

DIRECTORS' REPORT

Your Directors have pleasure in presenting the 22nd Annual Report and audited financial accounts for the year ended 31st March, 2005:

Financial Results

	(Rs. in Lacs)	
	2004-05	2003-04
Gross Sales	66,538.46	41,922.40
Less Excise	8,342.22	5,627.76
Net Sales	58,196.24	36,294.64
Other Income	339.21	759.98
Total Expenditure	52,452.89	32,582.63
Interest	1,350.94	1,197.22
Net profit after interest but before Depreciation and Taxation	4,731.62	3,274.77
Less Depreciation	408.92	264.26
Profit before Taxation	4,322.70	3,010.51
Less Taxation	1270.06	914.40
Net Profit	3,052.64	2,096.11
Add Balance brought forward from previous year	3,915.15	2,300.56
Profit available for appropriation	6,967.79	4,396.67
Appropriation of Profits		
Transfer to General Reserve	320.00	220.00
Interim Dividend	-	86.93
Proposed Dividend	289.78	144.89
Corporate Dividend Tax	37.87	29.70
Balance carried over to Balance Sheet	6320.14	3915.15
	6,967.79	4,396.67

Performance of the Company

Your Company has once again given a good performance during the financial year 2004-05. The turnover of your Company has **increased by 59%** from Rs.41922 Lacs in the last Financial Year to Rs.66538 Lacs in current financial year. The Net Profit of the company has also increased by 46 % from Rs.2096 Lacs in previous year to Rs.3053 Lacs in Current Year.

Havell's is today one of the largest Indian electrical products company manufacturing building circuit protection equipment, Industrial Switchgears, Cables & Wires, Energy Meters, Fans, CFLs, Lighting Fixtures, etc.

Dividend

Your Directors are pleased to recommend a final dividend of Rs.2.50 per equity share on fully paid up equity shares of Rs.5/- each i.e. @ 50 % for the year 2004-05. The proposed dividend, if approved at the ensuing Annual General Meeting, would result in appropriation of Rs.327.65 Lacs (including Corporate Dividend Tax of Rs.37.87 Lacs) out of the profits. The Company has made transfer of Rs.320 Lacs to the General Reserve. The total appropriation of Rs.327.65 Lacs gives 10.73% payout on net profit of the company.

Switchgear Division

After becoming the largest MCB manufacturer in India and recognizing the further vast potential available in both Indian and International markets for MCBs, Havell's has set up an absolutely world class, totally automated manufacturing plant in approx 50,000 square meter area in the green environs of Himachal Pradesh that has more than doubled the current capacity. Havell's is the largest manufacturers of MCBs, RCCBs, and Distribution Boards in India. Out of this 40 percent of the production is exported to over 45 countries outside India, including the highly mature and quality conscious European countries. The Company also manufacturing a comprehensive range of Industrial Switchgear products including MCCBs, Fuse Switches, Fuses, Changeover Switches, Contractors, Starters etc. This division during the year introduced a range of indigenously developed MCCBs with microprocessor controlled tripping mechanisms.

The turnover of Switchgear Division during the current year is Rs.21725 Lacs as compared to Rs.15928 Lacs for the previous year, a growth of 36% over the last year's performance.

Cable & Wire Division

Havell's offers a complete range of low and high voltage PVC and XLPE cables, besides, domestic FR/FRLS wires, Co-Axial TV and Telephone Cables. The Company is recognised as quality manufacturers of cable with a major presence in the country leading to fast growth in volume. During the year, the Company has expanded its production capacity almost to double. The Company also purchased new Plant & Machinery during the current fiscal. For the first time, during the year under review, the Company Manufactured & supplied HT Ariel Bundled cables. The traditional normal FR wires are replaced by HRFR Wires.

The cable division has shown growth of 74% as turnover of the unit has increased to Rs.30697 Lacs from the previous year's turnover of Rs.17596 Lacs.

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Electrical Consumer Durables Division

With a strong brand in electrical products and an extensive distribution network, Havell's moved into various electrical consumer goods i.e. Fans, CFLs, Lighting Fittings etc. In its first complete year of operation, the Company has given a good performance in Electrical Consumer Durable Division. During the year, the turnover of this unit has increased to Rs.13130 Lacs from the previous year's turnover of Rs.2573 Lacs.

CFLs

The Company has set up a state-of-the-art automatic plant for manufacturing Compact Fluorescent Lamps (CFLs) at Faridabad, with a production capacity of one million units per month. The plant is now being augmented to two million units per month. Further, one more plant has also been imported and is being set up at a new manufacturing site at Hardwar. This would also uniquely position us to become the largest manufacturer of CFLs in India thereby giving us the opportunity to recreate the success that we have created with MCBs.

Havell's have also set up the first plant in India to manufacture FPLs (36W CFL) which started its operation in February, 2005. This shall serve as an import substitution and goes with our philosophy of making India self-reliant rather a producer for the world market for most manufactured goods.

Initial response to Havell's CFLs has been overwhelming across the length and breaths of the Country. The product is marketed through the massive existing distribution network of the Company backed by a comprehensive mass communication. Exports for CFLs have already commenced to the neighboring countries like Sri Lanka, Bangladesh besides Middle East and African Countries.

Fans

The Company started a new venture at Noida for manufacturing all kinds of Electrical Fans in innovative designs, styles, sizes and colours under its brand name. The state-of-the-art manufacturing plant includes in-house CNC machining facility, Electrostatic conveyerised paint shop, automatic stator winding machines, conveyerised assembly and testing lines. The total plant capacity is approx. 1.2 million units per year.

Havell's launched various models of ceiling Fans in the market which have captured the customer's fancy due to the innovative designs and excellent finishes. The response so far has been so over-whelming that the company has planned to set up a new truly world class manufacturing plant, which will have totally integrated facilities and double the capacity of the current plant, thus taking the total to 2.4 million pcs per annum.

The launch of the complete range of ceiling and table, pedestal, wall fans is backed by a glitzy publicity campaign to make Havell's a household name. Havell's expect to be a leader in this industry soon with the support of the existing and ever expanding dealer and retail network. Havell's has started making a mark in international markets for fans as well with good initial sales in Sri Lanka, Bangladesh, African Countries and Middle East region.

To meet the consumers demand and for energy conservation, the Company launched highly efficient energy saving fans by name of Energy Saver where the consumer saves on energy consumption and recovers the cost of the total fan over couple of years.

Light Fittings

Havell's has introduced in the market a complete range of indoor and outdoor lighting fixtures under the Brand name 'Havell's'. With this the Company has entered into Rs.2300 crore domestic lamps and luminaries market. Your Company has 24% stake in G S Lighting Pvt. Ltd., a company manufacturing light fittings.

International Business

The Company has put major focus on increasing its export volumes and international business. The Company has started exporting to over 45 countries, which shall result into major volume expansion in the current year. The Company's International Business Division (IBD) team provides specialized sales, marketing, technical support and services to meet the escalating requirements of modern day customers. IBD is catering to an international clientele that is spread over more than 45 countries across Europe, Middle East, Far East and Africa. During the year, Havell's recorded an export turnover of Rs.48 crores, which is 2.3 times of previous year's export turnover of Rs.21 Crores. The Company has its branch / Liaison offices in London, Dubai and Bangladesh. Havell's participated in prestigious world wide Exhibitions in Germany, Poland, Kazakhstan, Brazil, Dubai, Iran, Syria, Nigeria, Egypt, Malaysia, Indonesia, Philippines and other countries. The Company also participated in Elecrama 2004, which was attended by overseas customers and gave a fresh perspective and outlook to domestic clientele.

Havell's achieved global recognition based on its products getting prestigious international approvals like CSA, KEMA, CB, CE, SEMKO, TSE (TURKEY), REPRO (Spain) and others.

Projects Completed

MCBs at Baddi – Himachal Pradesh

To cut down the cost and to avail the excise and other tax benefits announced in the Industrial Policy of Himachal Pradesh and Uttaranchal, your company has set up an absolutely new 50,000 square meter manufacturing facility for MCBs and other switchgear products in green environ at Baddi, Distt. Solan, Himachal Pradesh. The plant is planned as a totally integrated unit including all components manufacturing in-house to have an absolute quality control on all inputs. After the components stage, the assembly lines, the on line testing of high voltage, magnetic tripping, thermal calibration and final testing are all automated. All this in a temperature and dust controlled environment with best quality manufacturing machines and high precision quality control equipment at each stage of manufacturing, will ensure consistent international level quality of the finished goods. The plant is operating on the quality principles of six sigma and statistical quality control from the beginning itself. This plant shall have a capacity to produce 12 million MCBs in addition to existing plant in Delhi for 20 million.

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Projects under implementation

Fans / CFLs at Hardwar - Uttranchal

The Company is being set up state-of-the-art plant at Hardwar in the state of Uttranchal. The plant is going to be the largest intergrated plant for manufacturing ceiling fans in India. It shall employ the latest machines and manufacturing products to produce world class fans. It shall be operational by June, 2005. A separate building is under construction which shall have all future expansion of CFLs manufacturing facility of the Company

Centre for Research and Innovation

The Company has R & D Facilities in all its manufacturing plants at present which are continually developing new products. As innovation and Research is the foundation on which the future of any manufacturing organization is built, the Company is setting up a Central R & D Facility in its Corporate Office premises at Noida. It shall be covering 25,000 square feet area, equipped with the latest equipments for testing, developing, prototyping etc. and shall employ over 100 engineers. This centre shall be in addition to the individual R & D cells in each factory and shall concentrate only on really futuristic projects of the Company.

Subsidiary Company

Havell's (UK) Limited

During the year 2004-05 your company has incorporated Havell's (UK) Limited in London, a Company registered under the Company Law of UK. It is a Wholly Owned Subsidiary company of Havell's India Limited set up primarily to promote the business in European Market and will result in increasing Export Turnover to a great extent.

As required under Section 212 of the Companies Act, 1956, the audited Annual Accounts alongwith the Auditors' Report and Directors' Report thereon for the year ended on March 31, 2005 of the Company's Subsidiary 'Havell's (UK) Ltd. is annexed to the Annual Report.

Unsecured Fully Convertible Debentures

Pursuant to the Special Resolution passed at the Extra Ordinary General Meeting of Members of the Company held on 29th November, 2004, the Company on 13th December, 2004 issued and allotted 235 Unsecured Fully Convertible Debentures of Rs.10,00,000/- each with a coupon rate of 4% to M/s Shine Limited, a Company having its Registered Office at Cathedral Square, Port Louis, Mauritius, a subsidiary of ARIA Investment Partners II, L. P. and managed by CLSA Private Equity Management Limited. The said Debentures are convertible into equity shares of the Company on or before the expiry of 18 months from the date of allotment i.e. latest by 12th June, 2006.

The Debentures are proposed to be converted into Equity Shares of Rs.5/- each at a price not less than the price calculated as per SEBI (Disclosure and Investor Protection) Guidelines, 2000 which is Rs.175.26.

The Debentures will be converted into Equity Shares of the Company at a conversion price between Rs.175.26 and Rs.275/- per equity share of Rs.5/- each. The exact price at which the Equity Shares shall be issued shall be determined in accordance with the terms approved by the Board.

The proceeds of the above debentures have been utilised for setting up unit at Baddi (H.P), expansion at NOIDA, Badli and Faridabad units. There are no unutilised monies lying out of proceeds of the debenture issue as on the date of the Balance Sheet.

Corporate Governance

An independent Board with best business practices, transparent disclosures and empowerment of shareholders are as necessary as solid financial results for creating and sustaining the shareholder value. In line with clause 49 of the Listing Agreement, a Corporate Governance Report and a Management Discussion & Analysis Report of the Company are provided in this Annual Report.

Directors' Responsibility Statement

Pursuant to sub-section (2AA) of Section 217 of the Companies Act, 1956, the Board of Directors of the Company hereby state and confirm that :

- (i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanations relating to material departures;
- (ii) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profits of the Company for that period;
- (iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the Directors had prepared the annual accounts on a going concern basis.

Directors

Mr. Richard Owen Pyvis and Mr. Avinash P Gandhi were co-opted as Additional Directors of the Company. As per section 260 of the Companies Act, 1956, they will cease to hold office at the ensuing Annual General Meeting. Requisite notices along with the prescribed fees have been received from members under section 257 of the Companies Act, 1956 proposing the appointment of Mr. Richard Owen Pyvis and Mr. Avinash P Gandhi as Directors, liable to retire by rotation at the ensuing Annual General Meeting.

At the Board of Directors Meeting held on 12th May, 2005, Ms. Josephine Price was appointed as an Alternate Director to Mr. Richard

DIRECTORS' REPORT

Owen Pvyis.

In accordance with the requirement of the Companies Act, 1956, Mr. P K Kaul, Dr. Abid Hussain and Mrs. Sabine Geyer, Directors retiring by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Auditors

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

Comments on Auditors Report

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

Fixed Deposit

Public deposits accepted by the Company as at March 31, 2005 aggregated to Rs.824.90 Lacs. Deposits aggregating to Rs.19.65 Lacs from 32 depositors, though matured, had neither been claimed nor renewed until March 31, 2005. The Company has sent letters to all those deposit holders to claim the same.

Investors Education and Protection Fund

Pursuant to the provisions of section 205A & 205C of the Companies Act, 1956, your Company has deposited Rs.62,100/- lying unclaimed/unpaid dividend for the Financial Year 1996-97 during the current year in the Investors Education and Protection Fund.

Listing of shares

The shares of the Company are listed on National Stock Exchange of India Limited (NSE) and The Stock Exchange, Mumbai (BSE). NSE has been defined as the Designated Stock Exchange of the Company. The listing fees in respect thereof, for the year 2005-06, has already been paid to both the Stock Exchanges.

With respect to listing of Unsecured Fully Convertible Debentures, the Company obtained the in-principle approval for listing of these Debentures from the National Stock of India Limited (NSE) and the Stock Exchange, Mumbai (BSE). The company will get the Final Listing approvals from both these Stock Exchanges only for the equity shares on conversion of such debentures.

Personnel

Particulars of Employees required under section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 as amended forms part of this report and attached herewith as Annexure - A.

Particulars regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

Particulars as required to be disclosed as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, are set out in the statement attached hereto under Annexure B and forms part of this report.

ISO 9001:2000

Your Company is an ISO 9001:2000 certified Company following the best practices to lead the organisation towards improved performance. Customer Focus, Leadership, Involvement of People, Process Approach, System Approach to Management, Continual Improvement, Factual Approach to Decision Making and Mutually Beneficial Suppliers Relationship are the 8 quality management principles used as a basis for all the operating systems of the Company leading to all its plants being ISO 9001:2000 cetified.

Consolidated Financial Statements

Your Director's have pleasure in attaching the Consolidated Financial Statements prepared in accordance with the Accounting Standards prescribed by the Institute of Chartered Accountants of India, in this regard.

Health, Safety and Environment

Havell's is very much concerned with the health and safety of every person at its factories and offices and is protecting and nurturing the environment.

Havell's is concerned not only to comply with only regulatory norms for prevention and control of pollution, but also to go beyond this by adopting clean technologies and improvement in management practices. Your directors have always felt that compliance of end-of-the-pipe effluent and emission standards and attentions is also given for planting of trees, greening of surrounding areas in and around factories and beautification of the plant's vacant premises. The employees are also made conscious of their responsibilities towards protecting the environment and add its beauty.

We are in the process of getting ISO 14000 and 18000 approvals for our Domestic Switchgear and Industrial Switchgear plants as a confirmation of our environmental friendly operations taking care of all safety aspects in the working conditions of each person employed in the Company.

Contribution to Exchequer

Corresponding to the increase in turnover, there is an increase in contribution made to exchequer through taxes. During the financial year ended March 31, 2005, the Company has paid Rs.1270.06 Lacs towards Income Tax as compared to Rs. 914.40 Lacs paid during the last financial year. This payment along with an Excise Duty of Rs.8342.22 Lacs, Sales Tax of Rs.3972.51 Lacs, Contirbution to PF, ESI etc. of Rs.175.38 Lacs totaling Rs.13760.17 Lacs indicates that your Company is a regular payer of taxes and other duties to the Government and

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is contributing fully to the growth of our nation as a responsible corporate citizen.

Social Obligation

"Serving people with meagre or no means is the duty of every well-to-do person or company in India." In the wee hours of 26th December, 2004, the human world faced one of the biggest tragedies of all time when Tsunami hit various countries in South East Asia including India, thus resulting in widespread loss of lives, property, livelihood and wealth of hundreds of thousands of people across Indonesia, Thailand, Sri Lank and Southern India.

At Havell's we have in our own a little way, tried to help the disaster affected. All members of the Havell's were overwhelmed by the calamity and came forward to contribute a day's salary which was matched by the Company in the Prime Ministry's Relief Fund for the Tsunami Relief Operations.

Your Company is starting to provide the mid – day meal to children in 3 Schools in Alwar region, Rajasthan where the Company has its Cable & Wire Division. Your Company is also planning to start this activity in other areas especially near the Company's other units.

The Company had contributed Rs.11 Lacs to QRG Foundation, a charitable trust, founded by QRG group. The Charitable Trust is running a mobile dispensary, which goes into different parts of Delhi and provides free medical check-ups and medicines to about 150-200 people every day.

Human Resources

The Company values human resources as it is very vital to the growth of the Company. The plans and policies framed by the management from time to time are translated into reality by this asset only. Your Company continuously evolves policies and processes to attract and retain its substantial pool of scientific, technical and managerial resources through friendly work environment that encourages initiatives by individuals and recognizes their performance.

'Employee Empowerment' drives our employee policies, as we try to continuously focus on giving every member of the team a challenging and happy working environment. We encourage them to pursue their education while they work. We also encourage and facilitate regular training through technical workshops conducted by our overseas collaborators and management workshops by independent consultants. In turn our employees are energized into pushing themselves beyond the limits and thus use their potential to the maximum. That's the power behind our success, the power of our people.

Training to existing employees is continuously being imparted in-house and through external sources to hone their skills for meeting challenges. Your Company always encourages young personnel with their ideas and view.

Management is easily accessible to the employees and their problems are attended to promptly. The relation between the management and employee is very cordial. Regular open meeting are conducted in the Company where each and every employee present their views and opinion before the management and others just like a member of a family.

The security of employees and staff is one of the prime concerns of the Management. Employees have been adequately covered under the various insurance policies against risk of health and life disasters. The Company ensures Mediclaim Insurance policy for its every employee. accidental policies are also taken by the Company to secure their life.

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

Acknowledgments

Your Directors wish to place on record their appreciation for the valuable co-operation and support received from the Customers and Suppliers, various Financial Institutions, Banks, Central and State Government bodies, Auditors and Legal Advisors which have made possible the excellent results achieved by your company and to all the persons who reposed faith and trust in us. We would also like to express thanks to our Shareholders and Stakeholders for their confidence and understanding.

Last but not the least, we wish to place on record our appreciation of the sincere services rendered by the employees and our colleagues at all levels, who have put in their best efforts and unstinted cooperation without which this growth and expansion is not possible.

For and on behalf of the Board of Directors of
Havell's India Limited

Qimat Rai Gupta
Chairman & Managing Director

Noida, May 12, 2005

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ANNEXURE A TO THE DIRECTORS' REPORT

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

Sl. No.	Name	Age (Yrs.)	Designation	Remuneration (in Rs.)	Qualifications	Experience in years	Date of Commencement of employment	Last employment held
1.	Shri Qimat Rai Gupta	68	Chairman & Managing Director	Rs.27,13,028/-	B.A.	45 years	08.08.83	N. A.
2.	Shri Rajesh Gupta	48	Director (Finance)	Rs.26,66,293/-	C.A.	24 years	01.12.80	N. A.

ANNEXURE - B TO THE DIRECTORS' REPORT

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

Information under Section 217 (1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 and forming part of the Directors' Report for the year ended March 31, 2005 is as follows.

A. CONSERVATION OF ENERGY

a) Energy conservation measures taken

Your Company gives priority to energy conservation. It regularly reviews measures to be taken for energy conservation, consumption and its effective utilization.

- A 10 HP jet pump has been replaced by a new and efficient Submersible Pump. This shall save energy on account of running the pump from 4 Hours daily to 2-1/2 hours
- All conventional GLS lights at the works have been changed with energy saving CFLs. Also new energy saving fans wherever possible have been installed.
- Screw type Air compressors have been put to replace the old reciprocating air compressors.
- Electric oven has been replaced by HSD fired oven.
- 11 KV RSEB Lines are replaced by 33 KV RSEB lines, for better reliability, lesser power cuts and power fluctuations.
- The traditional slip ring motors have been replaced by new induction motors, with frequency converter drives leading to huge power savings.
- The traditional On -Off Temperature Controllers are replaced with latest P.I.D. Controllers.
- The transparent sheets are used in our new shed roofing to use solar light, which gives more light and savings of energy.
- The new heat economizer is placed at the boiler to use the energy from boiler exhaust.
- Replacement of G.I. Pipe lines for supply of compressed air to SS Pipe Line of bigger diameter, to decrease losses at bends and joints. Centralization of pipe lines of the compressed air system, which has resulted in decreased running hours of compressor at load.

b) Additional Investment and proposals for Energy Conservation

The requirement of power is not very large and the position did not warrant any special measures for conservation of energy.

- It is planned to maintain the power factor after introduction of Digital Power factor meters, and new transformers worth Rs.1.5 Lacs to monitor the consumption, this will give expected saving of Rs.55000/- per month.
- It is decided to purchase one new screw type air compressor having capacity of 200 CFM worth Rs.5.5 Lacs, this will give a saving of Rs.3.25 Lacs per annum.
- The Switchgear Unit is going to replace compressor having capacity of 244CFM in place of 2 Nos 100 each CFM belt drive. This will save electricity consumption.
- The Switchgear Unit is going to install One 1000 KVA Transformer, with built-in on load tap changeover to achieve proper voltage and avoid extra losses, due to the low voltage available in the area. The company will save energy by at least 5%.

c) Impact of the measure at (a) and (b) above for reduction of Energy Consumption and consequent impact on the cost of production of goods

- Savings of Energy and Electricity consumption hence reduction in electricity bills.
- By changing one new Air Compressor, the company would be able to save Rs.3.25 Lacs p.a.
- By changing the GLS bulbs into CFLs and Tube Lights in production area, the Company is able to save energy by 75%.

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B. RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION

a) Research & Development

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

(i) Import Substitution

- (a) Project for indigenous manufacturing of Table, Pedestal and Wall Fan has been taken up to reduce dependence on Imports of this range of Fans.
- (b) Setting up of first plant in India to manufacture P.L.L. (Parallel Light Lamp), FPL (36W and 18W CFL) which started its operation in the month of February, 2005. This shall serve an import substitute and goes with our philosophy of making India self-reliant rather a producer for the world market for manufactured goods.

(ii) Technology upgradation

- (a) Switchover to HR FR WIRES from normal FR wires
- (b) Installation of MULTIDRAW FWD machine from Neihoff- Germany.
- (c) Installation of 3150 mm DRUM TWISTER machine.
- (d) Procurement of New 1000 KVA H.T. Transformer
- (e) Reconstruction of Modified R & D laboratory.
- (f) Installation of Vacuum Loaders on H.T Cable extrusion line.
- (g) Reciprocating Compressors has been replaced by Screw Compressor to achieve Energy conservation.
- (h) Energy efficient range of Ceiling Fans, the first of its kind in the Indian Market was launched in 1200 mm & 1400 mm sweeps (Velocity E.S - 50 & Fusion E.S-50)
- (i) Certification from BIS (Bureau of Indian Standards) has been obtained for 1200 mm & 1400 mm Ceiling Fans.
- (j) 380 KVA HSD fired DG set installed for better Noise pollution control and better efficiency.
- (k) Introduction of micro processor based MCCB upto 250 Amp. instead of thermal magnetic design.

(iii) Quality Improvement

- (a) Traditional normal FR WIRES replaced by Heat Resistive Insulation .
- (b) More consistency in diameters as well as annealing in copper conductor.
- (c) Improved quality of Dielectric in HT extrusion line.
- (d) Introduction of better quality of Varnish for improved reliability of the motor's stator.
- (e) Capacitor endurance testing equipment installed. Life testing of capacitor started.
- (f) Standard colour samples for inspection and manufacturing introduced at various locations i.e. from vendor manufacturing to inhouse manufacturing. Reduction in rework on various locations.
- (g) Implementation of systems based on 5S, TQM and Kaizen

(iv) Any other, please specify

Manufactured & supplied HT Ariel Bunched cables for the first time during the year.

Benefits derived as a result of above

- (a) Cost Reduction
- (b) Usage and Design Improvement
- (c) Quality Upgradation
- (d) New Product Introductions
- (e) Reduction in Scrap generation

Future plan of action

- (a) To continue R & D work for upgradation of technology of the existing products, continuing with the efforts on import substitution and developing new products helping the company to expand its range of products, to meet market needs and to provide customers delight.
- (b) Introduction of Various new models in Ceiling Fans/ Table / Pedestal / Wall Fans and light duty ventilating fans.
- (c) Construction of new HT extrusion line by incorporating C.C.V extrusion line.
- (d) Development of HV cable of voltage rating more than 33KV grade.
- (e) Capacity enhancement of micro processor based MCCB.

Expenditure on R & D

	(Rs. in Lacs)	
	2004-05	2003-04
Capital	34.98	9.24
Recurring	107.69	68.37
Total	142.67	77.61
Total R&D expenditure as a percentage of total turnover	0.21%	0.19%

Technology Absorption, Adaptation and Innovation

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

The Company is regularly pursuing for upgradation of technology in existing products and development of new products and also adopted the latest developments made by its collaborators. The Company is constantly in touch with the latest developments in the field of electric/ electronics and accordingly updation in plant and machinery is regularly being reviewed.

2. Benefits derived as a result of above efforts.

Improvement in quality of the products, improvement in manufacturing process, resulting in cost reduction and acceptability of the products in international market, grant of ISO 9001:2000 certification etc.

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

- | | |
|----------------------------------------------------------------------------------------------------------------|-----------------------------------|
| (a) Technology Imported | : Complete CFL Plant & Technology |
| (b) Year of Import | : 2003-04, 2004-05 |
| (c) Has technology been fully absorbed ? | : YES |
| (d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action. | : N.A. |

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

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

During the financial Year 2004-05 our Exports have grown by more than 125% as compared to previous year and this was due to increase in awareness of Havell's brand globally. During the year Havell's strategy of selling diversified products in diversified market has made this growth possible. We have expanded our product range to CFL, Luminaries etc. as well as we have entered into new markets like Norway, Yemen, Jordan, South Africa etc. We have incorporated a wholly owned subsidiary in UK by the name of Havell's (UK) Ltd to promote business in European markets. We are participating in all major International Exhibition and Trade Fairs to promote Havell's Brand.

We have also build – up the International Business Division (IBD) and recruited few fresh Faces who are having lots of experience in selling products globally. IBD is committed in their endeavor to fulfill the aspiration of the organization in the international markets.

IBD has initiated innovative concepts aimed at enhancing Havell's Brand image and customers' value. We are also targeting tapping new business in virgin markets, increasing sales of new products, opening offices in UK, Indonesia and Nigeria, Spain, Latin America, Russia to drive Havell's a global company.

(b) Total Foreign exchange used and earned

	(Rs. In Lacs)	
	2004-05	2003-04
Foreign exchange earned	4841.36	2115.57
Foreign exchange used	2867.19	1318.23

For and on behalf of the Board of Directors of
Havell's India Limited

Qimat Rai Gupta
Chairman & Managing Director

Noida, May 12, 2005

DIRECTORS' REPORT

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

- | | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---------------------------------|
| 1. Name of the Subsidiary Company | : | Havell's (UK) Limited |
| 2. The financial year of the Subsidiary ended on | : | March 31, 2005 |
| 3. Date from which it became Subsidiary | : | 15 th February, 2005 |
| 4. Number of equity shares held by Holding Company and/ or its nominees in the Subsidiary Company as on March 31, 2003 | : | 2 Ordinary Shares of £1 each |
| 5. Extent of interest of Holding Company in the Capital of Subsidiary Company | : | 100% |
| 6. The net aggregate amount of Subsidiary's Profit/ (Loss) so far as it concerns the members of the Holding Company and is not dealt with in the Holding Company's accounts: | | |
| a) For the financial year ended on March 31, 2005 | : | (£ 6901) |
| b) For the previous financial years of the Subsidiary since it became a Subsidiary | : | N.A. |
| 7. The net aggregate amount of the Subsidiary's Profit/ (loss) so far as it has been dealt with in the Holding Company's accounts: | | |
| a) For the financial year ended on March 31, 2005 | : | Nil |
| b) For the previous financial years of the Subsidiary since it became a Subsidiary | : | N.A. |

For and on behalf of the Board of Directors of
Havell's India Limited

(Qimat Rai Gupta)
Chairman & Managing Director

(Surjit Gupta)
Director

Noida, May 12, 2005

(Ritu Mehrotra)
Company Secretary

(Yogesh Bansal)
Senior Manager

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AUDITOR'S REPORT

AUDITOR'S REPORT

To
The Members
Havell's India Limited

We have audited the attached Balance Sheet of Havell's India Limited, as at 31st March 2005 and also the Profit and Loss Account of the Company for the year ended on that date annexed thereto and the Cash Flow Statement for the period ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order 2004 issued by the Central Government in terms of sub section (4A) of section 227 of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that :

- i) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- ii) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books and proper returns for the purpose of our audit have been received in respect of branches not visited by us.
- iii) the Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
- iv) in our opinion, the Balance sheet and Profit and loss account dealt with by this report comply with the accounting standards referred to in sub-section 3(C) of section 211 of Companies Act, 1956;
- v) on the basis of written representations received from the directors, as on 31st March, 2005, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- vi) in the absence of the notification in the official gazette of the Central Government, the Company has not made any provision for cess payable under section 441A of the Companies Act, 1956. As per the explanations given to us the required provision for cess payable shall be made in accordance with the notification, as and when issued by the Central Government in its official gazette.
- vii) in our opinion, and to the best of our information and according to the explanations given to us, the accounts read together with notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India: -
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2005 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 flow for the year ended on that date.

For V.P. BANSAL & CO.
Chartered Accountants

V.P. BANSAL
Proprietor

Noida, May 12, 2005