



Financials

Auditors' Report

To
The Members
Havell's India Limited

We have audited the attached Balance Sheet of Havell's India Limited, as at 31st March 2007 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 year 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, the 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, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2007 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 said accounts read together with the significant accounting policies and other 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, 2007.
 - (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 flows of the Company for the year ended on that date.

For V. P. BANSAL & CO.
Chartered Accountants

(V. P. BANSAL)
Proprietor
Membership No : 8843

Noida, May 15, 2007

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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) The Company has given unsecured loans to wholly owned subsidiary companies covered in the register maintained under Section 301 of the Companies Act, 1956. The parties to whom such loans have been advanced and outstanding as at the end of the year are as under:

S.No	Name of the Company	Nature	As on 31st March 2007 (Rs. in Millions)
(1)	Havell's Netherlands B.V.	Loan	8.94
(2)	Havell's Holdings Limited	Share Application Money	39.54
(3)	Havell's Cyprus Limited	Share Application Money	0.19
			48.67

- b) The Company has not charged any interest on unsecured loans given to subsidiary companies. In our opinion, the terms and conditions of such loans, secured or unsecured, are not prima facie prejudicial to the interests of the Company since the loans given to the Company's subsidiaries are of temporary in nature and are on account of commercial expediency.
- c) The recovery of the principal amounts is as per stipulated terms, and
- d) There are no overdue amounts of loans 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 an 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 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 discontinued the scheme of acceptance of public deposit with effect from 20th July 2005. The public deposits outstanding as at the end of the previous year have been repaid by the Company and no further public deposits have been accepted by the Company during the year. In respect of repayments of the fixed deposits, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of sections 58A and 58AA of the Companies Act, 1956 and the rules framed thereunder or any other relevant provisions of the Act, where applicable. The

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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 this respect.

7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. The Company is engaged in the manufacturing of electrical cables, wires, fans, and compact fluorescent lamps, the cost records in respect of which have been prescribed u/s 209(1)(d) of the Companies Act, 1956. We have broadly reviewed the same and are of the opinion that the prima facie, the prescribed records and accounts are being maintained. We have not however, made detailed examination of the same.
9. a) The Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities. There are no arrears of outstanding statutory dues as at 31st March 2007, 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. 13, 14, 15 and 16 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 institutions and banks. The Company has not issued any debentures.
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. The Company is not dealing in shares, debentures and other investments.
15. The Company has given a corporate guarantee of Rs. 5,208.30 millions (Euro 90 millions) for and on behalf of wholly owned subsidiary companies viz. Havell's Holdings Limited, Isle of Man and Havell's Netherlands Holding B.V., Netherlands in respect of Asian Bridge Loan Facility Agreement and Asian Terms Facility Agreement respectively entered with Barclays Capital and State Bank on India on 13th March 2007. The said guarantee has been given in accordance with and is within limits of the master circular dated 1st July 2006 issued by the Reserve Bank of India. Further the Company has agreed to provide certain moveable and immoveable assets of the Company as security to Barclays Capital and State Bank of India for aforesaid loans which is to be executed within 120 days of the date of the agreement i.e 13th March 2007. The terms and conditions are not prima facie prejudicial to the interest of the Company, since the guarantee is on account of commercial expediency.
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

(V. P. BANSAL)
Proprietor
Membership No. 8843

Noida, May 15, 2007