KEYNOTE
INSTITUTIONAL RESEARCH

Havells India Ltd.

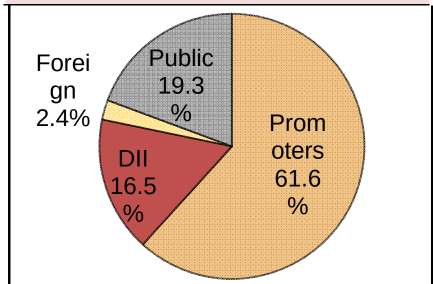
Q4FY11 Result Update

June 2, 2011

Key Stock Data	
Sector:	Electric Equipment
CMP:	₹415.25
52wk High/Low:	₹446/264
Market Cap:	₹51.805bn ($1156mn)
6m Avg. daily vol:	26976352
BSE Sensex:	18608.80
Reco:	'Hold'
Target Price:	₹450

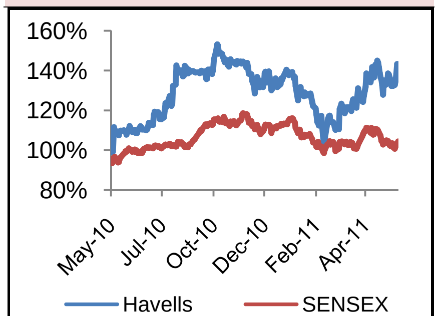
Stock Codes	
Bloomberg Codes:	HAVL.IN
Reuters code:	HVEL.BO
BSE Code:	517354
NSE Code:	HAVELLS
Face Value:	₹5

Shareholding pattern (31st Mar, 2011):



Price Performance			**(%)**
1 Mth	**3 Mths**	**6 Mths**	**1 Yr**
3.1%	29.6%	7.4%	43.9%

Stock Price Performance



Ashwin Chavan, Analyst
(ashwin@keynoteindia.net)
(+9122-30266059)

Havells India Ltd Q4FY11 performance is in line with our estimates

Standalone profit after tax grew by 4.9% to ₹69.04cr against ₹65.77cr on y-o-y basis. Standalone Net Sales rose by 24.8% to ₹840.82cr in Q4FY11 as against ₹673.79cr on y-o-y basis. However, on yearly basis, the turnover registered growth of 21.5% to ₹2881.65cr from ₹2731.41cr on y-o-y basis. During FY11, consolidated Net sales grew by 8.7% to ₹5612.63cr as against ₹5162.57cr on y-o-y basis.

Robust growth in Consumer Durable Segment

Consumer Durable business has registered a growth of 40.4% on y-o-y basis to ₹469.15cr as against ₹334.15cr. The company reported margin of 27.6%, decline of 290bps on y-o-y basis due to increase commodity prices. Going forward we believe consumer segment to register a CAGR of 30% with a margin of 25% in FY11-13E.

Rapid turnaround progress in Sylvania

Better than expected improved performance from Sylvania during last couple of quarter emerges as a strong key driver in HIL growth. Sylvania operating profit margin has improved to 5.8% due to higher sales, restructuring effect and operational efficiencies. Sylvania has registered an 300% growth in PAT to ₹310cr as against ₹70cr. We expect Sylvania to grow at 6-7% with EBIDTA margins of 8% during FY12-13E.

New Product Launch

Havells India plans to invest ₹70cr-80cr over the next two-three years in marketing, research and development of its new home appliances such as juicer, mixer, grinder, electric iron, cooking and brewing. HIL has plans to gain a 20% market share in premium home appliances in the next two years. Premium appliances comprise about a fifth of the ₹5200cr home appliances market in India.

Re-positioning in UK Switchgear market

Export revenue in Switchgears dropped to ₹107cr during FY10-11 as compared to ₹151cr in previous FY09-10. The drop in export is mainly due to closure of OEM contract with UK based company. Havells is now planning to launch switchgears in the international market by August-2011.

Outlook & Valuation

At CMP of ₹415.25 the stock trades at EV/EBDITA of 7.66x of FY12E and 6.76x of FY13E respectively. Cumulating HIL's strong distribution web, premium positioning, global reach and innovation, we recommend 'Hold' rating with a target price of ₹450 based on DCF valuation.

Standalone Quarterly Income Statement

(₹cr)

Particula	Q4FY11	Q4FY10	Q3FY11	Y-o-Y	Q-o-Q	FY11	FY10	Y-o-Y
Net Sales	840.82	673.79	722.14	24.8%	16.4%	2881.65	2371.41	21.5%
Other Income	4.54	8.02	5.87	-43.4%	-22.7%	18.19	14.53	25.2%
Total Income	845.36	681.81	728.01	24.0%	16.1%	2899.84	2385.94	21.5%
Raw Material Consumed	479.63	369.30	374.37	29.9%	28.1%	1631.67	1305.18	25.0%
Stock Adjustment	-29.05	-0.75	-13.08	3773.3%	122.1%	-113.80	-75.99	49.8%
Purchase of Finished Goods	99.32	46.11	74.26	115.4%	33.7%	301.54	189.23	59.4%
Employee Expenses	29.31	20.26	25.29	44.7%	15.9%	101.79	75.58	34.7%
Other Expenses	167.05	159.78	175.66	4.6%	-4.9%	623.15	571.93	9.0%
Total Expenditure	746.26	594.70	636.50	25.5%	17.2%	2544.35	2065.93	23.2%
PBIDT	99.10	87.11	91.51	13.8%	8.3%	355.49	320.01	11.1%
Depreciation	7.81	6.51	7.52	20.0%	3.9%	29.34	23.27	26.1%
EBIT	91.29	80.60	83.99	13.3%	8.7%	326.15	296.74	9.9%
Interest	5.52	1.64	5.20	236.6%	6.2%	15.81	6.43	145.9%
PBT	85.77	78.96	78.79	8.6%	8.9%	310.34	290.31	6.9%
Tax	17.95	13.02	15.22	37.9%	17.9%	62.62	49.80	25.7%
Deferred Tax	-1.22	0.17	2.44	-817.6%	-150.0%	5.67	12.35	-54.1%
Reported Profit After Tax	69.04	65.77	61.13	5.0%	12.9%	242.05	228.16	6.1%
Extra Ordinary Items	0.21	0.16	0.06	31.3%	250.0%	0.47	0.00	-
PAT after Minority Interest	68.83	65.61	61.07	4.9%	12.7%	241.58	228.16	5.9%
EPS (Adj)(Unit Curr.)	5.54	5.27	4.90	5.0%	12.9%	19.41	18.30	6.1%
EBDITA Margin	11.8%	12.9%	12.7%	-8.8%	-7.0%	12.3%	13.5%	-8.6%
EBIT Margin	10.9%	12.0%	11.6%	-9.2%	-6.7%	11.3%	12.5%	-9.6%
PAT Margin	8.2%	9.8%	8.5%	-15.9%	-3.0%	8.4%	9.6%	-12.7%

(Source: Company & Keynote Capitals Institutional Research)

Standalone Segment Wise Quaterly Income Statement

(₹cr)

Particulars	Q4FY11	Q4FY10	Q3FY11	Y-o-Y	Q-o-Q	FY11	FY10	Y-o-Y
Revenue from Operations	**840.82**	**665.87**	**722.14**	**26.3%**	**16.4%**	**2881.65**	**2371.41**	**21.5%**
Switchgear	199.97	182.43	184.29	9.6%	8.5%	734.39	673.21	9.1%
Cable & Wire	360.80	270.16	310.19	33.6%	16.3%	1231.81	984.25	25.2%
Electrical Consumer Durables	154.23	110.86	108.63	39.1%	42.0%	469.15	334.15	40.4%
Lighting & Fixtures	125.82	102.42	119.03	22.8%	5.7%	444.67	349.31	27.3%
PBIT	**149.99**	**144.92**	**143.46**	**3.5%**	**4.6%**	**574.05**	**529.12**	**8.5%**
Switchgear	69.84	70.83	65.11	-1.4%	7.3%	271.90	261.12	4.1%
Cable & Wire	16.29	19.12	26.71	-14.8%	-39.0%	90.04	88.76	1.4%
Electrical Consumer Durables	41.26	33.95	27.73	21.5%	48.8%	129.47	101.94	27.0%
Lighting & Fixtures	22.60	19.40	23.91			82.03	70.54	
Others	0.00	1.62	0.00			0.61	6.76	-91.0%
Less : Interest	5.52	1.64	5.20	236.6%	6.2%	15.81	6.43	145.9%
Other Un-allocable Expenditure	58.70	64.32	59.47	-8.7%	-1.3%	248.37	232.38	6.9%
Net Profit/Loss Before Tax	**85.77**	**78.96**	**78.79**	**8.6%**	**8.9%**	**309.87**	**290.31**	**6.7%**

(Source: Company & Keynote Capitals Institutional Research)

Standalone EBIT Margin

Particulars	Q4FY11	Q4FY10	Q3FY11	Y-o-Y	Q-o-Q	FY11	FY10	Y-o-Y
Switchgear	34.9%	38.8%	35.3%	**-10.0%**	**-1.1%**	37.0%	38.8%	**-4.5%**
Cable & Wire	4.5%	7.1%	8.6%	**-36.2%**	**-47.6%**	7.3%	9.0%	**-18.9%**
Electrical Consumer Durables	26.8%	30.6%	25.5%	**-12.6%**	**4.8%**	27.6%	30.5%	**-9.5%**
Lighting & Fixtures	18.0%	18.9%	20.1%	**-5.2%**	**-10.6%**	18.4%	20.2%	**-8.6%**

(Source: Company & Keynote Capitals Institutional Research)

Consolidated Income Statement

(₹cr)

Particulars	FY09	FY10	FY11	FY12E	FY13E
TOTAL INCOME	**5486.11**	**5184.74**	**5636.82**	**6612.62**	**7488.69**
Raw Material Consumed	2062.47	1855.41	2338.74	2645.05	2995.48
Purchase of Finished Goods	906.86	1000.70	837.99	991.89	1123.30
Employee Expenses	845.23	760.20	631.85	727.39	823.76
Other Expenses	1589.88	1234.85	1258.76	1454.78	1647.51
TOTAL EXPENDITURE	**5404.44**	**4851.16**	**5067.34**	**5819.10**	**6590.05**
EBITDA	81.67	333.58	569.48	793.51	898.64
Depreciation	90.50	83.69	80.44	95.69	101.29
EBIT	-8.83	249.89	489.04	697.82	797.35
Interest	108.38	87.11	81.97	110.00	135.00
PBT	-117.21	162.78	407.07	587.82	662.35
Tax	42.91	93.18	103.14	176.35	198.71
Profit After Tax	-160.12	69.60	303.93	411.48	463.65
EPS	-	5.58	24.37	33.00	37.18

(E- Keynote Capitals Institutional Research Estimates)

Consolidated Segment Wise Revenues & Profits

(₹cr)

Particulars	FY09	FY10	FY11	FY12E	FY13E
Switch Gear	607.74	746.91	818.52	941.30	1082.49
Growth Rate	*12.0%*	*22.9%*	*9.6%*	*15.0%*	*15.0%*
Cable and Wire	991.12	984.25	1231.81	1416.58	1629.07
Growth Rate	*7.3%*	*-0.7%*	*25.2%*	*15.0%*	*15.0%*
Electrical Consumer Durables	277.02	334.15	469.15	609.90	792.86
Growth Rate	*15.4%*	*20.6%*	*40.4%*	*30.0%*	*30.0%*
Lighting & Fixtures	3555.93	3066.77	3091.52	3644.84	3984.27
Growth Rate	*9.8%*	*-13.8%*	*0.8%*	*17.9%*	*9.3%*
Net Revenue from Operations	**5477.49**	**5165.3**	**5621.00**	**6612.62**	**7488.69**
Switch Gear	203.07	296.75	306.52	320.04	368.05
Growth Rate	*17.5%*	*46.1%*	*3.3%*	*4.4%*	*15.0%*
Cable and Wire	62.95	89.78	90.36	113.33	130.33
Growth Rate	*-28.0%*	*42.6%*	*0.6%*	*25.4%*	*15.0%*
Electrical Consumer Durables	59.29	101.98	129.47	152.47	198.22
Growth Rate	*20.7%*	*72.0%*	*27.0%*	*17.8%*	*30.0%*
Lighting & Fixtures	764.81	668.75	850.36	911.21	996.07
Growth Rate	*-3.2%*	*-12.6%*	*27.2%*	*7.2%*	*9.3%*
Profit Before Interest and Tax	**-8.83**	**249.89**	**488.57**	**539.80**	**1699.41**

(E- Keynote Capitals Institutional Research Estimates)

Consolidated Segment Wise EBIT Margins

Particulars	FY09	FY10	FY11	FY12E	FY13E
Switch Gear	33.4%	39.7%	37.4%	34.0%	34.0%
Cable and Wire	6.4%	9.1%	7.3%	8.0%	8.0%
Electrical Consumer Durables	21.4%	30.5%	27.6%	25.0%	25.0%
Lighting & Fixtures	21.5%	21.8%	27.5%	25.0%	25.0%

(E- Keynote Capitals Institutional Research Estimates)

Institutional Equity Team		
Subramanyam Ravisankar		
Director - Equities	sravisankar@keynotecapitals.net	+91 22 3026 6018
Analysts / Associates		
Denil Savla	denil@keynoteindia.net	+91 22 3026 6073
Hetal Shah	hetal@keynoteindia.net	+91 22 30266073
Ashwin Chavan	ashwin@keynoteindia.net	+91 22 3026 6059
Deepak Kolhe	deepak@keynotecapitals.net	+9122 30266084
Rohan Admane	rohan@keynoteindia.net	+91 22 2269 6059
Rajesh Sinha	rajesh@keynotecapitals.net	+91 22 30266088
Mamta Singh	mamta.singh@keynotecapitals.net	+91 22 3026 6057
Technical Analyst		
Sanjay Bhatia	sanjay@keynotecapitals.net	+91 22 3026 6065
Dealing / Sales		
Nilesh Dhruv	nilesh@keynoteindia.net	+91 22 3026 6040
Puja Shah	puja.shah@keynoteindia.net	+91 22 3026 6072
Farha Shaikh	farha@keynoteindia.net	+91 22 3026 6057

KEYNOTE CAPITALS LTD.

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4th Floor, Balmer Lawrie Building, 5, J. N. Heredia Marg, Ballard Estate, Mumbai 400 001. INDIA

Tel. : 9122-2269 4322 / 24 / 25 • www.keynoteindia.net