

CMP: ₹263

Target: ₹ 340 (29%)

Target Period: 12 months

BUY

February 9, 2026

## TAM expansion in focus with core categories stabilising...

**About the stock:** Crompton Greaves Consumer electricals (CGCE) is one of the leading fast moving electrical goods (FMEG) companies with presence in electrical consumer durables (ECD). With a legacy spanning over 85+ years and robust distribution backbone of 2800+ distributors, 236,000+ retail touchpoints and over 860 service centres, CGCE is well positioned to capitalize its network for existing segments as well as provide a runway for its newer businesses to scale.

**Q3FY26 performance:** Crompton reported consolidated revenue of ₹1,898 crore which grew by 7.3% YoY and sequentially declined marginally by 1%. Segmentally ECD (Electronics consumer durables) contributed revenue of ₹1385 crore (up 7.5% YoY), lighting segment contributed ₹275 crore (up 6.6% YoY) and butterfly contributed ₹245 crore (up 3% YoY). Gross margin contracted 100+ bps YoY to 32.2% owing to commodity inflation while EBITDA margin is back to double digit after dismal Q2. PAT had exceptional loss of ₹20 crore related to labour code, adjusted of which it grew ~3.2% YoY.

### Investment Rationale

- Leadership-backed TAM expansion:** Crompton continues to strengthen leadership across core categories such as fans, pumps, lighting and water heaters while expanding its addressable market through high-adjacency opportunities. During Q3, the company announced its entry into residential wires, targeting a large ~₹36,000 crore housing wires market. Supported by strong brand equity, deep pan-India distribution network and proven execution capabilities, the company has scaled its TAM of ~₹75k – 85k crore TAM to ~₹160k – 170k crore TAM adding solar rooftops, solar pumps, wires & mobile and power solutions to its portfolio. Further the company is overlooking opportunities to expand its overall TAM to ~₹200k+ crore. With improving execution, disciplined capital allocation and a focused “play-to-win” approach in select new categories, Crompton is well positioned for sustained growth and profitability.
- Margin expansion driven by pricing discipline and premiumisation:** Crompton earns healthy double-digit margin consistently which is set to further expand, driven by pricing discipline, premiumisation and operating leverage. Calibrated price hikes to offset commodity and regulatory cost pressures, rising contribution from higher-margin categories such as BLDC fans, premium lighting, Butterfly's Idea First Series, and improving scale benefits from solar and new adjacencies shall support gross margin.

### Rating and Target Price

- CGCE has strong distribution network, brand identity and execution capabilities which enables it to achieve market leadership in most of its categories. The business growth is set to improve with execution in new ventures while core categories also rebound, with GST cuts and low base owing to seasonality. We introduce FY28E and maintain BUY rating on the stock with target price of ₹ 340 valuing the stock at 30x PE on FY28E EPS.

### Key Financial Summary

(₹ crore)	FY22	FY23	FY24	FY25	3 Year CAGR (FY22-25)	FY26E	FY27E	FY28E	3 Year CAGR (25-28E)
Net Sales	5394	6870	7313	7864	13%	8025	9102	10319	9.5
EBITDA	769	770	714	888	5%	823	988	1161	9.3
EBITDA Margin (%)	14.3	11.2	9.8	11.3		10.3	10.9	11.3	
Adj. Net Profit	588	463	440	556	-2%	498	622	732	9.6
EPS (₹)	9.4	7.3	6.8	8.6		7.7	9.7	11.4	
P/E (x)	28.5	36.1	38.4	30.5		36.2	27.2	23.1	
RoE (%)	24.0	17.4	14.7	16.4		13.7	15.7	17.0	
RoCE (%)	16.2	17.6	15.9	18.8		16.7	18.8	20.8	

Source: Company, ICICI Direct Research

# Crompton

### Particulars

Particular	Amount
Market cap (₹ crore)	16,812.0
Total Debt (H1FY26) (₹ crore)	0.0
Cash & Inves (H1FY26) (₹ crore)	34.0
EV (₹ crore)	16,778.0
52 Week H/L (₹)	368/217
Equity Capital (₹ crore)	128.8
Face Value(₹)	2.0

### Shareholding pattern

	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	0.0	0.0	0.0	0.0
FII	30.3	29.2	25.6	20.6
DII	57.1	58.9	61.2	65.7
Public	12.6	11.9	13.2	13.7

### Price Chart



### Key risks

- Intensifying competition
- Underwhelming demand uptick
- Execution risk in new ventures

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## Concall highlights and outlook

- **Fans segment:** Fans division reported sequentially improvement, though overall segment remained impacted by weakness in TPW fans due to prolonged monsoon and softer demand. BLDC fans continued to gain traction supporting premiumisation and market share gains. Transition for BEE 2.0 was executed seamlessly.
- **Pumps:** Pumps division delivered double digit growth, aided by strong momentum in solar pumps, which recorded 2x YoY growth. Company is market leader in residential pumps and has been gaining market share across agricultural pumps including solar pumps. Product innovation in agricultural and specialty pumps continued to support growth despite broader industry softness.
- **Solar rooftop:** Q3 marked the first quarter of revenue recognition from the solar rooftop business, with ₹19 crore revenue booked during the quarter. Order book remained healthy at ~₹500 crores, primarily from Andhra Pradesh and Telangana with execution expected over next 9-12 months.
- **LDA (large domestic appliances) & SDA (small domestic appliances):** LDA delivered double-digit volume growth, led by strong demand in water heaters and room heater categories. Company achieved #2 position nationally in water heaters category in general trade. In SDA, demand was driven by small kitchen appliances such as induction cooktops and air fryers.
- **Lighting business:** Reported revenue growth of ~7% YoY, supported by industry leading EBIT margins. Growth was driven by ceiling lights, accessories and strong contribution from new product launches in the B2C segment. In B2B lighting, Crompton witnessed strong growth in commercial, street and industrial lighting. Despite raw material inflation, margins remained protected due to execution strength and favourable mix.
- **Butterfly Gandhimathi:** Reported revenue of ₹245 crore (up 3% YoY) impacted by post festive season demand normalisation. EBITDA increased 17% YoY to ₹20 crore, with margins expanding by around 100 basis points to 8.2%. Idea first series continued to gain traction supporting premiumisation and improving overall product mix.
- **New categories & adjacencies:** During the quarter, company announced its entry into residential wires category leveraging its brand strength, pan-India distribution and dealer relationships. The housing wires market is estimated at ~₹36,000 crore, offering a significant TAM expansion opportunity. The company also forayed into mobile accessories such as chargers and power banks, along with power solutions including stabilizers, as part of its broader adjacency strategy.
- **EBITDA margin indication:** Net price hike of approximately 1–1.5% was implemented in January 2026, with two additional rounds of price increases planned in Q4 FY26 and Q1 FY27 to tackle commodity inflation and protect margins.

## Exhibit 1: Variance Analysis

	Q3FY26	Q3FY25	YoY	Q2FY26	QoQ (%)	Comments
Revenue	1,898	1,769	7.3%	1,916	-0.9%	Steady growth in single digit was seen across categories including ECD, Lighting and butterfly division. Solar pumps and winter products within LDA witnessed healthy growth.
Other Income	13	12	10.1%	13	-4.6%	
Total Income	1,911	1,781	7.3%	1,929	-0.9%	
Gross profit	611	589	3.7%	605	1.0%	
Gross margin %	32.2	33.3	-111 bps	31.6	60 bps	Gross margin is impacted due to commodity inflation
Operating Expenses	1,533	1,431	7.1%	1,592	-3.7%	
Employee Expenses	170	150	13.6%	165	2.9%	
Total Expenses	1,703	1,581	7.7%	1,757	-3.1%	Overall expenses contained
<b>EBITDA</b>	<b>195</b>	<b>188</b>	<b>3.9%</b>	<b>158</b>	<b>23.3%</b>	
<b>EBIDTA %</b>	<b>10.3</b>	<b>10.6</b>	<b>-34 bps</b>	<b>8.3</b>	<b>202 bps</b>	Strategic price hikes aided sequential margin uptick.
Depreciation	44	38	14.9%	44	-1.0%	
Finance cost	8	10	-19.9%	5	62.6%	
PBT	156	151	3.2%	123	27.3%	
Tax	35	39	-10.8%	27	30.8%	
Adjusted PAT after MI	113	110	3.2%	86	31.1%	Adj. for minority interest and exceptional items.

## Financial Summary

Exhibit 2: Profit and loss statement				
(Year-end March)	FY25	FY26E	FY27E	₹ crore
Revenue	7,864	8,025	9,102	10,319
Growth (%)	7.5	2.1	13.4	13.4
<b>Expenses</b>				
Raw material exp	5,273	5,445	6,148	6,940
Employee exp	639	682	746	846
Other exp	1,063	1,075	1,220	1,372
Total Operating exp	6,975	7,202	8,114	9,158
<b>EBITDA</b>	<b>888</b>	<b>823</b>	<b>988</b>	<b>1,161</b>
Growth (%)	24.5	-7.4	20.1	17.6
Depreciation	153	172	189	215
Interest	48	30	23	25
Other Income	69	64	73	97
PBT	756	644	848	1,019
Total Tax	192	164	213	271
Minority Interest	8	12	13	16
<b>Adjusted PAT</b>	<b>556</b>	<b>498</b>	<b>622</b>	<b>732</b>
Growth (%)	26.4	-10.3	24.7	17.7
EPS (₹)	8.6	7.7	9.7	11.4

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement				
(Year-end March)	FY25	FY26E	FY27E	₹ crore
Profit after Tax	556	468	622	732
Add: Depreciation	153	172	189	215
(Inc)/dec in Current Assets	-51	-149	-297	-325
Inc/(dec) in CL and Provisions	72	-26	271	306
Others	48	30	23	25
<b>CF from operating activities</b>	<b>778</b>	<b>496</b>	<b>808</b>	<b>952</b>
(Inc)/dec in Investments	-32	108	-123	-147
(Inc)/dec in Fixed Assets	-227	-175	-150	-173
Others	86	34	20	44
<b>CF from investing activities</b>	<b>-173</b>	<b>-33</b>	<b>-253</b>	<b>-275</b>
Issue/(Buy back) of Equity	0	0	0	0
Inc/(dec) in loan funds	-299	-300	0	0
Dividend paid & dividend tax	-193	-225	-290	-386
Others	-20	-30	-23	-25
<b>CF from financing activities</b>	<b>-513</b>	<b>-555</b>	<b>-313</b>	<b>-411</b>
Net Cash flow	92	-92	242	266
Opening Cash	261	353	261	504
<b>Closing Cash</b>	<b>353</b>	<b>261</b>	<b>504</b>	<b>769</b>

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet				
(Year-end March)	FY25	FY26E	FY27E	₹ crore
<b>Liabilities</b>				
Equity Capital	129	129	129	129
Reserve and Surplus	3,261	3,505	3,837	4,183
<b>Total Shareholders funds</b>	<b>3,390</b>	<b>3,634</b>	<b>3,966</b>	<b>4,311</b>
Minority Interest	458	469	483	498
Debt	300	0	0	0
Other liabilities	139	167	184	202
<b>Total Liabilities</b>	<b>4,287</b>	<b>4,270</b>	<b>4,632</b>	<b>5,012</b>
<b>Assets</b>				
Gross Block	2,421	2,545	2,613	2,695
Less: Acc Depreciation	411	513	623	748
<b>Total Fixed Assets</b>	<b>2,044</b>	<b>2,047</b>	<b>2,007</b>	<b>1,965</b>
Goodwill	1,285	1,285	1,285	1,285
Investments	721	613	736	883
Inventory	882	910	1,047	1,187
Debtors	702	769	890	1,032
Other Current assets	235	288	327	371
Cash	353	261	504	769
<b>Total Current Assets</b>	<b>2,172</b>	<b>2,229</b>	<b>2,768</b>	<b>3,359</b>
Creditors	1,411	1,385	1,571	1,781
Provisions	334	328	372	422
Other CL	298	305	345	392
<b>Total Current Liabilities</b>	<b>2,043</b>	<b>2,018</b>	<b>2,288</b>	<b>2,594</b>
Net current assets	129	212	480	765
Other non current assets	107	113	124	113
<b>Total Assets</b>	<b>4,287</b>	<b>4,270</b>	<b>4,632</b>	<b>5,012</b>

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios				
(Year-end March)	FY25	FY26E	FY27E	FY28E
<b>Per share data (₹)</b>				
EPS	8.6	7.3	9.7	11.4
Cash EPS	11.0	9.9	12.6	14.7
BV	52.7	56.4	61.6	67.0
DPS	3.0	3.5	4.5	6.0
<b>Operating Ratios (%)</b>				
EBITDA Margin	11.3	10.3	10.9	11.3
PAT Margin	7.1	6.2	6.8	7.1
Asset Turnover	3.2	3.2	3.5	3.8
Inventory Days	40.9	41.4	42.0	42.0
Debtor Days	32.6	35.0	35.7	36.5
Creditor Days	65.5	63.0	63.0	63.0
<b>Return Ratios (%)</b>				
RoE	16.4	13.7	15.7	17.0
RoCE	18.8	16.7	18.8	20.8
RoIC	35.3	28.4	34.5	40.5
<b>Valuation Ratios (x)</b>				
P/E	30.5	36.2	27.2	23.1
EV / EBITDA	18.0	19.3	15.7	13.0
EV / Net Sales	2.0	2.0	1.7	1.5
Market Cap / Sales	2.1	2.1	1.8	1.6
Price to Book Value	5.0	4.7	4.3	3.9
<b>Solvency Ratios</b>				
Debt / Equity	0.1	0.0	0.0	0.0
Current Ratio	1.0	1.1	1.2	1.2
Quick Ratio	0.5	0.6	0.6	0.6

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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