



Havells India Limited

Leveraging Brand & Distribution

June 2014

SYLVANIA


HAVELLS

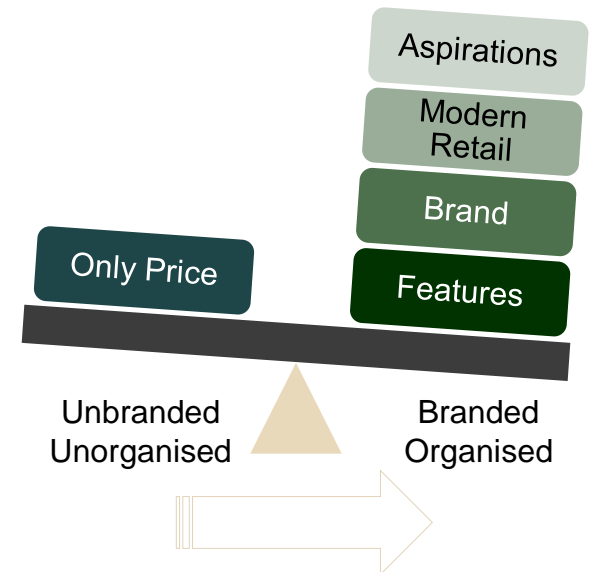


INTRODUCTION

- Havells – a branded electrical consumer products company in India.
- Started in 1971 with the acquisition of Havells brand.
- Amongst top 4 brand in various product categories.
- Acquired global lighting brand ‘Sylvania’ in 2007 to expand in international markets.
- Consolidated Revenue of US\$ 1.4 billion and profit of US\$ 75 million.
- A focused brand & distribution business strengthening its core activities at ongoing basis.

FAVORABLE INDUSTRY DYNAMICS - INDIA

- Paradigm shift in consumer buying behavior, driven by aspiration.
- Branded over unbranded, organized over unorganized.
- Resulting in vast growth opportunity in branded electrical consumer products segment.
- Increasing consumer/ end users engagement and usage experience driving quality and brand recall as key differentiator.
- Select national brands, each centered towards product verticals.
- Housing growth, adequacy and quality of power– key macro growth driver.

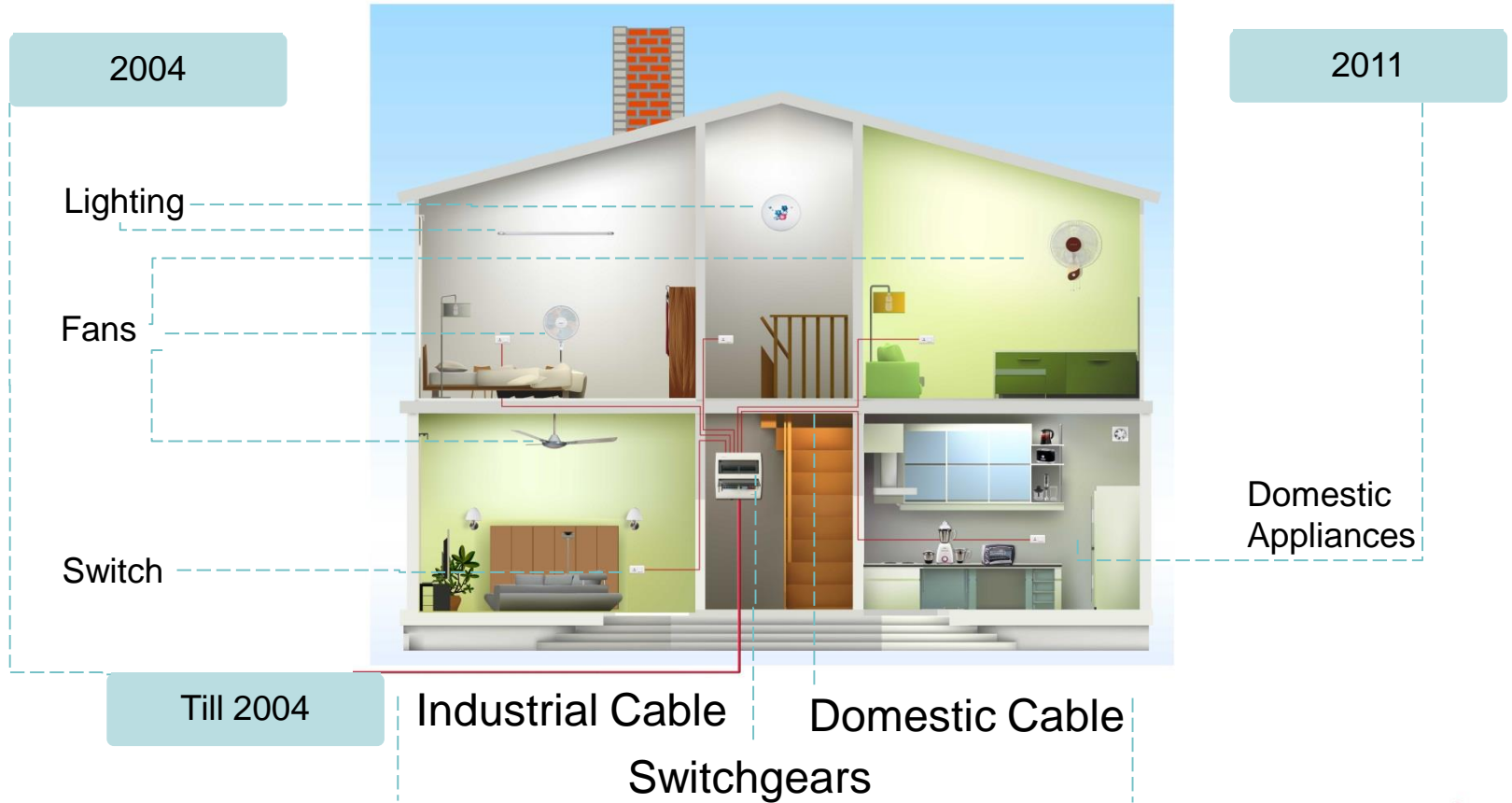




SUSTAINED GROWTH & BUSINESS LEADERSHIP

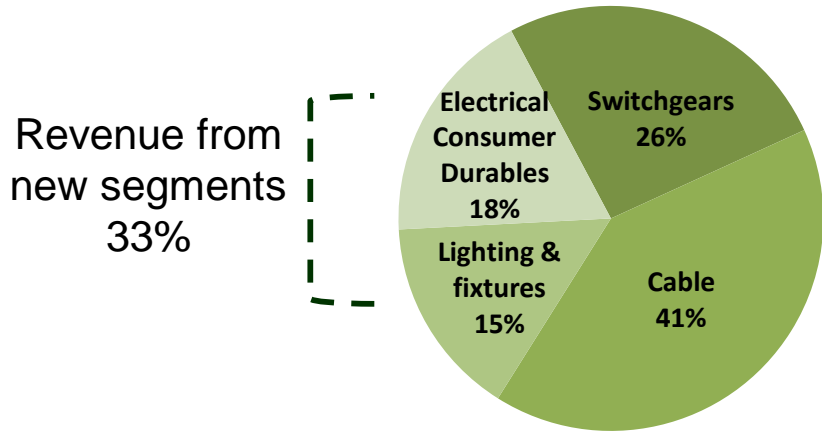
- Stronger focus on consumer business.
- Brand promotion, distribution penetration, servicing and product expansion, inter-alia, to be key initiatives for higher growth.
- Product mix to further gravitate towards consumer branded segment.
- Benchmarking with industry leaders in other building product segments like Paints, Adhesives; at par advertisement spend.
- Better profitability, free cash flow and superior return to shareholders to guide business policies.

BACKYARD TO LIVING ROOM

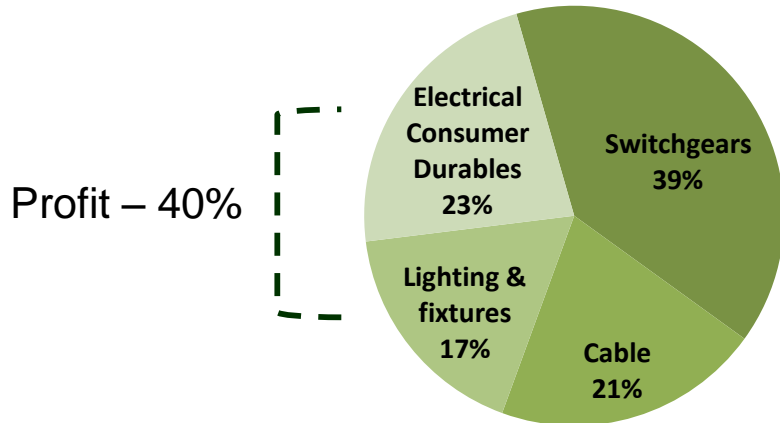


ABILITY TO LAUNCH, STABILIZE & CREATE SIZEABLE BUSINESS

Revenue Mix - FY14



Contribution Mix - FY14



Successfully gained market share in new segments



Electrical Consumer Durable - Fans

Market Size ~ INR 45,000 million
 Market share ~ 15%
 Peer Position – Crompton, Usha, Orient



Lighting - CFL

Market Size ~ INR 23,000 million
 Market share ~ 12%
 Peer Position – Philips, Osram



Lighting - Luminaires

Market Size ~ INR 29,000 million
 Market share ~ 13%
 Peer Position – Philips, Bajaj, Crompton, Wipro



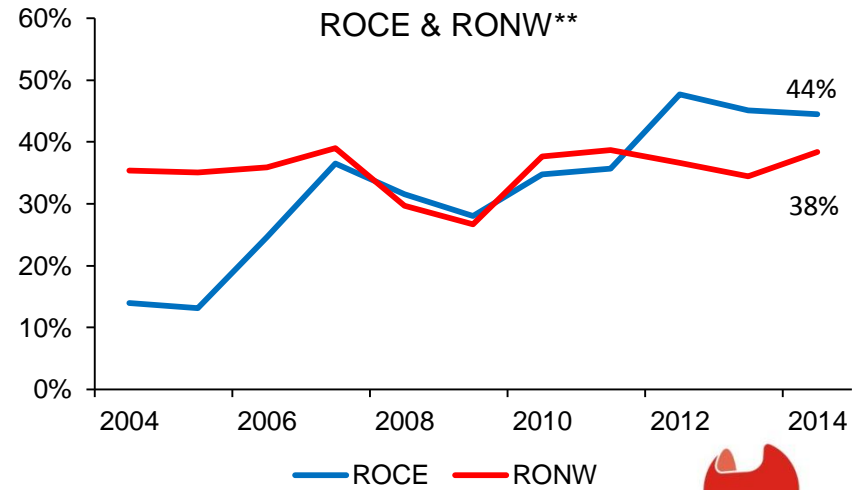
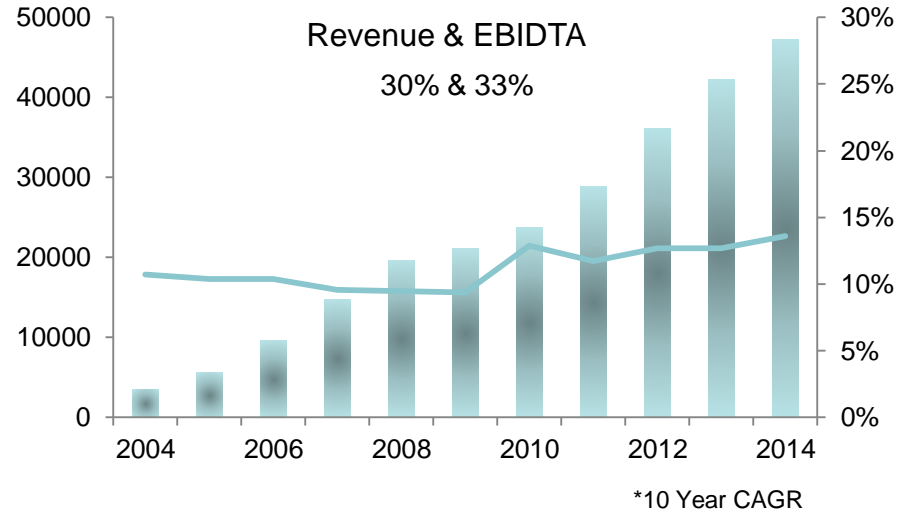
Domestic Appliances

Market Size ~ INR 50,000 million
 Peer Position – Bajaj, Philips

Creating Long Term Value

MAINTAINING INDUSTRY LEADERSHIP

- # 1** **Switchgears - Domestic MCB**
 Market Size ~ INR 17,000 million
 Market share ~ 29% (15% in 2006)
 Peers – Legrand (Indo Asian), Schneider
- # 2** **Switchgears - Switches**
 Market Size ~ INR 15,000 million
 Market share ~ 16% (5% in 2006)
 Peers – Panasonic (Anchor), Legrand, Schneider
- # 3** **Cable - Domestic**
 Market Size ~ INR 65,000 million
 Market share ~ 14% (6% in 2006)
 Peers – Polycab, Finolex
- # 3** **Cable – Industrial**
 Market Size ~ INR 100,000 million
 Market share ~ 9% (6% in 2006)
 Peers – Polycab, KEI



** stand alone based on average excluding investment



WIDER, DEEPER

- Direct presence in 100 towns with >500k population.
- Focus now on towns with 50-500k population. Out of 1200 towns, already reached nearly 760 towns.
- Less than 50k towns currently served by distributors as opportunity constrained with inadequacy of quality and availability of power.
- Reo launched as an entry level product to drive growth in smaller, emerging towns.
- Galaxy showrooms (franchised) to double from 200 to 400 covering 250 towns (against earlier 130 towns).
- Galaxy now contributes 16% of non-cable business apart from a high quality brand visibility and direct consumer engagement.
- Greater relationship with retailers & electricians through 'Power Plus' initiative. Current data base of 20,000 active retailers and 61,000 electricians.

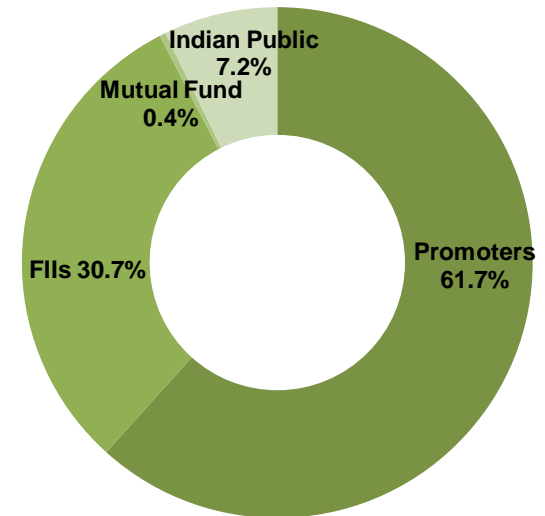


HAVELLS

BENCHMARKING WITH THE BEST CORPORATE, FINANCIAL AND SHAREHOLDERS GOVERNANCE

- Promoters- Single business focus, high quality corporate governance practices. Alignment of interest with other investors through transfer of “HAVELLS” Brand at no consideration.
- Predictability and sustainability of financials to emulate FMCG industry.
- Strict working capital management, low debt and superior cash flows.

Shareholding Pattern



Janus Capital
Nalanda Capital
Sequoia Capital
Vontobel

HAVELLS STANDALONE FINANCIALS

in millions of Rupees

Operational highlights

	FY12	FY13	FY14
Net Revenue	36,156	42,250	47,197
<i>Growth (%)</i>	22%	17%	12%
EBIDTA	4,591	5,349	6,415
<i>EBIDTA %</i>	12.7%	12.7%	13.6%
Net Profit	3,054	3,714	4,787
<i>Net Profit %</i>	8.4%	8.8%	10.1%
CAPEX	1,376	1,200	920

Balance Sheet highlights

	March 12	March 13	March 14
Net Worth	16,083	18,702	21,299
Gross Debt	1,286	1,088	1,955
Net Fixed Assets	8,339	9,135	9,341
Investment (Sylvania)	7,751	7,751	8,515
Net working capital	2,661	3,942	3,796
Cash & bank balance	1,362	2,465	6,261

- Low working capital due to channel financing made available to dealers i.e. direct funding by bankers with limited recourse on the company.
- Maintained 46% dividend payout on standalone profit.

SYLVANIA ACQUISITION – GLOBAL FOOTPRINT

- Acquired Sylvania lighting for expanding internationally with similar business profile-brand and distribution network.
- 100 years old brand having distribution network across Europe, Latin America and global brand recall.
- Acquired for Euro 227 million in 2007.
- Operational restructuring in 2009-10, currently under consolidation with profitability focus.

Lamps:



LEDs

Traditional

Fixtures:

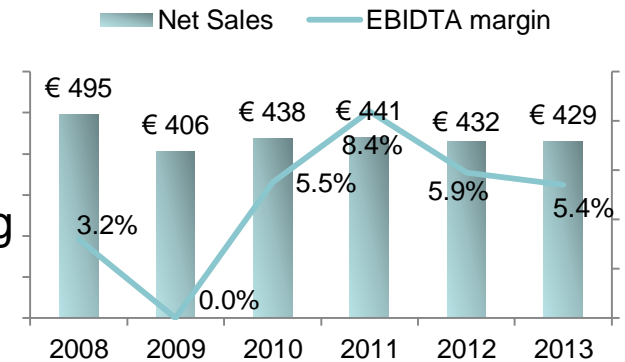


LED

Architectural/IC

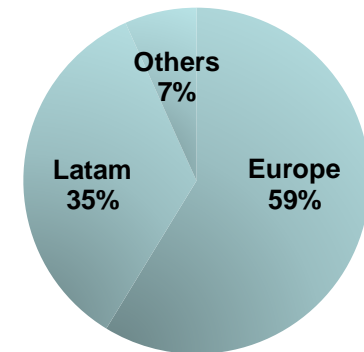
STRATEGY-SYLVANIA

- Stabilizing Europe, growth in Latin America and Asia.
- Incubating new territories viz South Africa, Chile.
- Expand product categories to move beyond lighting into electrical products (like Havells).
- Ebidta decline due to sales de-growth and one-time commodity gain in 2011.
- Successful debt refinancing led by ICICI bank, Standard Chartered and HSBC.
- Significant deleverage aided by proceeds from Havells equity and internal accruals.



in millions Euros

Revenue Mix CY13



HAVELLS

SYLVANIA FINANCIALS

in millions of Euro

Operational highlights

	CY12	CY13	Q1CY14
Net Revenue	€ 432	€ 429	€ 113
Growth (%)	--	--	--
EBIDTA	€ 26	€ 23	€ 7
EBIDTA %	5.9%	5.4%	6.2 %
Exceptional cost	€ (25.8)*	--	--
Net Profit	€ 37	€ 5	€ 2

* includes income from settlement agreement with Osram.

- Focus on operating margins under volatile environment.
- Reduction in interest cost.

Balance Sheet highlights

	Dec 12	Dec 13	March 14
Share Capital	€ 141	€ 141	€ 141
Reserve & Surplus	€ (77)	€ (81)	€ (83)
Net debt	€ 73	€ 62	€ 54
Net Fixed Assets	€ 65	€ 64	€ 63
Goodwill	€ 10	€ 10	€ 10
Net working capital	€ 135	€ 117	€ 110

- Noticeable reduction in loan funds.
- Havells increased equity exposure by € 26 million.
- All financials as per IFRS for Sylvania global.

CONSOLIDATED

in millions of Rupees

Operational highlights

	FY12	FY13	FY14
Net Revenue	65,182	72,478	81,858
<i>Growth (%)</i>	<i>16%</i>	<i>11%</i>	<i>13%</i>
EBIDTA	6,785	6,915	7,790
<i>As % to NR</i>	<i>10.4%</i>	<i>9.6%</i>	<i>9.5%</i>
Net Profit	3,699	5,814	4,463

Balance Sheet highlights

	FY12	FY13	FY14
Net worth	9,556	14,420	16,660
Net debt	7,934	5,079	1,716
Net fixed assets	10,946	11,555	12,068
Net working capital	11,883	12,477	12,967



SUMMARY

- Havells metamorphosing into branded consumer company benchmarked against the best-in-class across industries (not just electrical).
- Constant endeavor to align with best practices in each initiative for each stakeholder.
- Sylvania to spearhead global expansion.
- Continue to be ambitious and yet conservative group.
- Incremental cash flows and higher dividend payout to create long term shareholder value.