

Lessons in cross border acquisition- Havells India

BY

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The acquisition

- Hevels India acquired an MNC Sylvannia in 2007 with operations in 50 countries
- Sylvannia was 1.5 times the size of Havells!
- Almost lost the company to the bankers as Sylvannia made huge losses (30M euros p.a) and bankers were breathing down their neck
- Then they turned it around
- This is the story of how they did it

The motivation

- The mood was sombre
- Havells felt they may lose even the parent company because of the problems in Sylvania
- Qimat Rai Gupta, 73 Chairman advised , pushed and motivated the key executives for 15 consecutive days for 5 hours a day
- He told them this is the best bet they had to become a big international player

Problem identification

- Sales had shrunk
- Plants operated at half the capacity
- Costs out of control
- Lot of flab

First step-cleaning up the mess

- Removed CEO and 3 key executives
- Appointed 7 key executives from India
- Identified -lay offs central to restructuring
- Took help from a key executive with rich international experience in P&G who had seen many restructuring
- Though layoffs difficult in Europe it helped that
 - Employees were expecting it
 - Economic recession claimed victims everywhere
- Engaged a law firm to advise on retrenchment in 10 countries
- The details of retrenchment left to local GM so that it did not become an Indian initiative

Cutting costs and improving profitability

- People who went from India did not go to boss over but to find solutions to bring down costs
- 35 Million Euros of expenses cut in 18 months
- 400 staff laid off
- Working capital reduced
- Infused fresh equity
- By 2011 Sylvannia expects to make a profit of 30Million Euros

Risk management

- Introduced a risk management program:
 - Every employee asked to list down risks
 - 600 risks identified including in areas like procurement, HR, Finance
 - List reduced to 13
 - Taken up for detailed risk management
- E.g: Procurement
 - Checklists prepared for every step
 - If there is any slip up it throws up automatically

Innovation

- Introduced new products
 - Now 40% of inventory -new products
 - Products like geysers , rice cookers and mixies
 - Fans with energy efficiency as USP
- Everything is automated
 - Inventory can be checked, orders placed and tracked real time in the Havells portal

Integration

- Understand cultural differences
 - German part- slow, stable, structured world of processes and hierarchies
 - Indian part- entrepreneurial power house that is flexible, ambitious, and aggressive, leaning heavily on gut feel
- Lack of management bandwidth in Havells to handle Sylvannia
- Plan smooth integration of Havells and Sylvannia
- Bring global range of Sylvannia products to India
- Increase outsourcing from India
- Shift back end functions like IT, finance to India
- Overhaul procurement systems and create central warehouse drawing inspiration from Sylvannia
- Make decisions faster

Marketing

- Launch products in new markets
 - Like China
- New products in existing markets
- Move towards faster growing markets in Asia

Approach

- Transparency
- High governance standards
- Daring approach
- Agility

Sources

- Forbes India