Result Update

July 20, 2017

Havells India (HAVIND)

₹ 467

Rise in commodity prices hits margins...

- Despite de-stocking at the dealer's level, Havells managed to record sales growth of 9% YoY (27% YoY growth including Lloyd) in Q1FY18 led by strong revenue growth of 19% in the cable segment. Additionally, lighting segment revenue was up 5% YoY owing to execution of EESL orders. However, primary sales of the switchgear segment remained muted owing to lower demand from dealers. Lloyd's consumer business recorded sales growth of 20% YoY
- A delay in passing of raw material prices during the transition of GST has hurt the gross margins of the company by 660 bps YoY during Q1FY18. In addition to this, lower operating leverage coupled with one time cost associated with acquisition of Lloyds also added to the cost. As a result, PAT recorded a decline of 17% YoY

To benefit from Seventh Pay Commission, GST

We believe consumer durable companies will be key beneficiaries of the government's key reforms like implementation of GST and pay hike. While the Seventh Pay Commission boosted the disposable income of 1.4 crore government employees, GST will bring down the effective tax rate of the company. Additionally, a reduction of tax arbitrage for the unorganised segment will provide additional benefit to organised players in the long run. Further, the company has created a strong brand in electrical consumer products in India, which was traditionally a low involvement product category. Advertisement expenditure always remained at ~2-3% of net sales to build the brand image and awareness in Tier I, Tier II cities. Appliances have lower penetration in India. Hence, an improvement in power availability, increase in disposable income and shift in focus towards branded category products would help grow the consumer durable segment at CAGR ~58% in FY16-19E.

Recovery in demand in industrial segment to drive growth

HIL's switchgear segment recorded revenue CAGR of ~11% in FY11-17 largely due to new product launch, a gradual shift in branded product categories and sustained demand from rural markets. This has helped Havells increase its market share aggressively from 15% in 2006 to 28% in FY17. The switchgear segment is the most profitable business (~39% contribution margin). We believe a recovery in demand of industrial products led by higher government spending to improve power infrastructure spending would lead switchgear and cable & wire division sales at 12% CAGR each in FY16-19E.

Strong industrial activity, high consumer demand to drive growth

We expect Havells to record revenue, EBITDA CAGR of ~25%, 23%, respectively, in FY16-19E supported by a revival in industrial and consumer products (led by acquisition of Lloyd's CD business). Scalability through acquisition coupled with launch of premium products into domestic market would negate the impact higher commodity prices. Further, strong cash flow from Havells' core business coupled with minimal debt/equity (as large part of acquisition financed through internal accrual) would strongly position the company to negate any short-term hiccups. We maintain our **BUY** recommendation on the stock with a revised target price of ₹ 540 (valuing the company at 36x FY19E earnings).

Rating matrix

Rating	:	Buy
Target	:	₹ 540
Target Period	:	12 months
Potential Upside	:	16%

What's changed?

Target	Changed from ₹ 570 to ₹ 540
EPS FY18E	Changed from ₹ 12.1 to ₹ 11.5
EPS FY19E	Changed from ₹ 15.7 to ₹ 15.0
Rating	Unchanged

Quarterly performance

	Q1FY18	Q1FY17	YoY (%)	Q3FY17	QoQ (%)
Revenue	1,860.5	1,466.8	26.8	1,710.1	8.8
EBITDA	172.4	200.4	-14.0	229.5	-24.9
EBITDA (%)	9.3	13.7	-440bps	13.4	-415bps
PAT	121.4	145.6	-16.6	94.7	28.2

Key financials

₹ Crore	FY16	FY17E	FY18E	FY19E
Net Sales	5,378	6,135	9,088	10,455
EBITDA	754.9	824.2	1,068.3	1,394.1
Net Profit	712.0	539.0	719.7	936.2
EPS (₹)	11.4	8.6	11.5	15.0

Valuation summary

	FY16	FY17E	FY18E	FY19E
P/E	52.6	51.1	40.5	31.1
Target P/E	60.9	59.1	46.8	36.0
EV / EBITDA	36.2	33.2	27.1	20.5
P/BV	11.0	8.9	8.3	6.8
RoNW (%)	21.0	17.4	20.4	21.9
RoCE (%)	26.4	23.0	26.2	28.7

Stock data

Particular	Amount
Market Capitalization (₹ Crore)	23,458.6
Total Debt (FY17) (₹ Crore)	202.6
Cash and Investments (FY17) (₹ Crore)	1,937.5
EV (₹ Crore)	21,723.8
52 week H/L	526 / 303
Equity capital (₹ Crore)	62.4
Face value (₹)	1.0

Price performance

	1M	3M	6M	12M
Havells India	(3.1)	(3.8)	21.0	30.1
Bajaj Electricals	(3.8)	(5.4)	46.7	42.6
Symphony	2.9	(11.2)	10.2	9.2
V-Guard	(2.2)	0.8	42.9	84.5

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Variance analysis

	Q1FY18	Q1FY18E	Q1FY17	YoY (%)	Q4FY17	QoQ (%)	Comments
Revenue	1860.5	1779.7	1466.8	26.8	1710.1	8.8	Topline growth was led by a recovery in demand of cable & wire and consolidation of Lloyd Electrical. However, de-stocking of inventory at dealer's level had hurt performance of switchgear and ECD (excluding Lloyd) during Q1FY18
Other Income	34.8	12.4	30.7	13.4	38.2	-9.0	
Raw Material Exp	926.4	873.1	729.9	26.9	932.0	-0.6	Demonetisation and pending GST transition translated into a delay in transmission of higher material costs. As a result, gross margin declined 660 bps YoY
Employee Exp	161.9	160.7	123.9	30.6	131.2	23.4	Acquisition of Lloyd resulted in higher employee cost
Purchase of Traded goods	270.2	192.1	116.8	131.3	109.5	146.6	
Other expenses	329.7	340.5	295.8	11.5	308.0	7.1	Higher advertisement & promotional expenses was partly offset by lower other expenses during the period
EBITDA	172.4	213.2	200.4	-14.0	229.5	-24.9	
EBITDA Margin (%)	9.3	12.0	13.7	-440 bps	13.4	-415 bps	Decline in margin was due to one time non recurring cost related to Lloyd transaction coupled with higher raw material prices
Depreciation	33.6	30.8	28.0	20.0	30.8	9.1	
Interest	3.4	4.2	1.6	109.9	7.1	-52.1	
PBT	170.2	190.6	202.2	-15.8	156.9	8.5	
Total Tax	48.9	53.4	56.7	-13.8	62.2	-21.5	
PAT	121.4	137.3	145.6	-16.6	94.7	28.2	Lower EBITDA margin translated into decline in PAT
Key Metrics							
Cable	636.3	539.9	533.0	19.4	609.2	4.4	Strong recovery in demand of cable & wire segment drove sales
Switchgear	338.9	332.0	352.9	-4.0	330.9	2.4	De-stocking at dealers level hurt sales of switchgear segment
ECD	625.5	688.1	351.4	78.0	329.6	89.8	Lloyd segment recorded 20% YoY sales growth during Q1FY18. on a LTL basis. Sales of ECD segment remained flat on a YoY basis due to de-stocking of inventory at dealer's level on account of GST
Lighting & Fixtures	205.3	186.4	196.2	4.6	212.1	-3.2	Lighting division sales growth largely driven by execution of EESL orders

Source: Company, ICICIdirect.com Research

Change in estimates

(₹ Crore)	FY18E			FY19E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	9067.0	9088.1	0.2	10454.9	10454.9	(0.0)	We have modelled ~25% CAGR in FY16-19E led by ECD segment due to addition of Lloyd's AC business. We believe switchgear, lighting & consumer durable segment will benefit from GST due to a shift from unorganised to organised segments
EBITDA	1122.2	1068.3	(4.8)	1394.1	1394.1	0.0	
EBITDA Margin %	12.4	11.8	-65bps	13.3	13.3	3bps	We have tweaked EBITDA margin downward for FY18E owing to lower margin in Q1FY18. However, we believe the company would pass on higher raw material prices to customers to maintain its gross margin
PAT	756.4	719.7	(4.9)	982.3	936.2	(4.7)	
EPS (₹)	12.1	11.5	(4.7)	15.7	15.0	(4.4)	

Source: Company, ICICIdirect.com Research

Assumptions

	Current			Earlier		Comments
	FY17E	FY18E	FY19E	FY18E	FY19E	
Cable Growth (%)	8.8	13.4	12.3	13.4	12.3	Price hike (to offset rising raw material prices) coupled with various government initiatives to improve power infrastructure would help drive sales of the cable & wire segment
Switchgear Growth (%)	10.5	12.4	13.8	12.4	13.8	Sales growth would largely be driven by new range of products (to serve the upcoming demand from low cost housing industry)
ECD Growth (%)	22.4	170.0	18.2	170.2	18.0	Implementation of GST (shift in demand from unorganised to organised category) coupled with introduction of new categories such as air conditioners and air purifier would help drive sales, going forward
Lighting & Fixtures (%)	6.3	10.6	14.1	10.6	14.1	The lighting division performance remained lacklustre due to a sharp fall in sales of traditional lighting products. However, shift in focus towards LED luminaries and fixtures coupled with bid for EESL's would help drive the sales of lighting segment in the coming future

Source: Company, ICICIdirect.com Research

Company Analysis

Slight recovery in demand from industrial segment to drive growth

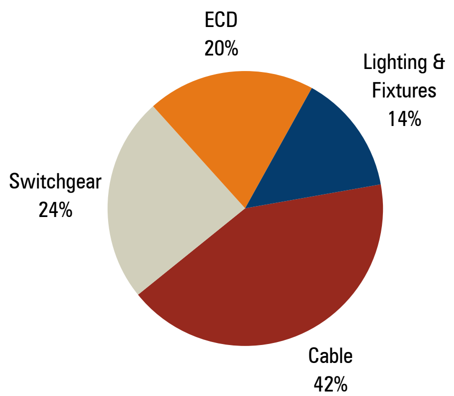
Havells has a leadership position in the domestic switchgear market and increased its market share aggressively from 15% in FY06 to 28% in FY17

Havells India (HIL) is a leading fast moving electrical goods (FMEG) player in the switchgear segment with a presence in three product categories, viz. domestic, modular and LV industrial switchgear. HIL's switchgear segment, largely dominated by the domestic MCB segment, contributes ~24% to standalone revenues. The company recorded revenue CAGR of ~12% in FY11-16 largely due to new product launch, a gradual shift in branded product categories and sustained demand from rural markets. HIL has maintained its leadership position in the domestic switchgear market and had increased its market share aggressively from 15% in 2006 to 28% in FY16. The switchgear segment is the most profitable business (~39% contribution margin). The company's continuous effort to launch premium products (like Euro II switchgears and super premium range of distribution boards) would help Havells keep the margin of the segment at elevated levels.

Cable segment (contributes 39% in standalone sales) have recorded sales growth of ~9% YoY in FY17 after muted sales growth in FY15-16. Though the growth was largely driven by price hike (up to 10%) taken by the industry to set off rising raw material prices during Q3FY17 (copper price was up ~28% during Q3FY17). Industrial Cable demand has shown a sharp recovery in FY17 owing to increase in infrastructure projects by government, industrial capex, power infrastructure in the country. On the other hand, the wire segment continuously recorded strong volume growth supported by demand remaining intact in tier II, III cities.

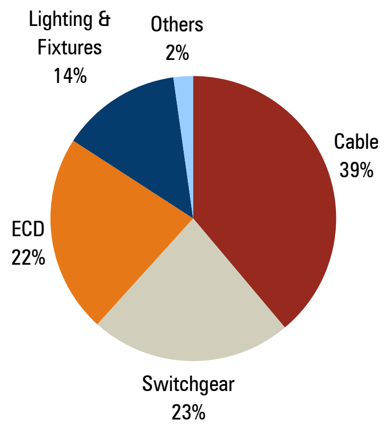
Additionally, we believe a revival of industrial policies (to boost infrastructure) by the central government, capex in power sectors coupled with the government's flagship programmes like "Housing For All" will be key revenue drivers of HIL's cable & wire and switchgear segments. As a result, the cable & wire and switchgear segment is likely to record sales CAGR of ~12% each in FY16-19E, respectively. On the profitability front, margin in the cable and wire segment is expected to remain stagnant as HIL would take a price hike to offset higher raw material prices.

Exhibit 1: Standalone revenue contribution during FY15



Source: Company, ICICIdirect.com Research

Exhibit 2: Revenue contribution improves in ECD segment in FY17



Source: Company, ICICIdirect.com Research

Lighting, consumer durable to get boost from rising disposable incomes

Under discretionary categories, HIL's standalone lighting & fixtures segment recorded revenue CAGR of ~11% in FY11-17 largely supported by the lighting division. The slower sales growth was largely due to presence in the conventional lighting business (like CFL). However, the company has capitalised on the LED lighting technology of Sylvania (before divestment) and launched premium LED lighting products in various countries. Currently, over 75% of revenues from the lighting business come from LED lighting. To strengthen its presence in the higher margin business i.e. street lights and solar solutions, Havells has acquired Bangalore based Promptec Renewable Energy Solutions. Promptec is engaged in marketing & manufacturing LED products including street lighting, office lighting and solar lighting. During FY17, the company also bagged a project worth ₹ 500 crore from EESL and Government of Delhi for solar street lighting solutions. However, the company refrained from bidding for lower margin government orders to maintain the profitability of the business. We believe the lighting & fixture industry will get a boost on the back of growing awareness on using power efficient products (LED) and launch of new products (like colour changing and ambient dual colour products to improve the aesthetics of a home) that would help drive sales and margins of the company, going forward.

Home appliances, relatively a new category for the company, recorded sales CAGR of ~20% in FY11-17. Under the fan segment, the company is the third largest player in terms of market share (~15%) after Crompton Greaves and Orient Fans. To spread its wings in the appliances division by leveraging its existing strong dealer network across the country, HIL launched various home/kitchen appliance products. The company has also introduced a new range of air coolers and lifestyle-based products like air fryers and air purifier, which have a niche market as of now.

Seventh Pay Commission, GST to provide fillip to consumer segment

We believe the impact of demonetisation would be limited to the consumer durable segment and demand would normalise with rising liquidity in the system. Further, in the long term, consumer companies will be beneficiaries of the government's key reforms like implementation of GST and pay hike. In line with the historical trend, implementation of the Seventh Pay Commission (23.5% pay hike) would directly benefit 1.4 crore government employees resulting in inflow of ₹ 1 lakh crore to the system (flow to state government employee would come with a lag effect). This would provide additional disposable income in the hand of customers to spend more on branded products.

Going forward, GST to benefit company in two ways:

We believe the lighting & fixture industry will get a boost on the back of growing awareness on using power efficient products and infra spending while lower penetration of home appliances will help drive the ECD performance

Elimination/reduction of tax arbitrage (including tax evasion) currently enjoyed by unorganised players: as products like air cooler, fans, water heater, mixer grinders have a significant presence of unorganised players, GST would accelerate the shift towards the organised sector considering a reduction in tax arbitrage.

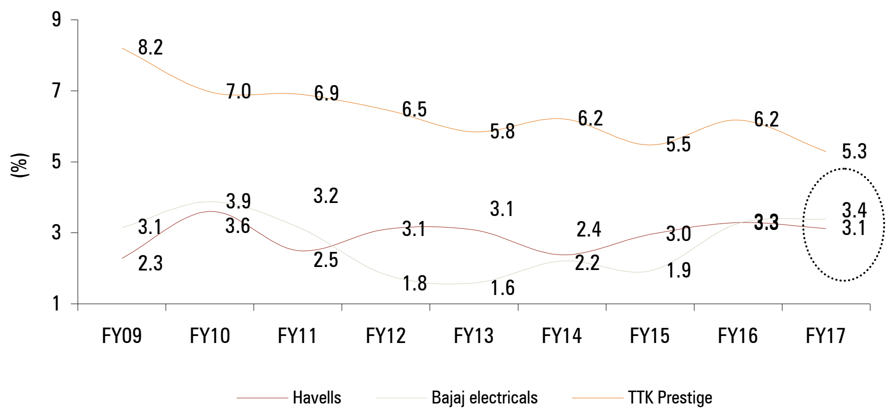
Appliances have a lower penetration in India. Hence, an improvement in power availability, increase in disposable income and shift in focus on branded category products would help grow consumer durable and lighting segment at a CAGR of ~58% and ~10%, respectively, in FY16-19E. The strong sales growth in the ECD segment would be largely driven by addition of LEEL's business.

Consistent brand building through advertisement expenses

The company has created a strong brand in electrical consumer products in India, which was traditionally a low involvement product category. Under its brand building exercise, HIL incurred notable advertisement expense at a CAGR of 11% over the last six years. The advertisement expenditure has always remained at ~3% of net sales to build the brand image and awareness in Tier I and Tier II cities. The higher advertisement expenditure was mainly on the back of HIL's aggressive ad campaigns during international events including the T-20 World Cup and Indian Premier League. We believe the company has built up strong brand equity, which has helped it to move from a dealer push to a consumer pull business model.

HIL's advertisement expenditure always remained at ~3% of net sales to build brand images and awareness in Tier I and Tier II cities

Exhibit 3: Continuous exercise of brand building through advertisement expenses



Source: Company, ICICIdirect.com Research

Synergies in terms of 'scale' but dent margin profile

We believe the acquisition would not only help Havells enter the white goods segment but also get access to Lloyd Electric & Engineering (LEEL's) 10,000 touch points, ~500 service centres across India (largely tier II, III cities). Further, lower penetration, increasing urbanisation, rising aspiration and middle class population are expected to remain key growth drivers for the consumer durables industry. LEEL's strong presence in the AC segment (13% market share) would enable Havells to achieve scalability in the business with its expertise of product positioning as consumer pull rather than dealer push strategy (of LEEL). Though LEEL has a stretched working capital (~45% sales) vs. Havells' lean working capital model, we believe Havells would focus on reducing working capital requirement by achieving scale in the CD business.

Further, Havells' target to increase the margin profile would be challenging as most of LEEL's products are considered mass products. We believe EBITDA margin would be under pressure for the short-term (considering the economic product profile of LEEL with higher advertisement & promotion activity). However, Havells being a strong brand with main focus in domestic market would help launch premium products in the coming future which will drive the margin upward. Havells, over the last five years, has emerged as a strong electrical goods player with sales CAGR of 11% led by 19% CAGR in the ECD segment. Hence, an improvement in power availability, increase in disposable income and shift in focus towards branded category products would help grow the consumer durable segment at CAGR ~58% in FY16-19E.

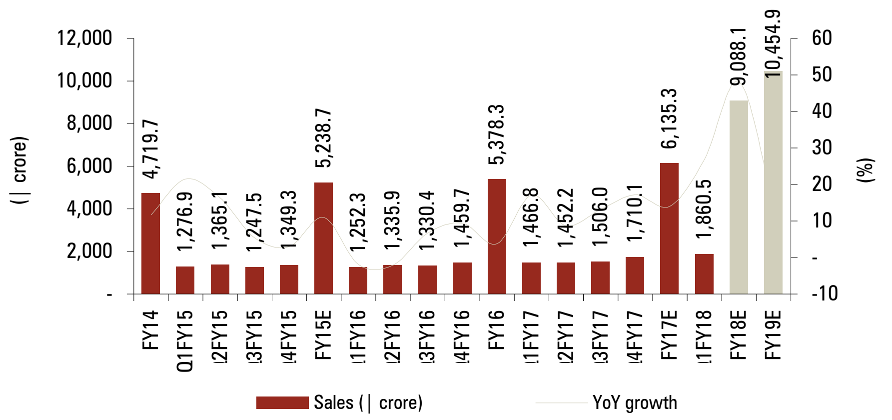
Sales growth driven by strong cable sales growth

Despite de-stocking at dealer's level, Havells managed to record sales growth of 9% YoY (27% YoY growth including Lloyd) in Q1FY18 led by the strong revenue growth of 19% in cable segment. Additionally, lighting segment revenue was up 5% YoY owing to execution of EESL orders. However, primary sales of the switchgear segment remained muted owing to lower demand from dealers. Lloyd's consumer business recorded sales growth of 20% YoY.

HIL recorded standalone revenue CAGR of ~13% in FY11-17 led by the ECD and cable segments, which recorded revenue CAGR of ~20% and ~12%, respectively, in FY11-17. We have modelled standalone revenue CAGR of 25% in FY16-19E led by the ECD (addition of new business of LEEL) considering implementation of Seventh Pay Commission recommendations, GST and expectation of better monsoon.

We have modelled standalone revenue CAGR of 25% in FY16-19E led by the ECD (addition of new business of LEEL) considering implementation of Seventh Pay Commission recommendations, GST and expectation of better monsoon

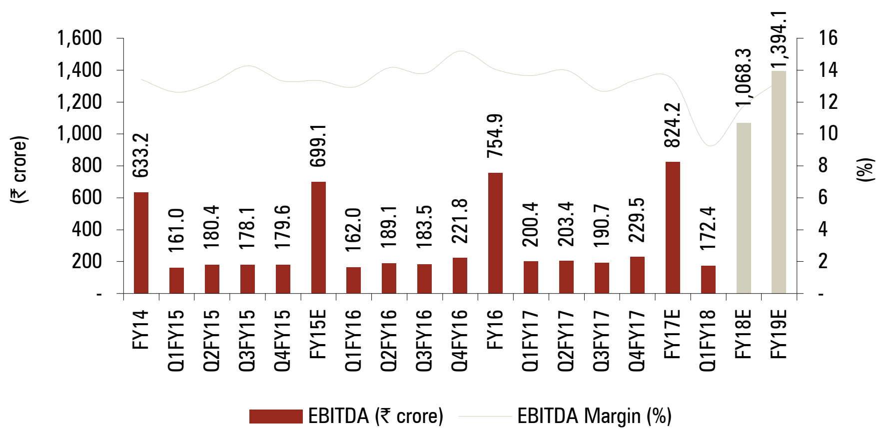
Exhibit 4: Standalone revenue CAGR of 25% in FY16-19E



Source: Company, ICICIdirect.com Research

We believe higher raw material prices and employee cost would be partly offset by price hike, launch of new premium products and higher volume

Exhibit 5: EBITDA margin to inch up owing to price hike and lower discounts

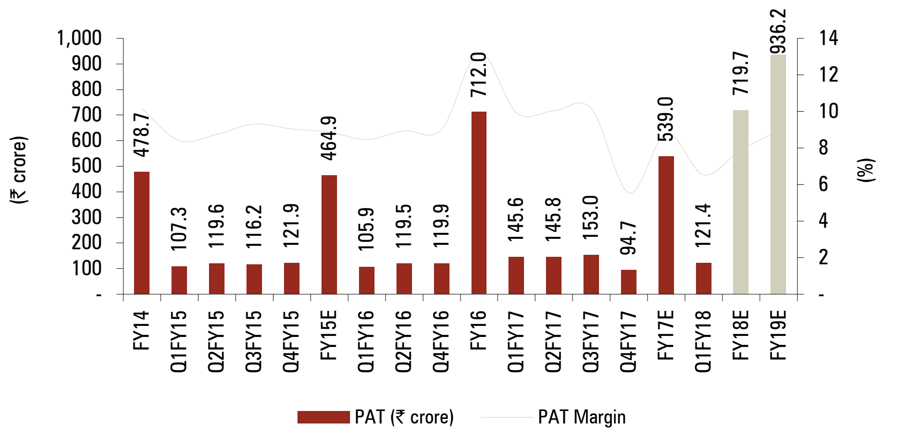


Source: Company, ICICIdirect.com Research

Incremental sales growth to drive PAT at CAGR 10% in FY16-19E

Historically, the company has recorded a PAT CAGR of 14% in FY11-17, led by sales CAGR of 13.5%and expansion in EBITDA margin by ~300 bps during the same period. We believe the company will record PAT CAGR of 10% in FY16-19E supported by addition of new business in the kitty.

Exhibit 6: PAT growth supported by addition of new business



Source: Company, ICICIdirect.com Research

Annual report key takeaways (FY17)…

1. During FY17, Havells acquired Lloyd's consumer durable business with an enterprise value of ₹ 1600 crore and largely financed through internal accrual. The acquisition includes the Lloyd brand, distribution network and manpower of the consumer durable business of Lloyd Electric and Engineering. This acquisition will help Havells participate in a high growth consumer durable segment (white goods) with low penetration levels, increasing urbanisation, aspirational and expanding middle class
2. Apart from Lloyd's acquisition, the company also launched new products under existing portfolio those are: 1) personal grooming 2)air coolers 3) solar solutions, ranging from solar street light solutions, rooftop power generating systems for industries and residential areas
3. LED contributes over 75% to total lighting revenues of Havells. Also, the company bagged projects from EESL and Government of Delhi worth over ₹ 500 crore during FY17
4. Havells commenced production at its first plant outside North India in Guwahati, Assam. The new plant would help strengthen the company's presence into eastern markets
5. In order to enhance focus on domestic markets, Havells completely exited its international operations including transfer of 20% stake in Feilo Malta (erstwhile Havells Malta), divestment of 100% stake in Havells Sylvania (Thailand) to Inesa UK and orderly termination of Jiangsu Havells Sylvania Lighting Company, a joint venture and Havells Sylvania Brasil Illuminacao Ltd's operations. The entire cost, net of gains from sale of 20% stake sale in Feilo Exim Limited (erstwhile Havells Exim Limited) during the year, is ₹ 57.8 crore. The company is expected to receive ~₹ 204 crore from the above planned exit
6. The company launched an array of exciting, contemporary and innovative personal grooming products and aims to capture around 25% market share in the next three years
7. Advertisement and sales promotion expenses were at 3.0% of standalone sales (similar compared to FY16)
8. During FY17, the company added ~1700 dealers, taking the total count to ~7575 dealers across India

Outlook and valuation

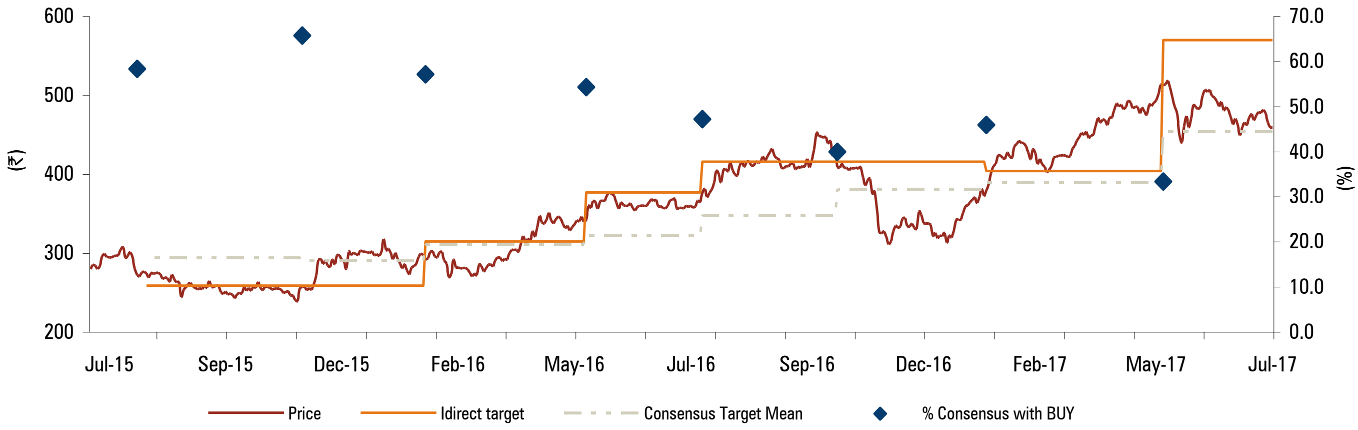
We expect Havells to record revenue, EBITDA CAGR of ~25%, 23%, respectively, in FY16-19E supported by a revival in industrial and consumer products (led by acquisition of Lloyd's CD business). Scalability through acquisition coupled with launch of premium products in the domestic market would negate the impact of higher commodity prices. Further, strong cash flow from Havells' core business coupled with minimal debt/equity (as large part of acquisition financed through internal accrual) would strongly position the company to negate any short-term hiccups. We maintain our **BUY** recommendation on the stock with a revised target price of ₹ 540 (valuing the company at 36x FY19E earnings).

Exhibit 7: Valuation

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY16	5378.3		11.4		40.9	36.2	21.0	26.4
FY17E	6135.3	14.1	8.6	-24.3	54.1	33.2	17.4	23.0
FY18E	9088.1	48.1	11.5	33.5	40.5	27.1	20.4	26.2
FY19E	10454.9	15.0	15.0	30.1	31.1	20.5	21.9	28.7

Source: Company, ICICIdirect.com Research

Recommendation history vs. consensus



Source: Reuters, ICICIdirect.com Research

Key events

Date	Event
Mar-09	Wins export order worth US$200 million from West European countries to supply CFL over five years
Jun-09	Opens new switchgear plant at Baddi in Himachal Pradesh. This boosts overall volume growth by 67% YoY
Sep-10	Announces bonus issue of 1:1
Oct-10	Enters premium range of new generation electric water heater segment
Nov-10	Sylvania reports maiden profit in Q2FY11, for the first time after three years of its acquisition
Dec-10	Announcement on doubling capacity of cable & wire and CFL plant
Jul-11	Announces entry into home and kitchen appliances business
Dec-11	Enters into 50:50 joint venture agreement with Shanghai Yaming Lighting
May-12	Havells Sylvania Europe successfully refinances existing outstanding term loan liability of €77.5 million
Sep-12	Receives one-time fee of US$38 million against settlement of jurisdictional ownership of Sylvania brand with Osram Sylvania Inc and Osram AG
Oct-12	Unveils country's first large-scale state-of-the-art lighting fixture plant in Neemrana, Rajasthan (Incurred ₹ 100 crore for expansion)
Jan-13	Company enters revised trademark license agreement with promoters
Feb-13	Warburg Pincus offloads 5.6% stake in Havells India for ₹ 455 crore
May-13	Launches new range of non modular (REO) switches
Apr-15	Acquires 51% stake in Promptec Renewable Energy Solutions for about ₹ 33 crore to enter the solar energy and LED street lighting segment
Dec-15	Decides to divest its 100% holding in Havells Malta and Havells Exim (largely Sylvania business) to China-based Shanghai Feilo Acoustics Company
Feb-17	Acquires consumer durable (CD) business of Lloyd Electric & Engineering (LEEL) with an enterprise value of ~₹ 1600 crore

Source: Company, ICICIdirect.com Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	QRG Enterprises, Ltd.	31-Mar-17	0.4	258.6	0.0
2	Gupta (Vinod)	31-Mar-17	0.1	39.5	-13.3
3	Nalanda India Equity Fund Ltd.	31-Mar-17	0.1	33.0	0.0
4	Gupta (Surjeet Kumar)	31-Mar-17	0.1	32.7	0.0
5	Gupta (Anil Rai)	31-Mar-17	0.0	30.7	13.3
6	Capital World Investors	31-Mar-17	0.0	19.7	-2.7
7	Norges Bank Investment Management (NBIM)	31-Dec-16	0.0	18.1	-3.7
8	Gupta (Qimat Rai)	31-Mar-17	0.0	13.6	0.0
9	Capital Research Global Investors	31-Mar-17	0.0	11.7	-0.4
10	The Vanguard Group, Inc.	31-May-17	0.0	7.2	0.2

Shareholding Pattern

(in %)	Jun-17	Sep-17	Dec-17	Mar-17	Jun-17
Promoter	61.6	61.6	61.6	61.6	61.6
FII	27.1	26.7	26.2	26.5	26.3
DII	2.8	2.7	2.3	2.4	2.9
Others	8.5	9.0	9.9	9.4	9.2

Source: Reuters, ICICIdirect.com Research

Recent Activity

Investor name	Value(m)	Shares(m)	Investor name	Value(m)	Shares(m)
Gupta (Anil Rai)	95.7	13.3	Gupta (Vinod)	-95.7	-13.3
Caisse de Depot et Placement du Quebec	5.3	1.0	Norges Bank Investment Management (NBIM)	-18.6	-3.7
DSP BlackRock Investment Managers Pvt. Ltd.	5.7	0.8	Capital World Investors	-19.5	-2.7
Mirae Asset Global Investments (India) Pvt. Ltd.	4.3	0.6	Lyxor Asset Management	-6.7	-0.9
Havells Employees Welfare Trust	2.4	0.3	Amundi Hong Kong Limited	-5.5	-0.7

Source: Reuters, ICICIdirect.com Research

Financial summary

Profit and loss statement				₹ Crore
Year End March	FY16	FY17E	FY18E	FY19E
Total Operating Income	5378.3	6135.3	9088.1	10454.9
Growth (%)		14.1	48.1	15.0
Raw Material Expenses	2875.4	3268.7	4889.4	5624.7
Employee Expenses	370.8	500.4	662.9	709.2
Marketing Expenses	178.8	190.6	379.8	448.8
Other expenses	900.3	971.7	1340.4	1452.5
Total Operating Expenditure	4623.4	5311.1	8019.8	9060.7
Operating Profit (EBITDA)	754.9	824.2	1068.3	1394.1
Growth (%)		9.2	29.6	30.5
Other Income	69.4	120.5	83.5	87.5
Interest	12.7	12.2	17.4	20.2
Depreciation	104.9	119.6	131.8	148.5
Less: Exceptional Items	-202.4	44.1	0.0	0.0
PBT	909.0	768.8	1002.5	1312.9
Total Tax	197.0	229.8	282.8	376.7
PAT	712.0	539.0	719.7	936.2
Minority Interest	0.0	0.0	0.0	0.0
PAT before MI	712.0	539.0	719.7	936.2
Growth (%)	59.5	-24.3	33.5	30.1
EPS (₹)	11.4	8.6	11.5	15.0

Source: Company, ICICIdirect.com Research, FY17E As per Ind AS

Cash flow statement				₹ Crore
(Year-end March)	FY16	FY17E	FY18E	FY19E
Profit after Tax	712.0	539.0	719.7	936.2
Depreciation	104.9	119.6	131.8	148.5
CF before working cap changes	829.7	670.8	868.9	1104.9
Net Increase in Current Assets	-149.2	-219.1	-762.8	-439.8
Net Increase in Current Liabilities	84.8	98.6	723.4	105.7
CF from operating activities	765.3	550.3	829.5	770.9
(Purchase)/Sale of Liquid Investmen	551.5	-922.3	1282.6	-50.0
Others	-718.4	594.4	-1532.6	-200.0
(Purchase)/Sale of Fixed Assets	-167.0	-327.9	-250.0	-250.0
CF from Investing Activities	564.6	-1629.0	-567.4	-350.0
Proceeds from issues of Equity Shai	0.0	0.0	0.0	0.0
Inc / (Dec) in Loan Funds	-39.0	198.5	50.0	1.0
Others	-459.6	81.4	-485.6	-205.9
CF from Financing Activities	-498.6	279.9	-435.6	-204.9
Net Cash flow	831.3	-798.7	-173.6	216.0
Opening Cash	522.4	1353.7	554.9	381.4
Closing Cash	1353.7	554.9	381.4	597.4

Source: Company, ICICIdirect.com Research, FY17E As per Ind AS

Balance sheet				₹ Crore
(Year-end March)	FY16	FY17E	FY18E	FY19E
Equity Capital	62.5	62.5	62.5	62.5
Reserve and Surplus	2578.5	3211.1	3462.6	4213.2
Total Shareholders funds	2641.0	3273.6	3525.1	4275.7
Total Debt	4.1	202.6	252.6	253.6
Deferred Tax Liability	74.9	113.8	113.8	113.8
Total Liabilities	2720.0	3589.9	3891.4	4643.0
Assets				
Total Gross Block	1494.2	1832.4	2082.4	2332.4
Less Total Accumulated Depre	447.0	566.6	698.4	846.9
Net Block	1047.2	1265.8	1384.0	1485.5
Capital WIP	22.1	11.9	11.9	11.9
Total Fixed Assets	1069.4	1277.7	1395.9	1497.4
Goodwill on cons			1600.0	1600.0
Investment	460.27	1382.57	100	150
Inventory	784.4	928.4	1375.3	1718.6
Debtors	157.6	228.5	498.0	572.9
Other Current Assets	35.9	96.7	143.2	164.7
Cash	1353.7	554.9	381.4	597.4
Total Current Assets	2388.1	1808.5	2397.8	3053.6
Total Current Liabilities	1271.4	1370.0	2093.4	2199.2
Net Current Assets	1116.7	438.5	304.3	854.4
Total Assets	2720.0	3589.9	3891.4	4643.0

Source: Company, ICICIdirect.com Research, FY17E As per Ind AS

Key ratios				
(Year-end March)	FY16	FY17E	FY18E	FY19E
Per Share Data				
Reported EPS	11.4	8.6	11.5	15.0
Cash EPS	13.1	10.6	13.6	17.4
BV per share	42.3	52.5	56.5	68.5
DPS	7.2	4.2	1.8	3.0
Operating Ratios (%)				
EBITDA Margin (%)	14.0	13.4	11.8	13.3
PAT Margin (%)	10.3	9.3	7.9	9.0
Asset Turnover	2.0	1.7	2.3	2.3
Debtors Turnover	10.7	13.6	20.0	20.0
Creditor Turnover	29.6	37.5	40.0	40.0
Return Ratios (%)				
RoE	21.0	17.4	20.4	21.9
RoCE	26.4	23.0	26.2	28.7
RoIC	52.0	31.2	34.6	39.9
Valuation Ratios				
EV / EBITDA	36.2	33.2	27.1	20.5
P/E	40.9	54.1	40.5	31.1
EV / Net Sales	5.1	4.5	3.2	2.7
EV / Net Sales	5.1	4.5	3.2	2.7
Market Cap / Sales	5.4	4.7	3.2	2.8
Price to Book Value	11.0	8.9	8.3	6.8
Solvency Ratios				
Debt / Equity	0.0	0.1	0.1	0.1
Current Ratio	1.2	1.7	1.7	1.8
Quick Ratio	0.3	0.4	0.5	0.5

Source: Company, ICICIdirect.com Research, FY17E As per Ind AS

ICICIdirect.com coverage universe (Consumer Discretionery)

Sector / Company	CMP (₹)	TP(₹)	Rating	M Cap (₹ Cr)	EPS (₹) FY17E	FY18E	FY19E	P/E (x) FY17E	FY18E	FY19E	EV/EBITDA (x) FY17E	FY18E	FY19E	RoCE (%) FY17E	FY18E	FY19E	RoE (%) FY17E	FY18E	FY19E
Asian Paints (ASIPAI)	1,159	1,204	Hold	111,171	21.0	23.4	27.4	55.1	49.5	42.3	36.3	33.8	28.3	33.2	30.6	31.2	26.5	25.8	26.1
Bajaj Electricals (BAJELE)	333	380	Buy	3,322	10.8	15.2	19.3	30.9	21.9	17.3	15.4	12.4	10.3	16.7	20.3	22.8	12.4	16.0	17.3
Havells India (HAVIND)	467	540	Buy	29,136	8.6	11.5	15.0	54.1	40.5	31.1	33.2	27.1	20.5	23.0	26.2	28.7	17.4	20.4	21.9
Kansai Nerolac (KANNER)	451	417	Buy	24,305	9.4	9.4	10.8	48.0	47.9	41.9	33.2	33.5	28.9	26.2	25.2	25.9	18.0	17.5	17.9
Pidilite Industries (PIDIND)	797	827	Buy	40,857	16.8	18.2	21.2	47.3	43.7	37.6	31.3	29.1	25.0	33.0	32.5	33.0	24.9	24.6	24.9
Essel Propack (ESSPRO)	250	270	Hold	3,927	12.5	14.1	16.8	20.1	17.7	14.9	10.7	9.2	7.9	17.6	17.7	19.2	17.4	15.3	16.0
Supreme Indus (SUPIND)	1,145	1,285	Buy	14,545	33.7	36.6	43.7	34.0	31.3	26.2	19.3	17.1	14.5	30.0	32.6	35.1	25.3	26.5	27.7
Symphony (SYMLIM)	1,320	1,623	Buy	9,234	23.7	33.4	42.1	55.8	39.6	31.3	45.7	31.0	24.2	48.4	50.6	56.2	36.1	38.3	42.3
V-Guard Ind (VGUARD)	181	165	Hold	7,686	3.6	4.0	4.8	50.6	45.3	37.4	35.3	32.0	26.1	32.3	31.2	31.1	23.8	23.8	23.7
Voltas Ltd (VOLTAS)	493	525	Buy	16,305	15.5	18.6	21.9	31.9	26.5	22.5	27.5	22.1	18.6	21.5	26.2	26.5	15.5	19.0	19.2

Source: Company, ICICIdirect.com Research

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