



3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✗	✓	✗
+ Positive	= Neutral	- Negative	

What has changed in 3R MATRIX

	Old		New
RS	✗	↔	✗
RQ	✗	↔	✗
RV	✗	↔	✗

Company details

Market cap:	Rs. 32,086 cr
52-week high/low:	Rs. 59,700/35,510
NSE volume: (No of shares)	0.04 lakh
BSE code:	517174
NSE code:	HONAUT
Free float: (No of shares)	0.2 cr

Shareholding (%)

Promoters	75.0
FII	2.5
DII	12.5
Others	10.0

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-9.8	-13.4	-29.2	-5.6
Relative to Sensex	-9.7	-11.3	-25.8	-12.1

Source: Mirae Asset Sharekhan Research, Bloomberg

Honeywell Automation India Ltd

Disappointing quarter Q3; Downgrade to hold

Capital Goods	Sharekhan code: HONAUT
Reco/View: Hold	CMP: Rs. 36,290 Price Target: Rs. 39,000
↑ Upgrade	↔ Maintain ↓ Downgrade

Summary

- Honeywell's Q3FY2025 numbers saw a miss on estimates on all fronts, impacted by weak execution, softer demand, and accounting treatment change.
- The company reported revenue/operating profit/Adj. PAT of Rs. 1091/142/132 crore for a growth of 2%/-12%/3%, respectively.
- The company is a leading player and well positioned to drive growth in pharma, specialty chemicals, and cyber security.
- With the visibility of slower growth and premium valuations, we downgraded to Hold on Honeywell with a revised PT of Rs. 39,000. The stock is expected to report a revenue/PAT CAGR of 8%/14%, respectively, over FY2024-FY2027E.

Honeywell's Q3FY2025 revenue and profitability were lower than estimates. Net revenue was barely up by 2% y-o-y due to weak execution and accounting treatment change, which adversely affected the company. The decline in revenue led to operating profit falling by 12% to Rs. 142 crore. OPM declined by 198 bps. The gross margin also saw a contraction of 50 bps and was below our estimates. The company's growth depends on its domestic business, while order visibility from the parent entity is slow. However, the business outlook seems to be improving in the domestic market, both on the process and building automation sides with a chunk of low gestation orders. Given the subdued 9M results, we meaningfully lower our estimates.

Key negatives

- Results were weak on all the fronts.
- PAT was flat because of the decline in revenues and margins, which was compensated by higher income.

Our Call

Valuation – Downgrade to hold with a PT of Rs. 39,000: The government's focus on infrastructure sectors like oil and gas (O&G), refining, power, chemicals, metals, etc. will benefit the company. The company continues to focus on industrial digitalisation, automation, and sustainability, which is expected to drive revenue growth for longer period. A wide and rich portfolio of products, solutions, digital software, and services enables it to participate in multiple opportunities. Given the weakness in global economies and the slow pace of private capex in the Indian economy, we would like to remain cautious on the slow pace of private capex in the Indian front. We therefore downgrade our ratings from Buy to hold, factoring in Revenue/PAT CAGR of ~8%/~14% over FY2024-FY2027E.

Key Risks

Softening of investments globally and geopolitical uncertainty would affect business operations.

Valuation (Standalone)

Particulars	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	3,448	4,058	4,297	4,655	5,150
OPM (%)	15.0	14.5	13.0	15.0	16.0
Net Profit	438	501	490	606	745
YoY growth (%)	29.2	14.5	-2.2	23.5	23.1
EPS (Rs.)	495.5	567.2	554.6	685.1	843
PER (x)	85.9	75.0	76.8	62.1	50.5
P/BV (x)	9.0	7.9	7.1	6.2	5.4
EV/EBITDA (x)	54.2	43.8	48.8	38.4	31.8
ROCE (%)	15.5	15.8	13.0	14.5	16.0
ROE (%)	14.5	14.8	12.8	14.1	15.1

Source: Company; Mirae Asset Sharekhan estimates

Results (Standalone)

Particulars						Rs cr
	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	
Total Revenue	1,091	1,071	1.8	1,024	6.5	
Operating Profit	142	161	-11.6	130	9.7	
Other Income	50	28	77.9	41	21.4	
Interest	2	1	57.1	1	57.1	
Depreciation	14	13	7.8	14	2.2	
PBT	176	175	0.9	156	13.0	
Tax	44	47	-5.8	40	9.2	
Adj. PAT	132	128	3.3	116	14.3	
Adj. EPS (Rs.)	149	144.6	3.3	130.2	14.7	
Margin (%)			BPS		BPS	
OPM	13.0	15.0	(198)	12.6	37	
NPM	12.1	11.9	17	11.3	82	
Tax rate	24.9	26.7	(176)	25.8	(86)	

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Multiple structural enablers to drive growth

India's focus on turning itself into a manufacturing hub through 'Make in India,' considerable investments in infrastructure across sub-sectors through the National Infrastructure Pipeline (NIP) over FY2020 to FY2025, and ensuring energy security through increased share of renewable energy are key growth levers. The company has positioned itself across various industries, including O&G, chemical/petrochemicals, metals and mining, infrastructure, and residential and commercial construction. India's aim is tied to its rising requirement for automation technologies such as artificial intelligence (AI), IoT (connected devices), cloud services, and IIoT, which can support and transform its existing and upcoming infrastructure and industrial projects. The COVID-19 pandemic has opened up further opportunities in the healthcare and pharmaceutical sectors through an expected rise in capacity additions.

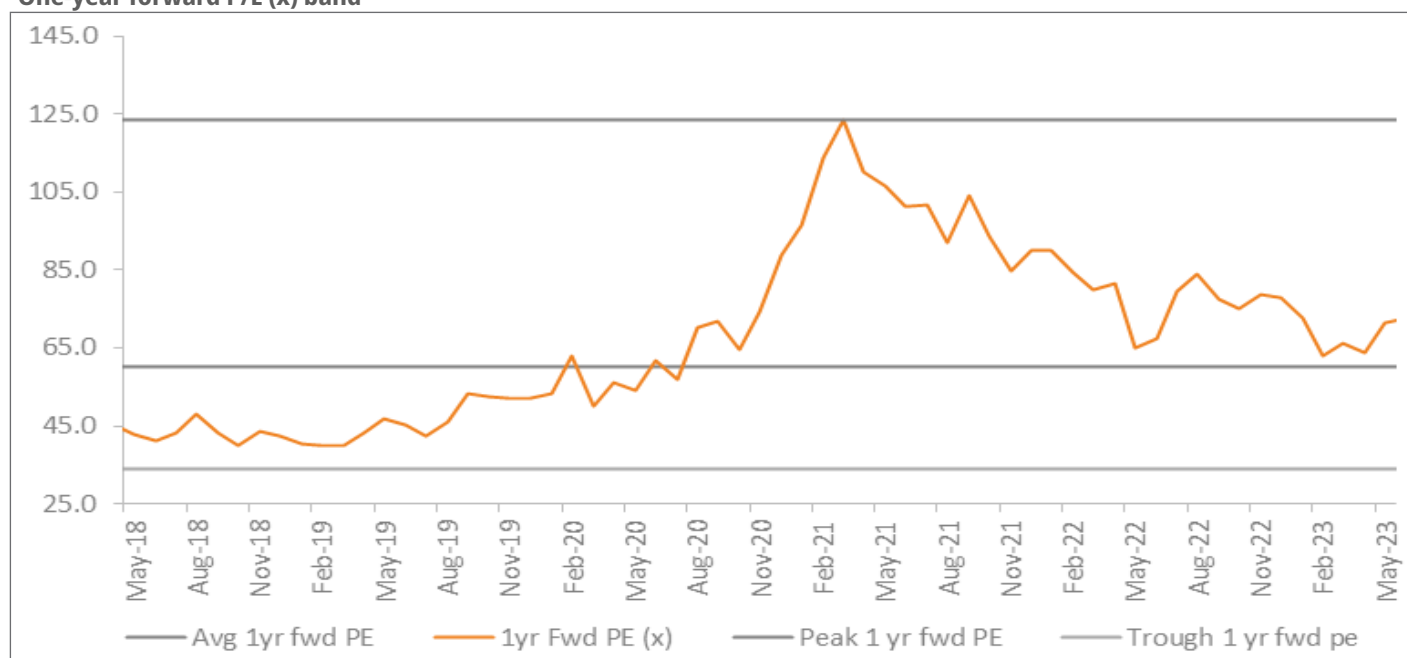
■ Company Outlook – Strong long-term growth levers

Honeywell's focus on developing the development of products and services, for a developing products and services, foraying into new areas besides core industries, and addressing a growing mass mid-market are expected to help it maintain a healthy earnings growth trend. Further, the company is likely to benefit from domestic long-term growth levers such as *Smart City* development, modernisation of railway stations, metro rail projects, airport expansions, RERA, GST, IIoT, and 'Make in India' initiatives.

■ Valuation – Retain BUY with a revised PT of Rs. 39,000

The government's focus on infrastructure sectors like oil and gas (O&G), refining, power, chemicals, metals, etc. will benefit the company. The company continues to focus on industrial digitalisation, automation, and sustainability, which is expected to drive revenue growth for longer. A wide and rich portfolio of products, solutions, digital-software, and services enables it to participate in multiple opportunities. Given the weakness in global economies and the slow pace of private capex in the Indian economy, we would like to remain cautious on the slow pace of private capex in the Indian front. We therefore downgrade our ratings from Buy to Hold, factoring in Revenue/PAT CAGR of ~8%/~14% over FY2024-FY2027E.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

About the company

Honeywell is a leader in providing integrated automation and software solutions, including process and building solutions. The company has a broad product portfolio in environmental and combustion controls and sensing and control. The company also provides engineering services in automation and control to global clients. A Fortune India 500 company, Honeywell has more than 3,000 employees based in nine offices across India – Pune, Vadodara, Bengaluru, Hyderabad, Mumbai, Chennai, Gurgaon, Kolkata, and Jamshedpur.

Investment theme

Honeywell, a step-down subsidiary of Honeywell International (a diversified technology and manufacturing company), is a leader in providing integrated automation and software solutions, including process solutions and building solutions. The company has positioned itself across various industries, diversifying sector-specific risk and diversifying sector-specific risk and, to a greater extent, diversifying sector-specific risk and shielding itself from the economic downturn. The company's focus on are developing new products and services, venturing into new sectors apart from core industries and addressing the increasing mass mid-market is expected to maintain its healthy earnings growth trend. The company's asset-light model, strong cash position, robust cash flow generation, healthy return ratios, and consistent dividend-paying record are some of its salient features.

Key Risks

- ♦ A good percentage of revenue and profit comes from Honeywell International and its affiliates.
- ♦ Softening of investments domestically and globally and volatility in foreign exchange rates can affect its business operations.

Additional Data

Key management personnel

Atul Pai	Managing Director
Pulkit Goyal	Chief Financial Officer
Indu Daryani	Company Secretary

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	SBI Funds Management Ltd	3.69
2	Nippon Life India Asset Management	1.76
3	Aditya Birla Sun Life Asset Manage	1.74
4	Life Insurance Corp of India	1.03
5	Vanguard Group Inc/The	0.96
6	FundRock Management Co SA	0.86
7	Invesco Asset Management India Pvt	0.80
8	Axis Asset Management Co Ltd/India	0.43
9	Kotak Mahindra Asset Management Co	0.42
10	Norges Bank	0.28

Source: Bloomberg

Mirae Asset Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a position in the companies mentioned in the article.

Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

DISCLAIMER

This information/document has been prepared by Sharekhan Ltd. (SHAREKHAN) and is intended for use only by the person or entity to which it is addressed to. This Document may contain confidential and/or privileged material and is not for any type of circulation and any review, retransmission, or any other use is strictly prohibited. This information/ document is subject to changes without prior notice.

Recommendation in reports based on technical and derivatives analysis is based on studying charts of a stock's price movement, trading volume, outstanding positions, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals. However, this would only apply for information/document focused on technical and derivatives research and shall not apply to reports/documents/information focused on fundamental research.

This information/document does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Though disseminated to all customers who are due to receive the same, not all customers may receive this report at the same time. SHAREKHAN will not treat recipients as customers by virtue of their receiving this information/report.

The information contained herein is obtained from publicly available data or other sources believed to be reliable and SHAREKHAN has not independently verified the accuracy and completeness of the said data and hence it should not be relied upon as such. While we would endeavour to update the information herein on reasonable basis, SHAREKHAN, its subsidiaries and associated companies, their directors and employees ("SHAREKHAN and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent SHAREKHAN and affiliates from doing so. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Recipients of this report should also be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved) and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. We do not undertake to advise you as to any change of our views. Affiliates of Sharekhan may have issued other recommendations/ reports that are inconsistent with and reach different conclusions from the information presented in this recommendations/report.

This information/recommendation/report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject SHAREKHAN and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

The analyst certifies that the analyst might have dealt or traded directly or indirectly in securities of the company and that all the views expressed in this document accurately reflect his or her personal views about the subject company or companies and its or their securities and do not necessarily reflect those of SHAREKHAN. The analyst and SHAREKHAN further certifies that either he or his relatives or Sharekhan associates might have direct or indirect financial interest or might have actual or beneficial ownership of 1% or more in the securities of the company at the end of the month immediately preceding the date of publication of the research report. The analyst and SHAREKHAN encourages independence in research report/ material preparation and strives to minimize conflict in preparation of research report. The analyst and SHAREKHAN does not have any material conflict of interest or has not served as officer, director or employee or engaged in market making activity of the company. The analyst and SHAREKHAN has not been a part of the team which has managed or co-managed the public offerings of the company, and no part of the analyst's compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this document. Sharekhan Ltd or its associates or analysts have not received any compensation for investment banking, merchant banking, brokerage services or any compensation or other benefits from the subject company or from third party in the past twelve months in connection with the research report.

Either SHAREKHAN or its affiliates or its directors or employees / representatives / clients or their relatives may have position(s), make market, act as principal or engage in transactions of purchase or sell of securities, from time to time or may be materially interested in any of the securities or related securities referred to in this report and they may have used the information set forth herein before publication. SHAREKHAN may from time to time solicit from, or perform investment banking, or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall SHAREKHAN, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

Forward-looking statements (if any) are provided to allow potential investors the opportunity to understand management's beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment. These statements are not a guarantee of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or result expressed or implied by such forward-looking statements. Sharekhan/its affiliates undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader/investors are cautioned not to place undue reliance on forward-looking statements and use their independent judgement before taking any investment decision.

Investment in securities market are subject to market risks, read all the related documents carefully before investing. The securities quoted are for illustration only and are not recommendatory. Registration granted by SEBI, and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T&C on www.sharekhan.com

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited, Research Analyst Regn No.: INH000006183. CIN: - U99999MH1995PLC087498.

Registered Office: The Ruby, 18th Floor, 29 Senapati Bapat Marg, Dadar (West), Mumbai - 400 028, Maharashtra, INDIA. Tel: 022-6115000.

Correspondence/Administrative Office Address - Gigaplex IT Park, Unit No 1001, 10th Floor, Building No.9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai - 400708. Tel: 022 61169000 / 61150000, Fax No. 61169699.

Other registrations of Sharekhan Ltd.: SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD) / MCX - Commodity: INZ000171337; BSE - 748, NSE - 10733, MCX - 56125, DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669 (date of initial registration: 03/07/2004, and valid till 02/07/2026); IRDAI Registered Corporate Agent (Composite) License No. CA0950, valid till June 13, 2027.

Compliance Officer: Ms. Binkle R. Oza; Tel: 022-62263303; email id: complianceofficer@sharekhan.com

For any complaints/grievance, email us at igc@sharekhan.com or you may even call Customer Service desk on - 022- 41523200/022-69920600.