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Initiating Coverage

Johnson Controls-Hitachi Air Conditioning India Ltd.

16-March-2021



Johnson Controls-Hitachi Air Conditioning India Ltd.



Industry	LTP	Base Case Fair Value	Bull Case Fair Value	Recommendation	Time Horizon
Consumer Durable	Rs.2635	3047	Rs.3290	Buy at LTP and add more at the Rs.2252	2 quarters

HDFC Scrip Code	JOHHITEQNR
BSE Code	523398
NSE Code	JCHAC
Bloomberg	JCHAC:IN
CMP March 16, 2021	2635.00
Equity Capital (Rs cr)	27
Face Value (Rs)	10
Equity Share O/S (cr)	2.72
Market Cap (Rs crs)	7268
Book Value (Rs)	253
Avg. 52 Wk Volumes	22621
52 Week High	3010.00
52 Week Low	1660.00

Share holding Pattern % (Dec, 2020)	
Promoters	74.25
Institutions	16.6
Non Institutions	9.15
Total	100.0

Fundamental Research Analyst

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Our Take:

JCHAC is a joint venture between two global parents US-based Johnson Controls and Japan-based Hitachi Appliances.

The company enjoys a strong brand recall. It has an established market positioning in the air-conditioning segment and has consistently expanded its product portfolio to include other appliances, viz., refrigerators and air purifiers. It has total installed capacity of 9,00,000 Room Air Conditioners (RACs) per annum (in a single shift). In addition to this, it also has the capacity to manufacture 1,20,000 tons of Ductable units, 9,000 variable refrigerator flow (VRFs) and 300 Chiller Units per annum.

The appliance industry has a huge dependence on China for components and parts. Any supply disturbance from China, therefore, may increase cost pressures. JCHAC sources ~31% of its total purchase value from its group companies, which has reduced its reliance on China. We believe it is well-positioned for a strong bounce-back with continuation of healthy demand and re-stocking in the trade channel for the coming summer season.

We believe changing customer preferences and up-trading by existing customers would drive growth of JCHAC's premium products. The company has made US\$ 20 million (nearly Rs.140 cr) investment in manufacturing and R&D facilities. Its inauguration of the Global Development Center (GDC) in FY20 is one of the biggest steps towards globalizing its product development process. JCHAC now has a distribution network spread over 10,000 sales points, and includes 290+ exclusive sales and service dealers, 70+ Hitachi exclusive showrooms, and more than 1,500 service points.

In the near term, we expect its growth to take a pause, given the current situation, slow economic activity, liquidity challenges, and sluggish demand for Commercial Air Conditioning Systems from sectors such as offices, marriage halls, auditoriums, hotels and restaurants. We believe that due to the COVID-led lockdown and economic slowdown, FY21E would post degrowth.

Valuations & Recommendation:

We believe the company would benefit from premium brand recall, pan-India presence, and product launches. However, COVID-induced lockdown has impacted inventories, worsened working capital cycle and disturbed the supply chain. Going forward, we expect a 8% CAGR in top-line and 25% CAGR in PAT over FY20-23E. Bottom line growth should be led by the corporate tax rate cut (the company has paid ~35% taxes in the previous years, which will now come down to 25-26%). JCHAC has a competitive edge due to its focus on backward integrated

manufacturing plants along with India-specific R&D, technology and product development capabilities. We believe the base case fair value of the stock is Rs.3047 (50.1x FY23E EPS) and the bull case fair value is Rs.3290 (54.1x FY23E EPS). Investors willing to take some risk can look to buy at LTP and add more at Rs.2252 (37.0x FY23E EPS).

Financial Summary

Particulars (Rs cr)	Q3FY21	Q3FY20	YoY-%	Q2FY21	QoQ-%	FY19	FY20	FY21E	FY22E	FY23E
Total Operating Income	488	436	12%	310	57%	2,241.3	2,197.4	1,812.8	2,429.2	2,745.0
EBITDA	67	32	109%	-5	LP	163.8	172.2	126.5	264.4	307.2
APAT	31	13	130%	-19	LP	85.9	84.3	36.3	135.7	165.4
Diluted EPS (Rs)	11.3	4.9	131%	-7	LP	31.6	31.0	13.4	49.9	60.8
RoE-%						15.0	13.0	5.1	17.2	17.7
P/E (x)						84.6	86.2	200.0	53.6	43.9
EV/EBITDA						44.6	42.4	57.7	27.6	23.8

(Source: Company, HDFC sec)

Q3FY21 Result Update

- Revenue of the company stood at Rs.488 cr, +12/57% y-o-y/q-o-q. The net profit of the company stood at Rs.31 cr, +131%/Loss to Profit y-o-y/q-o-q.
- RAC sales saw recovery with double-digit volume growth. Channel inventory level reduced significantly.
- EBITDA of the company stood at Rs.67 cr, +109%/Loss to Profit y-o-y/q-o-q. EBITDA was strong due to lower employee costs (-23% YoY) and lower other expenses (-19% YoY).

Segment-wise

- Revenue of Cooling Products segment has posted 13.1% y-o-y growth to Rs.477.09 cr and EBIT of this segment posted a growth by 159% y-o-y to Rs.43.57 cr.
- Revenue of Design and Development segment has posted 20.9% y-o-y degrowth to Rs.13.36 cr and EBIT of this segment posted a degrowth by 26.3% y-o-y to Rs.1.74 cr.

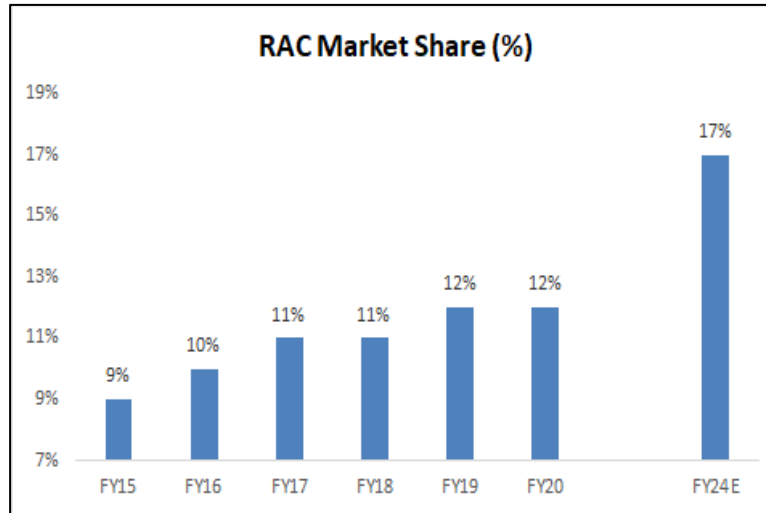
Johnson Controls-Hitachi Air Conditioning India Ltd.



Long-term Triggers

Global brands focus on gaining market share

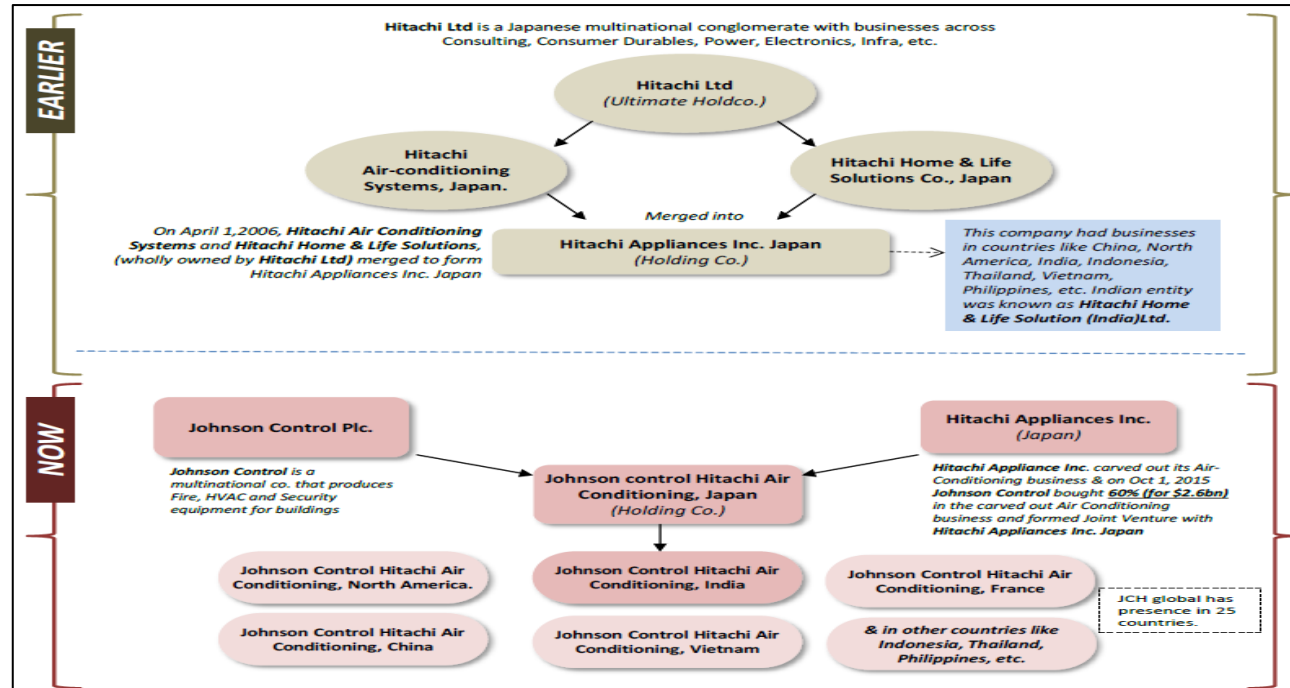
Johnson Controls-Hitachi is a joint venture between Hitachi Appliances Inc. and Johnson Controls Inc. Both the companies have more than 100 years of history and culture. Hitachi Appliances carved out and contributed its air-conditioning business to the JV, in which Johnson Controls acquired a 60% stake while Hitachi Global Life Solutions, Inc. continued to hold 40%. This Holdco JV holds 74.25% stake in the listed entity. It is a leading player in Room Air Conditioners (RACs) with 12% market share. JCHAC is the 3rd largest player in the Ductable AC with market share of about 13%, in the VRF market, it has market share of 5-6%. In Chillers the company is 5th largest player with single digit market share.



Source – Company, HDFC sec Research

Johnson Controls-Hitachi Air Conditioning India Ltd.

598.71	685.65	38.56	13.09	203.88	118.92	110.00
(-2.11)	(-14.14)	(-7.74)	(-1.07)	(-1.87)	(-1.87)	(-1.44)
142.09	167.29	154.12	393.13	-62.95	-187.58	-42.38
(-3.35)	(-17.74)	(-7.88)	(-7.58)	(-11.88)	(-71.46)	(-15.88)



Source – Broker report, HDFC sec Research

JCHAC has constantly focused on becoming one of the largest HVAC (Heating, ventilation, and air conditioning) companies in India and enhance its market share in both B2C and B2B segment. It has also seen a significant shift to inverter ACs from fixed-speed ones. That has helped the company move into the league of top players in inverter split ACs. All of JCHAC's 5 Star ACs in the new line-up were Expandable Inverter ACs, which were designed to perform in extremely hot conditions of the northern plains and extremely humid conditions of the coastal areas. In room air conditioners, 35% of the line-up was 5-star and 72% line-up was inverter ACs.

JCHAC has embarked on a 5-year plan (2019-2024) targeting to reach a revenue to Rs4000 cr by 2024 and achieve market share of 18%. To achieve this, it will increase its touch points from 8,000 to 15,000.

Wide product portfolio with new launches

It has a manufacturing plant in Kadi, Gujarat, with a total installed capacity of 9,00,000 RACs per annum (in a single shift). In addition to that, the company can also manufacture 1,20,000 tons of Ductable units, 9,000 VRFs ODUs and 300 Chillers Units per annum. It has a strong and wide range of products, which helps fuel growth. It has overall 96 SKUs, including new additions of 1.25 TR models and Takeshi ACs with powerful 15 mt. Almost ~69% of the entire line-up is with inverter technology (mainly 5 star and 4 star split AC range is inverter type).

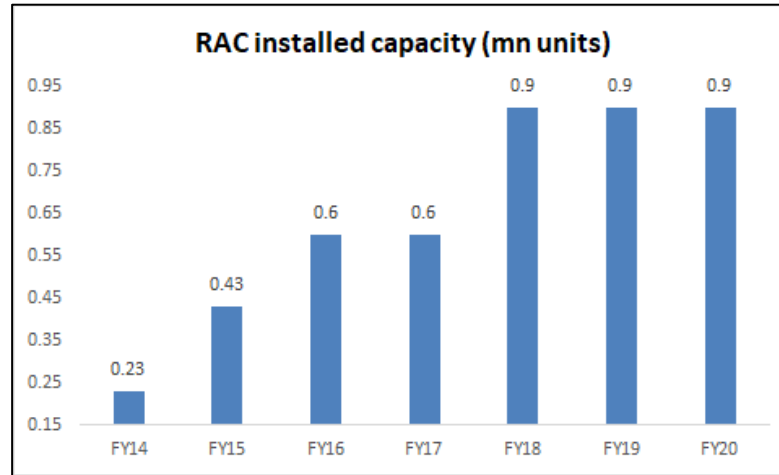
Residential Cooling Solutions	Commercial Cooling Solutions	Home Appliances Solution
<ul style="list-style-type: none"> • Inverter Split Air Conditioners • Fixed Speed Split Air Conditioners • Window Air Conditioners 	<ul style="list-style-type: none"> • Packaged Air Conditioners • Chillers • VRF • Space maker 	<ul style="list-style-type: none"> • Refrigerators • Air Purifiers

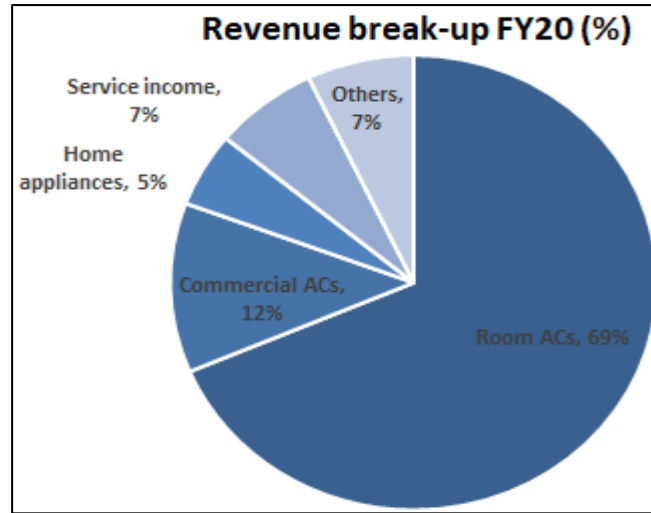
Source – Company, HDFC sec Research



Source – Company, HDFC sec Research

Earlier, JCHAC had a strong presence only in the premium category. Later, it enhanced its mass-premium portfolio with the launch of the new model 'Kaze' in both Split and Window AC variants to reach out to the customers from the middle-income group, which aspires for good quality products but at affordable prices. The mass premium sales currently make about 40% of its RAC revenue.

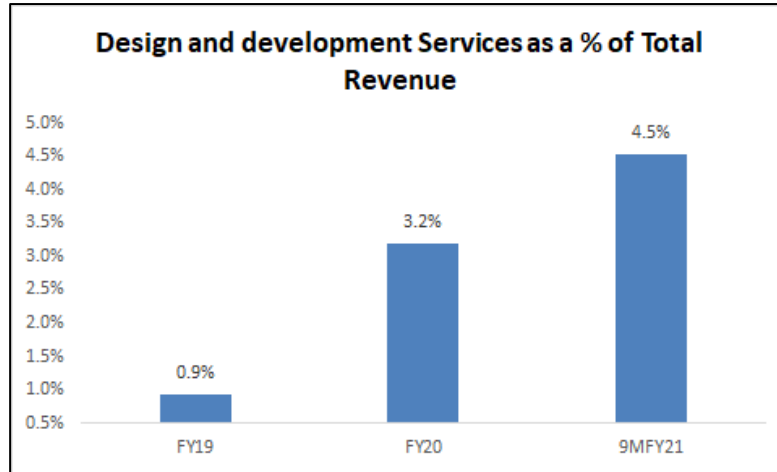




Source – Company, HDFC sec Research

In the Refrigerator segment, the company has 21 models and 39 SKUs- starting from 253 litre gross capacity to 722 litre gross capacity in 2-door, 3-door, 4 door and 6-door in the top freezer, bottom freezer and side by side segments. The company continues to dominate the Telecom Air Conditioners segment being the single largest air conditioning solution provider for the cooling requirement in Telecom Towers.

Post management change, JCHAC has become aggressive with new and innovative product launches. The company has made a \$ 20 million (nearly Rs.140 cr) investment in manufacturing and R&D facilities. The inauguration of the Global Development Center (GDC) in FY20 was one of the biggest steps towards globalizing its product development process. Global Development Center, which is spread across 12,000 square meters and equipped with state-of-the-art research and testing facilities, will play a significant role in the brand's India growth story. GDC has more than 120 engineers and the overall headcount is expected to grow to 150 shortly. Core areas of focus for the new Global Development Center are to develop residential and packaged air conditioner products for the Middle East, Southeast Asia and EU markets. This will be for the first time that an Indian AC facility will not just make ACs for the export markets but will also offer design and development services to them. The revenue generated from this GDC is booked under the design and development segment of JCHAC.

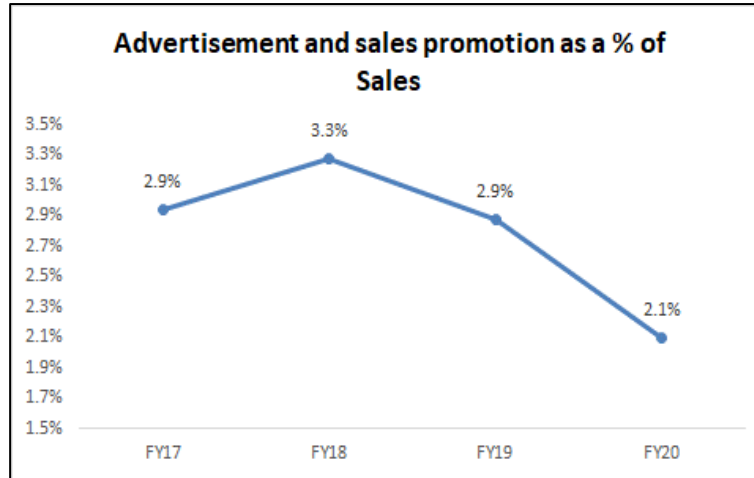


Source – Company, HDFC sec Research

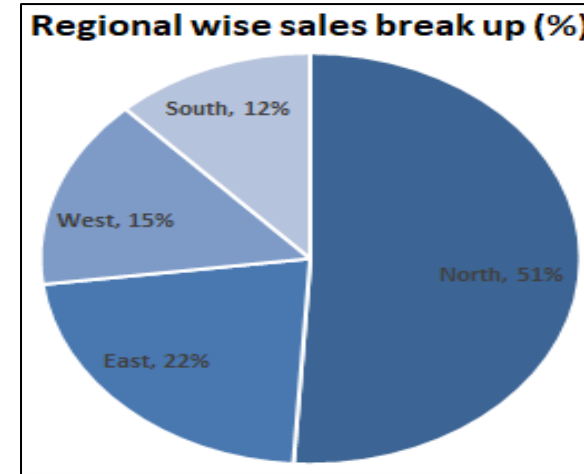
Wide distribution network and geographical presence

The company possesses a wide distribution network with five regional offices, 23 branch offices, above 10,000 sales points, 290+ exclusive sales and service dealers, 70+ Hitachi exclusive showrooms and more than 1,500 service points. It has started exporting to Sri Lanka, Indonesia, Bangladesh, UAE, Nepal, Bhutan, Myanmar, Maldives, Oman, Bahrein, Qatar, Saudi Arabia, Iraq, Kenya and Djibouti (in Africa). The company has become aggressive in enhancing the distribution network post-management change.

JCHAC is also selling its products through its e-commerce portal – “buy.hitachiaircon.in” e-shop as well as through other leading e-commerce portals.



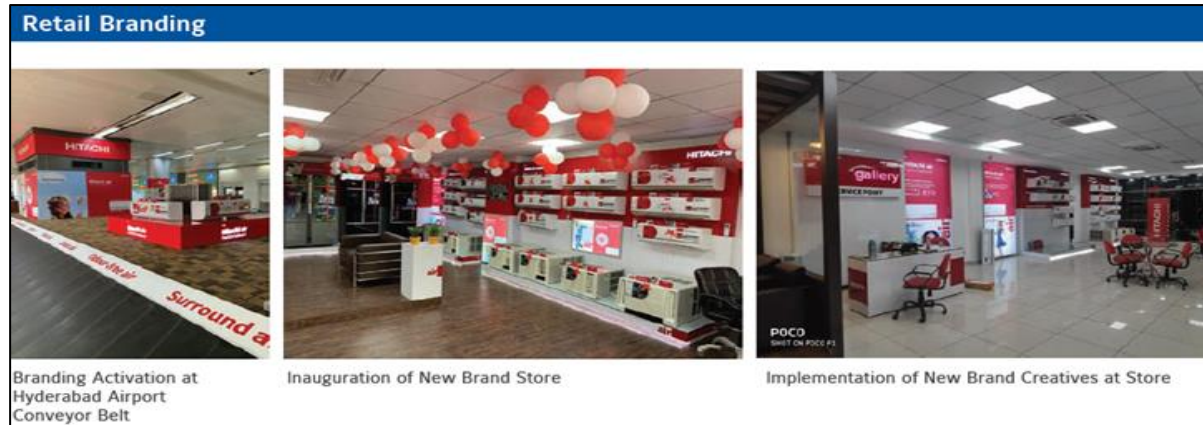
Source – Brokers report, Company, HDFC sec Research



The company launched a campaign called “Hitachi air, feel it to believe it” in 2019, which was promoted heavily through various media including digital, print, outdoor and retail. Special focus was given to digital media and outdoor, to achieve better brand recall amongst the target group.

The company plans to improve customers’ buying experience at retail outlets and various measures are being considered for the coming years.

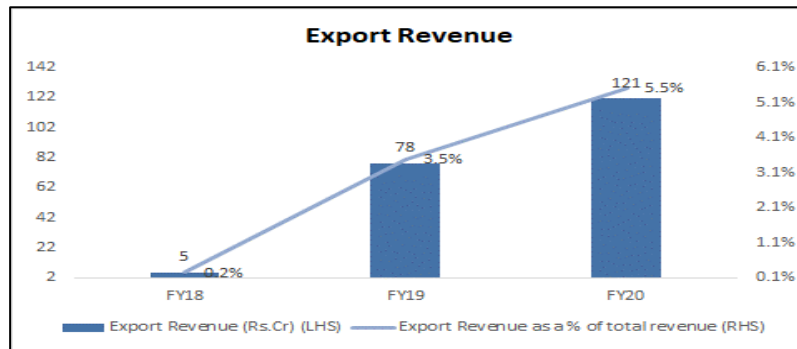
On the channel front, about 80% are sold through general trade, about 7 to 8% from online sales and about 8 to 9% from modern trade.



Source –Company, HDFC sec Research

One of the few exporters of RACs from India

JCHAC has started exporting the 'Made in India' RACs since FY15 and initially catered to the overseas markets of Sri Lanka, Indonesia and Bangladesh. Later, new geographies such as the UAE, the Middle East, Bhutan, Myanmar, Maldives, Oman, Bahrain, Qatar, Saudi Arabia, Iraq, Kenya, Djibouti, Nepal, Africa and South Asia were added.



Source –Company, HDFC sec Research



Compared to domestic industry, the Indian AC industry has very little focus on exports, with only 0.4mn AC units exported out of India vs 7mn units sold domestically. JCHAC is one of the first movers in exports, exporting its India-made products for the past six years and intending to scale it up, going forward.

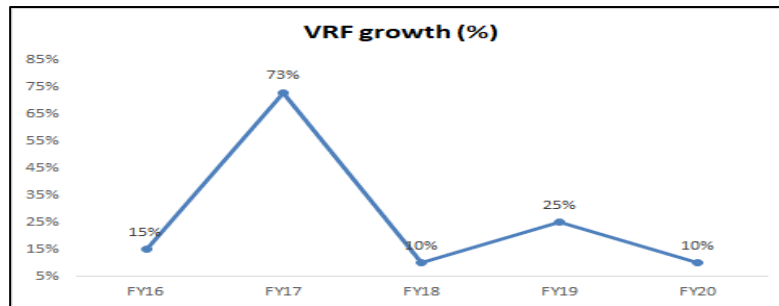
JCHAC expects to increase the proportion of exports from the current 5.5% to 10% by 2024.

Variable Refrigerant Flow Systems (VRF) can fuel further growth

Variable Refrigerant Flow Systems (VRF) are gaining immense popularity in India, with increasing adoption at corporate offices, hotels, IT offices, high-end residential apartments, villas, retail stores, supermarkets, hospitals, banks, education institutes, etc. The presence of VRF in the commercial and premium-residential market is rising. This segment of Indian commercial AC industry is expected to grow at a CAGR of ~15% over the next few years.

JCHAC has introduced a Global design platform - VRF sigma series - in mid-2018 in the Indian market. This platform has been very well-accepted by the market. With the introduction of Sigma VRF, Hitachi has become the only Japanese brand with the biggest single module up to 24 HP and a combination of up to 96 HP.

SET FREE mini and SET FREE Sigma can be centrally controlled through an innovative IoT VRF management mobile app – airCloud Pro. This technology allows customers to remotely control the VRF system(s) from a single mobile app, saving energy, and allowing easy control, monitoring, and fault tracking. It also offers comfort at the fingertips.



Source –Company, HDFC sec Research

Johnson Controls-Hitachi Air Conditioning India Ltd.

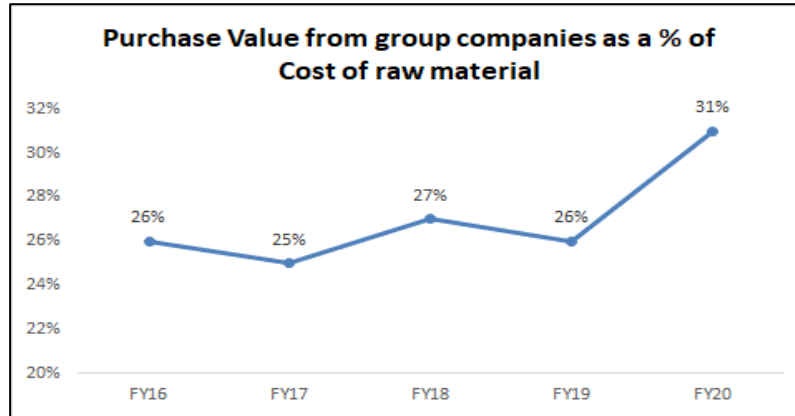


Reducing supply chain issues by strengthening the presence of group companies

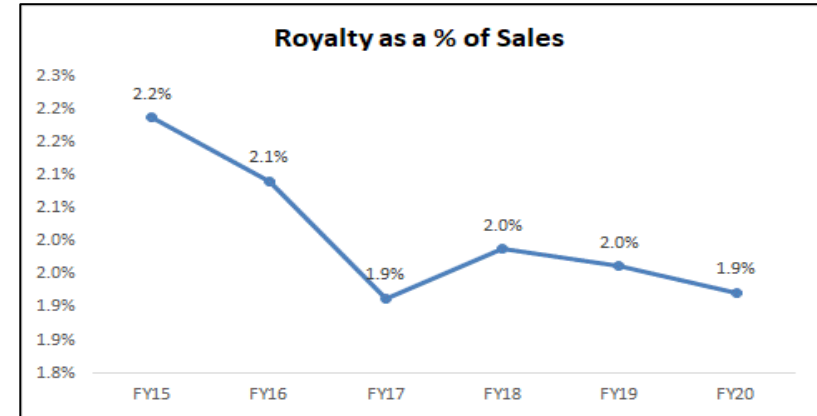
Most of the components for RAC industry in India are imported from China. The higher import duties and stringent inspection norms for imports will have a considerable impact on the supply chain. JCHAC is favorably placed in light of this anticipated policy change, as it has already tied up for raw material sourcing with its group companies in India and overseas.

JCHAC sources a large part of its compressors from one of its group companies Highly Electrical Appliances India Pvt. Ltd, which is an Indian arm of the joint venture between Japan's Hitachi Group and Shanghai's Highly group.

Group company	Products manufactured by Group Company	Purchase Value (Rs. Cr) (FY20)	Purchase Value as a % of Cost of raw material
Highly Electrical Appliances India Pvt. Ltd.	Compressors for Air Conditioners and Refrigerators	214.55	15%
Johnson Controls-Hitachi Components (Thailand) Co. Ltd.	Electrical Circuit Boards for Home Appliances	83.43	6%
Hitachi Consumer Products (Thailand) Ltd	AC, Refrigerator, Washing Machine, Air Purifiers and electrical products	72.69	5%
Qingdao Hisense Hitachi Air Conditioning Systems Co Ltd, China	Commercial AC and Household Central AC products	63.27	5%



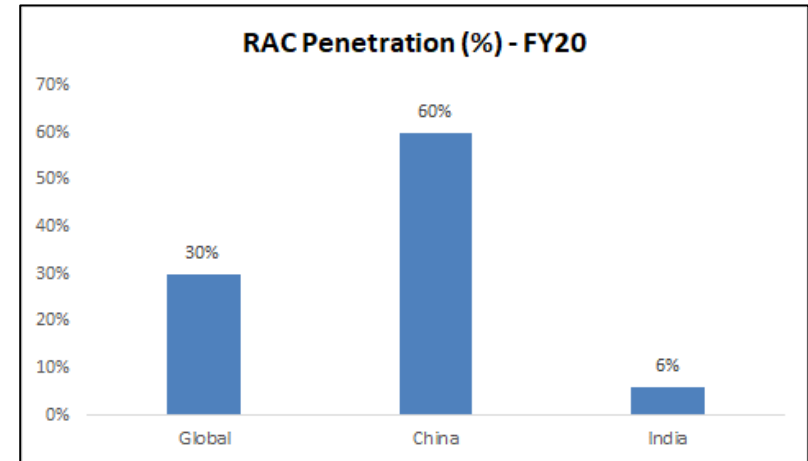
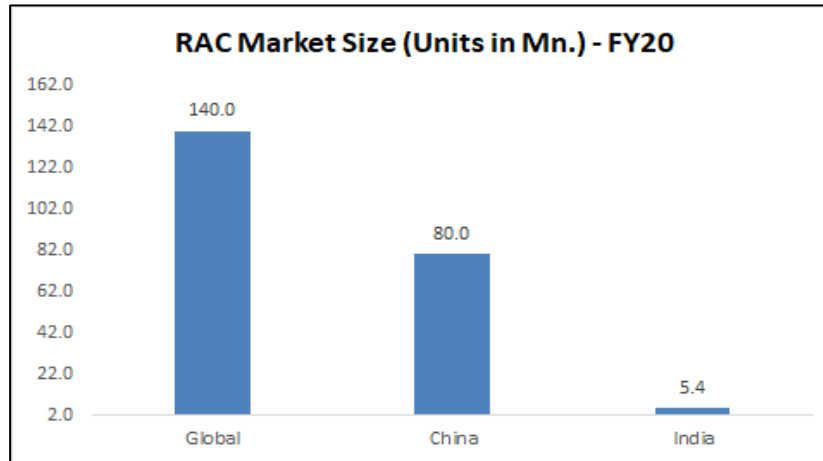
Source –Company, HDFC sec Research





Huge industrial growth potential

In FY20, the overall market size for air conditioning products in India was estimated at around Rs.17,500 cr. Of this, the market for central air conditioning, including central plants, packaged and ducted systems, and VRF systems was around Rs.3,250 cr and the market for other ancillary equipment was estimated at around Rs.3,050 cr, while the market for room air conditioners made up for the balance Rs.11,200 cr. India is still an under-penetrated market in residential consumer durable products, which provides decent growth opportunity in the future.



Source – Company, HDFC sec Research

The demand for packaged food is anticipated to increase at a moderate rate globally, which could increase demand in the commercial refrigeration market. Also, the rise in food safety regulations is expected to boost the demand for commercial refrigeration. The market witnessed has a surge in demand, driven by aggressive expansion plans of fast-growing segments such as food, dairy, Quick Service Restaurants (QSRs), e-tailers such as Big Basket, and cloud kitchens under Swiggy and Zomato. Supermarket Refrigeration has also provided ample growth opportunities, in addition to those from the Pharmaceutical and Healthcare industries.



Increasing urbanization, GDP growth and low penetration are the necessary ingredients for medium-term growth. The AC market offers the highest growth potential due to lower penetration than that of other white goods.

Production Linked Incentive (PLI) scheme can help drive growth

Under the Atmanirbhar Bharat program, the Government of India has announced the Production Linked Incentive (PLI) scheme for Air Conditioners and components. It has earmarked Rs. 3,000 cr for room air-conditioners and Rs. 2,000 cr for the components.

The incentive is payable on incremental sales based on the investment. JCHAC intends to participate in the scheme.

Various government projects like Metro Rail, Airports, and High-Speed Trains etc. are going to open a huge opportunity for the commercial air-conditioning segment. India has seen rapid growth in providing electricity access even in deeper pockets. Government initiatives like metering of houses focus on reducing transmission loss of electricity and programmes like 'Deendayal Upadhyaya Gram Jyoti Yojana' (DDUGJY) are creating various opportunities in new geographies for the supply of electrical products. Rapid urbanization and migration to cities have given rise to affordable housing. Though the pace has been somewhat slow, during the past year, Government's initiatives like special funding of stressed projects, mainly in affordable and mid-income categories, are likely to provide impetus in the near future. Growth of e-commerce retail portals and the increasing number of organized retail formats in Tier II and III towns are going to create good growth opportunity for the Room Air Conditioners category.

Favorable demographic indicators like urbanization, increase in disposable income of individuals, aspiration for good quality products, nuclear families, etc. are expected to catalyze the growth for electrical goods in the mid-to-long term horizon. Most consumer-facing products in India have lower penetration vis-à-vis other emerging countries. Increase in per capita income, yearning for comfort and rising aspirations could lead to an exponential rise in penetration in the medium to long term.

Recent ban on import of ACs with refrigerants to help local manufacturers/assemblers

In Oct 2020, the government banned the import of air conditioners to boost domestic production. Currently, India imports ~1.6 million units (Rs 3,500 crore) of finished RACs, which is 22% of total volume sold in India in FY20. The decision is expected to have a serious impact on small firms and Chinese companies that launch their products during the peak summer season and undercut prices. This ban will help local



manufacturers. The intent of the government seems to be to put a curb on the duty-free import of air conditioner units from FTA countries such as Thailand, Malaysia and Vietnam.

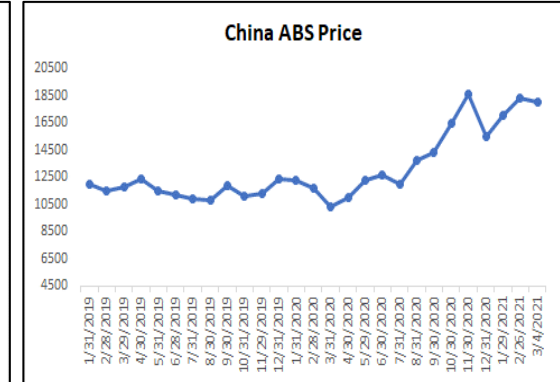
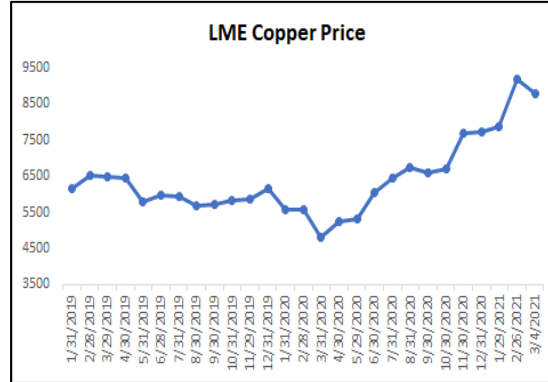
What could go wrong

Economic slowdown can have an adverse impact on company's growth

Orders for Commercial Air Conditioning Systems from sectors such as offices, marriage halls, auditoriums, hotels and restaurants in tier 1 and 2 cities are likely to revive only in H2 of FY22. As per the management, slowdown continues in the commercial sector.

The price rise of the key raw material of the company

JCHAC has been impacted by sharp commodity price inflation over the past few years. It is affected by the price volatility of certain commodities. Commodity prices, including steel, copper and ABS plastics and ocean freight are on the rise and, therefore, the company has announced a price increase between 4% to 6% with effect from January 1, 2021. Any failure to pass on the incremental cost in future will impact it adversely.



Source – Company, HDFC sec Research

Johnson Controls-Hitachi Air Conditioning India Ltd.



Seasonal business and revenue loss for the entire season due to lockdown

The company faces the seasonality element of business; example, for room conditioners, demand goes up in summers while inventory stocking up begins from December onwards. Thus, the business usually sees an increase in inventory levels in Q4.

The summer season is a crucial part of the consumer durable and appliances industry. The February to June period contributes to ~60% of the total industry's turnover; JCHAC also generates ~43% of revenue in Q1, which indicates that most of the revenue comes from this period only. March and April contribute 12% each towards sales turnover in the industry.

Competitive and fragmented industry

The air conditioning segment is fragmented with 25 well-known players, including Indian and global corporates, with the top five players accounting for ~60% of the market share.

The price range of RAC of various brand (Rs.)			
RAC	3-star Inverter Split RAC		
	1 – ton	1.5 - ton	2 - ton
AmazonBasics	22319	25169	NA
Sanyo	23990	29990	35934
Whirlpool	26097	35475	44437
Haier	30159	35369	44079
Llyod	29990	34499	47990
Godrej	26099	31479	48320
Bluestar	31380	38429	49990
Voltas	28399	31400	45990
LG	32499	36490	48990
Panasonic	32490	36999	49490
Hitachi	29999	35499	42750
Daikin	30900	36700	NA

Source – Company, HDFC sec Research

Johnson Controls-Hitachi Air Conditioning India Ltd.

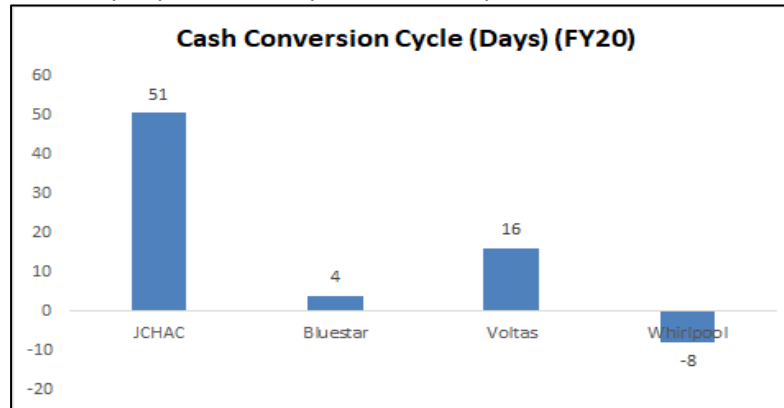


Supply chain disruption

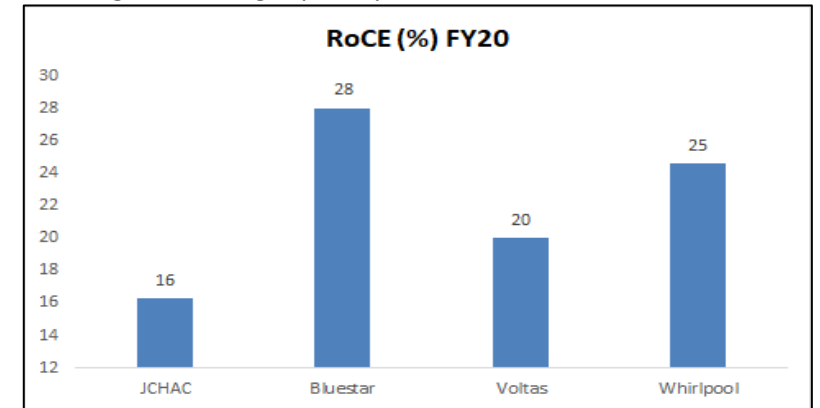
India imports 45-50% completely built units almost worth US\$60 billion, mainly from China, apart from importing most of the components. Wuhan is a major manufacturing centre for the electronics industry and companies based there are important suppliers for Indian manufacturers. Before the lockdown, in February and March-20, the appliances and consumer electronics industry was already facing a shortage of components, which are primarily imported from China, which had impacted production. Supply disruptions led to a scarcity of components or units which pushed up prices.

Below financial strength compared to peers

The company is financially weaker than peers with lower return ratios and higher working capital cycle.



Source – Company, HDFC sec Research



Other macro/industry-wide concerns

Consumer behaviour and the demand of consumer durable and appliances are directly linked to GDP growth. A sharp fall in GDP may lead to a fall in consumer demand. Even when normalcy returns, several people may lose their purchasing power or become more conscious of making purchases. As consumers struggle with health concerns, potential job losses and pay cuts, high ticket discretionary purchases are likely to be deferred. The company cannot pass on an increase in costs to the consumer due to sluggish demand, which will hit its gross margins in the near term.

Johnson Controls-Hitachi Air Conditioning India Ltd.

The sector suffers from high competitive intensity and, hence, weak pricing power, low product differentiation and threats to market share by existing competitors and new entrants. There is a need for in-house manufacturing (to ensure product quality). This could pose a challenge for margin expansion and reduce return ratios.

Slower economic growth will bring down demand for premium products and shift consumer preference towards “value for money” type of products. This would impact the sale of premium products and company’s profitability, going forward.

About the Company

Johnson Control Hitachi is a joint venture between the US-based Johnson Controls and Japan-based Hitachi Appliances, which was formed on 1st October 2015. The company's manufacturing unit can assemble a wide range of cooling products that cover both residential and commercial cooling products, viz., commercial air conditioning, residential and conditioning systems, such as Room Air Conditioners, VRF Systems, Ductable Air Conditioners, and Chillers & Space Makers.

Peer Comparison as per FY20 Financial

Company	CMP (As on 16-03-2021)	Mcap (Rs. Cr.)	NPM%	RoE%	RoCE%	D/E(x)	TTM P/E (x)	Cash Conversion Cycle (Days)
JCHAC	2635	7268	4	13	16	0.2	NA	51
Bluestar	921	8870	3	18	28	0.6	263	4
Voltas	1039	34387	7	12	20	0.0	67	16
Whirlpool	2416	30679	8	21	25	0.0	103	-8

	Sales (Rs. Cr)				EBIDTA Margin (%)				PAT (Rs. Cr)			
	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E
JCHAC	2197	1813	2429	2745	8	7	11	11	84	36	136	165
Bluestar	5360	4208	5899	6607	5	6	7	6	147	91	206	226
Voltas	7658	6786	8690	9732	9	8	9	11	517	451	713	814
Whirlpool	5993	5085	5945	NA	11	6	11	NA	490	203	482	NA

Johnson Controls-Hitachi Air Conditioning India Ltd.

Financials

Income Statement

(Rs Cr)	FY18	FY19	FY20	FY21E	FY22E	FY23E
Net Revenue	2185	2241	2197	1813	2429	2745
Growth (%)	14.0	2.6	-2.0	-17.5	34.0	13.0
Operating Expenses	1987	2078	2025	1686	2165	2438
EBITDA	199	164	172	126	264	307
Growth (%)	18.5	-17.6	5.1	-26.6	109.0	16.2
EBITDA Margin (%)	9.1	7.3	7.8	7.0	10.9	11.2
Other Income	7.4	15.4	8.2	13.0	15.0	16.0
Depreciation	52.9	44.2	56.3	76.1	82.1	86.2
EBIT	153	135	124	63	197	237
Interest	2.0	2.7	5.0	14.3	15.2	14.9
Shares of Profit in JV (net of Tax)	0.0	0.0	0.0	0.0	0.0	0.0
PBT	151	132	119	49	182	222
Tax	51.2	46.4	34.8	12.8	46.4	56.6
RPAT	100	86	84	36	136	165
Growth (%)	23.1	-14.2	-1.9	-56.9	273.3	21.9
EPS	36.8	31.6	31.0	13.4	49.9	60.8

Balance Sheet

As at March	FY18	FY19	FY20	FY21E	FY22E	FY23E
SOURCE OF FUNDS						
Share Capital	27.2	27.2	27.2	27.2	27.2	27.2
Reserves	508	586	661	698	828	987
Minority Interest	0	0	0	0	0	0
Other Equity & Liabilities	0	0	0	0	0	0
Shareholders' Funds	535	613	689	725	855	1014
Long Term Debt	0	0	0	0	0	0
Long Term Provisions & Others	49	62	74	90	113	138
Total Source of Funds	584	675	762	815	968	1152
APPLICATION OF FUNDS						
Net Block	245	325	406	416	426	436
Non-Current Investments	1	1	1	1	1	1
Deferred Tax Assets (net)	14	17	14	14	14	14
Long Term Loans & Advances	32	40	52	78	87	98
Other Assets	0	0	0	0	0	0
Total Non Current Assets	292	383	474	510	528	549
Inventories	442	555	727	531	699	737
Trade Receivables	414	448	255	233	359	444
Short term Loans & Advances	24	22	7	9	9	11
Cash & Equivalents	36	30	18	74	47	153
Other Current Assets	48	100	103	124	134	148
Total Current Assets	964	1156	1110	971	1248	1492
Short-Term Borrowings	13	190	159	178	183	185
Trade Payables	496	541	550	393	516	581
Other Current Liab & Provisions	141	118	68	75	86	96
Short-Term Provisions	23	16	17	21	24	28
Total Current Liabilities	672	864	794	666	809	890
Net Current Assets	292	292	289	305	439	602
Total Application of Funds	584	675	762	815	968	1152

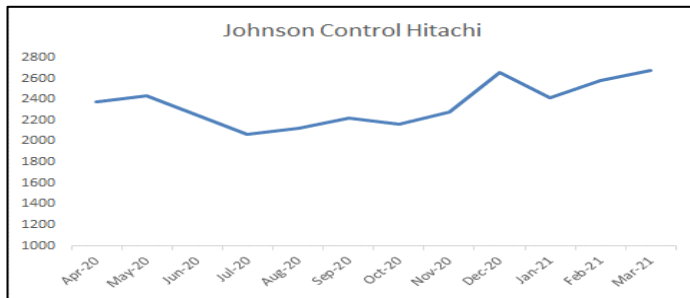
Source: Company, HDFC sec Research

Johnson Controls-Hitachi Air Conditioning India Ltd.

Cash Flow Statement

(Rs Cr)	FY18	FY19	FY20	FY21E	FY22E	FY23E
Reported PBT	151	132	119	49	182	222
Non-operating & EO items	-7	-15	-8	-13	-15	-16
Interest Expenses	2	3	5	14	15	15
Depreciation	53	44	56	76	82	86
Working Capital Change	-102	-5	-37	67	-161	-58
Tax Paid	-51	-46	-35	-13	-46	-57
OPERATING CASH FLOW (a)	45	112	101	181	57	193
Capex	-36	-120	-133	-93	-92	-96
Free Cash Flow	10	-8	-32	89	-35	97
Investments	-1	-11	-9	-26	-9	-11
Non-operating income	7	15	8	13	15	16
INVESTING CASH FLOW (b)	-30	-115	-134	-106	-86	-91
Debt Issuance / (Repaid)	5	13	11	16	23	25
Interest Expenses	-2	-3	-5	-14	-15	-15
FCFE	13	3	-26	91	-27	107
Share Capital Issuance	0	0	0	0	0	0
Dividend	-4	-9	-9	0	-5	-7
FINANCING CASH FLOW (c)	-1	2	-3	2	2	4
NET CASH FLOW (a+b+c)	15	-2	-36	78	-27	106

One Year Price Chart



Key Ratios

	FY18	FY19	FY20	FY21E	FY22E	FY23E
Profitability (%)						
EBITDA Margin	9.1	7.3	7.8	7.0	10.9	11.2
EBIT Margin	7.0	6.0	5.6	3.5	8.1	8.6
APAT Margin	4.6	3.8	3.8	2.0	5.6	6.0
RoE	20.5	15.0	13.0	5.1	17.2	17.7
RoCE	26.3	20.0	16.3	7.8	20.4	20.6
Solvency Ratio						
D/E	0.0	0.3	0.2	0.2	0.2	0.2
Interest Coverage	77.4	50.2	24.7	4.4	13.0	15.9
PER SHARE DATA						
EPS	36.8	31.6	31.0	13.4	49.9	60.8
CEPS	56.3	47.8	51.7	41.3	80.1	92.6
BV	197	225	253	267	314	373
Dividend	1.5	1.5	1.5	0.0	2.0	2.5
Turnover Ratios (days)						
Debtor days	69	73	42	47	54	59
Inventory days	75	81	107	107	105	98
Creditors days	86	91	98	85	87	87
Working Capital Days	58	63	51	69	72	70
VALUATION						
P/E	72.6	84.6	86.2	200.0	53.6	43.9
P/BV	13.6	11.9	10.6	10.0	8.5	7.2
EV/EBITDA	36.7	44.6	42.4	57.7	27.6	23.8
Dividend Yield	0.1	0.1	0.1	0.0	0.1	0.1
Dividend Payout	3.4	4.7	4.8	0.0	4.0	4.1

Source: Company, HDFC sec Research

Johnson Controls-Hitachi Air Conditioning India Ltd.



Disclosure:

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