



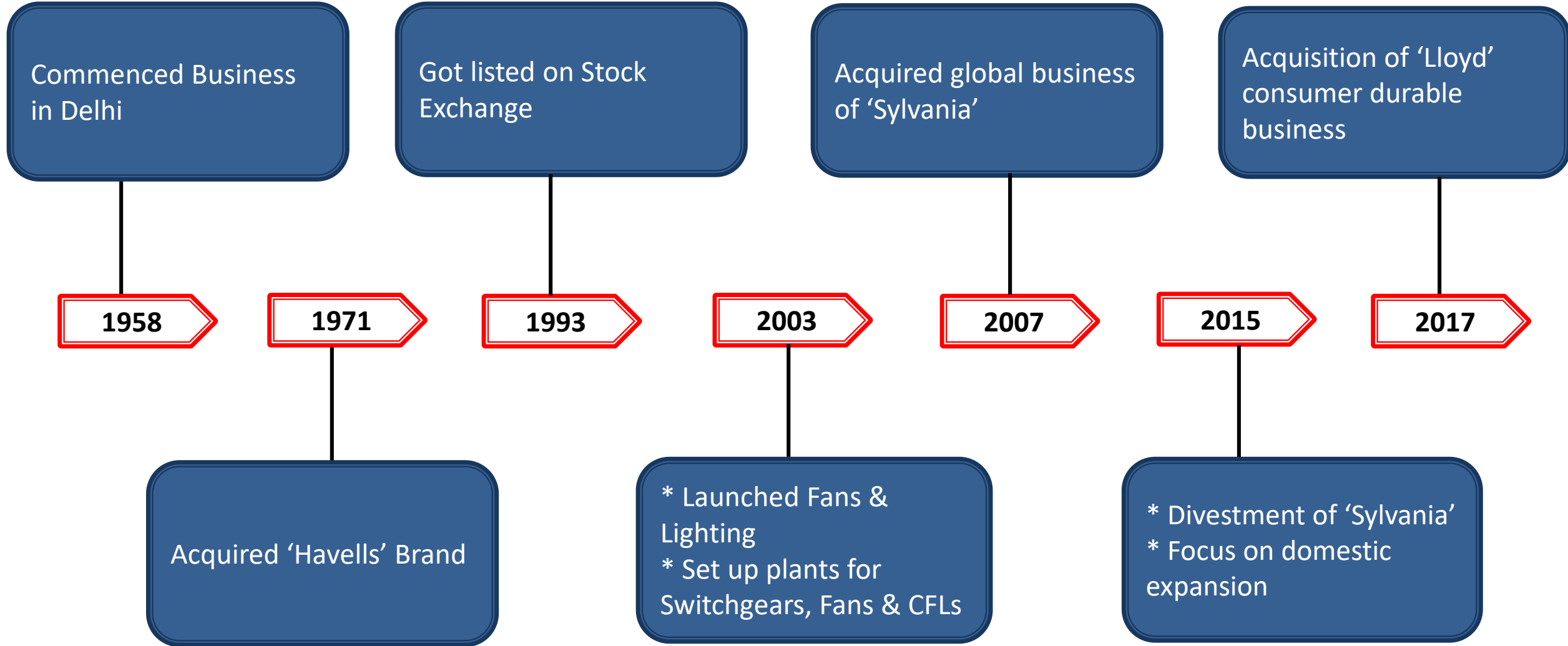
HAVELLS



HAVELLS INDIA LIMITED

February 2020

AN EVOLVING JOURNEY



KEY MILESTONES

- **Leverage channel by expanding product portfolio**
 - ✓ Industrial to a consumer company
- **Manufacturing**
 - ✓ Large scale manufacturing with high standards of quality assurance
 - ✓ ~90% in-house
- **National Advertising and uniform discounting**
 - ✓ Disproportionate ad spend on 'non-consumer' products
- **Mass to 'mass premium'**
 - ✓ Steady premiumisation
- **Acquisition of Sylvania and pragmatic exit**
 - ✓ Changing industry dynamics and capital allocation
- **Lloyd Acquisition**
 - ✓ Entry into high potential Large Consumer Durables
 - ✓ Aligned with 'Deeper into Homes'



CONSISTENT DELIVERY

Financial performance



~30%
CAGR since
listing

Market capitalization



~38%
CAGR since
listing

GROWTH WITH RESPONSIBILITY

Havells Mid-Day Meals Program



Serving 60,000+ students daily

Sanitation



Built over 4,400 bio-toilets in 450+ schools

DOW JONES SUSTAINABILITY INDEX-2019

| Overall Ranking | |
|-----------------|------------------------------|
| Rank | Company |
| 1 | Signify NV |
| 2 | Prysmian SpA |
| 3 | Schneider Electric SE |
| 4 | Osram Licht AG |
| 5 | Legrand SA |
| 6 | Havells India Limited |

Ranked 6th globally in the Electrical Components & Equipment Industry

SUSTAINABILITY



Tree plantation: 6.5 lacs tree planted covering ~260 hectares of area



10 of 13 manufacturing plants are zero water discharge from FY16 to FY19



Energy intensity reduced by 41% from FY16 to FY19



94% of waste recycled / reused



GHG emission intensity reduced by 40% from FY16 to FY19

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BENCHMARKING WITH THE BEST CORPORATE AND SHAREHOLDERS GOVERNANCE

- Committed to high standards of corporate governance, rated **CGR 2+** by CARE
- Well experienced and diversified professional Board
- Promoters- single business focus
- Transparent and detailed communication to shareholders

PRUDENT FINANCIAL MANAGEMENT

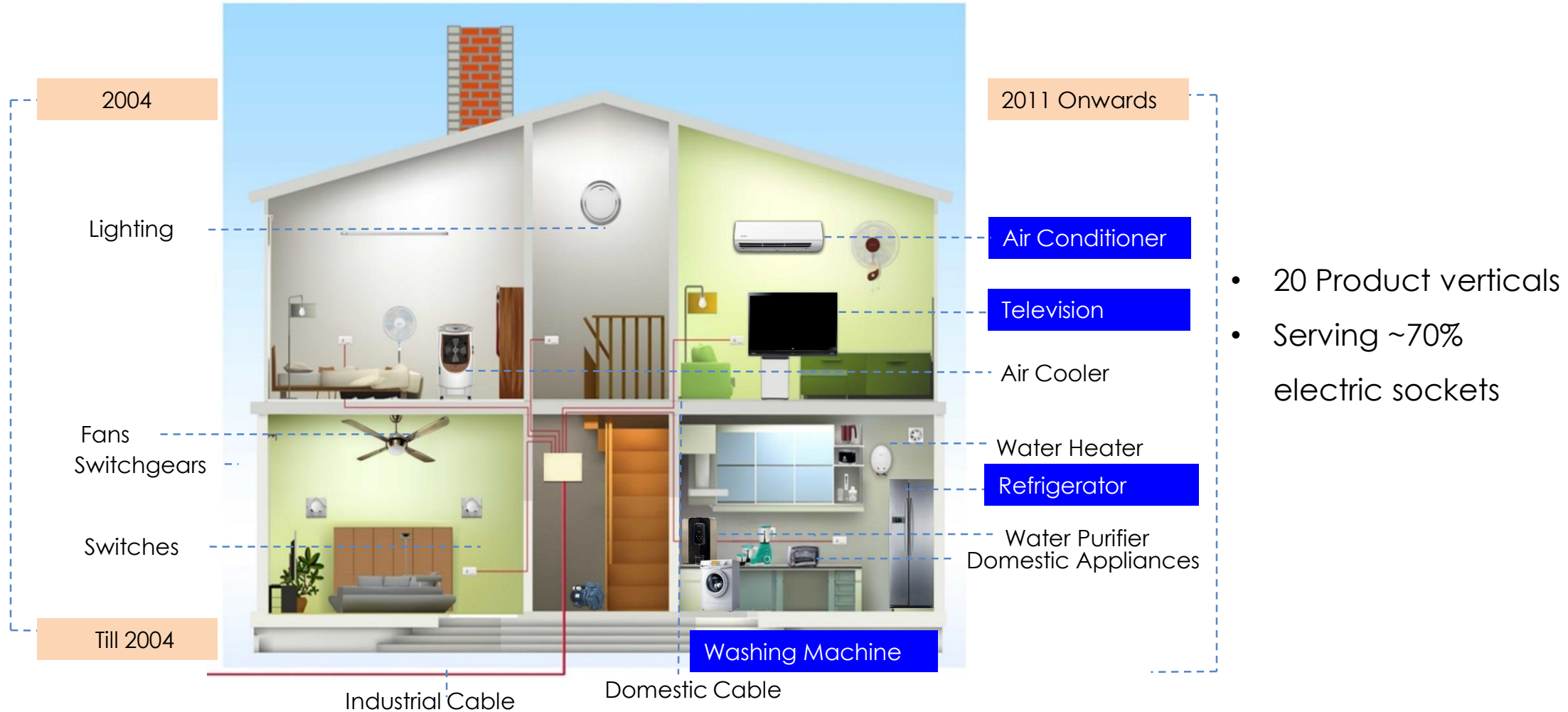
Capital allocation strategy:

- Investing in organic growth
- Open to value-creating acquisition with brand and distribution focus
- Return to shareholder
 - Consistent dividend payout of ~43%
 - Returned Rs. 16 billion to shareholders in last 5 years as dividend

Maintaining investment grade Balance Sheet:

- Lean balance sheet accommodating growth and acquisition
- Net cash positive
- Rated **AAA** for long-term facilities and **A1+** for short-term facilities by CARE

MOVING AHEAD



DEEPER INTO HOMES

WIDEST CONSUMER OFFERING

Electricals

Industry size: ~ Rs. 45,000 cr.
CAGR (2019-25): ~12%

Home Appliances

Industry size: ~ Rs. 70,000 cr.
CAGR (2019-25): ~15%



SEGMENTS

Revenue Mix (FY19)

Switchgears



17%

Cables



32%

Lighting & Fixtures



13%

Electrical Consumer & Durables



20%

Lloyd



18%

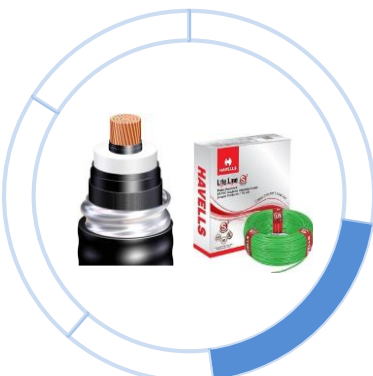
Contribution Margin Mix (FY19)

Switchgears



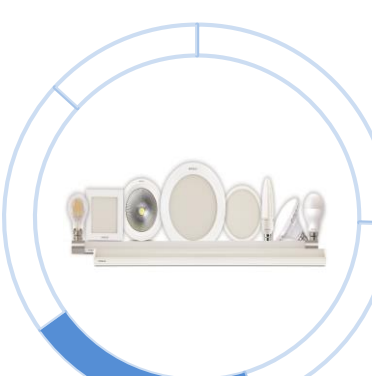
27%

Cables



22%

Lighting & Fixtures



16%

Electrical Consumer & Durables











22%

Lloyd



13%

MARKET SHARE: TOP 3 ACROSS CATEGORIES

| | Product | Indicative Market Size (Rs. in crores) | Indicative Market Share | Indicative Rank | Organized Penetration Level | Peers |
|--------------|---------------------|---|-------------------------|-----------------|-----------------------------|-----------------------------|
| Switchgears | MCB |  2,900 | ~18% | # 1-2 | High | Legrand, Schneider |
| | Switches* |  4,500 | ~12-13% | # 3 | Medium | Panasonic (Anchor), Legrand |
| Cable | Domestic |  10,000 | ~16% | # 3 | Low | Finolex, Polycab |
| | Industrial |  15,000 | ~10-11% | # 3 | Medium | Polycab, KEI |
| LED Lighting | Lighting & Fixtures |  10,000 | ~12-15% | # 2-4 | Medium | Philips, Wipro, Crompton |
| ECD | Fans |  7,500 | ~19% | # 2 | High | Crompton, Usha, Orient |
| | Water Heaters |  1,700 | ~19% | # 1 | Medium | Racold, AO Smith |
| | Other Appliances |  5,000 | ~6% | #3-4 | Medium | Philips, Bajaj |

* Modular plate switches

RECENT TRENDS AND OUR RESPONSE

EXTERNAL HEADWINDS

- Economic activities remained soft
- Multi-year low GDP growth rate
- Persistent Liquidity issues faced by trade
- Weakness in investment and consumption sentiment
- Sluggish activity in construction and capital goods sector

INTERNAL INITIATIVES

- Aggressive channel expansion
- Cost rationalisation
- Venturing in semi-urban and rural markets
- Exploring export opportunities- new markets and products
- Continued investment in Research & Development and production capacities

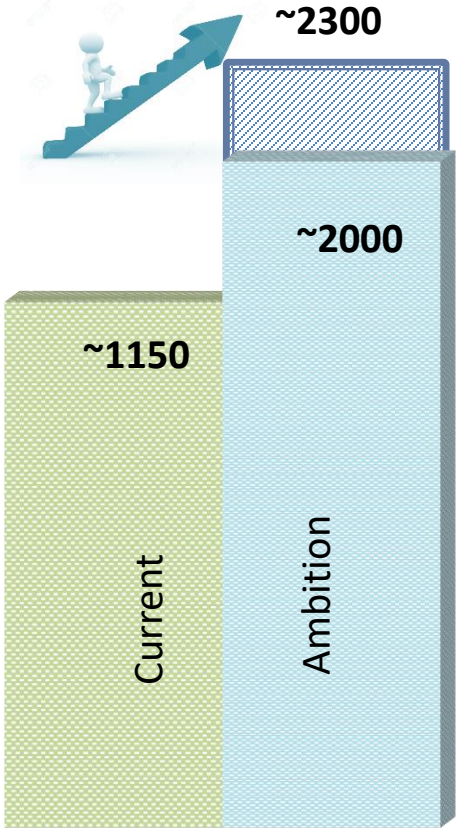
KEY LEVERS

- **Distribution**
- **Product extension and expansion**
- **Digitization**
- **Research & Development**

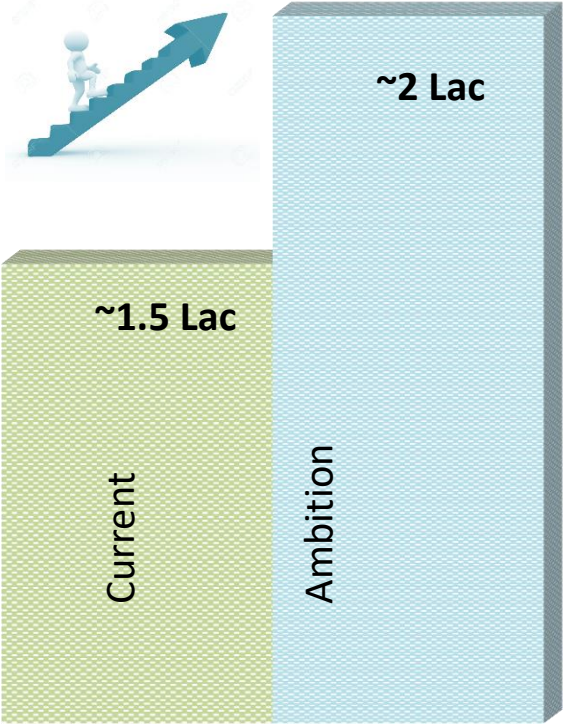
DISTRIBUTION: DEEPER PENETRATION

Proximity to Consumer

TOWN PENETRATION – 25K ABOVE POPULATION



RETAILER - COUNT



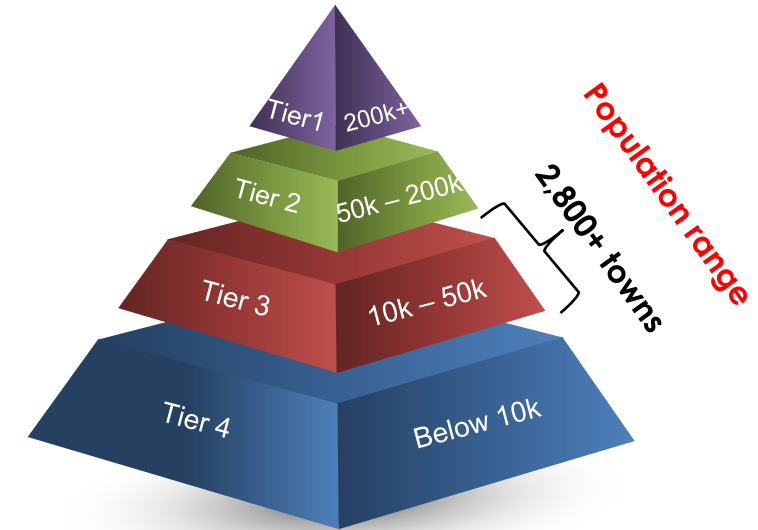
~9,500
Direct Dealers

~150,000
Retailers

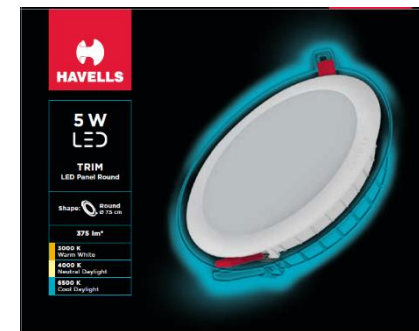
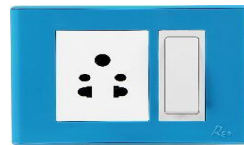
~250,000
Electricians

DISTRIBUTION: RURAL- UNTAPPED OPPORTUNITY

- Opportunity to tap demand created by improved electricity penetration in semi-urban territories
- Identified 2,800+ towns with population range of 10K-50K, covered 1,800 towns by now
- Catering through basic products like switches, MCBs, Lighting and Wires
- Plan to expand product offering



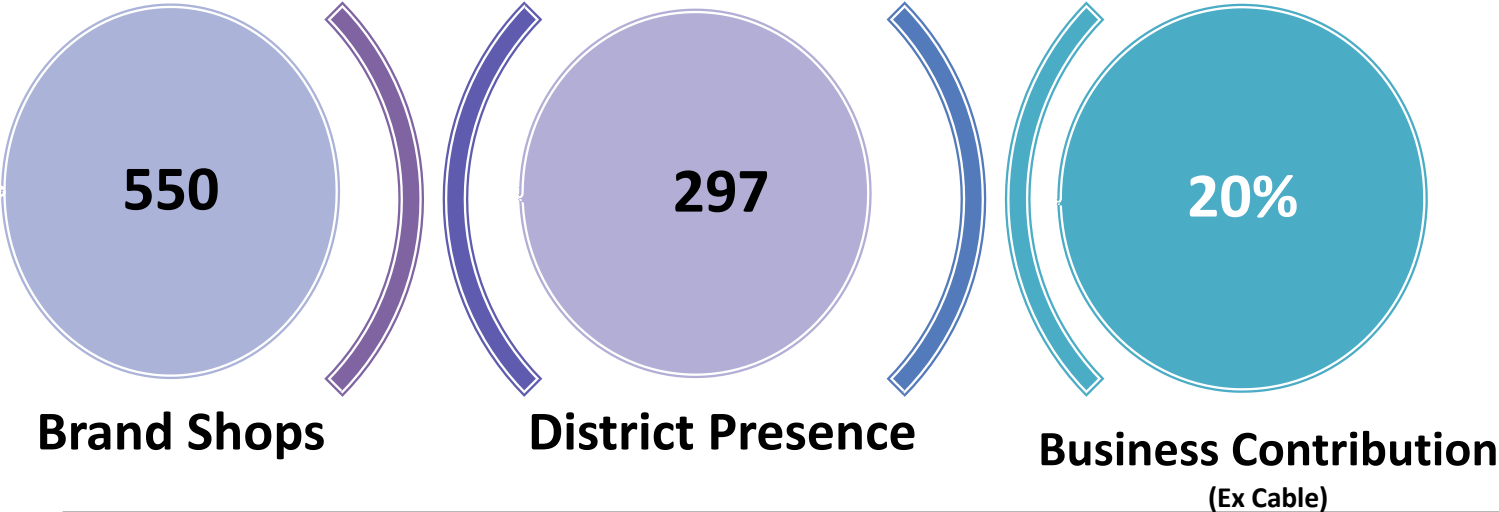
Present portfolio for semi-urban / rural markets



DISTRIBUTION: MULTI CHANNEL

- Grow inclusively :
 - ✓ MBOs
 - ✓ Brand stores
 - ✓ Organized retail chains
 - ✓ Canteen Stores
 - ✓ Projects & Enterprise Business
 - ✓ E-commerce

Largest Brand Shop channel in electrical industry



CONSISTENT NEW PRODUCT INTRODUCTIONS

2012: Water Heaters



2013: Domestic Appliances and Pumps



2016: Air Coolers



2017: Water Purification and Personal Grooming



SERVED WITH REGULAR FRESH LAUNCHES

STEALTH
UNDERLIGHT



Stealth Underlight Ceiling Fan: Silent and Dust Free

FEEL THE POWER OF
SILENCE



Mixer Grinder Sonido I: Low noise with digital display



Oil Filled Radiator



Aindrila: India's first pedestal and wall fan with square guard and embedded LED Lighting



Digiplus Alkaline: 100% RO & UV



Lloyd Grande': Heavy-Duty AC

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DIGITIZATION: SALES PROCESS

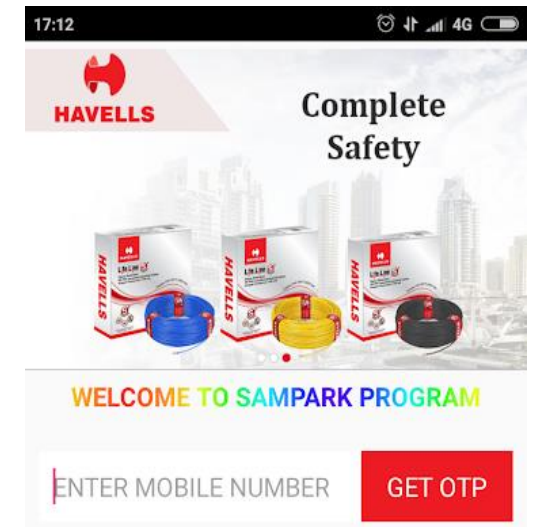
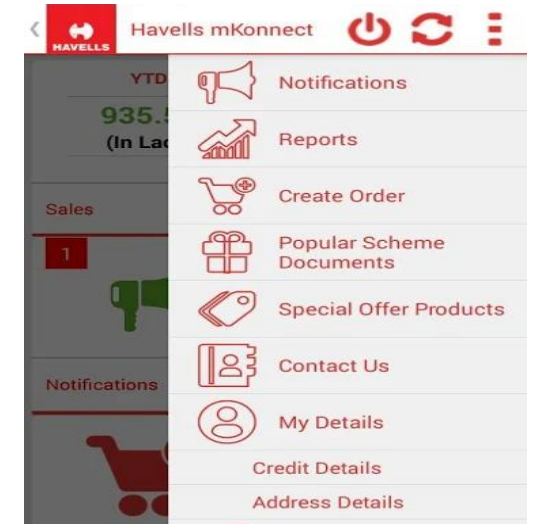
Distribution
Management
System (DMS)

- Mini ERP solution for dealers
- Helps real-time monitoring of payables, settlement of schemes, better inventory management, ensuring **'Peace of Mind'** to channel partners

mKconnect:
Dealer App

- Mobile-based two-way communication platform
- Enabling dealers and distributors to place orders from the ease of their shops, this has ben effective in creating 80% of revenue being booked through this portal

- Digital platform for retailers, 150K+ retailers registered with Company
- Features includes instant redemption of points, DBT, real-time info updates etc.



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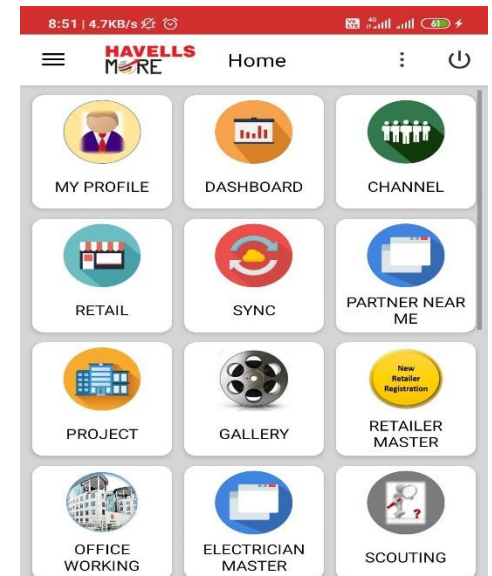
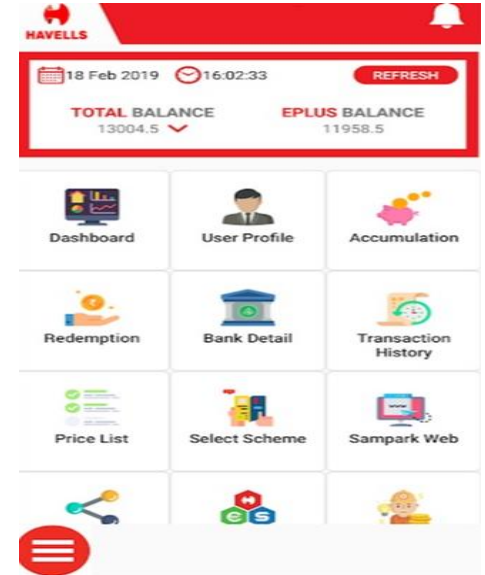
SAMPARK

DIGITIZATION: SALES PROCESS

- Mobile-app based electrician loyalty program, 80K+ registered electricians
- Incentivizing through direct bank transfer with access to pricelist, transaction history and details of applicable schemes
- In-house developed mobile application making sales force more informed and effective
- Facilitates geo-tagging of sales team and retailer registration enabling 360-degree channel visibility



Sales Force
Automation
(SFA)



RESEARCH AND DEVELOPMENT



- Fast catcher to thought leadership
- R&D spend to increase from 1% to 3% of net revenue
- Intelligent hardware, embedded software
- Products to solution

LLOYD

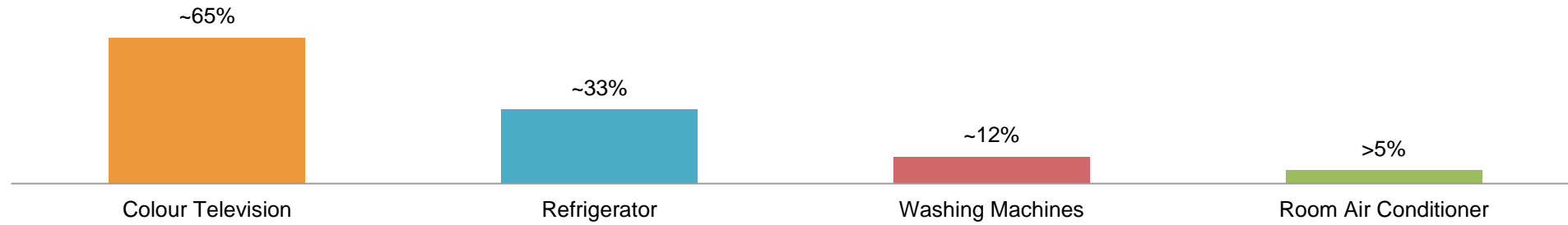
A full stack consumer appliances play



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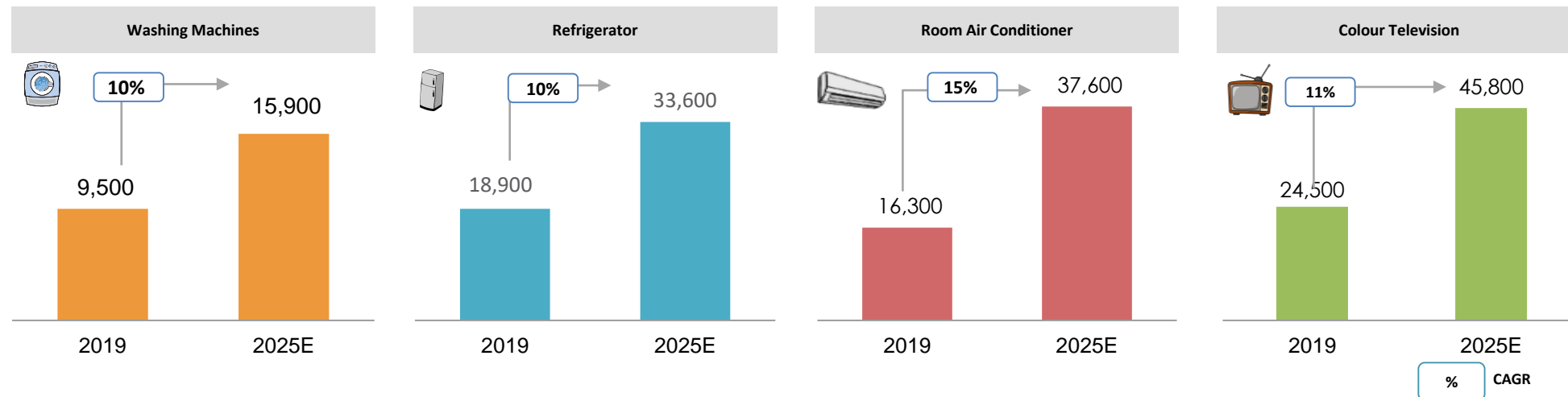
HIGH GROWTH POTENTIAL INDUSTRY

- Low Penetration



- Each Product Group Expected To Grow At Double Digit

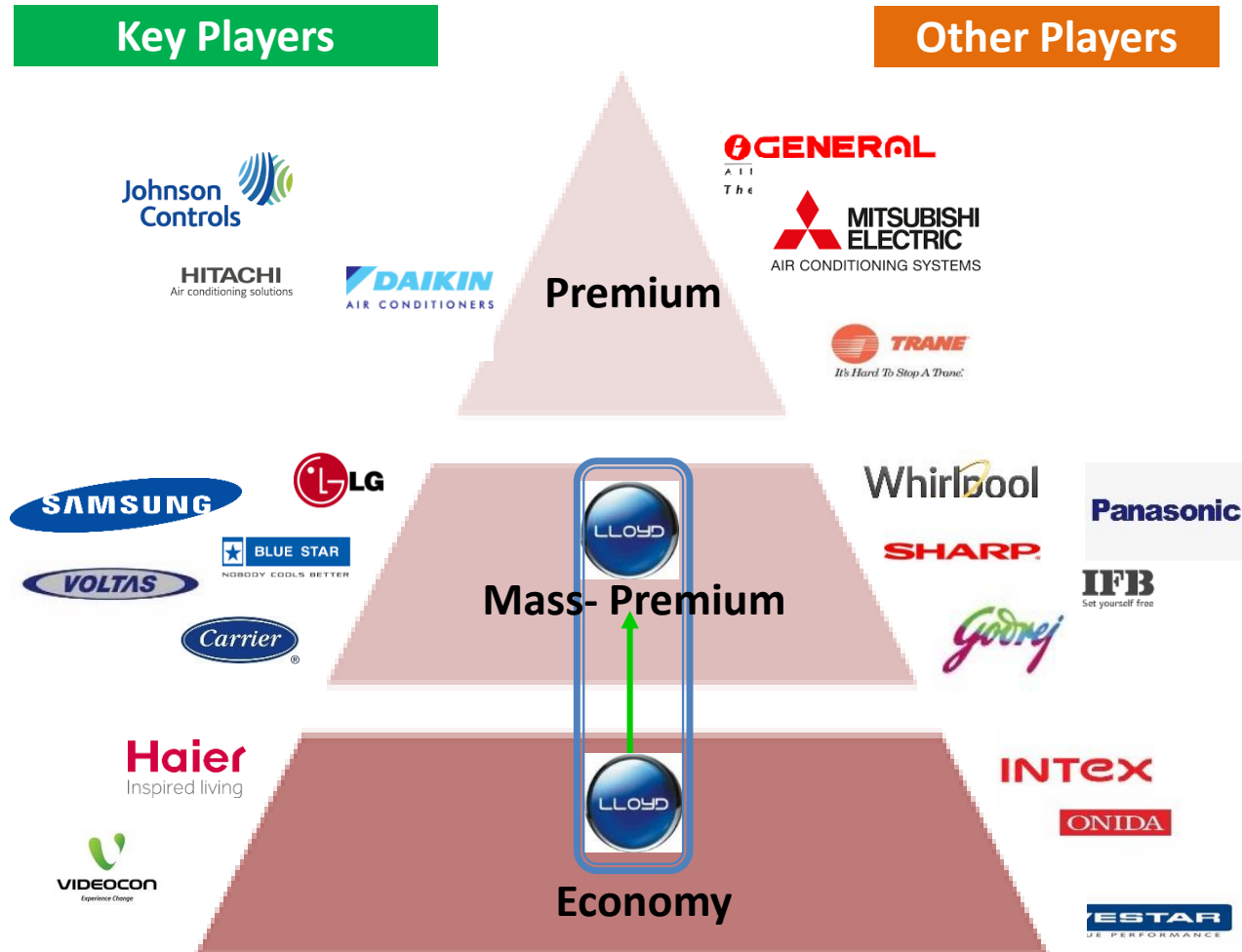
INR Cr



Source: CEAMA and Frost and Sullivan

MASS PREMIUM POSITIONING

Air Conditioner Market in India



LLOYD WELL PLACED IN CONSUMER DURABLES MARKET



FY19 Gross sales of
c.INR 2,000 Cr



Gained 10% share in AC
segment of India in
~ 7 years



Among top three AC
players in the country



Comprehensive product
portfolio



Innovative and aggressive in
brand building initiatives,
created a strong connect



10,000+
Display points pan India



600+
Service centers pan
India



6 decades
of brand vintage in AC
segment



Presence across
450+ cities

LLOYD: JOURNEY SO FAR

- Since Lloyd acquisition in 2017, there have been structural improvements in business amidst significant industry disruptions
- The industry turned fiercely competitive, led by price erosion by leading players in the market
- Lloyd, in midst of transition, was adversely impacted by increase in costs - higher import duty, adverse forex fluctuations and higher marketing & advertising costs
- The resultant price increase by Lloyd, led to moderation in volumes
- Lloyd has, however, managed to improve brand imagery, expanded distribution network, reduced forex exposure through AC plant commissioning, and is proliferating product range with washing machines and refrigerators

Lloyd AC Plant



**1,000+ retailers visited AC plant
in Dec-19**



LLOYD: GOING FORWARD

- Continue the journey of taking the brand from Mass to Mass Premium positioning
- Leverage own AC production to strengthen offering, improved quality with better cost management
- Reinforce presence through leading MFR and RR chains and leveraging Havells' association
- Nurture newer categories like Washing Machines and Refrigerators to become a comprehensive consumer durable brand
- Focus on improving margins, to build a growing, sustainable and profitable business

FINANCIALS

STANDALONE FINANCIALS

Financial highlights

in millions of Rupee

| | FY17 | FY18 | FY19 | 9M FY20 |
|---------------------------|--------|--------|---------|---------|
| Net Revenue | 61,353 | 81,385 | 100,576 | 72,122 |
| Growth % | 14% | 33%** | 24%** | (1%) |
| EBIDTA % | 13.4% | 12.9% | 11.9% | 10.8% |
| PBT % before exceptions | 13.5% | 12.3% | 11.5% | 9.7% |
| PAT % before exceptions* | 9.7% | 8.6% | 7.9% | 7.7% |
| <hr/> | | | | |
| CAPEX (incl. intangibles) | 2,386 | 15,888 | 5,009 | 3,336 |
| ROCE % | 27% | 30% | 30% | 26% |
| Net Worth | 32,736 | 37,392 | 42,425 | 44,789 |
| Net Working Capital | 5,274 | 3,131 | 7,625 | 8,814 |
| Cash & Bank | 19,375 | 15,262 | 12,848 | 11,524 |

* PAT for FY18 and FY17 was 8.8% in both years including exceptional items

** Ex-Lloyd excise adjusted growth in FY18, FY19 and 9M FY20 was 13%, 23% and 2% respectively

AWARDS AND ACCOLADES

RECENT RECOGNITIONS



Dun & Bradstreet's 'Best Corporate in the Electrical Sector' Award



PHD Chamber: Good Corporate Citizen Award for Social Welfare 2019



Forbes 'Entrepreneur of the Year Award' 2019



Business Today: Best CEO Award in 'Consumer Durables Category'

SUMMARY

- India represents large untapped opportunity with lower penetration, higher unorganized sector & growing electrification
- Havells preparing for future with constant products expansion, deepening market reach & brand reinforcement
- Organic leverage with opportunistic acquisition to drive growth
- Strengthening management bandwidth to lead ambitious growth plan
- Native business acumen, market connect and ethics remain core values