

Havells 37th Annual General Meeting Transcript

Dated 22nd June 2020

Mr. Sanjay Kumar Gupta, Company Secretary

Good Morning Dear Shareholders. I welcome you all on behalf of your company Havells India Limited to its 37th Annual General meeting which is being held today through video conferencing. Before I hand over the proceedings to the Chairman to declare the meeting open, I would like to highlight certain points here. The joining to this meeting opened 15 minutes before the scheduled time of the commencement of the meeting, which is 10: 00 am and it will remain open for another 15 minutes after the end of the meeting. Members are encouraged to join the meeting through their laptops and headphones for a better experience and use internet with a good speed to avoid any disturbance during the meeting. Participants connecting from mobile devices or tablets or through laptops connecting via a mobile hotspot may experience audio/video loss due to fluctuation in their respective network. It is therefore recommended to use a stable wi-fi or LAN connection to mitigate any kind of aforesaid glitches. As mentioned in the notice, the facility of participation at the AGM through video conferencing or other audio/visual means has been made available for 1000 members on first come first serve basis, except for large shareholders, promoters, institutional investors, directors, key-managerial personnel, the chairperson of the audit committee, nomination and remuneration committee, and stakeholders relationship committee as well as the auditors who are allowed to attend the AGM without any restrictions on account of first come first serve basis.

Subsequent to the MCA circular of 8th April 2020, issued by the Ministry of Corporate Affairs, the facility to appoint proxy to attend and cast vote for the members is not available for this AGM. However, the body corporate is entitled to appoint authorized representatives to attend the AGM through VC, other audio/video means and participate and cast their votes through e-voting. The registered office of the company situated at New Delhi shall be deemed as the venue for this AGM and proceedings of the AGM shall be deemed to be made here at. To transact the businesses as mentioned in the notice, the members were

provided an opportunity to inspect all documents referred to in the notice and the explanatory statement by writing to the company at its email ID, i.e., investors@havells.com till the date of AGM. We have received requests from three members for registration as a speaker shareholder in the AGM today. All those shareholders have been provided specific links to log in to the meeting and we shall be allowing them to speak once the Chairman directs the same. We request speakers to limit their speeches to 5 minutes for the benefit of other shareholders. Non-registered shareholders as speakers who are attending this meeting through VC today are also invited to express their views and raise questions, if they have any, in the chat box provided. The Chairman would be responding to such queries at the end of the meeting. With this, I now hand over the proceedings to the Chairman. Thank you.

Mr. Anil Rai Gupta (Chairman)

Thank you, Sanjay. Good Morning everybody. I welcome you all to the 37th Annual General Meeting of your company. I would like to mention that in view of the massive outbreak of the Covid-19 pandemic, social distancing is a norm to be followed, and therefore, this AGM today has been convened through video conferencing or other audio/visual means in compliance with the companies act 2013, read with specific circulars dated 8th April 2020, 13th April 2020 and 5th May 2020 issued by the Ministry of Corporate Affairs, Government of India, which exempt physical attendance of the members to the AGM venue. The quorum being present, I declare the meeting open.

The notice convening this meeting and the director's report had already been emailed to all shareholders and are taken as read. I welcome other colleagues on the board of your company to the 37th Annual General meeting. Now let me ask your board of directors to introduce themselves.

Shri Subhash S. Mundra

Good morning everybody. I am Subhash Mundra, an independent director appointed to the board of Havells on 12th May 2020. I am joining this AGM from Mumbai today. Thanks

Mr. Anil Rai Gupta (Chairman)

Thank you, Sir.

Shri B. Prasada Rao

Good morning everyone. I am B. Prasada Rao, an independent director appointed on the board of Havells on 12th May 2020 and today attending this AGM from Noida.

Mr. Anil Rai Gupta (Chairman)

Thank you, Mr. Rao.

Shri Vivek Mehra

Good morning. I am Vivek Mehra. I am an independent director recently appointed to the board of Havells on 12th May 2020. I am attending this AGM from Mukteshwar, Uttarakhand today.

Mr. Anil Rai Gupta (Chairman)

Thank you, Mr. Mehra.

Smt. Pratima Ram

Good morning everybody. I am Pratima Ram, an independent director on the board of Havells. I am attending the AGM from Bengaluru today. I am also the Chairperson of the Enterprise Risk Management Committee of the board.

Mr. Anil Rai Gupta (Chairman)

Thank you, Ma'am.

Shri U. K. Sinha

I am an independent director in the board of Havells. I am attending the AGM from New Delhi today. I am also the chairman of the audit committee and the stakeholder relationship committee. Thank you.

Mr. Anil Rai Gupta (Chairman)

Thank you, Mr. Sinha.

Shri Vellayan Subbiah

Good Morning. I am Vellayan Subbiah, an independent director on the board of Havells. I am attending this AGM from Chennai today. I am also on the nomination and remuneration committee Chairman.

Mr. Anil Rai Gupta (Chairman)

Thank you, Mr. Subbiah.

Shri Jalaj Dani

Good morning everyone. I am Jalaj Dani, an independent director on the board of Havells. I am attending the AGM from Mumbai today. I am also the CSR committee Chairman. Thank you.

Mr. Anil Rai Gupta (Chairman)

Thank you, Mr. Dani.

Shri T. V. Mohandas Pai

Hi everybody. My name is T. V. Mohandas Pai. I am a non-independent director on the board of Havells and I am speaking to you from Bangalore.

Mr. Anil Rai Gupta (Chairman)

Thank you, Sir.

Shri Puneet Bhatia

This is Puneet Bhatia. I am a non-independent director on the board of Havells and I am attending the AGM from my residence in Gurgaon.

Mr. Anil Rai Gupta (Chairman)

Thank you, Mr. Bhatia.

Shri Surjit Kumar Gupta

Good morning. I am Surjit Kumar Gupta. I am a promoter director in the company, and I am attending the meeting from New Delhi. Thank you.

Mr. Anil Rai Gupta (Chairman)

Thank you.

Shri Ameet Kumar Gupta

Good morning. I am Ameet Kumar Gupta, one of the promoter directors as well as whole time director on the board of Havells. I am attending the AGM from New Delhi. Thank you.

Mr. Anil Rai Gupta (Chairman)

Thank you. We also have with us the representative from our statutory auditors, Shri Vikas Mehra.

Shri Vikas Mehra

Good morning. I am audit partner with SR Batliboi & Co. LLP. I am attending this meeting from my office in New Delhi. Thank you.

Mr. Anil Rai Gupta (Chairman)

Thank you. And Shri Sanjay Kumar Gupta, the company's secretary, who has already spoken.

Thank you very much everyone. We are going through unprecedented times. Friends, as the new normal dictates us to connect virtually, I would like to share that the year gone by was full of challenges and uncertainties. Even before the Covid-19 pandemic hit the country, weakening macroeconomic environment, sectoral liquidity tightening, slowdown in infrastructure segment, and muted consumer sentiment impacted the overall demand for electrical goods. Against this backdrop, your company demonstrated business resilience and achieved revenue of Rs 9,429 cr and a net profit of Rs 733 cr. The pandemic has fundamentally changed the way we live, work, and has made work from home, social distancing,

and higher technology adoption as the new normal. It proved to be a litmus test of both, traditional and new age companies trying to evolve, transform, and stay on the pulse of the consumers and earn their loyalty.

At Havells, we swiftly laid out a response plan to the unfolding challenges. As the pandemic spread, our priority was to ensure the health and well-being of our employees and deliver seamless business continuity with least disruption. Our employees, while working from home, had access to the latest technology tools, ensuring continuous support to our partners and customers. In the first of its kind engagement with trade partners, a live streaming was held for 9000 dealers across India, uprising them of actions being taken to protect their interests. Even during the complete lockdown, our customer service team was accessible to our consumers through multiple channels and have been able to close most customer calls through audio and video assistance. We also engaged with our employees and dealers through online training imparted by our business heads and expert trainers.

Friends, Lloyd is fast emerging as a mass premium brand. And I am happy to share that our air conditioner plant at Ghiloth Rajasthan was commissioned in FY 2019-20. This plant has a unique distinction of being South East Asia's most advanced and fully integrated AC manufacturing facility. The plant and filmed and aired by Discovery channel underlining the technology prowess of the manufacturing processes. The severity of the pandemic has reaffirmed our determination to be a responsible business. The effort in this regard has earned your company the global recognition of being the first Indian electrical company to be a part of the coveted Dow Jones sustainability index. To minimize our environmental footprint, we are steadily increasing the usage of solar power at our plants. We continue to be a water positive company despite most of our manufacturing facilities being in the water scarce areas.

Upholding our ethos of being an employee friendly company, I am pleased share that we have been certified as a Great Place to Work organization by Great Place to Work Institute.

During these trying times, we have been constantly feeding the poor, needy and migrants. Since April, we have provided meals to more than 2.5 lakh people in Alwar district of Rajasthan. We are committed to the strategy of 'Deeper into Homes' and will continue to focus on brand building, growing our portfolio through research & development and expanding our distribution network with a focus on semi-urban and rural markets. Our factories have resumed operations with strong compliance on hygiene and social distancing. The offices are being operated on rotational basis to ensure adequate safety of employees. The business is gradually gaining traction as we strive to fulfill consumer demand through efficient production and supply chain. We believe that the recovery would be staggered over the next few quarters.

We remain cautiously optimistic and are focusing on priorities of safety, liquidity, stability, and continuity. Before I conclude, I would like to express my gratitude to all employees, the board, and all other stakeholders for their support, continuous guidance, and co-operation throughout this journey. With this, I hand over to the company secretary.

Mr. Sanjay Kumar Gupta (Company Secretary)

Thank you, Sir. I now request, I now request our statutory auditors to read out the audit's report for the benefit of shareholders.

Mr. Vikas Mehra (Audit Partner)

Thank you, Sanjay. In the interest of time, I would be reading the first and the last line of our audit report. We have audited the accompanying standalone Ind AS financial statements of Havells India Limited. Our opinion gives a true and fair view in confirmatory with accounting principles generally accepted in India of the state of affairs of the company as on March 31st 2020, its profit, including other comprehensive income, taxes and changes in equity for the year ended on that date. Thank you.

Mr. Sanjay Kumar Gupta (Company Secretary)

Pursuant to the provisions of Companies Act 2013 and the SEBI listing regulations, the company has provided facility for voting by electronic means to all its members to enable cast their votes electronically and the business may be transacted through such e-voting. For this purpose, the company has tied up with the e-voting system of National Securities Depository Limited for facilitating voting through electronic means as the authorized agency. The company provided remote e-voting facility to all the persons who were members on 15th June 2020, being the cutoff date for vote on all the 9 resolutions set out in the notice of AGM. Members attending the AGM today who have not cast their vote by remote e-voting are entitled to exercise their right to vote by e-voting. Ms. Balika Sharma, company secretary has been appointed by the board as the scrutinizer for e-voting today. The results will be declared on or before 24th June after considering the e-voting done today by members participating in this AGM and also the remote e-voting already done by certain members. The results along with scrutinizer report shall also be submitted to the stock exchanges, i.e., NSE and BSE and will also be placed on the website of the company. As the meeting is convened through VC today, resolutions have already been put to vote through remote e-voting and the requirement to propose and second is not applicable.

With this, I now hand over the proceedings to the Chairman to take questions.

Mr. Anil Rai Gupta (Chairman)

Thank you, Sanjay. I will now call out the names of people who have registered to ask questions and answers. I will attempt to answer all of them once all the shareholders have spoken. I now invite Mr. Pranav Bhavsar who has registered himself as a speaker to express his views and ask questions.

Mr. Pranav Bhavsar

Good morning everyone. Am I audible?

Mr. Anil Rai Gupta (Chairman)

Yes.

Mr. Pranav Bhavsar

Thank you, Sir, for the opportunity. My questions, I will just go one by one. One, I want to know, with regards to the switch-gear business that we have Sir, what is the current percentage of exports? Also, if you can share how much of the exports can be attributed to our alliance with Hyundai? That is, it. And where do you see the potential for exports? That is questions number one. Secondly, I would like to understand a little bit more on the audit matter that the auditor had mentioned with regards to our goodwill and intangible assets. As it is mentioned that we have around Rs 310 and 1029 cr , I would like to know can we look at future impediments or what does that exactly mean? If you can share that, it will be useful. With regards to concerns related to financials, we have trade receivables which has gone down by 50% almost, which I understand is because of the trade discounting facility that we have. Taking the trade discounting facility off and adding Rs 404 cr back to the receivable, our receivables have increased substantially. These are close to Rs 744 cr. So, can you throw some light on what is the environment with the distribution partners? Why we have seen so high receivables going up? Are they still in the liquidity crunch? And the last couple of months, if you can talk about our strategy on Lloyd's because in TV, we have seen very aggressive competition. And same for ACs, we have seen a lot of players coming down from premium to mass premium. And especially because of the lost summers that we have had, the season was mostly in lock-down, how do we plan to tackle the same, i.e., competition plus lower demand in the summer season? And last, in terms of the new plant, if you can highlight what is the current capacity? Thank you so much Sir and I wish you all the best.

Mr. Anil Rai Gupta (Chairman)

Thank you, Mr. Bhavsar. I now invite Mr. Vishal Prasad who has registered himself as a speaker to express his views and ask questions.

Mr. Vishal Prasad

Hi. Good Morning. Am I audible?

Mr. Anil Rai Gupta (Chairman)

Yes Mr. Prasad.

Mr. Sanjay Kumar Gupta (Company Secretary)

Mr. Prasad, you can even turn on your video.

Mr. Vishal Prasad

That will be a bit difficult. I will be on audio if you do not mind. Sir, it is very good that the management is in a good shape and there are good things going on. I have two questions. In the annual report, we talk about opportunities that we think may arise because of FDI inflows. So, what are these opportunities if you could talk about? You also talked about expanding business overseas. So, are we looking for contract manufacturing or is there something else that you have in mind? If you could talk about that as well. The second question that we have is on the Lloyd's front. We have air conditioning. We say that we have the in-house manufacturing facility. So, are we manufacturing the compressors in-house or we outsource? If we are manufacturing in-house, what kind of benefits we will get out of these? And if we have outsourced, are we planning to in-source and build the capabilities? That will be all. Thank you so much.

Mr. Anil Rai Gupta (Chairman)

Thank you. I now invite Mrs. H. S. Patel who has registered herself as a speaker to express her views and ask questions. Mrs. Patel please go ahead.

Mrs. H. S. Patel

Am I audible?

Mr. Anil Rai Gupta (Chairman)

Yes.

Mrs. H. S. Patel

Very good morning to all of you. Mr. Anil Rai Gupta, our chairman, the board members, Mr. Rajesh Gupta, the CFO, Mr. Sanjay Gupta, the Company Secretary and all the stakeholders, investors, and all. A very good morning from Mrs. Patel from Mumbai. I thank Bhavna for taking the extra trouble to give me this opportunity to be a speaker at this meeting. Thank you Bhavna. Sir, the presentation, and your annual report is absolutely very informative and touches all the aspects of the company. Our company is among very few companies in this segment which focuses on innovation while ensuring long term customer values. As a retail investor, I am proud to have invested in this company and associate myself with this company for its high values, vision, and mission, as mentioned in your report. Showcase of brands and diversified products portfolio, which is on page 6 and the image of the house with its various utilization of Havells products on page 13 is very insightful and very important not only for shareholders because when this report goes to other people's hands, it is very informative to them and they will become customers of Havells. Such is the essential of the report. In a promoted company, the quality of the board members and the values of the board members give emphasis on the good corporate governance from the top level. Details of risks that are affecting the company and the means to mitigate them was very informative, as mentioned from page 17 to 19. Sir, now I put forth some questions. If you could, let me know the answers please. Our company has under performed all the parameters of performance highlights as mentioned on page 8. Should we expect more downgrade in this year as well, or will it be an upward arrow? On page 9, the employees' strength has reduced but employee spend, i.e., employee expenditure has increased. What are the reasons for this? The company has a debt. If I am fast, please let me know. Am I audible?

Mr. Anil Rai Gupta (Chairman)

Yes. Please go ahead.

Mrs. H. S. Patel

The company has a debt of Rs 40.5 cr. Is it the total debt at the consolidated level also? How does the company propose to utilize the cash or cash equivalents of Rs 1,100 cr. Coming to page 41, why there is an increase in depreciation and amortization while increase in finance cost for the year, even when the net is low? On page 62, the company has two subsidiaries as mentioned, i.e., subsidiaries in China. What are their objectives and business activities? What measures will the company take to reduce the cost in such difficult times? Sir, I propose all your resolutions. I wish everybody, especially the employees of your company all the very best. Work hard, give us good results, wish you good luck and thank you the management and hope that your products are available in our Bombay city also. I wish the whole team all the very best. Thank you.

Mr. Anil Rai Gupta (Chairman)

Thank you, Mrs. Patel, for the excellent set of questions. I now invite Mr. Manish Kaushik on the behalf of all the non-registered shareholders as speakers to put up their questions, if there have been any, in the chat box.

Mr. Manish, please go ahead.

Mr. Manish Kaushik

Good morning Chairman Sir. We have received quite a few questions from our shareholders through the chat box. The first question, and I think it has been repeated by other shareholders as well, is from Nandalal Sardana. The question is- how is the business going to pick up after the lock-down?

The second question that has been asked, which is unique, and has not been covered earlier is that- How many brands are there in Havells umbrella? How do we plan to focus on the same?

Sir, these are the unique questions. The rest have already been covered by you in your speech and among the other questions by registered speaker shareholders. Thank you, Sir.

Mr. Anil Rai Gupta (Chairman)

Thank you very much. I will now attempt to answer a few of the questions. Some of the questions which are specific in nature in terms of financial numbers, I will request my finance team to get in touch, specifically with the registered shareholders, especially Mrs. Patel on her questions regarding the interest burden as well as the spends on the employees as well as some questions from Mr. Pranav Bhavsar on the amortization and the goodwill. Mr. Pankaj Jain or anyone from our finance department would get in touch with him subsequent to the AGM. Generally speaking, excellent set of questions underpinning the strategy of the company, the questions on the future outlook on exports, international business, the prospects for Lloyd, the new facilities. So, I will attempt to answer in a consolidated manner. I think one of the questions related to our switch gear exports, you will be happy to know that quite a large percentage of our switch gear sales comes from exports. Switch gear is a highly technological oriented product and right from about 20 years ago, we had invested heavily in plant and machinery as well as R&D on developing our own technologies of switch gear and today, we export almost 35 to 40 % of our sales to all parts of the world, Middle East, Africa, Europe, some Latin American countries also and I think going forward switch gear will continue to be a large part of our globalization strategy and internationalization strategy. Hyundai forms almost of about 20 - 25 % of the overall switch-gear exports but still a large part comes from our own brand and our own distribution. Going forward, another question was about contract manufacturing and increase of globalization and international business in our portfolio. It will be a part of the strategy. Contract manufacturing will also be a part of the strategy given the fact that there is high demand now coming to India for technological products also highly manufacturing oriented products also. This will also be a part of the strategy but as Havells, we are quite focused on developing our own brand and channel, within India and outside of India as well. So, this will be a strategy which will be a mix strategy and I believe that not only in switch gear but also, we are seeing increased traction in our lighting business, in our cables business. Also, some parts of our consumer durable business-like water heaters and fans. In the last one year or so, there has been renewed interest because of the global market now trying to

focus and trying to de-risk the strategy from sourcing only from one country, now looking at India in a very favorable way. Going forward, international business will definitely be a bigger part of strategy. Coming to Lloyd, two questions, one related to manufacturing and the other related to overall brand strategy. As you all know when we acquired Lloyd about two years ago, we always said that we wanted to take it up to the mass premium segment and the increased focus on giving right service to the consumers, improving the brand image of the consumers, changing the distribution channel from purely a distribution oriented organization to an Omnipresent channel strategy. There have been a lot of improvements in the overall strategy of Lloyd which has played very well. Specially our overall manufacturing strategy, as you know when we acquired Lloyd, unlike the strategy at Havells, it was dependent on importing products from China. In the last one year, after the plant has come up, our dependence on China has completely reduced. We are now fully manufacturing in our new facility. This facility is one of the most modern facilities in South East Asia. It has a capacity of one million and going forward, in next one and half years, given the fact that Lloyd is among the top 3 AC manufacturers in the country, we should be utilizing this capacity almost to a 100 % level very soon and going forward we are also looking at expanding our sales, not only in India but international markets. So, we will be going in capacity expansion in next 2 to 3 years itself. There is definitely a high degree of confidence on the way Lloyd has come up and even in the marketplace the acceptance, both by the trade as well as the consumers has been very good and despite having some challenges in last years because of the change in distribution, as somebody mentioned that there was an increased aggressiveness in the LED panel business, but I think it is over compensated by the fact that the trade has really bought on to this brand very well. The consumers have really focused on this brand very well. I think in the last 6 months, just before the pandemic hit, our revival of Lloyd was happening at a very fast pace. Even after the lock-down has opened up, we are definitely seeing very good signs of pickup for Lloyd business. Another question on the value addition in our plant, you would be happy to know that this plant is quite integrated. It is manufacturing more than 50% of the components in-house. The compressors are still outsourced, and it will continue to remain outsourced till we reach a certain level where it makes economic sense to manufacture

compressors in-house. I think overall, one of the questions was under performance on certain factors and debtors. I would say that the company has actually been very focused on maintaining a very good financial discipline among the trade. Even during the lock-down, the collections of the company were very good. Even after the lock-down has opened up, the sales have come up at a very fast level. It is only because of the focus of the company and collections. We have not seen any overall receivables increase in days. In fact, they have improved during the last one year or so. The debt levels are very low in the company and there is no debt level in the consolidated balance sheet as well. But as I said, may be the financial people can get back to the individual shareholders separately to answer each and every question in more detail. I think one last question from Mr. N L Sardana, two questions, on the outlook after lockdown. I would say it is better than expected. May be the initial days, still very early to say but it is definitely better than expected and I think going forward we are expecting that branded players, organized players who have a deeper distribution into the semi urban markets, rural markets will perform better than the competition. That is what we are looking right now, and the factories are almost operating at full capacity. So, things are looking better than expected. As far as the brand strategy of the company goes, we have various brands, the mother brand being Havells. We also have Standard, we have Rios specifically focused on the rural markets, Lloyd specifically focused on the consumer durable business. This strategy is very clear. It all depends upon the customer segments; what products goes into which brand and not only the customer segment but the product category segment. So, we are quite fortunate that we have been able to develop different brands for different consumer channels and different distribution channels also. So, over all I think we are quite well positioned to take the company forward in the coming times. Manish, do I take this as the end of the questions from all the shareholders?

Mr. Manish Kaushik

Yes Sir. The unique questions have been answered.

Mr. Anil Rai Gupta (Chairman)

Thank you very much. Thank you everyone. Thank you, shareholders, for asking very insightful questions on this virtual AGM. Members attending the AGM today who have not already cast their vote by remote e-voting may cast their vote on the e-voting platform now. You are given 15 minutes time for e-voting. I once again thank you all for participating in the AGM.

Mr. Sanjay Kumar Gupta

Thank you, Sir.

Mr. Anil Rai Gupta (Chairman)

Thank you. Sanjay, do all the board members log off now?

Mr. Sanjay Kumar Gupta (Company Secretary)

Yes Sir. They can now leave the meeting and the e-voting platform will remain open for 15 minutes time.

Mr. Anil Rai Gupta (Chairman)

OK. Thank you very much. Goodbye