

# Havells India Ltd.

<b>Nifty</b>	24,180.80
<b>Sensex</b>	79,402.29

**Key Stock Data**

CMP	₹1,695
Market Cap	₹1,081bn
52W High/ Low	₹2,106/₹1,233
Shares o/s mn	626.7
Bloomberg	HAVL:IN
NSE Code	HAVELLS
BSE Code	517354

**Shareholding Pattern (%) Sep'24**

Promoter	59.4
DII's	10.1
FII's	24.8
Govt	0.13
Public	5.60

(₹ mn)

Particulars	FY21	FY22	FY23
Revenues	104,279	138,885	168,684
EBITDA	15,653	17,576	16,030
EBITDA Margin (%)	15.0	12.7	9.5
Net Profit	10,396	11,947	10,750
EPS (₹)	16.6	19.1	17.2
DPS (₹)	6.5	7.5	7.5
RoE (%)	22.0	21.8	16.3
RoCE (%)	24.6	24.8	17.9
P/E (x)	111.2	96.8	107.6
EV/EBITDA (x)	70.3	62.1	68.3
P/BV (x)	22.4	19.3	17.5

Particulars	FY24	FY25E	FY26E
Revenues	185,499	220,158	244,887
EBITDA	18,453	23,448	30,004
EBITDA Margin (%)	9.9	10.7	12.3
Net Profit	12,732	16,118	20,788
EPS (₹)	20.3	25.7	33.2
DPS (₹)	9.0	11.0	13.0
RoE (%)	17.1	20.4	23.3
RoCE (%)	18.5	21.0	25.1
P/E (x)	90.8	71.7	55.6
EV/EBITDA (x)	58.8	52.0	40.5
P/BV (x)	15.5	13.9	12.3

Source- Company, Way2Wealth

**Relative Performance**

Return (%)	1 Yr	3Yr	5 Yr
<b>Havells</b>	<b>33.7</b>	<b>30.6</b>	<b>155</b>
<b>Nifty 50</b>	26.4	33.4	108
<b>Sensex</b>	24	30.2	103

Source - Company, Way2Wealth

**Key Result Highlights**

- Havells India Ltd (HAVL) experienced growth across all segments, although margins showed some weakness in Q2FY25. Revenue increased by 16% YOY to ₹45.3bn, driven by strong performances in Cables (up 23%), ECD (up 17%), Other segments (up 28%), and Lloyd (up 19%). Switchgears had modest growth of 3%, while Lighting saw a slight decline of 1%. EBITDA was reported at 8.4%, reflecting a decrease of 121bps YOY and bps QoQ, primarily due to the advancement of advertising and promotional expenditures linked to the festive season moving into Q2. Other income surged by 77% YOY, largely due to approximately ₹171bn received from the full settlement of an insurance claim related to the Neemrana fire incident in 2022. Despite high capital expenditures of ₹3.5bn in the first half of FY25, net cash remained strong at ₹31.2bn.
- Weak margins in Q2 are expected to recover by Q4FY25. Cable margins were affected due to the absorption of high-cost inventory, with a full recovery anticipated by the fourth quarter. Increased investments in alternative and emerging channels have also contributed to the decline in ECD margins. The shift in the festive season resulted in earlier advertising and promotional expenditures in Q2, impacting margins across various segments. However, these A&P expenses are projected to normalize to 2.5% of revenue in the coming quarters.
- While demand has remained constant in urban markets, it has surged in rural ones. B2B demand remained weak at 9% YOY, the B2C sector was the key driver of revenue growth in Q2FY25, increasing by 20% YOY. Switchgear's 3% YoY increase was constrained by the industrial segment's slow development as a result of a large base effect. HAVL expects a **comeback in the industrial sector and modest double-digit growth in FY26**. Due in large part to wire sales and some carryover from Q1 destocking, cables saw robust increase, with volume and revenue rising by 16% and 23% YoY, respectively.
- Early festive uptick and strong consumer demand helped ECD (+19% YoY). Even though volume increased 13% YoY, lighting revenue (down 1%) remained flat; a stable pricing might lead to a significant revenue increase the next year. In a typically bad quarter for air conditioners, Lloyd's non-air conditioning (LED TV, ref) portfolio drove its revenue (+19% YoY). The development of exports is underway. Performance on a broad scale encouraged Others (Emerging) to keep increasing scale. These include products like water purifiers, solar water heaters, and grooming products (increasing in sales by 28% YoY), which are still in the initial investment phase. Two to three more categories (coolers, etc.) will be launched shortly.
- Fluctuations in commodity costs influenced W&C sales; the company reported robust top-line growth of 22.8% YoY, mostly due to Wires (channel re-stocking due to lower inventory). The volume increased by 15% YoY. Due primarily to the absorption of expensive inventories and the reduction in the price of copper from May to August 2024, EBIT margins fell 298 bps YoY to 8.6%. The management also reported fluctuation in the price of copper on October 24. The Tumkur Cable factory was put into service on September 24th, and the company is currently investing a further ~4.5bn to increase its capacity. By Q4FY25, the management anticipates that margins will have stabilized. Tumkur facility, W&C is operating at ~90% capacity utilization.
- Concerned about Havells' high-profit Switch business – High levels of competition from local and unlisted players, such as better credit period days, more SKUs, Havells replacing complete switch board rather than a switch, GM giving dealers free display boards, and a quicker replenishment cycle, are important drawbacks for Havells. This segment currently accounts for about 30% of the overall EBIT. Contribution and EBIT margins have been trending downward, but any additional decline is still a major concern. The management anticipates a margin contribution of about 38–40% going forward.

**Dhananjay Kansara**

dhananjay.k@way2wealth.com

Ph: 022 – 4019 2911

- ECD margins weakened as a result of increased investments, but this is probably going to return to normal in the quarters that follows. According to the management, there are early indications that consumer spending is picking up steam in metropolitan areas, although demand is still slow in rural areas. The management emphasized that, except from RM cost pass through, no significant price actions were implemented in Q2FY25.

Capex for FY25 is expected at ~₹11bn – with ₹3.5bn done in 1HFY25. Inventory days as of Sep'24 stood at 69 days. NWC days stood at 31 days.

### View

Havells Ltd. posted mixed set quarterly performance with top-line growth coming in-line with expectations while the growth in ad spends impacted margins. Amid subdued demand from industrial segment, B2B growth was just 9% YoY, while overall B2C value growth was 20% YoY. Growth was broad-based, spread across the regions. Urban demand continues to grow well while rural demand showed signs of improvement. Overall, there is a uptick in demand for domestic appliances (water heaters and kitchen appliances) over the festive season. The management is dedicated to increasing Lloyd's volume and profitability and are cautiously optimistic over the future consumer demand. Future margins may have an impact of the spike in commodity prices.

**Since the release of our report on [20Sep19](#) the stock has given an upside of 146%, hence we advise investors to book profits, while long term investors intending to stay invested can continue. Currently stock is trading at ₹P/E 55.6 FY26E EPS of ₹33.2.**

**FINANCIAL PERFORMANCE**

(₹ mn)

Particulars	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	1HFY25	1HFY24	YoY (%)
<b>Revenues</b>	<b>45,330</b>	<b>38,912</b>	<b>16.5</b>	<b>57,981</b>	<b>(21.8)</b>	<b>1,03,311</b>	<b>87,149</b>	<b>18.5</b>
Raw material costs	30,027	25,953	15.7	39,500	(24.0)	69,526	59,531	16.8
Staff costs	4,602	3,817	20.6	4,582	0.4	9,184	7,418	23.8
Advertisement spend	1,301	846	53.7	1,724	(24.5)	3,025	2,189	38.2
Other expenses	5,600	4,562	22.8	6,414	(12.7)	12,014	10,252	17.2
<b>EBITDA</b>	<b>3,800</b>	<b>3,735</b>	<b>1.7</b>	<b>5,762</b>	<b>(34.0)</b>	<b>9,562</b>	<b>7,759</b>	<b>23.2</b>
<b>EBITDA Margin (%)</b>	<b>8.4</b>	<b>9.6</b>	<b>(121)</b>	<b>9.9</b>	<b>(155)</b>	<b>9.3</b>	<b>8.9</b>	<b>4.0</b>
Depreciation	946	812	16.6	920	2.8	1866	1575	18.5
Interest costs	101	93	8.0	86	17.9	186	178	4.7
Other income	928	524	77.1	770	20.4	1698	1171	45.0
PBT	3,681	3,354	9.8	5,527	(33.4)	9,207	7,177	28.3
Tax	955	863	10.7	1,415	(32.5)	2,370	1,812	30.8
<b>Net Profit</b>	<b>2,726</b>	<b>2,491</b>	<b>9.4</b>	<b>4,112</b>	<b>(33.7)</b>	<b>6,838</b>	<b>5,365</b>	<b>27.5</b>
EPS	4.3	4.0	9.4	6.6	(33.7)	10.9	8.6	27.4

Source : Company, Way2Wealth

Revenue	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	YoY(%)	QoQ(%)
Switchgear	3,419	3,638	3,309	3,027	1,902	3,703	4,371	4,633	3,734	4,426	4,960	4,744	5,167	4,878	5,141	6,010	5,407	5,324	5,206	6,513	5,759	5,513	3.5	-4.3
Cables & Wires	7,785	8,213	7,121	6,823	4,611	7,847	9,052	10,292	8,072	11,440	12,058	14,881	11,929	13,594	14,121	15,682	14,852	14,702	15,727	17,896	15,212	18,052	22.8	18.7
Lighting & Fixtures	2,504	2,536	2,760	2,343	1,380	2,646	3,533	3,297	2,099	3,536	4,080	3,994	3,711	3,970	4,201	4,134	3,670	3,965	4,299	4,334	3,856	3,909	-1.4	1.4
Electrical Consumer Durable (ECD)	5,616	4,902	5,359	4,177	3,017	5,799	7,831	7,124	5,760	7,284	8,926	8,698	8,381	7,735	9,348	7,495	8,770	7,331	9,613	9,104	10,549	8,564	16.8	-18.8
Lloyd Electric	6,520	1,800	3,004	4,579	3,062	2,804	5,116	5,906	4,944	3,413	4,657	9,592	10,837	4,141	6,068	12,640	13,055	4,930	6,467	13,401	19,241	5,874	19.2	-69.5
Other	1,282	1,217	1,146	1,213	820	1,719	1,757	2,070	1,373	2,112	1,841	2,261	2,276	2,372	2,319	2,536	2,483	2,662	2,695	3,096	3,365	3,418	28.4	1.6
Total	27,126	22,306	22,699	22,162	14,792	24,518	31,660	33,322	25,982	32,210	36,523	44,171	42,301	36,689	41,197	48,496	48,237	38,912	44,006	54,343	57,981	45,330	16.5	-21.8

Revenue Mix (%)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	YoY(BPS)	QoQ(BPS)
Switchgear	12.6	16.3	14.6	13.7	12.9	15.1	19.3	13.9	14.4	17	19.1	18.3	12.2	13.3	12.5	12.4	11.2	13.7	11.8	12	9.9	12.2	-152	223
Cables & Wires	28.7	36.8	31.4	30.8	31.2	32	39.9	30.9	31.1	44	46.4	57.3	28.2	37.1	34.3	32.3	30.8	37.8	35.7	32.9	26.2	39.8	204	1,359
Lighting & Fixtures	9.2	11.4	12.2	10.6	9.3	10.8	15.6	9.9	8.1	13.6	15.7	15.4	8.8	10.8	10.2	8.5	7.6	10.2	9.8	8	6.7	8.6	-157	197
Electrical Consumer Durable (ECD)	20.7	22	23.6	18.8	20.4	23.7	34.5	21.4	22.2	28	34.4	33.5	19.8	21.1	22.7	15.5	18.2	18.8	21.8	16.8	18.2	18.9	5	70
Lloyd Electric	24	8.1	13.2	20.7	20.7	11.4	22.5	17.7	19	13.1	17.9	36.9	25.6	11.3	14.7	26.1	27.1	12.7	14.7	24.7	33.2	13	29	-2,023
Other	4.7	5.5	5	5.5	5.5	7	7.7	6.2	5.3	8.1	7.1	8.7	5.4	6.5	5.6	5.2	5.1	6.8	6.1	5.7	5.8	7.5	70	174

Segment-wise contribution	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	YoY(%)	QoQ(%)
Switchgear	830	875	875	670	291	1,150	1,372	1,234	1,020	1,203	1,454	1,231	1,353	1,220	1,270	1,712.30	1,485.90	1,406.60	1,243.70	1,836.00	1,419.20	1,149.60	-18.3	-19
Cables & Wires	845	1,043	767	666	366	1,118	1,026	1,528	1,262	1,153	1,256	1,732	875	859	1,628	1,880.40	1,683.70	1,706.50	1,624.60	2,153.80	1,710.90	1,548.10	-9.3	-9.5
Lighting & Fixtures	357	308	480.8	329	29	521	811	680	317	773	869	617	611	570	534	748.5	521	569.3	604.5	786.8	630.1	505.2	-11.3	-19.8
Electrical Consumer Durable (ECD)	823	717	770	560	370	1,172	1,405	1,090	673	1,264	1,138	1,501	1,098	901	1,228	954.4	946.9	848.4	1,061.90	1,025.10	1,147.10	642.9	-24.2	-44
Lloyd Electric	82	-440	-128	85	64	51	309	318	103	-183	-418	-213	-559	-833	-596	-225.9	-614.8	-733.1	-659.8	371.6	673.9	-223.6	-69.5	-133.2
Other	-54	-109	-91	-13	-46	141	703	145	54	202	46	265	122	41	72	112	82.9	40.1	38.6	88.7	110	65.5	63.3	-40.5
Total	2,883	2,394	2,673	2,297	1,074	4,153	5,627	4,994	3,429	4,412	4,344	5,133	3,500	2,758	4,135	5,182	4,106	3,838	3,914	6,262	5,691	3,688	-3.9	-35.2

Segment-wise EBIT margin (%)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	YoY(BPS)	QoQ(BPS)
Switchgear	24.3	24.1	26.4	22.1	15.3	31.1	31.4	26.6	27.3	27.2	29.3	25.9	26.2	25	24.7	28.5	27.5	26.4	23.9	28.2	24.6	20.9	-557	-379
Cables & Wires	10.9	12.7	10.8	9.8	7.9	14.2	11.3	14.8	15.6	10.1	10.4	11.6	7.3	6.3	11.5	12	11.3	11.6	10.3	12	11.2	8.6	-303	-267
Lighting & Fixtures	14.3	12.1	17.4	14	2.1	19.7	23	20.6	15.1	21.9	21.3	15.4	16.5	14.4	12.7	18.1	14.2	14.4	14.1	18.2	16.3	12.9	-144	-342
Electrical Consumer Durable (ECD)	14.7	14.6	14.4	13.4	12.3	20.2	17.9	15.3	11.7	17.3	12.7	17.3	13.1	11.6	13.1	12.7	10.8	11.6	11	11.3	10.9	7.5	-407	-337
Lloyd Electric	1.3	-24.4	-4.3	1.9	2.1	1.8	6	5.4	2.1	-5.4	-9	-2.2	-5.2	-20.1	-9.8	-1.8	-4.7	-14.9	-10.2	2.8	3.5	-3.8	1,106	-731
Other	-4.2	-9	-7.9	-1.1	-5.6	8.2	40	7	3.9	9.6	2.5	11.7	5.4	1.7	3.1	4.4	3.3	1.5	1.4	2.9	3.3	1.9	41	-135

Source – Company, Way2Wealth

**Disclaimer**

**Analyst Certification:** I, Dhananjay Kansara, the research analyst and author of this report, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s), principally responsible for the preparation of this research report, receives compensation based on overall revenues of the company (Way2Wealth Brokers Private Limited, hereinafter referred to as Way2Wealth) and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

It is confirmed that Dhananjay Kansara, the author of this report has not received any compensation from the companies mentioned in the report in the preceding 12 months. Our research professionals are paid in part based on the profitability of Way2Wealth, which include earnings from other business. Neither Way2Wealth nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information contained in this report.

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. Way2Wealth is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. The contents of this material are general and are neither comprehensive nor appropriate for every individual and are solely for the informational purposes of the readers. This material does not take into account the specific objectives, financial situation or needs of an individual/s or a Corporate/s or any entity/s.

This research has been prepared for the general use of the clients of the Way2Wealth and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Way2Wealth will not treat recipients as customers by virtue of their receiving this report. The distribution of this document in other jurisdictions may be restricted by the law applicable in the relevant jurisdictions and persons into whose possession this document comes should inform themselves about, and observe any such restrictions.

The report is based upon information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up to date and it should not be relied upon as such. Way2Wealth or any of its affiliates or employees makes no warranties, either express or implied of any kind regarding any matter pertaining to this report, including, but not limited to warranties of suitability, fitness for a particular purpose, accuracy, timeliness, completeness or non-infringement. We accept no obligation to correct or update the information or opinions in it. Way2Wealth or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. The recipients of this report should rely on their own investigations. In no event shall Way2Wealth be liable for any damages of any kind, including, but not limited to, indirect, special, incidental, consequential, punitive, lost profits, or lost opportunity, whether or not Way2Wealth has advised of the possibility of such damages.

This material contains statements that are forward-looking; such statements are based upon the current beliefs and expectations and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. These uncertainties include but are not limited to: the risk of adverse movements or volatility in the securities markets or in interest or foreign exchange rates or indices; adverse impact from an economic slowdown; downturn in domestic or foreign securities and trading conditions or markets; increased competition; unfavorable political and diplomatic developments; change in the governmental or regulatory policies; failure of a corporate event and such others. This is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any particular trading strategy. No part of this material may be copied or duplicated in any form by any means or redistributed without the written consent of Way2Wealth. In no event shall any reader publish, retransmit, redistribute or otherwise reproduce any information provided by Way2Wealth in any format to anyone. Way2Wealth and its affiliates, officers, directors and employees including persons involved in the preparation or issuance of this report may from time to time have interest in securities / positions, financial or otherwise in the securities related to the information contained in this report.

To enhance transparency, Way2Wealth has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

**Disclosure of Interest Statement in Havells India Ltd. as on 28 October 2024**

Name of the Security	<b>Havells India Ltd.</b>
Name of the analyst	<b>Dhananjay Kansara</b>
Analysts' ownership of any stock related to the information contained	No
Financial Interest	No
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

This information is subject to change without any prior notice. Way2Wealth reserves at its absolute discretion the right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, Way2Wealth is committed to providing independent and transparent recommendations to its clients and would be happy to provide information in response to specific client queries.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.