

# EMS & Consumer Durable

## Amber Enterprises (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	90.3	109.8	135.2
EBITDA	6.9	8.9	11.7
EBITDA Margin (%)	7.7	8.1	8.7
PAT	2.4	3.7	5.7
EPS (INR)	70.8	109.5	168.7
EPS Growth (%)	79.6	54.7	54.0
BV/Share (INR)	683.5	793.0	961.8
<b>Ratios</b>			
Net D/E	0.4	0.3	0.1
RoE (%)	10.9	14.8	19.2
RoCE (%)	10.8	12.8	15.9
<b>Valuations</b>			
P/E (x)	89.6	57.9	37.6
P/BV (x)	9.3	8.0	6.6
EV/EBITDA (x)	32.4	25.0	18.7

## Voltas (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	148.3	164.2	184.4
EBITDA	10.9	13.0	15.6
Adj. PAT	8.3	10.0	12.6
EBITA Margin (%)	7.3	7.9	8.5
Cons. Adj. EPS (INR)	25.1	30.4	38.0
EPS Gr. (%)	247.1	20.9	25.1
BV/Sh. (INR)	198.9	223.0	253.4
<b>Ratios</b>			
Net D:E	(0.1)	(0.1)	(0.2)
RoE (%)	12.6	13.6	15.0
RoCE (%)	13.6	14.3	15.0
Payout (%)	25.0	25.0	25.0
<b>Valuations</b>			
P/E (x)	55.9	46.2	37.0
P/BV (x)	7.1	6.3	5.5
EV/EBITDA (x)	42.2	35.0	28.8
Div Yield (%)	0.4	0.5	0.7
FCF Yield (%)	0.8	1.9	2.2

## Havells India (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	211.9	240.5	276.7
EBITDA	19.9	24.3	29.3
Adj. PAT	13.8	16.9	20.7
EBITA Margin (%)	9.4	10.1	10.6
Cons. Adj. EPS (INR)	22.0	26.9	33.1
EPS Gr. (%)	8.7	22.1	23.0
BV/Sh. (INR)	133.1	150.6	172.1
<b>Ratios</b>			
Net D:E	(0.4)	(0.4)	(0.5)
RoE (%)	16.5	17.9	19.2
RoCE (%)	16.2	17.5	18.9
Payout (%)	35.0	35.0	35.0
<b>Valuations</b>			
P/E (x)	66.3	54.3	44.1
P/BV (x)	11.0	9.7	8.5
EV/EBITDA (x)	44.2	36.0	29.5
Div Yield (%)	0.5	0.6	0.8
FCF Yield (%)	0.5	1.1	1.5

## Compressor shortage seems well managed

The RAC industry seems to be witnessing a good start to the summer season of CY25 after a strong performance in the last season. Our recent interaction with industry participants suggests that secondary sales too have started picking up in the South and West regions. The industry faced a shortage of high-value intermediaries – compressors and copper – during 3QFY25/Jan'25, which came as a surprise to RAC manufacturers, as BIS certifications for certain players were not extended and imports got impacted. However, as per our interactions, most players have addressed this issue with alternate supply arrangements, and it is expected that the situation would ease further in the coming months. In the near term, this can impact the volumes of certain OEM and EMS companies during 4QFY25 as the industry was not fully prepared to deal with this shortfall of compressors, though the impact on secondary sales might be limited (peak demand is during Apr-Jun). The industry has made representations to the government to extend BIS certifications for certain compressor and copper suppliers until domestic capacities are not available to meet the entire demand, and we expect a favorable decision on the same. We maintain BUY on Amber Enterprises and Voltas and Neutral on Havells.

## 4Q/1Q are peak demand periods for AC manufacturers and AC EMS players

AC industry has seen good demand so far in FY25, driven by rising temperature and increasing disposable income. In FY24, industry volumes grew by 12% YoY to around 9.4 million units. We expect a 19% CAGR in industry volume over FY24-27, with 35-40% YoY growth expected in FY25. With annual AC demand growing at such a healthy pace, the demand for high-value components such as compressors and copper tubes would also grow correspondingly. Peak production for AC occurs normally during the December-June period, accounting for nearly 80% of the annual output. Any disruption during these months can impact overall production volumes for AC OEMs and ODMs.

## AC compressor shortage cropped up in 3QFY25/Jan'25

The Indian RAC market was impacted by the shortage of AC compressors during 3QFY25/Jan'25 due to 1) BIS certification expiry for a large Chinese player, which has led to a halt in shipments to India since Oct'24; 2) increased AC demand in China due to government subsidies; and 3) fears of US tariffs resulting in supplies being diverted to the US. This could have resulted in production loss for few players during this period. Companies with stocked inventory or alternative arrangements were better placed at this time. As a result, companies had to shift to alternative suppliers such as Highly and GMCC, both of which are already operating at the maximum capacity in India and China. Among the domestic AC OEMs, major players like LG and Daikin have in-house compressor manufacturing units and were better placed. Both are also ramping up their in-house compressor production.

## Current compressor capacities in India still too small

The compressor requirement in the Indian RAC industry is around 1.05x to 1.1x of AC demand, reflecting the need for additional compressors due to replacements, and maintaining buffer stock. Presently, domestic AC OEMs do not have compressor manufacturing capacities, while MNC OEMs have in-house compressor manufacturing capacities. The industry meets its compressor requirements of 6-6.6m units domestically through GMCC, Highly, LG, Daikin, and Mitsubishi, while the

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remaining (total requirement: 13.5-14m units) is met via imports. The requirement of compressors will increase in line with growing AC demand (12-15% YoY). If BIS certification for Highly (certification expiring by Jun'25) and GMCC (certification expiring by Jan'26) is not extended, then the industry will be further constrained in terms of compressor shortage. As per our discussion with industry participants, AC industry players are expecting the continuation of BIS certification for these companies until the domestic industry becomes capable of in-house manufacturing.

### **Imports and in-house production ease compressor shortage**

The industry is handling this compressor shortage via imports from other countries such as Taiwan, Japan, and Thailand and is also hopeful of importing compressors from China on expectations of easing of BIS certifications for key players like GMCC and Highly. Various OEMs and ODMs are currently well positioned until May'25 to take care of peak demand. Beyond that, expansion plans for compressors are already lined up by GMCC, Highly, LG, Daikin, and PG Electroplast over the next 1-2 years. Improved compressor manufacturing in India would also result in an increase in local value-addition in AC manufacturing to 75% from 60% currently. AC manufacturer VOLT is managing the situation with strategic tie-ups, proactive procurement, and inventory optimization. AC ODM players, Amber Enterprises and PG Electroplast, are currently not much impacted due to their diverse client profile, MNC customer base and stocked-up inventory of compressors.

### **Similar situation was seen for copper tubes**

The government extended the quality control order (QCO) for plain copper tubes, allowing temporary imports to mitigate shortages. Domestic production is still ramping up, with major players like Adani Copper, Hindalco, and Mettube working to increase capacity, though they are not yet fully operational. By Oct'25, additional capacity is expected to come online, which may ease the supply situation. Until then, the industry continues to rely on imports to meet the growing demand, driven by the increasing production of ACs.

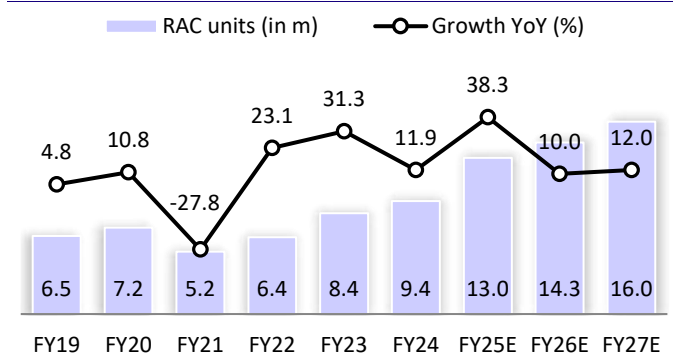
### **Positioning of players in the current scenario**

- **AC manufacturers – VOLT and HAVL:** We expect VOLT and HAVL's RAC business to continue to benefit given the expected strong demand in the summer season. They are also seeing inventory stocking happening in the south region, which will be followed by the west, east and later the north region. Though the pace of aggression is moderate, the industry witnessed price increases from Dec'24 MoM, which could help to improve margins. Further, the compressor shortage, if any, due to the above-stated reasons may be felt only in Jun'25.
- **AC ODMs – Amber Enterprises:** We expect Amber's RAC division to continue to benefit from strong AC demand as the summer season has started well and channel inventory filling is also aiding overall volumes. Amber is actively working with key clients such as LG, Samsung, Mitsubishi, Fujitsu, and Daikin among the MNC names and leading domestic players. Global players were not impacted by the compressor shortage during 4QFY25 due to their in-house compressor manufacturing; hence, Amber was not impacted by the compressor shortage issue even though it was only for a short duration. The company has sufficient inventory to take care of demand until Apr-May'25 and expects the situation to ease out as the industry has already made representation to the government to extend the BIS certification for compressor suppliers. If needed, Amber is adequately placed to put up a compressor facility.

## AC industry demand – potential J curve

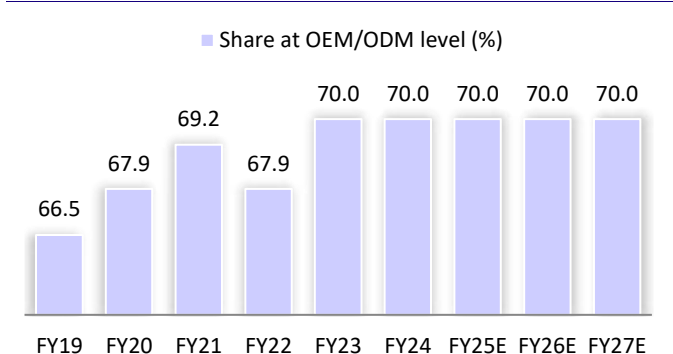
The AC industry has witnessed good demand so far in FY25, driven by rising temperature and increasing disposable income. Industry volumes grew by 12% YoY in FY24 to ~9.4 million units. We expect a 19% CAGR in industry volumes over FY24-27, with 35-40% YoY growth expected in FY25. Along with this, the domestic RAC industry has witnessed a lot of initiatives over the past few years from the government side, such as a ban on fully assembled AC imports with refrigerants, a PMP scheme, and a PLI scheme for AC components. These initiatives have opened up opportunities for domestic companies and increased value addition in the domestic AC industry to 60% now from 25% at the time of PLI scheme. This is targeted to grow to 75% by FY27.

**Exhibit 1: RAC industry volumes are likely to post a CAGR of 19% over the next three years**



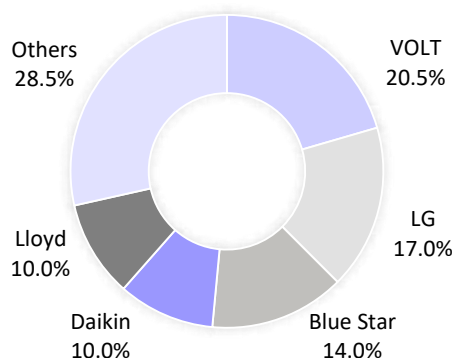
Source: Company, MOFSL

**Exhibit 2: Share of RAC industry at OEM and ODM levels stands at 70%**



Source: Company, MOFSL

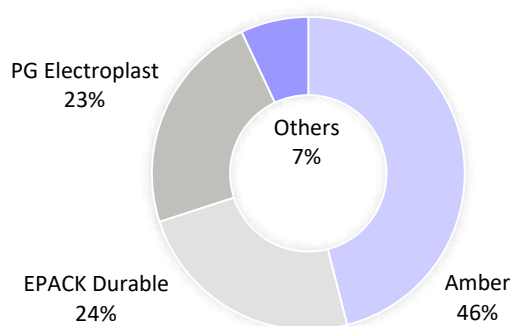
**Exhibit 3: Market share of OEM players in the RAC segment in India**



Source: Company, MOFSL;

Note: VOLT and Blue Star market share as of Dec'24; for LG, Daikin, Lloyd, it is estimated

**Exhibit 4: Volume market share of ODM companies in FY23 for domestically manufactured units**

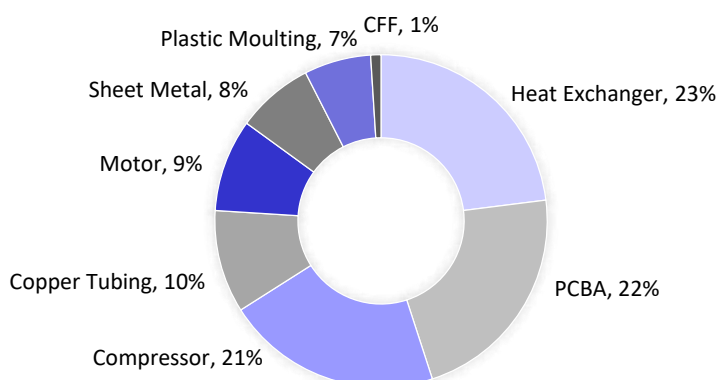


Source: Company, MOFSL

## High-value intermediaries form ~30-35% of AC BoM

The import dependence is higher for key components of high-value intermediaries such as compressors, copper tubes, and aluminum stock, while production of low-value intermediaries such as control assemblies, display panels, motors, cross-flow fans, valves, brass components, heat exchangers, sheet metal, and plastic molding components has started ramping up domestically. Compressors constitute ~21% of the BoM for AC, with a significant portion reliant on imports. Domestic capacity expansion in compressors has been limited due to the high capex requirement — INR2b-2.5b for production capacity of 1 million units.

**Exhibit 5: Compressors, copper tubing form a larger proportion of RAC BoM breakup (%)**



Source: Company, MOFSL

### Compressor requirement is 1.05x to 1.1x of AC demand

The compressor requirement in the Indian RAC industry is 1.05x to 1.1x AC volumes, reflecting the need for additional compressors due to production losses, replacements, and maintaining buffer stock. With the annual AC demand growing by 12-15%, this multiplier translates into a rising need for compressors each year. This growing demand is challenging to meet due to limited domestic production capacity. And hence the reliance on imports remains for compressors.

With the current AC market size of 13 million units, the industry requires ~14.3 million compressors, which is currently met through 9.2 million units of imports and 5.0-5.1 million units of domestic supply, assuming domestic compressors capacities operating at 77-80% capacity utilization. As per industry estimates, India's compressor manufacturing capacity is projected to reach 18 million units over the next five years, while total compressor demand is expected to rise to 29.7 million units by FY30. This supply-demand gap is further exacerbated by BIS certification issues affecting key Chinese manufacturers, resulting in supply disruptions and increasing dependence on domestic producers such as GMCC, Highly, LG, and Daikin.

**Exhibit 6: Expected compressor demand in India for next three years based on 1.1x of AC projections (units m)**

Units m	FY23	FY24	FY25E	FY26E	FY27E
<b>AC demand</b>	<b>8.4</b>	<b>9.4</b>	<b>13.0</b>	<b>14.3</b>	<b>16.0</b>
YoY %	31.3	11.9	38.3	10.0	12.0
<b>Compressors demand (1.1x)</b>	<b>9.2</b>	<b>10.3</b>	<b>14.3</b>	<b>15.7</b>	<b>17.6</b>
YoY %	31.3	11.9	38.3	10.0	12.0

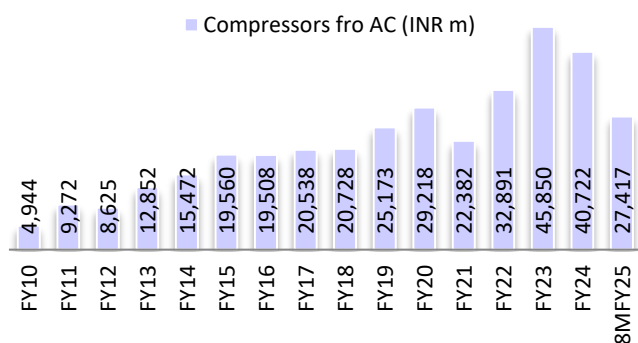
Source: Industry, MOFSL

**Exhibit 7: Total compressor manufacturing capacity in India expected to more than double after the completion of planned expansions over next few years (units m)**

Companies	Current capacity (FY24)	Future additional capacity	Total future capacity
Highly	2.4	2.4	4.8
GMCC	2.2	2.2	4.4
Daikin	1.0	2.0	3.0
LG	1.0		1.0
PG Electroplast		5.0	5.0
<b>Total Compressor Capacity in India</b>	<b>6.6</b>	<b>11.6</b>	<b>18.2</b>

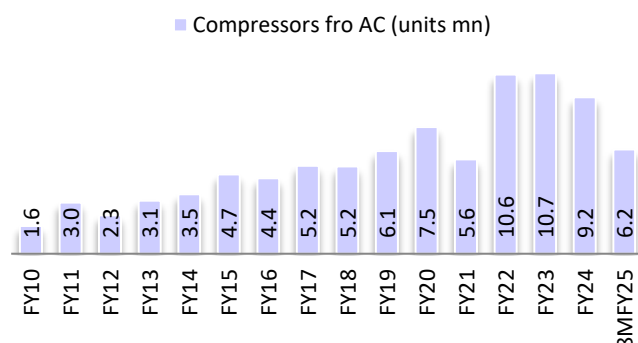
Source: Industry, MOFSL

**Exhibit 8: Import of compressors in India – value (INR m)**



Source: Ministry of Commerce and Industry, MOFSL

**Exhibit 9: Import of compressors in India – value (units mn)**



Source: Ministry of Commerce and Industry, MOFSL

### Copper tubing requirements

India continues to rely heavily on imports for aluminum and copper tubes due to quality and cost differences compared to China. Producing one AC requires about 5kg of copper and aluminum, resulting in a total demand of around 65,000 tons for a market size of 13 million units.

To address this, Mettube India has committed INR3b for a 15,000-ton capacity, while Adani Copper Tubes is investing INR4b. Hindalco is investing INR5.4b to establish a 25,000-ton capacity for copper tubes and aluminum stock used in heat exchangers. The company placed a large order with L&T for setting up an 850 KTPA Greenfield alumina refinery plant in Odisha.

Until these capacities are commissioned, there is still a reliance on the import of plain copper tubes and inner-grooved copper tubes. However, once these new capacities are commissioned and reach scale, reliance on imports for aluminum and copper tubes is expected to decline.

#### ■ Plain copper tubes

The supply of plain copper tubes in the Indian RAC market was under pressure due to regulatory and production challenges. The government has extended QCO for plain copper tubes, allowing temporary imports to mitigate shortages. Domestic production is still ramping up, with major players like Adani, Hindalco, and Mettube working to increase capacity, though they are not yet fully operational. By Oct'25, additional capacity is expected to come online, which may ease the supply situation. Until then, the industry continues to rely on imports to meet the growing demand, driven by the increasing production of ACs.

#### ■ Inner-grooved copper tubes

Currently, inner-grooved copper tubes are excluded from BIS certification, allowing manufacturers to continue importing them without meeting stringent domestic standards. This exemption is expected to remain in place until Mar'26, providing temporary relief to the industry. However, there are no significant domestic manufacturing capacities for inner-grooved copper tubes yet, and the sector relies heavily on imports to meet demand.



#### Amber Enterprises (INR b)

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Sales	90.3	109.8	135.2
EBITDA	6.9	8.9	11.7
EBITDA Margin (%)	7.7	8.1	8.7
PAT	2.4	3.7	5.7
EPS (INR)	70.8	109.5	168.7
EPS Growth (%)	79.6	54.7	54.0
BV/Share (INR)	683.5	793.0	961.8
<b>Ratios</b>			
Net D/E	0.4	0.3	0.1
RoE (%)	10.9	14.8	19.2
RoCE (%)	10.8	12.8	15.9
<b>Valuations</b>			
P/E (x)	89.6	57.9	37.6
P/BV (x)	9.3	8.0	6.6
EV/EBITDA (x)	32.4	25.0	18.7

### Benefitting from strong RAC demand, diverse client mix

Amber Enterprises is adequately positioned to benefit from strong RAC demand and its diverse client mix. We do not expect the company to be much impacted by the compressor shortage, as most of its key clients either have their own compressor manufacturing facilities or have arrangements to deal with the compressor shortage. Moreover, Amber has sufficient inventory until Apr'25 and has started procuring compressors from places other than China. We expect Amber to continue to benefit from growth in the RAC segment and faster growth in the electronics segment, driven by new client additions, JV with Korea Circuit, and capacity expansions across Ascent Circuit. The company also plans to tap a much bigger EMS market and participate in the upcoming component PLI scheme. We maintain our estimates and BUY rating on Amber with an unchanged TP of INR7,800.

### Amber's consumer durable division growth momentum to continue, led by RAC

Amber's consumer durable division revenue grew 62% YoY in 9MFY25, driven by strong growth in RAC segment thanks to the conversion of big MNC customers from gas charging to full ODM/OEM solutions during the year and the addition of new clients in both RAC and non-RAC segments. We expect the company's RAC division to continue to benefit from strong AC demand as the summer season has started well and channel inventory filling is also aiding overall volumes. Amber is actively working with key clients such as LG, Samsung, Mitsubhi, Fujitsu, and Daikin among the MNC names as well as all leading domestic players. Global players were not impacted by the compressor shortage in 4QFY25 due to in-house compressor manufacturing; hence, Amber was only impacted by the issue for a short duration. The company has sufficient inventory to take care of demand until Apr-May'25 and expects the situation to ease out, as the industry has already made representation to the government to extend BIS certification for compressor suppliers. If needed, Amber is also adequately placed to set up a compressor facility. In the non-RAC segments, the company with its JV with Resojet is set to begin mass production of washing machines by 1HFY26. Furthermore, Amber is constantly incurring capex to expand its product portfolio and ramp up the component segment. Considering these measures, we expect a CAGR of 22%/27% in revenue/EBITDA over FY24-27.

### Electronic segment performance to further improve once capex is over

Going ahead, electronic segment growth would be driven by both PCBA and PCB manufacturing; hence, the company has planned incremental capex of INR6.5b for the addition of up to 840,000 SqM annual capacity via its subsidiary, Ascent Circuit, at Hosur, Chennai. Its subsidiary IL JIN's JV with Korea Circuit also plans to apply for the government's upcoming component policy (ISM 2.0) for capex for HDI, Flex and semiconductor substrate manufacturing. The company expects to infuse nearly INR10b, subject to support from the central and state governments for the said facility. Amber is targeting an asset turnover of 1.0x-1.25x from the facility. Upon approval, the facility could add INR10-12b in revenue and improve margins to double digits through backward integration. We expect the electronics segment's revenue/EBITDA to report a CAGR of 45%/73% over FY24-27.

**Railways segment's delayed revival expectation**

The management expects a revival in the segment in 2HFY26, bringing the margins back to the range of 18-22%, supported by 1) the existing order book, 2) execution of orders for Vande Bharat and Mumbai Metro projects, 3) the commencement of Sidwal's greenfield facility, and 4) the set-up of the Yujin JV facility. We expect the segment's underperformance to persist in FY26, with growth likely afterwards. We expect the segment's revenue/EBITDA to clock a CAGR of 15%/12% over FY24-27.

**Financial Outlook**

We have baked in weaker performance of railways on both execution as well as margins in FY25 and FY26, and expect a CAGR of 26%/33%/62% in revenue/EBITDA/PAT over FY24-27 for Amber.

**Valuation and view**

The stock currently trades at 57.9x/37.6x P/E on FY26E/FY27E earnings. We reiterate our BUY rating on the stock with a DCF-based TP of INR7,800, implying 46x P/E on a two-year forward EPS (Mar'27E).

**Key risks and concerns**

Key risks and concerns include lower-than-expected demand growth in the RAC industry; change in BEE norms making products costlier; and increased competition across the RAC, mobility, and electronics segments.

## Financials and valuations – Amber Enterprises

### Consolidated - Income Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Total Income from Operations</b>	<b>39,628</b>	<b>30,305</b>	<b>42,064</b>	<b>69,271</b>	<b>67,293</b>	<b>90,310</b>	<b>1,09,833</b>	<b>1,35,203</b>
Change (%)	44.0	-23.5	38.8	64.7	-2.9	34.2	21.6	23.1
Raw Materials	33,017	25,135	35,297	58,678	54,999	73,812	89,768	1,10,503
<b>Gross Profit</b>	<b>6,611</b>	<b>5,170</b>	<b>6,767</b>	<b>10,593</b>	<b>12,293</b>	<b>16,498</b>	<b>20,065</b>	<b>24,700</b>
Employee Cost	1,063	1,021	1,500	2,116	2,572	3,161	3,295	4,056
Other Expenses	2,455	1,947	2,514	4,298	4,802	6,389	7,827	8,897
<b>Total Expenditure</b>	<b>36,535</b>	<b>28,102</b>	<b>39,310</b>	<b>65,092</b>	<b>62,374</b>	<b>83,362</b>	<b>1,00,890</b>	<b>1,23,456</b>
% of Sales	92.2	92.7	93.5	94.0	92.7	92.3	91.9	91.3
<b>EBITDA</b>	<b>3,093</b>	<b>2,203</b>	<b>2,754</b>	<b>4,179</b>	<b>4,919</b>	<b>6,948</b>	<b>8,943</b>	<b>11,747</b>
Margin (%)	7.8	7.3	6.5	6.0	7.3	7.7	8.1	8.7
Depreciation	848	923	1,079	1,391	1,865	2,296	2,442	2,673
<b>EBIT</b>	<b>2,245</b>	<b>1,280</b>	<b>1,675</b>	<b>2,788</b>	<b>3,054</b>	<b>4,653</b>	<b>6,501</b>	<b>9,074</b>
Int. and Finance Charges	419	410	464	1,118	1,670	2,075	2,033	2,041
Other Income	82	331	332	527	553	727	600	726
<b>PBT bef. EO Exp.</b>	<b>1,907</b>	<b>1,201</b>	<b>1,543</b>	<b>2,197</b>	<b>1,937</b>	<b>3,305</b>	<b>5,068</b>	<b>7,759</b>
EO Items	0	0	0	0	0	0	0	0
<b>PBT after EO Exp.</b>	<b>1,907</b>	<b>1,201</b>	<b>1,543</b>	<b>2,197</b>	<b>1,937</b>	<b>3,305</b>	<b>5,068</b>	<b>7,759</b>
Total Tax	266	369	429	559	519	846	1,297	1,986
Tax Rate (%)	13.9	30.7	27.8	25.4	26.8	25.6	25.6	25.6
Minority Interest	57	17	21	66	89	72	80	88
<b>Reported PAT</b>	<b>1,584</b>	<b>816</b>	<b>1,092</b>	<b>1,572</b>	<b>1,329</b>	<b>2,386</b>	<b>3,691</b>	<b>5,685</b>
<b>Adjusted PAT</b>	<b>1,584</b>	<b>816</b>	<b>1,092</b>	<b>1,572</b>	<b>1,329</b>	<b>2,386</b>	<b>3,691</b>	<b>5,685</b>
Change (%)	69.1	-48.5	33.8	44.0	-15.5	79.6	54.7	54.0
Margin (%)	4.0	2.7	2.6	2.3	2.0	2.6	3.4	4.2

### Consolidated - Balance Sheet

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	314	337	337	337	337	337	337	337
Total Reserves	10,970	15,704	17,005	18,751	20,307	22,693	26,384	32,069
<b>Net Worth</b>	<b>11,284</b>	<b>16,041</b>	<b>17,342</b>	<b>19,088</b>	<b>20,644</b>	<b>23,030</b>	<b>26,721</b>	<b>32,406</b>
Minority Interest	348	365	387	452	518	591	670	758
Total Loans	3,205	3,495	10,318	13,437	14,332	16,332	16,332	16,332
Deferred Tax Liabilities	678	769	954	947	1,348	1,348	1,348	1,348
<b>Capital Employed</b>	<b>15,515</b>	<b>20,670</b>	<b>29,001</b>	<b>33,924</b>	<b>36,841</b>	<b>41,300</b>	<b>45,071</b>	<b>50,844</b>
Gross Block	13,465	14,683	18,037	25,621	31,309	35,309	38,809	42,309
Less: Accum. Deprn.	3,630	4,466	5,335	6,556	8,333	10,531	12,866	15,421
<b>Net Fixed Assets</b>	<b>9,836</b>	<b>10,218</b>	<b>12,702</b>	<b>19,065</b>	<b>22,977</b>	<b>24,778</b>	<b>25,943</b>	<b>26,888</b>
Goodwill on Consolidation	1,223	1,223	1,457	1,425	3,609	3,609	3,609	3,609
Capital WIP	118	433	1,282	503	908	908	908	908
<b>Total Investments</b>	<b>0</b>	<b>1,081</b>	<b>2,254</b>	<b>1,934</b>	<b>2,173</b>	<b>2,173</b>	<b>2,173</b>	<b>2,173</b>
<b>Curr. Assets, Loans &amp; Adv.</b>	<b>17,813</b>	<b>22,892</b>	<b>31,401</b>	<b>39,475</b>	<b>36,236</b>	<b>48,852</b>	<b>59,267</b>	<b>74,184</b>
Inventory	6,557	7,163	8,408	10,913	8,408	14,227	17,303	21,300
Account Receivables	8,542	10,690	13,149	17,631	15,693	22,268	27,082	33,338
Cash and Bank Balance	1,203	2,899	5,626	5,594	6,913	5,329	6,905	10,400
Loans and Advances	293	321	18	39	49	51	62	77
Other Current Asset	1,218	1,818	4,200	5,297	5,173	6,977	7,915	9,070
<b>Curr. Liability &amp; Prov.</b>	<b>13,474</b>	<b>15,175</b>	<b>20,095</b>	<b>28,478</b>	<b>29,060</b>	<b>39,020</b>	<b>46,829</b>	<b>56,918</b>
Account Payables	11,058	13,169	17,021	23,039	21,671	30,036	36,529	44,967
Other Current Liabilities	2,288	1,864	2,888	5,216	7,090	8,693	9,946	11,515
Provisions	128	141	186	223	300	291	354	436
<b>Net Current Assets</b>	<b>4,339</b>	<b>7,717</b>	<b>11,306</b>	<b>10,997</b>	<b>7,175</b>	<b>9,832</b>	<b>12,438</b>	<b>17,266</b>
<b>Appl. of Funds</b>	<b>15,515</b>	<b>20,670</b>	<b>29,001</b>	<b>33,924</b>	<b>36,841</b>	<b>41,300</b>	<b>45,071</b>	<b>50,844</b>

## Financials and valuations – Amber Enterprises

### Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>50.4</b>	<b>24.2</b>	<b>32.4</b>	<b>46.7</b>	<b>39.4</b>	<b>70.8</b>	<b>109.5</b>	<b>168.7</b>
Cash EPS	77.3	51.6	64.4	87.9	94.8	139.0	182.0	248.1
BV/Share	358.8	476.1	514.7	566.5	612.7	683.5	793.0	961.8
DPS	3.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	6.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Valuation (x)</b>								
P/E	126.0	262.1	195.8	136.0	160.9	89.6	57.9	37.6
Cash P/E	82.1	123.0	98.5	72.2	66.9	45.7	34.9	25.6
P/BV	17.7	13.3	12.3	11.2	10.4	9.3	8.0	6.6
EV/Sales	5.1	7.1	5.2	3.2	3.3	2.5	2.0	1.6
EV/EBITDA	65.2	97.3	79.3	53.0	45.0	32.4	25.0	18.7
Dividend Yield (%)	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	46.8	14.8	-49.6	-98.8	168.3	-41.2	111.1	168.7
<b>Return Ratios (%)</b>								
RoE	15.0	6.0	6.5	8.6	6.7	10.9	14.8	19.2
RoCE	15.0	6.6	6.1	8.2	7.8	10.8	12.8	15.9
RoIC	14.7	5.8	6.7	9.1	8.5	11.6	14.2	18.6
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	2.9	2.1	2.3	2.7	2.1	2.6	2.8	3.2
Asset Turnover (x)	2.6	1.5	1.5	2.0	1.8	2.2	2.4	2.7
Inventory (Days)	60	86	73	58	46	58	58	58
Debtor (Days)	79	129	114	93	85	90	90	90
Creditor (Days)	102	159	148	121	118	121	121	121
<b>Leverage Ratio (x)</b>								
Current Ratio	1.3	1.5	1.6	1.4	1.2	1.3	1.3	1.3
Interest Cover Ratio	5.4	3.1	3.6	2.5	1.8	2.2	3.2	4.4
Net Debt/Equity	0.2	0.0	0.1	0.3	0.3	0.4	0.3	0.1

### Consolidated - Cashflow

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>(INR m)</b>								
OP/(Loss) before Tax	1,907	1,201	1,543	2,197	1,913	3,305	5,068	7,759
Depreciation	848	923	1,079	1,391	1,865	2,296	2,442	2,673
Interest & Finance Charges	419	406	464	1,118	1,670	2,075	2,033	2,041
Direct Taxes Paid	-488	-79	-539	-539	-461	-846	-1,297	-1,986
(Inc)/Dec in WC	44	-80	-62	-582	5,032	-4,218	-1,002	-1,302
<b>CF from Operations</b>	<b>2,731</b>	<b>2,371</b>	<b>2,485</b>	<b>3,585</b>	<b>10,019</b>	<b>2,611</b>	<b>7,243</b>	<b>9,184</b>
Others	151	-162	-77	-379	-371	0	0	0
<b>CF from Operating incl EO</b>	<b>2,882</b>	<b>2,210</b>	<b>2,407</b>	<b>3,206</b>	<b>9,648</b>	<b>2,611</b>	<b>7,243</b>	<b>9,184</b>
(Inc)/Dec in FA	-1,411	-1,711	-4,077	-6,535	-3,977	-4,000	-3,500	-3,500
<b>Free Cash Flow</b>	<b>1,471</b>	<b>499</b>	<b>-1,670</b>	<b>-3,329</b>	<b>5,671</b>	<b>-1,389</b>	<b>3,743</b>	<b>5,684</b>
(Pur)/Sale of Investments	-1,672	-1,568	-1,542	210	788	0	0	0
Others	-183	-1,531	-1,277	1,437	-7,156	-23	-27	-32
<b>CF from Investments</b>	<b>-3,266</b>	<b>-4,810</b>	<b>-6,896</b>	<b>-4,888</b>	<b>-10,345</b>	<b>-4,023</b>	<b>-3,527</b>	<b>-3,532</b>
Issue of Shares	0	3,936	0	0	0	0	0	0
Inc/(Dec) in Debt	1,209	161	6,031	3,120	589	2,000	0	0
Interest Paid	-430	-372	-430	-1,097	-1,567	-2,075	-2,033	-2,041
Dividend Paid	-121	0	0	0	0	0	0	0
Others	-23	-24	-46	-96	-238	0	0	0
<b>CF from Fin. Activity</b>	<b>634</b>	<b>3,700</b>	<b>5,555</b>	<b>1,928</b>	<b>-1,216</b>	<b>-75</b>	<b>-2,033</b>	<b>-2,041</b>
<b>Inc/Dec of Cash</b>	<b>250</b>	<b>1,099</b>	<b>1,066</b>	<b>246</b>	<b>-1,913</b>	<b>-1,487</b>	<b>1,683</b>	<b>3,612</b>
Opening Balance	450	700	1,920	2,986	3,232	6,913	5,329	6,905
Other Bank Balances	503	1,100	2,640	2,363	5,594	-97	-107	-117
<b>Closing Balance</b>	<b>1,203</b>	<b>2,899</b>	<b>5,626</b>	<b>5,594</b>	<b>6,913</b>	<b>5,329</b>	<b>6,905</b>	<b>10,400</b>

# VOLTAS

A TATA Enterprise

## Voltas (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	148.3	164.2	184.4
EBITDA	10.9	13.0	15.6
Adj. PAT	8.3	10.0	12.6
EBITA Margin (%)	7.3	7.9	8.5
Cons. Adj. EPS (INR)	25.1	30.4	38.0
EPS Gr. (%)	247.1	20.9	25.1
BV/Sh. (INR)	198.9	223.0	253.4
<b>Ratios</b>			
Net D:E	(0.1)	(0.1)	(0.2)
RoE (%)	12.6	13.6	15.0
RoCE (%)	13.6	14.3	15.0
Payout (%)	25.0	25.0	25.0
<b>Valuations</b>			
P/E (x)	55.9	46.2	37.0
P/BV (x)	7.1	6.3	5.5
EV/EBITDA (x)	42.2	35.0	28.8
Div Yield (%)	0.4	0.5	0.7
FCF Yield (%)	0.8	1.9	2.2

## Managing demand-supply dynamics

VOLT acknowledges the ongoing demand-supply mismatch but does not see it as a major challenge, thanks to its strategic tie-ups, proactive procurement, and inventory optimization. It is securing short-term sourcing agreements while working on long-term manufacturing deals. Despite supply-chain constraints, sales improved in Dec'24 and Jan'25, though at a slower pace than the previous year. VOLT remains the market leader in the RAC segment, with a 20.5% market share as of Dec'24. The company has achieved significant backward integration at Sri City but still relies on third-party suppliers for some components like compressors and motors. We reiterate our BUY rating on the stock with our SoTP-based TP of INR1,710.

## VOLT's growth strategy amid supply-chain challenges

- VOLT has recognized that the demand-supply mismatch is an ongoing issue but does not perceive it as a significant challenge currently. The company has implemented various strategies, including strategic tie-ups for the supply of critical components, proactive procurements, and inventory optimization. It is engaging in short-term sourcing tie-ups (six months) to secure components while working on long-term manufacturing agreements (24 months).
- Despite supply-chain constraints, VOLT's performance improved in Dec'24, with a further uptick in sales in Jan'25. Primary sales have been increasing, though not at the same pace as in the previous year, maintaining a steady growth trajectory.
- In 3QFY25, UCP segment margin has declined due to higher ad spends, costs incurred toward in-shop demonstrations, sales promotion, and brand-building activities. The company remains focused on increasing overall sales and its market share. Further, it focuses on optimizing absolute profitability rather than QoQ margin comparison.

## VOLT is market leader in the RAC segment

- VOLT remains a market leader in the RAC segment with a market share of 20.5% as of Dec'24 end. VOLT's RAC manufacturing capacity stood at 2.5m units (1.5m at Pantnagar, Uttarakhand, and 1.0m in Sri City, Tamil Nadu). The company plans to expand capacity at Sri City to 1.5m-2.0m units in the next 12-18 months at an estimated capex of INR2.0b. In FY24, VOLT sold 2.0m RACs, up ~35% YoY, with a market share of 18.7%.
- By setting up the Sri City plant and new machinery installation in Pantnagar, VOLT achieved a lot of backward integration. The plant has 100% captive sourcing of sheet metal, injection modeling, copper tubes and heat-exchangers. For a few components such as compressor controllers and motors, it relies on third-party suppliers. However, compressor manufacturing will take more time, as it is looking for some technological partnership.
- Our discussions with dealers indicate that, due to supply-chain issues, OEMs have not shown aggression in stocking up materials, so far. However, since Dec'24, there has been a monthly price increase of ~1%, which in the past was not seen until March. Historically, VOLT has been able to manage things well given its strong brand positioning and aggressive volume-led growth.

## Electro-mechanical projects and services (EMPS) business outlook

- VOLT's EMPS business reported robust performance in 9MFY25 (reported EBIT of INR1.7b vs. a loss of INR2.2b in 9MFY24), led by consolidation of international businesses (operations in UAE and Saudi Arabia continued to perform well), ensuring good KYC practices, and only executing profitable projects. The overall

order book size (domestic and international) stood at INR68.2b as of Dec'24, ensuring a strong pipeline.

- Recently, the company has informed exchanges of an expected financial loss, if any, of INR4.0b on account of an order passed by Qatar Court toward the encashment of bank guarantees of VOLT for damages claimed by a party named Joint Venture of OHL International, Spain, and Contrack (Cyprus). However, the company is looking to challenge the order by filing an appeal in the Court of Appeal. We believe this would be accounted for in 4QFY25 earnings.
- The company has adopted a two-fold strategy for its international business - 1) focusing on collecting outstanding payments from previous customers, as some exposures were higher than expected; 2) business consolidation as the company is concentrating on expanding its business in two key geographies, UAE and Saudi Arabia, where it is executing a mix of large and small projects (around 10-12 in total).

#### **Valuation and view**

- We expect a CAGR of 12%/20%/23% in VOLT's revenue/EBITDA/adj. PAT over FY25-27. While we estimate UCP segment margin to be in high-single digits, higher volume growth could surprise positively. It focuses on absolute profitability, sales growth and optimization of production facilities.
- We reiterate our BUY rating on the stock with our SoTP-based TP of INR1,710, with 50x FY27E EPS for the UCP segment, 25x FY27E EPS for the PES and EMPS segments, and INR22/sh for Voltbek.

#### **Key risks and concerns**

- Key risks include dependence on the import of critical components like compressors, government policies on imports, intensifying competition with aggressive pricing and marketing spends, and demand fluctuations due to seasonality impact.

## Financials and valuations (Consolidated) - Voltas

Income Statement								(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total Revenues	76,581	75,558	79,345	94,988	1,24,812	1,48,254	1,64,227	1,84,377
Change (%)	7.5	-1.3	5.0	19.7	31.4	18.8	10.8	12.3
EBITDA	6,867	6,414	6,816	5,724	4,746	10,895	12,991	15,585
% of Total Revenues	9.0	8.5	8.6	6.0	3.8	7.3	7.9	8.5
Other Income	2,306	1,889	1,892	1,685	2,533	3,132	3,295	3,472
Depreciation	320	339	373	396	476	660	797	922
Interest	211	262	259	296	559	550	510	470
Exceptional Items	-364	0	0	-2,438	0	0	0	0
PBT	8,278	7,702	8,076	4,278	6,244	12,817	14,980	17,665
Tax	2,380	1,804	1,913	1,709	2,377	3,294	3,850	4,540
Rate (%)	28.8	23.4	23.7	40.0	38.1	25.7	25.7	25.7
PAT	5,898	5,898	6,163	2,569	3,867	9,523	11,130	13,125
Change (%)	4.3	0.0	4.5	-58.3	50.6	146.2	16.9	17.9
Profit/(Loss) share of associates/JVs	-687	-610	-1,103	-1,207	-1,386	-1,254	-1,121	-597
Minority interest (MI)	39	37	19	12	-39	-39	-39	-39
PAT after MI	5,172	5,251	5,041	1,350	2,520	8,308	10,048	12,568
Change (%)	1.8	1.5	-4.0	-73.2	86.7	229.7	20.9	25.1
Adj. PAT after MI	5,536	5,251	5,041	3,788	2,394	8,308	10,048	12,568
Change (%)	6.5	-5.1	-4.0	-24.8	-36.8	247.1	20.9	25.1

Balance Sheet								
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	331	331	331	331	331	331	331	331
Reserves	42,471	49,603	54,665	54,190	57,874	65,464	73,435	83,490
Net Worth	42,802	49,934	54,996	54,521	58,205	65,795	73,765	83,821
Minority Interest	365	361	381	417	337	298	259	220
Loans	2,179	2,606	3,432	6,160	7,133	6,633	6,133	5,633
Deferred Tax Liability	-715	-558	-317	-303	176	176	176	176
Capital Employed	44,631	52,343	58,492	60,794	65,851	72,902	80,334	89,851
Gross Fixed Assets	6,201	6,690	7,020	8,826	9,533	13,708	16,708	18,708
Less: Depreciation	3,195	3,534	3,906	4,302	4,778	5,439	6,235	7,157
Net Fixed Assets	3,006	3,157	3,114	4,524	4,754	8,269	10,473	11,551
Capital WIP	263	88	593	983	3,675	2,500	1,500	1,500
Investments	23,433	30,464	36,154	31,086	35,083	34,828	34,707	35,110
Goodwill	798	723	723	723	723	723	723	723
Curr. Assets	53,332	51,565	56,440	65,119	75,709	90,834	1,04,106	1,20,874
Inventory	14,689	12,796	16,614	15,920	21,354	25,183	27,896	31,319
Debtors	18,336	18,009	21,097	21,919	25,328	30,085	33,326	37,415
Cash & Bank Balance	3,084	4,588	5,717	7,084	8,523	11,211	15,905	21,851
Loans & Advances	23	23	32	6	13	16	18	20
Other current assets	17,200	16,149	12,981	20,191	20,491	24,340	26,962	30,270
Current Liab. & Prov.	36,201	33,654	38,532	41,640	54,093	64,253	71,175	79,908
Creditors	26,889	24,645	29,421	30,126	38,557	45,799	50,733	56,958
Other Liabilities	9,312	9,009	9,111	11,514	15,536	18,454	20,442	22,950
Net Current Assets	17,131	17,911	17,908	23,479	21,616	26,581	32,931	40,966
Application of Funds	44,631	52,343	58,492	60,794	65,851	72,902	80,334	89,851

## Financials and valuations (Consolidated) - Voltas

### Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Basic (INR)</b>								
<b>Adj EPS</b>	<b>16.7</b>	<b>15.9</b>	<b>15.2</b>	<b>11.5</b>	<b>7.2</b>	<b>25.1</b>	<b>30.4</b>	<b>38.0</b>
Cash EPS	17.7	16.9	16.4	12.6	8.7	27.1	32.8	40.8
Book Value	129.4	150.9	166.3	164.8	176.0	198.9	223.0	253.4
DPS	4.0	5.0	5.5	4.3	2.2	6.3	7.6	9.5
Payout (incl. Div. Tax.)	23.9	31.5	36.1	37.1	30.0	25.0	25.0	25.0
<b>Valuation (x)</b>								
P/E	83.9	88.5	92.2	122.7	194.1	55.9	46.2	37.0
Cash P/E	79.4	83.1	85.8	111.0	161.9	51.8	42.8	34.4
EV/EBITDA	67.5	72.1	67.8	81.0	97.6	42.2	35.0	28.8
EV/Sales	6.1	6.1	5.8	4.9	3.7	3.1	2.8	2.4
Price/Book Value	10.9	9.3	8.4	8.5	8.0	7.1	6.3	5.5
Dividend Yield (%)	0.3	0.4	0.4	0.3	0.2	0.4	0.5	0.7
<b>Profitability Ratios (%)</b>								
RoE	12.9	10.5	9.2	6.9	4.1	12.6	13.6	15.0
RoCE	14.1	11.6	10.9	6.9	6.4	13.6	14.3	15.0
RoIC	25.8	26.9	29.6	14.1	11.9	28.3	30.5	33.1
<b>Turnover Ratios</b>								
Debtors (Days)	87	87	97	84	74	74	74	74
Inventory (Days)	70	62	76	61	62	62	62	62
Creditors. (Days)	128	119	135	116	113	113	113	113
Asset Turnover (x)	1.7	1.4	1.4	1.6	1.9	2.0	2.0	2.1
<b>Leverage Ratio</b>								
Net Debt/Equity (x)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)	(0.2)

### Cash Flow Statement

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>PBT before EO Items</b>	<b>7,591</b>	<b>7,735</b>	<b>5,610</b>	<b>7,787</b>	<b>10,207</b>	<b>12,817</b>	<b>14,980</b>	<b>17,665</b>
Add : Depreciation	320	339	3,726	396	476	660	797	922
Interest	211	262	259	296	559	550	510	470
Less : Direct Taxes Paid	(2,061)	(693)	(2,169)	(1,656)	(2,115)	(3,294)	(3,850)	(4,540)
(Inc)/Dec in WC	(911)	(1,580)	(438)	(3,836)	801	(2,278)	(1,656)	(2,089)
<b>CF from Operations</b>	<b>5,150</b>	<b>6,063</b>	<b>6,988</b>	<b>2,987</b>	<b>9,928</b>	<b>8,456</b>	<b>10,781</b>	<b>12,428</b>
Others	(525)	(502)	(1,145)	(1,393)	(2,312)	(1,510)	-	-
<b>CF from Oper. Incl. EO Items</b>	<b>4,625</b>	<b>5,561</b>	<b>5,842</b>	<b>1,594</b>	<b>7,615</b>	<b>6,946</b>	<b>10,781</b>	<b>12,428</b>
(Inc)/Dec in FA	(905)	(208)	(482)	(1,799)	(2,931)	(3,000)	(2,000)	(2,000)
<b>Free Cash Flow</b>	<b>3,720</b>	<b>5,353</b>	<b>5,361</b>	<b>(206)</b>	<b>4,685</b>	<b>3,946</b>	<b>8,781</b>	<b>10,428</b>
Investment in liquid assets	(352)	(2,645)	(3,165)	983	(2,293)	510	(1,000)	(1,000)
<b>CF from Investments</b>	<b>(1,257)</b>	<b>(2,853)</b>	<b>(3,646)</b>	<b>(816)</b>	<b>(5,224)</b>	<b>(2,490)</b>	<b>(3,000)</b>	<b>(3,000)</b>
(Inc)/Dec in Debt	(1,057)	425	918	2,728	974	(500)	(500)	(500)
Less : Interest Paid	(811)	(271)	(312)	(349)	(493)	(550)	(510)	(470)
Dividend Paid	(1,627)	(1,358)	(1,676)	(1,829)	(1,432)	(718)	(2,077)	(2,512)
<b>CF from Fin. Activity</b>	<b>(3,494)</b>	<b>(1,204)</b>	<b>(1,070)</b>	<b>550</b>	<b>(952)</b>	<b>(1,768)</b>	<b>(3,087)</b>	<b>(3,482)</b>
<b>Inc/Dec of Cash</b>	<b>(127)</b>	<b>1,504</b>	<b>1,126</b>	<b>1,328</b>	<b>1,439</b>	<b>2,688</b>	<b>4,694</b>	<b>5,946</b>
Add: Beginning Balance	3,211	3,084	4,591	5,756	7,084	8,523	11,211	15,905
<b>Closing Balance</b>	<b>3,084</b>	<b>4,588</b>	<b>5,717</b>	<b>7,084</b>	<b>8,523</b>	<b>11,211</b>	<b>15,905</b>	<b>21,851</b>



#### Havells India (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	211.9	240.5	276.7
EBITDA	19.9	24.3	29.3
Adj. PAT	13.8	16.9	20.7
EBITA Margin (%)	9.4	10.1	10.6
Cons. Adj. EPS (INR)	22.0	26.9	33.1
EPS Gr. (%)	8.7	22.1	23.0
BV/Sh. (INR)	133.1	150.6	172.1
<b>Ratios</b>			
Net D:E	(0.4)	(0.4)	(0.5)
RoE (%)	16.5	17.9	19.2
RoCE (%)	16.2	17.5	18.9
Payout (%)	35.0	35.0	35.0
<b>Valuations</b>			
P/E (x)	66.3	54.3	44.1
P/BV (x)	11.0	9.7	8.5
EV/EBITDA (x)	44.2	36.0	29.5
Div Yield (%)	0.5	0.6	0.8
FCF Yield (%)	0.5	1.1	1.5

## Market leader in FMEG segment

HAVL has the largest total addressable market (TAM) of over INR2.2t among listed consumer durable companies, driven by its diverse portfolio across electricals, lighting, home appliances, and industrial solutions. The acquisition of Lloyd in 2017 expanded its presence in large home appliances, particularly air conditioners, refrigerators, and washing machines. Lloyd has emerged as one of the top-three players in the RAC segment, with a manufacturing capacity of 2.0m units across Rajasthan and Tamil Nadu. HAVL continues to invest in Lloyd's growth through manufacturing, R&D, marketing, and brand building, positioning it as a strong domestic player. The upcoming summer season is expected to drive strong demand for Lloyd, supported by an expanded product portfolio, enhanced distribution, and increased advertising efforts. However, the brand faces challenges in the non-AC segment due to stiff competition and brand perception issues. The stock trades fairly and we maintain our Neutral rating with a TP of INR1,650 (premised on 50x FY27E EPS).

## A full-stack consumer durable company

- HAVL boasts the highest TAM of INR2.2t+ among all listed companies in the consumer durable space. This extensive market opportunity stems from the company's wide-ranging product portfolio, which spans electrical consumer goods, lighting, home appliances, and industrial solutions. Over the years, HAVL has significantly expanded its TAM by continuously diversifying its offerings and strategically entering into high-growth segments.
- A key milestone in this expansion was the acquisition of Lloyd in CY17, which allowed HAVL to establish a strong foothold in the large home appliances market, including air conditioners, refrigerators, and washing machines. This move positioned the company in a higher-value segment with strong demand potential, complementing its leadership in electrical products and small appliances. Additionally, HAVL's presence across multiple consumer and industrial categories, such as cables and wires, switches and switchgear, fans, and personal grooming products, has further broadened its market scope.
- The company's proactive approach to market expansion, innovation, and brand building has enabled it to tap into new customer segments and geographies, thereby steadily increasing its TAM over time. Its investments in product differentiation, in-house manufacturing, and omnichannel distribution continue to strengthen its competitive edge, making it one of the most comprehensive players in India's consumer durable industry.

## Lloyd gaining traction in AC business

- Lloyd, particularly in the AC segment, is well-positioned to benefit from strong seasonal demand. The company's RAC manufacturing capacity stood at 2.0m units (1.0m each at Ghiloth and Sri City). Lloyd is now among the top three players in the RAC segment.
- The company is making consistent investments in Lloyd toward manufacturing, R&D, marketing, and brand building, positioning itself as a strong domestic player in the large home appliances business.
- We expect Lloyd to benefit from a strong summer season, led by – 1) an expanded product portfolio as it has launched new models with energy-efficiency technology and smart features; 2) strengthened distribution network with enhanced presence in multi-brand stores, exclusive brand outlets, e-commerce platforms and emerging sales channels such as quick commerce and modern format retail; 3) increased investment in advertising, marketing and

sales promotions to boost brand recall and higher sales during peak season; and 4) in-house manufacturing capabilities.

- Our channel checks suggested that Lloyd has not been aggressive in stock filling, so far. Further, it is expected to benefit from the compressor shortage, if any, faced by any other leading players. It is facing challenges in the non-AC category due to intense competition and brand perception challenges.

### **Valuation and View**

- We expect HAVL to report ~14% revenue CAGR over FY25-27E. Revenue CAGR across segments is estimated as follows: Lloyd (20%), ECDs (15%), Cables and Wires (14%), Switchgears (9%), and Lighting and Fixtures (6%).
- We estimate Lloyd margin to improve going forward, led by an increase in contribution margin in the RAC segment, positive operating leverage, and an increase in in-house capabilities for the non-AC segment (it is setting up new refrigerator manufacturing facility in Ghiloth at a capex of INR4.8b).
- We expect HAVL to report an EBITDA/PAT CAGR of 21%/23% over FY25-27. We estimate OPM to reach 10.6% in FY27 vs. 9.4% in FY25E. RoIC is expected to improve to 29% by FY27 from 22% in FY25E, and RoE is likely to be 19% in FY27 vs. 17% in FY25.
- The stock is trading fairly at 54x/44x FY26/27E EPS, and hence, we reiterate our Neutral rating with a TP of INR1,650 (premised on 50x FY27E EPS).

### **Key risks and concerns**

- Increase in commodity (copper and aluminum) prices, which can adversely impact margin; slowdown in housing and infrastructure activities can lead to lower demand for cables and wires; intense competition in large housing appliances segment, and demand fluctuations due to seasonality impact.

## Financials and valuations (Consolidated) – Havells India

### Income Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Net Sales</b>	<b>94,292</b>	<b>1,04,279</b>	<b>1,38,885</b>	<b>1,69,107</b>	<b>1,85,900</b>	<b>2,11,907</b>	<b>2,40,474</b>	<b>2,76,664</b>
Change (%)	-6.3	10.6	33.2	21.8	9.9	14.0	13.5	15.0
Raw Materials	58,351	64,749	93,840	1,17,055	1,25,687	1,42,190	1,59,915	1,82,599
Gross margin (%)	38.1	37.9	32.4	30.8	32.4	32.9	33.5	34.0
Staff Cost	8,996	8,853	10,147	12,816	15,485	18,830	22,596	27,115
Other Expenses	16,671	15,024	17,322	23,245	26,302	30,938	33,666	37,626
<b>EBITDA</b>	<b>10,274</b>	<b>15,653</b>	<b>17,576</b>	<b>15,991</b>	<b>18,426</b>	<b>19,949</b>	<b>24,297</b>	<b>29,325</b>
% of Net Sales	10.9	15.0	12.7	9.5	9.9	9.4	10.1	10.6
Depreciation	2,179	2,489	2,608	2,962	3,385	3,961	4,441	4,889
Interest	197	726	534	336	457	420	440	460
Other Income	1,120	1,450	1,604	1,777	2,490	3,069	3,336	4,001
<b>PBT</b>	<b>9,017</b>	<b>13,888</b>	<b>16,038</b>	<b>14,471</b>	<b>17,074</b>	<b>18,636</b>	<b>22,752</b>	<b>27,976</b>
Tax	1,687	3,590	4,091	3,753	4,366	4,827	5,893	7,246
Rate (%)	18.7	25.8	25.5	25.9	25.6	25.9	25.9	25.9
Extra-ordinary Inc.(net)	0	98	0	0	0	0	0	0
<b>Reported PAT</b>	<b>7,330</b>	<b>10,396</b>	<b>11,948</b>	<b>10,717</b>	<b>12,708</b>	<b>13,810</b>	<b>16,859</b>	<b>20,731</b>
Change (%)	-6.9	41.8	14.9	-10.3	18.6	8.7	22.1	23.0
<b>Adjusted PAT</b>	<b>7,330</b>	<b>10,298</b>	<b>11,948</b>	<b>10,717</b>	<b>12,708</b>	<b>13,810</b>	<b>16,859</b>	<b>20,731</b>
Change (%)	-6.9	40.5	16.0	-10.3	18.6	8.7	22.1	23.0

### Balance Sheet

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	626	626	626	627	627	627	627	627
Reserves	42,422	51,019	59,260	65,628	73,841	82,817	93,775	1,07,250
<b>Net Worth</b>	<b>43,048</b>	<b>51,645</b>	<b>59,886</b>	<b>66,255</b>	<b>74,468</b>	<b>83,444</b>	<b>94,402</b>	<b>1,07,877</b>
Loans	405	4,922	3,955	0	0	0	0	0
Deferred Tax Liability	2,865	3,391	3,506	3,615	3,575	3,575	3,575	3,575
<b>Capital Employed</b>	<b>46,318</b>	<b>59,958</b>	<b>67,348</b>	<b>69,870</b>	<b>78,043</b>	<b>87,019</b>	<b>97,977</b>	<b>1,11,452</b>
Gross Fixed Assets	40,479	41,965	46,005	50,838	57,896	65,896	72,896	79,896
Less: Depreciation	6,985	9,062	11,670	14,632	18,017	21,978	26,419	31,309
<b>Net Fixed Assets</b>	<b>33,494</b>	<b>32,903</b>	<b>34,335</b>	<b>36,207</b>	<b>39,879</b>	<b>43,918</b>	<b>46,476</b>	<b>48,587</b>
Capital WIP	861	899	572	1,664	2,987	2,987	2,987	2,987
Investments	16	3,079	4,261	2,009	200	200	200	200
<b>Curr. Assets</b>	<b>36,107</b>	<b>51,321</b>	<b>65,884</b>	<b>71,695</b>	<b>81,261</b>	<b>90,509</b>	<b>1,05,237</b>	<b>1,24,618</b>
Inventory	18,719	26,199	29,681	37,086	34,086	39,479	44,801	51,543
Debtors	2,489	5,636	7,675	9,755	11,652	12,192	13,835	15,918
Cash & Bank Balance	11,069	16,247	25,358	18,702	30,382	33,033	40,012	49,577
Other Current Assets	3,830	3,238	3,169	6,152	5,141	5,806	6,588	7,580
<b>Current Liab. &amp; Prov.</b>	<b>24,160</b>	<b>28,245</b>	<b>37,704</b>	<b>41,705</b>	<b>46,284</b>	<b>50,595</b>	<b>56,923</b>	<b>64,939</b>
Creditors	14,141	15,968	23,794	26,432	26,919	30,685	34,822	40,062
Other Liabilities	7,564	9,117	10,615	11,157	15,711	16,256	18,447	21,224
Provisions	2,456	3,160	3,295	4,116	3,654	3,654	3,654	3,654
<b>Net Current Assets</b>	<b>11,947</b>	<b>23,076</b>	<b>28,180</b>	<b>29,990</b>	<b>34,977</b>	<b>39,914</b>	<b>48,314</b>	<b>59,678</b>
<b>Application of Funds</b>	<b>46,318</b>	<b>59,958</b>	<b>67,348</b>	<b>69,870</b>	<b>78,043</b>	<b>87,019</b>	<b>97,977</b>	<b>1,11,452</b>

## Financials and valuations (Consolidated) – Havells India

### Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Basic (INR)</b>								
<b>Adjusted EPS</b>	<b>11.7</b>	<b>16.5</b>	<b>19.1</b>	<b>17.1</b>	<b>20.3</b>	<b>22.0</b>	<b>26.9</b>	<b>33.1</b>
Growth (%)	-6.9	40.4	16.0	-10.3	18.5	8.7	22.1	23.0
Cash EPS	15.2	20.4	23.2	21.8	25.7	28.4	34.0	40.9
Book Value	68.8	82.5	95.6	105.8	118.8	133.1	150.6	172.1
DPS	8.5	2.5	6.5	7.5	9.0	7.7	9.4	11.6
Payout (incl. Div. Tax.)	87.5	18.2	34.1	43.9	37.0	35.0	35.0	35.0
<b>Valuation (x)</b>								
P/Sales	9.7	8.8	6.6	5.4	4.9	4.3	3.8	3.3
P/E (standalone)	124.7	88.8	76.6	85.4	72.0	66.3	54.3	44.1
Cash P/E	96.1	71.5	62.8	66.9	56.9	51.5	43.0	35.7
EV/EBITDA	87.9	57.7	50.8	56.0	48.0	44.2	36.0	29.5
EV/Sales	9.6	8.7	6.4	5.3	4.8	4.2	3.6	3.1
Price/Book Value	21.2	17.7	15.3	13.8	12.3	11.0	9.7	8.5
Dividend Yield (%)	0.6	0.2	0.4	0.5	0.6	0.5	0.6	0.8
<b>Profitability Ratios (%)</b>								
RoE	17.0	19.9	20.0	16.2	17.1	16.5	17.9	19.2
RoCE	16.2	18.1	18.3	15.7	16.7	16.2	17.5	18.9
RoIC	18.7	24.0	29.6	19.6	23.6	22.0	25.5	29.4
<b>Turnover Ratios</b>								
Debtors (Days)	10	20	20	21	23	21	21	21
Inventory (Days)	72	92	78	80	67	68	68	68
Creditors. (Days)	55	56	63	57	53	53	53	53
Asset Turnover (x)	2.0	1.7	2.1	2.4	2.4	2.4	2.5	2.5
<b>Leverage Ratio</b>								
Net Debt/Equity (x)	-0.2	-0.2	-0.4	-0.3	-0.4	-0.4	-0.4	-0.5

### Cash Flow Statement (INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
PBT before EO Items	9,216	14,104	16,272	14,610	17,185	18,636	22,752	27,976
Add : Depreciation	2,179	2,489	2,608	2,962	3,385	3,961	4,441	4,889
Interest	(535)	(315)	(717)	(898)	(1,393)	(2,649)	(2,896)	(3,541)
Less : Direct Taxes Paid	2,398	2,714	4,138	3,919	3,919	4,827	5,893	7,246
(Inc)/Dec in WC	215	6,985	(3,420)	7,105	(4,272)	2,286	1,420	1,799
<b>CF from Operations</b>	<b>8,248</b>	<b>6,579</b>	<b>17,446</b>	<b>5,649</b>	<b>19,529</b>	<b>12,836</b>	<b>16,984</b>	<b>20,279</b>
(Inc)/Dec in FA	(3,592)	(1,227)	(2,490)	(5,855)	(7,278)	(8,000)	(7,000)	(7,000)
<b>Free Cash Flow</b>	<b>4,655</b>	<b>5,353</b>	<b>14,956</b>	<b>(206)</b>	<b>12,251</b>	<b>4,836</b>	<b>9,984</b>	<b>13,279</b>
(Pur)/Sale of Investments	625	(2,169)	(5,102)	6,206	(8,861)	3,069	3,336	4,001
<b>CF from Investments</b>	<b>(2,968)</b>	<b>(3,396)</b>	<b>(7,592)</b>	<b>350</b>	<b>(16,139)</b>	<b>(4,931)</b>	<b>(3,664)</b>	<b>(2,999)</b>
(Inc)/Dec in Net Worth / Others	313	195	(183)	(360)	(558)	-	-	-
(Inc)/Dec in Debt	(937)	4,136	(973)	(3,937)	-	-	-	-
Less : Interest Paid	52	459	245	70	76	420	440	460
Dividend Paid	6,413	1,878	4,073	4,703	4,701	4,833	5,901	7,256
<b>CF from Fin. Activity</b>	<b>(7,088)</b>	<b>1,994</b>	<b>(5,473)</b>	<b>(9,069)</b>	<b>(5,336)</b>	<b>(5,253)</b>	<b>(6,341)</b>	<b>(7,716)</b>
<b>Inc/Dec of Cash</b>	<b>(1,808)</b>	<b>5,178</b>	<b>4,380</b>	<b>(3,070)</b>	<b>(1,945)</b>	<b>2,651</b>	<b>6,979</b>	<b>9,565</b>
Add: Beginning Balance	12,877	11,069	20,978	21,771	32,327	30,382	33,033	40,012
<b>Closing Balance</b>	<b>11,069</b>	<b>16,247</b>	<b>25,358</b>	<b>18,702</b>	<b>30,382</b>	<b>33,033</b>	<b>40,012</b>	<b>49,577</b>

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