

May 1, 2024

## Q4FY24 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	1,774		1,681	
Sales (Rs. m)	2,14,045	2,48,416	2,17,142	2,49,737
% Chng.	(1.4)	(0.5)		
EBITDA (Rs. m)	22,860	28,539	24,024	30,800
% Chng.	(4.8)	(7.3)		
EPS (Rs.)	25.4	32.6	27.2	35.8
% Chng.	(6.4)	(8.8)		

### Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	1,69,107	1,85,900	2,14,045	2,48,416
EBITDA (Rs. m)	15,991	18,426	22,860	28,539
Margin (%)	9.5	9.9	10.7	11.5
PAT (Rs. m)	10,717	12,708	15,931	20,431
EPS (Rs.)	17.1	20.3	25.4	32.6
Gr. (%)	(10.5)	18.5	25.4	28.2
DPS (Rs.)	4.5	9.0	9.5	11.0
Yield (%)	0.3	0.5	0.6	0.7
RoE (%)	17.0	18.1	19.8	21.8
RoCE (%)	22.7	24.9	27.0	29.7
EV/Sales (x)	6.0	5.4	4.7	4.0
EV/EBITDA (x)	63.9	54.9	43.9	34.7
PE (x)	97.3	82.1	65.5	51.0
P/BV (x)	15.7	14.0	12.0	10.3

### Key Data

HVEL.BO | HAVL IN

52-W High / Low	Rs.1,688 / Rs.1,211
Sensex / Nifty	74,483 / 22,605
Market Cap	Rs.1,043bn/ \$ 12,498m
Shares Outstanding	627m
3M Avg. Daily Value	Rs.1767.24m

### Shareholding Pattern (%)

Promoter's	59.43
Foreign	23.21
Domestic Institution	9.79
Public & Others	7.57
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	9.8	33.5	35.3
Relative	8.6	14.5	11.0

**Praveen Sahay**

praveensahay@plindia.com | 91-22-66322369

## Havells India (HAVL IN)

Rating: ACCUMULATE | CMP: Rs1,664 | TP: Rs1,774

### Healthy growth in ECD, Lloyd turns positive

#### Quick Pointers:

- Lloyd surprised with positive EBIT, double digit contribution margin.
- ECD business reported healthy growth of 21.5% YoY, led by fan segment.

**We have downward revised our FY25/FY26E earnings by 6.4%/8.8% mainly with correction in margins with increased adv. & employee expenses, and RM price fluctuation. Havells India's (HAVL IN) reported healthy growth in revenue mainly with better than expected growth from ECD and Cables segments (21.5%/14.1% YoY), while Lloyd reported soft revenue growth (+5.4% YoY). The company indicated that ECD segment growth momentum to continue through summer led demand & uptick in real estate demand. Lloyd strategy remain on growth with profitability while expected to maintain its market share. We believe the company to focus on growth in coming year with restricted margins. We estimate Revenue/EBITDA/PAT CAGR of 15.6%/24.5%/26.8% for FY24-26E with ECD/Cables/Lloyd segments revenue CAGR of 13.5%/18.0%/16.2% over FY24-26E and EBITDA margin to reach 11.5% by FY26E (+160bps). Maintain 'Accumulate' rating at a DCF based target price of Rs1,774 (earlier Rs 1681), which implies 54x FY26 EPS.**

**Revenue grew 12.0%, Adj. PAT grew 24.8%:** Revenue grew by 12.0% YoY to Rs54.4bn (PLe ~Rs54.7bn). ECD (contributed 17% rev.) reported healthy growth of 21.5% YoY, primary led by robust growth in fan segment. Cables revenues grew by 14.1% YoY, maintained its growth momentum with continued infrastructure led demand. EBITDA grew by 20.4% YoY to Rs6.3bn (PLe: Rs5.7bn). EBITDA margins expanded by 80bps YoY to 11.7% (PLe: 10.4%). Advertising & sales promotion spends maintained at 2.4% sales (up 20.6% YoY) and Emp. expenses increased by 28.2% YoY, resulted lower EBITDA margin expansion against Gross margin. In terms of segmental EBIT margin, Cables margin came in at 12% (flat YoY), Lighting at 18.2% (flat YoY), ECD at 11.3% (-160bps) and Switchgear at 28.2% (-40bps YoY). Lloyd showed EBIT margins of 2.8% vs loss of Rs 229mn in Q4FY23. PBT grew by 23.1% YoY to Rs6.0bn. Adj. PAT grew 24.8% YoY to Rs4.5bn (PLe Rs3.95bn).

**Concall Takeaways:** **1)** Company attributes growth in C&W segment from uptick in real estate and infrastructure. Company saw a volume growth of 18% YoY in C&W in Q4FY24 and 15% for FY24, **2)** Growth in ECD was primarily led by Fans due to lower base of previous year and picking up of summer season, **3)** Company has observed increase in raw material prices (CU/AL) in Mar/Apr-24 which may impact margins, **4)** Company is targeting a capex of Rs 8.0bn in FY25. **5)** Lloyd has seen growth in volume from South & East India in Q4FY24, and expected pickup from North India in Q1FY25, **6)** Management indicated utilization reached to an average of ~65% in Lloyd in FY24, **7)** Lloyd reported positive EBIT on account of cost saving and business efficiency measures. Lloyd could see more improvement in margins with increase in volume as fixed cost will be distributed more broadly. Management focus on growth with profitability in the segment. **8)** Company does not aim to increase prices of RAC anytime soon, focus on maintaining market share, **9)** In case of Large kitchen appliance, company is focused on owning IP and getting it manufactured from third party, company does not plan to invest for in-house manufacturing.

**Exhibit 1: Q4FY24 Result Overview (Rs mn)**

Y/e March	Q4FY24	Q4FY23	YoY gr. (%)	Q3FY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Net Sales	54,420	48,592	12.0	44,139	23.3	1,85,900	1,69,107	9.9
Gross Profit	17,858	14,789	20.7	14,692	21.5	60,213	52,053	15.7
% of N S	32.8	30.4		33.3		32.4	30.8	
Other Expenses	11,512	9,518	20.9	10,760	7.0	41,787	36,061	15.9
% of N S	21.2	19.6		24.4		22.5	21.3	
EBITDA	6,346	5,271	20.4	3,932	61.4	18,426	15,991	15.2
Margin (%)	11.7	10.8		8.9		9.9	9.5	
Depreciation	934	774	20.6	877	6.5	3,385	2,962	14.3
Interest	177	98	81.6	102	73.6	457	336	36.0
Other income	758	467	62.2	559	35.5	2,490	1,777	40.1
PBT	5,993	4,867	23.1	3,512	70.6	17,074	14,471	18.0
Tax	1,526	1,287	18.6	1,028	48.4	4,366	3,753	16.3
ETR (%)	25.5	26.4		29.3		25.6	25.9	
Adj. PAT	4,467	3,580	24.8	2,484	79.8	12,708	10,717	18.6

Source: Company, PL

**Exhibit 2: Segmental Breakup (Rs mn)**

Y/e March	Q4FY24	Q4FY23	YoY gr. (%)	Q3FY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Revenues								
Switchgears	6,513	6,010	8.4	5,206	25.11	22,463	21,202	5.9
Cables	17,896	15,682	14.1	15,727	13.79	63,176	55,326	14.2
Lighting & Fixtures	4,334	4,160	4.2	4,335	-0.03	16,378	16,145	1.4
Electrical Consumer Durables	9,104	7,495	21.5	9,615	-5.32	34,825	32,982	5.6
Others	3,096	2,536	22.1	2,695	14.91	10,936	9,503	15.1
Core Revenues	40,942	35,882	14.1	37,578	8.95	1,47,778	1,35,158	9.3
Lloyd	13,401	12,710	5.4	6,561	104.25	38,045	33,949	12.1
<b>Total Revenues</b>	<b>54,343</b>	<b>48,592</b>	<b>11.8</b>	<b>44,139</b>	<b>23.12</b>	<b>1,85,823</b>	<b>1,69,107</b>	<b>9.9</b>
EBIT								
Switchgears	1,836	1,721	6.7	1,256	46.2	6,000	5,565	7.8
EBIT margin (%)	28.2	28.6		24.1		26.7	26.2	
Cables	2,154	1,885	14.3	1,633	31.9	7,184	5,247	36.9
EBIT margin (%)	12.0	12.0		10.4		11.4	9.5	
Lighting & Fixtures	787	755	4.2	614	28.1	2,503	2,477	1.1
EBIT margin (%)	18.2	18.1		14.2		15.3	15.3	
Electrical Consumer Durables	1,025	962	6.6	1,073	-4.5	3,903	4,188	(6.8)
EBIT margin (%)	11.3	12.8		11.2		11.2	12.7	
Others	89	115	(23.1)	44	103.4	260	350	(25.7)
EBIT margin (%)	2.9	4.5		1.6		2.4	3.7	
Core EBIT	5,890	5,438	8.3	4,620	27.5	19,849	17,826	11.4
EBIT margin (%)	14.4	15.2		12.3		13.4	13.2	
Lloyd	372	-215	NA	-646	NA	(1,635)	-2,233	NA
EBIT margin (%)	2.8	-1.7		-9.8		-4.3	-6.6	
<b>Total EBIT</b>	<b>6,262</b>	<b>5,223</b>	<b>19.9</b>	<b>3,974</b>	<b>57.6</b>	<b>18,215</b>	<b>15,593</b>	<b>16.8</b>
EBIT margin (%)	11.5	10.7		9.0		9.8	9.2	

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
<b>Net Revenues</b>	<b>1,69,107</b>	<b>1,85,900</b>	<b>2,14,045</b>	<b>2,48,416</b>
YoY gr. (%)	21.3	9.9	15.1	16.1
Cost of Goods Sold	1,17,055	1,25,687	1,43,902	1,65,946
Gross Profit	52,053	60,213	70,143	82,470
Margin (%)	30.8	32.4	32.8	33.2
Employee Cost	12,683	15,485	16,910	18,631
Other Expenses	11,600	12,437	14,320	16,296
<b>EBITDA</b>	<b>15,991</b>	<b>18,426</b>	<b>22,860</b>	<b>28,539</b>
YoY gr. (%)	(9.2)	15.2	24.1	24.8
Margin (%)	9.5	9.9	10.7	11.5
Depreciation and Amortization	2,962	3,385	3,954	4,406
<b>EBIT</b>	<b>13,030</b>	<b>15,041</b>	<b>18,906</b>	<b>24,133</b>
Margin (%)	7.7	8.1	8.8	9.7
Net Interest	336	457	463	508
Other Income	1,777	2,490	2,869	3,707
<b>Profit Before Tax</b>	<b>14,471</b>	<b>17,074</b>	<b>21,312</b>	<b>27,332</b>
Margin (%)	8.6	9.2	10.0	11.0
Total Tax	3,753	4,366	5,381	6,901
Effective tax rate (%)	25.9	25.6	25.3	25.3
<b>Profit after tax</b>	<b>10,717</b>	<b>12,708</b>	<b>15,931</b>	<b>20,431</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>10,717</b>	<b>12,708</b>	<b>15,931</b>	<b>20,431</b>
YoY gr. (%)	(10.4)	18.6	25.4	28.2
Margin (%)	6.3	6.8	7.4	8.2
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>10,717</b>	<b>12,708</b>	<b>15,931</b>	<b>20,431</b>
YoY gr. (%)	(10.4)	18.6	25.4	28.2
Margin (%)	6.3	6.8	7.4	8.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	10,717	12,708	15,931	20,431
<b>Equity Shares O/s (m)</b>	<b>627</b>	<b>627</b>	<b>627</b>	<b>627</b>
<b>EPS (Rs)</b>	<b>17.1</b>	<b>20.3</b>	<b>25.4</b>	<b>32.6</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>46,923</b>	<b>53,656</b>	<b>62,726</b>	<b>66,126</b>
Tangibles	34,514	41,055	50,025	53,325
Intangibles	12,409	12,601	12,701	12,801
<b>Acc: Dep / Amortization</b>	<b>13,821</b>	<b>16,882</b>	<b>20,837</b>	<b>25,243</b>
Tangibles	12,236	14,993	18,639	22,736
Intangibles	1,585	1,889	2,197	2,507
<b>Net fixed assets</b>	<b>33,102</b>	<b>36,774</b>	<b>41,889</b>	<b>40,883</b>
Tangibles	22,279	26,063	31,385	30,589
Intangibles	10,823	10,712	10,504	10,294
Capital Work In Progress	1,664	2,987	1,518	1,018
Goodwill	3,105	3,105	3,105	3,105
Non-Current Investments	1,691	532	428	445
Net Deferred tax assets	(3,615)	(3,575)	(3,522)	(3,454)
Other Non-Current Assets	1,351	1,933	1,778	1,904
<b>Current Assets</b>				
Investments	1,809	-	-	-
Inventories	37,086	34,086	41,050	47,641
Trade receivables	9,739	11,650	11,728	13,612
Cash & Bank Balance	18,702	30,382	38,669	53,651
Other Current Assets	1,785	2,372	2,140	2,484
<b>Total Assets</b>	<b>1,11,574</b>	<b>1,24,327</b>	<b>1,42,886</b>	<b>1,65,414</b>
<b>Equity</b>				
Equity Share Capital	627	627	627	627
Other Equity	65,628	73,841	86,011	1,00,488
<b>Total Network</b>	<b>66,255</b>	<b>74,468</b>	<b>86,638</b>	<b>1,01,115</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	-	-	-	-
Provisions	1,367	877	1,010	1,172
Other non current liabilities	113	152	175	203
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	26,432	26,919	30,541	35,220
Other current liabilities	11,923	15,912	18,209	21,011
<b>Total Equity &amp; Liabilities</b>	<b>1,11,574</b>	<b>1,24,327</b>	<b>1,42,886</b>	<b>1,65,414</b>

Source: Company Data, PL Research

### Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	14,471	17,074	21,312	27,332
Add. Depreciation	2,962	3,385	3,954	4,406
Add. Interest	336	457	463	508
Less Financial Other Income	1,777	2,490	2,869	3,707
Add. Other	(503)	628	664	436
Op. profit before WC changes	17,265	21,544	26,393	32,682
Net Changes-WC	(8,967)	5,943	(1,022)	(1,438)
Direct tax	(3,753)	(4,366)	(5,381)	(6,901)
<b>Net cash from Op. activities</b>	<b>4,545</b>	<b>23,120</b>	<b>19,990</b>	<b>24,343</b>
Capital expenditures	(6,022)	(8,297)	(7,600)	(2,900)
Interest / Dividend Income	-	-	-	-
Others	5,924	(11,862)	(7,880)	(13,000)
<b>Net Cash from Invst. activities</b>	<b>(99)</b>	<b>(20,159)</b>	<b>(15,480)</b>	<b>(15,900)</b>
Issue of share cap. / premium	0	0	-	-
Debt changes	(2,726)	-	-	-
Dividend paid	(2,817)	(4,697)	(3,760)	(5,954)
Interest paid	(336)	(457)	(463)	(508)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(5,879)</b>	<b>(5,154)</b>	<b>(4,223)</b>	<b>(6,461)</b>
<b>Net change in cash</b>	<b>(1,432)</b>	<b>(2,193)</b>	<b>288</b>	<b>1,982</b>
Free Cash Flow	(768)	13,979	11,263	20,499

Source: Company Data, PL Research

### Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
<b>Per Share(Rs)</b>				
EPS	17.1	20.3	25.4	32.6
CEPS	21.8	25.7	31.7	39.6
BVPS	105.8	118.8	138.2	161.3
FCF	(1.2)	22.3	18.0	32.7
DPS	4.5	9.0	9.5	11.0
<b>Return Ratio(%)</b>				
RoCE	22.7	24.9	27.0	29.7
ROIC	21.6	28.0	33.7	44.8
RoE	17.0	18.1	19.8	21.8
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.3)	(0.4)	(0.4)	(0.5)
Net Working Capital (Days)	44	37	38	38
<b>Valuation(x)</b>				
PER	97.3	82.1	65.5	51.0
P/B	15.7	14.0	12.0	10.3
P/CEPS	76.2	64.8	52.4	42.0
EV/EBITDA	63.9	54.9	43.9	34.7
EV/Sales	6.0	5.4	4.7	4.0
Dividend Yield (%)	0.3	0.5	0.6	0.7

Source: Company Data, PL Research

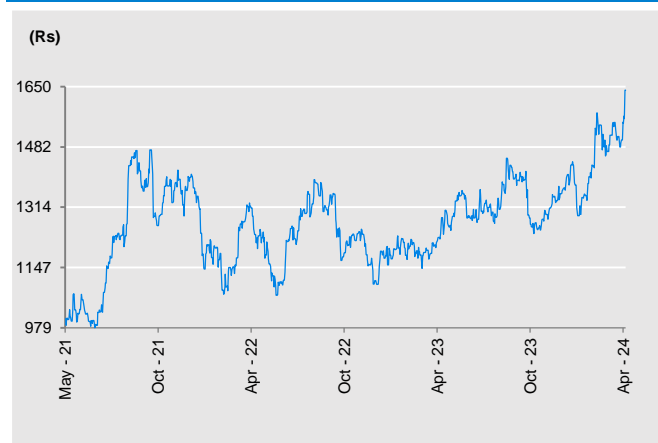
### Quarterly Financials (Rs m)

Y/e Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24
<b>Net Revenue</b>	<b>48,338</b>	<b>39,003</b>	<b>44,139</b>	<b>54,420</b>
YoY gr. (%)	14.3	6.0	6.9	12.0
Raw Material Expenses	33,659	26,019	29,447	36,562
Gross Profit	14,679	12,984	14,692	17,858
Margin (%)	30.4	33.3	33.3	32.8
<b>EBITDA</b>	<b>4,020</b>	<b>3,734</b>	<b>3,932</b>	<b>6,346</b>
YoY gr. (%)	11.2	30.2	(7.2)	20.4
Margin (%)	8.3	9.6	8.9	11.7
Depreciation / Depletion	763	812	877	934
<b>EBIT</b>	<b>3,257</b>	<b>2,922</b>	<b>3,055</b>	<b>5,412</b>
Margin (%)	6.7	7.5	6.9	9.9
Net Interest	85	93	102	177
Other Income	648	525	559	758
<b>Profit before Tax</b>	<b>3,821</b>	<b>3,353</b>	<b>3,512</b>	<b>5,993</b>
Margin (%)	7.9	8.6	8.0	11.0
Total Tax	950	862	1,028	1,526
Effective tax rate (%)	24.9	25.7	29.3	25.5
<b>Profit after Tax</b>	<b>2,871</b>	<b>2,491</b>	<b>2,484</b>	<b>4,467</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>2,871</b>	<b>2,491</b>	<b>2,484</b>	<b>4,467</b>
YoY gr. (%)	18.4	33.2	(12.4)	24.8
Margin (%)	5.9	6.4	5.6	8.2
Extra Ord. Income / (Exp)	-	-	395	-
<b>Reported PAT</b>	<b>2,871</b>	<b>2,491</b>	<b>2,879</b>	<b>4,467</b>
YoY gr. (%)	18.4	33.2	1.6	24.8
Margin (%)	5.9	6.4	6.5	8.2
Other Comprehensive Income	(17)	(9)	(11)	(14)
<b>Total Comprehensive Income</b>	<b>2,854</b>	<b>2,482</b>	<b>2,868</b>	<b>4,453</b>
Avg. Shares O/s (m)	626	626	627	627
<b>EPS (Rs)</b>	<b>4.6</b>	<b>4.0</b>	<b>4.0</b>	<b>7.1</b>

Source: Company Data, PL Research

## Price Chart

## Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Apr-24	Accumulate	1,681	1,550
2	24-Jan-24	Accumulate	1,538	1,306
3	09-Jan-24	Accumulate	1,538	1,376
4	20-Oct-23	Accumulate	1,538	1,363
5	07-Oct-23	Accumulate	1,538	1,399
6	27-Sep-23	Accumulate	1,538	1,404
7	21-Jul-23	BUY	1,460	1,348
8	06-Jul-23	BUY	1,460	1,287
9	04-May-23	BUY	1,447	1,245

## Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Astral Ltd.	Accumulate	2,244	1,995
2	Bajaj Electricals	Hold	997	996
3	Century Plyboard (I)	BUY	848	644
4	Cera Sanitaryware	Accumulate	8,486	7,190
5	Crompton Greaves Consumer Electricals	BUY	359	281
6	Finolex Industries	Hold	251	259
7	Greenpanel Industries	BUY	420	325
8	Havells India	Accumulate	1,681	1,550
9	Kajaria Ceramics	Accumulate	1,445	1,242
10	KEI Industries	Hold	3,692	3,574
11	Polycab India	BUY	6,065	5,317
12	R R Kabel	BUY	1,857	1,558
13	Safari Industries (India)	BUY	5,188	4,338
14	Supreme Industries	BUY	5,094	4,110
15	Voltas	Hold	1,199	1,232

## PL's Recommendation Nomenclature (Absolute Performance)

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

## **ANALYST CERTIFICATION**

### **(Indian Clients)**

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