

Havells India Limited

October 5, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	200.00	CARE AAA; Stable (Triple A, Outlook: Stable)	Reaffirmed
Short-term Bank Facilities (LC/BG)	600.00 (enhanced from 415.25)	CARE A1+ (A One Plus)	Reaffirmed
Short-term Bank Facilities (Buyers' Credit)	-	-	Withdrawn *
Total Facilities	800.00 (Rupees Eight Hundred crore only)		

Details of instruments/facilities in Annexure-1

* CARE has withdrawn the rating assigned to the aforementioned bank facilities of the company with immediate effect, as the company has repaid the said facility in full and there is no amount outstanding under the said facility as on date.

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Havells India Limited (HIL) continue to take into account strong brand image and market position of HIL in diversified product segments, established and vast dealership network, experienced and resourceful promoter group, healthy financial risk profile marked by negligible debt levels, strong liquidity position and consistently healthy financial performance.

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, demonstration of stable profitability margins over the years, strong brand recall, efficient working capital management and diversified product offerings mitigate these risks to a good extent.

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

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, 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.

Strong financial risk profile

The company's total operating income at standalone level has grown consistently over the last 5 years at a CAGR of 14.30% and while PAT has grown at a CAGR of 13.92%. The PBILDT margins have remained stable at around 14% over the years. During FY18, the total operating income of HIL registered a growth of 32.03% over FY17 and PAT increased by 32.18% Y-o-Y, mainly on account of healthy growth in lighting & fixtures and electrical consumer durables segments, besides acquisition of consumer durables business of Lloyd Electric and Engineering Limited (LEEL). During Q1FY18, total operating income grew by 30.17% to Rs.2,625.56 crore while PAT grew by 73.34% to Rs.210.40 crore, on account of growth across product verticals, LEEL's consumer business acquisition and also due to low base effect due to GST transition.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Comfortable solvency and liquidity profile

HIL's overall gearing ratio stood comfortable at 0.11x (standalone) as on March 31, 2018 (0.06x as on March 31, 2017). Cash and bank balance on standalone level stood at Rs.1,737.10 crore as on June 30, 2018 as against term debt of Rs.108 crore, reflecting the company's strong solvency and liquidity position. Also, during FY18, interest coverage ratio at 47.41x (standalone) and total debt/GCA of 0.40x as on March 31, 2018 (standalone) were comfortable.

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, demonstration of stable profitability margins over the years, strong brand recall, efficient working capital management and diversified product offering mitigates these risks to a good extent.

Analytical Approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)
[CARE's Policy on Default Recognition](#)
[Criteria for Short Term Instruments](#)
[CARE's methodology for Manufacturing Companies](#)
[Financial ratios – Non-Financial Sector](#)
[CARE's policy on Withdrawal of Ratings](#)

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.

HIL acquired the Lloyd brand and the consumer durable business of LEEL for a total consideration of Rs.1,547 crore in May 2017.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	6,247.27	8,248.24
PBILDT	944.29	1,136.42
PAT	539.04	712.52
Overall gearing (times)	0.06	0.11
Interest coverage (times)	77.72	47.41

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

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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Disclaimer

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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	-	-	-	200.00	CARE AAA; Stable
Fund-based - ST-Buyers Credit	-	-	-	0.00	Withdrawn
Non-fund-based - ST-BG/LC	-	-	-	600.00	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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Term Loan-Long Term	LT	-	-	-	1)Withdrawn (03-Aug-17) 2)CARE AAA; Stable (12-Apr-17)	1)CARE AAA (09-Nov-16) 2)CARE AAA (26-Apr-16)	1)CARE AA+ (29-Apr-15)
2.	Fund-based - LT-Cash Credit	LT	200.00	CARE AAA; Stable	-	1)CARE AAA; Stable (03-Aug-17) 2)CARE AAA; Stable (12-Apr-17)	1)CARE AAA (09-Nov-16) 2)CARE AAA (26-Apr-16)	1)CARE AA+ (29-Apr-15)
3.	Fund-based - ST-Buyers Credit	ST	-	-	-	1)CARE A1+ (03-Aug-17) 2)CARE A1+ (12-Apr-17)	1)CARE A1+ (09-Nov-16) 2)CARE A1+ (26-Apr-16)	1)CARE A1+ (29-Apr-15)
4.	Non-fund-based - ST-BG/LC	ST	600.00	CARE A1+	-	1)CARE A1+ (03-Aug-17) 2)CARE A1+ (12-Apr-17)	1)CARE A1+ (09-Nov-16) 2)CARE A1+ (26-Apr-16)	1)CARE A1+ (29-Apr-15)
5.	Fixed Deposit	LT	-	-	-	-	1)Withdrawn (26-Apr-16)	1)CARE AAA (FD) (29-Apr-15)
6.	Commercial Paper	ST	-	-	1)Withdrawn (01-Oct-18)	1)CARE A1+ (03-Aug-17) 2)CARE A1+ (12-Apr-17)	-	-

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