


**HITACHI**  
Inspire the Next



**ANNUAL REPORT**

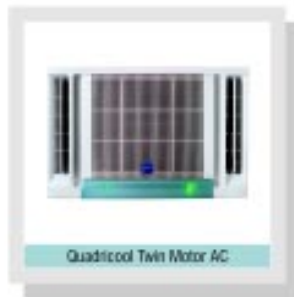
2006 - 2007

**VI SERIES**

Stunningly beautiful

Hitachi Home & Life Solutions (India) Limited

# OUR PRODUCT RANGE



# LETTER FROM CHAIRMAN

I would like to take this opportunity to greet all the shareholders of Hitachi Home & Life Solutions (India) Ltd. {HHLI}. I had spent a memorable term of three years as Managing Director of HHLI till September-2006. I am fortunate to have an opportunity to serve you as the Chairperson of HHLI from April-2007.

HHLI has made an Operating Profit (Profit before Depreciation, Interest and Tax) of Rs. 291.75 Mn. and made a great contribution to the consolidated accounts of Hitachi Group.

During the year 2006-07, corresponding to the economic growth of India, significant growth took place in consumer durable industry too, including Home Appliances industry. Amidst Home Appliances Industry, Air conditioners experienced the sales growth of 20-25% over previous year.

In the Room Air conditioner segment, share of the Split AC has increased to around 45%. Foremost reasons of such increase can be summarized as it enhances beauty, provides efficient cooling capacity and costs a little more as compared to the Window AC. Other segment which has considerably grown is the Commercial segment, comprising of Ductable & Packaged Air conditioners and large sized chillers.

During the year, concept of Vi Series range of home appliances was launched by HHLI. Vi (pronounced 'Be') is the Japanese Character for beauty, conveys the stunning beauty of the Home Appliances range from HHLI. HHLI has always set a trend in technology and innovation and is far ahead in setting up new concepts and features in the Air-conditioning. HHLI introduced the new range of split type Air conditioners, 'IOTA', as a technologically superior air conditioner and the new 16.5 Tr. Convertible Ductable AC during the year.

Growth in the industry invites competition also. New entrants and other low cost brands have put pressure on the manufacturers of consumer durable industries to drop the prices. The major difference in Air conditioning business between India and Japan is the proportion of sales channels. The mass retailers' influence is much bigger in Japan, reducing the profit margin of Manufacturers. In the near future, India will probably see a similar situation. HHLI is expected to establish its own way of doing business to meet business challenges. The trading business of new range of products introduced in last financial year i.e. Refrigerators and Washing Machines, has been well accepted in the market.

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.



**Akira Kamitani**

Chairman  
Hitachi Home & Life Solutions (India) Ltd.

# BOARD OF DIRECTORS



**Akira Kamitani**  
Chairman



**Shinichi Iizuka**  
Managing Director



**Amit Doshi**  
Director  
Corporate Affairs



**Anil Shah**  
Director  
Finance & Accounts



**Vinay Chauhan**  
Director  
Supply Chain



**L.G. Ramakrishnan**  
Director



**Mukesh Patel**  
Director



**Ravindra Jain**  
Director



**Tarun Sheth**  
Director



**BOARD OF DIRECTORS**

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

Chairman  
Managing Director  
Director-Corporate Affairs  
Director-Finance & Accounts  
Director-Supply Chain  
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,  
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.  
Nr. Ashok Mills, Naroda Road,  
Ahmedabad : 380 025

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## DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Twenty Second Annual Report along with the Audited Financial Statements for the year ended on March 31, 2007.

### Financial Highlights

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

	<b>For the year ended March 31, 2007</b>	<b>(Rs. in Mn.)</b> For the year ended March 31, 2006
Income from operations	<b>3657.20</b>	2905.91
Less : Excise Duty	<b>408.30</b>	330.69
Other Income	<b>53.77</b>	34.92
Total Income	<b>3302.67</b>	2610.14
Profit before interest, depreciation and tax	<b>291.75</b>	230.27
Interest	<b>24.40</b>	27.31
Depreciation	<b>45.05</b>	45.98
Tax	<b>29.03</b>	8.42
Profit after tax	<b>193.27</b>	148.56

### Dividend

Considering the past accumulated losses, your Directors do not propose any dividend on Equity Shares for the year ended March 31, 2007.

### Operating & Financial Performance

The year under review has again shown a bright trend for the air conditioning market. The industry has clocked above 1.50 Mn units with a growth rate of approx 20% over last year. The penetration level for the Air Conditioners still stands at 1.5-2%. Top Metros still are the major hubs for its sale.

There is continuity in the high growth rate of demand for the Split ACs and this is shown in the figures of your company also. The contribution for the Split AC in industry has gone upto 45%. The change is mainly due to narrowing down of the pricing differential between the Window AC and Split AC and Change in Indian Consumer taste who has become more discerning.

The capacity enhancement across industry involves massive investments in the infrastructure development. The demographic trends; rising income levels, increase in domestic consumption and strong economic momentum are all adding to the industrial capex. Sizeable Capex is lined up for both in manufacturing and the Service sector especially in retail IT & ITES services. All these factors have contributed to the growth in our commercial category which includes products like Ductable ACs and Chillers. We also foresee a bright opportunity for the category in years to come.

The trend of importing the low cost air conditioners by established players as well as the Chinese players continued this year also. Your company managed to retain the High Quality Position and hence retained the price realisation in spite of stiff competition. This was made possible by the consistent performance of delivery by marketing, sales and supply chain of your company. The year also saw the introduction of 16.5 Tr Ductable and 'Vi series' concept marketing by your company. The introduction of 16.5 Tr Ductable is surely going to be a trend setter in the category. 'Vi series' is a step forward in our value selling marketing concept.

## Hitachi Home & Life Solutions (India) Limited

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The Room Air conditioners are driven by the increasing consumerism, higher income levels, low cost consumer credit and rising aspirations. This industry is perceived as one of the fastest growing industries amongst consumer durables.

The emergence of many new brands and low cost brands from china has put a pressure on the manufacturers to decrease the price for the desired sales volumes. Your company has maintained its prices and at the same time has ensured the achievement of the volume targets set for itself. The price drop has been curtailed by providing a value proposition for the customers. The company has been able to successfully stabilise the concept of Atom + One in the market. The company has also launched the new IOTA Split AC as a technologically superior air conditioner over the existing Split AC *Sense i*. The emergence of these products as technologically superior flagship brands and replacing the well established older ones has reaffirmed the positioning of HHLI as a technological leader and an innovative brand.

The Chillers category of business has also added to our growth spree and has shown a growth of nearly 40% over last year. This year also saw the introduction of high capacity chillers in this segment.

Your Company has made Operating Profit (Profit before Depreciation, Interest and Tax) of Rs. 291.75 Mn. for the year ended March 31, 2007 as against Rs. 230.27 Mn. for the year ended March 31, 2006 and made net profit after tax of Rs. 193.27 Mn. during the year under review as compared to a net profit of Rs. 148.56 Mn. for previous year.

### Future Prospects

In the current year your company is growing in its established line of business and at the same time is stabilising in new lines of business of Refrigerators and Washing Machines.

The Refrigerators and Washing Machines which are imported CBUs were introduced in the financial year 2005-06 and have now established in the market. In keeping with our philosophy of doing business these products have been selected after lot of care and promise to keep consumers delighted through HHLI offerings. The range of Split AC, Chillers and Ductables will help maintain healthy operating margins and at the same time reduce the impact of seasonality from our business operations. This will help in overcoming the pressure to perform in the season only.

The year under review also saw the implementation of software based Service Management System. This was a step further in the philosophy of customer focus that our company has embarked upon. This, in synergy with customer care, will surely help enhance our efficiencies for the consumer response for handling service related queries.

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 beauty for our range of products. The gamut of beauty is much more than physical aspects of the products and comprises of all the parameters which are important for the customer delight. The new range will be called as 'Vi Series' (pronounced as 'Be') Series. It will comprise of Window AC, Split AC, Refrigerators and Washing Machines. It is visually depicted by a Japanese character giving a strong association with the Japanese superior technology. The new concept not only provides a strong association to what our product stands for but at the same time brings in synergy for our overall communication.

To summarize Indian Air-conditioning industry is growing at a hectic pace and is providing a huge opportunity for all the players. The market has overall done well. The product mix is changing towards high value Split AC. Your company with presence in both residential and commercial air-conditioning is poised to best utilize the opportunity provided. Hence your company has set up a target to grow at a higher than the industry rate in Split AC & Ductable categories in the coming financial year. The outlook for the new segment of Refrigerators and Washing Machines is positive and seeing the new products getting established, promises a bright and sustaining future.

Hence the outlook for your company remains positive.



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**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, 2007 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 : Karan Nagar, Gujarat  
Date : May 19, 2007

**Vinay Chauhan**  
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

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

As on March 31, 2007, Board of the Company comprised eight members, three of them were Executive Directors. Out of remaining five non-executive Directors three Directors were 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. Hiroshi Tadenuma	Chairman / Non-Executive	Nil	Nil	Nil
Mr. Shinichi Iizuka	Executive	Nil	Nil	1
Mr. Rakesh Khanna	Executive	Nil	Nil	1
Mr. Vinay Chauhan	Executive	Nil	Nil	1
Mr. L G Ramakrishnan	Non-Executive	Nil	1	2
Mr. Mukesh Patel	Non-Executive / Independent	5	5	3
Mr. Ravindra Jain	Non-Executive / Independent	Nil	Nil	2
Mr. Tarun Sheth	Non-Executive / Independent	3	2	5

#### Attendance of Board Meeting and Annual General Meeting

During the year from April 1, 2006 to March 31, 2007, 4 (Four) Board Meetings were held on May 15, 2006, July 31, 2006, October 20, 2006 and January 30, 2007. The last Annual General Meeting was held on July 25, 2006. 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. Hiroshi Tadenuma	0	Absent
Mr. Akira Kamitani*	2	Present
Mr. Shinichi Iizuka**	3	Absent
Mr. Rakesh Khanna	4	Present
Mr. Vinay Chauhan	4	Present
Mr. L G Ramakrishnan	4	Present
Mr. Mukesh Patel	4	Present
Mr. Ravindra Jain	3	Absent
Mr. Tarun Sheth	3	Absent

\* Resigned as Managing Director on September 30, 2006

\*\* Appointed as Managing Director on October 01, 2006

**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, 2007 are as under :

<b>Name of Director</b>	<b>No of Shares held</b>
Mr. Hiroshi Tadenuma	Nil
Mr. L G Ramakrishnan	Nil
Mr. Mukesh Patel	Nil
Mr. Tarun Sheth	1000

**Brief Resume of Directors seeking appointment / re-appointment**

**Mr. Akira Kamitani**

Mr. Akira Kamitani, aged 59 Years, has done his Mechanical Engineering from Ritsumeikan University, Japan and associated with Hitachi for over 34 years in Refrigeration and Airconditioning Division.

Mr. Akira Kamitani does not hold any Share of the Company either in his name or held by / for other persons on a beneficial basis in the company.

In no public limited Company incorporated in India, he is a Director or a Member of any Committee.

**Mr. Amit Doshi**

Mr. Amit Doshi, aged 47 years, is Bachelor of Engineering and has done Post Graduate Diploma in Management. He has an extensive experience of around 23 years in various areas like Sales, Marketing, Service, New Business Development, Logistics, HR, etc. He is associated with the Company since 1994.

Mr. Amit Doshi does not hold any Share of the Company either in his name or held by / for other persons on a beneficial basis in the company.

In no public limited Company incorporated in India, he is a Director or a Member of any Committee.

**Mr. Anil shah**

Mr. Anil Shah, aged 48 years, is Bachelor of Commerce and a Chartered Accountant. He has an extensive experience of around 26 years in various areas like Finance, Accounts, Budgeting, Costing, Legal, Direct & Indirect Taxation etc. He is associated with the company since 1984.

Mr. Anil Shah does not hold any Share of the Company either in his name or held by / for other persons on a beneficial basis in the company.

In no public limited Company incorporated in India, he is a Director or a Member of any Committee.

**Mr. L G Ramakrishnan**

Mr. L G Ramakrishnan, aged 56 years is graduate in Science Faculty and has done his Diploma in Electronics Engineering from Madras Institute of Technology. In his carrier he was associated with Design and Engineering of Communication equipments with Bharat Electronics Ltd., Bangalore before joining Hitachi. He is having an extensive experience of about 31 years and associated with Hitachi since last 23 years.

In no public limited Company incorporated in India, he is a Director or a Member of any Committee.

**Mr. Ravindra Jain**

Mr. Ravindra Jain, aged 49 years, has done Post Graduate Diploma in Management from Indian Institute of Management (IIM), Ahmedabad in which he stood at Seventh Rank. He secured Gold Medal in B.E.(Elect) from M. Regional Engineering College, Jaipur. In his career he was associated with many large corporates and has an extensive experience of about 27 years in various areas like Strategic Planning, New Business Development, Marketing, Sales & Services, Group Product Management, etc. Presently he is holding position of President of Adani Agrifresh Ltd.

Mr. Ravindra Jain does not hold any Share of the Company either in his name or held by / for other persons on a beneficial basis in the company.

In no public limited Company incorporated in India, he is a Director or a Member of any Committee.

## Hitachi Home & Life Solutions (India) Limited

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### Mr. Shinichi Iizuka

Mr. Shinichi Iizuka aged 51 years is a Japanese National. He is a Graduate from Sophia University, Japan in the faculty of Electronics Engineering in 1979. He is associated with Hitachi since April, 1979 and has an experience of about 28 years in the related field. He was in the Design Department of Hitachi of Japan prior to joining the Company.

Mr. Shinichi Iizuka does not hold any Share of the Company either in his name or held by / for other persons on a beneficial basis in the company.

In no public limited Company incorporated in India, he is a Director or a Member of any Committee.

### Mr. Vinay Chauhan

Mr. Vinay Chauhan, aged 47 years, is Bachelor of Engineering and has done Post Graduate Diploma in Industrial Engineering. He has an extensive experience of around 23 years in various areas like Design and Development, Quality Management, Manufacturing, etc. He is associated with the Company since 1993.

Mr. Vinay Chauhan holds 200 Equity Shares of the Company.

In no public limited Company incorporated in India, he is a Director or a Member of any Committee.

### Audit Committee

Audit Committee comprised four members, all being Non-executive Directors out of which three were independent Directors. Audit Committee effectively exercise its role, responsibilities and powers as prescribed in Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956.

#### Members of the Audit Committee as on March 31, 2007 were as under:

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

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During the year under review the Audit Committee Meetings were held on May 15, 2006, July 31, 2006, October 20, 2006 and January 30, 2007. Attendance of the members at the meetings were as under:

#### Name of Members of Committee                      Meetings attended

---

Mr. Mukesh Patel	4
Mr. L G Ramakrishnan	4
Mr. Ravindra Jain	2
Mr. Tarun Sheth	3

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### 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 as on March 31, 2007 were as under:

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

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During the year under review the Remuneration Committee Meetings were held on May 15, 2006, and October 20, 2006. Attendance of the members at the meetings were as under:

#### Name of Members of Committee                      Meetings attended

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Mr. Tarun Sheth	2
Mr. L G Ramakrishnan	2
Mr. Ravindra Jain	1
Mr. Mukesh Patel	2

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**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 for attending Board meeting, Audit Committee Meeting and Remuneration Committee Meeting attended by them.

Remuneration of directors during the year under review :

(in Rupees)

Name of Director	Salary*	Sitting Fees	Total Remuneration
Mr. Hiroshi Tadenuma	Nil	Nil	Nil
Mr. Akira Kamitani	1627951	Nil	1627951
Mr. Shinichi Iizuka	3556312	Nil	3556312
Mr. Rakesh Khanna	2702969	Nil	2702969
Mr. Vinay Chauhan	2590822	Nil	2590822
Mr. L G Ramakrishnan	Nil	Nil	Nil
Mr. Mukesh Patel	Nil	165000	165000
Mr. Ravindra Jain	Nil	100000	100000
Mr. Tarun Sheth	Nil	125000	125000

\*Salary includes basic salary, allowances, perquisites, contribution to provident fund and superannuation funds.

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, 2007:

Mr. L G Ramakrishnan	– Chairman
Mr. Shinichi Iizuka	– Member
Mr. Rakesh Khanna	– 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, 2007
1.	Non-receipt of share certificates after transfer	2	2	0
2.	Non-receipt of Dividend Warrants	1	1	0
3.	Non-receipt of Duplicate Share Certificates	0	0	0
4.	Query regarding demat credit	4	4	0
5.	Others : Annual Report	2	2	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 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, 2007 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.

## Hitachi Home & Life Solutions (India) Limited

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### Information relating to last three Annual General Meetings

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Date	Time	Venue	Special resolutions passed
June 28, 2004	9.30 a.m.	Bhaikaka Bhavan, Nr.Law Garden, Ahmedabad	No special resolution passed.
June 30, 2005	9.30 a.m.	Bhaikaka Bhavan, Nr. Law Garden, Ahmedabad	1. To increase remuneration of Mr. Akira Kamitani as Managing Director. 2. 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	1. To re-appoint and fix the remuneration of Mr. Akira Kamitani as Managing Director. 2. To appoint and fix the remuneration of Mr. Shinichi Iizuka as Whole time Director. 3. To appoint Mr. Rakesh Khanna as Director, Process Owner-Sales, Service & Marketing. 4. To appoint Mr. Vinay Chauhan as Director, Process Owner-Supply Chain.

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No special resolution passed 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
Wednesday, July 25, 2007	9.30 a.m.	H.T. Parekh Convention Centre, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Vastrapur, Ahmedabad - 380 015

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Financial year : From April 1, 2006 to March 31, 2007

Book closure : From July 23, 2007 to July 25, 2007 (Both days inclusive)

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

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

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

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The Company has paid Annual Listing Fees for the year 2007-08 to the above Stock Exchanges.



## 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-2006	89.50	72.00	12,102.00	11,008.43	89.00	74.00	3598.95	3290.35
May-2006	100.55	66.55	12,671.11	9,826.91	99.60	69.00	3774.15	2896.40
June-2006	83.50	51.50	10,626.84	8,799.01	85.00	52.10	3134.15	2595.65
July-2006	75.45	57.45	10,940.45	9,875.35	75.35	57.40	3208.85	2878.25
August-2006	80.40	67.05	11,794.43	10,645.99	80.25	64.10	3452.30	3113.60
September-2006	80.70	67.10	12,485.17	11,444.18	81.00	67.10	3603.70	3328.45
October- 2006	82.90	73.60	13,075.85	12,178.83	82.90	74.10	3782.85	3508.65
November-2006	111.90	77.00	13,799.08	12,937.30	111.50	77.55	3976.80	3737.00
December-2006	104.30	84.10	14,035.30	12,801.65	105.00	82.55	4046.85	3657.65
January-2007	123.40	100.00	14,325.92	13,303.22	129.10	99.10	4167.15	3833.60
February-2007	109.20	83.00	14,723.88	12,800.91	113.00	80.10	4245.30	3674.85
March-2007	93.90	64.10	13,386.95	12,316.10	94.40	74.35	3901.75	3554.50

## Registrars and Transfer Agents

Pinnacle Shares Registry Pvt. Ltd.

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

Contact person : Mr. Gautam Shah / 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, 2007

Category	No. of Shares Held	% of Shareholding
<b>Promoters' Holding</b>	16050000	69.90
<b>Non Promoters' Holding</b>		
Mutual Funds and UTI	4500	0.02
Banks, Financial Institutions, Insurance Companies	1150	0.01
FII's	817243	3.56
Bodies Corporate	1355460	5.90
Indian Public	4379552	19.08
NRIs	352103	1.53
<b>Total</b>	<b>22960008</b>	<b>100.00</b>

## Distribution of shareholding as on March 31, 2006

Shares Balance	No. of Holders	% of Holders	No. of Shares	% of Shares
1-500	13686	90.52	2097331	9.13
501-1000	825	5.46	668979	2.91
1001-2000	310	2.05	479169	2.09
2001-3000	107	0.71	278368	1.21
3001-4000	41	0.27	144150	0.63
4001-5000	43	0.28	206514	0.90
5001-10000	56	0.37	418953	1.82
10001-99999999	51	0.34	18666544	81.30
<b>Total</b>	<b>15119</b>	<b>100.00</b>	<b>22960008</b>	<b>100.00</b>

## **Hitachi Home & Life Solutions (India) Limited**

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### **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, 2007, 73.99% 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, 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 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 11, 2007

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### **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, 2007, 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.

#### **S.R. Batliboi & Co.**

Chartered Accountants

**per Vijay Maniar**

Partner

Membership No.: 36738

Place : Mumbai

Date : May 19, 2007

## **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 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 250,000 Mn. The home appliances industry (products that your company deals in) is estimated to be around Rs 87,500 Mn. Refrigerators contribute to the largest share of this at around Rs 38,000 Mn. followed by Room Air Conditioners at around Rs 27,500 Mn. and Washing Machines at 14,000 Mn.

#### **Air Conditioning Industry**

The Indian air-conditioning industry is witnessing a radical change. There is a significant trend of the growing demand for the branded products. This has resulted in to reduction of the share of the unorganized sector. The simplification of fiscal structure of duties has put up all the players on the equal platform. Also there has been an increase in the awareness and need for more of value added features in the air conditioners. The air conditioner industry enjoys the highest growth as a category in the appliances and is expected to grow over 20% in the years to come. The Ductable and the central air-conditioning system (CAS) which contributes to over Rs. 9,000 Mn. has been buoyant in the recent years and the growth in this category has exceeded 20%. This can be mainly attributed to the sizable capex rise both in the manufacturing and service sector especially in the IT and ITES services.

#### **Room Air Conditioners**

The category consists of both the Window AC and Split AC for the use in residential and commercial spaces. The increase in the affordability levels and high ambient temperatures experienced in the summer months are the key growth drivers for the AC market in India. Growing aspiration levels, purchase power of consumers and easy availability of finance schemes are the factors which have resulted in the acceptance of air conditioners as the utility items rather than a luxury one in many households and are now one in many preference list of household items. Your company has introduced a new product in Splits AC 'IOTA' at an aggressive price point to catch on the trend. This price point is still at approximately 50% premium over the market average price.

#### **Commercial range of Air Conditioners**

The commercial air-conditioning comprises of both the Ductable Split AC and Large sized chillers. These find usage in the entire commercial sector comprising restaurants, retail shops, banks, offices, malls, supermarkets. The market for this segment is expected to grow in the range of 20-25%. The gamut of usage for the segment has increased. The huge opportunity provided has seen a large number of global players entering this segment and the competition is going to heat up in near future. HHLI with its range of Microcool Ductable is committed to doing well in this sector. This year saw the launch of new 16.5 Tr Ductable by HHLI in this segment. This is unique because first time in India your company has launched a truly convertible Ductable Air conditioner. Convertible means that it can be suspended from ceiling or can be mounted on the floor. Hence this product not only caters to the consultant's specification but also adds to the architects delight. In the chiller division your company has launched large capacity chillers. HHLI will be able to leverage its strength of technically sound exclusive dealers across India who share HHLI value system of delivering high level of customer satisfaction.

#### **Refrigerators and Washing Machines**

HHLI introduced 3- Door Refrigerators and Big Capacity Washing Machines last year. These are imported from Hitachi factory in Thailand. The concept of 3-Door and the top loading fully automatic washing machines in large capacities is gaining popularity in India. We have been able to stabilize in sales. HHLI has strategically decided to operate in the premium range in this segment. HHLI is poised to grow in this segment.

#### **Product Group Wise Performance**

HHLI is in the forefront in Indian Air-conditioning industry with many firsts to its credit. HHLI has always pioneered in technology and innovation. 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 Split AC, 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. The consistent efforts of marketing and sales team 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, our company has introduced New IOTA Split AC. Atom+One and Quadricool TM together with IOTA have reaffirmed HHLI's place as the innovation leader in the minds of Indian consumer. Because of its strong focus on quality of products and standards which are stricter than the Indian standards, HHLI has become a brand of choice in the consumers' mind. We have been able to capture sizeable premium on our products and also maintain our market share.

In the Ductable category, HHLI has repeated the trend of outperforming the market and has grown at a rate of 27% over last year. The addition of new 16.5 Tr truly convertible Ductable Microcool air conditioner surely is going to help your company to repeat history this year also. We have set for ourselves much higher growth targets.

HHLI through its imported screw chillers and addition of roof tops and large capacity chillers is poised to grow in a segment which is set to grow at a tremendous pace.

## **Hitachi Home & Life Solutions (India) Limited**

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### **Brand Equity**

HHLI has been consistently pursuing the brand building activities to ensure positive associations with the brand. It is pursuing the overall customer focus and all its operations have been oriented for the customer. We have evolved to a stage wherein we are having the concept communication rather than the product communication. We transcend the communication to the destination concept visualization which forms an interactivity point of the customer and hence is able to orient the product features towards the concept for the benefit of the customer. Also by unification of our communication and a strategy to have round the year presence in the customers' mind has made us think of innovative ways to induce positive association for the brand.

### **Future Outlook- Threats, Opportunities**

The reduction of the price gap between the Split AC (SAC) and Window AC (WAC) has fuelled the growth of the Split AC segment. The phenomenal growth of the Split AC segment can also be attributed to high disposable income of consumers, their aesthetic looks and less noise compared to the Window AC. Your company has recently introduced Iota and Atom + one which will form the flagship brands for fuelling our growth in the Splits. As a result of growth in SAC the impact has shown on the WAC Category. While the growth of WAC is stagnant in the market, your company expects de-growth in the WAC segment.

The emergence of retail is a new opportunity for the company which will form a bulk buyer for our range of products. It will uplift the sales of Commercial Air Conditioning segment (Ductables and Chillers) on its Infrastructure development and will form a major bulk buyer for RAC, Refrigerators & Washing Machines during its operations. At the same time your company understands that the advent and full development of retail will result in the erosion of the profit margins for your company in the long run due to bulky buying by these retailers.

In the Refrigerators, the market is expected to be driven by the frost free refrigerators. The penetration levels although better than Air conditioners still are low and has a huge untapped potential. Overall the segment is expected to have a 10-12% growth.

The washing machines are seeing price erosion especially in the top loading fully automatic segment. Your company with a host of unique features has been able to maintain its pricing and is committed to grow. Pricing however remains a challenge.

To summarize India is poised to grow so is your company. HHLI remains committed in its endeavor to be a profitable venture.

### **Human Resources**

The number of Staff at HHLI as on March 31, 2007 was 293. Achievement & Performance of the vision of any Organization lies on the commitment of every employee towards attaining them. HHLI has felt the above need and has made a conscious effort to attain and continuously improve a desired high level of performance at Individual level. HHLI launched a Goal based Performance Management System - Goal Setting & Monitoring (GSM) System for performance mapping. The 3-Tier objective of the GSM system was to attain High monetary rewards for performance, career planning based on Annual Appraisals & Development plan for employee.

The focus on training & development was reinforced during the year. Development initiatives were taken with a view to align business priorities with aspiration of employees leading to development of self & organization. HHLI developed various programs like Management Development Program (MDP) in collaboration with IIM-A.

Out Bound Training (OBT) programs were organized for Team Building purpose. As a focus on Behavioral Training Program, a Transcendental Meditation (TM) training program had also been organized.

Taking the Knowledge management initiative forward, HHLI this year launched *i2i*, an intranet portal to integrate information with intelligence. *i2i* represents a coordinated view of our People & Organization.

During 06-07 HHLI also upgraded few best capable Operators to Staff so as to foster motivation and innovation in the environment.

HHLI also recognized the Long Term Association and services given by Employees for growth & development of the organization. An appreciation Certificate along with Gold Coin and Holidays for rejuvenation, as a token of recognition were offered to the employees this year.

### **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 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.

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**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, 2007 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, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2007 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, 2007;
    - 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.

**S.R. Batliboi & Co.**  
Chartered Accountants

**per Vijay Maniar**  
Partner  
Membership No.: 36738

Place : Mumbai  
Date : May 19, 2007

**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 identified 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 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, sales-tax, wealth-tax, service 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:

<b>Name of the Statute</b>	<b>Nature of Dues</b>	<b>Amount (Rs. in '000)</b>	<b>Period to which the amount relates</b>	<b>Forum where dispute is pending</b>
Income Tax Act, 1961	Disallowance of certain claims and interest thereon	336	A.Y. 1992-93 to A.Y. 1993-94	Income Tax Appellate Tribunal ('ITAT')
Central Excise & Customs Act, 1944	Allegation of removal not as per rules.	1,785	April 1987 to December 1987 and March 1999	CESTAT and Joint Commissioner
	Valuation of goods u/s 4A	35,531	March 2001 to August 2003.	CESTAT and Commissioner (Appeals) of Central Excise



**Hitachi Home & Life Solutions (India) Limited**

<b>Name of the Statute</b>	<b>Nature of Dues</b>	<b>Amount (Rs. in '000)</b>	<b>Period to which the amount relates</b>	<b>Forum where dispute is pending</b>
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	51,553	1998-99 to 2003-04	Deputy Commissioner- Appeals
Customs Act, 1962	Dispute over classification	92	Various	Deputy Commissioner

- (x) The Company's accumulated losses at the end of the financial year are less than fifty per cent of its net worth 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.

**S.R. Batliboi & Co.**  
Chartered Accountants

**per Vijay Maniar**  
Partner  
Membership No.: 36738

Place : Mumbai  
Date : May 19, 2007

**BALANCE SHEET AS AT MARCH 31, 2007**

(Currency: Rupees in thousands unless otherwise stated)

	Schedules	As at March 31, 2007	As at March 31, 2006
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	229,600	229,600
Reserves and Surplus	2	388,358	388,358
		<u>617,958</u>	<u>617,958</u>
<b>Loan Funds</b>			
Secured Loans	3	2,107	6,305
Unsecured Loans	4	332,291	421,189
		<u>334,398</u>	<u>427,494</u>
<b>TOTAL</b>		<u>952,356</u>	<u>1,045,452</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	628,487	590,980
Less: Accumulated Depreciation		362,052	318,795
Net Block		266,435	272,185
Capital Work-in-Progress (including capital advances)		40,579	1,314
		<u>307,014</u>	<u>273,499</u>
<b>Current Assets, Loans and Advances</b>			
Inventories	6	905,706	819,295
Sundry debtors	7	594,381	481,081
Cash and bank balances	8	37,996	23,653
Other Current Assets	9	15,222	-
Loans and advances	10	155,436	144,803
		<u>1,708,741</u>	<u>1,468,832</u>
<b>Current Liabilities and Provisions</b>			
Current liabilities	11	1,218,641	1,047,287
Provisions	12	50,840	48,939
		<u>1,269,481</u>	<u>1,096,226</u>
<b>Net Current Assets</b>		<u>439,260</u>	<u>372,606</u>
<b>Profit and Loss Account</b>		<u>206,082</u>	<u>399,347</u>
<b>TOTAL</b>		<u>952,356</u>	<u>1,045,452</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

**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

**Vinay Chauhan**  
Executive Director

**Parag Dave**  
Asst. Company Secretary

Place: Mumbai  
Date: May 19, 2007

Karan Nagar, Gujarat  
May 19, 2007

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007**

(Currency: Rupees in thousands unless otherwise stated)

	Schedules	For the year ended March 31, 2007	For the year ended March 31, 2006
<b>INCOME</b>			
Manufacturing sales - Domestic (Gross)		3,121,327	2,196,324
Manufacturing sales - Export (Including Export Benefits)		9,670	87,029
Trading sales		385,048	500,670
Service income		141,157	121,890
<b>TOTAL</b>		<b>3,657,202</b>	<b>2,905,913</b>
Less:Excise duty recovered		408,303	330,696
		<b>3,248,899</b>	<b>2,575,217</b>
Other income	13	53,766	34,919
<b>TOTAL</b>		<b>3,302,665</b>	<b>2,610,136</b>
<b>EXPENDITURE</b>			
Raw material and trading goods consumed	14	2,238,055	1,725,341
Personnel expenses	15	176,107	154,772
Other manufacturing and operating costs	16	286,564	238,962
Selling and distribution costs	17	390,710	317,870
(Increase)/Decrease in Inventories	18	(90,715)	(79,777)
Provisions, amortisation and adjustments	19	10,199	22,704
Depreciation	5	45,050	45,978
Finance cost (net)	20	24,400	27,307
<b>TOTAL</b>		<b>3,080,370</b>	<b>2,453,157</b>
<b>Profit before tax</b>		<b>222,295</b>	<b>156,979</b>
<b>Provision for income tax (Refer Note No. 10 of Schedule 21)</b>			
Current tax (MAT)		24,435	4,496
Deferred tax		-	-
Fringe Benefit Tax		4,595	3,927
<b>Net Profit after tax</b>		<b>193,265</b>	<b>148,556</b>
Balance brought forward from previous year		(399,347)	(547,903)
<b>Balance carried to Balance Sheet</b>		<b>(206,082)</b>	<b>(399,347)</b>
Basic and diluted earnings per share (Rs.) (Refer Note No. 9 of Schedule 21)		<b>8.42</b>	<b>6.47</b>
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

**S.R. Batliboi & Co.**  
Chartered Accountants

per **Vijay Maniar**  
Partner  
Membership No: 36738

Place: Mumbai  
Date: May 19, 2007

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

**Shinichi Iizuka**  
Managing Director

**Vinay Chauhan**  
Executive Director

**Parag Dave**  
Asst. Company Secretary

Karan Nagar, Gujarat  
May 19, 2007

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2007**

(Currency: Rupees in thousands unless otherwise stated)

	For the year ended March 31, 2007	For the year ended March 31, 2006
<b>A. Cash flow from operating activities</b>		
<b>Net profit before tax</b>	222,295	156,979
Adjustments for :		
Loss on sale/discard of assets (net)	1,271	9,931
Profit on Sale of Investments	-	(2,802)
Unrealised foreign exchange (gain) / loss (net)	(12,328)	7,045
Depreciation	45,050	45,978
Provision for loss on assets held for disposal	4,008	2,335
Provision for obsolete stock	3,191	17,178
Provision for doubtful advances (net of advances written off)	-	378
Provision for doubtful debts (net of debts written off)	3,000	2,813
Interest costs (net)	24,400	27,307
<b>Operating profit before working capital changes</b>	290,887	267,142
Adjustments for :		
(Increase) in trade receivables	(104,696)	40,566
(Decrease) in Provision for doubtful debts on account of bad debts written off during the year	(11,604)	(18,736)
(Decrease) in Provision for doubtful debts on account of transfer of provision to current liabilities	-	(2,732)
(Increase) in loans and advances	(15,898)	(12,533)
(Increase) in Other Current Assets	(15,222)	-
(Increase) in inventories	(89,601)	(241,973)
Increase in trade payables	166,555	130,322
(Decrease) in other provisions	(309)	(672)
<b>Cash (used in) / from operating activities</b>	220,112	161,384
Fringe Benefit Tax paid	(2,385)	(3,423)
Direct taxes paid	(19,562)	(1,000)
<b>Net cash (used in) / from operating activities</b>	198,165	156,961
<b>B. Cash flow from investing activities</b>		
Purchase of fixed assets	(43,463)	(19,849)
Proceeds from sale of fixed assets	2,464	4,499
Proceeds from sale of investments	-	571,353
Purchase of investments	-	(568,551)
Purchase of intangibles	(33,880)	(6,602)
Interest received	7,973	1,765
<b>Net cash used in investing activities</b>	(66,907)	(17,385)
<b>C. Cash flow from financing activities</b>		
Proceeds from Long term / Short term borrowings	-	3726
Repayments of Long term / Short term borrowings	(84,118)	(102,341)
Interest paid	(32,876)	(29,084)
<b>Net cash flow from / (used in) financing activities</b>	(116,994)	(127,699)
<b>Net increase / (decrease) in cash and cash equivalents (A+B+C)</b>	14,264	11,877
<b>Cash and cash equivalents at the beginning (see note)</b>	22,191	10,314
<b>Cash and cash equivalents at the end (see note)</b>	36,455	22,191
<b>Note:</b>		
Cash on hand	303	264
Bank balances in current accounts	4,280	6,013
Balances in cash credit accounts	31,872	15,914
<b>TOTAL</b>	36,455	22,191
Add:- Balance in Margin Accounts	1,541	1,462
Cash and Bank Balances	37,996	23,653

As set out in our attached report

**S.R. Batliboi & Co.**  
Chartered Accountants

per **Vijay Maniar**  
Partner  
Membership No: 36738

Place: Mumbai  
Date: May 19, 2007

For and on behalf of the Board of Directors

**Shinichi Iizuka**  
Managing Director

**Vinay Chauhan**  
Executive Director

**Parag Dave**  
Asst. Company Secretary

Karan Nagar, Gujarat  
May 19, 2007

**SCHEDULES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

(Currency: Rupees in thousands unless otherwise stated)

	As at March 31, 2007	As at March 31, 2006
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**SCHEDULE 1: SHARE CAPITAL**

**Authorised**

30,000,000 (Previous year: 30,000,000)

Equity shares of Rs. 10 each	300,000	300,000
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	300,000	300,000
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**Issued, subscribed and paid up**

22,960,008 (Previous year: 22,960,008)

Equity shares of Rs 10 each fully paid-up	229,600	229,600
-------------------------------------------	---------	---------

	229,600	229,600
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**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 (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
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Securities Premium account (balance as per last balance sheet)	387,692	387,692
----------------------------------------------------------------	---------	---------

	388,358	388,358
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**SCHEDULE 3: SECURED LOANS**

Working capital from banks

	-	292
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Others	2,107	6,013
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	2,107	6,305
--	-------	-------

1. Working capital includes cash credit, working capital demand loan and export packing credit from banks secured by way of (i) pari passu first charge on the whole of the Company's stock of raw materials, stock in process, finished goods, stores and spares, packing materials lying at the Company's godown, factory premises and Company's all present and future book debts, receivables, domestic and exports outstanding monies, receivable claims, bills, contracts engagements, securities, investments, rights and assets and (ii) first pari passu charge on the fixed assets of the Company.
2. Others represent vehicle loans secured by way of hypothecation of vehicles out of which loans aggregating to Rs. 1,656 (Previous year Rs. 3,693) are repayable within one year.

**SCHEDULE 4: UNSECURED LOANS**

External commercial borrowings from the holding company (Short-term)

	78,186	-
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(Maximum amount outstanding at any time during the year Rs.160,453

(previous year Rs. Nil)

External commercial borrowings from the holding company (Long-term)	254,105	421,189
---------------------------------------------------------------------	---------	---------

(Due within one year Rs. 127,053 (previous year Rs. 80,226)

	332,291	421,189
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**Note:**

The above foreign currency loans aggregating to Japanese Yen (JPY) 850,000,000 (previous year Yen (JPY) 1,050,000,000) 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, 2006		For the year		Deductions		As on March 31, 2007		As on	As on
	1-Apr-06			31-Mar-07	Depre- ciation	Provision	Depre- ciation	Provision	Depre- ciation	Provision	Depre- ciation	Provision	31-Mar-07	31-Mar-06
<b>Intangible Assets</b>														
Trade Mark	21,000	-	-	21,000	21,000	-	-	-	-	-	-	21,000	-	-
Software Capitalisation	30,498	2,071	-	32,569	27,301	-	1,916	-	-	-	-	29,217	-	3,352
Technical know how	24,399	4,458	-	28,857	7,625	-	4,958	-	-	-	-	12,583	-	16,274
<b>Tangible assets</b>														
Land	2,734	-	-	2,734	-	-	-	-	-	-	-	-	-	2,734
Buildings	61,499	894	400	61,993	12,900	-	1,822	-	108	-	-	14,614	-	47,379
Plant & Machinery	340,078	16,125	1,492	354,711	169,248	24,284	23,627	624	563	331	192,312	24,577	137,822	146,546
Computers	45,920	11,845	215	57,550	34,192	-	5,609	-	132	-	-	39,669	-	17,881
Furniture, fixture and office equipments	34,949	2,875	3,322	34,502	11,850	-	2,971	3,384	1,660	485	13,161	2,899	18,442	23,099
Electrical Installations	7,016	3,894	424	10,486	2,608	24	510	-	273	-	2,845	24	7,617	4,384
Vehicles	22,887	4,881	3,683	24,085	7,763	-	3,637	-	2,249	-	9,151	-	14,934	15,124
<b>TOTAL</b>	<b>590,980</b>	<b>47,043</b>	<b>9,536</b>	<b>628,487</b>	<b>294,487</b>	<b>24,308</b>	<b>45,050</b>	<b>4,008</b>	<b>4,985</b>	<b>816</b>	<b>334,552</b>	<b>27,500</b>	<b>266,435</b>	<b>272,185</b>
Previous year	597,892	40,035	46,947	590,980	276,265	26,734	45,978	2,335	27,756	4,761	294,487	24,308	272,185	
Capital work in progress													40,579	1,314
<b>Total</b>													<b>307,014</b>	<b>273,499</b>

**Notes:**

- 1 Plant & Machinery includes testing equipments and moulds with net block of Rs. 41,123 (Previous year: Rs. 49,484).
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. 1,456 towards capital advance (Previous year Rs. 750)
4. Plant & Machinery includes machinery with gross block of Rs. 61,170 (Previous year: Rs. 58,783) at net block value of Rs.368 (Previous year: Rs. 514) which are held for disposal. Net Block value of Rs. 368 (Previous year: Rs. 514) represents estimated realisable value, as determined by the management.

**As at  
March 31, 2007**                      **As at  
March 31, 2006**

**SCHEDULE 6: INVENTORIES**

Raw materials	<b>305,182</b>	267,473
Work-in-progress	<b>70,442</b>	34,072
Finished goods	<b>224,920</b>	170,575
Trading goods	<b>106,339</b>	79,367
Stores and spares	<b>2,506</b>	8,819
Loose tools	<b>27</b>	34
	<b>709,416</b>	560,340
Goods in transit	<b>196,290</b>	258,955
	<b>905,706</b>	819,295

**SCHEDULE 7: SUNDRY DEBTORS**

**Debts outstanding for a period exceeding six months**

Unsecured, Considered good	<b>20,630</b>	22,734
Considered doubtful	<b>25,225</b>	33,829
	<b>45,855</b>	56,563
<b>Other debts</b>		
Secured, Considered good	<b>12,672</b>	12,909
Unsecured, Considered good	<b>561,079</b>	445,438
	<b>619,606</b>	514,910
Less: Provision for doubtful debts	<b>25,225</b>	33,829
	<b>594,381</b>	481,081

Of the total provision existing as at March 31, 2006, the management has identified and written off bad debts aggregating to Rs. 11,604 (Previous Year: Rs.18,736)



(Currency: Rupees in thousands unless otherwise stated)

As at  
March 31, 2007

As at  
March 31, 2006

**SCHEDULE 8: CASH AND BANK BALANCES**

Cash on hand	303	264
Bank balance with scheduled banks		
on Current accounts	4,280	6,013
on Cash credit accounts	31,872	15,914
on Margin accounts	1,541	1,462
	<u>37,996</u>	<u>23,653</u>

**SCHEDULE 9: OTHER CURRENT ASSETS**

Unamortised Premium on forward contracts	28	-
Foreign Currency Receivable	15,194	-
	<u>15,222</u>	<u>-</u>

**SCHEDULE 10: LOANS AND ADVANCES**

(Unsecured)

Advances recoverable in cash or in kind or for value to be received		
- Considered good	144,989	126,271
- Considered doubtful	5,256	5,635
	<u>150,245</u>	<u>131,906</u>
Less: Provision for doubtful advances	5,256	5,635
	<u>144,989</u>	<u>126,271</u>

Of the total provision existing as at March 31, 2006, the management has identified and written off doubtful advances aggregating to Rs.379 (Previous Year: Rs. 159)

Advance payment of tax	33,247	15,354
Less : Provision for tax	27,164	7,226
	<u>6,083</u>	<u>8,128</u>
Balances with excise, customs and port trust authorities	4,173	7,917
Recoverable against Assets given under Finance Lease	191	2,487
	<u>155,436</u>	<u>144,803</u>

Advances considered good includes due from principal officers Rs.41 (previous year Rs.67) & directors Rs. 331 (previous year Rs. 28).

Maximum amount outstanding during the period from principal officer Rs.67 (Rs. 99) and directors Rs.1,512 (previous year: Rs.129)

**Hitachi Home & Life Solutions (India) Limited**

(Currency: Rupees in thousands unless otherwise stated)

	As at March 31, 2007	As at March 31, 2006
<b>SCHEDULE 11: CURRENT LIABILITIES</b>		
Acceptances	208,785	110,282
Sundry creditors:		
- Small scale industrial undertaking (Refer Note No. 7 of Schedule 21)	57,333	44,055
- Others	331,722	314,897
Advance from customers	25,008	17,931
Income received in advance	26,740	23,229
Investor Education and Protection Fund shall be credited by Unclaimed Dividend as and when due.	246	247
Unclaimed Fixed deposits (including interest accrued but not due)	144	248
Other liabilities	539,272	521,606
Dealership deposits	12,672	12,909
Interest accrued but not due on loans	1,389	1,883
Forward Contracts	15,330	-
	<u>1,218,641</u>	<u>1,047,287</u>
<b>SCHEDULE 12: PROVISIONS</b>		
Gratuity	4,646	8,694
Superannuation	875	907
Leave encashment	11,071	7,168
5 Years Warranty	32,038	31,666
Fringe Benefit Tax (net of advance tax)	2,210	504
	<u>50,840</u>	<u>48,939</u>
	<b>For the year ended March 31, 2007</b>	<b>For the year ended March 31, 2006</b>
<b>SCHEDULE 13: OTHER INCOME</b>		
Excess provision written back	-	234
Sundry credit balances written back	5,802	10,662
Commission Income	31,513	19,339
Miscellaneous Income	1,507	1,882
Gain on Foreign Exchange Fluctuation (net)	14,944	-
Profit on Sale of Investments	-	2,802
	<u>53,766</u>	<u>34,919</u>
<b>SCHEDULE 14: RAW MATERIAL AND TRADING GOODS CONSUMED</b>		
Raw Material (including processing charges)	1,888,771	1,357,175
Trading goods consumed	298,827	327,207
Project Installation Cost	50,457	40,959
	<u>2,238,055</u>	<u>1,725,341</u>
<b>SCHEDULE 15: PERSONNEL EXPENSES</b>		
Salaries, wages and bonus	166,017	143,977
Contribution to provident fund	6,150	5,886
Workmen and staff welfare expenses	2,228	2,478
Gratuity expenses	787	1,524
Superannuation expenses	925	907
	<u>176,107</u>	<u>154,772</u>

(Currency: Rupees in thousands unless otherwise stated)

For the year ended For the year ended  
March 31, 2007 March 31, 2006

## SCHEDULE 16: OTHER MANUFACTURING AND OPERATING COSTS

AMC (Annual Maintenance Contracts) Expenses	90,277	79,624
Other Expenses of Service Operations	33,900	29,943
Travelling and conveyance	17,106	14,322
Legal and professional fees	11,641	12,463
Power and fuel	19,881	16,475
Telephone and communication	10,766	11,843
Rent	9,100	8,644
Repairs and maintenance		
- Plant and machinery	9,890	9,432
- Building	2,982	775
- Others	4,879	5,418
Rates and taxes	8,316	6,222
Insurance	3,676	3,135
Printing and stationery expenses	2,569	2,356
Loss on sale/discard of fixed assets	1,271	9,931
Loss on foreign exchange fluctuation	-	3,125
Loose tools consumed	2,858	1,513
Increase/(decrease) of Excise duty on Inventory	(192)	(224)
Miscellaneous expenses	57,644	23,965
	286,564	238,962

## SCHEDULE 17: SELLING AND DISTRIBUTION COSTS

Sales and warranty commission (other than sole selling agents)	94,174	86,048
Advertisement and sales promotion	144,662	109,416
Freight outward	140,225	109,400
Royalty	11,649	13,006
	390,710	317,870

## SCHEDULE 18: (INCREASE) / DECREASE IN INVENTORIES

<b>Closing Inventories</b>		
Work in Progress	70,442	34,072
Finished Goods	224,920	170,575
Total	295,362	204,647
<b>Opening Inventories</b>		
Work in Progress	34,072	31,620
Finished Goods	170,575	93,250
Total	204,647	124,870
(Increase)/Decrease in Inventories	(90,715)	(79,777)

## SCHEDULE 19: PROVISIONS, AMORTISATION AND ADJUSTMENTS

Provision for doubtful debts	3,000	2,813
Provision for doubtful advances	-	378
Provision for loss on assets held for disposal	4,008	2,335
Provision for slow moving/obsolete stock and stock adjustments	3,191	17,178
	10,199	22,704

## SCHEDULE 20: FINANCE COSTS

Interest on fixed loans	6,981	7,284
Interest others	7,012	2,497
Bank charges	18,389	19,267
	32,382	29,048
Less : Interest income (gross)	7,982	1,741
(Tax deducted at source Rs. 1,671 (Previous Year: Rs 337))		
	24,400	27,307

**SCHEDULE 21: NOTES TO ACCOUNTS**

(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 Indian 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 fourteen 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 mandatory Accounting Standards issued by the Institute of Chartered Accountants of India 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**

**Tangible assets**

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 are also included to the extent they relate to the period till such assets are ready to be put to use.

Depreciation is provided using the Straight Line Method as per the useful lives of the assets estimated by the management, or at the rates prescribed under schedule XIV of the Companies Act, 1956 whichever is higher except moulds which are depreciated considering its useful life as 5 years.

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

**Intangible assets**

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

- 1) Technical Know-how fees- 5 years
- 2) Software – 3 Years

**Impairment policy**

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized 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.

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.

- (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 inventory.

## **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. Export sales is recognized from 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) Payment for present liability of future payment of gratuity to employees is covered by a group gratuity policy under the cash accumulation system of Life Insurance Corporation of India (LIC). Provision for gratuity is based on actuarial valuation carried out by an independent actuary at the end of each financial year. Gratuity liability is defined benefit obligation.
- (ii) Retirement benefits in form of provident fund and superannuation scheme (defined contribution schemes) whether in pursuance of any law or otherwise is accounted on accrual basis and charged to profit and loss account. The Company contributes to the employees' provident fund maintained under the employees provident fund scheme by the central government for provident fund. Payments are made to the LIC for contribution towards superannuation fund in discharge of liabilities.
- (iii) Provision for leave encashment (including provident fund contribution thereon) is determined on the basis of actuarial valuation carried out by an independent actuary at the end of each financial year.
- (iv) Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation.
- (v) 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) Derivative Instruments**

The Company uses derivative financial instruments such as forward exchange contracts and interest rate swaps to hedge its risks associated with foreign currency fluctuations.

**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.

**Warranty Costs**

Provision for warranty costs is determined on the basis of management estimate of product wise liability and is calculated based on analysis of actual costs incurred in earlier years.

**2.9 Income Taxes**

Tax expense comprises current, deferred & fringe benefit tax. Current income-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 recognized 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 recognized 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.

**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)

<b>Segment Revenues</b>	<b>India</b>		<b>Outside India</b>		<b>Total</b>	
Sales (including export benefits)	<b>3,098,072</b>	(2,366,298)	<b>9,670</b>	(87,029)	<b>3,107,742</b>	(2,453,327)
Service Income	<b>141,157</b>	(121,890)	-	(-)	<b>141,157</b>	(121,890)
Other Income	<b>22,253</b>	(15,580)	<b>31,513</b>	(19,339)	<b>53,766</b>	(34,919)
<b>Total</b>	<b>3,261,482</b>	(2,503,768)	<b>41,183</b>	(106,368)	<b>3,302,665</b>	(2,610,136)

**Segment Assets**

Carrying amount of segment assets (debtors)	<b>2,015,561</b>	(1,731,633)	<b>195</b>	(10,698)	<b>2,015,756</b>	(1,742,331)
Addition to fixed assets	<b>47,043</b>	(40,035)	-	(-)	<b>47,043</b>	(40,035)

**4 Related Party Transactions**

(a) List of related Parties and Relationship.

<b>Relation</b>	<b>Party</b>
A. Related parties exercising Control	Hitachi Limited, Japan, Hitachi Appliances, Inc., Japan (formerly known as Hitachi Home & Life Solutions, Inc.)
B. Parties under common control	Hitachi Air Conditioning Products (M) Bhd Hitachi Asia Limited - Singapore Hitachi Asia Limited - Hongkong Hitachi Household Appliances (Wuhu) Co. Limited Hitachi Procurement Service Company, Limited Hitachi Metglas (India) Pvt. Limited Luvata Hitachi Cable (Thailand) Ltd. (formerly known as Outokumpu Hitachi Copper Tube (Thailand) Limited) Shanghai Hitachi Electrical Appliances Company Limited Shanghai Hitachi Household Appliances Company Taiwan Hitachi Company, Limited

## Hitachi Home & Life Solutions (India) Limited

Hitachi Consumer Products (Thailand) Limited  
 Renesas Technology Singapore Pte. Limited  
 Hitachi Home Electronics Asia (S) Pte. Limited  
 Hitachi Data Systems  
 Hitachi Koki India Limited  
 Hitachi Air Conditioning & Refrigerating Products  
 (Guangzhou) Co. Limited  
 Hitachi India Trading Pvt. Limited  
 Hitachi India Pvt. Limited  
 Hitachi Air Conditioning Systems Co. Limited

### C. Key Managerial personnel

Mr. Hiroshi Tadenuma (Chairman)  
 Mr. Akira Kamitani (Managing Director upto Sep 30, 2006)  
 Mr. Shinichi Iizuka (Whole Time Director upto Sep 30, 2006)  
 (Managing Director since Oct 01, 2006)  
 Mr. Rakesh Khanna (Executive Director)  
 Mr. Vinay Chauhan (Executive Director)

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	Related Parties exercising Control	Parties under Common Control	Key Management Personnel and their Relatives
1	<b>Purchase of Raw Material</b>			
	Shanghai Hitachi Electrical Appl. Co. Ltd.	- (-)	186,542 (207,520)	- (-)
	Hitachi Household Appliances (WUHU) Co. Ltd.	- (-)	57,131 (-)	- (-)
	Luvata Hitachi Cable (Thailand) Ltd.	- (-)	130,340 (73,447)	- (-)
	Others	- (-)	20,826 (26,238)	- (-)
2	<b>Purchase of Trading Material</b>			
	Hitachi Asia Ltd.	- (-)	20,159 (5,998)	- (-)
	Hitachi Consumer Products (Thailand) Ltd.	- (-)	119,683 (65,318)	- (-)
	Others	- (-)	4,540 (-)	- (-)
3	<b>Purchase of Material for Developmental work</b>			
	Hitachi Airconditioning Products (M) BHD	- (-)	32 (-)	- (-)
	Shanghai Hitachi Electrical Appliances Co. Ltd.	- (-)	180 (67)	- (-)
	Taiwan Hitachi Company, Ltd.	- (-)	- (311)	- (-)
	Hitachi Appliances, Inc.	- (28)	- (-)	- (-)
	Others	- (-)	3 (-)	- (-)
4	<b>Training Expenses</b>			
	Hitachi Asia Ltd.	- (-)	(-) (17)	- (-)
5	<b>Technical Know-how</b>			
	Hitachi Appliances, Inc.	41,256 (2,276)	- (-)	- (-)
6	<b>Engineer Despatch Fees</b>			
	Hitachi Appliances, Inc.	208 (-)	- (-)	- (-)
7	<b>Commission Income</b>			
	Hitachi Asia Ltd.	- (-)	31,513 (19,339)	- (-)
8	<b>Sale of Goods</b>			
	Hitachi Home Electronics Asia (S) Pte. Ltd.	- (-)	1,525 (4,093)	- (-)
	Hitachi Appliances, Inc.	53 (-)	- (-)	- (-)
	Others	- (-)	274 (-)	- (-)



Sr. No.	Transactions	Related Parties exercising Control	Parties under Common Control	Key Management Personnel and their Relatives
9	<b>Rendering of Services</b> Hitachi India Trading Pvt. Ltd.	-	(-)	4 (4) - (-)
10	<b>Interest Expenses (Including Interest on external commercial borrowings)</b> Hitachi Appliances, Inc.	6,981	(7,284)	- (-) - (-)
11	<b>Advertisement Recovery</b> Hitachi Asia Ltd.	-	(-)	432 (1,445) - (-)
12	<b>Sales commission</b> Hitachi Appliances, Inc	304	(1,704)	- (-) - (-)
13	<b>Remuneration paid</b> Mr. Akira Kamitani Mr. Shinichi Iizuka Mr. Vinay Chauhan Mr. Rakesh Khanna	- - - -	(-) (-) (-) (-)	- (-) 1,628 (3,073) - (-) 3,556 (3,191) - (-) 2,591 (-) - (-) 2,703 (-)
14	<b>Other Misc. Expenses</b> Hitachi Appliances, Inc.	1,663	(-)	- (-) - (-)
15	<b>Royalty</b> Hitachi Appliances, Inc.	11,452	(12,771)	- (-) - (-)
	<b>Debit Balance Outstanding as on March 31, 2007</b>	-	(-)	22,794 (12,150) 372 (85)
	<b>Credit Balance Outstanding as on March 31, 2007</b>	349,289	(426,459)	72,776 (91,362) - (-)

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

5 Contingent liabilities	As at March 31, 2007	As at March 31, 2006
Income tax matters	3,207	34,730
Excise duty, service tax, sales tax and customs duty matters under dispute:		
Excise duty	38,260	38,798
Service Tax	-	7,082
Sales tax	49,285	91,432
Customs duty	92	92
Guarantees given by the bankers to various authorities on behalf of the company	31,782	28,615
Claims against the Company not acknowledged as debts	5,504	4,973
Total	<u>128,130</u>	<u>205,722</u>

## 6 Capital Commitments

The estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs.662 (Previous year: Rs. 1,262).

- 7 As required by notification no. GSR 327 (E) dated 22 May 2002, issued by the Department of Company Affairs, Ministry of Law, Justice and Company Affairs, following are the different small scale undertaking to which the Company owes any sum outstanding for more than 30 days. The information regarding Small Scale Industrial Undertaking has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

## Hitachi Home & Life Solutions (India) Limited

1. Anandji Haridas & Co. Pvt. Ltd.	2. Arvind Mech. & Elec. Engg. Pvt. Ltd.
3. Everfine Industries	4. Galaxy Rubber Industries
5. Girnar Engg. Works	6. Innovision System & Devises
7. Kamla Packaging Products Pvt. Ltd.	8. Krishna Tech Industries
9. Marutinandan Engineers	10. Micro Metal Industries
11. Piyush Engineering	12. Piyush Rubber
13. Print Art	14. Satyam Industries
15. Shri Mahavir Wire and Metal (Guj) Pvt. Ltd.	16. Siddhi Industries
17. Sonana Industries	18. Vijay Enterprises Pvt. Ltd.
19. Work Well Enterprises	

8 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, 2007.

### 9 Earning per share (EPS)

	Year Ended March 31, 2007	Year Ended March 31, 2006
Net profit as per profit and loss account (Rs. in 000's)	193,265	148,556
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	8.42	6.47
Diluted earning per share	8.42	6.47

### 10 Income Tax

#### Current Tax

The Company has earned taxable income in the current year. Provision for tax has been computed in accordance with section 115 JB of the Income Tax Act, 1961.

#### Deferred Tax

Deferred tax asset is recognised and carried forward only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be adjusted. Hence the deferred tax asset has been recognised to the extent of deferred tax liability.

The components of deferred tax are as under:

Particulars	As at March 31, 2007	As at March 31, 2006
<b>Deferred Tax Liabilities recognised for timing difference due to :</b>		
Depreciation on fixed assets	25,298	26,652
<b>Deferred Tax Liabilities</b>	25,298	26,652
<b>Deferred Tax Assets recognised for timing difference due to :</b>		
Unabsorbed Depreciation and carried forward losses	25,298	26,652
<b>Deferred Tax Assets</b>	25,298	26,652
<b>Net Deferred Tax Asset</b>	Nil	Nil

### 11 5 Years Warranty Provision

The Company gives warranty at the time of sale to purchasers of its products. Product warranty expense is based on estimates made by the management 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, 2006 (Rs.)	Provision during the year (Rs.)	Utilised during the year (Rs.)	Reversal during the year (Rs.)	Balance as on March 31, 2007 (Rs.)
31,666 (32,536)	7,749 (6,935)	7,377 (5,125)	- (2,680)	32,038 (31,666)

**12 Lease**

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

	<b>Finance Lease</b>	
	<b>As at March 31, 2007</b>	<b>As at March 31, 2006</b>
Total Gross investment in lease	<b>191</b>	2,487
Unguaranteed residual value	<b>Nil</b>	Nil
Present value of minimum lease payments	<b>191</b>	2,487
Gross investment in the lease for the period:		
Not later than one year	<b>191</b>	2,295
Later than one year but not later than five years	<b>Nil</b>	192
Unearned finance income	<b>Nil</b>	Nil

- (b) Assets taken under operating leases are cancelable leases. Amount debited to profit and loss account for the year Rs. 9,100 (previous year Rs. 8,644).

**13 Forward contract outstanding as at Balance Sheet date**

(Currency in thousands)

<b>Particulars</b>	<b>As at</b>	
	<b>March 31, 2007</b>	<b>March 31, 2006</b>
Import Creditors	<b>US\$ 278</b>	Nil
Buyers' Credit	<b>US\$ 72</b>	Nil

**14 Particulars of unhedged foreign currency exposure as at the balance sheet date** (Currency in thousands)

<b>Particulars</b>	<b>As at</b>	
	<b>March 31, 2007</b>	<b>March 31, 2006</b>
Import Creditors	<b>US\$ 4,779</b>	5,764
Import Creditors	<b>JPY 14,037</b>	319
Buyers' Credit	<b>US\$ 3,206</b>	-
Technical Know How	<b>JPY 31,500</b>	-
Creditors for commission payment	<b>US\$ 5</b>	4
Advance to vendors	<b>US\$ 966</b>	700
Advance to vendors	<b>Euro 2</b>	-
Advance to vendors	<b>JPY 116</b>	-
Export Debtors	<b>US\$ 4</b>	26
Advance from customer	<b>US\$ -</b>	0.40
Commission receivables	<b>US\$ 0.40</b>	195
Commission receivables	<b>JPY -</b>	2,300
External Commercial Borrowings	<b>US\$ 7,640</b>	9,437
Swap cost payable	<b>US\$ 69</b>	82
ECB Interest (accrued but not due)	<b>US\$ 32</b>	42

- 15** Selling & Distribution cost and Other Manufacturing & Operating Costs are net of write back of excess provision of earlier years amounting to Rs. 21,217 (previous year Rs. 15,396) and Rs. 9,419 (previous year Rs. 1,998) respectively.

- 16** The cash flow statement has been prepared under the indirect method.

**17 Details of investments purchased and sold during the year:**

<b>Particulars</b>	<b>Year Ended</b>	
	<b>March 31, 2007</b>	<b>March 31, 2006</b>
Purchased during the year	-	568,551
Sold during the year	-	568,551

## Hitachi Home & Life Solutions (India) Limited

18 The Company was recognizing and accruing the Retirement Benefits as per the erstwhile Accounting Standard (AS) – 15 on “Retirement Benefits” till March 31, 2006. The ICAI has revised AS -15 on “Employee Benefits” and had made it mandatory w.e.f. April 01, 2006. Subsequently on December 07, 2006, ICAI postponed the applicability of the standard for accounting periods commencing on or after December 07, 2006. However the company has decided for early adoption of revised AS -15 w.e.f. April 01, 2006.

In accordance with the transitional provision of revised AS 15, the incremental liability at the beginning of the year aggregating to Rs.3,984 has been charged to the Profit and Loss account.

Necessary disclosure in this regard are as follows:

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 recognized in the profit and loss account and the funded status and amounts recognised in the balance sheet for the respective plans.

### Profit and Loss account

Net employee benefit expense (recognised in Employee Cost)

	<b>Year Ended March 31, 2007</b>
Current service cost	1,591
Add : Interest cost on benefit obligation	1,031
Less : Expected return on plan assets	(501)
Less : Net actuarial (gain) / loss recognised in the year	(1,785)
Past service cost	-
Net benefit expense	<b>336</b>
Actual return on plan assets	489

### Balance sheet

#### Details of Provision for gratuity

	<b>As at March 31, 2007</b>
Defined benefit obligation	12,739
Less : Fair value of plan assets	(8,158)
Net	4,581
Less: Unrecognised past service cost	-
Plan asset / (liability)	<b>(4,581)</b>

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

	<b>As at March 31, 2007</b>
Opening defined benefit obligation	12,883
Add : Interest cost	1,031
Add : Current service cost	1,591
Less : Benefits paid	(97)
Less : Actuarial (gains) / losses on obligation	(2,669)
Closing defined benefit obligation	<b>12,739</b>

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

	<b>As at March 31, 2007</b>
Opening fair value of plan assets	4,864
Add : Expected return	501
Add : Contributions by employer	3,774
Less : Benefits paid	(97)
Less : Actuarial gains / (losses)	(884)
Closing fair value of plan assets	<b>8,158</b>

The Company expects to contribute Rs.4,000\* to gratuity in 2007-08.

\* Estimated at 5.5% of Projected Annual Salary Bill

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

	<b>As at March 31, 2007</b>
Investments with insurer	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. There has been significant change in expected rate of return on assets due to the improved stock market scenario.

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

	<b>Year Ended March 31, 2007</b>
Discount rate	8%
Expected rate of return on assets	8%
Increase in Compensation cost	7%
Employee turnover	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.

	<b>As at March 31, 2007</b>
Amounts for the current is as follows:	
Defined benefit obligation	12,738
Plan assets	8,158
Surplus / (deficit)	(4,580)
Experience adjustments on plan liabilities	N.A
Experience adjustments on plan assets	N.A

Since this is the first year of implementation of revised AS 15, the amount of previous years are not given.

## 19 Supplementary statutory information

(i) <b>Auditors' remuneration (excluding Service Tax)</b>	<b>For the year ended March 31, 2007</b>	<b>For the year ended March 31, 2006</b>
Audit fees	<b>850</b>	800
Tax audit fees	<b>300</b>	300
Other services *	<b>750</b>	600
Out of pocket expenses	<b>145</b>	244
<b>Total</b>	<b>2,045</b>	1,944

\* Other services include limited reviews.

### (ii) **Managerial remuneration**

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

Salary	<b>6,010</b>	6,036
Perquisites	<b>4,172</b>	228
Provident Fund/ Superannuation	<b>296</b>	-
<b>Total</b>	<b>10,478</b>	6,264

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	<b>19,712</b>	12,764
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**Hitachi Home & Life Solutions (India) Limited**

(iv) Earnings and expenditure in foreign exchange	For the year ended March 31, 2007	For the year ended March 31, 2006
(a) Earnings in foreign currency on accrual basis		
Export of goods (on FOB basis)	10,138	71,676
Commission Income	31,513	19,339
<b>Total</b>	<b>41,651</b>	<b>91,015</b>
(b) Expenditure in foreign exchange on accrual basis		
Interest	6,223	6,191
Royalty	9,804	10,217
Travelling	2,156	1,522
Commission	343	1,732
Technical know how (capitalised)	37,156	2,039
Others	1,153	2,557
<b>Total</b>	<b>56,835</b>	<b>24,258</b>
(c) Value of imports calculated on CIF basis		
Capital goods	1,700	1,098
Raw materials, components & spares parts	679,877	454,452
Trading Goods	165	84,413
<b>Total</b>	<b>681,742</b>	<b>539,963</b>

**20 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, 2007		March 31, 2006		Actual production
		Annual installed capacity*	Actual production	Annual licensed capacity	Annual installed capacity	
Airconditioners	Delicensed	150,000	102,143	Delicensed	150,000	86,874
Sub Assemblies	Delicensed		4,647	Delicensed		14,236
Visi Coolers	Delicensed		Nil	Delicensed		Nil

\*The installed capacity has been certified by the management, which the auditors have relied on without verification as this is a technical matter.

**(ii) Sales of Goods**

Manufacturing Items (gross of excise duty)	Year ended March 31, 2007		Year ended March 31, 2006	
	Quantity (Nos.)	Value	Quantity (Nos.)	Value
Air conditioners	100,380	3,109,780	83,085	2,253,006
Export Incentives	-	-	-	15,353
Sub Assemblies #	4,647	-	14,236	-
Visi coolers	53*	-	-	-
Non electric ice cooled dispensers	-	-	-	-
Scrap Sales	-	21,217	-	14,994
<b>Total</b>		<b>3,130,997</b>		<b>2,283,353</b>

	Year ended March 31, 2007		Year ended March 31, 2006	
	Quantity (Nos.)	Value	Quantity (Nos.)	Value
<b>Trading Items</b>				
Air conditioners	5,087	115,457	18,263	430,735
Spares-Air conditioner	Assorted	21,728	Assorted	18,368
Air conditioning Systems	Assorted	18,223	Assorted	5,775
Dispensers	88*	-	-	-
Stabilisers	Assorted	20,365	Assorted	16,300
Spares-Commercial Refrigeration	-	-	Assorted	5
Jet Spray	6*	-	-	-
Deep Freezers	4*	-	-	-
Gas tables	22	6	42	49
Refrigerators	5,724	174,389	843	23,520
Washing Machines	2,013	34,880	343	5,918
<b>Total</b>		<b>385,048</b>		<b>500,670</b>

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

\*Discarded during the year.

**(iii) Trading Items**

**Opening Stocks**

Air conditioners	451	4,881	2,592	40,742
Spares-Air conditioner	Assorted	13,228	Assorted	12,522
Air conditioning Systems	Assorted	7,180	Assorted	5,529
Dispensers	88	3,081	88	3,081
Stabilisers	Assorted	1,091	Assorted	1,154
Spares-Commercial Refrigeration	Assorted	-	Assorted	-
Jet Spray	6	-	6	-
Deep Freezers	4	-	4	-
Gas tables	130	191	172	254
Refrigerators	1,842	40,731	10	166
Washing Machines	646	8,984	-	-
<b>Total</b>		<b>79,367</b>		<b>63,448</b>

**Purchases**

Air conditioners	4,645	66,891	16,122	235,924
Spares-Air conditioner	Assorted	16,112	Assorted	11,740
Air conditioning Systems	Assorted	26,110	Assorted	7,188
Stabilisers	Assorted	17,839	Assorted	13,542
Dispensers	-	(3,081)	-	-
Spares- Commercial Refrigeration	Assorted	-	Assorted	-
Refrigerators	5,953	1,55,549	2,675	60,883
Washing Machines	2,760	38,992	989	13,849
<b>Total</b>		<b>318,412</b>		<b>343,126</b>

**Closing 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
<b>Total</b>		<b>106,339</b>		<b>79,367</b>

**Hitachi Home & Life Solutions (India) Limited**

**(iv) Inventories**

Class of Goods	Year ended March 31, 2007		Year ended March 31, 2006	
	Quantity (Nos.)	Value	Quantity (Nos.)	Value
<b>Finished Goods (Closing Stocks)</b>				
<b>Manufacturing Items</b>				
Air conditioners	10,652	224,920	8,889	170,246
Visi Coolers	-	-	53	329
<b>Total</b>		<b>224,920</b>		<b>170,575</b>
<b>Finished goods (Opening Stocks)</b>				
<b>Manufacturing Items</b>				
Air conditioners	8,889	170,246	5,100	92,921
Visi Coolers	53	329	53	329
<b>Total</b>		<b>170,575</b>		<b>93,250</b>

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

	Unit	Year ended March 31, 2007		Year ended March 31, 2006	
		Quantity	Value	Quantity	Value
Compressors	Nos	115,888	453,971	95,027	370,321
Fan Motors	Nos	156,208	139,598	121,672	105,927
CRCA / GP Sheets	Kgs	3,658,574	151,377	2,965,221	120,950
Paints	Kgs	81,394	9,695	54,612	7,057
Aluminium	Kgs	465,884	78,608	373,203	61,520
Copper	Kgs	621,413	244,057	580,389	158,051
Others (Including packing material)	Assorted		811,465		533,349
<b>Total</b>			<b>1,888,771</b>		<b>1,357,175</b>

# 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, 2007		Year ended March 31, 2006	
	Value	% of total consumption	Value	% of total consumption
Imported	856,831	39	438,021	26
Indigenous	1,330,767	61	1,244,980	74
<b>Total</b>	<b>2,187,598</b>	<b>100</b>	<b>1,683,001</b>	<b>100</b>

**21 Prior year comparatives**

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

**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

**Vinay Chauhan**  
Executive Director

**Parag Dave**  
Asst. Company Secretary

Place: Mumbai  
Date: May 19, 2007

Karan Nagar, Gujarat  
May 19, 2007



**22 Balance Sheet abstract and Company's general business profile**

**I Registration Details**

Registration No.	07470
State Code	04
Balance Sheet Date	31.03.2007

**II Capital raised during the period**

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

**III Position of mobilisation and deployment of funds**

Total Liabilities	952,356
Total Assets	952,356

**Sources of Funds**

Paid up Capital	229,600
Reserves and surplus	388,358
Secured Loans	2,107
Unsecured Loans	332,291

**Application of Funds**

Net fixed assets	307,014
Investments	-
Net current assets	439,260
Miscellaneous Exp.	-
Accumulated losses	206,082

**IV Performance of Company**

Total income	3,302,665
Total expenditure	3,080,370
Profit before tax	222,295
Profit after tax	193,265
Earning per share (Rs.)	8.42
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

**Vinay Chauhan**  
Executive Director

Place: Karan Nagar, Gujarat  
Date: May 19, 2007

**Parag Dave**  
Asst. Company Secretary

# GLIMPSSES OF THE YEAR



Long Service Award Ceremony



Long Service Award Ceremony



Old Board Training - Rappelling



Traversing Traverso



Old Board Training - Review & Feedback



Operations promoted in Staff Canteen



Young HRGJ - Trainers 2005-07



Charity Workshop - Six Hat Technique



AC products on display during launch



Consumer feedback in progress during mall activity

# PRESS ADS

HITACHI  
Inspiring the Next

美

V SERIES  
WASHING MACHINE

VI Series Range ad

美

HITACHI  
Inspiring the Next

VI Series Refrigerator & Washing Machine ad

HITACHI  
Inspiring the Next

You will find nothing else as beautiful

美

VI Series Intra Airconditioner ad

美

3 GREAT OFFERS ON OUR  
3 DOOR REFRIGERATOR

Offer ad

美

Chiller ad

美

Microcool ad

美

Ahchoo.

Quattrocol TM AC ad

美

Big French Refrigerator ad

# TVC

## Teaser



## Thematic



## Main TVC





**HITACHI**  
Inspire the Next

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