Q4FY22 from 1,655 in Q4FY21.**
- EBITDA grew by 21.4% yoy to Rs1.7bn. EBITDA margins contracted by 176bps yoy to 9.6%, as operating leverage restricted the contraction.
  - Gross margin fell to 22.2% from 26.0% in Q4FY21, impacted by commodity inflation.
  - Employee expenses grew by 14.2% yoy. Other opex rose 26.3% yoy.

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- **PAT was up 30% yoy to Rs1.2bn. Margins saw a 68bps contraction yoy, to 6.5%.**
  - Depreciation expenses fell 5.9% yoy, 4% below estimates.
  - Interest expenses were down 19.8% yoy, in line with our estimates.
  - ETR stood at 25.6% vs. 25.5% in Q3FY22 and 23.8% in Q4FY21. Other income stood at Rs78mn vs. Rs25mn.

### Segment-wise performance

- **Cables:** Revenue outpaced projections by 4.2% and stood at Rs16.2bn (3yr-CAGR: 18%). EBIT margins contracted by 167bps yoy to 8.1%.
- **Stainless steel wires:** Revenue rose 32.6% yoy and 18% on a 3-yr CAGR basis, coming in 3.2% ahead of estimates. EBIT margin expanded 351bps yoy and 81bps qoq to 5.5%.
- **Turnkey projects:** Revenue fell 16.3% yoy. EBIT margins rose 365bps yoy to 11.4%.

### Exhibit 3: Segment-wise quarterly summary (standalone)

Rs mn	Q4FY19	Q4FY20	Q4FY21	Q3FY22	Q4FY22	YoY (%)	QoQ (%)	3-year CAGR	FY22	FY21	YoY (%)
Cables	9,748	10,332	10,675	14,057	16,214	51.9	15.3	18%	51,227	35,742	43.3
Stainless steel wires	371	393	462	652	612	32.6	(6.2)	18%	2,259	1,417	59.5
Turnkey projects	3,865	3,701	2,597	2,428	2,174	(16.3)	(10.4)	-17%	8,735	9,767	(10.6)
Less: Intersegment	1,396	1,841	1,271	1,498	1,083	(14.8)	(27.7)	-8%	4,956	5,111	(3.0)
<b>Net Sales</b>	<b>12,588</b>	<b>12,585</b>	<b>12,463</b>	<b>15,638</b>	<b>17,917</b>	<b>43.8</b>	<b>14.6</b>	<b>12%</b>	<b>57,265</b>	<b>41,815</b>	<b>36.9</b>
<b>PBIT</b>											
Cables	1079.4	1,149	1,042	1,366	1,312	25.9	(3.9)	7%	4,864	4,186	16.2
Stainless steel wires	10.3	42	9	31	34	264.0	10.0	49%	136	84	62.6
Turnkey projects	438.3	409	202	233	249	22.9	6.9	-17%	820	907	(9.7)
<b>Total PBIT</b>	<b>1,484</b>	<b>1,600</b>	<b>1,254</b>	<b>1,629</b>	<b>1,595</b>	<b>27.2</b>	<b>(2.1)</b>	<b>2%</b>	<b>5,820</b>	<b>5,177</b>	<b>12.4</b>
<b>Finance Costs</b>											
Un-allocable expense	423.0	277	125	90	101	(19.8)	11.8	-38%	404	573	(29.5)
as % of sales	1.6	4.0	-0.3	1.2	-0.4			-161%	3	9	
Exceptional Items	0	0	0	0	1				1	0	
<b>PBT</b>	<b>860</b>	<b>816</b>	<b>1,171</b>	<b>1,358</b>	<b>1,558</b>	<b>33.1</b>	<b>14.7</b>	<b>22%</b>	<b>5,077</b>	<b>3,694</b>	<b>37.4</b>
<b>PBIT Margins (%)</b>											
						<b>(bps)</b>	<b>(bps)</b>				<b>(bps)</b>
Cables	11.1	11.1	9.8	9.7	8.1	(167)	(162)		9.5	11.7	(222)
Stainless steel wires	2.8	10.8	2.0	4.7	5.5	351	81		6.0	5.9	12
Turnkey projects	11.3	11.0	7.8	9.6	11.4	365	185		9.4	9.3	10
<b>Total PBIT</b>	<b>11.8</b>	<b>12.7</b>	<b>10.1</b>	<b>10.4</b>	<b>8.9</b>	<b>(116)</b>	<b>(152)</b>		<b>10.2</b>	<b>12.4</b>	<b>(222)</b>

Source: Company, Emkay Research

### Balance sheet, working capital and other highlights

- **Working capital days declined to 109 days from 144 in Q3FY22 and 120 in Q4FY21 on a reduction in receivable and payable days.**
- Total net debt (incl. acceptances) stood at Rs2.7bn vs. Rs4.9bn in Q3FY22.
- The pending order book at Q4-end was Rs24.2bn vs. Rs30bn at Q3-end.
- Active working dealer count was 1,805 vs. 1,700 in Q3FY22.

**Exhibit 4: Net debt position improved yoy through improved WC management**

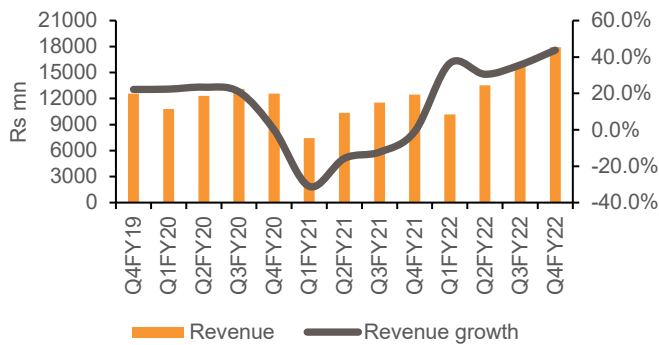
Rs mn	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Gross Debt	3050	2980	3400	4910	3310
Acceptances	3,230	1,960	1,280	810	2,990
<b>Total Debt including acceptances</b>	<b>6280</b>	<b>4940</b>	<b>4680</b>	<b>5720</b>	<b>6300</b>
Cash	2212	1580	640	850	3600
<b>Net Debt</b>	<b>4068</b>	<b>3360</b>	<b>4040</b>	<b>4870</b>	<b>2700</b>

Source: Company, Emkay Research

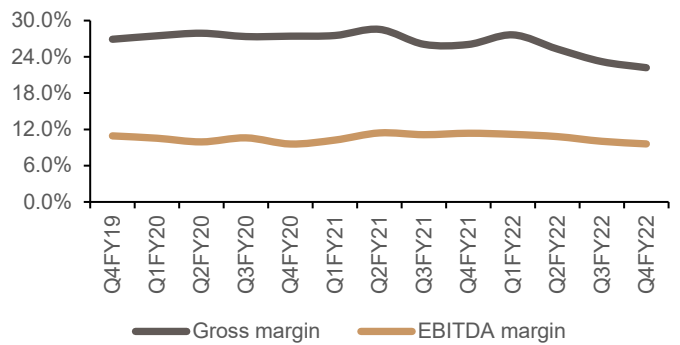
**Exhibit 5: Cable segment order book saw a sequential decline due to temporary deferral of orders**

Rs mn	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22
EPC	18,280	12,330	7,050	6,210	6,470	8,060	11,600	10,770	10,380	9,590
EHV	6,760	7,310	6,270	5,620	4,600	5,060	5,020	5,320	4,190	2,240
Cable	12,300	11,160	11,120	10,260	10,500	11,980	13,100	15,250	14,290	11,000
Export	4,390	1,640	5,070	4,540	4,430	510	500	1,620	1,080	1,370
<b>Total</b>	<b>41,730</b>	<b>32,440</b>	<b>29,510</b>	<b>26,630</b>	<b>26,110</b>	<b>25,610</b>	<b>30,220</b>	<b>32,960</b>	<b>29,940</b>	<b>24,200</b>

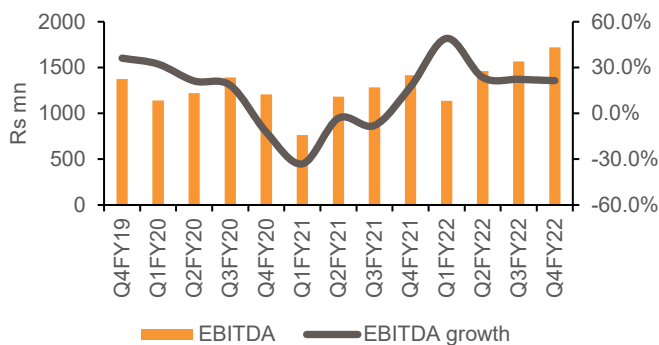
Source: Company, Emkay Research

**Exhibit 6: Revenue grew 44% yoy with most segments growing double-digits**

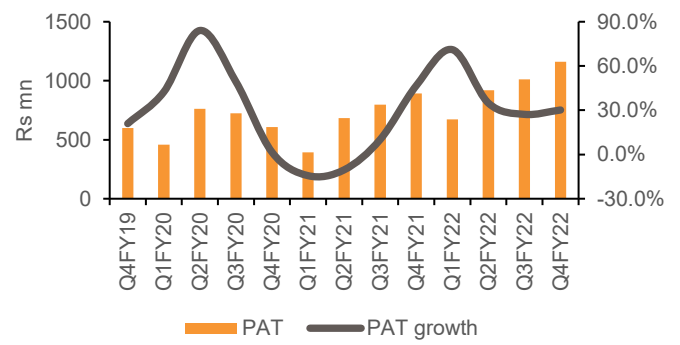
Source: Company, Emkay Research

**Exhibit 7: Margins contracted yoy and qoq, impacted by commodity inflation**

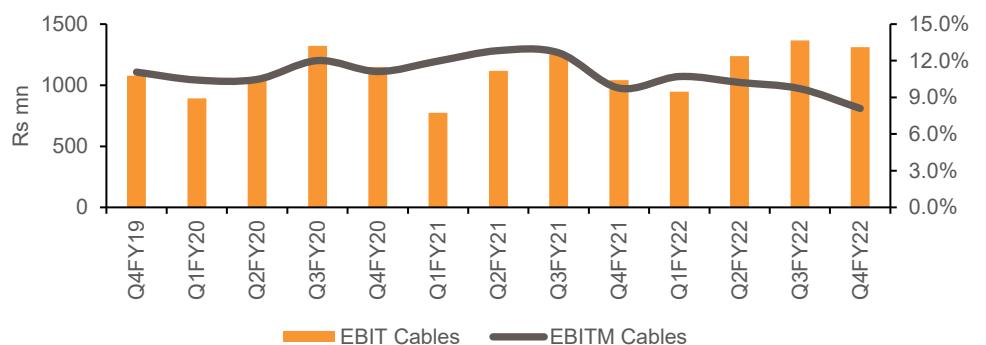
Source: Company, Emkay Research

**Exhibit 8: EBITDA grew 21.4% yoy on topline growth**

Source: Company, Emkay Research

**Exhibit 9: PAT grew yoy and qoq, following the EBITDA trend**

Source: Company, Emkay Research

**Exhibit 10: Cable segment's margins contracted yoy and qoq**

Source: Company, Emkay Research

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**Exhibit 11: Changes in estimates**

Particulars (Rs mn)	FY23E			FY24E			FY25E
	Old	Revised	% Change	Old	Revised	% Change	Introduced
Revenue	66,008	68,254	3.4%	78,230	80,015	2.3%	94,760
EBITDA	7,813	7,506	-3.9%	9,247	9,329	0.9%	11,286
EBITDA Margin %	11.8	11.0	-80 bps	11.8	11.7	-14 bps	11.9
PAT	4,930	4836	-1.9%	5,840	6016	3.0%	7,314
EPS	54.9	53.8	-1.9%	65.0	67.0	3.0%	81.4

Source: Company, Emkay Research

**Exhibit 12: Key revenue and margin assumptions**

Key assumptions	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E	FY25E
<b>Revenues (Rs mn)</b>								
Cables	27,332	33,636	39,859	35,743	51,227	61,747	73,258	87,727
% growth	34%	23%	19%	-10%	43%	21%	19%	20%
Stainless steel wires	1,183	1,380	1,375	1,417	2,259	2,486	2,735	3,008
% growth	4%	17%	0%	3%	60%	10%	10%	10%
Turnkey projects	9,561	10,333	13,967	9,767	8,735	8,778	8,778	8,778
% growth	42%	8%	35%	-30%	-11%	0%	0%	0%
Less: intersegmental	-3,045	-3,039	-6,323	-5,111	-4,985	-4,788	-4,788	-4,788
Net sales	35,031	42,310	48,878	41,815	57,236	68,223	79,982	94,725
% growth	24%	21%	16%	-14%	37%	19%	17%	18%
<b>Segmental EBIT (Rs mn)</b>								
Cables	2,964	3,664	4,414	4,164	4,864	6,236	7,839	9,650
Stainless steel wires	71	91	88	65	136	149	164	180
Turnkey projects	1,038	1,422	1,637	907	820	966	988	992
<b>EBIT (%)</b>								
Cables	10.8%	10.9%	11.1%	11.6%	9.5%	10.1%	10.7%	11.0%
Stainless steel wires	6.0%	6.6%	6.4%	4.6%	6.0%	6.0%	6.0%	6.0%
Turnkey projects	10.9%	13.8%	11.7%	9.3%	9.4%	11.0%	11.3%	11.3%

Source: Company, Emkay Research

**Exhibit 13: P/E multiple derived from a two-stage growth model**

Revenue CAGR [FY22E-25E] (%)	18
EBITDA CAGR [FY22E-25E] (%)	24
EBIT CAGR [FY22E-25E] (%)	24
EPS CAGR [FY22E-25E] (%)	25
Adj. beta vs Nifty (#)	0.82
<b>Stage-1: FY25E-35E</b>	
EPS in Yr-0 [FY25E] (Rs)	81
EPS in Yr-1 (Rs)	90
EPS CAGR (%)	12.0
Years of growth [n]	10.0
Incremental RoE (%)	20.0
CoE (%)	11.50
Implied DPR (%)	40
<b>Terminal stage: &gt;FY35E</b>	
EPS growth (%)	6.0
Incremental RoE (%)	20.0
Implied DPR (%)	70
<b>Fair value P/E in Mar'25E (x)</b>	<b>16.3</b>
<b>Fair value in Mar'25E (x) (Rs/share)</b>	<b>1,470</b>
<b>Fair value in Jun'23E (Rs/share)</b>	<b>1,215</b>
NPV of dividends in FY22E-25E (Rs/share)	13
Overall fair value in Jun'23E (Rs/share)	1,228
<b>Jun'24E EPS (Rs)</b>	<b>70</b>
Implied fair value P/E in Jun'23E (x)	17.5
Premium applied to FV (%) [a]	10.0
<b>Target P/E in Jun'23E (x)</b>	<b>19.3</b>
<b>Target price in Jun'23E (Rs/share)</b>	<b>1,350</b>

Source: Emkay Research. [a] Premium is driven by likely front-loading of growth during Stage-1 and product extension towards FMEG categories.

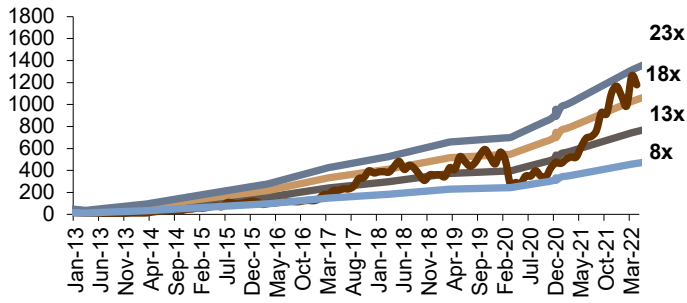
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## Con-call highlights

- **Management reiterated its commitment to increasing the contribution of retail to total sales and taking it to 50% of total within two years. Given the order inflow visibility from government infra spending and retail business growth, KEI is targeting 18-20% revenue growth overall for FY23. Capex revival is seen in Steel, Cement and other miscellaneous industries.**
  - **Peak revenues on existing capacity can be in the range of Rs68-72bn. Current capacity can drive 20% growth in volumes as well. The company is adding 5% capacity through de-bottlenecking.**
  - Order inflows picked up in April-May due to the softening in commodity prices.
  - In the House wires segment, KEI will take three years to be on par with competitors on distribution. Currently, the company's House wires market share stands at ~6% while its Institutional cable segment share is ~12%.
- Though the company did not book any new EPC orders in FY22 from domestic customers, it booked orders for EHV projects (80% of the product value). For EHV cables, KEI has L1 orders worth Rs640mn.
- **House wire volumes grew 19.7% in Q4 and 21% in FY22.**
- **EBITDA margins:** Q4 margins were impacted by higher sea-freight costs and commodity inflation (it has a one month lag effect of price changes to institutional orders). **According to management, if commodity prices stabilize at the current levels, no further prices hikes are needed.**
  - Copper and aluminium consumed in FY22 stood at Rs67,128 MT vs. 56,107 MT in FY21.
- **FMEG:** Category expansion will be in Switchgears, but only after six months.
- In FY22, there was a negligible impact on profitability with the change in inventory accounting done at the beginning of the year. The company's ERP system does not support the FIFO inventory method, so KEI has changed to a moving weighted average price, like the industry.
- **Receivables:** The company received more than Rs1.5bn in retention money from the government in FY22. For FY23, management expects Rs1.25bn. Working capital is expected to further improve with rising contribution from retail sales.
- Segment-wise capacity utilization in Q4 - Stainless Steel: 84%, House wires: 60%, EHV: 95% and LT/HT: 76%.
- **Capacity expansion:** It will happen in the next three years with a total outlay of Rs8bn. FY23 capex will be Rs2bn, including land purchases. About 35% of the total 100 acres land needed has been purchased. The facility will be operational from Q3FY24.

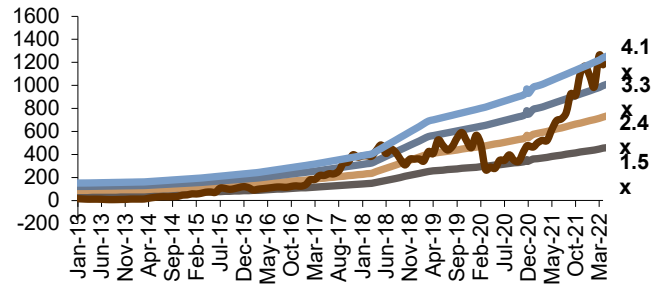
## Valuation charts

**Exhibit 14: 1-year forward P/E valuation band**



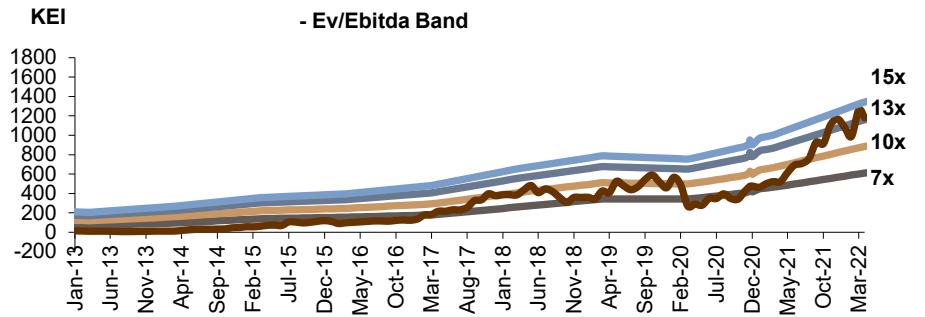
Source: Company, Bloomberg, Emkay Research

**Exhibit 15: 1-year forward P/B valuation band**



Source: Company, Bloomberg, Emkay Research

**Exhibit 16: 1-year forward EV/EBITDA valuation band**



Source: Company, Bloomberg, Emkay Research

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

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
<b>Revenue</b>	<b>41,815</b>	<b>57,266</b>	<b>68,254</b>	<b>80,015</b>	<b>94,760</b>
<b>Expenditure</b>	<b>37,210</b>	<b>51,378</b>	<b>60,748</b>	<b>70,686</b>	<b>83,473</b>
<b>EBITDA</b>	<b>4,605</b>	<b>5,888</b>	<b>7,506</b>	<b>9,329</b>	<b>11,286</b>
Depreciation	578	555	754	951	1,148
<b>EBIT</b>	<b>4,027</b>	<b>5,333</b>	<b>6,753</b>	<b>8,379</b>	<b>10,139</b>
Other Income	201	146	202	180	208
Interest expenses	573	404	492	519	573
<b>PBT</b>	<b>3,654</b>	<b>5,075</b>	<b>6,463</b>	<b>8,040</b>	<b>9,774</b>
Tax	921	1,315	1,627	2,024	2,460
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	1	0	0	0	0
<b>Reported Net Income</b>	<b>2,734</b>	<b>3,760</b>	<b>4,836</b>	<b>6,017</b>	<b>7,314</b>
<b>Adjusted PAT</b>	<b>2,734</b>	<b>3,760</b>	<b>4,836</b>	<b>6,017</b>	<b>7,314</b>

**Balance Sheet**

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Equity share capital	180	180	180	180	180
Reserves & surplus	17,601	21,136	25,682	31,338	38,213
<b>Net worth</b>	<b>17,781</b>	<b>21,316</b>	<b>25,862</b>	<b>31,518</b>	<b>38,393</b>
<b>Minority Interest</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Loan Funds</b>	<b>3,054</b>	<b>3,031</b>	<b>2,754</b>	<b>2,597</b>	<b>2,587</b>
Net deferred tax liability	295	295	295	295	295
<b>Total Liabilities</b>	<b>21,129</b>	<b>24,641</b>	<b>28,910</b>	<b>34,409</b>	<b>41,275</b>
<b>Net block</b>	<b>5,371</b>	<b>5,371</b>	<b>6,748</b>	<b>8,428</b>	<b>9,912</b>
<b>Investment</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>
<b>Current Assets</b>	<b>24,686</b>	<b>29,497</b>	<b>33,573</b>	<b>39,086</b>	<b>46,652</b>
Cash & bank balance	2,212	3,374	3,000	3,464	4,467
Other Current Assets	1,075	1,190	1,417	1,660	1,966
<b>Current liabilities &amp; Provision</b>	<b>9,010</b>	<b>10,310</b>	<b>11,494</b>	<b>13,189</b>	<b>15,372</b>
<b>Net current assets</b>	<b>15,675</b>	<b>19,187</b>	<b>22,079</b>	<b>25,897</b>	<b>31,280</b>
Misc. exp	0	0	0	0	0
<b>Total Assets</b>	<b>21,129</b>	<b>24,641</b>	<b>28,910</b>	<b>34,409</b>	<b>41,275</b>

**Cash Flow**

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
<b>PBT (Ex-Other income) (NI+Dep)</b>	<b>3,454</b>	<b>4,929</b>	<b>6,260</b>	<b>7,860</b>	<b>9,566</b>
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(2,230)	(2,350)	(3,267)	(3,353)	(4,380)
<b>Operating Cashflow</b>	<b>1,539</b>	<b>2,200</b>	<b>2,613</b>	<b>3,952</b>	<b>4,446</b>
Capital expenditure	(372)	(554)	(2,131)	(2,631)	(2,631)
<b>Free Cash Flow</b>	<b>1,167</b>	<b>1,645</b>	<b>482</b>	<b>1,321</b>	<b>1,815</b>
Investments	(4)	0	0	0	0
Other Investing Cash Flow	930	23	0	0	0
<b>Investing Cashflow</b>	<b>754</b>	<b>(385)</b>	<b>(1,929)</b>	<b>(2,451)</b>	<b>(2,423)</b>
Equity Capital Raised	1	0	0	0	0
Loans Taken / (Repaid)	(612)	(24)	(277)	(158)	(9)
Dividend paid (incl tax)	(180)	(225)	(290)	(360)	(438)
Other Financing Cash Flow	(860)	0	0	0	0
<b>Financing Cashflow</b>	<b>(2,224)</b>	<b>(653)</b>	<b>(1,059)</b>	<b>(1,037)</b>	<b>(1,020)</b>
<b>Net chg in cash</b>	<b>69</b>	<b>1,162</b>	<b>(374)</b>	<b>464</b>	<b>1,003</b>
Opening cash position	2,144	2,212	3,374	3,000	3,464
<b>Closing cash position</b>	<b>2,212</b>	<b>3,374</b>	<b>3,000</b>	<b>3,464</b>	<b>4,467</b>

Source: Company, Emkay Research

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**Key Ratios**

<b>Profitability (%)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
EBITDA Margin	11.0	10.3	11.0	11.7	11.9
EBIT Margin	9.6	9.3	9.9	10.5	10.7
Effective Tax Rate	25.2	25.9	25.2	25.2	25.2
Net Margin	6.5	6.6	7.1	7.5	7.7
ROCE	21.0	23.9	26.0	27.0	27.3
ROE	16.6	19.2	20.5	21.0	20.9
RoIC	22.6	26.7	28.7	29.6	30.0

<b>Per Share Data (Rs)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
EPS	30.4	41.8	53.8	67.0	81.4
CEPS	36.9	48.0	62.2	77.5	94.2
BVPS	197.9	237.2	287.8	350.8	427.3
DPS	2.0	2.5	3.2	4.0	4.9

<b>Valuations (x)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
PER	37.8	27.5	21.4	17.2	14.1
P/CEPS	31.2	24.0	18.5	14.8	12.2
P/BV	5.8	4.8	4.0	3.3	2.7
EV / Sales	2.5	1.8	1.5	1.3	1.1
EV / EBITDA	22.6	17.5	13.7	11.0	9.0
Dividend Yield (%)	0.2	0.2	0.3	0.3	0.4

<b>Gearing Ratio (x)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
Net Debt/ Equity	0.0	0.0	0.0	0.0	0.0
Net Debt/EBIDTA	0.2	(0.1)	0.0	(0.1)	(0.2)
Working Cap Cycle (days)	117.5	100.8	102.0	102.3	103.3

<b>Growth (%)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
Revenue	(14.4)	36.9	19.2	17.2	18.4
EBITDA	(7.4)	27.9	27.5	24.3	21.0
EBIT	(8.6)	32.4	26.6	24.1	21.0
PAT	6.7	37.5	28.6	24.4	21.6

<b>Quarterly (Rs mn)</b>	<b>Q4FY21</b>	<b>Q1FY22</b>	<b>Q2FY22</b>	<b>Q3FY22</b>	<b>Q4FY22</b>
Revenue	12,463	10,176	13,534	15,638	17,917
EBITDA	1,416	1,137	1,462	1,568	1,720
<b>EBITDA Margin (%)</b>	<b>11.4</b>	<b>11.2</b>	<b>10.8</b>	<b>10.0</b>	<b>9.6</b>
PAT	893	671	920	1,012	1,162
<b>EPS (Rs)</b>	<b>10.0</b>	<b>7.5</b>	<b>10.3</b>	<b>11.3</b>	<b>13.0</b>

Source: Company, Emkay Research

<b>Shareholding Pattern (%)</b>	<b>Mar-21</b>	<b>Jun-21</b>	<b>Sep-21</b>	<b>Dec-21</b>	<b>Mar-22</b>
Promoters	40.3	39.2	38.0	38.0	38.0
FII	18.5	18.1	19.4	21.8	25.3
DII	24.1	25.9	25.8	24.0	21.5
Public and Others	17.0	16.8	16.8	16.2	15.2

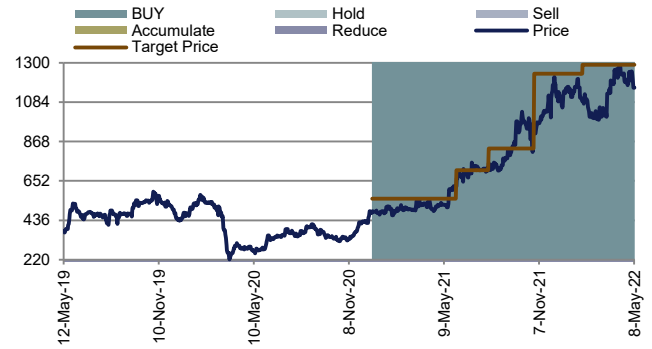
Source: Capitaline

## RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
29-Jan-22	1,090	1,290	12m	Buy	Naval Seth
28-Oct-21	921	1,240	12m	Buy	Naval Seth
23-Aug-21	713	830	12m	Buy	Naval Seth
2-Aug-21	749	830	12m	Buy	Naval Seth
1-Jun-21	624	710	12m	Buy	Naval Seth
30-Jan-21	464	554	12m	Buy	Naval Seth
22-Dec-20	479	554	12m	Buy	Naval Seth

Source: Company, Emkay Research

## RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

## Emkay Alpha Portfolio – Consumer Durables



**Analyst: Naval Seth**

### Contact Details

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+91 22 66242414

### Sector

Consumer Durables, Media & Entertainment, SMID and Telecom

### Analyst bio

Naval holds an MBA in Finance and has more than 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)
<b>Consumer Durables</b>	<b>1.07</b>	<b>1.07</b>	<b>0%</b>	<b>0</b>	<b>100.00</b>	
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	0.22	2%	0	20.95	0
Dixon Technologies	0.13	0.12	-3%	0	11.54	0
Havells India	0.32	0.32	1%	0	29.84	0
KEI Industries	0.00	0.00	NA	0	0.00	0
Polycab India	0.11	0.11	0%	0	9.90	0
V-Guard Industries	0.00	0.00	NA	0	0.00	0
Voltas	0.25	0.25	-1%	0	22.97	0
Whirlpool Of India	0.05	0.05	-7%	0	4.56	0
<b>Cash</b>	<b>0.00</b>	<b>0.00</b>	<b>NA</b>	<b>0</b>	<b>0.25</b>	<b>0</b>

Source: Emkay Research

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

### Sector portfolio NAV

	Base					Latest
	1-Apr-19	10-May-21	9-Nov-21	9-Feb-22	8-Apr-22	9-May-22
EAP - Consumer Durables	100.0	156.1	197.7	180.5	183.7	164.6
BSE200 Neutral Weighted Portfolio (ETF)	100.0	142.6	182.8	169.0	172.2	154.1

\*Performance measurement base date 1<sup>st</sup> April 2019

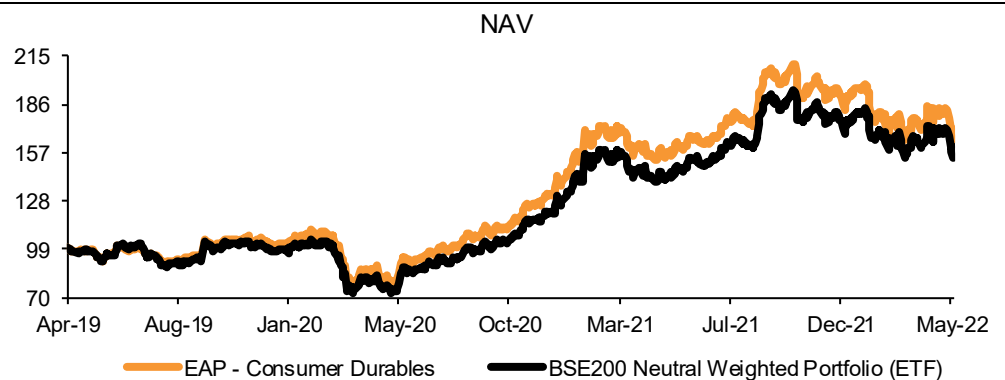
Source: Emkay Research

### Price Performance (%)

	1m	3m	6m	12m
EAP - Consumer Durables	-10.4%	-8.8%	-16.8%	5.4%
BSE200 Neutral Weighted Portfolio (ETF)	-10.5%	-8.8%	-15.7%	8.0%

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%

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