



Havells India Limited

Sustainable Value

September 2014

SYLVANIA



HAVELLS



INTRODUCTION

- Havells -a branded electrical consumer products company in India.
- Started in 1971 with the acquisition of Havells brand.
- Amongst top 4 brand in various product categories.
- Acquired global lighting brand 'Sylvania' in 2007 to expand in international markets.
- Sustainable profitability, free cash flows and superior returns to shareholders to guide business policies.
- Translating into a FMEG with greater consumer focus, marketing practices and margins on lines of FMCG industry.



HAVELLS INDIA BUSINESS

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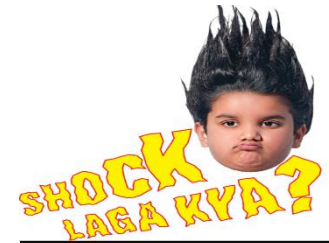
HAVELLS CORE

- Management values: Simplicity, transparency, empowerment.
- Brand: Trust, multiplicity, scalability.
- Distribution: Affinity, product leverage, alignment.
- Manufacturing: Quality consistency, brand credibility.
- Innovation: In whatever we do, not just products.



COMMODITISATION TO PREMIUMISATION

- Electrical industry conventionally not brand driven being an industrial, B2B business.
- Havells identified the gap with consumers whilst launching its fans and lighting verticals in 2006.
- An aggressive marketing campaign led by an early adoption of cricket and IPL as brand proliferators.
- An audacious step (50 crores spend) in 2008 (2.6% of the sales) laid foundation of a lasting consumer affinity and top-of-the-mind recall.
- Shock laga and Chapati ads premiumised switchgears and wires, essentially B2B products.
- Brand spend at 3-4% of sales (~150 crores in 2014) at par with leading branded building product categories viz paints, adhesives.



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EXPANDABILITY

- Havells brand expanded to 17 verticals - industry first and still the widest electrical portfolio.
- Distribution commonality - key criterion for product expansion.
- Common Sales network for better operating leverage and simplicity with channel.
- Maintained premium positioning – resist brand dilution and derivability aspirational value.

EXPANDIBILITY - BACKYARD TO LIVING ROOM



MAINTAINING INDUSTRY LEADERSHIP-AMONGST TOP FOUR

TRADITIONAL BUSINESS SEGMENTS

Switchgears - Domestic MCB

Market Size ~ INR 17,000 million
 Market share ~ 29% (15% in 2006)
 Peers – Legrand , Schneider

Switchgears - Switches

Market Size ~ INR 16,000 million
 Market share ~ 20% (5% in 2006)
 Peers – Panasonic (Anchor), Legrand

Cable - Domestic

Market Size ~ INR 72,000 million
 Market share ~ 14% (6% in 2006)
 Peers – Polycab, Finolex

Cable – Industrial

Market Size ~ INR 100,000 million
 Market share ~ 11% (6% in 2006)
 Peers – Polycab, KEI

NEW BUSINESS SEGMENTS

Electrical Consumer Durable - Fans

Market Size ~ INR 47,000 million
 Market share ~ 15%
 Peer Position – Crompton, Usha, Orient

Lighting - CFL

Market Size ~ INR 24,000 million
 Market share ~ 11%
 Peer Position – Philips, Osram

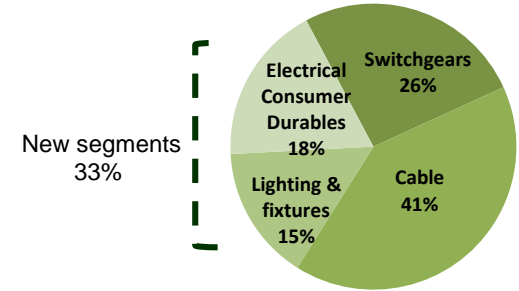
Lighting - Luminaires

Market Size ~ INR 30,000 million
 Market share ~ 14%
 Peer Position – Philips, Bajaj, Crompton, Wipro

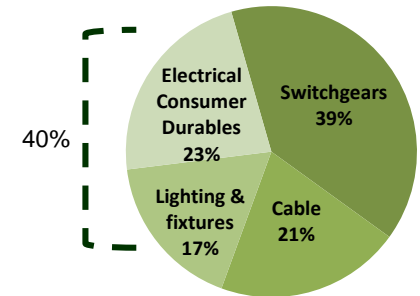
Domestic Appliances

Market Size ~ INR 50,000 million
 Peer Position – Bajaj, Philips

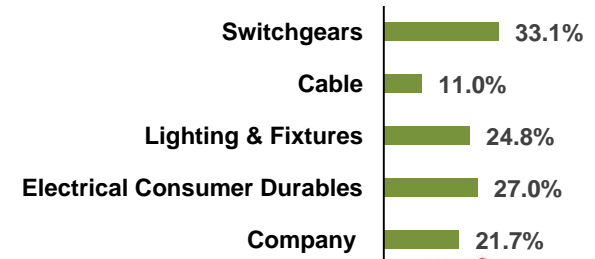
Revenue Mix FY14



Contribution Margin Mix FY14



Contribution Margin % FY14



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BRAND MULTIPLICITY

- 3 key domestic brands



- Brands positioned on 'distribution maximisation' rather on pricing.
- Standard replicating Havells expansion strategy with launch of wires and now fans.
- Positioned as an independent brand rather fighter or cover brand to Havells.
- Crabtree, premium wiring accessories brand, expanded into switchgears to cater to differentiated customer segment, architects and such others.
- Brand multiplicity enables better coverage and create their own space as being done by several existing and new entrants in the industry.



CHANNEL AFFINITY

- At Havells, dealer is central to our existence and activities.
- Our Chairman, being himself a dealer earlier, has molded the organization to think, plan and act in dealer interest.
- Dealer influences our product expansion, improvement, withdrawals and consumer connect.
- Dealer relationship is a uniqueness at Havells and still an enigma for industry and competition.
- Its now well entrenched into the mindset and culture of Havells and its people.
- We have gone beyond rhetoric to provide medical coverage, DIY family holidays, induced financial savings plan and such others to address severe yet under-focussed challenges faced by the channel.

WIDER, DEEPER NETWORK

- 100% direct presence in towns with >500k population constituting 70% of total sales, 80% coverage of towns with 50-500k population.
- Less than 50k towns currently served by distributors as opportunity constrained with inadequacy of quality and availability of power.
- Galaxy showrooms (franchised) to increase from 240 to 400 covering 250 towns (against 130 towns).
- Galaxy now contributes 16% of non-cable business apart from a high quality brand visibility and direct consumer engagement.
- Greater relationship with retailers & electricians through 'Power Plus' initiative. Number of registered retailers currently stands at 45,000 and electricians at 1,00,000.



MANUFACTURING – STRONG FOUNDATION

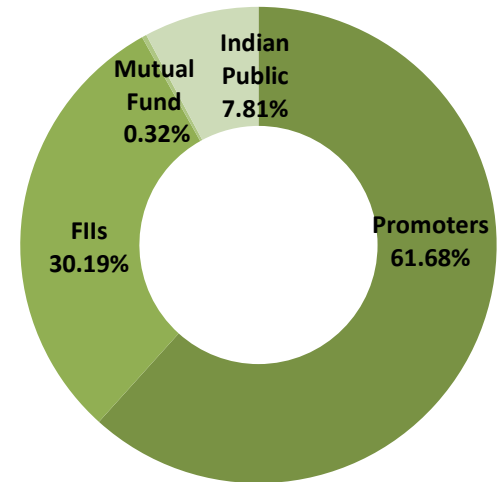
- Manufacturing is integral to Havells growth, customer acceptability and brand consistency.
- Defying industry convention, Havells has significantly invested in large scale, well equipped plants ensuring better quality, designing and reassurance to dealers and consumers.
- Owned plans provide a critical and strategic swiftness to market opportunity, gaps and demand.
- Havells disrupted fans segment with an aggressive and premium product launches. Havells gains significant market share since the competition, dependent on third party vendors, could not similarly react to disruption.
- We have recently set up the largest lighting fixtures plant at Neemrana, that also caters to Sylvania global markets apart from domestic needs.
- We have leveraged our plants as an important marketing, quality and differentiator tool with our customers including dealers, installers, end users.



SHAREHOLDING

- Promoters- Single business focus, no real estate or conflicting business.
- Alignment of interest with other investors through transfer of “HAVELLS” Brand at no consideration, upon expiry of existing agreement in FY16.
- Transparent and detailed communication to shareholders.
- Strict working capital management, low debt and superior cash flows.
- Payout ratio consistently enhanced currently at 46%.
- Committed to high standards of corporate and shareholder governance.

Shareholding Pattern



Vontobel
Nalanda Capital
Sequoia Capital
Capital World



HAVELLS STANDALONE FINANCIALS

in millions of Rupees

Operational highlights

	FY13	FY14	Q1FY15
Net Revenue	42,250	47,197	12,769
<i>Growth (%)</i>	17%	12%	21%
EBIDTA	5,349	6,415	1,611
<i>EBIDTA %</i>	12.7%	13.6%	12.6%
Net Profit	3,714	4,787	1,073
<i>Net Profit %</i>	8.8%	10.1%	8.4%
CAPEX	1,200	920	332

Balance Sheet highlights

	March 13	March 14	June 14
Net Worth	18,702	21,299	22,350
Gross Debt	1,088	1,955	1,730
Net Fixed Assets	9,135	9,341	9,420
Investment (Sylvania)	7,751	8,515	8,700
Net working capital	3,942	3,796	4,731
Cash & bank balance	2,465	6,261	6,446

- Additional guaranteed debt of Euro 26 mn out of which total outstanding principal amount is Euro 15.2 mn.



HAVELLS SYLVANIA GLOBAL

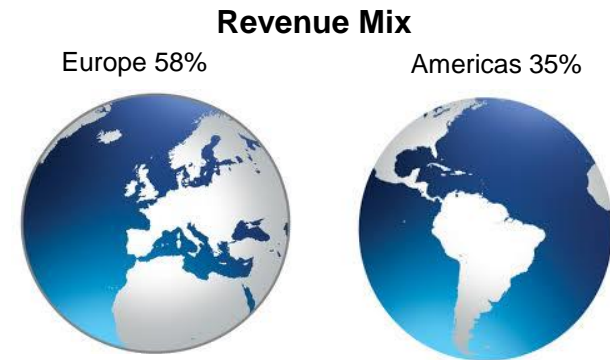
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SYLVANIA ACQUISITION – GLOBAL FOOTPRINT

- Acquired Sylvania lighting for expanding internationally with similar business profile-electrical brand and distribution network.
- 100 years old brand having distribution network across Europe, Latin America with global brand recall.
- Acquired for Euro 227 million in 2007.
- Operational restructuring in 2009-10, currently under consolidation with profitability focus.
- Sylvania possess operating leverage to deliver stable profitability through selective growth and cost optimisation.



LED



Non LED



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STRATEGY-SYLVANIA

- Stabilizing Europe, growth in Latin America and Asia.
- Focus on profitability in volatile global environment.
- Present product portfolio of fixtures has facilitated LED transition.
- Expand product categories to move beyond lighting into electrical products (like Havells).
- Successful debt refinancing in 2012 led by ICICI bank, Standard Chartered and HSBC.
- Significant deleverage aided by internal accruals and partial equity infusion. Leverage at operating level is Sub 2x.



SYLVANIA FINANCIALS

Operational highlights

in millions of Euro

	CY12	CY13	H1CY14
Net Revenue	€ 432	€ 429	€ 218
EBIDTA	€ 26	€ 23	€ 12
<i>EBIDTA %</i>	5.9%	5.4%	5.6%
Exceptional	€ (25.8)*		
Profit Before Tax	€ 33	€ 8	€ 5
Net Profit	€ 37	€ 5	€ 3

* Includes income from settlement agreement with Osram

Financials as per IFRS

CONSOLIDATED

in millions of Rupees

Operational highlights

	FY13	FY14	Q1FY14
Net Revenue	72,478	81,858	21,293
<i>Growth (%)</i>	11%	13%	17%
EBIDTA	6,915	7,790	2,015
<i>As % to NR</i>	9.6%	9.5%	9.5%
Net Profit	5,814	4,463	1,118

Balance Sheet highlights

	FY13	FY14	Q1FY14
Net worth	14,420	16,660	17,657
Net debt	5,079	1,716	1,484
Net fixed assets	11,555	12,068	12,074
Net working capital	12,477	12,967	14,479



SUMMARY

- Havells metamorphosing into branded consumer company benchmarked against the best-in-class across industries (not just electrical).
- Constant endeavor to align with best practices in each initiative for each stakeholder.
- Sylvania to focus on cash flow and profitability.
- Continue to be ambitious yet conservative group.
- Incremental cash flows and higher dividend payout to create sustainable shareholder value.