

COMPANY REPORT

V-Guard Industries Ltd.

A play on Indian mass consumption story

BUY

Analyst

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Nifty: 5,531; Sensex: 18,402

CMP	Rs163
Target Price	Rs208
Potential Upside/Downside	+28%

Key Stock Data

Sector	Capital Goods
Bloomberg / Reuters	VGRD IN / VGUA.BO
Shares o/s (mn)	29.8
Market cap (Rs mn)	4,865
Market cap (US\$ mn)	104
3-m daily average vol.	138,194

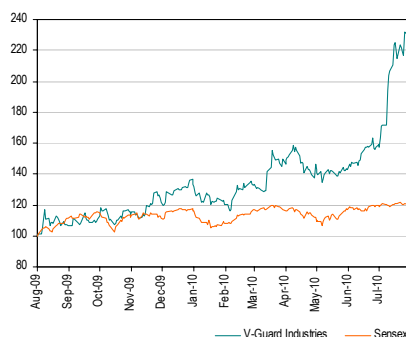
Price Performance

52-week high/low	Rs166/64
	-1m -3m -12m
Absolute (%)	51 69 138
Rel to Sensex (%)	48 57 115

Shareholding Pattern (%)

Promoters	71.4
FII/NRI/OCBs/GDR	1.7
MFs/Banks/FIs	0.3
Non Promoter Corporate	3.4
Public & Others	23.2

Stock vs Relative to Sensex



Source: Capitaline

Summary

V-Guard is into the manufacturing and marketing of products such as stabilizers, cables, water and solar heater, pumps, fans, UPS and Digital UPS which have mass consumption demand. It is a significant brand in South India. It has recently expanded operations pan India and we believe the market for its products offer high growth opportunities. We expect its top line and bottom line to nearly double by FY12. We initiate with a BUY and a price target of Rs208.

Investment Highlights

■ A play on the mass consumption market in India

V-Guard products are consumed by the mass market. As per NCAER, the number of middle income households is going to increase by 70% to 238 mn households by 2015. The growing middle class in India, lower penetration of household appliances, increasing housing activity will lead to sustained demand for the company's product portfolio. Also, the increased per capita availability of power from 700KWH in FY08 to 1000KWH by FY12 will result in higher demand.

■ Broad portfolio + wide distributor network + prominent brand name = High Growth

V-Guard over the last decade has expanded its product portfolio from stabilizers and cables to many other products such as pumps, electric and solar water heaters, UPS, Digital UPS and Fans. These products have high demand especially in the semi-urban and rural market. It has also over the past few years built a wide distribution network (177 distributors, 1256 dealers and ~ 6000 retailers) and thus addressed the wide spread market. As it has a strong brand name, it has been able to enter newer consumer related products and has significant presence. We believe the robust product portfolio along with a wide reach will enable its top line and bottom line to nearly double by FY12.

■ Expanding geographical reach to aid high growth

V-Guard has predominantly been a South Indian player but over the past few years it has expanded its presence across India. It has been able to penetrate the newer markets due to its product portfolio and ability to set up a wide distribution network. In order to cater to the growing market it has also increased its product portfolio. We believe that the increased product portfolio, wide distribution network and new geographical markets will result in sustainable growth over the next few years.

■ Top line and bottom line to nearly double by FY12

V-Guard had a top line and bottom line CAGR of ~28% during FY06-10. Going ahead, we expect a top line and bottom line CAGR of 38% and 42% respectively due to entry into new markets and increased revenues from its expanded product portfolio.

■ Attractive Valuation: Initiate with a BUY and a price target of Rs208

V-Guard is poised for high growth due to its product portfolio which caters to the mass market. There are not any listed comparable peers and thus, we have compared it to its closest peer set of consumer electronic industry. The average consensus PER at which the consumer electronic companies trade is ~14.9x FY12 and a consensus P/Sales of 1.1x FY12. V-Guard is currently trading at 9.4x FY12E and P/Sales of 0.6x FY12. We believe given the growth trajectory, the valuations are attractive and the gap between its closest peer and the company will diminish. We have valued V-Guard at a PER of 12x (~20% discount its listed electronic industry peers) and initiate with a BUY and a price target of Rs208.

Table: Financial snapshot

Year	Sales	EBITDA	EBITDA (%)	Adj.PAT	EPS (Rs)	PER (x)	EV/EBITDA (x)	ROIC (%)	ROE (%)
FY09	3,168	314	9.9	173	5.8	28.0	15.8	11.5	14.2
FY10	4,541	504	11.1	255	8.5	19.1	11.0	14.5	19.0
FY11E	6,473	693	10.7	360	12.1	13.5	8.1	16.6	23.3
FY12E	8,609	930	10.8	518	17.3	9.4	6.0	20.0	27.7

Source: Company; IDBI Capital Research

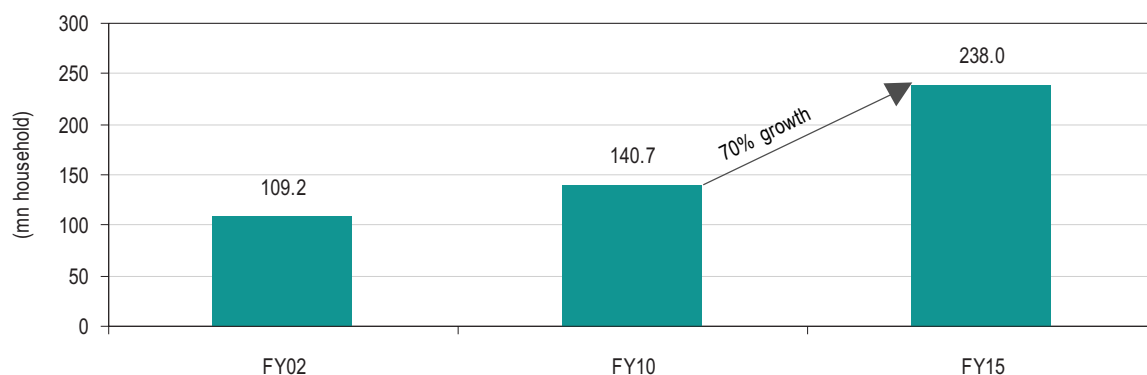
Investment Positives

■ A play on the mass consumption market in India

V-Guard product portfolio caters to the mass market and as they meet the basic requirements, demand for these products is expected to remain strong. Also, the growing disposable income of the consumer and increased availability of power will result in higher demand for its products.

As per National Council for Applied Economic research (NCAER) the number of high income households (income > Rs0.18 mn/year) increased from 13.8 mn households in 2001-02 to 46.7 mn households in 2009-10. Also, the number of middle class families in India (earning between Rs0.045mn-Rs0.18 mn /year) increased from 109.2 mn households in 2001-02 to 140.7 mn in 2009-10. Going ahead, the number of middle income households are expected to increase by 70% to 238 mn by 2015.

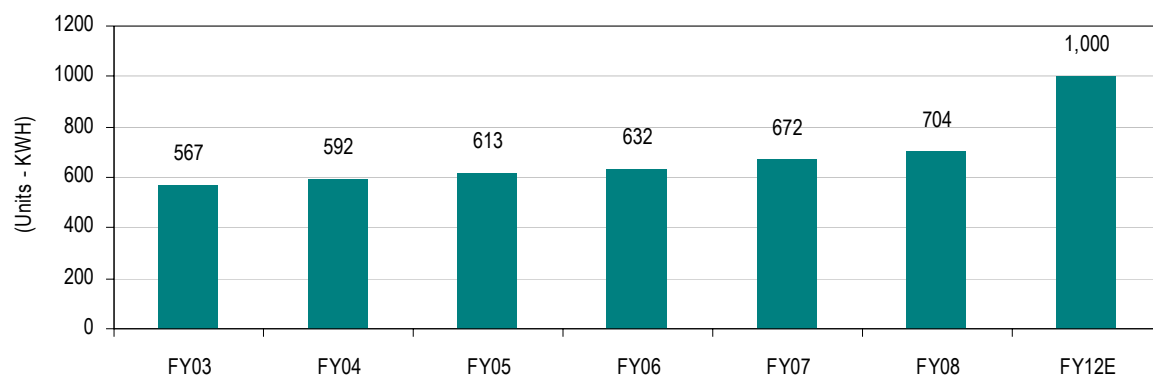
Figure: Growing middle income household in India



Source: NCAER; IDBI Capital Research

Another major growth driver for V-Guard products will be the increased availability of power.

Figure: Per capita power availability in India



Source: JSW Energy Prospectus; IDBI Capital Research

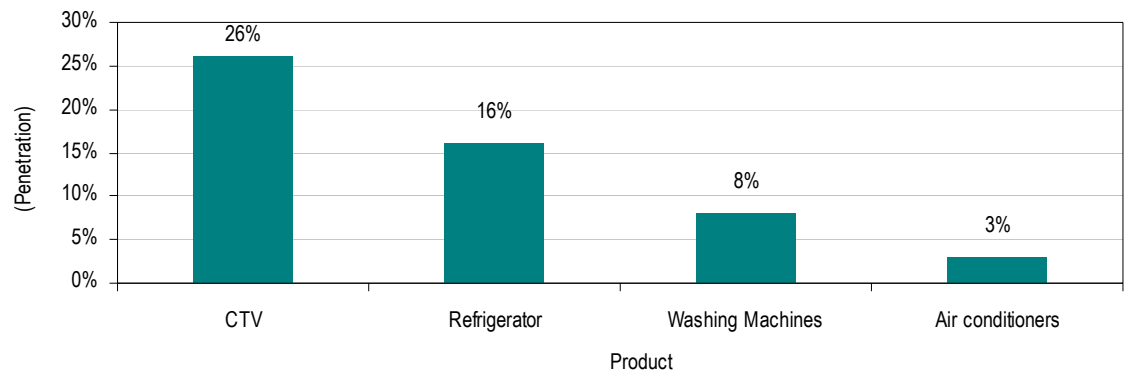
■ Comprehensive product portfolio

V-guard has built a comprehensive product portfolio over the last decade catering to the mass consumer need. With increase in household income and higher availability of power, it is set for high growth.

● Stabilizers

V-Guard is the market leader in this product. Stabilizers are primarily used along with home appliances such as CTV's, refrigerators and air conditioners. The demand for these products is expected to be high due to the increasing disposable income and lower penetration of household appliances.

Figure: All India penetration level for appliances: Yet to scratch the surface



Source: Consumer Electronics and appliance manufacturing association (CEAMA), 2008

● Cables

The demand for cables domestically has been increasing due to the booming household and infrastructure sector. With the spending on infrastructure projects expected to continue, the demand for cables is expected to remain strong going ahead too. The cable industry is currently estimated at Rs120 bn and is expected to grow at 13-15%. V-Guard has been in the building wire cables industry for over a decade and has recently entered the LT cable market too.

● Household pumps

The pump industry in India is estimated to be US\$1bn and growing at ~8%. The demand for household pumps is directly related to the housing activity. As the housing activity across the country is expected to remain high due to increasing urbanization, the demand for pumps is going to remain robust. V-Guard has been in this segment for many decades and has significant presence in South India. It has recently expanded its portfolio to agricultural pumps also.

● Solar water heater (SWH) and electric water heater (EWH)

V-Guard has been in solar and electric water heater industry for many years and has a significant presence in these segments in South India. The SWH market had a CAGR of 24.6% during FY04-08 and is expected to continue seeing high growth. EWH market is expected to grow at 20% due to increasing household income.

● Fans

The fan industry is estimated to be Rs20 bn and growing at 10%. The demand for this industry is expected to be robust due to the climatic conditions in the country, increased housing activity and higher power availability. V-Guard had entered this business in FY07 and since then has built an entire product portfolio of fans along with a pan-India distribution network.

● UPS & Digital UPS

The Uninterrupted power supply (UPS) market in India as per Frost & Sullivan was US\$544.4 mn in 2007 and is expected to be US\$1,316 mn by 2014. V-Guard has been in this industry for many years and is expected to see high growth. The digital UPS market is expected to see high growth due to the shortage of power in the country. V-Guard being an existing player will benefit from the high growth.

Table: Revenue growth over FY07-12E

(Rs mn)

Product	FY07	FY08	FY09	FY10	FY11E	FY12E	CAGR FY07-10 (%)	CAGR FY10-12 (%)
Stabilizer	951	938	968	1220	1587	1983	9	27
% of total sales	41	34	31	27	25	23		
Cable	461	596	695	1,217	1,826	2,373	38	40
% of total sales	20	21	22	27	28	28		
LT Cables	0	10	29	156	266	425	NA	65
% of total sales	0	0	1	3	4	5		
Pump	438	561	662	853	1194	1493	25	32
% of total sales	19	20	21	19	18	17		
Electric water heater	166	271	331	362	452	588	30	27
% of total sales	7	10	10	8	7	7		
Solar water heater	94	125	155	163	195	224	20	17
% of total sales	4	5	5	4	3	3		
UPS	80	168	162	174	208	240	30	17
% of total sales	3	6	5	4	3	3		
Fans	58	85	130	256	461	876	64	85
% of total sales	3	3	4	6	7	10		
DHU	0	0	3	88	219	329	NA	94
% of total sales	0	0	0	2	3	4		
Others	45	19	34	53	65	78	6	7
% of total sales	2	1	1	1	1	1		
Total	2,292	2,774	3,168	4,541	6,473	8,609	26	38

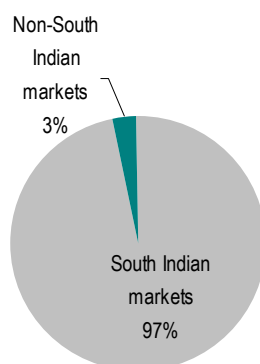
Source: Company; IDBI Capital Research

■ Increasing geographical presence to aid high growth

V-Guard has for the last three decades built a strong brand name as well as distribution network across South India. It had been primarily focusing on these markets and has built a comprehensive product portfolio.

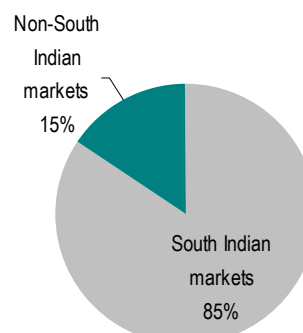
However, over the past few years it has widened its distribution network to pan-India. We believe the company is at an inflection point and is poised for high growth, due to entry into markets beyond its traditional area, where the demand is high. We expect V-Guard to double its revenue to 30% from non-south India markets by FY12.

Figure: Revenue break up FY07



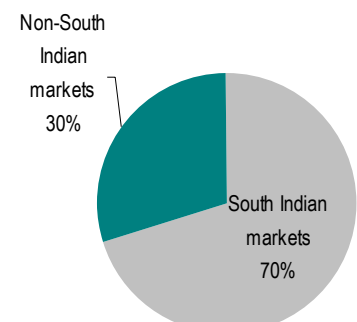
Source: Company; IDBI Capital Research

Figure: Revenue break up FY10



Source: Company; IDBI Capital Research

Figure: Revenue break up FY12E



Source: Company; IDBI Capital Research

■ Wide spread distribution network

V-Guard has built a strong distribution network across the country over the last few years. This has enabled it to reach the wide spread consumer market. We believe as the company has been able to build a wide distribution network along with a strong brand, it will be able to market its product portfolio. Also, this will enable it to tackle the unorganized markets in a better way.

Table: Wide distribution network

	FY08	FY09	FY10
Distributors	112	149	177
YoY growth (%)		33	19
Direct dealers	67	494	1,256
YoY growth (%)		637	154

Source: Company

■ A mix of manufacturing and outsourcing model to be beneficial in the long run

V-Guard adopts a manufacturing as well as outsourcing model for its product portfolio. It manufactures products such as cables and solar water heater, whereas it outsources the manufacturing of stabilizers, pumps, electric water heater, fans, UPS and Digital UPS.

The company outsources the manufacturing of its products as this enables it to keep control over its cost and also to meet the increased demand without undertaking significant capital expenditure.

The vendors selected for manufacturing of various products have to follow the quality standards laid down by the company. Also, the new products which are to be launched are developed at its R&D centre and then given to vendors for manufacturing.

We believe the strategy of outsourcing of its product portfolio will result in enhanced focus on marketing of these products. Also, it will enable it to keep its cost under control as they can have the vendors near the market and thus save on transportation cost.

Table: Products outsourced and manufactured

Product portfolio	Outsourced	Manufactured
Stabilizer	✓	☒
Household Cables	☒	✓
LT cables	☒	✓
Pumps	✓	✓
Fans	✓	✓
Uninterrupted Power supply (UPS)	✓	☒
Digital UPS	✓	☒
Electric water heaters	✓	✓
Solar water heaters	☒	✓

Source: Company

■ Newly launched products such as fans, agricultural pumps and LT cables to aid growth

V-Guard has recently entered into the manufacturing of LT cables and marketing of fans and agricultural pumps.

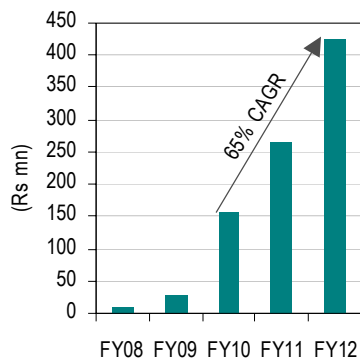
LT cables are used in the power and control cables meant for industrial and commercial purposes. The demand for LT cables is expected to be strong due to the various power projects which are being implemented across the country. Also, demand from the industrial segment should be strong due to the various expansions underway. The total market size of LT cables is estimated to be Rs80 bn and is growing at ~15%. V-Guard had entered the LT cable market in FY08 and since then has grown it to Rs156 mn. Backed by increasing demand for LT cables and enhanced capacity available with the company we expect a CAGR of 65% during FY10-12.

V-Guard had entered the fan business in FY07. It has since then expanded its fan product portfolio and now has a complete range of fans. Fan market is estimated to be ~ Rs20 bn and growing at 10%. The fan market has a significant presence of unorganized players and with the market shifting towards organized segment, we believe this market presents a high growth opportunity for the organized players.

V-Guard has over the last three years built a comprehensive product portfolio of fans, a wide spread distribution network and a brand name which should accelerate its growth in this industry. We expect top line from this business to grow at a CAGR of 85% to ~Rs 875 million by FY12.

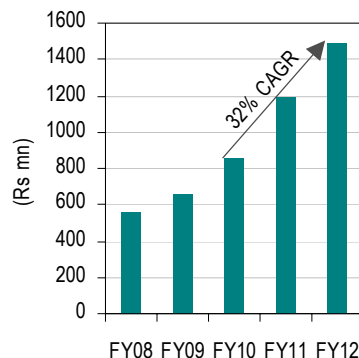
V-Guard has been in the household pumps market for many decades and it has grown at a CAGR of 23% between FY08-10. It has recently entered the agricultural pump markets and as these pumps have high demand, strong growth is expected from this product category. Agricultural pump market has seen high growth due to the rising farm income and increased availability of power. We expect the pump segment to have a CAGR of 32% between FY10-12.

Figure: LT cables revenue



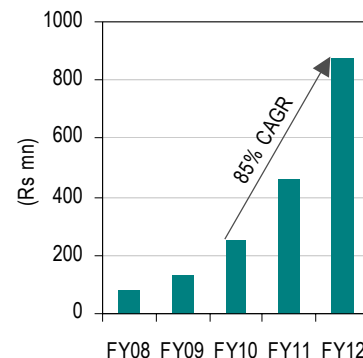
Source: Company; IDBI Capital Research

Figure: Pump revenue



Source: Company; IDBI Capital Research

Figure: Fans revenue

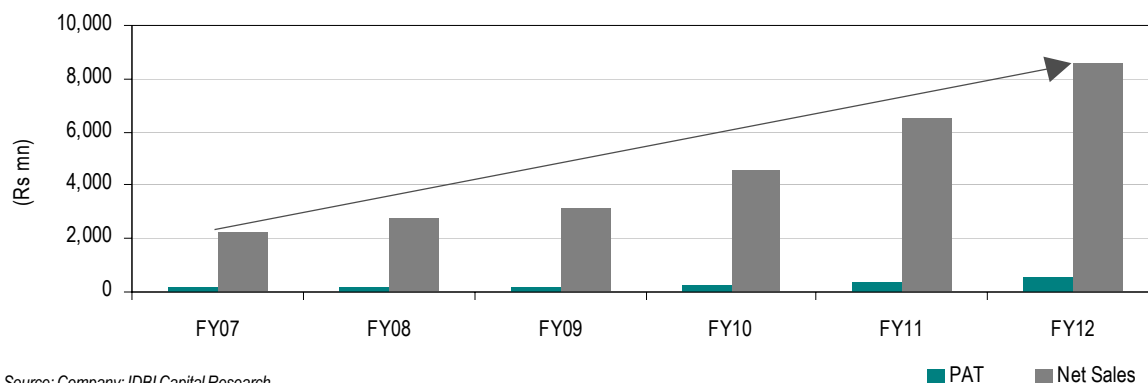


Source: Company; IDBI Capital Research

Top and bottom line growth of 38% and 42% during FY10-12

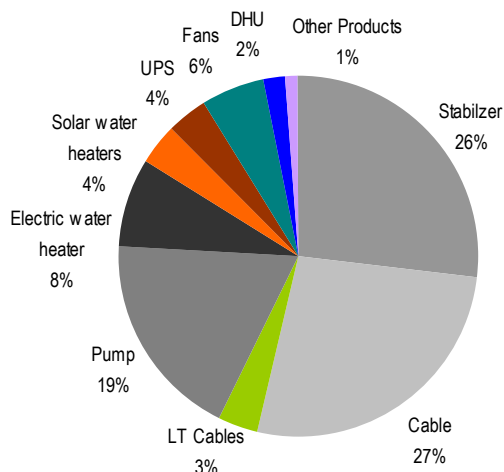
V-Guard had a CAGR of 27% in top line and 24% in bottom line during FY07-10. Going ahead, we expect a top line CAGR of 38% during FY10-12. The growth in top line will come from existing and newer geographies. Also, increased contribution from the recently launched product segments such as LT cables, agricultural pumps and fans will aid this growth. Bottom line is expected to witness a CAGR of 42% during FY10-12 due to higher top line.

Figure: Revenue & PAT: To double by FY12



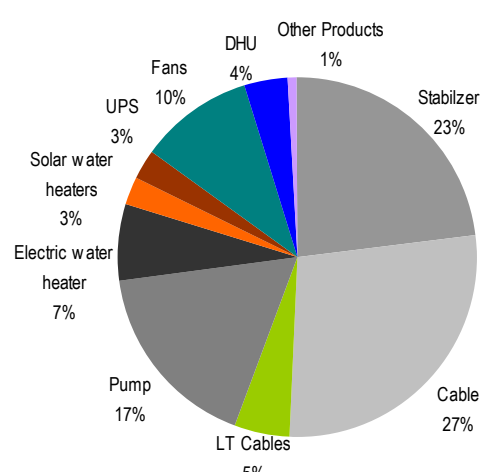
Source: Company; IDBI Capital Research

Figure: Revenue break up FY10



Source: Company; IDBI Capital Research

Figure: Revenue break up FY12E

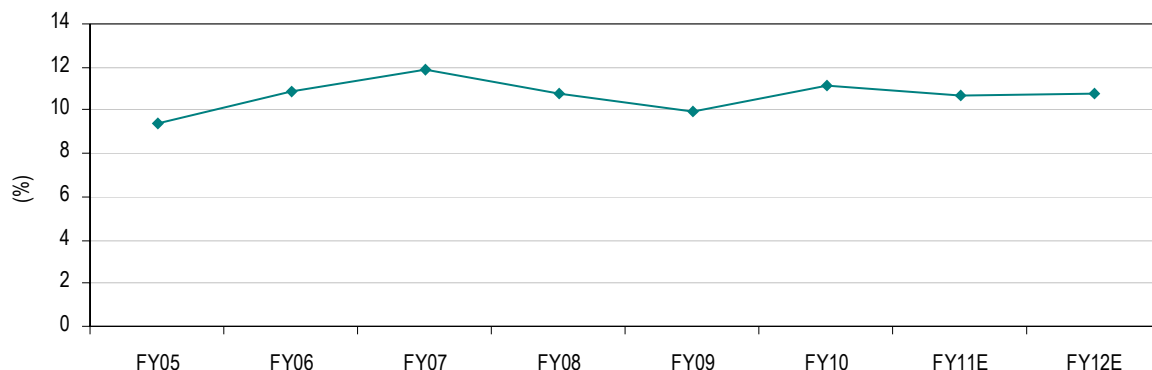


Source: Company; IDBI Capital Research

■ Operating margins to remain steady

V-Guard has historically had operating margins between ~9-11%. It has been able to maintain margins as it outsources a major portion of its production. Also, it has been able to pass on majority of raw material increase to its customers gradually. We believe with the company expanding its geographical reach as well as its product portfolio, the margins will continue to be in this range. We have factored margins of 10.7% for FY11 and 10.8% in FY12.

Figure: Steady operating margins

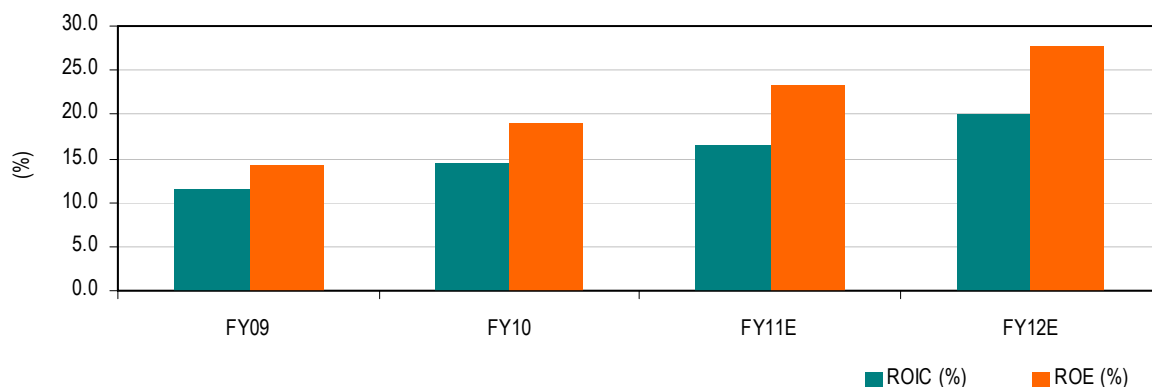


Source: Company; IDBI Capital Research

■ Return ratios to improve further

V-Guard return ratios are expected to improve further going ahead due to the increase in turnover. Also, the benefit of expansions undertaken in the recent past will be seen in the coming years. We expect the ROE and ROIC to improve to 27.7% and 20% respectively by FY12.

Figure: Improving return ratios



Source: Company; IDBI Capital Research

Valuation

V-Guard is a play on the growing middle class consumption market. It is expected to see a CAGR of 42% in earnings during FY10-12. There are not any comparable listed peers in the categories where the company operates.

However, the closest comparable peers for this industry would be the consumer electronic industry. The average consensus PER multiples at which these companies trade is ~14.9x FY12E whereas V-Guard trades at 9.4x FY12E. We believe V-Guard can trade at similar multiples given the high growth trajectory. However, we have taken a conservative approach and have valued V-Guard at a PER of 12x FY12E (20% discount to its comparable peers). We initiate with a BUY and a price target of Rs208.

V-Guard currently trades at FY12 Price/Sales of 0.6x whereas its consumer electronic industry peers trade at an average consensus Price/Sales of 1.1x FY12. We believe the high growth trajectory should allow the discount to diminish. At our target price of Rs208, it will trade at 0.7x (discount of ~35% to its listed peers).

Table: Comparative valuation

	Mkt Cap (Rs mn)	— Revenues (Rs mn) —			— PAT (Rs mn) —			— PER (x) —			— ROE (%) —			— Mkt Cap/Sales —		
		FY10	FY11E	FY12E	FY10	FY11E	FY12E	FY10	FY11E	FY12E	FY10	FY11E	FY12E	FY10	FY11E	FY12E
Crompton Greaves	182,986	91,409	99,253	113,090	8,599	8,877	10,238	21.3	20.7	18.0	39.7	31.3	28.2	2.0	1.8	1.6
Bajaj Electricals	25,964	22,272	27,556	33,661	1,171	1,624	2,116	20.3	15.9	12.2	31.7	28.8	29.1	1.2	0.9	0.8
Havells India	48,029	54,534	55,968	61,548	739	2,445	3,325	36.3	19.1	14.6	23.4	43.2	37.0	0.9	0.9	0.8
Average								26.0	18.6	14.9				1.3	1.2	1.1
V-Guard Industries	4,865	4,541	6,473	8,609	255	360	518	19.1	13.5	9.4	19	23	28	1.1	0.8	0.6

Source: Bloomberg; IDBI Capital Research

Concerns

South focused so far: The company has built its business in South India. This success may not get replicated pan-India.

Increase in raw material cost: Any increase in raw material cost and inability to pass it will affect the profitability adversely.

Unorganized markets: In most of the segments where V-Guard operates the unorganized segment has a significant presence. In case the company is not able to manage competition, it will affect growth.

Inability to maintain the distribution network: Distribution is an integral part of this business and inability to retain it will affect the growth adversely.

Slow down in economy: A slow down in the economy will impact the growth of the company.

About the company

V-Guard was founded in 1977, by Mr. Kochouseph Chittiappily, and was into manufacturing and marketing of voltage stabilizers. It has since then expanded its product portfolio and today manufactures and markets stabilizers, cables, pumps, fans, solar water heater, electric water heater, UPS and Digital UPS.

It has manufacturing facilities at Coimbatore (Tamil Nadu), Kashipur (Uttaranchal) and Kala Amb (Himachal Pradesh).

Table: Manufacturing locations

Location	Products
Coimbatore	Building Wire Cable, LT Cable, EMW pump factory and solar water heaters
Kashipur	Building Wire Cable
Kala Amb	Water Heater and Fans

Source: Company

Table: Capacities

Product	Units	Capacity
Building wire	Mn coils	4.58
LT cables	Kms	3,900
Solar Water Heaters	Nos	26,256
Pumps	Nos	18,000
Fans	Nos	6,00,000
Electric water heaters	Nos	4,50,000

Source: Company

V-Guard manufactures cables, solar water heaters whereas it outsources the manufacturing of stabilizers, fans, electric water heater, pumps, UPS and digital UPS. The company outsources to vendors who are required to produce the product as per specified standard. In order to ensure that the vendors get major raw material like copper and aluminum at competitive prices, it does centralized purchasing. However, each vendor is responsible for the payment of raw material purchased.

V-Guard markets all its products under the brand name 'V-Guard'. It sells its products primarily through distributors who in turn sell it to dealers. The company has over the past few years expanded its distributor network and now has presence across India. It has also appointed direct dealers in a few markets in order to penetrate those geographies.

V-Guard has been primarily a South India based player. However, over the past few years it has expanded its geographical area of operations pan-India.

V-Guard has built a professional team which manages the entire business and employs over 1,200 people. It is headed by Mr. Kochouseph Chittiappily, who is a first generation entrepreneur and has been instrumental in getting the company to the current position.

The company got listed in 2008 at an IPO price of Rs82 raising Rs656 mn.

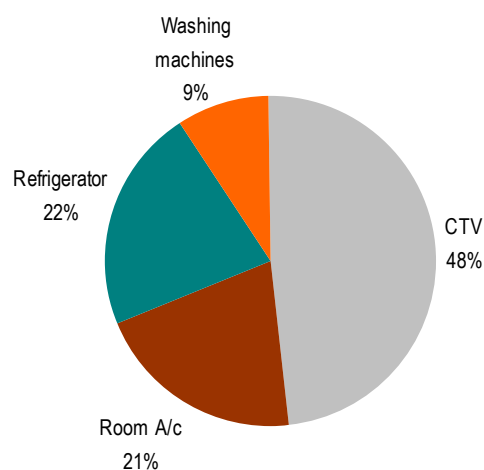
Appendix

Household appliance market

The Indian household appliance market has grown at CAGR of 11% between FY04-09 to ~Rs230 bn. It is expected to witness a similar CAGR till FY14. The growth will come due to increasing penetration of appliances, change in lifestyles, rising disposable incomes, replacement demand and falling prices of appliances whereby they have become affordable to many more.

The Indian household appliance primarily consists of colour televisions, refrigerators, room air conditioners and washing machines.

Figure: Home appliance market



Source: Industry

Going ahead air conditioners market is expected to see a high growth due to lower penetration and affordable prices.

Table: Household appliance growth (mn units)

	FY09	FY15	CAGR growth (%)
Television	14.1	32	15
Air conditioners	3	10.3	23
Washing Machine	2.8	8.7	21
Refrigerators	6	9.5	8

Source: CEAMA; Industry

Stabilizers

Stabilizers are primarily used to maintain a constant voltage level. The product finds high demand in semi urban and rural India as the voltage fluctuations are regular. Stabilizers are used to protect consumer appliances like TV, refrigerator, air conditioners etc.

The market for stabilizers has high correlation with the consumer appliances demand. As per IMRB estimates in August 2007, 80% of new sales of air conditioners, 50% of refrigerators and 18% of TV are accompanied with separate stabilizers.

The stabilizer market was estimated to be ~Rs7 bn in FY08 and growing at ~11-12%. This market is largely unorganized with the organized market accounting for merely 25-30% of total.

■ Cables & wires

The cables and wires market is estimated to be Rs120 bn market with the power cables segment accounting for nearly 66% of the total market. The demand for cables and wires is expected to be high due to significant capacities being set up in the power sector and growth in the housing market.

The cable and wire industry has the presence of both the organized and unorganized sector. This industry is seeing a gradual shift to the organized players. The cable industry is expected to grow at 13-15% going ahead due to the increased spending on the infrastructure and housing sector in the country.

Table: Estimated electrical demand from new construction

	2009E	2010E	2011E	Total
Estimated area (mn sq ft)				
Residential (1)	565	566	567	
Commercial space	70	80	85	
Retail Space	36	40	42	
Total new construction	671	686	694	2,051
Cost of electricals (Rs/sq ft)				
Residential	125	130	135	
Commercial	160	165	170	
Retail	180	185	185	
Estimated demand for electricals (Rs bn)	88	94	99	281

Note: (1) Residential space calculated for urban household with average income > Rs 32,000 pm

Source: Havells presentation; IDBI Capital Research

Table: Estimated electrical demand from the power sector during XI plan (2007-12) (Rs bn)

Generation	6,046
Transmission capex	1,400
Distribution capex	2,870
Total Capex	10,316
Estimated demand for electricals	
Generation	
Cables and wires (2% of total generation cost)	121
Other electricals (1.5% of total generation cost)	91
Transmission	
Cables and wires (12% of total generation cost)	168
Other electricals (14% of total generation cost)	196
Distribution	
Cables and wires (20% of total generation cost)	574
Other electricals (15% of total generation cost)	431
Total electrical demand	
Cables and wires	863
Other electricals	717
Total	1,580

Source: Havells presentation; IDBI Capital Research

The major players in the cables and wires market are KEI Industries, Havells, Finolex and Polycab.

■ Pumps

The Indian pump market is estimated to be ~US\$1 bn in size and growing at 7-8%. This industry is highly fragmented with the presence of many regional players. Pumps are used in various segments such as agriculture, domestic and industrial.

The prominent players in this industry are Kirloskars, Crompton Greaves, L&T and Siemens.

■ Fans

In India the demand for fans is high due to the tropical nature of the country. The Indian fan market is estimated to be Rs20 bn in size and growing at ~10%. This growth is coming from the booming housing market as well as replacement demand. There exist many players in the industry with the unorganized segment too having a significant presence. However, over the years the shift from unorganized to organized segment has happened due to the growing brand awareness, higher disposable income and a decline in price gap due to reforms in the tax structure.

The major players in the fan industry are Khaitan, Orient, Bajaj Electricals, Havells and Crompton Greaves.

■ Uninterrupted Power Supply (UPS)

The UPS market in India was US\$544.4 mn in 2007 and is expected to reach US\$1,316 mn in 2014. The UPS market can be classified into high-end UPS (above 5KVA) and low-end UPS (less than 5KVA). The high end UPS find application in hospitals, process industries etc., whereas low end UPS are primarily used by single PC users.

The high end UPS market has limited number of players whereas the low-end UPS market has many unorganized players.

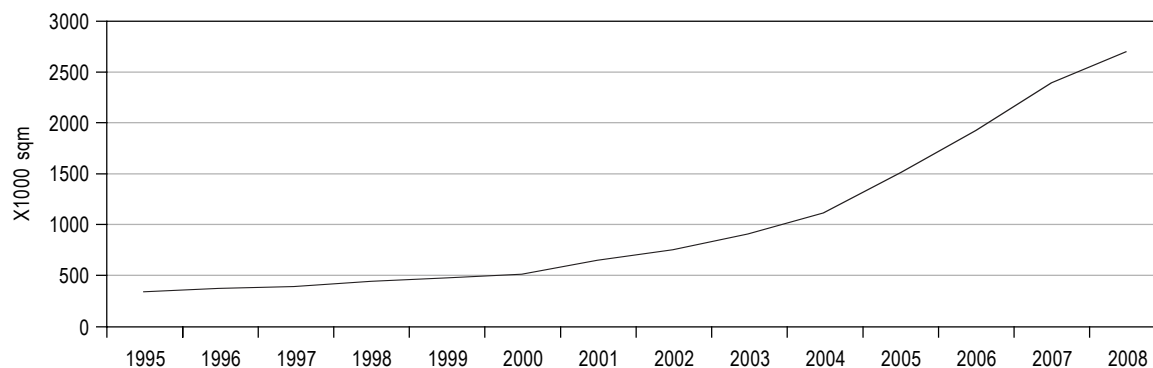
The major players in the UPS industry are Emerson, Numeric, APC, Intex and Microtek.

■ Solar water heaters (SWH)

The total estimated functional SWH in India is ~2.6 mn m². It had a CAGR of 24.6% between FY04-08. The reason for growth in SWH is higher disposable income, growth in urban housing and energy price hike.

The industry has high growth potential and as per Ministry of new and renewable energy (MNRE) the total cumulative mn m² of SWH which can be created by 2013 is 5.37 mn m². The major user of SWH is the residential segment and accounts for 80% of SWH installation.

Figure: Cumulative installation of solar water heating systems



Source: MNRE; IDBI Capital Research

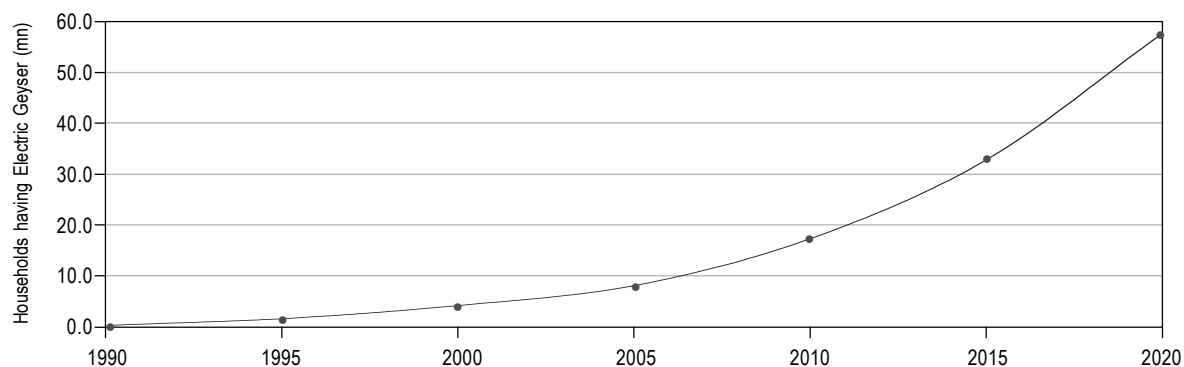
As per MNRE, five states Karnataka, Maharashtra, Tamil Nadu, Andhra Pradesh and Gujarat will be the major users of SWH going ahead and would account for nearly ~67% of the total market.

Some of the players in the industry are Tata BP Solar, Jain Irrigation, Venus etc.

■ Electric Water Heater (EWH)

EWH market is estimated to be about 1.5-1.8 mn pieces/year and is growing at 20%. In India about 17 mn households used electric geysers in 2010. The expected number of households using electric geyser would increase to 56 mn households by 2020. This increase in usage of EWH is due to higher household incomes.

Figure: Projected growth in number of electric geyser households



Source: MNRE; IDBI Capital Research

EWH market has the presence of both the organized and unorganized segment. However, with increasing brand awareness as well as launch of energy saving EWH's by the organized players, the shift is happening towards them.

Some of the EWH players in the country are Venus, Bajaj etc.

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY09	FY10	FY11E	FY12E
Net sales	3,168	4,541	6,473	8,609
Growth (%)	13.9	43.3	42.6	33.0
Operating expenses	(2,853)	(4,037)	(5,780)	(7,679)
EBITDA	314	504	693	930
Growth (%)	13.8	47.7	36.0	33.6
Depreciation	(40)	(71)	(86)	(91)
EBIT	274	433	607	838
Interest paid	(47)	(51)	(82)	(77)
Other income	36	14	11	11
Pre-tax profit	263	395	537	773
Tax	(89)	(140)	(177)	(255)
Effective tax rate (%)	34.0	35.4	33.0	33.0
Net profit	173	255	360	518
Adjusted net profit	173	255	360	518
Growth (%)	14.6	47.0	41.0	43.9
Shares o/s (mn nos)	29.8	29.8	29.8	29.8

Cash Flow Statement

(Rs mn)

Year-end: March	FY09	FY10	FY11E	FY12E
Pre-tax profit	263	395	537	773
Depreciation	36	68	86	91
Tax paid	(315)	(136)	(177)	(252)
Chg in working capital	225	(578)	(297)	(450)
Other operating activities	12	16	-	-
Cash flow from operations	221	(235)	149	161
Capital expenditure	(413)	(249)	(106)	(65)
Chg in investments	36	68	-	-
Other investing activities	(5)	(4)	-	-
Cash flow from investing	(382)	(185)	(106)	(65)
Equity raised/(repaid)	-	-	-	-
Debt raised/(repaid)	(97)	543	101	(50)
Dividend (incl. tax)	(87)	(89)	(105)	(107)
Other financing activities	-	-	-	-
Cash flow from financing	(184)	453	(4)	(157)
Net chg in cash	(345)	33	39	(61)

Balance Sheet

(Rs mn)

Year-end: March	FY09	FY10	FY11E	FY12E
Net fixed assets	971	1,152	1,172	1,146
Investments	114	46	46	46
Other non-curr assets	-	-	-	-
Current assets	951	1,904	2,348	2,977
Inventories	359	985	1,064	1,392
Sundry Debtors	488	756	1,046	1,368
Cash and Bank	41	74	113	52
Loans and advances	63	89	124	165
Total assets	2,035	3,102	3,565	4,168
Shareholders' funds	1,265	1,415	1,670	2,065
Share capital	298	298	298	298
Reserves & surplus	966	1,116	1,371	1,767
Total Debt	263	805	906	856
Long term loans	34	56	56	56
Short term loans	229	749	850	800
Deferred tax Liabilities	44	57	57	57
Curr Liab & prov	463	824	933	1,190
Current liabilities	445	801	909	1,166
Provisions	18	23	23	23
Total liabilities	770	1,687	1,896	2,103
Total equity & liabilities	2,035	3,102	3,565	4,168
Book Value (Rs)	42	47	56	69

Financial Ratio

Year-end: March	FY09	FY10	FY11E	FY12E
Adj EPS (Rs)	5.8	8.5	12.1	17.3
Adj EPS growth (%)	14.6	47.0	41.0	43.9
EBITDA margin (%)	9.9	11.1	10.7	10.8
Pre-tax margin (%)	8.3	8.7	8.3	9.0
ROE (%)	14.2	19.0	23.3	27.7
ROIC (%)	11.5	14.5	16.6	20.0
Turnover & Leverage ratios (x)				
Asset turnover (x)	1.5	1.8	1.9	2.2
Leverage factor (x)	1.7	1.9	2.2	2.1
Net margin (%)	5.5	5.6	5.6	6.0
Net Debt/Equity (x)	0.1	0.5	0.5	0.4
Working Capital & Liquidity ratio				
Inventory days	45.7	54.0	57.8	52.1
Receivable days	49.9	50.0	50.8	51.2
Payable days	17.4	18.9	18.9	17.9

Valuations

Year-end: March	FY09	FY10	FY11E	FY12E
PER (x)	28.0	19.1	13.5	9.4
Price/Book value (x)	3.8	3.4	2.9	2.4
PCE (x)	22.7	14.9	10.9	8.0
EV/Net sales (x)	1.6	1.2	0.9	0.7
EV/EBITDA (x)	15.8	11.0	8.1	6.0
Dividend Yield (%)	1.5	1.8	1.8	2.1



Notes

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Buy: Absolute return of 15% and above; **Accumulate:** 5% to 15%; **Hold:** Upto $\pm 5\%$; **Reduce:** -5% to -15%; **Sell:** -15% and below.

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