

Consumer Durables & Apparel

India

Sector View: **Cautious**

NIFTY-50: **22,397**

March 13, 2025

Room ACs: Growth prospects and margin challenges

Despite the high base, the room AC (RAC) industry in India is poised to deliver robust volume-led growth in 4QFY25E, led by (1) early signs of a favorable summer season and (2) aggressive channel stocking. Even as most players have secured their compressor supplies for this season, some players are better placed than others. While primary growth trends are encouraging, we would monitor (1) secondary offtakes and (2) margin delivery in the context of RM inflation, INR depreciation and higher rebating (intense competition). In the near term, we expect margin headwinds for Voltas and Lloyd (Havells), but the latter should benefit, owing to a relatively weaker base.

Early signs of a favorable summer season for the room ACs category

Most cities across India have witnessed higher temperatures in Jan-Mar 2025 than the previous year and versus the decadal average (Exhibit 1). The India Meteorological Department (IMD) has predicted (1) above-normal maximum temperatures and (2) above-normal number of heatwave days in most parts of the country between March and May (Exhibit 2). This bodes well for the RAC industry, which is poised for another strong summer season.

Blue Star's management expects 30%+ industry volume growth in 4QFY25E

Blue Star's management, in an interview recently, highlighted that the RAC industry is expected to grow at over 30% in 4QFY25E. This is above our expectations and could be led by (1) early signs of a favorable summer season and (2) aggressive stocking by channels, considering the stock-outs faced last year, fears of compressor shortages and pre-buying ahead of anticipated price hikes. While primary sales growth trends are encouraging, we would closely monitor secondary offtakes (considering the weak consumption sentiment).

Compressors—no major risks for large players in the current season

Media reports indicate that there could be shortages of compressors in India due to the non-renewal of BIS licenses of foreign vendors. BIS license of Highly (China) is valid until June 2025 and GMCC (China) is valid until January 2026 (Exhibit 3). We note that compressor imports to India grew 40%+ yoy in April 2024 to February 2025 (Exhibit 4). This should ensure that the industry does not face any major supply challenges at least in the current season. Companies that have upfronted compressor imports should fare better than others, particularly since domestically procured compressors could have some margin implications.

RM inflation, INR depreciation and higher rebating are key margin drags

We reckon that the RAC industry is currently facing HSD-to-DD RM inflation (metals, refrigerants and INR depreciation). Given the intense competition, the market leader is focusing more on absolute profit growth rather than percentage margins. Our channel checks suggest that while some price hikes are announced by players, higher rebating is likely to weigh on profitability. Overall, despite robust volume-led revenue growth, profit growth is likely to continue to lag topline growth for most players.

Company data and valuation summary

Company	Rating	CMP (Rs) FV (Rs)		Consensus P/E ratio (X)		
		2025E	2026E	2025E	2026E	2027E
Voltas	SELL	1,397	1,100	53	43	36
Havells	SELL	1,452	1,450	61	49	41
Blue Star	NR	2,029	na	69	54	44
Johnson Controls Hitachi	NR	1,820	na	85	44	36

Source: Bloomberg, company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of March 13, 2025

Quick Numbers

Blue Star expects 30%+ industry volume growth in 4QFY25E

BIS licenses of two key compressor suppliers are valid until June 2025 (Highly) and January 2026 (GMCC)

Compressor imports into India grew 40%+ yoy in April 2024 to February 2025

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Exhibit 1: Maximum temperatures across cities in India (degrees Celsius)

Period	Ahmedabad	Bengaluru	Chennai	Kolkata	Mumbai	New Delhi
Decade avg (Jan)	27.7	28.5	29.8	25.2	29.8	19.8
Decade avg (Feb)	31.8	31.3	31.9	29.1	30.8	25.3
Decade avg (Mar)	36.0	33.7	34.1	33.1	32.1	30.7
Jan-24	28.0	28.7	29.4	23.0	30.6	17.9
Feb-24	31.0	32.2	32.6	27.7	30.9	23.1
Mar-24	35.6	34.5	34.4	31.3	31.3	30.5
Jan-25	29.0	28.0	30.0	24.6	31.1	20.9
Feb-25	32.8	32.2	32.9	28.6	32.2	26.7
Mar-25	35.5	33.5	34.9	31.5	32.9	28.8

Note:

(a) Pink highlight denotes highest temperatures for respective months among decade average, CY2024 and CY2025

Source: India Meteorological Department, Kotak Institutional Equities

Exhibit 2: India Meteorological Department has forecasted above-normal maximum temperatures during March to May 2025

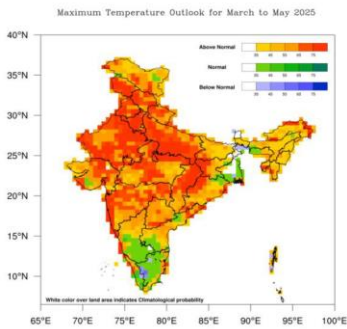


Fig.1a. Probability forecast of Maximum Temperature for March to May 2025.

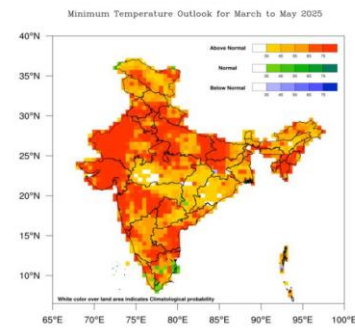


Fig.1b. Probability forecast of Minimum Temperature for March to May 2025.

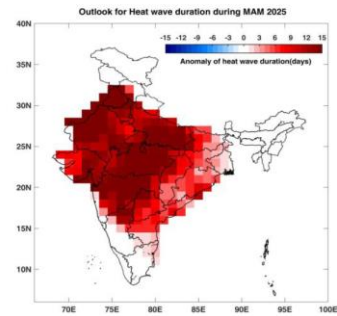


Fig3a. Probability forecast of heatwave events for the season March to May 2025.

Source: India Meteorological Department

Exhibit 3: Validity of BIS licenses of foreign compressor manufacturers

Foreign manufacturer	Country	BIS license validity
Zhejiang Bingfeng Compressor	China	31-Aug-23
Avic Electromechanical (Shenyang) Sanyo Refrigeration Equipment	China	17-Oct-23
NIDEC Compressor (Beijing)	China	4-Dec-23
Nanchang Highly Electrical Appliances	China	31-Jul-24
Jiaxipera Compressor	China	30-Jun-24
Changhong Huayi Compressor	China	30-Sep-24
Tecumseh La Mure SAS	France	18-Jan-25
Wanbao Group Compressor	China	25-Mar-25
Danfoss Commercial Compressors	France	30-Mar-25
Thai Compressor Manufacturing	Thailand	28-May-25
Qingdao Wanbao Compressor	China	31-May-25
Shanghai Highly Electrical Appliances	China	30-Jun-25
Anhui Meizhi Compressor	China	30-Jun-25
Arcelik A.S.	Turkey	10-Oct-25
Siam Compressor Industry	Thailand	31-Oct-25
Embraco Slovakia S.R.O	Slovakia	25-Nov-25
Samsung Electronics	South Korea	28-Nov-25
TCFG Compressor (Thailand)	Thailand	5-Dec-25
LG Electronics (Thailand)	Thailand	11-Dec-25
LG Electronics Inc	South Korea	28-Dec-25
Nidec Global Appliance Austria GmbH	Austria	11-Jan-26
Guangdong Meizhi Compressor Ltd	China	31-Jan-26
Mitsubishi Electric (Guangzhou) Compressor	China	26-Feb-26
Huangshi Donper Compressor	China	19-May-26
Daikin Compressor Industries	Thailand	19-Dec-26
Licenses likely already expired		
Licenses of key suppliers approaching expiry		
Licenses of captive factories of MNC RAC brands		

Source: BIS, Kotak Institutional Equities

Exhibit 4: Compressor imports into India by country (Rs mn, units in thousands)

Particulars	Apr-Dec'23	Apr-Dec'24	Change (% yoy)
Volume (units in thousands)			
China	4,517	6,507	44
Korea	299	334	12
Thailand	419	436	4
Total	5,481	7,863	43
Value (Rs mn)			
China	16,135	21,979	36
Korea	2,185	2,419	11
Thailand	4,234	5,134	21
Total	26,876	33,396	24
ASP (Rs per unit)			
China	3,572	3,378	(5)
Korea	7,300	7,235	(1)
Thailand	10,098	11,775	17
Total	4,903	4,247	(13)

Note:

(a) ASP of compressors could be impacted by change in mix (based on tonnage, for instance) as well

Source: Department of Commerce, Kotak Institutional Equities

Exhibit 5: RAC and compressor market in India, March fiscal year-ends (mn units)

Particulars	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E
RAC production in India (mn units)	3.5	4.6	4.7	6.4	7.6	7.2	8.9	6.6	8.3	8.6	10.0	13.0	15.0	16.7	18.8
Growth (%)	6	31	2	36	19	(5)	23	(25)	25	4	17	30	15	12	12
Compressor demand in India (mn units)	4.2	5.5	5.6	7.7	9.1	8.7	10.6	7.9	9.9	10.3	12.0	15.6	17.9	20.1	22.5
Compressor imports into India (mn units)	3.5	4.7	4.4	5.2	5.2	6.1	7.5	5.6	10.6	10.7	9.2	12.9			
Imports as % of demand (%)	83.7	84.9	78.8	67.6	56.5	70.0	70.4	70.4	106.8	103.5	76.9	82.8			

Note:

(a) We assume compressor demand in India = 1.2x RAC production to account for replacement demand for compressors

Source: Department of Commerce, Kotak Institutional Equities estimates

Exhibit 6: Havells—key assumptions, March fiscal year-ends (Rs mn, %)

	2017	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Segmental net revenues											
Cables & Wires	23,794	26,002	32,346	29,942	31,802	46,451	55,326	63,176	70,125	79,943	92,733
Electrical Consumer Durables	13,784	15,602	20,964	20,054	23,770	30,669	32,958	34,818	40,628	45,901	51,551
Lloyd		14,141	18,556	15,903	16,888	22,606	33,686	37,852	48,262	57,914	69,497
Lighting & Fixtures	9,710	11,563	13,035	10,143	10,846	13,709	16,015	16,268	16,715	17,718	18,781
Switchgears	14,065	14,078	15,777	13,394	14,609	17,864	21,196	22,450	24,246	26,670	29,337
Others				4,857	6,365	7,587	9,503	10,936	13,834	16,601	19,921
Total revenue	61,353	81,386	100,677	94,292	104,279	138,885	168,684	185,499	213,809	244,747	281,821
Yoy growth (%)											
Cables & Wires	8.8	9.3	24.4	(7.4)	6.2	46.1	19.1	14.2	11.0	14.0	16.0
Electrical Consumer Durables	22.4	13.2	34.4	(4.3)	18.5	29.0	7.5	5.6	16.7	13.0	12.3
Lloyd			31.2	(14.3)	6.2	33.9	49.0	12.4	27.5	20.0	20.0
Lighting & Fixtures	22.4	19.1	12.7	(22.2)	6.9	26.4	16.8	1.6	2.8	6.0	6.0
Switchgears	10.5	0.1	12.1	(15.1)	9.1	22.3	18.7	5.9	8.0	10.0	10.0
Others					31.1	19.2	25.2	15.1	26.5	20.0	20.0
Total revenue	14.1	32.7	23.7	(6.3)	10.6	33.2	21.5	10.0	15.3	14.5	15.1
Segmental revenue mix (%)											
Cables & Wires	38.8	31.9	32.1	31.8	30.5	33.4	32.8	34.1	32.8	32.7	32.9
Electrical Consumer Durables	22.5	19.2	20.8	21.3	22.8	22.1	19.5	18.8	19.0	18.8	18.3
Lloyd	–	17.4	18.4	16.9	16.2	16.3	20.0	20.4	22.6	23.7	24.7
Lighting & Fixtures	15.8	14.2	12.9	10.8	10.4	9.9	9.5	8.8	7.8	7.2	6.7
Switchgears	22.9	17.3	15.7	14.2	14.0	12.9	12.6	12.1	11.3	10.9	10.4
Others					6.1	5.5	5.6	5.9	6.5	6.8	7.1
Total revenue	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
EBIT from segments											
Cables & Wires				3,321	4,038	5,403	5,229	7,161	7,515	8,752	10,421
Electrical Consumer Durables				2,870	4,037	4,576	4,160	3,872	3,842	4,684	5,475
Lloyd				(401)	741	(711)	(2,227)	(1,644)	718	1,951	3,604
Lighting & Fixtures				1,457	2,041	2,576	2,447	2,474	2,532	2,523	2,613
Switchgears				3,249	4,047	4,908	5,530	5,960	5,535	6,422	7,211
Others				(250)	310	567	337	246	226	462	778
Total EBIT				10,246	15,213	17,318	15,476	18,068	20,368	24,794	30,102
Unallocable expenses				(1,032)	(171)	(746)	(637)	(513)	(423)	(844)	(900)
Overall EBIT				9,215	15,042	16,572	14,839	17,555	19,945	23,950	29,202
EBIT contribution mix (%)											
Cables & Wires				32.4	26.5	31.2	33.8	39.6	36.9	35.3	34.6
Electrical Consumer Durables				28.0	26.5	26.4	26.9	21.4	18.9	18.9	18.2
Lloyd				(3.9)	4.9	(4.1)	(14.4)	(9.1)	3.5	7.9	12.0
Lighting & Fixtures				14.2	13.4	14.9	15.8	13.7	12.4	10.2	8.7
Switchgears				31.7	26.6	28.3	35.7	33.0	27.2	25.9	24.0
Others				(2.4)	2.0	3.3	2.2	1.4	1.1	1.9	2.6
Total contribution				100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
EBIT margin (%)											
Cables & Wires				11.1	12.7	11.6	9.5	11.3	10.7	10.9	11.2
Electrical Consumer Durables				14.3	17.0	14.9	12.6	11.1	9.5	10.2	10.6
Lloyd				(2.5)	4.4	(3.1)	(6.6)	(4.3)	1.5	3.4	5.2
Lighting & Fixtures				14.4	18.8	18.8	15.3	15.2	15.1	14.2	13.9
Switchgears				(1.9)	27.7	27.5	26.1	26.5	22.8	24.1	24.6
Others				211.0	4.9	7.5	3.5	2.2	1.6	2.8	3.9
EBIT margin (%)				10.9	14.6	12.5	9.2	9.7	9.5	10.1	10.7
Unallocable expenses as % of sales				(1.1)	(0.2)	(0.5)	(0.4)	(0.3)	(0.2)	(0.3)	(0.3)
Overall EBIT				9.8	14.4	11.9	8.8	9.5	9.3	9.8	10.4

Source: Company, Kotak Institutional Equities estimates

Exhibit 7: Havells—financial summary, March fiscal year-ends (Rs mn, %)

	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Profit model										
Total income	81,464	100,734	94,403	104,573	139,385	169,107	185,900	214,209	245,147	282,221
EBITDA	10,434	11,843	10,287	15,718	17,604	15,966	18,426	20,859	25,743	31,522
Interest (expense)	(248)	(163)	(197)	(727)	(534)	(336)	(457)	(443)	(465)	(488)
Depreciation	(1,405)	(1,494)	(2,180)	(2,489)	(2,609)	(3,121)	(3,385)	(3,970)	(4,774)	(5,624)
Other income	1,179	1,287	1,134	1,874	1,604	1,777	2,490	3,027	2,951	3,274
Pretax profits	9,960	11,473	9,044	14,376	16,066	14,286	17,074	19,472	23,455	28,684
Extraordinary items	(312)	—	—	—	—	—	—	—	—	—
Reported PBT	9,648	11,473	9,044	14,376	16,066	14,286	17,074	19,472	23,455	28,684
Tax	(3,038)	(3,594)	(1,688)	(3,932)	(4,101)	(3,753)	(4,366)	(4,876)	(5,871)	(7,178)
Minority interest	14	4	—	—	—	—	—	—	—	—
Profit after tax	6,624	7,884	7,356	10,443	11,965	10,533	12,708	14,597	17,584	21,505
Adjusted PAT	6,842	7,884	7,356	10,443	11,965	10,750	12,732	14,597	17,584	21,505
EPS (Rs)	10.9	12.6	11.8	16.7	19.1	17.1	20.3	23.2	28.0	34.3
Balance sheet										
Total equity	37,292	41,976	43,116	51,763	60,028	66,255	74,468	83,214	93,752	106,643
Deferred tax liability and minority interest	2,193	3,168	2,865	3,391	3,506	3,615	3,575	3,575	3,575	3,575
Total borrowings	1,424	405	—	3,937	2,726	—	—	—	—	—
Long-term provisions	247	327	356	584	763	1,367	877	877	877	877
Current liabilities	24,918	25,608	24,398	28,848	38,209	40,338	45,407	50,048	56,893	65,096
Total liabilities and equity	66,074	71,484	70,735	88,523	105,232	111,574	124,327	137,714	155,098	176,191
Cash	15,620	13,114	11,325	16,528	25,480	18,702	30,382	32,482	36,613	43,713
Current assets	21,851	26,795	24,872	38,026	41,673	53,325	50,563	55,821	63,847	73,465
Fixed assets plus intangibles	28,603	31,575	34,537	33,969	38,079	39,547	43,382	49,412	54,637	59,013
Total assets	66,074	71,484	70,735	88,523	105,232	111,574	124,327	137,714	155,098	176,191
Free cash flow										
Operating cash flow, excl. working capital	8,298	9,723	8,481	13,607	14,043	12,613	15,257	15,983	19,872	24,343
Working capital changes	2,702	(4,711)	(214)	(7,003)	3,236	(6,964)	4,272	(616)	(1,181)	(1,416)
Capital expenditure + acquisitions	(15,968)	(5,014)	(3,609)	(2,499)	(2,583)	(5,878)	(7,861)	(10,000)	(10,000)	(10,000)
Free cash flow	(4,969)	(1)	4,658	4,104	14,695	(229)	11,668	5,367	8,691	12,928
Ratios (%)										
Gross margin	39.0	37.6	38.2	37.9	32.4	30.8	32.4	32.4	32.6	32.8
EBITDA margin	12.8	11.8	10.9	15.0	12.6	9.4	9.9	9.7	10.5	11.2
Debt/equity	0.0	0.0	—	0.1	0.0	—	—	—	—	—
Net debt/equity	(0.4)	(0.3)	(0.3)	(0.2)	(0.4)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)
RoE	19.8	19.9	17.3	22.0	21.4	16.7	18.1	18.5	19.9	21.5
RoCE	35.3	27.5	21.6	27.1	29.2	22.3	24.4	26.7	29.1	32.3

Source: Company, Kotak Institutional Equities estimates

Exhibit 8: Voltas—key assumptions, March fiscal year-ends (Rs mn, %)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Financials														
Revenue	52,661	51,831	57,198	60,328	64,044	71,241	76,581	75,558	79,345	94,988	124,812	154,993	172,639	198,354
yoy growth (%)	(4.8)	(1.6)	10.4	5.5	6.2	11.2	7.5	(1.3)	5.0	19.7	31.4	24.2	11.4	14.9
EBITDA	2,656	4,100	4,330	5,669	6,626	6,117	6,867	6,414	6,816	5,724	4,746	11,434	12,941	15,134
EBITDA margin (%)	5.0	7.9	7.6	9.4	10.3	8.6	9.0	8.5	8.6	6.0	3.8	7.4	7.5	7.6
PAT	2,239	3,381	3,582	5,163	5,724	5,079	5,170	5,251	5,041	1,350	2,520	8,647	10,070	12,439
Segmental														
Electromechanical projects														
Order inflow	36,120	38,930	39,140	43,210	37,432	35,964	60,430	28,000	20,000	47,040	29,000	34,800	40,020	46,023
yoy growth (%)	25,854.2	24,895.3	28,498.4	30,620.2	22.2	(3.9)	68.0	(53.7)	(28.6)	135.2	(38.4)	20.0	15.0	15.0
Order backlog	—	—	—	—	50,620	49,760	77,880	66,350	53,600	81,540	80,540	72,246	65,216	60,067
Revenue	—	—	—	—	28,452	36,191	32,461	28,786	24,705	24,029	36,830	43,094	47,051	51,172
yoy growth (%)	26,924.2	22,085.3	28,288.4	26,550.2	7.2	27.2	(10.3)	(11.3)	(14.2)	(2.7)	53.3	17.0	9.2	8.8
EBIT	1	—	1	—	1,854	2,773	1,704	270	1,258	(582)	(3,285)	2,370	2,235	2,431
EBIT margin (%)	(394.8)	228.0	550.1	849.2	6.5	7.7	5.2	0.9	5.1	(2.4)	(8.9)	5.5	4.8	4.8
Engg products and services														
Revenue	10,410	11,850	—	11,000	3,099	3,117	3,317	3,595	4,887	5,220	5,879	5,879	6,349	6,857
yoy growth (%)	0.4	0.5	—	—	(6.6)	0.6	6.4	8.4	35.9	6.8	12.6	-	8.0	8.0
EBIT	—	—	—	—	992	1,051	993	1,143	1,579	2,007	2,057	1,646	2,095	2,263
EBIT margin (%)	4,482.2	3,600.6	3,706.2	3,318.1	32.0	33.7	29.9	31.8	32.3	38.5	35.0	28.0	33.0	33.0
Unitary cooling products														
Revenue	10	10	—	—	32,261	31,556	40,737	42,185	48,819	64,745	81,605	105,270	118,429	139,450
yoy growth (%)	1,134.1	1,190.8	1,309.9	1,174.7	8.1	(2.2)	29.1	3.6	15.7	32.6	26.0	29.0	12.5	17.8
EBIT	1	—	—	—	4,749	3,254	5,121	5,837	5,134	5,378	6,935	8,211	9,356	11,100
EBIT margin (%)	20,156.2	24,887.8	24,941.0	29,846.5	14.7	10.3	12.6	13.8	10.5	8.3	8.5	7.8	7.9	8.0

Source: Company, Kotak Institutional Equities estimates

Exhibit 9: Voltas—financial summary, March fiscal year-ends (Rs mn, %)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Profit Model												
Revenues	57,198	60,328	64,044	71,241	76,581	75,558	79,345	94,988	124,812	154,993	172,639	198,354
EBITDA	4,330	5,669	6,626	6,117	6,867	6,414	6,816	5,724	4,746	11,434	12,941	15,134
Other income	1,367	2,120	1,741	1,863	2,306	1,889	1,892	1,685	2,533	3,114	2,826	2,967
Depreciation	(263)	(245)	(244)	(240)	(320)	(339)	(373)	(396)	(476)	(667)	(822)	(924)
EBIT	5,433	7,545	8,124	7,740	8,853	7,963	8,335	7,012	6,803	13,881	14,945	17,177
Interest expenses	(158)	(160)	(119)	(330)	(211)	(262)	(259)	(296)	(559)	(612)	(566)	(407)
Pre-tax profit	5,275	7,384	8,005	7,410	8,642	7,702	8,076	6,716	6,244	13,269	14,379	16,770
Taxation	(1,696)	(2,004)	(2,270)	(1,635)	(2,235)	(1,804)	(1,913)	(1,709)	(2,377)	(3,443)	(3,652)	(4,260)
Adjusted PAT	3,580	5,380	5,735	5,775	6,407	5,898	6,163	5,007	3,867	9,825	10,726	12,511
Minority interest & Associate Profits	2	(217)	(17)	(578)	(726)	(646)	(1,122)	(1,219)	(1,347)	(1,179)	(657)	(71)
Recurring PAT	3,582	5,163	5,718	5,197	5,682	5,251	5,041	3,788	2,520	8,647	10,070	12,439
Reported PAT	3,871	5,174	5,724	5,079	5,170	5,251	5,041	1,350	2,520	8,647	10,070	12,439
Recurring EPS (Rs)	10.8	15.6	17.3	15.7	17.2	15.9	15.2	11.5	7.6	26.1	30.4	37.6
Balance sheet												
Shareholders funds	28,111	33,066	39,052	41,100	42,802	49,934	54,996	54,521	58,205	64,258	71,307	80,014
Non controlling interest	267	285	317	348	365	361	381	417	337	362	388	416
Loan funds	2,707	1,709	1,423	3,147	2,179	2,606	3,482	6,252	7,226	8,000	6,000	4,000
Total sources of funds	31,085	35,061	40,792	44,594	45,346	52,901	58,858	61,189	65,769	72,620	77,695	84,430
Net fixed assets	2,050	1,825	1,842	2,401	2,760	2,556	2,897	4,593	7,577	10,409	12,087	13,663
Investments & Goodwill	20,471	23,858	28,706	25,044	24,609	31,743	35,129	33,020	34,774	35,853	37,250	38,209
Cash balances	1,855	3,314	2,837	3,211	3,084	4,588	5,717	7,084	8,523	10,749	10,991	12,630
Net current assets excluding cash	6,398	5,866	7,361	12,944	14,047	13,323	14,594	15,833	14,723	15,437	17,195	19,756
Total applications of funds	31,085	35,061	40,792	44,594	45,346	52,901	58,858	61,189	65,769	72,620	77,695	84,430
Cash flow statement												
Operating cash flow	2,984	3,589	3,726	3,242	5,533	7,139	6,281	5,430	6,814	7,991	9,289	10,874
Working capital changes	(793)	692	(473)	(6,456)	(911)	(1,580)	(438)	(3,837)	801	(714)	(1,758)	(2,561)
Capital expenditure	(501)	(257)	(346)	(818)	(905)	(208)	(482)	(1,799)	(2,931)	(3,500)	(2,500)	(2,500)
FCF	1,885	3,880	2,802	(4,348)	3,577	5,161	5,061	(530)	4,028	3,165	4,465	5,406
Key ratios (%)												
Gross margin	28.5	29.8	28.7	26.1	27.5	26.2	25.7	22.3	21.4	21.8	22.1	22.2
EBITDA margin	7.6	9.4	10.3	8.6	9.0	8.5	8.6	6.0	3.8	7.4	7.5	7.6
PAT margin	6.3	8.6	8.9	7.3	7.4	7.0	6.4	4.0	2.0	5.6	5.8	6.3
RoE	14.6	16.9	15.9	13.0	13.5	11.3	9.6	6.9	4.5	14.1	14.9	16.4
RoCE	13.9	16.1	15.4	12.9	13.1	11.2	9.4	6.8	4.8	13.3	14.1	15.8

Source: Company, Kotak Institutional Equities estimates

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ADD. We expect this stock to deliver 5-15% returns over the next 12 months.

REDUCE. We expect this stock to deliver -5+5% returns over the next 12 months.

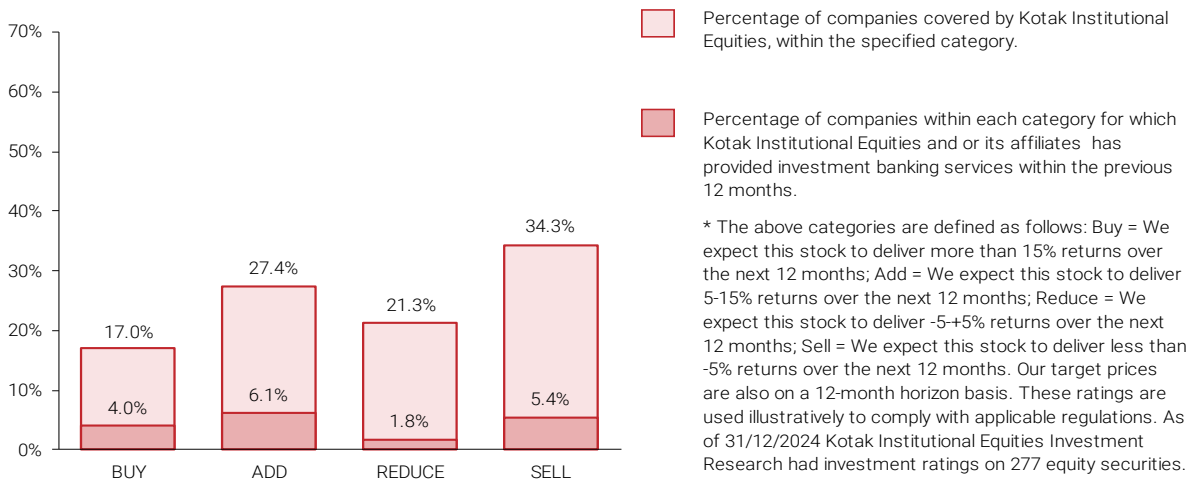
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