

Success Diaries

Success isn't a straight line. Even the most accomplished business leaders have had to face the anvils of crisis at pivotal points. There are immense learnings to gain from moments of such successes and failures.

At Kalaari, we draw our energy from helping founders succeed. Through Success Diaries, we bring to you case studies that draw analysis and insights from the journeys of extraordinary companies. We hope this helps you as you build an enduring enterprise of tomorrow.

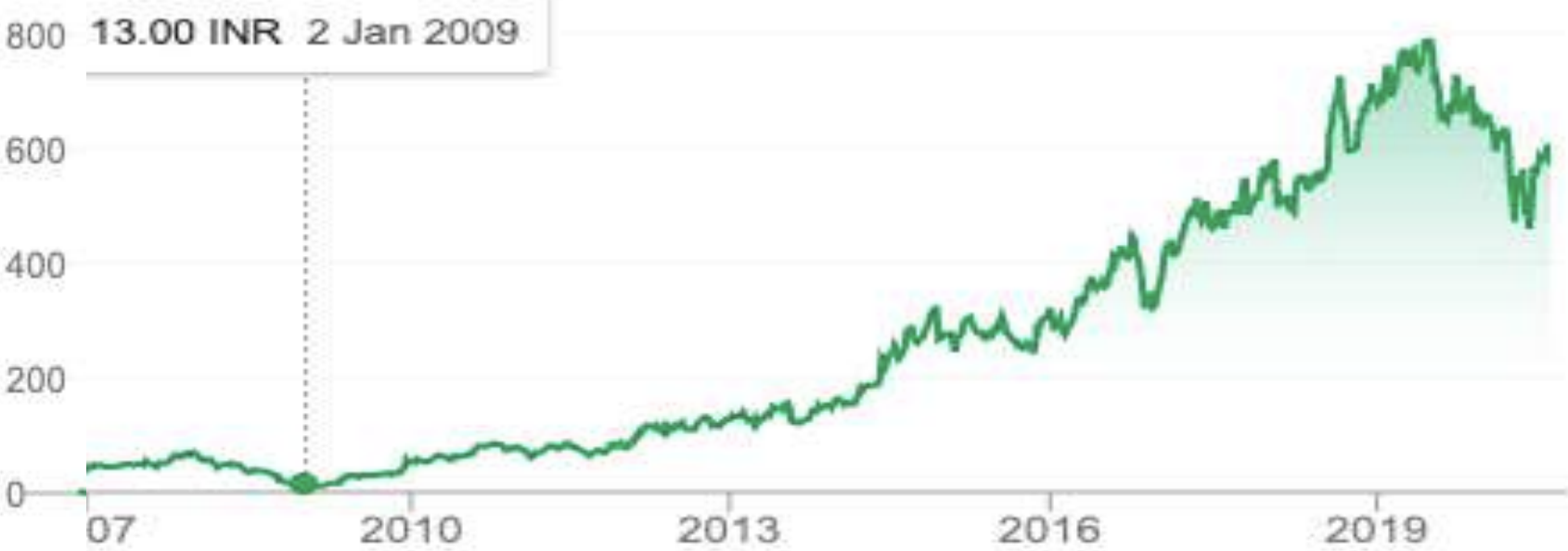


HAVELLS

Creating a \$5B Brand in a
Commoditized industry

By Vikash Rathi, Avinash Ramanathan

Havells grew 50x in a decade



Mar 1, 2010
Havells share price: 13Rs



Mar 6, 2020
Havells Share Price: 633

Havells' success derives itself from four key tenets



Understood how the Indian consumer perceives value

Contrary to popular opinion, Havells was convinced on people's willingness to pay a premium for quality products. Strong focus on quality, performance of service were key drivers for Havells reaching leadership positions in their respective categories

Brand building

4% of turnover spent on advertising which was unusual in the 70s and 80s in India but helped them create a brand which stood out in and gained mind share in the Indian consumer

Pioneered after sales service in India

Set the industry standard for after-sales service in India. Zero tolerance to compromise on customer satisfaction. Had deep connect with dealers & distributors

Treating all stakeholders like family

Treated dealers & distributors like family.

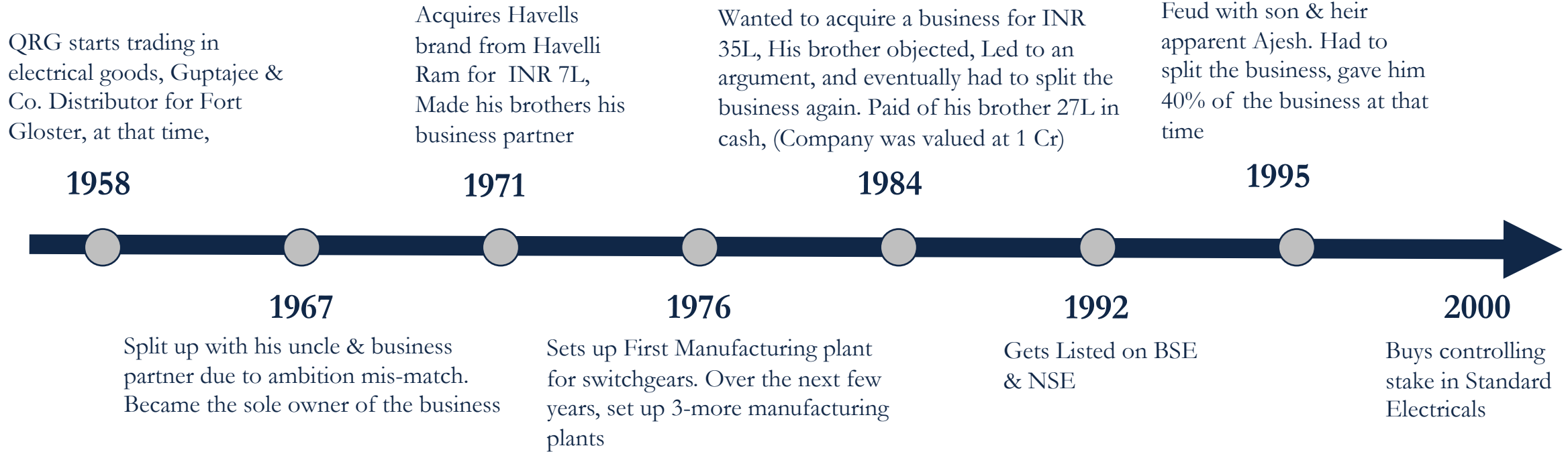
Viewed distribution as a significant barrier to entry and doubled down on it

The Journey of Havells

Fun Fact:

Qimat Rai Gupta(QRG) acquired the Havells brand from Havelli Ram Gupta in 1960s where he paid INR 7 lakh for it. Havelli Ram Gupta's grandson is the famous designer Rohit Gandhi

Contrarianism & non-conventionality marked the first few decades of Havells



Brand Building: Since the number of licenses to manufacture were few, there was no incentive for anyone to create brands. QGR Insisted on investing in brand creation, telling his workers that it would pay off later



Ethical Business & Governance Practices: During the license raj, kickbacks and under the table dealings was common and was required to win large contracts. QRG refused to deal in such contracts despite the lucrativeness

The later decades saw unmatched ambition and execution by QRG and his son

2001
Buys Crabtree brand for India, Pakistan, Nepal & Bangladesh

2005
Sets up first R&D center in Haridwar.

2011
Joint Venture with Shanghai Yaming Lighting Co for manufacturing for Western markets

2015
Divests 80% stake in Sylvania, buys majority stake in Promptec renewables

2001

2005

2011

2015

2003

2007

2014

2017

Forays into Consumer Durables: Fans, CFL & lighting fixtures

Buys Sylvania, Warburg invests \$110M

QRG, the founder of Havells passes away

Acquires Lloyd, enters Consumer durable business



Inorganic Growth: While most of his peers and competitors were growing slowly, QRG pushed Havells to take on big bang acquisitions which will move the needle for Havells in a significant way



Premium Positioning: When Havells decided to enter into the fans segment, QRG was adamant that they price their fans in a premium way and also invested huge sums in branding for the same

Qimat Rai Gupta's defiance of traditional career norms led to huge success

Qimat Rai Gupta (QRG) started out as a trader with an INR 10,000 investment. He always went against the grain and had strong principles on how business should be done

During the License Raj:

- Understood the importance of branding and paid up for a brand
- Upheld strong governance practices
- Treated his dealers like family

During the expansion phase of 2000s:

- Positioned Havells as a premium brand with premium pricing in a price conscious country despite strong internal and external opposition
- Aggressively pursued acquisitions which were 2-3x bigger than Havells
- Invested 60%-70% of net profit into branding and marketing

Havells Founder – Qimat Rai Gupta



“Kothe par chadkar bolo. Koi to sunega”. (Only if you talk openly about your problems will a solution emerge) - **Open Culture**

“Shikaar jab tak khud nahin maaro, who marta nahin hain” (to really get the job done, you have to do it yourself) **Work Philosophy**

“Technology is not an end in itself but a means to delight the consumer” - **Views on tech**

“I have an allergy for senior people doing small things. They should empower others” – **View on Delegation**

Havells created significant market dominance...



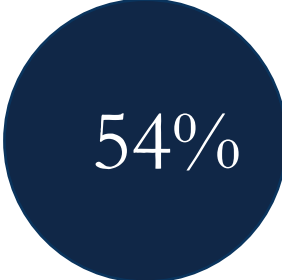
Topline



PAT



Product SKU's



Dealers retained for 5+ years



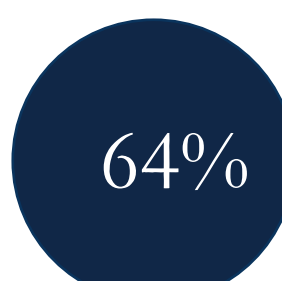
Dealer Network



Manufacturing Plants

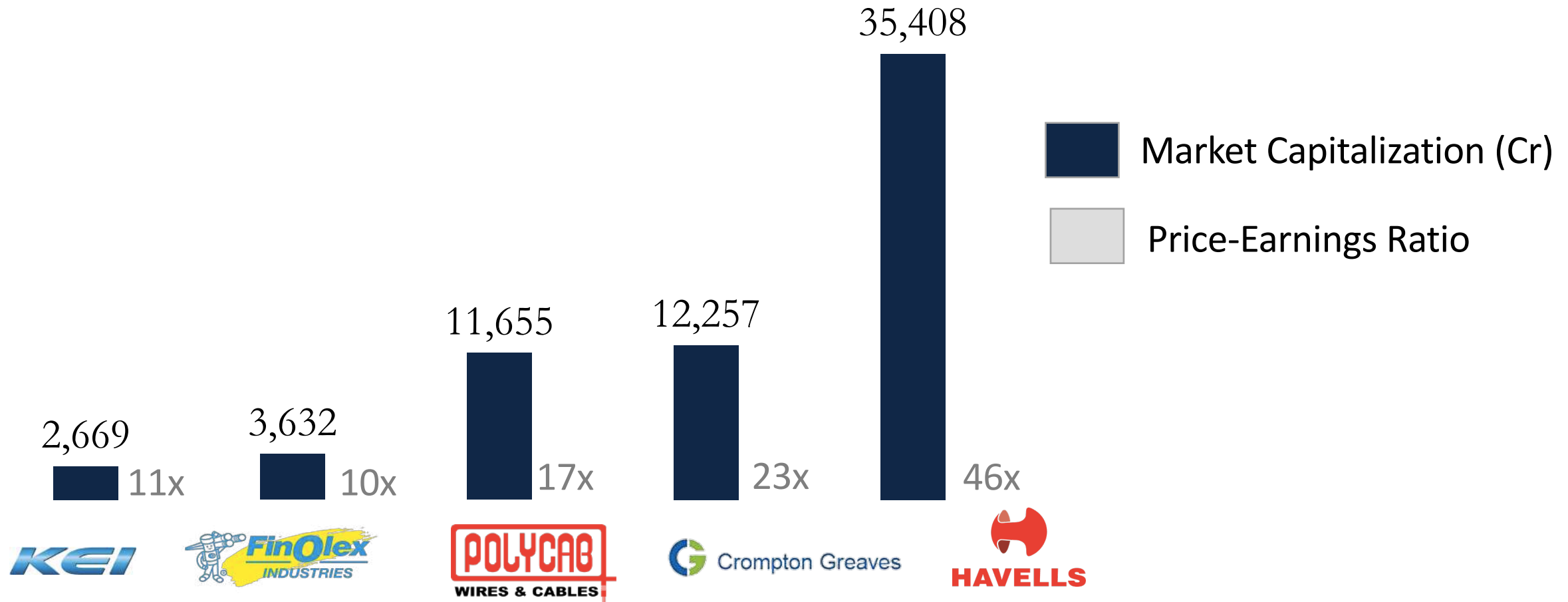


Countries Sold



Customer Satisfaction Score

..leading to significant outperformance vis-à-vis peers in the equity markets

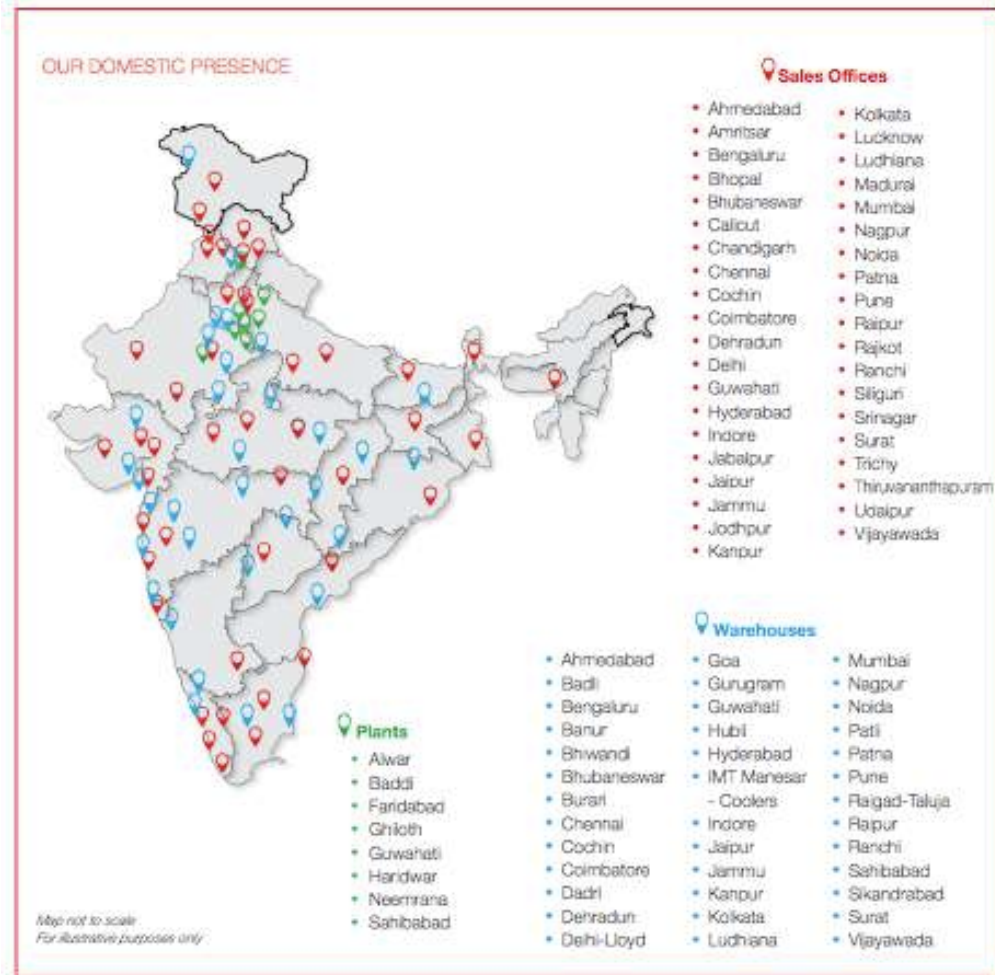


What did Havells do right?

Fun Fact:

Havells did an advertisement with Rajesh Khanna. The advertisement was for the fans' division of Havells and was a pun on the number of fans and followers that Rajesh Khanna had during his acting career.

Havells built a distribution network that is unparalleled



Enhancing the brand experience for customers, first of its kind

Galaxy & Gallery Stores

500+

Dealers

7575

Retail Outlets

100K+

Havells invested significantly to create high-recall brand in a commoditized industry

- Focused on TV as a channel, spends on advertising revenue were always higher than peers
- Did not use celebrities/superstars for marketing (which was the norm) - Emphasis was always on the product in the advertisements and creative India focused stories

Innovative Campaigns: Pushing the barriers



”For a shock proof life”



“Wires that don’t catch fire”

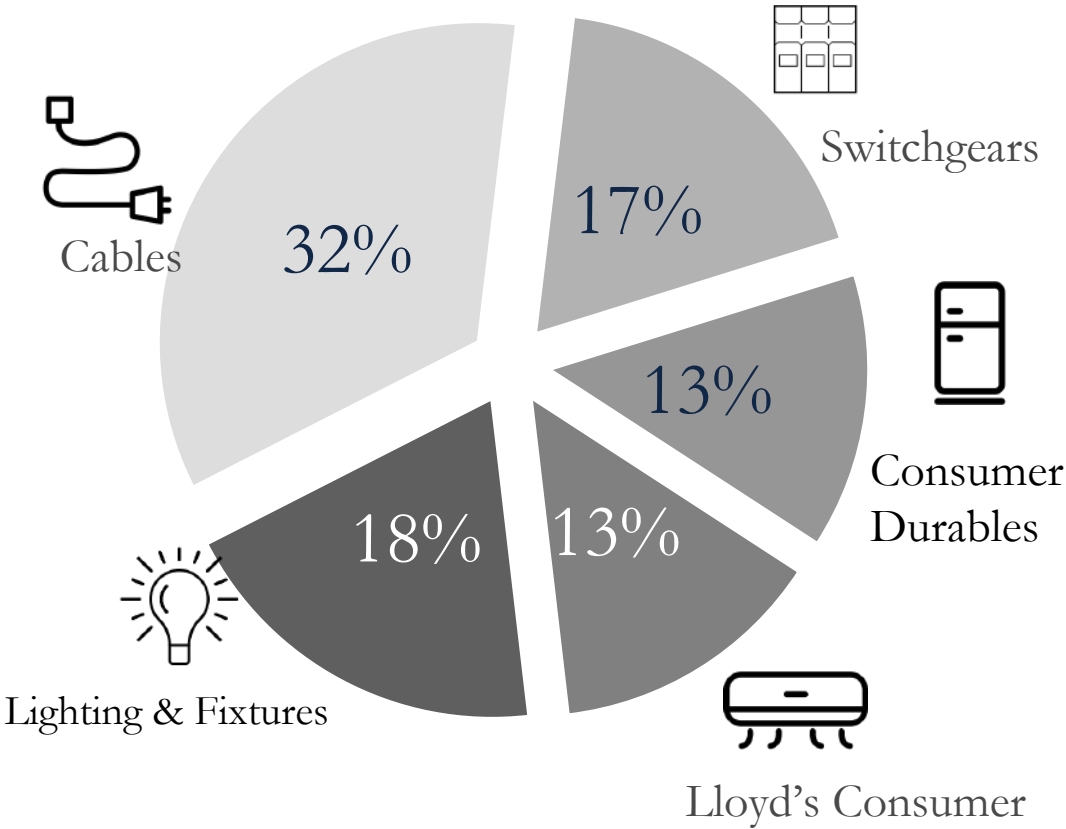


“Fans Forever”

Havells recognized the antifragility of brand building and diversified

Product Categorization

(In terms of revenue)



Brands they own



Havells positioned their brands to bridge India's trust gap in various segments







HAVELLS

Making a Difference

Mass Premium Brand

Quality Products at affordable prices

Brand	Slogan	Target Groups
	<i>"Khayal Rakhenge, Khush Rakhenge"</i>	Young, middle-class couples who aspire for a fuller life & value products with technology
	<i>"What a Life"</i>	Global Consumers. Slightly premium offering and focused on providing a unique experience
	<i>"Standard-Young Energy"</i>	Focused on Youth, value for money mass brand. Very strong Make-in-India flavor.
	<i>"Trust Naam Mein, Perfect Kaam Mein"</i>	Focused on rural markets. Safety at a price is the value prop

Learnings from Havells

Fun Fact:

QRG deliberated for quite a while on whether they should create a fans division from scratch or acquire another company. They eventually acquired a fans factory from Bhushan Kumar who went on to grow the hugely successful music label T-Series

Develop a core conviction and take bold decisions

"His logic was simple, yet elegant. As a business house, we had limited managerial bandwidth. Were we ready to squander it on low-margin government orders, which were open to manipulation, or were we going to use it in a market that offered better profit margins and had less scope for corruption? What were the kind of competencies we wanted to build in our organization"

QRG when he decided not to bid for government orders which were lucrative but involved non ethical decisions

Core Conviction of Havells:

- Indians will pay premium pricing for brands
- Ethical business is the best way forward
- Inorganic growth will create more value in the long-term

Bold Decisions:

- **Buying the Havells brand in 1971:** At a time when it was un-heard of, QRG paid INR 7L amount for the brand rights
- Made an acquisition that **was bigger than Havells itself (Sylvania)**
- **Shutting down lucrative metering business** (More than 50% of revenue at that time) as the government contracts required underhand practices

Do the work to develop a core conviction for your company and take bold decisions even if the consensus does not agree with you

Take care of your stakeholders well and they will take care of you

I often recall the story of Rakesh Mehrotra, who started as a small dealer of Havells in Kanpur in 1979, and is today an associate director of the company. No other story exemplifies QRG's close relationship with his dealers better.

Mehrotra first met QRG in April 1982. In 1981-82, he had done business worth Rs 1.37 lakh for Havells in Kanpur and promised to raise it to Rs 3 lakh in 1982-83. QRG raised the target to Rs 3.6 lakh. A little unnerved, Mehrotra asked QRG, 'What about my profits?'

QRG told him, 'You take care of Havells and we will take care of you.' In a flash, Mehrotra became beholden to him. That year, he did business of over Rs 6 lakh!

An excerpt from QRG's biography on how he dealt with dealers

QRG realized that his dealership network will make or break his business. He treated dealers like family. He knew that if he took care of his dealers, they would take care of his customers

His dealer initiatives included:

- Built immense good-will. Helped fund marriages, gave good incentives etc
- INR 5L Medical insurance for all dealers & their families
- Deep Personal Touch: In dealer meets both in India and abroad, he would invite the promoter & their families
- Dealers & traders would be a part of his daily catch up with the management team. There were not many PPT's etc., it was an open-ended conversation with the most important stakeholders in the business.

Only when all your stakeholders who work for you or with you feel comfortable and successful, will you succeed

Fast, Good, Cheap: Choose 2/3 and structure your company to service that strategy

QRG refused to play by those rules. Everyone said our strategy of high-quality, high-price fans was wrong. At the launch conference in 2004, most of our 400-odd distributors and dealers predicted that we would fail unless we introduced low-priced fans. Our senior managers felt the same way. QRG refused to give in to their demand. He did not wish to be a follower. *'Sau sawar Dilli chale, toh aap bhi chal diye,'* he would often run down the herd mentality with discernible derision.

The strategy worked; today, we are one of the largest manufacturers of fans in the country. And in the premium category, we are the undisputed leader.

An excerpt from QRG's biography on how he launched the premium fans category for Havells

Focused heavily on offering world-class products and reliable after sales service

Refused to play by the rules of rock-bottom prices, attain volumes and operate at wafer-thin margins. Everyone in his team were against their strategy of high-quality, high price but he stuck to his conviction

Consumers wouldn't mind paying slightly premium prices for Havells' products because he assured quality, safety, trust and after-sales service, something his international competitors struggled during the initial days

Focus on your core strategy and do not get swayed by what the current norm is

Learnings for startups



Develop a core conviction and take bold decisions:

Do the work to develop a core conviction for your company and take bold decisions even if the consensus does not agree with you



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Thank You

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