

## Havells India Limited

July 03, 2020

### Ratings

Facility	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank facilities (CC)	145.00	<b>CARE AAA; Stable (Triple A; Outlook: Stable)</b>	<b>Reaffirmed</b>
Long-term Bank facilities (TL)	500.00	<b>CARE AAA; Stable (Triple A; Outlook: Stable)</b>	<b>Assigned</b>
Short-term Bank facilities	655.00	<b>CARE A1+ (A One Plus)</b>	<b>Reaffirmed</b>
<b>Total</b>	<b>1300.00 (Rupees One thousand Three Hundred Crore only)</b>		
Commercial Paper	500.00	<b>CARE A1+ (A One Plus)</b>	<b>Assigned</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) continue to take into account the company's strong brand image and market position in diversified product segments, its established and extensive dealership network, its experienced and resourceful promoter group, healthy financial risk profile, albeit moderation in sales in FY20 (refers to period between April 01, 2019 to March 31, 2020) due to loss of sales during the lockdown imposed by the Government of India, the company's strong capital structure with negligible debt levels, and 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.

### Rating Sensitivities

#### Negative Factors

- Significant drop in PBILDT margin to below 9%, marked by lower market shares in key product segments, impacting cash generation and
- 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 & fixtures 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 Promptec.

**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 a proven track record of scaling up the business successfully to become a leading electrical equipment and consumer appliances player.

**Financial risk profile:** During FY20, the company's operating income on standalone basis has de-grown by around 6% and PAT by around 7% on account of loss of sales due to the lockdown in the country during the month of March 2020. The outbreak of Covid-19 resulted in disruption in supply chain from China in Jan-Feb' 20 and its contagion impacted the demand side with signs of fear and uncertainty among the trade channels since 15th March 2020. During FY20, the PBILDT margin and PAT margin moderated marginally to 12.20% (PY: 12.85%) and 7.70% (PY: 7.78%) respectively. During FY20, interest

coverage ratio is comfortable at 22.69x at the standalone level (82.11x during FY19). Also, as on March 31, 2020, total debt/GCA improved to 0.35x at standalone level (0.36x as on March 31, 2019) at a comfortable level.

### Industry outlook

The outlook on the electrical equipment sector is stable, given the large population, lower level of penetration, increasing urbanization and disposable income, the electrical industry in India is expected to provide sustainable growth on a long-term basis. The industry is competitive in nature and there is competition from unorganized sector, besides presence of other large players.

The company operates in a competitive industry with exposure to commodity related risks and is also dependent upon power and real estate sectors' prospects to an extent; however, long track of operations at comfortable profitability levels, strong brand recall, efficient working capital management and diversified product offering mitigates these risks to a good extent.

HIL's operating performance in FY21 is expected to be muted, with the likely impact of the extended pandemic Covid-19. Measures taken by various state governments involve temporary closure of non-critical establishments, or inter-state transportation, along with advisory against travel and visiting areas of mass gatherings. These measures are likely to impact HIL's business and financial risk profile on account of possible disruption in supply chains and restricted discretionary spending.

### Liquidity: Strong

HIL's liquidity is strong marked cash and bank balance on standalone level stood at Rs. 1103 cr as on March 31, 2020. Besides, HIL's low current gearing provides the company sufficient headroom to raise debt for its capex. Its fund based working capital limits (sanctioned: Rs. 145 cr) are not utilized reflecting the company's strong liquidity position. Furthermore, the company has not sought any moratorium for interest or TL payments. Cash and bank balance on standalone level stood at Rs. 1450 cr as on May 31, 2020. The company is well-positioned in terms of its working capital to ride out the disruption caused by COVID-19.

### Analytical approach: Standalone

#### Applicable criteria

- [Criteria on assigning 'outlook' and 'credit watch'](#)
- [CARE's Policy on Default Recognition](#)
- [Rating Methodology-Manufacturing Companies](#)
- [Criteria for Short-term Instruments](#)
- [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, Promptec etc. The company's manufacturing plants are located at Haridwar, Baddi, Noida, Sahibabad, Faridabad, Alwar, Neemrana and Guwahati.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	10168	9525
PBILDT	1306	1162
PAT	791	733
Overall gearing (times)	0.09	0.08
Interest coverage (times)	82.11	22.69

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

**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	-	-	-	655.00	CARE A1+
Fund-based - LT-Term Loan	-	-	FY26	500.00	CARE AAA; Stable
Commercial Paper	-	-	-	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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Term Loan-Long Term	LT	-	-	-	-	-	1)Withdrawn (03-Aug-17) 2)CARE AAA; Stable (12-Apr-17)
2.	Fund-based - LT-Cash Credit	LT	145.00	CARE AAA; Stable	-	1)CARE AAA; Stable (27-Sep-19)	1)CARE AAA; Stable (05-Oct-18)	1)CARE AAA; Stable (03-Aug-17) 2)CARE AAA; Stable (12-Apr-17)
3.	Fund-based - ST-Buyers Credit	ST	-	-	-	-	1)Withdrawn (05-Oct-18)	1)CARE A1+ (03-Aug-17) 2)CARE A1+ (12-Apr-17)
4.	Non-fund-based - ST-BG/LC	ST	655.00	CARE A1+	-	1)CARE A1+ (27-Sep-19)	1)CARE A1+ (05-Oct-18)	1)CARE A1+ (03-Aug-17) 2)CARE A1+ (12-Apr-17)
5.	Commercial Paper	ST	-	-	-	-	1)Withdrawn (01-Oct-18)	1)CARE A1+ (03-Aug-17) 2)CARE A1+ (12-Apr-17)
6.	Commercial Paper	ST	500.00	CARE A1+	-	-	-	-
7.	Fund-based - LT-Term Loan	LT	500.00	CARE AAA; Stable	-	-	-	-

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). 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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