



HDFC securities

Click. Invest. Grow.

20
YEARS

Initiating Coverage Havells India Ltd.

31-October-2020





Industry	LTP	Base Case Fair Value	Bull Case Fair Value	Recommendation	Time Horizon
Lighting and appliances	Rs. 727.9	Rs.665	Rs.730	Buy on dips to Rs.599-603 band and add more in the Rs.541-545 band	2 quarters

HDFC Scrip Code	HAVINDEQNR
BSE Code	517354
NSE Code	HAVELLS
Bloomberg	HAVL:IN
CMP Oct 31, 2020	727.9
Equity Capital (cr)	62.60
Face Value (Rs)	1
Eq- Share O/S(cr)	62.60
Market Cap(Rscr)	45623
Book Value (Rs)	74
Avg.52 Wk Volume	3886020
52 Week High	740.65
52 Week Low	447.20

Share holding Pattern % (Sept, 2020)	
Promoters	59.50
Institutions	32.31
Non Institutions	8.19
Total	100.0

Fundamental Research Analyst

Jimit Zaveri

jimit.zaveri@hdfcsec.com

Our Take:

Havells is a leading fast-moving electrical goods (FMEG) company with strong presence across Switchgears, Cables, Lighting and consumer durable segment. It has a dominant market share and is amongst top 3 in most of the categories where it has presence. It has 3.5+ decades of experience in the business with pan-India presence and sustaining market share. It has been constantly focusing on an increasing revenue share of premium products which help to improve the profitability of the company. We expect that changing customer preferences and up-trading by existing customers to drive the growth of premium fans category of the company. The company accelerated its Research & Development investment by spending 28% more towards R&D spend (FY20- R&D 1.1% v/s 0.8% for FY19). Havells now have direct reach in 2000+ rural towns with a reach of more than 21000 outlets. The plan is to reach 3000+ towns in next 18 months. With the government pushing for better electricity supply to household across states, especially rural India, the demand for electrical products like wires, cables, switch, fans etc. is expected to grow.

Havells is launching innovative products and new ECD categories (water purifiers, grooming and kitchen appliances), however, presence of brands like Philips, Braun, Wonderchef, Eureka Forbes and Kent will make sustained market share gains difficult. Havells had exited its globalSylvania business and has a clear strategy to focus on the domestic market., In order to expand its product portfolio in the fast growing Indian FMEG industry it had acquired Lloyd Consumer electronics (Televisions) and white Goods (AC's, washing machines)..

We expect, Covid-19 led lockdown will have an impact on the company for the medium term but over the long term its strong balance sheet, superior brand recall, vast distribution network and best in class after sales service provides an opportunity to gain further market share. In the near term, we expect, Havells growth is likely to take a pause, mainly on the back of slow economic activity, liquidity challenges along with sluggish demand outlook for housing and infrastructure sectors.

Valuations & Recommendation:

We expect, that the company will get benefits from the leading position in various segments but Covid-19 led lockdown will adversely impact with higher inventories, worsening working capital cycle, disturbance of supply chain. Also, dragging down of profitability and return ratio due to issues at Llyod which would lead to 3% CAGR in top-line and 8% EPS CAGR over FY20-22E. We believe that Havells has

shown strong track record in past and will be able to deliver stable growth in future. We feel the base case fair value of the stock is Rs.665 (41.9x FY22E EPS) and the bull case fair value is Rs.730 (46.0x FY22E EPS) over two quarters. Investors may buy the shares on dips to Rs.599-603 band (38.0x FY22E EPS) and add more on dips to Rs.541-545 band (34.35x FY22E EPS)..

Financial Summary

Particulars (Rs cr)	Q2FY21	Q2FY20	YoY-%	Q1FY21	QoQ-%	FY19	FY20	FY21E	FY22E
Total Operating Income	1483	2717	-45%	2217	-33%	10,073.4	9,439.8	9,270.8	11,134.3
EBITDA	132	279	-53%	244	-46%	1,184.4	1,034.9	1,264.9	1,502.0
APAT	64	177	-64%	178	-64%	786.3	735.0	848.2	993.3
Diluted EPS (Rs)	1.02	2.83	-64%	2.84	-64%	12.6	11.7	13.5	15.9
RoE-%						19.8	16.6	17.2	18.2
P/E (x)						58.0	62.0	53.7	45.9
EV/EBITDA						37.4	42.8	35.0	29.5

(Source: Company, HDFC sec)

Q2FY21 Result Update

- Revenue of the company posted growth of 10% y-o-y to Rs.2459 cr. The net profit of the company has posted a growth of 82% y-o-y to Rs.326 cr from Rs.179 cr in the same quarter previous year.
- Factories of the company are operating at full capacity, branches and HO operating on rotational WFH. Trade sales stabilizing, encouraging signals of initial growth for segments. 'Atmanirbhar Bharat' with prohibition on AC import, can drive positive growth for integrated manufacturers like Lloyd.
- Havells gained market share across most of its portfolio, and the management expects this to continue.
- Lloyd business has reported good business recovery post opening up new plant in Rajasthan. The company has launched a refrigerator under its new product category. Going forward, Lloyd's major focus will be on A/c, refrigerator and washing machine segment.
- The company did not see any downgrading in consumer product categories. However, according to the company, sales of premium products category has improved as people are preferring quality products due to working from home.



- Advertisement and sales promotion expenses fell by 74% y-o-y, to Rs.19 cr in Q2FY21 from Rs.74 cr in Q2FY20. Other SG&A expenses fell by 15%, y-o-y to Rs.226 cr in Q2FY21 from Rs.266 cr in Q2FY20. As per the management, Advertisement spends are progressively reverting to normal levels.
- Net working capital days has improved 7 days to 37 days in Q2FY21 from 44 days in Q2FY20, backed by strong improvement in inventory days to 66 days in Q2FY21 from 75 days in Q2FY20.
- Capex guidance - The company has spent Rs.80 cr in H1FY21 and guidance of entire FY21 is Rs.330 cr and ~Rs.250-300 cr of capex will be spent in FY22.

Segment-wise

- Revenue of the Switchgear Products segment (70% comes from residential/ consumer sales) has posted 2% y-o-y growth to Rs.370 cr and EBIT of this segment grew by 31% y-o-y to Rs.115 cr.
- Revenue of Cable segment has posted 4% y-o-y degrowth to Rs.785 cr and EBIT of this segment grew by 7% y-o-y to Rs.112 cr.
- Revenue of Lighting & Fixture segment has posted 7% y-o-y growth to Rs.272 cr and EBIT of this segment grew by 69% y-o-y to Rs.53 cr. Consumer lighting was beneficiary of Rural Vistaar and deeper distribution channel of the company.
- Revenue of the Electrical Consumer Durable segment has posted 18% y-o-y growth to Rs.580 cr and EBIT of this segment grew by 63% y-o-y to Rs.117 cr.
- Revenue of Lloyd Consumer segment has posted 56% y-o-y growth to Rs.280 cr and EBIT of this segment has turned to profit of Rs.5 cr in Q2FY21 compared to loss of Rs.44 cr in Q2FY20. Recovery is majorly backed by AC sales growth. The company has developed distribution channel over past few years which has started giving fruits. ~95% of revenue comes from distribution channel which was ~60% earlier, remaining comes from modern retail & E-commerce.
- Revenue of Other segment has posted 41% y-o-y growth to Rs.172 cr and EBIT of this segment has turned to profit of Rs.14 cr in Q2FY21 compared to loss of Rs.11 cr in Q2FY20. Management seeing strong growth in other appliances and kitchen appliances in domestic as well as export front.
- Higher rural sales, increased distribution reach to tier II/III towns, efficient supply chain and market share gains were the main contributing factors for better-than-anticipated recovery in Q2FY21.

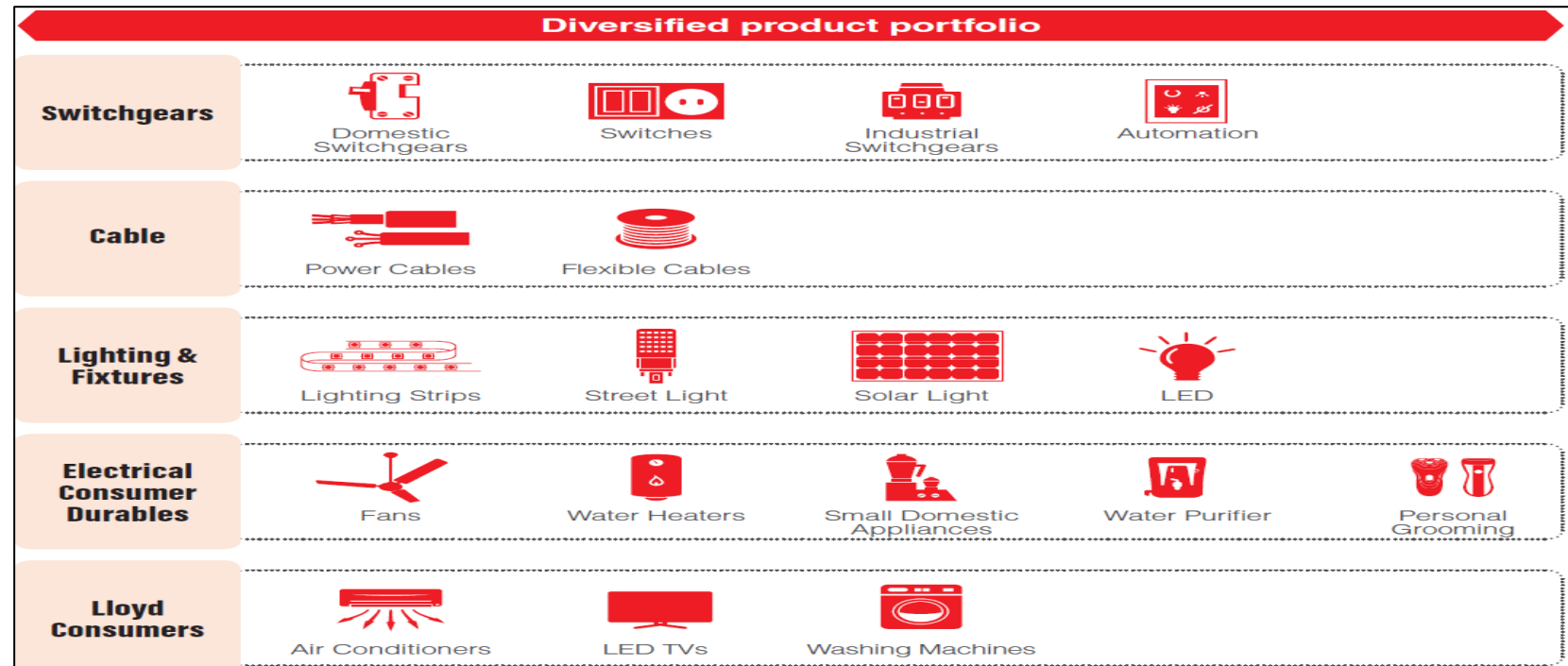


Long term Triggers

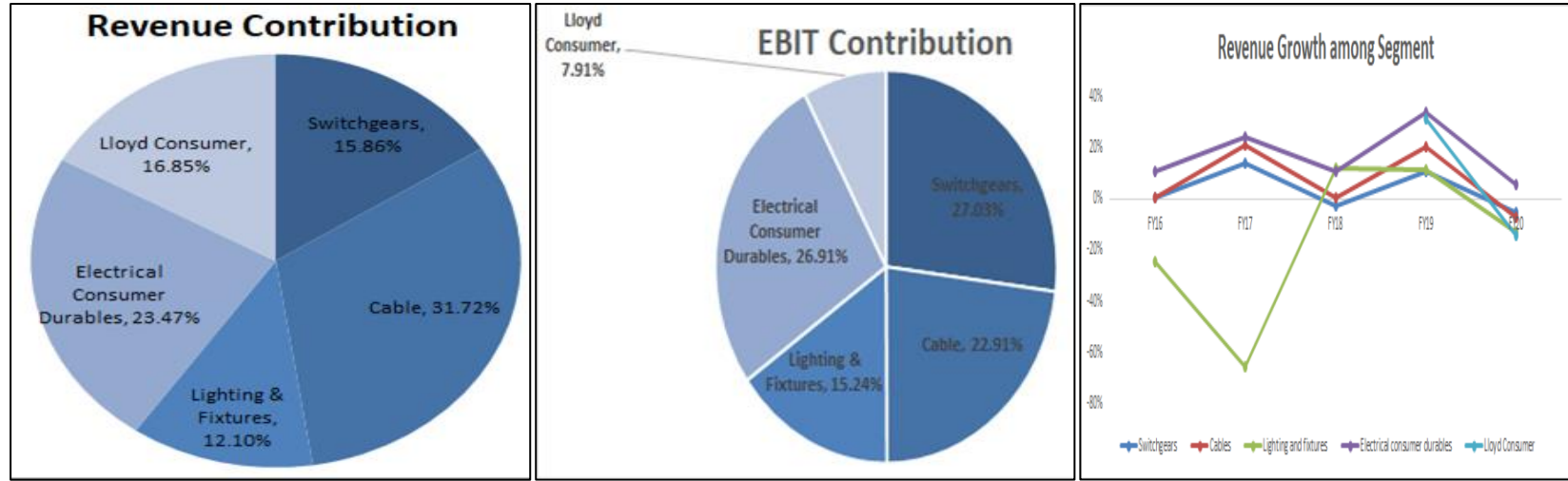
Wide product portfolio with strong control over costs

Havells has a wide range of product portfolio such as different switches, premium modular plate switches, MCB, LAN cables, CCTV cables, CATV cables, telecom switchboard cables, lighting products, solar water heaters, air cooler, air purifier, AV, TV. This wide range of product portfolio provides diversification of revenue with growth opportunity.

Havells has 22 products categories to be manufactured. It also has 123 number of Intellectual Property Rights (IPRs) filed.



Source – Company, HDFC sec Research



Source – Company, HDFC sec Research

93% of Havell’s products are manufactured in-house with plants in 8 locations, allowing the company to have better control over costs, maintain profitability and offer high-quality products to cater to the ever-evolving needs of its discerning customers. It further reduces import dependence thus lowering exposure to foreign currency fluctuation risks.

Strong market position in many of the products

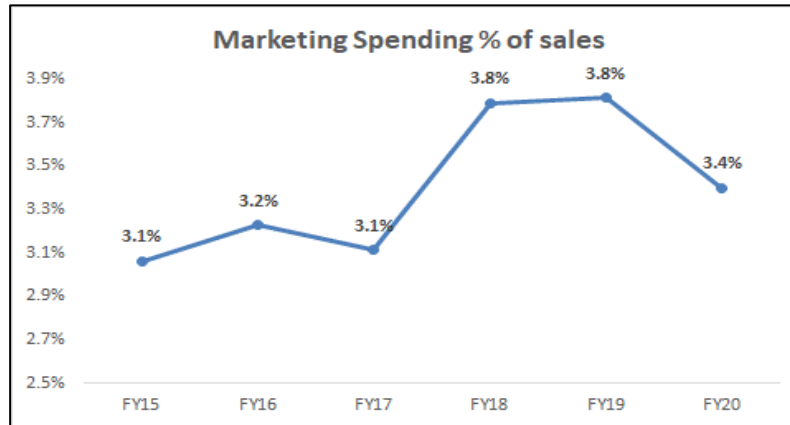
The company has a strong market share in many of the products and it stands among the top 3 players in many segments. Besides ‘Havells’, the company has other major brands include Crabtree, Standard, Reo and Promptec. Havells is ranked 6th globally in the Electrical Components & Equipment Industry.



MARKET SHARE: TOP 3 ACROSS CATEGORIES							
	Product		Indicative Market Size (Rs. in crores)	Indicative Market Share	Indicative Rank	Organized Penetration Level	Peers
Switchgears	MCB		2,900	~18%	# 1-2	High	Legrand, Schneider
	Switches*		4,500	~12-13%	# 3	Medium	Panasonic (Anchor), Legrand
Cable	Domestic		10,000	~16%	# 3	Low	Finolex, Polycab
	Industrial		15,000	~10-11%	# 3	Medium	Polycab, KEI
LED Lighting	Lighting & Fixtures		10,000	~12-15%	# 2-4	Medium	Philips, Wipro, Crompton
EEO	Fans		7,500	~19%	# 2	High	Crompton, Usha, Orient
	Water Heaters		1,700	~19%	# 1	Medium	Racold, AO Smith
	Other Appliances		5,000	~6%	#3-4	Medium	Philips, Bajaj

Source – Company, HDFC sec Research

Havells continuously spends on brand-building which helps to fuel growth and get brand recognition by customers.





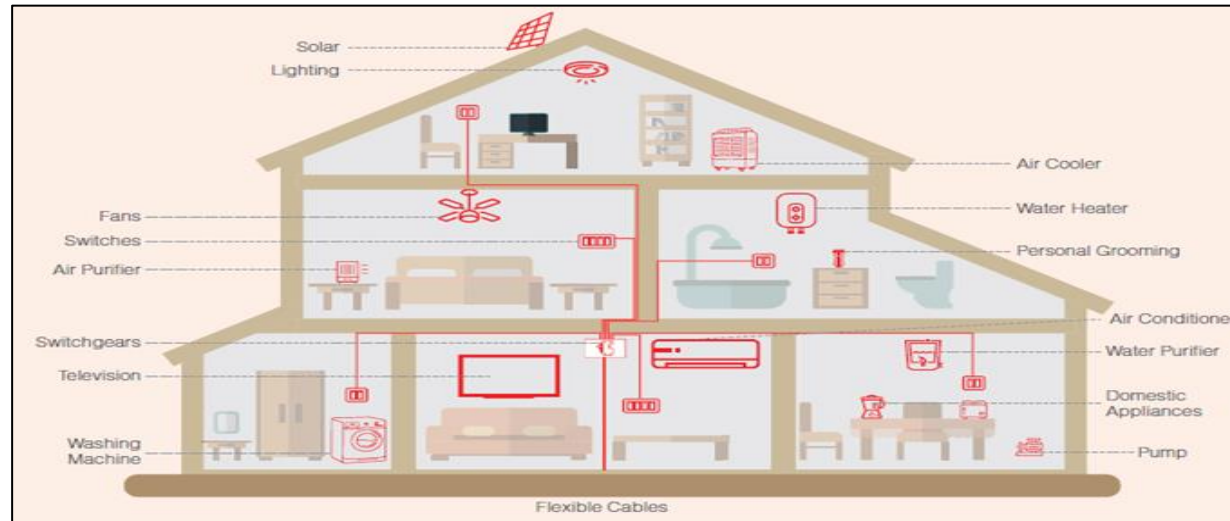
Pan India presence with a strong track record

Havells has a strong domestic presence across 45 cities, presence in 2,283 towns, 500+ 'Havells Galaxy' stores, offers doorstep service via 'Havells Connect' across the country. Havells has 550 brand shops, 297 district presence.

Havells was founded by Late Mr Qimat Rai Gupta. Mr Gupta acquired the brand Havells from an Indian entrepreneur in 1971 and incorporated the company in 1983. After the demise of Mr Qimat Rai Gupta in November 2014, his son Mr Anil Rai Gupta is the current Chairman and Managing Director of Havells. The promoters have a proven track record of scaling up the business successfully to become a leading electrical equipment and consumer appliances player.

"Deeper into Home" strategy to fuel growth

Havells is continuously working on capturing industry trends which can help to catch available opportunities and boost growth. "Deeper into Home" strategy has helped to the company to choose not only to focus on business but in parallel continue work on the future business model so that it remains as competitive as ever; on the other side of COVID-19.



Source – Company, HDFC sec Research



Besides macro headwinds, the company has been able to significantly improve relationships with Enterprise and Government customers where Havells has secured product approvals for sustained business which contributed towards a healthy growth in this category. Besides this, the company is also focusing on key government departments like Railways, Airport Authority of India, Metro Rail, Government Housing Projects etc. The company is currently working closely with 1,500+ end customer accounts and 1,000+ Architects.

Havells' approach is to focus on consumers in towns with a population ranging from 10,000 to 50,000 and launch products and services. The company has so far launched products in building segment, lighting, fans and appliances in these markets last year. The company has received a decent response from the recent launch of fans and appliances. Other than the direct channel reach Havells can also support customers with a service network in these towns. Havells now have direct reach in 2000+ Rural towns with a reach of more than 21K outlets. The plan is to reach 3000+ towns in next 18 months.

New products launch and ability to sustain a strong pipeline

Switchgear - In line with its customer-centric focus, Havells continues to invest in R&D, introduce innovative technology-driven, operationally efficient products like IOT Alexa operated Switches, Connected Industrial Switchgear range. Havells R&D has started work on the next generation of Circuit Breakers to further expand the market share in the B2B market segment. To further promote the use and adoption of circuit protection devices, Havells tied-up with Tata PowerDDL and BSES.

Electrical consumer durables – Havells launched smart next-generation IoT and voice-enabled fan 'Carnesia-I'. Apart from this, Havells also launched first in the industry, a 9-stage filtration-based air purifier. The Company launched a premium range of alkaline water purifiers with 50% plus water recovery. The Company also strengthened its personal grooming range with the launch of a few more premium products that have been well accepted and applauded by consumers and trade partners.



CONSISTENT NEW PRODUCT INTRODUCTIONS

2012: Water Heaters



2013: Domestic Appliances and Pumps



2016: Air Coolers



2017: Water Purification and Personal Grooming



New products launched



Grande Heavy Duty AC



Havells Carnesia i Metallic



Smart H Switches



Havells STADx FP Isolator



STADx RCCB-OP



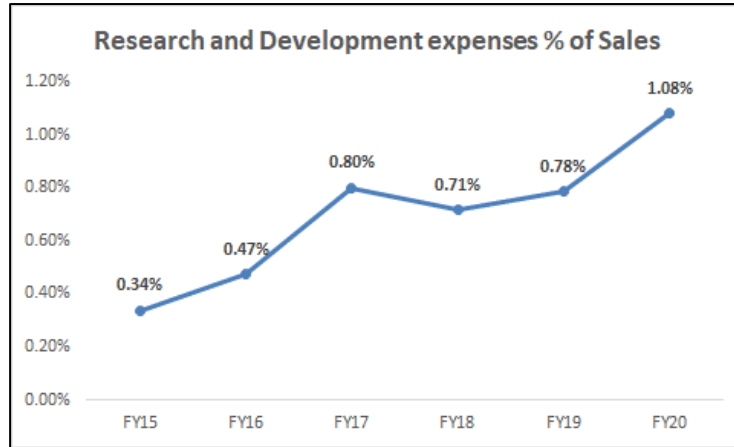
Delite Alkaline Water Purifier



Airdrila Pedestal

Source – Company, HDFC sec Research

During FY20, the company accelerated its Research & Development momentum by spending 28% more towards R&D spend. Havells total R&D spend that stood at 0.79% of total revenue for FY19 has grown to 1.08% of revenue for FY20. All these efforts have led to new product revenue of approximately Rs.400 Cr for products launched in the year 2019.



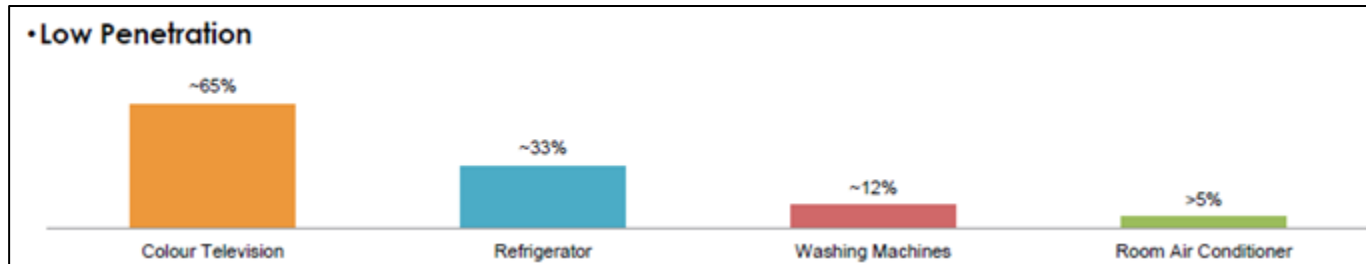
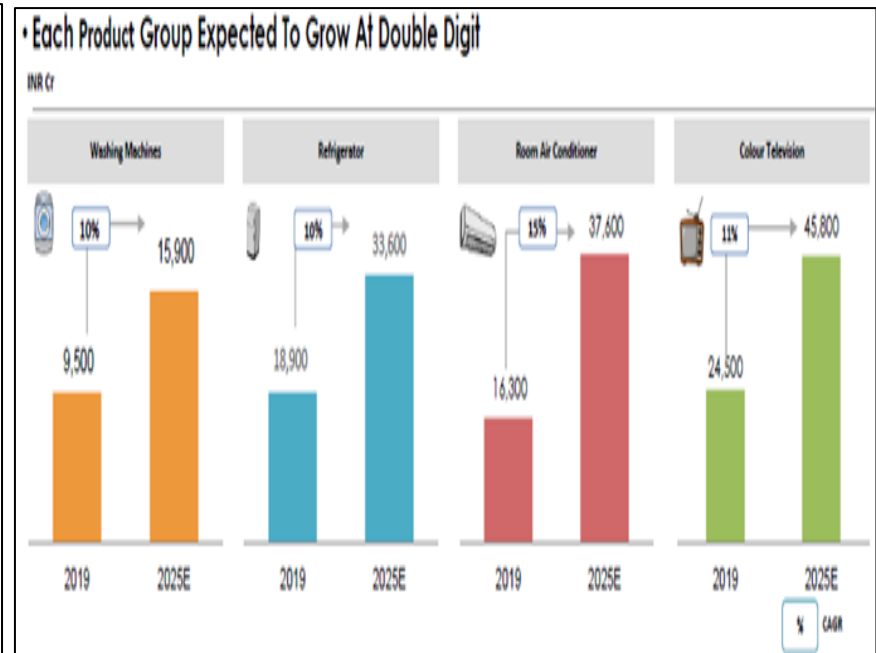
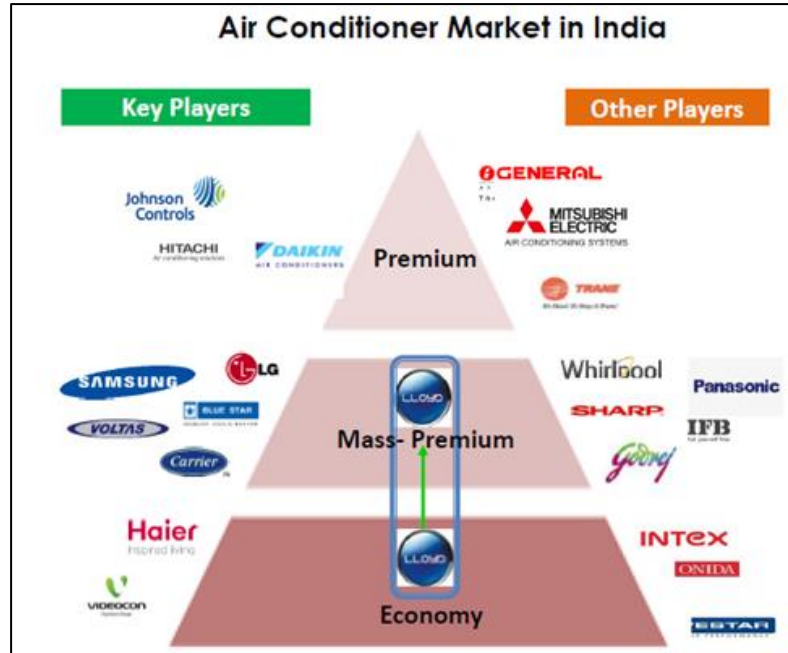
Source – Company, HDFC sec Research

Lloyds growth opportunities

Lloyd performance pre-COVID was strong of 45% YoY growth in Jan/Feb led by various initiatives taken by the company. The company is focusing on diversifying the selling channels on which Lloyd products are getting sold. The Rajasthan plant is equipped with in-house manufacturing of all critical processes and produces finished AC after every 23 seconds. With an installed capacity of one million ACs annually, the plant is equipped with flexible manufacturing set-up to produce multiple models on the same production line. Post-acquisition, Lloyd has been expanding its distribution reach both in the traditional channel as well as in the modern format retail. The Company also plans to enter Refrigerator category in the coming 6 to 9 months.

Air conditioner, Color TV, Refrigerator are highly underpenetrated categories in India which helps to fuel further growth for Lloyd.

598.71	685.65	(-12.5)	(-20.01)	(-55.80)	(-0.21)	203.88	118.92	110.00
(+2.11)	(-14.5)	(-7.74)	(-1.05)	(-1.74)	(-11.88)	(-1.46)	(-1.46)	(-1.46)
142.09	167.29	154.12	393.13	-62.95	(-11.88)	(-71.46)	(-1.46)	(-1.46)



Source – Company, HDFC sec Research



Growth opportunity available for industry

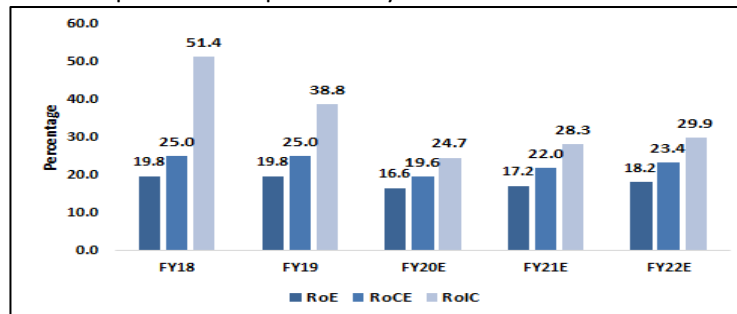
Union Government's focus on infrastructure development in the country is expected to create demand for electrical goods, particularly in products supplied to projects like street lights, cables and switchgear etc. Favourable demographic indicators like urbanization, increase in disposable income of individuals, aspiration for good quality products, nuclear families etc. are expected to catalyze the growth for electrical goods in mid-to long term horizon.

India has seen rapid growth in providing electricity access even in deeper pockets. Government initiatives like metering of houses focus on reducing transmission loss of electricity and programmes like 'Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) are creating many opportunities in new geographies for the supply of electrical products. Rapid urbanization and migration to cities have given rise to affordable housing concept in India. Though the pace has been somewhat slow, during last year Government's initiatives like special funding of stressed projects mainly in affordable and mid-income projects are likely to provide impetus in near future.

Majority of consumer-facing products in India have lower penetration vis-à-vis other emerging countries. It is expected that increase in per capita income and yearning for comfort could lead to an exponential rise in penetration in medium to long term time frame.

Decent financial profile

Havells has a debt-free balance sheet. Also, it has a strong cash flow from operating activities which help to keep the balance sheet strong and enter into a new venture. This situation helps Havells to survive during a tough time. Ongoing pandemic could affect the return ratio for a temporary period but that will be expected to be get normal by FY22E. The company has a stable segment-wise margin (except Llyod consumer) which helps to sustain profitability.



What could go wrong

Weakness in Lloyd business to gain market

Lloyd was disproportionately dependent on imports for all its product categories. Increase in customs duty last year and continued weakness in Rupee resulted in an increase in product cost both in absolute terms and relative to the competition. Further, the LED TV industry experienced an onslaught of cheap products being flooded in the market by a few foreign brands which triggered industry-wide substantial price correction. Lloyd being a relatively smaller brand for TVs was impacted significantly.

LED Smart TV (Rs.)	32-inch	43-inch	49-inch	55-inch
LG	17,999	33,779	43,000	62,999
Samsung	19,999	36,999	42,999	59,999
Lloyd	16,869	37,499	45,000	56,999
Haier	13,700	27,900	39,999	54,999
MI	12,499	21,999	29,999	47,999
VU	12,980	23,855	26,300	44,430

RAC	3-star Inverter Split RAC		
	1 - ton	1.5 - ton	2 - ton
AmazonBasics	22319	25169	NA
Sanyo	23990	29990	35934
Whirlpool	26097	35475	44437
Haier	30159	35369	44079
Llyod	29990	34499	47990
Godrej	26099	31479	48320
Bluestar	31380	38429	49990
Voltas	28399	31400	45990
LG	32499	36490	48990
Panasonic	32490	36999	49490
Hitachi	29999	35499	42750
Daikin	30900	36700	NA

Source – Company, HDFC sec Research

With setting up of manufacturing facilities and deepening of the distribution reach, most problems in Lloyd are tackled.



Covid-19 led lockdown can impact and a slowdown in the economy will impact the growth of the company

Covid-19 led lockdown is expected to adversely impact the company's revenue which is expected to posted degrowth in FY21. The nationwide lockdown has shutdown retail shops, modern retail store and shopping malls which contributed highly to the revenues of the company. Also, the lockdown has stopped online sales so that company will had minimal revenues for April and May-20. The industry participants expect that it will take more time to revive growth in sales again to the normal level.

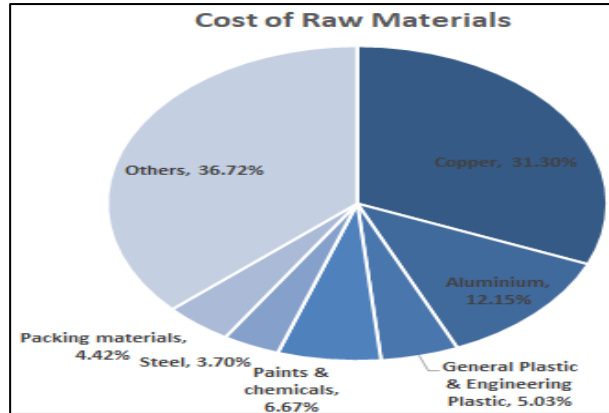
Slow economic activity and liquidity challenges impacted the overall demand scenario in the industry. Later part of the year also witnessed an unprecedented outbreak of Corona Virus sending global economies into a tizzy, impacting supply chain as well as consumer sentiment. Complete lockdown of the country was unparalleled to any disruption experienced in the past several decades.

The slowdown in the infrastructure activities may impact the near to mid-term growth prospects. Demand for new housing has been sluggish for a couple of years. Continued weak demand for housing could impact demand for electrical goods.

Summer season is a very crucial part for consumer durable and appliances industry. February to June period contributes to around 60% of the total turnover of the industry; the company also generates ~56% revenue in the same period. Gudi Padwa fell in the first week of lockdown which resulted in the loss of festive sales. Also, delayed summer and early monsoon in a few parts of India have also hampered the revenues of the industry.

Commodity price pressures can impact profitability

Havells has been impacted by sharp commodity price inflation over the past few years. The Company is affected by the price volatility of certain commodities. Its operating activities require the ongoing manufacture of industrial and domestic cable and other electronic items and therefore require a continuous supply of copper and aluminum being the major input used in the manufacturing.



Source – Company, HDFC sec Research

Impairment risks

Intangible assets and goodwill stood at ~Rs.15bn in FY20 and mainly originated from Lloyd acquisition in FY18. These assets are non-depreciating (indefinite useful life) and are tested for impairment. While Lloyds' profitability in recent years is adversely impacted by several disruptions and lockdown, there may be an impending risk of impairment of these intangibles/goodwill if the revenues and margins don't improve going forward.

Competition

Intense competition in each of the categories that Havells is present in remains a concern area. Slowdown in economy and in turn consumer spending could impact demand for Havells' products.

About Company

Havells India incorporated in August 1983, is one of the leading players in consumer electrical products sector in India. Havells operates in five broad business segments, viz. switchgear, cables, lighting and fixtures, electrical consumer durables and Lloyd Consumer. Apart from the flagship brand "Havells", it owns brands like Crabtree, Standard, Reo, Promptec, Lloyd etc. The company's manufacturing plants are located at Haridwar, Baddi, Giloth, Sahibabad, Faridabad, Alwar, Nemrana and Guwahati.



Business segment

- **Switchgears**

The switch line includes - coral modular range, Oro metalica range, Oro Modular range, Fabio modular range, Instanline automatic transfer switch, Euroload bypass changeover switch, Kompact plus switch disconnecter fuse unit, Euroload changeover switch and Euroload switch disconnecter. 16% Revenue contribution in premium modular plate switches and 28% Revenue contribution in MCB.

- **Cable**

The company has a range of cables includes heat resistant flame-retardant cables, flame retardant low smoke cables, halogen-free flame-retardant cables, flame retardant with a lifeline, multicore round cables, flat submersible cables, telecom switchboard, CATV coaxial cables, LAN cables, CCTV cables and speaker cables. 16% Revenue contribution to domestic flexible cables and 10% Revenue contribution in industrial cables.

- **Lighting and Fixtures**

The company produces lighting products, including- LED, Portable Lighting, Home Décor Lightning, Downlighter etc.

- **Electrical Consumer Durables**

The company offers wall fan, ceiling fan, table fan, exhaust and personal fan. Fans and water heaters contribute ~16%/15% of overall of ECD revenues.

- **Lloyd Consumer**

Havells acquired Lloyd in early 2017. Currently, it offers consumer durable products including AC, TV and washing machine. Lloyd consumer has Rs.1590.27 cr of revenue in FY20 which has grown by 6% CAGR in FY18-20.

Peer Comparison as per FY20 Financial

Company	CMP (As on 31-10-2020)	Mcap (Rs. Cr.)	OPM%	NPM%	RoE%	RoCE%	D/E(x)	TTM P/E (x)	Cash Conversion Cycle (Days)
Havells	729	45623	11	8	17	21	0.0	60	20
Crompton	299	18756	13	11	39	35	0.2	40	27
Orient Electric	208	4404	9	4	24	29	0.4	73	75
Bajaj Electric	488	5553	4	0	-1	7	0.8	NA	161
Polycab	920	13709	13	9	22	29	0.0	18	150
Finolex Cable	278	4243	13	14	16	19	0.0	12	105
Whirlpool of India	2120	26897	11	8	21	25	0.0	89	-8
Voltas	706	23375	8	7	13	18	0.1	44	44
Bluestar	626	6032	5	3	18	19	0.7	233	59

Financials

Income Statement

(Rs Cr)	FY18	FY19	FY20	FY21E	FY22E
Net Revenue	8146	10073	9440	9271	11134
Growth (%)	32.3	23.7	-6.3	-1.8	20.1
Operating Expenses	7103	8889	8405	8006	9632
EBITDA	1043	1184	1035	1265	1502
Growth (%)	27.5	13.5	-12.6	22.2	18.7
EBITDA Margin (%)	12.8	11.8	11.0	13.6	13.5
Other Income	117.9	128.7	107.0	133.0	164.0
Depreciation	140.5	152.6	217.8	242.0	304.6
EBIT	1021	1160	924	1156	1361
Interest	24.8	16.3	20.3	24.8	34.5
Shares of Profit in Joint Ventures (net of Tax)	0.0	0.0	0.0	0.0	0.0
PBT	996	1144	904	1131	1327
Tax	303.8	358.3	170.5	284.7	335.3
RPAT	692	786	733	846	992
Minority Int.	1	0	2	2	2
APAT	693.6	786.3	735.0	848.2	993.3
Growth (%)	16.7	13.4	-6.5	15.4	17.1
EPS	11.1	12.6	11.7	13.5	15.9

Balance Sheet

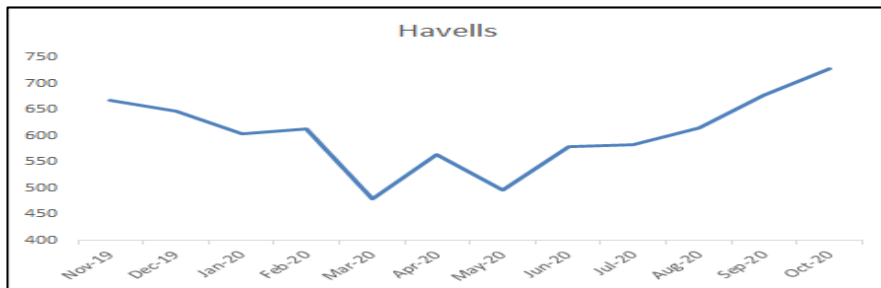
As at March	FY18	FY19	FY20	FY21E	FY22E
SOURCE OF FUNDS					
Share Capital	62.5	62.6	62.6	62.6	62.6
Reserves	3667	4155	4591	5125	5678
Minority Interest	8	0	0	0	0
Other Equity & Liabilities	0	0	0	0	0
Shareholders' Funds	3737	4218	4654	5187	5741
Long Term Debt	81	41	0	0	0
Long Term Provisions & Others	260	374	61	64	67
Total Source of Funds	4077	4633	4715	5251	5808
APPLICATION OF FUNDS					
Net Block	2465	3161	3266	3330	3440
Non-Current Investments	54	0	0	0	0
Deferred Tax Assets (net)	0	0	0	0	0
Long Term Loans & Advances	58	168	264	343	521
Other Assets	0	0	0	0	0
Total Non Current Assets	2577	3328	3529	3673	3961
Current Investments	0	0	0	0	0
Inventories	1633	1919	1871	1778	2135
Trade Receivables	328	407	241	305	427
Short term Loans & Advances	116	88	162	219	229
Cash & Equivalents	1886	1311	1009	1259	1464
Other Current Assets	68	120	180	215	237
Total Current Assets	4031	3844	3462	3775	4493
Short-Term Borrowings	7	0	20	70	154
Trade Payables	1640	1560	1412	1294	1504
Other Current Liab & Provisions	697	746	634	634	729
Short-Term Provisions	186	234	211	199	259
Total Current Liabilities	2530	2540	2276	2197	2646
Net Current Assets	1501	1305	1186	1578	1847
Total Application of Funds	4077	4633	4715	5251	5808



Cash Flow Statement

(Rs Cr)	FY18	FY19	FY20	FY21E	FY22E
Reported PBT	996	1,144	904	1,131	1,327
Non-operating & EO items	-118	-129	-107	-133	-164
Interest Expenses	25	16	20	25	34
Depreciation	140	153	218	242	305
Working Capital Change	251	-378	-184	-143	-63
Tax Paid	-304	-358	-170	-285	-335
OPERATING CASH FLOW (a)	991	448	681	838	1,103
Capex	-1,349	-848	-323	-306	-415
Free Cash Flow	-358	-401	358	531	689
Investments	-101	269	-96	-80	-178
Non-operating income	118	129	107	133	164
INVESTING CASH FLOW (b)	-1,331	-451	-312	-253	-428
Debt Issuance / (Repaid)	208	74	-353	3	3
Interest Expenses	-25	-16	-20	-25	-34
FCFE	-175	-343	-16	509	657
Share Capital Issuance	-1	-8	0	0	0
Dividend	-250	-328	-297	-313	-438
FINANCING CASH FLOW (c)	-69	-278	-671	-335	-470
NET CASH FLOW (a+b+c)	-409	-282	-302	250	205

One Year Price Chart



Key Ratios

	FY18	FY19	FY20	FY21E	FY22E
Profitability (%)					
EBITDA Margin	12.8	11.8	11.0	13.6	13.5
EBIT Margin	12.5	11.5	9.8	12.5	12.2
APAT Margin	8.5	7.8	7.8	9.1	8.9
RoE	19.8	19.8	16.6	17.2	18.2
RoCE	25.0	25.0	19.6	22.0	23.4
Solvency Ratio					
D/E	0.0	0.0	0.0	0.0	0.0
Interest Coverage	41.1	71.4	45.6	46.7	39.5
PER SHARE DATA					
EPS	11.1	12.6	11.7	13.5	15.9
CEPS	13.3	15.0	15.2	17.4	20.7
BV	60	67	74	83	92
Dividend	4.0	4.5	4.0	5.0	7.0
Turnover Ratios (days)					
Debtor days	15	15	9	12	14
Inventory days	58	64	72	70	70
Creditors days	58	66	61	59	57
Working Capital Days	14	13	20	23	27
VALUATION					
P/E	65.7	58.0	62.0	53.7	45.9
P/BV	12.2	10.8	9.8	8.8	7.9
EV/EBITDA	42.5	37.4	42.8	35.0	29.5
Dividend Yield	0.5	0.6	0.5	0.7	1.0
Dividend Payout	9.0	35.8	34.1	36.9	44.1

Source: Company, HDFC sec Research



Disclosure:

I, **Jimit Zaveri, (MBA-Finance)**, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. HSL has no material adverse disciplinary history as on the date of publication of this report. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Research Analyst or his/her relative or HDFC Securities Ltd. **does not have** any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate **does not have** any material conflict of interest.

Any holding in stock – No

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

Disclaimer:

This report has been prepared by HDFC Securities Ltd and is meant for sole use by the recipient and not for circulation. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. This document is for information purposes only. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and this document is not, and should not be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk.

It should not be considered to be taken as an offer to sell or a solicitation to buy any security. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Binkle R. Oza Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193

Mutual Funds Investments are subject to market risk. Please read the offer and scheme related documents carefully before investing.