

REDUCE (NO CHANGE)

Current Price (Rs)	: 1,526
Target Price (Rs)	: 1,589 (1,850)
Potential Upside	: 4%

Market Data

No. of shares	: 627 mn
Free Float	: 40.6%
Market Cap (USD)	: 11,134 mn
52-week High/ Low (Rs)	: 2,106/ 1,381
Avg. Daily Volume (6M)	: 1.09 mn
Avg. Daily Value (6M;USD)	: 19.55 mn
Bloomberg Code	: HAVL IB
Promoters Holding	: 59.4%
FII / DII	: 22% / 12%

Price Performance

(%)	1M	3M	12M
Absolute	(1.0)	(0.4)	(20.0)
Relative	(0.9)	(10.2)	(23.3)

Source: Bloomberg

Deepak Agarwal assumes coverage of Havells India

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We expect **Havells (ex-Lloyd)** to see a revenue CAGR of 13% over FY25-28E, driven by improvement in product basket, channel expansion, tapping into solar, personal grooming, and premium kitchen appliances opportunities. **For Lloyd**, we expect ~11% CAGR over FY25-28E, on (1) completion of appliances portfolio, (2) benefit from own manufacturing, (3) focus on profitability, and (4) opening of export opportunity. Overall, we expect an earnings CAGR of 17%. We value Havells at a P/E of 45x on Sep'27E due to its strong brand, distribution, in-house manufacturing, fresh investments in team + brand + distribution, opening of export opportunity, market share gain, strong balance sheet, and improved ratios. We assume coverage of Havells with a REDUCE rating and a TP of Rs 1,589.

In ECD – strong in fans, ramping up in other categories

In the past five years, electrical consumer durables (ECD) saw a CAGR of ~13%, with strong growth in the fans category wherein it increased its market share from #4 position to #2 now; but other small appliances categories were impacted by muted demand. Over FY25-28E, we expect ECD to see a CAGR ~12% on strong SKU addition in fans, new product innovation, a shift towards alternate channels, and building a strong team.

No capacity constraint in cables with new capacity in place

To tap into opportunities in electrification, data centers, expansion of railways and metros, and telecom and IT sectors, Havells has planned ~Rs 14-15 bn of capex for cables and wires, of which it has incurred ~Rs 11 bn and will incur the rest likely by end-H1FY27. With this, it will not only cater to domestic demand but also explore export opportunities. Overall, we expect ~14% CAGR over FY25-28E with an 80-bps improvement in margins.

Switchgear strong-margin business; improving product-mix in lighting

Higher project sales and reallocation of plants have impacted switchgear margins. Though we expect this segment to see a 9% CAGR over FY25-28E, with margins improving to 25% in FY28E vs 22.5% in FY25 on product-mix change. In lighting, we expect ~9% revenue CAGR with margin improving to ~16.2% in FY28E (vs 15.3% in FY25) with the introduction of the premium lights portfolio.

Lloyd focuses on profitability and inching up other products

Since past 1-1.5 years, Lloyds has been focusing on profitability, adding better product SKUs, and strengthening its team and channel. Also, it is now setting up refrigerator capacity to diversify from RAC. We expect a revenue CAGR of ~11% over FY25-28E.

Financial summary (Standalone)

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
Sales (Rs mn)	1,85,499	2,17,458	2,39,704	2,72,836	3,09,205
EBITDA (Rs mn)	18,453	21,485	24,140	28,101	32,880
Adj. PAT (Rs mn)	12,732	14,888	17,010	20,275	23,989
Con. EPS* (Rs)	-	-	28.9	34.7	39.6
EPS (Rs)	20.3	23.7	27.1	32.3	38.3
Change YoY (%)	18	17	14	19	18
Previous EPS (Rs)	-	-	32.7	38.6	-
RoE (%)	18.1	18.9	19.5	21.1	22.2
RoCE (%)	24.5	25.5	26.1	28.3	29.7
P/E (x)	75.2	64.3	56.3	47.2	39.9
EV/E (x)	50.2	43.0	38.1	32.6	27.5

Source: Company, Axis Capital

Financial summary (Standalone)

Profit & Loss (Rs mn)

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
Net sales	1,85,499	2,17,458	2,39,704	2,72,836	3,09,205
Other operating income	-	-	-	-	-
Total operating income	1,85,499	2,17,458	2,39,704	2,72,836	3,09,205
Cost of goods sold	(1,25,365)	(1,45,887)	(1,60,332)	(1,81,674)	(2,05,582)
Gross profit	60,134	71,571	79,373	91,162	1,03,623
Gross margin (%)	32	33	33	33	34
Total operating expenses	(41,681)	(50,086)	(55,233)	(63,061)	(70,743)
EBITDA	18,453	21,485	24,140	28,101	32,880
EBITDA margin (%)	10	10	10	10	11
Depreciation	(3,385)	(3,987)	(4,448)	(4,656)	(4,859)
EBIT	15,068	17,498	19,692	23,444	28,021
Net interest	(457)	(432)	(460)	(430)	(420)
Other income	2,487	3,025	3,600	4,200	4,600
Profit before tax	17,098	20,091	22,832	27,214	32,201
Total taxation	(4,366)	(5,203)	(5,822)	(6,940)	(8,211)
Tax rate (%)	26	26	26	26	26
Profit after tax	12,732	14,888	17,010	20,275	23,989
Minorities	-	-	-	-	-
Profit/ Loss associate co(s)	-	-	-	-	-
Adjusted net profit	12,732	14,888	17,010	20,275	23,989
Adj. PAT margin (%)	7	7	7	7	8
Net non-recurring items	-	-	-	-	-

Balance Sheet (Rs mn)

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
Paid-up capital	627	627	627	627	627
Reserves & surplus	73,758	82,683	90,289	1,00,533	1,14,493
Net worth	74,385	83,310	90,916	1,01,160	1,15,119
Borrowing	-	-	-	-	-
Other non-current liabilities	3,575	3,753	3,753	3,753	3,753
Total liabilities	77,960	87,063	94,669	1,04,914	1,18,873
Gross fixed assets	56,832	66,605	74,605	80,605	84,105
Less: Depreciation	(16,954)	(20,335)	(24,783)	(29,439)	(34,298)
Net fixed assets	39,878	46,270	49,821	51,165	49,806
Add: Capital WIP	2,987	1,182	2,000	2,000	2,000
Total fixed assets	42,865	47,451	51,821	53,165	51,806
Total Investment	517	740	740	740	740
Inventory	34,085	40,074	40,718	46,908	53,730
Debtors	11,575	12,540	14,649	16,673	18,896
Cash & bank	30,154	33,526	36,542	41,685	52,784
Loans & advances	391	123	123	123	123
Current liabilities	46,322	50,686	53,219	57,676	62,502
Net current assets	34,578	38,871	42,108	51,008	66,326
Other non-current assets	-	-	-	-	-
Total assets	77,960	87,063	94,669	1,04,914	1,18,873

Source: Company, Axis Capital

Cash Flow (Rs mn)

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
Profit before tax	17,098	20,091	22,832	27,214	32,201
Depreciation & Amortisation	3,385	3,987	4,448	4,656	4,859
Chg in working capital	4,308	(2,146)	(220)	(3,758)	(4,219)
Cash flow from operations	19,592	15,606	18,098	17,403	20,450
Capital expenditure	(7,590)	(7,404)	(8,818)	(6,000)	(3,500)
Cash flow from investing	(16,346)	(3,301)	(5,218)	(1,800)	1,100
Equity raised/ (repaid)	213	425	-	-	-
Debt raised/ (repaid)	(772)	(962)	-	-	-
Dividend paid	(4,701)	(6,268)	(9,404)	(10,030)	(10,030)
Cash flow from financing	(5,336)	(6,879)	(9,864)	(10,460)	(10,450)
Net chg in cash	(2,090)	5,427	3,016	5,143	11,099

Key Ratios

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
OPERATIONAL					
FDEPS (Rs)	20.3	23.7	27.1	32.3	38.3
CEPS (Rs)	25.7	30.1	34.2	39.8	46.0
DPS (Rs)	14.0	10.0	15.0	16.0	16.0
Dividend payout ratio (%)	68.9	42.1	55.3	49.5	41.8
GROWTH					
Net sales (%)	10.0	17.2	10.2	13.8	13.3
EBITDA (%)	15.1	16.4	12.4	16.4	17.0
Adj net profit (%)	18.4	16.9	14.3	19.2	18.3
FDEPS (%)	18.4	16.9	14.3	19.2	18.3
PERFORMANCE					
RoE (%)	18.1	18.9	19.5	21.1	22.2
RoCE (%)	24.5	25.5	26.1	28.3	29.7
EFFICIENCY					
Asset turnover (x)	3.5	3.5	3.4	3.5	3.8
Sales/ total assets (x)	1.6	1.7	1.7	1.8	1.8
Working capital/ sales (x)	0.0	0.0	0.0	0.0	0.0
Receivable days	22.8	21.0	22.3	22.3	22.3
Inventory days	74.5	74.6	68.9	70.0	71.0
Payable days	58.8	56.6	55.8	55.8	55.8
FINANCIAL STABILITY					
Total debt/ equity (x)	-	-	-	-	-
Net debt/ equity (x)	(0.4)	(0.4)	(0.4)	(0.4)	(0.5)
Current ratio (x)	1.7	1.8	1.8	1.9	2.1
Interest cover (x)	33.0	40.5	42.8	54.5	66.7
VALUATION					
PE (x)	75.2	64.3	56.3	47.2	39.9
EV/ EBITDA (x)	50.2	43.0	38.1	32.6	27.5
EV/ Net sales (x)	5.0	4.2	3.8	3.4	2.9
PB (x)	12.9	11.5	10.5	9.5	8.3
Dividend yield (%)	0.9	0.7	1.0	1.0	1.0
Free cash flow yield (%)	1.3	0.9	1.0	1.2	1.8

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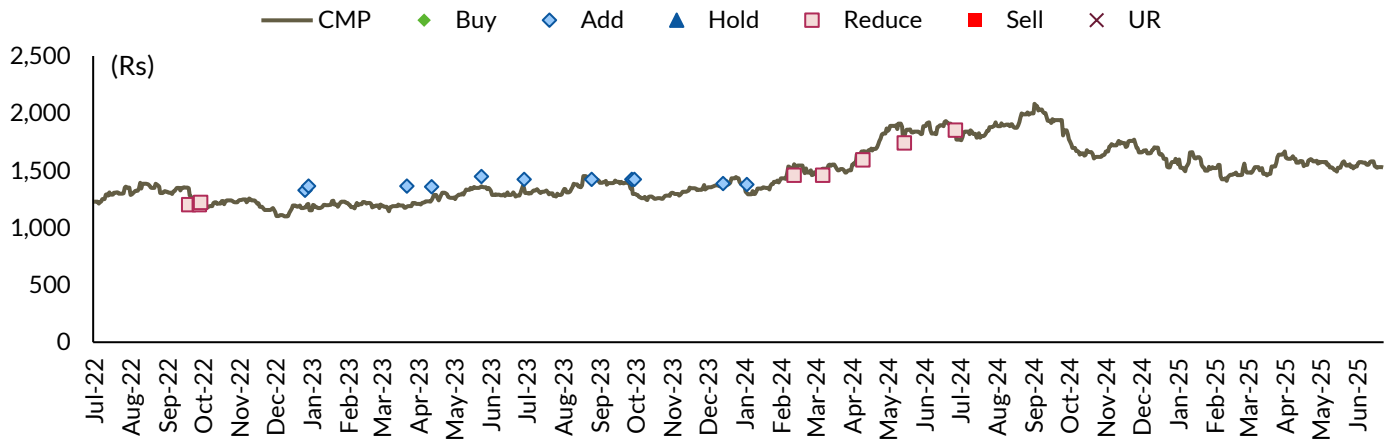
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ADD	We expect this stock to deliver 5-15% returns over the next 12 months.
REDUCE	We expect this stock to deliver 5% to -10% returns over the next 12 months.
SELL	We expect this stock to deliver <-10% returns over the next 12 months.

Havells India (HVEL.NS, HAVL IB) Price and Recommendation History



Date	Target Price	Reco	Date	Target Price	Reco	Date	Target Price	Reco	Date	Target Price	Reco
21-Jul-22	1,200	Reduce	21-Oct-23	1,420	Add						
10-Oct-22	1,200	Reduce	04-Jan-24	1,385	Add						
19-Oct-22	1,200	Reduce	24-Jan-24	1,375	Add						
20-Oct-22	1,220	Reduce	04-Mar-24	1,457	Reduce						
16-Jan-23	1,325	Add	28-Mar-24	1,457	Reduce						
19-Jan-23	1,363	Add	01-May-24	1,590	Reduce						
12-Apr-23	1,363	Add	05-Jun-24	1,740	Reduce						
03-May-23	1,357	Add	18-Jul-24	1,850	Reduce						
14-Jun-23	1,446	Add									
20-Jul-23	1,420	Add									
15-Sep-23	1,420	Add									
19-Oct-23	1,420	Add									

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