

India

ADD (no change)

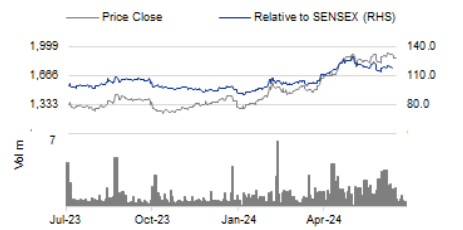
Consensus ratings*: Buy 22 Hold 16 Sell 4

Current price:	Rs1,863
Target price:	Rs2,100 ▲
Previous target:	Rs1,526
Up/downside:	12.7%
InCred Research / Consensus:	18.2%
Reuters:	HVEL.NS
Bloomberg:	HAVL IN
Market cap:	US\$16,081m
	Rs1,167,731m
Average daily turnover:	US\$29.6m
	Rs2149.4m
Current shares o/s:	626.7m
Free float:	40.6%

*Source: Bloomberg

Key changes in this note

- For FY25F/26F, we raise revenue estimates by 1.1%/1.5%.
- For FY25F/26F, we raise PAT estimates by 4%/6%.
- Introduce FY27F EPS of Rs37.3.

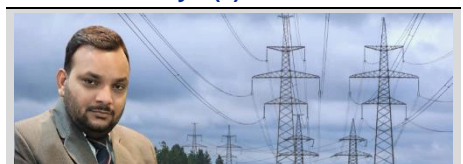


Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	1.9	24.7	39.6
Relative (%)	(3.1)	12.0	15.1

Major shareholders	% held
Promoters	59.4
Nalanda India Equity Fund	5.3
Life Insurance Corporation	3.9

Research Analyst(s)



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Havells India

Firing on all cylinders

- 1QFY25 EBITDA grew by 42% YoY to Rs5.7bn (1.6% above our estimate & 1.8% below consensus estimate) while margins rose by 154bp to 9.9%.
- The demand outlook remains healthy with an uptick in consumer trends. July month was back to the normal level after de-stocking in cable & wire in June.
- For FY25F/26F, we increase our PAT estimates by 4%/6% and introduce FY27F EPS of Rs37.3. Retain ADD rating with a higher TP of Rs2,100.

Summer products drive revenue growth

Havells India posted a healthy 1QFY25 performance led by strong summer product segments. Despite some impact due to general elections in India, the industrial and infrastructure sectors performed well. Total revenue grew 20% YoY to Rs58bn, 2% above our/ Bloomberg or BB consensus estimates. EBITDA grew by 42% YoY to Rs5.7bn (1.6% above our estimate but 1.8% below BB consensus estimate) while the margin expanded by 154bp to 9.9% (in line with our estimate). PAT stood at Rs4.1bn, up 42% YoY, 3% above our estimate and 2% above BB consensus estimate. Gross margin expanded by 149bp YoY and 33bp QoQ to 31.9%. The revenue growth was largely dominated by summer product segments like Lloyd and ECD (up 47% YoY) and ECD up 20% YoY), while the revenue of switchgear and cable & wire (C&W) segments grew 7% and 2% YoY, respectively. The lighting & fixtures segment's revenue was up 4.4% YoY.

Premiumization continues; profitability of Lloyd on track

The ECD segment's contribution margin improved because of both premiumization and cost-saving initiatives implemented over the last one or two years. The company has taken price hikes in many categories, including consumer durables, in 1QFY25. Lloyd, in the past few years, has started yielding results and the company expects a higher margin for Lloyd to continue going ahead. Primarily 65-70% of the sales happen in air-conditioners (ACs) in the first and fourth quarters and the operating leverage is gained. The second and third quarters always remain challenging because of being overweight on ACs. Management expects improved price realization and reduced costs in the coming months.

Outlook and valuation; retain ADD rating

The demand outlook remains healthy, with a noticeable uptick in consumer trends. Investments in brand building are ongoing, indicating a strategic focus on enhancing brand visibility and market reach. Jun 2024 witnessed some de-stocking in the cable and wire segment while Jul 2024 is back to the normal level. For FY25F/26F, we increase our revenue estimates by 1.1%/1.5% and EBITDA/PAT estimates by 0.8%/4.4% and 4%/6%, respectively. We introduce FY27F revenue estimate of Rs291bn and EPS of Rs37.3 (a growth of 14.7%). We retain ADD rating on the stock with a higher target price of Rs2,100 (Rs1,526 earlier) valuing it at 60x 1HFY27F EPS (from FY26F earlier). Downside risks: Delay in B2C demand recovery, new competition, and Lloyd's continued losses.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	169,107	185,900	220,203	253,731	290,958
Operating EBITDA (Rsm)	15,991	18,426	23,496	29,495	33,231
Net Profit (Rsm)	10,717	12,708	16,360	20,491	23,382
Core EPS (Rs)	17.1	20.3	26.1	32.7	37.3
Core EPS Growth	(10.5%)	18.5%	28.7%	25.3%	14.1%
FD Core P/E (x)	108.86	91.84	71.35	56.97	49.92
DPS (Rs)	7.5	7.5	8.0	9.0	10.0
Dividend Yield	0.40%	0.40%	0.43%	0.48%	0.54%
EV/EBITDA (x)	71.68	61.69	48.20	37.98	33.28
P/FCFE (x)	618.24	377.62	120.81	64.18	54.91
Net Gearing	(31.0%)	(40.8%)	(40.6%)	(46.7%)	(52.2%)
P/BV (x)	17.61	15.67	13.60	11.60	9.91
ROE	17.0%	18.1%	20.4%	22.0%	21.4%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

1QFY25 conference-call highlights

- **Overview:** The strong summer season led to robust growth across key product categories. Despite some impact due to general elections, the industrial and infrastructure sectors continued to perform well. The demand outlook remains positive, with a noticeable uptick in consumer trends. Investments in brand building are ongoing, with 3% of the revenue being allocated to advertising and sales promotion activities. This indicates a strategic focus on enhancing brand visibility and market reach.
- **Price hikes:** The company implemented price hikes in many categories, including consumer durables, in 1QFY25. If raw material prices remain at the current levels, all necessary pricing actions will be taken.
- All the switching solutions from the Havell's brand are termed as Havells Crabtree. This brand will continue for all switching solutions from Havells India. However, Standard and Rio will remain independent brands in the foreseeable future because of clear differentiation of the consumer segment.
- **Capex:** Management has given capex guidance of Rs10-11bn for FY25F and FY26F, of which 30-35% of the capex will be for the cable and wire segment.
- **Segments:**
 - **Switchgear:** The company reported robust growth across various sectors. The revenue of the switchgear segment grew 7% YoY to Rs5.8bn. While domestic growth in switchgear was robust at 12% YoY, some export orders have been deferred to the next quarter. The switchgear margin was impacted by a lag in passing on the impact of cost increase.
 - For switchgear, increased/stagnant competitive intensity has been present for quite some time.
 - Despite all this, over a longer period, switchgear margin has been in a close-bound range of 38-41%. This can vary quarter-on-quarter, but generally the margin has been range-bound and it's likely that it will continue in the same manner.
 - **Cable and wire:** The segment witnessed a 2% YoY increase in revenue to Rs15bn. Power cables saw healthy growth, despite capacity constraints, but wire revenue was affected by channel de-stocking due to a sharp decline in commodity prices in Jun 2024.
 - **Lighting & fixtures:** This segment's revenue stood at Rs3.9bn, up 4.4% YoY.
 - **ECD:** A significant increase of 20% YoY was observed in the ECD segment, with a revenue of Rs10.6bn. There was strong volume growth in lighting, but price deflation continues to erode these gains. Fans and small domestic appliances performed well, supported by a favourable season and premiumization with new launches.
 - **Others:** This segment saw a substantial YoY growth of 36%, with a revenue of Rs3.4bn. Emerging categories in this segment are continually improving in scale.
 - **Lloyd:** This segment witnessed strong YoY growth of 47%, with a revenue of Rs19.3bn in 1QFY25. The year started strong for ACs as Lloyd capitalized on market opportunities by leveraging its large manufacturing capacity, and non-AC growth was also in tandem.
- Management stated that for the ECD segment, the contribution margin improved due to premiumization and cost-saving initiatives implemented over the last one or two years.
- Lloyd's journey is viewed as a long-term investment, with significant investments being made over time. The focus is not on 2.8-3.5% margin but rather 4-4.5%. This indicates a long-term investment due to the huge growth opportunity seen in Lloyd. Premiumization over a long period, and efficiencies in manufacturing and costs will be major contributors to sustained profitability. Management expects improved price realization and reduced costs in the coming months.

Figure 1: Quarterly results snapshot

Y/E Mar (Rs m)	1QFY25	1QFY24	YoY (%)	4QFY24	QoQ (%)
Revenue	58,062	48,338	20.1%	54,420	6.7%
Consumption of raw materials	30,872	23,226	32.9%	28,259	9.2%
Change in inventory	1,239	3,479	-64.4%	2,537	-51.2%
Purchase of traded goods	7,454	6,955	7.2%	5,767	29.3%
Staff costs	4,617	3,570	29.3%	4,202	9.9%
Advertisement & promotion expenses	1,724	1,343	28.3%	1,321	30.5%
Other expenditure	6,434	5,746	12.0%	5,989	7.4%
Total expenditure	52,340	44,318	18.1%	48,074	8.9%
EBITDA	5,722	4,020	42.4%	6,346	-9.8%
EBITDA margin (%)	9.9%	8.3%	154 bps	11.7%	-181 bps
Depreciation	920	763	20.6%	934	-1.4%
EBIT	4,802	3,257	47.5%	5,412	-11.3%
Gross interest expenses & bank charges	86	85	0.9%	177	-51.7%
Other recurring income	773	648	19.3%	758	2.1%
PBT	5,490	3,821	43.7%	5,993	-8.4%
Tax	1,415	950	49.0%	1,526	-7.3%
Reported consolidated PAT	4,075	2,871	42.0%	4,467	-8.8%
Adj. PAT	4,075	2,871	42.0%	4,467	-8.8%
EPS (Rs)	6.5	4.6	41.9%	7.1	-8.8%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: InCred estimates vs actuals

(Rs m)	1QFY25	1QFY25F	Var (%)
Revenue	58,062	56,736	2.3%
EBITDA	5,722	5,630	1.6%
EBITDA margin (%)	9.9%	9.9%	-7 bps
Adj. PAT	4,075	3,939	3.4%

SOURCE: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 3: Bloomberg consensus estimates vs. actuals

(Rs m)	1QFY25	1QFY25C	Var (%)
Revenue	58,062	56,962	1.9%
EBITDA	5,722	5,828	-1.8%
EBITDA margin (%)	9.9%	10%	-38 bps
Adj. PAT	4,075	3,998	1.9%

SOURCE: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 4: Margin and cost analysis

Margins (%)	1QFY25	1QFY24	YoY (bp)	4QFY24	QoQ (bp)
Gross margin	31.9%	30.4%	149	32.8%	-96
EBITDA	9.9%	8.3%	154	11.7%	-181
EBIT	8.3%	6.7%	153	9.9%	-167
PBT incl. XO items	9.5%	7.9%	155	11.0%	-156
Adjusted PAT	7.0%	5.9%	108	8.2%	-119
Cost analysis (%)	1QFY25	1QFY24	YoY (bp)	4QFY24	QoQ (bp)
Raw material costs	68.1%	69.6%	-148.9	67.2%	95.8
Staff costs	8.0%	7.4%	56.5	7.7%	23
Advertisement & promotion expenses	3.0%	2.8%	19	2.4%	54.1
Other expenditure	11.1%	11.9%	-80.6	11.0%	7.6
Total	90.1%	91.7%	-154	88.3%	180.5

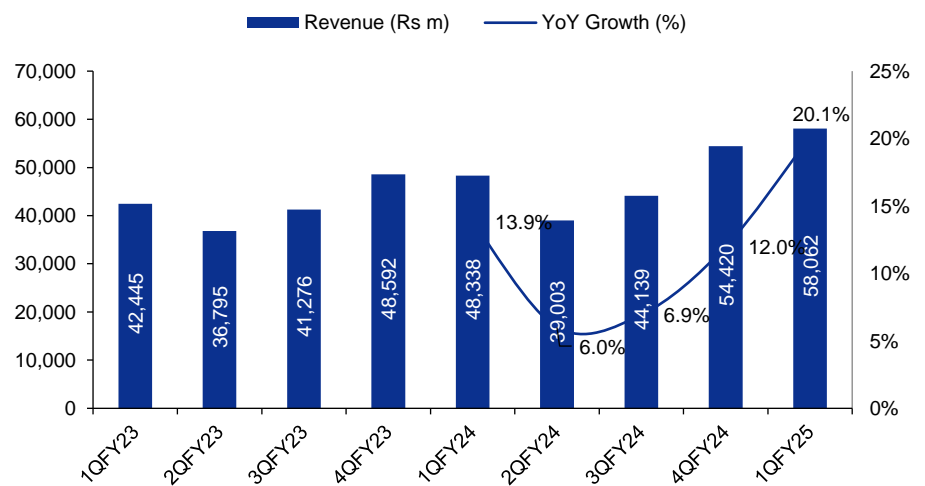
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Segment-wise details

Y/E Mar (Rs m)	1QFY25	1QFY24	YoY (%)	4QFY24	QoQ (%)
Revenue					
Switchgear	5,768	5,409	6.7%	6,513	-11.4%
Cables and wire	15,212	14,852	2.4%	17,896	-15.0%
Lighting	3,876	3,710	4.4%	4,353	-11.0%
ECD	10,554	8,775	20.3%	9,104	15.9%
Lloyd	19,287	13,109	47.1%	13,459	43.3%
Others	3,365	2,483	35.5%	3,096	8.7%
Total	58,062	48,338	20.1%	54,420	6.7%
EBIT					
Switchgear	1,422	1,499	-5.1%	1,836	-22.6%
Cables and wire	1,711	1,691	1.2%	2,154	-20.6%
Lighting	630	532	18.3%	785	-19.8%
ECD	1,147	957	19.8%	1,025	11.9%
Lloyd	636	-616	-203.4%	360	76.8%
Others	110	88	25.7%	89	24.0%
Total	5,655	4,150	36.3%	6,248	-9.5%
EBIT margin (%)					
Switchgear	24.6%	27.7%	-306 bp	28.2%	-354 bp
Cables and wire	11.2%	11.4%	-14 bp	12.0%	-79 bp
Lighting	16.2%	14.3%	190 bp	18.0%	-178 bp
ECD	10.9%	10.9%	-4 bp	11.3%	-39 bp
Lloyd	3.3%	-4.7%	799 bp	2.7%	63 bp
Others	3.3%	3.5%	-25 bp	2.9%	40 bp
Total	9.7%	8.6%	115 bp	11.5%	-174 bp

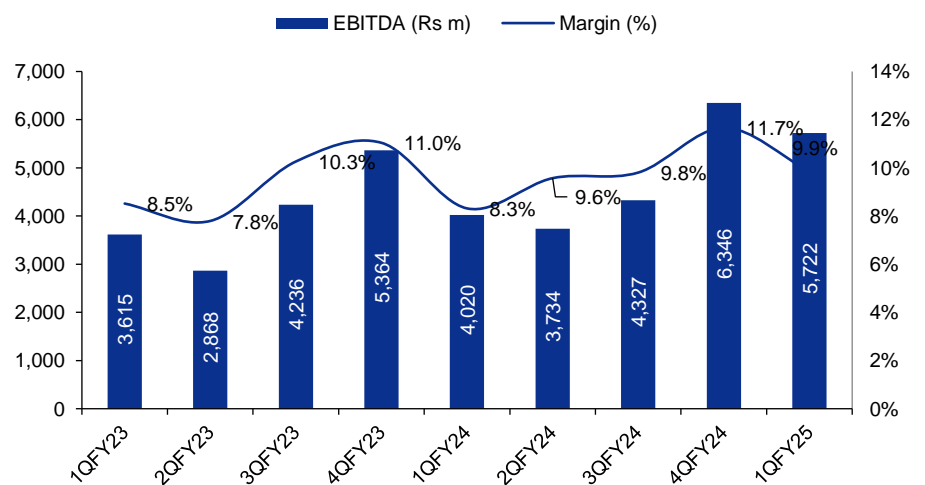
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Revenue grows 20% YoY



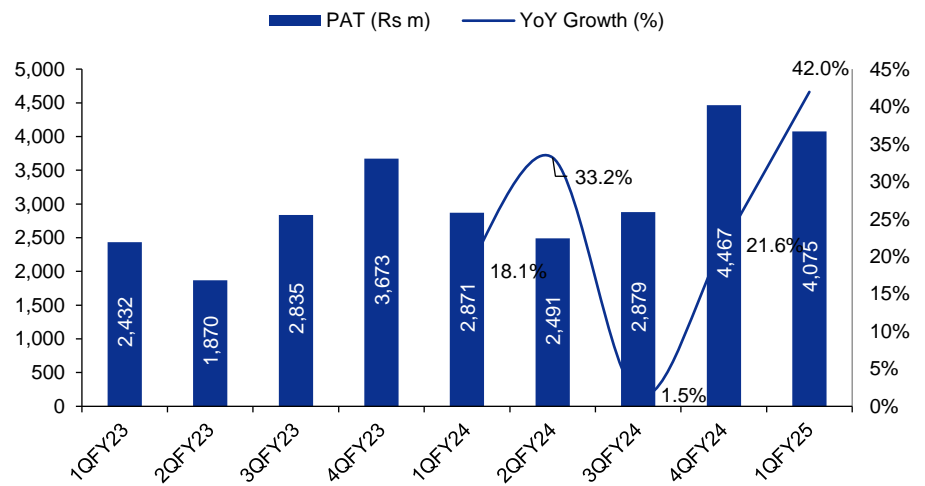
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Margins sustained at ~10%



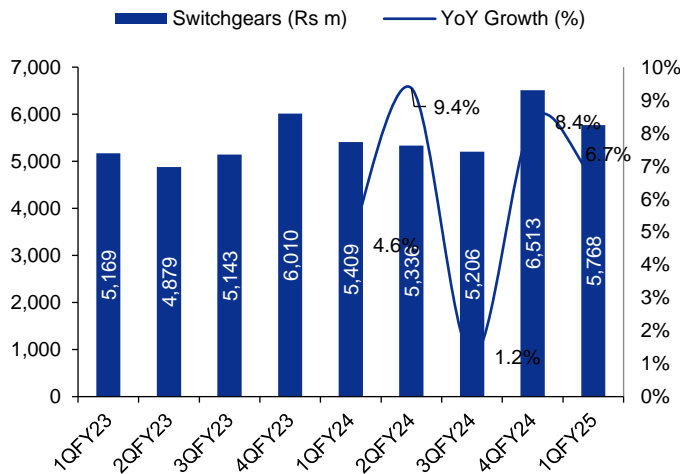
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Profitability likely to improve further



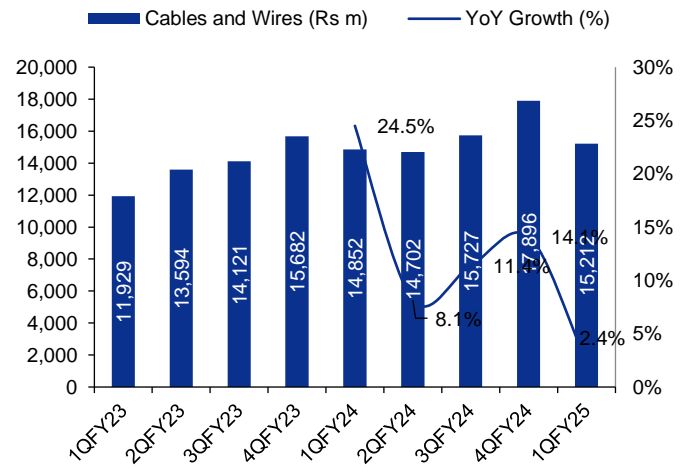
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: Switchgear segment's revenue trend



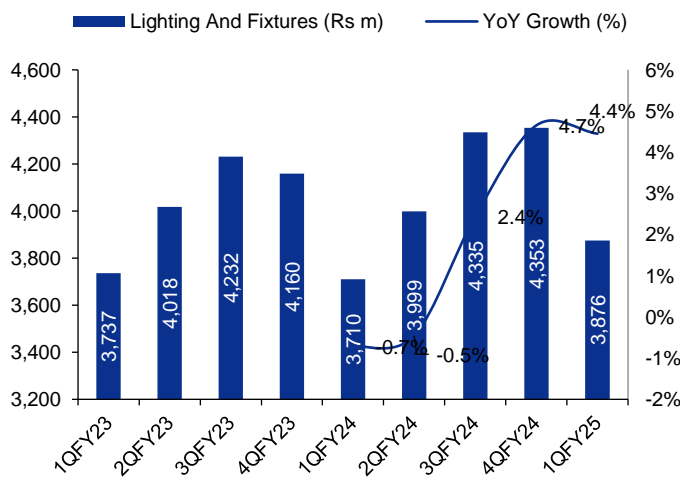
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: C&W segment's revenue trend



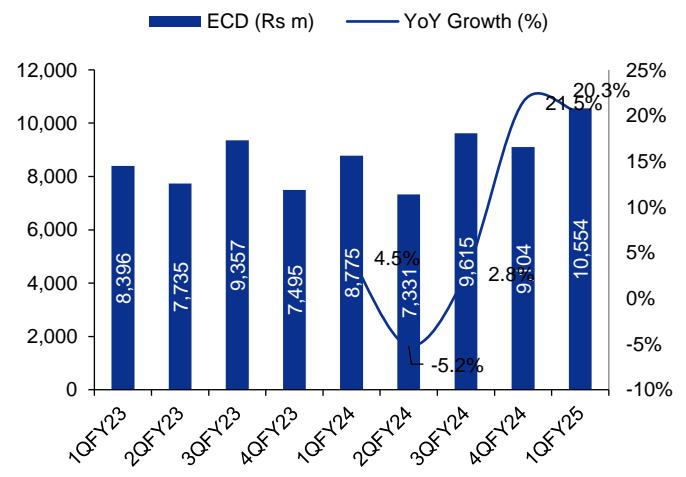
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 11: Lighting and fixtures segment's revenue trend



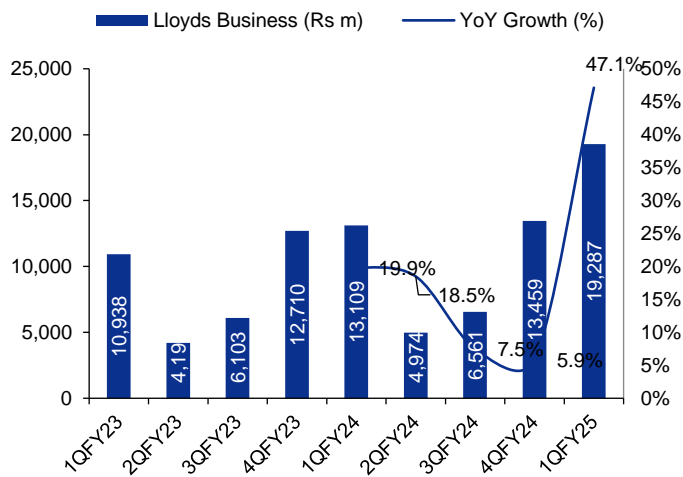
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 12: ECD segment's revenue trend



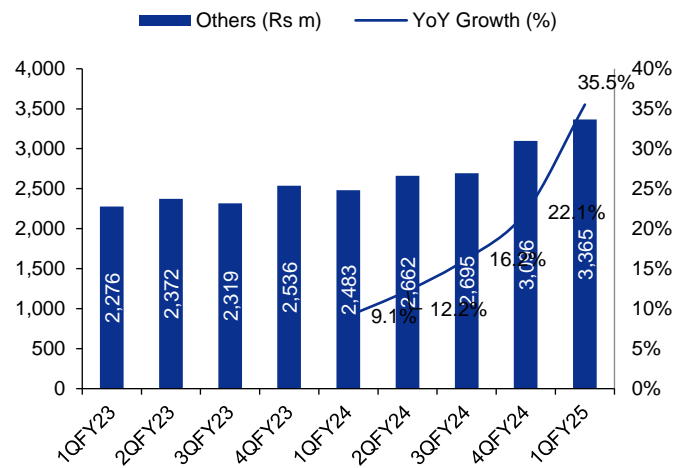
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 13: Lloyd's revenue trend



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 14: Others segment's revenue trend



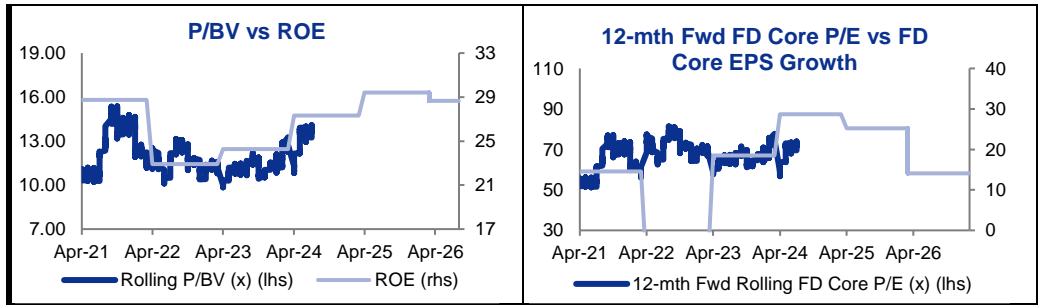
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 15: Earning revision summary

Rs m	New Estimates		Old Estimates		Change (%)		Introduced
	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F	
Earnings revision							
Revenues	2,20,203	2,53,731	2,17,820	2,49,920	1.1%	1.5%	2,90,958
EBITDA	23,496	29,495	23,307	28,241	0.8%	4.4%	33,231
Adj. PAT	16,360	20,491	15,800	19,378	3.5%	5.7%	23,382
EBITDA margin (%)	10.7%	11.6%	10.7%	11.3%	-3bp	32bp	11.4%

SOURCE: COMPANY REPORTS, INCRED RESEARCH

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	169,107	185,900	220,203	253,731	290,958
Gross Profit	52,053	60,213	74,840	86,235	98,887
Operating EBITDA	15,991	18,426	23,496	29,495	33,231
Depreciation And Amortisation	(2,962)	(3,385)	(3,679)	(4,482)	(4,880)
Operating EBIT	13,030	15,041	19,817	25,014	28,351
Financial Income/(Expense)	896	1,392	1,430	1,731	2,230
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	545	641	654	686	721
Profit Before Tax (pre-EI)	14,471	17,074	21,901	27,431	31,301
Exceptional Items					
Pre-tax Profit	14,471	17,074	21,901	27,431	31,301
Taxation	(3,753)	(4,366)	(5,541)	(6,940)	(7,919)
Exceptional Income - post-tax					
Profit After Tax	10,717	12,708	16,360	20,491	23,382
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	10,717	12,708	16,360	20,491	23,382
Recurring Net Profit	10,717	12,708	16,360	20,491	23,382
Fully Diluted Recurring Net Profit	10,717	12,708	16,360	20,491	23,382

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	15,991	18,426	23,496	29,495	33,231
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(6,964)	4,272	(2,089)	(1,288)	(1,430)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	1,439	2,144	2,084	2,417	2,951
Net Interest (Paid)/Received	(898)	(1,393)	(1,430)	(1,731)	(2,230)
Tax Paid	(3,919)	(3,919)	(5,541)	(6,940)	(7,919)
Cashflow From Operations	5,649	19,529	16,520	21,954	24,602
Capex	(5,878)	(7,623)	(8,687)	(5,934)	(6,058)
Disposals Of FAs/subsidiaries	23				
Acq. Of Subsidiaries/investments	5,004	(10,026)			
Other Investing Cashflow	1,201	1,510	1,829	2,169	2,712
Cash Flow From Investing	350	(16,139)	(6,858)	(3,765)	(3,346)
Debt Raised/(repaid)	(4,113)	(300)			
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(4,703)	(4,701)	(5,014)	(5,641)	(6,268)
Preferred Dividends					
Other Financing Cashflow	(253)	(334)	(398)	(438)	(482)
Cash Flow From Financing	(9,069)	(5,336)	(5,413)	(6,079)	(6,750)
Total Cash Generated	(3,070)	(1,945)	4,249	12,110	14,507
Free Cashflow To Equity	1,887	3,090	9,661	18,189	21,257
Free Cashflow To Firm	5,665	2,935	9,263	17,751	20,775

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	20,510	30,382	34,878	46,987	61,494
Total Debtors	9,739	11,650	13,799	15,900	18,233
Inventories	37,086	34,086	42,231	48,661	55,800
Total Other Current Assets	3,221	2,857	3,016	3,476	3,986
Total Current Assets	70,556	78,974	93,924	115,024	139,513
Fixed Assets	33,102	36,774	40,504	45,207	46,384
Total Investments	200	200	200	200	200
Intangible Assets	3,105	3,105	3,105	3,105	3,105
Total Other Non-Current Assets	4,611	5,209	6,240	2,990	2,990
Total Non-current Assets	41,018	45,288	50,049	51,501	52,679
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	26,433	26,919	31,886	36,741	42,132
Other Current Liabilities	11,562	15,305	18,702	21,550	24,712
Total Current Liabilities	37,994	42,224	50,588	58,291	66,843
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	3,711	3,996	3,996	3,996	3,996
Total Non-current Liabilities	3,711	3,996	3,996	3,996	3,996
Total Provisions	3,615	3,575	3,575	3,575	3,575
Total Liabilities	45,321	49,795	58,159	65,862	74,414
Shareholders Equity	66,255	74,468	85,813	100,663	117,778
Minority Interests					
Total Equity	66,255	74,468	85,813	100,663	117,778

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	21.3%	9.9%	18.5%	15.2%	14.7%
Operating EBITDA Growth	(9.2%)	15.2%	27.5%	25.5%	12.7%
Operating EBITDA Margin	9.5%	9.9%	10.7%	11.6%	11.4%
Net Cash Per Share (Rs)	32.74	48.49	55.65	74.98	98.13
BVPS (Rs)	105.77	118.85	136.93	160.63	187.94
Gross Interest Cover	38.76	32.91	49.74	57.07	58.81
Effective Tax Rate	25.9%	25.6%	25.3%	25.3%	25.3%
Net Dividend Payout Ratio	32.5%	27.5%	22.9%	20.6%	20.0%
Accounts Receivables Days	18.78	21.00	21.09	21.36	21.41
Inventory Days	104.10	103.34	95.81	99.03	99.26
Accounts Payables Days	78.32	77.47	73.83	74.77	74.94
ROIC (%)	31.9%	28.4%	38.5%	42.9%	46.4%
ROCE (%)	20.8%	22.8%	25.9%	28.1%	27.5%
Return On Average Assets	12.5%	13.3%	15.3%	16.6%	16.2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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