

'We are already seeing green shoots'

Why Havells India CMD Anil Rai Gupta is upbeat despite a tepid Q3

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Havells' Q3 earnings have been disappointing due to dismal exports. Speaking to Bloomberg TV India, Havells India Chairman and MD Anil Rai Gupta said the company is looking to a better Q4 and higher growth in FY17 as well.

Can you run us through the results highlights and the key factors at play?

One of the reason for the Q3 numbers are showing a tepid 8 per cent growth is because of a little bit of reduction in export revenues, which comprise about 5 per cent of the overall revenues.

Otherwise, the domestic growth is about 11 per cent. This is also the value growth.

The volume growth is even higher than that. In our cables and wire division, our value growth is about 7 per cent whereas overall volume growth is close to 17-18 per cent.

So, because of the reduction in prices of raw materials which we have to pass on to the consumer, the growth is showing much lesser as compared to the actual real growth in the market.

How is the domestic business scenario looking at the moment?

We are already seeing a pick-up since the end of the second quarter. While the first and second

quarters not showing any growth because of the economic and market conditions, we have already said at the start of last quarter that we are seeing some green shoots. We are now seeing that more in the infrastructure side and I think going forward we will be expecting that in the residential and the consumer side as well.

So definitely we expect much better growth in the coming year.

Your exports have been weak. How do you see the next couple of quarters shaping up?

I think this particular quarter was exceptional because of the sudden exchange rate fluctuation in Africa, which reduced the demand from Africa.

That hit the overall exports as Middle East and Africa contribute a major part to our exports.

I think going forward we are definitely looking at not only expanding here but in other markets for exports as well. This is still a very small part of our overall

business and hence it is not something which is going to affect the overall growth of the company.

Copper, which is one of your major raw materials, has seen quite a slump in prices. Are you

expecting any improvement in margins going forward?

If you see the contribution margins, they are actually improving over the last quarters. If you see division by division contribution margins, they are also improving.

The reason for this overall reduction in the EBITDA margin is the fact that the advertising spends were a couple of percentage points higher than this quarter because of the change in the seasonal part — Diwali was right in the middle of November this time as compared to October last time. But I think overall we are seeing expansion of margins not only because of the lower commodity prices but also because of the kind of product changes, the price and policy changes that we have done in the market.

Havells sold its 80 per cent stake in European firm Sylvania to China's Shanghai Feilo Acoustics. Can you give us an update?

We have completed the divestment. Over a period of time, we had invested close to €151 million. The overall transaction value is about €186 million.

How will you use those funds?

The funds will be utilised for better growth prospects in future. Both organic and inorganic possibilities will be there. So we will continue to look at opportunities and get a better return on capital.



"The funds (from selling Sylvania stake) will be utilised for growth prospects. Both organic and inorganic possibilities will be there."

ANIL RAI GUPTA
CMD, Havells India