

EQUITY RESEARCH

Pick of the Week

Date: 4th November 2019



RETAIL RESEARCH

Orient Electric Ltd

Key Highlights

- ▶ Well established group, long experience of promoters, strong brand recall and market leader in Fan segment,
- ▶ Recent partnership with De'Longhi Group could help to expand its premium range of appliances portfolio,
- ▶ Plans to set up new manufacturing facility in south India,
- ▶ Expect to maintain sound Financial Profile going forward,

INDUSTRY

Consumer Electronics

CMP

Rs 191

RECOMMEND

Buy at CMP and add on declines

ADD ON DIPS TO

Rs 169-172

SEQUENTIAL TARGETS

Rs 213-228 **RED FLAG** Rs 158

TIME HORIZON

3-4 quarters

Investors may sell 60-65% of their holdings on first target being achieved and later keep a stop loss of first target for the balance holdings, in case the second target takes time to be achieved.
Investors may also maintain Rs 158 as **RED FLAG** level below which investment position needs to be reviewed, including the possibility to exit

HDFC Scrip Code	ORIELEEQR
BSE Code	541301
NSE Code	ORIENTELECLTD
Bloomberg	ORIENTEL IN
CMP Nov 01, 2019	191.0
Equity Capital (cr)	21.2
Face Value (Rs)	1.0
Eq- Share O/S(cr)	21.2
Market Cap(Rs cr)	4052.7
Book Value (Rs)	14.4
Avg.52 Wk Volume	177141
52 Week High	200.0
52 Week Low	125.0

Shareholding Pattern % (Sept 30, 2019)

Promoters	38.5
Institutions	25.6
Non Institutions	35.9
Total	100.0

FUNDAMENTAL ANALYST

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Investment rationale:

- Well established group, long experience of promoters, strong brand recall and market leader in Fan segment, and planning to continue double digit revenue growth in Fan business
- Recent partnership with De'Longhi Group could help to expand its premium range of appliances portfolio
- Plans to set up new manufacturing facility in south India to expand presence across Southern region, while expanding and strengthening footprint in existing markets
- Expect to maintain sound Financial Profile going forward

Concerns:

- Competition and seasonality
- Currency fluctuations and higher raw material costs
- Consumption slowdown and low entry and trade barrier

Company profile:

Orient Electric Ltd (OEL) is a CK Birla group company is engaged in manufacturing and selling as one stop brand for lifestyle electrical solutions, including Fans, Lighting, Home Appliances and Switchgears. OEL is the largest manufacturer and exporter of fans in India with more than 60% share in exports. OEL has five integrated manufacturing facilities based in Kolkata, Faridabad, Noida, and Guwahati. With a dominating presence in over 40 international markets, OEL is also the second largest manufacturer of LED bulbs in India and the first Indian lighting brand. OEL has wide range of distribution network, spread over 5000+ dealers and 1,25,000+ retail outlets across 450+ cities in India, as on 31st March, 2019.. Company has 450+ service centre and 1000+ service technicians.

View and valuation:

OEL is operating its business under two segments: (1). Electrical Consumer durable (includes ceiling fans, portable and airflow along with components and accessories thereof and appliances- coolers, geysers and home appliances, etc.) and (2). Lighting & switchgear (includes lights & luminaires-LED, street lights, switches, MCB etc). Riding on continued demand growth in segments like Consumer LED luminaires and LED street lighting, premium fans and coolers, OEL could continue to record steadily growing performance going forward.

Wide distribution network could give a further boost to the Company's growth. OEL is increasing its market share with continuous innovation and introducing energy efficient fans which include lesser wear and tear, reduced electromagnetic interference, noiseless operation, improved efficiency, increased reliability, and a longer lifespan. Rural growth is set to revive while urban growth has already shown revival. The product bouquet of OEL is of comfort category and hence is less susceptible to slowdown. Entry into other home appliances and launching premium products on its own and in collaboration with De Longhi group will enable it to withstand rigours of emerging competition in its traditional business.

We have positive view on the stock given the space it is present in and the strong brand recall that it carries and enhances by continuous innovation. Its prudently managed financials are an added advantage. Given the valuation enjoyed by its peers in the durable space, we think OEL can trade at higher multiples as it is slated to grow its top and bottom line well over the next two years. **We feel investors could buy the stock at the CMP and add on dips to Rs. 169-172 band (30.0x of FY21E EPS) for sequential targets of Rs 213 (37.5x FY21E EPS) and Rs 228 (40.0x FY21EPS). At the CMP of Rs 191 the stock trades at 33.7x of FY21E EPS.**

Key Highlights

- ❖ ***Orient Electric Ltd (OEL) is a CK Birla group company engaged in manufacturing and selling as one stop brand for lifestyle electrical solutions, including Fans, Lighting, Home Appliances and Switchgears.***
- ❖ ***OEL is the largest manufacturer and exporter of fans in India with more than 60% share in exports. OEL is a distinguished name in Indian Fan Industry for more than 60 years.***
- ❖ ***OEL is engaged in manufacturing of Fan (capacity of 95 lakh units p.a.), lights & luminaries (capacity of 341 lakh units p.a.) and switchgear units (capacity of 3.1 lakh units p.a.), situated across Kolkata, Faridabad, Noida & Guwahati. OEL is also engaged in selling of home appliances products (coolers, toasters, etc).***
- ❖ ***We have positive view on the stock given the space it is present in and the strong brand recall that it carries and enhances by continuous innovation. Its prudently managed financials are an added advantage.***

Financial Summary									
YE March (Rs cr)	Q1FY20	Q1FY19	YoY (%)	Q4FY19	QoQ (%)	FY18	FY19	FY20E	FY21E
Net Sales	434.7	373.1	16.5%	568.3	-23.5%	1599.8	1864.4	2204.7	2615.8
EBITDA	21.9	17.1	27.8%	44.1	-50.5%	136.6	141.3	176.4	214.5
APAT	4.9	6.9	-28.4%	18.9	-73.9%	64.0	69.3	71.9	119.7
Diluted EPS (Rs)	0.2	0.3	-27.5%	0.9	-73.9%	3.0	3.3	3.4	5.6
P/E (x)						63.3	58.5	56.4	33.8
EV / EBITDA (x)						30.7	29.3	23.6	19.4
RoE (%)						24.3%	22.6%	20.4%	26.8%

(Source: Company, HDFC sec)

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OEL has five integrated manufacturing facilities based in Kolkata, Faridabad, Noida, and Guwahati. With a dominating presence in over 40 international markets, OEL is also the second largest manufacturer of LED bulbs in India and the first Indian lighting brand. OEL has wide distribution network, spread over more than 5000 dealers and 1,25,000 retail outlets across 450 cities in India, as on 31st March, 2019. Company has 450+ service centres and 1000+ service technicians. OEL has Partnered with World's best brands like DeLonghi (No 1 in Coffee makers), Kenwood (No 1 Brand in food preparation in Europe), and Braun (No 1 in hand blender brand).

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OEL was demerged from Orient Paper & Industries Limited (OPIL) into a separate listed entity, Orient Electric Ltd (OEL), approved by the Kolkata Bench of the National Company Law Tribunal on November 9, 2017 and the demerged entity OEL got listed on May 14, 2018.

Group Company

C.K. Birla group is US\$ 1.8bn conglomerate and has a track record of enduring relationship with global companies. With over 20,000 employees, 24 manufacturing facilities and numerous patents, the Group's businesses are present across five continents. It operates in three industry verticals - (1) Technology and Automotive, (2) Home and Building, and (3) Healthcare and Education.

Flagship Companies of CK Birla Group

Home and Building	Technology and Automotive	Healthcare and Education
HIL Limited	AVTEC Limited	BMBHRC
Orient Cement	Birlasoft Limited	The Calcutta Medical Research Institute
Orient Electricals	GMMCO Limited	BIT, Mesra
Orient Paper & Industries	National Engineering Industries Limited (NBC Bearings)	Modern High School for Girls, Kolkata
	Neosym Limited	Rukmani Birla Modern High School, Jaipur

(Source: Company, HDFC sec)

Technology and Automotive

AVTEC: Powertrain, transmission components and precision-engineered products manufacturer

Birlasoft: Global solutions integrator

GMMCO: Distributor of construction and mining equipment, and engine power systems

NEI: Producer and exporter of bearings

Neosym: Grey and SG iron casting manufacturer

Home and Building

HIL: Manufacturer of building products, industrial insulation and low-cost housing

Orient Cement: Cement manufacturer, with Birla A1 as the flagship brand

Orient Electric: Consumer electrical company producing fans, lighting, home appliances and switchgears

Orient Paper: Manufacturer of writing, printing, industrial and specialty papers

Healthcare and Education

CK Birla Hospital for Women, Gurugram, Rukmani Birla Hospital (RBH), Jaipur, BM Birla Heart Research Centre, Kolkata,

Calcutta Medical Research Institute, Kolkata, Birla Institute of Technology, Ranchi, Modern High School for Girls, Kolkata, Rukmani Birla Modern High School, Jaipur

Key journey so far

Year	Key Milestones
1939	The Journey Begins
1954	Inducted into CK Birla Group
1990	Developed & Patented PSPO technology
2008	Enters into Lighting Business
2011	Forays into Home Appliances Business
2014	New brand identity unveiled
2015	Ventures into Switchgear Business
2016	Receives BEE star rating for LED lamps
2017	Orient Electric demerges as a separate entity

Business Overview

One-stop-shop for lifestyle electrical solutions including fans, home appliances, lighting and switchgear

Product overview

Fans	Home Appliances	Lighting	Switchgear
Lifestyle Fans	Air Cooler	Led Lamp & Luminaires	Miniture Circuit Breaker
Ceiling Fans	Room Heater	Professional Lightings	Residual Current Circuit Breaker
Wall Fans	Water Heater	CFL	Distribution Board
Stand Fans	Dry Iron	Flourescent Tubelight	Isolator
Table Fans	Hand Blender	Incandescent Lamp	Accessories
Exhaust Fans	Mixer Grinder	Conventional Fitting	
Multi-Utility Fans	Juicer Mixer Grinder		
	Wet grinder		
	Rice Cooker		

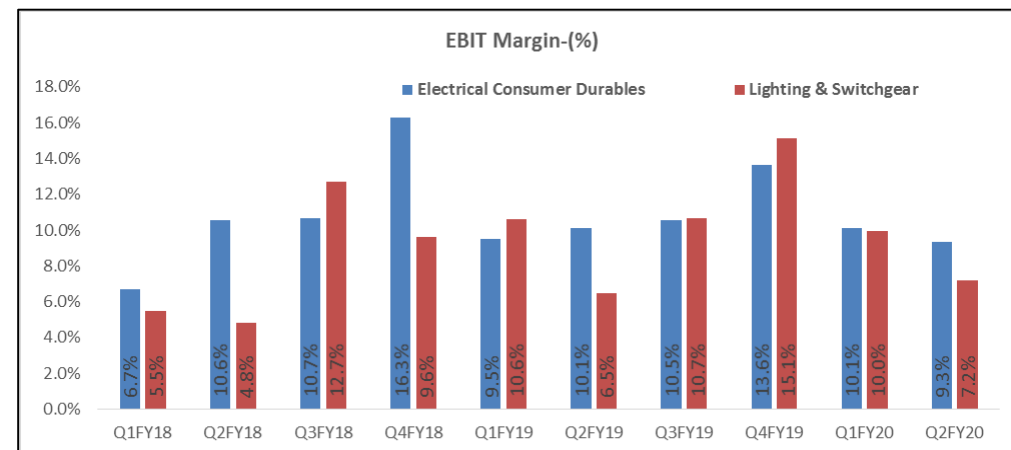
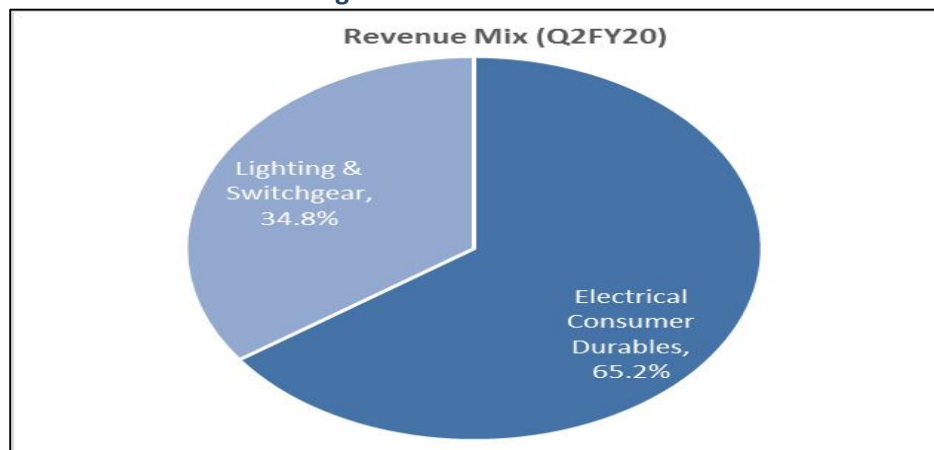
(Source: Company, HDFC sec)

Products from partnership

Delonghi	Kenwood	Braun
Fully Automatic Coffee Machine	Kitchen Machine	Hand Blender
Pump Espresso	food Processor	Jug Blender
Combi Coffee Maker	Chopper& Hand Mixer	
Steam Coffee Maker	Slow Juicer & Blender	
Coffee Grinder	Centrifugal Juicer	
Air Purifier	Citrus Press & Smoothie	
	Sandwich Maker	

(Source: Company, HDFC sec)

Revenue Mix and EBIT Margin



(Source: Company, HDFC sec)

Industry Overview

- The organized fan market in India is estimated to be around Rs 6,500cr and the revenue for organized electric fan market is growing at a CAGR of ~12% during the last five years.
- India Lighting market has grown at a CAGR of ~17% during the last five years and is projected to grow even in future due to huge growth in the LED Lighting. LED Lighting market has grown at a CAGR of ~57% over last five years.
- Government initiatives to replace incandescent bulbs with LED bulbs under various schemes, increasing energy demand in the country and declining prices of LED lights are the major factors driving the growth of LED lighting in India. LED lighting has now nearly replaced CFLs, which, along with other conventional lights, is in the last stage of its product lifecycle.
- Coolers and water heaters (appliance segment) have strong growth potential, mainly because of lower penetration and a huge unorganized market (more than 50%).

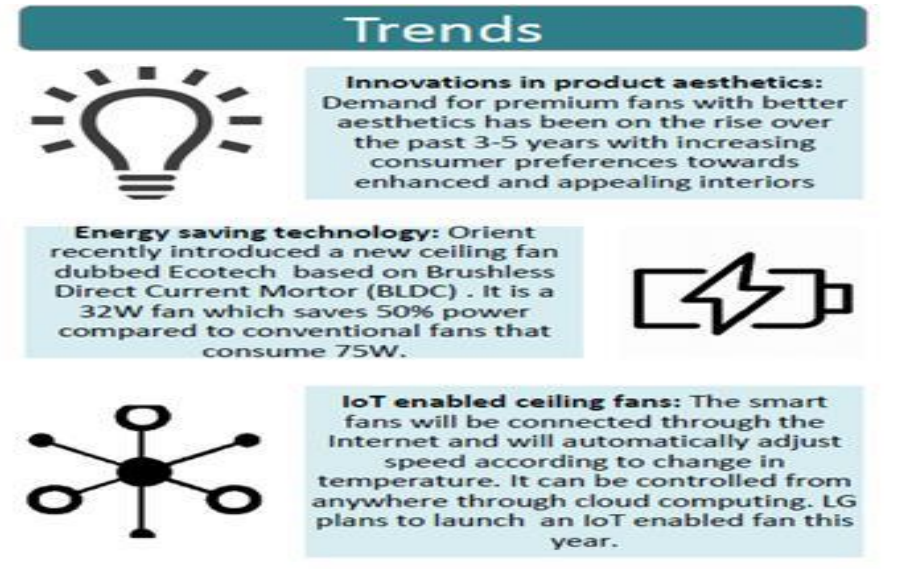
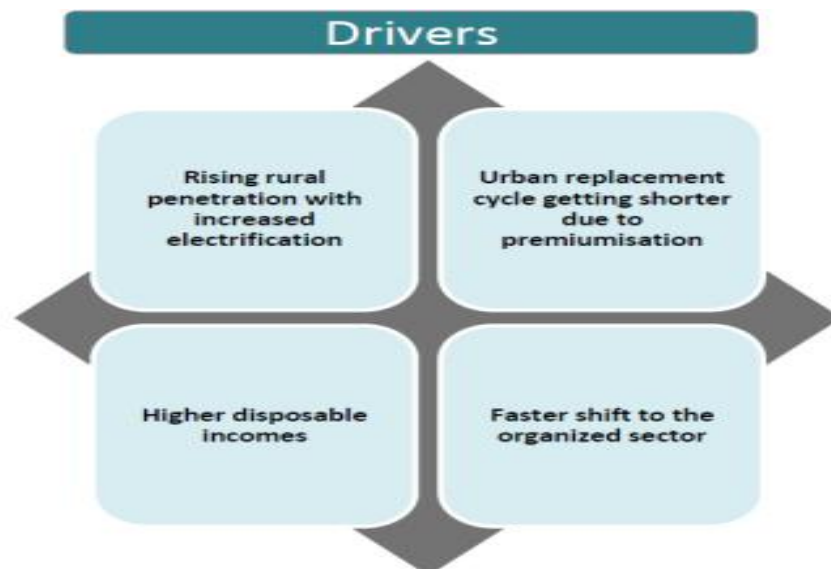
Demand drivers

Rural electrification: The power for All, program is a major step in this direction. As on 31st Dec, 2018, hundred percent household electrification achieved in 25 states. The demand of consumer durables and light electrical products is expected to benefit from rising Electricity availability. Focus on developing infrastructure: Government's focus on infrastructure development, especially roads, and "Street Lighting National Program" will open up street lighting opportunities.

Emerging focus on energy efficiency: Increasing focus by the government through programs like UJALA, NEEP, SEEP and increasing consumer awareness on energy efficient products will increase the speed of transition to more energy efficient products like LED lights and BLDC fans.

Growing middle class income: A rising middle-class with higher disposable incomes, aided by favourable demographics, strengthens the consumer goods industry's prospects. India's middle-class could more than double from 2015-16 to 113.8mn households or 547mn individuals by 2026, entailing growth for its consumer goods sector.

Housing for all: The government is targeting the addition of 26million households, apart from the normal growth in the number of households, to 350 million households by 2025 and complete >90% electrification by 2019.



(Source::Frost & Sullivan)

Investment Rationale

Well established group, long experience of promoters, strong brand recall and market leader in Fan segment

- OEL has grown consistently to emerge as an innovative, lifestyle, and premium brand. The Company enjoys more than 50% market share in the premium segment and more than 30% market share in decorative and premium segment combined.
- OEL holds the second position in the Indian Fan market with revenue of Rs 1,148cr in FY19 (contributes 62% of its total revenue in FY19) and ~20% share of the organized market. It is also the largest exporter of fans from India (as claimed by the Company). OEL's Fan segment currently holds 1st position in Central, North and East zone and 2nd position in South zone. OEL is also selling its products through its own e-commerce portal as well as through other leading online marketplaces (like Amazon, Flipkart etc). Leading position in industry could help to generate more revenue going forward in segments that are seeing steady growth in demand year after year
- OEL offers its products under the brand of 'Orient Electric' with MS Dhoni as the brand ambassador for the company's electric products. OEL is also selling its products with committed focus on aggressive advertisement through television, hoardings, print and other medium.
- OEL launched India's First Smart Fan with Inverter Technology, IoT and Voice Enabled control, India's First IoT and Voice Enabled Air Cooler, EyeLuv, India's First LED lights with Flicker Control Technology and India's First Triple Layer Safety in Switches.
- OEL has been conferred with the prestigious 'Superbrand 2019' status for fans and air coolers by leading independent brand arbiter Superbrands India.

Recent partnership with De'Longhi Group could help to expand its premium range of appliances portfolio

- De'Longhi Group is an Italian company, engaged in small appliances maker, plans to foray in the Indian market through a partnership with OEL. Under this partnership, Orient Electric will exclusively market and distribute premium small appliance brands — De'Longhi, Kenwood and Braun in the country.
- The De'Longhi Group's product portfolio under above three brands — Braun, De'Longhi and Kenwood includes a range of small household appliances including products for coffee preparation, food preparation and cooking, cleaning and ironing. This partnership could help the company to expand its appliances portfolio and tap into emerging trends in the consumer appliance space in India.
- OEL distributes these premium products through its own brands stores, large format retailers, specialist store channel and e-commerce. The company believes that each of the three brands has the potential to become a Rs 100cr brand in the next 3-5 years.
- As of now, Company has presence in top premium outlets across 15 cities in India. The aim is to gradually expand the reach upto the Tier II cities to about 100 cities in the next 2-3 years.
- The company expects to capture a significant market share in the premium appliance segment in the next few years. The company plans to look at B2B sales and expects the institutional channel to contribute 10-15 percent to the revenues.

Plans to set up new manufacturing facility in south India to expand its presence across Southern region

- On March 27, 2019, OEL approved plans for setting-up new manufacturing facility for various products of the Company in South India, scouting an appropriate location and firm up a project plan.
- The Southern states in the country, known for experiencing a hot and humid climate in the summer season, are in need of portable fans with high-thrust air flow. And to cater to this requirement, OEL has come up with 5-blade wind-pro series of portable fans featuring the CTX (concentric winding) technology, which ensures silent operation, high air-thrust and low power consumption along with higher reliability.

Expanding and strengthening footprint in existing markets

- A majority of the demand for air cooler comes from north and central India. However, OEL has been witnessing a steady rise in demand from other markets as well. Accordingly, it is looking to expand its presence in Andhra Pradesh, Telangana, Tamil Nadu, Odisha and Gujarat among others.
- The company ramped up manufacturing capacities with speed and economy to address emerging consumption appetites (increased streetlight manufacturing capacity to 10,000 units per day, and widened after-sales service to more than 450 towns in 2018-19)
- Company aims for a 20-25 per cent share in the air coolers market moving forward. The company has earmarked around Rs 25-30cr towards marketing and advertising.
- OEL offers a complete range of air coolers in different shapes, sizes, capacities and materials to suit varied aesthetic preferences. Some of the key features of Orient's air coolers apart from the IoT controls are Honeycomb pads with DenseNest technology ensuring 25% more cooling, fan blades with AeroFan technology for longest air delivery with low operating noise, Auto Fill function and Anti mosquito breeding. With unique features and new-age technologies, Orient air coolers range is creating a new benchmark in air cooling.
- OEL is recognized as the preferred supplier by EESL (Energy Efficient Services Limited) for LED street lighting which provided it competitive advantage in the overall business landscape

Planning to continue double digit revenue growth in Fan business

- The company plans to take its share in the segment to over 50 percent in the next one year. Recent buying trends in the Fan category shows a clear shift in focus towards premium fans. Now company enjoys with ~50% of market share in the premium fan segment (Source: AR FY19).
- Premium fans comprise 15 percent of total fan business of Orient while decorative is 25-30 per cent. The rest of the fan revenue comes from mass and entry segment.
- Markets in the Eastern and North-eastern Indian states are expanding rapidly, owing to increased electricity connection, rising incomes in the rural markets and longer stretches of hot and humid climate. Therefore, there is huge opportunity to increase market penetration.
- The company exports fans to 35 countries, including the Middle East, Nigeria, South Africa and also to the neighbouring countries of Bangladesh, Nepal and Sri Lanka.
- OEL has consistently focused on exports and currently is the largest exporter of fans from India (as maintained by the company), with a strong presence in the Middle East and Africa.

Expects to maintain sound Financial Profile going forward:

- The Company reported its second straight growth year following its de-merger from Orient Paper and Industries Limited.
- Company enjoys leverage free balance sheet with Debt to Equity ratio at 0.4x in FY19. With healthy cash flows, the company has managed to reduce its borrowings significantly from Rs 164cr in FY18 to Rs 125cr in FY19, thus resulting in sharp decline in debt to Equity ratio from 0.6x in FY18. In H1FY20 its borrowing stood at ~Rs 130cr and debt to equity stood at 0.4x. With expectation of steady Profit growth in FY20, we expect the cash flow generation to remain robust over the next three years.
- Expansion in market share, introduction of new premium products with innovative ideas and strengthening global reach could help to generate revenue growth going forward, we expect 18.3% and 18.7% revenue growth in FY20E and FY21E, respectively.
- Cost control initiatives and premiumisation could help to ramp up its margins going forward. We expect 8-8.5% of EBITDA margin and 3.4-5.6% of PAT margins in FY20E and FY21E, respectively.
- OEL earns healthy return ratios of 22.6% (RoE) in FY19 which could rise going forward.

Institutional shareholding on the rise:

Institutional shareholding is continuously on the rise from 22.57% in June 2018 to 25.64% in Sept 2019 reflecting their comfort with the future prospects of the company.

Concerns

Competition

OEL has strong presence in the fan market and has been facing stiff competition in appliances & lights segment from the already established players in the industry as well as unorganized players whose products are available at low price points. Further, the influx of Chinese products also creates a highly competitive market.

LED Lamps business continued to be challenged with high competitive intensity leading to price erosion. To add worries to the woes, the import curbs in components earlier in the year had also aggravated the issue. Yet, OEL's overall Consumer luminaires business has outpaced the growth run followed by very good traction from the Professional luminaires business including street lighting.

Currency Fluctuations

OEL is the largest manufacturer and exporter of fans in India with more than 60% share in exports. Company exports across 35 countries like US, Europe, Middle East and Africa regions. Any significant upward and downward moves in INR against the major currencies like USD, Euro, and SR could impact its revenues and profitability going forward.

Consumption slowdown

Sluggish IIP trends, weaker GST collections, lower GDP, global headwinds and adverse growth impacted demand in auto, housing and several other sectors. The Government's initiatives could take time to help revive growth.

Seasonality

OEL's product's sales are seasonal in nature, with increased sale of fans and air coolers (accounting for over 62% of the Company's sales in FY19) during Q4 (before commencement of summer). Moreover, adverse weather conditions, including prolonged winters or untimely rains, also adversely affect sale of fans and air coolers.

Higher raw material prices

OEL's a number of products are depends on commodity prices like silicon sheets, copper rods and wires, steel and aluminum. These commodity prices are volatile in nature. If the company is not able to pass on the hike in prices of raw materials to customers, it could impact its profitability going forward.

Low entry and trade barriers

Low entry barriers in some product segments pose a challenge marked by the import and entry of low-priced sub-standard products. Increasing global uncertainties could trigger trade barriers.

Volatility in Tender business from the Government

The street lighting supplied through the Government-aided Tender Business propelled the growth of Q2FY20. This product and the channel are currently on a fast track. However if these orders are not repeated it may result in fluctuations in revenues from quarter to quarter or year to year.

Risk associated with product warranty

OEL provides 1-5 years warranty on its products (mainly LED segment). In FY19 the company has recognized provision for warranty claims of Rs 32.8cr vis-à-vis Rs 24.7cr in FY18. Higher provisioning is in view of higher warranty claims witnessed by the Company arising out of poor power quality in some pockets.

Q2FY20 Results review

OEL reported better revenue growth in Q2FY19, revenue was up by 16.5% (YoY) to Rs 434.7cr led by 15.3% (YoY) growth in Electrical Consumer Durables business and 16.9% (YoY) in Lighting & Switchgear business. There was distribution expansion across segments and Company has done marketing initiatives like “scratch card” in fans, Eye luv campaign in lighting in Q2FY20. Company launched new cooler products, and increased orders from lighting tender business.

EBITDA for Q2FY20 grew by 27.8% (YoY) expanding by 40 bps to 5.0% in Q2FY19. Primarily, the EBITDA gain was impacted by; (1) Higher gross margins, (2) Advertising and promotion spend grew disproportionately over last year on the back of new product launches and consumer promotions. (3) Employment expenses for the quarter grew by 20% due to increase in feet-on-street since last year, ESOP & LTI provisions and annual increments. (4) One-time impact of provision for doubtful debts for Rs. 4.6cr. PAT was down by 28.4% (YoY) to Rs 4.9cr in Q2FY19.

View and valuation

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Peer Comparison

Particulars, Rs in cr (TTM)	Market Cap	Sales	EBITDA	PAT	EBITDAM-%	PATM-%	EPS, Rs	P/E-x
Orient Electric	4052.7	2061.1	163.6	74.2	7.9%	3.6%	3.5	54.7
Bajaj Electric	3852.0	6831.0	362.0	144.0	5.3%	2.1%	14.1	26.8
Crompton Greave Cons- Elec-	15864.7	4660.0	614.0	454.0	13.2%	9.7%	7.2	34.9
Havells	43055.1	10228.0	1128.0	751.0	11.0%	7.3%	12.0	57.3

Quarterly Financials: Income Statement

Particulars (Rs Cr)	Q2FY20	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	H2FY20	H2FY19	YoY (%)
Net Sales	434.7	373.1	16.5%	568.3	-23.5%	1003.0	808.6	24.0%
Raw Material Consumed	150.8	116.3	29.6%	191.7	-21.3%	342.5	296.7	15.4%
Stock Adjustment	-33.0	22.0	-250.5%	27.2	-221.6%	-5.9	1.2	-609.6%
Purchase of Finished Goods	168.1	115.4	45.7%	162.8	3.2%	331.0	243.5	35.9%
Employee Expenses	49.2	40.9	20.1%	48.7	1.0%	97.8	82.5	18.6%
Other Expenses	77.8	61.4	26.7%	93.8	-17.1%	171.6	141.1	21.6%
Total Expenditure	412.8	356.0	16.0%	524.2	-21.3%	937.0	764.9	22.5%
EBITDA	21.9	17.1	27.8%	44.1	-50.5%	66.0	43.6	51.2%
Depreciation	9.9	5.6	78.4%	9.2	7.1%	19.1	10.6	80.1%
EBIT	12.0	11.6	3.5%	34.9	-65.7%	46.8	33.0	41.9%
Other Income	0.9	2.8	-68.6%	0.5	67.3%	1.4	4.7	-70.4%
Interest	5.1	5.3	-3.8%	6.8	-25.5%	11.9	10.5	12.4%
PBT	7.8	9.1	-14.2%	28.6	-72.8%	36.4	27.2	33.9%
Tax Paid	2.9	2.2	30.1%	9.7	-70.7%	12.6	8.3	52.6%
Reported Profit After Tax	4.9	6.9	-28.4%	18.9	-73.9%	23.8	18.9	25.8%
Adjusted Profit After Ext-ord item	4.9	6.9	-28.4%	18.9	-73.9%	23.8	18.9	25.8%
EPS (Adj) (Unit Curr.)	0.2	0.3	-27.5%	0.9	-73.9%	1.1	0.9	26.0%

(Source: Company, HDFC sec)

Segment wise Performance

Particulars, Rs in cr	Q2FY20	Q1FY20	Q4FY19	Q3FY19	Q2FY19	Q1FY19	Q4FY18	Q3FY18	Q2FY18	Q1FY18
REVENUES										
Electrical Consumer Durables	283.2	429.1	475.8	284.7	245.6	328.0	495.4	241.6	225.8	255.3
Lighting & Switchgear	151.4	139.2	161.9	135.8	129.6	107.5	127.6	104.7	100.0	75.2
Revenue from Operations	434.7	568.3	637.7	420.4	375.2	435.5	623.0	346.3	325.8	330.5
EBIT										
Electrical Consumer Durables	26.4	43.5	64.8	30.0	24.8	31.2	80.7	25.8	23.9	17.1
Lighting & Switchgear	10.9	13.9	24.5	14.5	8.4	11.4	12.2	13.3	4.8	4.1
Profit/Loss Before Int- and Tax	37.4	57.3	89.3	44.5	33.2	42.6	93.0	39.1	28.7	21.2
CAPITAL EMPLOYED										
Electrical Consumer Durables	195.0	180.0	260.4	255.7	247.0	275.3	313.0	293.6	281.2	293.2
Lighting & Switchgear	159.7	154.6	153.8	135.0	164.4	142.3	119.0	106.5	86.2	90.5

Financials: Income Statement

Particulars, Rs in Cr	FY18	FY19	FY20E	FY21E
Net Sales	1599.8	1864.4	2204.7	2615.8
Raw Material Consumed	634.0	702.3	833.4	986.2
Stock Adjustment	-27.1	-38.1	-41.9	-52.3
Purchase of Finished Goods	436.5	559.0	663.6	790.0
Employee Expenses	142.8	172.7	198.4	232.8
Other Expenses	277.0	327.3	374.8	444.7
Total Expenditure	1463.2	1723.1	2028.3	2401.3
EBITDA	136.6	141.3	176.4	214.5
Depreciation	19.8	23.1	27.8	29.4
EBIT	116.8	118.2	148.6	185.1
Other Income	5.5	9.5	4.4	5.2
Interest	24.5	22.9	22.3	25.2
PBT	97.8	104.9	130.7	165.2
Tax (including Deferred Tax asset write off)	33.8	35.6	58.8	45.4
Reported Profit After Tax	64.0	69.3	71.9	119.7
Extra-ordinary Items	0.0	0.0	0.0	0.0
Adjusted Profit After Extra-ordinary item	64.0	69.3	71.9	119.7
EPS	3.0	3.3	3.4	5.6

Cash Flow

Particulars, Rs in Cr	FY18	FY19	FY20E	FY21E
EBT	97.8	104.9	130.7	165.2
Depreciation and Amortization	19.8	23.1	27.8	29.4
Interest /Dividend paid	24.5	22.9	22.3	25.2
Other Adjustment	24.0	38.9	19.4	5.2
(Inc)/Dec in working Capital	-48.9	-27.6	-49.0	-106.5
Tax Paid	-25.9	-30.1	-58.8	-45.4
CF from Operating Activities	91.3	132.0	92.4	73.0
Capital expenditure	-19.8	-34.8	-70.0	-29.0
Proceeds from sale of fixed assets	-5.6	0.4	0.5	0.7
(Purchase)/Sale of Investment	-0.3	0.3	0.4	0.4
Others	3.4	3.0	4.4	3.3
CF from Investing Activities	-22.3	-31.2	-64.7	-24.7
Inc/(Dec) in Share capital	0.0	0.0	0.0	0.0
Inc/(Dec) in Debt	-24.6	-51.3	10.0	5.0
Dividend and Interest Paid	-37.3	-48.5	-47.7	-50.7
CF from Financing Activities	-61.9	-99.8	-37.7	-45.7
Net Cash Flow	7.2	1.0	-10.1	2.7
Opening Balance	23.3	30.5	31.5	21.4
Closing Balance	30.5	31.5	21.4	24.1

Balance Sheet	Particulars, Rs in Cr	FY18	FY19	FY20E	FY21E
EQUITY & LIABILITIES					
	Share Capital	21.2	21.2	21.2	21.2
	Reserves & Surplus	242.0	285.4	331.8	426.1
	Shareholders Fund	263.3	306.6	353.0	447.3
	Long Term Borrowings	34.4	25.1	40.1	50.1
	Long Term Provisions	6.0	12.9	14.2	15.7
	Total Non Current Liabilities	40.3	38.0	54.3	65.7
	Short Term Borrowings	129.8	99.9	94.9	89.9
	Trade Payables	283.7	350.9	386.6	444.3
	Other Current Liabilities	74.3	64.8	58.3	52.5
	Short Term Provisions	24.6	28.6	31.4	34.6
	Total Current Liabilities	512.3	544.2	571.2	621.3
	TOTAL EQUITY & LIABILITIES	815.9	888.8	978.6	1134.3
ASSETS					
	Fixed Assets(incl. Capital Work in Progress)	110.4	120.9	163.1	162.7
	Deferred Tax Asset(Net)	24.5	19.7	0.0	0.0
	Long Term Loans & Advances	0.0	0.0	0.0	0.0
	Other Non Current Assets	14.3	24.6	19.7	15.7
	Total Non Current Assets	149.1	165.1	182.7	178.5
	Current Investments	0.0	0.0	0.0	0.0
	Inventories	209.1	264.0	302.0	358.3
	Trade Receivables	393.9	392.4	434.9	530.3
	Cash & Cash Equivalents	30.5	31.6	21.4	24.1
	Short Term Loans & Advances	0.0	0.0	0.0	0.0
	Other Current Assets	33.4	35.7	37.5	43.1
	Total Current Assets	666.8	723.7	795.8	955.9
	TOTAL ASSETS	815.9	888.8	978.6	1134.3

(Source: Company, HDFC sec)

Key Ratios	Particulars	FY18	FY19	FY20E	FY21E
	No of Equity Shares-cr	21.2	21.2	21.2	21.2
	Enterprise Value-cr	4186.4	4146.2	4166.4	4168.7
	EPS	3.0	3.3	3.4	5.6
	Cash EPS (PAT + Depreciation)	3.9	4.4	4.7	7.0
	Book Value Per Share(Rs.)	12.4	14.4	16.6	21.1
	PE(x)	63.3	58.5	56.4	33.8

P/BV (x)	15.4	13.2	11.5	9.1
Mcap/Sales(x)	2.5	2.2	1.8	1.5
EV/EBITDA	30.7	29.3	23.6	19.4
EBITDAM (%)	8.5%	7.6%	8.0%	8.2%
EBITM (%)	7.3%	6.3%	6.7%	7.1%
PATM (%)	4.0%	3.7%	3.3%	4.6%
ROCE (%)	28.6%	29.6%	31.3%	32.4%
RONW (%)	24.3%	22.6%	20.4%	26.8%
Current Ratio	1.3	1.3	1.4	1.5
Quick Ratio	0.9	0.8	0.9	1.0
Debt-Equity (x)	0.6	0.4	0.4	0.3

Daily Closing Price Chart



(Source: Company, HDFC sec)

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