

Hitachi Air Conditioning India Ltd.

Johnson Contls-Hitachi Air Conditioning India is engaged in the business of manufacturing, selling and trading of Hitachi brand of Air conditioners, refrigerators, chillers and VRF (variable refrigerant flow) systems. It is one of the market leaders in the RAC segment with 12% share and has been in India for more than 30 years. The company has consistently grown and its 15 years CGR stands at 15.3% in revenue.

JCH has one of the largest air conditioning manufacturing facilities in India with a strong R&D team, after it recently set up a Global Development Centre (GDC) in Kadi, Gujarat, at a capex of Rs 1.5bn. This global R&D centre for PAC and RAC will provide design and development services to JCH companies in South-East Asia, Middle East and Europe. Further, it is planning to: (1) ramp up its presence in the mass segment, (2) move up the value chain in more than 2tonne ACs where not many players are present, (3) make aggressive and innovative product launches, (4) increase its distribution strength in south and west India, and (5) reinvent its brand Hitachi.

On the financial health front, the company has a very strong balance sheet with reduction in debt burden over the years from 0.6x debt-equity ratio in FY14 to 0.2 in FY19. The company has also managed its capex investments with an asset turnover of 6.2x. Tthe stock trades at 12.1x of book value and delivers ROE of 15%. Hence BUY.

BUY
CMP ₹3,218

Stock Info

Sector	Consumer Durables
Market Cap (₹ cr)	8,748
Beta	0.8
52 Week High / Low	3438/1470
Avg. Daily Volume	1,808
Face Value (₹)	10
BSE Sensex	38,471
Nifty	11,269
Reuters Code	JCHA BO
Bloomberg Code	JCHAC IN

Shareholding Pattern (%)

Promoters	74.3
MF / Banks / Indian Fls	15.8
FII / NRIs / OCBs	1.0
Indian Public / Others	9.0

Abs. (%)	3m	1yr	3yr
Sensex	(5.4)	5.6	32.4
JCHAC	61.1	72.1	115.1

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Disclosure of Interest Statement

	Hitachi
1. Financial interest of research analyst or Angel or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No

Ratings (Based on expected returns over 12 months investment period):

Buy (> 15%)

Accumulate (5% to 15%)
Reduce (-5% to -15%)

Neutral (-5 to 5%)
Sell (< -15)