

17 December 2025

India | Equity Research | Company Update

Havells India

White Goods

Short-term softness; medium-term opportunities building

We remain positive on Havells although the near-term outlook is likely to be soft due to weak demand for air conditioners and potential impact on earnings due to change in BEE norms in Jan'26 in fans and air conditioners. We note: (1) RAC trade inventory has materially reduced post the festive season but still remains elevated YoY. (2) Secondary sales in RAC and fans may remain weak in Q3FY26. However, channel stocking can happen on the back of pricing arbitrage due to new BEE norms in last week of Dec'26. (3) Impending price hikes could offset the GST benefits. Price hike is likely to be in mid-high single digits in our view considering commodity inflation and change in BEE norms. (4) It consciously tapered discounts/freebies in RAC to protect margins.

(5) Havells is setting up a new R&D centre in Noida to launch innovative products. (6) Incremental opportunities in solar, energy transition themes and innovation-led launches aid mid-long term revenue visibility. We believe that Havells is focusing on margin stability and diversifying the product portfolio. Maintain BUY with a DCF-based revised TP of INR 1,725 (earlier INR 1,775); implied P/E of 46x FY28E EPS. We also note 20% stock price correction over past 12 months due to multiple transitory issues also offers attractive entry point for long-term investors.

Channel inventory normalised but remains elevated YoY

We believe that the channel inventory has declined materially post the festive season. However, it remains elevated YoY, reflecting slower primary as well as secondary offtake. We believe the current inventory position is manageable and does not pose any material risk. Normalisation should continue supported by demand stabilisation.

Price hike to likely offset GST benefits

We believe that the price hike in air conditioners would be in line with the GST-led reductions. This would be driven by an ~5% increase due to BEE rating changes, ~2-3% raw material inflation, 1-2% INR depreciation and 1-2% from higher e-waste costs. We believe that similar pricing actions are likely across the industry. These price hikes are necessary to sustain margins. However, we believe price hikes may be done in 2-3 tranches too.

Financial Summary

Y/E March (INR mn)	FY25A	FY26E	FY27E	FY28E
Net Revenue	217,781	228,636	261,056	298,226
EBITDA	21,745	23,158	29,183	33,338
EBITDA Margin (%)	10.0	10.1	11.2	11.2
Net Profit	15,158	16,385	20,594	23,480
EPS (INR)	24.2	26.1	32.9	37.5
EPS % Chg YoY	19.2	8.1	25.7	14.0
P/E (x)	58.4	54.0	43.0	37.7
EV/EBITDA (x)	39.2	36.6	28.8	25.0
RoCE (%)	16.1	15.1	17.4	17.5
RoE (%)	19.2	18.6	20.8	20.8

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Market Data

Market Cap (INR)	886bn
Market Cap (USD)	9,765mn
Bloomberg Code	HAVL IN
Reuters Code	HVEL.BO
52-week Range (INR)	1,775 / 1,360
Free Float (%)	40.0
ADTV-3M (mn) (USD)	12.4

Price Performance (%)	3m	6m	12m
Absolute	(11.5)	(8.4)	(19.7)
Relative to Sensex	(15.7)	(13.4)	(23.4)

ESG Score	2024	2025	Change
ESG score	67.1	70.9	3.8
Environment	46.7	54.1	7.4
Social	78.6	81.8	3.2
Governance	78.6	79.5	0.9

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Previous Reports

19-10-2025: [Q2FY26 results review](#)

12-09-2025: [Company Update](#)

Solar business emerges as a growth engine

We model Havells to generate ~INR 4bn revenue from solar panels, inverters and ancillaries in FY26 and is targeting ~INR 10bn from solar business by FY27E. This would be driven by industry tailwinds, deep distribution network and stable pricing. Acquisition of stake in Goldi is likely to result in steady supply. We believe providing a branded full-stack offering, including AMC and warranties, supports superior margins. Havells would focus on residential, commercial and industrial segments while avoiding government projects.

RAC outlook – likely weak Q3FY26; potential pre-stocking ahead of energy norms

We believe Q3FY26 will likely be a weak quarter for RACs with limited secondary sales traction. The company has also withdrawn its additional discounts/ schemes from the market to maintain its margins. However, with the BEE norms changing by Jan'26, there is a possibility of channel stocking in last week of Dec'25 by the dealers to benefit from pricing arbitrage. We believe that this could provide a demand lift ahead of the transition, partially offsetting the Q3FY26 weakness.

E-waste regulations – industry wide margin headwinds

A sharp revision in mandatory recycling costs – from INR ~8–9/kg to ~INR 23–24/kg – is creating a temporary drag on margins via increased provisions. While this impacts industry as a whole, we believe that Havells is better positioned to absorb/pass on these costs over time than most of its peers. While there is impact on earnings as of now, there is no impact on cash outflow.

Production innovation and channel strengthening

With the development of the OEM ecosystem and steep competition, the company is focused on launching differentiated products. Recent launches include oil-filled radiators (heater), common design language portfolio and craft series. Havells further plans to strengthen its offline distribution while gradually scaling online presence. This should enable it to protect brand equity while expanding its reach across consumer segments.

R&D investments and energy transition focus

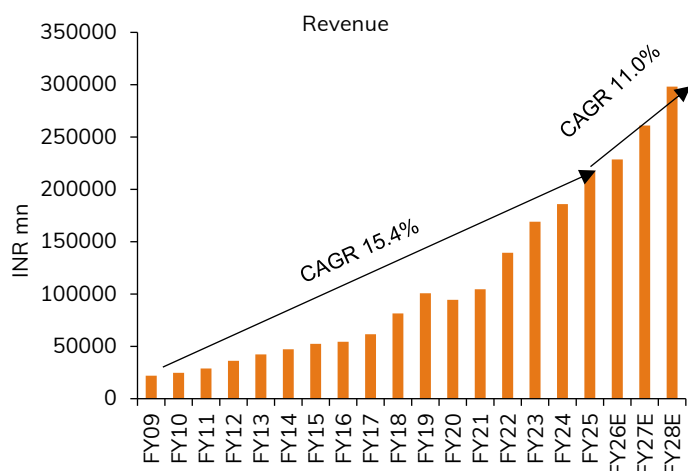
A new R&D centre in Noida, with experienced leadership, is being set up to accelerate innovation and reduce time to market. Further, Havells is focusing on the energy transition theme through EV chargers (launched in H1FY26), solar panels and battery energy storage systems. We believe these initiatives provide long-term revenue visibility.

Maintain BUY

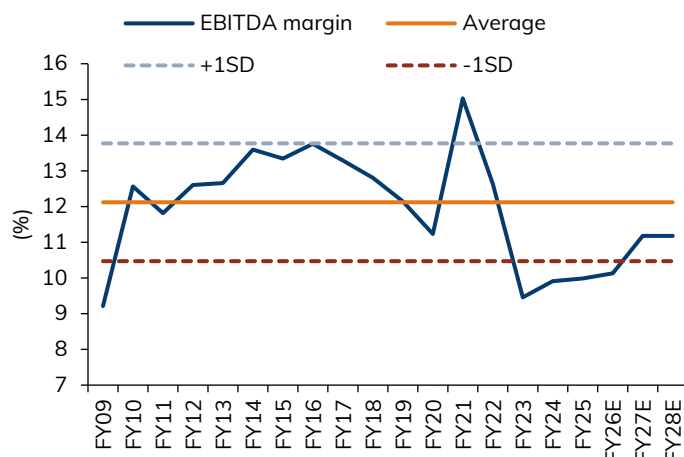
We model Havells India to report revenue/PAT CAGRs of 11.0%/15.7% over FY25–28E, with strong FCF generation. Our DCF-based revised TP stands at INR 1,725 (earlier INR 1,775); implied P/E works out to 46x FY28E EPS.

Key risks: Steep increase in commodity prices; and material increase in competitive pressures.

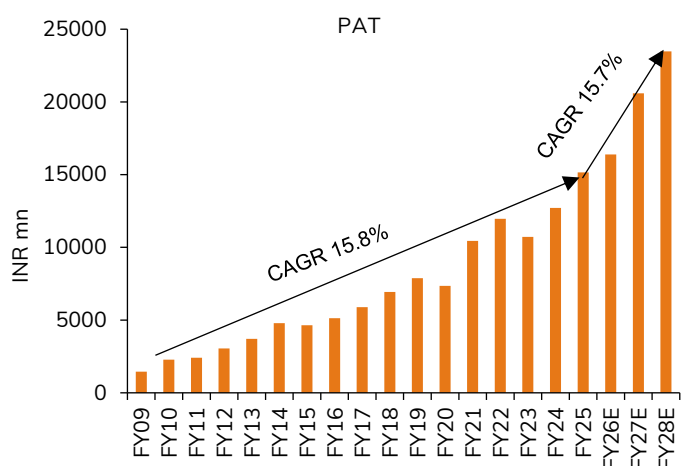
Key indicators – Annual

Exhibit 1: Revenue and revenue growth


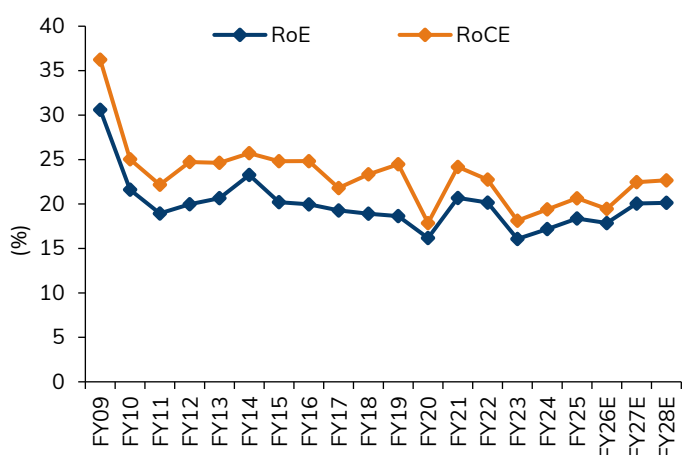
Source: Company data, I-Sec research

Exhibit 2: EBITDA margin


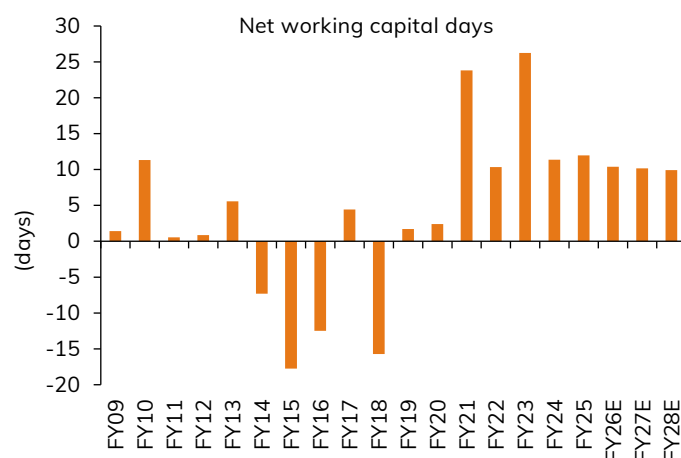
Source: Company data, I-Sec research

Exhibit 3: PAT and PAT growth


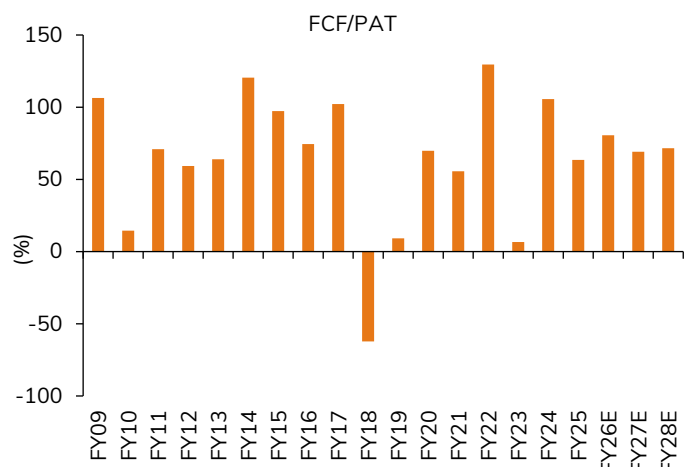
Source: Company data, I-Sec research

Exhibit 4: RoE and RoCE


Source: Company data, I-Sec research

Exhibit 5: Net working capital days


Source: Company data, I-Sec research

Exhibit 6: FCF/PAT (%)


Source: Company data, I-Sec research

Valuation and key risks

DCF valuation

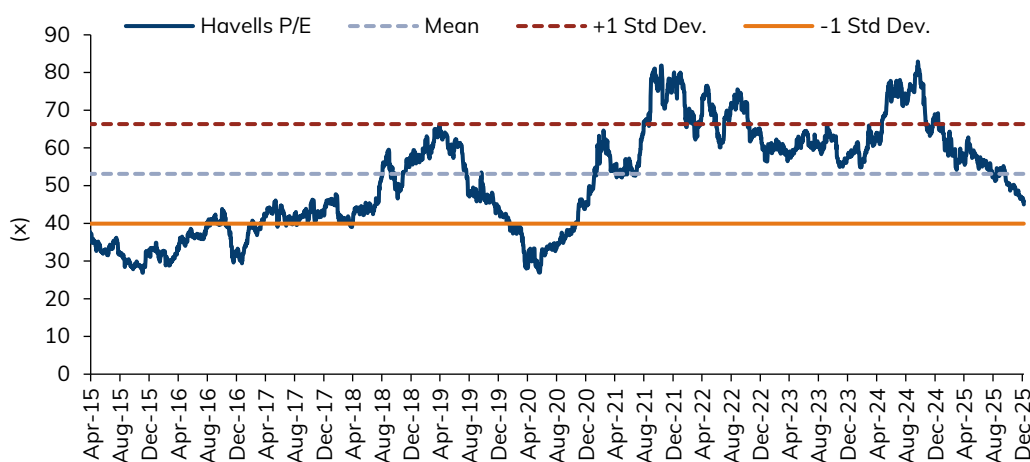
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Exhibit 7: DCF-based valuation

Particulars	
Cost of Equity (%)	11.5%
Terminal growth rate (%)	5.0%
Discounted interim cash flows (INR mn)	333,250
Discounted terminal value (INR mn)	748,363
Total equity value (INR mn)	1,081,613
Value per share (INR)	1,725

Source: Company data, I-Sec research

Exhibit 8: Mean PE (x) and standard deviations



Source: I-Sec research, Bloomberg

Risks

Inflation in input prices and competitive pressures

Sharp rise in input prices and/or increase in competitive pressures may result in a downside to our estimates.

Failure of new product launches and/or delay in plant commissioning

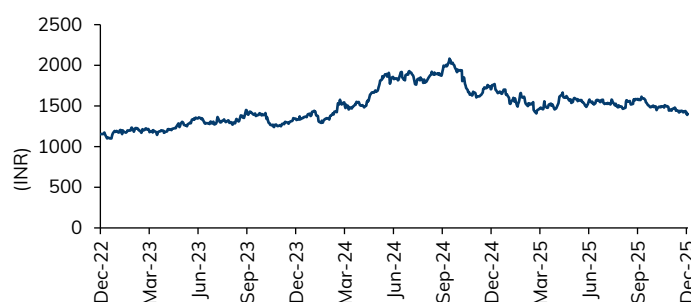
Any failure of new products and/ or delays in commissioning of new plants may impact the company's earnings.

Exhibit 9: Shareholding pattern

%	Mar'25	Jun'25	Sep'25
Promoters	59.4	59.4	59.4
Institutional investors	35.0	35.7	34.7
MFs and others	5.4	5.6	6.4
FIs/Banks	1.8	1.4	1.4
Insurance	5.5	6.4	7.6
FIIIs	22.3	22.3	19.3
Others	5.6	4.9	5.9

Source: Bloomberg, I-Sec research

Exhibit 10: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 11: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Net Sales	217,781	228,636	261,056	298,226
Operating Expenses	196,035	205,478	231,872	264,887
EBITDA	21,745	23,158	29,183	33,338
EBITDA Margin (%)	10.0	10.1	11.2	11.2
Depreciation & Amortization	4,004	4,666	5,369	6,151
EBIT	17,741	18,493	23,814	27,188
Interest expenditure	432	255	255	255
Other Non-operating Income	3,033	3,640	3,943	4,428
Recurring PBT	20,342	21,878	27,503	31,361
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	5,203	5,513	6,931	7,903
PAT	15,139	16,365	20,572	23,458
Less: Minority Interest	(18)	(20)	(22)	(22)
Extraordinaries (Net)	(648)	-	-	-
Net Income (Reported)	14,510	16,385	20,594	23,480
Net Income (Adjusted)	15,158	16,385	20,594	23,480

Source Company data, I-Sec research

Exhibit 12: Balance sheet

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Total Current Assets	88,671	76,878	75,824	78,482
of which cash & cash eqv.	33,781	20,067	11,132	4,770
Total Current Liabilities & Provisions	47,748	50,300	57,432	65,610
Net Current Assets	40,923	26,578	18,391	12,873
Investments	1,722	21,722	36,722	51,722
Net Fixed Assets	43,414	48,431	54,062	59,911
ROU Assets	-	-	-	-
Capital Work-in-Progress	1,182	-	-	-
Total Intangible Assets	3,105	3,105	3,105	3,105
Other assets	-	-	-	-
Deferred Tax assets	-	-	-	-
Total Assets	90,347	99,836	112,280	127,611
Liabilities				
Borrowings	3,184	3,184	3,184	3,184
Deferred Tax Liability	3,753	3,753	3,753	3,753
provisions	-	-	-	-
other Liabilities	-	-	-	-
Equity Share Capital	627	627	627	627
Reserves & Surplus	82,611	92,100	104,545	119,875
Total Net Worth	83,238	92,727	105,172	120,502
Minority Interest	172	172	172	172
Total Liabilities	90,347	99,836	112,280	127,611

Source Company data, I-Sec research

Exhibit 13: Quarterly trend

(INR mn, year ending March)

	Dec 24	Mar 24	Jun 25	Sept 25
Net Sales	48,890	65,436	54,554	47,793
% growth (YOY)	10.8	20.2	(6.0)	5.3
EBITDA	4,265	7,570	5,157	4,384
Margin %	8.7	11.6	9.5	9.2
Other Income	643	687	692	863
Extraordinaries	1	(188)	(20)	62
Adjusted Net Profit	2,780	5,180	3,477	3,136

Source Company data, I-Sec research

Exhibit 14: Cashflow statement

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Operating Cashflow	17,150	21,682	25,215	28,788
Working Capital Changes	(2,438)	631	(748)	(843)
Capital Commitments	(7,660)	(8,500)	(11,000)	(12,000)
Free Cashflow	9,490	13,182	14,215	16,788
Other investing cashflow	2,253	(20,000)	(15,000)	(15,000)
Cashflow from Investing Activities	(5,407)	(28,500)	(26,000)	(27,000)
Issue of Share Capital	616	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	(679)	-	-	-
Dividend paid	(6,268)	(6,896)	(8,150)	(8,150)
Others	-	-	-	-
Cash flow from Financing Activities	(6,331)	(6,896)	(8,150)	(8,150)
Chg. in Cash & Bank balance	5,412	(13,714)	(8,935)	(6,362)
Closing cash & balance	8,073	20,067	11,132	4,770

Source Company data, I-Sec research

Exhibit 15: Key ratios

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
Per Share Data (INR)				
Reported EPS	24.2	26.1	32.9	37.5
Adjusted EPS (Diluted)	24.2	26.1	32.9	37.5
Cash EPS	30.6	33.6	41.4	47.3
Dividend per share (DPS)	10.0	11.0	13.0	13.0
Book Value per share (BV)	132.8	147.9	167.8	192.2
Dividend Payout (%)	41.4	42.1	39.6	34.7
Growth (%)				
Net Sales	17.1	5.0	14.2	14.2
EBITDA	18.0	6.5	26.0	14.2
EPS (INR)	19.2	8.1	25.7	14.0
Valuation Ratios (x)				
P/E	58.4	54.0	43.0	37.7
P/CEPS	46.2	42.1	34.1	29.9
P/BV	10.6	9.5	8.4	7.3
EV / EBITDA	39.2	36.6	28.8	25.0
P / Sales	4.1	3.9	3.4	3.0
Dividend Yield (%)	0.7	0.8	0.9	0.9
Operating Ratios				
Gross Profit Margins (%)	32.9	32.7	33.7	33.7
EBITDA Margins (%)	10.0	10.1	11.2	11.2
Effective Tax Rate (%)	25.6	25.2	25.2	25.2
Net Profit Margins (%)	7.0	7.2	7.9	7.9
NWC / Total Assets (%)	45.3	26.6	16.4	10.1
Net Debt / Equity (x)	(0.4)	(0.4)	(0.4)	(0.4)
Net Debt / EBITDA (x)	(1.5)	(1.7)	(1.5)	(1.6)
Profitability Ratios				
RoCE (%)	16.1	15.1	17.4	17.5
RoE (%)	19.2	18.6	20.8	20.8
RoC (%)	27.5	26.3	31.0	31.8
Fixed Asset Turnover (x)	3.7	3.3	3.3	3.3
Inventory Turnover Days	73	67	70	70
Receivables Days	23	22	23	23
Payables Days	80	77	80	80

Source Company data, I-Sec research

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