

## High interest cost weighs on profitability...

**About the stock:** V-Guard is among India's leading fast moving consumer electrical (FMCG) goods companies with market leadership position in the stabiliser business.

- The company has a wide portfolio of products ranging from switchgears, water heaters, stabilisers, fans
- V-Guard completed the acquisition of 'Sunflame' in January 2023 to deepen its foray in the kitchen appliances segment

**Q4FY23 Results:** Consolidation of Sunflame drives revenue growth.

- The company reported revenue growth of ~7.6% YoY to ~₹ 1140 crore on a higher base. Revenue growth was driven by ~16% growth in the consumer durables segment led by consolidation of Sunflame
- Gross margin improved ~212 bps YoY supported by softening of raw material costs and normalisation of high cost inventory in the consumer durables segment. However, EBITDA margin declined 192 bps YoY to 8.7% due to weak operating leverage and increased ad spend
- PAT declined ~ 42% YoY to ~₹ 53 crore due to lower EBITDA margin and higher interest outgo (up ~6x YoY) on account of debt raised for acquisition of Sunflame

**What should investors do?** V-Guard's share price has given return of ~22% in the past five years (from ~₹ 208 in January 2018 to ~₹ 253 levels in June 2023).

- We maintain our **BUY** rating on the stock

**Target Price and Valuation:** We value V-Guard at ₹ 310 i.e. 35x P/E on FY25E EPS.

**Key triggers for future price performance:**

- Increased government capex, urbanisation, ~1 crore new houses under PMAY and rising aspiration are key growth drivers for V-Guard's consumer durables segment
- Strong growth in consumer durables segment post consolidation of Sunflame. The company plans to enhance the presence of Sunflame in the south region and on e-commerce platforms
- Focus on increasing mix towards in-house manufacturing and launch of high margin products will lead to EBITDA margin expansion over FY23-25E

**Alternate Stock Idea:** We also like Havells in the same space.

- Havells has a strong presence in the organised product category across its segments. Its market share ranges between 6% and 20% across segments
- BUY with a target price of ₹ 1425



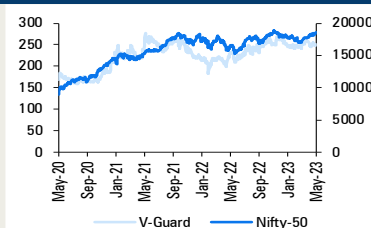
### Particulars

| Particular                      | Amount    |
|---------------------------------|-----------|
| Market Capitalization (₹ Crore) | 10,934.0  |
| Total Debt (FY23) (₹ Crore)     | 419.6     |
| Cash and Inv (FY23) (₹ Crore)   | 66.9      |
| EV (₹ Crore)                    | 11,286.7  |
| 52 week H/L                     | 275 / 204 |
| Equity capital (₹ Crore)        | 43.2      |
| Face value (₹)                  | 1.0       |

### Shareholding pattern

| (in %)   | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 |
|----------|--------|--------|--------|--------|--------|
| Promoter | 55.9   | 55.9   | 55.9   | 55.9   | 55.8   |
| FII      | 12.7   | 12.4   | 12.9   | 12.9   | 12.8   |
| DII      | 17.3   | 18.1   | 18.1   | 18.9   | 19.1   |
| Others   | 14.1   | 13.6   | 13.1   | 12.3   | 12.3   |

### Price Chart



### Recent event & key risks

- Key Risk:** (i) Slow offtake of electronic products (ii) Delay in margin recovery of consumer durable segment

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### Key Financial Summary

| (₹ Crore)             | FY20   | FY21   | FY22   | FY23   | 5 Year CAGR (FY18-23) | FY24E  | FY25E  | 2 Year CAGR (FY23-25E) |
|-----------------------|--------|--------|--------|--------|-----------------------|--------|--------|------------------------|
| Net Sales             | 2502.9 | 2721.2 | 3498.2 | 4126.0 | 12.1                  | 5035.5 | 5645.2 | 17.0                   |
| EBITDA                | 258.0  | 312.1  | 338.2  | 319.9  | 10.9                  | 506.2  | 616.8  | 38.8                   |
| EBITDA Margin (%)     | 10.3   | 11.5   | 9.7    | 7.8    |                       | 10.1   | 10.9   |                        |
| PAT                   | 188.3  | 201.9  | 228.4  | 189.0  | 7.0                   | 281.1  | 378.3  | 41.5                   |
| EPS (₹)               | 4.4    | 4.7    | 5.3    | 4.4    |                       | 6.5    | 8.8    |                        |
| P/E(x)                | 57.4   | 53.7   | 47.4   | 57.8   |                       | 38.9   | 28.9   |                        |
| Price /Book Value (x) | 10.9   | 8.9    | 7.7    | 6.8    |                       | 6.9    | 5.7    |                        |
| EV/EBITDA (x)         | 41.9   | 34.2   | 32.2   | 35.3   |                       | 22.4   | 18.0   |                        |
| RoE (%)               | 18.9   | 16.7   | 16.2   | 11.8   |                       | 17.6   | 19.6   |                        |
| RoCE (%)              | 25.1   | 23.9   | 21.2   | 12.8   |                       | 20.8   | 22.9   |                        |

## Key takeaways of recent quarter & conference call highlights

### Q4FY23 Results: Margin witnesses sequential improvement, high interest cost drags net profit

- On a higher base, V-Guard reported revenue growth of 7.6% YoY to ~₹ 1140 crore led by consolidation of Sunflame. Sunflame's revenue came in at ~₹ 57 crore. Region wise, south region (contributes ~54% to overall revenue) reported a decline in revenue by ~3.3% YoY to ~₹ 588 crore. However, revenues from non-south regions (contributes ~46% to revenue) increased ~10% to ₹ 495 crore, supported by dealer expansion and launch of new products
- Segment wise, consumer durables (fans, kitchen appliances, water heaters, air coolers and also includes Sunflame) segment revenue increased ~16% YoY to ₹ 343 crore. Sunflame revenue came in at ~₹ 57 crore. The electronics (stabilisers, UPS and inverters) segment revenue grew ~10% YoY to ~₹ 272 crore led by improvement in demand for stabilisers. Electricals segment (wires, pumps, switchgears, modular switches) revenues grew albeit at a slow pace of ~2% YoY to ~₹ 525 crore due to higher base of last year and lower realisations in pump segment and destocking of inventory of wires by retailers amid reduction in copper prices
- Gross margin improved 212 bps YoY (173 bps QoQ) to 31.3%, supported by lower input costs and normalising high-cost inventory in the consumer durables segment. As a result, the EBITDA margin improved 194 bps QoQ to 8.7% on the back of better gross margins. However, on a YoY basis, the EBITDA margin declined 192 bps, mainly due to weak operating leverage and increased ad spend
- PAT declined ~42% YoY to ~₹ 53 crore on account of lower EBITDA margin and sharp increase in interest cost (up ~6x YoY). Higher interest cost is attributable to debt raised for acquisition of Sunflame. Base period PAT included tax credit of ₹ 8 crore

### Q4FY23 Earnings Conference Call highlights

#### Market Share:

- According to the management, the company has gained market share in fans & water heaters in FY23

#### Demand outlook:

- Core business:** The demand scenario in the core business is weak in the near term due to weak consumer sentiment amid high inflation. However, the management expects a revival in demand from Q2FY24 onwards
- The management expects ~14-16% revenue growth in FY24 (excluding Sunflame) driven by higher growth in consumer durables segment followed by electronics and electricals segments. According to the management, the electronics segment growth is reverting to pre-Covid levels
- According to the management, the company is witnessing strong growth in stabilisers. The management also expects growth in pumps to be better in FY24 compared to FY23 supported by improved demand
- On the fans front, the management expects an improvement in demand led by new product launches. The company will also be launching new products in the kitchen appliances category
- The south market is largely mature for V-Guard and the company is focusing on organic growth in the region mainly through new product launches
- According to the management, the non-south market accounts for ~60% of the total India market. V-Guard is aiming to expand its distribution in non-south regions
- V-Guard currently has ~50000 retailers and aims to grow its retail base by ~5-10% annually i.e. by adding 3000-5000 retailers each year

#### Margins

- The management expects gross margins to further improve in Q1FY24 supported by lower raw material prices

- According to the management, ad spend is returning to normal levels. With improvement in gross margin, the company's advertisement to sales ratio is likely to be ~3%

**Sunflame:**

- The management expects revenue from Sunflame to be in the range of ~₹ 400-425 crore in FY24
- The company aims to continue to run Sunflame as a separate entity since the cost structure and go-to-market strategy of both V-Guard and Sunflame are different
- The management expects freight, packing and sourcing synergies through acquisition of Sunflame
- South region contributes ~15-20% of Sunflame's revenue. The management aims to leverage V-Guard's presence in the south market to drive revenue growth of Sunflame from the region
- Sunflame also has a low presence in e-commerce and modern trade. The management aims to focus on enhancing presence in these channels
- The EBITDA margin of Sunflame was at ~16% in Q4FY23. However, the management expects margins of Sunflame to be in the range of ~12-13% due to increased ad spend

**Capex:**

- The company has envisaged a capex of ₹ 100 crore for FY24

Exhibit 1: Peer Comparison

| Company          | Mcap<br>₹ cr | Revenue |       |       |       | EBITDA margin |      |       |       | PAT  |      |       |       | RoCE |      |       |       | RoE  |      |       |       | PE   |      |       |       |
|------------------|--------------|---------|-------|-------|-------|---------------|------|-------|-------|------|------|-------|-------|------|------|-------|-------|------|------|-------|-------|------|------|-------|-------|
|                  |              | FY22    | FY23  | FY24E | FY25E | FY22          | FY23 | FY24E | FY25E | FY22 | FY23 | FY24E | FY25E | FY22 | FY23 | FY24E | FY25E | FY22 | FY23 | FY24E | FY25E | FY22 | FY23 | FY24E | FY25E |
| Havells          | 83,924       | 13889   | 16868 | 19150 | 21685 | 13            | 10   | 12    | 12    | 1195 | 1075 | 1559  | 1841  | 24   | 21   | 27    | 30    | 20   | 16   | 22    | 24    | 70   | 78   | 54    | 46    |
| Crompton Greaves | 17,429       | 5394    | 6870  | 7580  | 8406  | 14            | 11   | 11    | 11    | 578  | 463  | 540   | 652   | 16   | 18   | 20    | 24    | 24   | 17   | 19    | 21    | 30   | 38   | 33    | 28    |
| Bajaj Electrical | 13,340       | 4813    | 5429  | 6525  | 7088  | 5             | 7    | 7     | 8     | 124  | 216  | 351   | 413   | 14   | 17   | 23    | 23    | 8    | 11   | 18    | 18    | 107  | 62   | 38    | 32    |
| Polycab          | 51,752       | 12204   | 14108 | 16136 | 18411 | 10            | 13   | 13    | 13    | 917  | 1282 | 1398  | 1619  | 20   | 26   | 26    | 25    | 16   | 19   | 19    | 19    | 56   | 40   | 37    | 32    |
| Symphony         | 5,953        | 1039    | 1278  | 1506  | 1784  | 15            | 15   | 16    | 17    | 121  | 159  | 199   | 253   | 16   | 21   | 25    | 28    | 14   | 21   | 24    | 27    | 49   | 37   | 30    | 24    |
| V guard          | 10,836       | 3498    | 4126  | 5036  | 5645  | 10            | 8    | 10    | 11    | 228  | 189  | 281   | 378   | 21   | 13   | 21    | 23    | 16   | 12   | 18    | 20    | 47   | 58   | 39    | 29    |
| Voltas           | 27,352       | 7934    | 9499  | 10814 | 12239 | 9             | 6    | 8     | 9     | 506  | 136  | 660   | 844   | 14   | 11   | 18    | 20    | 9    | 4    | 13    | 15    | 54   | 201  | 41    | 32    |

Source: Company, ICICI Direct Research

V-Guard’s Q4FY23 performance showed a sequential improvement on the back of seasonal demand, lower input costs and consolidation of Sunflame. In the last five years, the company’s consumer durables segment has grown at a CAGR of ~18%, comparable with 17% CAGR of Bajaj Electricals. Consumer durables segment growth was supported by new product launches and dealer expansion. Currently, the company has ~50,000 retailers and plans to add ~3000-5000 retailers every year. Going forward, we believe the consumer durable segment is likely to continue to grow at a healthy CAGR of ~28% over FY23-25E supported by consolidation of ‘Sunflame’ revenue, channel expansion, launch of new products and revival in fans segment. The other two segments ‘Electronics’ and ‘Electricals’ are likely to grow at CAGR of ~12% and ~11%, respectively, on a favourable base, expansion in non-south regions and higher government capex on housing and infrastructure. Hence, we build in consolidated revenue CAGR of 17% over FY23-25E.

On the margin front, we believe higher ad spends will be partly offset by improvement in gross margin on the back of softening raw material prices and liquidation of high-cost inventories. We build in EBITDA margin of 10.1% and 10.9% for FY24E and FY25E, respectively. PAT is likely to grow at a CAGR of ~42% in FY23-25E tracking higher sales growth and recovery in EBITDA margin. On the balance sheet front, despite addition of debt, debt to equity ratio is likely to remain at a comfortable level of 0.26x. We maintain our BUY rating on the stock ascribing P/E multiple of 35x FY25E (~30% discount to Havells) and target price of ₹ 310/share.

Exhibit 2: Variance Analysis

|                    | Q4FY23  | Q4FY23E | Q4FY22  | YoY (%)  | Q3FY23 | QoQ (%) | Comment   |
|--------------------|---------|---------|---------|----------|--------|---------|---|
| Revenue            | 1,140.1 | 1,152.4 | 1,059.2 | 7.6      | 980.8  | 16.2    | On a higher base, revenue growth was mainly driven by consumer durables segment post consolidation of Sunflame                              |
| Other Income       | 2.6     | 5.3     | 3.6     | -27.7    | 6.0    | -56.4   |   |
| Raw Material Exp   | 783.1   | 795.2   | 749.9   | 4.4      | 690.7  | 13.4    | Softening of input costs and normalising high-cost inventory in consumer durables segment led to improvement in gross margin by 212 bps YoY |
| Employee Exp       | 80.2    | 87.6    | 65.2    | 23.1     | 77.6   | 3.4     |   |
| Advertisement Exp* | 18.2    | 28.8    | 12.7    | 43.5     | 26.5   | -31.1   |   |
| Other Exp          | 159.9   | 142.0   | 119.3   | 34.0     | 120.2  | 33.0    |   |
| EBITDA             | 98.7    | 98.8    | 112.0   | -11.9    | 65.9   | 49.8    |   |
| EBITDA Margin (%)  | 8.7     | 8.6     | 10.6    | -192 bps | 6.7    | 194 bps | Weak operating leverage and higher ad spend led to decline in EBITDA margin on a YoY basis  |
| Depreciation       | 19.1    | 16.7    | 12.9    | 47.5     | 16.7   | 14.3    |   |
| Interest           | 10.2    | 3.3     | 1.8     | 478.3    | 2.4    | 325.9   | Increased interest cost on account of debt raised for acquisition of Sunflame   |
| PBT                | 72.1    | 84.1    | 100.9   | -28.6    | 52.8   | 36.4    |   |
| Total Tax          | 19.3    | 20.2    | 10.4    | 85.8     | 13.6   | 42.7    |   |
| PAT                | 52.7    | 63.9    | 90.5    | -41.8    | 39.3   | 34.2    | Lower PAT is attributable to decline in EBITDA margin and higher interest outgo   |
| Key Metrics        |         |         |         |          |        |         |   |
| Electronics        | 271.7   | 262.5   | 247.4   | 9.9      | 191.4  | 42.0    | Revenue growth was supported by improvement in demand of stabilisers  |
| Electricals        | 525.3   | 530.0   | 515.7   | 1.9      | 435.8  | 20.5    | Flattish sales are attributable to lower offtake of pumps and destocking of inventory of wires by retailers amid reduction in copper prices |
| Consumer Durable   | 343.1   | 359.9   | 296.1   | 15.9     | 353.7  | -3.0    | Revenue growth was driven by consolidation of Sunflame  |

Source: Company, ICICI Direct Research \*/-direct estimate

Exhibit 3: Change in estimates

| (₹ Crore)    | FY24E  |        |        | FY25E  |        |       | Comments  |
|--------------|--------|--------|--------|--------|--------|-------|---|
|              | Old    | New    | %chg   | Old    | New    | %chg  |   |
| Revenue      | 4953.8 | 5035.5 | 1.7    | 5553.5 | 5645.2 | 1.7   | We tweak our revenue estimate upwards considering strong revenue growth of consumer durables segment and improved recovery in electronics segment. We model revenue CAGR of 17% over FY23-25E led by consumer durables segment post acquisition of Sunflame |
| EBITDA       | 509.4  | 506.2  | (0.6)  | 610.1  | 616.8  | 1.1   |   |
| EBITDA Mar % | 10.3   | 10.1   | -25bps | 11.0   | 10.9   | -7bps | We slightly tweak our EBITDA margin estimates downwards factoring in higher advertisement expenditure over FY24-25E   |
| PAT          | 290.2  | 281.1  | (3.2)  | 382.1  | 378.3  | (1.0) |   |
| EPS (₹)      | 6.7    | 6.5    | -2.9   | 8.9    | 8.8    | (1.6) |   |

Source: ICICI Direct Research

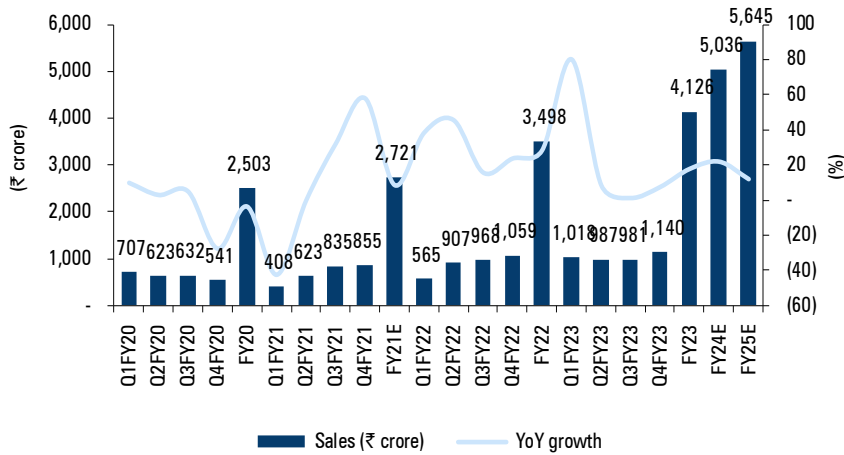
Exhibit 4: Assumptions

|                      | Current |      |      |      |       | Earlier |       |       | Comments  |
|----------------------|---------|------|------|------|-------|---------|-------|-------|---|
|                      | FY20    | FY21 | FY22 | FY23 | FY24E | FY25E   | FY24E | FY25E |   |
| Electronics Growth   | -0.7    | 0.6  | 7.4  | 21.9 | 11.5  | 11.9    | 11.1  | 11.9  | We build in segment revenue CAGR of ~12% over FY23-25E supported by dealer expansion in new geographies and improvement in demand for stabilisers |
| Electricals Growth   | -7.1    | 14.1 | 32.1 | 11.1 | 10.8  | 11.4    | 10.4  | 11.4  | We believe lower commodity prices will help a demand recovery in the wire and pump segment. We model segment revenue CAGR of ~11% over FY23-25E   |
| Cons. Durable Growth | -0.5    | 9.2  | 44.4 | 25.4 | 45.1  | 12.9    | 38.3  | 13.0  | Consolidation of Sunflame business and new product launches in appliances category will drive segment revenue at a CAGR of ~28% over FY23-25E     |

Source: ICICI Direct Research

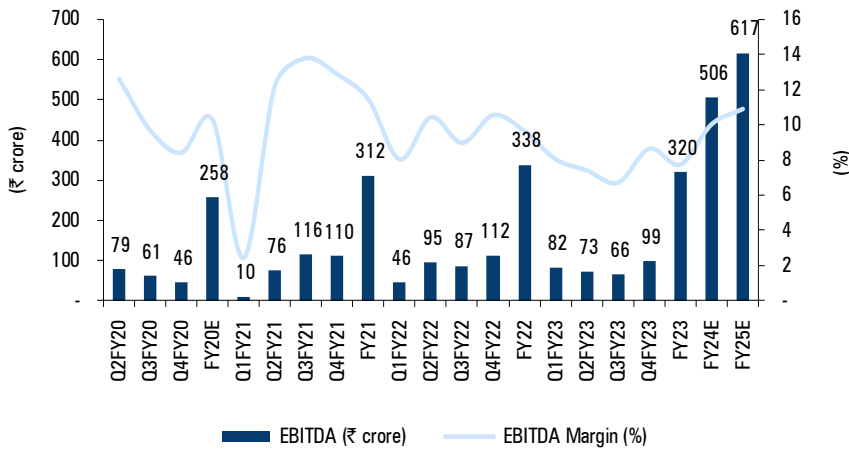
### Financial story in charts

**Exhibit 5: Revenue growth trend**



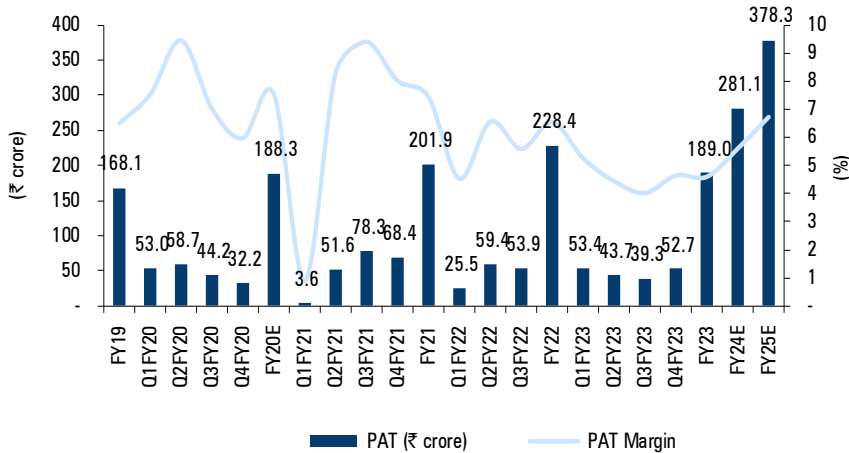
Source: Company, ICICI Direct Research

**Exhibit 6: EBITDA margin movement**



Source: Company, ICICI Direct Research

**Exhibit 7: PAT movement**



Source: Company, ICICI Direct Research

## Financial Summary

| Exhibit 8: Profit and loss statement |         |        |        |        |
|--------------------------------------|---------|--------|--------|--------|
|                                      | ₹ crore |        |        |        |
| (Year-end March)                     | FY22    | FY23   | FY24E  | FY25E  |
| Net Sales                            | 3498.2  | 4126.0 | 5035.5 | 5645.2 |
| Growth (%)                           | 28.6    | 17.9   | 22.0   | 12.1   |
| Expenses                             |         |        |        |        |
| Raw Material Expenses                | 2413.9  | 2884.4 | 3449.4 | 3867.0 |
| Employee Expenses                    | 270.0   | 302.9  | 357.5  | 383.9  |
| Administrative Expenses              | 424.0   | 531.0  | 594.2  | 637.9  |
| Total Operating Expenditure          | 3160.0  | 3806.1 | 4529.4 | 5028.5 |
| EBITDA                               | 338.2   | 319.9  | 506.2  | 616.8  |
| Growth (%)                           | 8.4     | -5.4   | 58.2   | 21.9   |
| Other Income                         | 12.8    | 16.4   | 6.3    | 7.1    |
| Interest                             | 7.9     | 16.2   | 62.2   | 30.6   |
| PBDT                                 | 343.1   | 320.2  | 450.3  | 593.3  |
| Depreciation                         | 49.1    | 64.4   | 74.5   | 87.5   |
| PBT before Exceptional Items         | 294.0   | 255.7  | 375.7  | 505.8  |
| PBT                                  | 294.0   | 255.7  | 375.7  | 505.8  |
| Total Tax                            | 65.5    | 66.7   | 94.7   | 127.4  |
| PAT                                  | 228.4   | 189.0  | 281.1  | 378.3  |
| Growth (%)                           | 13.1    | -17.2  | 48.7   | 34.6   |

Source: Company, ICICI Direct Research

| Exhibit 9: Cash flow statement       |         |        |        |        |
|--------------------------------------|---------|--------|--------|--------|
|                                      | ₹ crore |        |        |        |
| (Year-end March)                     | FY22    | FY23   | FY24E  | FY25E  |
| Profit after Tax                     | 228.4   | 189.0  | 281.1  | 378.3  |
| Depreciation                         | 49.1    | 64.4   | 74.5   | 87.5   |
| Cash Flow before working capital ch  | 285.5   | 269.7  | 417.8  | 496.4  |
| Net Increase in Current Assets       | -338.4  | 17.0   | -234.8 | -206.3 |
| Net Increase in Current Liabilities  | 58.8    | 66.2   | 195.3  | 106.5  |
| Net cash flow from operating act     | 5.9     | 352.9  | 378.2  | 396.6  |
| (Purchase)/Sale of Fixed Assets      | -139.8  | -609.6 | -100.0 | -120.0 |
| Net Cash flow from Investing act     | -184.1  | -750.5 | -66.5  | -120.0 |
| Inc / (Dec) in Equity Capital        | 0.3     | 0.1    | 0.0    | 0.0    |
| Inc / (Dec) in Loan Funds            | 0.0     | 0.0    | 0.0    | 0.0    |
| Total Outflow on account of dividend | -103.1  | -56.2  | -43.2  | -56.2  |
| Net Cash flow from Financing act     | -41.7   | 403.2  | -367.4 | -186.7 |
| Net Cash flow                        | -219.9  | 5.6    | -55.7  | 89.8   |
| Cash and Cash Equivalent at the beg. | 281.2   | 61.3   | 66.9   | 11.2   |
| Cash                                 | 61.3    | 66.9   | 11.2   | 101.0  |

Source: Company, ICICI Direct Research

| Exhibit 10: Balance Sheet      |         |        |        |        |
|--------------------------------|---------|--------|--------|--------|
|                                | ₹ crore |        |        |        |
| (Year-end March)               | FY22    | FY23   | FY24E  | FY25E  |
| Equity Capital                 | 43.2    | 43.2   | 43.2   | 43.2   |
| Reserve and Surplus            | 1363.8  | 1564.4 | 1550.2 | 1872.3 |
| Total Shareholders funds       | 1407.0  | 1607.6 | 1593.4 | 1915.5 |
| Total Debt                     | 11.8    | 419.6  | 409.6  | 309.6  |
| Deferred Tax Liability         | 0.0     | 103.3  | 103.3  | 103.3  |
| Total Liability                | 1315.6  | 1478.6 | 2222.7 | 2198.5 |
| Assets                         |         |        |        |        |
| Total Gross Block              | 735.8   | 1330.9 | 1443.6 | 1563.6 |
| Less Total Accumulated Depreci | 268.7   | 333.1  | 407.7  | 495.2  |
| Net Block                      | 467.1   | 997.8  | 1035.9 | 1068.4 |
| Total Fixed Assets             | 476.3   | 1021.5 | 1046.9 | 1079.4 |
| Inventory                      | 859.6   | 767.4  | 910.5  | 1020.8 |
| Debtors                        | 484.1   | 568.7  | 687.0  | 773.3  |
| Loans and Advances             | 3.2     | 6.7    | 5.0    | 5.6    |
| Cash                           | 61.3    | 66.9   | 11.2   | 101.0  |
| Total Current Assets           | 1521.6  | 1510.2 | 1689.3 | 1985.4 |
| Creditors                      | 488.0   | 488.5  | 634.6  | 711.5  |
| Provisions                     | 61.9    | 77.7   | 100.9  | 113.2  |
| Total Current Liabilities      | 618.0   | 684.2  | 879.5  | 986.0  |
| Net Current Assets             | 903.6   | 826.0  | 809.8  | 999.5  |
| Total Assets                   | 1315.6  | 1478.6 | 2222.7 | 2198.5 |

Source: Company, ICICI Direct Research

| Exhibit 11: Key ratios |      |      |       |       |
|------------------------|------|------|-------|-------|
| (Year-end March)       | FY22 | FY23 | FY24E | FY25E |
| Per Share Data (₹)     |      |      |       |       |
| EPS                    | 5.3  | 4.4  | 6.5   | 8.8   |
| Cash EPS               | 6.5  | 5.9  | 8.2   | 10.8  |
| BV                     | 32.9 | 37.2 | 36.9  | 44.3  |
| DPS                    | 2.4  | 1.3  | 1.0   | 1.3   |
| Operating Ratios (%)   |      |      |       |       |
| EBITDA Margin          | 9.7  | 7.8  | 10.1  | 10.9  |
| PAT Margin             | 6.5  | 4.6  | 5.6   | 6.7   |
| Return Ratios (%)      |      |      |       |       |
| RoE                    | 16.2 | 11.8 | 17.6  | 19.7  |
| RoCE                   | 21.2 | 12.8 | 20.8  | 23.0  |
| RoIC                   | 21.5 | 14.3 | 23.5  | 26.9  |
| Valuation Ratios (x)   |      |      |       |       |
| EV / EBITDA            | 32.2 | 35.3 | 22.4  | 18.1  |
| P/E                    | 47.4 | 57.8 | 38.9  | 28.9  |
| EV / Net Sales         | 3.1  | 2.7  | 2.3   | 2.0   |
| Market Cap / Sales     | 3.1  | 2.6  | 2.2   | 1.9   |
| Price to Book Value    | 7.7  | 6.8  | 6.9   | 5.7   |
| Turnover Ratios (x)    |      |      |       |       |
| Asset turnover         | 2.5  | 1.9  | 2.4   | 2.4   |
| Debtors Days           | 51   | 50   | 50    | 50    |
| Creditors Days         | 51   | 43   | 46    | 46    |
| Solvency Ratios (x)    |      |      |       |       |
| Debt / Equity          | 0.0  | 0.3  | 0.3   | 0.2   |
| Current Ratio          | 2.4  | 2.1  | 1.9   | 1.9   |
| Quick Ratio            | 1.0  | 1.0  | 0.9   | 0.9   |

Source: Company, ICICI Direct Research

Exhibit 12: ICICI Direct Consumer Discretionary universe

| Sector / Company             | CMP (₹) | TP(₹) | Rating | M Cap<br>(₹ Cr) | EPS (₹) |      |       |       | P/E (x) |       |       |       | EV/EBITDA (x) |      |       |       | RoCE (%) |      |       |       | RoE (%) |      |       |       |
|------------------------------|---------|-------|--------|-----------------|---------|------|-------|-------|---------|-------|-------|-------|---------------|------|-------|-------|----------|------|-------|-------|---------|------|-------|-------|
|                              |         |       |        |                 | FY22    | FY23 | FY24E | FY25E | FY22    | FY23  | FY24E | FY25E | FY22          | FY23 | FY24E | FY25E | FY22     | FY23 | FY24E | FY25E | FY22    | FY23 | FY24E | FY25E |
| Asian Paints (ASIPAI)        | 3,228   | 3,425 | Hold   | 3,09,565        | 32.2    | 43.7 | 51.9  | 56.6  | 100.4   | 73.8  | 62.2  | 57.0  | 63.9          | 48.9 | 40.5  | 35.7  | 27.1     | 30.8 | 32.7  | 30.8  | 23.0    | 26.5 | 27.3  | 24.8  |
| Berger Paints (BERPAI)       | 652     | 670   | Hold   | 63,335          | 8.6     | 8.9  | 11.3  | 13.3  | 76.0    | 73.6  | 57.9  | 49.1  | 47.8          | 42.9 | 34.7  | 30.2  | 23.3     | 22.2 | 27.2  | 28.7  | 21.2    | 19.1 | 23.7  | 24.3  |
| Kansai Nerolac (KANNER)      | 432     | 440   | Hold   | 23,281          | 6.4     | 8.7  | 10.7  | 12.7  | 67.8    | 49.7  | 40.5  | 33.9  | 35.7          | 28.3 | 23.7  | 20.0  | 11.7     | 14.0 | 17.4  | 19.0  | 8.3     | 10.3 | 13.0  | 14.1  |
| Pidilite Industries (PIDIND) | 2,660   | 2,535 | Hold   | 1,35,075        | 23.8    | 25.4 | 34.6  | 41.2  | 111.9   | 104.8 | 77.0  | 64.6  | 72.9          | 67.7 | 51.3  | 43.5  | 21.7     | 21.5 | 25.3  | 26.9  | 18.4    | 17.9 | 20.9  | 22.1  |
| Sheela Foam (SHEFOA)         | 1,020   | 1,280 | Buy    | 9,951           | 22.3    | 20.6 | 27.3  | 33.6  | 45.8    | 49.5  | 37.4  | 30.3  | 32.3          | 32.5 | 24.7  | 20.8  | 17.9     | 14.1 | 16.1  | 21.4  | 15.6    | 12.6 | 14.1  | 19.1  |
| Bajaj Electricals (BAJELE)   | 1,159   | 1,245 | Hold   | 13,340          | 10.8    | 18.8 | 30.5  | 35.9  | 107.0   | 61.7  | 38.0  | 32.3  | 52.9          | 36.1 | 28.6  | 24.1  | 13.5     | 17.2 | 22.7  | 22.7  | 7.8     | 11.3 | 17.9  | 17.7  |
| Crompton Greaves(CROGR)      | 274     | 295   | Hold   | 17,429          | 9.2     | 7.3  | 8.2   | 10.0  | 29.7    | 37.6  | 33.3  | 27.5  | 22.7          | 23.0 | 20.8  | 18.0  | 16.2     | 17.6 | 20.4  | 23.7  | 24.0    | 17.4 | 19.4  | 21.0  |
| Havells India (HAVIND)       | 1,340   | 1,425 | Buy    | 83,924          | 19.1    | 17.2 | 24.9  | 29.4  | 70.2    | 78.1  | 53.8  | 45.6  | 46.5          | 51.2 | 36.8  | 31.1  | 23.7     | 20.6 | 26.9  | 29.8  | 20.0    | 16.3 | 21.9  | 24.2  |
| Polycab India (POLI)         | 3,463   | 3,780 | Hold   | 51,752          | 61.4    | 85.8 | 93.5  | 108.3 | 56.4    | 40.4  | 37.0  | 32.0  | 40.0          | 26.9 | 24.2  | 20.7  | 20.2     | 25.7 | 25.5  | 25.5  | 15.6    | 19.3 | 19.0  | 19.0  |
| Symphony (SYMLIM)            | 851     | 1,085 | Hold   | 5,953           | 17.3    | 22.7 | 28.4  | 36.2  | 49.2    | 37.5  | 30.0  | 23.5  | 35.9          | 31.5 | 24.6  | 19.1  | 15.9     | 21.0 | 25.0  | 28.4  | 14.4    | 21.2 | 24.2  | 26.7  |
| V-Guard Ind (VGUARD)         | 253     | 310   | Buy    | 10,836          | 5.3     | 4.4  | 6.5   | 8.8   | 47.4    | 57.8  | 38.9  | 28.9  | 31.9          | 35.0 | 22.2  | 17.9  | 21.2     | 12.8 | 20.8  | 23.0  | 16.2    | 11.8 | 17.6  | 19.7  |
| Voltas Ltd (VOLTAS)          | 827     | 870   | Hold   | 27,352          | 15.3    | 4.1  | 20.0  | 25.5  | 54.1    | 200.8 | 41.4  | 32.4  | 39.2          | 47.1 | 30.9  | 24.5  | 14.0     | 11.4 | 17.6  | 19.8  | 9.2     | 4.5  | 13.3  | 15.1  |
| Amber Enterprises (AMBEN)    | 2,159   | 2,430 | Hold   | 7,274           | 33.0    | 48.6 | 64.0  | 88.4  | 65.3    | 44.4  | 33.7  | 24.4  | 27.7          | 18.8 | 16.2  | 13.0  | 6.8      | 9.3  | 12.1  | 14.2  | 6.4     | 8.6  | 10.7  | 12.9  |
| Dixon Technologies (DIXTEC)  | 3,905   | 3,700 | Hold   | 23,254          | 32.1    | 42.8 | 70.5  | 91.8  | 121.8   | 91.2  | 55.4  | 42.6  | 61.7          | 45.2 | 31.6  | 24.4  | 17.7     | 23.0 | 28.6  | 28.8  | 19.1    | 19.9 | 28.3  | 27.3  |
| Supreme Indus (SUPIND)       | 2,788   | 3,200 | Buy    | 35,415          | 76.2    | 68.1 | 83.2  | 98.6  | 36.6    | 40.9  | 33.5  | 28.3  | 28.1          | 28.9 | 23.8  | 19.8  | 25.9     | 21.2 | 26.1  | 27.5  | 25.2    | 19.7 | 23.5  | 24.4  |
| Astral Ltd (ASTPOL)          | 1,822   | 1,780 | Hold   | 49,012          | 18.2    | 17.1 | 25.3  | 32.1  | 99.9    | 106.7 | 72.1  | 56.7  | 64.2          | 59.8 | 45.7  | 36.4  | 26.7     | 21.3 | 26.2  | 28.7  | 21.1    | 17.0 | 21.9  | 23.8  |
| Moldtek Packaging (MOLPLA)   | 943     | 1,110 | Hold   | 3,128           | 20.4    | 24.2 | 29.1  | 37.0  | 46.3    | 38.9  | 32.4  | 25.5  | 26.2          | 23.4 | 19.1  | 15.0  | 18.6     | 17.0 | 18.6  | 21.3  | 13.9    | 14.4 | 15.1  | 16.5  |

Source: Bloomberg, ICICI Direct Research



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