

## CROMPTON GREAVES CONSUMER ELECTRICALS LIMITED

...strong player with multiple strengths

LKP

Crompton Greaves Consumer Electricals Limited (Crompton) has a leadership position in core categories, strong brand recall, wide-spread distribution network and a track record of product innovation and premiumization. This has been aided by a strong focus on investments in brand, products, and distribution. Its recent acquisition of Butterfly Gandhimati (BGAL) is positive from the medium to long term and sets the stage for its next leg of growth. We expect its proven capability in portfolio premiumization, cost efficiencies, and Go-To- Market (GTM) improvements to enable synergies across BGAL's business, while product and distribution synergies in medium to long term will lead to double-digit growth with improvement in BGAL margins. Overall strong focus on profitability and industry leading RoCE and FCF profile as well as numerous initiatives embarked upon by the company (cost control, GTM Distribution etc.) makes us positive. We expect consolidated revenue/ EBITDA/PAT CAGRs of 20%/18%/15% over FY22-25E. We initiate with a Buy with PT of ₹485, valuing Crompton at 34x FY25E EPS.

### Leading player having dominant position across categories

Crompton ticks many boxes on multiple fronts. It has a leadership position in its core categories (fans, pumps) and has multiple strengths necessary to succeed in the industry – (1) strong brand recall (fortified through increased brand investments in last few years), (2) wide-spread distribution network (strengthened through GTM), (3) track record of continued product innovation (premium fans, Mini Crest water pump, anti-bacterial LED lights etc.) and (4) early in-roads into newer product categories – leader in water heaters, entered air coolers, mixer grinders etc.

### BGAL acquisition provides avenues for next leg of growth

While the company has been expanding its presence in kitchen appliances which being at a nascent stage, we believe BGAL acquisition will be crucial for the next leg of growth. Acquisition remains positive from a medium to long-term perspective given revenue synergy levers like (1) higher growth profile of kitchen appliances segments vs. Crompton's existing categories, (2) addition of complementary product categories, (3) Cross-selling to tap multiple geographies. 4) Product portfolio in Kitchen appliances largely non overlapping (5) access to another established brand (crucial to straddle different price points) and (6) opportunities to leverage on growth and cost synergies (Butterfly's in-house manufacturing – ~85% for Butterfly vs. ~50% for Crompton) to drive profitability. We estimate combined top line to grow at ~18% CAGR over FY22-25E.

Key Financials	FY21	FY22	FY23E	FY24E	FY25E
Total Sales (₹ bn)	47	54	72	82	93
EBITDA Margins (%)	14.8	14.3	12.3	13.3	13.8
PAT Margins	12.7	10.7	7.7	9.0	9.6
EPS (₹)	9.6	9.3	8.8	11.7	14.1
P/E (x)	36.0	37.2	39.6	29.6	24.6
P/BV (x)	11.35	6.79	6.02	5.27	4.58
EV/EBITDA (x)	29.7	28.7	24.6	19.5	16.3
RoE (%)	35.7	22.9	16.1	19.0	19.9
RoCE (%)	28.9	14.9	17.2	20.7	22.4

Rating :	BUY
Current Market Price (₹) :	347
12 M Price Target (₹) :	485
Potential upside (%) :	40

### Stock Data

Sector :	Consumer Durables
FV (₹) :	2
Total Market Cap (₹ bn) :	221
Free Float Market Cap (₹ bn) :	215
52-Week High / Low (₹) :	452 / 312
2-Year High / Low (₹) :	513 / 316
1Y Avg. Dly Traded Volume (in lakh) :	20
BSE Code / NSE Symbol :	539876 / CROMPTON
Bloomberg :	CROMPTON IN

### Shareholding Pattern

(%)	Sep-22	Jun-22	Mar-22	Dec-21
Promoter	2.54	5.94	5.94	5.99
FPIs	39.67	37.27	38.00	40.17
MFs	33.13	32.58	32.08	31.06
Insurance	10.29	10.89	10.58	10.35
Others	14.37	13.32	13.40	12.43

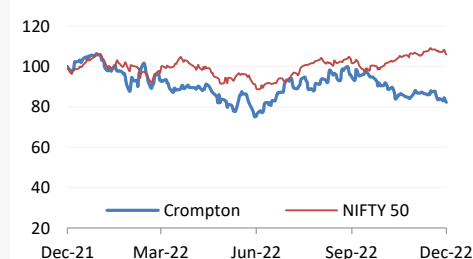
Source: BSE

### Price Performance

(%)	1M	3M	6M	1YR
Crompton	-6.7%	-13.2%	9.1%	-17.7%
Nifty 50	-0.8%	4.2%	18.9%	5.9%

\* To date / current date : December 16, 2022

### Crompton vs Nifty 50



## Investment Thesis

- Scores well on most key growth levers:** Crompton scores well on most key growth levers viz. (1) high revenue contribution (60-65%) from products where it is among the top 3 players (fans, water heaters), (2) strong brand recall with improved premium positioning, (3) relatively well entrenched distribution and sales presence across the country and (4) robust financial track record with sector leading margins, return ratios and FCF generation.
- Fans to remain a Key Growth Driver:** Crompton is the market leader in the Indian fans market estimated at ₹120 bn (organized market at ₹102 bn) and has typically outpaced industry growth over the years led by 1) Premiumization: New launches, thrust on R&D and innovation to evolve premium offerings. 2) Market share gains: +650bps over FY16-22, to ~28% now. 3) Reach expansion. Going forward, rapid adoption of Brushless Direct Current Motor (BLDC) technology (revised BEE norms) and focus on premiumization could sustain higher growth vs. industry.
- Ramping up presence in Small Appliances:** In the small appliances segment, Crompton operates in water heaters, air coolers, mixer grinders and other small appliances. Company has scaled up water heaters business well (No.2 player with 15% market share vs. No.7-8 position 3 years back). Air coolers and mixer grinders are the new product categories that it is looking to scale up which should drive 22% CAGR over FY22-25E.
- BGAL acquisition positive from long-term perspective:** Recent acquisition of BGAL is positive from a long-term perspective. It opens growth opportunities in a large variety of kitchen appliances and partly addresses investor concerns over next growth avenues for Crompton as (1) this segment is growing at a faster rate than Crompton's existing categories and (2) provides several cost reduction opportunities to scale up margin profile of the business as well – so profits will continue to grow at a higher rate than revenue. We estimate consolidated top line to grow at 20% CAGR over FY22-25E and estimate company's OPM at ~12% in FY23E gradually improving to 13%+ by FY24-25E, as synergies kick in.
- Stable growth in Pumps and Lighting:** Crompton is the market leader in residential pumps market (27-28% market share) and should sustain this position given value positioning and innovative product launches. Agri and solar pumps are key growth avenues going forward. Similarly in lighting business, revenue should grow at ~8% CAGR, broadly in line with volume growth with prices stabilizing for industry now.

## Business Dynamics across segments

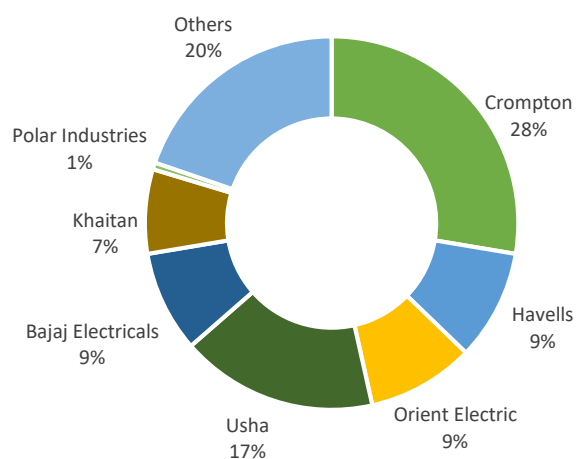
### ECD business – growth to pick up in both existing and new categories

Crompton is a market leader in fans and pumps with 20%+ market share in both categories. It is the No.2 player in water heaters with ~15% market share. We expect this segment to post 14% CAGR over FY22-25E led by (1) 15% CAGR in fans as it ramps up presence in the premium segment (25%+ of overall fans revenue now), (2) 8% CAGR in pumps – vs. 5-6% CAGR for industry – outperformance to be driven by increasing share in agri and solar pumps and (3) 22% CAGR in appliances – continued strong growth in water heaters, market share gains in air coolers and mixer grinders (nascent categories). Acquisition of majority stake in BGAL is positive from long-term perspective (complementary products, opportunity to offer multiple brands, and growth and cost synergies).

### Leadership position in fans; premium focus to drive outperformance vs Industry

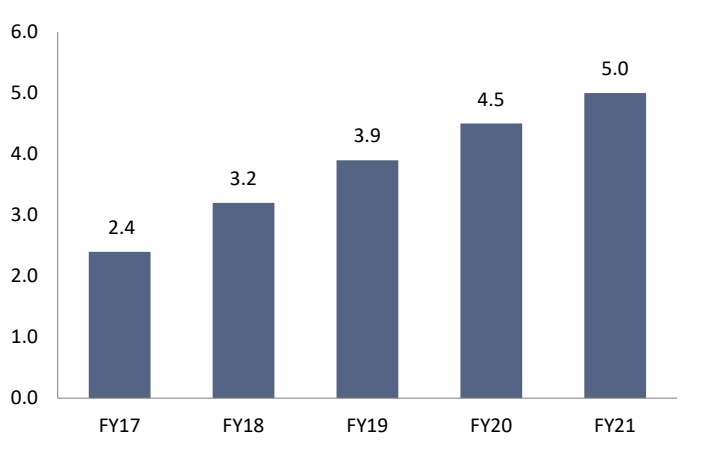
- Market leader in fans:** Crompton is the market leader in the Indian fans market estimated at ₹120 bn (organized market at ₹102 bn) and has typically outpaced industry growth over the years led by (1) strong brand position and recall, (2) strengthening distribution network, (3) large product offering with innovative launches such as anti-dust fans, decorative fans etc. and (4) increasing share in the mass-premium and premium categories. Key attributes that make customers choose Crompton products include strong brand recall, innovative offerings, durability (long life), and reliability (low maintenance).
- Strong ramp-up in premium segment growth:** In FY16, company's presence was limited to economy and standard segments with low presence in the premium categories (priced at ₹2,500 and above). However, over the last 5-6 years, it has (1) launched multiple offering in the mass-premium and premium segments and (2) significantly improved reach and availability through its go-to-market strategy which has led to share of premium fans increasing to 25%+ of overall fans revenue and Crompton emerging among top 3 players in this segment as well.
- Tailwinds in place to drive continued outperformance versus industry:** Crompton's fans will continue to grow led by (1) rising premiumization in the industry (share of premium fans to increase to ~30% in FY25E vs. 20% currently) – replacement buying accounts for a bulk of fan sales (65-70%) and we expect consumers to increasingly shift to premium fans when they come up for replacement – Crompton is well placed here given strong brand recall, (2) increasing shift towards BLDC fans post the BEE star ratings, (3) continued new innovative product launches from the company - for e.g., decorative fans with 5-star rating, energy efficient fans with BLDC technology etc. launched in FY21 and (4) further improvement in its reach in urban as well as rural areas driving better availability of its products (has reached only 65% of relevant counters in urban areas currently).

**Exhibit 1: Crompton is the market leader in the ₹120 bn fans market**



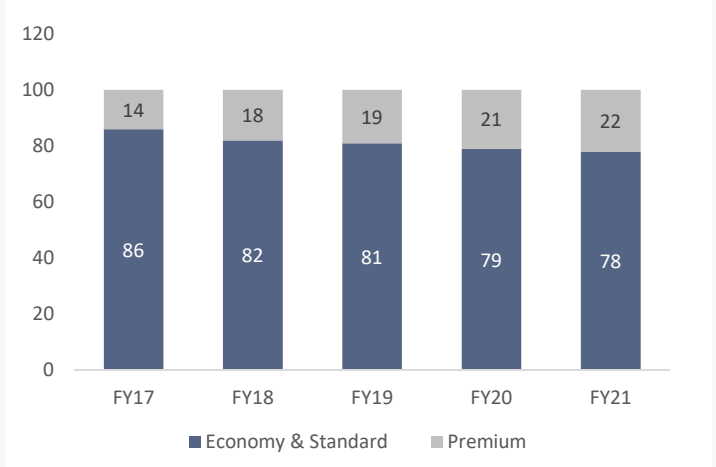
Source: Company, LKP Research

Exhibit 2: Crompton premium fans revenue trajectory (₹ bn)



Source: Company, LKP Research

Exhibit 3: Share of premium fans has increased gradually (%)



Source: Company, LKP Research

Multiple new innovative launches straddling standard, economy and premium segments



Source: Company, LKP Research

Strong A&P campaign to support new launches

**Crompton**

**SilentPro**  
enso

**SILENCE BHI,  
SAVINGS BHI**

- 2X MORE SILENT THAN REGULAR FANS\*\*
- ActivBLOC MOTOR-ENSURES UPTO 50% ENERGY SAVINGS\*
- 5 YEAR WARRANTY
- ANTI-DUST

Scan the image to bring it to life

\*\*Most regular ceiling fans operate at 64 dB. Every increase of 10 dB in noise level is perceived to be twice as loud. SilentPro operates at 52 dB level thereby making it twice more silent than its conventional counterparts. \*Up to 50% Energy Saving as compared to a regular ceiling fan operating at the same RPM.

**BIJLI GUL, BACKUP FULL.**

**Crompton**

**LED BACKUP LAMP**

9W Cool Day Light  
Works as a regular 9W in Normal Mode & 1W in Backup Mode

UPTO 4 HOURS BACKUP

Source: Company, LKP Research

**Home Appliances Market - India:** The Indian Consumer Electronics and Home Appliances market in India is estimated to grow to US\$ 2.12bn in 2021-25. The size of the India household cooking appliances market is estimated to touch US\$ 4.96bn. by 2027, with North India region accounting for a major share. In Cooktops: the market is forecasted to touch US\$ 3.48bn in 2027 with a CAGR of 7.5% from 2021-2027 while in Blenders & Mixers: the juicer and mixer grinder market in India has grown at a cumulative annual growth rate (CAGR) of over 12% until 2022.

**BGAL acquisition to augment kitchen appliances portfolio**

The acquisition will help Crompton strengthen its position in the ~₹100bn kitchen and small domestic appliances categories. It opens growth opportunities in a large variety of kitchen appliances and partly addresses investor concerns over next growth avenues for CGEL as (1) this segment is growing at a faster rate than Crompton’s existing categories and (2) provides several cost reduction opportunities to scale up margin profile of the business as well – so profits will continue to grow at a higher rate than revenues. We estimate consolidated top line to grow at ~20 CAGR over FY22-25E and estimate company’s OPM at ~12% in FY23E gradually improving to 13%+ by FY24-25E, as synergies kick in.

**BGAL at a glance**

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

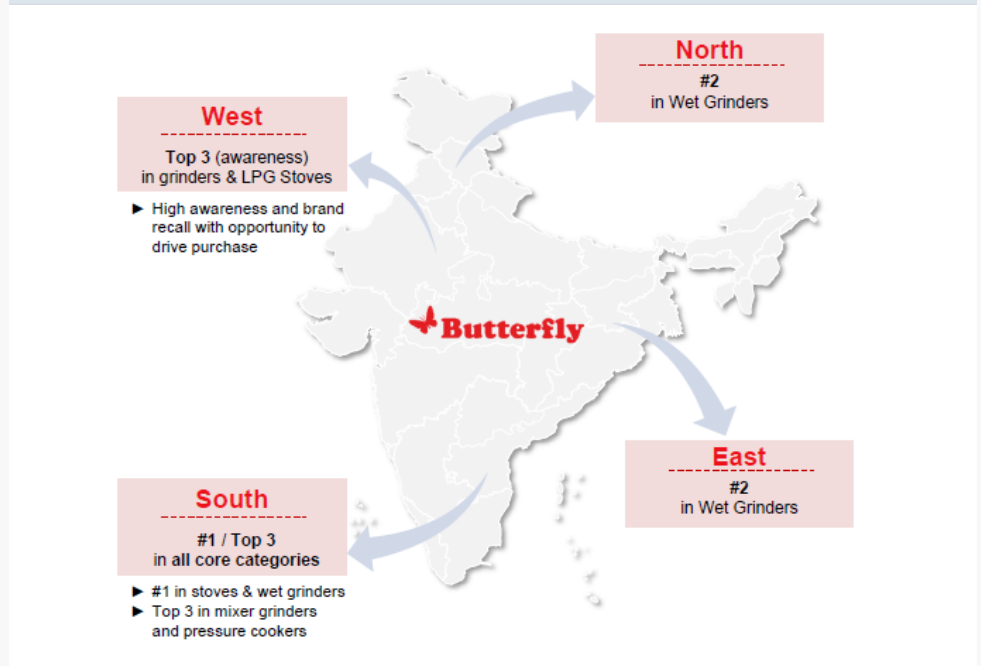
Source: Company, LKP Research

**BGAL's product profile**

LPG Stoves	Mixer Grinder	Wet Grinder	Juicer Mixer Grinder	Electric Rice Cookers	Chimney	Power Hobs	Built In Hobs
<b>Cooker &amp; Cookware</b>				<b>Others</b>			
<b>Core</b>	Pressure Cookers				Hand Blender	Electric Kettles	Pop Up Toaster
Non-Stick Cookware		Sandwich Maker	Vacuum Flasks	Water Bottles			

Source: Company, LKP Research

## BGAL's positioning in different regions



Source: Company, LKP Research

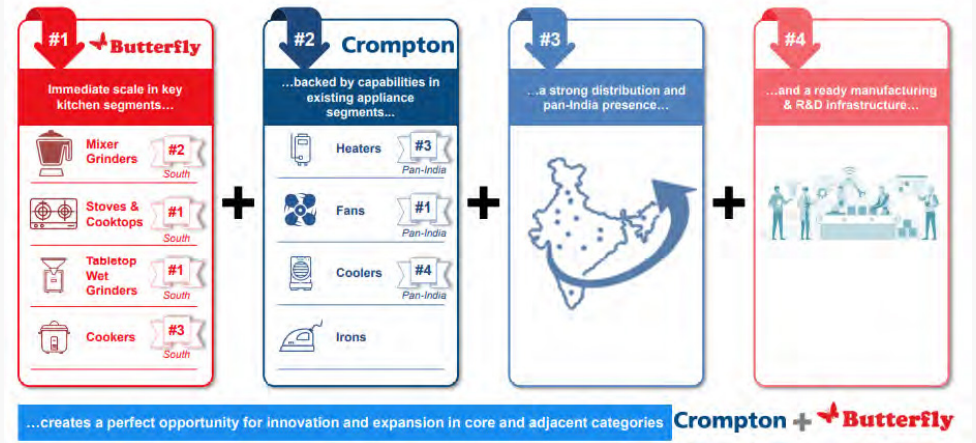
**Enter complementary product categories within kitchen appliances:** Roughly 70% BGAL's revenue comes from categories such as LPG stoves, wet grinders, pressure cookers etc. where Crompton is not present. Also, BGAL is among the top 3 players in each of its product categories in the South region (largest revenue contributor for Crompton currently at 45% of revenue) thus providing it significant scale.

**Provides access to another brand:** Given the size and scale of the kitchen appliances business, Crompton will have the opportunity now to offer two distinct brands straddling different price points and positioning (something which Havells has done successfully with its Crabtree, Standard and REO brands).

**Provides access to strong R&D and manufacturing capabilities:** BGAL has strong R&D and design capabilities and is also significantly backward integrated with >80% in-house manufacturing. This will be crucial to customize products for regional needs and to shift to in-house manufacturing of Crompton-branded mixer grinders.

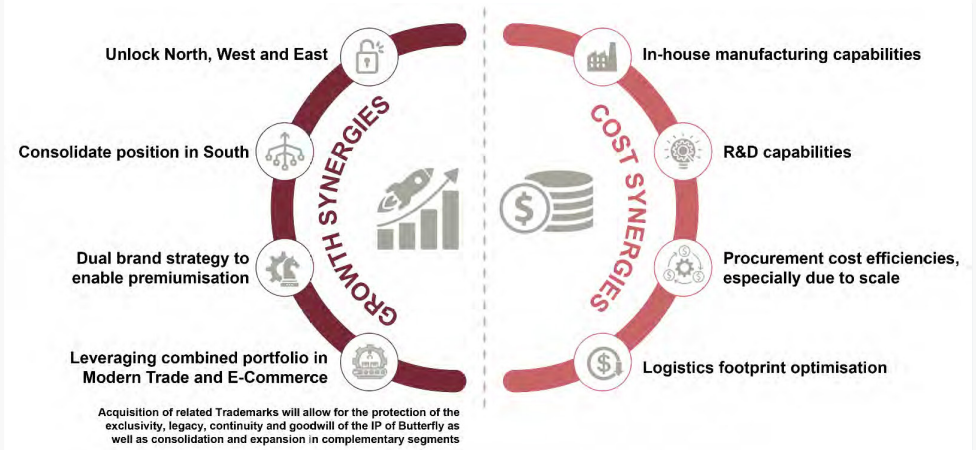
**Leverage on growth and cost synergies to drive profitability:** Acquisition to help (1) drive growth in non-South markets for BGAL with incremental investments in GTM, product innovation etc., (2) consolidate its position in South and (3) expand presence in modern trade and e-commerce channels (BGAL has a strong presence in e-commerce portals like Amazon and Flipkart). On the cost side, opportunities exist to (1) improve sourcing efficiencies given larger scale, (2) optimize logistic footprint and (3) optimize ad spends (BGAL ad spends at 10-11% of sales vs. 2-3% for Crompton).

BGAL's product suite compliments Crompton's product portfolio



Source: Company, LKP Research

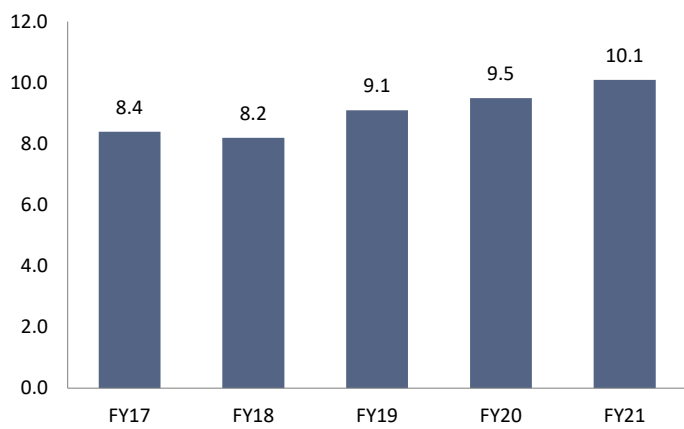
Growth and cost-related synergy opportunities from the transaction



Source: Company, LKP Research

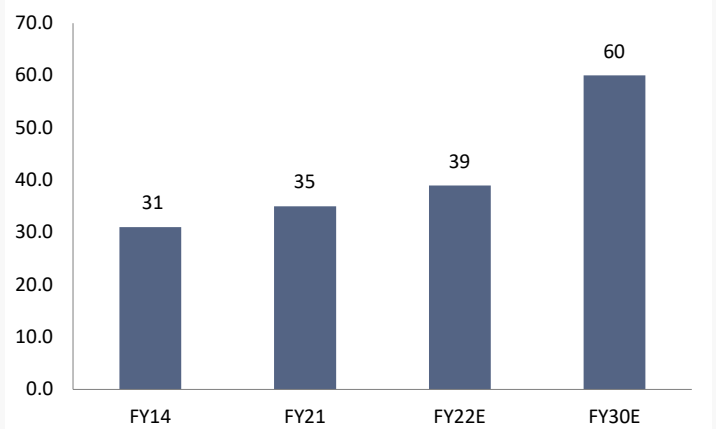
**Dominant market share in residential pumps:** Crompton is one of the fastest growing pump manufacturer in India, with a dominant ~25% share in the residential segment (accounts for ~75% of industry size of ~₹39bn). Including agricultural pumps, it commands ~15% market share, the second highest after CRI Pumps (~24%). The highly successful launch of Mini Crest in December 2017 for domestic use has strengthened Crompton's position in the traditionally difficult Western and Southern markets otherwise dominated by local/unorganized manufacturers. It is now developing 4 and 5 star rated energy-efficient pumps and also evaluating the manufacture of solar pumps. The company now plans to increase focus on tier-2 and -3 cities.

Exhibit 4: Leadership position in the industry (₹ bn)



Source: Company, LKP Research

Exhibit 5: Domestic pumps industry to grow at a 5-6% CAGR over FY22-30E (₹ bn)



Source: Company, LKP Research

A leader in residential pumps aided by new launches



Source: Company, LKP Research

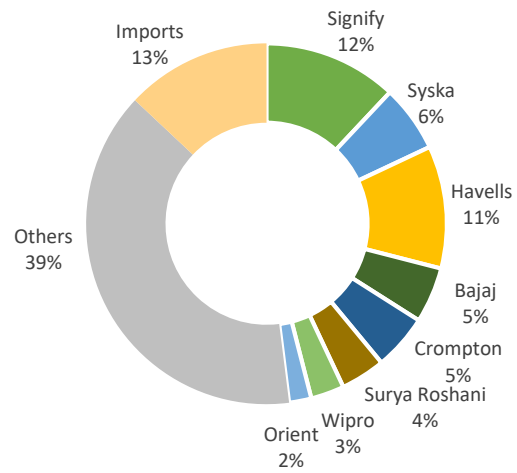
**Lighting Business: Sailed through tough times, price stabilising gradually:** Last few years have been challenging for the industry, mainly in B2B/ B2G business where Crompton has been a leading player, due to rapid technology advances and significant price erosion. Besides extending its geographical reach to smaller cities and towns over the years, its focus on B2C LED through cost optimization and product differentiation has also yielded better growth and profitability.

**Improving presence in higher value-add products in B2C:** Within LED lighting, Crompton has a strong presence in bulbs and battens but has a smaller presence in ceiling lights (market share here is half that in bulbs and battens). As a result, company is actively focusing on ceiling lights and developing products here. Apart from this, it is also expanding distribution in existing channels such as small builders, architects, interior designers etc. to increase share of fixtures which command higher margin.

**Continues to focus on B2B segment as well:** B2B and B2G segments will continue to be strategic areas for the company, and it has created dedicated teams for tenders and industry (focusing on specific sub-segments). Given government’s aggressive focus on rural electrification projects and other schemes, there remains good scope for LED penetration to increase in rural areas and government ordering to pick-up going forward.



Exhibit 6: Domestic lighting industry market share (based on revenue)



Source: Company, LKP Research

New launches in lighting business

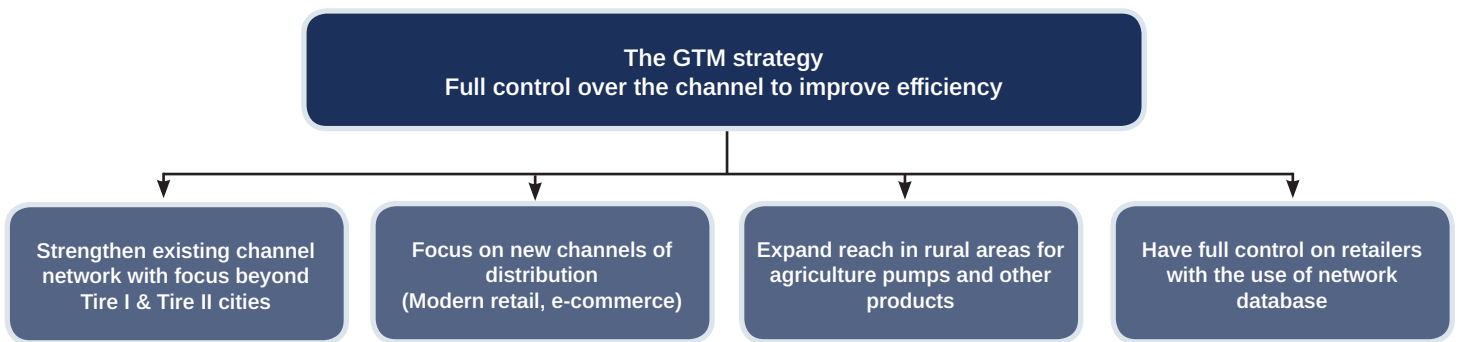


Source: Company, LKP Research

**Go-To-Market strategy for reach expansion**

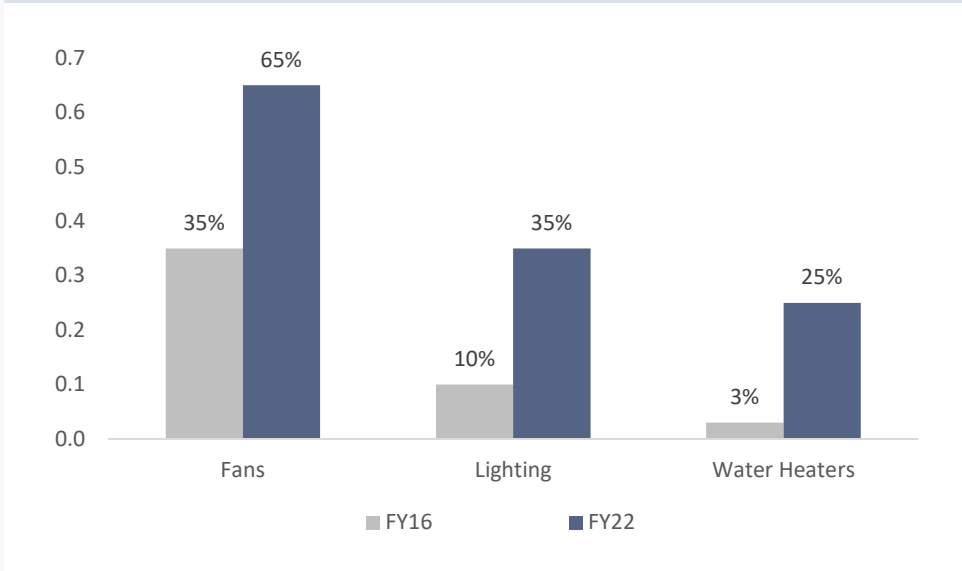
A key driver of Crompton’s market share gains over the last few years across product categories has been its GTM initiative which enabled it to strengthen its distribution network and improve the availability of its products at retail touchpoints. GTM strategy in 2015 focused on: a) uniform pricing across channels to remove channel conflict, and b) improving availability of products by increasing direct and indirect reach across the country. Channel partner engagement was at the core of this strategy. Company has now embarked on the next phase wherein it is targeting to (1) increase its presence in rural markets (population of 20K to 100K) and (2) actively track secondary sales. This will help deepen its distribution reach and improve wallet share across retail touchpoints.

**GTM strategy**



Source: Company, LKP Research

**Exhibit 7: GTM has led to significant improvement in reach of products**



Source: Company, LKP Research

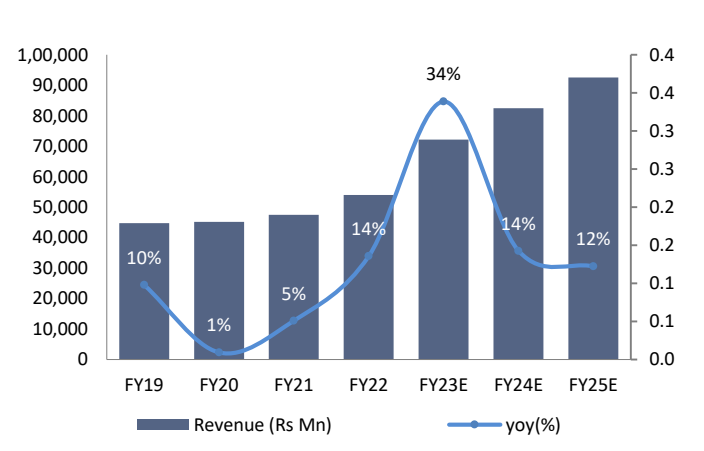
## Financial Analysis

### Expect growth to accelerate over FY22-25E

In short term weak channel/consumer sentiments, volatility in commodity prices and implementation of BEE rating in Fans may impact billing, also hit margins in FY23E. 1HFY23 margins were 11.6%; we expect 12.3% in FY23 (Crompton + BGAL), Crompton's cost synergies will help improve BGAL's margins + RM. We expect, Crompton's proven capability in portfolio premiumization, cost efficiencies, and GTM improvements to enable synergies across BGAL business. In medium to long term, product and distribution synergies will lead to double-digit growth with improvement in BGAL's margins. We expect BGAL's revenue CAGR at 20% over FY22-25E with margins of 12.3%/13.7% in FY23/25E. Ability to sustain margins across cycles is a factor of the company's nimbleness to navigate uncertain macros, market positioning (pricing power) and focus on premiumization. Over FY17-22, Crompton's OPM has expanded by +200bps from 12.1% to 14.3%. Crompton has a successful asset-light business model, lower working capital requirement, and higher asset sweating, which results in healthy cash flow (help in paying off the debt) and return ratios. Overall, with a recovery in B2C demand, with the share of the unorganized markets shrinking, Crompton will gain market share backed by its strong team, product, brand, and distribution. Its working capital management has been the most efficient among its peers largely owing to its low inventory days (partially aided by higher outsourcing; ~45% of ECD revenues) and higher payable days, while return ratios have been best among the peers led by its higher margins, lean working capital and low capex spend. We expect consolidated revenue/EBITDA/PAT CAGRs of 20%/18%/15% over FY22-25E

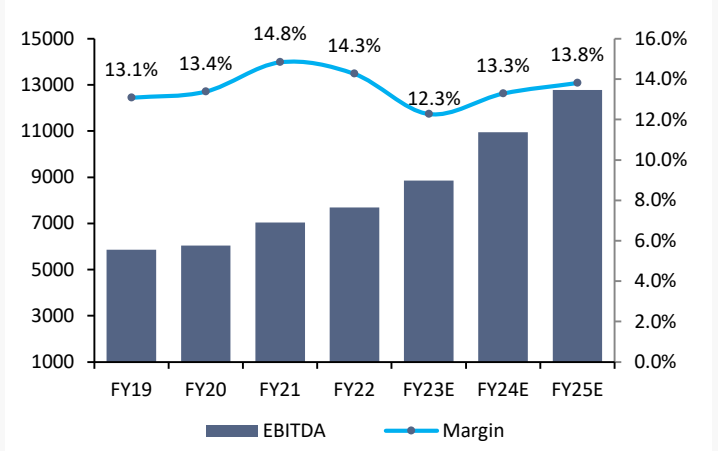
Financials in charts

Exhibit 8: Revenue and Growth Trend



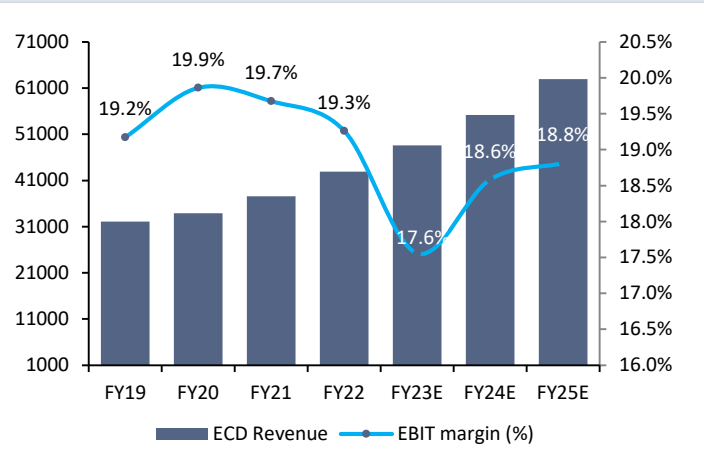
Source: Company, LKP Research

Exhibit 9: EBITDA and Margin Trend



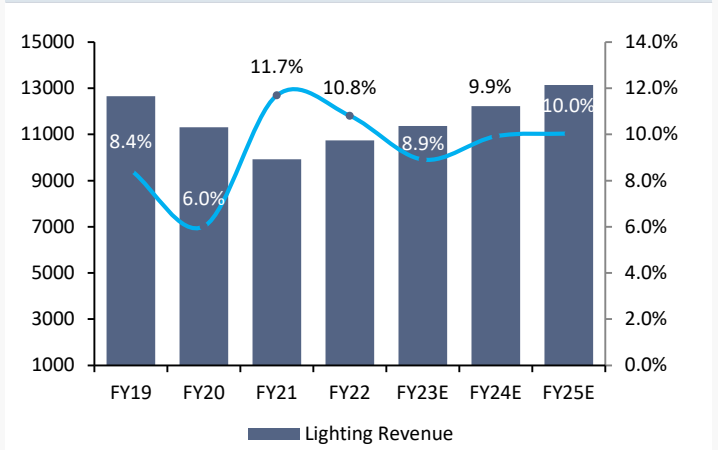
Source: Company, LKP Research

Exhibit 10: ECD – revenue and EBIT margin trend



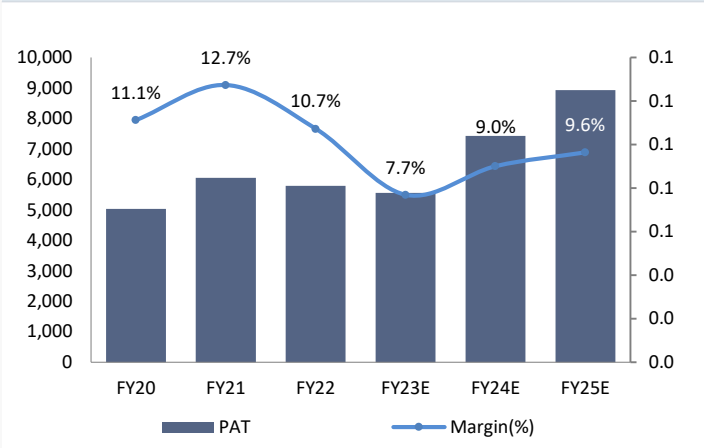
Source: Company, LKP Research

Exhibit 11: Lighting – revenue and EBIT margin



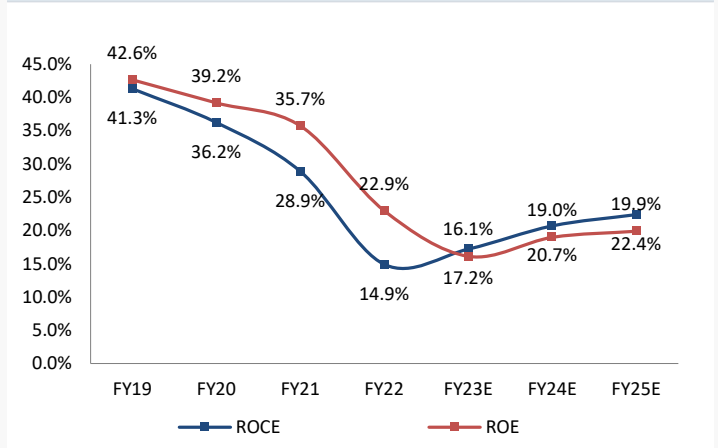
Source: Company, LKP Research

Exhibit 12: PAT and Margin Trend



Source: Company, LKP Research

Exhibit 13: RoE & RoCE Trend



Source: Company, LKP Research

## Exhibit 14: Profit and Loss Statement - Consolidated

(₹ mn)	FY21	FY22	FY23E	FY24E	FY25E
Total Income	47,500	53,941	72,201	82,486	92,563
Raw material Cost	32,304	37,018	49,169	55,843	62,387
Employee Cost	3,366	3,624	5,081	6,350	6,410
Other expenses	4,782	5,605	9,092	9,336	10,984
<b>Total operating Expenses</b>	<b>40,453</b>	<b>46,247</b>	<b>63,342</b>	<b>71,529</b>	<b>79,781</b>
<b>EBITDA</b>	<b>7,047</b>	<b>7,695</b>	<b>8,859</b>	<b>10,957</b>	<b>12,782</b>
<i>EBITDA Margins(%)</i>	<i>14.8</i>	<i>14.3</i>	<i>12.3</i>	<i>13.3</i>	<i>13.8</i>
Depreciation & Amortisation	297	423	1,124	1,201	1,277
<b>EBIT</b>	<b>6,750</b>	<b>7,272</b>	<b>7,735</b>	<b>9,755</b>	<b>11,505</b>
Interest	429	353	904	457	282
Other Income	756	727	590	629	704
<b>Recurring PBT</b>	<b>7,077</b>	<b>7,645</b>	<b>7,421</b>	<b>9,928</b>	<b>11,927</b>
Add: Extraordinaries	-	-	-	-	-
Add: Share in associates	-	-	-	-	-
PBT	7,077	7,645	7,421	9,928	11,927
Less: Taxes	1,030	1,732	1,870	2,502	3,006
Less: Minority Interest & Share in associates	-	-	-	-	-
<b>Net Income (Reported)</b>	<b>6,047</b>	<b>5,914</b>	<b>5,551</b>	<b>7,426</b>	<b>8,922</b>
<b>Adjusted Net Income</b>	<b>6,047</b>	<b>5,784</b>	<b>5,551</b>	<b>7,426</b>	<b>8,922</b>

Source: Company, LKP Research

## Exhibit 15: Balance Sheet

(₹ mn)	FY21	FY22	FY23E	FY24E	FY25E
<b>Assets</b>					
Total Current Assets	17,846	25,380	23,005	27,276	33,232
of which cash & cash eqv.	5,945	9,152	3,491	5,130	8,499
Total Current Liabilities & Provisions	11,462	15,662	18,046	20,418	22,351
<b>Net Current Assets</b>	<b>6,384</b>	<b>9,717</b>	<b>4,959</b>	<b>6,858</b>	<b>10,880</b>
Investments	7,753	6,242	6,242	6,242	6,242
Net Fixed Assets	1,356	19,880	20,756	21,055	21,278
<b>Capital Work-in-Progress</b>	<b>109</b>	<b>130</b>	<b>130</b>	<b>130</b>	<b>130</b>
Goodwill	7,794	12,855	12,855	12,855	12,855
<b>Total Assets</b>	<b>23,395</b>	<b>48,824</b>	<b>44,941</b>	<b>47,139</b>	<b>51,384</b>
<b>Liabilities</b>					
Borrowings	4,788	16,075	8,030	5,030	3,030
Deferred Tax Liability	(583)	394	394	394	394
Minority Interest	-	-	-	-	-
Equity Share Capital	1,255	1,267	1,267	1,267	1,267
Face Value per share (Rs)	2.0	2.0	2.0	2.0	2.0
Reserves & Surplus	17,935	31,087	35,250	40,449	46,694
<b>Net Worth</b>	<b>19,190</b>	<b>32,354</b>	<b>36,517</b>	<b>41,715</b>	<b>47,960</b>
<b>Total Liabilities</b>	<b>23,395</b>	<b>48,824</b>	<b>44,941</b>	<b>47,139</b>	<b>51,384</b>

Source: Company, LKP Research

## Exhibit 16: Key Ratios

Y/E Mar	FY21	FY22	FY23E	FY24E	FY25E
<b>Per Share Data (in Rs.)</b>					
AEPS	9.6	9.3	8.8	11.7	14.1
CEPS	10.0	10.0	10.5	13.6	16.1
BVPS	30.3	51.1	57.7	65.9	75.7
DPS	2.5	2.5	2.2	3.5	4.2
<b>Growth Ratios (%)</b>					
Total Revenues	5.1	13.6	33.9	14.2	12.2
EBITDA	16.5	9.2	15.1	23.7	16.7
PAT	20.3	(4.4)	(4.0)	33.8	20.1
AEPS	20.2	(3.1)	(6.1)	33.8	20.1
CEPS	18.8	(0.1)	5.3	29.3	18.2
<b>Valuation Ratios</b>					
P/E	36.0	37.2	39.6	29.6	24.6
P/CEPS	34.6	34.7	32.9	25.5	21.6
P/BV	11.4	6.8	6.0	5.3	4.6
EV / EBITDA	29.7	28.7	24.6	19.5	16.3
EV / Sales	4.4	4.1	3.0	2.6	2.2
<b>Operating Ratio</b>					
Raw Material/Sales (%)	68.0	68.6	68.1	67.7	67.4
SG&A/Sales (%)	10.1	10.4	12.6	11.3	11.9
Effective Tax Rate (%)	14.6	22.6	25.2	25.2	25.2
NWC / Total Assets (%)	1.9	1.2	3.3	3.7	4.6
Inventory Turnover (days)	39.8	34.6	41.0	41.0	41.0
Receivables (days)	34.8	34.7	40.0	40.0	40.0
Payables (days)	89.4	84.8	85.0	85.0	85.0
D/E Ratio (x)	0.2	0.5	0.2	0.1	0.1
<b>Return/Profitability Ratio (%)</b>					
RoCE	28.9	14.9	17.2	20.7	22.4
RoNW	35.7	22.9	16.1	19.0	19.9
Dividend Payout Ratio	25.9	26.8	25.0	30.0	30.0
Dividend Yield	0.7	0.7	0.6	1.0	1.2
PAT Margins	12.7	10.7	7.7	9.0	9.6
EBITDA Margins	14.8	14.3	12.3	13.3	13.8

Source: Company, LKP Research

## Exhibit 17: Cash Flow Statement

(₹ mn)	FY21	FY22	FY23E	FY24E	FY25E
PBT	7,077	7,645	7,421	9,928	11,927
Depreciation	297	423	1,124	1,201	1,277
Chng in working capital	1,397	1,005	(902)	(261)	(653)
Tax paid	(526)	(1,798)	(1,870)	(2,502)	(3,006)
Cash flow from operations (a)	8,149	7,234	6,087	8,194	9,124
Free cash flow	7,947	5,522	4,087	6,694	7,624
Capital expenditure	(202)	(1,712)	(2,000)	(1,500)	(1,500)
Chng in investments	(4,955)	(15,893)	-	-	-
Other investing activities	269	376	590	629	704
Cash flow from investing (b)	(4,887)	(17,229)	(1,410)	(871)	(796)
Inc/dec in borrowings	1,300	14,069	(8,046)	(3,000)	(2,000)
Dividend paid (incl. tax)	(1,874)	(1,564)	(1,388)	(2,228)	(2,676)
Interest paid	(342)	(505)	(904)	(457)	(282)
Other financing activities	(119)	(3,530)	-	-	-
Cash flow from financing (c)	(962)	9,073	(10,337)	(5,685)	(4,959)
Net chng in cash (a+b+c)	2,300	(922)	(5,661)	1,639	3,369
Closing cash & cash equivalents	5,945	9,152	3,491	5,130	8,499

Source: Company, LKP Research

## DISCLAIMERS AND DISCLOSURES

LKP Sec. Ltd. (CIN-L67120MH1994PLC080039, www.lkpsec.com) and its affiliates are a full-fledged, brokerage and financing group. LKP was established in 1992 and is one of India's leading brokerage and distribution house. LKP is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX). LKP 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, insurance broking and services rendered in connection with distribution of primary market issues and financial products like mutual funds etc.

LKP 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. However, SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on LKP for certain operational deviations in ordinary/routine course of business. LKP 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.

LKP offers research services to clients. 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 LKP and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

Research Analyst or his/her relative's financial interest in the subject company. (NO)

LKP or its associates may have financial interest in the subject company.

LKP or its associates and Research Analyst or his/her relative's does not have any material conflict of interest in the subject company. The research Analyst or research entity (LKP) has not been engaged in market making activity for the subject company.

LKP or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report: (NO)

LKP or its associates may have received any compensation including for investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

LKP or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

LKP or its associates may have received any compensation or other benefits from the Subject Company or third party in connection with the research report.

Subject Company may have been client of LKP or its associates during twelve months preceding the date of distribution of the research report and LKP may have co-managed public offering of securities for the subject company in the past twelve months.

Research Analyst has served as officer, director or employee of the subject company: (NO)

LKP 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 LKP 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 distributed in Canada or used by private customers in United Kingdom.

All trademarks, service marks and logos used in this report are trademarks or registered trademarks of LKP 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.

All material presented in this report, unless specifically indicated otherwise, is under copyright to LKP. 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 LKP.