

# Management Discussion and Analysis

## Context

The year 2021 was characterised by volatility, cost inflation and continued pandemic-led disruptions. In the face of these challenges, we steered ahead with agility, minimising the impact on our customers.

Our strategy of maintaining a diversified product portfolio, both in terms of category and channel, enables us to excel even in difficult situations. Our commitment to grow responsibly and nurture our high-quality brands contribute to consistent financial performance.

Rising income levels, lower interest rates and family nuclearisation are favouring a real estate revival moreover supported by macro levers, we expect overall demand to be healthy. Having a comprehensive portfolio and robust supply chain, Havells is well prepared to capitalise on this opportunity.

### Recent consumer trends

There has been an increase in the discerning customers making informed purchases. Customers are more digital savvy and sustainably informed, who want to be served faster, and better. Digitalisation is increasing, driving the demand for smarter technology and online services.

Some of the consumer trends which have emerged recently are:

- **Performance:** High end superior features and Energy efficiency
- **Simplification and convenience:** Adoption of smart/connected devices
- **Premiumisation:** Traction towards aspirational products
- **Borderless Shopping:** Omni channel spending
- **Digitisation:** Accelerated technology adoption

Havells is Leveraging these trends through its Omni channel strategy. With investment in digitisation, innovation, quality and efficiency, we at Havells are equipped to take advantage of this evolving trend.

One such recent initiative is HAVELLS HOME ADVISOR a solution to elevate homes with customised solutions. Havells empowers customers with a panel of home experts who are well trained and equipped to make the most out of the customers spaces. Our experts provide solutions from lighting to the solar arrangement as per customer requirements. Customers are guided with free layout design, instant pricing details and installation of products over a scheduled virtual call with our experts.

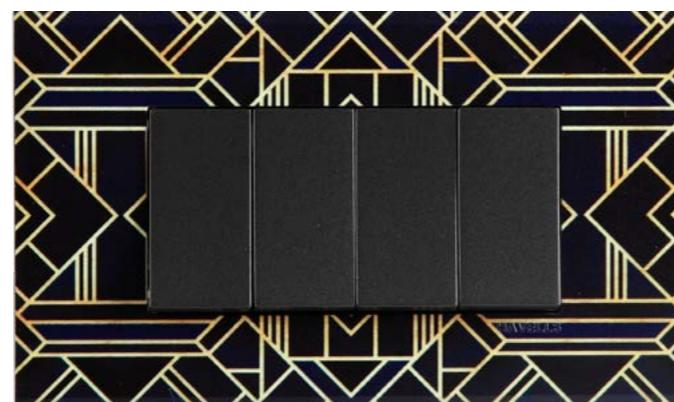
**Segment-wise Overview including industry structure, developments and outlook**

### Switchgear:

The SBU comprises of Building Circuit protection equipment (BCP), Electrical wiring accessories (EWA) and Industrial switchgear. New product launches both in premium and affordable segments and increased market coverage led to market share gains and revenue growth.

Contribution % maintained despite RM increase through effective price increases to the market and managing product mix.

Industry is witnessing Smart Technology adoption at a rapid pace and accordingly we are evolving our offerings and focusing more on Smart and Connected solutions. Real estate upcycle, increase in Capex and Exports are the growth drivers for this category. We have increased participation in projects and are also driving B2B engagement through innovative ways, one among which is our Architect Influencer programs 'Pioneers of the Smart world' which has garnered a lot of interests on the digital platform.



### Electrical consumer durables (ECD):

The SBU comprising of Fan, Small Domestic Appliances and Water heaters performed well especially considering that second Covid wave severely impacted the Fan season. The category focused on increasing market coverage both offline and online, addressing all consumer segments through a strong portfolio play and multi brand strategy resulting in Market share gains. Category margins were impacted due to incessant cost increases and lag in passing the same to the customers.

New product launches were targeted towards premiumisation and energy efficiency. With our constant progression and focus on driving innovation in the fan category, Havells has carved its position as a leader in the premium decorative segment and has been awarded with National Energy Conservation Award 2021



The new range of technologically advanced fan comes equipped with ECOACTIV super-efficient BLDC and induction motor. Designer Amaya ceiling fan that comes in an elegant design inspired by Italian style offering premium aesthetics with attractive glass filled blades in rivet-less design. The innovative IOT variant Trinity-I ceiling fan comes with industry-first 'Smart Mode' feature based on isense technology function that senses the temperature and humidity in room and adjusts the fan speed accordingly.

Water heater category has in the past come up with several 'Industry firsts' and continuing with this, Havells has launched induction-based water heaters which are far more energy efficient and deliver superior performance.

Appliances has delivered healthy growth across all subsegments backed by a portfolio which is designed for improving customer convenience. This year, focus was to introduce Consumer centric products catering to local needs. Introduction of High-power MG/JMG and wet and dry grinders for southern market are few such examples.



**Cable:**

The category grew substantially, however a large portion predicated on rise of copper and aluminum prices. Increase in commodity costs was effectively passed on to the consumers, though the volatility led to time lag impacting the margins.

Shift from unorganised to organised and channel expansion with multi brand strategy helped the domestic wire business to register volume growth despite a high base. Revival of real estate, thrust on infrastructure, telecommunication and renewable to drive category growth.

With increased consumer awareness and consciousness towards safety, the Industry is seeing a focus on HRFR (Heat Resistant Flame Retardant) and FRLSH (Flame retardant and low smoke halogen) and HFFR (Halogen free flame retardant) cables. Havells has been one of the first companies to get ISI license for HFFR cables. Over the period we have expanded our range to include Solar, Telecom and CCTV cables.

**Lighting:**

The SBU comprises of Consumer and Professional LED lighting. Over the last few years consumer lighting has been consistently growing basis increasing LED penetration and market share gains however Professional lighting has been impacted due to low Capex and Infra spends.

Improvement in Rural electrification, increase in number of light points per home and premiumisation have been the growth drivers for consumer lighting business.

Demand of smart solutions is picking up in Office, Industries, Public and high-end residential projects. Designed originally for achieving energy efficiency, smart lighting has considerably enhanced the comfort and convenience for

the user. Through effective fixtures and automated controls via mobile applications and platforms, smart lighting for homes allows preferential adjustments for essential lighting, deliberate application, and security illumination.

Havells has developed lighting solutions for Prestigious projects of smart cities and Universities with a long life, helped to reduce energy consumption, curb light pollution and implement SMART City Lighting systems.

Home art lights is a unique initiative showcasing decorative lighting, giving an opportunity to the customer to experience the latest designs and developments in the lighting portfolio.

**Lloyd:**

Consumer durable Industry especially Air conditioners and Refrigerators suffered for two consecutive years as Covid struck in peak summer season. Third wave having receded before the onset of summer, gave way to revival of trade sentiments leading to stocking for the upcoming season. Despite the underlying challenges Lloyd performed well, registering a healthy growth however sharp increase in commodity led to reduction in margins.

While Industry remains hypercompetitive, Lloyd is working towards strengthening the brand through channel expansion, innovative product offer and investments in manufacturing and customer outreach.



This year Lloyd commenced the manufacturing of Semi-automatic washing machine in Ghiloth with introduction of feature led and aesthetically superior Elante series.

Refrigerator a recent introduction by Lloyd though progressing well, would be focusing in FY 23 on range completion and acquiring channel.

Trade confidence on Lloyd Air conditioners has improved substantially and with seeding of Washing machines and Refrigerators Lloyd aspires to be a comprehensive consumer durable brand.

**Opportunities:**

- (A) **Electricity dissemination:** Access to electricity has been improving substantially, developing a new market in semi-urban and rural for electrical equipment such as switchgear, wires and lighting. Various Government schemes are focused towards the mission of 'electricity for all' and reducing transmission loss of electricity.
- (B) **Under penetration:** Consumer durables in India are highly under penetrated and the segment is be disproportionately benefited upon with the improvement in the disposable income.
- (C) **Shift towards organised:** With formalisation of economy and rising base of aspiring customers, the demand for branded goods and organised companies is increasing.
- (D) **Infrastructure development:** Government's focus on Infrastructure developments such as roads, railways, ports, housing is increasing and is expected to create demand for electrical goods.
- (E) **Favourable demographics:** Favourable demographic indicators like urbanisation, nuclearisation of families, young aspirational population, increase in disposable income of individuals are expected to act as catalyst for growth.
- (F) **Exports:** The world market is evaluating Indian companies as an alternative to other Asian countries. Having a large manufacturing base, gives an opportunity to capture the export market.

**Key ratios**

Sl.	Ratio	As at 31 March, 2022	As at 31 March, 2021	Change	Remarks
A	Current Ratio (times) = Current assets/ Current liabilities	1.8	1.9	-5.3%	NA
B	Debt-Equity Ratio (times) = Total Borrowings/ Shareholder's equity*	0.1	0.1	-30.7%	Debt repayment
C	Debt Service Coverage Ratio = Earnings available for debt service/ Debt service {refer note 15(A)(c)}	8.7	9.9	-11.8%	NA
D	Return on Equity Ratio % = Net Profits after taxes/ Average shareholder's equity	21.4%	22.0%	-2.4%	NA
E	Inventory turnover ratio (times) = Revenue from operations/ Average inventory	5.0	4.6	7.1%	NA
F	Trade receivables turnover ratio (times) = Net credit revenue from operations/ Average trade receivables	20.9	25.6	-18.7%	NA
G	Trade payables turnover ratio (times) = Net credit purchases/ Average trade payables	4.9	4.8	2.0%	NA
H	Net capital turnover ratio (times) = Revenue from operations/ Working capital	4.7	4.1	13.9%	NA
I	Net profit ratio % = Net profit/ Revenue from operations	8.6%	10.0%	-13.7%	NA
J	Return on capital employed % = EBIT/Capital employed (Average Total Equity + Debts)	24.9%	26.3%	-5.6%	NA
K	Return on investment % = EBIT/ Average total assets	15.5%	16.6%	-6.6%	NA

**Human Resources**

Kindly refer to the section Human Capital of this Integrated report

**Internal control mechanism:**

Kindly refer to the section Risk Management of this Integrated report

**Disclaimer Clause**

Statements in the Management Discussion and Analysis Report describing the Company's objectives, projections,

(G) **Product basket:** Having a large product basket across Industrial & Infrastructure and Consumer & Residential segment is a great opportunity to increase the shelf space at the retail counter and share of wallet of the consumer. It increases the chances of disproportionate gain when the consumer sentiment is positive and serves as a natural hedge in case of economic downturn.

**Risk and Concerns:**

- (A) **Economic slowdown:** Slowdown in the Indian economy due to global developments could adversely impact growth in the short-term.
- (B) **Commodity inflation:** Sharp increase in commodity prices could lead to increase in cost of finished goods impacting the affordability and consumer sentiment.
- (C) **Slower than expected pick-up in housing and infrastructure:** Demand for new housing and infrastructure is showing signs of pickup but it is yet to be established whether the upcycle is sustainable.
- (D) **Increase in competition:** Hyper competitiveness is normal, but it becomes a risk in case it leads to irrational behavior in the market in terms of pricing and other trade practices.
- (E) **Non-availability of regular and quality power:** Availability of quality electricity is the key for demand of electrical products, any substantial shortfall in the supply of electricity may hamper growth prospects for the industry.
- (F) **Pandemic:** Deterioration in supply chain and demand due to pandemic such as COVID-19 have emerged as a significant business risk.

estimates, expectations may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and incidental factors.