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**20**  
YEARS

# Initiating Coverage Voltas Ltd.

21-December-2020





| Industry          | LTP     | Base Case Fair Value | Bull Case Fair Value | Recommendation                                                     | Time Horizon |
|-------------------|---------|----------------------|----------------------|--------------------------------------------------------------------|--------------|
| Consumer Durables | Rs. 829 | Rs.841               | Rs.916               | Buy on dips to Rs.741-745 band and add more in the Rs.666-670 band | 2 quarters   |

|                     |            |
|---------------------|------------|
| HDFC Scrip Code     | VOLLTDEQNR |
| BSE Code            | 500575     |
| NSE Code            | VOLTAS     |
| Bloomberg           | VOLT:IN    |
| CMP Dec 18, 2020    | 829        |
| Equity Capital (cr) | 33.09      |
| Face Value (Rs)     | 1          |
| Eq- Share O/S(cr)   | 33.09      |
| Market Cap(Rscr)    | 27440      |
| Book Value (Rs)     | 129        |
| Avg.52 Wk Volume    | 2238819    |
| 52 Week High        | 844.95     |
| 52 Week Low         | 428.00     |

| Share holding Pattern % (Dec, 2020) |       |
|-------------------------------------|-------|
| Promoters                           | 30.30 |
| Institutions                        | 51.67 |
| Non Institutions                    | 18.03 |
| Total                               | 100.0 |

## Fundamental Research Analyst

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### Our Take:

Voltas, a TATA group company is a leading player in residential air-conditioners (RAC) in India and fast-moving electrical goods (FMEG) segments. It has a 6+ decades of experience in the industry. Voltas has a strong market position in the project business in both the domestic and international markets and it is well-positioned in the long term to benefit from any growth in fresh order flows in its target markets. The company has strong domestic order book (FY20-Rs 4798Cr) whereas order booking in the international markets (FY20-Rs 3000 Cr mainly in the UAE and Qatar) are at present lower due to a slowdown in economic activities in these crude oil-driven economies.

Moreover, the opportune entry in the booming white goods market through Arcelik JV would de-risk its RAC business and its strong distribution network will ensure rapid market share gains. Consumer durable segment is highly underpenetrated in India and we believe that Voltas is well-positioned to capture upcoming opportunity with more than 19,000 consumer touchpoints and 130+ EBOs.

Although, the RAC industry had seen weak consumer offtake, we expect, Voltas to continue to dominate this category with current 24% market share. The company is the market leader across all markets within the country, with a 14.2% gap in market share from its nearest competitor (LG).

We expect, Covid-19 led lockdown will have an impact on the company for the short 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, Voltas' growth likely to take a pause, mainly on the back of slow economic activity, labor challenge, liquidity challenges along with sluggish demand outlook. Also, upcoming Capex in various industries is likely to be impacted which will lead to lower growth & margin pressure in engineering project segment.

### Valuations & Recommendation:

In our view lot of near-term positives are factored in the price. However, from a long-term point of view, we have a positive view on the stock backed by its leadership position and consistent market share gains in the UCP (Unitary Cooling Products) business. It would also benefit out of import restrictions on fully imported units. Going forward, we expect its revenues to grow at 8% CAGR in top-line and 16% EPS CAGR over FY20-23E. The EMP and Engineering products segments attract a high P/E (like those given to UCP business) currently due

to combined valuation. We feel the base case fair value of the stock is Rs.841 (34.19x FY23E EPS) and the bull case fair value is Rs.916 (37.24x FY23E EPS) over the next two quarters. Investors may buy the stock on dips to Rs.741-745 band (30.28x FY23E EPS) and add more on dips to Rs.666-670 band (27.24x FY23E EPS).

| Base Case                              |         |       |              |                    |            |
|----------------------------------------|---------|-------|--------------|--------------------|------------|
| Business                               | Method  | FY23E | Multiple (x) | Valuation (Rs. Cr) | VPS (Rs.)  |
| Electro Mechanical Projects & Services | P/E (x) | 179   | 17           | 3,009              | 91         |
| Engineering Products & Services        | P/E (x) | 106   | 14           | 1,482              | 45         |
| Unitary Cooling Products               | P/E (x) | 529   | 39           | 20,638             | 624        |
| Volt-Beko                              | P/S (x) | 1,352 | 2            | 2,704              | 82         |
| <b>SOTP</b>                            |         |       |              |                    | <b>841</b> |

| Bull Case                              |         |       |              |                    |            |
|----------------------------------------|---------|-------|--------------|--------------------|------------|
| Business                               | Method  | FY23E | Multiple (x) | Valuation (Rs. Cr) | VPS (Rs.)  |
| Electro Mechanical Projects & Services | P/E (x) | 179   | 18           | 3,224              | 97         |
| Engineering Products & Services        | P/E (x) | 106   | 15           | 1,603              | 48         |
| Unitary Cooling Products               | P/E (x) | 529   | 43           | 22,754             | 688        |
| Volt-Beko                              | P/S (x) | 1,352 | 2            | 2,704              | 82         |
| <b>SOTP</b>                            |         |       |              |                    | <b>916</b> |

## Financial Summary

| Particulars (Rs cr)    | Q2FY21 | Q2FY20 | YoY-% | Q1FY21 | QoQ-% | FY19    | FY20    | FY21E   | FY22E   | FY23E   |
|------------------------|--------|--------|-------|--------|-------|---------|---------|---------|---------|---------|
| Total Operating Income | 1613   | 1422   | 13%   | 1297   | 24%   | 7,124.1 | 7,658.1 | 6,785.8 | 8,690.5 | 9,732.3 |
| EBITDA                 | 98     | 106    | -7%   | 67     | 47%   | 611.7   | 686.7   | 510.8   | 822.8   | 1,088.5 |
| APAT                   | 80     | 112    | -29%  | 82     | -3%   | 507.9   | 517.2   | 451.5   | 712.6   | 814.1   |
| Diluted EPS (Rs)       | 2.37   | 3.4    | -30%  | 2.45   | -3%   | 15.4    | 15.6    | 13.6    | 21.5    | 24.6    |
| RoE-%                  |        |        |       |        |       | 12.7    | 12.3    | 10.2    | 14.6    | 14.9    |
| P/E (x)                |        |        |       |        |       | 54.0    | 53.0    | 60.7    | 38.5    | 33.7    |
| EV/EBITDA              |        |        |       |        |       | 44.8    | 39.9    | 53.7    | 33.3    | 25.2    |

(Source: Company, HDFC sec)

## Q1FY21 Result Update

- The revenue of the company has grown by 13% Y-o-Y. The net profit of the company has posted a degrowth of 29% y-o-y to Rs.80 cr in Q2FY21 from Rs.112 cr in the same quarter previous year.



- Voltas continues with gaining market share in RAC segment, and the management expects this to continue. Voltas is now the number 2 player in Air Coolers with 10.8% market share.
- Project execution pace in Middle East market was better due to availability of manpower and easy access to project sites through government support.
- As per the management, enquiries for infrastructure projects, including metros, electricals and water treatment plants have picked up.

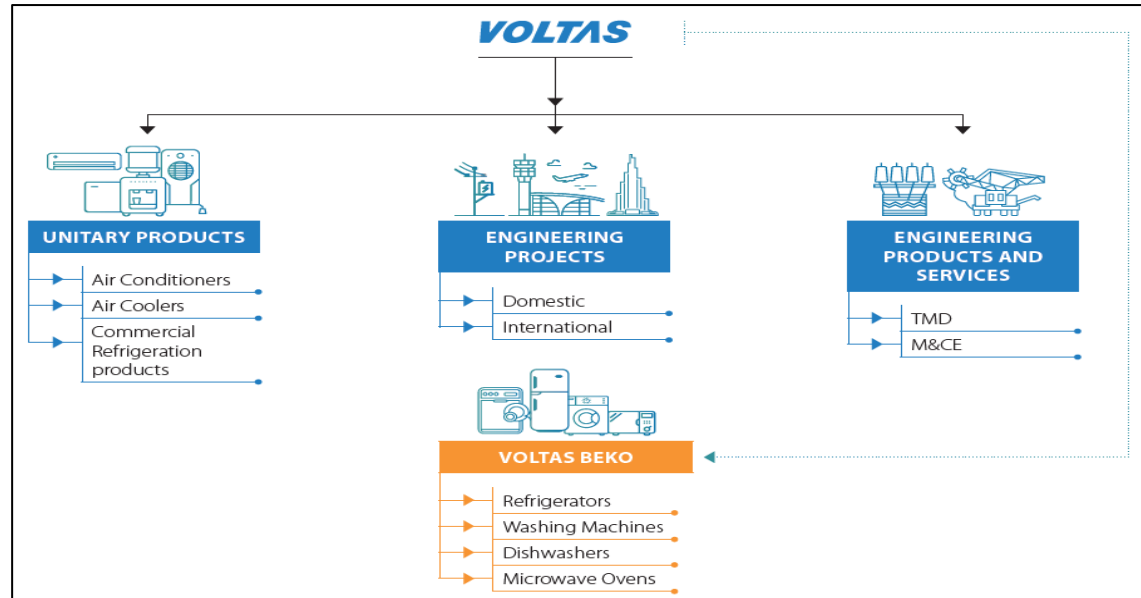
### **Segment-wise**

- Revenue of Unitary Cooling Products for Comfort and Commercial use segment has posted 9% y-o-y growth to Rs.572 cr and EBIT of this segment grew by 36% y-o-y to Rs.63 cr. The company has sustained its No.1 position in Room Air conditioner business with a market share of 26.8%, an increase of 50 bps.
- Revenue of Electro-Mechanical Projects and Services segment has posted 15% y-o-y growth to Rs.928 cr and EBIT of this segment declined by 59% y-o-y to Rs.23 cr. EMP segment received new orders from Government of Rs. 273 cr as infrastructure spending increased.
- Revenue of Engineering Products and Services segment has posted 16% y-o-y growth to Rs.93 cr and EBIT of this segment grew by 14% y-o-y to Rs.29 cr.

### Long term Triggers

#### **Diversified revenue stream**

Voltas has a wide product portfolio with presence in Unitary products, engineering projects and engineering products. The company's revenues are fairly diversified within each of these segments in terms of geographies and products/services offered. The company also has JV with Beko which caters to home appliances segment.



## Engineering projects

This business vertical operates both within the country – Domestic Projects Group (DPG), and overseas – International Operations Business Group (IOBG). As a part of Domestic Projects Business (DPG), the company offers integrated end-to-end solutions in electromechanical projects. Voltas also offers Mechanical, Electrical and Plumbing (MEP) services in the areas of infrastructure and the built environment. These comprise metro stations, airports, malls, hotels, hospitals and educational institutions.

The company also has a diversified portfolio of rural electrification (including solar) and water treatment plants across Government as well as private sectors. Voltas' (DPG) operations and maintenance team manage over 5,000 customer sites across India. The business vertical also offers retrofit solutions for HVAC systems and a range of other services like Energy Auditing, Energy Performance Indexing & Retrofitting, Remote Monitoring and control, etc.



## **Water management** - Effluent treatment plants, Sewage treatment plants, water filtration, Water pipelines

The International Operations Business Group of Voltas is a leading turnkey Electromechanical Solutions and Services provider. With over four decades of experience, the international project's business has completed over 130 projects across 35+ countries. The company has executed MEP projects such as Doha festival city, Burj Khalifa, Emirates Pearl Hotel, Ferrari World, Dubai World Trade Centre, Kempinski Hotel, etc.

## **Engineering Products and Services**

Voltas offers end-to-end production set-ups with customized functionality across the entire range of Spinning and post Spinning machinery whereas, under the Mining & Construction Equipment (M&CE) segment, the company offers machinery and a host of product support offerings at the right quality and prices to a plethora of national as well as international clientele. Under the Textile Machinery segment, product offerings include capital equipment, machinery, accessories, allied machinery and services for both Spinning and post Spinning. In collaboration with a strong portfolio of 30+ global principals, Voltas is a market leader in this segment.

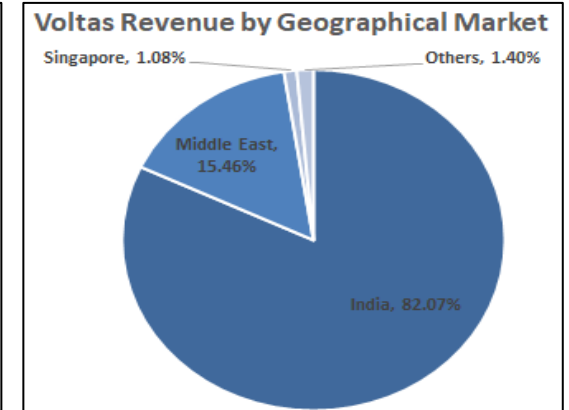
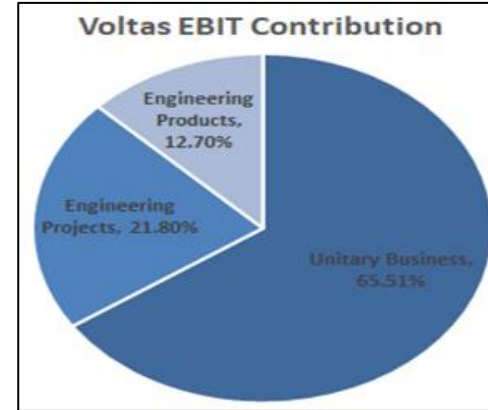
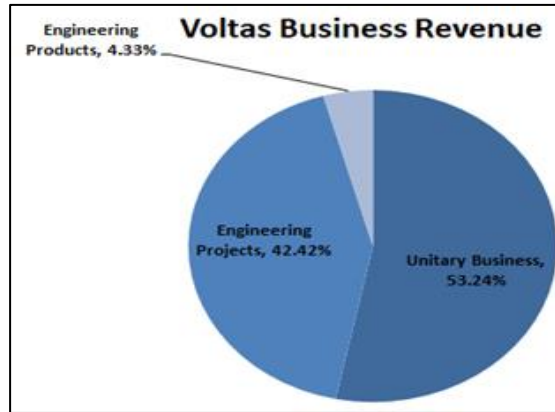
Under the Mining & Construction Equipment segment, the company expanded operations in Mozambique by adding maintenance contracts.

## **Voltbek Home Appliances Private Ltd**

VoltBek is a 50:50 Joint Venture Company (JVC) between Voltas Limited and Arçelik. With this JV, Voltas entered the home appliances market, which is currently valued at over Rs.76,400 cr. The JV has a target of acquiring over 10% market share in a represented portion of the Home Appliance segment. The recently launched manufacturing facility at Sanand is a step in this direction. With an annual production capacity target of 2.5 million units, this facility will leverage the global expertise of Arçelik in manufacturing and product development. It will also significantly benefit from the country-wide sales and distribution network of Voltas.



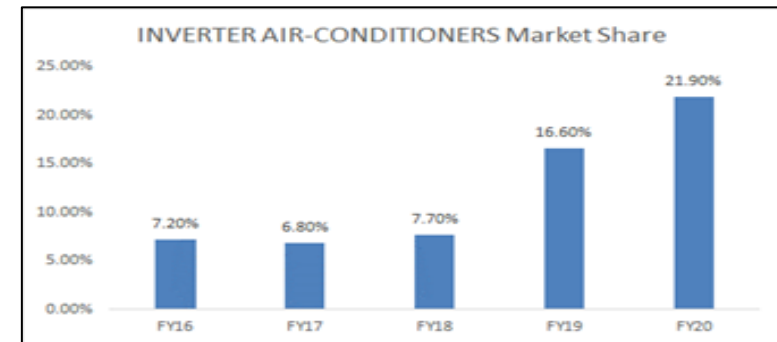
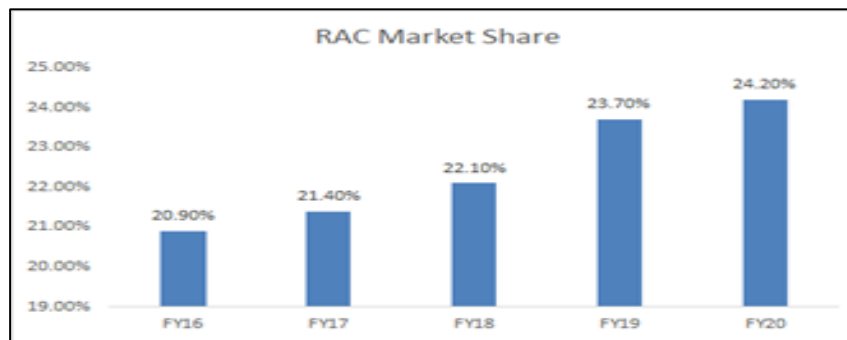
As per FY20



Source – Company, HDFC sec Research

### Strong market presence and distribution network

The company has a strong and improving market share in room air conditioners segment over the past six years with a market share of 24.20% in FY20. The company reached the top 3 players in the air cooler segment after the launching of air cooler in the year 2015. The company has secured ~11% of market share in air cooler segment.



Source – Company, HDFC sec Research

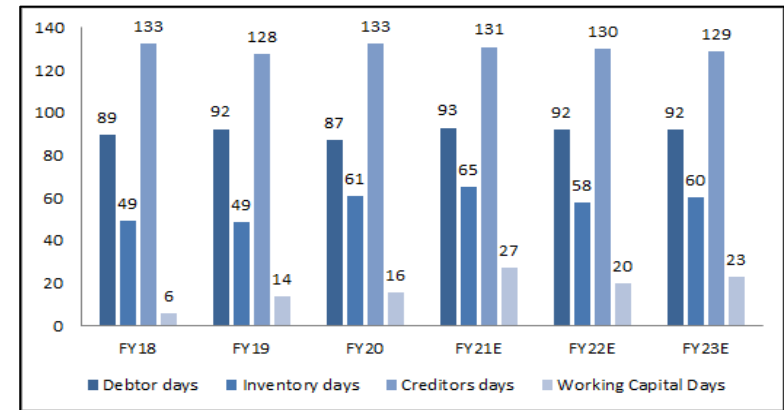
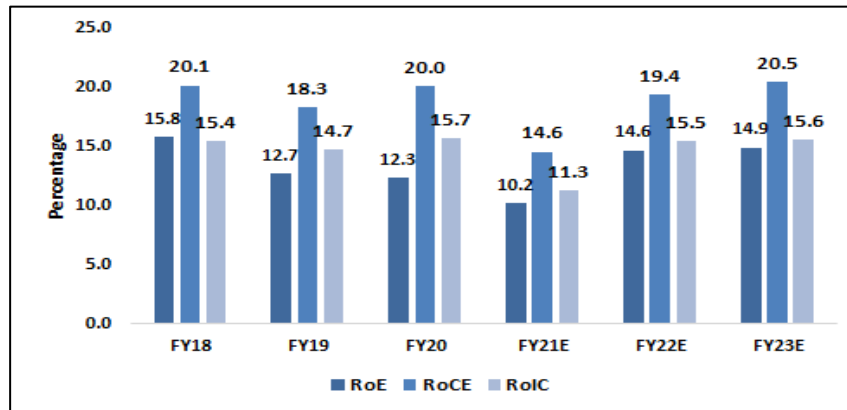


The distribution network of the company has grown 15 times over the last ten years, to more than 19,000 consumer touchpoints across the length and breadth of the country. Voltas is focusing on expanding footprint through more exclusive brand outlets (EBOs) across Tier 2 & 3 cities. The Voltas and Voltas Beko brands are now available at 130+ EBOs in the country.

## Decent financials

Voltas has a net 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 new ventures. This situation also helps Voltas to survive during tough times. Ongoing pandemic will impact the return ratios for a temporary period but that could soon be getting normal by FY22E.

The India AC industry is seeing an increasing number of customers migrate to split ACs and higher-efficiency products, which have relatively higher margins and account for more than 74% of Voltas's sales and 80% for the industry as a whole.



Source – Company, HDFC sec Research



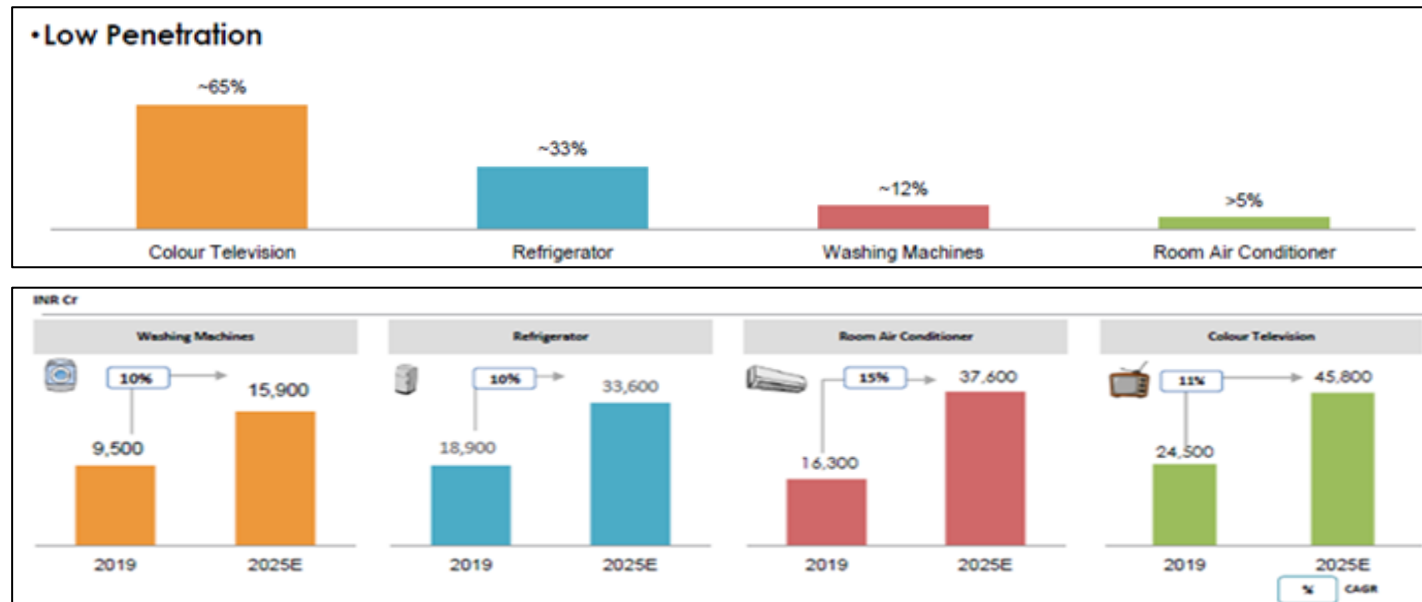


## Strong promoter

Voltas benefits from its strong parentage, by being a part of the Tata Group, which provides considerable financial flexibility in accessing financial markets and banking system, in case of any funding requirements.

## Industry-wide growth potential in the consumer durable segment

Uninterrupted and better power availability across India provides ample runway for future growth. Voltas, being the market leader, is all set to lead the industry in this direction. The Consumer Durables industry is expected to experience significant growth in the rural markets as an increasing number of people opt for branded white goods. This coupled with rising disposable incomes and easy access to credit will give people the ability to purchase appliances like microwaves and washing machines. Low penetration levels for refrigerators and washing machines at 30% and 14%, respectively, indicates the substantial potential for future growth in India.



Source – Company, HDFC sec Research



## **Growth potential into engineering projects**

Voltas has a strong market position in the project business in both the domestic and international markets and it is well-positioned in the long term to benefit from any growth in fresh order flow in its target markets. Domestic order booking is relatively stronger which is driven by healthy orders from water management projects, rural electrification and urban infrastructure sectors. The Infrastructure Solutions business recorded the year-end domestic order book position at Rs. 4,789 cr. A significant order for the solar project was also secured in March 2020.

The business was awarded key projects related to FIFA World Cup 2022 in Qatar and Expo 2020 (now postponed to 2021) in UAE. Also, while Saudi Arabia announced new hospitality developments targeted at domestic and regional tourists, Etihad Rail and other transport infrastructure projects progressed through tenders and awards. The total order book for the International operations business as on 31 March, 2020 was Rs.2,999 cr.

Voltas continues adding further service contracts in Vale, Mozambique for the additional mining equipment fleet. The allocation of iron ore mines in Odisha and focus on infrastructure by the Government will aid in sustaining momentum for equipment and after-sales support service for crushing and screening equipment business.

## **The Company has growth drivers in the following segments**

### **HVAC solutions**

The HVAC product business will benefit out of the Make in India initiative by enhancing its manufacturing capacity with the launch of the Commercial Products manufacturing facility in Waghodia, Gujarat. The factory houses R&D and testing facilities that are critical to bringing in new and advanced technologies to the market. An example is the launch of the UVC-based surface disinfectant solutions amid the Covid-19 pandemic.

- Educational institutions, hospitals and government buildings
- Railway station redevelopment projects
- Tunnel ventilation for Metro works, HVAC for underground metro stations
- Smart cities
- Cold chains



## Water Treatment Solutions

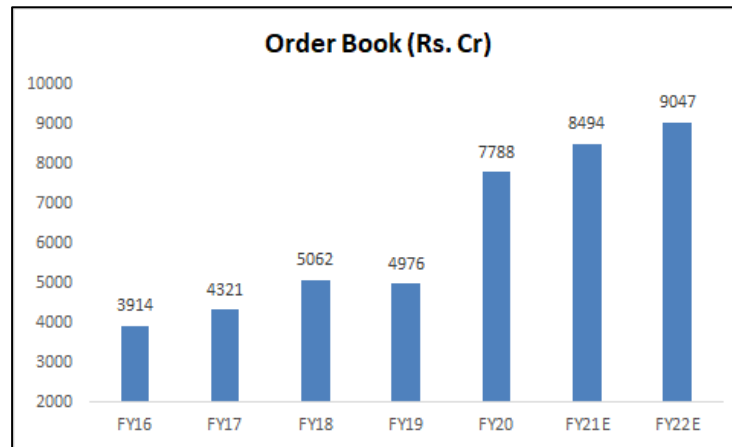
In Water projects, the state and municipal bodies continue to provide large opportunities. Water treatment projects in industries like refineries and steel are likely to drive the demand for the water business.

- Zero Liquid discharge
- Rural water networks
- Sewage Treatment Plants (STPs)

## Electrification

Under the Electrical segment, the Company's focus will largely be towards rural electrification, including system up-gradation and solar generation projects.

- Rural electrification across the schemes of DDUGJU as well as Saubhagya
- Feeder Separation



Source – Company, HDFC sec Research



The company has announced restructuring of large part of the projects business, by transferring it from standalone entity to 100% wholly-owned subsidiary Rohini Industrial Electricals. Management is clear that this exercise is not aimed at selling off/demerger of the projects business but to provide dedicated management team for it.

### What could go wrong

#### **Slowdown in order inflow, COVID-19 effect on order inflow and revenue**

Order booking in the international markets (mainly in the UAE and Qatar) is at present slower due to a slowdown in economic activities in these crude oil-driven economies.

The textile and apparel exports and domestic sales are predicted to decline significantly due to the global shutdown. So, the short-term outlook indicates a difficult situation which is expected to impact both Capex and Opex of the industry players. The short-term impact of Covid-19 on the textile and apparel industry is expected to be significant. Unless the recovery is faster, the impact could further stretch onto a longer period.

#### **Adverse climatic condition and loss of key season**

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 ~62% revenue in the same period. Gudi Padwa fell in the first week of lockdown which resulted in the loss of festive sales. Delayed summer and early monsoon in a few parts of India have also hampered the revenues of the industry.

#### **Most competitive spaces globally**

The Consumer Durable industry in India is one of the most competitive spaces globally, where each key product category has more than 10 brands operating in the market. AC market is crowded with ~25 well-known players, including global and Indian corporates.

| 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

Rise in commodity prices could hit margins of Voltas. However, Voltas has hinted that it might hike the prices to offset the rising commodity prices. However, it is waiting for demand to improve.

Losses in the Volt-Beko Joint Venture (JV) should continue for atleast 2-3 years as revenue growth is unlikely to see material traction in FY21 (impacted by COVID19) and its current lack of scale in refrigerators and washing machines.

Voltas being market leader faces the risk is loss of market share (large gap vs peers) and margins (in high 13% range) in the highly competitive AC market.



## About the Company

Voltas was formed 6 decades ago on 6th September 1954 through a joint venture of Swiss-based Volkart Brothers and Tata Sons. Today, Voltas is a Tata group company with 30% holding. Voltas operates in three main business segments— Electro-Mechanical Projects and Services (EMPS), Engineering Products and Services (EPBG) and Unitary Cooling Products (UPBG). The EMPS business provides engineering solutions for centralised air-conditioning and refrigeration, MEP projects, HVAC applications and water management services in domestic and international markets. The EPBG business markets and trades in mining and construction equipment and textile machinery segments, and provides after-sales services. Unitary Products business deals with a wide variety of cooling appliances such as air conditioners (ACs), air coolers, commercial refrigeration products including freezers, visi coolers and water dispensers, etc. The company has a distribution network of 15000 touch points in India. Company has 4 existing manufacturing facilities at Thane, Dadra, Pantnagar and Waghodia and 2 upcoming manufacturing facilities.

The company has entered into the 50:50 JV with Beko, is an international home appliances brand of the Arçelik Group owned by Koç Holding and formed Voltbek Home Appliances Private Limited (Voltbek). JV production work commenced at Sanand. Company has a product portfolio of refrigerators, microwaves, washing machines, dishwashers under the brand name Voltas Beko.

## Peer Comparison as per FY20 Financial

| Company                   | CMP (As on 18-12-2020) | Current Mcap (Rs. Cr.) | OPM% | NPM% | RoE% | RoCE% | D/E(x) | TTM P/E (x) | Cash Conversion Cycle (Days) |
|---------------------------|------------------------|------------------------|------|------|------|-------|--------|-------------|------------------------------|
| <b>Voltas</b>             | 829                    | 27440                  | 9    | 6.8  | 12   | 20    | 0      | 67          | 16                           |
| <b>Havells</b>            | 919                    | 57529                  | 11   | 8    | 17   | 20    | 0      | 75          | 20                           |
| <b>Bajaj Electric</b>     | 633                    | 7216                   | 4    | 0    | -1   | 7     | 0.8    | 391         | 161                          |
| <b>Whirlpool of India</b> | 2261                   | 28715                  | 11   | 8    | 21   | 25    | 0      | 94          | -8                           |
| <b>Bluestar</b>           | 777                    | 7483                   | 5    | 3    | 18   | 19    | 0.7    | 288         | 59                           |

Source – Company, HDFC sec Research

## Financials

### Income Statement

| (Rs Cr)                                         | FY18         | FY19         | FY20         | FY21E        | FY22E        | FY23E        |
|-------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Net Revenue</b>                              | <b>6404</b>  | <b>7124</b>  | <b>7658</b>  | <b>6786</b>  | <b>8690</b>  | <b>9732</b>  |
| Growth (%)                                      | 6.2          | 11.2         | 7.5          | -11.4        | 28.1         | 12.0         |
| Operating Expenses                              | 5742         | 6512         | 6971         | 6275         | 7868         | 8644         |
| <b>EBITDA</b>                                   | <b>663</b>   | <b>612</b>   | <b>687</b>   | <b>511</b>   | <b>823</b>   | <b>1088</b>  |
| <b>Growth (%)</b>                               | <b>16.9</b>  | <b>-7.7</b>  | <b>12.3</b>  | <b>-25.6</b> | <b>61.1</b>  | <b>32.3</b>  |
| <b>EBITDA Margin (%)</b>                        | <b>10.3</b>  | <b>8.6</b>   | <b>9.0</b>   | <b>7.5</b>   | <b>9.5</b>   | <b>11.2</b>  |
| Other Income                                    | 174.1        | 186.3        | 230.6        | 216.0        | 248.0        | 183.2        |
| Depreciation                                    | 24.4         | 24.0         | 32.0         | 36.2         | 42.6         | 53.9         |
| <b>EBIT</b>                                     | <b>812</b>   | <b>774</b>   | <b>885</b>   | <b>691</b>   | <b>1028</b>  | <b>1218</b>  |
| Interest                                        | 11.9         | 33.0         | 21.1         | 24.5         | 28.3         | 30.5         |
| Shares of Profit in Joint Ventures (net of Tax) | 0.0          | -51.8        | -68.7        | -48.8        | -43.5        | -71.8        |
| Exceptional Items                               | 0.6          | -11.8        | -51.2        | 0.0          | 0.0          | 0.0          |
| <b>PBT</b>                                      | <b>801</b>   | <b>677</b>   | <b>744</b>   | <b>617</b>   | <b>956</b>   | <b>1115</b>  |
| Tax                                             | 227.0        | 163.5        | 223.3        | 162.6        | 240.7        | 296.1        |
| <b>RPAT</b>                                     | <b>574</b>   | <b>514</b>   | <b>521</b>   | <b>455</b>   | <b>716</b>   | <b>819</b>   |
| Minority Int.                                   | -6           | -6           | -4           | -3           | -3           | -5           |
| <b>APAT</b>                                     | <b>568.6</b> | <b>507.9</b> | <b>517.2</b> | <b>451.5</b> | <b>712.6</b> | <b>814.1</b> |
| <b>Growth (%)</b>                               | <b>9.9</b>   | <b>-10.7</b> | <b>1.8</b>   | <b>-12.7</b> | <b>57.8</b>  | <b>14.2</b>  |
| EPS                                             | 17.2         | 15.4         | 15.6         | 13.6         | 21.5         | 24.6         |

### Balance Sheet

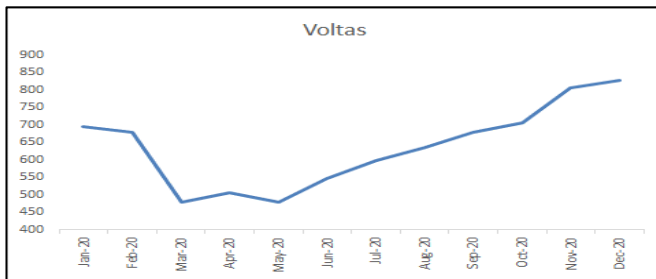
| As at March                       | FY18        | FY19        | FY20        | FY21E       | FY22E       | FY23E       |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>SOURCE OF FUNDS</b>            |             |             |             |             |             |             |
| Share Capital                     | <b>33.1</b> | <b>33.1</b> | <b>33.1</b> | <b>33.1</b> | <b>33.1</b> | <b>33.1</b> |
| Reserves                          | 3872        | 4077        | 4247        | 4570        | 5120        | 5757        |
| Minority Interest                 | 32          | 35          | 36          | 36          | 36          | 37          |
| Other Equity & Liabilities        | 0           | 0           | 0           | 0           | 0           | 0           |
| <b>Shareholders' Funds</b>        | <b>3937</b> | <b>4145</b> | <b>4317</b> | <b>4638</b> | <b>5189</b> | <b>5827</b> |
| Long Term Debt                    | 0           | 0           | 0           | 0           | 0           | 0           |
| Long Term Provisions & Others     | 102         | 92          | 102         | 106         | 116         | 127         |
| <b>Total Source of Funds</b>      | <b>4038</b> | <b>4237</b> | <b>4419</b> | <b>4745</b> | <b>5305</b> | <b>5954</b> |
| <b>APPLICATION OF FUNDS</b>       |             |             |             |             |             |             |
| Net Block                         | 257         | 312         | 348         | 398         | 481         | 631         |
| Non-Current Investments           | 2311        | 1196        | 1868        | 1962        | 2060        | 2307        |
| Deferred Tax Assets (net)         | 18          | 106         | 73          | 73          | 73          | 73          |
| Long Term Loans & Advances        | 127         | 260         | 275         | 331         | 369         | 412         |
| Other Assets                      | 0           | 0           | 0           | 0           | 0           | 0           |
| <b>Total Non-Current Assets</b>   | <b>2712</b> | <b>1875</b> | <b>2565</b> | <b>2764</b> | <b>2982</b> | <b>3423</b> |
| Current Investments               | 488         | 1236        | 520         | 546         | 597         | 652         |
| Inventories                       | 813         | 1091        | 1469        | 1208        | 1381        | 1600        |
| Trade Receivables                 | 1570        | 1803        | 1827        | 1729        | 2190        | 2453        |
| Cash & Equivalents                | 284         | 321         | 308         | 368         | 408         | 289         |
| Other Current Assets              | 1109        | 41          | 86          | 86          | 96          | 108         |
| <b>Total Current Assets</b>       | <b>4598</b> | <b>5647</b> | <b>5583</b> | <b>5543</b> | <b>6375</b> | <b>6941</b> |
| Short-Term Borrowings             | 142         | 315         | 209         | 407         | 306         | 373         |
| Trade Payables                    | 2176        | 2374        | 2689        | 2252        | 2802        | 3055        |
| Other Current Liab & Provisions   | 757         | 455         | 683         | 697         | 718         | 732         |
| Short-Term Provisions             | 195         | 142         | 147         | 206         | 226         | 249         |
| <b>Total Current Liabilities</b>  | <b>3271</b> | <b>3285</b> | <b>3728</b> | <b>3562</b> | <b>4052</b> | <b>4409</b> |
| Net Current Assets                | 1326        | 2362        | 1854        | 1980        | 2323        | 2531        |
| <b>Total Application of Funds</b> | <b>4038</b> | <b>4237</b> | <b>4419</b> | <b>4745</b> | <b>5305</b> | <b>5954</b> |



## Cash Flow Statement

| (Rs Cr)                          | FY18        | FY19         | FY20        | FY21E       | FY22E       | FY23E       |
|----------------------------------|-------------|--------------|-------------|-------------|-------------|-------------|
| Reported PBT                     | 801         | 677          | 744         | 617         | 956         | 1,115       |
| Non-operating & EO items         | -174        | -186         | -231        | -216        | -248        | -183        |
| Interest Expenses                | 12          | 33           | 21          | 25          | 28          | 31          |
| Depreciation                     | 24          | 24           | 32          | 36          | 43          | 54          |
| Working Capital Change           | -427        | -999         | 496         | -66         | -303        | -327        |
| Tax Paid                         | -227        | -164         | -223        | -163        | -241        | -296        |
| <b>OPERATING CASH FLOW ( a )</b> | <b>10</b>   | <b>-614</b>  | <b>839</b>  | <b>233</b>  | <b>236</b>  | <b>393</b>  |
| Capex                            | -81         | -63          | -44         | -127        | -125        | -204        |
| Free Cash Flow                   | -71         | -677         | 795         | 106         | 111         | 189         |
| Investments                      | -220        | 893          | -654        | -150        | -135        | -290        |
| Non-operating income             | 174         | 186          | 231         | 216         | 248         | 183         |
| <b>INVESTING CASH FLOW ( b )</b> | <b>-127</b> | <b>1,016</b> | <b>-467</b> | <b>-61</b>  | <b>-13</b>  | <b>-311</b> |
| Debt Issuance / (Repaid)         | -1          | -10          | 10          | 4           | 10          | 11          |
| Interest Expenses                | -12         | -33          | -21         | -25         | -28         | -31         |
| FCFE                             | -84         | -720         | 784         | 86          | 92          | 170         |
| Share Capital Issuance           | 3           | 3            | 2           | -1          | 1           | 1           |
| Dividend                         | -116        | -179         | -179        | -132        | -165        | -182        |
| <b>FINANCING CASH FLOW ( c )</b> | <b>-125</b> | <b>-219</b>  | <b>-188</b> | <b>-153</b> | <b>-183</b> | <b>-201</b> |
| <b>NET CASH FLOW (a+b+c)</b>     | <b>-243</b> | <b>183</b>   | <b>183</b>  | <b>19</b>   | <b>40</b>   | <b>-119</b> |

## One Year Price Chart



## Key Ratios

| (Rs Cr)                       | FY18 | FY19 | FY20 | FY21E | FY22E | FY23E |
|-------------------------------|------|------|------|-------|-------|-------|
| <b>Profitability (%)</b>      |      |      |      |       |       |       |
| EBITDA Margin                 | 10.3 | 8.6  | 9.0  | 7.5   | 9.5   | 11.2  |
| EBIT Margin                   | 12.7 | 10.9 | 11.6 | 10.2  | 11.8  | 12.5  |
| APAT Margin                   | 9.0  | 7.2  | 6.8  | 6.7   | 8.2   | 8.4   |
| RoE                           | 15.8 | 12.7 | 12.3 | 10.2  | 14.6  | 14.9  |
| RoCE                          | 20.1 | 18.3 | 20.0 | 14.6  | 19.4  | 20.5  |
| <b>Solvency Ratio</b>         |      |      |      |       |       |       |
| D/E                           | 0.0  | 0.1  | 0.0  | 0.1   | 0.1   | 0.1   |
| Interest Coverage             | 68.2 | 23.5 | 42.0 | 28.2  | 36.3  | 39.9  |
| <b>PER SHARE DATA</b>         |      |      |      |       |       |       |
| EPS                           | 17.2 | 15.4 | 15.6 | 13.6  | 21.5  | 24.6  |
| CEPS                          | 17.9 | 16.1 | 16.6 | 14.7  | 22.8  | 26.2  |
| BV                            | 118  | 124  | 129  | 139   | 156   | 175   |
| Dividend                      | 3.5  | 4.0  | 4.0  | 4.0   | 5.0   | 5.5   |
| <b>Turnover Ratios (days)</b> |      |      |      |       |       |       |
| Debtor days                   | 89   | 92   | 87   | 93    | 92    | 92    |
| Inventory days                | 49   | 49   | 61   | 65    | 58    | 60    |
| Creditors days                | 133  | 128  | 133  | 131   | 130   | 129   |
| Working Capital Days          | 6    | 14   | 16   | 27    | 20    | 23    |
| <b>VALUATION</b>              |      |      |      |       |       |       |
| P/E                           | 48.2 | 54.0 | 53.0 | 60.7  | 38.5  | 33.7  |
| P/BV                          | 7.0  | 6.7  | 6.4  | 6.0   | 5.3   | 4.7   |
| EV/EBITDA                     | 41.4 | 44.8 | 39.9 | 53.7  | 33.3  | 25.2  |
| Dividend Yield                | 0.4  | 0.5  | 0.5  | 0.5   | 0.6   | 0.7   |
| Dividend Payout               | 7.9  | 26.1 | 25.6 | 29.3  | 23.2  | 22.3  |

Source: Company, HDFC sec Research





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