"Being self-reliant may be the corporate buzzword today but for us it has always been the only way to do business. Almost 95 per cent of whatever we sell is made in India

BEST CEO
CONSUMER DURABLES

Total Income/ 3-yr CAGR
₹9,541.1 cr/15.02%

PBIT/ 3-yr CAGR
₹952.93 cr/4.34%

PAT/ 3-yr CAGR
₹733.03 cr/10.79%

3-yr Average TSR
-2.22%

Average Market Cap Y-o-Y Growth *
-13.82%

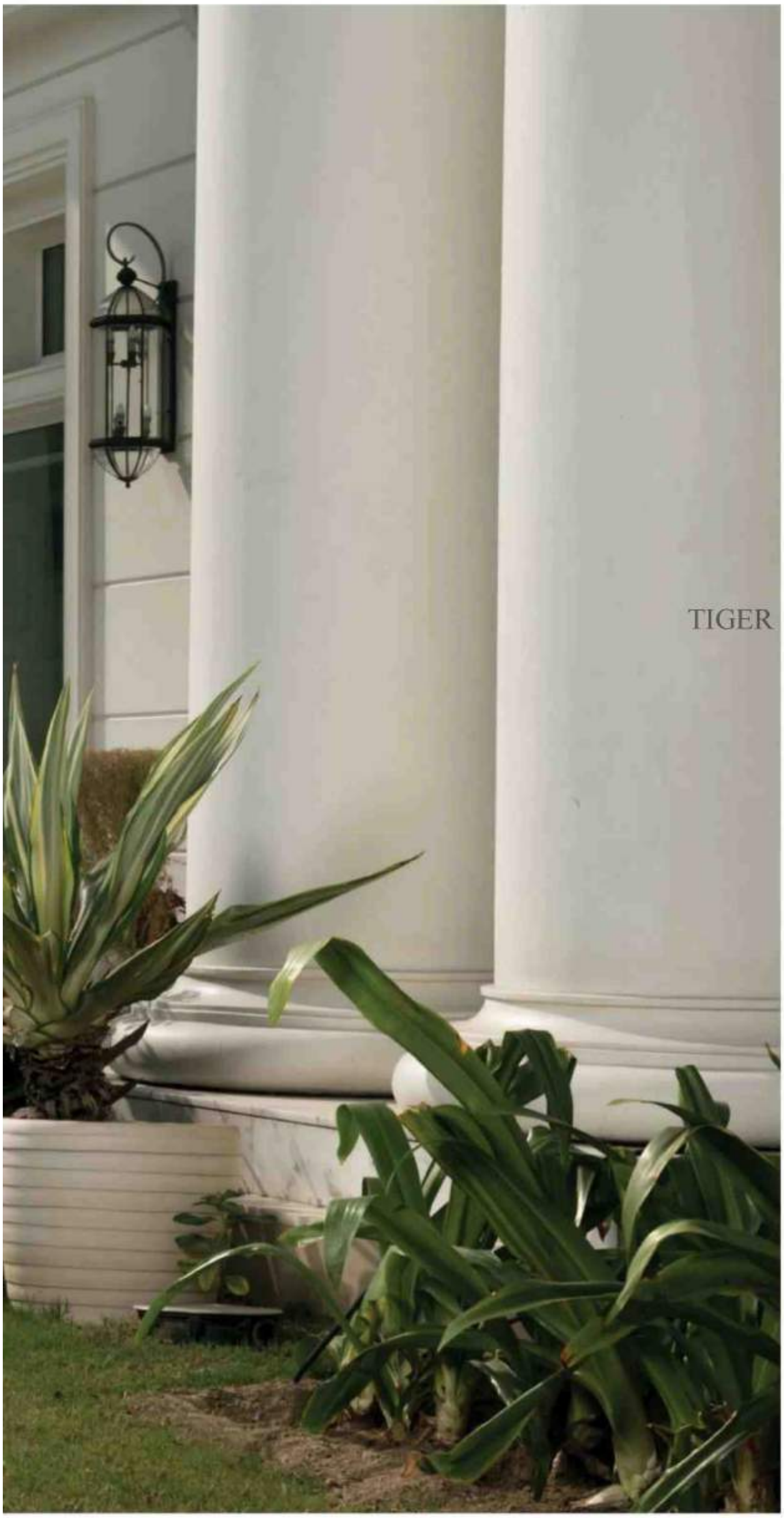
ROE/ ROCE
17.26%/22.0%

Cash/ Debt
₹1,106.92 cr/ ₹72.37cr

Net Profit Margin
7.72%

*For Oct 2019-Sep 2020; Standalone data; Total Income, PBIT & PAT net of extraordinary items; TSR: Total shareholder returns; Source: ACE Equity

Self-reliant CEO



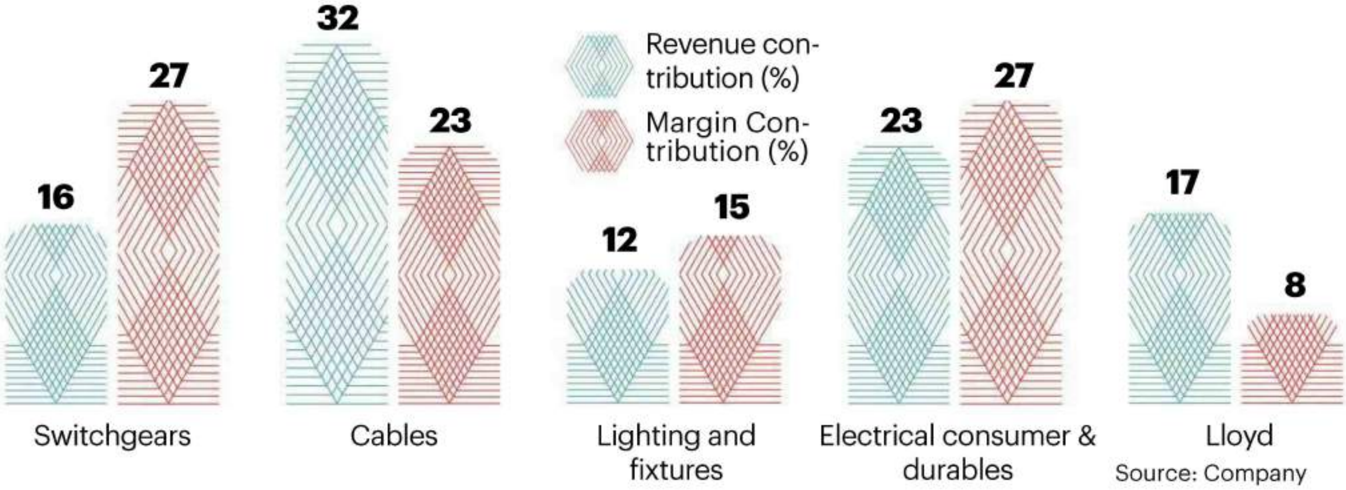
ANIL RAI GUPTA OF HAVELLS IS REAPING THE FRUITS OF RELYING ON OWN RESOURCES AND AN ACQUISITION THAT IS STARTING TO PAY OFF

BY SUMANT BANERJI
PHOTOGRAPH BY YASIR IQBAL

The one thing that Anil Rai Gupta, the Chairman and Managing Director of Havells, among India's largest consumer electronics companies, misses the most during the pandemic is ability to travel and meet distributors, retailers, vendors and sometimes even customers across the country. Restricted to his cabin and forced to manage his business either through virtual meetings over a computer screen or phone calls, Gupta admits, a tad grudgingly, that it works alright and leads to 'not so insignificant' cost savings as well. Yet, he misses the human touch of physical meetings.

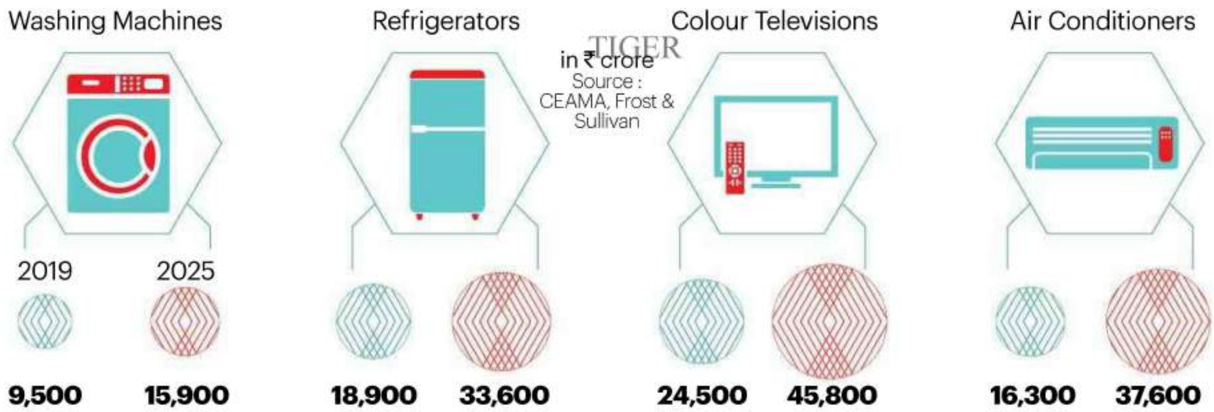
"The pandemic has taught not only us but most around the world that a lot of things can be done virtually. Some can even be done better (virtually). But I have to admit I miss physical meetings," he says in a meeting which also happened over a virtual interface. "A facetime

Revenue and Margin Break-up FY20



Potential for Growth at Lloyd

Current and projected market size in different categories



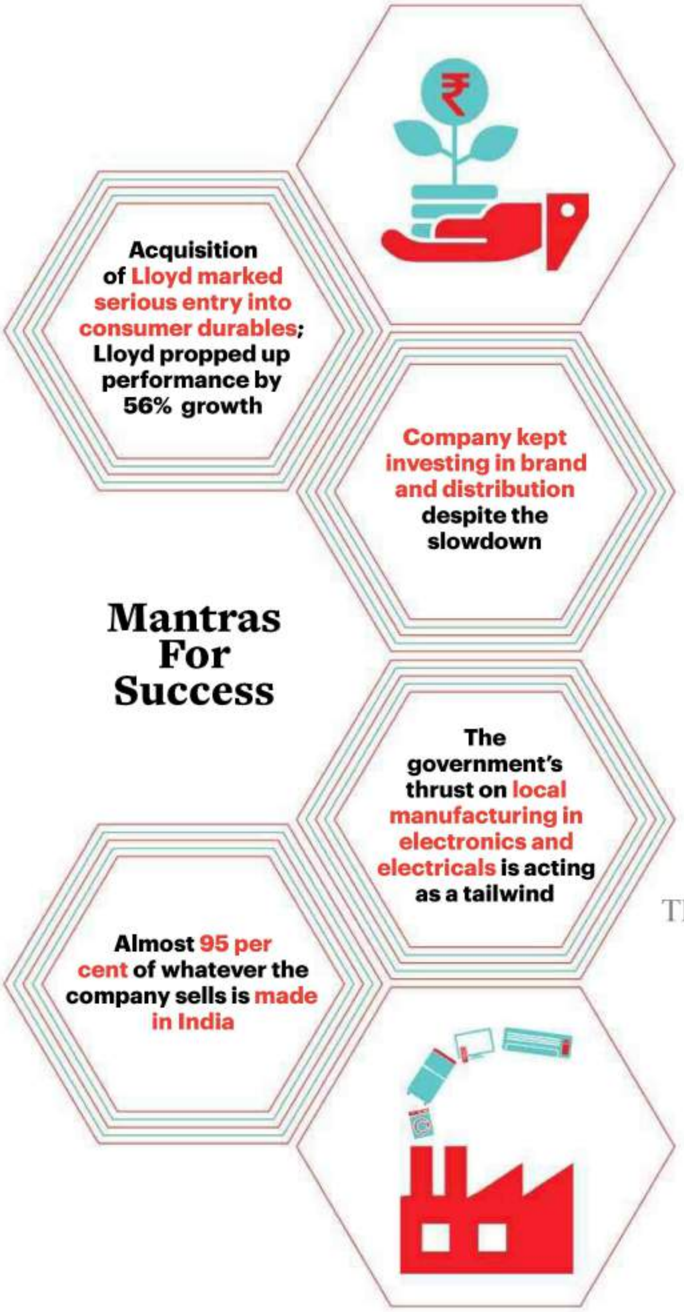
or even a call suffices with business partners who I have already met in the past or who have been with us for a long time. But we are a growing company and add so many distributors, retailers and vendors each year. It is always good to see them personally. I love doing it; it also lays a good foundation for the long term."

Under Gupta, Havells has indeed grown fast, expanding its presence not only in established business segments such as electrical wires/cables, switches, fans and bulbs but also in new areas like televisions, washing machines, refrigerators, air-conditioners, air purifiers and grooming products. The acquisition of Lloyd in early 2017 was part of the expansion plan. Since he took over in late 2014, the company's revenues have nearly doubled to almost ₹10,000 crore (FY20), with three-year CAGR of 15 per cent. The pace of growth made Gupta BT's Best CEO in consumer durables in FY19, a feat he has repeated in FY20.

"We have learnt many lessons along the way and taken some corrective measures. The divestment of Sylvania in 2017 is one such example. One thing that we are very clear about is that, if we are in a particular category, howsoever big or small, we are there to be leaders — to be in top 3. Else, we will not be there at all," he says.

In isolation, FY20 was not exactly the best year for the company, though, due to the overall slowdown in the Indian economy. Protracted downturn in real estate and housing, a major source of growth — new homes mean more demand for electrical appliances — was a major concern. Its top line and bottom line fell marginally during the fiscal but analysts still give the company a thumbs-up as its peers have performed worse.

"We had a good FY19 but started seeing some headwinds at the fag end of the year, which got accentuated in FY20. The capex cycle in the country was slowing down,



which impacted demand for infrastructure. Consumer sentiment was also low," he says. "One of the things that could have been done was to put off investments and go for austerity. But I thought it would not have been prudent, so we kept investing in our brand and channel (distribution) and focused on cost in other aspects. We wanted to get the foundation right so that we could capitalise whenever headwinds turned into tailwinds. It will happen sooner than later. I remain convinced of the Indian growth story."

The clouds have only darkened in this financial year with the pandemic robbing the company of almost two months of business activity and bringing the economy to a staggering halt in April. It did bring with it a silver lining for Havells, though. With salaried people, a significant proportion of urban and semi-urban consumers in India, spending more time at home, there was a spurt in demand for some household appliances. The general resilience in the rural economy, which has benefitted from successive good monsoons, meant Gupta could tap into additional consumers in the hinterland.

"The point I was making about investing in the brand at all times, it paid us dividends during this time," he says. "The consumer psyche is changing and he is looking at better and more reliable brands and not only those that come at low prices. People are spending more time at home, so household appliances are being used more. The poor quality ones are malfunctioning, so there is a new awareness among consumers. We are seen as a quality brand. That is being reinforced today."

What is particularly heartening for Gupta is that his play in the big consumer durables business with Lloyd is starting to pay off. With traditionally lower profitability and more competition than Havells' other businesses, analysts had begun to see Lloyd as a drag on the group's consolidated balance sheet. Instead, the government's thrust on local manufacturing, reinforced with tariff barriers to undermine imports of electronics and electricals, particularly from China, is acting as a tailwind for Lloyd. Gupta's decision to set up a new factory for air-conditioners with an investment of ₹400 crore in Ghilot in Rajasthan could not have come at a more opportune time.

In second quarter results, Lloyd propped up the group's performance, registering 56 per cent growth year-on-year on the back of high demand for air-conditioners, refrigerators and washing machines. Consolidated revenue grew 10 per cent, but without Lloyd, it would have grown 6 per cent. Analysts who were earlier sceptical are now more bullish on Lloyd than on Havells' core businesses of cables, wires and switches.

"With AC import ban coming, Lloyds is in the right spot. They have a strong channel and their AC manufacturing has stabilised. New products are coming in refrigerators and dishwashers. These give ample runway for Lloyds in an industry pegged at ₹60,000 crore and growing," analysts at Dolat Capital Markets said in a report dated October 29.

This doesn't come as a surprise for Gupta, who was always sure that Lloyd would start delivering sooner than later. Neither is the theme of self-reliance, which has led to a number of his peers scampering for local production, anything new for him.

"Being self-reliant may be the corporate buzzword today but for us it has always been the only way to do business. When we acquired Lloyd, its business was dependent on imports. Our investment in the AC factory was to correct that. Almost 95 per cent of whatever we sell is made in India. That is how it has always been and will always be," he says.

For a company this big and with such a diversified product portfolio, very few CEOs can say that with this confidence. But then, that is what separates the best from the rest. BT

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