

6th July, 2023

The National Stock Exchange of India Ltd.  
Exchange Plaza, 5th Floor  
Plot No. C/1, G Block  
Bandra Kurla Complex  
Bandra (E)  
**Mumbai- 400 051**

**NSE Symbol : HAVELLS**

BSE Limited  
Phiroze Jeejeebhoy Towers  
Dalal Street  
**Mumbai- 400 001**

**Scrip Code : 517354**

**Sub: Corporate Governance Rating**

Dear Sir,

In terms of Regulation 30 and other applicable provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with corresponding circulars and notifications issued thereunder, it is hereby informed that CARE Advisory Research and Training Limited (CareEdge Research) has assigned the following rating to the Corporate Governance practices of the Company:-

Particulars	Rating
Corporate Governance Rating	CareEdge CG 2+

In this regard, the Grading Report issued by CareEdge Research is also enclosed herewith.

Thanking you.

Yours faithfully,  
for Havells India Limited



(Sanjay Kumar Gupta)  
Company Secretary

Enck: As above

HAVELLS INDIA LTD.

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For CARE 360, Call us : for Havells : 08045771313, for Lloyd : 08045775666

CIN: L31900DL1983PLC016304

# Havells

## Corporate Governance Grading Report

June 2023

### Havells India Limited

#### Corporate Governance (CG) Grading

Date of Incorporation	August 8, 1983	<b>CG Grading</b> <b>Scale</b> CG 1 <b>CG 2+</b> CG 2 CG 3 CG 4 CG 5 CG 6
Managing Director	Mr. Anil Rai Gupta	
Geographical Area of Operation	Present in 70 plus countries and 15 manufacturing facilities in Uttarakhand, Himachal Pradesh, Uttar Pradesh, Haryana, Rajasthan and Assam.	

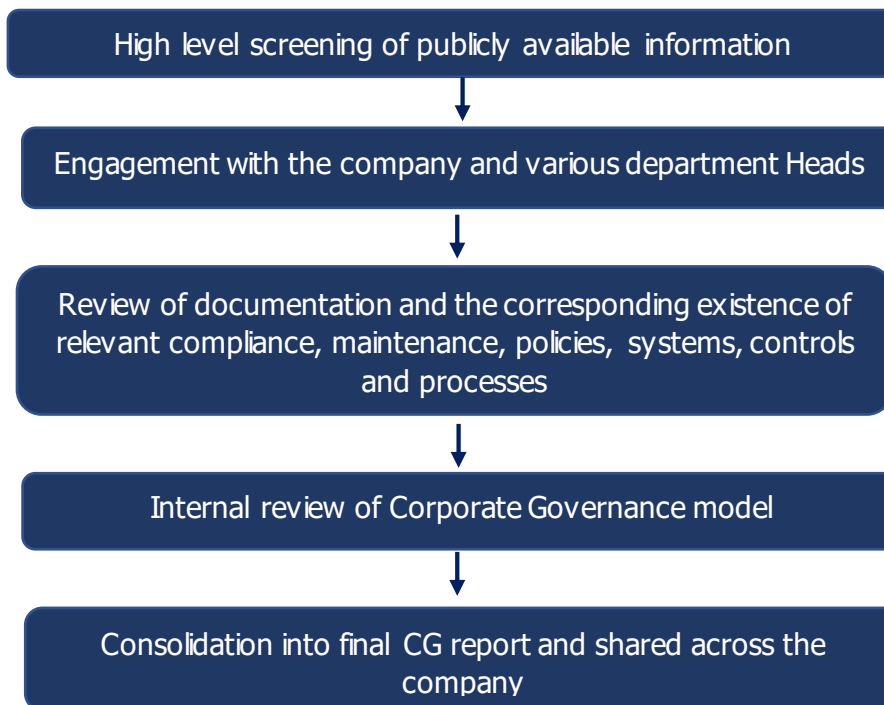
CareEdge Advisory Research and Training (CART) has assigned grading of '**CG 2+**' (**CG Two plus**) to **Havells India Limited**. Grading is assigned on a six-point scale with CG 1 being the highest and CG 6 being the lowest. CART's CG grading is a measure of overall performance of the corporate governance on the following broad range of parameters.

The detailed Corporate Governance Grading information is given in Annexure-1 of this report.

## INTRODUCTION

This report summarizes the approach and analysis of the Corporate Governance report. The assessment is done based on the engagement with the Board, Company Heads and existing disclosures available on the public domain.

## CG METHODOLOGY



**KEY DRIVERS**

**STRENGTHS**

Efficient board functioning
Adequate disclosures and compliance with regulatory laws
Structured operational mechanisms and redressal systems
Effective governance over MIS and internal reporting

**GOOD TO HAVE PRACTICES**

Independent board evaluation
Absolute independence of the audit committee

**CG ASSESSMENT**

Board Composition and Functioning
<ul style="list-style-type: none"> <li>• Board composition complies with regulatory requirements with 50% independent directors, presence of 1 woman director on the board and at least 50% independence of the committees</li> <li>• Experienced members on board with expertise majorly in electrical engineering, strategy development, finance, marketing and supply chain</li> <li>• Five board meetings held with a gap not more than 120 days between any two. Good attendance record of board and AGM meetings</li> <li>• Agenda and minutes of the board and committee meetings sent well in advance</li> <li>• Performance evaluation of board, committee and individual directors carried out internally on an annual basis</li> <li>• The Chairman and MD roles are combined</li> <li>• The board has effectively implemented policies by establishing structured mechanisms and efficient grievance redressal systems.</li> <li>• For effective internal audit function, it is recommended to rotate internal auditor after specific period. Currently, Havells has maximum term for internal auditor as 10 years. This tenure can be looked into for possible reduction to ensure regular rotation of internal auditor and facilitate enhancing of existing internal processes.</li> <li>• The CSR committee has been rechristened as the CSR &amp; ESG committee to emphasize their dedication to sustainability across their upstream and downstream operations</li> <li>• Formal meetings have been conducted to facilitate direct interactions between the board and management at all levels fostering an open and collaborative atmosphere</li> </ul>
Ownership Structure
<ul style="list-style-type: none"> <li>• The promoters hold over 59% stake in the company which has remained stable over the past 3 years</li> </ul>

- The MD and Non-Executive Non-Independent director have shareholdings through family trusts.

#### Organization Structure and MIS

- The company has a robust MIS which is digitized through the Mconnect app to ensure seamless functioning of the business operations. The app offers sales tracking reports that are accessible to employees from different departments as per their respective roles
- Well-defined organizational structure and internal control systems in place.
- Risk audit plans with follow-up actions taken up by the Enterprise Risk Management committee

#### Shareholder Relationship

- Promptness in communication and payment of dividends to shareholders
- The company has established a well-structured shareholder relationship committee and implemented a share transfer allotment system to ensure effective redressal of issues and timely communication with all shareholders
- All shareholder grievances are addressed and there were no pending complaints by end of FY23

#### Disclosures and Transparency

- Disclosures have been high with regards to clear and efficient organization structure, shareholder relationships policies and financial prudence. Anti-bribery, Human Rights, Health & Safety, Diversity, Whistle-blower, Risk Management, Dividend, Insider Trading and Supplier code of conduct policies present. The company should develop a stakeholder engagement policy as well
- Nature of the related party transactions and transactions have been clearly disclosed. The disclosures are well in compliance with statutory and regulatory requirements
- The company demonstrated proactiveness in adopting BRSR reporting framework ahead of the mandated year which is FY2023

#### Financial Prudence

- The financial statements are in accordance with Indian Accounting Standards (Ind AS) with consistent application of accounting policies.
- The company demonstrates no reliance on debt funding. This is consistently exhibited by the company with zero debt to equity ratio. However, the return on equity has reduced which would have a direct impact the shareholder earnings.

#### Statutory and Regulatory Compliance

- The company complies with all requisite regulations and laws, such as SEBI, tax authorities, factories act, environment control boards, companies act and labor laws.

### Profile of Board members

Name	Brief Profile	Designation
Mr. Anil Rai Gupta	M. Anil Rai Gupta was inducted on the Board in September, 1992 and later appointed as the Joint MD in 2006. He is an MBA (Marketing & Finance) from Wake Forest University, USA.	Executive Chairman & Managing Director
Mr. Surjit Kumar Gupta	Mr. Surjit Kumar Gupta is one of the first Directors of the company and has been on the Board since incorporation in 1983. He is an F.Sc. from Punjab University and Diploma in Mechanical Engineering from State Board of Technical Education, Punjab	Non-Executive Director
Mr. Ameet Kumar Gupta	A BE (Electronics & Communication) from DU, MBA (Marketing and Finance) from Wake Forest University, USA, Mr. Ameet Kumar Gupta has been working with the QRG group for about 2 decades.	Executive Whole-time Director
Mr. Rajesh Kumar Gupta	Mr. Rajesh Kumar Gupta is a Chartered Accountant with long experience in Finance and allied fields and serving the company for more than 40 years.	Executive Whole-time Director (Finance) and Group CFO
Mr. Jalaj Ashwin Dani	Mr. Jalaj Ashwin Dani is the co-promoter of Asian Paints and has spent over 2 decades in various capacities with the company. Involved with CII, FICCI and various other business councils and also part of the Pradhan Mantri Kaushalya Vikas Yojana Steering Committee instituted by the Ministry of Skill Development and Entrepreneurship of India. He is a Chemical Engineering from USA, Advanced Management Program from INSEAD, Paris	Independent Director
Mr. Upendra Kumar Sinha	Mr. Upendra Kumar Sinha is the former Chairman, Securities and Exchange Board of India. Former Chairman & Managing Director of UTI Asset Management Company Ltd. and Chairman of Association of Mutual Funds in India. Former Joint Secretary (Banking) and Joint Secretary (Capital Markets), Ministry of Finance, Government of India.	Independent Director
Mr. T V Mohandas Pai	Mr. T V Mohandas Pai was a Member of the Board at Infosys Ltd., where he also served as CFO and the lead for HR and Education & Research.	Non-Executive Non-Independent Director
Mr. Puneet Bhatia	Mr. Puneet Bhatia is the MD and Country Head – India for TPG Asia. He is an IIM from Calcutta.	Independent Director
Mr. Siddharth Pandit	Mr. Siddharth Pandit is heading the Legal Department of the company since 2015. He is a BBA LLB from Delhi University and LEP (Leader Excellence Program) from Harvard Business School.	Whole-Time Director
Mr. Subhash S Mundra	Mr. Subhash S Mundra retired as Deputy Governor of Reserve Bank of India in 2017 after completing a stint of three years. Prior to that, he was as Chairman and Managing Director of Bank of Baroda. Mr. Mundra was also the Vice-chair of OECD's International Network on Financial Education (INFE).	Independent Director

Mr. B. Prasada Rao	Mr. B. Prasada Rao served as the Chairman and Managing Director (CMD) of BHEL, India till 2015. Post retirement from BHEL, he took up the responsibility as Managing Director of Steag Energy Services India. Mr. Rao served as member of the Studies Group of World Energy Council for two terms. He is a Mechanical engineer and Post Graduate in Industrial Engineering from NITIE, Mumbai.	Independent Director
Mr. Vivek Mehra	Mr. Vivek Mehra has held various leadership roles till 2017 in Price Waterhouse Coopers Private Ltd. ('PWC') as Partner/ Executive Director. He is a Chartered Accountant, Bachelor of Commerce (Hons) Degree from Delhi University.	Independent Director
Ms. Namrata Kaul	As Managing Director at Deutsche Bank AG, Ms. Namrata Kaul led the Corporate Bank practice as its India Head. Actively engaged in the Social Development sector, Mrs Kaul is Vice Chair and Director on the Supervisory Board of Care International (Geneva). She is a Scholar from the London School of Economics, Bachelor of Commerce degree from Delhi University and Management Postgraduate from IIM Ahmedabad.	Independent Director
Mr. Ashish Bharat Ram	Mr. Ashish Bharat Ram took over as Managing Director of SRF Ltd. in January 2007. Prior to joining SRF Ltd. in 1994, Ashish had successful stints at American Express Bank, Toyota Motor Corporation, Japan, and DCM Toyota handling a variety of functions that included Sales, Strategy, Marketing, TQM, among others.	Independent Director

### Brief profile of the organization

Havells India Limited (HIL) (CIN No. L31900DL1983PLC016304), incorporated in August 1983, is one of the leading players in consumer electrical products sector in India. HIL was founded by Late Mr. Qimat Rai Gupta, and his son Mr. Anil Rai Gupta is the current Chairman and Managing Director.

HIL operates in four broad business segments viz. Cables (~32% of sales in FY23, PY: 33%), Switchgears (~12% of sales in FY23, PY: 10%), Electrical Consumer Durables (~20% of sales in FY23, PY: 22%), Lloyd (~20% of sales in FY23, PY: 16%) and Lighting & Fixtures (~16% of sales in FY23, PY: 10%). Apart from the flagship brand "Havells", HIL owns brands like Lloyd, Crabtree, Standard, Reo etc. The company's various manufacturing plants are located at Haridwar, Baddi, Sahibabad, Faridabad, Alwar, Neemrana and Ghiloth.

In FY17, the company acquired the consumer durables business of Lloyd Electric and Engineering Limited for a consideration of about Rs.1,547 crore (funded out of internal accruals), thereby foraying into AC and other consumer durables business, wherein it did not have a presence. Lloyd consumer division contributed 20% of sales in FY23 (PY:16%) and is among the top three AC players in India. Majority of the sales is made in domestic market (FY23: 97.12% of sales, PY: 96.3%).

### Organizational profile

Managing Director	Mr. Anil Rai Gupta
Date of incorporation	August 8, 1983



Geographical areas of operation	Present in 60 plus countries and 14 manufacturing facilities in Uttarakhand, Himachal Pradesh, Uttar Pradesh, Haryana, Rajasthan and Assam.
Branches	15 manufacturing facilities as on 31 March 2023
Employees	6822 employees as on 31 March 2023
Corporate address	QRG Towers, 2D, Sector 126, Noida, UP- 201304

## GRADING RATIONALE

### KEY STRENGTHS

<b>Efficient operational mechanisms</b>	<ul style="list-style-type: none"> <li>Havells has a robust and efficient MIS system driven by adopting digital and real time updates. This level of MIS reporting is a strength and assists the senior management in their oversight and decision making with up to date information on various business activities. The MIS is digitized through the Mconnect app to ensure seamless functioning of the business operations. The system is accessible to only the employees of respective departments.</li> </ul>
<b>Overall consistent disclosures</b>	<ul style="list-style-type: none"> <li>HIL has continued to showcase transparency and consistent disclosures in line with compliances and also in providing comprehensive information about its business activities, thus assisting its investors and shareholders gain a fair overview about the organization.</li> <li>Moreover, the company has demonstrated its commitment towards non-financial disclosures by adopting BRSR framework one year ahead of actual mandated period from FY 2023 onwards by regulatory bodies. This proactiveness further re-iterates Havells commitment to transparent, consistent and staying ahead of the curve on disclosures aspects.</li> </ul>
<b>Efficient board functioning</b>	<ul style="list-style-type: none"> <li>Havells demonstrates efficient functioning of its board proceedings by adopting effective practices, such as adequate independence of the board and committees and good attendance record</li> <li>✓ Sharing of agenda 7 days prior for board and committee members to prepare for the meeting</li> <li>✓ Sharing minutes 15 days post the meetings to ensure all members are updated with discussions held during the meeting</li> <li>✓ The board performance evaluation has been done internally. A separate meeting is conducted with all the independent directors where they contribute on the areas of their expertise, growth plans through strategic management workshops</li> <li>✓ Internal evaluations have been carried out to assess the performance of the board. Additionally, a dedicated meeting with independent directors is held, where they provide valuable input based on their areas of expertise through strategic management workshops aimed at fostering growth plans</li> </ul>

	<ul style="list-style-type: none"> <li>✓ At all units, regular strategic workshops and quarterly presentations are conducted to explore the integration of new technologies into their products</li> <li>✓ Conflict of interest is effectively managed in a professional manner</li> <li>✓ All board members are provided with adequate information about the company's operations on timely basis and the Company also arranges plant visits for board members to give an on-ground view of the business</li> <li>✓ The board demonstrated engagement with lower levels of management through informal meetings</li> <li>✓ The company has recently rechristened the CSR committee into ESG &amp; CSR committee to showcase their focus on sustainability issues among their employees and suppliers</li> <li>✓ Currently, Havells has maximum term for internal auditor as 10 years. For effective internal audit function, it is recommended to rotate the internal auditor after shorter period.</li> </ul>
<b>Presence of prudent risk management and audits</b>	<ul style="list-style-type: none"> <li>• Apart from setting up internal control systems, Ernst &amp; Young LLP has been appointed as internal auditors by HIL</li> <li>• Risk-based audit plans are in place and all auditors are rotated every 10 years</li> <li>• The audit committee engages with the internal auditors and regularly reviews significant internal audit findings and takes the necessary follow-up actions</li> <li>• Risk assessments have been carried out and reviewed by the Enterprise Risk Management committee</li> </ul>
<b>Effective financial management</b>	<ul style="list-style-type: none"> <li>• The company's reliance on debt has been negligible and its operating income and Profit after Tax (PAT) have consistently increased over the 3 years with CAGR of 21.01% in operating income and 13.37% in PAT on consolidated basis</li> <li>• The cash and bank balance, stood at Rs. 1,985.41 crore as on March 31, 2023, reflecting the company's strong solvency and liquidity position. The company had repaid all its debt this financial year; however, the return on equity has reduced which would directly impact the shareholder earnings</li> </ul>
<b>Elaborate communications and disclosures to shareholders</b>	<ul style="list-style-type: none"> <li>• The company has an appropriate website in place with a separate detailed section for investors, which has sufficient information for shareholders or prospective investors.</li> <li>• The company accords due importance to the grievances of shareholders and undertakes necessary follow-up action.</li> </ul>

#### KEY CONSTRAINTS

<b>Board composition</b>	<ul style="list-style-type: none"> <li>• Havells complies with key regulatory requirements on board composition by having 50% of its members as independent. However, the company lags in keeping the board composition ahead of regulatory requirements in terms of board diversity, separation of the CMD roles, presence of an executive on the audit committee and higher percentage of independent directors on the board.</li> </ul>
<b>Committee composition</b>	<ul style="list-style-type: none"> <li>• While, the company is complying with regulatory requirements with regards to committee compositions, however the company falls short on adopting best practices in terms of 100% independence for key board committees such as Audit Committee and Nomination and Remuneration Committee.</li> </ul>

### Annexure-1

Symbols	Definition
CareEdge CG 1	In CareEdge's opinion, the company has adopted corporate governance practices which would provide its stakeholders highest comfort on the degree of corporate governance. CareEdge 's CG grading is however not a certificate on statutory compliance and is not a recommendation to buy or sell securities issued by the entity.
CareEdge CG 2	In CareEdge's opinion, the company has adopted corporate governance practices which would provide its stakeholders high level of comfort on the degree of corporate governance. CareEdge's CG grading is however not a certificate on statutory compliance and is not a recommendation to buy or sell securities issued by the entity.
CareEdge CG 3	In CareEdge's opinion, the company has adopted corporate governance practices which would provide its stakeholders adequate level of comfort on the degree of corporate governance. CareEdge's CG grading is however not a certificate on statutory compliance and is not a recommendation to buy or sell securities issued by the entity.
CareEdge CG 4	In CareEdge's opinion, the company has adopted corporate governance practices which would provide its stakeholders moderate level of comfort on the degree of corporate governance. CareEdge's CG grading is however not a certificate on statutory compliance and is not a recommendation to buy or sell securities issued by the entity.
CareEdge CG 5	In CareEdge's opinion, the company has adopted corporate governance practices which would provide its stakeholders inadequate level of comfort on the degree of corporate governance. CareEdge's CG grading is however not a certificate on statutory compliance and is not a recommendation to buy or sell securities issued by the entity.
CareEdge CG 6	In CareEdge's opinion, the company has adopted corporate governance practices which would provide its stakeholders poor level of comfort on the degree of corporate governance. CareEdge's CG grading is however not a certificate on statutory compliance and is not a recommendation to buy or sell securities issued by the entity.

CareEdge assigns '+' or '-' signs to be shown after the assigned grade (wherever necessary) to indicate the relative position within the band covered by the respective symbol.

## About CARE Advisory, Research and Training Ltd (CareEdge Research)

CareEdge (CARE Group) is a knowledge-based analytical group that aims to provide superior insights based on technology, data analytics capability and detailed research methods. CareEdge (CARE Ratings Limited) is one of the leading credit rating agencies in India. It has an impressive track record of rating companies for almost three decades and has played a pivotal role in developing the corporate debt market in India. CareEdge provides near real time research on all domestic and global economic developments. CARE Advisory, Research and Training Ltd is a wholly owned subsidiary focused on providing advisory and consultancy services including the following:



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