



ANNUAL REPORT

2014 - 2015

Hitachi Home & Life Solutions (India) Limited

OUR PRODUCT RANGE



Kashikoi



Ace Inverter



Kaze Inverter



Zunoh



Ace Cutout



Star Connect



Ace Reidan Hot & Cold



Star Sumo



Kampa



Kaze Neo Supreme



Kaze Neo



Cassette



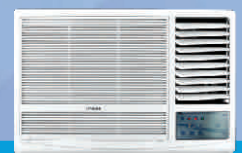
Summer TM



Summer QC



Kaze Plus Compact



Kaze Reidan
Hot & Cold



MIJ
Refrigerator



French Bottom Freezer
Refrigerator



Big 2
Refrigerator



Side by Side
Refrigerator



Takumi Ductable



Set-Free System



Water-Cooled Chiller



Space Maker

MESSAGE FROM THE CHAIRMAN



Shinichi Iizuka

Chairman

Hitachi Home & Life Solutions (India) Ltd.

My Warm Greetings to the all shareholders of Hitachi Home & Life Solutions (India) Limited.

“The year gone by has been historic for many reasons. Not only did the country give a majority mandate to a single party for the first time in 30 years, they also signaled their rising aspirations and impatience to achieve the same. The Business Fraternity which has struggled with bearish demand is now looking to fulfill the aspirations of the New India and enthusiastically looking upto the government to provide the right signals and impetus to unleash the true growth potential of the Indian Economy”.

While the new government has stated its intent through many steps being taken to improve the economy and also boost investment, I would like to draw attention to three specific initiatives that may have an impact on the Company in the coming years.

The First Initiative is the resolve to Roll out the Goods and Service Tax by April'2016. This can be a big game changer for the industry and it would go a long way to simplify the business and goods movements.

The Second Initiative is the “Make in India” Initiative launched by the government. HHLL has been one of early players in setting up manufacturing in India and has generated jobs for thousands of people in the last 30 years of its existence. We are committed to “Make in India” and today are one of the few AC Companies which manufacture the entire range of ACs in India.

The Third Initiative is the launch of Smart Cities Project. While this is still in its initial stage and has a long way to fructify, the project can open up lots of possibilities for HHLL for increased need for energy efficient, environment friendly air conditioning in various application areas. With Strong indigenous D & D focus, HHLL is rightly positioned to take advantage of the demand arising in these application areas.

While the start has been positive, the Indian Economy is still not out of the woods. Many Companies are still reeling under debt and inflation can rear its ugly head at any given time with increase in the petrol and diesel prices. The Dollar is firming up again and with Import content being nearly half of the total cost; this can have a major impact on the overall operations of the business.

In this cautious optimistic environment, it gives me great pleasure to share with you the highlights of the financial performance for 2014-15, which are largely in line with our goals of long term sustainable growth. Gross revenues from operations increased by 42% from ₹ 11993 Million to ₹ 17073 Million. The operating profit for the first time in HHLL History crossed a figure of ₹ 1000 Million. This has been possible due to strong efforts of the entire Company and I Congratulate the Management team for their confidence and belief in setting audacious goals and then achieving the same.

During the year under review, Room Air conditioners segment witnessed a growth of approximately 13% in sales volume terms. Company has achieved growth at 53% in this segment and increased its market share substantially. The Growth came both in the Window as well as Split segments. In Commercial Air conditioners segment, the market of VRF showed a growth of about 14% while the Company achieved a growth of 24% in the segment. In Chillers segment, market has grown marginally over the last year due to slow growth in commercial real estate. This is an emerging business for the Company and the Company intends to grow in this business.

The Application based Air Conditioners consists of Solution for the Telecommunication Industry and the Banking Industry. With Telecom Industry aggressively switching to IME Model to reduce operating costs, the Telecom Air Conditioners business would continue to be under stress. The Company has a monopoly in this segment and continues to serve its existing base. The Company has also launched a specialized product for banking industry and is looking to cover the gap of telecom AC through this product line.

The Home Appliances segment continues to grow at a good pace but on a small base. The Company is operating in over 300 Ltrs Frost Free Refrigerators Market and Over 7.0 Kgs Front Load Washing Machine Market. While this segment is growing at a good pace, the limited range and limited market addressability make it a small player in the market. The Company is looking to expand the range to address a larger market.

In the Years, beginning 2009-10, your Company has continued to invest large amounts in its Facilities and Sales & Service Network to ensure that the Company is well positioned to leverage demand and serve a wide range of customers across product lines. Today, HHLL operates 42 HCS Centers across India in its endeavor to provide the best in class service to the Indian Customers. HHLL will continue to invest with 3-5 years horizon to ensure that the stakeholders enjoy a sustained profitable growth.

I would like to take this opportunity to thank all the stakeholders of Hitachi Home & Life Solutions (India) Limited – the employees for their commitment and delivery, the vendors for their regular support, the customers for their belief in our products and to you, our shareholders for continuing to repose faith in us. We intend to continuously deliver value to all of you.

I wish all of you the best of health and prosperity in the year 2015-16.

Shinichi Iizuka

BOARD OF DIRECTORS



Shinichi Iizuka
Chairman



Shoji Tsubokuta
Managing Director



Anil Shah
CFO & Executive Director



Gurmeet Singh
Executive Director



Vinay Chauhan
Executive Director



Ashok Balwani
Director



Dr. Devender Nath
Director



Indira Parikh
Director



Mukesh Patel
Director



R S Mani
Director



Ravindra Jain
Director



Vinesh Sadekar
Director

BOARD OF DIRECTORS

Shinichi Iizuka	Chairman
Shoji Tsubokuta	Managing Director
Anil Shah	Executive Director
Gurmeet Singh	Executive Director
Vinay Chauhan	Executive Director
Ashok Balwani	Independent Director
Dr. Devender Nath	Independent Director
Indira Parikh	Independent Director
Mukesh Patel	Independent Director
R S Mani	Independent Director
Ravindra Jain	Independent Director
Vinesh Sadekar	Independent Director

COMPANY SECRETARY

Parag Dave

AUDITORS

S R B C & CO LLP
Chartered Accountants,
Ahmedabad

BANKERS

State Bank of India
ICICI Bank
Standard Chartered Bank

REGISTERED OFFICE

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

HEAD OFFICE & WORKS

Hitachi Complex, Karannagar – 382 715
Kadi, Dist.: Mehsana, Gujarat

REGISTRARS & SHARE TRANSFER AGENT

Sharepro Services (India) Pvt. Ltd.
416-420,
Devnandan Mall,
Opp. Sanyas Ashram,
Ellisbridge,
Ahmedabad – 380 006

CONTENTS

Five Years Financials at a Glance	03
Directors' Report and Management Discussion & Analysis	04
Report on Corporate Governance	25
Auditors' Report	31
Balance Sheet	34
Statement of Profit and Loss	35
Cash Flow Statement	36
Notes to Financial Statements	38

Payment of dividend through ECS / NECS

Company is going to use Electronic Clearing Service (ECS) / National Electronic Clearing Service (NECS) facility introduced by Reserve Bank of India (RBI) for distributing dividend to investors. In this system, the investor's bank account is directly credited with the dividend amount.

If your bank has not implemented Core Banking Solutions (CBS) or you have not provided your account number allotted by your Bank (which has implemented CBS), ECS may either be rejected or returned.

In this regard, if you are holding shares in electronic form, please furnish your Bank account number allotted by your Bank along with a photo copy of a cheque pertaining to the concerned account, to your Depository Participant (DP) at your earliest convenience.

However, if you are holding the shares in physical form, you are requested to furnish the account number along with a photo copy of a cheque to the Company's Registrars at the following address:

Sharepro Services (India) Pvt. Ltd. 416-420, Devnandan Mall, Opp. Sanyas Ashram, Ellisbridge, Ahmedabad – 380 006

FIVE YEARS FINANCIALS AT A GLANCE

(Currency: Rupees in Lacs unless otherwise stated)

PARTICULARS	2014-15	2013-14	2012-13	2011-12	2010-11
Revenue from Operations (Gross)	170,726	119,934	101,922	86,732	82,989
Revenue Growth (Gross)	42%	18%	18%	5%	21%
Revenue from Operations (Net)	157,284	109,973	92,999	79,809	76,401
Revenue Growth (Net)	43%	18%	17%	4%	19%
Total Revenue	157,996	110,547	93,160	79,896	76,868
Earning Before Depreciation, Finance Cost and Tax Expenses(EBDIT)	14,520	5,331	4,805	3,114	6,336
Financial Charges	826	1,195	721	1,003	738
Depreciation & Amortisation	3,593	3,004	2,018	1,832	1,605
Profit Before Tax (PBT)	10,101	1,133	2,066	279	3,993
Provision for Taxation	2,325	328	536	(47)	1,061
Profit After Tax (PAT)	7,776	805	1,530	326	2,933
Equity Share Capital	2,719	2,719	2,296	2,296	2,296
Reserves & Surplus	28,569	21,284	15,879	14,826	14,900
Net Worth	31,288	24,003	18,175*	17,122	17,196
Net Worth Growth	30%	32%	6%	0%	17%
Gross Fixed Assets	38,370	30,734	27,076	22,634	20,432
Net Fixed Assets	24,564	19,763	18,842	14,230	13,663
KEY INDICATORS					
Earnings Per Share (₹)	28.60	2.97	6.67	1.42	12.77
Cash Earnings Per Share (₹)	41.81	14.01	15.46	9.40	19.76
Book Value Per Share (₹)	115.07	88.27	79.16	74.57	74.89
Total Debt to Equity	0.44 : 1	0.52 : 1	0.91 : 1	0.58 : 1	0.52 : 1
EBDIT / Revenue from Operations (Net) %	9%	5%	5%	4%	8%
Net Profit Margin %	5%	1%	2%	0%	4%
Return on Net Worth %	25%	3%	8%	2%	17%
Return on Capital Employed %	24%	6%	7%	5%	18%

Notes:

Previous years' figures regrouped wherever necessary

* Exclusive of "share application money pending allotment"

DIRECTORS' REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS

Dear Members,

Your Directors have pleasure in presenting the Thirtieth Annual Report and the Audited Financial Statements, for the year ended March 31, 2015.

FINANCIAL HIGHLIGHTS

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

(₹ In Lacs)

	For the year ended March 31, 2015	For the year ended March 31, 2014
Revenue from operations (gross)	170726	119934
Less : Excise duty	13442	9962
Revenue from operations (net)	157284	109972
Other income	712	575
Total revenue	157996	110547
Profit before finance cost, depreciation and tax	14520	5332
Finance cost	826	1195
Depreciation and amortization expenses	3593	3004
Tax expense	2325	328
Profit for the year	7776	805
Amount transferred to General Reserve	778	80

DIVIDEND

Your Directors recommend a dividend of ₹ 1.50 per Equity Share for the year ended March 31, 2015. This is subject to the approval of the Members at the ensuing Annual General Meeting.

ABOUT HITACHI HOME & LIFE SOLUTIONS (INDIA) LIMITED

Hitachi Home & Life Solutions (India) Limited (HHLI) is a subsidiary of Hitachi Appliances Inc. Japan. Since its inception, it is the endeavor of the Company to develop quality products with latest technology that contribute to the overall prosperity of the society. As of today, HHLI produces a range of Air conditioners and trades in Refrigerators and Washing Machines. In the Air conditioning segment, the Company offers Room Air conditioners, Commercial Air conditioners, Chillers, VRF Systems and Rooftops. Apart from the products, the Company has a division for Projects which focuses on the end to end projects for HVAC.

Company's manufacturing facility at Kadi, North Gujarat, is amongst the 10 Hitachi Air conditioner manufacturing facilities worldwide. With a total installed capacity of 430,000 Room Air conditioners per annum (in a single shift), HHLI is amongst the top Air conditioning manufacturing companies in India. In addition to that, the Company also has the capacity to manufacture 120,000 Tons of Ductable Units, 9,000 VRF ODUs and 300 Chillers per annum.

The products are supported by a strong nationwide distribution consisting of 5 regional offices and 21 branch offices. The Company has expanded its distribution network and today has more than 4,000 sales points across the country. The Company has also opened 29 Hitachi Home Centers across India and plans to continue to open more to offer the customers an enriched experience of buying HHLI Products at single spot. To support this wide distribution network, the Company has 42 Company owned 24x7 customer service centers (HCS) and 600 other service points including multi brand S&S and franchisees.

The Company constantly innovates, brings in new technology, adopts newer concepts and incorporates advanced features in its products to meet its objective of simplifying life and providing best in class Air conditioning and service solutions to Indian consumers.

MACRO ECONOMIC ENVIRONMENT

The Indian economy which was battered under the twin blows – Falling rupee and high inflation for previous two years, is today looking at a new beginning. With the political stability brought in by the election of the new government in May/2014 and the breathing space afforded by favorable global factors of lower oil prices and commodity prices, the inflation and rupee has been stabilized and the fiscal deficit brought under control.

The Indian economy which reeled under a sub 5% growth in real terms for last two years is looking to get back to a plus 7% growth rate and signs of recovery are visible though gradual. This growth is likely to be led by growth in the Industrial Production. The Industrial Production Growth which has been less than 1% for last 2 years is expected to improve to a CAGR of 5.1% for next five years. Declining inflation and lowering of interest rates is expected to lend support to industrial recovery. The “Make In India” thrust by the new government has led to addressing of major structural issues facing the industry and this is expected to kick start the stalled infrastructure projects thus giving impetus to industrial recovery. The services sector is also expected to continue to its growth and may grow at CAGR of 8% over the next 5 years.

Growth in government consumption, which dropped sharply in the last year, has remained subdued so far. It is expected to pick up marginally in the coming year. Investment which is closely related to the growth has remained subdued so far. A number of announcements made in the Budget and the fact that private sector investment is yet to pick up, points to the fact that the government will be upping its investment sharply to kick start the economy. Private consumption which dropped to a low of 4% from a high of 9% is expected to grow back to a level of 5% plus growth.

Consumer price inflation dropped to 6.0% in 2014-15, while wholesale price inflation averaged 2.7%. Inflation has decelerated sharply due to a drop in oil prices and commodity prices. This coupled with stable currency in FY 2014-15 has been a positive factor for companies, who have a reasonable content of imports.

While the economic slowdown bottomed out last year and the positive sentiments led by a new governments with a majority mandate, the Indian economy is ready to get back to its growth path. Some weaknesses though remain: Execution of the governments initiatives on the ground are yet to be seen, structural reforms in key sectors and global factors like as to how long the current low cycle of oil prices and commodity will continue. Given the above factors, one expects that the recovery would be gradual and may encounter some bumps along the way.

OVERVIEW

1. The Company's Room Air conditioner segment performed much better than expected backed by strong improvement in the distribution. The segment outperformed the competitors in terms of growth and now has become one of the leading brands in the segment.
2. The Company also scored significant success in the Ductable segment. Though this market is struggling to grow due to cannibalization by other technologies like Set Free (VRF), the Company maintained and bettered its position in the segment with a faster than market growth.
3. The Company also saw its Set Free segment pick up speed in terms of order bookings and projects executed. The Company has invested in manpower and infrastructure in this newly fast growing segment in the last one year and expects the segment to drive future growth. The Company was able to book a large number of projects across segments like Banking, Education, Residential, Hospitality etc.
4. The Chiller and Projects segment have been subdued due to tough economic environment in the first half of the year, but the second half has seen good recovery for this business. While this is a new business, the Company is confident that this business can deliver exponential growth in top line over the next 5 years.
5. The Telecom and Special Products segment saw some revival in the year and the Company continues to enjoy a share in excess of 70% in the segment. However, this business is highly dependent on the capital outlay of the telecom operators and with technology of telecom towers improving; the business may struggle in the coming years.
6. The Company also forayed into exports this year on a trial basis and a small batch was exported during the year. With strong design and manufacturing capabilities, this segment offers an opportunity to be expanded and increased in the coming years.
7. The home appliance business for the Company continues to show robust growth and the differentiated product range has enabled the Company to carve out a niche in the segment. The thrust this year has been to increase the range to enable wider distribution and accelerated growth. The Washing Machine segment though continues to struggle amidst lack of demand for its range of self cleaning machines.
8. The Hitachi Customer Service, started to improve the customer satisfaction index continues to perform well and shows a healthy year on year growth. With 42 owned centers, the initiative is truly powerful way to ensure the quality associated with the brand and be in touch with customers directly to catch any trends early on.

ROOM AIRCONDITIONERS

9. The Room Air conditioners segment after a gap of two years witnessed a growth of approximately 13% in sales volume terms. The growth was helped by a long summer especially in the North India. The Company managed to grow at 53% in this segment and increased its market share substantially. The growth came both in the Window and Split segment. The Company also bettered its performance of selling energy efficient products as compared to the last year and the growth in this segment of 5 star rated and inverter ACs was in excess of 64%.
10. Hitachi has a strong presence in the Room AC segment. The Company's Split range consists of 55 models starting from 1.0 Tr. to 3.25 Tr. The lineup has 2, 3, 4 and 5 star rated AC. The Company also launched the 'Kashikoi' range of Inverter ACs. This range, based on Japanese technology, is another example of HHLI using the technology from Japan and customizing it to suit Indian needs. In India, majority of people needs cool air on their body directly. Considering this, we changed the function of the sensors in India as compared to Japan so that the AC can send cool wind to exactly where the people are. The Window range also enjoys dominance and has 15 Models in 1, 2, 3 and 5 star rating. The Company also has a Hot and Cold range in both Splits and Windows.

-
11. In order to widen its reach to Tier II & Tier III, the Company has expanded its distribution network in these towns through direct dealers and distributors and today caters to more than 4,000 outlets.
 12. While Room Air conditioners are mainly sold to individuals, there is a large market for institutional buyers in this segment. With its Logicool range, the Company has added significantly to this segment and has increased the number for key accounts from 58 to 90.

COMMERCIAL AIRCONDITIONERS

13. The Commercial Range of Air conditioners includes Cassette ACs, Ductable ACs, Set Free (Variable Refrigerant Flow - VRF) and Chillers. The Company has presence in all these segments and is strengthening its position in all these segments.
14. The Ductable segment, mainly targeted towards the small corporate offices, banquets halls, etc., has been facing pressure from other solutions like the VRF. The market for this segment is stagnant resulting in consolidation in terms of number of brands operating in this segment. The Company has performed well in the market and grew at 23%. This was helped by the introduction of R410A (Green Gas) range which has been well received in the market. The Company is looking forward to increase its share by outperforming the market consistently.
15. The VRF segment has been the star segment for the industry and has continued to show robust growth in the year. In the year under review the market of VRF showed a growth of about 14% while the Company achieved a growth of 24% in the segment. Based on the Inverter technology, this system enables power savings of 25%-30% and allows design upto 150% of the desired capacity. The Company has a very strong product range of 8 HP – 54 HP and is growing exponentially in this business. The Company in the last three months managed to win several large projects in this segment. The Company intends to continue to focus and invest in this segment in the coming years.
16. The Chiller market has grown marginally over the last year due to slow growth in commercial real estate. The Company is manufacturing Water-cooled Screw Chillers up to 180 HP in its factory in India and is looking to increase the localization content to be more competitive and grow this business. The Chillers over 180 HP are being imported by the Company. This is a nascent business for the Company and the Company intends to grow in this business.
17. Closely allied with the Chiller business is the Projects business. Over the last one year, to increase its share of Chiller business and get economies of scale, the Company has invested in setting up the infrastructure in terms of manpower as well as upgrading their skills to take up this business.

APPLICATION BASED AIRCONDITIONERS

18. The Application based Air conditioners has two ranges targeted towards the Telecommunication industry and the Banking industry. With Telecom industry laden with debt and aggressively switching to IME Model to reduce operating costs, the Telecom Air conditioners business would continue to be under stress. The Company, however has a near monopoly in this segment and will continue to serve its existing base while looking to develop new product that meets the emerging requirements of the industry. The Company has also launched a specialized product for banking industry and is looking to cover the gap of telecom AC through this product line.

HOME APPLIANCES

19. The Home Appliances segment continues to grow at a scorching pace albeit on a small base. The Company is operating in over 300 Ltrs Frost Free Refrigerators market and over 7.0 Kgs Front Load Washing Machine market. While this segment is growing at a good pace, the limited range and limited market addressability make it a small player in the market. The Company is looking to expand the range to address a larger market. This segment is also strategically important to the Company as it allows continuous engagement with channel partners during the lean season.

MANUFACTURING

20. The Company's Supply Chain continues its focus on Product quality, Safe working environment and Productivity improvement. The Product quality of the Company is achieved through rigorous testing standards and each product undergoes more than 40 on line tests to ensure that the product maintains the quality expected out of the brand.
21. This year Company's two testing laboratories have been approved by NABL (National Accreditation Board for Testing and Calibration Laboratories). This formal recognition of competence of a laboratory by an Accreditation body in accordance with international criteria confirms reliability testing of Company's product before they are put into the market.
22. To achieve manufacturing excellence, Company embarked upon the journey of World Class Manufacturing called MONOZUKURI. This is an initiative launched across Hitachi Ltd., and Company is also drawing and executing learning from this global program of Hitachi. Monozukuri focuses on identification, root cause analysis and elimination of non-value adding activities to improve productivity and quality of overall operations across the Supply Chain.
23. For safety and Safe working environment, the Company has started various initiatives to ensure that the importance of safety is carried by every person working in the factory. The year saw various initiatives like competition amongst various departments to improve safety measures and standards, starting of "Safety Patrol" lead by the executive directors and other measures to improve the safety of the people.

OPPORTUNITIES AND OUTLOOK

24. The outlook for the Indian economy coupled with macroeconomic factors that affect the industry directly – Commodity Prices, Stable Rupee, Power Sector, Real Estate Sector and Infrastructure are all looking positive and should augur well for the industry in the coming year.