

Decent revenue growth, however, margin remained under pressure

Q3FY24 Result Update | Sector: Consumer Electrical | February 15, 2024

BUY

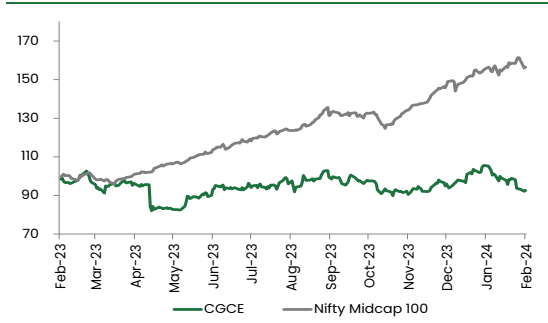
CMP (Rs)	281
Target Price (Rs)	342
Potential Upside	21.7%
Sensex	72,099
Nifty	21,929

Key Stock data

BSE Code	539876
NSE Code	CROMPTON
Bloomberg	CROMPTON:IN
Shares o/s, Cr (FV 2)	64.0
Market Cap (Rs Cr)	18,013
3M Avg Volume	2,327,953
52 week H/L	328/251

Shareholding Pattern

(%)	Jun-23	Sep-23	Dec-23
Promoter	-	-	-
FII	35.0	35.7	35.6
DII	49.0	48.0	48.3
Others	16.0	16.4	16.1

1 year relative price performance

1 year P/E Forward (x)

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Decent overall performance: CGCEL consolidated revenue came in at Rs 1,693 Cr, up by 11.6% YoY, largely driven by Electronic Consumer Durables (ECD) segment which saw fans, pump and appliances business to report double digit growth as a result segmental revenue was up by 18.5% YoY to Rs 1,209 Cr. Lighting products revenue remained flat at Rs 249 Cr while Butterfly business reported a de-growth of 5.8% YoY to Rs 234 Cr. Rise in overhead expenses and decline in other income dragged the profit down by 3.1% YoY to Rs 85 Cr.

Subdued margin: Its gross profit came in at Rs 550 Cr, up by 11.5% YoY while margin remained flat as compared to last year at 32.5%. ECD segment posted strong growth; however, it was offset by subdued performance from Lighting and Butterfly business which suppressed the gross margin expansion. Rise in channel investments and ad spends led the EBITDA to decline by 1.7% YoY to Rs 150 Cr while margin contracted by 120bps YoY to 8.8%.

Segmental performance: Despite strong revenue growth in ECD business, its EBIT grew by 1.6% YoY to Rs 164 Cr while margin contracted by 227bps to 13.6%, due to investments made towards advertising and innovation of its product portfolio. Lighting products EBIT came in at Rs 28 Cr while margin improved by 95bps YoY to 11.2%, led by improvement in product mix as well as cost optimization measures. Butterfly segment reported an EBIT loss of Rs 2 Cr, impacted by brand building expenses and ad spends in retail & ecommerce as well as rise in personal cost for the segment.

Concall and other key highlights: 1) Within the pump category, agriculture business grew by 39% YoY. 2) It has secured an order for Solar Pumps from Haryana. 3) Fans, Pumps and Appliances business up by 11%/28%/23% YoY. 4) Premium fans saliency improved to 26.5% (up by 220bps YoY). 5) Sold 3 Lakh units of water heaters during the quarter. 6) E-commerce grew by 94% YoY led by appliances business. 7) New products accounted for 14% of revenue in the Butterfly segment. 8) Procured lighting projects from Mumbai Coastal Road, Ahmedabad Municipal Corporation and Chennai Municipal Administration. 9) In the Lighting business; B2C segment remained subdued while the management foresees recovery in its B2B segment.

Outlook & Valuations: CGCEL has a strong presence in fans business while it has a healthy presence in Lighting products and Kitchen appliances. Under Crompton 2.0, the management has been focusing on driving its business through top-line growth while investment across channel mix to improve brand visibility and premiumization of products shall reap rewards in terms of improving its margins and overall profitability. Additionally, rise in housing infrastructure across the country shall aid in growth of its core fans and appliances business. We remain positive on the growth prospects of the company and estimate its revenue/EBITDA/PAT to grow at a CAGR of 14%/15.4%/15% over FY23-26E and maintain our **Buy** rating with a target price of **Rs 342**, valuing the company at a PE multiple of 30x on FY26E EPS.

Financial Summary – consolidated

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Net revenue	6,870	7,557	8,917	10,165
EBITDA	770	782	1079	1184
EBITDAM (%)	11.2	10.4	12.1	11.6
APAT	476	452	666	725
APATM (%)	6.9	6.0	7.5	7.1
EPS (Rs)	7.5	7.1	10.5	11.4
PE (x)	37.5	39.6	26.8	24.6
RoE (%)	18.6	16.2	21.3	20.5

Source : RBL Research

Net sales up by 11.6% mainly driven by ECD segment

Operational performance impacted by higher ad spends

High overhead expenses and decline in other income dragged profit down by 3.1% YoY

ECD segment reported strong growth with Fans, Pumps and Appliance reporting double digit growth

Cost optimization and improved product mix led to improved profitability in Lighting Products segment

P&L Account Quarterly – consolidated

Particulars, Rs cr	Q3FY24	Q3FY23	Y-o-Y (%)	Q2FY24	Q-o-Q (%)
Net sales	1,693	1,516	11.6	1,782	(5.0)
Total Material Cost	1,143	1,023	11.7	1,224	(6.6)
Gross Profit	550	493	11.5	558	(1.5)
Gross Profit Margin (%)	32.5	32.5	-	31.3	116 bps
Employee cost	146	134	8.6	150	(3.0)
Other overheads	254	207	23.1	234	8.9
Total Expenses	1,543	1,364	13.1	1,608	(4.0)
EBITDA	150	152	(1.7)	175	(14.2)
EBITDA Margin (%)	8.8	10.1	-120 bps	9.8	-94 bps
Depreciation	32	30	9.4	32	1.1
Interest	22	29	(26.8)	22	-
Other income	17	21	(21.7)	15	12.0
PBT	112	115	(1.9)	136	(17.2)
Tax	27	26	2.3	35	(22.6)
Effective tax rate (%)	24.0	23.0	98 bps	25.7	-168 bps
Reported PAT	85	88	(3.1)	101	(15.3)
PAT margin (%)	5.0	5.8	-77 bps	5.7	-61 bps

Source : RBL Research

Cost analysis

As a % of net sales	Q3FY24	Q3FY23	Y-o-Y (bps)	Q2FY24	Q-o-Q (bps)
Material costs	67.5	67.5	4	68.7	(116)
Personnel Costs	8.6	8.8	(24)	8.4	18
Other overheads	15.0	13.6	140	13.1	192
Total costs	91.2	89.9	120	90.2	94

Source : RBL Research

Segmental Revenue

Particulars, Rs cr	Q3FY24	Q3FY23	Y-o-Y (%)	Q2FY24	Q-o-Q (%)
Lighting Products	249	248	0.7	239	4.5
Electric Consumer Durables	1,209	1,020	18.5	1,238	(2.3)
Butterfly	234	248	(5.8)	306	(23.4)
Total	1,693	1,516	11.6	1,782	(5.0)

Source : RBL Research

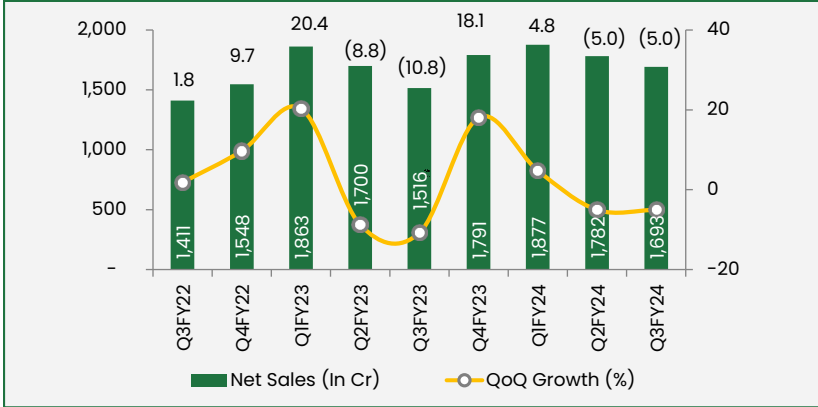
Segmental EBIT

Particulars, Rs cr	Q3FY24	Q3FY23	Y-o-Y (%)	Q2FY24	Q-o-Q (%)
Lighting Products	28	25	9.9	25	12.1
Margin (%)	11.2	10.3	95 bps	10.5	77 bps
Electric Consumer Durables	164	162	1.6	176	(6.4)
Margin (%)	13.6	15.8	-227 bps	14.2	-60 bps
Butterfly	(2)	18	-	20	-
Margin (%)	(0.8)	7.3	-	6.6	-

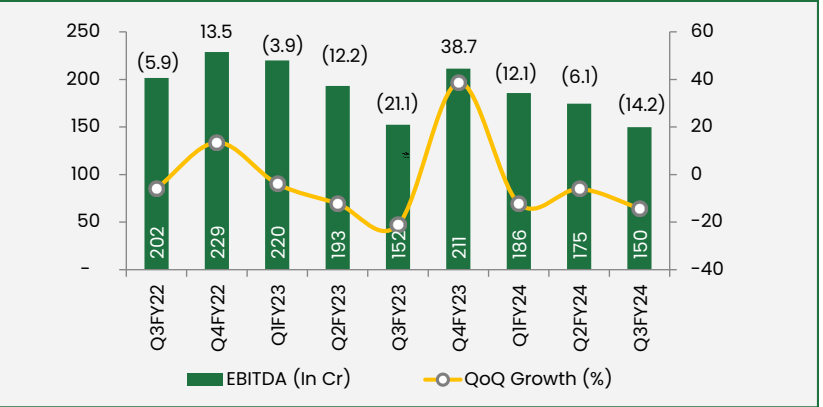
Source : RBL Research

Story in charts

Sequential declined due to subdued performance in non-core segment

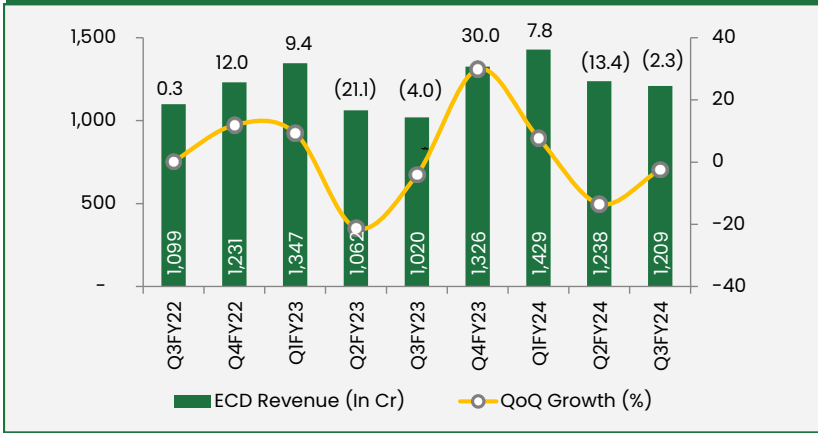


Increase in ad spends impact EBITDA growth

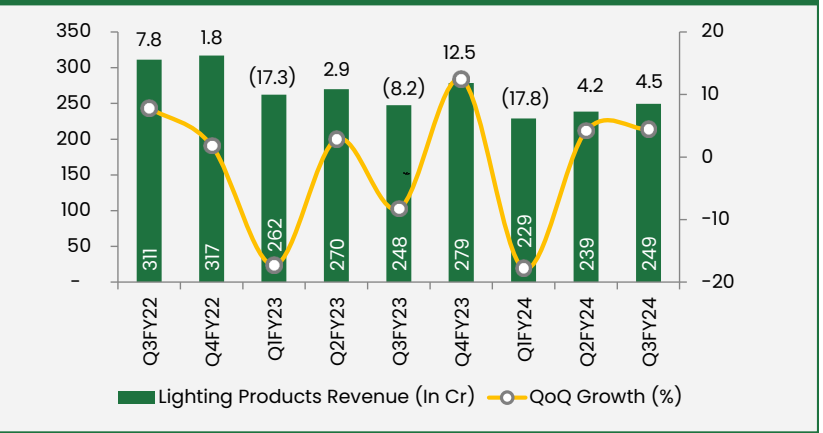


Source : RBL Research

ECD revenue up by 18.5% YoY

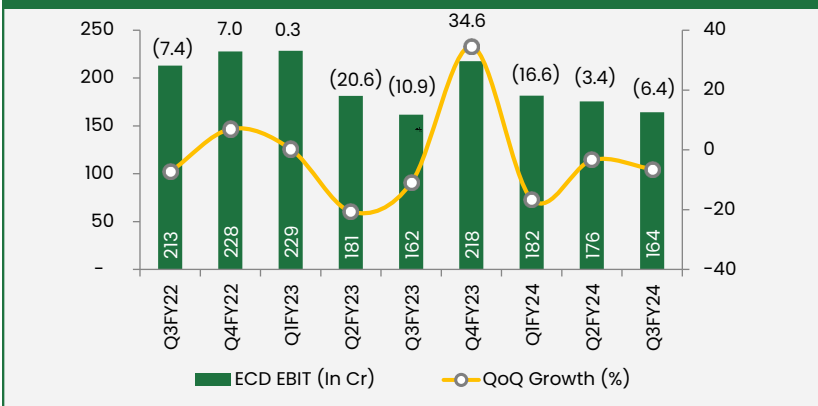


Sequential improvement in the midst of soft demand

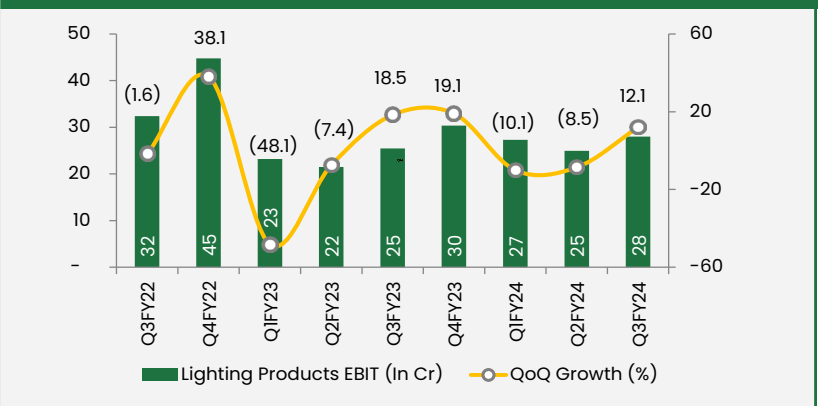


Source : RBL Research

Rise in brand building expenses saw contraction in profitability

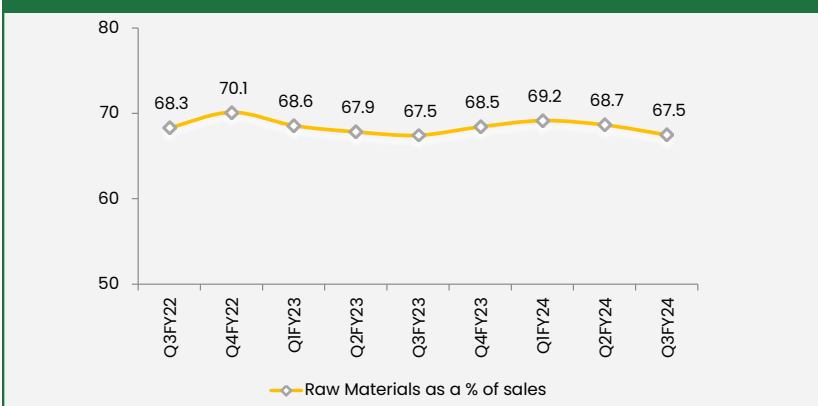


Improved product mix and cost optimization drove growth

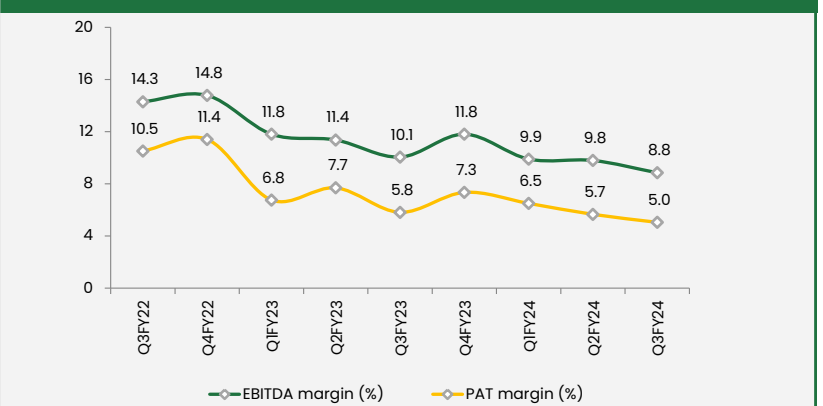


Source : RBL Research

Slight decline in raw material as a % of sales



Rise in other expenses and decline in other income impacted margins



Source : RBL Research

P&L Account – consolidated

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Net sales	6,870	7,557	8,917	10,165
Expenditure				
Total raw material cost	4,680	5,138	5,997	6,878
Employee cost	541	623	682	778
Other expenses	878	1,013	1,159	1,326
Total expenditure	6,099	6,774	7,838	8,981
EBITDA	770	782	1,079	1,184
EBITDAM (%)	11.2	10.4	12.1	11.6
Other income	67	73	88	93
Depreciation	116	133	147	161
PBIT	721	722	1,020	1,115
Interest expenses	109	120	132	148
PBT	612	602	888	967
Tax	136	151	222	242
Reported PAT	476	452	666	725
PATM (%)	6.9	6.0	7.5	7.1

Source : RBL Research

Balance Sheet – consolidated

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Share Capital	127.2	127.2	127.2	127.2
Reserves & Surplus	2,533	2,794	3,205	3,613
Total Shareholder's Fund	2,660	2,921	3,333	3,740
Minority Interest	448	448	448	448
Non-Current Liabilities				
Total borrowings	949	923	910	915
Other long term liabilities	56	64	74	84
Deferred tax liabilities	12	7	7	7
Long term provision	131	149	176	198
Current Liabilities				
Trade payables	1,044	1,149	1,356	1,545
Short term provisions	168	218	257	293
Other current liabilities	208	227	223	254
Total Liabilities	5,677	6,106	6,784	7,486
Fixed Assets	488	486	489	528
Current work in process	5	6	6	6
Intangible assets	2,787	2,782	2,782	2,782
Other non-current assets	104	115	148	179
Current Assets				
Current investments	548	603	711	811
Inventories	744	907	1,076	1,182
Trade receivables	686	680	903	987
Cash & Cash equivalents	128	323	404	727
Other current assets	186	205	265	284
Total Assets	5,677	6,106	6,784	7,486

Source : RBL Research

Cashflow – consolidated

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Reported PBT	612	602	888	967
Depreciation	116	133	147	161
Tax paid	(136)	(151)	(222)	(242)
Working capital Change	1	(56)	(319)	(51)
Operating Cash Flow (a)	593	529	494	835
Capex	(107)	(126)	(150)	(200)
Free Cash Flow	486	403	344	635
Investments	(7)	(11)	(33)	(31)
Investing Cash Flow (b)	(114)	(137)	(183)	(231)
Debt Issuance/ (Repaid)	(692)	(26)	(13)	4
Dividend Paid	(191)	(191)	(254)	(318)
Others	(408)	21	36	33
Financing Cash Flow (c)	(1,290)	(196)	(231)	(281)
Net Cash Flow (a + b + c)	(811)	195	81	324
Closing Cash	128	323	404	727

Source : RBL Research

Key ratios – consolidated

Particulars	FY23	FY24E	FY25E	FY26E
Per Share Ratios (Rs)				
Dividend per share	3.0	3.0	4.0	5.0
EPS	7.5	7.1	10.5	11.4
CEPS	9.3	9.2	12.8	13.9
Book value per share	41.8	45.9	52.4	58.8
Profitability Ratios (%)				
EBITDA Margin	11.2	10.4	12.1	11.6
PBT Margin	8.9	8.0	10.0	9.5
Net Profit Margin	6.9	6.0	7.5	7.1
RoCE	14.0	14.5	18.9	18.8
RoE	18.6	16.2	21.3	20.5
Dividend Payout	40.1	42.3	38.2	43.8
Efficiency				
Inventory (Days)	40	44	44	42
Creditor (Days)	67	66	65	65
Debtor (Days)	36	33	37	35
Interest Cover Ratio (x)	6.6	6.0	7.7	7.5
Debt-Equity Ratio (x)	0.4	0.3	0.3	0.2
Current ratio (x)	1.5	1.5	1.6	1.6
Valuation Ratios (x)				
P/E	37.5	39.6	26.8	24.6
P/B	6.7	6.1	5.4	4.8
EV/EBITDA	24.3	23.6	17.0	15.3
Dividend Yield (%)	1.1	1.1	1.4	1.8

Source : RBL Research

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		Tick appropriate	
		Yes	No
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