

# Multibagger Stock Idea



# Wonder Electricals Limited

*Formerly known as Wonder Fibromats Limited*

Date: 16<sup>th</sup> Jan 2023 | CMP ₹ 260 | BSE: 543449 | NSE: WEL

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# Company Snapshot

- ❑ **Two Phase Buying Strategy = Buy half quantity between INR 260-270 (CMP = 260 as on 16th Jan'23). Remaining half quantity can be bought between 190-210 or above 320 depending on price movement.**
- ❑ **Price Target = INR 400 in next 12 months & INR 1500+ in next 5 years. It can deliver ~35-40% CAGR over the period of next 5 years.**

- Established in 2014, Wonder Electricals Ltd, is a fully integrated end-to-end manufacturer and supplier of Ceiling fans, Exhaust fans, Pedestal fans and brushless DC (BLDC) fans.
- The company has also set up a **client-satisfaction cell which is supervised by their quality check (QC) department** that reviews the complaints regarding their products directly from clients.
- It has a **total installed manufacturing capacity of 7.85 lakh fans per month.**

Market Cap : ₹ 350 Cr.

Current Price : ₹ 260

52 weeks high/low : ₹ 283/106

ROE : 14.4 %

Stock P/E : 45.3

Dividend Yield : 0.00 %

ROCE : 19.3 %

Debt to Equity : 0.40

Current ratio: 1.25

Sales: ₹ 414 Cr.

Promoter Holding : 71.8 %

Return on assets: 3.45 %

Sales growth (5Y) : 19.2 %

Profit Growth (5Y) : 7.0 %

Cash Conversion Cycle : 143

Market Cap to sales : 0.71

Asset Turnover : 1.89

EV/EBITDA : 26.2

Debt : 21.5 Cr.

Inventory TO: 9.71

Price to book value : 5.40

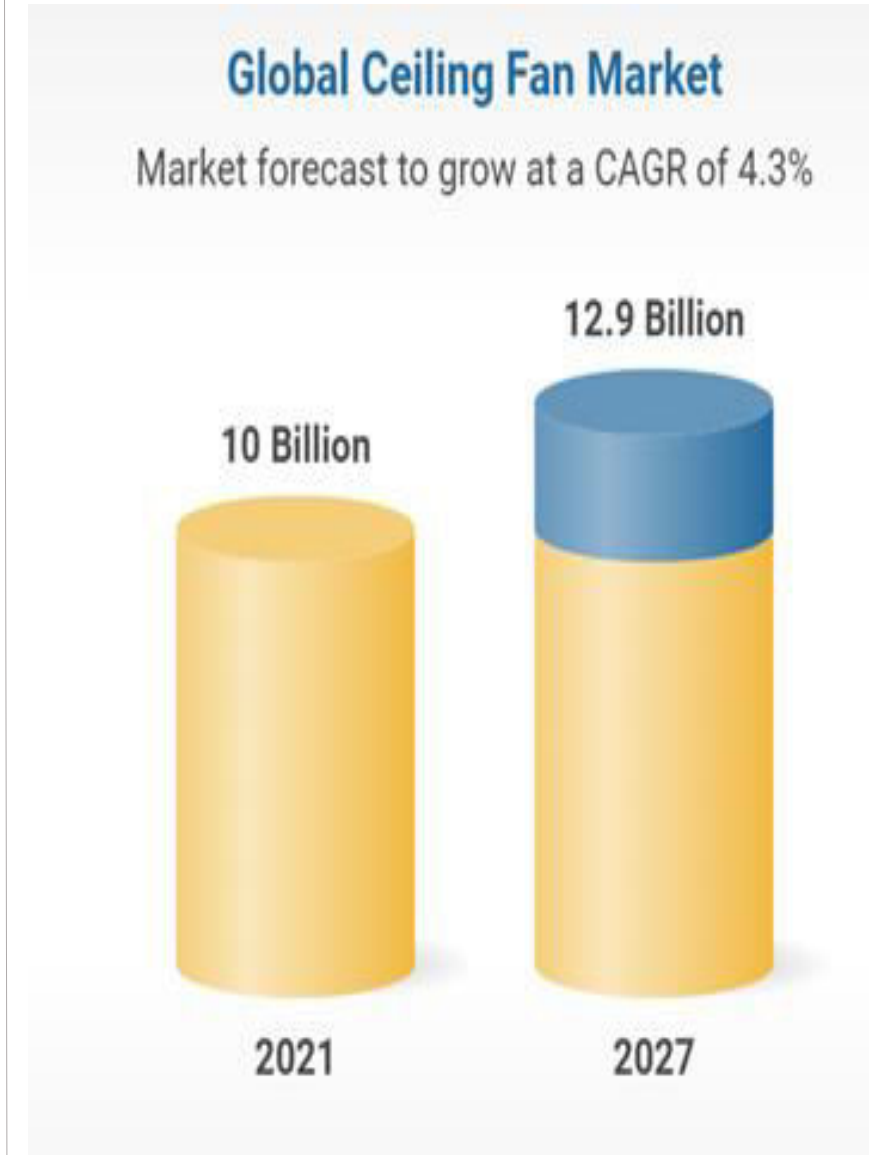
Source: Screener.in, As on Jan 16<sup>th</sup>, 2023

# Industry Overview (1/2)

The global ceiling fan market reached a value of US\$ 10.0 Billion in 2021. Looking forward, it is expected that the market to reach US\$ 12.9 Billion by 2027, exhibiting a CAGR of 4.34% during 2021-2027.

## *Global Ceiling Fan Industry Drivers:*

- **Growth in the housing sector** is boosting the demand for ceiling fans, especially in the developing economies. For instance, the governments of China and India are coming up with new schemes to provide shelter to the low- and middle-income groups. In addition to this, development in the commercial real estate, hospitality and retail sectors are bolstering the market growth.
- The demand for ceiling fans has been rapidly increasing due **to rising income levels of the consumers and increasing availability of electricity**. Moreover, manufacturers are introducing premium products such as lighting fans, decorative fans, etc. which offer higher margins, thereby increasing their profitability.
- The governments of various emerging countries have set up the **goal of providing electricity to the remote rural areas which is expected to influence the demand for ceiling fans in the upcoming future**. For instance, **India has aimed to supply electricity to more than a million households**.

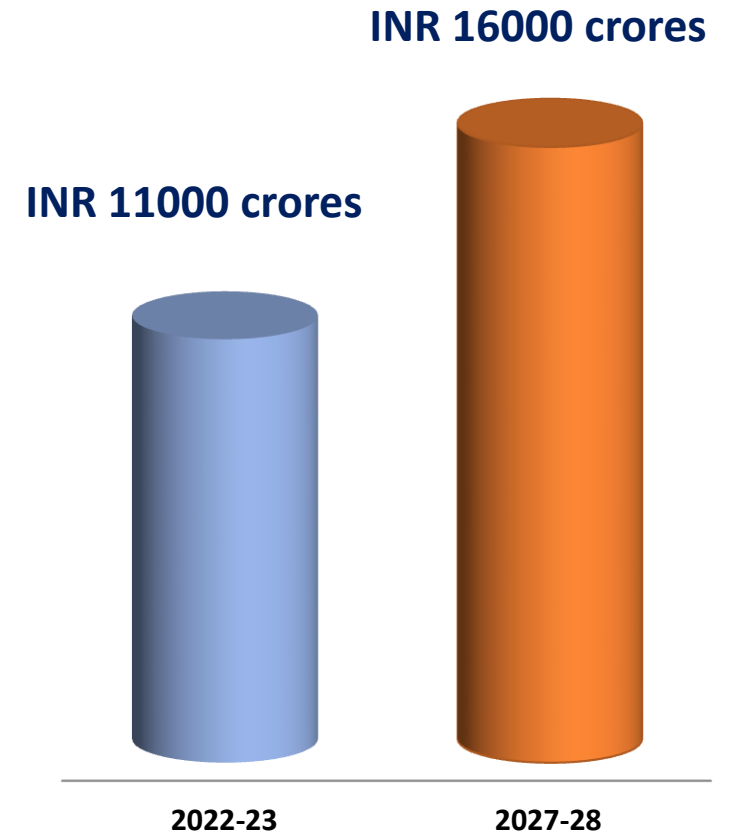


Source: [www.researchandmarkets.com](http://www.researchandmarkets.com)

# Industry Overview (2/2)

- While the year gone by was impacted by the pandemic, it also opened doors for opportunities and innovations in the electrical consumer durables industry. Though the first half of the year witnessed challenges, **demand was seen improving in the latter half with the easing of restrictions, pent-up demand, and improving economic conditions.**
- India electric fans have mostly four types which are very common are ceiling fans, table fans, Pedestal fans, Wall fans. According to the report titled India Electric Fan Market Outlook, 2027-28" the revenue grew historically at a CAGR of nearly 7% during the period 2016-17 to 2021-22.
- As per the report titled "India Electric Fan Overview, 2026", Bonafide research the revenue from the India Electric fan market is going to cross INR 15000 Crore by the year 2025-2026 with CAGR of 3.9% .
- Demand for premium fans with better aesthetics has been on the rise with consumer preferences shifting towards enhanced and appealing interiors. The energy labeling programmes, increasing adoption of energy efficient fans, development of real estate, hospitality and retail sectors and changing climatic conditions will bolster the market growth. According to the region, though South India would lead the in the market however west India would show a robust increase in its market share.

## India Electric Fan Market Size as per Bonafideresearch.com





# Investment Philosophy of “Philip Fisher”

The widely acclaimed investor, **Philip Fisher** was born in the year 1907 and was known for his famous book “**Common Stocks and Uncommon Profits.**”

***Famous Investment Mantras by Philip Fisher – “ I don't want a lot of good investments; I want a few outstanding ones ” and “ If the job has been correctly done when a common stock is purchased, the time to sell it is – almost never ”.***

His investment strategy was to buy stocks of companies with strong management teams and strong growth prospects. In 1955, Philip purchased shares of Motorola, which he saw as a company with a high potential of growth. He continued to own the shares of this company until his death in 2004. This is a classic example of an investor's commitment towards long-term investing! He believed in the strength of high-quality growth stocks stayed invested for a long-term.

Philip Fisher highly focused on the growth stocks of large and small companies. According to his strategy, the growth stocks of young companies offer the greatest possibility of gain. Also, it is possible that the gains can mount up to several thousand percent in a decade.

To understand the potential of such companies, he would do high-end research and then invest. He also relied on his personal connections, which he called the “business grapevine.”

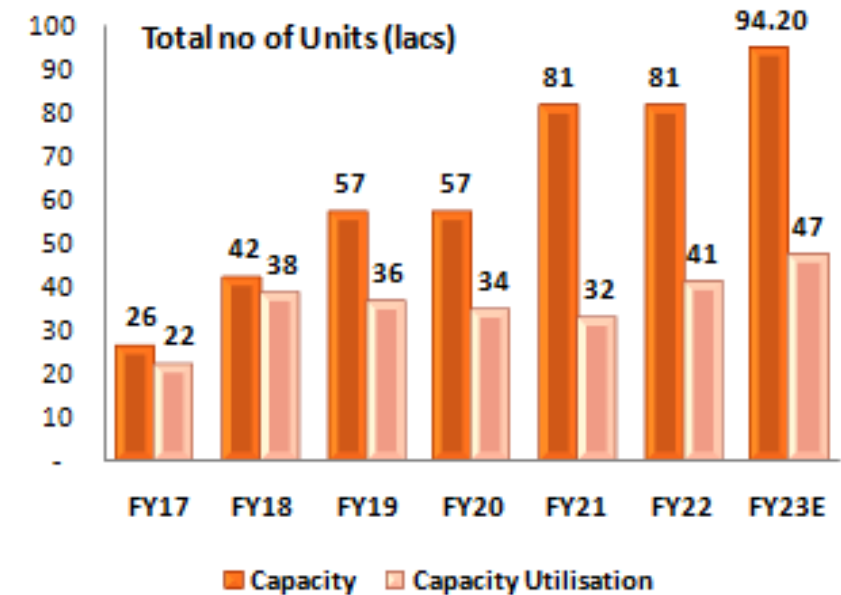
- Our latest recommendation is one such company from Fan manufacturing Industry. WEL was established in 2014. It is a fully integrated end-to-end product and solution suite to the original sellers of the fans wherein it provides start to end solutions for fan sellers including sourcing, manufacturing, quality testing and packaging.
- It's aim to be an Innovative and to create value for all the stakeholders. It is this philosophy that has led constantly to create products and services that are tailored to everyone needs .

Source: Company Disclosures

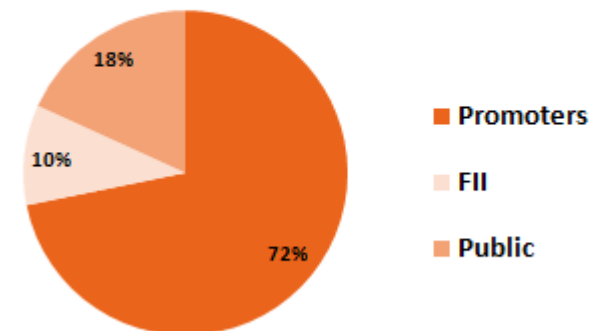
# Business Analysis (1/2)

3C Capitals

- Wonder Fibromats Limited is the Biggest and most successful company which was established in 2014. The Company manufactures and supplies fans to many well-known companies in India, which in turn distribute these products under their own brands.
- Started with a modest quantity of 20000 fans per month. It reached 7.85 Lac fans per month in 2020-21.
- Apart from Ceiling fans, the factory also produces 30000 Heavy Duty Fans which is one of the largest quantity in the country.
- All the manufacturing process are in-house for better control on quality, cost and deliveries.
- WEL have two manufacturing plants across the country. Both of them have been equipped with state of the art machinery. One in Roorkee in Haridwar, Uttarakhand and recently set up second manufacturing facility in Medak, Hyderabad, Telangana, which was operational from January 2021 to cater the demand of south market which is one of the biggest market.
- It is equipped with CNC controlled machines for precision components, Automatic winding machines for motor manufacturing, robotic paint shops for the perfect finish, conveyORIZED assembly line with automatic electrical testing, Automatic pre-treatment plants, conveyORIZED exhaust fan production etc..
- Company believe that with focus on constantly upgrading its infrastructure it help them to lead and keeps ahead in the competition.



Shareholding Pattern



Source: Company Disclosures

## Centre of Excellence

The Centre of Excellence will serve as a competency delivery centre that will address the current challenges in learning development or learning technology implementation.

The COE will help streamline delivery processes and ensure quality output. In addition, the COE will research and analyze current trends in the industry and ensure that the customer organization embraces such technological advancements to stay ahead of the curve and driving business transformation and better ROI.



Designing and Developing new fans for our buyers



Continuously working on future technologies



Engineering to continuously improve our products.



Factory process improvement and upgradation



# Product Portfolio (1/2)

3C Capitals



## BLDC Fans

The future of Indian fans is here. With this revolutionary technology, you can run a fan while consuming power as low as 4 Watts! Available in multiple colour options, bring home the future.



## Ceiling Fans

With so many attractive options available, why settle for anything ordinary. Our fans have been designed keeping in mind the fast changing expectations of the Indian consumer in terms of looks and performance. Premium Fans Perfect fans for every home. These fans offer unbelievable performance and attractive designs without burning a hole in your pocket....



## Exhaust Fans

Fresh Air Fans Powerful motor, dynamically balanced blades and a solid metal body ensure unmatched performance and a long product life.  
Performance Model RPM Power Input (Watt) Air Delivery in M<sup>3</sup>/Hr 9" Exhaust Fan 1325 48 700 12"  
Exhaust Fan 1325 63 1050 Heavy Duty Fans  
Performance Model RPM Phase Power Input (Watt) Air Delivery....



## Pedestal Fans

Our pedestal fans are ideal for places where ceiling fans cannot be installed. Feel a blast of fresh air anywhere you want. These fans have a strong build and heavy base which ensures perfect stability and no vibration in fans unlike a lot of other pedestal fans available in the market. Performance Model Sweep Power...

# Product Portfolio (2/2)

3C Capitals



Company also make fans under brand name “Starplus” and sell these fans in domestic as well as export market.

Regent



Sonic



Athena



Magnum



Ranger



Farrata



# Financial Analysis with Revenue Estimates (1/4)

3C Capitals

Particulars	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Capacity	26,04,000	42,00,000	57,00,000	57,00,000	81,00,000	81,00,000	94,20,000	94,20,000	94,20,000
Capacity Utilisation	21,69,450	38,23,150	35,97,477	34,20,000	32,40,000	40,50,000	47,10,000	56,52,000	65,94,000
Capacity Utilisation in %age	83%	91%	63%	60%	40%	50%	50%	60%	70%
Price / Fan	763	765	860	869	943	983	1,035	1,070	1,150
Sales	165.58	292.58	309.26	297.27	305.46	398.21	487.5	604.8	758.3
Operating Profit	10.45	11.64	12.17	9.79	11.54	17.80	24.37	33.26	45.50
Operating Profit Margin %	6.3%	4.0%	3.9%	3.3%	3.8%	4.5%	5.0%	5.5%	6.0%
Net profit	5.09	7.97	6.14	4.44	4.69	7.28	13.65	18.75	26.54
Net profit Margin %	3.07%	2.72%	1.99%	1.49%	1.54%	1.83%	2.80%	3.10%	3.50%
EPS	15.42	24.15	6.27	3.31	3.50	5.43	10.19	13.99	19.81

- The revenue of the company has **increases by 30% from ₹ 306 Cr in FY2021 to ₹ 398 Cr in FY2022**. The **5-year CAGR** of sales stand at **19%** indicating a strong top line performance from the company.
- The operating profit of the company has **grown 54% from ₹ 11.5 Cr in FY2021 to ₹ 17.8 Cr in FY2022**. This has been on the back of cost cutting and marginal increase in efficiency. The operating profit margin of the company stands at **4.5% in FY2022, an increase of 69 basis points from FY2021**.
- **The interest and depreciation cost for the company stands at ₹ 5 Cr and ₹ 3 Cr in FY2022**, higher in comparison to FY2021 values by 59% and 23% respectively as recently it invested in capex and taken new term loan due to working capital requirement.
- The **net profit** of the company **stands at ₹ 7.3 Cr in FY2022** in comparison to **₹ 4.7 Cr in FY2021**. The Net profit margin of the company has grown to 55% in FY2022.

# Financial Analysis (2/4)

	H1FY21	H2FY21	H1FY22	H2FY22	H1FY23
<b>Sales</b>	<b>73.11</b>	<b>232.35</b>	<b>144.31</b>	<b>254.05</b>	<b>160.21</b>
Expenses	74.17	219.75	140.59	240.28	156.41
<b>Operating Profit</b>	<b>-1.06</b>	<b>12.60</b>	<b>3.72</b>	<b>13.77</b>	<b>3.8</b>
<b>Operating Profit Margin %</b>	<b>2.58%</b>	<b>5.42%</b>	<b>2.58%</b>	<b>5.42%</b>	<b>2.37%</b>
Other Income	0.21	0.09	0.06	0.04	0.03
Depreciation	1.57	2.66	2.51	3.04	2.64
Interest	0.68	1.06	1.08	1.55	1.29
<b>Profit before tax</b>	<b>-3.10</b>	<b>8.97</b>	<b>0.19</b>	<b>9.22</b>	<b>-0.1</b>
Tax	-0.08	1.26	0.08	2.55	0.12
<b>Net profit</b>	<b>-3.00</b>	<b>7.69</b>	<b>0.12</b>	<b>6.67</b>	<b>-0.22</b>
<b>Net profit Margin %</b>	<b>-4.10%</b>	<b>3.31%</b>	<b>0.08%</b>	<b>2.63%</b>	<b>-0.14%</b>

- Demand for ceiling fans is seasonal because of which profitability in the first half is lower in comparison to second half.
- In H1FY2023 **Revenue** of the company stands at ₹ **160 Crores up by 11 %** in comparison of ₹ 144 crores in H1FY22 and **30% up on Y-o-Y basis** in comparison of FY21.
- In H1FY2023 **Operating Profit** stands at ₹ **3.8 crores**. **Net profit** for the first half is ₹ **(-0.22) Cr**.
- In H1FY2023 **Operating Profit Margin** stands at **2.37 %**.
- **As per FY21 AR**, WEL has commence the operation of new plant located in Medak, Hyderabad, Telangana in January 2021 to cater the demand of South market. We believe that once company will start to utilise fully its newly setup capacity it will help the company to boost it's sales and will contribute in it's margins too.

# Financial Analysis (3/4)

Balance Sheet	FY17	FY18	FY19	FY20	FY21	FY22
Equity Share Capital	2.05	2.05	6.15	8.38	8.38	13.40
Reserves	3.85	11.82	13.86	34.47	39.02	40.14
Borrowings	20.85	33.38	23.28	2.49	10.35	20.03
Other Liabilities	40.01	78.57	87.13	118.99	139.64	151.32
<b>Total</b>	<b>66.76</b>	<b>125.82</b>	<b>130.42</b>	<b>164.33</b>	<b>197.39</b>	<b>224.89</b>
Net Block	13.79	15.54	24.92	23.39	34.34	33.69
Capital Work in Progress	-	-	-	4.73	-	-
Investments	-	-	-	-	-	-
Other Assets	52.97	110.28	105.50	136.21	163.05	191.20
<b>Total</b>	<b>66.76</b>	<b>125.82</b>	<b>130.42</b>	<b>164.33</b>	<b>197.39</b>	<b>224.89</b>

Cash Flow	FY17	FY18	FY19	FY20	FY21	FY22
<b>Cash from Operating Activity</b>	<b>8.12</b>	<b>-8.52</b>	<b>22.13</b>	<b>6.67</b>	<b>-5.98</b>	<b>-3.90</b>
<b>Cash from Investing Activity</b>	<b>-2.30</b>	<b>-3.73</b>	<b>-11.96</b>	<b>-7.07</b>	<b>-10.46</b>	<b>-4.45</b>
Fixed assets purchased	-2.30	-3.73	-11.96	-3.80	-15.50	-4.66
Fixed assets sold	-	-	-	2.08	0.30	0.09
Capital WIP	-	-	-	-4.73	4.73	-
Other investing items	-	-	-	-0.63	-	0.13
<b>Cash from Financing Activity</b>	<b>-6.33</b>	<b>12.35</b>	<b>-10.09</b>	<b>8.91</b>	<b>7.87</b>	<b>8.36</b>
Proceeds from shares	-	-	-	2.22	-	-
Proceeds from borrowings	-	12.53	0.52	-	7.87	9.48
Repayment of borrowings	-4.41	-	-10.62	-9.48	-	-
Interest paid fin	-1.92	-0.18	-	-	-	-
Other financing items	-	-	-	16.16	-	-1.13
<b>Net Cash Flow</b>	<b>-0.50</b>	<b>0.10</b>	<b>0.07</b>	<b>8.50</b>	<b>-8.57</b>	<b>0.01</b>

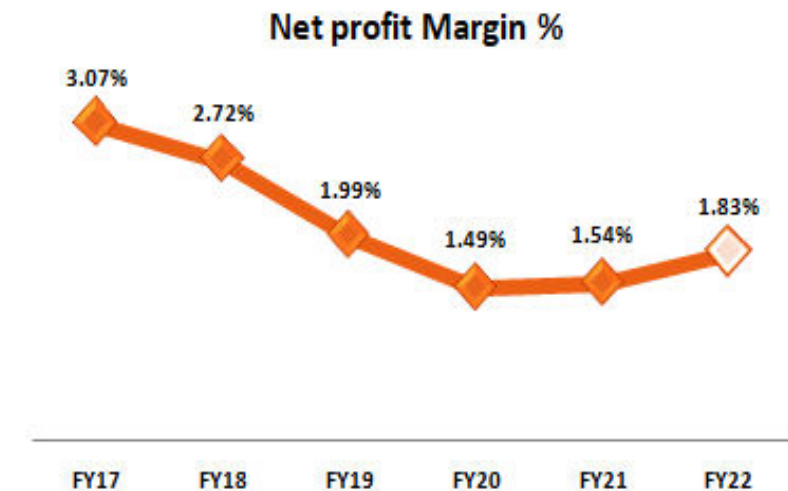
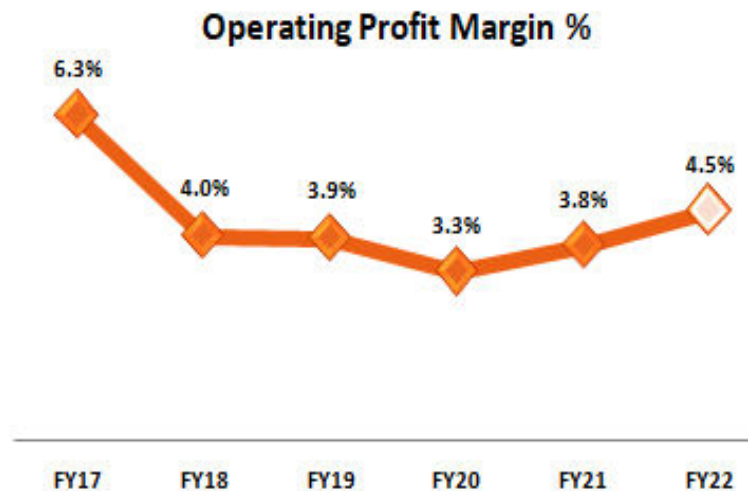
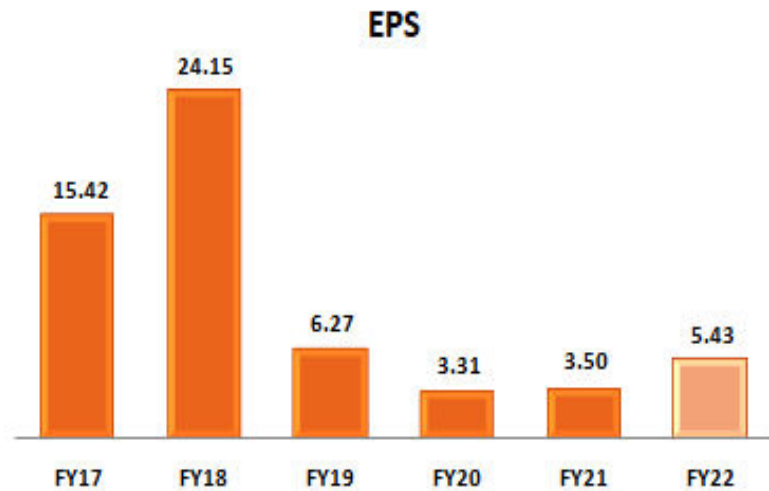
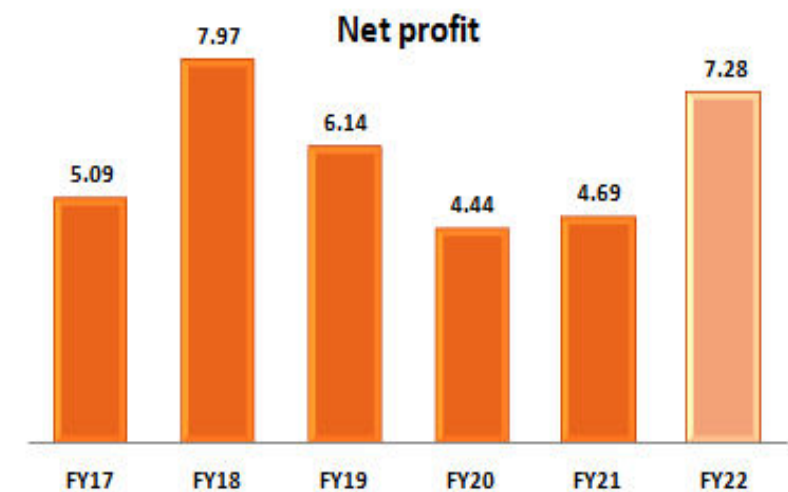
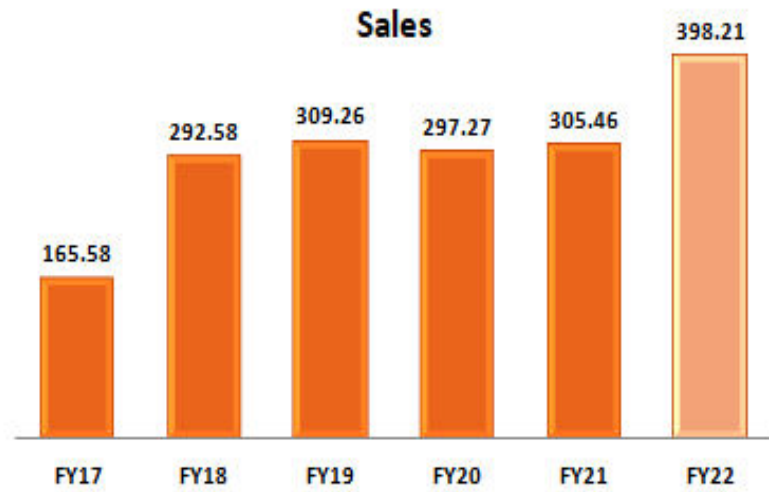
- During the FY 2021-22, the **Company issued Bonus Shares in the ratio of 3:5** to the members for their support and faith in the Company.
- The borrowings of the company have **increased from ₹ 10 Cr in FY2021 to ₹ 20 Cr in FY2022** with term loans of **₹ 17 Cr** mainly due to higher demand resulted higher working capital requirement.
- The debt-to-equity ratio of the company stands at **0.34** in FY2022, an improvement from **0.19** in FY2021. Due to increase in the operations and turnover of the Company, working capital requirements has also increased.
- The fixed asset base of the company remained stable till FY2020. However after significant capex in FY2021 the fixed asset base of the company has **grown to ₹ 34 Cr** in FY2022.
- Current ratio on TTM basis is 1.25** indicating firm has enough resources to meet its short-term obligations
- The **Cash flow from operations** of the company has been negative over the last 2 years due to higher receivable cycle.



# Performance in Charts

3C Capitals

Amount in Crores



# Peer Comparison

3C Capitals

	Wonder Electricals Ltd	Rexnord Electronics & Controls Ltd
Market Capital	₹ 294 Cr.	₹ 126 Cr.
Current Price	₹ 222	₹ 113
PE	45.7	13.1
ROCE	19.3 %	21.2%
ROE	14.4 %	17.8%
Promoter holding	71.8 %	69.8 %
Market Cap to Sales	0.71	1.53
Sales growth 5Years	19 %	5 %
Profit growth 5Years	7 %	28 %
PEG Ratio	6.15	0.64
Debt to equity	0.40	0.30

OPM % (March 2022)

4 %

18 %

**Note: Rexnord's margin is high as it is in the business of manufacturing of Fan Machines vs. Wonder provides end to end solution to Fan OEM's.**



**Mr. Harsh Kumar Anand**

He is the Promoter and Managing Director of the Company. He is B.E. (Mechanical) by education. He is having more than 45 years of Experience in the field of Manufacturing of Component & materials used in the manufacturing of electric ceiling & exhaust Fans, business, Sales & Marketing and Client Retention. He looks after day-today routine operational activities of the Company and formulation of business policies, strategies etc. He guides company in its growth strategies. He has been on the board of Company 7th June, 2013.



**Mr. Yogesh Anand**

He is Executive Director and one of the Promoters of the Company. He is Post Graduate in Commerce. He is having more than 40 years of Experience in field of Manufacturing of Component & materials used in the manufacturing of electric ceiling & exhaust Fans, business, Sales & Marketing and Client Retention. He looks after day-to-day routine operational activities of the Company. He has been on the board of Company 7th June, 2013.



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*Market Cap ~ 350 Cr | Manufacturing of consumer durable product (a compounding story but underrated) like fans which is a recession-proof industry | Biggest beneficiary of "Big Transition" from traditional to energy efficient star rated BLDC fans | Capex Completed, Capacity Utilization ~ 50% | FY25 (E) Revenue ~ 760 Cr Vs FY22 Revenue of 398 Cr | Operating leverage will play out due to scale | Margin expansion post backward integration will increase from 4% to 7% in next 2 years | Huge sectoral tailwind | Ambitious, Visionary, Focused & Experienced Management.*

- Fully integrated end-to-end manufacturer and supplier of Ceiling fans, Exhaust fans, Pedestal fans and brushless DC (BLDC) fans.
- Capex Completed, Capacity Utilization ~ 50%, Margin expansion post backward integration will increase from 4% to 7% in next 2 years
- **FY25 (E) Revenue ~ 760 Cr Vs FY22 Revenue of 398 Cr | Operating leverage will play out due to scale**
  - From FY23 total expanded capacity of fans per year is 94.20 Lacs, capacity utilization is around 50% which will gradually move up to 60% & 70% in next 2 years.
  - During FY22, they produced ~ 40 Lacs fans @ 50% capacity utilization (total capacity till FY22 was 81 Lacs/year). They did sales of 398 Cr in FY22 it means average cost per fan is around 983rs.
  - Assuming sales growth of 20-25% YoY + capacity utilization of 60% & 70% in next 2 years + increase in the price per unit of 5%. We can expect FY25 sales around 760 Cr Vs FY22 sales of 398 Cr.
  - Company have done backward integration of the major manufacturing processes which will help increasing the Operating margin. Also operating leverage will kick in which will increase bargaining power hence OPM will further increase.

# Key Growth Drivers

**Government initiatives:** Government continues to drive the aim of providing affordable houses through Pradhan Mantri Awas Yojana scheme (PMAY). Out of sanctioned 123 lakh houses under (PMAY Urban), ~50% work is completed which provides an opportunity to cater to demand at competitive prices.

**Adoption of sustainable and energy-efficient technologies, and successful execution of Bureau of Energy Efficiency (BEE) Star Labelling requirements will spur demand for energy efficient products. Organised players are increasing their market share with continuous innovations and introducing energy-efficient and superior fans which result in less power consumption, noiseless operation, improved efficiency and reliability, and a longer lifespan.**

**Premiumisation and innovation in product aesthetics:** The market is witnessing increased demand for premium and connected products as consumers prefer smart, easy-to-use, and technologically advanced products. **Products like smart, Internet of Things (IoT)- enabled ceiling fans** are no longer a necessity but are also seen as an important part of home décor.

**Infrastructure Investment:** Government's continued **focus on infrastructure development such as roads, railways, ports, and housing are expected to create significant demand for electrical goods.** Improving rural electrification through massive government schemes and programmes has been further boosting demand for electrical products.

**Favorable Demographics:** Rapid urbanization, increase in working population, growing nuclear families and evolving demand for aesthetic and high-quality products - are all expected to spur demand for electrical goods.

**Under penetration:** Majority of consumer-facing products in India have lower penetration vis-à-vis other emerging countries. It is **expected that the increase in per capita income and enhanced need for comfort and convenience will lead to a spurt in demand for consumer electrical products.**



**SEBI Research Analyst Registration No. : INH200006451**

1. At the time of writing this article, the analyst have no position in the stock covered by this report.
2. The analyst has not traded in the recommended stock in the last 30 days.
3. The research analyst does not have any material conflict of interest at the time of publication of the research report.
4. The research analyst has not received any compensation from the subject company in the past twelve months.
5. The research analyst or its associates has not managed or co-managed public offering of securities, has not received any compensation for investment banking or merchant banking or brokerage services nor received any third party compensation. The subject company was not a client during twelve months preceding the date of distribution of the research report.
6. The research analyst has not served as an officer, director or employee of the subject company.
7. The research analyst or research entity has not been engaged in market making activity for the subject company.
8. The research analyst or research entity or its associates or relatives does not have actual/beneficial ownership of one per cent or more in the securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance.
9. The analyst does not own more than 1% equity in the said company.