

Havells India | BUY

Margin surprise offsets topline miss

Havells' 4Q revenue miss (2% below JMFe/ Consensus) was more than offset by 220bps beat on EBITDA margin (particularly in Lloyd) and higher other income, leading to c.20% beat at PAT level (16% above consensus estimate). Revenue grew 12% YoY (+15% 5-year CAGR; 2% below JMFe) led by strong growth in ECD (+21% YoY on low base, +11% 5-year CAGR) and C&W (+14% YoY, +15% 5-year CAGR) while Lloyd reported modest growth of 6% YoY (+20% 5-year CAGR). Lloyd saw significant 450bps improvement YoY/+1290bps QoQ in EBIT margin to 2.8% in 4Q, largely on the back of cost savings and business efficiencies. Ex-Lloyd EBIT margin rose 210bps QoQ to 14.4% (50bps above JMFe). Continued infrastructure and industrials-led demand improvement is expected to be now supported by uptick in real estate activities (switchgears, lighting, wires, and appliances) in the medium term, as per the management. Adj. PAT grew 28% YoY to INR 4.5bn (+19% 5-year CAGR) and was 20% above JMFe. While Lloyd's revenue growth is subpar vs. its peers for 4QFY24 (Voltas reported 72%/35% volume growth in Q4FY24/FY24 respectively), it was compensated by better margin (+2.8% vs. -2.4% JMFe) on manufacturing efficiencies and mix (product, channel), without any pricing actions. We revise our estimates by 8%/5% for FY25/26 respectively to reflect margin uptick. Maintain BUY with Mar'25TP of INR1680 (vs. INR1,580 earlier).

- **4QFY24 summary:** Havells' 4QFY24 revenue grew 12% YoY (+15% 4-year CAGR; +23% QoQ) to INR 54.3bn and was 2% below JMFe/ consensus. Havells's (ex-Lloyd) revenue grew 14% YoY (+13% 5-year CAGR; +9% QoQ, 1% above JMFe) led by ECD (+21% YoY) and cables and wires (+14% YoY). Despite a seasonally strong quarter, Lloyd's revenue grew by a modest 6% YoY (+20% 5-year CAGR; +107% QoQ). Gross margin improved 240bps YoY (-50bps QoQ) on account of benign raw material prices. EBITDA grew 20% YoY (+15% 5-year CAGR/ +62% QoQ) to INR 6.4bn (20% above JMFe). Adj. PAT grew 28%YoY (+19% 5-year CAGR) at INR 4.5bn, 19%/16% above JMFe/consensus respectively.
- **ECD growth led by summer portfolio; demand momentum remains strong in Cables & Wires (C&W):** ECD segment grew 21% YoY (+11% 5-year CAGR) led by robust growth in fans, particularly post a few quarters of disruption due to BEE transition. The management highlighted that Fans segment growth has outpaced ECD segment growth, followed by growth in the Air coolers segment. Benign and stable raw material prices during 4Q resulted in no price hikes during the quarter; however, the company did not rule out a price hike in 1Q25 on account of the recent sharp increase in copper prices. Demand momentum for cables and wires continued largely led by industrial and infrastructure-led capex. C&W reported volume growth of 18% during 4QFY24 (15% YoY during FY24). Lighting segment revenue growth is expected to see pick-up with stabilisation of input costs.
- **Modest revenue growth (+6% YoY) in Lloyd, operating performance surprises positively:** Lloyd reported revenue growth of 6% YoY (+20% 5-year CAGR, 8% below JMFe) despite a seasonal quarter; however, it surprised on the operating performance with EBIT



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,680
Upside/(Downside)	1.0%
Previous Price Target	1,580
Change	6.3%

Key Data – HAVL IN

Current Market Price	INR1,664
Market cap (bn)	INR1,042.8/US\$12.5
Free Float	36%
Shares in issue (mn)	626.3
Diluted share (mn)	626.3
3-mon avg daily val (mn)	INR1,826.3/US\$21.9
52-week range	1,688/1,211
Sensex/Nifty	74,483/22,605
INR/US\$	83.4

Price Performance

%	1M	6M	12M
Absolute	9.9	34.1	35.3
Relative*	9.2	14.5	11.0

* To the BSE Sensex

Financial Summary					(INR mn)
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net Sales	138,885	168,684	185,499	214,296	247,535
Sales Growth (%)	33.2	21.5	10.0	15.5	15.5
EBITDA	17,576	16,030	18,453	23,108	28,641
EBITDA Margin (%)	12.7	9.5	9.9	10.8	11.6
Adjusted Net Profit	11,909	10,586	12,732	16,530	21,002
Diluted EPS (INR)	19.0	16.9	20.3	26.4	33.5
Diluted EPS Growth (%)	16.4	-11.1	20.3	29.8	27.0
ROIC (%)	31.0	24.1	24.8	30.6	35.9
ROE (%)	21.4	16.8	18.1	20.7	22.8
P/E (x)	87.5	98.4	81.9	63.0	49.6
P/B (x)	17.4	15.8	14.0	12.3	10.5
EV/EBITDA (x)	58.0	63.8	54.8	43.6	34.7
Dividend Yield (%)	0.4	0.5	0.5	0.6	0.6

Source: Company data, JM Financial. Note: Valuations as of 30/Apr/2024

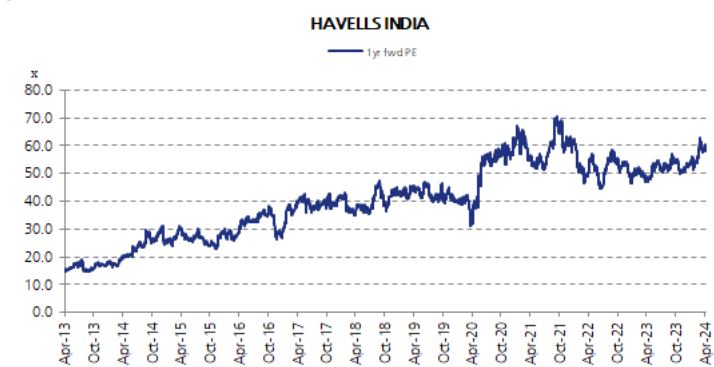
JM Financial Research is also available on:
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margin of 2.8% vs. -1.7% in Q4FY23 (JMFe: -2.4%). As per the management, the improvement in margin was largely led by cost savings, improved product mix and business efficiencies. Demand for ACs was strong during April and the company expects robust growth in ACs on the back of an intense summer in CY24. Lloyd will continue to focus both on growth and profitability, as per the management. During the year, capacity utilisation for Lloyd stood at 65%.

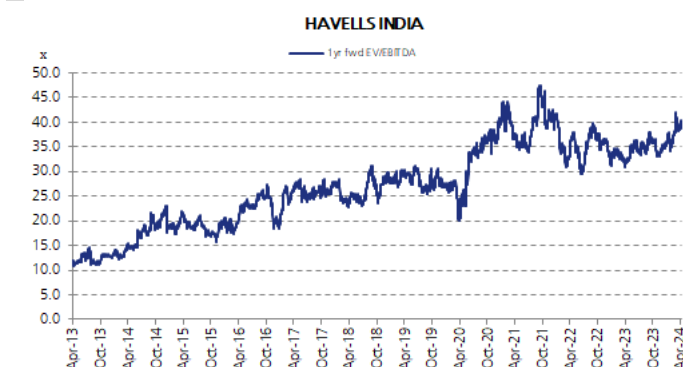
- **FY24 performance highlights:** During FY24, the company's Revenue / EBITDA / PAT grew 10%/15% / 20% YoY (13%/9%/10% on 5 years CAGR). Gross margin expanded 160bps YoY to 32.4% on account of product mix and softening in raw material prices, while EBITDA margin expanded 40bps YoY to 9.9%. Adj. net profit grew 20% YoY (+11% on 5 years CAGR). The company generated net CFO of INR 19.6bn vs. INR 5.6bn in FY23. Net cash as of Mar'24 stood at INR 29.5bn vs. INR 18.2bn in FY23.
- **Revise EPS estimates; maintain BUY:** We raise our EPS estimates by 11%/6% for FY25/26 respectively to reflect a) better-than-expected margin performance in Lloyd (-1% vs. -2% earlier for FY25; 2.5% in FY26 vs. 2% earlier), and b) modest improvement of 30bps in ex-Lloyd businesses. We maintain BUY with Mar'25TP of INR 1680. Maintain BUY. **Key risk:** Delayed recovery in demand and heightened competitive intensity, particularly in RAC.

Exhibit 1. 1yr forward P/E Band



Source: Bloomberg

Exhibit 2. 1yr forward EV/EBITDA band



Source: Bloomberg

Exhibit 3. Key assumptions

INR mn	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E
Revenue						
Switchgears	14,609	17,864	21,196	22,450	24,695	27,164
Cables and Wires	31,802	46,451	55,326	63,176	75,179	87,960
Lighting and Fixtures	10,846	13,709	16,015	16,268	17,569	19,326
Electrical Consumer Durables	23,770	30,669	32,958	34,818	40,040	46,046
Lloyd Consumer	16,888	22,606	33,686	37,852	43,909	51,812
Others	6,365	7,587	9,503	10,936	12,904	15,227
Total	104,279	138,885	168,684	185,499	214,296	247,535
Havells (ex-Lloyds)	87,392	116,279	134,998	147,647	170,388	195,723
Revenue (YoY)						
Switchgears		22%	19%	6%	10%	10%
Cables and Wires		46%	19%	14%	19%	17%
Lighting and Fixtures		26%	17%	2%	8%	10%
Electrical Consumer Durables		29%	7%	6%	15%	15%
Lloyd Consumer		34%	49%	12%	16%	18%
Others		19%	25%	15%	18%	18%
Total		33%	21%	10%	16%	16%
Havells (ex-Lloyds)		33%	16%	9%	15%	15%
Gross Profit	39,530	45,045	51,971	60,134	70,718	82,924
YoY	10%	14%	15%	16%	18%	17%
Gross margins	37.9%	32.4%	30.8%	32.4%	33.0%	33.5%
Employee cost	8,853	10,147	12,617	15,411	17,722	19,849
YoY	-2%	15%	24%	22%	15%	12%
% of sales	8.5%	7.3%	7.5%	8.3%	8.3%	8.0%
Advertisement	1,326	2,468	4,374	5,274	6,429	7,426
YoY	-59%	86%	77%	21%	22%	16%
% of sales	1.3%	1.8%	2.6%	2.8%	3.0%	3.0%
EBIT						
Switchgears	4,047	4,908	5,564	5,960	6,791	7,606
Cables and Wires	4,038	5,403	5,247	7,161	9,021	10,731
Lighting and Fixtures	2,041	2,576	2,469	2,474	2,811	3,092
Electrical Consumer Durables	4,037	4,576	4,189	3,872	4,805	5,756
Lloyd Consumer	741	-711	-2,209	-1,644	-439	1,295
Others	310	567	350	246	387	609
Total EBIT	15,213	17,318	15,609	18,068	23,376	29,089
Havells EBIT (ex-Lloyd)	14,472	18,029	17,818	19,712	23,816	27,794
EBIT margin						
Switchgears	27.7%	27.5%	26.2%	26.5%	27.5%	28.0%
Cables and Wires	12.7%	11.6%	9.5%	11.3%	12.0%	12.2%
Lighting and Fixtures	18.8%	18.8%	15.4%	15.2%	16.0%	16.0%
Electrical Consumer Durables	17.0%	14.9%	12.7%	11.1%	12.0%	12.5%
Lloyd Consumer	4.4%	-3.1%	-6.6%	-4.3%	-1.0%	2.5%
Others	4.9%	7.5%	3.7%	2.2%	3.0%	4.0%
Total EBIT margin	14.6%	12.5%	9.3%	9.7%	10.9%	11.8%
Havells EBIT margin (ex-Lloyd)	16.6%	15.5%	13.2%	13.4%	14.0%	14.2%

Source: Company, JM Financial

Quarterly

Exhibit 4. Havells quarterly performance

INR mn	4Q23A	4Q24A	YoY	5yr CAGR	3Q24A	QoQ	4Q24E	Var	FY23A	FY24A	YoY	5yr CAGR
Net Sales	48,496	54,343	12%	15%	44,006	23%	55,341	-2%	168,684	185,499	10%	13%
Havells (Ex-Lloyd)	35,856	40,942	14%	13%	37,540	9%	40,717	1%	134,998	147,647	9%	12%
Lloyd	12,640	13,401	6%	20%	6,467	107%	14,624	-8%	33,686	37,852	12%	15%
Raw Material Cost	33,721	36,495	8%	16%	29,339	24%	39,813	-8%	116,713	125,365	7%	15%
% of sales	69.5%	67.2%	-240 bps	400 bps	66.7%	50 bps	71.9%	-480 bps	69.2%	67.6%	-160 bps	
Gross Profit	14,775	17,849	21%	12%	14,667	22%	15,529	15%	51,971	60,134	16%	10%
Gross Margin	30.5%	32.8%	240 bps	-400 bps	33.3%	-50 bps	28.1%	480 bps	30.8%	32.4%	160 bps	
Employee cost	3,262	4,179	28%	14%	3,762	11%	3,807	10%	12,617	15,411	22%	13%
% of sales	6.7%	7.7%	100 bps	-40 bps	8.5%	-90 bps	6.9%	80 bps	7.5%	8.3%	80 bps	
Other expenses	6,206	7,302	18%	9%	6,974	5%	6,431	14%	23,325	26,270	13%	8%
% of sales	12.8%	13.4%	60 bps	-390 bps	15.8%	-240 bps	11.6%	180 bps	13.8%	14.2%	30 bps	-4%
Advertisement Exp	1,095	1,321	21%	5%	1,763	-25%	1,829	-28%	4,374	5,274	21%	7%
% of sales	2.3%	2.4%	20 bps	-130 bps	4.0%	-160 bps	3.3%	-90 bps	2.6%	2.8%	20 bps	
Other Exp	5,111	5,981	17%	10%	5,211	15%	4,602	30%	18,951	20,997	11%	9%
% of sales	10.5%	11.0%	50 bps	-260 bps	11.8%	-80 bps	8.3%	270 bps	11.2%	11.3%	10 bps	
Total Expenditure	43,188	47,975	11%	14%	40,075	20%	50,051	-4%	152,654	167,046	9%	13%
% of sales	89.1%	88.3%	-80 bps	-30 bps	91.1%	-280 bps	90.4%	-220 bps	90.5%	90.1%	-40 bps	
EBITDA	5,308	6,368	20%	15%	3,931	62%	5,291	20%	16,030	18,453	15%	9%
EBITDA margin	10.9%	11.7%	80 bps	30 bps	8.9%	280 bps	9.6%	220 bps	9.5%	9.9%	40 bps	
Depreciation	774	934	21%	19%	877	7%	895	4%	2,961	3,385	14%	18%
EBIT	4,534	5,434	20%	15%	3,054	78%	4,396	24%	13,069	15,068	15%	8%
Other Income	318	757	138%	38%	489	55%	619	22%	1,550	2,487	60%	19%
PBIT	4,852	6,192	28%	16%	3,544	75%	5,014	23%	14,619	17,555	20%	9%
Interest	98	177	82%	24%	102	74%	90	97%	336	457	36%	23%
Forex Loss/-Income	-150	0	NM	-100%	-70	NM	0	NA	-220	0	-100%	-100%
XO Expense/-Income	0	0	NM		-395	NM	0		0	0		NA
PBT	4,904	6,014	23%	15%	3,907	54%	4,924	22%	14,503	17,098	18%	8%
Tax Expense	1,287	1,526	19%	9%	1,028	48%	1,189	28%	3,753	4,366	16%	4%
Tax Rate	26.2%	25.4%	-90 bps	-790 bps	26.3%	-90 bps	24.1%	120 bps	25.9%	25.5%	-30 bps	-580 bps
Reported Net Profit	3,617	4,489	24%	17%	2,879	56%	3,735	20%	10,750	12,732	18%	10%
Adjusted Net Profit	3,506	4,489	28%	19%	2,536	77%	3,735	20%	10,586	12,732	20%	11%
Adj EPS	5.6	7.2	28%	19%	4.0	77%	6.0	20%	16.9	20.3	20%	11%

Source: Company, JM Financial

Exhibit 5. Quarterly segment wise details

INR mn	4Q23A	4Q24A	YoY	5yr CAGR	3Q24A	QoQ	4Q24E	Var	FY23A	FY24A	YoY	5yr CAGR
Total Revenue	48,496	54,343	12%	15%	44,006	23%	55,341	-2%	168,684	185,499	10%	13%
Havells	35,856	40,942	14%	13%	37,540	9%	40,717	1%	134,998	147,647	9%	12%
Switchgears	6,010	6,513	8%	10%	5,206	25%	6,531	0%	21,196	22,450	6%	7%
Cables & Wires	15,682	17,896	14%	15%	15,727	14%	16,685	7%	55,326	63,176	14%	14%
Lighting & Fixtures	4,134	4,334	5%	3%	4,299	1%	4,722	-8%	16,015	16,268	2%	5%
Electrical Consumer Durables	7,495	9,104	21%	11%	9,613	-5%	9,881	-8%	32,958	34,818	6%	11%
Others	2,536	3,096	22%	NA	2,695	15%	2,898	7%	9,503	10,936	15%	NA
Lloyd	12,640	13,401	6%	20%	6,467	107%	14,624	-8%	33,686	37,852	12%	15%
Havells (Ex Lloyd and C&W)	20,174	23,047	14%	12%	21,813	6%	24,032	-4%	79,672	84,471	6%	11%
Total EBIT	5,216	6,262	20%	13%	3,965	58%	5,293	18%	15,609	18,068	16%	7%
Havells	5,437	5,890	8%	13%	4,617	28%	5,645	4%	17,818	19,712	11%	11%
Switchgears	1,721	1,836	7%	15%	1,256	46%	1,726	6%	5,564	5,960	7%	11%
Cables and Wires	1,885	2,154	14%	15%	1,633	32%	1,972	9%	5,247	7,161	36%	16%
Lighting and Fixtures	754	787	4%	10%	612	29%	689	14%	2,469	2,474	0%	5%
Electrical Cons Durables	962	1,025	7%	7%	1,073	-4%	1,215	-16%	4,189	3,872	-8%	6%
Others	115	89	-23%	NM	44	103%	44	104%	350	246	-30%	NA
Lloyd	-221	372	NM	NM	-652	-157%	-352	NA	-2,209	-1,644	-26%	-207%
Havells (Ex Lloyd and C&W)	3,552	3,737	5%	12%	2,984	25%	3,673	2%	12,571	12,551	0%	8%
Total EBIT margin	10.8%	11.5%	80 bps	-110 bps	9.0%	250 bps	9.6%	200 bps	9.3%	9.7%	50 bps	
Havells	15.2%	14.4%	-80 bps	-10 bps	12.3%	210 bps	13.9%	50 bps	13.2%	13.4%	20 bps	
Switchgears	28.6%	28.2%	-40 bps	560 bps	24.1%	410 bps	26.4%	180 bps	26.2%	26.5%	30 bps	
Cables and Wires	12.0%	12.0%	0 bps	10 bps	10.4%	170 bps	11.8%	20 bps	9.5%	11.3%	190 bps	
Lighting and Fixtures	18.2%	18.2%	-10 bps	510 bps	14.2%	390 bps	14.6%	360 bps	15.4%	15.2%	-20 bps	
Electrical Cons Durables	12.8%	11.3%	-160 bps	-250 bps	11.2%	10 bps	12.3%	-100 bps	12.7%	11.1%	-160 bps	
Others	4.5%	2.9%	-170 bps	NA	1.6%	120 bps	1.5%	140 bps	3.7%	2.2%	-140 bps	
Lloyd	-1.7%	2.8%	450 bps	-180 bps	-10.1%	1290 bps	-2.4%	520 bps	-6.6%	-4.3%	220 bps	
Havells (Ex Lloyd and C&W)	17.6%	16.2%	-140 bps	-10 bps	13.7%	250 bps	15.3%	90 bps	15.8%	14.9%	-90 bps	
Total Gross Contribution	9,069	11,195	23%	NA	8,933	25%			30,869	36,543	18%	
Havells (ex-Lloyd)	8,283	9,499	15%	8%	8,446	12%			29,430	33,516	14%	
Switchgears	2,380	2,677	12%	11%	2,067	30%			8,139	9,025	11%	
Cables and Wires	2,352	2,720	16%	12%	2,280	19%			7,137	9,476	33%	
Lighting and Fixtures	1,319	1,383	5%	7%	1,311	5%			4,773	4,897	3%	
Electrical Cons Durables	1,791	2,158	20%	9%	2,317	-7%			7,679	8,182	7%	
Others	462	573	24%	NM	477	20%			1,701	1,947	14%	
Lloyd	784	1,675	114%	NM	479	250%			1,482	2,990	102%	
Havells (Ex Lloyd and C&W)	5,930	6,778	14%	7%	6,166	10%			22,293	24,039	8%	
Contribution margin (%)	18.7%	20.6%	190 bps	-240 bps	20.3%	30 bps			18.3%	19.7%	140 bps	
Havells (ex-Lloyds)	23.1%	23.2%	10 bps	-170 bps	22.5%	70 bps			21.8%	22.7%	90 bps	
Switchgears	39.6%	41.1%	150 bps	180 bps	39.7%	140 bps			38.4%	40.2%	180 bps	
Cables and Margins	15.0%	15.2%	20 bps	-230 bps	14.5%	70 bps			12.9%	15.0%	210 bps	
Lighting and Fixtures	31.9%	31.9%	0 bps	620 bps	30.5%	140 bps			29.8%	30.1%	30 bps	
Electrical Consumer Durables	23.9%	23.7%	-20 bps	-200 bps	24.1%	-40 bps			23.3%	23.5%	20 bps	
Others	18.2%	18.5%	30 bps	1850 bps	17.7%	80 bps			17.9%	17.8%	-10 bps	
Lloyds	6.2%	12.5%	630 bps	-250 bps	7.4%	510 bps			4.4%	7.9%	350 bps	
Havells (Ex Lloyd and C&W)	29.4%	29.4%	0 bps	2940 bps	28.3%	110 bps			28.0%	28.5%	50 bps	

Source: Company, JM Financial

Exhibit 6. Quarterly Balance Sheet

INR mn	Dec-19	Dec-22	Mar-23	Jun-23	Sept-23	Dec-23	Mar-24
Share Capital	630	630	627	630	627	630	627
Reserves & Surplus	44,160	63,830	65,518	65,770	68,264	71,150	73,758
Networth	44,790	64,460	66,145	66,400	68,891	71,780	74,385
Term loans	-	-	-	-	-	-	-
Working Capital Loan	-	-	-	-	-	-	-
Fixed Deposit	-	-	-	-	-	-	-
Total Debt	-	-	-	-	-	-	-
Deferred Tax Liability	3,080	3,570	3,615	3,610	3,626	3,680	3,575
Other Non-Current Liabilities	1,340	3,020	3,349	3,780	3,690	3,360	3,453
<u>Current Liabilities</u>							
Trade Payables	11,750	24,190	26,425	23,810	21,926	25,080	26,907
Other Current Liabilities	9,730	11,650	11,897	15,370	11,908	14,170	15,878
TOTAL	70,690	106,890	111,432	112,970	110,042	118,070	124,198
Fixed Assets	34,420	36,460	37,870	38,990	39,824	41,555	42,865
Investments	-	1,990	2,013	1,175	200	200	412
Other Non-Current Assets	2,140	1,870	2,840	2,290	3,190	4,430	2,262
<u>Current Assets</u>							
Inventories	17,610	36,520	37,085	32,970	35,622	37,030	34,085
Trade Receivables	2,950	6,610	9,713	7,970	5,379	6,370	11,572
Cash & Bank Balance	11,520	20,380	18,619	26,210	23,020	26,045	30,154
Others	2,050	3,060	3,292	3,365	2,807	2,440	2,848
TOTAL	70,690	106,890	111,432	112,970	110,042	118,070	124,198

Source: Company, JM Financial

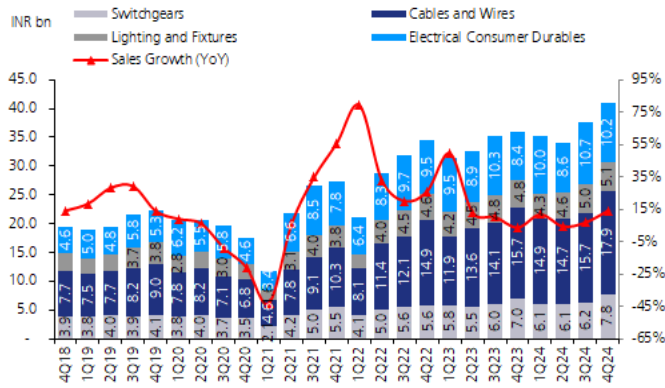
Exhibit 7. Working capital quarterly trend

INR mn	1Q22A	2Q22A	4Q22A	1Q23A	4Q22A	2Q23A	3Q23A	4Q23A	1Q24A	2Q24A	3Q24A	4Q24A
Revenue	25,982	32,210	44,171	42,301	44,171	36,689	41,197	48,496	48,237	38,912	44,006	54,343
Inventories	26,530	27,430	29,680	31,340	29,680	35,510	36,520	37,085	32,970	35,622	37,030	34,085
Trade Receivables	5,060	5,290	7,650	6,060	7,650	5,630	6,610	9,713	7,970	5,379	6,370	11,572
Trade Payables	12,040	19,700	23,790	26,660	23,790	24,260	24,190	26,425	23,810	21,926	25,080	26,907
Net working capital (Calculated)	19,550	13,020	13,540	10,740	13,540	16,880	18,940	20,373	17,130	19,075	18,320	18,750
Reported figures												
Inventory days (Inventories/NR)	92	77	78	67	78	89	81	80	69	74	75	67
Debtors days (Debtors/NR)	18	15	20	13	20	14	15	21	17	11	13	23
Creditors days (Creditors/NR)	42	55	63	57	63	61	54	57	50	45	51	53
Net working capital days	68	37	35	23	35	42	42	44	36	40	37	37
TTM sales	115,470	123,163	134,573	150,893	195,063	123,161	122,057	126,382	137,930	135,645	131,156	137,262
YoY	94%	46%	29%	31%	87%	-21%	-19%	-35%	12%	11%	4%	0%
Days (on TTM sales)												
Inventory days	84	81	81	76	56	105	109	107	87	96	103	91
debtor days	16	16	21	15	14	17	20	28	21	14	18	31
Creditors days	38	58	65	64	45	72	72	76	63	59	70	72
Net working capital days	62	39	37	26	25	50	57	59	45	51	51	50
Cash flow statement reported												
PBT	3,150	4,030	4,750	3,270	4,750	2,510	3,820	4,903	3,820	3,357	3,903	5,994
Depreciation	616	623	707	721	707	721	746	774	763	812	877	934
Others	-1,638	-1,353	-1,527	-1,631	-1,527	-1,304	-1,695	-2,094	-1,687	-1,600	-1,434	-2,600
Working capital changes	-3,840	7,290	550	600	550	-6,730	170	-1,009	3,920	-2,339	2,519	172
Taxes Paid	402	509	610	421	610	323	489	644	475	431	514	763
Cash flow Operations	-1,310	11,100	5,090	3,380	5,090	-4,480	3,530	3,217	7,290	662	6,378	5,262
YoY	-40%	105%	-567%	-358%	-567%	-140%	4%	-37%	-263%	-81%	98%	-28%
3yr CAGR							-5%	0%	-249%	-50%	13%	-269%
EBITDA	3,531	4,436	5,205	3,614	5,205	2,871	4,237	5,308	4,024	3,735	3,931	6,368
YoY	170%	5%	3%	2%	3%	-35%	17%	2%	40%	-12%	-26%	58%
CFO/EBITDA	-37%	250%	98%	94%	98%	-156%	83%	61%	181%	18%	162%	83%

Source: Company, JM Financial

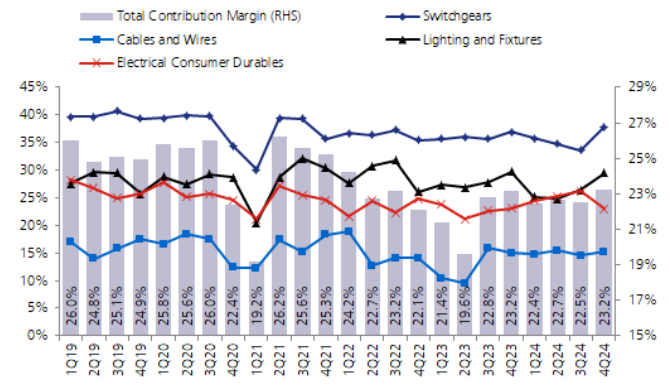
Quarterly Charts:

Exhibit 8. Segment wise revenue and overall growth trend



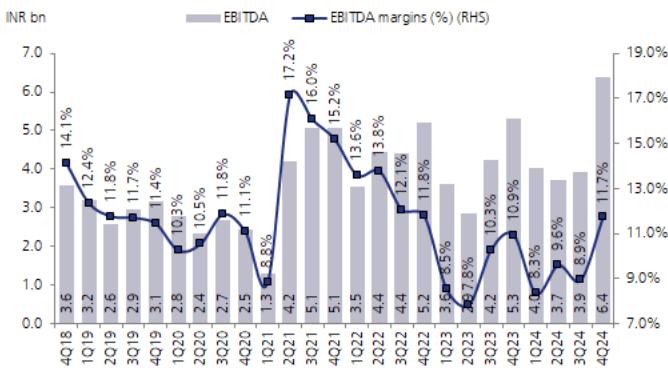
Source: Company, JM Financial

Exhibit 9. Contribution margin trend



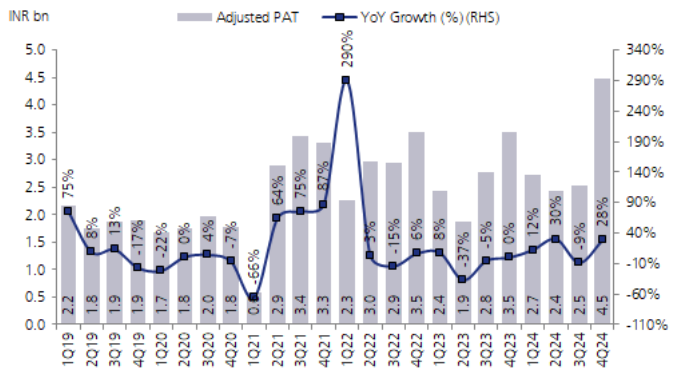
Source: Company, JM Financial

Exhibit 10. Margins lower on YoY basis



Source: Company, JM Financial

Exhibit 11. Adj PAT declined 9% YoY



Source: Company, JM Financial

* Note: Havells changed its classification of motors (from Switchgears), Solar Panels (from Lighting) and categories such as Pumps, Water Purifiers and Personal Grooming (from Electricals Consumer Durables) into a new segment called 'others'. We have grossed up 1HFY22/FY21 quarters assuming segmental growth/margins for comparison purpose

Exhibit 12. Havells gross margins quarterly trend

INR mn	1Q22A	2Q22A	3Q22A	4Q22A	1Q23A	2Q23A	3Q23A	4Q23A	1Q24A	2Q24A	3Q24A	4Q24A
Revenue	25,982	32,210	36,523	44,171	42,301	36,689	41,197	48,496	48,237	38,912	44,006	54,343
YoY	6%	2%	10%	70%	63%	0%	-7%	15%	14%	6%	7%	12%
Havells	21,038	28,797	31,866	34,579	31,464	32,549	35,130	35,856	35,182	33,983	37,540	40,942
YoY	-3%	8%	16%	64%	50%	2%	2%	14%	12%	4%	7%	14%
Switchgears	3,734	4,426	4,960	4,744	5,167	4,878	5,141	6,010	5,407	5,324	5,206	6,513
YoY	1%	1%	7%	27%	38%	-2%	8%	16%	5%	9%	1%	8%
Cables & Wires	8,072	11,440	12,058	14,881	11,929	13,594	14,121	15,682	14,852	14,702	15,727	17,896
YoY	3%	26%	17%	84%	48%	13%	-5%	31%	24%	8%	11%	14%
Lighting & Fixtures	2,099	3,536	4,080	3,994	3,711	3,970	4,201	4,134	3,670	3,965	4,299	4,334
YoY	-21%	0%	24%	90%	77%	-3%	5%	11%	-1%	0%	2%	5%
Electrical Consumer Durables	5,760	7,284	8,926	8,698	8,381	7,735	9,348	7,495	8,770	7,331	9,613	9,104
YoY	-1%	-7%	25%	51%	46%	-13%	7%	-11%	5%	-5%	3%	21%
Others	1,373	2,112	1,841	2,261	2,276	2,372	2,319	2,536	2,483	2,662	2,695	3,096
YoY	-20%	20%	-11%	65%	66%	29%	3%	11%	9%	12%	16%	22%
Lloyd	4,944	3,413	4,657	9,592	10,837	4,141	6,068	12,640	13,055	4,930	6,467	13,401
YoY	76%	-33%	-21%	94%	119%	-11%	-37%	17%	20%	19%	7%	6%
Total Gross Contribution	5,970	7,283	7,900	8,688	7,672	6,727	8,662	9,549	9,011	8,344	9,408	11,758
YoY	-8%	-7%	-3%	46%	29%	-15%	0%	24%	17%	24%	9%	23%
Havells	5,357	7,009	7,732	8,189	7,141	6,798	8,437	8,765	8,345	8,151	8,929	10,083
YoY	-12%	-2%	5%	53%	33%	-12%	3%	23%	17%	20%	6%	15%
Switchgears	1,510	1,823	2,091	2,005	2,067	1,992	2,125	2,593	2,185	2,108	2,067	2,937
YoY	-8%	-7%	7%	33%	37%	-5%	6%	25%	6%	6%	-3%	13%
Cables and Wires	1,526	1,453	1,700	2,098	1,241	1,291	2,245	2,352	2,198	2,279	2,280	2,720
YoY	12%	6%	-10%	38%	-19%	-24%	7%	90%	77%	76%	2%	16%
Lighting and Fixtures	669	1,245	1,444	1,188	1,160	1,223	1,328	1,420	1,068	1,142	1,311	1,506
YoY	-24%	-2%	25%	77%	73%	-15%	12%	22%	-8%	-7%	-1%	6%
Electrical Cons Durables	1,390	2,030	2,154	2,350	2,259	1,873	2,326	1,938	2,443	2,173	2,794	2,346
YoY	-23%	-7%	11%	69%	63%	-13%	-1%	-14%	8%	16%	20%	21%
Others	262	458	344	547	414	417	413	462	452	450	477	573
YoY	-30%	32%	-23%	109%	58%	21%	-25%	11%	9%	8%	16%	24%
Lloyd	613	273	168	499	531	-70	225	784	666	192	479	1,675
YoY	60%	-60%	-79%	-19%	-13%	-142%	-55%	48%	25%	-373%	113%	114%
Total Gross Contribution margin	23.0%	22.6%	21.6%	19.7%	18.1%	18.3%	21.0%	19.7%	18.7%	21.4%	21.4%	21.6%
YoY	-336 bps	-205 bps	-285 bps	-331 bps	-484 bps	-330 bps	136 bps	155 bps	54 bps	311 bps	35 bps	195 bps
Havells	25.5%	24.3%	24.3%	23.7%	22.7%	20.9%	24.0%	24.4%	23.7%	24.0%	23.8%	24.6%
YoY	-251 bps	-253 bps	-263 bps	-178 bps	-277 bps	-338 bps	34 bps	175 bps	102 bps	310 bps	-23 bps	18 bps
Switchgears	40.4%	41.2%	42.2%	42.3%	40.0%	40.8%	41.3%	43.1%	40.4%	39.6%	39.7%	45.1%
YoY	-412 bps	-370 bps	8 bps	182 bps	-44 bps	-131 bps	-93 bps	314 bps	39 bps	-124 bps	-164 bps	195 bps
Cables and Wires	18.9%	12.7%	14.1%	14.1%	10.4%	9.5%	15.9%	15.0%	14.8%	15.5%	14.5%	15.2%
YoY	150 bps	-250 bps	-420 bps	-480 bps	-850 bps	-460 bps	180 bps	460 bps	440 bps	600 bps	-140 bps	20 bps
Lighting and Fixtures	31.9%	35.2%	35.4%	29.7%	31.3%	30.8%	31.6%	34.4%	29.1%	28.8%	30.5%	34.8%
YoY	-131 bps	-92 bps	18 bps	-214 bps	-62 bps	-456 bps	186 bps	309 bps	-217 bps	-202 bps	-111 bps	40 bps
Electrical Cons Durables	24.1%	27.9%	24.1%	27.0%	27.0%	24.2%	24.9%	25.9%	27.9%	29.6%	29.1%	25.8%
YoY	-698 bps	14 bps	-301 bps	289 bps	282 bps	9 bps	-214 bps	-109 bps	90 bps	542 bps	418 bps	-9 bps
Others	19.1%	21.7%	18.7%	24.2%	18.2%	17.6%	17.8%	18.2%	18.2%	16.9%	17.7%	18.5%
YoY	-280 bps	200 bps	-290 bps	510 bps	-90 bps	-110 bps	-640 bps	0 bps	0 bps	-70 bps	-10 bps	30 bps
Lloyd	12.4%	8.0%	3.6%	5.2%	4.9%	-1.7%	3.7%	6.2%	5.1%	3.9%	7.4%	12.5%
YoY	-130 bps	-520 bps	-970 bps	-720 bps	-750 bps	-530 bps	-150 bps	130 bps	20 bps	560 bps	370 bps	630 bps

Source: Company, JM Financial

Financial Tables (Standalone)

Income Statement (INR mn)					
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net Sales	138,885	168,684	185,499	214,296	247,535
Sales Growth	33.2%	21.5%	10.0%	15.5%	15.5%
Other Operating Income	0	0	0	0	0
Total Revenue	138,885	168,684	185,499	214,296	247,535
Cost of Goods Sold/Op. Exp	93,841	116,713	125,365	143,578	164,611
Personnel Cost	10,147	12,617	15,411	17,722	19,849
Other Expenses	17,322	23,325	26,270	29,888	34,435
EBITDA	17,576	16,030	18,453	23,108	28,641
EBITDA Margin	12.7%	9.5%	9.9%	10.8%	11.6%
EBITDA Growth	12.3%	-8.8%	15.1%	25.2%	23.9%
Depn. & Amort.	2,608	2,961	3,385	3,825	4,054
EBIT	14,968	13,069	15,068	19,283	24,586
Other Income	1,274	1,550	2,487	3,358	4,029
Finance Cost	534	336	457	550	550
PBT before Excep. & Forex	15,708	14,283	17,098	22,091	28,066
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	15,708	14,283	17,098	22,091	28,066
Taxes	4,091	3,753	4,366	5,560	7,064
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	11,617	10,530	12,732	16,530	21,002
Adjusted Net Profit	11,909	10,586	12,732	16,530	21,002
Net Margin	8.6%	6.3%	6.9%	7.7%	8.5%
Diluted Share Cap. (mn)	626.3	626.3	626.3	626.3	626.3
Diluted EPS (INR)	19.0	16.9	20.3	26.4	33.5
Diluted EPS Growth	16.4%	-11.1%	20.3%	29.8%	27.0%
Total Dividend + Tax	4,071	4,703	5,331	5,958	6,585
Dividend Per Share (INR)	6.5	7.5	8.5	9.5	10.5

Source: Company, JM Financial

Cash Flow Statement (INR mn)					
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profit before Tax	16,038	14,503	17,098	22,091	28,066
Depn. & Amort.	2,608	2,961	3,385	3,825	4,054
Net Interest Exp. / Inc. (-)	-717	-898	-1,393	-2,808	-3,479
Inc (-) / Dec in WCap.	3,419	-6,969	4,308	-4	-5
Others	115	109	113	-846	-1,075
Taxes Paid	-4,138	-3,919	-3,919	-5,560	-7,064
Operating Cash Flow	17,325	5,786	19,592	16,697	20,497
Capex	-2,583	-5,878	-7,828	-8,013	-6,000
Free Cash Flow	14,742	-92	11,763	8,684	14,497
Inc (-) / Dec in Investments	-5,102	2,269	31	0	0
Others	93	4,000	-8,548	3,358	4,029
Investing Cash Flow	-7,592	391	-16,346	-4,655	-1,971
Inc / Dec (-) in Capital	312	267	213	0	0
Dividend + Tax thereon	-4,071	-4,703	-4,701	-5,958	-6,585
Inc / Dec (-) in Loans	-1,467	-3,937	-848	-607	0
Others	-245	-70	0	-550	-550
Financing Cash Flow	-5,472	-8,443	0	-7,115	-7,135
Inc / Dec (-) in Cash	4,262	-2,266	0	4,927	11,392
Opening Cash Balance	16,247	25,358	18,619	30,154	35,081
Closing Cash Balance	20,509	23,092	0	35,081	46,473

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Shareholders' Fund	59,886	66,145	74,385	84,957	99,374
Share Capital	626	627	627	627	627
Reserves & Surplus	59,260	65,518	73,758	84,330	98,747
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	3,955	362	607	0	0
Def. Tax Liab. / Assets (-)	3,506	3,615	3,575	2,729	1,654
Total - Equity & Liab.	67,348	70,122	78,567	87,686	101,028
Net Fixed Assets	34,907	37,870	42,865	47,053	48,999
Gross Fixed Assets	46,005	50,837	57,894	65,894	71,894
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	11,670	14,631	18,016	21,841	25,895
Capital WIP	572	1,664	2,987	3,000	3,000
Investments	4,277	2,009	200	200	200
Current Assets	65,867	71,554	81,133	93,148	112,721
Inventories	29,681	37,085	34,085	39,377	45,484
Sundry Debtors	7,648	9,713	11,572	13,368	15,442
Cash & Bank Balances	25,358	18,619	30,154	35,081	46,473
Loans & Advances	3,180	6,137	5,322	5,322	5,322
Other Current Assets	0	0	0	0	0
Current Liab. & Prov.	37,704	41,310	45,631	52,715	60,892
Current Liabilities	23,794	26,425	26,907	31,084	35,906
Provisions & Others	13,910	14,885	18,724	21,631	24,986
Net Current Assets	28,164	30,243	35,502	40,433	51,829
Total - Assets	67,348	70,122	78,567	87,686	101,028

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net Margin	8.6%	6.3%	6.9%	7.7%	8.5%
Asset Turnover (x)	2.2	2.5	2.5	2.6	2.6
Leverage Factor (x)	1.1	1.1	1.1	1.0	1.0
RoE	21.4%	16.8%	18.1%	20.7%	22.8%

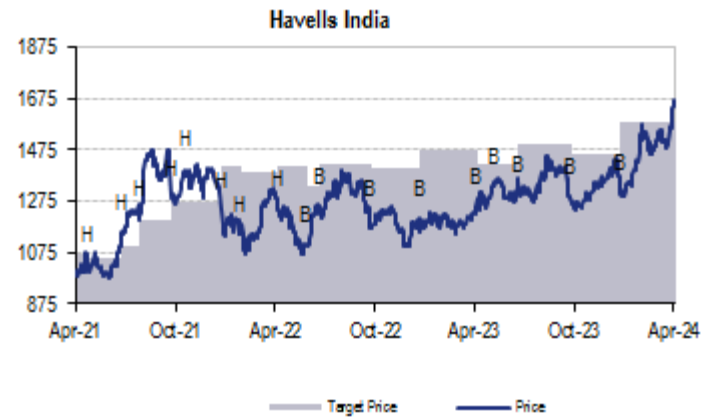
Key Ratios					
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
BV/Share (INR)	95.6	105.6	118.8	135.6	158.7
ROIC	31.0%	24.1%	24.8%	30.6%	35.9%
ROE	21.4%	16.8%	18.1%	20.7%	22.8%
Net Debt/Equity (x)	-0.4	-0.3	-0.4	-0.4	-0.5
P/E (x)	87.5	98.4	81.9	63.0	49.6
P/B (x)	17.4	15.8	14.0	12.3	10.5
EV/EBITDA (x)	58.0	63.8	54.8	43.6	34.7
EV/Sales (x)	7.3	6.1	5.5	4.7	4.0
Debtor days	20	21	23	23	23
Inventory days	78	80	67	67	67
Creditor days	72	63	59	59	60

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
30-Oct-20	Hold	700	
1-Dec-20	Hold	730	4.3
21-Jan-21	Hold	1,070	46.6
21-May-21	Hold	1,050	-1.9
22-Jul-21	Hold	1,100	4.8
25-Aug-21	Hold	1,200	9.1
21-Oct-21	Hold	1,270	5.8
16-Nov-21	Hold	1,270	0.0
21-Jan-22	Hold	1,410	11.0
24-Feb-22	Hold	1,390	-1.4
5-May-22	Hold	1,410	1.4
27-Jun-22	Buy	1,330	-5.7
21-Jul-22	Buy	1,420	6.7
20-Oct-22	Buy	1,400	-1.4
19-Jan-23	Buy	1,470	5.0
4-May-23	Buy	1,420	-3.4
6-Jun-23	Buy	1,420	0.0
21-Jul-23	Buy	1,500	5.6
22-Oct-23	Buy	1,460	-2.7
24-Jan-24	Buy	1,580	8.2

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and

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