FUNDAMENTAL ANALYSIS COURSE

Crompton Greaves Consumer Electricals

Business quality, growth strategy, financial trends, valuation framework and risk analysis

CASE-STUDY DATE	LEARNING LENS	DECISION STANCE
20 Aug 2026	**FY26-FY31**	**No rating**
Based on disclosed company and market information	Strategy, execution and financial outcomes	Education only; no target price or recommendation

Investment question

Can Crompton accelerate growth through premiumization, new categories and distribution expansion while rebuilding margins and maintaining capital discipline?

How to use this case study

- Start with the business model and category economics.
- Separate management aspirations from analyst assumptions.
- Test revenue growth, margins, working capital and reinvestment together.
- Use valuation only after defining scenario-specific earnings and risks.
- Do not interpret this document as a buy, sell or hold recommendation.

Prepared for AlphaBull Academy's Fundamental Analysis Course

1. Executive Summary

Crompton is a diversified consumer-electricals company spanning fans, pumps, lighting, large domestic appliances, kitchen appliances through Butterfly, and newer adjacencies such as solar rooftop and house wires. The strategic plan seeks faster growth through share gains, premium products, innovation, alternate channels and new categories.

MANAGEMENT AMBITION	FY31 OBJECTIVE	ADDRESSABLE MARKET
13-14%	**2x sales**	**₹1.6 tn**
Sales CAGR aspiration over the next three years	Versus FY26, with 12%+ exit EBITDA margin	Targeted TAM, from roughly ₹0.8 tn

What looks attractive

- Strong brands and broad reach: about 7,000 channel partners, 270,000 retailers, 1,300 service centres and 5,000 technicians.
- Premiumization and new-product contribution are rising across core categories.
- Weather dependence has reduced as the portfolio diversified.
- Solar rooftop and wires expand the addressable market beyond legacy consumer electricals.

What requires proof

- The FY31 targets depend on execution across several categories at once.
- New businesses may dilute margins during setup and customer acquisition.
- A large new fan facility adds execution and utilization risk before benefits appear.
- Reported FY26 profit was distorted by exceptional items; normalized earnings must be separated from accounting noise.

Course conclusion

The case is best framed as a growth-and-margin execution study. The key monitoring question is not whether the addressable market is large, but whether incremental growth converts into durable cash flow and return on capital.

2. Business Model and Competitive Position

Segment	Industry / opportunity	Crompton position and strategic focus
Fans	₹182bn market	Leadership in induction, table/pedestal/wall and exhaust fans; growth from BLDC, smart products, North/East expansion and alternate channels.
Pumps	₹150bn market	Residential and non-residential exposure; speciality and solar pumps offer faster-growth adjacencies.
Large appliances	₹100bn market	Strong storage-water-heater and desert-cooler positions; safety, efficiency and premium aesthetics drive mix.
Kitchen / Butterfly	₹270bn market	Two-brand strategy; focus on premium products, distribution and improvement in Butterfly profitability.
B2C lighting	₹139bn market	Mix shift from lamps and battens toward ceiling and outdoor products supports premiumization.
B2B lighting	₹74bn market	Strength in street and flood lighting; expansion opportunity in infrastructure, commercial, industrial and solar.
Solar rooftop	₹301bn FY26 to ₹610bn FY29E	Fragmented market with subsidy support; B2G, B2B and B2C routes, but economics and policy dependence need monitoring.
House wires	₹360bn market	Brand and distribution provide entry advantages; differentiation and channel economics remain key.

Competitive advantages

- Brand trust and multi-category distribution lower the cost of launching adjacencies.
- Manufacturing rationalization, localization and the Unnati cost program can create operating leverage.
- Innovation spending supports smart, connected and energy-efficient products.

Potential moat erosion

- Consumer electricals remain competitive, price-sensitive and exposed to channel incentives.
- New-category success can attract aggressive incumbents and regional competitors.
- Technology and energy-efficiency standards require continued reinvestment rather than one-time spending.

3. Growth Architecture to FY31

Management's growth architecture combines core-category share gains, premiumization, new-product development, geographic/channel expansion and adjacencies. Students should evaluate each lever separately rather than accepting the aggregate aspiration.

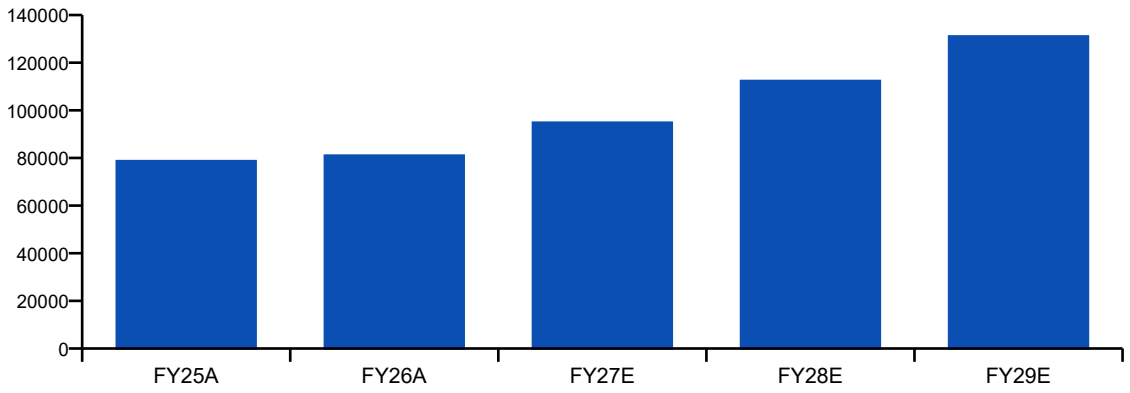
Growth lever	Evidence / target	Analytical question
Market share	Category-specific gains targeted in fans, pumps, appliances and lighting	Are gains driven by sustainable distribution and product strength or temporary promotions?
Premiumization	Premium mix targets rise across fans, pumps, appliances and lighting	Does higher realization offset input costs and marketing spend?
New products	FY26 new-product revenue reached ₹14.35bn, 17% of sales	How much is genuinely incremental rather than replacement?
Smart products	Targeted at 20% of FY31 sales	Will connected features command pricing power and repeat engagement?
New categories	Solar rooftop and wires	What margins, working capital and capital intensity accompany growth?
Capacity	New ceiling-fan plant; ₹3.5bn phase-one investment	What utilization is needed for attractive returns?
Cost program	Unnati savings at about 4% of FY26 sales	How much is retained versus reinvested in growth?

Key leading indicators

- New-product revenue share and premium mix by category.
- Distribution productivity, not merely outlet count.
- Gross margin after commodity and product-mix effects.
- Advertising, R&D; and transformation spending as a percentage of sales.
- Solar/wires contribution, gross margin and working-capital days.
- Capex completion and utilization of the new fan facility.

4. Financial Trend and Forecast Framework

The following figures are extracted from the source report's company-data-based financial summary. FY27-FY29 values are estimates and should be stress-tested rather than treated as facts.



Revenue (₹ mn): FY25A-FY29E

₹ mn unless stated	FY25A	FY26A	FY27E	FY28E	FY29E
Revenue	78,641	80,955	94,782	112,288	130,996
EBITDA	9,012	8,274	9,255	11,110	13,051
EBITDA margin	11.5%	10.2%	9.8%	9.9%	10.0%
Adjusted EPS	₹8.6	(₹3.8)	₹8.8	₹10.7	₹12.7
ROE	17.4%	(7.6%)	18.2%	19.9%	21.2%
ROCE	14.9%	(17.3%)	17.1%	19.0%	20.4%
Free cash flow	5,722	3,454	4,006	6,865	8,817

Interpretation

- The forecast assumes a sharp revenue acceleration from FY27 onward.
- EBITDA margin is modeled near 10% through FY29, below the FY31 exit aspiration of 12%+. The gap makes margin progression a critical monitorable.
- Free cash flow is expected to improve even as growth capex continues; this depends on working-capital control.
- Return ratios recover strongly after FY26 distortions, but must be validated against actual capital employed in new businesses.

5. Quarterly Diagnostic

Q1FY27 revenue grew 11.8% year on year to ₹22,350mn. EBITDA grew 14.2% year on year to ₹2,245mn, while falling 17.1% sequentially. EBITDA margin was 10.0%, versus 9.8% a year earlier and 11.9% in Q4FY26.

Q1FY27 metric	Value	YoY	QoQ	Reading
Revenue	₹22,350mn	+11.8%	-2.1%	Healthy annual growth; seasonality matters
Gross profit	₹6,981mn	+8.6%	-3.2%	Growth trails revenue; mix/input costs require attention
EBITDA	₹2,245mn	+14.2%	-17.1%	YoY operating improvement, sequential normalization
EBITDA margin	10.0%	+20 bps	-190 bps	Still below longer-term margin aspiration
PAT after minority	₹1,405mn	+14.9%	NM	Cleaner comparison than exceptional FY26 quarter

Segment mix in Q1FY27

- Electrical Consumer Durables: 78.5% of revenue; the core earnings engine.
- Lighting: 12.0% of revenue; mix shift and B2B/B2C execution matter.
- Butterfly: 9.5% of revenue; profitability recovery remains an important swing factor.

Quality-of-earnings checklist

- Reconcile reported and adjusted profit whenever exceptional items occur.
- Track gross margin, employee cost and other expenses separately.
- Compare cash from operations with EBITDA over a multi-year period.
- Watch receivable, inventory and creditor days as new categories scale.

6. Valuation Without a Recommendation

A course case study should teach a valuation process, not inherit a broker's target price. At the reference price of ₹252, the source estimates imply the following multiples.

Multiple	FY27E	FY28E	FY29E	Question to test
P/E	28.6x	23.5x	19.8x	Is forecast EPS growth durable and cash-backed?
EV/EBITDA	17.2x	14.1x	11.7x	Does margin expansion justify the multiple?
P/BV	5.0x	4.5x	4.0x	Are forecast ROE and reinvestment quality sufficient?
Dividend yield	1.6%	2.0%	2.4%	Is cash better reinvested or distributed?

Scenario framework

Scenario	Operating assumptions	What would validate it
Bear	Growth below plan; new categories dilute margin; higher working capital	Weak mix, delayed capacity, low cash conversion
Base	Low-to-mid teens growth; margins near 10%; gradual ROCE recovery	Steady category gains and controlled reinvestment
Bull	Share gains plus premiumization; successful adjacencies; clear margin expansion	12%+ exit margin path, strong FCF and rising ROIC

Valuation discipline

- Use a range of earnings, not a single-point forecast.
- Match the valuation multiple to business quality, growth durability and capital intensity.
- Apply a lower multiple when execution depends on several unproven initiatives.
- Separate narrative upside from evidence already visible in reported numbers.

7. Risk Register and Student Worksheet

Risk	Why it matters	Monitor
Margin dilution	Solar and wires may carry setup costs and competitive pricing	Segment margins, contribution margin, channel incentives
Execution breadth	Many simultaneous initiatives can strain management bandwidth	Milestone delivery and category-level share
Capex utilization	New fan capacity must earn an adequate return	Commissioning, utilization and asset turns
Commodity / FX	Copper, aluminium, electronics and imports affect gross margin	Price-cost gap and hedging commentary
Competition	Large brands and regional players can respond aggressively	Market share versus A&P; intensity
Policy dependence	Solar economics currently benefit from subsidies	Subsidy changes and B2C payback periods
Working capital	New channels/categories can absorb cash	Receivable, inventory and creditor days
Governance / reporting	Adjusted numbers can mask exceptional items	Reported-to-adjusted reconciliation

Student questions

- Build a three-scenario revenue model for FY27-FY31 by segment.
- Estimate the EBITDA margin required to reach the 12%+ FY31 exit goal.
- Calculate free-cash-flow conversion and identify the largest working-capital sensitivity.
- Decide which growth lever has the highest evidence and which has the most narrative risk.
- Select a valuation method and defend the multiple using ROCE, growth and cash conversion.
- Write a one-page thesis with three disconfirming indicators.

Educational conclusion

Crompton offers a useful fundamental-analysis case because it combines established category leadership with ambitious adjacencies. The central analytical challenge is to determine whether premiumization, innovation and distribution can raise growth without weakening margins, cash conversion or returns on incremental capital.

Sources and attribution

Underlying facts and estimates were synthesized from company information, public market data and the supplied 20 August 2026 institutional company update. This is an independently structured AlphaBull Academy teaching case. Broker branding, analyst contacts, rating, target price and promotional framing have been excluded. Forecasts remain uncertain and may differ materially from actual outcomes.