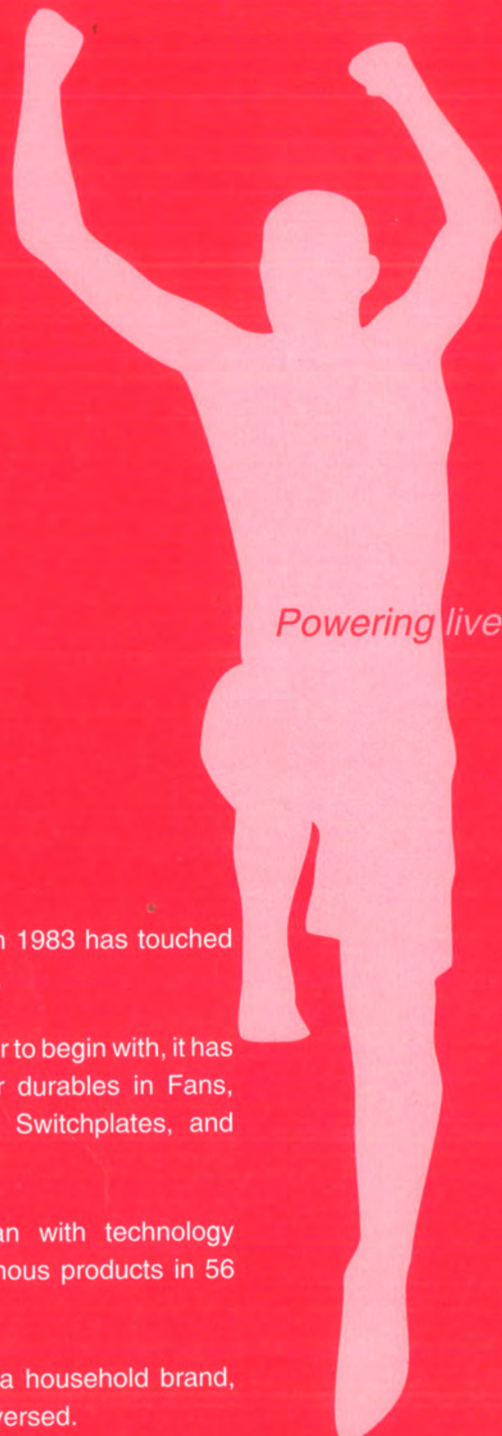
HAVELL'S

HAVELL'S INDIA LTD.

Annual Report
2005-06

Powering lives



Powering lives

A modest beginning made in 1983 has touched Rs. 1000 crore mark this year.

A single product manufacturer to begin with, it has diversified to add consumer durables in Fans, CFLs, Luminaries, Modular Switchplates, and Premium Bath Fittings.

An enterprise, which began with technology imports, is selling its indigenous products in 56 countries.

From electrical products to a household brand, the journey has been well traversed.

Informed media of repute has started recognizing its potential.

Havell's realises its responsibilities and will continue its endeavour to maintain the growth momentum and value creation for all its stakeholders will be at the core of whatever Havell's does.

Inside

Chairman's Letter

Dear Shareholders,

Economic liberlisation has thrown up significant opportunities and challenges for the Indian Industry. Foremost among them, is the building up of international standard Infrastructure in the country. The infrastructure building measure have taken an all-country approach against China's cluster – centric approach, which we believe would hold large economic dividend in future. More private participation mainly attributed to enhancing power capacity, better transmission and distribution and huge construction activities covering the large geographical reach will give immense potential for your Company to grow in future.

Havell's has achieved another bench mark this year by crossing the Turnover above Rs.10 Billion mark at Rs.11,151 Mn. Another year marked by comprehensive growth in terms of spawning opportunities, augmenting profits, extending product offerings, consolidating leadership, copious manufacturing capacities, leveraging specific geographical advantages. The sustained leadership is indeed a rare achievement. Havell's has a highly committed and dedicated team of employees with inherent values of integrity, customer orientation and quality consciousness. Havell's has come to know for its outstanding relationship with all stakeholders' ancillaries, vendors, dealers, shareholders and customers.

Keeping in view the ever increasing demand for our products, we have been constantly upgrading capacity at the existing plants and investing heavily in the new plants. We have setup state of the art manufacturing facility for Switchgears in Baddi, Himachal Pradesh in the fiscal year 2005 and another state of art plant at Haridwar for Electrical Consumer Durables during fiscal year 2006. To add further muscle to its manufacturing capabilities and to augment new product development for further projects, an advanced Central for Research and Innovations has been established in Noida, Utter Pradesh, But domestic patronage, hefty as it may be, is ultimately limiting, which is why the exploration of foreign

Chairman's Letter

markets is an imperative for ambitious companies such as Havell's India. In this process we are acquiring a electrical company in Greece.

Over the last one decade, Havell's has consistently delivered value and maximized returns to its stakeholders. During the fiscal year 2006 your company has announced another issue of bonus shares in the ratio of 1:1 after its maiden bonus issue in fiscal year 2005 in the ratio of 1:1. Havell's has been ranked at 11th position in 'India's Fastest Growing Large Cap Companies' by Business Today and amongst 'top 20 stock for 2010' by Dalal Street. The recognition of repute media is an immense responsibility by putting us in the league of Infosys, Reliance, ITC.

Havell's will carry its leadership to greater heights in the coming years. We are committed to create new milestones as we go along and will continue to follow prudent management policies. We are looking at growth beyond competition, defining for ourselves an expansion path that would sustain our leadership in a world shaped by continuously evolving market forces. We thus think above operational excellence into product innovation.

Your Sincerely,

Qimat Rai Gupta

Chairman & Managing Director

Company Information

BOARD OF DIRECTORS	Mr. Qimat Rai Gupta, Chairman & Managing Director Mr. Surjit Gupta Mr. Anil Gupta, Joint Managing Director Mr. Rajesh Gupta, Director Finance Mr. S.B. Mathur Dr. Abid Hussain Maj. Gen. D.N. Khurana Ms. Sabine Geyer Mr. Avinash P. Gandhi Mr. Richard Owen Pyvis Ms. Josephine Price, Alternate Director
COMPANY SECRETARY	Ms. Ritu Mehrotra
AUDITORS	M/s V.P. Bansal & Co. Chartered Accountants B-1, Sector-2 , Noida
BANKERS	Canara Bank Janpath, New Delhi-110001 Corporation Bank K.G. Marg, New Delhi-110001 State Bank of India IFB, New Delhi-110001 IDBI Bank Ltd K.G. Marg, New Delhi-110001 Union Bank of India IFB, New Delhi-110001 Standard Charterd Bank Metro Main, New Delhi-110001 UTI Bank Limited Statesman, New Delhi-110001
SHARE TRANSFER AGENT	MCS Limited (Unit-Havell's India Limited) W-40, Okhla Industrial Area, Phase-II, New Delhi-110020 Tel: 011-41406148 Website: www.mcsind.com
LISTED IN	The National Stock Exchange of India Ltd. The Bombay Stock Exchange Ltd.
REGISTERED OFFICE	1/7, Ram Kishore Road, Civil Lines, Delhi-110054
CORPORATE OFFICE	E-1, Sector-59, Noida-201 307 (U.P.) Tel: +91-120-2477777 Fax: +91-120-2477666 Website: www.havells.com


Powering best practices

Powering best practices

Havell's consistently achieving greater heights due to its strong manufacturing infrastructure. It is the country's largest manufacturer of Miniature Circuit Breakers and is among the Top Ten international manufacturers. Havell's is the largest manufacturer of Compact Fluorescent Lamps and has setup the largest integrated manufacturing facility for Fans in the Country.

Our focus is on competitiveness in our Manufacturing and using high-technology for regular process breakthroughs and for better cost-efficiencies to reap market advantage on a sustained basis.

At Havell's, the manufacturing system has got further streamlined with the implementation of various proven techniques such as Just-In-Time (JIT), Six Sigma and Juran Trilogy. With world-class manufacturing equipment, processes, quality systems in place and with sizeable capacities becoming operational, Havell's is poised to extend its Brand footprint across more markets in more categories.

The customer value of "Energy Saving" has come to be usefully associated with the brand, which is particularly relevant in a power-deficit era. Havell's has nurtured the category of Compact Fluorescent Lighting (CFL) which deliver energy efficiency as well as make a progressive lifestyle statement. With better Havell's has introduces fans with more efficiency and energy saving capabilities.

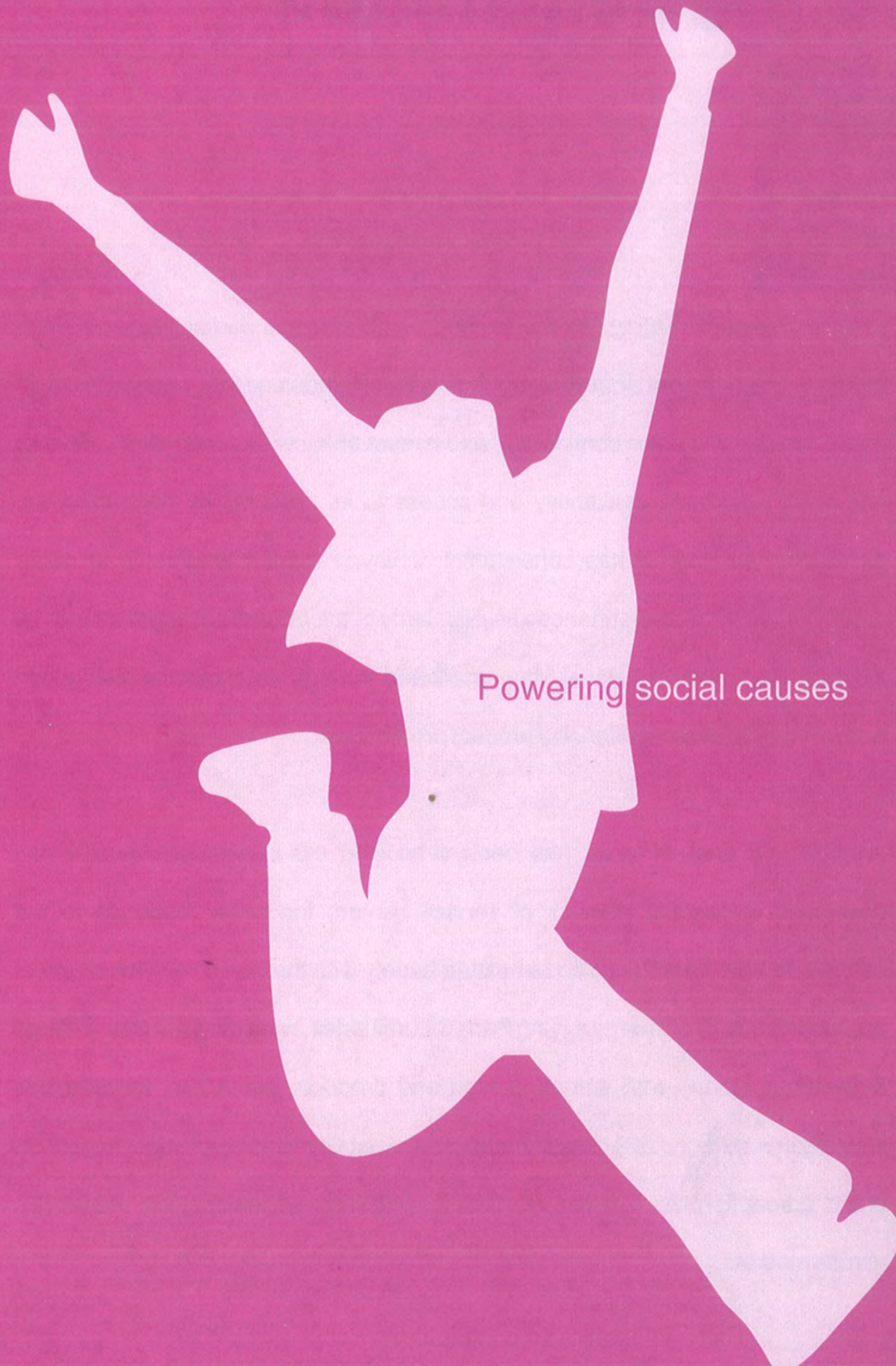
Powering Consumers

Powering consumers

In present-day marketing, it's the Brand that creates the demand and sells the product. The brand must have a reputation that includes quality, service, product dependability, customer confidence, and it must enjoy wide recognition. Havell's has been increasing availability and access to its products by deepening the distribution network. It has consistently achieved market leadership in major product segments, and enhanced its popularity in the household segment with its electrical consumer durables. Mass-marketed through an extensive distribution network and backed by intensive product promotions.

Another key area of focus has been service to the consumer. Havell's has developed a national network of service centers for faster response to the consumer. The brand has also benefitted hugely with the launch of wide range of products like ACBs, Energy saving Fans & Luminaries, wide range of Bath Fittings & Switches. Today with launch of high end products like ACBs, Havell's has successfully demonstrated its technological capability which has major impact on brand perception. All this has resulted in wide spread acceptance of Havell's across markets.

Powering social causes



Powering social causes

Making contributions that add to the goodwill are part of the ethos at Havell's. Proactively, it seeks out opportunities to make a difference in the lives of people who live in the vicinity of its facilities, and maintains a harmonious relationship with the social surrounding. A Midday Meal project that is large enough to presently cater to ten thousand students of the poorer section of society is being run by Havell's. The enrolled students are thus retained in the educational system for which the nutritional support is necessary.

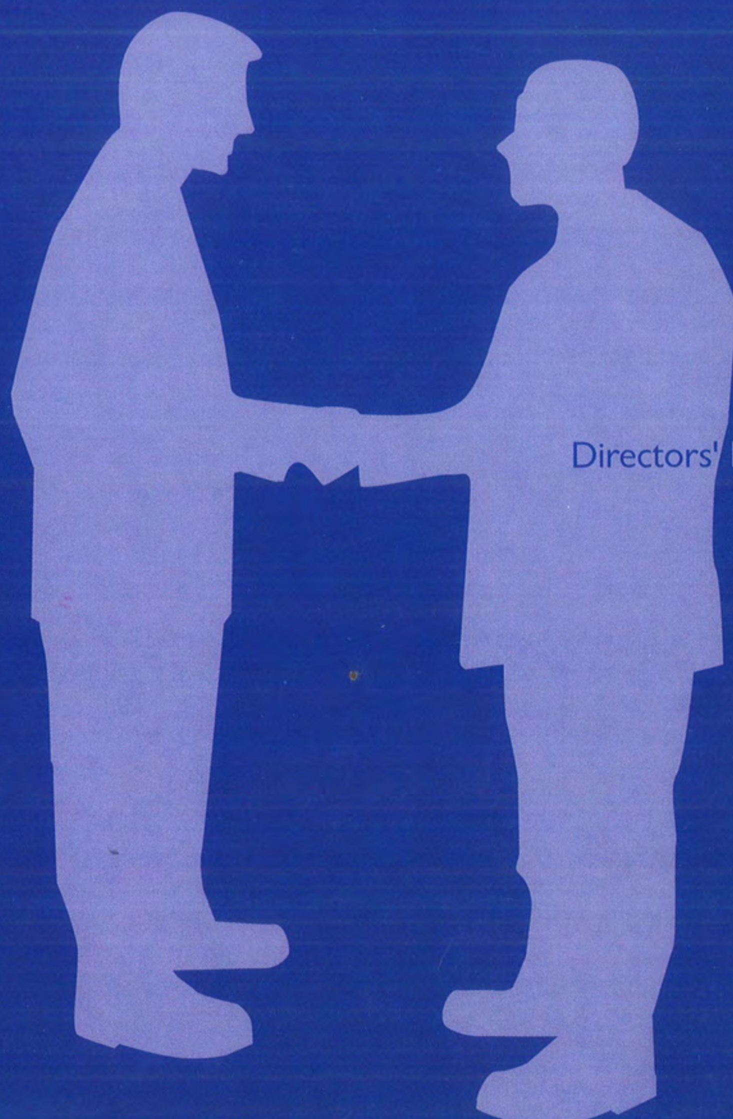
As part of the Community Extension Programs, and as fulfilment of its corporate social responsibility (CSR), Havell's now offers a unique Vocational Training program in conjunction with the Govt. of Rajasthan, where students who have passed their twelfth standard are imparted training which leads to a certification from the Company the Havell's Certified Electrician on successful completion. Actively spreading medical assistance and relief are 15 Mobile Health Centres which serve the poor and needy sections, and Havell's has plans to extend its reach by adding more vehicles suitably equipped, in the near future.


Powering global networking

Powering global networking

Having emerged as one of India's largest Electrical Products company with a diversified product range Havell's , is now focusing its efforts on the international market with a presence in over 52 countries all over the globe. Instead of being just exporter of manufactured good we wish to be an international with each market being nurtured through local promotion and development. We now have five offices outside India in Dubai, Dhaka, Colombo, Lagos and Shanghai for this purpose.

We have finalised acquisition of a company in Greece, which shall give access to local greek market, south eastern European market with infrastructure. All our product are made to the international standards and we have received host of international certifications and approvals from Canada, Holland, UK, Nigeria, Singapore, Australia, Malaysia etc., This has done with the clear objective of growing our international presence in various countries in times to come.



Directors' Report

Directors' Report

Your Directors have pleasure in presenting the 23rd Annual Report and audited financial accounts for the year ended 31st March, 2006:

Financial Results

(Rs. in Lacs)

	2005-06	2004-05
Gross Sales	111,513.64	66,588.40
Less Excise	11,144.91	8,342.22
Net Sales	100,368.73	58,246.18
Other Income	354.87	289.27
Total Expenditure	90,419.33	52,452.89
Interest	1,801.87	1,350.94
Net profit after interest but before Depreciation and Taxation	8,502.40	4,731.62
Less Depreciation	653.80	408.92
Profit before Taxation	7,848.60	4,322.70
Less Taxation	1,527.88	1270.06
Net Profit	6,320.72	3,052.64
Add Balance brought forward from previous year	6,320.14	3,915.15
Profit available for appropriation	**12,640.86**	**6,967.79**
Appropriation of Profits		
Transfer to General Reserve	640.00	320.00
Proposed Dividend	671.98	289.78
Corporate Dividend Tax	97.02	37.87
Balance carried over to Balance Sheet	11231.86	6320.14
	12,640.86	**6,967.79**

The Current year figures are not comparable with that of the previous year as it has the effect of Amalgamation of Crabtree India Limited with Havell's India Limited as approved by the Hon'ble High Court of Delhi vide its order dated April 19, 2006.

Performance of the Company

This year, your Company has again given a tremendous performance. The turnover of your Company has increased by 67.47% from Rs.66,588 Lacs in the last Financial Year to Rs.111,514 Lacs in current financial year (including the financial results of Crabtree India Limited). The Net Profit of the company has also increased by more than 100% from Rs.3053 Lacs in previous year to Rs.6321 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. With the merger of Crabtree India Limited, Modular Switches and bath fittings products are also included in the Havell's product range.

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 2005-06. The proposed dividend, if approved at the ensuing Annual General Meeting, would result in appropriation of Rs.769 Lacs (including Corporate Dividend Tax of Rs.97.02 Lacs) out of the profits. The Company has made transfer of Rs.640 Lacs to the General Reserve. The total appropriation of Rs.769 Lacs gives 12.17% payout on net profit of the company.

Switchgear Division

Havell's is the largest manufacturers of MCBs, RCCBs, and Distribution Boards in India. After successful setting up of absolutely world class, totally automated manufacturing plant in the green environs of Himachal Pradesh, the Company is in the process of setting up an 100% Export Oriented Unit (EOU) at Baddi. The new manufacturing facility in Himachal Pradesh had augmented capacities to 30 million poles of MCBs, which puts Havell's in the top 10 league of manufacturers in the world. The Company is currently exporting MCBs to over 45 countries, including the highly mature and quality conscious European countries. The Company is also manufacturing a comprehensive range of Industrial Switchgear

Directors' Report

products including MCCBs, Fuse Switches, Fuses, Changeover Switches, Contractors, and Starters etc. During the year the division has also introduced new products like ACBs, RCBO etc., which have been developed in-house.

Electrical Wire Accessories

Electrical Wire Accessories include modular plate switches and sockets, manufactured under the brand 'Crabtree', a well established name in the Indian electrical market. Crabtree is a leader in this segment for the past seven years. With the merger of Crabtree India Limited with the Company effective from 01-04-2005, the turnover of this product is included in the Switchgear segment of the Company, which is Rs.5194 Lacs. It has introduced complete new ranges namely 'Piccadilly' and 'Athena' in the current year.

The turnover of Switchgear Division during the current year is Rs.33038 Lacs as compared to Rs.21725 Lacs for the previous year.

Cable & Wire Division

The Company is recognised as quality manufacturers of cable & wires and offers a complete range of low and high voltage PVC and XLPE cables, besides, domestic FR/FRLS wires, Co-Axial TV and Telephone Cables. During the year, the Company has expanded its production capacity almost to double. During the year under review, the Company has installed CCV Lines for making high voltage cables.

The cable division has shown growth of 52% as turnover of the unit has increased to Rs.46516 Lacs from the previous year's turnover of Rs.30697 Lacs.

Electrical Consumer Durables Division

During the year, the Company has given a good performance in Electrical Consumer Durable Division. The turnover of this unit has increased to Rs.27441 Lacs from the previous year's turnover of Rs.13130 Lacs, i.e. growth of approx 109%.

CFLs

With the continuing power crisis and increasing electricity bills having encouraged Indians to shift to energy-efficient compact fluorescent lights (CFLs).

During the year under review, the Company has completed the installation of a state-of-the-art automatic plant for manufacturing Compact Fluorescent Lamps (CFLs) at Haridwar. The commercial production at this plant has started in January, 2006. The new plant at Haridwar & Baddi would uniquely position the Company to become the largest manufacturer of CFLs in the Country.

Havell's CFLs are marketed through the massive existing distribution network of the Company backed by a comprehensive mass communication. The Company is currently exporting CFLs to the neighboring countries like Sri Lanka, Bangladesh besides Middle East and African Countries. The Company has also initiated the marketing of this energy saving product in the smaller towns and rural areas, which will definitely result in expansion of demand and growth of the product.

Fans

To meet the growing demand of Havell's Fans, the Company installed a new plant at Haridwar, Uttranchal which has a totally integrated facilities and has a capacity of 2.4 million fans per annum. It is the largest plant in the Country for Fan production. The production at this unit has started in October, 2005.

The company has introduced energy-saving fans under ES-50 brand in the market, which consume only 50 Watts of power against 75 Watts consumed by ordinary fans. This results in a 33 per cent power saving. Havell's launched various new designs of fans in the market, which have captured the Customers' fancy.

Light Fittings

Havell's is again growing tremendously in this segment as we are giving new and innovative products with technological advantage. The product range is very comprehensive covering indoor domestic, commercial and outdoor applications.

International Business

During the financial Year 2005-06 our Exports have grown by more than 50% to Rs.7281 Lacs as compared to previous year figure of Rs.4841 Lacs due to increase in awareness of Havell's brand globally with the Company putting focus on international market.

Directors' Report

The Company has its offices in Dubai, Dhaka, Colombo and Lagos for developing the local markets. Other countries are being catered by the highly motivated team in our International Business Division (IBD). The Company is planning to set up more marketing heads in the respective countries where we expect increase in market presence of our products.

Centre for Research and Innovation

Innovation and Research is the foundation on which the future of any manufacturing organization is built. Though the Company has R & D Facilities in all its manufacturing plants, during the year the Company has set up a Central R & D Facility in its Corporate Office premises at Noida which is equipped with the latest equipments for testing, developing, prototyping etc. and has employed over 70 engineers. This center is in addition to the individual R & D cells in each factory and shall concentrate only on really futuristic projects and totally new products and technology for the Company. The initiative on R&D at Havell's is driven by the philosophy of owing our own intellectual property.

Subsidiary Company

Havell's (UK) Limited

During the year under review, the Board of Directors decided to wind up Havell's (UK) Limited as there was no business since inception in it. Accordingly, the Company sold its entire shareholding in Havell's (UK) Ltd. Consequently, Havell's (UK) Limited is no longer a subsidiary of the Company. However, Financial Statements are prepared in accordance with the Accounting Standards prescribed for consolidation of financial accounts by the Institute of Chartered Accountants of India, in this regard.

Bonus Shares

At the Annual General Meeting of the company held on 20th July, 2005, members of the Company approved the allotment of Bonus Shares in the ratio of 1:1 i.e. one fully paid up Bonus Share for every one equity share of Rs.5/- each. Consequently, on 8th August, 2005, the Company allotted 11591154 equity shares of Rs.5/- each to all the shareholders whose names appeared on the register of members as on 6th August, 2005. After the Bonus Shares allotment, the paid up capital of the Company increased to Rs.11.59 Crores.

With a view to bring the Share Capital to a level commensurate with the total capital employed in the Company, consecutively second year in a row, Board of Directors at their Meeting held on May 18, 2006 recommended the issue of Bonus Shares in the ratio of 1:1.

Conversion of Unsecured Fully Convertible Debentures into Equity Shares

Pursuant to the conversion agreement entered into between Havell's India Limited and M/s Shine Limited, Mauritius, the Company has at its committee meeting held on 21st March. 2006, allotted 1709090 Equity Shares of Rs.5/- each to M/s Shine Limited being a) 854545 Equity Shares on account of conversion of 235-4% Unsecured Fully Convertible Debentures of Rs.10,00,000/- each at the conversion price of Rs.275/- per share and b) 854545 Equity Shares as fully paid up Bonus Shares as per the SEBI (Disclosure and Investor Protection) Guidelines, 2000. After this allotment, the paid up capital of the Company increased to Rs.12.45 Crores.

Increase in Authorised Share Capital

Pursuant to the resolution passed by the members of the company at the Annual General Meeting of the Company held on 20th July, 2005 resulting from the issue and allotment of Bonus Shares, the Company increased its Authroised Share Capital from Rs.11.50 crores to Rs.15 Crores. Subsequently the same is increased to Rs.20 crores on account of Merger of Crabtree India Limited with the Company.

Amalgamation of Crabtree India Limited with Havell's India Limited

During the year under review, the Company initiated the process of Amalgamation of Crabtree India Limited (CIL) with Havell's India Limited (HIL). CIL was in the business of dealing in various electrical products and bath fittings. The Scheme of Amalgamation was proposed to consolidate the electrical and bath fittings businesses of CIL and HIL. The amalgamation will facilitate consolidation of the electrical and bath fittings businesses of both Companies under single corporate operation & control.

This Amalgamation brings to your Company the benefits, inter alia, of consolidating its resources in the area of core competence, synergy in sales and distribution operations. A strong financial and operational structure will be capable of resource mobilisation and financial consolidation necessary to withstand competition from domestic and international sector and to deliver better value to our shareholders.

Directors' Report

The Hon'ble High Court of Delhi at New Delhi, has sanctioned vide its Order dated April 19, 2006 the Scheme of Amalgamation between CIL & HIL effective from the Appointed date, i.e. 1st April, 2005. Consequent to that the object clause related with dealings in bath fittings items of CIL has also been incorporated in the main object clause of Memorandum of Association of the Company. Further, the Authorised Share Capital of CIL has also been merged with the Authorised Share Capital of the Company from Rs.15 Crores to Rs.20 Crores.

Pursuant to the said Scheme of Amalgamation, the Company has at its Share Transfer Committee Meeting held on 3rd May, 2006 allotted 1987805 Equity Shares of Rs.5/- each at par credited as fully paid up to the shareholders of Crabtree India Limited in the ratio of 100 Equity Shares of Rs.5/- each of Havell's India Limited at par as on the effective date for every 246 equity shares of Rs.10/- each of Crabtree India Limited.

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

Maj. Gen. D.N. Khurana and Shri S. B. Mathur 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 Maj. Gen. D.N. Khurana and Shri S.B. Mathur as Directors, liable to retire by rotation at the ensuing Annual General Meeting.

In accordance with the requirement of the Companies Act, 1956, Shri Surjit Gupta and Dr. Abid Hussain Directors retiring by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

The Board of Directors at their meeting held on May 18, 2006 appointed Shri Anil Gupta as Joint Managing Director of the Company for a period upto 31st March, 2011.

In accordance with the provisions of section 269, 309 read with Schedule XIII of the Companies Act, 1956, Shri Qimat Rai Gupta and Shri Rajesh Gupta are proposed to be re-appointed as Chairman & Managing Director and Whole Time Director (Finance) respectively at the ensuing Annual General Meeting of the Company on the terms and conditions mentioned in the notice calling the Annual General Meeting.

Auditors

M/s V. P. Bansal & Co., Chartered Accountants, the present Auditors of the Company, retiring at the forthcoming Twenty Third 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.

Directors' Report

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, 2006 aggregated to Rs.130.31 Lacs. Deposits aggregating to Rs.7.67 Lacs from 10 depositors, though matured, had neither been claimed nor renewed until March 31, 2006. The Company has sent letters to all those deposit holders to claim the same.

The Board of Directors at their meeting held on 20th July, 2005, decided not to accept any fresh / renew deposit as per the provisions of section 58A of the Companies Act, 1956 and Companies (Acceptance of Deposits) Rules, 1975.

Investors Education and Protection Fund

Pursuant to the provisions of section 205A & 205C of the Companies Act, 1956, your Company has deposited Rs.1,59,420/- lying unclaimed / unpaid dividend for the Financial Year 1997-98 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 Bombay Stock Exchange Ltd., (BSE). NSE has been defined as the Designated Stock Exchange of the Company. The listing fees in respect thereof, for the year 2006-07, has already been paid to both the Stock Exchanges.

The equity shares allotted pursuant to the Scheme of Amalgamation are under process of listing at both NSE and BSE.

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

Havell's 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.

To highlight high quality standards, Havell's also has prestigious international approvals like KEMA, AENOR etc. for its products.

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. 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.

Directors' Report

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, 2006, the Company has paid Rs.1527.88 Lacs towards Income Tax as compared to Rs.1270.06 Lacs paid during the last financial year. This payment along with an Excise Duty of Rs.11144.91 Lacs, Sales Tax of Rs.7681.98 Lacs, Contribution to PF, ESI etc. of Rs.306.08 Lacs totaling Rs.20660.85 Lacs indicates that your Company is a regular payer of taxes and other duties to the Government and is contributing fully to the growth of our nation as a responsible corporate citizen.

Social Obligation

The Company had contributed Rs.15 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.

Your Company is providing the mid - day meal to 10000 School children 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.

Human Resources

The Company takes pride in the commitment, competence and vigour shown by its workforce in all realms of business and value human resources as it is very vital to the growth of the Company. The company continues to take new initiatives to further align its HR policies to meet the growing needs of the business.

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. 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.

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. The relation between the management and employee is very cordial through regular open meetings.

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 Mediclaim Insurance policy for its every employee. Accidental policies are also taken by the Company to secure their life.

Acknowledgments

Your Directors thank to our valued 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.

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

Last but not the least, we are also grateful to my colleagues at all levels, who have put in their best efforts and unstinted cooperation without which this growth and expansion is not possible.

For Havell's India Limited

(Qimat Rai Gupta)
Chairman & Managing Director

Noida, May 18, 2006

ANNEXURE - A TO THE DIRECTORS' REPORT

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

S. No.	Name	Age (Years)	Designation	Remuneration (In Rs.)	Qualifi-cations	Experience (In Years)	Date of comme-ncement of employment.	Last employ ment held
1	Shri Qimat Rai Gupta	69 Years	Chairman & Managing Director	Rs.35,00,000/-	B.A.	46 years	08.08.1983	N.A.
2	Shri Rajesh Gupta	49 Years	Director (Finance)	Rs.26,56,250/-	C.A.	25 Years	1.12.1980	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, 2006 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.

i. Provided APFC relay in L.T. panel.

ii. Optimum utilization (between 80-85% load) of D.G. Sets.

iii. Equal distribution of load in RYB phase.

iv. Timely calibration of fuel pump and injectors of D.G. Sets.

v. Replaced under size cables by appropriate size of cable from L.T. panel to distribution panel.

vi. Installed and commissioned our own 11KV sub-station with 1000kva Transformer inbuilt OLTC (on load tap changer).

vii. Increased 1.5 times capacity of R.O. plant by providing one additional Membrane with existing energy consumption.

viii. Efficient designed Baking ovens for paint shop - Cover, Blade and stator Baking.

ix. Painting system - wet on wet being adopted to achieve the baking in max one or two Pass in baking oven.

b) Additional Investment and proposals for Energy Conservation

i. To provide M.S. fabricated pipeline in place of G.I. threaded type pipe for compressed air to avoid leakage of compressed air in DB assembly area and some other shop floors with an investment of Rs.2.5 Lacs.

ii. To replace existing 36 watt lights either by 28 watt lights or CFLs.

iii. Cover & Blade baking oven planned to operate on LPG instead of LDO. - Investment of Rs.100000/-

iv. Fan plant is presently running on DG set. It will be operational by using State Electricity Board power. Expenditure of Rs.8,00,000/-

v. Import of new technology winding machines 4 Sets from China to save on Air consumption. Investment of Rs.9,00,000/-

vi. Use of energy efficient lighting in the fan plant instead of FTL . Investment of Rs.5,00,000/-.

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

i. Improved power factor from 0.93 to 0.99.

ii. Increased consumption ratio of D.G. Set from 2.95 Kwh per liter to 3.15 Kwh per liter through optimum utilization of D.G. Set, timely calibration of Fuel pump & injectors.

iii. Saved almost 5% electricity by stabilized voltage through OLTC (on load tap changer), which is inbuilt with our cast resin, dry type transformer.

iv. Increased efficiency of R.O. Water plant by 1.5 times in same capacity of R.O. pump & feeder pump.

v. Reduce cost of production per Fan

B. RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPOTION

a) Research & Development

Directors' Report

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

(i) Import Substitution

1. The company has developed a wide range of switchgear products through R & D division to substitute the imports such as DP&FP, 125A RCCBs, RCBOs, DIN Changeover Switches, Electronic MCCBs, ACBs etc.
2. Indigenous manufacturing of Table, Pedestal, Wall fans to reduce dependency on imports.
3. In-house Development of the PCB for RCBO;
4. Introduction of plastic model Table & Wall Fan will minimize the dependence on imported sourcing.

(ii) Technology upgradation

1) The in house R & D team is persistently working on the upgradation of the existing products and employing the state of the art technology.
2) Auto calibration bench developed in house for accurately calibrating MCB.
3) Use of wet on wet painting technology for metallic finish fan covers & blades without affecting finish & gloss.
4) Installation of layering winding Machine to improve to coil winding finish.

(iii) Quality Improvement

1. Process improvement to reduce the rejection rate of sub-assemblies.
2. Stringent Quality checks incorporated to assure the quality product.
3. Value engineering to achieve cost reduction of various components and to make the products more competitive in the market.
4. Introduction of 2 in 1 packing in one master carton along with blade to ensure
   a) No colour mismatch in Motor & Blade
   b) Ease of logistic from factory to Branch Godown, From Branch Godown to Distributor, Dealer & Retailer.

5. Conveyorised trim fixing, angling, balancing & packing of Blades to minimize the handling of Painted blade leaves.

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

1. To produce electronics RCCB with the state of art technology
2. To produce MCB with higher rating 80-125 A.
3. To produce MCB Single pole with switched neutral.
4. To produce auxiliaries of MCB as Under Voltage Release and Auxiliary contact.
5. To produce ACBs in higher (5000-6300) frame.
6. To introduce the Motorized change over switches.
7. Introduction of various new models of Ceiling fans/ Pedestal / Wall fans and light duty ventilating fans.
8. Introducing various new design of lighting systems to conserve power consumption and provide better lighting.
9. Implementation of streamlined manufacturing System Using JIT techniques.
10. Implementation of improved Handling system for semi-finished & finished components to reduce the rework & Rejection.
11. Implementation of small Quality Improvement Projects in each area of Manufacturing to ensure reduction in rework / Rejection, by using Six Sigma Techniques & Juran Trilogy.
12. Elimination of Non-Value adding activities in the manufacturing.

Expenditure on R & D

(Rs. in Lacs)

	2005-06	2004-05
Capital	259.87	34.98
Recurring	164.94	107.69
Total	**424.81**	**142.67**
Total R & D expenditure as a percentage of total turnover	0.38%	0.21%

Directors' Report

Technology Absorption, Adaptation and Innovation

1. **Efforts, in brief, made towards technology absorption, adaptation and innovation.**

   The company is continuously involved in development of new products and upgradation of technology in existing products. The company is keeping a close eye on the latest developments in the field of electrical/electronics and incorporating those advancements in the processes engrossed. The company is in line to achieve six sigma. The updation in the plant and machinery is persistently carried out and automation of the processes in plant is in progress.

2. **Benefits derived as a result of above efforts.**

   Improvement in quality of the products, enhancement of the product range, and improvement in manufacturing processes which results in cost reduction, consumer satisfaction and wider acceptance of the product and grant of various certifications.

3. Information on imported technology (imported during the last 5 years) reckoned from the beginning of the financial year, if any:

Technology Imported	Year of Import	Has technology been fully absorbed?	If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.
Complete CFL plant & technology	2003-04	Yes	N.A
Continuous catiniery vulcanizing extrusion machine	2005-06	Yes	N.A.
54 bobbin Stranding machine	2005-06	Yes	N.A.
Cable print machine	2005-06	No	Not installed yet, some parts are pending for import, will be installed during the year 2006-07.

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

Our products have been successfully tested in the world's most developed countries like Norway, Russia, Spain, Italy, Czech, Croatia etc. From these countries not only we have received initial approvals but also got repeat orders. These new countries would give quantum jump to Havell's international business growth. Besides concentrating on traditional markets, like Middle East & Western Europe, Havell's focused on Africa, Australia, Russia & East Europe this year.

With special & focused approach, Havells have multiplied its business relations with our Overseas Export Market in UK & Europe by adding many more products resultant multifold increase in turnover.

Havell's has bagged a prestigious multimillion Dollar contract for supply of Switchgear to an American Electrical major in the Asia Pacific region.

Havell's participated in leading international industrial exhibitions in Dubai, Hanover, Italy, Malaysia & Mumbai, etc.

Havell's is in the advance stage of finalizing takeover of a company in Europe and are also in talks with a couple of more strategic alliances / takeovers for a wider International presence in the Global markets.

Having established ourselves firmly in international markets, we are now poised to increase export sales by almost 100% in 2006 - 07. This growth would come from recently executed tie-ups, opening more overseas offices, entering into strategic JV relationships.

Moreover, we would continue our quest for developing new products as per market / customer demand. Internally we have increased our team strength by almost 150% to increase our focus and go in-depth in each & every targeted market / region.

More international brand promotion activities are planned to increase Havell's brand awareness, which would eventually result is multiplying sales.

(b) Total Foreign exchange used and earned

(Rs. In Lacs)

	2005-06	2004-05
Foreign exchange earned	7280.81	4841.36
Foreign exchange used	10003.84	2867.19

For Havell's India Limited

(Qimat Rai Gupta)
Chairman & Managing Director

Noida, May 18, 2006

Corporate Governance Report

Corporate Governance Report

Company's Philosophy

Havell's India Limited is committed to the adoption of best governance practices and its adherence in the true spirit, at all times. Our governance practices are a product of self desire and reflect the culture of trusteeship that is deeply ingrained in our value system and reflected in the strategic thought process.

Havell's believes in Good Corporate Governance and disclosure practices and will further strengthen the same in years to come. Transparency, professionalism, accountability and responsibility are the essential character and guiding principles for all decisions, transactions and policy matters of Havell's. 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, 2006 is given below:

Board of Directors

Board of Directors as on report date, comprises one Managing Director, one Joint Managing Director, one Whole Time Director, Seven Non-Executive Directors as on report date 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, budgets, setting up of goals and evaluation of performance, approving corporate philosophy and mission, monitoring corporate performance against strategic business plans, overseeing operations, recruitment of senior management personnel, review of material investment and fixed assets transactions, 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 2005-06, Five Board Meetings were held on 12th May, 2005, 20th July, 2005, 4th October, 2005, 28th October, 2005 and 24th January, 2006.

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, 2006 is:

S. No.	Name of the Director	Category	Attendance Record		No. of other Directorship and Committee Memberships/ Chairmanships		
			Board Meetings	Last AGM	Other Directorships	Committee Memberships	Committee Chairmanships
1.	Sh. Qimat Rai Gupta (Promoter)	Chairman & Managing Director	4	Yes	5	Nil	Nil
2.	Sh. Surjit Gupta (Promoter)	Non-Executive & Non-Independent	5	Yes	4	2	Nil
3.	Sh. Anil Gupta#(Promoter)	Executive & Non-Independent	5	Yes	7	3	2
4.	Sh. Rajesh Gupta	Executive & Non-Independent	5	Yes	1	1	Nil
5.	Sh. S.B. Mathur*	Independent & Non-Executive	1	No	12	3	5
6.	Dr. Abid Hussain	Independent & Non-Executive	4	Yes	7	4	1
7.	Maj. Gen. D.N. Khurana*	Independent & Non-Executive	2	No	1	1	Nil
8.	Sh. Avinash P Gandhi	Independent & Non-Executive	4	Yes	9**	2	3
9.	Sh. P K Kaul@	Independent & Non-Executive	3	Yes	N/A	N/A	N/A
10.	Sh. N.S. Vasant@	Independent & Non-Executive	2	Yes	N/A	N/A	N/A
11.	Ms. Sabine Geyer	Independent & Non-Executive	Nil	No	4	Nil	Nil
12.	Mr. Richard Owen Pyvis	Non-Independent & Non-Executive	Nil	No	40**	Nil	Nil
13.	Ms. Josephine Price	Alternate Director to Mr. Richard Owen Pyvis	3	No	25**	Nil	Nil

Committee includes Remuneration Committee also.

Appointed as Joint Managing Director on 18.05.2006 *Additional Directors ** Includes Directorship in private limited companies also. @ Resigned from Directorship.

Corporate Governance Report

Disclosure regarding Directors Appointment / Re-appointment

Disclosure regarding Directors appointment / Re-appointment are attached with the Notice calling the Annual General Meeting of the Company.

Audit Committee

The Audit Committee as on report date, comprises of four Non-Executive Directors with majority being Independent. Shri S.B. Mathur is the Chairman of the Committee, the other members are Dr. Abid Hussain, Maj. Gen. D.N. Khurana and Shri Surjit 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, reviewing the Company's financial and risk management policies and ensuring follow up action on significant findings, and reviewing quarterly, half yearly and yearly annual accounts.

During the year 2005-06 four Audit Committee Meetings were held out on 12th May, 2005, 20th July, 2005, 28th October, 2005 and 24th January, 2006. The Audit Committee Meetings of 28th October, 2005 & 24th January, 2006 did not held for want of quorum. 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	2
2.	Sh. Anil Gupta	4
3.	Dr. Abid Hussain	3
4.	Sh. N. S. Vasant	1
5.	Maj. Gen. D.N. Khurana	Nil
6.	Sh. S.B. Mathur	Nil

All the above meetings, were also attended by the Executive Director (Finance). Auditors of the Company 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.
- 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 as on report date, comprises of three Non Executive directors under the chairmanship of Independent Director. Dr. Abid Hussain, Chairman, Shri Avinash P Gandhi and Surjit Gupta are the members of the Committee. One meeting of the Committee was called on 28th October, 2005 but did not held for want of quorum.

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.

Corporate Governance Report

Details of Remuneration and other particulars of the directors

(in Rupees)

Name of the Director	Service Term	No. of shares held	Sitting Fees	Salary & Perks	Commission	Total
Shri Qimat Rai Gupta	01-11-2005 to 31-03-2010	2383972	Nil	35,00,000	Nil	35,00,000
Shri Anil Gupta	18.05.2006 to 31.03.2011	866987	Nil	Nil	Nil	Nil
Shri Rajesh Gupta	01-04-2006 to 31-03-2011	59920	Nil	26,56,250	Nil	26,56,250
Shri Surjit Gupta	N.A	1632540	Nil	Nil	Nil	Nil
Dr. Abid Hussain	N.A	Nil	45000	Nil	Nil	45000
Maj. Gen. D.N. Khurana*	N.A	Nil	20000	Nil	Nil	20000
Shri S.B. Mathur*	N.A	Nil	10000	Nil	Nil	10000
Shri Avinash P Gandhi	N.A	Nil	30000	Nil	Nil	30000
Ms. Sabine Geyer	N.A	Nil	Nil	Nil	Nil	Nil
Mr. Richard Owen Pyvis	N.A	Nil	Nil	Nil	Nil	Nil
Ms. Josephine Price (Alternate Director)	N.A	Nil	Nil	Nil	Nil	Nil
Shri P.K. Kaul	N.A	N.A	25000	Nil	Nil	25000
Shri N. S. Vasant	N.A	N.A	15000	Nil	Nil	15000

* Additional Directors.

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, 2006, no transfer of share 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:

S. 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	44	44	0	1
2	Change in the Bank Details	4	4	0	1
3	Request for issue of Duplicate Share Certificates	53	53	0	1
4	Dividend related queries	41	41	0	3
5	Bonus	60	60	0	1
6	Request for Annual Reports	1	1	0	1
7	Transposition requests	2	2	0	1
8	Non-receipt of Share certificates after transfer.	1	1	0	1
9	Request for New Share Certificates on account of Split of shares	311	311	0	1
10	Others	32	32	0	22
	TOTAL	**549**	**549**	**0**	

Ms Ritu Mehrotra, Company Secretary is designated as Compliance officer. Fifty meetings of the Committee were held during the year 2005-06.

Corporate Governance Report

1. General Body Meetings

General Meetings	Date	Time	Venue
Annual General Meeting	July 25, 2003	04:00 p.m.	Shah Auditorium, Raj Niwas Marg, Civil Lines, Delhi 110054
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 -
Annual General Meeting	July 20, 2005	10:30 a.m.	- do -
Extra Ordinary General Meeting (for Merger)	February 03, 2006	10:30 a.m.	- do -

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

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. No person has been denied to access the Audit Committee for any grievance.

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 Bonus Shares in the ratio of 1:1 to all those shareholders whose names were appeared on the Register of Members as on 6th August, 2005.

During the year the Company has allotted 1709090 Equity Shares of Rs.5/- each to M/s Shine Limited being a) 854545 Equity Shares on account of conversion of 235-4% Unsecured Fully Convertible Debentures of Rs.10,00,000/- each at the conversion price of Rs.275/- per share and b) 854545 Equity Shares as fully paid up Bonus Shares as per the SEBI (Disclosure and Investor Protection) Guidelines, 2000.

Pursuant to the order dated April 19, 2006, passed by the Hon'ble High Court of Delhi, Crbatree India Limited is merged with Havell's India Limited effective from 01.04.2005. Resultant, the Company has at its Share Transfer Committee Meeting held on 8th May, 2006 allotted 1987805 equity shares of Rs.5/- each as fully paid up to the members of Crabtree India Limited in the ratio of 100 equity shares of Rs.5/- each for every 246 equity shares of Rs.10/ - each of Crabtree India Limited held by them.

3. Means of Communications

- Half Yearly report sent to each shareholder — No
- Quarterly Results
  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 is a part of the Annual Report or not — Yes

4 General Shareholder Information

Annual General Meeting (Financial Year 2005-06)

Date : 27th June, 2006.

Time : 10:00 A.M.

Venue : Shah Auditorium, Raj Niwas Marg, Civil Lines, Delhi - 110 054

Corporate Governance Report

Financial Calendar (tentative and subject to change)

- Financial Reporting for the quarter ending June 30, 2006 : Mid July 2006
- Financial Reporting for the half-year ending September 30, 2006 : End October 2006
- Financial Reporting for the quarter ending December 31, 2006 : End January 2007
- Financial Reporting for the year ending March 31, 2007 : Mid May 2007
- Annual General Meeting for the year ending March 31, 2007 : Mid July, 2007

Date of Book Closure 7th June, 2006 to 14th June, 2006 (both days inclusive)

Dividend Payment Date 1st July, 2006

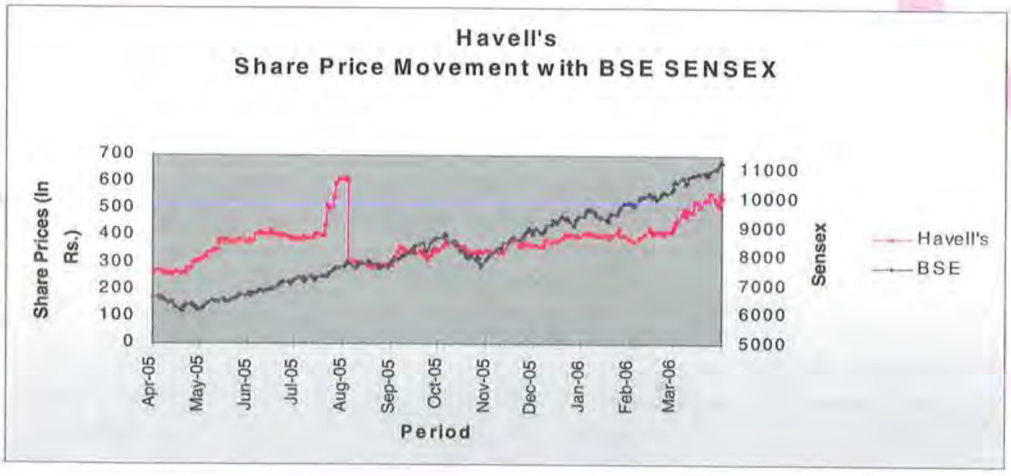
Listing on Stock Exchanges The National Stock Exchange of India Limited (NSE)
The Bombay Stock Exchange Ltd. (BSE)

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

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

Market Price Data For the financial year 2005-06 at The National Stock Exchange of India Ltd. and The Bombay Stock Exchange Ltd.

Period	NSE		BSE	
	High (Rupees)	Low (Rupees)	High (Rupees)	Low (Rupees)
April 2005	316.00	248.50	315.85	249.00
May 2005	400.00	306.00	397.00	308.65
June 2005	426.00	370.00	429.00	373.60
July 2005	643.70	385.00	642.90	386.00
August 2005	640.00	280.10	635.00	281.00
September 2005	376.15	292.00	374.20	290.00
October 2005	389.00	325.05	389.00	331.00
November 2005	407.00	337.00	407.00	336.00
December 2005	421.00	359.50	421.90	358.00
January 2006	438.80	387.00	440.00	389.50
February 2006	444.40	377.00	447.50	376.55
March 2006	587.70	432.05	574.00	430.00



Corporate Governance Report

5. **Distribution of Shareholding as on March 31, 2006**

Shareholding of nominal value of		Shareholders (Number)	% of Total	No. of Shares	Nominal Value	% of Nominal Value
Rs.	Rs.					
Upto	5000	11116	96.48%	1577944	7889720	6.34%
5,001	10,000	232	2.01%	362529	1812645	1.46%
10,001	20,000	75	0.65%	228809	1144045	0.92%
20,001	30,000	30	0.26%	157684	788420	0.63%
30,001	40,000	9	0.08%	63034	315170	0.25%
40,001	50,000	7	0.06%	66750	333750	0.27%
50,001	1,00,000	14	0.12%	198944	994720	0.80%
1,00,001	& Above	39	0.34%	22235704	111178520	89.33%
TOTAL		**11522**	**100.00%**	**24891398**	**124456990**	**100.00%**

Categories of Shareholders as on March 31, 2006

Particulars	No. of Shareholders	No. of Shares held	% of Shareholding
Private Body Corporates	670	2331574	9.37
Financial Institutions, Banks and Mutual Funds	6 1828788	7.35	
FIIs	10	2201114	8.84
NRIs / OCBs	337	223364	0.90
Promoters, Directors & their relatives	16	16167428	64.95
Other Public	10483	2139130	8.59
TOTAL	**11522**	**24891398**	**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, 2006, 91.08% of Company's total paid up capital of the Company representing 22670569 equity shares of Rs.5/- each were held in dematerialized form (i.e.22384037 shares (89.93%) with NSDL and 286532 shares (1.15%) with CDSL) and 2.05% representing 511739 equity shares of Rs.5/- each shares were held in physical form. The balance 1709090 equity shares representing 6.87% (allotted to Shine Limited) are also listed and dematerialised with NSE, BSE and NSDL respectively in the current financial year 2006-07.

8. **Compliance of Code of Conduct**

All Board Members and senior management personnel affirmed the compliance of Code of Conduct, which was duly taken on record at the Board of Directors Meeting held on May 18, 2006.

9. **Unit 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

Corporate Governance Report

Cable Division

- A/461-462, Matsya Industrial Area, Alwar, Rajasthan
- SP-215, Matsya Industrial Area, Alwar, Rajasthan

CFLs Division

- 14/3, Mathura Road, Faridabad 121 002
- Distt. Solan, Baddi, Himachal Pradesh
- Plot No.2A, Sector - 10, Sidcul, BHEL Industrial Estate, Haridwar, Uttranchal

Fan Division

- D-6, Sector -8, Noida, (U.P.)
- Plot No.2A, Sector - 10, Sidcul, BHEL Industrial Estate, Haridwar, Uttranchal

Bath Fittings

- G-470 / 471, RIICO Industrial Area, Bhiwadi, Rajasthan.

Meter Division

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

Centre for Research & Innovation (CRI)

- E-1, Sector - 59, Noida - 201 307

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 Havell's India Limited

Noida, May 18, 2006

(Qimat Rai Gupta)
Chairman & Managing Director

Corporate Governance Report

May 18, 2006

TO WHOMSOEVER IT MAY CONCERN

We have examined the compliance of conditions of Corporate Governance of 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, 2006 as stipulated in clause 49 of the Listing Agreement of the said Company with Stock exchanges.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the officials of the Company, we hereby in compliance of conditions of Corporate Governance as stipulated in clause 49 of the above-mentioned Listing Agreement certify that:

a. We have reviewed the financial statements and the cash flow statement for the year and that to the best of our knowledge and belief :

   i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

   ii. these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

b. There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.

c. We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.

d. We have indicated to the auditors and the Audit committee

   i. significant changes in internal control during the year;

   ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

   iii. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system

For Havell's India Limited

(Qimat Rai Gupta)
Chairman & Managing Director

For Havell's India Limited

(Rajesh Gupta)
Director (Finance)

May 18, 2006

AUDITORS' CERTIFICATE

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, 2006 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 a 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, 2006 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 not 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 & 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

The year 2005-06 has been a year of sustained growth for the Indian economy as well as for your company, so is the global story. The reason is massive infrastructural developments and expansion of the existing networks across the globe.

The economy's growth momentum has been driven by a dynamic industrial resurgence, a pick-up in investment, modest inflation despite increasing global prices of oil and steel, rapid growth in imports and exports with a widening of the current account deficit, steps towards enhanced physical infrastructure, progress in fiscal consolidation, and the launch of the National Rural Employment Guarantee scheme for inclusive growth and social security.

The country is opening its economy and reaping the benefits of globalisation. It now appears set for an extended period of rapid economic development, but such an outcome is by no means assured. India's recent record is impressive: GDP growth is set to top 7½ percent for the third consecutive year in 2005-06; inflation remains under control; and large international reserves cushion a growing current account deficit. But, in the near term, India will need to manage the challenges, such as inflation and rapid credit growth, that arise from rapid economic growth while continuing to pursue, and perhaps accelerate, reforms that will be necessary if the government is to achieve its ambitious goals of growth of 8-10 percent a year and dramatic progress in reducing poverty.

The growth of global and Indian economies are based on solid fundamentals. Much of that growth is taking place in the manufacturing sector. As a result, demand is in the market and it is rising. It's good for the nation and your company because it drives the growth on the higher path. For makers of electrical equipment, demand has been driven by investment in infrastructure in the developing world, particularly India and China.

The robust growth of manufacturing sector is set to fuel your growth as your company serves this a slew of products. However, our growth is further consolidated by constructive developments in the power sector, the construction and real estate and outsourcing in manufacturing.

Over the past decade, India has become an important player in the world economy. The current environment of much-deserved optimism provides an ideal opportunity for India to move ahead with further reforms that can promote continued rapid economic development.

Overall Review

Aided by improved business environment, the Company performed well during 2005-06. 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

During the year, the Company has issued and allotted Bonus Shares in the ratio of 1:1 i.e one fully paid up Bonus Share for every one equity share of Rs.5/- each. Consequently, on 8th August, 2005, the Company allotted 11591154 equity shares of Rs.5/- each to all the shareholders whose names appeared on the register of members as on 6th August, 2005.

During the year, the Company allotted 1709090 Equity Shares being a) 854545 Equity Shares of Rs.5/- each at a conversion price of Rs.275/- per share on account of conversion of 235-4% Unsecured Fully Convertible Debentures of Rs.10,00,000/- each and b) 854545 equity shares of Rs.5/- each as Bonus Shares to Shine Limited, Mauritius.

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.

Management Discussion & Analysis Report

To promote and expand the Asian markets which have some synergies with Indian style of buying, like in Srilanka, Bangladesh, Middle East, Africa, South East Asia & Australia many distributors are appointed & brand promotion activities have aggressively initiated during the year. International Business Development (IBD) Team was also expanded to almost 150%, specially ensuring a mix blend of professionals with rich International experience. 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. The Company has stationed permanent employees in countries like Srilanka, Dubai, Bangladesh, Greece, Nigeria etc. to have a totally focused approach & to replicate our success in the Indian market

"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."

During the year, the Company achieved Rs.73 crores as an export turnover as compared to previous year's turnover of Rs.48 crores, shows a growth of more than 50%.

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 Haridwar, Uttranchal for manufacturing of Fans, CFLs, Luminaries. The plant at Uttranchal is the largest plant in the Country for Fan production. The production at this unit is started in October, 2005. The Company is also in process of setting up an 100% Export Oriented Unit (EOU) at Baddi.

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

Segment Performance

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

Name of the Segment	% of Segment Revenue	Turnover (In Lacs)
Switchgears	30%	33038.01
Cables & Wires	41%	46515.65
Consumer Durable Products	25%	27441.03
Others	4%	4518.95
TOTAL	100%	111513.64

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 67.47% from Rs.66588 Lacs in the last Financial Year 2004-05 to Rs.111514 Lacs in this financial year. The Net Profit of the Company increased from Rs.3053 Lacs to Rs.6321 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 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. QRG is the holding company of all erstwhile Havell's Group Companies, which includes - Havell's India, Standard Electricals, TTL.

During the year under review, the Company initiated the process of Amalgamation of Crabtree India Limited (CIL) with Havell's India Limited (HIL). CIL was in the business of dealing in various electrical products and bath fittings. The Scheme

Management Discussion & Analysis Report

of Amalgamation was proposed to consolidate the electrical and bath fittings businesses of CIL and HIL. The amalgamation will facilitate consolidation of the electrical and bath fittings businesses of both Companies under single corporate operation & control. This Amalgamation brings to your Company the benefits, inter alia, of consolidating its resources in the area of core competence, synergy in sales and distribution operations. A strong financial and operational structure will be capable of resource mobilisation and financial consolidation necessary to withstand competition from domestic and international sector and to deliver better value to our shareholders.

The Hon'ble High Court of Delhi at New Delhi, has sanctioned vide its Order dated April 19, 2006, the Scheme of Amalgamation between CIL & HIL effective from the Appointed date, i.e. 1st April, 2005.

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 2005-06 reached approx. Rs.1350 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 26000 retailers.

The Company has now started working on its global aspirations with offices abroad and export products to over 50 countries.

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. The real estate is sky-rocketing in the same way the stocks market is booming. Though the government has not given any soap for the housing sector in the Budget 2006-07, the construction activities boom on the back of the soft loan regime and rising salary of Indian middle class. Housing for the weaker sections under the Indira Awas Yojana is further extended. Construction of additional 60 lakh houses for the poor has been planned.

These projects need the assistance in terms of products like industrial and domestic swithgear, cables and wires, lights and fans. The boom in infrastructure and housing has a positive bearing on Havell's as they are creating a huge demand in the market.

The government has rightly emphasized the need to address India's huge infrastructure needs. Shortages of electricity and clean water are widespread, while inadequate roads, ports, and airports are increasingly constraining the booming economy. Given the limited ability of India's public sector to increase spending, a successful approach will require an expansion of public-private partnerships. Progress has already been achieved in some areas, notably in the development of model concession agreements for roads (which have attracted significant private participation) and the recent awarding of private contracts to modernize Delhi and Mumbai airports. Further progress will depend on advances in creating a regulatory environment across all sectors that is conducive to private participation.

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.

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.

Management Discussion & Analysis Report

Investments

In line with the tremendous growth being witnessed by the Company, regular investment in setting up new plant and enhancing capacity in existing ones are being carried out every year. In financial year 2005-06, Company invested Rs.63 Crores for upgrading the facilities and enhancing the capacities.

A Capex of Rs.133 Crores is planned for the year 2006-07 in the existing plants and for setting up plants for new products and acquisitions.

The Company is in process of acquiring a Company in Greece. It is in business of MCBs and other switchgear products. We feel that we can increase the size of the Company in the markets if operates by introducing the vast range of products manufactured by Havell's.

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.108 Crores comprise term loans of Rs.50 Crores and working capital and other loan of Rs.58 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.

It is important to address the risks that arise from rapid credit growth while the financial sector is opened to increased competition. The Reserve Bank of India has taken important steps to tighten prudential regulations-notably by raising general provisioning and tightening the supervision of lending to real estate and other potentially risky sectors. To encourage financial development, the Reserve Bank of India has also initiated reforms to increase the autonomy of public sector banks (which dominate the banking system) and gradually lift restrictions on foreign competition.

Cost Risks : The escalating copper prices may have a bearing on the pricing of finished product. Since the copper prices have been on the rise over the past 12 months leading to increased demand it has become difficult to assess the organic demand. Since the infrastructure development is directly related to demand a wrong estimation of actual demand can lead mismatch between capacity & demand.

Mumbai Flood and Fire at Hardwar: During the year the Company's Mumbai warehouse suffered due to Flood in July, 2005 which badly affected the Finished Stock worth Rs.321.38 Lacs. But due to Company's comprehensive insurance policies, it is able to recover the damaged stock through Insurance Company and recovery of scrap value of basic raw material used in manufacturing the goods.

In April, 2006, a fire broke out in the storage area for paints in the Haridwar plant. The fire went on for a few hours but fortunately did not extend to the production areas. There were no casualties. All the assets and stock are fully insured. The recovery claim from insurance company for material loss is under process.

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.

Management Discussion & Analysis Report

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.

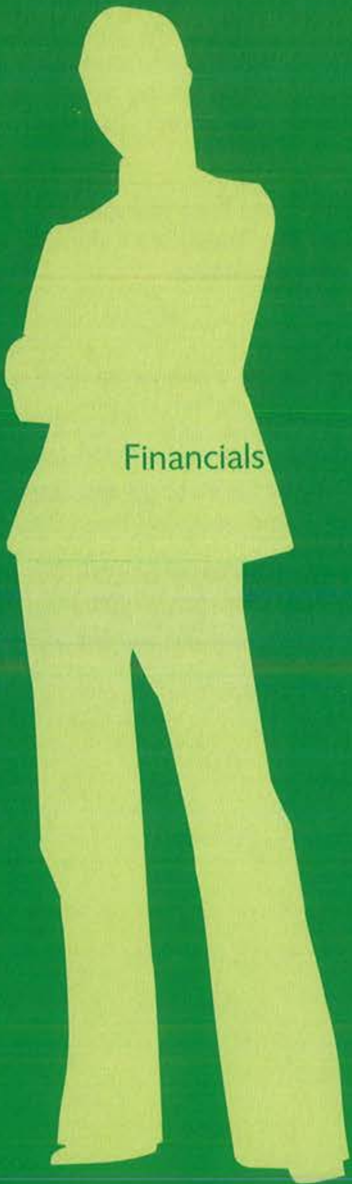
Use of ERP and other software systems as financial and operational backbone, a comprehensive MIS reporting system, documentation of processes and authority structures have strengthened the internal control within the organization. Data processing and its availability are prompt and has helped quick decision 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 2500 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.



Financials

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 2006 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 subsection (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, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

iv) in our opinion, the Balance sheet, Profit and loss account and Cash Flow Statement 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, 2006, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2006 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, 2006;

(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 18, 2006

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) The 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) Inventories have 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) In our opinion and as per the information given to us, the company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act; and

   b) The company has given loan to its employees. No interest has been charged on loans given to employees. 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.

   e) In our opinion and as per the information given to us, the company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act; and

   f) The clauses (f) and (g) are not applicable to the company.

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. However the company has discontinued the scheme of acceptance of public deposits with effect from 20th July 2005.

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.

Auditor's Report

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 2006, concerned for a period of more than six months from the date they become payable. However, the company has not made any provision 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. 23,24,25,26 and 27 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.

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. The Company has not made any preferential allotment of shares to parties and companies covered under register maintained under section 301 of the Act during the year.

19. The Company has not issued any debentures during the year.

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 report.

For V.P. BANSAL & CO.
Chartered Accountants

Noida, May 18, 2006

(V.P. BANSAL)
Proprietor

Balance Sheet

	SCHEDULE NO.	AS AT 31.03.06 (Rs. in lacs)	AS AT 31.03.05 (Rs. in lacs)
I. SOURCES OF FUNDS			
1. SHARE CAPITAL			
Share capital	1	1,343.96	579.56
Reserves and surplus	2	16,256.65	8,082.00
		17,600.61	8,661.56
2. LOAN FUNDS			
Secured loans	3	10,854.24	14,208.60
Unsecured loans	4	130.31	3,213.60
		10,984.55	17,422.20
3. DEFERRED INCOME TAX		953.38	741.45
		29,538.54	**26,825.21**
II. APPLICATION OF FUNDS			
1. FIXED ASSETS	5		
Gross block		16,887.85	10,411.02
Less: Depreciation		2,244.67	1,591.34
Net block		14,643.18	8,819.68
Add: Capital work-in-progress		676.60	413.38
Total fixed assets		15,319.78	9,233.06
2. INVESTMENTS	6	316.58	316.58
3 CURRENT ASSETS, LOANS AND ADVANCES	7		
Inventories		19,061.79	10,607.53
Sundry debtors		12,816.69	16,362.25
Cash and bank balances		833.30	818.00
Other current assets		864.22	149.51
Loans and advances		3,582.92	2,449.69
		37,158.92	30,386.98
Less:Current liabilities and provisions	8		
Current liabilities		21,128.78	11,821.99
Provisions		2,132.70	1,290.49
		23,261.48	13,112.48
NET CURRENT ASSETS		13,897.44	17,274.50
4. MISCELLANEOUS EXPENDITURE	9	4.74	1.07
		29,538.54	**26,825.21**
Accounting policies, contingent liabilities and notes on accounts	19		

For and on behalf of the Board

Qimat Rai Gupta
Chairman &
Managing Director

Surjit Gupta
Director

Ritu Mehrotra
Company Secretary

Yogesh Bansal
Senior Manager

Noida, 18th May, 2006

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.	YEARENDED 31.03.06 (Rs. in lacs)	YEARENDED 31.03.05 (Rs. in lacs)
1.	**INCOME**			
	Sales and Operating Income	10	111,513.64	66,588.40
	Other Income	11	354.87	289.27
			111,868.51	66,877.67
2.	**EXPENDITURE**			
	Materials cost	12	58,213.43	33,274.62
	Excise duty		11,144.91	8,342.22
	Manufacturing expenses	13	10,523.09	6,476.66
	Office and administration expenses	14	6,030.26	3,882.49
	Selling and distribution expenses	15	15,781.26	8,871.26
	Financial expenses	16	2,260.48	1,651.92
	Managerial remuneration	17	61.96	53.79
	Miscellaneous expenditure written off	18	2.31	0.41
	Wealth tax		2.21	1.60
			104,019.91	62,554.97
	Profit before tax		7,848.60	4,322.70
	Income tax expense			
	Current tax		1,239.84	961.24
	Fringe Benefit Tax		124.42	—
	Deferred tax		163.62	308.82
			1,527.88	1,270.06
3.	**PROFIT FOR THE YEAR**		**6,320.72**	**3,052.64**
4.	**PROFIT FOR APPROPRIATION**			
	Brought forward from previous year		6,320.14	3,915.15
	Profit for the year		6,320.72	3,052.64
	Profit available for appropriation		**12,640.86**	**6,967.79**
	APPROPRIATIONS			
	Transfer to general reserve		640.00	320.00
	Proposed dividend		671.98	289.78
	Corporate dividend tax		97.02	37.87
	Balance carried over to balance sheet		11,231.86	6,320.14
			12,640.86	**6,967.79**
	Earnings per share - basic (In Rs.)	(Refer note no. 35A)	24.26	12.70
	Earnings per share - diluted (In Rs.)	(Refer note no. 35B)24.26	12.10	
	Accounting policies, contingent liabilities and notes on accounts	19		

For and on behalf of the Board

AUDITOR'S REPORT
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, 18th May, 2006

Schedules

	AS AT 31.03.06 (Rs. in lacs)	AS AT 31.03.05 (Rs. in lacs)
SCHEDULE NO. 1		
SHARE CAPITAL		
Authorised		
40,000,000 Equity Shares of Rs.5/- each (Last year 23,000,000 Equity Shares of Rs.5/- each)	2,000.00	1,150.00
Issued and subscribed		
24,891,398 Equity Shares of Rs.5/- each (Last year 11,591,154 Equity Shares of Rs.5/- each)	1,244.57	579.56
Paid Up		
24,891,398 Equity Shares of Rs.5/- each (Last year 11,591,154 Equity Shares of Rs.5/- each) of the above:-	1,244.57	579.56
1,625,554 Equity Shares (Previous year 1,625,554) alloted as fully paid up pursuant to a contract without payment being received in cash.		
13,921,199 (Previous Year 1,475,500) Equity Shares issued as fully paid up bonus shares by capitalisation of Securities Premium Account and General Reserve		
854,545 (Previous year Nil) equity shares issued as fully paid up pursuant to conversion of 4% fully convertible debenutres		
Equity Shares pending allottment in pursuance of scheme of amalgamation	99.39	—
1,987,805 Equity Shares of Rs.5/- each		
	1,343.96	579.56
SCHEDULE NO. 2		
RESERVES AND SURPLUS		
Capital reserve	519.35	519.35
	519.35	519.35
Securities premium account		
As per last Balance Sheet	547.02	547.02
Less: Capitalized by way of issue of Bonus Shares	547.02	—
Add: Pursuant to conversion of 4% Fully Convertible Debentures	2,307.27	—
	2,307.27	547.02
General reserve		
As per last balance sheet	695.49	375.49
Add: Surplus in pursuance of scheme of amalgamation	389.61	—
Less: Capitalized by way of issue of Bonus Shares	75.26	—
Add:Transfer from profit and loss account	640.00	320.00
	1,649.84	695.49
Profit and loss account		
Transfer in pursuance of scheme of amalgamation	548.33	—
Balance as per profit and loss account	11,231.85	6,320.14
	11,780.18	6,320.14
	16,256.64	8,082.00
SCHEDULE NO. 3		
SECURED LOANS		
Loans and advances		
Working capital loans from banks		
Cash credit account	4,314.26	3,733.42
Working capital demand loan	—	1,300.00
FCNR working capital loan	—	453.86
Export packing credit	—	328.11
Export bills discounted	1,152.63	530.87
Against Commercial papers	—	2,000.00
Short Term working capital loan	—	1,000.00

Schedules

	AS AT 31.03.06 (Rs. in lacs)	AS AT 31.03.05 (Rs. in lacs)
Term loans from banks		
Term loan from Canara Bank	80.00	248.00
Term loan from UTI Bank Limited	—	200.00
Term loan from Corporation Bank	101.64	—
Term loan from ICICI Bank Limited	—	317.60
External Commercial Borrowings from ICICI Bank Limited, Singapore	3,140.20	—
Term loan from Syndicate Bank	1,540.34	1,980.00
Against hypothecation of motor cars	148.03	116.74
From others		
Term loan from Rabo India Finance Private Limited	—	2,000.00
Deferred Payment Credits		
Greater Noida Industrial Development Authority (Against purchase of Industrial Land)	377.14	—
[Due within a year Rs.867.74 lacs (last year Rs 1187.99 lacs)]	10,854.24	14,208.60

Notes:-

1 Working Capital Limits, except working capital limits of amalgamating company Crabtree India Limited, 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 Term loan from Syndicate Bank and ECB from ICICI Bank Limited, Branch Singapore are secured by way of :

- pari-passu first charge on all the assets of the company except those charged against working capital limits
- personal guarantees of S/Shri Qimat Rai Gupta, Surjit Gupta and Anil Gupta, Directors of the company
- the documentation of creation of charge on securities in favour of ICICI Bank Limited, Singapore is under process.

4 Working capital limits from IDBI Bank Limited in amalgamating company, Crabtree India Limited is secured against :

- all present and future fixed assets, book debts, money receivable, stock in trade, other related items of stores and whole of the moveable properties of electrical wire accessories division.
- corporate guarantee of Rs.525 Lacs by QRG Enterprises, a company under same management and
- personal guarantees of S/Shri Qimat Rai Gupta and Anil Gupta, Directors of the Company and Sh Ameet Gupta son of director of the company

5 Working capital limits from Corporation Bank in amalgamating company, Crabtree India Limited is secured against hypothecation of book debts and stock in trade of bath fittings division and further secured by way of exclusive charge on fixed assets of bath fitting division

6 Term loan from Corporation Bank in amalgamating company, Crabtree India Limited is secured by exclusive charge on entire fixed assets, both present and future excluding vehicles of bath fittings division.

SCHEDULE NO. 4

UNSECURED LOANS

4% Fully Convertible debentures	—	2,372.20
Fixed deposits from public	130.31	824.90
Other loans and advances from companies	—	16.50
[Due within year Rs.130.31 lacs(last year Rs 839.08 lacs)]	130.31	3,213.60

SCHEDULE NO. 5
FIXED ASSETS

(Rs. in lacs)

Sl. No.	Description	GROSS BLOCK					DEPRECIATION					NET BLOCK	
		AS AT 01.04.2005 Rs.	Transferred in pursuance of in scheme of amalgamation Rs.	ADDITIONS DURING THE YEAR Rs.	SALES/ ADJU-STMENT Rs.	AS AT 31.03.2006 Rs.	UP TO LAST YEAR Rs.	Transferred in pursuance of in scheme of amalgamation Rs.	FOR THE YEAR Rs.	SALES/ ADJU-STMENT Rs.	TO DATE Rs.	AS AT 31.03.2006 Rs.	AS AT 31.03.2005 Rs.
1	Industrial land												
	Freehold	349.71	—	68.44	—	418.16	—	—	—	—	—	418.16	349.71
	Leasehold	305.53	41.59	591.02	—	938.14	—	—	—	—	—	938.14	305.53
2	Factory buildings	2,533.09	149.17	1,784.31	—	4,466.57	160.71	13.10	107.67	—	281.48	4,185.09	2,372.38
3	Office premises	29.79	—	—	9.98	19.81	5.20	—	0.47	1.61	4.06	15.76	24.59
4	Plant and machinery	4,908.64	162.13	2,477.27	97.45	7,450.60	674.21	19.53	280.01	26.36	947.39	6,503.21	4,234.44
5	Dies and Tools	—	31.39	—	31.39	—	—	10.11	—	10.11	—	—	—
6	Generators	214.43	11.37	166.70	1.74	390.76	41.83	1.55	13.84	0.33	56.88	333.88	172.60
7	Furniture and fixtures	378.25	15.17	116.87	24.40	485.88	155.86	4.94	53.08	16.22	197.66	288.22	222.39
8	Electric fans and installations	434.64	25.47	327.63	—	787.74	70.08	3.24	31.18	—	104.50	683.25	364.56
9	Water supply installations	12.08	0.28	0.66	—	13.02	4.31	—	0.68	—	4.99	8.03	7.77
10	Weighing scale	13.84	—	4.75	—	18.58	3.23	—	0.79	—	4.02	14.56	10.61
11	EDP Equipments	556.77	72.02	117.73	1.90	744.61	311.52	7.27	91.52	0.26	410.05	334.56	245.25
12	Office equipments	106.09	17.38	32.58	—	156.06	34.29	3.42	7.81	—	45.53	110.53	71.80
13	Airconditioners	123.65	1.39	45.30	0.23	170.11	28.06	0.14	7.48	0.02	35.66	134.46	95.58
14	Vehicles	393.95	12.79	147.99	37.35	517.37	97.44	3.33	41.82	12.17	130.42	386.96	296.51
15	R & D Block	50.56	—	259.87	—	310.43	4.60	—	17.45	—	22.04	288.38	45.96
		10,411.01	540.15	6,141.12	204.43	16,887.85	1,591.32	66.64	653.80	67.09	2,244.67	14,643.18	8,819.69
16	Add:Capital Work-in-Progress	413.38	—	352.92	89.70	676.60	—	—	—	—	—	676.60	413.38
		413.38	—	352.92	89.70	676.60	—	—	—	—	—	676.60	413.38
	TOTAL-CURRENT YEAR	10,824.39	540.15	6,494.04	294.13	17,564.44	1,591.32	66.64	653.80	67.09	2,244.67	15,319.78	9,233.07
	PREVIOUS YEAR	5,822.56	—	6,982.07	1,980.23	10,824.39	1,191.53	—	408.92	9.13	1,591.32	9,233.07	4,631.03

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 Badli (Delhi) and at Tilak Nagar (Delhi) are on rented premises.

4 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.

5 Additions in fixed assets include Rs 0.51 lacs (last year 5.13 lacs) on account of exchange rate fluctuations (net).

6 Leasehold land includes two nos. industrial plots at Bawana Industrial area in respect of which possession has not been taken as yet.

7 A sum of Rs.60 lacs has been adjusted against the cost of plant and machinery being capital investment subsidy receivable in respect of plant at Haridwar (Uttranchal) and EWA Division at Baddi in amalgamating company.

8 Addition in land includes Rs 20.12 lacs on account of interest payable to Greater Noida Industrial Authority in respect of industrial land, possession of which has not been given as yet.

Schedules

	AS AT 31.03.06 (Rs. in lacs)	AS AT 31.03.05 (Rs. in lacs)
SCHEDULE NO. 6		
INVESTMENTS		
(Long term, trade, unquoted, at cost)		
Subsidiary Company:		
Havell's (U.K.) Limited	—	0.002
2 Ordinary Shares of 1 (one) GBP each.		
Others:		
G.S.Lighting Private Limited	316.58	316.58
44210 Equity Shares of Rs.100/- each. (purchased at Rs.712.51 per share, including share transfer stamps)		
Aggregate value of unquoted Investments	316.58	316.58
SCHEDULE NO. 7		
CURRENT ASSETS, LOANS AND ADVANCES		
Inventory (As taken, valued and certified by the management)		
Raw materials and components	4,998.18	1,944.65
Semi finished goods	1,599.23	1,167.76
Finished goods	11,070.05	6,746.52
Consumable stores, tools and spare parts	152.09	33.22
Dies and tools	892.01	562.27
Packing materials	314.69	137.28
Fuel and gases	18.33	9.31
Scrap materials	17.21	6.52
	19,061.79	10,607.53
Sundry Debtors (unsecured)		
Debts outstanding for a period exceeding six months		
considered good	1,144.31	1,479.52
considered doubtful	156.29	111.83
	1,300.60	1,591.35
Less: Provision for doubtful debts	156.29	111.83
	1,144.31	1,479.52
Other debts -considered good	11,672.38	14,882.73
	12,816.69	16,362.25
Cash and bank balances		
Cash in hand	11.06	7.66
With scheduled banks		
In current accounts	31.97	26.46
In EEFC account (US $ 1405.69, last year US $ 1405.69)	0.63	0.61
In unclaimed dividend account	10.52	8.77
In fixed deposit account		
Margin money	612.05	608.91
Pledged with government departments	3.76	2.82
Lien against public deposits	109.12	90.94
No Lien account	1.45	32.29
Interest accrued on fixed deposits	50.53	39.27
With other banks		
In current accounts	2.21	0.27
	833.30	818.00

Schedules

	AS AT 31.03.06 (Rs. in lacs)	AS AT 31.03.05 (Rs. in lacs)
Other current assets - (considered good)		
Export incentives receivable	294.06	51.03
DEPB licences in hand	340.81	66.84
Capital investment subsidy receivable	90.00	30.00
Claims receivable	139.35	1.64
	864.22	149.51
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	1,451.64	841.79
Earnest money and security deposits	540.31	448.60
Balance with excise department		
Excise duty	153.84	87.94
Service tax	73.33	44.41
Balance of VAT with sales tax department	51.01	—
Advance income tax and tax at source	1,202.79	1,018.60
Advance fringe benefit tax	110.00	—
	3,582.92	2,449.68
	37,158.92	30,386.98
SCHEDULE NO. 8		
CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
Acceptances	7,308.94	5,461.52
Sundry creditors- due to SSI undertakings	886.53	233.23
- due to other than SSI undertakings	7,513.57	3,237.38
Advances from customers	675.76	115.92
Unclaimed dividend*	10.52	8.77
Other liabilities	1,956.87	1,261.15
Security deposits from dealers and agents	1,660.73	847.10
Sales tax payable	579.20	139.54
Excise duty payable	438.89	453.48
Service tax payable	4.13	0.82
Interest accrued but not due	93.64	63.08
	21,128.78	11,821.99
*Investor Protection and Education Fund is being credited by the amount of unclaimed dividend after Seven years from the due date.		
PROVISIONS		
Income tax	1,239.84	961.24
Fringe benefit tax	124.42	—
Wealth tax	2.21	1.60
Proposed dividend	671.98	289.78
Corporate dividend tax	94.25	37.87
	2,132.70	1,290.49
	23261.48	13,112.48
SCHEDULE NO. 9		
MISCELLANEOUS EXPENDITURE		
(to the extent not written off or adjusted)		
Expenditure on increase in capital		
As per last balance sheet	1.07	1.48
Add: Paid during the year	2.28	—
Transferred in pursuance of scheme of amalgamation	3.70	—
	7.05	1.48
Less: written off	2.31	0.41
	4.74	1.07

Schedules

	YEAR ENDED 31.03.06 (Rs. in lacs)	YEAR ENDED 31.03.05 (Rs. in lacs)
SCHEDULE NO. 10		
SALES AND OPERATING INCOME		
Materials and goods	110,287.73	66,197.98
Scrap materials	495.82	316.60
Export Incentives	688.58	49.94
Job charges	41.51	23.88
	111,513.64	66,588.40
SCHEDULE NO. 11		
OTHER INCOME		
Interest on fixed deposits with banks and from customers (TDS Rs.10.59 Lacs; Last Year Rs.8.35 Lacs)	47.89	43.83
Rent	—	2.82
Exchange fluctuations	38.56	76.25
Miscellaneous receipts	265.92	151.23
Commission	0.49	14.81
Profit on sale of assets	2.01	0.33
	354.87	289.27
SCHEDULE NO. 12		
MATERIALS COST		
Raw Materials and components consumed		
Opening stocks	1,944.65	1,191.47
Add: Transfer in pursuance of scheme of amalgamation	85.00	—
Purchases	56,149.47	34,481.61
Freight and cartage	199.65	165.19
	58,378.77	35,838.26
Less: Closing stocks [Including Stock in transit Rs.6.38 lacs (Previous Year Rs.0.30 Lacs)] (After adjustment of material used for self consumption)	4,998.18	1,944.65
	53,380.59	33,893.61
Add: Purchases (Traded Goods)	8,681.15	3,420.43
Freight and cartage	24.67	7.59
	8,705.82	3,428.02
Add: Opening 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)]	5,753.04	2,771.80
Semi finished goods	1,167.76	805.62
Scrap materials	6.52	12.29
	7,920.81	3,873.80
Add: Transfer in pursuance of scheme of amalgamation		
Traded Goods	573.21	—
Finished Goods	459.26	—
Semi finished goods	121.57	—
Scrap materials	5.37	—
	1,159.41	—
Less: Value of stocks destroyed/damaged due to floods (Net of salvage value)	(266.71)	—
Less: Closing stocks		
Traded Goods (Including stock in transit Rs.9.61 Lacs [Previous Year 20.34 Lacs])	2,167.88	993.49
Finished goods (Including stock in transit Rs.254.12 Lacs [Previous Year 190.47 Lacs])	8,902.16	5,753.04
Semi finished goods	1,599.23	1,167.76
Scrap materials	17.21	6.52
	12,686.48	7,920.81
	58,213.43	33,274.62

Schedules

	YEAR ENDED 31.03.06 (Rs. in lacs)	YEAR ENDED 31.03.05 (Rs. in lacs)
SCHEDULE NO. 13		
MANUFACTURING EXPENSES		
Factory rent	1.86	4.20
Rates and taxes	6.27	11.45
Establishment	950.01	659.85
Contribution towards P.F.	57.81	46.35
Contribution towards E.S.I.	14.88	11.02
Gratuity paid and contribution to fund	19.80	11.28
Labour welfare	42.71	43.36
Job charges	3,274.04	1,938.94
Packing expenses	2,010.47	1,202.50
Power, fuel and water	1,500.12	904.10
Consumable stores and tools consumed	1,221.58	664.38
Watch and ward	53.58	34.55
Testing expenses	88.31	76.80
Repairs to machinery	445.59	307.41
Repairs to building	39.34	31.70
Other repairs	131.09	110.35
Technical know-how, blue prints and consultancy	0.07	1.92
Research and development expenses	164.94	107.69
Depreciation	498.50	305.25
ISO 9000 expenses	2.12	3.56
	10,523.09	6,476.66
SCHEDULE NO. 14		
OFFICE AND ADMINISTRATION EXPENSES		
Rent	308.74	232.21
Rates and taxes	7.29	3.38
Establishment	2,639.95	1,572.66
Contribution towards P.F.	119.02	77.89
Contribution towards E.S.I.	8.53	5.36
Gratuity paid and contribution to fund	86.04	23.48
Staff welfare	135.99	83.18
Printing and stationery	139.40	85.09
Postage, telephone and communications	380.63	290.86
Electricity and water charges	95.90	79.71
Travelling		
Indian	662.43	470.65
Foreign	203.51	103.47
Conveyance and vehicle maintenance	503.10	290.00
Legal and professional	165.47	172.78
Auditor's remuneration		
Audit fee	10.00	5.00
Taxation matters	2.00	0.95
Out of pocket expenses	0.10	0.07
Insurance	101.15	53.54
Computer maintenance	65.99	62.75
Depreciation	137.85	102.28
Donation	17.01	14.80
Loss on sale of assets	44.88	2.76
Watch and Ward	12.73	8.69
Office repairs and maintenance	109.96	90.85
Directors' sitting fees	1.45	1.55
Loss due to flood	2.46	—
Miscellaneous office expenses	68.68	48.53
	6,030.26	3,882.49

Schedules

	YEAR ENDED 31.03.06 (Rs. in lacs)	YEAR ENDED 31.03.05 (Rs. in lacs)
SCHEDULE NO. 15		
SELLING AND DISTRIBUTION EXPENSES		
Advertisement	2,243.05	1,092.78
Freight, insurance and cartage outward	2,841.38	1,518.18
Packing expenses	636.91	398.47
Discount, commission and sales incentives	7,638.41	3,807.99
Trade mark fees	841.12	597.81
Bad debts, liquidity damages and short recoveries	284.41	607.16
Provision for doubtful debts	31.25	31.44
Exhibitions, seminars and conferences	486.98	289.60
Price lists, catalogues and technical literatures	165.88	98.87
Sales promotion expenses	238.23	172.33
Sales tax and turnover tax paid	108.20	62.71
Service tax paid	35.44	19.65
ISI marking expenses	37.99	49.81
Godown repairs and maintenance	23.76	6.24
Samples	129.60	80.50
Miscellaneous selling expenses	38.65	37.72
	15,781.26	8,871.26
SCHEDULE NO. 16		
FINANCIAL EXPENSES		
Bank charges	391.52	275.63
Interest		
On fixed loans	779.20	512.77
On non-fixed loans	1,022.67	838.17
Miscellaneous financial expenses	67.09	25.35
	2,260.48	1,651.92
SCHEDULE NO. 17		
MANAGERIAL REMUNERATION		
Managing Director's remuneration	35.23	27.13
Wholetime Director's remuneration	26.73	26.66
	61.96	53.79
SCHEDULE NO. 18		
MISCELLANEOUS EXPENDITURE WRITTEN OFF		
Miscellaneous expenditure written off	2.31	0.41
	2.31	0.41

Schedules

SCHEDULE NO. 19

ACCOUNTING POLICIES, CONTINGENT LIABILITIES AND NOTES ON ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2006

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 in accordance with the accounting principles generally accepted in India and comply with the accounting standards referred to in Section 211 (3C) of the Companies Act, 1956 to the extent applicable.

2 **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that effect the reported statements of assets and liabilities and the disclosure of contingent liabilities on the date of financial statements. The actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

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 and VAT credit wherever applicable, fluctuations in the exchange rate and subsidy directly attributable to the cost of fixed assets. Interest and other borrowing costs 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 dimunition 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 and Haridwar units of the company which are exempted from payment of excise duty.

(ii) The inventories are valued on the basis of first in and first out (FIFO) method.

(iii) Cost of inventories comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition.

(iv) The stocks of scrap materials have been taken at net realisable value.

(v) 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 transactions are recorded at the exchange rates prevailing on the date of the respective transactions. Foreign currency denominated monetary assets and liabilities are translated at the exchange rate prevailing on the balance sheet. The net variation arising out of the said transactions are adjusted to the costs of fixed assets upto the date of commencement of commercial production. All other exchange gains /losses arising out of such transactions are taken to the profit and loss account. 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.

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 ING Vysya Fund. Contributions to provident fund are accounted for on the basis of relevant fund rules.

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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 include excise duty but are exclusive of sales tax. Dividends are recognized in the profit at the time the right to receive dividend is established. Interest income is recognised on the time proportion basis.

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 incurred after 1.4.1998 is being amortised over a period of five years. Other expenditures are written off 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. Fringe Benifit tax is provided in accordance with the provisions of Income Tax Act,1961.

15 **Impairment of assets**

The company determines whether there is any indication of impairment of the carrying amount of the company's assets. The recoverable amount of such assets are estimated,if any indication exists, and impairment loss is recognised whereever the carrying amount of the assets exceeds its recoverable amount.

16 **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

		31.03.2006 lacs (Rs.)	31.03.2005 lacs (Rs.)
1	Estimated amount of capital contracts remaining to be executed and not provided for (net of advances)	740.25	574.61
2	Bank guarantees and letter of credits opened with bank (net of margin money)	3,246.65	2,945.85
3	Bonds to excise department against export of excisable goods without payment of duty (net of margin money)	95.00	119.87
4	Custom duty payable against export obligation	480.22	310.22
5	Suits filed against the company not acknowledged as debts	281.73	204.73
6	Debtors receivables assigned to IDBI Bank Limited	3,633.00	—
7	Liability under Channel Finance Scheme of Dealers of the company	222.80	—

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C NOTES

1 The company has issued and allotted 11591154 fully paid-up equity shares of Rs.5/- each as fully paid up bonus shares in the ratio of 1:1 ranking pari passu with the existing equity shares of the company as approved in the Annual General Meeting of the company held on 20th July 2005 by capitalisation Rs.547.02 lacs from securities premium account and Rs.32.54 lacs from General Reserve.

2 (a) The company has issued and allotted 854545 fully paid-up equity shares of Rs 5/- each at a premium of Rs.270/- per equity share on conversion of 235 nos. 4% unsecured convertible debentures of face value of Rs.10 lacs each to Shine Limited, Mauritius ranking pari passu with existing equity shares of the company. The said debentures were due on conversion on or before 12th June 2006 and have been converted on 21st day of March 2006 in pursuance of agreement dated 17th March 2006 and approved by the Finance Committee of Board of Directors of the company at its meeting held on 21stMarch 2006. Further, 854545 equity shares of Rs 5/- each have been issued and allotted to the said company as fully paid up bonus shares in pursuance of the agreement dated 11th December 2004 and applicable statutory guidelines by capitalisation Rs.42.73 lacs from General Reserve.

(b) The company has applied to the National Stock Exchange and the Bombay Stock Exchange for listing of 1709090 equity shares issued in pursuance of conversion of debentures. The Listing application is pending with the respective stock exchanges.

3 Crabtree India Limited has been amalgamated with the company as per scheme of amalgamation approved by the Hon'ble High Court of Delhi vide its order dated 19th day of April 2006 and filed with the Registrar of Company for registration on 1st May 2006. 19,87,805 fully paid Equity shares of Rs.5/- each have been issued and allotted to the shareholders of Crabtree India Limited in the ratio of 100 Equity shares of Rs.5/- each in lieu of 246 fully paid Equity shares of Rs.10/- each held by them without payments being received in cash on 8th May 2006.

In pursuance of the aforesaid scheme of amalgamation:-

(a) The authorised share capital of the company is increased from Rs.1500 lacs to Rs.2000 lacs, divided into 4,00,00,000 Equity shares of Rs.5/- each.

(b) The business of Crabtree India Limited alongwith all rights, title,trademark, patents, copyrights, privilages, powers and interests in moveable, incorporeal assets and all liabilities have been transferred and vested in the company as a going concern with effect from the appointed date i.e., 1st day of April 2005

(c) The amalgamation is in the nature of merger and has been accounted under the ' pooling of interest' method as prescribed by Accounting Standard (AS-14) of the Institute of Chartered Accountants . Accordingly all the assets and liabilities as on the appointed date and operations for the year have been incorporated in the accounts of the company.

(d) The excess of Rs.389.61 lacs being the surplus of net assets acquired over the consideration paid has been transferred to the General reserve in accordance with para 18 (a)(v)(d) of part III of the scheme of amalagamation sanctioned by the Hon'ble High Court of Delhi.

4 (a) The ICICI Bank Limited, Singapore branch has sanctioned a term loan of US dollars 7 million towards capital expenditure incurred by the company for expansion. The said loan is secured against the movable and immoveable assets of the company (excluding those pledged to bankers for working capital limits) and is repayable over a period of 5 years commencing from 10th March 2007.

(b) The aforesaid loan was to be utilised for capital expenditure to be incurred at Hardwar and Alwar units of the company. Since the capital expenditure was incurred prior to the disbursement of loan, the interest and other borrowing costs incidental thereto have been treated as revenue expenditure and charged to the profit and loss account .There are no unutlised monies lying out of proceeds of the aforesaid external commercial borrowings as on the date of the Balance Sheet.

(c) The aforesaid loan has been translated at the prevailing rate of exchange as on the date of balance sheet. Consequent to realignment of the value of foreign currency loan, the rupee liability of the company has decreased by Rs.57.20 lacs. The said exchange gain of Rs.57.20 lacs has been credited to the profit and loss account in accordance with the requirements of accounting standard-AS-11(revised) "The effects of changes in foreign exchange rates " issued by the Institute of Chartered Accountants of India.

5 (a) The IDBI Bank Limited has sanctioned a receivables buyout facility of Rs.200 crores to the company. As per the sanction letter dated 27th march 2006, the said debtors are insured to the extent of 95% and the bank has recourse on the company in respect of balance of 5% or Rs.2 lacs whichever is higher.

(b) The Company has assigned receivables of Rs.9,990.96 lacs during the year. As a result, the debtors of the company stand reduced as on the date of Balance Sheet by the aforesaid amount of debtors assigned.

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6 The Cenvat credit and VAT credit in respect of Capital Goods has been adjusted @ 100% in the cost of Fixed Assets. The CENVAT credit 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. The VAT credit has been availed as per the VAT rules applicable in the respective states.

7 The Fixed deposits from public include Rs.7.67 lacs in respect of which FDR's have matured but have not been claimed on due dates. The Company has not accepted or renewed any FDR's during the year since the scheme has been discontinued.

8 That the goods worth Rs.321.38 lacs at Mumbai Depot were damaged/destroyed due to floods which occurred on 26th July 2005. A sum of Rs.2.46 lacs has been written off and debited to the profit and loss account after settlement of Insurance claim by the insurance company and value of salvage recovered.

9 On 4th April 2006, i.e subsequent to the date of balance sheet, there was a fire in the factory premises of the company located at Hardwar (Uttaranchal) and goods and services worth Rs.250 lacs approximately were destroyed due to fire. The company is filing the insurance claim with Oreintal Insurance Company Limited for the loss due to fire .The resultant loss, if any, will be determined on settlement of the claim by the insurance company and will be accounted for accordingly.

10 The company has transferred and deposited a sum of Rs.1.54 lacs (last year Rs.0.62 lacs) out of unclaimed dividend pertaining to the year 1997-98 to Investor Education and Protection Fund of Central Government in accordance with provisons of Section 205C of the Companies Act, 1956.

11 (a) The company has achieved the status of One Star Export House vide certificate dated 14.06.2005 issued by Ministry of Commerce and Industry, Government of India with effect from 1st day of April 2004. As per para 3.7 of Foreign Trade Policy 2005-2009 announced on 08.04.2005 for 2004-2009, the star export houses are entitled for DEPB licence under the Target Plus Scheme.

11 (b) The company has applied for DEPB licenses on 30.9.2005 under the aforesaid scheme and received non-transferable DEPB licenses for Rs.302.24 lacs in respect duty credit on imported materials . The said credit is based on incremental growth in FOB value of exports in licensing year 2004-05 over licensing year 2003-2004 and other conditions specified therein. The company has credited the value of the aforesaid license to the profit and loss account and shown the unutilised balance of the license as DEPB licenses in hand under current assets. The company has accounted for DEPB entitlement of Rs.239.21 lacs for the licencing Year 2005-2006 based on the incremental growth over the previous licencing period.

12 The company has converted the WDV of dies and tools of amalgamating company Crabtree India Limited into stock in trade to commensurate with the present policy of the company of taking stocks of dies and tools at its effective residual value.

13 The company has sold the shares held in subsidiary company Havell's (U.K) Limited on 3rd day of March 2006. By virtue of this, the said company has ceased to be a wholly owned subsidiary of the company with the effect from the said date.

14 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:

			Deferred Tax Liability	
			As on 31-03-06 Rs. (in lacs)	**As on 31-03-05 Rs. (in lacs)**
1	Deferred Tax Liability			
	a)	on account of difference in rates and method of depreciation	1,136.21	928.54
	b)	on account of different treatment of certain payments under IT Act.	93.64	32.18
			1,229.85	960.72
2	Deferred Tax Assets			
	a)	on account of different treatment of certain payments under IT Act.	144.44	116.74
	b)	on account of provision for leave encashment and bonus	79.41	61.61
	c)	on account provision for doubtful debts not treated as expense under IT Act.	52.61	40.92
			276.46	219.27
3	Deferred income tax liability (Net)			
	a)	at the end of year	953.39	741.45
	b)	transfer in pursuance of amalgamation	48.33	—
	c)	for the year	163.62	308.82

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15 (a) The company has started commercial production of Compact Fluorescent Lamps (CFL), Electric Fans and Luminaries at Hardwar, (Uttaranchal). Preoperative expenses amounting to Rs. 43.24 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 units at Baddi, (Himachal Pradesh) and Hardwar (Uttaranchal) are 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 units are eligible for deduction under section 80 IC of the Income Tax Act, 1961.

(c) In respect of Baddi and Hardwar units, 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 units are exempted from payment of excise duty.

16 Interest and other borrowing costs amounting to Rs.20.12 lacs (last year 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.

17 Sundry debtors include Rs.196.09 lacs (last year Rs.348.81 lacs) due from Standard Electricals Limited, a company under the same management (maximum due Rs.356.64 lacs, last year Rs.1182.39 lacs)

18 (a) Balance with scheduled banks in current accounts include Rs.0.62 lacs (US$ 1384.17) with State Bank of India, Dhaka [last year Rs.1.52 lacs (US$ 3479.43)]

(b) Balance with other banks represent Rs.2.21 lacs (Dhirams 18223.60) in current account with National Bank of Dubai. (maximum balance during the year Rs.24.02 lacs) [last year balance Rs.0.27 lacs (Dhirams 2,272) and maximum balance Rs.9.37 lacs)]

19 (a) Sundry creditors include a sum of Rs 886.53 lacs (last year Rs.233.23 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) Aakriti Engineers (6) Avya Electronics (7) Ambica Techno Ceramics (8) Ameeja Enterprises (9) Aravali aluminium P.Ltd (10) Aum Techno Ceramics (11) A.V.Fastners Pvt.Ltd (12) Bharat Enterprises (13) Capital Packaging Industry (14) Dinesh Printing Press (15) Empire Fasteners (16) Excellent Moulders (17) Farrago Products (18) Fiber Glass Fabrications & Liners (19) G.S.Lighting P. Ltd. (20) Hartech Plastics Private limited (21) HGI Automotives Pvt. Ltd. (22) Indian Die Casting Industries (23) Indo Transferable Co. (24) Integ Electronics (25) Industrial Components (26) ITG Projects pvt Ltd (27) ITP Infotech Pvt. Ltd (28) Jawa Plastics Pvt. Ltd (29) K.R.Thermopack Pvt. Limited (30) Kay Automatics Pvt. Limited (31) Krishna Engineering Industries (32) Khannah Electricals Ltd (33) King Rubber Industries (34) K.K.G.Industries (35) Kraft Printers (36) Mega Packers (37) Mohindra Products (38)National Adhesives (39) Norell (40) Packform Industries (41) Paras Enterprises (42) Pinki Industries (43) Preto India (44) Prem udyog (45) R.N.G. Packagings Pvt. Ltd. (46) Rawat Chemicals (47) Rupam Conductor Pvt. Ltd (48) Salwan Plastomers (49) Sonya Insulators (50) Special Springs (India) Pvt. Ltd. (51) Sankhya Shafts and Spindles Private Limited (52) Sah Engineering Works (53) Shiv kamal Rubber Pvt. Ltd (54) Shipra Packaging pvt Ltd (55) Shubham Electronics (56) Super Engineering Works (57) Thriaarr Polymers Pvt. Ltd. (58) Tibrewala Electronics Limited (59) Trikuta Metals (60) Victor Paints (India) (61) Wheel Polymers Pvt. Limited., (62) Yokins Instruments.,(63) Anand metal works, (64) Indian core oil Limited, (65) Jit enterprises, (67) Krishna Pacage, (68) Paramount Pakages, (69) Pearl streeps Privat 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.

20 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.3818.27lacs (Previous year Rs.2320.60 lacs) within the stipulated time as specified in the respective licences.

21 The Company has made a provision of excise duty amounting to Rs.438.89 lacs (last year Rs.453.48 lacs) payable on stocks of finished goods and scrap at the end of year except at Baddi and Hardwar units as stated in note no. 15(c) above. 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.

22 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.

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23 The Central Excise Department has issued following show cause notices / orders to the Company raising a demand of Rs 41.89 lacs including penalty,

(i) Showcause notice dated 21.10.2002	Rs.7.33 lacs pending with Commissioner Central Excise (Appeals)
(ii) Showcause notice dated 22.08.2003	Rs.6.07 lacs pending with CESTAT
Penalty	Rs.6.07 lacs
(iii) Order of Joint Commisioner, Central Excise dated 29-12-2005	Rs.11.21 lacs appeal to be filed
Penalty	Rs.11.21 lacs

No provision in respect of the above amount has been made since the company expects no liability on this account.

24 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.

25 (a) The UP trade tax department has raised a demand of Rs.183.92 lacs towards trade tax on stock transfer and Rs.75.75 lacs for non submission of forms and other additions made for the financial year 2004-2005 as per the assessment order dated 21.3.2006 .The company is contesting the demand and filing an appeal before the Joint Commissioner (Appeals), Trade Tax, Range-II NOIDA in respect of stock transfer and filing a rectification application for the balance demand. The company has deposited a sum of Rs.21.72 lacs during the financial year 2004-05 and no provision for the balance demand has been made since the company expects no liability on this account.

(b) The Delhi VAT department has raised a demand of Rs.63.88 lacs on account VAT chargeable on stock transfer to consignmnent agent. The Company has contested the said demand in appeal before Appellate Tribunal, DVAT, Delhi. The department has withheld the refund of Rs.16.86 lacs on this account and no provision for the balance demand of Rs.47.01 lacs has been made since the company expects no liability on this account.

(c) The sales tax department, Jaipur, Rajasthan has raised a demand of Rs.5.01 lacs (including penalty of Rs.3.31 lacs and interest of Rs.0.05 lacs) during survey conducted at office premises on 24th May 2005 . The company has contested the demand in appeal filed before Joint Commissioner (Appeals) .The company has deposited a sum of Rs.0.50 lacs and no provision for the balance amount has been made since the company expects no liability on this account.

26 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) by Excise and Taxation department, Haryana. The company has made a payment of Rs.11.64 lacs and no provision for balance of demand has been made since the company has filed an appeal before the Joint Excise and Taxation Commissioner (Appeals) and expects no liability on this account.

27 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. Further a demand of Rs.2.74 lacs has been raised by ACIT, New Delhi for the accounting year 2002-03. No provision has been made since the same is disputed and contested before Commissioner (Appeals), New Delhi.

28 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.14.46 lacs towards interest income and 40.15 lacs towards gains on exchange rate fluctuations at the end of the year.

29 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 identifed 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 2006, the company has identified its principal cash generating units into MCB Division(Badli, Delhi), Meter Division (Tilak Nagar, Delhi), Industrial Switchgear Division and CFL Division (Faridabad), Fan Division (NOIDA), Cable Division (Alwar, Rajasthan), Switchgear Division and CFL Division (Baddi, H.P), Fan, CFL and Luminaries Division at Hardwar (Uttranchal) 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.

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30 Provisions are recognised for expenses such as electricity, telephone, bad debts, sales incentives and other expenses of commercial nature. 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 2006-07.

The movement in provisions are as under:

		2006 (Rs. in lacs)	2005 (Rs. in lacs)
a)	Carrying amount as on 01.04.2005	291.23	236.60
b)	Carrying amount of amalgamating company as on 01.04.2005	23.77	—
c)	Additional provisions made during the financial year 2005-06, including increase to existing provisions	301.27	127.77
d)	Amounts used (incurred and charged against the provision) during financial year 2005-06	64.19	56.76
e)	Unused amounts reversed during financial year 2005-06	4.56	16.38
f)	Carrying amount of provisions as on 31.03.2006	547.52	291.23

31 a) Break-up of remuneration paid to Managing/Wholetime Directors' is as under:

Salary	58.75	52.50
Mediclaim insurance	0.40	0.23
Leave salary	2.81	1.06
	61.96	53.79

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

Sh Surjit Gupta, Director of the Company has been paid a remuneration of Rs.14.5 lacs (last year Rs.12 lacs) by TTL Limited.

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

Net profit as per profit and loss account	6,320.71	3,052.64
Add: Income tax	1,527.88	1,270.06
Wealth tax	2.21	1.60
Managing/Whole-time Director's remuneration	61.96	53.79
Depreciation charged in accounts	653.80	408.93
Provision for doubtful debts	31.25	31.44
Loss on Sale of Assets	44.88	2.76
Less: Depreciation as per section 350 of the Companies Act, 1956	(653.80)	(408.93)
Profit on Sale of Assets	(2.01)	(0.33)
Net profit as per section 349 of the Companies Act, 1956	7,986.87	4,411.96
Maximum remuneration payable @10% of net profit	798.69	441.20

32 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 Act 2006. The said amount is not subject to deduction of tax at source.Corporate dividend tax debited to profit and loss account includes Rs.2.77 lacs paid for financial year 2004-2005.

33 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.

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34 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:

(Rs. in lacs)

	Switchgears	Cable and Wire	Electrical Consumer Durables	Others	Total
A. Revenue					
i) Segment Revenue	32,985.13 (21,793.39)	46,545.99 (30,724.34)	27,450.36 (13,151.16)	4,887.05 (1,208.77)	111,868.52 (66,877.66)
B. Result					
i) Segment Result	9,791.93 (6,225.19)	6,467.31 (3,771.44)	3,811.25 (2,064.66)	-213.21 (-272.15)	19,857.28 (11,789.14)
ii) Unallocated Expenses net of Unallocable Income					10,206.82 (6,115.50)
ii) Operating Profit					9,650.46 (5,673.64)
iii) Financial Expenses					1,801.87 (1,350.94)
iv) Income taxes					1,527.88 (1,270.06)
v) Profit					6,320.72 (3,052.64)
C. Assets					
Segment Assets	12,710.85 (13,598.11)	15,825.36 (11,999.35)	11,919.46 (7,877.69)	12,339.60 (6,461.47)	52,795.27 (39,936.62)
					52,795.27 (39,936.62)
D. Liabilities					
Segment liabilities	2,835.06 (2,022.45)	8,166.17 (5,888.42)	3,914.15 (1,259.71)	8,346.09 (3,941.89)	23,261.47 (13,112.47)
					23,261.47 (13,112.47)
E. Capital Expenditure					
Segment Capital Expendiuture	866.80 (2,311.72)	1,940.41 (1,105.04)	2,455.20 (817.39)	1,141.92 (790.65)	6,404.33 (5,024.80)
					6,404.33 (5,024.80)
F. Depreciation					
Segment Depreciation	214.37 (147.37)	134.96 (84.63)	122.27 (56.13)	182.21 (120.80)	653.80 (408.93)
					653.80 (408.93)
G. Non-cash expenses other than depreciation					
Miscellaneous expenditure written off (unallocated)					2.31 (0.41)
Provision for bad and doubtful debts	3.10 (22.15)	3.00 (9.29)	— (—)	25.15 (—)	31.25 (31.44)

Note: Figures in brackets relates to previous year.

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35 **Earnings per share**

			2006		2005
			Rs. In lacs		Rs. In lacs
A. Basic Earnings per share					
Numerator for basic earning per share					
Profit before tax			7,848.59		4,322.70
Less:Provision for Income Tax					
Current tax		1,239.84		961.24	
Fringe benefit tax		124.42		—	
Deferred tax		163.62	1,527.88	308.82	1,270.06
Net Profit after tax			6,320.71		3,052.64
Denominator for basic earning per share					
Weighted number of equity shares outstanding during the period	Nos.		26,050,411		24,036,853
Earning per share-basic	Rs.		24.26		12.70
B. Diluted Earnings per share					
Numerator for diluted earning per share					
Profit before tax			7,848.59		4,322.70
Provision for taxation					
Current tax		1,239.84		961.24	—
Fringe benefit tax		124.42		—	
Deffered tax		163.62	1,527.88	308.82	1,270.06
Net Profit after tax			6,320.71		3,052.64
Adjustment to net earnings			—		
Interest on 4% unsecured convertible Debenture			—	28.07	
Less: Tax effect			—	10.27	17.80
			6,320.71		3,070.44
Denominator for diluted earning per share					
Outstanding number of equity shares as on 31.03.2006	Nos.		26,050,411		24,036,853
Possible dilution on conversion of 4% unsecured convertible debenture	Nos.		—		1,340,865
			26,050,411		25,377,718
Wighted number of equity shares	Nos.		26,050,411		25,377,718
Earning per share-Diluted	Rs.		24.26		12.10

The weighted number of equity shares outstanding as at the end of the year have been calculated as follows:-

a) 11591154 equity shares outstanding as on 1.4.2005 have been considered from beginning of the year,

b) 854545 equity shares issued as a result of the conversion of fully convertble debentures have been included from the date of conversion I.e 21st day of March 2006,

c) 1987805 equity shares pending allotment to shareholders of Crabtree India Limited in terms of scheme of amalgamation have been included from the begining of the reporting period I.e 1.4.2005 being the appointed date of amalgamation,

d) 12445699 equity shares issued as bonus shares during the year have been included from the beginning of the earliest reporting period I.e 1.4.2004. The figures for the previous financial year have been restated and adjusted for the bonus issue accordingly.

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36 **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)	QRG Enterprises Limited
		(ii)	TTL Limited
		(iii)	Standard Electricals Limited
		(iv)	Havell's Financial Services Limited
		(v)	Havell's Switchgears Private Limited
		(vi)	Guptajee & Company
		(vii)	QRG Foundation
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	Subsidiary	Associates	Key Management Personnel	Relative of Key Management Personnel	Total
Purchase of goods		641.10			641.10
		(133.47)			(133.47)
Sale of goods		2,127.30			2,127.30
		(2,597.27)			(2,597.27)
Sales incentives,discounts and commission paid		218.87			218.87
		(379.79)			(379.79)
Purchase of fixed assets		0.92			0.92
		(10.98)			(10.98)
Sales of fixed assets					—
		(0.67)			(0.67)
Rent received		—			—
		(16.47)			(16.47)
Rent paid		12.70			12.70
		(8.44)			(8.44)
Receipt for use of common facilities		—			—
		(80.22)			(80.22)
Reimbursement for rent		14.40	—		14.40
		—	(0.70)		(0.70)
Job charges paid		10.50			10.50
					—

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Repair expenses		2.94			2.94
		(0.18)			(0.18)
Trade mark fee paid		841.12			841.12
		(597.81)			(597.81)
Donation paid		15.00			15.00
		(11.00)			(11.00)
Interest paid		—	8.24	7.32	15.56
		(18.06)	(1.41)	(8.37)	(27.84)
Expenses Reimbursement		—			—
		(49.93)			(49.93)
DEPB Purchase		39.05			39.05
Loans and advances					—
	(8.35)				(8.35)
Directors remuneration			61.96		61.96
			(53.79)		(53.79)
Total- Current Year	—	**3,884.85**	**70.20**	**7.32**	**3,962.36**
- Previous Year	(8.35)	(3,904.29)	(55.90)	(8.37)	(3,976.91)
(C) Balance receivable at the year end	—	196.09	—	—	196.09
	(8.35)	(1,032.03)	(—)	(—)	(1,040.38)
Balance payable at the year end	—	—	—	—	—
	(—)	(—)	(9.43)	(68.32)	(77.75)

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

b) Figures of subsidiary company for the previous year relates to Havell's UK Limited.

37 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)

		2006		2005	
	UNIT	**QTY**	**Amount (Rs. In lacs)**	**QTY**	**Amount (Rs. In lacs)**
(i) Turnover					
Finished Goods					
Domestic Switchgears	Nos	19,820,403	17,260.27	14,036,344	13,860.50
Industrial Switchgears	Nos	1,288,609	9,647.79	934,567	7,698.29
EWA	Nos	12,597,252	5,191.50	—	—
Meters	Nos	553,166	1,211.81	136,150	890.27
Cable and Wires	Km	288,704	46,318.41	214,359	30,584.63
Electrical Consumer Durables	Nos.	16,195,417	27,159.17	6,800,466	12,981.38
Bathfittings	Nos	815,710	3,307.05	—	—
Miscellaneous (Including scrap materials)			687.56		499.51
			110,783.56		66,514.58
(ii) Raw Materials and Components consumed			53,380.59*		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.

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(iii)Purchases and Stocks

Purchases	**UNIT**	**QTY**	**Amount (Rs. In lacs)**	**QTY**	**Amount (Rs. In lacs)**
Electrical Consumer Durables	Nos	3,860,373	5,715.09	2,005,474	3,387.24
Meters	Nos	37,573	200.47	2,286	19.43
Industrial Switchgears	Nos	—	—	112	2.15
EWA	Nos	9,710,170	2,171.52	—	—
Bathfittings	Nos	203,942	594.07	—	—
Miscellaneous					11.62
			8,681.15		3,420.43
Opening Stocks					
Traded Goods					
Electrical Consumable Durables		572,699	993.49	417,377	284.09
Finished Goods					
Domestic Switch gear	Nos	4,266,313	1,568.14	763,452	565.30
Industrial Switchgear	Nos	93,969	378.87	64,095	206.74
Meters	Nos	49,144	319.25	47,269	288.25
Cable and Wires	Km	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
			5,753.04		2,771.80
Semi-Finished Goods			1,167.76		805.62
Stock transferred in pursuance of scheme of amalgamation					
Traded Goods					
EWA	Nos	1,675,121	428.25	—	—
Bathfittings	Nos	37,638	144.96	—	—
			573.21		—
Finished Goods					
EWA	Nos	106,221	62.57	—	—
Bathfittings	Nos	109,847	396.69	—	—
			459.26		—
Semi Finished Goods			121.57		—
Stock destroyed/damaged due to floods					
Traded Goods					
EWA	Nos	59,864		—	—
Bathfittings	Nos	839		—	—
Electrical Consumer Durables	Nos	31,521		—	—
Finished Goods					
Domestic Switchgears	Nos	55,306		—	—
Industrial Switchgears	Nos	2,086		—	—
EWA	Nos	7,187		—	—
Meters	Nos	218		—	—
Cable & Wire	Kms	2,540		—	—
Electrical Consumer Durables	Nos	83,885		—	—
Bathfittings	Nos	4,030		—	—

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Closing Stocks					
Traded Goods					
Electrical Consumer Durables	Nos	1,123,002	1,420.79	572,699	993.49
EWA	Nos	1,480,664	402.88	—	—
Bathfittings	Nos	86,803	344.21	—	—
			2,167.88		993.49
Finished Goods					
Domestic Switchgears	Nos	2,880,138	1,520.20	4,266,313	1,568.14
Industrial Switchgears	Nos	136,197	843.28	93,969	378.87
EWA	Nos	127,197	54.37	—	
Meters	Nos	45,337	281.06	49,144	319.25
Cable and Wires	Km.	13,284	3,087.34	20,838	2,586.97
Electrical Consumer Durables	Nos	2,343,470	2,526.98	636,752	851.62
Bathfittings	Nos	130,855	567.72	—	—
Miscellaneous			21.20		48.19
			8,902.15		5,753.04
Semi-Finished Goods			1,599.23		1,167.76

(iv) Capacity and Production

# LICENSED CAPACITY @ INSTALLED CAPACITY (PER ANNUM)		**2006** (Qty)	**2005** (Qty)
Domestic Switch gear	Nos	33,600,000	27,300,000
Industrial Switchgear	Nos	1,800,000	1,335,000
EWA	Nos	6,000,000	—
Meters	Nos	840,000	840,000
Cable & Wires	Km.	470,000	465,000
Electrical Consumer Durables	Nos.	22,400,000	13,200,000
Bathfittings	Nos	750,000	—
Actual Production			
Domestic Switchgears	Nos	18,618,083 (128,549)	17,714,133 (174,928)
Industrial Switchgears	Nos	1,729,342 (396,419)	969,282 (4,953)
EWA	Nos	2,780,653 (—)	— (—)
Meters	Nos	512,007 (3)	135,759 (20)
Cable and Wires	Km.	285,642 (1,952)	217,664 (1,620)
Electrical Consumer Durables	Nos.	14,946,902 (239,431)	5,425,024 (53,055)
Bathfittings	Nos	686,810 —	— (—)

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.

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			2006 (Rs. In lacs)	2005 (Rs. In lacs)
38	CIF value of Imports			
	Raw materials and components		9,124.31	2,223.41
	Machinery		592.94	452.22
	Spare parts		10.84	14.25
	R&D		4.89	—
39	Expenditure in foreign currency			
	Travelling		92.18	56.07
	Research & Development		4.21	0.95
	Printing Catalogue etc.		0.21	—
	Advertisement		—	1.82
	Testing charges		31.99	14.71
	Seminar and exhibition		12.30	26.99
	Overseas Branch Expenses		126.91	65.95
	Training expense		—	7.93
	Dividend in foreign currencies			
	Year to which relates		2004-2005 Final	2003-2004 Final
	Non-resident shareholders	Nos	255	227
	Shares held	Nos	122,343	231,106
	Amount paid in rupees	Rs. In lacs	3.06	2.89
	Amount remitted in foreign currency	Rs. In lacs	—	—
40	Earnings in foreign exchange			
	F.O.B. value of exports *	Rs. In lacs	7,280.81	4,841.36

* excluding export of Rs.1133.89 lacs made through merchant exporters (previous year Rs.354.22 lacs) and excluding those consignment of which shipping bill is pending.

41 Value of imported/Indigenous materials and components consumed and percentage thereof

	(%)	(Rs. in lacs)	(%)	(Rs. in lacs)
Indigenous	86.12	45,972.64	93.02	31,526.88
Imported	13.88	7,407.95	6.98	2,366.72
	100.00	53,380.59	100.00	33,893.60

42 **BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL PROFILE**

I) **Registration Details**

Registration No	16304	16304
Code No	55	55
Balance sheet date	31.03.2006	31.03.2005

ii) **Capital raised during the year**

	Rupees in lacs	Rupees in lacs
Public issue	—	—
Right issue	—	—
Bonus issue	622.28	—
Private placement	42.73	—

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iii)	**Position of mobilisation and deployment of funds**		
	Total liabilities	29,538.54	26,825.22
	Total assets	29,538.54	26,825.22
	Sources of funds		
	Paid up capital	1,343.96	579.56
	Reserves and surplus	16,256.64	8,082.00
	Secured loans	10,854.24	14,208.61
	Unsecured loans	130.31	3,213.60
	Deferred tax laibility	953.39	741.45
	Application of funds		
	Net fixed assets	15,319.78	9,233.07
	Investments	316.58	316.58
	Net current assets	13,897.44	17,274.49
	Miscellaneous expenditure	4.74	1.07
iv)	**Performance of Company**		
	Turnover	111,513.65	66,588.40
	Other income	354.87	289.27
	Total expenditure	104,019.93	62,554.96
	Profit before tax	7,848.59	4,322.70
	Profit after tax	6,320.71	3,052.64
	Weighted No of equity shares	26,050,411	24,036,853
	Earning per share (basic)	24.26	12.70
	Earning per share (dilute)	24.26	12.10
	Dividend Rate	50%	50%
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
	Moulded case circuit breaker	85362020	85362020
	Wire	85449000	85449000

43 That the figures for the previous year have been rearranged wherever necessary.The figures of the current year include those of the transferor company Crabtree India Limited and are therefore not strictly comparable with those of the current year.

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

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

For and on behalf of the Board

AUDITOR'S REPORT
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, 18th May, 2006

Schedules

CASH FLOW STATEMENT ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31st MARCH, 2006

	31.03.2006 (Rs.in lacs)	31.03.2005 (Rs.in lacs)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax and extraordinary items	7,850.80	4,324.30
Adjustments for		
Depreciation	653.80	408.92
Profit on sale of Fixed Assets	(2.01)	(0.33)
Loss on Sale of Fixed Assets	44.88	2.76
Interest Income	(47.89)	(43.83)
Interest Paid	1,791.73	1,392.43
Miscellaneous Expenditure Written Off	2.31	0.41
Operating Profit before working capital changes	10,293.61	6,084.66
Adjustments for		
Trade and Other Receivables	3,670.21	(5,812.04)
Inventories	(7,163.22)	(4,994.49)
Trade Payables	6,440.36	4,193.73
Other Liabilities	2,168.71	821.79
Cash generated from operations	15,409.67	293.65
Direct taxes paid	(1,146.22)	(1,007.94)
CASH FLOW BEFORE EXTRAORDINARY ITEMS	14,263.45	(714.29)
Net Cash received (+) / used (-) from Operating Activities	14,263.45	(714.29)
B. CASH FROM INVESTING ACTIVITIES		
Receipt of Cash & bank Balances in pursuance of Scheme of Amalgamation	25.26	—
Purchase of fixed assets	(6,051.41)	(2,929.61)
Addition in Capital Work in Progress	(352.92)	(2,095.19)
Investment in Shares	0.002	(0.002)
Sale of fixed assets	73.19	11.41
Interest Received	47.89	43.83
Net Cash used in Investing Activities	(6,257.98)	(4,969.56)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of debentures	(22.20)	2,372.20
Proceeds from long term Borrowings	(4839.81)	4899.79
Proceeds from fixed deposits	(694.59)	10.89
Repayment of finance lease liabilities	31.28	(37.59)
Repayment of unsecured advances	(385.50)	(0.50)
Increase in Miscellaneous Expenditure	(2.28)	—
Interest Paid	(1,791.73)	(1,392.43)
Dividend paid	(289.78)	(144.89)
Net Cash received (+) / used (-) from Financing Activities	(7,994.61)	5,707.47
Net increase (+) / decrease (-) in cash and cash equivalents (A+B+C)	10.86	23.62
Cash and Cash Equivalents as at the beginning of the year	35.01	11.39
Cash and Cash Equivalents as at the close of the year	45.87	35.01

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Note: The impact of non-cash assets and liabilities transferred pursuance of scheme of amalgamation has been excluded from the above cash flow statement. The cash and Bank accounts of tranferor company have been included under the head investing activities. The breakup of assets and liabilities is as under:

A) Assets and Liabilities		
Fixed assets		473.51
Current Assets		3,144.62
Miscellaneous expenditure		3.70
		3,621.83
Less: Secured and unsecured loans	1,823.16	
Current Liabilities and Provisions	713.01	
Deffered Tax Liability	48.33	2,584.50
		1,037.33
B) Reserves		
Transferred in pursuance of Scheme of amalgamation		548.33
Surplus in pursuance of Scheme of amalgamation		389.61
		937.94
C) Consideration		99.39
		1,037.33

For and on behalf of the Board of Directors

Qimat Rai Gupta
Chairman &
Managing Director

Surjit Gupta
Director

Ritu Mehrotra
Company Secretary

Yogesh Bansal
Senior Manager

Noida, 18th May, 2006

Schedules

AUDITOR'S CERTIFICATE

We have examined the above cash flow statement of Havell's India Limited for the year ended 31st March 2006. 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, 2006 and 31st March, 2005, covered by our report dated May 18, 2006 and May 12, 2005 respectively to the members of the Company.

For V. P. Bansal & Co.
Chartered Accountants

Noida, May 18, 2006

V.P.Bansal
Proprietor

Consolidated Financial Statements

Consolidated Financial Statements

AUDITORS' 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, 2006 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. The financial statements of the subsidiary are made up to 3.3.2006 being the date of transfer of investment of the said subsidiary and have been certified by the management and have been furnished to us and in our opinion, in so far as it relates to the amounts included in respect of such subsidiary is based solely on the certified financial statements. However, the size of the said subsidiary, in the consolidation position is not significant in relative terms. The details of assets and revenues in respect of the said subsidiary are given below:-

(Rs. in lacs)

Name of the Company	Total Assets	Total revenue
Havell's (U.K). Limited	Nil	0.51

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 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, 2006, 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

Sd/-
(V.P. Bansal)
Proprietor

Noida, 18th May, 2006

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

	SCHEDULE NO.	AS AT 31.03.06 (Rs. in lacs)	AS AT 31.03.05 (Rs. in lacs)
I. SOURCES OF FUNDS			
1. **SHARE CAPITAL**			
Share capital	1	1,343.96	579.56
Reserves and surplus	2	16,256.65	8,076.21
		17,600.61	8,655.77
2. **LOAN FUNDS**			
Secured loans	3	10,854.24	14,208.61
Unsecured loans	4	130.31	3,213.60
		10,984.55	17,422.21
3. **DEFERRED INCOME TAX**		953.35	741.45
		29,538.54	**26,819.43**
II. APPLICATION OF FUNDS			
1. **FIXED ASSETS**	5		
Gross block		16,887.85	10,411.02
Less: Depreciation		2,244.67	1,591.34
Net block		14,643.18	8,819.68
Add: Capital work-in-progress		676.60	413.38
Total fixed assets		15,319.78	9,233.06
2. **INVESTMENTS**	6	316.58	316.58
3 **CURRENT ASSETS, LOANS AND ADVANCES**	7		
Inventories		19,061.79	10,607.54
Sundry debtors		12,816.69	16,362.25
Cash and bank balances		833.30	822.28
Other current assets		864.22	149.51
Loans and advances		3,582.92	2,441.33
		37,158.92	30,382.91
Less:Current liabilities and provisions	8		
Current liabilities		21,128.78	11,823.70
Provisions		2,132.70	1,290.49
		23,261.48	13,114.19
NET CURRENT ASSETS		13,897.44	17,268.72
4. **MISCELLANEOUS EXPENDITURE**	9	4.74	1.07
		29,538.54	**26,819.43**
Accounting policies, contingent liabilities and notes on accounts	19		

For and on behalf of the Board

Qimat Rai Gupta
Chairman &
Managing Director

Surjit Gupta
Director

Ritu Mehrotra
Company Secretary

Yogesh Bansal
Senior Manager

Noida, 18th May, 2006

AUDITOR'S REPORT
As per our Report attached.

For V. P. Bansal & Co.
Chartered Accountants

V.P.Bansal
Proprietor

Consolidated Financial Statements

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	SCHEDULE NO.	YEAR ENDED 31.03.06 (Rs. in lacs)	YEAR ENDED 31.03.05 (Rs. in lacs)
1. INCOME			
Sales and Operating Income	10	111,513.64	66,588.39
Other Income	11	355.38	289.19
Profit on disposal of investment in subsidiary		5.50	—
		111,874.52	66,877.58
2. EXPENDITURE			
Materials cost	12	58,213.43	33,274.62
Excise duty		11,144.91	8,342.23
Manufacturing expenses	13	10,523.09	6,476.65
Office and administration expenses	14	6,030.29	3,888.17
Selling and distribution expenses	15	15,781.26	8,871.27
Financial expenses	16	2,260.68	1,651.92
Managerial remuneration	17	61.96	53.79
Miscellaneous expenditure written off	18	2.31	0.41
Wealth tax		2.21	1.60
		104,020.13	62,560.68
Profit before tax		7,854.39	4,316.91
Income tax expense			
Current tax		1,239.84	961.24
Fringe Benefit Tax		124.42	—
Deferred tax		163.62	308.82
		1,527.88	1,270.06
3. PROFIT FOR THE YEAR		**6,326.51**	**3,046.85**
4. PROFIT FOR APPROPRIATION			
Brought forward from previous year		6,314.35	3,915.15
Profit for the year		6,326.51	3,046.85
Profit available for appropriation		**12,640.86**	**6,962.00**
APPROPRIATIONS			
Transfer to general reserve		640.00	320.00
Proposed dividend		671.98	289.78
Corporate dividend tax		97.02	37.87
Balance carried over to balance sheet		11,231.86	6,314.35
		12,640.86	**6,962.00**
Earnings per share - basic (In Rs.) (Refer note no. 15A)		24.29	12.68
Earnings per share - diluted (In Rs.) (Refer note no. 15B)		24.29	12.08
Accounting policies, contingent liabilities and notes on accounts	19		

For and on behalf of the Board

Qimat Rai Gupta
Chairman &
Managing Director

Surjit Gupta
Director

Ritu Mehrotra
Company Secretary

Yogesh Bansal
Senior Manager

Noida, 18th May, 2006

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 31.03.06 (Rs. in lacs)	AS AT 31.03.05 (Rs. in lacs)
SCHEDULE NO. 1		
SHARE CAPITAL		
Authorised		
40,000,000 Equity Shares of Rs.5/- each (Last year 23,000,000 Equity Shares of Rs.5/- Each)	2,000.00	1,150.00
Issued and subscribed		
24,891,398 Equity Shares of Rs.5/- each (Last year 11,591,154 Equity Shares of Rs.5/- each)	1,244.57	579.56
Paid Up		
24,891,398 Equity Shares of Rs.5/- each (Last year 11,591,154 Equity Shares of Rs.5/- each) of the above:-	1,244.57	579.56
1,625,554 Equity Shares (Previous year 1,625,554) alloted as fully paid up pursuant to a contract without payment being received in cash.		
13,921,199 (Previous Year 1,475,500) Equity Shares issued as fully paid up bonus shares by capitalisation of Securities Premium Account and General Reserve		
854,545 (Previous year Nil) equity shares issued as fully paid up pursuant to conversion of 4% fully convertible debenutres		
Equity Shares pending allottment in pursuance of scheme of amalgamation 1,987,805 Equity Shares of Rs.5/- each	99.39	—
	1,343.96	579.56
SCHEDULE NO. 2		
RESERVES AND SURPLUS		
Capital reserve	519.35	519.35
	519.35	519.35
Securities premium account		
As per last Balance Sheet	547.02	547.02
Less: Capitalized by way of issue of Bonus Shares	547.02	—
Add: Pursuant to conversion of 4% Fully Convertible Debentures	2,307.27	—
	2,307.27	547.02
General reserve		
As per last balance sheet	695.49	375.49
Add: Surplus in pursuance of scheme of amalgamation	389.61	—
Less: Capitalized by way of issue of Bonus Shares	75.26	—
Add: Transfer from profit and loss account	640.00	320.00
	1,649.84	695.49
Profit and loss account		
Transfer in pursuance of scheme of amalgamation	548.33	—
Balance as per profit and loss account	11,231.86	6,314.35
	11,780.19	6,314.35
	16,256.65	8,076.22
SCHEDULE NO. 3		
SECURED LOANS		
Loans and advances		
Working capital loans from banks		
Cash credit account	4,314.26	3,733.42
Working capital demand loan	—	1,300.00
FCNR working capital loan	—	453.86
Export packing credit	—	328.11
Export bills discounted	1,152.63	530.87
Against Commercial papers	—	2,000.00
Short term working capital loan	—	1,000.00

Consolidated Financial Statements

SCHEDULES

	AS AT 31.03.06 (Rs. in lacs)	AS AT 31.03.05 (Rs. in lacs)
Term loans from banks		
Term loan from Canara Bank	80.00	248.00
Term loan from UTI Bank Limited	—	200.00
Term loan from Corporation Bank	101.64	—
Term loan from ICICI Bank Limited, Delhi	—	317.60
External Commercial Borrowings from ICICI Bank Limited, Singapore	3,140.20	—
Term loan from Syndicate Bank	1,540.34	1,980.00
Against hypothecation of motor cars	148.03	116.74
From others		
Term loan from Rabo India Finance Private Limited	—	2,000.00
Deferred Payment Credits		
Greater Noida Industrial Development Authority (Against purchase of Industrial Land)	377.14	—
[Due within a year Rs.867.74 lacs (last year Rs 1187.99 lacs)]	10,854.24	14,208.61

Notes:-

1 Working Capital Limits, except working capital limits of amalgamating company Crabtree India Limited, 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 Term loan from Syndicate Bank and ECB from ICICI Bank Limited, Branch Singapore are secured by way of :

* pari-passu first charge on all the assets of the company except those charged against working capital limits
* personal guarantees of S/Shri Qimat Rai Gupta, Surjit Gupta and Anil Gupta, Directors of the company
* the documentation of creation of charge on securities in favour of ICICI Bank Limited, Singapore is under process.

4 Working capital limits from IDBI Bank Limited in amalgamating company, Crabtree India Limited is secured against :

* all present and future fixed assets, book debts, money receivable, stock in trade, other related items of stores and whole of the moveable properties of electrical wire accessories division.
* corporate guarantee of Rs.525 Lacs by QRG Enterprises, a company under same management and
* personal guarantees of S/Shri Qimat Rai Gupta and Anil Gupta, Directors of the Company and Sh Ameet Gupta son of director of the company

5 Working capital limits from Corporation Bank in amalgamating company, Crabtree India Limited is secured against hypothecation of book debts and stock in trade of bath fittings division and further secured by way of exclusive charge on entire fixed assets both present and future of bath fitting divisions.

6 Term loan from Corporation Bank in amalgamating company, Crabtree India Limited is secured by exclusive charge on entire fixed assets, both present and future excluding vehicles of bath fittings divisions.

SCHEDULE NO. 4

UNSECURED LOANS

4% Fully Convertible debentures	—	2,372.20
Fixed deposits from public	130.31	824.90
Other loans and advances from companies	—	16.50
[Due within year Rs.130.31 lacs(last year Rs 839.08 lacs)]	130.31	3,213.60

SCHEDULE NO. 5

FIXED ASSETS

(Rs. in lacs)

Sl. No.	Description	GROSS BLOCK					DEPRECIATION					NET BLOCK	
		AS AT 01.04.2005 Rs.	Transferred in pursuance of in scheme of amalgamation Rs.	ADDITIONS DURING THE YEAR Rs.	SALES/ ADJUSTMENT Rs.	AS AT 31.03.2006 Rs.	UP TO LAST YEAR Rs.	Transferred in pursuance of in scheme of amalgamation Rs.	FOR THE YEAR Rs.	SALES/ ADJUSTMENT Rs.	TO DATE Rs.	AS AT 31.03.2006 Rs.	AS AT 31.03.2005 Rs.
1	Industrial land												
	Freehold	349.71	—	68.44	—	418.16	—	—	—	—	—	418.16	349.71
	Leasehold	305.53	41.59	591.02	—	938.14	—	—	—	—	—	938.14	305.53
2	Factory buildings	2,533.09	149.17	1,784.31	—	4,466.57	160.71	13.10	107.67	—	281.48	4,185.09	2,372.38
3	Office premises	29.79	—	—	9.98	19.81	5.20	—	0.47	1.61	4.06	15.76	24.59
4	Plant and machinery	4,908.64	162.13	2,477.27	97.45	7,450.60	674.21	19.53	280.01	26.36	947.39	6,503.21	4,234.44
5	Dies and Tools	—	31.39	—	31.39	—	—	10.11	—	10.11	—	—	—
6	Generators	214.43	11.37	166.70	1.74	390.76	41.83	1.55	13.84	0.33	56.88	333.88	172.60
7	Furniture and fixtures	378.25	15.17	116.87	24.40	485.88	155.86	4.94	53.08	16.22	197.66	288.22	222.39
8	Electric fans and installations	434.64	25.47	327.63	—	787.74	70.08	3.24	31.18	—	104.50	683.25	364.56
9	Water supply installations	12.08	0.28	0.66	—	13.02	4.31	—	0.68	—	4.99	8.03	7.77
10	Weighing scale	13.84	—	4.75	—	18.58	3.23	—	0.79	—	4.02	14.56	10.61
11	EDP Equipments	556.77	72.02	117.73	1.90	744.61	311.52	7.27	91.52	0.26	410.05	334.56	245.25
12	Office equipments	106.09	17.38	32.58	—	156.06	34.29	3.42	7.81	—	45.53	110.53	71.80
13	Airconditioners	123.65	1.39	45.30	0.23	170.11	28.06	0.14	7.48	0.02	35.66	134.46	95.58
14	Vehicles	393.95	12.79	147.99	37.35	517.37	97.44	3.33	41.82	12.17	130.42	386.96	296.51
15	R & D Block	50.56	—	259.87	—	310.43	4.60	—	17.45	—	22.04	288.38	45.96
		10,411.01	540.15	6,141.12	204.43	16,887.85	1,591.32	66.64	653.80	67.09	2,244.67	14,643.18	8,819.69
16	Add:Capital Work-in-Progress	413.38	—	352.92	89.70	676.60	—	—	—	—	—	676.60	413.38
		413.38	—	352.92	89.70	676.60	—	—	—	—	—	676.60	413.38
	TOTAL-CURRENT YEAR	10,824.39	540.15	6,494.04	294.13	17,564.44	1,591.32	66.64	653.80	67.09	2,244.67	15,319.78	9,233.07
	PREVIOUS YEAR	5,822.56	—	6,982.07	1,980.23	10,824.39	1,191.53	—	408.92	9.13	1,591.32	9,233.07	4,631.03

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 Badli (Delhi) and at Tilak Nagar (Delhi) are on rented premises.

4 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.

5 Additions in fixed assets include Rs 0.51 lacs (last year 5.13 lacs) on account of exchange rate fluctuations (net).

6 Leasehold land includes two nos. industrial plots at Bawana Industrial area in respect of which possession has not been taken as yet.

7 A sum of Rs.60 lacs has been adjusted against the cost of plant and machinery being capital investment subsidy receivable in respect of plant at Haridwar (Uttranchal) and EWA Division at Baddi.

8 Addition in land includes Rs 20.12 lacs on account of interest payable to Greater Noida Industrial Authority in respect of industrial land, possession of which has not been given as yet.

Consolidated Financial Statements

SCHEDULES

	AS AT 31.03.06 (Rs. in lacs)	AS AT 31.03.05 (Rs. in lacs)
SCHEDULE NO. 6		
INVESTMENTS		
(Long term, trade, unquoted, at cost)		
Others:		
G.S.Lighting Private Limited	316.58	316.58
44210 Equity Shares of Rs.100/- each. (purchased at Rs.712.51 per share, including share transfer stamps)		
Aggregate value of unquoted investments	316.58	316.58
SCHEDULE NO. 7		
CURRENT ASSETS, LOANS AND ADVANCES		
Inventory (as taken, valued and certified by the management)		
Raw materials and components	4,998.18	1,944.65
Semi finished goods	1,599.23	1,167.76
Finished goods	11,070.05	6,746.52
Consumable stores, tools and spare parts	152.09	33.22
Dies and tools	892.01	562.27
Packing materials	314.69	137.28
Fuel and gases	18.33	9.31
Scrap materials	17.21	6.52
	19,061.79	10,607.54
Sundry Debtors (unsecured)		
Debts outstanding for a period exceeding six months		
considered good	1,144.31	1,479.52
considered doubtful	156.29	111.83
	1,300.60	1,591.35
Less: provision for doubtful debts	156.29	111.83
	1,144.31	1,479.52
Other debts -considered good	11,672.38	14,882.73
	12,816.69	16,362.25
Cash and bank balances		
Cash in hand	11.06	7.66
With scheduled banks		
In current accounts	31.97	30.74
In EEFC account (US $ 1405.69, last year US $ 1405.69)	0.63	0.61
In unclaimed dividend account	10.52	8.77
In fixed deposit account		
Margin money	612.05	608.91
Pledged with government departments	3.76	2.82
Lien against public deposits	109.12	90.94
No Lien account	1.45	32.29
Interest accrued on fixed deposits	50.53	39.27
With other banks		
In current accounts	2.21	0.27
	833.30	822.28
Other current assets - (considered good)		
Export incentives receivable	294.06	51.03
DEPB licences in hand	340.81	66.84
Capital investment subsidy receivable	90.00	30.00
Claims receivable	139.35	1.64
	864.22	149.51

Consolidated Financial Statements

SCHEDULES	AS AT 31.03.06 (Rs. in lacs)	AS AT 31.03.05 (Rs. in lacs)
Loans and advances (unsecured- considered good)		
Advances recoverable in cash or in kind or for value to be received	1,451.64	841.79
Earnest money and security deposits	540.31	448.60
Balance with excise department		
Excise duty	153.84	87.94
Service tax	73.33	44.41
Balance of VAT with sales tax department	51.01	—
Advance income tax and tax at source	1,202.79	1,018.60
Advance fringe benefit tax	110.00	—
	3,582.92	2,441.33
	37,158.92	30,382.91

SCHEDULE NO. 8
CURRENT LIABILITIES AND PROVISIONS

	AS AT 31.03.06 (Rs. in lacs)	AS AT 31.03.05 (Rs. in lacs)
CURRENT LIABILITIES		
Acceptances	7,308.94	5,461.52
Sundry creditors - due to SSI undertakings	886.53	233.23
- due to other than SSI undertakings	7,513.57	3,237.38
Advances and progress payments from customers	675.76	115.92
Unclaimed dividend*	10.52	8.77
Other liabilities	1,956.87	1,262.86
Security deposits from dealers and agents	1,660.73	847.10
Sales tax payable	579.20	139.54
Excise duty payable	438.89	453.48
Service tax payable	4.13	0.82
Interest accrued but not due	93.64	63.08
	21,128.78	11,823.70
PROVISIONS		
Income tax	1,239.84	961.24
Fringe benefit tax	124.42	—
Wealth tax	2.21	1.60
Proposed dividend	671.98	289.78
Corporate dividend tax	94.25	37.87
	2,132.70	1,290.49
	23,261.48	13,114.19

*Investor Protection and Education Fund is being credited by the amount of unclaimed dividend after Seven years from the due date.

SCHEDULE NO. 9
MISCELLANEOUS EXPENDITURE

	AS AT 31.03.06 (Rs. in lacs)	AS AT 31.03.05 (Rs. in lacs)
(to the extent not written off or adjusted)		
Expenditure on increase in capital		
As per last balance sheet	1.07	1.48
Add: Paid during the year	2.28	—
Transfer in pursuance of scheme of amalgamation	3.70	—
	7.05	1.48
Less: written off	2.31	0.41
	4.74	1.07

Consolidated Financial Statements

		YEAR ENDED 31.03.06 (Rs. in lacs)	YEAR ENDED 31.03.05 (Rs. in lacs)
SCHEDULE NO. 10			
SALES AND OPERATING INCOME			
	Materials and goods	110,287.73	66,197.98
	Scrap materials	495.82	316.60
	Export Incentives	688.58	49.94
	Job charges	41.51	23.88
		111,513.64	66,588.40
SCHEDULE NO. 11			
OTHER INCOME			
	Interest on fixed deposits with banks and from customers (TDS Rs. 10.59 Lacs; Last Year Rs.8.35 Lacs)	47.96	43.83
	Rent	—	2.82
	Exchange fluctuations	39.00	76.17
	Miscellaneous receipts	265.92	151.23
	Commission	0.49	14.81
	Profit on sale of assets	2.01	0.33
		355.38	289.19
SCHEDULE NO. 12			
MATERIALS COST			
	Raw Materials and components consumed		
	Opening stocks	1,944.65	1,191.47
Add:	Transfer in pursuance of scheme of amalgamation	85.00	
	Purchases	56,149.47	34,481.60
	Freight and cartage	199.65	165.19
		58,378.77	35,838.26
Less:	Closing stocks [Including Stock in transit Rs.6.38 lacs (Previous Year Rs.0.30 Lacs)] (After adjustment of material used for self consumption)	4,998.18	1,944.65
		53,380.59	33,893.61
Add:	Purchases (Traded Goods)	8,681.15	3,420.43
	Freight and cartage	24.67	7.59
		8,705.82	3,428.02
Add:	Opening 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)]	5,753.04	2,771.80
	Semi finished goods	1,167.76	805.62
	Scrap materials	6.52	12.29
		7,920.81	3,873.80
Add:	Transfer in pursuance of scheme of amalgamation		
	Traded Goods	573.21	—
	Finished Goods	459.26	—
	Semi finished goods	121.57	—
	Scrap materials	5.37	—
		1,159.41	—
Less:	Value of stocks destroyed/damaged due to floods (Net of salvage value)	(266.71)	—
Less:	Closing stocks		
	Traded Goods (Including stock in transit Rs.9.61 Lacs [Previous Year 20.34 Lacs])	2,167.88	993.49
	Finished goods (Including stock in transit Rs.254.12 Lacs [Previous Year 190.47 Lacs])	8,902.16	5,753.04
	Semi finished goods	1,599.23	1,167.76
	Scrap materials	17.21	6.52
		12,686.48	7,920.81
		58,213.43	33,274.62

Consolidated Financial Statements

	YEAR ENDED 31.03.06 (Rs. in lacs)	YEAR ENDED 31.03.05 (Rs. in lacs)
SCHEDULE NO. 13		
MANUFACTURING EXPENSES		
Factory rent	1.86	4.20
Rates and taxes	6.27	11.45
Establishment	950.01	659.85
Contribution towards P.F.	57.81	46.35
Contribution towards E.S.I.	14.88	11.02
Gratuity paid and contribution to fund	19.80	11.28
Labour welfare	42.71	43.36
Job charges	3,274.04	1,938.94
Packing expenses	2,010.47	1,202.50
Power, fuel and water	1,500.12	904.10
Consumable stores and tools consumed	1,221.58	664.38
Watch and ward	53.58	34.55
Testing expenses	88.31	76.80
Repairs to machinery	445.59	307.41
Repairs to building	39.34	31.70
Other repairs	131.09	110.35
Technical know-how, blue prints and consultancy	0.07	1.92
Research and development expenses	164.94	107.69
Depreciation	498.50	305.25
ISO 9000 expenses	2.12	3.56
	10,523.09	6,476.65
SCHEDULE NO. 14		
OFFICE AND ADMINISTRATION EXPENSES		
Rent	308.74	232.84
Rates and taxes	7.29	3.38
Establishment	2,639.95	1,572.66
Contribution towards P.F.	119.02	77.89
Contribution towards E.S.I.	8.53	5.36
Gratuity paid and contribution to fund	86.04	23.48
Staff welfare	135.99	83.18
Printing and stationery	139.40	85.09
Postage, telephone and communications	380.63	290.89
Electricity and water charges	95.90	79.71
Travelling		
Indian	662.43	470.65
Foreign	203.51	103.47
Conveyance and vehicle maintenance	503.10	290.00
Legal and professional	165.50	177.58
Auditor's remuneration		
Audit fee	10.00	5.24
Taxation matters	2.00	0.95
Out of pocket expenses	0.10	0.07
Insurance	101.15	53.54
Computer maintenance	65.99	62.75
Depreciation	137.85	102.28
Donation	17.01	14.80
Loss on sale of assets	44.88	2.76
Watch and Ward	12.73	8.69
Office repairs and maintenance	109.96	90.85
Director's sitting fees	1.45	1.55
Loss due to flood	2.46	—
Miscellaneous office expenses	68.68	48.53
	6,030.29	3,888.17

Consolidated Financial Statements

	YEAR ENDED 31.03.06 (Rs. in lacs)	YEAR ENDED 31.03.05 (Rs. in lacs)
SCHEDULE NO. 15		
SELLING AND DISTRIBUTION EXPENSES		
Advertisement	2,243.05	1,092.78
Freight, insurance and cartage outward	2,841.38	1,518.18
Packing expenses	636.91	398.47
Discount, commission and sales incentives	7,638.41	3,807.99
Trade mark fees	841.12	597.81
Bad debts, liquidity damages and short recoveries	284.41	607.16
Provision for doubtful debts	31.25	31.44
Exhibitions, seminars and conferences	486.98	289.60
Price lists, catalogues and technical literatures	165.88	98.87
Sales promotion expenses	238.23	172.33
Sales tax and turnover tax paid	108.20	62.71
Service tax paid	35.44	19.65
ISI marking expenses	37.99	49.81
Godown repairs and maintenance	23.76	6.24
Samples	129.60	80.50
Miscellaneous selling expenses	38.65	37.72
	15,781.26	8,871.27
SCHEDULE NO. 16		
FINANCIAL EXPENSES		
Bank charges	391.72	275.63
Interest		
On fixed loans	779.20	512.77
On non-fixed loans	1,022.67	838.17
Miscellaneous financial expenses	67.09	25.35
	2,260.68	1,651.92
SCHEDULE NO. 17		
MANAGERIAL REMUNERATION		
Managing Director's remuneration	35.23	27.13
Wholetime Director's remuneration	26.73	26.66
	61.96	53.79
SCHEDULE NO. 18		
MISCELLANEOUS EXPENDITURE WRITTEN OFF		
Miscellaneous expenditure written off	2.31	0.41
	2.31	0.41

Consolidated Financial Statements

SCHEDULE NO. 19

ACCOUNTING POLICIES, CONTINGENT LIABILITIES AND NOTES ON ACCOUNTS FOR THE YEAR ENDING 31st March 2006

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 in accordance with the accounting principles generally accepted in India and comply with the accounting standards referred to in Section 211 (3C) of the Companies Act, 1956 to the extent applicable.

2 Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that effect the reported statements of assets and liabilities and the disclosure of contingent liabilities on the date of financial statements. The actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

3 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 financial statements of the subsidiary company are included in the consolidated financial statements upto the date of cessation of relationship of parent-subsidiary company i.e 3rd March 2006.

b) The consolidated statements of the Havell's India Limited, Havell's U.K. Limited have combined on a line-by-line basis, after eliminating intra-group balances and transactions.

c) 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.

4 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 and VAT credit wherever applicable, fluctuations in the exchange rate and subsidy directly attributable to the cost of fixed assets. Interest and other borrowing costs 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.

5 Investments

Long term investments are stated at cost. Cost of investments includes acquisition charges such as brokerage, fees and duties. Provision for dimunition 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.

6 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 and Haridwar units of the company which are exempted from payment of excise duty.

(ii) The inventories are valued on the basis of first in and first out (FIFO) method.

(iii) Cost of inventories comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition.

(iv) The stocks of scrap materials have been taken at net realisable value.

(v) The stocks of dies and tools have been taken at the residual effective life as certified by the GM (Works).

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7 **Effect of foreign currency transactions**

Foreign currency transactions are recorded at the exchange rates prevailing on the date of the respective transactions. Foreign currency denominated monetary assets and liabilities are translated at the exchange rate prevailing on the balance sheet. The net variation arising out of the said transactions are adjusted to the costs of fixed assets upto the date of commencement of commercial production. All other exchange gains /losses arising out of such transactions are taken to the profit and loss account. 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.

8 **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 ING Vysya Fund. Contributions to provident fund are accounted for on the basis of relevant fund rules.

9 **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.

10 **Revenue Recognition**

Sales are recognized at the point of dispatch to the customer. Sales include excise duty but are exclusive of sales tax. Dividends are recognized in the profit at the time the right to receive dividend is established. Interest income is recognised on the time proportion basis.

11 **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.

12 **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.

13 **Miscellaneous Expenditure**

Expenditure on increase in capital incurred after 1.4.1998 is being amortised over a period of five years. Other expenditures are written off over a period of ten years.

14 **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.

15 **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. Fringe Benefit tax is provided in accordance with the provisions of Income Tax Act,1961.

16 **Impairment of assets**

The company determines whether there is any indication of impairment of the carrying amount of the company's assets. The recoverable amount of such assets are estimated,if any indication exists, and impairment loss is recognised wherever the carrying amount of the assets exceeds its recoverable amount.

17 **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.

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B CONTINGENT LIABILITIES

		31.03.2006 lacs (Rs.)	31.03.2005 lacs (Rs.)
1	Estimated amount of capital contracts remaining to be executed and not provided for (net of advances)	740.25	574.61
2	Bank guarantees and letter of credits opened with bank (net of margin money)	3,246.65	2,945.85
3	Bonds to excise department against export of excisable goods without payment of duty (net of margin money)	95.00	119.87
4	Custom duty payable against export obligation	480.22	310.22
5	Suits filed against the company not acknowledged as debts	281.73	204.73
6	Debtors receivables assigned to IDBI Bank Limited	3,633.00	—
7	Liability under Channel Finance Scheme of Dealers of the company	222.80	—

C NOTES

1 (a) The details of subsidiary included in the consolidated financial statements are as under:

Name of the Subsidiary	Country of incorporation	Proporation of ownership as at 31st March 2005	Date of Control	Date of cessation of operation as subsidiary
Havell's U.K limited	U.K	100%	15.02.2005	3.3.2006

(b) The results of operations of Havells (U.K) Limited are included in the financial statements of profit and loss account until the date of cessation of relationship of parent-subsidiary I.e 3rd March 2006. The difference between the proceeds from disposal of the investment in subsidiary and carrying amount of its assets less liabilties as on 3rd March 2006 is recognised in the the consolidated statements of profit and loss account as the profit on disposal of the investment in the subsidiary.Accordingly, a sum of Rs.5.50 lacs is credited to the consolidated profit and loss account. The consolidated balance sheet as at the end of the year does not include the figures of the subsidiary company due to cessation of parent-subsidiary relationship with effect from 3rd March 2006.

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

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 The Cenvat credit and VAT credit in respect of Capital Goods has been adjusted @ 100% in the cost of Fixed Assets. The CENVAT credit 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. The VAT credit has been availed as per the VAT rules applicable in the respective states.

5 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:

		Deferred Tax Liability	
		As on 31-03-06 Rs. (in lacs)	As on 31-03-05 Rs. (in lacs)
1	Deferred Tax Liability		
	a) on account of difference in rates and method of depreciation	1,136.21	928.54
	b) on account of different treatment of certain payments under IT Act.	93.64	32.18
		1,229.85	960.72
2	Deferred Tax Assets		
	a) on account of different treatment of certain payments under IT Act.	144.44	116.74
	b) on account of provision for leave encashment and bonus	79.41	61.61
	c) on account provision for doubtful debts not treated as expense under IT Act.	52.61	40.92
		276.46	219.27
3	Deferred income tax liability (Net)		
	a) at the end of year	953.39	741.45
	b) transfer in pursuance of amalgamation	48.33	—
	c) for the year	163.62	308.82

6 Interest and other borrowing costs amounting to Rs.20.12 lacs (last Year 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.

7 Sundry debtors include Rs.196.09 lacs (last year Rs.348.81 lacs) due from Standard Electricals Limited, a company under the same management (maximum due Rs.356.64 lacs, last year Rs.1182.39 lacs)

8 (a) Balance with scheduled banks in current accounts include Rs.0.62 lacs (US$ 1384.17) with State Bank of India, Dhaka [last year Rs.1.52 lacs (US$ 3479.43)]

(b) Balance with other banks represent Rs.2.21 lacs (Dhirams 18223.60) in current account with National Bank of Dubai.(maximum balance during the year Rs.24.02 lacs) [last year balance Rs.0.27 lacs (Dhirams 2,272) and maximum balance Rs.9.37 lacs)]

9 (a) Sundry creditors include a sum of Rs 886.53 lacs (last year Rs.233.23 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) Aakriti Engineers (6) Avya Electronics (7) Ambica Techno Ceramics (8) Ameeja Enterprises (9) Aravali aluminium P.Ltd (10) Aum Techno Ceramics (11) A.V.Fastners Pvt.Ltd (12) Bharat Enterprises (13) Capital Packaging Industry (14) Dinesh Printing Press (15) Empire Fasteners (16) Excellent Moulders (17) Farrago Products (18) Fiber Glass Fabrications & Liners (19) G.S.Lighting P. Ltd. (20) Hartech Plastics Private limited (21) HGI Automotives Pvt. Ltd. (22) Indian Die Casting Industries (23) Indo Transferable Co. (24) Integ Electronics (25) Industrial Components (26) ITG Projects pvt Ltd (27) ITP Infotech Pvt. Ltd (28) Jawa Plastics Pvt. Ltd (29) K.R.Thermopack Pvt. Limited (30) Kay Automatics Pvt. Limited (31) Krishna Engineering Industries (32) Khannah Electricals Ltd (33) King Rubber Industries (34) K.K.G.Industries (35) Kraft Printers (36) Mega Packers (37) Mohindra Products (38)National Adhesives (39) Norell (40) Packform Industries (41) Paras Enterprises (42) Pinki Industries (43) Preto India (44) Prem udyog (45) R.N.G. Packagings Pvt. Ltd. (46) Rawat Chemicals (47) Rupam Conductor Pvt. Ltd (48) Salwan Plastomers (49) Sonya Insulators (50) Special Springs (India) Pvt. Ltd. (51) Sankhya Shafts and Spindles Private Limited (52) Sah Engineering Works (53) Shiv kamal Rubber Pvt. Ltd (54) Shipra Packaging pvt Ltd (55) Shubham Electronics (56) Super Engineering Works (57) Thriaarr Polymers Pvt. Ltd. (58) Tibrewala Electronics Limited (59) Trikuta Metals (60) Victor Paints (India) (61) Wheel Polymers Pvt. Limited., (62) Yokins Instruments.,(63) Anand metal works, (64) Indian core oil Limited, (65) Jit enterprises, (67) Krishna Pacage, (68) Paramount Pakages, (69) Pearl streeps Privat 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 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.

11 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 identifed 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 2006, the company has identified its principal cash generating units into MCB Division(Badli, Delhi), Meter Division (Tilak Nagar, Delhi), Industrial Switchgear Division and CFL Division (Faridabad), Fan Division (NOIDA),Cable Division (Alwar, Rajasthan), Switchgear Division and CFL Division(Baddi, H.P), Fan, CFL and Luminaries Division at Hardwar (Uttranchal) 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.

12 Provisions are recognised for expenses such as electricity, telephone, bad debts, sales incentives and other expenses of commercial nature. 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 2006-07.

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The movements in provisions are as under:		2006 (Rs. in lacs)	2005 (Rs. in lacs)
a)	Carrying amount as on 01.04.2005	291.23	236.60
b)	Carrying amount of amalgamating company as on 01.04.2005	23.77	—
c)	Additional provisions made during the financial year 2005-06, including increase to existing provisions	301.27	127.77
d)	Amounts used (incurred and charged against the provision) during financial year 2005-06	64.19	56.76
e)	Unused amounts reversed during financial year 2005-06	4.56	16.38
f)	Carrying amount of provisions as on 31.03.2006	547.52	291.23

13 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.

14 **Segment Reporting**

The Company operates in three segments - Switchgears, Cable and Wires 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:

(Rs. in lacs)

			Switchgears	Cable and Wire	Electrical Consumer Durables	Others	Total
A.	**Revenue**						
	i)	Segment Revenue	32,985.13 (21,793.39)	46,545.99 (30,724.34)	27,450.36 (13,151.16)	4,887.56 (1,208.77)	111,869.03 (66,877.66)
B.	**Result**						
	i)	Segment Result	9,791.93 (6,225.19)	6,467.31 (3,771.44)	3,811.25 (2,064.66)	-213.21 (-272.15)	19,857.28 (11,789.14)
	ii)	Unallocated Expenses net of Unallocable Income					10,201.02 (6,121.29)
	ii)	Operating Profit					9,656.26 (5,667.85)
	iii)	Financial Expenses					1,801.87 (1,350.94)
	iv)	Income taxes					1,527.88 (1,270.06)
	v)	Profit					6,326.51 (3,046.85)
C.	**Assets**						
	Segment Assets		12,710.85 (13,598.11)	15,825.36 (11,999.35)	11,919.46 (7,877.69)	12,339.60 (6,456.76)	52,795.27 (39,931.91)
							52,795.27
							(39,931.91)
D.	**Liabilities**						
	Segment liabilities		2,835.06 (2,022.45)	8,166.17 (5,888.42)	3,914.15 (1,259.71)	8,346.09 (3,941.89)	23,261.47 (13,112.47)
							23,261.47
							(13,112.47)

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E. Capital Expenditure					
Segment Capital Expendiuture	866.80 (2,311.72)	1,940.41 (1,105.04)	2,455.20 (817.39)	1,141.92 (790.65)	6,404.33 (5,024.80)
					6,404.33
					(5,024.80)
F. Depreciation					
Segment Depreciation	214.37 (147.37)	134.96 (84.63)	122.27 (56.13)	182.21 (120.80)	653.80 (408.93)
					653.80
					(408.93)
G. Non-cash expenses other than depreciation					
Miscellaneous expenditure written off (unallocated)					2.31 (0.41)
Provision for bad and doubtful debts	3.10 (22.15)	3.00 (9.29)	— (—)	25.15 (—)	31.25 (31.44)

Note: Figures in brackets relates to previous year.

15 **Earnings per share**

A. Basic Earnings per share					
Numerator for basic earning per share					
Profit before tax			7,854.39		4,316.91
Less:Provision for Income Tax					
Current tax		1,239.84		961.24	
Fringe benefit tax		124.42		—	
Deferred tax		163.62	1,527.88	308.82	1,270.06
Net Profit after tax			6,326.51		3,046.85
Denominator for basic earning per share					
Weighted number of equity shares outstanding during the period	Nos.		26,050,411		24,036,853
Earning per share-basic	Rs.		24.29		12.68
B. Diluted Earnings per share					
Numerator for diluted earning per share					
Profit before tax			7,854.38		4,316.91
Provision for taxation					
Current tax		1,239.84		961.24	—
Fringe benefit tax		124.42		—	
Deffered tax		163.62	1,527.88	308.82	1,270.06
Net Profit after tax			6,326.51		3,046.85
Adjustment to net earnings			—		
Interest on 4% unsecured convertible Debenture			—	28.07	
Less: Tax effect			—	10.27	17.80
			6,326.51		3,064.65
Denominator for diluted earning per share					
Outstanding number of equity shares as on 31.03.2006	Nos.		26,050,411		24,036,853
Possible dilution on conversion of 4% unsecured convertible debenture	Nos.		—		1,340,865
			26,050,411		25,377,718
Weighted number of equity shares	Nos.		26,050,411		25,377,718
Earning per share-Diluted	Rs.		24.29		12.08

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The weighted number of equity shares outstanding as at the end of the year have been calculated as follows:-

a) 11591154 equity shares outstanding as on 1.4.2005 have been considered from beginning of the year,

b) 854545 equity shares issued as a result of the conversion of fully convertble debentures have been included from the date of conversion I.e 21st day of March 2006,

c) 1987805 equity shares pending allotment to shareholders of Crabtree India Limited in terms of scheme of amalgamation have been included from the begining of the reporting period I.e 1.4.2005 being the appointed date of amalgamation,

d) 12445699 equity shares issued as bonus shares during the year have been included from the beginning of the earliest reporting period I.e 1.4.2004. The figures for the previous financial year have been restated and adjusted for the bonus issues accordingly.

16 **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)	QRG Enterprises Limited
		(ii)	TTL Limited
		(iii)	Standard Electricals Limited
		(iv)	Havell's Financial Services Limited
		(v)	Havell's Switchgears Private Limited
		(vi)	Guptajee & Company
		(vii)	QRG Foundation
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	Relative of Key Management Personnel	Total
Purchase of goods	641.10 (133.47)			641.10 (133.47)
Sale of goods	2,127.30 (2,597.27)			2,127.30 (2,597.27)
Sales incentives,discounts and commission paid	218.87 (379.79)			218.87 (379.79)
Purchase of fixed assets	0.92 (10.98)			0.92 (10.98)
Sales of fixed assets	— (0.67)			— (0.67)
Rent received	— (16.47)			— (16.47)
Rent paid	12.70 (8.44)			12.70 (8.44)
Receipt for use of common facilities	— (80.22)			— (80.22)

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Reimbursement for rent	14.40 (—)	— (0.70)		14.40 (0.70)
Job charges paid	10.50 (—)			10.50 (—)
Repair expenses	2.94 (0.18)			2.94 (0.18)
Trade mark fee paid	841.12 (597.81)			841.12 (597.81)
Donation paid	15.00 (11.00)			15.00 (11.00)
Interest paid	— (18.06)	8.24 (1.41)	7.32 (8.37)	15.56 (27.84)
Expenses Reimbursement	(49.93)			— (49.93)
DEPB Purchase	39.05			39.05
Loans and advances				— —
Directors remuneration		61.96 (53.79)		61.96 (53.79)
Total - Current Year	**3,884.85**	**70.20**	**7.32**	**3,962.36**
- Previous Year	(3,904.29)	(55.90)	(8.37)	(3,968.56)
(C) Balance receivable at the year end	196.09 (1,032.03)	— (-)	— (-)	196.09 (1,032.03)
Balance payable at the year end	— (-)	— (9.43)	— (68.32)	— (77.75)

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

17 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)

		2006		2005	
	UNIT	**QTY**	**Amount (Rs. In lacs)**	**QTY**	**Amount (Rs. In lacs)**
(i) **Turnover**					
Finished Goods					
Domestic Switchgears	Nos	19,820,403	17,260.27	14,036,344	13,860.50
Industrial Switchgears	Nos	1,288,609	9,647.79	934,567	7,698.29
EWA	Nos	12,597,252	5,191.50	—	—
Meters	Nos	553,166	1,211.81	136,150	890.27
Cable and Wires	Km	288,704	46,318.41	214,359	30,584.63
Electrical Consumer Durables	Nos.	16,195,417	27,159.17	6,800,466	12,981.38
Bathfittings	Nos	815,710	3,307.05	—	—
Miscellaneous (including scrap materials)			687.56		499.51
			110,783.56		66,514.58
(ii) **Raw Materials and Components consumed**			53,380.59*		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.

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(iii)Purchases and Stocks

Purchases	**UNIT**	**QTY**	**Amount (Rs. In lacs)**	**QTY**	**Amount (Rs. In lacs)**
Electrical Consumer Durables	Nos	3,860,373	5,715.09	2,005,474	3,387.24
Meters	Nos	37,573	200.47	2,286	19.43
Industrial Switchgears	Nos	—	—	112	2.15
EWA	Nos	9,710,170	2,171.52	—	—
Bathfittings	Nos	203,942	594.07	—	—
Miscellaneous					11.62
			8,681.15		3,420.43
Opening Stocks					
Traded Goods					
Electrical Consumable Durables		572,699	993.49	417,377	284.09
Finished Goods					
Domestic Switch gear	Nos	4,266,313	1,568.14	763,452	565.30
Industrial Switchgear	Nos	93,969	378.87	64,095	206.74
Meters	Nos	49,144	319.25	47,269	288.25
Cable and Wires	Km	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
			5,753.04		2,771.80
Semi-Finished Goods			1,167.76		805.62
Stock transferred in pursuance of scheme of amalgamation					
Traded Goods					
EWA	Nos	1,675,121	428.25	—	—
Bathfittings	Nos	37,638	144.96	—	—
			573.21		—
Finished Goods					
EWA	Nos	106,221	62.57	—	—
Bathfittings	Nos	109,847	396.69	—	—
			459.26		—
Semi Finished Goods			121.57		—
Stock destroyed/damaged due to floods					
Traded Goods					
EWA	Nos	59,864		—	
Bathfittings	Nos	839		—	
Electrical Consumer Durables	Nos	31,521		—	
Finished Goods					
Domestic Switchgears	Nos	55,306		—	
Industrial Switchgears	Nos	2,086		—	
EWA	Nos	7,187		—	
Meters	Nos	218		—	
Cable & Wire	Kms	2,540		—	
Electrical Consumer Durables	Nos	83,885		—	
Bathfittings	Nos	4,030		—	

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Closing Stocks					
Traded Goods					
Electrical Consumer Durables	Nos	1,123,002	1,420.79	572,699	993.49
EWA	Nos	1,480,664	402.88	—	—
Bathfittings	Nos	86,803	344.21	—	—
			2,167.88		993.49
Finished Goods					
Domestic Switchgears	Nos	2,880,138	1,520.20	4,266,313	1,568.14
Industrial Switchgears	Nos	136,197	843.28	93,969	378.87
EWA	Nos	127,197	54.37	—	—
Meters	Nos	45,337	281.06	49,144	319.25
Cable and Wires	Km.	13,284	3,087.34	20,838	2,586.97
Electrical Consumer Durables	Nos	2,343,470	2,526.98	636,752	851.62
Bathfittings	Nos	130,855	567.72	—	—
Miscellaneous			21.20		48.19
			8,902.15		5,753.04
Semi-Finished Goods			1,599.23		1,167.76

(iv) Capacity and Production

		2006 (Qty.)	2005 (Qty.)
# LICENSED CAPACITY			
@ INSTALLED CAPACITY (PER ANNUM)			
Domestic Switch gear	Nos	33,600,000	27,300,000
Industrial Switchgear	Nos	1,800,000	1,335,000
EWA	Nos	6,000,000	—
Meters	Nos	840,000	840,000
Cable & Wires	Km.	470,000	465,000
Electrical Consumer Durables	Nos.	22,400,000	13,200,000
Bathfittings	Nos	750,000	—
Actual Production			
Domestic Switchgears	Nos	18,618,083 (128,549)	17,714,133 (174,928)
Industrial Switchgears	Nos	1,729,342 (396,419)	969,282 (4,953)
EWA	Nos	2,780,653 —	— (—)
Meters	Nos	512,007 (3)	135,759 (20)
Cable and Wires	Km.	285,642 (1,952)	217,664 (1,620)
Electrical Consumer Durables	Nos.	14,946,902 (239,431)	5,425,024 (53,055)
Bathfittings	Nos	686,810 (—)	— (—)

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.

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			2006 (Rs. In lacs)	2005 (Rs. In lacs)
18	**CIF value of Imports**			
	Raw materials and components		9,124.31	2,223.41
	Machinery		592.94	452.22
	Spare parts		10.84	14.25
	R&D Equipments		4.89	—
19	**Expenditure in foreign currency**			
	Travelling		92.18	56.07
	Research and Development		4.21	0.95
	Printing and catalogues.		0.21	—
	Advertisement		—	1.82
	Testing charges		31.99	14.71
	Seminar and Exhibitions		12.30	26.99
	Overseas Branch Expenses		126.91	65.95
	Training expenses		—	7.93
	Dividend in foreign currencies			
	Year to which relates		2004-2005 Final	2003-2004 Final
	Non-resident shareholders	Nos	255	227
	Shares held	Nos	122,343	231,106
	Amount paid in rupees	Rs. In lacs	3.06	2.89
	Amount remitted in foreign currency		—	—
20	**Earnings in foreign exchange**			
	F.O.B. value of exports *	Rs. In lacs	7,280.81	4,841.36

* excluding export of Rs.1133.89 lacs made through merchant exporters (previous year Rs. 354.22 lacs) and excluding those consignment of which shipping bill is pending.

21 Value of imported/Indigenous materials and components consumed and percentage thereof

	(%)	(Rs. in lacs)	(%)	(Rs. in lacs)
Indigenous	86.12	45,972.64	93.02	31,526.88
Imported	13.88	7,407.95	6.98	2,366.72
	100.00	53,380.59	100.00	33,893.60

22 **BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL PROFILE**

i)	**Registration Details**		
	Registration No	16304	16304
	Code No	55	55
	Balance sheet date	31.03.2006	31.03.2005
ii)	**Capital raised during the year**		
		Rupees in lacs	**Rupees in lacs**
	Public issue	—	—
	Right issue	—	—
	Bonus issue	622.28	—
	Private placement	42.73	—
iii)	**Position of mobilisation and deployment of funds**		
	Total liabilities	29,538.54	26,819.43
	Total assets	29,538.54	26,819.43

Consolidated Financial Statements

	Sources of funds		
	Paid up capital	1,343.96	579.56
	Reserves and surplus	16,256.64	8,076.21
	Secured loans	10,854.24	14,208.61
	Unsecured loans	130.31	3,213.60
	Deferred tax laibility	953.39	741.45
	Application of funds		
	Net fixed assets	15,319.78	9,233.07
	Investments	316.58	316.58
	Net current assets	13,897.44	17,268.72
	Miscellaneous expenditure	4.74	1.07
iv)	**Performance of Company**		
	Turnover	111,513.64	66,588.39
	Other income	360.88	289.19
	Total expenditure	104,020.13	62,560.68
	Profit before tax	7,854.38	4,316.91
	Profit after tax	6,326.51	3,046.85
	Weighted No of equity shares	26,050,411	24,036,853
	Earning per share (basic)	24.29	12.68
	Earning per share (dilute)	24.29	12.08
	Dividend Rate	50%	50%
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
	Moulded case circuit breaker	85362020	85362020
	Wire	85449000	85449000

23 That the figures for the previous year have been regrouped/rearranged wherever necessary.The figures of the current year include those of the transferor company Crabtree India Limited and are therefore not strictly comparable with those of the current year.

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

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

For and on behalf of the Board

Qimat Rai Gupta
Chairman &
Managing Director

Surjit Gupta
Director

Ritu Mehrotra
Company Secretary

Yogesh Bansal
Senior Manager

AUDITOR'S REPORT
As per our Report attached.

For V. P. Bansal & Co.
Chartered Accountants

V.P.Bansal
Proprietor

Noida, 18th May, 2006

Consolidated Financial Statements

CASH FLOW STATEMENT

CONSOLIDATED CASH FLOW STATEMENT ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31st MARCH, 2006

		31.03.2006 (Rs.in lacs)	31.03.2005 (Rs.in lacs)
A.	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Net Profit before tax and extraordinary items	7,856.59	4,318.51
	Adjustments for		
	Depreciation	653.80	408.92
	Profit on sale of Fixed Assets	(2.01)	(0.33)
	Loss on Sale of Fixed Assets	44.88	2.76
	Profit on disposal of investment in subsidiary	(5.50)	—
	Interest Income	(47.89)	(43.83)
	Interest Paid	1,791.73	1,392.43
	Miscellaneous Expenditure Written Off	2.31	0.41
	Operating Profit before working capital changes	10,293.91	6,078.87
	Adjustments for		
	Trade and Other Receivables	3,670.21	(5,803.69)
	Inventories	(7,163.22)	(4,994.49)
	Trade Payables	6,440.36	4,195.44
	Other Liabilities	2,164.15	821.79
	Cash generated from operations	15,405.41	297.92
	Direct taxes paid	(1,146.22)	(1,007.94)
	CASH FLOW BEFORE EXTRAORDINARY ITEMS	14,259.19	(710.02)
	Net Cash received (+) / used (-) from Operating Activities	14,259.19	(710.02)
B.	**CASH FROM INVESTING ACTIVITIES**		
	Receipt of Cash & bank Balances in pursuance of Scheme of Amalgamation	25.26	—
	Purchase of fixed assets	(6,051.41)	(2,929.61)
	Addition in Capital Work in Progress	(352.92)	(2,095.19)
	Investment in Shares	0.002	(0.002)
	Sale of fixed assets	73.19	11.41
	Interest Received	47.89	43.83
	Net Cash used in Investing Activities	(6,257.98)	(4,969.56)
C.	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Proceeds from issue of debentures	(22.20)	2,372.20
	Proceeds from long term borrowings	(4,839.81)	4,899.79
	Proceeds from fixed deposits	(694.59)	10.89
	Repayment of finance lease liabilities	31.28	(37.59)
	Repayment of unsecured advances	(385.50)	(0.50)
	Increase in Miscellaneous Expenditure	(2.28)	—
	Interest Paid	(1,791.73)	(1,392.43)
	Dividend paid	(289.78)	(144.89)
	Net Cash received (+) / used (-) from Financing Activities	(7,994.61)	5,707.47
	Net increase (+) / decrease (-) in cash and cash equivalents (A+B+C)	6.59	27.90
	Cash and Cash Equivalents as at the beginning of the year	39.29	11.39
	Cash and Cash Equivalents as at the close of the year	45.89	39.29

Consolidated Financial Statements

Note: The impact of non-cash assets and liabilities transferred pursuance of scheme of amalgamation has been excluded from the above cash flow statement. The cash and Bank accounts of transferor company have been included under the head investing activities. The breakup of assets and liabilities is as under:

A) Assets and Liabilities		
Fixed assets		473.51
Current Assets		3,144.61
Miscellaneous expenditure		3.70
		3,621.82
Less: Secured and unsecured loans	1,823.16	
Current Liabilities and Provisions	713.01	
Deffered Tax Liability	48.33	2,584.49
		1,037.33
B) Reserves		
Transferred in pursuance of Scheme of amalgamation		548.33
Surplus in pursuance of Scheme of amalgamation		389.61
		937.94
C) Consideration		99.39
		1,037.33

For and on behalf of the Board of Directors

Qimat Rai Gupta
Chairman &
Managing Director

Surjit Gupta
Director

Ritu Mehrotra
Company Secretary

Yogesh Bansal
Senior Manager

Noida, 18th May, 2006

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 year ended 31st March 2006. 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, 2006 and 31st March, 2005, covered by our report dated May 18, 2006 and May 12, 2005 respectively to the members of the Company.

For V. P. Bansal & Co.
Chartered Accountants

Noida, May 18, 2006

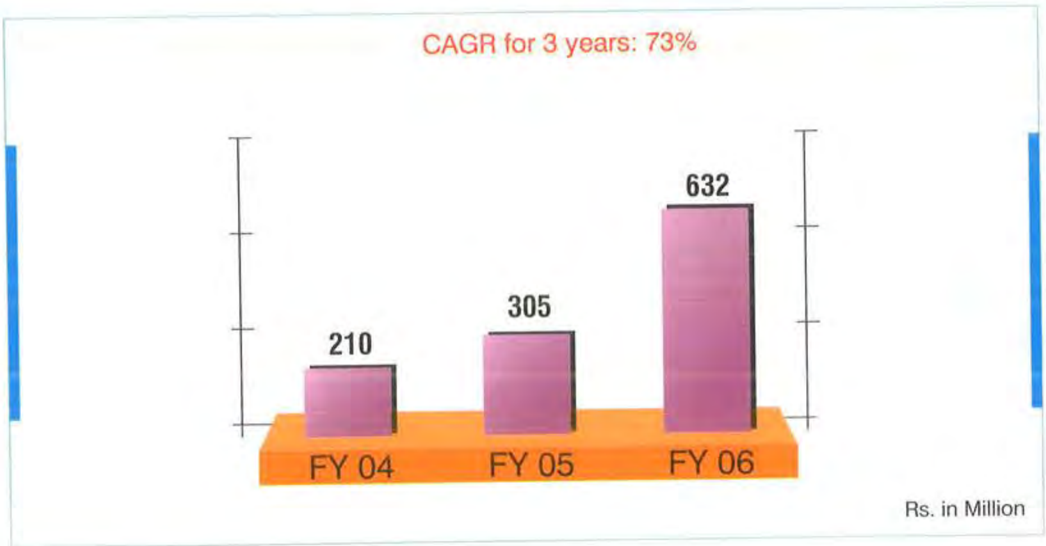
V.P.Bansal
Proprietor

Key Highlights

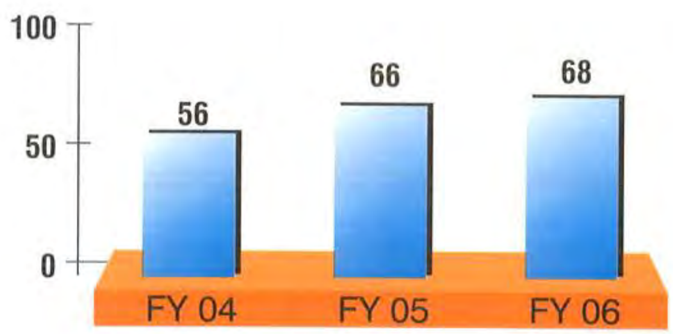
The figures for FY06 includes Crabtree India Ltd. and are not comparable with previous years

Turnover (Growth 67%)

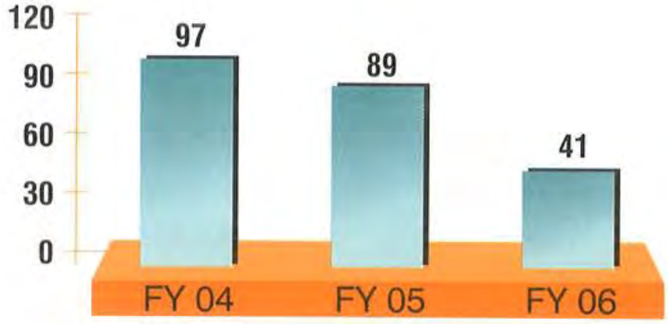
Profit after tax (Growth 107%)



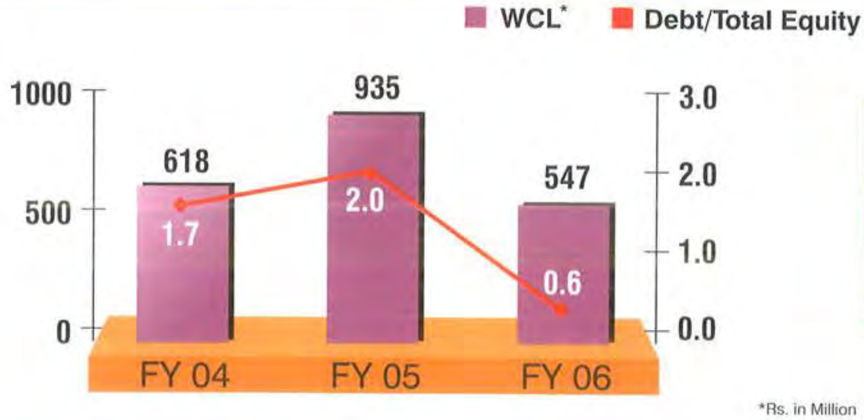
Inventory Days



Debtors days

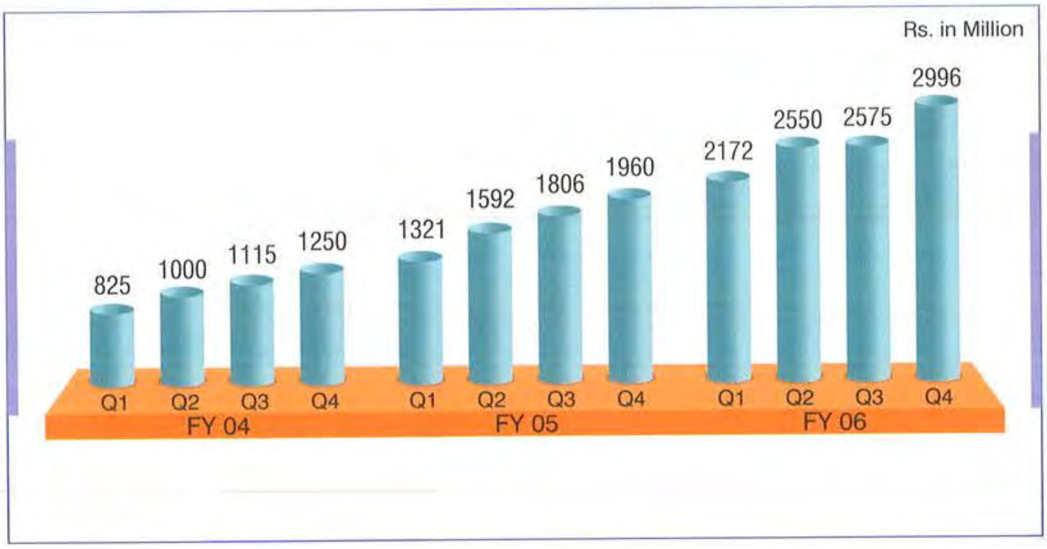


Working Capital Loan & Debt Equity ratio

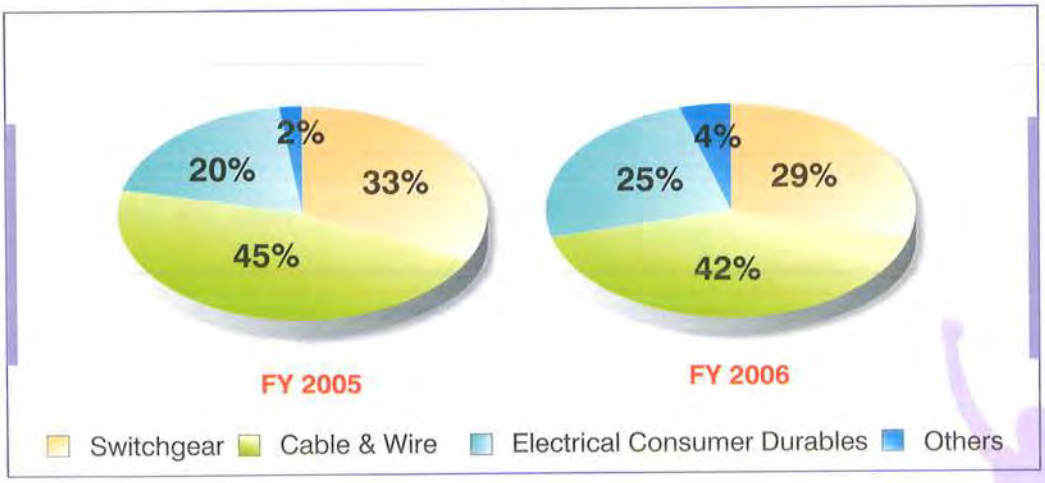


Key Highlights

Growth Momentum from Qtr to Qtr



Product Mix



Key Strengths

- Performance Culture driven by Values
- Strong Financials
- Leadership position in most products
- Strong Brand Equity
- Increasing International presence
- Exhaustive product portfolio
- Well established marketing and service network

HAVELL'S INDIA LIMITED

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