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'Looking at opportunities in core categories, a unit in south'

After divesting 80 per cent in Sylvania, its international arm, to Shanghai Feilo Acoustics for ₹1,070 crore, Havells, the electrical equipment and engineering company, is looking at innovation and expansion in India. **ANIL RAI GUPTA**, chairman and managing director, talks to **Jyoti Mukul**. Edited excerpts:

Q&A

ANIL RAI GUPTA
Chairman and managing director, Havells India

Why did Havells divest in Sylvania?
We have always been focused on the proper allocation of capital. It is very important for the DNA. When we had invested in Sylvania, we were looking at generating if not the same return on capital as in India, at least 15-20 per cent (annually). That's the benchmark we set.

After successful turnaround of that firm, we were moving towards that. Since then, the industry went through a change of technology from traditional lighting to LEDs. We did a great job in both Europe and Latin America of converting the company from a traditional lighting company to almost 50 per cent LED product sales. In this whole transition, however, we were unable to generate the same kind of capital return, due to the new investments. We saw it would not be possible for four to five years and, hence, thought it was not right to remain invested. It was better to utilise human resources and capital in better industry and better locations. Hence, we thought it was time to exit this investment, maybe become a minority partner. It was an objective decision. We invested for globalisation but felt it was not generating enough for our capital.

Does this impact the company's product offering? How are you planning to use the freed capital?
Sylvania was an independent company from Havells. It is a lighting company. Havells is into lighting and other products. Sylvania was present in Europe and Latin America. We are exporting under Havells but close to 90 per cent of our business is domestic. The going away of Sylvania does not impact the operations of Havells in any way. It frees resources for future expansion. We are perhaps one of the only companies out of India which acquired a company (in 2007) and not only turned it around but also generated a profit out of the sale of asset. By selling that asset at a profit of around ₹360 crore, we now plan to utilise capital to further build up businesses in India.

How has slowdown in the power sector impacted the company?
Our major supply goes to industrial and residential segments and both have been seeing slow

us; we were growing at 15-20 per cent annually but for the past couple of years, it is in the range of 10 per cent. We will continue to be a brand and distribution-oriented company. We are utilising this time to further build our brands and reach other parts of the country. We believe growth will come back and definitely see some traction, with the ground work the government is doing in road and power infrastructure. This will increase demand for our products in both rural and urban areas.

Which new business segments are you looking at?
The past year, we worked a lot on remaking the organisation. The whole lighting industry is transforming into LEDs and because we are a sizable player, it was natural for us to convert into LED. Today, in India, 60 per cent of our lighting business has transformed to LED. We are focusing a lot on solutions for consumers in terms of energy conservation. Lighting turnover is 18 per cent of our business, switchgear contributes 25 per cent of revenue, electrical consumer durables is 25 per cent and the rest comes from cable and wire. We are looking at new opportunities and have intensified our efforts in introducing new products in our core categories. We are also evaluating new opportunities, whether organic or inorganic. We will continue to add products in the renewable segment. There will be lot of energy saving products.

Are you adding new manufacturing capacity?
We are looking at setting up a manufacturing facility in the south. We are looking at Karnataka and are awaiting government clearances. The facility will be for existing products, with focus on cables and lighting. Besides, we are looking at the internet of things coming into our product categories. For instance, domestic appliances like fans can be connected and communicated from mobile phones.

The company has focused on acquisitions in the past. Will you still go for it?
Today, we are open on both sides. We are looking at opportunities for acquisition within the elec-