HAVELLS INDIA LIMITED

February 2020
AN EVOLVING JOURNEY

1958
Acquired ‘Havells’ Brand

1971
Commenced Business in Delhi

1993
Got listed on Stock Exchange

2003
Acquired global business of ‘Sylvania’
* Launched Fans & Lighting
* Set up plants for Switchgears, Fans & CFLs

2007

2015
Acquisition of ‘Lloyd’ consumer durable business

2017
* Divestment of ‘Sylvania’
* Focus on domestic expansion
**KEY MILESTONES**

- **Leverage channel by expanding product portfolio**
  - Industrial to a consumer company

- **Manufacturing**
  - Large scale manufacturing with high standards of quality assurance
  - ~90% in-house

- **National Advertising and uniform discounting**
  - Disproportionate ad spend on ‘non-consumer’ products

- **Mass to ‘mass premium’**
  - Steady premiumisation

- **Acquisition of Sylvania and pragmatic exit**
  - Changing industry dynamics and capital allocation

- **Lloyd Acquisition**
  - Entry into high potential Large Consumer Durables
  - Aligned with ‘Deeper into Homes’
CONSISTENT DELIVERY

Financial performance

Revenue
EBIDTA
Net Worth
PBT
PAT

~30% CAGR since listing

Market capitalization

~38% CAGR since listing
GROWTH WITH RESPONSIBILITY

Havells Mid-Day Meals Program

Serving 60,000+ students daily

Sanitation

Built over 4,400 bio-toilets in 450+ schools

SUSTAINABILITY

Tree plantation: 6.5 lacs tree planted covering ~260 hectares of area

10 of 13 manufacturing plants are zero water discharge

Energy intensity reduced by 41% from FY16 to FY19

94% of waste recycled / reused

GHG emission intensity reduced by 40% from FY16 to FY19

DOW JONES SUSTAINABILITY INDEX-2019

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Signify NV</td>
</tr>
<tr>
<td>2</td>
<td>Prysmian SpA</td>
</tr>
<tr>
<td>3</td>
<td>Schneider Electric SE</td>
</tr>
<tr>
<td>4</td>
<td>Osram Licht AG</td>
</tr>
<tr>
<td>5</td>
<td>Legrand SA</td>
</tr>
<tr>
<td>6</td>
<td>Havells India Limited</td>
</tr>
</tbody>
</table>

Ranked 6th globally in the Electrical Components & Equipment Industry
BENCHMARKING WITH THE BEST CORPORATE AND SHAREHOLDERS GOVERNANCE

➢ Committed to high standards of corporate governance, rated **CGR 2+** by CARE

➢ Well experienced and diversified professional Board

➢ Promoters- single business focus

➢ Transparent and detailed communication to shareholders
**PRUDENT FINANCIAL MANAGEMENT**

**Capital allocation strategy:**
- Investing in organic growth
- Open to value-creating acquisition with brand and distribution focus
- Return to shareholder
  - Consistent dividend payout of ~43%
  - Returned Rs. 16 billion to shareholders in last 5 years as dividend

**Maintaining investment grade Balance Sheet:**
- Lean balance sheet accommodating growth and acquisition
- Net cash positive
- Rated **AAA** for long-term facilities and **A1+** for short-term facilities by CARE
MOVING AHEAD

DEEPER INTO HOMES

- 20 Product verticals
- Serving ~70% electric sockets
WIDEST CONSUMER OFFERING

**Electricals**
Industry size: ~ Rs. 45,000 cr.
CAGR (2019-25): ~12%

**Home Appliances**
Industry size: ~ Rs. 70,000 cr.
CAGR (2019-25): ~15%
SEGMENTS

Revenue Mix (FY19)
- Switchgears: 17%
- Cables: 32%
- Lighting & Fixtures: 13%
- Electrical Consumer & Durables: 20%
- Lloyd: 18%

Contribution Margin Mix (FY19)
- Switchgears: 27%
- Cables: 22%
- Lighting & Fixtures: 16%
- Electrical Consumer & Durables: 22%
- Lloyd: 13%
## Market Share: Top 3 Across Categories

<table>
<thead>
<tr>
<th>Product</th>
<th>Indicative Market Size (Rs. in crores)</th>
<th>Indicative Market Share</th>
<th>Indicative Rank</th>
<th>Organized Penetration Level</th>
<th>Peers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Switchgears</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MCB</td>
<td>2,900</td>
<td>~18%</td>
<td># 1-2</td>
<td>High</td>
<td>Legrand, Schneider</td>
</tr>
<tr>
<td>Switches*</td>
<td>4,500</td>
<td>~12-13%</td>
<td># 3</td>
<td>Medium</td>
<td>Panasonic (Anchor), Legrand</td>
</tr>
<tr>
<td><strong>Cable</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>10,000</td>
<td>~16%</td>
<td># 3</td>
<td>Low</td>
<td>Finolex, Polycab</td>
</tr>
<tr>
<td>Industrial</td>
<td>15,000</td>
<td>~10-11%</td>
<td># 3</td>
<td>Medium</td>
<td>Polycab, KEI</td>
</tr>
<tr>
<td><strong>LED Lighting</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lighting &amp; Fixtures</td>
<td>10,000</td>
<td>~12-15%</td>
<td># 2-4</td>
<td>Medium</td>
<td>Philips, Wipro, Crompton</td>
</tr>
<tr>
<td><strong>ECD</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fans</td>
<td>7,500</td>
<td>~19%</td>
<td># 2</td>
<td>High</td>
<td>Crompton, Usha, Orient</td>
</tr>
<tr>
<td>Water Heaters</td>
<td>1,700</td>
<td>~19%</td>
<td># 1</td>
<td>Medium</td>
<td>Racold, AO Smith</td>
</tr>
<tr>
<td>Other Appliances</td>
<td>5,000</td>
<td>~6%</td>
<td>#3-4</td>
<td>Medium</td>
<td>Philips, Bajaj</td>
</tr>
</tbody>
</table>

* Modular plate switches
RECENT TRENDS AND OUR RESPONSE
**EXTERNAL HEADWINDS**

- Economic activities remained soft
- Multi-year low GDP growth rate
- Persistent Liquidity issues faced by trade
- Weakness in investment and consumption sentiment
- Sluggish activity in construction and capital goods sector

**INTERNAL INITIATIVES**

- Aggressive channel expansion
- Cost rationalisation
- Venturing in semi-urban and rural markets
- Exploring export opportunities- new markets and products
- Continued investment in Research & Development and production capacities
KEY LEVERS

• Distribution

• Product extension and expansion

• Digitization

• Research & Development
DISTRIBUTION: DEEPER PENETRATION

Proximity to Consumer

TOWN PENETRATION – 25K ABOVE POPULATION

Current | Ambition
~1150   | ~2000
~2300

RETAILER - COUNT

Current | Ambition
~1.5 Lac | ~2 Lac
~9,500 Direct Dealers
~150,000 Retailers
~250,000 Electricians
DISTRIBUTION: RURAL- UNTAPPED OPPORTUNITY

➢ Opportunity to tap demand created by improved electricity penetration in semi-urban territories
➢ Identified 2,800+ towns with population range of 10K-50K, covered 1,800 towns by now
➢ Catering through basic products like switches, MCBs, Lighting and Wires
➢ Plan to expand product offering

Present portfolio for semi-urban / rural markets
**Distribution: Multi Channel**

- Grow inclusively:
  - MBOs
  - Brand stores
  - Organized retail chains
  - Canteen Stores
  - Projects & Enterprise Business
  - E-commerce

**Largest Brand Shop channel in electrical industry**

- 550 Brand Shops
- 297 District Presence
- 20% Business Contribution (Ex Cable)
CONSISTENT NEW PRODUCT INTRODUCTIONS

2012: Water Heaters

2013: Domestic Appliances and Pumps

2016: Air Coolers

2017: Water Purification and Personal Grooming
SERVED WITH REGULAR FRESH LAUNCHES

Stealth Underlight Ceiling Fan: Silent and Dust Free

Mixer Grinder Sonido I: Low noise with digital display

Oil Filled Radiator

Aindrila: India’s first pedestal and wall fan with square guard and embedded LED Lighting

Digiplus Alkaline: 100% RO & UV

Lloyd Grande’: Heavy-Duty AC
**DIGITIZATION: SALES PROCESS**

- **Distribution Management System (DMS)**
  - Mini ERP solution for dealers
  - Helps real-time monitoring of payables, settlement of schemes, better inventory management, ensuring *Peace of Mind* to channel partners

- **mKonnect: Dealer App**
  - Mobile-based two-way communication platform
  - Enabling dealers and distributors to place orders from the ease of their shops, this has been effective in creating 80% of revenue being booked through this portal
  - Digital platform for retailers, 150K+ retailers registered with Company
  - Features include instant redemption of points, DBT, real-time info updates etc.
**DIGITIZATION: SALES PROCESS**

- Mobile-app based electrician loyalty program, 80K+ registered electricians
- Incentivizing through direct bank transfer with access to pricelist, transaction history and details of applicable schemes

- In-house developed mobile application making sales force more informed and effective
- Facilitates geo-tagging of sales team and retailer registration enabling 360-degree channel visibility
RESEARCH AND DEVELOPMENT

➢ Fast catcher to thought leadership
➢ R&D spend to increase from 1% to 3% of net revenue
➢ Intelligent hardware, embedded software
➢ Products to solution

First Mover
Self development from ground zero (2000-2015)

Fast Follower
JVs and alliances (upto 1990s)

Trend Setter
Develop solutions (2015 onwards)

IOT Smart Homes
LLOYD

A full stack consumer appliances play
**High Growth Potential Industry**

- **Low Penetration**
  - Colour Television: ~65%
  - Refrigerator: ~33%
  - Washing Machines: ~12%
  - Room Air Conditioner: >5%

- **Each Product Group Expected To Grow At Double Digit**

<table>
<thead>
<tr>
<th>INR Cr</th>
<th>Washing Machines</th>
<th>Refrigerator</th>
<th>Room Air Conditioner</th>
<th>Colour Television</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>9,500</td>
<td>18,900</td>
<td>16,300</td>
<td>24,500</td>
</tr>
<tr>
<td>2025E</td>
<td>15,900</td>
<td>33,600</td>
<td>37,600</td>
<td>45,800</td>
</tr>
<tr>
<td>2019</td>
<td>10%</td>
<td>10%</td>
<td>15%</td>
<td>11%</td>
</tr>
<tr>
<td>2025E</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: CEAMA and Frost and Sullivan
MASS PREMIUM POSITIONING

Air Conditioner Market in India

Key Players

Other Players

Premium

Mass-Premium

Economy
<table>
<thead>
<tr>
<th><strong>LLOYD WELL PLACED IN CONSUMER DURABLES MARKET</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FY19 Gross sales of c.INR 2,000 Cr</strong></td>
</tr>
<tr>
<td><strong>Comprehensive product portfolio</strong></td>
</tr>
<tr>
<td><strong>Gained 10% share in AC segment of India in ~ 7 years</strong></td>
</tr>
<tr>
<td><strong>Innovative and aggressive in brand building initiatives, created a strong connect</strong></td>
</tr>
<tr>
<td><strong>Among top three AC players in the country</strong></td>
</tr>
<tr>
<td><strong>10,000+ Display points pan India</strong></td>
</tr>
<tr>
<td><strong>600+ Service centers pan India</strong></td>
</tr>
<tr>
<td><strong>6 decades of brand vintage in AC segment</strong></td>
</tr>
<tr>
<td><strong>Presence across 450+ cities</strong></td>
</tr>
</tbody>
</table>
LLOYD: JOURNEY SO FAR

➢ Since Lloyd acquisition in 2017, there have been structural improvements in business amidst significant industry disruptions

➢ The industry turned fiercely competitive, led by price erosion by leading players in the market

➢ Lloyd, in midst of transition, was adversely impacted by increase in costs - higher import duty, adverse forex fluctuations and higher marketing & advertising costs

➢ The resultant price increase by Lloyd, led to moderation in volumes

➢ Lloyd has, however, managed to improve brand imagery, expanded distribution network, reduced forex exposure through AC plant commissioning, and is proliferating product range with washing machines and refrigerators
LLOYD: GOING FORWARD

➢ Continue the journey of taking the brand from Mass to Mass Premium positioning

➢ Leverage own AC production to strengthen offering, improved quality with better cost management

➢ Reinforce presence through leading MFR and RR chains and leveraging Havells’ association

➢ Nurture newer categories like Washing Machines and Refrigerators to become a comprehensive consumer durable brand

➢ Focus on improving margins, to build a growing, sustainable and profitable business
FINANCIALS
## STANDALONE FINANCIALS

### Financial highlights

<table>
<thead>
<tr>
<th></th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th>9M FY20</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Revenue</strong></td>
<td>61,353</td>
<td>81,385</td>
<td>100,576</td>
<td>72,122</td>
</tr>
<tr>
<td><strong>Growth %</strong></td>
<td>14%</td>
<td>33%**</td>
<td>24%**</td>
<td>(1%)</td>
</tr>
<tr>
<td><strong>EBIDTA %</strong></td>
<td>13.4%</td>
<td>12.9%</td>
<td>11.9%</td>
<td>10.8%</td>
</tr>
<tr>
<td><strong>PBT % before exceptions</strong></td>
<td>13.5%</td>
<td>12.3%</td>
<td>11.5%</td>
<td>9.7%</td>
</tr>
<tr>
<td><strong>PAT % before exceptions</strong></td>
<td>9.7%</td>
<td>8.6%</td>
<td>7.9%</td>
<td>7.7%</td>
</tr>
<tr>
<td><strong>CAPEX (incl. intangibles)</strong></td>
<td>2,386</td>
<td>15,888</td>
<td>5,009</td>
<td>3,336</td>
</tr>
<tr>
<td><strong>ROCE %</strong></td>
<td>27%</td>
<td>30%</td>
<td>30%</td>
<td>26%</td>
</tr>
<tr>
<td><strong>Net Worth</strong></td>
<td>32,736</td>
<td>37,392</td>
<td>42,425</td>
<td>44,789</td>
</tr>
<tr>
<td><strong>Net Working Capital</strong></td>
<td>5,274</td>
<td>3,131</td>
<td>7,625</td>
<td>8,814</td>
</tr>
<tr>
<td><strong>Cash &amp; Bank</strong></td>
<td>19,375</td>
<td>15,262</td>
<td>12,848</td>
<td>11,524</td>
</tr>
</tbody>
</table>

* PAT for FY18 and FY17 was 8.8% in both years including exceptional items
** Ex-Lloyd excise adjusted growth in FY18, FY19 and 9M FY20 was 13%, 23% and 2% respectively
AWARDS AND ACCOLADES
**RECENT RECOGNITIONS**

*Dun & Bradstreet’s ‘Best Corporate in the Electrical Sector’ Award*

*PHD Chamber: Good Corporate Citizen Award for Social Welfare 2019*

*Forbes ‘Entrepreneur of the Year Award’ 2019*

*Business Today: Best CEO Award in ‘Consumer Durables Category’*
SUMMARY

➢ India represents large untapped opportunity with lower penetration, higher unorganized sector & growing electrification

➢ Havells preparing for future with constant products expansion, deepening market reach & brand reinforcement

➢ Organic leverage with opportunistic acquisition to drive growth

➢ Strengthening management bandwidth to lead ambitious growth plan

➢ Native business acumen, market connect and ethics remain core values