

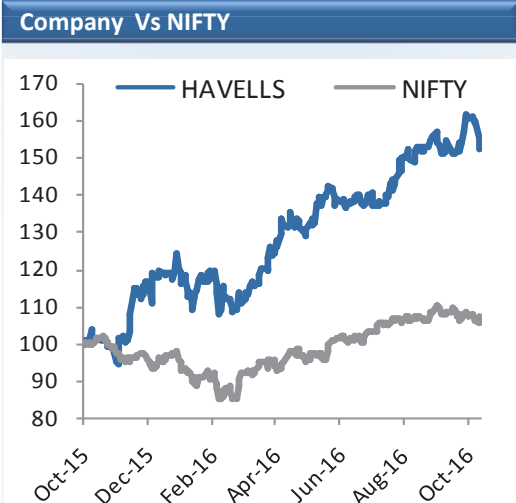
HAVELLS INDIA LTD.

Result Update	
CMP	411
Target Price	410
Previous Target Price	
Upside	
Change from Previous	-

Market Data	
BSE Code	517354
NSE Symbol	HAVELLS
52wk Range H/L	460/236
Mkt Capital (Rs Cr)	25,653
Av. Volume	183605
Nifty	8659

Stock Performance			
	1Month	1Year	YTD
Absolute	-0.6	45.5	18.5
Rel.to Nifty	1.1	40.4	8.7

Share Holding Pattern-%			
	2QFY17	1QFY17	4QFY16
Promoter	61.6	61.6	61.6
Public	38.4	38.4	38.4
Others	0.0	0.0	0.0
Total	100.0	100.0	100.0



Result Summary

Havells India announced 2QFY17 results which registered 9% revenue growth as compared to 2QFY16. EBITDA and PAT grew by 11.6% and 19.4% as compared to 2QFY16. 20% plus growth in consumer and lighting segments. Housing and industrial activities remain sluggish, single digit growth in cable and building segments. Improvement in contribution margin in every segments. Product mix shift towards better margin business, cable now constitutes 39% as compared to 42% in Q2FY16 and annualized saving of Rs. 40 crores from 1st April 2016 due to discontinuation of brand royalty payment. There is Improvement in margins in lighting division is due to focus efforts on cost efficiency in a declining price regime. Margin improvement in electrical consumer durables with cost efficiencies and improved product variants.

2QFY17_Concall highlights

- Company is maintaining its double digit growth for full year.
- Margin will be 13.5%-14.5%
- Capex will be Rs 250-260 Cr. As company is going to open new facility in Guwahati for Switchgear.
- Fan segment is growing good as per the management there will be double digit growth in this segment.
- Tax rate will be 28%.
- Ad spend will be 3% of sales.
- As per the management company has healthy cash and continuously looking for the acquisition.

Outlook and Valuation

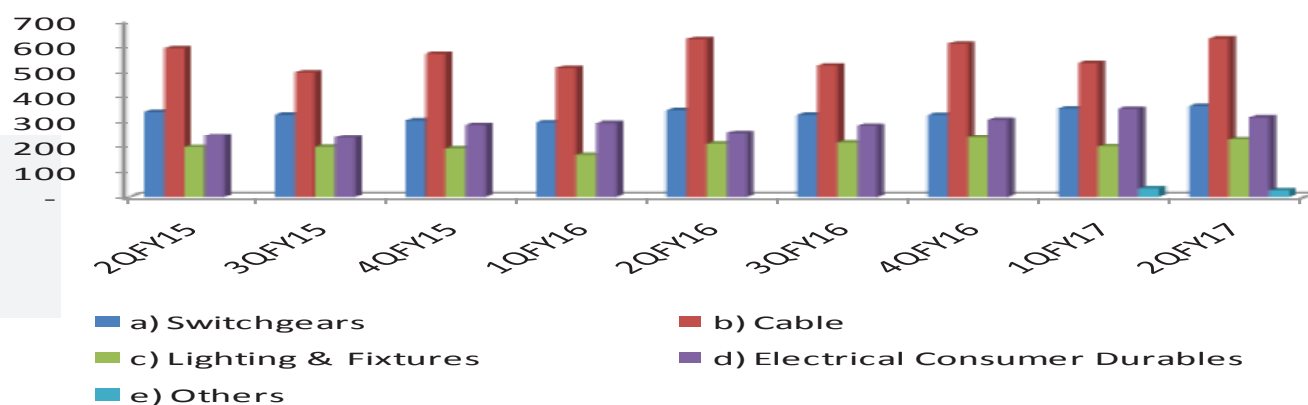
Going forward in FY17E company is maintaining its double digit growth for full year but management is not sure that 2nd half will be better than 1st half. Right now we are not seeing a major uptick both in the industrial demand as well as residential demand. Cables and Fans saw just about 9% YoY revenue growth in 2QFY17 as compared to 17% in 1QFY17. Cables business also remained flat in this current quarter. As per the management company is having healthy cash balance and continuously looking for the acquisition in near future. We are keeping our positive view on this stock for long term with "NEUTRAL" rating with a target price of Rs 410.

	Rs in Cr				
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:

Segment Revenue(Cr)	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17
a) Switchgears	339	327	306	297	346	328	327	353	362
b) Cable	591	495	569	513	627	523	609	533	630
c) Lighting & Fixtures	194	194	188	163	206	211	232	196	223
d) Electrical Consumer Durables	241	231	287	295	255	283	307	351	318
e) Others								33	26



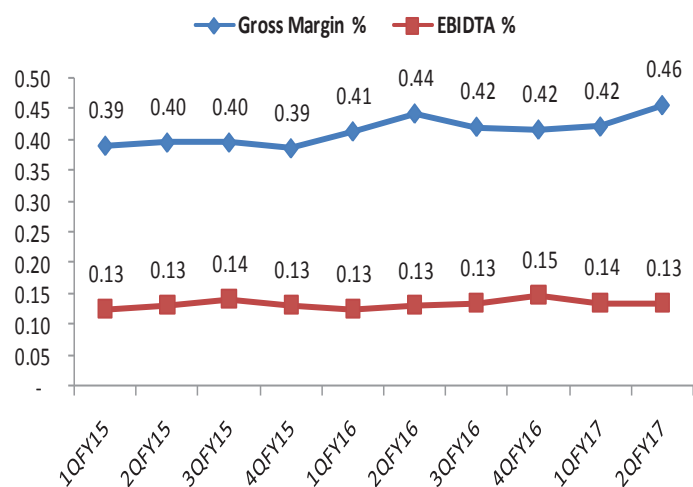
Contribution by Segment :

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

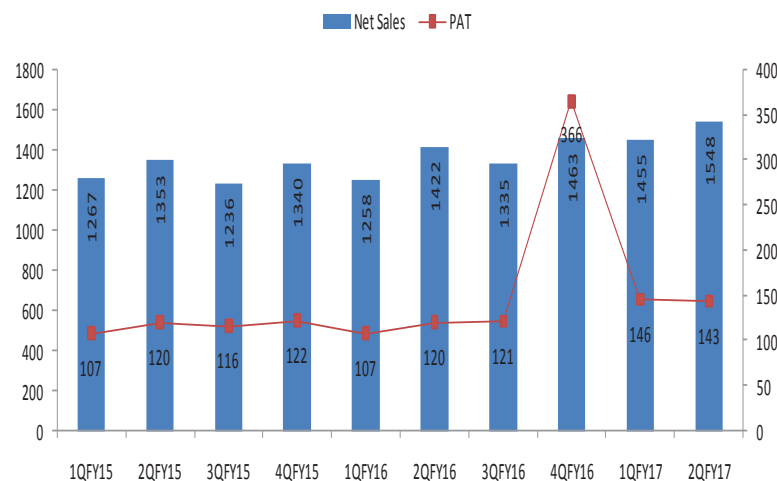
→ Time lag in passing on the increase in commodity prices impacted margins in cable division.

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

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.

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			
	FY14	FY15	FY16	FY17E
Revenue (Net of Excise D	8181	8569	7714	8500
Other Income	41	50	86	104
Total Revenue	8222	8620	7800	8603
COGS	4640	4829	4383	4712
GPM	1	1	1	1
Other Expenses	1717	1832	1632	1838
EBITDA	738	721	839	910
EBITDA Margin (%)	9%	8%	11%	11%
Depreciation	116	139	127	140
EBIT	622	582	712	770
Interest	74	64	45	11
PBT	589	569	1439	863
Tax	148	184	230	242
Tax Rate (%)	25%	32%	16%	28%
Reported PAT	442	385	1209	622
Dividend Paid	183	731	219	219
No. of Shares	12	62	62	62

Source: Eastwind/Company

	BALANCE SHEET			
	FY14	FY15	FY16	FY17E
Share Capital	62	62	62	62
Reserves	1604	1756	2495	2898
Net Worth	1666	1818	2558	2960
Long term Debt	706	226	2	0
Short term Debt	118	70	84	66
Deferred Tax	52	43	75	75
Total Capital Employed	2372	2045	2560	2960
Net Fixed Assets	1207	1221	1100	1180
Capital WIP	44	38	21	21
Debtors	1001	623	259	286
Cash & Bank Balances	882	777	1465	1732
Trade payables	1197	1051	520	512
Total Provisions	733	805	423	446
Net Current Assets	1241	741	1291	1592
Total Assets	5337	4831	4142	4588

Source: Eastwind/Company

	RATIOS			
	FY14	FY15	FY16	FY17E
EPS	35	6	19	10
Book Value	133	29	41	47
DPS	15	12	4	4
Payout (incl. Div. Tax.)	41%	190%	18%	35%
Valuation(x)				
P/E	5	49	14	36
Price / Book Value	1	10	7	8
Dividend Yield (%)	7.8%	3.8%	1.3%	1.0%
Profitability Ratios				
RoE	27%	21%	47%	21%
RoCE	26%	28%	28%	26%
Turnover Ratios				
Asset Turnover (x)	2	2	2	2
Debtors (No. of Days)	45	27	12	12
Inventory (No. of Days)	117	103	70	70
Creditors (No. of Days)	53	45	25	22
Net Debt/Equity (x)	0	0	0	0

Source: Eastwind/Company

	CASH FLOW STATEMENT			
	FY14	FY15	FY16	FY17E
OP/(Loss) before Tax	594	569	1439	863
Depreciation	116	139	127	140
Direct Taxes Paid	(134)	(192)	(181)	(242)
Operating profit before w	830	739	813	1013
CF from Op. Activity	868	963	531	736
Capital expenditure on fix	(176)	(174)	(225)	(220)
CF from Inv. Activity	(376)	(486)	28	(220)
Repayment of Long Term	(148)	(524)	(354)	0
Interest Paid	(52)	(61)	(39)	(11)
Divd Paid (incl Tax)	(156)	(146)	(451)	(219)
CF from Fin. Activity	(310)	(754)	(622)	(249)
Inc/(Dec) in Cash	182	(278)	(62)	267
Add: Opening Balance	472	655	379	1465
Closing Balance	655	379	160	1732

Source: Eastwind/Company