

Rexnord Electronics**Rs. 40****Where Growth Revolves !****Buy**

Jul 01, 2016

Company Background

Rexnord Electronics (Rexnord) was incorporated in the year 1988. The main business of the company is manufacturing and selling of instrument cooling fans, exhaust fans and motors used for industrial and domestic purposes. The products offered by Rexnord are axial fans. type motors. condenser cooling and evaporator motors. impellers and stands. The instrument cooling fans and motors are mainly used in the computer hardware equipment's. power supply equipment's, textile machines, refrigeration, injection moulding machines, photocopying machines, etc. Rexnord plants are located at Kandivli (West), Mumbai and in Premier Industrial Estate. Daman. The installed capacity of instrument cooling fan AC and DC is 360,000 pieces and 762,000 pieces respectively. In Daman the same capacity of instrument cooling fan AC and DC is 480,000 pieces.

Key Highlights

- ➔ With the rising consumer spends food industry participants are set to expand the retail outlets & restaurants as a result coolers, freezers & display cases would be the fastest growing products in demand. Similarly sales of reach-in and walk-in coolers would rise particularly in developing countries like India.
- ➔ Growth in demand for refrigerated display cases is expected to be at a rapid pace supported by rising standards of living in India and proliferation of large food retailers. The growing number of restaurants, particularly in the fast food segment will also spur stronger gains in demand for beverage refrigeration equipment and ice machines.
- ➔ The segment of Industrial machinery is not fully regulated, most of the companies which make such fans are local level companies which enjoy the evasion of taxes during the course of business. With the advent of GST goods from Rexnord will turn more competitive in view of the local manufacturers which enjoy some part of the segmental sales.
- ➔ The company is already garnering around 20% of its revenue from exports, with the global macroeconomic scenario looking positive. benefits may be coming up. Further the company has an added advantage of maintaining quality along with ISO certification which augurs well for exports.

Key Financials

Year Ended 31 st	Mar 13	Mar 14	Mar 15
Revenue (INR mn)	339.9	447.4	570.6
Rev. growth (%)	14.64	31.63	27.54
EBITDA (INR mn)	53.1	43.3	31.1
Net profit (INR mn)	19.5	14.1	8.1
Shares outstanding (mn)	6.5	6.5	7.6
EPS (INR)	2.2	3.0	3.3
EPS growth (%)	73.60	38.71	9.63
P/E (x)	3.72	2.38	7.03
RONW (%)	14.45	13.81	16.55
ROCE (%)	18.05	18.46	21.54

Nishant Chopra

nishantc@indiratrade.com

Info Codes

Reuters	: RECL.BO
Bloomberg	: RXN@IN
NSE	: -
BSE	: 531888

Market Data

52 Wk Range (Rs.)	: 24 / 68
Shares in Issue (mn)	: 7.6
Mkt. Cap (Rs. bn)	: 0.4458
BSE 2 Wk Avg Vol	: 778000

Share Holding Pattern (%)

Promoters	: 61.12
Public	: 38.88
Others	: 00.00

Past Performance

Rexnord was recommended on March 27, 2015 at Rs 23, It peaked at 67.7 Rs during the year with an appreciation of about 194% in its 12 months horizon.

Investment Theme

Rexnord's main business is making & sale of instrument cooling fans and shaded pole motors used for industrial purposes. The industry is directly related to the growth of the user industry in which products find applications. The instrument cooling fans and shaded pole motors are mainly used in computer hardware, textile machines & cooling machines, injection molding machines, xerox machines etc. The growth expected in the food industry & display cooling back in demand may benefit the company. The Make in India call & GST Implementation may also increase its domestic sales. The announcements of rapid increase in the agricultural produce cold storage facilities should also benefit the company in the long run.

Cool Down period Over !

Financial Statements

Income Statement

(` mn)

Year end	Mar 13	Mar 14	% Chg	Mar 15	% Chg
Net Sales	305.2	399.9	31.0	525.9	31.5
Other Income	1.4	6.6	371.4	2.2	(66.7)
Change in Stocks	12.9	(0.1)	(100.8)	19.2	(19,300.0)
Raw Material Con.	176.1	229.6	30.4	329.7	43.6
Employee Exp.	12.5	23.8	90.4	27.8	16.8
Indirect Taxes	33.3	40.9	22.8	42.5	3.9
Other Exp.	54.3	59.0	8.7	82.1	39.3
Operating Exp.	276.2	353.3	27.9	482.2	36.5
Operating Profit	43.3	53.1	22.6	65.1	22.6
Total Interest	13.3	14.5	9.0	15.1	4.1
Gross Profit	30.0	38.6	28.7	50.0	29.5
Net Dep.	9.0	9.6	6.7	12.7	32.3
Total Taxation	6.9	9.5	37.7	12.4	30.5
Net Profit/Loss	14.1	19.5	38.3	25.0	28.2

4 Years Balance Sheet

(` mn)

Balance Sheet as on 31 st	Mar 12	Mar 13	Mar 14	Mar 15
SOURCES OF FUNDS	180.4	199.6	212.2	275.3
Equity Share capital	64.8	64.8	64.8	75.8
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	15.3
Reserves & Surplus	25.8	39.8	59.4	86.8
Secured Loans	58.2	53.1	45.3	41.4
Unsecured Loans	31.6	41.9	42.7	56.0
USES OF FUNDS	180.4	199.6	212.1	275.2
Gross Block	231.1	239.5	256.4	246.9
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	93.1	101.7	111.2	85.4
Net Block	138.0	137.8	145.2	161.5
Capital Work in Progress	0.0	0.6	0.0	1.3
Investments	0.0	0.0	0.0	0.0
Current Assets	99.3	136.3	158.4	214.1
Less : Current Liabilities	58.3	70.0	84.4	93.9
Total Net Current Assets	41.0	66.3	74.0	120.2
Misc. Expenses not writtenoff	1.4	(5.1)	(7.0)	(7.7)
NOTE				
Book Value of Unquoted Investments	0.0	0.0	0.0	0.0
Market Value of Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	6.6	38.1	97.5	134.8
Dividend (%)	0.0	0.0	0.0	0.0

Quarterly Income Sheets

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Quarter Ended	Mar 15	Jun 15	Sep 15	Dec 15
Net Sales	135.5	126.2	112.2	133.7
Cost Of Sales	119.2	113.2	102.8	123.7
Operating Profit	16.3	13.0	9.4	10.0
Other Income	1.1	2.4	1.6	5.4
Adjusted PBDIT	17.4	15.4	10.9	15.4
Financial Expenses	5.0	4.7	2.6	3.1
Depreciation	3.2	3.2	3.3	3.3
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	9.2	7.5	5.0	9.0
Tax Charges	3.2	2.7	1.7	3.2
Reported Profit	6.0	4.8	3.3	5.8
Extra Ordinary Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Adjusted Net Profit	6.0	4.8	3.3	5.8

52 Week Index Relative Percentage Appreciation



Rexnord vs SENSEX

Risks Associated

- The company's business comprises of just one business segment industrial fans which puts the company at an inherent risk of not being diversified. The entry of International Players especially after the "Make in India Call" may pose a direct threat even for domestic market sales.
- There is also pressure from rising cost of manufacturing the products like manpower costs, power costs, processing charges etc. These are matters of concern and may affect the profitability of the company if they are not able to pass the price rise to their customers due to rate agreements or steep competition.
- China is a major competitor to the company with Chinese products being sold at low prices, the quality aspect of the company may be discounted with respect to prices.
- Since a major chunk of revenue of the company is from revenue of International sales any fluctuation in the prices of currency would turn out to be bad especially if the company does not employ any measures to hedge the concurrent risks.



In a Nutshell

Rexnord Electronics & Controls Ltd. was established in 1988 & got technical knowhow from Micron A Eng Korea It has 27 Year experience in manufacturing AC Axial Fan, DC Brush Fan. Shaded Pole Motor and External Rotor Motor. etc. It is the first Fan & Motor Manufacturer in India, who has a fully in house production unit and a reputed brand in the market due to its very competitive prices and quality comparable with reliable manufacturers in the world The company is very aggressive in R&D and in line with the market requirements has introduced various products like Energy saving Motors and Fans, etc. Being a ISO certified company it is well accepted in the global market and generates nearly 20% of its revenues from abroad. It regularly exports to OEMs in UAE, Europe, Iran, Thailand. and USA with a client list comprising of manufacturers of Telecommunication Equipment Control Panels, UPS. Vending Machines. Visi Coolers, Chest Coolers. Frost free Refrigerators. HVAC industry etc. Its customers are among the top brass in the industry like Voltas. Blue star. Everest. Carrier. Frigoglass. Pepsi, Cocacola, etc. The current macroeconomic scenario is support to the industry in India with Government's 'Make in India° call, this may turn out to be beneficial to the company in near future, further anticipated growth in the Food Industry would also be beneficial. The announcement of increase of cold storage facilities also augurs well for the company .

Indira Group Offices

Registered Office : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007

Tel : 022-66224202 **Fax** : 022-66224201 **Email** : im@indiratrade.com

Administrative Office : 204-205 “Amardarshan” 28/2 Old Palasia, Indore (MP) 452018

Tel : 0731-4097170 **Fax** : 0731-4215999 **Email** : customercare@indiratrade.com

Institutional Dealing Unit : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007

Tel : 022-66224209 **Fax** : 022-66224201 **Email** : ie@indiratrade.com

Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months

Accumulate : Expected to appreciate 10% to 20% over 12-months

Trade Buy : Expected to appreciate more than 10% over 45-days

Reduce : Expected to depreciate up to 10% over 12-months

Sell : Expected to depreciate 10% or more over 12-months

Trade Sell : Expected to depreciate more than 10% over 45-days

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