

HAVELLS – Information Update

Q1 2009-10 {JUNE 30, 2009} {Un-Audited Financial Results}

We recommend that readers refer to the Havells India financials to get a better appreciation of the business performance. A copy of the latest quarterly/ yearly Financial Results of Havells India Limited are available on Havells website – <http://www.havells.com>. The results are Limited Reviewed by the Auditors of the Company and adopted by the Board of Directors in their meeting held on July 28, 2009.

1. HAVELLS INDIA (STANDALONE) – Q1 2009-10 RESULTS ANALYSIS

The business demonstrated strong performance in the first quarter compared to the prior year comparable period, primarily driven by improvement in profitability and also by continued year-on-year growth in topline.

Table 1.1: P&L Summary (Havells India stand alone)

in millions of rupees	Q1 FY09	Q1 FY10	Change (%)
Net Revenue (NR)	5,534	5,862	6%
EBIDTA	550	724	32%
as a % of NR	9.9%	12.4%	
Depreciation	37	54	
Interest	49	16	
Add: Other Income	6	4	
Profit before tax	470	658	40%
as a % of NR	8.5%	11.2%	
Tax	63	165	
Net Profit	407	493	21%
as a % of NR	7.4%	8.4%	

Results summary

- 6% growth in Net Revenue compared to the prior year comparable period. This was driven by 17-20% growth across all business segments except cable and wires which reported a 4% decline in revenues compared to the prior year comparable period .
- 32% growth in EBIDTA driven by a 250 basis points improvement in EBIDTA margins. Margin improvement is mainly driven by reduction in fixed cost base, decline in material cost with stable prices and increased contribution from cable & wire division
- Interest cost reduction owing to lower utilization of credit facilities driven by efficient working capital management
- Tax cost increased due to reduction in fiscal exemption for Baddi unit and higher contribution from non exempted unit like cable & wire
- 21% growth in Profit after Tax with 100 basis points improvement at Rs. 493 mn in Q1 FY10.

Table 1.2: Revenue analysis (Havells standalone)

Net Revenue by Segment		
In millions of rupees	Q1 FY09	Q1 FY10
Switchgears	1,471	1,719
Cable & Wires	2,529	2,428
Lighting & Fixtures	627	755
Electrical Cons. Durables	774	904
Others	140	93
Total (including other income)	5,541	5,899

Net Revenue by segment

- Switchgear revenues increased by 17% in Q1 FY10 compared to the prior year comparable period. This included additional sales from Motor division of Rs. 80 mn in 1Q 10 as compare to nil in the prior year comparable period.
- Cable & Wire revenues declined by 4% compared to the prior year comparable period. The fall in copper and aluminium prices contributed to lower prices which was offset by strong volume growth of 16%.
- Lighting & Fixtures revenues increased by 20% compared to the prior year comparable period due to increased sales of both Luminaries and CFL.
- Electrical Consumer Durables revenues increased by 17% compared to the prior year comparable period underpinning growth from branded consumer products portfolio

Table 1.3: Contribution analysis by segment (Havells standalone)

Segment Results as % to Net Revenues		
In millions of rupees	Q1 FY 09	Q1 FY10
Switchgears	38.3%	35.4%
Cable & Wire	10.6%	12.1%
Lighting & Fixture	17.5%	15.8%
Electrical Cons. Durables	20.8%	24.0%
Others		
Total	20.3%	21.1%

Contribution by Segment

- Switchgear margin dropped during Q1 FY10 on y-o-y basis. The drop in contribution is due to motor division which is a new business.
- Cable & Wire margins increase by 150 bps due to effective price management in the falling material cost environment
- Lighting & Fixtures margins were impacted by increased import costs in luminaries due to rupee depreciation
- ECD (Fan) margins increase by 320 bps due to better sales realization and reduction in raw material prices

Table 1.4: Overall profitability analysis (Havells standalone)

in millions of rupees	Q1 FY09	Q1 FY10
Net Revenue	5,534	5,862
Raw Material	3,231	3,357
as % to NR	58.4%	57.3%
Staff Cost	222	191
as % to NR	4.0%	3.3%
Other Expenses	1,538	1,625
as % to NR	27.8%	27.7%
Add: Other Operating income	7	36
as % to NR	.1%	0.6%
EBIDTA	550	724
as % to NR	9.9%	12.4%

Direct cost and other operating expenses

- Raw material cost declined due to a decrease in raw material prices across all product lines.
- Staff cost have declined due to initiative launched by the company in the last quarter of 2009 to optimize its fixed cost base
- Other expenses increased by 6%. Advertisement and sales promotion expenses were Rs. 248 mn in Q1FY10, as compared to Rs. 264 mn in Q1FY09.

Table 1.5: Cashflow analysis (Havells standalone)

in millions of rupees	FY09 – full year	Q1 FY10
Cash Flow from Operating Activities	2,732	329
Cash from Investing activities	(3,223)	(581)
Cash flow from financing activities	1,404	(551)
Net increase/ (decrease) in cash and cash equivalents	912	(803)
Opening Cash	642	1,554
Closing Cash	1,554	752

Cash Flow - Highlights

- Cash used in investing activities included Rs.329 mn in Q1FY10 invested in the subsidiary company for the part repayment of Sylvania debt having recourse on Havells India.
- Cash flow from financing activities involving Rs. 455 mn has been used to repay the Packing Credit foreign currency loan.

Table 1.6: Financial Ratios (Havells standalone)

Financial Ratios	Q1 FY09	Q1 FY10
Profitability		
OPM (%) (EBIT/NR)	9.3	11.4
PAT % (PAT/NR)	7.4	8.4
ROCE % (EBITDA/TCE)	29.2	28.4
RONW % (PAT/NW)	23.6	20.0
Liquidity Ratio		
Current Ratio (CA/(CL+WCL))	1.4	1.3
Debtors days (Debtors/TR)	13	12
Inventory days (Inventories/NR)	70	39
Creditors days (TC/COGS)	74	63
Leverage Ratio		
Debt/Total Equity	0.05	0.02

Key Ratios

- Operating profit and Profit after Tax margins increase.
- ROCE and RONW decline mainly due to increase in Net Worth.
- Rigorous working capital management has caused Inventory to reduce sharply.

2. SYLVANIA– Q1 2009-10 RESULTS ANALYSIS

Change in reporting format for the financial year April 2009 – March 2010

Beginning from April 1, 2009, the Company will publish quarterly financial results on a standalone basis only. Sylvania's financial results during the next 18-24 months will not be representative of true operational performance of the business as Sylvania is embarking on a restructuring plan to improve the long term financial health of the business. During this period, there will be material one-time restructuring costs. Sylvania expects to achieve a healthy profitability after restructuring, even at reduced sales level. In accordance with Listing agreement, the company will continue to report audited consolidated financials (including Sylvania) on an annual basis.

However, on a quarterly basis, management will continue to present the P&L summary for Sylvania in this Information Update (in the format below), along with a summary of other important financial metrics to enable analysts and investors to analyze business performance.

Table 2.1: P&L Summary (Sylvania stand alone*)

in millions of rupees	Q1 FY09	Q1 FY10	Highlights in the quarter
			Results Summary
Net Revenue (NR)	8,508	7,091	<ul style="list-style-type: none"> 17% decline in Net Revenue compared to the prior year comparable period, driven by a 20% decline in Euro revenues and a 3% depreciation of the Indian rupee against the Euro. The decline in revenues was primarily driven by macroeconomic headwinds in the European market. The EBIDTA decline is due to fall in sales and high fixed cost base. The Company has already initiated restructuring of fixed cost and optimization of production foot print to address the same. Exceptional items of Rs. 391 mn comprising of one time cost as mentioned below:
EBIDTA	523	31	
as a % of NR	6.1%	--	
Depreciation	179	161	
Interest	192	189	
Exceptional Items	--	391	
Add: Other Income	--	--	
Profit before tax	152	(710)	
Tax	63	19	
Net Profit	89	(729)	
			(Rs in millions)
			Restructuring 242
			Impairment of assets 203
			Others (gain) (54)
			Total 391

* Sylvania results include the financials of all the overseas wholly owned subsidiaries of Havells India Limited.

Table 2.2: Revenue Analysis (Sylvania)

in millions of Euro	Q1 FY09	Q1 FY10	Change (%)
Net Revenue *			
Europe	€ 88.53	€ 70.62	(20.2%)
Americas	€ 31.83	€ 27.20	(14.5%)
Asia	€ 6.33	€ 3.62	--
Other/ Elimination	€ (1.63)	€ (1.60)	--
Total	€ 125.06	€ 99.85	(20.2%)

*The Net Revenue in Euro shown above is after deducting discounts/ allowances.

Commentary on topline performance: The Net Revenue for the quarter declined by 20% compared to the prior year comparable period.

- Net Revenues in Europe declined by 20% compared to the prior year comparable period. All the major markets suffered from continued low order intake as a result of very cautious buying and inventory management at customer level. Net of currency impact the drop would be 18.6% on y-o-y basis. The GBP accounts for almost the entire exchange loss versus last year.
- Net Revenues in the Americas, which mainly include Latin America, declined by 15% in Q1 FY10 compared to the prior year comparable period. In addition to the adverse impact of economic recession, the swine flu also hampered our business in Latin America.

Table 2.3: Progress of ongoing restructuring (Sylvania)

in millions of Euro	Time period for implementation	One time estimated cost	Projected annualized savings	Annualized savings realized (for 2009)
	Jan 2009 to Sept 2009	€ 12.23	€ 17.5	€ 11.5

Commentary on on-going restructuring initiatives: SG&A spending for the quarter reduced by 16% versus last year and results from restructuring plan that is rigorously being implemented and tracked. So far, the results are exceeding the plan and the restructuring costs are lower than planned. Initiated at the beginning of year 2009, restructuring plan implemented at Sylvania includes a series of actions undertaken to mitigate the negative impact of the market deterioration, specifically the alignment of production with the prevailing market demand.

Table 2.4: Total Net Debt (Sylvania)

in millions of Euro	31 March 2008	31 March 2009	30 June 2009
1. With recourse to Havells India Ltd.*			
- Acquisition debt	€ 30.00	€ 23.33	€ 20.01
- Other debt	€ 23.88	--	--
2. Without recourse to Havells India Ltd.	€ 145.90	€ 148.21	€ 145.94
3. Less: Cash	€ 28.21	€ 13.33	€ 16.87
Total Net debt	€ 171.57	€ 158.21	€ 149.08

*In addition to this Deutsche Bank has provided various credit facilities to Sylvania for Euro 14 mn, the payment of which is obligation of Sylvania, and has been guaranteed by Havells India Limited.

Table 2.5: Havells financial exposure to Sylvania

in millions of Euro	As at 31 March 2009	As at 30 June 2009
1. Equity invested by Havells in Sylvania at the time of investment (2007-08)	€ 50	€ 50
2. Sylvania debt with recourse to Havells		
- recourse debt repaid	€ 7	€ 10
- recourse debt to be repaid over 2009-2012	€ 23	€ 20
- additional working capital debt guaranteed by Havells*	€ 14	€ 14
Total current exposure (1+2)	€ 94	€ 94
3. Additional equity proposed in FY10	€ 12	€ 12

* Deutsche Bank has provided various credit facilities to Sylvania for an amount outstanding as on 30 June 2009 to Euro 4.2 million (Rs. 284 mn), the payment of which is obligation of Sylvania, and has been guaranteed by Havells India Limited.

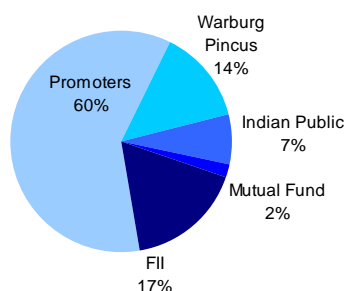
The total additional cash to be infused by Havells in Sylvania (incremental exposure) is limited to Euro 46 mn. This includes: (i) Euro 20mn in recourse loans; (ii) Euro 14mn additional working capital debt guaranteed by Havells; and (iii) potential additional equity infusion of Euro 12mn. This equity infusion is currently being considered in order to fund the restructuring program and is linked with a substantive debt restructuring plan being finalized with Sylvania lenders.

3. SHAREHOLDING RELATED INFORMATION

Proposed dividend to shareholders

- Havells continued its philosophy of sharing profits with the shareholders, through declaration of 50% dividend for the Financial Year 2009.

Table 3.1: Shareholding Pattern

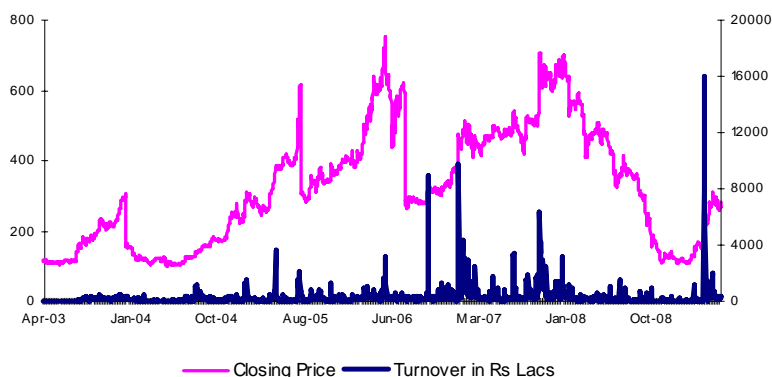


Shareholding pattern

- The promoters holding is 60% with Warburg Pincus as the main investor holds 14.48%.

Table 3.2: Stock Price Performance

The graph below depicts the Havells performance on the NSE since April '03 to June '09 and volume in Rs. Lacs at NSE.



DISCLOSURE OF INFORMATION, COMMUNICATION WITH INVESTORS / ANALYSTS / FINANCIAL COMMUNITY

Havells will be issuing a fresh information Update, like the one you are reading now; on the day it declares its Quarterly/ Half Yearly Financial Results. Some forward looking statements on projections, estimates, expectations, outlook etc. are included in such updates to help investors / analysts get a better comprehension of the Company's prospects and make informed investment decisions. Actual results may, however, differ materially from those stated on account of factors such as changes in government regulations, tax regimes, economic developments within India and the countries within which the Company conducts its business, exchange rate and interest rate movements, impact of competing products and their pricing, product demand and supply constraints. The information contained in such updates is made public and does not therefore constitute unpublished price sensitive information under the SEBI (Prohibition of Insider Trading) Regulations, 1992. For further information / clarification, you may contact Mr. Sushil Singhal, AGM (Investor Relations) at Havells India Limited, QRG Towers, 2D Sector 126, Expressway, Noida UP (India), Tel: +91-120-4771000 Fax no.: +91-120-4772000; **E-mail:ir@havells.com**.