



Directors'
Report

Directors' Report

Your Directors have pleasure in presenting the 24th Annual Report and audited financial accounts for the year ended 31st March, 2007:

Financial Results	(Rs. in millions)	
	2006-07	2005-06
Gross Sales	16,810.58	11,151.37
Less Excise	<u>1,338.39</u>	<u>1,116.11</u>
Net Sales	15,472.19	10,035.26
Other Income	54.23	35.29
Total Expenditure	14,062.14	9,040.47
Interest	161.45	179.62
Net profit after interest but before Depreciation and Taxation	<u>1,302.83</u>	<u>850.46</u>
Less Depreciation	<u>97.42</u>	<u>65.38</u>
Profit before Taxation	1,205.41	785.08
Less Taxation	<u>183.88</u>	<u>153.01</u>
Net Profit	<u>1,021.53</u>	<u>632.07</u>
Add Balance brought forward from previous year	1,178.02	632.01
Add Balance in pursuance of Scheme of Amalgamation		54.84
Profit available for appropriation	<u>2,199.55</u>	<u>1,318.92</u>
Appropriation of Profits		
Transfer to General Reserve	110.00	64.00
Proposed Dividend	134.40	67.20
Corporate Dividend Tax	22.84	9.70
Balance carried over to Balance Sheet	<u>1,932.31</u>	<u>1,178.02</u>
	<u>2,199.55</u>	<u>1,318.92</u>

Performance of the Company

Your Company had another good year 2006-07 with a reasonable performance. The turnover of your Company has increased by more than 50% from Rs.11,151.37 million in the last Financial Year to Rs.16,810.58 million in current financial year. This year, your Company has crossed the Net Profit figure of Rs.1000 million. The Net Profit of the Company has increased by more than 60% from Rs.632 million in previous year to Rs.1022 million in Current Year.

Dividend

The Directors of your Company are pleased to recommend a final dividend @50% for the year 2006-07 i.e. Rs.2.50 per equity share on fully paid up equity shares of Rs.5/- each. The proposed dividend, if approved at the ensuing Annual General Meeting, would result in appropriation of Rs.157.24 million (including Corporate Dividend Tax of Rs. 22.84 million) out of the profits. The Company has made transfer of Rs.110 million to the General Reserve. The total appropriation of dividend of Rs.157.24 million gives 15.39% payout on net profit of the Company.

The Register of member and share transfer books shall remain closed from Friday, 22nd June, 2007 to Friday, 29th June, 2007, both days inclusive, for the purpose of Annual General Meeting and payment of dividend.

Corporate Review

Your Company operates in three main business segments viz. Switchgear, Cables & Wires and Electrical Consumer Durables.

Directors' Report

Switchgear Segment

Havell's India Limited has established itself as a major player in Industrial Switchgear segment in India with a very comprehensive range including ACBs, MCCBs, Fuse Switches, Fuses, Changeover Switches, Contactors, Starters, etc. The Company has been upgrading its range by adding new products and new features in the existing products. Havells is setting up a second plant for industrial switchgear at Baddi in addition to its existing plant in Faridabad. It will be absolutely world class and highly automated employing all latest manufacturing techniques.

Havells is already the market leader for Domestic Switchgear products in India with world class plants at Baddi & Badli. The Company is expanding capacity and upgrading the facilities with a regular investment in manufacturing. The Company has launched various innovative products in this segment during the year with higher rating MCBs, RCCBs, RCBOs, new distribution boards, etc.

The Company is a leading player in the Electrical Wiring Accessories with premium positioning of brand 'Crabtree'. In order to cater to a much larger mass of the market the Company has decided to introduce Havells branded Wiring Accessories in the current year. This move is expected to add substantial volume this year. The Company has entered the intelligent product segment by launching a Digital Dimming and Energy Management System called 'Crabtree - Aura'. The system empowers a user to bring all the surrounding artificial lighting under his control in a modern way through remote/ digital equipment. Be it commercial applications like bars, hotels, auditoriums, etc. or domestic areas like living- cum-dining rooms, master bedrooms, Crabtree AURA can meet the most varied lighting application and transform it at a click of a button making our lives more productive, more comfortable and vastly energy efficient.

100% Export Oriented Unit

The Company has set up a 100% Export Oriented Unit (EOU) at Baddi for Switchgear products with a total installed capacity of 12 million MCBs per annum. The Company has invested an amount of approx Rs.80 million in Plant & Machinery for this Unit. The Commercial production at this unit was commenced in November, 2006. Being an EOU, this unit will get the benefits of excise and custom duties exemptions. Further the sales tax paid at the time of purchases is also reimbursable to the unit from NSEZ Noida.

During the year under review, Switchgear Division has registered a turnover of Rs.4289 million from the previous year Rs.3299 million posting the growth of 30%.

Cable & Wire Segment

The Company's cable and wire division has registered a sales growth of 67%. This division is scaling up to new heights on YOY basis as turnover of it has increased to Rs.7780 million from the previous year figure of Rs.4655 million.

The Company is renowned for its superior quality for the complete range of high and low voltage PVC and XLPE cables, FR/ FRLS wires, Co-Axial TV and Telephone Cables.

During the year the division enhanced its production capacity by installing high technology machinery and by adding floor space to its production area. The division through its CCV Lines has successfully started manufacturing 66KV high voltage cables.

Electrical Consumer Durables Segment

The Company has maintained its growth momentum in the segment by posting a sales figure of Rs.4086 million as compared to Rs. 2745 million in the previous year, i.e. growth of around 49% The Company has fully utilized the opportunities thrown by the booming construction sector in India. The Company is performing exceedingly well in all the three categories in this segment, i.e. CFLs, Lighting Fixtures and Fans.

CFLs

Burgeoning electricity bills, increased awareness amongst the consumers, promotional schemes, environment protection movements, lackluster variety and performance of local and Chinese brands has set the stage for Indians to shift to Branded energy saving Compact Fluorescent Lamps (CFLs). Havells is already one of the largest manufacturers of Compact Fluorescent Lamps (CFLs) in India with installed capacity of 2.2 millions CFLs per month at two state of art manufacturing plants at Faridabad and Haridwar.

The worldwide demand for CFLs is about to explode as the world is waking up to the global warming issues and many countries are contemplating a defined time period for phasing out GLS lamps and banning them which will result in demand shifting in favour of more energy efficient products like LEDs and CFLs. The Company has made a comprehensive plan of expanding its manufacturing facility multifold in a new location at Neemrana to create a possibility to grab the opportunity that

Directors' Report

will be generated in terms of CFL demand worldwide which shall be catered through Havells and Sylvania's marketing and distribution network all across the globe.

Light Fixtures

Havells entered the business of lighting fixtures 3 years back and has established a strong market presence in the category with the turnover increasing at the pace of almost 100% for the past two years. The focus has been to provide complete lighting solutions with primary emphasis on energy efficient systems for the required ambience or lighting application with aesthetically designed fixtures. With access to technology available with Sylvania the Company shall be launching many innovative products in the Indian market in the near future.

Fans

Havells has captured a high premium position in the fan segment, by providing the market with innovative designs, premium finishes and energy efficient performance. The Company is expanding at the rate of 60% plus in fans every year. The fully integrated state of art manufacturing plant set up last year at Haridwar, is being further augmented to expand capacity to cater to the fast growth of Havells market.

New Projects

The Company has successfully demonstrated in past its capability to achieve fast success in all its new projects. We have always expanded in fields that are synergistic to our current business and where we can leverage our strengths in marketing, distribution, and customer relations. The Company has decided to enter two new product segments, Power Capacitors and Electric Motors, for which the plants and the marketing infrastructure are already being set up.

Power Capacitors

The Company has set up a new plant at Noida for Power Capacitors with an initial investment of Rs.80 million in plant and machinery. The land and building were already available with the Company and were idle for past couple of years. The Plant has an initial installed capacity of 600000 KVAR per month, and has commenced commercial production in February, 2007. We expect to achieve good market position in this product segment in quick time using the leverage of our existing market strength for industrial switchgears.

Electric Motors

Havells has decided to enter the fast growing Electric Motors business for which a completely integrated plant is being set up at a greenfield site at Neemrana, Rajasthan. Once the project is completely implemented by end of the current financial year, the Company shall have the capacity to manufacture 15,000 motors in combination of various sizes from frame 56 to 315, or 0.25 HP to 500 HP which comprise the complete range of LT three phase motors. The capex plan for the full project is Rs.600 million and initial production for the smaller sizes motors is expected in the third quarter of this year.

The customers and market expects Havells to introduce the latest technology and high quality for any new product it launches. For this the Company entered into technical collaboration with a leading European manufacturer of Electric Motors, Lafert S.P.A., Italy. Havells shall be manufacturing only high energy efficient motors in line with its philosophy of doing its bit to bring energy consciousness to the world.

Other Segments

The turnover from other segments (including Bath Fittings and Meters) is Rs.656 million as compared to previous year turnover of Rs.453 million.

International Business

During the financial Year 2006-07 our Exports have grown by more than 30% to Rs.960 million as compared to previous year figure of Rs.728 million due to increase in awareness of Havells brand globally with the Company putting focus on international market.

The Company has started exports to Russia, Romania, Latin America, Australia in the previous year. It has its offices in Dubai, Colombo and Lagos for developing the local markets. Other countries are being catered by the highly motivated team in our International Business Division (IBD). We would continue our quest for developing new products as per market / customer demand. Internally we have increased our team strength by almost 100% to increase our focus in each & every targeted market / region.

More international brand promotion activities are planned to increase Havells brand awareness, which would eventually result in multiplying sales.

Directors' Report

Centre for Research and Innovation

Havells has developed a Centre for Research & Innovation (CRI) comprising of a team of over 100 highly qualified engineers who are working continuously on developing newer technologies which creates new products for Havells based on its internally developed and fully owned intellectual property. The centre is the nerve center of the organization set up with a long term vision of Havells standing in front of multinational companies with its own technology. Besides the new products the team is persistently working on the upgradation of the existing products with added innovations and on improving the manufacturing processes in terms of automation and setting up systems to ensure manufacturing consistency and quality. It is a matter of pride for Havells that the in house CRI got recognized from Department of Scientific & Industrial Research, Ministry of Science & Technology.

Acquisition of SLI Sylvania business

During the year under review, your Company has taken a leap of faith, demonstrating its commitment to growth and an ambition to expand its footprint globally, by deciding to acquire SLI Sylvania business worldwide. The Company approved the acquisition of SLI Sylvania business by approving the acquisition of 100% shares of three companies; i) SLI Lighting Products, Inc.; ii) SLI Europe BV; and iii) Lighthouse Investment Holdings Limited through its subsidiaries based in Isle of Man, Malta and Netherlands. This is the largest foreign acquisition by an Indian Company in the electrical industry. The Transaction is completed in last week of April, 2007.

SLI-Sylvania headquartered in Frankfurt, is a leading world player in the field of lighting with a very comprehensive range of lamps and fixtures. SLI Sylvania clocked a turnover of \$594 million in the calendar year 2006. The Company goes to the market with brand Sylvania in Europe, Latin America, Asia and Africa and SLI in USA, Canada and Mexico. The Company also owns other renowned brands Concord marlin, Luminance, Claude and Linolite.

The Company has 10 manufacturing plants in UK, Belgium, Netherland, Germany, France, Tunisia, Brazil, Colombia and Costa Rica. The total employee strength for the Company is around 4000.

The acquisition gives Havells a huge global presence with a proper organizational presence in over 40 countries. There are huge synergistic benefits of bringing the two companies together. It gives an access to Havells to over 10,000 distributor spread in Latin America, Europe, Africa and Asia which can be used to launch Havells products like switchgear, etc. in these markets. There are huge potential synergies in manufacturing and sourcing of lighting products for the two companies. There is a huge potential in joining the R&D activities as well.

SLI Sylvania has been acquired with a total consideration of Euro 227.50 million. The acquisition is funded by a non-recourse debt of Euro 120 million based on SLI Sylvania's balance sheet and recourse funding of Euro 80 million. The remaining amount is balanced by taking over other long term liabilities like pensions, etc.

Subsidiary Companies

As on March 31st 2007, your Company has five subsidiaries namely, i) Havells Cyprus Limited, Cyprus; ii) Havell's Holding Limited, Isle of Man; iii) Havell's Malta Limited, Malta; iv) Havell's Netherlands Holding B.V, the Netherlands; v) Havell's Netherlands B.V., the Netherlands. The Ministry of Company Affairs, Government of India vide its letter no. 47/195/2007-CL-III dated April 16, 2007 granted an exemption to the Company from the provisions of Section 212 (1) of the Companies Act, 1956, with regard to attachment of the Balance Sheet, Profit & Loss Account etc. of the subsidiary companies with the Annual Accounts of the Company for the financial year 2006-07.

The annual accounts of the subsidiary companies along with reports of the Directors and Auditors thereon and all related detailed information are open for inspection by any investor at the Head Office of the Company and of the subsidiary companies concerned. The Company will make available these documents to investors including investors of the subsidiary companies upon receipt of a request from them. The investors, if they desire, may write to the Company to obtain a copy of the financials of the subsidiary companies.

A statement giving information on the financials of the subsidiaries for the year ended March 31, 2007 and the consolidated financial statements prepared by the Company in accordance with the Accounting Standard 21 are given in the Annual Report for the reference of members.

By virtue of acquisition of SLI Sylvania business through above subsidiary companies and as per the provisions of section 4 of the Companies Act, 1956, 42 other companies, which comprise SLI Sylvania businesses worldwide, have become subsidiaries of Havells India Limited during the current financial year 2007-08.

Directors' Report

Bonus Shares

At the Annual General Meeting of the Company held on 27th June, 2006 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 22nd July, 2006, the Company allotted 26879203 equity shares of Rs.5/- each to all the shareholders, whose names appeared on the register of members as on 21st July, 2006. After the Bonus Shares allotment, the paid up capital of the Company increased to Rs. 268.79 million.

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 27th June, 2006 resulting from the issue and allotment of Bonus Shares, the Company increased its Authorised Share Capital from Rs.150 million to Rs.300 million. Subsequently the same is increased to Rs.400 million at the extra ordinary general meeting held on January 20, 2007.

Corporate Governance

Your Company believes that great companies are built on the foundation of good governance practices. Corporate Governance is all about the effective management of relationships among constituents of the system-shareholders, management, employees, customers, vendors, regulatory and the community at large. Your Company strongly believes that this relationship can be strengthened through corporate fairness, transparency and accountability. Your Company places prime importance on reliable financial information, integrity, transparency, empowerment and compliance with the law in letter and spirit.

We take pride in informing you that your Company has implemented the revised clause 49 of listing agreement. Your Company takes proactive approach and revisits its governance and practices from time to time to meet the business and regulatory needs. Therefore, the Company has appointed professional firm, Ernst & Young for the Risk Management, Internal Control part to advise on a proper implementation of risk management practices in the Company. This is expected to be completed by end of first quarter of the current year.

Compliance with clause 49 for the year 2006-07 has been given in the Corporate Governance report, which is attached and forms part of this report. The Auditors' certificate on compliance with Corporate Governance norms is also attached thereto.

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

During the year under review, Mr. N. Balasubramanian was co-opted as Additional Director of the Company. As per section 260 of the Companies Act, 1956, he will cease to hold office at the ensuing Annual General Meeting. Further, the Board of Directors at their meeting held on May 15, 2007 also appointed Ms. Josephine Price as additional director of the Company, who shall hold office only upto the date of ensuing Annual General Meeting.

The requisite notices along with the prescribed fees have been received from members under section 257 of the Companies Act, 1956 proposing the appointment of Mr. N. Balasubramanian and Ms. Josephine Price as Directors, liable to retire by rotation at the ensuing Annual General Meeting.

During the year, Ms. Sabine Geyer resigned from the Directorship of the Company. Further, Mr. Richard Owen Pyvis also resigned from the Directorship of the Company with effect from 15th May, 2007. The Board places on record its appreciation for their invaluable contribution during their tenure as Directors of the Company.

Directors' Report

In accordance with the requirement of the Companies Act, 1956, Maj. Gen. D.N. Khurana and Shri Avinash P Gandhi, Directors retiring by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Auditors

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

Comments on Auditors Report

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

Fixed Deposit

During the year, the Company did not accept any fixed deposit as per the provisions of Section 58A of the Companies Act, 1956 and the 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.1,11,920/- lying unclaimed / unpaid dividend for the Financial Year 1998-99 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 Limited, (BSE). NSE has been defined as the Designated Stock Exchange of the Company. The listing fees in respect thereof, for the year 2007-08, has already been paid to both the Stock Exchanges.

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

Havells is an ISO 9001:2000 certified Company following the best practices to lead the organization 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, Havells also has prestigious international approvals like KEMA, AENOR etc. for its products.

Environment, Health and Safety

Havells is firmly committed to managing its operations with utmost responsibility, protecting the environment and safeguarding the health of its stakeholders. Our Environment, Health and Safety (EHS) policy provides the underlying principle for the implementation of the best EHS practice at all our units.

Environment, Health & Safety (EHS) excellence has been extensively promoted as a corporate culture within Havells. It is our endeavour therefore, to ensure that the workplace is safe and the environment is protected at all times. Havells aims to lead, not only in terms of innovation and quality, but also in the areas of safety and environment protection. As a result, the very foundations of our EHS Management System are based on a continuous improvement approach.

Havells 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.

The security of employees and staff is one of the prime concerns of the Management. Employees have been adequately

Directors' Report

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.

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, 2007, the Company has paid Rs. 183.88 million towards Income Tax as compared to Rs. 153.01 million paid during the last financial year. This payment along with an Excise Duty of Rs. 1338.39 million, Sales Tax of Rs. 1095.11 million, Contribution to PF, ESI etc. of Rs. 38.21 million totaling Rs. 2655.59 million 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.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) at Havells portrays the deep symbiotic relationship that the Company enjoys with the communities it is engaged with. As a responsible corporate citizen, we try to contribute for social and environmental causes on a regular basis.

It is our continued commitment to contribute towards improving the quality of life of not only our employees and their families, but also the local community and society we operate in. The Company donated Rs. 3.50 million to QRG Foundation, a Trust who is providing healthcare services through mobile healthcare van for the Slum areas of Delhi region and provides free medical check-ups and medicines to about 150-200 people every day.

Being a responsible and concerned corporate citizen, Havells through QRG Foundation also undertakes other welfare activities in and around its plant locations. In Alwar region alone the Company is providing mid day meal close to 10000 students of primary schools. The Company is also negotiating with the Government of Rajasthan to acquire land for constructing a large kitchen with all the modern facilities to serve the meal to around 40000 to 50000 students. The Company is also planning to start these kind of noble activities in other areas as well.

Human Resources

The Company believes that the employee is the first customer an organization 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.

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. The Company continues to take new initiatives to further align its HR policies to meet the growing needs of the business.

Acknowledgments

Your Directors wish to express their grateful appreciation for the cooperation and support received from vendors, customers, banks, financial institutions, Central and State Government bodies, Auditors, Legal Advisors, consultants, shareholders and the society at large. Your directors also take on record the appreciation for the contribution and hard work of employees across all levels, without their commitment, inspiration and hard work, your Company's consistent growth would not have been possible.

For Havell's India Limited

(Qimat Rai Gupta)

Chairman & Managing Director

Noida, May 15, 2007

Directors' Report

ANNEXURE A TO THE DIRECTORS' REPORT

Particulars of Employees pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2007.

Persons employed for full / part of the year ended March 31, 2007 who were in receipt of the remuneration which in the aggregate was not less than Rs.24,00,000/- p.a. or Rs.2,00,000/- p.m. respectively.

S. N.	Name	Age (Yrs.)	Designation	Remuneration (in Rs.)	Qualifications	Experience in years	Date of commencement of Employment	Last employment held
1	Shri Qimat Rai Gupta	70 Years	Chairman & Managing Director	Rs. 4,224,621/-	B. A.	47 years	08.08.1983	N. A.
2.	Shri Rajesh Gupta	50 years	Director (Finance)	Rs.10,389,227/-	C.A.	26 years	01.12.1980	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, 2007 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. The energy conservation measures taken at different location are:

ALWAR

- 2 nos. of 300 kva U.P.S. installed to replace D.G. Sets to drive the critical loads.
- Furnace oil fired boilers are installed in place of diesel fired boilers.
- Slip ring motors and resistance starters are replaced with A.C. drives and squarell cage induction motors.

BADDI

- Installation of AMF panel for automatic switching of DG sets.
- Implemented level sensors in water tanks.
- Utilization of STP treated water for watering lawns.
- Rain water harvesting for recharging sub soil water level.
- Replaced pneumatic screw drivers with electric screw drivers.
- Used MS fabricated pipeline for compressed air system instead of GI threaded pipe to avoid any leakage.
- Implemented solenoids in power presses for ejecting components.

BHIWADI

- Air ventilators in place of exhaust fans in shop floors.
- Multi-operation single tools introduced in M/c Shop.
- Multi-cavity core-boxes introduced to increase productivity and save energy.

Directors' Report

FARIDABAD

- Heat recovery from the Flue Gases of Ovens of CFL Plant in Paint Shop Oven thereby doing saving in diesel consumption.
- Reduction in Compressed Air leakage by 50% by replacement of G.I. pipe line with M.S. pipe for distribution of compressed Air and proper distribution of air.

HARIDWAR

- Earlier plant was running on DG set. Now it is running on power supply by State Electricity Board of Uttaranchal. There by saving in fuel cost converting in electrical energy.
- Implementation of new technology winding machines from China to save on air consumption.

b) Additional Investment and proposals for Energy Conservation

ALWAR

- 4nos. of 180 h.p. slip ring motors and resistance starters to be replaced with squarrell motors and A.C. drives.

BADDI

- Solar water heater for guest house, pantries and kitchens of workers canteen.

BHIWADI

- Replace oil fired furnace with Electric –Induction furnace
- Installation of solar water heater to evaporate treated waste water from Effluent treatment plant (E.T.P.).

FARIDABAD

- Use of Energy efficient Compressor by replacing of existing ELGI Compressor
- Compressed Air leakage reduction by replacement of remaining G.I. line with M.S. piping.

HARIDWAR

- Cover & Blade baking oven planned to operate on LPG instead of LDO.

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

ALWAR

- The overall expenses of power were approx. 1.25% of the turn over which is reduced to approx. 1% of turn over.

BADDI

- Reduced changeover and breakdown time
- Reduced wastage of water and electricity (extra running of motor consumes electricity)
- Less power consumption in electric screw drivers
- Reduced wastage of compressed air for ejecting components.

BHIWADI

- Energy saved by following measures
- Air Ventilator 13440 kw p.a.
- Multi Operation tool 1000 kw p.a.
- Multi Carroty Core 200 kw p.a

FARIDABAD

- Achieved total annual savings of Rs.1.07 million by taking various measures.

HARIDWAR

- Reduction in per fan cost of production.

Directors' Report

B. RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION

a) Research & Development

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

(i) Import Substitution

- The Company has developed a wide range of switchgear products through R & D division to substitute the imports.
- Indigenous manufacturing of Table, Pedestal, Wall fans to reduce dependency on imports.
- In-house Development of the PCB for RCBO; which was being imported earlier.

(ii) Technology upgradation

- The in house R & D team is persistently working on the upgradation of the existing products and employing the state of the art technology to develop the new products.
- Inhouse development of Auto calibration bench for accurately calibrating MCB. Incorporation of NI Labview system in the short circuit lab and the test lab at R & D centre.
- Procurement of test equipments with latest technological advancements.

ALWAR

- Method of cross-linking of XLPE compound upgraded by imported CCV line.
- Manufacturing infrastructure upgraded up to 66KV XLPE cables.
- Testing infrastructure upgraded up to 66 KV xlpe cables.
- Testing facility for Lightning Impulse test for XLPE cable imported.

BADDI

- Auto CT selection in all SPM riveting machines.
- In house designed and manufactured auto calibration benches with individual power supplies and complete data acquisition system implemented. These calibration benches have closed loop control system with temperature compensation.
- SCADA implemented on all SPM riveting machines.
- Robotic arm implemented in molding for auto ejection of chassis from mould and place it on conveyor by separating it from runner.
- Implemented (Grub screw – Bimetal carrier) continuity principle on all calibration benches.
- Centralized SCADA system in moulding.
- In house designed and manufactured new test benches for thermal test with data acquisition system implemented. Separate marking stage eliminated by marking of spot welded assembly on line at SPM
- Fanuc wire cut CNC machine and Charmilles EDM CNC machines implemented in tool room which can produce the tools with in the accuracy of 5 micron.

BHIWADI

- Hand made core making system replaced with multi-cavity m/c core boxes.
- Multi-operation single tools to replace 3 to 4 tools.

FARIDABAD

- Implementation of 'lean production system' in the assembly lines.
- Introduction of Japanese Work Practices such as 5-S, Quality assurance techniques and some of 'Total Quality Management' systems on the shop floor such as 'Daily work Management', Visualisation & Kanban.

HARIDWAR

- Installation of additional layering winding Machine to improve the coil winding finish. This will avoid the additional operation of thread binding and copper saving.

(iii) Quality Improvement

- Process improvement to reduce the rejection rate of sub-assemblies.

Directors' Report

- Stringent Quality checks incorporated to assure the quality product.
- Value engineering to achieve cost reduction of various components and to make the products more competitive in the market.

ALWAR

- Product processed through better machines with inline control of quality parameters

BADDI

- Process improvement to improve quality and productivity of multi-pole MCB.
- Designed new fixtures to improve quality and productivity of spot welded joints.
- Change the shape of spot welding electrodes to improve the strength and quality of joints.
- Auto calibration benches motors changed from 30 rpm to 15rpm.
- MCB testing capacity of test lab increased to 10 times.
- Open ink well pad printing machines replaced with close cup pad printing machines
- Completed seven CIP projects on productivity, quality and process improvement

BHIWADI

- Conventional technology in taps and fitting is being replaced with modern methods.
- "O" ring are used in place of asbestors packaging .
- Sheet Metal as replacing casted parts.

FARIDABAD

- Improvement in Assembly Line.
- Improvement of Euroload Changeovers to substantially reduce market complaints.

HARIDWAR

- Introduction of better packaging.
- Improvement in handling system for semi-finished & finished components to reduce the rework and rejection.

Benefits derived as a result of above

- Cost Reduction
- Usage and Design Improvement
- Quality Upgradation
- New Product Introduction
- Improvement of productivity and accuracy of testing
- Reduced consumption of consumables items.
- Reduction in scrap generation

Future plan of action

- To produce electronics RCCB with the state of art technology
- To produce MCB with higher rating 80-125 A.
- To produce MCB Single pole with switched neutral.
- To produce auxiliaries of MCB as Under Voltage Release and Auxiliary contact.
- To produce ACBs in higher frame (5000-6300) frame.
- To introduce the Motorized change over switches
- Introduction of various new models of Ceiling fans/ Pedestal / Wall fans and light duty ventilating fans.
- Introducing various new design of lighting systems to conserve power consumption and provide better lighting.
- Development of production / testing infrastructure for 132/220kv grade XLPE cables

Directors' Report

Expenditure on R & D	(Rs. in million)	
	2006-07	2005-06
Capital	4.60	25.99
Recurring	37.43	16.49
Total	42.03	42.48
Total R & D expenditure as a percentage of total turnover	0.25%	0.38%

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 upgradation 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	Yes	N.A.
Automated Capacitor Winder	2006-07	Yes	N.A.
CFL machine to manufacture Ginni Lamp	2006-07	Yes	N.A.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

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

The Company has started exports in Russia, Romania, Latin America, Australia also. It 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). We would continue our quest for developing new products as per market / customer demand. Internally we have increased our team strength by almost 100% to increase our focus and go in-depth in each & every targeted market / region. The Company has acquired SLI Sylvania business and owns the right of the *Sylvania* brand in the international market (excluding Australia, Canada, Mexico, New Zealand and the United States), which is one of the most globally recognized brands in the industry for over a century. The SLI group has a leading presence in selected markets across Europe and Latin America with a focus on growth in Asia, the Middle East and North America. The Group markets fixtures, lamps and other lighting products to targeted, high value customers, including architects, designers, electrical distributors and wholesalers, select retailers, installers / end-users, original equipment manufacturers and other lighting manufacturers (together "OEMs"). The combination of its portfolio of lighting technology and its *Sylvania* brand positions the Group to compete

Directors' Report

effectively with all other global and local lighting companies. Moreover, we would continue our quest for developing new products as per market/ customer demand with the strong distribution network of SLI Sylvania Group.

(b) Total Foreign exchange used and earned

	(Rs.in millions)	
	2006-07	2005-06
Foreign exchange earned	960.42	728.08
Foreign exchange used	1,248.32	1,000.38

For Havell's India Limited

(Qimat Rai Gupta)
Chairman & Managing Director

Noida, May 15, 2007

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

	Name of the Subsidiary Company	Havell's Cyprus Limited	Havell's Holdings Limited	Havell's Malta Limited	Havell's Netherlands Holding B.V.	Havell's Netherlands B.V.
1	The financial year of the Subsidiary ended on	31-Mar-07	31-Mar-07	31-Mar-07	31-Dec-07	31-Dec-07
2	Date from which it became Subsidiary	20-Jul-06	9-Mar-07	13-Mar-07	13-Mar-07	13-Mar-07
3	Shares of the subsidiary held by the company on the above date					
	a) Number of Shares	1000	34042			
	b) Face Value of Shares	Equity shares of	Equity shares of	Step Subsidiary	Step Subsidiary	Step Subsidiary
4	Extent of interest of Holding Company in the Capital of Subsidiary Company	1 CYP each 100%	1 GBP each 100%	100%	100%	100%
5	The net aggregate amount of Subsidiary's Profit/ (Loss) so far as it concerns the members of the Holding Company and is not dealt with in the Holding Company's accounts:					
	a) For the financial year ended on March 31, 2007	"(CYP 8887) (Rs.391,477) **"	Nil	Nil	N/A	N/A
	b) For the previous financial years of the Subsidiary since it became a Subsidiary	Nil	Nil	Nil	N/A	N/A
6	The net aggregate amount of the Subsidiary's Profit/ (loss) so far as it has been dealt with in the Holding Company's accounts:					
	a) For the financial year ended on March 31, 2007	Nil	Nil	Nil	N/A	N/A
	b) For the previous financial years of the Subsidiary since it became a Subsidiary	Nil	Nil	Nil	N/A	N/A

* Converted at the average rate of exchange of CYP

For Havell's India Limited

(Qimat Rai Gupta)
Chairman & Managing Director

Noida, May 15, 2007