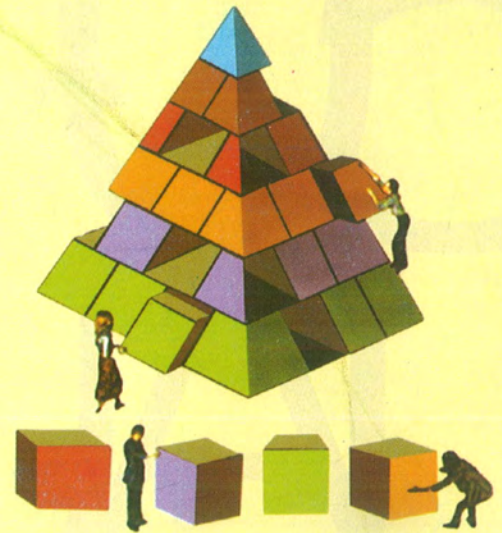




22nd ANNUAL
REPORT



2004-05

A **QRC** Enterprise

HAVELL'S INDIA LIMITED

p o w e r o f t h e f u t u r e

PROGRESS AT A GLANCE OF LAST 10 YEARS
Results for the year

(Rs. In Lacs)										
PARTICULARS	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Turnover	2856.61	4985.48	6212.15	8247.48	10513.30	17108.20	22203.36	29308.25	41922.40	66538.46
Index	1.00	1.75	2.17	2.89	3.68	5.99	7.77	10.26	14.68	23.29
PBDT	281.98	344.64	299.03	402.70	546.81	1118.67	1487.09	1650.67	3274.77	4731.62
Index	1.00	1.22	1.06	1.43	1.94	3.97	5.27	5.85	11.61	16.78
Depreciation	37.03	54.69	76.31	88.73	101.87	119.42	190.93	232.07	264.26	408.92
Index	1.00	1.48	2.06	2.40	2.75	3.22	5.16	6.27	7.14	11.04
PBT	244.95	289.95	222.72	313.97	444.94	999.25	1296.16	1418.60	3010.51	4322.70
Index	1.00	1.18	0.91	1.28	1.82	4.08	5.29	5.79	12.29	17.65
Tax	79.88	59.78	75.02	68.73	113.14	378.21	438.80	522.63	914.40	1270.06
Index	1.00	0.75	0.94	0.86	1.42	4.73	5.49	6.54	11.45	15.90
PAT	165.07	230.17	147.70	245.24	331.80	621.04	857.36	895.97	2096.11	3052.64
Index	1.00	1.39	0.89	1.49	2.01	3.76	5.19	5.43	12.70	18.49

Year end position

Gross Block	1036.91	1337.08	1618.36	1764.94	2011.81	2384.58	3488.90	4136.11	5547.10	10411.02
Index	1.00	1.29	1.56	1.70	1.94	2.30	3.36	3.99	5.35	10.04
Net Block	939.31	1184.79	1391.48	1450.34	1598.91	1855.71	2579.72	3000.51	4355.58	8819.68
Index	1.00	1.26	1.48	1.54	1.70	1.98	2.75	3.19	4.64	9.39
Net Current Assets	1034.60	1445.52	2106.73	2550.59	3169.60	4964.45	6518.07	9457.52	11597.52	17274.50
Index	1.00	1.40	2.04	2.47	3.06	4.80	6.30	9.14	11.21	16.70
Net Worth	1004.41	1309.33	1385.71	1529.65	1748.42	2289.30	3386.26	4100.08	5935.09	8660.49
Index	1.00	1.30	1.38	1.52	1.74	2.28	3.37	4.08	5.91	8.62
Dividend (in %)	15%	15%	15%	20%	20%	20%	25%	25%	40%	50%
EPS (In Rs.)*	1.85	2.56	1.51	2.51	3.39	6.26	8.59	7.73	18.08	26.34
Share Capital	448.33	489.51	489.51	489.51	489.51	498.28	579.56	579.56	579.56	579.56
Reserves & Surplus	599.15	858.78	928.75	1066.30	1278.66	1904.37	2815.11	3522.42	5357.01	8082.00
Book Value (In Rs.)*	11.20	13.37	14.15	15.62	17.86	22.97	29.21	35.37	51.20	74.72

* At the face value of Rs.5/- per share

UNVEILING THE UNSEEN POWER



Lighting up your life with a wide range of power products since 1971 is QRG. Havell's is the flagship company of QRG since 1983. Havell's India Limited manufactures and markets a comprehensive range of electrical products under one roof from building circuit protection equipments, industrial switchgear, cables and wires, energy meters, fans, to other lighting products. Havell's India Limited is a story of constant innovation and profound quality.

The power of the future.

Established by the unshakable will of Mr. Qimat Rai Gupta today QRG comprises of 4 companies each at the helm of excellence in its own distinct area. Havell's India Limited is a story of an organization driven-by the power of ethics and excellence. In recognition of his vision the Chairman - Shri Qimat Rai Gupta has been awarded 'Distinguished Entrepreneur of the year 2004' by PHD Chamber of Commerce and Industries. **The power of vision.**

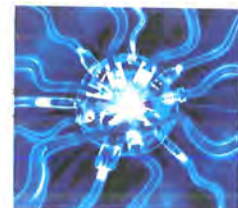


An organization, which considers customer delight to be the final measure of quality. With a powerful team of professionals, exhaustive partner network, world-class services, customized products and solutions - Havell's India Limited is a story of building bonds with customers, associates and partners.

The power of relationships.

Winning over international clients in 43 countries with a talented International Business Division.

Having an exhaustive partner network in India and abroad: **1000** dealers, **25000** retailers, **3200** professionals



qualified in various fields Havell's India Limited is a story of a well-managed system.

The power of network.



Beneath the strong functioning muscle of Havell's India Limited is its team of dedicated employees. Empowered through co-operation, growth and individual achievements they make Havell's India Limited an undisputed leader.

The power of teamwork.

Innovation is the hallmark of every vital development at Havell's India Limited. New ideas, inventions deepen scientific knowledge and give its work force a new impetus towards technical progress. The technological strengths of the company and its endeavor towards continuous research & development has allowed it to fulfill its responsibilities towards its customers.

The power of innovation.

Havell's has setup an absolutely new 50,000 square meter manufacturing facility for MCBs in the green environs of Himachal Pradesh. The plant is planned as a totally integrated unit including all components manufacturing in-house to have an absolute quality control on all inputs. Once fully operational, the plant shall have a capacity to produce 12 million MCBs in addition to the existing plant in Delhi for 20million. **The power of growth.**



The company exceeds all expectations in meeting international standards of quality. In its responsibility of providing its customers the best products and zero defect services, to enable them to be comfortable and secure in usage of electricity ensuring the safety of employees. Havell's India Limited is the story of a family of motivated people.

The power of best practices.

Today with business target crossing 1000 crores, the company has emerged as the preferred choice for a discerning range of individual and industrial customers, both in India and abroad.

Such is the power of Havell's, unseen but felt everyday by millions across the globe.

..... Unveiling the Unseen Power.



THE POWER OF A NOBLE PURPOSE

The essence of quality service at QRG is so closely wrapped that it finds its true expression at every step. The group extends beyond its norms not only to exceed every customer's expectations but also to touch every human heart.

QRG has operative mobile dispensaries throughout the city, which provide free medical aid to the disadvantaged people of the society. In addition the group holds blood donation camps from time to time for the welfare of the society. The group believes in the corporate responsibility towards the community.



The company has started a program to provide mid-day meals to children attending schools in Alwar area every day. It has set up the kitchen facility, etc. for the program at its Cables manufacturing plant at Alwar (Raj.). The company plans to extend this program to areas near its other factories in the coming years.



Handing over a cheque of Rs. 11,00,000/- to Prime Minister Dr. Manmohan Singh for the Prime Minister's Relief Fund.

QRG and its employees have always come forward to contribute for different relief activities whenever the Nation is faced by major calamity be it Kargil War, Orissa Cyclone, Gujarat Earthquake or Tsunami in South India.

BOARD OF DIRECTORS

Mr. Qimat Rai Gupta, Chairman & Managing Director
 Mr. Surjit Gupta, Director
 Mr. Anil Gupta, Director
 Mr. Rajesh Gupta, Director (Finance)
 Mr. P.K. Kaul, Director
 Dr. Abid Hussain, Director
 Mr. N.S. Vasant, Director
 Ms. Sabine Geyer, Director
 Mr. Avinash P. Gandhi, Director
 Mr. Richard Owen Pyvis, Director
 Ms. Josephine Price (Alternate Director)

COMPANY SECRETARY

Ms. Ritu Mehrotra

AUDITORS

M/s V.P. Bansal & Co.,
 Chartered Accountants
 1/18-A, Asaf Ali Road, New Delhi-110 002

BANKERS

Canara Bank
 Janpath, New Delhi-110 001
Corporation Bank
 K.G. Marg, New Delhi-110 001
State Bank of India
 IFB, New Delhi-110 001
IDBI Bank Ltd.
 K.G. Marg, New Delhi-110 001
Union Bank of India
 IFB, New Delhi-110 001
Standard Chartered Bank
 Metro Main, New Delhi-110 001
UTI Bank Limited
 Statesman, New Delhi-110 001

REGISTERED OFFICE

1/7, Ram Kishore Road, Civil Lines, Delhi-110 054
 Website : www.havells.com

CORPORATE OFFICE

E-1, Sector-59, Noida-201 307 (U.P.)
 Tel. : +91-120-2477777, Fax : +91-120-2477666

WORKS

Domestic Switchgear Division

Road No. 9, Samepur Badli, Delhi 110 041
 Distt. Solan, Baddi, Himachal Pradesh

Industrial Switchgear Division

14/3, Mathura Road, Faridabad 121 002

Cable Division

A/461-462, Matsya Industrial Area, Alwar, Rajasthan

CFLs Division

14/3, Mathura Road, Faridabad 121 002
 Distt. Solan, Baddi, Himachal Pradesh

Fan Division

D-6, Sector -8, Noida, (U.P.)

Meter Division

6, Tilak Nagar Industrial Area, New Delhi 110 058

SHARE TRANSFER AGENT

MCS Limited
 (Unit- Havell's India Limited)
 W-40, Okhla Industrial Area, Phase-II,
 New Delhi-110 020
 Tel. : 011- 26384908
 Website : www.mcsind.com

LISTED IN

The National Stock Exchange of India Ltd.
 The Stock Exchange, Mumbai

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NOTICE

NOTICE is hereby given that the Twenty Second Annual General Meeting of **HAVELL'S INDIA LIMITED** will be held at Shah Auditorium, Raj Niwas Marg, Civil Lines, Delhi – 110 054 on Wednesday, the 20th day of July, 2005 at 10:30 A.M. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2005, the Profit and Loss Account of the company for the year ended on that date, and the Reports of the Auditors and Directors thereon.
2. To declare dividend for the financial year ended on 31st March, 2005.
3. To appoint a Director in place of Shri Pratap Kishen Kaul, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. Abid Hussain, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mrs. Sabine Geyer, who retires by rotation and being eligible offers herself for re-appointment.
6. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting by passing the following resolution with or without modification(s):

“RESOLVED THAT pursuant to the provisions of Section 224 of the Companies Act, 1956, M/s V P Bansal & Company, Chartered Accountants be and are hereby re-appointed as the auditors of the Company till the conclusion of the next Annual General Meeting and Shri Qimat Rai Gupta, Chairman & Managing Director or Shri Anil Gupta, Director of the Company be and is hereby authorised to fix their remuneration.”

SPECIAL BUSINESS

7. To pass with or without modification, the following resolution as an **ORDINARY RESOLUTION**

TO APPOINT MR. RICHARD OWEN PYVIS AS DIRECTOR OF THE COMPANY

“RESOLVED THAT in conformity with the provisions of Section 260 of the Companies Act, 1956, **Mr. Richard Owen Pyvis**, who was appointed as an Additional Director of the Company and who holds office only upto this Annual General Meeting and in respect of whom the Company has received a notice in writing alongwith a deposit of Rs.500/- in terms of Section 257 of the Companies Act, 1956 from a member proposing the candidature of **Mr. Richard Owen Pyvis** for the office of the Director of the Company be and is hereby elected and appointed as a Director of the Company liable to retire by rotation.”

8. To pass with or without modification, the following resolution as an **ORDINARY RESOLUTION**

TO APPOINT MR. AVINASH P GANDHI AS DIRECTOR OF THE COMPANY

“RESOLVED THAT in conformity with the provisions of Section 260 of the Companies Act, 1956, **Mr. Avinash P Gandhi**, who was appointed as an Additional Director of the Company and who holds office only upto this Annual General Meeting and in respect of whom the Company has received a notice in writing alongwith a deposit of Rs.500/- in terms of Section 257 of the Companies Act, 1956 from a member proposing the candidature of **Mr. Avinash P Gandhi** for the office of the Director of the Company be and is hereby elected and appointed as a Director of the Company liable to retire by rotation.”

9. To pass with or without modification, the following resolution as a **SPECIAL RESOLUTION**

TO INCREASE THE AUTHORISED SHARE CAPITAL

“RESOLVED THAT pursuant to the provisions of Section 94 (1)(a) and other applicable provisions, if any of the Companies Act, 1956, the Authorised Share Capital of the Company be and is hereby increased from Rs.11,50,00,000/- (Rupees Eleven Crores Fifty Lacs only) divided into 2,30,00,000 Equity Shares of Rs.5/- each to Rs.15,00,00,000/- (Rupees Fifteen Crores only) divided into 3,00,00,000 Equity Shares of Rs.5/- each.

RESOLVED FURTHER THAT the existing Clause V of the Memorandum of Association of the Company as to Share Capital be and is hereby deleted and in its place the following Clause V be substituted:

V. The Authorised Share Capital of the Company is Rs.15,00,00,000/- (Rupees Fifteen Crores only) divided into 3,00,00,000 (Three Crores only) Equity Shares of Rs.5/- (Five) each.

10. To pass with or without modification, the following resolution as a **SPECIAL RESOLUTION:**

TO ISSUE BONUS SHARES IN THE RATIO OF 1:1

“RESOLVED THAT pursuant to the recommendation of the Board of Directors, provisions of Section 81 and other applicable provisions, if any, of the Companies Act, 1956, Article 65 (a) & (b) of the Articles of Association of the Company and subject to the terms and conditions as enumerated in the Listing Agreement executed with the Stock Exchanges and subject to the approvals,

NOTICE

consents, permissions and/ or sanctions, if any are required, of the Government of India ("GOI"), Reserve Bank of India ("RBI"), Securities and Exchange Board of India ("SEBI"), the Stock Exchanges and any other appropriate authorities, institutions or bodies and subject to such conditions as may be prescribed by any of them in granting any such approval, consent, permission or sanction the Board of Directors of the Company (hereinafter referred to as the "Board", which term shall be deemed to include any committee of the Board exercising the powers conferred by the Board) be and is hereby authorized on behalf of the Company to capitalize a sum not exceeding Rs. 6,46,60,095/- (Rupees Six Crores Forty Six Lacs Sixty Thousand Ninety Five only) out of the Company's General Reserves & Surplus and that the said sum so capitalised be applied in paying up in full at par for issue of maximum 1,29,32,019 new Equity Shares of Rs.5/- each in proportion of One Bonus Share for every existing One Equity Share (hereinafter referred to as the 'said Bonus Shares') in the share capital of the Company and the said Bonus Shares be appropriated as capital and not as income and allotted and distributed as fully paid up Bonus Shares to and amongst the persons registered in the Register of Members as the holders of the existing Equity Shares of the Company on such date as may be decided by the Board of Directors or any committee thereof or any director of the Company, provided that the issue and allotment of the said Bonus Shares are subject to the following terms and conditions:

- (i) That the said Bonus Shares shall be allotted subject to the Memorandum & Articles of Association of the Company;
- (ii) That the said Bonus Shares shall in all respects rank pari passu in all respects and carry the same rights as the then existing Equity Shares of the Company, notwithstanding the date or dates of allotment thereof, including entitlement to payment of Dividend, if declared, for the financial year in which the same are allotted;
- (iii) That no allotment letter shall be issued to the allottees of the said Bonus Shares and that Certificates in respect of the said Bonus Shares allotted shall be sent to the respective allottees within the prescribed stipulated time from the date of allotment thereof;
- (iv) That the issue and allotment of the Bonus Shares to the extent that they relate to non resident shall be subject to approval of the Reserve Bank of India, under the Foreign Exchange Management Act, 1999 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force);
- (v) That it is hereby recorded that subject to statutory limitation of dividend, if any and provided cash resources are adequate and profits after taxation for the year are sufficient to cover the dividend plus transfers to reserves which may be required, it is the intention of the Board of Directors unless prevented by unforeseen circumstances to recommend the declaration and payment of dividend at a rate not less than 50% on the equity share capital of the Company as increased by the proposed bonus issue in the financial year of the Company immediately after the allotment of the said Bonus Shares. This statement of intention is not a forecast;
- (vi) That holders of 235-4% Unsecured Fully Convertible Debentures, which are convertible into Equity Shares on or before 12th June, 2006 shall also be entitled to Bonus Shares between 854545 and 1340865 Equity Shares of Rs.5/- each (depending upon the conversion price between Rs.175.26 and Rs.275/- per equity share) in the same ratio of 1:1 equity shares and those Bonus Shares will be issued and allotted at the time of conversion(s) of such Debentures;
- (vii) That for the purpose of giving effect to the resolution the Board of Directors / any Committee thereof be and are hereby authorised to do all such acts, deeds, matters and things, as they may in their absolute discretion, deem necessary, expedient, usual or proper and to give authority to such Directors as may be necessary to settle any question or difficulty whatsoever (including a question or difficulty in connection with any deceased or insolvent Member or a Member suffering from any disability) that may arise in regard to issue and distribution of the New Equity Shares as they may think fit.

RESOLVED FURTHER THAT the Board of Directors/ any committee thereof be and are hereby authorised to do all such acts, deeds, matters and things in their absolute discretion as may consider necessary, expedient to give effect to the issue and allotment of Bonus Shares."

11. To pass with or without modification, the following resolution as a **SPECIAL RESOLUTION**

TO AMEND ARTICLES OF ASSOCIATION OF THE COMPANY

"RESOLVED THAT pursuant to the provisions of Section 31 and all other applicable provisions, if any of the Companies Act, 1956, the Articles 76 to 86 (both inclusive) as produced herein below, shall be inserted after Articles 75 in the Articles of Association of the company :

XXVII. MISCELLANEOUS

The provisions of this Chapter XXVII (Articles 76 to 86) shall take effect notwithstanding anything to the contrary contained in any of the other provisions of these Articles and in the event of any conflict between the provisions of this Chapter XXVII (Articles 76 to 86) and the other Articles, this Chapter XXVII (Articles 76 to 86) shall prevail.

NOTICE

76. DEFINITIONS

For the purposes of Articles 76 to 86, and unless the context otherwise requires, the following expressions shall have the following meanings:

ARIA II MEANS ARIA INVESTMENT PARTNERS II, LP AND/OR ITS SUBSIDIARIES;

Business Day means a day (excluding Saturdays) on which banks generally are open in New Delhi, India, New York, USA, Hong Kong and Mauritius for the transaction of normal banking business;

Connected Person/Concern of the Company shall include:

1. all persons having control or significant influence over the Company as defined in the Accountancy Standard 18 issued by the ICAI;
2. all Persons, transactions by the Company with whom are governed by Section 295-301 of the Companies Act, 1956;
3. any company under the same management (as defined by Section 370 (1-B) of the Act) as the Company;

NOTE: For the purpose of the above, the Investor Director shall not be deemed to be a director of the Company.

Consultation Matters means the matters as set out hereunder:

- (i) Increase the net debt to equity ratio in excess of 2.25:1 (net debt is defined as all interest bearing loans less cash and cash equivalent and equity is defined as share capital, reserves and surplus). (Note: the Debentures will not be included in the computation of either debt or equity for the above purpose).
- (ii) Make any investments or acquire any shares in any company which exceed the value of INR 250,000,000/- in the aggregate in any one financial year.
- (iii) Enter into any joint venture, partnership or consortium arrangement (other than trade associations in the ordinary course of business).
- (iv) Change the equity percentages of joint ventures, associated companies and subsidiaries.
- (v) Issue any security, guarantee or indemnity (save in the ordinary course of business).
- (vi) Incur any capital expenditure exceeding INR 150,000,000/- in any single Financial Year in any single line of business (Switchgear, Meters, Cables, CFLs, Fans).
- (vii) Change the accounting year, standards or policies.

Debentures shall mean the 235 Fully Convertible Debentures of the Company having a face value of Rs.1,000,000/- per Debenture allotted to the Investor vide board resolution dated December 13, 2004 and having the characteristics provided in the board resolution allotting the Debentures;

Disclosure Letter means the disclosure letter dated December 11, 2004 provided by the Company to the Investor;

Encumbrance means any encumbrance including, without limitation, any claim, debenture, mortgage, pledge, charge, hypothecation, lien, deposit by way of security, bill of sale, option or right of pre-emption, beneficial ownership (including usufruct and similar entitlements), public right, common right, way leave, any provisional or executorial attachment and any other interest held by a third party;

Equity Shares means the fully paid up equity shares of the Company having a par value of Rs.5/- (Rupees Five) each;

Exchanges shall mean the Bombay Stock Exchange (**BSE**) and the National Stock Exchange (**NSE**);

Intellectual Property Rights means all patents, trade marks, service marks, logos, get-up, trade names, internet domain names, rights in designs, copyright (including rights in computer software) and database rights, utility models, rights in know-how and other intellectual property rights, in each case whether registered or unregistered and including applications for registration, and all rights or forms of protection having equivalent or similar effect anywhere in the world which are held or beneficially owned by, the Company;

Investment Agreement means the agreement dated December 11, 2004 entered into between the Investor and the Company;

Investor means Shine Limited, a company incorporated under the laws of Mauritius, having its principal place of business at 5th Floor, Cathedral Square, Port Louis, Mauritius;

Investor's Consent shall mean the prior written consent of the Investor (and for this purpose, the Investor shall convey its consent or refusal within 14 days of receipt of a request for consent from the Company);

NOTICE

Investor Director means the person nominated by the Investor, if any, from time to time for appointment as a director of the Company;

Law includes all statutes, enactments, acts of legislature or parliament, laws, ordinances, rules, bye-laws, regulations, notifications, guidelines, policies, directions, directives and orders of any Government, statutory authority, tribunal, board, court or recognised stock exchange and, if applicable, international treaties and regulations;

Person(s) means any individual, sole proprietorship, unincorporated association, unincorporated organization, body corporate, corporation, company, partnership, unlimited or limited liability company, joint venture, Government Authority or trust or any other entity or organization;

Promoters means the Persons and entities set out hereunder:

- (i) QRG Enterprises Ltd;
- (ii) Ajanta Mercantile Limited;
- (iii) Qimat Rai Gupta;
- (iv) Surjeet Kumar Gupta;
- (v) TTL Limited;
- (vi) Vinod Gupta;
- (vii) Anil Gupta;
- (viii) Havell's Financial Services Ltd

Reserved Matters shall mean the matters specified hereunder:

1. Increase the net debt to equity ratio in excess of 2.5:1 (net debt is defined as all interest bearing loans less cash and cash equivalent and equity is defined as share capital, reserves and surplus) prior to the conversion of the Debentures. (The Debentures are not to be included in the computation of either debt or equity for the above purpose).
2. Dispose of (i) any shares or (ii) any material part of its business or assets (including intangibles assets) forming more than 20% of turnover of the Company as per the accounts of the previous Financial Year.
3. Issue any new shares or options (including warrants, options or other rights to acquire shares) (subject to the anti dilution rights of the Investor as mentioned in Article 84 below).
4. Make a change to class rights (directly or indirectly) of any Equity Shares or other securities.
5. Pass any resolution or take any steps for winding up, liquidation or dissolution.
6. Create or issue any new class of shares (subject to the anti dilution rights of the Investor as mentioned in Article 84 below).
7. Any merger or an amalgamation of the Company with another company or another company with the Company.
8. Transfer or assignment of any of the Intellectual Property Rights of the Company.
9. Delisting of the Equity Shares from any of the exchanges on which they are listed.
10. Enter into any new (i.e., other than those disclosed in the Disclosure Letter) arrangement or vary any existing arrangement with any of its directors or other substantial shareholders or other Connected Persons/Concerns.
11. Enter into any unrelated business or make any material change in the nature of the business of the Company.

Undertaking means the undertaking dated December 11, 2004 provided by each of the Promoters to the Investor.

77. LISTING

- 77.1 The Company shall use best endeavours and take all possible steps to ensure that the Equity Shares issued on conversion of the Debentures are listed on the Stock Exchange(s) within 7 days of conversion of the Debentures. The Company shall exercise all its rights and powers and cooperate with the Exchanges and take all such actions as the Investor may request, to procure such listing is completed as soon as possible and in any event within 45 days of the conversion of the Debentures.

78. INVESTOR DIRECTOR

- 78.1 Notwithstanding that the Investor Director may be an independent director (as such expression is defined in any Listing Agreement between the Company and the Exchanges), the Investor Director shall not be construed or counted by the Company as an Independent Director for the purpose of determining the number of independent directors which the Company is required to have on its board by the Listing Agreement.
- 78.2 The Investor shall be entitled to from time to time nominate a person to be appointed as the alternate director to the Investor Director; and the Company shall exercise all its rights and powers and take all requisite actions to ensure that such

NOTICE

person is appointed forthwith as the Investor Director's alternate director.

78.3 The Investor may at any time appoint any person as an observer (the *Observer*). Such Observer shall have the right to attend any and all meetings of the Board. However, such Observer will have no rights whatsoever to participate in any discussions or vote in a Board Meeting.

78.4 The Company shall indemnify the Investor Director against:-

- any act, omission or conduct of or by the Company, or its employees or agents as a result of which, in whole or in part, the Investor Director is made a party to, or otherwise incurs any loss pursuant to, any action, suit, claim or proceeding arising out of or relating to any such conduct; or
- any action or failure to act undertaken by an Investor Director at the request of or with the consent of the Company or any of its employees or agents; or
- contravention of any Law including, without limiting the generality of the foregoing, the Foreign Exchange (Management) Act 1999, Laws relating to provident fund, gratuity, labour, environment and pollution; and any action or proceedings taken against the Investor Director in connection with any such contravention or alleged contravention.

79. CORPORATE GOVERNANCE

79.1 At least 10 Business Day's notice of each Board meeting shall be given to each director unless in any particular case a majority of the directors (which majority shall include the Investor Director) agree otherwise. The agenda for each Board meeting and all papers connected therewith and/or proposed to be placed or tabled before the board shall be circulated together with the notice at least 5 days prior to the Board meeting and, no items save and except those specified in the agenda may be discussed at any Board meeting, except with the consent of the Investor Director (which consent, if oral, shall be confirmed in writing within one Business Day). The Observer will be entitled to receive the agenda for each Board meeting and all papers connected therewith and/or proposed to be placed or tabled before the board.

79.2 Without prejudice to Articles 80 and 81, the Board shall not take up or consider any resolution on any of the Reserved Matters in a meeting of the Board, without the Investor's Consent.

80. CONSULTATION MATTERS

80.1 The Company shall consult with the Investor prior to taking any action or decision (whether by the Board, any committee, the shareholders of the Company, its subsidiaries, or any of the employees, officers or managers of the Company) relating to any of the Consultation Matters. Thereafter, such Consultation Matters shall be referred to the Board and no action or decision shall be taken in relation to these matters without the consent of the Board.

80.2 In the event that the Company engages in any business which is unrelated with the business of the Company as on December 11, 2004 or in case of any material change in the nature of the business of the Company as on December 11, 2004, the Consultation Matters mentioned at paras (ii) to (vi) of the definition thereof in Article 76 shall be deemed to be Reserved Matters and Article 81 shall apply accordingly.

81. RESERVED MATTERS

81.1 No action or decision relating to any of the Reserved Matters mentioned in the definition thereof in Article 76 shall be taken by the Company (whether by the Board, any committee, the shareholders of the Company, its subsidiaries, or any of the employees, officers or managers of the Company) unless the Investor's Consent is obtained for such action or decision.

82. ENTITLEMENT TO RIGHTS

82.1 The Investor shall be entitled to all the rights contained herein or otherwise agreed with the Company or the Promoters prior to the conversion of the Debentures, notwithstanding that the Investor may not hold any Equity Shares of the Company at such time.

83. EXERCISE OF RIGHTS

83.1 Without prejudice to the other provisions of the Investment Agreement, the Company agrees to exercise all powers and rights available to it in support of the provisions of the Investment Agreement so as to procure and ensure the compliance of the provisions of the Investment Agreement in all respects.

83.2 The parties agree that any rights granted to the Investor hereunder or under the Investment Agreement may be directly exercisable and enforceable by ARIA II as if such rights have been granted directly to ARIA II instead of having been granted to the Investor. The rights granted to ARIA II under the hereunder and Investment Agreement are intended to enable ARIA II to be operated as a "venture capital operating company" within the meaning of regulations of the United States Department of Labour set forth in 29 U.S. CFR section 2510.3-101(d).

NOTICE**84. ANTI DILUTION**

84.1 In the event that the Company issues any Equity Shares, or any rights, options, warrants, appreciation rights or instruments entitling the holder to receive any Equity Shares of the Company or any options to purchase or rights to subscribe for securities by their terms convertible into or exchangeable for Equity Shares save and except the issuance of ESOPs would not entitle the holders thereof, to Equity Shares constituting more than 5% of the equity share capital of the Company), (*Dilution Instrument*) at any time, then the Investor shall be entitled to participate in such issue to the extent of USD 5 million on the same terms on which the Company proposes to issue the Dilution Instruments to any other person. The Company agrees and undertakes that it shall not issue any Dilution Instrument in contravention of the provisions of this Article.

85. RESTRICTION ON SHARE TRANSFER

85.1 The Promoters shall not, without the Investor's Consent at any time transfer any of the Equity Shares held by them if as a consequence of such transfer or Encumbrance, the equity shareholding of the Promoters in the Company is reduced to 51% or less (including sales where the equity shareholding of the Promoters is already in excess of 51% of the equity share capital of the Company). It is clarified that the Promoters are free to deal or sell the share holding in excess of the stipulated limit of 51% mentioned herein without any recourse or consent from the Investors.

85.2 However, the provisions of Article 85.1 shall not apply where the Promoters propose to transfer all (and not less than all) Equity Shares of the Company held by them pursuant to a trade sale offer, provided that:

- (a) The Investor is offered a right of first refusal and a tag along right as mentioned below;
- (b) The Company appoints an investment banker to achieve the maximum possible valuation;
- (c) The sale is proposed to be made to a bona fide third party pursuant to an offer from such bona fide third party;
- (d) If the Investor can within 60 days of receiving the Offer Notice (as defined below) find another purchaser to purchase the Equity Shares of the Promoters at a price which is 3% more than the price at which the Promoters propose to sell their Equity Shares, then the Promoters shall sell their Equity Shares to such buyer at such higher price.
- (e) The Promoters shall not (other than for the purpose of obtaining bank loans for the Company) Encumber any of their Equity Shares if such Encumbrance would reduce the unencumbered Equity shareholding of the Promoters to less than 50.1% of the outstanding Equity Share capital of the Company.

Right of First Refusal and Tag Along Rights

85.3 In the event any Promoter proposes to transfer any of the Equity Shares held by it in the Company in the circumstances mentioned in Article 85.2, then the Investor shall be entitled to purchase all of such shares at the same price as which the Promoter proposes to transfer its Equity Shares.

85.4 If the Promoter proposes to Transfer any Equity Shares, pursuant to Article 85.2 herein then, the Promoter shall first give a written notice (hereinafter referred to as *Offer Notice*) to the Investor. The Offer Notice shall state (i) the number of Equity Shares proposed to be Transferred (hereinafter referred to as the *Sale Shares*) and the number and class of Equity Shares the Promoter owns at that time on an undiluted basis, (ii) the name and address of the proposed transferee, (iii) the proposed price, including the proposed amount and form of consideration and terms and conditions offered by such proposed transferee, (iv) the date of consummation of the proposed Transfer, (v) a representation that the proposed transferee has been informed of the "right of first refusal" and "tag-along" rights provided for in herein and in the Investment Agreement and has agreed to purchase all the Equity Shares required to be purchased in accordance with the terms of this clause, and (vi) a representation that no consideration, tangible or intangible, is being provided to the Promoter that will not be reflected in the price paid to the Investor on exercise of his tag-along rights hereunder. In the event that the proposed consideration for the Transfer includes consideration other than cash, the Transfer Notice shall include a calculation of the fair market value of such consideration and an explanation of the basis for such calculation. The total value of the consideration for the proposed Transfer is referred to herein as the *Offer Price*. Such notice shall be accompanied by a true and complete copy of all documents constituting the agreement between the Promoter and the proposed transferee regarding the proposed Transfer. Notwithstanding anything in the Investment Agreement or in the Undertaking, there shall be no restriction on the Investor's right to acquire Equity Shares under this Article and nothing in Article 85.5 of these Articles shall apply to such Equity Shares and the Investor shall be entitled to hold and retain such Equity Shares.

85.5 If the Investor has, within 30 Business Days of the receipt of the Offer Notice, notified the Promoter that it wishes to purchase all or some of the Sale Shares (*Specified Shares*), the Investor shall pay the purchase price for, and accept a transfer of, such Specified Shares and the Promoter shall be bound, on payment of the purchase price, to transfer such Specified Shares to the Investor. Such payment and transfer shall, subject to Article 85.9 be completed within 60 days of the date of the notice issued by the Investor confirming that it wishes to purchase the Specified Shares.

NOTICE

- 85.6 The Investors shall be entitled to respond to the Offer Notice by serving a written notice (the **Response Notice**) on the Promoter prior to the expiry of 30 Business Days from the date of receipt of the Offer Notice (**Offer Period**) requiring the Promoter to ensure that the proposed transferee of the Sale Shares also purchases such number of the Equity Shares as mentioned in the Response Notice at the same price and on the same terms as are mentioned in the Offer Notice.
- 85.7 The Promoter shall not be entitled to sell or transfer any of the Sale Shares to any proposed purchaser/transferee unless the proposed purchaser/transferee simultaneously purchases and pays for the required number of Equity Shares mentioned in the Response Notice for the same consideration and upon the same terms and conditions as applicable to the Sale Shares, provided that the Investor may choose to receive the cash equivalent of any such consideration which is in a form other than cash.
- 85.8 In the event the Investor does not deliver a Response Notice to the Promoter prior to the expiry of the Offer Period and does not elect to purchase all the Sale Shares, then, upon the expiry of the Offer Period, the Promoter shall be entitled to sell and transfer the Sale Shares (other than any Specified Shares) to the proposed transferee mentioned in the Offer Notice on the same terms and conditions and for the same consideration as is specified in the Offer Notice. Any transferee purchasing the Offered Shares shall deliver to the Promoter on or before the date of consummation of the proposed Transfer specified in the Offer Notice payment in full of the Offer Price in accordance with the terms set forth in the Offer Notice and any requisite transfer taxes. If completion of the sale and transfer to the proposed transferee does not take place within the period of 60 days following the expiry of the Offer Period, the Promoter's right to sell the Sale Shares to such third party shall lapse and the provisions of Articles 85.1 to 85.8 shall once again apply to the Sale Shares. Additionally, at least six months should pass between two successive Offer Notices for sale of the Sale Shares.
- 85.9 Where the Investor requires prior legal, governmental, regulatory or shareholder consent for an acquisition or disposal of Equity Shares pursuant to the Investment Agreement then notwithstanding any other provision of the Investment Agreement that party shall only be obliged to acquire or dispose of Equity Shares once such consent or approval is obtained, and the parties shall use their reasonable endeavours to obtain any such required approvals. Any period within which a transfer of Equity Shares by or to the Investor has to be completed shall be extended by such further period as is necessary for the purpose of obtaining the above approvals. Provided that if any of the abovementioned approvals are finally withheld, then the Investor shall be deemed not to have offered to purchase or sell the concerned Equity Shares.
- 85.10 Prior to the conversion of the Debentures, for the purpose of the tag along right mentioned above, the Investor shall be entitled to require the purchase of the Debentures held by the Investor and references to Equity Shares above shall be read accordingly. For the purpose of determining the price of the Debentures, the Debentures shall be deemed to have converted into Equity Shares at a mutually agreed price and the terms of transfer of the Debentures to be sold shall be determined accordingly.

Share Transfers by the Investor

- 85.11 The Equity Shares issued upon conversion of the Debentures shall be freely transferable by the Investor. Provided, however, that prior to a sale which is otherwise than on or through a stock exchange, the Investor shall issue a notice (**Offer Notice**) to the Promoters, informing them of number of Equity Shares proposed to be sold (the **Sale Shares**) and the price at which such sale is to be made. The Promoters shall be entitled to respond to the Offer Notice within 5 Business Days by specifying whether the Promoters shall purchase all (and not less than all) the Sale Shares on the same price and terms as specified in the Offer Notice. If the Majority Shareholders do not agree to buy all the Sale Shares within the aforesaid five day period, the Investor shall be thereafter free to sell the Equity Shares held by it at a price and terms not less (or less beneficial) than the price and terms specified in the Offer Notice.
- 85.12 If the Promoters notify the Investor within 5 Business Days of the Offer Notice that they are willing to purchase all the Sale Shares at the same price and terms specified in the Offer Notice, then in such event, the Investor and the Majority Shareholders shall complete the transfer of the Sale Share and the payment of the consideration therefore within 60 Business Days. If the sale is not completed within such 60 day period for any reason whatsoever, then without prejudice to its other rights, the Investor shall be entitled to sell the Sale Shares to such person and on such terms as it may deem fit provided the price is not less than that specified in the offer notice.
86. **TERM**
- 86.1 The provisions of this Chapter XXVII shall cease to have effect upon the earlier of (i) the expiry of a period of 3 years after the conversion of Debentures into Equity Shares and (ii) the Investor's Shares, after the conversion of the Debentures, aggregating to less than 3% of the sum of (a) the existing Equity Share capital of the Company and (b) the Equity Shares issued to the Investor pursuant to the Investment Agreement (as adjusted for, buy-backs or reduction of capital or consolidation)."

By Order of the Board
For Havell's India Limited

Ritu Mehrotra
Company Secretary

Noida, May 12, 2005.

NOTICE

NOTES

1. **ANY MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL ONLY INSTEAD OF HIMSELF/HERSELF AND SUCH A PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE MEETING.**
2. The Register of Members and Share Transfer Register will remain closed from Tuesday, the 28th day of June, 2005 to Tuesday, the 5th day of July, 2005 (both days inclusive).
3. The dividend, if any declared, shall be payable to those Shareholders whose name(s) stand registered:
 - a) as Beneficial Owner as at the end of business on 27th June, 2005 as per the lists to be furnished by National Securities Depositories Limited and Central Depository Services (India) Limited in respect of the shares held in electronic form; and
 - b) as member in the Register of Members of the Company/ Registrar & Share Transfer Agent after giving effect to valid share transfers in physical form lodged with the Company as at the end of business on 27th June, 2005.
4. Shareholders seeking any information with regard to accounts are requested to write to the Company atleast 10 days before the meeting so that the information be made available by the management at the day of the meeting.
 - i) Members are requested to immediately intimate any change in Address to MCS Limited, W-40, Okhla Industrial Area, Phase – II, New Delhi 110 020, Registrar and Transfer Agent of the Company, so that change could be effected in the Register of Members before closure.
 - ii) Members who are holding shares in Demat mode are requested to notify any change in their residential address or Bank A/c details immediately to their respective Depository Participants.
 - iii) Members who have not opted for ECS facility earlier are requested to fill up the enclosed mandate form and return it to MCS Limited, W-40, Okhla Industrial Area, Phase – II, New Delhi 110 020, to avail the ECS facility otherwise they are requested to intimate their Savings Account/Current Account No. and the name of Bank with whom such account is held to enable the Company to print the said detail on the Dividend Warrant to prevent fraudulent encashment of the same.
5. Members/Proxies are requested to fill in and sign the Attendance Slip for attending the meeting.
6. During the year, amount of Un-claimed Dividend for the year 1996-97 has been deposited in the Investors Education and Protection Fund.
7. In case the Dividend still remained unclaimed from the financial years 1997-98 to 2003-04, the shareholders may approach the company with their dividend warrants for revalidation.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 7

The Board of Directors have co-opted Mr. Richard Owen Pyvis as an Additional Director of the Company at their Meeting held on 25th January, 2005. Mr. Richard Owen Pyvis has studied and worked in the Australia since the early 1970's. Mr. Pyvis read Economics (Japanese Studies) at the University of Western Australia. He was formerly Chief Executive Officer of the CLSA Group and has a background in commercial banking, venture capital, and debt restructuring. He sits on a number of public and private boards.

His long standing experience brings a wealth of professional expertise and experience to the Board. In terms of the provisions of Section 260 of the Companies Act, 1956, Mr. Richard Owen Pyvis will hold office only upto the date of ensuing Annual General meeting. Notice has been received from a member under Section 257 of the Companies Act, 1956 proposing the candidature of Mr. Richard Pyvis for the office of Director and signifying his intention to move the resolution as set out in Item No. 7 of this notice.

The Directors recommend the resolution for approval of the shareholders.

Except Mr. Richard Owen Pyvis, who is seeking the appointment, none of the Director is concerned or interested in the resolution.

ITEM NO. 8

The Board of Directors have co-opted Mr. Avinash P Gandhi as an Additional Director of the Company at their Meeting held on 12th May, 2005. Mr. Avinash P. Gandhi held top leadership positions in prestigious organizations for nearly two decades in over forty years of his working in professional sector.

He is a Mechanical Engineer and started his career in the Indian Ordnance Factories where he worked in the managerial capacity for six years. He enjoyed a very successful career of over fifteen years with Tata Engineering & Locomotive Company Ltd. (TELCO). He held senior positions in the areas of manufacturing operations and also had a brief stint with their sales and marketing set-up.

NOTICE

After running the operations for a long period, he took over as the Chief Executive of Corporate Research and Development Centre in Escorts Limited. Recently, he completed a highly successful tenure as President, Hyundai Motor India Ltd., which became the second largest passenger car manufacturing company in India in a short span of time. After his retirement from Hyundai Motor India, he became a Non-Executive Chairman of FAG Bearings India Ltd. from July 2002. He is also on the Boards of Lumax Industries and CLAAS India Ltd., 100% subsidiary of CLAAS KgaA, Germany, who are leaders in self propelled Combine Harvester in Europe. Also a director on the Board of MLR Motors, an automobile manufacturing unit started by the promoters of Lokesh Machine Tools. He is also on the Boards of M/s UNI Products India Ltd. who are in carpets and NHV products manufacturing and M/s Fair Field Atlas Ltd., an American company, which deals with Gear manufacturing.

His long standing experience brings a wealth of professional expertise and experience to the Board. In terms of the provisions of Section 260 of the Companies Act, 1956, Mr. Avinash P Gandhi will hold office only upto the date of ensuing Annual General meeting. Notice has been received from a member under Section 257 of the Companies Act, 1956 proposing the candidature of Mr. Avinash P Gandhi for the office of Director and signifying his intention to move the resolution as set out in Item No. 8 of this notice.

The Directors recommend the resolution for approval of the shareholders.

Except Mr. Avinash P Gandhi, who is seeking the appointment, none of the Director is concerned or interested in the resolution.

ITEM NO. 9

The Board of Directors at their Meeting held on 12th May, 2005, recommended the issue of Bonus Shares in the ratio of 1:1 which will result in the necessity to increase the Authorised Share Capital of the Company. Accordingly, increase in Authorised Share Capital of the Company by Rs.3,50,00,000/- (Rupees Three Crores Fifty Lacs only) by creation of additional 70,00,000 Equity Shares of Rs.5/- each is recommended. The Present Authorised Share Capital of the Company is Rs.11,50,00,000/- (Rupees Eleven Crores Fifty Lacs only) divided into 2,30,00,000 Equity Shares of Rs.5/- each.

As per the provisions of Section 94 (1) (a) of the Companies Act, 1956, the power to increase the Authorised Share Capital has to be exercised by the Company in General Meeting by means of a Special Resolution. Accordingly, the Resolution at Item No. 9 of the Notice seeks approval of the Members for increasing the Authorised Share Capital and for making consequential changes in the Memorandum & Articles of Association of the Company.

None of Director is concerned or interested in the proposed amendment to the Memorandum & Articles of Association of the Company.

Your Directors recommend the resolution for approval of the members.

ITEM NO. 10

With a view to bring the Share Capital to a level commensurate with the total capital employed in the Company, your Directors have proposed that sums not exceeding Rs. 6,46,60,095/- be drawn from the Reserves & Surplus of the Company and be capitalized and transferred to Share Capital Account towards issue and allotment of Equity Shares not exceeding 1,29,32,019 equity shares of Rs.5/- each as Bonus Shares, credited as fully paid up, to the members holding equity shares / Unsecured Fully Convertible Debentures as on Record Date to be specified in this behalf.

The Bonus Shares will be issued in proportion of One new Equity Share for every One Equity Share held on the Record Date. The said Bonus Shares shall rank pari passu in all respects with the then existing equity shares.

In terms of the above resolution, subject to any unforeseen circumstances and/ or any regulatory measures of law, your Directors, places on record their intention to recommend payment of dividend at a rate not less than 50% on the increased paid up equity share capital after issue of the bonus issue for the financial Year in which such Bonus Shares are issued and allotted. This statement of intention is not a forecast.

The issue and allotment of the Bonus Shares to the extent that they relate to non resident shall be subject to approval of the Reserve Bank of India, under the Foreign Exchange Management Act, 1999 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force).

The holders of 235-4% Unsecured Fully Convertible Debentures, which are convertible into Equity Shares on or before 12th June, 2006 shall also be entitled to Bonus Shares between 854545 and 1340865 Equity Shares of Rs.5/- each (depending upon the conversion price between Rs.175.26 and Rs.275/- per equity share) in the same ratio of 1:1 equity shares and those Bonus Shares will be issued and allotted at the time of conversion(s) of such Debentures.

The Board recommends the resolution for approval of the shareholders.

The Directors of the Company may be deemed to be concerned or interested in the Resolution to the extent of Bonus Shares that may be allotted in respect of the existing shares held by them or by their relatives and by companies, body corporate or trust of which the directors of the Company are directors, members or beneficiaries.

**NOTICE****ITEM NO. II**

The Company has entered into an Agreement with M/s Shine Limited for issue and allotment of 4% Unsecured Fully Convertible Debentures of Rs.10,00,000/- each. Pursuant to the said Agreement, it is necessary to alter the Articles of Association of the Company as set out in the draft Resolution in the notice.

Pursuant to the provisions of Section 31 of the Companies Act, 1956, special resolution is required to be passed to alter the Articles of Association of the Company.

The Directors recommend the resolution for approval of the shareholders.

Except Mr. Richard Owen Pvyis being Director of Shine Limited, no other Director of the Company is concerned or interested in the Resolution.

**By Order of the Board
For Havell's India Limited**

Ritu Mehrotra
Company Secretary

Noida, May 12, 2005

Registered Office:

1/7, Ram Kishore Road,
Civil Lines, Delhi - 110 054

DIRECTORS' REPORT

Your Directors have pleasure in presenting the 22nd Annual Report and audited financial accounts for the year ended 31st March, 2005:

Financial Results

	(Rs. in Lacs)	
	2004-05	2003-04
Gross Sales	66,538.46	41,922.40
Less Excise	8,342.22	5,627.76
Net Sales	58,196.24	36,294.64
Other Income	339.21	759.98
Total Expenditure	52,452.89	32,582.63
Interest	1,350.94	1,197.22
Net profit after interest but before Depreciation and Taxation	4,731.62	3,274.77
Less Depreciation	408.92	264.26
Profit before Taxation	4,322.70	3,010.51
Less Taxation	1270.06	914.40
Net Profit	3,052.64	2,096.11
Add Balance brought forward from previous year	3,915.15	2,300.56
Profit available for appropriation	6,967.79	4,396.67
Appropriation of Profits		
Transfer to General Reserve	320.00	220.00
Interim Dividend	-	86.93
Proposed Dividend	289.78	144.89
Corporate Dividend Tax	37.87	29.70
Balance carried over to Balance Sheet	6320.14	3915.15
	6,967.79	4,396.67

Performance of the Company

Your Company has once again given a good performance during the financial year 2004-05. The turnover of your Company has **increased by 59%** from Rs.41922 Lacs in the last Financial Year to Rs.66538 Lacs in current financial year. The Net Profit of the company has also increased by 46 % from Rs.2096 Lacs in previous year to Rs.3053 Lacs in Current Year.

Havell's is today one of the largest Indian electrical products company manufacturing building circuit protection equipment, Industrial Switchgears, Cables & Wires, Energy Meters, Fans, CFLs, Lighting Fixtures, etc.

Dividend

Your Directors are pleased to recommend a final dividend of Rs.2.50 per equity share on fully paid up equity shares of Rs.5/- each i.e. @ 50 % for the year 2004-05. The proposed dividend, if approved at the ensuing Annual General Meeting, would result in appropriation of Rs.327.65 Lacs (including Corporate Dividend Tax of Rs.37.87 Lacs) out of the profits. The Company has made transfer of Rs.320 Lacs to the General Reserve. The total appropriation of Rs.327.65 Lacs gives 10.73% payout on net profit of the company.

Switchgear Division

After becoming the largest MCB manufacturer in India and recognizing the further vast potential available in both Indian and International markets for MCBs, Havell's has set up an absolutely world class, totally automated manufacturing plant in approx 50,000 square meter area in the green environs of Himachal Pradesh that has more than doubled the current capacity. Havell's is the largest manufacturers of MCBs, RCCBs, and Distribution Boards in India. Out of this 40 percent of the production is exported to over 45 countries outside India, including the highly mature and quality conscious European countries. The Company also manufacturing a comprehensive range of Industrial Switchgear products including MCCBs, Fuse Switches, Fuses, Changeover Switches, Contractors, Starters etc. This division during the year introduced a range of indigenously developed MCCBs with microprocessor controlled tripping mechanisms.

The turnover of Switchgear Division during the current year is Rs.21725 Lacs as compared to Rs.15928 Lacs for the previous year, a growth of 36% over the last year's performance.

Cable & Wire Division

Havell's offers a complete range of low and high voltage PVC and XLPE cables, besides, domestic FR/FRLS wires, Co-Axial TV and Telephone Cables. The Company is recognised as quality manufacturers of cable with a major presence in the country leading to fast growth in volume. During the year, the Company has expanded its production capacity almost to double. The Company also purchased new Plant & Machinery during the current fiscal. For the first time, during the year under review, the Company Manufactured & supplied HT Ariel Bunched cables. The traditional normal FR wires are replaced by HRRF Wires.

The cable division has shown growth of 74% as turnover of the unit has increased to Rs.30697 Lacs from the previous year's turnover of Rs.17596 Lacs.

DIRECTORS' REPORT

Electrical Consumer Durables Division

With a strong brand in electrical products and an extensive distribution network, Havell's moved into various electrical consumer goods i.e. Fans, CFLs, Lighting Fittings etc. In its first complete year of operation, the Company has given a good performance in Electrical Consumer Durable Division. During the year, the turnover of this unit has increased to Rs.13130 Lacs from the previous year's turnover of Rs.2573 Lacs.

CFLs

The Company has set up a state-of-the-art automatic plant for manufacturing Compact Fluorescent Lamps (CFLs) at Faridabad, with a production capacity of one million units per month. The plant is now being augmented to two million units per month. Further, one more plant has also been imported and is being set up at a new manufacturing site at Hardwar. This would also uniquely position us to become the largest manufacturer of CFLs in India thereby giving us the opportunity to recreate the success that we have created with MCBs.

Havell's have also set up the first plant in India to manufacture FPLs (36W CFL) which started its operation in February, 2005. This shall serve as an import substitution and goes with our philosophy of making India self-reliant rather a producer for the world market for most manufactured goods.

Initial response to Havell's CFLs has been overwhelming across the length and breaths of the Country. The product is marketed through the massive existing distribution network of the Company backed by a comprehensive mass communication. Exports for CFLs have already commenced to the neighboring countries like Sri Lanka, Bangladesh besides Middle East and African Countries.

Fans

The Company started a new venture at Noida for manufacturing all kinds of Electrical Fans in innovative designs, styles, sizes and colours under its brand name. The state-of-the-art manufacturing plant includes in-house CNC machining facility, Electrostatic conveyerised paint shop, automatic stator winding machines, conveyerised assembly and testing lines. The total plant capacity is approx. 1.2 million units per year.

Havell's launched various models of ceiling Fans in the market which have captured the customer's fancy due to the innovative designs and excellent finishes. The response so far has been so over-whelming that the company has planned to set up a new truly world class manufacturing plant, which will have totally integrated facilities and double the capacity of the current plant, thus taking the total to 2.4 million pcs per annum.

The launch of the complete range of ceiling and table, pedestal, wall fans is backed by a glitzy publicity campaign to make Havell's a household name. Havell's expect to be a leader in this industry soon with the support of the existing and ever expanding dealer and retail network. Havell's has started making a mark in international markets for fans as well with good initial sales in Sri Lanka, Bangladesh, African Countries and Middle East region.

To meet the consumers demand and for energy conservation, the Company launched highly efficient energy saving fans by name of Energy Saver where the consumer saves on energy consumption and recovers the cost of the total fan over couple of years.

Light Fittings

Havell's has introduced in the market a complete range of indoor and outdoor lighting fixtures under the Brand name 'Havell's'. With this the Company has entered into Rs.2300 crore domestic lamps and luminaries market. Your Company has 24% stake in G S Lighting Pvt. Ltd., a company manufacturing light fittings.

International Business

The Company has put major focus on increasing its export volumes and international business. The Company has started exporting to over 45 countries, which shall result into major volume expansion in the current year. The Company's International Business Division (IBD) team provides specialized sales, marketing, technical support and services to meet the escalating requirements of modern day customers. IBD is catering to an international clientele that is spread over more than 45 countries across Europe, Middle East, Far East and Africa. During the year, Havell's recorded an export turnover of Rs.48 crores, which is 2.3 times of previous year's export turnover of Rs.21 Crores. The Company has its branch / Liaison offices in London, Dubai and Bangladesh. Havell's participated in prestigious world wide Exhibitions in Germany, Poland, Kazakhstan, Brazil, Dubai, Iran, Syria, Nigeria, Egypt, Malaysia, Indonesia, Philippines and other countries. The Company also participated in Elecrama 2004, which was attended by overseas customers and gave a fresh perspective and outlook to domestic clientele.

Havell's achieved global recognition based on its products getting prestigious international approvals like CSA, KEMA, CB, CE, SEMKO, TSE (TURKEY), REPRO (Spain) and others.

Projects Completed

MCBs at Baddi - Himachal Pradesh

To cut down the cost and to avail the excise and other tax benefits announced in the Industrial Policy of Himachal Pradesh and Uttaranchal, your company has set up an absolutely new 50,000 square meter manufacturing facility for MCBs and other switchgear products in green environ at Baddi, Distt. Solan, Himachal Pradesh. The plant is planned as a totally integrated unit including all components manufacturing in-house to have an absolute quality control on all inputs. After the components stage, the assembly lines, the on line testing of high voltage, magnetic tripping, thermal calibration and final testing are all automated. All this in a temperature and dust controlled environment with best quality manufacturing machines and high precision quality control equipment at each stage of manufacturing, will ensure consistent international level quality of the finished goods. The plant is operating on the quality principles of six sigma and statistical quality control from the beginning itself. This plant shall have a capacity to produce 12 million MCBs in addition to existing plant in Delhi for 20 million.

DIRECTORS' REPORT

Projects under implementation

Fans / CFLs at Hardwar - Uttranchal

The Company is being set up state-of-the-art plant at Hardwar in the state of Uttranchal. The plant is going to be the largest integrated plant for manufacturing ceiling fans in India. It shall employ the latest machines and manufacturing products to produce world class fans. It shall be operational by June, 2005. A separate building is under construction which shall have all future expansion of CFLs manufacturing facility of the Company

Centre for Research and Innovation

The Company has R & D Facilities in all its manufacturing plants at present which are continually developing new products. As innovation and Research is the foundation on which the future of any manufacturing organization is built, the Company is setting up a Central R & D Facility in its Corporate Office premises at Noida. It shall be covering 25,000 square feet area, equipped with the latest equipments for testing, developing, prototyping etc. and shall employ over 100 engineers. This centre shall be in addition to the individual R & D cells in each factory and shall concentrate only on really futuristic projects of the Company.

Subsidiary Company

Havell's (UK) Limited

During the year 2004-05 your company has incorporated Havell's (UK) Limited in London, a Company registered under the Company Law of UK. It is a Wholly Owned Subsidiary company of Havell's India Limited set up primarily to promote the business in European Market and will result in increasing Export Turnover to a great extent.

As required under Section 212 of the Companies Act, 1956, the audited Annual Accounts alongwith the Auditors' Report and Directors' Report thereon for the year ended on March 31, 2005 of the Company's Subsidiary 'Havell's (UK) Ltd. is annexed to the Annual Report.

Unsecured Fully Convertible Debentures

Pursuant to the Special Resolution passed at the Extra Ordinary General Meeting of Members of the Company held on 29th November, 2004, the Company on 13th December, 2004 issued and allotted 235 Unsecured Fully Convertible Debentures of Rs.10,00,000/- each with a coupon rate of 4% to M/s Shine Limited, a Company having its Registered Office at Cathedral Square, Port Louis, Mauritius, a subsidiary of ARIA Investment Partners II, L. P. and managed by CLSA Private Equity Management Limited. The said Debentures are convertible into equity shares of the Company on or before the expiry of 18 months from the date of allotment i.e. latest by 12th June, 2006.

The Debentures are proposed to be converted into Equity Shares of Rs.5/- each at a price not less than the price calculated as per SEBI (Disclosure and Investor Protection) Guidelines, 2000 which is Rs.175.26.

The Debentures will be converted into Equity Shares of the Company at a conversion price between Rs.175.26 and Rs.275/- per equity share of Rs.5/- each. The exact price at which the Equity Shares shall be issued shall be determined in accordance with the terms approved by the Board.

The proceeds of the above debentures have been utilised for setting up unit at Baddi (H.P), expansion at NOIDA, Badli and Faridabad units. There are no unutilised monies lying out of proceeds of the debenture issue as on the date of the Balance Sheet.

Corporate Governance

An independent Board with best business practices, transparent disclosures and empowerment of shareholders are as necessary as solid financial results for creating and sustaining the shareholder value. In line with clause 49 of the Listing Agreement, a Corporate Governance Report and a Management Discussion & Analysis Report of the Company are provided in this Annual Report.

Directors' Responsibility Statement

Pursuant to sub-section (2AA) of Section 217 of the Companies Act, 1956, the Board of Directors of the Company hereby state and confirm that :

- (i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanations relating to material departures;
- (ii) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profits of the Company for that period;
- (iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the Directors had prepared the annual accounts on a going concern basis.

Directors

Mr. Richard Owen Pyvis and Mr. Avinash P Gandhi were co-opted as Additional Directors of the Company. As per section 260 of the Companies Act, 1956, they will cease to hold office at the ensuing Annual General Meeting. Requisite notices along with the prescribed fees have been received from members under section 257 of the Companies Act, 1956 proposing the appointment of Mr. Richard Owen Pyvis and Mr. Avinash P Gandhi as Directors, liable to retire by rotation at the ensuing Annual General Meeting.

At the Board of Directors Meeting held on 12th May, 2005, Ms. Josephine Price was appointed as an Alternate Director to Mr. Richard

DIRECTORS' REPORT

Owen Pyvis.

In accordance with the requirement of the Companies Act, 1956, Mr. P K Kaul, Dr. Abid Hussain and Mrs. Sabine Geyer, Directors retiring by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Auditors

M/s V. P. Bansal & Co., Chartered Accountants, Delhi, the present Auditors of the Company, retiring at the forthcoming Twenty Second Annual General Meeting and being eligible, offer themselves for re-appointment. They have furnished a certificate to the effect that their re-appointment, if made, will be within the limits prescribed under Section 224(1)(B) of the Companies Act, 1956.

Comments on Auditors Report

All observations made in the Auditors' Report and notes to the accounts are self explanatory and do not call for any further comments under section 217 of the Companies Act, 1956.

Fixed Deposit

Public deposits accepted by the Company as at March 31, 2005 aggregated to Rs.824.90 Lacs. Deposits aggregating to Rs.19.65 Lacs from 32 depositors, though matured, had neither been claimed nor renewed until March 31, 2005. The Company has sent letters to all those deposit holders to claim the same.

Investors Education and Protection Fund

Pursuant to the provisions of section 205A & 205C of the Companies Act, 1956, your Company has deposited Rs.62,100/- lying unclaimed/unpaid dividend for the Financial Year 1996-97 during the current year in the Investors Education and Protection Fund.

Listing of shares

The shares of the Company are listed on National Stock Exchange of India Limited (NSE) and The Stock Exchange, Mumbai (BSE). NSE has been defined as the Designated Stock Exchange of the Company. The listing fees in respect thereof, for the year 2005-06, has already been paid to both the Stock Exchanges.

With respect to listing of Unsecured Fully Convertible Debentures, the Company obtained the in-principle approval for listing of these Debentures from the National Stock of India Limited (NSE) and the Stock Exchange, Mumbai (BSE). The company will get the Final Listing approvals from both these Stock Exchanges only for the equity shares on conversion of such debentures.

Personnel

Particulars of Employees required under section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 as amended forms part of this report and attached herewith as Annexure - A.

Particulars regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

Particulars as required to be disclosed as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, are set out in the statement attached hereto under Annexure B and forms part of this report.

ISO 9001:2000

Your Company is an ISO 9001:2000 certified Company following the best practices to lead the organisation towards improved performance. Customer Focus, Leadership, Involvement of People, Process Approach, System Approach to Management, Continual Improvement, Factual Approach to Decision Making and Mutually Beneficial Suppliers Relationship are the 8 quality management principles used as a basis for all the operating systems of the Company leading to all its plants being ISO 9001:2000 certified.

Consolidated Financial Statements

Your Director's have pleasure in attaching the Consolidated Financial Statements prepared in accordance with the Accounting Standards prescribed by the Institute of Chartered Accountants of India, in this regard.

Health, Safety and Environment

Havell's is very much concerned with the health and safety of every person at its factories and offices and is protecting and nurturing the environment.

Havell's is concerned not only to comply with only regulatory norms for prevention and control of pollution, but also to go beyond this by adopting clean technologies and improvement in management practices. Your directors have always felt that compliance of end-of-the-pipe effluent and emission standards and attentions is also given for planting of trees, greening of surrounding areas in and around factories and beautification of the plant's vacant premises. The employees are also made conscious of their responsibilities towards protecting the environment and add its beauty.

We are in the process of getting ISO 14000 and 18000 approvals for our Domestic Switchgear and Industrial Switchgear plants as a confirmation of our environmental friendly operations taking care of all safety aspects in the working conditions of each person employed in the Company.

Contribution to Exchequer

Corresponding to the increase in turnover, there is an increase in contribution made to exchequer through taxes. During the financial year ended March 31, 2005, the Company has paid Rs.1270.06 Lacs towards Income Tax as compared to Rs. 914.40 Lacs paid during the last financial year. This payment along with an Excise Duty of Rs.8342.22 Lacs, Sales Tax of Rs.3972.51 Lacs, Contribution to PF, ESI etc. of Rs.175.38 Lacs totaling Rs.13760.17 Lacs indicates that your Company is a regular payer of taxes and other duties to the Government and

DIRECTORS' REPORT

is contributing fully to the growth of our nation as a responsible corporate citizen.

Social Obligation

"Serving people with meagre or no means is the duty of every well-to-do person or company in India." In the wee hours of 26th December, 2004, the human world faced one of the biggest tragedies of all time when Tsunami hit various countries in South East Asia including India, thus resulting in widespread loss of lives, property, livelihood and wealth of hundreds of thousands of people across Indonesia, Thailand, Sri Lank and Southern India.

At Havell's we have in our own a little way, tried to help the disaster affected. All members of the Havell's were overwhelmed by the calamity and came forward to contribute a day's salary which was matched by the Company in the Prime Ministry's Relief Fund for the Tsunami Relief Operations.

Your Company is starting to provide the mid - day meal to children in 3 Schools in Alwar region, Rajasthan where the Company has its Cable & Wire Division. Your Company is also planning to start this activity in other areas especially near the Company's other units.

The Company had contributed Rs.11 Lacs to QRG Foundation, a charitable trust, founded by QRG group. The Charitable Trust is running a mobile dispensary, which goes into different parts of Delhi and provides free medical check-ups and medicines to about 150-200 people every day.

Human Resources

The Company values human resources as it is very vital to the growth of the Company. The plans and policies framed by the management from time to time are translated into reality by this asset only. Your Company continuously evolves policies and processes to attract and retain its substantial pool of scientific, technical and managerial resources through friendly work environment that encourages initiatives by individuals and recognizes their performance.

'Employee Empowerment' drives our employee policies, as we try to continuously focus on giving every member of the team a challenging and happy working environment. We encourage them to pursue their education while they work. We also encourage and facilitate regular training through technical workshops conducted by our overseas collaborators and management workshops by independent consultants. In turn our employees are energized into pushing themselves beyond the limits and thus use their potential to the maximum. That's the power behind our success, the power of our people.

Training to existing employees is continuously being imparted in-house and through external sources to hone their skills for meeting challenges. Your Company always encourages young personnel with their ideas and view.

Management is easily accessible to the employees and their problems are attended to promptly. The relation between the management and employee is very cordial. Regular open meeting are conducted in the Company where each and every employee present their views and opinion before the management and others just like a member of a family.

The security of employees and staff is one of the prime concerns of the Management. Employees have been adequately covered under the various insurance policies against risk of health and life disasters. The Company ensures Medclaim Insurance policy for its every employee. accidental policies are also taken by the Company to secure their life.

The credit of the results and milestones achieved goes to the team of Havell's and to all our partners in business.

Acknowledgments

Your Directors wish to place on record their appreciation for the valuable co-operation and support received from the Customers and Suppliers, various Financial Institutions, Banks, Central and State Government bodies, Auditors and Legal Advisors which have made possible the excellent results achieved by your company and to all the persons who reposed faith and trust in us. We would also like to express thanks to our Shareholders and Stakeholders for their confidence and understanding.

Last but not the least, we wish to place on record our appreciation of the sincere services rendered by the employees and our colleagues at all levels, who have put in their best efforts and unstinted cooperation without which this growth and expansion is not possible.

For and on behalf of the Board of Directors of
Havell's India Limited

Qimat Rai Gupta
Chairman & Managing Director

Noida, May 12, 2005

DIRECTORS' REPORT

ANNEXURE A TO THE DIRECTORS' REPORT

Particulars of Employees pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956

Sl. No.	Name	Age (Yrs.)	Designation	Remuneration (in Rs.)	Qualifications	Experience in years	Date of Commencement of employment	Last employment held
1.	Shri Qimat Rai Gupta	68	Chairman & Managing Director	Rs.27,13,028/-	B.A.	45 years	08.08.83	N. A.
2.	Shri Rajesh Gupta	48	Director (Finance)	Rs.26,66,293/-	C.A.	24 years	01.12.80	N. A.

ANNEXURE - B TO THE DIRECTORS' REPORT

CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Information under Section 217 (1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 and forming part of the Directors' Report for the year ended March 31, 2005 is as follows.

A. CONSERVATION OF ENERGY

a) Energy conservation measures taken

Your Company gives priority to energy conservation. It regularly reviews measures to be taken for energy conservation, consumption and its effective utilization.

- A 10 HP jet pump has been replaced by a new and efficient Submersible Pump. This shall save energy on account of running the pump from 4 Hours daily to 2-1/2 hours
- All conventional GLS lights at the works have been changed with energy saving CFLs. Also new energy saving fans wherever possible have been installed.
- Screw type Air compressors have been put to replace the old reciprocating air compressors.
- Electric oven has been replaced by HSD fired oven.
- 11 KV RSEB Lines are replaced by 33 KV RSEB lines, for better reliability, lesser power cuts and power fluctuations.
- The traditional slip ring motors have been replaced by new induction motors, with frequency converter drives leading to huge power savings.
- The traditional On -Off Temperature Controllers are replaced with latest P.I.D. Controllers.
- The transparent sheets are used in our new shed roofing to use solar light, which gives more light and savings of energy.
- The new heat economizer is placed at the boiler to use the energy from boiler exhaust.
- Replacement of G.I. Pipe lines for supply of compressed air to SS Pipe Line of bigger diameter, to decrease losses at bends and joints. Centralization of pipe lines of the compressed air system, which has resulted in decreased running hours of compressor at load.

b) Additional Investment and proposals for Energy Conservation

The requirement of power is not very large and the position did not warrant any special measures for conservation of energy.

- It is planned to maintain the power factor after introduction of Digital Power factor meters, and new transformers worth Rs.1.5 Lacs to monitor the consumption, this will give expected saving of Rs.55000/- per month.
- It is decided to purchase one new screw type air compressor having capacity of 200 CFM worth Rs.5.5 Lacs, this will give a saving of Rs.3.25 Lacs per annum.
- The Switchgear Unit is going to replace compressor having capacity of 244CFM in place of 2 Nos 100 each CFM belt drive. This will save electricity consumption.
- The Switchgear Unit is going to install One 1000 KVA Transformer, with built-in on load tap changeover to achieve proper voltage and avoid extra losses, due to the low voltage available in the area. The company will save energy by at least 5%.

c) Impact of the measure at (a) and (b) above for reduction of Energy Consumption and consequent impact on the cost of production of goods

- Savings of Energy and Electricity consumption hence reduction in electricity bills.
- By changing one new Air Compressor, the company would be able to save Rs.3.25 Lacs p.a.
- By changing the GLS bulbs into CFLs and Tube Lights in production area, the Company is able to save energy by 75%.

DIRECTORS' REPORT

B. RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION

a) Research & Development

Specific Areas in which R & D carried out by the company

(i) Import Substitution

- (a) Project for indigenous manufacturing of Table, Pedestal and Wall Fan has been taken up to reduce dependence on Imports of this range of Fans.
- (b) Setting up of first plant in India to manufacture P.L.L. (Parallel Light Lamp), FPL (36W and 18W CFL) which started its operation in the month of February, 2005. This shall serve an import substitute and goes with our philosophy of making India self-reliant rather a producer for the world market for manufactured goods.

(ii) Technology upgradation

- (a) Switchover to HR FR WIRES from normal FR wires
- (b) Installation of MULTIDRAW FWD machine from Neihoff- Germany.
- (c) Installation of 3150 mm DRUM TWISTER machine.
- (d) Procurement of New 1000 KVA H.T. Transformer
- (e) Reconstruction of Modified R & D laboratory.
- (f) Installation of Vacuum Loaders on H.T Cable extrusion line.
- (g) Reciprocating Compressors has been replaced by Screw Compressor to achieve Energy conservation.
- (h) Energy efficient range of Ceiling Fans, the first of its kind in the Indian Market was launched in 1200 mm & 1400 mm sweeps (Velocity E.S - 50 & Fusion E.S-50)
- (i) Certification from BIS (Bureau of Indian Standards) has been obtained for 1200 mm & 1400 mm Ceiling Fans.
- (j) 380 KVA HSD fired DG set installed for better Noise pollution control and better efficiency.
- (k) Introduction of micro processor based MCCB upto 250 Amp. instead of thermal magnetic design.

(iii) Quality Improvement

- (a) Traditional normal FR WIRES replaced by Heat Resistive Insulation .
- (b) More consistency in diameters as well as annealing in copper conductor.
- (c) Improved quality of Dielectric in HT extrusion line.
- (d) Introduction of better quality of Varnish for improved reliability of the motor's stator.
- (e) Capacitor endurance testing equipment installed. Life testing of capacitor started.
- (f) Standard colour samples for inspection and manufacturing introduced at various locations i.e. from vendor manufacturing to inhouse manufacturing. Reduction in rework on various locations.
- (g) Implementation of systems based on 5S, TQM and Kaizen

(iv) Any other, please specify

Manufactured & supplied HT Ariel Bunched cables for the first time during the year.

Benefits derived as a result of above

- (a) Cost Reduction
- (b) Usage and Design Improvement
- (c) Quality Upgradation
- (d) New Product Introductions
- (e) Reduction in Scrap generation

Future plan of action

- (a) To continue R & D work for upgradation of technology of the existing products, continuing with the efforts on import substitution and developing new products helping the company to expand its range of products, to meet market needs and to provide customers delight.
- (b) Introduction of Various new models in Ceiling Fans/ Table / Pedestal / Wall Fans and light duty ventilating fans.
- (c) Construction of new HT extrusion line by incorporating C.C.V extrusion line.
- (d) Development of HV cable of voltage rating more than 33KV grade.
- (e) Capacity enhancement of micro processor based MCCB.

Expenditure on R & D

	(Rs. in Lacs)	
	2004-05	2003-04
Capital	34.98	9.24
Recurring	107.69	68.37
Total	142.67	77.61
Total R&D expenditure as a percentage of total turnover	0.21%	0.19%

DIRECTORS' REPORT

Technology Absorption, Adaptation and Innovation

1. **Efforts, in brief, made towards technology absorption, adaptation and innovation.**
The Company is regularly pursuing for upgradation of technology in existing products and development of new products and also adopted the latest developments made by its collaborators. The Company is constantly in touch with the latest developments in the field of electric/ electronics and accordingly updation in plant and machinery is regularly being reviewed.
2. **Benefits derived as a result of above efforts.**
Improvement in quality of the products, improvement in manufacturing process, resulting in cost reduction and acceptability of the products in international market, grant of ISO 9001:2000 certification etc.
3. **Information on imported technology (imported during the last 5 years) reckoned from the beginning of the financial year, if any:**
 - (a) Technology Imported : Complete CFL Plant & Technology
 - (b) Year of Import : 2003-04, 2004-05
 - (c) Has technology been fully absorbed ? : YES
 - (d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action. : N.A.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

(a) Activities relating to Exports, initiatives taken to increase exports, development of new export markets for products and services and export plans

During the financial Year 2004-05 our Exports have grown by more than 125% as compared to previous year and this was due to increase in awareness of Havell's brand globally. During the year Havell's strategy of selling diversified products in diversified market has made this growth possible. We have expanded our product range to CFL, Luminaries etc. as well as we have entered into new markets like Norway, Yemen, Jordan, South Africa etc. We have incorporated a wholly owned subsidiary in UK by the name of Havell's (UK) Ltd to promote business in European markets. We are participating in all major International Exhibition and Trade Fairs to promote Havell's Brand.

We have also build – up the International Business Division (IBD) and recruited few fresh Faces who are having lots of experience in selling products globally. IBD is committed in their endeavor to fulfill the aspiration of the organization in the international markets.

IBD has initiated innovative concepts aimed at enhancing Havell's Brand image and customers' value. We are also targeting tapping new business in virgin markets, increasing sales of new products, opening offices in UK, Indonesia and Nigeria, Spain, Latin America, Russia to drive Havell's a global company.

(b) Total Foreign exchange used and earned

	(Rs. In Lacs)	
	2004-05	2003-04
Foreign exchange earned	4841.36	2115.57
Foreign exchange used	2867.19	1318.23

For and on behalf of the Board of Directors of
Havell's India Limited

Qimat Rai Gupta
Chairman & Managing Director

Noida, May 12, 2005

DIRECTORS' REPORT

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANY

- | | | |
|--|---|---------------------------------|
| 1. Name of the Subsidiary Company | : | Havell's (UK) Limited |
| 2. The financial year of the Subsidiary ended on | : | March 31, 2005 |
| 3. Date from which it became Subsidiary | : | 15 th February, 2005 |
| 4. Number of equity shares held by Holding Company and/ or its nominees in the Subsidiary Company as on March 31, 2003 | : | 2 Ordinary Shares of £1 each |
| 5. Extent of interest of Holding Company in the Capital of Subsidiary Company | : | 100% |
| 6. The net aggregate amount of Subsidiary's Profit/ (Loss) so far as it concerns the members of the Holding Company and is not dealt with in the Holding Company's accounts: | | |
| a) For the financial year ended on March 31, 2005 | : | (£ 6901) |
| b) For the previous financial years of the Subsidiary since it became a Subsidiary | : | N.A. |
| 7. The net aggregate amount of the Subsidiary's Profit/ (loss) so far as it has been dealt with in the Holding Company's accounts: | | |
| a) For the financial year ended on March 31, 2005 | : | Nil |
| b) For the previous financial years of the Subsidiary since it became a Subsidiary | : | N.A. |

For and on behalf of the Board of Directors of
Havell's India Limited

(Qimat Rai Gupta)
Chairman & Managing Director

(Surjit Gupta)
Director

Noida, May 12, 2005

(Ritu Mehrotra)
Company Secretary

(Yogesh Bansal)
Senior Manager

CORPORATE GOVERNANCE REPORT

Company's Philosophy

An independent Board with best business practices, transparent disclosures and empowerment of shareholders are as necessary as solid financial results for creating and sustaining the shareholders value.

The Company believes in and practices Good Corporate Governance. Transparency, professionalism, accountability and responsibility are the essential character and guiding principles for all decisions, transactions and policy matters of Havell's. At the highest level the Company continuously endeavour to improve upon these aspects on an ongoing basis and adopt innovative approaches for leveraging resources, converting opportunities into achievements through proper empowerment and motivation, fostering a healthy growth and development of human resources to take the Company forward. The basic philosophy of Corporate Governance in Havell's is to achieve business excellence and add shareholders' value with desired disclosure practices and sound decision making, through harmonious interactions amongst the Board of Director, its Committees and senior management.

Good Corporate practices have further guided the Company to not only work towards the enhancement of shareholder value but also towards overall betterment of all stakeholders viz., shareholders, creditors, customers, employees and society at large.

The importance of Corporate Governance has always been recognized by your Company and is manifested in the Company's vision. A report, in line with the requirement of the Stock Exchange for the year ended March 31, 2005 is given below:

Board of Directors

Board of Directors comprises two Whole Time Directors, Eight Non-Executive Directors and one non-executive alternate Director out of whom Five are Independent. The Company is chaired by an Executive Director. The functions of the Board include formulation of strategic business plans, setting up of goals and evaluation of performance, approving corporate philosophy and mission; monitoring corporate performance against strategic business plans, overseeing operations, ensuring compliance with laws and regulations, keeping shareholders informed regarding plans, strategies and performance of the Company and other important matters.

The Board has constituted four committees, viz. The Audit committee, Finance Committee, Remuneration Committee and Share Transfer & Shareholders'/Investors' Grievance Committee. All these Board committees are chaired by Non Executive Directors.

During the financial year 2004-05, Five Board Meetings were held on 6th May, 2004, 19th July, 2004, 30th October, 2004, 13th December, 2004 and 25th January, 2005.

The Composition of Board of Directors, their attendance at the Board Meetings held during the year and at last Annual General Meeting as also number of directorships and chairmanships/ memberships of committees of each director held in various companies as at March 31, 2005 is:

Sl. No.	Name of the Director	Category	Attendance Record		No. of other Directorship and Committee Membership & Chairmanship		
			Board Meetings	Last AGM	Other Directorship	Committee Memberships	Committee Chairmanships
1.	Sh. Qimat Rai Gupta	Chairman & Managing Director	5	Yes	5	Nil	Nil
2.	Sh. Surjit Gupta	Non-Executive & Non-Independent	5	Yes	4	2	Nil
3.	Sh. Anil Gupta	Non-Executive & Non-Independent	5	Yes	7	3	2
4.	Sh. Rajesh Gupta	Executive & Non-Independent	5	Yes	1	1	Nil
5.	Sh. P.K. Kaul	Independent & Non-Executive	5	Yes	13	5	4
6.	Dr. Abid Hussain	Independent & Non-Executive	5	Yes	8	6	1
7.	Sh. N. S. Vasant	Independent & Non-Executive	5	Yes	Nil	1	Nil
8.	Sh. Tarun Banga®	Independent & Non-Executive	3	Yes	Nil	Nil	Nil
9.	Ms Sabine Geyer	Independent & Non-Executive	Nil	No	4	Nil	Nil
10.	Mr. Richard Owen Pyvis*	Non-Independent Non-Executive	Nil	No	34**	Nil	Nil
11.	Mr. Avinash P Gandhi*	Independent & Non-Executive	Nil	No	7	2	3
12.	Ms. Josephine Price	Alternate Director to Mr. Richard Owen Pyvis	Nil	No	21 **	Nil	Nil

Committee includes Remuneration Committee also.

* Additional Directors ** Includes Directorship in private limited companies also. @ Resigned from Directorship.

CORPORATE GOVERNANCE REPORT

Disclosure regarding Directors Re-appointment

Name of Director	Date of Birth	Qualifications	Nature of expertise	Name of the Companies in which he/ she holds Directorship	Name Committee of the Companies of which he holds Membership/ Chairmanship
Shri Pratap Kishen Kaul	03.07.1929	B.Sc., M.A., Master in Public Administration (Harvard University, U.S.A.) Retrd., I.A.S., 1951 (U.P.Cadre)	Shri P K Kaul has been an outstanding civil servant and served in various capacities at Government of India. He was Finance Secretary to the Govt. of India.	<ul style="list-style-type: none"> • Havell's India Ltd. • Tata Iron & Steel Co. Ltd. • Sagar Tourist Resorts Ltd. • Lupin Ltd. • Duncan Industries Ltd. • Creditcapital Investment Trust Co. Ltd. • Select Holiday Resorts Ltd. • Eveready Industries India Ltd. • Sagar Entertainment Ltd. • J K Paper Ltd. • Hindustan Gum & Chemicals Ltd. • Dynamic Advertising & Research Team Pvt. Ltd. • Exl. Services.Com (I) Ltd. • Kailash Hospital & Research Centre Ltd. 	<ul style="list-style-type: none"> • Havell's India Ltd. Audit Committee (Chairman) • Tata Iron & Steel Co. Ltd. Audit Committee (Chairman) • Duncan Industries Ltd. Audit Committee (Chairman) Remuneration Committee (Member) • Eveready Industries India Ltd. Remuneration Committee (Member) • J K Papers Ltd. Shareholders/ Investors Grievance Committee (Member) Audit Committee (Member) • Lupin Ltd. Remuneration Committee (Chairman) • Eveready Industries Ltd. Audit Committee (Member)
Dr. Abid Hussain	26.12.1926	M. A.	Dr. Abid Hussain has been an outstanding civil servant and served in various capacities at Govt. of India. He was Commerce Secretary to the Govt. of India	<ul style="list-style-type: none"> • Havell's India Ltd. • Hyderabad Flextech Ltd. • Morgan Stanley Asset Management (I) Ltd. • Nagarjuna Oil Corp. Ltd.. • GVK Industries Ltd. • GVK Taj Hotels & Resorts Ltd. • Zodiac Clothing Co. Ltd. • Wockhardt Ltd. • Shree Cement Ltd. 	<ul style="list-style-type: none"> • Havell's India Ltd. Audit Committee (Member) Remuneration Committee (Chairman) • GVK Industries. Ltd. Audit Committee (Member) • Wockhardt Ltd. Shareholders/ Investors Grievance Committee (Member) Audit Committee (Member) • Shree Cement Ltd. Shareholders/ Investors Grievance Committee (Member) Audit Committee (Member)
Ms. Sabine Geyer	27.05.1960	Bachelor of Arts, International Business Dipl-Betriebswirt (equiv. M.A.)	Ms. Sabine Geyer is having rich experience in market research and corporate controlling.	<ul style="list-style-type: none"> • Havell's India Ltd. • GEYER AG • Verwaltungsgesellschaft GEYER mbH, • Wohnbaugesellschaft GEYER mbH, • BINA Moden GmbH 	-

CORPORATE GOVERNANCE REPORT

Name of Director	Date of Birth	Qualifications	Nature of expertise	Name of the Companies in which he/ she holds Directorship	Name Committee of the Companies of which he holds Membership/ Chairmanship
		International Business			
Mr. Richard Owen Pyvis	04.02.1954	Mr. Pyvis read Economics (Japanese Studies) at the University of Western Australia.	He was formerly Chief Executive Officer of the CLSA Group and has a background in commercial banking, venture capital, and debt restructuring. He sits on a number of public and private boards.	<ul style="list-style-type: none"> • Havell's India Ltd. • Shine Ltd. • Canzone Ltd. • Cantus Ltd. • Petra Foods Ltd. • CLSA Private Equity Ltd. • CLSA Private Equity Management Ltd. • Aria Equity Ltd. • Jian Kang Ltd., • Australian Market Research and Advisory Services Pty.Ltd. • Margaret River Wines, Inc. • Stella Bella Wines Pty Ltd. • CLSA B.V. • CLSA Ltd. • CLSA Equity Capital Markets Ltd. • CLSA Investments Ltd. • CLSA Mezzanine Management Ltd. • PT CLSA Indonesia • Quality Healthcare Asia Ltd. • China Fire Safety Enterprises Group Holdings Ltd. • Min You Holdings Ltd. • Beijing Tide Pharmaceutical Co. Ltd. • Stichting CLSA Foundation • VLCC Health Care Ltd. • Starbright Group Ltd. • Vestacorp Inc. • Taimac Ventures Ltd. • Macvest Ltd. • Macpark Ltd.. • Macowboise Ltd. • Macdosh International Ltd. • Co-investor Private Equity Pty Ltd. • Hammerhead Pty Ltd. • Pyvis Nominee Pty. Ltd. • Huishan Dairy Holdings Ltd. • Jyothy Laboratories Ltd. (Alternate Director) 	
Avinash P Gandhi	01.10.1938	B.E. (Mechanical)	He has rich years experience in engineering and managerial level. He held top leadership positions in prestigious organizations for nearly two decades in over forty years of his working in professional sector.	<ul style="list-style-type: none"> • Havell's India Ltd. • Fag Bearings India Ltd. • Lumax Industries Ltd. • CLAAS India Ltd. • UNI Products India Ltd. • Fair Fields Atlas Ltd. • MLR Motors Ltd. • Panalfa Investment Pvt. Ltd. 	<ul style="list-style-type: none"> • Fag Bearing India Ltd. Audit Committee (Chairman) • Lumax Industries Ltd. Audit Committee (Member) Remuneration Committee (Chairman) • Fairfield Atlas Ltd. Audit Committee (Member) Remuneration Committee (Chairman)

CORPORATE GOVERNANCE REPORT

Audit Committee

Presently, the Audit Committee comprises of four Non-Executive Directors with majority being Independent. Shri P. K. Kaul is the Chairman of the Committee, the other members are Dr. Abid Hussain, Shri N. S. Vasant and Shri Anil Gupta. The constitution of the Committee meets with the requirements of Section 292A of the Companies Act, 1956, as well as the Listing Agreement.

The Audit Committee is responsible for the effective supervision of the financial reporting processes to ensure proper disclosure of financial statements, their credibility, and compliance with the accounting standards, stock exchanges and other legal requirements, reviewing with internal and external audit and internal control systems, assessing their adequacy ensuring compliance with internal controls; reviewing findings of internal audit and ensuring follow up action on significant findings, and reviewing quarterly half yearly and yearly annual accounts.

During the year 2004-05 four audit committee meetings were held out on 6th May, 2004; 19th July, 2004; 30th October, 2004; and 25th January, 2005. The attendance of the directors during these meetings is set down below:

S. No.	Name of the Director	No. of Meetings attended
1.	Sh. P.K. Kaul	4
2.	Sh. Anil Gupta	4
3.	Dr. Abid Hussain	4
4.	Sh. N. S. Vasant	4

All the above meetings, were also attended by the Executive Director (Finance). The Statutory and Internal Auditors also attended the Audit Committee Meetings.

During the year, the Committee reviewed:

- Quarterly and yearly financial statements before they are submitted to the Board of Directors.
- Internal Audit and Statutory Auditors' Report
- Management Information System
- Internal controls to ensure that the accounts of the Company are properly maintained and those transactions are in accordance with the prevailing laws and regulations.
- Compliance with Accounting Standards
- Legal requirements including stock exchange requirements concerning the Financial Statements etc.
- Re-appointment of Auditors.

The Report of the Chairman as well as the minutes of the Audit Committee are circulated to all the Board Members for their consideration.

As per the requirements of the Listing Agreements entered with the Stock Exchanges, Ms. Ritu Mehrotra, Company Secretary, acts as the Secretary of the Audit Committee.

Remuneration Committee

The Remuneration Committee determines on behalf of the Board and shareholders as per agreed term of reference, the Company's policy on specific remuneration packages for executive directors including pension rights and compensation payment.

The Committee comprises of three Non Executive directors under the chairmanship of Independent Director. Dr. Abid Hussain, Chairman, Shri Surjit Gupta and Shri Anil Gupta are the members of the Committee. One meeting of the Committee was held out on 30th October, 2004 during the year under review. All Members of the Committee attended the Meeting.

Non-Executive Independent Directors

Non-Executive Independent Directors are paid only the sitting fees for attending the meetings of the Board of Directors within the limits as prescribed under the Companies Act, 1956.

Details of Remuneration to all the directors

(in Rupees)

Name of the director	Sitting Fees	Salary & Perks	Commission	Total
Mr. Qimat Rai Gupta	Nil	27,13,028	Nil	27,13,028
Mr. Surjit Gupta	Nil	Nil	Nil	Nil
Mr. Anil Gupta	Nil	Nil	Nil	Nil
Mr. Rajesh Gupta	Nil	26,66,293	Nil	26,66,293
Mr. P.K. Kaul	45,000	Nil	Nil	45,000
Dr. Abid Hussain	50,000	Nil	Nil	50,000
Mr. N. S. Vasant	45,000	Nil	Nil	45,000
Mr. Tarun Banga	15,000	Nil	Nil	15,000
Ms. Sabine Geyer	Nil	Nil	Nil	Nil
Mr. Richard Owen Pyvis *	Nil	Nil	Nil	Nil
Mr. Avinash P Gandhi*	Nil	Nil	Nil	Nil
Ms. Josephine Price (Alternate Director)	Nil	Nil	Nil	Nil

* Additional Directors.

CORPORATE GOVERNANCE REPORT

Share Transfer & Shareholders'/ Investors' Grievance Committee

The Board has constituted a Share Transfer & Shareholders'/ Investors' Grievance Committee comprises of three directors under the Chairmanship of Sh. Anil Gupta other members being Shri Surjit Gupta and Shri Rajesh Gupta. The functions and powers of Committee include approval/ rejection of transfer/ transmission, issue of duplicate certificates, review and redressal of shareholders' and investors' grievances/ complaints. The members of the Committee meet every week for share transfer and other said purposes. As on 31st March, 2005, no transfer of shares is pending.

The shareholders may directly e-mail to the Company at the e-mail id investors@havells.com for early response of their queries.

The detail of the investors'/shareholders' grievances received and attended during the year is as follows:

Sl. No.	Nature of Grievances Received	No. of Grievances Received	No. of Grievances Resolved	No. of Grievances Pending	Maximum Period of Reply
1	Change of Address	67	67	-	7
2	Change in the Bank Details	13	13	-	6
3	Request for issue of Duplicate Share Certificates	31	31	-	7
4	Dividend related queries	35	35	-	2
5	Request for Annual Reports	6	6	-	1
6	Transposition requests	2	2	-	1
7	Non-receipt of Share certificates after transfer	3	3	-	9
8	Request for New Share Certificates on account of Split of shares	198	198	-	7
9	Others	27	27	-	3
	TOTAL	382	382	-	

Ms. Ritu Mehrotra, Company Secretary is designated as Compliance officer. Fifty meetings of the Committee were held during the year 2004-05.

I. General Body Meetings

General Meetings	Date	Time	Venue
Annual General Meeting	August 23, 2002	04:30 p.m.	Shah Auditorium, Sham Nath Marg, Civil Lines, Delhi - 110 054
Annual General Meeting	July 25, 2003	04:00 p.m.	- do -
Extra Ordinary General Meeting	November 19, 2003	04:00 p.m.	- do -
Annual General Meeting	July 19, 2004	03:30 p.m.	- do -
Extra Ordinary General Meeting	November 29, 2004	10:30 a.m.	- do -

Several Special Resolutions proposed in the above said meetings and were duly passed by show of hands.

In compliance of provisions of Section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2001, the Company at its 21st Annual General Meeting held on July 19, 2004 passed one special resolution under section 293 (1)(a) of the Companies Act, 1956.

2. Statutory Disclosures

During the year, there were no transactions of material nature with the Directors or the Management or its subsidiaries or relatives that had potential conflict with the interest of the Company.

The Company has not been penalised, nor has the stock exchanges, SEBI or any statutory authority imposed any strictures, during the last three years, on any matter relating to capital markets.

During the year, the Company has allotted 235-4% Unsecured Fully Convertible Debentures of Rs.10,00,000/- each on preferential basis to M/s Shine Limited which are convertible into Equity Share on or before 12th June, 2006 at a price ranging between Rs.175.26 to Rs.275/- as per the SEBI (Disclosure and Investor Protection) Guidelines, 2000.

3. Means of Communications

- Half Yearly report sent to each shareholder : No
- Quarterly Results : No
- Which newspaper normally published in : 1) The Business Standard
2) Hindustan (Hindi)
- Any web-site, where published : www.havells.com
- Whether it also displays official news releases and made to institutional investors/ analyst : Yes
- Whether MD&A Report is a part of the Annual Report or not : Yes

CORPORATE GOVERNANCE REPORT

4. General Shareholder Information

Annual General Meeting:

Date : 20th July, 2005.
 Time: 10:30 A. M.
 Venue: Shah Auditorium, Raj Niwas Marg, Civil Lines, Delhi – 110 054

Financial Calendar (tentative and subject to change)

- Financial Reporting for the quarter ending June 30, 2005 : Mid July 2005
- Financial Reporting for the half-year ending September 30, 2005 : End October 2005
- Financial Reporting for the quarter ending December 31, 2005 : End January 2006
- Financial Reporting for the year ending March 31, 2006 : Mid May 2006
- Annual General Meeting for the year ending March 31, 2006 : Mid July, 2006

Date of Book Closure 28th June, 2005 to 5th July, 2005 (both days inclusive)

Dividend Payment Date 25th July, 2005

Listing on Stock Exchanges The National Stock Exchange of India Limited (NSE)
 The Stock Exchange, Mumbai (BSE)
 The Unsecured Fully Convertible Debentures allotted during the year will be listed at the NSE and BSE on conversion into Equity Shares.

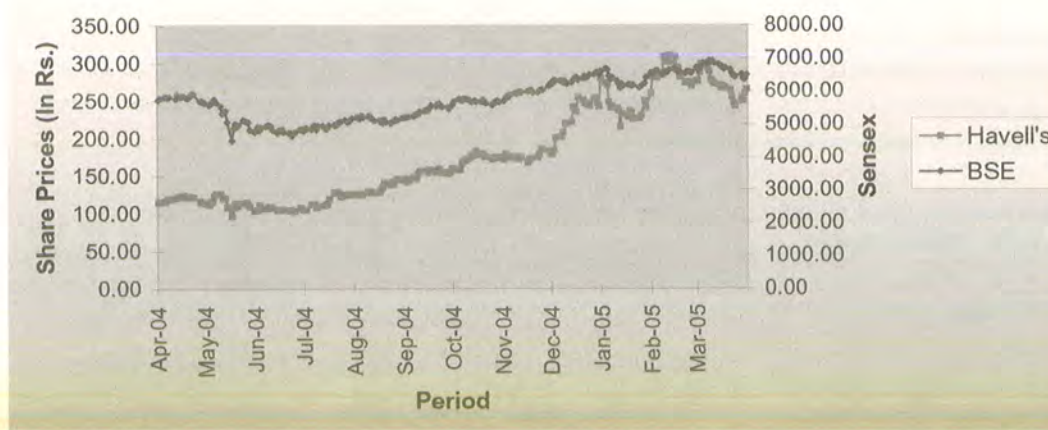
Stock Code : 517354 (BSE)/ HAVELLS (NSE)

International Securities Identification Number (ISIN code- NSDL & CDSL) : INE 176B01026

Market Price Data For the financial year 2004-05 at The National Stock Exchange of India Ltd. and The Stock Exchange, Mumbai

Period	NSE		BSE	
	High (Rupees)	Low (Rupees)	High (Rupees)	Low (Rupees)
April 2004	126.00	111.00	125.45	112.25
May 2004	132.00	93.00	132.90	88.00
June 2004	116.80	101.55	120.00	102.15
July 2004	131.90	104.00	134.70	104.15
August 2004	148.65	122.60	149.00	123.25
September 2004	162.00	125.00	162.00	140.35
October 2004	189.35	156.50	189.95	156.50
November 2004	193.40	162.90	194.00	163.00
December 2004	290.00	175.35	290.00	176.05
January 2005	285.00	215.60	288.80	190.20
February 2005	317.50	258.00	317.00	235.00
March 2005	305.00	238.00	306.00	235.05

Havell's Share Price Movement with BSE Sensex



CORPORATE GOVERNANCE REPORT

5. Distribution of Shareholding as on March 31, 2005

Shareholding of nominal value of		Share Holders (Number)	% of Total	No. of Shares	Nominal Value	% of Nominal Value
Rs.	Rs.					
Upto	2,500	7933	93.77	837348	4186740	7.22
2,501	5,000	307	3.63	247253	1236265	2.13
5,001	10,000	112	1.32	179948	899740	1.55
10,001	20,000	42	0.5	126907	634535	1.09
20,001	30,000	16	0.19	81636	408180	0.70
30,001	40,000	2	0.02	15043	75215	0.13
40,001	50,000	6	0.07	56510	282550	0.49
50,001	1,00,000	11	0.13	142911	714555	1.23
1,00,001	& Above	31	0.37	9903598	49517990	85.44
		8460	100.00	11591154	57955770	100.00

Categories of Shareholders as on March 31, 2005

Particulars Shareholders	No. of held	No. of Shares holding	% of Share
Domestic Companies	411	484870	4.18
Financial Institutions, Banks and Mutual Funds	7	807770	6.97
FIs and Foreign Companies	4	811444	7.00
NRIs / OCBs	236	119992	1.04
Promoters, Directors and their relatives	15	8083714	69.74
Other Public	7787	1283364	11.07
TOTAL	8460	11591154	100.00

6. Share Transfer System

The Company has appointed M/s MCS Limited as the Registrar and Transfer Agent of the Company. The Company with MCS Limited ensures a predetermined process cycle at 7 days interval and dispatch of transferred share certificates within 10 days from the date of receipt.

In compliance with the listing Guidelines, every six months, the share transfer system is audited by a practicing Company Secretary and certificates to that effect are issued by him.

7. Dematerialisation of shares and Liquidity

As on 31st March, 2005, 96.59% of Company's total paid up capital of the Company representing 11195292 equity shares of Rs.5/- each were held in dematerialized form (i.e.11060009 shares (95.42%) with NSDL and 135283 shares (1.17%) with CDSL) and balance 3.42% representing 395862 equity shares of Rs.5/- each shares were held in physical form.

8. Plant Locations

Domestic Switchgear Division

- Road No. 9, Samepur Badli, Delhi 110 041
- Distt. Solan, Baddi, Himachal Pradesh

Industrial Switchgear Division

- 14/3, Mathura Road, Faridabad 121 002

Cable Division

- A/461-462, Matsya Industrial Area, Alwar, Rajasthan

CFLs Division

- 14/3, Mathura Road, Faridabad 121 002
- Distt. Solan, Baddi, Himachal Pradesh

Fan Division

- D-6, Sector -8, Noida, (U.P.)

Meter Division

- 6, Tilak Nagar Industrial Area, New Delhi 110 058

CORPORATE GOVERNANCE REPORT

9. Address for correspondence.

The Company Secretary
 HAVELL'S INDIA LIMITED
 (Share Department)
 E-1, Sector - 59, Noida (U.P.)
 Tel. No. : +91-120-2477777
Fax No. : +91-120-2477666
 Website : www.havells.com
 Email : investors@havells.com

For Share Transfer and dematerialisation

MCS LIMITED
 W-40, Okhla Industrial Area, Phase - II,
 New Delhi - 110 020
 Tel No. : 011- 26384908
 Website : www.mcsind.com

For and on behalf of the Board of Directors of
Havell's India Limited

Qimat Rai Gupta
 Chairman & Managing Director

Noida, May 12, 2005

V.P. BANSAL & CO.
 CHARTERED ACCOUNTANTS

1/18-B, ASAF ALI ROAD
 2nd FLOOR, NEW DELHI-110 002
 Phone : 23236909, 23232578

May 12, 2005

TO WHOMSOEVER IT MAY CONCERN

We have examined the compliance of conditions of Corporate Governance by Havell's India Limited, having its Registered Office at 1/7, Ram Kishore Road, Civil Lines, Delhi - 110 054 for the year ended 31st March, 2005 as stipulated in clause 49 of the Listing Agreement of the said Company with Stock exchanges.

The compliance of conditions of Corporate Governance is responsibility of the management. Our examination has been limited to review of the procedures and implementations thereof adopted by the Company for ensuring compliance with the conditions of the Certificate of Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of the Corporate Governance as stipulated in clause 49 of the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we state that the shareholders'/Investors' Grievance Committee has maintained records to show the investor grievances and certified that as at 31st March, 2005 there were no investor grievances remaining unattended / pending for more than 30 days.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

for **V. P. BANSAL & CO.**
 Chartered Accountants

V. P. BANSAL
 Proprietor

MANAGEMENT DISCUSSION & ANALYSIS REPORT

Management Discussion and Analysis Report

Statements in the Management Discussion and Analysis Report describing the Company's objectives, projections, estimates, expectations may be considered to be 'forward-looking statements' within the meaning of applicable laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws, other statutes and other incidental factors. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements on the basis of any subsequent development, information or events.

Industrial Overview

During the year 2004-05, the Indian economy fared well with an estimated GDP growth of around 6.9% with the manufacturing sector expected to grow at 8.9 per cent. Inflation which touched a high of 8.7 per cent on August 28, 2004 has been reined in. As on April 02, 2005, the rate of inflation was 5.26 per cent. Inflation based on CPI for industrial workers was lower, and stood at 3.8 per cent in December, 2004. Business confidence has been restored and investments in 2004-05 have been buoyant. The economy has managed to maintain the growth momentum in spite of a deficient south-west monsoon, hardening international prices of oil and steel and, last but not the least, its first recorded experience of tsunami which caused extensive damage to life and property in Andaman & Nicobar Islands, and 2,260 kms of coastline in Tamil Nadu, Kerala, Andhra Pradesh and Pondicherry.

All the major economic indicators were favourable helping India's growth. The highlights of the year were :

- Good agricultural growth
- Broad based revival in industry
- Robust growth in exports
- Record accretion to foreign exchange reserves
- Buoyant capital market
- Soft interest rate scenario
- Sharp appreciation of Rupee vis-à-vis US Dollar

Overall Review:

Aided by improved business environment, the Company performed well during 2004-05. The details of the performance are provided later in the report.

Notwithstanding the intense competitive pressure, the Company maintained its leadership position in most of its business domestically and strengthened its presence in select international markets. During the year, the Company had to cope with increasing customer expectations, global competition and the pressure on margins. The Company had to address the challenges of talent augmentation resource optimization and value creation.

During the year, the Company undertook the following major initiatives to enhance its value proposition :

Capital Re-organisation

To meet the capital expenditure requirement of its new units situated at Baddi, Himachal Pradesh , the Company issued and allotted 235-Unsecured Fully Convertible Debentures of Rs.10,00,000/- each with a coupon rate of 4% on preferential basis. These debentures are convertible into equity shares at a price ranging between Rs.175.26 to Rs.275/- per share on or before 12th June, 2006.

Thrust on Export

Havell's, is focusing with great emphasis on international market. Towards realizing the dream of becoming a truly global company, concentration is currently on the first step of exporting products. Havell's is using its international partners in this effort to make a major headway in International markets.

The Company has set up separate Division for its International Business (IBD), which is dynamic team of 30 hard-nosed professionals who are committed in their endeavor to fulfill the aspirations of the organization in the international markets. This team provides specialized sales, marketing, technical support and services to meet the escalating requirements of modern day customers. During the year Havell's strategy of selling diversified products in diversified market has made this growth possible. We have expanded our product range like CFL & Luminaries etc. as well as we have entered into new markets like Norway, Yemen, Jordan, South Africa etc. Our IBD is catering to an international clientele that is spread over more than 45 countries. We have opened a wholly owned subsidiary in UK by the name of Havell's (UK) Ltd. to promote business in European markets.

We are participating in all major International Exhibition and Trade Fairs to promote Havell's Brand. We are also targeting new markets like Spain, Latin America, Russia for Havell's range of product in our drive to become a global company.

"Havell's is committed to meeting the challenges of the new economy through business ethics, global reach and technological expertise with a view to build long-term relationship with all our associates, customers, partners and employees."

Globally, the electrical industry in intensely competitive. However, Havell's has been recording impressive business growth owing to its focused marketing strategy and corporate visions. During the year, the Company achieved Rs.48 crores as an export turnover as compared to previous year's turnover of Rs.21 crores, shows a growth of more than 125%.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

Expansion and New Projects

To avail the tax incentives and other benefits as announced by the Industrial Policy of Himachal Pradesh and Uttranchal, the Company set up an absolutely new unit at Baddi, Himachal Pradesh having capacity to produce 12 million MCBs in a year. This plant shall have facilities for manufacturing 500000 RCCBs and other DIN mounted products and accessories. In Baddi unit, the company has also started manufacturing CFLs.

New unit at Hardwar in the state of Uttranchal is being set up for manufacturing of Fans and CFLs. At Hardwar Unit, the Company has already imported Plant & Machinery to manufacture CFLs. The company has increased its production capacity at Faridabad unit for manufacture of CFLs. Cables and Wires unit has also been expanded and the Company has acquired the nearby plot for its expansion.

After the stupendous success of Havell's Fans amongst the Consumers in the Country and export markets, Havell's introduced a complete new ranges of highly elegant Fans with unique finishes. The company has also launched ES – 50 Fans which consumes 33% less energy than a normal fan. This s major innovation which can save money for the consumer and valuable electrical energy for the nation.

Value Creation

In addition the Company has taken certain initiatives to improve its value creation potential. Some of these initiatives are:

- Improving the processes by benchmarking with the best in class for faster delivery of superior quality products /services
- Focus on products/ services which are at higher end of the value chain.
- Portfolio review of business to aggressively support businesses with profitability growth potential and exit low value businesses.
- Thrust on Advertisement and other marketing strategy to increase the volume of sale and goodwill of brand name

Channel Partners

Havell's today has the largest and strongest trade network in the electrical industry in India. As our dealers are our 'Partners in Progress', it is very necessary to Havell's interact with its dealers on regular basis. Havell's recognizes the strength of trade channel, maintaining the best relations with them and enjoys the reputation of the most "dealer friendly" company in the Country. During the current year also, the Company organized programs of inviting large groups of its dealers from different states of the country to Delhi. The Dealers' meets were highly interactive with each dealer contributing thus giving an opportunity to the company to get a fair pulse of the market, feedback on its operations and products and suggestions in respect of future progress for both existing and new products.

Segment Performance

The Company's major segments and their performance are as follows:

Name of the Segment	% of Segment Revenue	Turnover (In Lacs)
Switchgears	33 %	21724.79
Cables & Wires	46 %	30697.24
Consumer Durable Products	20 %	13129.83
Others	1 %	986.59
TOTAL	100%	66538.45

Your Company is one of the largest Power Distribution Equipment and Consumer Electrical Company in the Country. The turnover of your Company has increased by 59% from Rs.41922 Lacs in the last Financial Year 2003-04 to Rs.66538 Lacs in this financial year. The Net Profit of the Company increased from Rs.2096 Lacs to Rs.3053 Lacs during the year under review.

QRG Group

QRG Group is stepping towards integrating all its companies. Under one common entity, one common vision. QRG is the holding company of all erstwhile Havell's Group Companies, which includes – Havell's India, Crabtree India, Standard Electricals, TTL. QRG is committed to meet the challenges of the new economy through business ethics, global reach and technology expertise, with a view to build long-term relationship with all our customers, associates, partners and employees.

To benefit the effective management control, economies of scale, effective utilization of resources, all the companies in the same segments have been integrated into a single entity where we can give full focus and develop all the competence for the business in that entity.

There has been stupendous growth of QRG business during last few years. Not only have the existing business expanded in this period, the group has ventured into new and diverse product and business lines. All this growth has resulted in expansion of Sales, Marketing, and support infrastructure. To meet the demand of business expansions in Indian and International Markets the Company shifted its corporate office to new and ultramodern premises in NOIDA. The office comes with international style furniture and sitting area, visitor's lobby, improved communication, including video conferencing, training facilities, cafeteria and product display area. The new office further strengthens the long cherished corporate ethos, culture and team spirit.

QRG Group has emerged as the preferred choice for a discerning range of individual and industrial customers, both in India and abroad. The consolidated turnover of the group in the year 2004-05 reached approx. Rs.900 Crores.

All Havell's manufacturing units are ISO 9001 certified for their process and quality management. These plants are equipped with world class manufacturing facilities with large capacities to achieve cost competitiveness.

The QRG Group boasts of the largest marketing network in the Country for electrical products with 23 offices, 800 marketing professionals, 1800 dealers and over 25000 retailers.

The Company has now started working on its global aspirations with offices abroad and export products to over 45 countries.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

Cost Leadership

Cost competitiveness has been enhanced through improvements in processes using tools Six Sigma, 5-S, TQM, Kaizen at all units of the Company. Enterprise Resource Planning (ERP) BaaN is working efficiently and giving the desired results. It has made co-ordination among various departments and Branches of the Company more effective.

Future Plans and Outlook

With most of the infrastructure set up during the year, with the help of innovative processed employed and manufacturing sector witnessing an upward trend on the macro level, the outlook for the Company is very promising.

As a part of power sector reforms, the Government has approved the strategy formulated by the Ministry of Power for distribution reforms. The approval envisages an expenditure of Rs.40,000 Crores during the Tenth Five Year Plan under the Accelerated Power Development & Reforms Program (APDRP) scheme for implementing the up gradation and modernization of sub-transmission and distribution scheme, rural electrification is also gaining momentum and a Rural Electrical Supply Technology (REST) mission has been constituted for focused action. All the above developments certainly boost the prospects of the Electrical Standard Products, Electrical Systems and equipments and Metering business.

Focus on industrial projections, Utilities such as power & water and infrastructure sector is expected to drive the growth initiatives of the Company in the Electrical industry. Pre-bid marketing, technology acquisition, skillful project evaluation and execution prudent resource management and customer relationship, management is the thrust areas for the Company to retain its leadership position in the Switchgear and other electrical products.

The Company would continue to focus on effective risk management practices. Models to identify and manage risks are constantly fine-tuned to ensure profitable growth. Necessary checks would be applied to ensure that the Company bids for the right job at the right place. The Company has chalked out sector-wise strategies to improve its competitive positioning.

Government policies are generally favourable for electrical industries. It is believed that the next couple of decades would be an era of prosperity for electrical and electronic industry mainly because the growing internal demand will absorb considerable amount of production. The large home base will give an edge in international market for offering competitive prices thereby increasing export demand also.

Financial Management

The Company's Financial Management has held it in good stead over the years and has given it the unbeatable reputation of being the profitable Electrical manufacturing company in the Country for its size of operation.

The Company had initiated moves in its right earnest for repaying and swapping the high interest borrowings with low interest rate funds. Currently the total borrowings of Rs.142 Crores comprises term loans of Rs. 48.62 Crores and working capital and other loan of Rs.93.46 Crores.

Management of funds is considered very important and vital to the Company's Growth. The financial system takes care of the management of the funds. Senior management reviews the requirement of funds periodically. Operational and Finance Team monitors the manufacturing operations and implementations of the projects and ensures that budgetary provisions are strictly adhered to.

Risk Factors

Political and economic environment: The introduction of Value Added Tax (VAT) and changes in other tax structures in the Indian economy arising out of the programmatic policies of the Government implementing economic reforms as well as concentrating on development of infrastructure will have an impact of the Indian manufacturing and service industry.

Dependence on Key personnel: The Company's success depends to a significant degree upon the continued contribution of the members of the Company's senior management and other key research and development, sales and marketing personnel. The company generally does not enter into employment contracts with any of its senior management and other key personnel, which may act as substantial restrictions on such persons leaving the company. The loss of any of such persons could have a material adverse effect on the company's business, operations and financial performance.

Internal Control Systems and their Adequacy

The Company has a proper and adequate system of internal controls commensurate with the size and nature of its business. The Company has also a well defined organization structure, authority level and internal rules and regulations. The Internal control systems have been fine-tuned in line with the global practices and have been adapted keeping in mind our environment. Internal Controls are in place at work sites and offices and are reviewed periodically. These controls pervade all the departments such as accounts and finance, manufacturing operations, human resource development, marketing & purchase, material handling, etc. Quarterly internal audit is conducted by the Internal Auditors. Their reports and replies of the management are placed before the Audit Committee.

Use of ERP and other software systems as financial and operational backbone, a comprehensive MIS reporting system, documentation of processes and authority structures have strengthened the internal control within the organization. Data processing and its availability are prompt and has helped quick decision making. Policies and procedures are reviewed from time to time and updated to meet the changing needs.

Human Resources/ Industrial Relations

The Company believes that the employee is the first customer an organisation has to win, and to fulfill this purpose it is important to have a team whose members are well conversant with both technical and commercial knowledge.

Being a manufacturing Company, workers form an important link in the chain of growth. A congenial atmosphere has been created at shop floor level and all facilities required for a secure and cordial environment are provided. Management at all level takes care of the interest of the work force and frequent interactive sessions are conducted through out the year.

The employees and management relations have remained positive through out the year. Initiatives are being taken to enhance the productivity of employees. Total employee strength of the company is about 2000 people employed in several manufacturing plants and branch offices spread all over the country. The team of employees consists of people who are experts in their respective and allied fields.

AUDITOR'S REPORT**AUDITOR'S REPORT**

To
The Members
Havell's India Limited

We have audited the attached Balance Sheet of Havell's India Limited, as at 31st March 2005 and also the Profit and Loss Account of the Company for the year ended on that date annexed thereto and the Cash Flow Statement for the period ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order 2004 issued by the Central Government in terms of sub section (4A) of section 227 of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that :

- i) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- ii) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books and proper returns for the purpose of our audit have been received in respect of branches not visited by us.
- iii) the Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
- iv) in our opinion, the Balance sheet and Profit and loss account dealt with by this report comply with the accounting standards referred to in sub-section 3(C) of section 211 of Companies Act, 1956;
- v) on the basis of written representations received from the directors, as on 31st March, 2005, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- vi) in the absence of the notification in the official gazette of the Central Government, the Company has not made any provision for cess payable under section 441A of the Companies Act, 1956. As per the explanations given to us the required provision for cess payable shall be made in accordance with the notification, as and when issued by the Central Government in its official gazette.
- vii) in our opinion, and to the best of our information and according to the explanations given to us, the accounts read together with notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India: -
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2005 and
 - (b) in the case of Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - (c) in the case of Cash Flow Statement, of the cash flow for the year ended on that date.

For **V.P. BANSAL & CO.**
Chartered Accountants

V.P. BANSAL
Proprietor

Noida, May 12, 2005

AUDITOR'S REPORT

ANNEXURE TO THE AUDITORS' REPORT

(This is the Annexure referred to in our Report of even date)

In terms of the information and explanations given to us and the books and records examined by us in the normal course of audit and to the best of our knowledge and belief, we state as under:

1. a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
 - b) These fixed assets have been physically verified by the management at the end of the year. In our opinion, the frequency of the physical verification is reasonable having regard to the size of the company and the nature of its business. We have been informed that no material discrepancies were noticed on such physical verification.
 - c) Substantial part of fixed assets have not been disposed off during the year.
2. a) The inventory has been physically verified during the year by the management at reasonable intervals.
 - b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business
 - c) The Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of stocks as compared to book records were not material. However, the same have been properly dealt within the books of account.
3. a) The Company has granted unsecured loan of Rs.8,35,000 (£ 10000) to its wholly owned subsidiary company viz. Havell's (U.K.) Limited, a company covered in the register maintained under Section 301 of the Act; and
 - b) The Company has also given loan to its employees. No interest has been charged on loans given to its subsidiary or employees and in our opinion the terms and conditions of such loans, secured or unsecured, are not prima facie prejudicial to the interests of the company; and
 - c) The recovery of the principal amounts is regular as stipulated; and
 - d) There is no overdue amount of loan given exceeding rupees one lac; and
 - e) The Company has taken deposits of Rs. 77,75,504/- from four parties covered in the register maintained under section 301 of the Companies Act. 1956 during the year; and
 - f) In our opinion the rate of interest and other terms and conditions of aforesaid deposits taken by the Company are not prima facie prejudicial to the interests of the Company; and
 - g) In our opinion, the repayment of deposits and interest thereon is regular as stipulated
4. In our opinion, there is adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. In our opinion, there is no continuing failure to correct major weaknesses in internal control system.
5. a) As per our prima facie examination of the register maintained under section 301 of the Act, we are of the opinion that the transactions that need to be entered in the register in pursuance of section 301 of the Act have been so entered.
 - b) In our opinion, each of these transactions have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has accepted deposits from the public. In our opinion, the directives issued by the Reserve Bank of India and the provisions of sections 58A and 58AA of the Act and the rules framed thereunder or any other relevant provisions of the Act, where applicable, have been complied with. Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal has not passed any order in respect of public deposits accepted by the Company.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. The Company is engaged in the manufacturing of electrical cables, wires, fans, and compact fluorescent lamps, the cost records in respect of which have been prescribed u/s 209(1)(d) of the Companies Act 1956. We have broadly reviewed the same and are of the opinion that the prima facie, the prescribed records and accounts are being maintained. We have not however, made detailed examination of the same.
9. a) The Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess and any other statutory dues with the appropriate authorities. There are no arrears of outstanding statutory dues as at 31st March 2005, concerned for a period of more than six months from the date they become payable. However, the Company has not made any provisions towards cess payable u/s 441A of the Companies Act, 1956, since the required notification has not been issued by the Central Government in this regard.
 - b) The cases of dues of Sales Tax/Income Tax/Custom Duty/Wealth Tax/Service Tax/Excise Duty/Cess which have not been deposited on account of any dispute are referred to in point nos. 17,18,19,20 and 21 of schedule 19 of the balance sheet.
10. The Company has no accumulated losses. The Company has not incurred any cash losses in the financial year under report and in the immediately preceding financial year.
11. The Company has not defaulted in repayment of dues to a financial institution, bank or to debenture holders.

AUDITOR'S REPORT

12. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not a chit fund, nidhi or mutual benefit fund/society. Therefore the clauses 13 (a), (b), (c), and (d) are not applicable.
14. In respect of dealing in investments, proper records have been maintained of the transactions and contracts and timely entries have been made therein. Shares held by the company are held in the name of the company.
15. The Company has not given any guarantee for loans taken by others from bank or financial institutions.
16. On the basis of examination of Cash Flow Statements, sanction letters of the banks and as per the explanations given to us, we are of the opinion that, the term loans were applied for the purpose for which the loans were obtained.
17. On the basis of examination of Cash Flow Statements, and as per the explanations given to us, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
18. During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act.
19. The Company has issued 4% Unsecured Fully Convertible Debentures to Shine Limited, Mauritius during the year. The said debentures are unsecured and no charge or security is required to be created in respect of debentures issued.
20. During the year the Company has not raised any money by way of public issue.
21. During the checks carried out by us and as per information made available to us, any fraud on or by the company has not been noticed or reported during the year under report⁴

For V.P. BANSAL & CO.
Chartered Accountants

V.P.BANSAL
Proprietor

Noida , May 12, 2005

BALANCE SHEET

	SCHEDULE NO.	AS AT 31.03.05 (Rs. in Lacs)	AS AT 31.03.04 (Rs. in Lacs)
I. SOURCES OF FUNDS			
1. SHARE CAPITAL			
Share capital	1	579.56	579.56
Reserves and surplus	2	8082.00	5357.01
		<u>8661.56</u>	<u>5936.57</u>
2. LOAN FUNDS			
Secured loans	3	14208.60	9346.41
Unsecured loans	4	3213.60	831.01
		<u>17422.20</u>	<u>10177.42</u>
3. DEFERRED INCOME TAX			
		741.45	432.63
		<u>26825.21</u>	<u>16546.61</u>
II. APPLICATION OF FUNDS			
1. FIXED ASSETS			
Gross block	5	10411.02	5547.10
Less: Depreciation		1591.34	1191.53
Net block		8819.68	4355.58
Add: Capital work-in-progress		413.38	275.46
Total fixed assets		<u>9233.06</u>	<u>4631.03</u>
2. INVESTMENTS			
	6	316.58	316.58
3. CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	10607.53	5613.04
Sundry debtors		16362.25	11278.94
Cash and bank balances		818.00	661.48
Other current assets		149.51	36.73
Loans and advances		2449.69	1847.07
		<u>30386.98</u>	<u>19437.26</u>
Less: Current liabilities and provisions	8		
Current liabilities		11821.99	6806.46
Provisions		1290.49	1033.27
		<u>13112.48</u>	<u>7839.74</u>
NET CURRENT ASSETS		<u>17274.50</u>	<u>11597.52</u>
4. MISCELLANEOUS EXPENDITURE			
	9	1.07	1.48
		<u>26825.21</u>	<u>16546.61</u>
Accounting policies, contingent liabilities and notes on accounts	19		

For and on behalf of the Board of Directors of
Havell's India Limited

Qimat Rai Gupta
Chairman & Managing Director

Surjit Gupta
Director

Ritu Mehrotra
Company Secretary

Yogesh Bansal
Senior Manager

Noida, May 12, 2005

AUDITOR'S REPORT
As per our Report attached

For V.P.Bansal & Co.
Chartered Accountants

V.P.Bansal
Proprietor



PROFIT AND LOSS ACCOUNT

	SCHEDULE NO.	YEAR ENDED 31.03.05 (Rs. in Lacs)	YEAR ENDED 31.03.04 (Rs. in Lacs)
I. INCOME			
Sales and Job Charges	10	66538.46	41922.40
Other income	11	339.21	759.98
		<u>66877.67</u>	<u>42682.37</u>
2. EXPENDITURE			
Materials cost	12	33274.62	20311.99
Excise duty		8342.22	5627.76
Manufacturing expenses	13	6476.66	4593.81
Office and administration expenses	14	3882.49	2625.48
Selling and distribution expenses	15	8871.26	5057.60
Financial expenses	16	1651.92	1407.11
Managerial remuneration	17	53.79	46.85
Miscellaneous expenditure written off	18	0.41	0.41
Wealth tax		1.60	0.85
		<u>62554.97</u>	<u>39671.86</u>
Profit before tax		<u>4322.70</u>	<u>3010.51</u>
Income tax expense			
- Current tax		961.24	955.60
- Deferred tax		308.82	(41.20)
		<u>1270.06</u>	<u>914.40</u>
3. PROFIT FOR THE YEAR		<u>3052.64</u>	<u>2096.11</u>
4. PROFIT FOR APPROPRIATION			
Brought forward from previous year		3915.15	2300.56
Profit for the year		3052.64	2096.11
Profit available for appropriation		<u>6967.79</u>	<u>4396.67</u>
APPROPRIATIONS			
Transfer to general reserve		320.00	220.00
Interim dividend		-	86.93
Proposed dividend		289.78	144.89
Corporate dividend tax		37.87	29.70
Balance carried over to balance sheet		6320.14	3915.15
TOTAL		<u>6967.79</u>	<u>4396.67</u>
Earning per share-basic (In Rs.)	(Refer note no. 30A)	26.34	18.08
Earning per share-diluted (In Rs.)	(Refer note no. 30B)	25.60	18.08
Accounting policies, contingent liabilities and notes on accounts	19		

For and on behalf of the Board of Directors of
Havell's India Limited

Qimat Rai Gupta
Chairman & Managing Director

Surjit Gupta
Director

Ritu Mehrotra
Company Secretary

Yogesh Bansal
Senior Manager

Noida, May 12, 2005

AUDITOR'S REPORT
As per our Report attached

For V.P.Bansal & Co.
Chartered Accountants

V.P.Bansal
Proprietor

SCHEDULES

	AS AT 31.03.05 (Rs.in Lacs)	AS AT 31.03.04 (Rs. in Lacs)
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**SCHEDULE NO. 1
SHARE CAPITAL**

Authorised 23,000,000 Equity Shares of Rs.5/- each	<u>1150.00</u>	<u>1150.00</u>
Issued and subscribed 11,591,154 Equity Shares of Rs.5/- each	<u>579.56</u>	<u>579.56</u>
Paid Up 11,591,154 Equity Shares of Rs.5/- each of the above : 1,625,554 Equity Shares have been allotted as fully paid up pursuant to a contract without payment being received in cash. 1,475,500 Equity Shares issued as fully paid up bonus shares by capitalisation of profit	<u>579.56</u>	<u>579.56</u>
	<u>579.56</u>	<u>579.56</u>

SCHEDULE NO. 2
RESERVES AND SURPLUS

Capital reserve	<u>519.35</u>	<u>519.35</u>
	<u>519.35</u>	<u>519.35</u>
Securities premium account	<u>547.02</u>	<u>547.02</u>
	<u>547.02</u>	<u>547.02</u>
General reserve		
As per last balance sheet	375.49	155.49
Add: Transfer from profit and loss account	<u>320.00</u>	<u>220.00</u>
	<u>695.49</u>	<u>375.49</u>
Profit and loss account		
Balance as per profit and loss account	<u>6320.14</u>	<u>3915.15</u>
	<u>6320.14</u>	<u>3915.15</u>
	<u>8082.00</u>	<u>5357.01</u>

**SCHEDULE NO. 3
SECURED LOANS**
Loans and advances
Working capital loans from banks

Cash credit account	3733.42	2428.58
Working capital demand loan	1300.00	1280.00
FCNR working capital loan	453.86	474.25
Export packing credit	328.11	-
Export bills discounted	530.87	-
Against commercial papers	2000.00	1000.00
Short term working capital loan	1000.00	1000.00

Term loans from banks

Term loan from Canara Bank	248.00	416.00
Term loan from UTI Bank Limited	200.00	600.00
Term loan from ICICI Bank Limited	317.60	635.27
Term loan from Syndicate Bank	1980.00	1340.00
Against hypothecation of commercial equipments	-	9.14
Against hypothecation of motor cars	116.74	145.19



	AS AT 31.03.05 (Rs.in Lacs)	AS AT 31.03.04 (Rs. in Lacs)
From others		
Term loan from Rabo India Finance Private Limited	2000.00	-
Director of Industries, Haryana	-	17.98
[Term loans due within a year Rs.1187.99 lacs (last year Rs 2118.04 lacs)]		
[Commercial papers due for maturity within a year Rs.20 crores (Previous year Rs 10 crores)]	<u>14208.60</u>	<u>9346.41</u>

Notes

- 1 Working Capital limits are under consortium of Canara Bank, Corporation Bank, Union Bank of India, IDBI Bank Limited, State Bank of India, UTI Bank Limited and Standard Chartered Bank.
- 2 Working capital limits from consortium banks and term loan from Canara Bank are secured by way of
 - * pari-passu first charge on stocks of raw materials, semi-finished, finished goods, stores and spares, bill receivables, book debts and all movable and other current assets of the company.
 - * pari-passu first charge on land and building at 14/3, Mathura Road, Faridabad
 - * pari-passu first charge on plant and machinery installed at Badli, Faridabad, Tilak Nagar and Alwar Units
 - * pari-passu second charge on land and building at A-461/462 MIA Alwar (Rajasthan)
 - * pari-passu second charge on plant and machinery installed in the Company.
 - * negative lien on Flat No. 14, Leonard Lane, Richmond Town, Bangalore, and
 - * personal guarantees of S/Shri Qimat Rai Gupta, Surjit Gupta and Anil Gupta, Directors of the Company.
- 3 The Company has issued Commercial Papers (CP) in favour of Corporation Bank and Bank of Baroda for Rs. 10 crores each. Working Capital limits have been earmarked to consortium members against the issue of commercial papers.
- 4 Short term working capital loan is from IndusInd Bank Limited and is secured by way of subservient charge on the current assets of the company and personal guarantees of S/Sh. Qimat Rai Gupta, Surjit Gupta and Anil Gupta, Directors of the Company.
- 5 Term loan from Syndicate Bank, Rabo India Finance Private Limited, ICICI Bank Limited and UTI Bank Limited are secured by way of
 - * parri-passu first charge on all the assets of the company except those charged against working capital limits
 - * term loans from Syndicate Bank, ICICI Bank Limited and UTI Bank Limited are further secured by personal guarantees of S/Sh. Qimat Rai Gupta, Surjit Gupta and Anil Gupta, Directors of the company
 - * the documentation for creating the charge on securities in favour of Rabo India Finance Private Limited is under process.

SCHEDULE NO. 4

UNSECURED LOANS

4% Fully convertible debentures (including interest accrued and due Rs.22.20 lacs)	2372.20	-
Fixed deposits from public	824.90	814.01
Other loans and advances from companies	16.50	17.00
[Due within year Rs.839.08 lacs (last year Rs 699.96 lacs)]	<u>3213.60</u>	<u>831.01</u>

**SCHEDULE NO. 5
FIXED ASSETS**

SL. NO.	DESCRIPTION	GROSS BLOCK			DEPRECIATION			NET BLOCK		
		AS AT 01.04.04 Rs.	ADDITIONS DURING THE YEAR Rs.	SALES/ ADJUSTMENT Rs.	AS AT 31.03.05 Rs.	UP TO LAST YEAR Rs.	FOR THE YEAR Rs.	SALES/ ADJUSTMENT Rs.	AS AT 31.03.05 Rs.	AS AT 31.03.04 Rs.
1	Industrial land									
	Freehold	289.56	60.15	-	349.71	-	-	349.71	289.56	
	Leasehold	12.92	292.61	-	305.53	-	-	305.53	12.92	
2	Factory buildings	863.68	1,670.59	1.18	2,533.09	110.08	50.63	2,372.38	753.61	
3	Office premises	29.79	-	-	29.79	4.71	0.49	24.59	25.08	
4	Plant and machinery	2,770.39	2,139.53	1.27	4,908.64	509.87	164.94	4,234.44	2,260.52	
5	Generators	132.60	84.59	2.75	214.43	35.82	8.00	172.60	96.78	
6	Furniture and fixtures	290.10	88.15	-	378.25	121.85	34.01	222.39	168.25	
7	Electric fans and installations	144.31	290.33	-	434.64	45.16	24.92	364.56	99.15	
8	Water supply installations	11.90	0.19	-	12.08	3.75	0.56	7.77	8.14	
9	Weighing scale	12.09	1.75	-	13.84	2.63	0.60	10.61	9.46	
10	EDP Equipments	461.70	96.36	1.30	556.77	234.25	77.46	245.25	227.45	
11	Office equipments	81.68	25.00	0.58	106.09	27.76	6.61	71.80	53.92	
12	Airconditioners	119.81	3.83	-	123.65	22.27	5.79	95.58	97.54	
13	Vehicles	310.99	98.83	15.88	393.95	70.17	33.53	296.51	240.82	
14	R & D Equipments	15.58	34.98	-	50.56	3.21	1.39	45.96	12.37	
	Add: Capital Work-in-Progress	5,547.10	4,886.89	22.96	10,411.02	1,191.53	408.93	8,819.68	4,355.58	
	TOTAL-CURRENT YEAR	275.46	2,095.19	1,957.27	413.38	-	-	413.38	275.46	
	PREVIOUS YEAR	5,822.56	6,982.08	1,980.23	10,824.40	1,191.53	408.93	9,233.06	4,631.03	
		4,136.11	2,228.32	541.86	5,822.56	1,135.60	264.26	4,631.03	3,000.51	

- Notes:-
- 1 Depreciation has been provided on rates as per Schedule XIV of the Companies Act, 1956 on SLM basis on the gross value of fixed assets including taxes, duties, freight and other incidental expenses related to acquisition and installation and further adjusted by CENVAT credit and fluctuations in exchange rates.
 - 2 Depreciation in respect of assets for a value not exceeding Rs.0.05 lacs has been provided at the rate of 100%.
 - 3 Factory Buildings at Baddi (Delhi) and at Tilak Nagar (Delhi) are on rented premises.
 - 4 Sales/ adjustments in factory building represent the debit note raised on building contractor and depreciation on the same charged in earlier year has been adjusted accordingly.
 - 5 Office premises include Rs.4.85 lacs and Rs.1.60 lacs being the cost of premises purchased at Leonard Road, Bangalore and Bombay. Title deeds in respect of these premises have not been executed as yet.
 - 6 Additions in fixed assets at Alwar, Faridabad, Haridwar and Baddi include a sum of Rs.50.79 lacs (last year Rs.1.89 lacs) capitalised on account of interest and other borrowing costs directly attributable to the acquisition, construction or installation of qualifying assets till the date of commercial use.
 - 7 Additions in fixed assets include Rs.5.13 lacs (last year Rs.0.10 lacs) on account of exchange rate fluctuations.
 - 8 Leasehold land includes two nos. industrial plots at Bawana Industrial area in respect of which possession has not been taken as yet.
 - 9 Capital work in progress includes Rs.309.81 lacs being expenditure incurred on installation of new unit at Haridwar (Uttaranchal).
 - 10 A sum of Rs. 30 lacs has been adjusted against the cost of plant and machinery being capital investment subsidy receivable in respect of plant at Baddi (H.P.).

SCHEDULES

	AS AT 31.03.05 (Rs.in Lacs)	AS AT 31.03.04 (Rs. in Lacs)
SCHEDULE NO. 6		
INVESTMENTS		
(Long term, trade, unquoted, at cost)		
Subsidiary Company		
Havell's (U.K.) Limited		
2 Ordinary Shares of 1 (one) GBP each.	0.002	-
Others		
G.S.Lighting Private Limited		
44210 Equity Shares of Rs.100/- each. (purchased at Rs.712.51 per share, including share transfer stamps)	316.58	316.58
Aggregate value of unquoted investments	<u>316.58</u>	<u>316.58</u>
SCHEDULE NO. 7		
CURRENT ASSETS, LOANS AND ADVANCES		
Inventories (as taken, valued and certified by the management)		
Raw materials and components	1944.65	1191.47
Semi finished goods	1167.76	805.62
Finished goods	6746.52	3055.89
Consumable stores, tools and spare parts	33.22	21.04
Dies and tools	562.27	427.35
Packing materials	137.28	92.23
Fuel and gases	9.31	7.15
Scrap materials	6.52	12.29
	<u>10607.53</u>	<u>5613.04</u>
Sundry Debtors (unsecured)		
Debts outstanding for a period exceeding six months		
considered good	1479.52	1682.15
considered doubtful	111.83	81.03
	<u>1591.35</u>	<u>1763.18</u>
Less: provision for doubtful debts	111.83	81.03
	<u>1479.52</u>	<u>1682.15</u>
Other debts -considered good	14882.73	9596.79
	<u>16362.25</u>	<u>11278.94</u>
Cash and bank balances		
Cash in hand		
7.66	7.66	4.11
With scheduled banks		
In current accounts	26.46	6.50
In EEFC account (US\$ 1405.69; last year US\$ 1805.69)	0.61	0.78
In unclaimed dividend account	8.77	8.17
In fixed deposit account		
Margin money	608.91	489.30
Pledged with government departments	2.82	1.09
Lien against public deposits	90.94	63.84
No Lien account	32.29	48.07
Interest accrued on fixed deposits	39.27	39.63
With other banks		
In current accounts	0.27	-
	<u>818.00</u>	<u>661.48</u>
Other current assets - (considered good)		
Export incentives receivable	51.03	34.97
DEPB licences in hand	66.84	1.60
Capital investment subsidy receivable	30.00	-
Claims receivable	1.64	0.15
	<u>149.51</u>	<u>36.73</u>

SCHEDULES

HAVELL'S INDIA LTD.



	AS AT 31.03.05 (Rs.in Lacs)	AS AT 31.03.04 (Rs. in Lacs)
Loans and advances (unsecured- considered good)		
Loans and advances to subsidiary	8.35	-
Advances recoverable in cash or in kind or for value to be received	841.79	491.60
Earnest money and security deposits	448.60	378.14
Balance with excise department		
Excise duty	87.94	78.29
Service tax	44.41	-
Advance income tax and tax at source	1018.60	899.04
	<u>2449.69</u>	<u>1847.07</u>
	<u>30386.98</u>	<u>19437.26</u>

SCHEDULE NO. 8

CURRENT LIABILITIES AND PROVISIONS

CURRENT LIABILITIES

Acceptances	5461.52	2182.37
Sundry creditors- due to SSI undertakings	233.23	282.54
- due to other than SSI undertakings	3237.38	2273.50
Advances from customers	115.92	113.01
Unclaimed dividend	8.77	8.17
Other liabilities	1261.15	811.96
Security deposits from dealers/consignment agents	847.10	770.17
Sales tax payable	139.54	104.87
Excise duty payable	453.48	165.49
Service tax payable	0.82	-
Interest accrued but not due	63.08	94.38
	<u>11821.99</u>	<u>6806.46</u>

PROVISIONS

Income tax	961.24	869.05
Wealth tax	1.60	0.77
Proposed dividend	289.78	144.89
Corporate dividend tax	37.87	18.56
	<u>1290.49</u>	<u>1033.27</u>
	<u>13112.48</u>	<u>7839.73</u>

SCHEDULE NO. 9

MISCELLANEOUS EXPENDITURE

(to the extent not written off or adjusted)

Expenditure on increase in capital		
As per last balance sheet	1.48	1.90
Less: written off	0.41	0.41
	<u>1.07</u>	<u>1.48</u>

SCHEDULES

HAVELL'S INDIA LTD.



	YEAR ENDED 31.03.05 (Rs.in Lacs)	YEAR ENDED 31.03.04 (Rs. in Lacs)
SCHEDULE NO. 10		
SALES AND JOB CHARGES		
Materials and goods	66197.98	41687.32
Scrap materials	316.60	162.80
Job charges	23.88	72.28
	<u>66538.46</u>	<u>41922.40</u>
SCHEDULE NO. 11		
OTHER INCOME		
Interest on fixed deposits with banks and from customers (TDS Rs 8.35 lacs; Last Year Rs. 8.25 lacs)	43.83	46.78
Dividend from long term and trade investment (TDS Rs. Nil; Last Year Rs. 0.08 lacs)	-	3.80
Rent	2.82	-
Export incentives	49.94	30.81
Exchange fluctuations	76.25	38.10
Miscellaneous receipts	151.23	104.73
Commission	14.81	202.41
Profit on sale of shares (long term investment)	-	333.32
Profit on sale of assets	0.33	0.02
	<u>339.21</u>	<u>759.97</u>
SCHEDULE NO. 12		
MATERIALS COST		
Raw Materials and components consumed		
Opening stocks	1191.47	675.01
Add: Purchases	34481.60	21389.14
Freight and cartage	165.19	108.24
	<u>35838.26</u>	<u>22172.39</u>
Less:		
Closing stocks [including goods in transit Rs. Nil (Previous year Rs.0.30 lacs) (After adjustment of material used for self consumption)]	<u>1944.65</u>	<u>1191.46</u>
	<u>33893.61</u>	<u>20980.93</u>
Add:		
Purchases (Traded Goods)	3420.43	751.07
Freight and cartage	7.59	3.28
	<u>3428.02</u>	<u>754.35</u>
Add:		
Opening stocks		
Traded Goods [including stock in transit Rs.8.27 lacs (Previous year Rs. Nil)]	284.09	-
Finished goods [including stock in transit Rs.131.43 lacs (Previous year Rs.50.68 lacs)]	2771.80	2077.22
Semi finished goods	805.62	370.94
Scrap materials	12.29	2.35
	<u>3873.80</u>	<u>2450.51</u>
Less:		
Closing stocks		
Traded Goods [including stock in transit Rs.20.34 Lacs (Previous year Rs.8.27 lacs)]	993.49	284.09
Finished goods [including stock in transit Rs.190.47 lacs (Previous year Rs.131.43 lacs)]	5753.04	2771.80
Semi finished goods	1167.76	805.62
Scrap materials	6.52	12.29
	<u>7920.81</u>	<u>3873.80</u>
	<u>33274.62</u>	<u>20311.99</u>

SCHEDULES

SCHEDULE NO. 13

MANUFACTURING EXPENSES

	YEAR ENDED 31.03.05 Rs. In lacs	YEAR ENDED 31.03.04 Rs. In lacs
Factory rent	4.20	12.00
Rates and taxes	11.45	5.86
Establishment (factory)	659.85	461.22
Contribution towards P.F.	46.35	35.66
Contribution towards E.S.I.	11.02	7.36
Gratuity paid and Contribution to fund	11.28	12.17
Labour welfare	43.36	36.79
Job charges	1938.94	1498.00
Packing expenses	1202.50	789.75
Power, fuel and water	904.10	580.34
Consumable stores and tools consumed	664.38	482.97
Watch and ward	34.55	24.48
Testing expenses	76.80	89.24
Repairs to machinery	307.41	205.83
Repairs to building	31.70	18.60
Other repairs	110.35	79.77
Technical know-how, blue prints and consultancy	1.92	3.14
Research and development expenses	107.69	68.37
Depreciation	305.25	179.57
ISO 9000 expenses	3.56	2.69
	<u>6476.66</u>	<u>4593.81</u>

SCHEDULE NO. 14

OFFICE AND ADMINISTRATION EXPENSES

Rent	232.21	99.55
Rates and taxes	3.38	2.62
Establishment (office)	1572.66	1102.95
Contribution towards P.F.	77.89	56.52
Contribution towards E.S.I.	5.36	3.24
Gratuity paid and Contribution to fund	23.48	15.52
Staff welfare	83.18	54.32
Printing and stationery	85.09	77.82
Postage, telephone and communications	290.86	219.79
Electricity and water charges	79.71	48.12
Travelling		
- Indian	470.65	329.64
- Foreign	103.47	60.27
Conveyance and vehicle maintenance	290.00	189.68
Legal and professional	172.78	54.46
Auditor's remuneration		
- Audit fee	5.00	3.00
- Taxation matters	0.95	0.56
- Service tax	-	0.24
- Out of pocket expenses	0.07	0.05
Insurance	53.54	31.24
Computer maintenance	62.75	69.63
Depreciation	102.28	84.04
Donation	14.80	6.96
Loss on sale of assets	2.76	8.73
Watch and Ward	8.69	1.32
Office Repairs and Maintenance	90.85	70.71
Directors sitting fees	1.55	0.95
Miscellaneous office expenses	48.53	33.55
	<u>3882.49</u>	<u>2625.48</u>



	YEAR ENDED 31.03.05 Rs. In lacs	YEAR ENDED 31.03.04 Rs. In lacs
SCHEDULE NO. 15		
SELLING AND DISTRIBUTION EXPENSES		
Advertisement	1092.78	338.01
Freight, insurance and cartage outward	1518.18	905.01
Packing expenses	398.47	240.96
Discount, commission and sales incentives	3807.99	2523.39
Exhibitions, seminars and conferences	289.60	224.60
Price lists, catalogues and technical literatures	98.87	107.40
Sales promotion expenses	172.33	90.00
Bad debts, liquidity damages and short recoveries	607.16	132.99
Provision for doubtful debts	31.44	17.71
Sales tax and turnover tax paid	62.71	21.99
Service tax paid	19.65	1.41
ISI marking expenses	49.81	35.30
Trade mark fees	597.81	366.38
Godown repairs and maintenance	6.24	1.76
Samples	80.50	34.45
Miscellaneous selling expenses	37.72	16.24
	<u>8871.26</u>	<u>5057.60</u>
SCHEDULE NO. 16		
FINANCIAL EXPENSES		
Bank charges	275.63	187.11
Interest		
On fixed loans	512.77	399.45
On non-fixed loans	838.17	797.77
Miscellaneous financial expenses	25.35	22.78
	<u>1651.92</u>	<u>1407.11</u>
SCHEDULE NO. 17		
MANAGERIAL REMUNERATION		
Managing director's remuneration	27.13	27.00
Wholetime director's remuneration	26.66	19.85
	<u>53.79</u>	<u>46.85</u>
SCHEDULE NO. 18		
MISCELLANEOUS EXPENDITURE WRITTEN OFF		
Expenditure on increase in capital	0.41	0.41
	<u>0.41</u>	<u>0.41</u>

SCHEDULES

SCHEDULE NO. 19

ACCOUNTING POLICIES, CONTINGENT LIABILITIES AND NOTES ON ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2005

A. ACCOUNTING POLICIES

1 Accounting Convention

The accounts have been prepared on historical cost convention on accrual basis, in accordance with the requirements of the Companies Act, 1956 and applicable statutes and comply with the accounting standards referred to in Section 211 (3C) of the Companies Act, 1956.

2 Fixed Assets

- Fixed assets are stated at their original cost of acquisition including taxes, duties, freight, and other incidental expenses related to acquisition and installation of the concerned assets. Fixed assets are further adjusted by the amount of cenvat credit wherever applicable, fluctuations in the exchange rate and subsidy directly attributable to the cost of fixed assets. Interest during construction period on borrowings to finance fixed assets is capitalised.
- Depreciation has been provided on straight line method at the rates and in the manner as prescribed in Schedule XIV of the Companies Act, 1956. Depreciation on assets for a value not exceeding Rs.5000/- acquired during the year is provided at the rate of 100%.
- Preoperative expenditure and trial run expenditure accumulated as capital work in progress is allocated on the basis of prime cost of fixed assets.
- Project under commissioning/ installations and other capital work in progress are carried at cost comprising direct cost, related incidental expenses and interest on borrowings there against.

3 Investments

Long term investments are stated at cost. Cost of investments includes acquisition charges such as brokerage, fees and duties. Provision for diminution in value of Investments is made to recognise the decline in the value of investments, if in the opinion of management, the decline is permanent in nature.

4 Inventories are valued as under:-

- The stocks of raw materials and components, semi finished goods, finished goods, stores and spare parts and packing materials have been taken at lower of cost and net realisable value. Excise duty on finished goods manufactured has been added in the value of inventory of finished goods, except at Baddi unit which is exempted from payment of excise duty.
- The inventories are valued on the basis of first in and first out (FIFO) method.
- The stocks of scrap materials have been taken at net realisable value.
- The stocks of dies and tools have been taken at the residual effective life as certified by the GM (Works).

5 Effect of Foreign Currency Transactions

Foreign currency denominated monetary liabilities incurred for the acquisition for fixed assets are translated at the exchange rate prevailing on the balance sheet. The net variation arising out of the said transaction are adjusted to the costs of fixed assets. Other monetary assets and liabilities denominated in foreign currency are similarly translated. All exchange gains /losses other than those relating to fixed assets, arising out of such transactions are taken to the profit and loss account. Loss/profit on forward cover of foreign exchange transactions has been amortized over the life of contract. Gains/losses on other foreign exchange contracts are computed and adjusted by multiplying the foreign currency amount of the forward exchange contract by the difference between the forward rate available at the end of the year and the contracted forward rate.

6 Retirement Benefits

In respect of payment of gratuity to employees, the contributions are being made to the trust established under the group gratuity scheme of Life Insurance Corporation of India. Contributions to provident fund are accounted for on the basis of relevant fund rules.

7 Research and Development

Intangible Assets arising from development are not recognized since the asset is not identifiable and future economic benefits from the assets are not probable. Expenditure on research is recognized as an expense when it is incurred. Research and development costs include salaries and other related cost of personnel, cost of materials and services consumed, depreciation of capital assets used for research and development purposes and other overhead costs related to research and development.

8 Revenue Recognition

Sales are recognized at the point of dispatch to the customer. Sales includes excise duty but are exclusive of sales tax. Dividends are recognized in the profit at the time the right to receive dividend is established. DEPB licenses in hand are taken at cost.

9 Prior period items

Prior period expenses/income is accounted for under the respective heads. Material items, if any, are disclosed separately by way of note.

SCHEDULES

- 10 **Borrowing Costs**
Interest and other borrowing costs directly attributable to the acquisition, construction or installation of qualifying capital assets till the date of commercial use of the assets are capitalised. Other borrowing costs are recognized as an expense in the period in which they are incurred.
- 11 **Miscellaneous Expenditure**
Expenditure on increase in capital is being amortised over a period of ten years.
- 12 **Segment Information - Basis of Information**
The accounting policies adopted for segment reporting are in line with accounting policies of the Company. Revenue, expense, assets and liabilities, which relate to the Company as a whole and do not relate to any segment, are not allocated.
- 13 **Taxes on Income**
Current tax is determined on the amount of tax payable in respect of taxable income for the period. Deferred tax is recognised, subject to consideration of prudence, on timing differences, being difference between taxable and accounting income/expenditure that originate in one period and are capable of reversal in one or more subsequent periods.
- 14 **Contingent Liabilities and Provisions**
Contingent liabilities are disclosed by way of notes and are not recognised as an item of expense in the profit and loss account. Contingent gains are not recognised. Provisions are recognised as liability only when they can be measured by using a substantial degree of estimation and where present obligations of the enterprise arise from past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits.

B CONTINGENT LIABILITIES

	As At 31.03.2005 Lacs (Rs.)	As At 31.03.2004 Lacs (Rs.)
1 Estimated amount of capital contracts remaining to be executed and not provided for (less advance paid)	574.61	493.02
2 Bank guarantees and letter of credits opened with bank (less margin money)	2,945.85	3,684.27
3 Bonds to excise department against export of excisable goods without payment of duty (less margin money)	119.87	69.87
4 Custom duty payable against export obligation	310.22	132.05
5 Suits filed against the company not acknowledged as debts	204.73	87.23

C NOTES

- 1 a) The company has allotted 235-4% unsecured convertible debentures of face value of Rs.10 lacs each to Shine Limited, Mauritius on 13.12.2004. The said debentures carry an interest rate of 4% per annum and are fully convertible into equity shares of the company on 12.06.2006 i.e. on expiry of 18 months from the date of issue. Each debenture will be converted into equity shares of the company at a price calculated at EPS (weighted average) multiplied by 7; the weighted average being one third of EPS of financial year 2004-05 and two third of EPS of financial year 2005-06 and such price shall not be lower than Rs.175.26 and higher than Rs.275/- per share.
- b) The proceeds of the above debentures have been utilised for setting up unit at Baddi (H.P.), expansion at NOIDA, Badli and Faridabad units. There are no unutilised monies lying out of proceeds of the debenture issue as on the date of the Balance Sheet.
- 2 The company has subscribed to 2 (two) ordinary shares of 1 GBP each of Havell's (U.K.) Limited. By virtue of this, the said company has become a wholly owned subsidiary of the company.
- 3 In accordance with the accounting standard AS-22 relating to taxes on income, the break-up of deferred tax assets and deferred tax liabilities is as under:

SCHEDULES

		Deferred Tax Liability	
		As on 31-03-05 Rs. (in lacs)	As on 31-03-04 Rs. (in lacs)
1	Deferred Tax Liability		
	a) on account of difference in rates and method of depreciation	928.54	510.15
	b) on account of different treatment of certain payments under IT Act.	32.18	28.09
		<u>960.72</u>	<u>538.24</u>
2	Deferred Tax Assets		
	a) on account of different treatment of certain payments under IT Act.	116.74	72.60
	b) on account of provision for leave encashment and bonus	61.61	3.94
	c) on account of provision for doubtful debts not treated as expense under IT Act.	40.92	29.07
		<u>219.27</u>	<u>105.62</u>
3	Deferred income tax liability (Net)		
	a) at the end of year	741.45	432.63
	b) for the year	308.82	(41.20)
4	(a) The company has started commercial production of Compact Fluorescent Lamps (CFL) and Switchgear products at Baddi, (Himachal Pradesh). Preoperative expenses amounting to Rs 7.64 lacs till the date of commercial production have been capitalised to the carrying cost of fixed assets on a pro-rata basis.		
	(b) The company's manufacturing unit at Baddi, (Himachal Pradesh) is exempted from excise duty vide Notification No. 49 & 50/2003 issued by Government of India, Ministry of Finance, Department of Revenue, Central Board of Excise & Customs, New Delhi and the profit of the unit is eligible for deduction under section 80 IC of the Income Tax Act, 1961.		
	(c) In respect of Baddi unit , the cenvat credit against fixed assets has not been adjusted and provision for excise duty payable on finished goods has not been made since the unit is exempted from payment of excise duty.		
5	The company is setting up an industrial unit for the manufacture of Compact Fluorescent Lights (CFL) and electric Fans at Haridwar (Uttaranchal). The amount of Rs.309.81 lacs has been spent till 31.03.2005 including preoperative expenses of Rs.3.15 lacs. The same is included in capital work in progress pending capitalization.		
6	Interest and other borrowing costs amounting to Rs 50.79 lacs (last Year Rs. 1.89 lacs) have been capitalised to the carrying cost of fixed assets being financing costs directly attributable to the acquisition, construction or installation of the concerned qualifying assets till the date of its commercial use.		
7	The cenvat credit in respect of capital goods has been adjusted @100% in the cost of fixed assets. The same has been availed @50% during the year and the balance will be claimed in the subsequent year subject to the conditions as per excise rules.		
8	Sundry debtors include:		
	(a) Rs. 683.22 lacs (last year Rs.420.23 lacs), due from a firm in which Managing Director and a Director are partners.		
	(b) Rs.348.81 lacs (last year Rs.511.51 lacs) due from Standard Electricals Limited, a company under the same management (maximum due Rs.1182.39 lacs) (last year maximum due Rs. 699.74 lacs)		
9	(a) Balance with scheduled banks in current accounts include Rs.1.52 lacs (US\$ 3479.43) with State Bank of India, Dhaka [last year Rs. 0.69 lacs (US\$ 1616)]		
	(b) Balance with other banks represent Rs.0.27 lacs (Dhirams 2,272) in current account with National Bank of Dubai. (maximum balance during the year Rs.9.37 lacs)		
10	Fixed Deposit from public include Rs 9.43 lacs due to a Director. (last year Rs.14.05 lacs)		
11	Loan of Rs.8.35 lacs is to subsidiary company viz. Havell's (U.K) Limited (Maximum due Rs.8.35 lacs). (last year due and maximum due Rs.NIL).		

SCHEDULES

- 12 (a) Sundry creditors include a sum of Rs.233.23 lacs (last year Rs.282.54 Lacs) due to small scale industries.
- (b) The list of small scale industries to whom the company owes any sum, which is outstanding for more than 30 days is as under:
 (1) Accurate Industries (Jamnagar) (2) Arun Enterprises (3)Arihant Engineering Industries (4) Arklite Speciality Lamps Ltd.
 (5) Arora metal works (6) Avya Electronics (7) Empire Fasteners (8) Excellent Moulders (9) Ghaziabad Flopol Insulations P. Ltd.
 (10) K.R.Thermopack Pvt. Limited (11) Kay Automatics Pvt. Limited (12) Krishna Engineering Industries (13) Mega Packers
 (14) Mohindra Products (15)National Adhesives (16) Packform Industries (17) Neha Enterprises (18) R.N.G. Packagings Pvt.
 Ltd. (19) Salwan Plastomers (20) Sonya Insulators (21) Special Springs (India) Pvt. Ltd. (22) Thriaarr Polymers Pvt. Ltd.
 (23) Tibrewala Electronics Limited (24) Prem Udyog (25) Unipacks (26) Usaka Electrical (27) Wheel Polymers Pvt. Limited.
- (c) The payments to SSI undertakings have been made as per stipulated terms
- (d) The above information has been compiled in respect of parties to the extent to which they could be identified as small scale industries on the basis of information available with the Company.
- 13 The Company has transferred and deposited a sum of Rs.0.62 Lacs (last year Rs.0.67 Lacs) out of unclaimed dividend pertaining to the year 1996-97 to Investor Education and Protection Fund of Central Government in accordance with section 205C of the Companies Act, 1956.
- 14 The Company is under obligation to export goods within a period of eight years from the date of issue of EPCG licences issued in terms of para 5.2/5.7 of Export and Import Policy 2002-2007. The Company is under obligation to export goods worth Rs. 2320.60 lacs (Previous year Rs.895.24 Lacs) within the stipulated time as specified in the respective licences.
- 15 The Company has made a provision of excise duty amounting to Rs.453.48 Lacs (last year Rs.165.49 Lacs) payable on stocks of finished goods and scrap at the end of year. Excise duty is considered as an element of cost at the time of manufacture of goods. The same shall have no impact on profit for the year.
- 16 The Company has not made any provision for cess payable u/s 441A of the Companies Act, 1956. The said provision shall be made as and when the requisite notification is issued by the Central Government in this regard.
- 17 The Central Excise Department has issued following show cause notices / orders to the Company raising a demand of Rs.27.07 Lacs including penalty of Rs.9.87 Lacs.
- | | |
|--|--|
| (i) Showcause notice dated 21.10.2002 | 7.33 Lacs Pending with Commissioner Central Excise |
| (ii) Showcause notice dated 30.03.2000
Penalty | 3.80 Lacs Pending with CESTAT
3.80 Lacs |
| (iii) Showcause notice dated 22.08.2003
Penalty | 6.07 Lacs Pending with CESTAT
6.07 Lacs |
| | <u>27.07 Lacs</u> |
- Out of the above, a sum of Rs.3.49 lacs has been deposited. No provision in respect of balance liability of Rs.23.58 lacs has been made as appeals are pending with appellate authorities and the company expects no liability on this account.
- 18 Elymer Havell's Private Limited, a company whose assets and liabilities were amalgamated with this Company as on 01.04.1991 had been issued show cause notices dated 22.11.1990, 22.01.1991 and 02.03.1991 by the Superintendent, Central Excise, Delhi. As per the show cause notices, the demand of Rs.25.62 lacs was raised. The provision in respect of said liability has not been made since the matter has been remanded to the adjudicating authority for deciding afresh by the CESTAT vide their order dated 11.08.2003.
- 19 (a) The UP trade tax department has raised a demand of Rs. 86.88 lacs towards trade tax on stock transfer made by the Company during period from 01.04.04 to 30.06.04 vide their provisional assessment order dated 09.11.04. The company has contested the demand and filed an appeal with Joint Commissioner (Appeals), Trade Tax, Range-II NOIDA. The appellate authority has granted stay on the proceedings and the company has deposited a sum of Rs.21.72 lacs being 25% of the demand in pursuance of the stay order of the appellate authority. No provision for the balance amount has been made since the company expects no liability on this account as the same is contested before the higher authorities.
- (b) The UP Trade Tax department has further raised a demand of Rs.69.11 lacs on stock transfer to branches and consignment agents for the financial year 2003-04 vide their assessment order dated 12.01.05. The company has contested the demand before Joint Commissioner (Appeals), Trade Tax, RANGE II, NOIDA. The appellate authority has granted stay in proceedings and directed the Company to deposit a sum of 25% of the aforesaid demand. The company is yet to deposit the said amount and expects no liability on this account. No provisions has been made since the demand is contested before higher authorities.
- 20 The Company has received a demand notice for Rs.23.91 lacs including interest of Rs.12.27 lacs on account of Local Area Development Tax (LADT). The company has made a provision of Rs.11.64 lacs towards the principal sum. No provision for interest has been made since the Company is filing an appeal before the Joint Excise and Taxation Commissioner (Appeals) and expects no liability on this account.

SCHEDULES

- 21 That a demand of Rs. 27.85 lacs has been raised towards Income Tax by Additional CIT, New Delhi for the accounting year 2000-01. No provision has been made since the liability is disputed and contested before ITAT New Delhi.
- 22 Miscellaneous receipts include a sum of Rs.80.22 lacs (Previous Year Rs.64.38 lacs) received from Crabtree India Limited towards reimbursement of common office and infrastructure facilities.
- 23 The Company has entered into currency swap deal with IDBI Bank Limited and UTI Bank Limited in order to reduce the cost of existing rupee loans. In accordance with the accounting policy of the Company, the Company has recognised a sum of Rs. 1.76 lacs towards interest liability and 29.73 lacs towards gains on exchange rate fluctuations at the end of the year.
- 24 In accordance with accounting standard - AS-28 "Impairment of Assets" issued by the Institute of Chartered accountant of India and made applicable w.e.f 1st April 2004, the company has identified its divisions into cash generating units. The cash generating units have been identified on the basis of group of assets that includes the asset that generates cash inflows from continuing use that are largely independent of other assets or group of assets. As on 31st March 2005, the company has identified its principal cash generating units into MCB Division (Badli, Delhi), Meter Division (Tilak Nagar, Delhi), Industrial Swithgear Division and CFL Division (Faridabad), Fan Division (NOIDA), Cable Division (Alwar, Rajasthan), MCB Division and CFL Division (Baddi, H.P) and Company's Head office and branches at various locations.

Each of the aforesaid cash generating units have been assessed at the Balance Sheet date and tested for impairment. The Company has generally considered external factors influencing impairment of assets such as significant changes in market value of the assets, changes in technological, market, economic or legal environment, return on investment etc. and internal factors such obsolescence, physical damage, changes at operating level etc for assessment of impairment conditions existing in the cash generating units as on the balance sheet date. Further, where production line itself is not impaired, impairment conditions are not recognised in individual machine if any. After due consideration to above factors it is established that no impairment conditions exist in any of the cash generating units as on the Balance Sheet date.

- 25 Provisions are recognised for expenses such as electricity, telephone, bad debts, sales incentives, other expenses of commercial nature and bonus to employees. The provisions are recognised on the basis of past events and the probable settlement of the present obligation as a result of the past events during the financial year 2005-06.

The movements in provisions are as under:

	Amount Rs. in lacs
a) Carrying amount as on 1.04.2004	236.60
b) Additional provisions made during the financial year 2004-05, including increase to existing provisions	127.77
c) Amounts used (incurred and charged against the provision) during financial year 2004-05	56.76
d) Unused amounts reversed during financial year 2004-05	16.38
e) Carrying amount of provisions as on 31.03.2005	291.23

- 26 a) Details of remuneration paid to Managing/Wholetime Directors' is as under:

	2004-2005 Rs. in lacs	2003-2004 Rs. in lacs
Salary	52.50	45.00
Medical reimbursement	-	1.01
Accidental and mediclaim insurance	0.23	0.09
Leave salary	1.06	0.75
	<u>53.79</u>	<u>46.85</u>

Sh Anil Gupta, Director of the Company has taken a remuneration of Rs.30 lacs (last year Rs.30 lacs) from Standard Electrical Limited and Rs.6 lacs (last year Rs.12 lacs) from TTL Limited.

Sh Surjit Gupta, Director of the Company has taken a remuneration of Rs.12 lacs (last year Rs.12 lacs) from TTL Limited.

SCHEDULES

b) Computation of net profit in accordance with section 349 of the Companies Act, 1956

		As at 31.03.05 Rs. In lacs		As at 31.03.04 Rs. In lacs
Net profit as per profit and loss account		3,052.64		2,096.11
Add: Income tax	1,270.06		914.41	
Wealth tax	1.60		0.85	
Managing/Whole-time Directors' remuneration	53.79	1,325.45	46.85	962.11
Net profit		4,378.09		3,058.22
Maximum remuneration payable @10% of net profit	437.81		305.82	

27 The Company has proposed dividend for the year @ 50% on its equity capital and a provision for corporate dividend tax including surcharge and education cess thereon has been made in accordance with the Finance Bill, 2005. The said amount is not subject to deduction of tax at source.

28 In the opinion of the Board, the current assets, loans and advances have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated and provision for all known liabilities have been made.

29 Segment Reporting

The Company operates in three segments - Switchgears, Cable and Wire and Electrical Consumer Durables. Segments have been identified and reported on the basis of the nature of products dealt with by the Company. Summary of operating segments of the Company are:

	Switchgears	Cable & Wires	Electrical Consumer Durable	Others	(Rs. in lacs) Total
A. Revenue					
i) Segment Revenue	21,793.39	30,724.34	13,151.16	1,208.77	66,877.66
	(15,791.73)	(17,616.92)	(2,605.65)	(6,668.07)	(42,682.37)
					66,877.66
					(42,682.37)
B. Result					
i) Segment Result	6,225.19	3,771.44	2,064.66	(272.15)	11,789.14
	(4,044.08)	(2,110.63)	(283.28)	(943.99)	(7,381.98)
ii) Unallocated Expenses net of Unallocable Income					6,115.50
					(3,174.24)
ii) Operating Profit					5,673.64
					(4,207.74)
iii) Financial Expenses					1,350.94
					(1,197.22)
iv) Income Taxes					1,270.06
					(914.41)
v) Profit					3,052.64
					(2,096.11)
C. Assets					
Segment Assets	13,598.11	11,999.35	7,877.69	6,461.47	39,936.62
	(7,997.17)	(7,482.43)	(2,538.64)	(6,366.62)	(24,384.86)
					39,936.62
					(24,384.86)
D. Liabilities					
Segment Liabilities	2,022.45	5,888.42	1,259.71	3,941.89	13,112.48
	(1,369.43)	(2,686.34)	(677.67)	(3,105.81)	(7,839.25)
					13,112.48
					(7,839.25)

SCHEDULES

E. Capital Expenditure					
Segment Capital Expenditure	2,311.72 (241.12)	1,105.04 (384.56)	817.39 (783.09)	790.65 (638.13)	5,024.80 (2,046.90)
					<u>5,024.80</u> <u>(2,046.90)</u>
F. Depreciation					
Segment Depreciation	147.37 (86.22)	84.63 (49.94)	56.13 (25.54)	120.80 (101.91)	408.92 (263.61)
					<u>408.92</u> <u>(263.61)</u>
G. Non-cash expenses other than depreciation					
Miscellaneous expenditure written off (unallocated)					0.41 (0.41)
Provision for bad and doubtful debts	22.15 (1.20)	9.29 (16.51)			31.44 (17.71)

Note: Figures in brackets relates to previous year.

30	Earnings per share		2005		2004
	A. Basic Earnings per share		Rs. In lacs		Rs. In lacs
	Numerator for basic earning per share				
	Profit before tax		4,322.70		3,010.51
	Less: Provision for Income Tax				
	Current Tax	961.24		955.60	
	Deferred Tax	308.82	1,270.06	(41.20)	914.40
	Net Profit after tax		3,052.64		2,096.11
	Denominator for basic earning per share				
	Weighted number of equity shares outstanding during the period	Nos.	11,591,154		11,591,154
	Earning per share-Basic	Rs.	26.34		18.08
	B. Diluted Earnings per share				
	Numerator for diluted earning per share		2005		2004
			Rs. In lacs		Rs. In lacs
	Profit before tax		4,322.70		3,010.51
	Less: Provision for taxation				
	Current year	961.24		955.60	-
	Deffered tax	308.82	1,270.06	(41.20)	914.40
	Net Profit after tax		3,052.64		2,096.11
	Adjustment to net earnings				
	Interest on 4% Unsecured Convertible Debenture	28.07			-
	Less: Tax effect	10.27	17.80		-
			<u>3,070.44</u>		<u>2,096.11</u>
	Denominator for diluted earning per share				
	Outstanding number of equity shares as on 1/4/2004	Nos.	11,591,154		11,591,154
	Possible dilution on conversion of 4% unsecured convertible debenture	Nos.	1,340,865		-
	(Date of issue 13/12/2004)		12,932,019		11,591,154
	Weighted number of equity shares	Nos.	11,991,577		11,591,154
	Earning per share-Diluted	Rs.	25.60		18.08

The diluted earning per share has been calculated in accordance with the accounting standard AS-20 "Earnings per share" issued by the Institute of Chartered Accountants. The Net profit after tax has been adjusted for savings on interest expense (after tax effect at present rates) and the equity shares have been increased by the potential conversion of 4% unsecured convertible debentures. The said debentures are converted into equity shares at a price of Rs. 175.26 per share, being the price most advantageous to the debenture holders on the date of their proposed conversion i.e 12/6/2006. The debentures are however convertible at a price range of Rs 175.26 to Rs. 275/- as per the terms of issue of debentures.

SCHEDULES

31 Related party transactions

As per accounting standard AS-18 issued by the Institute of Chartered Accountants of India, related parties in terms of the said standard are disclosed below:-

(A) Names of related parties and description of relationship :

1	Subsidiary	(i)	Havell's (U.K) Limited - United kingdom
2	Associates	(i)	Havell's Switchgears Limited
		(ii)	TTL Limited
		(iii)	Havell's Financial Services Limited
		(iv)	Crabtree India Limited
		(v)	QRG Enterprises Limited
		(vi)	QRG Foundation
		(vii)	Guptajee & Company
		(viii)	Standard Electricals Limited
3	Key Management Personnel	(i)	Shri Qimat Rai Gupta
		(ii)	Shri Anil Gupta
		(iii)	Shri Surjit Gupta
		(iv)	Shri Rajesh Gupta
4	Relatives of Key Management personal	(i)	Mrs. Santosh Gupta wife of Shri Surjit Gupta
		(ii)	Surjit Gupta (HUF)
		(iii)	Rajesh Gupta (HUF)

(B) Transactions

Particulars	Subsidiary	Associates	Key Management Personnel	Relative Management Personnel	Rs. In lacs
					Total
Purchase of goods	-	133.47			133.47
	(33.02)	(1,298.39)			(1,331.41)
Sale of goods	-	2,597.27			2,597.27
	(1,793.60)	(518.52)			(2,312.12)
Sales incentives, discounts and commission paid		379.79			379.79
		(76.57)			(76.57)
Purchase of fixed assets	-	10.98			10.98
	(0.28)	(3.64)			(3.92)
Sales of fixed assets		0.67			0.67
		-			-
Sale of Investments		-			-
		(1,904.94)			(1,904.94)
Purchase of Investments		-			-
		(315.00)			(315.00)
Rent received		16.47			16.47
		(0.96)			(0.96)
Rent paid		8.44			8.44
		(4.74)			(4.74)
Receipt for use of common facilities		80.22			80.22
		(64.39)			(64.39)
Reimbursement for rent			0.70		0.70
			(8.90)		(8.90)

SCHEDULES

Job charges paid	(12.66)	(1.07)			(13.73)
Repair expenses		0.18 (0.06)			0.18 (0.06)
Dividends received		(3.80)			(3.80)
Trade mark fee paid		597.81 (366.38)			597.81 (366.38)
Donation paid		11.00 (6.00)			11.00 (6.00)
Interest paid		18.06 (15.23)	1.41 (1.68)	8.37 (10.23)	27.84 (27.14)
Expenses Reimbursement	(6.64)	49.93 (32.20)			49.93 (38.84)
Commission received	(169.23)				(169.23)
Loans and advances	8.35 (-)				8.35 (-)
Directors remuneration			53.79 (46.85)		53.79 (46.85)
Total- Current Year	8.35	3,904.29	55.90	8.37	3,976.91
- Previous Year	(2,015.43)	(4,611.89)	(57.43)	(10.23)	(6,694.98)
(C) Balance receivable at the year end	8.35 (511.51)	1,032.03 (420.23)			1,040.38 (931.74)
Balance payable at the year end		- (274.25)	9.43 (14.05)	68.32 (98.89)	77.75 (387.19)

Notes: a) Figures in brackets relates to previous year.

b) Figures of subsidiary company for the previous year relates to Standard Electricals Limited.

32 Additional information pursuant to the provisions of paragraph 3, 4C and 4D of Part-II and Part-IV of Schedule VI to the Companies Act, 1956 (as certified by a Director)

	UNIT	2004-2005		2003-2004	
		QTY	Amount Rs. In lacs	QTY	Amount Rs. In lacs
(i) Turnover					
Finished Goods					
Domestic Switchgears	Nos.	14,036,344	13,860.50	11,026,998	9,670.96
Industrial Switchgears	Nos.	934,567	7,698.29	586,378	5,765.42
Meters	Nos.	136,150	890.27	976,150	5,860.44
Cable and Wires	Kms.	214,359	30,584.63	202,800	17,519.28
Electrical Consumer Durables	Nos.	6,800,466	12,981.38	1,020,836	2,535.85
Miscellaneous			499.51		498.17
			66,514.58		41,850.12
(ii) Raw Materials and Components consumed			33,893.61 *		20,980.93*

* It is not practicable to furnish quantitative information in respect of raw materials and boughtout components in view of considerable number and size of items consumed.

SCHEDULES
(iii) Purchases and Stocks
Purchases

		2004-05 (Rs. in lacs)		2003-04 (Rs. in lacs)	
		QTY	Amount	QTY	Amount
Electrical Consumer Durables	Nos.	2,005,474	3,387.24	756,119	675.74
Meters	Nos.	2,286	19.43	65	0.87
Industrial Switchgears	Nos.	112	2.15	-	-
Miscellaneous			11.62		74.46
			<u>3,420.43</u>		<u>751.07</u>

Opening Stocks

Traded Goods		417,377	284.09	-	-
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Finished Goods

Domestic Switchgear	Nos.	763,452	565.30	910,560	584.00
Industrial Switchgear	Nos.	64,095	206.74	55,066	251.18
Meters	Nos.	47,269	288.25	63,566	335.53
Cable and Wires	Kms.	19,153	1,237.03	13,951	840.69
Electrical Consumer Durables	Nos.	215,097	381.44		
Miscellaneous			93.04		65.83
			<u>2,771.80</u>		<u>2,077.22</u>
Semi-Finished Goods			805.62		370.94

Closing Stocks

Traded Goods	Nos.	572,699	993.49	417,377	284.09
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Finished Goods

Domestic Switchgears	Nos.	4,266,313	1,568.14	763,452	565.30
Industrial Switchgears	Nos.	93,969	378.87	64,095	206.74
Meters	Nos.	49,144	319.25	47,269	288.25
Cable and Wires	Kms.	20,838	2,586.97	19,153	1,237.03
Electrical Consumer Durables	Nos.	636,752	851.62	215,097	381.44
Miscellaneous			48.19		93.04
			<u>5,753.04</u>		<u>2,771.80</u>
Semi-Finished Goods			1,167.76		805.62

(iv) Capacity and Production
LICENSED CAPACITY #
INSTALLED CAPACITY (PER ANNUM) @

Domestic Switchgear	Nos.	27,300,000	14,650,000
Industrial Switchgear	Nos.	1,335,000	1,113,000
Meters	Nos.	840,000	1,840,000
Cable & Wires	Kms.	465,000	457,500
Electrical Consumer Durables	Nos.	13,200,000	11,200,000

Actual Production

Domestic Switchgears	Nos.	17,714,133 (174,928)	10,881,210 (1,320)
Industrial Switchgears	Nos.	969,282 (4,953)	833,773 (238,366)
Meters	Nos.	135,759 (20)	959,863 (75)
Cable and Wires	Kms.	217,664 (1,620)	208,076 (73)
Electrical Consumer Durables	Nos.	5,425,024 (53,055)	898,974 (1,683)

No Industrial license is required for the industry.

@ installed capacity is as certified by the production manager.

Figures in brackets are in respect of material consumed within the company and are included in the figure of total production.

SCHEDULES

		31.03.05	31.03.04	
		Rs. In lacs	Rs. In lacs	
33	CIF value of Imports			
	Raw materials and components	2,223.41		923.94
	Machinery	452.22		261.48
	Spare parts	14.25		0.92
34	Expenditure in foreign currency			
	Travelling	56.07		27.71
	Research & Development	0.95		3.64
	Technical consultancy	-		22.03
	Advertisement	1.82		5.30
	Testing charges	14.71		8.66
	Seminar and exhibition	26.99		7.96
	Overseas Branch Expenses	65.95		18.19
	Training expense	7.93		5.22
	Dividend in foreign currencies	2004-05	2003-04	
	Year to which relates	2003-04	2003-04	2002-03
		Final	Interim	Final
	Non-resident shareholders	Nos. 227	238	256
	Shares held	Nos. 231,106	871,125	804,425
	Amount paid in rupees	Rs. In lacs 2.89	2.08	1.79
	Amount remitted in foreign currency	Rs. In lacs -	10.99	18.32
		Euro -	20,148	36,453
	Total	Rs. In lacs 2.89	13.07	20.11
35	Earnings in foreign exchange			
	F.O.B. value of exports *	Rs. In Lacs 4,841.36		2,115.57
	*excluding export of Rs.354.22 lacs made through merchant exporters (previous year Rs.121.70 lacs) and excluding those consignment of which shipping bill is pending.			
36	Value of Imported/Indigenous materials and components consumed and percentage thereof			
		%	%	
	Indigenous	93.02	31,526.88	95.27
	Imported	6.98	2,366.72	4.73
		100.00	33,893.60	100.00
37	BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL PROFILE			
i)	Registration Details			
	Registration No.	16304		16304
	Code No.	55		55
	Balance sheet date	31.03.2005		31.03.2004
ii)	Capital raised during the year			
		Rupees in Lacs		Rupees in Lacs
	Public issue	-		-
	Right issue	-		-
	Bonus issue	-		-
	Private placement	-		-

SCHEDULES

iii) **Position of mobilisation and deployment of funds**

Total liabilities	26,825.22	16,546.61
Total assets	26,825.22	16,546.61

Sources of funds

Paid up capital	579.56	579.56
Reserves and surplus	8,082.00	5,357.01
Secured loans	14,208.61	9,346.41
Unsecured loans	3,213.60	831.01
Deferred tax liability	741.45	432.63

Application of funds

Net fixed assets	9,233.07	4,631.03
Investments	316.58	316.58
Net current assets	17,274.49	11,597.52
Miscellaneous expenditure	1.07	1.48

iv) **Performance of Company**

Turnover	66,538.45	41,922.40
Other income	339.21	759.98
Total expenditure	62,554.96	39,671.86
Profit before tax	4,322.70	3,010.52
Profit after tax	3,052.64	2,096.11
Weighted no. of equity shares	11,591,154	11,591,154
Earning per share (basic)	26.34	18.08
Earning per share (dilute)	25.60	18.08
Interim dividend	-	15%
Dividend	50%	25%

v) **Generic names of Three principal products/services of Company (as per monetary terms)**

Product description	ITC Code No.	ITC Code No.
Miniature Circuit Breakers	85362003	85362003
Electricity Meters	-	90283000
Moulded case circuit breaker	85362020	-
Wire	85449000	85449000

38 That the figures for the previous year have been rearranged wherever necessary.

39 The figures have been rounded off to the nearest thousand rupee.

40 Schedule No.1 to 19 form integral part of the balance sheet and profit and loss account.

**For and on behalf of the Board of Directors of
Havell's India Limited**

Qimat Rai Gupta
Chairman & Managing Director

Surjit Gupta
Director

Ritu Mehrotra
Company Secretary

Yogesh Bansal
Senior Manager

Noida, May 12, 2005

AUDITOR'S REPORT
As per our Report attached

For V.P.Bansal & Co.
Chartered Accountants

V.P.Bansal
Proprietor

CASH FLOW STATEMENT

CASH FLOW STATEMENT ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2005

A. CASH FLOW FROM OPERATING ACTIVITIES	31.03.2005	31.03.2004
	(Rs.in lacs)	(Rs.in lacs)
Net Profit before tax and extraordinary items	4,324.30	3,011.37
Adjustments for		
Depreciation	408.92	264.26
Profit on Sale of Fixed Assets	(0.33)	(0.02)
Loss on Sale of Fixed Assets	2.76	8.73
Income on Sale of Investment (Long term investment)	0.00	(333.32)
Interest Income	(43.83)	(46.79)
Dividend Income (from trade and long term investment)	0.00	(3.80)
Interest Paid	1,392.43	1,180.94
Miscellaneous Expenditure Written Off	0.41	0.41
Operating Profit before working capital changes	<u>6,084.66</u>	<u>4,081.78</u>
Adjustments for		
Trade and Other Receivables	(5,812.04)	(2,990.46)
Inventories	(4,994.49)	(2,092.04)
Trade Payables	4,193.73	2,069.91
Other Liabilities	821.79	839.14
Cash generated from Operations	293.65	1,908.33
Direct taxes paid	(1,007.94)	(976.96)
CASH FLOW BEFORE EXTRAORDINARY ITEMS	<u>(714.29)</u>	<u>931.37</u>
Net Cash received (+) / used (-) from Operating Activities	<u>(714.29)</u>	<u>931.37</u>
B. CASH FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(2,929.61)	(1,643.01)
Addition in Capital Work in Progress	(2,095.19)	(403.90)
Investment in Shares	(0.002)	1,255.04
Sale of Fixed Assets	11.41	143.41
Interest Received	43.83	46.79
Income on Sale of Investment	0.00	333.32
Dividend Received	0.00	
Net Cash used in Investing Activities	<u>(4,969.56)</u>	<u>(264.55)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Debentures	2,372.20	-
Proceeds from Long Term Borrowings	4,899.79	773.93
Proceeds from Fixed Deposits	10.89	(115.47)
Repayment of Finance Lease Liabilities	(37.59)	63.21
Repayment of Unsecured Advances	(0.50)	
Interest Paid	(1,392.43)	(1,180.94)
Dividend Paid	(144.89)	(231.82)
Net Cash received (+) / used (-) from Financing Activities	<u>5,707.47</u>	<u>(691.09)</u>
Net increase (+) / decrease (-) in cash and cash equivalents (A+B+C)	23.62	(24.27)
Cash and Cash Equivalents as at the beginning of the year	11.39	35.66
Cash and Cash Equivalents as at the close of the year	35.01	11.39

For and on behalf of the Board of Directors of
Havell's India Limited

(Qimat Rai Gupta)
Chairman & Managing Director

(Surjit Gupta)
Director

(Ritu Mehrotra)
Company Secretary

(Yogesh Bansal)
Senior Manager

Noida, May 12, 2005

AUDITOR'S CERTIFICATE

We have examined the above cash flow statement of Havell's India Limited for the period ended 31st March 2005. The statement has been prepared by the Company in accordance with the requirements of clause 32 of the Company's listing agreements with the Stock Exchanges. The statement is based on and is derived from the corresponding profit and loss account and balance sheet of the Company for the period ended 31st March, 2005 and 31st March, 2004, covered by our report dated May 12, 2005 and May 6, 2004 respectively to the members of the Company.

For V.P.Bansal & Co.
Chartered Accountants

V.P.Bansal
Proprietor

Noida, May 12, 2005

HAVELL'S (UK) LIMITED

**DIRECTORS' REPORT
FOR THE PERIOD ENDED 31 MARCH 2005**

The directors present their report and financial statements for the period ended 31 March 2005.

Principal activities

The company was incorporated on 16 September 2004.

The principal activity of the company continued to be that of acting as the European Headquarters of an India Holding Company that manufactures various electrical products.

Directors

The following directors have held office since 16 September 2004.

Ameet Gupta (Appointed 16 September 2004)

Anil Gupta (Appointed 16 September 2004)

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 March 2005	16 September 2004
Ameet Gupta	-	-
Anil Gupta	-	-

Auditors

Fisher, Sassoon & Marks were appointed auditors to the company and in accordance with section 385 of the Companies Act, 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

Directors' responsibilities

Company law required the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to.

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements of the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which discloses with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the board.
Anil Gupta
Director

9 May 2005.

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF HAVELL'S (UK) LIMITED**

We have audited the financial statement of Havell's (UK) Limited on pages 3 to 8 for the period ended 31 March, 2005. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act, 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As desired in the statement of directors' responsibilities on page 1 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we required for our audit or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statement. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

HAVELL'S (UK) LIMITED

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2005 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Fisher, Sassoon & Marks
Chartered Accountants
Registered Auditor

9 May 2005
Farley Court
Allsop Place
London NW1 5LG

**BALANCE SHEET
AS AT 31 MARCH 2005**

	Notes	2005 £	£
Current assets			
Cash at bank and in hand		5,168	
Creditors: amounts falling due within one year	4	<u>(12,067)</u>	
Total assets less current liabilities			<u>(6,899)</u>
Capital and reserves			
Called up share capital	5		2
Profit and loss account	6		<u>(6,901)</u>
Shareholders' funds - equity interests	7		<u>(6,899)</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the Board on 9 May, 2005.

Ameet Gupta
Director

Anil Gupta
Director

**Period Ended
31 March 2005
£**

**DETAILED TRADING AND PROFIT & LOSS ACCOUNT
FOR THE PERIOD ENDED 31 MARCH 2005**

	Notes	£
Administrative expenses		(6,904)
Operating loss		<u>(6,904)</u>
Other interest receivable and similar income		
Bank interest received		3
Loss before taxation		<u>(6,901)</u>

**PROFIT & LOSS ACCOUNT
FOR THE PERIOD ENDED 31 MARCH 2005**

	Notes	£
Administrative expenses		(6,904)
Operating loss	2	<u>(6,904)</u>
Other interest receivable and similar income		3
Loss on ordinary activities before taxation		<u>(6,901)</u>
Tax on loss on ordinary activities	3	-
Loss on ordinary activities after taxation	6	<u>(6,901)</u>

The profit and loss account has been prepared on the basis that all operations are continuing operations. There are no recognised gains and losses other than those passing through the profit and loss account.

**SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE PERIOD ENDED 31 MARCH 2005**

Administrative expenses		
Rent re licences and other		762
Printing, postage and stationary		35
Legal and prof fees - allowable		5,221
Accountancy		588
Audit fees		288
Bank charges		10
		<u>6,904</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2005**

1. Accounting policies
 - 1.1 Accounting convention.
The Financial statements are prepared under the historical cost convention
2. **Operating loss**
Operating loss is stated after charging :
Auditors' remuneration

HAVELL'S (UK) LIMITED

Period Ended
31 March 2005
£

3.	Taxation Current tax charge Factors effecting the tax charge for the period Loss on ordinary activities before taxation Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 0.00% (2004:0.00%) Effects of: Current tax charges	-
		(6,901)
4.	Creditors: amounts falling due within one year Amounts owed to group undertakings and undertakings in which the company has a participation interest Other creditors	10,000 2,067 <u>12,067</u>
5.	Share Capital Authorized 1,000,000 Ordinary shares of £ 1 each Allotted, called up and fully paid 2 Ordinary shares of £ 1 each During the period 2 ordinary shares of £ 1 each were allotted and fully paid at par for cash consideration	1,000,000 <u>2</u>
6.	Statements of movements on profit and loss account Retained loss for the period	(6,901)
7.	Reconciliation of movements in shareholders' funds Loss for the financial period Proceeds from issue of shares Net depletion in shareholders' funds Opening shareholders' funds Closing shareholders funds	(6,901) <u>2</u> (6,899) <u>-</u> (6,899)
8.	Control The ultimate parent company is Havell's India Limited, a company registered in India. Havell's India Limited prepares group financial statements.	

**CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 MARCH 2005**

	£	
Net cash inflow/(outflow) from operating activities		5,163
Returns on investments and servicing of finance interest received	<u>3</u>	
Net cash inflow/(outflow) for returns on investments and servicing of finance		<u>3</u>
Net cash inflow/(outflow) before management of liquid resources and financing		5,166
Financing		
Issue of ordinary share capital	<u>2</u>	
Net cash inflow/(outflow) from financing		<u>2</u>
Increase/(decrease) in cash in the period		<u>5,168</u>

**NOTES TO THE CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 MARCH 2005**

1.	Reconciliation of operating loss to net cash inflow/(outflow) from operating activities Operating (loss)/profit Increase in creditors within one year Net cash inflow/(outflow) from operating activities	(6,904) <u>12,067</u> <u>5,163</u>
2.	Analysis of net funds/(debt)	
	16 September 2004	Cash flow
	£	£
	Net Cash	
	Cash at bank and in hand	5,168
	Net (debt)/funds	<u>5,168</u>
3.	Reconciliation of net cash flow to movement in net funds Increase in cash in the period Movement in net funds in the period Opening net debt Closing net funds	<u>5,168</u> <u>5,168</u> <u>-</u> <u>5,168</u>



CONSOLIDATED FINANCIAL STATEMENTS

AUDITOR'S REPORT

Auditors' report to the Board of Directors of Havell's India Limited on the consolidated financial statements of Havell's India Limited and its subsidiary

We have examined the attached Consolidated Balance Sheet of Havell's India Limited and its subsidiary Havell's (UK) Limited, as at 31st March, 2005 and the Consolidated Profit and Loss Account for the year ended on that date annexed thereto and the consolidated cash flow statements for the period ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our examination.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of Havell's (U.K.) Limited. Other auditors, whose report has been furnished to us, have audited it, and our opinion, in so far as it relates to the amounts included in respect of such subsidiary is based solely on the report of the other auditor who has audited the financial statements of the subsidiary.

Name of the Company	Total Assets	(Rs. in lacs) Total revenue
Havell's (U.K.) Limited	(-) 4.27 (£ 5168)	.002 (£ 3)

We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of the Accounting Standard (AS)-21, Consolidated Financial statements, issued by the Institute of Chartered Accountants of India, and on the basis of the separate audited/certified financial statements of the group included in the Consolidated Financial Statements.

We report that, on the basis of the information and explanations given to us, and on the consideration of the separate audit reports on individual audited financial statements of the group companies, the consolidated financial statements read together with the significant accounting policies and notes give a true and fair view in the case of:

- a) the Consolidated Balance Sheet, of the consolidated state of affairs of the group as at 31st March, 2005, and
- b) the Consolidated Profit and Loss Account, of the consolidated results of the operations of the group for the year ended on that date.
- c) in the case of Consolidated Cash Flow Statements, of the consolidated cash flows of the group for the period ended on that date.

For V.P. BANSAL & CO.
Chartered Accountants

V.P. BANSAL
Proprietor

Noida, May 12, 2005

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

SCHEDULE NO.

AS AT 31.03.05
Rs. In lacs

I. SOURCES OF FUNDS

1. SHARE CAPITAL

Share capital	1	579.56
Reserves and surplus	2	8,076.21
		<u>8,655.77</u>

2. LOAN FUNDS

Secured loans	3	14,208.61
Unsecured loans	4	3,213.60
		<u>17,422.21</u>

3. DEFERRED INCOME TAX

		741.45
		<u>26,819.43</u>

II. APPLICATION OF FUNDS

1. FIXED ASSETS

Gross block	5	10,411.02
Less: Depreciation		<u>1,591.34</u>
Net block		8,819.68
Add: Capital work-in-progress		413.38
Total fixed assets		<u>9,233.06</u>

2. INVESTMENTS

	6	316.58
--	---	--------

3. CURRENT ASSETS, LOANS AND ADVANCES

Inventories	7	10,607.54
Sundry debtors		16,362.25
Cash and bank balances		822.28
Other current assets		149.51
Loans and advances		<u>2,441.33</u>
		<u>30,382.91</u>

Less: Current liabilities and provisions	8	
Current liabilities		11,823.70
Provisions		<u>1,290.49</u>
		<u>13,114.19</u>

NET CURRENT ASSETS

		<u>17,268.72</u>
--	--	------------------

4. MISCELLANEOUS EXPENDITURE

Accounting policies, contingent liabilities and notes on accounts	9	1.07
	19	<u>26,819.43</u>

For and on behalf of the Board of Directors of **AUDITOR'S REPORT**
Havell's India Limited

As per our Report attached

Qimat Rai Gupta
Chairman & Managing Director

Surjit Gupta
Director

For V.P.Bansal & Co.
Chartered Accountants

Ritu Mehrotra
Company Secretary

Yogesh Bansal
Senior Manager

V.P.Bansal
Proprietor

Noida, May 12, 2005

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	SCHEDULE NO.	YEAR ENDED 31.03.05 Rs. In lacs
1. INCOME		
Sales and Job Charges	10	66,538.45
Other income	11	339.14
		<u>66,877.58</u>
2. EXPENDITURE		
Materials cost	12	33,274.62
Excise duty		8,342.23
Manufacturing expenses	13	6,476.65
Office and administration expenses	14	3,888.17
Selling and distribution expenses	15	8,871.27
Financial expenses	16	1,651.92
Managerial remuneration	17	53.79
Miscellaneous expenditure written off	18	0.41
Wealth tax		1.60
		<u>62,560.68</u>
Profit before tax		<u>4,316.91</u>
Income tax expense		
Current tax		961.24
Deferred tax		308.82
		<u>1,270.06</u>
3. PROFIT FOR THE YEAR		<u>3,046.85</u>
4. PROFIT FOR APPROPRIATION		
Brought forward from previous year		3,915.15
Profit for the year		<u>3,046.85</u>
Profit available for appropriation		<u>6,962.00</u>
APPROPRIATIONS		
Transfer to general reserve		320.00
Interim dividend		-
Proposed dividend		289.78
Corporate dividend tax		37.87
Balance carried over to balance sheet		<u>6,314.35</u>
		<u>6,962.00</u>
Earning per share-basic (In Rs.)	(Refer note no. 15A)	26.29
Earning per share-diluted (In Rs.)	(Refer note no. 15B)	25.56

Accounting policies, contingent liabilities and notes on accounts 19

**For and on behalf of the Board of Directors of
Havell's India Limited**

Qimat Rai Gupta
Chairman & Managing Director

Surjit Gupta
Director

Ritu Mehrotra
Company Secretary

Yogesh Bansal
Senior Manager

Noida, May 12, 2005

AUDITOR'S REPORT
As per our Report attached

For V.P.Bansal & Co.
Chartered Accountants

V.P.Bansal
Proprietor

CONSOLIDATED FINANCIAL STATEMENTS

SCHEDULES

AS AT
31.03.05
Rs. In lacs

SCHEDULE NO. 1
SHARE CAPITAL

Authorised	
23,000,000 Equity Shares of Rs.5/- each	<u>1150.00</u>
Issued and subscribed	
11,591,154 Equity Shares of Rs.5/- each	<u>579.56</u>
Paid Up	
11,591,154 Equity Shares of Rs.5/- each	579.56
of the above:-	
1,625,554 Equity Shares allotted as fully paid up pursuant to a contract without payment being received in cash.	
1,475,500 Equity Shares issued as fully paid up bonus shares by capitalisation of profit	<u>579.56</u>

SCHEDULE NO. 2
RESERVES AND SURPLUS

Capital reserve	<u>519.35</u>
	519.35
Securities premium account	<u>547.02</u>
	547.02
General reserve	
As per last balance sheet	375.49
Add: Transfer from profit and loss account	<u>320.00</u>
	695.49
Profit and loss account	
Balance as per profit and loss account	<u>6314.35</u>
	6314.35
	<u>8076.22</u>

SCHEDULE NO. 3
SECURED LOANS

Loans and advances	
Working capital loans from banks	
Cash credit account	3733.42
Working capital demand loan	1300.00
FCNR working capital loan	453.86
Export packing credit	328.11
Export bills discounted	530.87
Against commercial papers	2000.00
Short term working capital loan	1000.00
Term loans from banks	
Term loan from Canara Bank	248.00
Term loan from UTI Bank Limited	200.00
Term loan from ICICI Bank Limited	317.60
Term loan from Syndicate Bank	1980.00
Against hypothecation of motor cars	116.74

CONSOLIDATED FINANCIAL STATEMENTS

SCHEDULES

AS AT
31.03.05
Rs. In lacs

From others	
Term loan from Rabo India Finance Private Limited	2000.00
[Term loans due within a year Rs.1187.99 lacs (last year Rs 2118.04 lacs)]	
[Commercial papers due for maturity within a year Rs.20 crores	
(Previous year Rs 10 crores)]	<u>14208.61</u>

Notes

- 1 Working Capital limits are under consortium of Canara Bank, Corporation Bank, Union Bank of India, IDBI Bank Limited, State Bank of India, UTI Bank Limited and Standard Chartered Bank.
- 2 Working capital limits from consortium banks and term loan from Canara Bank are secured by way of
 - * pari-passu first charge on stocks of raw materials, semi-finished, finished goods, stores and spares, bill receivables, book debts and all movable and other current assets of the company.
 - * pari-passu first charge on land and building at 14/3, Mathura Road, Faridabad
 - * pari-passu first charge on plant and machinery installed at Badli, Faridabad, Tilak Nagar and Alwar Units
 - * pari-passu second charge on land and building at A-461/462 MIA Alwar (Rajasthan)
 - * pari-passu second charge on plant and machinery installed in the Company.
 - * negative lien on Flat No. 14, Leonard Lane, Richmond Town, Bangalore, and
 - * personal guarantees of S/Shri Qimat Rai Gupta, Surjit Gupta and Anil Gupta, Directors of the Company.
- 3 The Company has issued Commercial Papers (CP) in favour of Corporation Bank and Bank of Baroda for Rs. 10 crores each. Working Capital limits have been earmarked to consortium members against the issue of commercial papers.
- 4 Short term working capital loan is from IndusInd Bank Limited and is secured by way of subservient charge on the current assets of the company and personal guarantees of S/Sh. Qimat Rai Gupta, Surjit Gupta and Anil Gupta, Directors of the Company.
- 5 Term loan from Syndicate Bank, Rabo India Finance Private Limited, ICICI Bank Limited and UTI Bank Limited are secured by way of
 - * pari-passu first charge on all the assets of the company except those charged against working capital limits
 - * term loans from Syndicate Bank, ICICI Bank Limited and UTI Bank Limited are further secured by personal guarantees of S/Sh. Qimat Rai Gupta, Surjit Gupta and Anil Gupta, Directors of the company
 - * the documentation for creating the charge on securities in favour of Rabo India Finance Private Limited is under process.

SCHEDULE NO. 4
UNSECURED LOANS

4% Fully convertible Debentures	2372.20
(including interest accrued and due Rs.22.20 lacs)	
Fixed deposits from public	824.90
Other loans and advances from companies	<u>16.50</u>
[Due within year Rs.839.08 lacs (last year Rs 699.96 lacs)]	<u>3213.60</u>

SCHEDULE NO. 6
INVESTMENTS

(Long term, trade, unquoted, at cost)	
G.S.Lighting Private Limited	
44210 Equity Shares of Rs.100/- each. (purchased at	
Rs.712.51 per share,including share transfer stamps)	316.58
Aggregate value of unquoted investments	<u>316.58</u>

**SCHEDULE NO. 5
FIXED ASSETS**

SL. NO.	DESCRIPTION	GROSS BLOCK			DEPRECIATION FOR THE YEAR			NET BLOCK			
		AS AT 01.04.04 Rs.	ADDITIONS DURING THE YEAR Rs.	SALES/ADJUSTMENT Rs.	AS AT 31.03.05 Rs.	UP TO LAST YEAR Rs.	FOR THE YEAR Rs.	SALES/ADJUSTMENT Rs.	TO DATE Rs.	AS AT 31.03.05 Rs.	AS AT 31.03.04 Rs.
1	Industrial land										
	Freehold	289.56	60.15	-	349.71	-	-	349.71	-	349.71	289.56
	Leasehold	12.92	292.61	-	305.53	-	-	305.53	-	305.53	12.92
2	Factory buildings	863.68	1,670.59	1.18	2,533.09	110.08	50.63	2,372.38	160.71	2,372.38	753.61
3	Office premises	29.79	-	-	29.79	4.71	0.49	24.59	5.20	24.59	25.08
4	Plant and machinery	2,770.39	2,139.53	1.27	4,908.64	509.87	164.94	4,234.44	674.21	4,234.44	2,260.52
5	Generators	132.60	84.59	2.75	214.43	35.82	8.00	172.60	41.83	172.60	96.78
6	Furniture and fixtures	290.10	88.15	-	378.25	121.85	34.01	222.39	155.86	222.39	168.25
7	Electric fans and installations	144.31	290.33	-	434.64	45.16	24.92	364.56	70.08	364.56	99.15
8	Water supply installations	11.90	0.19	-	12.08	3.75	0.56	7.77	4.31	7.77	8.14
9	Weighing scale	12.09	1.75	-	13.84	2.63	0.60	10.61	3.23	10.61	9.46
10	EDP Equipments	461.70	96.36	1.30	556.77	234.25	77.46	245.25	311.52	245.25	227.45
11	Office equipments	81.68	25.00	0.58	106.09	27.76	6.61	71.80	34.29	71.80	53.92
12	Airconditioners	119.81	3.83	-	123.65	22.27	5.79	95.58	28.06	95.58	97.54
13	Vehicles	310.99	98.83	15.88	393.95	70.17	33.53	296.51	97.44	296.51	240.82
14	R & D Equipments	15.58	34.98	-	50.56	3.21	1.39	45.96	4.60	45.96	12.37
	Add:Capital Work-in-Progress	5,547.10	4,886.89	22.96	10,411.02	1,191.53	408.93	8,819.68	1,591.34	8,819.68	4,355.58
	TOTAL-CURRENT YEAR	275.46	2,095.19	1,957.27	413.38	-	-	413.38	-	413.38	275.46
	PREVIOUS YEAR	5,822.56	6,982.08	1,980.23	10,824.40	1,191.53	408.93	9,233.06	1,591.34	9,233.06	4,631.03
		4,136.11	2,228.32	541.86	5,822.56	1,135.60	264.26	4,631.03	1,191.53	4,631.03	3,000.51

- Notes: -
- 1 Depreciation has been provided on rates as per Schedule XIV of the Companies Act, 1956 on SLM basis on the gross value of fixed assets including taxes, duties, freight and other incidental expenses related to acquisition and installation and further adjusted by CENVAT credit and fluctuations in exchange rates.
 - 2 Depreciation in respect of assets for a value not exceeding Rs.0.05 lacs has been provided at the rate of 100%.
 - 3 Factory Buildings at Baddi (Delhi) and at Tilak Nagar (Delhi) are on rented premises.
 - 4 Sales/adjustments in factory building represent the debit note raised on building contractor and depreciation on the same charged in earlier year has been adjusted accordingly.
 - 5 Office premises include Rs.4.85 lacs and Rs.1.60 lacs being the cost of premises purchased at Leonard Road, Bangalore and Bombay. Title deeds in respect of these premises have not been executed as yet.
 - 6 Additions in fixed assets at Alwar, Faridabad, Haridwar and Baddi include a sum of Rs.50.79 lacs (last year Rs.1.89 lacs) capitalised on account of interest and other borrowing costs directly attributable to the acquisition, construction or installation of qualifying assets till the date of commercial use.
 - 7 Additions in fixed assets include Rs.5.13 lacs (last year Rs.0.10 lacs) on account of exchange rate fluctuations.
 - 8 Leasehold land includes two nos. industrial plots at Bawana Industrial area in respect of which possession has not been taken as yet.
 - 9 Capital work in progress includes Rs.309.81 lacs being expenditure incurred on installation of new unit at Haridwar (Utaranchal).
 - 10 A sum of Rs. 30 lacs has been adjusted against the cost of plant and machinery being capital investment subsidy receivable in respect of plant at Baddi (H.P.).

CONSOLIDATED FINANCIAL STATEMENTS

AS AT
31.03.05
(Rs. in lacs)

SCHEDULE NO. 7

CURRENT ASSETS, LOANS AND ADVANCES

Inventories (as taken, valued and certified by the management)	
Raw materials and components	1944.65
Semi finished goods	1167.76
Finished goods	6746.52
Consumable stores, tools and spare parts	33.22
Dies and tools	562.27
Packing materials	137.28
Fuel and gases	9.31
Scrap materials	6.52
	<u>10607.54</u>
Sundry Debtors (unsecured)	
Debts outstanding for a period exceeding six months	
considered good	1479.52
considered doubtful	111.83
	1591.35
Less: provision for doubtful debts	111.83
	1479.52
Other debts -considered good	14882.73
	<u>16362.25</u>
Cash and bank balances	
Cash in hand	7.66
with scheduled banks	
In current accounts	30.74
In EEFC account (US\$ 1405.69; last year US\$ 1805.69)	0.61
In unclaimed dividend account	8.77
In fixed deposit account	
Margin money	608.91
Pledged with government departments	2.82
Lien against public deposits	90.94
No lien account	32.29
Interest accrued on fixed deposits	39.27
with other banks	
In current accounts	0.27
	<u>822.28</u>
Other current assets - (considered good)	
Export incentives receivable	51.03
DEPB licences in hand	66.84
Capital investment subsidy receivable	30.00
Claims receivable	1.64
	<u>149.51</u>
Loans and advances (unsecured- considered good)	
Loans and advances to subsidiary	
Advances recoverable in cash or in kind or for value	
to be received	841.79
Earnest money and security deposits	448.60
Balance with excise department	
Excise duty	87.94
Service tax	44.41
Advance income tax and tax at source	1018.60
	<u>2441.33</u>
	<u>30382.91</u>

CONSOLIDATED FINANCIAL STATEMENTS

HAVELL'S INDIA LTD.



As At
31.03.05
Rs. In lacs

SCHEDULE NO. 8
CURRENT LIABILITIES AND PROVISIONS
CURRENT LIABILITIES

Acceptances	5461.52
Sundry creditors - due to SSI undertakings	233.23
- due to other than SSI undertakings	3237.38
Advances from customers	115.92
Unclaimed dividend	8.77
Other liabilities	1262.86
Security deposits from dealers/consignment agents	847.10
Sales tax payable	139.54
Excise duty payable	453.48
Service tax payable	0.82
Interest accrued but not due	63.08
	<u>11823.70</u>

PROVISIONS

Income tax	961.24
Wealth tax	1.60
Proposed dividend	289.78
Corporate dividend tax	37.87
	<u>1290.49</u>
	<u>13114.19</u>

SCHEDULE NO. 9
MISCELLANEOUS EXPENDITURE

(to the extent not written off or adjusted)

Expenditure on increase in capital	
As per last balance sheet	1.48
Less: written off	0.41
	<u>1.07</u>

Year Ended
31.03.05
Rs. In lacs

SCHEDULE NO. 10
SALES AND JOB CHARGES

Materials and goods	66197.98
Scrap materials	316.60
Job charges	23.88
	<u>66538.45</u>

SCHEDULE NO. 11
OTHER INCOME

Interest on fixed deposits with banks and from customers (TDS Rs 8.35 lacs)	43.83
Rent	2.82
Export incentives	49.94
Exchange fluctuations	76.17
Miscellaneous receipts	151.23
Commission	14.81
Profit on sale of assets	0.33
	<u>339.14</u>

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended
31.03.05
Rs. In lacs

SCHEDULE NO. 12
MATERIALS COST

Raw Materials and components consumed	
Opening stocks	1191.47
Add: Purchases	34481.60
Freight and cartage	165.19
	<u>35838.26</u>
Less: Closing stocks	<u>1944.65</u>
(After adjustment of material used for self consumption)	33893.61
Add: Purchases (Traded Goods)	3420.43
Freight and cartage	7.59
	<u>3428.02</u>
Add: Opening stocks	
Traded Goods [including stock in transit Rs. 8.27 lacs (Previous year Rs. Nil)]	284.09
Finished goods (including stock in transit Rs. 131.43 lacs (Previous year Rs.50.68 lacs))	2771.80
Semi finished goods	805.62
Scrap materials	12.29
	<u>3873.80</u>
Less: Closing stocks	
Traded Goods (including stock in transit Rs.20.34 Lacs (Previous year 8.27 lacs))	993.49
Finished goods [including stock in transit Rs. 190.47 lacs (Previous year Rs. 131.43 lacs)]	5753.04
Semi finished goods	1167.76
Scrap materials	6.52
	<u>7920.81</u>
	<u>33274.62</u>

SCHEDULE NO. 13
MANUFACTURING EXPENSES

Factory rent	4.20
Rates and tax	11.45
Establishment (factory)	659.85
Contribution towards P.F.	46.35
Contribution towards E.S.I.	11.02
Gratuity paid and Contribution to fund	11.28
Labour welfare	43.36
Job charges	1938.94
Packing expenses	1202.50
Power, fuel and water	904.10
Consumable stores and tools consumed	664.38
Watch and ward	34.55
Testing expenses	76.80
Repairs to machinery	307.41
Repairs to building	31.70
Other repairs	110.35
Technical know-how, blue prints and consultancy	1.92
Research and development expenses	107.69
Depreciation	305.25
ISO 9000 expenses	3.56
	<u>6476.65</u>

CONSOLIDATED FINANCIAL STATEMENTS

HAVELL'S INDIA LTD.



Year Ended
31.03.05
Rs. In lacs

SCHEDULE NO. 14

OFFICE AND ADMINISTRATION EXPENSES

Rent	232.84
Rates and taxes	3.38
Establishment (office)	1572.66
Contribution towards P.F.	77.89
Contribution towards E.S.I.	5.36
Gratuity paid and Contribution to fund	23.48
Staff welfare	83.18
Printing and stationery	85.09
Postage, telephone and communications	290.89
Electricity and water charges	79.71
Travelling	
- Indian	470.65
- Foreign	103.47
Conveyance and vehicle maintenance	290.00
Legal and professional	177.58
Auditor's remuneration	
- Audit fee	5.24
- Taxation matters	0.95
- Out of pocket expenses	0.07
Insurance	53.54
Computer maintenance	62.75
Depreciation	102.28
Donation	14.80
Loss on sale of assets	2.76
Watch and Ward	8.69
Office Repairs and Maintenance	90.85
Director's sitting fees	1.55
Miscellaneous office expenses	48.53
	<u>3888.17</u>

SCHEDULE NO. 15

SELLING AND DISTRIBUTION EXPENSES

Advertisement	1092.78
Freight,insurance and cartage outward	1518.18
Packing expenses	398.47
Discount, commission and sales incentives	3807.99
Exhibitions, seminars and conferences	289.60
Price lists, catalogues and technical literatures	98.87
Sales Promotion Expenses	172.33
Bad debts,liquidity damages and short recoveries	607.16
Provision for doubtful debts	31.44
Sales tax and turnover tax paid	62.71
Service Tax Paid	19.65
ISI marking expenses	49.81
Trade mark fees	597.81
Godown repairs and maintenance	6.24
Samples	80.50
Miscellaneous selling expenses	37.72
	<u>8871.27</u>

SCHEDULE NO. 16

FINANCIAL EXPENSES

Bank charges	275.64
Interest	
On fixed loans	512.77
On non-fixed loans	838.17
Miscellaneous financial expenses	25.35
	<u>1651.92</u>

SCHEDULE NO. 17

MANAGERIAL REMUNERATION

Managing director's remuneration	27.13
Wholetime director's remuneration	26.66
	<u>53.79</u>

SCHEDULE NO. 18

MISCELLANEOUS EXPENDITURE WRITTEN OFF

Expenditure on increase in capital	0.41
	<u>0.41</u>

CONSOLIDATED FINANCIAL STATEMENTS

SCHEDULE NO. 19

ACCOUNTING POLICIES, CONTINGENT LIABILITIES AND NOTES ON ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2005

A. ACCOUNTING POLICIES

1 Accounting Convention

The accounts have been prepared on historical cost convention on accrual basis, in accordance with the requirements of the Companies Act, 1956 and applicable statutes and comply with the accounting standards referred to in Section 211 (3C) of the Companies Act, 1956.

2 Principles of Consolidation

The consolidated financial statements relate to Havell's India Limited (the holding company) and Havell's (U.K) Limited (the wholly owned subsidiary company).

The consolidated financial statements have been prepared on the following basis:

- a) The consolidated statements of the Havell's India Limited and Havell's U.K. Limited have combined on a line-by-line basis, after eliminating intra-group balances and transactions.
- b) The consolidated financial statements are prepared by adopting uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the holding company's financial statements.

3 Fixed Assets

- a. Fixed assets are stated at their original cost of acquisition including taxes, duties, freight, and other incidental expenses related to acquisition and installation of the concerned assets. Fixed assets are further adjusted by the amount of cenvat credit wherever applicable, fluctuations in the exchange rate and subsidy directly attributable to the cost of fixed assets. Interest during construction period on borrowings to finance fixed assets is capitalised.
- b. Depreciation has been provided on straight line method at the rates and in the manner as prescribed in Schedule XIV of the Companies Act, 1956. Depreciation on assets for a value not exceeding Rs.5000/- acquired during the year is provided at the rate of 100%.
- c. Preoperative expenditure and trial run expenditure accumulated as capital work in progress is allocated on the basis of prime cost of fixed assets.
- d. Project under commissioning/ installations and other capital work in progress are carried at cost comprising direct cost, related incidental expenses and interest on borrowings there against.

4 Investments

Long term investments are stated at cost. Cost of investments includes acquisition charges such as brokerage, fees and duties. Provision for diminution in value of Investments is made to recognise the decline in the value of investments, if in the opinion of management, the decline is permanent in nature.

5 Inventories are valued as under:-

- (i) The stocks of raw materials and components, semi finished goods, finished goods, stores and spare parts and packing materials have been taken at lower of cost and net realisable value. Excise duty on finished goods manufactured has been added in the value of inventory of finished goods, except at Baddi unit which is exempted from payment of excise duty.
- (ii) The inventories are valued on the basis of first in and first out (FIFO) method.
- (iii) The stocks of scrap materials have been taken at net realisable value.
- (iv) The stocks of dies and tools have been taken at the residual effective life as certified by the GM (Works).

6 Effect of foreign currency transactions

Foreign currency denominated monetary liabilities incurred for the acquisition for fixed assets are translated at the exchange rate prevailing on the balance sheet. The net variation arising out of the said transaction are adjusted to the costs of fixed assets. Other monetary assets and liabilities denominated in foreign currency are similarly translated. All exchange gains /losses other than those relating to fixed assets, arising out of such transactions are taken to the profit and loss account. Loss/profit on forward cover of foreign exchange transactions has been amortized over the life of contract. Gains/losses on other foreignexchange contracts are computed and adjusted by multiplying the foreign currency amount of the forward exchange contract by the difference between the forward rate available at the end of the year and the contracted forward rate.

7 Retirement Benefits

In respect of payment of gratuity to employees, the contributions are being made to the trust established under the group gratuity scheme of Life Insurance Corporation of India. Contributions to provident fund are accounted for on the basis of relevant fund rules.

CONSOLIDATED FINANCIAL STATEMENTS

8 Research and Development

Intangible Assets arising from development are not recognized since the asset is not identifiable and future economic benefits from the assets are not probable. Expenditure on research is recognized as an expense when it is incurred. Research and development costs include salaries and other related cost of personnel, cost of materials and services consumed, depreciation of capital assets used for research and development purposes and other overhead costs related to research and development.

9 Revenue Recognition

Sales are recognized at the point of dispatch to the customer. Sales includes excise duty but are exclusive of sales tax. Dividends are recognized in the profit at the time, the right to receive dividend is established. DEPB licenses in hand are taken at cost.

10 Prior period Items

Prior period expenses/income is accounted for under the respective heads. Material items, if any, are disclosed separately by way of note.

11 Borrowing Costs

Interest and other borrowing costs directly attributable to the acquisition, construction or installation of qualifying capital assets till the date of commercial use of the assets are capitalised. Other borrowing costs are recognized as an expense in the period in which they are incurred.

12 Miscellaneous Expenditure

Expenditure on increase in capital is being amortised over a period of ten years.

13 Segment Information - Basis of Information

The accounting policies adopted for segment reporting are in line with accounting policies of the Company. Revenue, expense, assets and liabilities, which relate to the Company as a whole and do not relate to any segment, are not allocated.

14 Taxes on Income

Current tax is determined on the amount of tax payable in respect of taxable income for the period. Deferred tax is recognised, subject to consideration of prudence, on timing differences, being difference between taxable and accounting income/ expenditure that originate in one period and are capable of reversal in one or more subsequent period's).

15 Contingent Liabilities and Provisions

Contingent liabilities are disclosed by way of notes and are not recognised as an item of expense in the profit and loss account. Contingent gains are not recognised. Provisions are recognised as liability only when they can be measured by using a substantial degree of estimation and where present obligations of the enterprise arise from past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits.

B CONTINGENT LIABILITIES

31.03.2005

(Rs. in lacs)

1 Estimated amount of capital contracts remaining to be executed and not provided for (less advance paid).	574.61
2 Bank guarantees and letter of credits opened with bank (less margin money).	2,945.85
3 Bonds to excise department against export of excisable goods without payment of duty (less margin money).	119.87
4 Custom duty payable against export obligation.	310.22
5 Suits filed against the company not acknowledged as debts.	204.73

C NOTES

1 The details of subsidiary included in the consolidated financial statement are as under:

Name of the Subsidiary	Country of Incorporation	Proportion of ownership as at 31.03.2005	Date of Control	Date of cessation of operation as subsidiary
Havell's U.K limited	U.K.	100%	15.02.2005	—

2 The subsidiary company has not carried on any commercial activity during the year. There is no goodwill attributable to acquisition of shares of subsidiary.

CONSOLIDATED FINANCIAL STATEMENTS

3 The investment made in G.S. Lighting Private limited are accounted for in accordance with accounting standard AS -13 'Accounting for investments' since the company does not have any significant influence in the investee company.

4 In accordance with the accounting standard AS-22 relating to taxes on income, the break-up of deferred tax assets and deferred tax liabilities is as under:

As at 31-03-05
(Rs. in lacs)

1	Deferred Tax Liability	
	a) on account of difference in rates and method of depreciation	928.54
	b) on account of different treatment of certain payments under IT Act.	32.18
		<u>960.72</u>
2	Deferred Tax Assets	
	a) on account of different treatment of certain payments under IT Act.	116.74
	b) on account of provision for leave encashment and bonus	61.61
	c) on account provision for doubtful debts not treated as expense under IT Act.	40.92
		<u>219.27</u>
3	Deferred income tax liability (Net)	
	a) at the end of year	741.45
	b) for the year	308.82

5 Interest and other borrowing costs amounting to Rs.50.79 lacs have been capitalised to the carrying cost of fixed assets being financing costs directly attributable to the acquisition, construction or installation of the concerned qualifying assets till the date of its commercial use.

6 The cenvat credit in respect of capital goods has been adjusted @100% in the cost of fixed assets. The same has been availed @50% during the year and the balance will be claimed in the subsequent year subject to the conditions as per excise rules.

7 Sundry debtors include:

- (a) Rs. 683.22 lacs (last year Rs.420.23 lacs), due from a firm in which Managing Director and a Director are partners.
- (b) Rs. 348.81 lacs (last year Rs.511.51 lacs) due from Standard Electricals Limited, a company under the same management (maximum due Rs. 1182.39 lacs) (last year maximum due Rs.699.74 lacs)

8 Fixed Deposit from public include Rs 9.43 lacs due to a Director. (last year Rs.14.05 lacs)

9 (a) Sundry creditors include a sum of Rs 233.23 lacs (last year Rs. 282.54 lacs) due to small scale industries.

- (b) The list of small scale industries to whom the company owes any sum, which is outstanding for more than 30 days is as under: (1) Accurate Industries (Jamnagar) (2) Arun Enterprises (3) Arihant Engineering Industries (4) Arklite Speciality Lamps Ltd. (5) Arora metal works (6) Avya Electronics (7) Empire Fasteners (8) Excellent Moulders (9) Ghaziabad Flopol Insulations P. Ltd. (10) K.R. Thermopack Pvt. Limited (11) Kay Automatics Pvt. Limited (12) Krishna Engineering Industries (13) Mega Packers (14) Mohindra Products (15) National Adhesives (16) Packform Industries (17) Neha Enterprises (18) R.N.G. Packagings Pvt. Ltd. (19) Salwan Plastomers (20) Sonya Insulators (21) Special Springs (India) Pvt. Ltd. (22) Thriaarr Polymers Pvt. Ltd. (23) Tibrewala Electronics Limited (24) Prem Udyog (25) Unipacks (26) Usaka Electrical (27) Wheel Polymers Pvt. Limited.

(c) The payments to SSI undertakings have been made as per stipulated terms

(d) The above information has been compiled in respect of parties to the extent to which they could be identified as small scale industries on the basis of information available with the Company.

10 Miscellaneous receipts include a sum of Rs. 80.22 lacs (Previous Year Rs.64.38 lacs) received from Crabtree India Limited towards reimbursement of common office and infrastructure facilities.

11 Provisions are recognised for expenses such as electricity, telephone, bad debts, sales incentives, other expenses of commercial nature and bonus to employees. The provisions are recognised on the basis of past events and the probable settlement of the present obligation as a result of the past events during the financial year 2005-06.

The movements in provisions are as under:

Amount
Rs. in lacs

a)	Carrying amount as on 1.04.2004	236.60
b)	Additional provisions made during the financial year 2004-05, including increase to existing provisions	127.77
c)	Amounts used (incurred and charged against the provision) during financial year 2004-05	56.76
d)	Unused amounts reversed during financial year 2004-05	16.38
e)	Carrying amount of provisions as on 31.03.2005	291.23

CONSOLIDATED FINANCIAL STATEMENTS

12 In the opinion of the Board, the current assets, loans and advances have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated and provision for all known liabilities have been made.

13 **Segment Reporting**

The Company operates in three segments - Switchgears, Cable and Wire and Electrical Consumer Durables. Segments have been identified and reported on the basis of the nature of products dealt with by the Company. Summary of operating segments of the Company are:

	Switchgears	Cable & Wires	Electrical Consumer Durables	Others	(Rs. in lacs) Total
A. Revenue					
i) Segment Revenue	21,793.39	30,724.34	13,151.16	1,208.77	<u>66,877.66</u>
					<u>66,877.66</u>
B. Result					
i) Segment Result	6,225.19	3,771.44	2,064.66	(272.15)	11,789.14
ii) Unallocated Expenses net of Unallocable Income					6,121.29
ii) Operating Profit					5,667.85
iii) Financial Expenses					1,350.94
iv) Income taxes					1,270.06
v) Profit					<u>3,046.85</u>
C. Assets					
Segment Assets	13,598.11	11,999.35	7,877.69	6,456.76	<u>39,931.91</u>
					<u>39,931.91</u>
D. Liabilities					
Segment liabilities	2,022.45	5,888.42	1,259.71	3,941.89	<u>13,112.48</u>
					<u>13,112.48</u>
E. Capital Expenditure					
Segment Capital Expenditure	2,311.72	1,105.04	817.39	790.65	<u>5,024.80</u>
					<u>5,024.80</u>
F. Depreciation					
Segment Depreciation	147.37	84.63	56.13	120.80	<u>408.92</u>
					<u>408.92</u>
G. Non-cash expenses other than depreciation					
Miscellaneous expenditure written off (unallocated)					0.41
Provision for bad and doubtful debts	22.15	9.29			31.44

14 **Earnings per share**

A. Basic Earnings per share

2005

Rs. In lacs

Numerator for basic earning per share

Profit before tax

4,316.91

Less: Provision for Income Tax

Current Tax

961.24

Deferred Tax

308.82

1,270.06

Net Profit after tax

3,046.85

Denominator for basic earning per share

Weighted number of equity shares

outstanding during the period

Nos.

11,591,154

Earning per share-basic

Rs.

26.29

CONSOLIDATED FINANCIAL STATEMENTS

B. Diluted Earnings per share

Numerator for diluted earning per share

2005

Rs. In lacs
4,316.91

Profit before tax		
Provision for taxation		
Current year	961.24	
Deffered tax	308.82	1,270.06

Net Profit after tax 3,046.85

Adjustment to net earnings	28.07	
Interest on 4% unsecured convertible Debenture	10.27	17.80
Less: Tax effect		<u>3,064.65</u>

Denominator for diluted earning per share

Outstanding number of equity shares as on 1/4/2004	Nos.	11,591,154
Possible dilution on conversion of 4% unsecured convertible debenture (Date of issue 13.12.2004)	Nos.	<u>1,340,865</u>
		12,932,019

Weighted number of equity shares	Nos.	11,991,577
Earning per share-Diluted	Rs.	25.56

The diluted earning per share has been calculated in accordance with the accounting standard AS-20 "Earnings per share" issued by the Institute of Chartered Accountants. The Net profit after tax has been adjusted for savings on interest expense(after tax effect at present rates) and the equity shares have been increased by the potential conversion of 4% unsecured convertible debentures. The said debentures are converted into equity shares at a price of Rs. 175.26 per share, being the price most advantageous to the debentureholders on the date of thier proposed conversion i.e 12/6/2006. The debentures are however convertible at a price range of Rs 175.26 to 275/- as per the terms of issue of debentures.

15 Related party transactions

As per accounting standard AS-18 issued by the Institute of Chartered Accountants of India, related parties in terms of the said standard are disclosed below:-

(A) Names of related parties and description of relationship :

1 Associates	(i) Havell's Switchgears Limited	(ii) TTL Limited
	(iii) Havell's Financial Services Limited	(iv) Crabtree India Limited
	(v) QRG Enterprises Limited	(vi) QRG Foundation
	(vii) Guptajee & Company	(viii) Standard Electricals Limited
2 Key Management Personnel	(i) Shri Qimat Rai Gupta	(ii) Shri Anil Gupta
	(iii) Shri Surjit Gupta	(iv) Shri Rajesh Gupta
3 Relatives of Key Management personal	(i) Mrs. Santosh Gupta wife of Shri Surjit Gupta	
	(ii) Surjit Gupta (HUF)	
	(iii) Rajesh Gupta (HUF)	

(B) Transactions Rs. In lacs

Particulars	Associates	Key Management Personnel	Relatives of Key Management Personnel	Total
Purchase of goods	133.47			133.47
Sale of goods	2,597.27			2,597.27
Sales incentives, discounts and commission paid	379.79			379.79
Purchase of fixed assets	10.98			10.98
Sales of fixed assets	0.67			0.67
Rent received	16.47			16.47
Rent paid	8.44			8.44
Receipt for use of common facilities	80.22			80.22
Reimbursement for rent		0.70		0.70
Repair expenses	0.18			0.18
Trade mark fee paid	597.81			597.81
Donation paid	11.00			11.00
Interest paid	18.06	1.41	8.37	27.84
Reimbursement on account of expenses	49.93			49.93
Directors remuneration		53.79		53.79
Total- Current Year	3,904.29	55.90	8.37	3,968.56

(C) Balance receivable at the year end	1,032.03			1,032.03
Balance payable at the year end		9.43	68.32	77.75

CONSOLIDATED FINANCIAL STATEMENTS

16 Additional information pursuant to the provisions of paragraph 3, 4C and 4D of Part-II and Part-IV of Schedule VI to the Companies Act, 1956 (as certified by a Director)

	UNIT	2004-2005	
		QTY	Amount Rs. In lacs
(i) Turnover			
Finished Goods			
Domestic Switchgears	Nos.	14,036,344	13,860.50
Industrial Switchgears	Nos.	934,567	7,698.29
Meters	Nos.	136,150	890.27
Cable and Wires	Kms.	214,359	30,584.63
Electrical Consumer Durables	Nos.	6,800,466	12,981.38
Miscellaneous			499.51
			66,514.58
(ii) Raw Materials and Components consumed			
			33,893.61 *

* It is not practicable to furnish quantitative information in respect of raw materials and boughtout components in view of considerable number and size of items consumed.

(iii) Purchases and Stocks

Purchases			
Electrical Consumer Durables	Nos.	2,005,474	3,387.24
Meters	Nos.	2,286	19.43
Industrial Switchgears	Nos.	112	2.15
Miscellaneous			11.62
			3,420.43
Opening Stocks			
Traded Goods		417,377	284.09
Finished Goods			
Domestic Switchgear	Nos.	763,452	565.30
Industrial Switchgear	Nos.	64,095	206.74
Meters	Nos.	47,269	288.25
Cable and Wires	Kms.	19,153	1,237.03
Electrical Consumer Durables	Nos.	215,097	381.44
Miscellaneous			93.04
			2,771.80
Semi-Finished Goods			805.62
Closing Stocks			
Traded Goods	Nos.	572,699	993.49
Finished Goods			
Domestic Switchgears	Nos.	4,266,313	1,568.14
Industrial Switchgears	Nos.	93,969	378.87
Meters	Nos.	49,144	319.25
Cable and Wires	Kms.	20,838	2,586.97
Electrical Consumer Durables	Nos.	636,752	851.62
Miscellaneous			48.19
			5,753.04
Semi-Finished Goods			1,167.76

(iv) Capacity and Production

LICENSED CAPACITY #			
INSTALLED CAPACITY (PER ANNUM) @			
Domestic Switchgear	Nos.	27,300,000	
Industrial Switchgear	Nos.	1,335,000	
Meters	Nos.	840,000	
Cable & Wires	Kms.	465,000	
Electrical Consumer Durables	Nos.	13,200,000	

CONSOLIDATED FINANCIAL STATEMENTS

	UNIT	2004-2005	
		QTY	Amount Rs. In lacs
Actual Production			
Domestic Switchgears	Nos.	17,714,133 (174,928)	
Industrial Switchgears	Nos.	969,282 (4,953)	
Meters	Nos.	135,759 (20)	
Cable and Wires	Kms.	217,664 (1,620)	
Electrical Consumer Durables	Nos.	5,425,024 (53,055)	

No Industrial license is required for the industry.

@ installed capacity is as certified by the production manager.

Figures in brackets are in respect of material consumed within the company and are included in the figure of total production.

17	CIF value of Imports		
	Raw materials and components		2,223.41
	Machinery		452.22
	Spare parts		14.25
18	Expenditure in foreign currency		
	Travelling		56.07
	Research & Development		0.95
	Advertisement		1.82
	Testing charges		14.71
	Seminar and exhibition		26.99
	Overseas Branch Expenses		65.95
	Training expense		7.93
	Expenses of foreign subsidiary company		5.71
	Dividend in foreign currencies		
	Year to which relates		2003-04
			Final
	Non-resident shareholders	Nos.	227
	Shares held	Nos.	231,106
	Amount paid in rupees	Rs. In lacs	2.89
	Amount remitted in foreign currency	Rs. In lacs	-
		Euro	-
	Total	Rs. In lacs	2.89
19	Earnings in foreign exchange		
	F.O.B. value of exports *	Rs. In Lacs	4,841.36
	* excluding export of Rs.354.22 lacs made through merchant exporters and excluding those consignment of which shipping bill is pending.		
20	Value of Imported/Indigenous materials and components consumed and percentage thereof		
		%	
	Indigenous	93.02	31,526.88
	Imported	6.98	2,366.72
		<u>100.00</u>	<u>33,893.60</u>

CONSOLIDATED FINANCIAL STATEMENTS

21 BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL PROFILE

i) Registration Details		
Registration No.		16304
Code No.		55
Balance sheet date		31.03.2005
ii) Capital raised during the year		
		Rupees in Lacs
Public issue		-
Right issue		-
Bonus issue		-
Private placement		-
iii) Position of mobilisation and deployment of funds		
Total liabilities		26,819.43
Total assets		26,819.43
Sources of funds		
Paid up capital		579.56
Reserves and surplus		8,076.21
Secured loans		14,208.61
Unsecured loans		3,213.60
Deferred tax liability		741.45
Application of funds		
Net fixed assets		9,233.06
Investments		316.58
Net current assets		17,268.72
Miscellaneous expenditure		1.07
iv) Performance of Company		
Turnover		66,538.45
Other income		339.14
Total expenditure		62,560.68
Profit before tax		4,316.91
Profit after tax		3,046.85
Weighted no. of equity shares		11,591,154
Earning per share (basic)		26.29
Earning per share (dilute)		25.56
Interim dividend		-
Dividend		50%
v) Generic names of Three principal products/services of Company (as per monetary terms)		
Product description		ITC Code No.
Miniature Circuit Breakers		85362003
Moulded case circuit breaker		85362020
Wire		85449000

- 22 Other accounting policies, contingent liability and notes to accounts
These are set out in the schedules of accounting policies, contingent liability and notes to accounts of respective financial statements of Havell's India Limited and Havell's (U.K.) Limited.
- 23 Figures of the corresponding previous year have not been given in the consolidated financial statement, this being the first year of consolidation of accounts.
- 24 The figures of Havell's (U.K.) Limited have been translated into Indian rupees by applying the rate of conversion of British Pound as on 31st March, 2005
- 25 The figures have been rounded off to the nearest thousand rupee.
- 26 Schedule No.1 to 19 form integral part of the balance sheet and profit and loss account.

For and on behalf of the Board of Directors of Havell's India Limited

Qimat Rai Gupta
Chairman & Managing Director

Surjit Gupta
Director

Ritu Mehrotra
Company Secretary

Yogesh Bansal
Senior Manager

Noida, May 12, 2005

AUDITOR'S REPORT
As per our Report attached

For V.P.Bansal & Co.
Chartered Accountants

V.P.Bansal
Proprietor

CONSOLIDATED FINANCIAL STATEMENTS

CASH FLOW STATEMENT

CONSOLIDATED CASH FLOW STATEMENT ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2005

A. CASH FLOW FROM OPERATING ACTIVITIES	31.03.2005
	(Rs.in lacs)
Net Profit before tax and extraordinary items	4,318.51
Adjustments for	
Depreciation	408.92
Profit on Sale of Fixed Assets	(0.33)
Loss on Sale of Fixed Assets	2.76
Income on Sale of Investment (Long term investment)	0.00
Interest Income	(43.83)
Dividend Income (from trade and long term investment)	0.00
Interest Paid	1,392.43
Miscellaneous Expenditure Written Off	0.41
Operating Profit before working capital changes	6,078.87
Adjustments for	
Trade and Other Receivables	(5,803.69)
Inventories	(4,994.49)
Trade Payables	4,195.44
Other Liabilities	821.79
Cash generated from Operations	297.92
Direct taxes paid	(1,007.94)
CASH FLOW BEFORE EXTRAORDINARY ITEMS	(710.02)
Net Cash received (+) / used (-) from Operating Activities	(710.02)
B. CASH FROM INVESTING ACTIVITIES	
Purchase of Fixed Assets	(2,929.61)
Addition in Capital Work in Progress	(2,095.19)
Investment in Shares	0.00
Sale of Fixed Assets	11.41
Interest Received	43.83
Income on Sale of Investment	0.00
Dividend Received	0.00
Net Cash used in Investing Activities	(4,969.56)
C. CASH FLOW FROM FINANCING ACTIVITIES	
Proceeds from Interunit Trfd.	
Proceeds from issue of Debentures	2,372.20
Proceeds from issue of Shares	0.00
Proceeds from Long Term Borrowings	4,899.79
Proceeds from Fixed Deposits	10.89
Repayment of Finance Lease Liabilities	(37.59)
Repayment of Unsecured Advances	(0.50)
Interest Paid	(1,392.43)
Dividend Paid	(144.89)
Net Cash received (+) / used (-) from Financing Activities	5,707.47
Net increase (+) / decrease (-) in cash and cash equivalents (A+B+C)	27.90
Cash and Cash Equivalents as at the beginning of the year	11.39
Cash and Cash Equivalents as at the close of the year	39.29

For and on behalf of the Board of Directors of
Havell's India Limited

(Qimat Rai Gupta)
Chairman & Managing Director

(Surjit Gupta)
Director

(Ritu Mehrotra)
Company Secretary

(Yogesh Bansal)
Senior Manager

Noida, May 12, 2005

AUDITOR'S CERTIFICATE

We have examined the above consolidated cash flow statement of Havell's India Limited and its subsidiary Havell's (U.K.) Limited for the period ended 31st March 2005. The statement has been prepared by the Company in accordance with the requirements of clause 32 of the Company's listing agreements with the Stock Exchanges. The statement is based on and is derived from the corresponding consolidated profit and loss account and consolidated balance sheet of the Company for the period ended 31st March, 2005 covered by our report dated May 12, 2005 and the profit & loss account and balance sheet of the parent company for the period ended 31st March, 2004.

For V.P.Bansal & Co.
Chartered Accountants
V.P.Bansal
Proprietor

Noida, May 12, 2005

Regd. Folio No.

No. of Shares held

DP.ID. No.....

Client ID.No.



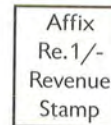
Havell's India Limited

1/7, Ram Kishore Road, Civil Lines, Delhi-110054

FORM OF PROXY

I/We.....of.....
in this district ofbeing a member/members of the above named Company, hereby appoint
Mr./Ms.....of.....in
the district of..... or failing him Mr./Ms.....of.....in
the district of as my/our proxy to vote for me/us on my/our behalf at the 22nd Annual
General Meeting of the Company to be held on the 20th day of July, 2005 and at any adjournment thereof.

Signed this.....day of2005.



(Signature of the Member)

Notes:

1. Proxy need not be a member.
2. Proxy form duly signed across revenue stamp should reach Company's Registered Office atleast 48 hours before the time of the meeting.
3. The company reserve the right to ask for identification of the proxy.
4. Proxy cannot speak at the meeting or vote on a show of hands.

Date: July 20, 2005
Time: 10:30 A.M.
Venue: Shah Auditorium
Raj Niwas Marg, Civil Lines,
Delhi-110054



Havell's India Limited

1/7, Ram Kishore Road, Civil Lines, Delhi-110054

ATTENDANCE SLIP FOR ANNUAL GENERAL MEETING

Regd. Folio No.

No. of Shares held

DP.ID. No.....

Client ID.No.

I certify that I am a member / proxy for the member(s) of the Company.

I hereby record my presence at the 22nd Annual General Meeting of the Company at Shah Auditorium, Raj Niwas Marg, Civil Lines, Delhi - 110 054 on Wednesday, the 20th day of July, 2005 at 10:30 A. M.

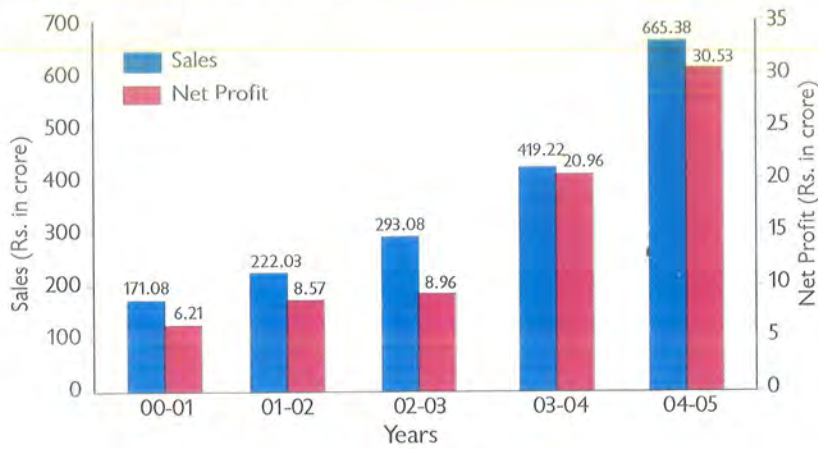
Member's/Proxy's name in Block Letter

Signature of Member/Proxy

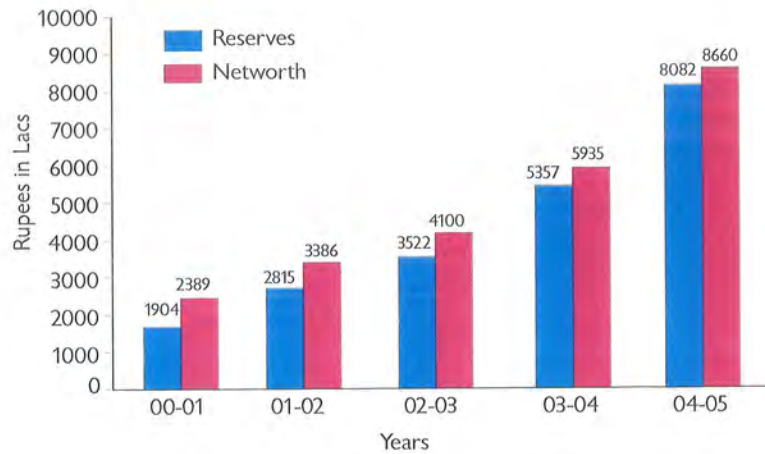
Note :

Please fill up this attendance slip and hand over at the entrance of the meeting hall.

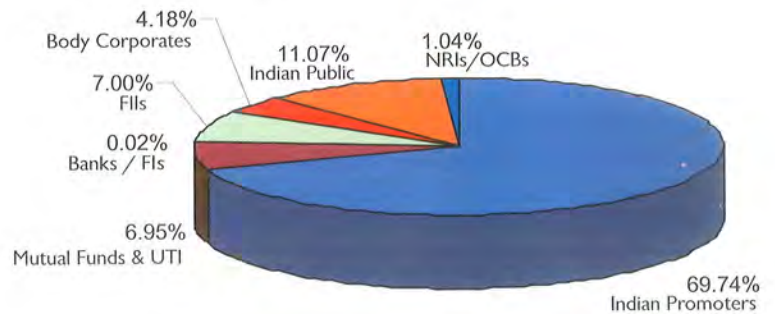
Net Profits to Sales



Reserves & Network



Shareholding Pattern (As on 31.03.2005)



Share Price Movement





Registered Office: 1/7, Ram Kishore Road, Civil Lines, Delhi-110054 (India)

Corporate Office: E-1, Sector-59, Noida-201307 UP (India)

Website: www.havells.com