

## Havells India Limited

September 27, 2019

### Ratings

Facility	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank facilities	145.00	<b>CARE AAA; Stable (Triple A; Outlook: Stable)</b>	<b>Reaffirmed</b>
Short-term Bank facilities	655.00	<b>CARE A1+ (A One Plus)</b>	<b>Reaffirmed</b>
<b>Total</b>	<b>800.00</b> <b>(Rupees Eight Hundred Crore only)</b>		

*Details of 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 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 key rating sensitivities.*

### Detailed Description of 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 3 years at a CAGR of 27% and while PAT has grown at a CAGR of 21%. The PBILDT margins have remained stable at around 13% in FY19. During FY19, the total operating income of HIL registered a growth of 23% over FY18 and PAT increased by 11% Y-o-Y, mainly on account of healthy growth in Lloyd consumer division and electrical consumer durables segments. During Q1FY19, total operating income grew by 5% to Rs.2,752 crore. The company reported PAT of Rs. 174 cr during Q1FY20. Further, the capital structure of HIL is strong with overall gearing of Rs. 0.09x as on March 31, 2019 (0.11x as on March 31, 2018). Also, during FY19, debt coverage indicators improved like interest coverage ratio stood at 82.11x (standalone) and total debt/GCA of 0.36x as on March 31, 2019 as against 47.41x and 0.40x as on March 31, 2018 respectively

#### 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.

**Liquidity: Strong**

Cash and bank balance on standalone level stood at Rs.1,408 crore as on June 30, 2019 against the term debt of Rs. 81 cr as on June 30, 2019 reflecting company's strong solvency and liquidity position. The current ratio stood at 1.50x as on March 31, 2019 and operating cycle stood at 31 days as on March 31, 2019.

**Analytical approach:** Standalone

**Applicable Criteria**

[CARE's 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](#)

**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 (Standalone) (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	8,248.24	10168.22
PBILDT	1,136.42	1306.42
PAT	712.52	791.52
Overall gearing (times)	0.11	0.09
Interest coverage (times)	47.41	82.11

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

**Any other information:** Not Applicable

**Rating History (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+

## 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
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)
2.	Fund-based - LT-Cash Credit	LT	145.00	CARE AAA; Stable	-	1)CARE AAA; Stable (05-Oct-18)	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)
3.	Fund-based - ST-Buyers Credit	ST	-	-	-	1)Withdrawn (05-Oct-18)	1)CARE A1+ (03-Aug-17) 2)CARE A1+ (12-Apr-17)	1)CARE A1+ (09-Nov-16) 2)CARE A1+ (26-Apr-16)
4.	Non-fund-based - ST-BG/LC	ST	655.00	CARE A1+	-	1)CARE A1+ (05-Oct-18)	1)CARE A1+ (03-Aug-17) 2)CARE A1+ (12-Apr-17)	1)CARE A1+ (09-Nov-16) 2)CARE A1+ (26-Apr-16)
5.	Fixed Deposit	LT	-	-	-	-	-	1)Withdrawn (26-Apr-16)
6.	Commercial Paper	ST	-	-	-	1)Withdrawn (01-Oct-18)	1)CARE A1+ (03-Aug-17) 2)CARE A1+ (12-Apr-17)	-

**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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