

Management Discussion and Analysis

Context

Financial year 2022-23 witnessed a mixed operating environment as it had a healthy business outlook while at the same time faced challenges around commodity price fluctuations, rupee depreciation and accelerated inflation rates. In the backdrop of global challenges, India continued its strong growth with a rebound in private consumption and increase in government capital expenditure. During the year, India became the world's fifth largest economy and its GDP is estimated to grow at 6.8% in FY23 (IMF World Economic Outlook). India is expected to maintain leading growth in coming years.

The consumer electricals and durables industry continues to perform well with demand expanding on the back of increasing penetration, urbanisation, electrification and higher share of wallet for homes.

The megatrends shaping the business landscape include consumers becoming more informed, demanding and aspirational. Internet of Things (IoT) and smart connected homes are on the rise with the younger population contributing to buying decisions in the home. There is a clear preference for brands of trust and reliability as well as those ensuring deep engagement with consumers using an omni-channel approach.

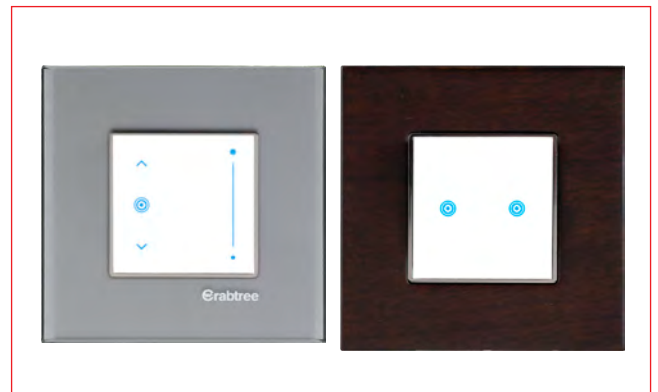
Segment-wise overview including industry structure, developments and outlook

Switchgear

The Strategic Business Unit (SBU) comprises Building Circuit Protection (BCP) equipment, switches and automation solutions, also called Electrical Wiring Accessories (EWA) and industrial switchgear. Havells is a pioneer in understanding

changing customer requirements and filling any vacuum with well thought through advanced products that offer the latest technology and deliver best value to customers. The focus remained on developing and launching new products and offerings. We introduced downstream protection devices that offer protection from current leakage and voltage surges, reflecting our customer first approach. These devices ensure circuit protection at the socket level, and safeguard user equipment. The latest offerings from Havells switchgear—ST[^]Dx range of MCBs, RCCBs, are intuitive and performance driven innovative protection devices.

In the switches category, the growing acceptance of smart and connected technologies is driving the transition towards smart homes. We are also expanding our smart portfolio and adding new product lines. Our new range of Signia smart products that was launched during the year has already proved successful by demonstrating rapid growth in the retrofit modular products segment.



Besides smart switches, we are also focused on the affordable segment with our REO Brand. We have added Matt Black switches to this portfolio to offer customers more variety with availability of choice even at the entry level.

The Switchgear segment registered net revenues of ₹ 2,120 crores during FY 2023 with contribution margins at 38.4% compared with net revenues of ₹ 1,786 crores with contribution margins at 38.6% during FY 2022. Our contribution margin continued to remain resilient despite raw material cost increases and inflation, achieved through effective price increases to market and alignment in product mix.

Electrical consumer durables (ECD)

This SBU comprises fans, small domestic appliances and water heaters. With effect from January 1, 2023, the fan industry moved to BEE rated energy efficient fans with all manufacturers phasing out non-rated fans by end of calendar year 2022. In the pre-transition phase there was initially some uncertainty with significant destocking in the channel, but just before the transition, there was healthy pickup by channels. Havells continued to focus on mass-premium offerings in the fans segment with a complete portfolio of decorative and designer star-rated fans. With the rating transition, Havells bolstered its range with a new range of designer BLDC fans. In 2023, Havells is set to offer the widest range of star rated and BLDC fans to Indian consumers.

During the year, Havells unveiled a new advertising campaign under its iconic ‘Hawa Badlegi’ advertising platform. In addition, we kicked off 2023 summer season with Brand Standard new brand promise of “Performance Ka Higher Standard” and

Havells fans campaign “Look up to great designs, wider range and energy savings” presenting widest range of star rated designer fans.

Driven by strong research on changing consumer needs and subsequent innovative offerings to cater to those needs, Havells has been among the top three players in most of the key categories in the appliance space in across different states in India.

The industry continues to witness higher demand for premium offerings across all sub-segments. The growth was also seen in deeper markets i.e., Tier 2 and Tier 3 cities and beyond. Even specific channels like MFR, e-commerce showed promising growth.

While large categories like mixer grinder (MG) and juicer mixer grinder (JMG) are already flag bearers of the Make in India movement, other key categories like induction cooktops, steam iron and toasters, room heaters, hand blenders etc. have followed suit. Steps to indigenise these product categories were initiated to cut down reliance on imports. Capabilities are being developed for in-house manufacturing in order to achieve design, innovation and cost advantage in the market. We witnessed 37 new launches across different channels and geographies to cater to customised demand in the appliances segment.

The electronic consumer durables (ECD) division registered net revenues of ₹ 3,296 crores during FY 2023 with contribution margins at 23.3% compared with net revenues of ₹ 3,067 crores with contribution margins at 23.3% during FY 2022.



Cable

The category experienced stable growth in FY 2023 inspite of decreasing metal prices for the major part of the year and copper price volatility. The industry continued its transition from the unorganised to the organised segment with increased consumer focus on buying branded and reliable products for homes and workplaces. Channel expansion and focus on semiurban and rural markets helped the business to register volume growth despite a high base.

Increased government spending and focus on infrastructure development, educational institutes, health institutes, development of manufacturing hubs, expansion of 5G network etc. were some of the growth drivers in FY 2023. There is a strong demand visibility across all industrial segments which led to an overall improved environment for the industrial cable sector. Various sectors like renewable energy, data centres, metros, 5G, airports and defence, digitilisation are expected to provide the levers for sustained growth in coming years.

With increased consumer awareness about safety, the industry is focused on sales of specialised cables like the heat resistant flame retardant (HRFR) cables, the , flame retardant and low smoke halogen (FRLS-H) cables and the halogen free flame retardant (HFFR) cables. This year our new TV ad campaign focused on 'halogen free flame retardant wires' that has worked to clearly highlight the importance of safety in consumer minds.

The cables division registered net revenues of ₹ 5,533 crores during FY 2023 with contribution margins at 12.9% compared with net revenues of ₹ 4,645 crores with contribution margins at 14.6% during FY 2022.



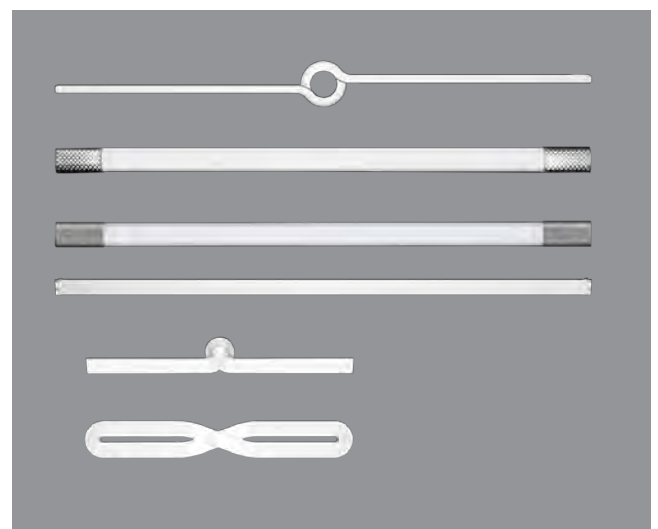
Lighting

Havells Lighting business comprises of two business units (BU) – consumer lighting and professional lighting. Both these BUs experienced strong performance during FY 2023 thereby strengthening Havells positioning as a leading lighting brand in India. With a wide variety of product offerings, innovative solutions, performance reliability, easy availability, and after-sales service, Havells Lighting has evolved as a brand of choice for customers across segments and categories.

With our economy emerging stronger post-Covid, the professional lighting business too experienced a strong demand environment in many customer segments. Havells new streetlight offerings achieved increased spacing between poles while still meeting stringent light requirements, thereby maximising value for all stakeholders. We also introduced sensor based street lights that automatically switch ON and OFF based on daylight sensing, thus saving energy. For offices and modern workspaces, aesthetically designed luminaires were launched during the year.

We have developed a competent team to engage with customers and understand their need for automation. Our smart solutions can deliver significant features such as human-centric lighting, daylight saving, colour tunability, multi-sensor functionality, standalone and cloud-based working, etc.

In the consumer lighting business, Havells has established itself as a leading innovative lighting brand through a series of differentiated product launches. One such highlight was the launch of Glamtubes that offer a single light solution to consumers, thus making battens look glamorous and beautiful yet perform the best! Glamtubes are based on industry best technology. on performance and elegant aesthetic designs.



Today's consumers, embracing their own uniqueness, have a choice of designs that reflect their personalities and match their decor, whether at home or work. The demand for premium lighting is on the rise. Havells Home Art Light is a one-stop shop for all things lighting – from basic to high-end, from minimalistic to opulent or ornate, as well as luxury lighting solutions. We have 30 Home Art Light Brand stores with experiential zones that provide consumers an opportunity for the real light experience.

The Lighting division registered net revenues of ₹ 1,602 crores during FY 2023 with contribution margins at 29.8% compared with net revenues of ₹ 1,371 crores with contribution margins at 31.3% during FY 2022.

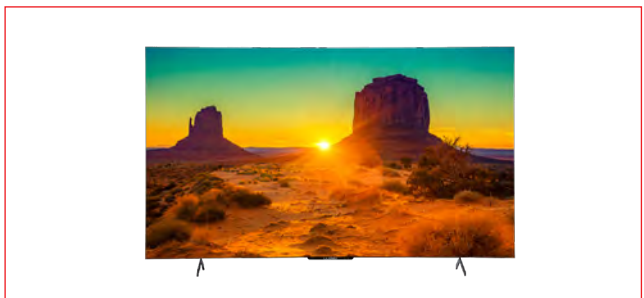
Lloyd

Following two years of disrupted summer sales for air Conditioners and refrigerators due to COVID-19, this year witnessed a good summer with a full season on the market. Backed by strong in-house manufacturing, Lloyd capitalised on the opportunity, gained market share and cemented its position of being a meaningful player in the AC market. While increasing share of premium products in the portfolio, the Company strengthened the product portfolio with range completion to achieve its positioning of a full stack consumer durable player. Additionally, channel focus over the years has

enabled Lloyd to achieve a meaningful presence in the market across traditional and emerging channels.

The continued hyper competition in the market and commodity price volatility created some margin pressures for Lloyd. Despite that, we continued our accelerated investment in the brand, R&D, manufacturing and talent. With a strong R&D focus, we developed and brought to market differentiated offerings for our customers with new product feature additions. We launched the New Lloyd Grande Heavy Duty AC with superior features like powerful cooling (even at 60 degrees) and indoor air purification technology. We kicked off the summer of 2023 with Lloyd's new brand promise of 'Khayal jo ghar ko ghar banaye' which captures the role of Lloyd products as an enabler of love and care at home. We commissioned the new Lloyd air-conditioner plant at Sri-City in Chittoor District in the state of Andhra Pradesh during the year. This plant will not only double the AC production capacity but also augment the GTM with manufacturing presence in the southern part of the country, besides unlocking export opportunities and better inventory management during the peak season.

The Lloyd consumer division registered net revenues of ₹ 3,369 crores during FY 2023 with contribution margins at 4.4% compared with net revenues of ₹ 2,261 crores with contribution margins at 6.9% during FY 2022.



Opportunities

- A. Industry growth and under penetration:** Electricals and consumer durables categories are still under penetrated and poised for strong growth on the back of increasing urbanisation and personal disposable income.
- B. Increasing electrification:** Government efforts towards enhanced power availability is continually increasing electrification in semi-urban and rural areas, along with stable electricity supply in urban areas. This has translated into better demand for electrical and consumer durable products in new and existing markets.
- C. Infrastructure expansion:** The government's strong focus on infrastructure expansion including highway construction, railway modernisation and airport additions is expected to create demand for electrical goods.
- D. Favourable demographics:** While the world is rapidly aging, India's population is among the youngest globally. With a median age of less than 29 years and 67% of the population in the working age group of 15-64 years this is a key demographic dividend for India.
- E. Exports:** A sizeable global market is looking to diversify its supply chain in order to tide over any probable regional challenges or geopolitical issues. With a strong business environment and enhanced ease of doing business, India is emerging as a strong country and as a manufacturing alternative to other Asian countries.
- F. Product Portfolio:** With a strong full stack product portfolio across electricals and durables, industrial and infrastructure, consumer and residential segments, the Company is well-positioned to capitalise on a great opportunity to increase shelf space at the retail counter and share of wallet of the consumer. Alongside providing a natural hedge in case of an economic downturn, a complete product portfolio enhances the opportunity to cross sell with channel partners and final consumers.
- G. Accelerated shift from unorganised to organised:** A large portion of the consumer electrical market continues to be unorganised.. However, increasing brand awareness, formalisation and aspirations, can accelerate the shift in consumer preference from unorganised to organised, which shall be beneficial for the key players.

Risk and Concerns

- A. Economic slowdown:** Slowdown in the Indian economy due to global developments could adversely impact growth in the short-term.
- B. Commodity pressures:** Sharp increase in commodity prices could lead to increase in cost of finished goods thereby impacting affordability and consumer sentiment.
- C. Competitive intensity:** Irrational market behaviour with increased competitive intensity could cause value erosion for the industry as a whole especially with the entry of new disruptive players with access to low cost capital and extended ability to sustain losses to capture market share.

- D. Power disruptions:** Any impact on power distribution and electricity delivery can impact the demand for electrical products. Availability of stable and quality power supply continues to be an important factor for the industry's growth prospects.
- E. Pandemic:** Deterioration in supply chain and demand due to the COVID-19 pandemic or similar disruptions have emerged as a significant business risk.
- F. Geopolitical crisis:** Volatility in the commodity and foreign currency markets may impact raw material availability due to geopolitical challenges in different geographies around the world.

Also kindly refer to the section Risk Management of this Integrated report

Awards and Accolades

Havells received the following awards during the Financial Year ended 31st March, 2023:

- Golden Pin Product Design Award for Freedom Architectural Light
- DIA_Design Intelligence Award for Freedom Architectural Light
- DIA_Design Intelligence Award for Vogue Highbay
- CII Design Excellence Award for Lloyd Elante Washing Machine
- CII Design Excellence Award for Zella Immersion Rod
- India's Best Design Award for In-house Studio Award_Havells CXD
- European Product Design Award for Meditate UX
- Product of the Year, Consumer survey of Product Innovation 2022 for Lloyd Elante Washing Machine
- National Accreditation Board of Testing & Calibration Laboratories (NABL) for Faridabad Electrical Lab
- Design Wall Awards, Platinum Winner, Acetech, Delhi. awarded by Deputy Chief Minister of Delhi Mr. Manish Sisodia.
- Rural – RMAI Flame Awards Asia 2022 in the category - Best Last Mile Initiative of the Year - Havells UTSAV Store
- Solar – Solar Quarter Business Meet, State Awards; First View Group
 - “Most Trusted Inverter Brand of the State” Pune, Maharashtra; Bengaluru, Karnataka & Chandigarh
 - “State Customer's Choice Award - Inverter (Rooftop)” Haridwar, Uttarakhand & Ahmedabad, Gujarat
 - “State Market Leader Award – Inverter (On-Grid)” Indore, Madhya Pradesh & Jaipur, Rajasthan
 - “Solar EPC Company of the Year” Kochi, Kerala
- Pitch – Winner of Resurgent Brand Award at Pitch Top 50 Brands

The Chairman was also awarded “Best CEO from the Consumer Durable Industry” by the Business Today Best CEOs Award 2022.

Key ratios

Sl.	Ratio	As at 31 March, 2023	As at 31 March, 2022	Change	Explanation for change in the ratio by more than 25% as compared to the previous year
A	Current Ratio (times) = Current assets/ Current liabilities	1.8	1.8	1.2%	Not Applicable
B	Debt-Equity Ratio (times) = Total Borrowings/ Shareholder's equity	-	0.1	-100.0%	Debt repayment
C	Debt Service Coverage Ratio = Earnings available for debt service/ Debt service {refer note 15(A)(c)}	3.0	8.7	-65.6%	Debt repayment
D	Return on Equity Ratio % = Net Profits after taxes/ Average shareholder's equity	17.1%	21.4%	-4.4%	Not Applicable
E	Inventory turnover ratio (times) = Revenue from operations/ Average inventory	5.0	5.0	1.7%	Not Applicable
F	Trade receivables turnover ratio (times) = Net credit revenue from operations/ Average trade receivables	19.4	20.9	-7.1%	Not Applicable
G	Trade payables turnover ratio (times) = Net credit purchases/ Average trade payables	5.9	5.8	1.6%	Not Applicable
H	Net capital turnover ratio (times) = Revenue from operations/ Working capital	5.3	4.7	11.9%	Not Applicable
I	Net profit ratio % = Net profit/ Revenue from operations	6.4%	8.6%	-2.2%	Not Applicable
J	Return on capital employed % = EBIT/ Average Capital Employed	22.8%	27.5%	-4.70%	Not Applicable
K	Return on investment % = EBIT/ Average total assets	12.1%	15.5%	-3.4%	Not Applicable

Human Resources

Kindly refer to the section Human Capital of this Integrated report page no. 42

Internal control mechanism

Kindly refer to the section Risk Management of this Integrated report page no. 16

Disclaimer Clause

Statements in the Management Discussion and Analysis Report describing the Company's objectives, projections, estimates, expectations may be 'forward-looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and incidental factors.