

# Orient Electric Ltd

OEL is well placed in CD industry; Company's cost initiative practices and focus on premiumization will drive the growth ahead

**ArihantCapital**  
Generating Wealth



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Arihant Capital Markets Ltd

**OEL is well placed in CD industry; Company's cost initiative practices and focus on premiumization will drive the growth**

**CMP: Rs 224**

**Rating: Buy**

**Target Price: Rs 269**

**Stock Info**

BSE	541301
NSE	ORIENTELEC
Bloomberg	ORIENTAL IN
Reuters	ORIENTAL.BO
Sector	Electronics
Face Value (Rs)	1
Equity Capital (Rs cr)	21
Mkt Cap (Rs cr)	4,753
52w H/L (Rs)	287 / 145
Avg Yearly Vol (in 000')	380

**Shareholding Pattern %**

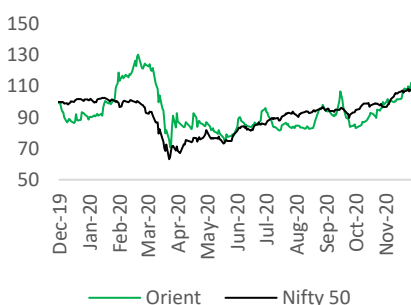
(As on September, 2020)

Promoters	38.52
DII	22.04
FII	6.05
Public & Others	33.39

**Stock Performance (%)** 3m 6m 12m

Orient	17.0	41.6	18.9
NIFTY	12.2	39.2	7.2

**Orient Electric Price Chart**



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*Orient Electric (OEL), a part of CK Birla group, is one of the largest player in organized Fan market. From being a single product company, OEL has transformed into complete home lifestyle solutions provider (Fans, Lighting, Appliances and Switchgears). Company has key potential catalysts like: a) Superior brand recall; b) Strong distribution network; c) Superior management; d) Government's thrust on household electrification & use of energy efficient electrical products and e) premiumization of product portfolio. OEL's younger profile of various product categories compared to its peers, enables it to be a strong performer.*

**Dominant player in Fan market with Diversified product range**

The company has a diversified range of products and is continuously expanding its product reach through innovation. It is one of the largest player in Fan market with market share of ~18.5%. Consumer Appliances, Lighting and Switchgears (L&S) are also a part of its product range. The Fans & Appliances business is a part of electrical consumer durable (ECD) segment, which contributes 72% to the total sales while L&S business contributes 28% to the total sales. 2/3<sup>rd</sup> of the company's revenue comes from Fan segment.

**Thrust on product innovation & premiumization to support growth**

New launches, Product innovation are the key strategic levers for the company. With focus on premiumization of product portfolio through launch of innovative products, OEL has been able to significantly increase share in premium fans segment to ~ 50%. Company's focus on innovative products with strong distribution reach results into growth of Fan and new product categories like Appliances, Lighting etc. Increase in premium product launches across the portfolio leading to gain in market share and boost in margins.

**Expanding footprint by setting up manufacturing facility in South India**

Company has 4 manufacturing facilities located in North and East India. Majority of its revenue, nearly ~40-45% comes from Northern India whereas South India contributing lowest to the revenue. Management has stated that, demand condition in South witnessing an improvement. Company is setting up its first manufacturing facility in South India (approx. CAPEX would be Rs 160-170cr), which is expected to be complete in next 12-15 months after necessary government approval which is awaited.

**Valuation and Outlook: We initiate coverage on OEL with a 'Buy' rating and TP of Rs 269 (based on 48x PE to its FY23E), which gives 20% upside potential. We believe over the next 2-3 years, OEL's business performance will improve further driven by; a) Company's increasing focus towards premium category, b) increasing share of LED business and c) better product mix in appliances and switchgear segment.**

YE March (Rs Cr)	Net Sales	EBITDA	PAT	EPS (Rs)	EBITDA Margin %	RoE (%)	P/E (x)
FY19	1,864	141	69	3.3	7.6	22.6	68.6
FY20	2,062	176	79	3.7	8.6	21.9	60.5
FY21E	1,884	163	84	4.0	8.7	21.8	56.7
FY22E	2,207	202	95	4.5	9.2	23.0	49.8
FY23E	2,541	243	119	5.6	9.6	26.3	39.9

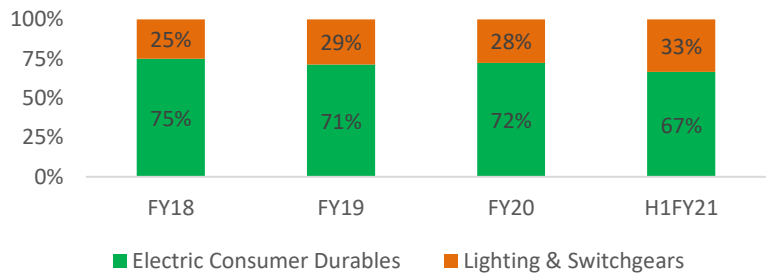
Source: Arihant Research, Company Filings, Ace Equity, Bloomberg

## Investment Rationale

### Strong player in India's Fan and LED bulbs market

OEL is one of the largest player in Indian organized Fan market next to Crompton Greaves Consumer & top exporter of Fans. OEL is one of the oldest players in the Fan segment and has maintained/improved its market share due to strong R&D capabilities, distribution network and increasing focus on premium fans. Company's focus on premium Fans market will further increase its market share in Fan segment. In a short period, the company has become one of the top 3 manufacturers of LED bulbs (started manufacturing in FY14) in India.

### Exhibit 1 : Segment Wise Revenue Contribution



Source: Company, Aриhant Research

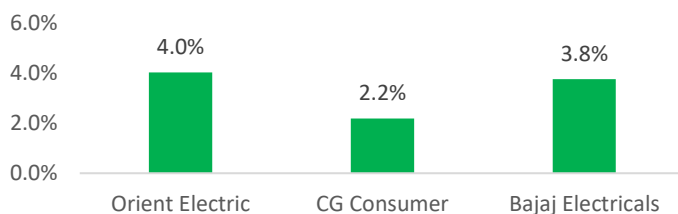
### Deep market penetration with strong distribution network

OEL has a strong distribution network with more than 5000 dealers, 125,000 retail outlets and a service network in over 450+ cities. Majority of this retail network (+1,00,000) caters to fans business which is the largest source of revenue for the Company. In Lighting business, Company enjoys a substantial retail presence on account of extensive distribution footprint, comprising over 40,000 pan India retailers. Whilst the premium positioning started paying back with encouraging consumer response, the distribution outreach should enable to increase in market share and efficient supply chain.

### Strong branding and advertising practices to aid growth

OEL had launched, Orient Connect programme in 2016 to strengthen relationships with last-mile channel partners. The programme aims to increase retailer participation via promotional schemes. Company offers its products under the brand of 'Orient Electric' with MS Dhoni as the brand ambassador. OEL is also selling its products with high focus on advertisement through television, hoardings, print and other medium. In FY20, Company's digital presence was strengthened and it has set a dedicated Online Reputation Management team for online redressal of complaints on digital platforms. Its Advertising & Sales Promotion Spend is higher amongst peers which provides good visibility of its products portfolio.

### Exhibit 2: Advertising & Promotion Expenses (as a % of revenue) for FY20



## Investment Rationale

### Company tie up with De'Longhi group

In Nov 2018, Company has entered into a strategic partnership with Italy based De'Longhi Group to exclusively market the 3 prominent brands in India De'Longhi (coffee vending machines), Braun (blenders & irons) and Kenwood (kitchen appliances) through its distribution network. This would enable the company to enter into premium range of kitchen appliances products.

### Complete range of home lifestyle solution provider

From being a single product company (Electric Fans), OEL expanded its product portfolio in different segment like Appliances, Lighting and Switchgears and maintained its strong position in the domestic fan market. The company embarked upon its transformation journey with the start of lighting business in 2008 and home appliances in 2011. In FY15, it has also rationalised its appliances portfolio by exiting small appliances and decided to focus primarily on high growth products like Air coolers, Heaters, Mixer grinders, etc. It entered into the switchgear segment in 2015 in collaboration with a technology partner, Slovenia-based ETI Group.

### A) Fan

OEL is one of the dominant player in Fan market and the largest exporter of Fans from India thanks to a legacy of product acceptance in global markets. The performance of Fan business continue to remain strong due to continuous product innovation coupled with a focus on manufacturing excellence, enhanced quality, widening footprint, new product launches and introduction of smart features. The Company intends to sustain the momentum of new product launches, especially in the premium category.

### B) Appliances

OEL ventured into the appliances segment in FY11 with rationalization of product portfolio in FY15 into home appliances. In FY18-19, Company entered into a strategic partnership with Italy-based De'Longhi Group to exclusively market the 3 brands in India—De'Longhi (coffee vending machines), Kenwood (kitchen appliances) and Braun (blenders & irons) through its distribution network. This would enable the company to enter into premium range of appliances products.

### C) Lighting

OEL's Lighting business was introduced in 2008 and in LED in FY14. The company exited the non-LED lighting business in 2017 due to transformation into LED products. The lighting business had faced significant challenges over the last few years due to a sharp erosion in prices and corresponding realisations. The Company's increased engagement with architects, designers & builders and focus on the B2G play will enhance its share in lighting business.

### C) Switchgears

Company entered into switchgear products in 2015 in collaboration with a technology partner, Slovenia based ETI Group. The Company is engaged with 8000+ retailers and 30,000+ electricians pan-India to build awareness of the Company's switchgears products. The Switchgear business is poised to scale new heights on account of product portfolio augmentation, geographic footprint expansion and influencer engagements.

### Product innovation remains the key focus area

Innovation continues to remain the focus area for the company. In FY20, Company had launched various range of products with focus on themes like premiumization, energy efficient and health orientation. In the period of H1FY21, Company has launched UV Sanitech and decorative range of water heaters.

### Exhibit 3 : New Launches during FY20



#### Fans

- Eleganza series
- Energy-efficient fans/i-series
- Affordable inverter fan



#### Lighting

- EyeLuv series: LED Lamp+ Luminaire & Battens



#### Appliances

- Inverter Coolers
- Desert coolers
- Breakfast series of Kitchen Appliances



#### Switchgears

- Smart plugs
- Switch Chrome Plates
- KRIS switch range

### Management has proven track record in the Industry

Mr. Rakesh Khanna (MD & CEO) has joined the company in Dec'14. He has over three decades of working experience in the consumer durable industry. Under the leadership of Mr. Rakesh Khanna company's operation of all segment have scaled up. Launch of innovative products, building a right team, deepening market penetration by strengthening distribution network remains the key focus areas of the management.

### Key demand drivers

Following are some of the key drivers of the growth:

- **Emerging focus on energy efficiency products:** Increasing focus by the government through programs like UJALA, BLY (Bachat Lamp Yojana), Super Efficient Equipment Programme (SEEP) and increasing consumer awareness on energy efficient products will increase the speed of transition to more energy efficient products like LED lights and BLDC (Brushless Direct Current) fans. Company is introducing the inverter series fans for energy savings and made future ready to qualify the BEE (Bureau of Energy Efficiency) star rating norms.
- **Government initiative on Housing for all:** With a vision of 'Housing for All by 2022', Government has launched a flagship program 'Pradhan Mantri Awas Yojana which will increase the demand for consumer durable products like Fan, lighting etc.
- **Rural electrification:** The power for All, program is a major step in this direction. The demand of consumer durables and light electrical products is expected to benefit from rising Electricity availability. Also, with focus on infrastructure development, especially roads, and "Street Lighting National Program" will open up street lighting opportunities.

## Risk Factors

### High Competitive markets

Much of the market which OEL operates in, is highly competitive in nature as there is lot of small and medium sized unorganized players. Fan is low entry barrier business. The company faces stiff competition in each of the product categories from domestic companies.

Product	Competitors
Fan	Crompton, Usha, Luminous, Anchor, Bajaj Electrical, Polycab, Havells
Lighting	Crompton, Surya, Havells, Bajaj Electrical, Polycab
Appliances	Havells, Bajaj Electrical, Phillips

### Volatility in raw material prices

Steel, Aluminium and Copper are primary key raw materials for Appliance and Fans. Raw material prices of these commodities are highly volatile and cyclical in nature. If the prices of these raw material increases then it may be difficult for the company to pass on the price hike to the customers which may affect margins. Raw materials sources for key products is predominantly in India except for Lighting where some of the components are outsourced from China.

### Covid has impacted the demand of consumer durables adversely

Covid-19 led lockdown has adversely impacted company's revenue and hence we expect company to post degrowth in FY21. FY20 performance of the company was impacted due to Covid-19 outbreak which resulted muted sales during peak season. Q1FY1 was almost washout quarter for the company. However, post removal of lockdown and picking up of the economy from Apr-Jun level, demand condition are improving. In terms of Institutional demand, some projects are being delayed & held up and many of the project are half completed. There has been temporary holding up of the projects. Normalcy in the business is expected to return from H2FY21.

### Top Management Exit

Exit of senior level management (i.e. CEO and other senior management employees) is a key risk for OEL as it has played an important role in turning around the company over the past 3 years.

### Slowdown in the economy

Rise in disposable income is a key driver of consumer discretionary. Hence, any slowdown in economy could pose downside risk to OEL's earnings.

## Q2FY21 and H1FY21 Performance of the company

in Cr.	Q2FY21	Q2FY20	YoY	Q1FY21	QoQ	H1FY21	H1FY20	YoY
<b>Revenue</b>	<b>433.8</b>	<b>434.7</b>	<b>0%</b>	<b>178.8</b>	<b>143%</b>	<b>612.6</b>	<b>1003.0</b>	<b>-39%</b>
<b>Expenses</b>								
Cost of Raw Material Consumed	129.0	161.4	-20%	15.6	728%	144.5	366.5	-61%
Purchase of Stock in trade	157.0	168.1	-7%	55.0	185%	212.0	331.0	-36%
Change in inventories	3.5	-33.0	NA	57.0	-94%	60.4	-5.9	-1131%
Employee Cost	42.3	49.2	-14%	42.6	-1%	84.9	97.9	-13%
Other Expenses	44.3	67.2	-34%	27.9	59%	72.1	147.5	-51%
<b>EBITDA</b>	<b>57.8</b>	<b>21.8</b>	<b>164%</b>	<b>-19.3</b>	<b>NA</b>	<b>38.5</b>	<b>66.0</b>	<b>-42%</b>
<b>EBITDA Margin</b>	<b>13.3</b>	<b>5.0</b>	<b>829bps</b>	<b>-10.8</b>	<b>NA</b>	<b>6.3</b>	<b>6.6</b>	<b>-29bps</b>
Finance Cost	4.5	5.0	-11%	6.3	-29%	10.8	11.8	-9%
Depreciation	10.7	9.9	8%	10.7	1%	21.4	19.1	12%
Other Income	0.7	0.9	-15%	0.9	-14%	1.6	1.4	15%
<b>PBT</b>	<b>43.3</b>	<b>7.8</b>	<b>457%</b>	<b>-35.3</b>	<b>NA</b>	<b>8.0</b>	<b>36.4</b>	<b>-78%</b>
Tax	10.9	2.9	282%	-8.0	NA	2.9	12.6	-77%
<b>PAT</b>	<b>32.4</b>	<b>4.9</b>	<b>559%</b>	<b>-27.3</b>	<b>NA</b>	<b>5.1</b>	<b>23.8</b>	<b>-78%</b>
PAT margin	7.5	1.1	634bps	-15.3	NA	0.8	2.4	-153bps
<b>EPS</b>	<b>1.5</b>	<b>0.2</b>	<b>559%</b>	<b>-1.3</b>	<b>NA</b>	<b>0.2</b>	<b>1.1</b>	<b>-78%</b>

## Segment Wise Performance

in Cr.	Q2FY21	Q2FY20	YoY	Q1FY21	QoQ	H1FY21	H1FY20	YoY
<b>ECD</b>								
Revenue	304.4	283.2	7%	103.5	194%	407.8	712.3	-43%
EBIT	51.0	26.0	96%	-7.0	NA	44.0	69.0	-36%
EBIT Margin (%)	16.8%	9.2%	758bps	-6.8%	NA	10.8%	9.7%	110bps
<b>Lighting and Switchgears</b>								
Revenue	129.4	151.4	-15%	75.3	72%	204.7	290.7	-30%
EBIT	19.0	11.0	73%	5.0	280%	24.0	25.0	-4%
EBIT Margin (%)	14.7%	7.3%	742bps	6.6%	804bps	11.7%	8.6%	312bps

## Q2FY21 Quarterly Result Highlights:

Orient Electric's Q2FY21 revenue stood flat YoY at Rs 434 cr. Electrical consumer durable (ECD) segment grew by 7% YoY at Rs 304 cr while Lighting & Switchgears (L&S) was down by 15% YoY at Rs 129 cr. Sales were supported by good traction in fans, consumer-luminaries, water heaters and kitchen appliances while B2B projects remained muted due to held up of some projects. Gross margin of the company increased by 148bps YoY to 33.3% owing to better price realization and cost optimization across all categories.

EBITDA for the quarter jumped by 165% YoY to Rs 58 cr due to reduction in staff cost (down 14% YoY to Rs 42 cr) and other expenses (down 34% YoY to Rs 44 cr) on account of reduced travel, Advertising & Promotion and other costs. EBITDA margin rose sharply to 13.3% from 5% YoY. However, management stated that these cost savings are not fully sustainable and they will resurface as the business activity picks up. ECD segment's EBIT margin surged by 758 bps YoY to 16.8% while EBIT margin of the L&S segment increased by 742 bps YoY to 14.7%. PAT jumped substantially to Rs 32 cr vs. Rs 5 cr YoY/loss of Rs 27 cr in Q1FY21.

Cash conversion cycle of the company improved to 20 days from 31 days YoY, mainly due to reduction in receivables, and reducing inventory. Hence, cash flow from operating activities in H1FY21 stood at Rs 207 cr vs Rs 71 cr. Thus, Short term debt of the company reduced from Rs 95 cr in FY20 to Rs 12 cr in H1FY21. Company has surplus net cash balance (excluding short term debt) of Rs 72 cr as on Sep'20.

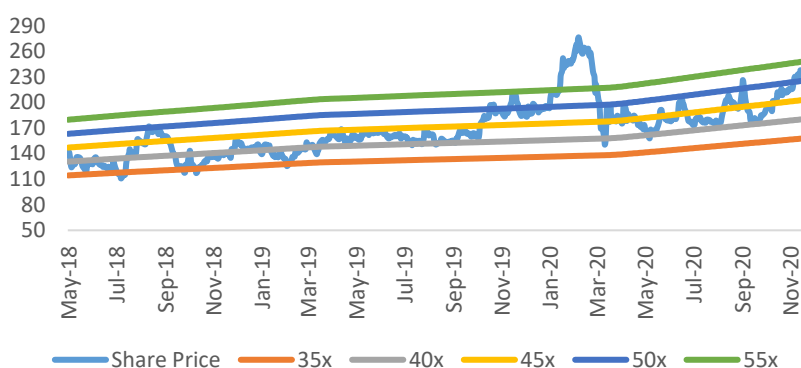
Overall, OEL has reported good performance during Q2FY21 led by price hike, better working capital management which resulted in better profitability and improving the balance sheet of the company.

### Valuation and View

OEL is one of the largest player in Fan industry with diversified revenue stream coupled with strong balance sheet and healthy return ratios. Company is constantly leveraging its superior brand recall through new product launches. Wide distribution network could give a further boost to the Company's growth. We expect good recovery in its B2C business while B2B market will remain muted in the short term. However, long term outlook of the company is positive and we believe OEL will gain market share, backed by its strong team, brand recognition, and rising distribution network (increasing presence in south India).

At CMP of Rs 224, OEL is currently trading at 60.5x/56.7x/49.8x and 39.9x to its FY20A/21E/22E/23E respectively. We estimate revenue & PAT CAGR of 7% & 15% respectively during FY20-23E and initiate coverage with Buy rating on the stock with a price target of Rs 269 (48x PE to its FY23E). Company's healthy return ratios, good cash flow management and long term growth/margin expansion potential will support its valuation.

### Exhibit 4: 1 year Fwd PE Chart



### Peer group comparison

Particulars (in cr)	Orient Electric	Bajaj Electrics Ltd	CG Consumer
CMP (as on 03rd Dec 2020)	224	594	325
Market Cap (in Cr.)	4,753	6,833	20176
Revenue	2,062	4,987	4520
PAT	79	-10	496
<b>Margins (%)</b>			
Gross Margin	31.6	27.0	32.1
EBITDA Margin	8.6	5.2	13.2
PAT Margin	3.8	-	11.0
<b>Return Ratios</b>			
ROE (%)	21.9	-	33.8
ROCE (%)	30.0	8.2	37.9
<b>Leverage</b>			
Debt- Equity (x)	0.3	0.7	0.2
<b>Valuation</b>			
EPS (Rs)	3.7	-1.0	7.9
P/E (x)	60.5	NA	41.4
Market cap/sales (x)	2.3	1.4	4.5

\*Financials are as on FY20

Source: Company, Arianth Research



### Strong Team Management

OEL has strong team for various functions of the company (i.e. product innovation, R&D, branding & corporate communication, procurement, logistics & supply chain, marketing, etc). Creating and sustaining high performance team remains OEL's most important strategic priority. OEL has a team size of 997 employees.

### Exhibit 5 : Key Managerial Personnel

Sr. No.	Employee	Designation	Joining Date	Experience (yrs.)	Previous Employment
1	Mr. Rakesh Khanna	Director & CEO	Dec-14	34	Jumbo Electronic Head, Sony & IT Products, UAE
2	Mr. Saibal Sengupta	Chief Financial Officer	Apr-18	23	Usha International (CFO)
3	Mr. Atul Jain	Exec. Vice President - Fans BU & International Business	Jul-17	30	LeEco Technology (COO & Head of India Operations)
4	Mr. Puneet Dhawan	Exec. Vice President - Lighting BU & Switchgear, Wiring Accessories	Sep-13	29	Crompton Greaves Ltd (GM Sales)
5	Mr. Srihari Madhava Rao	Sr. Vice President -Innovation	Mar-18	26	Philips Lighting India Ltd. (VP & Global R&D Head Professional Lighting System)
6	Mr. Salil Kapoor	Business Head – Appliances	Dec-19	30	Voltas Ltd. – Chief Operating Officer

Source: Company, Arianth Research

### Exhibit 6 : Company's Product List Snapshot



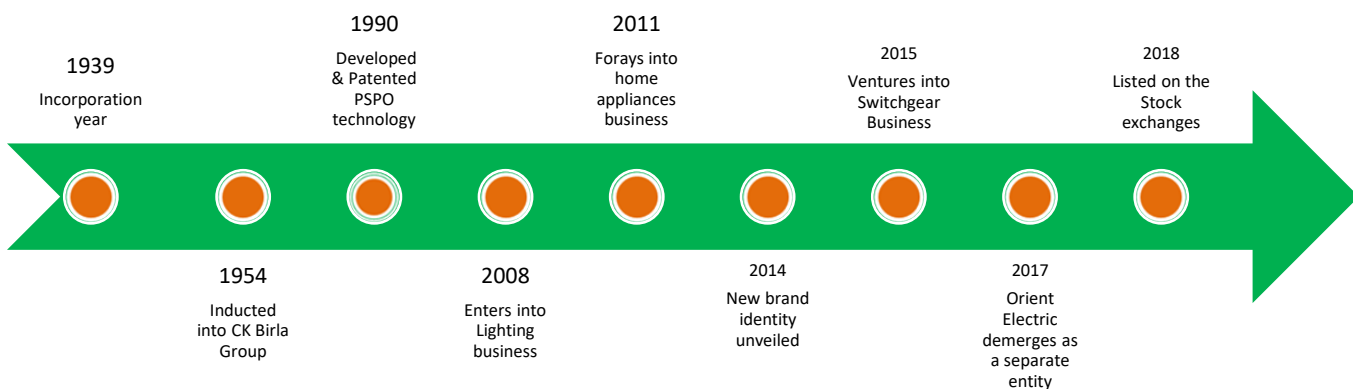
### Company Background

Orient Electric (OEL) is a CK Birla group company engaged in manufacturing and selling as one stop brand for lifestyle electrical solution including, Fans, Lighting, Home appliances and Switchgears. OEL is one of the largest manufacturer and exporter of fans in the country with more than 60% share in exports. OEL is a distinguished name in Indian Fan Industry for more than 60 years. Company got demerged from Orient Paper & Industries Ltd w.e.f. March 1, 2017. Under Fan category, Company enjoys more than 50% market share in the premium segment and more than 30% market share in decorative and premium segment combined as on FY19.

At present OEL has four manufacturing facilities located in Kolkata, Faridabad and Noida. The Company is in the process of setting up another manufacturing plant for its products in Hyderabad. With a dominating presence in over 35 international markets, OEL is also the largest manufacturer of LED bulbs in India. In the domestic market, it has well-organised distribution network driven by over 4000 dealers, 1,25,000 retail outlets and a strong service network covering 450 cities.

Its products are sold under the ‘Orient Electric’ Brand. Mr. MS Dhoni is the brand ambassador of the company’s advertisement campaign since 2006.

### Exhibit 7 : Key Milestones of the company



### Exhibit 8 : Product Overview

Fans	Home Appliances	Lighting	Switchgear
Ceiling Fans	Air cooler	LED Consumer Luminaires	Miniature Circuit Breaker
Wall Fans	Room Heater	LED Lamps & Tubes	Residual Current Circuit Breaker
Stand Fans	Water Heater	Professional Lighting	Isolator
Lifestyle Fans	Iron	Tube light & Incandescent Lamp	Wiring Accessories
Table Fans	Mixer Grinder	Conventional Fitting	Modular Switches
Exhaust Fans	Electric Kettle		Modular Plates
Multi utility Fans	Rice Cooker		Building Accessories
	Toaster		MCB Protected Power Board
	Induction Cooktop		MCB Changeover
	Electric Hand Mixer		
	Electric Chopper		

Source: Company, Arian Research

**Income Statement**

Y/E March (Rs cr)	FY19	FY20	FY21E	FY22E	FY23E
<b>Revenues</b>	<b>1,864</b>	<b>2,062</b>	<b>1,884</b>	<b>2,207</b>	<b>2,541</b>
Change (%)	14.7%	10.6%	-8.6%	17.1%	15.2%
Cost of Goods Sold	1,271	1,409	1,286	1,502	1,730
Employee costs	174	198	181	210	242
<b>Other expenses</b>	<b>278</b>	<b>278</b>	<b>254</b>	<b>293</b>	<b>327</b>
Total operating Expense	<b>1,723</b>	<b>1,885</b>	<b>1,721</b>	<b>2,005</b>	<b>2,299</b>
<b>EBITDA</b>	<b>141</b>	<b>176</b>	<b>163</b>	<b>202</b>	<b>243</b>
Other Income	10	4	4	4	5
Depreciation	23	40	43	55	67
Interest	23	26	12	24	22
<b>PBT</b>	<b>105</b>	<b>114</b>	<b>112</b>	<b>128</b>	<b>159</b>
Extra-ordinary	0	0	0	0	0
<b>PBT after ext-ord.</b>	<b>105</b>	<b>114</b>	<b>112</b>	<b>128</b>	<b>159</b>
Tax	36	36	28	32	40
<b>Rate (%)</b>	<b>34.0%</b>	<b>31.2%</b>	<b>25.2%</b>	<b>25.2%</b>	<b>25.2%</b>
<b>PAT</b>	<b>69</b>	<b>79</b>	<b>84</b>	<b>95</b>	<b>119</b>
Change (%)	8.1%	13.5%	6.7%	13.8%	24.7%

Source: Company, Arihant Research

**Key Ratios**

Y/E March	FY19	FY20	FY21E	FY22E	FY23E
<b>Per share (Rs)</b>					
EPS	3.3	3.7	4.0	4.5	5.6
CEPS	4.3	5.6	6.0	7.1	8.7
BVPS	144.5	169.4	181.6	195.6	213.0
DPS					
<b>Valuation (x)</b>					
P/E	68.6	60.5	56.7	49.8	39.9
P/CEPS	51.5	40.0	37.6	31.7	25.6
P/BV	1.6	1.3	1.2	1.1	1.1
EV/EBITDA	34.3	27.4	29.3	23.6	19.6
<b>Return Ratios (%)</b>					
Gross Margin	31.8%	31.6%	31.7%	31.9%	31.9%
EBIDTA Margin	7.6%	8.6%	8.7%	9.2%	9.6%
PAT Margin	3.7%	3.8%	4.5%	4.3%	4.7%
ROE	22.6%	21.9%	21.8%	23.0%	26.3%
ROCE	27.4%	30.0%	28.5%	28.1%	31.9%
<b>Leverage Ratio (%)</b>					
Total D/E	0.4	0.3	0.1	0.3	0.2
<b>Turnover Ratios</b>					
Asset Turnover (x)	2.2	2.2	2.0	2.0	2.0
Inventory Days	76	74	75	75	75
Receivable Days	79	69	69	69	69
Payable days	69	59	58	58	58

Source: Company, Arihant Research

**Balance Sheet**

Y/E March (Rs cr)	FY19	FY20	FY21E	FY22E	FY23E
<b>Sources of Funds</b>					
Share Capital	21	21	21	21	21
Reserves & Surplus	285	338	364	394	431
<b>Net Worth</b>	<b>307</b>	<b>359</b>	<b>385</b>	<b>415</b>	<b>452</b>
Total Debt	125	95	38	110	102
<b>Other non-current liabilities</b>					
Deferred Tax & other liabilities	0	67	129	203	296
Current liabilities	457	439	415	469	527
<b>Total Liabilities</b>	<b>889</b>	<b>960</b>	<b>967</b>	<b>1,198</b>	<b>1,376</b>
<b>Application of Funds</b>					
Net Block	112	130	180	230	280
Capital Work in Progress	4	3	3	3	3
Goodwill	5	13	13	13	13
<b>Other non-current assets</b>					
Debtors	32	89	92	95	99
Inventories	405	389	355	416	479
Cash & bank balance	264	287	265	309	356
Other Current Assets	32	7	16	88	102
<b>Total Assets</b>	<b>889</b>	<b>960</b>	<b>967</b>	<b>1,198</b>	<b>1,376</b>

Source: Company, Arihant Research

**Cash Flow Statement**

Y/E March (Rs cr)	FY19	FY20	FY21E	FY22E	FY23E
<b>PBT</b>	<b>105</b>	<b>114</b>	<b>112</b>	<b>128</b>	<b>159</b>
Depreciation	23	40	43	55	67
Interest & others	64	65	12	24	22
Cash flow before WC changes	192	220	167	206	248
<b>(Inc)/dec in working capital</b>	<b>-30</b>	<b>-43</b>	<b>28</b>	<b>-55</b>	<b>-56</b>
Operating CF after WC changes	162	177	195	152	192
Less: Taxes	-30	-48	-28	-32	-40
<b>Operating cash flow</b>	<b>132</b>	<b>129</b>	<b>167</b>	<b>120</b>	<b>152</b>
(Inc)/dec in F.A + CWIP	-35	-53	-50	-50	-50
<b>Cash flow from investing</b>					
Free cash flow (FCF)	<b>98</b>	<b>76</b>	<b>114</b>	<b>63</b>	<b>91</b>
Equity raised	-21	-31	0	0	0
Interest & others	-53	-31	-69	48	-31
Dividend	0	0	0	0	0
<b>Cash flow from financing activities</b>					
Net inc/(dec) in cash	<b>1</b>	<b>-25</b>	<b>9</b>	<b>73</b>	<b>14</b>
Opening balance of cash	30	31	7	16	88
Closing balance of cash	31	7	16	88	102

Source: Company, Arihant Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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