

HOLD

TP: Rs 1,900 | ▲ 1%

HAVELLS INDIA

Consumer Durables

04 September 2024

Strategic capacity expansion to propel growth

- Wires & cables accounted for 34% of HAVL's FY24 revenue, with capacity expansion to increase from 3.29mn km to 4.58mn km by 2026
- The Tumakuru facility started production in Sep'24. Additional capacity to expand by 33%; Alwar to increase capacity by 25% by Mar'26
- Maintain HOLD rating due to high valuations; TP of Rs 1,900 valued at 53x FY26E P/E

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Major revenue contributor: The Wires and Cables segment is HAVL's largest revenue contributor, with FY24 revenue reaching Rs 63.2bn, constituting 34% of the company's total revenue. In Q1FY25, this segment's revenue was Rs 15.2bn, making up 26% of the topline. HAVL has been operating at peak capacity in its cables segment for several quarters and is rapidly expanding its capacity. Since 2022, the company has announced a total capital expenditure of Rs 11.25bn for cables, increasing capacity from 3.29mn km currently to 4.58mn km by Sep'26, representing a 39% increase in volume.

Expansion in Tumakuru, Karnataka: To address capacity constraints, HAVL announced the establishment of a new cable manufacturing facility in Tumakuru, Karnataka, on 30 Aug 2022. Commercial production at this facility began on 3 Sep 2024. The company plans to expand its capacity at this site from 348,000km p.a. to 462,600km p.a., representing a 33% increase. This expansion, involving additional investments of Rs 4.5bn, will be funded through internal accruals. The higher investment per km is due to the focus on producing larger-sized cables. HAVL expects production from this expanded capacity to start in Sep'26.

Capacity expansion plans for Alwar, Rajasthan: The current capacity at the Alwar plant stands at 3.29mn km and will be expanded to 4.12mn km. This translates to capacity addition of 830k km, an addition of 25% in volume terms at the Alwar plant. This phased capacity expansion is likely to conclude by Mar'26, and its capital outlay of Rs 3.75bn will be funded by internal accruals.

Maintain HOLD: While acknowledging HAVL's strengths, such as its strong brand, extensive distribution network and growth potential, we remain cautious on the stock due to its high valuations. Consequently, we maintain a HOLD rating with a TP of Rs 1,900, reflecting a target multiple of 53x FY26E P/E.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	HAVL IN/Rs 1,885
Market cap	US\$ 14.1bn
Free float	41%
3M ADV	US\$ 26.9mn
52wk high/low	Rs 1,985/Rs 1,233
Promoter/FPI/DII	60%/23%/10%

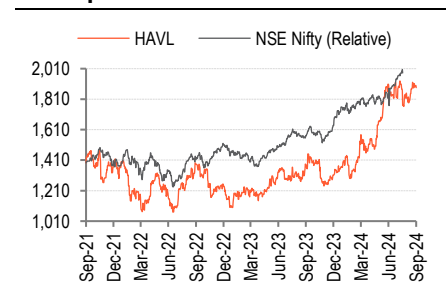
Source: NSE | Price as of 2 Sep 2024

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	185,900	211,581	245,916
EBITDA (Rs mn)	18,426	23,647	29,858
Adj. net profit (Rs mn)	12,708	17,217	21,580
Adj. EPS (Rs)	20.3	27.5	34.4
Consensus EPS (Rs)	20.3	27.3	33.2
Adj. ROAE (%)	18.1	21.4	22.8
Adj. P/E (x)	93.0	68.6	54.7
EV/EBITDA (x)	64.1	50.0	39.6
Adj. EPS growth (%)	18.6	35.5	25.3

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Total revenue	169,107	185,900	211,581	245,916	285,928
EBITDA	15,991	18,426	23,647	29,858	35,722
Depreciation	2,962	3,385	3,128	3,712	4,347
EBIT	13,030	15,041	20,519	26,146	31,375
Net interest inc./(exp.)	(336)	(457)	(479)	(495)	(515)
Other inc./(exp.)	1,777	2,490	2,614	2,745	2,882
Exceptional items	0	0	0	0	0
EBT	14,471	17,074	22,655	28,395	33,742
Income taxes	3,753	4,366	5,437	6,815	8,098
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	10,717	12,708	17,217	21,580	25,644
Adjustments	0	0	0	0	0
Adjusted net profit	10,717	12,708	17,217	21,580	25,644

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Accounts payables	26,432	26,919	34,780	40,425	47,002
Other current liabilities	11,562	15,305	14,465	16,813	19,548
Provisions	0	0	0	0	0
Debt funds	2,231	3,032	3,191	3,303	3,434
Other liabilities	5,095	4,604	5,240	6,090	7,081
Equity capital	627	627	627	627	627
Reserves & surplus	65,628	73,841	85,733	101,988	122,307
Shareholders' fund	66,255	74,468	86,360	102,615	122,934
Total liab. and equities	111,574	124,327	144,037	169,246	199,999
Cash and cash eq.	18,702	30,382	34,433	43,487	53,915
Accounts receivables	9,739	11,650	12,722	15,099	17,374
Inventories	37,086	34,086	42,598	47,301	56,281
Other current assets	5,135	2,879	1,419	1,649	1,917
Investments	0	0	0	0	0
Net fixed assets	36,236	26,063	30,935	36,223	40,876
CWIP	1,634	2,969	3,379	3,928	4,567
Intangible assets	0	0	0	0	0
Deferred tax assets, net	0	0	0	0	0
Other assets	3,042	16,299	18,551	21,561	25,069
Total assets	111,574	124,327	144,037	169,246	199,999

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash flow from operations	5,649	19,529	19,243	25,975	27,779
Capital expenditures	(5,855)	(7,591)	(8,000)	(9,000)	(9,000)
Change in investments	5,004	(10,371)	0	0	0
Other investing cash flows	1,201	1,823	(2,026)	(2,708)	(3,156)
Cash flow from investing	350	(16,139)	(10,026)	(11,708)	(12,156)
Equities issued/Others	267	0	0	0	0
Debt raised/repaid	(4,563)	(848)	159	112	131
Interest expenses	0	0	0	0	0
Dividends paid	(4,773)	(4,488)	(5,325)	(5,325)	(5,325)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(9,069)	(5,335)	(5,166)	(5,213)	(5,195)
Chg in cash & cash eq.	(3,070)	(1,945)	4,052	9,053	10,428
Closing cash & cash eq.	18,702	30,382	34,433	43,487	53,915

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
Reported EPS	17.1	20.3	27.5	34.4	40.9
Adjusted EPS	17.1	20.3	27.5	34.4	40.9
Dividend per share	7.5	8.5	8.5	8.5	8.5
Book value per share	105.8	118.9	137.8	163.8	196.2

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
EV/Sales	7.0	6.4	5.6	4.8	4.1
EV/EBITDA	73.9	64.1	50.0	39.6	33.1
Adjusted P/E	110.2	93.0	68.6	54.7	46.1
P/BV	17.8	15.9	13.7	11.5	9.6

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	74.1	74.4	76.0	76.0	76.0
Interest burden (PBT/EBIT)	111.1	113.5	110.4	108.6	107.5
EBIT margin (EBIT/Revenue)	7.7	8.1	9.7	10.6	11.0
Asset turnover (Rev./Avg TA)	4.7	7.1	6.8	6.8	7.0
Leverage (Avg TA/Avg Equity)	0.6	0.4	0.4	0.4	0.4
Adjusted ROAE	17.0	18.1	21.4	22.8	22.7

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	21.3	9.9	13.8	16.2	16.3
EBITDA	(9.2)	15.2	28.3	26.3	19.6
Adjusted EPS	(10.4)	18.6	35.5	25.3	18.8
Profitability & Return ratios (%)					
EBITDA margin	9.5	9.9	11.2	12.1	12.5
EBIT margin	7.7	8.1	9.7	10.6	11.0
Adjusted profit margin	6.3	6.8	8.1	8.8	9.0
Adjusted ROAE	17.0	18.1	21.4	22.8	22.7
ROCE	17.0	20.5	21.0	22.5	22.4
Working capital days (days)					
Receivables	21	23	22	22	22
Inventory	80	67	73	70	72
Payables	57	53	60	60	60
Ratios (x)					
Gross asset turnover	3.5	3.9	4.4	4.4	4.4
Current ratio	1.8	1.8	1.8	1.9	1.9
Net interest coverage ratio	38.8	32.9	42.9	52.8	60.9
Adjusted debt/equity	0.0	0.0	0.0	0.0	0.0

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

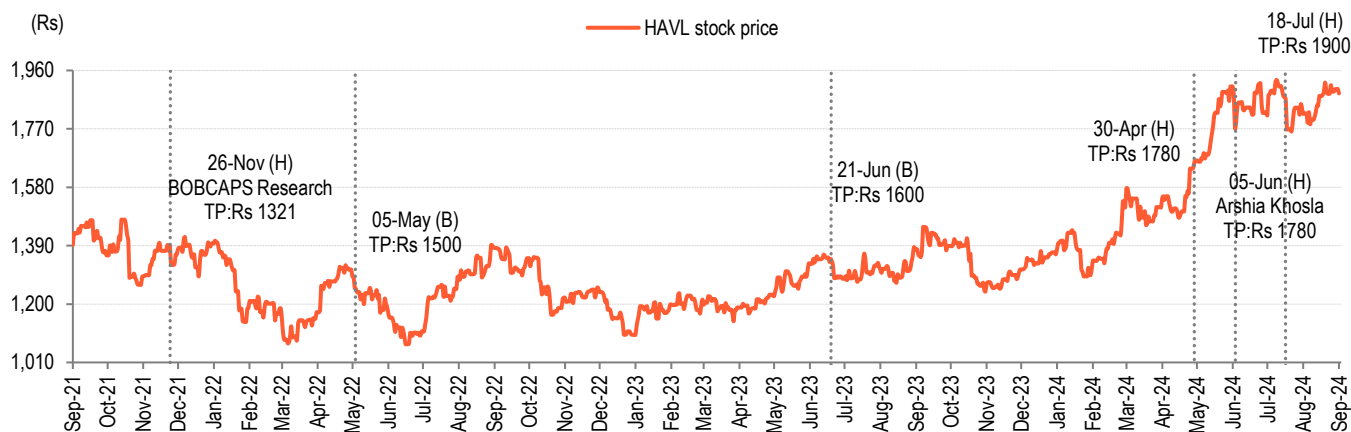
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): HAVELLS INDIA (HAVL IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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