

HAVELLS INDIA LTD.

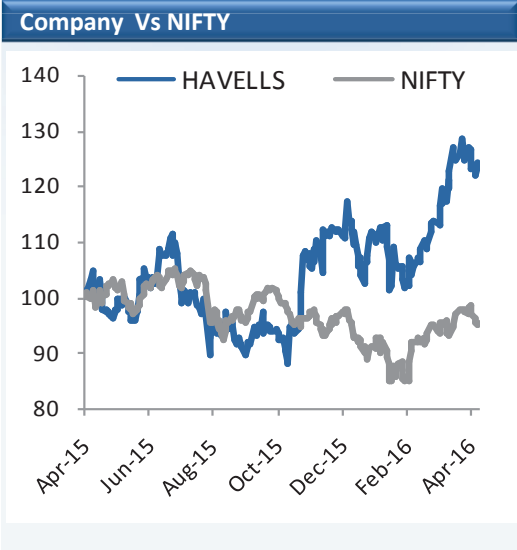
5-Jul-16

Result Update	
CMP	366
Target Price	405
Previous Target Price	405
Upside	11%
Change from Previous	-

Market Data	
BSE Code	517354
NSE Symbol	HAVELLS
52wk Range H/L	378/235
Mkt Capital (Rs Cr)	22,832
Av. Volume	63101
Nifty	8370

Stock Performance			
	1Month	3 Month	1Year
Absolute	6.5	15.3	21.1
Rel.to Nifty	1.7	-7.2	-5.8

Share Holding Pattern-%			
	4QFY16	3QFY16	2QFY16
Promoter	61.6	61.6	61.6
Public	38.4	38.4	38.4
Others	0.0	--	--
Total	100.0	100.0	100.0



BRIEF DESCRIPTION OF THE COMPANY'S WORKING DURING FY16

Towards the end of the calendar year 2015, Company, divested 80% stake in Sylvania to Shanghai Feilo Acoustics Co Ltd. The divestment is optimal for each stakeholder. Havells post divestment would realign its focus on domestic markets and growth. Havells continues to invest in the future technology, products and people. During the year company launched smarter products and also marked its entry into air cooler and air purifiers thus strengthening its consumer durable business. Company reported cash conversion cycle of 57 days v/s 85 days in FY15 which is very good sign going forward. Cash and investments increased to Rs 940 Cr during the year. ROE has increased to 47% as compare to 27% in FY15. Company's debt has also decreased i.e. Rs 85 Cr. During the year company has exceptional gain of Rs 724 Cr from disposal of stake in Havells Malta and Havells EXIM.

HAVL has been consistently spending 3% of its standalone revenue on advertisement and sales promotion. Company spent Rs 179 crores in advertising and brand initiatives during the year.

Outlook and Valuation

Going forward company is having opportunities in housing segment, LED lighting segment and lifestyle products. Management is confident of double-digit growth in FY17E. All segment of the company are doing well. In cables and wires segment, the company has gained market share and has witnessed higher volumes. Going forward in FY17E major growth will be coming from Cable and lighting segment. International businesses are on path on profitability. During the year, Company successfully completed the divestment of 80% of its stake in Sylvania Malta to Shanghai Feilo Acoustics Co Ltd. Post this sale, they have renewed their focus on the Indian operations and Company will continue to expand in the domestic market. The company has improved its balance sheet in FY16. **Its receivables days has declined from 27 to 12 days. Its total debt has gone down to Rs 85 cr from Rs 296 cr. The company has strong cash balance of Rs 1465 cr in its Balance sheet. Considering management optimistic guidance and considerable improvement in Balance sheet of the company, we have positive view of this company. Hence we recommend "BUY" to this stock with a target price of Rs 405.**

	Rs in Cr				
Financials	FY13	FY14	FY15	FY16	FY17E
Sales	7248	8181	8569	7714	7982
EBITDA	669	738	721	839	868
Net Profit	581	442	385	1209	570
EBIDTA%	9.2%	9.0%	8.4%	10.9%	10.9%
P/E	0.1	0.1	0.0	0.2	0.1

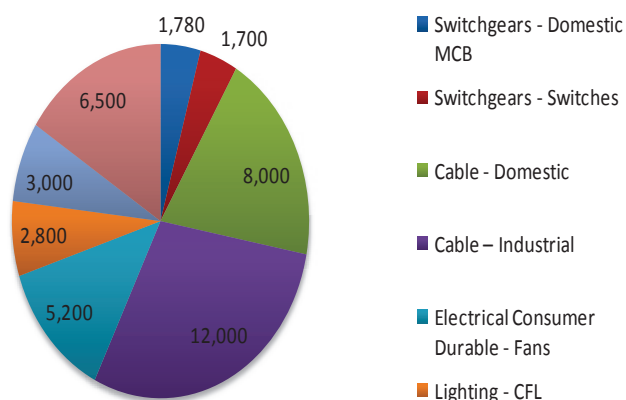
(Source: Company/Eastwind)

Product wise segmental performance:

Segment Revenue(Cr)	1QFY13	2QFY13	3QFY13	4QFY13	1QFY14	2QFY14	3QFY14	4QFY14	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16
a) Switchgears	241	255	270	312	276	314	309	320	307	339	327	306	297	334	328	327
b) Cable	431	391	409	462	405	487	475	559	535	591	495	569	513	563	523	609
c) Lighting & Fixtures	150	156	177	182	148	180	193	199	165	194	194	188	163	197	211	232
d) Electrical Consumer Durables	210	162	203	214	222	193	207	231	269	241	231	287	295	256	283	307
Total	1,033	964	1,058	1,170	1,051	1,174	1,184	1,310	1,277	1,365	1,247	1,349	1,267	1,350	1,344	1,475

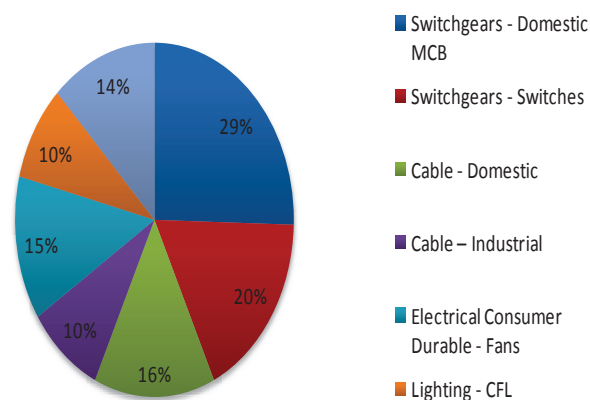
Market Size of the products:

Market Size (Rs. Cr)

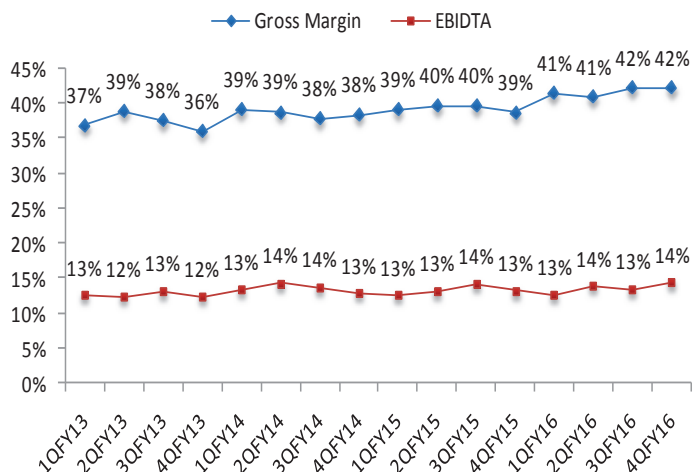


Market Share of the products(%):

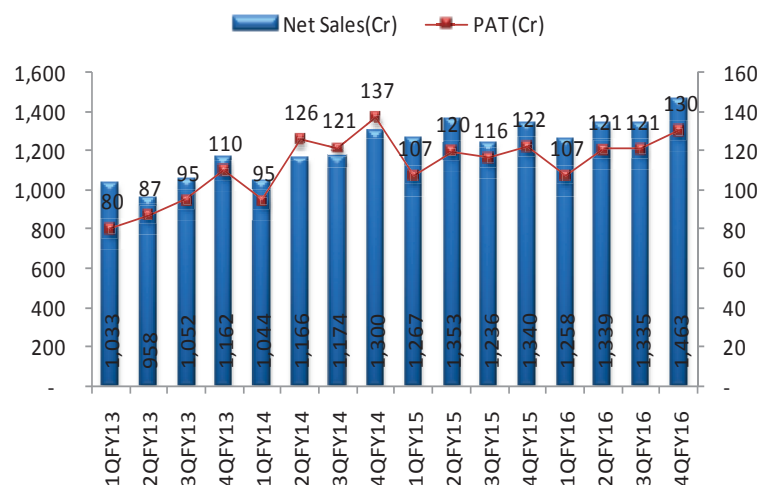
Market Share



Trend of Gross margin & EBITDA margin:



Trend of Net Sales & PAT:



Investment Arguments:

- Company sold its subsidiaries which was effecting margin. So going forward company's margin will improve.
- The company is expecting an overall growth rate of 10 per cent from the switch segment and targetting an revenue of Rs 100 crore from entry-level modular switches category in the next two-three years.
- Company expressed positive outlook on Switchgears and Electrical Consumer durables divisions.
- South market was little bit slow now it is picking up and as per the management that weakness is becoming strength.
- Havells is the largest FMCG player in India one of the key reasons is Havells see competition as a challenge
- Havells has forayed into the automation and smart solution business segment and plans to provide customized automation solution for home and commercial space. This segment represents a very attractive proposition as the current market size is small – about Rs 500 crore – and expects Rs 100 crore revenue from it by 2020.
- Havells India forays into entry level modular switches with the launch of “Reo Bliss” Launches the new range and expects an overall growth rate of 10% from switches segment.

4QFY16_Concall Highlights:

- Expects revenue to grow in double digits in FY17.
- Margins for the company would remain at current levels of 14-14.5 percent.
- Capex: Rs 260-280. also looking at enhanced capex with plants in South and East of India.
- Tax rate: around 28%
- In the cables and wires segment, the company has gained market share and has witnessed higher volumes. And expects major growth is coming from Cable and lighting segment.
- International businesses are on path on profitability and the company plans to retain its 20 percent stake in Sylvania for at least 3-5 years.
- Current debt is Rs 220 Cr and as per the management company will be debt free in FY19.

Key Risks:

- The business has foreign currency risk as the outsourcing is done in Sylvania. Significant fluctuation in the currencies could impact Company's financial performance.
- Slowdown in global markets will effect more adversely after a series of acquisitions.

About the Company:

Havells India Limited is a \$1.4 Billion leading Fast Moving Electrical Goods (FMEG) Company with a strong global footprint. Havells enjoys enviable market dominance across a wide spectrum of products, including Industrial & Domestic Circuit Protection Devices, Cables & Wires, Motors, Pumps, Fans, Modular Switches, Home Appliances, Electric Water Heaters, Power Capacitors, CFL Lamps, Luminaires for Domestic, Commercial and industrial Applications. The Company along with its subsidiary companies owns some of the brands, such as Crabtree, Sylvania, Concord, Luminance, Linotile and Standard. The Company's subsidiaries include Havells Holdings Limited, Havells Exim Limited, Havells Malta Limited, Havell's Netherlands Holding B.V. and SLI Europe B.V., among others.

Financials Snap Shot

INCOME STATEMENT

	FY14	FY15	FY16	FY17E
Revenue (Net of Excise D	8181	8569	7714	7982
Other Income	41	50	86	91
Total Revenue	8222	8620	7800	8073
COGS	4640	4829	4383	4535
GPM	1	1	1	1
Other Expenses	1717	1832	1632	1689
EBITDA	738	721	839	868
EBITDA Margin (%)	9%	8%	11%	11%
Depreciation	116	139	127	0
EBIT	622	582	712	868
Interest	74	64	45	35
PBT	589	569	1439	923
Tax	148	184	230	259
Tax Rate (%)	25%	32%	16%	28%
Reported PAT	442	385	1209	665
Dividend Paid	183	731	219	219
No. of Shares	12	62	62	62

Source: Eastwind/Company

RATIOS

	FY14	FY15	FY16	FY17E
EPS	35.4	6.2	19.4	9.1
Book Value	133.5	29.1	41.0	46.6
DPS	14.6	11.7	3.5	3.5
Payout (incl. Div. Tax.)	41%	190%	18%	38%
Valuation(x)				
P/E	5.3	49.5	14.2	39.3
Price / Book Value	1.4	10.5	6.7	7.7
Dividend Yield (%)	7.83%	3.83%	1.28%	0.98%
Profitability Ratios				
RoE	27%	21%	47%	20%
RoCE	26%	28%	28%	25%
Turnover Ratios				
Asset Turnover (x)	1.5	1.8	1.9	1.7
Debtors (No. of Days)	44.6	26.5	12.3	12.3
Inventory (No. of Days)	117.5	103.3	69.7	69.7
Creditors (No. of Days)	53.4	44.8	24.6	22.0
Net Debt/Equity (x)	0.42	0.12	0.00	0.00

Source: Eastwind/Company

BALANCE SHEET

	FY14	FY15	FY16	FY17E
Share Capital	62	62	62	62
Reserves	1604	1756	2495	2847
Net Worth	1666	1818	2558	2909
Long term Debt	706	226	2	0
Short term Debt	118	70	84	0
Deferred Tax	52	43	75	75
Total Capital Employed	2372	2045	2560	2909
Net Fixed Assets	1207	1221	1100	1190
Capital WIP	44	38	21	21
Debtors	1001	623	259	268
Cash & Bank Balances	882	777	1465	1814
Trade payables	1197	1051	520	481
Total Provisions	733	805	423	444
Net Current Assets	1241	741	1291	1683
Total Assets	5337	4831	4142	4626

Source: Eastwind/Company

CASH FLOW STATEMENT

	FY14	FY15	FY16E	FY17E
OP/(Loss) before Tax	594	569	1439	792
Depreciation	116	139	127	131
Direct Taxes Paid	(134)	(192)	(181)	(222)
Operating profit before w	830	739	813	958
CF from Op. Activity	868	963	531	690
Capital expenditure on fix	(176)	(174)	(225)	(221)
CF from Inv. Activity	(376)	(486)	28	(221)
Repayment of Long Term	(148)	(524)	(354)	0
Interest Paid	(52)	(61)	(39)	(35)
Divd Paid (incl Tax)	(156)	(146)	(451)	(219)
CF from Fin. Activity	(310)	(754)	(622)	(120)
Inc/(Dec) in Cash	182	(278)	(62)	349
Add: Opening Balance	472	655	379	1465
Closing Balance	655	379	160	1814

Source: Eastwind/Company