



THE TURNAROUND TEAM
 1. German Jaime, General Manager, Andean Region 2. Rajiv Goel, President, Sylvania 3. Angelica Valderrama, General Manager, Mexico 4. Anil Rai Gupta, Joint MD, Havells India Ltd 5. Rajesh Gupta, Group CFO and Director - Finance, Havells 6. (Sitting) Qimat Rai Gupta, CMD, Havells 7. Ameet Gupta, Executive Director, Havells 8. Surjit Gupta, Director, Havells 9. Jose Luis Perez, General Manager, Central America & the Caribbean 10. (Sitting) Tiago Pereira, Country Manager, Costa Rica & the Caribbean 11. Celso Santos, Country Manager, Brazil

DARKNESS TO LIGHT

EXECUTIVE SUMMARY:

When electrical goods company Havells acquired Sylvania in 2007, all that it was looking for was growth and a strong global presence. Instead, it had to grapple with a major crisis at Sylvania, triggered by the global financial turmoil. The situation threatened to pull Havells down, and it had to come up with a smart turnaround strategy. This case study looks at how Havells pulled it off.

By MANU KAUSHIK

Qimat Rai Gupta quit his job teaching in a school in Punjab, and came to Delhi in 1958 with ₹10,000 in hand. He started an electrical goods trading company in the old part of the city, but the market was too small for his ambitions. He spotted an opportunity in the distressed Havells brand, named after its founder, Havell Ram Gupta. He bought it for around ₹7 lakh in 1971, and followed up with a series of acquisitions, joint ventures and entry into new product categories. Today, Havells India Ltd is a ₹2,248-crore company. The journey hasn't always been smooth, but the roughest patch was easily the 2007 acquisition of German lighting and fixtures maker SLI Lighting, owner of the Sylvania brand. SLI was then the world's fourth-largest lighting company and 1.5 times bigger than Havells. It took Gupta minutes to make up his mind about buying it, while his senior

management – including son Anil Rai Gupta, nephew Ameet Gupta and Group CFO Rajesh Gupta – were still weighing the pros and cons. In February 2007, when negotiations with Sylvania's owners took place, some of Havells's top bosses flew to London to seal the deal. Anil, Havells's Joint Managing Director, recalls the sleepless night before they signed on the dotted line. He and cousin Ameet reckoned they were paying more than they should. "The next morning, I called my father," says Anil. "I told him we have paid ₹3 million (₹23.4 crore today) more. He said that in the big picture, the figure was insignificant." Havells bought Sylvania for ₹200 million, plus pension liabilities of ₹35 million. Qimat Rai was betting on Sylvania's strong 100-year-old brand in about 50 countries, and its worldwide network of 10,000 distributors and dealers. "My father said we would not be able to replicate these two things," says Anil. Havells had a track record of five

successful acquisitions, and high growth in its Indian operations. In 1983, it bought the loss-making Delhi-based Towers and Transformers Ltd and turned it around in a year. Between 1997 and 2001, Havells also bought IES, Duke Arnie Electronics, Standard Electricals and Crabtree India. The last was a 50:50 joint venture between Havells and the UK-based Crabtree, and Havells later acquired Crabtree's stake in the JV. India revenues had a compound annual growth rate of 50.08 per cent between 2002/03 and 2007/08. In March 2007, Havells bought Sylvania. And then the global financial crisis struck. As the meltdown rocked European markets, Sylvania's sales fell, leading to net losses of ₹16.3 million in 2008/09 and ₹26.1 million in 2009/10. From ₹515 million in 2007/08, revenues dropped to ₹438.4 million in two years. Trusting Sylvania's management to deal with the situation turned out to be a mistake on Havells's part. Paul