

# Havells India

Refer to important disclosures at the end of this report

## Decent quarter in tough environment

|   |                                  |
|---|----------------------------------|
| <b>CMP</b>                                  | <b>Target Price</b>              |
| <b>Rs 1,205</b><br>as of (January 19, 2023) | <b>Rs 1,209 (▲)</b><br>12 months |
| <b>Rating</b>                               | <b>Upside</b>                    |
| <b>HOLD (■)</b>                             | <b>0.3 %</b>                     |

### Result highlights

- HAVL reported PAT ahead of consensus/our estimates supported by better performance in the Wire & Cables segment and lower loss at the Lloyd level. Sales growth of 13% YoY was on the back of 30%/17% growth in the Lloyd/Cable segments, respectively. Cable EBIT margin came in at 11.5% vs 10.4% YoY and 6.3% QoQ. EBIT loss at Lloyd stood at Rs600mn vs loss of Rs830mn QoQ.
- While B2B demand was supported by demand from the Infrastructure and Industrial segments, B2C demand has been impacted by retail inflation.
- We maintain HOLD on the stock, with Dec-24 TP of Rs1,209/share (Rs1,190 earlier), as we roll forward our valuation. We cut our FY24E/FY25E EPS by 3-5%, largely to account for the slower recovery in Lloyd. Mgmt continues to focus on increasing sales of Lloyd.
- **B2C demand remains sluggish:** Amid retail inflation, consumer demand has remained sluggish. On the other hand, B2B growth was supported by investment in the Industrial and Infrastructure segments.
- **Lloyd continues to see strong sales growth:** Lloyd reported 30% YoY sales growth for the quarter, while its 9M growth stood at ~62%. K has outperformed RAC industry growth in current fiscal. The RAC segment has been witnessing hyper competition with negligible price hike, despite rise in raw-material price in the past few quarters. High-cost inventory continues to hurt margins. EBIT loss during 9MFY23 stood at ~Rs2bn vs loss of Rs500mn during 9MFY22. Management highlighted that RAC is a structural story. The second factory in Sricity is expected to start production in 4QFY23. Some improvement in the Lloyd margin is expected in 4QFY23, while a larger improvement should happen in FY24.
- **Margin for key segments seems to be normalizing:** High-cost inventory of Havells, excluding Lloyd, has largely been consumed. Cable margin at 11.5% has significantly improved from 6.3% in 2QFY23. ECD margin stood at 13.1% vs 11.6% QoQ. Management indicated a 13-15% normalized margin for the segment – 17% EBIT margin during FY21 was buoyed by lower ad spends during Covid times as well as cost control. While Lighting saw a normalized contribution margin, its EBIT margin was impacted by higher ad spend and new product launches.
- **Valuation and outlook:** We maintain HOLD on the stock, as consumer demand remains sluggish. We believe that uptick in demand and improvement in Lloyd margin remain key to watch. Our Dec-24 TP stands at Rs1,209/sh based on DCF, implying PER of ~40x.

### Financial Snapshot (Consolidated)

| (Rs mn)           | FY21     | FY22     | FY23E    | FY24E    | FY25E    |
|-------------------|----------|----------|----------|----------|----------|
| Revenue           | 1,04,279 | 1,38,885 | 1,69,899 | 1,93,576 | 2,18,040 |
| EBITDA            | 15,653   | 17,576   | 16,231   | 23,432   | 27,204   |
| EBITDA Margin (%) | 15.0     | 12.7     | 9.6      | 12.1     | 12.5     |
| APAT              | 10,396   | 11,947   | 11,072   | 16,540   | 19,605   |
| EPS (Rs)          | 16.6     | 19.1     | 17.7     | 26.4     | 31.3     |
| EPS (% chg)       | 41.8     | 14.9     | (7.3)    | 49.4     | 18.5     |
| ROE (%)           | 22.0     | 21.4     | 17.5     | 23.0     | 23.6     |
| P/E (x)           | 72.6     | 63.2     | 68.2     | 45.6     | 38.5     |
| EV/EBITDA (x)     | 47.3     | 41.5     | 44.9     | 30.8     | 26.1     |
| P/BV (x)          | 14.6     | 12.6     | 11.3     | 9.8      | 8.5      |

Source: Company, Emkay Research

### Change in Estimates

|                         |           |
|-------------------------|-----------|
| EPS Chg FY23E/FY24E (%) | 6.8/(5.4) |
| Target Price change (%) | NA        |
| Target Period (Months)  | 12        |
| Previous Reco           | HOLD      |

### Emkay vs Consensus

|                         | EPS Estimates |       |
|-------------------------|---------------|-------|
|                         | FY23E         | FY24E |
| Emkay                   | 17.7          | 26.4  |
| Consensus               | 18.7          | 25.4  |
| Mean Consensus TP (12M) | Rs 1,338      |       |

### Stock Details

|                             |               |
|-----------------------------|---------------|
| Bloomberg Code              | HAVL IN       |
| Face Value (Rs)             | 1             |
| Shares outstanding (mn)     | 627           |
| 52 Week H/L                 | 1,406 / 1,025 |
| M Cap (Rs bn/USD bn)        | 755 / 9.28    |
| Daily Avg Volume (nos.)     | 817,459       |
| Daily Avg Turnover (USD mn) | 11.9          |

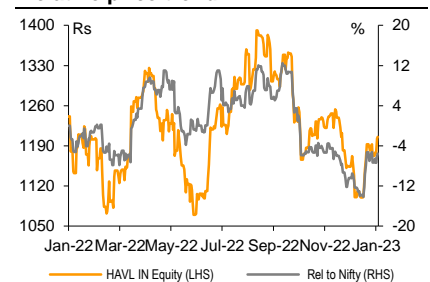
### Shareholding Pattern Dec '22

|                   |       |
|-------------------|-------|
| Promoters         | 59.5% |
| FIIs              | 22.6% |
| DIIs              | 10.5% |
| Public and Others | 7.4%  |

### Price Performance

| (%)                  | 1M | 3M  | 6M   | 12M |
|----------------------|----|-----|------|-----|
| <b>Absolute</b>      | 4  | (3) | (4)  | (8) |
| <b>Rel. to Nifty</b> | 5  | (7) | (14) | (9) |

### Relative price trend



Source: Bloomberg

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

#### Abhineet Anand

abhineet.anand@emkayglobal.com  
+91 22 6624 2466

#### Anshul Agrawal

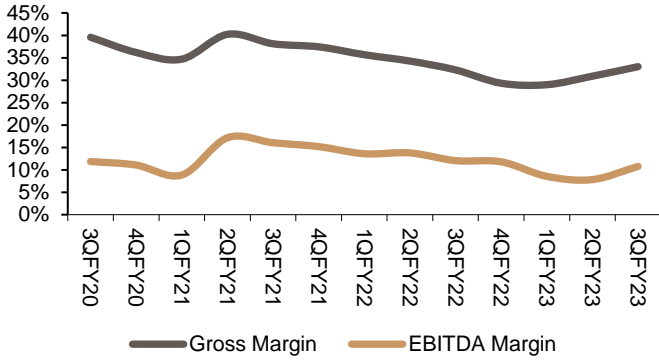
anshul.agrawal@emkayglobal.com  
+91 22 6612 1228

#### Naman Bagrecha

naman.bagrecha@emkayglobal.com  
+91 22 6612 1235

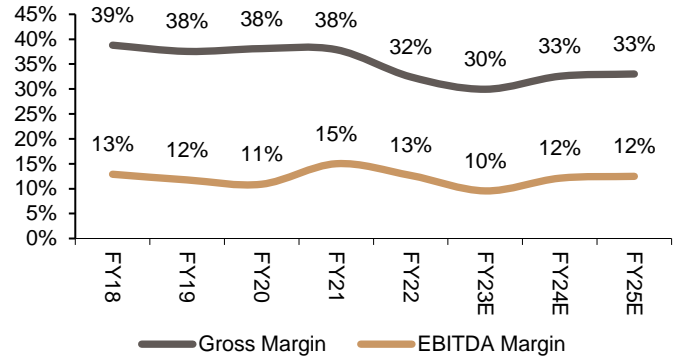
## Story in Charts

**Exhibit 1: Sequential improvement in margins aided by stable RM**



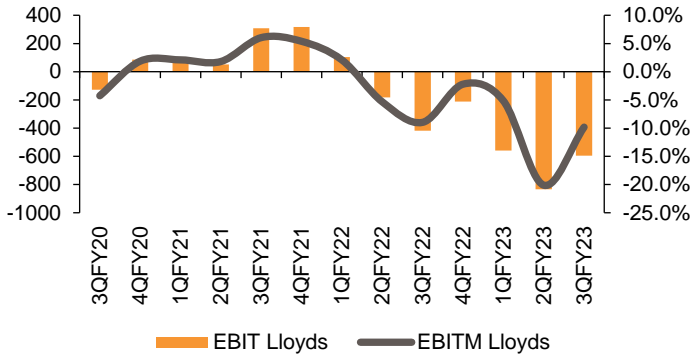
Source: Company, Emkay Research

**Exhibit 2: Gradual improvement in margins expected**



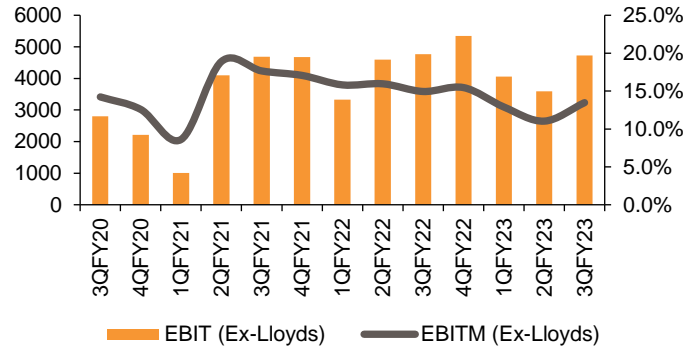
Source: Company, Emkay Research

**Exhibit 3: Lloyd's EBIT loss contracted**



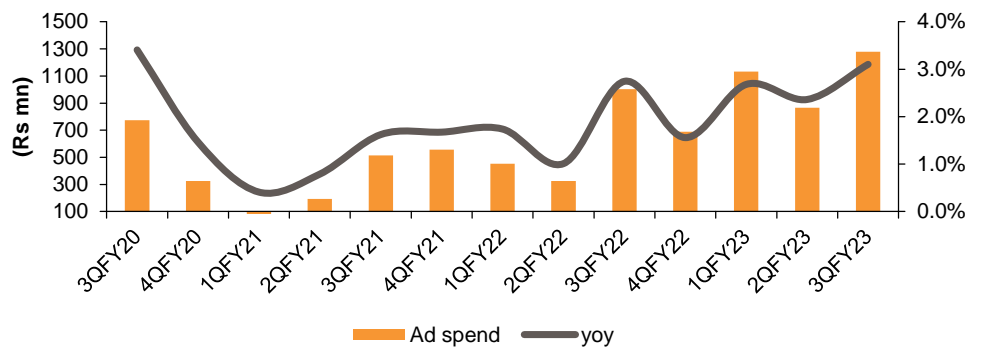
Source: Company, Emkay Research

**Exhibit 4: Quarterly EBIT and EBIT margin trend (ex-Lloyd)**



Source: Company, Emkay Research

**Exhibit 5: Ad spends returning to normalized levels**



Source: Company, Emkay Research

**Exhibit 6: Actual vs Estimates (Q3FY23)**

| (Rs mn)       | Actual | Estimate<br>(Emkay) | Consensus<br>estimate<br>(Bloomberg) | Variation |           |
|---------------|--------|---------------------|--------------------------------------|-----------|-----------|
|               |        |                     |                                      | Emkay     | Consensus |
| Revenue       | 41,197 | 41,403              | 40,757                               | 0%        | 1%        |
| EBITDA        | 4,437  | 3,850               | 4,147                                | 15%       | 7%        |
| EBITDA Margin | 10.8%  | 9.3%                | 10.2%                                | 147 bps   | 60 bps    |
| PAT           | 3,039  | 2,660               | 2,776                                | 14%       | 10%       |

Source: Company, Emkay Research

**Exhibit 7: Summary of Quarterly Financials**

| (Rs mn)                      | Q3FY20        | Q3FY22        | Q2FY23        | Q3FY23        | YoY (%)     | QoQ (%)     | 3-yr CAGR   |
|------------------------------|---------------|---------------|---------------|---------------|-------------|-------------|-------------|
| Switchgears                  | 3,309         | 4,960         | 4,878         | 5,141         | 3.7         | 5.4         | 15.8        |
| Cable and Wires              | 7,121         | 12,058        | 13,594        | 14,121        | 17.1        | 3.9         | 25.6        |
| Lighting and Fixtures        | 2,760         | 4,080         | 3,970         | 4,201         | 3.0         | 5.8         | 15.0        |
| Electrical Consumer Durables | 5,359         | 8,926         | 7,735         | 9,348         | 4.7         | 20.9        | 20.4        |
| Lloyd                        | 3,004         | 4,657         | 4,141         | 6,068         | 30.3        | 46.5        | 26.4        |
| Others                       | 1,146         | 1,841         | 2,372         | 2,319         | 25.9        | (2.2)       | 26.5        |
| <b>Total Sales</b>           | <b>22,699</b> | <b>36,523</b> | <b>36,689</b> | <b>41,197</b> | <b>12.8</b> | <b>12.3</b> | <b>22.0</b> |
| Raw Material                 | 13,718        | 24,730        | 25,356        | 27,598        | 11.6        | 8.8         | 26.2        |
| as a % of sales              | 60.4          | 67.7          | 69.1          | 67.0          |             |             |             |
| Employee Cost                | 2,195         | 2,574         | 3,068         | 3,266         | 27          | 6.5         | 14.2        |
| as a % of sales              | 9.7           | 7.0           | 8.4           | 7.9           |             |             |             |
| Other operating expenses     | 4,096         | 4,815         | 5,394         | 6,096         | 27          | 13          | 14.2        |
| as a % of sales              | 18.0          | 13.2          | 14.7          | 14.3          |             |             |             |
| Total Expenditure            | 20,009        | 32,119        | 33,819        | 36,960        | 15.1        | 9.3         | 22.7        |
| EBITDA                       | 2,690         | 4,403         | 2,871         | 4,237         | (3.8)       | 47.6        | 16.4        |
| Depreciation                 | 553           | 662           | 721           | 746           | 12.7        | 3.5         | 10.5        |
| EBIT                         | 2,137         | 3,742         | 2,150         | 3,492         | (6.7)       | 62.4        | 17.8        |
| Other Income                 | 239           | 488           | 433           | 399           | (18.2)      | (7.9)       | 18.6        |
| Interest                     | 53            | 123           | 68            | 73            | (40.8)      | 6.6         | 11.4        |
| PBT                          | 2,324         | 4,107         | 2,515         | 3,818         | (7.0)       | 51.8        | 18.0        |
| Tax                          | 329           | 1,047         | 646           | 978           | (6.6)       | 51.4        | 43.8        |
| PAT                          | 1,995         | 3,059         | 1,869         | 2,839         | (7.2)       | 51.9        | 12.5        |

| Margins (%)        |      |      |      |      | (bps) | (bps) |
|--------------------|------|------|------|------|-------|-------|
| Gross Margin       | 39.6 | 32.3 | 30.9 | 33.0 | 72    | 212   |
| EBITDA             | 11.9 | 12.1 | 7.8  | 10.8 | (177) | 246   |
| EBIT               | 9.4  | 10.2 | 5.9  | 9.0  | (177) | 262   |
| EBT                | 10.2 | 11.2 | 6.9  | 9.8  | (198) | 241   |
| PAT                | 8.8  | 8.4  | 5.1  | 7.4  | (148) | 180   |
| Effective Tax rate | 14.2 | 25.5 | 25.7 | 24.4 | 12    | (7)   |

Source: Company, Emkay Research

**Exhibit 8: Segment-wise revenue and EBIT performance**

| (Rs mn)                      | Q3FY20 | Q3FY22 | Q2FY23 | Q3FY23 | YoY (%)      | QoQ (%)      | 3-yr CAGR |
|------------------------------|--------|--------|--------|--------|--------------|--------------|-----------|
| Switchgears                  | 3,309  | 4,960  | 4,878  | 5,141  | 3.7          | 5.4          | 15.8      |
| Cable and Wires              | 7,121  | 12,058 | 13,594 | 14,121 | 17.1         | 3.9          | 25.6      |
| Lighting and Fixtures        | 2,760  | 4,080  | 3,970  | 4,201  | 3.0          | 5.8          | 15.0      |
| Electrical Consumer Durables | 5,359  | 8,926  | 7,735  | 9,348  | 4.7          | 20.9         | 20.4      |
| Lloyd                        | 3,004  | 4,657  | 4,141  | 6,068  | 30.3         | 46.5         | 26.4      |
| Others                       | 1,146  | 1,841  | 2,372  | 2,319  | 25.9         | (2.2)        | 26.5      |
| Total Sales                  | 22,699 | 36,523 | 36,689 | 41,197 | 12.8         | 12.3         | 22        |
| Ex-Lloyd revenue             | 19,694 | 31,866 | 32,549 | 35,130 | 10.2         | 7.9          | 21.3      |
| <b>PBIT</b>                  |        |        |        |        |              |              |           |
| Switchgears                  | 875    | 1454   | 1220   | 1270   | (12.7)       | 4.1          | 13.2      |
| Cable and Wires              | 767    | 1256   | 859    | 1628   | 29.6         | 89.5         | 28.5      |
| Lighting and Fixtures        | 481    | 869    | 570    | 534    | (38.6)       | (6.5)        | 3.5       |
| Electrical Consumer Durables | 770    | 1138   | 901    | 1228   | 8.0          | 36.3         | 16.9      |
| Lloyd                        | -128   | -418   | -833   | -596   | 42.7         | (28.4)       | 66.9      |
| Others                       | -91    | 46     | 41     | 72     | 57.4         | 76.7         | -192.6    |
| Total PBIT                   | 2,673  | 4,344  | 2,758  | 4,135  | (4.8)        | 49.9         | 15.6      |
| Ex-Lloyd EBIT                | 2,802  | 4,762  | 3,591  | 4,731  | (0.7)        | 31.7         | 19.1      |
| Ex-Lloyd EBIT margin (%)     | 14.2   | 14.9   | 11.0   | 13.5   | -148 bps     | 243 bps      | -76 bps   |
| Unallocable expense          | 297    | 115    | 175    | 244    | 112.9        | 39.5         | -6.3      |
| as % of sales                | 1      | 0      | 0      | 1      |              |              |           |
| PBT                          | 2,376  | 4,230  | 2,583  | 3,891  | (8.0)        | 50.6         | 17.9      |
| <b>PBIT Margins (%)</b>      |        |        |        |        | <b>(bps)</b> | <b>(bps)</b> |           |
| Switchgears                  | 26.4   | 29.3   | 25.0   | 24.7   | (461)        | (31)         |           |
| Cable and Wires              | 10.8   | 10.4   | 6.3    | 11.5   | 111          | 521          |           |
| Lighting and Fixtures        | 17.4   | 21.3   | 14.4   | 12.7   | (860)        | (167)        |           |
| Electrical Consumer Durables | 14.4   | 12.7   | 11.6   | 13.1   | 40           | 149          |           |
| Lloyd                        | (4.3)  | (9.0)  | (20.1) | (9.8)  | (85)         | 1,029        |           |
| Others                       | NA     | 2.5    | 1.7    | 3.1    | 62           | 139          |           |
| Total PBIT                   | 11.8   | 11.9   | 7.5    | 10.0   | (186)        | 252          |           |

Source: Company, Emkay Research

**Segment-wise performance**

- **Electrical Consumer Durables:** Revenues were up 4% YoY (3-yr CAGR: 20%). Margins expanded by 40bps YoY and 149bps QoQ.
- **Cables & Wires:** Revenue grew by 17% YoY (3-yr CAGR: 26%). Margins expanded by 111bps YoY and 521bps QoQ.
- **Lighting and Fixtures:** Revenue grew by 3% YoY (3-yr CAGR: 15%). Margins contracted by 860bps/167bps YoY/QoQ. Ad spends & new product launches impacted margins, but contribution margins were intact.
- **Lloyd:** Revenue grew 30% YoY (3-yr CAGR: 26%). EBIT loss narrowed sequentially to Rs596mn, with a margin of -9.8%, impacted by high-cost inventory.
- **Switchgears:** Revenue grew by 3.7% YoY (3-yr CAGR: 15.8%). EBIT margins contracted by 461bps YoY. Construction demand continues to be high, offsetting the tepid consumer demand.
- **Others:** Revenue increased 26% YoY. Margins expanded by 62bps/139bps YoY/QoQ.

**Balance sheet**

- Net working capital days marginally increased to 42, from 39 days in Q2FY23.
- **Net cash stood at Rs22.2bn vs. Rs25.9bn Q4FY22. 9MFY23 capex was Rs3,690mn, with Rs2,360mn spent towards the new Air conditioner plant.**

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**Exhibit 9: Changes in estimates**

| Particulars       | FY23E    |          |        | FY24E    |          |          | FY25E    |          |         |
|-------------------|----------|----------|--------|----------|----------|----------|----------|----------|---------|
|                   | Old      | New      | Change | Old      | New      | Change   | Old      | New      | Change  |
| Revenue           | 1,64,207 | 1,69,899 | 3.5%   | 1,86,712 | 1,93,576 | 3.7%     | 2,09,629 | 2,18,040 | 4.0%    |
| EBITDA            | 15,151   | 16,231   | 7.1%   | 24,509   | 23,432   | -4.4%    | 27,972   | 27,204   | -2.7%   |
| EBITDA Margin (%) | 9.2      | 9.6      | 33 bps | 13.1     | 12.1     | -102 bps | 13.3     | 12.5     | -87 bps |
| EBIT              | 12,198   | 13,278   | 8.9%   | 21,193   | 20,116   | -5.1%    | 24,292   | 23,524   | -3.2%   |
| PAT               | 10,368   | 11,072   | 6.8%   | 17,484   | 16,540   | -5.4%    | 20,318   | 19,605   | -3.5%   |
| EPS (Rs)          | 16.6     | 17.7     | 6.8%   | 27.9     | 26.4     | -5.4%    | 32.4     | 31.3     | -3.5%   |

Source: Emkay Research

**Exhibit 10: Revenue and Margin Assumption**

| (Rs mn)                      | FY20   | FY21     | FY22     | FY23E    | FY24E    | FY25E    |
|------------------------------|--------|----------|----------|----------|----------|----------|
| Switchgear                   | 13,394 | 14,609   | 17,864   | 20,365   | 22,809   | 25,546   |
| YoY growth                   | -15%   | 9%       | 22%      | 14%      | 12%      | 12%      |
| Cables and wires             | 29,942 | 31,802   | 46,451   | 56,670   | 63,470   | 71,087   |
| YoY growth                   | -7%    | 6%       | 46%      | 22%      | 12%      | 12%      |
| Lighting and Fixtures        | 10,143 | 10,846   | 13,709   | 16,245   | 18,682   | 20,923   |
| YoY growth                   | -22%   | 7%       | 26%      | 19%      | 15%      | 12%      |
| Electrical consumer durables | 20,054 | 23,770   | 30,669   | 35,035   | 39,188   | 43,643   |
| YoY growth                   | -4%    | 19%      | 29%      | 14%      | 12%      | 11%      |
| Lloyd's consumer             | 15,903 | 16,888   | 22,606   | 32,100   | 38,520   | 44,299   |
| YoY growth                   | -14%   | 6%       | 34%      | 42%      | 20%      | 15%      |
| Others                       | 4,857  | 6,365    | 7,587    | 9,484    | 10,907   | 12,543   |
| YoY growth                   |        | 31%      | 19%      | 25%      | 15%      | 15%      |
| Total Revenue                | 94,292 | 1,04,279 | 1,38,885 | 1,69,899 | 1,93,576 | 2,18,040 |
| YoY growth                   | -6%    | 11%      | 33%      | 22%      | 14%      | 13%      |

| (Rs mn)                      | FY20   | FY21   | FY22   | FY23E  | FY24E  | FY25E  |
|------------------------------|--------|--------|--------|--------|--------|--------|
| Switchgear                   | 3,249  | 4,047  | 4,908  | 5,193  | 5,930  | 6,770  |
| - margin                     | 24%    | 28%    | 27%    | 26%    | 26%    | 27%    |
| Cables and wires             | 3,321  | 4,038  | 5,403  | 5,667  | 7,934  | 8,886  |
| - margin                     | 11%    | 13%    | 12%    | 10%    | 13%    | 13%    |
| Lighting and Fixtures        | 1,457  | 2,041  | 2,576  | 2,437  | 2,802  | 3,139  |
| - margin                     | 14%    | 19%    | 19%    | 15%    | 15%    | 15%    |
| Electrical consumer durables | 2,870  | 4,037  | 4,576  | 4,730  | 5,290  | 6,110  |
| - margin                     | 14%    | 17%    | 15%    | 14%    | 14%    | 14%    |
| Lloyd's consumer             | -401   | 741    | -711   | -2,568 | 578    | 1,550  |
| - margin                     | -3%    | 4%     | -3%    | -8%    | 2%     | 4%     |
| Others                       | -250   | 310    | 567    | 427    | 763    | 941    |
| - margin                     | -5%    | 5%     | 7%     | 5%     | 7%     | 8%     |
| Total PBIT                   | 10,246 | 15,213 | 17,318 | 15,885 | 23,298 | 27,395 |
| - margin                     | 11%    | 15%    | 12%    | 9%     | 12%    | 13%    |

Source: Emkay Research

## Con-call highlights

### C&W

- 60% of the business comes from Cables, while the balance 40% comes from the Wires business.
- Generally, margins are 14-15% for this segment.
- The segment was affected by raw-material price fluctuations; secondary demand was also impacted by costs inching up.

### Llyod

- 70-75% of the business comes from AC sales, and growth has been strong. Company expects demand for ACs to be strong, as India is a country with largely warm weather.
- Demand is growing at 30-40%, hence the company is compelled to keep inventory.
- The new plant will contribute to the upcoming festive demand, thus helping in lesser inventory days.
- Supply chain will become more domestic, as most products will be made in India, rather than only assembled in the country.
- Pre-Covid AC business had good margins and, as consolidation happens over the next couple of years, profitability too will improve.
- Capital deployment for Llyod is peaking.
- Management guided for further improvement in margin QoQ, though margins clocking at double digits will take time due to high inventory costs.
- Average A&P spends for Llyod will be 5-5.5%.

### ECD

- Inventory cost were higher for fans, cables and wires.
- In the lower-end segment of fans, there was channel filing, while de-stocking happened in the high-end segment.
- Business margins are at normalized levels of 13-15%. ECD margins were 14-17% of pre-Covid levels due to lower ad spends.
- Price hike of 3-4% to be taken due to BEE norms, with cost also rising at similar levels.
- Shelf filing of fans happened for the mass segment, but Havells has not benefitted as much from pre-buying, as it is not operating in the mass segment.

### Lighting

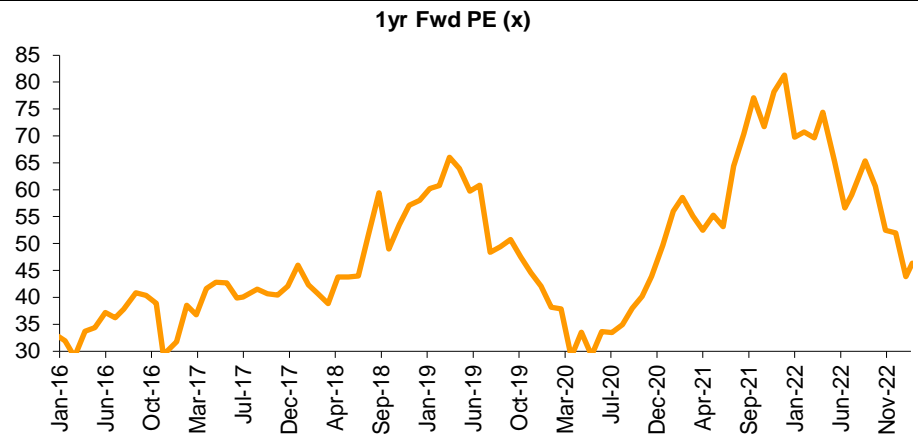
- Lighting business margins contracted due to new product launches and ad spends.
- Contribution margin is at normal levels of 28-30%.

### Others

- FY23 capex to be around Rs7bn.
- Raw-material prices have shown upward trends in the last couple of weeks.
- Employee cost for the quarter is the new normal.

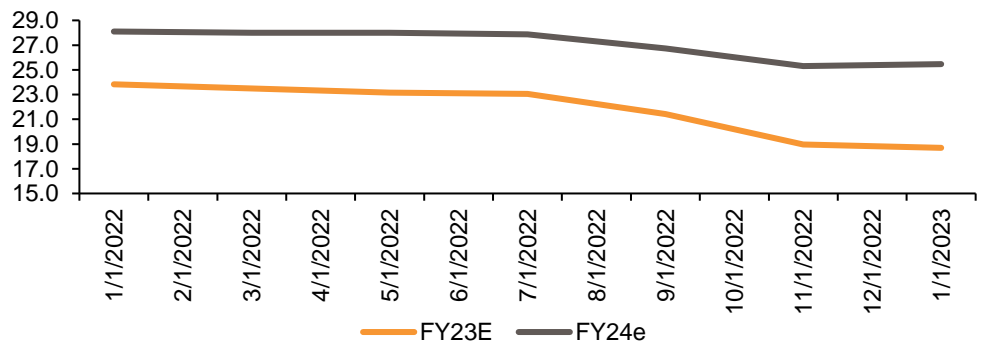
## Valuation chart

**Exhibit 11: Havells has traded at ~45x 1-yr fwd P/E in the last 7 years (x)**



Source: Emkay Research

**Exhibit 12: FY23E/FY24E EPS has been cut by 22%/9% in the last 1 year (%)**



Source: Bloomberg

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

| Y/E Mar (Rs mn)                  | FY21            | FY22            | FY23E           | FY24E           | FY25E           |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Revenue</b>                   | <b>1,04,279</b> | <b>1,38,885</b> | <b>1,69,899</b> | <b>1,93,576</b> | <b>2,18,040</b> |
| <b>Expenditure</b>               | <b>88,627</b>   | <b>1,21,309</b> | <b>1,53,669</b> | <b>1,70,143</b> | <b>1,90,836</b> |
| <b>EBITDA</b>                    | <b>15,653</b>   | <b>17,576</b>   | <b>16,231</b>   | <b>23,432</b>   | <b>27,204</b>   |
| Depreciation                     | 2,489           | 2,609           | 2,953           | 3,316           | 3,680           |
| <b>EBIT</b>                      | <b>13,164</b>   | <b>14,967</b>   | <b>13,278</b>   | <b>20,116</b>   | <b>23,524</b>   |
| Other Income                     | 1,878           | 1,604           | 1,842           | 2,311           | 2,999           |
| Interest expenses                | 726             | 534             | 324             | 324             | 324             |
| <b>PBT</b>                       | <b>14,316</b>   | <b>16,037</b>   | <b>14,797</b>   | <b>22,103</b>   | <b>26,199</b>   |
| Tax                              | 3,919           | 4,091           | 3,724           | 5,563           | 6,594           |
| Extraordinary Items              | 0               | 0               | 0               | 0               | 0               |
| Minority Int./Income from Assoc. | 0               | 0               | 0               | 0               | 0               |
| <b>Reported Net Income</b>       | <b>10,396</b>   | <b>11,947</b>   | <b>11,072</b>   | <b>16,540</b>   | <b>19,605</b>   |
| <b>Adjusted PAT</b>              | <b>10,396</b>   | <b>11,947</b>   | <b>11,072</b>   | <b>16,540</b>   | <b>19,605</b>   |

**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        | 66,124        | 76,379        | 88,534          |
| <b>Net worth</b>                           | <b>51,645</b> | <b>59,886</b> | <b>66,751</b> | <b>77,005</b> | <b>89,160</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>4,922</b>  | <b>3,955</b>  | <b>926</b>    | <b>926</b>    | <b>926</b>      |
| Net deferred tax liability                 | 3,391         | 3,506         | 3,506         | 3,506         | 3,506           |
| <b>Total Liabilities</b>                   | <b>59,958</b> | <b>67,347</b> | <b>71,183</b> | <b>81,437</b> | <b>93,592</b>   |
| <b>Net block</b>                           | <b>32,903</b> | <b>34,339</b> | <b>39,500</b> | <b>41,297</b> | <b>42,729</b>   |
| <b>Investment</b>                          | <b>22</b>     | <b>2,750</b>  | <b>2,750</b>  | <b>2,750</b>  | <b>2,750</b>    |
| <b>Current Assets</b>                      | <b>54,378</b> | <b>67,394</b> | <b>74,349</b> | <b>89,126</b> | <b>1,06,378</b> |
| Cash & bank balance                        | 19,310        | 26,892        | 24,483        | 32,348        | 42,458          |
| Other Current Assets                       | 1,328         | 1,344         | 1,964         | 2,201         | 2,446           |
| <b>Current liabilities &amp; Provision</b> | <b>28,245</b> | <b>37,704</b> | <b>45,984</b> | <b>52,303</b> | <b>58,834</b>   |
| <b>Net current assets</b>                  | <b>26,133</b> | <b>29,690</b> | <b>28,365</b> | <b>36,823</b> | <b>47,545</b>   |
| Misc. exp                                  | 0             | 0             | 0             | 0             | 0               |
| <b>Total Assets</b>                        | <b>59,958</b> | <b>67,347</b> | <b>71,183</b> | <b>81,437</b> | <b>93,592</b>   |

**Cash Flow**

| Y/E Mar (Rs mn)                       | FY21           | FY22           | FY23E          | FY24E          | FY25E          |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>PBT (Ex-Other income) (NI+Dep)</b> | <b>12,438</b>  | <b>14,433</b>  | <b>12,954</b>  | <b>19,792</b>  | <b>23,200</b>  |
| Other Non-Cash items                  | 0              | 0              | 0              | 0              | 0              |
| Chg in working cap                    | (5,618)        | 4,140          | (1,084)        | (593)          | (611)          |
| <b>Operating Cashflow</b>             | <b>6,579</b>   | <b>17,444</b>  | <b>11,509</b>  | <b>17,342</b>  | <b>20,067</b>  |
| Capital expenditure                   | (1,935)        | (3,714)        | (8,113)        | (5,113)        | (5,113)        |
| <b>Free Cash Flow</b>                 | <b>4,644</b>   | <b>13,730</b>  | <b>3,396</b>   | <b>12,229</b>  | <b>14,954</b>  |
| Investments                           | 192            | (2,728)        | 0              | 0              | 0              |
| Other Investing Cash Flow             | (7,764)        | (2,755)        | (87)           | (66)           | (68)           |
| <b>Investing Cashflow</b>             | <b>(7,629)</b> | <b>(7,593)</b> | <b>(6,357)</b> | <b>(2,868)</b> | <b>(2,182)</b> |
| Equity Capital Raised                 | 0              | 0              | 0              | 0              | 0              |
| Loans Taken / (Repaid)                | 4,517          | (967)          | (3,030)        | 0              | 0              |
| Dividend paid (incl tax)              | (1,878)        | (4,071)        | (4,208)        | (6,285)        | (7,450)        |
| Other Financing Cash Flow             | 18,447         | 22,612         | 26,892         | 24,483         | 32,347         |
| <b>Financing Cashflow</b>             | <b>20,360</b>  | <b>17,041</b>  | <b>19,331</b>  | <b>17,874</b>  | <b>24,573</b>  |
| <b>Net chg in cash</b>                | <b>19,310</b>  | <b>26,892</b>  | <b>24,483</b>  | <b>32,348</b>  | <b>42,458</b>  |
| Opening cash position                 | 11,069         | 19,310         | 26,892         | 24,483         | 32,348         |
| <b>Closing cash position</b>          | <b>19,310</b>  | <b>26,892</b>  | <b>24,483</b>  | <b>32,348</b>  | <b>42,458</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            | 15.0        | 12.7        | 9.6          | 12.1         | 12.5         |
| EBIT Margin              | 12.6        | 10.8        | 7.8          | 10.4         | 10.8         |
| Effective Tax Rate       | 27.4        | 25.5        | 25.2         | 25.2         | 25.2         |
| Net Margin               | 10.0        | 8.6         | 6.5          | 8.5          | 9.0          |
| ROCE                     | 28.3        | 26.0        | 21.8         | 29.4         | 30.3         |
| ROE                      | 22.0        | 21.4        | 17.5         | 23.0         | 23.6         |
| RoIC                     | 25.9        | 29.0        | 24.7         | 33.8         | 37.6         |

| <b>Per Share Data (Rs)</b> | <b>FY21</b> | <b>FY22</b> | <b>FY23E</b> | <b>FY24E</b> | <b>FY25E</b> |
|----------------------------|-------------|-------------|--------------|--------------|--------------|
| EPS                        | 16.6        | 19.1        | 17.7         | 26.4         | 31.3         |
| CEPS                       | 20.6        | 23.2        | 22.4         | 31.7         | 37.2         |
| BVPS                       | 82.5        | 95.6        | 106.6        | 123.0        | 142.4        |
| DPS                        | 3.0         | 6.5         | 6.7          | 10.0         | 11.9         |

| <b>Valuations (x)</b> | <b>FY21</b> | <b>FY22</b> | <b>FY23E</b> | <b>FY24E</b> | <b>FY25E</b> |
|-----------------------|-------------|-------------|--------------|--------------|--------------|
| PER                   | 72.6        | 63.2        | 68.2         | 45.6         | 38.5         |
| P/CEPS                | 58.6        | 51.9        | 53.8         | 38.0         | 32.4         |
| P/BV                  | 14.6        | 12.6        | 11.3         | 9.8          | 8.5          |
| EV / Sales            | 7.1         | 5.3         | 4.3          | 3.7          | 3.3          |
| EV / EBITDA           | 47.3        | 41.5        | 44.9         | 30.8         | 26.1         |
| Dividend Yield (%)    | 0.2         | 0.5         | 0.6          | 0.8          | 1.0          |

| <b>Gearing Ratio (x)</b> | <b>FY21</b> | <b>FY22</b> | <b>FY23E</b> | <b>FY24E</b> | <b>FY25E</b> |
|--------------------------|-------------|-------------|--------------|--------------|--------------|
| Net Debt/ Equity         | (0.3)       | (0.4)       | (0.4)        | (0.4)        | (0.5)        |
| Net Debt/EBIDTA          | (0.9)       | (1.5)       | (1.6)        | (1.5)        | (1.6)        |
| Working Cap Cycle (days) | 23.9        | 7.4         | 8.3          | 8.4          | 8.5          |

| <b>Growth (%)</b> | <b>FY21</b> | <b>FY22</b> | <b>FY23E</b> | <b>FY24E</b> | <b>FY25E</b> |
|-------------------|-------------|-------------|--------------|--------------|--------------|
| Revenue           | 10.6        | 33.2        | 22.3         | 13.9         | 12.6         |
| EBITDA            | 52.4        | 12.3        | (7.7)        | 44.4         | 16.1         |
| EBIT              | 62.6        | 13.7        | (11.3)       | 51.5         | 16.9         |
| PAT               | 41.8        | 14.9        | (7.3)        | 49.4         | 18.5         |

| <b>Quarterly (Rs mn)</b> | <b>Q4FY22</b> | <b>Q1FY23</b> | <b>Q2FY23</b> | <b>Q3FY23</b> | <b>Q4FY23</b> |
|--------------------------|---------------|---------------|---------------|---------------|---------------|
| Revenue                  | 44,171        | 42,301        | 36,689        | 41,197        | 49,712        |
| EBITDA                   | 5,205         | 3,614         | 2,871         | 4,437         | 7,664         |
| <b>EBITDA Margin (%)</b> | <b>11.8</b>   | <b>8.5</b>    | <b>7.8</b>    | <b>10.8</b>   | <b>15.4</b>   |
| PAT                      | 3,530         | 2,424         | 1,869         | 3,039         | 6,041         |
| <b>EPS (Rs)</b>          | <b>5.6</b>    | <b>3.9</b>    | <b>3.0</b>    | <b>4.9</b>    | <b>9.6</b>    |

Source: Company, Emkay Research

| <b>Shareholding Pattern (%)</b> | <b>Dec-21</b> | <b>Mar-22</b> | <b>Jun-22</b> | <b>Sep-22</b> | <b>Dec-22</b> |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| Promoters                       | 59.5          | 59.5          | 59.5          | 59.5          | 59.5          |
| FII                             | 26.5          | 24.4          | 23.1          | 23.3          | 22.6          |
| DII                             | 6.3           | 8.2           | 9.0           | 9.8           | 10.5          |
| Public and Others               | 7.8           | 7.9           | 8.5           | 7.4           | 7.4           |

Source: Capitaline

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| Ratings | Expected Return within the next 12-18 months. |
|---------|---|
| BUY     | Over 15%                                      |
| HOLD    | Between -5% to 15%                            |
| SELL    | Below -5%                                     |

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**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