

Havells India Ltd.

BUY

Sector: Electrical Equipment

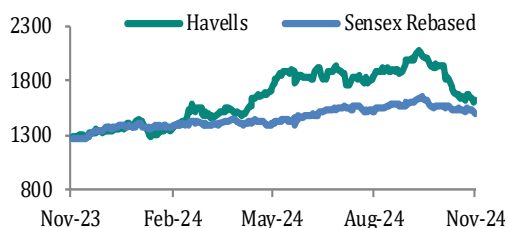
19th November 2024

Key Changes	Target ▲	Rating ▲	Earnings ▼	Target	Rs.1,865		
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	CMP	Rs.1,618
Large Cap	HAVL:IN	77,339	HAVELLS	517354	12 Months	Return	+15%

Data as of: 18-11 -2024

Company Data			
Market Cap (Rs. cr.)	1,01,183		
52 Week High — Low (Rs.)	2,105 - 1,273		
Enterprise Value (Rs. cr)	1,01,053		
Outstanding Shares (Rs cr)	62.7		
Free Float (%)	40.6		
Dividend Yield (%)	0.56%		
6m average volume (cr)	0.12		
Beta	0.94		
Face value (Rs)	1.0		
Shareholding (%)	Q4FY24	Q1FY25	Q2FY25
Promoters	59.4	59.4	59.4
FII's	24.8	24.7	24.8
MFs/Institutions	9.9	9.6	10.2
Public	5.9	6.3	5.6
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-14.0%	-12.7%	28.3%
Absolute Sensex	-3.5%	2.9%	18.1%
Relative Return	-10.4%	-15.6%	10.2%

*over or under performance to benchmark index



Y.E March (cr)	FY25E	FY26E	FY27E
Sales	21,652	24,784	28,416
Growth (%)	16.7	14.5	14.7
EBITDA	2,176	2,627	3,069
EBITDA Margin (%)	10.1	10.6	10.8
PAT Adjusted	1,549	1,894	2,249
Growth (%)	21.6	22.3	18.7
Adjusted EPS	24.7	30.2	35.9
Growth (%)	21.6	22.3	18.7
P/E	65.5	53.5	45.1
P/B	14.2	11.8	9.8
EV/EBITDA	46.4	38.3	32.5
ROE (%)	19.4	20.5	20.8
D/E	0.0	0.0	0.0

Author: Anil R - Sr. Research Analyst

H2FY25 to be strong...margin to stabilize

Havells India Ltd. (HAVL) is a leading player in electrical consumer goods in India. Its key verticals include switchgears, cables & wires, lighting fixtures, and consumer appliances.

- Revenue grew by 16.5% YoY, surpassing expectations, but net profit grew by only 10% YoY.
- EBITDA saw a modest 2% YoY growth. Margins declined by 120 bps YoY to 8.4%, missing our estimates due to input volatility, higher employee costs, and increased advertising spending.
- HAVL's core portfolio, Switchgear saw stable growth while strong growth in cables was due to re-stocking. Post-monsoon recovery in the real estate and construction sectors will further boost the core portfolio.
- Better consumer sentiment is anticipated in H2FY25, supported by festive and seasonal factors, driving overall growth.
- Due to input price volatility, we have reduced our margin estimates by 60 bps for FY25E and FY26E.

Outlook & Valuation

We have upgraded our rating on HAVL from negative to positive, reflecting a 22% moderation in valuation from a recent peak of 69x. The stock is currently trading at a 1-year forward P/E of 55x. Given HAVL's strong brand recall, diverse product portfolio, and robust channel networks, we project a 21% CAGR in earnings over FY25-FY27E. Consequently, we value HAVL at a P/E of 52x as we roll forward to FY27E, assigning a BUY rating with a target price of Rs.1,865.

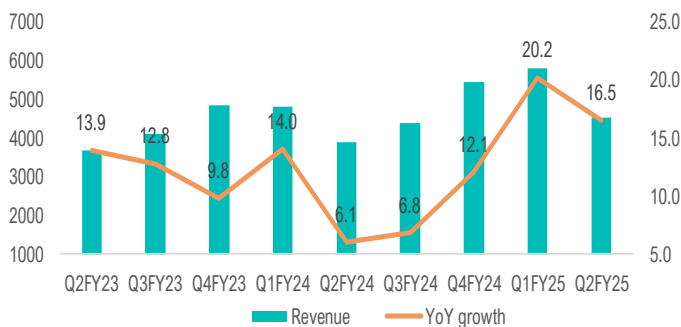
Quarterly Financials Consolidated

Rs.cr	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	H1FY25	H1FY24	YoY (%)
Sales	4,533	3,891	16.5	5,798	(21.8)	10,331	8,715	18.5
EBITDA	380	372	2.2	576	(34.0)	956	774	23.5
Margin (%)	8.4	9.6	(1.2)	9.9	(1.6)	9.3	8.9	0.4
EBIT	285	291	(1.9)	484	(41.1)	770	617	24.8
PBT	368	334	10.3	553	(33.4)	921	716	28.6
Rep. PAT	273	248	10.1	411	(33.7)	684	535	27.8
Adj PAT	273	248	10.1	411	(33.7)	684	535	27.8
EPS (Rs)	4.3	4.0	10.1	6.6	(33.7)	10.9	8.5	27.8

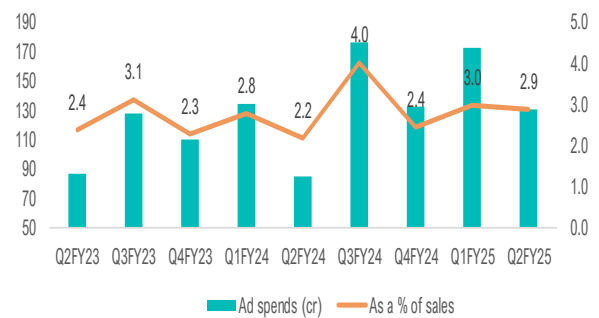
Key Concall Highlights

- Overall demand environment has seen a marginal uptick. While the festive and seasonality should see a better demand scenario in H2FY25.
- Wires saw strong volumes led by restocking. Decent growth in switches and domestic switchgear; however, industrial switchgear (IP) growth is impacted by a higher base due to large institutional orders last year.
- Broad-based performance in ECD as festive led demand pickup supported fans, SDA & water heater growth. While healthy performance by Lloyd was witnessed despite being in a non-seasonal quarter.
- Robust volume growth was sustained in Lighting, but the pricing has yet to stabilize.
- The other segment, consisting of emerging categories such as water purifiers, solar, and grooming products, registered a growth of 29% YoY.
- High volatility in commodity prices impacted contribution margins, particularly in the cable segment.
- Advancement of A&P spends in Q2 moderated margins across segments; however, the spends are expected to normalize over subsequent quarters.

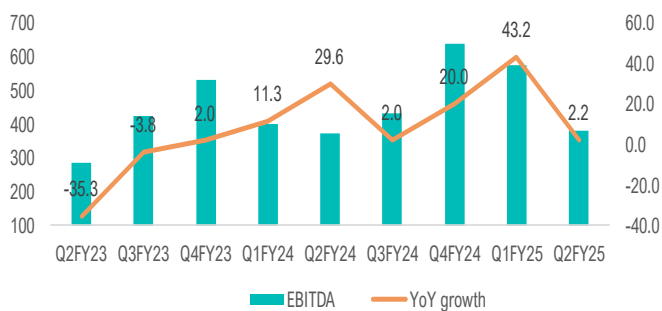
Revenue



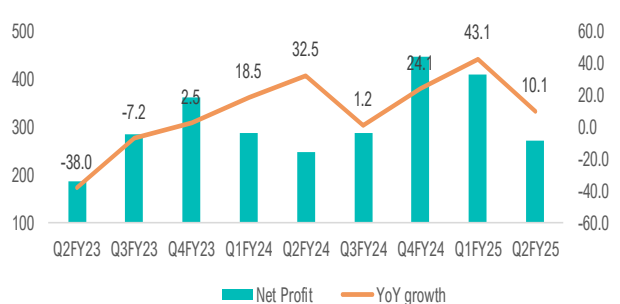
Ad spends



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	21,697	24,569	21,652	24,784	(0.2)	0.9
EBITDA	2,322	2,752	2,176	2,627	(6.3)	(4.5)
Margins (%)	10.7	11.2	10.1	10.6	(60bps)	(60bps)
Adj. PAT	1,671	1,982	1,549	1,894	(7.3)	(4.4)
EPS	26.7	31.6	24.7	30.2	(7.3)	(4.4)



Consolidated Financials

PROFIT & LOSS

Y.E March (Rs Cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Sales	16,868	18,550	21,652	24,784	28,416
% change	21.5	10.0	16.7	14.5	14.7
EBITDA	1,603	1,845	2,176	2,627	3,069
% change	(8.8)	15.1	17.9	20.7	16.8
Depreciation	296	338	380	457	503
EBIT	1,307	1,507	1,796	2,170	2,566
Interest	34	46	41	41	41
Other Income	177	249	316	406	486
PBT	1,450	1,704	2,071	2,536	3,010
% change	(9.6)	17.5	21.5	22.4	18.7
Tax	375	437	522	642	762
Tax Rate (%)	0.3	0.3	0.3	0.3	0.3
Reported PAT	1,075	1,273	1,549	1,894	2,249
Adj.*	-	-	-	-	-
Adj. PAT	1,075	1,273	1,549	1,894	2,249
% change	(10.1)	18.4	21.6	22.3	18.7
No. of shares (cr)	63	63	63	63	63
Adj EPS (Rs)	17.2	20.3	24.7	30.2	35.9
% change	(10.1)	18.4	21.6	22.3	18.7
DPS (Rs)	7.5	7.5	7.5	7.5	7.5

CASH FLOW

Y.E March (Rs Cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Net inc. + Deprn.	1,075	1,273	1,549	1,894	2,249
Non-cash adj.	187	255	109	99	68
Changes in W.C	(697)	431	(427)	(1,209)	(687)
C.F. Operation	565	1,959	1,231	784	1,629
Capital exp.	(586)	(762)	(1,033)	(310)	(580)
Change in inv.	504	(1,058)	(8)	(8)	(8)
Other invest.CF	120	182	316	406	486
C.F - Investment	39	(1,635)	(725)	89	(103)
Issue of equity	27	21	-	-	-
Issue/repay debt	(456)	(77)	-	-	-
Dividends paid	(470)	(470)	(470)	(470)	(470)
Other finance.CF	(7)	(8)	(41)	(41)	(41)
C.F - Finance	(907)	(534)	(511)	(511)	(511)
Chg. in cash	(303)	(209)	(4)	362	1,016
Closing cash	457	243	239	601	1,616

BALANCE SHEET

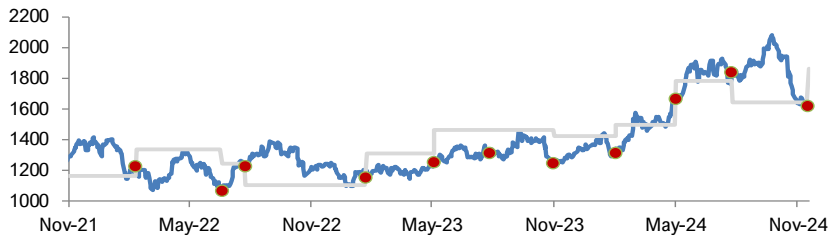
Y.E March (Rs Cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash	457	243	239	601	1,616
Accounts Receivable	973	1,157	1,186	1,426	1,635
Inventories	3,708	3,409	3,867	4,549	5,097
Other Cur. Assets	2,198	3,283	3,868	4,848	5,574
Investments	20	41	49	56	65
Gross Fixed Assets	3,451	4,117	5,097	5,647	6,197
Net Fixed Assets	2,228	2,606	3,206	3,300	3,346
CWIP	163	297	350	110	140
Intangible Assets	1,396	1,383	1,383	1,383	1,383
Def. Tax (Net)	(362)	(358)	(362)	(369)	(378)
Other Assets	0	-	-	-	-
Total Assets	10,782	12,062	13,787	15,904	18,478
Current Liabilities	3,439	3,841	4,425	5,050	5,773
Provisions	412	365	427	496	568
Debt Funds	11	15	15	15	15
Other Liabilities	83	99	99	99	99
Equity Capital	63	63	63	63	63
Reserves & Surplus	6,552	7,376	8,455	9,879	11,658
Shareholder's Fund	6,614	7,438	8,517	9,942	11,720
Total Liabilities	10,782	12,062	13,787	15,904	18,478
BVPS	106	119	136	159	188

RATIOS

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
Profitab & Return					
EBITDA margin (%)	9.5	9.9	10.1	10.6	10.8
EBIT margin (%)	7.7	8.1	8.3	8.8	9.0
Net profit mgn.(%)	6.4	6.9	7.2	7.6	7.9
ROE (%)	17.1	18.1	19.4	20.5	20.8
ROCE (%)	12.8	13.7	14.7	15.5	15.7
W.C & Liquidity					
Receivables (days)	18.8	21.0	19.8	19.2	19.7
Inventory (days)	104.4	103.6	91.3	92.5	92.7
Payables (days)	105.6	106.0	103.7	104.1	104.0
Current ratio (x)	1.9	1.9	1.9	2.1	2.2
Quick ratio (x)	0.4	0.3	0.3	0.4	0.6
Turnover & Leverage					
Gross asset T.O (x)	5.2	4.9	4.7	4.6	4.8
Total asset T.O (x)	7.9	7.7	7.5	7.6	8.6
Int. covge. ratio (x)	38.9	33.0	43.8	52.9	62.6
Adj. debt/equity (x)	0.0	0.0	0.0	0.0	0.0
Valuation					
EV/Sales (x)	6.0	5.4	4.7	4.1	3.5
EV/EBITDA (x)	62.9	54.8	46.4	38.3	32.5
P/E (x)	94.3	79.6	65.5	53.5	45.1
P/BV (x)	19.4	16.7	14.2	11.8	9.8



Recommendation Summary (last 3 years)



Dates	Rating	Target
22-October-21	Reduce	1,165
10-February-22	Hold	1,336
20-June-22	BUY	1,245
25-July-22	SELL	1,104
23-January-23	BUY	1,311
05-May-23	BUY	1,462
28-July-23	BUY	1,470
01-November-23	BUY	1,424
05-February-24	BUY	1,496
02-May-24	HOLD	1,779
29-July-24	SELL	1,644
19-November-24	BUY	1,865

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

DISCLAIMER & DISCLOSURES

Certification: I, ANIL R, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

For General disclosures and disclaimer: Please Visit : <https://www.geojit.com/research-disclosures#fundamental-research>

Group companies of Geojit Financial Services Limited are Geojit Technologies Private Limited (Software Solutions provider), Geojit Credits Private Limited (NBFC), Geojit Investment Limited (financial Services Company), Geojit Techloan Private Ltd (P2P lending) Geojit IFSC Ltd (a company incorporated under IFSC Regulations, Qurum Business Group Geojit Securities LLC (a joint venture in Oman engaged in Financial Services), Barjeel Geojit Financial Services LLC (a joint venture in UAE engaged in Financial Services), Aloula Geojit Capital Company (a joint venture in Saudi Arabia (Under Liquidation)) and BBK Geojit Business Consultancy and Information KSC (C) (a joint venture in Kuwait-engaged in Financial services). In the context of the SEBI Regulations on Research Analysts (2014), Geojit affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc. that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

1. Disclosures regarding Ownership:

Geojit confirms that:

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein, at the time of publication of the research report

It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein. at the end of the month immediately preceding the date of publication of the research report.

Further, the Analyst confirms that:(i) He, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company, at the time of publication of the research report (ii) He, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered, at the end of the month immediately preceding the date of publication of the research report

2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

3. Disclosure by Geojit regarding the compensation paid to its Research Analyst:

Geojit hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that I, ANIL R, Research Analyst (s) of Geojit have not served as an officer, director or employee of the subject company

5. Disclosure regarding Market Making activity:

Neither Geojit/its Analysts have engaged in market making activities for the subject company.

6. "Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors."

7. Standard Warning: "Investment in securities market are subject to market risks. Read all the related documents carefully before investing."

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

Geojit Financial Services Ltd. Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: www.geojit.com. For investor queries: customercare@geojit.com. **Compliance officer:** Ms. Indu K. Address: Geojit Financial Services Limited, 34/659 P, Civil Lane Road, Padivattom, Kochi - 682024; Phone: +91 484-2901367; compliance@geojit.com. **Grievance Officer:** Mr Nitin K; Address: Geojit Financial Services Limited, 34/659 P, Civil Lane Road, Padivattom, Kochi - 682024; Phone: +91 484-2901363; Email: grievances@geojit.com. Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: IN-H200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226.

