Stock Update
Orient Electric Ltd.

April 07, 2022

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Orient Electric Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Consumer Electronic	Rs. 346.30	Buy in the Rs. 343-349 band & add more on dips to Rs. 312- 318 band	Rs. 378	Rs. 405	2 quarters

HDFC Scrip Code	ORIELE
BSE Code	541301
NSE Code	ORIENTELEC
Bloomberg	ORIENTEL IN
CMP Apr 06, 2022	346.30
Equity Capital (Rs Cr)	21
Face Value (Re)	1
Equity Share O/S (Cr)	21.22
Market Cap (Rs Cr)	7348.0
Book Value (Rs)	25.0
Avg. 52 Wk Volumes	926839
52 Week High	408.2
52 Week Low	263.5

Share holding Pattern % (Dec, 2021)	
Promoters	38.5
Institutions	33.9
Non Institutions	27.6
Total	100.0

* Refer at the end for explanation on Risk Ratings

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Our Take:

Orient Electric Ltd. (OEL) has a strong recognition in the Consumer Electricals industry being engaged in manufacturing of Fan (capacity of 97 lakh units p.a.), lights & luminaries (capacity of 341 lakh units p.a.) and switchgear units (capacity of 142.8 lakh units p.a.). Further, OEL is also engaged in selling of home appliances products like Coolers and Toasters etc. OEL sells its products under the brand name “Orient Electric” with brand ambassador being M.S. Dhoni. OEL products sells its products through a wide distribution network of around 5,000 dealers and 125,000 retail outlets spread across the country. OEL is also selling its products through its own e-commerce portal as well as through other leading online marketplaces (like Amazon, Flipkart etc.). Besides, OEL has entered into an exclusive strategic tie-up with De’longhi group, Italy to market and sell its premium international brands in India (i.e De’longhi, Kenwood and Braun). De’Longhi, Kenwood & Braun have a strong product basket in coffee preparation, food preparation and cooking, cleaning and ironing and home comfort. This partnership will help OEL to expand its appliances portfolio (offering) and tap into emerging trends in the consumer appliances space in India.

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.

OEL is the third largest player after Crompton and Havells in India and it has an old brand in the Fans segment. Due its wide presence across the geographies, it enjoys a superior brand recall in the Fans segment. Besides, the company diversified its product portfolio into various categories including Lighting, Switchgears, Air Coolers, and Water Heaters, along with growing its market share in the Fans segment. The Electrical Consumer Durables (ECD) segment, including Fans and other appliances, has grown by ~10% CAGR over FY11-21, contributed 74% of the revenue, while the Lighting and Switchgear segment has grown ~24.1% CAGR and constitutes the remainder of revenue. We expect revenue to grow by ~18% CAGR over FY21-24E.

On 08 March, 2021, we had issued Stock Update on Orient Electric Ltd and recommend to buy on dips to Rs 241.5 and add further on dips to Rs. 224.5 for base case target of Rs 272 and bull case target of Rs 295.5. Given healthy growth outlook and expectation of strong set of numbers in Q4FY22, we have now revised earnings and increased target price for the stock.

Valuation & Recommendation:

OEL is a part of US$ 2.4bn C K Birla Group Company, has established brand in Consumer Electric Space in India and has wide presence across India. Post demerger from Orient Paper & Industries in FY17, OEL has established as an innovative brand in the Indian Fan industry, while looking to expand into another consumer durable products, like Lighting, Appliances and Switchgear.

With operations spanning over 35 countries, OEL is the largest manufacturer and exporter of fans in India with more than 60% share in exports. OEL Fans has been given approval by different statutory authorities for exporting fans to their respective countries like Saudi Arabia, U.S.A, Sri Lanka, Nigeria, and European Countries, etc. The company's overall export revenue contributes ~5% of revenue.

With strong brand recall, company has diversified product portfolio, comfortable capital structure, healthy debt protection metrics and robust profitability. Despite higher investments in branding-related spends and lower margin (compared to peers) at present, OEL generates a RoE of over 25%, which is superior to many of its peers.

India recorded its warmest March in 122 years with a severe heat wave scorching large swathes of the country in the month, The India Meteorological Department said on Saturday, April 2. This phenomenon, if it continues, could be good development for companies like OEL.

Investors could buy the stock in the Rs. 343-349 band and add more on dips to Rs. 312-318 (30x FY24E EPS). We feel the Base case fair value of the stock is Rs. 378 (36x FY24E EPS) and the Bull case fair value is Rs. 405 (38.5x FY24E EPS) over the next two quarters. At the CMP of Rs 346.3 the stock trades at 33x FY24E EPS.

Financial Summary (Consolidated)

Particulars (Rs cr)	Q3FY22	Q3FY21	YoY (%)	Q2FY22	QoQ (%)	FY20	FY21	FY22E	FY23E	FY24E
Total Operating Income	678	618	9.7	594.4	14.1	2,062	2,033	2,583	2,984	3,374
EBITDA	66	84	-21.0	61.9	7.4	176	220	250	316	371
Depreciation	12	11	9.2	11.7	1.0	40	43	48	57	67
Other Income	1	1	30.9	1.3	-33.6	4	6	5	6	9
Interest Cost	5	5	-0.2	5.0	-7.5	26	21	18	16	15
Tax	13	18	-26.6	11.8	9.3	36	42	48	63	75
APAT	38	52	-26.6	34.8	9.5	79	120	140	186	223
Diluted EPS (Rs)	1.8	2.4	-26.6	1.6	9.5	3.7	5.6	6.7	8.8	10.5
RoE-%						23.6	29.4	28.0	29.7	28.3
P/E (x)						93.4	61.4	51.9	39.5	33.0

(Source: Company, HDFC sec)

Q3FY22 Result Update

- OEL's revenue grew 9.7% YoY and 14.1% QoQ to Rs 678 crore, revenue surged due to consumers' extra buying against the pent-up demand last year. Revenue from electrical consumer durables segment rose 4.53% to Rs 481 crore while revenue from lighting & switchgear segment rose 24.8% to Rs 197 crore.
- Delayed winter season and moderate festival demand impacted the Appliance's business, such revenue loss was recouped by growth across other segments, and the high double-digit growth in the Lighting and Switchgear segment.
- Gross margin of the company slipped by 340 bps YoY and 90 bps QoQ at 27.6%, impacted by rise in commodity prices. EBITDA for the quarter fell by 21% YoY to Rs 66 crore. High gross margin pressure has resulted EBITDA margin contraction of 380bps YoY at 9.8%. On QoQ basis, EBITDA margin was down by 60bps.
- Net profit for the quarter fell by 26.6% YoY to Rs 38 crore.

Key Update

OEL's product launches in the Fan category at regular intervals

OEL has been one of the stronger players in the Indian Fans business for over six decades. It is the largest manufacturer and exporter of Fans with ~60% share of exports from India. OEL has been at the forefront of innovation, with attractive product launches in the Fan category at regular intervals and backed by regular ad spends. However, rise in metal prices and commodities prices impacted the demand over the recent past.

OEL continues to maintain its status as the largest exporter of Fans from India. In Q3 FY22, export sales were marginally impacted on account of geopolitical and economic emergencies in countries such as Sudan and Sri Lanka. OEL has impressed with its innovative noise reducing 'Aeroquiet' Fans, thereby creating a new price category and it also launched Falcon 425 Deco Fan in Q2FY22. Orient Falcon 425, ensures highest air delivery and air throw. It comes with ribbed aluminium blades for higher durability and a sturdy motor for long life, available at economy range at Rs 2655.

OEL has expanded its Exhaust fans range with new models which have been designed with focus on four defining aspects of style, performance, efficiency, and durability.

Brand investments have been initiated both in above the line (ATL) and below the line (BTL) ad spends. The inventory built up was continued for the quarter and resulted in higher working capital by end of the quarter as was planned. This is expected to reduce by Q4FY22 with onset of season.

Energy Labelling Program in Fan Industry is positive for large organized players in India like Orient Electric

In terms of value, the Indian fan sector is currently valued at approximately Rs. 8,000 crore (US$ 1.07 billion), and it produces around 60 million units each year. Implementation of Bureau of Energy. Efficiency, (BEE) Star labelling criteria in Indian fan industry could be a positive move. From July 1, 2022, the BEE Star labelling scheme for the fans industry will be required. As rating describes, five stars denote highest efficiency and one star the least) on not just their energy efficiency but also their performance, quality and safety aspects.

According to the Indian Fan Manufacturers Association (IFMA), the adoption of energy-efficient fans, would reduce power consumption in Indian households while also raising the price of fans by 25-30%. The sector looks forward to embracing sustainable and energy-efficient technologies and ensuring successful execution of BEE Star Labelling Requirements with the appropriate governmental backing.

Bedsides, Orient Electric has launched Premium fans with BDLC technology followed by BEE 5 Star Compliance, equipped with BLDC motor, orient energy saver ceiling fan can help to save up to 50% energy consumption thus reducing hefty electricity bills. Orient energy saver ceiling fans come with remote control facility that doubles hour of operation even on inverter. With a sweep of 1200 mm, these ceiling fans provide 320 RPM air throw by consuming 32watt power only.

Product development into new categories, reducing large exposure on Fan business and expanding its presence for Home Appliances

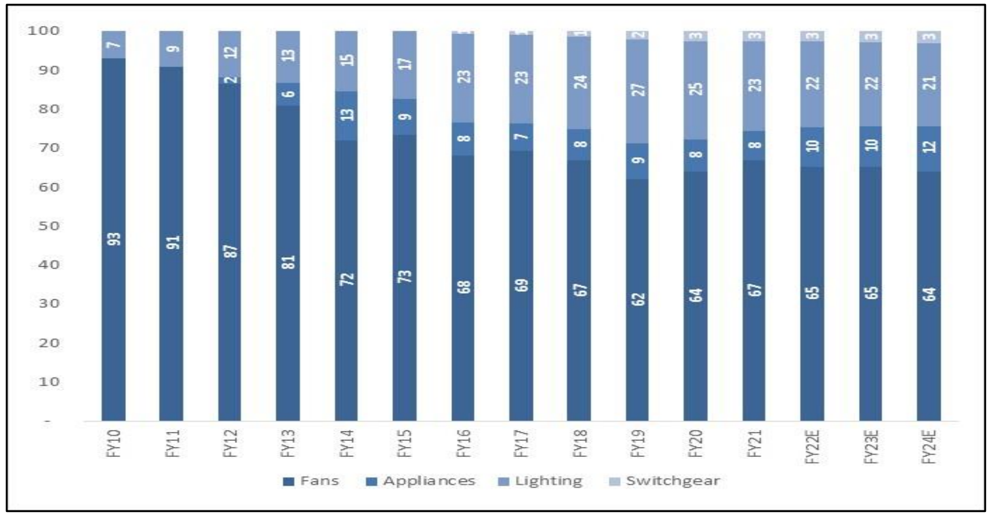
OEL was largely engaged in Fan business in the Indian Appliances market; it has entered the Lighting market in 2008 with the launch of CFL Bulbs, Fluorescent Tube Lamps, and Luminaries. Due to stiff competition in Fan business, higher demand of other value added consumer durable products like home appliances and lighting, company started to shift into new products like Lighting, Switch and Home Appliances etc.

Revenue contribution from Fan business was 93% in FY10, gradually it declined to 74% in FY21. With the entry into the Appliances category towards the end of FY11 and scaling up of the Lighting segment, and entry into the Switchgear category in FY18, revenue share from Fans gradually dropped. We expect it to remain the main product within the product portfolio, with a revenue share ~65% over FY21-24E and expect ~16.7% revenue CAGR over the FY21-FY24E.

OEL is established as an innovative and premium product manufacturer post its demerger, by continuously introducing innovative products. It has been adopted newer and consumer friendly technologies over the recent past. This has helped the brand position itself strongly in the minds of customers and channel partners. OEL has a strong distribution reach with 5,000 dealers and 125,000 retailers that presents a ready to serve market to expand its product offerings.

OEL recently reported strong growth led by Appliances like Water Heaters and Small Appliances with pent-up demand. These categories recorded more than 2x growth over pre-Covid levels. Entry level Glass line Water Heaters and other new products were introduced to revitalise the portfolio. Appliances sales was lower in Sept-2021 and is expected to grow in Q3FY22 aided by festival and season demand.

Revenue contribution over the years



The launch of mass premium range of new modular switch 'Stella' to generate revenue and profitability going forward

OEL launched its new modular switch range called 'Stella' which has been designed with focus on four defining aspects of safety, durability, performance and style in Nov-2021. The new range includes switches, sockets, plates, hospitality range, and other electronic accessories. Orient Stella flaunts exquisite designs and finishes to complement modern interior decor for both residential and commercial spaces. The launch of this 'mass premium' range is part of company's plans to expand its market reach and penetration.

Indian Modular Switch Market is expected to garner US$ 1,595mn by 2022, registering a CAGR of 22% during the forecast period 2016-2022. Therefore, OEL sees a huge potential in the modular switch market as Indian consumers are becoming increasingly aware about the benefits modular switches offer over their traditional switches, which includes enhanced safety, ease of installation and operational efficiency, customisation, and improved aesthetics.

OEL's Orient Stella switches and sockets are designed for soft operation and have a long lifespan of over 1,00,000 clicks. All products in the range come with front-loading mechanism that allows for easy installation and gives a sleek look. It also has bigger and better connecting terminals for ease of connection. The USB charger in this range features in-built surge protection, ensures fast charging, and is compatible with all latest electronic devices. OEL's Stella range flaunts ergonomic designs with eye-catching mirror finish which also helps eliminate dust accumulation.

With robust outlook across the product categories, consumption revival in consumer discretionary in India is making its way back

Aggressive drive of vaccination program for COVID across the geographies and lifting of restrictions by various state governments have brought in a new wave of confidence amongst the consumers. We are witnessing a consumption revival in the country with spending intent shifting towards more discretionary items.

The index of consumer sentiments grew by 4% in January 2022 driven by an improvement in households' perception regarding their current incomes and their propensity to spend on non-essentials. The index in January 2022 is, however, still 43.8% lower than the January 2020 index when it stood at 106.56. There is more opportunity for rise in consumer spending going forward.

Consumer sentiment for India has shown improvement over the previous month, moving up by 1.2 percentage points in March 2022, according to the monthly Refinitiv-Ipsos Primary Consumer Sentiment Index (PCSI).

Outlook

- Appliances and consumer electronics industry is expected to double from 2019 to reach Rs. 1.48 lakh crore (US$ 21.18 billion) by 2025.
- According to a report by Care Ratings, consumer electronics and appliances manufacturers are set to increase their production by 5-8% in FY22, after witnessing a contraction in demand in FY21.
- The dishwasher market in India is expected to surpass US$ 90 million by 2025-26, driven by rising demand from metro cities such as Mumbai, Hyderabad, Delhi and Bangalore.
- The Government of India has allowed 100% Foreign Direct Investment (FDI) under the automatic route in Electronics Systems Design and Manufacturing sector. FDI into single brand retail has been increased from 51% to 100%; the government is planning to hike FDI limit in multi-brand retail to 51%.
- The industry is also pushing for a lower GST rate for fans, from 18% to 5%, to aid with category growth and bear the additional burden of energy labelling.

Price rise across the products and cost reduction initiatives to maintain revenue as well as profitability growth

OEL has taken some cost reduction initiatives over the recent past due to rise in input price and there was 20% overall increase in cost structure YoY. The company have also passed some price increase to the customers. Despite price hike, company have not seen any downtrend from customers. As a result, company has been able to pass on cost increases without seeing a decrease in overall demand. The company will carry on these strategic price increases in Q4FY22 as well. Price increase has been in the range of 14% to 15% during the year. Further, there is scope of price rise at a range of 4 to 6% going forward in different categories. However, there could be some margin pressure in the near term due to high raw material prices.

Captive manufacturing, wide distribution network and efficient design capabilities:

OEL draws a sizable advantage from proprietary production facilities delivering the highest quality standards and the ability to control intellectual property related to innovative products. OEL is engaged in manufacturing of Fan (capacity of 97 lakh units p.a.), lights & luminaries (capacity of 341 lakh units p.a.) and switchgear units (capacity of 142.8 lakh units p.a.), situated across Haryana West Bengal & Noida. The Company boasts of wide network coverage that ensures availability of OEL's fans across the length and breadth of the country. This distribution network continues to be engaged through the Channel Loyalty program run on the mobile application Orient Connect. A strong and well-experienced Design team with the expertise of delivering first-to market products across the year augurs well for the Company to capitalize on changing trends and needs of the market. OEL's paradigm of prioritizing mind-share over market-share has ensured a strong footing for the business in the premium category. This premium positioning offers the Company enviable patronage by the channel partners and elevated engagement levels with the influencers.

Capex for Hyderabad plant and PLI Scheme to boost revenue growth

OEL's capex for Rs 170 crore for its Hyderabad plant will start in Q4FY22, which will be operational by the end of FY23. This capex will be partially funded through short term debt. Starting with fans, other products will also be manufactured. The new R&D centre at Faridabad will consolidate operations, improve efficiency and help in faster decision-making.

Orient Electric has been selected under the Production Linked Incentive (PLI) scheme for white goods by The Department for Promotion of Industry and Internal Trade (DPIIT). PLI Scheme for promotion of domestic manufacturing of Air Conditioners and LED Lights in India stood at Rs 6,238 crores (US$ 855 mn), led by LED Lights manufacturing with committed investments of Rs 716 crore. The scheme will be implemented over a seven-year period, starting FY22. Applicants were given flexibility to choose the gestation period either up to March 2022 or up to March 2023.

OEL is looking to enter into smaller town and rural areas especially in Southern part of India for growth in Fan business

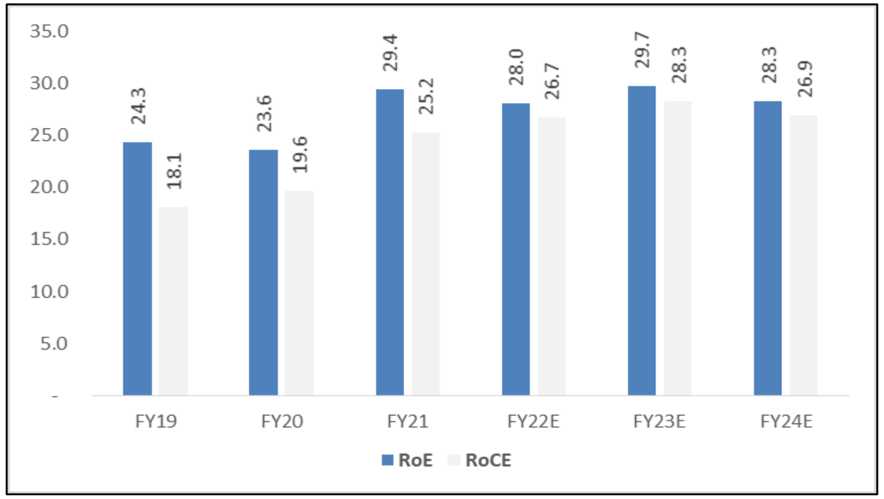
OEL has expanded its fans range with new variants in line with the robust demand coming in from Tier-3 & 4 markets and rural parts of the country. The company has introduced two new fans namely Summer Breeze Pro and Rapid Air and has further plans to refresh an existing fan named Twister as well as augment the range in base, economy and decorative segments in the coming months. The launch is part of the company's plans to cash in on the positive rural sentiments to increase its fans market share in the next 12 months.

OEL's focus will remain on driving sustainable competitiveness through innovation and the company will continue to expand its fan range with new, innovative and customer centric product. OEL is aggressively working on ramping up its presence into smaller town as well as rural areas especially in Southern part of India.

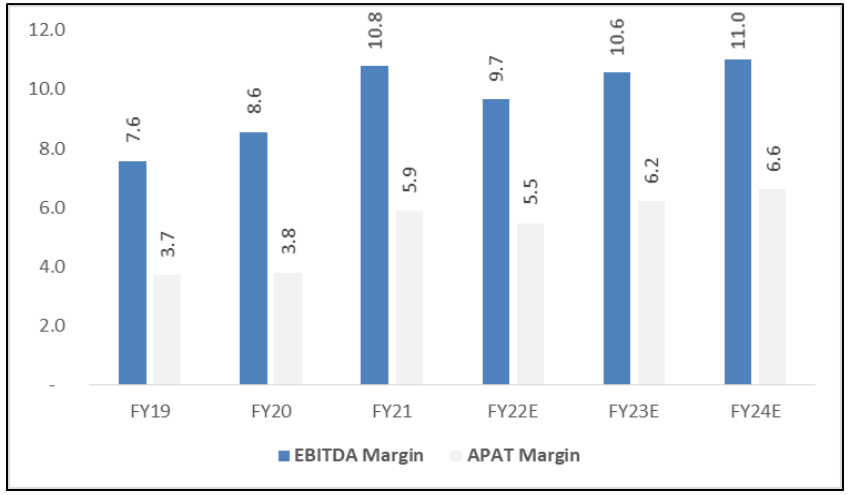
Sound fundamentals led by Comfortable capital structure and strong debt coverage indicators

- OEL reported revenue growth at 8.3% CAGR over the last three years and the company has seen marginal growth in profitability at 6% CAGR over the last three years, growth largely impacted in FY19. We expect 18.4% revenue CAGR and PAT CAGR of 23% over the FY21 to FY24E.
- Its EBITDA margin increased to 10.8% in FY21 vs. 8.6% in FY20 and 7.6% reported in FY19. Net profit margin was up by 210bps YoY to 5.9% in FY21 from 3.8% in FY20 and 3.7% in FY19. We think, OEL is in the investment phase. There is a strong case for a potential improvement in EBITDA margin towards double-digits, going forward.
- OEL's capital structure stands comfortable with strong net-worth base which stood at Rs. 455.7 crore as against debt position of Rs. 15 crore as on March 31, 2021, thus overall gearing stood almost negligible as on March 31, 2021. OEL's debt coverage indicators continue to remain strong and interest coverage stood at 8.5x in FY21.
- Despite higher investments in people and branding-related spends, and hence potentially lower margin at present, OEL generates a RoE of over 22%, which is superior to many peers. Strong operating performance, in-house manufacturing, robust working capital cycle, and lower tax rate is expected to aid RoE of 28-30% over FY22-24E.
- OEL has recommended a final dividend of Rs 2 per equity share (F.V of Re 1 per equity share) in FY21, dividend yield stood at 0.6%. The company has been maintaining its payout at 30-35% band over the past. The company declared an interim dividend of Rs 0.75 per equity share of Re 1 each of the company for FY22E.

Return Ratio (%)



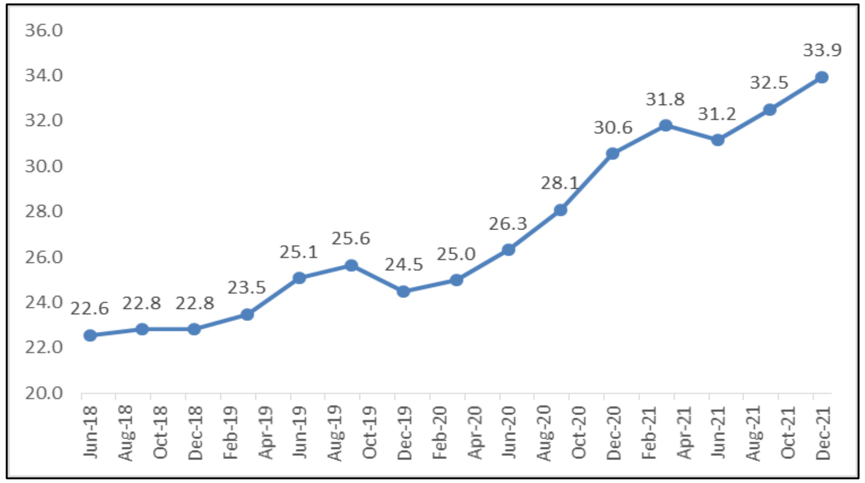
Margins (%)



(Source: Company, HDFC sec)

Institutional shareholding on the rise:
Institutional shareholding is continuously on the rise from 22.57% in June 2018 to 33.9% in Dec 2021 reflecting their comfort with the future prospects of the company.

Institutional Holding-%



What could go wrong?

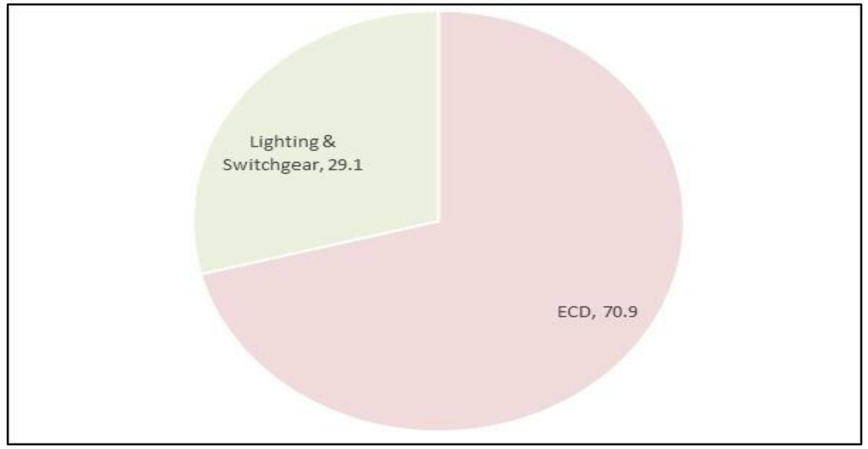
- Sluggish IIP trends, weaker GST collections, lower GDP, and global headwinds impacted demand in consumer durable space. The Government's initiatives could take time to help revive growth. Any slowdown in the domestic Consumer Durable and Lighting Business segments could impact growth in topline and profitability for OEL negatively.
- The relentless increase in commodity prices could impact its profitability, increasing raw material prices during the year has been impacting all players within the industry. Higher commodity prices has been keeping margins under pressure since Q1FY22 and is expected to continue over the short term.
- 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.
- 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 SAR could impact its revenues and profitability going forward.
- Expectation of newer waves of COVID could impact both demand and supply of consumer durable products going forward.

- 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.
- OEL's product's sales are seasonal in nature, with increased sale of fans and air coolers 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.
- OEL provides 1-5 years warranty on its products (mainly LED segment). In FY21 the company has recognized provision for warranty claims of Rs 20.5 crore vis-à-vis Rs 30 crore in FY20. Any higher provisioning is in view of higher warranty claims witnessed by the Company arising out of poor power quality in some products could hurt its profitability.
- OEL's working capital days will be remain high due to built-up of Inventory from the past 2 quarters, to meet the future pent up demand and in anticipation of any supply disruption arising due to covid wave. Working capital is expected to reduce gradually over the next two quarters.
- Geo-political/financial turmoil in countries to which OEL exports could impact its exports growth momentum.

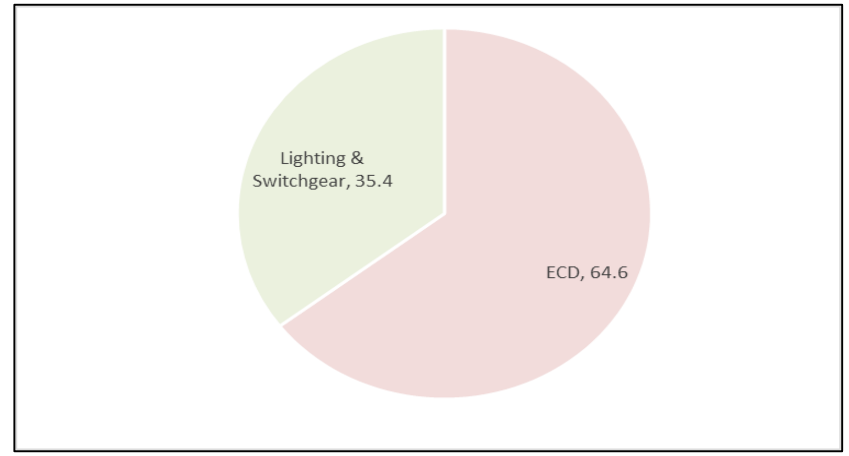
Segment wise Performance

Rs in Cr	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22
Segment Revenue									
Electric Consumer Durable	325	455	103	304	460	646	324	420	481
Lighting & Switchgear	171	109	75	129	158	156	98	175	197
Total	**496**	**563**	**179**	**434**	**618**	**802**	**422**	**594**	**678**
Revenue Mix (%)									
Electric Consumer Durable	65.5	80.7	57.9	70.2	74.5	80.5	76.7	70.6	71.0
Lighting & Switchgear	34.5	19.3	42.1	29.8	25.5	19.5	23.3	29.4	29.0
EBIT									
Electric Consumer Durable	40	72	(7)	51	68	93	23	52	53.36
Lighting & Switchgear	23	12	5	19	23	23	10	28	28.92
Total	**63**	**84**	**(2)**	**70**	**92**	**115**	**33**	**79**	**82**
EBITM-%									
Electric Consumer Durable	12.4	15.8	-6.8	16.8	14.9	14.3	7.0	12.3	11.1
Lighting & Switchgear	13.2	11.3	6.4	14.6	14.6	14.4	10.5	15.8	14.7

Revenue Mix (Q3FY22) -%

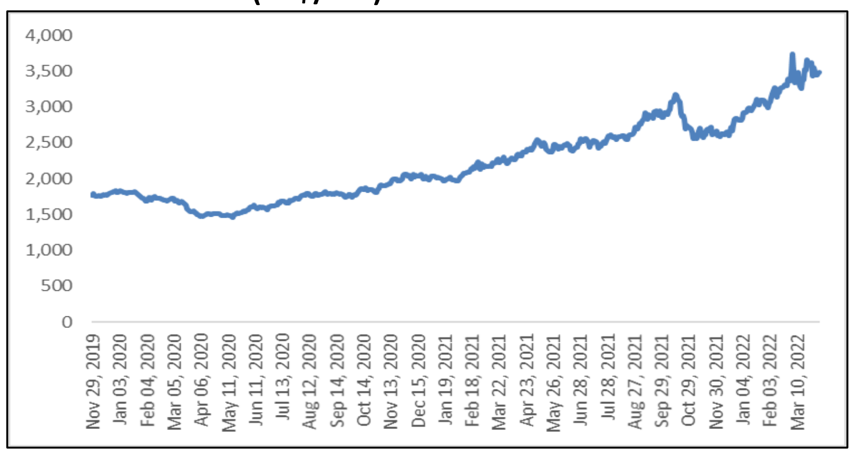


EBIT Mix (Q3FY22) -%

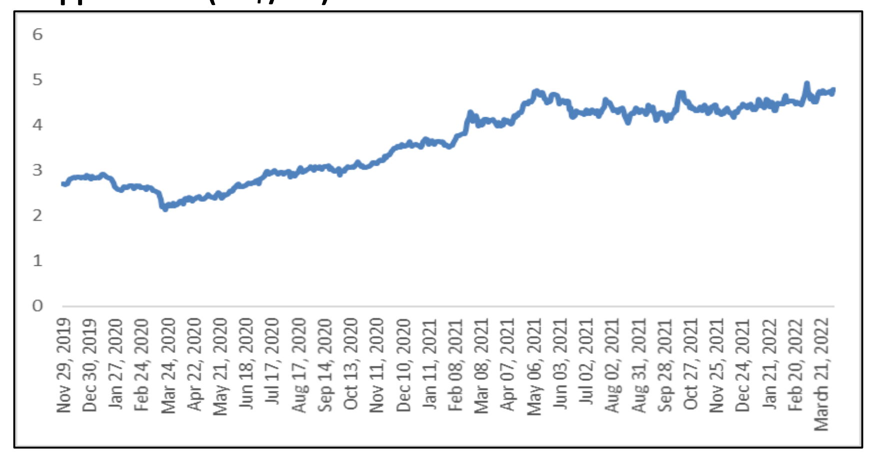


Commodities Prices

Aluminium Prices-(US$/ton)



Copper Prices(US$/lbs)



Peer Comparison

Company, Rs in Cr	Mkt Cap, Cr	Sales			EBITDA			PAT			P/E (x)		
		FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Havells India	87673	13,545	15,807	17,544	1,813	2,218	2,462	1,222	1,526	1,733	60.5	50.7	44.7
Crompton Consumer	27338	5,472	7,439	8,352	789	1,043	1,202	603	707	816	37.8	31.8	27.9
Orient Electric	7348	**2,583**	**2,984**	**3,374**	**250**	**316**	**371**	**142**	**186**	**223**	51.9	39.5	33.0

Financials (Consolidated)

Income Statement

(Rs Cr)	FY20	FY21	FY22E	FY23E	FY24E
Net Revenues	**2062**	**2033**	**2583**	**2984**	**3374**
Growth (%)	**11**	**-1**	**27**	**16**	**13**
Operating Expenses	1885	1813	2334	2668	3003
EBITDA	**176**	**220**	**250**	**316**	**371**
Growth (%)	**24.9**	**24.4**	**13.7**	**26.5**	**17.5**
EBITDA Margin (%)	**8.6**	**10.8**	**9.7**	**10.6**	**11.0**
Depreciation	40	43	48	57	67
EBIT	**136**	**176**	**202**	**258**	**304**
Other Income	4	6	5	6	9
Interest expenses	26	21	18	16	15
PBT	**114**	**162**	**189**	**249**	**298**
Tax	36	42	48	63	75
RPAT	**79**	**120**	**140**	**186**	**223**
APAT	**79**	**120**	**142**	**186**	**223**
Growth (%)	**13.4**	**52.3**	**18.2**	**31.4**	**19.9**
EPS	3.7	5.6	6.7	8.8	10.5

Balance Sheet

As at March	FY20	FY21	FY22E	FY23E	FY24E
SOURCE OF FUNDS					
Share Capital	21	21	21	21	21
Reserves	338	434	534	677	858
Shareholders' Funds	**359**	**456**	**555**	**698**	**879**
Long Term Debt	0	2	2	2	2
Net Deferred Taxes	-21	-26	-26	-26	-26
Long Term Provisions & Others	84	69	69	69	69
Minority Interest	**0**	**0**	**0**	**0**	**0**
Total Source of Funds	**422**	**500**	**599**	**743**	**923**
APPLICATION OF FUNDS					
Net Block & Goodwill	143	153	161	173	152
CWIP	3	3	3	3	3
Other Non-Current Assets	67	56	56	56	56
Total Non Current Assets	**214**	**211**	**220**	**231**	**210**
Current Investments	0	0	0	0	0
Inventories	287	249	317	366	414
Trade Receivables	389	384	516	592	666
Cash & Equivalents	7	258	266	372	549
Other Current Assets	43	35	35	35	35
Total Current Assets	**726**	**925**	**1134**	**1365**	**1663**
Short-Term Borrowings	99	14	14	14	14
Trade Payables	330	519	637	736	832
Other Current Liab & Provisions	88	104	104	104	104
Total Current Liabilities	**517**	**636**	**754**	**853**	**949**
Net Current Assets	209	289	379	512	713
Total Application of Funds	**422**	**500**	**599**	**743**	**923**

(Source: Company, HDFC sec)

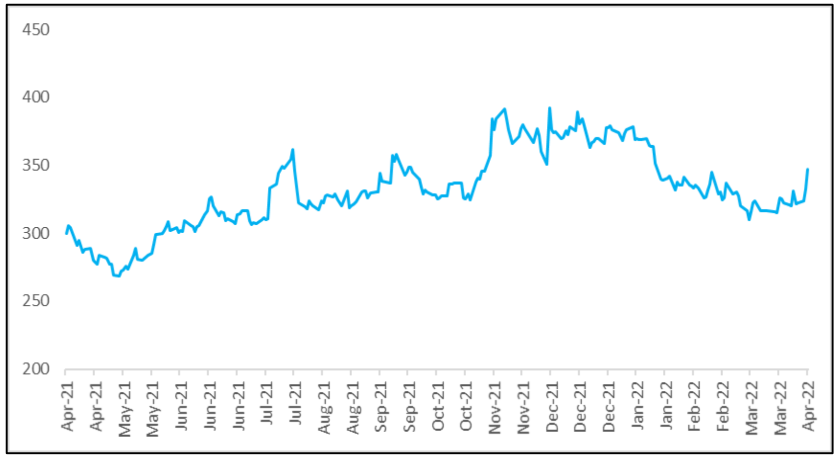
Cash Flow Statement

(Rs Cr)	FY20	FY21	FY22E	FY23E	FY24E
Reported PBT	114	162	189	249	298
Non-operating & EO items	39	22	-5	-6	-9
Interest Expenses	26	21	18	16	15
Depreciation	40	43	48	57	67
Working Capital Change	-42	221	-82	-26	-25
Tax Paid	-48	-41	-48	-63	-75
OPERATING CASH FLOW (a)	**129**	**427**	**119**	**227**	**271**
Capex	-52	-36	-60	-75	-55
Free Cash Flow	77	391	59	152	216
Investments	0	-117	0	0	0
Non-operating income	2	2	5	6	9
INVESTING CASH FLOW (b)	**-51**	**-151**	**-55**	**-69**	**-46**
Debt Issuance / (Repaid)	-37	-83	0	0	0
Interest Expenses	-26	-21	-18	-16	-15
FCFE	15	287	41	136	201
Share Capital Issuance	0	0	0	0	0
Dividend	-29	-27	-42	-42	-42
Others	-11	-13	5	6	9
FINANCING CASH FLOW (c)	**-103**	**-144**	**-56**	**-52**	**-49**
NET CASH FLOW (a+b+c)	**-24**	**133**	**8**	**106**	**176**

Key Ratios

Particulars	FY20	FY21	FY22E	FY23E	FY24E
EBITDA Margin (%)	8.6	10.8	9.7	10.6	11.0
EBIT Margin (%)	6.6	8.7	7.8	8.7	9.0
APAT Margin (%)	3.8	5.9	5.5	6.2	6.6
RoE (%)	23.6	29.4	28.0	29.7	28.3
RoCE (%)	19.6	25.2	26.7	28.3	26.9
Solvency Ratio					
Net Debt/EBITDA (x)	0.6	0.1	0.1	0.0	0.0
Net D/E	0.3	0.0	0.0	0.0	0.0
PER SHARE DATA					
EPS	3.7	5.6	6.7	8.8	10.5
CEPS	5.6	7.7	8.9	11.5	13.7
Dividend	1.2	2.0	2.0	2.0	2.0
BVPS	16.9	21.5	26.1	32.9	41.4
Turnover Ratios (days)					
Debtor days	68.8	68.9	68.9	68.9	68.9
Inventory days	50.7	44.7	44.7	44.7	44.7
Creditors days	58.5	93.2	90.0	90.0	90.0
VALUATION					
P/E	93.4	61.4	51.9	39.5	33.0
P/BV	20.4	16.1	13.2	10.5	8.4
EV/EBITDA	42.2	32.4	28.4	22.1	18.4
EV / Revenues	3.6	3.5	2.7	2.4	2.0
Dividend Yield (%)	0.3	0.6	0.6	0.6	0.6
Dividend Payout (%)	31.0	35.4	30.0	22.8	19.0

One Year Price Chart



HDFC Sec Retail Research Rating description

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This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

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