



EVERY SPACE DESERVES HITACHI COOLING

ANNUAL REPORT
2016-2017

Johnson Controls-Hitachi Air Conditioning India Limited.

Product Range



Kashikoi Inverter



Neo Inverter



Waza Inverter



Toushi Inverter



iConnect



Zunoh



Ridaa



Toushi



Star Sumo



Ace Redian



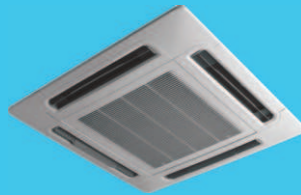
Summer TM



Kaze Plus K



Takumi Ductable



Cassette



Set Free-VRF Front Flow



Kyosho Set Free-VRF Modular type



Air Cooled Screw Chiller



Water Cooled Screw Chiller



Centrifugal Chiller



Space Maker



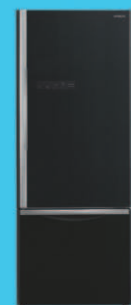
French Door Bottom Freezer



4 door French Bottom Freezer Refrigerator



3 Door French Bottom Freezer Refrigerator



2 Door Bottom Freezer

Message from Chairman



Franz Cerwinka

Chairman
Johnson Controls-Hitachi Air Conditioning India Ltd.

My warm greetings to all the stakeholders of Johnson Controls-Hitachi Air conditioning India Limited.

As you all know, Johnson Controls-Hitachi Air Conditioning India Limited is the Indian arm of the Johnson Controls-Hitachi Air Conditioning, a joint venture Company of Johnson Controls, USA and Hitachi Appliances, Japan. This partnership is aimed at addressing the cooling needs faster, smarter and much more efficiently than ever before by bringing innovative technology of Hitachi with the industry leading expertise and global network of Johnson Controls.

It is my pleasure to share the key highlights of 2016-17. The year 2016-17 witnessed India emerging as the fastest growing major economy in the world. Various initiatives of the current government and various favorable business policies have helped in shaping up the economic growth. We have also witnessed the Government take decisive action in the form of Demonetization and push towards GST implementation, both of which are believed to help the Indian economy in the long run. In addition, prudent monetary policy making has helped control inflation and stabilize exchange rate. With this, I am sure that despite the uncertainties in the global market; the Indian economy will grow further in the fiscal year 2017-18. Better economic situation may improve buying power of the consumers and develop growth opportunities for business.

The year 2016-17 was a good year for the room air conditioning industry which has seen a growth of 8%. Demand for Split Air Conditioners increased while that for Window Air Conditioners was stagnant. Inverter Air Conditioners also showed growth over the last year, which was result of awareness created by Bureau of Energy Efficiency (BEE) and air conditioning industry about energy saving through Inverter Air Conditioners. Looking at the demand for

mid-segment Split Air Conditioners, Company launched two new range of Air Conditioners called 'WAZA' and 'RIDAA'. These products were priced strategically to attract the mid-segment buyers. Overall Company's Room Air Conditioning business has achieved strong growth.

Commercial Air Conditioning industry has witnessed a slowdown during the year due to demonetization as several real estate projects went on hold. Despite this setback, the company's Packaged Air Conditioning and Variable Refrigerant Flow (VRF) businesses have grown over last year through the company's focused efforts on channel expansion. Set free-VRF business remains a focus business for the Company and it has invested in related infrastructure and human capital during this period. This focus has helped Company's Set Free-VRF business achieve double digit growth despite the demonetization. To support this growth for the coming years, the company shall continue to invest in new product development in this segment.

Johnson Controls-Hitachi Air Conditioning India Limited also operates (through trading) in Frost Free refrigerators segment (over 250L capacity) and premium Air Purifiers. The uncertainty and cash crunch resulting from demonetization has impacted this category of business, resulting in a flat year for this business segment.

Manufacturing was another area where company invested into automation of machines by adding pick & place robots in injection moulding machines and copper pipe bending machines. Company has also launched several major initiatives under Johnson Control Manufacturing System (JCMS) program, with a goal to become the "Most Operationally Capable Company".

Apart from the Products, the company also focused on after sales services and undertook several initiatives to improve the customer satisfaction index, which has shown a healthy growth year-on-year. Apart from the Company-owned Hitachi Customer Service (HCS) centers, the Company launched 'Hitachi I-Care' Service App. The app allows a customer to register their product, take demo, register complaint and track complaint status, thus avoiding lengthy waiting time on calls to register complaint. The Company will continue to focus on customer service, a key differentiator for future business growth.

With such initiatives and regular investments in new technology, I am sure Johnson Controls-Hitachi Air Conditioning India Limited will emerge as a leading air conditioning player in the Indian industry. With an objective of sustained profitable growth, we will keep providing wide range of cooling solutions because we believe 'Every Home Deserves Hitachi Cooling'.

With this, I would like to thank all the stakeholders of Johnson Controls-Hitachi Air-conditioning India Ltd, the employees for their sincere efforts, our various vendors for their valued support, the customers for their trust in our product and our respected shareholders for showing their continuous faith in our business.

We are committed to deliver best value to all of you.

I wish all of you the best of health and prosperity in the year 2017-18.

Franz Cerwinka



Board of Directors



Franz Cerwinka
Chairman



Gurmeet Singh
Managing 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
Gurmeet Singh	Managing Director
Varghese Joseph	Executive Director
Vinay Chauhan	Executive Director
Ashok Balwani	Independent Director
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

CHIEF FINANCIAL OFFICER

Anil Shah

COMPANY SECRETARY

Parag Dave

AUDITORS

Price Waterhouse & Co. Chartered Accountants LLP
Chartered Accountants
Ahmedabad

REGISTERED OFFICE

9th Floor, Abhijeet-I,
Mithakhali Six Roads,
Ahmedabad - 380006
Gujarat

WORKS

Hitachi Complex, Karannagar – 382 727
Kadi, Dist.: Mehsana,
Gujarat

REGISTRARS & SHARE TRANSFER AGENT

Link Intime India Pvt Limited
506-508, Amarnath Business Centre-1 (ABC-1),
Besides Gala Business Centre
Near St. Xavier's College Corner
Off C G Road, Ahmedabad 380006
Gujarat

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"Green Initiative"

The Ministry of Corporate Affairs ("MCA") has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies. MCA has provided that the service of notice / documents by a company to its shareholders can now be made through electronic mode.

We seek your whole hearted support for this noble initiative in preserving our forests. We would request shareholders to register their e-mail IDs to get annual reports and other communications through email instead of paper mode.

For registering your e-mail ID please drop a mail to us at parag.dave@jci-hitachi.com containing your Folio No. / CLID-DPID.

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 update your Bank Account details with your Depository Participant (DP) at your earliest convenience.

However, if you are holding the shares in physical form, you are requested to contact Company's Registrars at the following address for updating Bank Account details :

Link Intime India Pvt Limited, 506-508, Amarnath Business Centre-1 (ABC-1), Besides Gala Business Centre, Near St. Xavier's College Corner, Off C G Road, Ahmedabad 380006, Gujarat
Ph.: 079-26465175, email : ahmedabad@linkintime.co.in

FIVE YEARS FINANCIALS AT A GLANCE

(Currency: Rupees in lacs unless otherwise stated)

PARTICULARS	2016-17	2015-16	2014-15	2013-14	2012-13
Revenue from Operations (Gross)	2,15,283	1,79,820	1,70,726	1,19,934	1,01,922
Revenue Growth (Gross)	18%	6%	42%	18%	18%
Revenue from Operations (Net)	1,97,158	1,64,054	1,57,284	1,09,973	92,999
Revenue Growth (Net)	19%	6%	43%	18%	17%
Total Revenue	1,97,732	1,64,232	1,57,996	1,10,547	93,160
Earning Before Depreciation, Finance Cost and Tax Expenses (EBDIT)	17,281	12,451	14,520	5,331	4,805
Financial Charges	413	1,012	826	1,195	721
Depreciation & Amortisation	5,081	4,555	3,593	3,004	2,018
Profit Before Tax (PBT)	11,787	6,884	10,101	1,133	2,066
Provision for Taxation	3,682	1,886	2,325	328	536
Profit After Tax (PAT)	8,105	4,998	7,776	805	1,530
Equity Share Capital	2,719	2,719	2,719	2,719	2,296
Reserves & Surplus	41,180	33,076	28,569	21,284	15,879
Net Worth	43,899	35,795	31,288	24,003	18,175*
Net Worth Growth	23%	14%	30%	32%	6%
Gross Fixed Assets	47,794	44,572	38,370	30,734	27,076
Net Fixed Assets	25,718	26,615	24,564	19,763	18,842
KEY INDICATORS					
Earnings Per Share (₹)	29.81	18.38	28.60	2.97	6.67
Cash Earnings Per Share (₹)	48.49	35.13	41.81	14.01	15.46
Book Value Per Share (₹)	161.45	131.64	115.07	88.27	79.16
Total Debt to Equity	0.14 : 1	0.37 : 1	0.44 : 1	0.52 : 1	0.91 : 1
EBDIT / Revenue from Operations (Net) %	9%	8%	9%	5%	5%
Net Profit Margin %	4%	3%	5%	1%	2%
Return on Net Worth %	18%	14%	25%	3%	8%
Return on Capital Employed %	21%	16%	24%	6%	7%

Notes:

Previous years' figures regrouped wherever necessary

* Exclusive of "share application money pending allotment"

DIRECTORS' REPORT AND MANAGEMENT DISCUSSION & ANALYSIS

Dear Members,

Your Directors have pleasure in presenting the Thirty Second Annual Report and the Audited Financial Statements, for the year ended March 31, 2017.

FINANCIAL HIGHLIGHTS

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

(₹ In Lacs)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Revenue from operations (gross)	2,15,283	1,79,820
Less : Excise Duty	18,125	15,766
Revenue from operations (net)	1,97,158	1,64,054
Other Income	574	178
Total Revenue	1,97,732	1,64,232
Profit before finance cost, depreciation and tax	17,281	12,451
Finance Cost	413	1,012
Depreciation and amortization expenses	5,081	4,555
Profit before Tax	11,787	6,884
Tax expense	3,682	1,886
Profit for the year	8,105	4,998

DIVIDEND

Your Directors recommend a dividend of ₹ 1.50 per Equity Share for the year ended March 31, 2017. This is subject to the approval of the Members at the ensuing Annual General Meeting.

COMPANY REVIEW

On October 01, 2015, Johnson Controls Inc. and Hitachi Appliances, Japan completed a global joint venture and commenced the operations of "Johnson Controls-Hitachi Air Conditioning". Johnson Controls-Hitachi Air Conditioning India Limited is a subsidiary of Johnson Controls-Hitachi Air Conditioning. Consequent to the above change, the name of the India unit has been changed from Hitachi Home & Life Solutions (India) Limited to Johnson Controls-Hitachi Air Conditioning India Limited on August 19, 2016.

Through this joint venture, the Company has combined the rich heritage and innovative technology of Hitachi with the industry leading expertise and global network of Johnson Controls. The partnership is aimed at addressing the cooling needs of the consumers in a faster, smarter and much more efficient way than ever before. The Company's customers will benefit from its world class R&D centres, where researchers work tirelessly to provide innovative solutions and quality products that are designed to meet every expectation.

The Company's business falls within a single business segment, i.e. Cooling Products. The Company manufactures a wide range of products in this segment starting from Room Air Conditioners (which includes Inverter and Fixed Speed Split ACs along with Window ACs) to Commercial Air Conditioners (which includes VRF (Variable Refrigerant Flow) Systems, Ductable Air Conditioners, Chillers and Telecom Air Conditioners). The Company is not just limited to making Air Conditioners but is also into the trading of Refrigerators and Air Purifiers.

Johnson Controls-Hitachi Air Conditioning India Limited is amongst the top air-conditioning companies in India. It has a strong nationwide distribution network consisting of 5 regional offices, 23 branch offices, more than 200 exclusive sales and service dealers, over 8000 sales points and 1400 service points. In order to serve its customers even better, the Company also has 24 Company owned and operated, Hitachi customer care centres (HCS) which are spread pan India.

Johnson Controls-Hitachi Air Conditioning India Limited believes in simplifying life, which is why, the company constantly innovates, brings in world-class technologies, introduces newer concepts and incorporates advanced features in its products to make life as comfortable as it can get.

INDUSTRY STRUCTURE AND DEVELOPMENTS

As per our estimates, Air conditioning market has grown approximately by 8% in volume terms in 2016-17 compared to the previous fiscal year.

Growth in Room air conditioning is driven by macro factors such as growing middle class, steady increase in disposable incomes and increasing urbanization. Within Room air conditioning segment, Split ACs are expected to have higher growth than Window AC primarily due to increasing focus on energy efficiency. This push is expected to be stronger in the coming years leading to faster adoption of energy saving technologies such as inverter driven compressors.

In the commercial air conditioning segment, VRF is expected to continue to show strong growth as the buying focus shifts from upfront cost to life cycle costs. Government's focus on infrastructure development is expected to provide boost to this line of business. In addition to the Room AC and Commercial AC, the company also trades premium refrigerators and air purifiers in the home appliance business.

BUSINESS OVERVIEW

ROOM AIR CONDITIONERS (RAC)

The Year 2016-17 was a good year for Indian HVAC Industry. Rapidly increasing disposable income combined with low market penetration and increasing temperature during the summers threw open a considerable growth opportunity for this segment. After a difficult period of 2 years, this year, the industry witnessed good growth in the RAC segment by around 8% where in, Split AC Segment grew by around 10% with a slight contraction in the Window AC segment. Presently, the Company enjoys around 11% volume market share in the Indian AC industry. During 2016-17, the Company also registered a considerable ~20+ % year-on-year (YoY) growth in sales of Room ACs, which was higher than the industry's growth. This growth was a result of various initiatives taken under the Product Strategy, coupled with strong channel support and expansion in various new markets.

In its current product line-up, Company offers 36 new models of Room air Conditioners with 108 SKUs which include 2, 3, 4 and 5 Star rated fixed speed ACs and Inverter ACs with 2, 3, 4 and 5 Star rating. Hitachi's range of Split Air Conditioners consists of 'Kashikoi' Range, 'Neo', 'I Connect', 'Zunoh', 'Toushi', 'Star Sumo' and 'ACE Reidan'. Its 'Kashikoi' range has industry leading technologies like 'I See', 'I sense', 'I clean', Tropical Inverter Compressor etc.

During this period, Company promoted 'I Clean Plus' Technology. Earlier 'I Clean' technology was available in only few Models, but last year the Company introduced it in 3, 4 and 5 star rated Split AC models as well. Apart from 'I Clean Plus' promotion, the Company also promoted Star Rated Inverter ACs to create more and more awareness about the benefits of a 5 Star Tropical Inverter Technology enabled ACs in its marketing campaign. Introduction of new Split AC range called 'Toushi', 'Waza' and 'Ridaa' was a strategic decision to gain market share in Mid price segment.

In window AC segment, the Company has more than 10 Models in 2, 3, 4 and 5 Star rating category, which offers unique technologies like Twin Motor, Hot & Cold, Auto Climate, etc.

In addition to product range diversification, channel enhancement was also a part of the Company's strategy which helped in increasing its base in Tier II and Tier III towns. Channel correction and channel expansion helped the brand in getting better extraction. The Company also focussed on its tie-up with e-retail partners to gain share on leading e-retail portals.

COMMERCIAL AIR CONDITIONERS

2016-17 was a challenging year for Commercial Air Conditioner segment because of demonetization. Demonetization left an impact on Commercial AC business as the demand of commercial AC products suddenly dropped and several new projects were put on hold post demonetization. Initially, the industry was under pressure and was forced to drop prices to liquidate the products in stock. But, later on, the situation improved. As per our estimates, despite such critical scenario, the Packaged AC market has grown approximately by 3% while the Company could clock around 8% growth in Packaged AC segment. This growth in market share was a result of Company's focus on dealer expansion which helped it in achieving higher growth as compared to the industry. To help the Company in further gaining market share, in March, a new range of ductable AC series named as 'Toushi' was introduced, which has been competitively priced with additional specifications. Recently, the Company also booked a few big orders which will be invoiced in next Financial Year. Overall, the Packaged AC segment has given good growth to the Company and with the introduction of the new product series, it is expected that this segment will contribute more.

During the period, the Company continued its focus on the Set free VRF Category and improved its business through channel development. Despite Demonetization, which affected new order booking and product pricing, the Company's VRF segment registered a growth of around 73% over industry's growth of around 11% in VRF Segment (HP Basis). VRF product segment is expected to grow in future rapidly and thus, it is a category where the Company is working on its various aspects which will impact the growth of this product's business like product development, technology enhancement, channel expansion, brand promotion etc. The Company is planning to launch new models with large footprint by third quarter of Financial Year 2017-18. The Company is confident that with the inclusion of these new products in its current range, it will be able to fulfil consumer needs in a better way and grow its business exponentially.

The chiller segment witnessed a slow offtake in industry owing to postponement of several commercial projects and slower growth rate of the infrastructure development. The economic crisis impacted the Chiller trading business drastically and it de-grew by 74%, but the Chiller manufacturing and S&S business grew by 58%. The situation is improving gradually with favourable economic reforms and measures. Chiller trading business is expected to grow with single digit figures in the coming fiscal.

APPLICATION-BASED AIR CONDITIONERS

Besides, regular air conditioning products, the Company also has special product categories like Telecom which are developed to meet niche requirement of cooling for telecom products. The Company enjoys first-mover advantage in providing this unique cooling solution and is an industry leader in this segment. During FY 2016-17, the Company has grown by 31% in this product category. However, this segment's growth is entirely dependent upon the growth of highly competitive telecom industry which is presently struggling to maintain its margins.

EXPORTS

Exports is the new business category for the Company that started two years back. During the first year of operation, the Company exported to Sri Lanka, Indonesia and Bangladesh. However, the offtake was on a lower side. During fiscal 2016-17, exports business witnessed a 128% growth in Split AC business over last year. Newer geographies namely UAE, Middle-East and Nepal also added to its list. With the in-roads into these new countries, the Company expects to increase its exports in the years to come.

HOME APPLIANCES

The Company has Frost free range of refrigerators which come in 250+ ltr capacity. They are aesthetically superior and come with consumer convenience focused technologies, thus creating a niche for themselves. These products are high on quality and reliability, making the brand more premium and desirable. At present, the refrigerator range consists of 2-door, 3-Door, 4-door and 6-door refrigerators which comes with unique colour options to match the customer's lifestyle and interiors. Apart from Refrigerators, the Company also has a range of air purifiers to purify polluted air and create a healthy environment. The air purifier category also witnessed a good Year-on-Year growth and its demand is expected to increase steadily in coming years.

SERVICE

While the Company continued to provide cooling solutions to customers through its products and projects business, it also laid an equal emphasis on the service segment. As a result of its good services, the Company could successfully retain its client base and service as a business has witnessed consistent growth over the past two years and is expected to witness similar growth going ahead. The Company continues to invest towards training of the human resource and their technical skills to ensure growth stability.

After sales service has always been a top priority for the Company. Customer considers after sale services as one of the key criteria for selecting any product and hence, it's the Company's continuous endeavour to provide best-in-class after sale service experience. The Company undertook several initiatives to improve the customer satisfaction index, which has shown a healthy growth year-on-year. Apart from the Company-owned HCS centres, the Company also launched Hitachi iCare Service App. The app allows a customer to register their product, take demo, register complaint and track complaint status, thus avoiding lengthy waiting time on calls to register complaint. The Company will continue to focus on customer services as a key differentiator for its future business growth.

MANUFACTURING

A good quality product is the backbone of any organization and for Hitachi's business, its product is its core.

The Company has invested, time and again, in its manufacturing facility and has tried to develop products which can meet the expectations of Indian consumers. In the same drive, it is focused to become the most operationally competent organisation.

Recently JCMS (Johnson Control Manufacturing System) program was launched with a motto to become the "Most Operationally Capable Company". JCMS is a structured manufacturing operation model which helps plants to achieve manufacturing excellence. This lean manufacturing system is based on four foundations namely – customer focus, organize around pull, stable production environment and zero tolerance to waste. This manufacturing system ensures an organisation wide involvement, starting from top leadership to every one working at the shop floor level.

The Company aims to improve significantly at the operational level by implementation of this system.

Alongwith its focus on lean manufacturing, safe working environment is also a priority for the Company. The Company is taking various steps and activities in conducting an educational drive within the plant so that safety is ensured for everyone. The Company has taken many steps to enhance safety standards by strengthening machine guarding and other safety related activities as well.

This year, the Company has invested into automation of machines by adding pick & place robots in injection moulding machines and Copper pipe bending machines. This ensures higher quality standards and better productivity.

The Company has also upgraded electrical supply line of 11KV with express feeder line directly from electric substation to the plant. This ensures round the clock availability of power to the Company. For energy savings, LED lights are being installed in the Company in phased manner. Old Halogen lights and CFL lights are being replaced with the energy efficient lights.

For water conservation and recharging the Company has installed rain water harvesting system.

With all these initiatives at manufacturing side, the Company is committed to manufacture world class products which can set standards in the Air Conditioner Industry.

RESEARCH AND DEVELOPMENT

Today, Hitachi is considered a technologically superior brand, which is a result of its advanced Research and Development facility and team.

To combat competition and excel in the segment of Split ACs, the Company's Research and Development department has worked tirelessly to develop new and innovative products which can meet the demands of Indian consumers.

The Company has launched the 6.1 ISEER Split Inverter Air Conditioner in the Indian market.