Havells India Ltd

December 2009

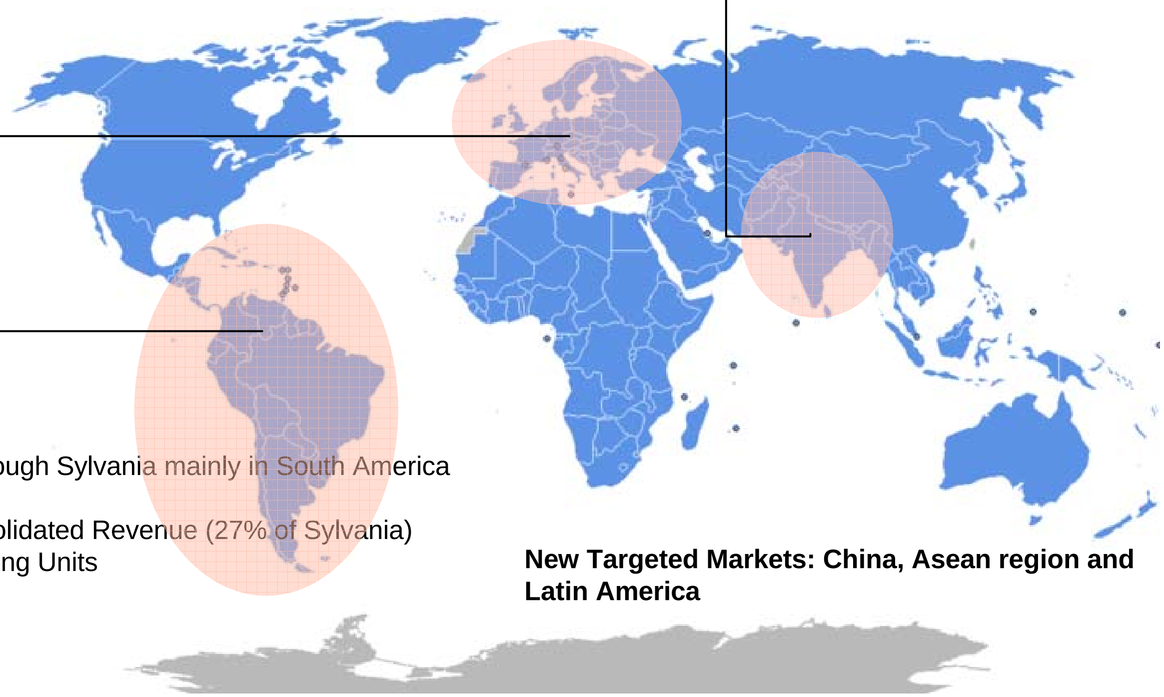
Global Footprints
Domestic Leadership

- Founded in 1971 with the acquisition of ‘HAVELLS’ brand; headquartered in Noida
- One of the Largest Indian electrical products company with consolidated revenues of USD 1.2 billion
- Expanded global reach through Sylvania acquisition in 2007
- Presence across 5 continents, 50 countries with 94 branches and over 5000 professionals
- Manufacturing facilities spread across India, Europe and Latin America
- Consistent outperformer in domestic business, stabilising international business

An Indian Multinational

Europe
- Major Presence through Sylvania
- 42% of Consolidated Revenue (70% of Sylvania)
- 4 Manufacturing Units & distribution across Europe

India
- Major Presence through Havells India
- 42% of Consolidated Revenue
- 8 Manufacturing Units
- Strong Distribution Channel



Americas
- Presence through Sylvania mainly in South America and Mexico
- 16% of Consolidated Revenue (27% of Sylvania)
- 2 Manufacturing Units

New Targeted Markets: China, Asean region and Latin America

DOMESTIC BUSINESS

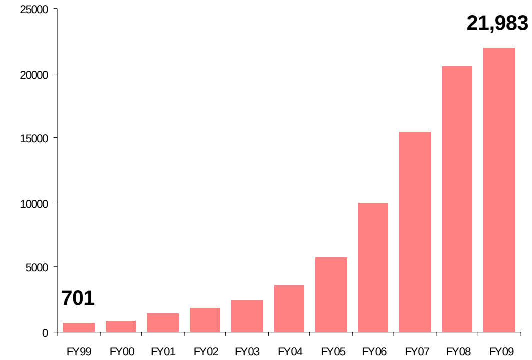
Consistent value creation

- Consistent profitable growth over the last 10 years 40% CAGR

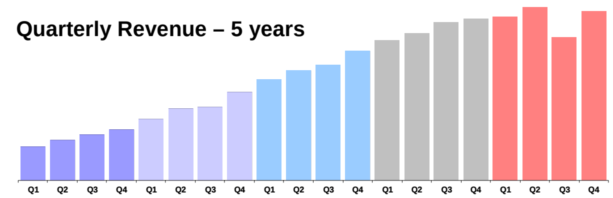
  Sales - 27x and PAT - 58x
- 30 quarters of consecutive growth*
- 10-year EBDITA and PAT CAGR in excess of 40%
- Organic growth led by gaining market share in existing products, launch of new branded, consumer products
- Significant brand emphasis to create a strong differentiator with FMCG like packaging, promotions and advertisements
- Consumer pull evenly matched with a well entrenched distribution network
- High RoCE and RoE creating shareholder value

in millions of Rupees

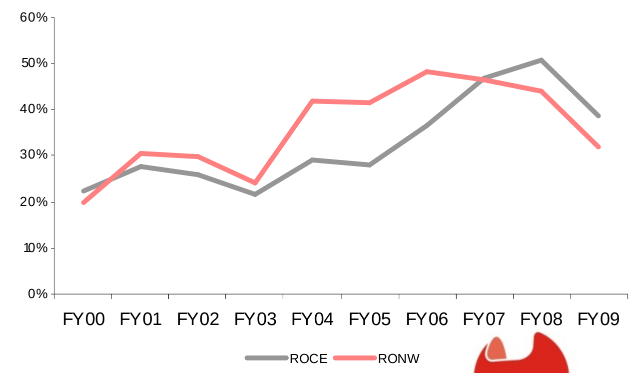
Net Revenues 10 years



Quarterly Revenue – 5 years



RoCE & RoE – 10 years



* Growth on y-o-y basis (except Q3FY09 due to one time losses on sharp fall in metal cost)

SYLVANIA

HAVELLS

Buoyant end user segments

- Infrastructure, power and construction key user segments
- Significant investment planned with greater focus on infrastructure development
- Large investment in real estate and power sectors
- Structural changes in the underlying buying patterns
  - ❖ Distinctive shift from un-organised to organised segment
  - ❖ Increased brand awareness for hitherto commoditised products –wires and cables
  - ❖ Growing protection awareness
  - ❖ Increasing affordability and willingness to pay for quality products

Large opportunities for quality, branded and well distributed product companies like Havells

Estimated electricals demand from new construction

	2009E	2010E	2011E	Total
Estimated area (mn sq. ft)				
Residential (1)	565	566	567	
Commercial space	70	80	85	
Retail space	36	40	42	
Total new costruction	**671**	**686**	**694**	**2,051**
Cost of electricals (Rs/ sq. ft)				
Residential	125	130	135	
Commercial	160	165	170	
Retail	180	185	185	
Estimated demand for electricals (Rs bn)	**88**	**94**	**99**	**281**

Note: (1) Residential space calculated for urban households with average income > Rs32,000 p.m.

Source: Kotak Institutional Equities estimates

Estimated electricals demand from the power sector during XIth plan (2007-2012)

Generation	6,046
Transmission capex	1,400
Distribution capex	2,870
Total capex	**10,316**
Estimated demand for electricals	
Generation	
Cables and wires (2% of total generation cost)	121
Other electricals (1.5% of total generation cost)	91
Transmission	
Cables and wires	168
Other electricals	196
Distribution	
Cables and wires (@ 20% of total generation cost)	574
Other electricals (@ 15% of total generation cost)	431
Total electricals demand	
Cables and wires	863
Other electricals	717
Total	**1,580**

Note:
(1) Demand estimates based on discussions with industry personnel

Source: Ministry of Power, Kotak Institutional Equities estimates

Product Leadership – Widest range – Amongst Top 3- Gained market share in the last 3 years

Switchgears

Domestic Switchgears –
Market Size ~INR 12,000 mn

Competitors Position - Mkt Share

- **HAVELLS ~ 20%**
  (15% IN 2006)
- MDS/ Legrand
- Schneider

Industrial Switchgears –
Market Size ~INR 20,000 mn

Competitors Position - Mkt Share

- L & T
- Siemens
- Schneider
- **HAVELLS ~8%**
  (7% IN 2006)

Electrical Wire Accessories
Market Size ~INR 10,000 mn

Competitors Position- Mkt Share

- Anchor – Roma
- **CRABTREE – HAVELLS ~11%**
  (8% IN 2006)

Management estimates, market data

Cable & Wire

Power Cables –
Market Size ~INR 80,000 mn

Competitors Position - Mkt Share

- Polycab
- **HAVELLS ~ 8%**
  (6% IN 2006)
- KEI

Wire –
Market Size ~INR 40,000 mn

Competitors Position -Mkt Share

- Finolex
- **HAVELLS ~ 9%**
  (6% IN 2006)
- Polycab

Lighting & Fixture

Energy Savings Lamp-
Market Size ~ INR 10,000 mn

Competitors Position - Mkt Share

- Phillips
- **HAVELLS ~ 9%**
  (10% IN 2006)
- Osram

Luminaries
Market size ~ INR 20,000 mn

Competitors Position - Mkt Share

- Phillips
- Bajaj
- Crompton Greaves
- **HAVELLS ~ 10%**
  (3% IN 2006)

Electrical Consumer Durable

Fans
Market Size ~ INR 20,000 mn

Competitors Position - Mkt Share

- Crompton Greaves
- Orient
- **HAVELLS ~ 14%**
  (6% IN 2006)

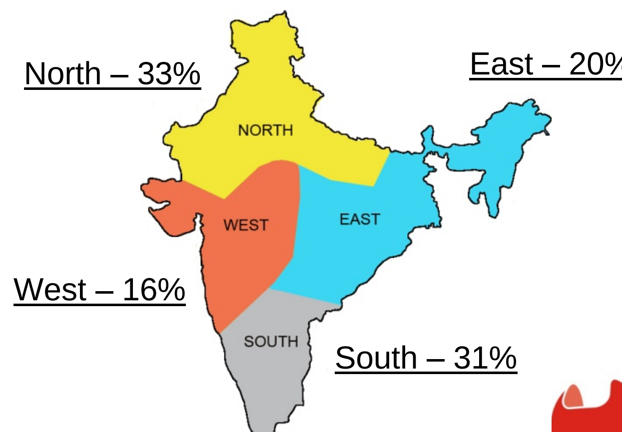
SYLVANIA

HAVELLS

Well entrenched brand and distribution network

- Brand focussed approach on FMCG lines adapted in packaging, media spends, one-stop electrical shops
- Consumer pull through branding ably matched with a strong dealer network
- Significant focus on dealer relationship and management - a key trait instilled by Chairman (himself being a dealer in the past)
- The entire sales transacted through dealers ensuring their commitment and entrepreneurial push
- The widest product range providing a larger share of dealer shelf space and a greater control over him
- Continue to focus on deeper distribution penetration and stronger brand awareness

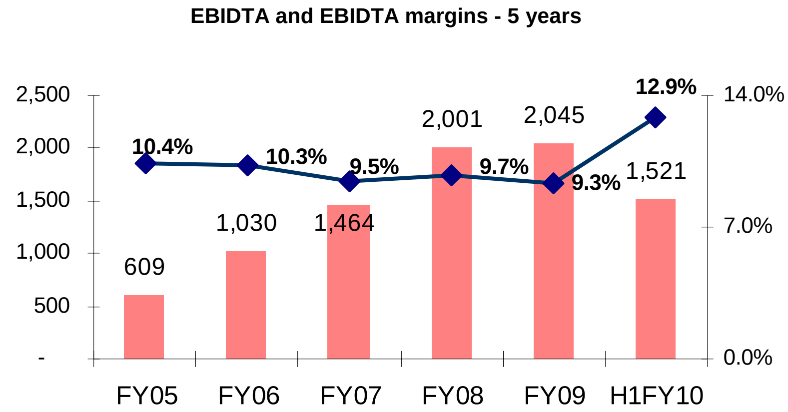
Revenues



Expanding margins

in millions of Rupees

- Margin expansion in last 5 years driven by
  - ❖ Price disciplining- rationalisation of discount structure
  - ❖ Value engineering to reduce product costs
  - ❖ Economies of scale through large scale manufacturing at single sites
  - ❖ Brand investments creating consumer pull and de-commoditising products for price premium
- Expect margins to sustain
  - ❖ Reducing lead time to pass on cost increase in cables business
  - ❖ Rigorous working capital management
  - ❖ Continued brand investments to maintain price premium with customers and discipline with dealers
  - ❖ Launch product variants with value add features



SYLVANIA

HAVELLS

Comfortable leverage and liquidity position

- Debt free balance sheet with negative working capital
- Capex to increase capacity in existing products – FY 10 bunching effect, FY 11 – regular maintenance capex of Rs 500-700 mn
- Capex being funded through internal cash generation
- Investment in Sylvania acquisition largely funded through equity issue. Outstanding recourse debt of Rs 1183 million
- If non-recourse debt of Rs 8710 million included, leverage stands at 1:1

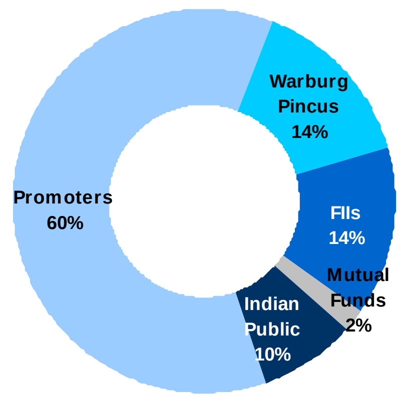
in millions of Rupees	FY07	FY08	FY09
Net Worth	2,624	6,490	9,319
Total Debt	560	358	703
Net Fixed Assets	2,422	3,852	4,655
Investment	35	1,648	3,879
Net Current Assets	844	1,662	1,659
Net Debt	**228**	**(291)**	**(871)**
Net Working Capital	**892**	**1,437**	**(1,557)**

CAPEX in millions of Rupees	FY09 Actual	FY10 Budg	Actual incl commitment till Sept 09
Switchgears	370	350	180
Cable & Wire	170	1,000	540
Fans	20	200	100
Lighting	450	400	280
Others – IT etc.	180	150	10
Total	**1,200**	**2,100**	**1,110**

Focussed promoter group

- Promoted by QRG, the current Chairman, himself an electrical dealer, in 1971
    - ❖ Promoter Group owns 60% shareholding
    - ❖ Single business focus since inception
    - ❖ Capital conservative : never issued capital since public issue in 1993 except to CLSA and for Sylvania acquisition
- Issued shares to Warburg Pincus for USD 110 mn in 2008 who now owns 14.5% in the company

Ownership Structure

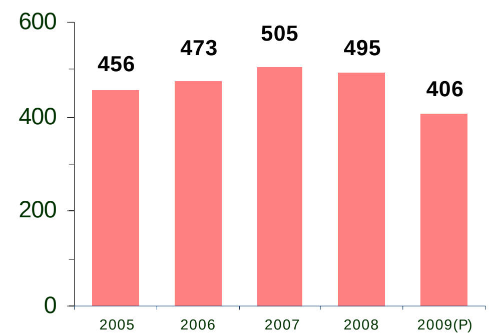


INTERNATIONAL BUSINESS

SYLVANIA

- World's No. 4 Lighting Source and Fixture Brand with Euro 500 mn revenues
- Acquired in April 2007 to
  - ❖Capitalise on the underleveraged brand and distribution network
  - ❖Improve margins through better sourcing from India and China
  - ❖Cross sell high margin Havells switchgear range
- Enterprise Value of Euro 200 million paid through
  - ❖ Euro 120 million non-recourse debt
  - ❖ Euro 80 million equity investment by Havells
- Recession hit Europe in mid 2008 leading to sales decline and coupled with high fixed cost base, resulted in operational losses
- Maiden covenant breach with lenders in Sept 08
- Restructuring agreed with lenders in August 2009

Net Revenue – 5 years



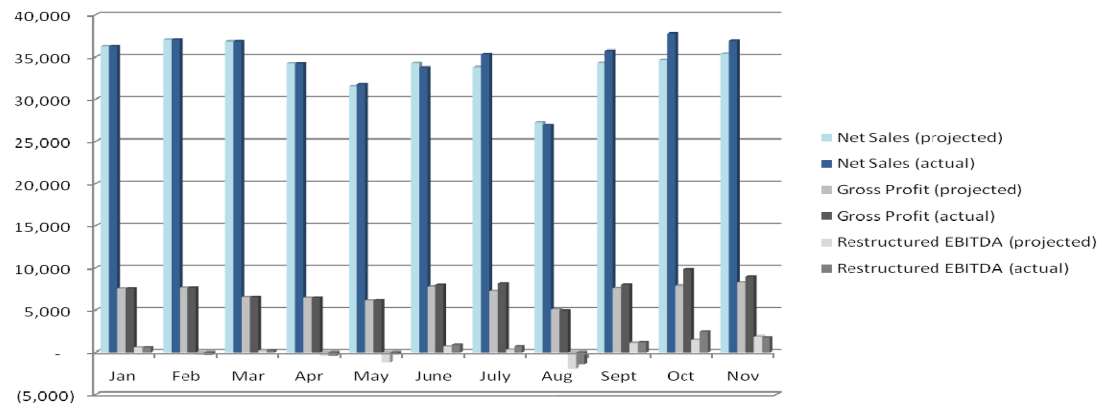
in millions of Euro

Key Restructuring terms

- Key terms
  - ❖ Long term facility of euro 120 mn available till 2013
  - ❖ Lenders to defer amortisations for 2009 and 2010 aggregating euro 12 mn
  - ❖ Havells to invest euro 12 mn to finance Prakram plan
- Restructuring plan focussed on
  - ❖ reducing fixed cost base through reduction in work force
  - ❖ variablising fixed cost through increased outsourcing from China and India
  - ❖ the costs primarily constitute severance payments with payback of 9-12 months
- The first restructuring plan Phoenix initiated in January 2009 successfully consummated
- The current restructuring plan Prakram is under implementation focussing on factories in mainland Europe
- Prakram costing euro 22 million, to be completed by mid 2010 and is funded partially by Havells investment and balance by internal cash generation

Tracking bank projections

Projection vs Actual



Euro in '000'

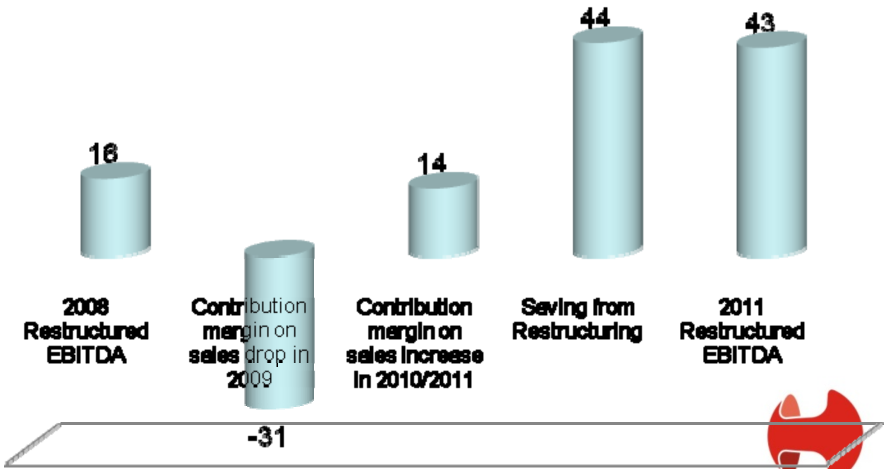
Particulars	Jan	Feb	Mar	Apr	May	June	July	August	Sept	Oct	Nov	YTD Nov
Net Sales (projected)	36,283	37,057	36,858	34,243	31,546	34,280	33,813	27,227	34,307	34,684	35,392	375,690
Net Sales (actual)	36,283	37,057	36,858	34,243	31,822	33,782	35,345	26,944	35,748	37,785	36,929	382,796
Gross Profit (projected)	7,591	7,694	6,566	6,484	6,126	7,803	7,262	5,071	7,632	7,897	8,280	78,406
Gross Profit (actual)	7,591	7,694	6,566	6,484	6,137	7,979	8,154	4,930	8,011	9,824	8,955	82,325
Restructured EBITDA (projected)	588	-306	185	-419	-1179	711	300	(1,916)	1,112	1,458	1,871	2,404
Restructured EBITDA (actual)	588	-306	185	-419	-238	933	728	(1,424)	1,185	2,461	1,772	5,465

Sylvania – leaner and profitable post restructuring

- Restructuring plan largely focussed on lowering breakeven and reduce vulnerability to sales volumes
- The restructuring payback of 9-12 months would provide cost benefits of ~25 million on a stagnant sales base in 2010
- The full year benefits in 2011 should be around 35 million with incremental sales to bring ebdita margins in excess of 25%
- Sylvania is sufficiently financed and would not require incremental support from Havells
- There are no significant capex requirements and any increase in WC could be met through local credit facilities

Year ending December

in millions of Euro	2007	2008	2009(P)
Net Sales	505	495	406
Gross Profit	116	116	85
Gross Profit %	23.0%	23.4%	20.9%
EBITDA	19	12	-35
Restructured EBDITA	19	16	3
Restructured EBDITA %	3.8%	3.2%	0.7%



SYLVANIA HAVELLS

Consolidated Performance – FY09

in millions of rupees	Havells	Sylvania	Consolidated
	FY09 Actual	**FY09 Actual**	**FY09 Actual**
Net Revenue	21,984	32,791	54,775
EBIDTA	2,033	750	2,783
As % to NR	9.2%	2.3%	5.0%
Depreciation	179	726	905
Interest	193	890	1,083
Exceptional Item	--	1,987	1,987
Add: other Income	12	8	20
Profit before tax	1,673	(2,845)	(1,172)
Tax	221	208	429
Profit after tax	1,452	(3,053)	(1,601)
As % to NR	6.6%	--	--

1 Euro = INR 65.13

Epilogue

- Havells is well positioned for growth in domestic markets through a stronger brand, distribution network and vast product range
- Sylvania would be cost competitive through current restructuring and presents a good platform for electrical products having a strong brand lineage and distribution network across Europe and Americas
- Havells has robust cash flows and comfortable leverage to meet its planned capital expenditure for medium term
- The economic environment including the thrust on infrastructure and upturn in real estate markets augur well for Havells end user markets
- Havells provides an attractive play on branded, electrical products industry in India with a niche brand portfolio in international markets

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