

HAVELLS – Information Update

Q2 2009-10 {SEPTEMBER 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 October 28, 2009.

1. HAVELLS INDIA (STANDALONE)

A. Q2 2009-10 RESULTS ANALYSIS

The business demonstrated strong performance in the second 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	Q2 FY09	Q2 FY10	Change (%)	Q1 FY10
Net Revenue (NR)	5,853	5,964	2%	5,862
EBIDTA	604	797	32%	724
as a % of NR	10.3%	13.4%		12.4%
Depreciation	44	55		54
Interest	53	19		16
Add: Other Income	4	2		4
Profit before tax	511	725	42%	658
as a % of NR	8.7%	12.2%		11.2%
Tax	68	183		165
Net Profit	443	542	22%	493
as a % of NR	7.6%	9.1%		8.4%

Results summary

- Strong growth in Lighting & Fixtures and Electrical Consumer Durables (Fans) offset by decline in value of Cable & Wires sales owing to decline in raw material cost but strong volume growth.
- Continued margin improvement driven by reduction in fixed cost base, decline in material cost with stable prices.
- Interest cost reduction owing to lower utilization of credit facilities driven by efficient working capital management.
- Tax increased due to reduction in fiscal exemption for Baddi unit and higher contribution from non exempted unit like cable & wire
- Resultant PAT growth reflecting higher operating margins.

Table 1.2: Segment wise Revenue analysis (Havells standalone)

In millions of rupees	Q2 FY09	Q2 FY10	Q1 FY10
Switchgears	1,633	1,749	1,719
Cable & Wires	2,699	2,427	2,428
Lighting & Fixtures	715	904	755
Electrical Cons. Durables	678	797	904
Others	128	87	93
Total (including other income)	5,853	5,964	5,899

Net Revenue by segment

- Switchgear revenues increased by 7% in Q2 FY10 compared to the prior year comparable period. This included additional sales from Motor division of Rs. 92 mn in Q2 FY10 as compare to Rs 18mn in the prior year comparable period.
- Cable & Wire revenues declined by 10% in value terms compared to the prior year comparable period. The fall in copper and aluminium prices contributed to lower prices which were offset by strong volume growth.
- Lighting & Fixtures revenues increased by 26% due to increased sales of both Luminaries and CFL.
- Electrical Consumer Durables (Fans) revenues increased by 18% compared to the prior year comparable period underpinning growth from branded consumer products portfolio. However due to seasonality it dropped marginally on sequential basis.

B. H1 2009-10 RESULTS ANALYSIS

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

Table 1.3: P&L Summary (Havells India stand alone)

in millions of rupees	H1 FY09	H1 FY10	Change (%)
Net Revenue (NR)	11,387	11,826	4%
EBIDTA as a % of NR	1,154 10.1%	1,521 12.9%	32%
Depreciation	81	109	
Interest	102	35	
Add: Other Income	10	6	
Profit before tax as a % of NR	981 8.6%	1,383 11.7%	41%
Tax	130	349	
Net Profit as a % of NR	851 7.5%	1,034 8.7%	22%

Results summary

- 4% growth in Net Revenue compared to the prior year comparable period. This was driven by growth across all business segments except cable and wires which shows decline in value terms (due to reduction in raw material prices) but growth in volume terms compared to the prior year comparable period.
- Strong growth in EBIDTA due to reduction in fixed cost base, decline in material cost and better price realization.
- 22% growth in Profit after Tax with 120 basis points improvement at Rs. 1,034 mn in H1 FY10.

Table 1.4: Revenue analysis (Havells standalone)

Net Revenue by Segment		
In millions of rupees	H1 FY09	H1 FY10
Switchgears	3,099	3,462
Cable & Wires	5,227	4,851
Lighting & Fixtures	1,334	1,654
Electrical Cons. Durables	1,454	1,701
Others	273	157
Total <small>(including other income)</small>	11,387	11,826

Net Revenue by segment

- Switchgear revenues increased by 12% in H1 FY10 compared to the prior year comparable period. This included additional sales from Motor division of Rs. 174 mn in H1FY10 as compare to Rs. 18 mn in the prior year comparable period.
- Cable & Wire revenues declined by 7% compared to the prior year comparable period. The fall in copper and aluminium prices contributed to lower prices which were offset by strong volume growth.
- Lighting & Fixtures revenues increased by 24% 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 1.5: Contribution analysis by segment (Havells standalone)

Segment Results as % to Net Revenues		
in millions of rupees	H1 FY09	H1 FY10
Switchgears	36.5%	36.5%
Cable & Wire	9.1%	10.0%
Lighting & Fixture	21.9%	18.8%
Electrical Cons. Durables	20.8%	27.0%
Others		
Total	19.9%	21.5%

Contribution by Segment

- Switchgear margin increased due to reduction in material cost and stable prices.
- Cable & Wire margins increased 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.
- Fan margins continue to show improvements due to better sales realization, reduction in raw material prices and economies of scale.

Table 1.6: Overall profitability analysis (Havells standalone)

in millions of rupees	H1 FY09	H1 FY10
Net Revenue	11,387	11,826
Raw Material	6,759	6,648
as % to NR	59.8%	56.6%
Staff Cost	464	365
as % to NR	4.1%	3.1%
Other Expenses	3,040	3,345
as % to NR	26.7%	28.3%
Add: Other Operating income	30	53
EBIDTA	1,154	1,521
as % to NR	10.1%	12.9%

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 10%. Advertisement and sales promotion expenses were Rs. 410 mn in H1FY10, as compared to Rs. 452 mn in H1FY09.

Table 1.7: Cashflow analysis (Havells standalone)

in millions of rupees	FY09 – full year	H1 FY10
Cash Flow from Operating Activities	2,732	684
Cash from Investing activities	(3,223)	(1,456)
Cash flow from financing activities	1,404	(556)
Net increase/ (decrease) in cash and cash equivalents	912	(1,328)
Opening Cash	642	1,554
Closing Cash	1,554	226

Cash Flow - Highlights

- Cash used in investing activities included Rs.747 mn (Euro 11 mn) in H1FY10 invested in the subsidiary company
 - Euro 5 mn - for the part repayment of Sylvania debt having recourse on Havells India
 - Euro 6 mn as additional equity
- Cash flow from financing activities involving Rs. 455 mn has been used to repay the Packing Credit foreign currency loan.

Table 1.8: Financial Ratios (Havells standalone)

Financial Ratios	H1 FY09	H1 FY10
Profitability		
OPM (%) (EBIT/NR)	9.2	12.6
PAT % (PAT/NR)	7.5	8.7
ROCE % (EBITDA/ACE)	30.2	28.6
RONW % (PAT/ANW)	24.6	20.9
Liquidity Ratio		
Current Ratio (CA/(CL+WCL))	1.4	1.3
Debtors days (Debtors/TR)	8	13
Inventory days (Inventories/NR)	73	45
Creditors days (TC/COGS)	73	43
Leverage Ratio		
Debt/Total Equity	0.05	0.03

Key Ratios

- Operating profit and Profit after Tax margins improved.
- ROCE dropped due to lag effect of Sylvania and new business of electric motors.
- RONW decline due to funding of recent investment through issue of shares.
- Rigorous working capital management has caused Inventory to reduce sharply.

2. SYLVANIA– Q1 2009-10 RESULTS ANALYSIS

The International business represented through Sylvania demonstrated stable performance over last two quarters despite 20% decline in the first half compared to the prior year comparable period, primarily driven by the global market conditions. The first half of last year was comparatively better than the second half since recession hit in later part of the year.

On 28 August 2009 the Company had entered into Amended Facility Agreement with the existing lenders with new covenants level based on revised projections including deferment of amortization till 2010 (Euro 24 mn) and fresh equity injection of Euro 12 mn by Havells India Ltd.

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

in millions of rupees	Q2 FY09	Q2 FY10	Q1 FY10	Highlights in the quarter										
Net Revenue (NR)	8,500	6,966	7,091	Results Summary <ul style="list-style-type: none"> Sylvania stabilizes in second quarter as compared to first quarter. The revenue decline of 19% is in line with the global industry performance. EBIDTA stabilizes due to stable sales and planned realization of restructuring saving. Exceptional items of Rs. 432 mn comprising of one time cost as mentioned below: <table border="0" style="margin-left: 20px;"> <tr> <td></td> <td style="text-align: right;">(Rs in millions)</td> </tr> <tr> <td>Severance & Restructuring</td> <td style="text-align: right;">360</td> </tr> <tr> <td>Mark to Market</td> <td style="text-align: right;">58</td> </tr> <tr> <td>Others (gain)</td> <td style="text-align: right;">14</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">432</td> </tr> </table> 		(Rs in millions)	Severance & Restructuring	360	Mark to Market	58	Others (gain)	14	Total	432
	(Rs in millions)													
Severance & Restructuring	360													
Mark to Market	58													
Others (gain)	14													
Total	432													
EBIDTA	118**	25	31											
as a % of NR	--	0.4%	--											
Depreciation	177	155	161											
Interest	253	216	189											
Exceptional Items	343	432	391											
Add: Other Income	15	2	--											
Profit before tax	(640)	(776)	(710)											
Profit before tax (before exceptional item)	(465)	(344)	(319)											
Tax	53	(66)	19											
Net Profit	(693)	(710)	(729)											

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

** To make it comparable EBIDTA for Q2 FY09 excludes Rs. 171 mn as foreign currency loan reinstatement and MTM without which it would be Rs. (53) mn. These cost are included under exceptional items.

Table 2.2: Revenue Analysis (Sylvania)

in millions of Euro	Q2 FY09	Q2 FY10	Change (%)	Q1 FY10
Net Revenue *				
Europe	€ 82.90	€ 67.72	(18.3%)	€ 70.62
Americas	€ 34.07	€ 27.88	(18.2%)	€ 27.20
Asia	€ 6.70	€ 2.93	--	€ 3.62
Other/ Elimination	€ (3.12)	€ (0.50)	--	€ (1.60)
Total	€ 120.55	€ 98.03	(18.7%)	€ 99.85

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

Commentary on topline performance: The Net Revenue for the quarter declined by 19% compared to the prior year comparable period.

- Net Revenues in Europe and Americas declined by 18% each compared to the prior year comparable period in line with the overall continued sagging markets.
- The decrease versus last year is primarily driven by economic downturn that started during the second half of 2008. Versus last quarter the decrease of Euro 1.8 mn is entirely due to seasonality of business in Europe.

Table 2.3: Progress of ongoing restructuring (Sylvania)

in millions of Euro	Time period for implementation	One time estimated cost
Project – Phoenix	Jan 2009 to Sept 2009	€ 12.23
Project - Prakram	Sept 2009 to June 2010	€ 23.00

Commentary on on-going restructuring initiatives: Restructuring under Phoenix and savings is largely on track. The new restructuring plan Prakram has been initiated as planned. 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. A brief on each of these restructuring activities is mentioned below:

Project – Phoenix

Initiated in January 2009 Project phoenix aimed at reduction in manpower, working capital and material cost. The plan was funded through reduction in working capital and internal accruals. The plan has been successfully implemented with benefits on track.

Project - Prakram

With a need to align manufacturing base and be more lean and efficient, Project Prakram has been initiated from September 2009 driven by:

- Rationalise fixed cost base
- Increase outsourcing from Low Cost Countries including China/ India
- Increase savings in material costs, value engineering, process optimization
- Enhanced managerial participation by Havells

The plan will be funded through the deferment of the amortizations falling due in 2009 and 2010 aggregating to Euro 24 mn and fresh investment from Havells India as equity for Euro 12 mn.

Table 2.4: Total Net Debt (Sylvania)

in millions of Euro	31 March 2008	31 March 2009	30 Sept 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	€ 137.71
3. Less: Cash	€ 28.21	€ 13.33	€ 11.03
Total Net debt	€ 171.57	€ 158.21	€ 146.69

*In addition to this Deutsche Bank has provided various credit facilities to Sylvania which is outstanding of Euro 8.5 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 Sept 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	€ 8.5
Total current exposure (1+2)	€ 94	€ 88.5
3. Additional equity invested till September 2009	--	€ 6
4. Additional equity to be invested	--	€ 6
Total Exposure of Havells India into Sylvania	€ 94	€ 100

* Deutsche Bank has provided various credit facilities to Sylvania for an amount outstanding as on 30 Sept 2009 to Euro 8.5 million, the payment of which is obligation of Sylvania, and has been guaranteed by Havells India Limited.

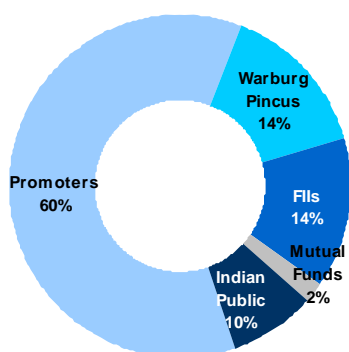
The total additional cash to be infused by Havells in Sylvania (incremental exposure) is limited to Euro 26 mn. This includes: (i) Euro 20mn in recourse loans; (ii) Euro 6mn additional equity. This total additional equity infusion of Euro 12 mn in current financial year is being considered in order to fund the restructuring program and is linked with a substantive debt restructuring plan 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

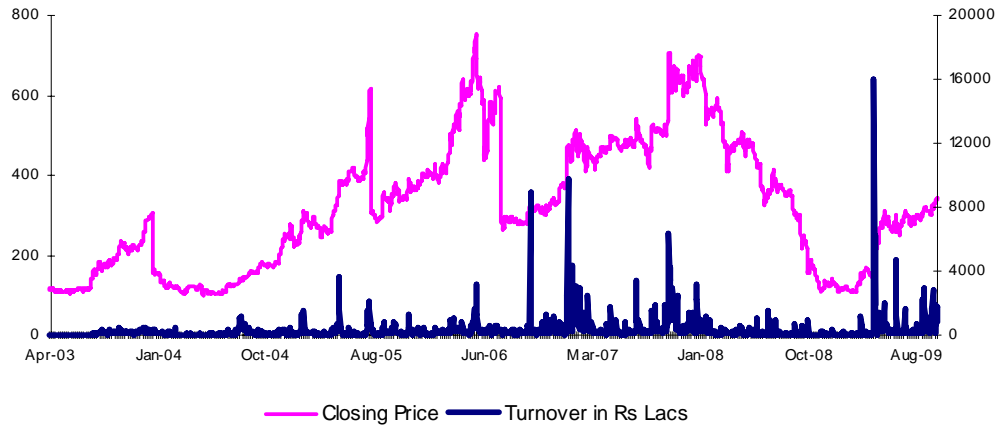


Shareholding pattern

- 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 Sept '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.