

Havells India

Takeaways from call recently hosted by HDFC Securities Institutional team

Current state of business:

- Business has normalised currently, post washout in April and sub-normal business in May. Demand at consumer level is being witnessed across categories.
- Management is not witnessing any down-trading in different product categories; hence, don't foresee major risk to realizations.
- Recovery has been swifter in rural India. Tier 1 and 2 cities are still not doing well in terms of demand as key distribution centres in metros are not fully functional due to local regulations. Havells is at marginal disadvantage due to comparatively lower presence in rural markets.
- Industrial demand has not picked up yet. However, some green shoots are visible in the form of government orders.
- Capacity utilisation of plants has reached normalised levels. Company has sorted out labour issues.

Channel inventory and current status:

- Company could not stock up inventory at channel level during March due to COVID-19, so channel inventory is at normalized level. However, this helped company to cater to pent-up demand post lockdown relaxation. Currently, channel itself is only stocking products where primary demand at consumer level is being witnessed.
- As of now, there is no pressure from channel for improved trade terms.

Impact on A.C.:

- Summer-2020 was fairly strong. But COVID-19 impacted RAC sales. However, 1QFY20 was a lean quarter for RACs, therefore, YOY impact will not be significant.

New product/platform launches:

- Company is planning to launch refrigerator. The launch has got delayed due to COVID-19.
- Management has launched O2O platform (Online to Offline) in midst of COVID-19 outbreak during May to compete better with online channel. In the past, Havells had strategically taken a call not to push Lloyd RACs on online platform due to higher discounting practices. Management believes current O2O platform is a win-win situation for customers (getting similar service like online/modern format) and management can reduce the extent of price erosion.

COVID-19 fallout and cost cutting measures:

- Bigger players are expected to gain market share as smaller/unorganized players are struggling due to supply chain disruptions.
- Management is evaluating to tilt marketing spend more towards digital medium rather than TV and newspaper advertisements in order to reduce A&P spend.

View:

- Our analyst Naveen Trivedi believes, once normalcy resumes Havells will bounce back quickly due to superior execution skills, large portfolio and strong balance sheet. Maintain ADD rating. [Link to his recent update on Havells](#)

Havells India

CMP	Rs 579
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KEY STOCK DATA

Bloomberg code	HAVL IN
No. of Shares (mn)	626
MCap (Rs bn) / (\$ mn)	362/4,793
6m avg traded value (Rs mn)	1,350
52 Week high / low	Rs 799/447

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	13.1	(10.6)	(26.5)
Relative (%)	(4.1)	5.3	(15.2)

SHAREHOLDING PATTERN (%)

	Dec-19	Mar-20
Promoters	59.52	59.52
FIs & Local MFs	6.07	8.5
FPIs	25.88	23.04
Public & Others	8.53	8.94
Pledged Shares	-	-

Source : BSE

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Yearly P&L Summary

In crores of Rupees	FY 20	FY 19*	Change %
Net Revenue	9,429	10,068	(6%)
Contribution as a % to NR	2,131 22.6%	2,387 23.7%	(11%)
Add: Depreciation / Amortization	218	149	
Less: Advertisement and Sales Promotion as a % to NR	321 3.4%	384 3.8%	(16%)
Less: Other SG&A as a % to NR	1,001 10.6%	969 9.6%	3%
EBIDTA as a % to NR	1,027 10.9%	1,183 11.8%	(13%)
Depreciation / Amortization	218	149	
Interest Expense	19	16	
Foreign Exchange (gain)/loss	(20)	(23)	
Add: Interest and Other Income	92	105	
Profit before tax as a % to NR	902 9.6%	1,146 11.4%	(21%)
Tax	169	359	
Net Profit as a % to NR	733 7.8%	787 7.8%	(7%)
Other Comprehensive Income/(Expense)	(4)	(4)	
Total Comprehensive Income	729	783	

Source : Company

Business wise yearly net revenue

In crores of rupees	FY20	FY19	Change (%)
Switchgears*	1,498	1,578	(5%)
Cables	2,994	3,235	(7%)
Lighting & Fixtures	1,090	1,200	(9%)
Electrical Cons. Durables*	2,216	2,096	6%
Others	41	103	--
Sub Total	7,839	8,212	(5%)
Lloyd	1,590	1,856	(14%)
Total	9,429	10,068	(6%)

Source : Company

Standalone Balance Sheet

In crores of Rs.	As at March 20 Audited	As at March 19 Audited
ASSETS		
Fixed Assets (incl. Intangibles)	3,436	3,136
Other long-term assets	158	170
Current assets		
Inventories	1,872	1,919
Trade receivables	241	407
Other current assets	<u>214</u>	<u>188</u>
	2,327	2,514
Cash and cash equivalents	1,107	1,268
Assets held for sale	20	18
Total Assets	<u>7,048</u>	<u>7,126</u>
EQUITY AND LIABILITIES		
Equity share capital	63	63
Reserves and Surplus	<u>4,242</u>	<u>4,129</u>
Equity	4,305	4,192
Non-current liabilities		
Borrowings	-	41
Other non-current liabilities	148	54
Deferred tax liabilities	287	317
Current liabilities		
Other current liabilities	331	352
Trade payables	1,414	1,560
Other financial liabilities	<u>563</u>	<u>610</u>
	2,308	2,522
Total Equity and Liabilities	<u>7,048</u>	<u>7,126</u>

Source : Company

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