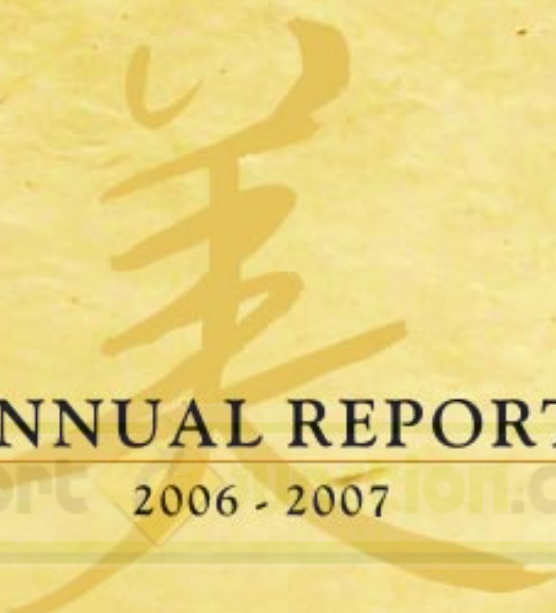


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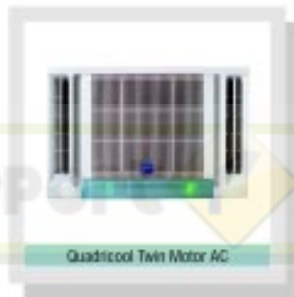
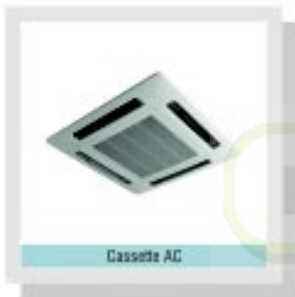
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VI SERIES

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

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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:

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

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.

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