

CROMPTON GREAVES CONSUMER ELECTRICALS

Good quarter; continuing the momentum

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CROMPTON's consolidated sales increased by 10% yoy to ₹19.6 bn, broadly in line with expectations. Within ECD segment, sales grew by 14% y-o-y to ₹15.2 bn, propelled by strong growth in fans (13%), pumps (9%), and appliances (27%). However, lighting sales remained flat yoy at ₹2.8 bn, as the positive impact of healthy volume growth was countered by ongoing price erosion in B2C LED products. The growth in appliances was primarily driven by a remarkable 35% y-o-y expansion in small domestic appliances, followed by a 33% increase in air-coolers.

The company continues to strengthen its position in key categories such as premium fans, water heaters, and pumps. Despite increased investments and expenses related to EPR, the ECD segment maintained a healthy margin of 16.7%. Gross margin improved by 40 bps y-o-y to 31.9%, attributed to cost-saving initiatives (Project Unnati) and a more favorable product mix. However, other expenses rose to ₹2.7 bn, driven by higher advertising and promotion spends, as well as a provision of ₹150 mn for EPR. Consequently EBITDA declined by 4% y-o-y to ₹2 bn, resulting in a 140 bps decrease in EBITDA margin to 10.4%, although still surpassing consensus estimates. PAT grew by 6% yoy to ₹1.4 bn. The ECD segment continues to perform well, with robust performance in B2B lighting. Efforts are focused on enhancing the performance of the Butterfly brand, with expectations of recovery starting from the second quarter of FY25.

CROMPTON will continue its commitment to invest in branding, R&D, and enhancing capabilities, aligning these investments with the pace of sales growth. The implementation of Crompton's 2.0 strategies is beginning to yield positive outcomes, with the company expanding its market share in key sectors and witnessing an uptick in profitability. Going forward, Crompton will prioritize growth while concurrently enhancing profitability. The company has proactively addressed rising costs by adjusting pricing strategies, aiming to safeguard profitability. These recent initiatives have already begun to demonstrate their effectiveness. Given the focus on growth coupled with profitability enhancement, we anticipate that these strategies will lead to consistent market share gains and margin improvements over the medium term. Taking into account these recent developments, we maintain a BUY rating with a revised target price of ₹435 (based on 35x FY26 EPS).

Key Financials	FY22	FY23	FY24	FY25E	FY26E
Total Sales (₹ bn)	54	69	72	82	92
EBITDA Margins (%)	14.3	11.2	9.8	11.0	11.8
PAT Margins (%)	10.7	6.9	5.9	7.2	7.9
EPS (₹)	9.3	7.5	6.7	9.2	11.4
P/E (x)	30.4	37.9	42.5	30.9	25.0
P/BV (x)	5.56	5.82	5.41	4.89	4.38
EV/EBITDA (x)	23.5	23.8	25.5	19.5	16.1
RoE (%)	22.9	15.0	13.2	16.6	18.5
RoCE (%)	14.9	16.2	15.0	19.7	21.4
Dividend Yield (%)	0.9	1.1	0.9	1.3	1.6

Rating	BUY
Current Market Price (₹)	390
12 M Price Target (₹)	435
Potential upside (%)	12

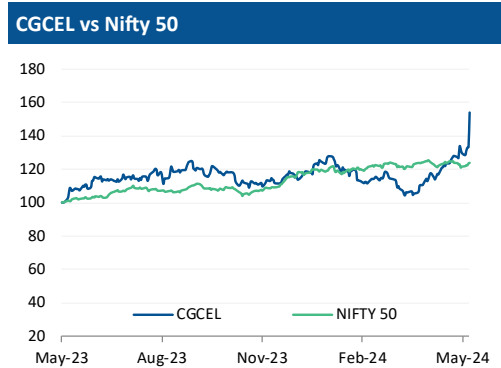
Stock Data	
Sector :	Consumer Durables
FV (₹) :	2
Total Market Cap (₹ bn) :	251
Free Float Market Cap (₹ bn) :	251
52-Week High / Low (₹)	399 / 252
BSE Code / NSE Symbol	539876 / CROMPTON
Bloomberg :	CROMPTON IN

Shareholding Pattern				
(%)	Mar-24	Dec-23	Sep-23	Jun-23
Promoter	-	-	-	-
FPIs	32.18	35.58	35.65	34.99
MFs	40.21	36.01	35.43	37.49
Insurance	9.79	10.18	10.16	9.14
Others	17.82	18.23	18.76	18.38

Source: BSE

Price Performance				
(%)	1M	3M	6M	1YR
CGCEL	35.4%	37.6%	36.0%	54.3%
Nifty 50	1.4%	1.9%	13.9%	23.6%

* To date / current date : May 17, 2024



CROMPTON's consolidated sales grew 10% YoY to ₹19.6bn. ECD sales grew 14% YoY to ₹15.2bn driven by fans (+13%), pumps (+9%) and appliances (+27%). Lighting sales were flat YoY at ₹2.8bn as healthy volume growth was offset by continued B2C LED price erosion. Gross margin rose 40bps YoY to 31.9% due to cost savings (Project Unnati) and better product mix. Other expenses were higher at ₹2.7bn (higher A&P spends and ₹150mn EPR provision). Hence, EBITDA fell 4% YoY to ₹2bn, leading to 140bps YoY decline in EBITDA margin to 10.4%. PAT grew 6% YoY to ₹1.4bn, above our/consensus estimate of ₹1.1bn/₹1.2bn.

Segment Results

ECD: Within ECD, momentum was led by Appliances (up 27% YoY), Fans (up 13% YoY) and Pumps (up 9% YoY). Fans saw strong double digit growth and premium fans contributed 24.3% vs 21.3% YoY (up 300bps YoY). GTM strategy for Fans led to a contribution of 18% in alternate channels vs 15% in 4QFY23, driven mainly by E-comm. The company took three price hikes across categories in Fans. Appliances growth was largely driven by Air Coolers (+33% YoY), and Small Domestic Appliances (SDA) – up 35% YoY. Pumps grew by 9% YoY, led by robust traction in both Agri Pumps + new orders in Solar Pumps. In Pumps, focus is to address portfolio gaps + channel expansion. There was an impact of ₹142mn for EPR liability, and excluding that, the EBIT margin stood at 17.6% (up 120bps YoY). Including the EPR Liability, ECD margins grew by 29bps YoY to 16.7%.

Lighting: Lighting sales were flat YoY at ₹2.8bn as healthy volume growth in B2C lighting (ceiling lights, battens and accessories) was offset by LED price erosion. EBIT margin fell 200bps YoY to 8.9% (including EPR impact of ₹62mn in Q4FY24).

Butterfly: Butterfly sales fell 12% YoY to ₹1.6bn (downsizing corporate sales channel) with ₹261mn EBIT loss (₹240mn ad-spends and ₹12mn EPR impact). CROMPTON expects scale up from Q2FY25 while it aims to attain double digit margin in the long term

Outlook and Valuation

With management firm backing for Crompton 2.0 and its focus on growing its portfolio across fans/pumps along with scaling its kitchen portfolio and transforming lighting is expected to bear fruits with some initial green shoots visible. In the medium to long term product and distribution synergies expected to lead to better growth. Further with focus on product innovation (differentiated and premium products), GTM and cost optimization will reap benefits. We believe these initiatives accompanied by some recovery in margins on the back of Butterfly synergies, consumer demand recovery, pricing actions and operating leverage with steady market share gains will likely bode well over the medium term. Taking into account these recent developments, we maintain a BUY rating with a revised target price of ₹435 (based on 35x FY26 EPS).

Q4 FY24 Result Summary

(₹ mn)	Q4 FY24	Q4 FY23	YoY (%)	Q3 FY24	QoQ (%)
Revenue	19,610	17,910	9.5	16,927	15.9
Direct Costs	13,352	12,260	8.9	11,428	16.8
Gross Profit	6,258	5,650	10.8	5,499	13.8
Staff Cost	1,507	1,301	15.8	1,457	3.4
Other Expenses	2,715	2,235	21.5	2,544	6.7
Total Expenditure	17,574	15,795	11.3	15,429	13.9
EBITDA	2,036	2,114	-3.7	1,498	35.9
Depreciation	350	304	15.1	325	7.7
EBIT	1,686	1,810	-6.9	1,173	43.7
Interest	156	274	-43.1	215	-27.4
Other Income	160	168	-4.8	167	-4.2
Exceptional items	-	-	-	-	-
PBT	1,690	1,704	-0.8	1,125	50.2
Tax	356	389	-8.5	270	31.9
Less : Minority interest	-49	4	-	-5	880.0
PAT after minority interest	1,384	1,312	5.5	860	60.9
EPS (₹/share)	2.2	2.1	4.3	1.3	60.2

Segment Results

Revenue (₹ mn)	Q4 FY24	Q4 FY23	YoY (%)	Q3 FY24	QoQ (%)
ECD	15,160	13,257	14.4	12,093	25.4
Lighting	2,811	2,786	0.9	2,494	12.7
Butterfly	1,639	1,867	-12.2	2,341	-30.0
Total	19,610	17,910	9.5	16,927	15.9

EBIT (₹ mn)	Q4 FY24	Q4 FY23	YoY (%)	Q3 FY24	QoQ (%)
ECD	2,533	2,177	16.4	1,642	54.3
Lighting	251	303	-17.2	280	-10.4
Butterfly	-261	37	-	-19	-
Total	2,523	2,518	0.2	1,903	32.6

EBIT Margin %	Q4FY24	Q4FY23	YoY	Q3FY24	QoQ
ECD	16.7	16.4	-	13.6	-
Lighting	8.9	10.9	-	11.2	-
Butterfly	-15.9	2.0	-	-0.8	-

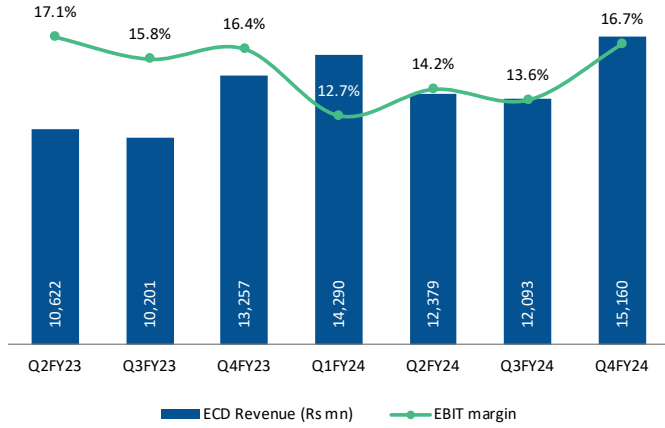
Source: Company, LKP Research

Concall Highlights

- EBITDA margin declined by 120 bps YoY to 8.8%, due to high advertising expenditure and operating de-leverage.
- A&P as a percentage of sales will sustain at the current levels.
- Continued focus on innovations with ₹710mn spent on R&D in FY24.
- 85 design registrations filed; 17 patent registrations made and 10 granted.
- CAPEX pegged at ₹ 800 mn to 1 bn for FY25.
- 13% YoY growth in Fans in Q4FY24 and 10% YoY in FY24, driven by higher share of premium ceiling fans in induction & BLDC.
- New product launches drove revenue growth of 29% YoY in Q4; Premium Fans' saliency improved by 300 bps YoY to 24.3%.
- Premium ceiling fans & TPW category grew at more than 20% YoY.
- Pumps showed strong growth of 10% YoY in FY24 and 9% YoY in Q4FY24, driven by agri. & solar pumps and momentum in alternate channels.
- Various orders of solar pumps executed during the year with total empanelment of ₹1.22 bn, of which ₹280 mn executed across key markets. Agriculture segment continued to grow with market share gain of 100 bps.
- EBIT margins of pumps improved due to gross margin expansion and operating leverage, even after a rise in commodity prices.
- Improvement seen in B2C and B2B divisions during the year in the lighting segment. EBIT margin of the segment was 11.2% in FY24, improved by +170 bps YoY.
- Despite volume growth in ceiling lights, accessories, and battens, value growth remained flat in Q4 due to price deflation.
- In B2B, growth in enterprise business contributed to overall 4% revenue growth and profit improvement led by new product launches in the lighting segment. The company secured big orders from KNR Construction (NHAI), Tata Consultancy Services, JSW, Megha Engineering & Infrastructure Ltd.
- Appliance segment saw strong growth of 27% YoY in Q4FY24. Air coolers continued to be the no.1 player on E-com, growing by 33% YoY in Q4FY24.
- Focus on alternate channels and new product introduction resulted in strong performance. Geyser remained the no.1 player on E-com.
- Built-in kitchen appliances saw an EBITDA loss of ₹250 mn.
- Butterfly segment EBITDA margins were depressed due to policy standardization and one-off costs aggregating to ~₹150mn.
- Revenue of the Butterfly segment was ₹1.66 bn, a -11% YoY decline, with EBITDA at ₹-200 mn for Q4FY24.
- Management expects Butterfly to deliver double-digit EBITDA margin in the medium term.
- Significantly increased A&P investments in brand building; ₹240mn (+138% YoY). The share of business from new product launches was 14% of total Q4 Sales.

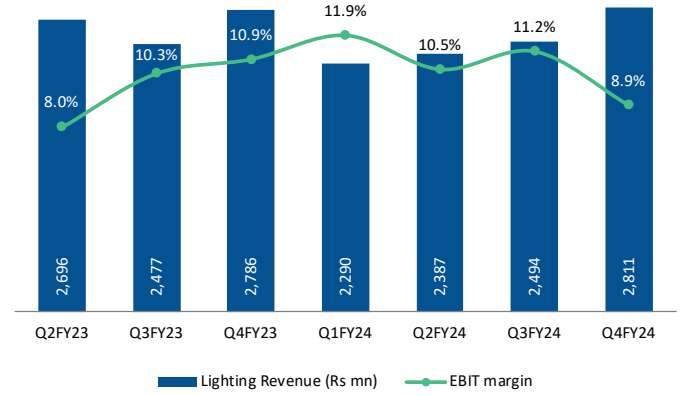
Financials in charts

ECD Revenues and EBIT margins

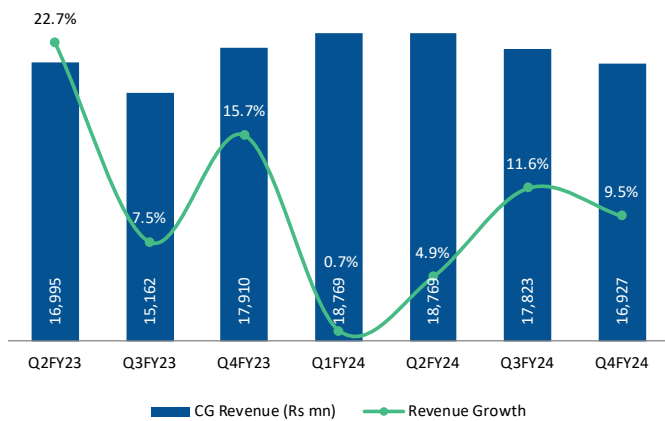


Source: Company, LKP Research

Lighting Revenues and EBIT margins

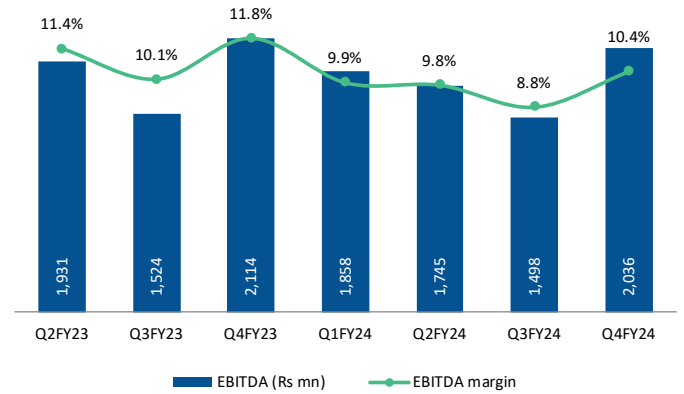


Revenues



Source: Company, LKP Research

EBITDA and Margins



Profit and Loss Statement - Consolidated

(₹ mn)	FY22	FY23	FY24	FY25E	FY26E
Total Income	53,941	68,696	72,494	82,173	92,317
Raw material Cost	37,018	46,804	49,513	55,919	62,406
Employee Cost	3,624	5,408	6,335	6,380	6,440
Other expenses	5,605	8,780	9,557	10,833	12,606
Total operating Expenses	46,247	60,991	65,406	73,131	81,452
EBITDA	7,695	7,705	7,089	9,042	10,865
<i>EBITDA Margins(%)</i>	<i>14.3</i>	<i>11.2</i>	<i>9.8</i>	<i>11.0</i>	<i>11.8</i>
Depreciation & Amortisation	423	1,159	1,227	1,404	1,620
EBIT	7,272	6,545	5,862	7,637	9,245
Interest	353	1,092	848	508	254
Other Income	727	668	684	741	763
Recurring PBT	7,645	6,121	5,698	7,870	9,754
Add: Extraordinaries	-	-	-	-	-
Add: Share in associates					
PBT	7,645	6,121	5,698	7,870	9,754
Less: Taxes	1,732	1,358	1,413	1,991	2,468
Less: Minority Interest & Share in associates					
Net Income (Reported)	5,914	4,764	4,285	5,879	7,286
Adjusted Net Income	5,784	4,764	4,285	5,879	7,286

Balance Sheet

(₹ mn)	FY22	FY23	FY24	FY25E	FY26E
Assets					
Total Current Assets	25,380	18,298	18,364	20,769	25,356
of which cash & cash eqv.	9,152	1,095	1,146	1,605	3,266
Total Current Liabilities & Provisions	15,662	16,123	17,884	20,606	20,702
Net Current Assets	9,717	2,175	481	162	4,654
Investments	6,242	5,482	5,482	5,482	5,482
Net Fixed Assets	19,880	19,645	19,918	20,014	19,894
Capital Work-in-Progress	130	265	265	265	265
Goodwill	12,855	12,855	12,855	12,855	12,855
Total Assets	48,824	40,422	39,001	38,778	43,150
Liabilities					
Borrowings	16,075	9,222	5,222	1,472	1,472
Deferred Tax Liability	394	123	123	123	123
Minority Interest	-	-	-	-	-
Equity Share Capital	1,267	1,272	1,280	1,280	1,280
Face Value per share (₹)	2.0	2.0	2.0	2.0	2.0
Reserves & Surplus	31,087	29,805	32,376	35,903	40,275
Net Worth	32,354	31,077	33,656	37,183	41,555
Total Liabilities	48,824	40,422	39,001	38,778	43,150

Key Ratios

(₹ mn)	FY22	FY23	FY24	FY25E	FY26E
Per Share Data (in ₹)					
AEPS	9.3	7.5	6.7	9.2	11.4
CEPS	10.0	9.3	8.6	11.4	13.9
BVPS	50.9	48.5	52.6	58.1	64.9
DPS	2.5	3.0	2.7	3.7	4.6
Growth Ratios (%)					
Total Revenues	13.6	27.4	5.5	13.4	12.3
EBITDA	9.2	0.1	(8.0)	27.6	20.2
PAT	(4.4)	(17.6)	(10.1)	37.2	23.9
AEPS	(3.1)	(19.8)	(10.6)	37.2	23.9
CEPS	(0.6)	(7.1)	(7.0)	32.2	22.3
Valuation Ratios					
P/E	30.4	37.9	42.5	30.9	25.0
P/CEPS	28.5	30.7	33.0	25.0	20.4
P/BV	5.6	5.8	5.4	4.9	4.4
EV / EBITDA	23.5	23.8	25.5	19.5	16.1
EV / Sales	3.3	2.7	2.5	2.1	1.9
Operating Ratio					
Raw Material/Sales (%)	68.6	68.1	68.3	68.1	67.6
SG&A/Sales (%)	10.4	12.8	13.2	13.2	13.7
Effective Tax Rate (%)	22.6	22.2	24.8	25.3	25.3
NWC / Total Assets (%)	1.2	2.7	(1.7)	(3.7)	3.2
Inventory Turnover (days)	48.8	39.5	39.0	39.0	39.0
Receivables (days)	41.6	36.5	34.0	34.0	36.0
Payables (days)	100.4	81.8	86.0	90.0	80.0
D/E Ratio (x)	0.5	0.3	0.2	0.0	0.0
Return/Profitability Ratio (%)					
RoCE	14.9	16.2	15.0	19.7	21.4
RoNW	22.9	15.0	13.2	16.6	18.5
Dividend Payout Ratio	26.8	40.1	40.0	40.0	40.0
Dividend Yield	0.9	1.1	0.9	1.3	1.6
PAT Margins	10.7	6.9	5.9	7.2	7.9
EBITDA Margins	14.3	11.2	9.8	11.0	11.8

Cash Flow Statement

(₹ mn)	FY22	FY23	FY24	FY25E	FY26E
PBT	7,645	6,121	5,698	7,870	9,754
Depreciation	423	1,159	1,227	1,404	1,620
Chng in working capital	1,005	(1,039)	1,746	777	(2,831)
Tax paid	(1,798)	(1,399)	(1,413)	(1,991)	(2,468)
Cash flow from operations (a)	7,234	5,526	7,421	7,827	5,566
Free cash flow	5,522	4,735	5,921	6,327	4,066
Capital expenditure	(1,712)	(791)	(1,500)	(1,500)	(1,500)
Chng in investments	(15,893)	2,908	-	-	-
Other investing activities	376	515	684	741	763
Cash flow from investing (b)	(17,229)	2,632	(816)	(759)	(737)
Inc/dec in borrowings	14,069	9,250	(4,000)	(3,750)	-
Dividend paid (incl. tax)	(1,564)	(1,578)	(1,714)	(2,352)	(2,914)
Interest paid	(505)	(765)	(848)	(508)	(254)
Other financing activities	(3,530)	(16,429)	-	-	-
Cash flow from financing (c)	9,073	(9,105)	(6,554)	(6,610)	(3,169)
Net chng in cash (a+b+c)	(922)	(948)	51	459	1,661
Closing cash & cash equivalents	9,152	1,095	1,146	1,605	3,266

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