



# Havells India Limited

February 2012

***SYLVANIA***



## Introduction

- US\$ 1.3 billion Electrical Company, globally
- Founded in 1971 with the acquisition of 'HAVELLS' brand
- Started in India, expanded globally through acquisition, acquired Sylvania\* brand in 2007
- Expanded from a Switchgear company to Consumer Electricals - backyard to living room
- Strong Brand, wide distribution channel and broad product portfolio provide competitive strength
- Expanding in new geographies and new products in existing markets

\*Globally except for North America, Australia, NZ



US\$ 1.3 billion company

INDIA

EUROPE

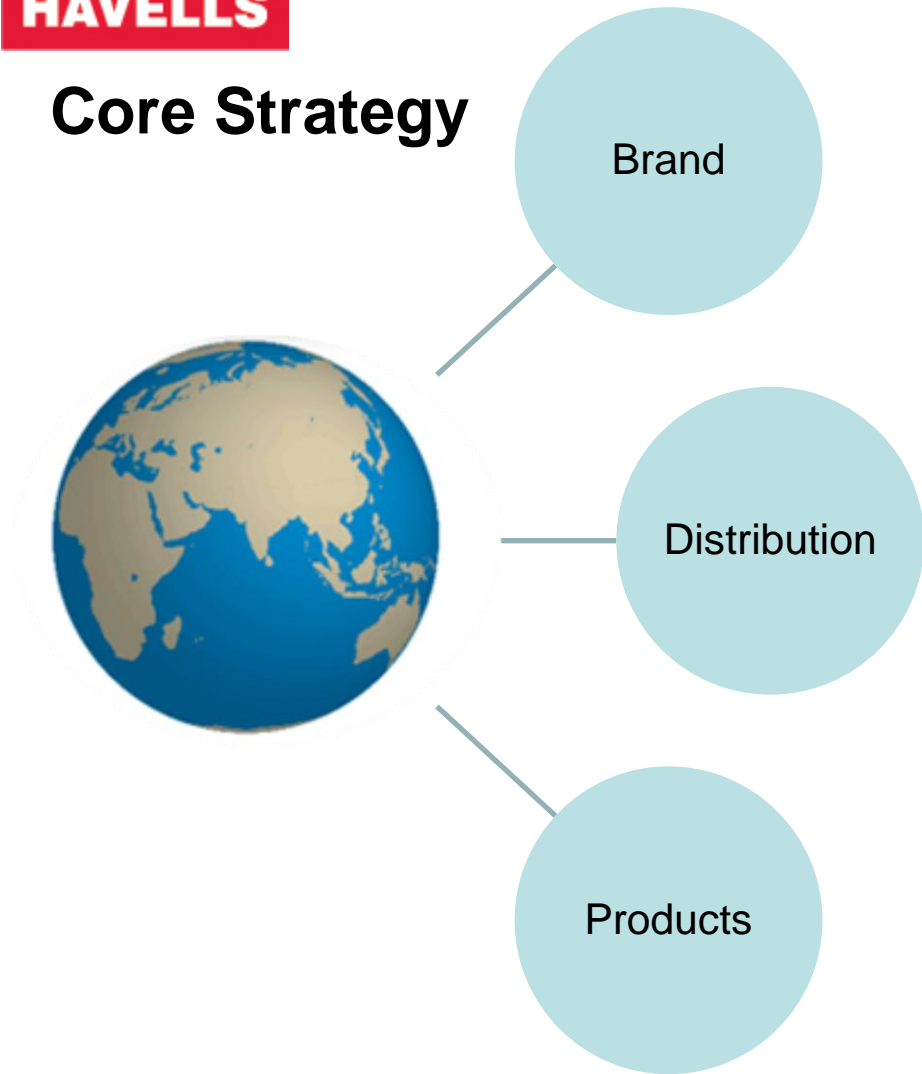
LATIN AMERICA

CHINA

SOUTH EAST ASIA



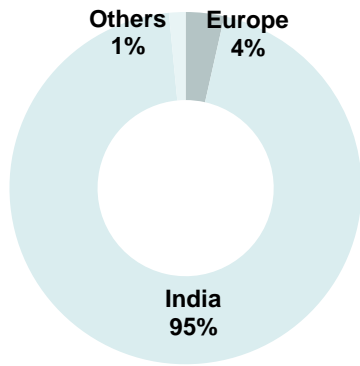
## Core Strategy



- Focus on branded products through Distribution channel
- Broaden product range as consistent with Distribution channel
- Create sustainable relationship with channel through consistent policies, transparency and growth initiatives.
- Brand reinforcement through continuous engagement with end users
- Prefer to stay away from project bidding and execution business

# Global Presence

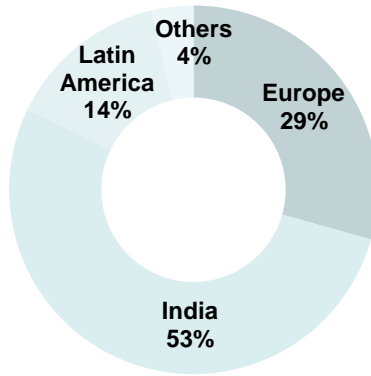
Net Revenue 2003-04



INR 4 bn

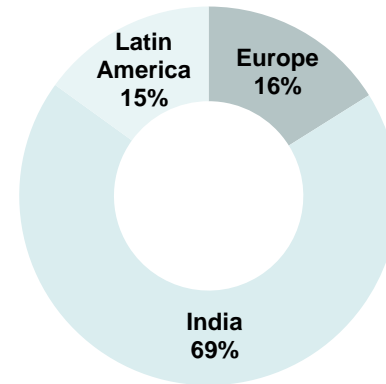


Net Revenue 2010-11



INR 56 bn

Operating Profit 2010-11



INR 5 bn

Aggressive growth through Organic, New Products Segments and Acquisition

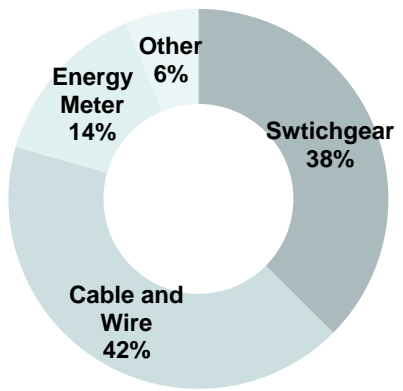
71% Revenue from developing economies – Growth driver

Mature markets with operating leverage to provide decent return on capital in near future



# Revitalizing Product Portfolio

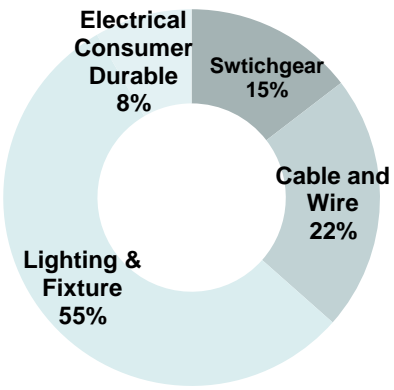
Net Revenue 2003-04



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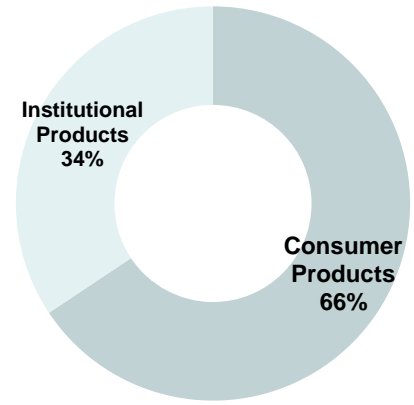


Net Revenue 2010-11



INR 56 bn

Net Revenue 2010-11



Well diversified product portfolio of electrical consumer products

Presence in premium categories with strong market share

Sale through distribution channel spread across regions



# Well Positioned to meet Emerging Opportunities

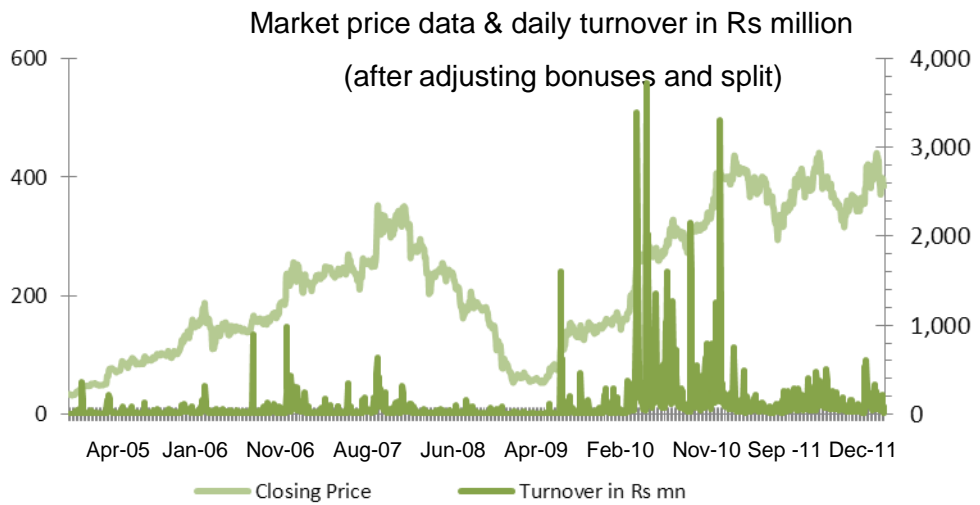
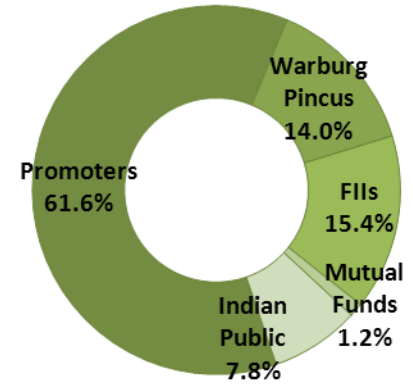
Energy Saving	Global Brand	Emerging Economies	Cost Competitiveness
<ul style="list-style-type: none"><li>• Core Philosophy</li> <li>• Expanding range of energy efficient products</li></ul>	<ul style="list-style-type: none"><li>• Leading Presence in existing markets</li> <li>• Brand recall in other geographies</li></ul>	<ul style="list-style-type: none"><li>• Presence in key emerging economies of Latin America and India</li> <li>• Moving to China and ASEAN region</li></ul>	<ul style="list-style-type: none"><li>• Global procurement based on cost and logistic efficiencies</li></ul>



# Shareholders

- Promoters hold 61.6%, single business focus.
- Key institutional investors includes:
  - ❖ Warburg Pincus
  - ❖ DSP Blackrock
  - ❖ Sequoia capital
  - ❖ Nalanda Capital

## Shareholding Pattern





# Agenda

- Introduction

- **India: Havells well positioned**

- Sylvania: Global Footprint



## Havells – India

- Founded in 1971 with the acquisition of 'HAVELLS' brand; headquartered in Noida, NCR Delhi
- Premium brand in the electrical consumer products
- #1 - 4 brand in each product categories, aggressive brand building via media
- Pan India presence through the network of 5,300 dealers/ wholesalers and 100,000 retailers
- World-class manufacturing units, amongst largest
- Havells Galaxies - One stop shop, initiative to reach consumer directly, increasing from 120 to 200 in next one year



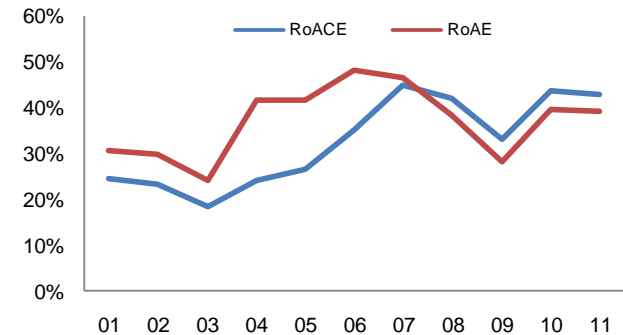
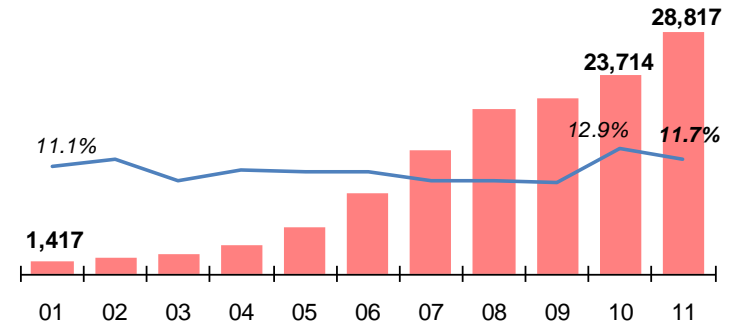
## Consistent outperformer

- Consistent Growth – 10 years CAGR
  - ❖ Revenue - 32%
  - ❖ EBIDTA - 32%
  - ❖ Profit after Tax - 40%
  - ❖ 34 quarters of consecutive growth\*
  - ❖ As on December 2011 - Net debt Rs. 870 mn
- High Returns on capital \*\*
  - ❖ Return on capital employed – Improved from 25% in FY01 to 43% in FY11
  - ❖ Return on equity – Improved from 31% to 39%

\* Growth on y-o-y basis (except Q3FY09 due to one time loss due to sharp fall in metal price)

\*\* based on average excluding investment

Net Revenue & EBIDTA margins %



# Broadest Product Portfolio – Leading Presence

**# 1**

**Domestic switchgear – MCB**  
 Market Size ~ INR 14,000 million (\$ 300 mn)  
 Market share ~ 28% (15% in 2006)

Peers position  
 - Legrand (MDS & Indo Asian)  
 - Schneider



**# 2**

**Modular Switches–Crabtree**  
 Market Size ~ INR 12,000 million (\$ 260 mn)  
 Market share ~ 15% (5% in 2006)

Peers position  
 - Matsushita/ Anchor Roma  
 - Legrand



**# 5**

**LV Industrial switchgear**  
 Market Size ~ INR 30,000 million (\$ 650 mn)  
 Market share ~ 6% (7% in 2006)

Peers position  
 - L&T  
 - Schneider  
 - Siemens  
 - ABB



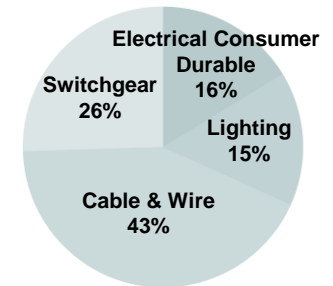
**# 2**

**Cable & Wire**  
 Market Size ~ INR 160,000 million (\$ 3,500 mn)  
 Market share ~ 9% (6% in 2006)

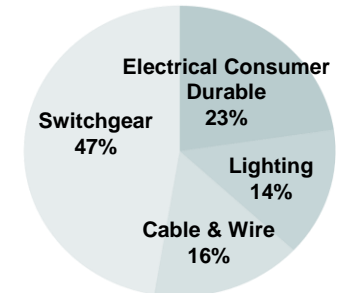
Peers position  
 Cable - Polycab  
 Wire - Finolex  
 - KEI - Polycab



## Revenue breakup FY11



## Contribution Margin breakup FY11



\*Contribution margins are derived after deducting direct cost and direct selling variables from net sales

Market size data and peers position as per best estimates of management

# Broadest Product Portfolio – Leading Presence

# 2

## Lighting - CFL

Market Size ~ INR 15,000 million (\$ 330 mn)  
Market share ~ 11% (10% in 2006)

Peers position  
- Philips  
- Osram



# 4

## Lighting - Luminaires

Market Size ~ INR 25,000 million (\$ 550 mn)  
Market share ~ 11% (3% in 2006)

Peers position  
- Philips  
- Bajaj  
- Crompton  
- Wipro



# 3

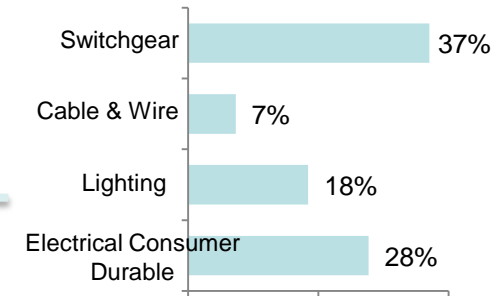
## Electrical Consumer Durable - Fans

Market Size ~ INR 35,000 million (\$ 770 mn)  
Market share ~ 14% (6% in 2006)

Peers position  
- Crompton  
- Usha  
- Orient



### Segment wise Contribution margins FY11



\*Contribution margins are derived after deducting direct cost and direct selling variables from net sales

Market size data and peers position as per best estimates of management



## Product Launch



Domestic Appliances

Market Size ~ INR 50,000 million (\$1,000 mn)

Peers position

- Bajaj
- Philips
- Recold



- Launched Domestic Appliances in August 2011, to extend electrical consumer durable segment
- Leveraging existing distribution network

# Financial Highlights

In millions of Rupees

## Operational highlights

	FY09	FY10	FY11	9M FY12
Net Revenue	21,061	23,714	28,817	25,689
EBIDTA	1,968	3,055	3,373	3,332
<i>EBIDTA %</i>	9.3%	12.9%	11.7%	13.0%
Net Profit	1,452	2,282	2,421	2,139
<i>Net Profit %</i>	6.9%	9.6%	8.4%	8.3%
CAPEX	1,200	2,140	1,420	1,500 (FY12B)

- Improving margins through higher sales realization and better management of cost

## Balance Sheet highlights

	FY09	FY10	FY11	Dec 2011
Net Worth	9,319	11,352	13,408	16,110
Net debt	(871)	476	844	870
Net Fixed Assets	4,655	6,012	7,303	8,183
Investment (Sylvania)	3,879	5,317	7,155	7,751
Net working capital	178	1,041	1,093	1,443

- Low Debt, high assets turnover ratio
- Low working capital due to channel financing made available to dealers i.e. direct funding by bankers having limited recourse on the company



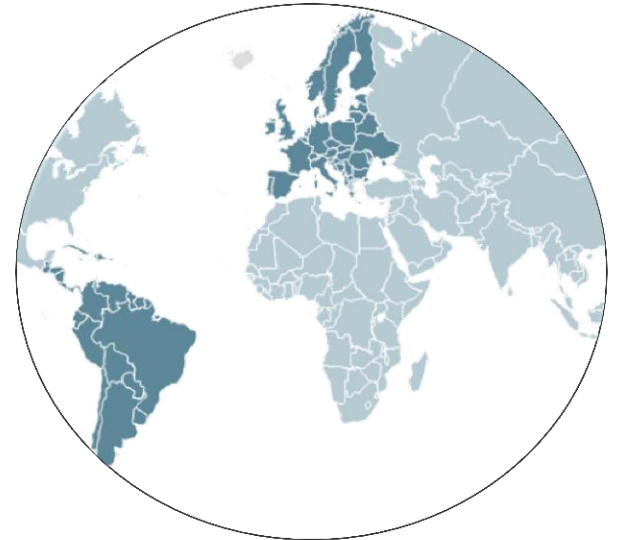
# Agenda

- Introduction
- India: Havells well positioned
- **Sylvania: Global Footprint**



**SYLVANIA**

- Worldwide right to the *Sylvania* brand\*, one of the most globally recognized names in the industry for over a century
- Leading global designer and provider of lighting systems, comprehensive range of lamps and a broad selection of fixtures
- Leading market presence in Europe and Latin America
- Acquired in April 2007 at an Enterprise value of Euro 227 million to :
  - ❖ Capitalise the underleveraged brand and distribution network
  - ❖ Improve margins through better sourcing from India and China
  - ❖ Cross sell high margin Havells switchgear range



\*Acquired worldwide right except Australia, New Zealand and North America



# Broad product portfolio

## Fixtures

Architectural / Industrial /  
accent commercial



## Lamps

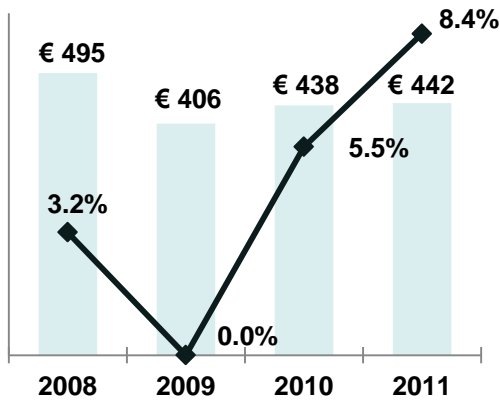
Fluorescent Energy Savings (CFL & LED) Incandescent Halogen High Intensity Discharge ("HID") Others



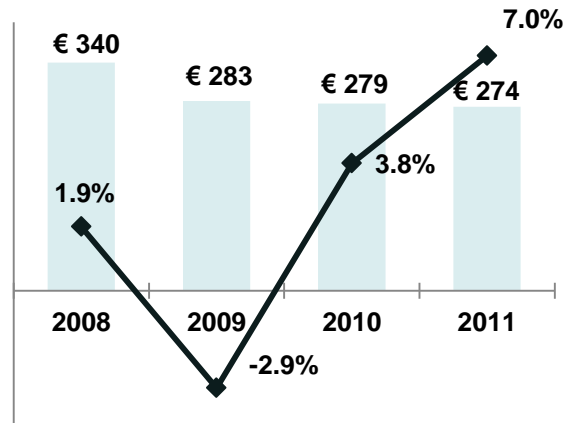
<b>Net Revenue CY2011</b>	€ 70 mn	€ 78 mn	€ 82 mn	€ 74 mn	€ 25 mn	€ 28 mn	€ 33 mn	€ 52 mn
<b>Major peers</b>	<ul style="list-style-type: none"> <li>•Zumtobel</li> <li>•Philips</li> </ul>	<ul style="list-style-type: none"> <li>•Zumtobel</li> <li>•Philips</li> </ul>	<ul style="list-style-type: none"> <li>•Philips</li> <li>•Osram (Siemens)</li> <li>•GE</li> </ul>	<ul style="list-style-type: none"> <li>•Philips</li> <li>•Osram (Siemens)</li> <li>•GE</li> </ul>	<ul style="list-style-type: none"> <li>•Philips</li> <li>•Osram (Siemens)</li> <li>•GE</li> </ul>	<ul style="list-style-type: none"> <li>•Philips</li> <li>•Osram (Siemens)</li> <li>•GE</li> </ul>	<ul style="list-style-type: none"> <li>•Philips</li> <li>•Osram (Siemens)</li> <li>•GE</li> </ul>	<ul style="list-style-type: none"> <li>•Philips</li> <li>•Osram (Siemens)</li> <li>•GE</li> </ul>

# Sylvania – Complete Turnaround

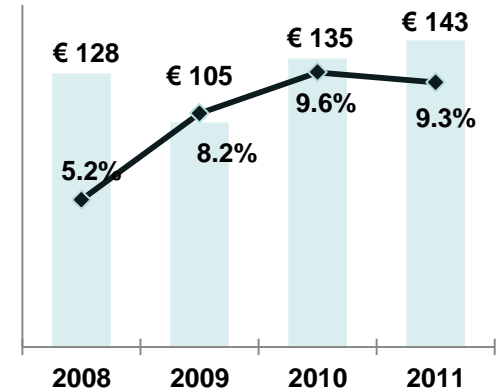
## Net Revenue & EBIDTA Margins %



Global



Europe



Americas

- Strong focus on improving margins. Higher price realization, better management of cost and restructuring of 2010 driving better margins.

# Sylvania - Financial Highlights

## Operational highlights

	CY08	CY09	CY10	CY11 (Unaudited)
Net Revenue	€ 495	€ 406	€ 438	€ 442
Gross Profit %	23%	21%	26%	31%
EBIDTA	€ 16	€ 0.5	€ 24	€ 37
EBIDTA %	3.2%	--	5.5%	8.4%
Exceptional cost	€ 7	€ 54	€ 4	--
Net Profit	€ (24)	€ (73)	€ (7)	€ 11

## Balance Sheet highlights

	CY08	CY09	CY10	CY11
Net debt	€ 134	€ 117	€ 138	€126
Net Fixed Assets*	€ 64	€ 49	€ 42	€ 37
Goodwill	€ 53	€ 53	€ 53	€ 53
Net working capital	€ 149	€ 109	€ 153	€146

\* before fair value adjustments

- Repayment schedule CY12 - € 52 mn  
CY13 - € 52 mn
- Refinancing of these bullet payments is required

## Consolidated performance

### Operational highlights

	FY10	FY11	9M FY12
Net Revenue	51,626	56,126	47,405
EBIDTA	3,114	5,489	4,888
<i>As % to NR</i>	<i>6.0%</i>	<i>9.8%</i>	<i>10.3%</i>
Net Profit after exceptional items	(2,241)	3,034	2,491

### Balance Sheet highlights

	FY10	FY11	Dec 2011
Net Worth	4,004	6,543	9,276
Net Debt	9,183	9,395	9,339
Net fixed assets	9,210	10,204	10,835
Net Working Capital	8,734	10,303	11,640

- Consolidated operating profit margins improved with the successful turnaround of Sylvania
- Net Profit margins turned positive and profit in Sylvania will drive it further
- Improved leverage ratios
- Increase in net working capital to propel growth in Emerging Economies

## Looking forward

### Emerging Economies

- Key focus area.
- Havells is leveraging upon brand and distribution for its newly launched products.
- Leverage Sylvania brand in other emerging economies like Latin America, ASEAN region.

### Developed Economies

- Manage Sylvania in developed market through focus on improving margins and cash flow generation.



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