Lloyd Electric & Engineering Ltd

Industry	CMP	Recommendation	Add on dips to band	Sequential Target Price	Time Horizon
Consumer Durables	Rs. 254	Buy at CMP and add on dips	Rs. 212-228	Rs. 282.5-318	2-3 quarters

HDFC Scrip Code	LLOELEEQNR
BSE Code	517518
NSE Code	LLOYDELENG
Bloomberg	LEE IN
CMP Sep 16, 2016	Rs. 254.3
Equity Capital (Rs cr)	40.3
Face Value (Rs)	10.0
Equity Share O/S (cr)	4.03
Market Cap (Rs crs)	1023.6
Book Value (Rs)	210.3
Avg. 52 Wk Volumes	387187
52 Week High	328.9
52 Week Low	175.1

Shareholding Pattern % (June, 2016)	
Promoters	51.22
Institutions	9.70
Non Institutions	39.08
Total	100.0

Fundamental Research Analyst
Zececa Mehta
zececa.mehta@hdfcsec.com

Company Background

Incorporated in 1989, Lloyd has evolved as a dependable supplier of high quality coils to original equipment manufacturers (OEMs) of heating, ventilation and air conditioning (HVAC) equipments. It provides end-to-end solutions in the HVAC industry, right from manufacturing the physical components and air conditioners (ACs) to selling to OEMs and to the end-customers. It entered into the Consumer Durables segment in 2011 by purchasing the consumer product division and the Lloyd brand of Fedders Lloyd for a total consideration of Rs. 13.9 crore. With this acquisition, the company moved its focus from the business-to-business (B2B) segment to the business-to-consumer (B2C) segment, which now contributes (as per FY16) 58% to the standalone revenues. The company enjoys a pan-India presence with a strong network of over +7,000 dealers, 30 sales branches, 307 authorised service centres and 81 company-owned service centres. Lloyd has a manufacturing capacity of 6-lakh AC units with a market share of about 14% (as per Q1FY17) in the Indian Room AC market.

Q1FY17 Result Update

During Q1FY17, Lloyd recorded net sales of Rs. 893.6 crore, up by 26% YoY. This was mainly led by Consumer Durables segment which contributes about 70.3% to the total sales and which grew by 42.7% YoY. This was followed by 30.9% YoY growth in OEM & Packaged Air-conditioning. The operating profit was up by 28% YoY at Rs. 94.1 crore with OPM of 10.5%, up by 20 bps. PBT came in at Rs. 58.1 crore, up by 35% YoY and PAT came in at Rs. 43.9 crore, up by 29% YoY with margin of 4.9% as against 4.8% in Q1FY16.

Segmental Analysis

Consumer Durable segment

The revenue from this segment came in at Rs. 628.39 crore as against Rs. 440.29 crore in Q1FY16, registering a robust growth of 43% YoY. The increase in revenue was primarily a result of increased consumer demand for Lloyd brand in the room AC market arising out of extended summer season which resulted in Lloyd enjoying market share of around 14% and ranking among top 3-4 top players in the Indian Room AC market. The growth was also due to an increase in market share in LED TV segment. EBIT for the segment stood at Rs. 48.6 crore as against Rs. 37.15 crore in Q1FY16.

OEM & Packaged Air-conditioning segment

The revenue from this segment came in at Rs. 275.14 crore as against Rs. 210.26 crore in Q1FY16, up by ~31% YoY. This was primarily due to the good air conditioner sales for Lloyd brand (mainly intersegment sales) which boosted the segmental revenue coupled with substantial growth in the Railway HVAC business. EBIT for the quarter came in at Rs.22.87 cr vs Rs.11.79 cr last year.

Heat Exchangers & Components

The revenue from this segment came in at Rs. 141.81 crore as against Rs. 146.14 in Q1FY16 and EBIT of Rs. 19.51 crore as against Rs. 17.11 crore in Q1FY16. This segment caters to the manufacturing of heat exchangers and evaporator's coils for HVAC and refrigeration industry and copper and brass heat exchangers/radiators for railways, heavy automobiles and other industrial application. Due to the decline in aluminium and copper prices on LME, the segment revenue declined marginally whereas the segment results has increased on account of increased margins from engine cooling business.

International Presence

During Q1FY17, the total income from overseas subsidiaries stood at Euro 13.84 mn with PAT of Euro 0.2 mn. Following the efforts of the previous months, Lloyd Coils Europe (LCE) s.r.o. has benefited from profitability improvements achieved by both product cost reduction and selling price adjustments. During Q1FY17, both LCE and Janka Engineering s.r.o. (Janka) had returned to positive profitability with EBITDA at around 5%. Janka continued to focus on the revitalization project on cost savings through design changes, procurement actions and headcount reduction. Short term cost reduction measures have been fully implemented and mid and long term measures has started to take effect gradually. The newly acquired Noske-Kaeser Rail & Vehicle businesses had also contributed to the revenue with positive PAT.

Name of the Company	Location	Holding/Subsidiary/Associate	% of Shares held
Lloyd Coils S.r.o.	Czech Republic	Wholly Owned Subsidiary	100%
Janka Engineering S.r.o.	Czech Republic	Wholly Owned Subsidiary	100%
Noske Kaeser Rail & Vehicle Germany GmbH	Germany	Wholly Owned Subsidiary	100%
Noske Kaeser Rail & Vehicles New Zealand Limited	New Zealand	Wholly Owned Subsidiary	100%
Noske-Kaeser Empreendimentos e Participações do Brasil Ltda #	Brazil	Indirect Wholly Owned Subsidiary	100%
Noske-Kaeser Rail & Vehicle Australia Pty Ltd #	Australia	Indirect Wholly Owned Subsidiary	100%
Noske-Kaeser US Rail & Vehicle, LLC	USA	Wholly Owned Subsidiary	100%

Wholly Owned Subsidiary through Noske Kaeser Rail & Vehicles New Zealand Limited

Other Highlights

- In consumer durable segment, AC accounted for ~82% of its sales and grew by 37% YoY, LED TV accounted about 15% of sales and grew by 111% YoY (on a low base) and washing machine contributed about 5% of sales and grew by 33% YoY.
- **Marketing and customer service strategies followed by Lloyd paying fruits now**

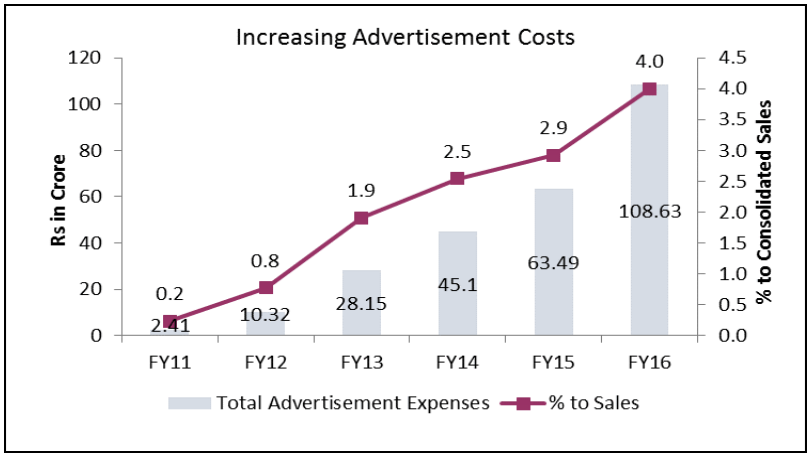
  Driven by its aggressive marketing initiatives in the AC and TV segments, the Consumer Durable business has grown multifold over FY2012-16. Earlier, over the last 2-3 years, the company was focusing on Tier-1 and Tier-2 cities and was investing in the businesses through setting up of back end operations. These operations were mainly concentrated for expanding dealer network and customer delight and its strategy worked out successfully after 3 years as the company witnessed an increase in its market share in AC segment. The warranty of four years [in company parlance it is Khushiyon ki Guarantee (KKG)] is like no other competitor and setting up of both inbound call and outbound call centres helped the company to serve their consumers in a better manner.

  The company increased the number of inbound call centres to 6 which cater to regions like South India, Gujarat, East (Bihar, Jharkhand, Orissa and West Bengal), UP-Delhi-Rajasthan, Upper Punjab and Western Maharashtra. For the first time in India, Lloyd established an outbound call centre in Delhi with about 24 agents. To make its services at par with global standards it has developed a system of providing a customer code (KKG Code) to each customer for each complaint generated from the central database. To close the complaint it is necessary for the company attendant/technician to get the code from

customer/complainant post the service offering. The process is foolproof and ensures that each and every customer, who is offered the service, is satisfied. However, if the code is not given by the customer, these 24 agents call up them and ask for reasons of not sharing the code. If customers are not genuinely happy and they are not given the code, these 24 people act as an escalation body to ensure that these customers then eventually become happy. The Company has also launched in FY16 "Service Request App" through Mylloyd App which enables the customers to register for service request in less than 10 seconds, being first of a kind in India.

After setting up of these service operations and gaining good traction in the Tier1/2 cities, Lloyd shifted its focus in the metros and in 2014, gave its first advertisement in The Times of India newspaper. With the entry into metros, ad spends by the company started to increase which gave visibility of its AC brand. As part of its brand building exercise, it has been publishing advertisements in leading newspapers, hired leading actress Shruti Hassan as brand ambassador and launched the Lloyd luxury brand in the premium market. Along with aggressive pricing (as company has backward integration for manufacturing ACs in place, cost gets reduced) and with focus on customer delight, Lloyd gradually started to gain market share in the consumer durable space, especially ACs. In FY15, it gained a market share of 8% while now currently after Q1FY17, its market share is 14%. This market share gain was also driven by the market share loss by the competitors like Voltas, LG, Samsung (as the Korean companies focused more on mobile phone business), Onida and Videocon (lost money in last 3-4 years causing bottom line to bleed).

The increase in advertisement costs over the years (in absolute terms and in % to sales terms) as depicted in the chart below has begun to bear fruits in terms of market share and absolute value of sales.



- **Energy Efficiency Norms to be effective from January 2018**

  Seeking to reduce carbon emissions, the government has introduced a new efficiency rating system for air-conditioners, based on Indian climatic conditions which will be made compulsory for all models starting January 2018. About 4.5 million air-conditioners are sold in India every year.

  The government is committed to reducing the emissions intensity of India's gross domestic product (GDP) by 33-35% by 2030 from 2005 levels. The intelligent compressor regulators will help a unit to cut 200kg of carbon emission a year.

According to the Bureau of Energy Efficiency (BEE), the standard setter for appliances, all air-conditioners will need energy-saving and intelligent regulation of compressors in place of the conventional thermostat-triggered cut-offs. Inverter AC controls the speed of the compressor motor as per the ambient temperature as compared to the other models which run on a fixed speed. As inefficient products go out of the market, BEE, which reports to the Union power ministry, revises the rating of the efficient ones downward to encourage more innovation. Accordingly, a five-star rated unit under the current rating system will be reclassified as a three-star one from January 2018.

Using a smart compressor regulator will help save about 250 kilowatt/hour of electricity consumption in a year by a 1.5 tonne air-conditioner, which is currently rated as the most efficient (five star). This translates into a saving of Rs.1,500 a year, taking the power tariff at Rs.6 per kilowatt/hour. Today, ACs with this technology are costlier by about Rs.7,000-8,000 a unit. But as more units adopt it, cost will come down.

The new star rating system—Indian Seasonal Energy Efficiency Ratio—will test the performance of air-conditioners at temperatures of 24-43 degrees Celsius based on Indian weather data, as against the current system of using a flat 35 degree benchmark.

The new rating was voluntary for the brands but will become mandatory from January 2018. This means that vendors will be stocking old inventory till the end of 2017. Effectively, the flushing out of the inventories will be till March 2018. Hence, the impact will be seen from April 2018. For Lloyd, cost of ACs would go up due to these norms post its implementation. However, that is true for the entire AC industry. The company will phase out its lower rating ACs by end of 2017 by offering competitive pricing to consumers and along with this, its robust after sale service model of KKG will help the company to pull customers towards Lloyd brand.

As per the management, labelling of TVs with respect to their energy efficiency norms has been made compulsory by June 2016. However, the industry players have approached the bureau to extend the time period in order to comply with the energy efficiency norms.

- **Shift toward higher energy-efficient models; Premiumisation trends to continue**

  There is a clear shift toward five-star and inverter ACs that comprise 20% and 10%, respectively, of overall industry volumes. Consumers are increasingly considering the lifecycle cost of a product than just the initial capital cost. BEE has mandated compulsory rating of inverter ACs from 2018; thus, the rating for fixed and variable compressors will be merged—a four or five-star rated AC would be primarily considered an inverter, while a current five-star rated AC would be graded as three-star. The split AC market is expected to move toward split inverter ACs over the next few years; inverters are projected to reach 30-35% of the market by FY18 and 50% by 2020.

  Going ahead, the price of inverters is expected to remain steady as of today as it will gain market share from five star ACs which would become three stars after January 2018. The market of five star ACs would shrink in 2018-19 by about 5% as it would be captured by Inverters. A new market for two star ACs is expected to emerge in 2018-19, post implementation of BEE norms. Though the prices of ACs would rise due to the cost increase that would occur due to the energy efficiency norms implementation, the demand would not reduce (due to macro factors given below) but would shift from 3 star ACs currently to Inverters as shown in the below table.

Current Mix in the AC market	2018-19 Expected Mix in the AC Market
Inverter – 10%	Inverters – 35%
5 Star ACs – 20%	5 Star ACs – 5%

3 Star ACs – 70%	3 Star ACs – 40%
	2 Star ACs – 20%

Lloyd is geared up for the changes as per the BEE which would be implemented from January 2018. The company has started penetration of Inverter ACs is selected areas like coastal areas and places where the temperature is less than 45 degree Celsius. Lloyd has technology to launch inverter ACs in areas where temperature is +55 degree Celsius. Japanese (Daikin, Mitsubishi, Sharp and Hitachi) players currently dominate the Indian inverter AC market.

- **Macro factors to support AC market growth**

  India's AC sales which stood at 4mn units in FY16 are expected to rise to 7mn units by FY20, a 15% CAGR. This is due to:
  - Improved macro-economic factors such as rising disposable income, higher standard of living and urbanization. This has changed the perception of air conditioners from a luxury to a necessity with most Indian households now opting for multiple air conditioners.
  - Seasonality concerns being addressed by offering heating and cooling options with the AC so that it can be used year round
  - Increasing range of energy efficient ACs which address the Indian consumer's concerns on high electricity bills.
  - Positive impact of the 7th Pay Commission wage hike recommendations which would lead to increased spending on consumer durables. People will have high disposable income to upgrade their consumer durables or buy new ones which will certainly have positive impact on the sales. Favoring a tilt in demand for premium products, we expect the new age technologies segment to boost consumer durable business

- **TV and Washing Machine to gain momentum in future**

  Lloyd also offers LED TVs and Washing Machines in its consumer durable bouquet. For Q1FY17, the volume growth for LED TVs was 111% YoY and that for washing machine was 33% YoY (though both on a low base). Going ahead in next two quarters, the management expects the sale contribution of TVs and Washing Machines to be more than ACs due to seasonality. As the brand of 'Lloyd' is getting stronger with a robust dealer base and a pull factor has now come in place, the difference in margins of ACs and TVs is getting smaller and with the expected rise in volumes, expenses as a percentage to sales will get reduced.

  In the TV segment, the company is facing huge competition from various players in the market. Also the onset of e-commerce and acceptance of buying white goods online is gaining good traction due to the competitive price offered by the e-commerce players. The company has joined hands with flipkart in order to sell ACs through e-commerce platform. Also, it has started an interactive website called 'www.mylloyd.com' which offers a direct interface with customers thus reducing dependency on dealers and other channels. This step would help the company to keep in step with the evolving system of sales.

  Currently Lloyd is just assembling TVs in India. Panel and PCB (printed Circuit Board) are the main components in LED TV. The panels are imported across industry as import duty on panels is 0% and PCBs are currently being outsourced from third parties. But going ahead, the company's growth strategy is to manufacture PCBs in India. PCB is critical to both cost and quality of a TV. Soon, the company will firm up its plans to manufacture PCB in-house as its quality can be controlled along with cost as most of the competitors are manufacturing PCBs in-house. The capex for this project would be around Rs. 10-12 crore.

- **Uniquely placed in HVAC space**

  Lloyd Electric has over 50 years of experience and is a leading manufacturer in the Heating, Ventilation and Air-conditioning (HVAC) business and is present across entire value chain (from coils to brand) which gives it a better control over cost and low volatility in margins. The company is also a key OEM to major AC

giants like Voltas, Daikin and Godrej in India as well as to leading brands in Africa, the Middle-East and North America. The HVAC industry, of which the AC industry forms the major chunk, is expected to grow at a robust 14% CAGR over FY2014-18.

During August 2015, the company announced that it had acquired Noske-Kaeser's Rail & Vehicle (NK R&V) business in Germany, New Zealand, Australia, Brazil and USA. Having an existence of more than 130 years, Noske-Kaeser, is an established global brand recognised for providing customized and innovative designs and solutions in the field of air-conditioning, refrigeration and special technology. The acquisition (which got completed in FY16) represents a strategic opportunity for Lloyd to expand its product offering in HVAC solutions for rail and land based defense vehicle markets.

NK R&V has supplied and serviced the HVAC systems for the world's leading rolling stock companies and military vehicle builders in Germany. It has also been actively involved in armoured vehicle air-conditioning projects in India and has also delivered state of the art HVAC systems multiple High Speed Rail ("HSR") projects in Germany including the priced Maglev ("Magnetic Levitation") trains.

Another significant development is that Lloyd has signed Transfer of Technology Agreement (TOT) with Toshiba, Japan for the supply of the HVAC units for Delhi Metro RS10 project.

- **Turnaround expected in International subsidiaries – PAT positive in Q1FY17**

  In the international market, during FY16, economic situation was close to stagnation in the major EU countries. Trade with Russia dropped enormously and does not show any sign of turnaround in the near future.

  As a result of this economic instability and sharp drop of demand in the Russian market, the sales of Janka dropped drastically by 23% over previous year to Rs. 79 crore. On the other hand, LCE reported flat revenue due to metal price effect and reached Rs. 236 crore. Major sales loss has been reported in Russia and UK, both being markets with exceptionally high margin levels. To compensate the loss, new business has been acquired primarily in Germany, Sweden where the economy is good and new sales can be done but the price level is much more competitive.

  At the end of FY16, Janka have initiated larger revitalization project consisting of three areas – design driven cost reduction; procurement; and headcount. In July 2016, external restructuring expert/advisor (Ernst & Young) was hired by the company to explore various strategic and financial alternatives to enhance the shareholders' value.

- **Increase in Equity Share Capital due to conversion of 60,00,000 warrants to equity shares**

  On 13th March 2015, 60,00,000 warrants were allotted on preferential basis to Promoter Group Entities at Rs. 152 each which are to be converted into equivalent number of equity shares before expiry of 18 months from the date of allotment. By way of tranches, the warrants are being converted into equity shares, the first tranche was on 29th January 2016 where 8,85,000 warrants were converted, second tranche was on 3rd September 2016 where 17,00,000 warrants were converted and latest third tranche came on 8th September 2016 where 24,27,000 warrants got converted. Thus after converting all these warrants to equity shares, the current no. of equity shares stands at 4.03 crore equity shares with FV of Rs. 10 and Promoters' stake in the company at present is at 56.19%.

  However, we have taken the full effect of diluted equity shares in our estimations as it is just matter of time when the entire allotment would be converted. Thus on a fully diluted basis, the total equity share capital stands at 41.32 crore and Promoters stake will be 57.24%.

Risks/Concerns

- There are factors like fluctuations in prices of raw materials especially Aluminium, Copper and Sheet Metal leading to erosion of margins as well as competition that will have a detrimental effect on the sector/company.
- The rising interest rate regime is one of the major risks pertaining in the industry. Consumer durables are interest rate sensitive. So, any increase in interest rates could bring in some sluggishness in demand.
- Another factor that is going to affect the sector is competition. There is intense competition among players leading to higher advertisement spends and lesser pricing power, thereby lowering margins. While market leaders in the various categories are feeling secure, the other companies are finding that it is a tough going.
- The economic slowdown will continue to impact all facets of business. Increasing Tax, freight cost and operational cost are some other factors that have led to increase in cost.
- Lloyd has presence in various countries due to acquisitions done in the past. Hence it is critical to track the economic conditions in these countries to gauge the trend of consolidated profitability of the company. Further it is also exposed to forex fluctuations/translation losses or gains due to its exports/imports and presence in various countries.

Conclusion and Recommendation

Lloyd Electric has been picking up in terms of the market share especially on the air conditioner front. In FY15, the market share was about 8% and for H1FY16 it increased to about 11-11.5% and in Q1FY17 it gained 14%. The company has been aggressively spending on marketing and advertising and on the dealer expansion front. It has already reached 7,000+ dealership network which definitely will help in increasing the visibility. The company is the largest manufacturer of coils and radiators which will help it in terms of lower costs and wide product profile. The company could be beneficiary of rising spend on durables by the consumers in urban and semi urban areas. The fact that in FY17 no exceptional debits are expected (vs Rs.45.8 crore in FY16 due to insurance claim write-off) will also mean that reported PAT for FY17 will show a big jump vs FY16.

In our stock note dated 5th August 2014, we had advised that the investors could buy the stock at the then CMP of Rs 141.50 and to add on dips to Rs.118-126 band for sequential targets of Rs. 183.5 and Rs. 214 over 2-3 quarters. On 5th September 2014 and 1st April 2015, it achieved our both targets. At the current market price (of Rs. 254) the company is trading at 9.3x its FY17E consolidated EPS of Rs. 27.5 and 7.2x its FY18E consolidated EPS of Rs. 35.3. We think that investors could buy the stock at the CMP and add on declines to Rs. 212-228 band (~6.25x FY18E EPS) for sequential targets of Rs. 282.5 and Rs. 318 (8x and 9x FY18E EPS) over 2-3 quarters.

Particulars (Rs in Cr)	FY11	FY12	FY13	FY14	FY15	FY16	FY17E	FY18E
Total Operating Income	1014.9	1341.2	1474.3	1776.0	2172.7	2715.2	3254.3	3760.9
Operating Profit	92.5	107.9	150.8	165.3	231.5	253.8	313.7	378.7
OPM (%)	9.1	8.0	10.2	9.3	10.7	9.3	9.6	10.1
Adjusted Profit After Tax	37.6	35.1	52.8	89.1	88.4	87.7	113.5	145.7
Reported Profit After Tax	37.6	35.1	52.8	89.1	88.4	41.9	113.5	145.7
PATM (%)	3.7	2.6	3.6	5.0	4.1	1.5	3.5	3.9
Adjusted EPS (Rs.)	12.1	9.9	14.9	25.2	25.0	24.2	27.5	35.3
EPS (Rs.)	12.1	9.9	14.9	25.2	25.0	11.6	27.5	35.3
Adj. PE (x)	21.0	25.5	17.0	10.1	10.1	10.5	9.3	7.2

PE (x)	21.0	25.5	17.0	10.1	10.1	21.9	9.3	7.2
EV/EBITDA	11.8	10.8	8.6	7.0	6.5	6.7	6.4	5.8
RoNW (%)	8.8	7.0	9.6	13.9	12.0	11.5	13.0	14.5

(Source: Company, HDFC sec Consolidated numbers)

Financials

Quarterly – Standalone

Particulars (Rs cr)	Q1FY17	Q1FY16	% chg	Q4FY16	% chg	FY16	FY15	% chg
Income from Operations	893.6	710.4	25.8%	809.9	10.3%	2382.5	1835.0	29.8%
Other Operating Income	0.6	0.1		0.2		0.0	0.0	
Total Income	**894.3**	**710.5**	**25.9%**	**810.1**	**10.4%**	**2382.5**	**1835.0**	**29.8%**
Raw Material Cost	703.2	569.0	23.6%	608.7	15.5%	1838.1	1430.7	28.5%
Employee Expenses	24.6	16.7	47.1%	22.3	10.0%	72.2	56.5	27.8%
Other Expenses	72.5	51.5	40.7%	70.5	2.8%	208.8	122.5	70.4%
Total Expenditure	**800.2**	**637.2**	**25.6%**	**701.6**	**14.1%**	**2119.0**	**1609.7**	**31.6%**
Operating Profit	**94.1**	**73.3**	**28.3%**	**108.5**	**-13.3%**	**263.5**	**225.3**	**17.0%**
Other Income	0.4	0.2	72.7%	0.0		1.0	4.6	-79.2%
PBIDT	**94.4**	**73.6**	**28.4%**	**108.5**	**-13.0%**	**264.5**	**229.8**	**15.1%**
Interest	28.4	23.0	23.7%	31.9	-11.0%	104.7	92.9	12.7%
PBDT	**66.0**	**50.6**	**30.5%**	**76.6**	**-13.8%**	**159.8**	**137.0**	**16.7%**
Depreciation	8.0	7.5	6.4%	11.7	-31.9%	34.2	34.0	0.8%
Exceptional Item	0.0	0.0		45.8		45.8	0.0	
PBT	58.1	43.1	34.7%	19.1		79.8	103.0	-22.5%
Tax (including DT & FBT)	14.2	9.0	57.1%	10.5	35.5%	23.7	21.4	10.9%
Reported Profit After Tax	**43.9**	**34.1**	**28.8%**	**8.6**	**408.1%**	**56.1**	**81.6**	**-31.3%**
EPS (Rs.)	**12.1**	**9.6**		**2.4**		**15.5**	**23.1**	
Equity	36.2	35.3		36.2		36.2	35.3	
			bps		**bps**			**bps**
OPM (%)	**10.5**	**10.3**	**20**	**13.4**	**-287**	**11.1**	**12.3**	**-121**
PATM (%)	**4.9**	**4.8**	**11**	**1.1**	**384**	**2.4**	**4.4**	**-210**

(Source: Company, HDFC sec)

Segment Revenue	Q1FY17	Q1FY16	% Chng	FY16	FY15	% Chng
Consumer Durables	628.39	440.29	42.7	1384.22	870.65	59.0
OEM & Packaged Air-conditioning	275.14	210.26	30.9	850.79	751.18	13.3
Heat Exchangers & Components	141.81	146.14	-3.0	588.81	581.19	1.3
Sub Total	**1045.34**	**796.69**	**31.2**	**2823.8**	**2203**	**28.2**
Less: Inter segment revenue	151.7	86.3	75.8	441.3	368.1	19.9
Net Sales	**893.6**	**710.4**	**25.8**	**2382.5**	**1835.0**	**29.8**
Segment Results						

Consumer Durables	48.6	37.15	30.8	105.65	96.25	9.8
OEM & Packaged Air-conditioning	22.87	11.79	94.0	50.15	39.61	26.6
Heat Exchangers & Components	19.51	17.11	14.0	81.77	68.67	19.1
EBIT	**90.98**	**66.05**	37.7	**237.57**	**204.53**	16.2
Less: Finance cost	28.4	22.96	23.7	104.67	92.85	12.7
Less: Other unallocable expd	4.51	0		53.11	8.66	
EBT	**58.07**	**43.09**	**34.8**	**79.79**	**103.02**	**-22.5**
Segment Margins			**bps**			**bps**
Consumer Durables	7.7	8.4	-70	7.6	11.1	-342
OEM & Packaged Air-conditioning	8.3	5.6	270	5.9	5.3	62
Heat Exchangers & Components	13.8	11.7	205	13.9	11.8	207

(Source: Company, HDFC sec)

Profit & Loss – Consolidated

Particulars	FY11	FY12	FY13	FY14	FY15	FY16	FY17E	FY18E
Net Sales	**1014.9**	**1341.2**	**1474.3**	**1776.0**	**2172.7**	**2715.2**	**3254.3**	**3760.9**
Total Expenditure	**922.4**	**1233.3**	**1323.5**	**1610.7**	**1941.2**	**2461.4**	**2940.5**	**3382.2**
Raw material consumed	796.7	1043.3	1094.1	1337.4	1642.1	2040.6	2451.1	2832.0
Employee expense	68.5	103.6	99.8	108.8	121.3	148.3	179.6	197.4
Other Expenses	57.2	86.4	129.5	164.5	177.8	272.5	309.8	352.8
Operating Profit	**92.5**	**107.9**	**150.8**	**165.3**	**231.5**	**253.8**	**313.7**	**378.7**
Other Income	1.0	10.2	5.0	49.1	12.7	9.0	10.0	10.0
PBIDT	**93.5**	**118.1**	**155.9**	**214.3**	**244.3**	**262.8**	**323.7**	**388.7**
Interest	23.2	37.1	52.7	85.5	94.3	105.5	124.5	143.8
PBDT	**70.3**	**81.0**	**103.2**	**128.8**	**150.0**	**157.3**	**199.3**	**244.9**
Depreciation	23.1	30.6	31.6	31.8	38.8	46.4	50.6	51.7
Exceptional Item	0.0	0.0	0.0	0.0	0.0	45.8	0.0	0.0
PBT	**47.2**	**50.3**	**71.6**	**97.0**	**111.1**	**65.1**	**148.7**	**193.2**
Tax (including DT & FBT)	9.7	15.2	18.8	7.9	22.7	23.2	35.2	47.5
Adjusted PAT	**37.6**	**35.1**	**52.8**	**89.1**	**88.4**	**87.7**	**113.5**	**145.7**
Reported Profit After Tax	**37.6**	**35.1**	**52.8**	**89.1**	**88.4**	**41.9**	**113.5**	**145.7**

(Source: Company, HDFC sec)

Balance Sheet – Consolidated

Particulars (Rs in Cr)	FY11	FY12	FY13	FY14	FY15	FY16	FY17E	FY18E
Equity & Liabilities								
Shareholders' Funds	**429.1**	**501.7**	**551.0**	**639.9**	**733.8**	**761.5**	**873.1**	**1011.6**
Equity Share Capital	31.0	35.3	35.3	35.3	35.3	36.2	41.3	41.3
Reserves & Surplus	398.1	466.4	515.7	604.6	698.5	725.3	831.8	970.3
Share warrants (pending allotment)	0.0	0.0	0.0	0.0	22.8	19.4	0.0	0.0

Non-Current Liabilities	**198.6**	**138.1**	**130.4**	**158.7**	**120.8**	**103.2**	**113.6**	**123.1**
Long Term borrowings	181.1	111.3	94.7	146.7	108.6	91.6	100.8	108.9
Deferred Tax Liabilities (Net)	16.1	19.7	22.9	9.4	9.2	8.6	9.5	10.4
Long Term Provisions	1.4	7.1	12.8	2.6	3.1	2.9	3.3	3.8
Current Liabilities	**362.0**	**485.2**	**618.9**	**842.4**	**1051.5**	**1342.3**	**1594.2**	**1874.9**
Short Term Borrowings	187.0	289.5	351.9	499.6	633.4	806.3	967.6	1141.8
Trade Payables	116.7	124.7	148.6	225.5	258.0	338.5	399.4	479.3
Other Current Liabilities	41.7	49.4	92.0	87.0	119.3	171.4	197.1	220.8
Short Term Provisions	16.6	21.6	26.5	30.3	40.8	26.1	30.0	33.0
Total Equity & Liabilities	**989.7**	**1125.0**	**1300.4**	**1641.0**	**1928.9**	**2226.4**	**2580.8**	**3009.6**
Assets								
Non-Current Assets	**350.2**	**420.0**	**426.1**	**451.6**	**448.3**	**437.8**	**422.6**	**429.3**
Fixed Assets	**326.2**	**395.4**	**401.7**	**429.7**	**418.1**	**427.9**	**414.9**	**420.7**
Tangible Assets	303.8	373.2	386.1	415.4	402.3	411.8	397.2	398.3
Intangible Assets	0.0	12.5	9.6	8.15	8.2	9.3	10.7	12.4
Capital Work-in-Progress	22.3	9.7	6.0	6.1	7.7	6.7	7.0	10.0
Non-Current Investments	4.9	3.2	2.7	1.8	2.1	1.0	1.2	1.3
Long -term Loans and Advances	1.0	4.5	4.9	3.8	5.8	5.8	6.5	7.3
Other Non-Current Assets	18.1	16.9	16.9	16.3	22.2	3.2	0.0	0.0
Current Assets	**639.5**	**704.2**	**874.3**	**1189.5**	**1480.6**	**1788.6**	**2154.8**	**2576.9**
Inventories	242.4	376.2	490.3	617.9	772.3	938.9	1164.3	1397.1
Trade Receivables	284.2	233.9	303.2	409.2	524.9	675.7	824.3	989.2
Cash & Cash Equivalents	66.0	29.9	21.5	55.3	64.7	74.7	65.5	79.4
Short Term Loans & Advances	32.0	35.5	42.2	91.8	101.8	75.7	79.4	87.4
Other Current Assets	15.0	28.7	17.1	15.2	16.9	23.6	24.8	27.2
Total Assets	**989.7**	**1124.2**	**1300.4**	**1641.0**	**1928.9**	**2226.4**	**2580.8**	**3009.6**

(Source: Company, HDFC sec)

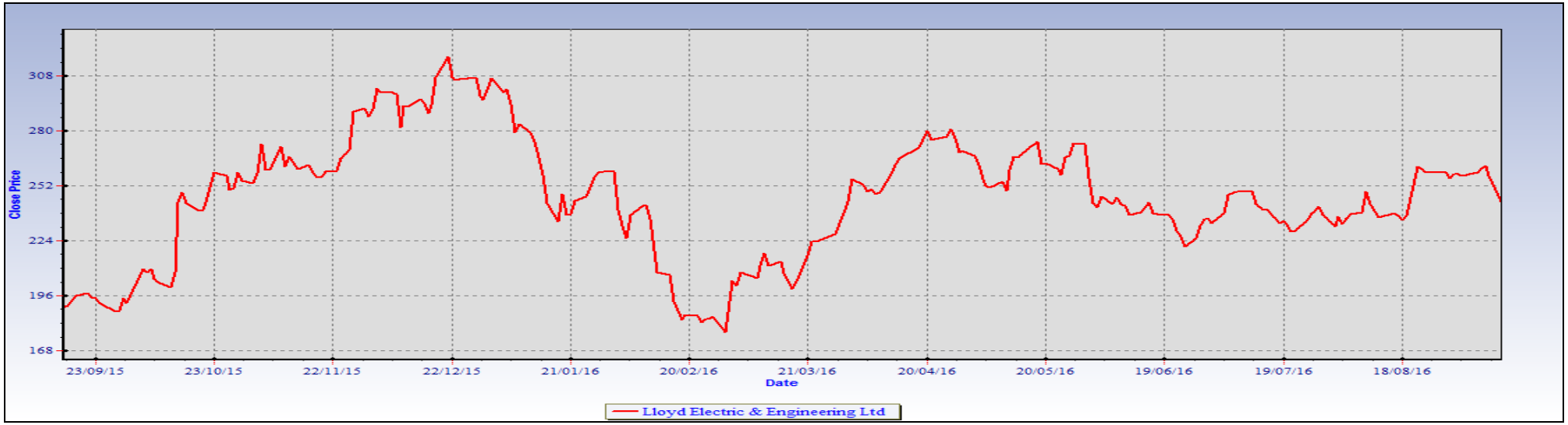
Key Financial Ratios – Consolidated

Particulars	FY11	FY12	FY13	FY14	FY15	FY16	FY17E	FY18E
No of Equity Shares	3.1	3.5	3.5	3.5	3.5	3.6	4.1	4.1
Current Market Price	254.0	254.0	254.0	254.0	254.0	254.0	254.0	254.0
Market Capitalization	787.4	897.1	897.1	897.1	897.1	919.7	1049.5	1049.5
Enterprise Value	1089.5	1268.1	1322.2	1488.1	1574.4	1743.0	2052.4	2220.8
Adj. EPS	12.1	9.9	14.9	25.2	25.0	24.2	27.5	35.3

EPS	12.1	9.9	14.9	25.2	25.0	11.6	27.5	35.3
Cash EPS (PAT + Depreciation)	19.6	18.6	23.9	34.2	36.0	37.0	39.7	47.8
Adj. PE(x)	21.0	25.5	17.0	10.1	10.1	10.5	9.3	7.2
PE(x)	21.0	25.5	17.0	10.1	10.1	21.9	9.3	7.2
Book Value (Rs.)	138.4	142.0	156.0	181.2	207.7	210.3	211.3	244.8
P/BV (x)	1.8	1.8	1.6	1.4	1.2	1.2	1.2	1.0
OPM (%)	9.1	8.0	10.2	9.3	10.7	9.3	9.6	10.1
PBT (%)	4.7	3.8	4.9	5.5	5.1	2.4	4.6	5.1
NPM (%)	3.7	2.6	3.6	5.0	4.1	3.2	3.5	3.9
ROCE (%)	8.8	9.7	12.5	14.2	13.9	10.3	14.1	14.9
RONW (%)	8.8	7.0	9.6	13.9	12.0	11.5	13.0	14.4
Debt-Equity	0.9	0.8	0.8	1.0	1.0	1.2	1.2	1.2
Current Ratio	1.8	1.5	1.4	1.4	1.4	1.3	1.4	1.4
Mcap/Sales(x)	0.8	0.7	0.6	0.5	0.4	0.3	0.3	0.3
EV/EBITDA	11.7	10.7	8.5	6.9	6.4	6.6	6.3	5.7

(Source: Company, HDFC sec)

One Year Price Chart



Fundamental Research Analyst: Zececa Mehta (zececa.mehta@hdfcsec.com)

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066 Website: www.hdfcsec.com Email: hdfcsecretailresearch@hdfcsec.com.

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