

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



Financials

Auditors' 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) 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

Auditors' Report

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

Balance Sheet

	Schedule	(Rs. in millions)	
		As at 31.03.07	As at 31.03.06
I. SOURCES OF FUNDS			
1. SHARE CAPITAL			
Share capital	1	268.79	134.40
Reserves and surplus	2	2,355.56	1,625.67
		<u>2,624.35</u>	<u>1,760.07</u>
2. LOAN FUNDS			
Secured loans	3	560.56	1,085.41
Unsecured loans	4	-	13.03
		<u>560.56</u>	<u>1,098.44</u>
3. DEFERRED INCOME TAX (NET)		118.32	95.34
Total		<u>3,303.23</u>	<u>2,953.85</u>
II. APPLICATION OF FUNDS			
1. FIXED ASSETS	5		
Gross block		2,443.50	1,688.78
Less: Accumulated Depreciation		<u>313.60</u>	<u>224.46</u>
Net block		2,129.90	1,464.32
Add: Capital work-in-progress		<u>292.62</u>	<u>67.66</u>
Total fixed assets		<u>2,422.52</u>	<u>1,531.98</u>
2. INVESTMENTS	6	34.66	31.66
3. CURRENT ASSETS, LOANS AND ADVANCES	7		
Inventories		2,395.03	1,906.18
Sundry debtors		309.55	1,281.67
Cash and bank balances		331.69	83.33
Other current assets		37.61	86.42
Loans and advances		<u>587.70</u>	<u>358.29</u>
		<u>3,661.58</u>	<u>3,715.89</u>
Less: Current liabilities and provisions	8		
Current liabilities		2,499.43	2,112.88
Provisions		<u>317.50</u>	<u>213.27</u>
		<u>2,816.93</u>	<u>2,326.15</u>
NET CURRENT ASSETS		<u>844.65</u>	<u>1,389.74</u>
4. MISCELLANEOUS EXPENDITURE	9	1.40	0.47
Total		<u>3,303.23</u>	<u>2,953.85</u>
Accounting policies, contingent liabilities And notes on accounts	19		

For and on behalf of the Board of Directors

Qimat Rai Gupta
Chairman & Managing Director

Ritu Mehrotra
Company Secretary
Noida, May 15, 2007

Surjit Gupta
Director

Sanjay Johri
General Manager-Finance

As per attached Auditors' Report of even date

For V.P.Bansal & Co.
Chartered Accountants

V.P.Bansal
Proprietor
Membership No. 8843

Profit And Loss Account

	Schedule	(Rs. in millions)	
		Year Ended 31.03.07	Year Ended 31.03.06
1. INCOME			
Turnover (Gross)	10	16,810.58	11,151.37
Less : Excise Duty		<u>1,338.39</u>	<u>1,116.11</u>
		15,472.19	10,035.26
Other Income	11	54.23	35.29
		<u>15,526.42</u>	<u>10,070.55</u>
2. EXPENDITURE			
Materials	12	9,560.31	5,821.34
Manufacturing	13	1,294.76	998.89
Office and administration	14	753.29	591.42
Selling and distribution	15	2,389.29	1,576.53
Interest and financial	16	209.37	225.48
Managerial remuneration	17	16.19	6.20
Miscellaneous expenditure written off	18	0.38	0.23
Depreciation		<u>97.42</u>	<u>65.38</u>
		<u>14,321.01</u>	<u>9,285.47</u>
3. PROFIT BEFORE TAX		<u>1,205.41</u>	<u>785.08</u>
Income tax expense			
Current tax		146.00	123.98
Fringe benefit tax		14.54	12.44
Deferred tax		22.98	16.37
Wealth tax		<u>0.36</u>	<u>0.22</u>
		<u>183.88</u>	<u>153.01</u>
4. PROFIT AFTER TAX		<u>1,021.53</u>	<u>632.07</u>
5. PROFIT FOR APPROPRIATION			
Brought forward from previous year		1,178.02	632.01
Balance in pursuance of scheme of amalgamation		-	54.84
Profit for the year		1,021.53	632.07
Profit available for appropriation		<u>2,199.55</u>	<u>1,318.92</u>
APPROPRIATIONS			
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>
Earnings per share - Basic & Diluted (In Rs.)		19.002	12.132
Accounting policies, contingent liabilities and notes on accounts	19		

For and on behalf of the Board of Directors

Qimat Rai Gupta
Chairman & Managing Director

Ritu Mehrotra
Company Secretary
Noida, May 15, 2007

Surjit Gupta
Director

Sanjay Johri
General Manager-Finance

As per attached Auditors' Report of even date

For V.P.Bansal & Co.
Chartered Accountants

V.P.Bansal
Proprietor
Membership No. 8843

Schedules

	(Rs. in millions)	
	As at 31.03.07	As at 31.03.06
SCHEDULE 1		
SHARE CAPITAL		
Authorised		
80,000,000 (Previous year 40,000,000) Equity Shares of Rs.5/- each	400.00	200.00
Issued, Subscribed and Paid Up		
53,758,406 (Previous year 24,891,398) Equity Shares of Rs.5/- each fully paid up	268.79	124.46
Equity Shares pending allotment in pursuance of scheme of amalgamation (1,987,805 Equity Shares of Rs. 5/- each)	—	9.94
	<u>268.79</u>	<u>134.40</u>
Out of the above:-		
3,613,359 (Previous year 1,625,554) equity shares allotted as fully paid up pursuant to a contract without payment being received in cash.		
40,800,402 (Previous year 13,921,199) equity shares issued as fully paid up bonus shares by capitalisation of Securities Premium Account and General Reserve.		
854,545 (Previous year 854,545) equity shares issued as fully paid up pursuant to conversion of 4% fully convertible debentures		
SCHEDULE 2		
RESERVES AND SURPLUS		
Capital reserve	51.94	51.94
	<u>51.94</u>	<u>51.94</u>
Securities premium account		
As per last Balance Sheet	230.73	54.70
Add: Pursuant to conversion of 4% Fully Convertible Debentures	-	230.73
Less: Capitalized by way of issue of Bonus Shares	134.40	54.70
	<u>96.33</u>	<u>230.73</u>
General reserve		
As per last Balance Sheet	164.98	69.55
Add: Surplus in pursuance of scheme of amalgamation		38.95
Less: Capitalized by way of issue of Bonus Shares	-	7.52
Add: Transfer from Profit and Loss account	110.00	64.00
	<u>274.98</u>	<u>164.98</u>
Profit and loss account		
Balance as per Profit and Loss account	1,932.31	1,178.02
	<u>1,932.31</u>	<u>1,178.02</u>
	<u>2,355.56</u>	<u>1,625.67</u>

Schedules

	(Rs. in millions)	
	As at 31.03.07	As at 31.03.06
SCHEDULE 3		
SECURED LOANS		
Working capital loans from banks		
Cash Credit account	-	431.43
Bills discounted	124.41	115.26
Term loans from banks		
Term loan from Canara Bank	-	8.00
Term loan from Corporation Bank	-	10.16
External Commercial Borrowings from ICICI Bank Limited, Singapore	285.27	314.02
Term loan from Syndicate Bank	110.32	154.03
Against hypothecation of motor cars	10.38	14.80
Deferred Payment Credits		
Greater Noida Industrial Development Authority (Against purchase of Industrial Land)	30.18	37.71
	<u>560.56</u>	<u>1,085.41</u>

[Due within a year Rs.134.86 millions (Previous year Rs.86.77 millions)]

Notes:-

- Working Capital Limits are under consortium of Canara Bank, Corporation Bank, Union Bank of India, IDBI Bank Limited, State Bank of India and Yes Bank Limited.
- Working capital limits from consortium banks 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 (Haryana).
 - pari-passu first charge on plant and machinery installed at Badli, Faridabad and Tilak Nagar 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.
- Term loan from Syndicate Bank and External Commercial Borrowings (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.

SCHEDULE 4

UNSECURED LOANS

Fixed deposits from public	-	13.03
	<u>-</u>	<u>13.03</u>

Schedules

(Rs. in millions)

SCHEDULE 5 FIXED ASSETS

Sl. No.	Description	Gross Block		Depreciation		Net Block					
		Additions During the year	Sales/Adjustment	As at 01.04.2006	As at 31.03.2007	Up to Last Year	For the Year	Sales/Adjustment	To Date	As at 31.03.2007	As at 1.03.2006
1	Industrial land Freehold Leasehold	127.31 3.79	- -	41.82 93.81	169.13 97.60	- -	- -	- -	- -	169.13 97.60	41.82 93.81
2	Factory buildings	182.29	-	446.66	628.95	16.82	-	44.97	-	583.98	418.51
3	Office premises	-	-	1.98	1.98	0.03	-	0.44	-	1.54	1.57
4	Plant and machinery	365.31	24.07	745.06	1,086.30	43.87	3.05	135.56	3.05	950.74	650.32
5	Generators	10.29	0.67	39.08	48.70	2.13	0.32	7.50	0.32	41.20	33.39
6	Furniture and fixtures	18.36	0.08	48.59	66.87	5.80	0.05	25.52	0.05	41.35	28.82
7	Electric fans and installations	27.92	0.42	78.77	106.27	4.91	0.02	15.34	0.02	90.93	68.32
8	Water supply installations	0.78	-	1.30	2.08	0.08	-	0.58	-	1.50	0.80
9	Weighing scale	0.35	0.02	1.86	2.19	0.10	-	0.50	-	1.69	1.46
10	EDP Equipments	13.62	0.78	74.46	87.30	11.85	0.24	52.61	0.24	34.69	33.46
11	Office equipments	7.69	-	15.61	23.30	1.70	-	6.25	-	17.05	11.06
12	Airconditioners	7.53	0.10	17.01	24.44	0.97	0.02	4.52	0.02	19.92	13.44
13	Vehicles	23.08	12.07	51.74	62.75	6.14	4.59	14.59	4.59	48.16	38.70
14	R & D Block	4.60	-	31.04	35.64	3.02	-	5.22	-	30.42	28.84
15	Add:Capital Work-in-Progress	792.92	38.21	1,688.79	2,443.50	97.42	8.29	313.60	8.29	2,129.90	1,464.32
		292.26	67.30	67.66	292.62	-	-	-	-	292.62	67.66
		292.26	67.30	67.66	292.62	-	-	-	-	292.62	67.66
	TOTAL-CURRENT YEAR	1,085.18	105.51	1,756.45	2,736.12	97.42	8.29	313.60	8.29	2,422.52	1,531.98
	- PREVIOUS YEAR	649.40	29.41	1,136.45	1,756.44	65.38	6.71	224.46	6.71	1,531.98	923.31

Notes:

- 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. Depreciation in respect of assets for a value not exceeding Rs. 5000/- has been provided at the rate of 100%.
- Factory Buildings at Baddi (Delhi) is on rented premises.
- Office premises include Rs. 0.49 million and Rs. 0.16 million 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.
- Exchange fluctuation gain of Rs. 0.96 million (Previous year loss of Rs. 0.05 million) has been adjusted against the additions in fixed assets.
- Leasehold land includes two nos. industrial plots at Bawana Industrial area in respect of which possession has not been taken as yet.
- A sum of Rs. 3.0 millions (Previous year Rs. 6.0 millions) has been adjusted against the cost of plant and machinery being capital investment subsidy receivable in respect of plant at EOU Unit at Baddi, Himachal Pradesh.
- Addition in land includes Rs 3.79 millions (Previous year Rs. 2.01 millions) on account of interest payable to Greater Noida Industrial Authority in respect of industrial land allotted to the Company, possession of which is yet to be taken.
- Capital Work in progress include a sum of Rs. 1.34 millions (Previous year Rs. 0.29 million) on account of pre-operative expenses in respect of Neemrana Project which is under implementation.
- The title deeds in respect of freehold land at Neemrana, Rajasthan is yet to be executed.

Schedules

SCHEDULE 6 INVESTMENTS

(Long term, trade, unquoted, at cost)

Subsidiary Companies (Wholly owned):

Havell's Cyprus Limited	0.10	-
1000 Equity Shares of 1 Cyprus Pound each		
Havell's Holdings Limited	2.90	-
34042 Equity Shares of 1 GBP each		

Others:

G.S.Lighting Private Limited	31.66	31.66
44210 Equity Shares of Rs. 100/- each. (purchased at Rs.712.51 per share, including share transfer stamps)		
Aggregate value of unquoted investments	<u>34.66</u>	<u>31.66</u>

SCHEDULE 7 CURRENT ASSETS, LOANS AND ADVANCES

Inventories (as taken, valued and certified by the management)

Raw materials and components	435.95	499.82
Semi finished goods	195.81	159.92
Finished goods	1,631.82	1,107.01
Consumable Stores, tools and spare parts	9.56	7.46
Dies and fixtures	91.48	96.95
Packing materials	24.77	31.47
Fuel and Gases	1.40	1.83
Scrap materials	4.24	1.72
	<u>2,395.03</u>	<u>1,906.18</u>

Sundry debtors (unsecured)

Debts outstanding for a period exceeding six months considered good	107.28	114.43
considered doubtful	16.82	15.63
	124.10	130.06
Less: provision for doubtful debts	16.82	15.63
	107.28	114.43
Other debts - considered good	202.27	1,167.24
	<u>309.55</u>	<u>1,281.67</u>

Cash and bank balances

Cash in hand	1.25	1.11
With scheduled banks in:		
Current accounts	6.09	3.20
EEFC account (US\$ 375.89, previous year US\$ 1405.69)	0.02	0.06
Cash credit account	78.03	-
Unclaimed dividend account	1.39	1.05
Fixed deposit account		
Margin money	61.44	61.20
Pledged with government departments	0.47	0.38
Lien against public deposits	-	10.91
No Lien account	180.00	0.15
Interest accrued on fixed deposits	2.33	5.05
With other banks in :		
Current accounts	0.67	0.22
	<u>331.69</u>	<u>83.33</u>

Other current assets - (considered good)

Export incentives receivable	11.71	29.41
DEPB licences in hand	13.28	34.08
Capital investment subsidy receivable	12.00	9.00
Claims receivable	0.62	13.93
	<u>37.61</u>	<u>86.42</u>

(Rs. in millions)
As at 31.03.07
As at 31.03.06

Schedules

	(Rs. in millions)	
	As at 31.03.07	As at 31.03.06
Loans and advances (unsecured- considered good)		
Loans and advances to subsidiary companies	48.67	-
Advances recoverable in cash or in kind or for value to be received	304.29	145.17
Earnest money and security deposits	56.32	54.03
Balance with excise department		
Excise duty	25.49	15.38
Service tax	8.10	7.33
Balance of VAT with sales tax department	12.88	5.10
Advance income tax, tax at source and fringe benefit tax	131.95	131.28
	<u>587.70</u>	<u>358.29</u>
	<u>3,661.58</u>	<u>3,715.89</u>
SCHEDULE 8		
CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
Acceptances	776.52	730.89
Sundry creditors - due to SSI undertakings	125.32	88.65
- due to other than SSI undertakings	911.17	751.36
Unclaimed dividend*	1.39	1.05
Trade deposits and advances	257.11	233.65
Other liabilities	420.91	297.92
Interest accrued but not due	7.01	9.36
	<u>2,499.43</u>	<u>2,112.88</u>
PROVISIONS		
Income tax	146.00	123.98
Fringe Benefit Tax	13.90	12.44
Wealth tax	0.36	0.22
Proposed dividend	134.40	67.20
Corporate dividend tax	22.84	9.43
	<u>317.50</u>	<u>213.27</u>
	<u>2,816.93</u>	<u>2,326.15</u>
SCHEDULE 9		
MISCELLANEOUS EXPENDITURE		
(to the extent not written off or adjusted)		
Expenditure on increase in capital		
As per last Balance Sheet	0.47	0.11
Add: Paid during the year	1.31	0.22
: Transfer in pursuance of scheme of amalgamation	-	0.37
	<u>1.78</u>	<u>0.70</u>
Less: written off	0.38	0.23
	<u>1.40</u>	<u>0.47</u>

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

Schedules

	(Rs. in millions)	
	Year ended 31.03.07	Year ended 31.03.06
SCHEDULE 10		
TURNOVER (GROSS)		
Sales of goods	16,657.34	11,028.77
Scrap materials	119.73	49.58
Export Incentives	32.52	68.87
Job charges	0.99	4.15
	<u>16,810.58</u>	<u>11,151.37</u>
SCHEDULE 11		
OTHER INCOME		
Interest on deposits and from customers (TDS Rs. 0.55 millions; Previous year Rs.1.06 millions)	12.83	4.79
Exchange fluctuations (Net)	18.78	3.86
Miscellaneous receipts	12.75	26.64
Excess provision of income Tax written back	3.23	-
Excess provision of bad debts written back	6.64	-
	<u>54.23</u>	<u>35.29</u>
SCHEDULE 12		
MATERIALS		
Raw materials and components consumed		
Opening stocks	499.82	194.46
[Including Stock in transit Rs. 0.64 million (Previous year Rs. 0.03 million)]		
Add: Transfer in pursuance of scheme of amalgamation	-	8.50
Purchases	8,690.89	5,614.95
Freight and cartage	24.28	19.97
	<u>9,214.99</u>	<u>5,837.88</u>
Less: Closing stocks	435.95	499.82
[Including Stock in transit Rs.0.38 million (Previous year Rs. 0.64 million)] (After adjustment of material used for self consumption)		
	<u>8,779.04</u>	<u>5,338.06</u>
Add: Purchases (Traded goods)	1,368.57	868.12
Freight and cartage	2.61	2.46
	<u>1,371.18</u>	<u>870.58</u>
Add: Opening stocks		
Traded goods	216.79	99.35
[Including stock in transit Rs. 0.96 million (Previous year Rs. 2.03 millions)]		
Finished goods	890.22	575.30
[Including stock in transit Rs.25.41 millions (Previous year Rs. 19.05 millions)]		
Semi finished goods	159.92	116.78
Scrap materials	1.72	0.65
	<u>1,268.65</u>	<u>792.08</u>
Add: Transfer in pursuance of scheme of amalgamation		
Traded goods	-	57.32
Finished goods	-	45.93
Semi finished goods	-	12.15
Scrap materials	-	0.54
	<u>-</u>	<u>115.94</u>
Less: Value of stocks destroyed/damaged due to fire/flood (Net of Salvage Value)	26.69	26.67
	<u>1,831.87</u>	<u>1,268.65</u>
Less: Closing stocks		
Traded goods	354.28	216.79
(Including stock in transit Rs. 9.05 millions [Previous year Rs.0.96 million])		
Finished goods	1,277.54	890.22
(Including stock in transit Rs. 35.69 millions [Previous year 25.41 millions])		
Semi finished goods	195.81	159.92
Scrap materials	4.24	1.72
	<u>1,831.87</u>	<u>1,268.65</u>
	<u>9,560.31</u>	<u>5,821.34</u>

Schedules

(Rs. in millions)

	Year ended 31.03.07	Year ended 31.03.06
SCHEDULE 13		
MANUFACTURING EXPENSES		
Factory rent	0.17	0.19
Rates and taxes	0.88	0.63
Establishment	118.37	95.00
Contributions towards P.F.	6.30	5.78
Contributions towards E.S.I.	1.99	1.49
Gratuity paid and contribution to fund	3.54	1.98
Labour welfare	6.39	4.27
Job charges	363.80	327.40
Packing expenses	283.27	201.05
Power, fuel and water	175.49	150.01
Consumable stores and tools consumed	190.03	122.16
Repairs and Maintenance		
Machinery	49.28	44.56
Building	5.93	3.93
Others	17.43	13.11
Research and development expenses	37.43	14.75
Other manufacturing expenses	16.24	14.20
Excise duty on increase / (decrease) in finished goods	18.22	(1.62)
	<u>1,294.76</u>	<u>998.89</u>
SCHEDULE 14		
OFFICE AND ADMINISTRATION EXPENSES		
Rent	35.21	30.87
Rates and taxes	1.04	0.73
Establishment	334.20	263.99
Contributions towards P.F.	15.10	11.90
Contributions towards E.S.I.	1.32	0.85
Gratuity paid and contribution to fund	9.96	8.60
Staff welfare	17.39	13.60
Printing and stationery	15.82	13.94
Postage, telephone and communications	42.65	38.06
Electricity and water charges	14.60	9.59
Travelling		
Indian	75.43	66.24
Foreign	22.69	20.35
Conveyance and vehicle maintenance	65.41	50.31
Legal and professional	22.63	16.55
Auditor's remuneration		
Audit fee	1.25	1.00
Taxation matters	0.25	0.20
Out of pocket expenses	0.01	0.01
Insurance	25.61	10.12
Donation	3.78	1.70
Director's sitting fees	0.32	0.15
Miscellaneous office expenses	35.30	28.12
Loss on sale of assets (Net)	12.82	4.29
Loss due to fire/flood	0.50	0.25
	<u>753.29</u>	<u>591.42</u>

Schedules

(Rs. in millions)

	Year ended 31.03.07	Year ended 31.03.06
SCHEDULE 15		
SELLING AND DISTRIBUTION EXPENSES		
Advertisement	212.40	224.30
Freight, insurance and cartage outward	416.01	284.14
Packing expenses	80.44	63.69
Discount, commission and sales incentives	1,215.95	763.84
Debtors factoring charges	127.48	0.57
Trade mark fees	137.41	84.11
Bad debts, liquidity damages and short recoveries	52.06	28.44
Provision for doubtful debts	7.83	3.13
Exhibitions, seminars and conferences	57.90	48.70
Price lists, catalogues and technical literatures	16.27	16.59
Sales promotion expenses	29.23	23.82
Sales tax and Service tax paid	15.75	14.36
Miscellaneous selling expenses	20.56	20.84
	<u>2,389.29</u>	<u>1,576.53</u>
SCHEDULE 16		
INTEREST AND FINANCIAL EXPENSES		
Interest		
On fixed loans	33.07	77.35
On non-fixed loans	128.38	102.27
Bank charges	35.26	39.15
Miscellaneous financial expenses	12.66	6.71
	<u>209.37</u>	<u>225.48</u>
SCHEDULE 17		
MANAGERIAL REMUNERATION		
Managing Director's remuneration	5.80	3.53
Wholtime Director's remuneration	10.39	2.67
	<u>16.19</u>	<u>6.20</u>
SCHEDULE 18		
MISCELLANEOUS EXPENDITURE WRITTEN OFF		
Miscellaneous expenditure written off	0.38	0.23
	<u>0.38</u>	<u>0.23</u>

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SCHEDULE NO. 19 ACCOUNTING POLICIES, CONTINGENT LIABILITIES AND NOTES ON ACCOUNTS FOR THE YEAR ENDING 31ST MARCH, 2007

A. SIGNIFICANT ACCOUNTING POLICIES

1 Accounting Convention

The accounts have been prepared on historical cost convention as a going concern 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 under 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 and the reported amounts of revenue and expenses during the year. The actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

3 Fixed Assets

- Fixed assets are stated at their original cost of acquisition including taxes, duties, freight, and other incidental expenses related to acquisition and installation of the concerned assets. Fixed assets are further adjusted by the amount of CENVAT credit 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.
- 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%.
- The cost and the accumulated depreciation for fixed assets sold or otherwise disposed off are removed from the stated values and resulting gain and losses are recognised in profit and loss account.
- Project under commissioning/ installations and other capital work in progress are carried at cost comprising direct cost, related incidental expenses and interest on borrowings thereagainst.
- Preoperative expenditure and trial run expenditure accumulated as capital work in progress is allocated on the basis of prime cost of fixed assets.

4 Investments

Investments are long term and are stated at cost less provision, if any, for diminution in value which is other than temporary. Cost of investments includes acquisition charges such as brokerage, fees, duties and other incidental charges related to the acquisition.

5 Inventories

- 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 has been added in the value of inventory of finished goods and scrap material, except at Baddi and Hardwar units of the Company which are exempted from payment of excise duty.
- The inventories are valued on the basis of first in and first out (FIFO) method.
- Cost of inventories comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition.
- The stocks of scrap materials have been taken at net realisable value.
- The stocks of dies and fixtures have been taken at the residual effective life as certified by the GM (Works).

6 Foreign currency transactions

- Transactions in foreign currency are recorded at exchange rate prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currency are translated at the rate of exchange at the Balance Sheet date and resultant gain or loss is recognized in the profit and loss account.
- Non-monetary assets and liabilities are translated at the rate prevailing on the date of transaction. Net variation arising out of the said transactions are adjusted to the costs of the respective non-monetary assets or liabilities, in the case of fixed assets upto the date of commencement of commercial production.

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- The operations of foreign branches of company are integral in nature and financial statements of these branches are translated using the same principles and procedures as of its head office.
- In case of forward exchange contract or other financial instruments, the gain or loss is computed 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

a) Gratuity

The gratuity liability in respect of employees of the Company is covered through a policy taken by a trust established under the group gratuity scheme of ING Vysya Fund. The contribution towards the premium of the policy paid to the trust is treated as revenue expenditure.

b) Provident and other Fund

Contribution to Provident fund and Employees State Insurance Scheme is made in accordance with the relevant fund/scheme and is treated as revenue expenditure.

c) Leave Encashment

Leave encashment is provided on the basis of earned leave standing to the credit of the employees and the same is discharged by the Company by the year end.

8 Research and Development

Intangible Assets arising from development are recognized if the asset is identifiable and future economic benefits from the assets are 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.

9 Revenue Recognition

The principles of revenue recognition are given below:

- Revenue from sales are recognised when significant risks and rewards of ownership of the goods have passed to the buyer which coincides with delivery and are recorded net of trade discount. Sales include excise duty but are exclusive of value added tax. Sales do not include inter-divisional transfers.
- Export incentives such as DEPB benefits are recognised on post export basis on entitlement rates. DEPB Licence in hand are carried at cost.
- Interest income is recognised on a time proportion basis.
- Insurance claims are recognised when there exists no significant uncertainty with regard to the amounts to be realised and the ultimate collection thereof.

10 Prior period Items

Prior period expenses/income is accounted for under 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.

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. The Company identifies its business segment as primary reporting segment and geographical segment as a secondary reporting segment.

14 Earnings Per Share

The earnings considered in ascertaining the Company's Earnings Per Share (EPS) comprises the net profit after tax. The number of shares used in computing Basic and diluted EPS is weighted average number of shares outstanding during the year. The number of shares and dilutive shares are adjusted on issue of bonus shares.

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15 Taxes on Income

Tax expense for the year comprises of current tax, deferred tax and fringe benefit tax.

- Current tax is determined on the amount of tax payable in respect of taxable income for the period, using the applicable tax rates and tax laws in accordance with the provisions of Indian Income Tax Act, 1961.
- Deferred tax is recognised, subject to consideration of prudence, on timing differences, being difference between taxable and accounting income/expenditure that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the Balance Sheet date.
- Fringe Benefit tax is provided in accordance with the provisions of Income Tax Act, 1961.

16 Impairment of assets

At each Balance Sheet date an assessment is made 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. 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. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

B CONTINGENT LIABILITIES

	2007	(Rs. in millions) 2006
a Estimated amount of capital contracts remaining to be executed and not provided for (net of advances)	608.01	74.03
b Bank guarantees and letter of credits opened with bank (net of margin money)	587.08	324.67
c Bonds to excise department against export of excisable goods/purchase of goods without payment of duty (net of margin money)	35.75	9.50
d Custom duty payable against export obligation	60.58	48.02
e Suits filed against the Company not acknowledged as debts	26.07	28.17
f Debtors receivables assigned to IDBI Bank Limited	119.57	363.30
g Liability under Channel Finance Scheme of Dealers of the Company	13.30	22.28
h Corporate Guarantee given on behalf of subsidiary companies	5,208.30	-
i Export bills discounted with banks	44.32	-

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C NOTES

- (a) The Company has the following foreign subsidiaries as on 31st March, 2007.

Name of Subsidiaries	Country of incorporation	Date of Incorporation	Nature	Extent of Control
1 Havell's Cyprus Ltd	Cyprus	15.06.2006	Wholly Owned Subsidiary	100%
2 Havell's Holdings Ltd	Isle of Man	09.02.2007	Wholly Owned Subsidiary	100%
3 Havell's Malta Ltd	Malta	19.02.2007	Wholly Owned Subsidiary of Havell's Holdings Ltd	100%
4 Havell's Netherlands Holding B.V.	Netherlands	22.02.2007	Wholly Owned Subsidiary of Havell's Malta Ltd	100%
5 Havell's Netherlands B.V.	Netherlands	22.02.2007	Wholly Owned Subsidiary of Havell's Netherlands Holding B.V.	100%

- Havell's Netherlands BV, a step down subsidiary of the Company has entered into a shares purchase agreement on 13th March, 2007 with SLI Holdings International, LLC for purchase of whole of the issued share capital of SLI Europe B.V., Netherlands, Lighthouse Investment Holdings Limited, British Virgin Islands and SLI Lighting Products Inc., Delaware, U.S.A for a total consideration of Euro 227.50 millions consisting of Euro 86.21 millions towards 100% transfer of equity capital and Euro 141.29 million towards debts, pension and other liabilities of the said businesses.

The above companies namely SLI Europe B.V., Netherlands, Lighthouse Investment Holdings Limited, British Virgin Islands and SLI Lighting Products Inc., Delaware, U.S.A have the following subsidiaries as on the Balance Sheet date:

Name of company	Country of Incorporation	Extent of control Directly or indirectly through subsidiaries
Flowil International Lighting (Holding) B.V.	Netherlands	100%
Guangzhou Sylvania Enterprises Ltd	China	100%
Sylvania Lighting International B.V.	Amsterdam	100%
Sylvania Asia Pacific Ltd	Hong Kong	100%
Sylvania AB	Sweden	100%
Sylvania Lumiance OY	Finland	100%
Sylvania Lumiance AS	Norway	100%
Lumiance B.V.	Netherlands	100%
Sylvania NV	Belgium	99.99%
SLI Belgium BVBA	Belgium	99.46%
SLI France SA	France	99.97%
SLI Sylvania SAS	France	100%
Sylvania Spa	Italy	100%
Sylvania Ltda	Portugal	99.64%
Sylvania AEEE	Greece	99.99%
Sylvania Iluminacion CA	Caracas	100%
SLI Sylvania SA	Spain	99.30%
Servicios Logísticos Sylvania SL	Spain	100%
SLI Colombia SA	Colombia	71.19%

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SLI Lichtsysteme GmbH	Germany	100%
Sylvania Lighting SA	Switzerland	100%
Sylvania Tunisia SARL	Tunisia	99.99%
Sylvania SANV Dutch	Antilles	100%
Sylvania do Brasil Iluminacao Ltda	Brazil	100%
Sylvania Iluminacion SA	Argentina	99.02%
Sylvania Gesellschaft mbh	Austria	100%
SLI de Mexico S.A.de C.V.	Mexico	100%
SLI Servicios Generales SA de CV	Mexico	100%
Sylvania Export Corporation NV Dutch	Antilles	100%
Sylvania S.A.de C.V. EI	Salvador	99.87%
Sylvania SA	Guatemala	100%
Sylvania SA Costa	Rica	100%
Sylvania de Panama SA	Panama	100%
Precision Materials SARL	France	99.00%
Waltham Holdings Limited	BVI	100%
Sylvania (UK) Limited	England	100%
Badalex Ltd	England	100%
Sylvania (UK) Holding Company Limited	England	100%
SLI Glass Ltd IN	England	100%
SLI Lighting Limited IN	England	100%
Marlin Lighting Limited	England	100%
Concord Lighting Limited	England	100%

SLI Sylvania is a leading global designer and provider of lighting systems and offering comprehensive range of lamps and a brand selection of fixtures with an annual turnover of USD 603 millions for the calendar year ending 31st December 2006. It has leading market presence in Europe and Latin America. With this, the Company has acquired the worldwide right to the Sylvania Brand except Australia, Canada, the Cook Islands, Fiji, Mexico, New Zealand, Papua New Guinea, Puerto Rico, Solomon Island, Tonga, the United States, Vanuatu and Western Samoa.

- (c) Subsequent to the date of Balance Sheet i.e. on 20th April, 2007, the entire share capital of, SLI Europe B.V.Netherlands, Lighthouse Investment Holdings Limited, British Virgin Islands and SLI Lighting Products Inc. Delaware, USA have been transferred to Havell's Netherlands B.V. as per the terms and conditions of Shares Purchase Agreement dated 13th March, 2007. By virtue of this, all the above stated companies have become step down subsidiaries of the Company w.e.f. 20th April, 2007.
- (d) The Company has given a Corporate Guarantee of Rs. 5208.30 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 of 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 from the date of the agreement i.e 13th March 2007.
- 2 a) The Company has issued and allotted 26,879,203 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 27th June, 2006 by capitalisation of Rs. 134.40 Millions from securities premium account.
- b) The Company has issued and allotted 1,987,805 fully paid-up equity shares of Rs. 5/- each to the shareholders of erstwhile amalgamated company Crabtree India Limited on 8th May, 2006.
- 3 The IDBI Bank Ltd has sanctioned a receivable buyout facility of Rs. 2000 millions to the Company. As per the terms with the bankers, the debtors are insured to the extent of 95% and for the balance the said bankers have recourse on the Company to the extent of 5% of each debt or Rs. 0.2 million, whichever is higher. As on the date of Balance Sheet total debtors assigned to the bankers are at Rs. 1997.87 millions (Previous year Rs. 999.10 millions). With the result, the debtors at the end of the year stand reduced by the said amount. A sum of Rs. 127.48 millions (Previous year 0.57 million) on account of charges paid for this facility has been debited to debtors factoring charges account.

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- 4 The Cenvat credit and VAT credit in respect of Capital Goods has been adjusted @ 100% to 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 The Company has transferred and deposited a sum of Rs. 0.11 million (Previous year Rs. 0.15 million) out of unclaimed dividend pertaining to the year 1998-99 to Investor Education and Protection Fund of Central Government in accordance with the provisions of Section 205C of the Companies Act, 1956.
- 6 a) The Company has set up a 100% Export Oriented Unit (EOU) at Baddi (Himachal Pradesh) for production facility in respect of switchgear items. Pre-operative expenses amounting to Rs. 0.88 million till the date of commercial production have been capitalised to the carrying cost of fixed assets on pro-rata basis.
- b) The Company has also started commercial production of capacitors at its unit at Noida (Uttar Pradesh). Pre-operative expenses amounting to Rs.2.29 millions till the date of commercial production have been capitalised to the carrying cost of fixed assets on pro-rata basis.
- c) The Company is setting up a new unit at Neemrana, Rajasthan for the manufacture of electric motors and compact fluorescent lamps (CFL) and has invested a sum of Rs. 160.26 millions in the project during the year which has been carried as capital work in progress.
- d) The Company's manufacturing units at Baddi, (Himachal Pradesh) and Haridwar (Uttaranchal) are exempted from excise duty vide Notification No. 49 and 50/2003 issued by Government of India, Ministry of Finance, Department of Revenue, Central Board of Excise and Customs, New Delhi and the profit of the said units are eligible for deduction under section 80 IC of the Income Tax Act, 1961 .
- e) In respect of Baddi and Haridwar units, the CENVAT credit against fixed assets has not been adjusted and provision for excise duty payable on finished goods and scrap materials has not been made since the units are exempted from payment of excise duty.
- 7 The Company has made a provision of excise duty amounting to Rs. 61.93 millions (Previous year Rs.43.89 millions) payable on stocks of finished goods and scrap material at the end of year except at Baddi and Haridwar units as stated in note no. 6 (e) above. Excise duty is considered as an element of cost at the time of manufacture of goods.
- 8 Sundry debtors include Rs. 31.99 millions (Previous year Rs. 19.61 millions) due from Standard Electricals Limited, a company under the same management (Maximum due Rs.98.38 millions, Previous year Rs. 35.66 millions)
- 9 a) Balance with scheduled banks in current accounts include Rs.0.0046 million (US\$ 10.77) with State Bank of India, Dhaka [last year Rs. 0.062 million (US\$ 1384.17)]
- b) Balance with other banks include Rs.0.49 million (Dhirams 41299.23) in current account with National Bank of Dubai. (maximum during the year Rs.1.72 millions (Dhirams 142952)) [Previous year balance Rs. 0.22 million (Dhirams 18223.60) and maximum Rs. 2.40 millions (Dhirams 139457.50)] and Rs. 0.18 millions (Yuan 32783.21) in current account with Bank of China, Shanghai (maximum during the year Rs. 0.94 million (Yuan 161284) [previous year Rs. nil and maximum Rs. nil].
- 10 a) Sundry creditors include a sum of Rs. 125.32 millions (last year Rs. 88.65 millions) 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 :
- A.V.Fastner Pvt.Ltd, Aakriti Engineers, Accurate Industries, Aerol Formulations Pvt. Ltd, Ambica Techno Ceramics, Ameer Enterprises, Arihant Engg.Industries, Arklite Speciality Lamps Ltd, Arun Enterprises, Atco Controls (i) Pvt.Ltd, Aum Techno Ceramics, Ayya Automatics Pvt.Ltd, Balaji Aluminium Alloys Pvt.Ltd, Bharat Enterprise, Bothra Industries, Capital Packaging Industries, Chandra Electrical Industries, Chetan Cabletronics, Componet Conveyor Systems P.Ltd, Desai Pack India, Dinesh Printing Press, Duplex Wires Pvt.Ltd, Empire Fastners, Euoapex, Eyclite T.V.Traders, Farrago Products, G.M.Casting, G.S.Lighting Pvt. Ltd, Gambhir Packaging Industries, Genuine Electric Co., Hartech Plastics Pvt.Ltd, HGI Automotives (P) Ltd, Hyper Industries, Indian Die Casting industries, Indo Transferable Co., Industrial Components, Integ Electronics, Jawa Plastics Pvt.Ltd, K.K.G.Industries, K.R.ThermopackPvt.Ltd, Kay Automatics Pvt.Ltd, King Rubber Industries, Kirti Wires, Krishna Engg.Industries, MEC Bearing Pvt.Ltd, Mega Packers, Mercury Labor Pump Co., Mohindera Products, Narang Scientific Works Pvt.Ltd, National Adhesiv, Navrich Electronics P.Ltd, Norell, Packform Industries, Pearl Strips Pvt.Ltd, Pinaki Industries, Prayag Sands, Prem Udyog, Prerna Enterprises, R.N.Diecasting, R.N.G.Packaging PVT.Ltd , Royal Pressing and components, Rupam Conductors Pvt.Ltd, Salwan Plastomers, Sanewal Auto Enginners, Sankhya Shafts and Spindle, Shri Krishna Hitech Pvt.Ltd, Sonya Insulators, Special Springs (India) Pvt.Ltd , Super Engineering works, Tech Plast India Pvt.Ltd, Thriaarr Ploymers Pvt.Ltd, Trikuta Metals, Victor Paints, VPL Infotech & Consultants, Wheels Polymers Pvt.Ltd

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- 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.
- 11 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.482.20 millions (Previous year Rs. 381.83 millions) within the stipulated time as specified in the respective licences.
- 12 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.
- 13 The Central Excise Department has issued following show cause notices / orders to the Company raising a demand of Rs. 7.89 millions including penalty,
- a) Showcause notice dated 21.10.2002 :
Rs. 0.73 million - Pending with Commissioner, Central Excise (Appeals), New Delhi.
- b) Showcause notice dated 22.08.2003 :
Rs. 0.61 million - Pending with CESTAT, Delhi
Rs. 0.61 million -(Penalty)
- c) Order of Joint Commissioner, Central Excise dated 29-12-2005 :
Rs. 1.12 millions - Pending with CESTAT, Delhi
Rs. 1.12 millions -(Penalty)
(out of the above , a sum of Rs.0.56 million has been deposited)
- d) Order of Joint Commissioner Central Excise, Delhi :
Rs.1.85 millions -Appeal filed with Commissioner (Appeals), Delhi.
Rs.1.85 millions -Penalty
- No provision in respect of the above amount has been made since the Company expects no liability on this account.
Besides the above, show cause notices from various departments have been received by the Company in respect of which provisions have not been made since the Company has adequately represented to the concerned departments.
- 14 Elymer Havell's Private Limited, a company whose assets and liabilities were amalgamated with the 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, a demand of Rs. 2.56 millions 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 which is still pending.
- 15 a) The UP trade tax department had raised a demand of Rs. 18.39 millions towards Central Sales Tax on stock transfer to consignment agents for the financial year 2004-05 as per the assessment order dated 21.3.2006 . The Joint Commissioner (Appeals), Trade Tax, Range-II NOIDA has remanded back the case to the Assessing Officer for re-assessment as per the directions. The Company has deposited a sum of Rs. 4.67 millions against the said demand and no provision for the aforesaid demand has been made since the Company expects no liability on this account .
- b) The Delhi VAT department has raised a demand of Rs. 6.39 millions on account of VAT chargeable on stock transfer to local consignment agents. The Company has contested the said demand in appeal before Appellate Tribunal , DVAT, Delhi . The department has withheld the refund of Rs.1.69 millions on this account and no provision for the aforesaid demand 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. 0.50 Million (including penalty of Rs. 0.33 million and interest of Rs. 0.005 million) during survey conducted at office premises on 24th May 2005 . The Company has contested the demand in appeal filed before the Joint Commissioner (Appeals). The Company has deposited a sum of Rs. 0.05 million and no provision for the aforesaid demand has been made since the Company expects no liability on this account .
- d) The Sales Tax Officer, Delhi has raised a demand of Rs. 0.08 million including interest of Rs. 0.02 million on account of Sales Tax on samples distributed free of cost. The Company has filed an appeal before Appellate Tribunal. The Company has deposited a sum of Rs.0.03 million against the said demand and no provision for the aforesaid demand has been made since the Company expects no liability on this account.
- e) The Assistant Commissioner, Sales Tax, Cochin has raised a demand of Rs. 0.79 million in respect of Sales Tax on stock transfers. The Company has paid a sum of Rs.0.40 million and filed an appeal before Deputy Commissioner (Appeals), Commercial Taxes, Cochin. No provision for the aforesaid demand has been made since the Company expects no liability on this account.

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- 16 The Company has received a demand notice for Rs. 2.39 millions including interest of Rs. 1.23 millions on account of Local Area Development Tax (LADT) by the Excise and Taxation department, Haryana. The Company has paid a sum of Rs. 1.16 millions and filed an appeal before the Joint Excise and Taxation Commissioner (Appeals). No provision for the said demand has been made since the Company expects no liability on this account.
- 17 That a fire broke out at the factory premises in Haridwar unit on 4th April' 2006 and on 24th June' 2006. The goods worth Rs. 26.69 millions (net of salvage value) were damaged/destroyed due to fire. A sum of Rs. 0.50 million have been written off and debited to profit and loss account after settlement of claim with the insurance company.
- 18 The Company had made the provision for DEPB entitlement of Rs.23.92 millions in the previous year on the basis of target plus scheme of Ministry of Commerce and Industry, Government of India as per para 3.7 of Foreign Trade Policy 2005-2009 announced on 8th April' 2005 for 2004-2009. Subsequently, the Ministry of Commerce and Industry has reduced the DEPB entitlement vide Notification No. 8 (RE 2006)/ 2004-2009 dated 2nd June' 2006. Accordingly, the DEPB entitlement has been reduced to Rs.11.96 millions. The Company has received a sum of Rs. 11.79 millions during the year and the balance amount of Rs.12.13 millions has been written off during the year.
- 19 The Company has entered into currency swap deal with IDBI Bank Limited and Yes Bank Limited in order to reduce the cost of existing term loans. In accordance with the accounting policy of the Company, the Company has recognised a sum of Rs.6.46 millions (Previous year Rs.1.45 millions) towards interest income, Rs. 14.57 millions towards interest paid (Previous year Rs. nil) and Rs.12.84 millions (Previous year income Rs.4.02 millions) towards loss on exchange rate fluctuations during the year.
- 20 Foreign Currency Loan from ICICI Bank Limited, Singapore 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. 9.12 millions (Previous year Rs.5.72 millions). The said exchange gain of Rs. 9.12 millions 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.
- 21 Interest and other borrowing costs amounting to Rs. 3.79 millions (Previous year Rs. 2.01 millions) 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.
- 22 In accordance with accounting standard - AS-28 "Impairment of Assets" issued by the Institute of Chartered accountant of India and made applicable w.e.f 1st April 2004, the Company has identified its divisions into cash generating units. The cash generating units have been identified on the basis of group of assets that includes the asset that generates cash inflows from continuing use that are largely independent of other assets or group of assets. As on 31st March 2007, 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), Cable Division (Alwar, Rajasthan), EOU Division, Switchgear Division and CFL Division (Baddi, Himachal Pradesh), Fan, CFL and Luminaries Division at Haridwar (Uttanchal), Capacitor Division at Noida (Uttar Pradesh) 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 as 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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(Rs. in millions)

	2007	2006
23 Deferred Tax		
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	
1 Deferred Tax Liability		
a) on account of difference in rates and method of depreciation	141.44	113.62
b) on account of different treatment of certain payments under I.T. Act.	15.65	9.37
	<u>157.09</u>	<u>122.99</u>
2 Deferred Tax Assets		
a) on account of different treatment of certain payments under I.T. Act.	22.55	14.45
b) on account of provision for leave encashment and bonus	10.56	7.94
c) on account provision for doubtful debts not treated as expense under I.T. Act.	5.66	5.26
	<u>38.77</u>	<u>27.65</u>
3 Deferred income tax liability (Net)		
a) at the end of year	118.32	95.34
b) transfer in pursuance of amalgamation	-	4.83
c) for the year	22.98	16.37
24 Disclosures required by Accounting Standard (AS- 29) relating to 'Provisions, Contingent Liabilities and Contingent Assets		
Provisions are recognised such as 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 year.		
The movement in provisions are as under:		
Carrying amount at the beginning of the year	54.75	29.12
Carrying amount of amalgamating company as on 01.04.06	-	2.38
Additional provisions made during the year	44.04	30.13
Amount used during the year	31.22	6.42
Unused amounts reversed during the year	0.71	0.46
Carrying amount of provisions as on 31.03.2007	<u>66.86</u>	<u>54.75</u>
25 a) Break-up of remuneration paid to Managing/Wholetime Directors' is as under:		
Salary	9.67	5.88
Mediclaime insurance	0.04	0.04
Leave salary	0.42	0.28
Commission	6.06	-
	<u>16.19</u>	<u>6.20</u>

Sh Anil Gupta, Director of the Company has been paid a remuneration of Rs. 1.9 millions (Previous year Rs. 3.0 millions) by Standard Electricals Limited and Rs. 0.077 million (previous year Rs 0.6 million) by TTL Limited.

Sh Surjit Gupta, Director of the Company has been paid a remuneration of Rs. 1.8 millions (Previous year Rs. 1.45 millions) by TTL Limited.

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(Rs. in millions)

	2007	2006
B) Computation of net profit in accordance with section 349 of the Companies Act, 1956		
Net profit as per profit and loss account	1,021.53	632.07
Add:		
Income tax	183.52	152.79
Wealth tax	0.36	0.22
Managing/Whole-time Director's remuneration	16.19	6.20
Director's sitting fee	0.32	0.15
Depreciation charged in accounts	97.42	65.38
Provision for doubtful debts	7.83	3.13
Loss on Sale of Assets (Net)	12.82	4.29
	<u>1,339.99</u>	<u>864.23</u>
Less: Depreciation as per section 350 of the Companies Act, 1956	97.42	65.38
Excess Provision of Income Tax written back	3.23	-
Excess Provision of Bad Debts written back	6.64	-
Net profit as per section 349 of the Companies Act, 1956	<u>1,232.70</u>	<u>798.85</u>
Maximum remuneration payable @10% of net profit	123.27	79.89
Maximum remuneration payable @5% of net profit to each Director	61.63	39.94
26		
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 2007. The said amount is not subject to deduction of tax at source.		
27		
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.		
28 Segment Reporting		
The segment reporting of the Company has been prepared in accordance with Accounting Standard (AS-17), "Accounting for Segment Reporting" issued by the Institute of Chartered Accountants of India.		
Segment Reporting Policies		
(a) Identification of Segments:		
Primary- Business Segment		
The Company has identified three reportable segments viz. Switchgear, Cable and Wires and Electrical Consumer Durables on the basis of the nature of products, the risk return profile of individual business and the internal business reporting systems.		
Secondary- Geographical Segment		
The analysis of geographical segment is based on geographical location of the customers.		
(b) Revenue and expenses have been identified to a segment on the basis of relationship to operating activities of the segment. Revenue and expenses which relate to enterprise as a whole and are not allocable to a segment on reasonable basis have been disclosed as "Unallocated".		
(c) Segment assets and segment liabilities represent assets and liabilities in respective segments. Investment, tax related assets and other assets and liabilities that can not be allocated to a segment on reasonable basis have been disclosed as "others".		

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(Rs. in millions)

	2007	2006
(i) Primary- Business Segment		
A. Revenue		
Segment Revenue (Gross)		
Switchgear	4,288.65	3,298.51
Cable and Wires	7,779.88	4,654.60
Electrical Consumable Durables	4,086.08	2,745.04
Others	710.20	488.51
	<u>16,864.81</u>	<u>11,186.66</u>
B. Results		
Segment Results		
Switchgear	1,277.04	979.19
Cable and Wires	908.80	646.73
Electrical Consumable Durables	503.52	381.13
Others	15.33	(21.32)
	<u>2,704.69</u>	<u>1,985.73</u>
Unallocated expenses net of income	1,337.83	1,021.03
Operating Profit	1,366.86	964.70
Interest Expenses	161.45	179.62
Profit before tax	1,205.41	785.08
Income tax expense and wealth tax	183.88	153.01
Profit after tax	1,021.53	632.07
C. Other Information		
Segment Assets		
Switchgear	1,677.88	1,271.09
Cable and Wires	1,889.23	1,582.54
Electrical Consumable Durables	1,003.90	1,191.95
Others	1,547.75	1,233.95
	<u>6,118.76</u>	<u>5,279.53</u>
Segment Liabilities		
Switchgear	464.96	283.51
Cable and Wires	921.55	816.62
Electrical Consumable Durables	411.33	391.42
Others	1,019.09	834.60
	<u>2,816.93</u>	<u>2,326.15</u>
Capital Expenditure		
Switchgear	272.37	86.68
Cable and Wires	268.04	194.04
Electrical Consumable Durables	188.03	245.52
Others	356.74	123.16
	<u>1,085.18</u>	<u>649.40</u>
Depreciation		
Switchgear	27.36	21.44
Cable and Wires	24.94	13.50
Electrical Consumable Durables	20.71	12.23
Others	24.41	18.21
	<u>97.42</u>	<u>65.38</u>
Non-cash expenses other than depreciation		
Switchgear	0.15	0.31
Cable and Wires	0.17	0.30
Electrical Consumable Durables	0.10	-
Others	7.79	2.75
	<u>8.21</u>	<u>3.36</u>
(ii) Secondary- Geographical Segments		
The following is the distribution of Company's consolidated revenue by geographical market, regardless of where the goods were produced.		
Revenue (Gross)		
Revenue-Domestic Market	15,822.26	10,384.66
Revenue-Overseas Market	1,042.55	802.00
	<u>16,864.81</u>	<u>11,186.66</u>
Fixed assets located (Including Capital work-in-progress)		
Within India	2,421.43	1,530.84
Outside India	1.09	1.14
	<u>2,422.52</u>	<u>1,531.98</u>

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29 Earnings per share			
Basic and Diluted Earnings per share			
Numerator for earning per share			
Profit after Taxation	In Rs. millions	1021.53	632.07
Denominator for earning per share			
Weighted number of equity shares outstanding during the period	Nos.	53,758,406	52,100,822
Earning per share-Basic and Diluted	Rs.	19.002	12.132
The weighted number of equity shares outstanding as at the end of the year have been calculated as follows:-			
a) 24,891,398 equity shares outstanding as on 1.4.2006 have been considered from beginning of the year,			
b) 26,879,203 equity shares issued as bonus shares during the year have been included from the beginning of the earliest reporting period i.e 1.4.2005. The figures for the previous financial year have been restated and adjusted for the bonus issues accordingly.			
30 Related party transactions			
As per Accounting Standard (AS-18) issued by the Institute of Chartered Accountants of India, related parties in terms of the said standard are disclosed below:-			
(A) Names of related parties and description of relationship :			
1	Subsidiary Companies	(i)	Havell's Holdings Ltd
		(ii)	Havell's Malta Ltd
		(iii)	Havell's Netherlands Holding B.V.
		(iv)	Havell's Netherlands B.V.
		(v)	Havell's Cyprus Ltd
2	Associates	(i)	QRG Enterprises Limited
		(ii)	TTL Limited
		(iii)	Standard Electricals Limited
		(iv)	Havell's Switchgears Private Limited
		(v)	Havell's Financial Services Limited
		(vi)	Ajanta Mercantile Limited
		(vi)	Guptajee & Company
		(viii)	QRG Foundation
3	Key Management Personnel	(i)	Shri Qimat Rai Gupta
		(ii)	Shri Surjit Gupta
		(iii)	Shri Anil Gupta
		(iv)	Shri Rajesh Gupta
4	Relatives of Key Management Personnel	(i)	Mrs. Santosh Gupta wife of Shri Surjit Gupta
		(ii)	Surjit Gupta (HUF)
		(iii)	Rajesh Gupta (HUF)

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(B) Transactions during the year

Particulars	Subsidiaries	Associates	Key Management Personnel	Relative of Key Management Personnel	(Rs. in millions)	
					Total	
Purchase of goods	-	222.11			222.11	
		(64.11)			(64.11)	
Sale of goods	-	342.97			342.97	
		(212.73)			(212.73)	
Sales incentives, discounts and commission paid	-	36.57			36.57	
		(21.89)			(21.89)	
Purchase of fixed assets	-	0.06			0.06	
		(0.09)			(0.09)	
Sales of fixed assets	-	0.14			0.14	
		-			-	
Rent paid	-	0.89			0.89	
		(1.27)			(1.27)	
Reimbursement for rent	-	1.44			1.44	
		(1.44)			(1.44)	
Job charges paid	-	-			-	
		(1.05)			(1.05)	
Repair expenses	-	-			-	
		(0.29)			(0.29)	
Trade mark fee paid	-	137.41			137.41	
		(84.11)			(84.11)	
Donation paid	-	3.50			3.50	
		(1.50)			(1.50)	
Interest paid	-	-	-	-	-	
		-	(0.82)	(0.73)	(1.56)	
Expenses Reimbursement	-	-			-	
		-			-	
DEPB Purchase	-	0.98			0.98	
		(3.91)			(3.91)	
Loans and advances	48.67	-			48.67	
	-	-			-	
Directors remuneration	-	-	16.19		16.19	
		-	(6.20)		(6.20)	
Total- Current Year	48.67	746.07	16.19	-	810.93	
-Previous Year	-	(392.39)	(7.02)	(0.73)	(400.14)	

(C) Balances at the year end

Receivables	48.67	31.99	-	-	80.66
	-	(19.61)	-	-	
Payables	-	-	-	-	(19.61)
	(-)	(-)	(-)	(-)	(-)

Notes: Figures in brackets relates to previous year.

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31 Particulars of loans and advances in the nature of loans given to wholly owned subsidiaries :-

A) Loans and Advances in the nature of Loans given to wholly owned subsidiaries

Name of the Company	Balance as on date		Maximum outstanding during the year	
	2007	2006	2007	2006
	(Rs. in millions)			
1 Havell's Netherlands B.V.- Loan	8.94	-	8.94	-
2 Havell's Holdings Limited- Share Application Money	39.54	-	39.54	-
3 Havell's Cyprus Limited - Share Application Money	0.19	-	0.19	-
	<u>48.67</u>	<u>-</u>	<u>48.67</u>	<u>-</u>

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

	Unit	Qty	2007		2006	
			Amount	Qty	Amount	
(i) Turnover						
Finished Goods						
Domestic Switchgear	Nos	21,883,407	2,158.10	19,820,403	1,726.03	
Industrial Switchgear	Nos	2,335,737	1,314.60	1,288,609	964.78	
Electrical Wire Accessories	Nos	17,072,206	723.27	12,597,252	519.15	
Meters	Nos	407,101	229.80	553,166	121.18	
Cable and Wires	Km	320,980	7,725.30	288,704	4,631.84	
Electrical Consumer Durables	Nos	21,013,129	4,062.40	16,195,417	2,715.92	
Bathfittings	Nos	908,204	443.87	815,710	330.70	
Miscellaneous (including scrap materials)			119.73		68.75	
			<u>16,777.07</u>		<u>11,078.35</u>	

(ii) Raw Materials and Components consumed

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

(iii) Purchases and Stocks

Purchases-Traded Goods

Electrical Consumer Durables	Nos	4,810,399	964.64	3,860,373	571.51
Meters	Nos	241,098	171.92	37,573	20.05
Industrial Switchgear	Nos	19,861	3.50	-	-
Electrical Wire Accessories	Nos	3,274,490	85.73	9,710,170	217.15
Bath Fittings	Nos	470,041	142.78	203,942	59.41
Miscellaneous					
			<u>1,368.57</u>		<u>868.12</u>

Opening Stocks

Traded Goods

Electrical Consumer Durables	Nos	1,123,002	142.08	572,699	99.35
Electrical Wire Accessories	Nos	1,480,664	40.29	-	-
Bath Fittings	Nos	86,803	34.42	-	-
			<u>216.79</u>		<u>99.35</u>

Finished Goods

Domestic Switchgear	Nos	2,880,138	152.02	4,266,313	156.81
Industrial Switchgear	Nos	136,197	84.33	93,969	37.89
Electrical Wire Accessories	Nos	127,197	5.44	-	-
Meters	Nos	45,337	28.11	49,144	31.93

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(Rs. in millions)

	Unit	2007		2006	
		Qty	Amount	Qty	Amount
Cable and Wires	Km	13,284	308.73	20,838	258.70
Electrical Consumer Durables	Nos	2,343,470	252.70	636,752	85.15
Bath Fittings	Nos	130,855	56.77		
Miscellaneous			2.12		4.82
			<u>890.22</u>		<u>575.30</u>
Semi-Finished Goods			159.92		116.78
Stock transferred in pursuance of scheme of amalgamation					
Traded Goods					
Electrical Wire Accessories	Nos		-	1,675,121	42.82
Bath Fittings	Nos		-	37,638	14.50
			<u>-</u>		<u>57.32</u>
Finished Goods					
Electrical Wire Accessories	Nos		-	106,221	6.26
Bath Fittings	Nos		-	109,847	39.67
			<u>-</u>		<u>45.93</u>
			-		12.15
Semi Finished Goods					
Stock destroyed/damaged due to fire/floods					
Traded Goods					
Electrical Wire Accessories	Nos	-	-	59,864	-
Bath Fittings	Nos	-	-	839	-
Electrical Consumer Durables	Nos	-	-	31,521	-
Finished Goods					
Domestic Switchgear	Nos	-	-	55,306	-
Industrial Switchgear	Nos	-	-	2,086	-
Electrical Wire Accessories	Nos	-	-	7,187	-
Meters	Nos	-	-	218	-
Cable and Wires	Kms	-	-	2,540	-
Electrical Consumer Durables	Nos	21,369	-	83,885	-
Bath Fittings	Nos	-	-	4,030	-
Closing Stocks					
Traded Goods					
Electrical Consumer Durables	Nos	1,514,141	242.80	1,123,002	142.08
Electrical Wire Accessories	Nos	874,404	33.59	1,480,664	40.29
Bath Fittings	Nos	214,068	77.89	86,803	34.42
			<u>354.28</u>		<u>216.79</u>
Finished Goods					
Domestic Switchgear	Nos	2,409,212	205.28	2,880,138	152.02
Industrial Switchgear	Nos	322,293	130.23	136,197	84.33
Electrical Wire Accessories	Nos	2,255,789	61.69	127,197	5.44
Meters	Nos	14,980	3.34	45,337	28.11
Cable and Wires	Km.	21,831	513.01	13,284	308.73
Electrical Consumer Durables	Nos	2,150,577	315.60	2,343,470	252.70
Bath Fittings	Nos	125,940	48.39	130,855	56.77
Miscellaneous			-		2.12
			<u>1,277.54</u>		<u>890.22</u>
Semi-Finished Goods			195.81		159.92

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(iv) Capacity and Production

LICENSED CAPACITY #

INSTALLED CAPACITY (PER ANNUM) @

		2007	2006
Domestic Switchgear	Nos	39,600,000	33,600,000
Industrial Switchgear	Nos	2,600,000	1,800,000
Electrical Wire Accessories	Nos	20,000,000	6,000,000
Meters	Nos	840,000	840,000
Cable and Wires	Km.	700,000	470,000
Electrical Consumer Durables	Nos	32,400,000	22,400,000
Bath Fittings	Nos	750,000	750,000

(v) Actual Production

Domestic Switchgear	Nos	21,466,738	18,618,083
		(54,257)	(128,549)
Industrial Switchgear	Nos	2,517,679	1,729,342
		(15,707)	(396,419)
Electrical Wire Accessories	Nos	15,331,635	2,780,653
		(11,587)	(-)
Meters	Nos	145,522	512,007
		(9,876)	(3)
Cable and Wires	Km.	331,650	285,642
		(2,124)	(1,952)
Electrical Consumer Durables	Nos	16,520,641	14,946,902
		(98,296)	(239,431)
Bath Fittings	Nos	560,903	686,810
		(390)	(-)

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.

(Rs. in millions)

	2007	2006
33 CIF value of Imports		
Raw materials and components	1,109.78	912.43
Machinery	93.47	59.29
Spare parts	0.69	1.08
R&D Equipments	0.09	0.49
34 Expenditure in foreign currency		
Travelling	12.65	9.22
Research and Development	2.42	0.42
Advertisement and Publicity Material	0.31	0.02
Testing charges	2.60	3.20
Seminar and Exhibition	5.37	1.23
Overseas Branch Expenses	14.29	12.69
Merchant Trade Purchases	2.36	-

Schedules

		(Rs. in millions)			
		2007		2006	
35	Dividend in foreign currencies				
	Year to which relates	2005-06		2004-05	
		Final		Final	
	(a) Number of non-resident shareholder's	404		255	
	(b) Number of shares held	4,012,042		122,343	
	(c) Amount of dividends (in Rupees)	57.57		-	
	(in Foreign Currency)	42.73		3.06	
36	Earnings in foreign exchange				
	F.O.B. value of exports*	956.91		728.08	
	Merchant Trade Sales	3.51		-	
	* excluding export of Rs. 357.14 Millions made through merchant exporters (previous year Rs. 113.39 Millions)				
37	Value of imported/Indigenous materials and components consumed and percentage thereof				
		(%)	Amount	(%)	Amount
	Indigenous	82.44	7,237.15	86.12	4,597.26
	Imported	17.56	1,541.89	13.88	740.80
		100.00	8,779.04	100.00	5,338.06
38	Balance Sheet ABSTRACT AND COMPANY'S GENERAL PROFILE				
	I) Registration Details				
	Registration No	16304		16304	
	Code No	55		55	
	Balance Sheet date	31.03.2007		31.03.2006	
	ii) Capital raised during the year				
	Public issue	-		-	
	Right issue	-		-	
	Bonus issue	134.40		62.23	
	Private placement	-		4.27	
	iii) Position of mobilisation and deployment of funds				
	Total liabilities	3,303.23		2,953.85	
	Total assets	3,303.23		2,953.85	
	Sources of funds				
	Paid up capital	268.79		134.40	
	Reserves and surplus	2,355.56		1,625.66	
	Secured loans	560.56		1,085.42	
	Unsecured loans	-		13.03	
	Deferred tax liability	118.32		95.34	
	Application of funds				
	Net fixed assets	2,422.52		1,531.98	
	Investments	34.66		31.66	
	Net current assets	844.65		1,389.74	
	Miscellaneous expenditure	1.40		0.47	

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		(Rs. In millions)	
		2007	2006
iv) Performance of Company			
	Turnover (net)	15,472.19	10,035.26
	Other income	54.23	35.29
	Total expenditure	14,321.01	9,285.47
	Profit before tax	1,205.41	785.08
	Profit after tax	1,021.53	632.07
	Weighted No of equity shares	53,758,406	52,100,822
	Earning per share (basic)	19.002	12.132
	Earning per share (diluted)	19.002	12.132
	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
39	That the figures for the previous year have been regrouped/rearranged wherever necessary.		
40	The figures have been rounded off to the nearest Million rupees.		
41	Schedule No.1 to 19 form integral part of the Balance Sheet and profit and loss account.		
	For and on behalf of the Board of Directors	As per attached Auditors' Report of even date	
	Qimat Rai Gupta Chairman & Managing Director	Surjit Gupta Director	For V.P.Bansal & Co. Chartered Accountants
	Ritu Mehrotra Company Secretary Noida, May 15, 2007	Sanjay Johri General Manager-Finance	V.P.Bansal Proprietor Membership No. 8843

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CASH FLOW STATEMENT ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH 2007

	(Rs. in millions)	
	As at 31.03.07	As at 31.03.06
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax and extraordinary items	1,205.41	785.08
Adjustments for		
Depreciation	97.42	65.38
Loss on Sale of Fixed Assets (Net)	12.82	4.29
Interest Income	(12.83)	(4.79)
Interest Paid	161.45	179.62
Miscellaneous Expenditure Written Off	0.38	0.23
Operating Profit before working capital changes	1,464.65	1,029.81
Adjustments for change in working capital		
Trade and Other Receivables	805.16	367.16
Inventories	(488.86)	(716.32)
Trade Payables	242.11	644.04
Other Liabilities	144.44	216.87
Cash generated from operations	2,167.50	1,541.56
Direct taxes paid	(147.38)	(114.62)
Net Cash generated from Operating Activities	2,020.12	1,426.94
B. CASH FROM INVESTING ACTIVITIES		
Receipt of Cash & bank Balances in pursuance of Scheme of Amalgamation	-	2.53
Purchase of fixed assets	(725.64)	(605.14)
Addition in Capital Work in Progress	(292.26)	(35.29)
Investment in Shares	(2.99)	-
Sale of fixed assets	17.11	7.31
Interest Received	12.83	4.79
Net Cash used in Investing Activities	(990.95)	(625.80)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of debentures	-	(2.22)
Repayment of short term borrowings	(422.28)	(387.94)
Repayment of long term borrowings	(98.16)	(96.04)
Repayment fixed deposits	(13.03)	(69.46)
Repayment of motor car loans	(4.42)	3.13
Repayment of unsecured advances	-	(38.55)
Increase in expenditure on increase in capital	(1.30)	(0.23)
Interest paid	(161.45)	(179.62)
Dividends paid	(67.20)	(28.98)
Net Cash received from Financing Activities	(767.84)	(799.91)
Net increase / (decrease) in cash and cash equivalents (A+B+C)	261.33	1.23
Cash and Cash Equivalents as at the beginning of the year	4.73	3.50
Cash and Cash Equivalents as at the close of the year	266.06	4.73

For and on behalf of the Board of Directors

Qimat Rai Gupta
Chairman & Managing Director

Surjit Gupta
Director

Ritu Mehrotra
Company Secretary
Noida, May 15, 2007

Sanjay Johri
General Manager-Finance

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AUDITOR'S CERTIFICATE

We have examined the above cash flow statement of Havells India Limited for the year ended 31st March 2007. 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, 2007 and 31st March, 2006, covered by our report dated 15th May, 2007 and 18th May, 2006 respectively to the members of the Company.

For V.P.Bansal & Co.
Chartered Accountants

Noida, May 15, 2007

V.P.Bansal
Proprietor
Membership No. 8843