



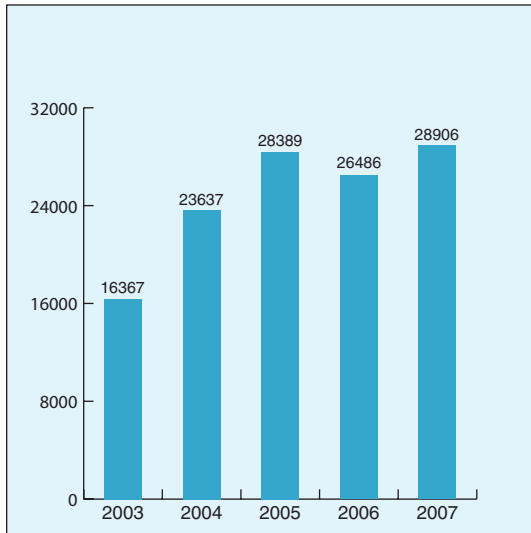
# Simpler, stronger, better

Annual Report 2007

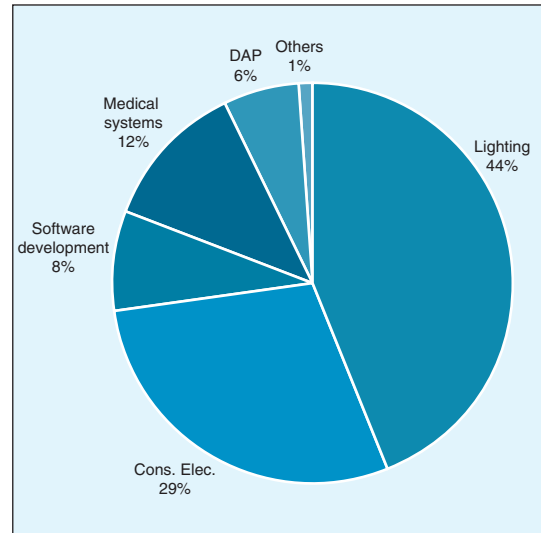
**PHILIPS**

# PHILIPS ELECTRONICS INDIA LIMITED

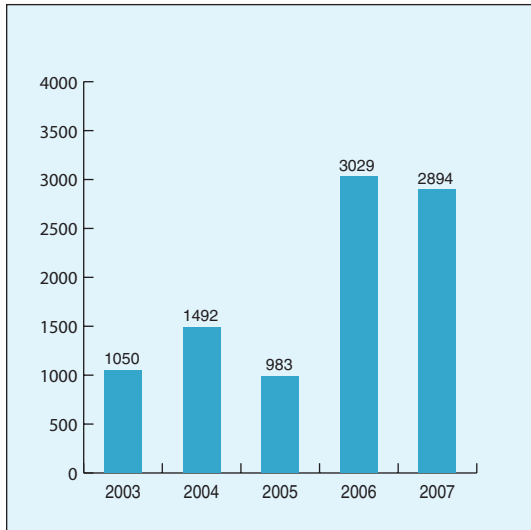
Sales Rs. in Mln



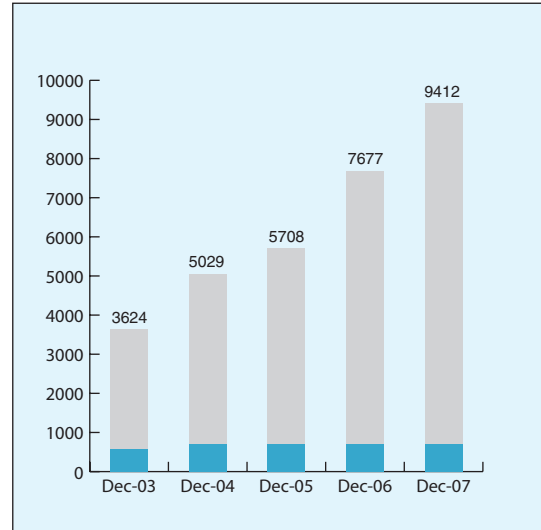
Sales by activities - 2007



Profit Before Tax Rs. in Mln

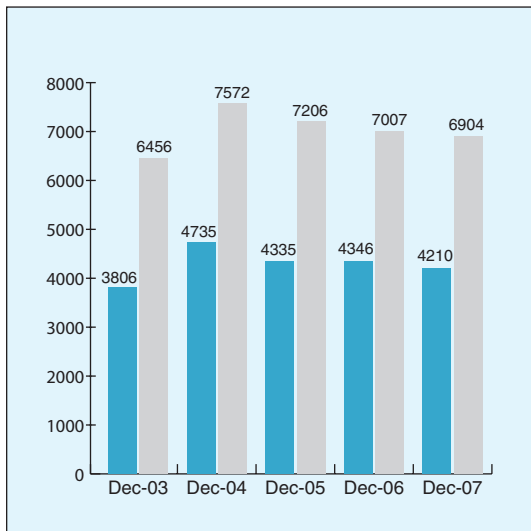


Net Worth Rs. in Mln



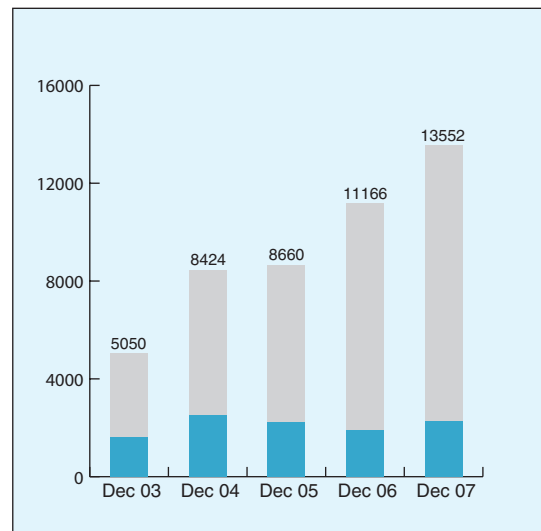
■ Share Capital      ■ Reserves

Fixed Assets Rs. in Mln



■ Accumulated Depreciation      ■ Gross Fixed Assets

Current Assets Rs. in Mln



■ Inventories      ■ Debtors, loans & advances and Cash/Bank Balances

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Annual General Meeting on Friday, June 13, 2008 at 2.30 p.m.  
at Vidya Mandir, 1 Moira Street, Kolkata - 700 017.

You are requested to kindly carry your copy of the Annual Report to the Meeting.

# PHILIPS ELECTRONICS INDIA LIMITED

## Board of Directors

### Chairman

S.M. Datta

### Vice-Chairman & Managing Director

Murali Sivaraman

### Executive Directors

Cornelis J. M. Reuvers

S. Venkataramani

Alexius Collette

Vineet Kaul

### Company Secretary

R. J. Wani

## Auditors

BSR & Co.

Chartered Accountants

## Bankers

Punjab National Bank

Corporation Bank

Citibank N.A.

ABN-AMRO Bank N. V.

Standard Chartered Bank

Bank of America N.A.

## Registered Office

7, Justice Chandra Madhab Road, Kolkata - 700 020

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Seventy Eighth Annual General Meeting of PHILIPS ELECTRONICS INDIA LIMITED will be held at Vidya Mandir, I Moira Street, Kolkata – 700 017, on Friday, June 13, 2008 at 2.30 p.m. to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at December 31, 2007, and the Profit and Loss Account for the year ended on that date and the Reports of the Directors' and Auditors' thereon.
2. To declare a dividend for the year ended December 31, 2007.
3. To appoint Directors in place of those retiring by rotation.
4. To appoint Statutory Auditors of the Company and to fix their remuneration.

### SPECIAL BUSINESS:

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

“RESOLVED that in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof, Mr. Murali Sivaraman, be and is hereby appointed as a Director of the Company not liable to retire by rotation, under the provision of Article 109 of Articles of Association of the Company.”

6. To consider and if thought fit, to pass, with or without modification, the following resolution as a **Special Resolution**:

“RESOLVED that, pursuant to the provisions of Sections 198, 269 and 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, or any statutory modification(s) or re-enactment thereof, and subject to the approval of the Central Government, consent of the Company be and is hereby accorded to the remuneration and perquisites being paid or granted to Mr. Murali Sivaraman as a Whole time Director, with effect from July 2, 2007 for a period of five years or up to the date of his retirement as per the rules of the Company whichever is earlier, as set out in the draft Agreement to be entered into between the Company and Mr. Sivaraman, a copy whereof initialed by the Secretary for the purpose of identification has been placed before this meeting, which Agreement is hereby specifically approved with the liberty to the Board of Directors (hereinafter referred to as “the Board” which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the power conferred by this Resolution) to increase, reduce, alter or vary the terms of remuneration and perquisites including monetary value thereof as set out in the Agreement, at any time(s) and from time to time and in such manner as the Board may deem fit;

RESOLVED FURTHER that in the event of loss or inadequacy of profits in any financial year of the Company during the term of Mr. Sivaraman's office as a Wholetime Director, the remuneration and perquisites set out in the aforesaid Agreement be paid or granted to Mr. Sivaraman as minimum remuneration, provided that the total remuneration by way of salary, perquisites and any other allowances shall not, unless approved by the Central Government, exceed the ceiling as provided in Section II of Part II of Schedule XIII to the said Act or any equivalent statutory re-enactment(s) thereof;

RESOLVED FURTHER that the Board be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this Resolution.”

7. To consider and if thought fit, to pass, with or without modification, the following resolution as a **Special Resolution**:

“RESOLVED that, pursuant to the provisions of Section 198, 269, 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof, consent of the Company be and is hereby accorded to the re-appointment of and the remuneration and perquisites being paid or granted to Mr. Vineet Kaul as a Wholetime Director of the Company for a period of five years with effect from January 30, 2008 or up to the date of his retirement as per rules of the Company, whichever is earlier, on the terms and conditions as set out in the draft Agreement to be entered into between

# PHILIPS ELECTRONICS INDIA LIMITED

the Company and Mr. Kaul, a copy whereof initialed by the Secretary for the purpose of identification has been placed before this meeting, which Agreement is hereby specifically approved with the liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the power conferred by this Resolution) to increase, reduce, alter or vary the terms of remuneration and perquisites including monetary value thereof as set out in the Agreement, at any time(s) and from time to time and in such manner as the Board may deem fit;

RESOLVED FURTHER that in the event of loss or inadequacy of profits in any financial year of the Company during the term of Mr. Kaul's office as a Wholtime Director, the remuneration and perquisites set out in the aforesaid Agreement be paid or granted to Mr. Kaul as minimum remuneration, provided that the total remuneration by way of salary, perquisites and any other allowances shall not, unless approved by the Central Government, exceed the ceiling as provided in Section II of Part II of Schedule XIII to the said Act or any equivalent statutory re-enactment(s) thereof;

RESOLVED FURTHER that the Board be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this Resolution."

8. To consider and if thought fit, to pass, with or without modification, the following resolution as a **Special Resolution**:

RESOLVED that pursuant to the provisions of Article 12A of the Articles of Association of the Company and in accordance with the provisions of Sections 77A and 77B and all other applicable provisions, if any of the Companies Act, 1956 (hereinafter referred to as "the Act") and the provisions contained in the Private Limited Company and Unlisted Public Limited Company (Buy-back of Securities) Rules, 1999 as amended upto date (hereinafter referred to as "the Buy-back Regulations") including any statutory modification(s) or re-enactment of the said Act or the Buy-back Regulations framed thereunder from time to time and subject to such approvals, permissions and sanctions as may be necessary and further subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board" which expression shall be deemed to include a Committee thereof) the consent of the Company be and is hereby accorded to the Board to purchase or Buy-back its fully paid-up equity shares of the face value of Rs 10/- each up to a maximum of 6,923,076 equity shares and cash outflow not exceeding Rs 1800 million (Rs. One thousand eight hundred million only) at a price not exceeding Rs 260/- (Rs. Two hundred sixty only) per equity share (hereinafter referred to as "the Buy-back");

RESOLVED FURTHER that the Board be and is hereby authorized to implement the Buy-back within a period of twelve months from the date of passing of this Resolution (or such extended period as may be permitted under the Act or Buy-back Regulations or by the appropriate authorities) in one or more tranches from out of the Company's Free Reserves and/or Securities Premium Account and or the proceeds of earlier issue of shares other than equity shares made specifically for Buy-back purposes, by adapting the methodology involving purchase of the Equity from the existing equity shareholders on a proportionate basis, in such manner as may be prescribed by the Act and/or the Buy-back Regulations and on such terms and conditions as the Board may from time to time in its absolute discretion deem fit;

RESOLVED FURTHER that within the limits of maximum 6,923,076 equity shares and cash outflow not exceeding Rs 1800 million (Rs. One thousand eight hundred million only) at a price not exceeding Rs 260/- (Rs. Two hundred sixty only) per equity share stipulated as aforesaid, the Board be and is hereby authorized to determine the aggregate amount to be utilized towards the Buy-back including the number of equity shares to be bought back, the specific price for individual transactions in the Buy-back and the time frame for the completion of the modalities for the closure of the Buy-back;

RESOLVED FURTHER that subject to applicable statutory regulations and within the overall limits of a maximum of 6,923,076 equity shares and cash outflow not exceeding Rs 1800 million (Rs. One thousand eight hundred million only) at a price not exceeding Rs 260/- (Rs. Two hundred sixty only) per equity share, the Board be and is hereby authorized to implement Buy-back through one or more of the other permitted methodologies including tender route, within a period of twelve months (or such permitted extended period)

from the date of passing of this resolution and the Board may decide to close the Buy-back through the methodology of purchase of the Equity Shares from the existing equity shareholders on a proportionate basis;

RESOLVED FURTHER that nothing contained hereinabove shall confer any right on the part of any shareholder to offer and/or any obligation on the part of the Company or the Board to Buy-back any shares, and/or impair any power of the Company or the Board to terminate any process in relation to such Buy-back, if so permissible by law;

RESOLVED FURTHER that the buy-back of shares from non-resident shareholder, and/or shareholders of foreign nationality shall be subject to such further approvals as may be required including approvals, if any, from the Reserve Bank of India under the Foreign Exchange Management Act, 1999 and the Rules/Regulations framed thereunder;

RESOLVED FURTHER that the Board be and is hereby authorized to delegate all or any of its powers to any committee of Directors of the Company for giving effect to the aforesaid Resolutions."

By Order of the Board

R J Wani  
Company Secretary

New Delhi, March 11, 2008

#### NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF ONLY ON POLL AND THE PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE TIME OF HOLDING THE MEETING.
2. The relevant Explanatory Statement pursuant in Section 173 of the Companies Act, 1956 in respect of the Special Business at item nos. 5 to 8 of the Notice, is annexed hereto.
3. The Share Transfer Books and the Register of Members of the Company will remain closed from June 2, 2008 to June 12, 2008 (both days inclusive).
4. The dividend if approved, will be paid on or after June 22, 2008 to those members (or their mandatories) whose names appear in the Company's Register of Members on June 12, 2008. In respect of demat shares the dividend will be payable on the basis of beneficial ownership as per the details furnished by the Depositories for this purpose.
5. Members are requested to contact the Registrar and Share Transfer Agent for all matters connected with Company's shares at :

Sharepro Services	Sharepro Services
Above Bank of Baroda	Free Press Journal Road
Caridnal Gracious Road, Chakala	Nariman Point
Andheri (East) Mumbai – 400 099	Mumbai – 400 021
Tel: (022) 67720300 / 67720351	Tel: (022) 67720700
Fax: (022) 28375646	Fax:(022) 22825484
6. Members holding shares in physical form are requested to notify/send the following to the Company's Registrar and Share Transfer Agent to facilitate better service:
  - i) any change in their address/mandate/bank details
  - ii) share certificate(s) held in multiple accounts names or joint accounts in the same order of names for consolidation of such shareholdings into one account.

# PHILIPS ELECTRONICS INDIA LIMITED

## EXPLANATORY STATEMENT

Under Section 173 of the Companies Act, 1956

### Item No. 5 & 6

Mr. Murali Sivaraman was appointed as an Additional Director and a Wholetime Director of the Company with effect from July 2, 2007, at the meeting of the Board of Directors of the Company ("the Board") held on April 19, 2007. At the said meeting the Board appointed Mr. Sivaraman as Managing Director of the Company to be effective from October 3, 2007 following the retirement of Mr. K Ramachandran, the Vice-Chairman and Managing Director of the Company with effect from the same date. The Board at their meeting held on November 2, 2007 re-designated Mr. Sivaraman as Vice-Chairman and Managing Director of the Company. According to the provisions of Section 260 of the Companies Act, 1956 ('the Act'), read with Article 110 of the Articles of Association of the Company, Mr. Sivaraman holds office as an Additional Director up to the date of this Annual General Meeting. The Company has received due notice from a member under Section 257 of the Act signifying his intention to propose the appointment of Mr. Sivaraman as Director of the Company.

Mr. Sivaraman is a Cost and Works Accountant, a Chartered Accountant, and holds a post graduate degree in Business Management from the Indian Institute of Management, Ahmedabad. He has completed the advanced management program from Harvard Business School in 2004. Mr. Sivaraman joined ICI in India in 1987, and his early career was in various assignments in accounting and finance before becoming the Financial Controller for the Paints business in India. He was appointed Managing Director of ICI Paints (Singapore) Pte Limited in 1996, and over the last ten years has held a number of senior management positions in ICI's global operations, like General Manager, ICI Swire Paints (China) Limited; Managing Director, ICI Swire Paints, PRC and Hong Kong; and President, ICI Canada Inc. Before joining Philips, Mr. Sivaraman was Process Director for ICI ERP Project based in London in UK.

Mr. Sivaraman brings with him twenty years of rich and varied global business experience. His experience includes managing profitable growth and multiple brands in B2C and B2B businesses. Your Board is confident that Mr. Sivaraman appointment as Vice Chairman and Managing Director of the Company will bring the very necessary breadth and depth required to lead the Company's growth phase in the coming years. Your Board therefore recommends Mr. Sivaraman's appointment as a Whole time Director for a period of five years with effect from July 2, 2007 and as Vice Chairman and Managing Director with effect from October 3, 2007.

The Central Government has approved the appointment of Mr. Sivaraman, as a Wholetime Director of the Company w.e.f July 2, 2007 which is valid till the ensuing Annual General Meeting, and will be further extended subject to the approval of Shareholders in the said meeting.

The remuneration and perquisites of Mr. Sivaraman are set out in the draft Agreement referred to in the resolution at Item No. 6 of the Notice and are subject to the approval of the shareholders of the Company under Sections 269 and 309 of the Companies Act, 1956 ('Act') read with Schedule XIII thereto.

The terms of the said Agreement are as follows:

1. The Agreement is for a period of five years from the date of appointment i.e. from July 2, 2007 up to July 1, 2012.
2. Mr. Sivaraman shall be entitled to the following remuneration and benefits/perquisites from the Company provided that the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the power conferred by this Resolution), is authorised to increase, reduce, alter or vary the remuneration and perquisites as such time(s) and in such manner as the Board, may deem fit:
  - a. **Consolidated Salary** : Rs. 9,16,667/- per month or such higher amount as may be approved by the Board of Directors or any Committee thereof.
  - b. **Variable Performance Linked Bonus**: Not exceeding one and a half times the annual Consolidated Salary, payable annually, as may be approved by the Board of Directors or any Committee thereof.
  - c. **Perquisites**:
    - i. In addition to the aforesaid Consolidated Salary, and Variable Performance Linked Bonus, Mr. Sivaraman shall also be entitled to perquisites and allowances including but not restricted to accommodation (furnished or otherwise) or house rent allowance in lieu thereof; medical reimbursement and leave travel concession for self and family; club fees; medical insurance; personal accident insurance; stock options; and such other perquisites and allowance in accordance with the Rules of the Company as amended from time to time.
    - ii. The perquisites and allowances as mentioned above, shall be evaluated as per Income Tax Rules, wherever applicable. In the absence of any such Rules, perquisites shall be evaluated at actual cost.

Provision for use of the Company's car for official duties and telephone with fax at residence shall not be included in the computation of perquisites.



- iii. Company's contribution to Provident Fund and Pension/Superannuation Fund not exceeding 27% of the consolidated Salary or such other percentage as may be permitted in law from time to time, to the extent these either singly or together are not taxable under the Income Tax Act, 1961.
- iv. Gratuity payable as per the Rules of the Company and encashment of leave as per the Rules of the Company at the end of the tenure, shall not be included in the computation of perquisites

PROVIDED, however, that the overall remuneration including perquisites payable to Mr. Murali Sivaraman together with the other whole-time Directors of the Company shall be within the limits specified under Sections 198, 269 and 309 of the Act including Schedule XIII to the Act, that is ten per cent of the net profits of the Company in any financial year.

**d. Minimum Remuneration:**

Notwithstanding anything hereinabove, where in any financial year during the terms of office of Mr. Murali Sivaraman, the Company has no profits or its profits are inadequate, the Company will pay the aforesaid remuneration by way of Consolidated Salary, Variable Performance linked bonus, and Perquisites as Minimum Remuneration. This is subject to approval of the Central Government, if required.

**e. Reimbursement of expenses incurred on joining duty:**

Actual expenses incurred on travel and on packing, forwarding, loading or unloading as well as freight, insurance, custom duty, clearing expenses, local transportation and installation expenses in connection with moving of personal effects for self and family for joining duty in India may be allowed in case these have not been claimed from the previous employer.

**3. Other material terms:**

Each party has the right of terminating the Agreement by giving to the other three calendar months' notice in writing.

The Resolution set out at Item No. 5 & 6 of the accompanying Notice is necessary in view of the provisions of Section 269, 309 and other applicable provisions of the Act including Schedule XIII thereof. Members are requested to approve the resolution.

None of the Directors of your Company, other than Mr. Murali Sivaraman is interested in the resolution at Item Nos. 5 & 6.

The Explanatory Statement together with the Notice should be treated as an abstract of the terms of the draft Agreement and Memorandum of Concern or Interest under Section 302 of the Act.

The draft Agreement referred to in the resolution at Item No. 6 of the accompanying Notice will be open for inspection by the members at the Registered Office of the Company between the hours of 10 a.m. and 12 noon on any working day except Saturday.

**Item No. 7**

Mr. Vineet Kaul was appointed a whole time Director of the Company with effect from January 30, 2003. His appointment and the remuneration payable to him were approved by the Members at the Annual General Meeting held on June 26, 2003. Mr. Kaul initial term of office as a whole time Director of the Company expires on January 29, 2008. The Board of Directors at its meeting held on November 2, 2007 has extended the tenure for the further period of five years on the same terms and conditions.

The remuneration and perquisites of Mr. Kaul are set out in the draft Agreement referred to in the resolution at Item No. 7 of the Notice and are subject to the approval of the shareholders of the Company under Sections 269 and 309 of the Companies Act, 1956 ('Act') read with Schedule XIII thereto.

The terms of the said Agreement are as follows:

1. The Agreement is for a period of five years from January 30, 2008.
2. Mr. Kaul shall be entitled to the following remuneration and benefits/perquisites from the Company provided that the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the power conferred by this Resolution), is authorised to increase, reduce, alter or vary the remuneration and perquisites as such time(s) and in such manner as the Board, may deem fit:
  - a. **Consolidated Salary** : Rs. 5,42,050/- per month or such higher amount as may be approved by the Board of Directors or any Committee thereof.

# PHILIPS ELECTRONICS INDIA LIMITED

b. **Variable Performance Linked Bonus:** Not exceeding one and a half times the annual Consolidated Salary, payable annually, as may be approved by the Board of Directors or any Committee thereof.

c. **Perquisites:**

- i. In addition to the aforesaid Consolidated Salary, and Variable Performance Linked Bonus, Mr. Kaul shall also be entitled to perquisites and allowances including but not restricted to accommodation (furnished or otherwise) or house rent allowance in lieu thereof; medical reimbursement and leave travel concession for self and family; club fees; medical insurance; personal accident insurance; stock options; and such other perquisites and allowance in accordance with the Rules of the Company as amended from time to time.
- ii. The perquisites and allowances as mentioned above, shall be evaluated as per Income Tax Rules, wherever applicable. In the absence of any such Rules, perquisites shall be evaluated at actual cost. Provision for use of the Company's car for official duties and telephone with fax at residence shall not be included in the computation of perquisites.
- iii. Company's contribution to Provident Fund and Pension/Superannuation Fund not exceeding 27% of the consolidated Salary or such other percentage as may be permitted in law from time to time, to the extent these either singly or together are not taxable under the Income Tax Act, 1961.
- iv. Gratuity payable as per the Rules of the Company and encashment of leave as per the Rules of the Company at the end of the tenure, shall not be included in the computation of perquisites.

PROVIDED, however, that the overall remuneration including perquisites payable to Mr. Vineet Kaul together with the other whole-time Directors of the Company shall be within the limits specified under Sections 198, 269 and 309 of the Act including Schedule XIII to the Act, that is ten per cent of the net profits of the Company in any financial year.

d. **Minimum Remuneration:**

Notwithstanding anything hereinabove, where in any financial year during the terms of office of Mr. Kaul, the Company has no profits or its profits are inadequate, the Company will pay the aforesaid remuneration by way of Consolidated Salary, Variable Performance linked bonus, and Perquisites as Minimum Remuneration. This is subject to approval of the Central Government, if required.

3. Other material terms:

Each party has the right of terminating the Agreement by giving to the other three calendar months' notice in writing.

The Resolution set out at Item No. 7 of the accompanying Notice is necessary in view of the provisions of Section 269, 309 and other applicable provisions of the Act including Schedule XIII thereof. Members are requested to approve the resolution.

None of the Directors of your Company, other than Mr. Vineet Kaul is interested in the resolution at Item No. 7.

The Explanatory Statement together with the Notice should be treated as an abstract of the terms of the draft Agreement and Memorandum of Concern or Interest under Section 302 of the Act.

The draft Agreement referred to in the resolution at Item No. 7 of the accompanying Notice will be open for inspection by the members at the Registered Office of the Company between the hours of 10 a.m. and 12 noon on any working day except Saturday.

**Item No. 8**

As required under the provisions of Section 77A(3) of the Companies Act, 1956 ("the Act") and Regulation 4 of the Private Limited Company and Unlisted Public Limited Company (Buy-back of Securities) Rules, 1999 as amended upto date read with Schedule I annexed thereto ("Buy-back Regulations"), the following Explanatory statement sets out the various details required to be disclosed.

- i. The Board of Directors of the Company ("the Board") at its meeting held on March 11, 2008 considered and approved the proposal for Buy-back of fully paid up equity shares of the Company upto a maximum of 6,923,076 equity shares and cash outflow not exceeding Rs 1800 million (Rs. One thousand eight hundred million only) at a price not exceeding Rs 260/- (Rs. Two hundred sixty only) per equity share (hereinafter referred to as "the Buy-back") in accordance with the provisions contained in Article 12A of the Company's Articles of Association and Section 77A and 77B and all other applicable provisions of the Act and the Buy-back Regulations.

2. The Buy-back proposal is being suggested having regard to the fact that the shares of the Company are delisted from the Stock Exchanges and, as a consequence thereof, the same cannot be traded on the floor of the Stock Exchanges. The Buy-back will provide an option to the shareholders to sell their shares at the value arrived by an independent valuer appointed by the Board.
3. The Buy-back is proposed to be implemented by the Company by adopting the methodology involving purchase of the Equity Shares from the existing equity shareholders on a proportionate basis in such manner as prescribed by the Act and under the Buy-back Regulations, and on such terms and conditions as may be determined by the Board at a later date. The Company shall not Buy-back its shares from any person through negotiated deal whether on or through spot transactions or through any private arrangements in the implementation of the Buy-back. As an enabling provision, approval of the members is sought to empower the Board to resort to other permitted methodologies of implementing the Buy-back including tender route, subject to the Company fulfilling applicable Buy-back Regulations.
4. The equity shares of the Company are proposed to be bought back at a price not exceeding Rs 260/- (Rupees two hundred sixty) per equity share in terms of the above resolution. This price has been arrived at as per the valuation made by the reputed and independent valuer appointed by the Board for this purpose using accepted valuation methodologies as considered relevant and appropriate by them. The Buy-back price as proposed above, while providing an option to the shareholders to sell their shares at the value as derived above, will ensure that the growth of the Company is not impaired in any way.
5. The Buy-back size represents 19.7% of the aggregate of the Company's paid up equity capital and free reserves as on December 31, 2007. The maximum numbers of shares to be bought back i.e. 6,923,076 shares represent 9.9% of the outstanding fully paid shares of the Company as on January 1, 2008. The above resolution seeks the consent of the shareholders for the Board (including a Committee thereof) to determine the price and the number of equity shares to be bought back by the Company within the aforesaid limits. The funds required for the Buy-back will be met out of the free reserves of the Company. The debt equity ratio of the Company after the Buy-back will be well within the limit of 2:1 as prescribed under the Act.
6. (a) The aggregate shareholding of the Promoters Koninklijke Philips Electronics N.V. (hereinafter referred to as "the Promoters") as on the date of this notice is 67,774,780 equity shares constituting 96.5% of the issued share capital of the Company.  
(b) No shares were either purchased or sold by the Promoters Koninklijke Philips Electronics N.V. during the period of six months preceding March 11, 2008, i.e., the date of the Board Meeting at which the Buy-back was approved and the date hereof.
7. The Promoters of the Company (Koninklijke Philips Electronics N.V.) intend to participate in the Buy-back by tendering not more than 6,680,768 equity shares constituting not more than 9.5% of the issued share capital of the Company at the price of Rs 260 per share.
8. As per the provisions of the Act, the special resolution passed by the shareholders approving the Buy-back shall be valid for a maximum period of 12 months from the date of passing of the said Resolution. The Board shall determine the time frame for completion of the Buy-back within this validity period.
9. In accordance with the regulatory provisions, the shares bought back by the Company will compulsorily be cancelled and will not be held for re-issue at a later date.
10. In terms of provisions of section 77A(8) of the Act, the Company will not be entitled to make a fresh issue of equity shares for a period of six months from the date of completion of the Buy-back envisaged under this resolution except in cases/circumstances mentioned in the said section.
11. The Company confirms that there are no defaults subsisting in the repayment of deposits, redemption of debentures or preference shares or repayment of term loans to any financial institutions or banks.
12. The Board confirms :
  - (i) that it has made the necessary and full enquiry into the affairs and prospects of the Company and has formed the opinion:
    - a. that immediately following the date on which the general meeting is convened, there will be no grounds on which the Company could be found unable to pay its debts; and
    - b. as regards its prospects for the year immediately following the date of the general meeting, that having regard to their intentions with respect to the management of the Company's business during that year and to the amount and character of the financial resources which will, in the view of the Board be available to the Company during that year, the Company will be able to meet its liabilities as and when

# PHILIPS ELECTRONICS INDIA LIMITED

they fall due and will not be rendered insolvent within a period of one year from the date of the general meeting; and

- (ii) in forming its opinion for the above purposes, the Board has taken into account the liabilities as if the Company were being wound up under the provisions of the Companies Act, 1956 (including prospective and contingent liabilities).

13. The text of the report dated March 11, 2008 received from Messrs. BSR & Co, Chartered Accountants, the statutory auditors of the Company, addressed to the Board of Directors is reproduced below :

## TEXT OF AUDIT REPORT

Report under Schedule I Clause (xiii) of the Private Limited Company and Unlisted Public Limited Company (Buy-back of Securities) Rules, 1999.

1. In connection with the proposed buyback of Equity Shares approved by the Board of Directors of PHILIPS ELECTRONICS INDIA LIMITED ('the Company') at its meeting held on March 11, 2008, in pursuance of the provisions of the Companies Act, 1956 and the Private Limited Company and Unlisted Public Limited Company (Buy-back of Securities) Rules, 1999 and based on the information and explanations given to us, we report that :
- we have enquired into the state of affairs of the Company in relation to its audited accounts for the year ended December 31, 2007, which were taken on record by the Board of Directors at their meeting held on March 11, 2008.
  - the capital payment (including premium) of an amount not exceeding Rs. 1800 million towards the Buy-back of equity shares has been properly determined in accordance with Section 77A(2)(c) of the Companies Act, 1956 and is within the permissible amount of 25% of the paid up equity capital and free reserves of the Company, as computed below:

As on December 31, 2007	Amount in Rs Mln
Share Capital	703
Free Reserves	
Securities Premium	679
General Reserve	6057
Balance in Profit & Loss Account	1695
Less : Miscellaneous Expenditure to the extent Not written off or amortized	NIL
Total paid up capital and free reserves	9134
Maximum amount permissible for buy-back i.e. 25% of the Paid up capital and free reserves (Section 77A(2) (c))	2284
Restricted to	1800

- the Board of Directors in their meeting held on March 11, 2008 have formed their opinion as specified in clause(xii) of Schedule I of the Private Limited Company and Unlisted Public Limited Company (Buy-back of Securities) Rules, 1999 on reasonable grounds and that the Company will not, having regard to its state of affairs, be rendered insolvent within a period of one year from the date of the Annual General Meeting of the members of the Company proposed to be held on June 13, 2008.
- Based on the representations made by the Company and other information and explanations given to us, which to the best of our knowledge and belief were necessary for this purpose, we are not aware of anything to indicate that the aforementioned opinion expressed by the directors is unreasonable in the present circumstances.

This report has been issued solely in connection with the proposed buy back of shares of PEIL and may not be suitable for any other purpose.

By the Order of the Board  
R J Wani  
Company Secretary

New Delhi, Date: 11 March, 2008

## DIRECTORS' REPORT

For the Financial Year Ended December 31, 2007.

Your Directors submit their report and audited accounts for the year ended December 31, 2007.

2007 for India was a year of ups and downs, mostly of expectations. The economy surged by over 9% in the fourth quarter of 2006, leading many to believe that growth rate could be sustained, if not exceeded. But by mid-year, we had indications of problems in US financial markets that could have serious consequences for the global economy. Today India is a \$1 trillion economy, growing at an average of 8% a year. With over a billion consumers, a growing middle class and world-class entrepreneurs, we believe India is best positioned among all emerging economies to withstand the risk of global downturn. And, as one of India's most respected consumer brands, we are at the heart of the biggest 'all-weather' growth stories.

Your Company's performance during the year was strong, with robust top line growth and high quality earnings. All business segments posted strong growth in revenue and increase in respective market share. The Lighting business continued to perform strongly both in respect of turnover and profitability. Consumer Electronics recorded a growth of 20%, Medical business grew by 21% and Domestic Appliances and Personal care business grew by 37% during the year 2007. The profitability of the Consumer Electronics and Medical business improved substantially as compared to the previous year. Philips strategy globally is to focus on three key areas, viz. Growth, Talent and Simplicity. India will continue to be a key market for Philips from the growth and development perspective.

### I. FINANCIAL PERFORMANCE

#### I.1. RESULTS

	2007	2006
Gross Income	29,363	26,735
Operating profit	2,456	1,485
Exceptional items (net)	438	1,544
Profit before tax	2,894	3,029
Fringe benefit tax	(38)	(61)
Provision for current tax	(939)	(824)
Provision for deferred tax	(14)	(14)
Profit after tax	1,903	2,130
Transfer to General Reserve	190	1,970

#### I.2. DIVISIONAL SALES

	2007	2006
Lighting	12,626	10,970
Consumer Electronics	8,356	6,962
Medical Systems	3,415	2,804
Domestic Appliances & Personal Care	1,780	1,300
Innovation Campus	2,395	3,782
Others	334	668
Total	28,906	26,486

Sales for the year ended December 2007 reported a nominal growth of around 10%, but the operating profit grew by 65% largely due to changes in distribution pattern and better product mix. Sales on a comparable basis, i.e. after excluding Semi Conductors, has grown by 19%. Profit before tax was lower as compared to the previous year on account of a sharp reduction in income from exceptional items.

# PHILIPS ELECTRONICS INDIA LIMITED

## I.3. FINANCE & ACCOUNTS

Your Company delivered a strong performance in cash generation during the year, driven by the strong operating performance, better realization and working capital management and sale of assets/ business. The cash surplus was invested in financial instruments in accordance with the policy of the Company. In terms of the provisions of Investor Education and Protection Fund (awareness and protection of investors) Rules 2001, Rs. 25.82 lakhs of unpaid/unclaimed dividend was transferred during the year to the Investor Education and Protection Fund.

## 2. DIVIDEND

Your Directors recommend payment of Rs. 2.0 per share as dividend on the fully paid equity shares for the financial year ended 31 December 2007. This will absorb Rs. 140 million as dividend and Rs. 28 million as dividend tax.

## 3. BUSINESS PERFORMANCE

The Notes to the Profit and Loss Account for the year provide segment results. Required disclosure is made below for Lighting, Consumer Electronics, Innovation Campus (Software), Medical Systems, Domestic Appliance and Personal Care divisions.

### 3.1 LIGHTING

The Division grew more than 15%, making it the sixth year of consecutive double digit growth. All the business groups of the division grew in double digit profitability for the year. This growth helped the division to improve the market share of 30% in the Industry, despite the growth of existing players and the entry of new lighting and non - lighting players in the Industry.

New products in all categories were introduced. Recently created avenues/ channels such as rural & replacement markets were leveraged further to improve reach and sales. On the professional front, new stadia, viz. Ranchi, Bhopal, airport lighting and major infrastructure projects were executed. Inroads were also made into the areas of Retail and Solid State lighting.

On the manufacturing side, manufacturing capacity in CFL was enhanced to cater to the needs of the local Market. Reorganisation of the Industrial Activity in the Lighting Electronics business is completed. The (Global) company is considering the setting up of Global Manufacturing capacities and (product) Development Centres in India in the near future.

Going forward in 2008, the division has plans to increase its profitability as in the previous year. The division intends to reap the benefits of the intended focus on energy savings in Lighting, the current boom in infrastructure as also the Commonwealth Games scheduled for 2010.

### 3.2 CONSUMER ELECTRONICS

The Consumer Electronics Division recorded a strong performance in 2007, registering a growth of 20%. This was aided by strong performances in all the business segments, viz., Video & Multimedia Applications (VMA), Audio & Multimedia Applications (AMA) and Colour Televisions (CTV), enhanced by significant improvements in operational efficiencies and strong business controls.

Colour Television (CTV) business grew by 23% aided by 6 times value growth in the LCD category. The CTV market in India is witnessing a rapid transition from the traditional cathode ray tube TV to LCD Flat TV with consumers from the upper middle class as well as the middle class segments opting for the latter. This is propelling the growth in the Consumer Electronic industry and going by market estimates, the LCD TV market is likely to cross the current CRT TV market size by year 2010.

The Company established the LCD TV business quite strongly in 2007 and clearly sees a window of opportunity to become a significant brand in this space. LCD TV is perceived by the Indian consumer as a technology driven product and Philips in India has the image of being a technology driven company. Our strategy in CRT TV will be to continue to have an opportunistic play with a clear focus on the growing categories, i.e. 21" & 29" Real Flat.

### 3.3 MEDICAL SYSTEMS

The Medical Systems Division operates in the Diagnostic Imaging segment, which includes CT, MRI, X-rays, Cardiovascular Systems, Nuclear Medicine, PET-CT and Ultrasound Imaging Systems, and is also a significant player in patient monitoring.

In 2007, the Division recorded strong growth in most business lines, winning major contracts across its entire product range, including those from major private hospital groups as also from large Government postgraduate teaching hospitals. Strong account management backed by excellent customer focus has been the key success factor of the year.

There was excellent growth in the Magnetic Resonance Imaging (MRI) business during the year 2007 in both 1.5 and 3 Tesla segments. Cardiovascular X-ray (Cath labs) registered a record growth both in volume and value and was a leader in the segment. Computerised Tomography (CT) systems continued to do well during 2007. The Cardiovascular Ultrasound segment, especially the Live 3D echo market, was dominated by Philips and 4-dimension systems contributed to the success of the Ultrasound equipment group in 2007. The Customer Support group has performed consistently well, meeting and often exceeding customer expectations, resulting in good loyalty-based repeat orders.

### 3.4 DOMESTIC APPLIANCES & PERSONAL CARE

The Domestic Appliances and Personal Care Division sales grew by 37% during the year. Innovative products such as 'Intelligent water purifier' and 'Hands Free Intelligent Indian Food Processor' were launched during the year. The business established the highest ever brand preference for its lead categories such as mixer grinders, juicers & irons.

In a year of high launch investments and increase in raw material price the business maintained its profitability. The outlook for 2008 is one of stronger growth and continued emphasis on new product launches.

### 3.5 INNOVATION CAMPUS (PIC)

PIC's strength at the end of 2007 was 978 as compared to 940 at the end of 2006. The retention rate remained reasonable as compared to the IT industry average. During the year the Healthcare group expanded its activities to cover not only software engineering but also electrical and mechanical fields. Sales (total deliveries) amounted to Rs. 2395 million as compared to Rs. 3,782 million in 2006. However, sales in 2006 included deliveries of Rs. 1381 million in respect of the Semiconductor Division which was spun off to NXP Semiconductors. On a comparable basis, there was a nominal decline in sales from Rs. 2,401 million in 2006 to Rs. 2395 million in 2007 - the primary reason being the reductions in Consumer Lifestyle group.

## 4. BUSINESS RESTRUCTURING

Globally, Koninklijke Philips Electronics N.V. ('KPENV'), the promoter of your Company, has announced a simplified organizational structure in three market sectors, viz Philips Healthcare, Philips Lighting and Philips Consumer Lifestyle. This new organizational structure came into effect from January 1, 2008. Healthcare and Lighting are largely unchanged. The creation of Consumer Lifestyle is a major event in Philips history: Domestic Appliance and Personal Care division ('DAP') and Consumer Electronics division ('CE') will cease to be separate businesses and will be fully integrated to form the Consumer Lifestyle sector.

## 5. NEW CORPORATE OFFICE

As a part of the Company's One Philips initiative, your Board has decided to move its Corporate Offices to a new state-of-the-art office space at DLF Cyber City, Gurgaon. This move will integrate all existing business offices of the Company at Pune, Delhi and Mumbai and the process is likely to be completed by end 2008.

A unified corporate office will help to further integrate business processes and leverage scale and synergies across the organization. Working from one office, at one location, offers managers the opportunity to communicate and interact across divisional and functional boundaries. By being together, the management will have opportunities for interaction with different parts of the Company to create a stronger, more cohesive Philips in India. It will enable the

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Company to drive its key agenda of growth and support with larger strength - the parent strategy of Vision 2010. The move will be cash flow positive, since it will largely be funded out of realization of the Company's two residential complexes located at Mumbai and Pune.

## 6. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company remains committed to maintaining internal controls designed to safeguard the efficiency of operations and security of our assets. Accounting records are adequate for preparation of financial statements and other financial information. Through our internal audit processes at divisional and corporate levels, both the adequacy and effectiveness of internal controls across the various businesses and compliance with laid-down systems and policies are regularly monitored. A trained internal audit team also periodically validates the major IT-enabled business applications for their integration, control and quality of functionality. The Audit Committee of the Board met periodically during the year to review internal control systems as well as financial disclosure.

## 7. CORPORATE SOCIAL RESPONSIBILITY

Your Company has been able to make significant contributions in Economic, Environmental and Social areas by tying up with effective social partners / NGOs, in the year 2007. Arogyakiran, Healthcare Initiatives & Tsunami Relief Projects and Rehabilitation are some of the ongoing projects supported by Philips. Project Arogyakiran focuses on providing primary healthcare to rural villages near Kolkata and Vadodara. Over the last three years 1020 pregnant women were identified and supported with Ante Natal Care (ANC) and Post Natal Care (PNC) at the Child in Need Institute (CINI), Kolkata.

With the help of "Trust for Reaching the Unreached", a voluntary organization based at Kural village near Vadodara, your Company makes available cost-effective and easily accessible primary and preventive healthcare to 16 villages with a population of nearly 38,000 people, through 4 dispensaries run by qualified doctors who provide subsidised diagnostic care to patients. This organization also arranges referrals for needy patients.

## 8. NEW BUSINESS INITIATIVES

The New Business Development function is working towards the realisation of the Company's growth ambitions up to the year 2010. It focuses on new business areas in the Lifestyle and Healthcare domain, new product development and/or new product portfolio extensions and addresses strategic initiatives to penetrate and develop markets in the Indian Subcontinent, as well as some key "One Philips" initiatives such as Key Sector Management in retail, healthcare and hospitality.

## 9. BUY BACK OF EQUITY SHARES

Pursuant to the provision of Article 12A of the Articles of Association of the Company and in accordance with the provision of Section 77A and 77B and all other applicable provisions, if any, of the Companies Act 1956, and the provisions contained in the Private Limited Company and Unlisted Public Limited Company (Buy-back of Securities) Rules, 1999, consent of the Company is sought for the buy back of fully paid up equity shares of the face value of Rs 10/- each up to a maximum of 6,923,076 equity shares and cash outflow not exceeding Rs. 1800 million (Rs. One thousand eight hundred million only) at a price not exceeding Rs. 260/- (Rs. Two hundred sixty only) per equity share. The Buy-back will provide an option to the shareholders to sell their shares.

## 10. HUMAN RESOURCES AND INDUSTRIAL RELATIONS

Employee relations were cordial during the year. The Company continues to invest in the development of its employees by way of various internal and external training programmes.

As part of People Development efforts, the Learning & Development needs of employees were identified and addressed on an ongoing basis. In addition to the ongoing leadership development programmes, the focus was on development of functional skills with emphasis on Sales and Marketing. Some of the key programmes rolled out included Key account management, Direct dealer management, and Service excellence workshops.

A unique "Think Simplicity" contest was launched around new brand positioning "Sense and Simplicity". The



purpose was to encourage employees to realize and appreciate the value of Simplicity in their daily lives. The response was overwhelming - 1097 entries, 19 unit level winners were felicitated and the 7 national winners participated in the Simplicity event in London.

Information under Section 217 (2A) of the Companies Act 1956, read with the Companies (Particulars of Employees) Rules, 1975, forms part of this report.

## 11. CONSERVATION OF ENERGY, FOREIGN EXCHANGE OUTGO AND TECHNOLOGY ABSORPTION

Information pursuant to Section 217(1)(e) of the Companies Act, 1956, is provided in the Annexure to this report.

## 12. ENVIRONMENT, ENERGY, OCCUPATIONAL HEALTH & SAFETY

Your Company is committed to implementing the Philips Sustainability Policy and is striving to continuously improve its contribution to the environmental, economic and social aspects of sustainability. The manufacturing units of your Company are actively involved in implementing the Philips Eco-Vision III (2006-2009) programme. All manufacturing units have established and are maintaining ISO-14001 certified environmental management systems.

Products and Systems introduced by your Company go through a process of EcoDesign. Your Company has also initiated several programmes to improve the Health and Safety of employees working in the manufacturing units and offices.

## 13. DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act, 1956, your Directors confirm that:

- i) in the preparation of the annual accounts, applicable accounting standards have been followed;
- ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as on December 31, 2007 and of the profit of the Company for the year ended December 31, 2007;
- iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act, to safeguard the assets of the Company and to prevent and detect fraud and other irregularities;
- iv) the Directors have prepared the annual accounts on a going concern basis.

The Company's Internal Auditors have conducted periodic audits to provide reasonable assurance that the Company's established policies and procedures were followed. The Audit Committee constituted by the Board meets regularly with Internal Auditors and also with the External Auditors to review internal control and financial reporting issues.

## 14. DIRECTORS

Mr. Rajeev Bakshi resigned from the Board effective April 19, 2007, after serving on the Board for over one and a half years. The Board records its deep appreciation of the valuable contributions made by Mr. Bakshi to the Board's deliberations. The Board, at its meeting held on April 19, 2007, appointed Mr. Murali Sivaraman as Additional Director and Managing Director designate with effect from July 2, 2007.

Mr. K Ramachandran, Vice-Chairman & Managing Director of your Company, resigned from the Board with effect from October 3, 2007, following his retirement from the Company. Your directors wish to record their appreciation of the long and meritorious services rendered by him. Mr. Murali Sivaraman was appointed as Vice-Chairman and Managing Director of the Company with effect from October 3, 2007. The Central Government has approved the appointment of Mr. Sivaraman which is valid till the conclusion of the ensuing Annual General Meeting and will be further extended subject to the approval of Shareholders at the said meeting. Due notice has been received from members pursuant to Section 257 of the Companies Act, 1956, of their intention to move resolution for the appointment of Mr. Murali Sivaraman as a Director of the Company.

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The Board extended the term of office of Mr. Vineet Kaul as a Whole-time Director of the Company, for a further period of five years from January 30, 2008 or till the age of retirement, whichever is earlier. Appropriate resolution seeking your approval to such extension and remuneration of Mr. Vineet Kaul appears in the Notice convening the 78th Annual General Meeting of the Company.

Mr. Alexis Collette retires by rotation at the ensuing Annual General Meeting. The Board recommends his re-appointment.

## 15. AUDITORS

Messrs. BSR & Co. retire as auditors of the Company and, being eligible, offer themselves for re-appointment. Your Directors recommend their re-appointment for the ensuing year.

## 16. COST AUDITORS

The Central Government has directed your Company to carry out an audit of the Company's cost accounts in respect of electric lamps, pursuant to the provisions of Section 233B of the Companies Act, 1956. Accordingly, your Directors have approved the appointment of Messrs. R. Nanabhoy & Co., a firm of cost accountants, to conduct the audit for the year ending December 31, 2008.

## 17. GENERAL

Your Directors acknowledge the close cooperation and support your Company has received during the year from the employees, members, its parent company Koninklijke Philips Electronics N.V., its bankers, and business partners including suppliers, co-makers and the trade.

On behalf of the Board

S. M. Datta  
Chairman

New Delhi, March 11, 2008

## Annexure to Directors' Report

### INFORMATION REQUIRED UNDER SECTION 217 (1)(E) OF THE COMPANIES ACT, 1956.

#### RESEARCH & DEVELOPMENT (R & D) : JANUARY - DECEMBER 2007

1. Specific areas in which R & D is carried out by the Company	<p>The Company's management believes that continuous effort to establish a strong performance in the fields of R &amp; D vis-a-vis product and process development and import substitution are of paramount importance to preserve and strengthen the competitive position the Company holds in various product segments. The Company's R &amp; D laboratories have been instrumental in providing the Company with a sustainable competitive advantage through application of Science and Technology.</p> <p>The specific areas in which R &amp; D is carried out include:</p> <ol style="list-style-type: none"><li>Development of new energy saving optics for road lighting / floodlighting / officelighting luminaires to make products less and less material intensive and more energy efficient and environment friendly.</li><li>Development of knowhow of luminaires driven by alternate energy source i.e Solar.</li><li>Development of optimal luminaires for TL5/CFL lamps for home applications.</li></ol>										
2. Benefits derived as a result of R & D	Development of 21 new products for consumer / indoor and outdoor application involving high performance electronic ballasts and energy efficient lamps like PLL/TL5/CDMTT.										
3. Future plan of action	Have a roadmap for 2008-2010 with high emphasis on office lighting / shop & mall lighting / street and flood lighting luminaires based on conventional and non conventional (solid state Lighting) lamp source.										
4. Expenditure on R & D	<table><thead><tr><th></th><th>Rs. Mln</th></tr></thead><tbody><tr><td>a. Capital</td><td>1</td></tr><tr><td>b. Recurring</td><td>39</td></tr><tr><td>c. Total</td><td>40</td></tr><tr><td>d. Total R &amp; D expenditure as % of total turnover</td><td>0.14</td></tr></tbody></table>		Rs. Mln	a. Capital	1	b. Recurring	39	c. Total	40	d. Total R & D expenditure as % of total turnover	0.14
	Rs. Mln										
a. Capital	1										
b. Recurring	39										
c. Total	40										
d. Total R & D expenditure as % of total turnover	0.14										

#### TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts, in brief, made towards technology absorption, adaptation and innovation	<p>As a result of our access to international technology from Koninklijke Philips Electronics NV in terms of products, production techniques and processes etc., our R &amp; D Laboratories absorb &amp; adapt these new concepts on a continuous basis to suit local conditions . These are achieved through continuous interaction with our foreign affiliate, other international bodies and manufacturers and through exchange of knowledge, information, visits and training etc. New Optics from Europe / manufacturing technology of Formed Glass /</p>
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## PHILIPS ELECTRONICS INDIA LIMITED

	Newcoating process/ SSL design technology from Europe and Selection of alternative materials for Luminaire construction. The technology for using solar power as driver to CFL based luminaires from Europe.
2. Benefits derived as a result of above efforts, e.g. product improvement, cost reduction, product development, import substitution.	Continuous development of new products , concepts and processes resulting in increased efficiency, cost reduction and import substitution. Attainment of higher customer satisfaction / better environmental scoring/growth in business.
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) following information may be furnished.	Technology imported                      Year of commencement of production  Nil    Not applicable

### FOREIGN EXCHANGE EARNINGS AND OUTGOINGS

	Rs. Mln
Foreign exchange earned	3,143
Foreign exchange used:	
i. Import of capital goods	177
ii. Import of raw materials, piece parts & spares	901
iii. Other expenditure	1,759
	<u>2,837</u>

### ENERGY CONSERVATION MEASURES

The following energy conservation measures were implemented during January / December 2007.

1. Re-engineering of cooling water circulation system in Glass Factory
2. Compressed Air system Pressure regulation on PID Controller.
3. Efficiency improvement of Return cullet conveyor system.
4. Lighting system on auto control.
5. VTL I Blowing air for sintering furnace regulating system on PID Controller.
6. GLS/VTL packing machine motor auto mode.
7. Ribbon machine interlock with air circulating fans.
8. Installation of additional 380 kva Gas generator set to reduce Electrical power cost & Reduction of CO2.
9. Installation of zero Loss auto drain valve in compressed air system.
10. Auto switching of oxygen in flare machine and GLS machine.
11. Installation of energy management system.
12. Use of chilled water for room AC System in Glass Factory.
13. Bulb cooling system in ribbon machine on VFD.
14. AHU System of Lamp plant Damper system with AC Drive.
15. Reduction of propane gas consumption by changing T-8 rollers on VTL sinteroven.
16. Monolux insulation changed on VTL pump oven to reduce heat losses as to get savings in power.
17. Peak load exemption & Continuous power status from PSEB to save HSD.
18. Reduction of blower air pressure in the process from 2000 MMWC to 1900 MMWC.
19. Lighting energy saver for factory lighting to save power.
20. Installation of solar water heater for factory canteen.
21. False ceiling in furnace control room to reduce air conditioning load.

## POWER & FUEL CONSUMPTION AT GLASS FACTORIES

Particulars	Unit	2007	2006
<b>Electricity</b>			
<b>a. Purchased</b>			
Unit	000 kwh	27,100.12	22,650.00
Rate	Rs/kwh	4.67	4.45
Total	Rs.000	126,576.46	100,851.00
<b>b. Own generation</b>			
Unit	000 kwh	3,328.17	6,310.00
Rate	Rs/kwh	4.16	6.13
Total	Rs.000	13,828.42	38,705.00
Total electricity	000 kwh	30,428.29	28,960.00
Cost	Rs.000	140,404.88	139,556.00
<b>Particulars</b>			
<b>LPG/Propane/Natural Gas</b>			
Unit	Tonnes	11,383.13	10,802.00
Rate	Rs./Tonne	32,360.81	31,197.08
Total	Rs.000	132,257.05	109,292.00
<b>Furnace oil</b>			
Unit	KL	2,147.00	2,140.00
Rate	Rs./KL	19,726.13	18,755.00
Total	Rs.000	42,352.00	40,137.00

### Consumption per kg. of glass production

Product	Unit	2007	2006
		TL SHELLS / GLS	TL SHELLS / GLS
Electricity	Kwh	0.14	0.13
Furnace oil	Ltr	0.05	0.05
LPG	Kg	0.02	0.02

### STATEMENT OF PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956

JANUARY - DECEMBER 2007

Name	Qualification	Date of Joining	Designation	Previous Employer	Experi-ence	Age	Remune-ration Gross
A D A Ratnam	ACA, ACS, B.Com	01/11/2004	Sr.Director - Lighting F&A	Baxter India P Ltd	19	41	4,867,952
A P S Sandhu	B.Sc,MBA	01/11/1988	Director	Pushkar Electronics	19	42	2,496,887
Ajay Mahajan	B.E	31/08/1998	Sr. Software Architect	Menon Information Technology	13	37	2,413,404
Ajit Ashok Shenvi	B.E	25/06/1999	Quality Manager - CE	L&T Limited	14	35	2,788,907
Akhilesh Kumar Goel	M.Sc (Engg), BE, B.Sc	04/05/2006	Director- Mohali Light Factory	Areva T&D India Ltd	16	42	2,496,104
Alexius Maria Josephus C	M.E	24/01/2006	CEO - Philips Innovation Campus	Royal Philips Electronics NV, Netherlands	35	60	19,305,704
Anasuya Thammineni	B.Tech	23/03/2004	Program Manager	Motorola India Electronics Pvt Ltd	12	36	2,529,990
Anil Naraindas Punjwani	B.E	27/03/2006	IT Head	AGM Infrastructurecaritor	16	40	2,592,146
Anjan Bose	B.E - Tech	11/06/2004	Sr.Director	Datex Ohmeda	30	53	9,406,593
Arjun Shahani	B.E, MMM	08/12/2003	Sr.Director-Lighting Commercial	LG Philips Displays India Pvt Ltd	24	45	3,861,122
Ashish Mendiratta	B.E,PGDIE	15/11/2005	Director	Ballapur Industries Ltd	17	42	3,007,811
Bakthavathsalu Mannan	Ph.D	17/06/2002	IP Search Manager	GE India Tech Centre Pvt Ltd	25	53	3,086,825
C J M Reuvers	MBA	08/08/2006	CFO	Royal Philips Electronics NV, Netherlands	34	55	28,984,169
Debabrata Das	B.E	27/05/1991	General Manager	Genelec Ltd	19	46	2,544,910
Debjayoti Dasgupta	B.Com,B.Sc,ACA	19/04/1993	Director	Price Waterhouse Coopers	15	42	2,470,645
Debasish	B.E	16/10/2000	Sr. Project Manager	Asea Brown Boveri Ltd	17	38	2,535,261
Devdatt K	B.E	27/01/1999	System Architect	D.E.Shaw India	14	37	2,577,166
Dinesh Kumar B V	B.E	08/05/2000	General Manager	Motorola India Electronics Ltd	22	47	3,761,657
Geetha Mahadevaiah	B.E	08/05/2000	General Manager	Subex Systems Ltd.	23	45	3,909,729
Gertjan Yntema	M.Sc	01/08/2007	Director - AppTech	Royal Philips Electronics NV, Netherlands	1	35	3,904,224
Girish Chander Kalia	B.E	01/09/1998	Systems Architect	Indian Air Force	15	37	3,167,430
Gunjan Kumar Srivastava	B.Tech, PGDM	08/03/2004	Senior Director	Integrated Tech solutions Pvt Ltd	15	40	3,018,890
Guruprasad Krishnamurthy	B.E	20/09/1999	Group Project Manager	Larsen & Toubro Information Tec	13	36	2,879,182
Hemakumar K S	B.E	08/01/2001	Sr. Technology Specialist	Robert Bosch India Ltd.	20	44	3,334,459
Jelle Rieske	M.Sc	23/04/2005	Sr. Director -PCE	Royal Philips Electronics NV, Netherlands	27	50	13,861,585
Joseph Shields	Ph.D	03/10/2006	General Manager - New Business Development	Infosys Technologies Ltd	7	39	2,886,583

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Report 2007

# PHILIPS ELECTRONICS INDIA LIMITED

## STATEMENT OF PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956

JANUARY - DECEMBER 2007

Name	Qualification	Date of Joining	Designation	Previous Employer	Experi- ence	Age	Remune- ration Gross
K Sairam Sekhar	B.A	07/06/1985	Director - Lighting Commercial	Eureka Forbes Ltd	22	45	2,865,560
Kedar Avinash Medhi	B.E	18/07/2000	Sr. Project Manager	-	13	34	2,438,673
Kishin Gandhi R M	B.E	16/08/2000	Sr. Project Manager	BPL Ltd	18	41	2,511,878
Kishore Reddy T N	B.Tech	10/03/1997	Director	Sage Design Sys	14	35	5,228,092
Krishnamohan Y Rao	B.Com., MBA	01/12/2006	Sr. Director - HR	ST Microelectronics	21	43	3,435,576
Kumar S L	B.E	11/06/1997	Sr. Software Architect	M/S Micron Inst	15	34	2,951,657
Kunal Chaudhuri	B.E (Mech)	14/09/1984	General Manager	Machinery Manufacturers Corp Ltd	27	51	2,655,918
L Ramakrishnan	Ph.D, M.Sc,B.Sc. PUC	18/10/1982	General Manager-Lamp	Bakelit Hylam Ltd	29	57	2,704,174
Madhusudhan K T	M.E	02/01/1998	Sr. Project Manager	Polaroid	11	33	2,594,174
Maresh Viswanathan	B.Com, A.C.A	01/01/2007	Sr.Director - Finance	Pennar Acominium Co Ltd	24	48	3,987,308
Manoj A K	B.Tech	19/07/1999	Sr. Software Architect	BPL Limited	13	36	2,524,112
Mini T T	B.Tech	12/02/2001	Sr. Software Architect	Bharat Electronics Ltd	13	36	2,421,886
Mohana Krishnaiah	Ph.D	06/02/2003	Sr. Technology Specialist	Espace Technologies	15	43	2,816,440
Mohandeep Singh	MBA	13/07/2006	Director- National Sales	Asian Paints India Ltd	13	38	2,906,873
Narendra N Pawar	B.E	01/09/2005	Project Manager	Philips Electronics Singapore Pte Ltd	16	40	5,791,214
Nataraj Kumar S	B.E	12/07/2000	Program Manager - TEST	BPL Limited	17	39	2,744,807
Nevenka Dimitrova	MS.,	01/07/2006	Research Fellow	Royal Philips Electronics NV, Netherlands	23	47	8,491,080
P Perianayagam	B.E - Electronics	02/11/1987	General Manager	Electronics Corporation of India	23	45	2,734,853
Padma Lakshmi Anoop Kulka	B.E	03/08/1998	Sr. Software Architect	Tata Consultancy Services	14	36	2,516,241
Padmaja Korde	B.A,MS.,	02/06/1996	General Manager - Organisation Development	Mafatal Industries Ltd	17	41	3,882,302
Pallavi K	B.E	07/01/1999	Program Manager	Hewlett Packard	13	37	2,416,461
Pradyot Krishna Sinha	B.Com, MBA	08/03/2000	Director - Forwarding & Distribution	Cussons India Pvt Ltd	17	41	3,502,278
Pramod C	B.Tech,M.Tech	07/10/1996	System Architect	Wipro GE Medical Sys Ltd	13	35	2,723,741
Pritam P Bhosale	B.E	14/05/2001	Sr. Project Manager	Technical Stacadence Design Systems (I) Pvt Ltd	12	36	2,513,526
Purnendu Sinha	Ph.D	01/06/2005	Principal Scientist - A	IIIT-BANGLAORE	10	40	2,886,211
R Nandakishore	B.E (Elects) MBA IIM	03/06/1985	Director - Lighting Commercial	-	26	53	4,095,111
R P Singh Gandhoke	MBA, MSW, BA	15/09/1995	Director-HRM	Bharat Electronic Ltd	30	55	3,302,230
R Sridharan	MS in Bio Med:Eng:	18/06/1986	General Manager	ATL India Ltd	22	47	2,706,482
Raghav K Narayan	MS-Maths	21/08/2006	Technical Expert	Philips Medical Systems Inc-Andover	22	46	9,965,601
Raghavendra R Patil	B.E	24/03/2000	Program Manager	NELCO/GETS, ERIE, PA, USA	24	48	4,096,822
Raghvendra Deshpande	B.E	22/05/2000	General Manager	IT Solutions	17	39	4,068,142
Rajiv J Wani	B.Com,CS,LLB,PGD Tax	01/09/1986	General Manager	Precision Fasteners	27	49	2,528,355
Rakesh Sharma	B.Sc (Engg), MBA	18/08/1980	Senior Director - BG Dap	Dept of Business Administration, Punjab University	29	53	6,303,289
Ramamoorthy A	PUC	03/11/2000	Sr. Software Architect	Bharat Heavy Electricals Ltd	15	41	2,581,152
Ramani M V	Ph.D	16/08/2004	Patent Engineer	GE INDIA TECH.CENTRE	12	47	2,489,770
Ramanjit Singh	B.Sc,MBA	26/10/1985	Director	Gurunak Auto Enterprises	23	47	2,493,307
Rani M R	B.Sc.,M.Sc.,	22/01/2003	General Manager - Software Engineering Group	Motorola India Electronics Ltd	20	43	3,840,877
Ravi T V	Ph.D	17/06/2002	Patent Engineer	SAP Labs India Pvt Ltd	13	42	2,450,846
S Bhaskaran	B.Tech	06/07/1998	Sr. Director - PMS & PBS	Bharat Heavy Electricals Ltd	24	48	6,839,745
S H Denissen	M.Sc	15/05/2007	Senior Technical Specialist	Royal Philips Electronics NV, Netherlands	1	27	3,757,644
S Nagarajan	PGDM, (IIM)	23/01/2004	Sr.Director - CE Sales & Service	Joyco India Ltd	22	46	5,466,379
S R Srinivasan	B.Com,M.Com	08/10/1984	General Manager	Spaco Carb Urettors (I) Ltd	26	50	2,606,701
S Talwar	B.E Chemical Engineering - MBA	18/02/1986	Senior Director - Lighting Industrial	Punjab Alkaies & Chemicals Ltd	35	59	4,822,024
S Venkatramani	B.E. (Mech)	17/11/1971	Executive Director & Sr Vice President - Lighting	Standard Machine Tools	39	62	19,195,734
Safeer I	B.Tech	03/11/1999	Program Manager- Process Improvement	HCL Technologies India P Ltd.	16	41	2,816,252
Sanjay Bapna	B.E	13/01/1997	General Manager	Hewlett Packard	22	47	2,703,593
Santosh Kumar V	B.E	31/07/2000	Systems Architect	Robert Bosch India Ltd	12	37	2,762,333
Sathian T Nair	B.E	29/03/2004	Sr. Project Manager	Intel Technology India Pvt Ltd	14	36	2,421,557
Sathyanarayanan B	B.Sc	21/08/2006	General Manager, P-BAS Delivery Grp	Hewlett Packard	15	41	3,986,246
Serge Antony Martin Hermans	M.Sc	02/01/2006	Software Architect	Royal Philips Electronics NV.	10	35	6,271,453
Shashi Bhushan Mehta	M.E	27/01/2003	Sr. Technology Specialist	GEITC	23	52	3,174,475
Shiva Kumar K R	B.E,M.E.	03/11/1997	Sr. Principal Engineer	PCL MINDWARE	17	39	4,810,599
Shyam Vasudevarao	Ph.D	05/07/2004	Director -Technology	Tata Consultancy Services	19	48	4,472,857
Souri Rajan V	B.E	11/06/2001	Sr. Software Architect	CISCO Systems	12	34	2,553,446
Sreenath Lt K	B.E, MBA	15/01/1998	Sr. Project Manager	LEC India Software	19	42	2,722,425
Sreenivasa Chary	B.E	24/12/1999	Sr. Software Architect	Defence Research & Dev. Organisation	12	39	2,516,407
Srihari Madhava Rao	B.E	13/03/2000	Director	Robert Bosch India Ltd.	14	36	4,261,414
Srinath Ramamurthy Siddal	B.E	29/09/2000	General Manager	ABB Ltd	17	39	3,302,746
Srinivas Gutta	B.E	15/11/2004	Sr. Director- Research	Datamat Systems Research	11	38	9,211,016
Srinivas Rao K	B.E	24/08/1999	Sr. Software Architect	Tata Elxsi Ltd.	13	36	2,603,386
Srinivas Y C	B.E	10/08/1998	Sr. Manager - Hardware	Philips Electronics Singapore Pte Ltd	16	42	3,363,366
Srinivasan Balakrishnan	Ph.D	26/09/2005	Principal Scientist - A	Royal Philips Electronics NV., Netherlands	10	42	3,385,460
Srividhya Easwaran	B.E	03/07/2002	Technology Specialist	Tata Elxsi Ltd.	15	40	2,488,854
Sudeep R Prasad	B.E	19/03/2001	System Architect	SOFTWARE DEVSPCNL	12	34	2,424,052
Sudeshna Mukhopadhyay	BEE,MMS	25/06/1990	General Manager	-	18	43	2,507,561
Sundar Raman G	B.E	03/04/2001	Sr. Project Manager	SYSTEMS AIDS	18	43	2,750,229
Sunderrajan J	B.E - Electronics	19/01/2000	Director Sales	Agilent Technologies	30	53	4,414,597
Surendra K Dhansoia	B.Sc.,M.Sc.,	02/06/1997	Systems Architect	LRDE	15	38	3,746,832
Suresha K	B.E	23/08/1999	Sr. Project Manager	Robert Bosch India Ltd	18	42	2,607,287
Sureshkumar K N	B.Tech	16/11/2000	Sr. Software Architect	Robert Bosch India Limited	15	38	2,509,710
Tridibkumar Das	CA, CWA, B.Com	03/06/1996	Director - Corporate Control & Treasury	Castrol India Limited	24	50	3,741,491
V K Gupta	B.Tech (Mech), PGDBM	23/07/1971	Director - Lighting Electronics	-	37	57	4,891,785
Venkata Sheshan R	B.E	03/07/2006	Sr. Director - New Business Development	CMAC Centum Electronics Ltd	24	46	4,789,457
Venkatakishnan S	B.E.	16/04/1997	Sr. Technology Specialist	Baehal Ltd	13	33	3,131,459

**STATEMENT OF PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SECTION 217 (2a) OF THE COMPANIES THE COMPANIES ACT, 1956**

JANUARY - DECEMBER 2007

Name	Qualification	Date of Joining	Designation	Previous Employer	Experi- ence	Age	Remune- ration Gross
Venkatesh H S	B.E	29/09/2000	Program Manager	ABB Ltd	19	43	3,045,096
Vidyashankar J	B.Sc	02/01/2007	General Manager - RAISE-PBAS	Lottus Development Corporation	16	37	2,536,640
Vijayananda J	B.E	19/01/1998	System Architect	Siemens Communications	11	33	2,981,010
Vikas Jain	B.Tech	02/11/1998	Sr. Software Architect	Network Programs	13	36	2,702,649
Vineet Kaul	B.A (Hons), MSW	09/03/1995	Executive Director & Vice President - HR	Eicher Motors Ltd	32	52	10,097,899
Vinod R S	B.E	08/07/1999	Sr. Software Architect	GPS Usha Pvt. Ltd.	12	36	2,425,417
Viswanathan Seshan	B.Tech, Ph.D	06/10/2003	Country Manager - IP&S	John F. Welch Technology Centre	12	42	2,985,661
<b>For part of the year:</b>							
A L Alagappan	BBM, MBA	01/12/2007	Director	Philips Electronics International B.V. Netherlands	10	34	1,093,080
Abhinav Kaul	B.E	02/05/2005	Sr. Manager - PGP	Bennet & Coleman Co Ltd	14	38	418,169
Ajay Maggo	B.Com, C.A.	16/07/2007	Director	General Cables	17	41	1,746,865
Alak S Basu	B.Sc, B.Tech	30/06/1986	General Manager - LBU Lighting	-	21	48	1,439,941
Amit Malik	B.Sc, MBA	13/06/2000	General Manager	BPL Limited	14	39	812,634
Arockia Durairaj	MCA	10/12/2007	Senior Technical Specialist	Time Tech Systems	9	32	221,310
Arun Gupta	PG Dip in Software Tech & Sys Mgmt	01/02/2006	Director- Corporate PG IS	Pfizer Limited	17	45	1,307,390
Ashok N Panwalkar	B.E	14/01/1980	Director-Philips Design	Innova Eng Pvt Ltd	31	58	2,558,995
Ashok Nambissan	B.L., BGL, Dip PM	28/06/1999	Senior Director - Legal & Secretarial and General Counsel	ICI India Ltd	26	51	5,349,787
Balaji V V	B.E.,	14/07/1997	Program Manager	Tata Elxsi Ltd.	18	43	983,055
Bhargavi Narayan Upadhy	B.E	30/08/1996	Sr. Software Architect	-	12	33	627,341
J W Vincent	PG Accounting & IT	01/08/2006	Director-Projects	Royal Philips Electronics NV., Netherlands	39	60	4,318,897
Jaideep E K	B.Tech	01/10/1999	Black Belt	Self Employed	15	44	2,331,053
K Ramachandran	B.E (Hons) MBA - IIM (Kolkata)	17/05/1993	Vice-Chairman & Managing Director	Voltas Ltd	29	59	20,361,915
Kalavathi G V	B.E	05/02/2007	General Manager	-	15	39	3,632,238
Krishna Dass S	B.E	20/12/2000	Sr. Software Architect	Robert Bosch India Limited	7	39	534,421
Madhav D Bapat	B.E	29/01/2001	Director - PGP	Mirc Electronics Ltd	24	46	2,105,390
Maresh C Tahilyani	B.Com, CA, CS, Mgmt Accountant U.K	17/09/2001	Sr.Director - Shared Service Centre	Philips Consumer Electronics BV	22	43	3,466,586
Manish Kumar	B.Sc,M.Sc,PGDPM&IR	01/06/1995	Director	Steel Authority of India Ltd	14	40	1,225,901
Matthijs	MS.	02/08/2004	Project Manager	Royal Philips Electronics NV., Netherlands	19	44	5,657,200
Murali Sivaraman	ICWA,CA,PGDBM	02/07/2007	Vice-Chairman & Managing Director	ICI,UK	21	47	13,765,413
N Hariharan	M.Tech	02/08/2004	Director	GE Capital	15	39	2,060,301
Naveen Kulkarni	B.Sc	26/11/2007	Director - Business Development	Sysarris Inc.	9	34	539,976
Nikhil V Madgavkar	CA, LLB, B.Com	05/09/1988	Sr. Director - CE Finance	-	19	44	1,393,707
Prashant V Agarwal	B.E	05/06/2000	Software Architect	-	11	31	1,223,499
Preethi C N	B.E	13/03/2000	Sr. Technical Leader	-	8	30	786,319
Priya Murali	B.Com, CA	01/06/1995	General Manager	Tata Libert Ltd	17	42	642,287
Pushpinder Singh Gujral	BE, MMS	03/06/1996	General Manager	CEESOFT systems	12	37	554,937
Raghavendra K N	B.Sc	22/05/1997	Sr. Software Architect	-	14	37	1,890,263
Raj Murali S	B.Tech, DIPLOMA	01/09/1997	General Manager	Ramco Systems	20	43	1,570,236
Rajagopalan K R	B.E	20/04/2000	Director	Philips Electronics UK Ltd	21	44	1,584,968
Rajeev Chopra	B.Tech, MBA	14/04/2003	Senior Director - BG Luminaires	Cisco Systems	22	45	4,113,670
Ramakrishna Mornidi	DIPLOMA	01/06/2001	General Manager - HR	Honey Well India Software	20	41	1,435,137
Raman R V	B.E	11/12/2000	Sr. Project Manager	Grass Root Systems	7	39	543,453
Ramanathan Sethuraman	Ph.D	01/07/2006	Sr. Customer Solutions Architect	Philips Research	11	41	3,257,962
Ravi Kiran M T	B.E	18/07/2007	Senior Project Manager	Hewlett Packard	12	35	1,154,881
Remy Mary Alexander	B.Tech	16/07/2007	Program Manager	Hewlett Packard	13	36	1,151,129
S Dayal	B.Tech, DBM	27/01/1972	Director	Electronic & Computer (I) Ltd	36	59	913,325
Sanjay Nagpal	B.Sc	18/07/2007	General Manager	Bharati Cellular Ltd	10	39	1,445,007
Saravanan N	B.E	01/07/1997	TIM Manager	-	11	34	1,941,029
Satish Prasad Rath	MBBS	05/07/2005	Research Scientist	Govt. of Orissa	10	33	1,626,480
Shyam Sankar G	B.Tech	20/03/2000	Technology Manager	Digital India	18	40	655,939
Siddharth S Satpute	B.Com, CA	28/04/1997	Director	-	9	33	2,166,264
Srinath Mukherjee	B.Com, CA	01/10/1992	Director	Lovelock & Lewes	19	42	1,272,581
Srinivasan R	B.E	22/06/2000	Sr. Manager-Information Systems	Genesys Integrating Systems	20	47	2,263,140
Sridhija S	B.E	12/06/2000	Sr. Software Architect	HCL Infosystems	15	39	1,759,847
Thanuj Kambil	B.Tech	09/04/2001	Sr. Software Architect	Vikram Sarabhai Space Centre	14	41	1,238,088
Uma Satya Ranjan	Ph.D	24/10/2007	Sr. Architect	DaimlerChrysler Research R&T India	9	39	631,013
Venkatasubramanian N	B.Sc, M.Sc	03/07/1996	Sr. Software Architect	-	12	36	1,007,982
Venkatesan R	B.E	05/08/1996	Sr. Software Architect	-	12	34	1,495,921
Vinay Shenoy	B.E., M.Tech	01/08/1996	Sr. Director - PSW,IP&S,IT	Texas Instruments	17	41	3,859,237

**NOTES :**

- All appointments are / were contractual and terminable by notice on either side.
- Remuneration includes salary, allowances, commission, stock option costs, taxable value of perquisites, company's contribution to provident fund, pension fund and prior year adjustment wherever applicable. Remuneration excludes gratuity, leave encashment and payments made under voluntary retirement schemes.
- None of the above employees is related to any director of the company.

# PHILIPS ELECTRONICS INDIA LIMITED

## Auditors' Report to the Members of Philips Electronics India Limited

We have audited the attached Balance Sheet of Philips Electronics India Limited ('the Company') as at 31 December 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.

We conducted our audit in accordance with the 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.

As required by the Companies (Auditor's Report) Order, 2003 ('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.

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

- (a) 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;
- (b) 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;
- (c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (d) 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 Companies Act, 1956;
- (e) on the basis of written representations received from the directors of the Company as at 31 December 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as at 31 December 2007 from being appointed as a director of the Company under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956; and
- (f) 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 Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 December 2007;
  - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
  - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For BSR & Co.  
Chartered Accountants

New Delhi  
11 March 2008

**Vijay Mathur**  
Partner

Membership No: 046476



## Annexure to the Auditors' Report

With reference to the Annexure referred to in the Auditors' report to the Members of Philips Electronics India Limited ('the Company') on the financial statements for the year ended 31 December 2007, we report the following:

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.  
(b) We are informed that the Company physically verifies its assets over a three year period, except for certain assets which are verified on the basis of third party confirmations. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this policy, the Company has physically verified certain fixed assets during the year and we are informed that no material discrepancies were identified on such verification.  
(c) Fixed assets disposed off during the year were not substantial and therefore do not affect the going concern assumption.
2. (a) The inventory, excluding materials in transit, has been physically verified by management during the current year. Material inventories with third parties have either been physically verified by management or confirmed based on certificates/statements of account received from such third parties. In our opinion, the frequency of such verification is reasonable.  
(b) The procedures for the physical verification of inventories followed by 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. Discrepancies identified on physical verification of inventories as compared to book records were not material and have been properly dealt with in the books of account.
3. The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
4. 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 nature of its business with regard to the purchase of inventories and fixed assets and with regard to the sale of goods and services. In our opinion, and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in the internal control system.
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.  
(b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of Rs 5 lakh with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A, Section 58AA or other relevant provisions of the Companies Act, 1956 and the rules framed thereunder/the directives issued by the Reserve Bank of India (as applicable) with regard to deposits accepted from the public. Accordingly, there have been no proceedings before the Company Law Board or National Company Law Tribunal (as applicable) or Reserve Bank of India or any Court or any other Tribunal in this matter and no order has been passed by any of the aforesaid authorities.
7. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
8. We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under Section 209(1)(d) of the Companies Act,

# PHILIPS ELECTRONICS INDIA LIMITED

## Annexure to the Auditors' Report (Continued)

- 1956 in respect of Electric Lamps and Fluorescent Tubes and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.
9. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Wealth tax, Excise Duty, Service Tax, Customs Duty and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities, though there have been slight delays in depositing dues relating to Sales tax and Income tax. There were no dues on account of cess under Section 441A of the Companies Act, 1956 since the date from which the aforesaid section comes into force has not yet been notified by the Central Government. According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Wealth tax, Excise Duty, Income Tax, Service Tax, Customs Duty, Sales tax and other material statutory dues were in arrears as at 31 December 2007 for a period of more than six months from the date they became payable.  
  
(b) According to the information and explanations given to us, there are no dues of Wealth tax, Service tax and Customs duty which have not been deposited on account of any dispute. The dues of Income tax, Sales tax and Excise duty as disclosed in Appendix I have not been deposited by the Company on account of disputes. There were no dues on account of cess under Section 441A of the Companies Act, 1956 since the date from which the aforesaid section comes into force has not yet been notified by the Central Government.
  10. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
  11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers or to any financial institutions. The Company did not have any outstanding debentures during the year.
  12. According to the information and explanations given 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.
  13. In our opinion and according to the information and explanations given to us, the Company is not a chit fund/ nidhi/mutual benefit fund/society.
  14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
  15. 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.
  16. In our opinion and according to the information and explanations given to us, the term loan taken by the Company has been applied for the purpose for which it was raised.
  17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
  18. The Company has not made any preferential allotment of shares to companies/ firms/ parties covered in the register maintained under Section 301 of the Companies Act, 1956.
  19. The Company did not have outstanding debentures during the year.
  20. The Company has not raised any money by public issues during the year.

## Annexure to the Auditors' Report (Continued)

21. According to the information and explanations given to us, no fraud on or by the Company, that causes a material misstatement to the financial statements, has been noticed or reported during the course of our audit.

For BSR & Co.  
Chartered Accountants

New Delhi  
11 March 2008

**Vijay Mathur**  
Partner  
Membership No: 046476

### Appendix I to Annexure to the Auditors' Report

(Rs in Mln)

Name of Statute/ Period to which the amount relates	Nature of dues	Forum where dispute is pending		
		Appellate authority upto Commissioner (Appeals)	Tribunal	High Court
<b>Central Excise Act, 1944</b>				
2006-07	Excise duty including interest and penalty where applicable	—	—	—
2005-06		—	31.5	—
3-7 years		33.0	9.9	2.6
Above 7 years		—	191.7	5.0
<b>Central Sales Tax Act, 1956 and Individual State Sales Tax Act</b>				
2006-07	Sales tax Including interest and penalty where applicable	—	—	2.2
2005-06		—	—	41.8
3-7 years		74.4	42.3	—
Above 7 years		21.0	219.4	12.4
<b>Income Tax Act, 1961</b>				
2006-07	Income tax including interest and penalty where applicable	—	—	—
2005-06		—	—	—
3-7 years		93.0	—	—
Above 7 years		—	—	—

# PHILIPS ELECTRONICS INDIA LIMITED

## Profit and Loss Account for the year ended December 31, 2007

	Notes	Year ended December 31, 2007	Year ended December 31, 2006
<b>Amounts in Rs. Mln</b>			
<b>INCOME</b>			
Sales and income from operations (gross)	1	28,986	26,603
Less: Excise duty recovered		531	492
Sales and income from operations (net)		28,455	26,111
Other income	2	377	132
		<b>28,832</b>	<b>26,243</b>
<b>EXPENDITURE</b>			
Material cost	3	16,770	14,308
Expenses	4	9,017	9,826
Interest	6	51	45
Depreciation / Amortisation		538	603
		<b>26,376</b>	<b>24,782</b>
Transfer to assets		—	23
Transfer from capital reserve - revaluation	7	—	1
		<b>26,376</b>	<b>24,758</b>
		<b>2,456</b>	<b>1,485</b>
<b>OPERATING PROFIT</b>			
Employees' voluntary retirement scheme		(2)	(79)
Other exceptional items	14	440	1,623
		<b>2,894</b>	<b>3,029</b>
<b>PROFIT BEFORE TAX</b>			
Fringe benefit tax	19	(38)	(61)
Provision for current tax	19	(939)	(824)
Provision for deferred tax	19	(14)	(14)
		<b>1,903</b>	<b>2,130</b>
<b>PROFIT AFTER TAX</b>			
Balance brought forward		150	150
Available for appropriation		<b>2,053</b>	<b>2,280</b>
Transfer to general reserve		190	1,970
Proposed equity dividend		140	140
Tax on proposed equity dividend		28	20
Balance carried forward		1,695	150
		<b>2,053</b>	<b>2,280</b>
Basic and diluted earnings per equity share of Rs.10 each (in Rs.)	17		
— Before exceptional items		21.65	13.44
— After exceptional items		27.08	30.32

The statement of accounting policies and notes I-20 to the profit and loss account form an integral part of the accounts.

	In terms of our report of even date	For and on behalf of the Board
	For BSR & Co. Chartered Accountants	Chairman S.M.DATTA
		Managing Director MURALI SIVARAMAN
	VIJAY MATHUR Partner	Director C.J.M.REUVERS
New Delhi, March 11, 2008	Membership No. 046476	Secretary R.J.WANI

## Balance Sheet as at December 31, 2007

		Amounts in Rs. Mln	
	Notes	As at December 31, 2007	As at December 31, 2006
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' funds</b>			
Capital	1	703	703
Reserves and surplus	2	8,709	6,974
		<u>9,412</u>	<u>7,677</u>
<b>Loan funds</b>			
Secured loans	3	103	70
Unsecured loans	4	36	38
		<u>139</u>	<u>108</u>
		<u>9,551</u>	<u>7,785</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed assets</b>			
Gross block	5	6,800	6,641
Less: Depreciation		4,210	4,346
Net block		2,590	2,295
Capital work-in-progress		104	366
		<u>2,694</u>	<u>2,661</u>
Investments	6	16	11
Deferred tax assets - net	7	240	254
<b>Current assets, loans and advances</b>			
Inventories	8	2,255	1,902
Sundry debtors	9	3,120	2,687
Cash and bank balances	10	6,747	5,178
Loans and advances	11	1,430	1,399
		<u>13,552</u>	<u>11,166</u>
<b>Less : Current liabilities and provisions</b>			
Liabilities	12	5,790	4,879
Provisions	13	1,161	1,428
		<u>6,951</u>	<u>6,307</u>
<b>Net current assets</b>		<u>6,601</u>	<u>4,859</u>
		<u>9,551</u>	<u>7,785</u>

The statement of accounting policies and notes I-16 to the balance sheet form an integral part of the accounts.

	In terms of our report of even date	For and on behalf of the Board
	For BSR & Co. Chartered Accountants	Chairman Managing Director
	VIJAY MATHUR Partner Membership No. 046476	S.M.DATTA MURALI SIVARAMAN C.J.M.REUVERS
New Delhi, March 11, 2008		Secretary R.J.WANI

# PHILIPS ELECTRONICS INDIA LIMITED

## STATEMENT OF ACCOUNTING POLICIES

### 1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements are prepared and presented under historical cost convention, with the exception of land and buildings, which have been revalued, on the accrual basis of accounting in accordance with the generally accepted accounting principles followed in India ('Indian GAAP') and the relevant provisions of the Companies Act, 1956 and comply with the accounting standards prescribed in Companies (Accounting Standards) Rules, 2006, issued by the Central Government in consultation with the National Advisory Committee on Accounting Standards, to the extent applicable.

### 2. REVENUE RECOGNITION

Sales are recorded net of trade discounts, rebates, sales tax but include excise duty.

Sales of goods / equipments are recognized on transfer of risks and rewards of ownership in the goods to the customers / completion of installation.

Income from annual maintenance service contracts is recognized on a straight-line basis over the period of contracts and income from other service contracts is recognized on completion of the service rendered.

Revenues from software development and accounting services are billed to clients on cost plus basis as per the terms of the specific contracts and are recognized based on software developed and accounting services rendered. Cost and earnings in excess of billings are classified as unbilled revenue.

### 3. FIXED ASSETS AND DEPRECIATION

Fixed assets other than land, leaseholds and buildings, are valued at cost. Land, leaseholds and buildings were revalued in the year 1982 and 1985 by an approved valuer and now appear at carrying values based on such valuation.

Depreciation is provided on the original cost on a straight line method at the rates given in Schedule XIV of the Companies Act, 1956, (as amended vide notification GSR 756 [E] dated 16.12.1993) except in case of jigs and fixtures, CE-test and measuring instruments, CE-assembly equipment, machineries for certain electronic components, soda lime glass furnace, press tools and moulds, furniture and fittings, room air conditioners, office machinery, computers, cars and feeder line for which higher depreciation at the rates of 11.5%, 15%, 15%-20%, 7%-41.39%, 22.22%-24.0%, 20%-40%, 7%-30.8%, 7%-14%, 7%-34.7%, 20%-50%, 12%-45%, 20% respectively, is provided.

Life class of the assets acquired on amalgamation, are aligned to those followed by the company and accordingly rates are adjusted except for few assets acquired from erstwhile PSCL, which are charged over and above the rates followed by the Company; these are in respect of lease hold improvements 20%, plant and machinery, furniture & fixtures, vehicles & software 33.33%. Application software is charged to revenue and assets costing less than Rs.5000 are fully depreciated in the year of purchase. Assets given on hire by erstwhile PMSIL are depreciated over a period of three years, which is the useful life of the asset estimated by the management. Assets acquired under finance lease from April 1, 2001 are capitalised at the lower of their fair value and the present value of the minimum lease payments. Assets obtained on finance lease are depreciated over the lease period.

In respect of land, leaseholds and buildings, the difference between depreciation calculated on straight-line method on the revalued amount at the rates indicated by the valuer, and that calculated on the original cost as per Schedule XIV rates, is recouped from "Capital Reserve-Revaluation".

### 4. IMPAIRMENT OF ASSETS

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount (higher of net realizable value and value in use) of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than the carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

### 5. INVENTORIES

Inventories are valued at cost or net realisable value whichever is lower. In case of medical equipments/systems, cost is determined on the basis of "First in First Out" method due to nature of the business. For all other items

cost is determined on the basis of the weighted average method and includes all costs incurred in bringing the inventories to their present location and condition. Finished goods and Work-in-Progress include appropriate proportion of costs of conversion. Obsolete, defective and unserviceable stocks are duly provided for.

## 6. INVESTMENTS

Long-term investments are stated at cost less any permanent diminution in value.

## 7. FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are recorded in the books of the Company at standard exchange rates fixed every month on the basis of a review of the actual exchange rates. The difference between the actual rate of settlement and the standard rate is charged or credited to profit and loss account.

In respect of current assets and current / long-term liabilities, the overall net loss or gain, if any, on conversion at the exchange rates prevailing on the date of the balance sheet is charged to revenue.

The premium or discount arising at the inception of forward exchange contracts, which are not intended for trading or speculation purposes, are 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 reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such forward exchange contracts is recognised as income or as expense for the period.

## 8. REPLACEMENT GUARANTEE

The Company periodically assesses and provides for the estimated liability on guarantees given on sale of its products based on past performance of such products.

## 9. RESEARCH & DEVELOPMENT

Revenue expenditure is charged to the profit and loss account in the year in which it is incurred and expenditure of a capital nature is capitalised as fixed assets.

## 10. RETIREMENT BENEFITS

Liability for defined benefit plan is provided on the basis of actuarial valuation. Company's contributions to defined contribution plans are charged to Profit and Loss account as incurred. Termination benefits are recognized as and when incurred.

## 11. PROVISIONS AND CONTINGENCIES

A provision is recognized when:

- The Company has a present obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

A disclosure for a contingent liability is made when there is possible obligation or a present obligation that may, but probably will not, require outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

## 12. TAXATION

Income-tax expense comprises current tax and deferred tax charge or release. The deferred tax charge or credit is recognised using current tax rates. Where there is unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future. Such assets are reviewed as at each Balance Sheet date to reassess realisation.

For and on behalf of the Board

Chairman	S.M.DATTA
Managing Director	MURALI SIVARAMAN
Director	C.J.M.REUVERS
Secretary	R.J.WANI

New Delhi, March 11, 2008

# PHILIPS ELECTRONICS INDIA LIMITED

## Notes to Profit and Loss Account

I. SALES AND INCOME FROM OPERATIONS	Unit	Year ended		Amounts in Rs. Mln	
		December 31, 2007		December 31, 2006	
		Quantity	Rs.	Quantity	Rs.
<b>Sales of goods / services (gross)</b>					
Lamps	pcs in '000	359,386	7,480	339,281	6,567
Television receivers	pcs in '000	406	3,071	385	2,464
Radio sets, tape recorders, compact / digital video disc players / systems / combination sets	pcs in '000	2,923	4,593	2,469	3,542
Software development services			2,395		3,782
Fittings	pcs in '000	5,997	3,411	5,073	2,862
Domestic appliances	pcs in '000	1,880	1,780	1,436	1,300
Services			995		1,111
Monitors	pcs in '000	—	—	31	89
Mobile image intensifiers	pcs	74	1,401	73	1,022
Accessories for fittings	pcs in '000	17,428	944	17,019	889
Accessories for radio sets and tape recorders	pcs in '000	604	274	2,115	622
Resuscitation and patient monitoring equipments	pcs	5,411	670	4,382	587
Ultra sound equipments	pcs	381	624	320	513
Glass shells	pcs in '000	158,317	191	203,189	207
Electronic HF ballasts	pcs in '000	1,690	421	1,261	218
Operation theatre lights	pcs	1,764	75	1,501	62
Others			581		649
			<u>28,906</u>		<u>26,486</u>
<b>Income from operations</b>					
Liabilities no longer required written back			18		50
Export incentives			6		10
Hire charges of tools			10		8
Surplus / (loss) on disposal of fixed assets - net			9		6
Insurance and other claims			6		5
Others			31		38
			<u>80</u>		<u>117</u>
			<u>28,986</u>		<u>26,603</u>
<b>2. OTHER INCOME</b>					
Interest on advances, current accounts and deposits - gross [tax deducted thereon <b>Rs.85</b> (2006 - Rs.25)]			376		131
Income from other investments			1		1
			<u>377</u>		<u>132</u>



## Notes to Profit and Loss Account

	Year ended December 31, 2007		Year ended December 31, 2006	
<b>Amounts in Rs. Mln</b>				
<b>3. MATERIAL COST</b>				
<b>Stocks as at beginning</b>				
Raw materials and piece parts - purchased	257		463	
Own manufactured components and piece parts	2		19	
Finished goods	1,328		1,433	
Excise duty on finished goods	28		24	
Work-in-progress	93	1,708	122	2,061
<b>Add : Purchases</b>				
Raw materials and piece parts	1,777		2,624	
Finished goods	15,236	17,013	11,358	13,982
		18,721		16,043
<b>Deduct: Stock transferred on sale of business activity</b>		—		27
<b>Deduct : Stocks as at end</b>				
Raw materials and piece parts - purchased	111		257	
Own manufactured components and piece parts			2	
Finished goods	1,581		1,328	
Excise duty on finished goods	30		28	
Work-in-progress	229	1,951	93	1,708
		16,770		14,308

### Raw materials and piece parts consumed

	Unit	Quantity	Rs.	Quantity	Rs.
Ferrous metals	tonnes	58	1	3,254	90
Non-ferrous metals	tonnes	99	15	1,702	216
Plastics	tonnes	110	1	441	26
Transistors and valves	pcs in '000	19,560	69	28,805	113
Piece parts	pcs in '000	1,937,330	776	1,825,579	987
Chemicals, gases, paints			189		150
Packing materials			227		307
Others			466		463
			1,744		2,352

# PHILIPS ELECTRONICS INDIA LIMITED

## Notes to Profit and Loss Account

Purchases	Unit	Year ended December 31, 2007		Year ended December 31, 2006	
		Quantity	Rs.	Quantity	Rs.
Amounts in Rs. Mln					
<b>Raw materials and piece parts</b>					
Ferrous metals	tonnes	20		2,120	87
Non-ferrous metals	tonnes	20	17	1,640	187
Plastics	tonnes	45		331	37
Transistors and valves	pcs in '000	7,698	38	22,093	94
Piece parts	pcs in '000	1,880,243	843	1,757,305	1,289
Chemicals, gases, paints			186		160
Packing materials			226		298
Others			467		472
			<u>1,777</u>		<u>2,624</u>
<b>Finished goods</b>					
<b>Class of goods</b>	<b>Unit</b>	<b>Quantity</b>	<b>Rs.</b>	<b>Quantity</b>	<b>Rs.</b>
Radio sets, tape recorders, compact / digital video disc players / systems / combination sets	pcs in '000	3,050	2,829	2,454	2,116
Accessories for radio sets and tape recorders	pcs in '000	632	304	2,120	382
Television receivers	pcs in '000	437	2,355	365	1,484
Domestic appliances	pcs in '000	2,022	1,257	1,427	857
Lamps	pcs in '000	53,351	2,337	46,472	1,811
Fittings	pcs in '000	6,156	2,244	5,300	1,864
Accessories for fittings	pcs in '000	17,465	736	13,977	432
Electronic HF ballasts	pcs in '000	1,726	228	570	55
Monitors	pcs in '000	—	—	15	90
Resuscitation and patient monitoring equipments	pcs	5,505	626	4,579	444
Mobile image intensifiers	pcs	74	978	69	763
Ultra sound equipments	pcs	386	487	325	413
Operation theatre lights	pcs	1,755	56	1,579	43
Installations			16		34
Service consumables			363		381
Others			420		189
			<u>15,236</u>		<u>11,358</u>

## Notes to Profit and Loss Account

Amounts in Rs. Mln

Stocks as at	Year ended December 31, 2007			Year ended December 31, 2006		Year ended December 31, 2005	
	Unit	Quantity	Rs.	Quantity	Rs.	Quantity	Rs.
<b>Raw materials and piece parts</b>							
Ferrous metals	tonnes	1		39	1	1,173	5
Non-ferrous metals	tonnes			82	8	144	37
Plastics	tonnes	2		66	1	184	5
Transistors and valves	pcs in '000	729	2	12,611	33	19,323	52
Piece parts	pcs in '000	78,900	22	155,231	123	248,251	284
Chemicals, gases, paints			30		32		22
Packing materials			5		7		16
Others			52		52		42
			<u>111</u>		<u>257</u>		<u>463</u>
<b>Finished goods</b>							
<b>Class of goods</b>	<b>Unit</b>	<b>Quantity</b>	<b>Rs.</b>	<b>Quantity</b>	<b>Rs.</b>	<b>Quantity</b>	<b>Rs.</b>
Radio sets, tape recorders, compact / digital video disc players / systems / combination sets	pcs in '000	281	216	206	194	236	213
Accessories for radio sets and tape recorders	pcs in '000	43	10	124	82	503	130
Television receivers	pcs in '000	47	283	28	182	51	287
Domestic appliances	pcs in '000	302	212	173	93	189	84
Lamps	pcs in '000	16,147	372	19,480	357	13,101	294
Fittings	pcs in '000	563	113	404	125	177	113
Accessories for fittings	pcs in '000	1,509	70	1,058	45	941	42
Electronic HF ballasts	pcs in '000	102	17	48	6	44	6
Monitors	pcs in '000	—	—	—	—	18	61
Resuscitation and patient monitoring equipments	pcs	398	53	304	30	107	15
Mobile image intensifiers	pcs	4	23	4	42	8	13
Ultra sound equipments	pcs	45	38	40	45	35	33
Operation theatre lights	pcs	109	6	118	5	40	5
Service consumables			140		84		65
Others			58		66		96
			<u>1,611</u>		<u>1,356</u>		<u>1,457</u>

# PHILIPS ELECTRONICS INDIA LIMITED

## Notes to Profit and Loss Account

### 4. EXPENSES

	Year ended December 31, 2007	Year ended December 31, 2006
Salaries, wages, bonus and commission	2,294	2,873
Contribution to pension and provident funds	137	142
Staff welfare	204	253
Rent	333	431
Rates and taxes	170	161
Excise duty	50	110
Power and fuel	441	422
Insurance	64	63
Repairs and maintenance of buildings	59	70
Repairs and maintenance of plant and machinery	105	101
Audit fees and expenses	11	10
Travelling and conveyance	630	740
Publicity	938	757
Packing, freight and transport	346	335
Postage, stationery and office expenses	460	496
Indirect / auxiliary materials	17	14
Provision for doubtful debts and advances	65	76
Selling expenses	238	169
Management support services	1,090	882
Research and development services	289	228
Miscellaneous	1,076	1,493
	<b>9,017</b>	<b>9,826</b>

- (a) Remuneration to managing director and other directors as fees, salaries, commission and other emoluments including **Rs.2.1** (2006 - Rs.2.5) contribution to pension fund and release of **Rs.2.1** (2006 - Rs.2.9) relating to prior year is **Rs. 111** (2006 - Rs.100) of which **Rs.13** (2006 - Rs.18) requires approval of shareholders. These figures exclude gratuity and leave encashment provisions which are actuarially determined on an overall basis.
- (b) Excise duty recovered through sales is disclosed as a reduction from sales and excise duty in opening and closing stock of finished goods is disclosed separately in Note 3 to Profit and Loss Account. The excise duty not recovered from sales is disclosed as "excise duty" expense above.
- (c) Repairs and maintenance of plant and machinery includes stores and spare parts consumed - **Rs.63** (2006 - Rs.62).
- (d) Audit fees and expenses include fees - **Rs.5.5** (2006 - Rs.4.5), tax audit fees - **Rs.2** (2006 - Rs.2), taxation matters - **Rs.0.8** (2006 - Rs.0.7), other matters - **Rs.2.2** (2006 - Rs.1.9) and expenses - **Rs.0.7** (2006 - Rs.1.0).
- (e) Miscellaneous include consultancy - **Rs.281** (2006 - Rs.343), replacement guarantee - **Rs.290** (2006 - Rs.279), software - **Rs.15** (2006 - Rs.217), cash discount on sales - **Rs.55** (2006 - Rs.116), sales tax surcharge - **Rs.7** (2006 - Rs.70), undepreciated value of fixed assets written off / provided for - **Rs.24** (2006 - Rs.18), exchange gain (net) - **Rs.30** (2006 - Rs.13), lease rental towards non-cancellable operating lease for vehicles - **Rs.23** (2006 - Rs.41) and donation - **Rs.8** (2006 - Rs.2).
- (f) Pursuant to the agreement entered into by the Company with KPENV, the Company has incurred **Rs.1,090** (2006 - Rs.882) towards the support services provided by KPENV and **Rs.289** (2006 - Rs.228) for accessing the benefit resulting from common research and development programmes.
- (g) Maximum obligations on long-term non-cancellable operating lease for office premises and vehicles are - payable within 1 year - **Rs.251** (2006 - Rs.183) and payable between 1-5 years - **Rs.406** (2006 - Rs.575).
5. Revenue expenditure on research and development - **Rs.39** (2006 - Rs.36).
6. Interest includes interest on debentures **Rs.Nil** (2006 - Rs.1).
7. The difference of **Rs.Nil** (2006 - Rs.1) between depreciation on the "revalued amount" and the "original cost" charged to the profit and loss account for the year has been recouped from capital reserve created by revaluation of fixed assets.

## Notes to Profit and Loss Account

Amounts in Rs. Mln

### 8. CAPACITY AND PRODUCTION

Class of goods	Unit	Year ended December 31, 2007			Year ended December 31, 2006		
		Licensed Capacity	Installed Capacity	Production	Licensed Capacity	Installed Capacity	Production
Lamps	pcs in '000	511,171	345,083	308,746	511,171	345,083	327,552
Glass shells	pcs in '000	146,230	550,847	656,029	146,230	547,976	518,135
Filaments	pcs in '000	750,000	450,000	472,320	750,000	450,000	433,698
Molybdenum wire	kgs	12,000	12,000	1,379	12,000	12,000	119

Licensed capacity excludes permissible increases as per various Government schemes. For delicensed industries, it includes registered capacities as per Industrial Entrepreneurs' Memoranda filed with Government where commercial production against the same has commenced. Installed capacity is on single shift basis except for some items of electronic components, lamps and lamp components and is as certified by management and has not been verified by the auditors, as it is a technical matter.

### 9. RELATED PARTY TRANSACTIONS

#### (a)(i) Names of the companies with whom transactions have taken place during the year

Holding Company	:	Koninklijke Philips Electronics N.V
Associate Company	:	Nil
Fellow Subsidiary Companies	:	As per list given below

#### Overseas Fellow Subsidiary Companies:

NARVA Speziallampen GmbH	Philips Electronics UK Limited	Philips Technologie GmbH
Philips & Yaming Lighting Co., Ltd.	Philips Electronics Vietnam Limited	Philips Mexicana, S.A. de C.V.
Philips (China) Investment Company Ltd.	Philips Export B.V.	Philips Medical Systems Export, Inc.
Philips Automotive Lighting Hubei Co., Ltd.	Philips France	Feixin Lighting Co., Ltd.
Philips Consumer Electronics B.V.	Philips Holding USA Inc.	Philips Lighting Luminaires (Shanghai) Co., Ltd.
Philips do Brasil Ltda.	Philips Innovative Applications	Philips Electrical Industries of Pakistan Limited
Philips Domestic Appliances and Personal Care B.V.	Philips International B.V.	Philips Electronics Australia Limited
PT. Philips Indonesia	Philips Lighting B.V.	Philips Industries Hungary Electrical Mechanical Manufacturing and Trading Limited Liability Company
Philips Electronics (Thailand) Ltd.	Philips Lighting Bielsko Sp.z.o.o.	Philips New Zealand Limited
Philips Electronics and Lighting, Inc.	Philips Lighting Electronics (Shanghai) Co., Ltd.	RCS - Sistemas de Control Remoto, S.A.
Philips Electronics Hong Kong Limited	Philips Lighting Poland S.A.	Feidong Lighting Company, Limited
Philips Electronics Korea Ltd.	Philips Medical Systems (Cleveland), Inc.	Philips PMF International B.V.
Philips Electronics Ltd.	Philips Medical Systems DMC, GmbH	Philips Singapore Private Limited
Philips Electronics Nederland B.V.	Philips Medical Systems Nederland B.V.	Philips Luminaires (Malaysia) Sdn. Bhd.
Philips Electronics North America Corporation	Philips Medizin Systeme Böblingen GmbH	Philips and Neusoft Medical Systems Co., Ltd.
Philips Electronics Singapore Pte Ltd	Philips Oral Healthcare, Inc.	Philips Electronique Maroc
Philips Electronics Trading & Services (Shanghai) Co. Ltd.	Philips Taiwan Ltd.	Philips Medizinische Systeme GMBH
	Philips Ultrasound, Inc.	Philips Medical Systems Tech Limited
	P.T. Philips Indonesia	
	Turk Philips Ticaret Anonim Sirketi	

#### (ii) Names of the Employee Trusts with whom transactions have taken place during the year:

Philips Electronics India Ltd. Management Staff Provident Fund Trust
Philips India Ltd. Superannuation Fund

(b) NATURE OF TRANSACTIONS	Year ended December 31, 2007				Year ended December 31, 2006			
	Holding Company	Associate Company	Fellow Subsidiary Companies	Employee Trusts	Holding Company	Associate Company	Fellow Subsidiary Companies	Employee Trusts
<b>PURCHASES</b>								
Goods	—	—	5,530	—	—	38	4,369	—
Fixed assets	—	—	22	—	—	—	16	—
Services	1,254	—	478	—	1,013	—	502	—
<b>SALES</b>								
Goods	—	—	62	—	—	—	110	—
Services	67	—	2,750	—	2,049	—	2,387	—
<b>DEPUTATION OF PERSONNEL</b>								
Charge	—	—	3	—	—	—	1	—
Recovery	—	—	30	—	—	—	15	—
<b>FINANCE</b>								
Dividend paid	136	—	—	—	102	—	—	—
Interest paid	—	—	1	—	—	—	2	—
<b>Contributions to Employees' Benefit Plans</b>								
Advances given	—	—	—	102	—	—	—	100
<b>OUTSTANDING</b>								
Payable	127	—	672	—	90	3	484	—
Receivable	6	—	324	45	61	—	649	30

# PHILIPS ELECTRONICS INDIA LIMITED

## Notes to Profit and Loss Account

Relationship / Name of the related party	Description of the nature of transaction	Amount in Rs. Mln	
		Value of the transactions 2007 *	2006*
<b>Fellow subsidiary Companies:</b>			
Philips & Yaming Lighting Co Ltd	Purchase of goods	786	695
Philips Electronics Singapore Pte Ltd	Purchase of goods	1,318	722
Philips Electronics Hongkong Limited	Purchase of goods	2,033	1,832
Philips Electronics (Thailand) Ltd	Purchase of fixed assets	4	6
Philips Electronics Singapore Pte Ltd	Purchase of fixed assets	3	—
Philips Lighting B.V	Purchase of fixed assets	14	9
Philips Holding USA Inc	Purchase of services	61	—
Philips International B.V	Purchase of services	299	306
Philips Semiconductors B.V	Purchase of services	—	96
Philips Electronics Singapore Pte Ltd	Sale of goods	36	85
Philips Exports BV	Sale of goods	13	14
Philips International B.V	Sale of services	2,431	916
Philips Semiconductors B.V	Sale of services	—	939
Philips Electronics Nederland B.V	Deputation charge	3	1
Philips Electronics Hongkong Limited	Deputation recovery	—	3
Philips Electronics Nederland B.V	Deputation recovery	3	—
Philips Electronics North America Corporation	Deputation recovery	10	5
Philips International B.V	Deputation recovery	8	—
Avent Limited	Deputation recovery	—	2
Philips & Yaming Lighting Co Ltd	Payable	82	54
Philips Lighting B.V	Payable	107	—
Philips Electronics Hongkong Limited	Payable	261	107
Philips International B.V	Payable	105	104
Philips Electronics Singapore Pte Ltd	Payable	95	—
Philips Medical System Nederland B V	Payable	124	79
Philips Medical Systems Tech Ltd	Payable	93	—
Philips Medizin Systeme Boblingen Gmbh	Payable	—	50
Philips Ultrasound, Inc	Payable	—	55
Philips Electronics Hongkong Limited	Receivable	56	—
Philips International B.V	Receivable	218	467
Philips Ultrasound Inc	Interest paid	1	2

\* represents transactions with parties which comprise more than 10% of aggregate value of transactions.

(c) Names of the Directors of the Company with whom transactions have taken place during the year

Whole-time Directors

Mr.Murali Sivaraman \*

Mr.K.Ramachandran \*\*

Mr.V.Kaul

Mr.Coen J.M.Reuvers

Mr.S.Venkataramani

Mr.Alexius Collette

Non-executive Directors

Mr.S.M.Datta

Mr.Andreas Wentz \*\*\*

Mr.Rajiv Bakshi \*\*\*\*

Mr.Adrianus Schevers \*\*\*\*\*

(1) Details of remuneration to directors are disclosed under note 4 (a) to Profit and Loss Account.

(2) Amounts due from directors - **Rs.Nil** (2006 - Rs.0.4) and interest recovered thereon - **Rs.0.03** (2006 - Rs.0.03) have been included under Note 11 to Balance Sheet and Note 2 to Profit and Loss Account respectively.

\* Executive Director w.e.f. July 2, 2007

\*\* Ceased to be Executive Director w.e.f. October 3, 2007

\*\*\* Ceased to be Non-Executive Director w.e.f. February 7, 2007

\*\*\*\* Ceased to be Non-Executive Director w.e.f. April 19, 2007

\*\*\*\*\* Non-Executive Director w.e.f. April 20, 2007

## Notes to Profit and Loss Account

Amounts in Rs. Mln

### 10. INFORMATION ABOUT BUSINESS SEGMENTS

Description	Year Ended Dec 31, 2007	Year Ended Dec 31, 2006	Description	Year Ended Dec 31, 2007	Year Ended Dec 31, 2006
<b>(A) PRIMARY SEGMENT INFORMATION:</b>			<b>OTHER INFORMATION</b>		
<b>(1) SEGMENT REVENUE</b>			<b>(11) SEGMENT ASSETS</b>		
a. Lighting	12,127	10,510	a. Lighting	4,408	3,992
b. Consumer Electronics	8,365	6,981	b. Consumer Electronics	2,259	2,014
c. Software development services	2,407	3,775	c. Software development services	860	1,689
d. Medical Systems	3,430	2,830	d. Medical Systems	1,825	1,318
e. Other segments	2,050	1,920	e. Other segments	578	395
<b>TOTAL</b>	<b>28,379</b>	<b>26,016</b>	f. Other unallocable	6,237	4,430
<b>(2) INTER SEGMENT REVENUE</b>			<b>TOTAL</b>	<b>16,167</b>	<b>13,838</b>
a. Lighting	—	15	<b>(12) SEGMENT LIABILITIES</b>		
b. Consumer Electronics	—	—	a. Lighting	2,525	2,118
c. Software development services	—	—	b. Consumer Electronics	1,569	1,484
d. Medical Systems	—	—	c. Software development services	450	617
e. Other segments	—	344	d. Medical Systems	1,127	782
<b>TOTAL</b>	<b>—</b>	<b>359</b>	e. Other segments	391	377
<b>(3) Other unallocable income</b>			f. Other unallocable	889	726
	76	95	<b>TOTAL</b>	<b>6,951</b>	<b>6,104</b>
<b>NET SALES AND INCOME FROM OPERATIONS (1+3)</b>	<b>28,455</b>	<b>26,111</b>	<b>(13) CAPITAL EXPENDITURE</b>		
<b>(4) SEGMENT RESULT</b>			a. Lighting	306	159
a. Lighting	1,698	1,396	b. Consumer Electronics	28	23
b. Consumer Electronics	528	(205)	c. Software development services	507	147
c. Software development services	287	344	d. Medical Systems	18	12
d. Medical Systems	259	17	e. Other segments	59	23
e. Other segments	119	210	f. Other unallocable	75	53
<b>TOTAL</b>	<b>2,891</b>	<b>1,762</b>	<b>TOTAL</b>	<b>993</b>	<b>417</b>
<b>(5) Interest</b>			<b>(14) DEPRECIATION</b>		
	(51)	(45)	a. Lighting	(238)	(242)
<b>(6) Other unallocable expenditure net of income</b>			b. Consumer Electronics	(17)	(24)
	(384)	(232)	c. Software development services	(178)	(274)
<b>(7) OPERATING PROFIT (4+5+6)</b>			d. Medical Systems	(9)	(7)
	2,456	1,485	e. Other segments	(21)	(18)
<b>(8) Exceptional items</b>			f. Other unallocable	(75)	(38)
a. Lighting	44	(67)	<b>TOTAL</b>	<b>(538)</b>	<b>(603)</b>
b. Consumer Electronics	—	(2)	<b>(15) Non-cash expenses other than depreciation</b>		
c. Software development services	—	—	a. Lighting	(18)	(17)
d. Medical Systems	—	—	b. Consumer Electronics	(29)	(27)
e. Other segments	—	(3)	c. Software development services	(20)	(10)
f. Other unallocable	394	1,616	d. Medical Systems	(25)	(42)
<b>TOTAL</b>	<b>438</b>	<b>1,544</b>	e. Other segments	(4)	(1)
<b>(9) PROFIT BEFORE TAX</b>			f. Other unallocable	(2)	(10)
	2,894	3,029	<b>TOTAL</b>	<b>(98)</b>	<b>(107)</b>
(1) Fringe benefit tax	(38)	(61)	<b>Assets</b>		
(2) Provision for tax	(939)	(824)	a. Within India	15,840	13,170
(3) Provision for deferred tax	(14)	(14)	b. Outside India	327	668
<b>(10) PROFIT AFTER TAX</b>	<b>1,903</b>	<b>2,130</b>	<b>TOTAL</b>	<b>16,167</b>	<b>13,838</b>
<b>(B) SECONDARY SEGMENT INFORMATION:</b>			<b>Capital Expenditure</b>		
<b>Revenue</b>			a. Within India	993	417
a. Within India	25,357	21,391	b. Outside India	—	—
b. Outside India	3,098	4,720	<b>TOTAL</b>	<b>993</b>	<b>417</b>
<b>TOTAL</b>	<b>28,455</b>	<b>26,111</b>			

The secondary segment revenue and assets in the geographical segments considered for disclosure are as follows:

- (1) Revenue and assets within India.
- (2) Revenue and assets outside India.

# PHILIPS ELECTRONICS INDIA LIMITED

## Notes to Profit and Loss Account

Amounts in Rs. Mln

### 10. INFORMATION ABOUT BUSINESS SEGMENTS

#### (C) OTHER DISCLOSURES:

##### Inter segment revenue/result:

- Inter-segment revenue has been recognised at competitive prices.
- Allocation of corporate expenses to other segments is at cost.
- All profits / losses on inter segment transfers are eliminated at Company level.

##### Types of products and services in each business segment:

Business Segments	Type of products/services
a. Lighting	Lamps, Glass shells, Fittings, Accessories for fittings, Electronic HF Ballasts
b. Consumer Electronics	Radio sets, tape recorders, compact /digital video disc players/ systems and combinations sets, Accessories for radio sets and tape recorders, Television receivers, Monitors.
c. Software development services	Development of embedded software.
d. Medical systems	Medical electronics equipment.
e. Other segments	Domestic appliances and Service Revenue etc.

	Year ended December 31, 2007		Year ended December 31, 2006	
	% of total consumption	Rs.	% of total consumption	Rs.
<b>11. CONSUMPTION OF RAW MATERIALS, PIECE PARTS AND SPARES</b>				
Raw materials and piece parts :				
Imported	39.5	689	37.7	887
Indigenous	60.5	1,055	62.3	1,465
Spares :				
Imported	34.9	22	37.1	23
Indigenous	65.1	41	62.9	39
<b>12. IMPORTS AT C.I.F.</b>				
Raw materials and piece parts		880		1,222
Spares		21		21
Software		—		102
Capital goods		177		91
<b>13. INCOME AND EXPENDITURE IN FOREIGN EXCHANGE</b>				
<b>Income</b>				
Exports at F.O.B. including Rs.93 (2006 - Rs.55) through rupee trade arrangements		330		454
Service revenue etc.		2,813		4,345
<b>Expenditure :</b>				
Management support service fees		969		781
Research and development service fees		257		202
Consultation fees and professional charges etc		325		344
Others		208		439
<b>14. OTHER EXCEPTIONAL ITEMS INCLUDE:</b>				
(a) Rs.125 - Net surplus on divestment of business relating to "Financial Services" to PAN Financial Shared Services India Private Limited; [(2006 - Rs.1229 and Rs.32) - Net surplus on divestment of business relating to "Semiconductors" and "Philips Sound Solutions" to NXP Semiconductors India Private Limited and Premium Sound Solution Private Limited respectively.].				
(b) Rs.295 (2006 - Rs.362) - Profit on sale of property.				
(c) Rs.20 (2006 - Rs.Nil) - Being the amount received on final admission / quantification of claim by insurance company in connection with stocks and fixed assets destroyed during the year 2005 due to flood at the Company's plant at Vadodara.				



15. The Company uses forward exchange contracts to hedge its exposure in foreign currency. The information on forward contracts is as follows:

(a) Forward contracts outstanding:

Details	USD Currency				Euro Currency			
	As at Dec 31, 2007		As at Dec 31, 2006		As at Dec 31, 2007		As at Dec 31, 2006	
	INR	FC (in 000s)	INR	FC (in 000s)	INR	FC (in 000s)	INR	FC (in 000s)
Receivables	7.23	183.00	358.70	8,109.89	—	—	475.33	8,158.75
Payables	283.24	7,135.57	459.89	10,397.73	5.17	88.59	25.26	433.55

(b) Foreign exchange currency exposures not covered by forward contracts:

Details	As at Dec 31, 2007		As at Dec 31, 2006		As at Dec 31, 2007		As at Dec 31, 2006	
	USD Exposure				Euro Exposure			
	INR	FC (in 000s)	INR	FC (in 000s)	INR	FC (in 000s)	INR	FC (in 000s)
Receivables	175.71	4,457.78	—	—	128.97	2,220.96	28.20	484.02
Payables	450.05	11,466.54	30.25	683.95	183.17	3,154.68	130.29	2,236.28

Details	SGD Exposure				JPY Exposure			
	INR	FC (in 000s)	INR	FC (in 000s)	INR	FC (in 000s)	INR	FC (in 000s)
Receivables	2.03	73.86	2.82	98.12	—	—	—	—
Payables	0.72	26.34	1.32	45.81	0.04	112.08	—	—

Details	AUD Exposure				GBP Exposure			
	INR	FC (in 000s)	INR	FC (in 000s)	INR	FC (in 000s)	INR	FC (in 000s)
Receivables	0.14	4.04	—	—	—	—	—	—
Payables	0.09	2.57	—	—	0.91	11.47	—	—

Details	HKD Exposure			
	INR	FC (in 000s)	INR	FC (in 000s)
Receivables	7.72	1,526.43	0.90	128.29
Payables	2.02	400.18	0.36	50.71

(c) Exchange gain in respect of forward exchange contracts to be recognised in subsequent accounting periods - Rs.1 (2006 - gain - Rs.2).

## 16. EMPLOYEES' SHARE-BASED PAYMENTS:

Certain employees of the company are eligible for stock options granted by the Holding Company ("KPENV"). In conformity with the guidance note on "Accounting for Employee Share-based Payments" issued by The Institute of Chartered Accountants of India in respect of the grants made on or after 01 April 2005, the following disclosures are made:

(a) Method adopted for valuation:

Stock compensation expenses under the "Fair Value Method" are determined based on the "Fair Value of the Options" and amortised over the vesting period. The "Fair Value of the Options" is determined using "Black-Scholes" option pricing model.

# PHILIPS ELECTRONICS INDIA LIMITED

## Notes to Profit and Loss Account

### (b) Nature and extent of Employee Share-based Payment Plans:

As from 2003 onwards, the Holding Company (KPENV) issued restricted share rights that vest in equal annual installments over a three-year period. Restricted shares are KPENV's shares that the grantee will receive in three successive years, provided the grantee is still with the Company on the respective delivery dates. If the grantee still holds the shares after three years from the delivery date, Philips will grant 20% additional (premium) shares, provided the grantee is still with Philips.

As from 2002, the Holding Company granted fixed stock options that expire after 10 years. Generally, the options vest after 3 years; however, a limited number of options granted to certain employees of acquired businesses contain accelerated vesting. In prior years, fixed and variable (performance) options were issued with terms of ten years, vesting one to three years after grant.

### (c) Number and exercise price of Stock Options:

Grant Date	Exercise Price (in Euros)	Outstanding as at 01.01.2007	Grants	Cancellation	Exercise	Outstanding as at 31.12.2007	Exercisable
2000/02/17	42.03	10,500	—	—	—	10,500	10,500
2000/04/19	45.90	11,900	—	—	—	11,900	11,900
2000/10/17	42.90	30,683	—	3,555	—	27,128	27,128
2001/02/08	37.60	27,125	7,438	4,375	—	30,188	30,188
2001/04/17	29.14	34,987	—	8,885	455	25,647	25,647
2001/10/16	24.35	6,000	—	—	750	5,250	5,250
2002/02/07	30.17	35,640	—	600	—	35,040	35,040
2002/04/16	34.78	46,908	—	15,264	—	31,644	31,644
2003/04/15	16.77	26,001	—	2,412	4,788	18,801	18,801
2004/04/13	24.13	25,479	—	1,053	1,125	23,301	23,301
2005/04/18	19.41	29,592	—	306	486	28,800	909
2005/07/18	22.07	891	—	891	—	—	—
2005/10/17	21.64	1,197	—	—	—	1,197	—
2006/04/18	26.28	36,432	—	2,070	360	34,002	3,294
2007/04/16	30.96	—	36,810	3,222	—	33,588	—
		<b>323,335</b>	<b>44,248</b>	<b>42,633</b>	<b>7,964</b>	<b>316,986</b>	<b>223,602</b>
Prior Year		299,254	36,738	6,647	6,010	323,335	237,817

### (d) Number and weighted average fair value of Restricted Shares:

Grant Date	Weighted average fair value of the share (in Euros)	Outstanding as at 01.01.2007	Grants	Cancellation	Exercise	Outstanding as at 31.12.2007
2003/04/15	48.25	—	—	—	—	—
2004/04/13	70.33	2,589	—	48	2,541	—
2005/04/18	55.93	5,966	—	244	2,623	3,099
2005/07/18	63.90	—	—	—	—	—
2005/10/17	62.62	266	—	—	133	133
2006/04/18	76.34	11,127	—	479	3,824	6,824
2007/04/16	89.51	—	12,270	1,074	—	11,196
		<b>19,948</b>	<b>12,270</b>	<b>1,845</b>	<b>9,121</b>	<b>21,252</b>
Prior year		20,839	12,246	932	12,205	19,948

### (e) Method and assumptions for arriving at the Fair Value of Restricted Shares:

The fair value of restricted shares is equal to the Fair Value of the stock at grant date net of the present value of dividends which will not be received up to the vesting date. The expected dividend used is the dividend of the preceding year.

## Notes to Profit and Loss Account

Amounts in Rs. Mln

(f) Details and Key Assumptions of Options Pricing Model used for Fair Valuation of Options granted during the year:

1. Exercise Price	The stock price of the share at the moment of grant
2. Average Life time	6 Years
3. Expected Volatility	27% (Determined on the basis of 5 year historical stock price)
4. Risk free interest rate	4.18%
5. Yield factor	0.018

(g) Expense recognised on account of "Employee Share-Based Payment" is **Rs.31** (2006 - Rs.30) and carrying liability as at **31.12.2007** is **Rs.63** (31.12.2006 - Rs.45).

17. Earnings per share	2007	2006
<b>Calculation of earnings per share</b>		
(a) Number of shares at the beginning of the year	<b>70,260,733</b>	70,260,733
Total number of equity shares outstanding at the end of the year	<b>70,260,733</b>	70,260,733
Operating profit	<b>2,456</b>	1,485
Fringe benefit tax	<b>(38)</b>	(61)
Provision for tax on the above	<b>(897)</b>	(480)
(b) Profit after tax and before exceptional items	<b>1,521</b>	944
Exceptional items net of tax	<b>382</b>	1,186
(c) Profit after tax attributable to equity shareholders	<b>1,903</b>	2,130
(d) Basic and diluted earnings per share before exceptional items (b/a) (in Rs.)	<b>21.65</b>	13.44
(e) Basic and diluted earnings per share after exceptional items (c/a) (in Rs.)	<b>27.08</b>	30.32

18. Dividend remitted for **January - December 2006 - Rs.136** (January - December 2005 - Rs.102) on **67,774,840** equity shares to 2 non-resident shareholders.

19. Fiscal year for the Company being the year ending March 31, 2008, the ultimate tax liability will be determined on the basis of the results for the period April 1, 2007 to March 31, 2008.

20. Prior year's figures have been regrouped, recast and restated where necessary to conform to the current year's classification.

For and on behalf of the Board

Chairman

S.M.DATTA

Managing Director

MURALI SIVARAMAN

Director

C.J.M.REUVERS

Secretary

R.J.WANI

New Delhi, March 11, 2008

# PHILIPS ELECTRONICS INDIA LIMITED

## Notes to Balance Sheet

	December 31, 2007	Amounts in Rs. Mln December 31, 2006
<b>I. CAPITAL</b>		
<b>Authorised</b>		
92,000,000 equity shares of Rs.10 each	920	920
20,000,000 non convertible cumulative redeemable preference shares of Rs.10 each	200	200
	<u>1,120</u>	<u>1,120</u>
<b>Issued and subscribed</b>		
70,260,733 equity shares of Rs.10 each, fully paid up	703	703
Add: Forfeited shares (amount paid up)	703	703
	<u>703</u>	<u>703</u>
<b>Of the above:</b>		
(a) 67,774,780 equity shares are held by Koninklijke Philips Electronics N.V. ("KPEENV"), the holding company.		
(b) 24,757,798 equity shares were allotted without payment being received in cash, comprising of 21,875 equity shares allotted pursuant to a contract and 24,735,923 equity shares allotted pursuant to the schemes of amalgamation in earlier years.		
(c) 16,366,000 bonus shares were issued as fully paid up by capitalisation of reserves.		
<b>2. RESERVES AND SURPLUS</b>		
Capital reserve - revaluation - as at beginning	17	31
Less: Transfer to General Reserve on sale of property	17	13
Less: Transfer to Profit and Loss Account	—	1
	<u>—</u>	<u>17</u>
Capital reserve - amalgamation	168	168
	<u>168</u>	<u>168</u>
Capital reserve - others - (refer note 1 below)	1	1
	<u>1</u>	<u>1</u>
Capital redemption reserve	100	100
	<u>100</u>	<u>100</u>
Capital subsidy - (refer note 2 below)	9	9
	<u>9</u>	<u>9</u>
Securities premium	679	679
	<u>679</u>	<u>679</u>
General reserve - as at beginning	5,850	3,867
Add: Transfer from Capital Reserve on sale of property	17	13
Add: Transfer from Profit and Loss Account	190	1,970
	<u>6,057</u>	<u>5,850</u>
Profit and Loss Account	1,695	150
	<u>8,709</u>	<u>6,974</u>

(1) Represents excess amounts received by the erstwhile PMSIL from Philips Medical Systems International BV, which have arisen on account of the change in method of foreign exchange conversion prescribed by the Reserve Bank of India.

An application to the Reserve Bank of India had been filed by the erstwhile PMSIL for approval to retain these amounts. Such approval is awaited as at date.

(2) Pertains to land subsidy - Rs.6 and investment incentive - Rs.3 received from Punjab State Government.

## Notes to Balance Sheet

Amounts in Rs. Mln

	December 31, 2007	December 31, 2006
<b>3. SECURED LOANS</b>		
Finance lease	<u>103</u>	<u>70</u>
	<u>103</u>	<u>70</u>
Finance lease is secured by underlying assets.		
The total minimum lease liability for assets obtained on finance lease basis is <b>Rs.122</b> (31.12.2006 - Rs.81) which includes interest of <b>Rs.19</b> (31.12.2006 - Rs.11). The maturity profile of finance lease obligation is as follows:		
<b>Minimum lease payments</b>		
Payable within 1 year	41	33
Payable between 1-5 years	81	48
<b>Present value</b>		
Payable within 1 year	32	28
Payable between 1-5 years	71	42
<b>4. UNSECURED LOANS</b>		
<b>Others:</b>		
External Commercial Borrowings *	19	22
Interest accrued and due	<u>17</u>	<u>16</u>
	<u>36</u>	<u>38</u>

\* Relates to foreign currency loan of USD 500,000 taken from ATL International Inc, USA towards funding working capital requirements. The said loan bears an interest at LIBOR plus 2% per annum. The Company intends to repay the said loan after necessary approval from Reserve Bank of India.

## 5. FIXED ASSETS

	Gross block at cost or valuation				Depreciation / amortisation				Net block	
	As at beginning	Additions	Disposals & adjustments	As at end	As at beginning	For the year	On disposals & adjustments	As at end	As at 31.12.2007	As at 31.12.2006
	(1)	(2)	(3)	(1+2-3)	(5)	(6)	(7)	(5+6-7)	(4-8)	(1-5)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Intangibles										
- Software	22	—	—	22	7	6	—	13	9	15
Land	37	—	10	27	—	—	—	—	27	37
Buildings	713	21	79	655	197	20	44	173	482	516
Leaseholds										
- Land	1	—	1	—	—	—	—	—	—	1
- Improvements	264	306	64	506	109	87	61	135	371	155
- Other assets	145	79	68	156	77	29	50	56	100	68
Machinery and equipment	5,154	462	522	5,094	3,788	343	448	3,683	1,411	1,366
Furniture and fittings	289	125	86	328	159	50	67	142	186	130
Vehicles	16	—	4	12	9	3	4	8	4	7
	6,641	993	834	6,800	4,346	538	674	4,210	2,590	2,295
Prior year	7,072	417	848	6,641	4,335	603	592	4,346	2,295	

- (a) Buildings at cost or valuation include (i) **Rs.0.01** (31.12.2006 - Rs.0.01) representing **120** (31.12.2006 - 121) shares at cost in various co-operative housing societies and (ii) property held for sale at net book value - **Rs.1** (31.12.2006 - Rs.23).
- (b) Disposals and adjustments of gross block and depreciation include **Rs.87** (31.12.2006 - Rs.517) and **Rs.33** (31.12.2006 - Rs.335) on account of divestment of business relating to "Financial Services" for the current year and "Semiconductors" & "Philips Sound Solutions" for the prior year.
- (c) Net block of assets taken on lease relates to vehicles - **Rs.100** (31.12.2006 - Rs.68).
- (d) Commitments on capital account - **Rs.48** (31.12.2006 - Rs.198).

# PHILIPS ELECTRONICS INDIA LIMITED

## Notes to Balance Sheet

Amounts in Rs. Mn

December 31, 2007

December 31, 2006

### 6. INVESTMENTS

Long term investments at cost - Non-trade

Shares and units

Unquoted

Anyonya Sahayakari Mandali Co-operative Bank Ltd

29,861 fully paid equity shares of Rs.10 each

500 (31.12.2006 - Nil) - 5.25% Rural Electrification

Corporation Limited bonds of Rs.10,000/- each fully paid up

5

—

Quoted

112,658 - 6.75% UTI bonds of Rs.100 each fully paid up

15

15

Gross

20

15

Less: Provision for diminution

4

4

Net

16

11

Quoted - Cost

15

15

- Market value

11

11

Unquoted - Cost

5

—

### 7. DEFERRED TAX ASSETS - NET

Deferred tax assets

Voluntary retirement scheme

70

132

Retirement benefits

117

147

Receivables

105

98

Others

157

123

449

500

Deferred tax liabilities

Depreciation

209

246

240

254

### 8. INVENTORIES

Raw materials and piece parts - purchased

111

257

Own manufactured components and piece parts

2

Finished goods

1,611

1,356

Work in progress

229

93

Goods in transit

258

157

Stores and spare parts

46

37

2,255

1,902

### 9. SUNDRY DEBTORS

Debts considered good :

Debts over six months unsecured

363

216

Debts over six months secured by bank guarantees

—

Other debts unsecured

2,719

2,447

[Include Rs.330 (31.12.2006 - Rs.649) due from certain Overseas

Companies as per list given in Note 9(a) to Profit and Loss Account,

- all companies under the same management.

Other debts secured by bank guarantees

38

24

Debts considered doubtful :

Debts over six months

199

186

3,319

2,873

Less : Provision

199

186

3,120

2,687

## Notes to Balance Sheet

Amounts in Rs. Mln

December 31, 2007

December 31, 2006

### 10. CASH AND BANK BALANCES

Cash and cheques in hand	610	719
<b>With scheduled banks:</b>		
Current accounts *	701	447
Exchange Earners Foreign Currency account	422	241
Deposit accounts	5,014	3,771
	<u>6,747</u>	<u>5,178</u>

\* Includes remittance in transit - Rs.422 (31.12.2006 - Rs.5)

### 11. LOANS AND ADVANCES

#### Unsecured considered good (unless otherwise stated):

Loans and advances recoverable in cash or in kind or for value to be received [Includes Rs.Nil (31.12.2006 - Rs.0.40) due from directors]	1,261	1,290
<b>Maximum amount due at any time during the year</b>		
- Rs.0.40 (31.12.2006 - Rs.0.40) from directors	74	109
Balances with Customs, Port Trust, Excise, etc.	95	—
Advance payment - Income tax less provision	109	101
Advances considered doubtful	1,539	1,500
Less : Provision	109	101
	<u>1,430</u>	<u>1,399</u>

The Company settled its outstanding lease rental obligations under the existing sale and lease back arrangements with the respective lessors. However, the formal transfer of legal ownership rights in favour of the Company is under process. Pending the transfer of legal ownership, the lease margin accounts of concerned lessors amounting to Rs.40 have been retained and are included in loans and advances recoverable in cash or in kind or for value to be received.

### 12. LIABILITIES

Acceptances	493	631
Creditors		
Micro and Small Enterprises	2	—
Other than Micro and Small Enterprises	5,233	4,239
Unpaid / unclaimed dividends	6	7
Unpaid matured deposits	2	2
Book overdraft	54	—
	<u>5,790</u>	<u>4,879</u>

### 13. PROVISIONS

Proposed dividend	140	140
Tax on proposed dividend	24	20
Income tax net of advance tax	—	203
Fringe benefit tax	—	17
Retirement benefits (Refer Note 13 a)	379	488
Others (Refer Note 13 b)	618	560
	<u>1,161</u>	<u>1,428</u>

The actuarial valuation in respect of gratuity and leave encashment has been done as at December 31, 2007.

In case of Mohali Light factory, Medical Systems and Software Centre the gratuity liabilities are provided as per the actuarial valuation and are funded through Group Gratuity Schemes of Life Insurance Corporation of India (LIC) to the extent requested by LIC.

# PHILIPS ELECTRONICS INDIA LIMITED

## Notes to Balance Sheet

Amounts in Rs. Mln

13 a. Disclosure relating to Defined Benefit Plans / Long Term Compensated Absences - As per Actuarial Valuation as on December 31, 2007 and recognised in the financial statements in respect of Retirement Benefits:

Particulars	Gratuity		Leave Encashment	Provident Fund
	Funded	Unfunded		
<b>A. Present value of obligations as at beginning of the year</b>	<b>112</b>	<b>226</b>	<b>175</b>	<b>690</b>
(1) Current service cost	21	25	23	110
(2) Interest cost	9	18	14	50
(3) Benefits settled	(17)	(22)	(31)	(134)
(4) Amalgamations	—	1	—	1
(5) Curtailments	—	(11)	(9)	—
(6) Settlements	—	(6)	—	(169)
(7) Actuarial (gain) / loss	16	(94)	(40)	—
(8) Interest guarantee	—	—	—	11
(9) Employees' contribution	—	—	—	65
(10) Transfer in	—	—	—	7
<b>Present value of obligations as at end of the year</b>	<b>141</b>	<b>137</b>	<b>132</b>	<b>631</b>
<b>B. Change in Plan Assets</b>				
<b>Plan assets as at beginning of the year</b>	<b>37</b>	<b>—</b>	<b>—</b>	<b>735</b>
(1) Expected return on plan assets	3	—	—	58
(2) Contributions	23	—	—	—
(3) Benefits settled	(17)	—	—	—
(4) Employer contribution	—	—	—	123
(5) Employee contribution	—	—	—	65
(6) Benefit payments	—	—	—	(134)
(7) Asset gain / (loss)	—	—	—	45
(8) Settlements	—	—	—	(170)
<b>Plan assets as at end of the year</b>	<b>46</b>	<b>—</b>	<b>—</b>	<b>722</b>
<b>Surplus</b>				<b>91</b>
The above surplus of <b>Rs.91</b> has not been recognised in the financial statements in accordance with Paragraph 59 of Accounting Standard (AS15), Employee Benefits, since the surplus is not available to the Company either in form of refunds or as reduction of future contributions.				
<b>C. Actual return on plan assets</b>	<b>3</b>	<b>—</b>	<b>—</b>	



## Notes to Balance Sheet

Amounts in Rs. Mln

Particulars	Gratuity		Leave Encashment	Provident Fund
	Funded	Unfunded		
<b>D. Reconciliation of present value of the obligation and the fair value of the plan assets:</b>				
(1) Present value of obligations at end of the year	(140)	(137)	(132)	
(2) Fair value of Plan assets	46	—	—	
<b>Prepaid / (Liability) recognised in Balance Sheet</b>	<b>(94)</b>	<b>(137)</b>	<b>(132)</b>	
<b>E. Components of Employer Expense:</b>				
(1) Current service cost	21	24	23	
(2) Interest cost	9	18	14	
(3) Expected return on plan assets (estimated)	(3)	—	—	
(4) Curtailments	—	(11)	(9)	
(5) Amortisation - unrecognised gain / (loss)	—	—	—	
(6) Actuarial (gain) / loss	16	(94)	(40)	
<b>Total expense recognised in the Statement of Profit and Loss Account</b>	<b>43</b>	<b>(63)</b>	<b>(12)</b>	
The gratuity and leave encashment expenses have been recognised in "Salaries, wages, bonus and commission" under Note # 4 to the Profit and Loss Account				
<b>F. Assumptions</b>				
(1) Discount factor	7.5%	7.5%	7.5%	
(2) Estimated rate of return on plan assets	7.5%			
(3) Mortality	LIC Ultimate 94-96			
(4) Disability	None			
(5) Salary Increase	1st year 14% & thereafter 12%			
(6) Attrition rate	23%			
(7) Retirement age	58 years that can be extended to 60 years.			

### Notes:

- No corresponding figures for the prior year are presented as the Company has adopted AS 15 (R) effective January 1, 2007.
- As per transitional provisions specified in AS 15 (R), the difference in the liability as per the existing policy followed by the Company and that arising on adoption of this Standard is required to be charged to opening reserves and surplus account. However, there is no significant impact on adoption of this Standard which is required to be adjusted in the opening balances of reserves and surplus.

# PHILIPS ELECTRONICS INDIA LIMITED

## Notes to Balance Sheet

Amounts in Rs. Mln

3. Plan assets comprise of contribution to Group Gratuity Schemes of Life Insurance Corporation of India in case of gratuity and leave encashment and investments under Philips Electronics India Limited Employees' Provident Fund Plan in case of Provident Fund.
4. Actuarial (gain) / loss is due to change in actuarial assumptions relating to discount rates and hike in salary in current year as compared to prior year.
5. The company provides retirement benefits in the form of Provident Fund, Gratuity, Leave Encashment, Superannuation and other benefits. Provident fund contributions made to "Government Administered Provident Fund" are treated as defined contribution plan since the Company has no further obligations beyond it's monthly contributions. Provident Fund contributions made to "Trust" administered by the Company are treated as Defined Benefit Plan. As per actuarial valuation, the trust has surplus fund to cover shortfall, if any, on account of guaranteed interest benefit obligation.

### 13 b. Disclosure relating to Provisions:

#### (1) Movement in Provisions:

Particulars of disclosure	Class of provisions				Total
	Replacement guarantee	Legal and Regulatory	Personnel related	Other risks	
Opening balance	131	228	61	140	560
Accruals during the year	286	68	75	96	525
Utilisation	(234)	(8)	(77)	(134)	(453)
Write back	—	(7)	(6)	(1)	(14)
<b>Closing balance</b>	<b>183</b>	<b>281</b>	<b>53</b>	<b>101</b>	<b>618</b>

#### (2) Nature of Provisions:

##### (i) Provision for replacement guarantee

The Company provides for the estimated liability on guarantees given on sale of its products based on past performance of such products. The provision represents the expected cost of replacement and free of charge services and it is expected that the expenditure will be incurred over the contractual guarantee period which usually ranges from 6 months to 24 months.

##### (ii) Legal and Regulatory

The Company has made provision for taxes and duties relating to cases that are pending assessments before Adjudicating Authorities where possible outflow of resources may arise in future which would depend on the ultimate outcome on conclusion of the cases.

##### (iii) Personnel related

The Company has made provisions in respect of amounts payable to certain employees based on their retention and performance, which are payable over a three year and one year period respectively.

##### (iv) Other risks

This represent provisions made on prudent basis towards possible outflow of resources in respect of claims other than those included in (i) and (ii) above against the Company and contractual obligations, which would depend on the ultimate outcome on conclusion of the respective events.

## Notes to Balance Sheet

Amounts in Rs. Mln

### 14. Contingent liabilities

- (a) Claims not acknowledged as debts by the Company - **Rs.32** (31.12.2006 - Rs.32).
- (b) In respect of disputed sales tax demands - **Rs. 67** (31.12.2006- Rs.67), excise demands - **Rs.180** (31.12.2006 -Rs.180) and income tax demands - **Rs.31** (31.12.2006 - Rs.31)
- (c) In respect of suppliers' / customers' demands and certain tenancy / customs / sales tax disputes for which the liability is not ascertainable.

The Company does not expect any reimbursements in respect of the above contingent liabilities. It is not practicable to estimate the timing of cash outflows, if any, in respect of (a) and (b) above pending resolution of the legal proceedings.

15. This and the information given in Schedule 12 "Liabilities" as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company and accordingly there are no Micro, Small and Medium Enterprises to whom the Company owes dues, which are outstanding for more than 45 days as at December 31, 2007.

16. Prior year's figures have been regrouped, recast and restated where necessary to conform to the current year's classification.

For and on behalf of the Board

Chairman

S.M.DATTA

Managing Director

MURALI SIVARAMAN

Director

C.J.M.REUVERS

New Delhi, March 11, 2008

Secretary

R.J.WANI

# PHILIPS ELECTRONICS INDIA LIMITED

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### I. Registration Details

Registration No.	21-06663			State Code	21
Balance Sheet	31	12	2007		
Date	Date	Month	Year		

### II. Capital raised during the year (Amounts in Rs. '000)

Public Issue

Nil

Bonus Issue

Nil

Rights Issue

Nil

Private Placement

Nil

### III. Position of Mobilisation and Deployment of Funds (Amounts in Rs. '000)

Total Liabilities

16,501,142

Total Assets

16,501,142

Sources of Funds

Paid-up capital

702,607

Reserves & Surplus

8,708,703

Share capital suspense

—

Secured Loans

102,772

Unsecured Loans

35,765

Application of Funds

Net Fixed Assets

2,694,964

Investments

16,266

Net current assets

6,598,831

Misc. expenditure

Nil

Accumulated losses

Nil

Deferred tax assets - net

239,786

### IV. Performance of Company (Amounts in Rs. '000)

Total income

28,831,123

Total expenditure

25,937,153

Profit / Loss before tax

+ 2,893,970

Profit / loss after tax

+ 1,903,161

(Tick appropriate box + for Profit, - for Loss)  
Earning per share (before exceptional items) in Rs.

21.65

Dividend rate %

20

Earning per share (after exceptional items) in Rs.

27.08

### V. Generic Names of Three Principal Products / Services of Company

Item Code No. (ITC Code)

8539

Product description

Lamps

Item Code No. (ITC Code)

852731

Product description

Radio broadcast receivers / combination sets

Item Code No. (ITC Code)

HSN 94 05

Product description

Lamps Fittings

For and on behalf of the Board

Chairman

S.M.DATTA

Managing Director

MURALI SIVARAMAN

Director

C.J.M.REUVERS

Secretary

R.J.WANI

New Delhi, March 11, 2008

## Cash Flow Statement for the year ended December 31, 2007

	Year ended December 31, 2007		Year ended December 31, 2006	
			Amounts in Rs. Mln	
<b>A. Cash flow from operating activities</b>				
Net profit before tax and exceptional items		2,456		1,485
Adjusted for				
Profit on sale of fixed assets	(9)		(6)	
Write off / other adjustment of fixed assets	24		18	
Depreciation (net)	538		602	
Unrealised foreign exchange loss (net)	(7)		15	
Interest received	(377)		(132)	
Interest charged	51	220	45	542
<b>Operating profit before working capital changes</b>		<b>2,676</b>		<b>2,027</b>
Changes in:				
Trade and other receivables	(409)		295	
Inventories	(353)		314	
Trade payables / other liabilities	932	170	282	891
<b>Cash generated from operations</b>		<b>2,846</b>		<b>2,918</b>
Net Income Tax paid		(1,292)		(710)
<b>Net cash flow before exceptional items</b>		<b>1,554</b>		<b>2,208</b>
Insurance claim received		32		—
Employees' voluntary retirement scheme		(8)		(73)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>1,578</b>		<b>2,135</b>
<b>B. Cash flow from investing activities</b>				
Purchase of fixed assets		(695)		(657)
Proceeds from sale of fixed assets		354		327
Proceeds from sale of business (net)		219		1,883
Investment in long term investments		(5)		—
Interest received		348		124
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>221</b>		<b>1,677</b>
<b>C. Cash flow from financing activities</b>				
Proceeds from borrowings		35		2,942
Repayment of borrowings		(35)		(2,942)
Interest paid		(65)		(42)
Dividend paid		(140)		(105)
Tax on dividend paid		(25)		(15)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(230)</b>		<b>(162)</b>
<b>INCREASE IN CASH &amp; CASH EQUIVALENTS (A+B+C)</b>		<b>1,569</b>		<b>3,650</b>
<b>CASH &amp; CASH EQUIVALENTS - OPENING BALANCE</b>				
Cash & Bank Balances (Refer to Note 10 of Balance Sheet)		5,178		1,528
<b>CASH &amp; CASH EQUIVALENTS - CLOSING BALANCE</b>				
Cash & Bank Balances (Refer to Note 10 of Balance Sheet)		6,747		5,178
<b>TOTAL</b>		<b>6,747</b>		<b>5,178</b>

In terms of our report of even date

For BSR & Co.  
Chartered Accountants

VIJAY MATHUR  
Partner  
Membership No. 046476

New Delhi, March 11, 2008

For and on behalf of the Board

Chairman S.M.DATTA

Managing Director MURALI SIVARAMAN

Director C.J.M.REUVERS

Secretary R.J.WANI

# PHILIPS ELECTRONICS INDIA LIMITED

## Ten-Year Review

Amounts in Rs. Mn

PARTICULARS	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Income and Dividends</b>										
Sales	16,634	17,289	14,931	15,256	16,019	16,367	23,637	28,389	26,486	28,906
Operating profit / (loss)	507	314	(39)	387	1,080	1,257	1,425	1,057	1,485	2,456
As percentage of sales	3.0	1.8	(0.3)	2.5	6.7	7.7	6.0	3.7	5.6	8.5
Profit / (Loss) before tax	200	312	(395)	(401)	1,227	1,050	1,492	983	3,029	2,894
As percentage of sales	1.2	1.8	(2.6)	(2.6)	7.7	6.4	6.3	3.5	11.4	10.0
Profit / (Loss) after tax	120	281	(342)	(211)	1,043	671	1,029	807	2,130	1,903
As percentage of sales	0.7	1.6	(2.3)	(1.4)	6.5	4.1	4.4	2.8	8.0	6.6
As percentage of net worth	6.3	13.9	(20.4)	(13.4)	32.9	18.5	20.5	14.1	27.7	20.2
Earnings per share (Rs.)	2.6	6.2	(7.5)	(4.7)	17.8	11.3	15.4	11.5	30.3	27.1
Dividend per equity share (Rs.)	1.5	2.5	—	—	1.5	1.5	1.5	1.5	2.0	2.0
<b>Assets and Liabilities</b>										
Net fixed assets	1,919	1,739	1,737	1,462	2,951	2,650	2,837	2,871	2,661	2,694
Investments	153	136	136	161	7	11	11	11	11	16
Deferred tax assets - net	—	—	—	313	159	117	189	268	254	240
Inventories	1,823	1,361	1,597	1,004	1,349	1,608	2,519	2,243	1,902	2,255
Debtors, loans & advances and cash & bank balances	3,440	3,635	2,571	2,261	2,988	3,442	5,905	6,417	9,264	11,297
Current liabilities & provisions	3,476	3,324	3,085	2,968	3,803	4,041	6,309	5,983	6,307	6,951
Net current assets	1,787	1,672	1,083	297	534	1,009	2,115	2,677	4,859	6,601
<b>Net Investment</b>	<b>3,858</b>	<b>3,546</b>	<b>2,956</b>	<b>2,233</b>	<b>3,651</b>	<b>3,787</b>	<b>5,152</b>	<b>5,827</b>	<b>7,785</b>	<b>9,551</b>
<b>Represented by</b>										
Equity share capital	455	455	455	455	455	582	582	703	703	703
Share capital suspense	—	—	—	—	226	—	121	—	—	—
Revaluation reserve	137	107	103	99	107	74	71	31	17	—
Other reserves	1,306	1,461	1,120	1,018	2,383	2,968	4,255	4,974	6,957	8,709
Shareholders' interest (net worth)	1,899	2,023	1,678	1,572	3,171	3,624	5,029	5,708	7,677	9,412
Debentures	722	500	538	—	83	—	—	—	—	—
Loans	1,237	1,023	740	661	397	163	123	119	108	139
<b>Total</b>	<b>3,858</b>	<b>3,546</b>	<b>2,956</b>	<b>2,233</b>	<b>3,651</b>	<b>3,787</b>	<b>5,152</b>	<b>5,827</b>	<b>7,785</b>	<b>9,551</b>
<b>General</b>										
Exports (F.O.B)	320	307	253	355	243	331	712	1,011	454	330
Salaries, bonus & staff welfare (excluding V.R.S)	1,015	1,110	1,038	1,036	1,085	1,170	2,176	3,016	3,268	2,635
Debt : Equity Ratio	51:49	43:57	43:57	30:70	13:87	4:96	2:98	2:98	1:99	1:99
Number of employees at year end	5,042	3,803	3,255	2,410	3,403	2,788	3,986	3,952	3,440	3,135

**Registered Office**

Philips Electronics India Limited  
7, Justice Chandra Madhab Road, Kolkata - 700 020  
Tel. : 91-33-2475 3621, Fax : 91-33-2475 3839

**Corporate Office**

Philips Electronics India Limited  
Technopolis Knowledge Park, Mahakali Caves Road,  
Chakala, Andheri (East), Mumbai - 400 093  
Tel. : 91-22-6691 2000, Fax : 91-22-6691 2499

**Northern Region**

Philips Electronics India Limited  
9<sup>th</sup> Floor, Ambadeep,  
14, Kasturba Gandhi Marg, New Delhi - 110 001  
Tel. : 91-11-2373 8616, Fax : 91-11-2373 8570

**Eastern Region**

Philips Electronics India Limited  
7, Justice Chandra Madhab Road, Kolkata - 700 020  
Tel. : 91-33-2475 3621, Fax : 91-33-2475 3839

**Western Region**

Philips Electronics India Limited  
Technopolis Knowledge Park, Mahakali Caves Road,  
Chakala, Andheri (East), Mumbai - 400 093  
Tel. : 91-22-6691 2000, Fax : 91-22-6691 2499

**Southern Region**

Philips Electronics India Limited  
Temple Towers - 5th floor  
Old No. 476, New No. 672,  
Anna Salai, Nandanam, Chennai - 600 035  
Tel. 91-44-6650 1000, Fax : 91-44-6650 1085

**Royal Philips Electronics**

Koninklijke Philips Electronics N. V.  
Breitner Center, Amstelplein2  
1096 BC Amsterdam,  
P. O. Box 77900  
1070 MX Amsterdam  
The Netherlands  
Tel. : 31-20-597 7777



[www.philips.com](http://www.philips.com)