

July 21, 2023

Q1FY24 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	1,460		1,460	
Sales (Rs. m)	2,00,142	2,31,164	1,93,092	2,21,415
% Chng.	3.7	4.4		
EBITDA (Rs. m)	20,625	26,402	22,248	26,511
% Chng.	(7.3)	(0.4)		
EPS (Rs.)	22.9	30.0	24.5	30.0
% Chng.	(6.7)	0.2		

Key Financials - Consolidated

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	1,39,385	1,69,107	2,00,142	2,31,164
EBITDA (Rs. m)	17,604	15,991	20,625	26,402
Margin (%)	12.6	9.5	10.3	11.4
PAT (Rs. m)	11,965	10,717	14,345	18,819
EPS (Rs.)	19.1	17.1	22.9	30.0
Gr. (%)	14.5	(10.5)	33.8	31.2
DPS (Rs.)	4.5	4.5	7.5	9.5
Yield (%)	0.3	0.3	0.6	0.7
RoE (%)	21.4	17.0	19.9	22.2
RoCE (%)	27.5	22.7	27.2	30.2
EV/Sales (x)	5.9	4.9	4.1	3.5
EV/EBITDA (x)	46.6	51.5	39.6	30.5
PE (x)	70.6	78.8	58.9	44.9
P/BV (x)	14.1	12.7	10.9	9.2

Key Data

HVEL.BO | HAVL IN

52-W High / Low	Rs.1,408 / Rs.1,025
Sensex / Nifty	67,572 / 19,979
Market Cap	Rs.845bn / \$ 10,300m
Shares Outstanding	627m
3M Avg. Daily Value	Rs.1172.76m

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	0.1	16.9	10.2
Relative	(6.2)	4.8	(9.7)

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Strong growth in Cable & Lloyd; margins weak

Quick Pointers:

- Robust growth in Cables revenue (+24.5%YoY) with 30%+ vol. growth.
- Lloyd growth momentum continues (up ~20% YoY), but with increased losses.

Havells India's (HAVL IN) reported decent revenue growth mainly with healthy growth in Cables and Lloyd business (+24.5%/19.9% YoY) with strong volume growth of 30%+/20% respectively, while ECD segment impacted due to sluggish consumer demand and disrupted summer reduced fans sales. Lighting segment impacted with deflationary trend in LED segment. Operating margin impacted from 1) softening of commodity price not fully passed on, 2) low value growth and price erosion in lighting segment, 3) higher overheads plus A&P expenses and 4) continued losses in Lloyd. Cable & Switchgear business is expected to report healthy growth of 20-25% in FY24, given B2B sustains steady demand led by infrastructure/construction. Lloyd is also expected to maintain growth momentum, through expansion in South India and venturing in EMS segment.

Overall, we are positive on HAVL's Cables & Switchgears growth prospects along with improvement in Lloyd's revenue. However, margins may take time to improve given weak demand scenario in FMEG portfolio and continued losses in Lloyd. We have downward revised our FY24 earnings by 6.7% mainly with correction in margins and maintained FY25 earnings as H2FY24 is expected to see revival in demand & margins. Maintain 'BUY' at a DCF based target price of Rs1,460.

Sales grew 14.3%, PAT grew 18.4%: Revenue grew by 14.3% YoY to ~Rs48.3bn (PLe ~Rs45bn) led by growth in Cables (+24.5% YoY), Lloyd (+19.9% YoY), Switchgear (+4.6% YoY) and ECD (4.5% YoY). Slowdown in ECD revenue due to poor fan sales owing to unseasonal rains and price erosion in lighting segment resulted in flat revenue. EBITDA grew 15.8% YoY to Rs4.0bn (PLe ~Rs4.9bn), while EBITDA margins flat YoY to 8.3%, (PLe 11.1%). In terms of segmental EBIT margin, Cables margin came in at 11.4% (+400bps YoY), Lighting at 14.3% (-210bps YoY), ECD at 10.9% (-220bps YoY) and Switchgear at 27.7% (+150bps YoY). Lloyd continues to see losses at Rs616mn vs loss of Rs563mn in Q1FY23. PBT grew by 22.1% YoY to Rs3.8bn. Adj. PAT grew 25.4% YoY to Rs2.9bn (PLe Rs3.4bn) with higher other income. Net working capital days came at 36 (Vs 25 in Q1FY23).

Concall Takeaways: 1) Healthy traction in Cables & Switchgears business was seen more in Tier-1 cities with increasing infra and real estate demand, which is expected to continue for next 12-18 months, 2) Volume growth for lighting was 6%-8% in Q1, while margin contribution to remain at 30-31% forward, 3) Havells has strong market share in premium category of fans, 4) BLDC fans contribute 15% to the overall fan portfolio, 5) Lloyd has gained market share in RAC segment, 6) Mgnt. to focus on brand positioning and distribution for increasing its Lloyd business, 7) Mgnt. to focus on expanding its International business in the near term, 8) Manufacturing overheads remained unabsorbed which led to margin contraction in Q1, 9) Mgnt. guided for EBITDA margin of 13%-14% for standalone business of Havells, 12) Higher other income is on account of sale of property of Rs100mn. Other expenses increased due to increase in warehousing costs because of unseasonal rains, 13) Capex would remain around Rs6bn in FY24, 14) New greenfield facility for C&W in Karnataka to become operational by end of FY24.

Exhibit 1: Q1FY24 Result Overview (Rs mn)

Y/e March	Q1FY24	Q1FY23	YoY gr. (%)	Q4FY23	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
Net Sales	48,338	42,301	14.3	48,592	(0.5)	1,68,964	1,39,385	21.2
Gross Profit	14,679	12,145	20.9	14,789	(0.7)	52,028	45,165	15.2
% of N S	30.4	28.7	1.7	30.4	-6.8%	30.8	32.4	-1.6
Other Expenses	10,659	8,672	22.9	9,518	12.0	36,036	27,561	30.7
% of N S	22.1	20.5	1.6	19.6	246.4%	21.3	19.8	1.6
EBITDA	4,020	3,472	15.8	5,271	(23.7)	15,992	17,604	(9.2)
Margin (%)	8.3	8.2	0.1	10.8	-253.3%	9.5	12.6	-3.2
Depreciation	763	721	5.9	774	(1.5)	2,962	2,608	13.5
Interest	85	98	(13.2)	98	(13.1)	336	534	(37.1)
Other income	648	476	36.2	467	38.8	1,769	1,604	10.3
PBT	3,821	3,130	22.1	4,867	(21.5)	14,463	16,066	(10.0)
Tax	950	841	12.9	1,287	(26.2)	3,753	4,101	(8.5)
ETR (%)	24.9	26.9	-2.0	26.4	-157.3%	26.0	25.5	0.4
Adj. PAT	2,871	2,288	25.4	3,580	(19.8)	10,710	11,965	(10.5)

Source: Company, PL

Exhibit 2: Segmental Breakup (Rs mn)

Y/e March	Q1FY24	Q1FY23	YoY gr. (%)	Q4FY23	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
Revenues								
Switchgears	5,409	5,169	4.6	6,010	-10.01	21,202	17,960	18.1
Cables	14,852	11,929	24.5	15,682	-5.29	55,326	46,451	19.1
Lighting & Fixtures	3,710	3,737	(0.7)	4,160	-10.80	16,145	13,916	16.0
Electrical Consumer Durables	8,775	8,396	4.5	7,495	17.09	32,982	30,739	7.3
Others	2,483	2,276	9.1	2,536	-2.10	9,503	7,587	25.2
Core Revenues	35,229	31,507	11.8	35,882	(1.82)	1,35,158	1,16,653	15.9
Lloyd	13,109	10,938	19.9	12,710	3.14	33,949	22,732	49.3
Total Revenues	48,338	42,445	13.9	48,592	(0.52)	1,69,107	1,39,385	21.3
EBIT								
Switchgears	1,499	1,354	10.7	1,721	-12.9	5,565	4,935	12.8
EBIT margin (%)	27.7	26.2	1.5	28.6	-0.9	26.2	27.5	-1.2
Cables	1,691	875	93.2	1,885	-10.3	5,247	5,405	(2.9)
EBIT margin (%)	11.4	7.3	4.0	12.0	-0.6	9.5	11.6	-2.2
Lighting & Fixtures	532	614	(13.3)	755	-29.5	2,477	2,622	(5.6)
EBIT margin (%)	14.3	16.4	-2.1	18.1	-3.8	15.3	18.8	-3.5
Electrical Consumer Durables	957	1,100	(13.0)	962	-0.5	4,188	4,576	(8.5)
EBIT margin (%)	10.9	13.1	-2.2	12.8	-1.9	12.7	14.9	-2.2
Others	88	122	(28.2)	115	-24.1	350	569	(38.5)
EBIT margin (%)	3.5	5.4	-1.8	4.5	-1.0	3.7	7.5	-3.8
Core EBIT	4,766	4,065	17.2	5,438	(12.4)	17,826	18,107	(1.6)
EBIT margin (%)	13.5	12.9	0.6	15.2	-1.6	13.2	15.5	-2.3
Lloyd	(616)	-563	9.3	-229	168.3	(2,233)	-735	203.9
EBIT margin (%)	-4.7	-5.1	0.5	-1.8	-2.9	-6.6	-3.2	-3.3
Total EBIT	4,150	3,502	18.5	5,209	(20.3)	15,593	17,373	(10.2)
EBIT margin (%)	8.6	8.3	0.3	10.7	-2.1	9.2	12.5	-3.2

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Revenues	1,39,385	1,69,107	2,00,142	2,31,164
YoY gr. (%)	33.3	21.3	18.4	15.5
Cost of Goods Sold	94,220	1,17,055	1,35,406	1,54,229
Gross Profit	45,165	52,053	64,737	76,935
Margin (%)	32.4	30.8	32.3	33.3
Employee Cost	10,207	12,683	14,811	17,106
Other Expenses	8,854	11,600	13,390	15,742
EBITDA	17,604	15,991	20,625	26,402
YoY gr. (%)	12.0	(9.2)	29.0	28.0
Margin (%)	12.6	9.5	10.3	11.4
Depreciation and Amortization	2,609	2,962	3,133	3,404
EBIT	14,995	13,030	17,492	22,998
Margin (%)	10.8	7.7	8.7	9.9
Net Interest	534	336	319	339
Other Income	1,604	1,777	2,068	2,584
Profit Before Tax	16,066	14,471	19,241	25,243
Margin (%)	11.5	8.6	9.6	10.9
Total Tax	4,101	3,753	4,897	6,424
Effective tax rate (%)	25.5	25.9	25.5	25.5
Profit after tax	11,965	10,717	14,345	18,819
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	11,965	10,717	14,345	18,819
YoY gr. (%)	14.6	(10.4)	33.8	31.2
Margin (%)	8.6	6.3	7.2	8.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	11,965	10,717	14,345	18,819
YoY gr. (%)	13.5	(10.4)	33.8	31.2
Margin (%)	8.6	6.3	7.2	8.1
Other Comprehensive Income	62	-	-	-
Total Comprehensive Income	12,027	10,717	14,345	18,819
Equity Shares O/s (m)	626	627	627	627
EPS (Rs)	19.1	17.1	22.9	30.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Non-Current Assets				
Gross Block	42,535	46,923	52,657	54,757
Tangibles	30,194	34,514	40,149	42,149
Intangibles	12,341	12,409	12,509	12,609
Acc: Dep / Amortization	11,304	13,821	16,954	20,358
Tangibles	9,980	12,236	15,095	18,223
Intangibles	1,324	1,585	1,859	2,136
Net fixed assets	31,231	33,102	35,703	34,399
Tangibles	20,215	22,279	25,054	23,926
Intangibles	11,017	10,823	10,649	10,473
Capital Work In Progress	572	1,664	1,000	1,000
Goodwill	3,105	3,105	3,105	3,105
Non-Current Investments	3,149	1,691	1,680	1,797
Net Deferred tax assets	(3,506)	(3,615)	(3,567)	(3,504)
Other Non-Current Assets	1,110	1,351	1,583	1,743
Current Assets				
Investments	1,534	1,809	6,309	6,309
Inventories	29,681	37,086	41,125	47,499
Trade receivables	7,663	9,739	9,870	10,767
Cash & Bank Balance	25,480	18,702	20,593	34,105
Other Current Assets	1,137	1,785	2,001	2,312
Total Assets	1,05,232	1,11,574	1,24,576	1,44,873
Equity				
Equity Share Capital	626	627	627	627
Other Equity	59,403	65,628	77,156	91,276
Total Network	60,029	66,255	77,782	91,902
Non-Current Liabilities				
Long Term borrowings	2,726	-	-	-
Provisions	763	1,367	901	1,040
Other non current liabilities	90	113	134	155
Current Liabilities				
ST Debt / Current of LT Debt	1,230	-	-	-
Trade payables	23,800	26,432	25,968	29,578
Other current liabilities	11,301	11,923	14,206	16,364
Total Equity & Liabilities	1,05,232	1,11,574	1,24,576	1,44,873

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	16,066	14,471	19,241	25,243
Add. Depreciation	2,609	2,962	3,133	3,404
Add. Interest	534	336	319	339
Less Financial Other Income	1,604	1,777	2,068	2,584
Add. Other	(1,023)	(503)	(647)	142
Op. profit before WC changes	18,186	17,265	22,046	29,128
Net Changes-WC	3,243	(8,967)	(2,671)	(2,055)
Direct tax	(4,149)	(3,753)	(4,897)	(6,424)
Net cash from Op. activities	17,280	4,545	14,478	20,649
Capital expenditures	(2,528)	(6,022)	(5,070)	(2,100)
Interest / Dividend Income	956	-	-	-
Others	(6,014)	5,924	(4,380)	(10,000)
Net Cash from Inv. activities	(7,586)	(99)	(9,450)	(12,100)
Issue of share cap. / premium	311	0	-	-
Debt changes	(1,467)	(2,726)	-	-
Dividend paid	(4,071)	(2,817)	(2,817)	(4,699)
Interest paid	(245)	(336)	(319)	(339)
Others	-	-	-	-
Net cash from Fin. activities	(5,472)	(5,879)	(3,136)	(5,038)
Net change in cash	4,223	(1,432)	1,892	3,511
Free Cash Flow	14,467	(768)	9,736	18,068

Source: Company Data, PL Research

Key Financial Metrics

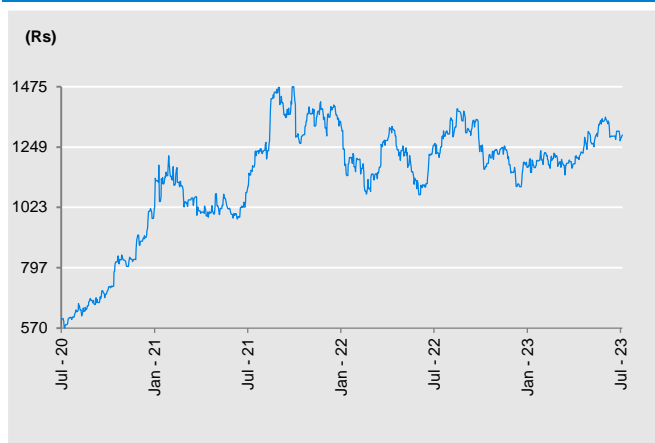
Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	19.1	17.1	22.9	30.0
CEPS	23.3	21.8	27.9	35.5
BVPS	95.8	105.8	124.2	146.7
FCF	23.1	(1.2)	15.5	28.8
DPS	4.5	4.5	7.5	9.5
Return Ratio(%)				
RoCE	27.5	22.7	27.2	30.2
ROIC	33.5	21.6	28.9	38.6
RoE	21.4	17.0	19.9	22.2
Balance Sheet				
Net Debt : Equity (x)	(0.4)	(0.3)	(0.3)	(0.4)
Net Working Capital (Days)	35	44	46	45
Valuation(x)				
PER	70.6	78.8	58.9	44.9
P/B	14.1	12.7	10.9	9.2
P/CEPS	57.9	61.7	48.3	38.0
EV/EBITDA	46.6	51.5	39.6	30.5
EV/Sales	5.9	4.9	4.1	3.5
Dividend Yield (%)	0.3	0.3	0.6	0.7

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY23	Q3FY23	Q4FY23	Q1FY24
Net Revenue	25,982	41,276	48,592	48,338
YoY gr. (%)	(19.8)	12.6	10.0	14.3
Raw Material Expenses	16,713	27,656	33,803	33,659
Gross Profit	9,269	13,620	14,789	14,679
Margin (%)	35.7	33.0	30.4	30.4
EBITDA	3,531	4,238	5,272	4,020
YoY gr. (%)	(20.6)	(3.7)	3.2	11.2
Margin (%)	13.6	10.3	10.8	8.3
Depreciation / Depletion	616	746	774	763
EBIT	2,915	3,492	4,497	3,257
Margin (%)	11.2	8.5	9.3	6.7
Net Interest	110	73	98	85
Other Income	342	394	467	648
Profit before Tax	3,148	3,814	4,867	3,821
Margin (%)	12.1	9.2	10.0	7.9
Total Tax	805	979	1,287	950
Effective tax rate (%)	25.6	25.7	26.4	24.9
Profit after Tax	2,343	2,835	3,580	2,871
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	2,343	2,835	3,580	2,871
YoY gr. (%)	(22.5)	(7.3)	4.3	18.4
Margin (%)	9.0	6.9	7.4	5.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,343	2,835	3,580	2,871
YoY gr. (%)	(22.5)	(7.3)	4.3	18.4
Margin (%)	9.0	6.9	7.4	5.9
Other Comprehensive Income	-	(3)	-	(17)
Total Comprehensive Income	2,343	2,832	3,580	2,854
Avg. Shares O/s (m)	626	626	626	626
EPS (Rs)	3.7	4.5	5.7	4.6

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Jul-23	BUY	1,460	1,287
2	04-May-23	BUY	1,447	1,245
3	11-Apr-23	BUY	1,448	1,166
4	19-Jan-23	BUY	1,447	1,205
5	06-Jan-23	BUY	1,442	1,195
6	22-Jul-22	Hold	1,251	1,257

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Astral Ltd.	Hold	1,955	1,924
2	Bajaj Electricals	Accumulate	1,326	1,219
3	Century Plyboard (I)	BUY	800	671
4	Cera Sanitaryware	Hold	7,805	7,690
5	Crompton Greaves Consumer Electricals	BUY	338	286
6	Finolex Industries	Accumulate	197	184
7	Greenpanel Industries	BUY	455	355
8	Havells India	BUY	1,460	1,287
9	Kajaria Ceramics	Hold	1,264	1,255
10	KEI Industries	Hold	2,319	2,329
11	Polycab India	Accumulate	4,760	4,309
12	Prince Pipes and Fittings	Accumulate	718	657
13	Supreme Industries	Accumulate	3,245	3,245
14	Voltas	Hold	813	767

PL's Recommendation Nomenclature (Absolute Performance)

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

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