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Key Events

Broad based product portfolio:

Havells has a broad-based product portfolio in electricals ranging from lighting, switches and cables, electric water heaters, power capacitors, CFL lamps, luminaires for domestic, commercial and industrial applications. The company has created a strong brand name driven by new product innovations and continuous focus on expanding existing product lines. Further the company's sizable investment in advertisement, 3-4% of revenue (invested Rs.770 crores in advertisement and promotion over the last 5 years), has helped the company in strengthening its brand image.

Strong distribution network:

The company has a strong pan-India distribution network with ~7,500 direct dealers and ~1,00,000 retailers in India. Additionally, the company also owns exclusive brand shops - Havells Galaxy that offers a wide variety of products for different applications. It has added 1700 new dealers in FY17 and is focusing on further expanding its presence in rural areas with addition of over 400 dealers in FY17.

Foray into consumer durable space:

In order to mark an entry into the consumer durable space, the company has acquired the consumer durables business of Lloyd in FY17 at an enterprise value of Rs. 1,600 crores. This acquisition paves the way for the company to foray into large appliances like air conditioners, LED TV & Washing machines. Lloyd is amongst the top 3 brands in air-conditioners' category with a market share of ~12%.

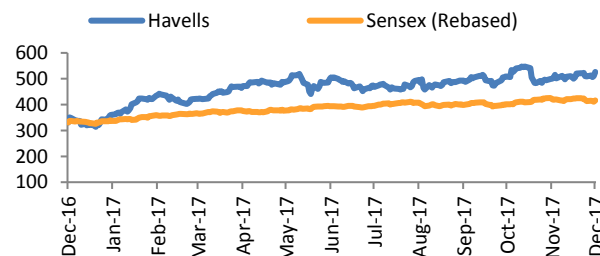
Market Data

CMP (Rs.)	526
Face Value (Rs.)	1
52 week H/L (Rs.)	564/310
Decline from 52WH (%)	6.7
Rise from 52WL (%)	69.7
Beta	0.9
Mkt. Cap (Rs.Cr)	32,870
Enterprise Value (Rs.Cr)	31,220

Fiscal Year Ended

	FY15	FY16	FY17
Net sales (Rs.Cr)	8,569	7,613	6,156
Adj. profit (Rs.Cr)	385	1,300	482
EPS (Rs.)	6.2	7.0	9.4
P/E (x)	84.8	74.9	55.8
P/BV (x)	10.5	10.8	10.0
ROE (%)	21.2	28.8	18.6

One year Price Chart

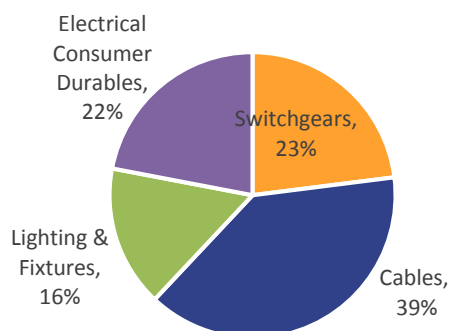


Shareholding	Sep-17	Jun-17	Diff.
Promoters (%)	61.6	61.6	-
Public (%)	38.4	38.4	-
Others (%)	-	-	-

Havells India Ltd.: Business overview

Incorporated in 1983, Havells India is a leading manufacturer of electrical components and power distribution equipment's with products ranging from industrial and domestic circuit protection switchgears, cables, motors, pumps, fans, power capacitors, CFL lamps and luminaries. The company has 12 manufacturing plants spread across 7 locations in the country. Over the years, Havells has been continuously focusing on new product launches and expanding its existing variants. The company has entered the domestic appliances business in 2011, pumps in 2013, led lights in 2015, Solar business with streetlight, consumer products and rooftop generation solutions in 2016, personal grooming business in 2017, among others. This has not only helped the company in expanding its product portfolio but has also assisted in accelerating revenue growth.

Revenue mix



Source: Company, In-house research

Broad based product portfolio

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DEEPER INTO HOMES



Source: Company, In-house research

Foray into consumer durable space

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Financial Performance

Havells India posted a revenue growth of 22% YoY in Q2FY18 on standalone basis which included the figures for the acquired consumer durable business of Lloyd Electric and Engineering. However, excluding Lloyd business, the revenue growth stood at 4% YoY. Revenue growth of the switchgear segment was affected by sluggish environment in housing segment. The company has posted net profit at Rs 171 crore as compared to Rs 145.8 crore in the year ago period.

Quarterly financial performance (Standalone)

In crores of rupees	Q2 FY18 (Havells)	Q2 FY17 (Havells)	Change % (Havells)	Q2 FY18 (Lloyd)	Q2 FY18 (Total)	Change % (Total)
Net Revenue	1,507.6	1,452.2	4%*	269.8	1,777.4	22%
Contribution as a % of NR	416.5 27.6%	368.9 25.4%	13%	52.7 19.5%	469.2 26.4%	27%
Add: Depreciation	31.0	30.8		3.9	34.9	
Less: Advertisement and Sales Promotion as a % of NR	34.2 2.3%	48.5 3.3%	(29%)	16.7 6.2%	50.9 2.9%	5%
Less: Other SG&A as a % of NR	175.3 11.6%	147.8 10.2%	19%	21.0 7.8%	196.3 11.0%	33%
EBIDTA as a % of NR	238.0 15.8%	203.4 14.0%	17%	18.9 7.0%	256.9 14.5%	26%
Less: Depreciation	31.0	30.8		3.9	34.9	
Interest expense (A)	6.7	2.2		-	6.7	
Foreign exchange (gain)/ loss (B)	-	(0.3)		-	-	
Finance Cost (A)+(B)	6.7	1.9		-	6.7	
Foreign Exchange (gain)/ loss	(0.5)	(7.0)		(2.8)	(3.3)	
Interest Income (C)	8.3	22.1		-	8.3	
Others (D)	17.1	3.2		-	17.1	
Add: Other Income (C)+(D)	25.4	25.3		-	25.4	
Profit before tax as a % of NR	226.2 15.0%	203.0 14.0%	11%	17.7 6.6%	244.0 13.7%	20%
Tax	67.6	57.2		5.3	72.9	
Net Profit as a % of NR	158.6 10.5%	145.8 10.0%	9%	12.4 4.6%	171.0 9.6%	17%

Source: Company, In-house research

Balance Sheet (Consolidated)

(Rs.Cr)	FY15	FY16	FY17
Paid up capital	62	62	62
Reserves and Surplus	1,756	2,965	3,214
Net worth	1,818	3,028	3,277
Minority interest	0	15	9
Total Debt	296	134	208
Other non-current liabilities	497	106	307
Total Liabilities	2,611	3,282	3,801
Total fixed assets	1,183	1,210	1,286
Capital WIP	38	20	12
Goodwill	358	14	14
Investments	0	189	162
Net Current assets	741	1,530	1,868
Other non-current assets	291	319	460
Total Assets	2,611	3,282	3,801

Cash Flow (Consolidated)

Y/E (Rs. Cr)	FY15	FY16	FY17
Net profit/loss before tax & extraordinary items	569	1,520	723
Net cashflow from operating activities	963	551	841
Net cash used in investing activities	(486)	(2)	(290)
Net cash used from financing activities	(754)	(624)	(101)
Net inc/dec in cash and cash equivalents	(277)	(75)	450

Profit & Loss Account (Consolidated)

(Rs.Cr)	FY15	FY16	FY17
Total Operating income	8,569	7,613	6,156
Expenses	7,848	6,855	5,337
EBITDA	721	758	818
Depreciation	139	134	121
EBIT	582.5	624	698
Interest Cost	64	54	13
Other income	50	87	138
Profit before tax	569	656	823
Tax	184	219	229
PAT	385	437	594
Minority Interest	-	-	-
P/L from Associates	-	2	(5)
Adjusted PAT	385	438	589
E/o income / (Expense)	-	862	(107)
Reported PAT	385	1,300	482

Key Ratios (Consolidated)

	FY15	FY16	FY17
EBITDA Margin (%)	9.0	10.0	13.3
EBIT Margin (%)	7.4	9.3	13.6
NPM (%)	4.5	5.8	9.6
ROE (%)	21.2	28.8	18.6
ROCE (%)	15.2	44.7	25.1
EPS (Rs.)	6.2	7.0	9.4
P/E (x)	84.8	74.9	55.8
BVPS (Rs.)	29.1	48.7	52.6
P/BVPS (x)	10.5	10.8	10.0
EV/EBITDA (x)	24.1	40.0	36.5



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