

Analyst Name – Jeet B Bhayani

SEBI Registration No- INH000018142

Trade View Report-



Published Date	May 4th, 2026
Rating	BUY
Trade Type	Long Term
Stock Name	CROMPTON
Entry Price	277
Target	315
Stop Loss Price	258
Target%	14%
SL%	9%

**Rationale-**

**Crompton Greaves Consumer Electricals Ltd. (CROMPTON) - Investment Rationale**

Crompton Greaves Consumer Electricals is a leading player in the Indian FMEG (Fast Moving Electrical Goods) sector. The following data reflects the latest financials (Q3/Q4 FY26) and strategic outlook as of May 2026.

Registered Address- 37, Joy Narayan Santra Lane, Howrah 711101  
Principal Officer- Jeet B Bhayani  
Email- jeetbhayani2017@gmail.com

## 1. Deep-Dive Financial Metrics (FY26 Estimates & Q3/Q4 Realities)

- **Operating Leverage:** While gross margins saw a 110bps YoY dip (to 32.2%) due to commodity volatility, EBITDA margins remained resilient at **10.3%** thanks to "Project Unnati" (a massive cost-saving initiative targeting ₹150–200 crore annually).
- **Asset-Light Growth:** The new **Wires & Cables** business follows an outsourced manufacturing model initially. This allows for a pan-India rollout (started March 2026) with minimal upfront Capex, preserving the company's **Zero Net Debt** status.
- **Dividend & Payout:** Maintains a healthy dividend payout ratio of **~40%**, consistently rewarding shareholders while funding expansion through internal accruals.
- **Segmental EBIT Margins:**
  - **ECD:** ~13.0% (impacted by BEE transition and higher A&P spends).
  - **Lighting:** Stronger double-digit volume growth in B2B/B2C, stabilizing margins despite the high-LED pricing pressure.

## 2. Strategic Growth Pillars (The "Crompton 2.0" Strategy)

- **The Solar Engine:**
  - **Order Book:** Currently executing a **₹500 crore solar rooftop pipeline** (focused on ~50,000 households).
  - **Pumps:** Solar pumps have reached critical mass, recording **>2x YoY revenue growth** and moving from a "niche" to a "high-margin" segment due to economies of scale.
- **TAM Expansion:** By entering **Residential Wires** and **Mobile Accessories**, the management has effectively increased their Total Addressable Market by **₹15,000–20,000 crore**.
- **Merger Synergies (Butterfly Gandhimathi):**
  - **The Amalgamation:** The proposed merger (swap ratio: 22 Crompton shares for every 5 Butterfly shares) is designed to streamline the corporate structure and unlock **supply chain synergies**.
  - **Kitchen Dominance:** Butterfly is being repositioned as a premium brand. The "Ideale" series in gas stoves is the primary driver for a **100bps EBITDA expansion** within the kitchen segment.

### 3. Key Operational Drivers.

- **BEE 2.0 & BLDC Fans:**

- The transition to new efficiency ratings (effective Jan 1, 2026) was "seamless," meaning the company cleared old inventory without heavy discounting.
- **BLDC fans** now contribute a significant chunk of value growth, growing at **50%+ sequentially** in late FY26.

- **GTM (Go-To-Market) Excellence:**

- Expansion beyond General Trade into **Modern Trade and E-commerce**, which now accounts for a growing double-digit percentage of sales.
- Total retail touchpoints exceeded **236,000** by year-end FY26.

- **Market Positioning:**

- Ranked **No. 1** globally in ceiling fans (Euromonitor 2025/26).
- Ranked **No. 2** in India for Water Heaters within General Trade.

### 4. Latest Financial Highlights (Consolidated)

- **Q3 FY26 Revenue:** ₹1,898 crore (up 7.3% YoY).
- **9M FY26 Revenue:** ₹5,812 crore (largely flat YoY due to early monsoon impact in H1).
- **EBITDA:** ₹195.3 crore (up 3.9% YoY); **EBITDA Margin** at 10.3%.
- **Net Profit (PAT):** ₹98.3 crore to ₹101 crore range for Q3.
- **Valuation:** Trading at a P/E of approximately 32x–37x (TTM); Intrinsic value estimated by analysts around ₹404.
- **Debt Status:** Maintained a strong financial profile with near **zero net debt** projected by end of FY26.

### 5. Growth Metrics

- **Premiumization:** BLDC fans (Brushless DC) are growing at **40%+ annually**, carrying 3x the Average Selling Price (ASP) of conventional fans.
- **Addressable Market (TAM):** Entry into Wires and Mobile Accessories has expanded the total addressable market to **₹1,600–₹1,700 billion**.

- **Solar Momentum:** Solar pump revenue grew **>2x YoY**; first revenue recognition from Solar Rooftops (₹190 million) occurred in Q3 FY26.
- **Market Share:** Holds **27%+ share** in the Indian ceiling and pedestal fan market.

## 6. Key Business Drivers

- **BEE 2.0 Transition:** Successfully transitioned to new Bureau of Energy Efficiency standards for fans without inventory disruption.
- **Solar Rooftop Pipeline:** Robust order book of **₹3.7 billion to ₹5 billion**, primarily government-intermediated projects executable over 9–12 months.
- **Strategic Diversification:** Launch of **residential wires** (pan-India rollout starting March/April 2026) to leverage existing 236,000+ retail touchpoints.
- **Butterfly Gandhimathi Integration:** Focus on premiumizing gas stoves and cookers, with Butterfly's net profit growing 44% YoY due to cost optimization.
- **Pricing Power:** Implemented 1–1.5% price hikes in Jan 2026 to offset commodity inflation, with further hikes planned for Q1 FY27.

## 7. Product Mix & Segment Performance

- **Electric Consumer Durables (ECD):** ~76% of revenue. Includes Fans, Pumps, and Appliances. Grew 7.6% YoY in Q3.
- **Lighting:** ~13% of revenue. Double-digit volume growth in B2C and B2B; margins remain industry-leading despite historical price erosion in LED.
- **Kitchen Appliances (Butterfly):** ~11-12% of revenue. Focus on small domestic appliances (SDA) and premium gas stoves.
- **New Verticals:** Wires, Mobile Accessories, and Solar Solutions (Rooftop & Pumps) are the emerging high-growth buckets.

## 8. Risk Factors to Monitor

- **Commodity Prices:** Volatility in raw material costs continues to pressure gross margins (32.2% in Q3).
- **Competition:** Intense rivalry in the premium fan and kitchen appliance segments.
- **Macro Environment:** Potential impact of global trade tariffs on FII sentiment and earnings estimates.

## Detailed Analysis: Crompton Greaves Consumer Electricals (CROMPTON)

The following elaboration breaks down the strategic pillars, latest operational shifts, and granular financial trends based on the FY26 exit performance and the outlook for FY27.

## 9. Deep-Dive Financial Metrics (FY26 Estimates & Q3/Q4 Realities)

- **Operating Leverage:** While gross margins saw a 110bps YoY dip (to 32.2%) due to commodity volatility, EBITDA margins remained resilient at **10.3%** thanks to "Project Unnati" (a massive cost-saving initiative targeting ₹150–200 crore annually).
- **Asset-Light Growth:** The new **Wires & Cables** business follows an outsourced manufacturing model initially. This allows for a pan-India rollout (started March 2026) with minimal upfront Capex, preserving the company's **Zero Net Debt** status.
- **Dividend & Payout:** Maintains a healthy dividend payout ratio of **~40%**, consistently rewarding shareholders while funding expansion through internal accruals.
- **Segmental EBIT Margins:**
- **ECD:** ~13.0% (impacted by BEE transition and higher A&P spends).
- **Lighting:** Stronger double-digit volume growth in B2B/B2C, stabilizing margins despite the high-LED pricing pressure.

## 10. Strategic Growth Pillars (The "Crompton 2.0" Strategy)

- **The Solar Engine:**
  - **Order Book:** Currently executing a **₹500 crore solar rooftop pipeline** (focused on ~50,000 households).
  - **Pumps:** Solar pumps have reached critical mass, recording **>2x YoY revenue growth** and
- Registered Address- 37, Joy Narayan Santra Lane, Howrah 711101  
Principal Officer- Jeet B Bhayani  
Email- jeetbhayani2017@gmail.com

moving from a "niche" to a "high-margin" segment due to economies of scale.

- **TAM Expansion:** By entering **Residential Wires** and **Mobile Accessories**, the management has effectively increased their Total Addressable Market by **₹15,000–20,000 crore**.
- **Merger Synergies (Butterfly Gandhimathi):**
- **The Amalgamation:** The proposed merger (swap ratio: 22 Crompton shares for every 5 Butterfly shares) is designed to streamline the corporate structure and unlock **supply chain synergies**.
- **Kitchen Dominance:** Butterfly is being repositioned as a premium brand. The "Ideale" series in gas stoves is the primary driver for a **100bps EBITDA expansion** within the kitchen segment.

## 11. Key Operational Drivers

- **BEE 2.0 & BLDC Fans:**
- The transition to new efficiency ratings (effective Jan 1, 2026) was "seamless," meaning the company cleared old inventory without heavy discounting.
- **BLDC fans** now contribute a significant chunk of value growth, growing at **50%+ sequentially** in late FY26.
- **GTM (Go-To-Market) Excellence:**
- Expansion beyond General Trade into **Modern Trade and E-commerce**, which now accounts for a growing double-digit percentage of sales.
- Total retail touchpoints exceeded **236,000** by year-end FY26.
- **Market Positioning:**
- Ranked **No. 1** globally in ceiling fans (Euromonitor 2025/26).
- Ranked **No. 2** in India for Water Heaters within General Trade.

## 12. Outlook for FY27

- **Revenue Target:** Aiming to double total revenue to **₹15,000 crore** over the next 5 years (CAGR ~15%).
- **Pricing Strategy:** Management has flagged two additional price hikes (Q4 FY26 and Q1 FY27) to maintain the 10-11% EBITDA corridor against rising copper and aluminum costs.
- **Capex:** Continued investment of **₹100 crore+ annually** in R&D and innovation to keep the "Crompton 2.0" momentum.

## Disclaimer-

Investment in securities market is subject to market risks. Read all the related documents carefully before investing. Trading in Futures & Options (F&O) carries high risk as it depends on market momentum. "Registration granted by SEBI & Certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to Investors." Past performance is no guarantee of future results.

Intraday- Not more than one day

Short term – 0-15 days

Medium term – 1- 3 months

Long term – more than a Year

## **DISCLOSURES WITH RESPECT TO RESEARCH AND RECOMMENDATIONS SERVICES**

1. Research entity or Research Analyst or his associate or his relative may have financial interest or actual / beneficial ownership of one per cent or more in the securities recommended in its personal portfolio at the end of the month immediately preceding the date of publication of the research report or date of the public appearance. Details of the same may be referred through the disclosures made at the time of advice.
2. There are no actual or potential conflicts of interest arising from any connection of Research entity or Research Analyst or his associate or his relative to or association with any issuer of products/ securities, including any material information or facts that might compromise its objectivity or independence in the carrying on of Research Analyst services. Such conflict of interest shall be disclosed to the client as and when they arise.
3. Research analyst or research entity or its associates or relatives, may have actual/beneficial ownership of one per cent or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance or research recommendation. Details of the same may be referred through the disclosures made at the time of advice.
4. Research entity or Research analyst or its associate or relatives has no connection or association of any sort with any issuer of products/ securities recommended herein.
5. Research analyst or his associate or his relative has no actual or potential conflicts of interest arising from any connection to or association with any issuer of products/ securities, including any material information or facts that might compromise its objectivity or independence in the carrying on of research and recommendations services.
6. Research entity or Research analyst or its associates has not received any kind of remuneration or consideration form the products/ securities recommended herein.
7. Research entity or Research analyst or its associates have not received any compensation from the subject company in past 12 months.
8. Research entity or Research analyst or its associates have not managed or co-managed the public offering of Subject Company in past 12 months.
9. Research entity or Research analyst or its associates have not received any compensation for investment banking or merchant banking of brokerage services from the subject company in past 12 months.
10. Research entity or Research analyst or its associates have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months.
11. Research entity or Research analyst or its associates have not received any compensation or other benefits from the subject company or third party in connection with the research report or research recommendations.
12. Research entity or Research analyst or its associates have not received any compensation for products or services from the subject company in past 12 months.
13. The subject company is or was not a client of Research entity or Research analyst or its associates during twelve months preceding the date of distribution of the research report and recommendation services provided.
14. Research Analysts or its associates has not served as an officer, director or employee of the subject company.
15. Research Analysts has not been engaged in market making activity of the subject company.