

ANNUAL REPORT

2015 - 2016

OUR PRODUCT RANGE



Kashikoi/Heat Pump Inverter



Neo Inverter



ACE Inverter



Toushi Inverter



iConnect



Zunoh iClean/Non iClean



Neo/Neo Plus



Toushi



Star Sumo



ACE Reidan



Summer TM/QC



Kaze Plus/Kaze Reidan



Takumi Ductable



Takumi Condenser



Cassette



VRF (Set Free) - Front Flow



VRF (Set Free) - Top Flow



Screw Chiller



Centrifugal Chiller



Space
Maker



French Door
Bottom
Freezer



Big French
Inverter
Refrigerator



3-Door
Inverter
Refrigerator



2-Door
Inverter
Refrigerator

MESSAGE FROM THE CHAIRMAN



Franz Cerwinka
Chairman
Hitachi Home & Life Solutions (India) Ltd.

My warm greetings to all the shareholders of Hitachi Home and Life Solutions (India) Ltd.

First of all, I would like to welcome you all to Johnson Controls – Hitachi Air Conditioning Company.

Johnson Controls – Hitachi Air Conditioning is a joint venture company of Johnson Controls, U.S. and Hitachi Appliances, Japan. Johnson Controls – Hitachi Air Conditioning was established on 1st October, 2015. Our partnership aims to address the cooling needs in a faster, smarter and efficient manner than ever before. “Hitachi Home & Life Solutions (India) Limited”, is the Indian arm of Johnson Controls- Hitachi Air Conditioning Company.

I take this privilege to share the highlights of the year gone by with all of you. The Indian economy has gone through various challenges in past, but it has recovered and shown growth in the face of adverse global economic scenario. The year 2015-16 witnessed an optimistic picture of the Indian economy. It has shown remarkable growth of 7.5 per cent and it is projected to grow by 7.7 per cent in

2016. The downturn in global commodity prices has had a positive impact on the Air-Conditioning industry (owing to the high number of commodities that contribute towards its manufacturing cost). It has supported the morale of manufacturing industry. Key policy reforms by Indian government which were aimed at aiding growth and surmounting the structural constraints in the economy has worked in favour of manufacturers.

For the air-conditioning industry, the year of 2015 was very challenging. The residential as well as the commercial segment faced a slowdown in demand due to various reasons like unpredictable weather conditions, un-seasonal rainfall during peak summers etc. While HHLL's room air conditioner business performed in line with the industry's performance, we were able to gain marginal growth overall in terms of value.

Despite the slowdown, HHLL's Ductable and VRF business managed to register good growth over last year. VRF being a segment of focus for the company, more investments are done for the development of infrastructure, skill and competitiveness in this category. HHLL also invested more in the conservation of energy by installing three sets of new injection moulding machinery in the injection moulding shop. Hitachi continued its focus on the development of new products with technologies like Hot and Cold AC, I-Connect AC (with Wi-Fi technology) etc. which will cater to the Indian consumers' needs. The company also introduced Toshi Range of ACs which was aimed to cater to the price sensitive markets of India. During the year, Hitachi also witnessed successful completion of NABL Accreditation for RAC APF Lab and VRF APF Lab which will ensure reliable testing of its products.

In refrigerator segment, Hitachi achieved good growth over last year. The company operates in Frost-Free Refrigerators segment (253 Ltrs. onwards) which includes double door refrigerators, triple door refrigerators with bottom freezer and quadruple door refrigerators. These products are coupled with advance features like 'Inverter x Dual Fan Cooling', Nano-Titanium Technology and Eco Thermal Sensor Control etc.

In 2015, HHLL also introduced Air Purifiers, which were made in Japan, in the Indian market which got good response in the metro cities. The company is also planning to promote this category more aggressively in the years to come.

To enhance the experience of our esteemed customers with our brand throughout the product's life, Hitachi has also taken many initiatives towards improving its post-sales services. Apart from operating 40 Hitachi-owned customer service centres (HCS), the company has also developed various other touch points through which our consumers can connect with us for service-support related queries. Few of these initiatives are 'Hitachi Care' Mobile app, online Live Chat lines, 24X7 customer care no. and product Demo Videos of ACs and Refrigerators for a better product understanding of our consumers.

With the objective of sustained profitable growth, Hitachi Home and Life Solutions is constantly investing in new technologies and is looking forward to providing better and wider cooling solutions to the Indian consumers.

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 show faith in our business. We intend to continuously deliver value to all of you.

I wish all of you the best of health and prosperity in the year 2016-17.

Franz Cerwinka

BOARD OF DIRECTORS



Franz Cerwinka
Chairman



Atsushi Ohtsuka
Managing Director



Anil Shah
CFO & Executive Director



Gurmeet Singh
Executive Director



Varghese Joseph
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

Franz Cerwinka	Chairman
Atsushi Ohtsuka	Managing Director
Anil Shah	CFO & Executive Director
Gurmeet Singh	Executive Director
Varghese Joseph	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

Bank of America, N.A.
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

Link Intime India Pvt. Limited
Unit No. 303, 3rd Floor,
Shoppers Plaza V,
Opp. Municipal Market,
Behind Shoppers Plaza II,
Off C. G. Road, Ahmedabad 380009

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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:

Link Intime India Pvt. Limited, Unit No. 303, 3rd Floor, Shoppers Plaza V, Opp. Municipal Market, Behind Shoppers Plaza II, Off C. G. Road, Ahmedabad 380009

FIVE YEARS FINANCIALS AT A GLANCE

(Currency: Rupees in Lacs unless otherwise stated)

PARTICULARS	2015-16	2014-15	2013-14	2012-13	2011-12
Revenue from Operations (Gross)	181,720	170,726	119,934	101,922	86,732
Revenue Growth (Gross)	6%	42%	18%	18%	5%
Revenue from Operations (Net)	165,953	157,284	109,973	92,999	79,809
Revenue Growth (Net)	6%	43%	18%	17%	4%
Total Revenue	166,132	157,996	110,547	93,160	79,896
Earning Before Depreciation, Finance Cost and Tax Expenses(EBDIT)	12,451	14,520	5,331	4,805	3,114
Financial Charges	1,012	826	1,195	721	1,003
Depreciation & Amortisation	4,555	3,593	3,004	2,018	1,832
Profit Before Tax (PBT)	6,884	10,101	1,133	2,066	279
Provision for Taxation	1,886	2,325	328	536	(47)
Profit After Tax (PAT)	4,998	7,776	805	1,530	326
Equity Share Capital	2,719	2,719	2,719	2,296	2,296
Reserves & Surplus	33,076	28,569	21,284	15,879	14,826
Net Worth	35,795	31,288	24,003	18,175*	17,122
Net Worth Growth	14%	30%	32%	6%	0%
Gross Fixed Assets	44,572	38,370	30,734	27,076	22,634
Net Fixed Assets	26,615	24,564	19,763	18,842	14,230
KEY INDICATORS					
Earnings Per Share (₹)	18.38	28.60	2.97	6.67	1.42
Cash Earnings Per Share (₹)	35.13	41.81	14.01	15.46	9.40
Book Value Per Share (₹)	131.64	115.07	88.27	79.16	74.57
Total Debt to Equity	0.37 : 1	0.44 : 1	0.52 : 1	0.91 : 1	0.58 : 1
EBDIT / Revenue from Operations (Net) %	8%	9%	5%	5%	4%
Net Profit Margin %	3%	5%	1%	2%	0%
Return on Net Worth %	14%	25%	3%	8%	2%
Return on Capital Employed %	16%	24%	6%	7%	5%

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 Thirty First Annual Report and the Audited Financial Statements, for the year ended March 31, 2016.

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, 2016	For the year ended March 31, 2015
Revenue from operations (gross)	1,81,720	1,70,726
Less: Excise Duty	15,767	13,442
Revenue from operations (net)	1,65,953	1,57,284
Other Income	178	712
Total Revenue	1,66,132	1,57,996
Profit before finance cost, depreciation and tax	12,451	14,520
Finance Cost	1,012	826
Depreciation and amortization expenses	4,555	3,593
Profit before Tax	6,884	10,101
Tax expense	1,886	2,325
Profit for the year	4,998	7,776

DIVIDEND

Your Directors recommend a dividend of ₹ 1.50 per Equity Share for the year ended 31st March, 2016. This is subject to the approval of the Members at the ensuing Annual General Meeting.

About Hitachi Home & Life Solutions (India) Limited, a Johnson Controls – Hitachi Air Conditioning Company

On 1st October, 2015, Johnson Controls, Hitachi Ltd. and Hitachi Appliances Inc. have completed Global Joint Venture agreement (JV) and commenced operations of Johnson Controls – Hitachi Air Conditioning Company (JCH) to provide global customers with full range of Air conditioning products. Through this agreement Johnson Controls has acquired a 60 percent ownership stake of JV and Hitachi Appliances Inc. retained ownership of remaining 40 percent stake of the JV.

Through this joint venture, we have combined the rich heritage and innovative technology of Hitachi with the Industry-leading expertise and global network of Johnson Controls. Our partnership aims to address the cooling needs in a faster, smarter, safe and efficient manner than ever before. Our customers stand to benefit from our world-class R&D centers, where our researchers work tirelessly to provide innovative solutions and quality products that are designed to meet every need. "Hitachi Home & Life Solutions (India) Limited" (HHLI), is the Indian arm of Johnson Controls- Hitachi Air Conditioning Company.

Hitachi Home & Life Solutions (India) Limited is one of the earliest companies to set up Air conditioning Manufacturing in India, HHLI has a legacy that is over 30 years in the making. Today, the Company manufactures a wide range of products, from room Air conditioners (Split & Window ACs) to commercial Air conditioners including Chiller, Ductable Air conditioners, Telecom Air conditioners & VRF system. HHLI is also involved in trading of Refrigerators & Air Purifiers and has strong presence in undertaking turnkey projects in HVAC.

The HHLI headquarters is situated at Kadi, Gujarat with its manufacturing plant also located there. The Company has a total installed capacity of 6,00,000 Room Air conditioners per annum (in a single shift). In addition to that the Company also has the capacity to manufacture 120000 Tons of Ductable units, 9000 VRFs ODU and 300 Chillers per annum. HHLI is amongst the top Air conditioning companies in India. It has a strong nationwide distribution consisting of 5 regional offices, 20 branch offices, 203 exclusive sales and service dealers and over 4000 sales points. Currently, the Company has 33 Exclusive showrooms in India. The organization expects these numbers to rise up to 150 in the very near future. To provide this wide distribution network, Company has 40 Company owned service centers (HCS) and 600 other service points including Multi brand S&S dealers and franchisees.

At Hitachi Home & Life Solutions (India) Ltd., we believe in “i Care” philosophy which is our guiding force. i Care is everything we stand for, believe in, and work towards for our internal and external customers. We believe in simplifying life. This is why, we constantly innovate, bring in world-class technology and newer concepts in our products to make life comfortable for our customers.

MACRO ECONOMIC ENVIRONMENT

The Indian economy has gone through various challenges in recent times. But it has recovered and is showing strong growth in the face of adverse global economic scenario. In the recent past, the economy faced difficult times with several issues like lower growth, widening current account deficit and high levels of inflation; worsened by two consecutive years of drought. Yet the Indian Economy has shown remarkable growth by 7.5% this year and expected 7.7% in 2016. The downturn in global commodity prices has also helped significantly to improve the prospects of Indian economy. This, in turn, has had a positive impact on the Air conditioning industry which has a high number of commodities that contribute towards its input costs.

OVERVIEW

1. The year gone by has not been very good for the Indian Air conditioning Industry. The residential business was affected by unpredictable weather, un-seasonal rainfall during peak summer while the commercial segment suffered the lagging effects of slowdown from 2012-14.

The residential Air conditioner market for the year was almost flat. HHIL's residential business also performed in line with the industry growth. The residential business showed negligible volume growth but managed to grow marginally in value terms due to shift towards high-star rated ACs and Inverter ACs.

2. Though the overall commercial market remained weak, the Company scored significant success in the Ductable segment. The Company maintained and bettered its position in the segment with a business growth of around 15% and improved its market share. The Company continues to retain its strong position in this segment.

The other bright spot in the commercial segment was the growth in the VRF Segment led by increased demand towards energy-efficient solutions and use of innovative technology. The Company saw its Set Free- VRF segment picked up speed in terms of order bookings and projects executed across various customer segments like Banking, Education, Hospitality, etc. The Company has invested in manpower and infrastructure in this new fast growing segment and would continue to invest in this segment to drive future growth.

3. The Chiller business has been subdued due to the difficult economic environment of the preceding year. It is also bogged down by delays and postponement of various commercial real estate projects. Therefore Company could not perform well in this segment which is heavily dependent upon the economic conditions.
4. The Company had entered into the project business to fulfill a gap of providing end-to-end solutions to its customers. The Company has invested in the required manpower and other requisite support tools for this business in last few years. This has been the reason why 2015-16 has been a break out year for this business. The Projects business delivered a big growth over last year and this year has got significant number of projects in the pipeline.
5. The Telecom and Special Products segment is a niche segment where Hitachi commands 65-70% market share but the growth over last year has not been encouraging. Being a niche segment, the growth of this product category depends on growth of the telecom industry. Judging by the competition and shrinking margins of telecom operators the segment growth may face challenges in the coming years.
6. The Company forayed into exports last year on a trial basis and a small batch was exported during the year. The initial response has been very encouraging. Today, we are exporting to Sri Lanka, Indonesia and Bangladesh. In coming years, we plan to expand into other parts of the world.
7. The home appliances business for the Company has also grown over the last year. The differentiated product range coupled with advance features has enabled the Company to carve out a niche which has made Company's brand name popular in the 300 Litres+ segment. The Company has focused in the distribution channels and has opened new channels for sale of this product. The introduction of new product category “Air Purifier” has shown positive response and looks very promising for future business growth.
8. Customer Service has always been a top priority for the Company. The Company has started many initiatives to improve the customer satisfaction index, which has shown a healthy growth year-on-year. With 40 Company-owned HCS centers, i Care Service App, Online Product Demo Videos and online complaint registration initiatives, the Company will continue to focus on customer service which will become a key differentiator for our business in the future.

ROOM AIR CONDITIONERS

Room Air conditioners segment contribution is very high for the Company in its total business and it is one of our major focus areas. The Company has a wide range of Split ACs to meet the requirement of the Indian consumers. The current range of split ACs consists of around 80 models which include 2, 3, 4, 5 star rated ACs and tropical inverter technology products. The launch of the 'Kashikoī' range in 2015 added a technical edge in the range of Split ACs. Its i-See, i-Sense, i-Clean technologies were designed to meet Indian consumer's needs. This year, the Company has focused on promoting its unique "i Clean Plus" technology in Split AC Range. i Clean Plus technology was offered in 3-star, 4-star, 5-star and Inverter technology products. The Company has also developed 'Smart i-Connect range', of Split Air conditioner with Wi-Fi connectivity which can be operated from any Android or iOS Smart Phone.

The Company also launched its 'Toushi' range of products which primarily caters to replacement markets targeting people seeking to buy into Hitachi Brand at a value price. The Window range continues to dominate with 11 models in 2, 3 and 5 star rating. The Company also has Hot and Cold range of Products in both Splits and Windows.

In order to widen its reach to Tier II & Tier III towns, the Company has expanded its distribution network through direct dealers and distributors. Today it caters to more than 4,000 outlets and exclusive showrooms.

India has a large market for institutional buyers in this segment. With its 'Logicool' range, the Company has significantly increased the number of key accounts year-on-year. With growth in demand of institutional sales, this product business is expected to grow strongly.

COMMERCIAL AIR CONDITIONERS

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 every year.

The ductables used to cater to cooling requirements of small corporate offices, banquet halls, small hospitals etc. This segment, is projected to have low CAGR and is facing lot of challenge, from other cooling solutions like VRF. The Company has a good market share in this segment. This is one segment where very few brands are operating. This has helped the HHLI in increasing its market share. The introduction of R410A (Green Gas) range has helped the brand consolidate its position. The Company has registered a growth of around 15% in this product category and with an innovative product range, the Company is confident that it shall grow further in the coming years.

The VRF segment has been the star segment for the industry and has continued to show robust growth during the calendar year. The Company has a very strong product range of 8 HP – 54 HP and is growing exponentially in this business. The Company could succeed to win many large projects in Hospitality, Entertainment, Banking, Education, Residential, industrial, Hospitals etc. which resulted in exponential growth of the VRF sales.

The Chiller market has grown marginally over the last year due to slow growth in commercial real estate. In view of this the Company faced difficulty and performed in line with the industry trend. However, the chiller market in India is expected to grow at CAGR of around 7% which is a good sign. Judging by the growth trend, 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 to chart its growth in this business. Currently, Chillers above 190 HP are being imported by the Company.

The Project Business is another category which is closely allied with the Chiller business. This business is also growing and has a good potential to grow in coming years. In order to increase its share of the Project and Chiller business, the Company has invested in setting up the infrastructure in terms of manpower as well as upgrading their skills to take up this business in the past few years. With such investments, the Company feels confident about establishing growth in Project Business.

APPLICATION-BASED AIR CONDITIONERS

The Application-based Air conditioners is a category which has grown rapidly in last few years. The growth was driven by the growth in the parent industries of telecom and banking. Today, due to increasing debt, Telecom industry is aggressively switching to IME Model to reduce operating costs, which has resulted in low growth of Telecom Air conditioning business. The Company, however has a near monopoly in this segment and will continue to serve its existing base. The Company is continuously looking to develop new products and technology that meet the emerging requirements of the industry. These Innovative solutions will also help Company to remain ahead of competition in India.

HOME APPLIANCES

The Home Appliances segment of the Company has continuously grown over the last few years. Last year, the Home Appliances business contributed 9% share in total business of the Company. The Company has created a niche in Home Appliances category which has helped the brand substantially. The Company is operating in over 253 Ltrs Frost-Free Refrigerators market. The Company also launched its new range of Air Purifiers which caters to increasing demand of Air purifiers in Delhi and other Metro cities. Currently, the base of Air purifiers is very small. However, the Company is expecting good growth in this product segment too. This segment is also strategically important for the Company as it allows continuous engagement with channel partners during the lean season.