

Havells India Ltd (NSE: HAVELLS)

Five-Pillar Analysis

Reference price: Rs 1,040 (NSE close, October 1, 2026; NSE was closed October 2, 2026 for Gandhi Jayanti). Market cap about Rs 65,200 crore.

Overall fit verdict: SELECTIVE FIT (74/100). A best-in-class electricals franchise (switchgear, wires, distribution) carrying a structurally challenged appliance business (Lloyd). The balance sheet is ironclad and leadership is proven, but two of five pillars grade only PARTIAL because Lloyd's economics and the heavy capex cycle dilute the quality of the core. This is a watch-and-wait compounder, not a back-up-the-truck compounder, at Rs 1,040.

Pillar 1: Sunrise (industry tailwind)

PARTIAL

The tailwinds are real in cables and electricals. India's wires and cables industry is riding a multi-year power-capex cycle: grid expansion, housing construction, data centres, renewables and EHV undergrounding. Havells' cables revenue grew about 20-25% in FY26 with contribution margins expanding to 16.5% (9MFY26) and segment EBIT margin at 12.7%, and capacity utilisation in cables is 90-100% with a Rs 340 crore expansion commissioning by end-FY27. Switchgear demand tracks construction and premiumisation; lighting's professional segment tracks infrastructure. These are 5-10 year demand runways, and Havells is gaining share in cables.

But two large revenue blocks face headwinds, not tailwinds. Lloyd (about 18% of revenue) operates in India's most competitive consumer category: room ACs, where Voltas (17-18%), Daikin (17%) and Blue Star (14%) lead and Lloyd holds about 4%. Two consecutive weak summers (2025, 2026) produced a Rs 203 crore EBIT loss in FY26, and the business needs a perfect summer annually just to break even. Lighting B2C faces LED price deflation that keeps revenue flat despite volume growth. And the cables tailwind itself attracts new supply: UltraTech Cement and the Adani-Praneetha JV enter wires and cables in FY27, which is why Motilal Oswal cut sector target multiples.

Evidence for: cables +20-25% FY26 growth; 90-100% cable capacity utilisation; AC penetration in India among the lowest of any major economy (long-run Lloyd optionality); power-capex cycle intact.

Evidence against: Lloyd revenue -23% in FY26; lighting revenue flat two years running; new deep-pocketed entrants in cables from FY27.

The sunrise shines on about 60% of revenue (cables, switchgear, professional lighting, ECD ex-summer) and is overcast on the rest. PARTIAL.

Pillar 2: Leadership

PASS

Anil Rai Gupta (Chairman and Managing Director, age 57) has a 30-plus-year record of building, not just inheriting. He joined in 1992, drove the consumer pivot (Crabtree, Standard), led the audacious 2007 Sylvania acquisition (\$600 million, 1.5x Havells' size, restructured through the 2008 crisis), and as CMD since November 2014 has grown revenue from about Rs 8,100 crore (FY18) to Rs 22,528 crore (FY26) while premiumising the brand and deepening in-house manufacturing to about 90% of sales. The promoter family holds 59.38% with zero pledge, unchanged for eight straight quarters: genuine skin in the game.

Professional depth is real. Five strategic business units run with separate P&L; responsibility; the company has deliberately recruited FMCG-background managers for the consumer businesses; disclosure quality (quarterly segment contribution margins, segment EBIT, working-capital days, cash-flow statements) is well above the Indian mid-cap average.

Governance is clean. No pledge, no related-party controversies, Big-Four-audited, consistent 37-44% dividend payout, and the Q3FY26 HPL Group settlement (Rs 129.60 crore recognised as an intangible) removed the last legacy brand-ownership overhang.

Two honest caveats. First, remuneration: Rs 35.2 crore in FY25 (about 2% of PAT) is high by Indian standards, though shareholder-approved and tied to a multi-fold value creator. Second, succession: there is no visible next-generation operating successor, so key-man risk around the Chairman is real, mitigated only partly by the SBU structure. And the Lloyd acquisition (2017, about Rs 1,557 crore) remains his one large capital-allocation decision that has not yet paid back.

Track record, skin in the game, professional bench and clean governance outweigh the caveats. PASS.

Pillar 3: Moat

PARTIAL

The electricals moat is deep and widening. Havells owns the most valuable distribution asset in Indian electricals: about 7,500 direct dealers, about 100,000 retail outlets, 700+ exclusive Galaxy brand showrooms, and about 220,000 engaged electricians, the trade's default recommendation. It is the largest advertiser in Indian electricals (3-4% of revenue historically), which sustains a 5-10% price premium in switchgear and wires. Ninety percent in-house manufacturing with one-plant-one-product scale gives quality control and pricing agility traded brands cannot match. Debtor days of 12 (December 2025, TTM) prove the channel pulls product rather than being pushed. In switchgear (37-40% contribution margins, #1 in MCBs) this moat is close to unassailable.

But 25-30% of revenue has no moat. Lloyd holds about 4% AC share against Voltas, Daikin, Blue Star and LG with no technology, cost or distribution edge; it competes on price and advertising. Institutional cables are tender-priced. Lighting B2C is deflating. Polycab and KEI match Havells on cables scale, so the cables moat is scale-plus-brand, not exclusivity.

Durability test: can a well-funded entrant replicate the position in five years? For switchgear and retail wires: no, the dealer-electrician-brand triangle takes decades. For Lloyd: yes, and several already have. Blended, the moat covers the profit engine (switchgear, wires) but not the growth narrative (Lloyd). PARTIAL, leaning positive on the core.

Pillar 4: Iron Fortress (balance sheet)

PASS

This is the strongest pillar and it is not close.

- **Zero debt:** debt/equity 0.00x for four straight years; only lease liabilities (about Rs 274 crore); interest cover 46x.
- **Net cash:** Rs 1,873 crore cash and bank balances at December 2025 (Rs 3,353 crore at March 2025 before the capex year), against zero borrowings.
- **Promoter holding 59.38%, zero pledge,** rock-steady for eight quarters; FIIs sold down (25.3% to 16.9% since June 2024) and DIIs absorbed it (9.6% to 17.7%), a healthy domestic-ownership rotation.

- **Working capital discipline:** 12 debtor days, 47 creditor days, net cycle about 42 days; the 78 inventory days reflect copper-intensive cables and pre-summer Lloyd stocking, not sloppiness.
- **Shareholder returns:** uninterrupted dividends since listing; Rs 10/share in FY25 and FY26 (about 37-44% payout).

The fortress funded a Rs 1,484 crore capex year, a Rs 600 crore Goldi Solar stake and full dividends in FY26 without touching debt. It also means the company can survive a third weak summer or a cables price war without distress. The only watch item is that fortress cash is being deployed into unproven adjacencies (Goldi Solar, Sri City white goods); the balance sheet can afford experiments, but the returns must be monitored. PASS.

Pillar 5: Free Cash Flow

PARTIAL

The cash generation of the core is excellent; the reported free cash flow is thin because the company is investing heavily.

- FY26: operating cash flow Rs 1,572 crore funded capex of Rs 1,484 crore, leaving free cash flow of just about Rs 88 crore. FCF has been positive in only 4 of the last 8 years (Stocks Sena compilation).
- The capex is not maintenance: it is the Tumkur/underground-cable expansion, the Sri City RAC and white-goods plant, a new R&D; centre (about Rs 1,000 crore guided capex in FY27 per PL), plus the Rs 600 crore Goldi Solar stake in Q1FY26. This is growth investment, not leakage, and the cables capacity (90-100% utilised) justifies it.
- Offsets: dividends (Rs 10/share, about Rs 627 crore) were fully covered by operating cash flow; the company carries no debt, so there is no refinancing risk while FCF is thin.
- The quality flag: FY26 PAT growth (+14.9%) was flattered by other income of Rs 533 crore (vs Rs 303 crore in FY25, including fair-value gains); operating profit grew only about 2%. Cash conversion (OCF vs PAT) remains healthy, but earnings quality is weaker than the headline.

What would flip this to PASS: capex normalising after the FY26-27 expansion wave with cables and Sri City volumes converting to cash, i.e., FCF sustainably above Rs 1,000 crore a year. **What would flip it to FAIL:** Lloyd continuing to absorb working capital (pre-summer inventory build) while new bets consume cash without returns.

For now: a cash-generative core in a heavy investment phase. PARTIAL.

Overall fit

Pillar	Grade
1. Sunrise (industry tailwind)	PARTIAL
2. Leadership	PASS
3. Moat	PARTIAL
4. Iron Fortress (balance sheet)	PASS
5. Free Cash Flow	PARTIAL

SELECTIVE FIT, 74/100. Havells passes the two pillars that protect capital (leadership, balance sheet) and grades partial on the three that create it (tailwind, moat breadth, cash conversion), entirely because of Lloyd and the investment cycle. The core electricals business is a genuine compounder: 22%+

contribution margins ex-Lloyd, best-in-class distribution, zero debt, 25%+ ROCE. Lloyd is the tax on that compounding: volatile, capital-hungry, and currently loss-making.

The selective-fit conclusion: own the thesis on the electricals franchise, demand Lloyd as a free option rather than paying for it, and require evidence (two profitable Lloyd quarters, cables margins holding above 15% through new entry) before upgrading to a full fit. At Rs 1,040 the market prices the bad news; it does not yet price the recovery. FY2029 targets: Bear Rs 1,050 / Base Rs 1,730 / Bull Rs 2,420 (math in the full investment report).

Sources: Havells India official quarterly information updates (Q3FY26, January 19, 2026; Q4FY26 results May 2026); JM Financial and Prabhudas Lilladher institutional research; Motilal Oswal and Kotak Securities sector notes; LME copper data (September 2026); shareholding compilations of exchange filings. FY26 segment annual figures derived from official quarterly disclosures. Estimates labelled as such. Educational purposes only, not financial advice.