Q1 FY24 Result Update

HAVELLS INDIA LIMITED

....earnings set to accelerate

Havells revenue at Rs 48.2b (+14% YoY) stood marginally above estimate supported by betterthan-expected performance in Lloyds (+20% YoY) and cables and wires (+24% YoY), while, switchgears (+5% YoY), ECD (+5% YoY) & Lighting (-1% YoY) performance was marginally lower. Softening commodity prices although not fully reflected resulting in Gross margins of 30.4% (+140bps YoY). Advertising exp stood at Rs1.3b (2.8% vs 2.7% in 1QFY23; 2.3% in 4QFY23). EBITDA at Rs 4.02b (+11% YoY) stood below our estimate impacted by lower than estimated gross margins and higher than expected other expense (14.7% of sales vs exp. of 13.2%). EBITDA margin at 8.3% (-20bps YoY). EBIT margins for the Core Business stood at 13.5% (+60bps YoY) and for Lloyd stood at -4.7% vs -5.2% in 1QFY23. PAT at Rs 2.87b (+18% YoY). Management indicated that its core portfolio (Cables & Wires, Switchgear etc) to continue its growth propelled by strong momentum in construction and infrastructure industry. Fans adversely impacted in CY22 due to transition towards energy efficient fans, even as Lloyd continues to gain market share, establishing itself among top three players. It is expected to continue its growth trajectory as management remain focused.

Lloyd's margins are likely to remain muted over the next couple of years as the management continues to focus on RAC market share gains and ramp-up in other categories. Overall management indicated that demand has been sluggish but its gradually picking up. It expects second half of FY24E to better across segments with better consumer demand including rural. Further, it plans to foray into contract manufacturing of overseas brands and is working towards it to add to the overall revenues. We believe the margin has hit a trough and will continue to improve from here on, given (1) softening commodity inflation; (2) an increase in the premium mix and lowering losses in Lloyd. We maintain BUY with a TP of Rs 1545.

Result Snapshot Q1FY24:

Havells revenue at Rs 48.2b (+14% YoY) stood marginally above estimate supported by better-than-expected performance in Lloyds (+20% YoY) and cables and wires (+24% YoY), while, switchgears (+5% YoY), ECD (+5% YoY) & Lighting (-1% YoY) performance was marginally lower. Softening commodity prices although not fully reflected resulting in Gross margins of 30.4% (+140bps YoY).

| Key Financials | FY21 | FY22 | FY23 | FY24E | FY25E |
|---------------------|---------|---------|---------|---------|---------|
| Total Sales (Rs mn) | 104,279 | 138,885 | 168,684 | 193,671 | 223,980 |
| EBITDA Margins (%) | 13.4 | 12.7 | 9.5 | 11.2 | 12.0 |
| PAT Margins | 8.4 | 8.6 | 6.4 | 7.8 | 8.5 |
| EPS (Rs) | 14.0 | 19.1 | 17.2 | 24.0 | 30.3 |
| P/E (x) | 96.5 | 70.7 | 78.6 | 56.2 | 44.5 |
| P/BV (x) | 16.3 | 14.1 | 12.8 | 11.3 | 9.9 |
| EV/EBITDA (x) | 59.5 | 46.8 | 51.5 | 37.8 | 30.2 |
| RoE(%) | 16.9 | 19.9 | 16.3 | 20.1 | 22.2 |
| RoCE(%) | 19.0 | 21.8 | 17.9 | 22.5 | 25.2 |
| Dividend Yield (%) | 0.2 | 0.5 | 0.6 | 0.8 | 1.0 |



| Rating | BUY |
|--------------------------|-------|
| Current Market Price (₹) | 1,348 |
| 12 M Price Target (₹) | 1,545 |
| Potential upside (%) | 15 |

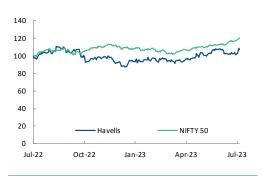
| Stock Data | |
|--------------------------------|----------------------|
| Sector : | Consumer Electricals |
| FV (₹) : | 1 |
| Total Market Cap (₹ bn) : | 844 |
| Free Float Market Cap (₹ bn) : | 338 |
| 52-Week High / Low (₹) | 1,408 / 1,025 |
| BSE Code / NSE Symbol | 517354 / HAVELLS |
| Bloomberg : | HAVL: IN |

| Shareholding Pattern | | | | | | | | | |
|----------------------|--------|--------|--------|--------|--|--|--|--|--|
| (%) | Jun-23 | Mar-23 | Dec-22 | Sep-22 | | | | | |
| Promoter | 59.43 | 59.45 | 59.45 | 59.45 | | | | | |
| MFs | 3.47 | 3.91 | 3.98 | 3.71 | | | | | |
| FPIs | 23.79 | 23.11 | 22.60 | 23.30 | | | | | |
| Insurance | 5.00 | 5.05 | 5.16 | 4.79 | | | | | |
| Others | 8.31 | 8.48 | 8.81 | 8.75 | | | | | |
| Source: BSE | | | | | | | | | |

| Price Performance | | | | | | | | |
|--|------|-------|-------|-------|--|--|--|--|
| (%) | 1M | 3M | 6M | 1Yr | | | | |
| Havells | 0.1% | 11.8% | 16.9% | 7.2% | | | | |
| Nifty 50 | 6.2% | 13.4% | 10.8% | 20.3% | | | | |
| * To date / current date : July 20, 2023 | | | | | | | | |

* To date / current date : July 20, 2023

Havells vs Nifty 50



LKP Research



Advertising exp stood at Rs1.3b (2.8% vs 2.7% in 1QFY23; 2.3% in 4QFY23). EBITDA at Rs 4.02b (+11% YoY) stood below our estimate impacted by lower than estimated gross margins and higher than expected other expense (14.7% of sales vs exp. of 13.2%). EBITDA margin at 8.3% (-20bps YoY). EBIT margins for the Core business stood at 13.5% (+60bps YoY) and for Lloyd stood at -4.7% vs -5.2% in 1QFY23. PAT at Rs2.87b (+18% YoY).

Segmental Details:

- Switchgear revenue at Rs5.4b (+5% YoY). EBIT margins stood at 27.7% vs 26.2% in 1QFY23
- Cables and Wires segment revenue stood at Rs14.9b (+24% YoY). EBIT margins stood at 11.4% vs 7.3% in 1QFY23
- ECD segment revenue stood at Rs8.8b (+5% YoY). EBIT margins stood at 10.9% vs 13.1% in 1QFY23
- Lighting segment revenue stood at Rs3.7b (-1% YoY). EBIT margins stood at 14.4% vs 16.5% in 1QFY23
- Lloyd revenue stood at Rs13.1b (+20% YoY). EBIT margins stood at -4.7% vs -5.2% in 1QFY23.

Outlook

Havells remains focused on ensuring its presence across the value chain through a) increased presence in e-commerce, b) deeper penetration into India through the Rural Vistaar programme and Utsav stores, c) increased participation in B2B projects, and d) expanded footprint in international markets.

Despite expectation of softness in near-term demand owing to unseasonal rains and weak summer intensity, we like Havells long-term growth strategy through continuous portfolio and distribution expansion and brand-building initiatives. Among peers, Havells enjoys the highest margins in many product categories and generates healthy FCF despite high capex (unlike most peers, the company has opted for in-house production).

We believe the margin has hit a trough and will continue to improve from here on, given (1) softening commodity inflation; (2) an increase in the premium mix (fans: 30% vs 17% five years back) and lowering losses in Lloyd. We maintain BUY with a TP of Rs 1,545.



Profit and Loss Statement

| Switchgears5,4075,1676,0104.4.7-1.0Cable and Wires14,85211,92915,6824.2.531.2.12Lighting and Fixtures3,6708,3817,4954.6.61.7Electrical Consumer Durables8,7708,3817,4904.6.67.1Lioyds13,05510,83712,6402.0.53.3Others2,4832,2762,5369.13.7Total Sales48,23742,30148,4964.44.6as % of sales69.67.169.57.47.1S % of sales7.47.16.77.17.1Other operating expenses7,0825,6286,2682.8.97.4as % of sales14.713.312.87.47.1Dipope Cost3,5293,6213.7217.747.87.1as % of sales14.713.312.87.47.47.4Dipope Cost3,5213.64343,4814.37.4BTDA4,0243,61443,0841.37.47.4EBTDA4,0243,6145,36811.37.27.3Dipeciation637.27.74.5.87.17.2Par3,8233,2664,90417.17.27.4Par3,8338,2514.914.97.67.6Par3,8233,2664,90417.17.27.6Par3,833 <th>(₹ mn)</th> <th>Q1FY24</th> <th>Q1FY23</th> <th>Q4FY23</th> <th>YoY (%)</th> <th>QoQ (%)</th> | (₹ mn) | Q1FY24 | Q1FY23 | Q4FY23 | YoY (%) | QoQ (%) |
|--|------------------------------|--------|--------|--------|---------|---------|
| Lighting and Fixtures3,6703,7114,134-1.1-11.2Electrical Consumer Durables8,7708,3817,4954.617Lloyds13,05510,83712,6402.0.53.3Others2,4832,2762,5369.1-2.1Total Sales48,23742,30148,49614-0.5Raw Material33,57930,03933,72111.8-0.4as % of sales69.67169.517.68.9as % of sales7.425,6286,20625.814.1as % of sales7.425,6286,20625.814.1as % of sales14.713.312.82.43.6Depreciation7637217745.8-1.5EBITDA4,0243,6145,30811.3-242Depreciation7637217745.8-1.5EBIT3,6212,8934,53412.7-2.8Interest859898-1.3.2-1.3EXCeptional6474704683.7.73.1PAT2,8682,4213,61114.9-2.6Margins (%)12.83,2654,90417.1-2.2Tax9508411,28714.0-2.6PAT2,8682,4213,61114.8-2.6Margins (%)13.02.93.0514.0-3.6EBIDTA8.38.510.9< | Switchgears | 5,407 | 5,167 | 6,010 | 4.7 | -10 |
| Electrical Consumer Durables8,7708,3817,4954.617Lloyds13,05510,83712,64020.53.3Others2,4832,2762,5369.1-2.1Total Sales48,23742,30148,49644-0.5Raw Material33,57930,03933,72111.8-0.4as % of sales69.67169.517.68.9as % of sales7,47.16.77.07.0Other operating expenses7,0825,6286,2062.5.814.1as % of sales14.713.312.82.41.4as % of sales7,423.8,68843,18844.32.4BITDA40,2436,145,00811.3-2.4Depreciation7637217745.8-1.5EBIT3,2612,8934,53412.7-2.8Interest859898-1.3.2-1.3.1Exceptional7553,2664,90417.1-2.2Tax9508411,2872.0-2.6PAT2,8682,4213,6114.8.4-2.06Gross Margin30.42.930.5140-8EBITA6.86.89.3-2.4-2.6EBITA6.86.89.3-2.0-2.6EBITA6.86.89.3-2.0-2.6EBITA6.86.89.3-2.0-2.6 </td <td>Cable and Wires</td> <td>14,852</td> <td>11,929</td> <td>15,682</td> <td>24.5</td> <td>-5.3</td> | Cable and Wires | 14,852 | 11,929 | 15,682 | 24.5 | -5.3 |
| Lioyds13,05510,83712,64020.53.3Others2,4832,2762,5369.1-2.1Total Sales48,23742,30148,49614-0.5Raw Material33,57930,03933,72111.8-0.4as % of sales69.67169.57.0523.0213.26217.68.9as % of sales7.47.16.7Other operating expenses7,0825,6286,0662.5.814.1Total Expenditure44,21338,68843,18814.3-2.4 | Lighting and Fixtures | 3,670 | 3,711 | 4,134 | -1.1 | -11.2 |
| Others2,4832,2762,5369.1-2.1Total Sales48,23742,301484,9614-0.5Raw Material33,57930,03933,72111.8-0.4as % of sales69.67169.5769.5Employee Cost3,5523,0213,26217.68.9as % of sales7.47.16.777Other operating expenses7,0825,6286,2062.5.814.1as % of sales14.713.312.814.32.4EBITDA44,21338,68843,18814.3-2.4Depreciation7637217745.8-2.5EBIT3,2612,8934,53412.7-2.81Other Income64747046837.73.82Interest85989813.2-1.31Exceptional7533,2664,90417.1-2.2Tax9508411.287-2.61PBT3,8233,2664,90417.1-2.2Tax9508411.2871.69-2.61FBIDTA8.488.89.31.40-2.61EBITA6.86.89.31.40-2.62EBITA6.86.89.31.40-2.61EBITA6.86.89.31.40-2.61EBITA6.86.89.31.40-2.61EBITA6.86. | Electrical Consumer Durables | 8,770 | 8,381 | 7,495 | 4.6 | 17 |
| Total Sales48,23742,30148,49614-0.5Raw Material33,57930,03933,72111.8-0.4as % of sales69.67169.569.67169.5Employee Cost3,5523,0213,26217.68.9as % of sales7.47.16.77.07.0Other operating expenses7,0825,6286,2062.5.81.4.1as % of sales14.713.310.87.07.0Total Expenditure44,21338,68843,18814.3.2.4EBITDA40,2243,6145,30811.3.2.4Depreciation7637.217.745.8.1.5EBIT3,2612,8934,53412.7.2.81Other Income64747046837.7.3.62PAT3,8233,2664,90417.1.2.2PAT3,8233,2664,90417.1.2.2PAT2,8682,4213,6141.8.4.2.06PAT2,8682,4213,6141.8.4.2.06PAT3,633,5651.091.40.2.62PAT3,644.243.611.6.9.2.62PAT3,643.683.6.51.40.2.62PAT5,646.89.3.4.64.2.65EBITA6.86.89.3.4.62.2.62EBITA6.86.89.3.4.6 <td>Lloyds</td> <td>13,055</td> <td>10,837</td> <td>12,640</td> <td>20.5</td> <td>3.3</td> | Lloyds | 13,055 | 10,837 | 12,640 | 20.5 | 3.3 |
| Raw Material33,57930,03933,72111.8-0.4as % of sales69.67169.5769.57Employee Cost3,5523,0213,26217.68.9as % of sales7.47.16.777Other operating expenses7,0825,6286,20625.814.1as % of sales14.713.312.877Total Expenditure44,21338,68843,18814.3-24.2Depreciation7637217745.8-1.5EBIT A3,2612,8934,53412.7-2.8.1Other Income64747046837.73.8.2Intrest89.89.8-1.3.2-1.3.2PAT3,8233,2664,90417.1-2.2PAT2,8682,4213,6113.8.4-2.0.6Margins (M)30.42,923.6.614.0-2.6EBIT A3.042.4213.61112.9-2.6.2PAT3,8233,2664,90417.1-2.2PAT5,862,4213,61118.4-2.0.6Margins (M)30.42.93.6.114.0-8EBIDTA8.38.510.9-2.0-2.6EBIT6.86.89.3-8-2.9EBIT7.97.710.12.1-2.13EBIT6.86.89.3-8-2.9< | Others | 2,483 | 2,276 | 2,536 | 9.1 | -2.1 |
| as % of sales69.67169.5Employee Cost3,5523,0213,26217.68.9as % of sales7.47.16.71.1Other operating expenses7,0825,6286,20625.814.1as % of sales14.713.312.814.32.4Total Expenditure44,21338,68843,18814.32.4EBITDA4,0243,6145,30811.3-24.2Depreciation7637217745.8-1.5EBIT3,2612,8934,53412.7-28.1Other Income64747046837.738.2Intrest89.89.8-1.3.2-1.3.2PAT3,8233,2664,90417.1-22.Tax9.08.11.0.2-26.2Margins (%)10.42,8682,4213,61118.4Gross Margin30.42.93.6114.0-26.6EBITA6.86.89.33.62.20-26.1EBITA5.97.710.02.1-21.9FAT5.97.710.12.1-21.9 | Total Sales | 48,237 | 42,301 | 48,496 | 14 | -0.5 |
| Employee Cost3,5523,0213,26217.68.9as % of sales7.47.16.77.17. | Raw Material | 33,579 | 30,039 | 33,721 | 11.8 | -0.4 |
| as % of sales7.47.16.7Other operating expenses7,0825,6286,20625.814.1as % of sales14.713.312.814.32.4Total Expenditure44,21338,68843,18814.32.4EBITDA4,0243,6145,30811.3-24.2Depreciation7637217745.8-1.5EBIT3,2612,8934,53412.7-28.1Other Income64747046837.738.2Interest859898-13.2-13.1Exceptional7508411,2874.12.9-26.2PAT2,8682,4213,61118.4-20.6Gross Margin30.42930.514.0-8EBITA6.86.89.3-4.2-26.1EBITA5.97.710.12.2-26.1PAT5.97.710.12.2-26.1EBITA6.86.89.3-26.1-26.1EBITA5.97.710.12.1-21.1FAT5.97.710.12.1-21.1EBITA5.95.77.42.2-15.1 | as % of sales | 69.6 | 71 | 69.5 | | |
| Other operating expenses 7,082 5,628 6,206 25.8 14.1 as % of sales 14.7 13.3 12.8 14.3 14.8 14.3 14.3 14.3 14.3 14.3 14.3 14.3 14.3 14.3 14.3 14.4 14.3 14.3 14.4 14.3 14.3 14.4 14.3 14.4 14.3 14.4 14.3 14.4 | Employee Cost | 3,552 | 3,021 | 3,262 | 17.6 | 8.9 |
| as % of sales 14.7 13.3 12.8 Total Expenditure 44,213 38,688 43,188 14.3 2.4 EBITDA 4,024 3,614 5,308 11.3 -24.2 Depreciation 763 721 774 5.8 -1.5 EBIT 3,261 2,893 4,534 12.7 -28.1 Other Income 647 470 468 37.7 38.2 Interest 85 98 98 -1.3.2 -13.1 Exceptional 85 98 98 -1.3.2 -13.1 PBT 3,823 3,266 4,904 17.1 -22.2 Tax 950 841 1,287 12.9 -26.2 PAT 2,868 2,421 3,611 18.4 -20.6 Margins (%) 7 30.4 29 30.5 14.0 -26.2 Gross Margin 30.4 29 30.5 14.0 -26.2 -26.2 | as % of sales | 7.4 | 7.1 | 6.7 | | |
| Total Expenditure44,21338,68843,18814.32.4EBITDA4,0243,6145,30811.3-24.2Depreciation7637217745.8-1.5EBIT3,2612,8934,53412.7-28.1Other Income64747046837.738.2Interest859898-13.2-13.1Exceptional853,2664,90417.1-22Tax9508411,28718.4-20.6PAT2,8882,4213,61018.4-20.6Gross Margin30.42930.5140-8EBITA6.86.89.33.4-26EBIT6.86.89.31.43-266FAT5.97.710.12.2-260EBIT6.86.89.33.4-206FAT5.97.710.12.1-216FAT5.95.77.42.2-250 | Other operating expenses | 7,082 | 5,628 | 6,206 | 25.8 | 14.1 |
| EBITDA 4,024 3,614 5,308 11.3 -24.2 Depreciation 763 721 774 5.8 -1.5 EBIT 3,261 2,893 4,534 12.7 -28.1 Other Income 647 470 468 37.7 38.2 Interest 85 98 98 -13.2 -13.1 Exceptional 85 98 98 -13.2 -13.1 PBT 3,823 3,266 4,904 17.1 -22.2 Tax 950 841 1,287 12.9 -26.2 PAT 2,868 2,421 3,611 18.4 -20.6 Gross Margin 30.4 29 30.51 18.4 -20.6 EBIDTA 8.3 8.5 10.9 -26.2 -26.0 EBIDTA 3.04 29 3.61 18.4 -20.6 Gross Margin 30.4 29 30.5 140 -8 EBIT 6.8 6.8 9.3 -8 -259 EBT 7.9 | as % of sales | 14.7 | 13.3 | 12.8 | | |
| Depreciation 763 721 774 5.8 -1.5 EBIT 3,261 2,893 4,534 12.7 -28.1 Other Income 647 470 468 37.7 38.2 Interest 85 98 98 -13.2 -13.1 Exceptional 85 98 98 -13.2 -13.1 PBT 3,823 3,266 4,904 17.1 -22 Tax 950 841 1,287 12.9 -26.2 PAT 2,868 2,421 3,611 18.4 -20.6 Margins (%) 12.9 -26.2 14.0 -8 Gross Margin 30.4 29 3,611 18.4 -20.6 EBIDTA 8.3 8.5 10.9 -26 -26 EBIT 6.8 6.8 9.3 14.0 -8 EBIT 6.8 6.8 9.3 1.8 -259 EBT 7.9 | Total Expenditure | 44,213 | 38,688 | 43,188 | 14.3 | 2.4 |
| EBIT 3,261 2,893 4,534 12.7 -28.1 Other Income 647 470 468 37.7 38.2 Interest 85 98 98 -13.2 -13.1 Exceptional 5 98 98 -13.2 -13.1 PBT 3,823 3,266 4,904 17.1 -22 Tax 950 841 1,287 12.9 -26.2 PAT 2,868 2,421 3,611 18.4 -20.6 Margins (%) 18.4 20.6 18.4 -20.6 EBIDTA 8.3 8.5 10.9 140 -8 EBIDTA 6.8 6.8 9.3 -26.2 -26.2 FBIT 30.4 29 30.5 140 -8 EBIDTA 8.3 8.5 10.9 -20 -260 EBIT 6.8 6.8 9.3 -8 -259 EBIT 7.9 7.7 10.1 21 -219 PAT 5.9 5.7 7.4 | EBITDA | 4,024 | 3,614 | 5,308 | 11.3 | -24.2 |
| Other Income 647 470 468 37.7 38.2 Interest 85 98 98 -13.2 -13.1 Exceptional 98 98 -13.2 -13.1 PBT 3,823 3,266 4,904 17.1 -22 Tax 950 841 1,287 12.9 -26.2 PAT 2,868 2,421 3,611 18.4 -20.6 Margins (%) C (bps) (bps) Gross Margin 30.4 29 30.5 1400 -8 EBIDTA 8.3 8.5 10.9 -26.2 EBIT 6.8 6.8 9.3 140 -8 FAT 5.9 5.7 7.4 22 -260 | Depreciation | 763 | 721 | 774 | 5.8 | -1.5 |
| Interest 85 98 98 -13.2 -13.1 Exceptional 70 70 70 70 PBT 3,823 3,266 4,904 17.1 -22 Tax 950 841 1,287 12.9 -26.2 PAT 2,868 2,421 3,611 18.4 -20.6 Margins (%) 18.4 -20.6 18.4 -20.6 Gross Margin 30.4 29 30.5 140 -8 EBITA 6.8 6.8 9.3 -8 -259 EBT 7.9 7.7 10.1 21 -210 PAT 5.9 5.7 7.4 22 -150 | EBIT | 3,261 | 2,893 | 4,534 | 12.7 | -28.1 |
| Exceptional Automatical and antical anti | Other Income | 647 | 470 | 468 | 37.7 | 38.2 |
| PBT 3,823 3,266 4,904 17.1 -22 Tax 950 841 1,287 12.9 -26.2 PAT 2,868 2,421 3,611 18.4 -20.6 Margins (%) (bps) (bps) (bps) Gross Margin 30.4 29 30.5 140 -8 EBIDTA 8.3 8.5 10.9 -20 -260 EBIT 6.8 6.8 9.3 140 -8 FAT 9.0 7.7 10.1 2.1 -200 PAT 5.9 5.7 7.4 2.2 -100 | Interest | 85 | 98 | 98 | -13.2 | -13.1 |
| Tax 950 841 1,287 12.9 -26.2 PAT 2,868 2,421 3,611 18.4 -20.6 Margins (%) (bps) (bps) (bps) (bps) Gross Margin 30.4 29 30.5 140 -8 EBIDTA 8.3 8.5 10.9 -200 -260 EBIT 6.8 6.8 9.3 -8 -259 EBT 7.9 7.7 10.1 21 -219 PAT 5.9 5.7 7.4 22 -150 | Exceptional | | | | | |
| PAT 2,868 2,421 3,611 18.4 -20.6 Margins (%) (bps) (bps) (bps) (bps) Gross Margin 30.4 29 30.5 140 -8 EBIDTA 8.3 8.5 10.9 -200 -260 EBIT 6.8 6.8 9.3 -8 -259 PAT 5.9 5.7 7.4 22 -150 | PBT | 3,823 | 3,266 | 4,904 | 17.1 | -22 |
| Margins (%) (bps) (bps) Gross Margin 30.4 29 30.5 140 -8 EBIDTA 8.3 8.5 10.9 -20 -260 EBIT 6.8 6.8 9.3 -8 -259 EBT 7.9 7.7 10.1 21 -219 PAT 5.9 5.7 7.4 22 -150 | Тах | 950 | 841 | 1,287 | 12.9 | -26.2 |
| Gross Margin 30.4 29 30.5 140 -8 EBIDTA 8.3 8.5 10.9 -20 -260 EBIT 6.8 6.8 9.3 -8 -259 EBT 7.9 7.7 10.1 21 -219 PAT 5.9 5.7 7.4 22 -150 | PAT | 2,868 | 2,421 | 3,611 | 18.4 | -20.6 |
| EBIDTA 8.3 8.5 10.9 -20 -260 EBIT 6.8 6.8 9.3 -8 -259 EBT 7.9 7.7 10.1 21 -219 PAT 5.9 5.7 7.4 22 -150 | Margins (%) | | | | (bps) | (bps) |
| EBIT 6.8 6.8 9.3 -8 -259 EBT 7.9 7.7 10.1 21 -219 PAT 5.9 5.7 7.4 22 -150 | Gross Margin | 30.4 | 29 | 30.5 | 140 | -8 |
| EBT7.97.710.121-219PAT5.95.77.422-150 | EBIDTA | 8.3 | 8.5 | 10.9 | -20 | -260 |
| PAT 5.9 5.7 7.4 22 -150 | EBIT | 6.8 | 6.8 | 9.3 | -8 | -259 |
| | EBT | 7.9 | 7.7 | 10.1 | 21 | -219 |
| Effective Tax rate 24.8 25.8 26.2 -93 -141 | PAT | 5.9 | 5.7 | 7.4 | 22 | -150 |
| | Effective Tax rate | 24.8 | 25.8 | 26.2 | -93 | -141 |

Source: Company, LKP Research



Concall Highlights

- Management indicated that demand has been sluggish, though gradually its picking up. Demand across Infrastructure/ construction continue to remain strong.
- Rural demand still to come up, however tier-1 and tier-3 seeing demand due to construction activities.
- Expect second half of FY24E to better across segments with better consumer demand including rural.
- Volume growth in C&W is +30%, lighting +6-8%, Llyod +20%.

Fans:

- Fans category has undergone tough period since last year; foresee better times ahead as it
 has been focusing on its investment in distribution and R&D.
- Premium fans form large part of the category and BLDC fans forms 15% of overall fans

Cables and wires:

- Strong volume growth of +30% seen
- Domestic demand strong across infra and industrial.
- New facility in Tumkur to come up by year end.

Lloyd:

- Growth of 20.5% YoY witnessed, Margins declined
- Demand for cooling products was affected due to unseasonal rains.
- · Channel inventory in the system remains at normalised levels
- Market share gains continues, remains in the Top 3 in AC
- Able to achieve better than market growth in AC.
- Management expects the segment to witness growth although margin would still take some time to be in the positive territory
- Remains the focus area and taking steps in the right direction to reap benefits in the longer run.
- Plans to foray into contract manufacturing of overseas brands and working towards it.

Lighting:

- Professional lighting demand remained better compared to Consumer lighting demand which remained sluggish.
- Lighting margins impacted owing to low value growth and price erosion



Financials in charts



12 640 7,284 8,926 9,348 5,760 8,698 3,970 3,536 4,080 4,201 2,099 3,994 4,134 3,670 3,711 13,59 1,440 8,072 12,058 14,121 14,881 15,682 11,929 14,852 3,734 4,960 4,744 4,878 Q1FY23 Q4FY23 Q1FY24 Q1FY22 Q2FY22 Q3FY22 Q4FY22 Q2FY23 Q3FY23 Switchgears Cable and Wires Lighting and Fixtures Electrical Consumer Durables Lloyds

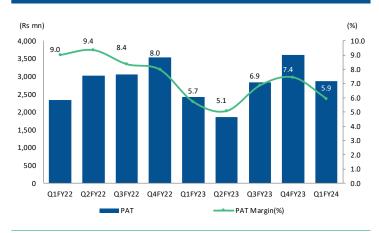
Revenue mix

Source: Company, LKP Research

EBITDA & EBITDA Margin trend (Rs mn) (%) 6,000 16.0 13.8 13.6 12.1 14.0 5,000 12.0 103 0.9 4.000 10.0 7.8 3,000 8.0 6.0 2,000 4.0 1.000 2.0 .614 .30 .205 .024 0 0.0 Q1FY22 Q2FY22 Q3FY22 Q4FY22 Q1FY23 Q2FY23 Q3FY23 Q4FY23 Q1FY24 EBITDA Margins(%)

Source: Company, LKP Research

Adjusted Profit & Profit Margin trend





Profit and Loss Statement

| (₹ mn) | FY21 | FY22 | FY23 | FY24E | FY25E |
|-----------------------------|---------|---------|---------|---------|---------|
| Total Income | 104,279 | 138,885 | 168,684 | 193,671 | 223,980 |
| Raw material Cost | 64,749 | 93,841 | 116,713 | 129,862 | 149,289 |
| Employee Cost | 8,853 | 10,147 | 12,617 | 16,268 | 18,814 |
| Other expenses | 16,678 | 17,322 | 23,325 | 25,928 | 29,089 |
| Total operating Expenses | 90,280 | 121,309 | 152,654 | 172,058 | 197,192 |
| EBITDA | 13,999 | 17,576 | 16,030 | 21,613 | 26,788 |
| EBITDA Margins(%) | 13.4 | 12.7 | 9.5 | 11.2 | 12.0 |
| Depreciation & Amortisation | 2,489 | 2,608 | 2,961 | 3,276 | 3,461 |
| EBIT | 11,511 | 14,968 | 13,069 | 18,337 | 23,327 |
| Interest | 726 | 534 | 336 | 100 | 90 |
| Other Income | 1,878 | 1,604 | 1,770 | 1,850 | 2,100 |
| Recurring PBT | 12,663 | 16,038 | 14,503 | 20,087 | 25,337 |
| Add: Extraordinaries | - | - | - | - | - |
| PBT | 12,663 | 16,038 | 14,503 | 20,087 | 25,337 |
| Less: Taxes | 3,919 | 4,091 | 3,753 | 5,056 | 6,377 |
| Net Income (Reported) | 8,743 | 11,947 | 10,750 | 15,031 | 18,960 |
| Adjusted Net Income | 8,743 | 11,947 | 10,750 | 15,031 | 18,960 |



Balance Sheet

| (₹ mn) | FY 21 | FY 22 | FY 23 | FY 24E | FY 25E |
|--|--------|--------|--------|--------|---------|
| Assets | | | | | |
| Total Current Assets | 51,315 | 65,860 | 71,444 | 87,732 | 107,206 |
| of which cash & cash eqv. | 16,247 | 25,358 | 18,619 | 26,808 | 36,792 |
| Total Current Liabilities & Provisions | 28,245 | 37,704 | 41,672 | 50,322 | 58,760 |
| Net Current Assets | 23,070 | 28,156 | 29,772 | 37,411 | 48,446 |
| Investments | 3,085 | 4,285 | 2,119 | 2,119 | 2,119 |
| Net Fixed Assets | 29,798 | 31,235 | 33,131 | 33,953 | 33,590 |
| Capital Work-in-Progress | 899 | 568 | 1,634 | 1,634 | 1,634 |
| Goodwill | 3,105 | 3,105 | 3,105 | 3,105 | 3,105 |
| Total Assets | 59,958 | 67,348 | 69,760 | 78,221 | 88,893 |
| Liabilities | | | | | |
| Borrowings | 4,922 | 3,955 | - | - | - |
| Deferred Tax Liability | 3,391 | 3,506 | 3,615 | 3,615 | 3,615 |
| Minority Interest | - | - | - | - | - |
| Equity Share Capital | 626 | 626 | 627 | 627 | 627 |
| Face Value per share (Rs) | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Reserves & Surplus | 51,019 | 59,260 | 65,518 | 73,979 | 84,651 |
| Net Worth | 51,645 | 59,886 | 66,145 | 74,606 | 85,278 |
| Total Liabilities | 59,958 | 67,348 | 69,760 | 78,221 | 88,893 |



Cash Flow

| YE Mar | FY20 | FY21 | FY22 | FY23 | FY 24E | FY 25E |
|---------------------------------|---------|---------|---------|---------|---------|---------|
| РВТ | 7,897 | 10,784 | 14,434 | 12,732 | 18,237 | 23,237 |
| Depreciation | 2,179 | 2,489 | 2,608 | 2,961 | 3,276 | 3,461 |
| Chng in working capital | 616 | (5,618) | 4,140 | (8,246) | 550 | (1,051) |
| Tax paid | (1,687) | (3,919) | (4,091) | (3,753) | (5,056) | (6,377) |
| Cash flow from operations (a) | 8,248 | 6,579 | 17,444 | 5,647 | 17,145 | 19,406 |
| Capital expenditure | (5,170) | (1,935) | (3,713) | (5,924) | (4,098) | (3,098) |
| Free cash flow | 3,078 | 4,644 | 13,731 | (276) | 13,047 | 16,308 |
| Chng in investments | - | - | - | - | - | - |
| Other investing activities | (288) | (2,823) | (2,679) | 4,149 | 1,812 | 2,054 |
| Cash flow from investing (b) | (5,477) | (7,629) | (7,592) | 391 | (2,285) | (1,044) |
| Inc/dec in borrowings | (540) | 4,505 | (973) | (4,380) | - | - |
| Dividend paid (incl. tax) | (6,413) | (1,878) | (4,071) | (4,703) | (6,570) | (8,288) |
| Interest paid | (448) | (828) | (739) | (253) | (100) | (90) |
| Other financing activities | 242 | 98 | 312 | 267 | - | - |
| Cash flow from financing (c) | (7,159) | 1,898 | (5,472) | (9,069) | (6,670) | (8,378) |
| Net chng in cash (a+b+c) | 2,421 | 3,266 | 7,637 | 4,569 | 12,758 | 22,742 |
| Closing cash & cash equivalents | 2,421 | 3,266 | 7,637 | 4,569 | 12,758 | 22,742 |



Key Ratios

| | FY 21 | FY22 | FY23 | FY 24E | FY 25E |
|--------------------------------|-------|------|--------|--------|--------|
| Per Share Data (in Rs.) | | | | | |
| AEPS | 14.0 | 19.1 | 17.2 | 24.0 | 30.3 |
| CEPS | 17.9 | 23.2 | 21.9 | 29.2 | 35.8 |
| BVPS | 82.5 | 95.6 | 105.6 | 119.1 | 136.1 |
| DPS | 3.0 | 6.5 | 7.5 | 10.5 | 13.2 |
| Growth Ratios (%) | | | | | |
| Total Revenues | 10.6 | 33.2 | 21.5 | 14.8 | 15.6 |
| EBITDA | 36.3 | 25.5 | (8.8) | 34.8 | 23.9 |
| PAT | 19.3 | 36.6 | (10.0) | 39.8 | 26.1 |
| AEPS | 19.3 | 36.6 | (10.0) | 39.8 | 26.1 |
| CEPS | 18.1 | 29.5 | (5.8) | 33.5 | 22.5 |
| Valuation Ratios | | | | | |
| P/E | 96.5 | 70.7 | 78.6 | 56.2 | 44.5 |
| P/BV | 16.3 | 14.1 | 12.8 | 11.3 | 9.9 |
| EV / EBITDA | 59.5 | 46.8 | 51.5 | 37.8 | 30.2 |
| EV / Sales | 8.0 | 5.9 | 4.9 | 4.2 | 3.6 |
| Operating Ratio | | | | | |
| Raw Material/Sales (%) | 51.7 | 56.0 | 55.2 | 49.3 | 48.9 |
| Other exp/Sales (%) | 16.0 | 12.5 | 13.8 | 13.4 | 13.0 |
| Effective Tax Rate (%) | 31.0 | 25.5 | 25.9 | 25.2 | 25.2 |
| NWC / Total Assets (%) | 11.4 | 4.2 | 16.0 | 13.6 | 13.1 |
| Inventory Turnover (days) | 91.7 | 78.0 | 80.2 | 80.0 | 80.0 |
| Receivables (days) | 19.6 | 20.1 | 21.0 | 22.0 | 22.0 |
| Payables (days) | 55.9 | 62.5 | 57.2 | 61.0 | 62.0 |
| D/E Ratio (x) | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Return/Profitability Ratio (%) | | | | | |
| RoCE | 19.0 | 21.8 | 17.9 | 22.5 | 25.2 |
| RoNW | 16.9 | 19.9 | 16.3 | 20.1 | 22.2 |
| Dividend Payout Ratio | 21.5 | 34.1 | 43.7 | 43.7 | 43.7 |
| Dividend Yield | 0.2 | 0.5 | 0.6 | 0.8 | 1.0 |
| PAT Margins | 8.4 | 8.6 | 6.4 | 7.8 | 8.5 |
| EBITDA Margins | 13.4 | 12.7 | 9.5 | 11.2 | 12.0 |



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