



Forever growing. Forever advancing.  
annual report 2010-2011



**HAVELLS**



annual report 2010-2011

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Message from  
Chairman

“If your mind can conceive it,  
and your heart can believe it,  
you can achieve it.”

Dear Shareholders,

I am pleased to share your Company performance and our quest for continuous improvement. Havells has always believed in simplicity of thoughts and action plan. We strive to improve constantly and continuously as improvement has no target or threshold. It may be simple yet a powerful tool to achieve the complex tasks and challenging objectives.

This quest for improvement enabled Havells to turnaround Sylvania in a difficult environment. We laid clearly our objectives and transparently communicated with all stakeholders including employees, vendors, customers and bankers. It is a continuous process at Sylvania and while we have achieved initial success, we recognize that there is much to further achieve and we are focused on the task ahead.

We are leveraging Sylvania brand to launch products in Asia including Malaysia and Indonesia. In China, we are focusing on domestic markets to capitalise on emerging opportunity. In line with our strategy to utilise Sylvania distribution network for Havells range of products, we would shortly be launching Switchgear in UK under Havells brand. The initial feedback has been positive and based on our experience, we would decide on roll out in other countries as well.

In India, we are further broadening our product portfolio through launch of domestic appliances. You would recall that we had launched lighting & fans in 2005 which in a short period, are now amongst the top 3 players in their respective industries. We aim to similarly manage Appliances business and earn customer delight and respect for our products.

We have integrated our global R&D initiative in Europe, India and China to drive synergies on product innovation and launches. We would be able to adapt global launches to Indian requirements in a more efficient and timely manner.

We continue to contribute towards a Greener and Energy efficient environment through our products and manufacturing practices. Further, as a responsible and conscious corporate citizen, we have been initiating several projects towards primary education in rural areas, healthcare and malnutrition.

Havells is now a national household brand and we would continue to improve to meet customer expectations. I can assure you that the management team is solely and singularly focused on driving and communicating continuous improvement in each and every action of the Company.

I would like to dedicate this spirit to our employees who have been tirelessly working to secure a better future for the Company and its Shareholders.

I would express my gratitude to our diverse stakeholders, our customers, vendors, bankers and the Board of Directors for their continued support, enthusiasm and guidance.

I look forward to your continuing patronage and trust in our mission.

Regards,

**Qimat Rai Gupta**

Chairman & Managing Director



## Board of Directors





**Qimat Rai Gupta**  
Chairman & Managing Director



**Anil Gupta**  
Joint Managing Director



**Surjit Gupta**  
Director



**Rajesh Gupta**  
Director (Finance)



**S B Mathur**  
Director



**S K Tuteja**  
Director



**A P Gandhi**  
Director



**Niten Malhan**  
Director



**V K Chopra**  
Director



**Dr. Adarsh Kishore**  
Director

Company Secretary	Sanjay Gupta
Auditors	M/s V.R.Bansal & Associates Chartered Accountants B-11, Sector-2, Noida
Bankers	Canara Bank, PCB-II, Barakhamba Lane, New Delhi-110 001 IDBI Bank Ltd., Red Cross Building, New Delhi-110 001 Corporation Bank, G-28-29, Sector 18, Noida State Bank of India, IFB, New Delhi-110 001 Yes Bank Ltd., South Extn., Part-II, New Delhi-110 049 Standard Chartered Bank, 23, Barakhamba Road, New Delhi-110 001 Union Bank of India, IFB, New Delhi-110 001
Share Transfer Agent	MCS Limited (Unit Havells India Ltd.) F-65, Okhla Industrial Area, Phase-I New Delhi-110 020 Tel: 011-41406149, Website: <a href="http://www.mcsind.com">www.mcsind.com</a>
Listed on	The National Stock Exchange of India Limited The Bombay Stock Exchange Limited
Registered Office	1/7, Ram Kishore Road, Civil Lines, Delhi-110 054
Corporate Office	QRG Towers, 2D, Sector - 126, Expressway, Noida - 201 304, U.P. Tel: +91-120-4771000, 4772000 <a href="http://www.havells.com">www.havells.com</a>



# INDUSTRIAL SWITCHGEAR







## Pursuit of accuracy, that never switches off.

Havells is a leader in the industrial switchgear category, as India's No. 1 MCCB manufacturer and as having the first ACB with  $C^3$  technology. The state-of-the-art new industrial switchgear plant at Sahibabad complete with new tool room, CNC machines, test labs and a design lab is a highlight of our extensive industrial switchgear portfolio. Extensive investments were made to improve the manufacturing infrastructure, machinery and test labs at the Faridabad plant. Another highlight of this year was the launch of the new contactors range.



# DOMESTIC SWITCHGEAR





## Making life shockproof.

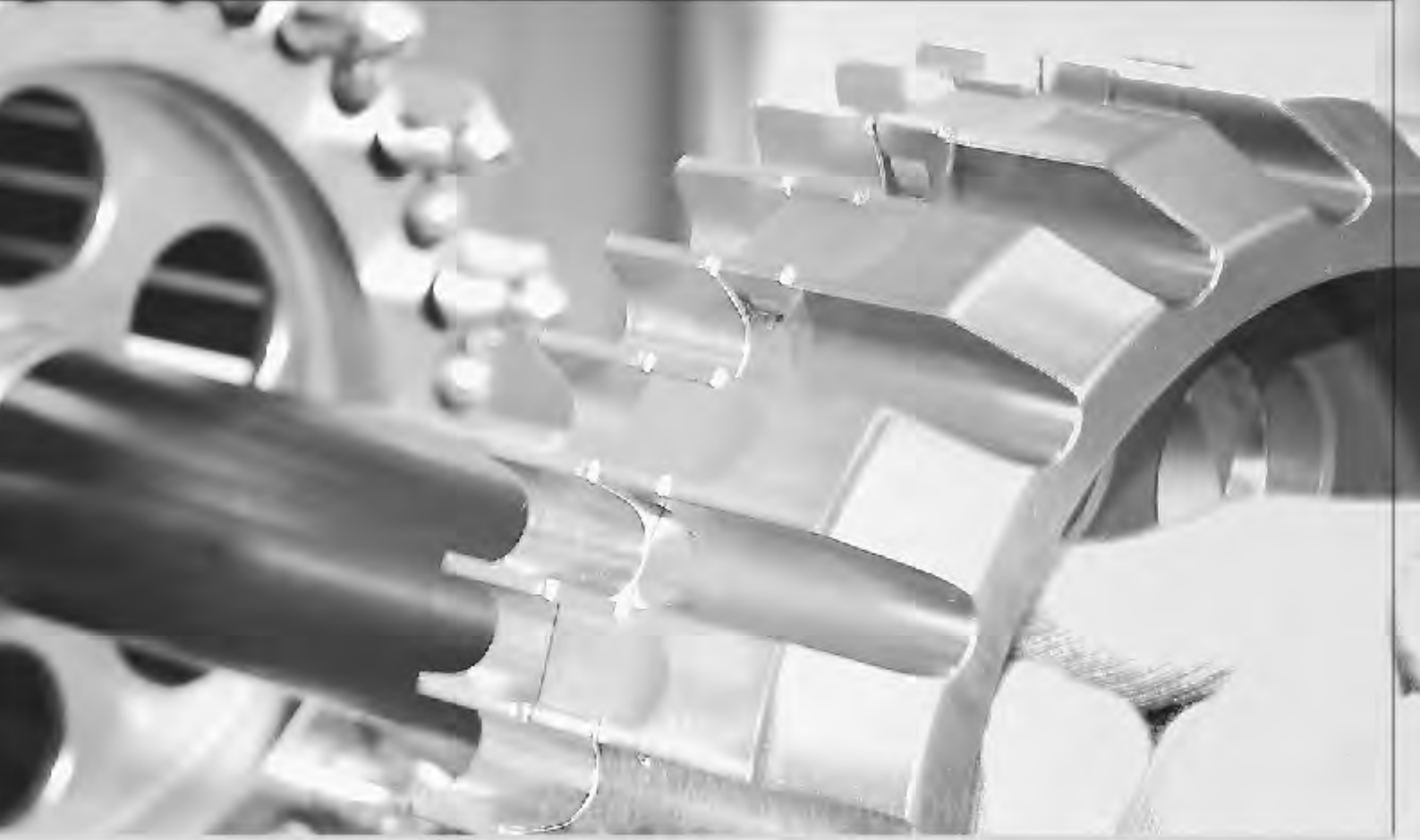
Havells Domestic Switchgear is a leading name in circuit protection devices in India. Havells is proud to be India's largest manufacturer and exporters of MCBs. These world class MCBs along with RCCBs, RCBOs and ACCL are manufactured at India's first fully automated plant at Baddi in Himachal Pradesh. A unique feature of our manufacturing process is that a 100% product testing is carried out to ensure superior quality of these products.



# MOTORS







## Operating profits ensured with Havells motors.

Havells Motors are manufactured at the ultra modern plant at Neemrana. This state-of-the art plant has Asia's biggest testing bench and boasts of automated processes like automated copper winding, impregnation, paint shop and testing. Our motors are manufactured in technical collaboration with AEG Motors from Spain. Approximately 30% of the motors manufactured here are exported. Our motors are one of the most energy-efficient in India and are available in EFF1 and EFF2 ranges.



# CABLES





## Cables that don't catch fire.

Havells is India's second largest manufacturer of cables. Our Cables Plant is one of the biggest manufacturing infrastructure in the industry with cutting-edge technology and latest machinery like the CVV line. To ensure our customers receive the best cables and wires every time, only the purest of copper is used as raw material. Our flame-retardant promise is ensured by the in-house production of flame-retardant PVC to provide consistent quality. That's not all, Havells was the first brand to get BASEC certification for its cables.



# FANS





## Summers are cool with Havells fans.

Havells fans are manufactured at Haridwar, which is the largest integrated fan manufacturing plant in India. The plant employs state-of-the-art CNC winding machines, CNC Machining Centre and also has a fully automated Paint Shop. All fans go through a number of in-house quality control tests at the fully automated test lab. Havells fans are known for their wide range, energy-efficiency and superior finish.



CFLs







## Save more with India's greenest CFLs.

Havells is one of the dominant players in the CFL segment. Its Neemrana Plant is a Global Manufacturing Hub with a current capacity of 4 million per month, slated to go up to 10 million per month. It boasts of an automated assembly line to deliver world class products. This plant prides itself over the revolutionary Pill Dozing Technology, the ROHS Certificate and the individual testing of every single CFL. The CFLs manufactured here are India's first truly green CFLs.



# LIGHTING







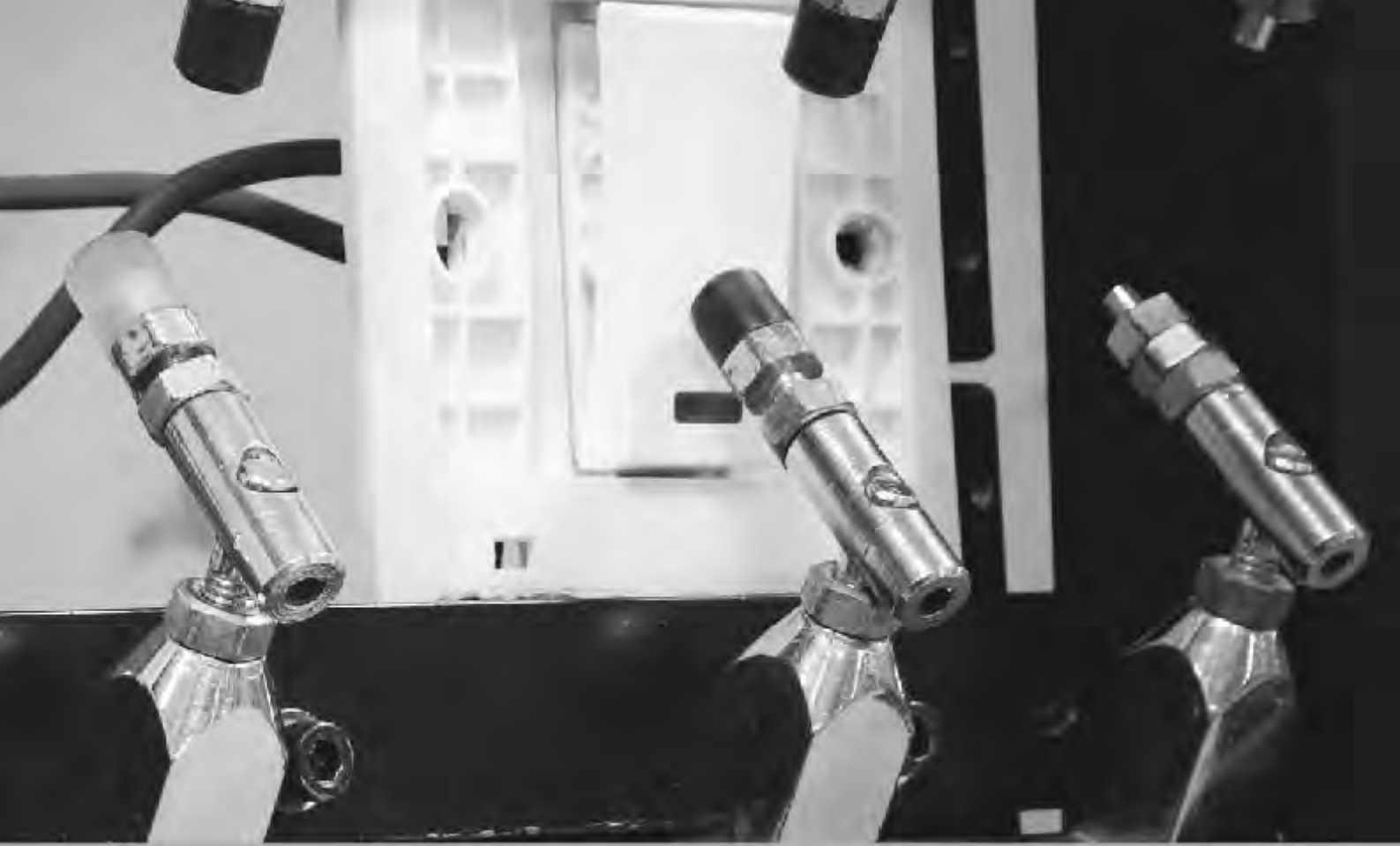
## Lighting up the world.

Havells offers a wide range of energy-efficient lighting solutions. These lights and fixtures are made with the utmost accuracy to get right reflections. Be it the range of LED lights or Havells CMI lamps, they are all aesthetically designed and technologically superior. Havells lighting solutions include lights for domestic, commercial, industrial, street, landscape, malls and museums.



# SWITCHES





## Switches - blending aesthetics with perfection.

Crabtree, the premium range of switches from Havells, is proud of being fire-retardant, dust-free, shock-proof and child tamper-proof. Made of superior quality raw materials, these switches come with a guarantee of 1 Lakh operations.

Havells also manufactures Coral and Pearlz modular switches which are known for their durability and superior finish.



Dear Shareholders,

Your Directors present the Company's 28<sup>th</sup> Annual Report and Audited Accounts for the financial year ended 31<sup>st</sup> March, 2011.

## RESULTS FOR THE YEAR

(Rs.in Crores)

Particulars	Consolidated		Stand Alone	
	2010-11	2009-10	2010-11	2009-10
Net Sales	5612.63	5,162.57	2881.65	2,371.41
Operating Profit before Interest, Depreciation, Tax and Amortisation (EBIDTA)	548.88	311.41	337.30	305.48
Less:				
Depreciation	80.44	83.69	29.34	23.27
Interest	81.97	87.11	15.81	6.43
Less: Exceptional Items	3.59	-	-	-
Add: Other Income	23.72	22.17	17.72	14.53
<b>Profit before Tax</b>	<b>406.60</b>	<b>162.78</b>	<b>309.87</b>	<b>290.31</b>
Less: Tax	103.14	93.18	68.29	62.15
<b>Net Profit before Minority Interest and Extraordinary item</b>	<b>303.46</b>	<b>69.60</b>	<b>241.58</b>	<b>228.16</b>
Less: Minority Interest	0.36	0.04	-	-
Add: Extraordinary Item	0.47	-	0.47	-
<b>Net Profit after Minority Interest and Extraordinary item</b>	<b>303.57</b>	<b>69.56</b>	<b>242.05</b>	<b>228.16</b>
Add : Balance brought forward from previous year	150.22	130.41	596.82	418.41
<b>Profit available for appropriation</b>	<b>453.79</b>	<b>199.97</b>	<b>838.87</b>	<b>646.57</b>
<b>Appropriation of Profits</b>				
Transfer to General Reserve	24.25	22.70	24.25	22.70
Interim Dividend	-	7.52	-	7.52
Proposed Dividend	31.19	15.60	31.19	15.60
Corporate Dividend Tax	5.06	3.93	5.06	3.93
Balance carried over to Balance Sheet	393.29	150.22	778.37	596.82
	<b>453.79</b>	<b>199.97</b>	<b>838.87</b>	<b>646.57</b>

## FY 2011 IN RETROSPECT

Havells, on a consolidated basis had net sales of Rs. 5,613 crores in financial year 2010-11 against Rs. 5,163 crores in previous financial year 2009-10.

Havells, on a stand-alone basis had net sales of Rs. 2,882 crores in financial year 2010-11 against Rs. 2,371 crores in financial year 2009-10. The operating profit before interest, depreciation and tax was Rs. 337 crores in financial year 2010-11 against Rs. 305 crores in financial year 2009-10. The interest charges for financial year 2010-11 were Rs. 16 crores against Rs. 6 crores in financial year 2009-10. Profit after tax was Rs. 242 crores in financial year 2010-11 against Rs. 228 crores in financial year 2009-10.

## BUSINESS HIGHLIGHTS

### Entry into Electric Water Heaters business

During the year under review, your Company also ventured into "Home Comfort Products" with its foray into

a new generation, Electric Water Heater business. Keeping the trend of developing energy efficient products in all the segments, Havells' newly 5 star rated electric water heaters are as per the standard of BEE (Bureau of Energy Efficiency) using the latest "Penta Shield" technology which provides 5-fold safety thermostat, thermal cutout, RCCB, pressure release valve and vacuum release valve.

### Set-up of World's First New generation CMH Lamp Plant at Neemrana

Havells India Limited has set up a state-of-the-art plant in collaboration with Havells Sylvania, Belgium for production of Ceramic Metal Halide lamps. Havells is the fourth company in the world other than Philips, Osram, and GE to achieve this milestone. Ceramic metal halide lamps are used for high end applications in the area of accent lighting, shopping malls and also outdoor lighting wherever true colour rendition and consistent colour are vital criterion.



**Launch of Havells Brand in US and Mexico**

Havells Sylvania operated with brand "Sylvania" in all countries of the world except USA and Mexico, where it was using brand "SLI". We have now re-launched the operations with Havells brand in key economies of the world. Using a strong and successful brand like "Havells" will help the business in long term. It will also establish Havells as a global brand.

**SUCCESSFUL COMPLETION OF SYLVANIA RESTRUCTURING**

Your Directors are glad to report that the past year witnessed the turn-around of Sylvania after an effective and successful integration. We have consolidated our operations both in the domestic and international markets. The continued strong performance of Havells-Sylvania is a proof of robust system now in place in the Company. Sylvania, on stand-alone basis, finished the year with Rs. 78 crores profits before tax as against loss of Rs. 140 crores during 2009-10. Operating profit before interest, depreciation and exceptional item during the year 2010-11 was Rs. 191 crores against a negative figure of Rs. 7 crores in the financial year 2009-10.

The organization-wide restructuring process concluded successfully, resulting in higher efficiency and streamlined operations. The turnaround of the subsidiary - Havells Sylvania not only propelled your Company's consolidated growth but also enabled it to create a scalable business model, poised to deliver sustained growth and create shareholder value. We continue to strengthen our businesses, widen our reach, rationalize our costs and improve our product profile to sustain the growth achieved.

**DIVIDEND**

Your Directors are pleased to recommend a Dividend @ Rs. 2.50 per equity share for 2011 on 12,47,74,812 equity shares of Rs. 5/- each. The proposed dividend, subject to approval of Shareholders in the ensuing Annual General Meeting of the Company, would result in appropriation of Rs. 36.25 crores (including Corporate Dividend Tax of Rs.5.06 crores) out of the profits thus giving 15% payout from the net profit of the Company. The dividend would be payable to all Shareholders whose names appear in the Register of Members as on the Book Closure Date.

The Register of Members and Share Transfer books shall remain closed from 26<sup>th</sup> July, 2011, Tuesday to 29<sup>th</sup> July, 2011, Friday (both days inclusive).

**SCHEME OF AMALGAMATION**

With a view to reap synergies of operations and to optimally utilize the available resources and services, the Company envisaged a Scheme of Amalgamation during the year to merge Standard Electrical Limited (a 100% subsidiary of the Company) with the Company.

The shareholders of the Company have approved the Scheme of Amalgamation in the Court convened meeting held on 2<sup>nd</sup> April, 2011. The Appointed Date for the scheme is 1<sup>st</sup> April, 2011. However the same will be made effective from filing of the certified copy of the

Order of the Hon'ble High Court of Delhi at New Delhi, with the Registrar of Companies, NCT Delhi and Haryana.

**AWARDS AND RECOGNITION****National Energy Conservation Award for Ceiling Fans**

In appreciation of the achievements in Energy Conservation in the manufacturing of BEE star labeled appliances (Ceiling Fans) sector for the year 2010, your Company has been awarded the "National Energy Conservation Award for Ceiling Fans" on 14<sup>th</sup> Dec 2010 by Minister of Power, Government of India.

**Award for Beacon Lighting**

Concord, the premium brand of Havells Sylvania was honoured with the Best Interior Luminaire crown for the 2<sup>nd</sup> year in succession at the Lighting Design Awards, the heart of the architectural lighting industry. The new Concord Beacon LED range includes the Beacon Muse LED which uses cutting edge technology and ancient lens principles to create a fully adjustable spotlight.

**Award for Product Design**

In recognition of its outstanding and innovative design, Concord's Stadium LED spotlight was awarded the "red dot award product design". The Concord Stadium is an innovative low energy LED spotlight for a myriad of lighting applications, including museums, galleries and retail spaces. The Stadium portfolio introduces two versions, Stadium EVO and Stadium PRO, both with excellent colour rendering, low running temperatures, very long lamp life resulting in reduced maintenance costs and energy saving efficient light source.

**Best Stall Award in Electrical fair**

Havells Sylvania was awarded the Best Stall in Electrical Fair held at Kolkatta by Calcutta Electric Traders Association (CETA). This platform was used to launch Sylvania in West Bengal. CETA's mission is to promote the business profile of its members and to provide companies who choose to do business with CETA members, whether as customers or suppliers, with an assurance of quality.

**Power Brand Award**

Havells was chosen as Power Brand by the Indian consumers as surveyed by ICMR (Indian Council for Market Research) instituted by Power Brands India. This award is given on the basis of strong brand presence in the minds and hearts of Indian consumers.

**CREDIT RATING****CARE**

Credit Analysis & Research Ltd. (CARE Ratings) is a full service rating company that offers a wide range of rating and grading services across sectors. CARE has an unparalleled depth of expertise. CARE Ratings methodologies are in line with the best international practices. CARE's Credit Rating is an opinion on the relative ability and willingness of an issuer to make timely payments on specific debt or related obligations over the life of the instrument. CARE rates rupee denominated debt of Indian companies and Indian subsidiaries of multinational companies.



During the year, CARE has reaffirmed the ratings assigned to Havells India Limited. CARE has assigned the rating of 'CARE AA' (Double A) to Havells for its long term bank facilities and 'PR1+' (PR One Plus) to its short term bank facilities. Facilities with these ratings are considered to offer High safety for timely servicing of debt obligations with very low credit risk.

The ratings continue to reflect the reputed brand name of Havells India Limited (HIL), its established market position in the electrical equipment business, wide product portfolio and well-established distribution network.

## **BONUS ISSUE OF SHARES**

Your Company had brought out a Bonus Issue of Shares in the ratio of 1:1 being approved by the Shareholders by means of a Special Resolution in the last Annual General Meeting held on 29<sup>th</sup> September, 2010. The Record Date for the purpose was fixed for 11<sup>th</sup> October, 2010 and the allotment of Bonus Shares was made on 12<sup>th</sup> October 2010. The Issued, Subscribed and Paid-up Share Capital of the Company reckoned with no. of shares was 6,23,87,406 Equity shares of Rs. 5/- each prior to Bonus allotment and post-allotment of Bonus shares the no. of shares doubled to 12,47,74,812 Equity shares of Rs.5/- each.

## **INCREASE IN AUTHORIZED SHARE CAPITAL**

The issuance of Bonus Shares in the ratio of 1:1 necessitated the increase in the Authorized Share Capital of the Company. Accordingly, increase in Authorized Share Capital of the Company by Rs.60,00,00,000/- (Rupees Sixty Crores only) by creation of additional 12,00,00,000 Equity Shares of Rs.5/- each was also approved by the Shareholders of the Company in the last Annual General Meeting held on 29<sup>th</sup> September, 2010 by means of a Special Resolution.

At present the Authorized Share Capital of the Company stands at Rs. 100,00,00,000/- (Rupees One Hundred Crores only) divided into 20,00,00,000 Equity Shares of Rs.5/- each.

## **SUBSIDIARY COMPANIES**

As on 31<sup>st</sup> March, 2011, your Company has 54 (fifty four) subsidiaries out of which 52 (fifty two) companies are registered outside India - 50 (fifty) of them falling under Sylvania umbrella; 1 (one) based at Cyprus and another 1 (one) based at Hong Kong, which serves as a Central Procurement Company (CPC) to procure various electrical products for Havells and Sylvania trading operations and 2 (two) subsidiaries are registered in India.

In the light of a recent Circular issued by the Central Government dated 8<sup>th</sup> February, 2011 the Company is exempted from attaching the Annual Accounts of each of its subsidiary companies with the Balance Sheet of the Company.

The Board of Directors of the Company has, by Resolution passed in its meeting held on 27<sup>th</sup> May, 2011, given consent for not attaching the Balance Sheet of the subsidiary concerned.

The consolidated financial statements of the Company and all subsidiaries duly audited by its statutory auditors are presented in the Annual Report. The consolidated financial statements have been prepared in strict compliance with applicable Accounting Standards and, where applicable, Listing Agreement as prescribed by the Securities and Exchange Board of India.

Further, the following information in aggregate for each subsidiary including subsidiaries of subsidiaries has been annexed to the consolidated balance sheet:-

(a) capital (b) reserves (c) total assets (d) total liabilities (e) details of investment (except in case of investment in the subsidiaries) (f) turnover (g) profit before taxation (h) provision for taxation (i) profit after taxation (j) proposed dividend.

The annual accounts of the subsidiary companies and the related detailed information shall be made available to Shareholders of the Company and its subsidiary companies upon request. The annual accounts of the subsidiary companies shall also be kept for inspection by any Shareholder in the head office of the Company and the offices of its subsidiary companies.

## **BOARD OF DIRECTORS**

Pursuant to the provisions of Section 256 of the Companies Act, 1956, Shri Niten Malhan and Shri A P Gandhi, Directors, are due to retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

The details of Directors being recommended for re-appointment as required in Clause 49 of the Listing Agreement are contained in the accompanying Notice convening the ensuing Annual General Meeting of the Company.

Appropriate Resolution(s) seeking your approval to the re-appointment of Directors are also included in the Notice.

## **AUDITORS**

The Statutory Auditors, M/s V R Bansal & Associates, Chartered Accountants, (Regn. No. 016534N) hold office till the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment. The certificate from the Auditors have been received to the effect that their re-appointment, if made, would be within the prescribed limit under section 224(1B) of the Companies Act, 1956.

The Company has also received a Special Notice under section 190 of the Companies Act, 1956, from Shri Harish Golani, one of the members of the Company, proposing the appointment of M/s. S. R. Batliboi & Co., Chartered Accountants (Registration No. 301003E) as Joint Auditors of the Company for the financial year 2011-12. A consent letter, confirming the eligibility and willingness for such appointment, as received from M/s. S. R. Batliboi & Co., Chartered Accountants (Registration No. 301003E), has also been received by the Company.

The Board of Directors accordingly recommends the Resolution set out in Item no. 6 of the accompanying Notice for approval of the Members.

## AUDITORS REPORT

The observations of Auditors in their reports on standalone and consolidated financials are self explanatory and therefore do not call for any further comments.

## CORPORATE GOVERNANCE

The Company has duly complied with the Corporate Governance provisions as stipulated under clause 49 of the Listing Agreement, and as required Report on Corporate Governance, Certificate of Auditors confirming compliance with the requirements of Corporate Governance form part of the Annual Report. In accordance with the Listing Agreement requirements, the Management Discussion and Analysis report and CEO/CFO Certificate on discharge of finance function is presented in a separate section forming part of the Annual Report.

## FIXED DEPOSITS

During the year your Company has not accepted any deposits from the public or otherwise in terms of Section 58A of the Companies Act, 1956 read with Companies (Acceptance of Deposit) Rules, 1975.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors to the best of their knowledge hereby state and confirm that:

- i) in the preparation of the annual accounts of the Company, 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 of the Company on a going concern basis.

## ENVIRONMENT, HEALTH AND SAFETY

Havells attaches great value to its employees and workers who constitute its most important productive asset. We believe that the safety and health of its personnel are of paramount concern. The Company strives to prevent all possible accidents, incidents, injuries and occupational illnesses during the working hours. We seek to meet

leading health, safety and wellness standards to enhance our business performance while optimizing employee health.

We strive to achieve excellence in providing a healthy and safe working environment, and to support environmentally sound practices in the conduct of our business.

The Company is dedicated to continuous efforts to improve the compatibility of our operations with the environment while developing and supplying high quality products to consumers. We recognize our responsibility to work with the public, the government, and others to develop and to use natural resources in an environmentally sound manner while protecting the health and safety of our employees and the public.

The Company's units and offices are equipped with modern amenities to meet strict requirements of efficient servicing and smooth functioning at all times. The Company follows strict compliance of pollution and commercial norms in carrying out the manufacturing activities and establishment of plants and offices.

The Company in its recognition of its human capital has opted for Group Term Life (life insurance cover) for all its employees. The Company also has in place several insurance, medical and other welfare covers that it has purchased to shield its employees against varied risks - those of health, disability, accident etc.

## EMPLOYEE RELATIONS

Our people are the key to our success. Their skills, knowledge, ideas and enthusiasm drive our business. We have high-quality, diverse workforce and employees who fulfill their potential. We have achieved this by giving them development and advancement opportunities along with competitive compensation and benefits that appropriately reward performance.

We communicate widely with employees to demonstrate how their efforts contribute to our success and to listen to their concerns. We also encourage them to align with our vision. We are committed to open communications and a workplace where everyone's voice is heard.

We use several channels to communicate with employees, including an internal web portal and Company website along with communication sessions with the top management of the Company. These sessions provide assessment of employee satisfaction and are inputs for business planning, management decision-making and Company strategy development. They also help employees implement Company policies, meet high standards of conduct and ensure their behavior reflects Company values and policies.

## CORPORATE SOCIAL RESPONSIBILITY

*"If you plan for one year, sow rice, if you plan for 10 years, plant a tree. If you plan for 100 years, educate a child."*

Our nation has made progress in terms of increasing primary education attendance rate and expanding literacy to a large part of the population. India's improved education system is often cited as one of the main contributors to the economic rise of India. However, the nation continues to face stern challenges. Despite growing investment in education, a part of the population is still illiterate; not many Indian students reach high school, and fewer graduate.

At Havells, we integrate corporate responsibility into all we do. With global reach comes substantial responsibility, and we take that responsibility seriously. We feel a responsibility to make our Company and our world better for those who follow us.

We understand that education is essential in promoting sustainable human development and economic growth. We believe that combining a focus on education as well as health care fosters economic well-being. As a responsible and conscientious corporate citizen, we aim to draw our focus primarily on education and healthcare services so as to enable the poor and needy to benefit from growth and transform themselves into empowered beings.

Havells has supported and engaged in activities that aim to improve the organization's contribution to society. The Company's corporate responsibility straddles a stakeholder base that goes far beyond its shareholders. During the year, your Company has donated a sum of Rs. 65 Lacs to QRG Foundation, a Trust instituted by the group, dedicated to support social and philanthropic causes. Our commitment to society at large is further demonstrated in the following ways:

#### **- Mid day Meals**

Supporting children so they may become self-supporting, contributing citizens is a worthy endeavor that the Company supports strongly. Havells is providing mid-day meals close to 15000 students of primary schools in Alwar. Providing these children with meals in schools gives them an incentive to come to school, stay in school and provides them with the necessary nutrients they need to focus on learning. We are enhancing the number of children being catered to about 50,000 from July this year.

#### **- Medical Aid**

With the objective of upliftment of quality of life of underprivileged people, QRG Foundation Trust is involved in providing healthcare services through mobile healthcare vans for the slum areas of Delhi region and providing free medical check-ups and medicines to needy people.

### **SETTLEMENT OF TRUST FOR THE BENEFIT OF CHANNEL PARTNERS**

Your Company has always believed that Schemes and incentives play a vital role in the Company's channel strategy. Havells has always strongly upheld that it is most essential to engage with the channel partners on a continuous basis. Inspired with that vision the Company had brought out an innovative and attractive Incentive

Scheme not just to offer avenues for improving sales by the Dealers/ Distributors but also considering the creation of a profitable proposition for them as well as their entire family members in the form of growth opportunities by investing additional 1% incentive on the sales generated by them. To aid such Schemes for the benefit of channel partners, the Company had settled an irrevocable discriminate contributory Trust namely 'Havells Business Partners Trust' during FY2011.

The Trust has been set-up exclusively for the purpose of facilitating benefit schemes and like for the Dealers/ Distributors and works independent of the Company, Havells India Limited.

### **RESEARCH AND DEVELOPMENT**

Innovation is the hallmark of every vital development at Havells India Limited. New ideas and inventions deepen scientific knowledge and give any work force a new impetus towards technical progress.

Havells' technological strengths and its endeavour towards continuous research & development have allowed it to fulfill its responsibilities towards its customers. The responsibility of providing its customers the best products and zero defect services to enable them to be comfortable and secure in usage of electricity, Havells has set-up its Center for Research and Innovation (CRI), at the Company's Head Office premises in Noida, U.P. The ISO-9001, 2000 certified CRI is recognized by Department of Scientific & Industrial Research and Ministry of Science & Technology. The objective of this centre is to provide the theoretical & experimental foundations for all segments of electrical engineering. The centre closely cooperates with the various departments so as to provide the best and the latest in terms of technology and design.

**LED Lighting:** With the addition of LED lighting to the bouquet of products offered, Havells continued to demonstrate its commitment to provide energy efficient solutions to its consumers. During the financial year, the Company introduced LED lightings in the area of Home, Office, Commercial & Street Lighting. This not only saves substantial energy but also has a long life & minimal maintenance thus bringing savings to the customer.

### **CERTIFICATIONS**

The Company has acquired a number of international certifications, like BASEC, CSA, KEMA, CB, CE, ASTA, CPA, SEMKO, SIRIUM (Malaysia), and EDD (Bahrain) for its various products to expand its reach in international arena.

### **TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND**

Pursuant to the provisions of Section 205C of the Companies Act, 1956, your Company has transferred the following amounts to the Investor Education and Protection Fund:

- Rs. 1,07,355/- lying unclaimed/unpaid with the Company for a period of seven years after the declaration of Dividend for the financial year ended 2002-03; and

- Rs. 66,010/- lying unclaimed/ unpaid with the Company for a period of seven years after the declaration of Interim Dividend for the financial year ended 2003-04.

**CONTRIBUTION TO EXCHEQUER**

The Company is a regular payer of taxes and other duties to the Government. During the year under review your Company paid Rs. 68.29 crores towards Income Tax and Wealth Tax as compared to Rs. 62.15 crores paid during the last financial year. The Company also paid Excise Duty of Rs. 163.95 crores, Sales Tax & Service Tax of Rs. 204.32 crores, totaling Rs. 436.56 crores during financial year 2010-11 as compared to Rs. 315.15 crores paid during last financial year.

**LISTING OF SHARES**

The shares of the Company are listed on National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE). NSE has been defined as the Designated Stock Exchange of the Company. The listing fee for the year 2011-12 has already been paid to the credit of both the stock exchanges.

**PERSONNEL**

Particulars of Employees required under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, form part of this report and are annexed herewith. However, in terms of Section 219(1)(b)(iv) of the Companies Act, 1956 the Report and Accounts are being sent to the Shareholders excluding the aforesaid Annexure. Any Shareholder interested in obtaining copy of the same may write to the Company Secretary at the

Registered Office.

**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 in Annexure B and form part of this report.

**ACKNOWLEDGEMENTS & APPRECIATION**

The Board places on record its appreciation for the continued co-operation and support extended to the Company by Banks, Rating Agencies, Stock Exchanges, NSDL and CDSL. The Board wishes to express its grateful appreciation for the assistance and co-operation received from vendors, customers, banks, financial institutions, Central and State Government bodies, auditors, legal advisors, consultants, dealers, retailers and other business associates.

The Board deeply acknowledges the trust and confidence placed by the consumers of the Company and, above all, the shareholders.

The Board of Directors would particularly like to place on record its appreciation for the dedicated efforts of the employees at all levels.

**For and on behalf of  
Board of Directors of Havells India Limited**

**(Qimat Rai Gupta)  
Chairman & Managing Director**  
Noida, 27<sup>th</sup> May, 2011



## ANNEXURE “B” TO THE DIRECTORS’ REPORT

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

Your Company continues to promote energy conservation measures and strategies and constantly seeks new ideas to reduce consumption and improve energy efficiencies.

Energy conservation means using less energy and avoiding excessive or wasteful uses. Efficiency, on the other hand, means using less energy while getting the same results. Efficiency is therefore a subset of conservation; one way to conserve energy is to use it more efficiently.

We are focusing on energy efficient products and we use best practices in producing the latest electrical equipments. All manufacturing plants that the Company has are equipped with the latest technologies. To create energy efficient products, it is essential that the products consume little energy, use few resources, and do not contain hazardous materials. It is also important to ensure that the manufacturing process has little impact on the environment. Therefore, we are striving to develop both products and manufacturing processes that are environment friendly.

Pursuant to Section 217(1)(e) read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the information on the conservation of energy, technology absorption, foreign exchange earnings and outgo is laid out as under:

#### A. CONSERVATION OF ENERGY

##### (a) Energy conservation measures taken

In an endeavour to improve the Power Factor at various plant locations of the Company, Power Capacitor Banks have been installed, wherever necessary, to get rebate on electricity bills.

The energy conservation measures taken at various plant locations are summarized hereunder:

##### Haridwar

- ♦ Baking System Changed from LPG fuel to HSD for Stator varnishing system.
- ♦ Rationalizations of Street Light usage

##### Alwar

- ♦ One 300 KVA UPS costing Rs. 18 lac installed at the 175mm extruder sheathing line at the H.T. Cable Plant.
- ♦ One New Sub-station costing Rs. 80 lac with 2 Nos. of 2000 KVA 33/440 Volts Transformers and Associate H.T. and L.T. switchers developed near the New L.T. Cable Plant and Flexible Cable Section to feed power to these plants and also to minimize the power loss.

- ♦ 12 Nos. of D.C motors are replaced with A.C. motors and Variable Frequency Drives costing Rs. 8 lac for power saving.
- ♦ Procurement of cheaper power during power shut-down (involving an investment of Rs. 3 lac) through power trading at Central Energy Exchange.

##### Faridabad

- ♦ Use of efficient fuel i.e. PNG (piped natural gas) involving an investment of 11.64 lacs in place of Diesel for paint shop oven.

##### Baddi

- ♦ Department Wise Energy Audits, Data Logging and comparison with production.
- ♦ Temperature compensation implemented in calibration. (Removal of AC)
- ♦ All hydraulic type moulding machines are replaced with Electric Molding Machines.
- ♦ Low capacity compressor for night/off load hours.
- ♦ Lightning load on UPS for night/off load hours.
- ♦ Auto Timer System for Street/boundary lightning to remove Manual involvement.
- ♦ Auto Shut off Valve for Pneumatic operated machines.
- ♦ STP water usage for gardening purpose (Avg. 8.5 kl /day)

##### Neemrana

- ♦ Achieving superior control and reduction in energy consumption in CNC Machines by retrofitting of Motor Drives & its Controls.
- ♦ Commissioning of Smaller Portable Air Compressor as plant demands.
- ♦ Employing Regenerative Drives for Motor Type Test Plant for Feeding Energy back to Grid.
- ♦ Synchronizing of two 1010 KVA DG Sets for load balancing & better efficiency with safety.
- ♦ Reduction in compressed air leakages.

##### Noida

- ♦ A Capacitor Bank Panel of 250 KVAR with APFC Controller installed for PCB Assembly Line.

**(b) Additional investment and proposals, if any, being implemented for reduction of consumption of energy**

**Haridwar**

- ♦ Exploring the possibility of use of Solar system with LED lighting for street Lighting. Expected investment will be approx. 22 Lac.
- ♦ Use of HSD fuel instead of LPG in liquid paint shop baking system.

**Sahibabad**

- ♦ Proposal of Energy efficient new compressor of 500CFM to reduce the use of old 4 compressors of different capacities.
- ♦ Rs. 34 lac already invested in April 2011 for installation of 3<sup>rd</sup> winding machine in respect of Capacitor Division.

**Baddi**

- ♦ Roof mounted centrifugal type exhaust fan for shed.
- ♦ Plant Level Energy Audit from External Agency.
- ♦ Compressed air usage audit for individual machine for any sort of losses or misuse.
- ♦ Solar Water Heater (Guest house) and street Lightning.

**Neemrana**

- ♦ Usage of Solar System & LED Lights for street lighting.
- ♦ POP ceiling may be done in case of Grid Ceiling & Cassette Air Conditioner can be provided in place of ductable Air Conditioner to save energy.

**(c) Impact of the measures at (a) and (b) for reduction of energy consumption and consequent impact on the cost of production of goods**

**Haridwar**

- ♦ With Change in baking system, impact on product cost getting manufactured was lowered by Rs 0.50 per Fan.
- ♦ Rationalization of street Light usage will save power. Impact of same on cost of finished product will be. Rs 0.05 per Fan.
- ♦ Control of usage during peak hours will have an impact on final product cost - reduction of Rs. 1.0 per Fan.

- ♦ Use of solar lighting will mean a reduction of Rs. 0.10 per Fan.
- ♦ Use of HSD in Liquid paint shop will mean reduction of Fuel cost of Rs. 2.0 per Fan.

**Alwar**

- ♦ The approximate saving due to UPS is about Rs. 6 lac per month.
- ♦ The total saving due to new substation is about Rs. 12 lac annually.
- ♦ The savings due to power trading will be approx. Rs. 10 lac per month.
- ♦ The savings due to A.C. motors will be approx. Rs 2.5 lac per annum.

**Sahibabad**

- ♦ With the installation of 3<sup>rd</sup> winding machine in the Capacitor Division, machine running time will reduce to 12 hrs. instead of 24 hrs. thereby resulting in savings of around 40% in electricity bill due to reduction in power consumption for use of AC.

**Faridabad**

- ♦ Natural gas is a clean fuel i.e. environment friendly and being efficient fuel, it will result in saving of approx. Rs. 22.00 lac per annum.

**Baddi**

- ♦ Department wise energy audits have created healthy competitions within departments for saving of Electricity.
- ♦ Implementation of temperature compensation parameters leads to saving of 320 units per shift.
- ♦ All electric molding machines are equipped with servomotors in spite of conventional moulding machine equipped hydraulic system and induction motors. These machines have an additional feature of regeneration of power for internal use. There is saving of 80% of Electricity in Servo based Moulding Machines. Cooling water consumption is also reduced in the case of Electric servo machines resulting in energy saving.
- ♦ By putting some of lights on UPS during night time there is saving of switching ON DG sets.
- ♦ Auto timer on external lighting provides timely switching ON/OFF of Lighting. This saves extra lighting hours.



- ♦ Auto shut OFF valves on machines prevents wastage of air during idle condition.
- ♦ By using STP water we are getting saving of 8.5KL per day, this also leads to saving of 8 to 10 units per day .This recycled water also act as fertilizer for Plants.
- ♦ By Installing centrifugal type exhaust fans there will be a saving of 280 units of electricity per day.

## **B. RESEARCH AND DEVELOPMENT (R & D)**

### **1. Specific areas in which R&D carried out by the Company**

**Faridabad/ Sahibabad/ Baddi**

**Import substitution**

**Technology Upgrades**

- ♦ Upgrade of Phase Selectors from Electromechanical design to PCB based Electronic design
- ♦ Upgrade of compact higher rating MCCB for Higher breaking capacity in Reverse feed applications
- ♦ RoHS compliance on MCCB
- ♦ Upgrade of distribution boards for safety
- ♦ Implementation of Design data management on DMS module of ERP
- ♦ New Cosmic Series Control Gear Products launched.

**Quality improvement**

- ♦ Quality value Engineering carried out to make the products more competitive in the market
- ♦ Adapted Design for Reliability techniques to enhance consistent product quality
- ♦ Statistical quality control implementation

**Other Development**

- ♦ Twelve (12) Patents filed
- ♦ In-house development & manufacturing of SPN Automatic changeover with current Limiter
- ♦ In-house development & manufacturing of Distribution boards & Enclosures
- ♦ In-house development & manufacturing of DC MCB with compliance to RDSO requirements

- ♦ In-house development & manufacturing of New EWA range.
- ♦ In-house development of new compact higher MCCB with higher breaking capacity
- ♦ Introduction of wide range of new controlgear

**Haridwar**

Introduction of new Models -

Ceiling Fan : Maxwell Deco model in 1200mm  
: Zeus Model in 1200 mm  
: Range Extension in spark, fiesta, pacer Ceiling Fan

Non Ceiling

Fan range : Introduction of Multipurpose Fan  
- Birdie.  
: Introduction of pedestal Fan  
- Wind Storm

**Alwar**

- ♦ Developed 66kv grade cable with corrugated Aluminium Sheath
- ♦ Developed manufacturing/testing set up for FIRE ALARM/ FIRE SURVIVAL CABLE.
- ♦ Developed LV cables as per BS specification.

### **2. Benefits derived as a result of the above R&D**

- ♦ Increased customer satisfaction
- ♦ Improved Brand equity
- ♦ Cost reduction through Quality Value Engineering
- ♦ Improvement in Quality & Productivity
- ♦ New product introduction
- ♦ Improvement of productivity and accuracy of testing
- ♦ Globally competitive on quality, cost & delivery

### **3. Future plan of action**

- ♦ To design & develop TPN Automatic changeover with current Limiter
- ♦ To design & develop Automatic Phase selector with Distribution Board
- ♦ To design & develop Compact RCBO Single Module

- ♦ To design & develop New range of Distribution Board
- ♦ To design & develop New range of MCB and RCCB with accessories
- ♦ To design & develop new compact higher breaking capacity electronic MCCB
- ♦ To design & develop new range of Switch Disconnector & SDF
- ♦ To design & develop portable Residual Current Device
- ♦ To design & develop new range of MCCB.
- ♦ To design & develop Automatic Phase Sequencer
- ♦ To introduce new models of Ceiling Fans, Table, Wall and Pedestal Fans segment
- ♦ To bring Present and New Models of ceiling Fans in 3- Star and above category to ensure participation in nationwide drive of Energy Conservation.
- ♦ To develop new design of MCCB to cater higher Breaking capacities needs of the market up to 250A.

#### 4. Expenditure on R & D:

(Rs. in crores)

		2010-11	2009-10
(a)	Capital	0.05	0.07
(b)	Recurring	7.42	6.65
(c)	Total	7.47	6.72
(d)	Total R & D expenditure as a percentage of total turnover	0.3%	0.3%

### C. TECHNOLOGY, ABSORPTION, ADAPTATION AND INNOVATION

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

##### Alwar

- ♦ Company is now updated with the manufacturing of EHV cable up to 66kv with special moisture barrier as corrugated Aluminium Sheath. This technology is

latest preferred worldwide these days.

- ♦ Fire survival/ Fire Alarm cable have been developed which demonstrate Circuit integrity and are ideal for SOS situations or emergencies such as fire.

##### Baddi

- ♦ Modular Switch testing machine for all tests to be done on single machine.
- ♦ High speed Servo based electromechanical flow warping machine in EWA.
- ♦ In house development of linear calibration system for MCB with temperature compensation parameters and auto segregation.
- ♦ Implementation of loyalty scheme for MCB integrated with SAP.
- ♦ Implemented laser welding & Polishing Machine for in house Mold rectification.
- ♦ Successfully developed knob Mould from 8 cavities to 12 cavities & further increased to 24 cavities.
- ♦ 80% of manual press tools converted to progressive tools in Press shop.
- ♦ Successfully implemented hot runner mold for MCB chasis & cover to reduce scrap.

#### 2. Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc.

- ♦ Improvement in productivity and quality with load to operate force.
- ♦ Better productivity and quality with auto cutting and online printing.
- ♦ Enhanced productivity and Quality with auto segregation of MCB.
- ♦ Cost and time saving.
- ♦ Productivity enhancement and better machine utilization.
- ♦ Increased productivity and reduced extra labour and machine.
- ♦ Reduction of plastic Scrap.

3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished :

Technology imported		Year of import	Has Technology been fully absorbed	If not fully absorbed, areas where this has not taken place, reasons there for and future plans of action
1.	Automated Capacitor Winder	2006-07	Yes	NA
2.	CNC Winding Machines for Ceiling Fans	2006-07	Yes	NA
3.	CFL Machine to manufacture Ginni Lamp	2006-07	Yes	NA
4.	Technology for manufacturing of Electric Motors	2007-08	Yes	NA
5.	Ceiling Fan motor testing line	2008-09	Yes	NA
6.	Air delivery measurement system for ceiling fans	2008-09	Yes	NA
7.	MCB assembly machine	2008-09	Yes	NA
8.	Zera Calibration machine	2008-09	Yes	NA
9.	Silver Tip Welding machine	2008-09	Yes	NA
10.	Mechanism Assembly machine	2008-09	Yes	NA
11.	Spot Welding Machine	2008-09	Yes	NA
12.	Electric Servo based Molding machines	2009-10	Yes	NA
13.	Spray Painting System for Ceiling Fans	2009-10	Yes	NA
14.	Technology to produce CFL capsule through complete automatic production line	2009-10	Yes	NA
15.	Glove Box System for CMI Arc Tube manufacturing	2009-10	Yes	NA
16.	High Speed Chip Shooter for Manufacturing of PCB Assemblies	2010-11	Yes	NA
17.	Precision Solder Paste Printer (Fully Automatic), Reflow Oven & High Speed Glue Dispenser	2010-11	Yes	NA
18.	Power Coating Plant	2010-11	Yes	NA
19.	Machinery for Manufacturing of Metal Halide Lamp, Mercury Vapour Lamps And Sodium Vapour Lamps	2010-11	Yes	NA
20.	Machinery for Manufacturing of Metal Halide Arc Tubes and Lamps Components	2010-11	Yes	NA
21.	Injection Moulding Machine- Model : Ecopower B6 Standard 110/350 H.	2010-11	Yes	NA
22.	Cable Metal Corrugated Sheathing Machine	2010-11	Yes	NA
23.	Drum Twister with Caterpillar & Rigid Frame Strander (Machinery for Manufacturing of Cable)	2010-11	Yes	NA

#### D. FOREIGN EXCHANGE EARNINGS AND OUTGO

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

During the Financial Year 2010-11, the Company made Exports of Rs. 176 crores as compared to Rs. 215 crores during Financial Year 2009-2010. Though there has been a slight shortfall in

OEM (Original Equipment Manufacturer) exports business, but there has been growth in Havells branded export business. To counter the shortfall of old OEM business, new promising OEM customers have been developed and have already done a turnover of Rs 5.70 crores in the second half of 2010 and are targetting Rs 17 crores turnover for the current financial year. Similarly, there has been a growth of over 132% in South-East Asia.

There has been increase in the export business in Africa, Middle East and Sri Lanka. The following initiatives have been taken to increase exports:

- ♦ Focus new territories such as North Africa, South Africa, Thailand, Indonesia, Malaysia etc.
- ♦ Product improvements & modifications been suggested /done to be more competitive.
- ♦ New promotional material and marketing support activities have been introduced.
- ♦ Localization in focus/potential markets
- ♦ Local Certifications/approvals in respective Exporting countries.
- ♦ Introduction of new products such CMI Lamps, Cables & Wires
- ♦ Focus on third party exports

- ♦ Focus on increase of the present distribution channel
- ♦ Focus on increase of the present product portfolio in switchgear category.
- ♦ Development of alternative sources for price competitiveness in the market.
- ♦ Focus on project business.

**(b) Total foreign exchange used and earned**

**(Rs. in crores)**

	<b>2010-11</b>	<b>2009-10</b>
Foreign exchange earned	175.92	214.72
Foreign exchange used	322.24	235.19

**For and on behalf of Board of Directors  
of Havells India Limited**

**(Qimat Rai Gupta)  
Chairman and  
Managing Director**

Noida, 27<sup>th</sup> May, 2011

**Statement pursuant to section 212(1)(e) of the Companies Act, 1956 relating to subsidiaries for the year ended 31<sup>st</sup> March, 2011**

(Rs. in crores)

Sl. No.	Name of the Subsidiary Company	Financial Year of the Subsidiary ended on	Extent of Interest of Holding Company in the Subsidiary ended as at 31 <sup>st</sup> , March 2011			The net aggregate amount of Subsidiary's Profit/loss so far as it concerns the member of the Holding Company and is not dealt with in the Holding Company's accounts		The net aggregate amount of Subsidiary's Profit/loss so far as it has been dealt with in the Holding Company's accounts	
			No of Shares held by Havells India Ltd	Nature of Interest Subsidiary/ Step Subsidiary	Extent of Interest%	Current Year	For the Previous Financial Years of the subsidiary since it became a subsidiary	Current Year	For the Previous Financial Years of the subsidiary since it became a subsidiary
1	Havells Sylvania Argentina S.A.	31/12/2010	—	Step Subsidiary	100%	5.66	9.89	Nil	Nil
2	Havells Sylvania Brasil Iluminacao Ltda.	31/12/2010	—	Step Subsidiary	100%	(29.13)	2.64	Nil	Nil
3	Havells Sylvania Colombia S.A.	31/12/2010	—	Step Subsidiary	100%	2.59	16.99	Nil	Nil
4	Havells Sylvania Venezuela C.A.	31/12/2010	—	Step Subsidiary	100%	2.34	0.00	Nil	Nil
5	Havells Sylvania N.V.	31/12/2010	—	Step Subsidiary	100%	8.03	13.67	Nil	Nil
6	Havells Sylvania El Salvador S.A. de C.V.	31/12/2010	—	Step Subsidiary	100%	0.22	1.19	Nil	Nil
7	Havells Sylvania Guatemala S.A.	31/12/2010	—	Step Subsidiary	100%	(0.42)	(1.11)	Nil	Nil
8	Havells SLI de Mexico S.A. de C.V.	31/12/2010	—	Step Subsidiary	100%	7.15	12.75	Nil	Nil
9	Panama Americas Trading Hub	31/12/2010	—	Step Subsidiary	100%	2.48	NA	Nil	Nil
10	Havells Sylvania Panama S.A.	31/12/2010	—	Step Subsidiary	100%	3.24	3.57	Nil	Nil
11	Havells Sylvania Peru S.A.C.	31/12/2010	—	Step Subsidiary	100%	(0.70)	(0.76)	Nil	Nil
12	Havells Sylvania Europe Ltd.	31/12/2010	—	Step Subsidiary	100%	17.46	(60.93)	Nil	Nil
13	Havells Sylvania Spain S.A.	31/12/2010	—	Step Subsidiary	100%	4.05	(7.00)	Nil	Nil
14	Havells Sylvania Portugal Ltda.	31/12/2010	—	Step Subsidiary	100%	(0.23)	0.51	Nil	Nil
15	Havells Sylvania Italy S.p.A.	31/12/2010	—	Step Subsidiary	100%	1.83	(5.76)	Nil	Nil
16	Havells Sylvania Greece A.E.E.E.	31/12/2010	—	Step Subsidiary	100%	1.67	(0.13)	Nil	Nil
17	Havells Sylvania Sweden A.B.	31/12/2010	—	Step Subsidiary	100%	(3.20)	0.86	Nil	Nil
18	Havells Sylvania Norway A.S.	31/12/2010	—	Step Subsidiary	100%	(3.84)	(11.15)	Nil	Nil
19	Havells Sylvania Finland OY	31/12/2010	—	Step Subsidiary	100%	(0.19)	(1.31)	Nil	Nil
20	Havells Sylvania Tunisia S.A.R.L.	31/12/2010	—	Step Subsidiary	100%	0.91	(42.67)	Nil	Nil
21	Havells Sylvania UK Ltd.	31/12/2010	—	Step Subsidiary	100%	1.40	(34.36)	Nil	Nil
22	Havells Sylvania Fixtures UK Ltd.	31/12/2010	—	Step Subsidiary	100%	(3.31)	17.89	Nil	Nil
23	Havells Sylvania Lighting Belgium N.V.	31/12/2010	—	Step Subsidiary	100%	(17.33)	(85.94)	Nil	Nil
24	Havells Sylvania Poland S.P.Z.O.O	31/12/2010	—	Step Subsidiary	100%	(0.68)	(0.66)	Nil	Nil
25	Havells Sylvania Belgium B.V.B.A.	31/12/2010	—	Step Subsidiary	100%	(0.28)	1.21	Nil	Nil
26	Havells Sylvania Germany GmbH	31/12/2010	—	Step Subsidiary	100%	14.12	(106.91)	Nil	Nil
27	Havells Sylvania Fixtures Netherlands B.V.	31/12/2010	—	Step Subsidiary	100%	11.67	28.23	Nil	Nil
28	Havells Sylvania Lighting France S.A.S	31/12/2010	—	Step Subsidiary	100%	(0.41)	(50.71)	Nil	Nil
29	Havells Sylvania France S.A.S.	31/12/2010	—	Step Subsidiary	100%	3.19	4.64	Nil	Nil
30	Havells Sylvania Switzerland A.G.	31/12/2010	—	Step Subsidiary	100%	10.93	(1.82)	Nil	Nil
31	SLI Europe B.V.	31/12/2010	—	Step Subsidiary	100%	(6.50)	(168.55)	Nil	Nil
32	Sylvania Lighting International B.V.	31/12/2010	—	Step Subsidiary	100%	1.16	37.20	Nil	Nil
33	Flowil International Lighting (Holding) B.V.	31/12/2010	—	Step Subsidiary	100%	(37.75)	(351.76)	Nil	Nil
34	Havells Sylvania (Thailand) Ltd.	31/12/2010	—	Step Subsidiary	49%	4.02	11.18	Nil	Nil



35	Guangzhou Havells Sylvania Enterprise Ltd.	31/12/2010	—	Step Subsidiary	100%	(1.75)	(2.00)	Nil	Nil
36	Havells Sylvania Asia Pacific Ltd.	31/12/2010	—	Step Subsidiary	100%	2.09	0.29	Nil	Nil
37	Havells Sylvania (Shanghai) Ltd	31/12/2010	—	Step Subsidiary	100%	0.11	(7.57)	Nil	Nil
38	Havells Sylvania (Malaysia) Sdn. Bhd	31/12/2010	—	Step Subsidiary	100%	0.12	0.28	Nil	Nil
39	Havells Sylvania Dubai FZCO	31/12/2010	—	Step Subsidiary	100%	5.81	5.89	Nil	Nil
40	Sylvania India Limited	31/03/2011	—	Step Subsidiary	100%	0.01	NA	Nil	Nil
41	Havells Malta Ltd	31/12/2010	—	Step Subsidiary	100%	0.01	(22.02)	Nil	Nil
42	Havell's Netherlands Holdings B.V.	31/12/2010	—	Step Subsidiary	100%	2.12	(12.06)	Nil	Nil
43	Havell's Netherlands B.V.	31/12/2010	—	Step Subsidiary	100%	(16.64)	(180.92)	Nil	Nil
44	Havells Sylvania Costa Rica S.A.	31/12/2010	—	Step Subsidiary	100%	7.62	(21.59)	Nil	Nil
45	Havells USA Inc.	31/12/2010	—	Step Subsidiary	100%	(2.73)	(23.53)	Nil	Nil
46	Havells Sylvania Iluminacion (Chile) Ltda	31/12/2010	—	Step Subsidiary	100%	0.59	(0.28)	Nil	Nil
47	Havells SLI Servicios Generales Mexico SA De CV	31/12/2010	—	Step Subsidiary	100%	—	0.14	Nil	Nil
48	Havells Sylvania Export N.V.	31/12/2010	—	Step Subsidiary	100%	—	—	Nil	Nil
49	Havells Sylvania Holdings (BVI-1) Ltd	31/12/2010	—	Step Subsidiary	100%	—	—	Nil	Nil
50	Havells Sylvania Holdings (BVI-2) Ltd	31/12/2010	—	Step Subsidiary	100%	—	—	Nil	Nil
51	Havell's Holdings Limited	31/03/2011	96103639	Subsidiary	100%	(0.16)	(24.48)	Nil	Nil
52	Havell's Cyprus Limited	31/12/2010	56140	Subsidiary	100%	(0.02)	(0.33)	Nil	Nil
53	Standard Electrical Limited (formerly: Seven Wonders Holidays Limited)	31/03/2011	50000	Subsidiary	100%	19.72	14.32	Nil	Nil
54	Havells Exim Limited	31/12/2010	1000	Subsidiary	100%	0.42	NA	Nil	Nil

**For and on behalf of the Board of Directors**

**Qimat Rai Gupta**  
Chairman & Managing Director

**Surjit Gupta**  
Director

**Sanjay Johri**  
Associate Vice-President- Accounts

**Sanjay Gupta**  
Company Secretary

Noida, 27<sup>th</sup> May, 2011



**Management Summary**

Successful turnaround of Sylvania, the international subsidiary acquired in 2007, has shown the ability of your management of getting the things in shape. The last two years bring challenging environment through global recession. We successfully implemented major restructuring plans in Europe and Latin America, rounding out our transformation into a customer focused, agile, profitable, market driven health and well being company. We have moved our European headquarter to London so as to build our business on the more global platform.

Havells has made good progress during financial year 2010-11. Our business model is based on the consumer and dealer relationship which has contributed immensely to the financial performance. A structural change is clearly visible in the Indian consumer favoring quality products with strong brand. Keeping with the times Havells has emerged as a premium quality & diversified product portfolio company with strong brand leadership and reliable distribution channel.

**Industry Overview; Indian industry overview**

The acceleration in growth of Indian economy in the last decade is a well documented fact. Over last 10 years the per capita income has trebled, resulting in higher consumption levels across products and services. Increasing urbanization, higher Government spending in infrastructure and power, strong rural growth and higher power generation has led the structural changes in the Indian Electrical Industry which has been appropriately backed by the transformation in social dynamics through increasing income and change in consumer preferences.

With our understanding of new trends, people's needs and aspirations, as well as our strong brand, solid financial foundation and engaged workforce, we will continue to deliver structural growth and consistently healthy profit margins.

**Global industry overview**

GDP has increased substantially in the Latin American countries during 2010. Sustained demand for commodities and positive internal factors improves the performance of the region's economies. Brazilian economy, for instance, has grown by a blistering 7.5% in 2010, a rate unmatched since 1986. Following a strong rebound in Latin American countries, Sylvania earmarked a strong year of growth, higher profitability and healthier brand recognition.

However European economy is still stagnant. Within Europe, there is a significant divergence in economic trends. Most of the countries in central and eastern Europe are slowly recovering from the economic downturn, economies in some of the southern and western European countries impacted by the sovereign debt crisis are stagnating or contracting. The Germany economy, for instance, suffered from the sharp downturn in global trade in 2009, had benefited in 2010 from strong international demand for high quality capital equipment. Sylvania earmarked a stagnant sale but a strong turnaround in its profitability in Europe. Improved relationship with wholesalers in Europe and lower fixed

cost will drive significant margin improvement over next few years.

**Havells Strategy****Globalisation**

Globalisation at Havells is a term for the horizontal and vertical integration of manufacturing and trade on an international level. In addition to the expanding business in India, Havells was looking to expand the geographical footprint. To remain competitive in today's scenario of consolidation and to have sustainable development, aggressive measures should be implemented to expand business. Starting business internationally is as defensive as an offensive play. Changing slowly to economic alterations in today's world could ultimately harm the business in long run.

Through international acquisition, Havells is vying for a reasonable share in the high entry barrier markets of developed countries and is capturing buoyant growth prospects in the developing countries. The key strategy behind Sylvania acquisition was to acquire a brand with global presence over last 100 years in the electrical space and to get access to strong distribution network spread across Europe and Latin America. Also globalization is necessitated due to competition with lowest cost producers across geographies.

While modern trade is ushering in the 'global village', very significant national differences remain in culture, consumer preferences, and business practices. Havells strategy is to keep local preferences intact and to leverage on the key strength of each cluster.

**Growth in developing economies**

A seismic change is visible in the world's economic geography led by the developing economies of Asia, Latin America and Africa. The economic crisis may have been debilitating for the rich world but for emerging markets it has been closer to a triumph. Emerging economies now characterize younger population, increasing number of well-qualified population, growing middle class, elevating incomes and urbanizations.

Havells is deriving 70% of its consolidated revenue from developing economies like India and Thailand in Asia and Latin America. Leading brand presence and strong distribution channel will lead to the profitable growth in these regions. In addition we would be launching new products, aggressive market strategy and developing local leadership in order to capture robust growth available in these economies. Capitalizing brand recall of Sylvania in other geographies within the same vicinity, we would strengthen the growth momentum in developing economies.

Driving profitability is the key focus area in our operations at developed countries of Europe. Restructuring of European operations by reducing fixed cost along with operational efficiencies, re-strengthening of the brand and improved relationship with customer would contrive improved performance.

## Local management

Havells has an open environment which facilitate in building trust and motivation in the employees. Employees are as enthusiastic about the business as the management. We try to create a culture of participative management and ignite the creative endeavor of employees. It involves making people an interested party to the strategic decisions, thus aligning them to the business objectives.

We cultivate entrepreneurship skills at each level. Building long lasting and customer focused strategic partnership is important for Havells as our business depends on the ultimate growth of these channel partners. Human values, culture, ethics and behaviour of our employees with these partners are keys to our growth. Havells aims to be close to its customers around the world by providing them local partnership for fast and effective solution of the business needs. As a result of the 100 year presence of Sylvania and over four decades of Havells we perceived as a local in the countries we operate.

Diversity is a key feature of our Company. We promote collective decision making at local level. In order to do so 'Strategic Business Unit' for each business segments has been formed across all geographies. SBU is headed by a key strategic team which take collective decisions. Thus SBUs act as self contained planning units for developing discrete business strategies, objectives and parameters. Because strategic business units are more agile, they respond quickly to changing economic or market situations at local level.

## Unique business model

Havells business model is unique in India. We focus on the entire customer need of low voltage electrical products by selling through same distribution channel. We have aligned ourselves horizontally by having large product basket. Thus our channel management has become important and Havells enjoys paramount relationship with its dealers for the past four decades. The strategic business model that we adopted and implemented has certain features which place our business in a unique positioning in India.

1. **Brand building.** Havells has created a strong brand in the electrical consumer products in India which traditionally was a low involvement product category. We started investing in brand promotional activities through large scale television advertisements in 2006 in addition to other mode of advertisement like seminars, print media and local advertisements. It was unheard at that time about any electrical company co-sponsoring cricket mega events like T-20 world cup, Indian Premier League.
2. **Premium positioning.** Havells brand is associated with quality at par with the products of the global leaders. As a strategy Havells entered into the premium category in each product while leaving 'bottom of the pyramid' strategy.
3. **Common distribution channel.** Havells selling pattern is quite different from its peers in India. We sell our entire product categories through same distribution channel targeting same consumer. As a result we are

more consumer focused-channel friendly company. We enjoy unparalleled space with both the consumer and dealers in our industry.

4. **Havells Galaxies.** Breaking the conventional selling methods, Havells started 'Havells Galaxies' which are one stop shops satisfying directly the entire electrical product need of the consumer. Under franchisee model Havells Galaxies provide additional premium sale channel to its existing channel partners.

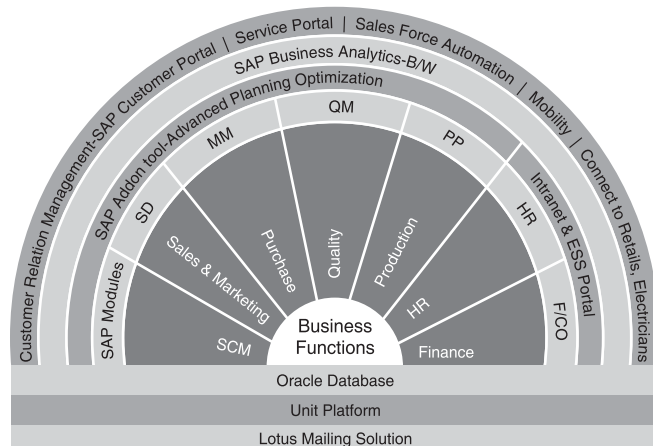
## Growth imperative

In financial year 2010-11 we extended our competitive advantage, while investing in growth. We fortified our leadership and culture. We are a market-driven company forming strategies based on the feedback from markets to capture growth opportunities and to accelerate change while staying fast and productive. Growth is considered as a process to achieve better returns to stakeholders. Growth imperative at Havells means:

1. **Lead in growth markets.** In 2010-11 we grew exponentially in the markets where we lead in the product segments and generated close to Rs. 4,000 crores revenue from Latin America, India and Thailand. With a growth of 22% in financial year 2010-11, we continue to make long term investments to drive growth across these geographies.
2. **Launch new products.** We are committed to grow ahead of the competition. India, which is the key market for our electrical consumer durables segment, new product range of Electrical Water Heater was launched in September 2010. To leverage brand presence and distribution strength in India the next plan is to launch small appliances. Sylvania's strong brand and distribution channel in Europe & Latin America will be further leveraged by launching low voltage switchgears.
3. **Entering new countries.** Sylvania is a 100 years old brand having visibility across five continents. Capitalizing on the brand recall in other geographies than Europe and Latin America, Sylvania will be re-launched in growing economies.
4. **Investing in manufacturing capabilities.** During the last five years Havells invested more than Rs.650 crores in India for converting its manufacturing capabilities into world-class, state-of-the-art units. We own largest facilities in terms of some of our product segments in India and amongst top few in the world. As a manufacturing organisation we manufacture 85% of our products in India and outsource only those products which are either not viable or cannot be done.

Global market driven forces necessitated us to reduce fixed cost and increase utilisation levels at the international manufacturing facilities. During recession in 2009, we closed down three manufacturing facilities in England, Brazil and Costa-Rica. Seven facilities at Europe and Latin America are still operational where critical products are being manufactured while conventional products are being outsourced from low cost countries like China and India.

5. **'Information Technology - a business enabler'**- Havells innovative IT tools enabled the channel partners and business managers to work ahead of competition.



IT Applications has been deployed in India for basic business functions of sales, purchase, production, planning, accounting, research, development and designing through SAP, to implement best business practices with maximum possible automation thereby increasing employees' efficiency & productivity. As a step further we deployed IT support to the channel partners and customers by providing online sales order booking, viewing delivery, billing & order status in order to empower them by making them self sufficient, increase their awareness and level of transparency and thereby strengthening the bond.

Havells is one of the few companies in India to start 'Mobility' extending all field sales staff related applications in SAP to Blackberry to help sales staff in giving prompt response to dealers for any of the queries.

## Financial performance

In the financial year 2010-11, Havells emerged from the economic downturn as a more focused and agile company. The profit margins climbed above the prior-year levels and strong increase in cash flow generation.

### 1. Havells India Performance - stand alone

The Indian business represented through Havells India demonstrated strong growth momentum in revenue and particularly strong traction in the domestic segment. Despite the increased cost, we have been able to maintain the margins at desired level. The

### Segment wise Revenue analysis

In crores of rupees	Year 2009-10		Year 2010-11		Growth %
	Net Revenue	% to total	Net Revenue	% to total	
Switchgears	673	28%	734	26%	9%
Cable & Wires	984	41%	1,232	43%	25%
Lighting & Fixtures	349	15%	445	15%	27%
Electrical Consumer Durables	334	15%	469	16%	40%
Others	31	1%	2		
<b>Total</b>	<b>2,371</b>	<b>100%</b>	<b>2,882</b>	<b>100%</b>	<b>22%</b>

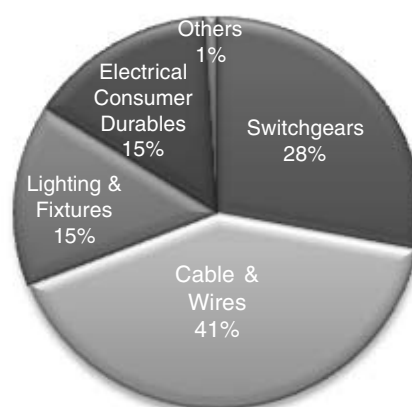
profit margins corrected in comparison to last year due to base effect of low raw material cost.

During financial year 2010-11 net revenue grew by 22% to Rs. 2,882 crores from Rs. 2,371 crores in financial year 2009-10. The earnings before interest, depreciation and tax were up by 10% from Rs. 305 crores in financial year 2009-10 to Rs. 337 crores in financial year 2010-11. Profit after tax was up by 6% from Rs. 228 crores in financial year 2009-10 to Rs. 242 crores in financial year 2010-11.

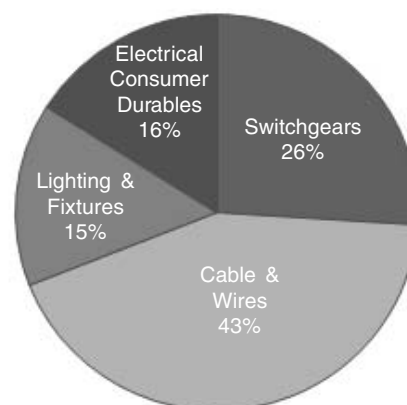
- 1.1 **Revenue analysis - segment performance;** The results achieved by major business segments of the Company are as given below:

### Total revenue breakup for each segment

#### Year 2009-10



#### Year 2010-11





- Switchgears division registered net revenue of Rs. 628 crores in domestic market during financial year 2010-11 as compared to Rs.522 crores registered in the last financial year 2009-10, registering a growth of 20%. The export revenue in Switchgears division has dropped to Rs. 106 crores during financial year 2010-11 as compared to Rs.151 crores in last financial year 2009-10. The drop in export is mainly due to closure of OEM contract with UK based company. Havells is now planning to launch switchgears in the international market.
- Strong growth momentum has been build up in Lighting and Electrical Consumer Durables segments. The divisions have highest direct consumer interaction as compared to other segments. With the structural shift in the consumer preference, the division's performance continues to be robust. We had launched Electrical Water Heater under Electrical Consumer Durables segment in September 2010 which registered net revenue of Rs 22 crores in the financial year 2010-11.

## 2. Sylvania performance - stand alone

The International business represented through Sylvania has been successful turned around during financial year 2010-11. The net revenue grew by 9% from Euro 413 million in financial year 2009-10 to Euro 450 million during financial year 2010-11.

### 2.1 Operating performance highlights in Euro currency

In millions of Euro	Year 2009-10	Year 2010-11
Net Revenue	€ 412.8	€ 449.4
Earnings before depreciation, interest, tax and amortisation	€ 7.1	€ 26.0
Pension (liabilities)/ benefits	€ (7.7)	€ 5.4
Less: Depreciation	€ 8.8	€ 8.3
Less: Interest	€ 12.1	€ 11.0
Add: Other income	€ 1.0	€ 1.1
Less: Exceptional cost	€ 43.6*	€ 0.6
Profit before tax	€ (64.1)	€12.6
Less: Tax	€ 4.9	€ 5.6
Profit after tax	€ (69.0)	€ 7.0

*\*Exceptional cost during financial year 2009-10 has been adjusted with business reconstruction reserve in the audited consolidated balance sheet of the Company*

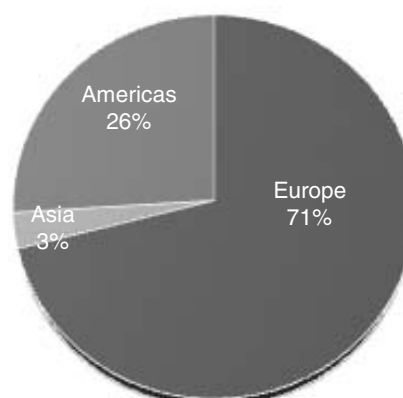
The EBIDTA during financial year 2010-11 would have been Euro 31.4 million including pension benefits of Euro 5.4 million and Euro (0.6) million for the financial year 2009-10 including pension liabilities of Euro 7.7 million.

### 2.2 Geographical revenue mix

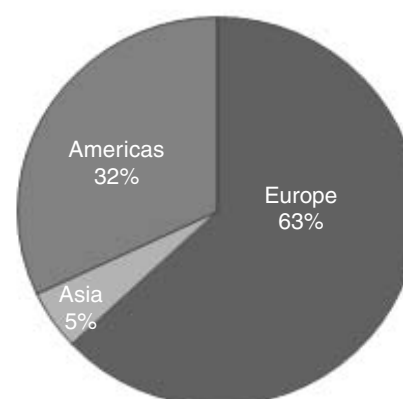
Within the constraint of still weaker economy of Europe, Sylvania earmarked a strong turnaround in its profitability at Europe. Following a strong rebound in Latin American countries, Sylvania earmarked a strong year of growth, higher profitability and healthier brand recognition. During the financial year 2010-11, Europe contribution to the net revenue was 63% as compared to 71% in 2009-10 due to stable revenue in Europe and increased revenue in other part of the world. In Americas region which primarily includes Latin American countries, the net revenue registered a growth of 35%.

#### Net revenue breakup on regional basis

Year 2009-10



Year 2010-11



In millions of Euro	Net Revenue		EBIDTA		EBIDTA %	
	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11
Europe	€ 286.2	€ 280.6	€ (4.0)	€ 13.9	—	4.9%
Americas	€ 107.7	€ 145.0	€ 9.5	€ 13.2	8.8%	9.1%
Asia	€ 13.5	€ 19.4	€ 1.0	€ 1.3	7.4%	6.7%
Others	€ 5.4	€ 4.4	€ 0.6	€ (2.4)	—	—
<b>Total</b>	<b>€ 412.8</b>	<b>€ 449.4</b>	<b>€ 7.1</b>	<b>€ 26.0</b>	<b>1.7%</b>	<b>5.8%</b>

The improvement in operating margin in Europe is largely attributable to completion of restructuring plans and benefits accruing thereon during financial year 2010-11 along with benefits of other operating efficiencies. The margin improvement in Americas was led by revenue growth and operational efficiencies.

## Opportunities & Threats

**Opportunities in the Indian market:** In India we have been focusing on the increasing distribution network and product basket. With large population, increasing urbanization and disposable income, the industry in which we operate provide sustainable growth on a longer term basis.

**Opportunities in the international market:** Robust growth of emerging economies provides large opportunities to Havells. We are a well established Company in these economies and will continue to focus on the growth, new product launches and increasing distribution strength. In other mature economies, the market trend is changing favorably. Havells strategy is to get higher profitability and stable cash flow generations in these markets.

## Threats

**Slow down:** A slowdown of the World Economy mainly European economy is quite possible for the short term due to current global developments. Due to the strong linkage of the manufacturing industry to the economy, such an event would adversely impact growth in the short term for the Company.

**Competition:** Competition whether domestic or international has always been taken as a challenge. Transforming challenges into opportunities has been a practice at Havells.

**Cost of Raw material:** Metal being a major raw material and its volatility may affect our profit margins. Havells had adopted various measures to minimize the effect of escalating prices of raw material.

**Foreign Exchange:** The business includes foreign currency risk due to outsourcing from low cost countries and selling in other geographies. As it has been the market practice followed by other major competitors and all companies working on a global platform, the market absorption of the change is natural.

**Entering into new markets or new products:** As discussed we have been planning to enter into new

geographies which will have its own challenges. We are also planning to launch new products which may need new policies. The new initiatives will bring new challenges in near future. We believe that we have sufficient management bandwidth to pass through these cycles with past experiences.

## Risk Management

Our risk management policy is based on a philosophy of pursuing sustainable growth and creating economic value while avoiding and managing inappropriate risks. We view 'Enterprise Risk Management' as a process, which helps in managing the business risks in more proactive & systematic way and helps in identification of risks by managing the same to achieve the business goal. Risk management is an integral part of how we plan and execute our business strategies.

The Company has established an Enterprise Risk Management (ERM) framework to optimally identify and manage risks as well as to address Strategic, Operational, Financial and Compliance risks. This is in line with the company's commitment to deliver sustainable value to all its stakeholders. This framework aims to provide an integrated and organized approach for evaluating and managing the risks.

Our ERM approach is based on the worldwide accepted "Enterprise Risk Management - Integrated Framework" developed by the "Committee of Sponsoring Organizations of the Tread way Commission" (COSO). Risk management at Havells is based on a comprehensive, interactive and management-oriented Enterprise Risk Management (ERM) approach that is integrated into the organization which addresses both risks and opportunities. ERM process is connected with company's financial reporting process and is closely integrated into the internal control system. We consider company's strategy, effective & efficient utilisation of its resources and reliability of financial reporting as well as statutory compliance to be equally important.

The output of the periodical Risk Assessment is also used as an input to company's Annual Internal Audit Programme, which is approved by Audit Committee & Board. Business risk evaluation and management is an on-going process within the Company.

## Risk Management & Internal Control system

The Company's Internal Control Process has been designed to achieve its objectives to permissible limits through the effective function and combination of its basic elements.

The Audit Committee adopted an objective driven process designed to extract strategic, operational, process and compliance risks. The process will give assurance to all stakeholders that all aspects of risk, within the context of the Company, are covered and managed in a substantive, controlled and methodical manner. It concerns itself with the Company's risk monitoring system and oversees the effectiveness of the internal control system, in particular as it relates to financial reporting, the risk management and control system.

Audit Committee meet quarterly in line with clause 49 of listing agreement of SEBI & in accordance with section 292A of the Companies Act, 1956 to review the Business Performance and to address weakness in the business control infrastructure as reported by internal and statutory auditors or revealed by self-assessment of management, and to take corrective action where necessary.

### **Corporate Governance**

A clearly structured and fully implemented corporate governance system is our highest priority. Corporate Governance is the basis for all our decision-making and control. The Company management believes that good governance is a critical factor in achieving business success. Good corporate governance drives from, amongst other things, solid internal controls and high ethical standards. Risk management is an integral part of Havells' corporate governance structure. Corporate Governance is also related to innovation and strategy as these help to enhance satisfaction of all stakeholders.

### **Risk Categorisation & Mitigation Program**

A structured risk management process encourages management to take risks in controlled manner. In order to provide a comprehensive view of Havells business activities, risk are identified in a structured way by combining elements of a top-down and bottom-up approach. Risks are reported on a regular basis as part of the "Business Performance Management" process. The bottom -up approach is supported by workshop conducted by the respective management at Branch, Factory and Corporate function level, whereas the top-down approach ensure that potential risks and opportunities are discussed on management level and are included in the subsequent reporting process.

This is supported by monthly "Strategic Business Unit" review meeting attended by cross functional team members. In these meetings business performance is reviewed & key issues are discussed for improvements/preventive measures and necessary guidelines are provided by the Top Management to the respective SBU Team. Having assessed relevant risks, management determines how it will respond, after reviewing the likelihood and impact, evaluating costs and benefits, and selecting options that bring residual (remaining risk) within the entity's risk tolerances.

Three years ago, the Company management initiated activities for "Identification of Key Business Risks & preparation of their mitigation plan" for managing the risks in consultation with Ernst & Young (E & Y). Out of thirteen KEY risks identified in consultation with (E & Y), Company prepared mitigation plan for nine risks and balance four are

expected to be completed before financial year 2011-12.

The Company has a structured risk management process to address different risk categories: Strategic, Operational, Financial and Regulatory risks. The Company has reviewed the existing policies & procedures across all business verticals and developed "Standard Operating Procedures (SOPs)" including best business practices in the industries. To ensure its effective implementation Risk Management & Governance Team has been

- Conducting a Workshop with each department
- Developed a Control register mentioning the key activities with defined responsibilities & periodicity for its review, which will facilitate the process owner & their functional Head for their self-monitoring and effective implementation of SOPs.

The management has introduced a specific risk based internal audit program in line with International Best Practices for the financial year 2011-12. These steps will facilitate to have enhanced control & uniformity across the organization.

### **Material Developments in Human Resources / Industrial relations**

The concept of industrial relations has a very wide meaning and connotation in Havells India. It means that the employer, employee relationship confines itself to the relationship that emerges out of the day to day association of the management and the employee. Industrial relations include the relationship between an employee and an employer in the course of running of an industry and may project it to spheres, which may transgress to the areas of quality control, marketing, price fixation and disposition of profits among others.

At Havells the team shares a common vision of achieving excellence in every sphere of business. Our 'Code of Conduct' clearly defines our ethics for performance, behavior at work and our relationships. To promote competent and conducive working environment Company follows following set of practices:

- A flat organization;
- Competency mapping at the time of joining to ensure that the right person does the right job thus enhancing the productivity;
- Open to ideas, suggestions and communications for accelerated decision making;
- Recognition and rewards for performers.

### **Disclaimer clause**

Statements in the Management Discussion and Analysis Report describing the Company's objectives, projections, estimates, expectations may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and incidental factors.



## CORPORATE GOVERNANCE PHILOSOPHY

Havells defines corporate governance strategically, which encompasses not only what we do as a Company with our profits, but also how we make them. It goes beyond philanthropy and compliance and addresses how your Company manages its economic, social, and environmental impacts, as well as its relationships in all key spheres of influence: the workplace, the market, the supply chain, the community, and the public policy realm.

An implicit sense of ethical business conduct has been the cornerstone of Havells' way on corporate governance. On issues ranging from customer care and business excellence to financial propriety and more, explicit rules and regulations supplement the traditional values on which your Company has been shaped. This is what we have endeavored to do in more than 50 years of the group's existence. Our values of understanding, trust, integrity and ethics have served us in good stead.

Corporate governance as practiced by your Company translates into being fair and civic-minded, fulfilling its duties to the entire spectrum of stakeholders, and, most importantly, making integrity an article of faith across all its operations. We started on sound and straightforward business principles, considering the interests of our stakeholders and welfare of our employees as foundation of our long term success. In addition to unwavering

adherence to its philosophy and values, the Company conforms to the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges stipulating Corporate Governance compliances.

## BOARD OF DIRECTORS

### SIZE AND COMPOSITION OF THE BOARD

The Board of Directors of the Company has an optimum combination of executive and non-executive directors with not less than fifty percent of the Board comprising of non-executive directors.

As on 31<sup>st</sup> March, 2011, your Company's Board has a strength of 10 (Ten) Directors comprising 3 (Three) Executive and 7 (Seven) Non-Executive Directors, latter including 5 (Five) Independent Directors. The Chairman of the Board is an Executive Director.

The members of the Board are drawn from various fields having considerable expertise in their respective areas. Together they bring diverse experience, varied perspectives, complementary skills and vast expertise.

The names and category of Directors on Board of the Company and other Directorship(s)/ Committee Membership(s)/ Chairmanship(s) held by them is summarized as under :

### Composition of the Board of Directors as at 31<sup>st</sup> March, 2011

Director	Category	Directorship(s) <sup>1</sup> /Committee <sup>2</sup> Membership(s)/Chairmanship(s) in Other Companies		
		Directorship(s)	Committee Membership(s)	Committee Chairmanship(s)
EXECUTIVE DIRECTORS				
Shri Qimat Rai Gupta (Chairman and Managing Director)	Non Independent	7	Nil	Nil
Shri Anil Gupta (Joint Managing Director)	Non Independent	7	1	1
Shri Rajesh Gupta (Director-Finance)	Non Independent	Nil	Nil	Nil
NON-EXECUTIVE DIRECTORS				
Shri Surjit Gupta	Non Independent	6	Nil	Nil
Shri Sunil Behari Mathur	Independent	12	5	3
Shri Avinash P. Gandhi	Independent	10	1	3
Shri Vijay Kumar Chopra	Independent	14	3	5
Shri Surender Kumar Tuteja	Independent	14	5	5
Dr Adarsh Kishore	Independent	2	Nil	2
Shri Niten Malhan	Non-independent- Representative of Warburg Pincus as Investor	6	5	Nil

Notes :

1. Excludes Directorships in private limited companies, foreign companies, companies under section 25 of the Companies Act, 1956 and Havells India Limited.
2. Committees considered for the purpose are those prescribed under clause 49(I)(C)(ii) of the Listing Agreement viz. Audit Committee and Shareholders'/ Investors' Grievance Committee of Indian public limited companies excluding Havells India Limited.



The Independent Directors on Havells' Board:

- ♦ apart from receiving Director's remuneration, do not have any material pecuniary relationship or transaction with the Company, its promoters, its Directors, its senior management or its holding company, its subsidiaries and associates which may affect independence of the Director;
- ♦ are not related to promoters or persons occupying management positions at the Board level or at one level below the Board;
- ♦ have not been an executive of the Company in the immediately preceding three financial years;
- ♦ are not partners or executives or were not partners or executives during the preceding three years of the:
  - Statutory audit firm or the internal audit firm that is associated with the Company.
  - Legal firm(s) and consulting firm(s) that have a material association with the Company.
- ♦ are not material suppliers, service providers or customers or lessors or lessees of the Company, which may affect independence of the Director;
- ♦ are not substantial shareholders of the Company i.e. do not own two percent or more of the block of voting shares;
- ♦ are not less than 21 years of age.

None of the Directors are members of more than 10 (Ten) Committees and Chairman of 5 (Five) Committees across all the Companies in which they are Directors. The necessary disclosures regarding other Directorship(s)/ Committee Membership(s) / Chairmanship(s) have been made by all the Directors in March, 2011.

#### Relationships between Directors inter-se

Shri Qimat Rai Gupta is the husband of Shri Surjit Gupta's sister and Shri Anil Gupta is the son of Shri Qimat Rai Gupta.

#### BOARD MEETINGS

During the year under review the Board met 5 (five) times on 11<sup>th</sup> May 2010, 28<sup>th</sup> July 2010, 27<sup>th</sup> August 2010, 1<sup>st</sup> November 2010 and 28<sup>th</sup> January 2011. In terms of Clause 49 of the Listing Agreement the gap between any two meetings did not exceed four months.

#### Information provided to the Board Members

The Board agenda with proper explanatory notes is prepared and circulated well in advance to all the Board members. All statutory and other matters of significant importance including information as mentioned in Annexure 1A to clause 49 of the Listing Agreement are tabled before the Board to enable it to discharge its responsibility of strategic supervision of the Company.

The Board also reviews periodical compliances of all laws, rules and regulations. At the Board Meeting, members have full freedom to express their opinion and decisions are taken after detailed deliberations.

Attendance record of Board members for meetings held during FY 2010-11 & for the last AGM is given below:

Name of Director	Attendance in Board Meetings (No. of Board Meetings held: 5)	Attendance in AGM held on 29 <sup>th</sup> September, 2010
Shri Qimat Rai Gupta	5	Yes
Shri Anil Gupta	5	Yes
Shri Rajesh Gupta	5	Yes
Shri Surjit Gupta	5	Yes
Shri Sunil Behari Mathur	5	Yes
Shri Avinash P. Gandhi	3	Yes
Shri Vijay Kumar Chopra	5	Yes
Shri Surender Kumar Tuteja*	5	Yes
Dr. Abid Hussain@	1	–
Maj Gen D N Khurana@	1	–
Dr Adarsh Kishore**	4	No
Shri Niten Malhan	3	No

@ Ceased to be Director w.e.f 5<sup>th</sup> July, 2010

\* Director since 11<sup>th</sup> May, 2010

\*\* Director since 28<sup>th</sup> July, 2010

**Note :** During the financial year 2010-11, the Board of Directors has also passed 2 (two) Resolutions by Circulation dated 10<sup>th</sup> January, 2011 and 25<sup>th</sup> March, 2011 with the consent of the majority of directors then in India.

#### CODE OF CONDUCT

The Company is committed to conduct its business in accordance with the applicable laws, rules and regulations and with the highest standards of business ethics. Havells' Code of Ethics is intended to provide guidance and help in recognizing and dealing with ethical issues, mechanisms to report unethical conduct, and to help foster a culture of honesty and accountability. The Board has adopted a Code of Ethics for its Members, the Senior Management Personnel and also for all other employees of the Company. The Code is available on the website of the Company [www.havells.com](http://www.havells.com).

### **Declaration as required under Clause 49 of the Listing Agreement**

All Directors and Senior Management of the Company have affirmed compliance with the Code of Ethics for the financial year ended 31<sup>st</sup> March 2011.

Qimat Rai Gupta  
Noida, 27<sup>th</sup> May 2011 Chairman and Managing Director

### **Company's Policy on Prohibition of Insider Trading**

The Company has formulated a Policy for Prohibition of Insider Trading to deter the insider trading in the securities of the Company based on the unpublished price sensitive information. The policy envisages procedures to be followed and disclosures to be made while dealing in the securities of the Company. The full text policy is available on the website of Company [www.havells.com](http://www.havells.com) under Investors Relation Section.

## **COMMITTEES OF THE BOARD**

### **AUDIT COMMITTEE**

#### **COMPOSITION OF AUDIT COMMITTEE**

The Company has constituted a qualified and independent audit committee as required under section 292 (A) of the Companies Act, 1956 as also in fulfillment of the requirements of Clause 49 of the Listing Agreement. The Committee comprises 5 (Five) Non- Executive Directors as members. All members are financially literate and possess sound knowledge of accounts, finance and audit matters. The Company Secretary of the Company acts as Secretary to the Audit Committee. The Internal Auditors of the Company attend the meetings of the Audit Committee on invitation of the Chairman of the Committee.

The Composition of Audit Committee as on 31<sup>st</sup> March, 2011, is given below:

<b>Name of Director</b>	<b>Category</b>	<b>Designation</b>
Shri Sunil Behari Mathur	Independent	Chairman
Shri Surjit Gupta	Non-Independent	Member
Shri Avinash P Gandhi	Independent	Member
Shri V K Chopra	Independent	Member
Shri Niten Malhan	Non-Independent	Member

The Chairman of the Audit Committee attended the last AGM to answer Shareholder queries.

### **TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

The Audit Committee has extensive powers and the Committee has access to all requisite information of the Company. The role of the Audit Committee includes:

- ♦ Review of the Company's financial reporting process

and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.

- ♦ Recommending to the Board, the appointment, re-appointment and removal of statutory auditors, fixation of audit fee and also approval for payment for any other services.
- ♦ Reviewing with the management the financial statements before submission to the Board for approval, with particular reference to:
  - Matters required to be included in the Directors' Responsibility Statement as featured in the Board's Report in terms of clause (2AA) of section 217 of the Companies Act, 1956
  - Any changes in accounting policies and practices and reasons thereof
  - Major accounting entries based on the exercise of judgment by management
  - Significant adjustments made in the financial statements arising out of audit findings
  - Compliance with listing and other legal requirements relating to financial statements
  - Any related party transaction
  - Qualifications in the draft audit report
- ♦ Reviewing, with the management, the statement of uses/ application of funds raised through an issue (public issue, rights issue, preferential issue etc.), the statement of funds utilized for purposes other than those stated in the offer document/ prospectus/ notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
- ♦ Reviewing with management, statutory and internal auditors, the adequacy of internal control systems and internal audit function.
- ♦ Reviewing the adequacy of internal audit function including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- ♦ Discussion with internal auditors on any significant findings and follow up thereon
- ♦ Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

- ♦ Discussion with external/ statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- ♦ Reviewing the Company's financial and risk management policies.
- ♦ Looking into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- ♦ Reviewing the functioning of Whistle Blower mechanism in the Company.
- ♦ Considering such other matters the Board may specify.
- ♦ Reviewing other areas that may be brought under the purview of role of Audit Committee as specified in Listing Agreement and the Companies Act, as and when amended.

### AUDIT COMMITTEE MEETINGS

During the financial year 2010-11, Audit Committee met 7 (Seven) times on 11<sup>th</sup> May 2010, 28<sup>th</sup> July 2010, 27<sup>th</sup> August 2010, 29<sup>th</sup> September 2010, 1<sup>st</sup> November 2010, 28<sup>th</sup> January 2011 and 25<sup>th</sup> March, 2011 to deliberate and review the mandatory matters and other matters as are materially significant and important.

Attendance record of Audit Committee members for meetings held during FY 2010-11 is given below:

Name of Director	Designation	Meetings Attended (No. of Meetings held : 7)
Shri Sunil Behari Mathur	Chairman	7
Shri Surjit Gupta	Member	7
Shri Avinash P Gandhi*	Member	5
Shri V K Chopra*	Member	6
Dr. Abid Hussain@	Member	1
Maj Gen D N Khurana@	Member	1
Shri Niten Malhan	Member	3

\* Inducted as Member w.e.f. 5<sup>th</sup> July, 2010

@ Ceased to be Director w.e.f 5<sup>th</sup> July, 2010

### REMUNERATION COMMITTEE

#### COMPOSITION OF REMUNERATION COMMITTEE

The Company has constituted a Remuneration Committee in conformity with the requirements of Clause 49 of the Listing Agreement. The Committee comprises four Non-Executive Directors. The Company Secretary of the Company acts as Secretary to the Remuneration

Committee. The Composition of Remuneration Committee as on 31<sup>st</sup> March, 2011 is given below:

Name of Director	Category	Designation
Shri Avinash P Gandhi	Independent	Chairman
Shri Surjit Gupta	Non-Independent	Member
Shri V K Chopra*	Independent	Member
Shri S K Tuteja**	Independent	Member

\* Inducted as a member w.e.f. 5<sup>th</sup> July 2010

\*\* Inducted as a member w.e.f. 1<sup>st</sup> November 2010

### ROLE OF REMUNERATION COMMITTEE

The Remuneration Committee of the Company determines on behalf of Board and on behalf of the Shareholders, the Company's policy governing remuneration payable to Executive Directors including pension rights and compensation payment.

### MEETINGS OF REMUNERATION COMMITTEE

During the financial year 2010-11, Remuneration Committee met once on 11<sup>th</sup> May 2010.

Attendance record of Remuneration Committee members for the meeting held during FY 2010-11 is given below:

Name of Director	Designation	Meetings Attended (No. of Meetings held : 1)
Shri Avinash P Gandhi#	Chairman	–
Shri Surjit Gupta	Member	1
Shri V K Chopra*	Member	–
Dr. Abid Hussain@	Chairman	1

# Chairman w.e.f 5<sup>th</sup> July 2010

\* Inducted as Member w.e.f 5<sup>th</sup> July 2010

@ Ceased to be Director & Chairman of Remuneration Committee w.e.f 5<sup>th</sup> July 2010

### REMUNERATION OF DIRECTORS

The remuneration to the Managing Director and Whole-time Director is paid on the scale determined by the Remuneration Committee and approved by the Shareholders at the General Meeting. The remuneration paid to the Executive Directors also includes payment of Commission of Rs. 2,37,23,250/- paid to Shri Qimat Rai Gupta, Rs. 1,58,16,500/- paid to Shri Anil Gupta and Rs. 1,58,16,500/- paid to Shri Rajesh Gupta.

Non-Executive Directors are not paid any remuneration. However, Non-Executive Independent Directors are entitled to sitting fees for attending meetings of the Board and Committees thereof.

The Company does not have any Employee Stock Option Scheme.

Details of remuneration/ sitting fees paid to Directors during the financial year 2010 - 11 is given below:

(Rs. in Lacs)

Name of Director	Service Term	No. of shares held	Sitting Fee (A)	Salary & Perks (B)	Commission (C)	Total (A+B+C)
Shri Qimat Rai Gupta (Chairman & Managing Director)	01-04-2009 to 31-03-2014	9535888	–	120.13	237.23*	357.36
Shri Anil Gupta (Joint Managing Director)	01-04-2009 to 31-03-2014	3467948	–	90.13	158.17**	248.30
Shri Rajesh Gupta (Director - Finance)	01-04-2010 to 31-03-2015	239680	–	91.13	158.17**	249.30
Shri Surjit Gupta	–	6530160	–	–	–	–
Shri Sunil Behari Mathur	–	–	2.60	–	–	2.60
Shri Avinash P. Gandhi	–	–	1.80	–	–	1.80
Shri Vijay Kumar Chopra	–	–	2.40	–	–	2.40
Shri S K Tuteja	–	–	1.20	–	–	1.20
Dr Adarsh Kishore	–	–	0.80	–	–	0.80
Dr Abid Hussain@	–	–	0.60	–	–	0.60
Maj Gen D N Khurana@	–	–	0.40	–	–	0.40
Shri Niten Malhan	–	–	–	–	–	–

\*As per the approved terms, Shri Qimat Rai Gupta is entitled to Commission @ 0.75% of the profit before tax.

\*\*As per the approved terms, Shri Anil Gupta and Shri Rajesh Gupta are entitled to Commission @ 0.50% of the profit before tax.

@ Ceased to be Director w.e.f 5<sup>th</sup> July, 2010

## SERVICE CONTRACT, SEVERANCE FEE AND NOTICE PERIOD OF THE EXECUTIVE DIRECTORS

The appointment of the Executive Directors is governed by Resolutions passed by the Shareholders of the Company, which cover the terms and conditions of such appointment, read with the service rules of the Company. A separate Service Contract is not entered into by the Company with Executive Directors. The Company has no scheme for stock options. No notice period or severance fee is payable to any Director.

## SHAREHOLDERS' & INVESTORS' GRIEVANCE COMMITTEE

### COMPOSITION OF SHAREHOLDERS' & INVESTORS' GRIEVANCE COMMITTEE

The Company has constituted a Shareholders' & Investors' Grievance Committee in conformity with the requirement of clause 49 of the Listing Agreement. The Committee comprises one Non-Executive Director and two Executive Directors. Shri Surjit Gupta being Non-Executive Director is the Chairman of the Committee. The Composition of

Shareholders' & Investors' Grievance Committee as on 31<sup>st</sup> March, 2011 is given below:

Name of Director	Category	Designation
Shri Surjit Gupta	Non-Independent	Chairman
Shri Anil Gupta	Non- Independent	Member
Shri Rajesh Gupta	Non-Independent	Member

### ROLE OF SHAREHOLDERS' & INVESTORS' GRIEVANCE COMMITTEE

The Shareholders' & Investors' Grievance Committee meets regularly to consider requests of share transfer/ transmission/ transposition/ split/ consolidation / sub-division / duplicate share certificate etc. and also to attend the investor grievances.

The summary of number of requests/ grievances received and resolved in every quarter is placed before the Board for its information and review.

**MEETINGS OF SHAREHOLDERS' & INVESTORS' GRIEVANCE COMMITTEE**

During the financial year 2010-11, the Committee met thirty times. The number of shareholders' requests received and resolved during FY 2010-11 is given below:

S. No.	Nature of Grievance	Received	Resolved	Maximum Period of Reply (in days)
1	Change of Address	31	31	1
2	Change in Bank Details	19	19	1
3	Request for issue of Duplicate Share Certificate(s)	64	64	1
4	Dividend related queries	94	94	1
5	Annual Report	60	60	1
6	Transposition/ Transmission requests	9	9	1
7	Non-receipt of Share Certificate(s) after transfer	6	6	1
8	Request for New Share Certificate(s) on account of split of shares	76	76	1
9	Bonus	50	50	1
10	Others	23	23	1
	<b>TOTAL</b>	<b>432</b>	<b>432</b>	

Out of these 432 requests, there were 6 complaints for non-receipt of share certificates after transfer, all of which were resolved to the satisfaction of the Shareholders. No transfer/ transmission of shares were pending as on 31<sup>st</sup> March, 2011.

**COMPLIANCE OFFICER**

Shri Sanjay Kumar Gupta, Company Secretary is the Compliance Officer under Clause 47 of the Listing Agreement.

**FINANCE COMMITTEE**
**COMPOSITION OF FINANCE COMMITTEE**

In addition to mandatory/non-mandatory Board Committees specified under Clause 49 of the Listing Agreement, your Company has constituted a Finance Committee comprising of one Non-Executive and two Executive Directors of the Company. The Company Secretary of the Company acts as the Secretary to the Committee. The Composition of Finance Committee as on 31<sup>st</sup> March, 2011 is given below:

Name of Director	Category	Designation
Shri Surjit Gupta	Non-Independent	Chairman
Shri Anil Gupta	Non-Independent	Member
Shri Rajesh Gupta	Non-Independent	Member

**ROLE OF FINANCE COMMITTEE**

The primary role of the Finance Committee is to expeditiously decide business matters of routine nature and implementation of strategic decisions of the Board. The Committee functions within the approved framework and directions of the Board. The Committee also performs other activities as per the terms of reference of the Board.

**MEETINGS OF FINANCE COMMITTEE**

During the financial year 2010-11, the Finance Committee met thirty times. A summary of Finance Committee meetings is placed before the Board for its information and review.

**MANAGEMENT**

The detailed Management Discussion and Analysis (MDA) Report forms an integral part of this Annual Report.



## GENERAL MEETINGS (AGM & EGM) HELD DURING THE PAST 3 YEARS

Type of Meeting	Date of Meeting	Time	Place	Detail of Special Resolution(s) passed, if any
<b>YEAR 2008-09</b>				
Annual General Meeting	11 <sup>th</sup> July, 2008	11.30 am	FICCI Auditorium, Tansen Marg, New Delhi - 110 001	—
<b>YEAR 2009-10</b>				
Annual General Meeting	25 <sup>th</sup> August, 2009	11.30 am	FICCI Auditorium, Tansen Marg, New Delhi - 110 001	1. Re-appointment of Shri Qimat Rai Gupta as Managing Director of the Company from the period 1 <sup>st</sup> April, 2009 to 31 <sup>st</sup> March, 2014
<b>YEAR 2010-11</b>				
Extra Ordinary General Meeting (Court Convened)	21 <sup>st</sup> April, 2010	11:00 am	Shah Auditorium Shree Delhi Gujarati Samaj Marg, Civil Lines, Delhi - 110 054	1. Approval of the Scheme of Arrangement and demerger entered into between Havells India Limited, Seven Wonders Holidays Private Limited and Standard Electricals Limited.
Annual General Meeting	29 <sup>th</sup> September, 2010	4:00 pm	Sri Sathya Sai International Centre, Pragati Vihar, Lodhi Road, New Delhi - 110 003	1. Modification in the terms of appointment for increasing the remuneration of Shri Qimat Rai Gupta, Chairman and Managing Director of the Company.  2. Amendment of the Memorandum of Association of the Company for increasing the Authorized Share Capital of the Company from Rs. 40 crores to Rs. 100 crores.  3. Issuance of Bonus Shares in the ratio of 1:1.

### Special Resolution passed through the Postal Ballot Procedure

There was no Special Resolution passed through Postal Ballot procedure during the Financial Year 2010-11.

No Resolution requiring Postal Ballot as required by the Companies (Passing of Resolution by Postal Ballot) Rules, 2001, has been placed for Shareholder's approval at this Annual General Meeting.

## DISCLOSURES

### (a) Materially significant related party transactions.

During the financial year 2010-11, there was no materially significant related party transaction that may have potential conflict with the interests of the Company at large. For reference, the details of related party transactions in accordance with AS-18 are given in Note No. 37 of Notes to Annual Accounts of the Annual Report.

### (b) Details of non-compliance / penalties / strictures imposed on the Company by the Statutory Authorities

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

### (c) Whistle Blower Policy and affirmation that no personnel have been denied access to the Audit Committee.

The Company has in addition to Whistle Blower Policy adopted a policy named 'Idea & Satark' Policy. The policy has been implemented by the Company to promote a culture of innovative thinking, creativity and vigilance in all corners of its business. Under 'Idea', all types of ideas are invited from all staff members/ workers for implementation. The ideas may be related to technical aspects of business, non-technical aspects, commercial aspects,

administrative aspects, processes, cost saving or any such other aspect that may benefit the Company. 'Satark' which means alert/ vigilant entails a person associated with the organization to file a grievance if he/ she notices any irregularity.

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

**(d) Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause.**

The Company has fully complied with the mandatory requirements of Clause 49 of the Listing Agreement entered into with the Stock Exchanges.

The Company has adopted two non mandatory requirements of the Clause 49 of the Listing Agreement viz.

- Remuneration Committee of the Board which has been constituted to determine the remuneration package of the Executive Directors and
- Whistle Blower Policy wherein a mechanism has been established for the employees to report to the management about unethical behavior, actual or suspected fraud or violation of the Company's code of conduct or ethics policy.

**(e) Proceeds from the public issue, rights issue, preferential issues etc.**

During the financial year 2010-11, your Company has not raised proceeds / funds from public issue, rights issue, preferential issue etc.

**MEANS OF COMMUNICATION**

**(i) Financial Results**

The quarterly/ half-yearly/ annual financial results are published in Business Standard (English Daily) and Hindustan (Hindi Daily). The financial results and the official news releases are also placed on the Company's website [www.havells.com](http://www.havells.com). Till withdrawal of the relevant clause i.e. up to 1.4.2010, Company's Financial Results and Shareholding Pattern were regularly posted on SEBI EDIFAR website at [www.sebiedifar.nic.in](http://www.sebiedifar.nic.in)

(ii) The Company has an exclusive email id [investors@havells.com](mailto:investors@havells.com) dedicated for prompt redressal of shareholders' queries, grievances etc.

(iii) The Company holds analysts calls in each quarter, to apprise and make public the information relating to the Company's working and future outlook.

**GENERAL SHAREHOLDER INFORMATION**

**(i) Annual General Meeting (Financial Year 2011-12)**

Day : Monday  
 Date : 1<sup>st</sup> August, 2011.  
 Time : 10:00 a.m.  
 Venue : Sri Sathya Sai International Centre,  
 Pragati Vihar Lodhi Road,  
 New Delhi - 110 003

**(ii) Financial Year**

The Financial Year of the Company starts from 1<sup>st</sup> April of a year and ends on 31<sup>st</sup> March of the following year.

**(iii) Financial Calendar**

Financial Reporting For	Tentative Time Period
Quarter ending June 30, 2011	End July 2011
Quarter ending September 30, 2011	End October 2011
Quarter ending December 31, 2011	End January 2012
Year ending March 31, 2012	End May 2012

**Note:** The above dates are indicative and subject to change.

**(iv) Date of Book Closure**

The books will remain closed from 26<sup>th</sup> day of July 2011, Tuesday to 29<sup>th</sup> day of July 2011, Friday for the purpose of Dividend.

**(v) Dividend Payment Date**

The Board of Directors of your Company has recommended a dividend of Rs. 2.50 per equity share of Rs. 5/- each i.e. @ 50 % for the financial year 2010-11. Date of payment of dividend would be within 30 days from 1<sup>st</sup> August, 2011.

**(vi) Listing on Stock Exchanges**

The equity shares of the Company are listed at :

- ♦ The National Stock Exchange of India Limited (NSE)
- ♦ Bombay Stock Exchange Limited (BSE).

**(vii) Scrip Code**

National Stock Exchange(NSE)	Bombay Stock Exchange(BSE)	ISIN
HAVELLS	517354	INE176B01026 (Shares)

**(viii) Annual Listing and Custodial Fees**

The listing fees and custodial fees for the financial year 2011-12 have been paid by your Company within the stipulated time.

**(ix) Stock Price Data**

Monthly high & low prices and volumes of the equity shares of your Company at National Stock Exchange of India Limited (Nifty) and Bombay Stock Exchange Limited (Sensex) during financial year 2010-11 are as under:

Period	NSE			BSE		
	High (Rs.)	Low (Rs.)	Volume (No. of Shares)	High (Rs.)	Low (Rs.)	Volume (No. of Shares)
April 2010	673.60	530.00	12723280	673.70	596.95	4862075
May 2010	632.50	542.00	3684295	631.00	539.00	1133769
June 2010	655.70	560.30	13109539	655.95	528.75	4767615
July 2010	693.00	619.00	7727194	693.50	617.05	2220813
August 2010	849.00	661.10	14386294	850.00	662.50	4984783
September 2010	823.00	768.05	4124463	823.00	767.20	1237494
*October 2010	891.90	401.25	6090238	893.00	403.00	1582130
November 2010	423.00	357.80	4743563	424.00	358.00	991063
December 2010	414.85	362.00	4766477	409.75	361.10	1162393
January 2011	401.90	326.10	1956587	400.95	327.60	722563
February 2011	349.00	290.00	3329027	349.90	290.10	810600
March 2011	383.90	316.35	6711206	383.90	316.20	1545718

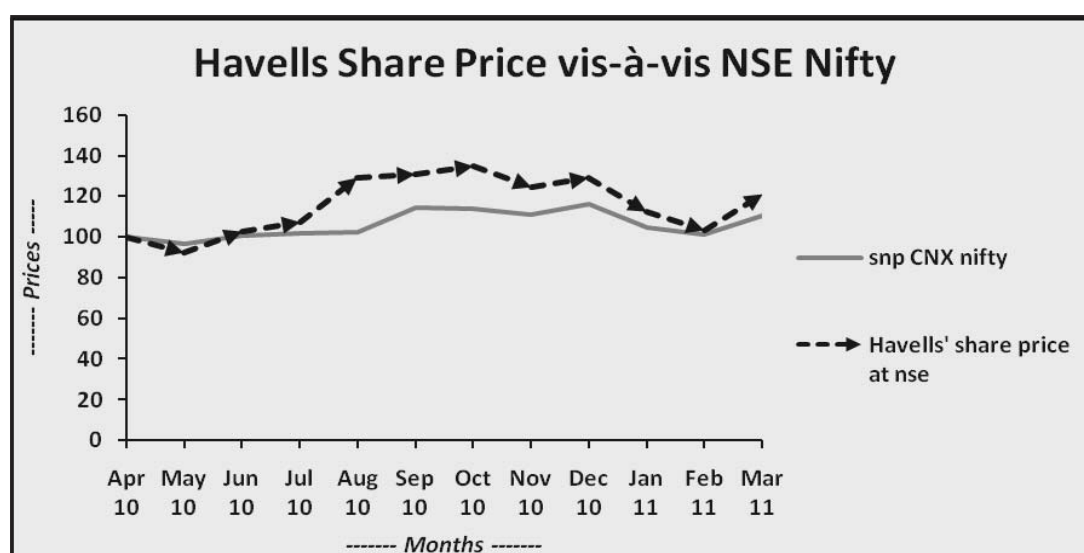
(Source: NSE and BSE website)

\*During Oct 2010, the Company had issued Bonus Shares in the ratio of 1:1. Prices are accordingly reflected in the above table.

Note: High and low are in rupees per traded share. Volume is the total monthly volume of trade (in numbers) in the Company's share on the respective Stock Exchange.

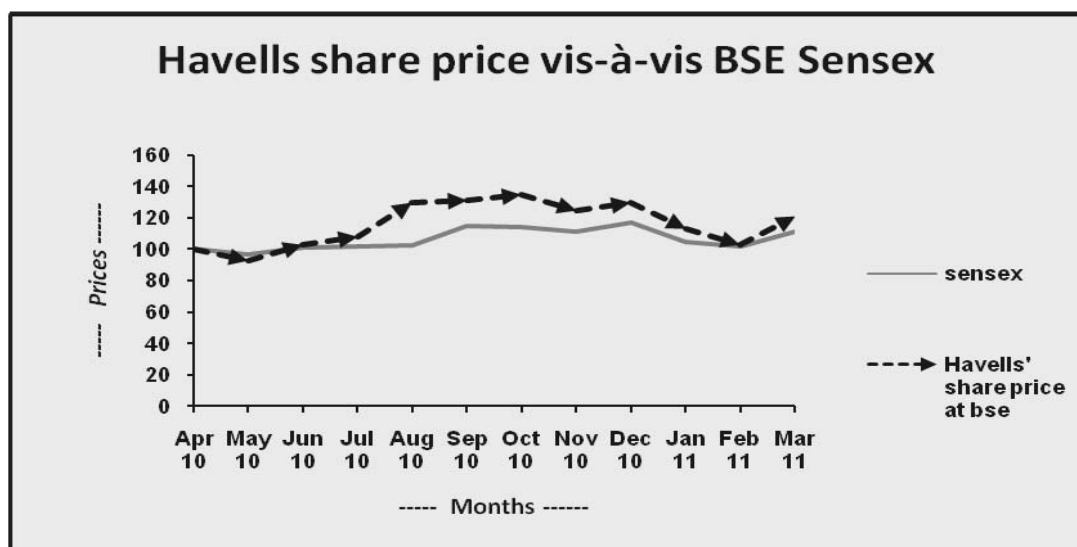
**(x) Stock Performance**

The performance of your Company's stock relative to the NSE Sensitive Index (S&P CNX Nifty Index) is given in the chart below:



The graph depicts monthly closing positions. The positions post Bonus allotment (1:1) on 12<sup>th</sup> Oct 2010 have been adjusted appropriately for graphical representation.

The performance of your Company's stock relative to the BSE Sensitive Index (SENSEX) is given in the chart below:



The graph depicts monthly closing positions. The positions post Bonus allotment (1:1) on 12<sup>th</sup> Oct 2010 have been adjusted appropriately for graphical representation.

#### (xi) Registrar & Share Transfer Agents

M/s MCS Limited  
F-65, 1<sup>st</sup> Floor, Okhla Industrial Area, Phase - I  
New Delhi - 110 020  
Telephone No.: 011 - 41406149-52  
Fax No. : 011 - 41709881  
Email id: admin@mcsdel.com

In case of shares held in physical form, the transferred share certificates duly endorsed are despatched within 10 days from the date of receipt of documents, provided documents are valid and complete in all respects. In compliance of the provisions of Listing Agreement, the share transfer system of the Company is audited every six months by a Practicing Company Secretary and a certificate to that effect is issued by him.

#### (xii) Share Transfer System

Trading in equity shares of the Company through recognized Stock Exchanges can be done only in dematerialized form.

In case of request for dematerialization of shares, confirmation of dematerialization is sent to the respective depository i.e. National Securities Depository Limited (NSDL) or Central Depository Services (India) Limited (CDSL), expeditiously.

#### (xiii) Distribution of Shareholding as on 31<sup>st</sup> March, 2011

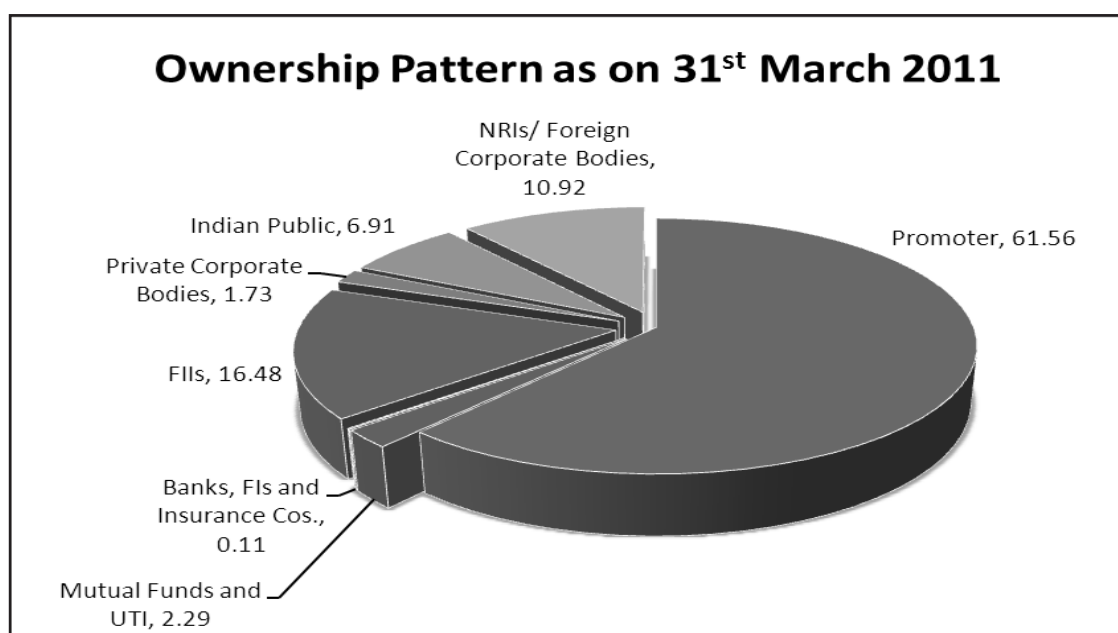
Shareholding of nominal Value of Rs. 5/- each	Share-holders (Number)	% of Total Share-holders	No. of Shares	Nominal Value (in Rs.)	% of Nominal Value
(Rs.)					
Upto 5,000	35391	94.37	3788979	18944895	3.04
5,001 – 10,000	1292	3.44	1997498	9987490	1.60
10,001 – 20,000	408	1.09	1242402	6212010	1.00
20,001 – 30,000	132	0.35	667489	3337445	0.53
30,001 – 40,000	90	0.24	658918	3294590	0.53
40,001 – 50,000	32	0.09	298502	1492510	0.24
50,001 – 100,000	66	0.18	979671	4898355	0.78
100,001 & Above	89	0.24	115141353	575706765	92.28
<b>Grand Total</b>	<b>37500</b>	<b>100.00</b>	<b>124774812</b>	<b>623874060</b>	<b>100.00</b>

**Ownership Pattern as on 31<sup>st</sup> March, 2011**

Category	No. of Shareholders	No. of Shares Held	% of Total Holding
<b>Promoters</b>			
Indian Promoters	11	76812852	61.56
<b>Institutional Investors</b>			
Mutual Funds and UTI	8	2859895	2.29
Bank, Financial Institutions and Insurance Companies	3	119412	0.11
FII	52	20562224	16.48
<b>Others</b>			
Private Corporate Bodies	899	2160662	1.73
Indian Public	35649	8627746	6.91
NRI/ Foreign Corporate Bodies	878	13632021	10.92
<b>Grand Total</b>	<b>37500</b>	<b>124774812</b>	<b>100.00</b>

**List of Shareholders other than Promoters holding more than 1% as on 31<sup>st</sup> March, 2011**

S. No.	Name of Shareholder	No. of Shares Held	% of Total Share-holding
1.	Sloane Robinson LLP A/c Sr Global (Mauritius) Limited (Class B - Asia)	1520467	1.22
2.	DSP Blackrock India T.I.G.E.R. Fund	2219808	1.78
3.	Sloane Robinson LLP A/c Sr Global (Mauritius) Limited (Class G - Emerging)	2781712	2.23
4.	Saif III Mauritius Company Limited	3462145	2.77
5.	Citigroup Global Markets Mauritius Private Limited	4025660	3.23
6.	Warburg Pincus International LLC A/c Woodcrest Investment Ltd.	4607600	3.69
7.	Seacrest Investment Ltd	12820000	10.27
	<b>TOTAL</b>	<b>31437392</b>	<b>25.19</b>

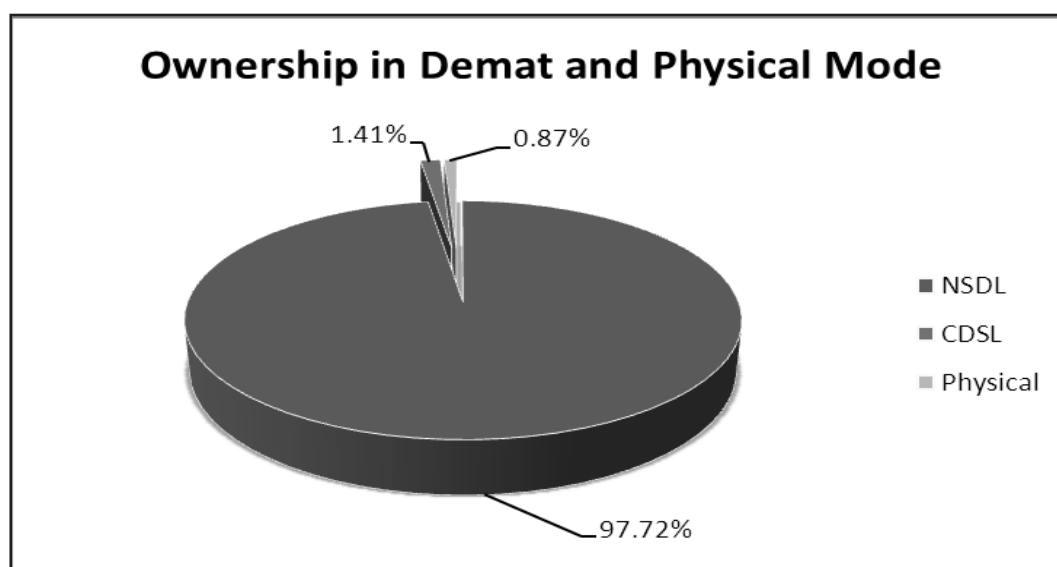




**(xiv) Dematerialization of shares and liquidity**

The shares of the Company are in compulsory demat segment and are available for trading in the depository systems of both the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). As at 31<sup>st</sup> March, 2011, 123688566 Equity shares out of 124774812 Equity Shares of the Company, forming 99.13 % of the Company's paid up capital is held in the dematerialized form. Majority of demat shares are with National Securities Depository Limited. The statuses of shares held in demat and physical format is given below. The Company's shares are liquid and actively traded on the NSE and BSE.

Particulars	As on 31 <sup>st</sup> March, 2011		As on 31 <sup>st</sup> March, 2010	
	Number of Shares	Percentage	Number of Shares	Percentage
<b>Shares in Demat Form</b>	<b>123688566</b>	<b>99.13</b>	<b>59571875</b>	<b>99.01</b>
NSDL	121932525	97.72	58662298	97.50
CDSL	1756041	1.41	909577	1.51
<b>Shares in Physical Form</b>	<b>1086246</b>	<b>0.87</b>	<b>596531</b>	<b>0.99</b>
<b>Total</b>	<b>124774812</b>	<b>100.00</b>	<b>60168406</b>	<b>100.00</b>


**(xv) Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity**

There are no GDRs/ADRs/Warrants outstanding as on 31<sup>st</sup> March, 2011.

**(xvi) Units / Plant Locations**

The units or plants of your Company are situated at following addresses:

S.No.	Unit / Plant	Location Address
1.	Switchgear Division a. Domestic Switchgears b. Industrial Switchgear	Distt. Solan, Baddi, Himachal Pradesh - 14/3, Mathura Road, Faridabad - Plot No.6, Site - IV, Sahibabad Industrial Area, Sahibabad (U.P.)
2.	Capacitors	Plot No.6, Site - IV, Sahibabad Industrial Area, Sahibabad (U.P.)
3.	PCB Assembly Line	E-1, Sector-59, Noida - 201307
4.	Motor	SP-181 - 189, Phase II, Neemrana, Alwar, Rajasthan.
5.	Cable and Wire Division	A/461-462, & SP - 215, Matsya Industrial Area, Alwar, Rajasthan
6.	Lighting and Fixture Division	SP-181 - 189, Phase II, Neemrana, Alwar, Rajasthan.
7.	Electrical Consumer Durable - Fan Division	Plot No.2A, Sector - 10, BHEL Industrial Estate, Haridwar, Uttranchal
8.	Centre for Research & Innovation (CRI)	QRG Towers, 2D, Sector - 126, Expressway, Noida - U.P. - 201 304

**(xvii) Address for Correspondence with the Company**

The Company Secretary  
Havells India Limited  
(Secretarial Department)  
QRG Towers, 2D, Sector - 126,  
Expressway, Noida - U.P.  
Pin - 201304  
Telephone No.: 0120 - 4771000  
Fax No.: 0120 - 4772000

**Address for Correspondence with the Registrar and Transfer Agents**

**MCS Limited**

F-65, Okhla Industrial Area, Phase - I  
New Delhi - 110 020  
Telephone No.: 011 - 41406149-52  
Fax No. : 011- 41709881  
Email id: admin@mcsdel.com

**(xviii) Other Useful Information for Shareholders**

**ECS Facility**

The Company provides facility of "Electronic Clearing Service" (ECS) for payment of dividend to its Shareholders. ECS facility assists in quick remittance of dividend without possible loss/delay in postal transit. Shareholders holding shares in physical form are requested to provide details of their bank account for availing ECS facility. However, if the shares are held in dematerialized form, the ECS mandate has to be communicated to the respective Depository Participant (DP). Changes, if any, in the details furnished earlier may also be communicated to the Company or DP, as the case may be.

**Update E-mails for receiving notice/ documents in e-mode**

Pursuant to a recent circular issued by the Ministry of Corporate Affairs signifying the concept of "green initiative" in Corporate Governance, the service of documents/ notices by the Company can be done in e-mode instead of physical dispatch.

Shareholders are therefore requested to kindly register their e-mail addresses with the Company in the Form annexed with the Notice of Annual General Meeting enabling the Company to better service shareholder correspondence through e-mode.

**Encash Dividend Promptly**

The Shareholders are advised to encash their dividend promptly to avoid hassles of revalidation or losing right to claim dividend owing to transfer of unclaimed dividends beyond seven years to the Investor Education and Protection Fund.

**Unpaid Dividend**

In terms of the provisions of the Companies Act, 1956, dividends remaining unpaid/ unclaimed for a period of seven years have to be statutorily

transferred to the Investor Education and Protection Fund (IEPF) administered by the Central Government, and thereafter cannot be claimed by the investors. To ensure maximum disbursement of unclaimed dividend, the Company sends reminder to the relevant investors.

Unclaimed Final Dividend in respect of the financial year 2003-04 will be due for transfer to Investor Education and Protection Fund on 25<sup>th</sup> August 2011 in terms of Section 205A of the Companies Act, 1956. Members who have not encashed their Dividends for the financial year ended 31<sup>st</sup> March 2004 or any subsequent year(s) are requested to lodge their claims with the Company.

A separate communication in this regard has already been sent to the Shareholders of the Company who have not encashed their dividend warrants, providing them details of the unencashed warrants and requesting them to comply with the procedure for seeking payment of the same.

In respect of Final Dividend for the financial year ended 31<sup>st</sup> March, 2004, it will not be possible to entertain claims which are received by the Company after 24<sup>th</sup> August 2011. Members are advised that in terms of the provisions of Section 205C of the Companies Act, 1956, once unclaimed dividend is transferred to IEPF, no claim shall lie in respect thereof.

Financial Year	Dividend Type	Dividend per share (Rs.)	Date of Declaration	Due Date of Transfer to IEPF
2003-04	Final	1.25/-	19-07-2004	25-08-2011
2004-05	Final	2.50/-	20-07-2005	26-08-2012
2005-06	Final	2.50/-	27-06-2006	03-08-2013
2006-07	Final	2.50/-	05-07-2007	11-08-2014
2007-08	Final	2.50/-	11-07-2008	17-08-2015
2008-09	Final	2.50/-	25-08-2009	01-10-2016
2009-10	Interim	1.25/-	28-01-2010	06-03-2017
2009-10	Final	2.50/-	29-09-2010	05-11-2017

**Dematerialization of Shares**

Equity Shares of the Company are under compulsory demat trading segment. Considering the advantages of scrip less trading, members are advised to consider dematerialization of their shareholding so as to avoid inconvenience involved in the physical shares such as mutilation, possibility of loss/misplacement, delay in transit etc and also to ensure safe and speedy transaction in securities.

**Transfer/Transmission/Transposition of Shares**

The Securities and Exchange Board of India (SEBI), vide its Circular No. MRD/DoP/Cir-05/2009 dated 20<sup>th</sup> May, 2009 and Circular No. MRD/DoP/SE/RTA/Cir-03/2010 dated 7<sup>th</sup> January, 2010 has made it mandatory that a copy of the PAN Card is to be furnished to the Company in the following cases:

- ❖ registration of physical transfer of shares;
- ❖ deletion of name of deceased shareholder(s) where shares are held jointly in the name of two or more shareholders;
- ❖ transmission of shares to the legal heirs where shares are held solely in the name of deceased shareholder; and
- ❖ transposition of shares where order of names of shareholders are to be changed in the physical shares held jointly by two or more shareholders.

Investors, therefore, are requested to furnish the self-attested copy of PAN card, at the time of sending the physical share certificate(s) to the Company, for effecting any of the above stated requests.

Shareholders are also requested to keep record of their specimen signature before lodgment of shares with the Company to avoid probability of signature mismatch at a later date.

#### **Consolidation of Multiple Folios**

Shareholder(s) of the Company who have multiple accounts in identical name(s) or holding more than one Share Certificate in the same name under different Ledger Folio(s) are requested to apply for consolidation of such Folio(s) and send the relevant Share Certificates to the Company.

#### **Exchange of Old Share Certificate**

Members who are still holding the share certificates of the face value of Rs.10/- each are requested to forward their old share certificates (which are no longer tradable and will not be accepted by the DPs for demat) to Company's Secretarial Department at the Corporate address, along with a request letter signed by all holders for exchange of shares.

#### **Nomination Facility**

Provision of Section 109A of the Companies Act, 1956, extends nomination facility to individuals holding shares in the physical form. To help the legal heirs / successors get the shares transmitted in their favour, Shareholder(s) are requested to furnish the particulars of their nomination in the prescribed Nomination Form.

Shareholder(s) holding shares in Dematerialized form are requested to register their nominations directly with their respective DPs.

#### **Update your Correspondence Address / Bank Mandate / Email Id**

To ensure all communications/monetary benefits are received promptly, all Shareholders holding shares in physical form are requested to notify to the Company, change in their address / bank details / email Id instantly by written request under the signatures of sole/first joint holder.

Shareholder(s) holding shares in dematerialized form are requested to notify change in bank details / address / email Id directly with their respective DPs.

#### **Quote Folio No. / DP ID No.**

Shareholders / Beneficial Owners are requested to quote their Folio Nos. / DP ID Nos., as the case may be, in all correspondence with the Company.

Shareholders are also requested to quote their E-mail IDs, Contact / Fax numbers for prompt reply to their correspondence.

**For and on behalf of Board of Directors  
of Havells India Limited**

(Qimat Rai Gupta)  
Chairman & Managing Director

Noida, 27<sup>th</sup> May, 2011

**CEO's / CFO's CERTIFICATE  
TO WHOMSOEVER IT MAY CONCERN**

We, Qimat Rai Gupta, Chairman and Managing Director and Rajesh Gupta, Director - Finance of Havells India limited, to the best of our knowledge and belief, certify that:

- a. We have reviewed the financial statements and the cash flow statement for the year ended 31<sup>st</sup> March, 2011 and that to the best of our knowledge and belief :
  - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed, to the auditors and the Audit Committee, wherever applicable, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d. We have indicated to the auditors and the Audit committee, wherever applicable,
  - i. significant changes in internal control over financial reporting during the year;
  - ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - iii. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

**For Havells India Limited**

**For Havells India Limited**

Noida, 27<sup>th</sup> May, 2011

**(Qimat Rai Gupta)  
Chairman & Managing Director**

**(Rajesh Gupta)  
Director (Finance)**

**AUDITOR'S CERTIFICATE  
TO WHOMSOEVER IT MAY CONCERN**

We have examined the compliance of conditions of Corporate Governance by Havells India Limited, having its Registered Office at 1/7, Ram Kishore Road, Civil Lines, Delhi - 110 054 for the year ended 31<sup>st</sup> March, 2011 as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

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

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

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we state that the Shareholders/ Investors' Grievance Committee has maintained records to show the investor grievances and certified that as at 31<sup>st</sup> March, 2011 there were no investor grievances remaining unattended / pending for more than 30 days.

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

**For V. R. Bansal & Associates**  
Chartered Accountants  
Registration No. 016534N

Noida, 27<sup>th</sup> May, 2011

**(V. P. Bansal)**  
Partner  
Membership No. 8843





To  
The Members  
Havells India Limited

We have audited the attached Balance Sheet of Havells India Limited, as at 31<sup>st</sup> March, 2011 and also the Profit and Loss Account of the Company for the year ended on that date annexed thereto and the Cash Flow Statement for the period ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Companies (Auditors Report) Order, 2003, as amended by the Companies (Auditors Report) (Amendment) Order 2004, issued by the Central Government in terms of subsection (4A) of section 227 of the Companies Act, 1956, we enclose 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, the Profit and loss account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of Companies Act, 1956.
- v) on the basis of written representations received from the directors, as on 31<sup>st</sup> March, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March 2011 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) Without qualifying our opinion, we draw your attention to Note no. 11 of Schedule 18, that pursuant to the Scheme of arrangement u/s 391, 392 and 394 of the Companies Act, 1956 and as approved by the Hon'ble High Court of Judicature at Delhi vide their order dated 19<sup>th</sup> August 2010, certain expenses and other items as prescribed therein have been adjusted from the Business Reconstruction Reserve account. Had the said adjustments not been made and treated in accordance with the generally accepted accounting principles:-
  - i) The net profit after tax for the year (inclusive of the effect of MAT credit) would have been lower by Rs. 0.12 crore,
  - ii) The provision for current tax and MAT credit entitlement would have been lower by Rs. 0.04 crore and Rs. 0.02 crore respectively.
- viii) 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 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 31<sup>st</sup> March, 2011 and
  - b) in the case of Profit and Loss Account, of the profit of the Company for the year ended on that date; and
  - c) in the case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For **V. R. BANSAL & ASSOCIATES**  
Chartered Accountants  
Registration No.016534N

**(V.P. BANSAL)**

Partner

Membership No. : 8843

Dated : 27<sup>th</sup> May, 2011  
Place : NOIDA

**ANNEXURE TO THE AUDITORS' REPORT**

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:

- (i) (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 reasonable intervals. As explained to us, the discrepancies noticed on physical verification of fixed assets were not material in relation to the size and nature of fixed assets and have been properly dealt with in the books of accounts. 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.
- (c) In our opinion, the fixed assets disposed off during the year do not constitute substantial part of fixed assets of the Company and such disposal, in our opinion, has not affected the going concern status of the Company.
- (ii) (a) The inventories have been physically verified during the year by the management at reasonable intervals.
- (b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the records of inventories, we are of the opinion that the Company is maintaining proper records of inventories. The discrepancies noticed on physical verification of stocks as compared to book records were not material and have been properly dealt with in the books of account.
- (iii) In our opinion and as per the informations given to us, the Company has not granted or taken any loans, secured or unsecured, to / from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clauses 4(iii) (a to g) of the Order are not applicable to the Company.
- (iv) 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. Further, on the basis of our examination and according to the information and explanations given to us, no major weaknesses in the aforesaid internal control system has been noticed.
- (v) (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 and according to the information and explanations given to us, the transactions made during the year, aggregating in value of Rupees five lakhs or more with each party have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted deposits from public. Therefore, directives issued by the Reserve Bank of India and the provisions of section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and rules framed thereunder are not applicable for the year under audit.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Company is engaged in the manufacturing of electrical cables, electric motors, fans, printed circuit boards 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 a detailed examination of the same.
- (ix) (a) The Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, VAT / Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess or any other statutory dues with the appropriate authorities. There are no arrears of outstanding statutory dues as at 31st March 2011 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 particulars of dues of Income Tax/Sales Tax/VAT/Custom Duty/Service Tax/Excise Duty/Cess or any other Government dues which have not been deposited on account of any dispute are disclosed in Note No. 25 of Schedule 18 to the Balance Sheet.
- (x) The Company has no accumulated losses as at 31<sup>st</sup> March, 2011 and has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- (xi) The Company has not defaulted in repayment of dues to any financial institution or banks. The Company has not issued any debentures.

- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The provisions of any special statute applicable to a chit fund/nidhi/mutual benefit fund/ societies are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing or trading in shares, debentures, securities and other investments. Accordingly, the provisions of clauses 4(xiv) of the Order are not applicable to the Company.
- (xv) According to the information and explanation given to us, the Company has given following guarantees for and on behalf of subsidiaries as under:
  - (a) The Company has given a corporate guarantee of Rs. 215.02 crores (Euro 34 millions) for and on behalf of wholly owned subsidiary company 'Havells Netherlands Holding B.V.', in respect of Asian Terms Facility Agreement entered with Barclays Capital and State Bank of India on 13th March, 2007, against the loan taken by the said subsidiary. The outstanding loan as on the date of the Balance sheet is Rs. 63.24 crores (Euro 10 Millions)
  - (b) The Company has given an irrevocable and unconditional corporate guarantee of Rs. 31.62 crores (Euro 5 millions) to Deutsche Bank in respect of credit facilities and other financial accommodation sanctioned to the step-down subsidiary company 'Havells Sylvania Europe Limited' . The outstanding amount of the said credit facility as on the date of the Balance Sheet is Rs. 11.88 crores (Euro 1.88 Million)
  - (c) The Company has given a corporate guarantee of Rs. 100 crores to Yes Bank Limited in respect of 'Standby letter of credit' facility sanctioned to its subsidiary company 'Havells Exim Limited'. The outstanding amount of the said credit facility as on the date of the Balance Sheet is Rs. 25.60 crores.

In our opinion, the terms and conditions on which such guarantees and commitments have been given are not prima facie prejudicial to the interests of the Company, since the same are on account of commercial expediency.
- (xvi) On the basis of examination of accounting records and cash flow statements, 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.
- (xvii) On the basis of examination of accounting records and 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 investments.
- (xviii) The Company has made allotment of 2219000 Equity Shares of Rs. 5/- each fully paid-up shares to parties and companies covered under register maintained under section 301 of the Act during the year in pursuance of Scheme of Arrangement u/s 391, 392 of the Companies Act, 1956 and as approved by the Hon'ble High Court of Judicature at Delhi vide their order dated 19.08.2010 and the price at which such shares are issued are not prejudicial to the interests of the Company.
- (xix) The Company has not issued any debentures. Accordingly, the provisions of clauses 4(xix) of the Order are not applicable to the Company.
- (xx) During the year, the Company has not raised any money by way of public issue.
- (xxi) During the checks carried out by us and as per information made available to us, no fraud on or by the Company has been noticed or reported during the year under audit.

For **V. R. BANSAL & ASSOCIATES**  
Chartered Accountants  
Registration No.016534N

Dated : 27<sup>th</sup> May, 2011  
Place : NOIDA

**(V.P. BANSAL)**  
Partner  
Membership No. : 8843

**Balance Sheet**

	Schedule	As At 31.03.11	(Rs. in crores) As At 31.03.10
<b>SOURCES OF FUNDS</b>			
<b>Shareholder's Fund</b>			
Share capital	1	62.39	31.19
Reserves and surplus	2	1278.42	1104.00
		<u>1340.81</u>	<u>1135.19</u>
<b>Loan Funds</b>			
Secured loans	3	133.62	115.81
<b>Deferred Income Tax (net)</b>		53.62	43.81
<b>Total</b>		<u>1528.05</u>	<u>1294.81</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
	4		
Gross block		808.22	643.95
Less: Accumulated depreciation		99.61	72.41
Net block		<u>708.61</u>	<u>571.54</u>
Add: Capital work-in-progress		21.69	29.69
Total fixed assets		<u>730.30</u>	<u>601.23</u>
<b>Investments</b>	5	715.47	531.71
<b>Current Assets, Loans and Advances</b>			
	6		
Inventories		469.85	330.65
Sundry debtors		112.07	79.47
Cash and bank balances		49.18	68.23
Other current assets		9.49	9.84
Loans and advances		83.82	89.83
		<u>724.41</u>	<u>578.02</u>
<b>Less: Current Liabilities and Provisions</b>	7		
Current liabilities		596.92	396.03
Provisions		45.21	20.14
		<u>642.13</u>	<u>416.17</u>
<b>Net Current Assets</b>		82.28	161.85
<b>Miscellaneous Expenditure</b>	8	-	0.02
<b>Total</b>		<u>1528.05</u>	<u>1294.81</u>
<b>Accounting policies, contingent liabilities and notes on accounts</b>	18		

For and on behalf of the Board of Directors

As per attached Auditor's Report of even date

**Qimat Rai Gupta**  
Chairman & Managing Director

**Surjit Gupta**  
Director

 For **V. R. Bansal & Associates**  
Chartered Accountants  
(Registration No. 016534N)

**Sanjay Gupta**  
Company Secretary

**Sanjay Johri**  
Associate Vice-President- Accounts

**V. P. Bansal**  
Partner  
Membership No. 8843

 Noida, 27<sup>th</sup> May, 2011

**Profit and Loss Account**

	Schedule	Year Ended 31.03.11	(Rs. in crores) Year Ended 31.03.10
<b>INCOME</b>			
Turnover (Gross)	9	3045.60	2476.18
Less: Excise duty		163.95	104.77
Turnover (Net)		2881.65	2371.41
Other Income	10	17.72	14.53
		<u>2899.37</u>	<u>2385.94</u>
<b>EXPENDITURE</b>			
Material costs	11	1896.46	1477.75
Manufacturing	12	194.77	170.41
Personnel cost	13	101.79	75.58
Office and administration	14	77.37	72.38
Selling and distribution	15	262.11	260.40
Managerial remuneration	16	8.55	4.10
		<u>2541.05</u>	<u>2060.62</u>
<b>Profit before Interest, Depreciation, Tax and Extraordinary items</b>		<b>358.32</b>	<b>325.32</b>
Interest and financial expenses	17	19.11	11.74
Depreciation		29.34	23.27
<b>Profit before Tax and Extraordinary items</b>		<b>309.87</b>	<b>290.31</b>
Tax expense :			
Current Income tax		62.17	49.25
MAT credit entitlement		(4.14)	3.65
Income tax for earlier years		0.40	0.50
Deferred tax		9.81	8.70
Wealth tax		0.05	0.05
		<u>68.29</u>	<u>62.15</u>
<b>Profit after Tax but before Extraordinary items</b>		<b>241.58</b>	<b>228.16</b>
Add: Extraordinary Item (net of tax) (refer note no 13 of schedule 18)		0.47	-
<b>Profit after Tax</b>		<b>242.05</b>	<b>228.16</b>
<b>Profit for Appropriation</b>			
Brought forward from previous year		596.82	418.41
Profit for the year		242.05	228.16
<b>Profit available for appropriation</b>		<b>838.87</b>	<b>646.57</b>
<b>Appropriations</b>			
Transfer to General Reserve		24.25	22.70
Interim dividend		-	7.52
Proposed dividend		31.19	15.60
Corporate dividend tax		5.06	3.93
Balance carried over to Balance Sheet		778.37	596.82
		<u>838.87</u>	<u>646.57</u>
Basic and diluted earning per share (EPS)(refer note no.38 of schedule 18)			
(Rs. Per equity share of Rs. 5/- each)			
EPS excluding extraordinary item		19.36	18.29
EPS including extraordinary item		19.40	18.29

**Accounting policies, contingent liabilities and notes on accounts**

18

**For and on behalf of the Board of Directors**

As per attached Auditor's Report of even date

**Qimat Rai Gupta**  
Chairman & Managing Director

**Surjit Gupta**  
Director

For **V.R.Bansal & Associates**  
Chartered Accountants  
(Registration No. 016534N)

**Sanjay Gupta**  
Company Secretary

**Sanjay Johri**  
Associate Vice-President- Accounts

**V.P.Bansal**  
Partner  
Membership No. 8843

Noida, 27<sup>th</sup> May, 2011



**Cash Flow Statement**

	<b>(Rs. in crores)</b>	
	<b>Year Ended 31.03.11</b>	<b>Year Ended 31.03.10</b>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax and extraordinary item	309.87	290.31
<u>Adjustments for</u>		
Depreciation	29.34	23.27
Loss on Sale of Fixed Assets	0.58	7.59
Profit on Sale of Fixed Assets	(0.07)	(0.11)
Provision for diminution in value of shares	0.36	-
Interest Income	(0.47)	(0.89)
Unrealised foreign exchange gain	3.76	3.73
Interest expenses	15.81	6.43
Provision for doubtful debts	1.86	0.31
Miscellaneous Expenditure Written Off	0.02	0.03
Expenses on Scheme of Arrangement	(0.18)	(0.25)
Operating Profit before working capital changes	360.88	330.42
<u>Adjustments for</u>		
Trade and Other Receivables	(26.40)	3.31
Inventories	(152.91)	(123.12)
Trade Payables	169.55	29.50
Other Liabilities	44.28	9.21
<b>Cash generated from operations</b>	<b>395.40</b>	<b>249.32</b>
Direct taxes paid	(53.57)	(50.16)
<b>Cash Flow before Extraordinary items</b>	<b>341.83</b>	<b>199.16</b>
<b>Net Cash received (+) / used (-) from Operating Activities</b>	<b>341.83</b>	<b>199.16</b>
<b>B. CASH FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(162.83)	(169.00)
Investment in Shares	(184.12)	(143.84)
Proceeds from sale of Bath Fitting Division - Extraordinary Item	6.33	10.00
Sale of Fixed Assets	1.09	2.50
Interest Received	0.47	0.89
<b>Net Cash used in Investing Activities</b>	<b>(339.06)</b>	<b>(299.45)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from short term borrowings	14.20	(3.00)
Proceeds from long term borrowings	0.61	94.47
Repayment of motor car loans	-	(0.01)
Repayment of unsecured advances	-	(45.92)
Interest Paid	(15.75)	(6.51)
Dividends paid	(15.60)	(22.56)
Dividends tax paid	(5.06)	(3.93)
<b>Net Cash received (+) / used (-) from Financing Activities</b>	<b>(21.60)</b>	<b>12.54</b>
<b>Net increase (+) / decrease (-) in cash and cash equivalents (A+B+C)</b>	<b>(18.83)</b>	<b>(87.75)</b>
Cash and Cash Equivalents as at the beginning of the year	67.68	155.43
Cash and Cash Equivalents transferred in pursuance of sale of bath fitting division	(0.01)	-
Cash and Cash Equivalents as at the close of the year	48.84	67.68

**Notes:**

- The cash flow statement has been prepared under the indirect method set out in Accounting Standard (AS) 3 Cash Flow Statement, as specified in the Companies (Accounting Standards) Rules, 2006.
- Purchase of fixed assets include movements of capital work-in-progress during the year.
- Cash and cash equivalents as at the close of the year does not include Rs. 0.34 crore (previous year Rs.0.55 crores) on account of fixed deposits under margin money and pledged with govt. departments and unclaimed dividend account.

- 4 The assets and liabilities transferred in pursuance of sale of bath fitting division, being non cash items adjusted from the above cash flow statement are as under :

Net Fixed Assets		2.82
Inventories		13.71
Trade and other Receivables		2.56
Cash		0.01
		<u>19.10</u>
Less: Trade payables and liabilities		3.66
		<u>15.44</u>
Sales Consideration	16.44	
Less: Expenses related to bath fitting division	<u>0.11</u>	<u>16.33</u>
		0.89
Tax provision		0.42
Profit from sale of bath fitting division		<u>0.47</u>

- 5 Figures for the previous year have been regrouped/reclassified wherever necessary.

**For and on behalf of the Board of Directors**

As per attached Auditor's Report of even date

**Qimat Rai Gupta**  
Chairman & Managing Director

**Surjit Gupta**  
Director

For **V. R. Bansal & Associates**  
Chartered Accountants  
(Registration No. 016534N)

**Sanjay Gupta**  
Company Secretary

**Sanjay Johri**  
Associate Vice-President- Accounts

**V. P. Bansal**  
Partner  
Membership No. 8843

Noida, 27<sup>th</sup> May, 2011

**Schedules**
**(Rs. in crores)**

	<b>As At 31.03.11</b>	<b>As At 31.03.10</b>
<b>SCHEDULE NO. 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
200,000,000 (Previous Year 80,000,000) Equity Shares of Rs.5/- each	100.00	40.00
<b>Issued, Subscribed and Paid Up</b>		
1,24,774,812 (Previous Year 60,168,406) Equity Shares of Rs.5/- each fully paid up	62.39	30.08
<b>2,219,000 Equity shares pending allotment</b>	-	1.11
	<b>62.39</b>	<b>31.19</b>
<b>Out of the above:-</b>		
58,32,359 (Previous year 3,613,359) equity shares allotted as fully paid up pursuant to a contract without payments being received in cash.		
103,187,808 (Previous year 40,800,402) 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.		
2,250,000 (Previous year 2,250,000) equity shares issued as fully paid up pursuant to conversion of convertible warrants.		
<b>SCHEDULE NO. 2</b>		
<b>RESERVES AND SURPLUS</b>		
<b>Capital Reserve</b>		
As per last Balance Sheet	7.61	5.19
Add: Warrants forfeited during the year	-	2.42
	<b>7.61</b>	<b>7.61</b>
<b>Business Reconstruction Reserve</b>		
(Refer note no. 11 of schedule 18)		
As per last Balance Sheet	398.64	-
Add : Transfer from Securities Premium account	-	400.00
Less : Expenses on Scheme of Arrangement	0.18	0.25
Shares issued pursuant to Scheme of Arrangement	-	1.11
	<b>398.46</b>	<b>398.64</b>
<b>Securities Premium Account</b>		
As per last Balance Sheet	21.68	421.68
Less : Transfer to Business Reconstruction Reserve	-	400.00
Capitalised by way of issue of Bonus Shares	21.68	-
	<b>-</b>	<b>21.68</b>
<b>General Reserve</b>		
As per last Balance Sheet	79.25	56.55
Less : Capitalised by way of issue of Bonus Shares	9.52	-
Add : Transfer from Profit and Loss account	24.25	22.70
	<b>93.98</b>	<b>79.25</b>
<b>Profit and loss account</b>	<b>778.37</b>	<b>596.82</b>
	<b>1278.42</b>	<b>1104.00</b>

**Schedules**

**(Rs. in crores)**

	<b>As At 31.03.11</b>	<b>As At 31.03.10</b>
<b>SCHEDULE NO. 3</b>		
<b>SECURED LOANS</b>		
<b>Working capital loans from banks</b>		
Cash Credit accounts	8.23	2.21
Packing Credit foreign currency account	8.18	-
<b>Term loan from bank</b>	117.21	112.85
<b>Deferred Payment Credits</b>		
Against purchase of Leasehold Industrial Land	-	0.75
	<b>133.62</b>	<b>115.81</b>

( Due within a year Rs.23.44 crores, previous year Rs.0.75 crores)

**Notes:**

1. Working capital limits are under consortium of Canara Bank, Corporation Bank, Union Bank of India, IDBI Bank Limited, State Bank of India, Standard Chartered Bank and Yes Bank Limited.
2. Working capital limits from consortium banks are secured by way of :
  - a) pari-passu first charge by way of hypothecation on stocks of raw material, semi-finished goods, finished goods, stores and spares, bill receivables, book debts and all movable and other current assets of the Company
  - b) pari-passu first charge by way of Equitable Mortgage on land and building at 14/3, Mathura Road, Faridabad (Haryana)
  - c) pari-passu second charge by way of hypothecation on plant and machinery, generators, furniture and fixtures, electric fans and installation on which first charge is held with Barclays Consortium for Asian Term facilities sanctioned to 'Havells Netherland Holdings BV', a step down wholly owned subsidiary company
3. Term loan from Canara Bank, Prime Corporate Branch-II, New Delhi is secured by way of :
  - a) equitable mortgage of Company's Factory land and building situated at Village Gullarwala, Baddi, Himachal Pradesh and 204 & 204A, MIA Alwar, Rajasthan
  - b) hypothecation of Plant and Machinery and other fixed assets purchased out of the above said loan.

**SCHEDULE NO. 4  
FIXED ASSETS**

(Rs. in crores)

Sl. No.	Description	GROSS BLOCK			DEPRECIATION			NET BLOCK			
		As At 01.04.2010 Rs.	Additions During The Year Rs.	Sales/ Adjustment Rs.	As At 31.03.2011 Rs.	Up To Last Year Rs.	For The Year Rs.	Sales/ Adjustment Rs.	To Date Rs.	As At 31.03.2011 Rs.	As At 31.03.2010 Rs.
1	Industrial land Freehold	11.72	15.81	-	27.53	-	-	-	-	27.53	11.72
	Leasehold	70.00	0.83	0.42	70.41	-	-	-	-	70.41	70.00
2	Factory buildings	167.42	56.34	1.49	222.27	14.60	6.07	0.38	20.29	201.98	152.82
3	Office premises	12.72	0.17	0.00	12.89	0.59	0.22	0.00	0.81	12.08	12.13
4	Plant and machinery	285.64	74.66	1.85	358.45	34.14	14.85	0.60	48.39	310.06	251.50
5	Generators	9.34	1.03	0.11	10.26	1.31	0.47	0.04	1.74	8.52	8.03
6	Furniture and fixtures	19.53	5.03	0.11	24.45	4.25	1.43	0.10	5.58	18.87	15.28
7	Electric fans and installations	25.77	6.60	0.31	32.06	3.68	1.48	0.14	5.02	27.04	22.09
8	Water supply installations	0.48	0.05	0.01	0.52	0.05	0.02	0.00	0.07	0.45	0.43
9	Weighing scale	0.40	0.19	-	0.59	0.07	0.02	0.00	0.09	0.50	0.33
10	EDP Equipments	12.79	3.03	0.76	15.06	6.78	2.02	0.42	8.38	6.68	6.01
11	Office equipments	5.90	2.24	0.38	7.76	1.00	0.31	0.05	1.26	6.50	4.90
12	Airconditioners	4.58	0.90	0.03	5.45	0.73	0.24	0.01	0.96	4.49	3.85
13	Vehicles	7.99	0.91	1.01	7.89	2.20	0.74	0.37	2.57	5.32	5.79
14	R & D Equipments	4.78	0.05	0.04	4.79	1.44	0.36	0.03	1.77	3.02	3.34
15	Intangible Assets										
	Computer Software	4.38	2.99	0.04	7.33	1.40	1.02	-	2.42	4.91	2.98
	Technical know-how	0.51	-	-	0.51	0.17	0.09	-	0.26	0.25	0.34
		643.95	170.83	6.56	808.22	72.41	29.34	2.14	99.61	708.61	571.54
16	Add: Capital Work-in-Progress	29.69	76.03	84.03	21.69	-	-	-	-	21.69	29.69
	<b>TOTAL - Current Year</b>	<b>673.64</b>	<b>246.86</b>	<b>90.59</b>	<b>829.91</b>	<b>72.41</b>	<b>29.34</b>	<b>2.14</b>	<b>99.61</b>	<b>730.30</b>	<b>601.23</b>
	<b>Previous Year</b>	523.41	184.60	34.37	673.64	57.93	23.27	8.79	72.41	601.23	465.48

Notes: - 1 Depreciation has been provided on rates as per Schedule XIV of the Companies Act, 1956 on SLM basis on gross value of fixed assets including taxes, duties, freight and other incidental expenses related to acquisition and installation and further adjusted by CENVAT credit. Depreciation in respect of assets for a value not exceeding Rs.5000/- has been provided at the rate of 100%.

2 Office premises include Rs.0.05 crore and Rs.0.02 crore 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.

3 Addition in leasehold land includes Rs.0.06 crore (previous year Rs.0.22 crore) on account of interest payable to Greater Noida Industrial Authority and RILCO, Rajasthan in respect of industrial land allotted to the Company.

4 Freehold land includes two nos. plots at Bawana and Narela Industrial Area in respect of which possession has not been taken yet.

5 Intangible assets are amortised on a straight line basis over a period of six years.

6 The cost and accumulated depreciation on fixed assets transferred to HSIL Limited in terms of 'Business Transfer Agreement' entered into on 16<sup>th</sup> March 2010 for sale of Bathfiting Division at Bhiwadi (Rajasthan) has been adjusted against the stated values of the respective assets.

7 The title deeds in respect of freehold land at Badli is yet to be executed.



## Schedules

	(Rs. in crores)	
	As At 31.03.11	As At 31.03.10
<b>SCHEDULE NO. 5</b>		
<b>INVESTMENTS</b>		
(Long term, trade, unquoted, at cost )		
<b>Subsidiary Companies (Wholly owned):</b>		
Havell's Cyprus Limited		
56,140 (Previous year 26,940) Equity Shares of 1 Euro each fully paid up	0.36	0.17
Share application money pending allotment	-	0.13
	0.36	0.30
Less: Provision for diminution in value of investment	0.36	-
	-	0.30
Havell's Holdings Limited		
96,103,639 (Previous year 70,216,117)		
Ordinary Shares of 1 GBP each fully paid up.	715.42	531.40
Havells Exim Limited		
1000 Equity Shares of 1 Hong Kong Dollar each fully paid up	0.00	-
Standard Electrical Limited		
( Formerly: Seven Wonders Holidays Limited)		
50,000 (Previous year 10,000) Equity Shares of Rs.10/- each fully paid up	0.05	0.01
Aggregate value of unquoted investments	<b>715.47</b>	<b>531.71</b>
<b>SCHEDULE NO. 6</b>		
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>Inventories (as taken, valued and certified by the management)</b>		
Raw materials and components	117.01	93.16
Semi finished goods	35.70	29.57
Finished goods	279.61	183.74
Consumable Stores, tools and spare parts	4.89	3.30
Dies and fixtures	21.31	14.30
Packing materials	9.53	4.78
Fuel and Gases	0.41	0.37
Scrap materials	1.39	1.43
	<b>469.85</b>	<b>330.65</b>
<b>Sundry debtors (unsecured)</b>		
Debts outstanding for a period exceeding six months		
Considered good	2.89	1.03
Considered doubtful	2.91	1.64
	5.80	2.67
Less: Provision for doubtful debts	2.91	1.64
	2.89	1.03
Other debts- considered good	109.18	78.44
	<b>112.07</b>	<b>79.47</b>
<b>Cash and bank balances</b>		
Cash in hand	0.05	0.08
<b>With scheduled banks :</b>		
Current accounts	0.86	40.22
Cash credit accounts	47.93	27.38
Unclaimed dividend account	0.31	0.32
Fixed deposit account		
Margin money	0.02	0.22
Pledged with government departments	0.01	0.01
	<b>49.18</b>	<b>68.23</b>

**Schedules**

	<b>(Rs. in crores)</b>	
	<b>As At 31.03.11</b>	<b>As At 31.03.10</b>
<b>Other current assets - (considered good)</b>		
Export incentives receivable	5.40	2.76
DEPB licences in hand	0.35	0.57
Capital investment subsidy receivable	1.50	1.50
Claims and other debts	2.15	4.93
Interest accrued on fixed deposits	0.09	0.08
	<b>9.49</b>	<b>9.84</b>
<b>Loans and advances (unsecured- considered good)</b>		
Advances recoverable in cash or in kind or for value to be received	46.78	52.05
Earnest money and security deposits	12.31	9.99
Balance with excise department:		
Excise duty	1.58	8.21
Service tax	2.13	2.81
Balance of VAT with sales tax department	0.11	-
MAT credit entitlement	20.91	16.77
	<b>83.82</b>	<b>89.83</b>
	<b>724.41</b>	<b>578.02</b>
<b>SCHEDULE NO. 7</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>CURRENT LIABILITIES</b>		
Acceptances	128.55	34.69
Sundry creditors		
Total outstanding dues of Micro and Small enterprises	10.57	7.94
Total outstanding dues of creditors other than Micro and Small enterprises	321.29	263.20
Due to Subsidiary Companies	12.16	0.18
Unclaimed dividend*	0.31	0.32
Trade deposits and advances	13.41	24.35
Other liabilities	110.63	65.14
Interest accrued but not due	-	0.21
	<b>596.92</b>	<b>396.03</b>
*Investor Education and Protection Fund is being credited by the amount of unclaimed dividend after seven years from the due date.		
<b>PROVISIONS</b>		
Income tax (net of advance tax and tax at source)	8.91	1.84
Wealth tax	0.05	0.05
Proposed dividend	31.19	15.60
Corporate dividend tax	5.06	2.65
	<b>45.21</b>	<b>20.14</b>
	<b>642.13</b>	<b>416.17</b>
<b>SCHEDULE NO. 8</b>		
<b>MISCELLANEOUS EXPENDITURE</b>		
(to the extent not written off or adjusted)		
Expenditure on increase in capital		
As per last Balance Sheet	0.02	0.04
Less: written off	0.02	0.02
	<b>-</b>	<b>0.02</b>

**Schedules**

	<b>(Rs. in crores)</b>	
	<b>Year ended 31.03.11</b>	<b>Year ended 31.03.10</b>
<b>SCHEDULE NO. 9</b>		
<b>TURNOVER (GROSS)</b>		
Sales of goods	3154.38	2559.84
Less: Turnover discount, incentives and rebates	133.29	102.09
	<u>3021.09</u>	<u>2457.75</u>
Scrap materials	18.80	11.67
Export Incentives	4.94	4.75
Export of Services	0.77	2.01
	<u><b>3045.60</b></u>	<u><b>2476.18</b></u>
<b>SCHEDULE NO. 10</b>		
<b>OTHER INCOME</b>		
Interest on deposits and from customers (TDS Rs.0.01 crore, previous year Rs.0.08 crore)	0.47	0.89
Exchange fluctuations (Net)	10.30	9.68
Miscellaneous receipts	3.87	2.33
Profit on sale of fixed assets	0.07	0.11
Excess provisions no longer required written back	3.01	1.52
	<u><b>17.72</b></u>	<u><b>14.53</b></u>
<b>SCHEDULE NO. 11</b>		
<b>MATERIALS</b>		
Raw materials and components consumed	1631.67	1305.18
Packing material (primary) consumed	74.77	57.01
Purchase of traded goods	301.54	189.23
Add: Opening stocks		
Traded goods	54.56	46.87
Finished goods	129.18	73.35
Semi finished goods	29.57	18.04
Scrap materials	1.43	0.49
	<u><b>214.74</b></u>	<u><b>138.75</b></u>
Less: Stock transfer in pursuance of sale of bath fitting division		
Finished goods	10.91	-
Semi finished goods	0.86	-
Scrap materials	0.07	-
	<u><b>11.84</b></u>	<u><b>-</b></u>
Less: Closing stocks		
Traded goods	96.93	54.56
Finished goods	182.68	129.18
Semi finished goods	35.70	29.57
Scrap materials	1.39	1.43
	<u><b>316.70</b></u>	<u><b>214.74</b></u>
Add: Excise duty on Increase/(decrease) in Finished Goods	2.28	2.32
	<u><b>1896.46</b></u>	<u><b>1477.75</b></u>
<b>SCHEDULE NO. 12</b>		
<b>MANUFACTURING EXPENSES</b>		
Factory rent	3.00	0.40
Rates and taxes	0.40	0.38
Job charges	72.98	67.70
Power, fuel and water	39.58	32.84
Consumable stores and tools consumed	23.81	24.70
Trade mark fees and royalty	29.80	22.72
Repairs and Maintenance		
Machinery	8.78	7.07
Building	1.37	1.77
Others	2.95	2.01
Research and development expenses	7.42	6.65
Other manufacturing expenses	4.68	4.17
	<u><b>194.77</b></u>	<u><b>170.41</b></u>

**Schedules**

(Rs. in crores)

Year ended 31.03.11	Year ended 31.03.10
------------------------	------------------------

**SCHEDULE NO. 13**
**PERSONNEL EXPENSES**

Salaries, wages, bonus and other benefits	89.76	66.38
Contribution towards PF and ESI	4.76	3.51
Contribution towards gratuity and gratuity paid	2.86	2.07
Employees welfare	4.41	3.62
	<b>101.79</b>	<b>75.58</b>

**SCHEDULE NO. 14**
**OFFICE AND ADMINISTRATION EXPENSES**

Rent	24.28	22.86
Rates and taxes	0.11	0.10
Printing and stationary	2.06	1.64
Postage, telephone and communications expenses	4.61	3.63
Electricity and water charges	3.23	2.83
Travelling, conveyance and vehicle maintenance	24.08	19.93
Legal and professional	5.78	3.07
Auditor's remuneration		
Audit fee	0.40	0.23
Taxation matters	0.05	0.03
Out of pocket expenses	0.00	0.00
Insurance	3.44	3.75
Donation	0.68	0.51
Director's sitting fees	0.10	0.08
Provision for diminution in value of investment	0.36	-
Loss on sale/discard of fixed assets	0.58	7.59
Miscellaneous expenditure written off	0.02	0.03
Miscellaneous office expenses	7.59	6.10
	<b>77.37</b>	<b>72.38</b>

**SCHEDULE NO. 15**
**SELLING AND DISTRIBUTION EXPENSES**

Advertisement and Sales promotion	71.99	85.44
Freight, Packing, insurance and cartage outward	99.59	78.14
Cash discount	29.14	39.39
Commission on sales	23.10	32.80
Debtors factoring charges	14.92	11.23
Bad debts, liquidity damages and short recoveries	1.75	1.97
Provision for doubtful debts	1.86	0.31
Sales tax and Service tax paid	4.97	4.96
Warranty and after sales expenses	12.21	4.55
Miscellaneous selling expenses	2.58	1.61
	<b>262.11</b>	<b>260.40</b>

**SCHEDULE NO. 16**
**MANAGERIAL REMUNERATION**

Managing Director's remuneration	6.06	1.94
Wholtime Director's remuneration	2.49	2.16
	<b>8.55</b>	<b>4.10</b>

**SCHEDULE NO. 17**
**INTEREST AND FINANCIAL EXPENSES**

Interest		
On fixed loans	6.89	2.61
On non-fixed loans/others	8.92	3.82
Bank charges	3.15	4.56
Miscellaneous financial expenses	0.15	0.75
	<b>19.11</b>	<b>11.74</b>

**SCHEDULE NO. 18**

**ACCOUNTING POLICIES, CONTINGENT LIABILITIES AND NOTES ON ACCOUNTS FOR THE YEAR ENDING 31<sup>ST</sup> MARCH, 2011**

**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. Accounting policies have been consistently applied and where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use, such changes are suitably incorporated. The management evaluates all recently issued or revised accounting standards on an ongoing basis.

**2 Use of Estimates**

The preparation of financial statements 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, Capital work-in-progress and Depreciation**

- a) Fixed assets are stated at their original cost of acquisition including taxes, duties, freight, and other incidental expenses related to acquisition and installation of the concerned assets less accumulated depreciation and impairment losses, if any. Fixed assets are further adjusted by the amount of CENVAT credit and VAT credit wherever applicable and subsidy directly attributable to the cost of fixed assets. Interest and other borrowing costs during construction period on borrowings to finance fixed assets is capitalised.
- b) Capital work-in-progress comprises cost of fixed assets that are not yet ready for their intended use at the balance sheet date.
- c) 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 over their useful life. Depreciation on fixed assets added/disposed off during the year is provided on pro-rata basis. Depreciation on assets for a value not exceeding Rs.5000/- acquired during the year is provided at the rate of 100%.
- d) The cost and the accumulated depreciation on 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.
- e) Project under commissioning/ installations and other capital work in progress are carried at cost comprising direct cost, related incidental expenses and interest on borrowings there against.
- f) Preoperative expenditure and trial run expenditure accumulated as capital work in progress is allocated on the basis of prime cost of fixed assets in the year of commercial production.

**4 Intangible assets**

Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Company and cost of the assets can be measured reliably. Intangible assets are amortised on a straight line basis over six years being estimated useful life of the assets.

**5 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.

**6 Inventories**

- a) 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 after providing for obsolescence wherever appropriate. Excise duty has been added in the value of inventory of finished goods and scrap material, except at Baddi (Domestic) and Haridwar Units of the Company which are exempted from payment of excise duty.



- b) The inventories are valued on the basis of moving weighted average method.
- c) Cost of inventories comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition excluding duties and taxes subsequently recoverable from the taxing authorities in case of input materials.
- d) The stocks of scrap materials have been taken at net realisable value.
- e) The stocks of dies and fixtures have been taken at the residual effective life as certified by the respective factory heads.

## **7 Foreign currency transactions**

### **a) Initial Recognition**

Transactions in foreign currency are recorded at exchange rate prevailing on the date of transaction. Exchange differences arising on the settlement of monetary items during the year are recognised as income or expense.

### **b) Conversion and Exchange Differences**

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 denominated in foreign currency are carried at historical cost using the exchange rate at the date of transaction.

### **c) Foreign Branches**

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.

### **d) Forward Exchange Contracts**

The Company uses forward exchange contracts to hedge against its foreign currency exposures relating to the underlying transactions and firm commitments. The Company does not enter into any derivative instruments for trading or speculative purposes. As at the Balance sheet date, all outstanding derivative contracts are fair valued at Mark-to-Market basis and any gain or loss arising thereon as at the balance sheet date is recognised in the statement of profit and loss account.

## **8 Government Grants and Subsidies**

Subsidies towards capital costs for setting up of new industrial units are adjusted from the cost of fixed assets.

## **9 Retirement Benefits**

### **a) Gratuity**

Gratuity liability in respect of employees of the Company is covered through a policy taken by a trust established under the Group Gratuity Scheme with Life Insurance Corporation of India. The liabilities with respect to the Gratuity plan are determined by actuarial valuation on projected unit credit method on the balance sheet date, based upon which the Company contributes to the Group Gratuity Scheme. The difference, if any, between the actuarial valuation of the gratuity of employees at the year end and the balance of funds with LIC is provided for as asset or liability in the books.

### **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.

## **10 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 material and services consumed. Cost incurred on development projects relating to the design of new or improved products are recognised as an expense when incurred as the criteria for capitalisation is not fulfilled.

## **11 Revenue Recognition**

The principles of revenue recognition are given below:

### **a) Sale of Goods**

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 returns and trade discount. Sales include excise duty but are exclusive of value added tax. Sales do not include inter-divisional transfers.

### **b) Export Incentives**

Export incentives such as DEPB and Duty Drawback benefits are recognised on post export basis on the basis of their entitlement rates. DEPB Licenses in hand are carried at cost. Benefits under the advance licence scheme are accounted for at the time of purchase of imported raw materials and sale of licences.

### **c) Interest**

Interest income is recognised on a time proportion basis.

### **d) Claims**

Claims are recognised when there exists reasonable certainty with regard to the amounts to be realised and the ultimate collection thereof.

## **12 Product Warranty claims**

Product warranty costs are accrued in the year of sales of products, based on past experience. The Company periodically reviews the adequacy of product warranties and adjust warranty percentage and warranty provisions for actual experience, if necessary. The timing of outflow is expected to be within one to two years.

## **13 Prior period Items/Extraordinary items**

Prior period expenses/incomes, are shown as prior period items in the profit and loss account as per the provisions of AS-5 'Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies' issued by the Institute of Chartered Accountants of India.

Item of income or expense that arise from events or transactions that are distinct from ordinary activities of the enterprise and are not expected to recur frequently or regularly are treated as extraordinary items.

## **14 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. Borrowing cost includes exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

## **15 Segment Information - Basis of Information**

The accounting policies adopted for segment reporting are in line with accounting policies used in the preparation of financial statements of the Company. The Company identifies its business segment as primary reporting segment and geographical segment as a secondary reporting segment. Revenue, expense, assets and liabilities, which relate to the Company as a whole and do not relate to any segment, are not allocated.

## **16 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, if any.

## **17 Taxes on Income**

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

- a) 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 Income Tax Act, 1961. The Company is eligible for deduction under section 80IC of Income Tax Act, 1961 in respect of income of units located in Special Category of States.

- b) Deferred tax is recognised, subject to consideration of prudence, on timing differences, being difference between taxable and accounting income 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. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.
- c) Minimum Alternate Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal Income Tax during the specified period. In the year in which MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in guidance note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit entitlement. The Company reviews the same at each Balance Sheet date and writes down the carrying amount of MAT credit entitlement to the extent it is not reasonably certain that the Company will pay normal income tax during the specified period.

## 18 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.

## 19 Leases

Assets taken on lease, under which all risks and rewards of ownership are effectively retained by the lessor are classified as operating lease. Operating lease payments are recognised as an expense in the Profit and loss account.

## 20 Provisions and Contingent Liabilities

### Provisions

Provisions are recognised as liability only when these 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. Provisions are not discounted to its present value and are determined based on management estimate to settle the obligation at the balance sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

### Contingent Liabilities

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.

## B CONTINGENT LIABILITIES

	(Rs.in crores)	
	2010-11	2009-10
a Estimated amount of capital contracts remaining to be executed and not provided for (net of advances)	23.13	32.65
b Bank guarantees and letter of credits opened with bank (net of margin money)	115.82	87.38
c Bonds to excise department against export of excisable goods/ purchase of goods without payment of duty (to the extent utilised)	15.86	24.64
d Custom duty payable against export obligation	24.46	19.75
e Suits filed against the Company not acknowledged as debts	3.46	0.45
f Liability towards banks against debtors buyout facilities	35.23	27.08
g Disputed tax liabilities in respect of pending cases before Appellate Authority (amount deposited under protest Rs. 4.22 crores (previous year Rs. 4.44 crores)	14.27	13.24
h Corporate Guarantee given on behalf of subsidiary companies (to the extent of outstanding obligation)	100.72	113.19
i Export bills discounted with banks	26.04	40.45

## C NOTES ON ACCOUNTS

1 The Company has the following subsidiaries as on 31<sup>st</sup> March 2011:

Name of Subsidiary	Country of incorporation	Date of control	Nature	Extent of control
1 Havell's Holdings Limited *	Isle of Man	09.03.2007	Wholly Owned Subsidiary	100%
2 Standard Electrical Limited (formerly: Seven Wonders Holidays Limited)	India	02.02.2010	Wholly Owned Subsidiary	100%
3 Havell's Cyprus Limited	Cyprus	20.07.2006	Wholly Owned Subsidiary	100%
4 Havells Exim Limited	Hong Kong	24.10.2010	Wholly Owned Subsidiary	100%

*\*Havell's Holdings Limited has 50 wholly owned subsidiaries/step-down subsidiaries as on the balance sheet date.*

- 2 The Company has issued and allotted 6,23,87,406 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 held on 29th September 2010 by capitalisation of Rs. 21.68 crores from securities premium account and Rs. 9.52 crores from General Reserve account.
- 3 The Company has been sanctioned a term loan of Rs. 140 Crores by Canara Bank with an option to avail the same by way of foreign currency loan for the purpose of expansion of manufacturing facilities at Baddi (H.P), Haridwar (Uttarakhand) , Alwar (Rajasthan) and Neemrana(Rajasthan) units. Out of the said loan, the Company has availed a term loan of Rs. 130.18 crores (USD 28 Million) and utilised the same for the purpose for which it was sanctioned. The same is due for repayment in 16 (sixteen) equal quarterly instalments commencing from 01.04.2011.
- 4
  - a) The IDBI Bank Limited has sanctioned a receivable buyout facility of Rs. 250 crores to the Company. As per the terms with the bankers, the debtors are insured and the bankers have recourse on the Company to the extent of 5% of claim amount or Rs.0.02 crore, whichever is higher. As on the date of Balance Sheet, total debtors assigned to the bankers are at Rs. 241.04 crores (previous year Rs.199.30 crores). With the result, the debtors at the end of the year stand reduced by the said amount. A sum of Rs. 14.92 crores (previous year Rs.11.23 crores) on account of charges paid for this facility has been debited to debtors factoring charges account.
  - b) The Company has arranged channel finance facility for its customers from Yes Bank Limited and Axis Bank Limited . As per the terms of the bankers, the debtors are insured and the bankers have recourse on the Company to the extent of 5% of claim amount or Rs.0.02 crore, whichever is higher. As on the balance sheet date, the total debtors who have availed this facility were at Rs. 116.73 crores (Previous year Rs. 42.28 crores).
- 5 The Company has been sanctioned a Packing Credit Facility of Rs. 50 crores by the Canara Bank. The outstanding bills discounted with the Bank at the end of the year are at Rs. 26.04 crores (USD 5832855) {Previous year Rs. 39.50 crores (USD 8750763)}. The sundry debtors have been reduced by the amount of bills discounted with the bank.
- 6 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.
- 7 In respect of Baddi (other than 100% EOU unit) and Haridwar units, the cenvat credit against fixed assets has not been availed 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.
- 8 The Company's manufacturing units at Baddi (Himachal Pradesh) and Haridwar (Uttarakhand) 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 as provided under section 80 IC of the Income Tax Act,1961.
- 9 Interest and other borrowing costs amounting to Rs. 1.00 crore (previous year Rs.0.62 crore) 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.

- 10 The Company has invested a sum of Rs. 184.02 crores in its wholly owned subsidiary Company 'Havell's Holdings Limited' during the year. The total investment in the said subsidiary Company as at the end of the year is Rs. 715.42 crores and there is an accumulated loss of Rs. 710.93 crores in the consolidated financial statements of the said subsidiary company. The accumulated loss includes one time non recurring expenses incurred by the subsidiary companies towards severance and other restructuring costs to the tune of Rs. 495.81 crores which have started to yield tangible benefits.
- The control over Sylvania group of Companies was acquired in April, 2007 with a long term view and was a strategic decision. A sum of Rs. 335.42 crores (Euro 53.04 millions) was paid as premium towards the said acquisition in the light of tangible and intangible benefits accruing to the Company in the future.
  - The group companies have been provided with funding from a banking group led by Barclays Capital in the form of a term loan of Rs. 479.99 crores (Euro 75.90 million) and a revolving facility of Rs. 235.25 crores (Euro 37.2 million). The terms of these loan agreements include covenants related to the group companies performance. The management constantly monitors the financial performance with respect to compliance with the associated bank covenants. As on the date of the Balance Sheet, the Company is in compliance with all financials covenants.
  - The group companies experienced a positive trend in sales growth and margin improvement during the year 2010-11 due to successful implementation of restructuring plans, improvement in operational efficiencies and better price realisation etc. During the year, the Sylvania Group of Companies earned a net profit after tax of Rs. 43.73 crores as against a loss of Rs. 463.85 crores during the corresponding previous year. The EBITDA (Earning Before Interest, Tax, Depreciation and Amortisation) before exceptional expenses and other income of these companies is Rs. 190.86 crores as against a negative EBITDA of Rs. 6.32 crores during the corresponding previous year.
  - Management is of the opinion that the Net Enterprise Value (EV) of the Sylvania group of companies exceeds the amount of investment made and hence there is no impairment in the value of investment in these companies.
- 11 The electrical business of Standard Electricals Limited (SEL) was transferred to Seven Wonders Holidays Limited, a subsidiary company (Name changed to Standard Electrical Limited) with effect from 01.04.2009 pursuant to Scheme of Arrangement u/s 391, 392 of the Companies Act, 1956 and as approved by the Hon'ble High Court of Judicature at Delhi vide their order dated 19.08.2010. In accordance with the scheme:
- 2219000 fully paid up equity shares of Rs. 5/- each were allotted to the shareholders of the demerged company (SEL) on 27th August 2010.
  - Professional charges incurred during the year for the purpose of scheme of arrangement to the tune of Rs. 0.18 crore have been adjusted against the Business Reconstruction Reserve.
  - Had the scheme not prescribed aforesaid treatment, the impact during the current financial year would be as under:

(Rs. in crores)

**i) In the Profit and Loss Account**

Legal and Professional expenses	0.18
Profit before Tax	(0.18)
Provision for Tax (including MAT Credit)	(0.06)
Net Profit (after tax)	(0.12)
Basic and diluted EPS (In Rs.)	(0.01)

**ii) In the Balance Sheet**

Business Reconstruction Reserve	0.18
Profit and Loss account (after tax)	(0.12)
Provision for Income Tax	(0.04)
MAT Credit Entitlement	(0.02)



12 The details of Investments as per Schedule 5 is as under:

Name of the Company	2010-11			2009-10		
	Face Value	Number	Amount (Rs in Crores)	Face Value	Number	Amount (Rs in Crores)
<b>Long Term Trade Investment - Wholly Owned Subsidiary Companies</b>						
<b>Havell's Cyprus Limited *</b>						
Opening	1 Euro	26940	0.17	1 Euro	1000	0.01
Purchased/allotted during the year	1 Euro	29200	0.19	1 Euro	25940	0.16
Closing	1 Euro	56140	0.36	1 Euro	26940	0.17
Share Application money pending allotment			-			0.13
			0.36			0.30
Less: Provision for diminution in the value of Investment			0.36			-
			-			0.30
* under liquidation						
<b>Havell's Holdings Limited</b>						
Opening	1 GBP	70216117	531.40	1 GBP	51389856	387.70
Purchased during the year	1 GBP	25887522	184.02	1 GBP	18826261	143.70
Closing	1 GBP	96103639	715.42	1 GBP	70216117	531.40
<b>Standard Electrical Limited</b> (formerly: Seven Wonders Holidays Limited)						
Opening	Rs. 10	10000	0.01	-	-	-
Purchased during the year	Rs. 10	40000	0.04	Rs. 10	10000	0.01
Closing	Rs. 10	50000	0.05	Rs. 10	10000	0.01
<b>Havells Exim Limited</b>						
Purchased during the year	1 HKD	1000	0.00	-	-	-
Closing	1 HKD	1000	0.00	-	-	-

- 13 The Company had entered into a 'Business Transfer Agreement', on 16th March'2010 with HSIL Limited, Kolkata for sale of its Bath Fitting Business Division situated at Bhiwadi, Rajasthan as a going concern on 'as is where is' basis for a consideration of Rs. 16.44 crores. The sale of the division was approved by Shareholders through postal ballot on 23rd April 2010. The legal and physical possession of the division was transferred to HSIL Limited on 1st May'2010.

The profit on the aforesaid transaction, as computed below, has been credited to the profit and loss account as an Extraordinary item:

	(Rs. in crores)
Consideration received	16.44
Less: Book value of Assets (net of Liabilities) transferred	15.44
Expenses related to bath fitting division	0.11
Profit before tax	0.89
Less: Income Tax	0.42
Net Profit after tax	0.47

The requirements for disclosures of 'Accounting Standard 24 'Discontinuing Operations', issued by the Institute of Chartered Accountants of India does not apply to the said transaction as the sale of Bathfitting division does not constitute a separate major line of business or geographical area of operations of the Company.

- 14 The Company, as a 'Settlor', has established irrevocable determinate contributory trust known as 'Havells Business Partner Trust' vide Deed of Indenture executed on 07.10.2010 with the object for holding the distribution commission/sales incentive accrued to the Participating Dealers, for a period of at least three years from the date of such contribution to the Trust and to make investment in permitted securities for the benefit of Participating Dealers. A sum of Rs. 13.25 crores accrued to the Trust on behalf of the Participating Dealers as on the date of the Balance sheet.
- 15 The Company has started commercial production of Printed Circuit Board (PCB) at its unit at Noida (Uttar Pradesh) during the year. Pre-operative expenses till the date of start of commercial production amounting to Rs. 0.39 crore has been capitalised to the carrying cost of fixed assets on a pro-rata basis.

- 16 Sundry debtors include a sum of Rs. 5.70 crores (previous year Rs. 13.58 crores) due from subsidiaries and companies under the same management as under :

Name of the Company	Relationship	(Rs.in crores)			
		Amount due		Maximum Amount	
		2010-11	2009-10	2010-11	2009-10
Havells Sylvania Colombia S.A.	Step down Subsidiary Company	-	0.24	-	0.48
Havells Sylvania Europe Limited	Step down Subsidiary Company	4.61	13.27	21.87	29.86
Havells USA Inc	Step down Subsidiary Company	0.20	0.07	0.21	0.46
Havells Sylvania (Thailand) Limited	Step down Subsidiary Company	0.05	-	1.11	0.26
Havells Sylvania Argentina S.A.	Step down Subsidiary Company	-	-	-	0.48
Havells Sylvania (Guangzhou) Enterprises Ltd	Step down Subsidiary Company	-	-	-	0.00
Havells Sylvania Lighting Belgium	Step down Subsidiary Company	0.00	-	0.08	-
Havells SLI de Mexico S.A. de C.V.	Step down Subsidiary Company	0.56	-	0.56	-
Havells Sylvania Tunisia S.A.R.L.	Step down Subsidiary Company	0.00	-	0.00	-
Standard Electrical Limited	Wholly Owned Subsidiary	0.28	-	1.44	1.15
		<b>5.70</b>	<b>13.58</b>	<b>25.27</b>	<b>32.69</b>

- 17 The Company has a system of obtaining periodic confirmations from debtors and creditors. Necessary entries have been passed on reconciliation of accounts wherever required.

- 18 a) Information as required to be furnished as per Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) for the year ended 31st March, 2011 is given below. This information has been determined to the extent such parties have been identified on the basis of information available with the Company.

Sl. No.	Particulars	(Rs. in crores)	
		2010-11	2009-10
1	Principal amount and interest due thereon remaining unpaid to any supplier cover under MSMED Act:		
	Principal	10.57	7.94
	Interest	0.27	0.22
2	The amount of interest paid by the buyer in terms of Section 16, of the MSMED Act along the amounts of the payment made to the supplier beyond the appointed day during each accounting year.	Nil	Nil
3	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act.	0.26	0.21
4	The amount of interest accrued and remaining unpaid at the end of each accounting year.	0.01	0.01
5	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act.	Nil	Nil

- b) The total dues of Micro and Small Enterprises which were outstanding for more than stipulated period were at Rs. 1.30 Crores (Previous year Rs. 2.95 Crores) as on the balance sheet date.

- 19 The Company has made a provision of excise duty amounting to Rs. 6.45 crores (previous year Rs. 4.17 crores) payable on stocks of finished goods and scrap material at the end of the year except at Baddi and Haridwar units which are exempt from excise duty. Excise duty is considered as an element of cost at the time of manufacture of goods.
- 20 a) The Company has given a corporate guarantee of Rs. 215.02 crores (Euro 34 millions) {Previous Year Rs. 205.90 crores (Euro 34 millions)} for and on behalf of wholly owned subsidiary company 'Havells Netherlands Holding B.V.', in respect of Asian Terms Facility Agreement entered with Barclays Capital and State Bank of India on 13th March, 2007, against the loan taken by the said subsidiary. The outstanding loan as on the date of the Balance sheet is Rs. 63.24 crores (Euro 10 Millions) {Previous Year Rs. 100.95 crores (Euro 16.67 Million)}. The Company has further provided security by way of first pari-passu charge on the moveable fixed assets of the Company (except for those charged against working capital limits and excluded moveable and immovable assets ), by way of first pari-passu charge by way of mortgage over the immovable fixed assets situated at A-461/462, MIA Alwar (Rajasthan), SP - 215, MIA Alwar (Rajasthan), Land at Village Dharampur, Tehsil Nalagarh, District Solan (Himachal Pradesh) and Plot no. 2A, Sector - 10, IIE Ranipur, Haridwar and subservient charge on land and building at 14/3, Mathura Road, Faridabad (first pari passu charge to working capital bankers).
- b) The Company has given an irrevocable and unconditional corporate guarantee of Rs. 31.62 crores (Euro 5 millions) {previous year Rs. 30.28 crores (Euro 5 millions)} to Deutsche Bank in respect of credit facilities and other financial accommodation sanctioned to the step down subsidiary company 'Havells Sylvania Europe Limited'. The outstanding amount of the said credit facility as on the date of the Balance sheet is Rs. 11.88 crores (Euro 1.88 Million) {Previous year Rs.12.23 crores (Euro 2.02 Million)}.
- c) The Company has given a corporate guarantee of Rs. 100 crores to Yes Bank Limited in respect of 'standby letter of credit' facility sanctioned to its subsidiary company 'Havells Exim Limited'. The outstanding amount of the said credit facility as on the date of the Balance sheet is Rs. 25.60 crores.
- 21 a) The Company is under obligation to export goods within a period of eight years from the date of issue of EPCG licenses issued in terms of para 5.2 of Foreign Trade Policy 2009-2014. As on the date of Balance Sheet, the Company is under obligation to export goods worth Rs. 127.34 crores (previous year Rs. 95.55 crores) within the stipulated time as specified in the respective licenses. Out of the said amount, the Company has fulfilled the export obligation of Rs. 85.44 crores (Previous Year 30.75 crores) against which export obligation discharge certificates (EODC) are yet to be obtained from Director General Foreign Trade (DGFT).
- b) Further the Company is under obligation to export goods worth Rs. 109.83 crores (previous year Rs. 88.80 crores) in respect of duty free imports made by the Company against advance licenses. Out of the said amount, export obligation of Rs. 91.68 crores (previous year Rs. 86.08 crores) has been fulfilled by the Company as at the end of the year against which export obligation discharge certificates (EODC) are yet to be obtained from Director General Foreign Trade (DGFT).
- 22 The Company has not made any provision for cess payable u/s 441A of the Companies Act, 1956. The said provision shall be made as and when the requisite notification is issued by the Central Government in this regard.
- 23 The Company has transferred and deposited a sum of Rs. 0.02 crore (previous year Rs. 0.005 crore) out of unclaimed dividend pertaining to the financial years 2002-03 and 2003-04 to Investor Education and Protection Fund of Central Government in accordance with the provisions of Section 205C of the Companies Act, 1956.
- 24 The Company is entitled for incentive under status holder incentive scrip @ 1% of FOB value of exports (except exports made from EOU unit) in terms of para 3.16 of Foreign Trade Policy 2009-2014. A provision of Rs. 1.33 crores (previous year Rs. 1.21 crores) has been made on this account which is to be utilised for duty free import of capital goods.

- 25 That the Company has disputed various tax liabilities before the appellate authorities, the details and the forum where said liabilities are pending are as under:

Sl. No.	Statute	Nature of Dues	Period to which relates	Disputed amount (Rs.in crores)	Forum where disputes are pending
<b>A. Excise Duty</b>					
	Central Excise Act, 1944	Demand/ Penalty (F.Y)	1994 to 1997	0.37	CESTAT, Delhi
			2004-2005	0.22	CESTAT, Delhi
			2004-2005	0.02	CESTAT, Delhi
			2002-2003	0.77	The Commissioner (Appeals), Central Excise, Delhi
			2006-2007	3.90	The Commissioner (Appeals), Central Excise, Delhi
			2006-2007	0.15	The Commissioner (Appeals), Central Excise Jaipur
			2007-2008	0.27	The Commissioner (Appeals), Central Excise Jaipur
			2003-2008	0.17	The Commissioner (Appeals), Central Excise, Faridabad
			2004-2005	0.25	The Commissioner (Appeals), Central Excise, Faridabad
			2004-2005	0.07	The Commissioner (Appeals), Central Excise, Faridabad
<b>B. Income Tax</b>					
	Income tax Act'1961	Demand/ Interest/ Penalty (A.Y)	2004-2005	0.06	Income Tax Appellate Tribunal, New Delhi
			2005-2006	0.07	Income Tax Appellate Tribunal, New Delhi
			2006-2007	0.57	Income Tax Appellate Tribunal, New Delhi
			2007-2008	0.09	Income Tax Appellate Tribunal, New Delhi
			2008-2009	4.03	The Commissioner of Income tax (Appeals), New Delhi
			2004-2005	0.04	The Commissioner of Income tax (Appeals), New Delhi
			2004-2005	0.01	The Commissioner of Income tax (Appeals), New Delhi
			2005-2006	0.07	The Commissioner of Income tax (Appeals), New Delhi
<b>C. Sales Tax/VAT</b>					
	Sales Tax/ Value Added Tax	Demand/ Interest (F.Y)	2005-2006	0.35	The High Court, Cochin
			2005-2006	0.19	The Deputy Commissioner (Appeals), Ernakulam
			2008-2009	0.08	The Deputy Commissioner (Appeals), Ernakulam
			2007-2008	0.35	The Appellate Tribunal, Patna
			2004-2005	0.04	The Joint Commissioner (Appeals), Faridabad
			2006-2007	0.11	The Joint Commissioner (Appeals), Faridabad
			2003-2004	0.01	The Haryana Tax Tribunal, Chandigarh
			2005-2006	0.05	The DC Appeals Ahmedabad
			2005-2006	0.24	The Joint Commissioner of Commercial Taxes (Appeals)-I, Bangalore
			2006-2007	0.16	The Additional Commissioner (Appeals), Noida
			2005-2006	0.08	The Additional Commissioner (Appeals), Noida
			2007-2008	0.19	The Additional Commissioner (Appeals), Noida
			2008-2009	0.01	The Additional Commissioner (Appeals), Noida
			2008-2009	0.05	The Additional Commissioner (Appeals), Noida
			2009-2010	0.85	The Additional Commissioner (Appeals), Noida
			2010-2011	0.01	The Additional Commissioner (Appeals), Noida
<b>D. Others</b>					
1	Local Area Development Tax	Demand/ Interest (F.Y)	2001-2002	0.12	The Joint Excise and Taxation Commissioner - (Appeals), Faridabad
2	Customs Act	Demand/ Interest (F.Y)	2006-2007	0.22	CESTAT, Delhi
3	Octroi	Penalty	2010-2011	0.03	Judicial Magistrate, First Class and Corporation Court, Nagpur
<b>Total</b>				<b>14.27</b>	

No provision in respect of the above amount has been made since the Company expects no liability on these accounts.

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.

- 26 Companies (Accounting Standards) Amendment Rules, 2009 issued by the Ministry of Corporate Affairs vide Notification no.G.S.R.225 (E) dated March 31, 2009, had amended the Accounting Standard - 11 on "The Effect of Changes in Foreign Exchange Rates" and given an option to the companies to adopt the treatment prescribed in the said notification in reference to its foreign currency transactions. The Company has, consistently following the provisions of AS-11 as in the past, chosen not to adopt the alternate treatment prescribed under the above notification. In accordance with the accounting policy of the Company, a sum of Rs. 10.30 crores (previous year Rs. 9.68 crores) has been recognised as exchange gain (net) and credited to the profit and loss account.
- 27 Foreign currency exposures recognised by the Company that have not been hedged by a derivative instrument or otherwise as at 31st March, 2011 are as under:

(Figures in crores)

	GBP		USD		EURO		JPY		CHF	
	Foreign Currency	Indian Currency	Foreign Currency	Indian Currency	Foreign Currency	Indian Currency	Foreign Currency	Indian Currency	Foreign Currency	Indian Currency
<b>Receivables</b>										
Current Year	0.01	0.39	0.45	20.29	0.08	4.83	-	-	-	-
Previous Year	0.04	2.85	0.19	8.65	0.27	16.20	-	-	-	-
<b>Payables</b>										
Current Year	0.00	0.01	3.14	139.99	0.03	1.88	1.88	1.01	0.00	0.08
Previous Year	0.00	0.01	3.57	160.93	0.40	24.23	2.13	1.03	-	-

- 28 During the year the Company had entered into a forward contract with Yes Bank Limited in order to hedge its exposure for movements in foreign exchange rates in case of underlying assets being imports in case of the Company. As on the Balance sheet date, there are no outstanding derivative contracts. The Company has recognised a profit of Rs. 0.11 crore in the profit and loss account (Previous year loss of Rs. 0.08 crore) on this account.
- 29 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. The said amount is not subject to deduction of tax at source (TDS).

### 30 Current Tax and Deferred Tax

#### Current Tax

The Company has made a provision for current tax in accordance with the provisions of the Income Tax Act 1961

#### Deferred Tax

Deferred tax resulting from timing differences between book profit and taxable income is accounted for using the current tax rate. In respect of the Company's units under tax holiday period u/s 80 IC of the Income Tax Act, 1961, deferred tax assets/liabilities for timing differences which are capable of reversal after the tax holiday period have been recognised during the year in accordance with The Accounting Standard Interpretation (ASI 3)(Revised) issued by The Institute of Chartered Accountants of India. The break-up of deferred tax assets and deferred tax liabilities is as under:

	(Rs. in crores)	
	2010-11	2009-10
1 Deferred Tax Liability		
a) on account of difference in rates and method of depreciation	57.86	44.00
b) on account of different treatment of certain payments under Income Tax Act	2.07	4.51
	<u>59.93</u>	<u>48.51</u>
2 Deferred Tax Assets		
a) on account of different treatment of certain payments under Income Tax Act	2.78	2.47
b) on account of provision for bonus	2.59	1.69
c) on account of provision for doubtful debts not treated as expense under Income Tax Act	0.94	0.54
	<u>6.31</u>	<u>4.70</u>
3 Deferred income tax liability (Net)		
a) at the end of year	53.62	43.81
b) for the year	9.81	8.70



- 31 Disclosures required by Accounting Standard (AS- 29) relating to 'Provisions, Contingent Liabilities and Contingent Assets'

Provisions are recognised such as sales incentives, bad debts, warranty and other expenses of commercial nature. The provisions are recognised on the basis of past events and the probable settlement of the present obligation during the year as a result of the past events.

The movement in provisions are as under:

(Rs. in crores)

	2010-11					2009-10				
	Sales Incentive	Bad Debts	Warranty	Others	Total	Sales Incentive	Bad Debts	Warranty	Others	Total
Carrying amount at the beginning of the year	15.99	1.64	2.56	0.50	20.69	12.58	2.12	-	0.74	15.44
Additional provisions made during the year	9.01	1.86	9.13	0.35	20.35	6.72	0.31	2.56	0.50	10.09
Amount used during the year	4.64	0.02	2.27	0.50	7.43	2.94	-	-	0.67	3.61
Unused amounts reversed during the year	0.38	0.57	-	-	0.95	0.37	0.79	-	0.07	1.23
Carrying amount of provisions as at the end of the year	19.98	2.91	9.42	0.35	32.66	15.99	1.64	2.56	0.50	20.69

- 32 As per Accounting Standard 15 "Employee Benefits", the disclosures of Employee benefits as defined in the Accounting Standard are given below:

#### Defined Contribution Plan

Contribution to Defined Contribution Plan, recognised as expense for the year are as under:

	2010-11	2009-10
Employer's Contribution to Provident Fund (PF)	3.10	2.05
Employer's Contribution to Family Pension Scheme	1.30	1.07
Employer's Contribution to Employee State Insurance (ESI)	0.36	0.39

#### Defined Benefit Plan

The Employee's Gratuity Fund Scheme, which is defined benefit plan, is managed by Trust maintained with Life Insurance Corporation of India (LIC). The present value of obligation is determined based on actuarial valuation using Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for compensated absences is recognized in same manner as gratuity.

#### a) Reconciliation of opening and closing balances of Defined Benefit obligation

	2010-11	2009-10
Defined Benefit obligation at beginning of the year	6.56	5.53
Current Service Cost	1.27	0.92
Interest Cost	0.54	0.41
Actuarial (gain) / loss	1.68	1.15
Benefit paid	(0.53)	(1.46)
Defined Benefit obligation at year end	9.52	6.56

		(Rs. in crores)			
		2010-11	2009-10		
b)	Reconciliation of opening and closing balances of fair value of plan assets				
	Fair value of plan assets at beginning of the year	6.35	5.79		
	Expected return on plan assets	0.60	0.54		
	Actuarial gain / (loss)	0.02	(0.12)		
	Employer contribution	0.61	0.13		
	Benefits paid	(0.43)	-		
	Fair value of plan assets at year end	7.15	6.35		
c)	Reconciliation of fair value of assets and obligations				
	Fair value of plan assets	7.15	6.35		
	Present value of obligation	9.52	6.56		
	Amount recognised in Balance Sheet-Asset/(Liability)	(2.37)	(0.21)		
d)	Expenses recognised during the year				
	Current Service Cost	1.27	0.92		
	Interest Cost	0.54	0.41		
	Expected return on plan assets	(0.60)	(0.54)		
	Actuarial (gain)/loss	1.66	1.27		
	Net Cost debited to profit and loss account	2.87	2.07		
e)	Actuarial assumptions				
	Mortality Table (LIC)	1994-96 (Ultimate)	1994-96 (Ultimate)		
	Discount rate (per annum)	8.50%	8.50%		
	Expected rate of return on plan assets (per annum)	9.30%	9.15%		
	Rate of escalation in salary (per annum)	6.00%	6.00%		
	Attrition Rate	5.00%	5.00%		
f)	Amounts for current and previous periods:				
		2010-11	2009-10	2008-09	2007-08
	Present value of obligation	9.52	6.56	5.53	5.14
	Fair value of plan assets	7.15	6.35	5.53	5.14
	Surplus/ (Deficit)	(2.37)	(0.21)	-	-
	Experience adjustments on plan liabilities and assets*	-	-	-	-

\*The experience adjustments on plan liabilities and assets are not readily available and hence not disclosed.

g) The plan assets are maintained with Life Insurance Corporation of India Gratuity Scheme. The details of investment maintained by Life Insurance Corporation of India are not available with the Company and have not been disclosed.

h) The Company expects to contribute Rs. 2.00 crores to the plan during the next financial year.

The estimates of rate of escalation in salary considered in actuarial valuation after taking into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is as certified by the Actuary.

The expected rate of return on plan assets is determined considering several applicable factors, mainly the composition of plan assets held, assessed risks, historical results of return on plan assets and the Company's policy for the plan assets management. The Company has no unfunded obligation as on the Balance sheet date.

33 In accordance with accounting standard - AS-28 "Impairment of Assets" issued by the Institute of Chartered Accountants 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 2011, the Company has identified its principal cash generating units into Switchgear Divisions (Faridabad, Haryana and Sahibabad, Uttar Pradesh), EOU Division and Switchgear Divisions (Baddi, Himachal Pradesh), Cable Division (Alwar, Rajasthan), Fan Divisions at Haridwar (Uttarakhand), Electric Motor and CFL Division at Neemrana (Rajasthan), Printed Circuit Board division (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 operation 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.

**34 a) Break-up of remuneration paid to Managing/Wholetime Director's is as under :**

	(Rs in crores)	
	2010-11	2009-10
Salary and Bonus	2.97	2.55
Mediclaime insurance	0.00	0.00
Leave salary	0.04	0.09
Commission	5.54	1.46
	<u>8.55</u>	<u>4.10</u>

Shri Surjit Gupta, Director of the Company has been paid a remuneration of Rs. 1.50 crores (previous year Rs. 0.48 crore) by QRG Enterprises Limited, a Company under the same management.

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

	2010-11	2009-10
Net profit as per profit and loss account	242.05	228.16
Add: Income tax and Deferred tax	68.24	62.10
Wealth tax	0.05	0.05
Managing/Whole-time Director's remuneration	8.55	4.10
Director's sitting fee	0.10	0.08
Depreciation charged in accounts	29.34	23.27
Provision for doubtful debts	1.86	0.31
Provision for diminution in value of investments	0.36	-
Loss on Sale of Assets	0.58	7.59
	<u>351.13</u>	<u>325.66</u>
Less: Depreciation as per section 350 of the Companies Act, 1956	29.34	23.27
Profit on Sale of Assets	0.07	0.11
Excess Provision of Corporate Dividend tax written back	0.06	-
Excess Provision of Bad Debts written back	0.59	0.79
Net profit as per section 349 of the Companies Act, 1956	<u>321.07</u>	<u>301.49</u>
Maximum remuneration payable @10% of net profit	32.11	30.15
Maximum remuneration payable @5% of net profit to each director	16.05	15.07

35 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.

**36 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 four reportable segments viz. Switchgears, Cable, Lighting and fixtures 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".

	(Rs. in crores)	
	2010-11	2009-10
<b>(i) Primary- Business Segment</b>		
<b>A. Revenue</b>		
<b>Segment Revenue (Gross)</b>		
Switchgears	771.02	694.13
Cables	1361.53	1068.60
Lighting and fixtures	456.68	356.92
Electrical consumable durables	472.43	337.18
Others	1.66	33.88
	<u>3063.32</u>	<u>2490.71</u>
<b>B. Results</b>		
<b>Segment Results</b>		
Switchgears	271.90	261.12
Cable	90.04	88.76
Lighting and fixtures	82.03	70.55
Electrical consumable durables	129.47	101.94
Others	0.61	6.75
	<u>574.05</u>	<u>529.12</u>
Unallocated expenses net of income	248.37	232.38
<b>Operating Profit</b>	<b>325.68</b>	<b>296.74</b>
Interest Expenses	15.81	6.43
<b>Profit before extraordinary items and tax</b>	<b>309.87</b>	<b>290.31</b>
Income tax expense and wealth tax	68.29	62.15
<b>Profit after tax but before extraordinary items</b>	<b>241.58</b>	<b>228.16</b>
Add: Extraordinary items (net of tax)	0.47	-
<b>Profit after tax</b>	<b>242.05</b>	<b>228.16</b>
<b>C. Other Information</b>		
<b>Segment Assets</b>		
Switchgears	410.84	359.89
Cables	431.02	322.19
Lighting and fixtures	290.52	197.79
Electrical consumable durables	164.23	110.75
Others	873.57	720.34
	<u>2170.18</u>	<u>1710.96</u>
<b>Segment Liabilities</b>		
Switchgears	92.99	98.22
Cables	246.45	98.62
Lighting and fixtures	66.77	46.75
Electrical consumable durables	57.54	36.97
Others	178.38	135.61
	<u>642.13</u>	<u>416.17</u>
<b>Capital Expenditure</b>		
Switchgears	49.94	26.19
Cables	52.29	68.81
Lighting and fixtures	43.04	52.65
Electrical consumable durables	8.09	18.04
Others	9.47	3.31
	<u>162.83</u>	<u>169.00</u>

(Rs. in crores)

**Depreciation**

Switchgears	9.33	8.06
Cables	7.70	5.38
Lighting and fixtures	4.82	3.47
Electrical consumable durables	2.58	1.66
Others	4.91	4.70
	<u>29.34</u>	<u>23.27</u>

**Non-cash expenses other than depreciation**

Switchgears	0.01	3.14
Cables	0.02	1.30
Lighting and fixtures	0.01	2.55
Electrical consumable durables	0.00	0.53
Others	2.78	0.41
	<u>2.82</u>	<u>7.93</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-Domestic Market	2885.88	2268.29
Revenue-Overseas Market	177.44	222.42
	<u>3063.32</u>	<u>2490.71</u>

**Fixed assets located (Including Capital work -in-progress)**

Within India	730.28	601.22
Outside India	0.02	0.01
	<u>730.30</u>	<u>601.23</u>

**37 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:**

<b>1 Subsidiary Companies</b>	<b>Relationship</b>
Havell's Cyprus Limited	WOS
Havell's Holdings Limited	WOS
Standard Electrical Limited	WOS
Havells Exim Limited	WOS
Havells Malta Limited	WOS of Havell's Holdings Limited
Havells Netherlands Holding B.V.	WOS of Havells Malta Limited
Sylvania India Limited	WOS of Havells Malta Limited
Havells Netherlands B.V.	WOS of Havells Netherlands Holding B.V.
SLI Europe B.V.	WOS of Havells Netherlands B.V.
Havells Sylvania Holdings (BVI-1) Ltd	WOS of Havells Netherlands B.V.
Havells USA Inc.	WOS of Havells Netherlands B.V.
Flowil International Lighting (Holding) B.V.	WOS of SLI Europe B.V.
Sylvania Lighting International B.V.	WOS of SLI Europe B.V.
Havells Sylvania (Thailand) Limited	*49% held by Flowil International Lighting (Holding) B.V.
Guangzhou Havells Sylvania Enterprise Limited	WOS of Flowil International Lighting (Holding) B.V.
Havells Sylvania Asia Pacific Limited	WOS of Flowil International Lighting (Holding) B.V.
Havells Sylvania Sweden A.B.	WOS of Flowil International Lighting (Holding) B.V.
Havells Sylvania Finland OY	WOS of Flowil International Lighting (Holding) B.V.
Havells Sylvania Norway A.S.	WOS of Flowil International Lighting (Holding) B.V.
Havells Sylvania Fixtures Netherlands B.V.	WOS of Flowil International Lighting (Holding) B.V.



Havells Sylvania Lighting Belgium N.V.	WOS of Flowil International Lighting (Holding) B.V.
Havells Sylvania Belgium B.V.B.A.	WOS of Flowil International Lighting (Holding) B.V.
Havells Sylvania Italy S.P.A.	WOS of Flowil International Lighting (Holding) B.V.
Havells Sylvania Portugal Lda	WOS of Flowil International Lighting (Holding) B.V.
Havells Sylvania Greece A.E.E.E.	WOS of Flowil International Lighting (Holding) B.V.
Havells Sylvania Spain S.A.	WOS of Flowil International Lighting (Holding) B.V.
Havells Sylvania Germany GmbH	WOS of Flowil International Lighting (Holding) B.V.
Havells Sylvania Switzerland A.G	WOS of Flowil International Lighting (Holding) B.V.
Havells Sylvania Lighting France S.A.S	WOS of Flowil International Lighting (Holding) B.V.
Havells Sylvania France S.A.S.	WOS of Havells Sylvania Lighting France SA
Havells Sylvania Brasil Iluminacao Ltda.	WOS of Sylvania Lighting International B.V.
Havells Sylvania Argentina S.A.	WOS of Sylvania Lighting International B.V.
Havells Sylvania N.V.	WOS of Sylvania Lighting International B.V.
Havells Sylvania Colombia S.A.	WOS of Havells Sylvania Holdings BVI-1 Limited
Havells SLI de Mexico S.A. de C.V.	WOS of Sylvania Lighting International B.V.
Havells SLI Servicios Generales Mexico S.A. de CV.	WOS of Havells SLI de Mexico SA de CV
Havells Sylvania El Salvador S.A. de C.V.	WOS of Havells Sylvania Export N.V.
Havells Sylvania Guatemala S.A.	WOS of Havells Sylvania Export N.V.
Havells Sylvania Costa Rica S.A.	WOS of Havells Sylvania Export N.V.
Havells Sylvania Panama S.A.	WOS of Havells Sylvania Export N.V.
Havells Sylvania Venezuela C.A.	WOS of Havells Sylvania Colombia S.A.
Havells Sylvania Europe Limited	WOS of Flowil International Lighting (Holding) B.V.
Havells Sylvania UK Limited	WOS of Havells Sylvania Europe Limited
Havells Sylvania Fixtures UK Limited	WOS of Havells Sylvania UK Limited
Havells Sylvania Tunisia S.A.R.L.	WOS of Flowil International Lighting (Holding) B.V.
Havells Sylvania Export N.V	WOS of Sylvania Lighting International B.V.
Havells Sylvania Holdings (BVI-2) Ltd	WOS of Havells Sylvania Holdings BVI-1 Limited
Havells Sylvania Dubai FZCO	WOS of Havells Sylvania Europe Limited
Havells Sylvania (Shanghai) Ltd	WOS of Havells Sylvania Asia Pacific Limited
Havells Sylvania Peru S. A. C.	WOS of Havells Sylvania Colombia S.A.
Havells Sylvania Iluminacion (Chile) Ltda	WOS of Sylvania Lighting International B.V.
Havells Sylvania (Malaysia) Sdn. Bhd	WOS of Havells Sylvania Asia Pacific Limited
Havells Sylvania Poland S.P.Z.O.O	99% held by Flowil International Lighting (Holding) B.V. & 1% held by Havells Sylvania Europe Limited
Panama Americas Trading Hub SA	WOS of Sylvania Lighting International B.V.

**Notes :**

- WOS refers to 'Wholly Owned Subsidiary'
- \* In Havells Sylvania (Thailand) Limited minorities hold 51% of ordinary shares ( representing 11000 Euro as at 31st March,2011) but the majority of voting rights (91%) are held by Sylvania Group. The beneficial ownership of the entity lies with the Sylvania Group.
- During the year Sylvania Lighting International B.V. has acquired additional 1% shares in Havells Sylvania Argentina S.A., consequently Havells Sylvania Argentina S.A. has become WOS of Sylvania Lighting International B.V.
- Hamshire Holdings Ltd, Sylvania Geschäft mbh and Havells Sylvania Spain Logistics S.L., were closed during the year.
- Sylvania India Limited, Panama Americas Trading Hub SA and Havells Exim Limited were incorporated during the year.
- SLI Lighting Products Inc. and Havells Holding Inc have been merged in a new entity Havells USA Inc. during the year.

**2 Associates**

QRG Enterprises Limited  
 Guptajee & Company  
 QRG Foundation  
 QRG Central Hospital and Research Centre Limited

**3 Key Management Personnel**

Shri Qimat Rai Gupta  
 Shri Surjit Gupta  
 Shri Anil Gupta  
 Shri Rajesh Gupta

**(B) Transactions during the year**

	<b>(Rs. in crores)</b>	
	<b>2010-11</b>	<b>2009-10</b>
<b>(i) Purchase of goods</b>		
<b>Associates</b>		
QRG Enterprises Limited	0.25	11.32
<b>Subsidiaries / Step down Subsidiaries</b>		
Standard Electrical Limited	0.14	1.07
Havells Exim Limited	13.61	-
Sylvania India Limited	2.76	-
Havells Sylvania Costa Rica S.A.	-	0.07
Havells Sylvania Fixture UK Limited	1.95	0.05
Havells Sylvania Lighting Belgium	0.09	0.06
Havells Sylvania Germany Gmbh	0.79	0.12
Havells Sylvania (Guangzhou) Enterprises Ltd	-	0.19
Havells Sylvania Europe Limited	1.47	0.04
Havells Sylvania UK Limited	0.55	2.18
Havells Sylvania Fixtures Netherlands B.V.	-	0.00
Havells Sylvania Brasil Iluminacao Ltda.	-	0.30
Havells Sylvania Asia Pacific Limited	0.30	-
	<u>21.92</u>	<u>15.41</u>
<b>(ii) Purchase of Consumables</b>		
<b>Subsidiaries / Step down Subsidiaries</b>		
Standard Electrical Limited	0.03	0.01
Havells Sylvania Lighting Belgium	0.01	0.04
	<u>0.04</u>	<u>0.05</u>
<b>(iii) Sale of goods</b>		
<b>Associates</b>		
QRG Enterprises Limited	-	0.06
QRG Foundation	-	0.00
QRG Central Hospital and Research Centre Limited	0.01	-
<b>Subsidiaries / Step down Subsidiaries</b>		
Standard Electrical Limited	12.51	15.20
Sylvania India Limited	0.03	-
Havells Sylvania Europe Limited	46.96	53.66
Havells Sylvania Colombia S.A.	-	0.24
Havells USA Inc.	0.06	0.01
Havells Sylvania Fixture UK Limited	-	0.01
Havells Sylvania Lighting Belgium	0.08	0.08
Havells Sylvania France S.A.S.	-	0.00
Havells Sylvania (Thailand) Limited	4.01	-
Havells Sylvania Peru S. A. C.	0.25	-
Havells Sylvania Tunisia S.A.R.L.	0.00	-
Havells SLI de Mexico S.A. de C.V.	0.49	-
	<u>64.40</u>	<u>69.26</u>

		(Rs. in crores)	
		2010-11	2009-10
(iv)	<b>Sales return</b>		
	QRG Enterprises Limited	0.03	-
(v)	<b>Sales incentives, discounts and commission paid</b>		
	<b>Associates</b>		
	Guptajee and Company	4.31	4.62
	<b>Subsidiaries / Step down Subsidiaries</b>		
	Standard Electrical Limited	-	0.24
		<u>4.31</u>	<u>4.86</u>
(vi)	<b>Purchase of fixed assets</b>		
	<b>Associates</b>		
	QRG Enterprises Limited	0.02	16.02
	Guptajee and Company	16.75	-
	<b>Subsidiaries / Step down Subsidiaries</b>		
	Standard Electrical Limited	0.07	0.04
	Havells Sylvania UK Limited	-	8.10
	Havells Sylvania Fixture UK Limited	-	0.01
	Havells Sylvania Lighting Belgium	4.27	5.99
	Havells Sylvania Germany Gmbh	2.02	-
		<u>23.13</u>	<u>30.16</u>
(vii)	<b>Sales of fixed assets</b>		
	<b>Subsidiaries / Step down Subsidiaries</b>		
	Standard Electrical Limited	0.01	0.21
		<u>0.01</u>	<u>0.21</u>
(viii)	<b>Usage Charges Paid</b>		
	<b>Associates</b>		
	Guptajee and Co.	0.01	0.01
	QRG Enterprises Limited	17.42	17.26
		<u>17.43</u>	<u>17.27</u>
(ix)	<b>Service/ Usage Charges Received</b>		
	<b>Associates</b>		
	QRG Enterprises Limited	0.04	0.04
	<b>Subsidiaries / Step down Subsidiaries</b>		
	Standard Electrical Limited	1.30	0.10
		<u>1.34</u>	<u>0.14</u>
(x)	<b>Trade mark fee paid</b>		
	<b>Associates</b>		
	QRG Enterprises Limited	29.28	22.39
(xi)	<b>Donation paid</b>		
	<b>Associates</b>		
	QRG Foundation	0.65	0.50
(xii)	<b>Medical Expenses</b>		
	<b>Associates</b>		
	QRG Central Hospital and Research Centre Limited	-	0.03
(xiii)	<b>Export of Services</b>		
	<b>Subsidiaries / Step down Subsidiaries</b>		
	Havells Sylvania Europe Limited	0.23	1.31
	Havells USA Inc	0.55	0.70
		<u>0.77</u>	<u>2.01</u>

	(Rs. in crores)	
	2010-11	2009-10
<b>(xiv) Reimbursement of Expenses</b>		
<b>Associates</b>		
QRG Enterprises Limited	0.96	0.33
<b>Subsidiaries / Step down Subsidiaries</b>		
Havells Sylvania Europe Limited	0.28	-
Havells SLI de Mexico S.A. de C.V.	0.05	-
	<u>1.29</u>	<u>0.33</u>
<b>(xv) Share application Money</b>		
<b>Subsidiaries / Step down Subsidiaries</b>		
Havell's Cyprus Limited	-	0.13
<b>(xvi) Investments in equity shares</b>		
<b>Subsidiaries / Step down Subsidiaries</b>		
Standard Electrical Limited	0.04	0.01
Havell's Holding Limited	184.02	143.69
Havell's Cyprus Limited	0.19	0.16
Havells Exim Limited	0.00	-
	<u>184.25</u>	<u>143.86</u>
<b>(xvii) Rent received</b>		
<b>Associates</b>		
QRG Enterprises Limited	0.03	-
<b>(xviii) Directors remuneration</b>		
<b>Key Management Personnel</b>		
Sh. Q. R. Gupta	3.58	1.19
Sh. Anil Gupta	2.48	0.75
Sh. Rajesh Gupta	2.49	2.16
	<u>8.55</u>	<u>4.10</u>
<b>(C) Balances at the year end</b>		
<b>(i) Receivables</b>		
<b>Subsidiaries / Step down Subsidiaries</b>		
Havells Sylvania Colombia S. A.	-	0.24
Havells Sylvania Europe Limited	4.61	13.27
Havells USA Inc.	0.20	0.07
Havells Sylvania (Thailand) Limited	0.05	-
Havells Sylvania Lighting Belgium	0.00	-
Havells SLI de Mexico S.A. de C.V.	0.56	-
Havells Sylvania Costa Rica S.A.	0.00	-
Havells Sylvania Tunisia S.A.R.L.	0.00	-
Standard Electrical Limited	0.28	-
	<u>5.70</u>	<u>13.58</u>
<b>(ii) Payables</b>		
<b>Associates</b>		
Guptajee & Company	0.41	0.46
<b>Subsidiaries / Step down Subsidiaries</b>		
Standard Electrical Limited	-	0.05
Havells Sylvania Fixture UK Limited	-	0.00
Havells Sylvania Lighting Belgium	0.04	0.03
Havells Sylvania Germany Gmbh	0.14	0.02
Havells Sylvania Europe Limited	0.13	0.03
Havells Sylvania UK Limited	-	0.04
Havells Sylvania (Guangzhou) Enterprises Ltd	0.01	0.01
Havells Sylvania Fixtures Netherlands B.V.	1.41	0.00
Havells Sylvania Costa Rica S.A.	0.00	-
Havells Exim Limited	10.43	-
	<u>12.16</u>	<u>0.18</u>

		(Rs. in crores)	
		2010-11	2009-10
<b>38 Earnings per share</b>			
<b>a) Basic and Diluted Earnings per share excluding extraordinary items</b>			
<u>Numerator for earnings per share</u>			
Profit before taxation		309.87	290.31
Provision for deferred tax, Income tax and Wealth tax		(68.29)	(62.15)
Profit after taxation		241.58	228.16
<u>Denominator for earnings per share</u>			
Weighted number of equity shares outstanding during the period	Nos.	124774812	124774812
Earning per share-Basic and Diluted excluding extraordinary items (one equity share of Rs. 5/- each)	Rs.	19.36	18.29
<b>b) Basic and Diluted Earnings per share including extraordinary items</b>			
<u>Numerator for earnings per share</u>			
Profit before taxation		309.87	290.31
Provision for deferred tax, Income tax and Wealth tax		(68.29)	(62.15)
<u>Adjustment to net earnings:</u>			
Add: Extraordinary items net of tax		0.47	-
Profit after taxation		242.05	228.16
<u>Denominator for earnings per share</u>			
Weighted number of equity shares outstanding during the period	Nos.	124774812	124774812
Earning per share-Basic and Diluted including extraordinary items (one equity share of Rs. 5/- each)	Rs.	19.40	18.29

62387406 Bonus shares issued during the year have been considered in the computation of Basic and Diluted earning per share from the beginning of the reporting period i.e. 1st April 2010. Previous year figures have been adjusted for the bonus issue and restated accordingly.

2219000 equity shares allotted on 19.08.2010 had been considered in the computation of basic and diluted earning per share during the last year in terms of the scheme of arrangement approved by the Hon'ble High Court of Delhi vide their order dated 19.08.2010, with effect from 1st April 2009 being the appointed date as per the scheme of arrangement.

- 39 a) The Company has taken various residential/ commercial premises under cancellable operating leases. These lease agreements are normally renewed on expiry.
- b) The Company has also taken few commercial premises under non-cancellable operating leases. The total of future minimum lease payments in respect of such leases as on 31.03.2011 is as follows:
- not later than one year Rs. 3.10 crores (previous year Rs. 2.60 crores)
  - later than one year and not later than five years Rs. 4.98 crores (previous year Rs. 3.04 crores)
  - later than five years Rs. Nil

Lease payments recognised in the statement of profit and loss as an expense for the year is Rs. 27.28 crores (Previous year Rs. 23.26 crores)



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

(Rs. in crores)

	UNIT	2010-11		2009-10	
		QTY	Amount	QTY	Amount
<b>a) Turnover</b>					
<b>Finished Goods</b>					
Switchgears	Nos	59735659	795.02	53781858	712.58
Cables	Km	505928	1,382.29	519110	1,083.50
Lighting and fixtures	Nos	37183475	476.83	27089753	371.40
Electrical Consumer Durables	Nos	3782154	498.90	2974366	357.62
Others	Nos	29360	1.35	562789	34.74
			<u>3,154.38</u>		<u>2,559.84</u>
<b>b) Raw Materials and Components consumed</b>					
Copper	MT	13583.68	515.53	12182.28	391.48
Aluminium	MT	27430.36	342.93	23437.87	251.57
General Plastic	MT	14132.14	105.77	14015.05	92.55
Paints & Chemicals	MT	21578.85	116.28	17800.11	83.04
Steel	MT	18282.76	87.86	16768.08	72.77
Engg. Plastic	MT	1137.28	15.91	999.41	12.80
Others			447.39		400.96
			<u>1631.67</u>		<u>1305.18</u>
<b>c) Purchases and Stocks</b>					
<b>Purchases-Traded Goods</b>					
Switchgears	Nos	13715798	30.09	15150020	25.37
Lighting and fixtures	Nos	13587616	175.25	8214032	116.51
Electrical Consumer Durables	Nos	1196926	96.14	832604	45.48
Others	Nos	2012	0.06	189284	1.87
			<u>301.54</u>		<u>189.23</u>
<b>Opening Stocks</b>					
<b>Traded Goods</b>					
Switchgears	Nos	3055312	6.74	1952109	5.10
Lighting and fixtures	Nos	2155769	33.10	1550150	26.47
Electrical Consumer Durables	Nos	152806	9.68	68485	6.09
Others	Nos	162855	5.04	204186	9.21
			<u>54.56</u>		<u>46.87</u>
<b>Finished Goods</b>					
Switchgears	Nos	5737834	45.75	5315079	32.82
Cables	Km	16600	49.49	19466	25.55
Lighting and fixtures	Nos	2069431	13.76	796933	3.35
Electrical Consumer Durables	Nos	187632	14.30	129474	8.41
Others	Nos	105102	5.85	91264	3.22
			<u>129.18</u>		<u>73.35</u>
Less:					
Finished Goods transferred in pursuance of sale of bath fitting division	Nos	267491	10.91	-	-
<b>Semi-Finished Goods</b>			29.57		18.04
<b>Closing Stocks</b>					
<b>Traded Goods</b>					
Switchgears	Nos	2204980	6.76	3055312	6.74
Lighting and fixtures	Nos	3727039	59.11	2155769	33.10
Electrical Consumer Durables	Nos	308898	31.03	152806	9.68
Others	Nos	513	0.03	162855	5.04
			<u>96.93</u>		<u>54.56</u>

(Rs. in crores)

**Finished Goods**

Switchgears	Nos	6061394	45.25	5737834	45.75
Cables	Km.	25969	80.26	16600	49.49
Lighting and fixtures	Nos	2415345	23.79	2069431	13.76
Electrical Consumer Durables	Nos	414693	33.32	187632	14.30
Others	Nos	886	0.07	105102	5.85
			<u>182.68</u>		<u>129.18</u>

**Semi-Finished Goods**

35.70 29.57

**d) Capacity and Production**

Licensed Capacity #

Installed Capacity (Per Annum) @

Switchgears	Nos./Poles	115710000	115710000
Cables	Km.	1150000	1150000
Lighting and fixtures	Nos	55500000	55200000
Electrical Consumer Durables	Nos	4800000	4800000
Others	Nos	-	400000

**e) Actual Production**

		<b>2010-11</b>	<b>2009-10</b>
Switchgears	Nos	45631363 (138274)	40294570 (136774)
Cables	Km.	515514 (217)	516398 (154)
Lighting and fixtures	Nos	25612318 (99275)	20787965 (34127)
Electrical Consumer Durables	Nos	2997933 (29552)	2284897 (656)
Others	Nos	28617 (336)	346768 (756)

# 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 utilised for self consumption and are included in the figure of total production.

**41 CIF value of Imports**

Raw materials and components	290.25	200.07
Machinery and other fixed assets	24.36	29.50
Spare parts	0.11	0.04
R&D Equipments	0.15	0.12
Dies and Tools	-	0.68

**42 Expenditure in foreign currency**

Travelling	1.93	1.80
Research and Development	-	0.00
Consultancy, Testing and Inspection charges	0.62	1.12
Overseas Branch Expenses	0.46	0.24
Merchanting Trade Purchases	0.90	1.30
Exhibition, Seminar and Conference	1.03	-
Warranty and after sales services	2.34	-
Others	0.09	0.32

**43 Dividend in foreign currencies**

Year to which relates	(Rs. in crores)		
	Paid during 2010-11	Paid during 2009-10	
	2009-10 Final	2009-10 Interim	2008-09 Final
a) Number of non-resident shareholders	560	572	555
b) Number of shares held	17367248	17862952	17635539
c) Amount of dividends			
(in Rupees)	4.34	2.23	4.41
(in Foreign Currency)	Nil	Nil	Nil

<b>44 Earnings in foreign exchange</b>	<b>2010-11</b>	<b>2009-10</b>
F.O.B. value of exports *	173.82	211.04
Merchanting Trade Sales	1.33	1.67
Reimbursement of Expenses	0.77	2.01

\*excluding export of Rs. 7.79 crores made through merchant exporters (previous year Rs. 6.48 crores)

**45 Value of imported/Indigenous materials and components consumed and percentage thereof**

	2010-11	(%)	2009-10	(%)
Indigenous	1452.30	89.01	1175.14	90.04
Imported	179.37	10.99	130.04	9.96
	<u>1631.67</u>	<u>100.00</u>	<u>1305.18</u>	<u>100.00</u>

**46 BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL PROFILE**
**a) Registration Details**

Registration No	16304	16304
Code No	55	55
Balance sheet date	31.03.2011	31.03.2010

**b) Capital raised during the year**

Public issue	-	-
Right issue	-	-
Bonus issue	31.20	-
Private placement	1.11	-
Equity shares pending allotment	-	1.11

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

Total liabilities	1528.05	1294.81
Total assets	1528.05	1294.81

**Sources of funds**

Paid up capital	62.39	30.08
Equity shares/warrants pending allotment	-	1.11
Reserves and surplus	1278.42	1104.00
Secured loans	133.62	115.81
Unsecured loans	-	-
Deferred tax liability	53.62	43.81

	(Rs. in crores)	
	2010-11	2009-10
<b>Application of funds</b>		
Net fixed assets	730.30	601.23
Investments	715.47	531.71
Net current assets	82.28	161.85
Miscellaneous expenditure	-	0.02
<b>d) Performance of Company</b>		
Turnover (net)	2881.65	2371.41
Other income	17.72	14.53
Total expenditure	2589.50	2095.63
Profit before tax and extraordinary items	309.87	290.31
Extraordinary item net of tax	0.47	-
Profit after tax	242.05	228.16
Weighted No of equity shares	124774812	124774812
Earning per share (basic and diluted)	19.40	18.29
Dividend Rate	50%	50%
<b>e) Generic names of Three principal products/services of Company (as per monetary terms)</b>		
<b>Product description</b>	<b>ITC Code No</b>	
Miniature Circuit Breakers	85362030	85362030
Moulded case circuit breaker	85362020	85362020
Cable	85449000	85449000

47 That the figures for the previous year have been regrouped/rearranged wherever necessary.

48 The figures have been rounded off to the nearest crore of rupees upto two decimal places. The figure 0.00 wherever stated represents value less than Rs. 50000/-.

49 Schedule No.1 to 18 form integral part of the balance sheet and profit and loss account.

**For and on behalf of the Board of Directors**

As per attached Auditor's Report of even date

**Qimat Rai Gupta**  
Chairman & Managing Director

**Surjit Gupta**  
Director

For **V. R. Bansal & Associates**  
Chartered Accountants  
(Registration No. 016534N)

**Sanjay Gupta**  
Company Secretary

**Sanjay Johri**  
Associate Vice-President- Accounts

**V. P. Bansal**  
Partner  
Membership No. 8843

Noida, 27<sup>th</sup> May, 2011



## AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

### To The Board of Directors

Havells India Limited

1. We have audited the attached Consolidated Balance Sheet of Havells India Limited (the "Company") and its subsidiaries as at 31<sup>st</sup> March, 2011, the Consolidated Profit & Loss Account and also the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These Financial Statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. 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 policies used and significant estimates made by management, as well as evaluating the overall Financial Statement presentation. We believe that our audit provides a reasonable basis for our opinion.
  - (i) We have relied on audited financial statements of Havell's Holdings Limited, a subsidiary company whose financial statements reflect total assets of Rs. 594.65 crores as at 31<sup>st</sup> March 2011 and total revenue of Rs. Nil for the year ended on that date. These financial statements have been audited by other auditors whose reports have been furnished to us and our report in so far as it relates to the amounts included in respect of the said subsidiary is based solely on the report of other auditors.
  - (ii) We have relied on the unaudited financial statements of Havell's Cyprus Limited and Havells Exim Limited, subsidiary companies and Havells Malta Limited, a subsidiary of Havell's Holdings Limited, along with its subsidiaries, whose consolidated financial statements reflect total assets of Rs. 2107.67 crores as at 31<sup>st</sup> March 2011 and total revenue of Rs. 2778.22 crores for the year ended on that date. These financial statements have been audited by other auditors upto the period ending 31<sup>st</sup> December 2010. The financial statements for the year ending 31<sup>st</sup> March 2011, as approved by the respective Board of Directors of these Companies, have been furnished to us by the Management and our report in so far as it relates to the amounts included in respect of said subsidiaries is based solely on such approved unaudited financial statements.
3. Without qualifying our opinion, we draw your attention to Note no. 11 of Schedule 18, that pursuant to the Scheme of arrangement u/s 391, 392 and 394 of the Companies Act, 1956 and as approved by the Hon'ble High Court of Judicature at Delhi vide their order dated 19th August 2010, certain expenses and other items as prescribed therein have been adjusted from the Business Reconstruction Reserve account. Had the said adjustments not been made and treated in accordance with the generally accepted accounting principles:-
  - i) The net profit after tax for the year (inclusive of the effect of MAT credit) would have been lower by Rs. 0.12 crore,
  - ii) The provision for current tax and MAT credit entitlement would have been lower by Rs. 0.04 crore and Rs. 0.02 crore respectively.
4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standards (AS) 21 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India.
5. Based on our audit as aforesaid, and on consideration of report of other auditors as explained in para 3(i) and unaudited consolidated financial statements of the subsidiaries as explained in paragraph 3(ii) above and to the best of our information and according to the explanations given to us, we are of the opinion that the attached Consolidated Financial Statements read together with significant accounting policies and notes to accounts in Schedule 18, give the information required by the Companies Act in the manner so required and give true and fair view in conformity with the accounting principles generally accepted in India:
  - a) in the case of Consolidated Balance Sheet, of the state of affairs of the Company and its subsidiaries as at 31<sup>st</sup> March, 2011;
  - b) in the case of Consolidated Profit and Loss Account, of the results of the operations of the Company and its subsidiaries for the year ended on that date; and
  - c) in the case of Consolidated Cash Flow Statements, of the cash flows of the Company and its subsidiaries for the period ended on that date.

**For V. R. BANSAL & ASSOCIATES**  
Chartered Accountants  
Registration No.016534N

**(V. P. BANSAL)**

Partner  
Membership No. : 8843

Dated : 27<sup>th</sup> May 2011  
Place : NOIDA



**Consolidated Balance Sheet**

(Rs. in crores)

	Schedule	As At 31.03.11	As At 31.03.10
<b>SOURCES OF FUNDS</b>			
<b>Shareholder's Fund</b>			
Share capital	1	62.39	31.19
Reserves and surplus	2	591.35	369.02
Minority Interest		0.58	0.20
		<u>654.32</u>	<u>400.41</u>
<b>Loan Funds</b>			
Secured loans	3	993.33	996.33
Unsecured loans	4	123.98	70.03
		<u>1117.31</u>	<u>1066.36</u>
<b>Deferred Income Tax (net)</b>		55.85	43.41
<b>Total</b>		<u><b>1827.48</b></u>	<u><b>1510.18</b></u>
<b>APPLICATION OF FUNDS</b>			
Fixed Assets	5		
Gross block		2845.38	2696.29
Less: Accumulated depreciation		<u>1849.88</u>	<u>1808.93</u>
Net block		995.50	887.36
Add: Capital work-in-progress		<u>24.90</u>	<u>33.61</u>
Total fixed assets		1020.40	920.97
<b>Goodwill</b>		335.41	321.20
<b>Current Assets, Loans and Advances</b>	6		
Inventories		1086.00	824.59
Sundry debtors		772.40	698.22
Cash and bank balances		177.86	148.01
Other current assets		9.99	10.28
Loans and advances		<u>161.48</u>	<u>174.52</u>
		<u>2207.73</u>	<u>1855.62</u>
<b>Less: Current Liabilities and Provisions</b>	7		
Current liabilities		1672.18	1555.52
Provisions		<u>63.88</u>	<u>32.11</u>
		<u>1736.06</u>	<u>1587.63</u>
<b>Net Current Assets</b>		471.67	267.99
<b>Miscellaneous Expenditure</b>	8	-	0.02
<b>Total</b>		<u><b>1827.48</b></u>	<u><b>1510.18</b></u>
<b>Accounting policies, contingent liabilities and notes on accounts</b>	18		

For and on behalf of the Board of Directors

As per attached Auditor's Report of even date

**Qimat Rai Gupta**  
Chairman & Managing Director

**Surjit Gupta**  
Director

For **V. R. Bansal & Associates**  
Chartered Accountants  
(Registration No. 016534N)

**Sanjay Gupta**  
Company Secretary

**Sanjay Johri**  
Associate Vice-President- Accounts

**V. P. Bansal**  
Partner  
Membership No. 8843

 Noida, 27<sup>th</sup> May, 2011

**Consolidated Profit and Loss Account**

		(Rs. in crores)	
	Schedule	Year Ended 31.03.11	Year Ended 31.03.10
<b>INCOME</b>			
Turnover (Gross)	9	5776.58	5267.54
Less: Excise duty		163.95	104.97
Turnover (Net)		5612.63	5162.57
Other Income	10	23.72	22.17
		5636.35	5184.74
<b>EXPENDITURE</b>			
Material costs	11	3255.55	2915.44
Manufacturing	12	319.72	324.98
Personnel	13	631.85	760.20
Office and administration	14	282.17	277.84
Selling and distribution	15	557.66	557.65
Managerial remuneration	16	8.61	4.26
		5055.56	4840.37
<b>Profit before Interest, Depreciation, Exceptional items, Tax and Extraordinary item</b>		<b>580.79</b>	<b>344.37</b>
Interest and financial expenses	17	90.16	97.90
Depreciation		80.44	83.69
<b>Profit before Exceptional items, Tax and Extraordinary Item</b>		<b>410.19</b>	<b>162.78</b>
Less: Exceptional items (net) (Refer note no.21 of schedule 18)		3.59	-
<b>Profit before Tax and Extraordinary item</b>		<b>406.60</b>	<b>162.78</b>
Tax expense :			
Current Income tax		100.80	59.52
MAT credit entitlement		(8.01)	3.65
Income tax for earlier years		0.42	0.50
Deferred tax		9.88	29.46
Wealth tax		0.05	0.05
		103.14	93.18
<b>Profit after Tax but before Extraordinary item</b>		<b>303.46</b>	<b>69.60</b>
Add: Extraordinary Item (net of tax) (refer note no 12 of schedule 18)		0.47	-
<b>Profit after Tax before adjustment for minority interest</b>		<b>303.93</b>	<b>69.60</b>
Less: Share of (profit)/loss transfer to minority		0.36	0.04
<b>Profit for Appropriation after adjustment for minority interest</b>		<b>303.57</b>	<b>69.56</b>
Brought forward from previous year		150.22	130.41
Profit for the year		303.57	69.56
<b>Profit available for appropriation</b>		<b>453.79</b>	<b>199.97</b>
<b>Appropriations</b>			
Transfer to general reserve		24.25	22.70
Interim dividend		-	7.52
Proposed dividend		31.19	15.60
Corporate dividend tax		5.06	3.93
Balance carried over to Balance Sheet		393.29	150.22
		453.79	199.97
Basic and diluted earning per share (EPS)(refer note no.34 of schedule 18)			
(Rs. Per equity share of Rs. 5/- each)			
EPS excluding extraordinary item		24.29	5.57
EPS including extraordinary item		24.33	5.57

**Accounting policies, contingent liabilities and notes on accounts**

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**For and on behalf of the Board of Directors**

As per attached Auditor's Report of even date

**Qimat Rai Gupta**  
Chairman & Managing Director

**Surjit Gupta**  
Director

**For V. R. Bansal & Associates**  
Chartered Accountants  
(Registration No. 016534N)

**Sanjay Gupta**  
Company Secretary

**Sanjay Johri**  
Associate Vice-President- Accounts

**V. P. Bansal**  
Partner  
Membership No. 8843

Noida, 27<sup>th</sup> May, 2011

**Consolidated Cash Flow Statement**

(Rs. in crores)

	Year Ended 31.03.11	Year Ended 31.03.10
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax and extraordinary item	406.60	162.78
<u>Adjustments for</u>		
Depreciation	80.44	83.69
Loss on Sale of Fixed Assets	0.70	14.55
Profit on Sale of Fixed Assets	(0.09)	(1.29)
Foreign currency translation reserve	(32.17)	(0.94)
Interest Income	(0.76)	(1.56)
Interest Paid	81.97	87.11
Unrealised foreign exchange gain	5.52	17.21
Expenses on scheme of arrangement	(0.18)	13.69
Provision for doubtful debts	1.86	(237.53)
Miscellaneous Expenditure Written Off	0.02	0.03
Operating Profit before working capital changes	543.91	137.74
<u>Adjustments for</u>		
Trade and Other Receivables	(56.37)	115.19
Inventories	(275.12)	(13.90)
Trade Payables	192.27	13.06
Other Liabilities	(62.07)	122.51
<b>Cash generated from operations</b>	342.62	374.60
Direct taxes paid	(85.08)	(65.94)
<b>Cash Flow before Extraordinary Items</b>	257.54	308.66
<b>Net Cash received (+) / used (-) from Operating Activities</b>	<b>257.54</b>	<b>308.66</b>
<b>B. CASH FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(188.65)	(153.55)
Addition of Goodwill due to exchange variation	(14.21)	36.70
Sale of fixed assets	23.91	9.18
Proceeds from sale of Bath Fitting Division - extraordinary item	6.33	10.00
Interest Received	0.76	1.56
<b>Net Cash used in Investing Activities</b>	<b>(171.86)</b>	<b>(96.11)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from short term borrowings	-	(86.32)
Proceeds from long term borrowings	4.52	(17.61)
Repayment of lease liabilities	(13.07)	-
Repayment of motor car loans	-	(0.02)
Proceeds of unsecured loans	53.95	(95.41)
Interest Paid	(81.92)	(87.19)
Dividends paid	(5.06)	(3.93)
Dividends tax paid	(15.60)	(22.56)
<b>Net Cash received (+) / used (-) from Financing Activities</b>	<b>(57.18)</b>	<b>(313.04)</b>
Net increase (+) / decrease (-) in cash and cash equivalents (A+B+C)	28.50	(100.49)
Cash and Cash Equivalents as at the beginning of the year	147.12	241.52
Cash and Cash Equivalents taken over as per scheme of arrangement	-	6.18
Cash and Cash Equivalents transferred in pursuance of sale of bath fitting division	(0.01)	-
Cash and Cash Equivalents as at the close of the year	175.61	147.21

**Notes:**

- 1 The cash flow statement has been prepared under the indirect method set out in 'Accounting Standard (AS) 3 Cash Flow Statements', as specified in the Companies (Accounting Standards) Rules, 2006.
- 2 Additions to Fixed Assets include movements of capital work-in-progress during the year.

- 3 Cash and cash equivalents as at the close of the year does not include Rs. 2.25 crores (previous year Rs. 0.80 crore) on account of fixed deposit under margin money and pledged with govt. departments and unclaimed dividend account.
- 4 The assets and liabilities transferred in pursuance of sale of bath fitting division, being non cash items adjusted from the above cash flow statement are as under:

Net Fixed Assets		2.82
Inventories		13.71
Trade and other Receivables		2.56
Cash		0.01
		<u>19.10</u>
Less: Trade payables and liabilities		3.66
		<u>15.44</u>
Sales Consideration	16.44	
Less: Expenses related to bath fitting division	<u>0.11</u>	<u>16.33</u>
		0.89
Tax provision		<u>0.42</u>
Profit from sale of bath fitting division		<u>0.47</u>

- 5 Figures for the previous year have been regrouped/reclassified wherever necessary.

**For and on behalf of the Board of Directors**

As per attached Auditor's Report of even date

**Qimat Rai Gupta**  
Chairman & Managing Director

**Surjit Gupta**  
Director

For **V. R. Bansal & Associates**  
Chartered Accountants  
(Registration No. 016534N)

**Sanjay Gupta**  
Company Secretary

**Sanjay Johri**  
Associate Vice-President- Accounts

**V. P. Bansal**  
Partner  
Membership No. 8843

Noida, 27<sup>th</sup> May, 2011

**Schedules**

(Rs. in crores)

	As At 31.03.11	As At 31.03.10
<b>SCHEDULE NO. 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
200,000,000 (Previous Year 80,000,000) Equity Shares of Rs.5/- each	100.00	40.00
<b>Issued, Subscribed and Paid Up</b>		
124,774,812 (Previous Year 60,168,406) Equity Shares of Rs.5/- each fully paid up	62.39	30.08
<b>2,219,000 Equity shares pending allotment</b>	-	1.11
	<b>62.39</b>	<b>31.19</b>
<b>Out of the above:-</b>		
5,832,359 (Previous year 3,613,359) equity shares allotted as fully paid up pursuant to a contract without payments being received in cash.		
103,187,808 (Previous year 40,800,402) 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.		
2,250,000 (Previous year 2,250,000) equity shares issued as fully paid up pursuant to conversion of convertible warrants.		
<b>SCHEDULE NO. 2</b>		
<b>RESERVES AND SURPLUS</b>		
<b>Capital reserve</b>		
As per last Balance Sheet	7.61	5.19
Add: Warrants forfeited during the year	-	2.42
	<b>7.61</b>	<b>7.61</b>
<b>Business Reconstruction Reserve</b>		
( Refer note no. 11 of schedule 18)		
As per last Balance Sheet	105.11	-
Add : Transfer from Securities Premium Account	-	400.00
Less : Expenses on Scheme of Arrangement/Exceptional Items	0.18	293.78
Shares issued pursuant to Scheme of Arrangement	-	1.11
	<b>104.93</b>	<b>105.11</b>
<b>Securities Premium Account</b>		
As per last Balance Sheet	21.68	421.68
Less : Transfer to Business Reconstruction Reserve	-	400.00
Capitalised by way of issue of Bonus Shares	21.68	-
	<b>-</b>	<b>21.68</b>
<b>General Reserve</b>		
As per last Balance Sheet	103.17	58.17
Less : Capitalised by way of issue of Bonus Shares	9.52	-
Add : Transfer from Profit and Loss account	24.25	22.70
Surplus in pursuance of Scheme of Arrangement	-	22.30
	<b>117.90</b>	<b>103.17</b>
<b>Foreign currency translation reserve</b>	(32.38)	(18.77)
<b>Profit and loss account</b>	393.29	150.22
	<b>591.35</b>	<b>369.02</b>

## Schedules

	(Rs. in crores)	
	As At 31.03.11	As At 31.03.10
<b>SCHEDULE NO. 3</b>		
<b>SECURED LOANS</b>		
<b>Working capital loans from banks</b>		
Cash Credit accounts	243.22	216.40
Packing credit foreign currency account	8.18	-
<b>Term Loans from Banks</b>		
Term Loan from Canara Bank	117.22	112.85
External Commercial Borrowings	-	4.23
Term loan from Barclays Bank, London and State Bank of India, London	543.27	583.07
Term loan from Banco Lafise	15.48	-
<b>Deferred Payment Credits</b>		
Against purchase of Industrial Land	-	0.75
Assets Acquired under lease	65.96	79.03
	<b>993.33</b>	<b>996.33</b>

Due within one year Rs. 152.32 crores (previous year Rs. 43.96 cores)

### Notes:

- Working capital limits are under consortium of Canara Bank, Corporation Bank, Union Bank of India, IDBI Bank Limited, State Bank of India, Standard Chartered Bank and Yes Bank Limited.
- Working capital limits from consortium banks are secured by way of :
  - pari-passu first charge by way of hypothecation on stocks of raw material, semi-finished goods, finished goods, stores and spares, bill receivables, book debts and all movable and other current assets of the Company
  - pari-passu first charge by way of Equitable Mortgage on land and building at 14/3, Mathura Road, Faridabad (Haryana)
  - pari-passu second charge by way of hypothecation on plant and machinery, generators, furniture and fixtures, electric fans and installation on which first charge is held with Barclays Consortium for Asian Term facilities sanctioned to 'Havells Netherland Holdings BV', a step down wholly owned subsidiary company
- Term loan from Canara Bank, Prime Corporate Branch-II, New Delhi is secured by way of :
  - equitable mortgage of Company's Factory land and building situated at Village Gullarwala, Baddi, Himachal Pradesh and 204 & 204A, MIA Alwar, Rajasthan
  - hypothecation of Plant and Machinery and other fixed assets purchased out of the above said loan
- Term loan and working capital limits from Barclays Bank, London led consortium are secured by way of mortgages on freehold properties and fixed and floating charges on the assets of group companies in France, Germany, Belgium, UK, Netherlands, Ecuador, Brazil and Colombia and guaranteed by parent company Havells India Limited to the extent of Rs. 215.02 crores (Euro 34 million) as on 31st March, 2011
- Term loan from Banco Lafise, Panama, S.A. is secured by way of mortgages on Company's property (land and building) in Costa Rica.
- Cash credit limit from Deutsche Bank in Havells Sylvania Europe Limited, United Kingdom is secured by corporate guarantee of Rs. 31.62 crores (Euro 5 million) given by Havells India Limited (parent company)
- Asset acquired under lease are secured by way of respective assets taken on lease

## SCHEDULE NO. 4 UNSECURED LOANS

### Short term loan and advances

From Banks		
Working Capital limits	123.98	70.03
	<b>123.98</b>	<b>70.03</b>



SCHEDULE NO. 5  
FIXED ASSETS

(Rs. in crores)

Sl. No.	Description	GROSS BLOCK					DEPRECIATION					NET BLOCK			
		As At 01.04.2010	Foreign Currency realignment	Additions During The Year	Sales/ Adjustment	As At 31.03.2011	Up To Last Year	Foreign Currency realignment	For The Year	Impairment	Sales/ Adjustment	To Date	As At 31.03.2011	As At 31.03.2010	
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
1	Industrial land -Freehold -Leasehold	43.32	1.33	15.81	1.04	59.42	-	-	-	-	-	-	59.42	43.32	
2	Factory buildings	81.32	0.40	2.60	0.42	83.90	-	-	-	-	-	-	83.90	81.32	
3	Office premises	481.74	(0.36)	59.31	24.13	516.56	235.53	(4.50)	17.81	3.22	20.21	231.85	284.71	246.21	
4	Plant and machinery	12.29	-	0.17	-	12.46	0.78	-	0.22	-	-	1.00	11.46	11.51	
5	Dies & Tools	1481.67	24.34	85.31	47.70	1543.62	1115.46	13.74	39.76	7.60	38.39	1138.17	405.45	366.21	
6	Generators	224.36	1.67	5.22	-	231.25	213.17	2.29	4.51	-	-	219.97	11.28	11.19	
7	Furniture and fixtures	9.53	-	1.03	0.11	10.45	1.34	-	0.48	-	0.04	1.78	8.67	8.19	
8	Electric fans and installations	85.96	(0.55)	11.77	1.88	95.30	66.15	(2.06)	7.07	0.44	0.10	71.50	23.80	19.81	
9	Water supply installations	86.33	4.90	7.59	7.52	91.30	50.32	3.75	3.08	(1.67)	3.27	52.21	39.09	36.01	
10	Weighing scale	0.48	-	0.06	0.01	0.53	0.04	-	0.02	-	-	0.06	0.47	0.44	
11	EDPEquipments	0.41	-	0.19	-	0.60	0.07	-	0.02	-	-	0.09	0.51	0.34	
12	Office equipments	62.23	(0.72)	10.40	0.82	71.09	49.27	4.32	4.44	0.12	0.44	57.71	13.38	12.96	
13	Airconditioners	6.09	-	2.24	0.41	7.92	1.08	-	0.33	-	0.05	1.36	6.56	5.01	
14	Vehicles	5.14	-	0.93	0.03	6.04	0.80	-	0.27	-	0.01	1.06	4.98	4.34	
15	R & D Equipments	15.07	0.05	1.36	1.06	15.42	8.68	0.27	0.87	-	0.39	9.43	5.99	6.39	
16	Intangible Assets	5.07	-	0.05	0.04	5.08	1.50	-	0.36	-	0.03	1.83	3.25	3.57	
	Computer Software	4.38	-	2.99	0.04	7.33	1.40	-	1.02	-	-	2.42	4.91	2.98	
	Technical know-how	90.90	0.72	0.57	5.08	87.11	63.34	(4.69)	0.18	0.61	-	59.44	27.67	27.56	
		2696.29	31.78	207.60	90.29	2845.38	1808.93	13.12	80.44	10.32	62.93	1849.88	995.50	887.36	
17	Add:Capital														
	Work-in-Progress	33.61	(0.09)	79.07	87.69	24.90	-	-	-	-	-	-	24.90	33.61	
	TOTAL-Current Year	2729.90	31.69	286.67	177.98	2870.28	1808.93	13.12	80.44	10.32	62.93	1849.88	1020.40	920.97	
	Previous Year	2926.89	(258.12)	213.06	188.70	2729.90	2042.71	(241.53)	83.69	56.25	139.93	1808.93	920.97	884.18	

Notes: - 1 Depreciation has been provided on rates as per Schedule XIV of the Companies Act, 1956 on SLM basis on the gross value of fixed assets including taxes, duties, freight and other incidental expenses related to acquisition and installation and further adjusted by CENVAT credit and for the group companies based on management estimate of useful economic life as follows:

Assets	Useful Life
Building	20-39 Years
Plant & Machinery	5-10 Years
Other Assets	3-5 Years

and depreciation in respect of assets for a value not exceeding Rs.5000/- has been provided at the rate of 100%

- Office premises include Rs. 0.05 crore and Rs. 0.02 crore 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.
- Addition in leasehold land includes Rs 0.06 crore (previous year Rs.0.22 crore) on account of interest payable to Greater Noida Industrial Development Authority and RILCO, Rajasthan in respect of industrial land allotted to the Company.
- Freehold land includes two no. plots at Bawana & Narela Industrial Area in respect of which possession has not been taken yet.
- Intangible assets are amortised on a straight line basis over a period of six years.
- The cost and accumulated depreciation on fixed assets transferred to HSIL Limited in terms of 'Business Transfer Agreement' entered into on 16<sup>th</sup> March 2010 for sale of Bathfiting Division at Bhiwadi (Rajasthan) has been adjusted against the stated values of the respective assets.
- The title deeds in respect of freehold land at Badli is yet to be executed.

## Schedules

(Rs. in crores)

As At 31.03.11	As At 31.03.10
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**SCHEDULE NO. 6****CURRENT ASSETS, LOANS AND ADVANCES****Inventories (as taken, valued and certified by the management)**

Raw materials and components	208.32	175.04
Semi finished goods	49.39	43.88
Finished goods	800.20	586.21
Consumable Stores, tools and spare parts	4.89	3.30
Dies and fixtures	21.32	14.34
Fuel and Gases	0.45	0.39
Scrap materials	1.43	1.43

<b>1086.00</b>	<b>824.59</b>
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**Sundry debtors (unsecured)**

Debts outstanding for a period exceeding six months		
Considered good	19.97	27.59
Considered doubtful	26.03	33.38
	46.00	60.97
Other debts- considered good		
Considered good	752.43	670.63
Considered doubtful	9.28	-

<b>807.71</b>	<b>731.60</b>
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Less: Provision for doubtful debts	35.31	33.38
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<b>772.40</b>	<b>698.22</b>
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**Cash and bank balances**

Cash in hand	2.45	18.54
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**With scheduled banks :**

Current accounts	2.86	40.39
Cash credit accounts	51.86	30.27
Unclaimed dividend account	0.31	0.32
Fixed deposit account		
Margin money	1.93	0.47
Pledged with government departments	0.01	0.01
Other fixed deposits	45.32	28.29

**With non-scheduled banks :**

Current accounts	73.12	29.72
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<b>177.86</b>	<b>148.01</b>
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**Other current assets - (considered good)**

Export incentives receivable	5.54	2.84
DEPB licences in hand	0.35	0.58
Capital investment subsidy receivable	1.80	1.80
Claims and other debts	2.15	4.93
Interest accrued on fixed deposits	0.15	0.13

<b>9.99</b>	<b>10.28</b>
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**Loans and advances (unsecured- considered good)**

Advances recoverable in cash or in kind or for value to be received	106.33	106.72
Earnest money and security deposits	24.19	22.08
Balance with excise department:		
Excise duty	1.58	8.21
Service tax	2.13	2.81
Balance of VAT with sales tax department	0.34	17.93
MAT credit entitlement	26.91	16.77

<b>161.48</b>	<b>174.52</b>
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<b>2207.73</b>	<b>1855.62</b>
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**Schedules**

(Rs. in crores)

	As At 31.03.11	As At 31.03.10
<b>SCHEDULE NO. 7</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>CURRENT LIABILITIES</b>		
Acceptances	154.15	34.69
Sundry creditors:		
Total outstanding dues of Micro and Small enterprises	11.00	8.30
Total outstanding dues of creditors other than Micro and Small enterprises	662.94	606.42
Yes Bank Limited (Current Account)	-	0.35
Unclaimed dividend*	0.31	0.32
Trade deposits and advances	14.68	25.70
Other liabilities	822.52	878.68
Interest accrued but not due	6.58	1.06
	<b>1672.18</b>	<b>1555.52</b>
*Investor Education and Protection Fund is being credited by the amount of unclaimed dividend after seven years from the due date.		
<b>PROVISIONS</b>		
Income tax (net of advance tax and tax at source)	27.58	13.81
Wealth tax	0.05	0.05
Proposed dividend	31.19	15.60
Corporate dividend tax	5.06	2.65
	<b>63.88</b>	<b>32.11</b>
	<b>1736.06</b>	<b>1587.63</b>

**SCHEDULE NO. 8**
**MISCELLANEOUS EXPENDITURE**

(to the extent not written off or adjusted)

Expenditure on increase in capital

As per last Balance Sheet

Less: written off

0.02	0.05
0.02	0.03
-	<b>0.02</b>

## Schedules

	(Rs. in crores)	
	Year ended 31.03.11	Year ended 31.03.10
<b>SCHEDULE NO. 9</b>		
<b>TURNOVER (GROSS)</b>		
Sales of goods	6045.78	5519.86
Less: Turnover discount, incentives and rebates	293.78	268.94
	<u>5752.00</u>	<u>5250.92</u>
Scrap materials	19.46	11.67
Export Incentives	5.12	4.95
	<u><b>5776.58</b></u>	<u><b>5267.54</b></u>
<b>SCHEDULE NO. 10</b>		
<b>OTHER INCOME</b>		
Interest on deposits and from customers	0.76	1.56
Exchange fluctuations (Net)	16.87	15.19
Miscellaneous receipts	2.94	2.61
Profit on sale of fixed assets	0.09	1.29
Excess provisions no longer required written back	3.06	1.52
	<u><b>23.72</b></u>	<u><b>22.17</b></u>
<b>SCHEDULE NO. 11</b>		
<b>MATERIALS</b>		
Raw materials and components consumed	2646.62	1914.22
Purchase of traded goods	837.99	1000.70
Add: Opening stocks		
Finished goods	586.21	591.13
Semi finished goods	43.88	38.10
Scrap materials	1.43	0.49
	<u>631.52</u>	<u>629.72</u>
Less: Stock transfer in pursuance of sale of bath fitting division		
Finished goods	10.91	-
Semi finished goods	0.86	-
Scrap Material	0.07	-
	<u>11.84</u>	<u>-</u>
Less: Closing stocks		
Finished goods	800.20	586.21
Semi finished goods	49.39	43.88
Scrap materials	1.43	1.43
	<u>851.02</u>	<u>631.52</u>
Add: Excise duty on Increase/(decrease) in Finished Goods	2.28	2.32
	<u><b>3255.55</b></u>	<u><b>2915.44</b></u>

**Schedules**

(Rs. in crores)

Year ended 31.03.11	Year ended 31.03.10
------------------------	------------------------

**SCHEDULE NO. 12**
**MANUFACTURING EXPENSES**

Factory rent	19.04	16.51
Rates and taxes	11.27	27.83
Job charges	93.32	86.44
Power, fuel and water	55.15	55.32
Consumable stores and tools consumed	24.93	26.45
Trade mark fees and royalty	29.80	22.72
Repairs and Maintenance		
Machinery	22.37	21.81
Building	5.05	5.65
Others	6.51	6.33
Research and development expenses	37.44	38.74
Other manufacturing expenses	14.84	17.18
	<b>319.72</b>	<b>324.98</b>

**SCHEDULE NO. 13**
**PERSONNEL EXPENSES**

Salaries, wages, bonus and other benefits	607.18	738.37
Contribution towards PF and ESI	5.04	3.89
Contribution towards gratuity and gratuity paid	2.86	2.08
Employees welfare	16.77	15.86
	<b>631.85</b>	<b>760.20</b>

**SCHEDULE NO. 14**
**OFFICE AND ADMINISTRATION EXPENSES**

Rent	41.53	37.39
Rates and taxes	6.46	5.26
Printing and stationary	23.17	16.60
Postage, telephone and communications expenses	21.58	22.44
Electricity and water charges	5.08	5.16
Travelling, conveyance and vehicle maintenance	82.96	76.30
Legal and professional	40.82	38.01
Auditor's remuneration		
Audit fee	6.52	5.77
Taxation matters	4.81	4.21
Insurance	14.17	21.45
Donation	0.68	0.51
Director's sitting fees	0.10	0.08
Loss on sale/discard of fixed assets	0.70	14.55
Miscellaneous expenditure written off	0.02	0.03
Miscellaneous office expenses	33.57	30.08
	<b>282.17</b>	<b>277.84</b>

## Schedules

(Rs. in crores)

**Year ended  
31.03.11**      **Year ended  
31.03.10**

### **SCHEDULE NO. 15**

#### **SELLING AND DISTRIBUTION EXPENSES**

Advertisement and Sales promotion	130.04	136.80
Freight, Packing, insurance and cartage outward	227.33	229.70
Cash Discount	60.58	83.64
Commission on sales	63.34	61.39
Debtors factoring charges	14.95	12.31
Bad debts, liquidity damages and short recoveries	6.85	2.20
Provision for doubtful debts	2.18	14.42
Sales tax and Service tax paid	30.90	4.99
Warranty and after sale services	12.20	4.55
Miscellaneous selling expenses	9.29	7.65
	<b>557.66</b>	<b>557.65</b>

### **SCHEDULE NO. 16**

#### **MANAGERIAL REMUNERATION**

Managing Director's remuneration	6.06	1.99
Wholetime Director's remuneration	2.55	2.27
	<b>8.61</b>	<b>4.26</b>

### **SCHEDULE NO. 17**

#### **INTEREST AND FINANCIAL EXPENSES**

Interest		
On fixed loans	44.13	76.61
On non-fixed loans/others	37.84	10.50
Bank charges	8.04	10.04
Miscellaneous financial expenses	0.15	0.75
	<b>90.16</b>	<b>97.90</b>



**SCHEDULE NO. 18****ACCOUNTING POLICIES, CONTINGENT LIABILITIES AND NOTES ON ACCOUNTS FOR THE YEAR ENDING 31<sup>ST</sup> MARCH, 2011****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. Accounting policies have been consistently applied and where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use, such changes are suitably incorporated. The management evaluates all recently issued or revised accounting standards on an ongoing basis.

**2 Use of Estimates**

The preparation of financial statements 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 Principles of Consolidation**

The consolidated financial statements relate to Havells India Limited ('The Company'), and its subsidiary Companies ('The Group Companies') collectively referred to as 'The Group'. The consolidated financial statements have been prepared on the following basis:

- a) The financial statements of the parent and the subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances / transactions and resulting profits in full. Unrealised profit / losses resulting from intra-group transactions has also been eliminated except to the extent that recoverable value of related assets is lower than their cost to the group.
- b) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements.
- c) The Company has disclosed only such policies and notes from the individual financial statements, which fairly present the needed disclosures. Lack of homogeneity and other similar considerations made it desirable to exclude some of them, which in the opinion of the management, could be better viewed, when referred from to individual financial statements.
- d) The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
  - ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
  - iii) all resulting exchange differences are accumulated in foreign currency translation reserve until the disposal of net investment.
- e) A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.
- f) The results and financial position of Havells Sylvania Venezuela C.A., a step down subsidiary Company are translated at the market rate rather than the official rate due to the hyper-inflationary economy. The change from the official rate to the market rate for translation was reflected in the currency translation reserves.
- g) Minority's share in net profit of consolidated subsidiaries for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholders of the Company.

- h) Minority interest's share in net assets of consolidated subsidiaries is identified and presented in the consolidated balance sheet separate from liabilities and the equity of the Company's shareholders.

#### **4 Fixed Assets, Capital work-in-progress and Depreciation**

- a) Fixed assets are stated at their original cost of acquisition including taxes, duties, freight, and other incidental expenses related to acquisition and installation of the concerned assets less accumulated depreciation and impairment losses, if any. Fixed assets are further adjusted by the amount of CENVAT credit and VAT credit wherever applicable and subsidy directly attributable to the cost of fixed assets. Interest and other borrowing costs during construction period on borrowings to finance fixed assets is capitalised.
- b) Capital work-in-progress comprises cost of fixed assets that are not yet ready for their intended use at the balance sheet date.
- c) 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 and for Group Companies based on management estimate of useful economic life as follows:

<u>Assets</u>	<u>Useful life</u>
Building	20-39 years
Plant and machinery	5-10 years
Other assets	3-5 years

The residual values and useful life of assets are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation on fixed assets added/disposed off during the year is provided on pro-rata basis. Depreciation on assets for a value not exceeding Rs.5000/- (Euro 1000 in case of group companies) acquired during the year is provided at the rate of 100%.

- d) The cost and the accumulated depreciation on 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.
- e) Project under commissioning/ installations and other capital work in progress are carried at cost comprising direct cost, related incidental expenses and interest on borrowings there against.
- f) Preoperative expenditure and trial run expenditure accumulated as capital work in progress is allocated on the basis of prime cost of fixed assets in the year of commercial production.

#### **5 Intangible assets**

Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Company and cost of the assets can be measured reliably. Intangible assets are amortised as under:

##### **a) Goodwill**

The excess of cost to the parent of its investment in subsidiaries over its portion of equity in the subsidiaries at the respective dates on which investment in subsidiaries was made is recognised in the financial statements as goodwill. The parent's portion of equity in the subsidiaries is determined on the basis of the value of assets and liabilities as per the financial statements of the subsidiaries as on the date of investment. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the acquisition. Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in the subsequent period unless it is caused by a specific external event of an exceptional nature.

##### **b) Computer Software**

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life being six years in the Company and three to five years in the group Companies. Computer Software Development costs recognised as assets are amortised over their estimated useful lives (not exceeding three years) in group Companies.

**c) Technical know-how**

Technical know-how is amortised on straight line basis over their estimated useful life of six years.

**d) Patents and Trademarks**

Patents and trademarks are stated at their historical costs. The various patents and trademarks have been in existence for periods up to 100 years, and there is every intention to continue supporting them. Consequently it is believed that the patents and trademarks have an indefinite life and are not amortised. Instead impairment testing is performed annually and whenever a triggering event has occurred to determine whether the carrying value exceeds the recoverable amount.

**6 Inventories**

- a) 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 after providing for obsolescence wherever appropriate. Excise duty has been added in the value of inventory of finished goods and scrap material, except at Baddi (Domestic) and Haridwar Units of the Company which are exempted from payment of excise duty.
- b) The inventories are valued on the basis of moving weighted average method.
- c) Cost of inventories comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition excluding duties and taxes subsequently recoverable from the taxing authorities in case of input materials.
- d) The stocks of scrap materials have been taken at net realisable value.
- e) The stocks of dies and fixtures have been taken at the residual effective life as certified by the respective factory heads.

**7 Foreign currency transactions****a) Initial Recognition**

Transactions in foreign currency are recorded at exchange rate prevailing on the date of transaction. Exchange differences arising on the settlement of monetary items during the year are recognised as income or expense.

**b) Conversion and Exchange Differences**

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 denominated in foreign currency are carried at historical cost using the exchange rate at the date of transaction.

**c) Foreign Branches and Subsidiaries**

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.

All the activities of the foreign subsidiaries are carried out with a significant degree of autonomy from those of the parent. Accordingly, as per the provisions of (AS-11) "Effect of changes in foreign exchange rates", these operations have been classified as "Non integral operations" and therefore all assets and liabilities, both monetary and non-monetary, are translated at the closing rate while income and expenses are translated at the average exchange rates. The resulting exchange differences are accumulated in the foreign currency translation reserve until the disposal of the net investment.

**d) Forward Exchange Contracts**

- (i) The Company uses forward exchange contracts to hedge against its foreign currency exposures relating to the underlying transactions and firm commitments. The Company does not enter into any derivative instruments for trading or speculative purposes. As at the Balance sheet date, all outstanding derivative contracts are fair valued at Mark-to-Market basis and any gain or loss arising thereon as at the balance sheet date is recognised in the statement of profit and loss account.
- (ii) Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The Group utilises derivative financial instruments to reduce fluctuation in interest rates and foreign exchange rates. The fair value of financial instruments is based on information available and provided by financial institutions to management. Financial instruments are not used for trading purposes.

Changes in fair value of those instruments will be reported in the operating result or equity depending on whether the financial instrument qualifies for hedge accounting. The accounting for gains and losses associated with changes in the fair value of the derivative and the effect on the consolidated financial statements will depend on its hedge designation and whether the hedge is highly effective in achieving offsetting changes in the fair value of cash flows of the asset or liability hedged.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged items affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the ineffective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance costs'.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When the forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

## **8 Government Grants and Subsidies**

Subsidies towards capital costs for setting up of new industrial units are adjusted by the Company from the cost of fixed assets.

Government grants are not recognised until there is reasonable assurance that the group will comply the conditions attached to them and that the grants will be received.

Government grants whose primary condition is that the group should purchase, contract or otherwise acquire non-current assets are recognised by deducting the grant from the asset carrying value and transferred to the profit and loss on a systematic and rational basis over the useful lives of the related assets.

## **9 Retirement Benefits**

### **a) Gratuity**

Gratuity liability in respect of employees of the Company is covered through a policy taken by a trust established under the Group Gratuity Scheme with Life Insurance Corporation of India. The liabilities with respect to the Gratuity plan are determined by actuarial valuation on projected unit credit method on the balance sheet date, based upon which the Company contributes to the Group Gratuity Scheme. The difference, if any, between the actuarial valuation of the gratuity of employees at the year end and the balance of funds with LIC is provided for as liability in the books.

### **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.

### **d) Pension obligations**

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group companies have both defined contribution and defined benefit plans. A defined contribution plan is a pension plan under which the Group companies pays fixed contributions into a separate entity. The Group companies have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to the profit and loss account in the period in which they arise.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straightline basis over the vesting period.

For defined contribution plans, the Group Companies pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group Companies have no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**e) Other post employment obligations**

Some Group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee completing a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to profit and loss account in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

**f) Termination benefits**

Termination benefits are payable when employment is terminated by the Group companies before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits are debited to the profit and loss account in accordance with the accounting policy.

**g) Profit-sharing and bonus plans**

The Group recognises a liability and an expense for bonuses and profit-sharing, where contractually obliged or where there is a past practice that has created a constructive obligation.

## **10 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 material and services consumed. Cost incurred on development projects relating to the design of new or improved products are recognised as an expense when incurred as the criteria for capitalisation is not fulfilled.

## **11 Revenue Recognition**

The principles of revenue recognition are given below:

**a) Sale of Goods**

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 returns and trade discount. Sales include excise duty and WEEE levy but are exclusive of value added tax. Sales do not include inter-divisional transfers.

**b) Export Incentives**

Export incentives such as DEPB and Duty Drawback benefits are recognised on post export basis on the basis of their entitlement rates. DEPB Licenses in hand are carried at cost. Benefits under the advance licence scheme are accounted for at the time of purchase of imported raw materials and sale of licences.



**c) Interest**

Interest income is recognised on a time proportion basis.

**d) Claims**

Claims are recognised when there exists reasonable certainty with regard to the amounts to be realised and the ultimate collection thereof.

**12 Product Warranty claims**

Product warranty costs are accrued in the year of sales of products, based on past experience. The Company periodically reviews the adequacy of product warranties and adjust warranty percentage and warranty provisions for actual experience, if necessary. The timing of outflow is expected to be within one to two years.

**13 Prior period Items/Extraordinary items/Exceptional Items**

Prior period expenses/incomes, are shown as prior period items in the profit and loss account as per the provisions of AS-5 'Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies' issued by the Institute of Chartered Accountants of India.

Exceptional items are transactions which due to their size or incidence are separately disclosed to enable a full understanding of the group's financial performance. Items which may be considered exceptional are significant restructuring charges, gains or losses on disposal of investments or subsidiaries, charges relating to the acquisition of subsidiaries, write down of inventories and significant disposals of fixed assets.

Item of income or expense that arise from events or transactions that are distinct from ordinary activities of the enterprise and are not expected to recur frequently or regularly are treated as extraordinary items.

**14 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. Borrowing cost includes exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

**15 Leases**

**a) Financial leases**

The Group companies lease some assets where the risks and rewards incidental to ownership are largely transferred to the Group. These assets are capitalised and recognised in the balance sheet at the lower of the fair value of the asset and the discounted value of the minimum lease instalments. The lease instalments payable are broken down into repayment and interest components, based on a fixed interest rate and equal instalments. The lease commitments are carried under liabilities exclusive of interest. The interest component is recognised in the profit and loss account in accordance with the lease instalments. The relevant assets are depreciated over the remaining useful lives or the lease term, whichever is less.

**b) Operating leases**

Lease contracts for which a large part of the risks and rewards incidental to ownership of the assets does not lie with the Group companies, are recognised as operating leases. Obligations under operating leases are recognised on a straight-line basis in the profit and loss account over the term of the contract.

**16 Segment Information - Basis of Information**

The accounting policies adopted for segment reporting are in line with accounting policies of the Group. Revenue, expense, assets and liabilities, which relate to the Group as a whole and do not relate to any segment, are not allocated. The Group identifies its business segment as primary reporting segment and geographical segment as a secondary reporting segment.

**17 Earnings Per Share**

The earnings considered in ascertaining the Group's Earning 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, if any.

**18 Taxes on Income**

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

- a) 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 Income Tax Act 1961. The Company is eligible for deduction under section 80IC of Income Tax Act'1961 in respect of income of units located in Special Category of States.



- b) Deferred tax is recognised, subject to consideration of prudence, on timing differences, being difference between taxable and accounting income 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. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.
- c) Minimum Alternate Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal Income Tax during the specified period. In the year in which MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in guidance note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit entitlement. The Company reviews the same at each Balance Sheet date and writes down the carrying amount of MAT credit entitlement to the extent it is not reasonably certain that the Company will pay normal income tax during the specified period.

## 19 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.

## 20 Provisions and Contingent Liabilities

### Provisions

Provisions are recognised as liability only when these 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. Provisions are not discounted to its present value and are determined based on management estimate to settle the obligation at the balance sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

The provision for restructuring relate to the estimated costs of initiated reorganization that have been approved by the board of management, and which involve the realignment of certain parts of the manufacturing, selling and administration organization. When such reorganization require discontinuance and /or closure of lines of activities, the anticipated costs of closure or discontinuance are included in restructuring provisions. A liability is recognized for those costs only when the Company has a detailed formal plan for the restructuring and has raised a valid expectation with those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it.

### Contingent Liabilities

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.

## B CONTINGENT LIABILITIES

	(Rs.in crores)	
	2010-11	2009-10
a Estimated amount of capital contracts remaining to be executed and not provided for (net of advances)	36.17	33.77
b Bank guarantees and letter of credits opened with bank (net of margin money)	133.37	124.72
c Bonds to excise department against export of excisable goods/ purchase of goods without payment of duty (to the extent utilised)	16.36	25.14
d Custom duty payable against export obligation	24.46	19.75
e Suits filed against the Company not acknowledged as debts	6.90	3.97
f Liability towards banks against debtors buyout facilities	35.23	29.31
g Disputed tax liabilities in respect of pending cases before Appellate Authority (amount deposited under protest Rs. 4.24 crores (previous year Rs. 4.46 crores)	18.05	13.31
h Corporate Guarantee given on behalf of subsidiary companies (to the extent of outstanding obligation)	100.72	113.19
i Export bills discounted with banks	26.04	40.45
j Environmental Liability Provisions	13.28	12.72

**C NOTES ON ACCOUNTS**

1 a) The Company has the following subsidiaries as on 31<sup>st</sup> March 2011:

	<b>Name of Subsidiary</b>	<b>Country of incorporation</b>	<b>Date of control</b>	<b>Nature</b>	<b>Extent of control</b>
1	Havell's Holdings Limited	Isle of Man	09.03.2007	Wholly Owned Subsidiary	100%
2	Standard Electrical Limited (formerly: Seven Wonders Holidays Limited)	India	02.02.2010	Wholly Owned Subsidiary	100%
3	Havell's Cyprus Limited	Cyprus	20.07.2006	Wholly Owned Subsidiary	100%
4	Havells Exim Limited	Hong Kong	24.10.2010	Wholly Owned Subsidiary	100%
5	Havells Malta Limited	Malta	13.03.2007	WOS of Havell's Holdings Limited	100%
6	Sylvania India Limited	India	21.06.2010	WOS of Havells Malta Limited	100%
7	Havells Netherlands Holding B.V.	Netherlands	13.03.2007	WOS of Havells Malta Limited	100%
8	Havells Netherlands B.V.	Netherlands	13.03.2007	WOS of Havells Netherlands Holding B.V.	100%
9	SLI Europe B.V.	Netherlands	20.04.2007	WOS of Havells Netherlands B.V.	100%
10	Havells Sylvania Holdings (BVI-1) Ltd	British Virgin Islands	20.04.2007	WOS of Havells Netherlands B.V.	100%
11	Flowil International Lighting (Holding) B.V.	Netherlands	20.04.2007	WOS of SLI Europe BV	100%
12	Sylvania Lighting International B.V.	Netherlands	20.04.2007	WOS of SLI Europe BV	100%
13	Havells Sylvania (Thailand) Limited *	Thailand	20.04.2007	WOS of Flowil International Lighting (Holding) B.V.	*49%
14	Guangzhou Havells Sylvania Enterprise Limited	China	20.04.2007	WOS of Flowil International Lighting (Holding) B.V.	100%
15	Havells Sylvania Asia Pacific Limited	Hong Kong	20.04.2007	WOS of Flowil International Lighting (Holding) B.V.	100%
16	Havells Sylvania Sweden A.B.	Sweden	20.04.2007	WOS of Flowil International Lighting (Holding) B.V.	100%
17	Havells Sylvania Finland OY	Finland	20.04.2007	WOS of Flowil International Lighting (Holding) B.V.	100%
18	Havells Sylvania Norway A.S.	Norway	20.04.2007	WOS of Flowil International Lighting (Holding) B.V.	100%
19	Havells Sylvania Fixtures Netherlands B.V.	Netherlands	20.04.2007	WOS of Flowil International Lighting (Holding) B.V.	100%
20	Havells Sylvania Lighting Belgium N.V.	Belgium	20.04.2007	WOS of Flowil International Lighting (Holding) B.V.	100%
21	Havells Sylvania Belgium B.V.B.A.	Belgium	20.04.2007	WOS of Flowil International Lighting (Holding) B.V.	100%
22	Havells Sylvania Lighting France S.A.S	France	20.04.2007	WOS of Flowil International Lighting (Holding) B.V.	100%
23	Havells Sylvania France S.A.S.	France	20.04.2007	WOS of Havells Sylvania Lighting France SA	100%
24	Havells Sylvania Italy S.P.A.	Italy	20.04.2007	WOS of Flowil International Lighting (Holding) B.V.	100%
25	Havells Sylvania Portugal Lda	Portugal	20.04.2007	WOS of Flowil International Lighting (Holding) B.V.	100%
26	Havells Sylvania Greece A.E.E.E.	Greece	20.04.2007	WOS of Flowil International Lighting (Holding) B.V.	100%
27	Havells Sylvania Spain S.A.	Spain	20.04.2007	WOS of Flowil International Lighting (Holding) B.V.	100%
28	Havells Sylvania Germany Gmbh	Germany	20.04.2007	WOS of Flowil International Lighting (Holding) B.V.	100%
29	Havells Sylvania Switzerland A.G	Switzerland	20.04.2007	WOS of Flowil International Lighting (Holding) B.V.	100%
30	Havells Sylvania Brasil Illuminacao Ltda.	Brazil	20.04.2007	WOS of Sylvania Lighting International B.V.	100%

31	Havells Sylvania Argentina S.A.	Argentina	20.04.2007	WOS of Sylvania Lighting International B.V.	100%
32	Havells Sylvania N.V.	Dutch Antilles	20.04.2007	WOS of Sylvania Lighting International B.V.	100%
33	Havells Sylvania Colombia S.A.	Colombia	20.04.2007	WOS of Havells Sylvania Holdings BVI-1 Limited	100%
34	Havells SLI de Mexico S.A. de C.V.	Mexico	20.04.2007	WOS of Sylvania Lighting International B.V.	100%
35	Havells SLI Servicios Generales Mexico S.A.de CV	Mexico	20.04.2007	WOS of Havells SLI de Mexico SA de CV	100%
36	Havells Sylvania El Salvador S.A. de C.V.	El Salvador	20.04.2007	WOS of Havells Sylvania Export N.V.	100%
37	Havells Sylvania Guatemala S.A.	Guatemala	20.04.2007	WOS of Havells Sylvania Export N.V.	100%
38	Havells Sylvania Costa Rica S.A.	Costa Rica	20.04.2007	WOS of Havells Sylvania Export N.V.	100%
39	Havells Sylvania Panama S.A.	Panama	20.04.2007	WOS of Havells Sylvania Export N.V.	100%
40	Havells Sylvania Venezuela C.A.	Venezuela	20.04.2007	WOS of Havells Sylvania Colombia S.A.	100%
41	Havells Sylvania Europe Limited	United Kingdom	20.04.2007	WOS of Flowil International Lighting (Holding) B.V.	100%
42	Havells Sylvania UK Limited	United Kingdom	20.04.2007	WOS of Havells Sylvania Europe Limited	100%
43	Havells Sylvania Fixtures UK Limited	United Kingdom	20.04.2007	WOS of Havells Sylvania Fixtures UK Limited	100%
44	Havells Sylvania Tunisia S.A.R.L.	Tunisia	20.04.2007	WOS of Flowil International Lighting (Holding) B.V.	100%
45	Havells Sylvania Export N.V	Dutch Antilles	20.04.2007	WOS of Sylvania Lighting International B.V.	100%
46	Havells Sylvania Holdings (BVI-2) Ltd	British Virgin Islands	20.04.2007	WOS of Havells Sylvania Holdings BVI-1 Limited	100%
47	Havells Sylvania Dubai FZCO	Dubai	07.01.2008	WOS of Havells Sylvania Europe Limited	100%
48	Havells Sylvania (Shanghai) Ltd	China	14.01.2008	WOS of Havells Sylvania Asia Pacific Ltd.	100%
49	Havells Sylvania Peru S. A. C.	Peru	18.01.2008	WOS of Havells Sylvania Colombia S.A.	100%
50	Havells Sylvania Iluminacion (Chile) Ltda	Chile	10.09.2008	WOS of Sylvania Lighting International B.V.	100%
51	Havells Sylvania (Malaysia) Sdn. Bhd	Malaysia	10.09.2008	WOS of Havells Sylvania Asia Pacific Ltd.	100%
52	Havells USA Inc.	Delaware	31.12.2010	WOS of Havells Netherlands B.V.	100%
53	Panama Americas Trading Hub SA	Panama	28.05.2010	WOS of Sylvania Lighting International B.V.	100%
54	Havells Sylvania Poland S.P.Z.O.O	Poland	29.05.2009	99% held by Flowil International Lighting (Holding) B.V. & 1% held by Havells Sylvania Europe Limited	100%

**Notes:**

- i) WOS refers to 'Wholly Owned Subsidiary'
- ii) \* In Havells Sylvania (Thailand) Limited minorities hold 51% of ordinary shares (representing 11000 Euro as at 31<sup>st</sup> March,2011) but the majority of voting rights are held by Sylvania Group. The beneficial ownership of the entity lies with the Sylvania Group.
- iii) During the year Sylvania Lighting International B.V. has acquired additional 1% shares in Havells Sylvania Argentina S.A., consequently Havells Sylvania Argentina S.A. has become WOS of Sylvania Lighting International B.V.
- iv) Hamshire Holdings Ltd, Sylvania Geschaft mbh and Havells Sylvania Spain Logistics S.L., were closed during the year.
- v) Sylvania India Limited, Panama Americas Trading Hub SA and Havells Exim Limited were incorporated during the year.
- vi) SLI Lighting Products Inc. and Havells Holding Inc have been merged in a new entity Havells USA Inc during the year.

- b) In the consolidated financial statements, the audited figures of subsidiary companies 'Havell's Holding Limited' and 'Standard Electrical Limited' (formerly Seven Wonders and Holidays Limited) have been incorporated for the financial year 2010-11 and of 'Havells Malta Limited', 'Havell's Cyprus Limited' and 'Havells Exim Limited' on the basis of the audited financial statements for the calendar year 2010 and the financial statements for the quarter ended March 2011 as approved by their respective Board.

**2 Financial performance of Havells Malta Group companies:**

- a) The Malta group companies experienced a positive trend in sales growth and margin improvement during the year 2010-11 due to successful implementation of restructuring plans, improvement in operational efficiencies and better price realisation etc. During the year, the said companies earned a net profit after tax of Rs. 43.73 crores as against a loss of Rs. 463.85 crores during the corresponding previous year. The EBITDA (Earning Before Interest, Tax, Depreciation and Amortisation) before exceptional expenses of these companies is Rs.190.86 crores as against a negative EBITDA of Rs. 6.32 crores during the corresponding previous year.
- b) The result for the year is impacted by non-recurring restructuring costs of Rs. 5.41 crores, reversal of restructuring provision of Rs. 9.12 crores, write down of inventories of Rs. 19.33 crores, impairment costs of fixed assets of Rs. 10.32 crores and profit on sale of fixed assets of Rs. 22.35 crores. Excluding the non-recurring items for 2010-11, the net profit after tax amounted to Rs. 47.32 crores versus a net loss of Rs. 170.32 crores for 2009-10 after excluding non-recurring costs.
- c) The group companies, after the successful implementation of the restructuring plan, are now focused on growth in Latin Americas and Asia regions and increase in margins in Europe by implementing a chain of initiatives. The Management strongly believes that the positive trend in 2010-11 will continue in the future, the group is in better position to generate sufficient level of cash and loan facilities to operate its business for the foreseeable future.

**3 The Company has issued and allotted 6,23,87,406 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 held on 29th September 2010 by capitalisation of Rs. 21.68 crores from Securities Premium Account and Rs. 9.52 crores from General Reserve account.**

**4 The Company has been sanctioned a term loan of Rs. 140 Crores by Canara Bank with an option to avail the same by way of foreign currency loan for the purpose of expansion of manufacturing facilities at Baddi (H.P), Haridwar (Uttarakhand) , Alwar (Rajasthan) and Neemrana(Rajasthan) units. Out of the said loan, the Company has availed a term loan of Rs. 130.18 crores (USD 28 Million) and utilised the same for the purpose for which it was sanctioned. The same is due for repayment in 16 (sixteen) equal quarterly instalments commencing from 01.04.2011.**

**5 a) The IDBI Bank Limited has sanctioned a receivable buyout facility of Rs. 250 crores to the Company. As per the terms with the bankers, the debtors are insured and the bankers have recourse on the Company to the extent of 5% of claim amount or Rs.0.02 crore, whichever is higher. As on the date of Balance Sheet, total debtors assigned to the bankers are at Rs. 241.04 crores (previous year Rs.199.30 crores). With the result, the debtors at the end of the year stand reduced by the said amount. A sum of Rs. 14.92 crores (previous year Rs.11.23 crores) on account of charges paid for this facility has been debited to debtors factoring charges account.**

- b) The Company has arranged channel finance facility for its customers from Yes Bank Limited and Axis Bank Limited. As per the terms of the bankers, the debtors are insured and the bankers have recourse on the Company to the extent of 5% of claim amount or Rs.0.02 crore, whichever is higher. As on the balance sheet date, the total debtors who have availed this facility were at Rs. 116.73 crores (Previous year Rs. 42.28 crores).

**6 The Company has been sanctioned a Packing Credit Facility of Rs. 50 crores by the Canara Bank. The outstanding bills discounted with the Bank at the end of the year are at Rs. 26.04 crores (USD 5832855) {Previous year Rs. 39.50 crores (USD 8750763)}. The sundry debtors have been reduced by the amount of bills discounted with the bank.**

**7 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.**

- 8 In respect of Baddi (other than 100% EOU unit) and Haridwar units, the cenvat credit against fixed assets has not been availed 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.
- 9 The Company's manufacturing units at Baddi, (Himachal Pradesh) and Haridwar ( Uttarakhand) 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 as provided under section 80 IC of the Income Tax Act,1961.
- 10 Interest and other borrowing costs amounting to Rs. 1.00 crore (previous year Rs.0.62 crore) 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.
- 11 The electrical business of Standard Electricals Limited (SEL) was transferred to Seven Wonders Holidays Limited, a subsidiary company (Name changed to Standard Electrical Limited) with effect from 01.04.2009 pursuant to Scheme of Arrangement u/s 391, 392 of The Companies Act, 1956 and as approved by the Hon'ble High Court of Judicature at Delhi vide their order dated 19.08.2010. In accordance with the scheme:
- 2219000 fully paid up equity shares of Rs. 5/- each were allotted to the shareholders of the demerged company (SEL) on 27th August 2010.
  - Professional charges incurred during the year for the purpose of scheme of arrangement to the tune of Rs. 0.18 crore have been adjusted against the Business Reconstruction Reserve.
  - Had the scheme not prescribed aforesaid treatment, the impact during the current financial year would be as under:

**(Rs. in crores)**

**2010-11**

**i) In the Profit and Loss Account**

Legal and Professional expenses	0.18
Profit before Tax	(0.18)
Provision for Tax (including MAT credit)	(0.06)
Net Profit (after tax)	(0.12)
Basic and diluted EPS (In Rs.)	(0.01)

**ii) In the Balance Sheet**

Business Reconstruction Reserve	0.18
Profit and Loss account (after tax)	(0.12)
Provision for Income Tax	(0.04)
MAT credit entitlement	(0.02)

- 12 The Company had entered into a 'Business Transfer Agreement', on 16th March' 2010 with HSIL Limited, Kolkata for sale of its Bath Fitting Business Division situated at Bhiwadi, Rajasthan as a going concern on 'as is where is' basis for a consideration of Rs. 16.44 crores. The sale of the division was approved by Shareholders through postal ballot on 23.04.2010. The legal and physical possession of the division was transferred to HSIL Limited on 1st May'2010.

The profit on the aforesaid transaction, as computed below, has been credited to the profit and loss account as an Extraordinary item:

**(Rs. in crores)**

Consideration received	16.44
Less: Book value of Assets (net of Liabilities) transferred	15.44
Expenses related to bath fitting division	0.11
Profit before tax	0.89
Less: Income Tax	0.42
Net Profit after tax	<b>0.47</b>



The requirements for disclosures of Accounting Standard 24 'Discontinuing Operations', issued by the Institute of Chartered Accountants of India does not apply to the said transaction as the sale of Bathfittings division does not constitute a separate major line of business or geographical area of operations of the Company.

- 13 The Company, as a 'Settlor', has established irrevocable determinate contributory trust known as 'Havells Business Partner Trust' vide Deed of Indenture executed on 07.10.2010 with the object for holding the distribution commission/sales incentive accrued to the Participating Dealers, for a period of at least three years from the date of such contribution to the Trust and to make investment in permitted securities for the benefit of Participating Dealers. A sum of Rs. 13.25 crores accrued to the Trust on behalf of the Participating Dealers as on the date of the Balance sheet.
- 14 The Company has started commercial production of Printed Circuit Board (PCB) at its unit at Noida (Uttar Pradesh) during the year. Pre-operative expenses till the date of start of commercial production amounting to Rs. 0.39 crore has been capitalised to the carrying cost of fixed assets on a pro-rata basis.
- 15 The Group has a system of obtaining periodic confirmations from debtors and creditors. Necessary entries have been passed on reconciliation of accounts wherever required.
- 16 The Company has made a provision of excise duty amounting to Rs. 6.45 crores (previous year Rs. 4.17 crores) payable on stocks of finished goods and scrap material at the end of the year except at Baddi and Haridwar units which are exempt from excise duty. Excise duty is considered as an element of cost at the time of manufacture of goods.
- 17 a) The Company has given a corporate guarantee of Rs. 215.02 crores (Euro 34 millions) {Previous Year Rs. 205.90 crores (Euro 34 millions)} for and on behalf of wholly owned subsidiary company 'Havells Netherlands Holding B.V.', in respect of Asian Terms Facility Agreement entered with Barclays Capital and State Bank of India on 13th March, 2007, against the loan taken by the said subsidiary. The outstanding loan as on the date of the Balance sheet is Rs. 63.24 crores (Euro 10 Millions) {Previous Year Rs. 100.95 crores (Euro 16.67 Million)}. The Company has further provided security by way of first pari-passu charge on the moveable fixed assets of the company (except for those charged against working capital limits and excluded moveable and immovable asstes ), by way of first pari-passu charge by way of mortgage over the immovable fixed assets situated at A-461/462, MIA Alwar (Rajasthan), SP - 215, MIA Alwar (Rajasthan), Land at Village Dharampur, Tehsil Nalagarh, District Solan (Himachal Pradesh) and Plot no. 2A, Sector - 10, IIE Ranipur, Haridwar and subservient charge on land and building at 14/3, Mathura Road, Faridabad (first pari passu charge to working capital bankers).
- b) The Company has given an irrevocable and unconditional corporate guarantee of Rs. 31.62 crores (Euro 5 millions) {previous year Rs. 30.28 crores (Euro 5 millions)} to Deutsche Bank in respect of credit facilities and other financial accommodation sanctioned to the step down subsidiary company 'Havells Sylvania Europe Limited'. The outstanding amount of the said credit facility as on the date of the Balance sheet is Rs. 11.88 crores (Euro 1.88 Million) {Previous year Rs.12.23 crores (Euro 2.025 Million)}.
- c) The Company has given a corporate guarantee of Rs. 100 crores to Yes Bank Limited in respect of 'standby letter of credit' facility sanctioned to its subsidiary company 'Havells Exim Limited' . The outstanding amount of the said credit facility as on the date of the Balance sheet is Rs. 25.60 crores.
- 18 a) The Company is under obligation to export goods within a period of eight years from the date of issue of EPCG licenses issued in terms of para 5.2 of Foreign Trade Policy 2009-2014. As on the date of Balance Sheet, the Company is under obligation to export goods worth Rs. 127.34 crores (previous year Rs. 95.55 crores) within the stipulated time as specified in the respective licenses. Out of the said amount, the Company has fulfilled the export obligation of Rs. 85.44 crores (Previous Year Rs. 30.75 crores) against which export obligation discharge certificates (EODC) are yet to be obtained from Director General Foreign Trade (DGFT).
- b) Further the Company is under obligation to export goods worth Rs. 109.83 crores (previous year Rs. 88.80 crores) in respect of duty free imports made by the Company against advance licenses. Out of the said amount , export obligation of Rs.91.68 crores (previous year Rs. 86.08 crores) has been fulfilled by the Company as at the end of the year against which export obligation discharge certificates (EODC) are yet to be obtained from Director General Foreign Trade (DGFT).



- 19 Goodwill has been determined on the basis of excess of cost to the parent over net asset acquired in subsidiary companies:

	<b>(Rs. in crores)</b>	
	<b>2010-11</b>	<b>2009-10</b>
Movement of Goodwill is as follows:		
Balance at the start of the year	321.20	357.90
Realignment effect of Foreign exchange fluctuation	14.21	(36.70)
Balance at the end of the year	<u>335.41</u>	<u>321.20</u>

- 20 The group company's Personnel cost has been adjusted by the actuarial gain on retirement benefits obligation amounting to Rs. 32.62 crores (Euro 5.42 million) {Previous Year actuarial loss Rs 49.57 crores (Euro 7.79 million)}.

- 21 Exceptional items of Group companies are :

	<b>2010-11</b>	<b>2009-10</b>
Severance, restructuring and integration cost (net of reversal of restructuring provision)	(3.71)	219.56
Impairment of fixed assets	10.32	56.05
Profit on disposal of fixed assets	(22.35)	-
Write down of Inventories	19.33	17.92
	<u>3.59</u>	<u>293.53</u>

Impairment of assets of Rs. 10.32 crores relate to Tienen, Germany, Tunisia, Concord, France and UK.

Exceptional Expenses for the current year have been charged to the profit and loss account whereas in financial year 2009-10 the same had been adjusted with the Business Reconstruction Reserve pursuant to the scheme of arrangement.

- 22 The Company has transferred and deposited a sum of Rs. 0.02 crore (previous year Rs. 0.005 crore) out of unclaimed dividend pertaining to the year 2002-03 and 2003-04 to Investor Education and Protection Fund of Central Government in accordance with the provisions of Section 205C of the Companies Act, 1956.
- 23 The Company is entitled for incentive under status holder incentive scrip @ 1% of FOB value of exports (except exports made from EOU unit) in terms of para 3.16 of Foreign Trade Policy 2009-2014. A provision of Rs. 1.33 crores (previous year Rs. 1.21 crores) has been made on this account which is to be utilised for duty free import of capital goods.
- 24 Companies (Accounting Standards) Amendment Rules, 2009 issued by the Ministry of Corporate Affairs vide Notification no.G.S.R.225 (E) dated March 31, 2009, had amended the Accounting Standard - 11 on "The Effect of Changes in Foreign Exchange Rates" and given an option to the companies to adopt the treatment prescribed in the said notification in reference to its foreign currency transactions. The Company has, consistently following the provisions of AS-11 as in the past, chosen not to adopt the alternate treatment prescribed under the above notification. In accordance with the accounting policy of the Company, a sum of Rs. 10.30 crores (previous year Rs. 9.68 crores) has been recognised as exchange gain (net) and credited to the profit and loss account.
- 25 Foreign currency exposures recognised by the Company that have not been hedged by a derivative instrument or otherwise as at 31st March, 2011 are as under:

	<b>(Figures in crores)</b>									
	<b>GBP</b>		<b>USD</b>		<b>EURO</b>		<b>JPY</b>		<b>CHF</b>	
	<b>Foreign Currency</b>	<b>Indian Currency</b>	<b>Foreign Currency</b>	<b>Indian Currency</b>	<b>Foreign Currency</b>	<b>Indian Currency</b>	<b>Foreign Currency</b>	<b>Indian Currency</b>	<b>Foreign Currency</b>	<b>Indian Currency</b>
<b>Receivables</b>										
Current Year	0.01	0.39	0.45	20.29	0.08	4.83	-	-	-	-
Previous Year	0.04	2.85	0.19	8.65	0.27	16.20	-	-	-	-
<b>Payables</b>										
Current Year	0.00	0.01	3.14	139.99	0.03	1.88	1.88	1.01	0.00	0.08
Previous Year	0.00	0.01	3.57	160.93	0.40	24.23	2.13	1.03	-	-

Interest risk exposure in group companies is mainly related to long term loans. The Group companies seeks to limit this risk through the use of derivative instruments which allow it to hedge cash flow changes by swapping floating rates to fixed rates. Gains and losses on interest rate swap contracts as of 31st March 2011 are recognised directly in the profit and loss account. A sum of Rs. 17.47 crores has been credited to profit and loss account on account of interest rate swap in Group companies. The mark to market value recorded in the balance sheet as at 31st March 2011 was a liability of Rs 13.63 crores (Euro 2.26 million) {previous year Rs. 31.28 crores (Euro 5.16 million)}.

In Group Companies, at the balance sheet date, interest rate hedge contracts were open where notional principal amount of the contracts at 31st March, 2011 were Rs 392.09 crores (Euro 62 million) {Previous Year Rs 488.52 crores ( Euro 80.67 Million)}. The interest rates vary from 4.65% - 5.5% based on EURIBOR. If EURIBOR is less than 5.5%, then the Group pays either 4.65% or EURIBOR depending on certain criteria. If EURIBOR is over 5.5% then it either pays EURIBOR less a cap or EURIBOR depending on certain criteria. The contracts expire on 21 April 2012 and 2013.

- 26 During the year the Company had entered into a forward contract with Yes Bank Limited in order to hedge its exposure for movements in foreign exchange rates in case of underlying assets being imports in case of the Company. As on the Balance sheet date, there is no outstanding derivative contract. The Company has recognised a profit of Rs. 0.11 crore in the profit and loss account (Previous year loss of Rs. 0.08 crore) on this account.
- 27 The Company has proposed dividend for the year @ 50% on its equity capital and a provision for corporate dividend tax including surcharge and education cess thereon has been made. The said amount is not subject to deduction of tax at source (TDS).

## 28 Current Tax and Deferred Tax

### Current Tax

The Company has made a provision for current tax in accordance with the provisions of the Income Tax Act 1961

### Deferred Tax

Deferred tax resulting from timing differences between book profit and taxable income is accounted for using the current tax rate. In respect of the Company's units under tax holiday period u/s 80 IC of the Income Tax Act, 1961, deferred tax assets/liabilities for timing differences which are capable of reversal after the tax holiday period have been recognised during the year in accordance with The Accounting Standard Interpretation (ASI 3)(Revised) issued by The Institute of Chartered Accountants of India. The break-up of deferred tax assets and deferred tax liabilities is as under:

	(Rs. in crores)	
	2010-11	2009-10
1 Deferred Tax Liability		
a) on account of difference in rates and method of depreciation	84.98	64.19
b) on account of different treatment of certain payments under Income Tax Act.	8.24	4.51
	<u>93.22</u>	<u>68.70</u>
2 Deferred Tax Assets		
a) on account of different treatment of certain payments under Income Tax Act.	33.50	12.95
b) on account of provision for bonus	2.92	1.80
c) on account of provision for doubtful debts not treated as expense under Income Tax Act.	0.95	0.78
d) on account of tax losses in subsidiaries	-	9.76
	<u>37.37</u>	<u>25.29</u>
3 Deferred income tax liability (Net) at the end of year	55.85	43.41

The Group companies did not recognise deferred tax assets in respect of losses amounting to Rs. 1237.33 crores (Euro 205.49 million) {previous year Rs. 1280.72 crores (Euro 211.48 Million)} as on 31.03.2011.

- 29 Disclosures required by Accounting Standard (AS- 29) relating to ' Provisions, Contingent Liabilities and Contingent Assets'

Provisions are recognised such as sales incentives, bad debts, warranty and other expenses of commercial nature. The provisions are recognised on the basis of past events and the probable settlement of the present obligation during the year as a result of the past events.

a) The movement in provisions are as under:

	(Rs. in crores)					
	Sales Incentive	Bad Debts	Restructuring	Environmental	Warranty	Others
Carrying amount at the beginning of the year	15.99 (12.58)	33.38 (26.32)	108.41 (6.60)	14.35 (14.32)	8.62 ( - )	15.29 (22.48)
Additional provisions made during the year	9.26 (6.72)	9.30 (13.16)	10.39 (101.81)	0.84 (0.81)	9.13 (8.62)	2.64 (1.27)
Amount used during the year	4.64 (2.94)	6.77 (5.31)	106.48 ( - )	1.39 (0.78)	8.33 ( - )	2.49 (8.39)
Unused amounts reversed during the year	0.38 (0.37)	0.60 (0.79)	- ( - )	- ( - )	- ( - )	- (0.07)
Carrying amount of provisions as on 31.03.2011	20.23 (15.99)	35.31 (33.38)	12.33 (108.41)	13.80 (14.35)	9.42 (8.62)	15.43 (15.29)

*Figures in brackets relates to previous year*

- 30 The group identifies its divisions into cash generating units for the purpose of testing of impairment of fixed assets and goodwill. 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.

Each of the identified cash generating units have been assessed at the balance sheet date and tested for impairment. The group 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 operation 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.

**a) Goodwill**

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to economic area of operation segment.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets and projections approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the lighting business in which the CGU operates.

The key assumptions used for each of the above CGU's value-in-use calculations are growth rate of 2.5% and discount rate of 10.5%.

Management determined budgets gross margin based on past performance and its expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the business. The calculations performed indicate that there is no impairment of goodwill.

**b) Fixed Assets**

In group companies, impairments of land and building, plant and machinery and other assets were recognised due to changes in economic conditions and company restructuring resulting in recoverable values being less than the carrying value. Of the recognised impairment, Rs 10.32 crores relates to impairment in Germany, Tienen, Tunisia, UK, France and Concord.

- 31 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.

## 32 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 four reportable segments viz. Switchgears, Cable, Lighting and fixtures 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".

	(Rs. in crores)	
	2010-11	2009-10
<b>(i) Primary- Business Segment</b>		
<b>A. Revenue</b>		
<b>Segment Revenue (Gross)</b>		
Switchgears	855.26	767.82
Cables	1361.96	1068.60
Lighting and fixtures	3110.29	3081.30
Electrical consumable durables	472.43	337.18
Others	0.36	34.81
	<u>5800.30</u>	<u>5289.71</u>
<b>B. Results</b>		
<b>Segment Results</b>		
Switchgears	306.52	296.75
Cable	90.36	89.78
Lighting and fixtures	850.36	668.75
Electrical consumable durables	129.47	101.98
Others	0.61	6.75
	<u>1377.32</u>	<u>1164.01</u>
Unallocated expenses net of income	885.16	914.12
<b>Operating Profit</b>	<b>492.16</b>	<b>249.89</b>
Exceptional Expenses	3.59	-
Interest Expenses	81.97	87.11
<b>Profit before extraordinary items and tax</b>	<b>406.60</b>	<b>162.78</b>
Income tax expense and wealth tax	103.14	93.18
<b>Profit after tax but before extraordinary items</b>	<b>303.46</b>	<b>69.60</b>
Add: Extraordinary items (net of tax)	0.47	-
<b>Profit after tax</b>	<b>303.93</b>	<b>69.60</b>

	<b>(Rs. in crores)</b>	
	<b>2010-11</b>	<b>2009-10</b>
<b>C. Other Information</b>		
<b>Segment Assets</b>		
Switchgears	482.63	410.42
Cables	431.02	322.25
Lighting and fixtures	2327.56	2065.69
Electrical consumable durables	164.23	110.75
Others	158.10	188.70
	<u>3563.54</u>	<u>3097.81</u>
<b>Segment Liabilities</b>		
Switchgears	106.28	108.10
Cables	246.45	98.62
Lighting and fixtures	1147.41	1208.32
Electrical consumable durables	57.54	36.97
Others	178.38	135.62
	<u>1736.06</u>	<u>1587.63</u>
<b>Capital Expenditure</b>		
Switchgears	51.48	26.77
Cables	52.29	68.81
Lighting and fixtures	77.65	70.09
Electrical consumable durables	8.09	18.04
Others	9.47	3.35
	<u>198.98</u>	<u>187.06</u>
<b>Depreciation</b>		
Switchgears	10.42	10.47
Cables	7.70	7.30
Lighting and fixtures	54.83	63.40
Electrical consumable durables	2.58	2.30
Others	4.91	0.22
	<u>80.44</u>	<u>83.69</u>
<b>Non-cash expenses other than depreciation</b>		
Switchgears	0.43	5.56
Cables	0.02	1.30
Lighting and fixtures	0.01	21.20
Electrical consumable durables	0.00	0.53
Others	2.44	0.41
	<u>2.90</u>	<u>29.00</u>
<b>(ii) Secondary- Geographical Segments</b>		
The following is the distribution of Company's consolidated revenue by geographical market, regardless of where the goods were produced.		
Revenue-Domestic Market	2964.01	2174.76
Revenue-Overseas Market	2836.29	3114.95
	<u>5800.30</u>	<u>5289.71</u>
<b>Fixed assets located (Including Capital work-in-progress)</b>		
Within India	756.29	626.98
Outside India	264.11	293.99
	<u>1020.40</u>	<u>920.97</u>

### 33 Related party transactions

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

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

##### 1 Associates

QRG Enterprises Limited  
Guptajee & Company  
QRG Foundation  
QRG Central Hospital and Research Centre Limited

##### 2 Key Management Personnel

Shri Qimat Rai Gupta  
Shri Surjit Gupta  
Shri Anil Gupta  
Shri Rajesh Gupta

#### (B) Transactions during the year

		(Rs. in crores)
	2010-11	2009-10
<b>(i) Purchase of goods</b>		
<b>Associates</b>		
QRG Enterprises Limited	0.25	11.32
<b>(ii) Sale of goods</b>		
<b>Associates</b>		
QRG Enterprises Limited	-	0.06
QRG Foundation	-	0.00
QRG Central Hospital and Research Centre Limited	0.01	-
	<u>0.01</u>	<u>0.06</u>
<b>(iii) Sales return</b>		
QRG Enterprises Limited	0.03	-
<b>(iv) Sales incentives, discounts and commission paid</b>		
<b>Associates</b>		
Guptajee and Company	4.31	4.62
<b>(v) Purchase of fixed assets</b>		
<b>Associates</b>		
QRG Enterprises Limited	0.02	16.02
Guptajee and Company	16.75	-
	<u>16.77</u>	<u>16.02</u>
<b>(vi) Usage Charges Paid</b>		
<b>Associates</b>		
Guptajee and Co.	0.01	0.01
QRG Enterprises Limited	17.42	17.26
	<u>17.43</u>	<u>17.27</u>
<b>(vii) Service/ Usage Charges Received</b>		
<b>Associates</b>		
QRG Enterprises Limited	0.04	0.04
<b>(viii) Trade mark fee paid</b>		
<b>Associates</b>		
QRG Enterprises Limited	29.28	22.39



		(Rs. in crores)
	2010-11	2009-10
(ix) <b>Donation paid</b>		
<b>Associates</b>		
QRG Foundation	0.65	0.50
(x) <b>Medical Expenses</b>		
<b>Associates</b>		
QRG Central Hospital and Research Centre Limited	-	0.03
(xi) <b>Reimbursement of Expenses</b>		
<b>Associates</b>		
QRG Enterprises Limited	0.96	0.33
(xii) <b>Rent received</b>		
<b>Associates</b>		
QRG Enterprises Limited	0.03	-
(xiii) <b>Directors remuneration</b>		
<b>Key Management Personnel</b>		
Sh. Q. R. Gupta	3.58	1.19
Sh. Anil Gupta	2.48	0.75
Sh. Rajesh Gupta	2.49	2.16
	<u>8.55</u>	<u>4.10</u>
(C) <b>Balances at the year end Payables</b>		
<b>Associates</b>		
Guptajee & Company	0.41	0.46

**34 Earnings per share**
**a) Basic and Diluted Earnings per share excluding extraordinary item**
Numerator for earnings per share

Profit before exceptional items and Tax	410.19	162.78
Less: Exceptional Items	3.59	-
Profit before Tax	406.60	162.78
Provision for deferred tax, Income tax and Wealth tax	(103.14)	(93.18)
Profit after taxation	303.46	69.60
Adjustment to net earnings:		
Less: Share of profit transferred to minority	0.36	0.04
	<u>303.10</u>	<u>69.56</u>

Denominator for earnings per share

Weighted number of equity shares outstanding during the period	Nos.	124774812	124774812
Earnings per share-Basic and Diluted excluding extraordinary items (one equity share of Rs. 5/- each)	Rs.	24.29	5.57

**b) Basic and Diluted Earnings per share including extraordinary item**
Numerator for earnings per share

Profit before exceptional items and Tax	410.19	162.78
Less: Exceptional Items	3.59	-
Profit before Tax	406.60	162.78
Provision for deferred tax, Income tax and Wealth tax	(103.14)	(93.18)

		(Rs. in crores)
	2010-11	2009-10
Adjustment to net earnings:		
Add: Extraordinary items net of tax	0.47	-
Less: Share of profit transferred to minority	0.36	0.04
Profit after taxation	<u>303.57</u>	<u>69.56</u>
<u>Denominator for earnings per share</u>		
Weighted number of equity shares outstanding during the period	Nos. 124774812	124774812
Earnings per share-Basic and Diluted excluding extraordinary items (one equity share of Rs. 5/- each)	Rs. 24.33	5.57

62387406 Bonus shares issued during the year have been considered in the computation of both Basic earnings per share and Diluted earning per share from the beginning of the reporting period i.e. 1st April 2010. Previous year figures have been adjusted for the bonus issue and revised accordingly.

2219000 equity shares allotted on 19.08.2010 had been considered in the computation of basic and diluted earning per share during the last year in terms of the scheme of arrangement approved by the Hon'ble High Court of Delhi vide their order dated 19.08.2010, with effect from 1st April 2009 being the appointed date as per the scheme of arrangement.

- 35 That the figures for the previous year have been regrouped/rearranged wherever necessary.
- 36 The figures have been rounded off to the nearest crore of rupees upto two decimal places. The figure 0.00 wherever stated represents value less than Rs. 50000/-.
- 37 Schedule No.1 to 18 form integral part of the balance sheet and profit and loss account.

**For and on behalf of the Board of Directors**

As per attached Auditor's Report of even date

**Qimat Rai Gupta**  
Chairman & Managing Director

**Surjit Gupta**  
Director

**For V. R. Bansal & Associates**  
Chartered Accountants  
(Registration No. 016534N)

**Sanjay Gupta**  
Company Secretary

**Sanjay Johri**  
Associate Vice-President- Accounts

**V. P. Bansal**  
Partner  
Membership No. 8843

Noida, 27<sup>th</sup> May, 2011

**Statement pursuant to exemption received under section 212(8) of the Companies Act, 1956 relating to subsidiaries for the year ended March, 2011**  
(Rs. in crores)

Sl. No.	Name of Subsidiary Company	Country of Incorporation	Capital	Reserves	Total Assets	Total Liabilities	Investments other than investment in subsidiaries	Turnover	Profit Before Tax	Provision for Taxation	Profit After Tax	Proposed Dividend
1	Havells Sylvania Argentina S.A.	Argentina	2.11	16.58	43.00	43.00	-	63.96	8.81	3.15	5.66	-
2	Havells Sylvania Brasil Iluminacao Ltda.	Brazil	146.05	(247.29)	145.63	145.63	-	181.24	(14.51)	14.63	(29.13)	-
3	Havells Sylvania Colombia S.A.	Colombia	45.15	81.64	192.60	192.60	-	212.08	18.81	16.22	2.59	-
4	Havells Sylvania Venezuela C.A.	Venezuela	0.22	(0.75)	21.00	21.00	-	25.25	2.24	(0.10)	2.34	-
5	Havells Sylvania N.V.	Dutch Antilles	2.15	26.47	39.57	39.57	-	62.52	10.69	2.67	8.03	-
6	Havells Sylvania El Salvador S.A. de C.V.	El Salvador	2.29	6.55	12.76	12.76	-	19.28	0.26	0.04	0.22	-
7	Havells Sylvania Guatemala S.A.	Guatemala	0.01	11.94	23.47	23.47	-	26.03	(0.44)	(0.02)	(0.42)	-
8	Havells SLI de Mexico S.A. de C.V.	Mexico	11.70	17.19	51.10	51.10	-	79.33	9.44	2.29	7.15	-
9	Panama Americas Trading Hub	Panama	0.05	2.55	25.15	25.15	-	31.06	2.61	0.13	2.48	-
10	Havells Sylvania Panama S.A.	Panama	0.04	8.66	23.31	23.31	-	41.60	3.96	0.72	3.24	-
11	Havells Sylvania Peru S.A.C.	Peru	0.34	(1.57)	3.98	3.98	-	4.43	(0.70)	-	(0.70)	-
12	Havells Sylvania Europe Ltd.	United Kingdom	436.47	(168.84)	876.99	876.99	-	1,677.41	17.70	0.24	17.46	-
13	Havells Sylvania Spain S.A.	Spain	6.19	33.72	44.33	44.33	-	-	5.45	1.40	4.05	-
14	Havells Sylvania Portugal Ltda.	Portugal	3.47	5.59	9.72	9.72	-	-	(0.21)	0.02	(0.23)	-
15	Havells Sylvania Italy S.p.A.	Italy	21.56	11.43	45.80	45.80	-	-	2.43	0.60	1.83	-
16	Havells Sylvania Greece A.E.E.E.	Greece	2.59	1.13	28.58	28.58	-	25.93	2.51	0.83	1.67	-
17	Havells Sylvania Sweden A.B.	Sweden	21.39	(20.87)	2.42	2.42	-	(0.00)	(3.20)	-	(3.20)	-
18	Havells Sylvania Norway A.S.	Norway	29.86	(45.02)	1.05	1.05	-	0.00	(3.84)	-	(3.84)	-
19	Havells Sylvania Finland OY	Finland	0.02	1.54	2.78	2.78	-	0.01	(0.17)	0.02	(0.19)	-
20	Havells Sylvania Tunisia S.A.R.L.	Tunisia	0.53	(97.90)	11.89	11.89	-	23.47	0.91	-	0.91	-
21	Havells Sylvania UK Ltd.	United Kingdom	159.15	(187.44)	33.06	33.06	-	(0.01)	1.40	-	1.40	-
22	Havells Sylvania Fixtures UK Ltd.	United Kingdom	141.95	(138.18)	60.87	60.87	-	107.15	(3.31)	-	(3.31)	-
23	Havells Sylvania Lighting Belgium N.V.	Belgium	313.15	(236.44)	180.57	180.57	-	113.70	(21.57)	(4.24)	(17.33)	-
24	Havells Sylvania Poland S.P.Z.O.O	Poland	0.01	(1.31)	0.28	0.28	-	-	(0.67)	0.01	(0.68)	-
25	Havells Sylvania Belgium B.V.B.A.	Belgium	0.23	1.08	4.33	4.33	-	-	(0.09)	0.19	(0.28)	-
26	Havells Sylvania Germany GmbH	Germany	227.44	(197.79)	293.93	293.93	-	228.71	15.10	0.99	14.12	-
27	Havells Sylvania Fixtures Netherlands B.V.	Netherlands	20.55	133.47	150.67	150.67	-	52.82	16.39	4.72	11.67	-
28	Havells Sylvania Lighting France S.A.S	France	66.28	(55.12)	215.17	215.17	-	128.33	(1.99)	(1.58)	(0.41)	-
29	Havells Sylvania France S.A.S.	France	49.33	25.48	55.84	55.84	-	(0.09)	4.77	1.58	3.19	-

Sl. No.	Name of Subsidiary Company	Country of Incorporation	Capital	Reserves	Total Assets	Total Liabilities	Investments other than investment in subsidiaries	Turnover	Profit Before Tax	Provision for Taxation	Profit After Tax	Proposed Dividend
30	Havells Sylvania Switzerland A.G.	Switzerland	0.40	23.61	60.61	60.61	-	0.01	12.86	1.93	10.93	-
31	SLI Europe B.V.	Netherlands	1,299.31	(1,153.23)	614.40	614.40	-	-	(6.50)	-	(6.50)	-
32	Sylvania Lighting International B.V.	Netherlands	154.41	373.92	561.23	561.23	-	-	1.16	-	1.16	-
33	Flowil International Lighting (Holding) B.V.	Netherlands	600.69	(482.27)	949.14	949.14	-	-	(37.37)	0.37	(37.75)	-
34	Havells Sylvania (Thailand) Ltd.	Thailand	0.11	49.14	84.42	84.42	-	90.92	6.26	1.88	4.38	-
35	Guangzhou Havells Sylvania Enterprise Limited	China	1.57	(2.20)	3.69	3.69	-	11.30	(1.81)	(0.06)	(1.75)	-
36	Havells Sylvania Asia Pacific Ltd.	Hong Kong	8.16	10.86	20.79	20.79	-	8.61	2.29	0.20	2.09	-
37	Havells Sylvania (Shanghai) Ltd	China	6.47	(7.24)	8.13	8.13	-	-	0.11	-	0.11	-
38	Havells Sylvania (Malaysia) Sdn. Bhd	Malaysia	0.35	0.43	3.97	3.97	-	6.90	0.17	0.04	0.12	-
39	Havells Sylvania Dubai FZCO	Dubai	0.66	11.39	17.56	17.56	-	29.19	5.81	-	5.81	-
40	Sylvania India Limited	India	0.52	(0.01)	0.64	0.64	-	3.07	0.02	0.01	0.01	-
41	Havell's Malta Ltd	Malta	594.38	(0.55)	593.83	593.83	-	-	0.01	-	0.01	-
42	Havell's Netherlands Holdings B.V.	Netherlands	593.26	(2.47)	740.95	740.95	-	-	(2.09)	(4.21)	2.12	-
43	Havell's Netherlands B.V.	Netherlands	695.77	(186.19)	1,178.29	1,178.29	-	-	(16.64)	-	(16.64)	-
44	Havells Sylvania Costa Rica S.A.	Costa Rica	10.27	27.50	100.58	100.58	-	125.50	8.11	0.49	7.62	-
45	Havells USA Inc.	Delaware	10.89	(73.87)	109.34	109.34	-	103.34	(1.44)	1.29	(2.73)	-
46	Havells Sylvania Iluminacion (Chile) Ltda	Chile	-	0.36	7.33	7.33	-	6.30	0.59	-	0.59	-
47	Havells SLI Servicios Generales Mexico SA De CV	Mexico	0.02	0.83	1.74	1.74	-	-	-	-	-	-
48	Havells Sylvania Export N.V.	Dutch Antilles	0.61	11.74	9.67	9.67	-	-	-	-	-	-
49	Havells Sylvania Holdings (BVI-1) Ltd	British Virgin Islands	121.33	-	121.33	121.33	-	-	-	-	-	-
50	Havells Sylvania Holdings (BVI-2) Ltd	British Virgin Islands	34.95	-	34.95	34.95	-	-	-	-	-	-
51	Havell's Holdings Limited	Isle of Man	703.76	(24.45)	594.65	594.65	-	(0.01)	(0.16)	-	(0.16)	-
52	Havell's Cyprus Limited	Cyprus	0.35	(0.35)	-	-	-	0.02	(0.02)	-	(0.02)	-
53	Standard Electrical Limited (formerly: Seven Wonders Holidays Limited)	India	0.05	56.34	71.79	71.79	-	97.32	20.36	0.64	19.72	-
54	Havells Exim Limited	Hong Kong	0.00	0.42	60.38	60.38	-	63.85	0.42	-	0.42	-

# PROGRESS AT A GLANCE OF LAST 10 YEARS

(Rs in crores)

<i>Performance for the Year</i>	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Turnover (Gross)	222.03	293.08	419.22	665.88	1,115.14	1,681.06	2,231.89	2,333.82	2,476.18*	3,045.60*
Less: Excise Duty	28.54	40.61	56.28	83.42	111.61	133.84	176.32	135.46	104.77	163.95
Turnover (Net)	193.49	252.47	362.94	582.46	1,003.53	1,547.22	2,055.57	2,198.36	2,371.41	2,881.65
<b><i>Profitability</i></b>										
EBIDTA (before other income)	21.57	22.73	37.11	57.92	99.48	141.00	185.42	196.82	305.48	337.30
Profit before Tax	12.96	14.19	30.11	43.23	78.51	120.54	166.25	167.27	290.31	309.87
Profit After Tax	8.57	8.96	20.96	30.53	63.21	102.15	143.54	145.23	228.16	242.05
<b><i>Financial Position</i></b>										
Share Capital	5.79	5.79	5.79	5.79	13.44	26.88	28.96	30.08	31.19	62.39
Reserves and Surplus	28.15	35.22	53.57	80.82	162.57	235.55	620.07	901.83	1,104.00	1,278.42
Loan funds	70.50	94.56	101.77	174.22	109.84	56.06	35.80	70.28	115.81	133.62
Gross Block	34.89	41.36	58.23	108.24	175.65	273.61	427.88	523.41	673.64	829.91
Net Block	25.80	30.01	46.31	92.33	153.20	242.25	385.25	465.48	601.23	730.30
Total investments	17.52	15.72	3.17	3.17	3.17	3.47	164.79	387.87	531.71	715.47
Net Current Assets	65.18	94.58	115.98	172.54	138.97	84.47	166.25	165.90	161.85	82.82
<b><i>Earning per share</i></b>										
EPS-as reported	17.17	15.46	18.08	26.34	24.26	19.00	26.00	24.93	36.57	19.40
EPS-adjusted for bonus issue/split	1.07	0.97	2.26	3.29	6.06	9.50	13.00	12.46	18.29	19.40

\*Turnover gross is after deducting turnover discount, incentive and rebates.

## Havells India Ltd.

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