

October 20, 2024

Q2FY25 Result Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	2,036		2,036	
Sales (Rs. m)	2,52,448	2,90,919	2,52,448	2,90,919
% Chng.	-	-	-	-
EBITDA (Rs. m)	28,090	33,128	28,090	33,128
% Chng.	-	-	-	-
EPS (Rs.)	31.7	37.6	31.7	37.6
% Chng.	-	-	-	-

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	1,85,900	2,17,564	2,52,448	2,90,919
EBITDA (Rs. m)	18,426	21,871	28,090	33,128
Margin (%)	9.9	10.1	11.1	11.4
PAT (Rs. m)	12,708	15,592	19,838	23,546
EPS (Rs.)	20.3	24.9	31.7	37.6
Gr. (%)	19.3	22.7	27.2	18.7
DPS (Rs.)	9.0	9.5	11.0	11.0
Yield (%)	0.5	0.5	0.6	0.6
RoE (%)	18.1	19.4	21.3	21.7
RoCE (%)	24.9	26.5	29.0	29.5
EV/Sales (x)	6.1	5.1	4.4	3.8
EV/EBITDA (x)	61.1	51.1	39.5	33.2
PE (x)	91.0	74.2	58.3	49.1
P/BV (x)	15.5	13.4	11.5	9.9

Key Data

HVEL.BO | HAVL IN

52-W High / Low	Rs.2,106 / Rs.1,233
Sensex / Nifty	81,225 / 24,854
Market Cap	Rs.1,155bn/ \$ 13,743m
Shares Outstanding	627m
3M Avg. Daily Value	Rs.1881.55m

Shareholding Pattern (%)

Promoter's	59.41
Foreign	24.76
Domestic Institution	10.24
Public & Others	5.59
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(7.3)	23.4	37.5
Relative	(5.3)	10.1	11.5

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Healthy growth in Cables & Lloyd, margins contracted

Quick Pointers:

- Cables rev grew by 22.8% YoY with volume-led growth in wires
- Lloyd Consumer reported growth of 18.5% YoY, led by non-AC categories

Havells India's (HAVL) reported healthy growth in revenue led by Cables and Lloyd's non-season products (22.8%/18.5% YoY), while Switchgear saw soft revenue growth (+3.4% YoY). The company expects ECD segment growth momentum to continue from non-season products with positive demand outlook and some uptick in consumer trends. With Lloyd strategy focused on growth with profitability, we estimate positive EBIT for FY25. Led by capacity addition at Tumakuru and stability in RM prices, Cables business growth is likely to pick up in the coming quarters. We have downward revised our FY25E earnings by 4.3% to factor in the lower margin in H1FY25, while maintaining FY26E/FY27E estimates over strong commentary. We estimate revenue/EBITDA/PAT CAGR of 16.1%/21.6%/22.8% for FY24-27E with ECD/Cables/Lloyd segment revenue CAGR of 15.0%/17.7%/18.0% over FY24-27E and EBITDA margin to reach 11.4% by FY27E (+150bps). Maintain 'Accumulate' rating at a DCF-based target price of Rs2,036 (same as earlier), which implies 54x FY27E earnings.

Revenue grew 16.4%, PAT grew 7.5%: Revenue grew by 16.4% YoY to Rs45.4bn (PLe: Rs43.2bn). ECD (contributed 18.8% rev) reported healthy rev growth of 16.8% YoY, led by festive demand supported by fans, SDA and water heaters. Lloyd rev grew by 18.5% YoY to Rs5.9bn, driven by non-ac categories. Cables revenue grew by 22.8% YoY to Rs18.1bn, driven by volume growth in wires and channel restocking. EBITDA grew by 0.5% YoY to Rs3.8bn (PLe: Rs4.5bn). EBITDA margins contracted by 130bps YoY to 8.3% (PLe: 10.3%). Advertising & sales promotion spends increased to 3.0% of sales (up 54.4% YoY) and employee expenses rose 21.2% YoY, resulting in contraction of EBITDA margin. In terms of segmental EBIT margin, Cables margin came in at 8.6% (-300bps), Lighting at 12.7% (-160bps YoY), ECD at 7.5% (-410bps), and Switchgear at 20.9% (-550bps YoY). Lloyd showed EBIT loss of Rs243mn vs loss of Rs745mn in Q2FY24. PBT grew by 8.3% YoY to Rs3.6bn. PAT grew 7.5% YoY to Rs2.7bn (PLe: Rs3.2bn).

ConCall Takeaways: **1)** The company anticipates double-digit growth in the Switchgear segment led by industrial demand. **2)** Growth in the Lloyd segment was driven by non-AC categories, including washing machines, LED panels, and refrigerators. **3)** Revenue growth in the W&C segment was driven by wire growth and by channel restocking, while steep volatility in raw material prices (Cu/Al) and absorption of high-cost inventory affected margins. **4)** Total capex incurred till Q2FY25 was Rs3.3bn, and capex planned for H2FY25 is Rs10bn. The company is targeting a total capex of Rs19bn for FY25 and FY26. **5)** Lloyd reported 9%/20% growth in B2B/B2C in Q2FY25, despite demand in rural areas starting to decline. **6)** Volume growth in Lighting/Cables segment was 15% each in Q2FY25. **7)** The company has guided for A&P exp of 2.5-3.0% for FY25. **8)** The company is set to launch new product categories by FY26/FY27, targeting growth in personal grooming, air coolers, and water purifiers.

Exhibit 1: Q2FY25 Result Overview (Rs mn)

Y/e March	Q2FY25	Q2FY24	YoY gr. (%)	Q1FY25	QoQ gr. (%)	H1FY25	H1FY24	YoY gr. (%)
Net Sales	45,393	39,003	16.4	58,062	(21.8)	185,900	217,564	(14.6)
Gross Profit	15,319	12,984	18.0	18,497	(17.2)	60,213	71,672	(16.0)
% of N S	33.7	33.3	0.5	31.9	1.89	32.4	32.9	-0.6
Other Expenses	11,568	9,251	25.0	12,775	(9.4)	41,787	48,495	(13.8)
% of N S	25.5	23.7	1.8	22.0	3.48	22.5	22.3	0.2
EBITDA	3,751	3,734	0.5	5,722	(34.5)	18,426	23,177	(20.5)
Margin (%)	8.3	9.6	-1.3	9.9	-1.59	9.9	10.7	-0.7
Depreciation	946	812	16.6	920	2.8	3,385	3,973	(14.8)
Interest	101	93	8.0	86	17.9	457	463	(1.2)
Other income	929	525	77.0	773	20.1	2,490	3,049	(18.3)
PBT	3,633	3,353	8.3	5,490	(33.8)	17,074	21,790	(21.6)
Tax	955	862	10.7	1,415	(32.5)	4,366	5,502	(20.6)
ETR (%)	26.3	25.7	0.6	25.8	0.51	25.6	25.2	0.3
Adj. PAT	2,678	2,491	7.5	4,075	(34.3)	12,708	16,288	(22.0)

Source: Company, PL

Exhibit 2: Segmental Breakup (Rs mn)

Y/e March	Q2FY25	Q2FY24	YoY gr. (%)	Q1FY25	QoQ gr. (%)	H1FY25	H1FY24	YoY gr. (%)
Revenues								
Switchgears	5,513	5,336	3.3	5,768	-4.43	11,281	10,745	5.0
Cables	18,052	14,702	22.8	15,212	18.66	33,264	29,553	12.6
Lighting & Fixtures	3,951	3,999	(1.2)	3,876	1.94	7,826	7,710	1.5
Electrical Consumer Durables	8,564	7,331	16.8	10,554	-18.86	19,118	16,106	18.7
Others	3,418	2,662	28.4	3,365	1.60	6,783	5,145	31.8
Core Revenues	39,497	34,029	16.1	38,775	1.86	78,272	69,258	13.0
Lloyd	5,896	4,974	18.5	19,287	-69.43	25,183	18,083	39.3
Total Revenues	45,393	39,003	16.4	58,062	(21.82)	103,455	87,341	18.4
EBIT								
Switchgears	1,150	1,409	(18.4)	1,422	-19.1	2,572	2,883	(10.8)
EBIT margin (%)	20.9	26.4	-5.5	24.6	-3.8	22.8	26.8	-4.0
Cables	1,548	1,707	(9.3)	1,711	-9.5	3,259	3,382	(3.6)
EBIT margin (%)	8.6	11.6	-3.0	11.2	-2.7	9.8	11.4	-1.6
Lighting & Fixtures	501	570	(12.1)	630	-20.4	1,131	1,087	4.0
EBIT margin (%)	12.7	14.3	-1.6	16.2	-3.6	14.4	14.1	0.3
Electrical Consumer Durables	643	848	(24.2)	1,147	-43.9	1,790	1,784	0.3
EBIT margin (%)	7.5	11.6	-4.1	10.9	-3.4	9.4	11.1	-1.7
Others	66	40	63.3	110	-40.5	176	118	48.5
EBIT margin (%)	1.9	1.5	0.4	3.3	-1.4	2.6	2.3	0.3
Core EBIT	3,907	4,574	(14.6)	5,019	(22.1)	8,926	9,255	(3.5)
EBIT margin (%)	9.9	13.4	-3.5	12.9	-3.1	11.4	13.4	-2.0
Lloyd	(243)	-745	-	636	NA	393	-1,376	NA
EBIT margin (%)	-4.1	-15.0	10.9	3.3	1.6	-7.6	-7.6	-
Total EBIT	3,664	3,828	(4.3)	5,655	(35.2)	9,319	7,879	18.3
EBIT margin (%)	8.1	9.8	-1.7	9.7	-1.7	9.0	9.0	0.0

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	1,85,900	2,17,564	2,52,448	2,90,919
YoY gr. (%)	9.9	17.0	16.0	15.2
Cost of Goods Sold	1,25,687	1,45,892	1,69,332	1,94,379
Gross Profit	60,213	71,672	83,116	96,540
Margin (%)	32.4	32.9	32.9	33.2
Employee Cost	15,485	18,493	18,934	21,819
Other Expenses	13,251	14,555	16,528	19,046
EBITDA	18,426	21,871	28,090	33,128
YoY gr. (%)	15.7	18.7	28.4	17.9
Margin (%)	9.9	10.1	11.1	11.4
Depreciation and Amortization	3,385	3,973	4,667	5,410
EBIT	15,041	17,899	23,423	27,718
Margin (%)	8.1	8.2	9.3	9.5
Net Interest	457	463	543	538
Other Income	2,490	3,424	3,659	4,319
Profit Before Tax	17,074	20,860	26,540	31,500
Margin (%)	9.2	9.6	10.5	10.8
Total Tax	4,366	5,267	6,701	7,954
Effective tax rate (%)	25.6	25.2	25.3	25.3
Profit after tax	12,708	15,592	19,838	23,546
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	12,708	15,592	19,838	23,546
YoY gr. (%)	19.3	22.7	27.2	18.7
Margin (%)	6.8	7.2	7.9	8.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	12,708	15,592	19,838	23,546
YoY gr. (%)	19.3	22.7	27.2	18.7
Margin (%)	6.8	7.2	7.9	8.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	12,708	15,592	19,838	23,546
Equity Shares O/s (m)	627	627	627	627
EPS (Rs)	20.3	24.9	31.7	37.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	53,733	63,226	73,826	83,926
Tangibles	41,173	50,525	61,025	71,025
Intangibles	12,560	12,701	12,801	12,901
Acc: Dep / Amortization	16,959	20,855	25,521	30,931
Tangibles	15,110	18,658	23,014	28,112
Intangibles	1,849	2,197	2,507	2,820
Net fixed assets	36,774	42,371	48,304	52,994
Tangibles	26,063	31,867	38,010	42,913
Intangibles	10,712	10,504	10,294	10,081
Capital Work In Progress	2,987	1,518	1,018	1,018
Goodwill	3,105	3,105	3,105	3,105
Non-Current Investments	532	428	445	464
Net Deferred tax assets	(3,575)	(3,523)	(3,457)	(3,378)
Other Non-Current Assets	1,933	1,793	1,922	2,118
Current Assets				
Investments	-	-	-	-
Inventories	34,086	41,725	48,415	55,793
Trade receivables	11,650	11,921	13,833	15,941
Cash & Bank Balance	30,382	37,696	45,360	56,223
Other Current Assets	2,372	2,176	2,524	2,909
Total Assets	1,24,327	1,43,322	1,65,607	1,91,345
Equity				
Equity Share Capital	627	627	627	627
Other Equity	73,841	85,673	99,558	1,16,210
Total Networth	74,468	86,300	1,00,185	1,16,837
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	877	1,027	1,191	1,373
Other non current liabilities	152	178	206	237
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	26,919	30,964	35,939	41,254
Other current liabilities	15,912	18,494	21,337	24,472
Total Equity & Liabilities	1,24,327	1,43,322	1,65,607	1,91,345

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	17,074	20,860	26,540	31,500
Add. Depreciation	3,385	3,973	4,667	5,410
Add. Interest	457	463	543	538
Less Financial Other Income	2,490	3,424	3,659	4,319
Add. Other	628	717	446	432
Op. profit before WC changes	21,544	26,011	32,195	37,880
Net Changes-WC	5,943	(1,227)	(1,233)	(1,531)
Direct tax	(4,366)	(5,267)	(6,701)	(7,954)
Net cash from Op. activities	23,120	19,517	24,261	28,395
Capital expenditures	(8,297)	(8,100)	(10,100)	(10,100)
Interest / Dividend Income	-	-	-	-
Others	(11,862)	(5,880)	(7,000)	(7,000)
Net Cash from Invst. activities	(20,159)	(13,980)	(17,100)	(17,100)
Issue of share cap. / premium	0	-	-	-
Debt changes	-	-	-	-
Dividend paid	(4,697)	(3,760)	(5,954)	(6,894)
Interest paid	(457)	(463)	(543)	(538)
Others	-	-	-	-
Net cash from Fin. activities	(5,154)	(4,223)	(6,497)	(7,432)
Net change in cash	(2,193)	1,315	664	3,863
Free Cash Flow	13,902	10,315	13,172	17,324

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	20.3	24.9	31.7	37.6
CEPS	25.7	31.2	39.1	46.2
BVPS	118.8	137.7	159.9	186.4
FCF	22.2	16.5	21.0	27.6
DPS	9.0	9.5	11.0	11.0
Return Ratio(%)				
RoCE	24.9	26.5	29.0	29.5
ROIC	28.0	31.3	36.6	39.6
RoE	18.1	19.4	21.3	21.7
Balance Sheet				
Net Debt : Equity (x)	(0.4)	(0.4)	(0.5)	(0.5)
Net Working Capital (Days)	37	38	38	38
Valuation(x)				
PER	91.0	74.2	58.3	49.1
P/B	15.5	13.4	11.5	9.9
P/CEPS	71.9	59.1	47.2	39.9
EV/EBITDA	61.1	51.1	39.5	33.2
EV/Sales	6.1	5.1	4.4	3.8
Dividend Yield (%)	0.5	0.5	0.6	0.6

Source: Company Data, PL Research

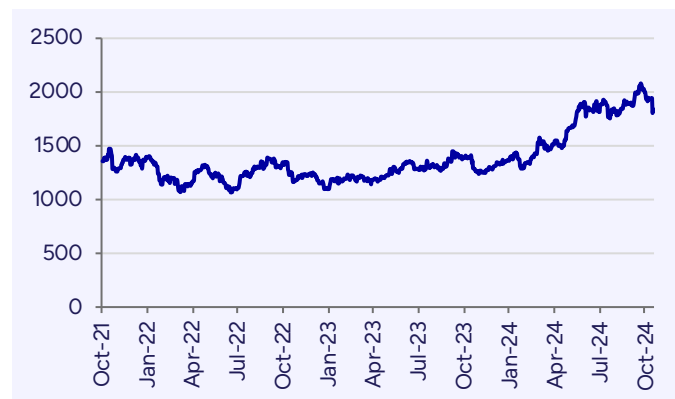
Quarterly Financials (Rs m)

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Revenue	44,139	54,420	58,062	45,393
YoY gr. (%)	6.9	12.0	20.1	16.4
Raw Material Expenses	29,447	36,562	39,565	30,075
Gross Profit	14,692	17,858	18,497	15,319
Margin (%)	33.3	32.8	31.9	33.7
EBITDA	3,932	6,346	5,722	3,751
YoY gr. (%)	(7.2)	20.4	42.4	0.5
Margin (%)	8.9	11.7	9.9	8.3
Depreciation / Depletion	877	934	920	946
EBIT	3,055	5,412	4,802	2,805
Margin (%)	6.9	9.9	8.3	6.2
Net Interest	102	177	86	101
Other Income	559	758	773	929
Profit before Tax	3,512	5,993	5,490	3,633
Margin (%)	8.0	11.0	9.5	8.0
Total Tax	1,028	1,526	1,415	955
Effective tax rate (%)	29.3	25.5	25.8	26.3
Profit after Tax	2,484	4,467	4,075	2,678
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	2,484	4,467	4,075	2,678
YoY gr. (%)	(12.4)	24.8	41.9	7.5
Margin (%)	5.6	8.2	7.0	5.9
Extra Ord. Income / (Exp)	395	-	-	-
Reported PAT	2,879	4,467	4,075	2,678
YoY gr. (%)	1.6	24.8	41.9	7.5
Margin (%)	6.5	8.2	7.0	5.9
Other Comprehensive Income	(11)	(14)	(14)	(10)
Total Comprehensive Income	2,868	4,453	4,061	2,668
Avg. Shares O/s (m)	627	627	626	627
EPS (Rs)	4.0	7.1	6.5	4.3

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Oct-24	Accumulate	2,036	1,948
2	04-Sep-24	Accumulate	1,976	1,901
3	19-Jul-24	Accumulate	1,976	1,863
4	05-Jul-24	Accumulate	1,976	1,882
5	01-May-24	Accumulate	1,774	1,664
6	05-Apr-24	Accumulate	1,681	1,550
7	24-Jan-24	Accumulate	1,538	1,306
8	09-Jan-24	Accumulate	1,538	1,376

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Astral Ltd.	BUY	2,214	1,888
2	Bajaj Electricals	Hold	980	923
3	Century Plyboard (I)	Hold	881	851
4	Cera Sanitaryware	Accumulate	9,190	7,746
5	Crompton Greaves Consumer Electricals	BUY	536	430
6	Finolex Industries	Hold	288	290
7	Greenpanel Industries	Accumulate	450	390
8	Havells India	Accumulate	2,036	1,948
9	Kajaria Ceramics	Accumulate	1,651	1,421
10	KEI Industries	BUY	5,265	4,200
11	Polycab India	BUY	8,741	7,263
12	R R Kabel	BUY	2,178	1,752
13	Supreme Industries	Accumulate	6,069	5,433
14	Voltas	Accumulate	1,945	1,801

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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