

2011-12  
**ANNUAL REPORT**



## OUR PRODUCT RANGE



i-Clean



i-TEC



Star



Ace Cutout



Ace FollowMe



Kaze Split



ACE<sup>2</sup>



Summer TM



Summer QC



Kaze Window



Cassette



Big French Refrigerator



3-Door Refrigerator



2-Door Refrigerator



Takumi Ductable



Concealed Split



Set Free System



Water-Cooled Chiller



Air-Cooled Chiller



Space Maker



## MESSAGE FROM THE CHAIRMAN



**Shinichi Iizuka**  
Chairman  
Hitachi Home & Life Solutions (India) Ltd.

I would like to take this opportunity to greet all the shareholders of Hitachi Home & Life Solutions (India) Ltd. {HHLI}. It is indeed a pleasure to share with you the highlights of our Company's financials for the year 2011-12. This was one of the tough years for AC industry where it experienced a downward trend in business.

HHLI has made an Operating Profit (Profit before Depreciation, Interest and Tax) of Rs. 3002.05 Lacs.

During the year Room Air conditioning industry experienced negative growth close to 14% as against an approximate growth of 31% in 2010-11. Short summer season had an adverse impact on the industry, however Company has grown 1% over last year.

At present we have around 8% market share in Room Air conditioner business. We are further expanding the business to more towns /cities and are increasing our dealer & distributor base as well. Going forward we are prepared to capture 10% market in terms of sales volume which will translate into 12% in value terms.

We are steadily improving the Company's position in Indian market by introducing innovative products that are ideally suited to the market. We have launched new exciting range of Room Air conditioners in premium & mass-premium segments. Now Hitachi's Split AC range comprises of 38 models, with capacities ranging from 1.0 Tr. to 3.5 Tr. The Window AC range includes 17 models within 1.0 Tr. to 2.0 Tr. capacities.

It is a matter of pride to announce that this year your Company has been honoured with Certificate of Merit at the National Energy Conservation Awards (NECA)-2011 by Bureau of Energy Efficiency (BEE), Ministry of Power for producing energy efficient Air conditioners.

This year Company has grown more than the market growth in Commercial Air conditioner segment. In Ductable Air conditioner business Company grew at 4.8%. In Chiller segment Company grew at 12% which is more than the industry growth. The Company retained its leadership position in Telecom Air conditioner with the market share of about 56%.

In refrigerator business, Company offers stylish & premium range of 4-door, 3-door & 2-door refrigerators. We operate only in premium and niche segment. Last year due to flood in Thailand, production of refrigerators suffered and due to limited supply, the refrigerator business of Company was adversely affected.

We are strategically introducing new solutions to increase our technological leadership and sales in the market with healthy long-term growth prospects.

We are constantly strengthening our service network and operating through our own 34 service centers in 26 towns apart from 616 other service points including multi brand S&S, exclusive S&S and franchisees. With this network the Company is covering approx 317 towns across country.

I am always inspired by Hitachi's vision of being a catalyst for a changing society and continually challenging ourselves to discover new value and possibilities. By combining everyone's effort and strengths together, Company will firmly move forward step by step. Thus, Hitachi will actualize "Inspire the Nex't", and keep evolving toward the future.

I thank you all for continuous encouragement and support to HHLI. I am sure this will continue in the years ahead.



## BOARD OF DIRECTORS



**Shinichi Iizuka**  
Chairman



**Motoo Morimoto**  
Managing Director



**Amit Doshi**  
Executive Director



**Anil Shah**  
Executive Director



**Vinay Chauhan**  
Executive Director



**Ashok Balwani**  
Director



**Dr. Devender Nath**  
Director



**L G Ramakrishnan**  
Director



**Mukesh Patel**  
Director



**R S Mani**  
Director



**Ravindra Jain**  
Director



**Vinesh Sadekar**  
Director

**BOARD OF DIRECTORS**

Shinichi Iizuka	<i>Chairman</i>
Motoo Morimoto	<i>Managing Director</i>
Amit Doshi	<i>Executive Director</i>
Anil Shah	<i>Executive Director</i>
Vinay Chauhan	<i>Executive Director</i>
Ashok Balwani	<i>Director</i>
Dr. Devender Nath	<i>Director</i>
L G Ramakrishnan	<i>Director</i>
Mukesh Patel	<i>Director</i>
R S Mani	<i>Director</i>
Ravindra Jain	<i>Director</i>
Vinesh Sadekar	<i>Director</i>

**COMPANY SECRETARY**

Parag Dave

**AUDITORS**

S. R. Batliboi & Associates  
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

**WORKS**

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

Canal Road, Baribrahmna – 181 133  
Jammu

**REGISTRARS & SHARE TRANSFER AGENT**

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

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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 securities 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	2011-12	2010-11	2009-10	2008-09	2007-08
<b>Revenue from Operations (Net)</b>	79,809	76,401	64,090	46,990	44,661
Revenue Growth	4%	19%	36%	5%	37%
Other Income	87	467	1,183	723	1,041
<b>Total Revenue</b>	<b>79,896</b>	<b>76,868</b>	<b>65,273</b>	<b>47,713</b>	<b>45,701</b>
Profit before Depreciation, Interest and Tax (PBDIT)	3,002	6,336	7,031	3,739	5,669
Financial Charges	891	738	151	267	218
Depreciation	1,832	1,605	1,178	799	763
Profit Before Tax (PBT)	279	3,993	5,702	2,673	4,688
Provision for Taxation	(47)	1,061	1,088	565	463
Profit after Tax (PAT)	326	2,933	4,614	2,107	4,225
Equity Share Capital	2,296	2,296	2,296	2,296	2,296
Reserves & Surplus	14,826	14,900	12,367	8,155	6,048
Net Worth	17,122	17,196	14,663	10,451	8,344
Net Worth Growth	0%	17%	40%	25%	103%
Gross Fixed Assets	21,359	19,863	15,886	10,985	7,332
Net Fixed Assets	12,956	13,094	10,457	6,496	3,147
Total Net Assets	27,038	26,237	20,729	15,626	9,614
<b>KEY INDICATORS</b>					
Earnings Per Share (Rs.)	1.42	12.77	20.10	9.18	18.40
Cash Earnings Per Share (Rs.)	9.40	19.76	25.23	12.66	21.73
Book Value Per Share (Rs.)	74.57	74.89	63.87	45.52	36.34
Total Debt to Equity	0.58 : 1	0.52 : 1	0.41 : 1	0.48 : 1	0.14 : 1
PBDIT / Revenue from Operations (Net)	4%	8%	11%	8%	13%
Net Profit Margin	0%	4%	7%	4%	9%
Return on Net Worth	2%	17%	31%	20%	51%
Return on Capital Employed	4%	18%	28%	19%	51%

Note: Previous years' figures regrouped wherever necessary

## DIRECTORS' REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS

Dear Members,

Your Directors have pleasure in presenting the Twenty Seventh Annual Report and the Audited Financial Statements, for the year ended 31st March, 2012.

### Financial Highlights

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

(₹ in Lacs)

	For the year ended 31st March, 2012	For the year ended 31st March, 2011
Revenue from operations (gross)	86731.93	82988.99
Less : Excise Duty	6923.02	6588.24
Revenue from operations (net)	79808.91	76400.75
Other Income	87.41	467.31
Total Revenue	79896.32	76868.06
Profit before finance cost, depreciation and tax	3002.05	6336.11
Finance Cost	891.04	737.54
Depreciation and amortization expenses	1831.74	1605.20
Tax expense	(46.90)	1060.80
Profit for the year	326.17	2932.57

### DIVIDEND

Your Directors recommend a dividend of ₹ 1.50 per Equity Share for the year ended 31st March, 2012. This is subject to the approval of the Members at the ensuing Annual General Meeting.

### INDUSTRY STRUCTURE AND DEVELOPMENTS

The home appliances industry (only Air conditioners and Refrigerators) is estimated to be around ₹ 1,465,000 Lacs. Room Air conditioners contribute to around ₹ 630,000 Lacs and Refrigerators contribute ₹ 835,000 Lacs.

During the year under review, India's economic situation continued to decline due to depreciation in INR, high inflation rate and increased interest rates which adversely impacted Air conditioners business. In such indecisive environment, inflow and execution of orders remained slow. In addition to that industry faced the problem of margin pressure in all segments and in fact maintaining profit margin has been a tough job for all the consumer Durable players.

### Air conditioning Industry

Our estimate of the industry performance during FY 2011-12 is given below:

Category	Total Industry Sales		
	2011-12	2010-11	Growth
Room Air conditioners (in Lacs Units)	28.5	33.0	(14%)
Ductable Air conditioners (in Lacs Tr.)	3.6	3.5	3%

### Room Air conditioners

The Room Air conditioner category consists of both the Window and Split Air conditioners for the use in Residential and Commercial spaces.

The Room Air conditioning industry declined by 14% in 2011-12 in comparison to about 31% growth in 2010-11.

Despite of such decline of industry, company has grown by 1% over the last year with 2.32 Lacs units against 2.30 Lacs units in last financial year in Room Air conditioner segment.



The demand of Split Air conditioners is continuously increasing and the price gap between a Window and a Split Air conditioner has shrunk in recent years. Today, the Split Air conditioners contribute to more than 74% of Room Air conditioner market.

During the year under review, the off-take during the peak summer season turned out to be lower than expectations which resulted into a situation where company was saddled with excess inventory. The Company has taken measures for liquidation of such inventory. Margin pressure continues to be a concern in Room Air conditioning segment. Several remedial steps taken by the Company including price increase, reduction in overheads and reduction in production cost by value engineering.

In the Room Air conditioner category we have about 8% market share in terms of sales volume. We are aiming to capture 10% market in terms of sales volume which will translate into 12% in value terms. We have expanded our network and are present in more than 300 towns with approx 2000 sales points. Another step is to launch exclusive Air conditioner models to each Distribution Channel i.e. Direct Dealer network, Distributor network, Modern Trade, Construction industry and Institutions.

Company has the mass-premium Air conditioner range, called 'Kaze' in the Split and the Window Air conditioners segment. The 'Kaze' range will help the Company to reach the middle level income group who want a quality product and at the same time Value for their money.

A range of Split Air conditioner models, called 'Sugoi' and 'Kampa' are launched exclusively for distribution network to widen the Air conditioner range and spread the availability across the country. The Company has also launched its popular Split Air conditioner models 'ACE Followme', 'ACE Cutout' and 'i-Tec' with refreshing looks.

Presently, Company's Split Air conditioners range comprises of 38 models, with capacities ranging from 1.0 Tr. to 3.5 Tr. The Window Air conditioners range includes 17 models within 1.0 Tr. to 2.0 Tr. capacities.

### **Achievement**

Your company has been awarded "Certificate of Merit" at National Energy Conservation Awards Ceremony by Bureau of Energy Efficiency (BEE), Ministry of Power. Mr. Motoo Morimoto, Managing Director of the Company was awarded by Hon'ble Union Minister for Power, Mr. Sushil Kumar Shinde at the function held at Vigyan Bhavan, New Delhi on 14th December, 2011.

The Function was presided over by the Hon'ble Prime Minister of India, Dr. Manmohan Singh, Hon'ble Union Minister of State for Power, Mr. K. C. Venugopal, Secretary Min. of Power, Mr. Uma Shankar and Mr. Ajay Mathur - Director General-BEE.

The Company has won the Award based on parameters like the number of star labelled products sold, the energy savings achieved, its technology and the growth in sales of high energy efficient products over the previous financial year.

### **'i-Clean': The Auto Clean Air conditioner**

The Company has refreshed the 'i-Clean' Range with a new colour fascia. The 'i-Clean' is equipped with exclusive feature - Automatic filter clean technology, which cleans the filter automatically after every 10 hours and maintains a hygienic room environment. This model is 5 star rated (1.2 Tr. & 1.5 Tr. Class) and loaded with all other innovative features like Auto Climate Technology, Auto Humidity Control, Kaimin, On/Off timer with advanced startup etc. The 'i-Clean' is available in 1.2 Tr., 1.5 Tr. & 2.0 Tr. Class. Looking to the exclusive feature, in current year, this model has been accentuated by the Company in advertising campaign.

### **5 star rated Window Air conditioners range, as efficient as Split Air conditioners**

For Air conditioners, the star levels are categorized over a band of EER. EER is the Energy Efficient Ratio, which indicates the amount of cooling capacity in watts the Air conditioner delivers for every watt of electrical energy consumed by it. At present, for Split Air conditioners, the EER has to be minimum 2.5 to qualify for 1-Star rating and EER of 3.3 and above for 5-Star categories. For window air conditioners, the EER has to be minimum 2.3 to qualify for 1 star rating and EER of 3.1 and above for 5 star rating. BEE has plans to move up the energy efficiency level continuously every two years.

This year Company is strengthening its 5 star rated Window Air conditioners range (1.1 Tr. & 1.5 Tr. capacities) with 'Summer TM' and 'Summer QC'. 'Summer TM' is Split in a box concept which is based on twin motor technology and Summer QC is available with 3.3 EER (W/W)(1.5 Tr.) which is equivalent to a 5 star rated Split Air conditioner of 2012. It is creditable that Company's Window Air conditioners are as efficient as the Split Air conditioners. Both the Window Air conditioners are with innovative features, silent cooling and stylish looks in 3 capacities 1.1 Tr, 1.5 Tr. and 2.0 Tr. Class.

### **Commercial range of Air conditioners**

During the year under review the Packaged / Ductable Air conditioning market has grown at a moderate pace on account of delayed / slow commercial construction activities by builders.

This segment of the industry has grown at about 3% however Company grew at 4.8% which is more than the market growth rate. The Company offers the 'Takumi' range of Ductable Air conditioners with unique Energy Efficient Engineering design and the wide flexibility in application provides pragmatic solutions to suit best for varied and complex cooling requirements. The range of these products is available from 3.0 Tr. to 16.5 Tr. which have been well accepted in the market.

This year, the Chiller and VRF segments have shown growth. The chiller industry grew at approximately 8.8%, whereas Company grew at 12%. We offer a wide range of chillers in the Air-cooled (40 HP to 400 HP) and Water-cooled (40 HP to 570 HP) categories and now manufactures water cooled chillers upto 120 HP capacity in India plant as well as imports it if customers so demand. The VRF category is also a promising and fast growing segment. The Company offers a range of Set Free (VRF) in Modular type from 8 HP to 54 HP and front flow type from 8 HP to 12 HP.

#### Telecom Air conditioners

This specialized Air conditioning system is designed for unmanned Telecom Shelters / Telecom BTS sites. 'Spacemaker', Company's product for the telecom sector consists of varied features viz. high cooling capacity and safety features. The 'Spacemaker' range is available from 0.9 Tr. to 4.0 Tr. capacities. Company has also now developed a 'Free Cooling Unit' for this Segment, which reduces the running power consumption and hence the OPEX for the Operator. It is well accepted by all the customers.

This segment has shrunk due to sharing of towers amongst the telecom operators who tried to manage with existing infrastructure. Therefore, new setups are not coming up and the growth is negative. However, Company is maintaining its leadership position with the market share of about 56% in comparison to 42% in last year.

#### Refrigerators

Company is increasing its focus on the Refrigerator category with the launch of 2012 range i.e. Side-by-Side refrigerator with inverter technology. This was launched to increase and strengthen the high end range. The other models i.e. Big French (4-Door), 3-Door and 2-Door refrigerators were also introduced with all new look and features. These models will be available by mid of 2012 in the market. Currently the Company offers 12 models in 3 variants i.e. Big French (4-Door), three door and two door refrigerators.

Company operates in 300 Ltr. & above frost free segment only, which is about 15% of total frost free refrigerator industry and the size of this segment is 22.5 Lacs units. The Company operates only in premium category therefore the big sales volume is not expected. During the year under review the production of refrigerators suffered because of the floods in the Thailand Manufacturing Plant. This affected the supplies and because of that, the business of the Company affected by 4% against last year.

#### Customer Service

Company has expanded network of company owned and company operated service centers to 34 nos. in 26 towns with over 1500 technicians apart from 616 other service points including multi brand S&S, exclusive S&S and franchisees. With this network company is covering approx 317 towns across country.

Company has launched genuine accessories under the brand 'RYOKU'. In the initial phase 'Ryoku' Stabilisers, 'Ryoku' Copper, 'Ryoku' Stand and 'Ryoku' IDUs are available to the customers.

Apart from training of Company's own service technicians, Company has trained technicians of service franchisees in the state of art training center "Hitachi Centre for excellence". Other than Technical and behavioural training, the training to the Dealer Sales person and Hitachi Profile communicators is also imparted.

#### Market Drivers' Outlook, Opportunities, Threats, Risks and Concerns

Market Driver	Description	Outlook
AC Penetration	Room Air Conditioner penetration is very low approx 3% in the country. It is expected to grow in future.	↑
Market Growth	Middle income level population is growing; their average income levels are rising. Smaller towns are showing encouraging growth. These towns are very critical, as the next round of growth will come from them.	↑
Input Cost	India's core inflation has gone up significantly over the past year, and is unlikely to moderate significantly in the coming months. Thereby input costs of raw material especially of Aluminum, Copper and Sheet Metal has gone up and has led to an erosion of Margins. Increasing Tax, freight cost, and operational cost are some other factors which increase the cost.	↓
Energy Efficiency	From Jan 2012 onwards BEE has made the star rating system more stringent, which means the EER of all star ratings has gone up. Therefore to qualify to be a 5 star Air conditioners the minimum EER is now 3.3, which was 3.1 earlier. Company offers higher EERs in all the models therefore we could easily adopt to the new system.	↑
	Because of BEE standards of Energy efficiency the specifications of all Air conditioners have gone up which may result in the cost increase for new product development.	↓



Market Driver	Description	Outlook
<b>Growth of Modern Trade</b>	While there are established distribution networks in both rural and urban India, the presence of well-known brands and organized sector is increasing. Shopping malls are becoming increasingly common in Indian cities. This will have a positive impact on the consumer durables industry, as organised retailing would not only streamline the supply chain, but also facilitate increased demand, especially for high-end and branded products.	↑
	The growth of Power Retailers and Corporate Power Retailers will hit the margins because they will increase their share and will demand more margins because of their increased muscles.	↓
<b>Lack of Consumer Finances</b>	Banks / NBFCs are tightening their consumer finances, the funding options have minimized. Inventory funding is also very tight, which is not a good situation for dealers to run their operations.	↓
<b>Power Quality</b>	High electricity cost and quality of power supply in the country is a cause of concern, Long power cuts and voltage fluctuations may affect the pace of industry growth.	↓
<b>Seasonality</b>	Air conditioner is seasonal product therefore delayed/ short duration summer affects the overall business performance and 2011-12 was affected badly due to the same.	↓

↑ Indicates a favourable trend in the market categories in which we compete.

↓ Indicates a negative trend in the market categories in which we compete.

## HUMAN RESOURCES

The total strength of employees (staff and operators) of the Company was 694 as on 31st March, 2012.

Operations at all the 34 service centers stabilized during the year. Manning at all the Centers was completed during the year.

To further enhance the Quality of Service to the Customers, training in the areas of both Technical & Behavioral functions was organised for the Technicians & Engineers. The technicians were also given product specific trainings to deliver service for all kinds of products.

To further develop the Central Air conditioning business specialized manpower was added in various areas of Project Design, Estimation, and Execution for handling Central Air conditioner Projects all over India.

To strengthen the Supply Chain an exclusive pool of 20 Nos. of Engineer Trainees were recruited. They were deployed in various functions of Supply Chain like Design, Quality Management, Manufacturing, and Materials at the Plant.

The Competency based Annual Appraisal Process was completed. As a token of appreciation, a Special Scheme to Reward the Long-term Association of Employees was initiated last year, which continued during the Appraisal process.

## INTERNAL CONTROL AND SYSTEMS

Company has adequate system of internal control to ensure that all the assets pertaining to Company are safeguarded and protected. Internal Audit has also been done through external Auditors at plants as well as at all the branches and service centers of the Company as per the detailed scope defined and approved by the Audit Committee. The Internal Audit is planned to substantiate and review the adequacy of controls and laid down procedures & systems.

Observations of Internal Auditors and the detailed plan of action is reviewed and discussed at the meetings of the Audit Committee.

## DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed ;
- such accounting policies have been selected and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2012 and of the profit of the Company for that year ;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- annual accounts have been prepared on a going concern basis.

## REPORT OF CORPORATE GOVERNANCE

Report on Corporate Governance under clause 49 of the Listing Agreement is attached to this Report.

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## **PARTICULARS AS PER SECTION 217 OF THE COMPANIES ACT, 1956**

A statement showing particulars of employees under Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 is not required to attach with this Report since no employee has drawn remuneration above the limit prescribed in Rules.

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, relating to Conservation of energy, technology absorption and foreign exchange earning and outgo is given as Annexure-I to this report.

## **PARTICULARS ABOUT COST AUDIT REPORT**

M/s. Kiran J Mehta & Co. (Membership No. 4733), Cost Accountants, Ahmedabad, has been appointed as Cost Auditors of the Company for the year 2011-12. Cost Audit Report for the year 2011-12 will be submitted on or before due date i.e. 27th September, 2012.

## **ACKNOWLEDGEMENT**

Your Directors thank all Customers, Suppliers, Investors, Bankers - State Bank of India, ICICI Bank and Standard Chartered Bank and other stakeholders of the Company for their co-operation and continued support during the year. We look forward to their continued support in the future also.

We wish to place on record our sincere appreciation for the excellent work put in by the employees of the Company at all levels.

**For and on behalf of the Board of Directors**

Place : Ahmedabad, Gujarat  
Date : 24th May, 2012

**Motoo Morimoto**  
Managing Director

**Anil Shah**  
Executive Director

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## **ANNEXURE-I**

### **Conservation of Energy**

1. Maximum utilization of State Electricity Board (GEB) power to reduce running of diesel Generator that is 75% higher than SEB.
2. Installed 500 KVA D.G. set for Chiller testing to avoid fixed charges on Maximum demand.
3. Scheduled maintenance of all D.G. sets to achieve 5% or more efficiency.
4. We have installed three phase ductable unit instead of Room Air conditioners in work place area to reduce electricity consumption by 20%.
5. Electrical accessories changed to save electricity consumption.

### **Research and development**

1. Cycle Balancing of Split Air conditioner – 'Hitachi Ace' in 1.0 Tr. /1.5 Tr. /2.0 Tr. capacity.
2. Cycle balancing of 0.8 Tr. 'Tota' Split Air conditioner.
3. Cycle balancing for all Split Air conditioners range for Star Rating as per BEE Regulation.
4. Cycle balancing of new Ductable series 3.0 Tr. -11.0 Tr.
5. New Logical series with Vacuum fluorescent display.
6. Hitachi brand in all 'Takumi' series.
7. Aesthetic change of new 'Quadricool Twin Motor' range.

### **Technology absorption**

1. Development of group controller to operate/control 16 units from single location.
2. Split Air conditioner with 34 db sound level.
3. Two levels of humidity control.
4. Rotary compressor in space-maker & 2.0 Tr. Cassette range.
5. Convertible outdoor unit in 11.0 Tr. range.
6. LCD Handset in 'Takumi' series with ACT Mode.
7. UV Lamp & drain-pump technology in 'Takumi' range.
8. Introduction of 3 speed ODU fan motor from 5.0 Tr. – 11.0 Tr. 'Takumi' series.
9. Expansion valve implementation in all 'Takumi' series with scroll compressor.

### **Foreign exchange earnings and outgo during the year under consideration**

The required information in respect of Foreign Exchange Earnings and Outgo has been given in the notes to financial statements.

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## REPORT ON CORPORATE GOVERNANCE

### I. Company's Philosophy on Code of Corporate Governance

Your Company is committed to adopt best management practices for achieving its pre-defined objectives with ethical standards and transparent & fair conduct of the business.

Company believes that vital components of prudent Corporate Governance are - Compliance of laws, internal control systems, transparent accounting practices and policies, timely disclosures, optimum mixture of independent directors in the Board, etc.

Company's Corporate Governance is framed on the basis of following principles:

1. Ethical and fair conduct of business to achieve its goal by enhancing the brand equity and value of the Company.
2. Internal Control systems applied to all operations of the Company.
3. Appropriate size and mixture of the board containing one half of Independent Directors. Directors have expertise in different areas.
4. Compliance of laws and regulations applicable to the Company with true letter and spirit.
5. To ensure awareness of the Shareholders, Customers, Suppliers, Employees. Timely disclosure of all operational and financial information of the Company within the purview of the laws.
6. To create, maintain and ensure safe and clean environment for sustainable development for next generation.

### II. Board of Directors, Committees and Remuneration of Directors

#### Board of Directors

Present strength of the Board of Directors of your Company is twelve members. Directors have expertise in diversified fields viz. Business Planning, Production Planning, Sales & Marketing, Finance, Taxation, Human Resources, etc. The Executive Board members provide a vision, strategic guidance and leadership to the professional managers while Independent Board Members review the periodical financial results, performance of operations of the Company, Internal Control Systems, etc.

The composition of the Board is in conformity with Clause 49 of the Listing Agreement executed by Company with Stock Exchanges. The Board of Company has optimum combination of Non-independent and Independent Directors. Board of the Company consists Four (4) Executive Directors (including Managing Director), Two (2) Non-executive Directors and Six (6) Independent Directors. Details of their position and number of Board / Committees in which they are Chairman / Member are as under:

Name of Director	Executive / Non-executive / Independent	No. of Directorship in other Public Limited Indian Companies	No. of Committees <sup>^</sup> Position held as	
			Chairman	Member
Mr. Shinichi Iizuka	Chairman / Non—Executive	—	—	—
Mr. Motoo Morimoto	Executive	—	—	1
Mr. Amit Doshi	Executive	—	—	—
Mr. Anil Shah	Executive	—	—	1
Mr. Vinay Chauhan	Executive	—	—	—
Mr. L G Ramakrishnan	Non-Executive	—	1	1
Mr. Ashok Balwani	Non-Executive / Independent	—	—	—
Dr. Devender Nath	Non-Executive / Independent	—	—	1
Mr. Mukesh Patel	Non-Executive / Independent	7	5	4
Mr. Ravindra Jain	Non-Executive / Independent	1	—	1
Mr. Vinesh Sadekar	Non-Executive / Independent	—	—	—
Mr. R S Mani	Non-Executive / Independent	—	—	—

<sup>^</sup>Includes only Audit Committee and Investors' Grievance Committee

#### Attendance of Board Meeting and Annual General Meeting

Schedule of Board meetings for the year is decided at the beginning of the year. The Board meets at least once in a quarter, inter-alia, to review the performance of the quarter.

During the year from 1st April, 2011 to 31st March, 2012 Four (4) Board Meetings were held i.e. on 23rd May, 2011, 28th July, 2011, 20th October, 2011 and 27th January, 2012. The last Annual General Meeting (AGM) was held on 28th July, 2011. The attendance of Directors at these Board Meetings and the last AGM were as under:

<b>Name of Director</b>	<b>Board Meetings</b>	<b>Annual General Meeting</b>
Mr. Shinichi Iizuka	4	Present
Mr. Motoo Morimoto	4	Present
Mr. Amit Doshi	4	Present
Mr. Anil Shah	4	Present
Mr. Vinay Chauhan	4	Present
Mr. L G Ramakrishnan	4	Present
Mr. Ashok Balwani	4	Present
Dr. Devender Nath	4	Present
Mr. Mukesh Patel	4	Present
Mr. R S Mani	4	Present
Mr. Ravindra Jain	3	Absent
Mr. Vinesh Sadekar	3	Present

#### **Number of Shares held by Non-Executive Directors**

Number of Shares held by Non-executive Directors in their own name or in the name of other persons on a beneficial basis, as on 31st March, 2012 are as under:

<b>Name of Director</b>	<b>No of Shares held</b>
Mr. Shinichi Iizuka	Nil
Mr. L G Ramakrishnan	Nil
Mr. Mukesh Patel	1000
Mr. Ravindra Jain	Nil
Mr. Ashok Balwani	Nil
Dr. Devender Nath	Nil
Mr. Vinesh Sadekar	Nil
Mr. R S Mani	Nil

#### **Inter-se relationship between Directors**

None of the Directors is in any way related to other Directors of the Company.

#### **Audit Committee**

Audit Committee comprises of four members, all being Non-executive Directors out of which three are Independent Directors. Audit Committee effectively exercises its role, responsibilities and powers as prescribed in Clause 49(II)(c) to (e) of the Listing Agreement and Section 292A of the Companies Act, 1956.

Members of the Audit Committee are as under:

- Mr. Mukesh Patel – Chairman
- Mr. L G Ramakrishnan – Member
- Mr. Ravindra Jain – Member
- Dr. Devender Nath – Member



During the year from 1st April, 2011 to 31st March, 2012 Four (4) Audit committee meetings were held i.e. on 23rd May, 2011, 28th July, 2011, 20th October, 2011 and 27th January, 2012. Attendance of the members at the meetings were as under:

Name of Members of Committee	Meetings attended
Mr. Mukesh Patel	4
Mr. L G Ramakrishnan	4
Mr. Ravindra Jain	3
Dr. Devender Nath	4

## Remuneration Committee

A Remuneration Committee takes all decisions relating to remuneration of Executive Directors subject to such approval of Shareholders and Central Government as and when required.

Members of the Remuneration Committee are as under:

Mr. L G Ramakrishnan – Member

Mr. Mukesh Patel – Member

Mr. Ravindra Jain – Member

During the year under review, no Remuneration Committee Meeting was held.

## Terms of Appointment / Remuneration

Executive Directors including Managing Director are usually appointed for three years at the remuneration within the limit prescribed under Schedule XIII of the Companies Act, 1956.

Independent Directors are paid sitting fees of ₹ 20,000/- for attending Board meeting, ₹ 20,000/- for attending Audit Committee Meeting, ₹ 10,000/- for attending Remuneration Committee Meeting and ₹ 5000/- for Investors' Grievance Committee Meeting.

Remuneration of directors during the year under review:

(₹ in Lacs)

Name of Director	Salary*	Sitting Fees	Total Remuneration
Mr. Shinichi Iizuka	Nil	Nil	Nil
Mr. Motoo Morimoto	46.84	Nil	46.84
Mr. Vinay Chauhan	58.57	Nil	58.57
Mr. Amit Doshi	56.77	Nil	56.77
Mr. Anil Shah	57.37	Nil	57.37
Mr. L G Ramakrishnan	Nil	Nil	Nil
Mr. Mukesh Patel	Nil	2.20	2.20
Mr. Ravindra Jain	Nil	1.20	1.20
Mr. Ashok Balwani	Nil	0.80	0.80
Dr. Devender Nath	Nil	1.60	1.60
Mr. Vinesh Sadekar	Nil	0.60	0.60
Mr. R S Mani	Nil	0.80	0.80

\*Salary includes basic salary, allowances, perquisites, contribution to provident fund and superannuation funds.

There was no other pecuniary relationship or transaction of the non-executive Director vis-à-vis the Company during the year under review.

### Investors' Grievance Committee

Members of the Investors' Grievance Committee are as under:

- Mr. L G Ramakrishnan – Chairman  
Mr. Motoo Morimoto – Member  
Mr. Mukesh Patel – Member  
Mr. Anil Shah – Member

### Number of shareholders' complaints received during the year under review:

Sr. No.	Nature of Complaints	Received	Redressed	Pending as on 31st March, 2012
1.	Non-receipt of share certificates after transfer	1	1	Nil
2.	Non-receipt of Dividend Warrants	3	3	Nil
3.	Query regarding demat credit	Nil	Nil	Nil
4.	Non-receipt of Duplicate Share Certificates	2	2	Nil
5.	Others : Non-receipt of Annual Report	1	1	Nil

None of the complaints and share transfers are pending for a period exceeding one month.

**Name and designation of Compliance Officer:** Mr. Parag Dave – Company Secretary

**E-mail ID of Compliance Officer:** compliance.officer@hitachi-hli.com

### III. Other disclosures

#### Statutory Disclosures:

- There were no materially significant related party transactions that may have potential conflict with the interests of company at large.
- There has been no instance of non-compliance by the Company on any matter related to capital markets during the last three years and hence no penalty or strictures imposed on the Company for such matters by Stock Exchange or SEBI or any statutory authority.
- Accounting Standards have been followed in preparation of financial statement of the Company for the year ended 31st March, 2012 and no accounting treatment different than prescribed Accounting Standards have been given.
- All mandatory requirements have been complied with by the Company during the year.
- No non-mandatory requirements adopted by the Company except Remuneration Committee has been constituted by the Company.

#### Information relating to last three Annual General Meetings

Date	Time	Venue	Special resolutions passed
23rd July, 2009	9.00 a.m.	H T Parekh Convention Centre, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Vastrapur, Ahmedabad	1. To re-appoint Mr. Shinichi Iizuka as Managing Director. 2. To re-appoint Mr. Vinay Chauhan as Executive Director. 3. To increase remuneration of Mr. Amit Doshi as Executive Director. 4. To increase remuneration of Mr. Anil Shah as Executive Director.
29th July, 2010	9.00 a.m.	H T Parekh Convention Centre, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Vastrapur, Ahmedabad	1. To appoint Mr. Motoo Morimoto as Managing Director. 2. To re-appoint Mr. Amit Doshi as Executive Director. 3. To re-appoint Mr. Anil Shah as Executive Director. 4. To increase remuneration of Mr. Vinay Chauhan as Executive Director. 5. To keep the Register of Members, Register of Debentureholders, Index of Members, Index of Debentureholders and all the Shares related documents at the office of M/s. Sharepro Services (India) Pvt. Ltd.
28th July, 2011	9.00 a.m.	H T Parekh Convention Centre, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Vastrapur, Ahmedabad	No Special resolution passed.

No special resolution passed through postal ballot in last Annual General Meeting.

## Means of communication

The quarterly results are published in Economic Times (English) and Economic Times (Gujarati). The information is being made available to the Stock Exchanges to upload the same on their websites.

## General Shareholder Information

### Ensuing Annual General Meeting

Day and Date	Time	Venue
Thursday, 9th August, 2012	9.00 a.m.	H T Parekh Convention Centre, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Vastrapur, Ahmedabad : 380 015

Financial year : From 1st April, 2011 to 31st March, 2012

Book closure : From 4th August, 2012 to 9th August, 2012 (Both days inclusive)

Dividend Payment Date : Dividend will be paid on 24th August, 2012.

### Listing on Stock Exchanges where the shares of the Company are listed

Stock Code	Stock Exchange
523398	Bombay Stock Exchange Limited
HITACHIOM	National Stock Exchange of India Limited

The Company has paid Annual Listing Fees for the year 2012-13 to the above Stock Exchanges.

### Market Price Data

Highest & Lowest market prices of the shares during each month in last financial year and performance in comparison to broad based indices such as BSE Sensex and NSE Nifty are as under:

	HHLI Share Price quoted at BSE		SENSEX		HHLI Share Price quoted at NSE		NIFTY	
	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW
April-2011	247.70	219.05	19,811.14	18,976.19	247.80	219.05	5944.45	5693.25
May-2011	230.00	178.00	19,253.87	17,786.13	229.90	180.10	5775.25	5328.70
June-2011	212.00	182.10	18,873.39	17,314.38	211.85	182.50	5657.90	5195.90
July-2011	212.30	188.30	19,131.70	18,131.86	212.30	189.70	5740.40	5453.95
August-2011	194.75	136.00	18,440.07	15,765.53	197.00	136.00	5551.90	4720.00
September-2011	188.40	146.00	17,211.80	15,801.01	188.50	147.30	5169.25	4758.85
October- 2011	171.70	150.00	17,908.13	15,745.43	171.90	147.60	5399.70	4728.30
November-2011	172.00	120.00	17,702.26	15,478.69	164.95	120.00	5326.45	4639.10
December-2011	133.00	93.30	17,003.71	15,135.86	131.00	95.05	5099.25	4531.15
January-2012	117.70	93.55	17,258.97	15,358.02	117.70	93.65	5217.00	4588.05
February-2012	144.00	107.95	18,523.78	17,061.55	144.00	108.50	5629.95	5159.00
March-2012	134.80	121.30	18,040.69	16,920.61	134.00	120.95	5499.40	5135.95

### Registrars and Share Transfer Agent

M/s. Sharepro Services (India) Pvt. Ltd.

416-420, Devnandan Mall, Opp. Sanyas Ashram, Ellisbridge, Ahmedabad - 380 006.

### Share Transfer System

Since the Company's shares are compulsorily traded in the demat segment on Stock Exchanges, bulk of the transfers take place in the electronic form. For expediting transfers of physical shares, the authority has been delegated to the Registrars and Share Transfer Agent to complete share transfer formalities at least once in a fortnight.

### Shareholding Pattern as on 31st March, 2012

Category	No. of Shares Held	% of Shareholding
<b>Promoters' Holding</b>	16,050,000	69.90
<b>Non-Promoters' Holding</b>		
Mutual Funds and UTI	510,910	2.23
Banks, Financial Institutions, Insurance Companies	1,625	0.01
Foreign Institutional Investors	860	0.00
Bodies Corporate	1,760,835	7.67
Indian Public	4,473,803	19.49
Non Resident Indians	161,975	0.70
<b>Total</b>	<b>22,960,008</b>	<b>100.00</b>

**Distribution of shareholding as on 31st March, 2012**

Shares Balance	No. of Holders	% of Holders	No. of Shares	% of Shares
1-500	16,288	91.86	2,040,292	8.89
501-1000	803	4.53	636,075	2.77
1001-2000	306	1.73	461,561	2.01
2001-3000	114	0.64	294,613	1.28
3001-4000	55	0.31	195,450	0.85
4001-5000	37	0.21	175,666	0.77
5001-10000	65	0.37	499,110	2.17
10001-99999999	62	0.35	18,657,241	81.26
<b>Total</b>	<b>17,730</b>	<b>100.00</b>	<b>22,960,008</b>	<b>100.00</b>

**Dematerialization of shares and liquidity**

The Company's shares are available for dematerialisation on both the depositories viz. National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL). As on 31st March, 2012, 97.29% shares of the Company were in Dematerialised form. Demat ISIN No. of the Equity Shares of the Company: INE782A01015.

**Plant Locations**

Hitachi Complex, Village : Karannagar – 382727 Ta.: Kadi, Dist.: Mehsana, Gujarat

Jammu Plant : Canal Road, Bari Brahmna : 181 133, Jammu

**Addresses for Correspondence for any shares related query****Company:**

Hitachi Home & Life Solutions (India) Ltd.

9th Floor, Abhijeet, Mithakhali Six Roads, Ahmedabad : 380 006 Ph.: 079-30414800

**Registrar and Share Transfer Agent:**

M/s. Sharepro Services (India) Pvt. Ltd.

416-420, Devnandan Mall, Opp. Sanyas Ashram, Ellisbridge, Ahmedabad - 380 006. Ph. : 079-26582381-2

**Declaration under Code of Conduct:****To the Shareholders of****Hitachi Home & Life Solutions (India) Ltd.**

On the basis of the affirmation letters received from Board Members and Senior Management Personnel, I declare that, they have complied with all the provisions of Code of Conduct laid down by the Board of Directors of the Company.

**for Hitachi Home & Life Solutions (India) Ltd.**

**Motoo Morimoto**  
**Managing Director**

Place : Ahmedabad  
Date : 17th May, 2012

**AUDITORS' CERTIFICATE****To****The Members of Hitachi Home & Life Solutions (India) Limited**

We have examined the compliance of conditions of corporate governance by Hitachi Home & Life Solutions (India) Limited, for the year ended on March 31, 2012, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For S.R. Batliboi & Associates**

Firm Registration No.:101049W

Chartered Accountants

**per Arpit K Patel**

Partner

Membership No.: 34032

Place : Ahmedabad

Date : May 24, 2012



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**AUDITORS' REPORT**

**To,  
The Members of Hitachi Home and Life Solutions (India) Limited**

1. We have audited the attached Balance Sheet of Hitachi Home and Life Solutions (India) Limited ('the Company') as at March 31, 2012 and also the Statement of Profit and Loss 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.
2. We conducted our audit in accordance with 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.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) ('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.
4. Further to our comments in the Annexure referred to above, we report that:
  - i. 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;
  - ii. 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;
  - iii. The balance sheet, Statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account;
  - iv. In our opinion, the Balance Sheet, Statement of Profit and Loss 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 Act.
  - v. On the basis of the written representations received from the directors, as on March 31, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.
  - vi. 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 Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
    - a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012;
    - b) in the case of Statement of Profit and Loss, of the profit for the year ended on that date; and
    - c) in the case of Cash Flow statement, of the cash flows for the year ended on that date.

**For S.R. Batliboi & Associates**  
Firm Registration No.:101049W  
Chartered Accountants

**per Arpit K Patel**  
Partner  
Membership No.: 34032

Place : Ahmedabad  
Date : May 24, 2012

**Annexure referred to in paragraph 3 of our report of even date**  
**Re: Hitachi Home and Life Solutions (India) Limited ('the Company')**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets are physically verified by the management during the year and no material discrepancies identified on such verification.
- (c) There was no disposal of a substantial part of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the 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 and no material discrepancies were noticed on physical verification.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(iii)(a) to (d) of the Order are not applicable to the Company and hence not commented upon.
- (b) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the Company and hence not commented upon.
- (iv) 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 the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weakness in the internal control system in respect of these areas.
- (v) In our opinion, there are no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(v)(b) of the Order is not applicable to the Company and hence not commented upon.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of accounts maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1) (d) of the Act, related to the manufacturing of air conditioners and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.
- (b) 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, income-tax, wealth-tax, service tax, sales-tax, custom duty, excise duty, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues outstanding of sales tax, service tax, excise duty, custom duty and cess on account of any dispute that have not been deposited, are as follows:

Name of the statute	Nature of dues	Amount (₹ in Lacs)	Period to which the amount relates	Forum where dispute is pending
Sales Tax Act (Central & States)	Demand raised in assessments at various locations	212.53	1998-99 to 2007-08	Deputy Commissioner Appeals / Joint Commissioner Appeals

Name of the statute	Nature of dues	Amount (₹ in Lacs)	Period to which the amount relates	Forum where dispute is pending
Finance Act, 1994 (Service tax)	Demand raised on advertisement expenses including interest and penalty	110.12	2005-06 to 2010-11	CESTAT, Ahmedabad
	Demand raised on Consulting Engineers Services including interest and penalty	48.61	2000-01 to 2003-04	CESTAT, Ahmedabad
	Demand raised on Commission including interest and penalty	8.76	2004-05	CESTAT, Ahmedabad
	Demand raised for wrong service tax credit including interest and penalty	32.12	2003-04 and 2004-05	CESTAT, Ahmedabad
Central Excise Act, 1944	Interest on delayed payment of excise duty	0.50	2008-09	Commissioner Appeals, Ahmedabad
Customs Act, 1962	Dispute over classification	0.92	2000-01	Deputy Commissioner Appeals
	Dispute over classification	171.44	2008-09	CESTAT, Mumbai

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to banks. The Company has no outstanding dues to debenture holders and financial institutions.
- (xii) According to the information and explanations given to us and based on the documents and records produced 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.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
- (xv) 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.
- (xvi) Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of Act.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during year.

**For S.R. Batliboi & Associates**  
Firm Registration No.:101049W  
Chartered Accountants

**per Arpit K Patel**  
Partner  
Membership No.: 34032

Place : Ahmedabad  
Date : May 24, 2012

## Balance Sheet as at 31st March, 2012

	Notes	As at 31st March, 2012 ₹ Lacs	As at 31st March, 2011 ₹ Lacs
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
(a) Share capital	3	2,296.00	2,296.00
(b) Reserves and surplus	4	14,825.63	14,899.73
		<b>17,121.63</b>	17,195.73
<b>Non-current liabilities</b>			
(a) Long-term borrowings	5	—	2,502.87
(b) Deferred tax liabilities (net)	6(b)	—	40.75
(c) Other long-term liabilities	7	4.59	3.53
(d) Long-term provisions	8	1,032.73	888.70
		<b>1,037.32</b>	3,435.85
<b>Current liabilities</b>			
(a) Short-term borrowings	9	7,031.36	3,995.11
(b) Trade payables	10	25,868.81	30,723.54
(c) Other current liabilities	11	7,723.19	6,262.63
(d) Short-term provisions	8	729.35	623.77
		<b>41,352.71</b>	41,605.05
<b>TOTAL</b>		<b>59,511.66</b>	62,236.63
<b>ASSETS</b>			
<b>Non-current assets</b>			
(a) Fixed assets	12		
(i) Tangible assets		11,240.31	11,545.30
(ii) Intangible assets		1,715.81	1,549.00
(iii) Capital work-in-progress		603.74	288.79
(iv) Intangible assets under development		670.52	280.38
(b) Deferred tax asset (net)	6(b)	257.82	—
(c) Long-term loans and advances	13	1,660.43	1,396.29
(d) Other non-current assets	17	0.51	0.99
		<b>16,149.14</b>	15,060.75
<b>Current assets</b>			
(a) Inventories	14	26,807.37	32,672.98
(b) Trade receivables	15	14,813.77	12,520.77
(c) Cash and Bank balances	16	264.05	206.44
(d) Short-term loans and advances	13	1,436.77	1,726.08
(e) Other current assets	17	40.56	49.61
		<b>43,362.52</b>	47,175.88
<b>TOTAL</b>		<b>59,511.66</b>	62,236.63

Statement of significant accounting policies 2  
The accompanying notes are an integral part of the financial statements.

As per our report of even date  
**For S.R. Batliboi & Associates**  
Firm Registration No.101049W  
Chartered Accountants

**per Arpit K. Patel**  
Partner  
Membership No: 34032  
Place : Ahmedabad  
Date : 24th May, 2012

**For and on behalf of the Board of Directors**

**Motoo Morimoto**  
Managing Director

**Anil Shah**  
Executive Director

**Parag Dave**  
Company Secretary

Place : Ahmedabad  
Date : 24th May, 2012



## Statement of Profit and Loss for the year ended 31st March, 2012

	Notes	For the year ended 31st March, 2012 ₹ Lacs	For the year ended 31st March, 2011 ₹ Lacs
<b>INCOME</b>			
Revenue from operations (gross)	18	86,731.93	82,988.99
Less : Excise duty recovered (refer note 42)		6,923.02	6,588.24
<b>Revenue from operations (net)</b>		<b>79,808.91</b>	<b>76,400.75</b>
Other income	19	87.41	467.31
<b>Total Revenue</b>		<b>79,896.32</b>	<b>76,868.06</b>
<b>EXPENSES</b>			
Cost of raw material and components consumed	20	43,093.44	50,425.95
Purchase of stock-in-trade	21	5,715.63	6,561.76
Decrease / (Increase) in inventories of finished goods, work-in-progress and stock-in-trade	22	3,362.25	(7,172.23)
Employee benefits expense	23	5,278.50	4,406.50
Finance costs	24	891.04	737.54
Depreciation and amortization expense	12	1,831.74	1,605.20
Other expenses	25	19,444.45	16,309.97
<b>Total Expenses</b>		<b>79,617.05</b>	<b>72,874.69</b>
<b>Profit before tax</b>		<b>279.27</b>	<b>3,993.37</b>
<b>Tax expense</b>			
Current tax [Including ₹ 22.97 Lacs (Previous year: ₹ 12.00 Lacs) pertaining to earlier years] (refer note 6(a))		251.67	1,080.09
Deferred tax		(298.57)	(19.29)
		<b>(46.90)</b>	<b>1,060.80</b>
<b>Profit for the year</b>		<b>326.17</b>	<b>2,932.57</b>
<b>Basic and diluted (₹) earnings per share</b>	26	<b>1.42</b>	<b>12.77</b>
[Nominal value of share ₹ 10 (Previous year: ₹ 10)]			

Statement of significant accounting policies

2

The accompanying notes are an integral part of the financial statements.

As per our report of even date  
**For S.R. Batliboi & Associates**  
 Firm Registration No.101049W  
 Chartered Accountants

**per Arpit K. Patel**  
 Partner  
 Membership No: 34032

Place : Ahmedabad  
 Date : 24th May, 2012

**For and on behalf of the Board of Directors**

**Motoo Morimoto**  
 Managing Director

**Anil Shah**  
 Executive Director

**Parag Dave**  
 Company Secretary

Place : Ahmedabad  
 Date : 24th May, 2012

## Cash Flow Statement for the year ended 31st March, 2012

	For the year ended 31st March, 2012 ₹ Lacs	For the year ended 31st March, 2011 ₹ Lacs
<b>A. Cash Flow from Operating Activities</b>		
<b>Net profit before Tax</b>	<b>279.27</b>	3,993.37
Adjustments For :		
Profit on sale of assets (net)	(7.29)	(2.36)
Unrealised foreign exchange (gain)/loss (net)	52.81	(101.64)
Depreciation and amortisation	1,831.74	1,605.20
Provision for doubtful debts	94.27	14.17
Interest income	(30.88)	(237.73)
Finance Costs	891.04	737.54
<b>Operating profit before working capital changes</b>	<b>3,110.96</b>	6,008.55
Adjustments for :		
Increase in trade receivables	(2,387.27)	(2,936.88)
Decrease/(Increase) in loans and advances	240.43	(740.26)
Decrease/(Increase) in other current assets	8.54	(37.76)
Decrease/(Increase) in inventories	5,865.61	(14,632.66)
(Decrease)/Increase in current liabilities	(4,061.58)	12,081.59
Increase in other provisions	249.60	206.81
<b>Cash from / (used in) operating activities</b>	<b>3,026.29</b>	(50.61)
Direct Taxes paid	(407.19)	(841.00)
<b>Net cash from / (used in) operating activities</b>	<b>2,619.10</b>	(891.61)
<b>B. Cash flow from investing activities</b>		
Purchase of tangible assets	(1,708.30)	(3,105.08)
Proceeds from sale of fixed assets	67.47	41.20
Purchase of intangible assets	(463.55)	(784.17)
Decrease in deposits (with maturity more than three months)	19.56	513.37
Interest received	31.39	238.06
<b>Net cash used in investing activities</b>	<b>(2,053.43)</b>	(3,096.62)
<b>C. Cash flow from financing activities</b>		
Repayment of long-term borrowings	(2,502.86)	—
Proceeds from short term borrowings (net)	3,036.25	2,462.80
Interest paid	(626.36)	(194.46)
Dividend paid (including tax provision thereon)	(396.01)	(397.07)
<b>Net cash flow from / (used in) financing activities</b>	<b>(488.98)</b>	1,871.27
<b>Net increase / (decrease) in cash and cash equivalents (A+B+C)</b>	<b>76.69</b>	(2,116.96)
<b>Cash and cash equivalents at the beginning of the year</b>	<b>150.36</b>	2,267.32
<b>Cash and cash equivalents at the end of the year (refer note 2 below)</b>	<b>227.05</b>	150.36
<b>Components of Cash and Cash Equivalents:</b>		
Cash on hand	6.22	6.23
Bank balance in current accounts	122.39	97.22
Unclaimed dividend account	8.79	4.54
Balance in cash credit accounts	89.65	42.37
Balance in margin accounts	37.51	57.07
<b>Total</b>	<b>264.56</b>	207.43
Less: Balance in margin accounts	37.51	57.07
<b>Cash and Cash Equivalents</b>	<b>227.05</b>	150.36

**Notes :**

- Cash Flow Statement has been prepared under the indirect method.
- Includes ₹ 20.34 Lacs (Previous year: ₹ 17.27 Lacs), being balances with restricted use towards unpaid dividend & employee deposits.

As per our report of even date  
**For S.R. Batliboi & Associates**  
 Firm Registration No.101049W  
 Chartered Accountants

**per Arpit K. Patel**  
 Partner  
 Membership No: 34032  
 Place : Ahmedabad  
 Date : 24th May, 2012

**For and on behalf of the Board of Directors**

**Motoo Morimoto**  
 Managing Director

**Anil Shah**  
 Executive Director

**Parag Dave**  
 Company Secretary

Place : Ahmedabad  
 Date : 24th May, 2012

## Notes to Financial Statements for the year ended 31st March, 2012

### 1. Background

Hitachi Home and Life Solutions (India) Limited ('the Company') was incorporated in December 1984 as "Acquest Air conditioning Systems Private Limited" under the provisions of Companies Act, 1956.

The Company is engaged in the business of manufacturing, selling and trading of 'Hitachi' brand of air conditioners, refrigerators and chillers. Manufacturing facility for air conditioners is set up at Kadi (North Gujarat) and Jammu. The Company performs its marketing activities through eighteen branches and thirty four service centers spread across India.

The Company is a subsidiary of Hitachi Appliances Inc., Japan.

### 2. Statement of Significant Accounting Policies

#### 2.1 Basis of preparation

The financial statements have been prepared to comply in all material respects with the notified accounting standards by Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The accounting policies applied by the Company are consistent with those used in the previous year, except for change in accounting policy explained in note 2.2.

#### 2.2 Change in accounting policy

##### Presentation and disclosure of financial statements

During the year ended 31st March 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

#### 2.3 Accounting estimates

The preparation of the financial statements in accordance with generally accepted accounting principles ('GAAP') requires that management makes best estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities as of the date of financial statements and the reported amounts of revenue and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any difference between the actual result and estimates are recognized in the period in which the results are known or materialize.

#### 2.4 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Financing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

Machine spares which are specific to a particular item of fixed asset and their use is expected to be irregular have been capitalized.

Depreciation is provided on the straight line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956 on all assets except for the following assets which are depreciated at the higher rates based on management's estimate of the useful life:

a. Moulds and Tools	: 3 years	b. Computers	: 3 to 4 years
c. Furniture & Fittings	: 5 to 8 years	d. Office Equipments	: 3 to 5 years
e. Electrical Fittings	: 7 years	f. Toolkits	: 3 years
g. Vehicles	: 4 to 6 years		

For the assets added during the financial year under review, depreciation is charged on pro-rata basis from the date of commissioning.

Intangible assets are amortised, based on management's estimate of its useful economic life using straight line method, on pro-rata basis as under:

a. Technical Know-how fees	: 5 years	b. Software	: 3 years
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Depreciation on individual tangible assets costing up to ₹ 5,000 are provided at the rate of 100% in the month of purchase.

#### Impairment

The carrying amounts of assets are reviewed at each Balance sheet date if there is any indication of impairment based on internal or external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

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## 2.5 Inventories

Inventories are valued as follows:

- (i) Raw materials and stores and spare parts are valued at lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be utilised are expected to be sold at or above cost.
- (ii) Work in progress is valued at lower of cost and net realizable value. Costs include material cost, direct expenses and a proportion of manufacturing overheads.
- (iii) Manufactured finished goods are valued at lower of cost and net realizable value. Cost includes material cost, excise duty, direct expenses and a proportion of manufacturing overheads based on normal operating capacity. Traded finished goods are valued at lower of cost and estimated net realizable value.
- (iv) Goods in transit are valued at lower of cost and net realizable value.  
Cost is determined on the basis of weighted average method and includes all costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost necessary to make the sale.
- (v) Custom duty on goods where title has passed to the Company and material has reached Indian ports is included in the value of inventories.

## 2.6 Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

### (i) Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are inclusive of freight, octroi and insurance, installation charges in some cases, and net of sales returns, trade discounts and cash discounts. Excise duty deducted from the sales (gross) is the amount that is included in the amount of sales (gross) and not the entire amount of liability arising during the year.

### (ii) Service Income

Revenue from service operations is recognised as and when services are rendered in accordance with the terms of the contract. Maintenance revenue is recognised over the period of respective contracts.

### (iii) Commission Income

Commission income is recognized as and when earned, unless there is significant uncertainty regarding realization thereof.

### (iv) Interest

Interest Income is recognised on a time proportion basis taking into account the outstanding amount and the applicable rate.

## 2.7 Employee benefits

- (i) Retirement benefits in the form of Provident and superannuation Fund is a defined contribution scheme and the contributions are charged to the Statement of profit and loss of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective fund.
- (ii) Gratuity liability is defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.
- (iii) Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is on projected unit credit method made at the end of each financial year. The bifurcation of compensated absences into Current & Non-current as shown in financial statements is as per actuary certificates.
- (iv) Actuarial gains/losses are immediately taken to Statement of profit and loss and are not deferred.

## 2.8 Foreign currency transactions

### (i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

### (ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

### (iii) Exchange Differences

Exchange differences arising on account of settlement of monetary items or exchange differences arising on monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.



**(iv) Forward Exchange Contracts not intended for trading or speculation purpose**

The premium or discount arising at the inception of forward exchange contracts is 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 year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

**2.9 Provisions**

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance sheet date. These are reviewed at each Balance sheet date and adjusted to reflect the current best estimates.

**2.10 Income Taxes**

Tax expense comprises current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act 1961. Deferred income tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the Company has carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognised only if there is virtual certainty backed by convincing evidence that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier years are re-assessed at the Balance sheet date and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

**2.11 Earnings Per Share (EPS)**

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

**2.12 Leases**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of profit and loss on a straight-line basis over the lease term.

**2.13 Cash and Cash equivalents**

Cash and cash equivalents in the Cash flow statement and Balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

**2.14 Segment Reporting**

Identification of Segment

The Company's operating businesses are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the locations of Customers.

**2.15 Capital work in progress & intangible assets under development**

All expenditure incurred towards tangible assets are accumulated and shown as capital work in progress and not depreciated until such assets are ready for commercial use.

Intangible assets under development consists of expenditure towards assets which are not yet operational as on the Balance sheet date.

**2.16 Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest and any other cost that an entity incurs in connection with the borrowing of funds.

**2.17 Research and Development Costs**

All revenue expenses pertaining to research and development costs are charged to Statement of profit and loss in the year in which they are incurred and development expenditure of a capital nature is capitalized as fixed assets.

### 3. Share capital

	As at 31st March, 2012 ₹ Lacs	As at 31st March, 2011 ₹ Lacs
<b>Authorized shares</b>		
30,000,000 (Previous year: 30,000,000) Equity shares of ₹ 10 each	3,000.00	3,000.00
<b>Issued, subscribed and fully paid-up shares</b>		
22,960,008 (Previous year: 22,960,008) Equity shares of ₹ 10 each fully paid up	2,296.00	2,296.00
	<b>2,296.00</b>	<b>2,296.00</b>

45,671 (Previous year 45,671) Equity shares of ₹ 10/- each have been kept in abeyance pending final allotment of right issue.

#### (a) Reconciliation of the Equity shares outstanding at the beginning and at the end of the reporting period

Equity Shares	As at 31st March, 2012		As at 31st March, 2011	
	Nos	₹ Lacs	Nos	₹ Lacs
At the beginning of the period	22,960,008	2,296.00	22,960,008	2,296.00
Add : Issued during the period	—	—	—	—
Outstanding at the end of the period	<b>22,960,008</b>	<b>2,296.00</b>	<b>22,960,008</b>	<b>2,296.00</b>

#### (b) Terms / rights attached to Equity shares

The Company has only one class of Equity shares having a face value of ₹ 10/- per share. Each holder of Equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian Rupees. The dividend recommended by the Board of Directors is subject to the approval of the Shareholders in the ensuing Annual General Meeting.

During the year ended 31st March, 2012, the amount per share recognised as dividend distributions to Equity shareholders is ₹ 1.50 (Previous year: ₹ 1.50).

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

#### (c) Shares held by Holding Company and Ultimate holding Company and/or their subsidiaries/associates

Out of Equity shares issued by the Company, Equity shares held by Holding Company and subsidiary of Ultimate holding Company are as below:

	As at 31st March, 2012 ₹ Lacs	As at 31st March, 2011 ₹ Lacs
Hitachi Appliances Inc., Japan - Holding Company (formerly known as Hitachi Home & Life Solutions Inc., Japan) 15,550,000 (Previous year: 15,550,000) Equity Shares of ₹ 10/- each fully paid up	1,555.00	1,555.00
Hitachi India Pvt. Ltd. - Subsidiary of Ultimate holding Company 500,000 (Previous year: 500,000) Equity Shares of ₹ 10/- each fully paid up	50.00	50.00

#### (d) Details of shareholders holding more than 5% shares in the Company

	31st March, 2012	31st March, 2011
Equity shares of ₹ 10 each fully paid (Nos.)	15,550,000	15,550,000
Hitachi Appliances Inc., Japan - Holding Company % holding	<b>67.73%</b>	<b>67.73%</b>

## 4. Reserves and surplus

	As at 31st March, 2012 ₹ Lacs	As at 31st March, 2011 ₹ Lacs
<b>Capital Reserve</b>		
Balance as per last financial statements	6.66	6.66
<b>Securities Premium account</b>		
Balance as per last financial statements	3,876.92	3,876.92
<b>General Reserve</b>		
Balance as per last financial statements	754.66	461.40
Add: Amount transferred from surplus balance in Statement of profit and loss	32.62	293.26
<b>Closing balance</b>	787.28	754.66
<b>Surplus in Statement of profit and loss</b>		
Balance as per last financial statements	10,261.49	8,022.45
Profit for the year	326.17	2,932.57
Less: Appropriations		
Proposed dividend on Equity shares	(344.40)	(344.40)
Tax on dividend	(55.87)	(55.87)
Transferred to general reserve	(32.62)	(293.26)
<b>Net Surplus in Statement of profit and loss</b>	10,154.77	10,261.49
<b>Total Reserves and surplus</b>	14,825.63	14,899.73

## 5. Long-term borrowings

	As at 31st March, 2012		As at 31st March, 2011	
	Non-current ₹ Lacs	Current ₹ Lacs	Non-current ₹ Lacs	Current ₹ Lacs
External commercial borrowing (ECB) from the Holding Company (Unsecured)	—	2,885.09	2,502.87	2,502.86
Amount disclosed under the head "Other Current Liabilities" (refer note 11)	—	(2,885.09)	—	(2,502.86)
	—	—	2,502.87	—

Above ECB, carrying interest @ 1.65% p.a., was availed in financial year 2008-09 and 2009-10 from the Holding Company. The same was repayable in two equal installments, out of which one has been repaid in financial year 2011-12 and another is repayable in financial year 2012-13.

## 6. Income Tax

### a. Current Tax

The Company has taxable earnings. Provision for tax has been computed under normal taxation after claiming deductions under section 80-IB of Income Tax Act, 1961 for Jammu unit.

### b. Deferred tax Asset / (Liabilities) (net)

	As at 31st March, 2012 ₹ Lacs	As at 31st March, 2011 ₹ Lacs
<b>Deferred tax liabilities</b>		
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	(221.85)	(385.44)
<b>Gross deferred tax liabilities</b>	(221.85)	(385.44)
<b>Deferred tax asset</b>		
a. Deferment of foreign exchange fluctuation loss under Income Tax Act	149.14	37.27
b. Expenditure debited in Statement of profit and loss but allowed under Income Tax Act on payment basis in subsequent years	258.88	266.35
c. Provision for doubtful debts	71.65	41.07
<b>Gross deferred tax assets</b>	479.67	344.69
<b>Net deferred tax asset / (liabilities)</b>	257.82	(40.75)

## 7. Other long-term liabilities

	As at 31st March, 2012 ₹ Lacs	As at 31st March, 2011 ₹ Lacs
Deposits (from employees)	4.59	3.53
	<b>4.59</b>	<b>3.53</b>

## 8. Provisions

	As at 31st March, 2012		As at 31st March, 2011	
	Long-term ₹ Lacs	Short-term ₹ Lacs	Long-term ₹ Lacs	Short-term ₹ Lacs
<b>Provision for employee benefits</b>				
- Compensated absences	210.95	61.28	188.19	41.54
<b>Other provisions</b>				
- 5 years warranty provision (refer note 41)	535.37	267.80	460.84	181.96
- VAT related matters (refer note 41)	286.41	—	239.67	—
- Provision for proposed dividend	—	344.40	—	344.40
- Provision for tax on proposed dividend	—	55.87	—	55.87
	<b>1,032.73</b>	<b>729.35</b>	<b>888.70</b>	<b>623.77</b>

## 9. Short-term borrowings

	As at 31st March, 2012 ₹ Lacs	As at 31st March, 2011 ₹ Lacs
<b>Loans repayable on demand from banks:</b>		
- Working capital loan (secured)	1,149.20	220.77
- Working capital loan (unsecured)	2,000.00	—
<b>Others:</b>		
Buyers' credit (secured)	3,882.16	3,774.34
	<b>7,031.36</b>	<b>3,995.11</b>
Aggregate amount of secured borrowings	5,031.36	3,995.11
Aggregate amount of unsecured borrowings	2,000.00	—

Working capital loan (Rate of Interest ranging from 10.5% to 14% per annum) and Buyers' Credit (Rate of Interest 1.8% per annum) facilities from banks are secured by hypothecation of inventories, book debts, movable fixed assets and by equitable mortgage of certain immovable fixed assets of the Company.

## 10. Trade payables

	As at 31st March, 2012 ₹ Lacs	As at 31st March, 2011 ₹ Lacs
<b>Trade payables (including Acceptances)</b>		
- Outstanding dues of micro and small enterprises (refer note 40)	—	—
- Outstanding dues of other than micro and small enterprises	25,868.81	30,723.54
	<b>25,868.81</b>	<b>30,723.54</b>



## 11. Other current liabilities

	As at 31st March, 2012 ₹ Lacs	As at 31st March, 2011 ₹ Lacs
Current maturities of long-term borrowings (refer note 5)	2,885.09	2,502.86
Advance from customers	456.99	400.41
Service income received in advance	308.43	251.72
Interest accrued but not due on borrowings	35.74	32.93
Unclaimed dividends*	8.79	4.54
<b>Others:</b>		
Deposits (from dealers and others)	178.22	168.72
Forward contracts	—	189.15
Payable for capital goods	779.39	442.03
Statutory dues payable	2,811.87	2,008.18
Other payables	258.67	262.09
	<b>7,723.19</b>	<b>6,262.63</b>

\* Investor education and protection fund shall be credited as and when due.

## 12. Tangible and Intangible assets

(₹ Lacs)

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION AND AMORTISATION				NET BLOCK	
	As at 1-Apr-11	Additions	Deductions	As at 31-Mar-12	As at 1-Apr-11	For the year	Deductions	As at 31-Mar-12	As at 31-Mar-12	31-Mar-11
<b>Tangible assets:</b>										
Freehold Land	2,084.71	—	—	2,084.71	—	—	—	—	2,084.71	2,084.71
Buildings	3,482.58	41.39	—	3,523.97	360.35	114.57	—	474.92	3,049.05	3,122.23
Plant & Machinery	8,714.59	577.08	58.64	9,233.03	3,540.37	904.18	47.69	4,396.86	4,836.17	5,174.22
Computers	720.81	46.63	71.89	695.55	511.23	70.32	65.44	516.11	179.44	209.58
Furniture and fixture	425.17	101.73	4.64	522.26	239.92	47.88	2.18	285.62	236.64	185.25
Office equipments	311.75	67.92	20.92	358.75	167.43	52.17	12.97	206.63	152.12	144.32
Electrical installations	538.06	36.27	—	574.33	155.65	72.34	—	227.99	346.34	382.41
Vehicles	461.53	220.21	101.61	580.13	218.95	74.57	69.23	224.29	355.84	242.58
<b>Total Tangible assets</b>	<b>16,739.20</b>	<b>1,091.23</b>	<b>257.70</b>	<b>17,572.73</b>	<b>5,193.90</b>	<b>1,336.03</b>	<b>197.51</b>	<b>6,332.42</b>	<b>11,240.31</b>	<b>11,545.30</b>
<b>Intangible assets:</b>										
Trade mark	210.00	—	—	210.00	210.00	—	—	210.00	—	—
Software capitalisation	498.06	6.88	—	504.94	413.26	42.62	—	455.88	49.06	84.80
Technical know how	2,416.00	655.64	—	3,071.64	951.80	453.09	—	1,404.89	1,666.75	1,464.20
<b>Total Intangible assets</b>	<b>3,124.06</b>	<b>662.52</b>	<b>—</b>	<b>3,786.58</b>	<b>1,575.06</b>	<b>495.71</b>	<b>—</b>	<b>2,070.77</b>	<b>1,715.81</b>	<b>1,549.00</b>
<b>TOTAL</b>	<b>19,863.26</b>	<b>1,753.75</b>	<b>257.70</b>	<b>21,359.31</b>	<b>6,768.96</b>	<b>1,831.74</b>	<b>197.51</b>	<b>8,403.19</b>	<b>12,956.12</b>	<b>13,094.30</b>
Previous year	15,885.55	4,281.21	303.50	19,863.26	5,428.42	1,605.20	264.66	6,768.96	13,094.30	
Capital Work in Progress									603.74	288.79
Intangible assets under development									670.52	280.38

### Notes:

- Plant & Machinery includes testing equipment and moulds and tools with net block of ₹ 845.56 Lacs (Previous year: ₹ 1,287.13 Lacs) gross block ₹ 3,239.35 Lacs (Previous year: ₹ 3,196.29 Lacs).
- Buildings include ₹ 130.36 lacs (Previous year: ₹ 130.36 lacs) in respect of ownership of premises in co-operative housing society and non trading corporations. Shares with face value of ₹ 1 (Previous year: ₹ 1) are fully paid up and unquoted.

**13. Loans and Advances  
(Unsecured)**

		As at 31st March, 2012		As at 31st March, 2011	
		Long-term ₹ Lacs	Short-term ₹ Lacs	Long-term ₹ Lacs	Short-term ₹ Lacs
<b>Capital advances</b>					
Considered good	(A)	135.02	—	84.67	—
<b>Deposits</b>					
- Considered good		306.99	43.65	317.36	70.11
- Considered doubtful		—	—	0.30	—
		306.99	43.65	317.66	70.11
Provision for doubtful advances		—	—	(0.30)	—
	(B)	306.99	43.65	317.36	70.11
<b>Advances recoverable in cash or kind</b>					
- Considered good		245.80	1,310.22	324.33	1,115.06
- Considered doubtful		1,144.01	—	901.85	—
		1,389.81	1,310.22	1,226.18	1,115.06
Provision for doubtful advances (refer note 44)		(1,144.01)	—	(901.85)	—
	(C)	245.80	1,310.22	324.33	1,115.06
<b>Other loans and advances</b>					
- Advance income-tax (net of provision for taxation)		247.37	—	91.85	—
- VAT credit receivable (refer note 43)		725.25	—	578.08	—
- Balances with statutory / government authorities		—	82.90	—	540.91
	(D)	972.62	82.90	669.93	540.91
<b>Total (A+B+C+D)</b>		<b>1,660.43</b>	<b>1,436.77</b>	<b>1,396.29</b>	<b>1,726.08</b>

**14. Inventories (valued at lower of cost and net realizable value)**

	As at 31st March, 2012 ₹ Lacs	As at 31st March, 2011 ₹ Lacs
Raw material [including goods in transit ₹ 2719 Lacs (Previous year : ₹ 5321 Lacs)]	12,903.31	15,262.88
Work-in-progress (refer note 22)	1,723.09	2,258.32
Finished goods (refer note 22)	9,588.54	11,899.07
Stock-in-trade [including goods in transit ₹ 503 lacs (Previous year : ₹ 555 Lacs)]	2,535.58	3,188.60
(refer note 22)		
Stores and spares	56.85	64.11
	<b>26,807.37</b>	<b>32,672.98</b>

## 15. Trade receivables

	As at 31st March, 2012 ₹ Lacs	As at 31st March, 2011 ₹ Lacs
<b>Debts outstanding for a period exceeding six months from the date they are due for payment</b>		
Unsecured, Considered good	391.56	271.76
Considered doubtful	220.86	126.59
Provision for doubtful debts	(220.86)	(126.59)
<b>(A)</b>	<b>391.56</b>	<b>271.76</b>
<b>Other debts</b>		
Secured, Considered good	169.75	158.52
Unsecured, Considered good	14,252.46	12,090.49
<b>(B)</b>	<b>14,422.21</b>	<b>12,249.01</b>
<b>Total (A+B)</b>	<b>14,813.77</b>	<b>12,520.77</b>

Out of the total provision existing as at March 31, 2011, the management has identified and written off bad debts aggregating to ₹ Nil (Previous year: ₹ 63.54 Lacs)

## 16. Cash and Bank balances

		As at 31st March, 2012		As at 31st March, 2011	
		Non-current ₹ Lacs	Current ₹ Lacs	Non-current ₹ Lacs	Current ₹ Lacs
<b>Cash and cash equivalents</b>					
<b>Cash on hand</b>	(A)	—	6.22	—	6.23
<b>Balances with bank</b>					
- on current account		—	122.39	—	97.22
- on unpaid dividend account		—	8.79	—	4.54
- on cash credit account		—	89.65	—	42.37
	(B)	—	220.83	—	144.13
<b>Other bank balances</b>					
- Margin money deposit		0.51	37.00	0.99	56.08
	(C)	0.51	37.00	0.99	56.08
<b>Total (A+B+C)</b>		0.51	264.05	0.99	206.44
Amount disclosed under the head "Non-current Assets" (refer note 17)		(0.51)	—	(0.99)	—
		—	264.05	—	206.44

## 17. Other assets

	As at 31st March, 2012		As at 31st March, 2011	
	Non-current ₹ Lacs	Current ₹ Lacs	Non-current ₹ Lacs	Current ₹ Lacs
Unamortised premium on forward contract	—	17.86	—	48.80
Interest accrued on margin money deposits	—	0.30	—	0.81
Foreign currency receivable (on forward contract)	—	22.40	—	—
Non-current bank balances (refer note 16)	0.51	—	0.99	—
	0.51	40.56	0.99	49.61

**18. Revenue from operations**

	For the year ended 31st March, 2012 ₹ Lacs	For the year ended 31st March, 2011 ₹ Lacs
<b>Sale of products</b>	<b>80,616.31</b>	77,966.03
<b>Sale of services</b>	<b>5,162.50</b>	4,277.18
<b>Other operating revenue</b>		
Scrap sales	730.05	510.26
Commission income	218.15	231.75
Miscellaneous income	4.92	3.77
<b>Revenue from operations (gross)</b>	<b>86,731.93</b>	82,988.99
<b>Details of products sold</b>		
Air conditioners	71,988.93	70,576.46
Refrigerators	4,464.47	5,092.46
Spares and accessories	3,734.65	1,897.62
Others	428.26	399.49
	<b>80,616.31</b>	77,966.03
<b>Details of Services rendered</b>		
Annual Maintenance Contract service	4,215.34	3,433.10
Repair & Installation service	947.16	844.08
	<b>5,162.50</b>	4,277.18

**19. Other income**

	For the year ended 31st March, 2012 ₹ Lacs	For the year ended 31st March, 2011 ₹ Lacs
Interest income		
from banks	3.34	204.45
from others	27.54	33.28
Net gain on sale of fixed assets	7.29	2.36
Gain on foreign exchange fluctuations (net)	—	138.79
Miscellaneous income	49.24	88.43
	<b>87.41</b>	467.31

**20. Cost of raw-material and components consumed**

	For the year ended 31st March, 2012 ₹ Lacs	For the year ended 31st March, 2011 ₹ Lacs
Cost of raw material and other components consumed	<b>43,093.44</b>	50,425.95
<b>Details of raw material consumed</b>		
Compressors	11,670.67	11,285.47
Copper	6,297.15	5,243.48
Others (Including packing materials)	25,125.62	33,897.00
	<b>43,093.44</b>	50,425.95

## 21. Purchase of stock-in-trade

	For the year ended 31st March, 2012 ₹ Lacs	For the year ended 31st March, 2011 ₹ Lacs
Purchase of stock-in-trade	5,715.63	6,561.76
<b>Details of purchase of stock-in-trade</b>		
Refrigerators	2,384.41	4,342.18
Spares and accessories	2,990.25	1,904.39
Others	340.97	315.19
	<b>5,715.63</b>	<b>6,561.76</b>

## 22. Decrease / (Increase) in inventories of finished goods, work-in-progress and stock-in-trade

	For the year ended 31st March, 2012 ₹ Lacs	For the year ended 31st March, 2011 ₹ Lacs	Decrease / (Increase)
Inventories at the end of the year			
Work-in-progress	1,723.09	2,258.32	535.23
Finished goods	9,588.54	11,899.07	2,310.53
Stock-in-trade	2,535.58	3,188.60	653.02
	<b>13,847.21</b>	<b>17,345.99</b>	<b>3,498.78</b>
Inventories at the beginning of the year			
Work-in-progress	2,258.32	1,399.44	(858.88)
Finished goods	11,899.07	6,274.23	(5,624.84)
Stock-in-trade	3,188.60	1,785.86	(1,402.74)
	<b>17,345.99</b>	<b>9,459.53</b>	<b>(7,886.46)</b>
Excise duty on change in inventories	(136.53)	714.23	
	<b>3,362.25</b>	<b>(7,172.23)</b>	

### Details of inventories

	For the year ended 31st March, 2012 ₹ Lacs	For the year ended 31st March, 2011 ₹ Lacs
<b>Work-in-progress</b>		
Coils (Heat exchangers)	759.87	920.79
Others	963.22	1,337.53
	<b>1,723.09</b>	<b>2,258.32</b>
<b>Finished goods</b>		
Air conditioners	9,588.54	11,899.07
<b>Stock-in-trade</b>		
Refrigerators	858.94	1,633.93
Spares and accessories	1,661.90	1,533.28
Others	14.74	21.39
	<b>2,535.58</b>	<b>3,188.60</b>

## 23. Employee benefits expense

	For the year ended 31st March, 2012 ₹ Lacs	For the year ended 31st March, 2011 ₹ Lacs
Salaries, wages and bonus	4,788.24	4,000.62
Contribution to provident and other funds	241.80	208.82
Gratuity expenses (refer note 28)	8.98	17.72
Workmen and staff welfare expenses	239.48	179.34
	<b>5,278.50</b>	<b>4,406.50</b>

**24. Finance costs**

	For the year ended 31st March, 2012 ₹ Lacs	For the year ended 31st March, 2011 ₹ Lacs
Interest	386.97	135.82
Bank charges	63.77	68.83
Exchange difference as an adjustment to borrowing cost	440.30	532.89
	<b>891.04</b>	<b>737.54</b>

**25. Other expenses (Refer note 45)**

	For the year ended 31st March, 2012 ₹ Lacs	For the year ended 31st March, 2011 ₹ Lacs
Consumption of stores and spares	25.32	25.67
Power and Fuel	287.41	294.20
Rent	1,024.84	744.02
Repairs & Maintenance - Building	14.12	9.19
Repairs & Maintenance - Machinery	197.04	190.59
Repairs & Maintenance - Others	90.92	111.22
Insurance	56.51	58.17
Rates & Taxes	147.52	136.58
Advertisement and sales promotion (net of recoveries)	4,218.54	2,739.04
Annual Maintenance Contract (AMC) expenses	2,917.46	2,545.96
Freight and forwarding expenses	2,853.71	2,423.78
Legal and professional fees	185.20	237.98
Provision for doubtful debts	94.27	14.17
Contract labour charges	1,149.35	981.25
Loss on Foreign Exchange Fluctuations (net)	553.71	—
Payment to Auditors*	28.59	29.13
Royalty	1,745.12	1,697.20
Warranty expenses	1,009.25	1,426.83
Miscellaneous expenses	2,845.57	2,644.99
	<b>19,444.45</b>	<b>16,309.97</b>

**\*Payment to Auditors**

	31st March, 2012 ₹ Lacs	31st March, 2011 ₹ Lacs
<b>As auditor:</b>		
- Statutory Audit fees	12.50	12.50
- Tax audit fees	4.00	4.00
- Fees for Limited reviews	10.50	10.50
<b>In other capacity:</b>		
- Certification fees	1.20	1.50
Reimbursement of expenses	0.39	0.63
	<b>28.59</b>	<b>29.13</b>

**26. Earnings per share (EPS)**

	31st March, 2012 ₹ Lacs	31st March, 2011 ₹ Lacs
Net profit after tax for calculation of basic EPS	326.17	2,932.57
Weighted average number of Equity shares considered in calculating basic and diluted EPS	22,960,008	22,960,008
Earning per share (Basic and Diluted) ₹	1.42	12.77



## 27 Segment reporting

### Business segment:

The Company is engaged in the business of manufacturing, trading and other related services of Air Conditioners, Chillers and Refrigerators. Since the Company's business falls within a single business segment of Cooling Products for comfort and commercial use, disclosures under Accounting Standard (AS) 17 – Segment Reporting are not required.

### Geographical segment:

Secondary segment reporting is based on the geographical areas of operations. The geographical segments have been identified based on revenues within India (sales to customers within India) and revenues outside India (sales to customers located outside India).

Since the export market revenue, results and assets constitute less than 10% of the total revenue, results and assets, the same has not been disclosed.

## 28. Disclosure as per Accounting Standard-15 (Revised) on Employee Benefits

### Gratuity:

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days' salary (last drawn salary) for each completed year of service. The scheme is funded with Life Insurance Corporation in the form of a qualifying insurance policy.

The following tables summarise the components of net benefit expense recognised in the Statement of profit and loss and the funded status and amounts recognised in the Balance sheet for the plan.

### Statement of profit and loss

	31st March, 2012 ₹ Lacs	31st March, 2011 ₹ Lacs
<b>Net employee benefit expense (recognised in Employee benefits expense)</b>		
Current service cost	35.70	36.17
Interest cost on benefit obligation	24.56	20.54
Expected return on plan assets	32.48	24.45
Net actuarial (gain) recognised in the year	(18.80)	(14.54)
<b>Net benefit expense</b>	<b>8.98</b>	<b>17.72</b>
Actual return on plan assets	32.29	26.34

### Balance sheet

	31st March, 2012 ₹ Lacs	31st March, 2011 ₹ Lacs
Benefit asset / liability		
Fair value of plan assets	402.60	330.43
Present value of defined benefit obligation	315.39	297.71
Plan asset	87.21	32.72

### Changes in the present value of the defined benefit obligation are as follows

	31st March, 2012 ₹ Lacs	31st March, 2011 ₹ Lacs
<b>Opening defined benefit obligation</b>	<b>297.71</b>	<b>248.94</b>
Interest cost	24.56	20.54
Current service cost	35.70	36.17
Benefits paid	22.04	12.53
Actuarial (gains) / losses on obligation	(20.54)	4.59
<b>Closing defined benefit obligation</b>	<b>315.39</b>	<b>297.71</b>

**Changes in the fair value of plan assets are as follows**

	<b>31st March, 2012</b>	31st March, 2011
	<b>₹ Lacs</b>	₹ Lacs
<b>Opening fair value of plan assets</b>	<b>330.44</b>	250.23
Expected return	<b>32.48</b>	24.45
Contributions by employer	<b>41.42</b>	36.63
Benefits paid	<b>—</b>	—
Actuarial gains / (losses)	<b>(1.74)</b>	19.12
<b>Closing fair value of plan assets</b>	<b>402.60</b>	330.43

The Company expects to contribute ₹ Nil to gratuity fund in the next Financial year (Previous year: ₹ Nil).

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	<b>31st March, 2012</b>	31st March, 2011
	<b>100%</b>	100%
Investments with insurer		

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The principal assumptions used in determining gratuity obligations for the Company's plans are shown below:

	<b>31st March, 2012</b>	31st March, 2011
	<b>8.50%</b>	8.25%
Discount rate		
Expected rate of return on assets	<b>9.25%</b>	8.50%
Increase in Compensation cost	<b>6.00%</b>	7.00%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

**Amounts for the current year and last four years are as follows:**

	<b>31st March, 2012</b>	31st March, 2011	31st March, 2010	31st March, 2009	31st March, 2008
	<b>₹ Lacs</b>	₹ Lacs	₹ Lacs	₹ Lacs	₹ Lacs
Defined benefit obligation	<b>315.39</b>	297.71	248.94	163.81	179.89
Plan assets	<b>402.60</b>	330.43	250.23	175.78	126.82
Surplus / (deficit)	<b>87.21</b>	32.72	1.29	11.97	(53.07)
Experience adjustments on plan liabilities	<b>7.12</b>	(11.61)	33.40	(41.90)	33.87
Experience adjustments on plan assets	<b>1.74</b>	(19.12)	4.28	12.86	(0.35)

**Defined Contribution Plan:**

Amount recognised as expense for the period towards

	<b>31st March, 2012</b>	31st March, 2011
	<b>₹ Lacs</b>	₹ Lacs
Employer's Contribution to Provident Fund	<b>156.48</b>	133.40
Employer's Contribution to ESIC	<b>41.04</b>	37.42
Employer's Contribution to Super Annuation	<b>19.34</b>	18.06
	<b>216.86</b>	188.88

**29. Leases**

Certain premises are obtained on cancellable and non-cancellable operating lease that are renewable either at the option of lessor or lessee or both. Further, there are no subleases nor any restrictions imposed in lease agreements. Lease rentals debited to Statement of profit and loss for the year is ₹ 1024.84 Lacs (Previous year : ₹ 744.02 Lacs). The future minimum lease rentals payable at the Balance sheet date in respect of non-cancellable operating leases are as follows:

	<b>31st March, 2012</b>	31st March, 2011
	<b>₹ Lacs</b>	₹ Lacs
Not later than one year	<b>183.83</b>	241.72
Later than one year but not later than five years	<b>386.51</b>	322.94
Later than five years	<b>267.86</b>	—

## 30. Capital Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) as on March 31, 2012: ₹ 643.68 Lacs (Previous year: ₹ 285.16 Lacs).

## 31. Contingent Liabilities

	31st March, 2012 ₹ Lacs	31st March, 2011 ₹ Lacs
Legal matters under dispute *:		
Service tax	199.57	192.02
Sales tax	264.77	326.15
Customs duty	0.92	0.92
Excise duty	0.50	—
Guarantees given by the bankers on behalf of the Company	44.09	24.30
Claims against the Company not acknowledged as debts	59.21	50.35
	<b>569.06</b>	<b>593.74</b>

\* The company is contesting the demands and the management believe that its position will likely be upheld in the appellate process. It is not practicable to estimate the timing of cash outflows, if any in respect of legal matters, pending resolution of the proceedings with the appellate authorities.

## 32. Research & Development Expenditure

	31st March, 2012 ₹ Lacs	31st March, 2011 ₹ Lacs
Revenue expenditure	371.65	335.03
Capital expenditure	11.03	17.78

## 33. Related Party Disclosures

### (a) List of related Parties and Relationship

Relation	Parties
A. Related parties exercising control	Hitachi Ltd., Japan, (Ultimate Holding Company) Hitachi Appliances Inc., Japan (Holding Company)
B. Parties under common control (Fellow Subsidiaries)	Hitachi Air Conditioning Products (M) Sdn. Bhd. Hitachi Asia Ltd. – Singapore Hitachi Household Appliances (Wuhu) Co. Ltd. Hitachi Procurement Service Co. Ltd. Hitachi Metglass (India) Private Ltd. Luvata Hitachi Cable (Thailand) Ltd. Shanghai Hitachi Electrical Appliances Co. Ltd. Hitachi Consumer Products (Thailand) Ltd. Hitachi Koki India Ltd. Hitachi Air Conditioning & Refrigerating Products (Guangzhou) Co. Ltd. Hitachi India Private Ltd. Hitachi Lift India Private Ltd. Hitachi Transport System India Private Ltd. Shizuoka Hitachi Co., Ltd Hitachi Consulting Software Services Hitachi Data Systems Hitachi India Trading Private Ltd. Hitachi Hi-rel Power Electronics Private Ltd. (w.e.f. 5th October, 2011)
C. Key Managerial personnel	Mr. Motoo Morimoto (Managing Director) Mr. Vinay Chauhan (Executive Director) Mr. Amit Doshi (Executive Director) Mr. Anil Shah (Executive Director)

**(b) Related Party Transactions**

(Figures in parenthesis represent previous year numbers)

<b>Sr. No.</b>	<b>Transactions</b>	<b>Holding Company</b>		<b>Fellow Subsidiaries</b>		<b>Key Management Personnel</b>	
<b>1</b>	<b>Purchase of raw material</b>						
	Shanghai Hitachi Electrical Appliances Co. Ltd.	—	(—)	<b>9,478.07</b>	(9,925.39)	—	(—)
	Hitachi Household Appliances (Wuhu) Co. Ltd.	—	(—)	<b>1,710.56</b>	(4,457.25)	—	(—)
	Luvata Hitachi Cable (Thailand) Ltd.	—	(—)	<b>4,551.65</b>	(6,029.78)	—	(—)
	Hitachi Appliances Inc.	<b>13.39</b>	(—)	—	(—)	—	(—)
	Others	—	(—)	<b>393.48</b>	(408.11)	—	(—)
<b>2</b>	<b>Purchase of stock-in-trade</b>						
	Hitachi Asia Ltd., Singapore	—	(—)	<b>487.75</b>	(464.86)	—	(—)
	Hitachi Consumer Products (Thailand) Ltd.	—	(—)	<b>1,632.65</b>	(3,094.79)	—	(—)
	Hitachi Appliances Inc.	—	(7.92)	—	(—)	—	(—)
<b>3</b>	<b>Technical know-how fees (capitalised)</b>						
	Hitachi Appliances Inc.	<b>995.99</b>	(60.75)	—	(—)	—	(—)
<b>4</b>	<b>Software Charges</b>						
	Hitachi Appliances Inc.	—	(14.22)	—	(—)	—	(—)
<b>5</b>	<b>Consultancy fees paid (capitalised)</b>						
	Hitachi Appliances Inc.	<b>311.48</b>	(276.80)	—	(—)	—	(—)
<b>6</b>	<b>Commission income</b>						
	Hitachi Asia Ltd., Singapore	—	(—)	<b>218.15</b>	(231.75)	—	(—)
<b>7</b>	<b>Sale of products</b>						
	Hitachi Koki India Ltd.	—	(—)	<b>8.02</b>	(0.27)	—	(—)
	Hitachi India Private Ltd.	—	(—)	<b>4.08</b>	(—)	—	(—)
	Hitachi Hi-rel Power Electronics Private Ltd.	—	(—)	<b>24.37</b>	(—)	—	(—)
	Hitachi Transport System India Private Ltd.	—	(—)	<b>1.53</b>	(11.42)	—	(—)
	Others	—	(—)	<b>1.24</b>	(1.45)	—	(—)
<b>8</b>	<b>Sale of services</b>						
	Hitachi Metglass (India) Private Ltd.	—	(—)	<b>8.61</b>	(—)	—	(—)
	Hitachi India Private Ltd.	—	(—)	—	(0.10)	—	(—)
	Hitachi Transport System India Private Ltd.	—	(—)	—	(0.09)	—	(—)
	Others	—	(—)	<b>6.54</b>	—	—	(—)
<b>9</b>	<b>Interest expenses on external commercial borrowings</b>						
	Hitachi Appliances Inc.	<b>82.09</b>	(80.17)	—	(—)	—	(—)
<b>10</b>	<b>Advertisement recovery</b>						
	Hitachi Asia Ltd., Singapore	—	(—)	—	(2.69)	—	(—)
	Hitachi Consumer Products (Thailand) Ltd.	—	(—)	<b>127.36</b>	(182.79)	—	(—)

Sr. No.	Transactions	Holding Company		Fellow Subsidiaries		Key Management Personnel	
11	<b>Remuneration paid</b>						
	Mr. Motoo Morimoto	—	(—)	—	(—)	<b>46.84</b>	(44.93)
	Mr. Vinay Chauhan	—	(—)	—	(—)	<b>58.57</b>	(55.81)
	Mr. Amit Doshi	—	(—)	—	(—)	<b>56.77</b>	(54.79)
	Mr. Anil Shah	—	(—)	—	(—)	<b>57.37</b>	(55.32)
12	<b>Royalty paid</b>						
	Hitachi Appliances Inc.	<b>1,702.44</b>	(1,684.43)	—	(—)	—	(—)
13	<b>Purchase of capital goods</b>						
	Hitachi Procurement Service Co. Ltd.	—	(—)	<b>1.40</b>	(—)	—	(—)
	Shizuoka Hitachi Co., Ltd	—	(—)	<b>2.55</b>	(—)	—	(—)
	Hitachi Appliances Inc.	—	(225.63)	—	(—)	—	(—)
14	<b>Reimbursement paid</b>						
	Hitachi Appliances Inc.	<b>70.93</b>	(50.37)	—	(—)	—	(—)
15	<b>Import freight, local freight and custom clearing expenses</b>						
	Hitachi Transport Systems India Private Ltd.	—	(—)	<b>484.73</b>	(1,240.19)	—	(—)
16	<b>Repayment of External Commercial Borrowings</b>						
	Hitachi Appliances Inc.	<b>3,125.11</b>	(—)	—	(—)	—	(—)
17	<b>Other Income</b>						
	Hitachi Appliances Inc	<b>0.55</b>	(—)	—	(—)	—	(—)
18	<b>Dividend Payment</b>						
	Hitachi Appliances Inc.	<b>233.25</b>	(233.25)	—	(—)	—	(—)
	Hitachi India Private Ltd.	—	(—)	<b>7.50</b>	(7.50)	—	(—)
19	<b>External Commercial Borrowings outstanding as at Balance sheet date</b>						
	Hitachi Appliances Inc.	<b>2,885.09</b>	(5,005.73)	—	(—)	—	(—)
20	<b>Debit balance outstanding as at Balance sheet date</b>						
	Hitachi Asia Ltd.	—	(—)	<b>12.56</b>	(—)	—	(—)
	Others	—	(—)	<b>7.40</b>	(—)	—	(—)
21	<b>Credit balance outstanding as at Balance sheet date</b>						
	Hitachi Appliances Inc.	<b>1,333.16</b>	(121.10)	—	(—)	—	(—)
	Shanghai Hitachi Electrical Appliances Co. Ltd.	—	(—)	<b>4,778.40</b>	(5,713.45)	—	(—)
	Luvata Hitachi Cable (Thailand) Ltd.	—	(—)	<b>2,092.87</b>	(1,676.89)	—	(—)
	Others	—	(—)	<b>1,218.78</b>	(2,438.53)	—	(—)

Note The Company does not have transactions with enterprises over which key management personnel can exercise significant influence.

### 34. Derivative instruments and unhedged foreign currency exposure

#### a. Particulars of unhedged foreign currency exposure

	Currency	31st March, 2012 Lacs	31st March, 2011 Lacs
Trade payables (including acceptances)	USD	133.34	125.35
	JPY	21.66	68.28
	Equivalent INR	6,798.68	5,628.12
Payables for capital goods	USD	—	0.01
	JPY	1,129.19	—
	Equivalent INR	700.38	0.53
Buyers' credit	USD	57.70	—
	Equivalent INR	2,935.86	—
Loans and Advances (including Capital Advances)	USD	3.60	7.19
	JPY	—	12.40
	EURO	0.38	—
	Equivalent INR	209.07	327.15
Trade Receivables	USD	1.03	0.62
	JPY	—	5.00
	Equivalent INR	52.47	30.26
External Commercial Borrowings	JPY	4,650.00	9,300.00
	Equivalent INR	2,885.09	5,005.73
ECB Interest (accrued but not due)	JPY	23.84	46.54
	Equivalent INR	14.79	25.05
Buyers' credit interest	USD	0.22	0.18
	Equivalent INR	11.24	7.88

#### b. Forward Contracts outstanding

The company uses forward exchange contracts to hedge its exposure in foreign currency. The information on outstanding forward exchange contracts is given below:

	Currency	31st March, 2012 Lacs	31st March, 2011 Lacs
Trade payables	USD	48.32	112.42
	JPY	—	292.63
Buyers' Credit	USD	18.60	84.66

### 35. Earnings in foreign exchange (accrual basis)

	31st March, 2012 ₹ Lacs	31st March, 2011 ₹ Lacs
Export of trading goods (on FOB basis)	0.02	1.48
Commission income	218.15	231.75
Reimbursement of advertisement and other expenses	127.92	185.48
	346.09	418.71



## 36. Expenditure in foreign currency (accrual basis)

	31st March, 2012 ₹ Lacs	31st March, 2011 ₹ Lacs
Interest	103.06	88.17
Royalty	1,532.20	1,515.98
Technical know how (capitalised)	896.39	54.67
Salaries	70.93	50.37
Consultancy fees and other expenses (capitalised)	280.33	331.54
Others	25.33	66.67
	<b>2,908.24</b>	<b>2,107.40</b>

## 37. Value of imports calculated on CIF basis

	31st March, 2012 ₹ Lacs	31st March, 2011 ₹ Lacs
Capital goods	339.39	1,725.83
Raw materials, components & spare parts	22,238.99	29,172.49
Stock-in-trade	2,304.67	3,908.07
	<b>24,883.05</b>	<b>34,806.39</b>

## 38. Net dividend remitted in foreign exchange

	31st March, 2012	31st March, 2011
Amount remitted (in JPY Lacs)	393.01	426.26
Number of non-resident shareholders	1.00	1.00
Number of equity shares held on which dividend was due	15,550,000	15,550,000
Year to which dividend relates to	2010-11	2009-10

## 39. Imported and indigenous raw material and spare parts consumed

	% of total consumption 31st March, 2012	Value 31st March, 2012 ₹ Lacs	% of total consumption 31st March, 2011	Value 31st March, 2011 ₹ Lacs
<b>Consumption of raw materials</b>				
Indigenous	41.25%	17,775.59	45.20%	22,792.41
Imported	58.75%	25,317.85	54.80%	27,633.54
	<b>100.00%</b>	<b>43,093.44</b>	<b>100.00%</b>	<b>50,425.95</b>
<b>Consumption of stores and spares</b>				
Indigenous	83.85%	21.23	100.00%	25.67
Imported	16.15%	4.09	0.00%	—
	<b>100.00%</b>	<b>25.32</b>	<b>100.00%</b>	<b>25.67</b>

## 40. Details of dues to Micro & Small enterprises as defined under MSMED Act, 2006

Based on information available with the Company, there are no suppliers who are registered as micro, small or medium enterprise under "The Micro, Small and Medium Enterprise Development Act, 2006" (Act) till 31st March, 2012. Accordingly, no disclosures are required to be made under said Act.

#### 41. Provisions

The movement in the product warranty and other provisions during the year is as under:

(Figures in parenthesis represent previous year numbers)

	31st March, 2011	Provision during the year	Utilised during the year	Reversal during the year	31st March, 2012
					(₹ Lacs)
Provision for 5 Years Warranty	642.80 (501.33)	366.71 (337.98)	206.34 (191.56)	— (4.95)	803.17 (642.80)
Other Provision	239.67 (183.97)	46.74 (55.70)	— —	— —	286.41 (239.67)

**Note :**

- a) The Company gives 5 years warranty on compressors at the time of sale to purchasers of its products. Product warranty expense is calculated based on past historical data of replacement of compressors and cost incurred thereon and is provided for in the year of sale. It is expected that the most of expenses against the provision will be incurred within next five years.
- b) Other provision includes likely claims against the Company in respect of VAT related matters, whose outcome depends on ultimate settlement / conclusion with relevant authorities.

42. The Company is eligible for refund of excise duty paid on goods manufactured and removed from Jammu unit, other than the amount of duty paid by utilisation of CENVAT credit, in terms of Notification No. 56/2002-CE dated 14-11-2002. Excise duty recovered as disclosed in the Statement of profit and loss is net of such refund of ₹ 414.44 Lacs (Previous year ₹ 525.51 Lacs).

43. The Company avails input tax credit on purchases made by it from the dealers availing VAT Remission Scheme under the Jammu and Kashmir Value Added Tax Act, 2005 (J&K VAT Act) since FY 2005-06. During the year, the Company has accounted input tax credit as per section 21 & 22 of J&K VAT Act of ₹ 147.15 Lacs (aggregated till date ₹ 725.25 Lacs) net of ₹ 39.77 Lacs (aggregated till date ₹ 420.39 Lacs), being the amount adjusted against the payment of Central Sales Tax and Value Added Tax liabilities on sales made from Jammu and Kashmir unit ("VAT Set off"). In respect of the said matter, the Company has received a demand of ₹ 17.79 Lacs being the VAT set off claimed in FY 2005-06, which has been challenged by the Company in High Court of Jammu & Kashmir and the matter is subjudice till the date of Balance sheet. The Company, based on the external opinion, has considered the entire input tax credit of ₹ 725.25 Lacs (net of VAT set off claimed of ₹ 420.39 Lacs) as recoverable.

44. The Company has paid custom duty under protest of ₹ 231.89 Lacs (Previous year ₹ 268.19 Lacs) during the year for which provision has been created which is included in the purchase of stock-in-trade.

45. The Company accrues certain sales related expenses on an estimated basis, which are reviewed at the each period end and any excess or short provisions are reversed or accounted for in respective expense heads. Accordingly, Other Expenses are net of write back of excess provision of earlier years amounting to ₹ 788.73 Lacs (Previous year ₹ 704.91 Lacs).

#### 46. Prior year comparatives

Till the year ended 31st March, 2011, the company was using pre-revised Schedule VI to the Companies Act 1956 for preparation and presentation of its financial statements. During the year ended 31st March, 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the company. The Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance sheet.

As per our report of even date  
**For S.R. Batliboi & Associates**  
Firm Registration No.101049W  
Chartered Accountants

**per Arpit K. Patel**  
Partner  
Membership No: 34032  
Place : Ahmedabad  
Date : 24th May, 2012

#### For and on behalf of the Board of Directors

**Motoo Morimoto**  
Managing Director

**Anil Shah**  
Executive Director

**Parag Dave**  
Company Secretary

Place : Ahmedabad  
Date : 24th May, 2012

## GLIMPSES OF THE YEAR



'Certificate of Merit' award received for High Energy Efficient Products



Dealer Award Ceremony at Dubai



Launch of New AC & Refrigerator Range - 2012



Annual Day Celebration



Outbound Training Programme



Tree Plantation Day



## PRESS ADVERTISING



i-Clean Ad



Kaze Ad



Window AC Ad



Big French Ad



2-Door Refrigerator Ad



Festival Ad Campaign



AC Range for B2B space



## TELEVISION COMMERCIAL

Hitachi i-Clean AC. Cleans itself



Kaze -  
The Fully Loaded AC

Hitachi Range of  
5 Star Window ACs





# HITACHI

Inspire the Next



## Hitachi Home & Life Solutions (India) Limited

Regd. Office: 9th Floor, Abhijeet-I, Mithakhali Six Roads, Ahmedabad - 380006, Gujarat, India.  
Head Office & Works: Hitachi Complex, Karan Nagar, Kadi, Distt. - Mehsana - 382727, Gujarat, India.  
E-mail: [hitachi@hitachi-hli.com](mailto:hitachi@hitachi-hli.com) Website: [www.hitachi-hli.com](http://www.hitachi-hli.com)