

## Havells India Limited

July 02, 2021

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	629.49 (Reduced from 645.00)	CARE AAA; Stable (Triple A; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	670.00 (Enhanced from 655.00)	CARE A1+ (A One Plus)	Reaffirmed
<b>Total Bank Facilities</b>	<b>1,299.49</b> <b>(Rs. One Thousand Two Hundred Ninety-Nine Crore and Forty-Nine Lakhs Only)</b>		
Commercial Paper	500.00	CARE A1+ (A One Plus)	Reaffirmed
<b>Total Short Term Instruments</b>	<b>500.00</b> <b>(Rs. Five Hundred Crore Only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The reaffirmation in the ratings assigned to the bank facilities of Havells India Limited (HIL) continues to take into account the company's experienced and resourceful promoter group, its reputed brand name and strong market position in diversified product segments, its comfortable financial risk profile marked by growth in the total operating income during FY21 (refers to the period from April 01, 2020 to March 31, 2021), improvement in the profitability indicators and a strong capital structure coupled with a strong liquidity position.

The company operates in a competitive industry with exposure to commodity related risks. Besides, its prospects are intertwined, to a certain extent, with those of other sectors, especially power and real estate; however, long track of operations, strong brand recall, efficient working capital management and diversified product offerings mitigate these risks to a significant extent.

Going forward, the ability of HIL to sustain growth in income and profitability, and any higher than anticipated capital expenditure or investments/acquisition impacting the financial risk profile shall be the key rating sensitivities.

*Negative Factors- Factors that could lead to negative rating action/downgrade:*

- Significant drop in PBILDT margin to below 10%, marked by lower market shares in key product segments, impacting cash generation
- Increase in overall gearing beyond 0.5x
- Sizeable capex or acquisition funded with debt resulting in weakening of liquidity to less than Rs 400 crore

### Detailed description of the key rating drivers

#### Key Rating Strengths

#### **Reputed brand name and established market position**

HIL has a strong presence in domestic electrical appliances and equipment market with a diversified product portfolio in switchgears, cables, electrical consumer durables and lighting & fixture segments. It has an established market position with premium positioning of its products, considerable market share across all its key products and a strong brand recall. Besides *Havells*, HIL's other major brands include *Crabtree*, *Standard*, *Reo*, and *Lloyd*, the recently acquired brand in consumer durables.

#### **Experienced and resourceful promoter group**

HIL was founded by Late Mr Qimat Rai Gupta. Mr Gupta acquired the brand Havells from an Indian entrepreneur in 1971 and incorporated HIL in 1983. After the demise of Mr Qimat Rai Gupta in November 2014, his son Mr Anil Rai Gupta, is the current Chairman and Managing Director of HIL. Mr Anil Rai Gupta is assisted by a team of qualified professionals, looking after the operations of the company. The promoters have had a track record proven over decades of successfully scaling up businesses across product lines that has established and sustained HIL as a leading electrical equipment and consumer appliance player.

### Comfortable financial risk profile

During FY21, the company's operating income on standalone basis witnessed a y-o-y growth by around 11%. Despite the unprecedented nation-wide lockdowns in Q1FY21, the company showed strong recovery Q2FY21 onwards, backed by improvement in consumer sentiments, expansion of distribution footprints, higher rural reach and introduction of new product lines.

The profitability margins of the company stood comfortable. The PBILDT margin improved and stood at 16.30% during FY21 (PY: 12.20%) due to the various cost optimization measures and operating leverage. Besides, the PAT margin also improved and stood at 9.84% during FY21 (PY: 7.70%).

The capital structure of the company stood comfortable with a stable overall gearing of 0.13x as on March 31, 2021 (PY: 0.13x). While the total debt position of the company increased and stood at Rs.686.97 crore as on March 31, 2021 (PY: Rs.551.82 crore), it was offset by the increase in the net worth due to accretion of profits. Furthermore, the debt coverage indicators of the company have also remained comfortable. The interest coverage ratio and total debt to GCA stood at 21.87x and 0.51x respectively (PY: 22.69x and 0.60x respectively).

### Industry outlook

The electrical industry has immense growth potential especially considering the increased penetration of electricity and home improvement drive. Historically, the industry had high incidence of unorganised suppliers. Over the years, there has been a gradual shift of demand from unorganised to organised and COVID has in fact accelerated this process. It was seen that supplies in the unorganised space were disrupted severely due to COVID led challenges such as working capital shortage, unavailability of labour, gaps in supply chain and alike. Further, the imported supplies were adversely impacted, causing disruption for those who infiltrate the market with substandard imported items.

In this environment, Havells India Limited, having extensive manufacturing base with backward integration could seize the opportunity. The preference of end consumers is also structurally shifting towards branded and good quality products which augurs well for HIL's strategy to continue investment in R&D and brand building.

### Liquidity: Strong

HIL's liquidity is marked by expected strong accruals of Rs. 1428.64 crore against repayment obligations of Rs. 127.70 crore and cash and bank balance to the tune of Rs. 1622.45 crore as on March 31, 2021. With a gearing of 0.13 times as of March 31, 2021, the issuer has sufficient gearing headroom, to raise additional debt for its capex. Its unutilized bank lines are more than adequate to meet its incremental working capital needs over the next one year.

**Analytical approach:** Standalone

### Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch'](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short-term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

[CARE's methodology for financial ratios \(Non-Financial Sector\)](#)

### About the Company

HIL (CIN No. L31900DL1983PLC016304), incorporated in August 1983, is one of the leading players in consumer electrical products sector in India. HIL operates in four broad business segments, viz. switchgears, cables, electrical consumer durables and lighting & fixtures. Apart from the flagship brand *Havells*, HIL owns brands like *Crabtree*, *Standard*, *Reo* and *Lloyd*. The company's manufacturing plants are located at Haridwar, Baddi, Noida, Sahibabad, Faridabad, Alwar, Neemrana and Guwahati.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)
Total operating income	9,525.33	10,566.52
PBILDT	1,161.75	1,722.29
PAT	733.03	1,039.64
Overall gearing (times)	0.13	0.13
Interest coverage (times)	22.69	21.87

A: Audited

**Status of non-cooperation with previous CRA: Not Applicable**

**Any other information: Not Applicable**

**Rating History for last three years:** Please refer Annexure-2

**Complexity level of various instruments rated for this company:** Annexure 3

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	145.00	CARE AAA; Stable
Non-fund-based - ST-BG/LC	-	-	-	670.00	CARE A1+
Fund-based - LT-Term Loan	-	-	FY2026	484.49	CARE AAA; Stable
Commercial Paper-Commercial Paper (Standalone)	-	-	-	500.00	CARE A1+

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Cash Credit	LT	145.00	CARE AAA; Stable	-	1)CARE AAA; Stable (03-Jul-20)	1)CARE AAA; Stable (27-Sep-19)	1)CARE AAA; Stable (05-Oct-18)
2.	Fund-based - ST-Buyers Credit	ST	-	-	-	-	-	1)Withdrawn (05-Oct-18)
3.	Non-fund-based - ST-BG/LC	ST	670.00	CARE A1+	-	1)CARE A1+ (03-Jul-20)	1)CARE A1+ (27-Sep-19)	1)CARE A1+ (05-Oct-18)
4.	Commercial Paper	ST	-	-	-	-	-	1)Withdrawn (01-Oct-18)
5.	Commercial Paper-Commercial Paper (Standalone)	ST	500.00	CARE A1+	-	1)CARE A1+ (03-Jul-20)	-	-
6.	Fund-based - LT-Term Loan	LT	484.49	CARE AAA; Stable	-	1)CARE AAA; Stable (03-Jul-20)	-	-

**Annexure 3: Complexity level of various instruments rated for this company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Commercial Paper-Commercial Paper (Standalone)	Simple
2.	Fund-based - LT-Cash Credit	Simple
3.	Fund-based - LT-Term Loan	Simple
4.	Non-fund-based - ST-BG/LC	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

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