



HAVELLS



25 Years of Public Listing:

A retrospect and an outlook

25 YEARS OF LISTING

- Havells issued its equity to public in October 1993
- The issue included ~22 lac equity shares of Rs. 10 each @ premium of Rs. 15 per share
- Issue was oversubscribed 4 times and listed at a marginal premium
- 1992-1995 era of public listing of illustrious companies including Infosys, Motherson Sumi, Eicher Motors and Sun Pharmaceutical

25 YEARS OF LISTING

➤ Post initial issue of equity:

- ✓ Limited additional issue of ~\$ 5 mn and ~ \$ 110 mn (to finance Sylvania acquisition); diluting 14.5% of share capital
- ✓ 3 bonus and 2 share splits
- ✓ Never issued any preferential or warrants to promoters
- ✓ Dividend payout of Rs. 1.63 lac on an initial investment of Rs.2,500 (100 equity shares)

CONSISTENT GROWTH

- Consistent growth in each business parameter

in INR crores

	FY 1994	FY 2017	CAGR
Revenues	17.1	6,135	29%
EBIDTA	1.6	824	31%
PBT	1.3	769	32%
PAT	0.9	539	32%
Net Worth	8.5	3,274	30%
Market Cap.	15	29,000	37%
No. of people (excl. workers)	~350	4,974	12%

KEY MILESTONES

➤ **1996: Forayed in Cables & Wires**

- First expansion beyond switchgear
- Acquired a sick manufacturing unit in Alwar
- Spread over an area of 100 acres constitutes 40% of Havells business



➤ **2000: Acquisition of Standard Electricals**

- Was amongst top 5 switchgear brands with strong South footprints
- Leapfrogged Havells to be amongst top 2 in switchgear
- Revitalized brand since 2013
- On a journey to a INR 1000 crs brand



➤ 2003: Consumer centric products extension

- Launched 'consumer facing' fans and lighting
- A first by a switchgear or cables company
- Focus on brand and its affinity with channel/customers
- Scoffed initially by purists, now followed by each industry player



➤ **2004: Baddi plant commissioned**

- Shift to large scale and efficient production
- European quality; Chinese costs
- 12 plants; 93% in-house production



➤ **2005: No 'Economy Segment' fans**

- 40% fans market then was economy segment
- A bold decision to provide a superior quality experience to consumers
- Premiumization trend initiated



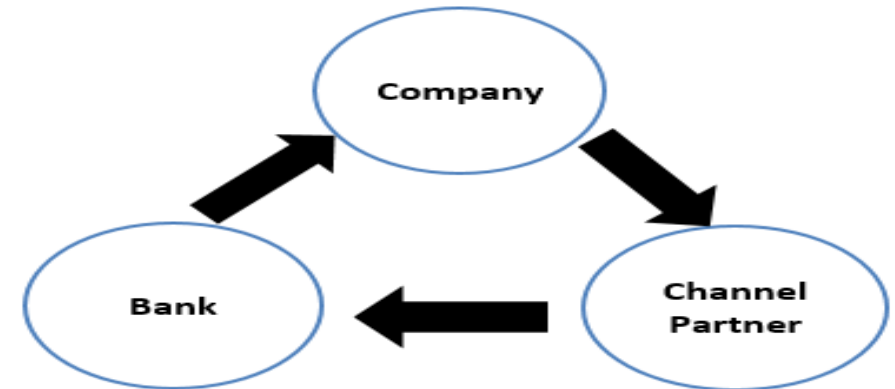
➤ **2005: CSR initiative of Mid Day Meal**

- Modelled on Akshaypatra though self managed
- Presently serving meals to ~58,000 school children in 688 schools in Alwar district



➤ **2006: Channel financing**

- ‘Color of Money’ missing from balance sheet
- Growth usurping cash generation
- Innovative 3 way channel financing releasing funds and financed dealers/company growth



➤ **2007: National advertising and uniform discounting**

- Sponsor T20 WC telecast
- Disproportionate ad spend on 'non-consumer' categories
- Gained significant VOC
- Disrupted electrical industry and its marketing practices with uniform discount policy
- The resultant market and margin discipline as key pillar for profit improvement



➤ **2007: Acquisition of *SYLVANIA***

- An audacious acquisition with a 50-country footprint
- 2008 global recession led to significant losses
- Stabilized operations in 2011, profitable since then

➤ **2015: *SYLVANIA* divestment**

- Decision driven by changing industry dynamics
- And capital allocation
- A time bound divestment with receipt of ~Rs 1200 crores

➤ Consistent new product introductions

2012: Water Heaters



2013: Domestic Appliances



Dec 2017: Water Purification



2013: Pumps



2016: Air Coolers



➤ **2017: Lloyd acquisition**

- A foray into high potential Large Consumer durables
- Aligned with 'Deeper into Homes'
- Opportunity to expand categories and grow with aspirational New India



IN RETROSPECT

➤ **Pride**

- An India brand born, survived and thrived amidst fierce competition from MNCs and large Indian industries
- Value creation for its shareholders, employees, dealers, consumers and society in general
- Make in India- Defied industry convention, contributed to national production since 1977
- Simplicity, ethical, transparent, high benchmarked corporate governance

IN RETROSPECT

➤ **People**

- Havells growth predicated on people connect- dealers, vendors, employees, lenders
- Deepening and diversification of management bandwidth to support next level of growth

➤ **Possibilities**

- Excited with opportunities ahead
- Short term disruptions give way to long term growth
- Havells well prepared to serve the aspiring nation and retain its streak of innovation led growth

FUTURE OUTLOOK

➤ **Technology led**

- Products – communicable
- Platform viz IoT, home automation
- Sales productivity; data analytics

➤ **Channel**

- Retail
- Width and depth
- Omni channel (inclusive and co-existence)

➤ **Meaningful presence** in each product category by market share – Top 5 (preferably 3)

➤ Industry leading growth; steadily gain market share

FUTURE OUTLOOK

➤ **Management fortification**

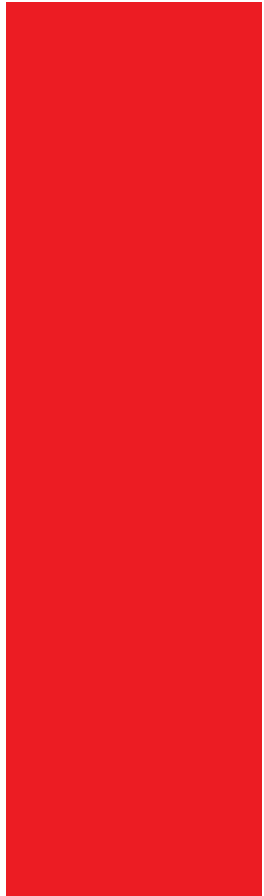
- Continue to attract, hire and retain competitive talent, from and outside industry
- Professional rigor and entrepreneurial empowerment

➤ **Ambitious** on growth, conservative on financials

- Post Lloyd, sufficient organic growth opportunities to reach next level
- Lean balance sheet, low working capital, maintain dividend payout
- Environmentally sensitive and sustenance – water +, low carbon
- A well entrenched, respected consumer centric brand with top quartile profitability and return on capital
- Sustain value maximization for each stakeholder as demonstrated in the last 25 years!



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SBU DISCUSSIONS



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Switchgear Business



Vision Statement

To continuously improve our leadership position by expanding product depth & customer reach.

MCB Business Overview



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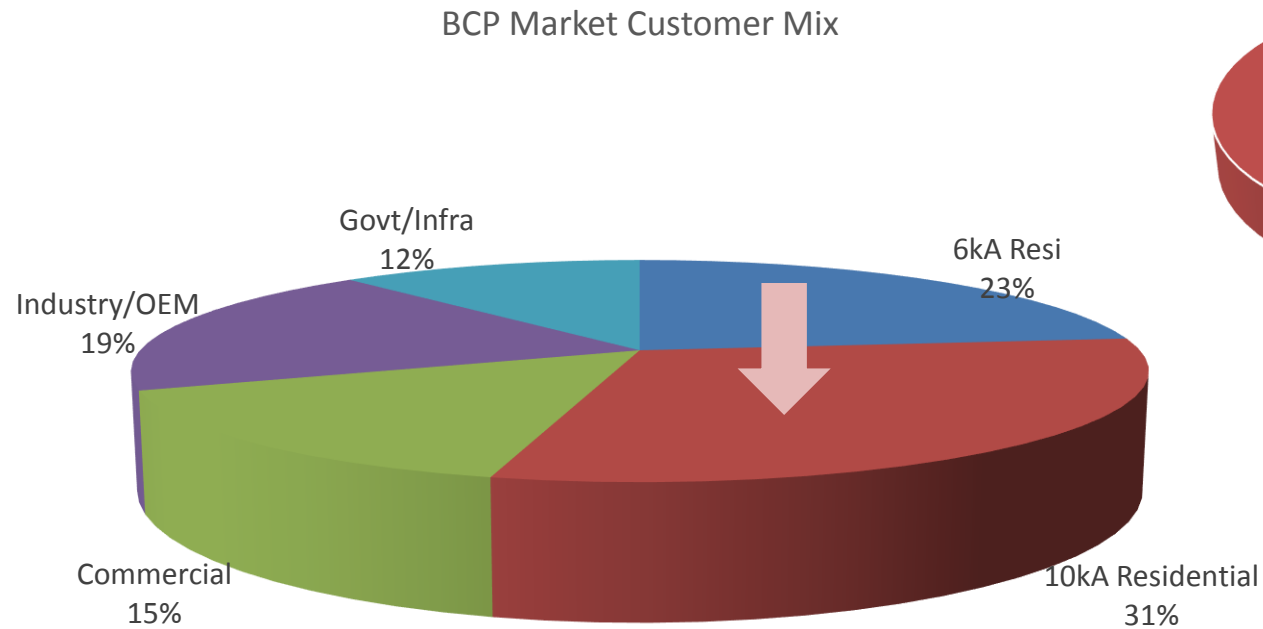
Total Market Size: ~2800 Cr

Addressable Market: ~2150 Cr

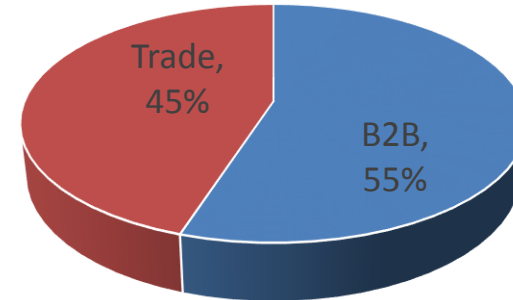
Products: MCB, RCCB, DB

Key Competitors: Legrand, Schneider

MCB Market by Customer Mix



B2B Market Sales mix



- Havells predominantly present in trade & residential space

Strategic Direction

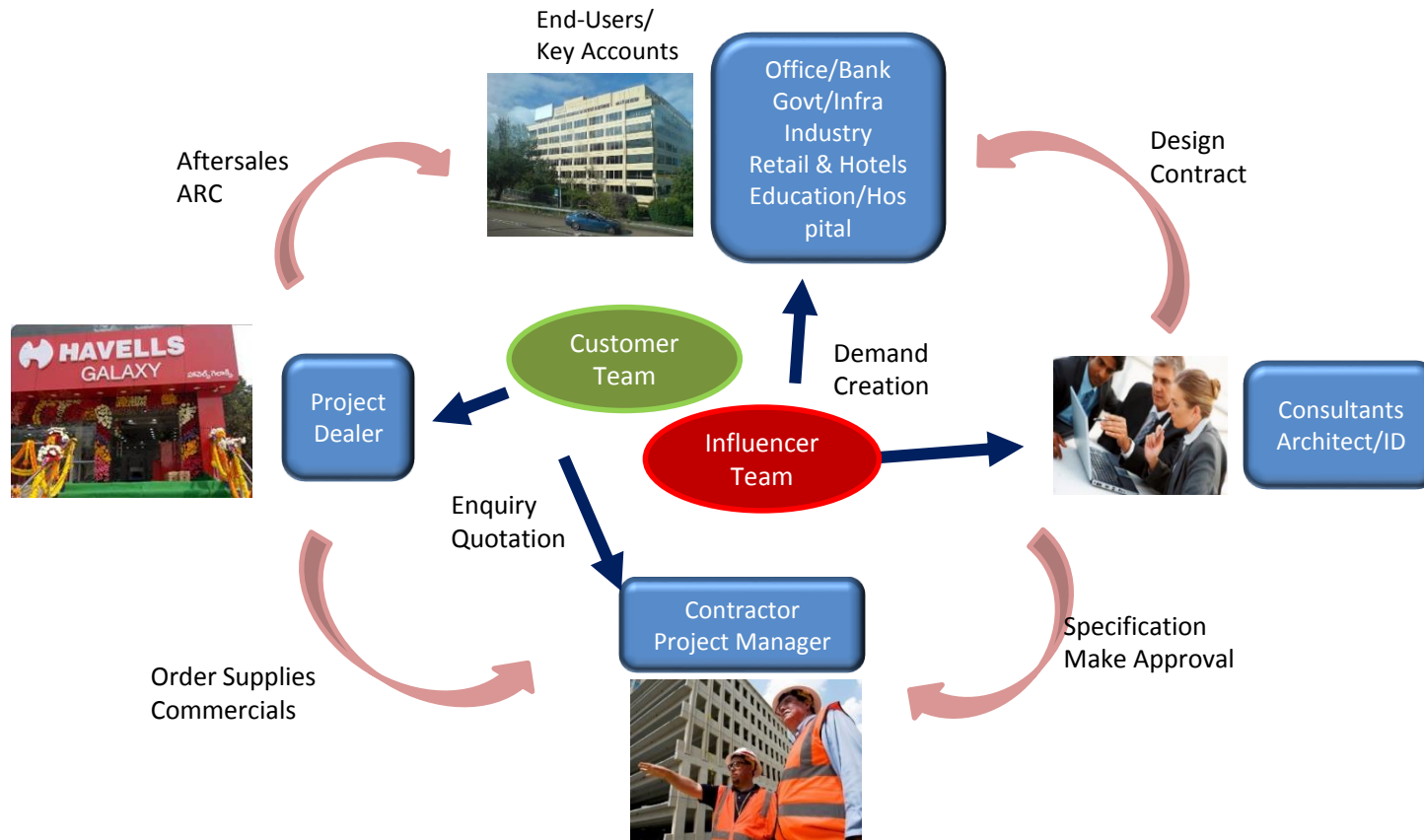
- Expanding into non-Resi : take our share from <10% to over 30% in next 3 years
 - [B2B sales approach](#)
 - Differentiated Product Offer

- Multi Brand strategy to enter new price segments

- Focus on new product categories, applications – 10% of portfolio in next 2-3 years
- Leverage Hyundai Tie Up

- Geographical reach – Strengthen West and South regions with specific policies

B2B Sales – Commercial & Industry

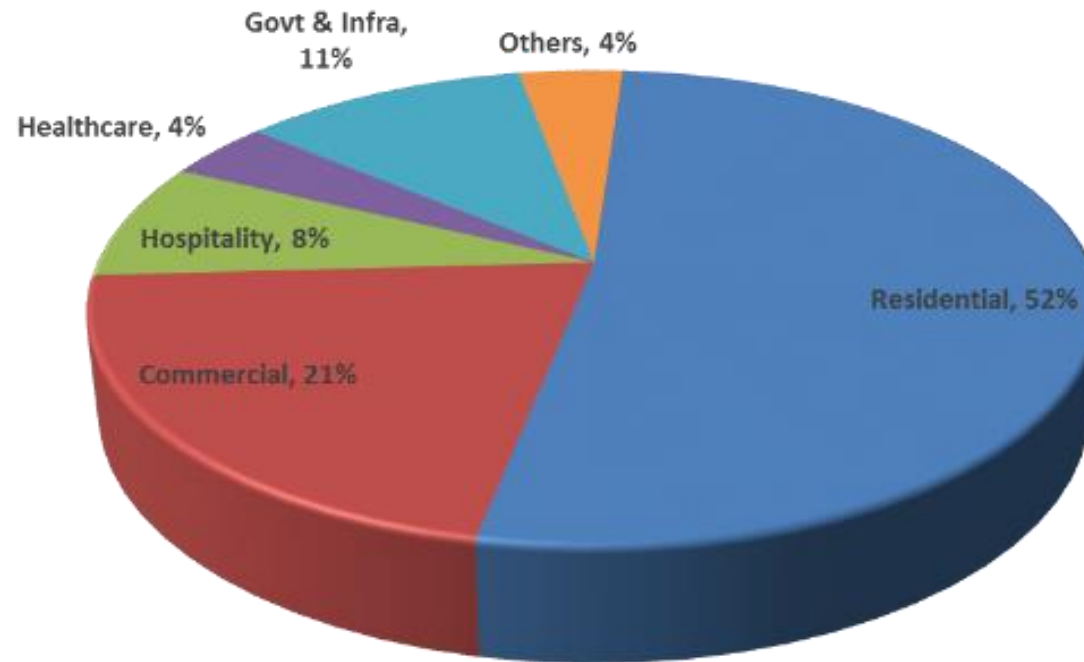


Technology Partnership with Hyundai Electric



- Havells will supply MCBs & Contactors to Hyundai
- Hyundai will supply LV & MV protection and switching devices to Havells
- Hyundai will also grant manufacturing license and technology transfer for Contactors and MCCBs to Havells

EWA Market By Customer Mix



Notes:

- Our major Mkt is in Residential Segment
- Almost 50% opportunity in non-residential Segment

EWA Strategic Direction

- Expanding into non-resi : take our share from <10% to over 30% in next 3 years
- B2B sales approach

- Geographical reach – Strengthen West and South regions with specific policies

- Multi-brand strategy
- Upgrading through technology



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CABLE & WIRES

CABLES

- For Transmission & Distribution of Electrical Power
- PVC/XLPE insulated cables
- Aluminium /Copper conductor cables
- Components:
Conductor/Insulation/Armour/OuterSheath



LV Cable



Solar Cable



HV Cable

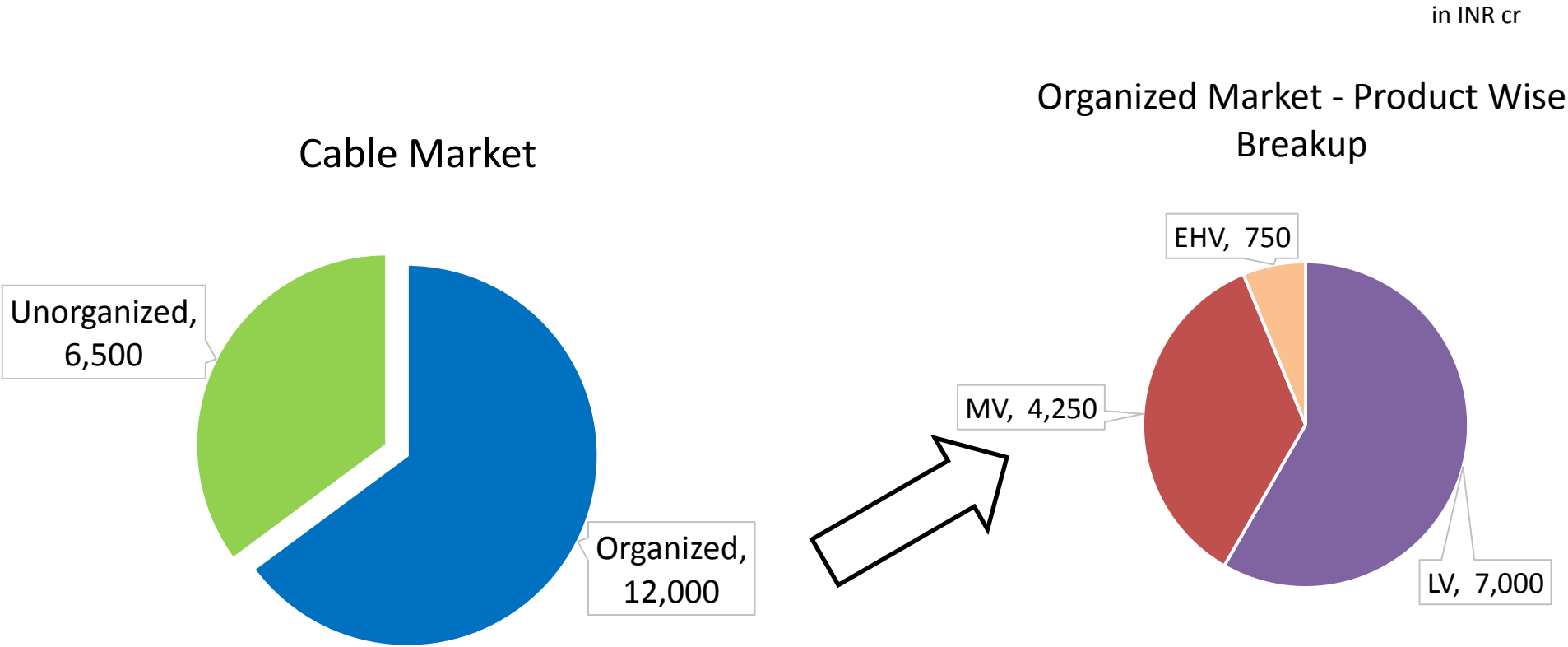


LSZH / Fire
Survival Cable

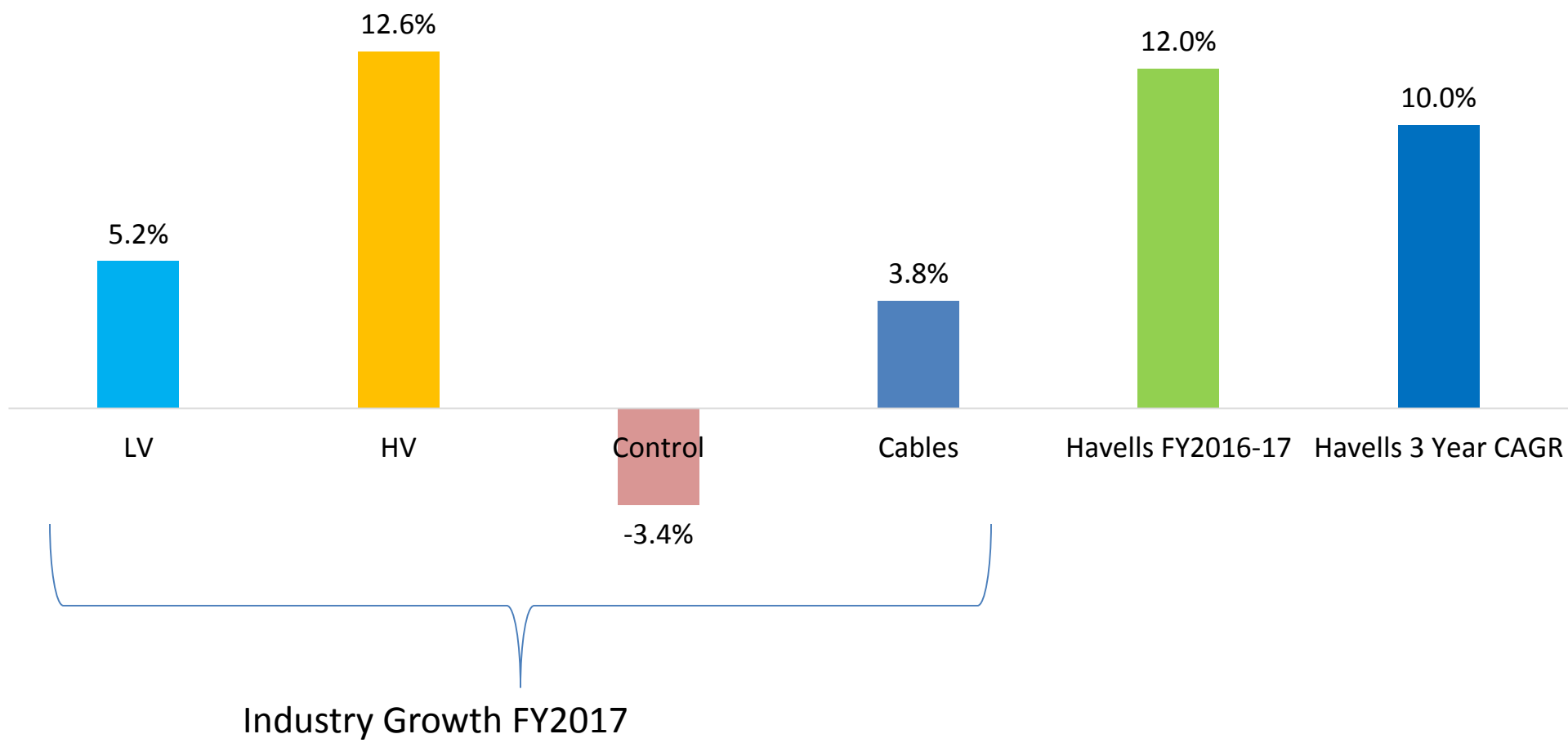


AB Cables

INDUSTRY OVERVIEW



INDUSTRY UPDATE FY2017



FUTURE OUTLOOK: EXCITING OPPORTUNITIES AHEAD

- Strengthening, augmenting and modernizing of T&D infrastructure
- Smart city projects in advanced stage and are being awarded
- Metro projects are generating good demand for cable
- Renewable energy sector
- Highways, railways, ports, mines & minerals
- Capex in core manufacturing sectors have seen uptick



- Total revenue of cable industry expected to double in next 4-5 years
- Organized sector sales to accelerate owing to business formalization spurred by GST, RERA and demonization

STRATEGIC INITIATIVES

- Enhancing share of B2B sales
- Increase share of export revenue from 2% to 10% of total sales
- Enhance market share in western region from 12% to 20% of total sales
- Entry into EHV cable market
- Continued thrust on network expansion





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Flexible Cables (wires)

Growth Drivers



- GST Implementation to impetus organized sector growth
- Real estate accelerating post de-monetization & RERA



- Untapped segment like OEM/Panel Builders to spur demand.
- Digitalization to push demand for specialized communication cable.



- Increase investment in semi-urban & rural areas to boost connectivity .
- Retrofitting and Upgradation of network towers business



- Increase in Govt. investment for infrastructure projects like airport/metro.
- Tier 2 & Tier 3 cities seeing investment in hospitality/institution sector.

Industry Snapshot

- Organised market for flexible wire is ~ 8000cr, estimated to be 65% of industry
- Commodity sensitive rendering fluctuating pricing and margins
- Past industry growth has been low owing to demand stagnation from construction, housing and infrastructure
- Govt. initiatives like Affordable Housing, GST, National telecom policy expected to spur growth and revival from low sentiments.
- Development in quality products like fire resistant/energy saving wires to define future of this industry.
- Major players include Finolex, Polycab, Havells, Anchor, RR Kabel

Havells Wires BU

- Havells Wires accounted for ~ 20% of Havells business in FY 16-17.
- Continuous innovation in product - Offering features like HRFR & S3 properties in regular product range.
- Strong Channel across India 3500+ direct billing points.
- Direct representation in 700+ town (>50K)
- Strong dedicated sales team 150+ (highest in the industry)
- Dedicated team for Project/Institutional business.

Our Endeavour.....

- To remain being top 3 players with good margin in commodity driven competitive market.
- Focus on west India through distribution model.
- Target south market with specific regional policies
- Increase direct connect in towns with population above 50K
- Continue focus on Project, B2B & telecom tower business.
- Increase capacity of Multi Core/Higher Sizes & Flat Cable.



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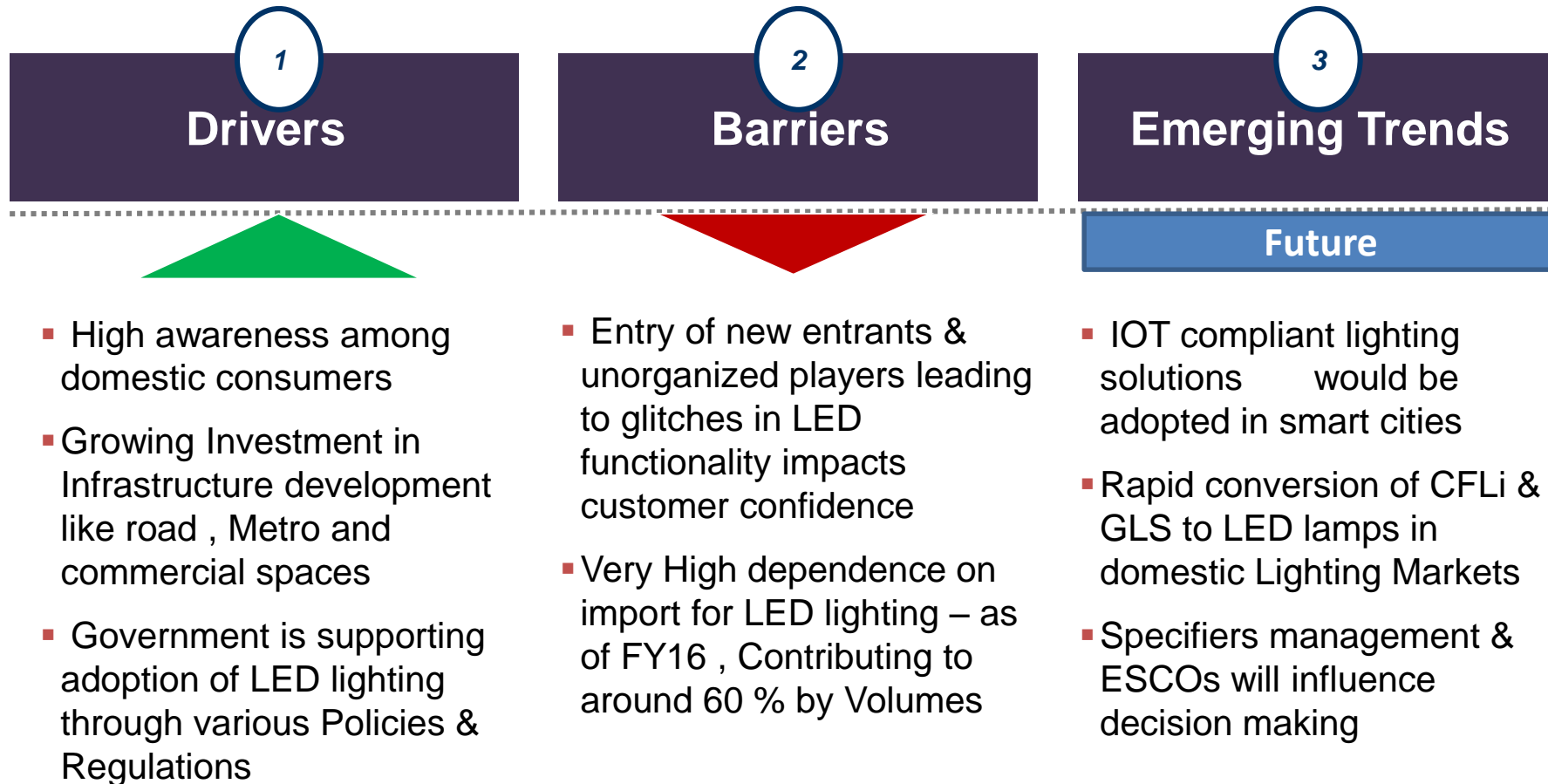


Business Update

Lighting

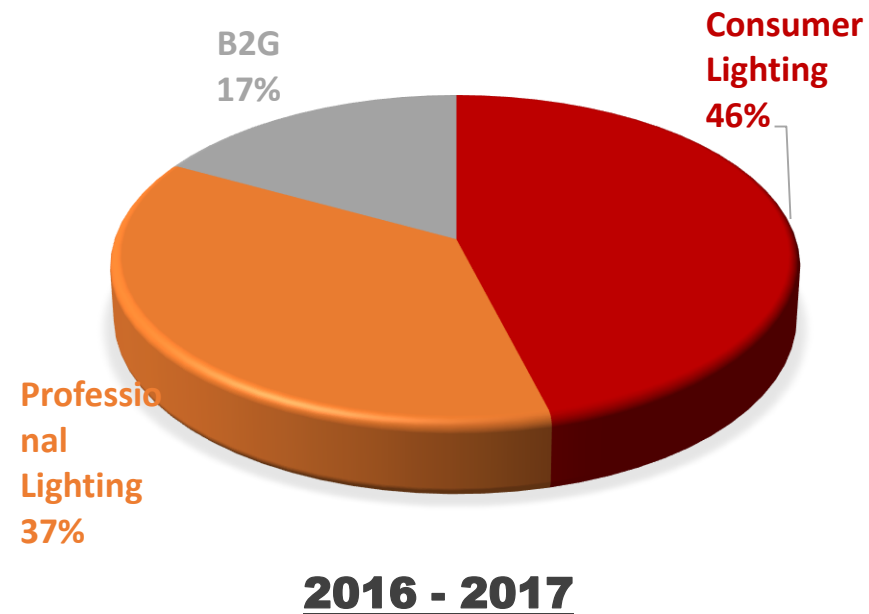
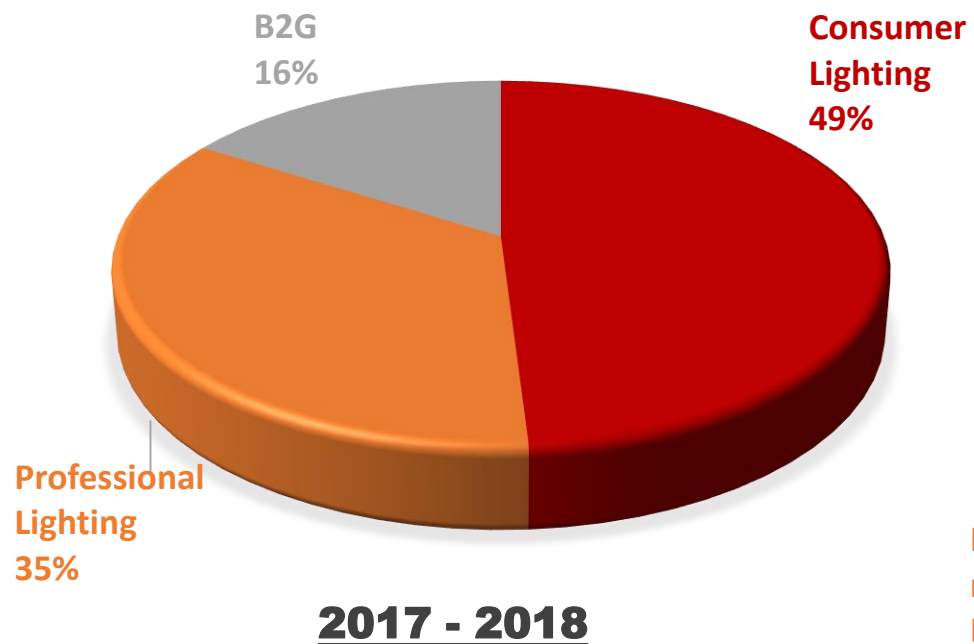
LED Lighting Market In India

Market Trends



Lighting growth plans well ahead of the market

Plan to Grow faster than the market and GDP



- Business is equally divided between professional (B2B + B2G) and consumer lighting

Lighting Market In India

Market Trends

Source – Frost and Sullivan
Sep 17 & Market Pulse

- Lighting Sector, market size is INR17600Cr and It accounts for 20% of the total power consumption in India
- LED Lighting market
 - Expected to grow from INR5300 Cr to 35000 Cr by the FY 2022.
 - CAGR of 46% (17 to 22) and YOY growth of 28% after initial surge
- Government is formulating various policies and regulations to push local manufacturing in LED lighting and Solar.
- Conventional Lighting will de-grow by 23% and will be just 3% of total lighting market by FY 22

Consumer Lighting – Havells

Key Points

- We have exhaustive product range
- Consumer mind share – Very much in to consumer consideration & preference
- Ability to create consumer delight through innovation
- Effectively communicating with consumers / TV , RADIO , OUTDOOR & activations at POP
- Opportunity to have direct reach in tier 2 and Semi Urban towns



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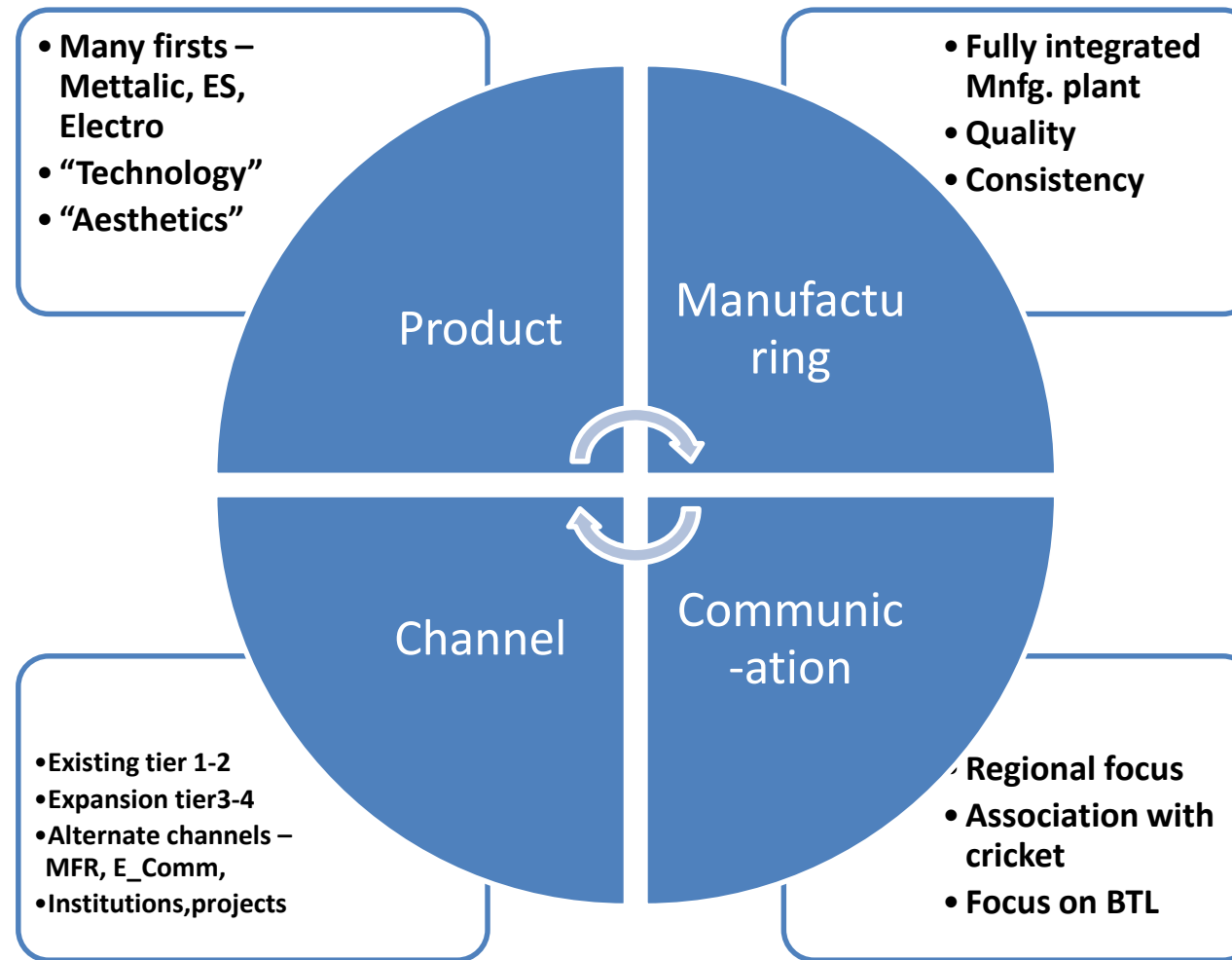
ELECTRIC CONSUMER DURABLES

ELECTRIC FANS

Vision : 20% share in 3 years, dominance in premium segment



■ Fans – Pillars of growth



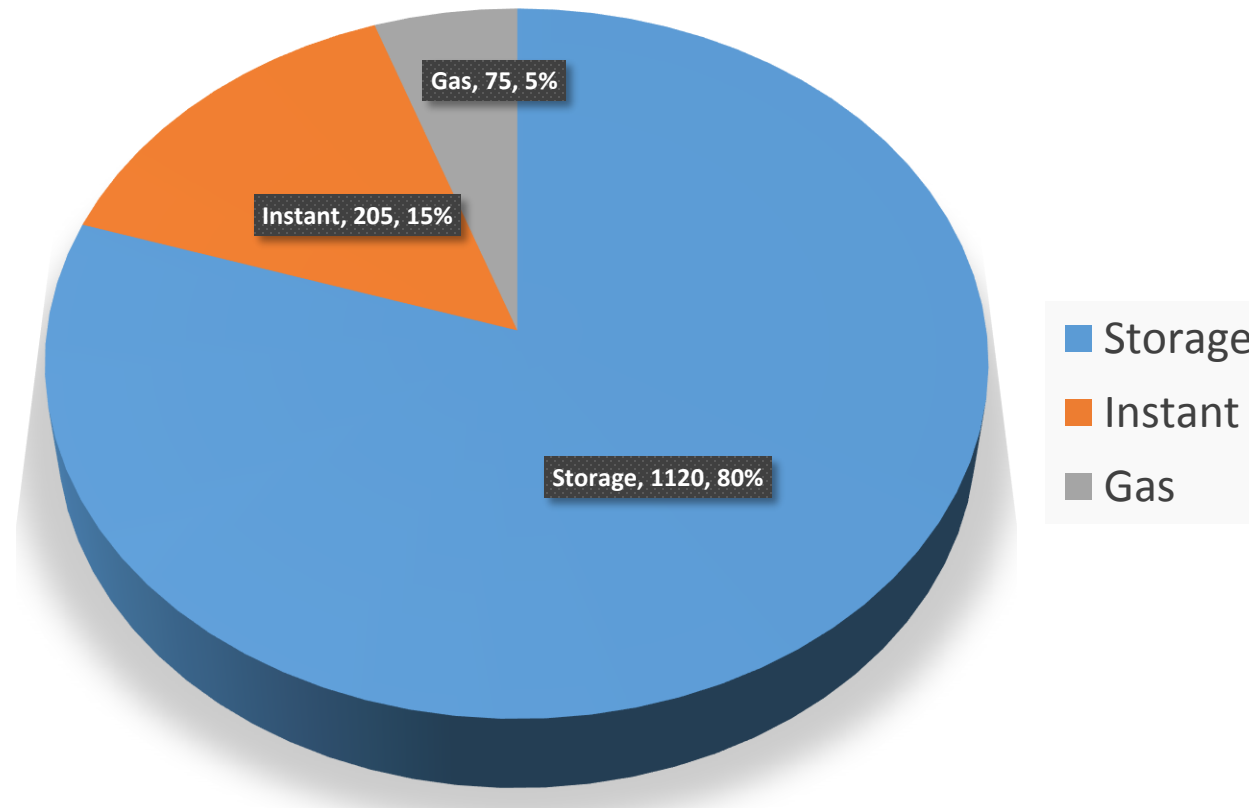


Water Heater

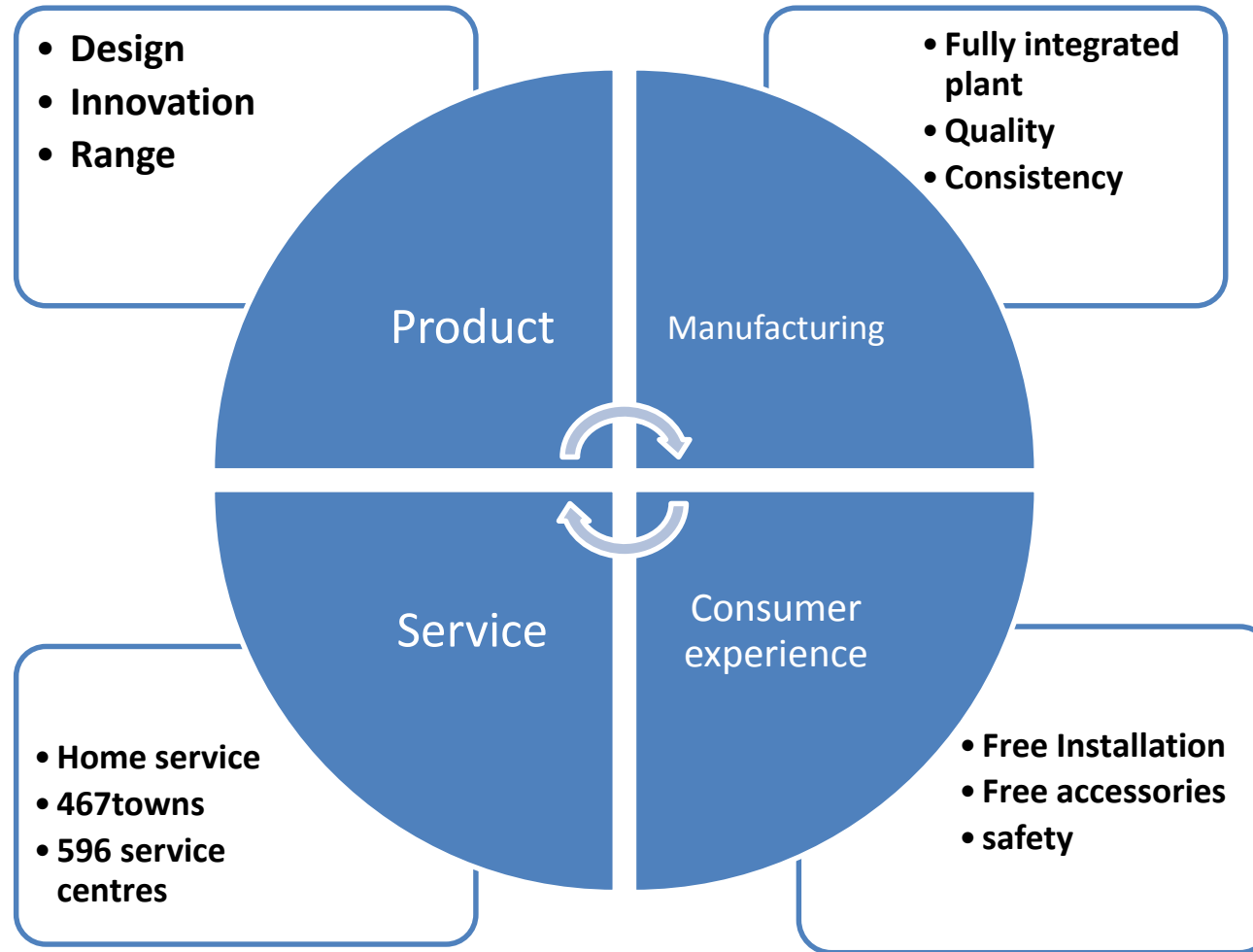
Vision : 20% share in 3 years, top 2 player



Water Heater Market Size : 1400 Cr

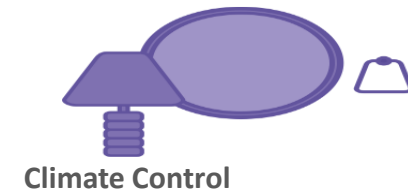


Water Heater – Pillars of growth

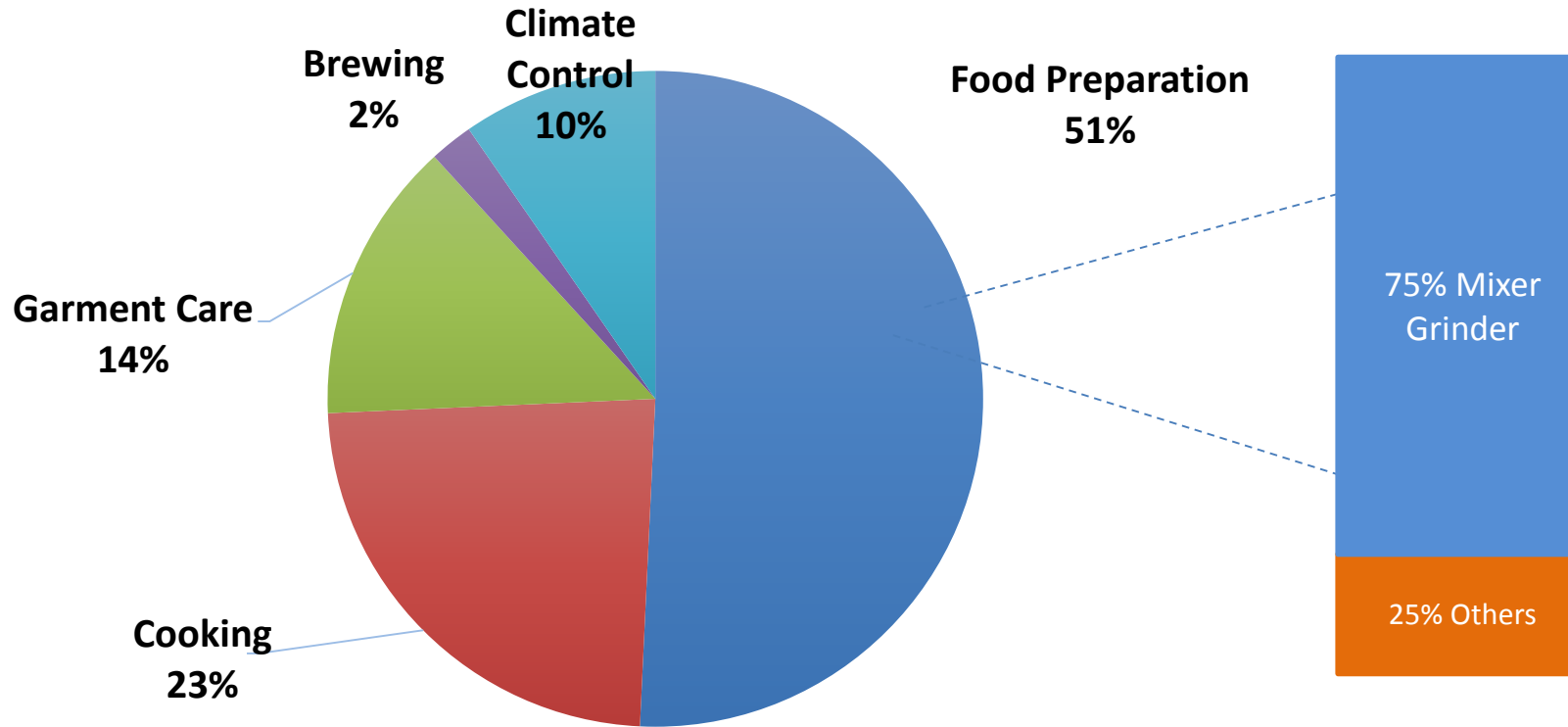


Small Domestic Appliances

***Vision : 10% share in 3 years (top 3 players),
dominance in superior design and performance***

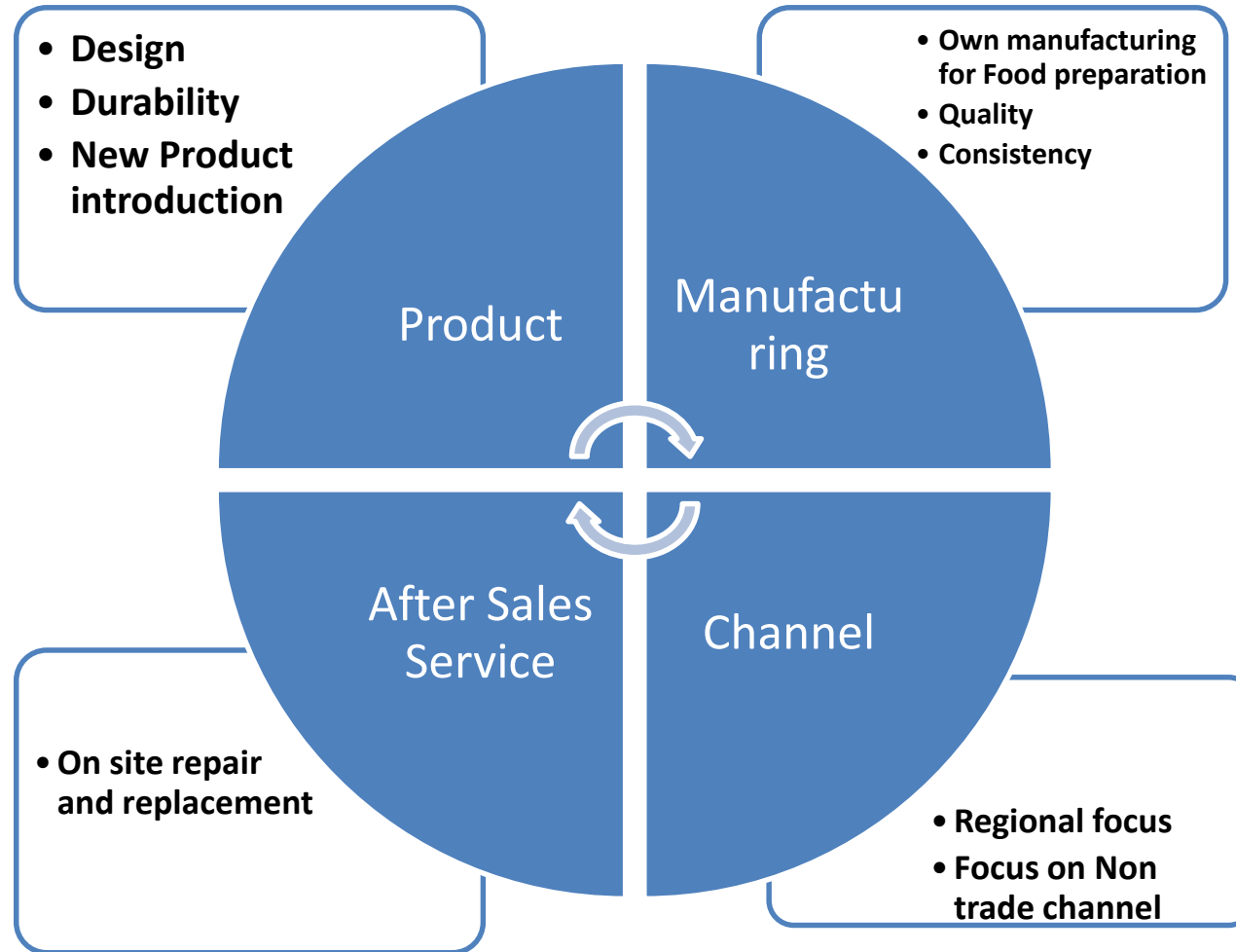


SDA Market Size : 4,700 Cr.



- Food Preparation : 2,400 Cr (CAGR 10%)
- Garment Care : 650 Cr (CAGR 12%)
- Cooking : 1,100 Cr (CAGR 15%)

■ SDA– Pillars Of Growth



Manufacturing : Mixer Grinder & Juicer mixer



SDA Factory- Haridwar



Assembly Line



Testing Lab



Tool Room



Plastic Molding Machines



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LLOYD CONSUMER DURABLES

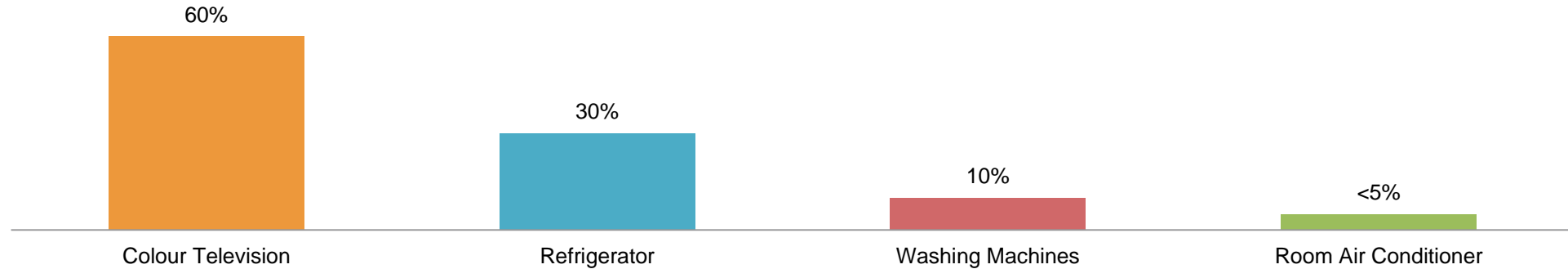


DEEPER INTO HOME WITH LLOYD



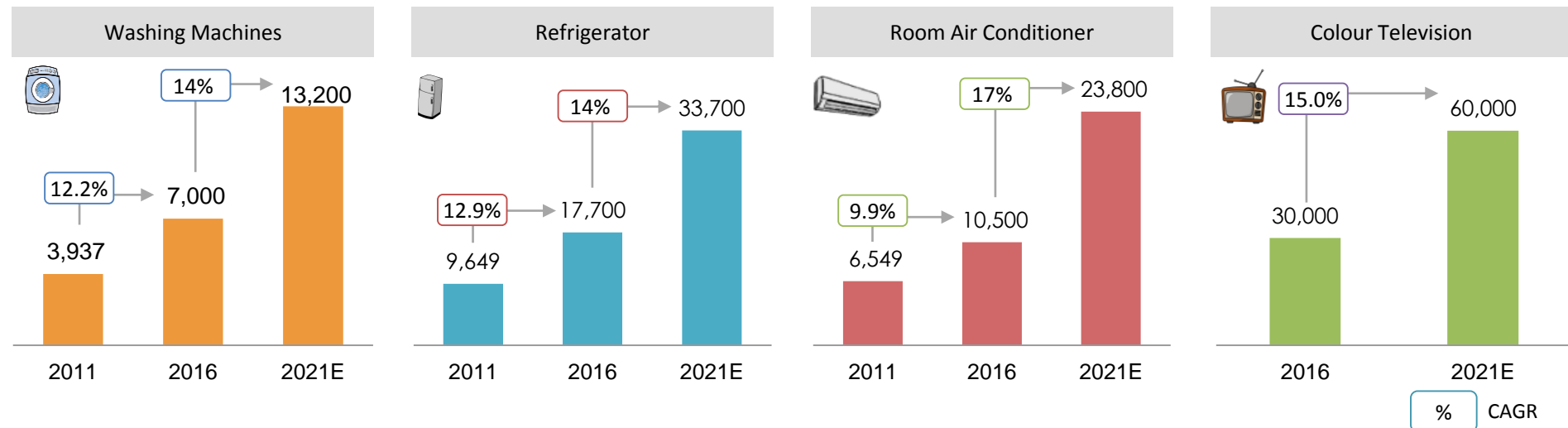
HIGH GROWTH POTENTIAL INDUSTRY

- Low Penetration



- Each Product Group Expected To Grow At Double Digit

INR Cr



Source: Industry data

INDUSTRY UNDERGOING DISRUPTION

- Fixed Speed ➡ Variable Speed
- Change in Star Rating from CY2018
- IOT
- Upgrading to Green Gas
- HD/FHD ➡ SMART ➡ UHD ➡ OLED
- Internet : Better penetration, Better bandwidth
- Convenience: Streaming options, Anytime (24x7) viewing
- Replacement market driven by migration from CRT to LED TV & Increasing screen size.

Creating opportunity for well capitalised serious long term players

LLOYD STRONG PRESENCE IN CONSUMER DURABLES MARKET



FY17 Gross sales of
c.INR 2,000 Cr



Gained 13% share in AC
segment of India in
< 7 years



Among top three AC
players in the country



Gained 3% share in LED TV
segment of India in
< 5 years



Innovative and aggressive in
brand building initiatives,
created a strong connect



10,000+
Display points pan India



600+
Service centers pan
India



6 decades of Brand
vintage in B2B –
HVAC&R segment

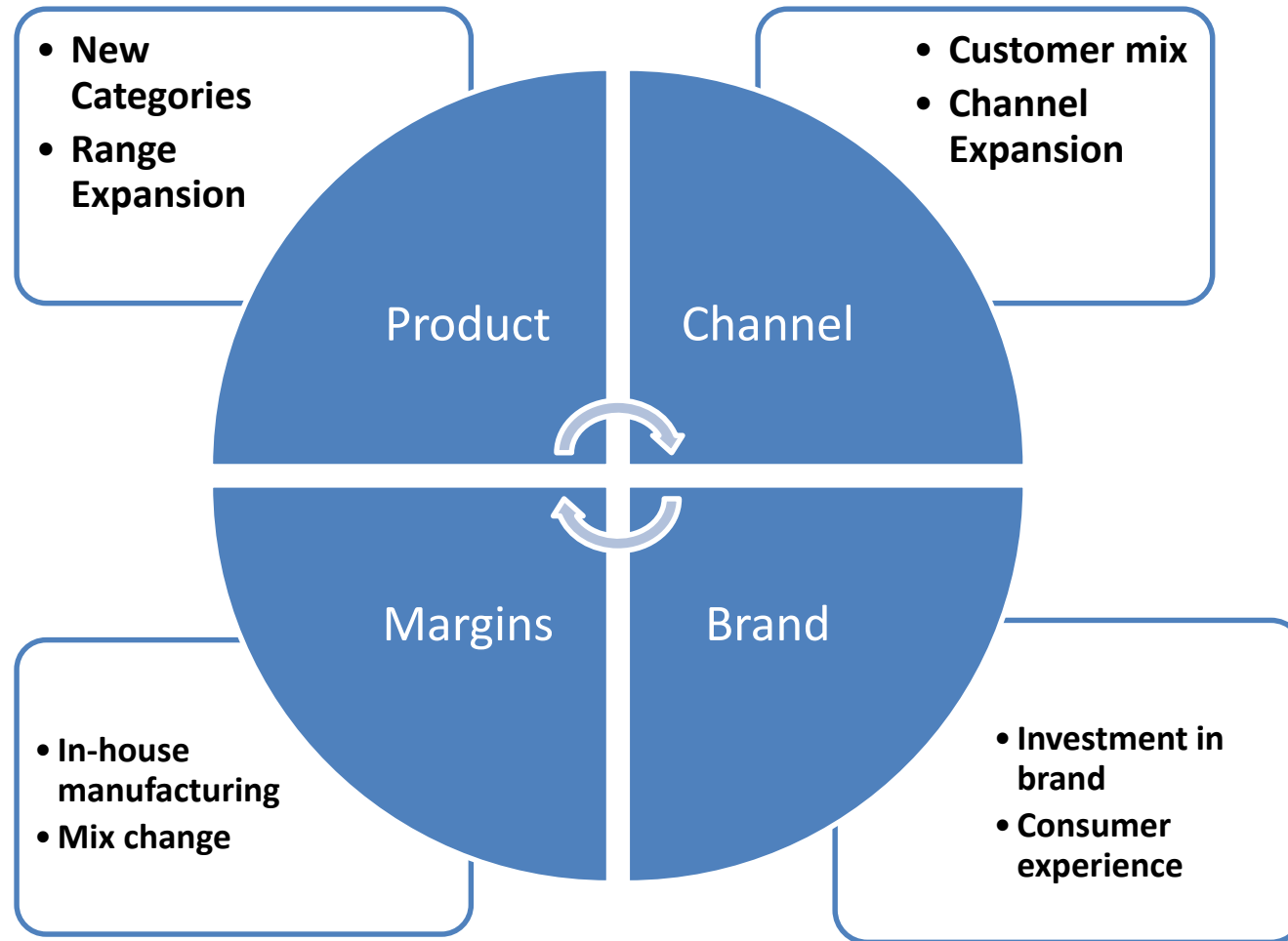


Presence across
450+ cities

BILLION \$ OPPORTUNITY

- To be an integrated, formidable well entrenched player in consumer durable space
- Aspiration to be Billion \$ in medium term
- Top quartile margins in next 4 to 5 years
- To invest significantly in setting up manufacturing facilities
- To be among top five players in all categories

ACTION PLAN-PILLARS OF GROWTH



 Crabtree

 STANDARD

 HAVELLS

REO



INDIA: ELECTRIFIED BY HAVELLS