

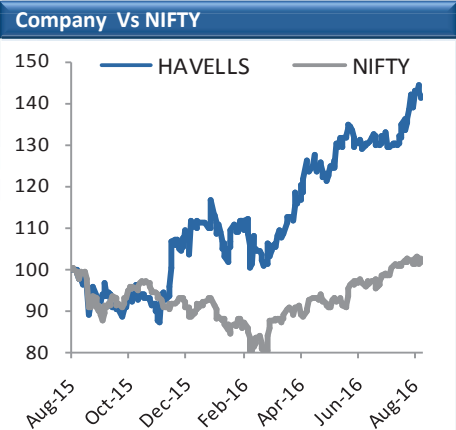
HAVELLS INDIA LTD.

Result Update	
CMP	410
Target Price	410
Previous Target Price	405
Upside	0%
Change from Previous	-

Market Data	
BSE Code	517354
NSE Symbol	HAVELLS
52wk Range H/L	388/235
Mkt Capital (Rs Cr)	23,823
Av. Volume	63101
Nifty	8370

Stock Performance			
	1Month	1Year	YTD
Absolute	11.6	45.0	42.1
Rel.to Nifty	9.7	42.5	26.3

Share Holding Pattern-%			
	1QFY17	4QFY16	3QFY16
Promoter	61.6	61.6	61.6
Public	38.4	38.4	38.4
Others	0.0	0.0	--
Total	100.0	100.0	100.0


Havells India – Performance at a glance

Havells India beat our estimates on growth prospectus. Net Revenue for Q1FY17 grew by 17% to Rs 1467crore with noticeable growth across each product segment as compared to Rs 1252 crore in the corresponding quarter ended June 30, 2015. EBIDTA grew by 24% to Rs 200 crore as against Rs 162 crore in the corresponding quarter previous year. Net Profit (PAT) grew by 36% to Rs 146 crore as compared to Rs 107 crore in the corresponding quarter previous year.

The first quarter has delivered visible improvement across product categories. Apart from growth in headline segments, company has grown in sub-segments like pumps, geysers, exports and Standard. Switchgear segment growth could be partially attributed to base effect of low growth in last year. Cables and wires volume growth continue to be suppressed with low commodity pricing. Lighting and ECD segments have revved up with a promising outlook.

1QFY17_Concall highlights

- Management expect much better growth as compare to last year.
- Margin will be 13.5%-14.5%
- Capex will be Rs 250-260 Cr. As company is going to open new facility in Karnataka & Guwahati.
- Company is not going to launch new product this current quarter they will mainly only focus on product innovation.
- ESL-company is not going to participate in Govt orders because as per the management they donot make money on it and it is not going to effect the volume growth.

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. Based on above mentioned reasons we recommended "BUY" at CMP of Rs 381 for a target price of Rs 405 (~6% upside). We achieved our target price hence we recommended "Book Profit" at current level.

Financials	FY13	FY14	FY15	FY16	FY17E
Sales(Cr)	7248	8181	8569	7714	8328
EBITDA(Cr)	669	738	721	839	975
Net Profit(Cr)	581	442	385	1209	643
EBIDTA%	9.2%	9.0%	8.4%	10.9%	11.7%
P/E	0.1	0.1	0.0	0.2	0.1

(Source: Company/Eastwind)

Segmental performance:

→ Switchgears segment witnessed strong growth of 19% to Rs 353 Cr led by 17% growth in the Domestic market and 34% growth in the exports market. Growth in the segment was driven by market share gain and improved penetration of channel. Construction activity continues to remain muted and growth was primarily driven by market share gains. Management has guided for contribution margin of 39-40% for FY17.

→ Cable & Wires revenues registered a muted growth of 4% YoY to Rs 533 cr led by weak copper prices during the quarter.

→ Lighting division sales were up 21% YoY to Rs 196 Cr. Conventional lighting products continue to witness de-growth and LED now forms major proportion of the Lighting sales.

→ Electrical consumer durables segment also registered robust growth of 19% YoY to Rs 351 Cr with traditional segment like fans registering a growth of 18-19% YoY.

Contribution by Segment :

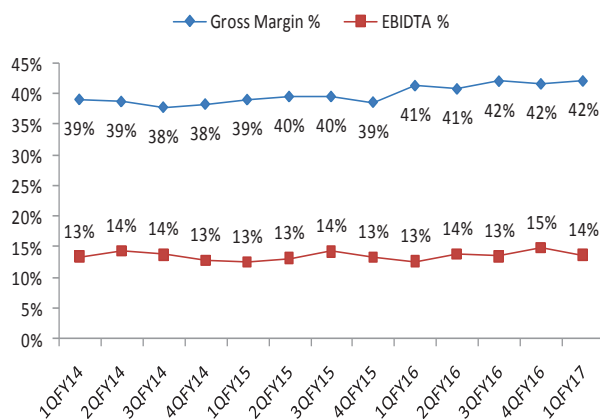
→ Contribution margins are derived after deducting material cost, manufacturing variables, direct selling variables and depreciation from the net revenue.

→ Time lag in passing on the increase in commodity prices impacted margins in cable division.

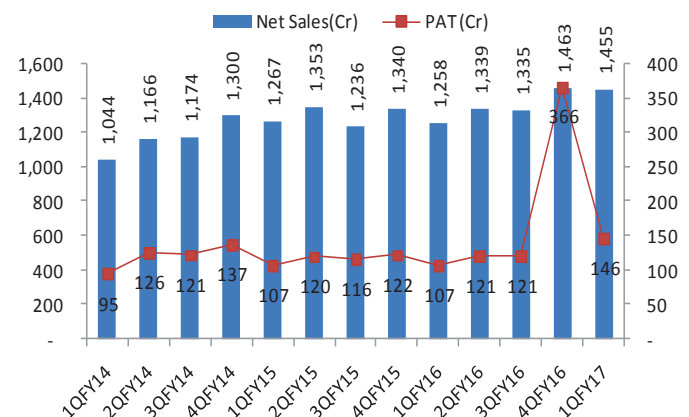
→ Consistent improvement in margins in lighting division. Havells is participating selectively and only in profitable business with EESL.

Segment Revenue(Cr)	1QFY14	2QFY14	3QFY14	4QFY14	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17
a) Switchgears	276	314	309	320	307	339	327	306	297	334	328	327	353
b) Cable	405	487	475	559	535	591	495	569	513	563	523	609	533
c) Lighting & Fixtures	148	180	193	199	165	194	194	188	163	197	211	232	196
d) Electrical Consumer Durables	222	193	207	231	269	241	231	287	295	256	283	307	351
Total	1,051	1,174	1,184	1,310	1,277	1,365	1,247	1,349	1,267	1,350	1,344	1,475	1,467

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 targeting a 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 a 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.

Other Highlights:

- Announced to set up two new manufacturing plants in Karnataka and Assam to enhance the production capacity
- Increased stake in Bangalore based company 'Promptec Renewable Energy Solutions' from 51% to 69%
- Launched innovative range of products such as Home Automation & Control Solution, Air Purifier and entry level modular switches “Reo Bliss”
- Expanded Havells Galaxy chain by taking the total number of such stores to 380 across the country.
- 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.

Impact of implementation of IND AS on financials:

With effect from 1 April 2016 Havells adopted new accounting standard Ind-AS. The financial results summary for the period ended 30 June 2016 and corresponding period of last year 30 June 2015 are prepared in accordance with Ind-AS on account of which Net sales has been impacted by 1% as cash discount now gets deducted from Sales as against been included in other expenses. Fixed assets have increased by INR1.3b on account of being stated at Fair value. Reserves has increased by INR3.1b on account of fixed assets now being restated on fair value (Rs130 Cr) and also as provision of dividend worth Rs 230 Cr being excluded from reserves.

About the Company:

Havells India Ltd is a leading FMEG company (Fast moving electrical goods) with presence across India. Its product range includes Industrial & Domestic Circuit Protection Switchgear, Cables & Wires, Motors, Fans, Power Capacitors, CFL Lamps, Luminaires for Domestic, Commercial & Industrial applications, Modular Switches, Water Heaters and Domestic Appliances covering the entire gamut of household, commercial and industrial electrical needs. Havells owns prestigious brands like Havells, Crabtree and Standard.

With 40 branch offices and over 4000 professionals Havells has achieved rapid success in the past few years. Its 12 state-of-the-art manufacturing units in India located at Haridwar, Baddi, Noida, Sahibabad, Faridabad, Alwar and Neemrana are manufacturing globally acclaimed products, synonymous with excellence and precision in the electrical industry.

Financials Snap Shot

	INCOME STATEMENT					RATIOS			
	FY14	FY15	FY16	FY17E		FY14	FY15	FY16	FY17E
Revenue (Net of Excise D	8181	8569	7714	8328	EPS	35.4	6.2	19.4	10.3
Other Income	41	50	86	91	Book Value	133.5	29.1	41.0	47.7
Total Revenue	8222	8620	7800	8419	DPS	14.6	11.7	3.5	3.5
COGS	4640	4829	4383	4717	Payout (incl. Div. Tax.)	41%	190%	18%	34%
GPM	1	1	1	1	Valuation(x)				
Other Expenses	1717	1832	1632	1658	P/E	5.3	49.5	14.2	34.9
EBITDA	738	721	839	975	Price / Book Value	1.4	10.5	6.7	7.5
EBITDA Margin (%)	9%	8%	11%	12%	Dividend Yield (%)	7.83%	3.83%	1.28%	0.98%
Depreciation	116	139	127	137	Profitability Ratios				
EBIT	622	582	712	838	RoE	27%	21%	47%	22%
Interest	74	64	45	35	RoCE	26%	28%	28%	28%
PBT	589	569	1439	893	Turnover Ratios				
Tax	148	184	230	250	Asset Turnover (x)	1.5	1.8	1.9	1.8
Tax Rate (%)	25%	32%	16%	28%	Debtors (No. of Days)	44.6	26.5	12.3	12.3
Reported PAT	442	385	1209	643	Inventory (No. of Days)	117.5	103.3	69.7	69.7
Dividend Paid	183	731	219	219	Creditors (No. of Days)	53.4	44.8	24.6	22.0
No. of Shares	12	62	62	62	Net Debt/Equity (x)	0.42	0.12	0.00	0.00

Source: Eastwind/Company

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	BALANCE SHEET					CASH FLOW STATEMENT			
	FY14	FY15	FY16	FY17E		FY14	FY15	FY16	FY17E
Share Capital	62	62	62	62	OP/(Loss) before Tax	594	569	1439	893
Reserves	1604	1756	2495	2919	Depreciation	116	139	127	137
Net Worth	1666	1818	2558	2982	Direct Taxes Paid	(134)	(192)	(181)	(250)
Long term Debt	706	226	2	0	Operating profit before w	830	739	813	1065
Short term Debt	118	70	84	0	CF from Op. Activity	868	963	531	763
Deferred Tax	52	43	75	75	Capital expenditure on fix	(176)	(174)	(225)	(256)
Total Capital Employed	2372	2045	2560	2982	CF from Inv. Activity	(376)	(486)	28	(256)
Net Fixed Assets	1207	1221	1100	1219	Repayment of Long Term	(148)	(524)	(354)	0
Capital WIP	44	38	21	21	Interest Paid	(52)	(61)	(39)	(35)
Debtors	1001	623	259	280	Divd Paid (incl Tax)	(156)	(146)	(451)	(219)
Cash & Bank Balances	882	777	1465	1853	CF from Fin. Activity	(310)	(754)	(622)	(120)
Trade payables	1197	1051	520	502	Inc/(Dec) in Cash	182	(278)	(62)	387
Total Provisions	733	805	423	445	Add: Opening Balance	472	655	379	1465
Net Current Assets	1241	741	1291	1728	Closing Balance	655	379	160	1853
Total Assets	5337	4831	4142	4742					

Source: Eastwind/Company

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