

Initiating Coverage
March 31, 2011

Havell's India Ltd.



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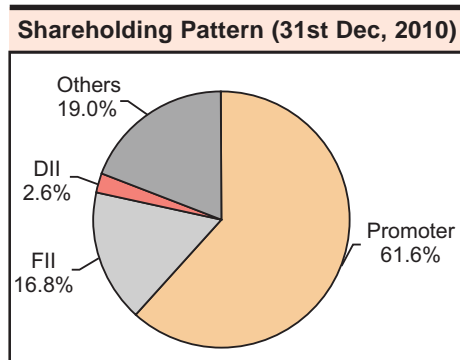
Havell's India Ltd.

Illuminating...

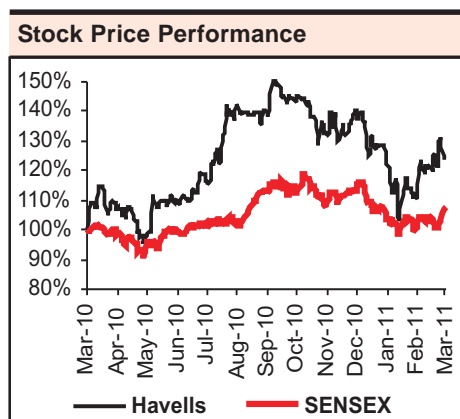
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Key Stock Data	
Sector	Capital Goods - Electrical Equip.
CMP	₹371.15
52-wk High / Low	₹446 / 264
Market Cap	₹46.23bn (\$1034mn)
Avg 6m daily vol.	52168
BSE Sensex	19445
Reco	'Buy'
TP	₹427

Stock Codes	
Bloomberg Code	HAVL IN
Reuters Code	HVEL.BO
BSE Code	517354
NSE Code	HAVELLS
Face Value	₹5per share



Price Performance (%)			
1 Mth	3 Mths	6 Mths	1 Yr
15.2%	-7.56%	-9.2%	24.0%



Havell's India Ltd. (HIL), promoted by Qimat Rai Gupta incorporated in 1971 operates in various verticals of electrical equipment segment in India. HIL has manufactured wide range of products such as Building Circuit Protection, Industrial & Domestic Switchgear, Cables & Wires, Energy Meters, Fans, Compact Fluorescent Lamps (CFL) Lamps, Luminaries for Domestic, Commercial & Industrial applications and Modular switches. HIL has adopted inorganic growth by successful acquisition of Sylvania (2007) and Standard Electricals (2009). HIL enjoys a leading position in the electrical consumer market with the large product basket, strong brand name and wide spread distribution network. We expect, HIL to demonstrate a revenue and PAT CAGR of 12% & 74% respectively during FY10-13E.

- **Enhanced consumer product portfolio:** HIL is banking on huge electrical consumer durable market worth ₹200bn in India. HIL has recently launched water storage heater and plans to foray in to domestic Air conditioner market worth ~ ₹45bn. HIL has substantial presence in domestic Fan and CFL industry with market share of 13% and 10% respectively. We believe HIL is contemplating on domestic consumption driven by favorable demographics, improved lifestyle with rapid urbanization in India.
- **Strong Marketing & Domestic Distribution Network with global presence:** HIL has a pan India presence with more than 4300 authorized dealers and 25,000 retail outlets with Predominant presence in northern (34%) and southern (28%) part of India. HIL aims to increase "Havell's Galaxies" to 200 from 80 by FY12. HIL has global presence with 20000 strong distribution networks.
- **Rapid turnaround progress in Sylvania:** Faster than expected improved performance from Sylvania during last quarter emerges as a strong key driver in HIL growth. Sylvania's operating profit margin has improved to 5.3% due to higher sales, restructuring effect and operational efficiencies. We estimate Sylvania to grow at 6% with EBDITA margin of 7-8%
- **Premium Market Positioning:** HIL enjoys premium brand value and has an excellent track record of more than two decades in Indian consumer market. HIL

(continued...)

Key Financials

(₹Cr)

Particulars	FY09	FY10	FY11E	FY12E	FY13E
Net Sales	5477.50	5431.53	5975.56	6694.82	7585.95
Growth	9.5%	-0.8%	10.0%	12.0%	12.0%
PAT	-160.12	68.98	248.44	330.88	365.61
Growth	-199.4%	143.1%	260.2%	33.2%	33.2%
EBDITA Margin	1.5%	6.1%	9.0%	10.0%	10.0%
EPS (₹)	-	5.53	19.77	26.03	29.32
Book Value (₹)	49.30	32.10	47.40	67.80	87.34
P/E	-	67.1	18.78	14.26	12.66
P/BV	7.53	11.56	7.85	5.51	4.25
EV/EBIDTA	68.68	16.66	9.94	7.78	6.52
ROE	-26.1%	17.2%	42.0%	39.1%	33.6%
ROCE	-0.5%	17.0%	27.2%	30.4%	29.7%

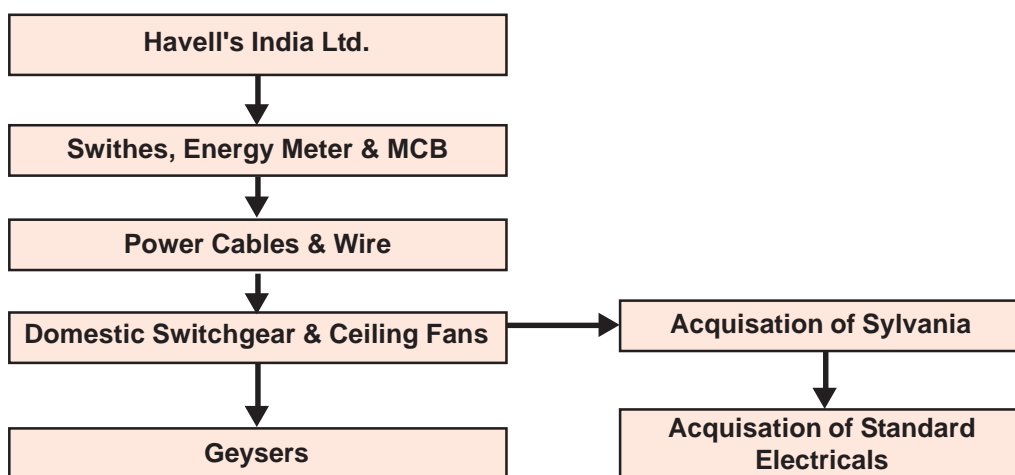
E - Keynote Capitals Institutional Research Estimates

is also planning to educate customers about quality of product by way of plant visit and other allied activities.

- **Valuation:** At CMP of ₹371.15, the stock trades at EV/EBDITA of 7.78x of FY12E and 6.52x of FY13E respectively. Cumulating HIL's strong distribution web, premium positioning, global reach and innovation we assign a 'buy' rating with a target price of ₹427/- per share based on DCF valuation.

Company Overview

Havells India is a leading player in the Power and Consumer Electrical goods industry in India which is at growth stage. It has adopted unique blend of organic and inorganic route to expand its products and geographical coverage. Over the years, it acquired companies like Electrical Control & Switchboard in 1997 and Standard Electricals in 2010. In April 2007, after acquiring Sylvania, a strong European brand, the company has set its marks in the beneficial European and Latin American markets. We believe strong thrust to grow in highly competitive market & accrediting as a global player, expected turnaround of Sylvania and possible entry into newer segments in India will drive Havells' growth in another couple of years.



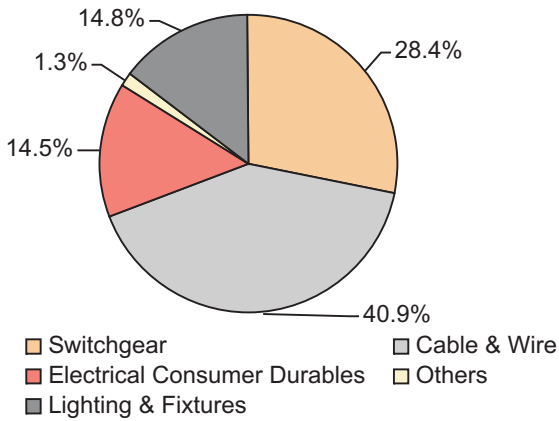
HIL's plants are located at Delhi, Faridabad in Haryana, Alwar and Neemrana in Rajasthan, Haridwar in Uttarakhand, and Baddi in Himachal Pradesh. They are having their Centre for Research & Innovation at Noida in Uttar Pradesh which was started in the year 2007.

Business mix:

Havells offers a remarkable mix of consumer and industrial electrical products in India. It has a diversified product portfolio, with market leadership in the highly profitable low and medium voltage switchgear industry. Switchgear, which accounts for 49% of its EBIT, is its most profitable segment. It also has cables and wires in its product portfolio, which provide significant volume growth. It is also looking at aggressively expanding its consumer durables portfolio beyond its highly successful Fans and is envisaged to be direct beneficiary of the consumption pattern in India due to its strong brand equity and nationwide distribution network.

Chart 1

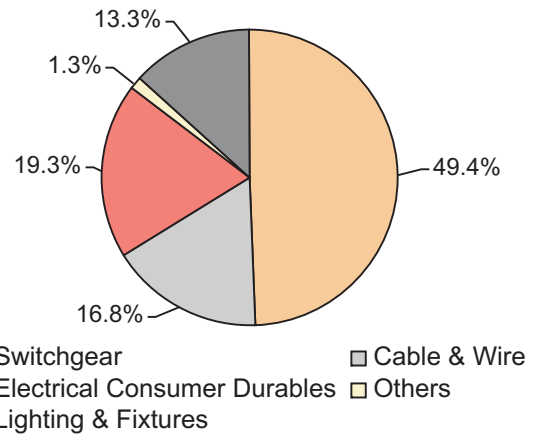
Revenue Mix Standalone FY10



Source: Company & Keynote Capitals Institutional Research

Chart 2

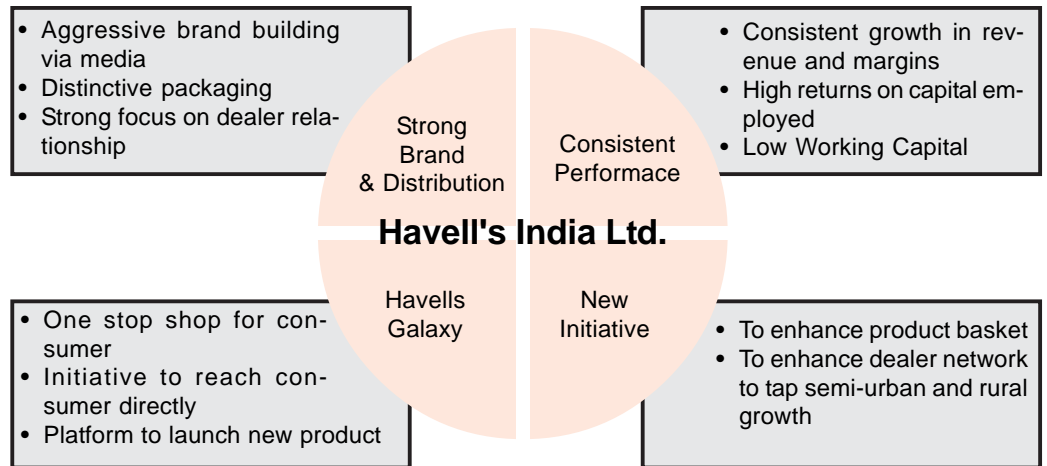
EBIT Mix Standalone FY10



Source: Company & Keynote Capitals Institutional Research

Investment Rationale

Attractive Business Model: HIL has adopted strategy of treating each business division based on product requirement. The company is aiming for top three brands as a result, adopting conservative approach while introducing new product in the market. HIL has envisaged manufacturing as well as outsourcing in its business model to ensure sustainability & profitability of product. HIL is more focused on creating brand value and channel network.



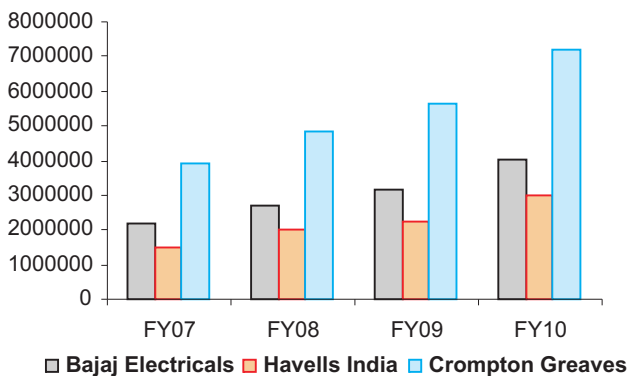
Source: Company Presentation

HIL's revenue model is concentrating more on power ancillary sector and consumer durable industry in India. HIL has unique blend of organic and inorganic route for sustained long term growth by acquiring global as well as domestic company. We believe that the companies has strong thrust to grow in highly competitive market and accrediting as a global player.

Competitive Strategy: HIL exhibits in the segment where entry barrier is very high. For instance in switchgear, the company manufacture quality product at appropriate price with reasonable volumes. In Fans segment, HIL has established as a national player competing with Crompton Greaves & Bajaj Electricals during last two decades. HIL is leveraging on its in-house manufacturing capabilities in conjunction with its brand name and strong distribution channel. HIL has branded product in the market at competitive price making, a win-win situation for the company as well as customer.

Chart 3

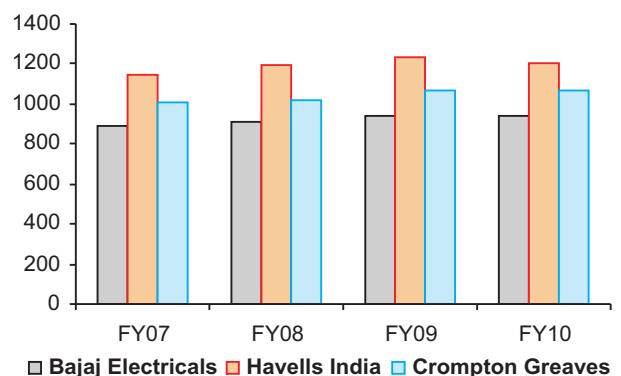
Fans Qty Sales



Source: Company & Keynote Capitals Institutional Research

Chart 4

Sales Relisation per Unit



Source: Company & Keynote Capitals Institutional Research

Paradigm Shift towards branded Products: HIL has undertaken initiatives to educate customer regarding quality of products by arranging plants visit so as to familiarize them with manufacturing processes. De-licensing, reduction in excise duty and tax rationalization would augur well for organized players and big manufacturer. Increase in per capita income, affordability, marginal price difference between branded & un-branded products has motivated customers to buy branded products. Organized consumer durable market has registered a growth of 25-30% as against overall market growth of 15-18% including unorganized segment.

New product launched to foster market share: HIL has recently forayed in to geyser market worth ₹9bn garnering positive response with ₹16cr within first three months of product launch. Going forward, HIL has plans to enter AC market worth ₹45bn to unlock huge potential growth in the segment. HIL has assertive perspective while venturing in to electric consumer durable market on account of (i) Increase in purchasing power of Indian middle class and rapid urbanization (ii) Higher volume growth on account of shift in sales of unorganized market to organize market due to product price reduction and tax reforms (iii) Opportunities in Construction and housing industry (iv) Change in lifestyle and better living standards will improve replacement demand in Metros.

Chart 5

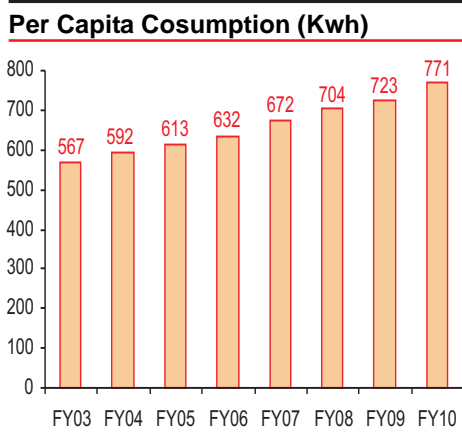


Chart 6

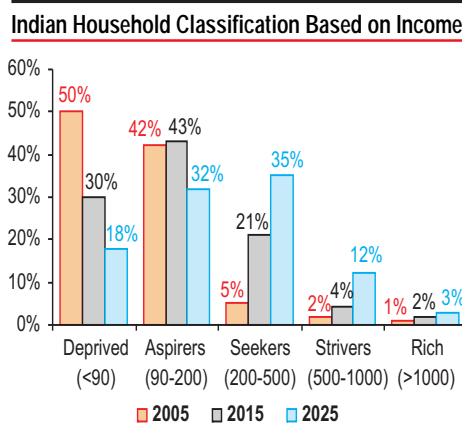
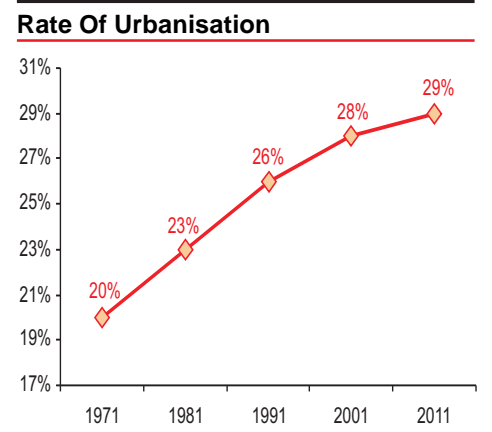


Chart 7



E- Keynote Capitals Institutional

Marketing & Distribution Network to accelerate penetration: HIL has a pan India presence with 4,300 dealers network with 25,000 retailers. HIL derives 90% of its business through distribution channel signifies pivotal role of retail dealer in its business model. HIL has direct presence in metros & major towns increasing direct presence in tier II/III cities and rural areas. HIL has embraced aggressive brand building strategy via distinctive packaging, advertisements during IPL 1,2,3 with punch line " Shock Laga Kya?" and Wire that don't catch fire. India's first electrical store in electrical Industry-Havells Galaxy to boost direct customer reach, at present has 80 outlet which is expected to reach 200 in FY12. As compared with peers HIL has highest expenditure allocated towards promotion and brand building exercise.

Chart 8

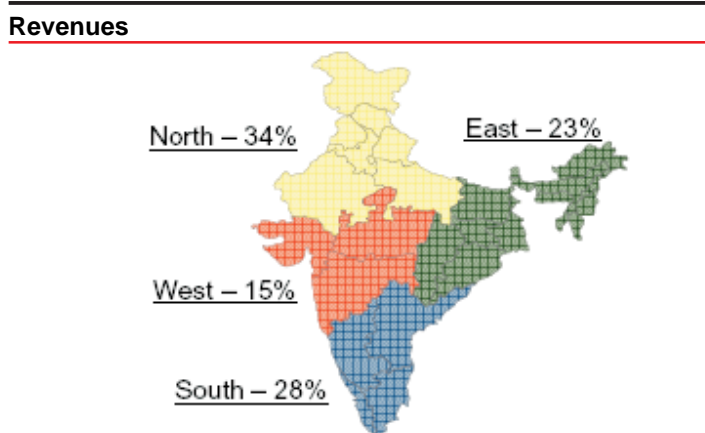
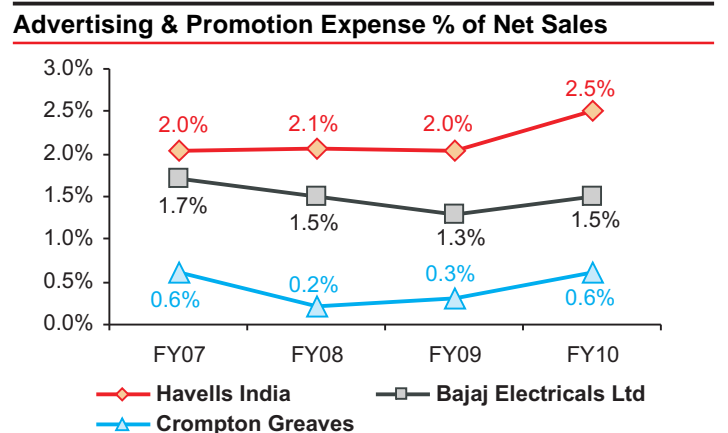


Chart 9



Source: Company & Keynote Capitals Institutional Research

Source: Company & Keynote Capitals Institutional Research

Stimulate traction from domestic consumer durable market: HIL has premium positioning in Indian Consumer durable market especially in Fans & Geysers. HIL has market share of 13% in domestic fans market worth ₹30bn behind Crompton Greaves (24%), Bajaj Electricals (17%), and Orient & Usha (16.5%). We estimate HIL Fans segment to witness volume CAGR growth of 25% during FY10-13 as against 22% during FY08-10. Electrical consumer market is expected to grow at 15-18% during FY11-12 to augur well for HIL as it enjoys premium positioning in the fan segment with highest margin compared to its peer. We believe going forward HIL consumer durable business to demonstrate CAGR growth of 32% during FY10-13 with sustained margin of 25%.

Chart 10

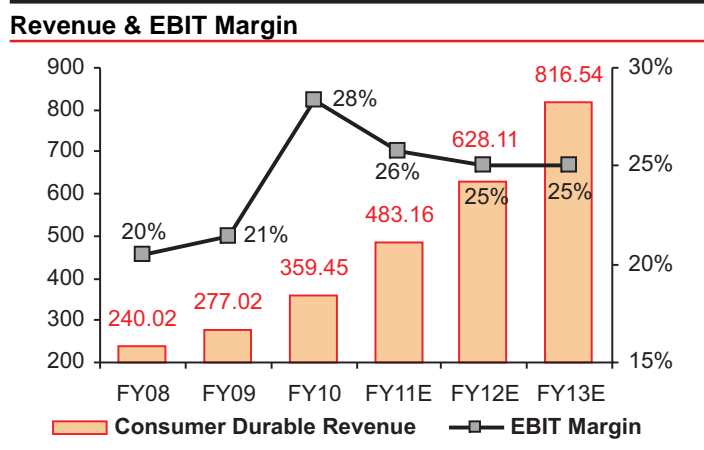
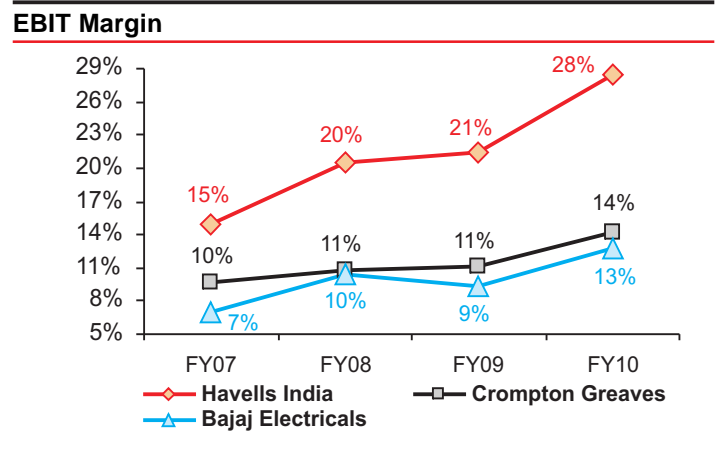


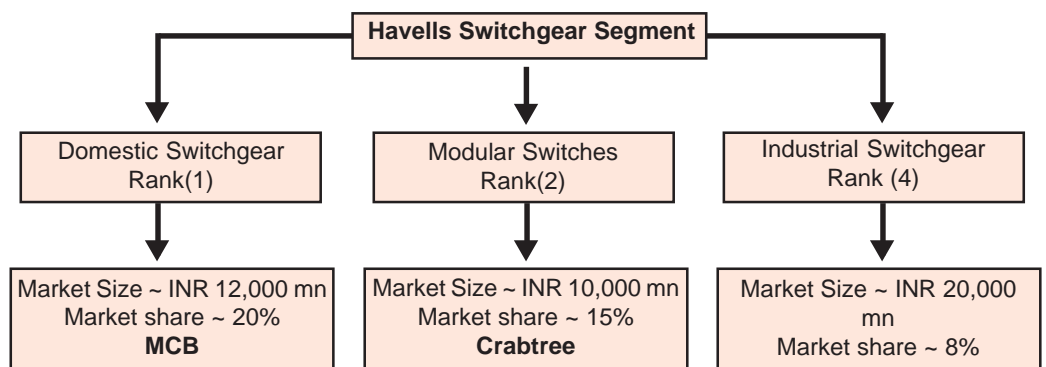
Chart 11



E- Keynote Capitals Institutional Research Estimates

Source: Company & Keynote Capitals Institutional Research

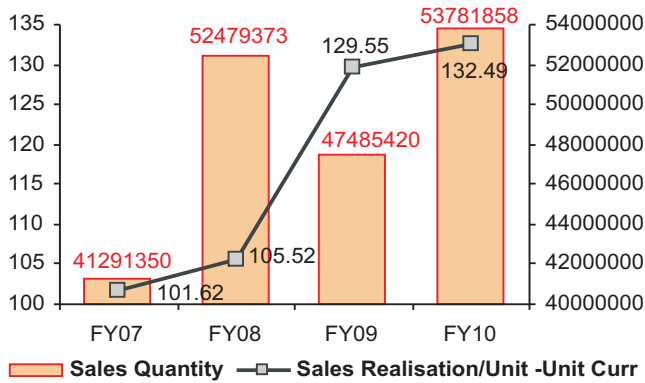
Power Reforms to act as Catalyst for Switchgear Market: HIL Switchgear segment has demonstrated CAGR of 20% during FY08-10 with sustained EBIT margin of 35-36%. Demand-supply gap caused by rapid economic growth, poor financial health of the State Electricity Boards (SEBs) due to huge transmission and distribution (T&D) losses around 28%-35% of the generation capacity, Government Funding and Power Capacity has created opportunity for switchgear manufacturers. Havells Switchgear is the largest manufacturer of MCBs (Mini Circuit Breaker) in the country and amongst the top 10 in the world. HIL has wide range of products under Switchgear include: MCB, RCCB, RCBO, ACCL, and Switches & Sockets.



Re-launching in UK Switchgear market: HIL has plans to enter UK switchgear market directly without any OEM contract which had expired last year. HIL is leveraging on Sylvania brand and its channel network to push product as last contract with OEM has expired. During Q3 FY11 domestic switchgear sales has increased to ₹685cr as against ₹538cr on y-o-y basis whereas exports sales has de-grew to ₹36cr from ₹52cr during corresponding period last year.

Chart 12

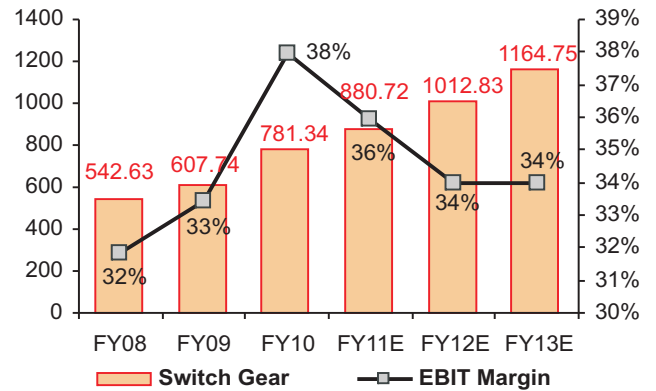
Switchgear



Source: Company & Keynote Capitals Institutional Research

Chart 13

Switchgear Revenue & EBIT



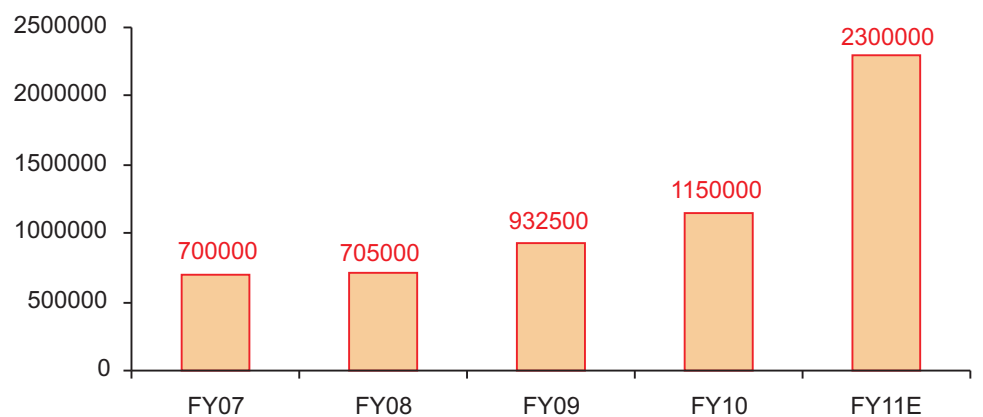
E- Keynote Capitals Institutional Research Estimates

Going forward we expect switchgear segment of HIL to demonstrate CAGR of 14% with sustained margin of 35% during FY10-13. HIL synergy with Sylvania to augur well for its export business in international switchgear market.

HIL doubles its Cable and Wire Manufacturing Capacity: HIL has doubled the manufacturing capacity of its cable & wire segment at Alwar plant in Rajasthan from 1200 crore per annum to 2400 crore per annum. Havells has invested around ₹120 crore to modernize and expand the capacity of the plant. HIL has expanded the whole range of LT, HT and EHV cables, which has been upgraded from 33 KV grade to 132 KV grade. HIL manufactures a complete range of low- and high-voltage PVC and XLPE cables, besides domestic FR/FRLS wires, co-axial TV and telephone cables. Post Expansion, the company has increased the capacities of varied product lines as production of LT cable has increased by 92%, HT cable by 42%, production of control cable has been doubled, coils of flexible cable increased by 150% and Compounds by 67%.

Chart 14

Installed Capacity Km

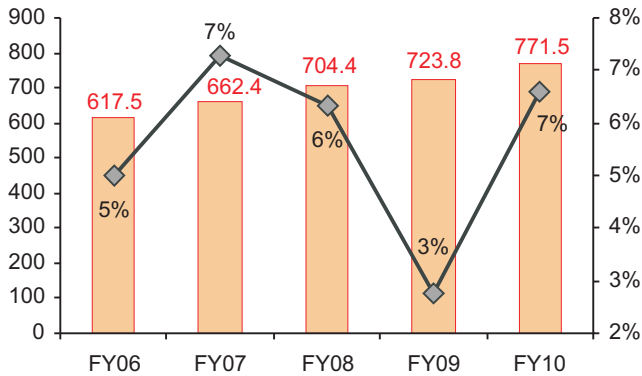


Source: Company & Keynote Capitals Institutional Research

Government of India plans investment of ₹2056bn in infrastructure and ₹6,59bn in power sector during XIth Five Year Plan. The government has undertaken Accelerated Power Development & Reform Programmed (APDRP) for the strengthening of Sub - Transmission and Distribution network and reduction in AT&C losses. It will provide ample opportunities for HIL transmission business.

Chart 15

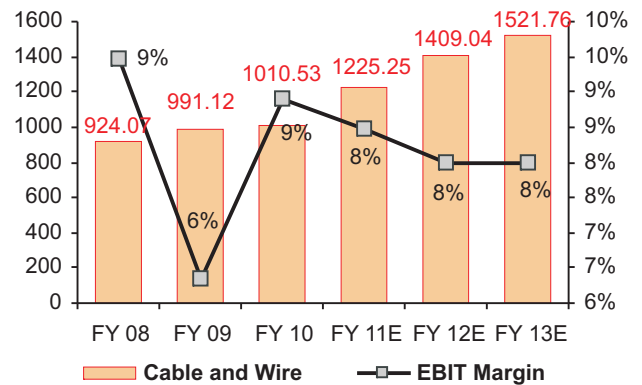
Power Generation Per Unit (BU)



Source: Company & Keynote Capitals Institutional Research

Chart 16

Cable & Wire Revenue & EBIT Margin



E- Keynote Capitals Institutional Research Estimates

Favorable Government policy on energy conservation to provide growth impetus for CFL

HIL is estimated standalone growth of 13.6% during FY10-12 with sustained margin. HIL has ranked no 2 with 10% market share in CFL market worth ₹1200cr which is estimated to grow at 20% per annum. The size of the CFL market currently pegged at 230 million units is expected to exceed 400 million units by the year 2014 on account of Government initiatives such as Bachat lamp Yojna where objective is to sell CFL's at price of normal GLS bulb under the mechanism of the Kyoto protocol. Havells has plans to invest ₹120 crore to double its compact fluorescent lamps (CFL) capacity in two years.

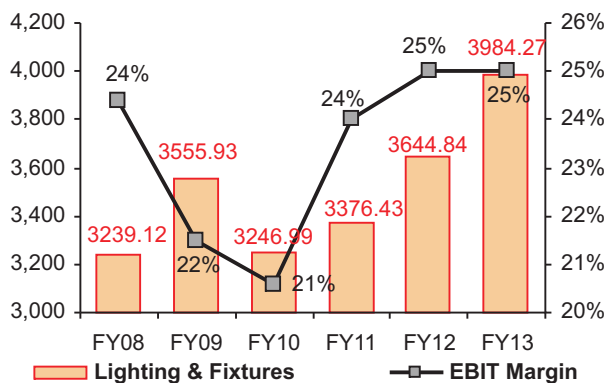
Category in crs	2005	2006	2007	2008	2009
GLS Lamps	600	690	725	690	718
FTL	1100	1210	1270	1231	1182
CFL	700	830	1162	1510	1900
Special Lamps	400	440	560	596	530
Other Lamps (incl Mini/Auto, solar, etc)	200	220	230	250	260
Luminaries	900	1000	1120	1400	1570
Control Gears and High Masts	200	210	248	350	385
Accessories	200	205	236	255	280
Components	200	220	260	285	342
Total	4500	5060	5711	6567	7167

Source: ELCOMA

In Luminaries market HIL has ranked no 4 in ₹2000cr with 10% market share which is estimated to grow at 12-15% on account of India's Jawaharlal Nehru National Urban Renewal Mission (JNNURM) envisages improvement in infrastructure for 23 cities within 7 yrs involving an investment of ₹400bn. Under RGGVY, the government plans to provide electricity connections to 800 mn households in 125,000 villages in 5 yrs with an investment of ₹1,200 bn. Going forward we expect HIL to grow at 25% with sustained margin at 25-28%.

Chart 17

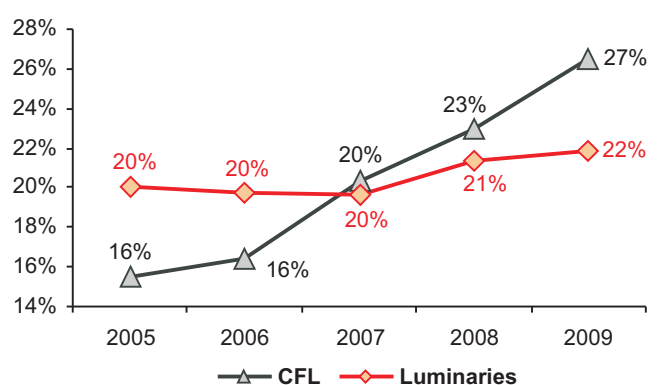
Lighting & Fixture Revenue & EBIT Margin



E- Keynote Capitals Institutional Research Estimates

Chart 18

% of Lighting



Source: Company & Keynote Capitals Institutional Research

Sylvania turnaround: SYLVANIA is 4th largest manufacturers of artificial light sources with a broad product range from incandescent light bulbs, halogen and low-energy lamps for the consumer market, fluorescent lamps, HID lamps and various special products for the professional specifiers. Sylvania has operations in Europe and Latin America with 10 manufacturing and development operations in Germany, France, Belgium, United Kingdom (two), Tunisia, Brazil, Colombia and Costa Rica (two). Sylvania has Strong Brand and distribution network with over 10,000 distributors/dealers spread across the globe.

Rationale for acquisition of Sylvania: To get foothold in the international markets with strong brand and wide distribution channel, Havells has acquired Sylvania in April 2007. With the acquisition Havells acquired the brand rights of Sylvania worldwide excluding Australia, Canada, Mexico, New Zealand and the United States. Based out of Frankfurt, Sylvania is world's fourth largest lighting and fixture brand having presence across five continents. Sylvania is a leading global designer and provider of lighting systems having leading presence in selected markets across Europe and Latin America with a focus on growth in LATAM, Asia and Middle East.

Sylvania acquisition structure: Havells had acquired Sylvania in April 2007 for Euro227 million from a grip of Financial Investors. To fund the acquisition, Havells had taken a loan of Euro 200 million from a consortium of banks: Euro 80 million on the Havells balance sheet and Euro 120 million on Sylvania's. Havells repaid the Euro 80 million when it placed 11 per cent equity with Warburg Pincus.

Post Acquisition, Germany-based SLI Sylvania posted losses (owing to recession in Europe). At present Sylvania forms nearly half of the company's consolidated revenues. An aggressive restructuring exercise, focusing on pruning fixed costs by exiting from unprofitable businesses and outsourcing manufacturing to low-cost locations have resulted Sylvania to reported a net profit of ₹8.1 crore (versus a loss of ₹71 crore in September 2009) in the September 2011 quarter. In the first half of 2010-11, its operating profit margins stood at 4.6 per cent from negligible margins a year ago.

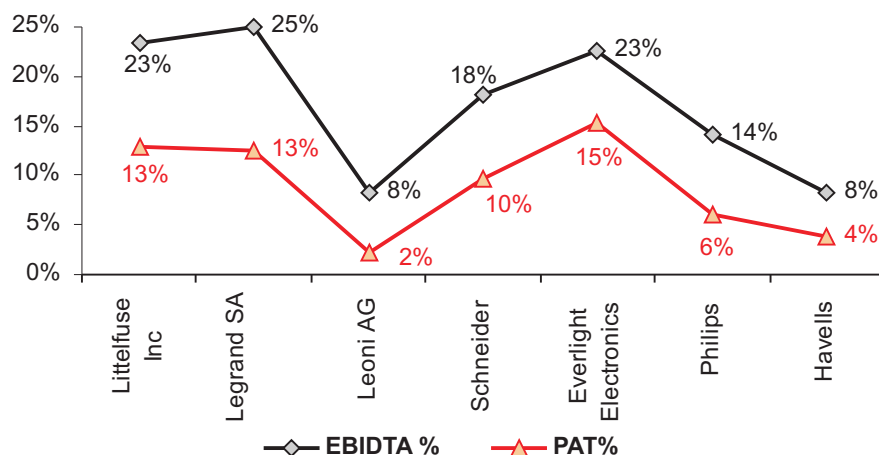
	CY 08	CY 09	9M CY10	
Net Revenue	€ 495	€ 406	€ 322	Market Event Recession - Started mid 2008 continued till mid 2009 Sales decline by 18% with operational losses
Restructured EBIDTA	€ 16	€ 0.4	€ 18	
Restructured EBIDTA%	3.2%	-	5.6%	Response Restructuring - Initiated in 2009, largely completed Focus on reducing fixed cost
Exceptional cost	€ 8	€ 52	€ 1	
Profit before tax	€ (25)	€ (76)	€ (1)	

Restructuring Plans	Total Cost	Estimated saving per year	
Plan I-Phoenix	€ 12.3	€ 17.5	Result Profitability - Partial benefit of restructuring driving operating profit in current year Full benefit to accrue in CY11
Plan II-Prakram	€ 20.0	€ 16.0	
Total	€ 32.3	€ 33.5	

Euro millions Net Revenue *	Q3 FY10	Q3 FY11	Change (%)	Q2 FY11
Europe	€ 74.53	€ 74.10	—	€ 65.59
Latin America & US	€ 27.53	€ 35.60	30%	€ 37.56
Asia	€ 2.88	€ 4.62	60%	€ 5.88
Other/ Elimination	€ 1.53	€ 1.59	—	€ 0.58
Total	€ 106.47	€ 115.91	9%	€ 109.61
LATAM & US-Net Revenue in US\$	\$40.50	\$47.82	18%	\$49.26

Chart 19

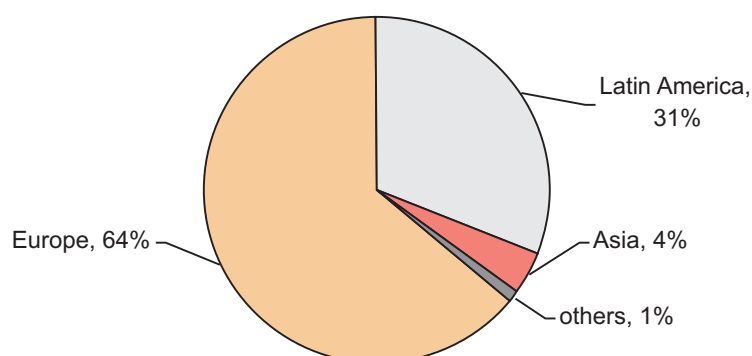
Global Comparison



E- Keynote Capitals Institutional Research Estimates

Chart 20

Sylvania Geographywise Breakup



E- Keynote Capitals Institutional Research Estimates

Sylvania is expected to registered a growth of 5%to 6% cent in the next couple of years on improved macro economics scenario in Europe and increased demand in Latin America & Emerging economies. The company expects to save 33.5 million Euros annually on account of this restructuring exercise. We expect going forward Sylvania to drive 50% of revenue from LATM with EBDITA margin of 12% and topline growth of 18%

Dominant Market Positioning

Product	Rank	Market Size (₹Cr)	Market Share	Peer Comparison
Domestic switchgears – MCB	1	1200 (15% in 2006)	20%	Legrand-MDS Schneider
Modular Switches–Crabtree	2	1000 (5% in 2006)	15%	Matsushita / Anchor Roma
Industrial switchgears	4	2000 (7% in 2006)	8%	L&T Siemens Shnieder
Cable & Wire	2	12000 (6% in 2006)	9%	Cable Polycab KEI Wire Finolex Polycab
Compact Fluorescent Lamps	2	1200 (10% in 2006)	10%	Osram Philips
Luminaries	4	2000 (3% in 2006)	10%	Philips Crompton Bajaj Wipro
Fans	3	3000 (6% in 2006)	13%	Crompton Orient Bajaj
Electrical Water Heater		800		Bajaj Recold

Source: Company

Concerns

- **Weak Global Macro Factors:** A slowdown of the World Economy mainly European economy is quite possible for the short term due to current global instability. Due to the strong linkage of manufacturing industry to the economy, such an event would adverse impact growth is expected in the short term for the HIL after acquisition of Sylvania.
- **Increase competition:** HIL is facing competition from Crompton Greaves & Bajaj Electricals in Fan segment. We expect intense competition in HIL business segment from incumbents and organized players as well. The unorganized products in cables & wires and lighting will be a cause of concern to HIL.
- **Currency Risk:** HIL derives nearly 50% of its revenues from the International business post Sylvania acquisition. The fluctuations may affect its revenues and margins.

Chart 21

EUR Vs INR



Chart 22

US Vs INR



- **Sharp increase in Commodity Price:** Any hike in prices of major inputs viz., copper, steel, aluminum to put pressure on the margins of the company.

Chart 23

Copper Prices USD / tonne



Chart 24

Aluminium USD/tonne

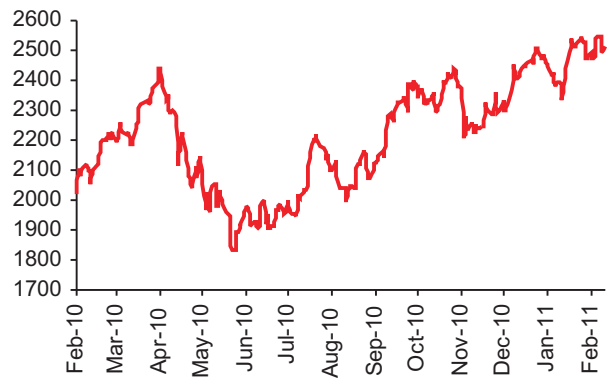


Chart 25

Zinc USD/tonne

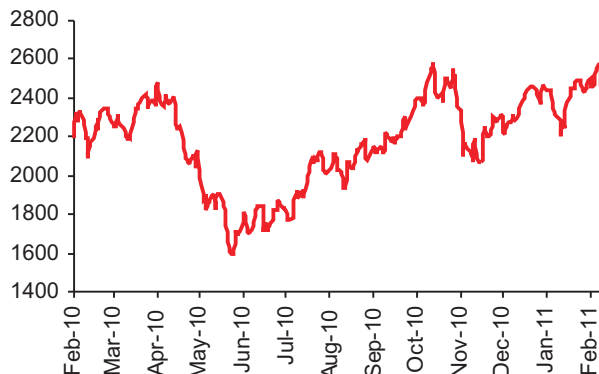
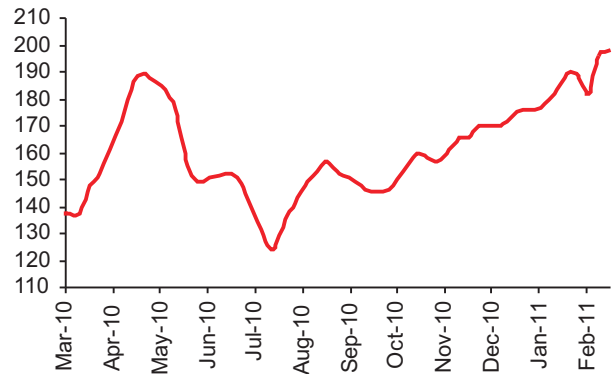


Chart 26

Iron USD/tonne

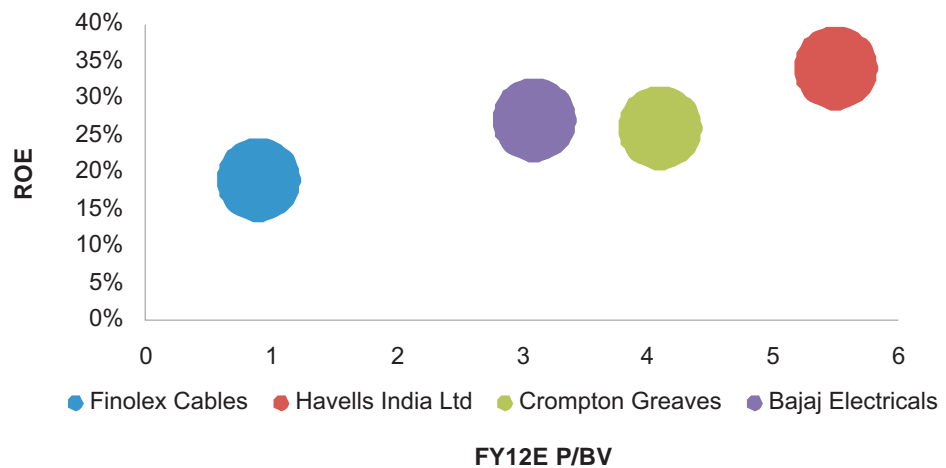


Peer Comparison

Name of the Company	CMP	M CAP	EPS	P/E	P/BV	EV/EBDITA	ROE
Havells India	371.2	4628.2	5.5	67.1	11.6	16.7	17%
Crompton Greaves	273.0	17509.5	13.4	20.3	7.0	12.3	34%
Bajaj Electricals	244.7	2400.5	12.7	19.2	4.9	10.5	25%
Finolex Cables	47.1	720.0	3.8	12.5	1.23	7.11	17%

Chart 27

Peer Comparison



E- Keynote Capitals Institutional Research Estimates & Bloomberg Consensus Estimates

Particulars	Havells India		Crompton Greaves		Bajaj Electricals		Finolex Cables	
	FY11E	FY12E	FY11E	FY12E	FY11E	FY12E	FY11E	FY12E
Sales	5975.56	6694.82	9721.49	11142.53	2718.37	3322.30	1860.80	2144.30
EBDITA	537.80	669.48	1494	1716	263.46	343.63	181.70	216.15
PAT	248.44	330.88	916	1106	152.41	206.37	110.25	132.35
EBDITA%	9.00%	10.00%	15.4%	15.4%	9.7%	10.3%	9.76%	10.08%
PAT%	4.2%	4.9%	9.4%	9.9%	5.6%	6.2%	5.92%	6.17%
EPS	19.77	26.03	14.27	17.24	15.54	21.04	5.86	8.04
P/BV	7.85	5.51	5.28	4.08	3.94	3.13	0.98	0.88
EV/EBDITA	9.94	7.78	11.49	9.75	9.72	7.44	5.58	5.07

E- Keynote Capitals Institutional Research Estimates & Bloomberg Consensus Estimates

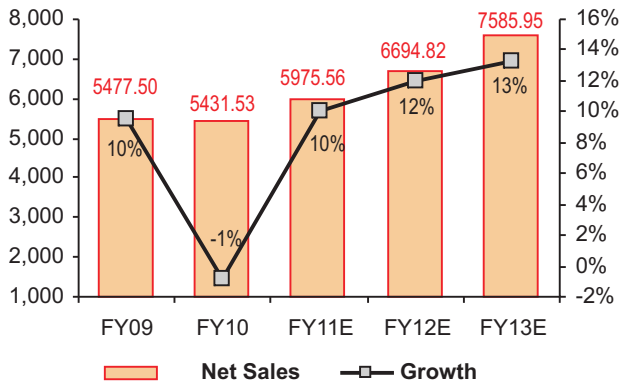
Due to diversified business of HIL, it is appropriate to have a product wise comparison. HIL is trading at a discount of 5% against its peers and having upside potential.

Financial Analysis:

We estimate consolidated revenue of HIL to register a CAGR of 12% during FY10-13E as against 4% during FY08-10. We expect EBDITA margin to improve substantially by 400bps in FY12 on account of restructuring of Sylvania. Consolidated PAT is estimated to grow at phenomenally high at 74% during FY10-13E with profit margin hovering between 4.5% & 5%.

Chart 28

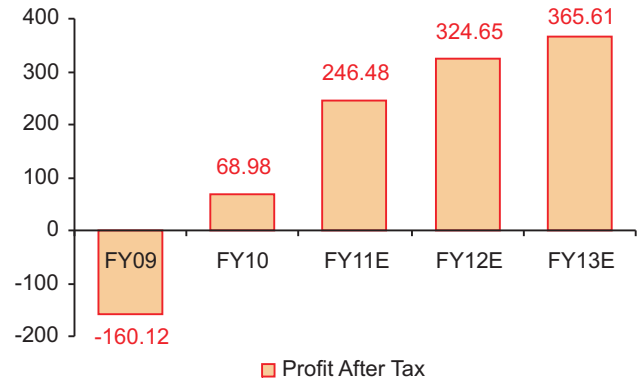
Revenue Growth



E- Keynote Capitals Institutional Research Estimates

Chart 29

PAT Growth

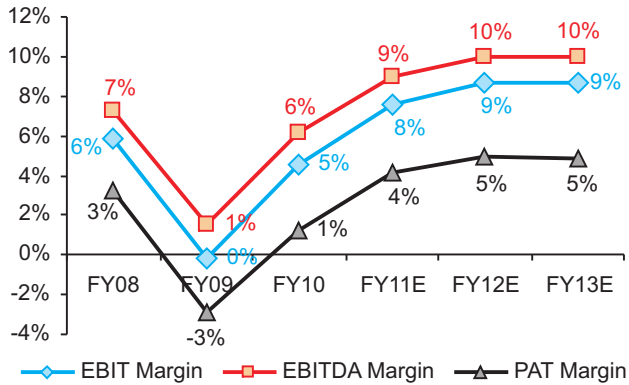


E- Keynote Capitals Institutional Research Estimates

Post restructuring of Sylvania, HIL had improved margins with better profitability ratios. Going forward, we believe HIL may demonstrate strong performance on account of turnaround in Sylvania, improved operating margins in restructuring, consumer demand for premium products.

Chart 30

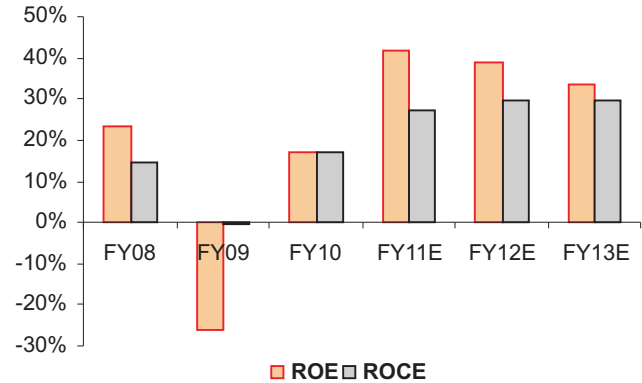
Margin



E- Keynote Capitals Institutional Research Estimates

Chart 31

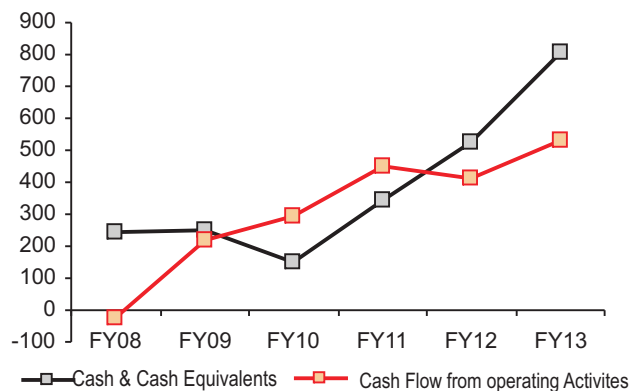
Return Ratios



E- Keynote Capitals Institutional Research Estimates

Chart 32

Strong Cash position



E- Keynote Capitals Institutional Research Estimates

Segmental Revenue

	FY08	FY09	FY10	FY11E	FY12E	FY13E	CAGR 07-10	CAGR 10-13
Switch Gear	542.63	607.74	781.34	880.72	1012.83	1164.75	24.4%	14.2%
<i>Growth Rate</i>		12.0%	28.6%	12.7%	15.0%	15.0%		
Cable and Wire	924.07	991.12	1010.53	1225.25	1409.04	1620.39	14.1%	17.0%
<i>Growth Rate</i>		7.3%	2.0%	21.2%	15.0%	15.0%		
Electrical Consumer Durables	240.02	277.02	359.45	483.16	628.11	816.54	28.7%	31.5%
<i>Growth Rate</i>		15.4%	29.8%	34.4%	30.0%	30.0%		
Lighting & Fixtures	3239.12	3555.93	3246.99	3376.43	3644.84	3984.27	141.3%	7.1%
<i>Growth Rate</i>		9.8%	-8.7%	4.0%	7.9%	9.3%		
Others	78.15	45.68	33.22	10	0			
Net Revenue from Operations	5023.99	5477.49	5431.53	5975.56	6694.82	7585.95	51.8%	11.8%
<i>Growth Rate</i>		9.0%	-0.8%	10.0%	12.0%	13.3%		

E- Keynote Capitals Institutional Research Estimates

EBIT Margin

	FY08	FY09	FY10	FY11E	FY12E	FY13E
Switch Gear	31.9%	33.4%	38.0%	35.9%	34.0%	34.0%
Cable and Wire	9.5%	6.4%	8.9%	8.5%	8.0%	8.0%
Electrical Consumer Durables	20.5%	21.4%	28.4%	25.8%	25.0%	25.0%
Lighting & Fixtures	24.4%	21.5%	20.6%	24.0%	25.0%	25.0%
Others	7.0%	18.7%	20.3%	20.0%	20.0%	20.0%

E- Keynote Capitals Institutional Research Estimates

Valuation

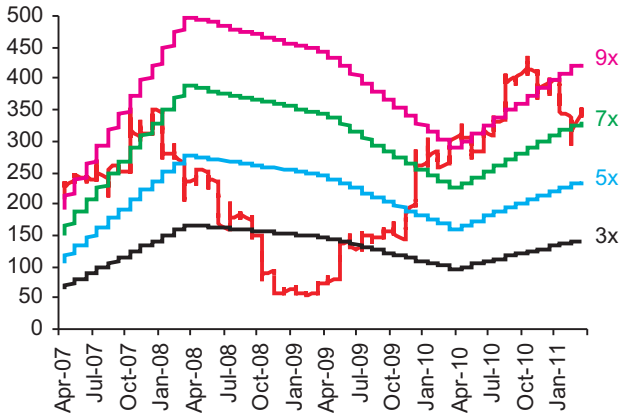
DCF Valuation	
Market Return	13.75%
Beta	1.03
WACC	10.67%
Long Term Growth Rate	4%
Terminal Value	4496
PV of Cash Flow	1743
Enterprise Value	6239
Net Debt	918
No of Outstanding Share	12.47
Equity Value Per Share	427

Sensitivity Analysis	WACC					
	9%	10%	11%	12%	13%	
Terminal Growth Rate	2%	508	413	341	284	239
	3%	582	465	378	312	259
	4%	689	535	427	346	285
	5%	842	630	489	390	316
	6%	1099	773	577	448	357

Considering its strong brand value, new product launches in conjunction with inorganic growth, capacity addition and robust distribution network we initiate coverage on HIL's stock with a 'buy' recommendation and arrived at a target price of ₹427/- share based on DCF valuation methodology. At CMP ₹371.15 Stock trades at 14.26at FY12EPS and 12.66 at FY13EPS, and EV/EBDITA of 7.78 and 6.52 for FY12E and FY13E.

Chart 33

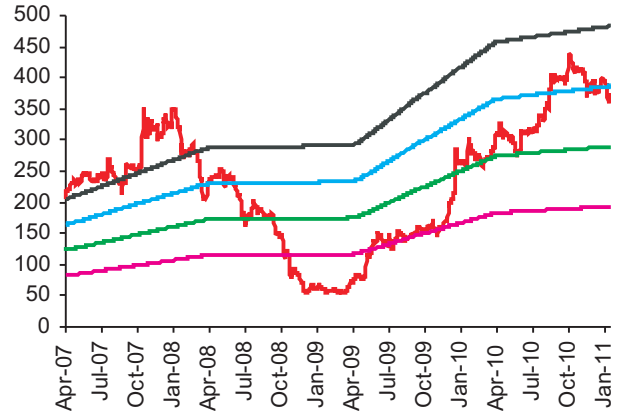
Consolidated P/BV



E- Keynote Capitals Institutional Research Estimates

Chart 34

Standalone P/E



E- Keynote Capitals Institutional Research Estimates

Financials

Consolidated Income Statements

(₹Cr)

Particulars	FY09	FY10	FY11E	FY12E	FY13E
Net Sales	5477.5	5431.53	5975.56	6694.82	7585.95
Growth Rate	9.5%	-0.8%	10.0%	12.0%	13.3%
Total Income	5486.11	5453.7	5975.56	6694.82	7585.95
Raw Material Consumed	2062.47	1858.59	2031.69	2209.29	2503.36
Purchase of Finished Goods	906.86	1000.7	1075.60	1205.07	1365.47
Employee Expenses	845.23	760.2	657.31	736.43	834.45
Other Expenses	1589.88	1501.25	1673.16	1874.55	2124.07
Total Expenditure	5404.44	5120.74	5437.8	6025.33	6827.36
EBITDA	81.67	332.96	537.80	669.48	758.60
EBITDA Margin	1.49%	6.13%	9.00%	10.00%	10.00%
Depreciation	90.5	83.69	90.09	95.69	101.29
EBIT	-8.83	249.27	447.71	573.79	657.31
Interest	108.38	87.11	95.60	110.00	135.00
PBT	-117.21	162.16	352.11	463.79	522.31
Tax	42.91	93.2	105.63	139.14	156.69
Profit After Tax	-160.12	68.98	246.48	324.65	365.61
Growth Rate	-199.4%	-143.1%	257.3%	31.7%	12.6%
PAT Margin	-2.9%	1.3%	4.1%	4.8%	4.8%
EPS (Unit Curr.)	-	5.53	19.77	26.03	29.32

E- Keynote Capitals Institutional Research Estimates

Consolidated Balance Sheet

(₹Cr)

Particulars	FY09	FY10	FY11E	FY12E	FY13E
Share Capital	30.08	31.19	31.19	31.19	31.19
Reserves Total	582.07	369.02	558.59	808.28	1057.97
Total Shareholders Funds	614.57	400.21	589.78	839.47	1089.16
Secured Loans	1062.39	996.33	992.18	1025.00	1050.00
Unsecured Loans	165.44	70.03	70.00	75.00	75.00
Total Debt	1227.83	1066.36	1062.18	1100.00	1125.00
Total Liabilities	1842.40	1466.57	1651.96	1939.47	2214.16
Gross Block	3253.99	3017.49	3217.49	3417.49	3617.49
Less: Accumulated Depreciation	2042.71	1808.93	1899.02	1994.71	2096.00
Net Block	1211.28	1208.56	1318.47	1422.78	1521.49
Capital Work in Progress	30.80	33.61	0.00	0.00	0.00
Investments	0.00	0.00	0.00	0.00	0.00
Current Assets, Loans & Advances					
Inventories	794.74	824.59	851.31	880.41	997.60
Sundry Debtors	757.34	698.22	818.57	1027.15	1163.87
Cash and Bank	247.33	148.14	344.12	521.95	805.39
Loans and Advances	222.06	167.90	108.00	108.00	108.00
Total Current Assets	2021.47	1838.85	2122.00	2537.51	3074.87
Current Liabilities	1393.43	1555.52	1660.06	1777.34	1960.92
Provisions	37.33	32.11	32.00	32.00	32.00
Total Current Liabilities	1430.76	1587.63	1692.06	1809.34	1992.92
Net Current Assets	590.71	251.22	429.94	728.17	1081.95
Total Assets	1842.51	1466.75	1651.96	1939.47	2214.16

E- Keynote Capitals Institutional Research Estimates

Cash Flow Statement (consolidated)

Particulars	FY09	FY10	FY11E	FY12E	FY13E
Net profit before Taxation and extra-ordinary items	-117.21	162.16	352.11	463.79	522.31
Adjustment for:					
Depreciation	90.50	83.69	90.09	95.69	101.29
Interest Expense	108.38	87.11	95.60	110.00	135.00
Tax Paid	42.91	93.18	105.63	139.14	156.69
Operating Profit Before Working Capital Change	38.76	239.78	432.17	530.34	601.90
(Increase)/Decrease in Inventories	247.18	(29.85)	(26.72)	(29.10)	(117.19)
(Increase)/Decrease in Sundry debtors	65.36	59.12	(120.35)	(208.58)	(136.72)
(Increase)/Decrease in loans & advances	(6.71)	54.16	59.90	0.00	0.00
Increase/(Decrease) in sundary creditors/liabilites/provision	(83.41)	156.87	104.43	117.28	183.58
Others	(41.00)	(189.00)	0.00	0.00	0.00
Change in Working Capital	181.42	51.30	17.26	(120.41)	(70.33)
Cash Flow from operating Activites	220.18	291.08	449.42	409.94	531.57
Net Cashflow from investing activites	(162.20)	(99.50)	(200.00)	(200.00)	(200.00)
Net Cash Flow from Financing Activites	(51.52)	(285.77)	(53.45)	(32.11)	(48.12)
Cash generated	4.43	(99.19)	195.98	177.83	283.45
Opening cash & cash Equivalents	242.90	247.33	148.14	344.12	521.95
Closing Cash & Cash Equivalents	247.33	148.14	344.12	521.95	805.39

Ratio Analysis

Particulars	FY09	FY10	FY11E	FY12E	FY13E
Operating Margins					
EBIT Margin	-0.2%	4.6%	7.5%	8.6%	8.7%
EBITDA Margin	1.5%	6.1%	9.0%	10.0%	10.0%
PAT Margin	-2.9%	1.3%	4.1%	4.8%	4.8%
Profitability Ratios					
ROE	-26.1%	17.2%	41.8%	38.7%	33.6%
ROCE	-0.5%	17.0%	27.1%	29.6%	29.7%
Leverage Ratios					
Debt Equity Ratio	2.00	2.66	1.80	1.31	1.03
Debt/PAT	-7.67	15.46	4.31	3.39	3.08
Current Ratio	1.41	1.16	1.25	1.40	1.54
Efficiency Ratios					
Inventory Turnover Days	53	55	52	48	48
Debtors Days	50	47	50	56	56
Creditor Days	171	199	195	190	185
Valuation Ratios					
P/E	-	67.1	18.78	14.26	12.66
P/BV	7.53	11.56	7.85	5.51	4.25
EV/EBIDTA	68.68	16.66	9.94	7.78	6.52
EPS	-	5.53	19.77	26.03	29.32

Source: The company & Keynote Capitals Institutional Research

Shareholders holding more than 1%

Description as on	Q3 FY10	Q4FY10	Q1 FY11	Q2 FY11	Q3 FY13
Citigroup Global Markets Mauritius Pvt Ltd	2.87	3.35	3.35	3.23	3.23
DSP Blackrock India T I G E R Fund		1.81	1.92	1.81	1.76
Saif III Mauritius Company Ltd	4.83	4.83	4.83	4.01	2.9
Seacrest Investment Ltd	10.65	10.65	10.65	10.27	10.27
Sloane Robinsons LLP A/c SR Global (Mauritius) Ltd (Class B - Asia)		2.29	2.29	2.21	2.01
Sloane Robinsons LLP A/c SR Global (Mauritius) Ltd (Class G - Emerging)	3.83	2.31	2.31	2.23	2.23
Warburg Pincus International LLC A/c Woodcrest Investment Ltd		3.83	3.83	3.69	3.69

% of Holding

Description as on	Q3FY10	Q4FY10	Q1FY11	Q2FY11	Q3FY11
Indian (Promoter & Group)	60.14	60.14	60.14	61.56	61.56
Bodies Corporate	39.14	39.14	39.14	41.31	41.31
Individuals / Hindu Undivided Family	21	21	21	20.25	20.25
Total of Promoter	60.14	60.14	60.14	61.56	61.56
Non Promoter (Institution)	20.45	20.58	20.62	19.4	18.69
Financial Institutions / Banks	0.09	0.07	0.07	0.01	0
Foreign Institutional Investors	19.1	18.21	17.72	16.77	16.29
Insurance Companies	0.22	0.21	0.17	0.1	0.09
Mutual Funds / UTI	1.04	2.1	2.66	2.53	2.3
Non Promoter (Non-Institution)	19.4	19.27	19.24	19.04	19.75
Bodies Corporate	1.18	1.15	1.3	1.4	1.73
Clearing Members	0.17	0.27	0.08	0.12	0.11
Foreign Corporate Bodies	10.65	10.65	10.65	10.27	10.27
NRIs/Foreign Individuals/Foreign Nationals	0.66	0.65	0.63	0.59	0.65
Hindu Undivided Families	0.17	0.19	0.19	0.19	0.21
Individuals holding nominal share capital in excess of Rs. 1 lakh	0.35	0.4	0.39	0.6	1.03
Individuals holding nominal share capital up to Rs. 1 lakh	6.22	5.96	5.98	5.86	5.75
Total Non Promoter	39.85	39.85	39.86	38.44	38.44
Total Promoter & Non Promoter	99.99	99.99	100	100	100

Restructuring Plan	Duration	Estimated One	Estimated Annual
In millions of Euro		Time Cost	Recurring Savings
Plan I: Phoenix	Jan-09 to Sept-09	€ 12.23	€ 17.5
Plan II: Prakram	Sept-09 to Dec-10	€ 20	€ 16
Total		€ 32.23	€ 33.5

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