

Havells India Limited

5th July 2023

Organic and inorganic catalysts to propel future growth

Havells India Limited (HAVL) is a leading consumer electrical and appliance company. HAVL offers various products such as switchgear, lighting & luminaires, Cables & Wires (C&W), fans, home appliances, air conditioners, washing machines, and electric water heaters. The Company manufactures ~90% of its products in-house in its 15 nationwide manufacturing units. Besides its flagship brand 'Havells,' the Company's other major brands include Crabtree, Standard, REO, and Lloyd. The Company has a vast distribution network of 17,000+ direct dealers and 2,20,000+ retailers as of FY23. HAVL has multiple organic and inorganic levers to continue its growth momentum while improving profitability.

Exports, just scratching the surface

HAVL is present in 70+ countries and is a trusted partner to leading global Original Equipment Manufacturers (OEMs). HAVL is India's largest exporter of Miniature Circuit Breakers (MCBs), Residual Current Circuit Breakers (RCCBs), Low Voltage (LV) distribution boards, and changeover switches. Despite this, export revenues currently contribute less than 3% to its overall revenue. However, HAVL is determined to expand its presence globally in the coming 3-4 years. The Company's primary export markets have been driven by switchgear products; it is gradually expanding in C&W, lighting, and ACs. HAVL aims to strengthen its brand recognition and enhance its market presence overseas.

Growth leadership maintained despite a delay in the turnaround of Lloyd

Over the years, HAVL has demonstrated its superiority through remarkable revenue and operating profit growth rates. It holds a unique advantage as a participant operating across all industry segments, offering consumers an extensive and diverse portfolio. Thriving as one of the top three players in the market, HAVL is poised to sustain its growth trajectory. This is attributed to investments in marketing and brand development, a focus on product innovation, premiumization, energy-efficient products, and an anticipated turnaround in Lloyd's business.

Muscle for inorganic growth

In addition to organic growth, HAVL has undertaken various investments to diversify its product range, extend its geographical reach, and strengthen its capabilities in different sectors. Most of these acquisitions, except Lloyd, have proven advantageous to HAVL, thereby positively contributing to the company's overall growth. Based on our expected cash flow run rate, we believe HAVL can undertake an acquisition every 3-4 years without imposing undue strain on the balance sheet. We believe the same can come to fruition once Lloyd becomes stable and self-sustaining.

View and Valuation

HAVL has multiple organic and inorganic levers to continue its growth momentum while improving profitability. Margins were subdued in FY23 owing to multiple headwinds. Given the growth and profitability outlook, we initiate coverage on Havells India Ltd. with a BUY rating and a target price of Rs. 1,553, valuing HAVL at 60x FY24E EPS.

BUY

CMP Rs. 1,287

TARGET Rs. 1,553 (+20.7%)

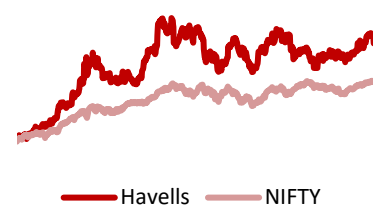
Company Data

| | |
|-------------------------|---------------|
| MCAP (Rs. Mn) | 8,07,012 |
| O/S Shares (Mn) | 627 |
| 52w High/Low | 1,406 / 1,024 |
| Face Value (in Rs.) | 1 |
| Liquidity (3M) (Rs. Mn) | 970 |

Shareholding Pattern %

| | Mar 23 | Dec 22 | Sept 22 |
|-------------------|--------|--------|---------|
| Promoters | 59.45 | 59.45 | 59.45 |
| FIIIs | 23.11 | 22.60 | 23.30 |
| DIIIs | 10.27 | 10.40 | 9.70 |
| Non-Institutional | 7.17 | 7.55 | 7.55 |

Havells vs Nifty



Jul, 20 Jul, 21 Jul, 22 Jul, 23

Source: Keynote Capitals Ltd.

Key Financial Data

| (Rs. Bn) | FY22 | FY23 | FY24E |
|--------------|------|------|-------|
| Revenue | 139 | 169 | 193 |
| EBITDA | 18 | 16 | 24 |
| Net Profit | 12 | 11 | 16 |
| Total Assets | 109 | 115 | 127 |
| ROCE (%) | 21% | 17% | 23% |
| ROE (%) | 21% | 17% | 23% |

Source: Company, Keynote Capitals Ltd.

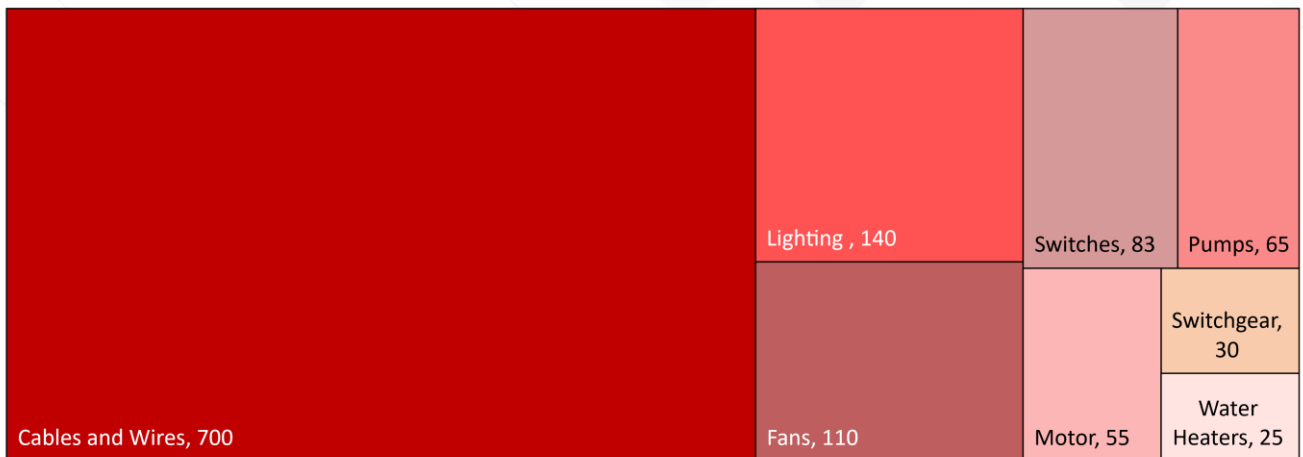
Devin Joshi, Research Analyst
Devin@keynoteindia.net

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Consumer Electricals Industry

As of FY23, the Indian consumer electrical industry stood at ~Rs. 1.25 Trn and is expected to grow at a CAGR of 10% for the next five years to reach Rs. 2 Trn. The industry encompasses various household electrical appliances, including C&W, fans, lighting and luminaires, switches and switchgear, water heaters, kitchen appliances, and other small domestic appliances such as pumps and irons.

Market size of constituents of Consumer Electricals Industry as of FY23 (Rs. Bn)



Source: Company, Polycab India, Crompton Greaves, Keynote Capitals Ltd.

The consumer electrical industry is experiencing growth due to several macro drivers. These include improved power connectivity and increased demand from electrification efforts in urban and rural areas. According to the International Energy Agency, India's average per capita electricity consumption in FY21 was ~1,200 kWh, approximately one-third of the global average of 3,500 kWh. This indicates a considerable potential for growth in electricity consumption. Additionally, factors such as the rise in housing development, government initiatives like Pradhan Mantri Awas Yojana (PMAY), affordable housing, and a surge in construction activities due to nuclearization and premiumization are also contributing to the industry's growth.

Cables and Wires (C&W) Industry

As of FY23, the C&W industry was worth ~Rs. 700 Bn, contributing 40-45% to the electrical equipment industry. The Indian C&W industry is crucial in providing infrastructure for various sectors such as power, telecommunications, construction, automotive, and consumer electronics. Major industry players include Polycab, KEI Industries, Havells, Finolex Cables, and V-Guard Industries. These companies have established a strong presence in the market by offering a wide range of products to cater to customer needs.

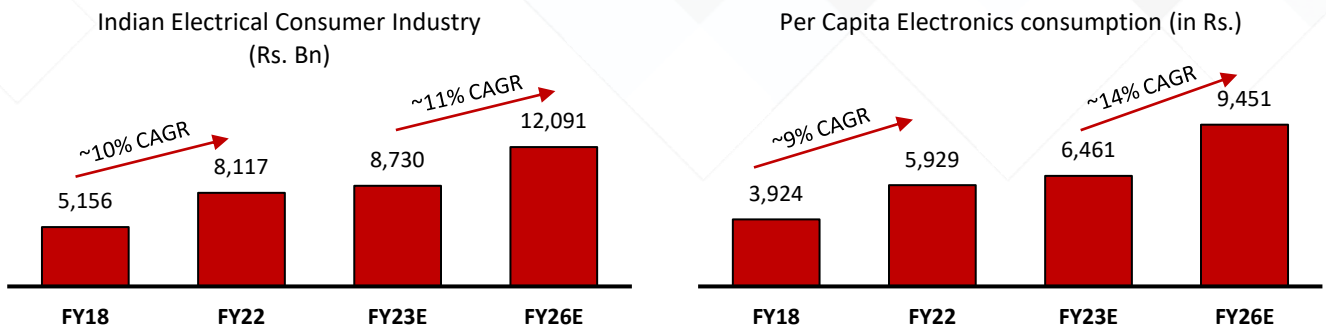
The industry has experienced technological advancements, leading to the development of high-quality and efficient cables and wires. The shift towards advanced technologies such as fiber optic, high voltage, and fire-resistant cables has further contributed to the industry's growth.

Operating margins for wires are higher than cables as they are primarily used in the residential sector, catering to B2C demand. Passing on cost fluctuations to the B2C segment is easier than the B2B segment. This is because cables are mostly used in large quantities in B2B projects, making it difficult to pass on commodity price fluctuations to such large customers.

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Electrical Consumer Durable (ECD) Industry

The surge in infrastructure development across residential, commercial, and industrial sectors has substantially increased demand for FMEG products. Given the inclusive nature of this industry, numerous high-quality players compete for market share. The market share of the players heavily relies on brand creation. Consistent branding and marketing efforts are pivotal factors in driving sales and maintaining a competitive edge in the market. The FMEG industry includes Fans, Lighting and Luminaries, Switches, and Switchgear.



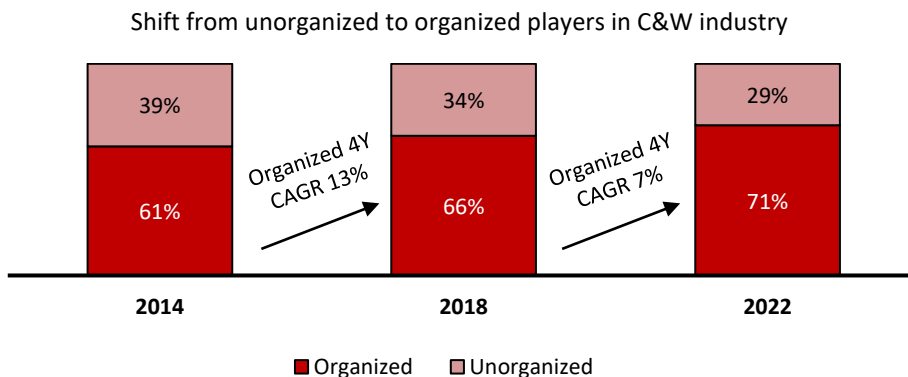
Source: Iklia Lighting DRHP, Company, Keynote Capitals Ltd.

Despite the growth trends, India's per capita electronics consumption in FY22 remained significantly low at Rs. 5,929 compared to the global average of Rs. 24,161. Nevertheless, the long-term outlook for growth in this sector remains positive due to the low market penetration of many electronics products in India relative to the global average. Additionally, the anticipated growth in India's per capita electronic usage is expected to be driven by factors such as economic expansion, increasing disposable incomes, evolving lifestyles, the growing work-from-home culture, the expansion of organized retail into Tier II and Tier III cities, and improvements in electricity and internet infrastructure.

Trends in the Consumer Electricals Industry

The shift of the C&W industry from an unorganized to an organized segment -

In recent years, there has been a rapid shift in market share within the C&W industry, with a noticeable shift from unorganized to organized players. This trend is expected to continue in the future. Leading organized players have emerged as dominant forces by strategically emphasizing on aspects, including distribution networks, cost-saving structures, technological advancements, product innovations, marketing & branding efforts, and government-driven reforms such as implementing GST. As a result, the market share held by organized players has witnessed an increase of 10% since 2014.

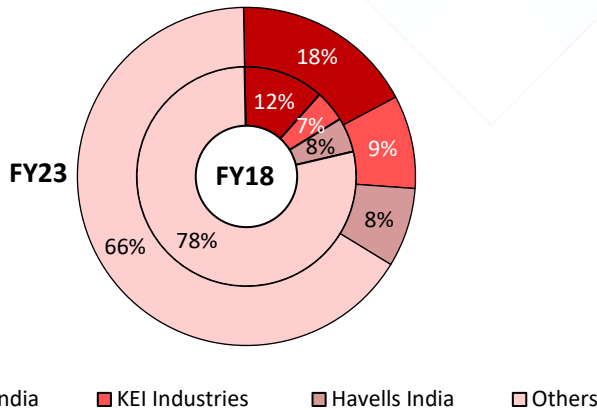


Source: Polycab India, Keynote Capitals Ltd.

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Top three players gaining market share – Over the past few years, the C&W industry has witnessed consolidation resulting in a concentration of market share, primarily dominated by the top three players. Polycab continues to lead the industry, securing the highest market share growth of 6% since FY18. Following closely, KEI Industries’ market share further increased by 2%, while Havells maintained its market share of 8%. These market share gains can be attributed to technological advancements, product innovation, a diverse range of offerings, aggressive marketing strategies, and a strengthening distribution network.

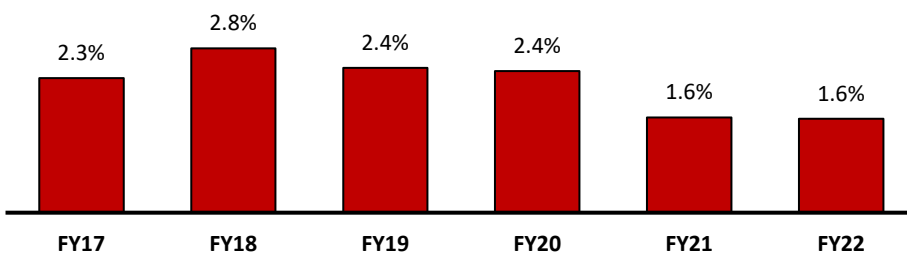
Top 3 players in the overall C&W industry have constantly gained market share (%)



Source: Company, Polycab India, KEI Industries, Keynote Capitals Ltd.

Focus on marketing and branding – The effectiveness of advertising and sales promotion plays a pivotal role in the sale of consumer-based products to capture consumer attention, boost sales, and enhance their market position. The A&SP spending has increased at a CAGR of ~6% between FY17-22. However, in 2021, this expenditure declined due to the COVID-19 pandemic. Nevertheless, in FY22, companies resumed investing in marketing and branding, resulting in increased spending.

Trend in A&SP Spends as a % of Sales



The average A&SP spend for Polycab, Havells, and Crompton was ~2.4% as of FY23

Source: Company, Polycab India, Crompton Greaves, Orient Electric, Bajaj Electricals, KEI Industries, Finolex Cables, V-Guard Industries, Keynote Capitals Ltd.

Increasing premium and energy-efficient products in the industry – India is transitioning towards high-end and energy-efficient products. This shift is characterized by players engaging in manufacturing premium products or in strategic acquisitions of innovative companies introducing tech-driven and aesthetically appealing premium products. The primary objective is to augment their market share in the premium products segment, thereby capturing a larger portion of consumer spending. This trend is expected to continue as players are planning to increase focus in these areas in the future.

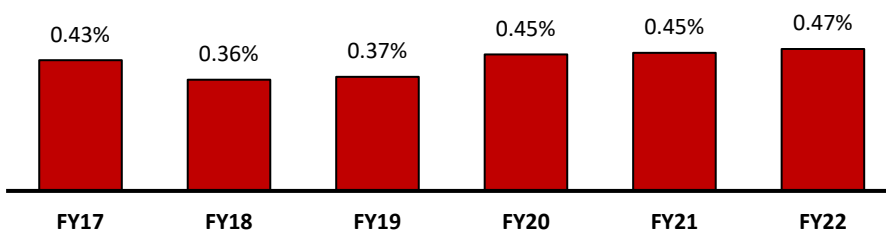
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“We will focus on improving margins through the premiumization of our offerings, leveraging on the brand-building and product innovation efforts” – Q4 FY23, Gandharv Tongia, Executive Director and CFO of Polycab India.

Going forward, there will be more focus, which has always been there. One on the energy-saving products as well as on the premium category products. – Q4 FY23, Anil Rai Gupta, Chairman and MD of Havells India.

Focus on Research and Development (R&D) – The R&D spending has compounded at an impressive rate of ~15% during FY17-22. Leading industry players have been focusing on R&D efforts to develop energy-efficient and smart products. These companies consistently increase their R&D investments to introduce innovative products to strengthen their competitive edge and solidify their positions as industry stalwarts.

R&D spends as % of sales of industry leaders at all time high



The average R&D spend for Polycab, Havells, and Crompton was ~0.8% as of FY23

Source: Company, Polycab India, Crompton Greaves, Orient Electric, Bajaj Electricals, KEC International, and V-Guard Industries, Keynote Capitals Ltd.

Increasing rural reach – In India, rural areas are experiencing significant development, driven by various government initiatives focused on housing and electricity accessibility. Furthermore, there has been a notable rise in smartphone and network adoption in remote areas and increased disposable incomes within rural communities. These factors have led to an increase in demand in these areas. As a result, leading electrical players in these segments have strategically positioned themselves to capitalize on this emerging market by launching products across various categories and price points. Some leading companies have adopted a multi-brand strategy, introducing different brands targeting specific segments within the rural markets. Others have extended their existing brands to cater to the needs and preferences of rural consumers.

“In the electrical industry, we’re seeing the rural penetration increasing over the last few years. Right now, about 5% to 6% of our consumer product sales come from rural sales. And going forward, the basic strategy is to continue to increase penetration and add product categories.” – Q4 FY23, Anil Rai Gupta, Chairman and MD of Havells India.

“We have stepped up our investments, our feet on the street, etc., in what we call the ‘rurban channel,’ which essentially is small town and large rural areas. This business continues to grow and actually has grown significantly in double digits even in this quarter” – Q3 FY23, Shantanu Khosla, Executive Vice Chairman, Crompton Greaves.

Home Appliance Industry

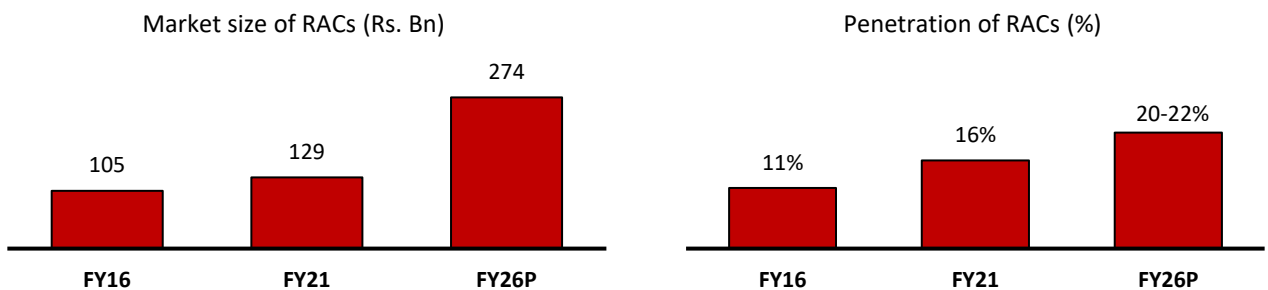
The Indian Home Appliance Industry is a rapidly growing sector that encompasses refrigerators, air conditioners, washing machines, televisions, microwaves & ovens, water purifiers, and small kitchen appliances such as electric kettles, toasters, mixers, grinders, and juicers.

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Factors such as changing consumer preferences and lifestyle patterns, rising disposable incomes, discounts, availability of easy finance, and a greater emphasis on convenience, comfort, and energy efficiency have shaped consumer buying behavior. Thus, manufacturers invest in R&D to introduce innovative features like smart connectivity, Internet of Things (IoT) integration, energy-efficient ratings, and eco-friendly designs. The Indian government has implemented several initiatives under the PLI scheme to promote the manufacturing and consumption of home appliances through campaigns like 'Make in India' and programs like the BEE star rating to encourage producing energy-efficient appliances.

Air Conditioners (AC)

The market size of the Indian Room AC (RAC) industry was Rs. 169 Bn as of FY22 and is expected to grow at a CAGR of ~18% during FY21-26E to reach ~Rs 274 Bn with likely improvement in the economic scenario, easy financing, changing lifestyles, comfort expectations, and focus on energy efficiency & sustainability.



Source: CRISIL Research, Company, Keynote Capitals Ltd.

The AC market encompasses various ACs, including window ACs, split ACs, central ACs, portable ACs, and inverter ACs. Among these, split ACs dominate the market due to their superior energy efficiency and better cooling performance. The Indian AC market is characterized by intense competition as numerous players strive to gain market share. Notable Indian AC brands include Voltas, Daikin, Blue Star, Godrej, and Lloyd (Havells), while international brands such as LG, Samsung, Hitachi, Carrier, and Panasonic also hold a significant market presence.

Split ACs are expected to exhibit higher growth FY21-26E. As a result, the share of split ACs in overall sales is expected to reach 88% in volume terms and 91% in value terms by FY26E, compared to 80% and 83%, respectively, in FY21. This upward trend can be attributed to factors such as high consumer preference and evolving building infrastructure, as the construction of new buildings favors the installation of split ACs, contributing to the continued growth of split ACs in the market.

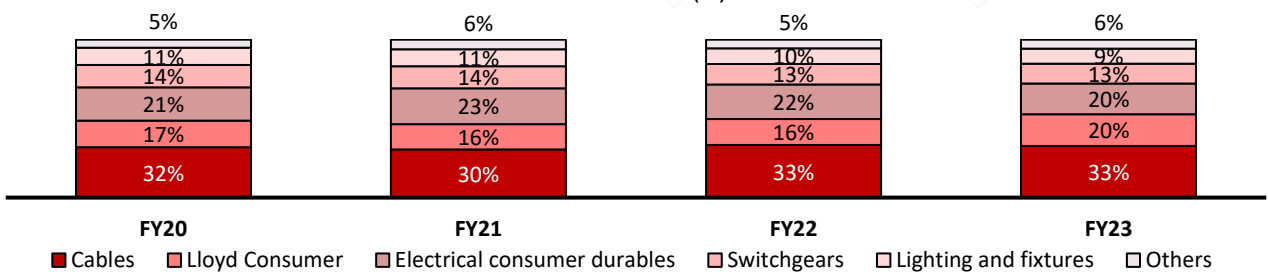
PLI Scheme for the AC industry – Earlier, India depended on imports for fully-assembled ACs and critical components, primarily from China, and fulfilled ~1/3rd of the demand through imports. But, in 2020, the Director-General of Foreign Trade (DGFT) banned the import of all types of split AC and window AC with refrigerants. Furthermore, in 2020, the government implemented the PLI scheme as a strategic move towards achieving self-reliance through domestic production. This scheme aims to incentivize industry players to establish manufacturing facilities for various products. As of April 2022, the scheme has already attracted investments amounting to ~Rs. 46 Bn out of the total incentive of ~Rs. 62.4 Bn. An essential focus of the scheme is to encourage the production of components or sub-assemblies presently imported.

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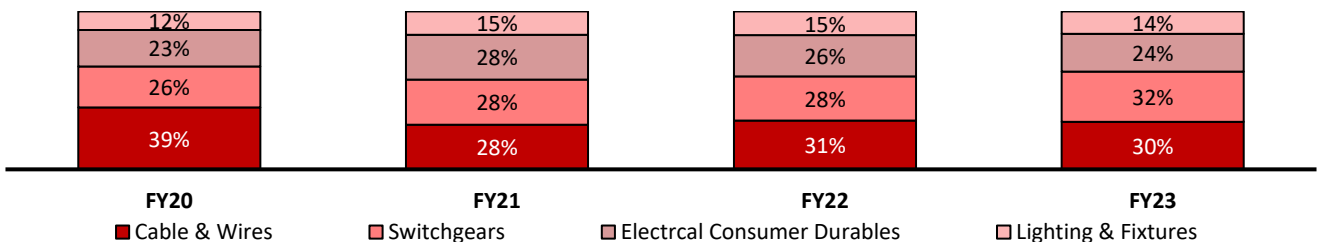
About Havells India Ltd

Established in 1958 by the late Qimat Rai Gupta, Havells India Limited (HAVL) is a well-established company with a strong presence in the consumer electrical and appliance industry. HAVL offers a diverse portfolio, including electrical equipment, home appliances, and lighting products to residential, commercial, and industrial markets. The Company manufactures various products such as switchgear, lighting and luminaires, cables, fans, home appliances, air conditioners, washing machines, and electric water heaters. The Company manufactures ~90% of its products in-house in its 15 nationwide manufacturing units. Besides its flagship brand 'Havells,' the Company's other major brands include Crabtree, Standard, Promptec, Reo, and Lloyd. HAVL has a vast distribution network of 17,000+ dealers and 2,20,000+ retailers as of FY23.

Revenue Mix (%)



EBIT Mix (%)



Note: EBIT contribution calculation excludes contributions from Lloyd and Other segments.

Source: Company, Keynote Capitals Ltd.

Lloyd and other segments within the Company have also experienced a noteworthy expansion in revenue growth, aligning itself with growth in core segments like C&W and ECD. However, the revenue from the switchgear and lighting segment has remained flattish; therefore, their revenue contribution over the years has been reduced.

HAVL offers the most diversified product suite in the industry

| Segment | Products |
|------------------------------|-------------------------------------------------------------------------------|
| Cables | Domestic cables and Industrial underground cables |
| Lloyd Consumer | Air Conditioner, Television, Refrigerator and Washing Machine |
| Electrical Consumer Durables | Fans, Water Heaters, Coolers, and Domestic Appliances |
| Switchgear | Domestic and Industrial switchgear, electrical wiring accessories, capacitors |
| Lighting and Fixtures | Energy Saving Lamps (LED, Fixtures) and luminaries |
| Others | Industrial Motors, Pump, Water purifier, Solar, Personal Grooming |

Source: Company, Keynote Capitals Ltd.

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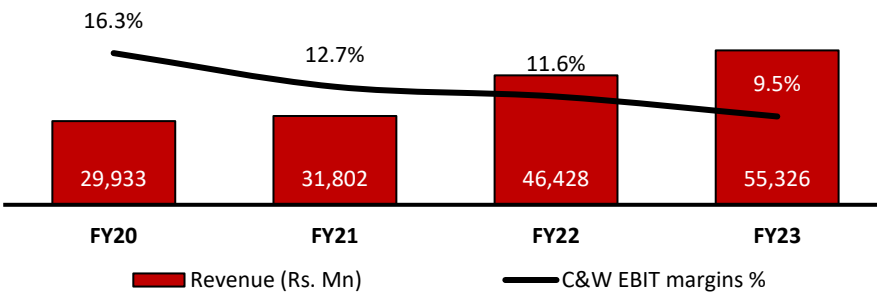
Cables & Wires (~33% of revenue mix in FY23)

HAVL entered the C&W segment in 1996 by acquiring a manufacturing plant in Alwar, Rajasthan, from Surya Cables and is now one of the largest manufacturers of C&W in India. The Company produces a wide range of industrial cables, including multicore cables, Low Voltage (LV) and High Voltage (HV) cables, Extra High Voltage (EHV) cables, HT and LT Power Cables, and LT Control Cables, among others. Additionally, HAVL manufactures various types of domestic wires, such as building wires, multicore round cables, flat submersible cables, telecom switchboards, communication cables, LAN cables, CCTV cables, solar cables, and speaker cables.

HAVL primarily sources the raw materials for cables domestically, but depending on availability and pricing, the Company may also import certain raw materials, such as copper for wires. The extent of imports can vary between 20% and 40%. Due to optimum utilization in the segment, HAVL is setting up another plant in Tumkur, Karnataka, which is expected to become operational by the end of FY24E.

The C&W segment is the highest revenue-generating segment contributing ~33% to the overall revenue in FY23. Over the past five years, the revenue from the C&W segment has grown at a CAGR of ~16%. The revenue from the C&W segment is derived from industrial cables and domestic wires. In FY23, the revenue split between domestic and industrial cables was 60:40, indicating a significant presence in both sectors. HAVL's commitment to quality and innovation has helped establish the brand as a trusted name in the cable segment.

Cables & Wires



Note: Segment margins are not adjusted for other allocated expenses and income
Source: Company, Keynote Capitals Ltd.

Peer comparison of the C&W segment

| Particulars (in Rs. Mn, except mentioned) | Havells India | Polycab India | KEI Industries | Finolex Cables | Universal Cables | Dynamic Cables | Apar Industries |
|-------------------------------------------|---------------|---------------|----------------|----------------|------------------|----------------|-----------------|
| C&W Sales | 55,326 | 1,27,775 | 65,090 | 42,626 | 22,020 | 6,686 | 32,635 |
| Contribution to overall sales % | 33% | 91% | 94% | 95% | 100% | 100% | 23% |
| 5Y C&W Revenue CAGR % | 16% | 15% | 21% | 9% | 13% | 13% | 24% |
| Segmental Op. Profit Margin % | 10% | 13% | 8% | 11% | 8% | 9% | 10% |

Note: All numbers are as of FY23
Source: Company, Keynote Capitals Ltd.

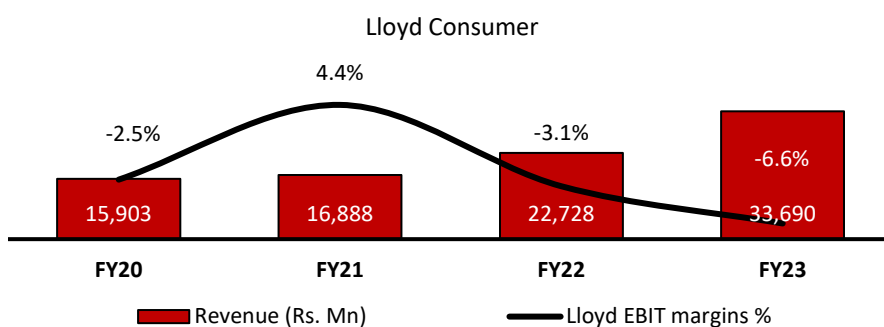
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Lloyd Consumer (~20% of revenue mix in FY23)

HAVL acquired the consumer durables segment of Lloyd Electric & Engineering Limited (LEEL) to diversify its product portfolio for an enterprise value of ~Rs. 15.5 Bn in May 2017. With the acquisition of Lloyd, HAVL gained access to Lloyd's established distribution network, manufacturing facilities, and brand recognition in the consumer appliances industry. This allowed HAVL to enter the fast-growing market of consumer appliances such as air conditioners, LED televisions, washing machines, and refrigerators. Lloyd now ranks amongst the top three brands in the RAC industry, and generally generates ~70% of its revenue from the sale of RAC as of FY23.

Earlier, Lloyd was only a distribution-oriented brand operating on the distributor networks, absent across modern format stores like Reliance Digital, Croma, or regional retailers like Vijay Sales. In FY20, HAVL focused on revamping the distribution network, aiming to establish a pervasive presence across various channels. Lloyd now possesses a diverse and multi-level distribution network, including online platforms and modern retail channels throughout the country. Lloyd also has a strong foothold in Tier II and Tier III cities. Presently, HAVL's primary objective is to expand Lloyd's reach into markets where it previously had little or no presence and held a minimal market share, particularly in the western and eastern regions of India.

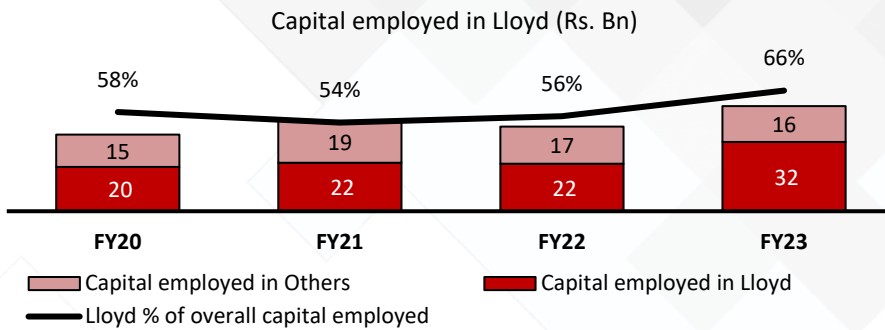
Earlier, Lloyd was highly dependent on imports for its products, therefore, increased customs duty and exchange rates significantly affected margins. However, to mitigate this risk, HAVL started manufacturing its core products, AC and washing machines, in-house. In Q4 FY23, the Company commenced production in its new greenfield AC manufacturing plant at Sri City near Chennai by investing Rs. 40 Bn, with a capacity to produce 1 Mn ACs annually. With this addition, the Company has the capacity to produce 2 Mn ACs annually, having ~20% of the total AC manufacturing capacity of India, of which the Company expects revenues of Rs. 50-60 Bn at full capacity. The Company now manufactures all AC components in-house except compressors and motors.



*Note: Segment margins are not adjusted for other allocated expenses and income
Source: Company, Keynote Capitals Ltd.*

In FY23, the segment experienced an unpredicted surge in the prices of raw materials and intense competition. Consequently, the Company could not fully transfer the increased costs to customers, adversely impacting its profit margins. Despite these challenges, HAVL remains committed to investing substantially in brand development, research and development, manufacturing capabilities, and talent acquisition. As of FY23, ~66% of HAVL's total capital employed is invested in Lloyd, and such investments are expected to continue in the segment for the next couple of years. The Company intends to enhance its market position and promote premium products to improve the product mix and drive profitability.

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Source: Company, Keynote Capitals Ltd.

Lloyd faces stiff competition from well-established industry giants, putting pressure on Lloyd's margins to continue competing based on product pricing.

Peer comparison of the Lloyd Consumer

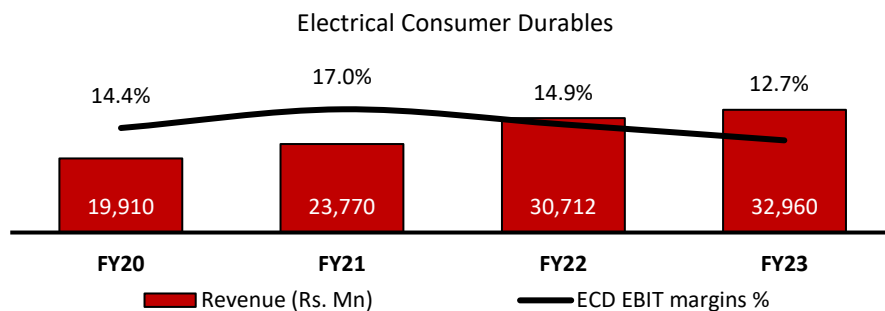
| Particulars (in Rs. Mn, except mentioned) | Havells (Lloyd) | Voltas | Blue Star |
|-------------------------------------------|-----------------|--------|-----------|
| Sales | 33,690 | 64,745 | 36,270 |
| Contribution to overall sales % | 25% | 68% | 45% |
| 5Y Segmental Revenue CAGR % | 19% | 15% | 11% |
| Segmental Op. Profit Margin % | (7%) | 8% | 8% |

Note: All numbers are as of FY23, and revenue for Voltas and Blue Star is from unitary cooling products

Source: Company, Keynote Capitals Ltd.

Electronic Consumer Durables (~20% of revenue mix in FY23)

The ECD segment comprises products such as fans, water heaters, and appliances like iron, coolers, and mixers. The revenue of the ECD segment is growing at a five-year CAGR of ~16% during FY18-23, led by innovation, the introduction of new products, and rising market share in the premium fan segment. The ECD segment is seasonal, with high demand for the water heater and appliances in the third quarter, while fans drive sales in the first and fourth quarters.



Note: Segment margins are not adjusted for other allocated expenses and income

Source: Company, Keynote Capitals Ltd.

Within the ECD segment, fans hold significant importance, contributing approximately 60-65% to the overall revenue in FY23. HAVL's strategic focus in the fans segment lies in manufacturing energy-saving products and catering to the premium category. In fact, HAVL boasts the largest market share of around 25% in the super-premium fans segment, distinguishing itself from its large peers, focusing on mass categories of fans as well.

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With effect from January 1, 2023, the fan industry moved to BEE-rated energy-efficient fans. HAVL continued to focus on mass-premium offerings in the fans segment with a complete portfolio of decorative and designer star-rated fans. With the rating transition, HAVL bolstered its range with a range of designer BLDC fans and is set to offer the widest range of star-rated and BLDC fans. By prioritizing energy efficiency and targeting the premium market segment, HAVL has established itself as a prominent player in the fans segment, capturing a significant market share in the super-premium category.

Driven by innovative offerings based on changing consumer preferences, HAVL has ranked among the top three players in most of the key categories in appliances across different states in India. The Company also aims to become a Top-2 player in the water heater with an increased focus on southern and western markets.

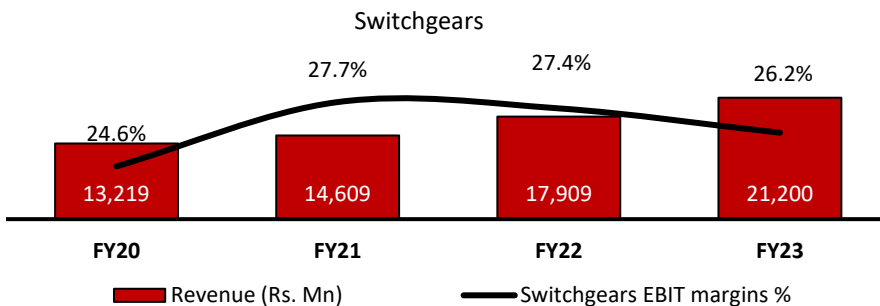
Peer Comparison of the FMEG/ECD segment

| Particulars (in Rs. Mn, except mentioned) | Havells India | Crompton Greaves | Orient Electric | Bajaj Electricals |
|-------------------------------------------|---------------|------------------|-----------------|-------------------|
| ECD Sales | 32,960 | 47,552 | 17,518 | 47,330 |
| Contribution to overall sales % | 20% | 69% | 69% | 89% |
| 5Y Segmental Revenue CAGR % | 16% | 11% | 8% | 16% |
| Segmental Op. Profit Margin % | 13% | 17% | 9% | 7% |

Note: All numbers are as of FY23
Source: Company, Keynote Capitals Ltd.

Switchgear (~13% of revenue mix in FY23)

HAVL entered the switchgear segment in 2000. The Company diversified into the switchgear segment to offer a complete range of integrated solutions, including switches, Electrical Wiring Accessories (EWA), building circuit protection equipment, and domestic and industrial switchgear. As of FY23, HAVL remains one of the top three players in MCBs and modular plater switches, with ~20% and ~13% market share, respectively.



Note: Segment margins are not adjusted for other allocated expenses and income
Source: Company, Keynote Capitals Ltd.

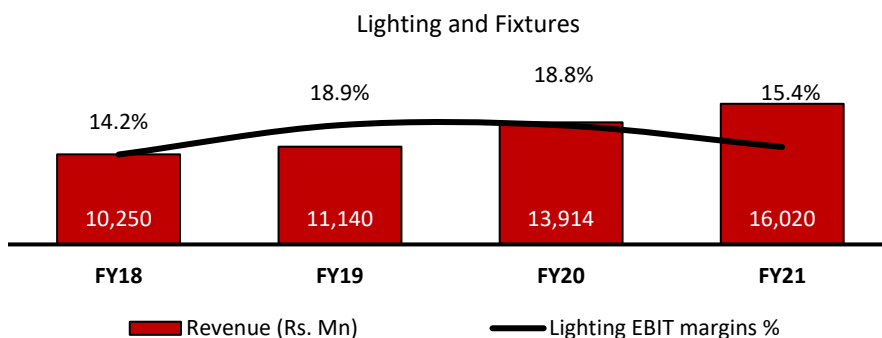
The switchgear segment offers a wide range of smart switches, catering to both affordable and premium market segments. With its REO Brand, the Company specifically targets the affordable segment within the switchgear market. This segment stands out as the highest-margin business for HAVL. As of FY23, this segment accounts for ~36% of the Company's total operating profit and significantly influences the overall profitability and margins.

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The Company has strategically pursued various investments to increase its market share within the switchgear segment. In 2007, HAVL acquired the switchgear business of Sylvania, a prominent Indian electrical company. This strategic move served as a catalyst for HAVL's entering into the switchgear segment, granting them access to an expanded product portfolio and enhanced manufacturing capabilities. In addition, HAVL solidified its presence in the switchgear and electrical products market by acquiring Standard Electricals in 2010. This acquisition further fortified their offerings, reinforcing their competitive stance. Furthermore, HAVL's acquisition of Crabtree in 2010 not only facilitated its expansion into the international market but also broadened its portfolio of wiring devices, switches, and other electrical products. These strategic investments have played a crucial role in increasing HAVL's market share and reinforcing its position within the switchgear segment.

Lighting and Fixtures (~10% of revenue mix in FY23)

HAVL entered the lighting segment in 2003. The Company operates in consumer and industrial lighting segments, offering lighting products for various applications. The consumer lighting segment offers residential, retail, hospitality, and outdoor lighting. The industrial lighting segment of HAVL includes commercial, street, and area lighting, industrial, and sports lighting. Both these segments experienced strong performance in FY23, strengthening HAVL's position as one of the top five leading lighting brands in India.



*Note: Segment margins are not adjusted for other allocated expenses and income
Source: Company, Keynote Capitals Ltd.*

Prior to FY17, HAVL held a substantial market presence in the lighting segment, with a primary focus on conventional lightings such as CFL (Compact Fluorescent Lamp) and incandescent lamps. However, post FY17, HAVL embarked on a strategic transformation by focusing on LED (Light Emitting Diode) lighting. This strategic shift was prompted by recognizing the escalating demand for LED lighting products and the government's increased emphasis on promoting energy-efficient lighting solutions. HAVL made investments in manufacturing capabilities, R&D, and the expansion of its product portfolio, specifically within the LED segment. This allowed HAVL to align its offerings with market trends and cater to the growing preference for energy-efficient LED lighting solutions.

HAVL has made various investments to broaden its product range, expand its geographical presence, and enhance its capabilities in the lighting segment. For example, the acquisition of Sylvania Lighting, Inesa Lighting, SLI Sylvania, and Luminance Brands to access international markets like Europe, Australia, China, and North America. Moreover, HAVL acquired Promptec Renewable Energy Solutions in 2020 to expand its product offerings in solar lighting.

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HAVL has positioned itself as a leading and innovative brand in the consumer lighting sector by emphasizing differentiated product launches and continuous innovation. An example of this is the introduction of Glamtubes. This product offers a single light solution focusing on elegance and performance, transforming traditional battens into aesthetically pleasing fixtures. Recognizing the evolving preferences of millennials, who seek lighting designs that align with their personalities and complement their surroundings, HAVL has also directed its attention towards the premium segment. To cater to this market, HAVL has launched the 'Havells Home Art Light' range, encompassing a wide spectrum of lighting solutions, from basic to high-end luxury options. Furthermore, HAVL has established Home Art Light Brand stores equipped with experiential zones to provide consumers with an immersive and authentic lighting experience. These strategic initiatives have played a vital role in solidifying HAVL's position as a leading brand in the consumer lighting sector.

One of the Company's biggest competitors in the segment, i.e. Crompton Greaves, praised HAVL in Q1 FY20 conference calls, *"As for the numbers we have, we are still bigger than Havells in total Lighting. Though, you are right, the gap is narrower than what it was a while ago. I do not know exactly what Havells is doing, but, of course, as everyone does, we do study competitions. ...I think the more important and substantial thing is that Havells invested in a stronger B2B program significantly before we did. As it stands, you could say that maybe that is a miss on our part."*

Peer Comparison of the Lighting and Fixtures segment

| Particulars (in Rs. Mn, except mentioned) | Havells India | Crompton Greaves | Orient Electric |
|-------------------------------------------|---------------|------------------|-----------------|
| Lighting Sales | 16,020 | 10,581 | 7,774 |
| Contribution to overall sales % | 10% | 15% | 31% |
| 5Y Segmental Revenue CAGR % | 7% | (4%) | 14% |
| Segmental Op. Profit Margin % | 15% | 9% | 15% |

Note: All numbers are as of FY23

Source: Company, Keynote Capitals Ltd.

Multi-brand strategy

HAVL follows a multi-brand strategy, offering multiple brands to cater to different market segments and consumer preferences. This approach allows the Company to target a broader range of customers at all price points and diversify its product portfolio. Besides its flagship brands, HAVL offers products under REO, Standard, Crabtree, and Lloyd.

REO and Standard brand offers various products to value-conscious consumers, while the Crabtree and Havells brand caters to high-end customers. These brands offer products such as Domestic Cables, MCBs & RCCBs, Distribution Boards, Switches, Sockets, Fans, Fan Regulators, and Electric Water Heaters.

Cables offered under REO/Standard brand are priced 5-15% lower than Havells. Similarly, the MCBs are priced 11-45% lower than Havells. These brands offer products for the economic class and have lower prices and lesser features/aesthetics than HAVL brand products.

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Manufacturing Units

HAVL set up its first large-scale manufacturing unit in Alwar, Rajasthan in 1996 to manufacture cables. The setting up of plants has since picked up the pace, with HAVL currently having 15 manufacturing units and is spread across 0.87 Mn square meters as of FY23. The Company also has 7 plants spread globally across China, Europe, Africa and Latin America. The Company does in-house manufacturing of 90% of the products sold and carries out R&D operations at its four research centers spread across the country.

Details of manufacturing plants

| Plant | Products | Established |
|--------------------------|------------------------------------------------------|-------------|
| Alwar, Rajasthan | Industrial and Domestic Cables | 1996 |
| Baddi, Himachal Pardesh | Electrical Wire Accessories and Switchgears | 2004 |
| Faridabad, Haryana | Industrial and Domestic Switchgear | 1993 |
| Haridwar, Uttarakhand | Fans, Water Purifiers and Appliances | 2002 |
| Neemrana, Rajasthan | Motor and Pump, Lighting & Fixture, and Water Heater | 2004 |
| Sahibabad, Uttar Pradesh | Industrial switchgear and Capacitors | 2009 |
| Ghiloth, Rajasthan | Air Conditioner and Washing Machine | 2018 |
| Sri City, Andhra Pradesh | Air Conditioner | 2023 |

Source: Company, Keynote Capitals Ltd.

Some of the noteworthy facts about HAVL are that the Company has –

- Largest automated water heater plant in India
- Largest integrated fan factory in India
- Largest HT Cable manufacturer in India, with 4 CCV lines and installed capacity of +1,000 km per month (upcoming new C&W facility at Tumkur in 12 months)
- Largest manufacturer of MCBs in South Asia with a capacity of over 60 Mn poles annually

The Company exports its products to 70+ countries and is a reliable partner to leading global OEMs. HAVL's in-house manufacturing operations allow it to customize products per diverse B2B consumer requirements.

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Management Analysis

Key Managerial Personnel

| Name | Designation | Qualification | With Company since |
|--------------------|--------------------|--------------------------------------------|--------------------|
| Anil Rai Gupta | Chairman and MD | BA (Eco), MBA | 1992 |
| Surjit Kumar Gupta | NED | - | - |
| Ameet Kumar Gupta | WTD | BE, MBA | 1995 |
| Rajesh Kumar Gupta | WTD (Finance), CFO | CA | 1982 |
| Siddhartha Pandit | WTD | Leadership Program from Harvard and BA LLB | 2015 |

*NED is Non-executive director, WTD is Whole-time director
Source: Company, Keynote Capitals Ltd.*

HAVL was founded by Late Qimat Rai Gupta (founder) and is carried on by his son Anil Rai Gupta. Surjit Kumar Gupta is the brother-in-law of the founder and the father of Ameet Kumar Gupta (WTD). The senior-level management has been with the Company for an average of ~21 years, which gives HAVL the experienced execution advantage.

Holdings and Remuneration

| Particulars | FY20 | FY21 | FY22 | FY23 |
|---------------------------------------------------|--------|--------|--------|--------|
| % Promoter Holding | 59.52% | 59.50% | 59.47% | 59.45% |
| Promoter Salary (Rs Mn) | 246 | 343 | 386 | 369 |
| Promoter Salary as a % of PAT | 4.5% | 4.2% | 4.0% | 4.7% |
| Promoter + Senior Management Salary (Rs Mn) | 355 | 485 | 544 | 530 |
| Promoter + Senior Management Salary as a % of PAT | 6.4% | 5.9% | 5.7% | 6.8% |

Source: Company, Keynote Capitals Ltd.

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Peer Analysis

Havells and Polycab are the only players present across product categories, making them the most diversified players in the industry.

| Company | Cables and Wires | Fans | Lightings | Switches & Switchgear | Water Heaters | Home Appliances |
|-------------------|------------------|------|-----------|-----------------------|---------------|-----------------|
| Havells India | * | * | * | * | * | * |
| Polycab India | * | * | * | * | * | * |
| Crompton Greaves | | * | * | | * | * |
| Finolex Cables | * | * | * | * | * | |
| Bajaj Electricals | | * | * | | * | * |
| Orient Electric | | * | * | * | * | * |
| V-Guard Ind. | * | * | | * | * | * |

| Particulars | Havells India | Polycab India | Crompton Greaves | Orient Electric |
|----------------------------|---------------|---------------|------------------|-----------------|
| 5Y Revenue CAGR % | 16% | 16% | 11% | 10% |
| 5Y Op. Profit CAGR % | 9% | 22% | 10% | 5% |
| Op. Profit Margin % | 11% | 14% | 12% | 7% |
| 5Y Avg ROE % | 19% | 20% | 29% | 23% |
| Dealers / Distributors | 17,000 | 4,300 | 4,000 * | N/A |
| Retailers / Retail outlets | 2,20,000 | 2,05,000 | 1,50,000 * | N/A |
| 5Y A&SP as a % of sales | 3.4% | 1.0% | 2.2% | 3.6% * |
| 5Y R&D as a % of sales | 0.9% | 0.1% | 0.6% | 0.1% * |
| Debt/ Equity | 0.03 | 0.03 | 0.38 | 0.17 |
| Net Working Capital Days | 55 | 65 | 13 | 18 |

Note: All numbers are as of FY23, except * as these numbers are up to FY22
Source: Company, Keynote Capitals Ltd.

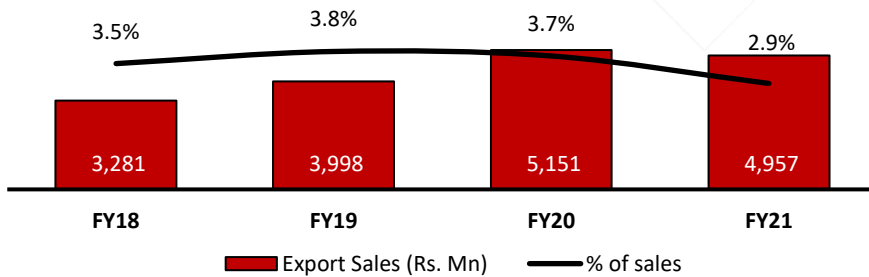
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Opportunities

Exports, just scratching the surface

HAVL has a strong presence in the domestic market and aims to establish its dominant position in international markets. HAVL is a reliable partner to leading global OEMs, and its business operations are diversified to 70+ countries. HAVL is the largest exporter of MCBs, RCCBs, LV distribution boards and changeover switches, and fans, among others. HAVL has established a global distribution network and has subsidiaries, representative offices, and manufacturing plants and has made strategic acquisitions to strengthen its position globally.

Sales from Exports



Source: Company, Keynote Capitals Ltd.

Currently, export revenue constitutes a very small portion of the Company's overall income. In comparison, peers typically generate export revenue that accounts for ~10% of their total revenue. Going forward HAVL aims to enhance its focus on exports. The Company's primary export markets have been driven by switchgear products, and it is gradually expanding its presence in other categories, including C&W, lighting, and ACs. HAVL expects its major export destinations to be Africa, SAARC countries, and the Middle East. To increase its export contribution, HAVL has devised strategic plans that go beyond being a mere supplier. The Company intends to establish its brand in key markets by investing in outdoor and in-shop branding initiatives and actively participating in digital events. These endeavors will enable HAVL to transcend its current role and build stronger brand recognition and market presence in the export domain.

Growth leadership maintained despite delay in the turnaround of Lloyd

HAVL, the esteemed leader in the consumer electrical industry, demonstrates its superiority through remarkable revenue and EBIT growth rates compared to its competitors. With the highest sales growth rate and decent EBIT growth rates, despite the largest size, the Company is trailing only Polycab and KEI Industries, HAVL solidifies its position as a dominant player. Notably, HAVL holds a unique advantage of being a participant operating across all industry segments, offering an extensive and diverse portfolio to consumers. Thriving as one of the top three players in the market, HAVL is poised to sustain its impressive growth trajectory. This is attributed to continuous investments in marketing and brand development, unwavering focus on product innovation, emphasis on premiumization and energy-efficient products, an increase in exports, and an anticipated turnaround in Lloyd's business.

| Company | 5Y Sales Growth | 5Y EBIT Growth |
|----------|-----------------|----------------|
| Havells | 15.8% | 7.9% |
| Crompton | 11.0% | 6.8% |
| Polycab | 15.8% | 24.4% |
| Orient | 9.6% | 0.8% |
| KEI Ind. | 14.8% | 17.1% |
| Bajaj | 2.6% | 2.4% |

Note: Sales and EBIT growth of HAVL, excluding Lloyd is 14.6% and 8.9%, respectively.
Source: Company, Keynote Capitals Ltd.

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Muscle for inorganic growth

In addition to organic growth, HAVL has pursued a strategy of strategic acquisitions across multiple segments to facilitate its expansion. The Company has undertaken various investments aimed at diversifying its product range, extending its geographical reach, and strengthening its capabilities in different sectors. Notable examples include the acquisition of Sylvania Lighting and Promptec Renewable Energy Solutions in the lighting segment, as well as the acquisition of the switchgear businesses of Sylvania and Crabtree to enhance its portfolio in that segment. These acquisitions have proven beneficial for HAVL, contributing positively to the Company's growth. However, the acquisition of Lloyd's has not yet yielded profitable results for the Company. Nevertheless, HAVL has undertaken several initiatives to address this situation and improve the outcomes going forward.

| Particulars (in Rs. Bn) | FY21-23 | FY24-26E |
|---------------------------------------------|---------|----------|
| CFO | 40.3 | 80.2 |
| Cash Tax | 10.8 | 20.0 |
| Post Tax CFO | 29.5 | 60.2 |
| Capex | 10.0 | 12.0 |
| Cash available for deployment/ distribution | 19.5 | 48.2 |

Source: Company, Keynote Capitals Ltd. estimates

Currently, the Company is sitting on ~Rs. 23.3 Bn worth of cash, with a Capex requirement of Rs. 6 Bn for FY24E. Additionally, based on our estimates, HAVL from FY24-26E cumulatively is expected to generate a CFO of ~Rs. 80.2 Bn. Based on our assumptions, HAVL, by the end of FY26E, will generate a Post-Tax CFO of ~Rs. 60.2 Bn. After assuming a maintenance capex of ~Rs. 3 Bn per annum in FY25E and FY26E, HAVL would still have ~Rs. 48.2 Bn in cash reserves available.

Even though the Company currently has not shown any inclination toward an inorganic acquisition, the Company, based on its financial strength, can pursue an inorganic acquisition if it feels so after stabilizing Lloyd. If the Company envisions another inorganic expansion, it can be effortlessly implemented without imposing undue strain on the balance sheet.

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Challenges

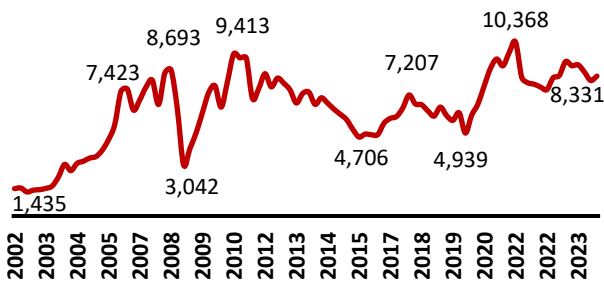
Intense competition and market saturation

Due to market saturation, the demand for mature product categories such as fans, switches, and cables has stabilized, leading to limited growth opportunities in the industry. As a result, HAVL faces intense competition from industry giants, which poses a challenge in maintaining its market share and achieving growth in these segments. The presence of established brands and emerging players further increases the competitive pressure, impacting HAVL's market position and profitability. Therefore, any deficiencies in brand development and product innovation endeavors could adversely affect HAVL's business expansion and potentially lead to a loss of market share.

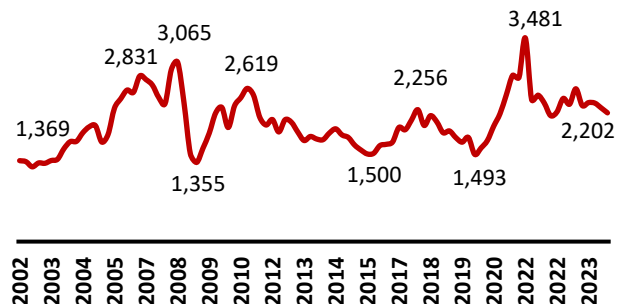
Commodity price fluctuations impairing the Company's profitability

HAVL relies on various raw materials like copper, aluminum, and plastics for manufacturing its products. The prices of these raw materials are subject to fluctuations in the global market, impacting production costs and profitability as the Company may not be able to pass on the price hikes completely to the consumers. For example, HAVL faced raw material fluctuations in FY23 and couldn't pass on the entire cost to the market affecting the operating margins of the Company. *"On the margin front, last year, there were unprecedented increase in raw material prices, and the entire cost was not passed on to the market"* – Q4 FY23 HAVL's conference call.

Copper Price Trend (USD/MT)



Aluminum Price Trend (USD/MT)



Source: Bloomberg, Keynote Capitals Ltd.

Although HAVL undertakes measures to mitigate the price fluctuations, such as exploring alternative sourcing options to diversify its supply chain, in-house manufacturing of products, and passing on the cost fluctuations to the consumers, however, despite these measures, the risk of raw material price fluctuations remains an ongoing concern for the Company.

Weakness in Lloyd's performance and profitability

After the acquisition, HAVL focused on revamping Lloyd's distribution network and reducing its import dependence. However, Lloyd faces intense price-based competition from established domestic and international giants. Moreover, the segment suffers highly from raw material fluctuations resulting in losing the ability to earn profits. In FY23, the continued hyper-competition in the market and commodity price volatility created margin pressures for the segment. However, the Company expects to revive its margins by in-house manufacturing its products, improving its premium product mix, and accelerating investment in the brand and, R&D, manufacturing, and talent.

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Financial Statement Analysis

Income Statement

| Y/E Mar, Rs. Mn | FY22 | FY23 | FY24E | FY25E | FY26E |
|----------------------------|---------------|---------------|---------------|---------------|---------------|
| Net Sales | 1,39,385 | 1,69,107 | 1,93,208 | 2,21,309 | 2,52,145 |
| Growth % | 33% | 21% | 14% | 15% | 14% |
| Raw Material Expenses | 91,145 | 1,13,311 | 1,25,585 | 1,41,638 | 1,60,112 |
| Employee Expenses | 10,207 | 12,683 | 14,104 | 16,156 | 18,407 |
| Other Expenses | 20,294 | 26,908 | 29,947 | 33,196 | 37,822 |
| EBITDA | 17,739 | 16,206 | 23,571 | 30,319 | 35,805 |
| Growth % | 12% | -9% | 45% | 29% | 18% |
| Margin % | 13% | 10% | 12% | 14% | 14% |
| Depreciation | 2,609 | 2,962 | 3,182 | 3,288 | 3,246 |
| EBIT | 15,130 | 13,244 | 20,390 | 27,031 | 32,559 |
| Growth % | 13% | -12% | 54% | 33% | 20% |
| Margin % | 11% | 8% | 11% | 12% | 13% |
| Interest Paid | 669 | 551 | 275 | 275 | 275 |
| Other Income & exceptional | 1,604 | 1,777 | 1,500 | 1,500 | 1,500 |
| PBT | 16,066 | 14,471 | 21,615 | 28,257 | 33,784 |
| Tax | 4,101 | 3,753 | 5,404 | 7,064 | 8,446 |
| PAT | 11,965 | 10,717 | 16,211 | 21,192 | 25,338 |
| Others (Minorities) | 0 | 0 | 0 | 0 | 0 |
| Net Profit | 11,965 | 10,717 | 16,211 | 21,192 | 25,338 |
| Growth % | 15% | -10% | 51% | 31% | 20% |
| Shares (Mn) | 626.3 | 626.5 | 626.5 | 626.5 | 0.0 |
| EPS | 19.10 | 17.11 | 25.88 | 33.83 | 40.44 |

Balance Sheet

| Y/E Mar, Rs. Mn | FY22 | FY23 | FY24E | FY25E | FY26E |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Cash, Cash equivalents & Bank | 25,480 | 18,702 | 21,660 | 30,411 | 41,225 |
| Current Investments | 1,534 | 1,809 | 1,809 | 1,809 | 1,809 |
| Debtors | 7,663 | 9,739 | 11,592 | 12,172 | 12,607 |
| Inventory | 29,681 | 37,086 | 41,443 | 46,741 | 52,036 |
| Short Term Loans & Advances | 4,003 | 3,942 | 3,942 | 3,942 | 3,942 |
| Other Current Assets | 1,167 | 2,622 | 2,622 | 2,622 | 2,622 |
| Total Current Assets | 69,527 | 73,900 | 83,068 | 97,697 | 1,14,242 |
| Net Block & CWIP | 34,911 | 37,946 | 40,660 | 40,691 | 41,228 |
| Long Term Investments | 2,727 | 200 | 200 | 200 | 200 |
| Other Non-current Assets | 1,536 | 2,872 | 2,872 | 2,872 | 2,872 |
| Total Assets | 1,08,701 | 1,14,918 | 1,26,800 | 1,41,460 | 1,58,541 |
| Creditors | 23,800 | 26,432 | 28,587 | 31,591 | 34,736 |
| Provision | 6,629 | 6,416 | 6,416 | 6,416 | 6,416 |
| Short Term Borrowings | 0 | 0 | 0 | 0 | 0 |
| Other Current Liabilities | 9,370 | 8,852 | 8,852 | 8,852 | 8,852 |
| Total Current Liabilities | 39,800 | 41,699 | 43,855 | 46,858 | 50,003 |
| Long Term Debt | 2,726 | 0 | 0 | 0 | 0 |
| Deferred Tax Liabilities | 3,506 | 3,615 | 3,615 | 3,615 | 3,615 |
| Other Long-Term Liabilities | 2,640 | 3,349 | 3,349 | 3,349 | 3,349 |
| Total Non-Current Liabilities | 8,872 | 6,965 | 6,965 | 6,965 | 6,965 |
| Paid-up Capital | 626 | 627 | 627 | 627 | 627 |
| Reserves & Surplus | 59,403 | 65,628 | 75,355 | 87,011 | 1,00,947 |
| Shareholders' Equity | 60,029 | 66,255 | 75,981 | 87,637 | 1,01,573 |
| Non-Controlling Interest | 0 | 0 | 0 | 0 | 0 |
| Total Equity & Liabilities | 1,08,701 | 1,14,918 | 1,26,800 | 1,41,460 | 1,58,541 |

Cash Flow Statement

| Y/E Mar, Rs. Mn | FY22 | FY23 | FY24E | FY25E | FY26E |
|--------------------------------------------|---------------|---------------|---------------|---------------|----------------|
| Pre-tax profit | 16,066 | 14,471 | 21,615 | 28,257 | 33,784 |
| Adjustments | 2,126 | 2,062 | 1,956 | 2,063 | 2,020 |
| Change in Working Capital | 3,237 | -6,964 | -4,055 | -2,873 | -2,587 |
| Total Tax Paid | -4,149 | -3,919 | -5,404 | -7,064 | -8,446 |
| Cash flow from operating Activities | 17,280 | 5,649 | 14,113 | 20,382 | 24,772 |
| Net Capital Expenditure | -2,583 | -5,878 | -6,001 | -3,320 | -3,782 |
| Change in investments | -5,996 | 5,027 | 0 | 0 | 0 |
| Other investing activities | 993 | 1,201 | 1,500 | 1,500 | 1,500 |
| Cash flow from investing activities | -7,586 | 350 | -4,501 | -1,820 | -2,282 |
| Equity raised / (repaid) | 311.5 | 266.7 | 0 | 0 | 0 |
| Debt raised / (repaid) | -973 | -3,937 | 0 | 0 | 0 |
| Dividend (incl. tax) | -4,073 | -4,703 | -6,485 | -9,537 | -11,402 |
| Other financing activities | -739 | -696 | -275 | -275 | -275 |
| Cash flow from financing activities | -5,473 | -9,069 | -6,759 | -9,811 | -11,677 |
| Net Change in cash | 4,221 | -3,070 | 2,853 | 8,751 | 10,813 |

Valuation Ratios

| Particulars | FY22 | FY23 | FY24E | FY25E | FY26E |
|--------------------------------|------|------|-------|-------|-------|
| Per Share Data | | | | | |
| EPS | 19 | 17 | 26 | 34 | 40 |
| Growth % | 15% | -10% | 51% | 31% | 20% |
| Book Value Per Share | 96 | 106 | 121 | 140 | 162 |
| Return Ratios | | | | | |
| Return on Assets (%) | 12% | 10% | 13% | 16% | 17% |
| Return on Equity (%) | 21% | 17% | 23% | 26% | 27% |
| Return on Capital Employed (%) | 21% | 17% | 23% | 26% | 36% |
| Turnover Ratios | | | | | |
| Asset Turnover (x) | 1.4 | 1.5 | 1.6 | 1.6 | 1.7 |
| Sales / Gross Block (x) | 3.2 | 3.5 | 3.6 | 3.8 | 4.1 |
| Working Capital / Sales (x) | 20% | 18% | 18% | 20% | 23% |
| Receivable Days | 17 | 19 | 20 | 20 | 18 |
| Inventory Days | 112 | 108 | 114 | 114 | 113 |
| Payable Days | 77 | 76 | 77 | 75 | 73 |
| Working Capital Days | 53 | 50 | 57 | 58 | 57 |
| Liquidity Ratios | | | | | |
| Current Ratio (x) | 1.7 | 1.8 | 1.9 | 2.1 | 2.3 |
| Interest Coverage Ratio (x) | 25.0 | 27.3 | 79.7 | 103.9 | 124.0 |
| Total Debt to Equity | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net Debt to Equity | -0.4 | -0.3 | -0.3 | -0.3 | -0.4 |
| Valuation | | | | | |
| PE (x) | 60.3 | 67.4 | 45.9 | 35.1 | 29.4 |
| Earnings Yield (%) | 2% | 1% | 2% | 3% | 3% |
| Price to Sales (x) | 5.2 | 4.3 | 3.9 | 3.4 | 3.0 |
| Price to Book (x) | 12.0 | 11.2 | 9.8 | 8.5 | 7.3 |
| EV/EBITDA (x) | 39.5 | 44.8 | 30.8 | 23.9 | 20.3 |
| EV/Sales (x) | 5.0 | 4.3 | 3.8 | 3.3 | 2.9 |

Source: Company, Keynote Capitals Ltd. estimates

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Valuations

| Particulars (Rs. Mn, unless mentioned) | Estimates |
|----------------------------------------|--------------|
| Estimate Period | FY24E |
| Revenue | 1,93,208 |
| Profit After Tax | 16,211 |
| Earnings Per Share (Rs.) | 26 |
| PE Multiple (x) | 60 |
| Current Price (Rs.) | 1,287 |
| Expected Price per Share (Rs.) | 1,553 |
| Upside / (Downside) (%) | 20.7% |

Source: Company, Keynote Capitals Ltd. estimates

Based on our analysis, we anticipate overall revenue growth of ~14%, primarily driven by core segments C&W, ECD, and Lloyd. Furthermore, we expect margins to improve on the raw material pricing softening and focus on in-house manufacturing. HAVL thrives as one of the top three players in the market and is poised to sustain its impressive growth trajectory. This is attributed to continuous investments in marketing and brand development, unwavering focus on product innovation, emphasis on premiumization and energy-efficient products, an increase in exports, and an anticipated turnaround in Lloyd's business. HAVL has multiple organic and inorganic levers to maintain its growth momentum. Considering all these factors, we have assigned a price-to-earnings (P/E) multiple of 60 to our estimated earnings per share (EPS) for FY24E.

Our Recent Reports

PB Fintech Ltd Initiating Coverage Report
KEYNOTE

PB Fintech Ltd
20th June 2023

Profitability, just around the corner
BUY

CMF Pn, L2D3
1465217.0, 1701 (21.5%)

Company Data
CMF Pn, L2D3

Revenue (Rs. Mn)
2022-23

Profit (Rs. Mn)
2022-23

EPS (Rs.)
2022-23

Market Cap (Rs. Mn)
2022-23

Shareholding Pattern %
2022-23

Investor
2022-23

Public
2022-23

Foreign
2022-23

Other
2022-23

Key Financial Data
2022-23

Revenue
2022-23

Profit
2022-23

EPS
2022-23

Market Cap
2022-23

Key Risks
2022-23

Revenue
2022-23

Profit
2022-23

EPS
2022-23

Market Cap
2022-23

Key Risks
2022-23

SFL Initiating Coverage Report
KEYNOTE

Sheela Foam Ltd.
12th June 2023

Strong Multi-faceted Growth
BUY

CMF Pn, L2D3
1465217.0, 1701 (21.5%)

Company Data
CMF Pn, L2D3

Revenue (Rs. Mn)
2022-23

Profit (Rs. Mn)
2022-23

EPS (Rs.)
2022-23

Market Cap (Rs. Mn)
2022-23

Shareholding Pattern %
2022-23

Investor
2022-23

Public
2022-23

Foreign
2022-23

Other
2022-23

Key Financial Data
2022-23

Revenue
2022-23

Profit
2022-23

EPS
2022-23

Market Cap
2022-23

Key Risks
2022-23

Revenue
2022-23

Profit
2022-23

EPS
2022-23

Market Cap
2022-23

Key Risks
2022-23

ICICI Initiating Coverage Report
KEYNOTE

ICICI Securities Ltd.
18th May 2023

Surrounded by Dynamism, Paving Way to Higher Heights
BUY

CMF Pn, L2D3
1465217.0, 1701 (21.5%)

Company Data
CMF Pn, L2D3

Revenue (Rs. Mn)
2022-23

Profit (Rs. Mn)
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EPS (Rs.)
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Market Cap (Rs. Mn)
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Shareholding Pattern %
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Market Cap
2022-23

Key Risks
2022-23

Revenue
2022-23

Profit
2022-23

EPS
2022-23

Market Cap
2022-23

Key Risks
2022-23

PB Fintech

Sheela Foam

ICICI Securities

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Rating Methodology

| Rating | Criteria |
|----------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| BUY | Expected positive return of > 10% over 1-year horizon |
| NEUTRAL | Expected positive return of > 0% to < 10% over 1-year horizon |
| REDUCE | Expected return of < 0% to -10% over 1-year horizon |
| SELL | Expected to fall by >10% over 1-year horizon |
| NOT RATED (NR)/UNDER REVIEW (UR)/COVERAGE SUSPENDED (CS) | Not covered by Keynote Capitals Ltd/Rating & Fair value under Review/Keynote Capitals Ltd has suspended coverage |

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Keynote Capitals Limited (CIN: U67120MH1995PLC088172)

Compliance Officer: Mr. Jairaj Nair; Tel: 022-68266000; email id: jairaj@keynoteindia.net

Registered Office: 9th Floor, The Ruby, Senapati Bapat Marg, Dadar West, Mumbai – 400028, Maharashtra. Tel: 022 – 68266000.

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