

January 17, 2025

RESULT REPORT Q3 FY25 | Sector: Consumer Durables

# Havells India Ltd

## Demand trends improving; upgrade to ADD

### Result Synopsis

Havells revenue growth miss is on back of de-growth in wires segment as there has been channel de-stocking resulting out of copper price volatility. Other B2C product categories (ex of lighting) have seen strong double-digit growth aided by festive season and improving consumer demand trends. B2B demand has been mixed bag, with Cables delivering strong volume growth while industrial switchgears have remained soft. EBITDA margins of 8.8% has been attributed to lower margins in ECD and Switchgear segment. ECD margins were impacted by product mix change while Switchgear margins were lower on back of onetime expense incurred on plant relocation and mix change. Lloyds continues to fare better in both topline growth and improving profitability which has been positive. Management expects margins in both the segments will improve Q4 onwards as mix change will be beneficial and expect switchgear segment to deliver 23-24% margin on sustainable basis. We believe margins should improve from the current levels given the favorable revenue mix and improving B2C demand.

We are factoring FY24-27E Revenue/EBITDA/PAT CAGR of 15%/21%/22%. Our EPS estimates for FY26 and FY27 have been revised downwards by 7.7% and 5.7% respectively as margin uptick will be gradual. Expect continued B2C consumer demand on back of real estate uptick and positive sentiments, while continued industrial and infrastructure led demand will result in strong B2B growth as well. Considering recent stock correction and improved demand environment with strong potential of margin improvement we upgrade the stock to ADD with PT of Rs 1,828 valuing the company at 50x FY27 EPS.

### Result Highlights

- Revenue-** Havells delivered lower than expected revenue growth. Lower revenue growth was on back of de-growth in wires segment and muted growth in lighting segment on back of price erosion. All other product segments grew in double digit.
- Margins -** EBITDA margin at 8.8% contracted 115bps yoy. Contraction in ECD and Switchgear margins has resulted in overall margin contraction. Lower switchgear margin was on back of onetime factory relocation expenses, while mix change impacted ECD.
- Lloyd -** Lloyd registered 14% growth with non-RAC segment registering higher growth as compared to RAC. The company's focus is on improving profitability without compromising much on growth.
- Market share -** All B2C product categories have registered market share gains. The company's focus is to increase the share in product categories like water purifier where the market share is lower.

### Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	48,825	51,421	49,620	-5.0	-1.6	Higher other expenses has resulted in lower than expected margin.
EBITDA	4,316	4,813	5,250	-10.3	-17.8	
EBITDA Margin (%)	8.8	9.4	10.6	-52 bps	-174 bps	
Adjusted PAT	2,828	2,223	3,600	-17.0	-21.4	

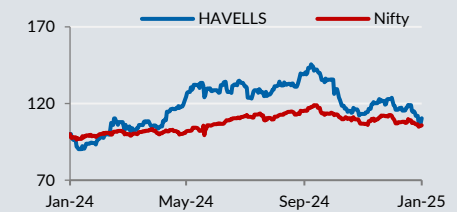
Source: Company, YES Sec

Reco	: ADD
CMP	: Rs 1,578
Target Price	: Rs 1,828
Potential Return	: +15.9%

### Stock data (as on Jan 17, 2025)

Nifty	23203
52 Week h/l (Rs)	2106 / 1280
Market cap (Rs/USD mn)	957309 / 11057
Outstanding Shares (mn)	627
6m Avg t/o (Rs mn):	1,999
Div yield (%):	0.6
Bloomberg code:	HAVL IN
NSE code:	HAVELLS

### Stock performance



	1M	3M	1Y
Absolute return	-8.9%	-12.6%	10.2%

### Shareholding pattern (As of Mar'24 end)

Promoter	59.4%
FII+DII	35.0%
Others	5.6%

### Δ in stance

(1-Yr)	New	Old
Rating	ADD	NEUTRAL
Target Price	1,828	1,942

### Δ in earnings estimates

	FY26e	FY27e
EPS (New)	30.0	36.6
EPS (Old)	32.5	32.8
% change	-7.7%	-5.7%

### Financial Summary

(Rs mn)	FY25E	FY26E	FY27E
Revenue	217,058	249,441	285,220
YoY Growth	17.0%	14.9%	14.3%
EBIDTA	20,512	27,064	32,800
YoY Growth	11.2%	31.9%	21.2%
PAT	14,228	18,799	22,917
YoY Growth	11.7%	32.1%	21.9%
ROE	18.0	21.1	22.4
EPS	22.7	30.0	36.6
P/E	69.5	52.6	43.1
BV	133.0	151.9	175.0
EV/EBITDA	47.9	35.9	29.2

### AAKASH FADIA

Lead Analyst

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## Exhibit 2: Quarterly snapshot (Consolidated)

Particulars (Rs mn)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	y/y %	q/q %	9MFY25	9MFY24	y/y %
Sales	44,006	54,343	57,981	45,330	48,825	11.0	7.7	152,136	131,257	15.9
EBITDA	4,398	6,368	5,762	3,800	4,316	-1.9	13.6	13,879	12,148	14.2
EBITDA Margin %	10.0	11.7	9.9	8.4	8.8			9.1	9.3	(1.4)
Depreciation	877	934	920	946	1,041	18.7	10.0	2,907	2,451	18.6
EBIT	3,522	5,434	4,842	2,854	3,275	(7.0)	14.8	10,971	9,697	13.1
EBIT Margin %	8.0	10.0	8.4	6.3	6.7			7.2	7.4	(2.4)
Interest charges	102	177	86	101	94	(7.9)	(6.8)	280	280	0.1
Other Income	559	757	770	927	640	14.5	(31.0)	2,338	1,732	35.0
PBT	3,979	6,014	5,527	3,681	3,822	-4.0	3.8	13,029	11,149	16.9
Tax	1,029	1,526	1,415	955	994	-3.4	4.1	3,364	2,841	18.4
Effective Tax Rate (%)	26.3	25.4	25.6	25.9	26.0	-1.3	0.2	26	25.5	1.3
PAT	2,878	4,489	4,112	2,726	2,828	-1.7	3.7	9,666	8,240	17.3
PAT Margin %	6.5	8.3	7.1	6.0	5.8			6.4	6.3	1.2
EPS (Rs)	4.6	7.2	6.6	4.4	4.5	-1.7	3.7	15.4	13.2	17.3

Source: Company, YES Sec

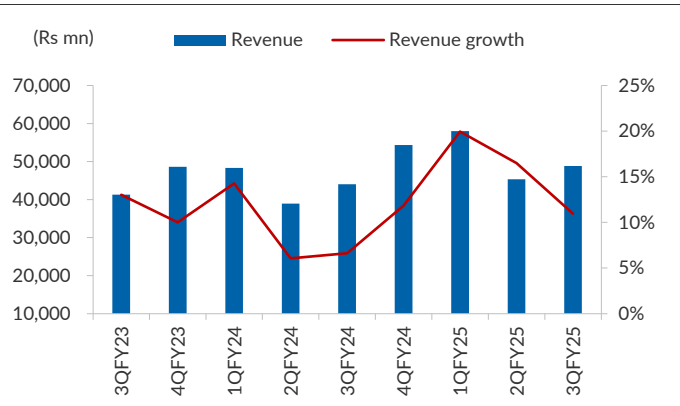
## Exhibit 3: Segmental Performance

Rs mn	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	y/y %	q/q %	9MFY25	9MFY24	y/y %
Switchgears	5,206	6,513	5,759	5,513	5,769	10.8	4.6	17,040	15,938	6.9
Cable and Wires	15,727	17,896	15,212	18,052	16,879	7.3	(6.5)	50,143	45,280	10.7
Lighting and Fixtures	4,299	4,334	3,856	3,909	4,409	2.5	12.8	12,174	11,975	1.7
Electrical Consumer Durables	9,613	9,104	10,549	8,564	11,043	14.9	28.9	30,155	25,719	17.3
Lloyds	6,467	13,401	19,241	5,874	7,418	14.7	26.3	32,533	24,506	32.8
Others	2,695	3,096	3,365	3,418	3,308	22.8	(3.2)	10,091	7,840	28.7
Total Sales	44,006	54,343	57,981	45,330	48,825	11.0	7.7	152,136	131,257	15.9
PBIT										
Switchgears	1256	1836	1419	1150	1048	(16.5)	(8.8)	3,617	4,161	(13.1)
PBIT %	24.1	28.2	24.6	20.9	18.2			2.4	3.2	
Cable and Wires	1633	2154	1711	1548	1870	14.5	20.8	5,129	5,030	2.0
PBIT %	10.4	12.0	11.2	8.6	11.1			3.4	3.8	
Lighting and Fixtures	612	787	630	505	655	7.0	29.6	1,790	1,713	4.5
PBIT %	14.2	18.2	16.3	12.9	14.8			1.2	1.3	
Electrical Consumer Durables	1073	1025	1147	643	955	(11.1)	48.5	2,745	2,878	(4.7)
PBIT %	11.2	11.3	10.9	7.5	8.6			1.8	2.2	
Lloyds	-652	372	674	-224	-310	(52.5)	38.5	141	-2,000	(107.0)
PBIT %	-10.1	2.8	3.5	-3.8	-4.2			0.1	-1.5	
Others	44	89	110	66	-67	(252.5)	(201.5)	109	171	
PBIT %	1.6	2.9	3.3	1.9	-2.0			0.1	0.1	
Total PBIT	3,965	6,262	5,691	3,688	4,151	4.7	12.6	13,530	11,953	13.2
Finance Costs	102	177	86	101	94	(7.9)	(6.8)	280	280	(0.0)
Unallocable expense	516	828	849	834	876	69.8	5.0	2,559	2,324	10.1
as % of sales	1.2	1.5	1.5	1.8	1.8			1.5	1.3	
Exceptional Items	0	0	0	0	0			0	0	
PBT	3907	6014	5527	3681	3822	(2.2)	3.8	13,029	11,081	17.6

Source: Company, YES Sec

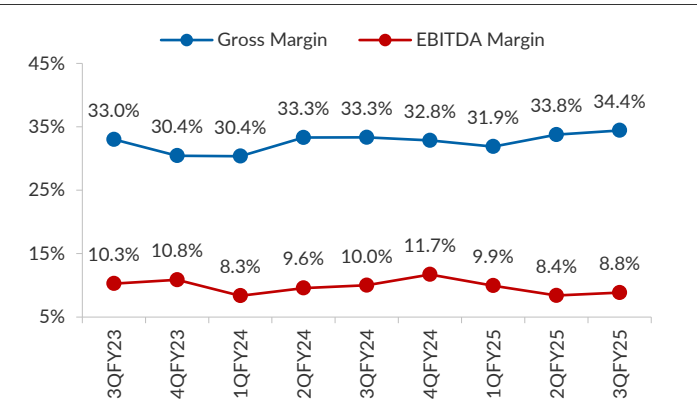
## CHARTS

**Exhibit 4: Strong performance of ECD and Lloyd has resulted in double digit revenue growth**



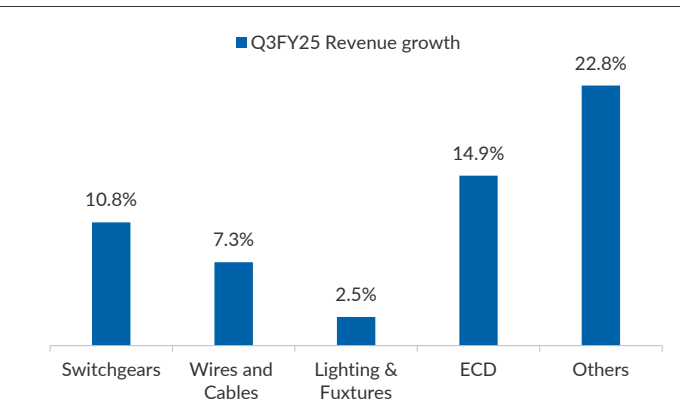
Source: Company, YES Sec

**Exhibit 5: Higher other expenses have resulted in EBITDA margin contraction despite gross margin expansion**



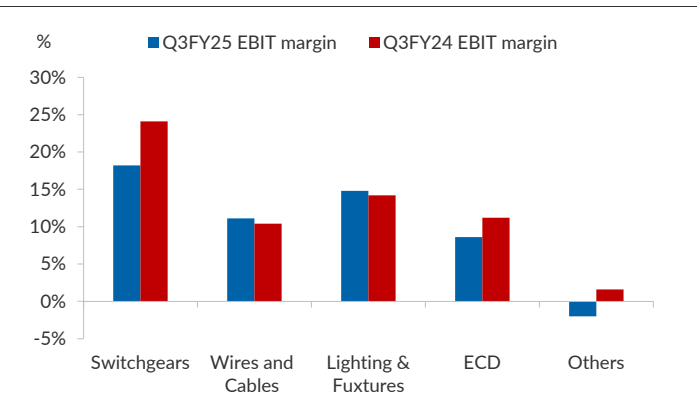
Source: Company, YES Sec

**Exhibit 6: B2C product categories have seen higher growth**



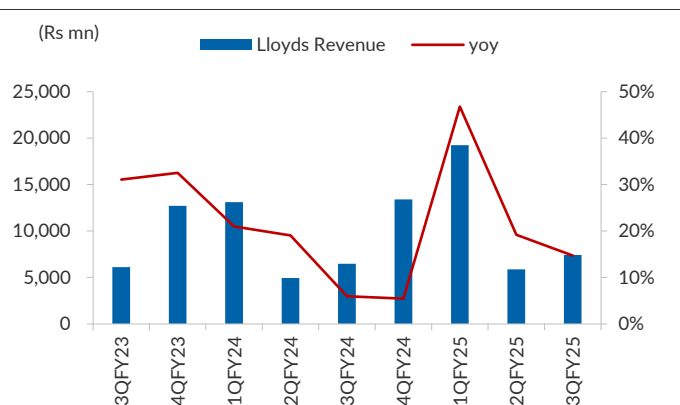
Source: Company, YES Sec

**Exhibit 7: Switchgear and ECD has seen margin contraction**



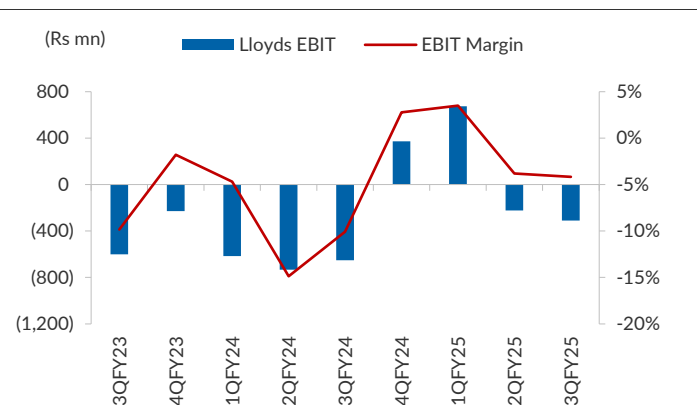
Source: Company, YES Sec

**Exhibit 8: Non -AC products revenue growth has been higher as compared to RAC**



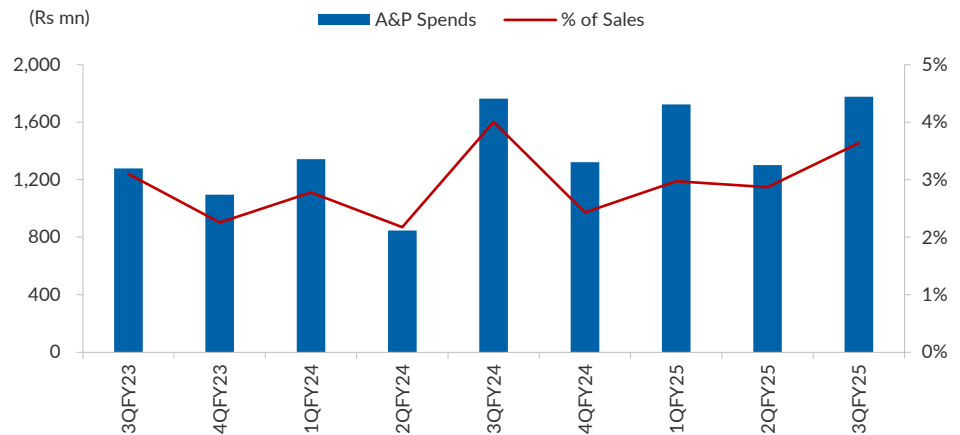
Source: Company, YES Sec

**Exhibit 9: Costs saving initiatives has resulted in curtailing Lloyd losses**



Source: Company, YES Sec

**Exhibit 10: A&P growth has seen normalization due to festive shift**



Source: Company, YES Sec

**Exhibit 11: Revenue and Margin Assumption**

Rs mn	FY23	FY24	FY25E	FY26E	FY27E
Switchgear	21196	22450	24088	26497	29147
% yoy growth	19%	6%	7%	10%	10%
Cables and wires	55326	63176	71452	84313	101176
% yoy growth	19%	14%	13%	18%	20%
Lighting and Fixtures	16015	16268	16788	18467	20314
% yoy growth	17%	2%	3%	10%	10%
Electrical consumer durables	32958	34818	40737	46847	52469
% yoy growth	7%	6%	17%	15%	12%
Lloyd's consumer	33686	37852	50268	57808	64745
% yoy growth	49%	12%	33%	15%	12%
Others	9503	10936	13725	15509	17370
% yoy growth	25%	15%	26%	13%	12%
Total Revenue	168684	185499	217058	249441	285220
% yoy growth	21%	10%	17%	15%	14%

Rs mn	FY22	FY23	FY24E	FY25E	FY26E
Switchgear	5564	5960	5227	6094	6850
% margin	26%	27%	22%	23%	24%
Cables and wires	5247	7161	7717	9696	11838
% margin	9%	11%	11%	12%	12%
Lighting and Fixtures	2469	2474	2485	2770	3047
% margin	15%	15%	15%	15%	15%
Electrical consumer durables	4189	3872	3789	4919	5772
% margin	13%	11%	9%	11%	11%
Lloyd's consumer	-2,209	-1,644	603	2,023	3,237
% margin	-7%	-4%	1%	4%	5%
Others	350	246	247	775	1,216
% margin	4%	2%	2%	5%	7%
Total PBIT	15609	18068	20067	26278	31959
% margin	9%	10%	9%	11%	11%

## KEY CON-CALL HIGHLIGHTS

- **Management commentary** – Consumer, Infrastructure and industrial sector has seen healthy growth. Margins were impacted on account of commodity fluctuation. Management is confident of margins normalizing Q4 onwards and growth continuing in ensuing quarters as well. **The company expects demand to come from consumer residential uptick**
- **Demand:** Rural demand has held well. Sustenance of consumer demand will be key to growth and margins
- **Switchgear segment** – Switchgear margins were impacted as there was one time expenses on factory relocation, under absorption of factory overheads and inferior channel and product mix. Switchgear plant relocation decision has been strategic in nature as management wants to combine certain manufacturing activities at same location. **Management expects 23-24% EBIT margin as normalize margin in Switchgear segment.**
- **Switchgear and Switches revenue breakup:** 40% of the revenue comes from Switchgear and 40% revenue comes from switches and 20% revenue comes from electrical accessories
- **Lighting** – Lighting LED prices have declined on yoy basis, however on sequential basis LED lighting pricing has been stable. Volume growth has been healthy in lighting segment.
- **ECD** – ECD segment margins are impacted on back of higher growth in domestic appliances and kitchen appliances. Water heater has done better for the company. **ECD margins are expected to be normalized by Q4 and beyond. The company's current focus is to increase the share in the product category where the share is lower like water purifier and hence spending will be higher.**
- **Pricing action** – Pricing in lighting has been revised as prices of LED lights have been lower on account of change in technology. Wires and Cables prices are adjusted depending on RM prices. Pricing for other products have been stable.
- **Wires and Cables** – Wires and Cables revenue was impacted by channel de-stocking particularly in wires. Current wires inventory in the channel has started to come back to normalized levels. Proportion of wires and cables will remain largely same post the cables capacity expansion
- **Volume:** Cables volume has grown by 11-12%, while there has been degrowth in wires segment. This has resulted in flat volume growth for wires and cables segment
- **Lloyd:** Focus will be on contribution margin expansion in Lloyd with strong growth. Company is looking to launch differentiated products in washers and Refrigerators as well which will be enable the brand to standout in competition. **Non AC category has grown faster than AC category in Lloyd**
- **Market share:** The company has seen market share gains in all consumer facing products segments
- **Channel:** The company does not have any exposure to MFI channel. As far as quick commerce is concerned it is still in the nascent stage. The company will focus on modern trade where consumer durables products are getting prominence. CSD is relatively small channel for the company, however it is getting back to normal.

## FINANCIALS

### Exhibit 12: Balance Sheet

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	627	627	627	627	627
Reserves	65,518	73,758	82,732	94,590	109,046
Net worth	66,145	74,385	83,359	95,217	109,672
Debt	0	0	0	0	0
Deferred tax liab (net)	3,615	3,575	3,575	3,575	3,575
Other non current liabilities	3,349	3,453	3,991	4,576	5,223
Total liabilities	73,109	81,413	90,925	103,368	118,471
Fixed Asset	37,870	42,865	45,998	45,811	45,305
Investments	2,013	412	412	412	412
Other Non-current Assets	2,840	2,262	2,587	2,921	3,290
Net Working Capital	25,818	33,441	36,402	37,821	39,389
Inventories	37,085	34,085	46,385	53,305	60,951
Sundry debtors	9,713	11,572	11,299	12,985	14,847
Loans and Advances	0	0	0	0	0
Sundry creditors	26,425	26,907	33,897	38,954	44,541
Other current liabilities	9,148	13,102	15,186	17,324	19,687
Cash & equivalents	4,569	2,434	5,526	16,403	30,075
Total Assets	73,109	81,413	90,925	103,368	118,471

Source: Company, YES Sec

### Exhibit 13: Income statement

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	168,684	185,499	217,058	249,441	285,220
Operating profit	16,030	18,453	20,512	27,064	32,800
Depreciation	2,961	3,385	4,072	4,392	4,711
Interest expense	336	457	375	337	304
Other income	1,770	2,487	3,110	3,000	3,100
Profit before tax	14,503	17,098	19,175	25,335	30,886
Taxes	3,753	4,366	4,947	6,537	7,968
Minorities and other	-	-	-	-	-
Adj. profit	10,750	12,732	14,228	18,799	22,917
Exceptional items	-	-	-	-	-
Net profit	10,750	12,732	14,228	18,799	22,917

Source: Company, YES Sec

## Exhibit 14: Cashflow Statement

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Profit before tax	14,839	17,555	19,550	25,673	31,189
Depreciation	2,961	3,385	4,072	4,392	4,711
Tax paid	(3,753)	(4,366)	(4,947)	(6,537)	(7,968)
Working capital Δ	(4,455)	(5,814)	(2,961)	(1,419)	(1,568)
Other operating items					
Operating cashflow	9,592	10,760	15,713	22,109	26,364
Capital expenditure	(5,924)	(8,380)	(7,205)	(4,205)	(4,205)
Free cash flow	3,668	2,380	8,508	17,904	22,159
Equity raised	208	209	-	-	-
Investments	2,539	(207)	-	-	-
Debt financing/disposal	(3,955)	-	-	-	-
Interest paid	(336)	(457)	(375)	(337)	(304)
Dividends paid	(4,699)	(4,701)	(5,253)	(6,941)	(8,462)
Net Δ in cash	(3,068)	(2,135)	3,092	10,877	13,672

Source: Company, YES Sec

## Exhibit 15: Du-pont analysis

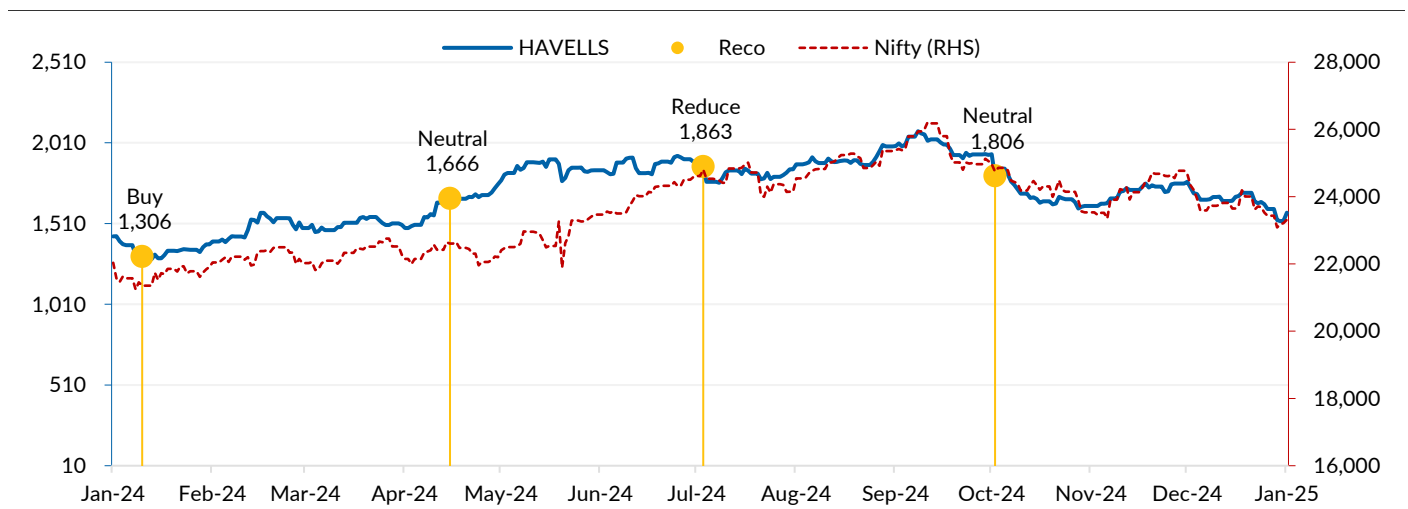
Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Tax burden (x)	0.74	0.74	0.74	0.74	0.74
Interest burden (x)	0.98	0.97	0.98	0.99	0.99
EBIT margin (x)	0.09	0.09	0.09	0.10	0.11
Asset turnover (x)	1.56	1.57	1.62	1.63	1.63
Financial leverage (x)	1.72	1.68	1.70	1.72	1.71
RoE (%)	17.1	18.1	18.0	21.1	22.4

## Exhibit 16: Ratio analysis

Y/e 31 Mar	FY23	FY24	FY25E	FY26E	FY27E
<b>Growth matrix (%)</b>					
Revenue growth	21.5	10.0	17.0	14.9	14.3
Op profit growth	(8.8)	15.1	11.2	31.9	21.2
EBIT growth	(10.5)	18.3	11.4	31.3	21.5
Net profit growth	(10.0)	18.4	11.7	32.1	21.9
<b>Profitability ratios (%)</b>					
OPM	9.5	9.9	9.5	10.9	11.5
EBIT margin	8.8	9.5	9.0	10.3	10.9
Net profit margin	6.4	6.9	6.6	7.5	8.0
RoCE	22.8	25.0	24.8	28.8	30.4
RoNW	17.1	18.1	18.0	21.1	22.4

Y/e 31 Mar	FY23	FY24	FY25E	FY26E	FY27E
RoA	9.9	10.8	10.6	12.3	13.1
<b>Per share ratios</b>					
EPS	17.2	20.3	22.7	30.0	36.6
Dividend per share	7.5	7.5	8.4	11.1	13.5
Cash EPS	21.9	25.7	29.2	37.0	44.1
Book value per share	105.6	118.7	133.0	151.9	175.0
<b>Valuation ratios</b>					
P/E	91.9	77.6	69.5	52.6	43.1
P/CEPS	70.8	60.3	53.1	41.9	35.2
P/B	14.7	13.1	11.7	10.2	8.9
EV/EBIDTA	61.4	53.4	47.9	35.9	29.2
<b>Payout (%)</b>					
Dividend payout	43.7	36.9	36.9	36.9	36.9
Tax payout	25.9	25.5	25.8	25.8	25.8
<b>Liquidity ratios</b>					
Debtor days	21.0	22.8	19.0	19.0	19.0
Inventory days	80.2	67.1	78.0	78.0	78.0
Creditor days	57.2	52.9	57.0	57.0	57.0

## Recommendation Tracker





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Analyst signature

Analyst signature

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