Crompton Greaves Ltd.

Q3FY11 Results Update

February 4, 2011

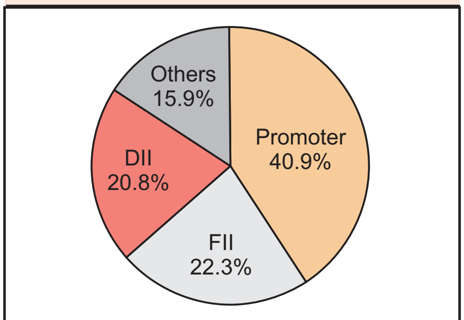
Key Stock Data

Sector	Capital Goods
CMP	₹273.15
52-wk High / Low	₹349 / 219
Market Cap	₹175.22bn ($385mn)
Avg 6m daily vol.	38745240
BSE Sensex	18,449
Reco:	Buy
Target Price:	₹328

Stock Codes

Bloomberg Code	CRG IN
Reuters Code	CROM.BO
BSE Code	500093
NSE Code	CROMPGREAV
Face Value	₹2per share

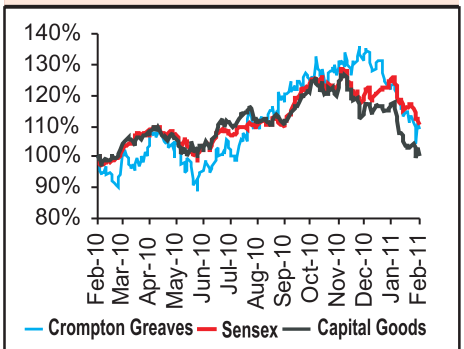
Shareholding Pattern (31st Dec, 2010)



Price Performance (%)

1 Mth	3 Mths	6 Mths	1 Yr
-12.6%	-17.9%	-2.6%	10.2%

Stock Price Movement:



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CG has reported a moderate Q3FY11growth with consolidated profit after tax grew by **15.9%** to **₹233cr** against **₹201cr** on y-o-y basis. Consolidated revenue rose by **6.7%** to **₹2397cr** as against **₹2246cr** on y-o-y basis.The company witnessed a better perfomance in Industrial Systems,Consumer Products and subdued result in Power Systems.During this quarter lower tax rate was incidental for increased profits.

Robust growth in Consumer Product

Consumer Products business has registered a growth of 30.3% on y-o-y basis to ₹475.13cr as against ₹364.73cr with margin decline of 40bps on y-o-y basis.

- **Leadership positioning:** CG has leadership positioning with substantial market share of 24% in domestic fan industry. CG is ranked number 2 in lighting, and is expanding its product portfolio; is the fastest growing brand in home appliances; and is the leader in the domestic pumps .
- **Innovation with a focus on quality:** CG will be able to sustain growth and margin on account of strong branding, new design, innovative products and penetration in urban & semi urban markets. The Company has renewed its thrust on enhanced after sales service by commissioning its customer care centre and a network of franchise based authorized service centre in metro cities.

  Going forward, we believe Consumer Product to register a CAGR of 25% during FY10-12 with a margin of 14% .

Revenue growth in Engineering Segment :

Engineering business has registered a revenue growth of 23% on y-o-y basis to ₹380.9cr as against ₹360.6cr.Due to increase in raw material prices EBIT de-grew by 250bps .We expect CG Industrial System to grow at 18-20% during FY12E with stable margin.

Strong order book:

CG has consolidated order book to the tune of ₹7017cr, a growth of 15% while its standalone order books stands at ₹3702cr a growth of 25%.We expect CG's order book to grow by16-18% in FY12E.

(continued...)

Finanacial Highlight

(₹Cr)

Particulars	FY08	FY09	FY10	FY11E	FY12E
Net Sales	6832.3	8737.22	9140.82	9721.49	11142.53
% Growth	21.1%	27.9%	4.6%	6.4%	14.6%
EBIDTA	813.08	1053.35	1408.94	1494.08	1715.76
PAT	416.47	566.9	862.37	915.62	1106.23
% Growth	43.3%	36.1%	52.1%	6.2%	20.8%
EPS	11.10	15.27	13.44	14.27	17.24
EV/EBIDTA	22.30	16.79	12.32	11.49	9.75
P/BV	13.46	9.57	7.00	5.29	4.08
ROE	32.0%	31.0%	34.4%	27.6%	25.8%

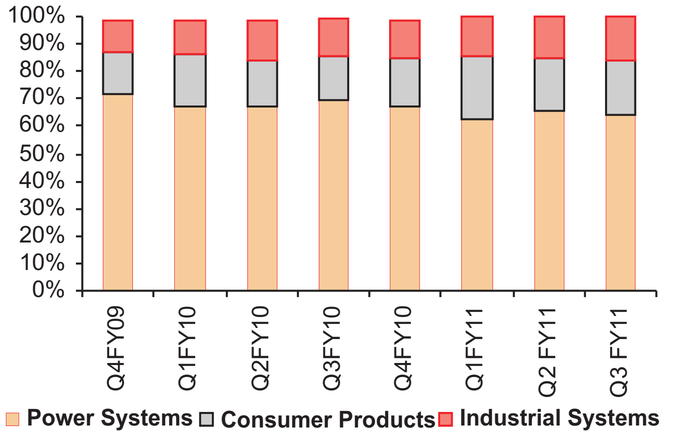
(E: Keynote Capitals Institutional Research Estimates)

Subdued Growth in Power System Business:

During Q3FY11 on standalone basis, CG has registered a subdued growth of 2% on Y-o-Y basis to ₹580Cr from ₹568Cr.CG's international business grew by13% and seen marginal decline of 0.5% in rupee term . We expect a growth of 10% in FY12E on consolidated basis due to demand for distribution transformer in renewable source of energy i.e., solar and wind in Europe and America. CG would be able to sustain margin of 12% in FY12E.

Chart 1

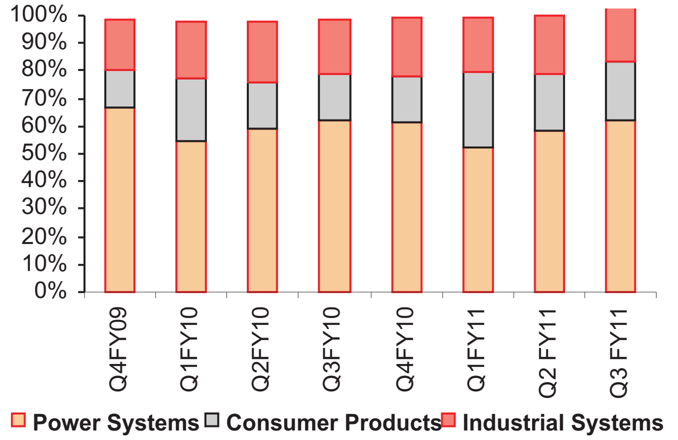
Consolidated Revenue Mix



(Souce: Keynote Capitals Institutional Research)

Chart 2

Consolidated EBIT Contribution

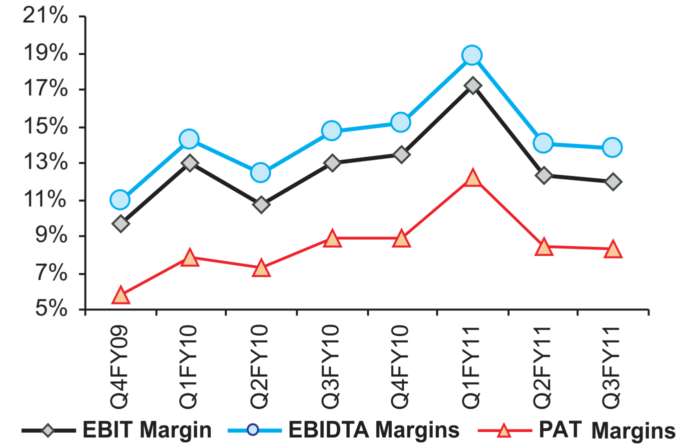


(Souce: Keynote Capitals Institutional Research)

Margin Expansion & Operational Efficiency: On account of various value engineering initiatives, better product design and higher efficiency in supply chain management, the company may increase the margins in profit by 50 bps and sustain the operating margins at current levels of 13-14%. Increase in manufacturing capacity and changes in plant layout will create additional shop floor space to further improve its productivity.

Chart 1

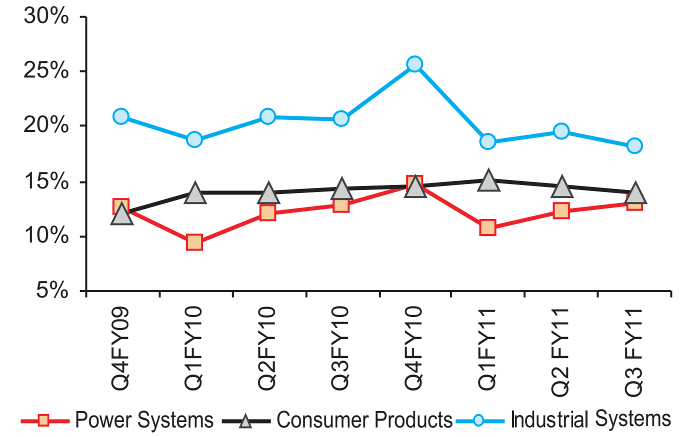
Consolidated Margin



(Souce: Keynote Capitals Institutional Research)

Chart 2

Segment Margin



(Souce: Keynote Capitals Institutional Research)

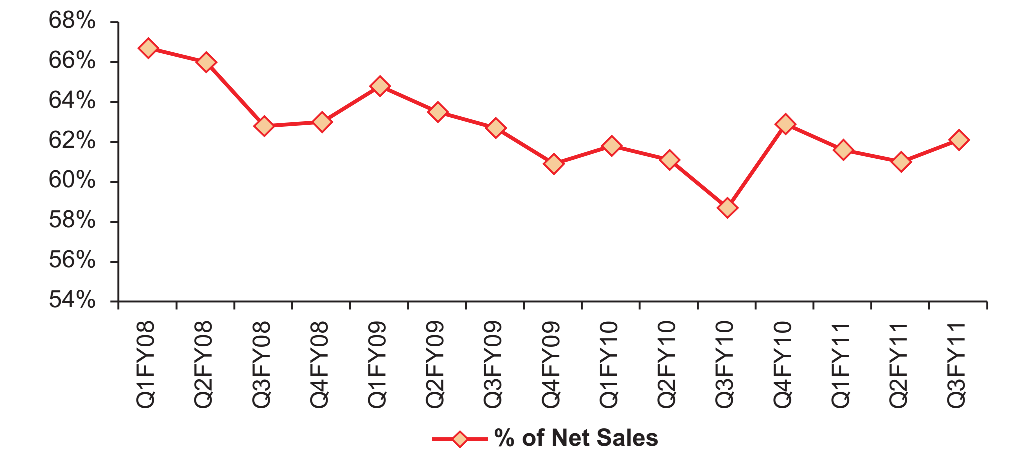
Concerns

- **Sharp increase in Commodity Prices:** Increase in raw material prices may affect margin.
- **Currency Risk:** Crompton derives nearly 50% of its revenues from the International business. Impact may be expected on growth due to movement of currencies.

- **Slowdown of Order Inflow:** Delayed order inflow from Power Grid may be a constraint for growth in future.

Chart 7

Raw Material



(Souce: Company, Keynote Capitals Institutional Research)

Outlook & Valuation

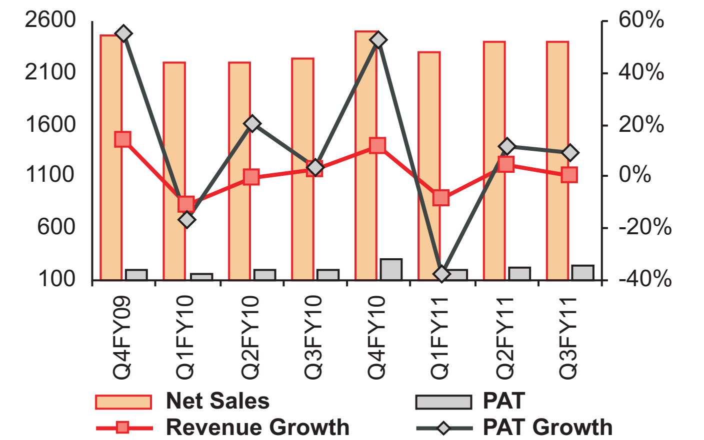
AT CMP ₹273.15 stock trades at 19.1x FY11E EPS and 15.8 FY12E EPS and EV/EBITDA of 11.49 xs and 9.75xs for FY11E and FY12E respectively. We revised our target price to ₹328 per share with 'Buy' recommendation.

Revised Estimates

Consolidated	FY11	FY12E
Power System	-9%	-10%
Consumer Products	5%	8%
Industrial System	3%	3%

Chart 3

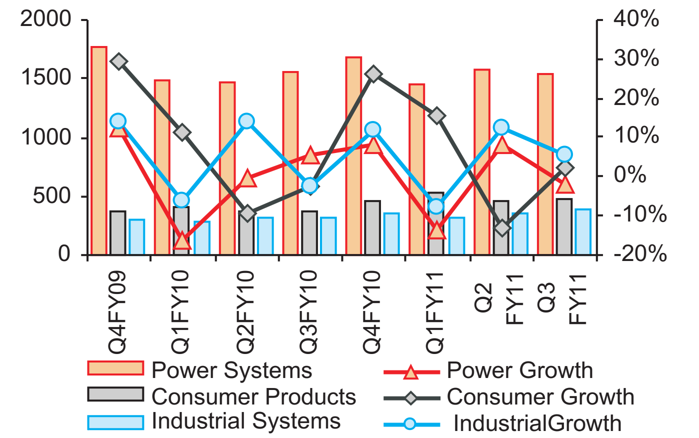
Consolidated Revenue & PAT Growth



(Souce: Keynote Capitals Institutional Research)

Chart 5

Consolidated Segment Growth



(Souce: Keynote Capitals Institutional Research)

Consolidated Quaterly Income Statement (₹Cr)

Particulars	Q3 FY11	Q3 FY10	Q2 FY11	Y-o-Y	Q-o-Q	9M FY11	9M FY10	Y-o-Y
Net Sales	2396.99	2246.42	2397.88	**6.7%**	**0.0%**	7097.08	6632.98	**7.0%**
Other Income	13.57	22.04	23	**-38.4%**	**-40.9%**	56.04	62.61	**-10.5%**
Total Income	**2411**	**2268**	**2421**	**6.3%**	**-0.4%**	**7153**	**6696**	**6.8%**
Raw Material Consumed	1198.4	1108.97	1284	**8.1%**	**-6.7%**	3679.22	3425.12	**7.4%**
Stock Adjustment	42.3	2.73	-64	**1449.5%**	**-166.5%**	-110.39	-80	**38.0%**
Purchase of Finished Goods	248.98	206.59	243	**20.5%**	**2.3%**	802.82	669.03	**20.0%**
Employee Expenses	300.51	281.69	309	**6.7%**	**-2.8%**	909.23	851.05	**6.8%**
Other Expenses	266.7	326.49	292	**-18.3%**	**-8.6%**	845.5	893.49	**-5.4%**
Total Expenditure	**2056.8**	**1926.47**	**2064.66**	**6.8%**	**-0.4%**	**6126.38**	**5758.69**	**6.4%**
PBIDT	353.72	341.99	356.17	**3.4%**	**-0.7%**	1026.74	936.90	**9.6%**
Depreciation	46.67	39.48	46	**18.2%**	**1.9%**	133.96	115.39	**16.1%**
EBIT	307	303	310	**1.5%**	**-1.1%**	893	822	**8.7%**
Interest	3.85	4.92	4.85	**-21.7%**	**-20.6%**	13.71	14.58	**-6.0%**
PBT	303.20	297.59	305.54	**1.9%**	**-0.8%**	879	807	
Tax	78.82	81.47	82.14	**-3.3%**	**-4.0%**	238.61	223.94	**6.6%**
Deferred Tax	-8.48	15.36	9.81	**-155.2%**	**-186.4%**	3.06	27.24	**-88.8%**
Reported Profit After Tax	**232.86**	**200.76**	**213.59**	**16.0%**	**9.0%**	**637**	**556**	**14.7%**
EPS (Adj)(Unit Curr.)	**3.63**	**3.13**	**3.33**	**16.0%**	**9.0%**	**9.94**	**8.66**	**14.7%**
EBDITA Margin	**14.8%**	**15.2%**	**14.9%**	**-3.1%**	**-0.7%**	**14.5%**	**14.1%**	**2.4%**
EBIT Margin	**12.8%**	**13.5%**	**12.9%**	**-4.9%**	**-1.0%**	**12.6%**	**12.4%**	**1.6%**
PAT Margin	**9.7%**	**8.9%**	**8.9%**	**8.7%**	**9.1%**	**9.0%**	**8.4%**	**7.2%**

Source: The company & Keynote Capitals Institutional Research

Consolidated Segment Wise Quarterly Income Statement (₹Cr)

PParticulars	Q3 FY11	Q3 FY10	Q2 FY11	Y-o-Y	Q-o-Q	9M FY11	9M FY10	Y-o-Y
REVENUES								
Revenue from Operations	2406.92	2253.17	2410.76	**6.8%**	**-0.2%**	7135.48	6657.61	**7%**
Power Systems	1545.18	1559.57	1577.81	**-0.9%**	**-2.1%**	4579.40	4520.62	**1%**
Consumer Products	475.13	364.73	463.43	**30.3%**	**2.5%**	1470.36	1151.58	**28%**
Industrial Systems	380.91	310.04	360.61	**22.9%**	**5.6%**	1062.54	911.09	**17%**
Others	5.70	18.83	8.91	**-69.7%**	**-36.0%**	23.18	74.32	**-69%**
Less : Inter Segment Revenues	9.93	6.75	12.88	**47.1%**	**-22.9%**	38.40	24.63	**56%**
Net Revenue from Operations	**2397**	**2246.42**	**2397.88**	**6.7%**	**0.0%**	**7097.08**	**6632.98**	**7%**
PBIT	322.25	322.64	331.69	**-0.1%**	**-2.8%**	951.18	882.90	**8%**
Power Systems	200.76	201.22	193.46	**-0.2%**	**3.8%**	549.80	519.86	**6%**
Consumer Products	66.59	52.37	67.07	**27.2%**	**-0.7%**	213.95	162.76	**31%**
Industrial Systems	69.37	64.06	70.16	**8.3%**	**-1.1%**	199.31	187.12	**7%**
Others	-14.47	4.99	1	**-390.0%**	**-1547%**	-11.88	13.16	**-190%**
Less : Interest	3.85	4.92	4.85	**-21.7%**	**-20.6%**	13.71	14.58	**-6%**
Other Un-allocable Expenditure	16.74	20.64	21.47	**-18.9%**	**-22.0%**	61.33	63.26	**-3%**
Net Profit/Loss Before Tax	**301.66**	**297.08**	**305.37**	**1.5%**	**-1.2%**	**876.14**	**805.06**	**8.8%**

Source: The company & Keynote Capitals Institutional Research

Consolidated EBIT Margin (₹Cr)

PParticulars	Q3 FY11	Q3 FY10	Q2 FY11	Y-o-Y	Q-o-Q	9M FY11	9M FY10	Y-o-Y
Power Systems	13.0%	12.9%	12.3%	**0.7%**	**6.0%**	12.0%	11.5%	**4%**
Consumer Products	14.0%	14.4%	14.5%	**-2.4%**	**-3.2%**	14.6%	14.1%	**3%**
Industrial Systems	18.2%	20.7%	19.5%	**-11.9%**	**-6.4%**	18.8%	20.5%	**-9%**

Source: The company & Keynote Capitals Institutional Research

Consolidated Segment (₹Cr)

	FY08	FY09	FY10	FY11E	FY12E
Revenue from Operations					
Power System	4666.76	6174.48	6204.46	6018.83	6636.55
% Growth	**17.0%**	**32.3%**	**0.5%**	**-3.0%**	**10.3%**
Consumer Products	1117.74	1321.82	1611.93	2059	2576
% Growth	**12.4%**	**18.3%**	**21.9%**	**27.8%**	**25.1%**
Industrial System	964.94	1149.77	1258.65	1504.84	1774.71
% Growth	**7.6%**	**19.2%**	**9.5%**	**19.6%**	**17.9%**
Others	108.85	122.34	103.41	138	155
Add : Other Unallocable Income/Exp.	-26.04	-31.19	-37.63		
Net Revenue from Operations	**6832.25**	**8737.22**	**9140.82**	**9721**	**11143**
Power System	437.19	624.97	769.35	722	796
PBIT Margin	**9.4%**	**10.1%**	**12.4%**	**12.0%**	**12.0%**
Consumer Products	120.81	146.28	229.86	288	361
PBIT Margin	**10.8%**	**11.1%**	**14.3%**	**14.0%**	**14.0%**
Industrial System	195.63	213.27	275.98	271	337
PBIT Margin	**20.3%**	**18.5%**	**21.9%**	**18.0%**	**19.0%**
Others	-0.32	19.43	15.1		
PBIT	**753.31**	**1003.95**	**1290.29**	**1281**	**1494**

Source: The company & Keynote Capitals Institutional Research

Consolidated Income Statement (₹Cr)

Particulars	FY08	FY09	FY10	FY11E	FY12E
Net Sales	**6832.25**	**8737.22**	**9140.82**	**9721.49**	**11142.53**
% Growth	**21.1%**	**27.9%**	**4.6%**	**6.4%**	**14.6%**
Other Income	67.22	58.70	132.04	126.38	144.85
Total Income	**6899.47**	**8795.92**	**9272.86**	**9847.86**	**11287.38**
Raw Material Consumed	3622.96	4584.40	4624.03	4957.96	5682.69
Purchase of Finished Goods	861.46	932.10	945.81	972.15	1114.25
Employee Expenses	796.81	1064.62	1113.14	1186.02	1359.39
Other Expenses	885.85	1185.58	1158.47	1215.19	1392.82
TOTAL EXPENDITURE	**6086.39**	**7742.57**	**7863.92**	**8353.78**	**9571.62**
EBIDTA	813.08	1053.35	1408.94	1494.08	1715.76
Depreciation	126.26	121.60	155.09	162.00	168.30
EBIT	686.82	931.75	1253.85	1281.44	1547.46
Interest	69.96	65.51	26.49	27.16	32.07
PBT	616.86	866.24	1227.36	1254.28	1515.39
Tax	197.04	261.30	313.72	338.65	409.15
Reported Profit After Tax	416.47	566.90	862.37	915.62	1106.23
% Growth	**43.3%**	**36.1%**	**52.1%**	**6.2%**	**20.8%**
EPS (Unit Curr.)	**11.10**	**15.27**	**13.44**	**14.27**	**17.24**

Source: The company & Keynote Capitals Institutional Research

Consolidated Balance Sheet (₹Cr)

Particulars	FY08	FY09	FY10	FY11E	FY12E
SOURCES OF FUNDS :					
Share Capital	73.32	73.32	128.30	128.30	128.30
Reserves Total	1228.47	1757.73	2375.98	3185.89	4164.41
Total Shareholders Funds	1301.79	1831.05	2504.28	3314.19	4292.71
Total Debt	841.95	718.20	500.95	493.81	493.45
Total Liabilities	**2155.99**	**2563.10**	**3009.53**	**3812.01**	**4790.16**
APPLICATION OF FUNDS :					
Gross Block	2685.41	3028.85	2985.76	3085.76	3205.76
Less: Accumulated Depreciation	1483.22	1704.02	1723.43	1885.43	2053.73
Net Block	**1196.83**	**1324.83**	**1262.33**	**1200.33**	**1152.03**
Capital Work in Progress	47.58	53.70	113.69	93.00	76.00
Investments	93.43	167.21	553.57	553.57	553.57
Current Assets, Loans & Advances					
Inventories	1066.36	1094.92	1041.21	1278.44	1648.48
Sundry Debtors	1720.41	2055.64	2146.27	2476.98	3022.22
Cash and Bank	244.49	565.64	668.82	846.49	1282.54
Loans and Advances	370.38	228.97	245.54	**486.07**	**557.13**
Total Current Assets	**3401.64**	**3945.17**	**4101.84**	**5087.99**	**6510.37**
Less : Current Liabilities and Provisions					
Current Liabilities	2099.77	2602.15	2656.72	2762.87	3143.03
Provisions	542.53	373.87	360.25	361.32	360.00
Total Current Liabilities	**2642.30**	**2976.02**	**3016.97**	**3124.19**	**3503.03**
Net Current Assets	**759.34**	**969.15**	**1084.87**	**1963.80**	**3007.34**
Total Assets	**2155.99**	**2563.10**	**3009.53**	**3812.01**	**4790.16**

Source: The company & Keynote Capitals Institutional Research

Consolidated Cash Flow Statement (₹Cr)

Particulars	FY08	FY09	FY10	FY11E	FY12E
Net profit before Taxation and extra-ordinary items	**616.86**	**866.24**	**1227.36**	**1254.28**	**1515.39**
Adjustment for:					
Depriciation	126.26	121.60	155.09	162.00	168.30
Interest Expense	69.96	65.51	26.49	27.16	32.07
Tax Paid	197.04	261.30	313.72	338.65	409.15
Operating Profit BeforeWorking Capital Change	**616.04**	**792.05**	**1095.22**	**1104.78**	**1306.61**
(Increase)/Decrease in Inventories	150.75	28.56	-53.71	237.23	370.04
(Increase)/Decrese in Sundary debtors	299.06	335.23	90.63	330.71	545.24
(Increase)/Decrease in loans & advances	5.83	-141.41	16.57	240.53	71.05
Increase/(Decrease) in sundary creditors/liabilites/provision	407.49	333.72	40.95	107.22	378.84
Change in Working Capital	**-48.15**	**111.34**	**-12.54**	**-701.25**	**-607.50**
Cash Flow from operating Activites	578.81	944.38	1056.09	403.53	699.11
Net Cashflow from investing activites(II)	-346.91	-321.56	-575.07	-100.00	-120.00
Net Cash Flow from Financing Activites(I)	-228.88	-301.67	-377.84	-125.86	-143.06
Cash generated	3.02	321.15	103.18	177.67	436.05
Opening cash & cash Equivalents	**244.49**	**565.64**	**668.82**	**846.49**	**1282.54**

Source: The company & Keynote Capitals Institutional Research

Ratio Analysis

Particulars	FY08	FY09	FY10	FY11E	FY12E
Profitabilty Margins					
EBIT Margin	10.1%	10.7%	13.7%	13.2%	13.9%
EBITDA Margin	11.9%	12.1%	15.4%	15.4%	15.4%
PAT Margin	6.1%	6.5%	9.4%	9.4%	9.9%
Coverage Ratio					
Interest Coverage ratio	10.77	15.33	48.71	47.18	46.59
Profitability Ratios					
ROE	32.0%	31.0%	34.4%	27.6%	25.8%
ROCE	34.9%	39.2%	42.9%	33.6%	31.2%
Asset Turnover Ratio	2.54	2.88	3.06	3.15	3.48
Leverage Ratios					
Debt Equity Ratio	0.65	0.39	0.20	0.15	0.11
Debt/PAT	2.02	1.27	0.58	0.54	0.45
Current Ratio	1.29	1.33	1.36	1.63	1.86
Efficiency Ratios					
Inventory Turnover Days	56.97	45.74	41.58	48.00	54.00
Debtors Days	91.91	85.87	85.70	93.00	99.00
Creditor Days	266.20	236.94	238.15	230.00	225.00
Valuation Ratios					
P/E	24.61	17.89	20.32	19.14	15.84
P/BV	13.46	9.57	7.00	5.29	4.08
EV/EBIDTA	22.30	16.79	12.32	11.49	9.75
EPS	11.1	15.27	13.443	14.27	17.24

Source: The company & Keynote Capitals Institutional Research

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Central Depository Services Ltd. (IN-DP-CDSL-152-2001)

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