

Crompton Consumer

Strong core portfolio performance

Crompton's core portfolio (standalone), in line with its Crompton 2.0 strategy, continued to report strong performance as revenue/EBITDA/PAT grew by 12/15/22% YoY. However, the realignment of channel mix, business policies and brand investments led to a soft performance of Butterfly (revenue down 12%: EBIT margin at -15.9%) which pulled down overall profitability. ECD margins at 16.4% (17.2% ex of EPR cost) surprised positively while lighting growth remained in the black for the second consecutive quarter. Crompton remains upbeat about the demand scenario backed by a strong start to the summer season and has initiated three rounds of price hikes (last few months) with another one in the offing. BGAL should start seeing improvement in revenue and profitability starting Q2. We believe sustained execution of the Crompton 2.0 strategy and industry outperformance can help rerate the stock. We increase our FY25/26 earnings by 5% each and value the stock at 35x Mar'26 EPS to arrive at a TP of INR 400. Maintain BUY.

- Q4FY24 highlights:** Consolidated revenue grew by 9% YoY to INR19.6bn (HSIE: INR19.4bn). Ex-BGAL, revenue grew by 12% YoY (2% above HSIE). Gross margin expanded by 40bps YoY to 31.9%, led by mix improvement and cost efficiency measures in the standalone business. EBITDA fell by 4% YoY to INR2bn (10/4% above HSIE/consensus) impacted by higher A&P spends (+49% YoY), EPR impact (INR 150mn) and BGAL turnaround measures. EBITDAM margin contracted by 140bps YoY to 10.4% (HSIE: 9.5%). Standalone EBITDA grew by 15%, with the margin expanding by 30bps to 12.5%. Consolidated PBT fell by 1% YoY to INR1.7bn while APAT grew by 5% YoY to INR 1.4bn. Standalone PBT/PAT grew by 20%/22%.
- ECD outperforms; lighting arrests declining trend:** ECD revenue grew by 14% YoY to INR 15.2bn while margin expanded by 30bps YoY to 16.7% (17.2% ex of EPR cost). Fans/pumps/appliances grew by 13%/9%/27%. **Lighting** revenue grew by 1% YoY to INR 2.8bn while the margin contracted by 200bps YoY to 8.9% (11.1% ex of EPR cost). While B2C saw healthy volume growth, price erosion continued to hamper value growth. B2B maintained its robust momentum. **BGAL** revenue fell 12% YoY to INR 1.6bn while incurring an EBIT loss of INR 260mn vs a profit of INR 37mn YoY. While core categories revenue sustained along with stable market share, optimization of channel mix, increased brand spending and realignment policies with Crompton impacted performance.
- Earnings call takeaways:** (1) Premium fans' saliency improved by 300bps YoY to 24.3%. (2) Within pumps, secured solar pump orders worth INR 870 mn in Q4. Total order book at INR 1.2bn of which INR 280mn has been executed. (3) In FY24, filed for 85 design registrations, 17 patent applications and got 7 patent grants. Spent INR 710mn on R&D in FY24. (4) Built-in kitchen appliance revenue stood at INR 610mn in FY24. (5) Alternate channel contributed to 18% of revenues (15% LY). (6) Crompton has taken three price hikes since September with another one in the offing.

Financial summary

(INR mn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY23	FY24	FY25E	FY26E
Net Sales	19,610	17,910	9.5	16,927	15.9	68,696	73,128	82,614	93,575
EBITDA	2,036	2,114	(3.7)	1,498	35.9	7,705	7,137	9,105	10,907
APAT	1,384	1,312	5.5	860	60.9	4,632	4,399	5,849	7,322
EPS (INR)	2.2	2.1	5.5	1.3	61.9	7.3	6.8	9.1	11.4
P/E (x)						46.6	49.6	37.3	29.8
EV / EBITDA						28.3	30.1	23.1	18.8
RoE (%)						18.1	13.4	16.0	17.8

Source: Company, HSIE Research

BUY

CMP (as on 16May 2024)	INR 339
Target Price	INR 400
NIFTY	22,404

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 380	INR 400
EPS %	FY25E +5%	FY26E +5%

KEY STOCK DATA

Bloomberg code	CROMPTON IN
No. of Shares (mn)	643
MCap (INR bn) / (\$ mn)	218/2,613
6m avg traded value (INR mn)	1,037
52 Week high / low	INR 345/252

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	19.1	18.9	33.2
Relative (%)	17.4	7.3	14.3

SHAREHOLDING PATTERN (%)

	Dec-23	Mar-24
Promoters	0.00	0.00
FIs & Local MFs	48.30	51.47
FPIs	35.58	32.18
Public & Others	16.12	16.35
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Exhibit 1: Quarterly Performance

Y/e March (INR mn)	Q4FY24	Q4FY23	YoY	Q3FY24	QoQ	Q4FY24E	Var	FY24	FY23	YoY
Revenue	19,610	17,910	9%	16,927	16%	19,351	1%	73,128	68,696	6%
Crompton (P)	17,971	16,043	12%	14,586	23%	17,591	2%	63,904	58,134	10%
BGAL	1,639	1,867	-12%	2,341	-30%	1,761	-7%	9,225	10,562	-13%
RM Cost	13,352	12,260	9%	11,428	17%	13,155	1%	50,003	46,804	7%
% of sales	68.1%	68.5%	-40bps	67.5%	60bps	68.0%	10bps	68.4%	68.1%	20bps
Gross Profit	6,258	5,650	11%	5,499	14%	6,197	1%	23,125	21,893	6%
GPM %	31.9%	31.5%	40bps	32.5%	-60bps	32.0%	-10bps	31.6%	31.9%	-20bps
Employee Cost	1,507	1,301	16%	1,457	3%	1,511	0%	5,899	5,408	9%
% of sales	7.7%	7.3%	40bps	8.6%	-90bps	7.8%	-10bps	8.1%	7.9%	20bps
Other Expenses	2,715	2,235	21%	2,544	7%	2,841	-4%	10,089	8,780	15%
% of sales	13.8%	12.5%	140bps	15.0%	-120bps	14.7%	-80bps	13.8%	12.8%	100bps
EBITDA	2,036	2,114	-4%	1,498	36%	1,844	10%	7,137	7,705	-7%
EBITDAM %	10.4%	11.8%	-140bps	8.8%	150bps	9.5%	90bps	9.8%	11.2%	-150bps
Other income	160	168	-4%	167	-4%	172	-7%	674	668	1%
Depreciation	350	304	15%	325	8%	329	7%	1,288	1,159	11%
EBIT	1,846	1,978	-7%	1,340	38%	1,688	9%	6,523	7,213	-10%
EBIT Margin %	9.4%	11.0%	-160bps	7.9%	150bps	8.7%	70bps	8.9%	10.5%	-160bps
Interest	156	274	-43%	215	-28%	201	-23%	792	1,092	-27%
PBT before exceptional item	1,690	1,704	-1%	1,125	50%	1,486	14%	5,731	6,122	-6%
Tax Expense	356	389	-8%	270	32%	376	-5%	1,313	1,358	-3%
ETR (%)	21.1%	22.8%	-170bps	24.0%	-300bps	25.3%	-420bps	22.9%	22.2%	70bps
Profit before JV/Associates/NCI	1,334	1,316	1%	855	56%	1,111	20%	4,418	4,764	-7%
Non-controlling Interest	-49	4	na	-5	na	-30	na	19	132	-86%
Exceptional item	-	-	na	-	na	-	na	-	-64	na
PAT	1,384	1,312	5%	860	61%	1,140	21%	4,399	4,568	-4%
Adj. PAT	1,384	1,312	5%	860	61%	1,140	21%	4,399	4,632	-5%
Adj. EPS (INR)	2.2	2.1	5%	1.3	62%	1.8	22%	6.9	7.3	-5%

Source: Company; HSIE Research

Exhibit 2: Quarterly Performance

Revenue (INR mn)	Q4FY24	Q4FY23	YoY	Q3FY24	QoQ	Q4FY24E	Var	FY24	FY23	YoY
ECD	15,160	13,257	14%	12,093	25%	14,921	2%	53,922	47,553	13%
Lighting	2,811	2,786	1%	2,494	13%	2,670	5%	9,982	10,581	-6%
BGAL	1,639	1,867	-12%	2,341	-30%	1,761	-7%	9,225	10,562	-13%
Total	19,610	17,910	9%	16,927	16%	19,351	1%	73,128	68,696	6%
EBIT (INR mn)										
ECD	2,533	2,177	16%	1,642	54%	2,114	20%	7,747	7,893	-2%
Lighting	251	303	-17%	280	-11%	300	-16%	1,053	1,005	5%
BGAL	-261	37	na	-19	na	-133	na	172	840	-80%
Total	2,523	2,518	0%	1,903	33%	2,280	11%	8,972	9,738	-8%
EBIT Margin %										
ECD	16.7%	16.4%	30bps	13.6%	310bps	14.2%	250bps	14.4%	16.6%	-220bps
Lighting	8.9%	10.9%	-200bps	11.2%	-230bps	11.2%	-230bps	10.6%	9.5%	110bps
BGAL	-15.9%	2.0%	-1790bps	-0.8%	-1510bps	-7.6%	-830bps	1.9%	7.9%	-610bps
Total	12.9%	14.1%	-120bps	11.2%	160bps	11.8%	110bps	12.3%	14.2%	-190bps

Source: Company; HSIE Research

Exhibit 3: Change in estimates

Year End (March) - INR mn	Old		New		Change %	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	81,687	91,853	82,614	93,575	1.0	2.0
EBITDA	8,663	10,540	9,105	10,907	5.0	3.0
EBITDAM %	10.6	11.5	11.0	11.7	40bps	20bps
APAT	5,492	6,903	5,849	7,322	6.0	6.0
EPS (INR)	8.6	10.9	9.1	11.4	5.0	5.0
Rating	BUY		BUY			
Target Price (INR)	380		400			
Target P/E (x)	35x (Mar'26)		35x (Mar'26)			

Source: Company; HSIE Research

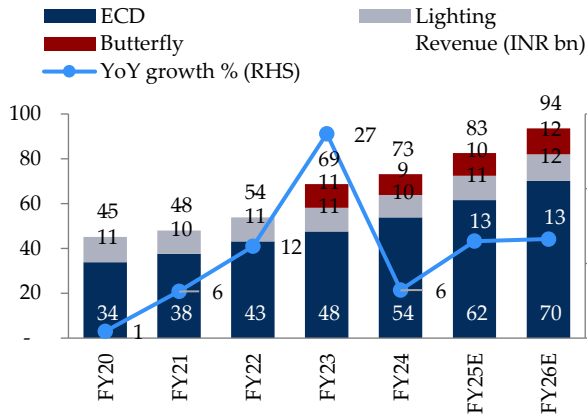
Exhibit 4: Key Assumptions

Year End (March)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Revenue (INR mn)							
ECD	33,890	37,571	43,110	47,557	53,922	61,660	70,113
Lighting	11,312	10,464	10,831	10,581	9,982	10,780	11,858
Butterfly	-	-	-	10,558	9,225	10,174	11,604
Total	45,203	48,035	53,941	68,696	73,128	82,614	93,575
Revenue Growth %							
ECD	5	11	15	10	13	14	14
Lighting	-11	-7	4	-2	-6	8	10
Butterfly	-	-	-	-	-13	10	14
Total	1	6	12	27	6	13	13
EBIT (INR mn)							
ECD	6,731	7,392	8,267	7,893	7,747	9,249	10,692
Lighting	706	1,317	1,278	1,005	1,053	1,213	1,364
Butterfly	-	-	-	840	82	382	580
Total	7,437	8,710	9,545	9,738	8,882	10,843	12,636
EBIT Margin %							
ECD	19.9	19.7	19.2	16.6	14.4	15.0	15.3
Lighting	6.2	12.6	11.8	9.5	10.6	11.3	11.5
Butterfly				8.0	0.9	3.8	5.0
Total	16.5	18.1	17.7	14.2	12.1	13.1	13.5

Source: Company; HSIE Research

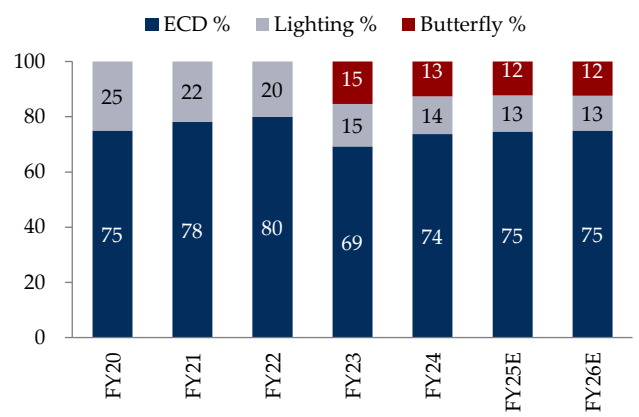
Story in Charts

Exhibit 5: Revenue to grow at 13% CAGR over FY24-26E



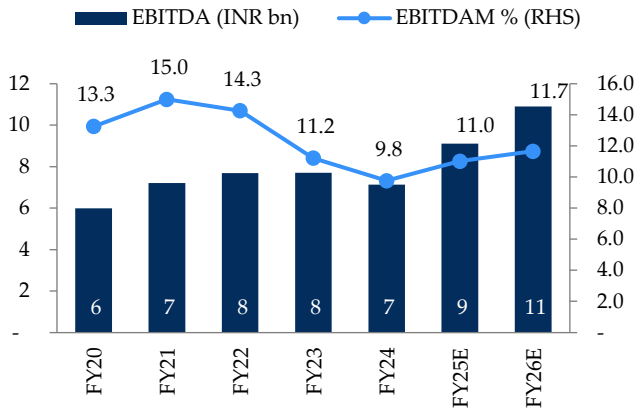
Source: Company, HSIE Research

Exhibit 6: ECD continue to dominate revenue mix



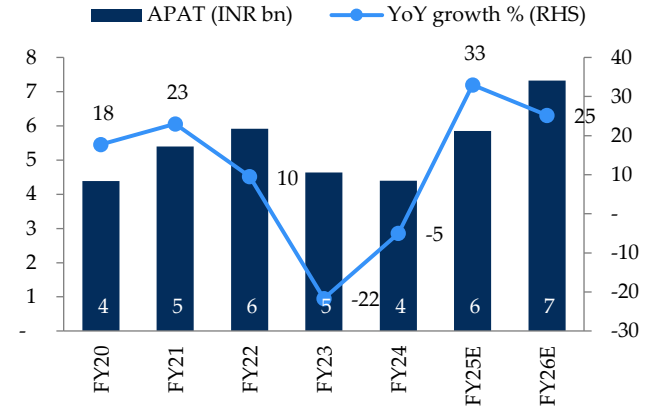
Source: Company, HSIE Research

Exhibit 7: EBITDA to grow at 24% CAGR over FY24-26E



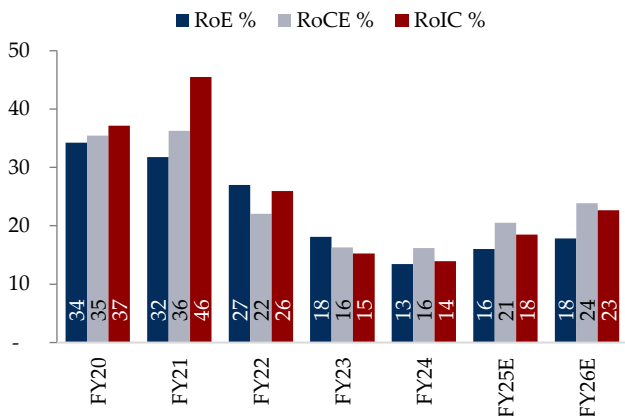
Source: Company, HSIE Research

Exhibit 8: PAT to grow at 29% CAGR over FY24-26E



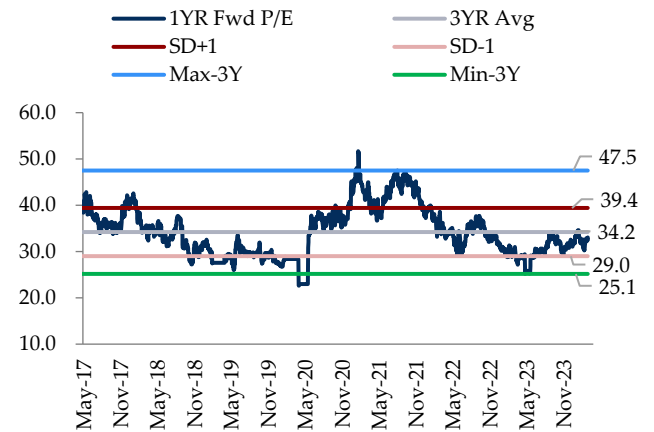
Source: Company, HSIE Research

Exhibit 9: Return profile to improve



Source: Company, HSIE Research

Exhibit 10: Trading at 37x 1yr-forward P/E



Source: Bloomberg, HSIE Research

Financials

Consolidated P&L

Year End (March) - INR mn	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Net Revenues	45,203	48,035	53,941	68,696	73,128	82,614	93,575
Growth (%)	0.9	6.3	12.3	27.4	6.5	13.0	13.3
Material Expenses	30,703	32,672	37,018	46,804	50,003	56,178	63,163
Employee Expense	3,110	3,366	3,624	5,408	5,899	6,609	7,299
Other Expenses	5,399	4,792	5,605	8,780	10,089	10,722	12,206
EBITDA	5,991	7,205	7,695	7,705	7,137	9,105	10,907
EBITDA Growth (%)	2.5	20.3	6.8	0.1	(7.4)	27.6	19.8
EBITDA Margin (%)	13.3	15.0	14.3	11.2	9.8	11.0	11.7
Depreciation	268	297	423	1,159	1,288	1,446	1,551
EBIT	5,723	6,908	7,272	6,545	5,849	7,659	9,356
Other Income (Including EO Items)	591	758	727	668	674	742	806
Interest	407	429	353	1,092	792	485	225
PBT	5,907	7,236	7,645	6,121	5,731	7,917	9,937
Total Tax	1,517	1,837	1,732	1,358	1,313	1,999	2,509
Profit before JV/Associates/NCI	4,390	5,400	5,914	4,764	4,418	5,918	7,428
Non-controlling Interest	-	-	-	132	19	69	106
Exceptional Gain/ (loss)	574	767	(130)	-	-	-	-
RPAT	4,964	6,167	5,784	4,632	4,399	5,849	7,322
Adjusted PAT	4,390	5,400	5,914	4,632	4,399	5,849	7,322
APAT Growth (%)	17.7	23.0	9.5	(21.7)	(5.0)	32.9	25.2
EPS	7.0	8.6	9.3	7.3	6.8	9.1	11.4
EPS Growth (%)	17.7	22.9	8.5	(22.0)	(6.1)	32.9	25.2

Consolidated Balance Sheet

Year End (March) - INR mn	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
SOURCES OF FUNDS							
Share Capital - Equity	1,255	1,255	1,267	1,272	1,286	1,286	1,286
Other Equity	13,429	18,059	23,263	25,328	28,710	32,629	37,700
Total Shareholders' Funds	14,683	19,314	24,530	26,600	29,996	33,915	38,987
NCI	-	-	7,825	4,477	4,494	4,563	4,668
Long Term Debt	1,797	2,988	46	5,972	2,990	-	-
Short Term Debt	1,700	1,800	16,030	3,250	3,000	2,990	-
Total Debt	3,497	4,788	16,075	9,222	5,990	2,990	-
Net Deferred Taxes	(507)	(586)	394	123	99	159	233
Other Non-Current Liabilities	191	1,363	1,618	2,004	2,606	2,880	3,159
TOTAL SOURCES OF FUNDS	17,865	24,879	50,441	42,425	43,184	44,507	47,047
APPLICATION OF FUNDS							
Net Block	836	974	4,045	4,080	3,991	4,082	4,036
Goodwill	7,794	7,794	12,855	12,855	12,855	12,855	12,855
CWIP	199	109	130	265	585	100	100
Intangible assets	45	28	15,124	14,805	14,361	14,309	14,294
Right of Use Assets	415	353	711	760	762	805	875
Non-Current Investments	-	-	3	4	-	-	-
Other Non-Current Assets	306	335	1,184	1,193	1,216	1,261	1,303
Total Non-current Assets	9,595	9,594	34,052	33,961	33,769	33,411	33,463
Current-Investments	5,408	7,697	6,238	5,478	6,891	7,891	10,391
Inventories	4,636	5,186	7,210	7,439	8,304	9,054	10,255
Debtors	4,635	4,608	5,936	6,706	7,209	7,922	8,973
Cash & Equivalents	481	6,040	9,152	1,095	2,608	2,616	2,541
Other Current Assets	2,257	2,264	1,898	1,866	2,036	2,191	2,404
Total Current Assets	17,417	25,795	30,434	22,583	27,048	29,673	34,564
Creditors	6,436	8,204	10,097	10,354	13,145	13,580	15,382
Other Current Liabilities & Provisions	2,711	2,305	3,948	3,766	4,488	4,998	5,597
Total Current Liabilities	9,147	10,509	14,045	14,119	17,633	18,578	20,979
Net Current Assets	8,270	15,286	16,389	8,464	9,415	11,095	13,585
TOTAL APPLICATION OF FUNDS	17,865	24,879	50,441	42,425	43,184	44,507	47,047

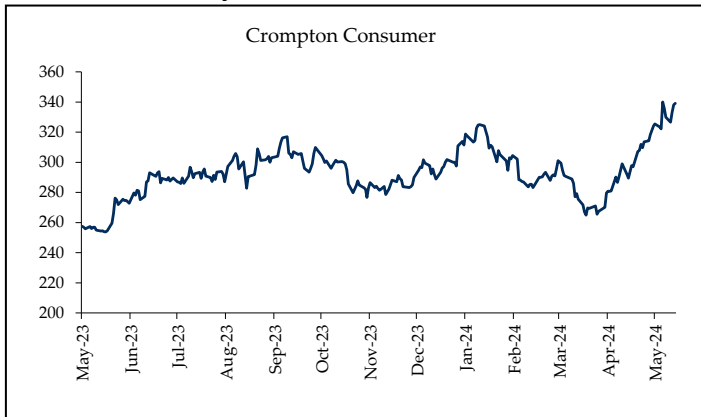
Consolidated Cash Flow

Year End (March) - INR mn	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Reported PBT	5,907	7,236	7,645	6,121	5,731	7,917	9,937
Non-operating & EO Items	(305)	(529)	(264)	(409)	(619)	(45)	(89)
Interest Expenses	407	429	353	1,092	792	485	225
Depreciation	268	297	423	1,159	1,288	1,446	1,551
Working Capital Change	(721)	1,445	1,005	(1,039)	2,226	(665)	(55)
Tax Paid	(1,446)	(575)	(1,798)	(1,399)	(984)	(1,999)	(2,509)
OPERATING CASH FLOW (a)	4,109	8,303	7,364	5,526	8,434	7,138	9,059
Capex	(483)	(198)	(1,706)	(708)	(805)	(1,043)	(1,561)
Free Cash Flow (FCF)	3,627	8,105	5,658	4,818	7,629	6,095	7,498
Investments	363	(5,027)	1,829	8,027	(1,696)	(1,200)	(2,600)
Non-operating Income	209	267	(3,551)	432	432	327	392
Others	-	-	(13,930)	(5,119)	-	-	-
INVESTING CASH FLOW (b)	89	(4,957)	(17,359)	2,632	(2,069)	(1,916)	(3,769)
Debt Issuance/(Repaid)	(3,000)	1,300	10,769	(6,842)	(3,250)	(3,000)	(2,990)
Interest Expenses	(586)	(342)	(505)	(765)	(754)	(485)	(225)
FCFE	1,212	9,747	16,932	(1,259)	5,133	3,580	4,733
Share Capital Issuance	52	73	603	416	893	-	-
Dividend	(1,506)	(1,874)	(1,564)	(1,578)	(1,912)	(1,929)	(2,251)
Others	(88)	(119)	(230)	(337)	(390)	-	-
FINANCING CASH FLOW (c)	(5,128)	(962)	9,073	(9,105)	(5,413)	(5,414)	(5,466)
NET CASH FLOW (a+b+c)	(930)	2,384	(922)	(948)	952	(191)	(176)
EO Items, Others	574	767	(130)	-	-	-	-
Closing Cash & Equivalents	240	2,624	1,703	768	1,721	1,529	1,354

Ratios

Year End (March)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
PROFITABILITY (%)							
GPM	32.1	32.0	31.4	31.9	31.6	32.0	32.5
EBITDA Margin (%)	13.3	15.0	14.3	11.2	9.8	11.0	11.7
EBIT Margin	12.7	14.4	13.5	9.5	8.0	9.3	10.0
PBT Margin	13.1	15.1	14.2	8.9	7.8	9.6	10.6
APAT Margin	9.7	11.2	11.0	6.7	6.0	7.1	7.8
RoE	34.2	31.8	27.0	18.1	13.4	16.0	17.8
RoIC (or Core RoCE)	37.1	45.5	25.9	15.3	13.9	18.5	22.7
RoCE	35.4	36.3	22.1	16.3	16.1	20.5	23.9
EFFICIENCY							
Tax Rate (%)	25.7	25.4	22.6	22.2	22.9	25.3	25.3
Fixed Asset Turnover (x)	19.0	18.2	12.3	11.2	11.0	11.0	11.0
Inventory (days)	33	37	42	39	41	40	40
Debtors (days)	42	35	36	34	36	35	35
Other Current Assets (days)	14	17	14	10	10	10	9
Payables (days)	53	56	62	54	66	60	60
Other Current Liab & Provns (days)	21	19	21	20	22	22	22
Cash Conversion Cycle (days)	15	15	9	8	(0)	3	3
Net D/E (x)	0.2	(0.1)	0.3	0.3	0.1	0.0	(0.1)
Interest Coverage (x)	14.1	16.1	20.6	6.0	7.4	15.8	41.6
PER SHARE DATA (Rs)							
EPS	7.0	8.6	9.3	7.3	6.8	9.1	11.4
CEPS	7.4	9.1	10.0	9.1	8.8	11.3	13.8
Dividend	3.0	2.5	2.5	2.5	3.0	3.5	4.3
Book Value	23.4	30.8	38.7	41.8	46.6	52.7	60.6
VALUATION							
P/E (x)	48.4	39.4	36.3	46.6	49.6	37.3	29.8
P/BV (x)	14.5	11.0	8.8	8.1	7.3	6.4	5.6
EV/EBITDA (x)	35.1	28.3	28.0	28.3	30.1	23.1	18.8
EV/Revenues (x)	4.7	4.2	4.0	3.2	2.9	2.5	2.2
OCF/EV (%)	2.0	4.1	3.4	2.5	3.9	3.4	4.4
FCF/EV (%)	1.7	4.0	2.6	2.2	3.6	2.9	3.7
FCFE/Mkt Cap (%)	0.6	4.6	7.9	(0.6)	2.4	1.6	2.2
Dividend Yield (%)	0.9	0.7	0.7	0.7	0.9	1.0	1.3

1 Yr Price history



Rating Criteria

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: >10% Downside return potential

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