

How does our one year outlook change?

- Crompton Greaves (CRG) revenues (standalone) is expected to grow by 10% y-o-y with relatively healthy growth in the consumer segment (15% y-o-y contributed by fans and lighting growth) compensating for weakness in power (2% y-o-y growth). Industrial segment is expected to grow by 10% y-o-y
- EBITDA margin in the standalone business is expected to improve to 8.4% in FY16E vs. 7.7% in FY15 primarily due to improved margins in the consumer durable segment on the back of better product mix, benign commodity prices and operating leverage. Margins in the overseas business is expected to witness only moderate improvement in FY16E. Low margin orders and risks of execution delays are expected to keep international power segment margins capped
- Valuation at which the international power systems operations (in Europe, North America and Indonesia) which are to be sold over the next 12 months is a key monitorable
- Operational performance of international power segment continues to remain a concern. Recovery in the domestic power and industrial segments are expected to be gradual given the competition currently prevailing. Strong growth and margins in the consumer durable segment is the only silver lining. Considering the demerger of the consumer business, we value CRG on an SoTP basis. We assign 20x on FY17E earnings for the consumer segment and 10x for the domestic power and industrial segment and assign 1x book value for investment in international business (Rs. 12.5bn) thereby arriving at a target price of Rs. 167. Maintain 'Sell' rating

How does our 3 year outlook change?

- Our three year outlook on CRG's power segment remain cautious.
- Growth and margin in the residual automation and industrial businesses (international) post the potential sale of international power assets over the next one year is a monitorable. Growth in the domestic power and industrial segment is expected to witness gradual recovery driven by improving demand environment
- We have a positive long term outlook on the consumer segment due to leadership positioning in fans and lighting (75% of sales) with superior RoCE (>50%). Market leadership (among top three position) in fans, lighting and pumps segments, strong branding and distribution network should drive both growth and margins ahead of its peers

1QFY16 Update				27 July, 2015	
Promoters	34.4			Bloomberg	CRG IN
Institutions	46.4			Shares o/s	627mn
Public	19.2			Market Cap	Rs. 114.0bn
	1m	3m	12m	52-wk High-Low	Rs. 231-145
CRG	12%	11%	-10%	3m Avg. Daily Vol	Rs. 501mn
Sensex	1%	2%	7%	Index	BSE 100
CG Index	4%	9%	15%		

Key estimate revision - Consolidated

	FY16E			FY17E		
	Old	New	Change	Old	New	Change
Revenue	1,57,625	1,52,702	-3.1%	1,76,974	1,70,258	-3.8%
EBITDA	8,853	8,077	-8.8%	10,778	9,645	-10.5%
Margin (%)	5.6%	5.3%	-33 bps	6.1%	5.7%	-43 bps
PAT	4,032	3,665	-9.1%	5,158	4,609	-10.6%
PAT Margin	2.6%	2.4%	-16 bps	2.9%	2.7%	-21 bps
EPS	6.4	5.8	-9.1%	8.2	7.4	-10.6%

All figures in Rs. mn, except EPS, which is in Rs.

Financial summary - Consolidated

Year	Revenues (Rs. mn)	EBITDA (Rs. mn)	PAT (Rs. mn)	EPS (Rs.)	P/E (x)	RoE (%)
FY15	1,40,131	5,950	1,366	2.2	83.5	3.6
FY16E	1,52,702	8,077	3,665	5.8	31.1	9.2
FY17E	1,70,258	9,645	4,609	7.4	24.8	10.8

Consolidated Financial Result

Rs. mn\Period	30-Jun-15	30-Jun-14	YoY Growth	31-Mar-15	QoQ Growth
Revenues	31,658	34,415	-8.0%	38,081	-16.9%
Material cost	21,602	23,121	-6.6%	25,971	-16.8%
Employee cost	4,721	5,071	-6.9%	5,042	-6.4%
Other expenditure	4,017	4,420	-9.1%	6,047	-33.6%
Operating Expenses	30,339	32,612	-7.0%	37,060	-18.1%
EBITDA	1,319	1,803	-26.8%	1,021	29.2%
EBITDA margin (%)	4.2%	5.2%	-107 bps	2.7%	149 bps
Depreciation	680	671	1.4%	623	9.2%
Other income	456	310	46.8%	189	141.2%
EBIT	1,095	1,443	-24.1%	587	86.5%
Interest	280	245	14.4%	298	-6.0%
PBT	815	1,198	-32.0%	289	181.9%
Tax	653	550	18.8%	336	94.6%
Effective tax rate	80.1%	45.9%		116.1%	
PAT	162	649	-75.0%	-47	NA
PAT margin (%)	0.5%	1.9%	-137 bps	-0.1%	63 bps
EPS (Rs.)	0.3	1.0	-75.0%	(0.1)	NA

Consolidated Segment Analysis

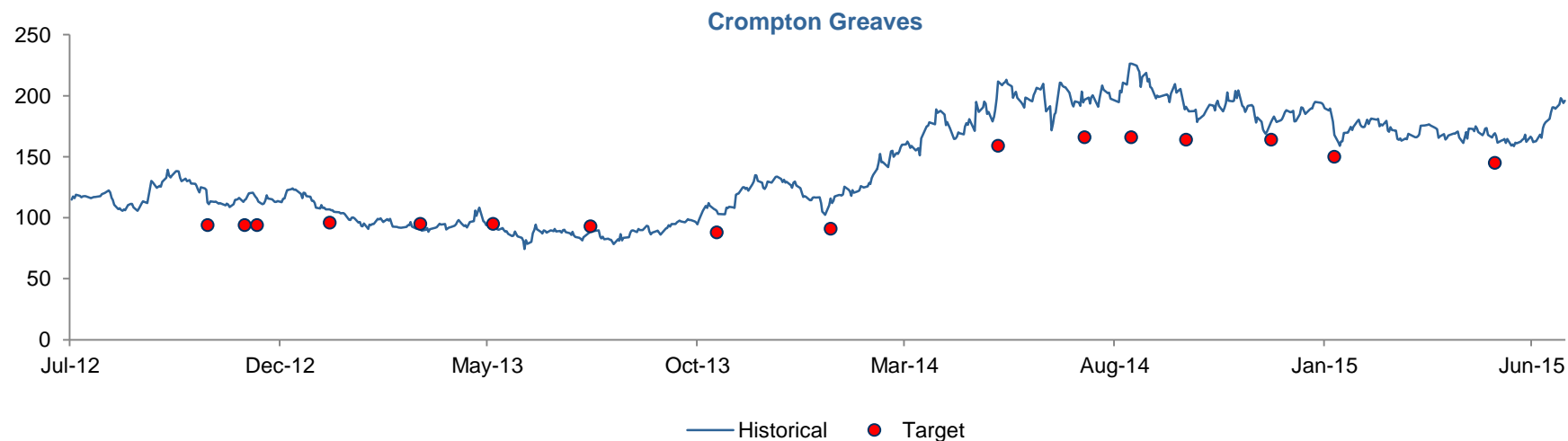
Rs. mn\Period	30-Jun-15	30-Jun-14	YoY Growth	31-Mar-15	QoQ Growth
Revenues					
Power Systems	16,353	20,193	-19.0%	23,503	-30.4%
Consumer Products	9,708	8,611	12.7%	9,053	7.2%
Industrial Systems	4,587	4,526	1.3%	4,722	-2.9%
Total	31,658	34,415	-8.0%	38,081	-16.9%
EBIT					
Power Systems	-717	356	NA	208	NA
Consumer Products	1,387	1,087	27.6%	1,186	16.9%
Industrial Systems	341	308	10.6%	387	-11.8%
Total Adj. EBIT	1,095	1,443	-24.1%	587	86.5%
EBIT Margins (%)					
Power Systems	(4.4)	1.8	-615 bps	0.9	-527 bps
Consumer Products	14.3	12.6	166 bps	13.1	118 bps
Industrial Systems	7.4	6.8	63 bps	8.2	-76 bps
Total Adj EBIT Margin	3.5	4.2	-73 bps	1.5	192 bps

Abridged Financial Statements (Consolidated)

Rs. mn	FY14	FY15	FY16E	FY17E
Profit & Loss				
Revenues	1,36,315	1,40,131	1,52,702	1,70,258
EBITDA	7,045	5,950	8,077	9,645
Other Income	1,491	1,274	1,465	1,611
Depreciation	2,621	2,620	2,781	2,989
EBIT	5,914	4,603	6,761	8,268
Interest	967	1,047	1,140	1,196
PBT	4,947	3,556	5,621	7,072
PAT	2,443	1,366	3,665	4,609
Balance Sheet				
Net Worth	36,446	38,159	40,884	44,311
Deferred Tax	-1,532	-1,110	-1,110	-1,110
Total debt	21,930	25,265	26,637	28,017
Total Networth and liabilities	56,962	62,517	66,614	71,420
Gross Fixed assets	48,509	49,475	53,475	57,475
Net fixed assets	22,088	20,433	21,653	22,664
CWIP	915	-	-	-
Investments	2,989	4,414	4,414	4,414
Inventories	16,714	14,552	20,918	23,323
Sundry Debtors	35,877	37,318	39,744	43,381
Cash and bank balances	8,150	6,893	8,294	9,595
Loans and advances	8,392	13,722	12,534	13,872
Current liabilities	49,751	44,283	50,410	55,296
Net current assets	19,382	28,202	31,080	34,875
Total assets	56,962	62,517	66,614	71,420
Cash Flows				
Cash flow s from Operations	3,196	-5,073	6,097	6,288
Cash flow s from Investing	-978	-734	-3,988	-3,988
Cash flow s from Financing	98	1,686	(708)	(999)

Key metrics

	FY14	FY15	FY16E	FY17E
Growth ratios				
Sales	12.7%	2.8%	9.0%	11.5%
EBITDA	83.9%	-15.5%	35.8%	19.4%
PAT	208.3%	-48.3%	173.3%	25.8%
Margin ratios				
EBITDA	5.2%	4.2%	5.3%	5.7%
PAT	1.9%	1.0%	2.4%	2.7%
Performance ratios				
RoE	7.2%	3.6%	9.2%	10.8%
RoCE	5.3%	2.7%	6.5%	7.4%
RoA	2.6%	1.3%	3.4%	4.0%
Fixed asset turnover (x)	2.8	2.8	2.9	3.0
Total asset turnover (x)	1.2	1.3	1.3	1.3
Financial stability ratios				
Net Debt to Equity (x)	0.4	0.5	0.4	0.4
Current ratio (x)	1.4	1.6	1.6	1.6
Inventory and debtor days	163	171	175	173
Creditor days	122	105	110	109
Working capital days	41	66	65	64
Interest cover (x)	6.1	4.4	5.9	6.9
Valuation metrics				
Fully Diluted Shares (mn)	626.8	626.8	626.8	626.8
Market cap (Rs.mn)	1,14,069	1,14,069	1,14,069	1,14,069
EPS (Rs.)	3.9	2.2	5.8	7.4
P/E (x)	46.7	83.5	31.1	24.8
EV (Rs.mn)	1,27,849	1,32,440	1,32,412	1,32,490
EV/ EBITDA (x)	18.1	22.3	16.4	13.7
BV/ share (Rs.)	58.2	60.9	65.2	70.7
Price to BV (x)	3.1	3.0	2.8	2.6



Report Date	CMP (Rs.)	TP (Rs.)	Recommendation	Report Date	CMP (Rs.)	TP (Rs.)	Recommendation
01/Jun/15	169	145	Sell	31/Jan/13	108	96	Sell
04/Feb/15	179	150	Sell	11/Dec/12	113	94	Sell
18/Dec/14	171	164	Sell	30/Nov/12	116	94	Sell
17/Oct/14	191	164	Sell	05/Nov/12	113	94	Sell
09/Sep/14	225	166	Sell	29/Jul/12	115	111	Reduce
06/Aug/14	195	166	Sell	23/Jul/12	130	107	Sell
04/Jun/14	189	159	Sell	18/Jul/12	129	113	Reduce
31/Jan/14	112	91	Sell	12/Jun/12	120	113	Reduce
11/Nov/13	103	88	Sell				
08/Aug/13	88	93	Add				
30/May/13	96	95	Reduce				
09/Apr/13	92	95	Sell				

Disclaimer

Absolute Rating Interpretation	BUY	Stock expected to provide positive returns of >15% over a 1-year horizon	REDUCE	Stock expected to provide returns of <5% – -10% over a 1-year horizon
	ADD	Stock expected to provide positive returns of >5% – <15% over a 1-year horizon	SELL	Stock expected to fall >10% over a 1-year horizon

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