

Electrical Consumer Durables

More Power to Everyone



Sharp spike in per-capita electricity consumption in UP and Bihar

Consequently, demand for electrical goods gets a boost

We continue to prefer Havells and V-Guard

TABLE OF CONTENTS

INDIA ELECTRICAL CONSUMER DURABLES

- 03 Introduction
- 04 Key charts

MAIN THEMES

- 05 Improvement in electricity quality and access underway
- 06 Why are UP and Bihar important?
- 07 What is changing in UP and Bihar?
- 10 Implications on Consumer Electricals

COMPANIES

- 18 Havells India
- 22 V-Guard Industries

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More power to everyone

UNPRECEDENTED REFORMS IN ELECTRIFICATION

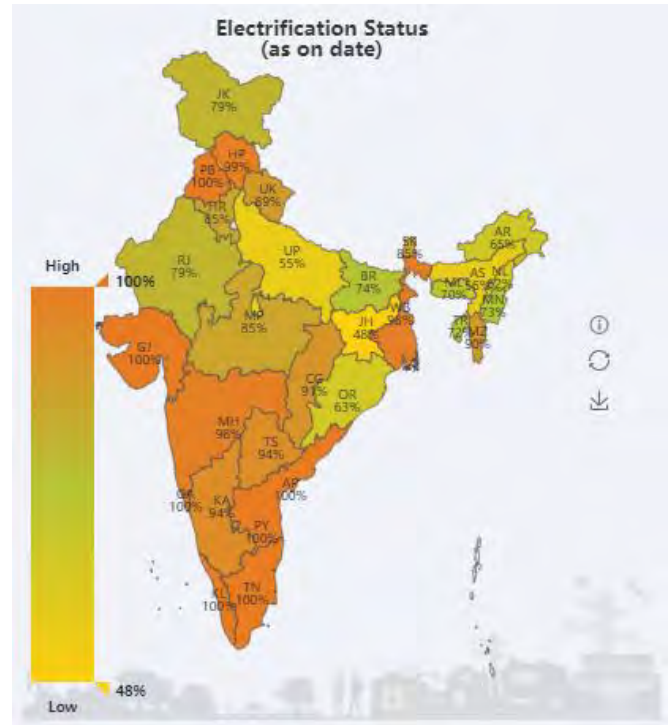
Several reforms have been implemented over the past few years in power transmission and distribution across India. These are now bearing fruits, as reflected in the spike in per capita electricity consumption charts, especially for Uttar Pradesh (UP) and Bihar, which are among the country's largest yet most laggard states (21%/11% of India's households/ GDP at the combined level). Power peak outages have seen a massive reduction (by up to 90%) in UP (80% in the case of Bihar). These observations were reaffirmed during our recent visit across rural India (Rural Safari-VII: On the Mend). The per capita consumption of power in Bihar and UP grew up to 3x the national average in FY14-17. Despite such a sharp rise, it is still merely 25% (Bihar) and 50% (UP) of the national average. We believe that Bihar and UP's per capita electricity consumption could grow at 21% and 12%, respectively over the next 10 years (4x and 2.5x the national average's growth), to catch up with the national average.

Per capita electricity consumption in UP and Bihar is 50% and 25% that of the national average, respectively. However, this gap is rapidly narrowing.

BOOM FOR ELECTRICAL GOODS' DEMAND IN UP & BIHAR?

Our on-field visits tell us that increased penetration of power is driving a pick-up in demand for electrical goods. Pockets where electricity has now become available are recording purchases of lighting devices, fans, television sets and pumps (replacement of diesel pumps in farms) as well as small appliances such as mixers, irons and induction cooktops. Pockets in which the quality of electricity has improved are seeing a rise in demand for luxury products such as ACs, refrigerators and washing machines.

ELECTRIFICATION ACROSS INDIA



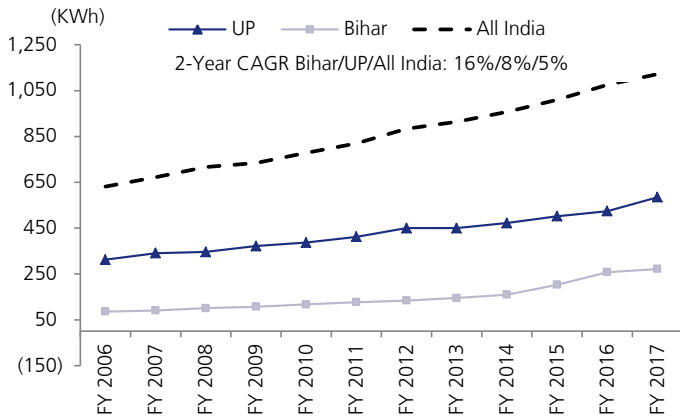
Source: Saubhagya

BUY COMPANIES THAT ARE WELL-MANAGED AND HAVE A DIVERSE PRODUCT PORTFOLIO

Given the growing electrification across India and rising disposable income/urbanisation trend, we expect the Electricals industry to record an 11% CAGR over FY17-22, to reach INR 1.6trn (excluding the white goods category). We also estimate organised players' market share to expand 8ppt to 72% over the same period on account of customers' rising preference for brands coupled with the effective roll-out of GST/E-Way bill (making large-scale tax evasion economically unviable). Among organised players, we believe companies with a strong execution track record in product portfolio/network expansion – such as Havells and V-Guard – would outgrow peers. We upgrade Havells back to BUY (Mar'19 TP of INR 650) after the recent share price correction and reiterate our bullish stance (BUY) on V-Guard (Mar'19 TP of INR 270) on the back of its strong execution track record.

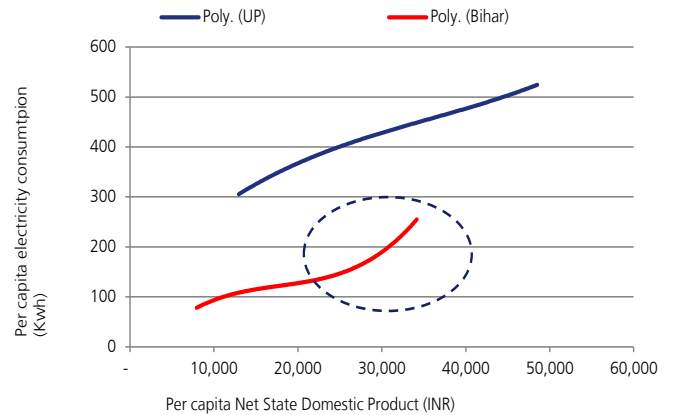
Key charts

Exhibit 1. Per capita consumption of India, UP and Bihar



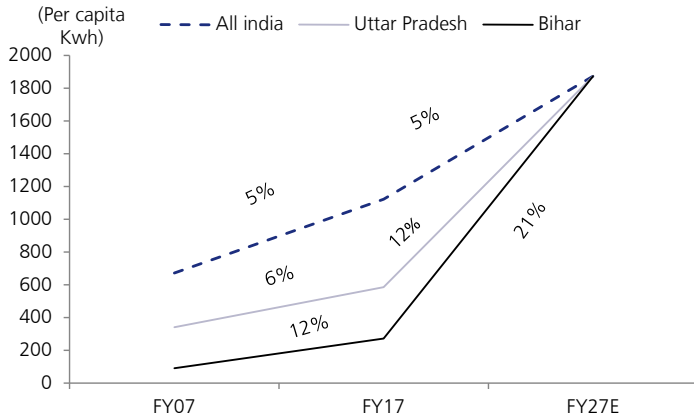
Source: Sigma Insights, JM Financial

Exhibit 2. Sharp jump in per capita consumption in UP and Bihar



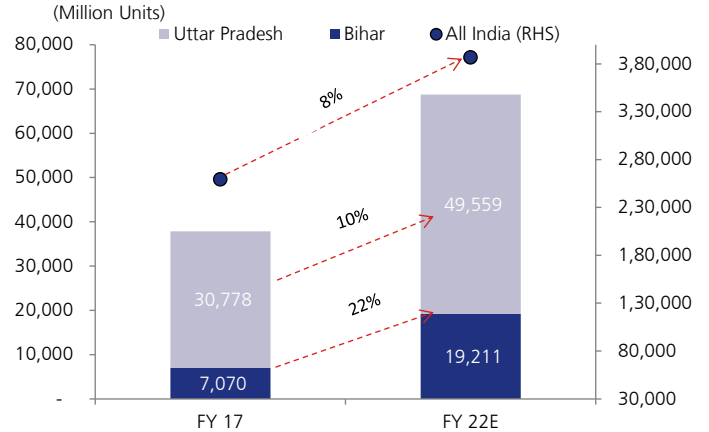
Source: JM Financial, Sigma Insights, JM Financial, Note: 3-degree polynomial trendline for per capita electricity consumption vs. per capita net state domestic product (FY05-17)

Exhibit 3. Bihar and UP needs 21% and 12% CAGR to match India average in 10 years



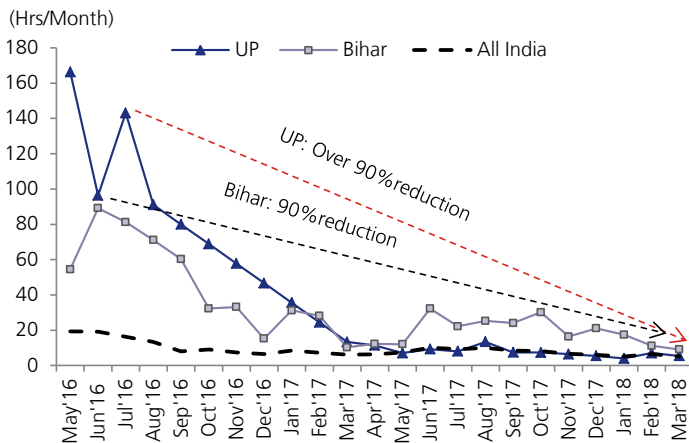
Source: URJA, JM Financial

Exhibit 4. State-wise electrical energy consumption in domestic category (utilities only): India 8% CAGR



Source: EPS Power Survey, JM Financial

Exhibit 5. Significant reduction in average power cuts



Source: EPS, JM Financial

Exhibit 6. Total addressable market expanding

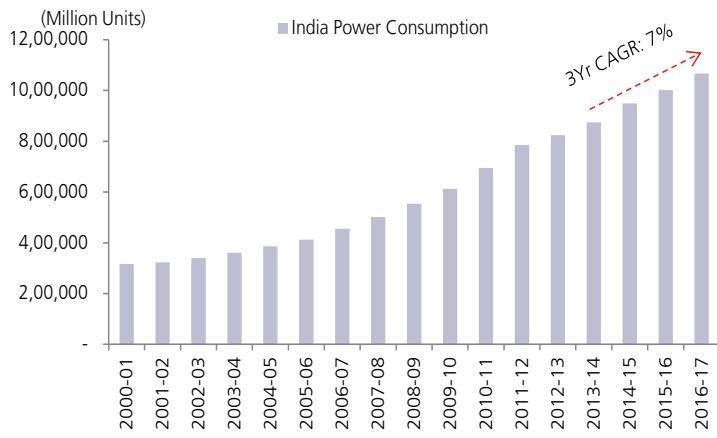
INR bn	Total market			Organised market		
	FY17	FY22E	CAGR	FY17	FY22E	CAGR
Havells	1,451	2,698	13%	1,120	2,243	15%
V-Guard	636	1,029	10%	436	780	12%
TTK Prestige	110	171	9%	62	112	13%
Bajaj Electricals	443	796	12%	255	552	17%

Source: Industry, JM Financial

Improvement in electricity access and quality underway

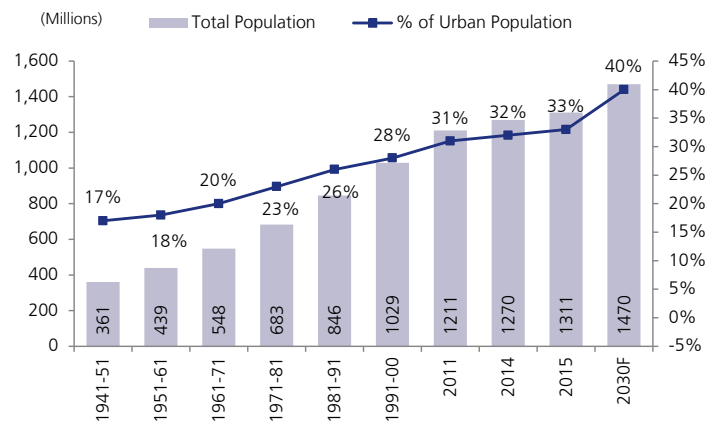
India's power consumption has been increasing steadily – recording a 7% CAGR for the past 3 years – and this is expected to continue. Rapid urbanisation, a key driving factor, is expected to continue over the long term in India.

Exhibit 7. India's power consumption has grown steadily



Source: Sigma Insights, JM Financial

Exhibit 8. Urbanisation mega-trend playing out

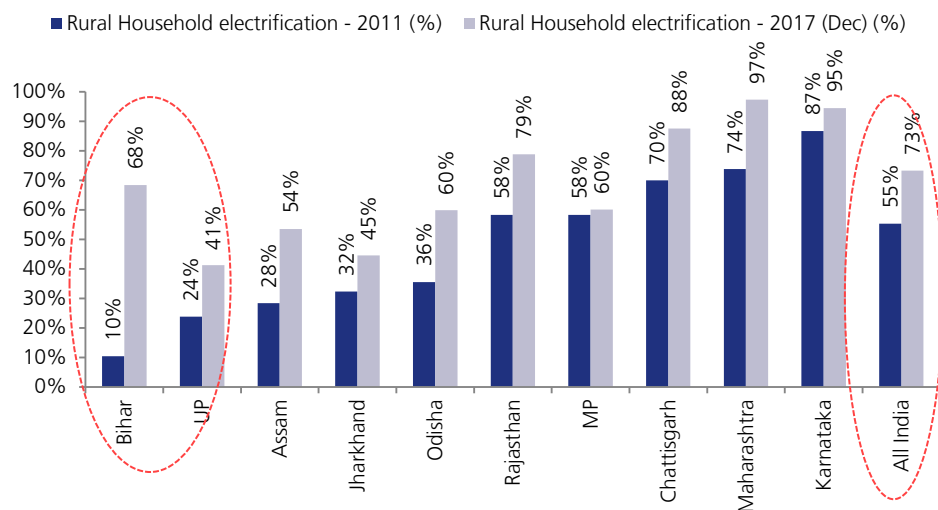


Source: ADB Paper, JM Financial

Several reforms have been implemented by the Central and various state governments to improve the availability and quality of power in existing as well as in new areas. As a result of these initiatives, we have seen a significant improvement in electricity access and the duration of the availability of high-quality electricity (low voltage fluctuation). In fact, we have noted during our multiple visits around rural India (particularly in the North and East) that there is (a) improved electricity access, (b) increased use in terms of duration and (c) improved quality (fewer voltage fluctuations). **In particular, we have been positively surprised by the consistent and positive feedback with regard to electricity from Bihar and UP, in our current (Mar'18) and previous visits (Oct'17).**

The data on rural electrification clearly reveals the underlying changes. As of 2011, only 55% of India's rural households had access to electricity; this jumped to 73% by Dec'17. **The sharp increase in some North and East Indian states has been more noticeable. Bihar saw a jump from 10% to 68%, while UP jumped from 24% to 41%.**

Exhibit 9. Sharp increase in rural electrification – from 55% to 73% of rural households

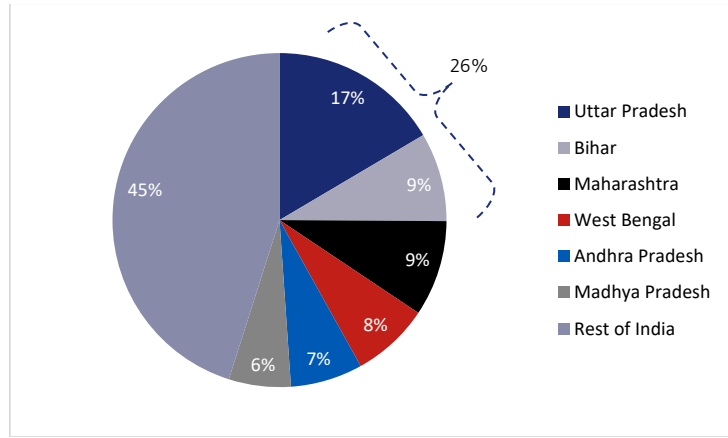


Source: Census, DDUGJY, JM Financial

Why are UP and Bihar important?

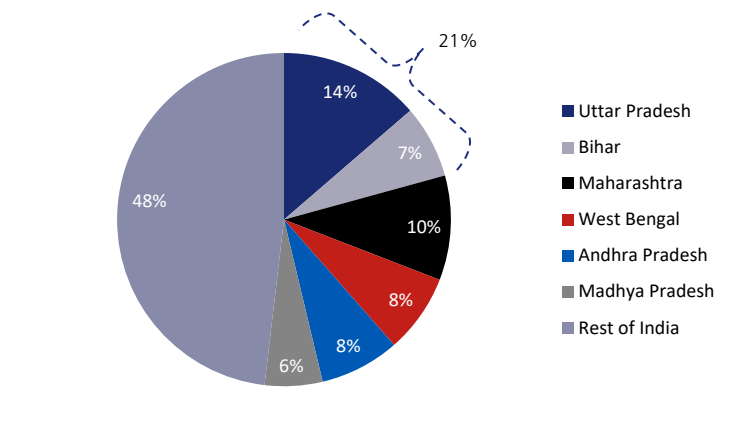
- Given the sharp rise in the access to power in UP and Bihar, we analyse the scale of improvement and further potential compared with its contribution to population (26% of India), number of households (21%) and net state domestic product (GDP; 11% of India). We note that the per capita GDPs of UP and Bihar are significantly below the national average as well as those of some states such as Maharashtra, which shows significant scope for improvement in the future.

Exhibit 10. State-wise population contribution (2011)



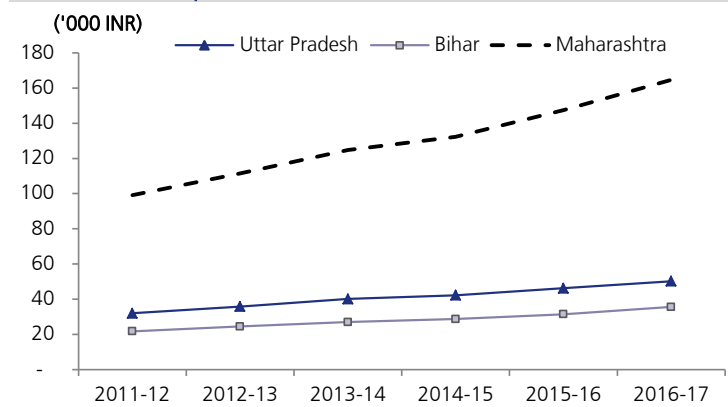
Source: Census, JM Financial

Exhibit 11. State-wise households mix (number of households)



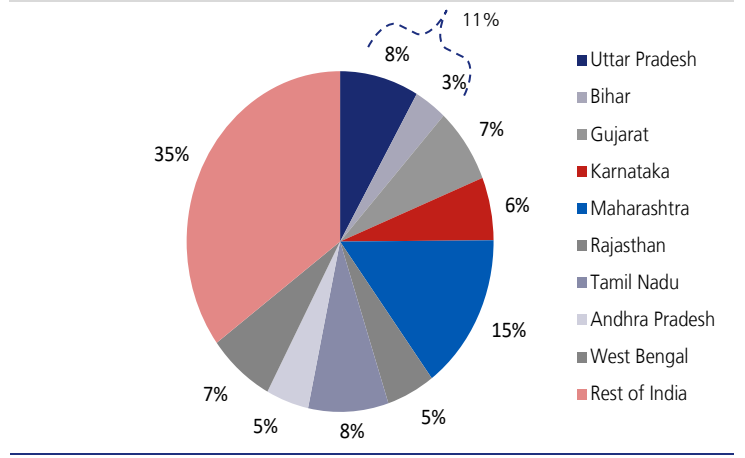
Source: Census, JM Financial

Exhibit 12. Per-capita NSDP-current



Source: RBI, JM Financial

Exhibit 13. State-wise GDP contribution



Source: For 2013-14 on the base of 2004-05 since data was not available, RBI, JM Financial

- Like its NSDP, UP and Bihar have underperformed the relatively better states such as Kerala, Karnataka and Maharashtra in monthly per capita consumption expenditure (MPCE). As a result, we believe that both states have a long way to go and improvement in power scenario will act as a key trigger in boosting consumption.

Exhibit 14. Average monthly per capita consumption expenditure (MPCE*)

Comparison (in INR)	Rural	Urban
Karnataka	1,395	2,899
Kerala	2,356	3,044
Maharashtra	1,446	2,937
Telangana	NA	NA
Uttar Pradesh	1,073	1,942
Bihar	970	1,397
All India	1,287	2,477

Source: JM Financial; *as per Mixed Reference Period (MRP) for 2011-12

Increased demand for electrical devices as cost of access declines, while quality of available power improves

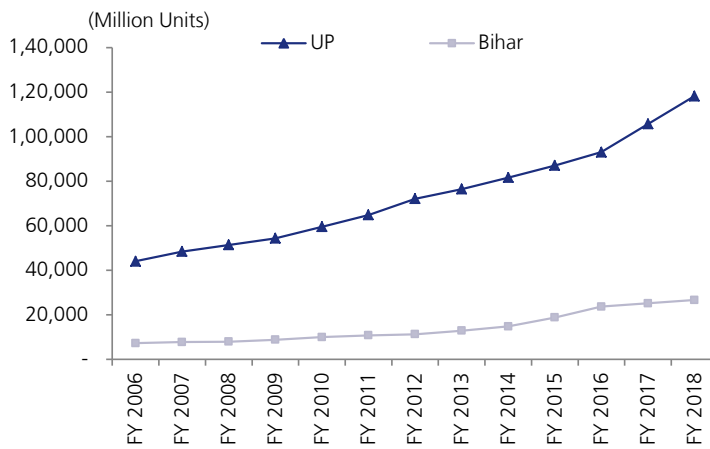
What is changing in UP and Bihar?

The Urban Jyoti Abhiyan (URJA) website highlights a significant reduction in power cuts (in terms of number of hours) and ATC losses in both UP and Bihar (Exhibits 17 and 18) over the past 24 months. Consequently, the **total power available** has increased by 27%/13% in UP/Bihar, as compared with a 10% increase at the all-India level. Power availability, on a 3/5/10-year CAGR basis, was 12%/16%/13% in Bihar, 11%/9%/9% in UP and 5%/5%/6% across India.

Per capita electricity consumption, on the other hand, rose 8%/16% in UP/Bihar during FY15-17 compared with 5% across India (3/5/10-year CAGR of 19%/15%/12% in Bihar; 7%/5%/6% in UP and 5%/5%/5% across India).

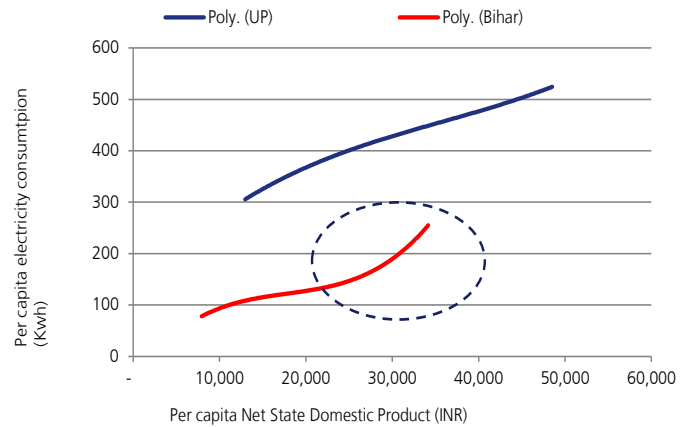
We believe this indicates scope for use over longer hours as well as an immense opportunity for the penetration of consumer electricals/durables. Despite such sharp growth in the past 2 years, we note that it still remains significantly below the all-India average (per capita consumption of 585/272 KWh respectively vs. 1122 KWh at the all-India level).

Exhibit 15. Power availability



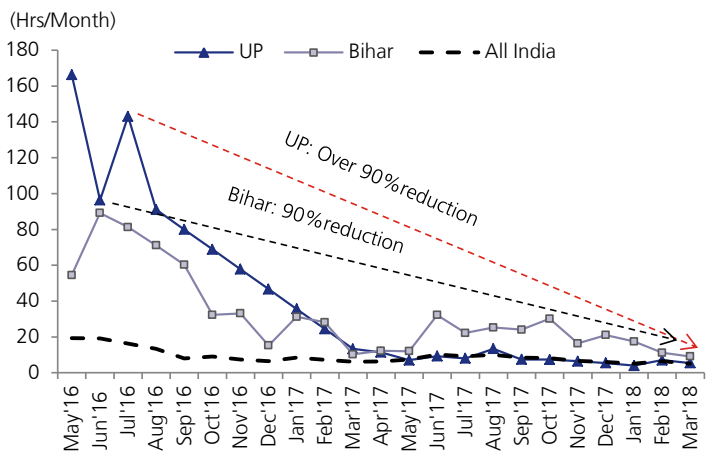
Source: Sigma Insights, JM Financial

Exhibit 16. Sharp jump in per capita consumption in UP and Bihar



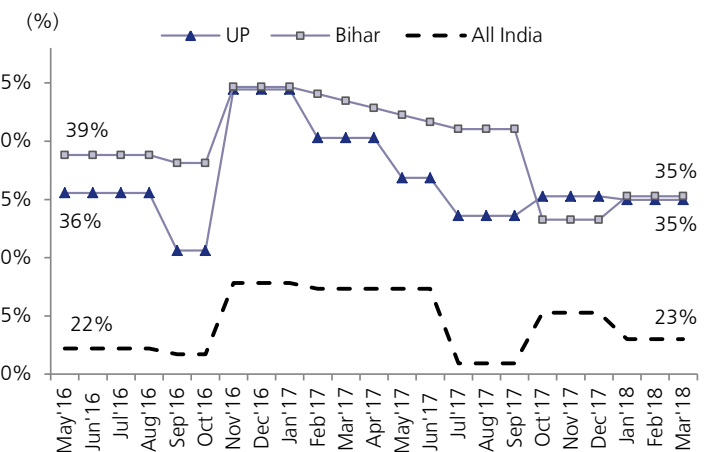
Source: JM Financial, Sigma Insights, JM Financial, Note: 3-degree polynomial trendline for per capita electricity consumption vs. per capita net state domestic product (FY05-17)

Exhibit 17. Average duration of power cuts reducing



Source: URJA, JM Financial

Exhibit 18. ATC losses reducing too

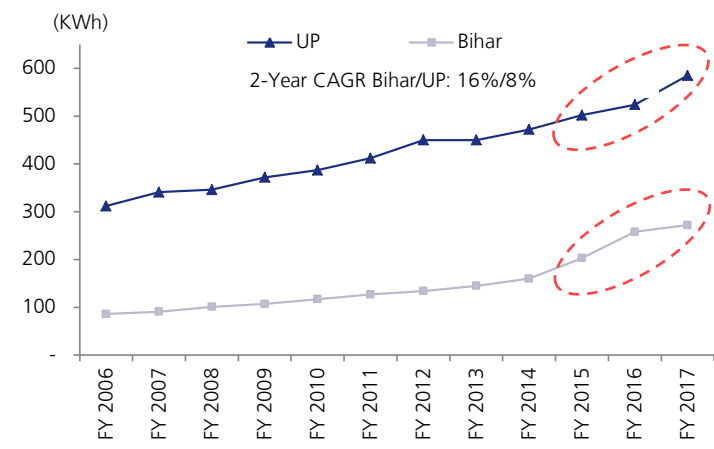


Source: URJA, JM Financial 17

Key government schemes are highlighted below:

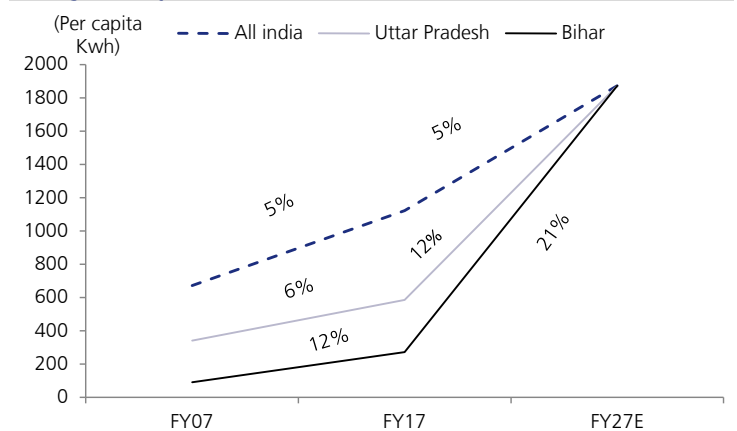
- **Har Ghar Bijaly Yojana, implemented in Bihar:** Started in Nov'16, the scheme aims to target 5mn homes in Bihar by 15May'18 (earlier target: end-Dec'18). The scheme would cover households that do not currently have an electricity connection. The state government aims to provide electricity connections to above-poverty-line families also that reside in rural areas without electricity.
- **Pradhan Mantri Sahaj Bijli Har Ghar Yojana (Saubhagya) scheme, expected to speed-up electrification in UP:** This scheme by the Central government was launched in Sep'17 and aims to provide 40mn poor families in urban and rural areas with metered electricity at subsidised costs by Mar'19 (internal target: Dec'18). The UP government is focusing to provide electricity by end-Dec'18. The beneficiaries would be chosen from the Socio Economic Caste Census (SECC)-2011. Therefore, this scheme would benefit around 15.7mn households in UP. The aim is to boost electricity consumption, particularly in rural areas under the Saubhagya scheme by installation of pre-paid meters. The total outlay of the project of INR 163bn (INR 140bn rural/INR 23bn urban).
- **Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY):** Launched in July'15, the scheme (initial outlay: INR 760bn) aims to create basic electricity infrastructure in rural areas, strengthen existing infrastructure, focus on metering existing feeders and distribute transformers to improve the quality and reliability of power supply in rural areas. Agricultural intensive states such as Bihar are set to benefit from feeder separation.

Exhibit 19. Per capita consumption sees sharp increase



Source: URJA, JM Financial

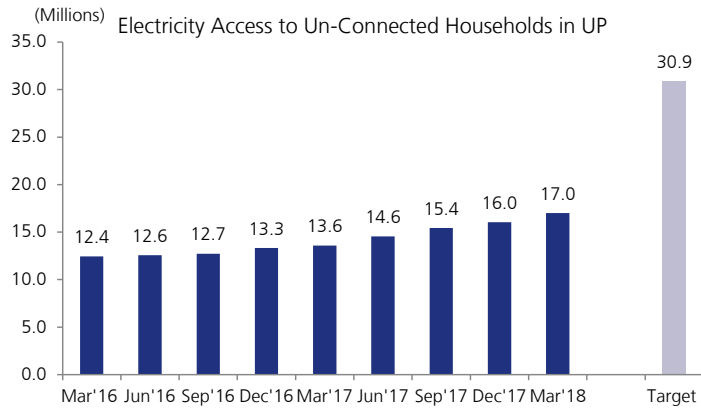
Exhibit 20. Bihar and UP need 21%/12% CAGR to match India average in 10 years



Source: Sigma Insights, JM Financial 17

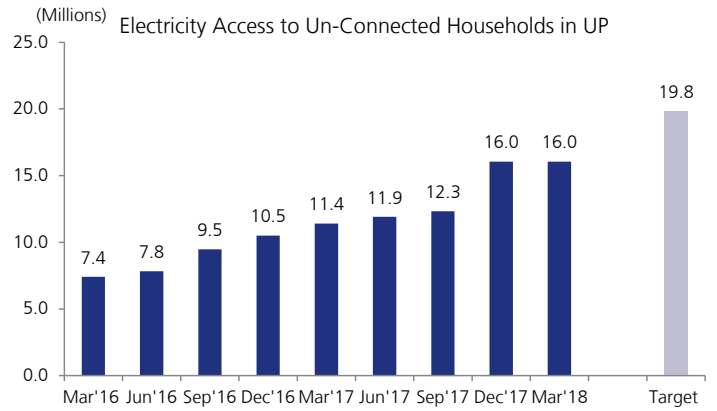
- The Ujwal DISCOM Assurance Yojana (UDAY) data for the connection of unconnected households clearly suggests a sharp spike in Bihar and UP (Exhibits 21 and 22). Instead of rural electrification, it directly measures households connected and gives a better understanding the quarterly pace. In comparison with other developed states such as Maharashtra and Kerala (Exhibit 23), UP and Bihar have recorded much slower growth, partly on account of a large base.
- **Rural UP to lead the way forward:** The existing 'Power for All' initiative plans to provide 24x7 power to households, industries, commercial venues and other consuming entities, along with adequate power to the agricultural sector by 2019. Rural UP is expected to be a key beneficiary with a) connections for yet-to-be electrified villages, b) additional power being available in already electrified villages and c) a shift from unmetered to metered consumption of electricity. As per EPS Power Survey, the overall power demand in UP is set to record a 10% CAGR during FY17-22E.

Exhibit 21. Despite good progress, UP has still a long way to go ...



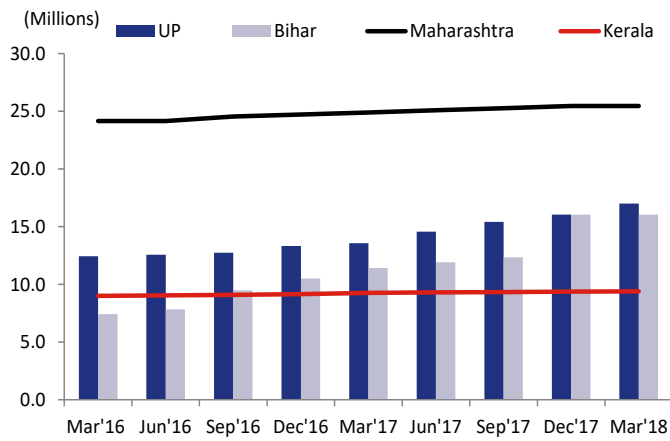
Source: UDAY, JM Financial

Exhibit 22. ...as does Bihar



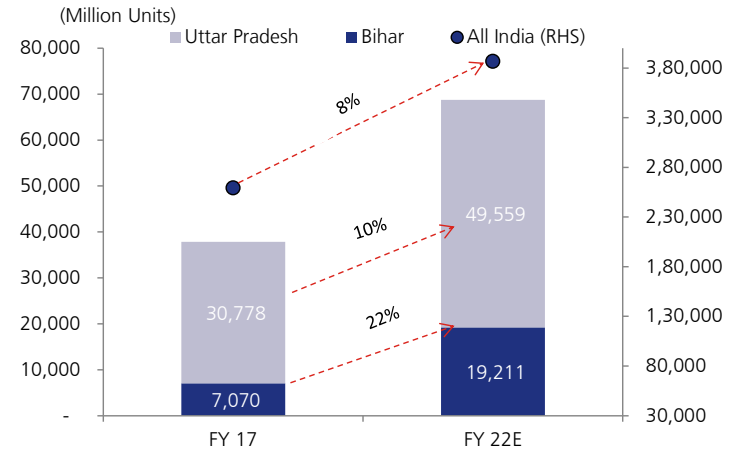
Source: UDAY, JM Financial

Exhibit 23. Other states seeing steady rise in households electrification while UP and Bihar are growing fast



Source: UDAY, JM Financial

Exhibit 24. Electricity consumption in Domestic Category (utilities only): India 8% CAGR (FY17-22E)



Source: EPS, JM Financial

Implications on Consumer Electricals:

Based on our conversations with consumers, retailers and distributors in UP and Bihar, we find that rising electricity availability (quantity and quality) has resulted in demand for lighting products, fans and other appliances such as mixers, induction cooktops and even television sets.

While theoretically, entry level products could be in demand (especially in pockets where electricity has become available now), we found that customers are demanding even higher priced products on account of aspirations and branding initiatives by companies such as Havells and V-Guard will be biggest beneficiaries. Moreover, we believe that electricity consumption may also drive trade/economic growth and hence would boost demand for luxury products such as refrigerators and air conditioners (this augurs well for V-Guard as these high-cost products will require protection from electricity fluctuations).

In such a scenario, companies with a diversified product portfolio, multi-brand positioning, robust distribution network with deep penetration and strong dealer/distributor relationships have an advantage. Hence, we continue to believe that UP and Bihar's electrification augurs well for Havells and V-Guard (these states constitute 10-15% of overall revenues).

- Pockets where electricity has become available for the first time:** Some rural areas of Bihar and UP had been using alternate sources for electricity, either availing power through diesel-based gen-sets or battery backed-up lights. However, the usage charges for these were high (INR 10-20/unit) and so they used minimal-impact devices such as LED bulbs and low power fans. As the regular grid power is now available at lower rates, people are inclined to purchase consumer durables and appliances.

Historically, media articles have also highlighted the positive impact of electricity on the lives of villagers:

"Despite being the area being very fertile, currently we are only able to cultivate one crop during the Rabi season (winter crop season beginning October). Electricity will help solve the problem of irrigation" [Source](#)

"A newly installed 100 kilowatt (KW) electric transformer has now changed the life of villagers in Chibaukhera. Within days of its installation, many families bought bulbs, fans and refrigerators for their homes. Power cuts are still common, but people say they are happy with even 8-10 hours of electricity a day" [Source](#)

Exhibit 25. Use of induction cooking tops reaching hinterlands



Source: JM Financial at Madhubani, Bihar

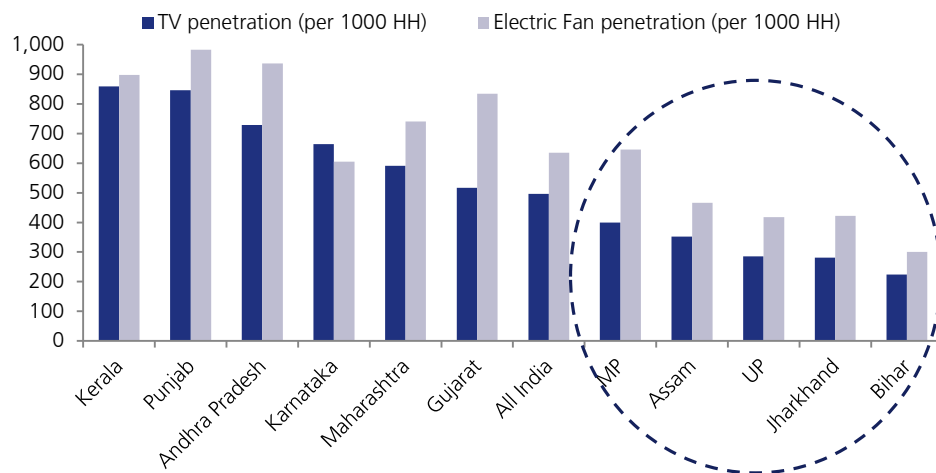
Exhibit 26. Demand for consumer electricals set to get a fillip



Source: JM Financial at Muzaffarpur, Bihar

- **Pockets where the quantity and quality of electricity has improved:** As electricity availability increases to 17-18 hours/day as against 7-8 hours/day earlier, people are driven to use electrical devices and we could see the use of induction-based cooktops in rural areas. Brand awareness is also increasing in these regions and people consider companies such as Havells as a premium brand in Northern Bihar and in Uttar Pradesh.
- Our channel checks indicated that in categories such as bulbs, ceiling fans and table fans (depending on pucca or kutcha houses), buying increases proportionately to electrification. TVs, induction cooktops mixer grinders and coolers generally follow the initial purchases of basics. air conditioners and refrigerators are perceived as premium products. The multiplier effect that is created by employment generation from increased economic activities (due to better availability of electricity) becomes important for populous states such as UP and Bihar (17% and 9% of India's population, respectively). This in turn would drive demand for luxury products.
- Data from the National Sample Survey Office (NSSO) and our primary checks indicate a sharp variance in the penetration of electrical goods across states, with lower-than-average penetration in low HH electrified states such as Bihar, UP, Jharkhand, Assam and MP. As power availability sustains, we believe there would be steady and strong demand for electrical goods in these states in particular.

Exhibit 27. Penetration of electrical goods is set to improve in relatively under-penetrated states



Source: NSSO (2012), JM Financial

- **Strong demand for consumer electricals/durables in the offing:** We expect a strong demand scenario for electricals/durables companies on the back of a) improving power, b) higher disposable incomes, c) widely available financing schemes, d) a shift from unorganised to organised businesses due to GST and e) push for rural housing. This would result in rapid growth for organised players. We estimate a 10-15% CAGR over FY17-22E across product categories for the organised segment's market share gains.
- **GST to increase pace of shift from unorganised to organised in electricals/durables products in medium to long term:** The GST rollout (from 1Jul'17) and recent implementation of the E-Way bill will lead to a shift from an unorganised to organised manner of conducting business over the medium-to-long term as tax evasion is increasingly becoming difficult/uneconomical (effort/reward perspective). Based on our conversations with various industry participants, we estimate a 13% CAGR over FY17-22 for certain consumer electricals/durables. Also, the share of organised is expected to rise from 77% to 83%. Thus, organised players are expected to outpace industry growth.

Exhibit 28. Product Price Comparison

INR bn unless otherwise specified	FY17			FY22E			CAGR (FY17-22)		Key Players
	Total	Org (%)	Unorg (%)	Total	Org (%)	Unorg (%)	Industry	Org	
Electricals	571	62%	38%	1,005	71%	29%	12%	15%	
Lighting	180	50%	50%	362	65%	35%	15%	21%	Philips, Surya, Crompton , Bajaj Electricals ,Havells
PVC Cables	120	67%	33%	221	75%	25%	13%	16%	Polycab, Finolex cables , Havells , V-Guard , KEI Industries, RR Kables, Anchor
Switches	100	60%	40%	161	70%	30%	10%	13%	Anchor, Havells, Schneider, Legrand, ABB
Domestic Switchgears	33	85%	15%	44	90%	10%	6%	7%	ABB, Siemens, Shneider, Legrand, Havells, Anchor (Panasonic)
Domestic Pumps	38	70%	30%	56	75%	25%	8%	10%	Compton, Texmo, CRI, V Guard, Havells, Usha
Motor Pumps	100	70%	30%	161	75%	25%	10%	12%	Crompton Greaves, Kirloskar, CRI, Texmo
Home appliances	241	70%	30%	381	78%	22%	10%	12%	
Fans	70	80%	20%	113	90%	10%	10%	13%	Crompton, Usha, Bajaj Electricals, Havells, Orient, V-Guard, Luminous, Orpat
Air Coolers	40	40%	60%	74	55%	45%	13%	20%	Symphony, Kenstar, Bajaj Electricals, Havells, Blue Star, Crompton, Voltas, Singer, Maharaja Whiteline, Orient, Cello,
Digital UPS	53	90%	10%	67	90%	10%	5%	5%	Microtek, Luminous, Su-Kam, Exide, V-Guard
Water Heaters	20	70%	30%	41	80%	20%	15%	18%	Havells, A.O. Smith, Racold, Bajaj, Venus, Crompton Greaves, Usha
Solar Water Heaters	6	70%	30%	10	75%	25%	10%	12%	Racold, Emmvee Solar, Sudarshan, Supreme
Stabilisers	13	60%	40%	16	70%	30%	5%	8%	Micro tech, Livguard, Bluebird, Capri, Logicstat, Premier, Everest
UPS	4	40%	60%	3	60%	40%	-5%	3%	Numeric, APC, Emerson, V-Guard
Iron	8	70%	30%	13	80%	20%	10%	13%	Bajaj Electricals, Philips, Eveready, Orient, Usha, Inalsa, Crompton, Maharaja Whiteline, Havells, V-Guard
Personal care	15	60%	40%	24	70%	30%	10%	13%	Philips, Panasonic, Inalsa, Nova
Other Appliances	13	60%	40%	21	70%	30%	10%	13%	Some of the above players
Kitchen Appliances	110	56%	44%	171	65%	35%	9%	13%	
Mixer Grinders	33	60%	40%	53	70%	30%	10%	13%	TTK Prestige, Preethi, Bajaj Electricals, Morphy Richards, Butterfly, Panasonic, USHA, Kenstar, Inalsa, Glen, Maharaja Whiteline, Pigeon, V-Guard
Gas Stoves	20	50%	50%	32	60%	40%	10%	14%	Butterfly, Sun Flame, TTK Prestige, Bajaj Electricals, Pigeon, Eveready, Inalsa, Preethi (Philips), Glen
Pressure Cooker	20	60%	40%	27	70%	30%	6%	9%	TTK Prestige, Hawkins,
Cookware	15	50%	50%	24	60%	40%	10%	14%	TTK Prestige, Hawkins
Induction Cooktops	7	70%	30%	10	70%	30%	8%	8%	TTK Prestige, Bajaj Electricals, Preethi, Butterfly
Chimneys	10	50%	50%	17	60%	40%	10%	14%	
Rice cookers	5	50%	50%	9	60%	40%	10%	14%	Philips, Panasonic, Prestige, Preethi
White Goods	652	95%	5%	1,309	95%	5%	15%	15%	
Colour TV	300	95%	5%	603	95%	5%	15%	15%	Samsung, LG, Sony, Philips, Videocon, Lloyd
Refrigerator	177	95%	5%	341	95%	5%	14%	14%	LG, Samsung, Videocon, Whirlpool, Godrej
Room AC	105	95%	5%	230	95%	5%	17%	17%	Voltas, LG, Samsung, Hitachi, Daikin, Bluestar, Lloyd, Videocon, Electrolux, Panasonic, ONIDA, Whirlpool, Kenstar, Mitsubishi,
Washing Machines	70	95%	5%	135	95%	5%	14%	14%	LG, Samsung, Whirlpool, IFB, Onida
Total market size (excluding White Goods)	923	64%	36%	1,558	72%	28%	11%	14%	
Total market size (including White Goods)	1,575	77%	23%	2,867	83%	17%	13%	14%	

Source: TTK prestige, Havells, Crompton, V-Guard, ELCOMA, Company annual reports, JM Financial

- **Companies with a diversified product portfolio poised to benefit:** Within organised players, we believe companies with a diversified product portfolio across electrical appliances (electricals/kitchen/ home appliances) are expected to outgrow peers on account of their strong bargaining positioning (with more products to offer to channel partners) and operating leverage.

Exhibit 29. Size of Opportunity (INR bn)

Size of Opportunity (INR bn)	Total market			Organised market		
	FY17	FY22E	CAGR	FY17	FY22E	CAGR
Havells	1,451	2,698	13%	1,120	2,243	15%
V-Guard	636	1,029	10%	436	780	12%
TTK Prestige	110	171	9%	62	112	13%
Bajaj Electricals	443	796	12%	255	552	17%

Source: Industry, JM Financial

- **Execution is of primary importance - maintain positive stance on Havells and V-Guard:** Given the similarity in product features, we believe the differentiation in products is not meaningful/long-lasting and hence continuous product/geography additions has become critical for companies to grow/outgrow peers. Historically, Havells and V-Guard have been able to scale-up their businesses from consumer electricals to diversified consumer electricals/durables with superior return ratios and premium positioning in the market. We believe the competition is going to intensify with their competitors also aiming for a diversified product portfolio (Usha, Orient, Crompton, TTK Prestige, Bajaj Electricals, etc.) and execution will be the key differentiator. The price comparison chart (Exhibit 30) indicates that: a) both companies are targeting a premium position b) they are engaging in brand-building efforts with brand stores (Havells Galaxy, Havells Gallery and Standard Gallery) and c) there is a marked expansion in product categories.

Exhibit 30. Price positioning across goods

Product Portfolio	Havells	V-Guard	Crompton	Bajaj Electricals	TTK Prestige	Usha	Orient
Fans and Coolers							
Ceiling Fan (1200mm)	●	●	●	●	NA	○	○
Cooler (70-75 Ltr)	●	NA	○	○	NA	●	●
Kitchen Appliances							
Pressure cookers (3 litres)	NA	NA	NA	NA	●	NA	NA
Induction Cooktop (1900-2000 Watt)	●	●	○	●	●	●	NA
Oven Toaster Grill (22-24 Litre)	●	NA	NA	●	NA	NA	NA
Mixer Grinder (500W)	●	●	●	●	●	●	○
Garment Care							
Iron (1000W)	●	NA	●	●	NA	○	○
Other Appliances							
Geyser (25L)	●	●	○	○	NA	●	●
Geyser (instant water heater -3L)	●	●	○	○	NA	●	●
Lighting							
CFL 15 Watt	●	NA	●	●	NA	NA	○
LED Bulb 15 Watt (Pack of 2)	●	NA	NA	●	NA	NA	●
LED Bulb 9 Watt (Pack of 2)	●	NA	●	●	NA	NA	●
Product Portfolio							
Electric Pump (1 HP)	●	●	○	NA	NA	●	NA
Electric Pump (0.5 HP)	●	●	○	NA	NA	●	NA

Source: Company, JM Financial; Legend: ● - High, ● - Medium, ○ - Low ; NA- Not Available

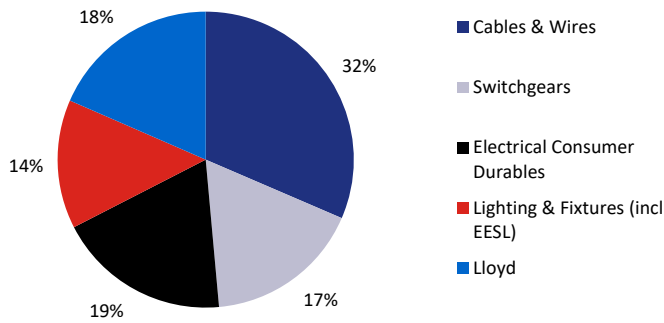
Exhibit 31. Retail distribution Network

Distribution Network	Dealers	Retailers	Brand Stores	Service centers
Havells	>7,500	>100K	513	>600
V-Guard	676	>25K	NA	200-250
TTK Prestige	NA	NA	>540	254
Bajaj	480	400K-500K	c.90	450

Source: Company, JM Financial

Exhibit 32. Havells: Revenue Mix

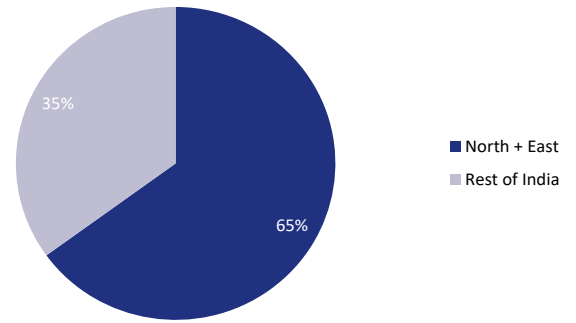
FY18E Revenue: INR 83bn; Revenue CAGR 18-20E: 18%



Source: Company, JM Financial

Exhibit 33. Havells: c.12-15% of revenue from UP and Bihar

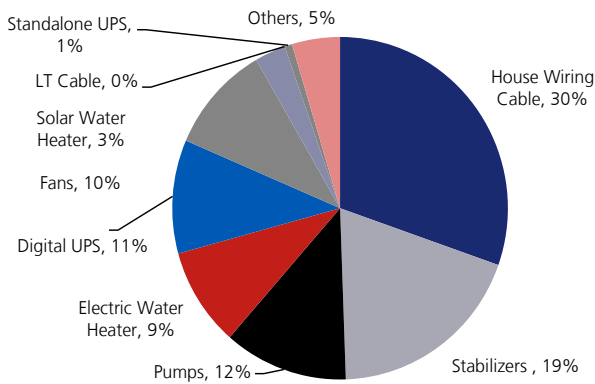
Havells FY17A Revenue Breakdown



Source: Company, JM Financial

Exhibit 34. V-Guard: Revenue Mix

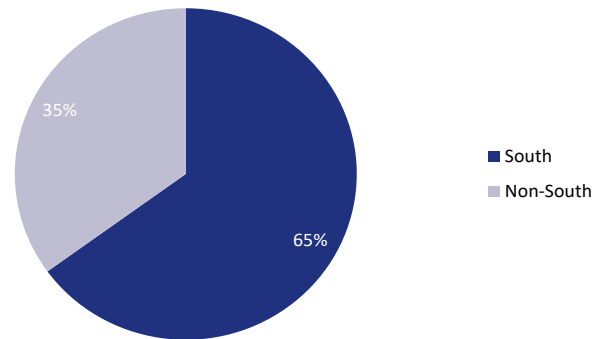
FY18E Revenue INR24.8bn; Revenue CAGR18-20E:18%



Source: Company, JM Financial

Exhibit 35. V-Guard: c.15% of revenue from UP and Bihar

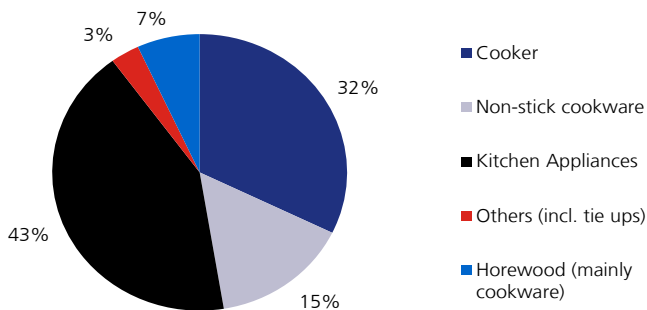
V-Guard FY17A Revenue Breakdown



Source: Company, JM Financial

Exhibit 36. TTK Prestige- Revenue Mix

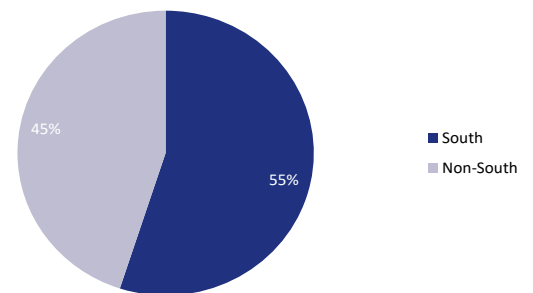
FY18E Revenue: INR 20.6bn; Revenue CAGR18-20E: 17%



Source: Company, JM Financial

Exhibit 37. TTK Prestige: less than 10% from UP and Bihar together

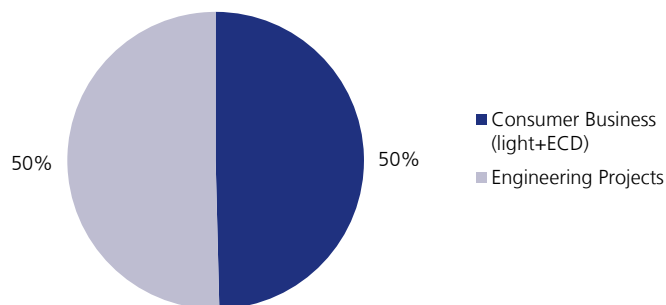
TTK Prestige FY17A Revenue Breakdown



Source: Company, JM Financial

Exhibit 38. Bajaj Electricals Revenue Breakdown

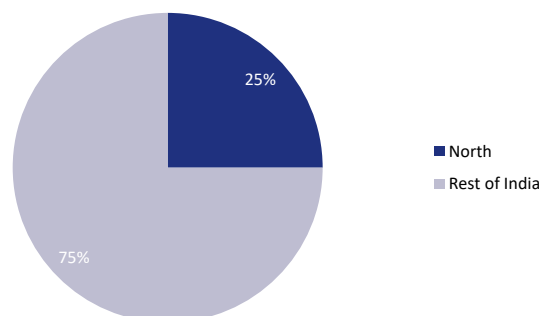
FY18E Revenue INR 45.2bn; Revenue CAGR 18-20E: 12%



Source: Company, JM Financial

Exhibit 39. Bajaj Electricals-10-15% from UP and Bihar (combined)

Bajaj Electricals FY17A Revenue Breakdown



Source: Company, JM Financial

Exhibit 40. Financial Metrics

	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
ROE								
Havells India (SA)	21.2%	25.6%	20.1%	19.2%	19.0%	19.6%	22.2%	23.2%
V-Guard	26.7%	24.2%	20.3%	26.3%	28.3%	25.3%	26.3%	26.7%
TTK Prestige	39.1%	21.4%	14.5%	17.5%	16.5%	17.9%	19.0%	20.1%
Bajaj Electricals	3.7%	-0.7%	-2.0%	15.3%	13.5%	14.7%	18.0%	19.7%
ROCE								
Havells India (SA)	21.0%	24.9%	20.0%	19.3%	18.4%	19.2%	21.9%	22.9%
V-Guard	21.0%	20.1%	19.5%	25.4%	28.5%	25.6%	26.5%	26.8%
TTK Prestige	33.5%	19.8%	14.7%	17.7%	16.0%	16.6%	18.0%	19.1%
Bajaj Electricals	7.5%	6.6%	5.2%	13.3%	10.5%	11.7%	14.0%	15.5%
ROIC								
Havells India (SA)	43.6%	57.7%	50.5%	45.7%	44.4%	35.4%	31.5%	38.3%
V-Guard	20.7%	19.7%	18.9%	25.1%	30.3%	30.3%	33.8%	37.3%
TTK Prestige	35.0%	20.1%	15.3%	18.4%	17.7%	18.5%	20.4%	22.4%
Bajaj Electricals	7.1%	5.8%	4.1%	12.1%	9.9%	11.0%	13.3%	14.8%
Net Working Capital (Days)								
Havells India (SA)	34	29	30	34	31	20	20	20
V-Guard	76	70	65	67	65	65	65	65
TTK Prestige	72	87	91	92	94	93	93	93
Bajaj Electricals	69	79	84	129	137	135	135	135
CFO/EBITDA								
Havells India (SA)	71%	95%	86%	70%	95%	87%	78%	77%
V-Guard	10%	90%	67%	74%	54%	54%	53%	51%
TTK Prestige	48%	53%	45%	43%	31%	86%	50%	49%
Bajaj Electricals	128%	-8%	137%	115%	178%	78%	34%	34%

Source: Company, JM Financial

Exhibit 41. Comparable Valuation Table

Company (MCap in INR bn)	CMP	M-Cap	P/E (x)			EV/EBITDA (x)			P/BV (x)			ROE(%)			FY18-20E CAGR			FY19 PEG
			FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	Sales	EBITDA	EPS	
Havells India (P)*	541	338	50.3	39.8	33.3	30.8	25.6	21.2	9.4	8.3	7.2	20%	22%	23%	18%	18%	23%	1.7
V-Guard India *	238	101	56.6	44.3	34.9	40.6	32.5	25.8	13.0	10.5	8.4	25%	26%	27%	17%	24%	27%	1.6
TTK Prestige *	6,362	73	45.0	37.6	31.5	29.3	23.9	20.1	7.5	6.8	5.9	18%	19%	20%	17%	20%	20%	1.9
Bajaj Electricals *	667	68	50.3	36.6	28.9	27.8	22.0	18.1	0.1	0.1	0.2	15%	18%	20%	12%	23%	32%	1.1
Crompton Greaves Consumer Electricals	232	145	44.8	35.9	29.0	27.7	23.1	19.3	19.7	14.8	11.5	50%	46%	44%	15%	20%	24%	1.5
Finolex Cables	695	106	27.7	24.4	21.3	22.1	19.1	16.6	4.9	4.3	3.7	18%	18%	18%	15%	15%	14%	1.7
Amber Enterprises	1,097	34	56.3	30.4	24.8	23.9	18.0	15.2	NA	NA	NA	8%	12%	13%	25%	25%	51%	0.6
Symphony	1,851	129	63.4	52.7	40.6	47.9	39.7	31.9	23.6	19.4	NA	40%	38%	NA	23%	23%	25%	2.1
Whirlpool of India	1,564	198	55.9	44.2	34.8	34.0	27.2	22.2	11.0	9.0	7.3	22%	23%	23%	17%	24%	27%	1.7
Hitachi Home	2,611	71	67.6	50.8	36.9	35.6	28.1	21.7	13.2	10.6	8.3	22%	23%	25%	17%	28%	35%	1.4
Blue Star	785	75	49.5	35.7	27.4	28.2	21.6	17.4	9.0	7.9	7.0	19%	23%	26%	17%	27%	34%	1.0
IFB Industries	1,217	49	57.7	37.6	25.5	29.1	20.8	15.2	9.0	7.3	5.6	17%	20%	24%	21%	38%	50%	0.7
Voltas	639	211	36.4	31.7	27.4	31.4	26.8	23.1	5.7	5.1	4.5	16%	17%	17%	15%	17%	15%	2.1
India Average- ECD			50.9	38.6	30.5	31.5	25.4	20.7	10.5	8.7	6.3	22%	23%	23%	18%	23%	29%	1.5
India Median -ECD			50.3	37.6	29.0	29.5	23.9	20.1	9.2	8.1	7.0	19%	22%	23%	17%	23%	27%	1.6

Source: Bloomberg, JM Financial; * JMF estimates

Havells India | BUY

Best in class; recent correction provides opportunity to enter

Havells India is now one of India's largest and fastest growing electrical equipment and consumer durables manufacturer (after the acquisition of Lloyd). It operates across the gamut of household, commercial and industrial electrical markets and has one of the most diversified product portfolio (switchgears, cables, wires, lighting, luminaires, fans, home appliances, kitchen appliances). We believe Havells could be a major beneficiary of India's improving macros given a) its strong brand recall, b) an expanding distribution network (increasing presence of Havells brand stores and standard/REO brand extension) and c) the increased penetration of consumer durables on higher income levels, improving access to power and preference for brands. We upgrade the stock to BUY on the recent correction, with an unchanged Mar'19 TP of INR 650 (potential upside of c.20%).

- Unparalleled Consumer Electricals brand, portfolio and distribution:** Havells has a diversified product portfolio (switchgears, cables, wires, lighting, luminaires, fans, home appliances, kitchen appliances, etc.) in addition to an unparalleled brand (first company to brand electricals products) and distribution network. Havells is among the top 5 players in most of its product categories. The company continues to invest in brand shops (414 galaxy, 72 gallery and 27 standard gallery stores), showcasing its diversified product base.
- Macro improvement to benefit Havells immensely:** While over 75% of revenue comes from Consumer Electrical Durable Products, the company is now also actively focusing on B2B and has set up a dedicated team to help convert opportunities for individual business teams. This – coupled with improvement in micros/macros – would tremendously help Havells deliver double-digit growth in the electricals business. Our recent visits to rural areas suggest increasing preferences for branded products (TV ads play an important role) and improving access to power in UP and Bihar would benefit Havells going forward.
- Lloyd has significant growth opportunity:** Havells acquired Lloyd, a white goods business and brand in May'16 (70% revenue from AC, 30% from TV and washing machines) and is currently in the process of strengthening the team. White goods are a USD 10bn opportunity and expected to post a 12-15% CAGR over the medium term. Lloyd is already among the top 3 players in ACs and has a formidable distribution set-up in tier 2-3 towns. Given Havells' execution track record in new product development/scale-up, we believe it could become a dominant player in the white goods range over the long term.
- Strong balance sheet and cash flow generation:** Havells has reported strong 22%/24%/28% revenue/EBITDA/PAT CAGR over FY05-17. It has remained debt free since FY12 (net cash at consolidated level after the Sylvania exit in Dec'15) and boasts of significant ROICs (30-65%) in the past. It has the best working capital management (first to start channel financing in the electricals industry) and generates strong cash flows.
- Upgrade to BUY:** We value the stock at 40x FY20E EPS and arrive at a Mar'19 TP of INR 650. There is no revision in earnings and TP. The recent correction makes Havells an attractive stock to enter/accumulate. We upgrade from HOLD to BUY.



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	HOLD
Current Price Target (12M)	650
Upside/(Downside)	20.1%
Previous Price Target	650
Change	0%

Key Data – HAVL IN

Current Market Price	INR541
Market cap (bn)	INR338.2/US\$5.1
Free Float	34%
Shares in issue (mn)	624.6
Diluted share (mn)	625.1
3-mon avg daily val (mn)	INR953.5/US\$14.4
52-week range	593/434
Sensex/Nifty	34,617/10,614
INR/US\$	66.4

Price Performance

%	1M	6M	12M
Absolute	9.8	7.5	11.8
Relative*	3.4	1.2	-4.3

* To the BSE Sensex

Financial Summary

Y/E March	FY16A	FY17A	FY18E	FY19E	FY20E
Net Sales	53,783	61,353	82,975	98,484	1,14,599
Sales Growth (%)	2.7	14.1	35.2	18.7	16.4
EBITDA	7,549	8,241	10,682	12,651	14,952
EBITDA Margin (%)	14.0	13.4	12.9	12.8	13.0
Adjusted Net Profit	5,115	5,918	6,721	8,500	10,165
Diluted EPS (INR)	8.2	9.5	10.8	13.6	16.3
Diluted EPS Growth (%)	13.2	15.6	13.5	26.5	19.6
ROIC (%)	45.7	44.7	35.4	31.5	38.3
ROE (%)	19.2	19.0	19.6	22.2	23.2
P/E (x)	66.7	57.7	50.8	40.2	33.6
P/B (x)	11.5	10.4	9.5	8.4	7.3
EV/EBITDA (x)	43.4	39.3	31.1	25.9	21.4
Dividend Yield (%)	1.1	0.5	0.9	0.9	0.9

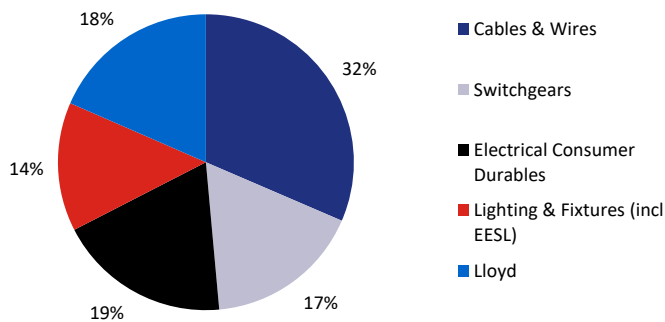
Source: Company data, JM Financial. Note: Valuations as of 24/Apr/2018

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters
S&P Capital IQ and FactSet

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Exhibit 1. Revenue Breakdown

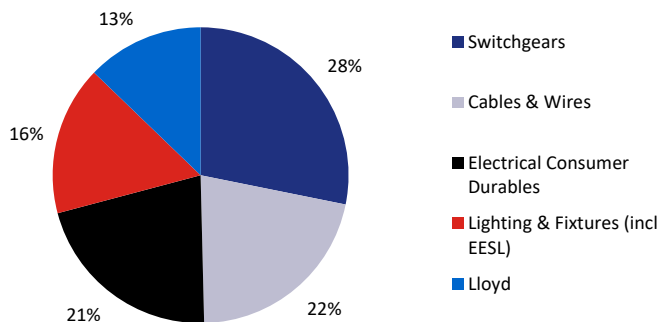
FY18 Revenue: INR 83bn; Revenue CAGR 18-20E: 18%



Source: Company, JM Financial

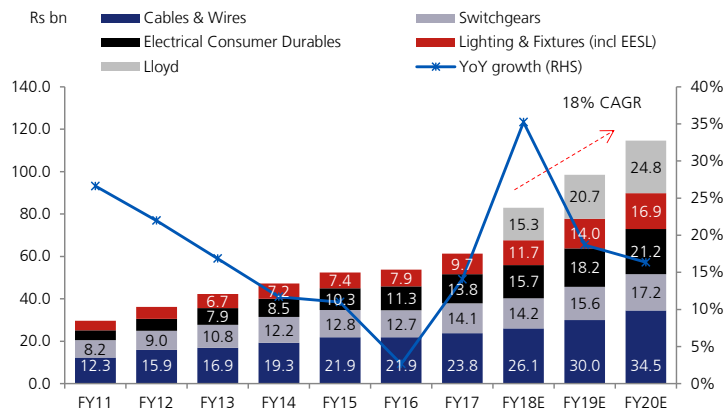
Exhibit 2. Contribution Mix

FY18 Contribution: INR 20bn



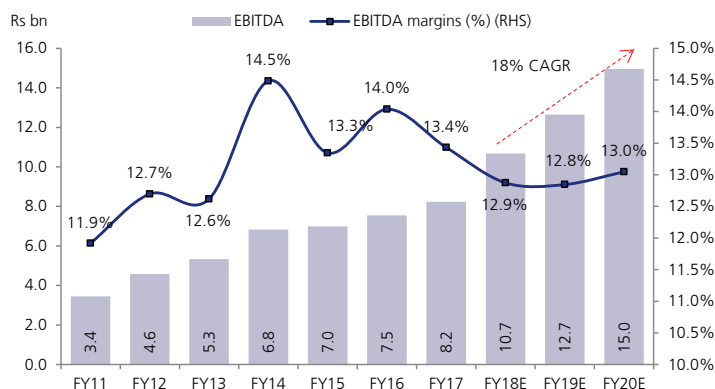
Source: Company, JM Financial

Exhibit 3. Revenue Trend



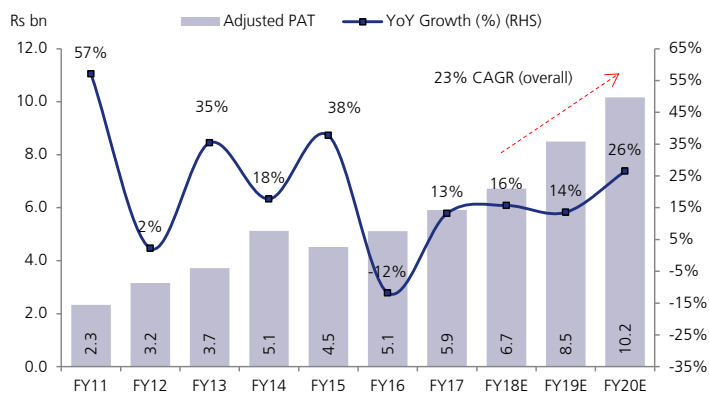
Source: Company, JM Financial

Exhibit 4. EBITDA Trend



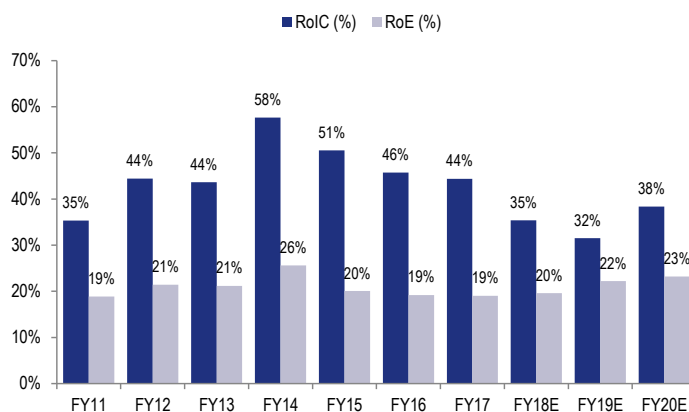
Source: Company, JM Financial

Exhibit 5. PAT Trend



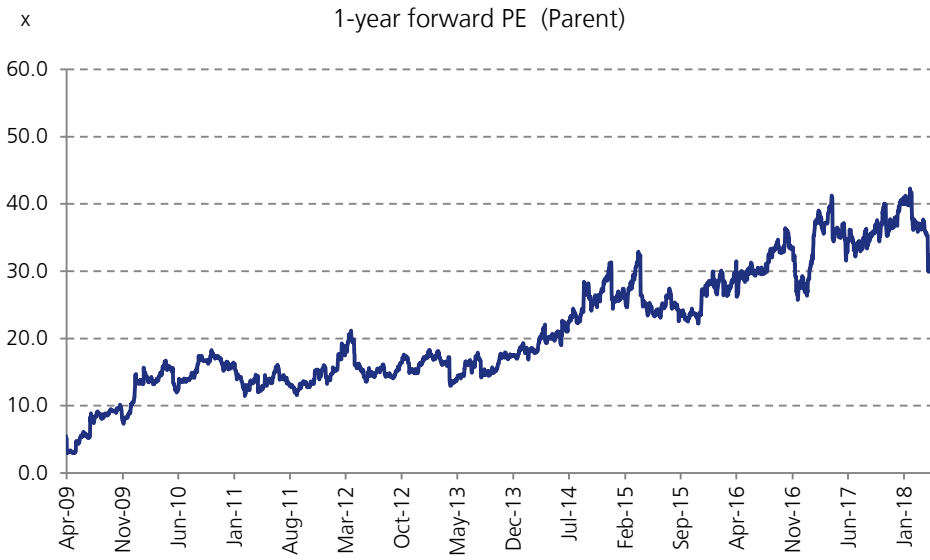
Source: Company, JM Financial

Exhibit 6. Return Ratios



Source: Company, JM Financial

Exhibit 7. PE Band (1-year forward)



Source: Company, JM Financial

Financial Tables (Standalone)

Income Statement						(INR mn)
Y/E March	FY16A	FY17A	FY18E	FY19E	FY20E	
Net Sales	53,783	61,353	82,975	98,484	1,14,599	
Sales Growth	2.7%	14.1%	35.2%	18.7%	16.4%	
Other Operating Income	0	0	0	0	0	
Total Revenue	53,783	61,353	82,975	98,484	1,14,599	
Cost of Goods Sold/Op. Exp	31,735	36,485	51,051	60,568	70,249	
Personnel Cost	3,708	5,004	6,762	7,776	8,709	
Other Expenses	10,791	11,623	14,480	17,489	20,688	
EBITDA	7,549	8,241	10,682	12,651	14,952	
EBITDA Margin	14.0%	13.4%	12.9%	12.8%	13.0%	
EBITDA Growth	8.0%	9.2%	29.6%	18.4%	18.2%	
Depn. & Amort.	1,049	1,196	1,418	1,560	1,716	
EBIT	6,500	7,045	9,264	11,091	13,237	
Other Income	719	1,206	536	1,000	1,200	
Finance Cost	127	122	206	120	120	
PBT before Excep. & Forex	7,091	8,129	9,593	11,971	14,317	
Excep. & Forex Inc./Loss(-)	-25	137	0	0	0	
PBT	7,066	8,266	9,593	11,971	14,317	
Taxes	1,970	2,298	2,873	3,472	4,152	
Extraordinary Inc./Loss(-)	2,024	-578	180	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	7,120	5,390	6,901	8,500	10,165	
Adjusted Net Profit	5,115	5,918	6,721	8,500	10,165	
Net Margin	9.5%	9.6%	8.1%	8.6%	8.9%	
Diluted Share Cap. (mn)	624.6	624.9	625.1	625.1	625.1	
Diluted EPS (INR)	8.2	9.5	10.8	13.6	16.3	
Diluted EPS Growth	13.2%	15.6%	13.5%	26.5%	19.6%	
Total Dividend + Tax	4,511	2,256	3,762	3,762	3,762	
Dividend Per Share (INR)	6.0	3.0	5.0	5.0	5.0	

Source: Company, JM Financial

Balance Sheet						(INR mn)
Y/E March	FY16A	FY17A	FY18E	FY19E	FY20E	
Shareholders' Fund	29,537	32,736	35,875	40,613	47,016	
Share Capital	625	625	625	625	625	
Reserves & Surplus	28,912	32,111	35,250	39,987	46,391	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	29	2,010	1,000	1,000	1,000	
Def. Tax Liab. / Assets (-)	863	1,138	1,228	1,228	1,228	
Total - Equity & Liab.	30,428	35,883	38,103	42,841	49,244	
Net Fixed Assets	12,086	12,777	27,845	28,086	28,170	
Gross Fixed Assets	13,080	15,012	31,499	33,299	35,099	
Intangible Assets	0	0	0	0	0	
Less: Depn. & Amort.	1,200	2,355	3,773	5,332	7,048	
Capital WIP	205	119	119	119	119	
Investments	4,627	3,891	1,851	1,851	1,851	
Current Assets	24,177	32,933	30,458	39,077	49,678	
Inventories	7,844	9,284	13,640	16,189	18,838	
Sundry Debtors	1,576	2,285	5,001	5,936	6,907	
Cash & Bank Balances	13,652	19,375	9,829	14,964	21,945	
Loans & Advances	1,105	1,988	1,988	1,988	1,988	
Other Current Assets	0	0	0	0	0	
Current Liab. & Prov.	10,462	13,717	22,051	26,172	30,455	
Current Liabilities	4,363	6,296	14,094	16,729	19,466	
Provisions & Others	6,098	7,421	7,957	9,444	10,989	
Net Current Assets	13,715	19,216	8,407	12,904	19,223	
Total - Assets	30,428	35,883	38,103	42,841	49,244	

Source: Company, JM Financial

Cash Flow Statement						(INR mn)
Y/E March	FY16A	FY17A	FY18E	FY19E	FY20E	
Profit before Tax	9,090	7,690	9,773	11,971	14,317	
Depn. & Amort.	1,050	1,200	1,418	1,560	1,716	
Net Interest Exp. / Inc. (-)	-450	-1,084	-329	-880	-1,080	
Inc (-) / Dec in WCap.	-950	1,340	1,263	637	662	
Others	-2,034	744	91	0	0	
Taxes Paid	-1,446	-2,070	-2,873	-3,472	-4,152	
Operating Cash Flow	5,260	7,820	9,342	9,817	11,463	
Capex	-1,770	-2,390	-16,486	-1,800	-1,800	
Free Cash Flow	3,490	5,430	-7,144	8,017	9,663	
Inc (-) / Dec in Investments	9,050	80	2,040	0	0	
Others	853	934	536	1,000	1,200	
Investing Cash Flow	8,133	-1,376	-13,911	-800	-600	
Inc / Dec (-) in Capital	0	0	0	0	0	
Dividend + Tax thereon	-4,510	-2,260	-3,762	-3,762	-3,762	
Inc / Dec (-) in Loans	-434	1,530	-1,010	0	0	
Others	-21	10	-206	-120	-120	
Financing Cash Flow	-4,965	-720	-4,978	-3,882	-3,882	
Inc / Dec (-) in Cash	8,428	5,724	-9,546	5,135	6,981	
Opening Cash Balance	5,223	13,652	19,375	9,829	14,964	
Closing Cash Balance	13,651	19,376	9,829	14,964	21,945	

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY16A	FY17A	FY18E	FY19E	FY20E
Net Margin	9.5%	9.6%	8.1%	8.6%	8.9%
Asset Turnover (x)	1.9	1.9	2.2	2.4	2.5
Leverage Factor (x)	1.0	1.1	1.1	1.1	1.1
RoE	19.2%	19.0%	19.6%	22.2%	23.2%

Key Ratios					
Y/E March	FY16A	FY17A	FY18E	FY19E	FY20E
BV/Share (INR)	47.3	52.4	57.4	65.0	75.2
ROIC	45.7%	44.7%	35.4%	31.5%	38.3%
ROE	19.2%	19.0%	19.6%	22.2%	23.2%
Net Debt/Equity (x)	-0.5	-0.5	-0.2	-0.3	-0.4
P/E (x)	66.7	57.7	50.8	40.2	33.6
P/B (x)	11.5	10.4	9.5	8.4	7.3
EV/EBITDA (x)	43.4	39.3	31.1	25.9	21.4
EV/Sales (x)	6.1	5.3	4.0	3.3	2.8
Debtor days	11	14	22	22	22
Inventory days	53	55	60	60	60
Creditor days	34	43	71	71	71

Source: Company, JM Financial

V-Guard Industries | BUY

Set to scale new heights

We continue to maintain our BUY rating on V-Guard on the back of its strong execution track record in terms of a scale-up in distribution, its geographical and product portfolio expansion and consequently improved financial performance (revenue/EBITDA/PAT CAGR of 25%/24%/28%, respectively, over FY07-17). The non-South market, which accounts for c.35% of the company's revenue, is expected to grow rapidly on account of a) expanding distribution and product offerings (stabilisers, wires, invertors, fans, etc.) and b) deeper penetration (per distributor revenue in non-South is 1/3rd of South). Our channel checks in rural UP and Bihar (constitute c.15% of its revenue) indicate favourable acceptance of V-Guard's products ('quality products') and bolster our faith in the company. Our estimates and target price (INR 270, implying 13% upside) remain unchanged.

- Key ingredients in place (expanding product portfolio/brand/distribution); strong growth momentum to continue:** Over the past decade, V-Guard has diversified from being a stabiliser to a multi-product company. It enjoys a significant brand recall in South India and is swiftly recreating this in the non-South market (spends 6-8% of revenue here vs. 4% in the South). It continues to focus immensely on distribution, especially in the non-South region (30% CAGR in distributors over FY08-17; revenue per distributor in non-South is only 1/3rd of South). Management believes the company can record 15% revenue CAGR over the next few years on a) continuous expansion in market share (overall, it caters to an INR 750bn-800bn market size with a market share as low as 2-3%) through innovative product expansion across markets, especially non-South, b) reinventing its corporate brand, product design and packaging to appeal to the young generation and c) distribution reach expansion (focus on retailers: tracking with an automated tool).
- Widespread unorganised presence offers an opportunity; GST rate reduction augurs well:** We expect GST rollout to augur well for V-Guard over the medium term as it would narrow the price gap for 60% of its revenue stream and speed up sector formalisation. The unorganised segment contributes 30-70% to V-Guard's products and has been saving/evading taxes by under-reporting/non-reporting. Additionally, the implementation of the e-way bill and expected stricter compliance push from tax authorities augurs well for V-Guard to leverage its brand, quality of products and distribution expansion.
- Demonstration of execution capability:** We believe V-Guard's distribution scale-up in new markets during a tough economic environment – without hurting overall profitability (as incumbents react aggressively to new competition in a low-growth scenario) – speaks volumes about management's execution capability.
- Estimates and TP unchanged:** We maintain our TP (INR 270, implying 13% upside) and estimates (revenue/EBITDA/net profit CAGR of 15%/17%/21% over FY17-20E; ROE/ROCEs >20%). The stock currently trades at 36.0x and 26.6x Mar'20 PER and EV/EBITDA, respectively. **Key Risks:** a) Unfavourable climatic conditions, which could have a negative impact (stabilisers, fans and pumps contribute c.50% to EBITDA) and b) an increase in competitive intensity.



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	270
Upside/(Downside)	13.2%
Previous Price Target	270
Change	0%

Key Data – VGRD IN

Current Market Price	INR239
Market cap (bn)	INR101.6/US\$1.5
Free Float	9%
Shares in issue (mn)	424.7
Diluted share (mn)	424.7
3-mon avg daily val (mn)	INR291.7/US\$4.4
52-week range	255/165
Sensex/Nifty	34,617/10,614
INR/US\$	66.4

Price Performance

%	1M	6M	12M
Absolute	7.6	20.7	27.0
Relative*	1.4	13.7	8.8

* To the BSE Sensex

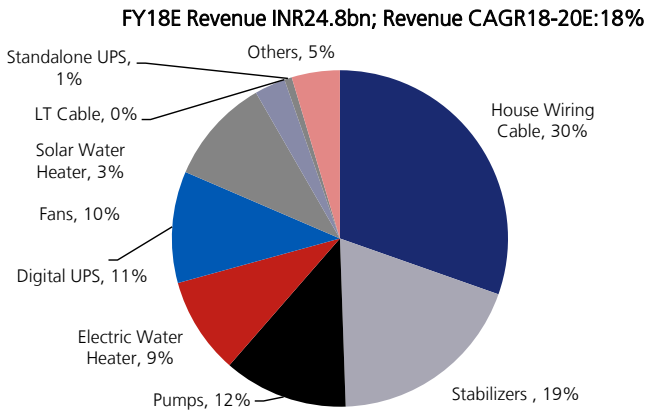
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Thomson Publisher & Reuters
S&P Capital IQ and FactSet

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Financial Summary					(INR mn)
Y/E March	FY16A	FY17A	FY18E	FY19E	FY20E
Net Sales	18,064	20,798	24,399	28,211	33,371
Sales Growth (%)	3.5	15.1	17.3	15.6	18.3
EBITDA	1,780	2,217	2,452	3,059	3,792
EBITDA Margin (%)	9.9	10.7	10.1	10.8	11.4
Adjusted Net Profit	1,117	1,566	1,788	2,287	2,900
Diluted EPS (INR)	2.7	3.7	4.2	5.4	6.8
Diluted EPS Growth (%)	57.3	39.1	14.1	27.9	26.8
ROIC (%)	25.1	30.3	30.3	33.8	37.3
ROE (%)	26.3	28.3	25.3	26.3	26.7
P/E (x)	92.0	66.1	58.0	45.3	35.7
P/B (x)	21.8	16.3	13.4	10.8	8.6
EV/EBITDA (x)	58.2	46.3	41.6	32.9	26.2
Dividend Yield (%)	0.2	0.0	0.3	0.3	0.4

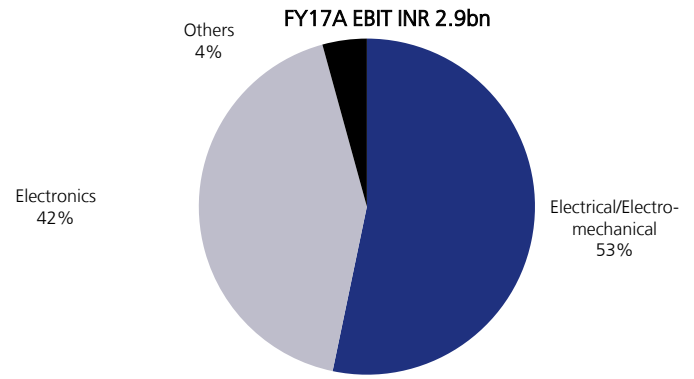
Source: Company data, JM Financial. Note: Valuations as of 24/Apr/2018

Exhibit 1. Revenue Breakdown



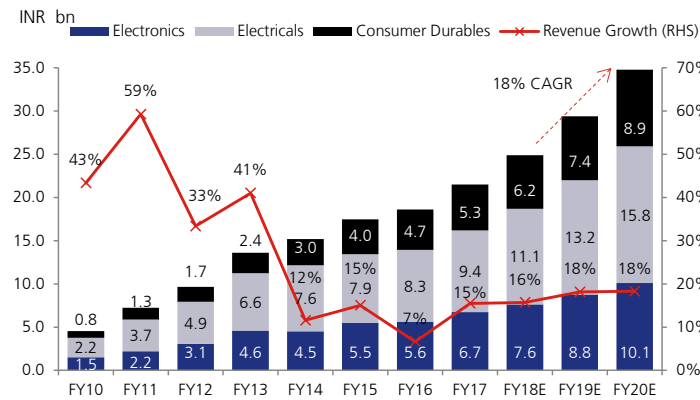
Source: Company, JM Financial

Exhibit 2. Segmental EBIT Breakdown



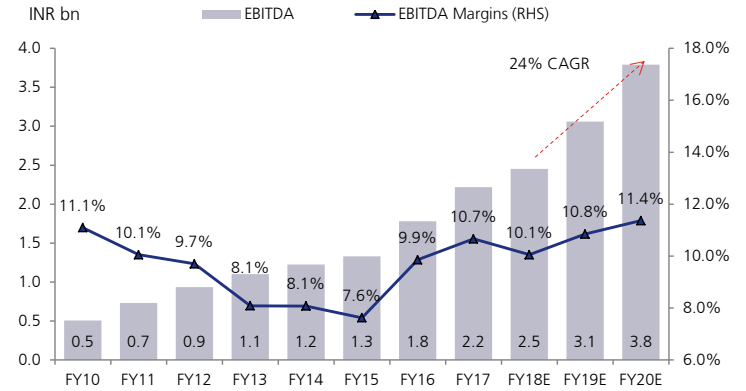
Source: Company, JM Financial

Exhibit 3. Revenue Trend



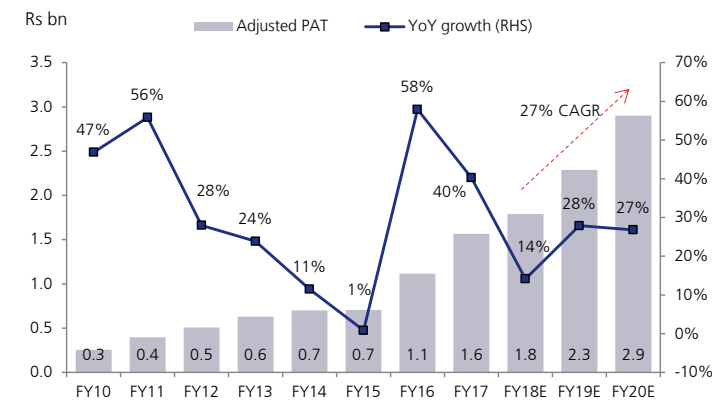
Source: Company, JM Financial

Exhibit 4. EBITDA Trend



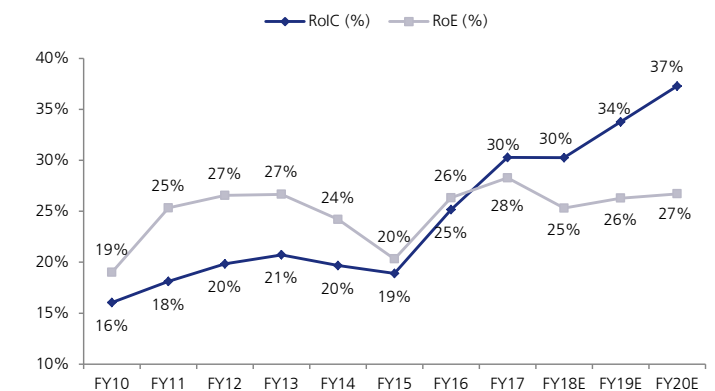
Source: Company, JM Financial

Exhibit 5. PAT Trend



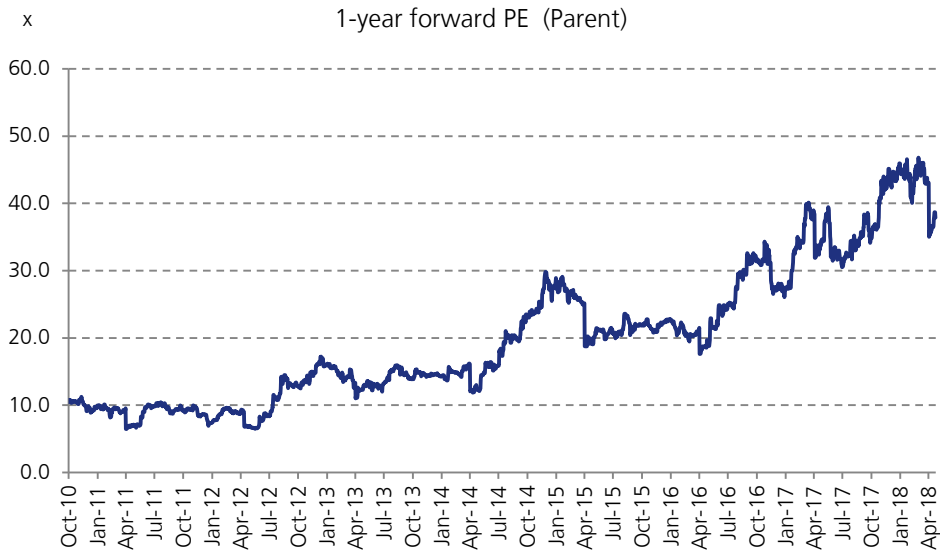
Source: Company, JM Financial

Exhibit 6. Return Ratios



Source: Company, JM Financial

Exhibit 7. PE Band (1-year forward)



Source: Company, JM Financial

Financial Tables (Standalone)

Income Statement						(INR mn)
Y/E March	FY16A	FY17A	FY18E	FY19E	FY20E	
Net Sales	18,064	20,798	24,399	28,211	33,371	
Sales Growth	3.5%	15.1%	17.3%	15.6%	18.3%	
Other Operating Income	0	0	0	0	0	
Total Revenue	18,064	20,798	24,399	28,211	33,371	
Cost of Goods Sold/Op. Exp	13,123	14,780	17,326	19,889	23,526	
Personnel Cost	1,108	1,340	1,676	1,927	2,216	
Other Expenses	2,052	2,460	2,945	3,336	3,836	
EBITDA	1,780	2,217	2,452	3,059	3,792	
EBITDA Margin	9.9%	10.7%	10.1%	10.8%	11.4%	
EBITDA Growth	33.8%	24.6%	10.6%	24.7%	23.9%	
Depn. & Amort.	154	162	188	190	205	
EBIT	1,627	2,055	2,265	2,869	3,587	
Other Income	72	135	123	200	300	
Finance Cost	89	21	19	20	20	
PBT before Excep. & Forex	1,610	2,169	2,368	3,049	3,867	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	1,610	2,169	2,368	3,049	3,867	
Taxes	493	584	566	762	967	
Extraordinary Inc./Loss(-)	0	-67	-55	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	1,117	1,518	1,746	2,287	2,900	
Adjusted Net Profit	1,117	1,566	1,788	2,287	2,900	
Net Margin	6.2%	7.5%	7.3%	8.1%	8.7%	
Diluted Share Cap. (mn)	421.2	424.7	424.7	424.7	424.7	
Diluted EPS (INR)	2.7	3.7	4.2	5.4	6.8	
Diluted EPS Growth	57.3%	39.1%	14.1%	27.9%	26.8%	
Total Dividend + Tax	253	0	358	409	460	
Dividend Per Share (INR)	0.5	0.0	0.7	0.8	0.9	

Source: Company, JM Financial

Balance Sheet						(INR mn)
Y/E March	FY16A	FY17A	FY18E	FY19E	FY20E	
Shareholders' Fund	4,708	6,371	7,760	9,638	12,078	
Share Capital	301	425	425	425	425	
Reserves & Surplus	4,407	5,946	7,335	9,213	11,653	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	104	57	0	0	0	
Def. Tax Liab. / Assets (-)	75	54	5	-25	-64	
Total - Equity & Liab.	4,886	6,483	7,765	9,612	12,014	
Net Fixed Assets	1,611	1,788	1,900	1,960	2,004	
Gross Fixed Assets	2,526	2,746	3,046	3,296	3,546	
Intangible Assets	0	0	0	0	0	
Less: Depn. & Amort.	916	1,062	1,250	1,440	1,645	
Capital WIP	1	104	104	104	104	
Investments	194	891	891	891	891	
Current Assets	5,360	6,728	8,156	10,441	13,471	
Inventories	2,047	2,736	3,209	3,710	4,388	
Sundry Debtors	2,792	3,193	3,476	4,019	4,754	
Cash & Bank Balances	76	157	862	2,007	3,494	
Loans & Advances	445	642	610	705	834	
Other Current Assets	0	0	0	0	0	
Current Liab. & Prov.	2,279	2,925	3,183	3,680	4,353	
Current Liabilities	1,511	2,206	2,340	2,705	3,200	
Provisions & Others	768	719	843	975	1,153	
Net Current Assets	3,081	3,803	4,973	6,761	9,118	
Total - Assets	4,886	6,483	7,765	9,612	12,014	

Source: Company, JM Financial

Cash Flow Statement						(INR mn)
Y/E March	FY16A	FY17A	FY18E	FY19E	FY20E	
Profit before Tax	1,610	2,102	2,368	3,049	3,867	
Depn. & Amort.	154	162	188	190	205	
Net Interest Exp. / Inc. (-)	60	-46	-103	-180	-280	
Inc (-) / Dec in WCap.	-116	-501	-466	-643	-870	
Others	102	128	-104	-30	-39	
Taxes Paid	-498	-656	-566	-762	-967	
Operating Cash Flow	1,311	1,189	1,316	1,624	1,917	
Capex	-140	-422	-300	-250	-250	
Free Cash Flow	1,171	767	1,016	1,374	1,667	
Inc (-) / Dec in Investments	-194	-687	0	0	0	
Others	18	56	123	200	300	
Investing Cash Flow	-316	-1,053	-177	-50	50	
Inc / Dec (-) in Capital	31	92	0	0	0	
Dividend + Tax thereon	-325	-91	-358	-409	-460	
Inc / Dec (-) in Loans	-574	-47	-57	0	0	
Others	-73	-10	-19	-20	-20	
Financing Cash Flow	-941	-55	-434	-429	-480	
Inc / Dec (-) in Cash	54	81	705	1,145	1,487	
Opening Cash Balance	22	76	157	862	2,007	
Closing Cash Balance	76	157	862	2,007	3,494	

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY16A	FY17A	FY18E	FY19E	FY20E
Net Margin	6.2%	7.5%	7.3%	8.1%	8.7%
Asset Turnover (x)	3.8	3.7	3.4	3.2	3.1
Leverage Factor (x)	1.1	1.0	1.0	1.0	1.0
RoE	26.3%	28.3%	25.3%	26.3%	26.7%

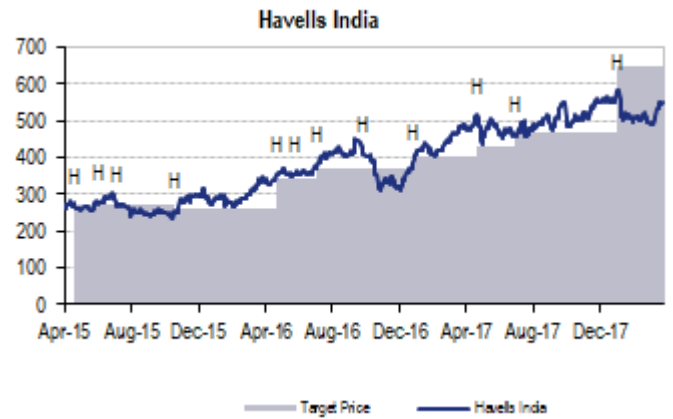
Key Ratios					
Y/E March	FY16A	FY17A	FY18E	FY19E	FY20E
BV/Share (INR)	11.2	15.0	18.3	22.7	28.4
ROIC	25.1%	30.3%	30.3%	33.8%	37.3%
ROE	26.3%	28.3%	25.3%	26.3%	26.7%
Net Debt/Equity (x)	0.0	-0.2	-0.2	-0.3	-0.4
P/E (x)	92.0	66.1	58.0	45.3	35.7
P/B (x)	21.8	16.3	13.4	10.8	8.6
EV/EBITDA (x)	58.2	46.3	41.6	32.9	26.2
EV/Sales (x)	5.7	4.9	4.2	3.6	3.0
Debtor days	56	56	52	52	52
Inventory days	41	48	48	48	48
Creditor days	34	43	39	39	39

Source: Company, JM Financial

History of Earnings Estimate and Target Price

Date	Recommendation	Target Price	% Chg.
14-May-15	Hold	270	
24-Jun-15	Hold	270	0.0
28-Jul-15	Hold	270	0.0
10-Nov-15	Hold	260	-3.7
16-May-16	Hold	340	30.8
16-Jun-16	Hold	340	0.0
25-Jul-16	Hold	370	8.8
20-Oct-16	Hold	370	0.0
19-Jan-17	Hold	400	8.1
15-May-17	Hold	430	7.5
21-Jul-17	Hold	470	9.3
24-Jan-18	Hold	650	38.3

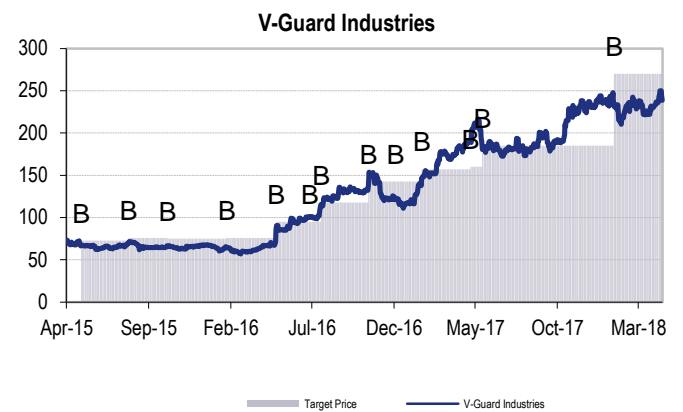
Recommendation History



History of Earnings Estimate and Target Price

Date	Recommendation	Target Price	% Chg.
26-Nov-14	B	89	
20-Jan-15	B	86	-4.0
8-May-15	B	73	-15.0
4-Aug-15	B	76	3.9
16-Oct-15	B	75	-0.9
3-Feb-16	B	76	1.0
5-May-16	B	95	25.5
7-Jul-16	B	95	0.0
28-Jul-16	B	118	24.1
24-Oct-16	B	143	21.2
13-Dec-16	B	143	0.0
31-Jan-17	B	157	10.0
2-May-17	B	160	1.8
24-May-17	B	185	15.6
24-Jan-18	B	270	45.9

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

(formerly known as JM Financial Securities Limited)

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd., National Stock Exchange of India Ltd. and Metropolitan Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst – INH000000610

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Rating	Meaning
Buy	Total expected returns of more than 15%. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 15% upside from the current market price.
Sell	Price expected to move downwards by more than 10%

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