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CROMPTON GREAVES LTD.

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

Crompton Greaves Ltd (CGL), India's largest power equipment company, is pioneering leader in the management and application of electrical energy, with more than 15,000 employees across its operations in around 85 countries. CGL is active in the global power transmission & distribution (T&D) arena, and is amongst the world's top ten transformer manufacturers. The company is organized into three business groups, viz., power systems, industrial systems and consumer products, having 20 manufacturing divisions spread across India.

Investor's Rationale

Improved performance by overseas subsidiaries boosted topline by 11% – CGL registered 11% YoY growth in its topline to ₹37.7 bn in Q4FY14 on the back of strong execution in the international power business. The revenue from Power systems that contribute 68% of the entire revenue grew by 21.4% at ₹25.0 bn, whereas, consumer products and industrial systems saw their sales remaining flat and declining by 9.6%, at ₹7.5 bn and ₹4.48 bn respectively.

Net profit grew impressively by 153% YoY on better operational performance – CGL's net profit grew sharply by around 153% YoY to ₹0.6 bn in Q4FY14 as against ₹0.3 bn in Q4FY13 on the back of better operational performance. Further, the sharp rise in other income to ₹840 mn against ₹51 mn also assisted the bottomline growth. However, the interest cost and depreciation grew by 46% and 57% to ₹0.30 bn and ₹0.7 bn respectively. While, Taxation was higher at ₹89.8 bn compared to a write back of ₹0.07 bn in the corresponding previous period. Consequently, NPM expanded 91 bps YoY to 1.7% from 0.7%.

EBITDA margin expanded 269bps on strong top line growth – EBITDA grew solidly by 141.4% YoY to ₹1.9 bn against ₹0.8 bn, The material cost (as % to sales net of stocks) was lower by 7.12% to ₹7.8 bn. Similarly the stock in trade was down by 4.5% to ₹1.7 bn. But the employee costs were up by 16% to ₹5.1 bn and other expenses were higher by 26.15% to ₹5.43 bn. Accordingly, OPM expanded 269 bps YoY to 5.0% from 2.3%.

Orders improve revenue visibility - The company has an order backlog of ₹93 bn at the end of Q4FY14, thus providing revenue visibility of more than 12 months. Further, recently CGL along with the other consortium partners Fabricom and Lemants, has bagged order in excess of 150 million euros for the offshore wind project "Gemini" in the Netherlands. As part of the scope CG, will design, deliver and install 2 high voltage (HV) offshore substations and 1 HV onshore substation. CGL's Automation Business Unit has been awarded a significant contract for supply of 750,000 smart meters from the Spanish utility Gas Natural Fenosa (GNF).

Market Data

Rating	BUY
CMP (₹)	177
Target Price	212
Stop Loss	159
Duration	Short-term
52-week High-Low (₹)	219.5/75.2
Rise from 52WL (%)	135.4
Correction from 52WH (%)	19.4
Beta	1.9
1 year Average Volume (mn)	3.1
Stock Return (%)	3M- 1.0 6M- 50.0 1Y- 97.4
Market Cap (₹bn)	113.6
Book Value (₹ bn)	36.4

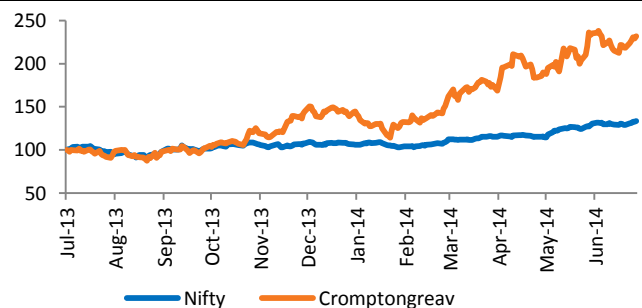
Shareholding Pattern

	Mar'14	Dec'13	Chg
Promoters (%)	42.67	42.51	0.16
FII (%)	19.32	18.5	0.82
DII (%)	23.15	23.78	(0.63)
Public & Others (%)	14.86	15.21	(0.35)

Quarterly Performance (Consolidated)

(₹bn)	Q4 FY'14	Q4 FY'13	Q3 FY'14	YoY Change(%)	QoQ Change (%)
Sales	37.7	33.9	33.5	11.2	12.4
Op. exp	35.8	33.1	31.8	8.1	12.4
EBITDA	1.9	0.8	1.7	141.4	12.6
OPM (%)	5.0	2.3	5.0	269bps	0.9bps
Net profit	0.6	0.3	0.6	153	2.9
NPM (%)	1.7	0.7	1.8	91bps	(17bps)
EPS (₹)	1.0	0.4	1.0	152.5	3.1

One Year Price Chart





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