

Result Update
Electricals
Crompton Greaves Consumer Electricals Ltd.
BUY

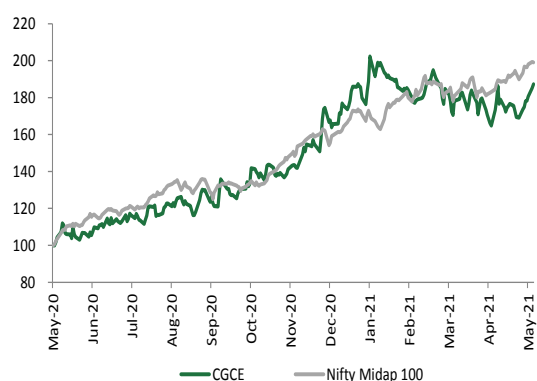
CMP (Rs)	396
Target Price (Rs)	479
Potential Upside	21.0%
Sensex	51,018
Nifty	15,301

Key Stock data

BSE Code	539876
NSE Code	CROMPTON
Bloomberg	CROMPTON:IN
Shares o/s, Cr (FV 2)	62.7
Market Cap (Rs Cr)	24,858
3M Avg Volume	1,614,250
52 week H/L	456/186

Shareholding Pattern

(%)	Sep-20	Dec-20	Mar-21
Promoter	26.2	17.4	11.4
FII	30.3	34.3	39.2
DII	26.0	37.6	38.7
Others	17.4	10.7	10.8

1 Year relative price performance

Research Analyst

Rohit Khatri
 rohit.khatri@religare.com

Strong performance continues

Crompton Greaves Consumer Electricals (CGCE) reported strong set of numbers for Q4FY21. Its consolidated revenue grew by 48.3% YoY led by strong growth across geographies and different product categories. Despite facing rising commodity cost pressure, CGCE reported 122bps YoY improvement in operating margins led by better operating leverage and cost control initiatives. The net profit was boosted (+144% YoY) by a one-time tax write back and a sharp rise (+72.2% YoY) in other income. In the near term, demand would be impacted on account of on-going restrictions and expect normalcy by Q2FY22. We believe CGCE would continue to outperform the industry driven by strengthening market share, widening distribution reach and strong focus on premiumization. Maintain Buy.

Result Update Q4FY21

- CGCE consolidated net revenue grew by 48.3% YoY to Rs. 1,522 cr led by strong growth in both its key segment. The ECD business registered a growth of 61% YoY to Rs. 1,193 cr whereas the lighting segment where the growth had been impacted over the last several quarters grew by 15.4% YoY to Rs. 329 cr. In the ECD segment, Fans registered a growth of 59% in Q4 driven by higher sales of premium fans. Pumps business grew by 61% YoY. The appliances business continued its strong growth momentum registering a 74% YoY growth. This was led by Air Coolers, Mixer Grinder, & Geysers. The lighting segment growth was led by the B2C lighting LED (volume growth of 23% YoY) whereas the B2B continued to witness challenges.
- The operating profit grew by 61.4% YoY to Rs. 228 cr as margins expanded by 122 bps. On the segment front, the ECD segment margins were impacted both on a YoY and sequential basis due to rising commodity costs. The lighting segment margins expanded by 380 bps sequentially and more than doubled on a YoY basis. The net profit jumped 144% YoY to Rs. 249 cr on account of higher operating profit, sharp rise in other income and one-time tax write back during the quarter.
- Other key highlights:** i) CGCE continued to gain market share by 1% in fans in Q4FY21, ii) Rural channels & E-commerce continued its strong growth momentum of 117% and 86% YoY iii) Due to lockdown imposed by several regions, demand would be impacted, and normalcy is expected by Q2.

Outlook & Valuation

CGCE has come out stronger aided by strong demand recovery and have managed to gain market share in its key segments. It would continue to focus on increasing sales from rural and e-commerce channels and also look to enter new categories to capitalize on its growing distribution network and brand presence. On the margins front, we believe the recent commodity price inflation would have limited impact on CGCE as the company has already taken some price hikes. Further, constant focus on premiumization and cost optimization measures would help the company to maintain its margins. Hence, we like CGCE for its strong growth potential, consistent rise in market share in its key segment coupled with healthy dividend pay-out ratio, strong cash flow generation, lean working capital cycle and robust return ratios. Factoring the impact of demand uncertainty in the near term, we have lowered our estimates for FY22E. We maintain a Buy on the stock with a target price of Rs. 479.

Financial Summary - consolidated

Particulars, Rs cr	FY20	FY21	FY22E	FY23E
Net revenue	4,520	4,804	5,692	6,489
EBITDA	599	720	831	954
EBITDAM (%)	13.3	15.0	14.6	14.7
APAT	496	617	646	752
APATM (%)	11.0	12.8	11.4	11.6
EPS (Rs)	7.9	9.8	10.3	12.0
PE (x)	50.0	40.3	38.5	33.1
RoE (%)	38.7	36.3	30.2	29.0

Source : RBL Research

P&L Account Quarterly - consolidated

Particulars (cr)	Q4FY21	Q4FY20	Y-o-Y %	Q3FY21	Q-o-Q %
Net sales	1,522	1,026	48.3	1,348	12.9
Total material cost	1,053	701	50.1	916	15.0
Employee cost	92	71	30.3	93	(1.0)
Other overheads	150	113	32.2	140	7.1
EBITDA	228	141	61.4	200	14.0
EBITDA Margin (%)	15.0	13.8	122 bps	14.8	14 bps
Depreciation	7	8	(12.7)	7	4.1
Interest	10	8	26.5	11	(1.1)
Other income	21	12	72.2	20	3.6
PBT	231	137	68.9	203	14.1
Tax	(18)	35	(152.3)	51	(135.2)
Effective tax rate (%)	(7.8)	25.3	-3,316 bps	25.4	-3,322 bps
Adjusted PAT	249	102	144.0	151	64.9
Adj. PAT margin (%)	16.4	9.9	642 bps	11.2	516 bps

Source : RBL Research

P&L Account - consolidated

Particulars (cr)	FY20	FY21	FY22E	FY23E
Net sales	4,520.3	4,803.5	5,692.2	6,489.1
Expenditure				
Total raw material cost	3,070.3	3,267.2	3,830.8	4,373.6
Employee cost	311.0	336.6	381.4	434.8
Other expenses	539.9	479.2	648.9	726.8
Total expenditure	3,921.2	4,083.0	4,861.1	5,535.2
EBITDA	599.1	720.5	831.1	953.9
EBITDAM (%)	13.3	15.0	14.6	14.7
Other income	59.1	75.8	89.4	102.8
Depreciation	26.8	29.7	33.3	37.2
PBIT	631.4	766.5	887.2	1,019.4
Interest expenses	40.7	42.9	25.7	16.7
PBT	590.7	723.6	861.4	1,002.7
Tax	94.3	107.0	215.4	250.7
Adjusted PAT	496.4	616.7	646.1	752.0
Exceptional Items	-	-	-	-
Reported PAT	496.4	616.7	646.1	752.0
PATM (%)	11.0	12.8	11.4	11.6

Source : Company; RBL Research

Balance sheet - consolidated

Particulars (cr)	FY20	FY21	FY22E	FY23E
Share Capital	125.5	125.5	125.5	125.5
Reserves & Surplus	1,342.9	1,805.9	2,226.0	2,714.4
Total Shareholder's Fund	1,468.3	1,931.4	2,351.5	2,839.9
Non-Current Liabilities				
Total borrowings	350.0	479.0	399.0	299.0
Long term provision	19.1	21.4	21.4	21.4
Current Liabilities				
Trade payables	643.6	864.7	1,024.6	1,168.1
Short term provisions	165.5	204.8	242.6	276.6
Other current liabilities	105.3	116.2	137.7	157.0
Total liabilities	2,751.8	3,617.5	4,177.0	4,762.1
Current Assets				
Fixed Assets	125.1	132.8	137.8	142.8
Current work in process	19.9	10.9	10.9	10.9
Intangible assets	783.9	782.2	782.2	782.2
Other non-current assets	30.6	26.2	26.2	26.2
Deferred Tax Assets	50.7	58.6	58.6	58.6
Current Assets				
Current investments	540.8	769.7	912.1	1,039.8
Inventories	463.6	518.6	614.6	700.6
Trade receivables	463.5	491.2	582.0	663.5
Cash & Cash equivalents	48.1	604.2	788.1	1,036.0
Other current assets	225.7	223.2	264.4	301.5
Total assets	2,751.8	3,617.5	4,177.0	4,762.1

Source : Company; RBL Research

Cash Flow - consolidated

Particulars (cr)	FY20	FY21	FY22E	FY23E
Reported PBT	590.7	723.6	861.4	1,002.7
Depreciation	26.8	29.7	33.3	37.2
Tax paid	(94.3)	(107.0)	(215.4)	(250.7)
Working capital Change	(108.1)	(37.9)	(151.2)	(135.6)
Operating Cash Flow (a)	415.1	608.5	528.2	653.7
Capex	(91.5)	(26.7)	(38.3)	(42.2)
Free Cash Flow	323.5	581.8	489.9	611.5
Investments	(5.2)	4.4	-	-
Investing Cash Flow (b)	(96.7)	(22.3)	(38.3)	(42.2)
Debt Issuance/ (Repaid)	(299.3)	129.0	(80.0)	(100.0)
Dividend Paid	(150.6)	(156.9)	(226.0)	(263.6)
Others	36.5	(2.3)	-	-
Financing Cash Flow (c)	(413.3)	(30.1)	(306.0)	(363.6)
Net Cash Flow (a + b + c)	(94.9)	556.0	184.0	247.8
Closing Cash	48.1	604.2	788.1	1,036.0

Source : Company; RBL Research

Key Financial ratios - consolidated

Particulars (cr)	FY20	FY21	FY22E	FY23E
Per Share Ratios				
Dividend per share Rs	2.4	2.5	3.6	4.2
EPS Rs	7.9	9.8	10.3	12.0
CEPS Rs	8.3	10.3	10.8	12.6
Book value per share Rs	23.4	30.8	37.5	45.2
Profitability Ratios				
EBITDA Margin (%)	13.3	15.0	14.6	14.7
PBT Margin (%)	13.1	15.1	15.1	15.5
Net Profit Margin (%)	11.0	12.8	11.4	11.6
RoCE (%)	30.6	27.2	25.8	26.0
RoE (%)	38.7	36.3	30.2	29.0
Dividend Payout (%)	30.3	25.4	35.0	35.1
Efficiency				
Inventory (Days)	37	39	39	39
Interest Cover Ratio (x)	15.5	17.9	34.5	60.9
Debt-Equity Ratio (x)	0.2	0.2	0.2	0.1
Current ratio (x)	1.9	1.7	1.7	1.7
Valuation Ratios				
P/E (x)	50.0	40.3	38.5	33.1
P/B (x)	16.9	12.9	10.6	8.8
EV/EBIDTA (x)	42.0	34.3	29.4	25.3
Dividend Yield (%)	0.6	0.6	0.9	1.1

Source : Company; RBL Research

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S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

Nature of Interest (if answer to F (a) above is Yes :

.....

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above, are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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