

# HAVELLS – Information Update

## Q3 2009-10 {DECEMBER 31, 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 January 28, 2010.

### 1. HAVELLS INDIA (STANDALONE)

#### A. Q3 2009-10 RESULTS ANALYSIS

The business demonstrated strong performance in the third 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	Q3 FY09	Q3 FY10	Change (%)	Q2 FY10	Results summary
Net Revenue (NR)	4,860	<b>5,908</b>	22%	5,964	<ul style="list-style-type: none"> <li>Strong growth of above 40% in Electrical Consumer Durables (Fans) along with 23% growth in each Switchgears and Lighting and Fixtures contributed in the growth of the company.</li> </ul>
EBIDTA	219	<b>795</b>	263%	781	
as a % of NR	4.5%	<b>13.5%</b>		13.1%	
Depreciation	46	<b>58</b>		55	<ul style="list-style-type: none"> <li>Q3 FY09 includes one time loss booked due to sharp fall in commodity prices. Excluding this the net revenue in current quarter has grown by 13% on y-o-y basis and EBIDTA by 33%.</li> </ul>
Interest	38	<b>13</b>		19	
Add: Other Income	1	<b>6</b>		18	<ul style="list-style-type: none"> <li>Continuing lower utilization of credit facilities driven by efficient working capital management has placed interest cost reduction.</li> </ul>
Profit before tax	136	<b>730</b>	440%	725	
as a % of NR	2.8%	<b>12.4%</b>		12.2%	<ul style="list-style-type: none"> <li>Tax increased due to reduction in fiscal exemption for Baddi unit and higher contribution from non exempted unit like cable &amp; wire</li> </ul>
Tax	23	<b>141</b>		183	
Net Profit	113	<b>589</b>	421%	542	
as a % of NR	2.3%	<b>10.0%</b>		9.1%	

**Table 1.2: Segment wise Revenue analysis (Havells standalone)**

In millions of rupees	Q3 FY09	Q3 FY10	Change (%)	Q2 FY10
Switchgears	1,374	<b>1,690</b>	23%	1,749
Cable & Wires	2,135	<b>2,485</b>	16%	2,427
Lighting & Fixtures	760	<b>937</b>	23%	904
Electrical Cons. Durables	495	<b>702</b>	42%	797
Others	96	<b>94</b>		87
<b>Total</b>	<b>4,860</b>	<b>5,908</b>	<b>22%</b>	<b>5,964</b>

**Net Revenue by segment**

- Switchgear revenues increased by 23% in Q3 FY10 compared to the prior year comparable period. This included additional sales from Motor division of Rs. 131 mn in Q3 FY10 as compared to Rs 35 mn in the prior year comparable period.
- Cable & Wire revenues show the positive trend in the current quarter with 16% growth driven by volume growth which has been partially offset due to reduced prices in Q3FY09.
- Electrical Consumer Durables (Fans) shows strong growth of 42% on y-o-y basis underpinning growth from branded consumer products portfolio. However due to seasonality it dropped marginally on sequential basis.

**B. 9M 2009-10 RESULTS ANALYSIS**

The business demonstrated good performance in the first nine months 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	9M FY09	9M FY10	Change (%)
Net Revenue (NR)	16,247	17,734	9%
<b>EBIDTA</b>	<b>1,344</b>	<b>2,264</b>	<b>68%</b>
as a % of NR	8.3%	12.8%	
Depreciation	127	168	
Interest	140	47	
Add: Other Income	40	65	
Profit before tax	1,117	2,114	89%
as a % of NR	6.9%	11.9%	
Tax	153	490	
<b>Net Profit</b>	<b>964</b>	<b>1,624</b>	<b>68%</b>
as a % of NR	5.9%	9.2%	

**Results summary**

- 9% 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 flat performance in value terms 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.
- Excluding one time loss in 9MFY09 the EBIDTA grew by 31%.

**Table 1.4: Revenue analysis (Havells standalone)**

<b>Net Revenue by Segment</b>		
In millions of rupees	<b>9M FY09</b>	<b>9M FY10</b>
Switchgears	4,473	5,152
Cable & Wires	7,361	7,336
Lighting & Fixtures	2,094	2,591
Electrical Cons. Durables	1,950	2,403
Others	369	252
<b>Total</b>	<b>16,247</b>	<b>17,734</b>

**Net Revenue by segment**

- Switchgear revenues increased by 15% in 9M FY10 compared to the prior year comparable period. This included additional sales from Motor division of Rs. 304 mn in 9MFY10 as compared to Rs. 53 mn in the prior year comparable period.
- Cable & Wire revenues now show the flat performance as against dropping trend visible till first half of this year.
- Lighting & Fixtures revenues increased by 23% compared to the prior year comparable period due to increased sales of both Luminaries and CFL. The export of CFL to Sylvania has increased to Rs. 352 mn in 9MFY10 as compare to Rs. 208 mn in 9MFY09.
- Electrical Consumer Durables revenues shows strong performance, increased by 23% compared to the prior year comparable period underpinning growth from branded consumer products portfolio

**Table 1.5: Contribution analysis by segment (Havells standalone)**

<b>Segment Results as % to Net Revenues</b>		
in millions of rupees	<b>9M FY09</b>	<b>9M FY10</b>
Switchgears	35.0%	<b>36.9%</b>
Cable & Wire	5.4%	<b>9.5%</b>
Lighting & Fixture	20.0%	<b>19.7%</b>
Electrical Cons. Durables	21.1%	<b>28.3%</b>
<b>Total</b>	<b>17.6%</b>	<b>21.7%</b>

**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 remain flat with marginal increased in material cost.
- 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	9M FY09	9M FY10
Net Revenue	16,247	17,734
Raw Material	10,215	10,038
as % to NR	62.9%	56.6%
Staff Cost	695	553
as % to NR	4.3%	3.1%
Other Expenses	3,993	4,879
as % to NR	24.5%	27.5%
<b>EBIDTA</b>	<b>1,344</b>	<b>2,264</b>
as % to NR	8.3%	12.8%

**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
- Advertisement and sales promotion expenses were Rs. 496 mn in 9MFY09, as compared to Rs. 600 mn in 9MFY10.

**Table 1.7: Cashflow analysis (Havells standalone)**

in millions of rupees	FY09 – full year	9M FY10
Cash Flow from Operating Activities	2,732	1,531
Less: Cash from Investing activities	(3,223)	(2,574)
Less: Cash flow from financing activities	1,404	(76)
Net increase/ (decrease) in cash and cash equivalents	912	(1,119)
Opening Cash	642	1,554
<b>Closing Cash</b>	<b>1,554</b>	<b>435</b>

**Cash Flow - Highlights**

- Cash used in investing activities included Rs.1,437 mn (Euro 21 mn) in 9MFY10 invested in the subsidiary company
  - Euro 9 mn - for the part repayment of debt having recourse on Havells India
  - Euro 12 mn as additional equity in Sylvania
- The company has taken a Packing Credit Foreign Currency Loan for Rs. 466 mn during the current quarter.

**Table 1.8: Total Net Debt (Havells)**

in millions of rupees	31 March 2009	31 December 2009
1. Working capital loan	52	729
2. Term loan	157	82
3. Other debt	494	12
Total debt	703	823
Less: Cash	1,574	441
<b>Total Net debt</b>	<b>(871)</b>	<b>382</b>

**Table 1.9: Total capital expenditure (Havells)**

in millions of rupees	<b>Budget for 31 March 2010</b>	<b>Actual till 31 December 2009</b>
	12 months	9 months
Switchgears	350	224
Cable & Wire	1,000	644
Lighting & Fixtures	400	320
Electrical Consumer Durables	200	152
Other	150	41
<b>Total</b>	<b>2,100</b>	<b>1381</b>

**Table 1.10: Financial Ratios (Havells standalone)**

<b>Financial Ratios</b>	<b>FY09</b>	<b>YTD FY10</b>
<b>Profitability</b>		
OPM (%) (EBIT/NR)	8.1	11.8
PAT % (PAT/NR)	6.6	9.2
ROCE % (EBITDA/ACE)	23.6	27.1
RONW % (PAT/ANW)	18.4	21.2
<b>Liquidity Ratio</b>		
Current Ratio (CA/(CL+WCL))	1.4	1.1
Debtors days (Debtors/TR)	14	10
Inventory days (Inventories/NR)	34	49
Creditors days (TC/COGS)	66	73
<b>Leverage Ratio</b>		
Debt/Total Equity	0.1	0.1

**Key Ratios**

- Key operating ratio improving due to better realization and cost benefits.
- Inventory scaled up to leverage the growth opportunity. Further there is base effect due to destocking in the last year.

## 2. SYLVANIA– Q3 2009-10 RESULTS ANALYSIS

The International business represented through Sylvania demonstrated stable performance over last three quarters despite 20% decline in the first half compared to the prior year comparable period, primarily driven by the global market conditions.

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	Q3	Q3	Normalize	Q2	Highlights in the quarter														
	FY09	FY10	Q3	FY10															
Gross Revenue	8,224	<b>8,022</b>	8,022	6,966	<b>Results Summary</b> <ul style="list-style-type: none"> <li>Sylvania continues to stabilize in third quarter with lower than expected fall in revenue and operating profits.</li> <li>Adjusted EBIDTA for Q3FY10 would be Rs.212 mn excluding the following one time cost               <table border="0" style="margin-left: 20px;"> <tr> <td></td> <td style="text-align: right;">(Rs in millions)</td> </tr> <tr> <td>- Inventory provision</td> <td style="text-align: right;">138</td> </tr> <tr> <td>- Pension liability provision</td> <td style="text-align: right;">564</td> </tr> </table> </li> <li>Interest cost is net of reversal of earlier interest provision in Brazil, no longer required and MTM gains. Excluding these the interest cost would be Rs.249 mn.</li> <li>Exceptional items of Rs. 1,734 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>- Restructuring</td> <td style="text-align: right;">1500</td> </tr> <tr> <td>- Impairment of Assets</td> <td style="text-align: right;">253</td> </tr> <tr> <td>- Others</td> <td style="text-align: right;">19</td> </tr> </table> </li> </ul>		(Rs in millions)	- Inventory provision	138	- Pension liability provision	564		(Rs in millions)	- Restructuring	1500	- Impairment of Assets	253	- Others	19
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- Others	19																		
EBIDTA	85	<b>(490)</b>	212	25															
as a % of revenue	--	--	2.6%	0.4%															
Depreciation	166	<b>144</b>	144	155															
Interest	243	<b>56</b>	249	216															
Exceptional Items	607	<b>1,734</b>	2,243	432															
Add: Other Income	5	<b>84</b>	84	2															
Profit before tax	(926)	<b>(2,340)</b>	(2,340)	(776)															
Profit before tax (before exceptional item)	(319)	<b>(606)</b>	(97)	(344)															
Tax	50	<b>26</b>	26	(66)															
Net Profit	(976)	<b>(2,366)</b>	(2,366)	(710)															

\*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	Q3 FY09	Q3 FY10	Change (%)	Q2 FY10
Net Revenue *				
Europe	€ 85.44	€ 77.33	(9.5%)	€ 67.72
Americas **	€ 31.64	€ 27.53	(13.0%)	€ 27.88
Asia	€ 5.25	€ 2.88	--	€ 2.93
Other/ Elimination	€ (3.18)	€ (1.27)	--	€ (0.50)
<b>Total</b>	<b>€ 119.15</b>	<b>€ 106.47</b>	<b>(10.6%)</b>	<b>€ 98.03</b>

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

\*\* Americas revenue in US dollar currency remain flat – US\$ 40.5 mn in Q3FY10 vs US\$ 41.8 mn in Q3FY09

**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 savings under Phoenix is on track. The new restructuring plan Prakram has been initiated as planned. So far, the results are as per the plan and the restructuring costs are as 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	31 Dec 2009
1. With recourse to Havells India Ltd.*			
- Acquisition debt	€ 30.00	€ 23.33	€ 16.67
- Other debt	€ 23.88	--	--
2. Without recourse to Havells India Ltd.	€ 145.90	€ 148.21	€ 134.62**
3. Less: Cash	€ 28.21	€ 13.33	€ 12.80
<b>Total Net debt</b>	<b>€ 171.57</b>	<b>€ 158.21</b>	<b>€ 138.49</b>

\* In addition to this Deutsche Bank has provided various credit facilities to Sylvania which is outstanding of Euro 5 mn, the payment of which is obligation of Sylvania, and has been guaranteed by Havells India Limited.

\*\* Reduction in debt is due to cash inflow as additional equity from Havells India Limited for Euro 12 mn to fund the restructuring cost.

**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	€ 13
- recourse debt to be repaid over 2009-2012	€ 23	€ 17
- additional working capital debt guaranteed by Havells*	€ 14	€ 5
<b>Total current exposure (1+2)</b>	<b>€ 94</b>	<b>€ 85</b>
3. Additional equity invested	--	€ 12
<b>Total Exposure of Havells India into Sylvania</b>	<b>€ 94</b>	<b>€ 97</b>

\* Deutsche Bank has provided various credit facilities to Sylvania for an amount outstanding to Euro 5 million, the payment of which is obligation of Sylvania, and has been guaranteed by Havells India Limited.

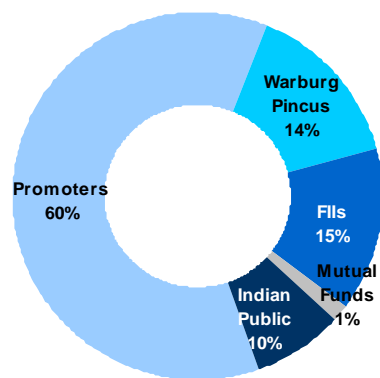
The total additional cash to be infused by Havells in Sylvania (incremental exposure) is limited to Euro 17 mn, recourse loan. The additional equity infusion of Euro 12 mn in the current financial year is being considered in order to fund the restructuring program and is linked with a substantive debt restructuring plan finalized with Sylvania lenders.

### 3. SHAREHOLDING RELATED INFORMATION

#### Dividend to shareholders

- Havells continued its philosophy of sharing profits with the shareholders, through payment of Rs. 2.50 per equity shares as dividend for the financial year 2008-09 and declaration of an interim dividend of Rs.1.25 per equity shares for the financial year 2009-10.

**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 January 10 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](mailto:ir@havells.com)**.