

Estimate change	↔
TP change	↔
Rating change	↔

CMP: INR1,863 TP: INR1,820 (-2%) Neutral

Lloyd's performance better in 1Q; cables & wires muted

Price hikes would offset the surge in RM costs

- Havells India (HAVL)'s revenue/EBITDA grew ~20%/42% YoY to INR58.1b/ INR5.7b (in line) in 1QFY25. Though Lloyd's revenue rose ~47% YoY to INR19.3b (in line), its profitability was better than estimated, with an EBIT of INR636m (est. INR371m). This was aided by cost efficiencies & premiumization. Overall EBITDA margin was ~10% (in line). Profit was INR4.1b vs. estimated INR3.9b.
- The management commentary was positive on demand, pricing, and Lloyd. Demand for wires rebounded to normal levels in Jul'24, and there were price hikes across categories in 1QFY25. Though management refrained from giving any guidance for Lloyd's FY25 profitability, it mentioned that Lloyd remains on a strong footing as its own manufacturing has helped in offering differentiated products and led to margin improvement. In the switchgear segment, the contribution margin will be maintained around 38-41%.
- We retain our EPS estimates for FY25/FY26. We value the stock at 55x Jun'26E EPS to arrive at our TP of INR1,820. **Reiterate Neutral.**

Margin higher than estimate in Lloyd and Lighting segments

- Consolidated revenue/EBITDA/PAT stood at INR58.1b/INR5.7b/INR4.1b (up 20%/42%/42% YoY and up 2%/down 3%/up 5% vs. our estimates). Gross margin improved 1.5pp YoY to 31.9%. OPM expanded 1.5pp YoY to 9.9% (est. 10.3%). Ad spending was 3.0% of revenue vs. 2.8%/2.4% in 1Q/4QFY24.
- Segmental highlights: 1) Havells (ex-Lloyd)'s revenue grew 10% YoY to INR38.8b. **C&W's** revenue rose 2% YoY to INR15.2b and EBIT margin was flat at ~11%. **Switchgear's** revenue was up 7% YoY to INR5.8b and EBIT margin contracted 3.1pp to 24.6%. **Lighting's** revenue rose 4% YoY to INR3.9b and EBIT margin improved 1.9pp to 16%. **ECD** revenue rose 20% YoY to INR10.6b and EBIT margin was flat at ~11%. 2) **Lloyd's** revenue grew 47% YoY to INR19.3b. Lloyd reported an EBIT of INR636m in 1QFY25 vs. a loss of INR616m in 1QFY24 (estimated EBIT of INR371m).

Key highlights from the management commentary

- Cable registered double-digit growth, while demand for wires was hit in Jun'24 due to huge inventory destocking as commodity prices declined sharply in the month.
- Price hikes were taken in many product categories, including consumer durable products. These price hikes will likely offset the surge in RM costs.
- Capex in FY25 will be between INR8-9b. The total announced capex is INR11b as of now, of which 40% will be towards cables and INR1b for Lloyd.

Valuation and view

- We have introduced FY27E. We expect HAVL to report a revenue/EBITDA/PAT CAGR of 15%/21%/ 24% over FY24-27. We have assumed a revenue CAGR of 21% for Lloyd, while other business segments should deliver a revenue CAGR of 8-14%. We have estimated Lloyd's margin at 2.0%/3.5%/ 5.0% in FY25/FY26/FY27.
- The stock is trading at 59x FY26E EPS, reflecting the growth we anticipate. We value the stock at 55x Jun'26E EPS to arrive at our TP of INR1,820.

Reiterate Neutral.

Bloomberg	HAVL IN
Equity Shares (m)	627
M.Cap.(INRb)/(USDb)	1167.7 / 14
52-Week Range (INR)	1987 / 1233
1, 6, 12 Rel. Per (%)	-3/17/14
12M Avg Val (INR M)	1664
Free float (%)	40.6

Financials & Valuations (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	211.0	242.1	279.8
EBITDA	22.7	27.3	32.8
Adj. PAT	16.2	19.7	24.2
EBITA Margin (%)	10.8	11.3	11.7
Cons. Adj. EPS (INR)	25.8	31.4	38.5
EPS Gr. (%)	27.4	21.4	22.9
BV/Sh. (INR)	135.6	156.0	181.0

Ratios

Net D:E	(0.4)	(0.4)	(0.5)
RoE (%)	19.0	20.1	21.3
RoCE (%)	18.6	19.7	20.8
Payout (%)	35.0	35.0	35.0

Valuations

P/E (x)	72.0	59.3	48.3
P/BV (x)	13.7	11.9	10.3
EV/EBITDA (x)	49.8	41.2	33.9
Div Yield (%)	0.5	0.6	0.7
FCF Yield (%)	0.6	1.0	1.3

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	59.4	59.4	59.4
DII	9.6	9.9	9.8
FII	25.4	24.8	23.8
Others	5.7	5.9	7.0

FII Includes depository receipts

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

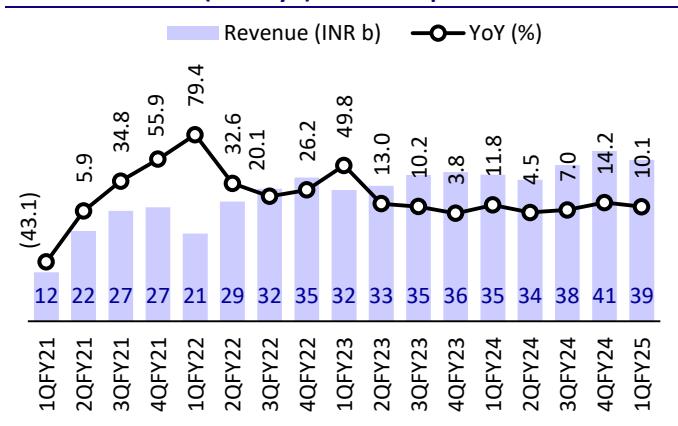
Quarterly performance

Y/E March	FY24				FY25				FY24	FY25E	MOFSL	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		1QE		
Sales	48,338	39,003	44,139	54,420	58,062	43,353	49,131	60,440	1,85,900	2,10,986	57,196	2%
Change (%)	13.9	6.3	7.1	12.0	20.1	11.2	11.3	11.1	10.1	13.5	18	
Adj EBITDA	4,020	3,734	4,327	6,346	5,722	5,056	5,532	6,424	18,426	22,734	5,873	-3%
Change (%)	11.2	30.1	2.1	20.4	42.4	35.4	27.9	1.2	15.2	23.4	46	
Adj EBITDA margin (%)	8.3	9.6	9.8	11.7	9.9	11.7	11.3	10.6	9.9	10.8	10	(41)
Depreciation	763	812	877	934	920	955	965	978	3,385	3,819	1,156	
Interest	85	93	102	177	86	95	100	120	457	400	120	
Other Income	648	525	559	758	773	800	820	842	2,490	3,236	664	
Extra-ordinary items	-	-	-	-	-	-	-	-	-	-	0	
PBT	3,821	3,353	3,907	5,993	5,490	4,806	5,287	6,168	17,074	21,751	5,261	4%
Tax	950	862	1,028	1,526	1,415	1,226	1,348	1,574	4,366	5,562	1,363	
Effective Tax Rate (%)	24.9	25.7	26.3	25.5	25.8	25.5	25.5	25.5	25.6	25.6	26	
Reported PAT	2,871	2,491	2,879	4,467	4,075	3,580	3,939	4,595	12,708	16,189	3,898	5%
Change (%)	18.1	33.3	1.4	24.8	42.0	43.7	36.8	2.9	18.5	27.4	36	
Adj PAT	2,871	2,491	2,879	4,467	4,075	3,580	3,939	4,595	12,708	16,189	3,898	5%
Change (%)	18.1	33.3	1.4	24.8	42.0	43.7	36.8	2.9	18.5	27.4	36	

Segmental performance (INR m)

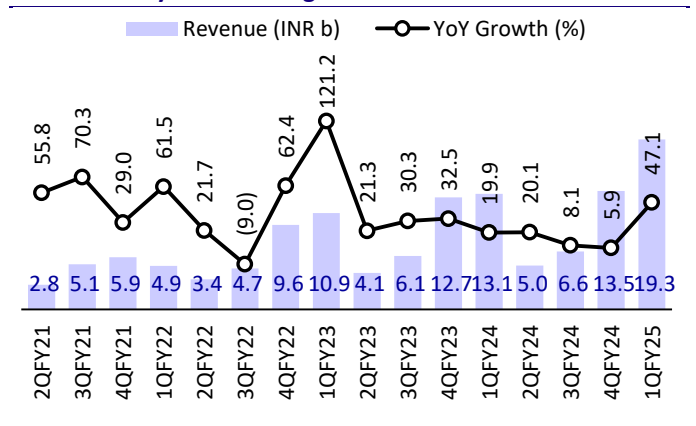
Y/E March	FY24				FY25				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		1QE		
Sales												
Switchgear	5,409	5,336	5,206	6,513	5,768	5,763	5,466	6,814	22,463	23,811	5,841	-1%
Cables & Wires	14,852	14,702	15,727	17,896	15,212	16,466	17,929	20,518	63,176	70,125	16,188	-6%
ECD	8,775	7,331	9,615	9,104	10,554	8,064	10,481	10,253	34,825	39,352	9,916	6%
Lighting & Fixtures	3,710	3,999	4,335	4,353	3,876	4,279	4,638	4,752	16,398	17,545	3,933	-1%
Lloyd	13,109	4,974	6,561	13,459	19,287	5,720	7,545	14,695	38,103	47,248	18,536	4%
EBIT												
Switchgear	1,499	1,409	1,244	1,836	1,422	1,441	1,312	1,945	5,988	6,119	1,519	-6%
Cables & Wires	1,691	1,707	1,625	2,154	1,711	1,943	2,134	2,487	7,175	8,275	1,862	-8%
ECD	957	848	1,062	1,025	1,147	911	1,237	1,231	3,892	4,525	1,170	-2%
Lighting & Fixtures	532	570	607	785	630	710	789	819	2,493	2,948	590	7%
Lloyd	(616)	(745)	(654)	360	636	29	60	220	(1,655)	945	371	72%
EBIT Margin (%)												
Switchgear	27.7	26.4	23.9	28.2	24.6	25.0	24.0	28.5	26.7	25.7	26.0	(135)
Cables & Wires	11.4	11.6	10.3	12.0	11.2	11.8	11.9	12.1	11.4	11.8	11.5	(25)
ECD	10.9	11.6	11.0	11.3	10.9	11.3	11.8	12.0	11.2	11.5	11.8	(94)
Lighting & Fixtures	14.3	14.3	14.0	18.0	16.2	16.6	17.0	17.2	15.2	16.8	15.0	124
Lloyd	(4.7)	(15.0)	(10.0)	2.7	3.3	0.5	0.8	1.5	(4.3)	2.0	2.0	130

Exhibit 1: HAVL's (ex-Lloyd) revenue up 10% YoY



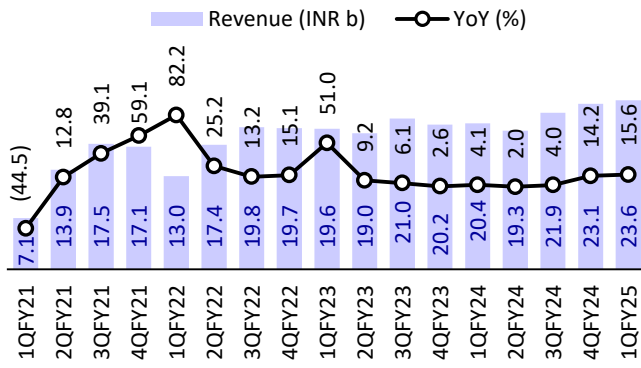
Source: MOFSL, Company

Exhibit 2: Lloyd's revenue grew ~47% YoY



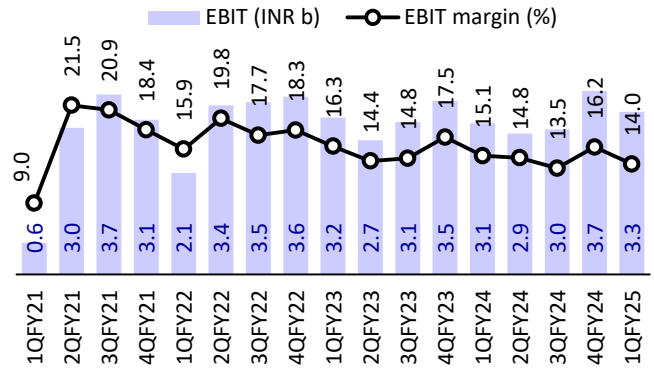
Source: MOFSL, Company

Exhibit 3: HAVL's (ex-Cable & Wires) sales up 16% YoY



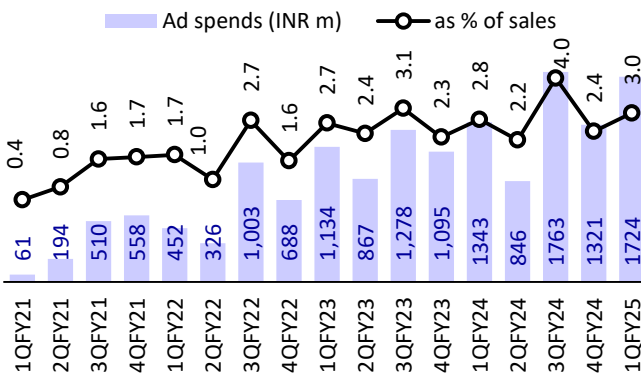
Source: MOFSL, Company

Exhibit 4: HAVL's (ex-Cables & Wires) EBIT margin trend



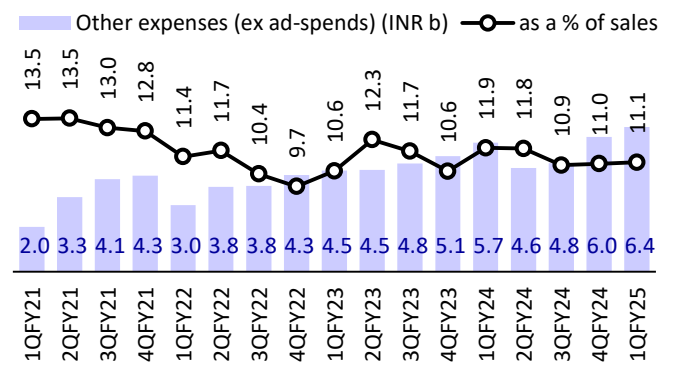
Source: MOFSL, Company

Exhibit 5: Ad spending increased YoY/QoQ in 1QFY25



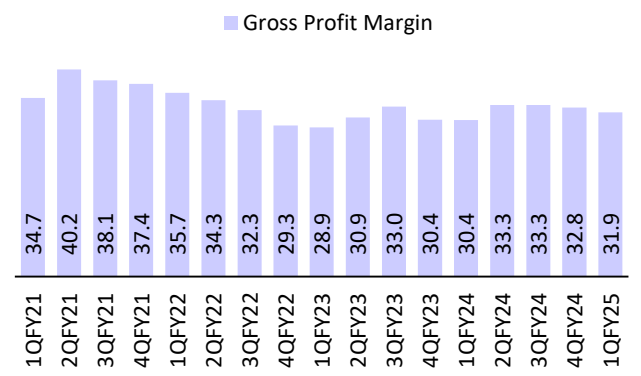
Source: MOFSL, Company

Exhibit 6: Other expenses (ex-ad spending) as a % of sales



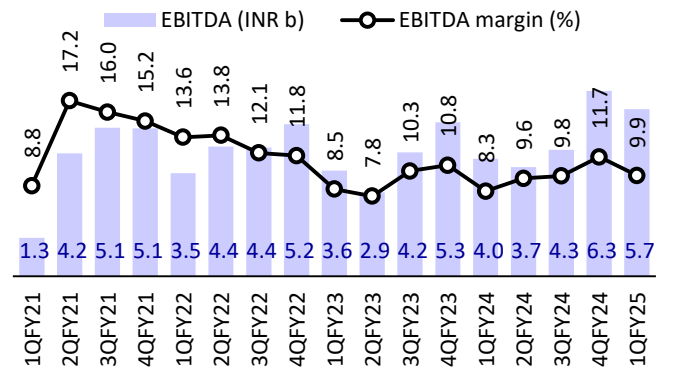
Source: MOFSL, Company

Exhibit 7: Gross margin up 1.5pp YoY in 1QFY25



Source: MOFSL, Company

Exhibit 8: EBITDA margin up 1.5pp YoY to ~10%



Source: MOFSL, Company



Conference call highlights

Demand and pricing

- The 1QFY25 saw better demand from categories like RAC, fans, and air coolers. The omni-channel presence helped to tap into the market opportunity, and the industry witnessed many first-time buyers for RACs. This may also help growth for the underpenetrated RAC category.
- Price increases have happened in many product categories, including consumer durable products in 1Q. Costs have also increased; but the price hikes will offset the current RM costs.
- **ECD segment:** The summer and the low base of last year helped ECD segment growth. Consumer sentiment has improved, but it is difficult to comment whether it will sustain or not. Kitchen appliances are also doing better. There should be a turnaround in consumer sentiments in the next few quarters, which will also help growth of core categories. Higher growth will also bring operating efficiencies. Contribution margin of the ECD segment improved due to premiumization and cost-saving initiatives. The ECD segment has product categories like fans, domestic appliances, air coolers, water heaters, etc. In several product categories, Havells' market share is very low. As consumer sentiment improves, these categories will start growing and the company would also strive for market share growth. There is no significant element of replacement demand in the ECD category.
- **Cable & wires** – Cable registered double-digit growth, while demand for wires was hit in Jun'24 due to huge inventory destocking as commodity prices declined sharply in the month. Demand in Jul-24 has rebounded to normal.
- **Switches & Switchgear segment** – Increased competitive intensity persists in switchgear for a long time. However, contribution margin has remained in the range of 38-41% and the aim is to maintain these margins going forward. The company was offering switches under Havells and Crabtree brand names other than Rio and Standard. There was overlapping of customer segments and influencers in Havells and Crabtree. Hence, these two brands have been merged. Other brands have different consumer segments and hence, they would continue to remain as independent brands.

Lloyd's performance

- The company has been making huge investments in Lloyd and will continue to do that as it foresees a huge growth opportunity. Also, the company's market share is low in many categories. Margin improvement has been led by cost efficiencies in manufacturing and premiumization, which is being done over the years. Though 2Q and 3Q are lean periods for RACs, Lloyd remains on a strong footing for the full year. Investment will continue in brand building (4.0-4.5% of revenues are being spent towards advertisement), R&D, and manufacturing.
- Non-AC categories (this quarter RAC revenue share was ~85%) also have done well in 1Q. Refrigerators and washing machines will continue to be the focus areas for non-AC category. The non-AC category will also require investments, but not to the extent of Lloyd as brand building has already been done.
- Manufacturing helped not only in margins but also in offering differentiated products, which is benefitting the company.

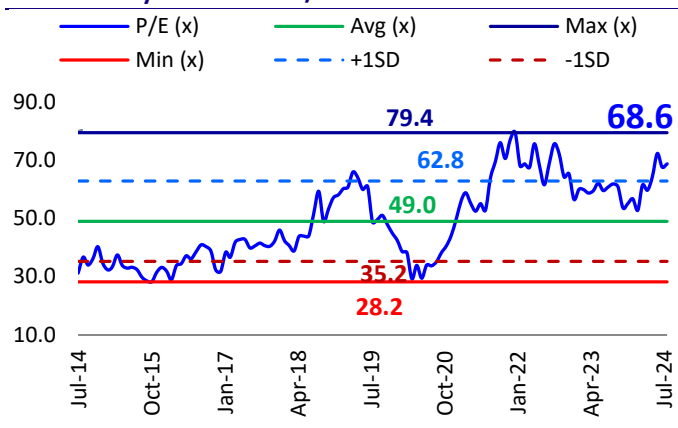
Capex, working capital, and AD spends

- There is further scope for improvement in inventory days.
- Capex in FY25 will be between INR8-9b. Total announced capex is INR11b as of now, of which 40% will be towards cables and INR1b towards Lloyd.
- Final approvals are awaited for sales to start from the new facility and production should start from 2QFY25. The company had underinvested in cables in last few years and hence, it is increasing investments in the segment.
- It will continue to increase capacity both for exports and domestic markets as well as a large range of underground cables. The company has capacity available for wires in the domestic markets as it has seen continued investments. There will be higher capacity expansion in cables than wires over next 1.0-1.5 years. About 40% of the newly announced expansion in cable & wire segment will be towards cables.
- Ad spending will be between 4.0-4.5% of revenues for Lloyd and 2.5% for Havells. For the company, it will be ~3.5% of revenues.

Future strategy and other highlights

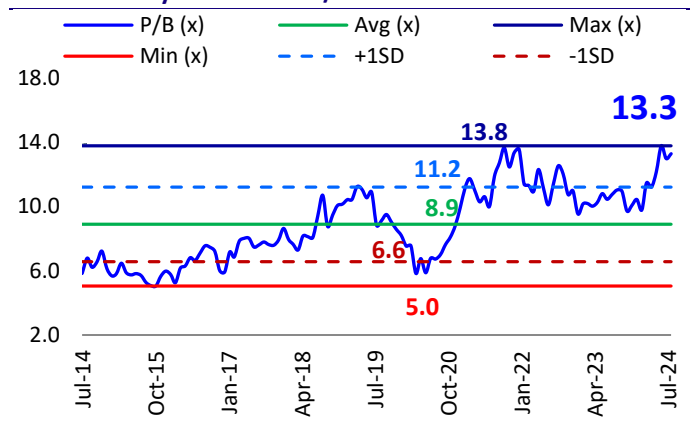
- Investment continues in brand building, differentiated offerings and talent pool.
- The target is to tap the global opportunity and it would aspire to achieve 10% of its revenues from export markets. There are opportunities in the markets of US, Australia, and Europe, however; Europe market is not as open as the US, which is leading the entry into this market. The company is into different phases of approvals for all products into the US markets, which may take 9-12 months. Also, approval for all range of cable products will come in 9-12 months. Power consumption is going up globally and infrastructure was not improved in the last few years. This will lead to a five-year growth trajectory for cables & wires.
- Inorganic opportunities will be evaluated as and when they arrive, but it should be accretive to return ratios.

Exhibit 9: 1-year forward P/E chart



Source: MOFSL, Company

Exhibit 10: 1-year forward P/B chart



Source: MOFSL, Company

Financials and valuations (Consolidated)

Income Statement							(INR m)
Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	1,04,279	1,38,885	1,69,107	1,85,900	2,10,986	2,42,058	2,79,786
Change (%)	10.6	33.2	21.8	9.9	13.5	14.7	15.6
Raw Materials	64,749	93,840	1,17,055	1,25,687	1,40,305	1,58,790	1,81,301
Gross margin (%)	37.9	32.4	30.8	32.4	33.5	34.4	35.2
Staff Cost	8,853	10,147	12,816	15,485	18,830	22,596	27,115
Other Expenses	15,024	17,322	23,245	26,302	29,116	33,404	38,610
EBITDA	15,653	17,576	15,991	18,426	22,734	27,268	32,759
% of Net Sales	15.0	12.7	9.5	9.9	10.8	11.3	11.7
Depreciation	2,489	2,608	2,962	3,385	3,819	4,282	4,714
Interest	726	534	336	457	400	375	325
Other Income	1,450	1,604	1,777	2,490	3,236	3,793	4,729
PBT	13,888	16,038	14,471	17,074	21,751	26,405	32,450
Tax	3,590	4,091	3,753	4,366	5,562	6,752	8,298
Rate (%)	25.8	25.5	25.9	25.6	25.6	25.6	25.6
Extra-ordinary Inc.(net)	98	0	0	0	0	0	0
Reported PAT	10,396	11,948	10,717	12,708	16,189	19,652	24,152
Change (%)	41.8	14.9	-10.3	18.6	27.4	21.4	22.9
Adjusted PAT	10,298	11,948	10,717	12,708	16,189	19,652	24,152
Change (%)	40.5	16.0	-10.3	18.6	27.4	21.4	22.9

Balance Sheet							(INR m)
Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	626	626	627	627	627	627	627
Reserves	51,019	59,260	65,628	73,841	84,364	97,138	1,12,836
Net Worth	51,645	59,886	66,255	74,468	84,990	97,764	1,13,463
Loans	4,922	3,955	0	0	0	0	0
Deferred Tax Liability	3,391	3,506	3,615	3,575	3,575	3,575	3,575
Capital Employed	59,958	67,348	69,870	78,043	88,566	1,01,340	1,17,038
Gross Fixed Assets	41,965	46,005	50,838	57,896	65,896	72,896	79,896
Less: Depreciation	9,062	11,670	14,632	18,017	21,836	26,117	30,831
Net Fixed Assets	32,903	34,335	36,207	39,879	44,060	46,778	49,065
Capital WIP	899	572	1,664	2,987	2,987	2,987	2,987
Investments	3,079	4,261	2,009	200	200	200	200
Curr. Assets	51,321	65,884	71,695	81,261	91,709	1,08,648	1,30,417
Inventory	26,199	29,681	37,086	34,086	39,307	45,096	52,124
Debtors	5,636	7,675	9,755	11,652	12,139	13,927	16,097
Cash & Bank Balance	16,247	25,358	18,702	30,382	34,483	42,994	54,530
Other Current Assets	3,238	3,169	6,152	5,141	5,780	6,632	7,665
Current Liab. & Prov.	28,245	37,704	41,705	46,284	50,391	57,274	65,631
Creditors	15,968	23,794	26,432	26,919	30,551	35,051	40,514
Other Liabilities	9,117	10,615	11,157	15,711	16,185	18,569	21,463
Provisions	3,160	3,295	4,116	3,654	3,654	3,654	3,654
Net Current Assets	23,076	28,180	29,990	34,977	41,319	51,374	64,787
Application of Funds	59,958	67,348	69,870	78,043	88,566	1,01,340	1,17,038

Financials and valuations (Consolidated)

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)							
Adjusted EPS	16.5	19.1	17.1	20.3	25.8	31.4	38.5
Growth (%)	40.4	16.0	-10.3	18.5	27.4	21.4	22.9
Cash EPS	20.4	23.2	21.8	25.7	31.9	38.2	46.1
Book Value	82.5	95.6	105.8	118.8	135.6	156.0	181.0
DPS	2.5	6.5	7.5	9.0	9.0	11.0	13.5
Payout (incl. Div. Tax.)	18.2	34.1	43.9	37.0	35.0	35.0	35.0
Valuation (x)							
P/Sales	11.2	8.4	6.9	6.3	5.5	4.8	4.2
P/E (standalone)	113.1	97.6	108.8	91.8	72.0	59.3	48.3
Cash P/E	91.1	80.1	85.2	72.5	58.3	48.7	40.4
EV/EBITDA	73.7	65.1	71.7	61.6	49.8	41.2	33.9
EV/Sales	11.1	8.2	6.8	6.1	5.4	4.6	4.0
Price/Book Value	22.6	19.5	17.6	15.7	13.7	11.9	10.3
Dividend Yield (%)	0.1	0.3	0.4	0.5	0.5	0.6	0.7
Profitability Ratios (%)							
RoE	19.9	20.0	16.2	17.1	19.0	20.1	21.3
RoCE	18.1	18.3	15.7	16.7	18.6	19.7	20.8
RoIC	24.0	29.6	19.6	23.6	26.1	29.4	33.5
Turnover Ratios							
Debtors (Days)	20	20	21	23	21	21	21
Inventory (Days)	92	78	80	67	68	68	68
Creditors. (Days)	56	63	57	53	53	53	53
Asset Turnover (x)	1.7	2.1	2.4	2.4	2.4	2.4	2.4
Leverage Ratio							
Net Debt/Equity (x)	-0.2	-0.4	-0.3	-0.4	-0.4	-0.4	-0.5

Cash Flow Statement (INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
PBT before EO Items	14,104	16,272	14,610	17,185	21,751	26,405	32,450
Add : Depreciation	2,489	2,608	2,962	3,385	3,819	4,282	4,714
Interest	(315)	(717)	(898)	(1,393)	(2,836)	(3,418)	(4,404)
Less : Direct Taxes Paid	2,714	4,138	3,919	3,919	5,562	6,752	8,298
(Inc)/Dec in WC	6,985	(3,420)	7,105	(4,272)	2,240	1,545	1,876
CF from Operations	6,579	17,446	5,649	19,529	14,932	18,971	22,585
(Inc)/Dec in FA	(1,227)	(2,490)	(5,855)	(7,278)	(8,000)	(7,000)	(7,000)
Free Cash Flow	5,353	14,956	(206)	12,251	6,932	11,971	15,585
(Pur)/Sale of Investments	(2,169)	(5,102)	6,206	(8,861)	3,236	3,793	4,729
CF from Investments	(3,396)	(7,592)	350	(16,139)	(4,764)	(3,207)	(2,271)
(Inc)/Dec in Net Worth / Others	195	(183)	(360)	(558)	-	-	-
(Inc)/Dec in Debt	4,136	(973)	(3,937)	-	-	-	-
Less : Interest Paid	459	245	70	76	400	375	325
Dividend Paid	1,878	4,073	4,703	4,701	5,666	6,878	8,453
CF from Fin. Activity	1,994	(5,473)	(9,069)	(5,336)	(6,066)	(7,253)	(8,778)
Inc/Dec of Cash	5,178	4,380	(3,070)	(1,945)	4,101	8,511	11,537
Add: Beginning Balance	11,069	20,978	21,771	32,327	30,382	34,483	42,994
Closing Balance	16,247	25,358	18,702	30,382	34,483	42,994	54,530

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NOTES

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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