August 30, 2012

Havells India Ltd (HAVIND)

₹ 535

Rating Matrix

Rating	:	Buy
Target	:	₹ 619
Target Period	:	12 months
Potential Upside	:	16%

YoY Growth (%)

% Growth	FY11	FY12	FY13E	FY14E
Net Sales	9	16	13	9
EBITDA	73	15	16	14
Net Profit	336	22	17	30

Current & target multiple

	FY11	FY12	FY13E	FY14E
EPS (₹)	24.3	29.6	34.6	44.9
PE (x)	22.0	18.0	15.5	11.9
EV/EBITDA (x)	13.0	11.1	9.2	7.7
P/BV	10.2	7.0	5.1	3.7
RoCE (%)	30.4	30.6	32.4	32.3
RoNW (%)	46.4	38.7	32.8	31.1

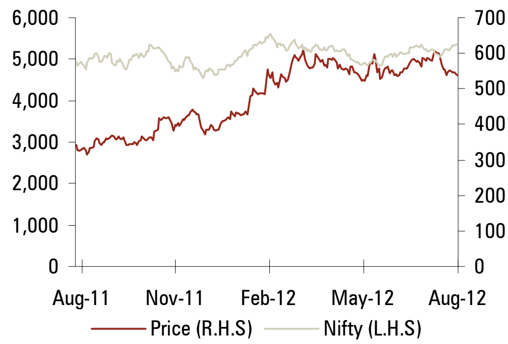
Stock Data

Bloomberg/Reuters code	HVEL.NS/HAVL.IN
Sensex	17490
Average Volume (Year)	299197
Market Capitalisation (₹ crore)	6676
52 week H/L (₹)	616/327
Equity Capital	62.39
Face Value (₹)	5
MF Holdings (%)	0.9
FII Holdings (%)	20.0

Comparative return matrix (%)

Return	1M	3M	6M	12M
Havells India	-5	-5	5	72
Bajaj Electricals	2	-20	-2	7
V-Guard	44	128	114	115

Price movement



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Quenching the growing thirst....

Havells India Ltd (HIL) is one of the leading players in the fast moving electrical goods industry. With a dealer network of over 5600 across India (expected to grow at ~700/annum), the company's four major segments namely switchgear, cable & wires, lightings & electrical consumer durable (ECD) are expected to grow (standalone) at a CAGR of 11%, ~15%, ~17% and ~17%, respectively, in FY12-14E. Given its biggest acquisition of Frankfurt based Sylvania, we expect consolidated net sales to grow at a CAGR of ~11% in FY12-14E backed by Havells' plan to capitalise on Sylvania's underleveraged brand distribution network, outsourcing from low cost countries (LCC) and cross-selling of Havell's high margin switchgear range. After a successful turnaround of Sylvania, we expect the company to increase its focus on maintaining its profitability by launching new products across territories. We are initiating coverage on the stock with a BUY rating.

Leveraging on established domestic and industrial brands

HIL is a leading fast moving electrical goods company catering to retail and industrial consumers both in India and abroad. With a substantial market share across segments, the company is likely to capture the largest chunk of opportunities created by rapid urbanisation and growing middle class households. HIL's strategy of focusing on a consumer pull model coupled with a swelling dealer network would not only help in strong volume growth but also enable it to launch Sylvania's premium product in India.

Sylvania: Strategic fit to overseas expansion

Contributing ~45% to the overall topline, we foresee Sylvania as a good long term strategic fit for Havells as it has provided synergistic opportunities in terms of geographic diversification and offers cross-selling opportunities. Further, we believe the company's plan to shift focus from Europe to emerging markets would cushion Sylvania's operating performance from the slowdown in European countries.

Domestic business to attract premium valuations

At the CMP of ₹ 535, the stock is currently trading at a P/E multiple of 15.5x and 11.9x its FY13E and FY14E, respectively (i.e. 9.2x and 7.7x FY13E and FY14E EV/EBITDA, respectively). We believe the domestic business of Havells will attract premium valuations considering its historical growth and return ratios while Sylvania is expected to report a steady performance on the back of muted growth from the European region. Our SOTP valuation suggests a price target of ₹ 619 (16% upside to CMP) that is 13.8x FY14E EPS (i.e. 8.9x FY14E EV/EBITDA). We are initiating coverage on Havells India with a BUY rating.

Exhibit 1: Key financials

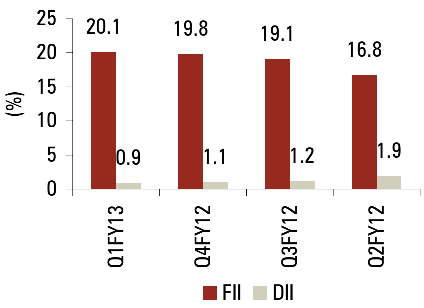
	FY10	FY11	FY12	FY13E	FY14E
Net Sales (₹ crore)	5183.2	5612.6	6518.2	7353.7	8013.0
EBITDA (₹ crore)	332.0	573.9	657.3	761.1	871.0
Net Profit (₹ crore)	69.6	303.6	369.9	431.2	559.7
EPS (₹)	5.6	24.3	29.6	34.6	44.9
P/E (x)	96.0	22.0	18.0	15.5	11.9
P/BV (x)	16.7	10.2	7.0	5.1	3.7
EV/EBITDA (x)	22.9	13.0	11.1	9.2	7.7
RoCE (%)	16.9	30.4	30.6	32.4	32.3
RoNW (%)	17.4	46.4	38.7	32.8	31.1

Source: Company, ICICIdirect.com Research

Shareholding pattern (Q1FY13)

Shareholding Pattern	Holdings (%)
Promoters	61.6
Institutional investors	20.9
Others	17.5

Institutional holding trend (%)

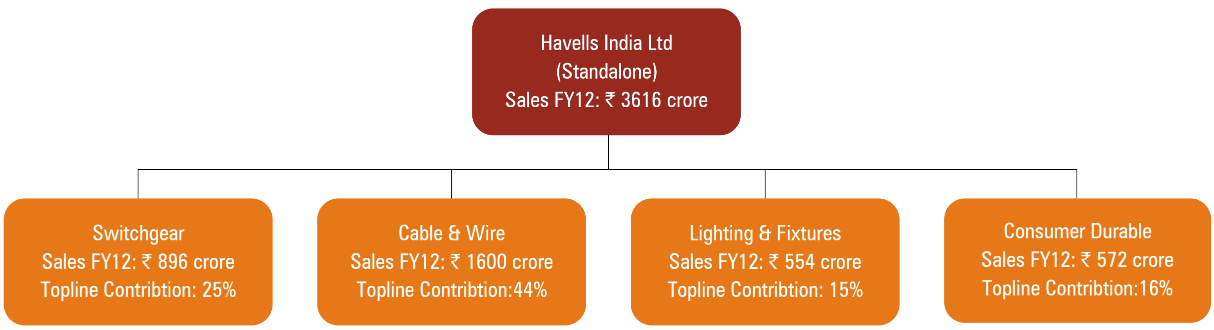


Company background

Havells India (HIL) is one of the leading and oldest (established in 1983) players in the fast moving electrical goods industry (FMEG). HIL also manufactures power distribution equipment and has a strong global footprint. The company has a presence across a wide spectrum of products, including industrial & domestic switchgear, cables & wires, electrical consumer durable and lighting & luminaries. In April 2007, HIL paid an enterprise value of €227 million to acquire Frankfurt based Sylvania, a leading player in lighting & fixtures with a presence in Europe and Latin America (LatAm), thus registering itself among the top 4 lighting companies in the world. The intention behind this acquisition was to capitalise on its underleveraged brand, utilising its vast dealer and distribution network (10,000 dealers and a distribution network across the globe) and improving profitability through outsourcing from India and China.

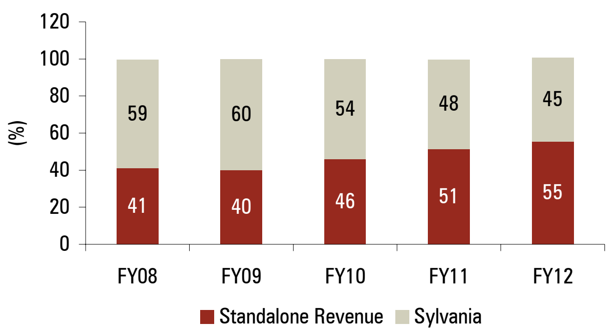
HIL exhibited revenue CAGR of 6% during FY09-12 mainly supported by standalone revenue CAGR of 18% during the same period. In the standalone business, cable & wire being the largest contributor to the topline (~44%), recorded a CAGR of 17% during FY09-12. This was followed by switchgear (~25% share in the topline) with revenue CAGR of 14% during the same period. The company's electrical consumer durable segment (contributes ~16% to topline) revenues grew at a CAGR of 27% in FY09-12 supported by a new product launch and brand promotional activities in sporting events like T-20 World Cup and IPL. HIL's lighting & fixtures revenue (contributes ~15% in the topline) grew at a CAGR of 26% during FY09-12 with the introduction of Sylvania products in India.

Exhibit 2: Company History



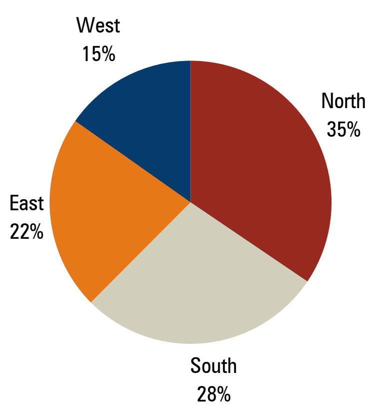
Source: Company, ICICIdirect.com Research

Exhibit 3: Consolidated revenue mix



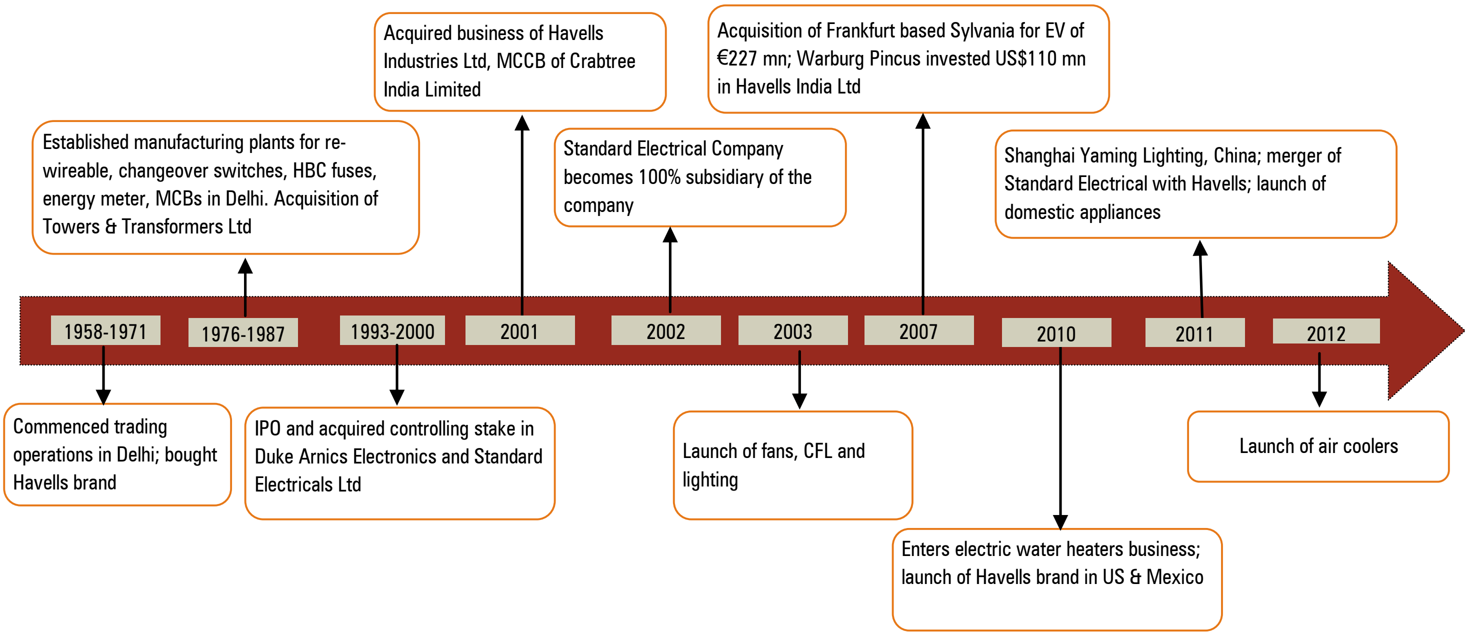
Source: Company, ICICIdirect.com Research

Exhibit 4: Standalone revenue geographical mix



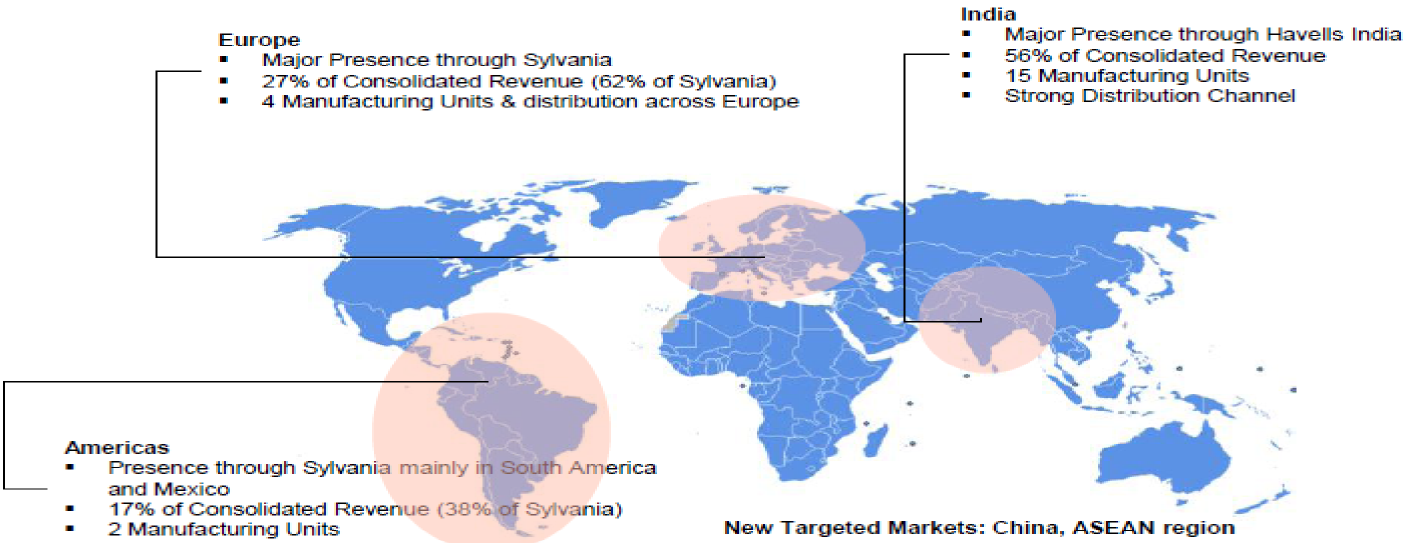
Source: Company, ICICIdirect.com Research

Exhibit 5: Company milestone



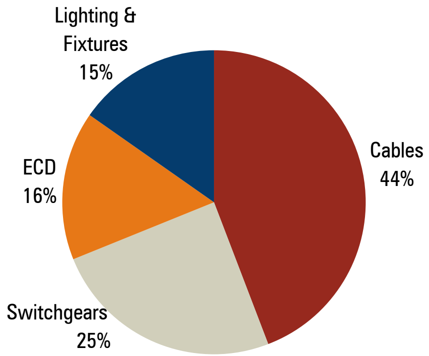
Source: Company, ICICIdirect.com Research

Exhibit 6: Havells India global footprint



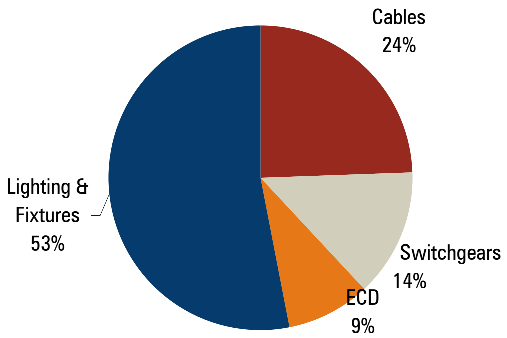
Source: Company, ICICIdirect.com Research

Exhibit 7: Standalone revenue break-up FY12



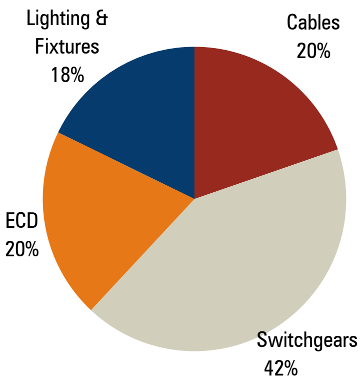
Source: Company, ICICIdirect.com Research

Exhibit 8: Consolidated revenue break-up FY12



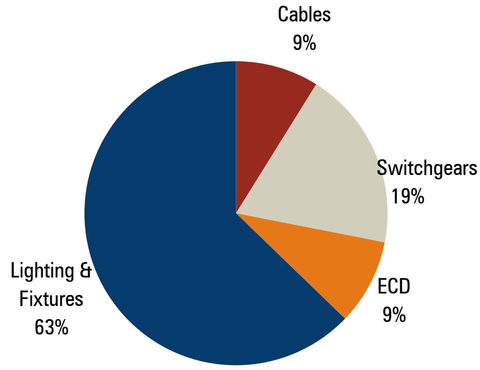
Source: Company, ICICIdirect.com Research

Exhibit 9: Standalone gross margin contribution (FY12)



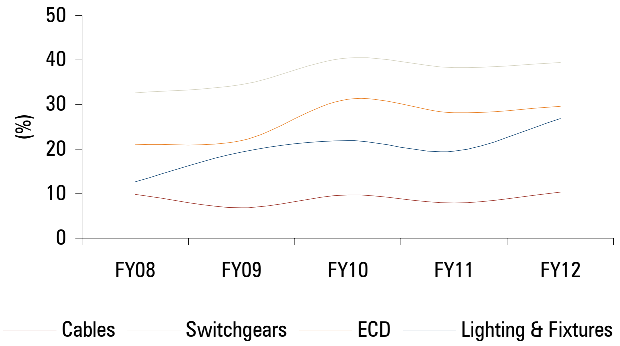
Source: Company, ICICIdirect.com Research

Exhibit 10: Consolidated gross margin contribution (FY12)



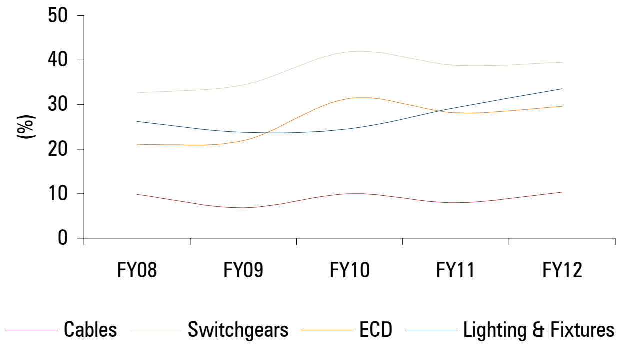
Source: Company, ICICIdirect.com Research

Exhibit 11: Standalone segment wise gross margin (FY12)



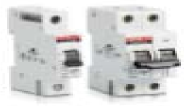
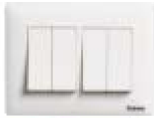
Source: Company, ICICIdirect.com Research, (includes non cash expenses)

Exhibit 12: Consolidated segment wise gross margin movement (FY12)



Source: Company, ICICIdirect.com Research (includes non cash expenses)

Exhibit 13: Havells commands significant market share across product segment

Segment	Market Size (₹ crore)	Market Share 2012	Market Share 2006	Peers	Product Line
Switchgear					
-Domestic switchgear MCB	1400	28%	15%	-Legrand (MDS & Indi Asian) -Schneider	
-Modular switches MCB	1200	15%	5%	-Matsushita/Anchor Roma -Legrand	
-LV Industrial Switchgear	3000	6%	7%	-L&T -Legrand -Schneider -Siemens -ABB	
Segment	Market Size (₹ crore)	Market Share 2012	Market Share 2006	Peers	Product Line
Cable & Wire	16000	9%	6%	-Polycab -Finolex -KEI	
Lighting & Fixtures	Market Size (₹ crore)	Market Share 2012	Market Share 2006	Peers	Product Line
-CFL	1500	11%	10%	-Philips -Osram	
-Luminaires	2500	11%	3%	-Philips -Bajaj -Crompton -Wipro	
Electrical Consumer Durable	Market Size (₹ crore)	Market Share 2012	Market Share 2006	Peers	Product Line
-Fans	3500	14%	6%	-Crompton -Usha -Orient	
-Small Domestic appliances	5000			-Bajaj -Philips -Recold	

Source: Company, ICICIdirect.com Research

Investment Rationale

Leveraging on established domestic and industrial brand

HIL is a leading fast moving electrical goods (FMEG) company catering to retail and industrial consumers both in India as well as abroad. Industrial segment products include industrial switchgear, power cable and LV motor (ranges from 0.12 HP to 470 HP) whereas the retail consumer products segment includes electrical consumer durable (ECD), domestic switchgear (mainly in miniature circuit breaker [MCB]), modular switches, electric wires, fans and kitchen appliances. The company sell its product under the brand name Havells, Standard, Sylvania, Concord and Lumiance.

HIL ranks first in the domestic switchgear segment with a market share of 28% (market size: ~ ₹ 1400 crore)

- The switchgear segment of the company is segregated into three sub-segments defined as domestic, modular and LV industrial switchgear. HIL is a leader in the domestic switchgear segment with a market share of 28% (market size: ~ ₹ 1400 crore). HIL is the second largest company in modular switches (Crabtree) segment and commands a market share of 15% (market size: ~ ₹ 1200 crore). It is mainly used in housing and commercial properties. Additionally, HIL also has a range of products in the LV industrial switchgear segment with a market share of ~6% (market size: ~₹ 3000 crore). The company competes with large players like L&T and ABB in order to cater to rising switchgear demand from the building and industrial segments. However, the company's focus is on two other segments (domestic and modular), which remain high margin businesses

Second largest players in the cable and wire segment with market share of 9% (market size: ~₹ 16000 crore)

- HIL is the second largest player in the cable & wire segment with a market share of 9% (market size: ~₹ 16000 crore). Cables are used for industrial purposes while wires are used for both domestic and commercial purposes

Second largest players in the lighting CFL segment and fourth largest players in luminaries with a market share of 11% in each segment

- HIL's lighting segment includes various decorative ranges of energy saving CFL lamps ranging from 5 W to 100 W products. The company commands a market share of 11% in the CFLs and luminaries segment (market size of ~₹ 1500 crore and ₹ 2500 crore respectively) that are also used for decorative purposes

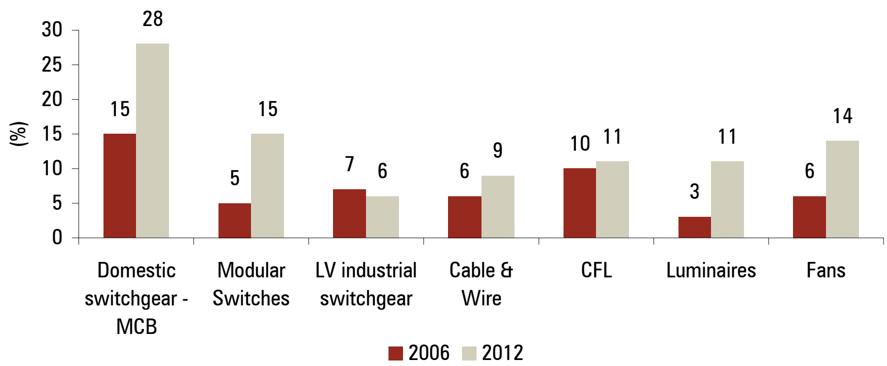
Third largest player in the fan segment with a market share of 14% in each segment

- The consumer durable (CD) segment was limited to fans till FY11. However, it has extended its CD segment by launching domestic appliances products (water heaters, air coolers & kitchen appliances), thereafter. HIL is the third largest players in the fan segment with a market share of 14% (market size: ~₹ 3500 crore). Peers include Crompton Greaves and Usha. The company competes only in premium segment products, which help it command strong margins

Standalone Segment	Sales CAGR (FY09-FY12)	Gross Profit CAGR (FY09-FY12)
Cables	17%	34%
Switchgears	14%	19%
ECD	27%	41%
Lighting & Fixtures	26%	41%

Source: Company, ICICIdirect.com Research

Exhibit 14: Company's market share change from 2006 to 2012



Source: Company, ICICIdirect.com Research

According to CMIE, the overall switchgear industry registered a CAGR of 9.3% over FY08-11. It is expected to report a CAGR of ~18% over FY12-14E on the back of a pick-up in overall industrial activity coupled with a rise in installed power generation capacities and improvement of the transmission and distribution grid. Though HIL's switchgear segment constitutes ~30% of the total industry, we believe this steep growth in the switchgear industry is indicative of growing demand, which, in turn, is going to benefit Havells, going forward

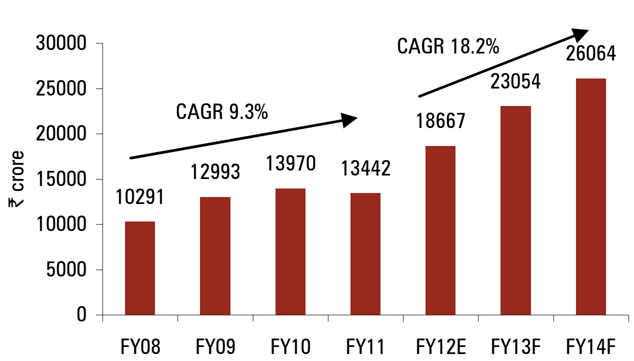
Diversified product portfolio

Switchgear: Focus on increasing market share by launching new products

Havells' switchgear segment contributes ~25% to standalone revenue (FY12) and registered revenue CAGR of 14% during FY09-12. The switchgear segment comprises domestic and the industrial switchgears, electrical wiring accessories, industrial motors and capacitors. Havells also has the right to market UK based Crabtree brand in India and enjoys a market share of 15% (5% in 2006) of the ₹ 1200-crore modular switches market in India. The wide range of products under domestic switchgears includes MCB, residual-current circuit breaker (RCCB), automatic changeover cum current Limiter (ACCL) and distribution boards. HIL also manufactures air circuit breakers, moulded case circuit breakers (MCCBs), contactors, relays, motors, etc. to cater the industry, building and infrastructure sectors. Havells has a leadership position in the domestic switchgear market and increased its market share aggressively from 15% in 2006 to 28% in FY12. Another important category in this segment is the LV industrial switchgear, which is primarily dominated by major players such as L&T, Siemens, ABB and Schneider.

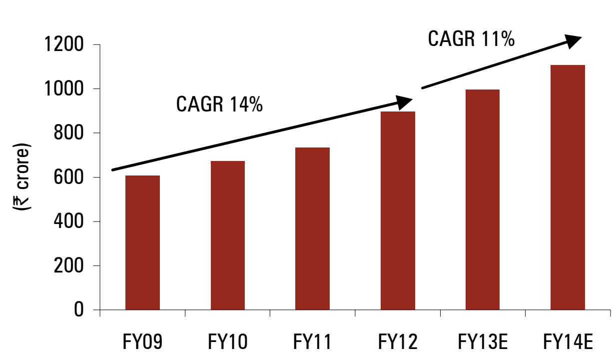
According to CMIE, the overall switchgear industry registered a CAGR of 9.3% over FY08-11 and was expected to report a ~CAGR of 18% in FY12E-14E on the back of a pick-up in overall industrial activity coupled with a rise in installed power generation capacities and improvement of the transmission and distribution grid. Being a capital intensive industry, the sector is largely driven by organised players with higher margin (Havells' gross margin ~40% in FY12) as consumers prefer branded products due to safety concerns.

Exhibit 15: Domestic switchgear industry size and growth



Source: CMIE, ICICIdirect.com Research

Exhibit 16: Switchgear sales trend



Source: Company, ICICIdirect.com Research

Leveraging Sylvania's distribution network with focus on new product launch

The company has started capitalising on the distribution network of Sylvania and launched its switchgear in the UK. The company further plans to expand this to other countries including Belgium, Italy, Thailand and Argentina. In the domestic market, we expect switchgear sales to register a CAGR of 11% in FY12-14E on the back of the launch of new product (mainly switches and sockets) launches in the EWS segment. The company has recently launched motor starters under the industrial switchgear category for the agriculture market.

Cable & wire: brand and quality perception to fuel growth

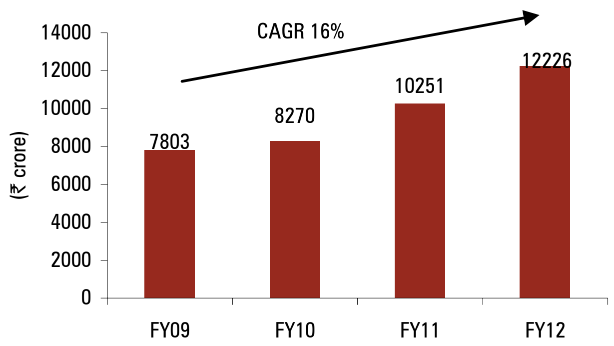
Havells' cable & wire segment contributes over 40% to the standalone revenue with revenues growing at a CAGR of ~17% during FY09-12. The company offers power cables for industrial uses and wires for domestic uses with the product range including low and high voltage PVC and XLPE cables besides domestic FR/FRLS wires, co axial TV and telephone cables. The standalone margin from this segment remained in the range of 7-10% (lowest compared to other segments), since cable is a highly competitive segment and due to volatility in raw material prices (copper and aluminium). However, HIL's domestic wire segment is expected to benefit from higher demand for quality products and brand consciousness of end users. Further, a shift in the cable and wire industry into the organised market (20% of the cable market and 50% of the wire market is unorganised), the company's effort to maintain lower inventory levels in the entire value chain and passing on of the impact of commodity price fluctuation immediately would help in improving profitability. We believe this will also help HIL to maintain its cash conversion cycle at lower levels and improve margins, going forward.

Massive power sector investment targeted in XII plan (₹ crore)	
Generation	590000
Transmission	180000
Distribution	306235
Cable & Wire contribution in Distribution	36%
Investiment in the Cable & Wire	110245

Source: Company, ICICIdirect.com Research

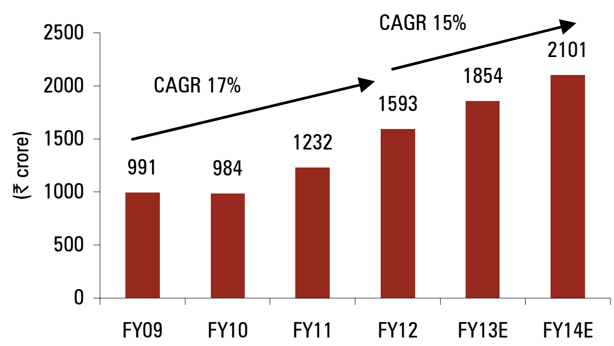
Since the segment is entirely driven by the housing segment, capex in the power sector will be the key revenue driver for the company's cable and wire segment. The industry has registered a CAGR of 16% over FY09-12 largely driven by an increase in demand from the power distribution and construction segment.

Exhibit 17: Cable & wire industry sales growth



Source: capitaline, ICICIdirect.com Research, (Net sales figures for selected companies)

Exhibit 18: Havells' cable & wire sales trend



Source: Company, ICICIdirect.com Research

The energy cable market in India was estimated at US$3 billion in 2010 increasing at a CAGR of over 10%. This can be broadly divided into the following segments:-

- High voltage (HV) (> 132 KV): US$300 million
- Medium voltage (MV) (11 to 66 KV): US$900 million
- Low voltage (LV): US$1.8 billion

The fastest growing segment is high voltage cables, which is projected to double in the next three years. Generally, most of the demand for 132 KV, 220 KV and 400 KV XLPE cables are met through import. In addition, the projected growth in power generation and transmission coupled with rapid growth of urbanisation would drive the demand for underground high voltage cables, which would gradually replace overhead lines. In the medium and low voltage power cable field, growth is fuelled by the boom in the power, industrial, realty and construction sectors.

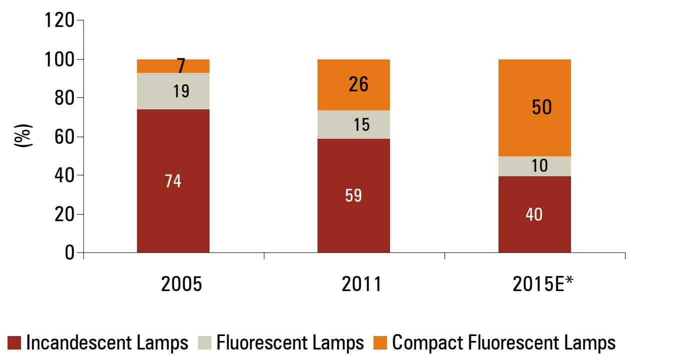
The lighting & fixtures industry is still at a nascent stage of growth. The lighting industry in India has grown at a CAGR of 13% during 2005-11

Lighting & fixtures: Synergising through Sylvania

Havells launched its lighting & fixtures business in 2003 and soon got recognised in the consumer lighting space through energy saving lamps (CFL) and luminaries market. This is clearly evident from its standalone revenue (from lighting & fixtures) CAGR of 26% during FY09-12. HIL has recently commenced a one of its kind lighting fixtures manufacturing plant in Rajasthan with technological help from Sylvania, which will help the company to reduce its dependence on import of premium products from other countries. By commissioning this plant, we expect HIL to be in a position to charge a premium for its quality lighting products, thus improving the margin for the segment, going forward. In addition, the company formed an equal joint venture (with total investment of US$50 million) with China's Shanghai Yaming Lighting Co to manufacture various lamps and lighting products in China. With this investment, HIL is expected to generate revenue of US$100 million in the coming two or three years. We expect this to enable Havells to source lighting products at lower cost for the Indian market as well as for Sylvania's global operation.

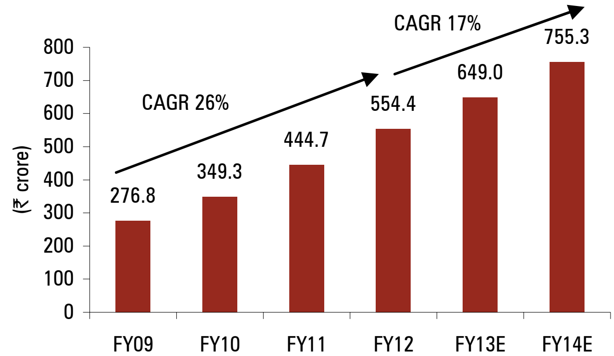
We believe the lighting & fixtures industry is still at a nascent stage of growth. The lighting industry in India has grown at a CAGR of 13% during 2005-11 mainly due to a boom in real estate and increasing electricity penetration. On the other hand, growing awareness about using power efficient products along with a preference for interior decorations are other influential factors for the rising demand of LED and luminaries in India.

Exhibit 19: Annual manufacturing trends in India by lamps category



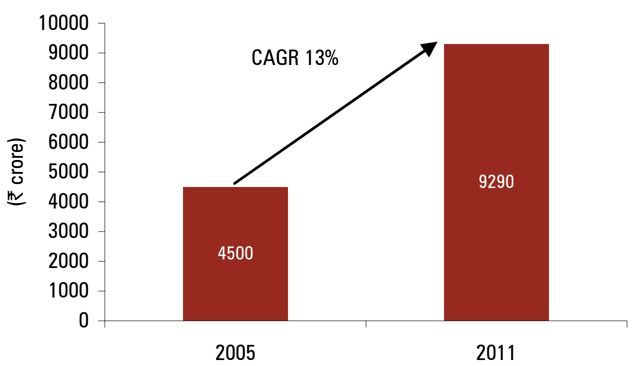
*Source: ELCOMA, ICICIdirect.com Research * assuming same CAGR growth reported between 2005-11*

Exhibit 20: Havells' lighting & fixtures sales trend (Standalone)



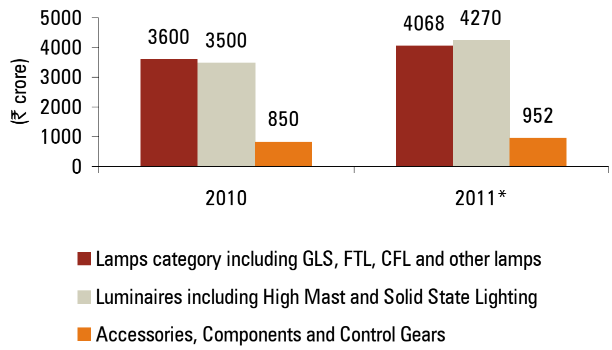
Source: Company, ICICIdirect.com Research

Exhibit 21: Robust growth of Indian lighting industry



Source: ELCOMA, ICICIdirect.com Research

Exhibit 22: Lamps & luminaries report decent growth YoY



*Source: ELCOMA, ICICIdirect.com Research, * 2011 Luminaries also includes LED Lighting Luminaries (Approximately ₹320 crore)*

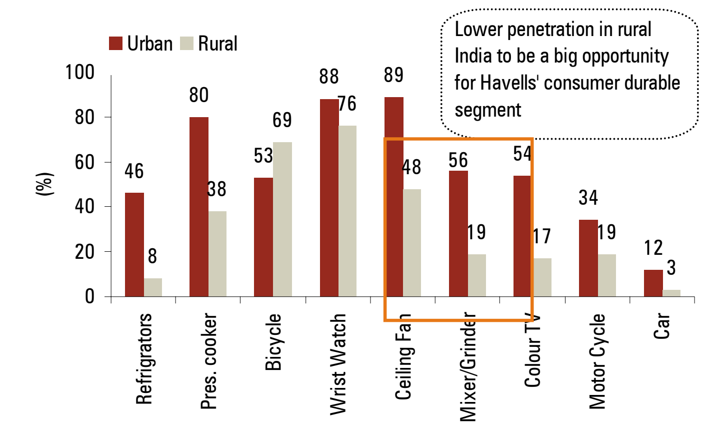
Electrical consumer durable: New product launch to fuel growth

According to a CCI report, rural India, which accounts for 70% of the total households, has very low penetration in white goods and brown goods items. However, growth in disposable income, improving lifestyles, power availability and rise in temperature creates an ample opportunity for electrical goods manufacturer to expand their wings in this untapped market

Havells entered the electrical consumer durable (ECD) segment way back in 2003 by entering the premium category fan business. HIL's fan segment reported a strong CAGR of 45% in FY04-12 led by growth in the real estate sector with the current market share improving from a mere 6% in 2006 to ~14% in 2012. HIL's consumer durable segment was limited to fans till FY11. This was later accompanied by the company's business plan to further expand its wings into the small home appliances business (water heater, air coolers and kitchen appliances). The company sold brown goods worth ₹ 84 crore in its first year of operation (FY12), which includes ₹ 45 crore worth of small domestic appliances launched in September 2011. The product range under its home appliances segment varies from garment care (steam and dry iron) to food preparation and cooking segments (ranges of mixer/juicer and electric cooker). The company is leveraging its existing dealer network (5600 dealers with 1,00,000 retailers) and strong promotional activities to expand its market share.

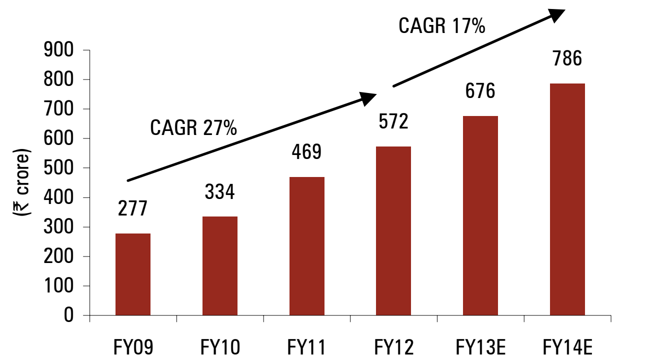
With the focus shifted to expanding its electrical consumer durable goods, the demand for quality products has seen a strong traction largely driven by a young population coupled with rising disposable income, increasing urbanisation and rural electrification. According to Assocham, the consumer durable and electronics industry is expected to grow at a CAGR of 15% to ₹ 52,000 crore by 2015 from the current ₹ 32,000 crore. In order to capitalise on strong sector growth, HIL is expanding its reach to Tier II and Tier III cities through its dealer network and by opening 'Havells Galaxy' stores.

Exhibit 23: Ownership of consumer durable (percentage of household)



Source:: CCI, ICICIdirect.com Research

Exhibit 24: Havells' ECD sales trend



Source: Company, ICICIdirect.com Research

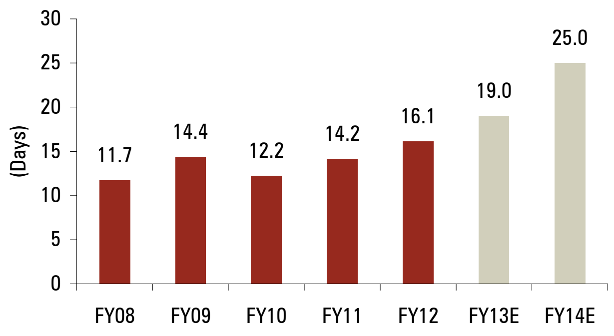
Cultivating business through strong dealer network

The company has arranged channel finance facility for its customers from banks wherein bankers have recourse to the company to the extent of 5-10% of the sanctioned amount

HIL is operating through a well established dealer network in the domestic electrical market. The company has one of the largest distribution networks of over 5600 dealers across India covering ~100,000 retailers. HIL has developed a strong relationship with dealers over the years by providing financing arrangement to them through its channel financing schemes. Through this scheme, dealers get finance from banks to pay their outstanding bills to the company on bank guarantee provided by Havells. This helps the company to maintain lower debtor days and improve its cash conversion cycle. HIL passes on the benefits of receiving upfront payment to its dealers in terms of providing cash discount to them. Simultaneously, incentivising dealers has also helped the company to expand its network across Tier II and Tier III cities.

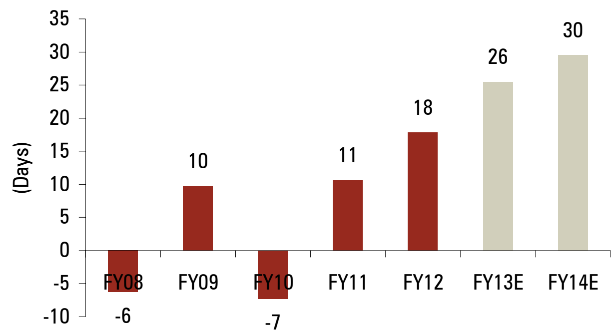
The company further plans to add 700-800 dealers per annum to increase it existing dealer base. HIL has also taken the initiative to reach directly to consumers through "Havells Galaxy" for all consumer appliances, lighting and electrical needs. Currently, the company has a network of ~151 galaxy stores. HIL plans to scale up the count to over 200 stores by the end of FY13. The outlets have been set up in Tier I and Tier II cities on the franchise model.

Exhibit 25: Lower debtor days translate into….



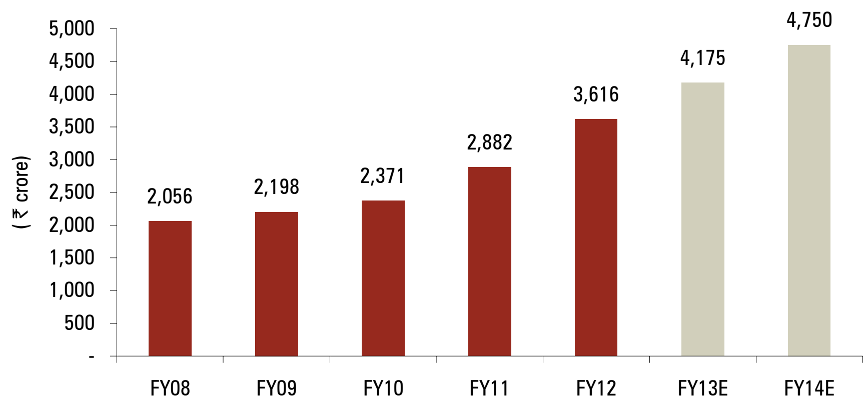
*Source: Company, ICICIdirect.com Research, * standalone numbers*

Exhibit 26: ….efficient working capital



*Source: Company, ICICIdirect.com Research * standalone numbers*

Exhibit 27: Standalone net sales trend



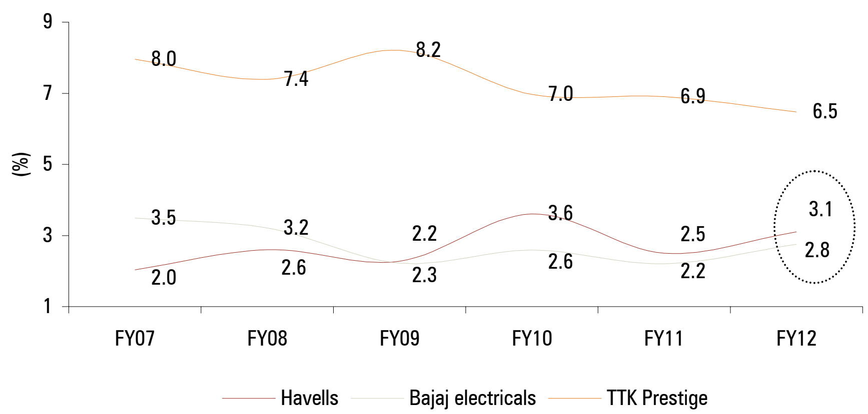
Source: Company, ICICIdirect.com Research

Increase in advertisement expenses to build consumer pull model

The company has created a strong brand in electrical consumer products in India, which was traditionally a low involvement product category. HIL's advertisement expenses have grown (CAGR ~29%) faster than its net sales growth (CAGR ~18%) in the last five years. The company's advertisement expenditure always remained at ~2-3% of net sales to build brand images 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 and to promote Sylvania's product in India. We believe the company has built up a strong brand equity, which has helped it to move from a dealer push to a consumer pull business model.

A higher advertisement expense (2-3% of net sales) is a clear indication of the company's aggressive plan to create a strong brand in electrical consumer products in India

Exhibit 28: Advertisement expenses as percentage of sales (standalone)



Source: Company, ICICIdirect.com Research

HIL's consumer durable segment largely belongs to the premium category product range (compared to its close competitor Bajaj Electricals)

Exhibit 29: Price comparison of Havells and Bajaj Electricals' consumer durable products

Appliances Price list (MRP) comparision

Segment	Sub Segment	Havells		Bajaj Electricals	
		Min	Max	Min	Max
Garment Care	Steam Iron	1995	4595	899	2252
	Dry Iron	795	1095	549	949
Food Preparation	Mixer Grinder	3895	4595	3190	4720
	Juicer/Juicer Mixer Grinder	3795	7495	1150	3460
	Chopper	2395	2695	NA	NA
	Blender	1895	3495	1150	2799
Cooking	Electric cooker	2895	3195	999	4999
	Electric oven	5495	5795	3990	10490
	Pop up Toaster	1595	3395	999	1549
	Induction cooker	3795	4795	2699	3999
	Sandwich maker	1495	4495	3049	7349
Brewing	Kettle	1395	3995	999	1899
Climate control	Room Heater	3995	4985	825	7899
	Air cooler	NA	11995	4990	8990
	Ceiling Fan	1805	2690	1650	2235
	Table Fan	1840	2395	1050	2025

Source: Company, ICICIdirect.com Research

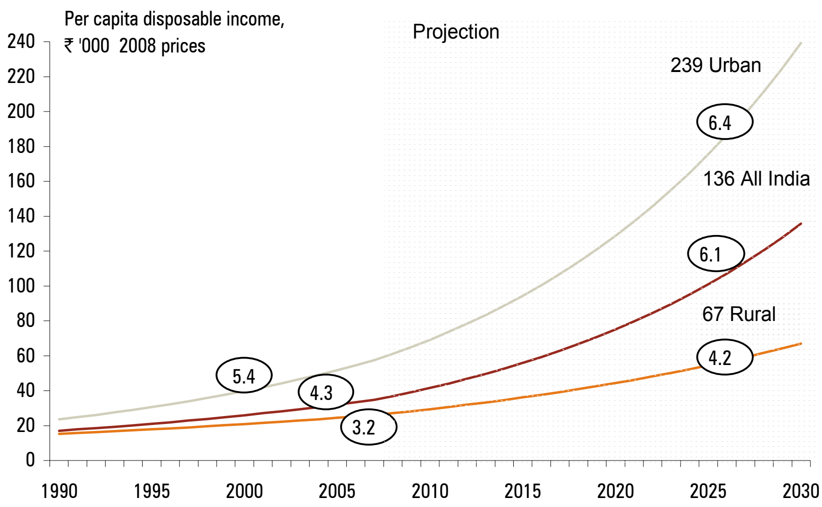
The Indian consumer durable industry is largely driven by the growing urbanisation rate (CAGR of 11% in the last three decades) coupled with a rising proportion of young population (age group of 20-44 is projected to go up from 37% in 2006 to 40% in 2016)

According to Assocham, the consumer durables and electronics market in rural and semi-urban areas accounts for about 40% of the overall market and is growing at a CAGR of about 30%

Demographic change to fuel demand for consumer durable

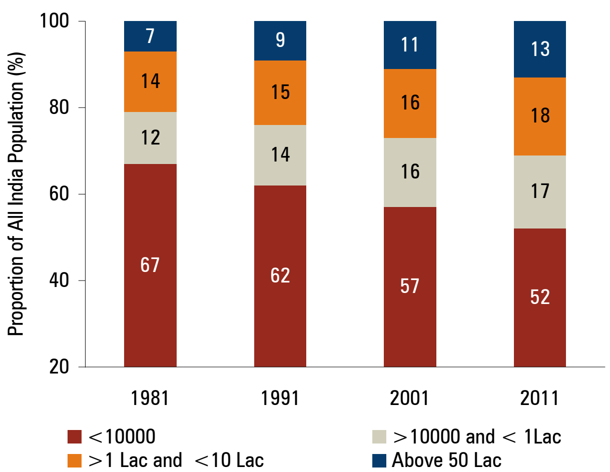
With the momentous change in Indian demographics, we believe demand for consumer good products would witness significant growth, going forward. According to a McKinsey Global Institute (MGI) 2010 report, India's fast growing cities will drive a near fourfold increase in the country's per capita income between 2008 and 2030. Also, the number of middle class households (earning between ₹ 2 lakh and ₹ 10 lakh a year) will increase more than fourfold nationwide from 32 million to 147 million in 2030. With the rising disposable income (per capita disposable income of the urban segment is expected to grow at a CAGR of 6.4% between 2008 and 2030), consumer's discretionary expenditure is also likely to increase significantly. We believe the demand for consumer electronics and durables will be largely driven by a young demographic coupled with rising disposable income.

Exhibit 30: Growth in middle class income to drive consumer durable demand



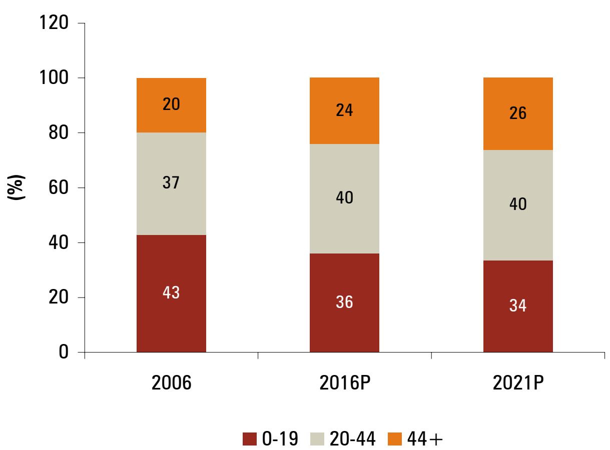
Source: : MGI 2010 ICICIdirect.com Research, Figures in circle represents CAGR growth

Exhibit 31: Shift from rural to urban category



Source: IIHS, ICICIdirect.com Research

Exhibit 32: Sustained growth of age group between 25 and 44

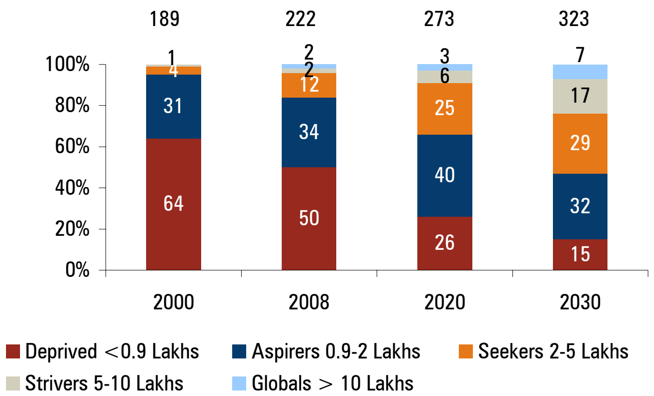


Source: National commission on population (2006), ICICIdirect.com Research

Lower penetration of brown goods in rural India creates ample opportunity for growth of the consumer durable industry, going forward. According to a PwC-Ficci report, discretionary spends have grown by ~1000 bps between 2000-01 and 2009-10. They are expected to expand further by ~1000 bps by the end of 2019-20

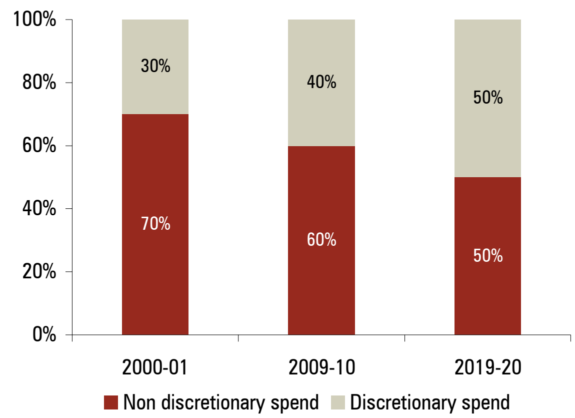
Going forward, rising disposable income would provide more room for expenditure in discretionary items. According to PwC-Ficci, the discretionary spend is expected to improve by ~1000 bps by the end of 2019-20. We believe low penetration levels, easy availability of finance options, growing consumer electronics' retail stores, online shopping along with growing number of middle class households in India will fuel demand in this industry.

Exhibit 33: Over 10 crore households to join Indian middle class



Source: MGI April 2010, ICICIdirect.com Research

Exhibit 34: Rising discretionary expenditure

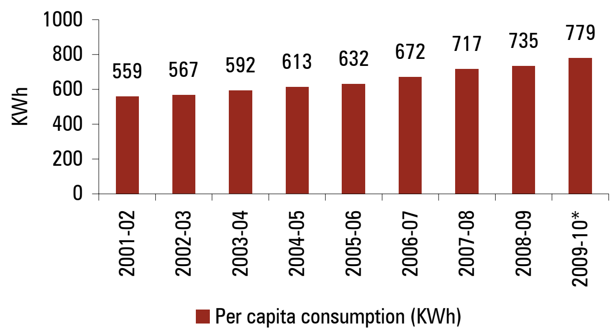


Source: FICCI-PWC, ICICIdirect.com Research

Rising per capita electricity consumption another trigger for FMEG demand

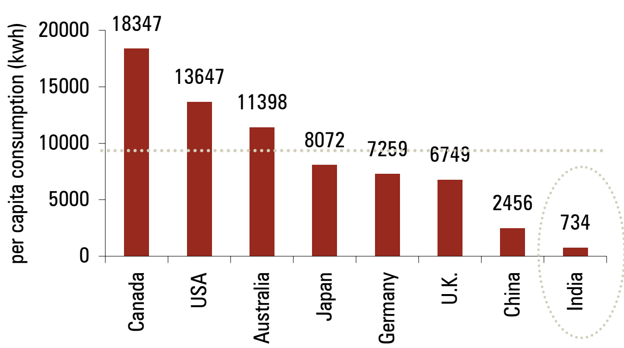
Over the last 10 years, per capita electricity consumption has increased at a mere 4% CAGR to 779 kwhr (provisional), which is still lower compared to developed countries. We expect a revival in economic conditions to drive per capita electricity consumption. This will further boost consumption of electrical products in India. Havells India being one of the leading manufacturers of electrical goods will benefit from the rise in demand for power equipment (switchgear, cables) and household electrical goods.

Exhibit 35: All-India annual per capita consumption of electricity



Source: CEA
**provisional*

Exhibit 36: Per capita electricity (kwhr/year) consumption for some select countries for 2008-09



Source: planning commission

Sylvania: a turnaround story

SLI Sylvania, headquartered in Frankfurt, is a leading global designer and provider of lighting systems for lamps and fixtures. Sylvania has been one of the most globally recognised brands for over a century in the electrical industry. SLI Sylvania has seven manufacturing plants located across Europe, Latin America and Africa with a dealer network of over 10,000 across destinations.

SLI Sylvania has 7 manufacturing plants located across Europe, Latin America and Africa with a dealer network of over 10,000 across destinations

The Sylvania Lighting group is a global designer and provider of lighting systems, including both lamps and fixtures. Lamps include incandescent, fluorescent, halogen and HID. Fixtures include industrial and commercial, architectural and consumer. The group owns the worldwide right to the Sylvania brand, except in Australia, Canada, Mexico, New Zealand, Puerto Rico and the US. Other brands under which Sylvania lamps and fixtures are marketed include Sylvania: Linolite, Lumiance, Concord: Marlin, Claude, Zenith and SLI.

Acquisition to expand overseas

Acquisition followed by global downturn dented health of Havells…

The company justified the acquisition at 7.6x CY06 EV/EBITDA, by citing its long term strategy as Sylvania provide Havells synergistic opportunities in terms of geographic diversification, widening its product portfolio and offering cross-selling opportunities

Havells India acquired Sylvania for a total consideration of €235 million (enterprise value including transaction fees) in April 2007. The deal was financed through debt of €200 million, out of which €80 million had recourse to HIL while the remaining €120 million had recourse to Sylvania. In order to reduce the debt (€80 million), Havells issued fresh equity to Warburg Pincus, raised ₹ 260 crore and repaid a €50 million bridge loan to reduce the acquisition debt. HIL justified the acquisition at 7.6x CY06 EV/EBITDA, by citing its long term strategy as Sylvania provides Havells a synergistic opportunities in terms of geographic diversification, widening its product portfolio and offering cross-selling opportunities. However, the acquisition turned downbeat for Havells as soon after the acquisition Sylvania grappled with an economic crisis spread across Europe and US and reported a net loss of €24 million in CY08, which widened further to €73 million in CY09.

Exhibit 37: Sylvania's acquisition detail (in million euro)

Acquisition Date	20-Apr-07	
Acquisition amount	200	
Pension fund	27	
Transaction cost	8	
Total Acquisition ammount	235	
Net Revenue (CY 06)	480	
EBITDA (CY06)	30	
EV/EBITDA (x)	7.6	
Funding		
-Debt with recourse to Havells	80	Debt on the Book of Havells
-Debt without recourse to Havells	120	Debt on the Book of Sylvania

Source: Company, ICICIdirect.com Research

Restructuring plans to bring business back on track

Under its restructuring plans, the company shut down a few plants, reduced its workforce and increased outsourcing from low cost countries

The downturn across European countries (contributing ~70% of revenue during 2007-08) had hit Sylvania's operation, which resulted in a decline in revenue and profitability. This caused a maiden covenant breach with lenders group in October 2008. As a result, a restructuring agreement was signed with lenders in August 2009 with new covenants based on revised projections. The company took immediate steps to defuse the crisis and launched two major restructuring plans.

Exhibit 38: Havells' restructuring initiatives taken for Sylvania (amount in million euro)

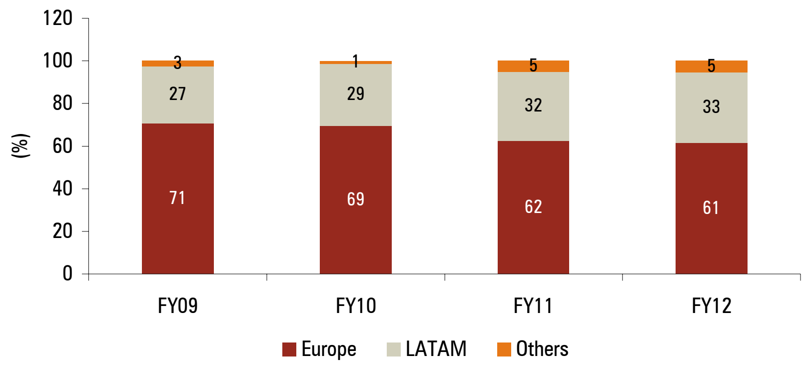
Project	Period	One time cost	Projected annualized savings	Action
Phoenix	Jan 2009- Sep 2009	12	17	Three plants shut down, reduction of manpower by 1400 people from Europe, Tunisia and LatAm, reduction in material cost
Parakram	Sep 2009- June 2010	23	16	Increased outsourcing from low cost countries including China/India; increased savings in material costs, value engineering and process optimisation

Source: Company, ICICIdirect.com Research

Havells' effort in restructuring Sylvania's operation proved to be a fruitful one as Sylvania reported a net profit of €7 million on revenue of €449.4 million (9% YoY growth) in FY11 against a loss of €69 million on revenue of € 413 million (18% YoY dip) reported in FY10. During the restructuring process, the company also decided to diversify its business risk by reducing its focus from Europe to LatAm. This is clearly evident from Sylvania's revenue contribution from Europe, which declined to ~60% in FY12 from ~71% in FY09 and increase in contribution from LatAm from ~27% in FY09 to 33% in FY12.

In order to reduce business risk the company decided to shift its focus from Europe to LatAm

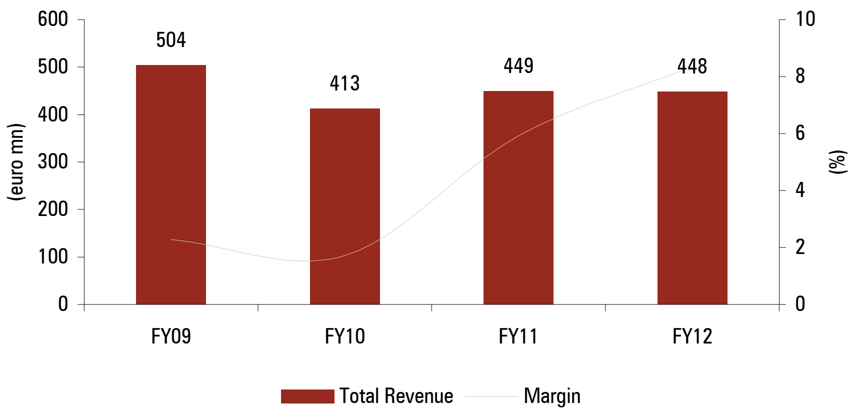
Exhibit 39: Post restructure Havells' strategy to shift focus of Sylvania from Europe to LatAm



Source: Company, ICICIdirect.com Research

After restructuring the business, Sylvania made a turnaround in FY11 by making a net profit of €7 million against a loss of €69 million during FY10

Exhibit 40: Efforts to rationalise cost result in margin improvement



Source: Company, ICICIdirect.com Research

The company has refinanced Sylvania's debt wherein €40 million has been guaranteed by Havells India while €77.5 million is on the books of Sylvania

Havells' has refinanced its outstanding debt of €102 million, which was payable in two tranches by the end of April 2012 and April 2013. Under the new proposal, € 40 million has been guaranteed by Havells India repayable in one year i.e. up to April 2013 while the balance €77.5 million is on the book of Sylvania and will be repaid over the next four years (i.e. up to May 2016).

Exhibit 41: Havells' total exposure (debt and equity) into Sylvania

Havells exposure in Sylvania (in mn euro)	As on June 2012
-Equity invested by Havells in Sylvania at the time of investment (2007-08)	50
-Acquisition debt with recoures to Havells	30
-Estimated interest paid/payable on recourse debt	10
-Equity infusion for restructuring plan (CY09, CY10)	35
-Working capital loan outstanding as on June 2012	5
-Debt restructure (Guaranteed by Havells India)	40
Total Exposure of Havells India into Sylvania	170

Source: Company, ICICIdirect.com Research

A shift in focus towards emerging markets with its plans to make China and India outsourcing hubs will help to strengthen Sylvania's business, going forward.

Key drivers: Increasing business from LatAm, outsourcing from low cost countries

Post restructuring, HIL focused on de risking the business of Sylvania by shifting the target market towards emerging economies like LatAm and Asia from the developed European market. Currently, emerging markets contribute ~38% of topline against ~30% in FY09. The management has also guided that, going forward, the contribution from emerging markets will further increase to ~50% of the total topline. In order to drive the sales growth of Sylvania, it has also launched new power saving products in the LatAm market. Further, the company is also leveraging Sylvania's ~10,000-strong distribution network to push the Havells brand across different geographies. We expect Sylvania to report a muted topline CAGR of ~3% for FY12-14E led by revenue CAGR of 6% from LatAm for the same period. In order to save cost, the company plans to make India and China its outsourcing hubs for Sylvania's high margin lighting products. The company is a joint venture with China's 88 year old company Shanghai Yaming Lighting Ltd, which specialises in manufacturing LED, CFL and lighting fixtures. We are modelling almost flat EBITDA margins for the same period.

Exhibit 42: Country wise financial performance of Sylvania (in mn euro)

Europe	FY10	FY11	FY12	FY13E	FY14E
Revenue	286	281	275	278	281
EBITDA	-4	14	26	20	20
EBITDA Margin (%)	NM	5.0	9.4	7.1	7.1
LATAM					
Revenue	121	145	149	158	167
EBITDA	11	13	12	13	13
EBITDA Margin (%)	8.7	9.1	8.1	8.1	8.1

Source: Company, ICICIdirect.com Research

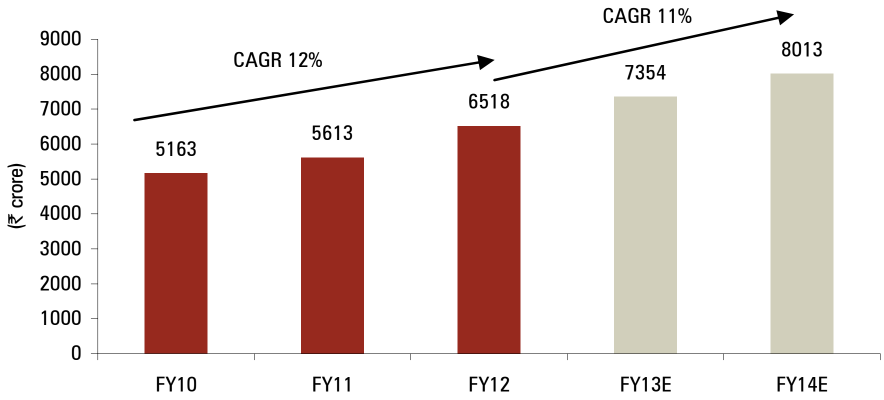
Havells managed to drive its consolidated net sales at a CAGR of 12% during FY10-12 supported by revenue CAGR of 24% from its Indian business during the same period

Key Financials

Emerging economies to drive topline growth

Despite the crisis in European countries (major market for Sylvania), Havells managed to drive its consolidated net sales at a CAGR of 12% during FY10-12 supported by revenue CAGR of 24% from its Indian business during the same period. On a standalone basis, we have built in 13% and 10% volume growth for the cable division in FY13E and FY14E, respectively, 9% volume growth for switchgear in both FY13E and FY14E, 15% and 13% volume growth for lighting and fixtures in FY13E and FY14E, respectively, and 17% and 14% volume growth for consumer durable segment in FY13E and FY14E, respectively. We assume muted realisation growth of ~3% CAGR for the same period. For Sylvania, we expect dismal revenue growth (CAGR of 1.1% in euro) in Europe for FY12-14E and ~6% CAGR for LatAm considering new product launches across LatAm countries.

Exhibit 43: Net sales report CAGR of 12% over last three years



Source: Company, ICICIdirect.com Research

Exhibit 44: Standalone segment wise sales growth

Segment Sales (₹ Crore)	FY10	FY11	FY12	FY13E	FY14E
Cables	984	1,232	1,593	1,854	2,101
Switchgear	673	734	896	996	1,108
ECD	334	469	572	676	786
Lighting & fixtures	349	445	554	649	755

Source: Company, ICICIdirect.com Research

We expect the consolidated EBITDA margin of Havells to remain flat for FY13E and FY14E considering sluggish demand from European countries and the adverse impact of currency movement on raw material cost

Expect flattish margin on rising raw material cost, advertising expenses

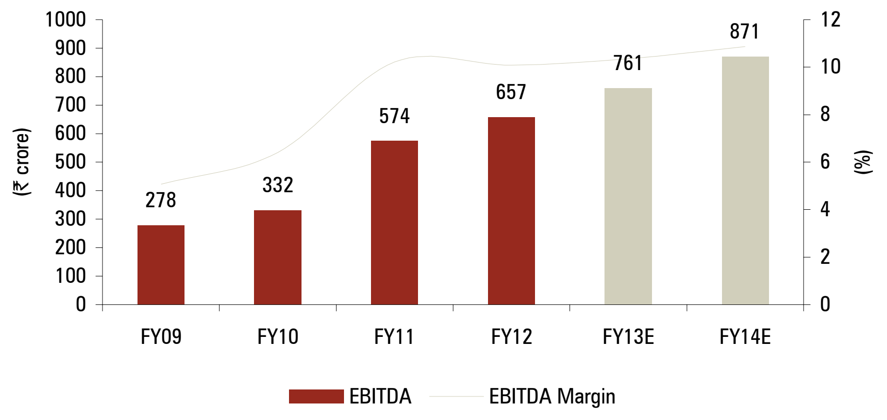
We expect the consolidated EBITDA margin of Havells to remain flat for FY13E and FY14E considering sluggish demand from European countries and the adverse impact of currency movement on raw material cost. We have modelled 7% EBITDA margin for FY13E and FY14E on the Sylvania business wherein we expect the margin from LatAm countries to remain at ~8%. On a standalone basis, we have modelled in ~13% EBITDA margin (30 bps higher YoY) for FY13E and 13.5% (60 bps higher YoY).

Exhibit 45: EBITDA margin trend

EBITDA Margin (%)	FY09	FY10	FY11	FY12	FY13E	FY14E
Standalone	9.0	12.9	11.8	12.6	12.9	13.5
Consolidated	5.1	6.4	10.2	10.1	10.4	10.9

Source: Company, ICICIdirect.com Research

Exhibit 46: Growth in domestic business to drive consolidated margin



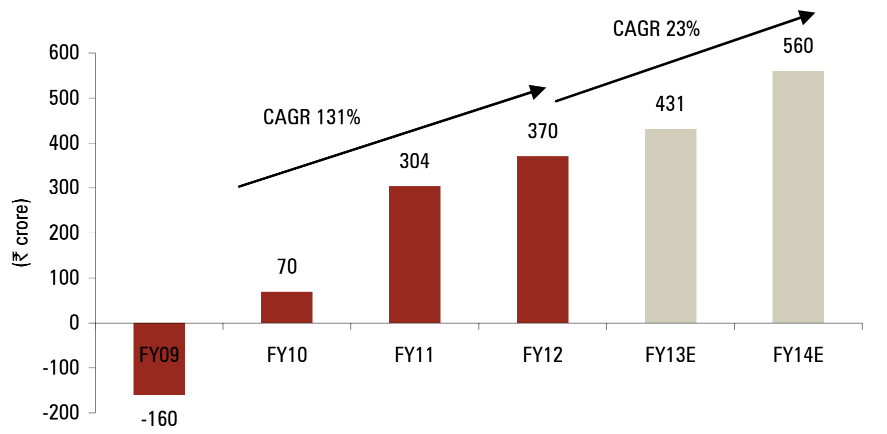
Source: Company, ICICIdirect.com Research

We expect the consolidated net profit to grow at a CAGR of 23% in FY12-14E supported by a decline in interest cost by 60% by the end of FY14E followed by the company's debt reduction plan

Net profit likely to grow at CAGR of 23% in FY12-14E

After making a huge loss of ₹ 160 crore during FY09, the company returned in the green by reporting a net profit of ₹ 70 crore during FY10. This was mainly on account of HIL's continuous effort to rationalise cost across Sylvania's operation. However, during the period, the standalone business remained intact and the company reported a net profit CAGR of 19% during FY07-09. We expect the consolidated net profit to grow at a CAGR of 23% in FY12-14E supported by a decline in interest cost by 60% by the end of FY14E followed by the company's debt reduction plan.

Exhibit 47: Net profit to grow at CAGR of 23% for FY12-14E

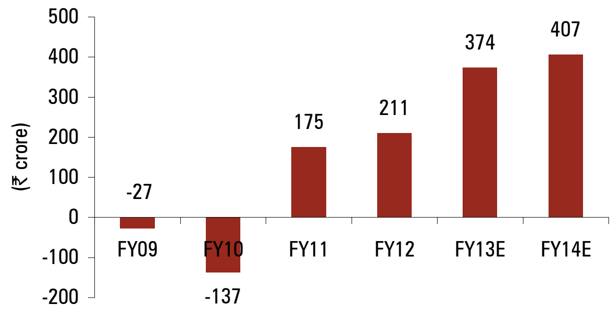


Source: Company, ICICIdirect.com Research

Return ratios

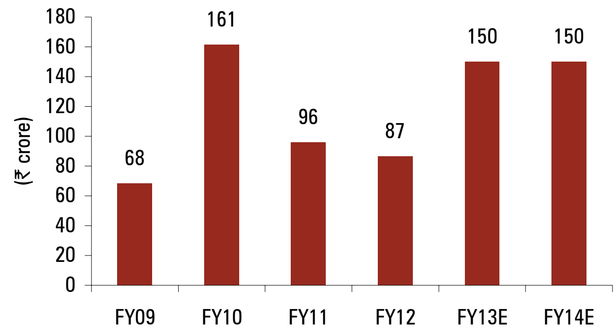
We expect the return ratios of the company to moderate due to the repayment of Sylvania's debt and bleak earnings growth in European operations. On a standalone basis, we expect RoE to improve by 120 bps YoY in FY13E to 20.2% and 60bps YoY in FY14E to 20.8% while RoCE to remain at ~24-25% for the same period

Exhibit 48: Sustained cash flow generation



Source: Company, ICICIdirect.com Research

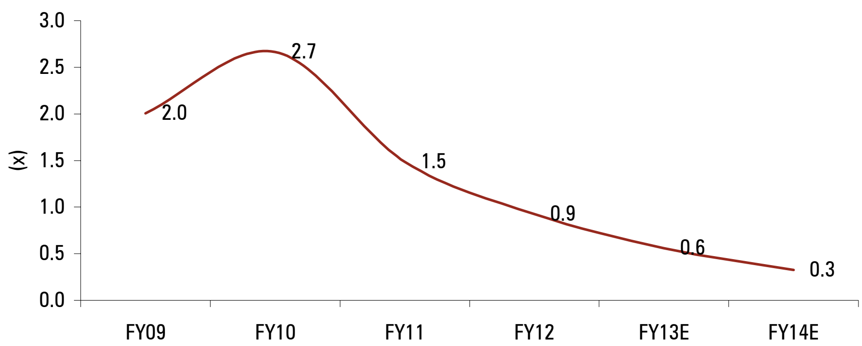
Exhibit 49: Debt repayment schedule



Source: Company, ICICIdirect.com Research

We believe that despite the feeble business scenario across the European region, the company's strategy would reap maximum benefit by launching new products across LatAm and a stabilising business scenario for Sylvania. Thus, it would be able to generate a free cash flow of ₹ 374 crore and ₹ 407 crore for FY13E and FY14E, respectively. This would result in ~₹ 150 crore repayment of debt for the next two years

Exhibit 50: Consolidated debt level to come to comfortable level by FY14E



Source: Company, ICICIdirect.com Research

Risk & concerns

Concern of Sylvania

Havells' India, with the help of various restructuring plans and new product launches turned Sylvania profitable. However, the company is still facing stiff competition and a pricing war across major European countries. Considering the feeble economic condition, we have built in flattish revenue growth (CAGR 3% for FY13E-FY14E) and ~7% EBITDA margin for each FY13E and FY14E. Although we have built in very conservative estimates for Sylvania, a failure in the turnaround of the operation in European and LatAm countries is the key risk to our estimates.

Foreign exchange risk

Havells' (including Sylvania) business is widespread in different countries across Europe and LatAm regions (contributes ~45% of total consolidated revenue) and it outsource raw material from Asia (China). Since the group does not have a currency hedging policy, any wide fluctuation in currency could impact the financial performance of the company.

Increasing competition

The fast moving electrical goods industry is highly competitive considering the lower entry barrier of the industry. The company may face high competition from domestic organised players as well as new foreign entrants in the domestic market.

Return ratios appears blotted

Consolidated return ratios of the company appear blotted due to accumulated losses on Sylvania's book. Havells exposure in the Sylvania stands at € 170 mn (as on June 2012). We believe, consolidated RoE to deplete going forward as the equity infusion in Sylvania would generate single digit return.

Management profile and plant location of Havells

Exhibit 51: Management profile

Name	Profile	Background
Mr Qimat Rai Gupta	CMD	Founder of Havells India Ltd with total experience over 50 years. He has held various responsible positions in trade and commercial associations of the industry. Has served in the past as President of Federation of All India Electrical and Trade association
Mr Anil Gupta	Joint MD	Graduated in Economics from Sri Ram College of Commerce, Delhi University. MBA from Wake Forest University, North California, US. Joined Havells in 1992 and started supervising the marketing and sales function
Mr Rajesh Gupta	Director Finance, CFO	Chartered Accounant and with the company since 1979
Mr Niten Malhan	Non Independent Director	Co-head Wargurg Pincus
Mr S B Mathur	Independent Director	Former Chairman, LIC
Dr Adarsh Kishore	Independent Director	Former finance secretary of GoI and former executive director of IMF

Source: Company, ICICIdirect.com Research

Exhibit 52: Domestic manufacturing units and location

Productline	No of Unit	Location	State
Switchgear			
-Domestic	3	Baddi	Himachal Pradesh
-Industrial	1	Faridabad	UP
	1	Shahibabad	UP
-Standard (MCB)	1	Haridwar	Uttranchal
-Capacitor	1	Shahibabad	UP
-Motors	1	Neemrana	Rajasthan
Cable & Wire			
-Cable	1	Alwar	Rajasthan
-Wire	1	Alwar	Rajasthan
Lighting & Fixtures			
-CFL	1	Neemrana	Rajasthan
-Fixtures	1	Neemrana	Rajasthan
-Ceramic Metal Halide	1	Neemrana	Rajasthan
Electrical Consumer Durable			
-Fan	2	Haridwar	Uttranchal

Source: Company, ICICIdirect.com Research

Exhibit 53: Sylvania plant locations and product

Country	Products
Germany	Lamps
Belgium	Lamps
UK	Fixtures
France	Fixtures
Costa Rica	Fixtures
Columbia	Fluorescent tube

Source: Company, ICICIdirect.com Research

Valuation

We have used the sum of the parts (SOTP) method to value the company. In order to capture the sensitivity in revenues and earnings, we have considered three scenarios. In our base case assumptions, we have valued the standalone business conservatively at 15x FY14E earnings in view of Indian operations witnessing momentous growth in revenues and a simultaneous expansion in margins. We have valued Sylvania's business at 4x FY14E EV/ EBITDA, considering flat operating margins and moderate debt reduction, going forward.

Base case

We have built in standalone revenue CAGR of 15% for FY12-14E and EBITDA margin growth of 100 bps for the same period. Further, the standalone EPS of the company is expected to grow at a CAGR of 26% in FY12-14E. Historically, the company has traded in the P/E range of 8-20x. The lower end multiple was due to losses made by Sylvania during FY09 and FY10. Further, in our base case, we have valued the standalone business at 15x FY14EPS and valued Sylvania's business at 4x FY14 EV/EBITDA (with price/share ₹ 37) and arrived at target price of ₹ 619. We believe Sylvania will participate efficiently to reduce the consolidated debt burden of the company by FY14E, thus reducing the overall interest burden.

Exhibit 54: Valuation (FY14 based) (₹ crore)

		Mutiple (x)	EPS (₹)	EBITDA (₹ crore)	Value
Havells India	(P/E)	15	39.0		582
Sylvania (Base Case)	(EV / EBITDA)	4		232.0	37
Fair Value					619
Upside/(Downside)					16
					Base Case
Debt					604
Cash					139
Market Cap					463
No of shares					12.5

Source: Company, ICICIdirect.com Research

Bull case

In our bull case scenario, we have built in strong fundamental situation wherein we expect standalone EBITDA margin at 14.5% & Sylvania's EBITDA margin at 9% by FY14E. In our assumption, we expect domestic business to remain robust with EPS CAGR of ~32%. Under this case, we believe the company will wipe out ~60% of its consolidated debt with internal accrual generated by Sylvania. In our bull case, we have valued the standalone business at 17x FY14EPS and Sylvania's business at 6x FY14 EV/EBITDA (with price/share of ₹ 124) and arrived at a fair value of ₹ 853.

Exhibit 55: Valuation (FY14 based) (₹ crore)

		Mutiple (x)	EPS (₹)	EBITDA (₹ crore)	Value
Havells India	(P/E)	17	42.8		728.4
Sylvania (Bull Case)	(EV / EBITDA)	6		294.0	124
Fair Value					853
Upside/(Downside)					59
					Bull Case
Debt					350
Cash					139
Market Cap					1553
No of shares					12.5

Source: Company, ICICIdirect.com Research

Bear case

In our bear case scenario, we have built in an extremely weak fundamental situation wherein we expect the company's debt level to remain at the current position by FY14E. We have built in ~200 bps dip in Sylvania's FY14 margin with no improvement in standalone EBITDA margin. In our bear case, we have valued the standalone business at 13x FY14EPS and valued Sylvania's business at 2x FY14 EV/EBITDA (with negative value of ₹ 32) and arrived at a fair value of ₹ 426.

Exhibit 56: Valuation (FY14 based) (₹ crore)

		Mutiple (x)	EPS (₹)	EBITDA (₹ crore)	Value
Havells India	(P/E)	13	35.2		458.0
Sylvania (Bear Case)	(EV / EBITDA)	2		163.4	-32
Fair Value					426
Upside/Downside					-20
					Bear Case
Debt					866
Cash					139
Market Cap					-400
No of shares					12.5

Source: Company, ICICIdirect.com Research

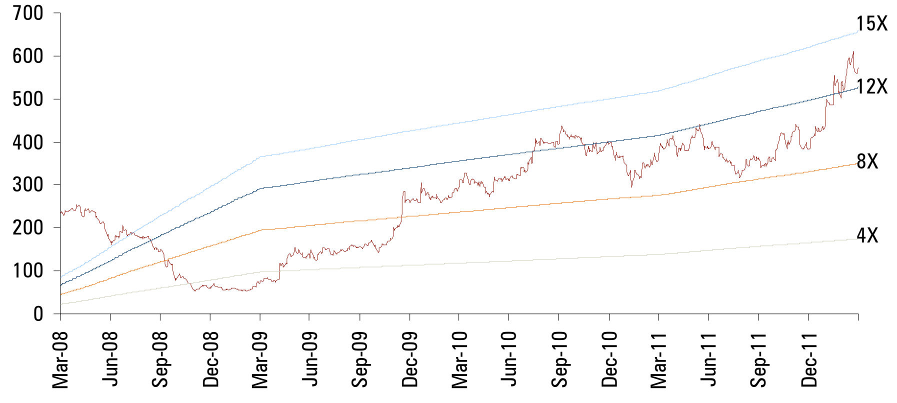
Exhibit 57: Competitor's valuation matrix

International Peer group	Cur.	Mcap (in mn)	Sales				EBITDA				Net Profit				PE				EV/EBITDA				ROE			
			FY11	FY12E	FY13E	FY14E	FY11	FY12E	FY13E	FY14E	FY11	FY12E	FY13E	FY14E	FY11	FY12E	FY13E	FY14E	FY11	FY12E	FY13E	FY14E	FY11	FY12E	FY13E	FY14
Legrand	EUR	6921	4250	4509	4664	4911	812	862	897	967	479	524	556	606	14	13	12	11	8	8	8	7	17	17	17	17
Schneider Elect	EUR	27173	22387	24145	25121	26373	2998	3188	3417	3717	1820	2151	2334	2567	12	13	12	10	7	9	8	7	12	13	13	13
Koninklijke Philips Electronic	EUR	19283	22579	24485	24972	NA	-269	1724	1804	NA	-1295	916	1064	NA	NA	19	16	NA	NA	7	6	NA	-9	7	NA	NA

National Peer group	Curr	Mcap (₹ mn)	FY11	FY12	FY13E	FY14E	FY11	FY12	FY13E	FY14E	FY11	FY12	FY13E	FY14E	FY11	FY12	FY13E	FY14E	FY11	FY12	FY13E	FY14E	FY11	FY12	FY13E	FY14E
Bajaj Elect	₹	17049	27394	30942	35409	40922	2500	2371	2817	3351	1438	1179	1391	1655	16	17	12	10	11	11	8	7	26	18	20	20
Finolex cable	₹	6011	20358	20385	23227	27046	1735	1738	1822	2238	868	982	1217	1537	8	5	5	4	5	3	4	3	13	13	13	16
V Guard	₹	12318	7263	9866	12635	15748	664	838	1284	1629	426	508	681	883	12	11	18	14	9	7	11	9	27	27	29	29

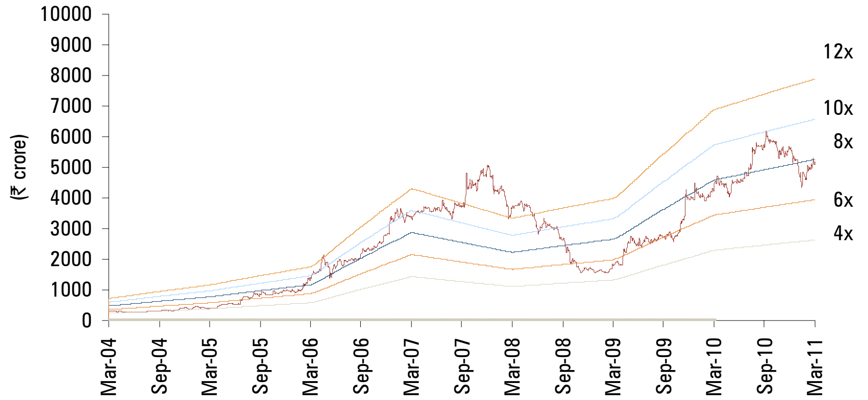
Source: Bloomberg, ICICIdirect.com Research

Exhibit 58: Two-year forward P/E



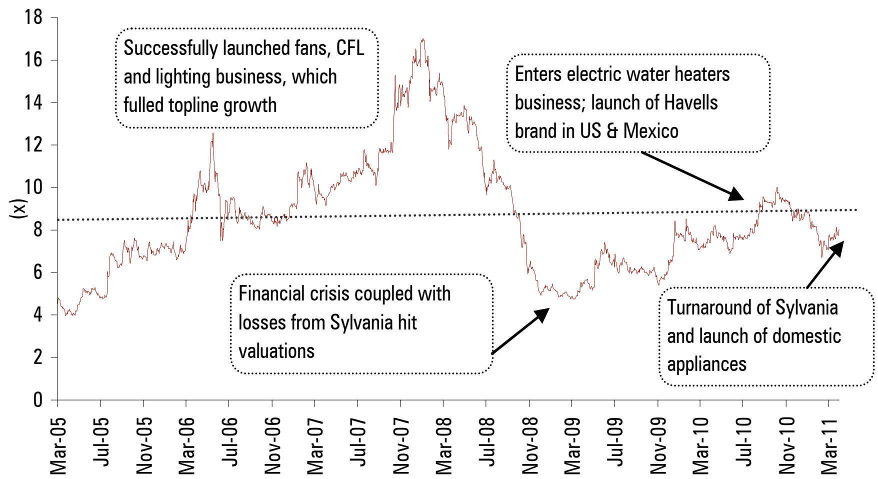
Source: Company, ICICIdirect.com Research

Exhibit 59: One year forward EV/EBITDA



Source: Company, ICICIdirect.com Research

Exhibit 60: Havells one year forward EV/EBITDA movement along with events



Source: Company, ICICIdirect.com Research

Exhibit 61: Income statement (Consolidated)

(₹ Crore)

(Year-end March)	FY10	FY11	FY12	FY13E	FY14E
Net Sales	5162.6	5612.6	6518.2	7353.7	8013.0
Total Operating Income	5183.2	5612.6	6518.2	7353.7	8013.0
Expenses					
Raw Material Expenses	1857.2	2585.9	2565.3	2809.1	3040.9
Employee Expenses	760.2	640.5	790.4	842.0	917.5
Marketing Expenses	557.7	557.7	754.9	823.6	881.4
Administrative Expenses	277.8	282.2	275.1	279.4	304.5
Other expenses	399.4	382.8	392.1	441.2	488.8
Total Operating Expenditure	4851.2	5038.7	5860.9	6592.6	7142.0
EBITDA	332.0	573.9	657.3	761.1	871.0
Other Income	1.6	6.9	41.4	24.2	25.8
Interest	87.1	90.2	128.1	137.4	75.9
PBDT	246.5	490.6	570.6	647.9	820.9
Depreciation	83.7	80.4	94.9	97.9	101.1
PBT before Exceptional Items	162.8	410.1	475.7	550.0	719.8
Less: Exceptional Items	0.0	3.1	0.0	0.0	0.0
PBT	162.8	407.0	475.7	550.0	719.8
Total Tax	93.2	103.1	105.8	118.7	160.1
PAT before MI	69.6	303.9	369.9	431.2	559.7
Minority Interest	0.0	0.4	0.0	0.0	0.0
PAT	69.6	303.6	369.9	431.2	559.7
Minority Interest	0.0	0.4	0.0	0.0	0.0
PAT	69.6	303.6	369.9	431.2	559.7
EPS	5.6	24.3	29.6	34.6	44.9

Source: Company, ICICIdirect.com Research

Exhibit 62: Balance sheet (Consolidated)

(₹ Crore)

(Year-end March)	FY10	FY11	FY12	FY13E	FY14E
Equity Capital	31.2	62.4	62.4	62.4	62.4
Reserve and Surplus	369.2	591.5	893.2	1252.1	1739.3
Total Shareholders funds	400.3	653.9	955.6	1314.5	1801.7
Total Debt	1066.4	970.6	884.0	734.0	584.0
Deferred Tax Liability	26.6	55.9	55.6	55.6	55.6
Minority Interest	0.2	0.6	0.1	0.1	0.1
Liability side total	1493.5	1680.9	1895.2	2104.1	2441.4
Total Gross Block	2696.3	2845.4	2757.7	2857.7	2937.7
Less Total Accumulated Depreciation	1808.9	1849.9	1729.3	1827.2	1928.3
Net Block	887.4	995.5	1028.4	1030.4	1009.3
Total Fixed Assets	921.0	1020.4	1094.6	1080.4	1069.3
Goodwill on Consolidation	321.2	335.4	362.5	362.5	362.5
Inventory	824.6	1086.0	1367.8	1400.5	1585.2
Debtors	698.2	772.4	890.5	1004.6	1094.7
Loans and Advances	157.8	120.6	168.2	170.1	174.5
Other Current Assets	10.2	12.0	11.7	12.8	13.8
Cash	148.3	177.7	233.6	384.8	569.1
Total Current Assets	1839.0	2168.6	2671.7	2972.7	3437.3
Total Current Liabilities	1587.6	1882.8	2280.1	2317.4	2479.0
Net Current Assets	251.3	285.8	391.6	655.3	958.3
Assets side total	1493.5	1680.9	1895.2	2104.1	2441.4

Source: Company, ICICIdirect.com Research

Exhibit 63: Cash flow statement (Consolidated)

(₹ Crore)

(Year-end March)	FY10	FY11	FY12	FY13E	FY14E
Profit after Tax	69.6	303.6	369.9	431.2	559.7
Depreciation	83.7	80.4	94.9	97.9	101.1
Cash Flow before working capital changes	153.2	384.0	464.8	529.2	660.8
Net Increase in Current Assets	102.8	-300.2	-447.2	-149.7	-280.3
Net Increase in Current Liabilities	137.5	295.2	397.3	37.3	161.6
Net cash flow from operating activities	393.5	379.0	414.9	416.7	542.1
(Purchase)/Sale of Fixed Assets	-120.4	-179.9	-169.1	-83.8	-90.0
Others	70.4	-23.9	-35.1	40.6	-45.3
Net Cash flow from Investing Activities	-50.1	-203.7	-204.1	-43.2	-135.3
Inc / (Dec) in Equity Capital	1.1	31.2	0.0	0.0	0.0
Inc / (Dec) in Loan Funds	-66.1	-25.8	-86.6	-150.0	-150.0
Inc / (Dec) in Loan Funds	-95.4	-70.0	0.0	0.0	0.0
Others	-282.7	-81.2	-68.3	-72.3	-72.5
Net Cash flow from Financing Activities	-443.1	-145.8	-154.9	-222.3	-222.5
Net Cash flow	-99.6	29.4	55.9	151.2	184.3
Cash and Cash Equivalent at the beginning	247.8	148.3	177.7	233.6	384.8
Closing Cash/ Cash Equivalent	148.3	177.7	233.6	384.8	569.1

Source: Company, ICICIdirect.com Research

Exhibit 64: Ratio analysis

(Year-end March)	FY10	FY11	FY12	FY13E	FY14E
Per Share Data					
EPS	5.6	24.3	29.6	34.6	44.9
Cash EPS	12.3	30.8	37.2	42.4	53.0
BV	32.1	52.4	76.6	105.3	144.4
Operating profit per share	26.6	46.0	52.7	61.0	69.8
Operating Ratios					
EBITDA / Total Operating Income	6.4	10.2	10.1	10.4	10.9
PAT / Total Operating Income	1.3	5.4	5.7	5.9	7.0
Return Ratios					
RoE	17.4	46.4	38.7	32.8	31.1
RoCE	16.9	30.4	30.6	32.4	32.3
RoIC	10.4	32.7	34.9	38.5	41.0
Valuation Ratios					
EV / EBITDA	22.9	13.0	11.1	9.2	7.7
P/E	96.0	22.0	18.0	15.5	11.9
EV / Net Sales	1.5	1.3	1.1	1.0	0.8
Sales / Equity	12.9	8.6	6.8	5.6	4.4
Market Cap / Sales	1.3	1.2	1.0	0.9	0.8
Price to Book Value	16.7	10.2	7.0	5.1	3.7
Turnover Ratios					
Asset turnover	3.1	3.5	3.6	3.7	3.5
Debtors Turnover Ratio	7.4	7.3	7.3	7.3	7.3
Creditors Turnover Ratio	3.3	6.9	6.1	5.7	6.1
Solvency Ratios					
Debt / Equity	2.7	1.5	0.9	0.6	0.3
Current Ratio	1.2	1.2	1.2	1.3	1.4
Quick Ratio	1.1	1.1	1.1	1.1	1.2

Source: Company, ICICIdirect.com Research

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