ANANDRATHI

India I Equities

Consumer Durables

Result Update

Change in Estimates ☑ Target ☑ Reco ☐

19 July 2026

Havells India

Higher ad-spend delays earnings recovery; maintain BUY

Rating: **BUY**
Target Price (12-mth): Rs.1,379
Share Price: Rs.1,190

Havells delivered a healthy performance in Q1FY27 with 19.5% y/y revenue growth, aided by robust performance in Cables & Wires (C&W) business and strong traction in Lloyd and Renewables. However, profitability remained weak, as higher advertising spend, commodity inflation led to 230bps y/y contraction in EBITDA margin and 17% y/y decline in PAT. The company has largely implemented required price hike. While the management expects margin to recover with normalisation of advertising spend from Q2FY27, we expect the earnings recovery to be gradual. Going forward, the pace of margin recovery in Lloyd, stability in RM prices, execution of planned capacity addition and scaling up of Renewables business will remain the key monitorable. Keeping our positive long-term view intact, we maintain BUY rating on the stock with a revised TP of Rs1,379 (from Rs1,447 earlier), valuing it at 45x FY28e EPS.

Revenue Remains Healthy; Higher A&P Spend Drags Profitability: Consolidated revenue rose 19.5% y/y to Rs65bn, mainly led by 27% y/y growth in C&W business. Lloyd revenue up 15% y/y with single-digit volume growth, but a delayed summer reduced the full benefit of seasonal demand. Switchgear sales fell 4% y/y, due to geopolitical disruptions and volatility in input prices. ECD up 12% y/y, while Renewables reported strong revenue growth, with lower-margin solar panels offsetting higher-margin inverter sales. EBITDA margin contracted by 230bps y/y to 7.2%, as gross margin fell 214bps. A&P spend more than doubled on y/y basis, pressuring EBITDA. Employee cost grew by 6% y/y, while other expenses surged 29% y/y. Consequently, PAT declined by 17% y/y to Rs2.9bn. Price increases of 5-20% were passed through successfully across categories. A capex of Rs14bn is guided for FY27.

Constructive Outlook with Expected Margin Recovery: Havells started the rest of FY27 with a constructive demand outlook, supported by normalised channel inventories, calibrated price hikes (already implemented across most categories) and a broad-based recovery in core consumer and infrastructure-linked businesses. Although near-term profitability was impacted by front-loaded advertising investments and commodity volatility, the management expects advertising spend to normalise over the rest quarters of FY27, and margin to recover as recent price hikes flow through. Also, the newly created Renewables segment offers a meaningful long-term growth avenue through solar, BESS, EV charging and energy-transition opportunities.

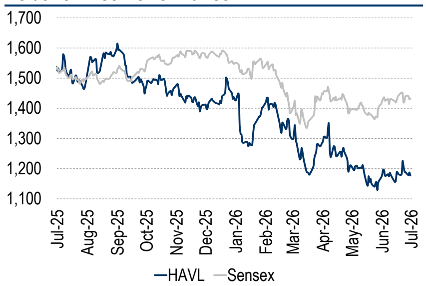
Valuation: Despite the healthy revenue trajectory, we believe Havells' earnings recovery is likely to be more gradual, warranting a downward revision to our FY27/FY28e margin and PAT estimates. Hence, we tweak our EBITDA/PAT estimates for FY27/28e. We expect revenue/PAT to clock 13/8% CAGR over FY26-28e. At CMP, the stock trades at 46/39x FY27/28e EPS of Rs26/30.6. We maintain BUY rating on the stock with a revised TP of Rs1,379 (from Rs1,447 earlier), valuing it at 45x FY28e EPS of Rs30.6. **Key Risks:** (a) Volatility in commodity prices; (b) lower volume in consumer-facing segments; and (c) higher competitive intensity.

Key Data	HAVL IN / HVEL.BO
52-week high / low	Rs1621 / 1124
Sensex / Nifty	78151 / 24334
Market cap	Rs735bn
Shares outstanding	628m

Shareholding Pattern (%)	Jun'26	Mar'26	Dec'25
Promoters	59.4	59.4	59.4
- *of which, Pledged*	-	-	-
Free float	40.7	40.6	40.6
- Foreign institutions	15.9	16.9	18.0
- Domestic institutions	18.3	17.7	16.7
- Public	6.5	6.0	6.0

Estimate Revision (%)	FY27e	FY28e
Sales	0.4	0.0
EBITDA	(3.9)	(2.9)
PAT	(6.0)	(4.9)

Relative Price Performance



Source: Bloomberg

Manish Valecha
Research Analyst

Surbhi Lodha
Research Analyst

Quick Glance – Financials and Valuations

Fig 1 – Income Statement (Rs m)

Y/E Mar	FY24	FY25	FY26	FY27e	FY28e
Net revenue	185,900	217,781	225,278	255,936	289,337
Growth (%)	9.9	17.1	3.4	13.6	13.1
Direct costs	125,687	146,084	150,795	170,965	193,277
SG&A	41,787	50,388	52,486	60,233	66,829
EBITDA	**18,426**	**21,309**	**21,997**	**24,738**	**29,231**
EBITDA margins (%)	9.9	9.8	9.8	9.7	10.1
- Depreciation	3,385	4,004	4,319	5,271	6,061
Other income	2,490	3,033	4,944	2,815	3,038
Interest expenses	457	432	373	385	413
PBT	17,074	19,905	22,248	21,897	25,795
Effective tax rates (%)	25.6	26.1	23.9	25.6	25.6
+ Associates / (Minorities)	-	20	311	30	30
Net income	12,708	14,702	16,595	16,291	19,192
Adj. income	12,708	14,723	17,356	16,321	19,222
WANS	627	627	627	627	627
FDEPS (Rs)	20.3	23.5	27.7	26.0	30.6
FDEPS growth (%)	18.6	15.8	17.8	(6.0)	17.8
Gross margins (%)	32.4	32.9	33.1	33.2	33.2

Fig 2 – Balance Sheet (Rs m)

Y/E Mar	FY24	FY25	FY26	FY27e	FY28e
Share capital	627	627	627	627	627
Net worth	74,468	83,238	94,554	1,04,603	1,17,551
Debt	-	-	-	0	0
Minority interest	-	172	132	162	192
DTL / (Assets)	3,226	3,524	4,169	4,169	4,169
Capital employed	**77,694**	**86,933**	**98,856**	**1,08,934**	**1,21,913**
Net tangible assets	26,063	32,521	38,130	46,860	46,799
Net intangible assets	10,730	10,910	12,224	12,281	12,337
Goodwill	3,105	3,105	3,105	3,105	3,105
CWIP (tang. & intang.)	2,969	1,165	4,395	1,500	1,000
Investments (strategic)	200	110	8,884	8,884	8,884
Investments (financial)	-	-	-	-	-
Current assets (excl. cash)	50,708	56,348	65,763	76,663	85,292
Cash	30,382	33,781	23,635	26,582	38,783
Current liabilities	46,284	50,931	48,430	58,089	65,437
Working capital	4,424	5,417	17,333	18,573	19,855
Capital deployed	**77,694**	**86,933**	**98,856**	**1,08,934**	**1,21,913**
Contingent liabilities	1,169	-	-	-	-

Fig 3 – Cash-flow Statement (Rs m)

Y/E Mar	FY24	FY25	FY26	FY27e	FY28e
PBT	17,074	19,905	22,096	21,897	25,795
+ Non-cash items	3,385	4,004	4,319	5,271	6,061
Oper. prof. before WC	20,459	23,909	26,415	27,168	31,856
- Incr. / (decr.) in WC	4,273	(2,438)	(1,579)	(1,241)	(1,282)
Others incl. taxes	(5,201)	(6,318)	(9,566)	(8,035)	(9,229)
Operating cash-flow	19,530	15,153	15,269	17,891	21,345
- Capex (tang. + intang.)	(7,623)	(7,538)	(14,161)	(11,162)	(5,556)
Free cash-flow	11,907	7,615	1,108	6,730	15,789
Acquisitions	-	-	-		
- Div. (incl. buyback & taxes)	(4,701)	(6,268)	(6,271)	(6,273)	(6,273)
+ Equity raised	213	425	-	-	-
+ Debt raised	-	-	-	-	-
- Fin investments	(10,371)	1,802	(6,056)	-	-
- Misc. (CFI + CFF)	(772)	(771)	(654)	60	60
Net cash-flow	(1,944)	5,449	(144)	2,947	12,201

Source: Company

Fig 4 – Ratio Analysis

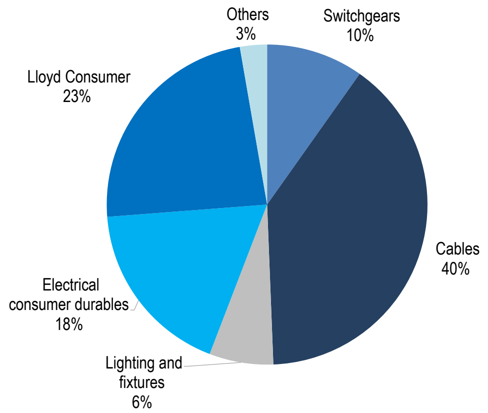
Y/E Mar	FY24	FY25	FY26	FY27e	FY28e
P/E (x)	58.7	50.7	43.0	45.7	38.8
EV / EBITDA (x)	38.8	33.4	32.9	29.1	24.4
EV / Sales (x)	3.8	3.3	3.2	2.8	2.4
P/B (x)	10.0	9.0	7.9	7.1	6.4
RoE (%)	18.1	18.7	19.0	15.6	16.4
RoCE (%) - after tax	14.3	14.7	13.6	13.3	14.1
RoIC (%) - after tax	23.1	25.3	20.9	18.3	20.8
DPS (Rs)	9.0	10.0	10.0	10.0	10.0
Dividend yield (%)	0.8	0.8	0.8	0.8	0.8
Dividend payout (%) - incl. DDT	44.4	42.6	36.1	38.4	32.6
Net debt / equity (x)	(0.4)	(0.4)	(0.2)	(0.3)	(0.4)
Receivables (days)	23	21	13	20	20
Inventory (days)	67	68	72	70	70
Payables (days)	53	51	47	50	50
CFO : PAT (%)	153.7	102.9	88.0	109.6	111.0

Source: Company

Fig 5 – Price Movement

Source: Bloomberg

Fig 6 – Revenue-mix (Q1FY27)



Source: Company

Fig 7 – Financial Performance

(Rs m)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27	y/y (%)	q/q (%)
Income	**58,062**	**45,393**	**48,890**	**65,436**	**54,554**	**47,793**	**55,879**	**67,052**	**65,182**	**19.5**	**(2.8)**
Raw material cost	39,565	30,075	32,055	44,389	36,311	31,078	37,439	45,968	44,783	23.3	(2.6)
Employee cost	4,617	4,646	4,693	4,745	4,995	4,788	4,956	5,098	5,314	6.4	4.2
Other expenses	8,158	6,922	7,877	8,731	8,091	7,543	8,323	8,692	10,423	28.8	19.9
EBITDA	**5,723**	**3,751**	**4,265**	**7,570**	**5,157**	**4,384**	**5,161**	**7,294**	**4,662**	**(9.6)**	**(36.1)**
Depreciation	920	946	1,041	1,097	1,057	1,058	1,086	1,118	1,206	14.0	7.9
Finance cost	86	101	94	152	94	91	89	99	75	(20.3)	(24.4)
Other income	773	929	643	687	692	863	427	2,963	542	(21.7)	(81.7)
Exceptional items	-	-	-	-	-	-	(450)	-	-	-	-
PBT	**5,490**	**3,633**	**3,773**	**7,009**	**4,698**	**4,098**	**3,962**	**9,040**	**3,923**	**(16.5)**	**(56.6)**
Tax	1,415	955	994	1,839	1,222	963	1,076	1,942	1,026	(16.1)	(47.2)
PAT	**4,079**	**2,682**	**2,783**	**5,178**	**3,477**	**3,190**	**3,008**	**7,231**	**2,904**	**(16.5)**	**(59.8)**
EPS (Rs)	6.5	4.3	4.4	8.3	5.5	5.1	5.5	11.5	4.6	(16.5)	(59.8)
As % of income										**y/y (bps)**	**q/q (bps)**
Gross margins	**31.9**	**33.7**	**34.4**	**32.2**	**33.4**	**35.0**	**33.0**	**31.4**	**31.3**	**(214.5)**	**(15.0)**
Employee costs	8.0	10.2	9.6	7.3	9.2	10.0	8.9	7.6	8.2	(100.4)	55.0
Other expenses	11.1	12.4	12.5	11.2	12.2	13.0	12.1	10.3	11.6	(61.7)	127.0
EBITDA margins	**9.9**	**8.3**	**8.7**	**11.6**	**9.5**	**9.2**	**9.2**	**10.9**	**7.2**	**(230.1)**	**(372.7)**
Depreciation	1.6	2.1	2.1	1.7	1.9	2.2	1.9	1.7	1.8	(8.9)	18.3
Finance costs	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	(5.7)	(3.3)
Other income	1.3	2.0	1.3	1.1	1.3	1.8	0.8	4.4	0.8	(43.7)	(358.7)
PBT margins	**9.5**	**8.0**	**7.7**	**10.7**	**8.6**	**8.6**	**7.1**	**13.5**	**6.0**	**(259.2)**	**(746.4)**
Effective tax rates	25.8	26.3	26.3	26.2	26.0	23.5	27.1	21.5	26.1	13.1	466.5
PAT margins	**7.0**	**5.9**	**5.7**	**7.9**	**6.4**	**6.7**	**6.2**	**10.8**	**4.5**	**(191.9)**	**(632.9)**
Segment-wise revenue (Rs m)										**y/y (%)**	**q/q (%)**
Switchgears	5,768	5,513	5,769	6,918	6,298	5,955	6,244	7,354	6,077	(3.5)	(17.4)
Cable	15,212	18,052	16,879	21,694	19,332	20,282	22,411	24,741	24,556	27.0	(0.7)
Lighting & Fixtures	3,876	3,951	4,464	4,417	3,802	4,284	4,306	4,487	4,006	5.4	(10.7)
Electrical Consumer Durables	10,554	8,564	11,048	9,973	9,949	8,418	11,515	10,824	11,131	11.9	2.8
Lloyd Consumer	19,287	5,896	7,422	18,736	12,711	4,822	7,006	15,205	14,574	14.7	(4.1)
Renewables	-	-	-	-	936	-	-	2,594	3,143	235.9	21.2
Other	3,365	3,418	3,308	3,698	1,526	4,032	4,398	1,847	1,694	11.1	(8.3)
Less: Inter-segmental	-	-	-	-	-	-	-	-	-		
Mix (%)											
Switchgears	10	12	12	11	12	12	11	13	11		
Cable	26	40	35	33	35	42	40	44	44		
Lighting & Fixtures	7	9	9	7	7	9	8	8	7		
Electrical Consumer Durables	18	19	23	15	18	18	21	19	20		
Lloyd Consumer	33	13	15	29	23	10	13	27	26		
Other	6	8	7	6	3	8	8	3	3		
Segment EBIT (%)										**y/y (bps)**	**q/q (bps)**
Switchgears	24.6	20.9	18.2	25.7	23.4	22.3	22.0	23.4	20.8	(258.4)	(250.8)
Cable	11.2	8.6	11.1	11.9	12.6	13.7	11.8	14.2	10.4	(218.6)	(383.7)
Lighting & Fixtures	16.2	12.7	14.6	16.4	12.0	12.7	11.1	21.3	10.4	(161.8)	(1,098.4)
Electrical Consumer Durables	10.9	7.5	8.6	12.5	7.9	5.6	10.1	10.3	5.2	(266.5)	(502.2)
Lloyd Consumer	3.3	(4.1)	(4.9)	6.1	(1.6)	(22.0)	(8.6)	(1.8)	(3.9)	(221.4)	(207.4)
Other	3.3	1.9	(2.0)	3.9	3.3	2.9	1.7	6.5	4.9	150.8	(159.7)

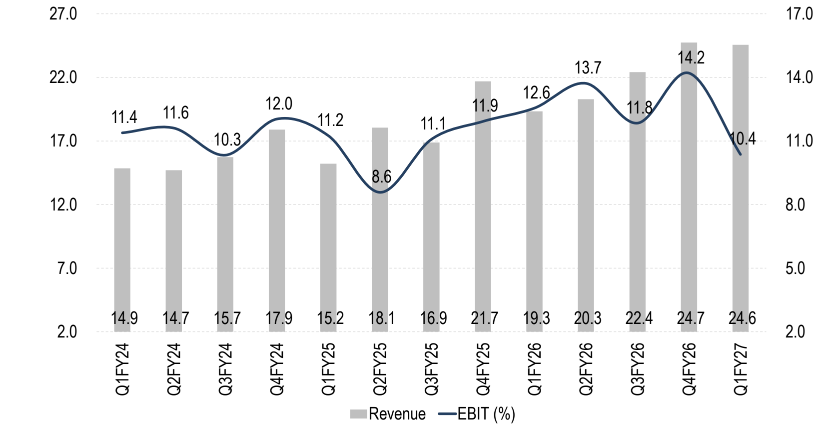
Source: Company

Earnings Concall – Key Highlights

Temporary Volume Softness amid Volatility in Commodity Prices; Capacity Expansion Indicates Long-Term Growth

- C&W segment delivered strong growth, with revenue rising by 27% y/y. It reported flattish volume growth across C&W segment, as sharp volatility in RM cost disrupted dealer buying behaviour. Falling copper prices towards the end of the quarter encouraged channel partners to liquidate existing inventories instead of replenishing stocks, while Havells also shifted towards a healthier sell-out focused distribution model, affecting primary sales.
- While segmental EBIT margin moderated due to higher advertising spends at corporate level, which are expected to normalise over FY27, the underlying operating performance of cables business remained healthy.
- Despite softer reported volume, the management stated that capacity expansion is progressing as planned and there are no demand-related concerns, with recent fluctuations largely reflecting RM price volatility that temporarily impacts dealer stocking behaviour.
- The company is ramping up its presence in specialized products i.e., solar cables, supported by its expanding renewables ecosystem.
- Havells continues to gain scale through strategic capacity addition and remains confident of sustaining healthy growth, aided by improving supply capabilities and continued investments. Approximately Rs8bn of FY27 capex is earmarked towards cable capacity expansion, reaffirming management's long-term confidence in the business.

Fig 8 – Quarterly Cables Revenue and EBIT



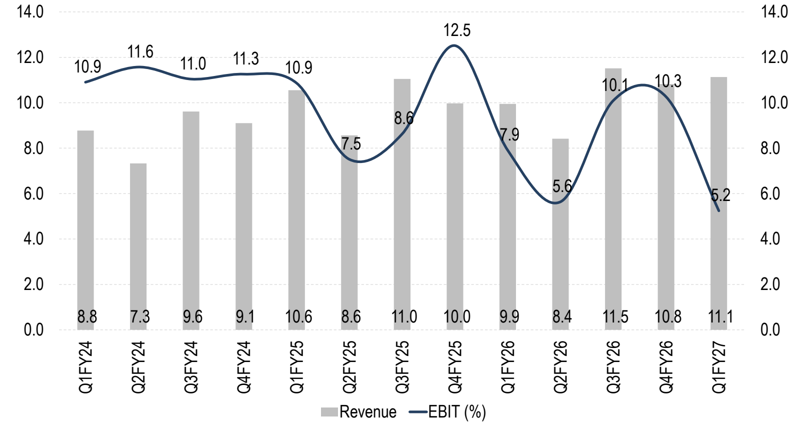
Source: Company

ECD – Steady Growth Supported by Calibrated Pricing and Resilient Consumer Demand

- ECD business delivered healthy growth of 12% y/y, despite elevated commodity cost environment. The company implemented calibrated price hikes averaging ~7-8% across categories, which were well absorbed by the consumers.
- However, growth lagged some industry peers, as it prioritised disciplined pricing and transitioned towards a sell-out driven distribution model rather than pushing primary sales into the channel.

- The management indicated that secondary sales remained healthy, suggesting no meaningful loss of market share, while improved distribution quality should provide a stronger foundation for sustainable growth, going forward.
- Lighting revenue rose 5% y/y, as it continued to stabilise after prolonged pricing pressure. The management indicated that LED pricing has largely stabilised, allowing the business to return to volume-led growth.
- Further, the company expects selective price hikes in the coming quarters, led by rising electronic component cost, which should support both revenue and margin, going forward.

Fig 9 – Quarterly Revenue and EBIT (ECD)

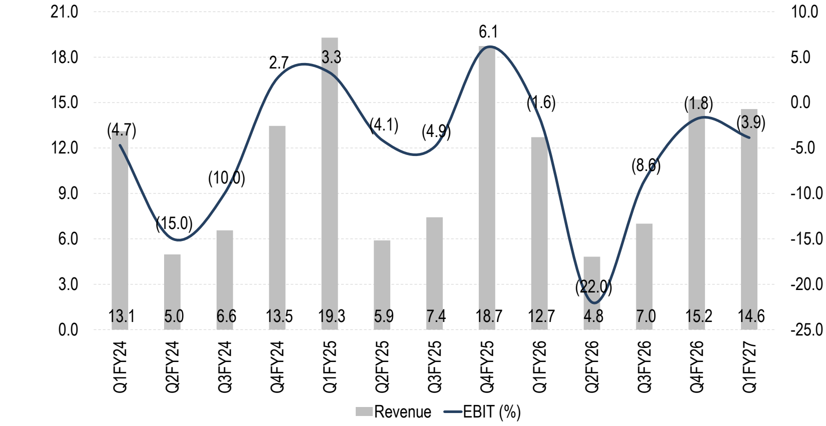


Source: Company, Anand Rathi Research

Lloyd – Volume Growth Moderated by Delayed Summer and Channel Normalisation; Margin Recovery Ahead

- Lloyd's witnessed modest growth, as revenue increased 15% y/y in Q1FY27 with AC volume growing in single-digit, value growth remained higher due to calibrated price hikes. It reported an EBIT loss with negative EBIT margin of 3.9%.
- Delayed summer, higher primary sales in previous quarters following GST-related stocking, and the company's transition towards a sell-out focused distribution strategy affected reported primary sales in Q1FY27.
- The management emphasised that secondary sales remained healthy and believes market share has been maintained.
- Elevated advertising investments continued to support brand premiumisation and top-of-mind recall, with Lloyd is expected to remain a key beneficiary, as margin normalises and the benefits of pricing actions flow through.
- The management also reiterated confidence that Lloyd's contribution margin should return to double-digit levels sooner rather than later, as commodity volatility subsides.

Fig 10 – Quarterly Revenue and EBIT (Lloyd)



Source: Company, Anand Rathi Research

Switchgears and Solar

- Switchgear declined 4% y/y, remained the weakest segment in Q1FY27, impacted by temporary export disruptions led by West Asia conflicts, along with sharp volatility in RM cost, which affected dealer ordering patterns.
- Around 15% of switchgear revenue is derived from international markets, while domestic demand remained stable throughout the quarter. The management indicated that shipping disruptions have largely eased and expects international shipments and overall segment growth to recover from Q2FY27.
- Contribution margin was also temporarily affected by higher advertising spend, with normalization is expected over the remainder of the year.
- Renewables remained the standout performer, prompting Havells to report it as a separate business segment from Q1FY27. Strong demand for solar panels, aided by favourable industry tailwinds and the strategic investment in Goldi Solar, drove robust revenue growth.
- Margin was temporarily lower due to higher mix of relatively lower-margin solar panels compared to inverters, although the management expects profitability to improve as the business increasingly shifts towards higher-margin consumer, commercial and industrial solutions
- Over the medium-term, Havells aims to expand into adjacent opportunities including BESS, EV chargers and distributed renewable solutions, leveraging its brand, distribution network and technical partnerships.

Outlook and Valuations

The management remains confident of margin improvement from Q2FY27: (a) with normalisation in advertising spend; and (b) focus on market share, brand investments and long-term growth over near-term profitability. It sees significant potential in solar and renewables portfolio, intending to scale them up markedly. However, we expect its margin to remain under pressure in the short-term due to elevated input cost.

Considering weak quarterly operating performance, we tweak our revenue/EBITDA/PAT estimates for FY27/28e and expect revenue/PAT to clock 13/8% CAGR over FY26-28e.

At CMP, the stock trades at 46/39x FY27/28e EPS of Rs26/31. **We maintain BUY rating on the stock with a revised TP of Rs1,379 (from Rs1,447 earlier), valuing it at 45x FY28e EPS of Rs30.6.**

Fig 11 – Change in Estimates

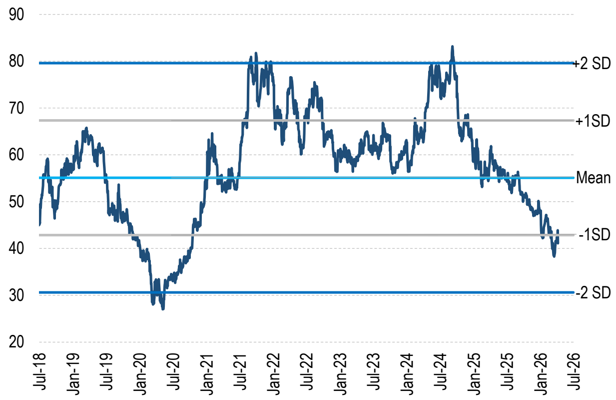
(Rs m)	New Estimates		Old Estimates		Variance (%)	
	FY27e	FY28e	FY27e	FY28e	FY27	FY28
Revenue	255,936	289,337	254,989	289,269	0.4	0.0
EBITDA	24,738	29,231	25,738	30,113	(3.9)	(2.9)
EBITDA (%)	9.7	10.1	10.1	10.4		
PBT	21,897	25,795	23,286	27,134	(6.0)	(4.9)
PAT	16,291	19,192	17,325	20,188	(6.0)	(4.9)
PAT (%)	6.4	6.6	6.8	7.0		
EPS	26.0	30.6	27.7	32.2		

Source: Anand Rathi Research

Fig 12 – P/E Band

Source: Company, Anand Rathi Research

Fig 15 – Mean PE is ~56x



Source: Company, Anand Rathi Research

Key Risks

- Volatility in commodity prices.
- Lower volume in consumer-facing segments.
- Higher competitive intensity.

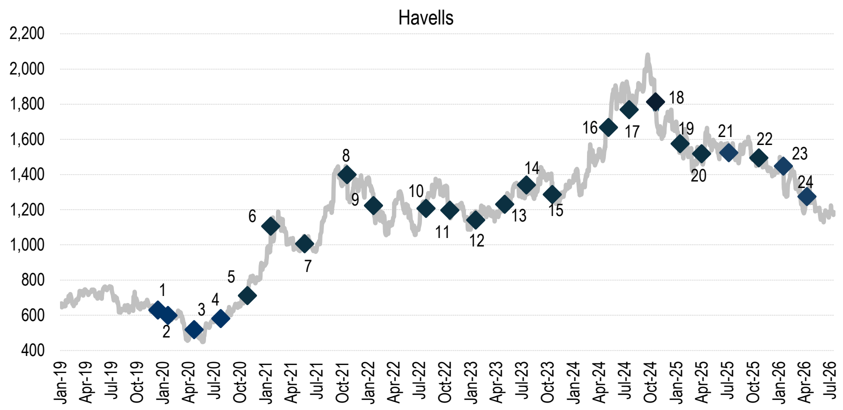
Appendix

Analyst Certification

The views expressed in this Research Report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. The research analysts are bound by stringent internal regulations and also legal and statutory requirements of the Securities and Exchange Board of India (hereinafter "SEBI") and the analysts' compensation are completely delinked from all the other companies and/or entities of Anand Rathi, and have no bearing whatsoever on any recommendation that they have given in the Research Report.

Important Disclosures on subject companies

Rating and Target Price History (as of 19 July 2026)



	Date	Rating	TP (Rs)	Share Price (Rs)
9	23-Jan-22	**Hold**	1,362	1,242
10	21-Jul-22	**Sell**	1,232	1,258
11	20-Oct-22	**Sell**	1,067	1,216
12	19-Jan-23	**Sell**	1,072	1,208
13	03-May-23	**Sell**	1,009	1,241
14	20-Jul-23	**Hold**	1,369	1,348
15	22-Oct-23	**Hold**	1,405	1,293
16	02-May-24	**Buy**	1,911	1,663
17	21-Jul-24	**Buy**	2,146	1,766
18	20-Oct-24	**Buy**	2,117	1,843
19	18-Jan-25	**Buy**	1,949	1,575
20	23-Apr-25	**Buy**	1,852	1,613
21	22-Jul-25	**Buy**	1,807	1,570
22	25-Oct-25	**Buy**	1,720	1,500
23	20-Jan-26	**Buy**	1,624	1,355
24	23-Apr-26	**Buy**	1,447	1,260

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Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps, Mid Caps & Small Caps as described in the Ratings Table below:

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Large Caps (Top 100 companies)	>15%	0-15%	<0%
Mid Caps (101st-250th company)	>20%	0-20%	<0%
Small Caps (251st company onwards)	>25%	0-25%	<0%

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Compliance officer: Deepak Kedia, email id: deepakkedia@rathi.com, Contact no. +91 22 6281 7000
Grievance officer: Madhu Jain, email id: grievance@rathi.com, Contact no. +91 22 6281 7191

ARSSBL registered address: Express Zone, A Wing, 10th Floor, Western Express Highway, Diagonally Opposite Oberoi Mall, Malad (E), Mumbai – 400097.
Tel No: +91 22 6281 7000 | Fax No: +91 22 4001 3770 | CIN: U67120MH1991PLC064106.