August 01, 2017

Havells India Limited

Havells India Limited (HIL) has announced its quarterly results for Q1FY2018 on July 19, 2017.

During Q1FY2018, HIL reported gross operating revenues of Rs. 1,982.24 crore and operating profits before interest, tax and depreciation (OPBDITA) of Rs. 172.4 crore compared to operating revenues of Rs. 1,573.05 crore and OPBDITA of Rs. 200.40 crore in the corresponding quarter of the previous financial year. On May 8, 2017, the process of acquisition of consumer durables business of Lloyd Electric & Engineering Limited (Lloyd), which was initiated in February 2017, was also concluded. The said business was acquired at a consideration of ~Rs. 1,600 crore, and as expected, was primarily funded by surplus liquidity available on HIL's balance sheet from Sylvania's stake sale, thereby not affecting its credit profile.

The new line of business from Lloyd contributed ~14% and ~7% to HIL's operating revenues and OPBDITA, respectively during the quarter. Excluding Lloyd, HIL reported a ~8% growth in its operating revenues during the year and a decline in its operating margins from ~12.7% in Q1FY2017 to 9.30% in Q1FY2018. The decline in operating margins was due to increased share of lower-margin cables business in the company's total revenues and channel de-stocking ahead of GST. Including Lloyd, HIL reported operating margins of 8.7% during the quarter. While the profitability of consumer-durables business of Lloyd was lower vis-à-vis HIL's existing segments, ICRA notes that its profitability was even lower during Q1FY2018. This was mainly due to seasonality inherent in its business as well as conclusion of the acquisition towards the end of the season because of which only ~50 days' revenues from the leaner-sale months got accounted for in HIL's books post the completion of acquisition in May 2017.
Though HIL's operating margins are likely to decline from the earlier levels, ICRA expects the company's overall credit profile to remain satisfactory with healthy debt-coverage indicators. Nevertheless, the performance of the recently-acquired business segment in terms of ramp-up in sales and improvement in operating margins will remain key rating monitorable.

ICRA has ratings of [ICRA]AA+(Stable) and [ICRA]A1+ outstanding for the Rs. 607.05-crore bank facilities of HIL. The ratings continue to derive comfort from HIL's robust financial profile reflected in its healthy profitability and returns indicators, low gearing, strong debt-coverage indicators, effective working-capital management policies and demonstrated ability to generate free cash flows.

The previous rating rationale is available on the following link: Havells India Limited

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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