

Sep 13, 2013

Crompton Greaves Ltd.

BSE Code: 500093 NSE Code: CROMPGREAV Reuters Code: CROM.NS Bloomberg Code: CRG:IN

Crompton Greaves Ltd (CROMPGREAV) is a USD 2 billion engineering conglomerate with an impressive and diverse portfolio of products, solutions and services ranging from high-end power and industrial equipment and solutions, to consumer products and home appliances, addressing myriad needs. In May 2013, the Company entered into a Joint Venture Agreement with PT Prima Layanan Nasional Enjinring (PLNE) of Indonesia, for the manufacture of high voltage (HV) and extra high voltage (EHV) switchgear ranging from 70kV to 500kV in Indonesia. The Joint Venture will be owned 51 % by Crompton Greaves and 49% by PLNE.

Investor's Rationale

Topline grew 12.3% YoY on healthy growth across segment— CROMPGREAV, registered a healthy growth in its topline by 12.3% YoY at ₹31,572 mn in Q1FY'14 against ₹28,111mn on consolidated basis primarily on account of robust growth across the segment (Power systems by 8.5% at ₹18,179.7 mn, Product by 20.6% at ₹7,885.3 mn and Industrial systems by 11.6% at ₹4,520.5 mn).

EBITDA margin contracted 135bps on higher purchase of stock in trade and Employees benefits— The EBITDA of the company decreased by 13.2% YoY at ₹1,447 mn. The OPM declined 135bps at 4.6% against 5.9% mainly due to higher purchase of stock in trade by 2% at ₹5,427.5 mn and higher Employee cost by 6.7% at ₹4,489.1 mn.

Bottom-line declined 30.1% YoY, due to lower profits in power segment – In line with EBITDA, the company also posted a 30% YoY decline in its net profit at ₹600.8 mn impacted by 36% decline in its power segment profits. Further, sharp increase in interest charges by 103.6% to ₹201.4 mn and increase in depreciation by 13.1% to ₹527.3 mn also pressurized the net profit.

Focused towards western European markets- The Company has Restructured operations in Belgium to overcome the issues of both capacity and price pressure and to make their European business more globally competitive. Further, the company has bagged contract from Power Grid Corporation of India (PGCIL) for 765 kV Power Transformer valued at ₹2,317 mn. Besides, sustained orders from Railway segment in India and has received orders worth ₹1.76 bn. As on Q1FY'14, the company has received orders worth ₹24.41 bn and backlog orders stood at a record high – ₹97.71 bn.

Market Data

| | | |
|----------------------------|------------|--------|
| Rating | BUY | |
| CMP (₹) | 91 | |
| Target Price | 106 | |
| Stop Loss | 85 | |
| Duration | Short-term | |
| 52-week High-Low (₹) | 143.6/71.6 | |
| Rise from 52WL (%) | 26.7 | |
| Correction from 52WH (%) | 37.0 | |
| Beta | 1.1 | |
| 1 year Average Volume (mn) | 2.5 | |
| | 3M- | 1.74 |
| Stock Return (%) | 6M- | (8.9) |
| | 1Y- | (18.7) |
| Market Cap (₹bn) | 58.0 | |
| Book Value (₹) | 55.5 | |

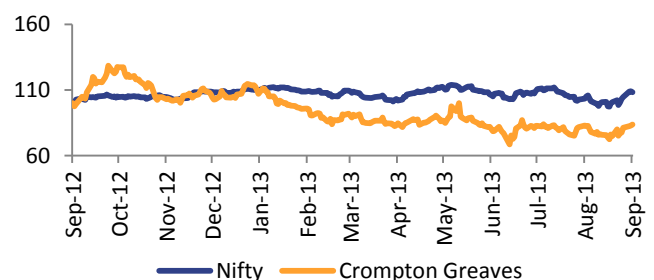
Shareholding Pattern

| | Jun'13 | Mar'13 | Chg |
|---------------------|--------|--------|------|
| Promoters (%) | 41.69 | 41.69 | |
| FII (%) | 15.24 | 14.85 | 2.6 |
| DII (%) | 23.69 | 24.25 | -2.3 |
| Public & Others (%) | 19.38 | 19.21 | 0.9 |

Quarterly Performance (Consolidated)

| (₹Mn) | Q1 FY'14 | Q1 FY'13 | Q4 FY'13 | YoY Change(%) | QoQ Change (%) |
|------------|----------|----------|----------|---------------|----------------|
| Sales | 31,572 | 28,111 | 33,873 | 12.3 | (6.8) |
| Op. exp | 30,124 | 26,443 | 33,093 | 13.9 | (9.0) |
| EBITDA | 1,447 | 1,667 | 779 | (13.2) | 85.8 |
| OPM (%) | 4.6 | 5.9 | 2.3 | (135bps) | 228bps |
| Net profit | 600.8 | 859.0 | 252.7 | (30.1) | 137.8 |
| NPM (%) | 1.9 | 3.0 | 0.7 | (115bps) | 114bps |
| EPS (₹) | 0.9 | 1.3 | 0.4 | (29.9) | 135 |

One Year Price Chart





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