

HAVELLS INDIA LTD

Result Update (PARENT BASIS): Q3 FY19

CMP: 711.40

JAN 23rd, 2019

Overweight

ISIN:
INE176B01034

Index Details

Stock Data

Sector	Other Elect. Equip./ Prod.
BSE Code	517354
Face Value	1.00
52wk. High / Low (Rs.)	728.95/454.00
Volume (2wk. Avg.)	69000
Market Cap (Rs. in mn.)	444980.70

Annual Estimated Results(A*: Actual / E*: Estimated)

Years (Rs. In mn)	FY18A	FY19E	FY20E
Net Sales	82602.70	101515.86	119788.71
EBITDA	11662.80	13438.05	15981.02
Net Profit	7125.20	8182.72	9709.71
EPS	11.39	13.08	15.52
P/E	62.45	54.38	45.83

Shareholding Pattern (%)

	As on Dec 2018	As on Sep 2018
Promoter	59.55	59.55
Public	40.45	40.45
Others	0.01	0.01

1 Year Comparative Graph



HAVELLS INDIA LTD

S&P BSE SENSEX

SYNOPSIS

- Havells India Limited is engaged in manufacturing Switchgears, Cable, Lighting and Fixtures, and Electric Consumer Durables.
- Revenue for the quarter increased by 28.11% to Rs. 25184.30 mn from Rs. 19657.70 mn in the corresponding period of the previous year.
- During the quarter, EBIDTA is Rs. 3276.40 mn as against Rs. 2899.80 mn in the corresponding period of the previous year, up by 12.99%.
- During Q3 FY19, Profit before tax stood at Rs. 2887.60 mn as compared to Rs. 2691.60 mn in Q3 FY18, up by 7.28%.
- During Q3 FY19, net profit stood at Rs. 1956.70 mn from Rs. 1943.60 mn in the corresponding quarter of previous year.
- EPS of the company stood at Rs. 3.13 during the quarter, as against Rs. 3.11 per share over previous year period.
- Net Revenue of the company registered at Rs. 73057.60 mn in 9M FY19 as compared to Rs. 57253.70 mn in 9M FY18, up by 27.60%.
- During 9M FY19, PAT increased by 20.12% to Rs. 5846.90 mn from Rs. 4867.60 mn in 9M FY18.
- Switch Gears segment registered a revenue growth of 23% at Rs. 12434 mn in 9M FY19 as compared to Rs. 10131 mn in 9M FY18.
- Cables segment Revenue of the company increased by 28% at Rs. 23367 mn in 9M FY19 as against Rs. 18314 mn in 9M FY18.
- Capex for the quarter mainly includes Rs. 1020 mn for building Lloyd AC plant. There were some additional Capex of Rs. 240 mn for capacity expansion in cables.
- Net Sales and PAT of the company are expected to grow at a CAGR of 20% and 8% over 2017 to 2020E, respectively.

PEER GROUPS	CMP	MARKET CAP	EPS(TTM)	P/E (X)(TTM)	P/BV(X)	DIVIDEND
Company Name	(Rs.)	Rs. In mn.	(Rs.)	Ratio	Ratio	(%)
Havells India Ltd	711.40	444980.70	12.96	54.89	11.90	40.00
Apar Industries Ltd	615.00	23535.20	34.16	18.00	2.31	95.00
KEI Industries Ltd	361.15	28503.90	20.54	17.58	4.71	50.00
Finolex Cables Ltd	434.00	66375.70	22.22	19.53	3.03	200.00

QUARTERLY HIGHLIGHTS (PARENT BASIS)

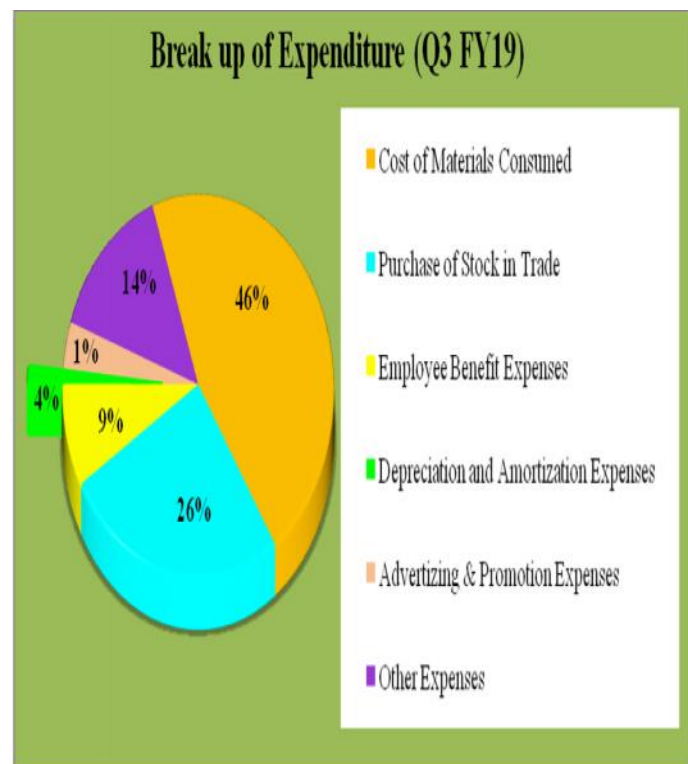
Results updates- Q3 FY19,

(Rs. In millions)	Dec-18	Dec-17	% Change
Revenue	25184.30	19657.70	28.11%
Net Profit	1956.70	1943.60	0.67%
EPS	3.13	3.11	0.61%
EBIDTA	3276.40	2899.80	12.99%

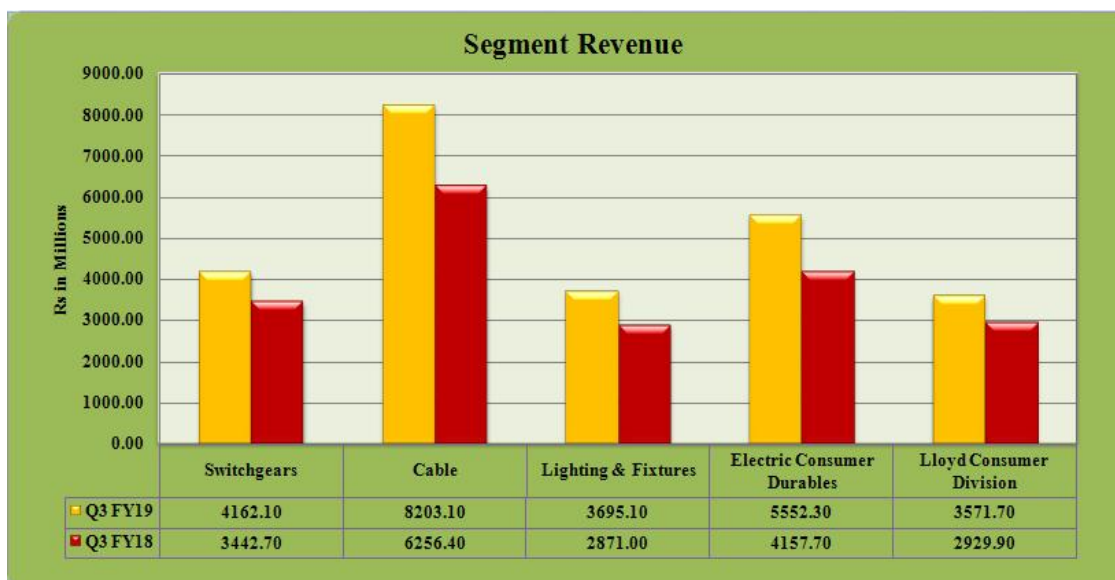
Revenue for the 3rd quarter increased by 28.11% at Rs. 25184.30 million from Rs. 19657.70 million in the corresponding period of the previous year. EBIDTA is Rs. 3276.40 million as against Rs. 2899.80 million in the corresponding period of the previous year, up by 12.99%. The company's net profit stood at Rs. 1956.70 million from Rs. 1943.60 million in the corresponding quarter ending of previous year. Reported earnings per share of the company stood at Rs. 3.13 as compared to Rs. 3.11 per share over previous year period.

Break up of Expenditure

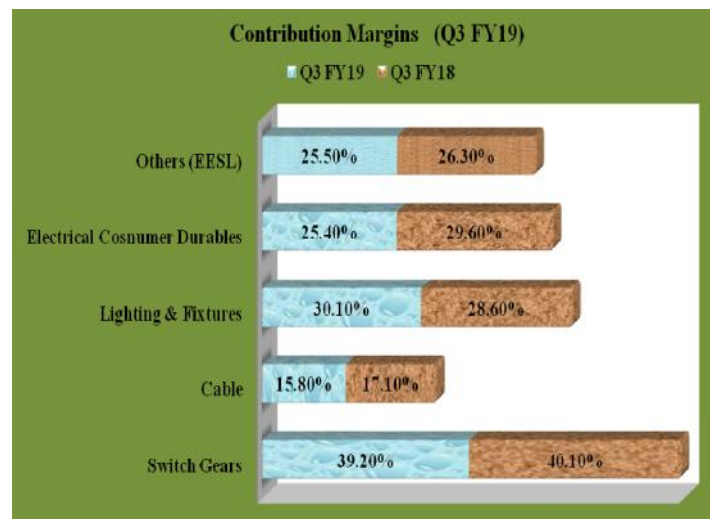
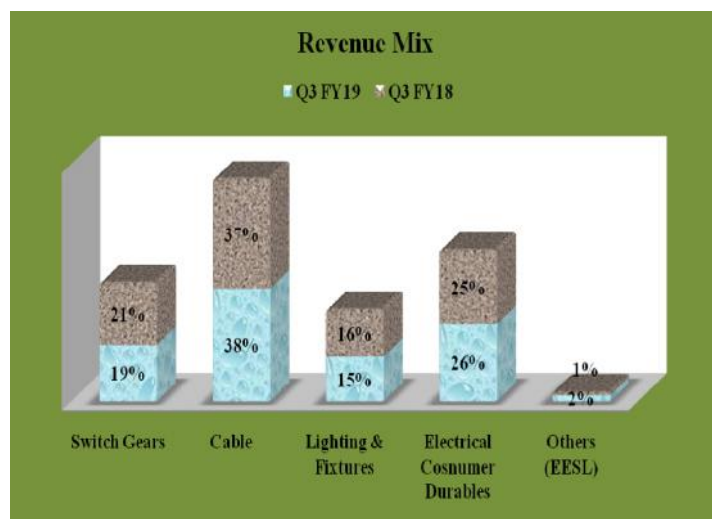
Break up of Expenditure	Value in Rs. Million		
	Q3 FY19	Q3 FY18	% Change
Cost of Materials Consumed	11237.60	8099.80	39%
Purchase of Stock in Trade	6342.00	6233.00	2%
Employee Benefit Expenses	2107.80	1624.90	30%
Depreciation and Amortization Expenses	353.20	363.10	-3%
Advertizing & Promotion Expenses	915.20	786.40	16%
Other Expenses	3465.00	2760.80	26%



Segment Revenue:



Segment:



RESULT HIGHLIGHTS (HAVELLS INDIA) – NINE MONTHS PERIOD:

- ✓ Net Revenue of the company registered at Rs. 73057.60 mn in 9M FY19 as compared to Rs. 57253.70 mn in 9M FY18, up by 27.60%.
- ✓ During 9M FY19, PAT increased by 20.12% to Rs. 5846.90 mn from Rs. 4867.60 mn in 9M FY18.

OPERATING HIGHLIGHTS:

- Capex for the quarter mainly includes Rs. 1020 mn for building Lloyd AC plant. There were some additional Capex of Rs. 240 mn for capacity expansion in cables.

9 MONTHS PERIOD OF FY19:

Segment Wise Net Revenue Analysis (Havells India):

- ❖ Switch Gears Segment registered a revenue growth of 23% at Rs. 12434 mn in 9M FY19 as compared to Rs. 10131 mn in 9M FY18.
- ❖ Cables Segment Revenue of the company increased by 28% at Rs. 23367 mn in 9M FY19 as against Rs. 18314 mn in 9M FY18.
- ❖ Lighting & Fixtures segment of the company registered a revenue growth of 20% at Rs. 8606 mn in 9M FY19 which was at Rs. 7170 mn in 9M FY18.
- ❖ During 9M FY19, Electrical Consumable Durables segment revenue of the company rose by 36% at Rs. 14890 mn as compared to Rs. 10956 mn in corresponding previous nine months period.

COMPANY PROFILE

Havells India Limited is a holding company engaged in manufacturing Switchgears, Cable, Lighting and Fixtures, and Electric Consumer Durables. The Company operates through four segments: Switchgears, Lighting and fixtures, Cables and Electrical Consumer Durables. The Switchgear segment comprises domestic and the industrial switchgears, electrical wiring accessories, industrial motors, pumps and capacitors. The Lighting and fixture segment comprises energy saving lamps (CFL) and luminaries. The Cables segment comprises domestic cables and industrial underground cables. The Electrical Consumer Durable segment comprises fans, water heaters and domestic appliances.

FINANCIAL HIGHLIGHT (PARENT BASIS)
(A*- Actual, E*-Estimations & Rs. In Millions)
Balance Sheet as of March 31, 2017 -2020E

	FY17A	FY18A	FY19E	FY20E
ASSETS				
1) Non-Current Assets				
a) Property, Plant and Equipment	11916.70	12479.00	13102.95	13889.13
b) Capital Work in Progress	119.10	240.50	300.63	360.75
c) Investment Property	559.20	537.90	521.76	506.11
d) Goodwill	0.00	3104.70	3259.94	3455.53
e) Other Intangible Assets	181.60	11730.00	14662.50	18034.88
f) Investment in Subsidiaries, Associates and Joint Ventures	2274.10	417.00	229.35	165.13
g) Financial Assets				
i) Investments	1616.60	0.00	0.00	0.00
ii) Other Financial Assets	135.50	172.10	206.52	243.69
iii) Other Bank Balances	0.00	4.10	4.31	4.56
h) Other Non Current Assets	885.90	401.50	301.13	246.92
Sub - Total Non- Current Assets	17688.70	29086.80	32589.07	36906.70
2) Current Assets				
a) Inventories	9284.30	16216.50	20270.63	24730.16
b) Financial Assets				
i) Trade Receivables	2285.00	3254.00	4165.12	5206.40
ii) Cash and Cash Equivalents	5549.60	3012.00	2560.20	2355.38
iii) Other Bank Balances	13825.70	12249.70	11147.23	10589.87
iv) Other Financial Assets	60.20	79.70	102.02	127.52
c) Other Current Assets	743.70	1352.10	1730.69	2180.67
Sub - Total Current Assets	31748.50	36164.00	39975.88	45190.00
3) Assets Classifies as held for Sale	162.70	163.30	171.47	0.00
Total Assets (1+2+3)	49599.90	65414.10	72736.41	82096.70
EQUITY AND LIABILITIES				
1) EQUITY				
a) Equity Share Capital	624.90	625.10	625.50	625.50
b) Other Equity	32110.90	36766.40	44949.12	54658.83
Total Equity	32735.80	37391.50	45574.62	55284.33
2) Non Current Liabilities				
a) Financial Liabilities				
i) Borrowings	0.00	810.00	769.50	738.72
ii) Other Financial Liabilities	29.30	54.80	84.94	123.16
b) Provisions	90.80	238.80	305.66	385.14
c) Deferred Tax Liabilities	1137.60	2069.50	3104.25	4190.74
d) Other Non-Current Liabilities	16.40	177.10	226.69	283.36
Sub - Total Non Current Liabilities	1274.10	3350.20	4491.04	5721.12
3) Current Liabilities				
a) Financial Liabilities				
i) Borrowings	1980.50	270.00	202.50	166.05
ii) Trade Payables	6295.60	16339.90	13602.48	11200.62
iii) Other Financial Liabilities	4442.90	5132.90	5646.19	6097.89
b) Other Current Liabilities	1105.30	1075.50	1021.73	980.86
c) Provisions	1101.90	1540.90	1972.35	2465.44
d) Other Current Tax Liabilities (net)	663.80	313.20	225.50	180.40
Sub - Total Current Liabilities	15590.00	24672.40	22670.75	21091.25
Total Equity and Liabilities (1+2+3)	49599.90	65414.10	72736.41	82096.70

Annual Profit & Loss Statement for the period of 2017 to 2020E

Value(Rs.in.mn)	FY17A	FY18A	FY19E	FY20E
Description	12m	12m	12m	12m
Net Sales	65859.60	82602.70	101515.86	119788.71
Other Income	1342.80	1169.90	1329.66	1462.63
Total Income	67202.40	83772.60	102845.52	121251.34
Expenditure	-57618.20	-72109.80	-89407.47	-105270.32
Operating Profit	9584.20	11662.80	13438.05	15981.02
Interest	-121.50	-239.70	-127.96	-108.77
Gross profit	9462.70	11423.10	13310.09	15872.25
Depreciation	-1196.30	-1395.20	-1469.39	-1616.33
Exceptional Items	-578.10	119.10	0.00	0.00
Profit Before Tax	7688.30	10147.00	11840.70	14255.92
Tax	-2297.90	-3021.80	-3657.98	-4546.21
Net Profit	5390.40	7125.20	8182.72	9709.71
Equity capital	624.90	625.50	625.50	625.50
Reserves	32110.90	36766.40	44949.12	54658.83
Face value	1.00	1.00	1.00	1.00
EPS	8.63	11.39	13.08	15.52

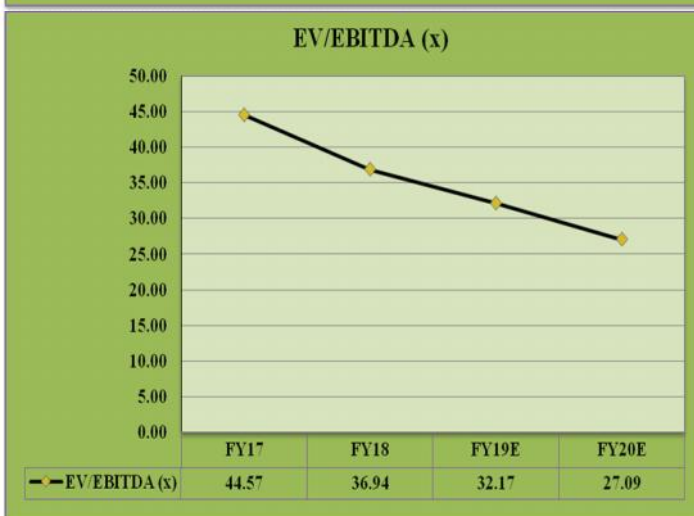
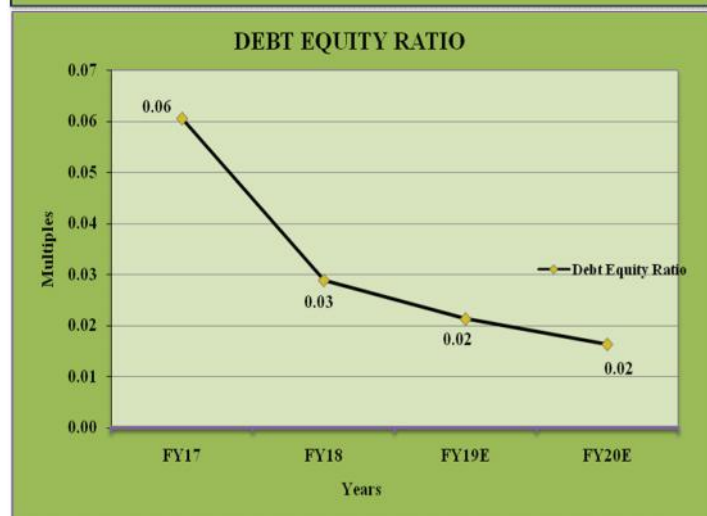
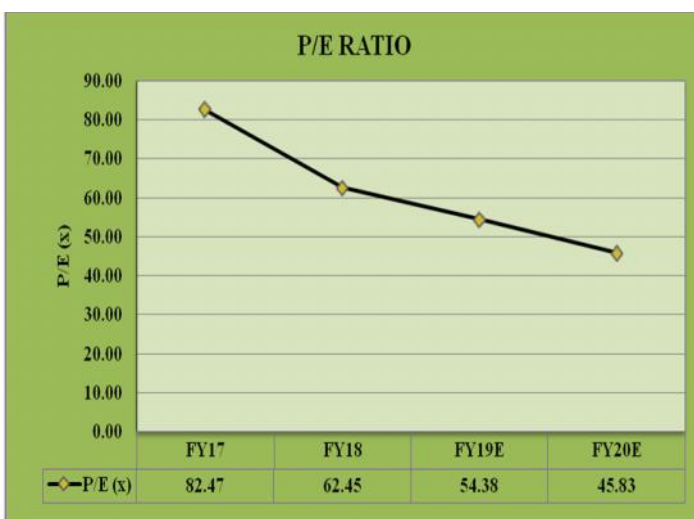
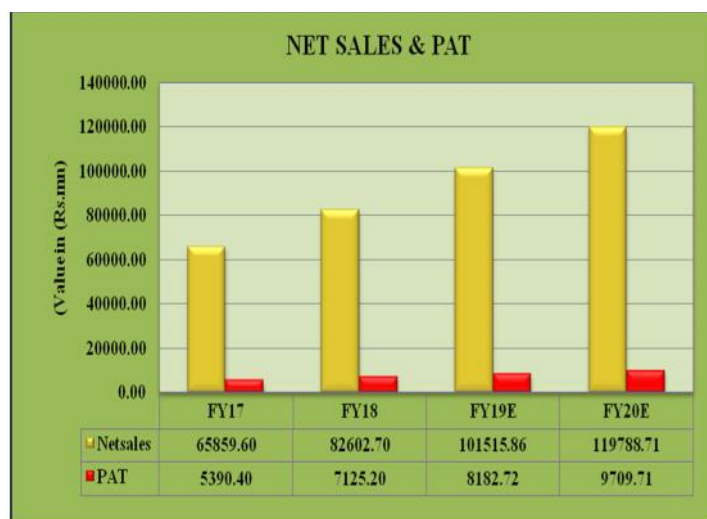
Quarterly Profit & Loss Statement for the period of 30th June, 2018 to 31st Mar, 2019E

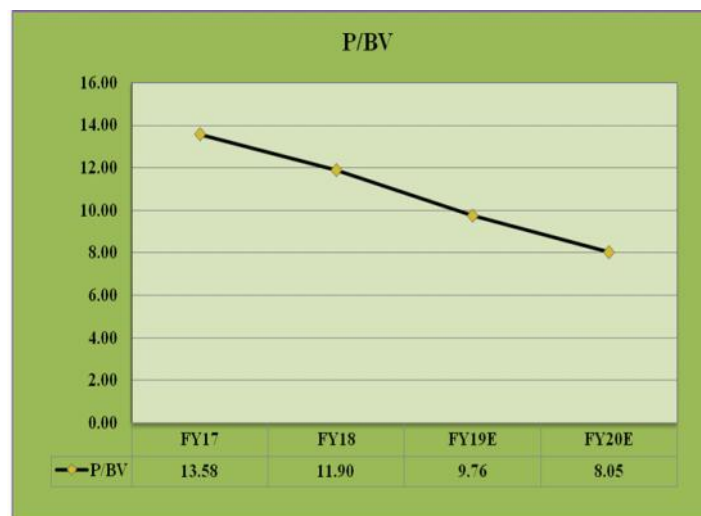
Value(Rs.in.mn)	30-June-18	30-Sep-18	31-Dec-18	31-Mar-19E
Description	3m	3m	3m	3m
Net sales	25963.40	21909.90	25184.30	28458.26
Other Income	292.20	343.20	330.60	363.66
Total Income	26255.60	22253.10	25514.90	28821.92
Expenditure	-22840.90	-19284.80	-22238.50	-25043.27
Operating profit	3414.70	2968.30	3276.40	3778.65
Interest	-25.50	-36.60	-35.60	-30.26
Gross Profit	3389.20	2931.70	3240.80	3748.39
Depreciation	-350.40	-391.40	-353.20	-374.39
Profit Before Tax	3038.80	2540.30	2887.60	3374.00
Tax	-934.80	-754.10	-930.90	-1038.18
Net Profit	2104.00	1786.20	1956.70	2335.82
Equity Capital	625.50	625.50	625.50	625.50
Face value	1.00	1.00	1.00	1.00
EPS	3.36	2.86	3.13	3.73

Ratio Analysis

Particulars	FY17A	FY18A	FY19E	FY20E
EPS (Rs.)	8.63	11.39	13.08	15.52
EBITDA Margin (%)	14.55%	14.12%	13.24%	13.34%
PBT Margin (%)	11.67%	12.28%	11.66%	11.90%
PAT Margin (%)	8.18%	8.63%	8.06%	8.11%
P/E Ratio (x)	82.47	62.45	54.38	45.83
ROE (%)	16.47%	19.06%	17.95%	17.56%
ROCE (%)	24.16%	26.69%	25.71%	25.56%
Debt Equity Ratio	0.06	0.03	0.02	0.02
EV/EBITDA (x)	44.57	36.94	32.17	27.09
Book Value (Rs.)	52.39	59.78	72.86	88.38
P/BV	13.58	11.90	9.76	8.05

Charts:





OUTLOOK AND CONCLUSION

- At the current market price of **Rs. 711.40**, the stock P/E ratio is at 54.38 x FY19E and 45.83 x FY20E respectively.
- Earnings per share (EPS) of the company for the earnings for FY19E and FY20E are seen at Rs. 13.08 and Rs. 15.52 respectively.
- Net Sales and PAT of the company are expected to grow at a CAGR of 20% and 8% over 2017 to 2020E, respectively.
- On the basis of EV/EBITDA, the stock trades at 32.17 x for FY19E and 27.09 x for FY20E.
- Price to Book Value of the stock is expected to be at 9.76 x and 8.05 x for FY19E and FY20E respectively.
- Hence, we say that, we are Overweight in this particular scrip for Medium to Long term investment.

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