

The background of the entire page is a dark teal color with a faint, intricate pattern of architectural blueprints. The blueprints show various floor plans, elevations, and technical drawings of buildings, with lines and text in a lighter shade of teal. The drawings are scattered across the page, creating a sense of depth and complexity.

HITACHI
Inspire the Next

ANNUAL REPORT
2007-08

Hitachi Home & Life Solutions (India) Limited

OUR PRODUCT RANGE



ACE



STAR



ATOM SQUARE



ATOM XL



IOTA



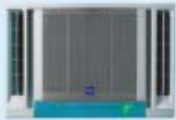
TOWER



CASSETTE



QUADRICOOL TM



QUADRICOOL



BIG FRENCH



3-DOOR



2-DOOR



BEAT WAVE WM



TAKUMI DUCTABLES



CONCEALED SPLITS



SETFREE SYSTEM



SELF-CONTAINED AC



WATER-COOLED
CHILLER



AIR-COOLED
CHILLER



SPACEMAKER

MESSAGE

CHAIRMAN

I would like to take this opportunity to greet all the shareholders of Hitachi Home & Life Solutions (India) Ltd. {HHLI}. I am fortunate to have an opportunity to serve you as the Chairperson of HHLI since February, 2008. I am pleased to inform you that HHLI has wiped off accumulated losses and come out with carried forward profit during the financial year 2007-08.

HHLI has made an Operating Profit (Profit before Depreciation, Interest and Tax) of Rs. 553.08 Mn. and made a great contribution to the consolidated accounts of Hitachi Group.

The year 2007-08 has seen the continuation of the growth of Indian Economy. The economic growth and its sustenance have seen the emergence of new consumerist Indian. The appliance industry has also seen an upward trend. Air conditioning industry experienced the sales growth of 20-25% over previous year. India which has now more than half of the population under 25 years is bound to develop as a potential emerging market for our range of room Air conditioning products.

The rampant growth in the industry has enabled the stiff competition amongst the players in Room Air conditioning business. HHLI will remain focused on high quality and will not resort to any move which will hamper its reputation.

The shift in the preference for the Split ACs and growing share of Window ACs in the room Air conditioners implies to a growing need for the finer and technological superior products. HHLI being the pioneer of technological innovations is bound to benefit from this trend.

There has been a good response for our imported Refrigerators and Washing Machines in Indian market. We have been able to make inroads in the highly competitive market by right marketing mix.

Over the years HHLI has also been able to develop its B2B business. The share of this format of business is now more than half of the company's turnover. We have been able to make inroads with the products like Split ACs, Takumi range of Ductable Split ACs, Self Contained Packaged Air conditioners, Set Free VRF systems and Chillers. The specialized product Spacemaker is also well accepted by the telecom industry. The product surely will follow the telecom industry growing spree.

Our endeavor is to develop products which cater to the customer needs. Our products are in synch with the present customer profile who wants to enjoy the technology rather than getting into the frills of operation. We call this need of customers as "Uncomplicate Life". To enjoy the technology all you need is a comfort of pressing a "Button".

The current rise in inflation has affected the raw material prices adversely. The increase in prices of metals has created the pressure on the profitability of the Appliance Industry. HHLI is taking every possible step to mitigate the likely impact.

The advent of Major Retailers is also adding to the volumes in the sale. If present expansion of the retail segment continues we are bound to increase our volumes further. At the same time we have to be prepared for any bully buying by these retail biggies. The maturity of the Indian Retailing will also imply to a diminishing margins. HHLI is trying to optimize its sales proportion ratio in such a way that the impact of high volume and diminishing margins is minimized.

Finally, I convey my sincere gratitude to all the stakeholders of HHLI and people of India for their unconditional support. I wish to place on record the support of Board Members, Customers, Business Associates and Employees of the Company and look forward for the same in the future.



Kenichi Munakata
Chairman
Hitachi Home & Life Solutions (India) Ltd.

BOARD OF DIRECTORS



Kenichi Munakata
Chairman



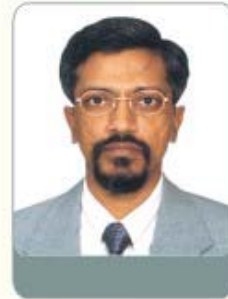
Shinichi Iizuka
Managing Director



Amit Doshi
Executive Director



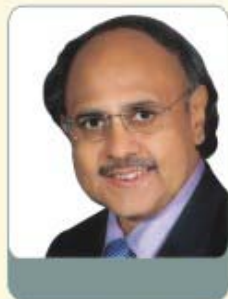
Anil Shah
Executive Director



Vinay Chauhan
Executive Director



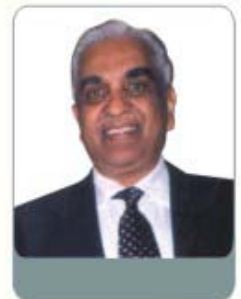
L.G. Ramakrishnan
Director



Mukesh Patel
Director



Ravindra Jain
Director



Tarun Sheth
Director

BOARD OF DIRECTORS

Kenichi Munakata
Shinichi Iizuka
Amit Doshi
Anil Shah
Vinay Chauhan
L G Ramakrishnan
Mukesh Patel
Ravindra Jain
Tarun Sheth

Chairman
Managing Director
Executive Director
Executive Director
Executive Director
Director
Director
Director
Director

AUDITORS

S.R. Batliboi & Co.
Chartered Accountants,
Mumbai

BANKERS

State Bank of India
ICICI Bank
Standard Chartered Bank
Mizuho Corporate Bank

REGISTERED OFFICE

9th Floor, Abhijeet-I,
Mithakhali Six Roads,
Ahmedabad - 380 006

WORKS

Hitachi Complex, Karannagar – 382 727,
Kadi, Dist : Mehsana, Gujarat

Canal Road, Baribrahmna – 181 133,
Jammu

REGISTRARS & SHARE TRANSFER AGENT

Pinnacle Shares Registry Pvt. Ltd.
Arvind Ashoka Aruna Hospital Premises,
Nr. Ashok Mills, Naroda Road,
Ahmedabad : 380 025

CONTENTS

Five Years Financials at a Glance.....	03
Notice.....	04
Directors' Report.....	06
Report on Corporate Governance.....	09
Management Discussion & Analysis.....	16
Auditors' Report.....	19
Balance Sheet.....	22
Profit & Loss Account.....	23
Cash Flow Statement.....	24
Schedules forming part of Financial Statements.....	25
Balance Sheet Abstract and Company's General Business Profile.....	43

FIVE YEARS FINANCIALS AT A GLANCE

Currency: Rupees in Million unless otherwise stated

PARTICULARS	2007-08	2006-07	2005-06	2004-05	2002-04 18 Months
Sales and Services (Net of Excise Duty)	4466.06	3248.90	2575.22	2370.65	2783.56
Sales Growth	37%	26%	9%	-15%	40%
Other Income	92.92	53.77	34.92	55.18	28.98
TOTAL INCOME	4558.98	3302.67	2610.14	2425.83	2812.54
Profit before Depreciation, Interest and Tax (PBDIT)	553.08	291.74	230.27	125.16	(76.30)
Financial Expenses (Net)	8.11	24.40	27.31	25.44	105.01
Depreciation	76.17	45.05	45.98	42.78	66.97
Profit before Tax (PBT)	468.80	222.29	156.98	56.94	(248.28)
Provision for Taxation	46.31	29.03	8.42	-	-
Profit after Tax (PAT)	422.49	193.26	148.56	56.94	(248.28)
Equity Share Capital	229.60	229.60	229.60	229.60	229.60
Reserves and Surplus	604.76	388.36	388.36	388.36	388.36
Net Worth	834.36	411.88	218.61	70.06	13.11
Net Worth Growth	103%	88%	212%	434%	200%
Gross Fixed Assets	733.19	628.49	590.98	597.89	570.58
Net Fixed Assets	314.74	266.44	272.19	294.89	303.57
Total Assets	961.44	952.36	1045.45	1135.95	1177.81
KEY INDICATORS					
Earnings Per Share (Rs.)	18.40	8.42	6.47	2.48	-
Cash Earnings Per Share (Rs.)	21.72	10.38	8.47	4.34	-
Book Value Per Share (Rs.)	36.34	17.94	9.52	3.05	0.89
Total Debt to Equity	0.14	0.81	1.96	7.39	42.69
PBDIT / Sales and services (Net of excise duty)	12%	9%	9%	5%	-
Net Profit Margin	9%	6%	6%	2%	-
Return on Net Worth	51%	47%	68%	81%	-
Return on Capital Employed	50%	26%	18%	7%	-

Hitachi Home & Life Solutions (India) Limited

NOTICE

Notice is hereby given that the Twenty Third Annual General Meeting of the members of the Company will be held on Monday, 28th day of July, 2008 at 9.30 a.m. at H T Parekh Convention Centre, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Vastrapur, Ahmedabad : 380 015 to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the audited Balance Sheet as at March 31, 2008, Profit and Loss Account for the year ended on that date and the reports of Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Anil Shah who retires by rotation in terms of Article 110 of the Articles of Association of the Company and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Mukesh Patel who retires by rotation in terms of Article 110 of the Articles of Association of the Company and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Tarun Sheth who retires by rotation in terms of Article 110 of the Articles of Association of the Company and being eligible, offers himself for re-appointment.
5. To appoint Auditors of the Company in place of the retiring Auditors to hold office from conclusion of this meeting to the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

6. To consider and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

“RESOLVED THAT Mr. Kenichi Munakata, appointed as an Additional Director by the Board of Directors on February 01, 2008 and who holds office as such upto the date of this Annual General Meeting of the Company and in respect of whom notice under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Mr. Kenichi Munakata as a candidate for the office of Director of the Company, be and is hereby appointed as a Director of the Company whose period of office as a director is liable to determination by retirement of directors by rotation.”

By Order of the Board of Directors

Place: Ahmedabad
Date: May 15, 2008

Parag Dave
Asst. Company Secretary

Notes :

- (a) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member of the Company. The instrument appointing proxy must be deposited at the Registered Office of the Company not less than forty eight hours before the time fixed for the meeting.
- (b) The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect to the Special business to be transacted at the Meeting is annexed hereto.
- (c) The Register of Members and Share transfer books of the Company will be closed from July 28, 2008 to July 30, 2008 (both days inclusive).
- (d) Members desirous of obtaining information in respect of accounts of the Company are requested to send queries in writing to the Company at the registered office, so as to reach at least seven days before the date of the meeting.
- (e) Brief resumes of the directors appointed / re-appointed, as stipulated in Clause 49 of the Listing Agreement, are provided in the report on Corporate Governance forming part of the Annual Report.
- (f) Members are requested to notify promptly any change in their address to the Company's Registrars and Share Transfer Agent, M/s. Pinnacle Shares Registry Pvt. Ltd., Near Ashok Mills, Naroda Road, Ahmedabad - 380 025. The members are also requested to send all correspondence relating to Shares, including transfers and transmissions, to the Registrars and Share Transfer Agent and not to the Company.

- (g) Pursuant to the provisions of the Companies Act, 1956 as amended by the Companies Amendment Act, 1999, facility for making nominations is available for members in respect of the shares held by them. Nomination form can be obtained from the Company's Registered Office.
- (h) Members / Proxies are requested to bring the attendance slip sent herewith duly filled in for attending the meeting.
- (i) The shares of the Company have been listed at Ahmedabad Stock Exchange Limited, Bombay Stock Exchange Limited, The Delhi Stock Exchange Association Limited and National Stock Exchange of India Limited and Company has already paid Listing Fees to the said Stock Exchanges for the year 2008-09.
- (j) The Company has transferred the unclaimed dividends declared upto the financial year 1999-00 to the Investor Education and Protection Fund of the Central Government.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956:

Item No. 6

Pursuant to Section 260 of the Companies Act, 1956 and Articles of Association of the Company, Mr. Kenichi Munakata was appointed as an additional Director of the Company by the Board of Directors of the Company on February 01, 2008 and vacates his office at this Annual General Meeting. A Notice under Section 257 of the said Act with the prescribed deposit has been received from a member of the Company signifying his intention to propose the name of Mr. Kenichi Munakata for appointment as a Director of the Company.

Mr. Kenichi Munakata is not holding any Share of the Company either in his name or held by / for other persons on a beneficial basis in the company. He does not have any relation with any other Director of the Company.

None of the other Directors of the Company, is in any way, concerned or interested in the said resolution.

By Order of the Board of Directors

Place: Ahmedabad
Date: May 15, 2008

Parag Dave
Asst. Company Secretary

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Twenty Third Annual Report, along with the Audited Financial Statements, for the year ended March 31, 2008.

Financial Highlights

The highlights of financial results of the Company for the year under review are given below:

	For the year ended March 31, 2008	(Rs. in Mn.) For the year ended March 31, 2007
Income from operations	5055.53	3657.20
Less : Excise Duty	589.47	408.30
Other Income	92.92	53.77
Total Income	4558.98	3302.67
Profit before interest, depreciation and tax	553.08	291.75
Interest	8.11	24.40
Depreciation	76.17	45.05
Tax	46.31	29.03
Profit after tax	422.49	193.27

Dividend

Your Directors do not propose dividend on Equity Shares for the year ended March 31, 2008.

Operating & Financial Performance

The Indian Room Air conditioning Market stood at 1.85 Mn. units for the year under review with a growth rate touching around 22% year on year. The growth in the market is expected to continue in this year also. The main drivers can be summarised as under:

1. Low penetration levels for the Air conditioner, which still hovers around 2%.
2. Nuclearisation of families.
3. Upgradation in the Income levels.
4. Increase in the disposable part of the income
5. Increase in the awareness of the products
6. Transition of Air conditioners as necessity rather than luxury.
7. The growth of the apartment living culture.
8. The Infrastructure growth in tier II & III cities.

There is continuity in the trend for the rise in the sales of Split ACs and this is shown in the figures of your company also. The contribution of the Split ACs in industry has gone up to 50 %.The ratio for your company stands at 38:62 (Window ACs: Split ACs). The change is mainly due to the narrowing of the pricing differential between the Window ACs and Split ACs and the changing Indian consumer who has become more discerning. Most of the companies are also focusing on this segment of the market and coming up with more & more innovations in the same. All this is leading to the increase in the awareness & development of Split AC market over the Window ACs. Your company is also constantly devising strategies to garner major chunk of this segment. Although Window AC on its part will still find its target segment due to its ease of installation and ownership but the growth of Window AC market is very low. Your company has been able to achieve a growth of over 40% in Split AC category.

We are continuing to make inroads in the Refrigerator & Washing Machine market. We have launched a new range of Two Door Refrigerators and New "Beat Wave Wash" Washing Machines. We are bound to increase our growth rate over the industry standards. We have been able to stabilise in this category and have achieved a growth rate of 25% over last year. We plan to continue this growth spree this year also.

There is a massive inflow of investments in the infrastructure development. Sizeable amount of Capex is lined up in the manufacturing and the service sector especially in the retail, IT & ITES services. This trend is going to continue for some years now. The Asian Games to be held in India in 2010 is also fuelling the infrastructure development in Northern India. All these factors have contributed to the growth in our commercial category which includes products like Ductable ACs, Self Contained, Set Free (VRF's) and Chillers. Your company achieved growth rate of 29% and 40% in case of Ductables and Chillers respectively and is expecting this growth in this year also. The introduction of Set Free (VRF's) and focus on our Self Contained Roof Top ACs will also contribute to this growth rate.

There has been a rise in the input costs especially steel, copper & aluminium. To add to that there has been a governmental mandate for the star labeling. All these factors have led to the increase in input costs. Although your company may be able to bear the star labeling incremental cost, but will have to pass on the rising input cost to the customers in near future.

The emergence of many new brands and low cost products from China have put up pressure on the manufacturers to decrease the price for the desired sales volumes. The low cost suppliers from China have become OEM suppliers for many well known brands in India. Your company has maintained its prices and is committed to desist from any strategy compromising the quality of the product. Your company at the same time has ensured the achievement of the volume targets set for it. The price drop has been curtailed by providing value propositions for the customer and by pioneering features' benefit augmentation in our product offerings.

Your company has made an operating profit (profit before depreciation, interest and tax) of Rs. 553.08 Mn. for the year ended March 31, 2008 as against Rs. 291.75 Mn. for the year ended March 31, 2007 and made net profit after tax of Rs. 422.49 Mn. during the year under review as compared to a net profit of Rs. 193.27 Mn. for previous year.

Future Prospects

This year the company is growing in its established line of business and at the same time it is stabilising in the newer line of business of Refrigerators and Washing Machines.

We have introduced a range of new products for the customers to choose from. During this year we have also launched "ACE" Split AC which is a pioneering step towards the overall comfort for the user. "ACE" is having Auto Humidity Control in it. This feature enables to achieve the desirable temperature with controlled humidity levels at the touch of a "Button". "ACE" is able to reduce the humidity levels by nearly 27%. We have also introduced lota in sub 1.0 Tr capacity. There is a surge in demand for sub 1.0 Tr category because of emergence of apartment culture due to restricted space in metro towns.

The Refrigerators and Washing Machines which are imported CBUs, were introduced in October '05, have now been established in the market. This year your company has added Two Door Refrigerators in its portfolio. It has also added "Beat Wave Wash" Washing Machines. These products are very innovative & user friendly and are sure to garner good support from the customers. The commercial Air conditioning business together with the Refrigerators and Washing Machines is helping us to overcome seasonality of our business and also helping to flatten the sales curve.

This year also saw our advertising communication upgrading to next phase. The concept based selling which we started last year has been taken further. We have introduced now the concept of "Uncomplicate Life". This truly represents the need of the present generation's lifestyle which wants a hassle free life. They want to enjoy the benefits rather than getting into the operational aspects of the products. Your company brings home appliances designed to make the life uncomplicated. These exquisite products are at the cutting edge of technology, easy to operate and reflect the quality what your company is known for. These products are designed to enhance your world and ensure a better, happier and "Uncomplicated Life".

Hitachi Home & Life Solutions (India) Limited

To summarize, the Indian Air-conditioning industry is growing at a hectic pace and is providing a huge opportunity for all the players. The need is for a strong customer focus. The market has overall done well. The product mix is changing towards higher value Split AC with comfort cooling forming the basic proposition. Your company with presence in both residential and commercial Air conditioning is poised to best utilize the opportunity provided. Hence your company has set itself a target to grow at a much higher than the industry rate in SAC & Ductable categories in the first half of the current financial year. The outlook for the new segment of Refrigerators and Washing Machines is positive and seeing the new product getting established promises a bright and sustaining future. Hence the outlook for your company for the future remains positive.

Directors' Responsibility Statement

Your Directors confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed ;
- (ii) such accounting policies have been selected 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 ended on March 31, 2008 and of the profit of the Company for that year ;
- (iii) proper and sufficient care has been taken 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) annual accounts have been prepared on a going concern basis.

Report of Corporate Governance

Report on Corporate Governance under clause 49 of the Listing Agreement is attached to this Report.

Particulars as per Section 217 of the Companies Act, 1956

A statement showing particulars of employees as required under Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 and information pursuant to Section 217(1) (e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, relating to Conservation of energy, technology absorption and foreign exchange earning and outgo are appended to this report.

Acknowledgement

Your Directors thank all Customers, Suppliers, Investors, Bankers - State Bank of India, ICICI Bank, Standard Chartered Bank and Mizuho Corporate Bank and other stakeholders of the Company for their co-operation and continued support during the year. We look forward to their continued support in the future also.

We wish to place on record our sincere appreciation for the excellent work put in by the employees of the Company at all levels.

For and on behalf of the Board of Directors

Shinichi Iizuka
Managing Director

Place: Ahmedabad, Gujarat
Date: May 15, 2008

Anil Shah
Executive Director

REPORT ON CORPORATE GOVERNANCE

I Company's Philosophy on Code of Corporate Governance

Your Company is committed to adopt best management practices for achieving its pre-defined objectives with ethical standards and transparent & fair conduct of the business. Some of these objectives are to ensure awareness of the Shareholders, Customers, Suppliers, Employees; to comply laws and regulations applicable to the Company with true letter and spirit; to create, maintain and ensure safe and clean environment for sustainable development for next generation.

II Board of Directors, Committees & Remuneration of Directors

Board of Directors

The Board of your Company comprises of nine members, who frame organizational strategies and policies and provide a vision and leadership to the professional managers.

Composition and Category of Directors

Board of the Company comprises nine members, four of them are Executive Directors. Out of remaining five non-executive Directors three Directors are Independent Directors. Details of their position and number of Board / Committees in which they are Chairman / Member are as under:

Name of Director	Executive / Non-executive / Independent	No. of Directorship in other Public Limited Indian Companies	No. of Committees* Position held as	
			Chairman	Member
Mr. Kenichi Munakata	Chairman / Non-Executive	-	-	-
Mr. Shinichi Iizuka	Executive	-	-	1
Mr. Amit Doshi	Executive	-	-	-
Mr. Anil Shah	Executive	-	-	-
Mr. Vinay Chauhan	Executive	-	-	1
Mr. L G Ramakrishnan	Non-Executive	-	1	1
Mr. Mukesh Patel	Non-Executive / Independent	7	5	2
Mr. Ravindra Jain	Non-Executive / Independent	-	-	1
Mr. Tarun Sheth	Non-Executive / Independent	4	1	3

*Includes only Audit Committee and Investors Grievance Committee

Attendance of Board Meeting and Annual General Meeting

During the year from April 1, 2007 to March 31, 2008, 4 (Four) Board Meetings were held on May 19, 2007, July 25, 2007, October 25, 2007 and January 29, 2008. The last Annual General Meeting was held on July 25, 2007. The attendance of Directors at these Board Meetings and the last Annual General Meeting were as under:

Name of Director	Board Meeting	Annual General Meeting
Mr. Akira Kamitani #	0	Absent
Mr. Kenichi Munakata ^	-	-
Mr. Shinichi Iizuka	4	Present
Mr. Amit Doshi *	3	Present
Mr. Anil Shah *	3	Present
Mr. Vinay Chauhan	4	Present
Mr. L G Ramakrishnan	4	Present
Mr. Mukesh Patel	3	Present
Mr. Ravindra Jain	4	Present
Mr. Tarun Sheth	4	Present
Mr. Rakesh Khanna**	-	-

** Resigned on April 30, 2007

* Appointed on June 01, 2007

Resigned on February 01, 2008

^ Appointed on February 01, 2008

Hitachi Home & Life Solutions (India) Limited

Number of Shares held by Non-executive Directors

Number of Shares held by Non-executive Directors in their own name or in the name of other persons on a beneficial basis, as on March 31, 2008 are as under :

Name of Director	No of Shares held
Mr. Kenichi Munakata	Nil
Mr. L G Ramakrishnan	Nil
Mr. Mukesh Patel	500
Mr. Ravindra Jain	Nil
Mr. Tarun Sheth	1000

Brief Resume of Directors seeking appointment / re-appointment

Mr. Kenichi Munakata

Mr. Kenichi Munakata, aged 55 Years, has done his Engineering from Tokyo University, Japan and associated with Hitachi for over 32 years in Refrigeration and Airconditioning Division.

In no other public limited Company incorporated in India, he is a Director and Chairman/Member of the Committee.

Mr. Anil shah

Mr. Anil Shah, aged 49 years, is Bachelor of Commerce and a Chartered Accountant. He has an extensive experience of around 27 years in various areas like Finance, Accounts, Budgeting, Costing, Legal, Direct and Indirect Taxation, etc. He is associated with the company since 1984.

In no other public limited Company incorporated in India, he is a Director and Chairman/Member of the Committee.

Mr. Mukesh Patel

Mr. Mukesh Patel, an eminent expert in Direct Taxes, is practicing as an Advocate and Tax Consultant since 1977, with specialization in the fields of Tax Planning, Appellate Matters, International Taxation, Tax and Investment Planning for Non-Resident Indians and Foreign Collaborations. He has also been actively engaged in Legal Education and Tax Journalism for the past over 25 years having been a visiting Faculty with the Gujarat Law Society and the Indian Institute of Management, Ahmedabad and through his weekly columns on Direct Taxes with 'Sandesh', 'Gujarat Samachar' and 'The Times of India'. He has served as the President of the Ahmedabad Management Association, Gujarat Chamber of Commerce and Industry, All Gujarat Federation of Tax Consultants and several other bodies. Currently, he is the President of Indian Red Cross Society, Ahmedabad. He is a member of the National Executive Committee of FICCI. He is a Chairman of Ahmedabad Stock Exchange Ltd. He has also authored number of books on Direct Taxes and Self Development.

In following public limited companies incorporated in India he is a Director and Chairman/Member of the Committee:

Cadila Healthcare Ltd.

German Remedies Ltd.

Sandesh Ltd.

Desai Brothers Ltd.

Zydus Pharmaceuticals Ltd.

Carnation Nutra-Analogue Foods Ltd.

Ahmedabad Stock Exchange Ltd.

Mr. Tarun Sheth

Mr. Tarun Sheth, aged 70 Years, has done his post-graduation in Arts from M. S. University - Baroda and ITP from Harvard Business School. He provides consultancy services in various areas including planning, organization restructuring, recruitment, training, etc. He was also associated as Lecturer with M.S. University-Baroda, Faculty Member with IIM-Ahmedabad and Faculty with Motorola University. He was the Head of National Management Resources-Unilever Group of Companies and Unilever Training advisor. He was President of Bombay Management Association. He has worked as Consultant and Trainer in several Countries.

In following public limited companies incorporated in India he is a Director and Chairman/Member of the Committee:

Arvind Mills Ltd.

Renfro (India) Ltd.

Kerala Ayurveda Pharmacy Ltd.

Textrade Ltd.

Inter-se relationship between Directors

None of the Directors is in any way related with other Directors of the Company.

Audit Committee

Audit Committee comprises four members, all being Non-executive Directors out of which three are independent Directors. Audit Committee effectively exercises its role, responsibilities and powers as prescribed in Clause 49(II)(c) to (e) of the Listing Agreement and Section 292A of the Companies Act, 1956.

Members of the Audit Committee as on March 31, 2008 were as under:

Mr. Mukesh Patel	– Chairman
Mr. L G Ramakrishnan	– Member
Mr. Ravindra Jain	– Member
Mr. Tarun Sheth	– Member

During the year from April 1, 2007 to March 31, 2008, the Audit Committee Meetings were held on May 19, 2007, July 25, 2007, October 25, 2007 and January 29, 2008. Attendance of the members at the meetings were as under:

Name of Members of Committee	Meetings attended
Mr. Mukesh Patel	3
Mr. L G Ramakrishnan	4
Mr. Ravindra Jain	4
Mr. Tarun Sheth	4

Remuneration Committee

A Remuneration Committee takes all decisions relating to remuneration of Executive Directors subject to such approval of Shareholders and Central Government as and when required.

Members of the Remuneration Committee are as under:

Mr. Tarun Sheth	– Chairman
Mr. L G Ramakrishnan	– Member
Mr. Mukesh Patel	– Member
Mr. Ravindra Jain	– Member

During the year under review the Remuneration Committee Meeting was held on May 19, 2007. Attendance of the members at the meeting was as under:

Name of Members of Committee	Meeting attended
Mr. Tarun Sheth	1
Mr. L G Ramakrishnan	1
Mr. Mukesh Patel	0
Mr. Ravindra Jain	1

Terms of appointment / remuneration

Executive Directors including Managing Director are usually appointed for three years at the remuneration within the limit prescribed under Schedule XIII of the Companies Act, 1956.

Independent Directors are paid sitting fees of Rs. 20,000/- for attending Board meeting, Rs. 20,000/- for attending Audit Committee Meeting and Rs. 10,000/- for attending Remuneration Committee.

Hitachi Home & Life Solutions (India) Limited

Remuneration of directors during the year under review :

(in Rupees)

Name of Director	Salary*	Sitting Fees	Total Remuneration
Mr. Akira Kamitani	Nil	Nil	Nil
Mr. Kenichi Munakata	Nil	Nil	Nil
Mr. Shinichi Iizuka	3,553,537	Nil	3,553,537
Mr. Vinay Chauhan	3,153,040	Nil	3,153,040
Mr. Amit Doshi	2,403,680	Nil	2,403,680
Mr. Anil Shah	2,382,587	Nil	2,382,587
Mr. L G Ramakrishnan	Nil	Nil	Nil
Mr. Mukesh Patel	Nil	120,000	120,000
Mr. Ravindra Jain	Nil	170,000	170,000
Mr. Tarun Sheth	Nil	170,000	170,000
Mr. Rakesh Khanna	438,610	Nil	438,610

* Salary includes basic salary, allowances, perquisites, contribution to provident fund and superannuation funds from the date of appointment as Director.

There was no other pecuniary relationship or transaction of the non-executive Director vis-à-vis the Company during the year under review.

Investors' Grievance Committee

An Investors' Grievance Committee of Directors was consisting following members as on March 31, 2008:

Mr. L G Ramakrishnan	– Chairman
Mr. Shinichi Iizuka	– Member
Mr. Vinay Chauhan	– Member

Number of shareholders complaints received during the period under review :

Sr. No.	Nature of Complaints	Received	Redressed	Pending as on March 31, 2008
1.	Non-receipt of share certificates after transfer	0	0	0
2.	Non-receipt of Dividend Warrants	0	0	0
3.	Query regarding demat credit	5	5	0
4.	Non-receipt of Duplicate Share Certificates	2	2	0
5.	Others : Annual Report	0	0	0

None of the complaints and share transfers are pending for a period exceeding one month.

Name and designation of compliance officer: Mr. Parag Dave – Asst. Company Secretary

E-mail ID of Compliance Officer: compliance.officer@hitachi-hli.com

III. Other disclosures**Statutory Disclosures :**

- There were no related party transactions i.e. transactions of the company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc., of material nature having potential conflict with the interest of the Company at large.
- There has been no instance of non-compliance by the company on any matter related to capital markets during the last three years and hence no penalty or strictures imposed on the company for such matters by Stock Exchange or SEBI or any statutory authority.
- Accounting Standards have been followed in preparation of financial statement of the Company for the year ended on March 31, 2008 and no accounting treatment different than prescribed Accounting Standard have been given.
- All mandatory requirements have been complied with by the Company during the year.
- No non-mandatory requirements adopted by the Company except Remuneration Committee has been constituted by the Company..

Information relating to last three Annual General Meetings

Date	Time	Venue	Special resolutions passed
June 30, 2005	9.30 a.m.	Bhaikaka Bhavan, Nr. Law Garden, Ahmedabad	<ol style="list-style-type: none"> To increase remuneration of Mr. Akira Kamitani as Managing Director. To appoint and fix the remuneration of Mr. Shinichi Iizuka as Whole time Director.
July 25, 2006	9.30 a.m.	Bhaikaka Bhavan, Nr. Law Garden, Ahmedabad	<ol style="list-style-type: none"> To re-appoint and fix the remuneration of Mr. Akira Kamitani as Managing Director. To appoint and fix the remuneration of Mr. Shinichi Iizuka as Whole time Director. To appoint Mr. Rakesh Khanna as Director, Process Owner-Sales, Service & Marketing. To appoint Mr. Vinay Chauhan as Director, Process Owner-Supply Chain.
July 25, 2007	9.30 a.m.	H T Parekh Convention Centre, Ahmedabad Management Association ATIRA Campus, Dr. Vikram Sarabhai Marg, Vastrpur, Ahmedabad	<ol style="list-style-type: none"> To appoint Mr. Shinichi Iizuka as Managing Director. To appoint Mr. Amit Doshi as Director, Process Owner-Corporate Affairs. To appoint Mr. Anil Shah as Director, Process Owner-Finance & Accounts.

No special resolution proposed through postal ballot in last AGM.

Means of communication

The quarterly results are published in Business Standard (English) and Jansatta (Gujarati). The information is being made available to the Stock Exchanges to upload the same on their websites.

Management Discussion and Analysis is attached with this report.

General Shareholder information

Ensuing Annual General Meeting

Day and Date	Time	Venue
Monday, July 28, 2008	9.30 a.m.	H.T. Parekh Convention Centre, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Vastrapur, Ahmedabad - 380 015

Financial year : From April 1, 2007 to March 31, 2008

Book closure : From July 28, 2008 to July 30, 2008 (Both days inclusive)

Dividend Payment Date : Not applicable as no Dividend is recommended by the Board.

Listing on Stock Exchanges where the shares of the Company are listed

Stock Code	Stock Exchange
03870	Ahmedabad Stock Exchange Limited
523398	Bombay Stock Exchange Limited
6139	Delhi Stock Exchange Association Limited
HITACHIHOM	National Stock Exchange of India Limited

The Company has paid Annual Listing Fees for the year 2008-09 to the above Stock Exchanges.

Hitachi Home & Life Solutions (India) Limited

Market Price Data

Highest & Lowest during each month in last financial year and performance in comparison to broad based indices such as BSE Sensex and NSE Nifty are as under:

Month	HHLI Share Price quoted at BSE		SENSEX		HHLI Share Price quoted at NSE		NIFTY	
	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW
April-2007	96.40	76.50	14,383.72	12,425.52	96.25	75.20	4,217.90	3,617.00
May-2007	117.00	87.00	14,576.37	13,554.34	116.90	85.10	4,306.75	3,981.15
June-2007	115.00	98.00	14,683.36	13,946.99	112.90	97.60	4,362.95	4,100.80
July-2007	136.00	96.00	15,868.85	14,638.88	135.55	97.35	4,647.95	4,304.00
August-2007	152.70	121.15	15,542.40	13,779.88	153.00	120.05	4,532.90	4,002.20
September-2007	144.90	126.05	17,361.47	15,323.05	143.85	126.10	5,055.80	4,445.55
October- 2007	147.50	115.05	20,238.16	17,144.58	149.70	107.80	5,976.00	5,000.95
November-2007	155.00	129.00	20,204.21	18,182.83	154.80	126.20	6,011.95	5,394.35
December-2007	179.00	147.50	20,498.11	18,886.40	179.00	144.00	6,185.40	5,676.70
January-2008	180.00	110.00	21,206.77	15,332.42	184.00	110.65	6,357.10	4,448.50
February-2008	158.00	116.00	18,895.34	16,457.74	147.95	120.00	5,545.20	4,803.60
March-2008	140.00	93.30	17,227.56	14,677.24	141.90	93.50	5,222.80	4,468.55

Registrars and Share Transfer Agent

Pinnacle Shares Registry Pvt. Ltd.

Nr. Ashok Mills, Naroda Road, Ahmedabad : 380 025

Contact person : Mr. Girish Patel

Contact no. : 079-2220 4226

Share Transfer System

Since the Company's shares are compulsorily traded in the demat segment on Stock Exchanges, bulk of the transfers take place in the electronic form.

For expediting transfers of physical shares, the authority has been delegated to the Registrars and Share Transfer Agent to complete share transfer formalities at least once in a fortnight.

Shareholding Pattern as on March 31, 2008

Category	No. of Shares Held	% of Shareholding
Promoters' Holding	16050000	69.90
Non Promoters' Holding		
Mutual Funds and UTI	3700	0.02
Banks, Financial Institutions, Insurance Companies	1150	0.01
FIs	297140	1.29
Bodies Corporate	1625078	7.08
Indian Public	4439627	19.34
NRIs	543313	2.36
Total	22960008	100.00

Distribution of shareholding as on March 31, 2008

Shares Balance	No. of Holders	% of Holders	No. of Shares	% of Shares
1-500	13275	90.58	1926731	8.39
501-1000	740	5.05	594899	2.59
1001-2000	290	1.98	446770	1.95
2001-3000	127	0.87	321667	1.40
3001-4000	50	0.34	179247	0.78
4001-5000	49	0.33	236096	1.03
5001-10000	59	0.40	424492	1.85
10001-99999999	65	0.44	18830106	82.01
Total	14655	100.00	22960008	100.00

Dematerialization of shares and liquidity

The Company's shares are available for dematerialisation on both the depositories viz. National Securities Depository Ltd. (NSDL) and Central Depository Securities Ltd. (CDSL). As on March 31, 2008 74.27% shares of the Company were in Dematerialised form.

Demat ISIN No of the Equity Shares of the Company : INE782A01015.

Plant Locations

Hitachi Complex, Village : Karannagar – 382727 Ta.: Kadi, Dist.: Mehsana, Gujarat
Jammu Plant : Canal Road, Bari Brahmna : 181 133, Jammu

Addresses for Correspondence for any shares related query

Company :

Hitachi Home & Life Solutions (India) Ltd. 9th Floor, Abhijeet-I, Mithakhali Six Roads,
Ahmedabad : 380 006 Ph. : 079 - 26402024 Fax : 079 - 26401128

Registrar and Share Transfer Agent :

Pinnacle Shares Registry Pvt. Ltd., Nr. Ashok Mills, Naroda Road, Ahmedabad : 380 025
Ph. : 079 - 22204226 Fax : 079 - 2202963

Declaration under Code of Conduct :

To the Shareholders of

Hitachi Home & Life Solutions (India) Ltd.

On basis of the affirmation letters received from Board Members and Senior Management Personnel, I declare that, they have complied with all the provisions of Code of Conduct laid down by the Board of Directors of the Company.

for Hitachi Home & Life Solutions (India) Ltd.

Sd/-

Shinichi Iizuka

Managing Director

Place : Karannagar, Gujarat

Date : May 02, 2008

Auditors' Certificate on compliance with the conditions of Corporate Governance under Clause 49 of the Listing Agreement

To

The Members of Hitachi Home and Life Solutions (India) Limited

We have examined the compliance of conditions of corporate governance by Hitachi Home and Life Solutions (India) Limited, for the year ended on March 31, 2008, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. 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, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

For S.R. Batliboi & Co.

Chartered Accountants

per Vijay Maniar

Partner

Membership No.: 36738

Place : Mumbai

Date : May 15, 2008

MANAGEMENT DISCUSSION & ANALYSIS

Hitachi Home & Life Solutions (India) Limited (HHLI) has been engaged in the business of manufacturing and sales of range of Air conditioners in Indian and selected markets outside India. While the range of Room Air conditioners and Packaged Air conditioners are being manufactured in India, the company sources the higher end of Air conditioning systems like Chillers, Self Contained Roof Top AC and Set Free from its affiliated companies worldwide. It is also engaged in the business of trading for the Refrigerators and Washing Machines.

Industry Structure & Developments

Consumer Appliances Industry

The Indian consumer durable industry is estimated to be in the range of Rs. 330,000 Mn. The home appliances industry (products that your company deals in) is estimated to be around Rs. 113,750 Mn. Refrigerators contribute to the largest share of this at around Rs. 38,000 Mn. followed by Room Air conditioners at around Rs. 34,000 Mn. and Washing Machines at Rs. 15,000 Mn.

Air conditioning Industry

The Indian Air conditioning Industry is experiencing a radical change. It has evolved from the days when Air conditioner was treated as a Luxury item to now-a-days when Air conditioning is treated as a necessity. The consumer tastes have also been shifted. It is not the basic comfort cooling they are asking for. They look out for world class technologies and products. The comfort cooling is now a basic proposition for the Air conditioners and product aesthetics, innovative features, trendy designs, latest technology and better service have become the major product augmentations for the consideration in customers' mind.

The Commercial Air conditioning is also on a rampant growth. This is mainly due to the retail sector expanding in a big way. Mall culture is picking up in India. The growth of manufacturing and IT/ITES sectors is also contributing to this growth. Most of the MNCs are on expansion plans in India, consequently inflow of funds into India is on rise. A trend of having BPOs and R&D centers is also picking up in India. This is leading to a growth in the Commercial Air conditioning Products like Ducted, Chillers & Self Contained Air conditioners.

A preference for the lower running cost over the initial cost is also leading to the rise in inverter based technologies.

Room Air conditioners

The category consists of both the Window and Split ACs for the use in residential and commercial spaces. Your company has enriched the product portfolio this year to cater to different preferences of the people. We have Atom Square which is a unique product having two indoors with only one outdoor working on And/Or logic. The concept is percolating in the market and the product is on a growth phase. This product is targeted to the current lifestyle wherein people prefer to have value for money. We have "Iota" (Sub 1.0 Tr.) capacity. This is especially to cater to the needs of the people living in Apartments in Metros. Also this product can be targeted to business people operating in small cabins in major commercial areas where the cost of space is phenomenally high. Your company has also launched the technologically innovative product "ACE" this year. It is the first time in India that a residential Split AC is equipped with Auto Humidity Control. It is able to reduce the relative humidity levels by around 25%. This feature is highly required during Monsoons & also in Coastal belt of India. With all the products having a clearly derived augmentation in benefits, over and above the basic product to cater to the specialised need of specific segments, we are bound to grow. This year we have been able to achieve a growth of 40% in splits leaping over the industry growth rates.

Commercial range of Air conditioners

The commercial Air conditioning comprises of the Ductable Split ACs to large sized Chillers. The segment comprises of Retail Chains, MNCs, IT/ITES sectors, BPOs, Call Centers, Institutes, Malls, etc. The market is of Rs. 36,000 Mn. and is growing at the rate of approx 25% annually. Your company has this year launched "Takumi" range of Ductables. "Takumi" is a Japanese word meaning "Professional". "Takumi" products are witness to your company's customer focus. "Takumi" has been designed after understanding proper need of Architects & Consultants. Both these fraternities are influencers to the customer decision. "Takumi" range is rightly called "Consultant Friendly and Architects Delight" as it has been able to consider the needs of both of them. The range of products now available is from 3.0 Tr. - 16.5 Tr. The "Takumi" range is highly appreciated and well received in the market. We have also initiated marketing activities to target the influencers and develop a long term relationship with them. In Chillers we have decided to carry stocks for limited number of chillers in order to have promptness in the deliveries in special cases of customer requirements. We are also supplying R407C variant in the Chillers which is environment friendly refrigerant. We have relaunched the VRV systems (Set Free) and Self Contained Air conditioners. All these products are unique in their application and are sure to do well in their targeted segments. Your company has grown in Ductables by 29% over last year and has grown 40% over last year in SFC business (comprising of Chillers, Set free & Self Contained Roof Top AC).

Telecom Air conditioners

We are poised to grow in this specialised Air conditioning requirement through our unique product Spacemaker. This product over the years has been able to garner a good following from our telecom customers. As of now we are enjoying above 20% of market share in this segment. Also as the future for the telecom industry looks positive, we are bound to grow in this segment also.

Refrigerators and Washing Machines

Your company was able to stabilise in the sale of Refrigerators & Washing Machines this year. We have added new products to this portfolio by the launch of the Two Door Refrigerators also. This will enable us to capture a chunk in the huge market in this category. The enrichment of portfolio will also enable us to have a shelf space as well as increase in the visibility at the dealer outlet. We have added the technologically upgraded "Beat Wash" Washing Machines this year. Beat Wash is an innovative technology which harnesses the traditional way of washing clothes through use of technology. The segment has shown stabilisation and your company has grown by 25% over the past year. With the current range we are bound to excel in this segment also.

Product Group Wise Performance

HHLI has always been at the forefront of technology. HHLI has always been far ahead than the competition in introducing newer concepts and features in the Air conditioning. We were first one to introduce products like Hi-Wall Splits, Remote controlled ACs, ACs with Plus one Technology, to name a few. We have always been considered as a technology powerhouse rendering solutions for the Indian Homes. Consistent efforts to position our offerings as differentiated products in the market place has helped HHLI to become the major company in the "Mass Premium" category.

In the room Air conditioners, your company has introduced "ACE" Split AC. Atom Square and Quadricool™ together with Atom XL have reaffirmed HHLI's place as the innovation leader in the minds of Indian consumer. HHLI because of its strong focus on quality of products and standards which are stricter than the Indian standards have made HHLI as a brand of choice in the consumer mind. We have been able to stabilise the market share, as well as sell at a premium. We have also introduced "IOTA" (Sub 1.0 Tr.) capacities in order to capture the market created by the apartments in metros for their smaller rooms.

In the Ductable category, HHLI has repeated the trend of outperforming the market and has grown at a rate of 29% over last year. The addition of new range of "Takumi" Ducted Air conditioners with a range varying from 3.0 - 16.5 Tr. We have set for ourselves much higher growth targets.

HHLI through its imported screw chillers and addition of Self Contained and Set Free is poised to grow in a segment which is set to grow at a tremendous pace. We have set aggressive targets for this year also.

Brand Equity

HHLI has been consistently pursuing the brand building activities to ensure premium association with the brand. We understand that we cannot match the competition in spends on advertising but at the same time we are trying to optimise advertising spends to achieve maximum. We use new innovative mediums for communications. We transcend our communication to the destination of Shops for the concept visualisation. We integrate our overall communication strategy with the In shops, Product Demonstrations, POSM etc. Our endeavor is to provide witness to the customer for our premium position at the "Moment Of Truth". We are innovating the formulation of our creative to optimise the cost of communication. Our communication is focused on the needs of our target segment. Our new communication of "Uncomplicate Life" truly represents the desire of our target customer who wants to spend quality time experiencing life rather than getting bogged down by the complicated operating of the products. Our advanced technology allows customers to command different features at the click of a button in remote. A button for operating the complicated features is simplified technology.

We have introduced the "Takumi" Range in Ductables. "Takumi" Range of Ductables demonstrates our committed focus towards the customers. The range is an outcome of our focused interactions with the Architects & HVAC Consultants. "Takumi" which means "Professional" in Japanese stands for our innovative technology being employed for the customer delight. It stands for our endeavor to be in consistent touch with our customers to understand their needs and develop offering for those needs. It harnesses latest technology for the betterment of our customers' lives.

Future Outlook - Threats, Opportunities

The reduction of the price gap between the Split AC and Window AC has fuelled the growth of the Split AC segment. As a result of growth in Split AC, the impact is seen on the Window AC Category.

The emergence of the apartment culture in metros and non metros with nuclear families is fuelling the growth for the new need of below 1.0 Tr capacities. Understanding that need of the market your company has Launched 0.8 Tr. capacity "Iota".

Hitachi Home & Life Solutions (India) Limited

The emergence of the retail sector is a new opportunity for the company which will form a bulk buyer for our range of products. At the same time your company understands that the advent and full development of retail sector will result in the erosion of the profit margins for your company in the long run due to bully buying by these retailers.

Also with the development of retailers in India, we will find them coming with their own similar kind products to enhance their profit margins and sharing the similar shelf space with our range of products.

The rise in the input costs of raw material especially of Aluminium, Copper and Sheet Metal has led to an erosion of Margins. This coupled with the energy labeling initiated by the government is adding to the costs of manufacture. Although your company is trying to bear the star labeling cost, it will have to pass on the input cost rise to customers in near future.

Electrification remains an impediment in the growth of business. This coupled with the high electricity cost causes a hindrance in the growth of this sector.

The cheap Chinese products making inroads to India is also a cause of concern. It is evident from the fact that China is one of the biggest exporters of Air conditioners to India. These manufacturers have become now OEM suppliers for many prominent brands in India.

The Montréal Protocol of non use of Refrigerant R-22 in near future has also made it important for your company to initiate a focus on the design & development of environmentally friendly refrigerant alternatives.

Summary

To summarise, India is poised to grow, so is your company. HHLI remains committed in its endeavor to be a profitable venture. Our customer based approach of running business is going to fuel this growth. We are poised to grow in the Air conditioning segment with a range of products catered to different needs of market. Our entry into sub 1.0Tr capacity is also going to catapult our growth rate. In commercial Air conditioning the "Takumi" series and Chillers together with the relaunched VRF system and Self Contained Roof Top AC is going to give a boost to our growth.

Human Resources

The number of staff & operators at HHLI as on March 31, 2008 was 452. Organisation wide Focus through employee commitment was further reinforced through the Goal Setting & Monitoring (GSM) System. This system has been integrated with the Departmental Budgets throughout the organisation. Automation of this process has been incorporated through GSM Module in Human Resource Management System (HRMS).

Taking this ahead the Annual Appraisal was de-linked with the Performance Based Rating System. Competency Evaluation had been the key focus for this year's Annual Appraisal System. Competency & Potential Related Appraisal System for future growth & development in process was introduced.

During 07-08, Wage Agreement was signed for three years between the Management and the Operators for Kadi Plant.

To keep pace with the changing dynamics of the society and to respond to these varying needs, HHLI had taken an initiative last year of collaborating with IIM-Ahmedabad (IIM-A) and organised a Creativity Workshop for Senior Managers. This initiative was taken ahead in 07-08. This was followed by One-week Management Development Program (MDP) for 45 Nos. Senior & Middle Level Managers, so as to develop future managers for the organisation.

We have been focusing to implant fresh talent in our organisation, to build a strong & vibrant force for future. Inducting fresh Engineers & Management Trainees from all parts of the country and orienting them in HHLI Value System has been the focus area. During this year we recruited 50 Nos. fresh engineer & management trainees. They were given a 30 Days rigorous Technical Training at the Kadi Factory & Head Office before they were deputed for On-the-job training in various Departments.

Internal control and systems

Company has adequate system of internal control to ensure that all the assets pertaining to Company are safeguarded and protected. Internal Audit has also been done through external Auditors at Factory as well as at all the branches of the Company as per the detailed scope defined and approved by the Audit Committee. The Internal Audit is planned to substantiate and review the adequacy of controls and laid down procedures & systems.

Observations of Internal Auditors and the detailed plan of action is reviewed and discussed at the meetings of the Audit Committee.

AUDITORS' REPORT

To

The Members of Hitachi Home & Life Solutions (India) Limited

1. We have audited the attached Balance Sheet of Hitachi Home & Life Solutions (India) Limited ('the Company') as at March 31, 2008 and also the Profit and Loss account and the Cash Flow statement for the year ended on that date annexed thereto. 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.
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 principles 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.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. 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 purposes 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;
 - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the Balance Sheet, Profit and Loss account and Cash Flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act.
 - v. On the basis of the written representations received from the directors, as on March 31, 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, 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 March 31, 2008;
 - b) in the case of the Profit and Loss account, of the profit for the year ended on that date; and
 - c) in the case of Cash Flow statement, of the cash flows for the year ended on that date.

For S.R. Batliboi & Co.
Chartered Accountants

per Vijay Maniar
Partner
Membership No.: 36738

Place: Mumbai
Date: May 15, 2008

**Annexure referred to in paragraph 3 of our report of even date
Re: Hitachi Home & Life Solutions (India) Limited**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) As informed, the Company has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Act.
- (iv) In our opinion and according to the information and explanations given to us, 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. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (v) According to the information and explanations provided by the management, we are of the opinion that there are no contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, or employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, custom duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues outstanding of income tax, sales tax, wealth-tax, service tax, custom duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs. in '000)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Disallowance of Certain claims and interest thereon	336	A.Y. 1993-94	High Court of Gujarat
Central Excise & Customs Act, 1944	Allegation of removal not as per rules	1,431	April 1987 to December 1987 and March 1999	CESTAT and High Court of Gujarat
	Valuation of goods u/s 4A	35,121	March 2001 to August 2003	CESTAT and Commissioner (Appeals) of Central Excise

Name of the statute	Nature of dues	Amount (Rs. in '000)	Period to which the amount relates	Forum where dispute is pending
Sales Tax Act (Central & States)	Penalty for incorrect particulars on transport/other documents	768	Various	Deputy Commissioner Appeals and various Assessing Officers
	Classification and applicability of exemption notification	4,269	1995-96 to 1997-98	Sales Tax Tribunal
	Demands raised in assessments at various locations	29,238	1998-99 to 2003-04	Deputy Commissioner-Appeals/ Joint Commissioner-Appeals
Service Tax Act	Service Tax on Royalty payments	2,274	2000-04	Commissioner - Appeals
	Service Tax on Commission	12,716	2004-07	Commissioner - Appeals
Customs Act, 1962	Dispute over classification	92	Various	Deputy Commissioner

As Informed there are no disputed wealth tax dues payable.

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to financial institution or bank. The Company has no outstanding dues to debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Order, 2003 are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order, are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act.
- (xix) The Company did not have any outstanding secured debentures during the year.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S.R. Batliboi & Co.
Chartered Accountants

per Vijay Maniar
Partner
Membership No.: 36738

Place: Mumbai
Date: May 15, 2008

BALANCE SHEET AS AT MARCH 31, 2008

(Currency: Rupees in thousands unless otherwise stated)

	Schedules	As at March 31, 2008	As at March 31, 2007
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	229,600	229,600
Reserves and Surplus	2	604,761	388,358
		<u>834,361</u>	<u>617,958</u>
Loan Funds			
Secured Loans	3	286	2,107
Unsecured Loans	4	117,267	332,291
		<u>117,553</u>	<u>334,398</u>
Deferred Tax Liabilities (Net) (Refer Note No. 9 of Schedule 21)		9,525	-
TOTAL		<u>961,439</u>	<u>952,356</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	733,185	628,487
Less: Accumulated Depreciation		418,445	362,052
Net Block		314,740	266,435
Capital Work-in-Progress (including capital advances)		96,561	40,579
		<u>411,301</u>	<u>307,014</u>
Current Assets, Loans and Advances			
Inventories	6	1,204,561	905,706
Sundry Debtors	7	900,203	594,381
Cash and Bank Balances	8	63,391	37,996
Other Current Assets	9	57,985	15,222
Loans and Advances	10	220,737	155,436
		<u>2,446,877</u>	<u>1,708,741</u>
Current Liabilities and Provisions			
Current Liabilities	11	1,848,396	1,218,641
Provisions	12	48,343	50,840
		<u>1,896,739</u>	<u>1,269,481</u>
Net Current Assets		<u>550,138</u>	<u>439,260</u>
Profit and Loss Account		-	206,082
TOTAL		<u>961,439</u>	<u>952,356</u>
Notes to Accounts	21		

The schedules referred to above and notes to accounts form an integral part of the Balance Sheet.
As per our report of even date

For S.R. Batliboi & Co.

Chartered Accountants

per Vijay Maniar

Partner

Membership No: 36738

Place: Mumbai

Date: May 15, 2008

For and on behalf of the Board of Directors

Shinichi Iizuka
Managing DirectorAnil Shah
Executive DirectorParag Dave
Asst. Company SecretaryAhmedabad, Gujarat
May 15, 2008

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008

(Currency: Rupees in thousands unless otherwise stated)

	Schedules	For the year ended March 31, 2008	For the year ended March 31, 2007
INCOME			
Manufacturing Sales - Domestic (Gross)		4,526,692	3,121,327
Manufacturing Sales - Export (Including Export Benefits)		8,811	9,670
Trading Sales		352,607	385,048
Service Income		167,418	141,157
TOTAL		5,055,528	3,657,202
Less: Excise Duty Recovered (Refer Note No. 18 of Schedule 21)		589,468	408,303
		4,466,060	3,248,899
Other Income	13	92,918	53,766
TOTAL		4,558,978	3,302,665
EXPENDITURE			
Raw Material and Trading Goods Consumed	14	2,995,382	2,241,246
Personnel Expenses	15	221,919	176,107
Other Manufacturing and Operating Expenses	16	319,353	286,564
Selling and Distribution Expenses	17	537,611	390,710
(Increase) in Inventories	18	(73,417)	(90,715)
Provisions, Amortisation and Adjustments	19	5,050	7,008
Depreciation and Amortisation	5	76,171	45,050
Financial Expenses (net)	20	8,113	24,400
TOTAL		4,090,182	3,080,370
Profit Before Tax		468,796	222,295
Provision for Income Tax (Refer Note No. 9 of Schedule 21)			
Current Tax		59,820	24,435
Deferred Tax Liabilities		9,525	-
MAT Credit Entitlement		(28,931)	-
Fringe Benefit Tax		5,897	4,595
Net Profit after Tax		422,485	193,265
Balance brought forward from previous year		(206,082)	(399,347)
Balance carried to Balance Sheet		216,403	(206,082)
Basic and diluted earnings per share (Rs.) (Refer Note No. 8 of Schedule 21)		18.40	8.42
Nominal Value of Shares Rs.10 (Previous year: Rs. 10)			
Notes to Accounts	21		

The schedules referred to above and notes to accounts form an integral part of the Profit & Loss Account.

As per our report of even date

For S.R. Batliboi & Co.

Chartered Accountants

per Vijay Maniar

Partner

Membership No: 36738

Place: Mumbai

Date: May 15, 2008

For and on behalf of the Board of Directors

Shinichi Iizuka

Managing Director

Anil Shah

Executive Director

Parag Dave

Asst. Company Secretary

Ahmedabad, Gujarat

May 15, 2008

Hitachi Home & Life Solutions (India) Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2008

(Currency: Rupees in thousands unless otherwise stated)

	For the year ended March 31, 2008	For the year ended March 31, 2007
A. Cash flow from Operating Activities		
Net Profit before Tax	468,796	222,295
Adjustments For :		
Loss/(Profit) on sale/discard of assets (net)	(41)	1,271
Unrealised foreign exchange (gain) (net)	(26,667)	(12,328)
Depreciation and Amortisation	76,171	45,050
Provision for loss on assets held for disposal	159	4,008
Provision for doubtful debts (net of debts written off)	4,891	3,000
Financial Expenses (net)	8,113	24,400
Operating profit before working capital changes	531,422	287,696
Adjustments for :		
(Increase) in Trade Receivables	(299,549)	(104,696)
(Decrease) in provision for doubtful debts on account of bad debts written off during the year	(11,163)	(11,604)
(Increase) in Loans and Advances	(47,985)	(15,898)
(Increase) in Other Current Assets	(42,763)	(15,222)
(Increase) in Inventories	(298,855)	(86,411)
Increase in Trade Payables	600,530	166,555
(Decrease) in Other Provisions	(3,685)	(309)
Cash from Operating Activities	427,952	220,111
Fringe Benefit Tax paid	(4,746)	(2,385)
Direct Taxes paid	(48,000)	(19,562)
Net cash from Operating Activities	375,206	198,164
B. Cash flow from Investing Activities		
Purchase of Fixed Assets	(135,104)	(43,463)
Proceeds from sale of Fixed Assets	3,328	2,464
Purchase of Intangibles	(21,059)	(33,880)
Interest received	13,686	7,973
Net cash used in investing activities	(139,149)	(66,906)
C. Cash Flow from Financing Activities		
Repayments of long term / short term borrowings	(187,835)	(84,118)
Interest paid	(22,606)	(32,876)
Net cash flow (used in) Financing Activities	(210,441)	(116,994)
Net increase in Cash and Cash Equivalents (A+B+C)	25,616	14,264
Cash and Cash Equivalents at the beginning (see note)	36,455	22,191
Cash and Cash Equivalents at the end (see note)	62,071	36,455
Note:		
Cash on hand	257	303
Bank balances in current accounts	6,916	4,280
Balances in cash credit accounts	54,898	31,872
Total	62,071	36,455
Add:- Balance in margin Accounts	1,320	1,541
Cash and Bank Balances	63,391	37,996

As set out in our attached report

For S.R. Batliboi & Co.

Chartered Accountants

per Vijay Maniar

Partner

Membership No: 36738

Place: Mumbai

Date: May 15, 2008

For and on behalf of the Board of Directors

Shinichi Iizuka

Managing Director

Anil Shah

Executive Director

Parag Dave

Asst. Company Secretary

Ahmedabad, Gujarat

May 15, 2008

SCHEDULES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(Currency: Rupees in thousands unless otherwise stated)

As at
March 31, 2008 As at
March 31, 2007

SCHEDULE 1: SHARE CAPITAL

Authorised

30,000,000 (Previous year: 30,000,000) **300,000** 300,000
Equity shares of Rs. 10 each

300,000 **300,000**

Issued, Subscribed and Paid up

22,960,008 (Previous year: 22,960,008) **229,600** 229,600
Equity shares of Rs. 10 each fully paid up

229,600 **229,600**

Notes:

1. Of the above, 15,550,000 (Previous year: 15,550,000) Equity shares of Rs.10 each are held by Hitachi Appliances, Inc., Japan (the Holding Company)(formerly known as Hitachi Home & Life Solutions Inc., Japan).
2. 45,671(Previous year: 45,671) Equity shares of Rs.10 each have been kept in abeyance pending final allotment of rights issue.

SCHEDULE 2: RESERVES AND SURPLUS

Capital Reserve **666** 666

Securities Premium account **387,692** 387,692

Profit and Loss Account **216,403** -

604,761 **388,358**

SCHEDULE 3: SECURED LOANS

Vehicle Loans **286** 2,107

(Secured by way of hypothecation are fully repayable within
one year (Previous year: Rs. 1,656))

286 **2,107**

SCHEDULE 4: UNSECURED LOANS

External commercial borrowings from the Holding Company (Short-term) **117,267** 78,186
(Maximum amount outstanding at any time during the year Rs.371,372
(Previous year: Rs. 160,453))

External commercial borrowings from the Holding Company (Long-term) - 254,105
(Due within one year Rs. Nil (Previous year: Rs. 127,053))

117,267 **332,291**

Note:

The above foreign currency loans aggregating to Japanese Yen (JPY) 325,000,000 (Previous year: Japanese Yen (JPY) 850,000,000) and interest thereon has been fully hedged into USD by way of currency swaps. The year end balances have been reinstated at the exchange rate prevailing as at the Balance Sheet date.

Hitachi Home & Life Solutions (India) Limited
SCHEDULE 5: FIXED ASSETS

(Currency: Rupees in thousands unless otherwise stated)

Particulars	Gross Block				Depreciation								Net Block	
	As on	Additions	Deductions	As on	As on April 1, 2007		For the year		Deductions		As on March 31, 2008		As on	As on
	1-Apr-07			31-Mar-08	Depre- ciation	Provision	Depre- ciation	Provision	Depre- ciation	Provision	Depre- ciation	Provision	31-Mar-08	31-Mar-07
Intangible assets														
Trade mark	21,000	-	-	21,000	21,000	-	-	-	-	-	-	21,000	-	-
Software capitalisation	32,569	3,637	-	36,206	29,217	-	2,644	-	-	-	-	31,861	-	4,345
Technical know how	28,857	41,002	-	69,859	12,583	-	7,278	-	-	-	-	19,861	-	49,998
Tangible assets														
Land	2,734	-	-	2,734	-	-	-	-	-	-	-	-	-	2,734
Buildings	61,993	1,195	-	63,188	14,614	-	1,834	-	-	-	-	16,448	-	46,740
Plant and machinery	354,711	59,169	6,414	407,466	192,312	24,577	38,914	159	5,344	-	225,882	24,736	156,848	137,822
Computers	57,550	4,098	7,127	54,521	39,669	-	7,226	-	6,634	-	40,261	-	14,260	17,881
Furniture, fixture and office equipments	34,502	6,227	3,808	36,921	13,161	2,899	11,325	-	2,977	492	21,509	2,407	13,005	18,442
Electrical installations	10,486	582	689	10,379	2,845	24	2,431	-	636	-	4,640	24	5,715	7,617
Vehicles	24,085	12,012	5,186	30,911	9,151	-	4,519	-	3,854	-	9,816	-	21,095	14,934
TOTAL	628,487	127,922	23,224	733,185	334,552	27,500	76,171	159	19,445	492	391,278	27,167	314,740	266,435
Previous year	590,980	47,043	9,536	628,487	294,487	24,308	45,050	4,008	4,985	816	334,552	27,500	266,435	
Capital work in progress													96,561	40,579
Total													411,301	307,014

Notes:

1. Plant and Machinery includes testing equipments and moulds with net block of Rs. 70,190 (Previous year: Rs. 41,123).
2. Building includes Rs. 1,381 (Previous year: Rs. 1,381) in respect of ownership of flats in co-operative housing society.
3. Capital work in progress includes Rs. 6,966 towards capital advance (Previous year Rs. 1,456).
4. Plant and Machinery includes machinery with gross block of Rs. 64,133 (Previous year: Rs. 61,170) at net block value of Rs. 369 (Previous year: Rs. 368) which are held for disposal. Net Block value represents estimated realisable value, as determined by the management.

	As at March 31, 2008	As at March 31, 2007
--	---------------------------------	---------------------------------

SCHEDULE 6: INVENTORIES

Raw Materials	442,641	305,182
Work-in-Progress	79,213	74,851
Finished Goods	289,566	220,511
Trading Goods	117,086	106,339
Stores and Spares	1,755	2,506
Loose Tools	-	27
	930,261	709,416
Goods in transit	274,300	196,290
	1,204,561	905,706

SCHEDULE 7: SUNDRY DEBTORS
Debts outstanding for a period exceeding six months

Unsecured, Considered good	16,655	20,630
Considered doubtful	18,953	25,225
	35,608	45,855

Other debts

Secured, Considered good	14,433	12,672
Unsecured, Considered good	869,115	561,079
	919,156	619,606
Less: Provision for doubtful debts	18,953	25,225

Of the total provision existing as at March 31, 2007, the management has identified and written off bad debts aggregating to Rs. 11,163 (Previous year: Rs. 11,604)

(Currency: Rupees in thousands unless otherwise stated)

As at
March 31, 2008

As at
March 31, 2007

SCHEDULE 8: CASH AND BANK BALANCES

Cash on hand	257	303
Bank balance with scheduled banks		
on current accounts	6,916	4,280
on cash credit accounts	54,898	31,872
on margin accounts	1,320	1,541
	<u>63,391</u>	<u>37,996</u>

SCHEDULE 9: OTHER CURRENT ASSETS

Unamortised premium on forward contracts	51	28
Foreign currency receivable	57,934	15,194
	<u>57,985</u>	<u>15,222</u>

SCHEDULE 10: LOANS AND ADVANCES

(Unsecured)

Advances recoverable in cash or in kind or for value to be received		
- Considered good	177,550	144,989
- Considered doubtful	4,032	5,256
	<u>181,582</u>	<u>150,245</u>
Less: Provision for doubtful advances	4,032	5,256
Of the total provision existing as at March 31, 2007, the management has identified and written off doubtful advances aggregating to Rs.1,224 (Previous year: Rs. 379)	177,550	144,989
MAT Credit Entitlement	28,931	-
Less : MAT Credit Availed	7,374	-
	<u>21,557</u>	<u>-</u>
Advance payment of tax	87,344	33,247
Add : MAT Credit Availed	7,374	-
Less : Provision for tax	86,984	27,164
	<u>7,734</u>	<u>6,083</u>
Balances with excise, customs and port trust authorities	13,896	4,173
Recoverable against Assets given under Finance Lease	-	191
	<u>220,737</u>	<u>155,436</u>

Advances considered good includes due from Principal Officers Rs.15 (Previous year: Rs.41) and Directors Rs.420 (Previous year: Rs. 331). Maximum amount outstanding during the period from Principal Officer Rs. 42 (Previous year: Rs. 67) and Directors Rs.973 (Previous year: Rs.1,512).

Hitachi Home & Life Solutions (India) Limited

(Currency: Rupees in thousands unless otherwise stated)

	As at March 31, 2008	As at March 31, 2007
SCHEDULE 11: CURRENT LIABILITIES		
Acceptances	348,048	208,785
Sundry creditors:		
- Total outstanding dues of micro enterprises and small enterprises (Refer Note No. 7 of Schedule 21)	-	-
- Total outstanding dues of creditors other than micro enterprises and small enterprises	607,514	389,055
Advance from customers	45,621	25,008
Income received in advance	27,954	26,740
Investor Education and Protection Fund shall be credited by unclaimed dividend as and when due	-	246
Unclaimed fixed deposits (including interest accrued but not due)	129	144
Other liabilities	746,718	539,272
Dealership deposits	14,433	12,672
Interest accrued but not due on loans	513	1,389
Forward contracts	57,466	15,330
	<u>1,848,396</u>	<u>1,218,641</u>
SCHEDULE 12: PROVISIONS		
Gratuity	5,307	4,646
Superannuation	1,022	875
Leave encashment	14,014	11,071
5 Years warranty	26,812	32,038
Fringe benefit tax (net of advance tax)	1,188	2,210
	<u>48,343</u>	<u>50,840</u>
	-----	-----
	For the year ended March 31, 2008	For the year ended March 31, 2007
SCHEDULE 13: OTHER INCOME		
Sundry credit balances written back	3,006	5,802
Commission income	33,868	31,513
Miscellaneous income	6,569	1,507
Gain on foreign exchange fluctuation (net)	49,434	14,944
Profit on sale of fixed assets (net)	41	-
	<u>92,918</u>	<u>53,766</u>
	-----	-----
SCHEDULE 14: RAW MATERIAL AND TRADING GOODS CONSUMED		
Raw Material (including processing charges)	2,692,950	1,890,362
Trading Goods consumed	251,912	300,427
Project Installation Cost	50,520	50,457
	<u>2,995,382</u>	<u>2,241,246</u>
	-----	-----
SCHEDULE 15: PERSONNEL EXPENSES		
Salaries, wages and bonus	202,732	166,017
Contribution to provident fund	7,858	6,150
Workmen and staff welfare expenses	4,749	2,228
Gratuity expenses	5,558	787
Superannuation expenses	1,022	925
	<u>221,919</u>	<u>176,107</u>
	-----	-----

(Currency: Rupees in thousands unless otherwise stated)

For the year ended
March 31, 2008

For the year ended
March 31, 2007

SCHEDULE 16: OTHER MANUFACTURING AND OPERATING EXPENSES

AMC (Annual Maintenance Contracts) expenses	114,184	90,277
Other expenses of service operations	57,528	33,900
Travelling and conveyance	23,908	17,106
Legal and professional fees (Refer Note No. 17 (i) of Schedule 21)	10,391	11,641
Power and fuel	19,795	19,881
Telephone and communication	10,950	10,766
Rent (Refer Note No. 11 (b) of Schedule 21)	11,463	9,100
Repairs and maintenance		
- Plant and machinery	11,841	9,890
- Building	2,727	2,982
- Others	5,684	4,879
Rates and taxes	6,992	8,316
Insurance	3,669	3,676
Printing and stationery expenses	2,604	2,569
Loss on sale/discard of fixed assets	-	1,271
Loose tools consumed	3,747	2,858
Increase/(decrease) of excise duty on inventories	642	(192)
Miscellaneous expenses	33,228	57,644
	<u>319,353</u>	<u>286,564</u>

SCHEDULE 17: SELLING AND DISTRIBUTION EXPENSES

Sales commission and warranty expenses (other than sole selling agents)	140,428	94,174
Advertisement and sales promotion	172,553	144,662
Freight outward	188,145	140,225
Royalty	36,485	11,649
	<u>537,611</u>	<u>390,710</u>

SCHEDULE 18: (INCREASE) IN INVENTORIES

Closing Inventories		
Work in Progress	79,213	74,851
Finished Goods	289,566	220,511
Total	<u>368,779</u>	<u>295,362</u>
Opening Inventories		
Work in Progress	74,851	34,072
Finished Goods	220,511	170,575
Total	<u>295,362</u>	<u>204,647</u>
(Increase) in Inventories	<u>(73,417)</u>	<u>(90,715)</u>

SCHEDULE 19: PROVISIONS, AMORTISATION AND ADJUSTMENTS

Provision for doubtful debts	4,891	3,000
Provision for loss on assets held for disposal	159	4,008
	<u>5,050</u>	<u>7,008</u>

SCHEDULE 20: FINANCIAL EXPENSES (NET)

Interest on fixed loans	4,219	6,981
Interest others	4,444	7,012
Bank charges	13,103	18,389
	<u>21,766</u>	<u>32,382</u>
Less : Interest income (gross)	13,653	7,982
(Tax deducted at source Rs. 3,042 (Previous Year: Rs. 1,671))		
	<u>8,113</u>	<u>24,400</u>

SCHEDULE 21: NOTES TO ACCOUNTS

For the year ended March 31, 2008

(Currency: Rupees in thousands unless otherwise stated)

1. Background

Hitachi Home and Life Solutions (India) Limited ('the Company') was incorporated in December 1984 as "Acquest Air conditioning Systems Private Limited" under the provisions of Companies Act, 1956.

The Company is primarily engaged in the business of manufacturing and trading of Hitachi brand of Home Appliances. Manufacturing facility for air conditioners is set up at Kadi (North Gujarat) and Jammu. The Company performs its marketing activities through seventeen branches.

The Company is a subsidiary of Hitachi Appliances, Inc., Japan.

2. Statement of Significant Accounting Policies

2.1 Basis of preparation

The financial statements have been prepared to comply in all material respects with the notified accounting standards by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. The accounting policies applied by the Company are consistent with those used in the previous year.

2.2 Accounting estimates

The preparation of the financial statements in accordance with generally accepted accounting principles ('GAAP') requires that management makes estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities as of the date of financial statements and the reported amounts of revenue and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any difference between the actual result and estimates are recognised in the period in which the results are known or materialise.

2.3 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Financing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

Machine spares which are specific to a particular item of fixed asset and their use is expected to be irregular have been capitalized.

Depreciation is provided using the Straight Line Method as per the useful life of the assets estimated by the management, or at the rates prescribed under schedule XIV of the Companies Act, 1956 whichever is higher, except following assets which are depreciated considering their useful life as under:

a. Moulds	: 3 years	b. Computers	: 4 years
c. Furniture & Fittings	: 7 years	d. Office Equipments	: 5 years
e. Electrical Fittings	: 7 years		

For the assets added during the financial year under review, depreciation is charged on pro-rata basis from the date of commissioning.

Intangible assets are amortised, based on management's estimate of its useful economic life, on pro-rata basis as under :

a. Technical Know-how fees	: 5 years	b. Software	: 3 years
----------------------------	-----------	-------------	-----------

Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal or external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

2.4 Inventories

Inventories are valued at lower of cost and estimated net realisable value after providing for cost of obsolescence as detailed under:

- (i) Raw materials, stores and spare parts, packing materials, fuel and oil are valued at cost and appropriated direct expenses. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be utilised are expected to be sold at or above cost.
- (ii) Work in progress is valued at cost, which includes material cost, direct expenses and appropriate overheads.
- (iii) Manufactured finished goods are valued at lower of cost and estimated net realisable value. Cost includes material cost, excise duty, direct expenses and appropriate overheads. Traded finished goods are valued at lower of cost and estimated net realisable value.

(Currency: Rupees in thousands unless otherwise stated)

Cost is determined on the basis of weighted average method and includes all costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost necessary to make the sale.

- (iv) Goods in transit is valued at cost incurred till date.
- (v) Loose tools are amortised over a period of three years from the date of purchase.
- (vi) Custom duty on goods where title has been passed to the Company is included in the value of inventories.

2.5 Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

- (i) **Sale of Goods**
Revenue is recognised upon dispatch of goods to customers. Sales are inclusive of excise duty, freight, octroi and insurance, installation charges in some cases, export incentives and net of sales returns, value-added tax, sales tax and trade discounts. Excise duty recovered is not the entire liability arising during the year. Export sales is recognised on the date of bill of lading.
- (ii) **Service Income**
Revenue from service operations is recognised as and when services are rendered in accordance with the terms of the contract. Maintenance revenue is recognised over the period of respective contracts.
- (iii) **Interest**
Interest Income is recognised on a time proportion basis taking into account the outstanding amount and the applicable rate.

2.6 Retirement benefits

- (i) Retirement benefits in the form of Provident and superannuation Fund is a defined contribution scheme and the contributions are charged to the Profit and Loss Account. There are no other obligations other than the contribution payable to the respective fund.
- (ii) Gratuity liability is defined benefit obligations and are provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.
- (iii) Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.
- (iv) Actuarial gains/losses are immediately taken to Profit and Loss Account and are not deferred.

2.7 Foreign currency transactions

- (i) **Initial Recognition**
Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.
- (ii) **Conversion**
Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.
- (iii) **Exchange Differences**
Exchange differences arising on account of settlement of monetary items or exchange differences arising on monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.
- (iv) **Forward exchange contracts not intended for trading or speculation purpose**
The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.
- (v) **Accounting for Derivatives**
As per the ICAI Announcement, accounting for derivative contracts, other than those covered under AS-11, are marked to market and the net loss after considering the offsetting effect on the underlying hedge item is charged to the income statement, net gains on derivative contracts are ignored.

(Currency: Rupees in thousands unless otherwise stated)

2.8 Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required 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.

2.9 Income Taxes

Tax expense comprises current, deferred and fringe benefit tax. Current income-tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at 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. If the company has carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognised only if there is virtual certainty backed by convincing evidence that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realized.

2.10 Minimum Alternate Tax (MAT) Credit

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 the Minimum Alternate tax (MAT) credit becomes eligible to be recognized 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 there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

2.11 Earnings Per Share (EPS)

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

2.12 Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

Assets given under a finance lease are recognised as a receivable at an amount equal to the net investment in the lease. The principal amount received reduces the net investment in the lease. Initial direct cost such as legal cost, brokerage costs, etc. are recognised in the Profit and Loss Account.

2.13 Cash and Cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

2.14 Segment Reporting

Identification of Segment

The Company's operating businesses are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

2.15 Government grants and subsidies

Grants and subsidies from the government are recognised when there is reasonable assurance that the grant or subsidy will be received and all attaching conditions will be complied with.

When the grant or subsidy relates to an expense item, such grant or subsidy is reduced from the expense item which it is intended to compensate.

2.16 Capital work in progress

All expenditure, including advances given during the project construction period, are accumulated and shown as capital work in progress until the assets are ready for commercial use. Assets under construction are not depreciated.

(Currency: Rupees in thousands unless otherwise stated)

3. Segment Reporting

Business Segment:

The Company's business consists manufacture, sales and trading of Home Appliances. Since the Company's business falls within a single reportable business segment, disclosure requirements of Accounting Standard (AS) 17 – Segment Reporting are not reported upon separately.

Geographical Segment:

Secondary segmental reporting is based on the geographical location of customers. The geographical segments have been disclosed based on revenues within India (sales to customers within India) and revenues outside India (sales to customers located outside India). Secondary segment assets are based on the location of such asset.

(Figures in parenthesis represent previous year numbers)

Segment Revenues	India		Outside India		Total	
Sales (including export benefits)	4,289,831	(3,098,072)	8,811	(9,670)	4,298,642	(3,107,742)
Service Income	167,418	(141,157)	-	(-)	167,418	(141,157)
Other Income	59,050	(22,253)	33,868	(31,513)	92,918	(53,766)
Total	4,516,299	(3,261,482)	42,679	(41,183)	4,558,978	(3,302,665)
Segment Assets						
Carrying amount of segment assets	2,854,993	(2,015,561)	3,185	(195)	2,858,178	(2,015,756)
Addition to fixed assets	127,922	(47,043)	-	(-)	127,922	(47,043)

4. Related Party Transactions

(a) List of related Parties and Relationship

Relation	Party
A. Related parties exercising control	Hitachi Ltd., Japan, (ultimate Holding Company) Hitachi Appliances Inc., Japan (Holding Company)
B. Parties under common control (Fellow Subsidiaries)	Hitachi Air Conditioning Products (M) Bhd Hitachi Asia Ltd. - Singapore Hitachi Asia Ltd. - Hongkong Hitachi Household Appliances (Wuhu) Co. Ltd. Hitachi Procurement Service Co. Ltd. Hitachi Metglas (India) Pvt. Ltd. Luvata Hitachi Cable (Thailand) Ltd. Shanghai Hitachi Electrical Appliances Co. Ltd. Shanghai Hitachi Household Appliances Co. Hitachi Consumer Products (Thailand) Ltd. Taiwan Hitachi Co. Ltd. Renesas Technology Singapore Pte. Ltd. Hitachi Home Electronics Asia (S) Pte. Ltd. Hitachi Data Systems Hitachi Koki India Ltd. Hitachi Air Conditioning & Refrigerating Products (Guangzhou) Co. Ltd. Hitachi India Trading Pvt. Ltd. Hitachi India Pvt. Ltd. Hitachi Air Conditioning Systems Co. Ltd. Hitachi Lift India Private Ltd. Hitachi Transport System (Asia) Pte. Ltd. Hitachi Transport System India Pvt. Ltd.

Hitachi Home & Life Solutions (India) Limited

(Currency: Rupees in thousands unless otherwise stated)

C. Key Managerial personnel	Mr. Kenichi Munakata	(Chairman since Feb 1, 2008)
	Mr. Akira Kamitani	(Chairman upto Feb 1, 2008)
	Mr. Shinichi Iizuka	(Managing Director)
	Mr. Rakesh Khanna	(Executive Director upto April 30, 2007)
	Mr. Vinay Chauhan	(Executive Director)
	Mr. Amit Doshi	(Executive Director since June 1, 2007)
	Mr. Anil Shah	(Executive Director since June 1, 2007)

Related Parties defined under clause 3 of AS – 18 “Related Party Disclosures” have been identified on the basis of representation made by the management and information available with the Company.

(b) Related Party Transactions
(Figures in parenthesis represent previous year numbers)

Sr. No.	Transactions	Holding Company	Fellow Subsidiaries	Key Management Personnel
1	Purchase of Raw Material			
	Shanghai Hitachi Electrical Appl. Co. Ltd.	- (-)	384,642 (186,542)	- (-)
	Hitachi Household Appliances (Wuhu) Co. Ltd.	- (-)	89,130 (57,131)	- (-)
	Luvata Hitachi Cable (Thailand) Ltd.	- (-)	181,974 (130,340)	- (-)
	Others	- (-)	71,703 (20,826)	- (-)
2	Purchase of Trading Material			
	Hitachi Asia Ltd.	- (-)	32,016 (20,159)	- (-)
	Hitachi Consumer Products (Thailand) Ltd.	- (-)	129,543 (119,683)	- (-)
	Others	- (-)	- (4,540)	- (-)
3	Purchase of Material for Developmental work			
	Hitachi Household Appliances (Wuhu) Co. Ltd.	- (-)	100 (-)	- (-)
	Hitachi Airconditioning Products (M) Bhd	- (-)	- (32)	- (-)
	Shanghai Hitachi Electrical Appliances Co. Ltd.	- (-)	20 (180)	- (-)
	Others	- (-)	- (3)	- (-)
4	Training Expenses			
	Hitachi Appliances Inc.	290 (-)	- (-)	- (-)
5	Technical know-how			
	Hitachi Appliances Inc.	43,275 (41,256)	- (-)	- (-)
6	Engineer Despatch Fees			
	Hitachi Appliances Inc.	- (208)	- (-)	- (-)
7	Commission Income			
	Hitachi Asia Ltd.	- (-)	33,868 (31,513)	- (-)
8	Sale of Goods			
	Hitachi Home Electronics Asia (S) Pte. Ltd.	- (-)	- (1,525)	- (-)
	Hitachi Appliances Inc.	- (53)	- (-)	- (-)
	Hitachi Air Conditioning & Refrigerating Products (Guangzhou) Co. Ltd.	- (-)	(53) (53)	- (-)
	Hitachi Koki India Ltd.	- (-)	467 (191)	- (-)
	Hitachi Lift India Pvt. Ltd.	- (-)	681 (-)	- (-)
	Shanghai Hitachi Electrical Appliances Co. Ltd.	- (-)	37 (-)	- (-)
	Hitachi India Trading Pvt. Ltd.	- (-)	88 (-)	- (-)
	Others	- (-)	- (30)	- (-)

(Currency: Rupees in thousands unless otherwise stated)

Sr. No.	Transactions	Holding Company		Fellow Subsidiaries		Key Management Personnel	
9	Rendering of Services Hitachi India Trading Pvt. Ltd.	-	(-)	19	(4)	-	(-)
10	Interest Expenses (Including Interest on external commercial borrowings) Hitachi Appliances Inc.	4,219	(6,981)	-	(-)	-	(-)
11	Advertisement Recovery Hitachi Asia Ltd.	-	(-)	582	(432)	-	(-)
12	Sales commission Hitachi Appliances Inc.	340	(304)	-	(-)	-	(-)
13	Remuneration paid Mr. Akira Kamitani Mr. Shinichi Iizuka Mr. Vinay Chauhan Mr. Rakesh Khanna Mr Amit Doshi Mr Anil Shah	-	(-)	-	(-)	-	(1,628)
		-	(-)	-	(-)	3,553	(3,556)
		-	(-)	-	(-)	3,153	(2,591)
		-	(-)	-	(-)	439	(2,703)
		-	(-)	-	(-)	2,403	(-)
		-	(-)	-	(-)	2,383	(-)
14	Other Misc. Expenses Hitachi Appliances Inc.	-	(1,663)	-	(-)	-	(-)
15	Royalty Hitachi Appliances Inc.	35,785	(11,452)	-	(-)	-	(-)
16	Foreign Travel Hitachi Appliances Inc.	391	(-)	-	(-)	-	(-)
17	Purchase of capital goods Hitachi Appliances Inc. Hitachi Asia Ltd.	19,147	(-)	-	(-)	-	(-)
		-	(-)	35,713	(-)	-	(-)
18	Reimbursement Received Hitachi Appliances Inc. Hitachi Asia Ltd. Hitachi Transport Systems (Asia) Pte. Ltd.	246	(-)	-	(-)	-	(-)
		-	(-)	512	(-)	-	(-)
		-	(-)	68	(-)	-	(-)
19	Import freight, local freight and custom clearing expenses Hitachi Transport Systems India Pvt. Ltd.	-	(-)	2,350	(-)	-	(-)
20	Repayment of long term loan Hitachi Appliances Inc.	186,014	(79,675)	-	(-)	-	(-)
	Debit Balance Outstanding as on March 31, 2008	-	(-)	40,778	(22,794)	420	(372)
	Credit Balance Outstanding as on March 31, 2008	171,389	(349,289)	104,443	(72,776)	8	(-)

Note: The Company does not have transactions with enterprises over which key management personnel can exercise significant influence.

Hitachi Home & Life Solutions (India) Limited

(Currency: Rupees in thousands unless otherwise stated)

5. Contingent liabilities

Particulars	As at March 31, 2008	As at March 31, 2007
Income tax matters	3,207	3,207
Excise duty, service tax, sales tax and customs duty matters under dispute:		
Excise duty	37,881	38,260
Service tax	14,990	-
Sales tax	41,721	49,285
Customs duty	92	92
Guarantees given by the bankers to various authorities on behalf of the Company	24,796	31,782
Claims against the Company not acknowledged as debts	7,032	5,504
Total	<u>129,719</u>	<u>128,130</u>

6. Capital Commitments

The estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 14,958 (Previous year: Rs. 662).

7. Based on information available with the Company, there are no suppliers who are registered as micro, small or medium enterprise under "The Micro, Small and Medium Enterprise Development Act, 2006" as at March 31, 2008.

8. Earnings per share (EPS)

	Year Ended March 31, 2008	Year Ended March 31, 2007
Net profit as per Profit and Loss Account (Rs. In 000's)	422,485	193,265
Weighted average number of equity shares considered in calculating basic EPS	22,960,008	22,960,008
Weighted average number of equity shares considered in calculating diluted EPS	22,960,008	22,960,008
Basic earnings per share	18.40	8.42
Diluted earnings per share	18.40	8.42

9. Income Tax

Current Tax -

The Company has earned taxable income in the current year. Provision for tax has been computed under normal taxation whereas in previous year, provision for tax has been computed under MAT in accordance with section 115 JB of the Income Tax Act, 1961.

Deferred Tax -

Components of deferred tax are as under:

Particulars	As at March 31, 2008	As at March 31, 2007
Deferred Tax Liabilities recognised for timing difference due to :		
Depreciation on fixed assets	(18,101)	(25,298)
Deferred Tax Liabilities	(18,101)	(25,298)
Deferred Tax Assets recognised for timing difference due to :		
Unabsorbed depreciation and carried forward losses	-	25,298
Provision for doubtful debts	1,663	-
Provision for gratuity	1,803	-
Provision for leave encashment	4,763	-
Provision for super-annuation	347	-
Deferred Tax Assets	8,576	25,298
Net Deferred Tax (Liabilities)	(9,525)	-

(Currency: Rupees in thousands unless otherwise stated)

10. 5 Years Warranty Provision

The Company gives 5 years warranty at the time of sale to purchasers of its products. Product warranty expense is calculated based on past historical data of replacement of compressors and cost incurred thereon and is provided for in the year of sale. The movement in the product warranty expense account during the year is as under:

(Figures in parenthesis represent previous year numbers)

Balance as on March 31, 2007 (Rs.)	Provision during the year (Rs.)	Utilised during the year (Rs.)	Reversal during the year (Rs.)	Balance as on March 31, 2008 (Rs.)
32,038	8,919	9,567	4,578	26,812
(31,666)	(7,749)	(7,377)	(-)	(32,038)

11. Lease

(a) The Company had leased out plant & machinery on finance lease. The lease term was for 2 years. There was no escalation clause in the lease agreement. There were no restrictions imposed by lease arrangements.

Finance Lease

	As at March 31, 2008	As at March 31, 2007
Total Gross investment in lease	-	191
Unguaranteed residual value	-	-
Present value of minimum lease payments	-	191
Gross investment in the lease for the year:		
Not later than one year	-	191
Later than one year but not later than five years	-	-
Unearned finance income	-	-

b) Assets taken under operating leases are cancelable leases. Amount debited to Profit and Loss Account for the year Rs. 11,463 (Previous year: Rs. 9,100).

12. Forward contracts outstanding as at Balance Sheet date

(Currency in thousands)

Particulars	As at March 31, 2008	As at March 31, 2007
Import Creditors	US\$ 944	US\$ 278
Acceptances	US\$ 499	US\$ 72

13. Particulars of unhedged foreign currency exposure as at the balance sheet date

(Currency in thousands)

Particulars	Currency	As at March 31, 2008	As at March 31, 2007
Import Creditors	US\$	6,328	4,779
Import Creditors	JPY	2,060	14,037
Acceptances	US\$	5,873	3,206
Technical Know How fees	JPY	95,445	31,500
Creditors for commission payment	US\$	-	5
Advance to vendors	US\$	1,303	966
Advance to vendors	Euro	-	2
Advance to vendors	JPY	16	116
Export Debtors	US\$	4	4
Advance from customer	US\$	1	-
Commission receivables	US\$	76	-
Commission receivables	JPY	-	-
External Commercial Borrowings	US\$	2,921	7,640
Swap cost payable	US\$	29	69
ECB Interest (accrued but not due)	US\$	13	32

Hitachi Home & Life Solutions (India) Limited

(Currency: Rupees in thousands unless otherwise stated)

14. Selling & Distribution Expenses and Other Manufacturing & Operating Expenses are net of write back of excess provision of earlier years amounting to Rs. 7,553 (Previous year: Rs. 21,217) and Rs. 1,950 (Previous year: Rs. 9,419) respectively.
15. The cash flow statement has been prepared under the indirect method.
16. Disclosure as per Accounting Standard-15(Revised) on Retirement Benefit.
The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summarise the components of net benefit expense recognised in the Profit and Loss Account and the funded status and amounts recognised in the balance sheet for the plan.

Profit and Loss Account

Net employee benefit expense (recognised in Employee Cost)

	As at March 31, 2008	As at March 31, 2007
Current service cost	2,034	1,591
Add : Interest cost on benefit obligation	1,019	1,031
Less : Expected return on plan assets	(848)	(501)
Add : Net actuarial (gain) / loss recognised in the year	3,353	(1,785)
Past service cost	-	-
Net benefit expense	5,558	336
Actual return on plan assets	883	489

Balance sheetDetails of Provision for gratuity

	As at March 31, 2008	As at March 31, 2007
Defined benefit obligation	17,989	12,739
Less : Fair value of plan assets	(12,682)	(8,158)
Net	5,307	4,581
Less: Unrecognised past service cost	-	-
Plan asset / (liability)	(5,307)	(4,581)

Changes in the present value of the defined benefit obligation are as follows:

	As at March 31, 2008	As at March 31, 2007
Opening defined benefit obligation	12,739	12,883
Add : Interest cost	1,019	1,031
Add : Current service cost	2,034	1,591
Less : Benefits paid	(1,190)	(97)
Add : Actuarial (gains) / losses on obligation	3,387	(2,669)
Closing defined benefit obligation	17,989	12,739

Changes in the fair value of plan assets are as follows:

	As at March 31, 2008	As at March 31, 2007
Opening fair value of plan assets	8,158	4,864
Add : Expected return	848	501
Add : Contributions by employer	3,641	3,774
Less : Benefits paid	-	(97)
Add : Actuarial gains / (losses)	35	(884)
Closing fair value of plan assets	12,682	8,158

The Company expects to contribute Rs.4,000* to gratuity fund in 2008-09.

* Estimated at 8.36% of Projected Annual Salary Bill

(Currency: Rupees in thousands unless otherwise stated)

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	As at March 31, 2008	As at March 31, 2007
Investments with insurer	100%	100%

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The principal assumptions used in determining gratuity obligations for the Company's plans are shown below:

	As at March 31, 2008	As at March 31, 2007
Discount rate	8%	8%
Expected rate of return on assets	8.5%	8%
Increase in Compensation cost	7%	7%
Employee turnover	3%	3%*

* 3% at younger ages reducing to 1% at older ages.

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Amounts for the current year are as follows:

	As at March 31, 2008	As at March 31, 2007
Defined benefit obligation	17,989	12,738
Plan assets	12,682	8,158
Surplus / (deficit)	(5,307)	(4,580)
Experience adjustments on plan liabilities	N.A	N.A
Experience adjustments on plan assets	N.A	N.A

17. Supplementary statutory information

(i) Auditors' remuneration (excluding Service Tax) (included in legal and professional fees)	For the year ended March 31, 2008	For the year ended March 31, 2007
Audit fees	850	850
Tax audit fees	300	300
Other services (limited reviews)	750	750
Out of pocket expenses	132	126
Total	2,032	2,026

(ii) **Managerial remuneration**

Personnel Expenses include managerial remuneration for directors as set out below:

Salary	5,209	6,010
Allowance and Perquisites	5,962	4,172
Provident Fund and Superannuation	760	296
Total	11,931	10,478

As the future liability for Gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amount pertaining to the directors is not ascertainable and therefore not included above.

As there is no commission payable to the directors, the computation of profits under section 198 and 350 of the Companies act, 1956 has not been disclosed.

(iii) Research and development expenditure incurred and charged to the Profit and Loss Account	23,330	19,712
---	---------------	--------

(Currency: Rupees in thousands unless otherwise stated)

(iv) Earnings and expenditure in foreign exchange	For the year ended March 31, 2008	For the year ended March 31, 2007
(a) Earnings in foreign currency on accrual basis		
Export of goods (on FOB basis)	8,782	10,138
Commission Income	33,868	31,513
Total	42,650	41,651
(b) Expenditure in foreign exchange on accrual basis		
Interest	3,807	6,223
Royalty	32,206	9,804
Travelling	2,607	2,156
Commission	340	343
Technical know how (capitalised)	38,947	37,156
Others	3,630	1,153
Total	81,537	56,835
(c) Value of imports calculated on CIF basis		
Capital goods	81,209	1,700
Raw materials, components & spares parts	1,144,889	679,877
Trading Goods	177,322	164,639
Total	1,403,420	846,216

18. The Company is eligible for refund of excise duty paid on goods manufactured and removed from Jammu unit, other than the amount of duty paid by utilisation of CENVAT credit, in terms of Notification No. 56/2002-CE dated 14-11-2002. Excise duty recovered as disclosed in the Profit and Loss Account is net of such refund of Rs. 58,347 (Previous year: Rs. 39,876).

19. In the current year, the Company re-estimated useful life of certain assets vide Para 2.3. Had the Company continued to use earlier basis of providing depreciation, the charge to the Profit and Loss Account before taxation for the current year would have been lower by Rs. 19,318 and the net block of fixed assets would correspondingly be higher by the same amount.

20. The company has working capital facilities from banks secured by hypothecation of inventories, book debts and movable fixed assets and by equitable mortgage of certain immovable fixed assets of the Company.

21. Pursuant to the announcement made by the ICAI on March 29, 2008 on "Accounting for Derivatives", derivative contracts are marked to market at the reporting date and resulting loss, if any, is recognised in the Profit and Loss Account. For the current year, there is no marked to market loss charged to the Profit and Loss Account.

22. Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956:

(i) Capacities and Production

Class of goods manufactured	Annual licensed capacity	March 31, 2008		March 31, 2007		Actual production
		Annual installed capacity*	Actual production	Annual licensed capacity	Annual installed capacity	
Airconditioners	Delicensed } Delicensed }	150,000	137,436	Delicensed } Delicensed }	150,000	102,143
Sub Assembly			-			

* The installed capacity has been certified by the management, which the auditors have relied on without verification as this is a technical matter and is calculated based on the single shift Working.

(Currency: Rupees in thousands unless otherwise stated)

(ii) Sales of Goods

	Year ended March 31, 2008		Year ended March 31, 2007	
	Quantity (Nos.)	Value	Quantity (Nos.)	Value
Manufacturing Items (Including of excise duty)				
Air conditioners	134,344	4,505,171	100,380	3,109,780
Sub Assembly #	-	-	4,647	-
Visi coolers	-	-	53*	-
Scrap Sales	Assorted	30,332	Assorted	21,217
Total		4,535,503		3,130,997
Trading Items				
Air conditioners	443	9,614	5,087	115,457
Spares-Air conditioner	Assorted	27,233	Assorted	21,728
Air conditioning Systems	Assorted	36,052	Assorted	18,223
Dispensers	-	-	88*	-
Stabilisers	Assorted	20,670	Assorted	20,365
Jet Spray	-	-	6*	-
Deep Freezers	-	-	4*	-
Gas tables	3	3	22	6
Refrigerators	7,087	228,274	5,724	174,389
Washing Machines	1,757	30,761	2,013	34,880
Total		352,607		385,048

The OEM sales and related consumption has been adjusted against sales and consumption.

*Discarded during the year.

(iii) Trading Items

	Year ended March 31, 2008		Year ended March 31, 2007	
	Quantity (Nos.)	Value	Quantity (Nos.)	Value
Opening Stocks				
Air conditioners	9	341	451	4,881
Spares-Air conditioner	Assorted	16,823	Assorted	13,228
Air conditioning Systems	Assorted	16,857	Assorted	7,180
Dispensers	-	-	88	3,081
Stabilisers	Assorted	1,721	Assorted	1,091
Spares-Commercial Refrigeration	Assorted	-	Assorted	-
Jet Spray	-	-	6	-
Deep Freezers	-	-	4	-
Gas tables	108	155	130	191
Refrigerators	2,071	50,271	1,842	40,731
Washing Machines	1,393	20,171	646	8,984
Total		106,339		79,367
Purchases				
Air conditioners	439	5,339	4,645	66,891
Spares-Air conditioner	Assorted	23,582	Assorted	16,112
Air conditioning Systems	Assorted	40,848	Assorted	33,497
Stabilisers	Assorted	15,472	Assorted	17,839
Dispensers	-	-	-	(3,081)
Refrigerators	7,002	165,408	5,953	1,57,149
Washing Machines	854	12,010	2,760	38,992
Total		262,659		327,399
Closing Stocks				
Air conditioners	5	222	9	341
Spares-Air conditioner	Assorted	33,007	Assorted	16,823
Air conditioning Systems	Assorted	26,559	Assorted	16,857
Stabilisers	Assorted	1,436	Assorted	1,721
Gas tables	105	151	108	155
Refrigerators	1,986	47,712	2,071	50,271
Washing Machines	490	7,999	1,393	20,171
Total		117,086		106,339

Hitachi Home & Life Solutions (India) Limited

(Currency: Rupees in thousands unless otherwise stated)

(iv) Inventories

Class of Goods	Year ended March 31, 2008		Year ended March 31, 2007	
	Quantity (Nos.)	Value	Quantity (Nos.)	Value
Finished Goods (Closing Stocks)				
Manufacturing Items				
Air conditioners	13,744	289,566	10,652	220,511
Finished goods (Opening Stocks)				
Manufacturing Items				
Air conditioners	10,652	220,511	8,889	170,246
Visi Coolers	-	-	53	329
Total		220,511		170,575

(v) Raw materials, bought out components and spare parts consumed #

	Unit	Year ended March 31, 2008		Year ended March 31, 2007	
		Quantity	Value	Quantity	Value
Compressors	Nos	164,812	529,955	115,888	453,971
Fan Motors	Nos	228,612	205,915	156,208	139,598
CRCA / GP Sheets	Kgs	4,581,823	204,258	3,658,574	151,377
Paints	Kgs	112,518	14,643	81,394	9,695
Aluminum	Kgs	635,303	99,451	465,884	78,608
Copper	Kgs	834,937	305,214	621,413	244,057
Others (Including packing material)	Assorted	Assorted	1,333,514		813,056
Total			2,692,950		1,890,362

includes consumption against production of Sub-assemblies.

(vi) Imported and indigenous raw materials and spare parts consumed (including trading goods consumed)

	Year ended March 31, 2008		Year ended March 31, 2007	
	Value	% of total consumption	Value	% of total consumption
Imported	1,297,888	44	858,431	39
Indigenous	1,646,974	56	1,332,358	61
Total	2,944,862	100	2,190,789	100

23. Prior year comparatives

The previous year figures have been regrouped wherever necessary to confirm to current year's classification.

For S.R. Batliboi & Co.
Chartered Accountants

For and on behalf of the Board of Directors

per Vijay Maniar
Partner
Membership No: 36738

Shinichi Iizuka
Managing Director

Anil Shah
Executive Director

Parag Dave
Asst. Company Secretary

Place: Mumbai
Date: May 15, 2008

Ahmedabad, Gujarat
May 15, 2008

(Currency: Rupees in thousands unless otherwise stated)

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**I Registration Details**

Registration No.	07470
State Code	04
Balance Sheet Date	31.03.2008

II Capital raised during the year

Public Issue	-
Rights Issue	-
Bonus Issue	-
Private Placement	-
Naked warrants Pref. offer	-

III Position of mobilisation and deployment of funds

Total Liabilities	961,439
Total Assets	961,439

Sources of Funds

Paid up Capital	229,600
Reserves and surplus	604,761
Secured Loans	286
Unsecured Loans	117,267
Deferred Tax Liabilities	9,525

Application of Funds

Net fixed assets	411,301
Net current assets	550,138

IV Performance of Company

Total income	4,558,978
Total expenditure	4,090,182
Profit before tax	468,796
Profit after tax	422,485
Earning per share (Rs.)	18.40
Dividend rate %	-

V Generic names of three principal products/ services of Company (As per monetary terms)

Item Code No. (ITC Code)	Product Description
8415	Room Air Conditioners & Packaged Air Conditioners
8418	Refrigerated beverages fountain and visicoolers and chest coolers
8450	Washing Machine

For and on behalf of the Board of Directors**Shinichi Iizuka**
Managing Director**Anil Shah**
Executive DirectorPlace: Ahmedabad, Gujarat
Date: May 15, 2008**Parag Dave**
Asst. Company Secretary

GLIMPSSES OF THE YEAR



VISIT OF PRESIDENT - HITACHI LIMITED



INSPIRATION OF THE YEAR AWARD



ACREX EXHIBITION



PRODUCT LAUNCH WITH THE THEME
GLOBALLY THE BEST™



MANAGEMENT DEVELOPMENT
PROGRAMME AT IIM-AHMEDABAD



BEST KAIZEN AWARD



ANNUAL DAY CELEBRATION

PRESS ADVERTISEMENTS

HITACHI
Inspire The Next

Introducing the world's first Auto Humidity Control (ACE) feature. The intelligent sensor automatically adjusts the humidity level to keep you comfortable. No need to worry about dry air or over-humidification. Just enjoy the fresh, clean air that ACE provides. It's the only feature of its kind in the world.

THANKFULLY THERE'S ONE TO COUNTER SWEAT.

AUTO HUMIDITY CONTROL FEATURE OF ACE

HITACHI
Inspire The Next

Introducing the world's first Silent Cool feature. The intelligent sensor automatically adjusts the fan speed to keep you comfortable. No need to worry about noise. Just enjoy the fresh, clean air that ACE provides. It's the only feature of its kind in the world.

THANKFULLY THERE'S ONE TO ESCAPE IT.

SILENT COOL FEATURE OF ACE

HITACHI
Inspire The Next

Need 15% more storage space for your vegetables? Hitachi refrigerators come packed with special compartments that have 15% more space than standard refrigerators. The fresh, crisp, more storage space you need. Plus, the built-in vegetable crispers extend the life of your produce. So the next time you're grocery shopping, you'll be able to enjoy your fresh produce for an extra week or two.

SPACE & FRESHNESS OF THE REFRIGERATOR RANGE

HITACHI
Inspire The Next

THERE'S NO BUTTON TO CHECK TEARS.

FORTUNATELY THERE'S ONE TO COUNTER SWEAT.

THANKFULLY THERE'S ONE TO COUNTER SWEAT.

AUTO HUMIDITY CONTROL FEATURE OF ACE

HITACHI
Inspire The Next

Simple designs are the best designs.

SELF-CONTAINED INVERTER AC

HITACHI
Inspire The Next

THERE'S NO BUTTON TO CHECK NOISE POLLUTION.

THANKFULLY THERE'S ONE TO ESCAPE IT.

SILENT COOL FEATURE OF ACE

HITACHI
Inspire The Next

TAKUMI LAUNCH

HITACHI
Inspire The Next

SPACE FEATURE OF TAKUMI

HITACHI
Inspire The Next

FLEXIBILITY FEATURE OF TAKUMI

HITACHI
Inspire The Next

DRAIN PUMP FEATURE OF TAKUMI

TELEVISION COMMERCIAL

If there was a button
for everything...

A button for IMAGINATION...

A button for PERFECTION...

A button for LOVE...

A button for HOPE...

A button for COMPANY...

A button for MAKING UP...

A button for COURAGE...

A button for FREEDOM...

A button for FORGIVENESS...

What if there was a
button to
uncomplicate life...

HITACHI
Inspire the Next

The new
ACE from
Hitachi



A button for AUTO HUMID CONTROL

TITLE: "UNCOMPLICATE LIFE AT THE TOUCH OF A BUTTON"

DURATION: 60 SECONDS

HITACHI

Inspire the Next

Hitachi Home & Life Solutions (India) Limited

Regd. Office: 9th Floor, Abhijeet-I, Mithakhali Six Roads, Ahmedabad - 380 006, Gujarat, India
Head Office & Works: Hitachi Complex, Karan Nagar - 382 727, Kadi, Dist. Mehsana, Gujarat, India
e-mail: hitachi@hitachi-hli.com, Website: www.hitachi-hli.com