

**BUY** (ADD) ▲

Current Price (Rs)	: 339
Target Price (Rs)	: 424 (485)
Potential Upside	: 25%

**Market Data**

No. of shares	: 644 mn
Free Float	: 100.0%
Market Cap (USD)	: 2,537 mn
52-week High/ Low (Rs)	: 484/ 301
Avg. Daily Volume (6M)	: 2.57 mn
Avg. Daily Value (6M;USD)	: 10.29 mn
Bloomberg Code	: CROMPTON IB
Promoters Holding	: 0.0%
FII / DII	: 29% / 57%

**Price Performance**

(%)	1M	3M	12M
Absolute	(1.5)	1.4	(21.6)
Relative	(1.5)	(8.4)	(24.8)

Source: Bloomberg

*Deepak Agarwal assumes coverage of Crompton Greaves Consumer Electricals*

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Crompton is the market leader in fans and has been increasing market share in other appliances and pumps along with strengthening the lighting portfolio and revamping the Butterfly business. Over FY25-28E, we expect revenue/earnings CAGRs of ~10% (weak demand in Q1FY26)/16%, on: (1) strengthening portfolio in fans and moving up in premium ranges; (2) securing strong orders in solar pumps while maintaining stable growth in non-solar; (3) increasing the product portfolio towards ceiling, battens, and outdoor lighting in B2C and ramping up the B2B lighting portfolio; and (4) realigning product portfolio and distribution for Butterfly. We assume coverage of Crompton, valuing it at 35x on Sep'27E EPS with a BUY rating and TP of Rs 424.

**ECD – leader in fans, expands in other segments**

Crompton is the leader in fans, with strong portfolio additions and channel. It is now the #2 player in BLDC and aims to become #1 in the next five years. Premium fans is ~22-25% of its fans portfolio and it plans to increase it to ~40% in the next two to three years with the introduction of BLDC and 3-5-star-rated induction fans. For FY26E, it expects high-double-digit growth from the NUCLEUS/XTECH platforms. In pumps, it expects to increase focus on underpenetrated regions like West India and South India along with bridging the portfolio gaps in the agricultural segment and securing orders in solar pumps. Overall, its expanding portfolio, increasing EBO and MBO, and improving sourcing for chimneys, hobs, etc. will lead to an ECD CAGR of 10% (on weak Q1FY26) over FY25-28E and an EBIT margin of 16.2% in FY28E (vs 15.4% in FY25).

**Lighting – change in mix to drive growth**

Price erosion remains a concern for the industry, while Crompton is focusing on improving its product-mix to inch up margins. In FY25, Crompton improved its lighting margin ~130 bps to 12.6% on a higher share of outdoor lighting along with product addition of ceiling/battens. Going ahead, we expect Crompton to make product launches in the ceiling portfolio, targeting both mass-market and premium segments and securing large orders in B2B lighting. Over FY25-28E, we expect a 7% revenue CAGR along with a margin improvement of ~80-100 bps in FY28E.

**Butterfly business revamp**

Crompton is transforming the Butterfly product range – from mixer-grinders to cooktops – across categories along with repositioning the channel. We expect an 8% CAGR over FY25-28E along with a margin of 7.4% in FY28E (vs 5.6% in FY25) for this business.

**Financial summary (Consolidated)**

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
Sales (Rs mn)	73,128	78,636	83,372	92,940	1,03,759
EBITDA (Rs mn)	6,983	8,684	9,216	10,738	12,467
Adj. PAT (Rs mn)	4,264	5,443	5,897	7,130	8,464
Con. EPS* (Rs)	-	-	10.2	12.0	14.1
EPS (Rs)	6.6	8.5	9.2	11.1	13.1
Change YoY (%)	(11)	28	8	21	19
Previous EPS (Rs)	-	-	11.0	12.7	-
RoE (%)	13.0	14.9	14.7	16.1	17.3
RoCE (%)	16.2	21.0	19.6	23.3	27.6
P/E (x)	51.1	40.1	37.0	30.6	25.8
EV/E (x)	32.4	25.6	24.2	20.4	17.2

Source: \*Consensus broker estimates, Company, Axis Capital

## Financial summary (Consolidated)

### Profit & Loss (Rs mn)

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
Net sales	73,128	78,636	83,372	92,940	1,03,759
Other operating income	-	-	-	-	-
<b>Total operating income</b>	<b>73,128</b>	<b>78,636</b>	<b>83,372</b>	<b>92,940</b>	<b>1,03,759</b>
Cost of goods sold	(50,003)	(52,733)	(55,493)	(61,397)	(68,025)
Gross profit	23,125	25,902	27,879	31,544	35,734
Gross margin (%)	32	33	33	34	34
Total operating expenses	(16,142)	(17,219)	(18,663)	(20,806)	(23,267)
<b>EBITDA</b>	<b>6,983</b>	<b>8,684</b>	<b>9,216</b>	<b>10,738</b>	<b>12,467</b>
EBITDA margin (%)	10	11	11	12	12
Depreciation	(1,288)	(1,528)	(1,597)	(1,693)	(1,789)
<b>EBIT</b>	<b>5,695</b>	<b>7,155</b>	<b>7,619</b>	<b>9,044</b>	<b>10,677</b>
Net interest	(792)	(480)	(500)	(270)	(112)
Other income	674	688	796	796	796
<b>Profit before tax</b>	<b>5,577</b>	<b>7,364</b>	<b>7,915</b>	<b>9,570</b>	<b>11,361</b>
Total taxation	(1,313)	(1,921)	(2,018)	(2,440)	(2,897)
Tax rate (%)	24	26	26	26	26
Profit after tax	4,264	5,443	5,897	7,130	8,464
Minorities	-	-	-	-	-
Profit/ Loss associate co(s)	-	-	-	-	-
Adjusted net profit	4,264	5,443	5,897	7,130	8,464
Adj. PAT margin (%)	6	7	7	8	8
Net non-recurring items	-	-	-	-	-

### Balance Sheet (Rs mn)

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
Paid-up capital	1,286	1,288	1,288	1,288	1,288
Reserves & surplus	28,710	32,614	36,152	40,430	45,508
Net worth	29,996	33,901	37,439	41,717	46,796
Borrowing	5,990	2,998	1,998	998	498
Other non-current liabilities	99	-	-	-	-
<b>Total liabilities</b>	<b>40,579</b>	<b>41,476</b>	<b>44,014</b>	<b>47,292</b>	<b>51,870</b>
Gross fixed assets	22,329	24,209	25,709	27,209	28,709
Less: Depreciation	(3,215)	(4,113)	(5,711)	(7,404)	(9,193)
Net fixed assets	19,114	20,095	19,998	19,805	19,515
Add: Capital WIP	585	343	343	343	343
Total fixed assets	19,699	20,438	20,341	20,148	19,858
Total Investment	6,891	7,211	7,211	7,211	7,211
Inventory	8,304	8,817	9,468	10,554	11,783
Debtors	7,335	7,017	9,137	10,185	11,371
Cash & bank	2,608	3,530	1,914	4,684	8,791
Loans & advances	-	-	-	-	-
Current liabilities	20,238	21,822	20,691	22,475	24,478
Net current assets	1,135	971	3,607	7,078	11,946
Other non-current assets	12,855	12,855	12,855	12,855	12,855
<b>Total assets</b>	<b>40,579</b>	<b>41,476</b>	<b>44,014</b>	<b>47,292</b>	<b>51,870</b>

Source: Company, Axis Capital

### Cash Flow (Rs mn)

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
Profit before tax	5,577	7,364	7,915	9,570	11,361
Depreciation & Amortisation	1,288	1,528	1,597	1,693	1,789
Chg in working capital	2,226	167	(4,252)	(701)	(761)
<b>Cash flow from operations</b>	<b>8,280</b>	<b>7,176</b>	<b>2,946</b>	<b>7,596</b>	<b>8,809</b>
Capital expenditure	(838)	(1,028)	(1,500)	(1,500)	(1,500)
<b>Cash flow from investing</b>	<b>(2,069)</b>	<b>(1,311)</b>	<b>(704)</b>	<b>(704)</b>	<b>(704)</b>
Equity raised/ (repaid)	893	-	-	-	-
Debt raised/ (repaid)	(3,640)	0	(1,000)	(1,000)	(500)
Dividend paid	(1,912)	(1,930)	(2,359)	(2,852)	(3,386)
<b>Cash flow from financing</b>	<b>(5,413)</b>	<b>(5,747)</b>	<b>(3,858)</b>	<b>(4,122)</b>	<b>(3,998)</b>
Net chg in cash	798	118	(1,617)	2,770	4,107

### Key Ratios

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
<b>OPERATIONAL</b>					
FDEPS (Rs)	6.6	8.5	9.2	11.1	13.1
CEPS (Rs)	8.6	10.8	11.6	13.7	15.9
DPS (Rs)	3.0	3.0	3.7	4.4	5.3
Dividend payout ratio (%)	45.2	35.5	40.0	40.0	40.0
<b>GROWTH</b>					
Net sales (%)	6.5	7.5	6.0	11.5	11.6
EBITDA (%)	(9.4)	24.4	6.1	16.5	16.1
Adj net profit (%)	(10.5)	27.6	8.3	20.9	18.7
FDEPS (%)	(11.5)	27.5	8.3	20.9	18.7
<b>PERFORMANCE</b>					
RoE (%)	13.0	14.9	14.7	16.1	17.3
RoCE (%)	16.2	21.0	19.6	23.3	27.6
<b>EFFICIENCY</b>					
Asset turnover (x)	3.3	3.4	3.3	3.5	3.7
Sales/ total assets (x)	1.2	1.3	1.3	1.4	1.4
Working capital/ sales (x)	0.0	0.0	0.0	0.0	0.0
Receivable days	36.6	32.6	40.0	40.0	40.0
Inventory days	45.8	46.0	46.6	46.9	47.1
Payable days	73.3	73.6	63.6	63.5	63.3
<b>FINANCIAL STABILITY</b>					
Total debt/ equity (x)	0.2	0.1	0.0	0.0	0.0
Net debt/ equity (x)	0.1	0.0	0.0	(0.1)	(0.2)
Current ratio (x)	1.1	1.0	1.2	1.3	1.5
Interest cover (x)	7.2	14.9	15.2	33.5	95.2
<b>VALUATION</b>					
PE (x)	51.1	40.1	37.0	30.6	25.8
EV/ EBITDA (x)	32.4	25.6	24.2	20.4	17.2
EV/ Net sales (x)	3.1	2.8	2.7	2.4	2.1
PB (x)	7.3	6.4	5.8	5.2	4.7
Dividend yield (%)	0.9	0.9	1.1	1.3	1.6
Free cash flow yield (%)	3.4	2.8	0.7	2.8	3.4

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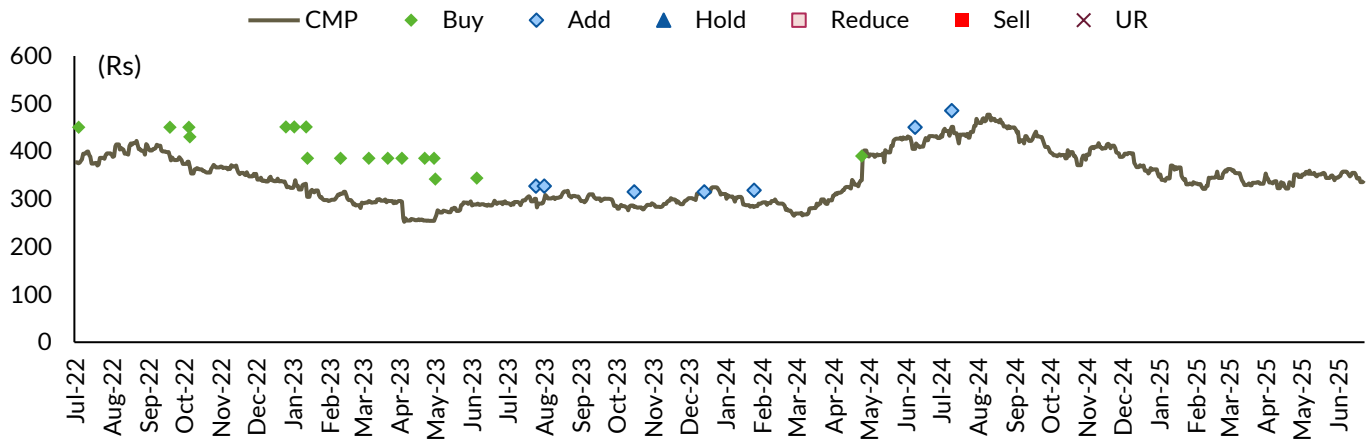
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<b>ADD</b>	We expect this stock to deliver 5-15% returns over the next 12 months.
<b>REDUCE</b>	We expect this stock to deliver 5% to -10% returns over the next 12 months.
<b>SELL</b>	We expect this stock to deliver <-10% returns over the next 12 months.

**Crompton Greaves Consumer Electricals (CROP.NS, CROMPTON IB) Price and Recommendation History**



Date	Target Price	Reco	Date	Target Price	Reco	Date	Target Price	Reco	Date	Target Price	Reco
25-Jul-22	450	Buy	13-May-23	385	Buy						
10-Oct-22	450	Buy	21-May-23	385	Buy						
26-Oct-22	450	Buy	22-May-23	342	Buy						
27-Oct-22	430	Buy	26-Jun-23	344	Buy						
16-Jan-23	451	Buy	15-Aug-23	327	Add						
23-Jan-23	451	Buy	22-Aug-23	327	Add						
02-Feb-23	451	Buy	06-Nov-23	315	Add						
03-Feb-23	385	Buy	04-Jan-24	315	Add						
03-Mar-23	385	Buy	15-Feb-24	318	Add						
27-Mar-23	385	Buy	16-May-24	390	Buy						
12-Apr-23	385	Buy	30-Jun-24	450	Add						
24-Apr-23	385	Buy	31-Jul-24	485	Add						

Source: Axis Capital