

November 9, 2023

Q2FY24 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	377		401	
Sales (Rs.m)	75,002	86,919	74,407	86,129
% Chng.	0.8	0.9		
EBITDA (Rs.m)	7,790	9,749	8,160	10,005
% Chng.	(4.5)	(2.6)		
EPS (Rs.)	7.4	9.8	8.0	10.4
% Chng.	(7.9)	(6.4)		

Key Financials - Consolidated

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	68,696	75,002	86,919	1,00,261
EBITDA (Rs. m)	7,705	7,790	9,749	11,265
Margin (%)	11.2	10.4	11.2	11.2
PAT (Rs. m)	4,632	4,832	6,414	7,593
EPS (Rs.)	7.3	7.4	9.8	11.6
Gr. (%)	(19.5)	1.2	32.7	18.4
DPS (Rs.)	3.0	3.0	5.0	5.0
Yield (%)	1.1	1.1	1.8	1.8
RoE (%)	18.1	17.3	20.8	22.1
RoCE (%)	18.5	20.0	25.9	29.4
EV/Sales (x)	2.7	2.5	2.1	1.8
EV/EBITDA (x)	23.8	23.7	18.6	15.8
PE (x)	38.8	38.4	28.9	24.4
P/BV (x)	6.8	6.3	5.7	5.1

Key Data

CROP.BO | CROMPTON IN

52-W High / Low	Rs.377 / Rs.251
Sensex / Nifty	64,976 / 19,444
Market Cap	Rs.181bn/ \$ 2,173m
Shares Outstanding	640m
3M Avg. Daily Value	Rs.812.87m

Shareholding Pattern (%)

Promoter's	
Foreign	34.99
Domestic Institution	49.02
Public & Others	15.99
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(6.1)	9.8	(21.1)
Relative	(4.6)	4.4	(25.7)

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Crompton Greaves Consumer Electricals (CROMPTON IN)

Rating: BUY | CMP: Rs283 | TP: Rs377

Industry leading growth in ECD in tough time

Quick Pointers:

- ECD segment up 16.5% YoY stands driven by fans & appliances.
- EBITDA margin contracted 160bps with lower GM & higher A&P expenses.

We downward revise our FY24/25/FY26E earnings by 7.9%/6.4%/5.9% to factor in margin contraction in ECD & Butterfly businesses with higher overhead expenses. Crompton Greaves Consumer Electricals (Crompton) has delivered industry leading growth in ECD at 16.5% YoY driven by strong momentum in Fans (+18% YoY) and Appliances (+17% YoY). Crompton's growth strategy at current margins remains intact as it 1) restructured organization with five business units, 2) appointed second level leadership team, 3) setup innovation center to continuously increase SKUs across BUS, 4) diversified GTM channels by leveraging new channels & building future ready channels and 5) increased focus on A&P. Although the strategy may impact FY24 financials, we expect better growth FY25 onwards. We estimate Revenue/EBITDA/ PAT CAGR of 13.4%/13.5%/17.8% over FY23-26E. Maintain 'Buy' with TP of Rs 377 (earlier Rs 401), valuing at 35x Sep'25 earnings.

Revenue 4.9% YoY, PAT down 22.8% YoY: Revenue up 4.9% YoY to Rs17.8bn. Gross margin contracted 80bps YoY to 31.1% due to competitive pricing in fans & pumps and price correction in lightings. EBITDA declined by 9.6%YoY to Rs1.75bn (in-line our est.) with margin contraction of 160bps YoY to 9.8%, due to increase in other expenses (up 6.3%, 13.1%sales vs 12.9%sales in Q2FY23) and emp. exp. (8.4%sales vs 7.8%sales). This was due to 1) investment in A&P (up 31% YoY), 2) hired team for building capability, and 3) loss of Rs 65mn in built-in Kitchen Appliances. PAT declined by 22.8% YoY to Rs1.0bn below our est. (PLe: Rs1.1bn).

ECD sales up 16.5%, Lighting sales down 11.5% YoY: ECD segment grew 16.5% YoY to Rs 12.4bn and Fans grew +18% YoY driven by strong performance in Ceiling Fans & TPW categories and pump +10% YoY led by robust traction in both Agriculture and Residential segments; New product launches & pricing actions aided growth and appliances +17% YoY driven by growth in Mixer Grinders, Water Heaters delivered highest ever quarterly volume along with significant growth in E-commerce. Lighting segment declined 11.5% YoY due to pricing erosion in B2C as competition remains taut, while there are signs of recovery in B2B with flattish demand. EBIT margin in ECD contracted 290bps on account of increase in A&P expenses and losses in Built-in kitchen appliances. EBIT margin in lighting expanded by 250bps YoY on account of cost optimization initiatives & product mix.

Concall Takeaways: **1)** In Q2FY24, company navigated a challenging market influenced by unseasonal weather & regulatory changes, impacting demand dynamics, channel strategies, inventory and pricing. **2)** A&P spends witnessed a substantial 31% YoY growth. **3)** Company is strategically venturing into premium products market, investing in market excellence, brand development and new product innovation. **4)** Growing in both traditional and alternate channels, Crompton doubled its ecommerce business and increased the Alternate channel's saliency to 17% compared to 13% last year. **5)** Successful product launches have positioned the company as industry leader in premium BLDC fans, boasting the largest range.

Exhibit 1: Q2FY24 Result Overview (Rs m): Sales 4.9% YoY; PAT down by 22.7% YoY

Y/e March (Rs mn)	Q2FY24	Q2FY23	YoY gr. (%)	Q1FY24	QoQ gr. (%)	H1FY24	H1FY23	YoY gr. (%)
Net Sales	17,823	16,995	4.9	18,769	-5.0	36,591	35,624	2.7
Gross Profit	5,582	5,461	2.2	5,786	-3.5	11,368	11,310	0.5
% of NS	31.3	32.1		30.8		31.1	31.7	
Other Expenses	3,837	3,530	8.7	3,928	-2.3	8,609	7,180	19.9
% of NS	21.5	20.8		20.9		23.5	20.2	
EBITDA	1,745	1,931	-9.6	1,858	-6.1	2,758	4,130	-33.2
Margins (%)	9.8	11.4		9.9		7.5	11.6	
Depreciation	321	283	13.6	292	10.1	613	558	9.8
Interest	215	299	-27.9	206	4.7	421	524	-19.6
Other Income	149	183	-18.7	198	-24.8	347	287	20.8
PBT	1,358	1,533	-11.4	1,558	-12.9	2,071	3,271	-36.7
Tax	349	226	54.7	338	3.2	695	872	-20.3
Tax rate (%)	25.69	14.71		21.69		33.53	26.65	
Adjusted PAT	972	1,258	-22.7	1,184	-17.9	1,377	2,365	-41.8

Source: Company, PL

Exhibit 2: Segmental Breakup (Rs m): ECD Revenues up by 16.5%; ECD margins contracted 290bps YoY

Y/e March (Rs mn)	Q2FY24	Q2FY23	YoY gr. (%)	Q1FY24	QoQ gr. (%)	H1FY24	H1FY23	YoY gr. (%)
Revenues								
Electric Consumer Durables	12,380	10,622	16.5	14,290	-13.4	26,669	24,094	10.7
Lighting Products	2,387	2,696	-11.5	2,290	4.2	4,677	5,319	-12.1
EBIT								
Electric Consumer Durables	1,755	1,814	-3.2	1,816	-3.4	3,572	4,099	-12.9
EBIT margin (%)	14.2	17.1	-2.9	12.7	1.5	13.4	17.0	-3.6
Lighting Products	250	215	16.1	273	-8.5	523	447	16.9
EBIT margin (%)	10.5	8.0	2.5	11.9	-1.5	11.2	8.4	2.8

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	68,696	75,002	86,919	1,00,261
YoY gr. (%)	27.4	9.2	15.9	15.3
Cost of Goods Sold	46,804	51,315	59,018	67,985
Gross Profit	21,893	23,687	27,901	32,276
Margin (%)	31.9	31.6	32.1	32.2
Employee Cost	5,408	5,967	6,525	7,346
Other Expenses	6,280	7,334	8,444	9,721
EBITDA	7,705	7,790	9,749	11,265
YoY gr. (%)	2.6	1.1	25.1	15.6
Margin (%)	11.2	10.4	11.2	11.2
Depreciation and Amortization	1,159	1,120	1,159	1,212
EBIT	6,545	6,669	8,590	10,053
Margin (%)	9.5	8.9	9.9	10.0
Net Interest	1,092	755	369	266
Other Income	668	646	584	626
Profit Before Tax	6,121	6,560	8,805	10,413
Margin (%)	8.9	8.7	10.1	10.4
Total Tax	1,358	1,574	2,219	2,624
Effective tax rate (%)	22.2	24.0	25.2	25.2
Profit after tax	4,764	4,986	6,586	7,789
Minority interest	132	154	172	196
Share Profit from Associate	-	-	-	-
Adjusted PAT	4,632	4,832	6,414	7,593
YoY gr. (%)	(19.2)	4.3	32.7	18.4
Margin (%)	6.7	6.4	7.4	7.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	4,632	4,832	6,414	7,593
YoY gr. (%)	(21.0)	4.3	32.7	18.4
Margin (%)	6.7	6.4	7.4	7.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,632	4,832	6,414	7,593
Equity Shares O/s (m)	636	656	656	656
EPS (Rs)	7.3	7.4	9.8	11.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	21,015	21,203	21,460	21,834
Tangibles	5,542	5,710	5,948	6,301
Intangibles	15,473	15,493	15,513	15,533
Acc: Dep / Amortization	2,318	3,222	4,151	5,101
Tangibles	1,751	2,194	2,662	3,149
Intangibles	567	1,028	1,489	1,952
Net fixed assets	19,855	17,981	17,309	16,733
Tangibles	4,840	3,517	3,286	3,152
Intangibles	15,016	14,465	14,023	13,581
Capital Work In Progress	55	100	100	100
Goodwill	12,855	12,855	12,855	12,855
Non-Current Investments	191	213	248	286
Net Deferred tax assets	(29)	30	112	209
Other Non-Current Assets	758	771	784	798
Current Assets				
Investments	5,478	6,116	5,306	7,888
Inventories	7,439	8,219	9,525	10,987
Trade receivables	6,861	6,986	8,097	9,339
Cash & Bank Balance	1,095	1,480	590	1,789
Other Current Assets	1,669	2,598	2,980	3,406
Total Assets	56,544	57,692	58,288	64,817
Equity				
Equity Share Capital	1,272	1,311	1,311	1,311
Other Equity	25,328	28,064	30,999	35,039
Total Network	26,600	29,376	32,311	36,350
Non-Current Liabilities				
Long Term borrowings	6,531	3,531	531	531
Provisions	1,312	1,500	1,912	2,005
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	3,520	3,520	1,520	1,520
Trade payables	10,486	11,247	12,935	14,901
Other current liabilities	3,496	3,912	4,466	4,891
Total Equity & Liabilities	56,544	57,692	58,288	64,817

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	6,121	6,560	8,805	10,413
Add. Depreciation	1,159	1,120	1,159	1,212
Add. Interest	1,092	755	369	266
Less Financial Other Income	668	646	584	626
Add. Other	(476)	93	282	(56)
Op. profit before WC changes	7,896	8,528	10,615	11,835
Net Changes-WC	3,614	(705)	(2,621)	(812)
Direct tax	(1,358)	(1,574)	(2,219)	(2,624)
Net cash from Op. activities	10,153	6,249	5,775	8,399
Capital expenditures	(1,059)	708	(487)	(636)
Interest / Dividend Income	-	-	-	-
Others	760	(638)	810	(2,582)
Net Cash from Invt. activities	(299)	70	323	(3,217)
Issue of share cap. / premium	5	39	-	-
Debt changes	6,331	(2,970)	(2,968)	34
Dividend paid	(1,584)	(1,908)	(3,278)	(3,278)
Interest paid	(1,092)	(755)	(369)	(266)
Others	-	-	-	-
Net cash from Fin. activities	3,661	(5,593)	(6,616)	(3,511)
Net change in cash	13,515	726	(517)	1,670
Free Cash Flow	9,094	6,957	5,289	7,763

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	7.3	7.4	9.8	11.6
CEPS	9.1	9.1	11.5	13.4
BVPS	41.8	44.8	49.3	55.4
FCF	14.3	10.6	8.1	11.8
DPS	3.0	3.0	5.0	5.0
Return Ratio(%)				
RoCE	18.5	20.0	25.9	29.4
ROIC	15.7	17.5	21.8	28.2
RoE	18.1	17.3	20.8	22.1
Balance Sheet				
Net Debt : Equity (x)	0.1	0.0	(0.1)	(0.2)
Net Working Capital (Days)	20	19	20	20
Valuation(x)				
PER	38.8	38.4	28.9	24.4
P/B	6.8	6.3	5.7	5.1
P/CEPS	31.0	31.1	24.5	21.0
EV/EBITDA	23.8	23.7	18.6	15.8
EV/Sales	2.7	2.5	2.1	1.8
Dividend Yield (%)	1.1	1.1	1.8	1.8

Source: Company Data, PL Research

Quarterly Financials (Rs m)

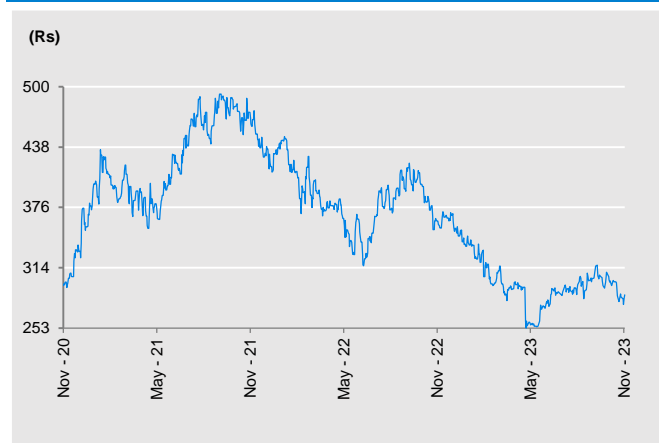
Y/e Mar	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Net Revenue	15,162	17,910	18,769	17,823
YoY gr. (%)	7.5	15.7	0.7	4.9
Raw Material Expenses	10,230	12,260	12,983	12,240
Gross Profit	4,932	5,650	5,786	5,582
Margin (%)	32.5	31.5	30.8	31.3
EBITDA	1,524	1,416	1,013	1,745
YoY gr. (%)	(24.4)	(40.6)	(53.9)	(9.6)
Margin (%)	10.1	7.9	5.4	9.8
Depreciation / Depletion	297	304	292	321
EBIT	1,227	1,112	721	1,424
Margin (%)	8.1	6.2	3.8	8.0
Net Interest	294	274	206	215
Other Income	213	168	198	149
Profit before Tax	1,146	1,006	714	1,358
Margin (%)	7.6	5.6	3.8	7.6
Total Tax	264	389	338	349
Effective tax rate (%)	23.0	38.7	47.4	25.7
Profit after Tax	882	617	376	1,009
Minority interest	29	4	37	37
Share Profit from Associates	-	-	-	-
Adjusted PAT	853	613	339	972
YoY gr. (%)	(42.4)	(69.0)	(74.7)	(22.7)
Margin (%)	5.6	3.4	1.8	5.5
Extra Ord. Income / (Exp)	(29)	-	-	-
Reported PAT	823	613	339	972
YoY gr. (%)	(44.4)	(69.0)	(75.8)	(22.7)
Margin (%)	5.4	3.4	1.8	5.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	823	613	339	972
Avg. Shares O/s (m)	628	628	628	628
EPS (Rs)	1.4	1.0	0.5	1.5

Source: Company Data, PL Research



Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-23	BUY	401	301
2	24-Aug-23	BUY	369	309
3	14-Aug-23	BUY	338	300
4	06-Jul-23	BUY	338	286
5	16-Jun-23	BUY	338	293
6	22-May-23	BUY	371	260
7	11-Apr-23	BUY	403	298
8	05-Feb-23	BUY	406	305
9	06-Jan-23	BUY	435	338

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	Astral Ltd.	Hold	1,983	1,844
2	Bajaj Electricals	BUY	1,421	1,056
3	Century Plyboard (I)	BUY	855	653
4	Cera Sanitaryware	Accumulate	8,926	8,132
5	Crompton Greaves Consumer Electricals	BUY	401	301
6	Finolex Industries	Accumulate	238	203
7	Greenpanel Industries	BUY	464	345
8	Havells India	Accumulate	1,538	1,363
9	Kajaria Ceramics	Accumulate	1,368	1,230
10	KEI Industries	BUY	2,908	2,469
11	Polycab India	Accumulate	5,943	5,339
12	R R Kabel	BUY	1,624	1,503
13	Supreme Industries	Accumulate	4,645	4,522
14	Voltas	Hold	909	819

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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