27 March 2025

Company Update | Sector: Consumer Durables

Havells

BSE SENSEX	S&P CNX
77,606	23,592

Bloomberg	HAVL IN
Equity Shares (m)	627
M.Cap.(INRb)/(USDb)	950 / 11.1
52-Week Range (INR)	2106 / 1381
1, 6, 12 Rel. Per (%)	0/-15/-4
12M Avg Val (INR M)	1988
Free float (%)	40.6

Financials & Valuations (INR b)

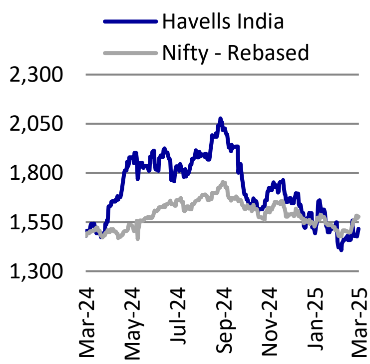
Y/E MARCH	FY25E	FY26E	FY27E
Sales	211.9	240.5	276.7
EBITDA	19.9	24.3	29.3
Adj. PAT	13.8	16.8	20.7
EBITA Margin (%)	9.4	10.1	10.6
Cons. Adj. EPS (INR)	22.0	26.8	33.1
EPS Gr. (%)	8.7	21.6	23.4
BV/Sh. (INR)	133.1	150.6	172.0
Ratios			
Net D:E	(0.4)	(0.4)	(0.4)
RoE (%)	16.5	17.8	19.2
RoCE (%)	16.2	17.5	18.9
Payout (%)	35.0	35.0	35.0
Valuations			
P/E (x)	68.8	56.6	45.9
P/BV (x)	11.4	10.1	8.8
EV/EBITDA (x)	46.0	37.6	30.8
Div Yield (%)	0.5	0.6	0.8
FCF Yield (%)	0.5	0.7	1.4

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	59.4	59.4	59.4
DII	11.6	10.2	10.1
FII	23.5	24.8	24.0
Others	5.6	5.6	6.5

FII includes depository receipts

Stock's performance (one-year)



CMP: INR1,515 TP: INR1,650 (+9%) Neutral

Aims to sustain profitability amid market challenges

Targets profitability in the premium segment

We met with Havells' (HAVL) management to gain insights into industry trends and the outlook for key business segments. The management remains optimistic about growth prospects across core categories, supported by margin improvement initiatives. The company continues to invest in manufacturing, brand building, distribution, talent development, premiumization, and R&D, positioning itself for long-term success. The summer season has begun on a positive note, which should drive growth for Lloyd, with profitability sustained through operating leverage and cost controls. Demand for cables & wires remains strong, with a stable long-term growth outlook. In the switches and switchgear segment, domestic switchgear demand has improved; however, industrial switchgear recovery is still awaited. The lighting segment remains impacted by pricing pressure, though volume growth remains strong. The company is focused on expanding its presence in professional lighting to drive profitability. We expect HAVL's EPS to grow at a 23% CAGR over FY25-27, supported by margin expansion in Lloyd and other key segments. We maintain a Neutral rating with a TP of INR1,650 (50x FY27E EPS).

RAC segment: Focus on in-house manufacturing and premiumization

- HAVL, through its Lloyd brand, is strengthening its position in the Residential Air Conditioner (RAC) market, focusing on split ACs and operational efficiency. Lloyd has gained market share in RACs over the last few years and is now ranked among the top three players in the industry.
- Over the years, the company has strengthened its product portfolio with the introduction of washing machines, refrigerators, and televisions, establishing itself as a full-stack consumer durable player. Currently, ~75% of Lloyd's revenue comes from RACs (80% Split and 20% Windows), while the remaining comes from washing machines (mostly semi-automatic), refrigerators, and televisions.
- The company faces no supply-side issues for compressors during the ongoing summer season. RAC volumes are expected to grow in line with the industry growth rate for the summer season of CY25, with a focus on margin improvement through internal cost efficiencies rather than price hikes.
- Lloyd has been focused on strengthening its brand through channel expansion, innovative product offerings, and investments in manufacturing and customer outreach. In recent years, it has set up manufacturing plants for RACs (current capacity: 2m units) and washing machines (current capacity: 0.7m units).
- Over FY20-24, capex for Lloyd stood at INR7.7b, accounting for ~36% of the company's total capex during this period. The company aims to further expand RAC's manufacturing capacity to 3m units by 4QFY25 with a capex of INR500-600m. Additionally, it is setting up a refrigerator manufacturing capacity of 1.4m units in Ghiloth, Rajasthan. The project is expected to be completed by Sep'26, with a total capex of INR4.8b.

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- Cost optimization remains a priority for HAVL, driven by value engineering, higher volumes, and in-house production of components like heat exchangers, cross fans, and PCBs. However, compressors and motors continue to be outsourced, mirroring industry norms.
- HVL continues to strengthen its distribution network by expanding into modern trade channels like Croma, Reliance Digital, and Vijay Sales (a plausible new entry based on its modern trade focus), along with regional chains. E-commerce sales via platforms like Amazon, Flipkart, Tata Cliq, and its D2C website further enhance its urban market penetration. The company is also investing in modern format retail and quick commerce channels, with e-commerce and MFR collectively contributing ~40% to Lloyd's revenues.
- The management views Lloyd as a long-term opportunity for the group, with continued investments expected in brand building (~5% of revenues in A&P), distribution network, and product premiumization. In the summer season of CY24, it launched the industry-first designer Lloyd Stellar & Stylus air conditioner range and more recently introduced the Stunnair range, India's first AI-powered designer ACs. Its designer ACs, launched under the Luxuria brand, are priced ~50% higher than standard ACs.
- HAVL has deployed 4,500 in-store demonstrators to strengthen brand presence and customer engagement.
- Lloyd turned profitable in 4QFY24, benefiting from operating leverage, the stabilization of the Sri City plant, and cost-saving strategies. We expect it to remain profitable in FY25 (EBIT margin of 0.7% vs loss of INR1.7b; -4.4% of revenues in FY24). Going forward, we factor in a 20% revenue CAGR over FY25-27E, with EBIT margin of 1.5%/2.5% in FY26/27E.

Cables & wires segment: New capacities to aid growth

- The cables & wires segment faced headwinds in 1HFY25 due to volatile copper prices, which surged 21% over Apr'24-May'24, before declining 12% by June, disrupting trade sentiment and squeezing profitability. The industry struggled to pass on costs, further compounded by general elections and a housing slowdown, leading to a decline in the segment's EBIT margin to ~8.6% in Q2FY25 from ~12% in Q4FY24. However, the recent stabilization of copper prices and a recovery in the housing market have spurred wire demand, while cables have sustained strong growth through 9MFY25, driven by rising government capex.
- The company has accelerated investments in the cables & wires segment, announcing two brownfield expansion plans in FY25. In Jul'24, it announced a capex of INR3.75b for a brownfield capacity expansion at its Alwar, Rajasthan plant, which is scheduled for completion by Mar'26 in a phased manner. In Sep'24, HAVL commenced commercial production at its greenfield plant in Tumkur, Karnataka, and subsequently announced another brownfield expansion at the same location, with a capex of INR4.5b. The brownfield expansion is expected to be completed by Sep'26.
- Its investments in the cables & wires segment remained low over the past few years, which impacted growth as the company faced a shortage of cable production capacity. During FY12-23, the total capex for this segment stood at INR4.7b, compared to INR11.8b planned for FY24-27. The segment's contribution from cables improved to ~40% from ~30% a few years ago and is

expected to remain at similar levels in the near future. Going forward, we estimate revenue CAGR of 14% over FY25-27, with EBIT margin of 11.5%/12% in FY26/27 vs 10.7% for this segment.

Switchgear segment: Positioning for premium markets

- The revenue mix for this segment includes ~40% domestic switchgear (residential and small commercial), ~40% electrical wiring accessories (switches and automation), and ~20% industrial switchgear. In 3Q, segment margins were impacted by lower demand from the industrial segment, a higher share of project sales, and factory under-absorption following the plant shift from Faridabad to Sahibabad. Recently, demand for domestic switchgears has improved, though industrial demand remains low.
- The repositioning of switches from utility to designer products is a notable shift, with new designs driving demand. Designer switches, now viewed as aesthetic complements to interiors, have shorter replacement cycles as consumers upgrade for style, boosting replacement sales. We estimate ~9% revenue CAGR over FY25-27, with EBIT margins expanding to ~24% in FY26 and ~25% in FY27, up from ~22% in FY25, driven by premiumization and improved profitability.

ECD segment: Targets double-digit growth in Fans

- The Electrical Consumer Durables (ECD) segment, with fans contributing ~60% to its ECD revenue, is driving growth through premiumization and volume-led strategies. The company is expanding its Brushless DC (BLDC) and premium fan offerings, with BLDC models now spanning 40 variants and accounting for 24-25% of total volumes.
- Alongside fans, HAVL is strengthening its water heater portfolio and aims to be among the top three in kitchen appliances within three years, leveraging branding and distribution. Higher investments in brand building and new channels (modern format retail, quick commerce) have squeezed margins, but recovery is expected as scale improves.
- The company targets double-digit growth in Fans and aims for market share gains. Revenue growth hinges on volumes, supported by a robust presence in modern retail, e-commerce, and quick commerce channels. Demand for water heaters (~15% of segmental revenues) was impacted this year by the short winter season and aggressiveness by competitors.
- Going forward, we estimate a ~15% revenue CAGR over FY25-27, with EBIT margins expanding to ~10% in FY26 and ~11% in FY27, up from ~9.3% in FY25.

Lighting business: Targets to increase sales of value-added products

- The lighting business is divided into Consumer Lighting and Professional Lighting, with a strategic focus on premiumization, innovation, and efficiency to counter LED price erosion, a persistent industry challenge. The company has seen robust volume growth of ~15% despite modest price declines, shifting its portfolio toward value-added products. While the industry mix is ~60% bulbs and batons and ~40% value-added items, HAVL has reduced its bulb reliance to 40%.
- Professional lighting has higher margins, driven by technical expertise and strong demand from infrastructure and industrial projects, including notable contracts like Shri Ram Mandir and National Highway developments.

- Consumer lighting continues to perform well, fueled by premium and decorative solutions and supported by 50+ Home Art Light stores offering experiential retail. HAVL is expanding its premium collections.
- Contribution margins for this segment are expected to remain at 31-32%, with a focus on value-added products and a higher share of professional lighting. Going forward, we estimate a ~6% revenue CAGR over FY25-27, with EBIT margins expanding to ~15.6% in FY26 and ~16.5% in FY27, up from ~15.1% in FY25.

Higher AD and R&D spends help in brand building

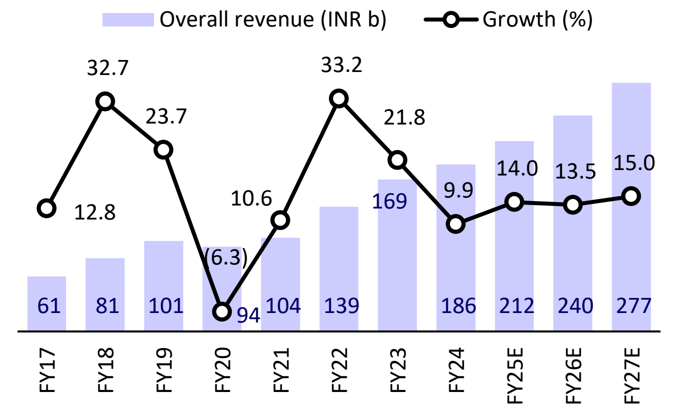
- HAVL is focused on enhancing brand affinity, equity, and image through advertising initiatives, including national advertising campaigns, regional brand ambassador associations, celebrity engagements, digital marketing campaigns, establishment of brand shops, in-shop advertising, and participation in trade shows. HAVL's advertising and promotion spending increased 21% YoY to INR5.3b in FY24 (2.8% of revenues) and we estimate AD spends to remain at 2.8% of revenues over FY25-27. In 9MFY25, its AD spends increased 22% to INR4.8b and stood at 3.2% of revenues, compared to 3% in 9MFY24. On a cumulative basis, the company has spent INR28.8b on AD spends over FY15-24 (2.9% of its revenues).
- HAVL and Lloyd leverage celebrity endorsements to boost regional appeal in Southern and Eastern India. For instance, Vijay Sethupathi targets Tamil Nadu, Tamannaah Bhatia enhances pan-South visibility, Mahesh Babu strengthens brand presence in Andhra Pradesh and Telangana, Nayanthara appeals to Tamil Nadu and Kerala markets, and Sourav Ganguly strengthens brand outreach in Eastern India.
- HAVL strengthens its scalable product portfolio through sustained R&D investment, prioritizing quality, operational efficiency, asset optimization, automation, and backward integration. In FY24, R&D spending jumped ~26% to INR2.1b, or 1.1% of revenues (up from 1% in FY23). The company operates four R&D centers with a dedicated team of 713 members.

Valuation and view

- We expect HAVL to report ~14% revenue CAGR over FY25-27. Revenue CAGR across segments is estimated as follows: Lloyd (20%), ECDs (15%), Cables & Wires (14%), Switchgears (9%), and Lighting & Fixtures (6%).
- We estimate Lloyd's margin to expand going forward, led by an increase in contribution margin in the RAC segment, positive operating leverage, and an increase in in-house capabilities for the non-AC segment (currently setting up a new refrigerator manufacturing facility in Ghiloth at a capex of INR4.8b).
- We expect HAVL to report an EBITDA/PAT CAGR of 21%/23% over FY25-27. Additionally, we estimate OPM to reach 10.6% in FY27 vs. 9.4% in FY25. RoIC is expected to improve to 29% by FY27 from 22% in FY25, and RoE is likely to be 19% in FY27 vs. 17% in FY25.
- The stock is trading fairly at 54x/44x FY26/27E EPS and, hence, we reiterate our Neutral rating with a TP of INR1,650 (premised on 50x FY27E EPS).

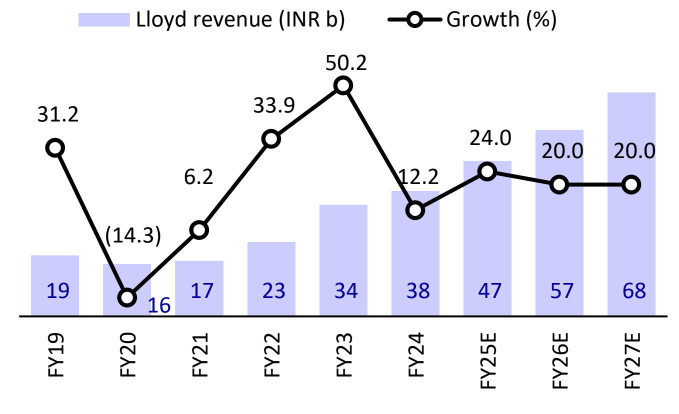
Story in charts

Exhibit 1: Revenue CAGR to be ~14.3% over FY25-27E



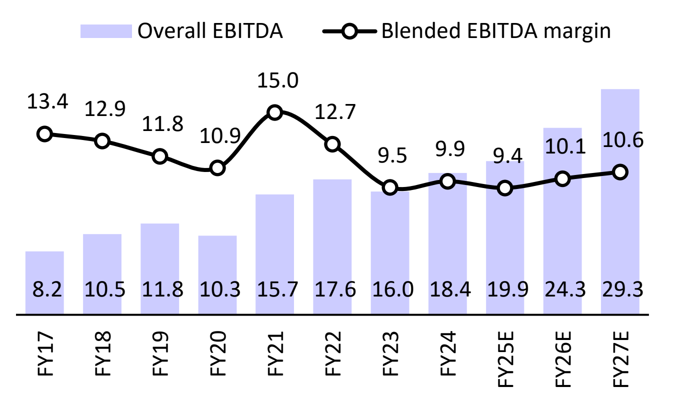
Source: MOFSL, Company

Exhibit 2: Llyod's revenue CAGR to be ~33.6% over FY25-27E



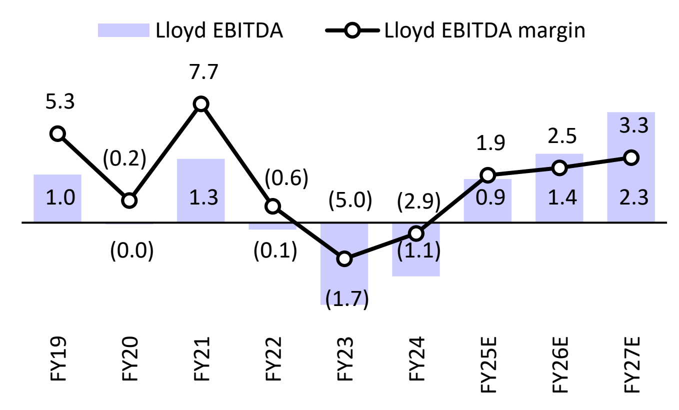
Source: MOFSL, Company

Exhibit 3: EBITDA CAGR to be at ~21.2% over FY25-27E



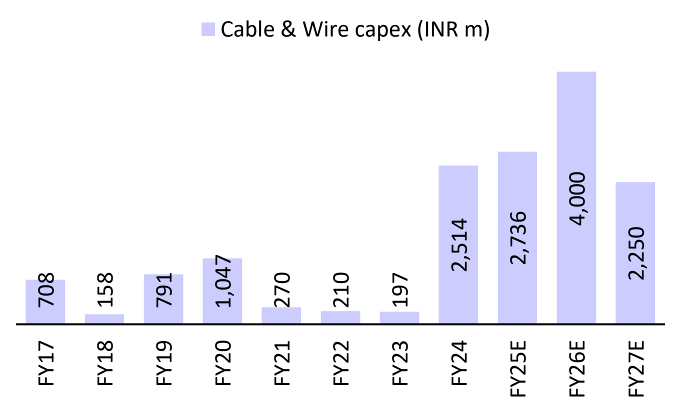
Source: MOFSL, Company

Exhibit 4: Llyod to turn profitable in FY25



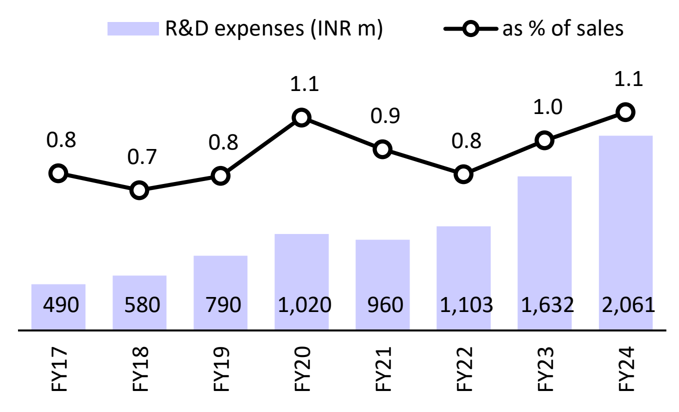
Source: MOFSL, Company

Exhibit 5: Cable & Wires capex increases from FY24



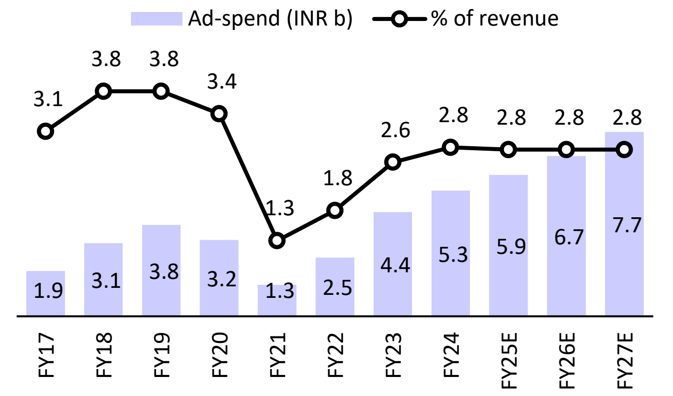
Source: MOFSL, Company; Note: 1QFY25YTD

Exhibit 6: R&D expense over the years



Source: MOFSL, Company

Exhibit 7: Ad spend to be at ~2.8% of revenue

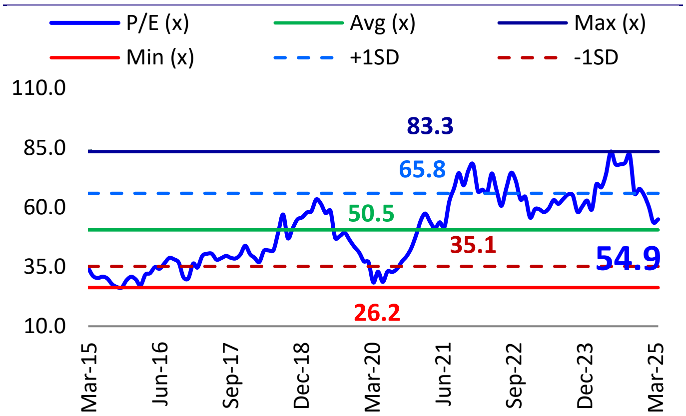


Source: MOFSL, Company

Exhibit 8: Luxurious AC collection launched

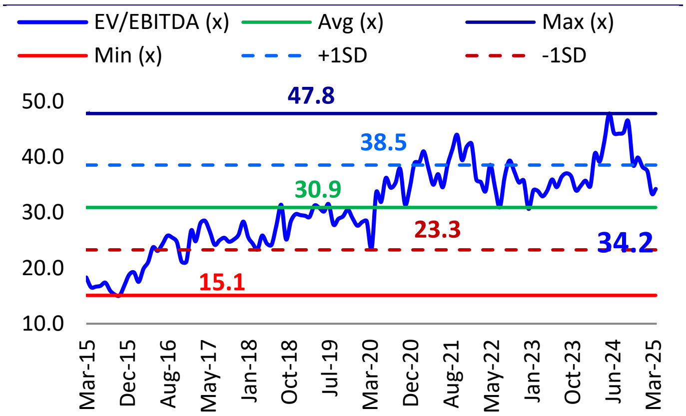
Source: MOFSL, Company

Exhibit 9: One-year forward P/E chart



Source: MOFSL, Company

Exhibit 10: One-year forward EV/EBITDA chart



Source: MOFSL, Company

Financials and valuations (Consolidated)

Income Statement								(INR M)
Y/E March	**2020**	**2021**	**2022**	**2023**	**2024**	**2025E**	**2026E**	**2027E**
Net Sales	**94,292**	**1,04,279**	**1,38,885**	**1,69,107**	**1,85,900**	**2,11,907**	**2,40,474**	**2,76,664**
Change (%)	-6.3	10.6	33.2	21.8	9.9	14.0	13.5	15.0
Raw Materials	58,351	64,749	93,840	1,17,055	1,25,687	1,42,190	1,59,915	1,82,599
Gross margin (%)	38.1	37.9	32.4	30.8	32.4	32.9	33.5	34.0
Staff Cost	8,996	8,853	10,147	12,816	15,485	18,830	22,596	27,115
Other Expenses	16,671	15,024	17,322	23,245	26,302	30,938	33,666	37,626
EBITDA	**10,274**	**15,653**	**17,576**	**15,991**	**18,426**	**19,949**	**24,297**	**29,325**
% of Net Sales	10.9	15.0	12.7	9.5	9.9	9.4	10.1	10.6
Depreciation	2,179	2,489	2,608	2,962	3,385	3,961	4,537	5,081
Interest	197	726	534	336	457	420	440	460
Other Income	1,120	1,450	1,604	1,777	2,490	3,069	3,336	4,169
PBT	**9,017**	**13,888**	**16,038**	**14,471**	**17,074**	**18,636**	**22,656**	**27,953**
Tax	1,687	3,590	4,091	3,753	4,366	4,827	5,868	7,240
Rate (%)	18.7	25.8	25.5	25.9	25.6	25.9	25.9	25.9
Extra-ordinary Inc.(net)	0	98	0	0	0	0	0	0
Reported PAT	**7,330**	**10,396**	**11,948**	**10,717**	**12,708**	**13,810**	**16,788**	**20,713**
Change (%)	-6.9	41.8	14.9	-10.3	18.6	8.7	21.6	23.4
Adjusted PAT	**7,330**	**10,298**	**11,948**	**10,717**	**12,708**	**13,810**	**16,788**	**20,713**
Change (%)	-6.9	40.5	16.0	-10.3	18.6	8.7	21.6	23.4

Balance Sheet (Consolidated)								(INR M)
Y/E March	**2020**	**2021**	**2022**	**2023**	**2024**	**2025E**	**2026E**	**2027E**
Share Capital	626	626	626	627	627	627	627	627
Reserves	42,422	51,019	59,260	65,628	73,841	82,817	93,729	1,07,193
Net Worth	**43,048**	**51,645**	**59,886**	**66,255**	**74,468**	**83,444**	**94,356**	**1,07,819**
Loans	405	4,922	3,955	0	0	0	0	0
Defered Tax Liability	2,865	3,391	3,506	3,615	3,575	3,575	3,575	3,575
Capital Employed	**46,318**	**59,958**	**67,348**	**69,870**	**78,043**	**87,019**	**97,931**	**1,11,394**
Gross Fixed Assets	40,479	41,965	46,005	50,838	57,896	65,896	75,896	82,896
Less: Depreciation	6,985	9,062	11,670	14,632	18,017	21,978	26,515	31,597
Net Fixed Assets	**33,494**	**32,903**	**34,335**	**36,207**	**39,879**	**43,918**	**49,380**	**51,299**
Capital WIP	861	899	572	1,664	2,987	2,987	2,987	2,987
Investments	16	3,079	4,261	2,009	200	200	200	200
Curr. Assets	**36,107**	**51,321**	**65,884**	**71,695**	**81,261**	**90,509**	**1,02,287**	**1,21,848**
Inventory	18,719	26,199	29,681	37,086	34,086	39,479	44,801	51,543
Debtors	2,489	5,636	7,675	9,755	11,652	12,192	13,835	15,918
Cash & Bank Balance	11,069	16,247	25,358	18,702	30,382	33,033	37,062	46,807
Other Current Assets	3,830	3,238	3,169	6,152	5,141	5,806	6,588	7,580
Current Liab. & Prov.	**24,160**	**28,245**	**37,704**	**41,705**	**46,284**	**50,595**	**56,923**	**64,939**
Creditors	14,141	15,968	23,794	26,432	26,919	30,685	34,822	40,062
Other Liabilities	7,564	9,117	10,615	11,157	15,711	16,256	18,447	21,224
Provisions	2,456	3,160	3,295	4,116	3,654	3,654	3,654	3,654
Net Current Assets	**11,947**	**23,076**	**28,180**	**29,990**	**34,977**	**39,914**	**45,364**	**56,909**
Application of Funds	**46,318**	**59,958**	**67,348**	**69,870**	**78,043**	**87,019**	**97,931**	**1,11,394**

Financials and valuations (Consolidated)

Ratios

Y/E March	2020	2021	2022	2023	2024	2025E	2026E	2027E
Basic (INR)								
Adjusted EPS	**11.7**	**16.5**	**19.1**	**17.1**	**20.3**	**22.0**	**26.8**	**33.1**
Growth (%)	-6.9	40.4	16.0	-10.3	18.5	8.7	21.6	23.4
Cash EPS	15.2	20.4	23.2	21.8	25.7	28.4	34.0	41.2
Book Value	68.8	82.5	95.6	105.8	118.8	133.1	150.6	172.0
DPS	8.5	2.5	6.5	7.5	9.0	7.7	9.4	11.6
Payout (incl. Div. Tax.)	87.5	18.2	34.1	43.9	37.0	35.0	35.0	35.0
Valuation (x)								
P/Sales	10.1	9.1	6.8	5.6	5.1	4.5	3.9	3.4
P/E (standalone)	129.4	92.1	79.4	88.6	74.7	68.8	56.6	45.9
Cash P/E	99.7	74.2	65.2	69.4	59.0	53.4	44.5	36.8
EV/EBITDA	91.3	59.9	52.8	58.2	49.9	46.0	37.6	30.8
EV/Sales	9.9	9.0	6.7	5.5	4.9	4.3	3.8	3.3
Price/Book Value	22.0	18.4	15.9	14.3	12.8	11.4	10.1	8.8
Dividend Yield (%)	0.6	0.2	0.4	0.5	0.6	0.5	0.6	0.8
Profitability Ratios (%)								
RoE	17.0	19.9	20.0	16.2	17.1	16.5	17.8	19.2
RoCE	16.2	18.1	18.3	15.7	16.7	16.2	17.5	18.9
RoIC	18.7	24.0	29.6	19.6	23.6	22.0	24.1	27.9
Turnover Ratios								
Debtors (Days)	10	20	20	21	23	21	21	21
Inventory (Days)	72	92	78	80	67	68	68	68
Creditors. (Days)	55	56	63	57	53	53	53	53
Asset Turnover (x)	2.0	1.7	2.1	2.4	2.4	2.4	2.5	2.5
Leverage Ratio								
Net Debt/Equity (x)	-0.2	-0.2	-0.4	-0.3	-0.4	-0.4	-0.4	-0.4

Cash Flow Statement **(INR M)**

Y/E March	2020	2021	2022	2023	2024	2025E	2026E	2027E
PBT before EO Items	**9,216**	**14,104**	**16,272**	**14,610**	**17,185**	**18,636**	**22,656**	**27,953**
Add : Depreciation	2,179	2,489	2,608	2,962	3,385	3,961	4,537	5,081
Interest	(535)	(315)	(717)	(898)	(1,393)	(2,649)	(2,896)	(3,709)
Less : Direct Taxes Paid	2,398	2,714	4,138	3,919	3,919	4,827	5,868	7,240
(Inc)/Dec in WC	215	6,985	(3,420)	7,105	(4,272)	2,286	1,420	1,799
CF from Operations	**8,248**	**6,579**	**17,446**	**5,649**	**19,529**	**12,836**	**17,009**	**20,285**
(Inc)/Dec in FA	(3,592)	(1,227)	(2,490)	(5,855)	(7,278)	(8,000)	(10,000)	(7,000)
Free Cash Flow	**4,655**	**5,353**	**14,956**	**(206)**	**12,251**	**4,836**	**7,009**	**13,285**
(Pur)/Sale of Investments	625	(2,169)	(5,102)	6,206	(8,861)	3,069	3,336	4,169
CF from Investments	**(2,968)**	**(3,396)**	**(7,592)**	**350**	**(16,139)**	**(4,931)**	**(6,664)**	**(2,831)**
(Inc)/Dec in Net Worth / Others	313	195	(183)	(360)	(558)	-	-	-
(Inc)/Dec in Debt	(937)	4,136	(973)	(3,937)	-	-	-	-
Less : Interest Paid	52	459	245	70	76	420	440	460
Dividend Paid	6,413	1,878	4,073	4,703	4,701	4,833	5,876	7,250
CF from Fin. Activity	**(7,088)**	**1,994**	**(5,473)**	**(9,069)**	**(5,336)**	**(5,253)**	**(6,316)**	**(7,710)**
Inc/Dec of Cash	**(1,808)**	**5,178**	**4,380**	**(3,070)**	**(1,945)**	**2,651**	**4,029**	**9,745**
Add: Beginning Balance (including bank deposits)	**12,877**	**11,069**	**20,978**	**21,771**	**32,327**	**30,382**	**33,033**	**37,062**
Closing Balance	**11,069**	**16,247**	**25,358**	**18,702**	**30,382**	**33,033**	**37,062**	**46,807**

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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