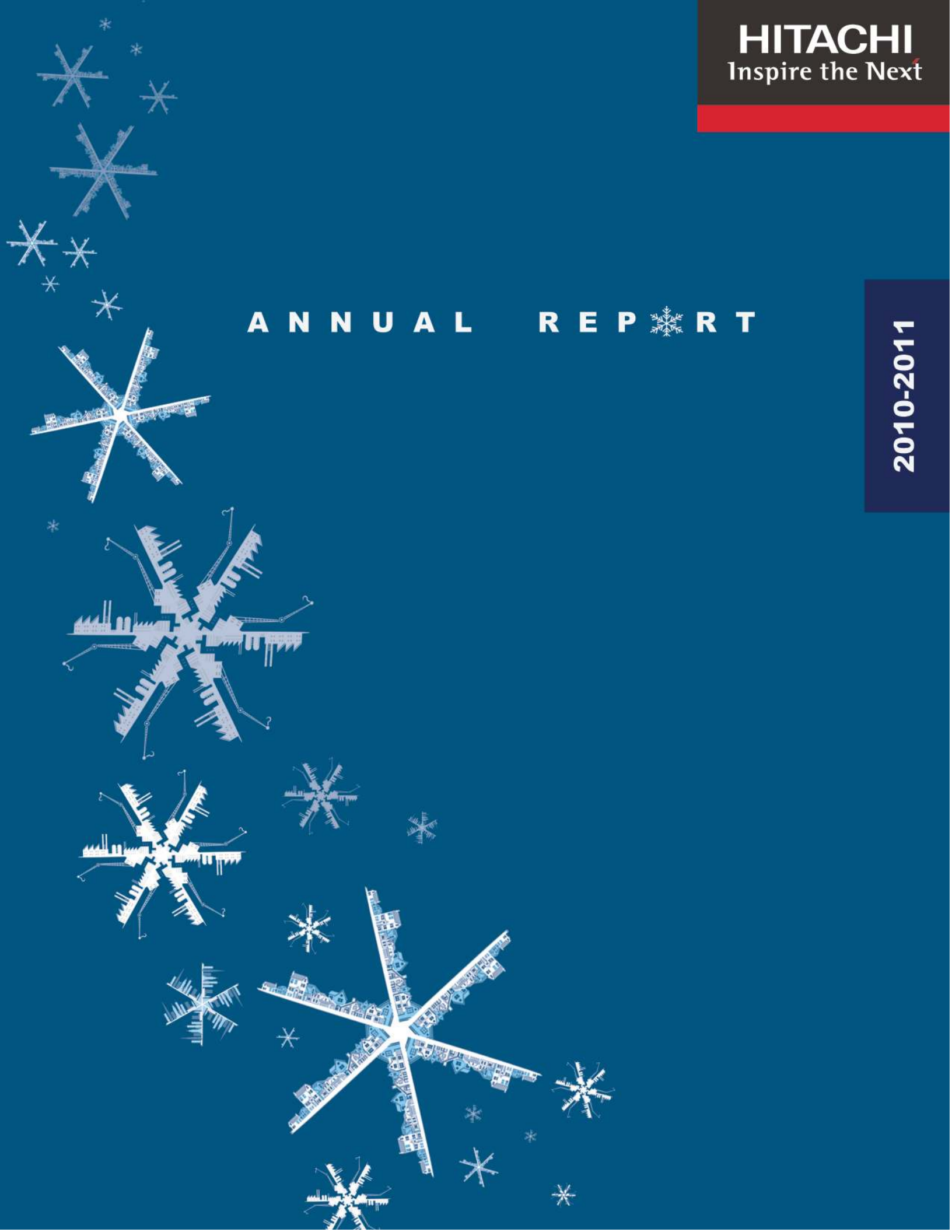


**A N N U A L   R E P O R T**

**2010-2011**



## OUR PRODUCT RANGE



i-Clean



i-Tec



Star



Ace FollowMe



Ace Cutout



Atom2XL



Atom



Kaze



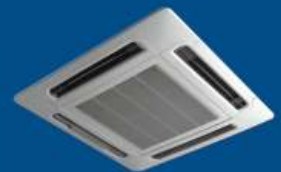
Summer



Quadricool TM



Kaze



Cassette



Big French Refrigerator



3-Door Refrigerator



2-Door Refrigerator



Takumi Ductable



Space Maker



Set Free System



Water-Cooled Chiller



Air-Cooled Chiller

## MESSAGE FROM THE CHAIRMAN



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

My warm greetings to all the shareholders of Hitachi Home & Life Solutions (India) Limited (HHLI). It gives me great pleasure to share with you the highlights of HHLI's achievements in FY 2010-11. During the year, Company's strategy revolved around understanding our customers' changing needs and to build our presence in key niches with new product segments & in new markets with strong and clear growth targets. We continued to leverage this strategy to proactively lead our way and improve execution across the organization.

HHLI has made an Operating Profit (Profit before Depreciation, Interest and Tax) of Rs. 580.32 Mn. and contributed to the consolidated accounts of Hitachi Group.

During the year, Room Air conditioning industry experienced a growth of close to 31% in comparison to about 25% growth in 2009-10. However, Company has grown by 46% over the last year. This year has been very remarkable since we have grown more than the industry growth rate.

HHLI has set target to capture 10% market share in terms of sales volume which will translate into 12% in value terms. We have embarked upon mass-premium segment this year, with encouraging response from the market and now we are strengthening this segment also. However, Company has experienced margin pressure in mass-premium segment due to increase in input cost and alignment of price in view of competition with Japanese players in the industry.

Inspiration, Trust and Continuous Innovation are the core values that drive Hitachi brand. Innovation is the key aspect of HHLI's business strategy. HHLI keeps on innovating and introducing the best in class products to Indian market every year.

This year, HHLI has launched new exciting range of Split & Window Air conditioners in premium & mass-premium segments. Now Hitachi's Split Air conditioner range comprises of 25 models, with capacities ranging from 0.9 Tr. to 3.5 Tr. The Window Air conditioner range includes 10 models within 1.0 Tr. to 2.0 Tr. capacities.

The innovation of the year is 'i-Clean', a newly launched Split Air conditioner. For the first time in India HHLI has introduced an Air conditioner with automatic filter clean technology, which cleans filter automatically, resulting in no blockage and no dust on the heat exchanger. Therefore, customer enjoys clean, healthy & powerful cooling forever with same high energy efficiency through out over the years.

During the year, HHLI has introduced India's first ever 5 star rated Window Air conditioner Summer where 1.1 Tr. & 1.5 Tr. capacities are 5 star rated in the range.

HHLI also enhanced its mass-premium Air conditioner range with the launch of new model of 'Kaze' in Split & Window Air conditioner segment. 'Kaze' range will help in reaching out to those customers who aspire to get Hitachi experience from middle level income group, who want Hitachi's quality and trust for their money. This will help Company to gain market share in Room Air conditioners segment in near future.

This year, HHLI has improved the business growth in Commercial Air conditioner segment as well. In Ductable Air conditioner business Company grew by 11% which is more than the market growth rate. In Chiller and VRF segments also Company grew more than the industry growth. HHLI has started manufacturing of water cooled chiller at Kadi plant. In Telecom Air conditioner segment Company is maintaining its leadership position with the market share of about 42%.

During the year HHLI introduced a spectacular range of refrigerators in 4-door, 3-door & 2-door categories. The new stylish & premium refrigerator series is all set to entice the consumers with its elegant designs and unique features. We operate only in premium category and Company has shown very encouraging growth by over 23% against last year; however the segment in which Company operates is small.

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

Service has been the main thrust area for Company this year. We have now 32 Company owned & operated service centers across the country, a dedicated Company owned & operated 24x7 call centre and Hitachi Centre for excellence to train the service technicians.

HHLI has aggressive network expansion plans to cover maximum part of the country with deeper penetration into all markets. We are investing in emerging markets, this focus is positioning us to capture growth and drive more value.

Company's key assets are its brands, people and reputation. Over the next few years, our story will be about generating growth and creating value. Our markets are growing, our products are groundbreaking, and our technological leadership is capturing space in both emerging and mature markets.

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.

I thank you all for your constant support and goodwill for 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>

**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, Bariabrahmna – 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 based on the information provided by the Company, under advise to the investor.

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 new 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 thousands unless otherwise stated)

PARTICULARS	2010-11	2009-10	2008-09	2007-08	2006-07
<b>Sales and Services (Net of Excise Duty)</b>	7,632,459	6,409,033	4,698,968	4,466,060	3,248,899
Sales Growth	19%	36%	5%	37%	26%
Other Income	56,404	118,310	72,349	104,077	61,716
<b>TOTAL INCOME</b>	<b>7,688,863</b>	<b>6,527,343</b>	<b>4,771,317</b>	<b>4,570,137</b>	<b>3,310,615</b>
Profit before Depreciation, Interest and Tax (PBDIT)	580,322	703,083	373,879	566,892	299,726
Financial Charges	20,465	15,101	26,673	21,766	32,382
Depreciation	160,520	117,770	79,926	76,330	45,050
Profit Before Tax (PBT)	399,337	570,212	267,281	468,796	222,295
Provision for Taxation	106,080	108,810	56,541	46,311	29,030
Profit after Tax (PAT)	293,257	461,402	210,740	422,485	193,265
Equity Share Capital	229,600	229,600	229,600	229,600	229,600
Reserves & Surplus	1,489,973	1,236,743	815,501	604,761	388,358
Net Worth	1,719,573	1,466,343	1,045,101	834,361	411,876
Net Worth Growth	17%	40%	25%	103%	88%
Gross Fixed Assets	1,986,326	1,588,555	1,098,482	733,185	628,487
Net Fixed Assets	1,309,430	1,045,713	649,650	314,740	266,435
Total Assets	2,623,732	2,072,863	1,562,632	961,439	952,356
<b>KEY INDICATORS</b>					
Earnings Per Share (Rs.)	12.77	20.10	9.18	18.40	8.42
Cash Earnings Per Share (Rs.)	19.76	25.23	12.66	21.73	10.38
Book Value Per Share (Rs.)	74.89	63.87	45.52	36.34	17.94
Debt to Equity Ratio	0.52:1	0.41:1	0.48 : 1	0.14 : 1	0.81 : 1
PBDIT / Sales and services (Net of excise duty)	8%	11%	8%	13%	9%
Net Profit Margin	4%	7%	4%	9%	6%
Return on Net Worth	17%	31%	20%	51%	47%
Return on Capital Employed	16%	28%	19%	51%	27%

Note: Previous years' figures regrouped wherever necessary

## DIRECTORS' REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS

Dear Members,

Your Directors have pleasure in presenting the Twenty Sixth Annual Report and the Audited Financial Statements, for the year ended March 31, 2011.

### FINANCIAL HIGHLIGHTS

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

(Rs. in Mn.)

	For the year ended March 31, 2011	For the year ended March 31, 2010
Income from operations	8291.28	6859.70
Less : Excise Duty	658.82	450.67
Other Income	56.40	118.31
Total Income	7688.86	6,527.34
Profit before interest, depreciation and tax	580.32	703.08
Interest	20.46	15.10
Depreciation	160.52	117.77
Tax	106.08	108.81
Profit after tax	293.26	461.40
Amount brought forward from previous year	802.24	427.14
Balance available for appropriation	1095.50	888.54
Amount transferred to General Reserve	29.33	46.14
Proposed Dividend (including Corporate Dividend Tax)	40.02	40.16
Surplus carried to Balance Sheet	1026.15	802.24

### DIVIDEND

Your Directors recommend a dividend of Rs. 1.50 per Equity Share for the year ended March 31, 2011. This is subject to the approval of the Members at the ensuing Annual General Meeting.

### INDUSTRY STRUCTURE & DEVELOPMENTS

#### Consumer Appliances Industry

The home appliances industry (only Air conditioners and Refrigerators) is estimated to be around Rs. 146,000 Mn. Room Air conditioners contribute to around Rs. 68,000 Mn. and Refrigerators contribute Rs. 78,000 Mn.

#### Air conditioning Industry

Our estimate of the industry performance during FY 2010-11 is given below;

Category	Total Industry Sales		
	2010-11	2009-10	Growth
Room Air conditioners (in Mn. Units)	3.30	2.51	31%
Ductable Air conditioners (in Mn. Tr.)	0.35	0.33	6%

Indian Air conditioning industry is experiencing a radical change since last few years. Image of Air conditioner has gone beyond from just cooling appliance to a stylish and intelligent Air conditioning System. This will increase the Air conditioner penetration in future. Energy awareness is increasing and is becoming an important purchase criterion, along with the aesthetics.

## 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 experienced a growth rate of close to 31% in 2010-11 in comparison to about 25% growth in 2009-10. However penetration of Room Air conditioners in India is still low at around 3% only.

The demand of Split Air conditioners is continuously increasing. Price gap between Window and Split Air conditioners has shrunk in recent years. The Split Air conditioners contribute to more than 65% of Room Air conditioner market. Company is also following the trend continuously improving its position in the market which has helped to achieve a growth in Split Air conditioner category more than the industry growth.

Your Company has grown @ 46% over the last year with 2.3 lac units against 1.58 lac units in last financial year in Room Air conditioners segment.

Your Company keeps on innovating and introducing the best in class products to Indian market every year. Company has launched new exciting range of Air conditioners in Split types & Window types in mass-premium & premium segments.

## Business Directions

- |             |  |
|-------------|--|
| Goal        | At present we have 7 % market share in terms of sales volume and 9% in value term in Room Air conditioner category. We are witnessing very encouraging growth in last couple of years. Therefore we are prepared to capture 10 % market in terms of sales volume which will translate into 12% in value terms.   |
| Initiatives | <ul style="list-style-type: none"><li>• We are expanding to smaller cities / towns and increasing dealers and distributors base as well.</li><li>• We have launched new exciting range of Air conditioners in Split type &amp; Window type in mass-premium &amp; premium segments.</li></ul>   |
| Highlights  | <ul style="list-style-type: none"><li>• In June 2010 Company's presence was limited to 236 towns, with an aggressive plan we are aiming at reaching out to approx 300 towns. We have reached to a dealer base of 1800 and aiming at 3000 nos. by the end of 2011.</li><li>• We have enhanced 'Kaze' Air conditioner range by launching new range of 'Kaze' Split &amp; Window Air conditioner for mass-premium segment. This range is fully loaded with Hitachi's quality and trust. This will help us in penetrating further.</li></ul> |

## Innovation of the year

As part of Company's continual innovation drive, 'i-Clean', Split Air conditioner model was launched. 'i-Clean' is equipped with automatic filter clean technology, which cleans filter automatically therefore no blockage, no dust and provides only clean, healthy and powerful cooling forever with high energy efficiency. The machine cleans the filter automatically after every 10 hrs. and maintains the hygienic room environment. The filter is stainless steel coated which is introduced first time. It comes with durable mesh. 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.

Company has also launched new models of its popular Split Air conditioner models 'ACE Followme' and 'ACE Cutout' with refreshing looks and stainless steel coated filter. The 'i-Tec', an inverter compressor based Air conditioner is also launched with new look.

## India's First 5 star rated Window Air conditioner

This year Company has introduced India's first ever 5 star rated Window Air conditioner 'Summer'. In 'Summer', 1.1 Tr. & 1.5 Tr. Class capacities are 5 star rated in the range. This is good news for all the customers of Window Air conditioner. 'Summer' is a power packed Window Air conditioner which has innovative features, silent cooling, stylish looks, metallic finish and very high energy efficiency. This Window Air conditioner model will accompany the existing but fresh looking model Quadricool TM. The 'Summer' is available in 3 capacities; 1.1 Tr., 1.5 Tr. and 2.0 Tr. Class.

## Mass-premium Range

Your Company enhanced its mass-premium Air conditioner range with the launch of new model 'Kaze' in Split & Window type Air conditioner segment. 'Kaze' range will help in reaching out to those customers who are aspiring to get Hitachi experience from middle level income group, who want Hitachi's quality and trust for their money. 'Kaze' Window Air conditioners are available in 1.0 Tr., 1.5 Tr. & 2.0 Tr. Class and 'Kaze' Split Air conditioners are available in 0.9 Tr., 1.2 Tr., 1.5 Tr. & 2.0 Tr. Class capacities.

Now Hitachi's Split AC range comprises of 25 models, with capacities ranging from 0.9 Tr. to 3.5 Tr. Class. The Window Air conditioner range includes 10 models within 1.0 Tr. to 2.0 Tr. Class capacities.

## Commercial range of Air conditioners

The financial year has shown a positive trend for the Commercial Air conditioning business. After global economic downturn Indian Government took several steps and the economy has shown a robust growth. All the sectors started showing positive movement. Commercial Air conditioner business depends upon the country's economic health, good economy growth is making the realty sector to grow hence the positive effect has started.

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In Ductable Air conditioner business industry has grown at about 6% however your Company grew @11% which is more than the market growth rate. Company offers the 'Takumi' range of Ductable Air conditioners, unique energy efficient engineering design and flexibility in application provides pragmatic solutions to suit best for cooling requirements. The range of these products is available from 3.0 Tr. to 16.5 Tr. which are highly appreciated and well received in the market.

This year Chiller and VRF segments also shown growth. The Screw chiller industry grew near to 15% whereas your Company grew @ 18%. Company offers a wide range of chillers in air cooled and water cooled category. VRF category is also promising and growing. Many upcoming residential complexes and commercial buildings use VRF systems. VRF system will continue with good growth rate in the coming years also.

Company has started manufacturing of water cooled chillers in 40 HP to 120 HP capacities at Kadi plant from September-2010.

#### **Telecom Air conditioners**

This cutting edge Air conditioning system is specially designed for unmanned Telecom Shelters/ Telecom BTS sites. Company's specialized and unique product, the 'Spacemaker' comes with higher cooling capacity, unique safety features, lower power consumption and lower operating costs.

This year market has de-grown. The major reason is the sharing of towers amongst telecom operators who tried to manage with existing infrastructure. Therefore, new setups are not coming and the growth is negative. However your Company is maintaining its leadership position with the market share of about 42% in comparison to 32% last financial year.

#### **Refrigerators**

This year your Company has introduced a spectacular range of refrigerators. The new stylish and premium refrigerator series is all set to entice the consumers with its elegant designs and spectacular features. This new range offers an elegant and healthy living for your home and designed to directly address every need of the modern consumer. Company offers 16 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 only 15% of total refrigerator industry. We operate only in premium category therefore the huge sales volume is not expected. However your Company has shown very encouraging growth by over 23% against last year.

#### **Service Initiatives**

##### **1. Company owned & operated service centers:**

Your Company has taken an initiative by introducing Company owned and operated service centers to improve the after sales service quality and better customer satisfaction. In first phase Company has opened 32 centers with 1200 technicians in all the major towns. This is over and above 350 service points where service is provided by Sales & Service Dealers.

##### **2. Company owned & operated 24x7 call center:**

Your Company has its own 24x7 call center managed by Company's employees. A customer experiences personalized helpline service by trained Company's employees.

##### **3. Service Training:**

Apart from training Company's service technicians we have trained 2500 technicians of service franchisees in Company's state of art training center "Hitachi Center for excellence". This center is based at Kadi (Gujarat) plant and has a dedicated team for training needs.

#### **OPPORTUNITIES**

##### **Air conditioner Penetration**

Room Air conditioner penetration in India is @ approx 3% which is very low compared to other countries like China, Malaysia, Korea, Taiwan etc. It is expected to grow up to 5% by 2015.

##### **Market Growth**

The market is evolving at a rapid pace, there are several factors favoring the Indian Air conditioner market growth. Changing lifestyles, rise in disposable incomes and the ease of availability will aid this growth.

##### **Energy Efficiency**

From next year onwards BEE is making the star rating system more stringent, which means the EER of all star ratings will go up. Therefore to qualify to be a 5 star Air conditioner the minimum EER will be 3.3, which is 3.1 at present. As you know that your Company offers higher EERs in all the models therefore we will easily adapt to the new system.

##### **Growth of Modern Trade**

The Indian retail market, which is the fifth largest retail destination globally, has been ranked as the most attractive emerging market for investment in the retail sector. The organised retail sector is all set to witness maximum number of large format malls and branded retail

stores in the next two years. Organised retail would not only streamline the supply chain, but also facilitate increased demand, especially for high-end and branded products.

## THREATS, RISKS AND CONCERNS

### Input Cost

Increase in commodity prices like steel, copper, aluminum is forcing all the manufacturers to increase the price. Freight cost and increasing operating costs will increase the over all cost.

Because of BEE standards of Energy efficiency the specifications of all Air conditioners are going up which results in the cost increase.

### Lack of Consumer Finances

The cost of finance is going up and Banks / NBFCs are tightening their norms to take exposure on consumer finances, consequently the funding options have minimized. Inventory funding is also very tight, which is not a good situation for intermediaries to run their operations.

### Power Quality

High electricity cost & consistency in power supply remain a hindrance in the growth of business. Long power cuts and voltage fluctuations may affect the pace of industry growth.

### Human Resources

The total strength of employees (staff and operators) of the Company was 680 as on March 31, 2011.

With the initiation of new Process of Hitachi Customer Satisfaction (HCS), 32 Centers all India were manned by Company. A pool of 890 Engineers and Technicians have been recruited (PAN India), for providing Service Delivery to customers directly during this year.

Training & Development is one of the key focus areas this year. To deliver the above "Hitachi Center for Excellence" a Training Center at Kadi Plant was created. An average of 43.6 Man-hours of training has been given during this year.

To further enhance the Quality of Service to the Customers, training in the area of both Technical & Behavioral function was organised. A unique program of Trainers Development Program (TDP) for HCS was organized at the Factory for 10 Days. The HCS-Trainers Development Program was a detailed Technical Training program towards developing the Technicians to gain expertise and further train the Technicians & Engineers at respective HCS Centers. By organizing 4 Batches of this program we created a pool of 80 Trainers across India. This trained pool of Trainers successfully further gave Technical Operations Training (TOT) at each center. During the year under review HCS provided 39,800 Man-Hours training.

To strengthen the Central Air conditioning business team an Exclusive pool of 20 Nos. of Engineer Trainees were recruited. They were deployed in various areas of Project Design, Estimation, Execution and Commercial for handling Central Air conditioner Projects all over India.

During the year under review, Wage Agreement for three years Long Term Agreement, was signed between the Management and the Operators for Kadi Plant.

## INTERNAL CONTROL AND SYSTEMS

Your 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 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 are reviewed and discussed at the meetings of the Audit Committee.

## DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed ;
- (ii) 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 March 31, 2011 and of the profit of the Company for that year ;
- (iii) 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
- (iv) 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.

### **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  
Date : May 23, 2011

**Motoo Morimoto**  
Managing Director

**Anil Shah**  
Executive Director

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## **ANNEXURE-I**

### **Information regarding Conservation of Energy, Technology Absorption, Research and Development**

#### **Conservation of Energy**

1. New addition of screw compressors having variable frequency drive which is giving significant power saving compared to earlier reciprocating system.
2. Implemented Bonderite-NT1 chemical in painting process which operate at room temperature and sludge free. Use of this chemical reduced breakdown of paint shop which resulted in 15% energy saving.
3. Paint shop conveyor speed increased from 1.6 Mtr./min to 1.9 Mtr./min which resulted into increase in productivity by 15%
4. CNG gas implemented in Auto brazing Oven in place of LPG which reduced loss of LPG gas up to 10%.

#### **Research and Development (R&D)**

R & D is key for ensuring local insights lead to Innovative models.

1. Company has launched Auto Clean Technology in Split range with 5 Star Rating.
2. Company has launched 5 Star in Window category which is India's first Window Air conditioner in its class.
3. Company has launched new 'Kaze' Window Air conditioner which is single flow Air conditioner to cater medium class mass segment market and available in 2 & 3 star rating.
4. Company has launched Compact outdoor unit specially for 0.9 Tr. and 1.2 Tr. class Split which is 20% compact in size.
5. Company has developed new 16.5 Tr. compact indoor unit which is 23% compact than existing indoor unit. It also improved technical specifications.
6. Company has launched indigenous water cooled chiller with environment friendly refrigerant R407C.
7. Company has launched 8.5 Tr. & 11.0 Tr. Ductable unit with higher capacity single compressor.
8. Expenditure on R&D:
  - a. Capital: Rs. 1.78 Million
  - b. Revenue: Rs. 33.50 Million

#### **Technology Absorption**

1. Company has absorbed Auto clean technology in Split range which ensures automatic cleaning of filters based on intelligent logic which ensures 5 star rating of product.
2. DC fan motor technology in Window category which is first time in India. DC motor ensures better efficiency of product.
3. Stainless steel coated filter in Split range which ensures proper cleaning of air and easy to clean.
4. Cycle balancing of Split category with green refrigerant R410a.

#### **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 forming part of the Annual Report.

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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
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 April 01, 2010 to March 31, 2011, Four (4) Board Meetings were held i.e. on May 24, 2010, July 29, 2010, October 29, 2010 and January 31, 2011. The last Annual General Meeting (AGM) was held on July 29, 2010. The attendance of Directors at these Board Meetings and the last AGM were as under:

Name of Director	Board Meetings	Annual General Meeting
Mr. Kenichi Munakata*	1	Present
Mr. Shinichi Iizuka**	2	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
Dr. Anwar Ali***	0	—
Mr. Ashok Balwani	4	Present
Dr. Devender Nath	4	Present
Mr. Mukesh Patel	3	Present
Mr. R S Mani^	1	—
Mr. Ravindra Jain	4	Present
Mr. Tarun Sheth***	0	—
Mr. Vinesh Sadekar^	1	—

\* Ceased as Director on June 20, 2010

\*\* Appointed as Director on June 21, 2010

\*\*\* Ceased as Director on sad demise

^ Appointed as Director on December 15, 2010

#### 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 March 31, 2011 are as under:

Name of Director	No of Shares held
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
Mr. Tarun Sheth*	–	Member
Dr. Devender Nath**	–	Member

\*Mr. Tarun Sheth ceased as Director on July 18, 2010

\*\*Dr. Devender Nath appointed as Member on January 31, 2011

During the year from April 01, 2010 to March 31, 2011, Four (4) Audit Committee Meetings were held i.e. on May 24, 2010, July 29, 2010, October 29, 2010 and January 31, 2011. Attendance of the members at the meetings were as under:

Name of Members of Committee	Meetings attended
Mr. Mukesh Patel	3
Mr. L G Ramakrishnan	4
Mr. Ravindra Jain	4
Mr. Tarun Sheth	0
Dr. Devender Nath	1

## 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. Tarun Sheth\* – Chairman
- Mr. L G Ramakrishnan – Member
- Mr. Mukesh Patel – Member
- Mr. Ravindra Jain – Member

\*Mr. Tarun Sheth ceased as Director on July 18, 2010

During the year under review the Remuneration Committee Meeting was held on May 24, 2010. Attendance of the members at the meeting was as under:

Name of Members of Committee	Meeting attended
Mr. Tarun Sheth	0
Mr. L G Ramakrishnan	1
Mr. Mukesh Patel	1
Mr. Ravindra Jain	1

## 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 Rs. 20,000/- for attending Board meeting, Rs. 20,000/- for attending Audit Committee Meeting, Rs. 10,000/- for attending Remuneration Committee Meeting and Rs. 5000/- for Investors' Grievance Committee Meeting.

Remuneration of directors during the year under review:

(in Rupees)

Name of Director	Salary*	Sitting Fees	Total Remuneration
Mr. Kenichi Munakata	Nil	Nil	Nil
Mr. Shinichi Iizuka	Nil	Nil	Nil
Mr. Motoo Morimoto	4,492,590	Nil	4,492,590
Mr. Vinay Chauhan	5,580,711	Nil	5,580,711
Mr. Amit Doshi	5,479,275	Nil	5,479,275
Mr. Anil Shah	5,532,165	Nil	5,532,165
Mr. L G Ramakrishnan	Nil	Nil	Nil
Mr. Mukesh Patel	Nil	190,000	190,000
Mr. Ravindra Jain	Nil	170,000	170,000
Mr. Tarun Sheth	Nil	Nil	Nil
Dr. Anwar Ali	Nil	Nil	Nil
Mr. Ashok Balwani	Nil	80,000	80,000
Dr. Devender Nath	Nil	100,000	100,000
Mr. Vinesh Sadekar	Nil	20,000	20,000
Mr. R S Mani	Nil	20,000	20,000

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

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 March 31, 2011
1.	Non-receipt of share certificates after transfer	2	2	Nil
2.	Non-receipt of Dividend Warrants	6	6	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 – Asst. Company Secretary

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

### III. Other disclosures

#### Statutory Disclosures:

- There were no related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc., of material nature having potential conflict with the interest of the 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 March 31, 2011 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
July 28, 2008	9.30 a.m.	H T Parekh Convention Centre, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Vastrapur, Ahmedabad	No Special Resolution passed.
July 23, 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
July 29, 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.

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, July 28, 2011	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 April 01, 2010 to March 31, 2011

Book closure : From July 25, 2011 to July 28, 2011 (Both days inclusive)

Dividend Payment Date : Dividend will be paid on August 12, 2011.

### 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 2011-12 to the above Stock Exchanges.

### Market Price Data

Highest & lowest market price 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-2010	284.95	235.05	18,047.86	17,276.80	287.95	234.00	5399.65	5160.90
May-2010	320.00	241.50	17,536.86	15,960.15	319.90	240.10	5278.70	4786.45
June-2010	340.00	275.50	17,919.62	16,318.39	332.90	271.00	5366.75	4961.05
July-2010	402.00	295.05	18,237.56	17,395.58	358.00	295.00	5477.50	5225.60
August-2010	373.90	285.30	18,475.27	17,819.99	373.70	285.20	5549.80	5348.90
September-2010	365.90	315.25	20,267.98	18,027.12	366.00	311.25	6073.50	5403.05
October- 2010	347.00	294.00	20,854.55	19,768.96	347.70	285.00	6284.10	5937.10
November-2010	320.00	193.00	21,108.64	18,954.82	298.95	189.00	6338.50	5690.35
December-2010	239.90	186.00	20,552.03	19,074.57	239.55	189.00	6147.30	5721.15
January-2011	240.00	191.25	20,664.80	18,038.48	233.20	189.20	6181.05	5416.65
February-2011	208.00	170.15	18,690.97	17,295.62	207.40	170.00	5599.25	5177.70
March-2011	231.90	172.00	19,575.16	17,792.17	231.70	172.10	5872.00	5348.20

### 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 March 31, 2011

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	1,196,674	5.21
Banks, Financial Institutions, Insurance Companies	9,075	0.04
Foreign Institutional Investors	10,761	0.05
Bodies Corporate	804,497	3.50
Indian Public	4,746,304	20.67
Non Resident Indians	142,697	0.63
<b>Total</b>	<b>22,960,008</b>	<b>100.00</b>

**Distribution of shareholding as on March 31, 2011**

Shares Balance	No. of Holders	% of Holders	No. of Shares	% of Shares
1-500	15566	91.48	1946289	8.48
501-1000	825	4.85	646259	2.81
1001-2000	305	1.79	461730	2.01
2001-3000	109	0.64	276231	1.20
3001-4000	53	0.31	190970	0.83
4001-5000	37	0.22	175403	0.77
5001-10000	57	0.33	436482	1.90
10001-99999999	64	0.38	18826644	82.00
<b>Total</b>	<b>17016</b>	<b>100.00</b>	<b>22960008</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 March 31, 2011, 74.70% 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

**Registrars 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.**

Sd/-

**Motoo Morimoto**

**Managing Director**

Place : Ahmedabad

Date : May 11, 2011

**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 ('the Company'), for the year ended on March 31, 2011, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

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 Sudhir Soni**

Partner

Membership No.: 41870

Place : Mumbai

Date : May 23, 2011

**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, 2011 and also the Profit and Loss account and the Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
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, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
  - iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act.
  - v. On the basis of the written representations received from the directors, as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 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, 2011;
    - b) in the case of the Profit and Loss account, 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 Sudhir Soni**

Partner

Membership No.: 41870

Place : Mumbai

Date : May 23, 2011

**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 Companies Act, 1956. 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 Companies Act, 1956. 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) According to the information and explanations provided by the management, 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.
- (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 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.

Further, since the Central Government has till date not prescribed the amount of cess payable under section 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.

- (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, value added tax, sales-tax, custom duty, excise duty, cess and other undisputed 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 income tax, sales tax, service tax, excise duty and cess on account of any dispute that have not been deposited, are as follows:

Name of the statute	Nature of dues	Amount (Rs. in '000)	Period to which the amount relates	Forum where dispute is pending
Sales Tax Act (Central & States)	Demand raised in assessments at various locations	22,542	1998-99 to 2007-08	Deputy Commissioner Appeals / Joint Commissioner Appeals

Name of the statute	Nature of dues	Amount (Rs. in '000)	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	10,249	2005-06 to 2010-11	CESTAT, Ahmedabad
	Demand raised on Consulting Engineers Services including interest and penalty	4,864	2000-01 to 2003-04	CESTAT, Ahmedabad
	Demand raised on Commission including interest and penalty	876	2004-05	CESTAT, Ahmedabad
	Demand raised for wrong service tax credit including interest and penalty	3,212	2003-04 and 2004-05	CESTAT, Ahmedabad
Customs Act, 1962	Dispute over classification	92	2000-01	Deputy Commissioner Appeals
	Dispute over classification	17,144	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 and cash flow statement 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 the 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 Sudhir Soni**  
Partner  
Membership No.: 41870

Place : Mumbai  
Date : May 23, 2011

## BALANCE SHEET AS AT MARCH 31, 2011

(Currency: Rupees in thousands unless otherwise stated)

	Schedules	As at March 31, 2011	As at March 31, 2010
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	229,600	229,600
Reserves and Surplus	2	1,489,973	1,236,743
		<u>1,719,573</u>	<u>1,466,343</u>
<b>Loan Funds</b>			
Secured Loans	3	399,511	153,232
Unsecured Loans	4	500,573	447,284
		<u>900,084</u>	<u>600,516</u>
Deferred Tax Liabilities (Net) (Refer Note No. 9 of Schedule 20)		4,075	6,004
<b>TOTAL</b>		<u><u>2,623,732</u></u>	<u><u>2,072,863</u></u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	1,986,326	1,588,555
Less: Accumulated Depreciation and Amortisation		676,896	542,842
Net Block		1,309,430	1,045,713
Capital Work-in-Progress (including capital advances)		65,383	151,790
		<u>1,374,813</u>	<u>1,197,503</u>
<b>Current Assets, Loans and Advances</b>			
Inventories	6	3,267,298	1,804,032
Sundry Debtors	7	1,249,320	959,806
Cash and Bank Balances	8	20,748	283,775
Other Current Assets	9	4,961	1,218
Loans and Advances	10	306,523	253,267
		<u>4,848,850</u>	<u>3,302,098</u>
<b>Current Liabilities and Provisions</b>			
Current Liabilities	11	3,448,684	2,296,039
Provisions	12	151,247	130,699
		<u>3,599,931</u>	<u>2,426,738</u>
<b>Net Current Assets</b>		<u>1,248,919</u>	<u>875,360</u>
<b>TOTAL</b>		<u><u>2,623,732</u></u>	<u><u>2,072,863</u></u>

Notes to Accounts

20

The schedules referred to above and notes to accounts form an integral part of the Balance Sheet.

As per our report of even date

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

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

Firm Registration No.101049W

Chartered Accountants

**per Sudhir Soni**

Partner

Membership No: 41870

Place : Mumbai

Date : May 23, 2011

**Motoo Morimoto**  
Managing Director

**Anil Shah**  
Executive Director

**Parag Dave**  
Asst. Company Secretary

Place : Ahmedabad

Date : May 23, 2011

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

(Currency: Rupees in thousands unless otherwise stated)

	Schedules	For the year ended March 31, 2011	For the year ended March 31, 2010
<b>INCOME</b>			
Manufacturing Sales - Domestic		7,123,026	6,033,459
Manufacturing Sales - Export (Including Export Benefits)		—	10,754
Trading Sales		740,539	506,131
Service Income		427,718	309,355
<b>Turnover (Gross)</b>		<b>8,291,283</b>	<b>6,859,699</b>
Less: Excise Duty Recovered (Refer Note No. 16 of Schedule 20)		658,824	450,666
<b>Turnover (Net)</b>		<b>7,632,459</b>	<b>6,409,033</b>
Other Income	13	56,404	118,310
<b>TOTAL</b>		<b>7,688,863</b>	<b>6,527,343</b>
<b>EXPENDITURE</b>			
Raw Material Consumed and Cost of Trading Goods Sold	14	5,621,805	4,520,281
Personnel Expenses	15	440,650	320,429
Operating and Other Expenses	16	754,032	562,502
Selling and Distribution Expenses	17	940,426	810,652
(Increase) in Inventories	18	(648,372)	(389,604)
Depreciation and Amortisation	5	160,520	117,770
Financial Expenses	19	20,465	15,101
<b>TOTAL</b>		<b>7,289,526</b>	<b>5,957,131</b>
<b>Profit Before Tax</b>		<b>399,337</b>	<b>570,212</b>
<b>Provision for Income Tax (Refer Note No. 9 &amp; 20 of Schedule 20)</b>			
Current Tax		108,009	115,080
Deferred Tax credit		(1,929)	(6,270)
<b>Net Profit after Tax</b>		<b>293,257</b>	<b>461,402</b>
Balance brought forward from previous year		802,245	427,143
<b>Profit available for appropriations</b>		<b>1,095,502</b>	<b>888,545</b>
<b>Appropriations</b>			
Proposed Dividend		34,440	34,440
Tax on dividend		5,587	5,720
Transfer to General Reserve		29,326	46,140
<b>Balance carried to Balance Sheet</b>		<b>1,026,149</b>	<b>802,245</b>
Basic and diluted earnings per share (Rs.) (Refer Note No. 8 of Schedule 20)		12.77	20.10
Nominal Value of Shares Rs.10 (Previous year: Rs. 10)			
Notes to Accounts	20		
The schedules referred to above and notes to accounts form an integral part of the Profit and Loss Account.			
As per our report of even date		<b>For and on behalf of the Board of Directors</b>	
<b>For S.R. Batliboi &amp; Associates</b>			
Firm Registration No.101049W			
Chartered Accountants			
<b>per Sudhir Soni</b>		<b>Motoo Morimoto</b>	<b>Anil Shah</b>
Partner		Managing Director	Executive Director
Membership No: 41870			<b>Parag Dave</b>
Place : Mumbai			Asst. Company Secretary
Date : May 23, 2011			Place : Ahmedabad
			Date : May 23, 2011

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

(Currency: Rupees in thousands unless otherwise stated)

	For the year ended March 31, 2011	For the year ended March 31, 2010
<b>A. Cash Flow from Operating Activities</b>		
Net Profit before Tax	399,337	570,212
Adjustments For :		
Loss/(Profit) on sale/discard of assets (net)	(236)	3,284
Unrealised foreign exchange (gain)/loss (net)	43,125	(45,549)
Depreciation and Amortisation	160,520	117,770
Provision for doubtful debts	1,417	—
Financial Expenses (net)	(3,308)	(4,018)
<b>Operating profit before working capital changes</b>	<b>600,855</b>	<b>641,699</b>
Adjustments for :		
Increase in Trade Receivables	(290,931)	(141,551)
Increase in Loans and Advances	(76,778)	(63,591)
Increase in Other Current Assets	(3,776)	(325)
Increase in Inventories	(1,463,266)	(639,580)
Increase in Current Liabilities	1,208,159	646,990
Increase in Other Provisions	20,681	12,174
<b>Cash from / (used in) Operating Activities</b>	<b>(5,056)</b>	<b>455,816</b>
Direct Taxes paid	(84,100)	(85,000)
<b>Net cash from / (used in) Operating Activities</b>	<b>(89,156)</b>	<b>370,816</b>
<b>B. Cash flow from Investing Activities</b>		
Purchase of Fixed Assets	(310,508)	(390,088)
Proceeds from sale of Fixed Assets	4,120	1,996
Purchase of Intangibles	(78,417)	(56,675)
Decrease / (Increase) in deposits (with maturity more than three months)	51,337	(44,620)
Interest received	23,806	19,683
<b>Net cash used in investing activities</b>	<b>(309,662)</b>	<b>(469,704)</b>
<b>C. Cash Flow from Financing Activities</b>		
Proceeds from long-term borrowings	—	146,218
Repayment of long-term borrowings	—	(167,424)
Proceeds from short term borrowings	246,280	145,095
Interest paid	(19,446)	(14,447)
Dividend paid (including tax provision thereon)	(39,707)	—
<b>Net cash flow from Financing Activities</b>	<b>187,127</b>	<b>109,442</b>
<b>Net increase / (decrease) in Cash and Cash Equivalents (A+B+C)</b>	<b>(211,691)</b>	<b>10,554</b>
<b>Cash and Cash Equivalents at the beginning</b>	<b>226,732</b>	<b>216,178</b>
<b>Cash and Cash Equivalents at the end</b>	<b>15,041</b>	<b>226,732</b>
<b>Components of Cash and Cash Equivalents:</b>		
Cash on hand	628	294
Bank balance in current accounts	9,722	22,720
Unclaimed dividend account	454	—
Balance in cash credit accounts	4,237	83,718
Balance in fixed deposit accounts	—	170,000
Balance in margin Accounts	5,707	7,043
<b>Total</b>	<b>20,748</b>	<b>283,775</b>
Less:- Balance in margin accounts	5,707	7,043
Less:- Fixed deposits not considered as cash equivalents	—	50,000
<b>Cash and Cash Equivalents</b>	<b>15,041</b>	<b>226,732</b>

Note : Cash Flow Statement has been prepared under the indirect method.

As per our report of even date

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

Firm Registration No.101049W

Chartered Accountants

**per Sudhir Soni**

Partner

Membership No: 41870

Place : Mumbai

Date : May 23, 2011

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

**Motoo Morimoto**  
Managing Director

**Anil Shah**  
Executive Director

**Parag Dave**  
Asst. Company Secretary

Place : Ahmedabad  
Date : May 23, 2011

## SCHEDULES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(Currency: Rupees in thousands unless otherwise stated)

	As at March 31, 2011	As at March 31, 2010
<b>SCHEDULE 1: SHARE CAPITAL</b>		
<b>Authorised</b>		
30,000,000 (Previous year: 30,000,000) Equity shares of Rs. 10 each	300,000	300,000
	<u>300,000</u>	<u>300,000</u>
<b>Issued, Subscribed and Paid-up</b>		
22,960,008 (Previous year: 22,960,008) Equity shares of Rs. 10 each fully paid up	229,600	229,600
	<u>229,600</u>	<u>229,600</u>
<b>Notes:</b>		
1. Of the above, 15,550,000 (Previous year: 15,550,000) Equity shares of Rs.10 each are held by Hitachi Appliances, Inc., Japan (the Holding Company) (formerly known as Hitachi Home & Life Solutions Inc., Japan) and 500,000 (Previous year: 500,000) Equity shares of Rs.10 each are held by Hitachi India Pvt. Ltd. (the Subsidiary of Ultimate Holding Company).		
2. 45,671 (Previous year: 45,671) Equity shares of Rs.10 each have been kept in abeyance pending final allotment of rights issue.		
<b>SCHEDULE 2: RESERVES AND SURPLUS</b>		
Capital Reserve	666	666
Securities Premium account	387,692	387,692
<b>General Reserve</b>		
Balance as per last account	46,140	—
Add : Transferred from profit and loss account	29,326	46,140
	<u>75,466</u>	<u>46,140</u>
Profit and Loss account	1,026,149	802,245
	<u>1,489,973</u>	<u>1,236,743</u>
<b>SCHEDULE 3: SECURED LOANS</b>		
Working capital from banks (Refer Note No. 18 of Schedule 20)	399,511	153,232
	<u>399,511</u>	<u>153,232</u>
<b>SCHEDULE 4: UNSECURED LOANS</b>		
External commercial borrowings from the Holding Company [Amount repayable within one year aggregating to Rs. 250,286 (Previous year: Rs.Nil)]	500,573	447,284
	<u>500,573</u>	<u>447,284</u>

**SCHEDULE 5: FIXED ASSETS**

(Currency: Rupees in thousands unless otherwise stated)

Particulars	Gross Block				Depreciation and amortisation				Net Block	
	As on 1-Apr-10	Additions	Deductions	As on 31-Mar-11	As on 1-Apr-10	For the year	Deductions	As on 31-Mar-11	As on 31-Mar-11	As on 31-Mar-10
<b>Intangible assets</b>										
Trade mark	21,000	—	—	21,000	21,000	—	—	21,000	—	—
Software capitalisation	44,639	5,167	—	49,806	37,198	4,128	—	41,326	8,480	7,441
Technical know how	155,802	85,798	—	241,600	61,249	33,931	—	95,180	146,420	94,553
<b>Tangible assets</b>										
Free hold land	201,606	6,865	—	208,471	—	—	—	—	208,471	201,606
Buildings	347,198	1,060	—	348,258	24,667	11,368	—	36,035	312,223	322,531
Plant and machinery	602,857	289,292	20,690	871,459	291,930	81,149	19,042	354,037	517,422	310,927
Computers	64,118	12,471	4,508	72,081	48,941	6,425	4,243	51,123	20,958	15,177
Furniture, fixture & office equipments	59,239	16,759	2,306	73,692	33,465	9,237	1,967	40,735	32,957	25,774
Electrical installations	52,123	2,109	426	53,806	8,413	7,152	—	15,565	38,241	43,710
Vehicles	39,973	8,600	2,420	46,153	15,979	7,130	1,214	21,895	24,258	23,994
<b>TOTAL</b>	<b>1,588,555</b>	<b>428,121</b>	<b>30,350</b>	<b>1,986,326</b>	<b>542,842</b>	<b>160,520</b>	<b>26,466</b>	<b>676,896</b>	<b>1,309,430</b>	<b>1,045,713</b>
Previous year	1,098,482	519,113	29,040	1,588,555	448,832	117,770	23,760	542,842	1,045,713	
Capital work in progress									65,383	151,790
<b>TOTAL</b>									<b>1,374,813</b>	<b>1,197,503</b>

**Notes:**

1. Plant & Machinery includes testing equipment and moulds and tools with net block of Rs.128,713 (Previous year: Rs.106,872) gross block Rs.319,629 (Previous year: Rs.261,717).
2. Building includes Rs.13,036 (Previous year: Rs.13,036) in respect of ownership of premises in a co-operative housing society and non trading corporations. Shares with face value of Re.1 (Previous year: Re.1) are fully paid up and unquoted.
3. Capital work in progress includes Rs.8,467 towards capital advance (Previous year: Rs.17,324).

As at  
**March 31, 2011**      As at  
March 31, 2010

**SCHEDULE 6: INVENTORIES****(at lower of cost and net realisable value)**

Raw Materials (including goods in transit Rs. 532,146 (Previous year Rs. 270,703))	<b>1,526,288</b>	853,089
Work-in-Progress	<b>225,832</b>	139,944
Finished Goods	<b>1,189,907</b>	627,423
Trading Goods (including goods in transit Rs. 55,530 (Previous year Rs. 27,259))	<b>318,860</b>	178,586
Stores and Spares	<b>6,411</b>	4,990
	<b>3,267,298</b>	1,804,032

**SCHEDULE 7: SUNDRY DEBTORS****Debts outstanding for a period exceeding six months**

Unsecured, Considered good	<b>62,620</b>	25,373
Considered doubtful	<b>12,659</b>	17,596
	<b>75,279</b>	42,969

**Other debts**

Secured, Considered good	<b>15,852</b>	14,166
Unsecured, Considered good	<b>1,170,848</b>	920,267
	<b>1,186,700</b>	934,433
	<b>1,261,979</b>	977,402
Less: Provision for doubtful debts	<b>12,659</b>	17,596
	<b>1,249,320</b>	959,806

Of the total provision existing as at March 31, 2010, the management has identified and written off bad debts aggregating to Rs. 6,354 (Previous year: Rs.Nil)

(Currency: Rupees in thousands unless otherwise stated)

	As at March 31, 2011	As at March 31, 2010
<b>SCHEDULE 8: CASH AND BANK BALANCES</b>		
Cash on hand	628	294
Bank balance with scheduled banks		
on current accounts	9,722	22,720
on unclaimed dividend account	454	—
on cash credit accounts	4,237	83,718
on margin accounts	5,707	7,043
on fixed deposits accounts	—	170,000
	<u>20,748</u>	<u>283,775</u>
<b>SCHEDULE 9: OTHER CURRENT ASSETS</b>		
Unamortised premium on forward contracts	4,880	1,104
Interest accrued on fixed deposits	81	114
	<u>4,961</u>	<u>1,218</u>
<b>SCHEDULE 10: LOANS AND ADVANCES</b>		
(Unsecured)		
Advances recoverable in cash or in kind or for value to be received		
- Considered good	185,659	203,434
- Considered doubtful	90,215	58,040
	<u>275,874</u>	<u>261,474</u>
Less: Provision for doubtful advances (Refer Note No. 19 of Schedule 20)	90,215	58,040
	<u>185,659</u>	<u>203,434</u>
MAT Credit Entitlement	—	3,733
Less : MAT Credit Aailed	—	3,733
	<u>—</u>	<u>—</u>
Advance payment of tax	336,296	—
Less : Provision for tax	327,331	—
	<u>8,965</u>	<u>—</u>
VAT credit receivable (Refer Note No. 17 of Schedule 20)	57,808	40,236
Balances with excise, customs and port trust authorities	54,091	9,597
	<u>306,523</u>	<u>253,267</u>

Advances considered good includes due from Principal Officer Rs.Nil (Previous year: Rs.Nil) and Directors Rs.Nil (Previous year: Rs.235). Maximum amount outstanding during the period from Principal Officer Rs.4 (Previous year: Rs.24) and Directors Rs.235 (Previous year: Rs.550).

(Currency: Rupees in thousands unless otherwise stated)

	As at March 31, 2011	As at March 31, 2010
<b>SCHEDULE 11: CURRENT LIABILITIES</b>		
Acceptances	810,150	437,659
Sundry creditors (Refer Note No. 7 of Schedule 20)		
- Outstanding dues of micro and small enterprises	—	—
- Outstanding dues of other than micro and small enterprises	2,336,442	1,610,335
Advance from customers	40,041	47,251
Income received in advance	25,172	21,791
Unclaimed dividend *	454	—
Unclaimed fixed deposit and interest *	—	46
Other liabilities	196,992	157,445
Deposits (from dealers and others)	17,225	15,862
Interest accrued but not due on loans	3,293	2,275
Forward contracts	18,915	3,375
	<u>3,448,684</u>	<u>2,296,039</u>
* Investor education and protection fund shall be credited as and when due		
<b>SCHEDULE 12: PROVISIONS</b>		
Compensated absences	22,973	19,216
VAT related matters	23,967	18,397
5 Years warranty	64,280	50,133
Proposed dividend	34,440	34,440
Tax on dividend	5,587	5,720
Income tax (net of advance tax)	—	2,793
	<u>151,247</u>	<u>130,699</u>
	<b>For the year ended March 31, 2011</b>	<b>For the year ended March 31, 2010</b>
<b>SCHEDULE 13: OTHER INCOME</b>		
Commission income	23,175	20,295
Gain on foreign exchange fluctuation (net)	—	74,821
Profit on sale of fixed assets (net)	236	—
Interest from bank deposits (gross)		
[Tax deducted at source Rs. 2,042 (Previous Year: Rs. 1,975)]	20,445	18,518
Interest others [including Rs. 2,801 from Income tax department (Previous Year: Rs. Nil)]	3,328	601
Miscellaneous income	9,220	4,075
	<u>56,404</u>	<u>118,310</u>
<b>SCHEDULE 14: RAW MATERIAL CONSUMED AND COST OF TRADING GOODS SOLD</b>		
Raw Material (including processing charges)	5,105,903	4,153,165
Cost of Trading Goods sold	515,902	367,116
	<u>5,621,805</u>	<u>4,520,281</u>
<b>SCHEDULE 15: PERSONNEL EXPENSES</b>		
Salaries, wages and bonus	400,062	284,462
Contribution to provident and other funds	20,882	12,426
Gratuity expenses	1,772	8,123
Workmen and staff welfare expenses	17,934	15,418
	<u>440,650</u>	<u>320,429</u>

(Currency: Rupees in thousands unless otherwise stated)

	For the year ended March 31, 2011	For the year ended March 31, 2010
<b>SCHEDULE 16: OPERATING AND OTHER EXPENDITURE</b>		
AMC (Annual Maintenance Contracts) expenses	254,596	208,086
Customer service expenses	139,190	107,586
Travelling and conveyance	40,601	29,374
Legal and professional fees (Refer Note No. 15 (i) of Schedule 20)	26,711	12,027
Power and fuel	29,420	25,980
Communication expenses	14,505	9,200
Rent (Refer Note No. 11 of Schedule 20)	34,564	18,965
Repairs and maintenance		
- Plant and machinery	19,059	15,604
- Building	919	1,243
- Others	11,122	7,956
Rates and taxes	13,529	12,160
Insurance	5,817	4,276
Printing and stationery expenses	4,561	3,058
Loss on sale/discard of fixed assets	—	3,284
Loss on foreign exchange fluctuation (net)	39,410	—
Loose tools consumed	2,567	1,658
Increase of excise duty on finished goods	8,115	7,977
Provision for doubtful debts	1,417	—
Contract labour charges	65,623	50,291
Project Installation Cost	3,780	4,395
Miscellaneous expenses	38,526	39,382
	<b>754,032</b>	<b>562,502</b>
<b>SCHEDULE 17: SELLING AND DISTRIBUTION EXPENSES</b> <b>(Refer Note No. 21 of Schedule 20)</b>		
Sales commission (other than sole selling agents)	55,967	53,510
Warranty expenses	142,683	160,380
Advertisement and sales promotion (net of recoveries)	273,904	283,413
Freight and forwarding expenses	282,216	228,681
Royalty	169,720	80,761
Cash discount	15,936	3,907
	<b>940,426</b>	<b>810,652</b>
<b>SCHEDULE 18: (INCREASE) IN INVENTORIES</b>		
<b>Closing Inventories</b>		
Work in Progress	225,832	139,944
Finished Goods	1,189,907	627,423
Total	<b>1,415,739</b>	<b>767,367</b>
<b>Opening Inventories</b>		
Work in Progress	139,944	74,985
Finished Goods	627,423	302,778
Total	<b>767,367</b>	<b>377,763</b>
(Increase) in Inventories	<b>(648,372)</b>	<b>(389,604)</b>
<b>SCHEDULE 19: FINANCIAL EXPENSES</b>		
Interest on fixed loans	8,017	9,560
Interest others	5,565	1,163
Bank charges	6,883	4,378
	<b>20,465</b>	<b>15,101</b>

## SCHEDULE 20: NOTES TO ACCOUNTS

For the year ended March 31, 2011

(Currency: Rupees in thousands unless otherwise stated)

### 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.

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.

#### 2.2 Accounting estimates

The preparation of the financial statements in accordance with generally accepted accounting principles ('GAAP') requires that management makes 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.

#### 2.3 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 |
|----------------------------|-----------|-------------|-----------|

Depreciation on individual assets costing upto Rs. 5000.00 is 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.

## 2.4 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.

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.

- (iv) Goods in transit are valued at cost incurred till date.
- (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.

## 2.5 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, export incentives, scrap sales and net of sales returns and trade 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) Interest

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

## 2.6 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 Profit and Loss Account 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.
- (iv) Actuarial gains/losses are immediately taken to Profit and Loss Account and are not deferred.

## 2.7 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.

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(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.

## **2.8 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.

## **2.9 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.

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.

## **2.10 Minimum Alternate Tax (MAT) Credit**

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Profit and Loss Account and shown as MAT Credit Entitlement. The Company reviews the same at each Balance Sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

## **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 Profit and Loss Account on a straight-line basis over the lease term.

## **2.13 Cash and Cash equivalents**

Cash and cash equivalents in the cash flow statement 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

All expenditure, including advances given during the project construction period, are accumulated and shown as capital work in progress until the assets are ready for commercial use. Assets under construction are not depreciated.

## 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 other costs 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 profit and loss account in the year in which they are incurred and development expenditure of a capital nature is capitalized as fixed assets.

## 3. 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 reported upon separately.

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.

## 4. Related Party Transactions

(a) List of related Parties and Relationship

Relation	Party
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 Metglas (India) Pvt. Ltd. Luvata Hitachi Cable (Thailand) Ltd. Shanghai Hitachi Electrical Appliances Co. Ltd. Shanghai Hitachi Household Appliances Co. Hitachi Consumer Products (Thailand) Ltd. Hitachi Koki India Ltd. Hitachi Air Conditioning & Refrigerating Products (Guangzhou) Co. Ltd. Hitachi India Pvt. Ltd. Hitachi Lift India Private Ltd. Hitachi Transport System India Pvt. Ltd.
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)

Sr. Transactions No.	Holding Company		Fellow Subsidiaries		Key Management Personnel	
<b>1 Purchase of raw material</b>						
Shanghai Hitachi Electrical Appliances Co. Ltd.	—	(—)	992,539	(633,889)	—	(—)
Hitachi Household Appliances (Wuhu) Co. Ltd.	—	(—)	445,725	(347,596)	—	(—)
Luvata Hitachi Cable (Thailand) Ltd.	—	(—)	602,978	(336,437)	—	(—)
Hitachi Appliances Inc.	—	(2,369)	—	(—)	—	(—)
Others	—	(—)	40,811	(29,515)	—	(—)
<b>2 Purchase of trading material</b>						
Hitachi Asia Ltd., Singapore	—	(—)	46,486	(29,868)	—	(—)
Hitachi Consumer Products (Thailand) Ltd.	—	(—)	309,479	(245,243)	—	(—)
Hitachi Appliances Inc.	792	(921)	—	(—)	—	(—)
<b>3 Purchase of material for developmental work</b>						
Hitachi Procurement Service Co. Ltd.	—	(—)	—	(921)	—	(—)
<b>4 Technical know—how fees paid</b>						
Hitachi Appliances Inc.	6,075	(77,298)	—	(—)	—	(—)
<b>5 Software Charges</b>						
Hitachi Appliances Inc.	1,422	(—)	—	(—)	—	(—)
<b>6 Consultancy fees paid</b>						
Hitachi Appliances Inc.	27,680	(27,491)	—	(—)	—	(—)
<b>7 Commission income</b>						
Hitachi Asia Ltd., Singapore	—	(—)	23,175	(20,295)	—	(—)
<b>8 Sale of goods</b>						
Hitachi Metglass (India) Pvt. Ltd.	—	(—)	—	(1,755)	—	(—)
Hitachi Transport Systems India Pvt. Ltd.	—	(—)	1,142	(—)	—	(—)
Others	—	(—)	172	(205)	—	(—)
<b>9 Rendering of services</b>						
Hitachi India Pvt. Ltd.	—	(—)	10	(50)	—	(—)
Hitachi Transport System India Pvt. Ltd.	—	(—)	9	(—)	—	(—)
<b>10 Interest expenses (including interest on external commercial borrowings)</b>						
Hitachi Appliances Inc.	8,017	(9,560)	—	(—)	—	(—)
<b>11 Advertisement recovery</b>						
Hitachi Asia Ltd., Singapore	—	(—)	269	(—)	—	(—)
Hitachi Consumer Products (Thailand) Ltd.	—	(—)	18,279	(11,368)	—	(—)
Hitachi Appliances Inc.	—	(253)	—	(—)	—	(—)
<b>12 Sales commission paid</b>						
Hitachi Appliances Inc.	—	(163)	—	(—)	—	(—)

Sr. No.	Transactions	Holding Company		Fellow Subsidiaries		Key Management Personnel	
13	<b>Remuneration paid</b>						
	Mr. Shinichi Iizuka	—	(—)	—	(—)	—	(4,206)
	Mr. Motoo Morimoto	—	(—)	—	(—)	4493	(—)
	Mr. Vinay Chauhan	—	(—)	—	(—)	5581	(4,136)
	Mr. Amit Doshi	—	(—)	—	(—)	5479	(4,129)
	Mr. Anil Shah	—	(—)	—	(—)	5532	(4,138)
14	<b>Royalty paid</b>						
	Hitachi Appliances Inc.	168,443	(79,605)	—	(—)	—	(—)
15	<b>Foreign travel expenses paid</b>						
	Hitachi Appliances Inc.	—	(56)	—	(—)	—	(—)
16	<b>Purchase of capital goods</b>						
	Hitachi Appliances Inc.	22,563	(1,627)	—	(—)	—	(—)
17	<b>Reimbursement paid</b>						
	Hitachi Appliances Inc.	5,037	(4,721)	—	(—)	—	(—)
18	<b>Import freight, local freight and custom clearing expenses</b>						
	Hitachi Transport Systems India Pvt. Ltd.	—	(—)	124,019	(64,798)	—	(—)
19	<b>Repayment of long term loan</b>						
	Hitachi Appliances Inc.	—	(173,374)	—	(—)	—	(—)
20	<b>Other Income</b>						
	Hitachi Appliances Inc	—	(69)	—	(—)	—	(—)
21	<b>Receipt of long term loan</b>						
	Hitachi Appliances Inc.	—	(146,218)	—	(—)	—	(—)
	<b>Debit balance outstanding as on Balance sheet date</b>						
	Hitachi Asia Ltd.	—	(—)	—	(6,813)	—	(—)
	Others	—	(—)	—	(1)	—	(235)
	<b>Credit balance outstanding as on Balance sheet date</b>						
	Hitachi Appliances Inc.	512,683	(479,152)	—	(—)	—	(—)
	Shanghai Hitachi Electrical Appliances Co. Ltd.	—	(—)	571,345	(221,051)	—	(—)
	Luvata Hitachi Cable (Thailand) Ltd.	—	(—)	167,689	(49,755)	—	(—)
	Others	—	(—)	243,853	(39,499)	—	(—)

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

## 5. Contingent Liabilities

Particulars	As at March 31, 2011	As at March 31, 2010
Income tax matters	—	1,266
Excise duty, service tax, sales tax and customs duty matters under dispute:		
Service tax	19,202	22,403
Sales tax	32,615	29,895
Customs duty	92	92
Guarantees given by the bankers to various authorities on behalf of the Company	2,430	4,349
Miscellaneous Claims against the Company not acknowledged as debts	5,035	4,231
<b>Total</b>	<b>59,374</b>	<b>62,236</b>

## 6. Capital Commitments

The estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 28,516 (Previous year: Rs. 42,980).

7. 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 March 31, 2011. Accordingly, no disclosures are required to be made under said Act and Schedule VI to the Companies Act, 1956.

## 8. Earnings per share (EPS)

Particulars	For the year Ended March 31, 2011	For the year Ended March 31, 2010
Net profit as per Profit and Loss Account (Rs. In 000's)	293,257	461,402
Weighted average number of equity shares considered in calculating basic EPS	22,960,008	22,960,008
Weighted average number of equity shares considered in calculating diluted EPS	22,960,008	22,960,008
Basic earnings per share	12.77	20.10
Diluted earnings per share	12.77	20.10
Nominal value of an equity share	10.00	10.00

## 9. Income Tax

### 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.

### Deferred Tax -

Components of deferred tax are as under:

Particulars	As at March 31, 2011	As at March 31, 2010
<b>Deferred Tax Liabilities recognised for timing difference due to:</b>		
Differences in depreciation in block of fixed assets as per Tax books and Financial books	(38,544)	(24,607)
Gain on Foreign Exchange Fluctuation on Long Term Loan for Fixed Assets as per section 43A of Income Tax Act	—	(9,877)
<b>Deferred Tax Liabilities</b>	<b>(38,544)</b>	<b>(34,484)</b>
<b>Deferred Tax Assets recognised for timing difference due to:</b>		
Loss on Foreign Exchange Fluctuation on Long Term Loan for Fixed Assets as per section 43A of Income Tax Act	3,727	—
Effect of expenditure debited to profit and loss account in the current year but allowed for tax purposes in following years	26,635	22,635
Provision for doubtful debts	4,107	5,845
<b>Deferred Tax Assets</b>	<b>34,469</b>	<b>28,480</b>
<b>Net Deferred Tax (Liabilities)</b>	<b>(4,075)</b>	<b>(6,004)</b>

## 10. Provisions (AS-29 disclosure)

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

(Figures in parenthesis represent previous year numbers)

Particulars	Balance as on 31-Mar-10 (Rs.)	Provision during the year (Rs.)	Utilised during the year (Rs.)	Reversal during the year (Rs.)	Balance as on 31-Mar-11 (Rs.)
Provision for 5 Years Warranty	50,133 (20,622)	33,798 (50,278)	19,156 (16,189)	495 (4,578)	64,280 (50,133)
Other Provision	18,397 (13,972)	5,570 (4,425)	— (-)	— (-)	23,967 (18,397)

Note:

- 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.
- Other provision includes likely claims against the Company in respect of VAT related matters, whose outcome depends on ultimate settlement / conclusion with relevant authorities.

## 11. Lease

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 profit and loss account for the year is Rs. 34,564 (Previous year : Rs. 18,965). The future minimum lease rentals payable at the balance sheet date in respect of non-cancellable operating leases are as follows :

Particulars	For the year Ended March 31, 2011	For the year Ended March 31, 2010
Not later than one year	24,172	24,795
Later than one year but not later than five years	32,294	50,689
Later than five years	—	—

## 12. Forward contracts outstanding as at Balance Sheet date

(Currency in thousands)

Particulars	As at March 31, 2011	As at March 31, 2010
Sundry Creditors (hedged)	US\$ 11,242	US\$ 4,938
	JPY 29,263	JPY 19,118
Buyers Credit (hedged)	US\$ 8,466	US\$ 3,312

## 13. Particulars of unhedged foreign currency exposure as at the Balance Sheet date

(Currency in thousands)

Particulars	Currency	As at March 31, 2011	As at March 31, 2010
Sundry Creditors for goods and expenses including Acceptances	US\$	12,536	7,549
	JPY	6,828	91,978
Advance to vendors	US\$	719	870
	JPY	1,240	—
	Euro	—	25
	SGD	—	12
Sundry Debtors	US\$	—	5
Other Receivables	US\$	62	151
	JPY	500	—
External Commercial Borrowings	JPY	930,000	930,000
ECB Interest (accrued but not due)	JPY	4,654	4,730

**14. Disclosure as per Accounting Standard-15(Revised) on Employee Benefit.**

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 profit and loss account and the funded status and amounts recognised in the balance sheet for the plan.

Profit and Loss account

Net employee benefit expense (recognised in Personnel Expenses)

<b>Particulars</b>	<b>As at March 31, 2011</b>	<b>As at March 31, 2010</b>
Current service cost	3,617	2,658
Add : Interest cost on benefit obligation	2,054	1,351
Less : Expected return on plan assets	2,445	1,753
Add : Net actuarial (gain) / loss recognised in the year	(1,454)	5,868
Net benefit expense	1,772	8,124
Actual return on plan assets	1,912	1,326

Balance sheet

Details of Provision for gratuity

<b>Particulars</b>	<b>As at March 31, 2011</b>	<b>As at March 31, 2010</b>
Defined benefit obligation	29,771	24,894
Less : Fair value of plan assets	33,043	25,023
Net	(3,272)	(129)
Less: Unrecognised past service cost	—	—
(Plan asset) / liability	(3,272)	(129)

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

<b>Particulars</b>	<b>As at March 31, 2011</b>	<b>As at March 31, 2010</b>
Opening defined benefit obligation	24,894	16,381
Add : Interest cost	2,054	1,351
Add : Current service cost	3,617	2,658
Less : Benefits paid	1,253	936
Add : Actuarial (gains) / losses on obligation	459	5,440
Closing defined benefit obligation	29,771	24,894

Changes in the fair value of plan assets are as follows

<b>Particulars</b>	<b>As at March 31, 2011</b>	<b>As at March 31, 2010</b>
Opening fair value of plan assets	25,023	17,578
Add : Expected return	2,445	1,754
Add : Contributions by employer	3,663	6,192
Less : Benefits paid	—	73
Add : Actuarial gains / (losses)	1,912	(428)
Closing fair value of plan assets	33,043	25,023

The Company expects to contribute Rs. Nil (Previous year Rs. 4,000) to gratuity fund in 2011-12.

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

<b>Particulars</b>	<b>As at March 31, 2011</b>	<b>As at March 31, 2010</b>
Investments with insurer	100%	100%

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:

Particulars	As at March 31, 2011	As at March 31, 2010
Discount rate	8.25%	8.25%
Expected rate of return on assets	8.50%	8.50%
Increase in Compensation cost	7%	7%

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:

Particulars	As at March 31, 2011	As at March 31, 2010	As at March 31, 2009	As at March 31, 2008	As at March 31, 2007
Defined benefit obligation	29,771	24,894	16,381	17,989	12,738
Plan assets	33,043	25,023	17,578	12,682	8,158
Surplus / (deficit)	3,272	129	1,197	(5,307)	(4,580)
Experience adjustments on plan liabilities	(1,161)	3,340	(4,190)	3,387	N.A.
Experience adjustments on plan assets	(1,912)	428	1,286	(35)	N.A.

Defined Contribution Plan:

Amount recognised as expense for the period towards contribution to the following funds:

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Employer's Contribution to Provident Fund	13,340	9,152
Employer's Contribution to ESIC	3,742	611
Employer's Contribution to Super Annuation	1,806	1,511
Total	18,888	11,274

## 15. Supplementary statutory information

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
(i) Auditors' remuneration (excluding Service Tax) (included in legal and professional fees)		
As auditor		
Statutory audit fees	1,250	1,000
Tax audit fees	400	400
For other services (Limited Reviews and Certification)	1,200	900
Reimbursement of out of pocket expenses	63	88
Total	2,913	2,388
(ii) Managerial remuneration		
Personnel Expenses include managerial remuneration for directors as set out below:		
Salary	3,285	3,169
Allowances and Perquisites	16,822	12,421
Provident Fund and Superannuation	978	1,019
Total	21,085	16,609

As the future liability for gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amount pertaining to the directors is not ascertainable and therefore not included above.

As there is no commission payable to the directors, the computation of profits under section 198 and 350 of the Companies act, 1956 has not been disclosed.

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
(iii) Research and development expenditure incurred		
Revenue expenditure	33,503	29,721
Capital expenditure	1,778	1,521

16. 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 Profit and Loss Account is net of such refund of Rs.52,551 (Previous year Rs. 39,453).
17. 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 Rs. 17,572 (aggregated till date Rs. 57,808) net of Rs. 4,720 (aggregated till date Rs. 38,061), 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 Rs. 1,779 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 Rs. 57,808 (net of VAT setoff claimed of Rs. 38,061) as recoverable.
18. The Company has working capital facilities from banks secured by hypothecation of inventories, book debts and movable fixed assets and by equitable mortgage of certain immovable fixed assets of the Company.
19. The Company has paid custom duties under protest of Rs. 26,819 (previous year Rs.27,527) during the year for which provision has been created by debiting 'raw material consumed and cost of trading goods sold' account.
20. During the year, Department of Scientific and Industrial Research (DSIR), Ministry of Science and Technology, Government of India, has accorded recognition to In-house research and development centre of the Company. Pursuant thereto, the Company has applied to DSIR for claiming deduction under the Income tax Act, 1961, which is yet to come. Accordingly, the Company has claimed weighted deductions of research and development expenditure of Rs. 70,562, as entitled under section 35(2AB) of the Income tax Act, 1961.
21. 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, Selling & Distribution Expenses are net of write back of excess provision of earlier years amounting to Rs. 70,491 (Previous year: Rs. 25,975).
22. Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956:

**(i) Capacities and Production**

Particulars	March 31, 2011			March 31, 2010	
Class of goods manufactured	Annual licensed capacity	Annual installed capacity*	Actual production	Annual installed capacity	Actual production
Air conditioners (including chillers)	Delicensed	230,000	268,699	230,000	206,254

\*The installed capacity has been certified by the management being a technical matter and is calculated based on the single shift Working.

**(ii) Sales of Goods**

Particulars	For the year ended March 31, 2011		For the year ended March 31, 2010	
	Quantity (Nos.)	Value	Quantity (Nos.)	Value
<b>Manufacturing Items (Including of excise duty)</b>				
Air conditioners	243,365	7,072,000	190,347	5,997,970
Scrap Sales	Assorted	51,026	Assorted	46,242
<b>Total</b>		<b>7,123,026</b>		<b>6,044,212</b>

Particulars	For the year ended March 31, 2011		For the year ended March 31, 2010	
	Quantity (Nos.)	Value	Quantity (Nos.)	Value
<b>Trading Items</b>				
Air conditioners*	—	—	3	—
Spares-Air conditioner	Assorted	105,926	Assorted	46,154
Air conditioning Systems	Assorted	40,046	Assorted	25,820
CAC Project (Low side work)	Assorted	63,624	Assorted	18,286
Stabilisers	9,355	17,432	8,773	17,303
Gas tables	—	—	37	2
Refrigerators	14,432	510,828	11,845	395,713
Washing Machines**	66	(97)	243	1,501
Refrigerators and Washing Machines Spares	Assorted	2,780	Assorted	1,352
<b>Total</b>		<b>740,539</b>		<b>506,131</b>

\* Discarded

\*\* During the year, 63 no. washing machines have been discarded. 18 no. of washing machines amounting to Rs. 325 have been returned which is included in sales value.

**(iii) Trading Items**

Particulars	For the year ended March 31, 2011		For the year ended March 31, 2010	
	Quantity (Nos.)	Value	Quantity (Nos.)	Value
<b>Opening Stocks</b>				
Air conditioners	2	71	5	222
Spares-Air conditioner	Assorted	51,176	Assorted	47,489
Air conditioning Systems	Assorted	34,961	Assorted	36,787
CAC Project (low side work)	Assorted	14	—	—
Stabilisers	393	602	816	1,251
Gas tables	28	47	65	106
Refrigerators	4,234	79,255	1,839	32,208
Washing Machines	212	2,289	455	3,804
Refrigerators and Washing Machines Spares	Assorted	10,171	Assorted	14,476
<b>Total</b>		<b>178,586</b>		<b>136,343</b>
<b>Purchases</b>				
Spares-Air conditioner	Assorted	90,530	Assorted	19,685
Air conditioning Systems	Assorted	52,398	Assorted	22,885
CAC Project (low side work)	Assorted	54,094	Assorted	14,999
Stabilisers	10,966	17,217	8,350	12,814
Refrigerators	18,202	434,218	14,240	334,056
Refrigerators and Washing Machines Spares	Assorted	7,719	Assorted	4,920
<b>Total</b>		<b>656,176</b>		<b>409,359</b>

Particulars	For the year ended March 31, 2011		For the year ended March 31, 2010	
	Quantity (Nos.)	Value	Quantity (Nos.)	Value
<b>Closing Stocks</b>				
Air conditioners	2	71	2	71
Spares-Air conditioner	Assorted	86,264	Assorted	51,176
Air conditioning Systems	Assorted	45,469	Assorted	34,961
CAC Project (low side work)	Assorted	3,077	Assorted	14
Stabilisers	2,004	3,233	393	602
Gas tables	28	47	28	47
Refrigerators	8,004	163,393	4,234	79,255
Washing Machines	146	1,503	212	2,289
Refrigerators and Washing Machines Spares	Assorted	15,803	Assorted	10,171
<b>Total</b>		<b>318,860</b>		<b>178,586</b>

**(iv) Inventories**

Class of Goods	For the year ended March 31, 2011		For the year ended March 31, 2010	
	Quantity (Nos.)	Value	Quantity (Nos.)	Value
Finished Goods (Closing Stocks) of manufactured Air conditioners	54,271	1,189,907	28,937	627,423
Finished goods (Opening Stocks) of manufactured Air conditioners	28,937	627,423	13,030	302,778

**(v) Raw material consumed**

Particulars	Unit	For the year ended March 31, 2011		For the year ended March 31, 2010	
		Quantity	Value	Quantity	Value
Compressors	Nos	294,957	1,128,547	237,545	924,374
Fan Motors	Nos	430,225	408,728	328,368	355,758
CRCA / GP Sheets	Kgs	5,827,924	290,106	5,703,785	257,501
Copper	Kgs	1,135,433	524,348	1,076,867	405,755
AHU	Nos	181,584	502,781	133,474	476,904
Others (Including packing material and processing charges)	Assorted		2,251,393		1,732,873
<b>Total</b>			<b>5,105,903</b>		<b>4,153,165</b>

**(vi) Imported and indigenous raw material and spare parts consumed**

Particulars	For the year ended March 31, 2011		For the year ended March 31, 2010	
	Value	% of total consumption	Value	% of total consumption
Imported	2,763,354	54	2,209,971	53
Indigenous	2,342,549	46	1,943,194	47
<b>Total</b>	<b>5,105,903</b>	<b>100</b>	<b>4,153,165</b>	<b>100</b>

(vii) *Earnings and expenditure in foreign exchange*

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
<b>(a) Earnings in foreign currency on accrual basis</b>		
Export of goods (on FOB basis)	—	10,694
Export of trading goods (on FOB basis)	148	—
Commission Income	23,175	20,295
Reimbursement of advertisement expenses	18,548	11,702
<b>Total</b>	<b>41,871</b>	<b>42,691</b>
<b>(b) Expenditure in foreign exchange on accrual basis</b>		
Interest	7,205	8,613
Royalty	151,598	71,644
Travelling	416	1,706
Commission	—	178
Technical know how (capitalised)	5,467	69,568
Salaries	5,037	4,722
Consultancy fees and other expenses (capitalised)	33,154	25,062
Others	6,251	557
<b>Total</b>	<b>209,128</b>	<b>182,050</b>
<b>(c) Value of imports calculated on CIF basis</b>		
Capital goods	172,583	84,015
Raw materials, components & spares parts	2,917,249	2,027,269
Trading Goods	390,807	294,470
<b>Total</b>	<b>3,480,639</b>	<b>2,405,754</b>
<b>(d) Net dividend remitted in foreign exchange (in foreign currency)</b>		
Number of non-resident shareholders	1	—
Number of equity shares held on which dividend was due	15,550,000	—
Amount remitted (in JPY)	42,626	—
Year to which relates	2009-10	—

## 23 Prior year comparatives

The previous year figures have been regrouped wherever necessary to confirm to current year's classification.

### For S.R. Batliboi & Associates

Firm Registration No.101049W  
Chartered Accountants

### per Sudhir Soni

Partner  
Membership No: 41870

Place : Mumbai

Date : May 23, 2011

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

**Motoo Morimoto**  
Managing Director

**Anil Shah**  
Executive Director

**Parag Dave**  
Asst. Company Secretary

Place : Ahmedabad

Date : May 23, 2011

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

(Currency: Rupees in thousands unless otherwise stated)

**I Registration Details**

Registration No.	7470
State Code	04
Balance Sheet Date	31.03.2011

**II Capital raised during the year**

Public Issue	—
Rights Issue	—
Bonus Issue	—
Private Placement	—
Naked warrants Pref. offer	—

**III Position of mobilisation and deployment of funds**

Total Liabilities	2,623,732
Total Assets	2,623,732

**Sources of Funds**

Paid up Capital	229,600
Reserves and surplus	1,489,973
Secured Loans	399,511
Unsecured Loans	500,573
Deferred Tax Liabilities	4,075

**Application of Funds**

Net fixed assets	1,374,813
Net current assets	1,248,919

**IV Performance of Company**

Total income	7,688,863
Total expenditure	7,289,526
Profit before tax	399,337
Profit after tax	293,257
Earning per share (Rs.)	12.77
Dividend rate %	15%

**V Generic names of three principal products/ services of Company (As per monetary terms)**

Item Code No. (ITC Code)	Product Description
8415	Room Air Conditioners & Packaged Air Conditioners
8418	Household Refrigerators and Chillers
8450	Washing Machines

**For and on behalf of the Board of Directors****Motoo Morimoto**  
Managing Director**Anil Shah**  
Executive Director**Parag Dave**  
Asst. Company SecretaryPlace : Ahmedabad  
Date : May 23, 2011

## GLIMPSES OF THE YEAR



Launch of New AC & Ref Range-2011



Dealer Award Ceremony at Phuket



Participation in ACREX 2011



Annual Day Celebration



Global Summit Vibrant Gujarat - 2011



CSR - activity at Cancer Hospital

## PRESS ADVERTISING



i-Clean Ad



Kaze Ad



Window AC Ad



AC Range Ad



Big French Ad



3-Door Refrigerator Ad



AC Range Ad for B2B Space



AC Range Ad for B2B Space



Sales Promotion Schemes

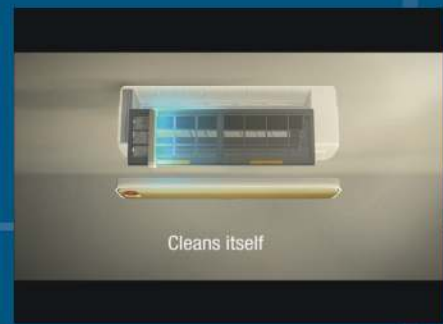
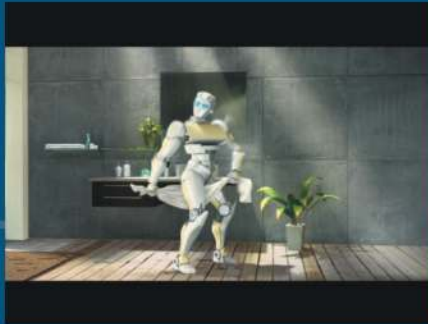
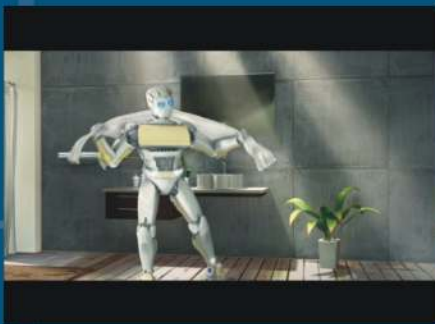


Sales Promotion Schemes

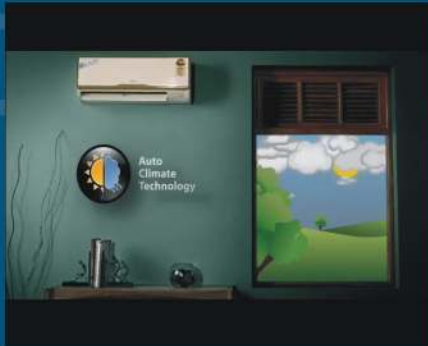


Festival Ad Campaign

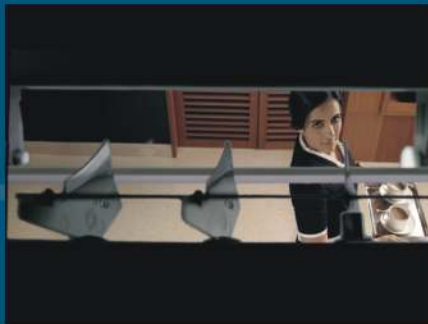
## TELEVISION COMMERCIAL



Hitachi i-Clean AC. Cleans itself.  
Duration: 30 Sec.



Hitachi Kaze with Auto Climate Technology.  
Duration: 40 Sec.



Hitachi New Ace FollowMe. Follows wherever you go.  
Duration: 30 Sec.



**HITACHI**  
Inspire the Next

**Hitachi Home & Life Solutions (India) Limited**

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