Johnson Controls

HITACHI
Air conditioning solutions

EXPERT COOLING SOLUTIONS FOR A SUSTAINABLE WORLD

Annual Report 2017-18

Johnson Controls-Hitachi Air Conditioning India Limited

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To get this report online and for any other information, log on to **www.jci-hitachi.in**

Forward-looking statements

In this annual report, we have disclosed forward-looking information to enable investors comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically produce/publish, may contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements would be fully realized, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. If known or unknown risks or uncertainties materialise, or if underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Gurmeet Singh
Chairman & Managing Director

Franz Cerwinka
Director

Yoshikazu Ishihara
Director

Ashok Balwani
Independent Director

Indira Parikh
Independent Director

Mukesh Patel
Independent Director

CHIEF FINANCIAL OFFICER

Rishi Mehta

COMPANY SECRETARY

Parag Dave

AUDITORS

Price Waterhouse &
Co. Chartered Accountants LLP
Ahmedabad

REGISTERED OFFICE

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

WORKS

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

REGISTRARS & SHARE TRANSFER AGENT

Link Intime India Pvt Limited
506-508, Amarnath Business
Centre-1 (ABC-1),
Besides Gala Business Centre
Near St. Xavier's College Corner
Off C G Road, Ahmedabad - 380 006
Gujarat

MESSAGE FROM CHAIRMAN AND MANAGING DIRECTOR

> With a vision to increase its market share in HVAC industry, the Company also invested significantly in marketing and promotions of the air conditioning products. With an aim to enhance its reach in the Tier II, Tier III cities and South India markets

Dear Stakeholders,

Heartiest Greetings to all of you!

As the Chairman and Managing Director of Johnson Controls–Hitachi Air Conditioning India Ltd. (JCH-IN), this is my first letter addressing you all. At the onset, I would like to thank you all for your undeterred support and faith in us.Financial Year 18 had a mix basket of offering for us. We undertook a number of decisive changes in terms of internal organizational restructuring as well as in the Board composition. Here I would like to express our sincere appreciation to our Independent Directors and Executive Directors for their continued support, inspiration and contribution made during their tenure towards development and progress of the Company. And, we welcome on Board Yoshikazu Ishihara, who brings with him an extensive repertoire of knowledge and international experience as a senior professional in business as well as legal field.

Consolidated Financial Performance

Financial Year 18 was an extraordinary year for JCH-IN in terms of an all-round performance, despite major economic reforms like demonetization and GST, which threatened to upend the Indian economy, coupled with poor investments in the manufacturing and construction sectors. For the year under review, the Company reported a total operating income of ₹ 2,258 Crores, representing growth of 8% over Financial Year 17 on a like-to-like basis. Our operating profit for the year grew 18% to ₹ 206 Crores. So, both revenue and profit grew hand-in-hand indicating robust growth. Successful execution of our strategies during Financial Year 18 resulted into a strong growth of the order book by nearly 6%. Building on these strategies coupled with their successful execution, is expected to drive the business in the days ahead and will also enable us achieve our medium-term sales growth target of 4-6%.

Boosting growth in core business

Financial Year 18 was also an eventful year for the HVAC industry. During the year, air conditioning market witnessed a steady growth despite the double impact of two major economic demonetization i.e. GST and demonetisation. This growth was primarily driven by change in the consumer perception towards the air conditioning products, rising disposable income, and the soaring intensity of Indian summers. Besides this improvement in energy efficiency and easy finance options also played a pivotal role in the growth of HVAC industry. Hitachi witnessed more than 24% year-on-year growth (y-o-y) in Room Air Conditioner whereas industry growth was an impressive 7%.

Our commercial business, despite the direct impact of GST and demonetization, also witnessed a remarkable growth in Financial Year 18. Our PAC business registered a significant growth of around 18% during the fiscal under review. This was enabled majorly by the Company's channel expansion policies and business extraction strategies.

In our Set Free-VRF air conditioning business, we introduced a new variant this year called the Set-Free Sigma series which offers enhanced technology, is highly energy-efficient, provides better flexibility of operations and is eco-friendly refrigerant based. Thus, the introduction of the new product line not only helped the Company achieve a growth of 8% (HP basis) but also helped in widening its product offerings to the Indian consumers.

The impact of GST and demonetization was majorly borne by the chiller business segment, making the Company suffer significantly due to canceled orders and reduced influx of new orders. Finally, with the improvement in economic conditions owing to the disruptions caused by the implementation of GST tapering off, the chiller business is expected to gain traction again. And, we hope it will be back on its growth track soon.

Driving customer and operational excellence

While the sudden economic disruptions majorly impacted the commercial business segment, it was the room air conditioner and VRF business segment that helped the Company register a remarkable growth over the last year. This was majorly possible because of well-planned manufacturing, efficient supply chain management, perfect execution of our strategies and a great teamwork of the other functions.

Manufacturing was one of the major focus areas for the Company in Financial Year 18. We invested in machine automation by implementing robotics into our operating system. Case-in-point: We added pick and place robots in the injection molding machines and CNC pipe bending machines. The Company also launched JCMS (Johnson Control Manufacturing System) program with a motto to become the "Most Operationally Capable Company".

The Company's focus on retaining human talent was key to its success as it ensured steady growth, timely execution and achievement of organizational goals. We introduced various retention programs that helped in improving the performance of the Company as well as in reducing the attrition effectively. Programs like Diversity & Inclusion, creation of WISE (Women's Interaction, Support and Engagement) forum, NEO (New Employee Orientation) and NEXINT (New Employee Experience Intervention) were rolled out to retain talented employees with high potential.

With a vision to increase its market share in HVAC industry, the Company also invested significantly in marketing and promotions of the air conditioning products. With an aim to enhance its reach in the Tier II, Tier III cities and South India markets, the marketing team undertook various innovative marketing activities which helped the brand reach its target audience. Innovative and multiple communication route coupled with the right kind of media mix like TV, print, OOH and digital media helped the Company in increasing brand awareness and mindshare.

Apart from the products, the Company also focused on further enhancing its after-sales services. In line with this strategy, we undertook several initiatives during the year to improve the customer satisfaction index. This enabled us achieve a healthy year-on-year growth. Besides the Company-owned Hitachi Customer Services centres, the Company also launched Hitachi I-Care Service App during the year, matching the need of the hour and to communicate faster. This app allows the customer to register their product, take demo, register complaint and track complaint status, thus avoiding lengthy waiting time in undertaking these activities in person. After-sales customer service has been a key differentiator for the Company, but still we would look forward for means and ways to further improve on the same.

During the Financial Year 18, the Company also started a major initiative in vision with the Government's Skill India Project. We inaugurated Engineering Excellence Centres (EECs) in Delhi, Chennai and Mumbai to provide skilled manpower and professionally trained technical resources to employees of JCH-IN and its dealers. These centres will not only generate employability but also aim to provide impressive consumer experience. We are very happy to receive positive responses from our channel partners as well as from the participation from both our Hitachi's Service Team and our Channel Partner's Service Teams. And, we hope that this will bridge the gap that the Indian HVAC industry has been facing till date by generating skilled taskforce and employment avenues for all.

Since the inception of its two EECs in Delhi and Chennai in 2017, and one in Mumbai in 2018, the Company has imparted training to more than 2,500 trainees and has invested more than 39,000 man hours in training. By the next year, the Company aims to provide technical training to more than 3,000 people.

Road ahead

With the improving economic scenario not only in India but across the globe, we are optimistic that the pro-industry reforms undertaken by the Government and Phased Manufacturing Program (PMP) policy launched in 2018 will boost indigenous manufacturing. Low penetration of RACs, growing middle-class population, increased disposable income (per family) and increasing standards of Bureau of Energy Efficiency (BEE) for energy efficiency in products is expected to further improve the demand for energy-efficient inverter technology air conditioning products.

It is expected that growth in e-retail market, increasing demand and spreading awareness about energy-efficient products from smaller cities coupled with stronger economic conditions will further boost air conditioning business in the coming years.

With an objective of sustained profitable growth, we are more than ever optimistic, confident and determined that JCH-IN will keep investing in innovation and technology in order to provide wider air conditioning solutions, thus staying ahead of the curve.

With this, I would like to thank all the stakeholders of JCH-IN, the employees for their dedication and sincere efforts, our various suppliers and vendors for their timely support, the customers for their trust in our products and our respected shareholders for showing their continuous faith in our business. With all your support and trust, I am confident that we will be able to achieve even greater heights, one that will be a continuous source of pride for us.

Gurmeet Singh
Chairman and Managing Director
Johnson Controls-Hitachi Air Conditioning India Ltd.

ABOUT JOHNSON CONTROLS-HITACHI AIR CONDITIONING INDIA LIMITED

Who we are

Incepted as a joint-venture between two companies, the US-based Johnson Controls and Japan-based Hitachi Appliances, Johnson Controls-Hitachi Air Conditioning India Limited (JCH-IN) is one of the top three players in the Indian air conditioning market today. Established in 1984, the Company has grown from strength to strength over time and today JCH-IN is one of the most respected and largest business entities in the air conditioning products industry in India.

Headquartered in Ahmedabad, Gujarat, the Company has its state-of-the-art manufacturing facility located at Kadi, Mehsana. The Company's manufacturing facility not only boasts of manufacturing a wide range of cooling products from residential to commercial cooling solutions, but is also one of the largest single roof manufacturing facilities in India spread across an area of +1,82,000 sq. m.

Complimented by a wide array of cooling products, the Company aims to become the number one HVAC Company in India by 2021 along with the enhancement of its market share in both B2c and B2B.

Our rich legacy

With more than 100 years of rich culture for both the companies, the unison of innovative technology of Hitachi with the industry-leading expertise and global network of Johnson Controls resulted into Johnson Controls-Hitachi Air Conditioning Company. Its Indian counterpart is Johnson Controls-Hitachi Air Conditioning India Limited. A Company that aims to bring to its customers the most assorted product portfolio in the air conditioning industry.

Our vision

A safe, comfortable and sustainable world.

Our mission

Helping our customers win everywhere, everyday

Johnson Controls

HITACHI
Air conditioning solutions

What we do

At JCH -IN we are engaged in the business of [manufacturing] and marketing of a wide range of air conditioning solutions which include products for homes, offices and retail establishments. Backed by innovation and our expertise in supplying high-quality products, our offerings include home, industrial and commercial cooling solutions like commercial air conditioning, residential and conditioning systems, absorption and centrifugal chiller systems and heating & cooling (HVAC) systems among others.

With a strong commitment towards quality, we aim to manufacture cooling solutions that not only meets the needs of our clients but at the same time touches their lives.

Our reach

Supported by a strong and widespread distribution network of more than 9,698 trade partners and retailers, the Company has been successful in enhancing its presence across the all corners of India

Our core values

Integrity first: We promise honesty and transparency. We uphold the highest standards of integrity and honor in the commitments we make.

Being purpose-led: We believe in performance and hold ourselves accountable to make the world a better place through the solutions we provide, our engagement in society, our style of doing business, and our commitment to protect people and the environment.

Customer driven: Our customers' satisfaction is our victory. Our long-term strategic relationships provide unique insights and the ability to deliver exceptional customer experiences and solutions.

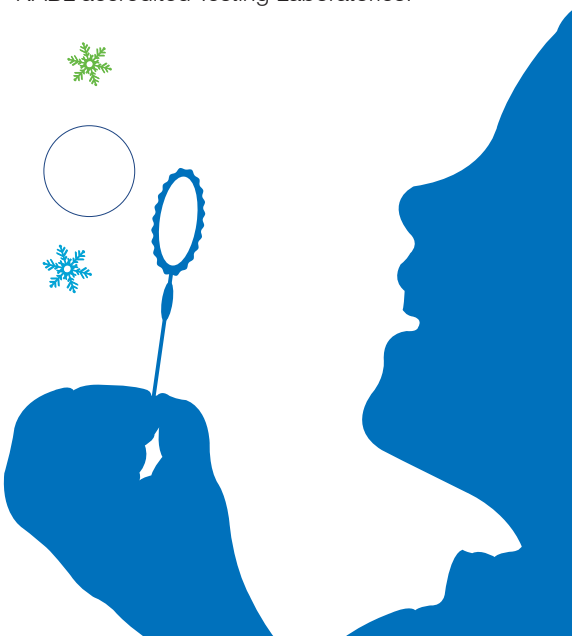
Future focused: Our culture of innovation and continuous improvement drive us to solve today's challenges while constantly looking for what is next.

One team: We are one team, dedicated to working collaboratively to create the purposeful solutions that drive the future.

This is how we are respected

When you stand for performance and innovation, the world takes notice. This commitment towards excellence and quality has resulted in numerous recognitions, which we have received over the years. To name a few we received Frost & Sullivan-Voice of Customer Awards (Best Brand-Split AC) 2013 & 2014; Frost & Sullivan-Product Leadership- India Air Conditioners Market- 2014; Voice Of Customer Award-2013; The Emerson Cup- For Product Innovation in Air Conditioning- 2016.

Hitachi has also been awarded "Certificate of Merit Award for Product- Room Air Conditioners" under National Energy Conservative Award (NECA) 2016, which is awarded by Bureau of Energy Efficiency (BEE), Ministry of Power. In addition to these, Hitachi is also an ISO certified company. We are ISO 14001- 2015 Environment Management System (EMS) and ISO 9001-2015 Quality Management System (QMS) Certified company. We also have our own NABL accredited Testing Laboratories.



BOARD OF DIRECTORS

Mr. Gurmeet Singh
Chairman & Managing Director

Mr. Franz Cerwinka
Director

Mr. Yoshikazu Ishihara
Director

Ms. Indira Parikh
Independent Director

Mr. Mukesh Patel
Independent Director

Mr. Ashok Balwani
Independent Director

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Air conditioning solutions

PRODUCT PORTFOLIO

At JCH-IN, we base our approach on a deep understanding of our core markets. This understanding allows us to anticipate tomorrow's customer needs. We work closely with our customers in our target markets, helping the Company develop effective and customized cooling solutions for our customers at reasonable prices. Our products are innovative, application-specific and incorporate functionalities beyond just cooling. These factors are our key differentiators in the market.

Marked by integrated technology platforms and distinctive innovative strengths, our products help us create a strong competitive position in the market along with generating a reputation for ourselves through positive endorsements.

With a commitment to provide the best to our customers, we focus on manufacturing products with innovative solutions. Our state-of-the-art design and development team ensures that our end products are of top quality and design yet energy-efficient and appropriate for the Indian tropical climate. We are the first AC Company in India to launch an entire range of Inverter Split ACs with BEE Star Rating.

Residential cooling solutions	Commercial cooling solutions	Refrigerator and Airpurifier segment
• Inverter Split Air-Conditioners • Fixed Speed Split Air Conditioners • Window Air Conditioners	• Packaged Air Conditioners • Chillers • VRF • Space maker	• Big French Series • French Bottom Freezer Series • Super Big2 Series • Slim Line Refrigerator • Air Purifiers

Kashikoi Expandable Inverter AC Series

Merai Expandable Inverter AC Series

Toushi Expandable Inverter AC

Sugoi Inverter AC

Logicool-i Inverter AC Series

Zunoh Fixed Speed AC Series

Ridaa Fixed Speed AC

iConnect Fixed Speed ACC

Star Sumo Fixed Speed AC

Ace Reidan Hot and Cold Fixed Speed AC

Summer QC

Kaze Reidan Hot & Cold

Set-free Sigma Series (Top Flow)

Set-Free Kyosho Series (Top Flow)

Set-Free Kyosho Series (Front Flow)

4-Way Cassette AC

Water Cooled Chiler

Air Cooled Chiller

Direct Drive Centrifugal Chiller

Takumi Ductable Air Conditioners

Side by Side Series

Top Freezer Series: Big French Series

Bottom Freezer Series

Top Freezer Series: New Stylish Line Series

Air Purifier

MARKETING INITIATIVES

In today's competitive world, it is not just important to manufacture a wide range of products but it is also equally important to market and distribute them with speed. Complementing our innovation-oriented approach is our constant brand-building initiatives.

At JCH-IN, we feel that in a competitive business like ours, marketing of our marketing, products play a critical role in driving sales as only through effective marketing, the Company establishes a connection with the end-users of our product. A strong marketing channel helps the Company in understanding the needs of our customers and also helps in customizing the products as per their needs. Investing in our brand building initiatives and distribution network helped the Company deliver consistency in sales growth.

Strong and effective marketing exercise coupled with a robust distribution network helped the Company achieve a widespread product presence across India.

TV Commercial : Bindi

TV Commercial : Tired

Being an innovation-led Company,, at JCH-IN, we focused on creating a marketing model that emphasizes on providing solutions to our customers rather than just selling them. During the year company wanted to promote wide range of Inverter Air Conditioners, so we did campaign "EVERY HOME DESERVES HITACHI INVERTER AC" which was promoted heavily. We used multiple communication platforms like TV, Print, Outdoor and Digital media to achieve cut-through in a highly competitive industry. A focus on innovation and strong marketing communications drove our core brands' growth, while a range of distribution channels helped us reach our products to the far-flung corners of the country.

The Company today boasts of a strong B2C sales network with [9,698] selling points across 1,358 cities and towns across India, aptly supported by a strong team of more than 100 sales staff. We also partnered with more than 500 distributors in the PAC segment and more than 200 distributors in the VRF segments, to enhance our B2B presence in more than 140 cities across India.

Newspaper and Magazine Ads

CORPORATE SOCIAL RESPONSIBILITY

ACE Dialogues May issue – Info Beat

Developing the CSR Ethos

Mr. Gurmeet Singh, Chairman & Managing Director, Johnson Controls-Hitachi Air Conditioning India Limited

Corporate Social Responsibility (CSR) can be defined as an organization's moral and legal sense of obligation towards the society and the environment in lieu of their support and contribution that enables the company's growth. It is a philanthropic approach towards future sustenance and growth of not only businesses, but also of the society and the environment. CSR balances the economical, sociological and ecological construct as well as acts as a perfect medium for a brand to reach out to its stakeholders while maintaining high ethical standards.

First popularized in the 1960's, CSR initially comprised of community development and employment building activities. However, this approach began to fail when companies' core businesses were not in tandem with their CSR initiatives. In order to align private entities to the goal of sustenance for all, a core business CSR strategy evolved that integrates itself with the businesses' own strategy, scope and outcome.

In India, the turning point for any company's CSR strategy has been the implementation of the Companies Act 2013. According to Section 135 of the Companies Act of 2013, every company, private or public limited, which has a net worth of ₹ 500 Crores or a turnover of ₹ 1,000 Crores or a net profit of ₹ 5 Crores, has to spend at least 2% of their average net profit for the immediate preceding three financial years on CSR activities mentioned in Schedule VII. The Act also states that contribution to political parties and CSR activities done outside India will not be considered as the company's CSR expenditure.

The introduction and implementation of mandatory CSR spending not only improved CSR compliance amongst companies but also encouraged them to voluntarily build their own capacities for implementation. According to the Confederate of Indian Industries (CII's), Annual CSR Tracker survey, health and sanitation, education/skill development, and rural development were the top three developmental areas earmarked.

Hitachi Appliances' core values of corporate social responsibility revolves around safe and high-quality products, whereas Johnson Controls core values revolves around ethics and integrity. Together, the JV - Johnson Controls-Hitachi Air Conditioning India Ltd. combines the best of both. Thus this joint CSR is not just a mandatory spending but is the brand's ideology that inspires us to create energy-efficient and eco-friendly products.

Social responsibility being one of the key concerns of Hitachi, the Company works on technologies and products that are eco-friendly as well as life enhancing. Hitachi has been one of the few early players to set up their own manufacturing unit in India, thus generating jobs.

With an aim to be a 100% green factory, Hitachi has taken many green initiatives which include use of LED lights, turbo vents for fresh air circulation, Polylum insulation on the roof to reduce heat radiation and control temperature, recycling of waste water after treatment, rainwater harvesting system, tree (saplings) plantation in an area covering 10,000 square meters and no hazardous waste generation among others.

At Hitachi, the CSR activities that are due to be included in the Corporate Social Responsibility Policy of the Company are recommended and monitored by the CSR Committee. This committee comprises our Executive Directors - Mr. Varghese Joseph and Mr. Vinay Chauhan and our Independent Director, Mr. Ashok Balwani.

Some of our CSR initiatives undertaken during the year are as follows:

Water Tank Project

With over 11,500 inhabitants, the major source of drinking water supply for Karan Nagar village has been bore wells. However, the quality of water in these wells posed a major threat to health for the villagers. To provide safe potable water for all, Hitachi contributed ₹ 10 lakhs to the local administrative body of Karan Nagar for the construction of an overhead water tank under the Government of Gujarat's project under Water and Sanitation Management Organization (WASMO).

Primary Health Center

The Primary Health Center (PHC) in Karan Nagar village provided only basic medical treatment. Villagers are required to go to the nearest Community Health Center which is nearly 15 kms away, for any emergencies and advanced treatments. Hitachi augmented the services with an ambulance, medical specialists, staff as well as medicines.

Construction of Toilets Project

Indrad is an underdeveloped village where many households lacked the basic toilet facilities posing a health hazard for the villagers. Hitachi installed 35 toilets for the houses that lacked toilet facilities to improve their hygiene and sanitation standards in line with the Swachh Bharat Abhiyan (Clean India Mission) by the Government of India.

Vocational Training (AC Repair & Maintenance)

Hitachi, in collaboration with Industrial Training Institutes (ITI), a Government of Gujarat initiative under Skill India, conducts skill building courses in AC Repair and Maintenance for rural youth to help them gain suitable employment. Hitachi also provided the equipment, tool kit, instructors, and other required peripherals for conducting this course successfully.

Construction of Classrooms Project

Budasan is a village with only one 50-year-old Government primary school. Children used to attend open classes in the courtyard exposed to vagaries of the nature. Hitachi played its part by building a school that can accommodate more than 200 children from Class 1 to Class 8 and also renovated the girls' toilet facility.

Besides these, Hitachi often associates with other organizations and bodies to empower people by helping them acquire the right skill set that enables them to grow. Thus, we can proudly say that CSR is not just a concept for us, but is a part of our Company's ethos.

(Mr. Gurmeet Singh is the Chairman of the CSR Committee at Johnson Controls-Hitachi Air Conditioning India Limited)

DIRECTORS' REPORT AND MANAGEMENT DISCUSSION & ANALYSIS

Dear Members,

Your Directors have pleasure in presenting the Thirty Third Annual Report and the Audited Financial Statements, for the year ended March 31, 2018.

FINANCIAL HIGHLIGHTS

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

(₹ In Million)

	For the year ended March 31, 2018	For the year ended March 31, 2017
Revenue from operations (gross)	22,582.7	20,985.5
Other Income	73.9	67.8
Total Revenue	22,656.6	21,053.3
Profit before finance cost, depreciation and tax	2062.6	1745.4
Finance Cost	19.8	43.9
Depreciation and amortization expenses	529.2	518.5
Profit before Tax	1513.6	1183.0
Tax expense	512.1	369.7
Profit for the year	1001.5	813.3

DIVIDEND

Your Directors recommend a dividend of ₹ 1.50 per Equity Share for the year ended March 31, 2018. This is subject to the approval of the Members at the ensuing Annual General Meeting.

COMPANY REVIEW

On 1st October, 2015, Johnson Controls Inc. and Hitachi Appliances, Japan formed a global joint venture and commenced the operations under 'Johnson Controls-Hitachi Air Conditioning' providing a whole range of customized and innovative air conditioning products to global customers. Johnson Controls-Hitachi Air Conditioning India Limited is the subsidiary of the joint venture and a leading air conditioner Company in India. Backed by an experience of over 30 years, the Company offers reliable air conditioners to the customers at the right price to meet their expectations, thereby fostering growth and innovation.

The business of the Company revolves within a single business segment, i.e. Cooling Products. Apart from manufacturing room and commercial air-conditioners, the Company also forays into trading of Refrigerators, Air Purifiers & Washing machines within the country. Additionally, the Company has a total installed capacity of manufacturing 900,000 Room Air conditioners (in a single shift), 120,000 Tons of Ductable units, 9,000 VRFs ODU and 300 Chillers per annum. The company also has a nationwide distribution network consisting of 5 regional offices, 20 branch offices, 203 exclusive sales and service dealers and over 8000 sales points. The company provides aftermarket service through 1235 service points.

With a strong belief in simplifying life, Johnson Controls-Hitachi Air Conditioning India Limited adopts world-class technologies to constantly innovate and inculcate newer concepts and advanced features in its products for a comfortable and relaxed life.

INDUSTRY STRUCTURE AND DEVELOPMENTS

During the year under review, the Air conditioning market has witnessed a steady growth of approximately 8% in terms of volume compared to the previous fiscal year as per our estimates.

Macro factors such as, growing middle class, rising disposable incomes and standard of living, increasing urbanization, availability of financing options and construction of housing units are all anticipated to further spur the growth of air conditioning market in the residential sector. The Government's energy efficiency program will lead to faster adoption of energy saving air conditioners such as inverter AC's. This, along with the introduction of various schemes such as EMIs and discounts are expected to boost the market for air conditioners in the coming years.

Regarding the Commercial air conditioning segment, the transformation of the Indian retail market from being unorganized to organized has led to the construction of shopping malls, retail stores and multiplexes not just in Tier-I cities, but also in Tier-II and III cities. This growth of the retail infrastructure would in turn, increase the demand for air conditioning systems in the years to come. Also, the rapid commercial development such as coming up of new office spaces, special economic zones (SEZs) and corporate hubs along with the proliferation of organized retail outlets are also driving the demand for HVAC installations across the country in the Commercial air conditioning segment. Variable Refrigerant Flow (VRF) segment is expected to grow the fastest due to its energy efficiency, modularity and ease of installation.

BUSINESS OVERVIEW

COOLING PRODUCTS

Room Air Conditioners

After a sluggish first half of the year 2017-18 owing to the rollout of GST, the Indian HVAC Industry picked up pace in the second half. The RAC segment saw a shift towards energy-efficient models such as inverter/5- star ACs due to the increasing awareness of life cycle costs over upfront costs among customers. Additionally, as the 4-star and 5-star rated ACs will operate only on inverter technology, the Split AC market, over the time is expected to make transition to inverter technology. This new energy rating will be effective 2018 onwards, which will further accelerate the market.

The industry witnessed strong growth in the RAC segment of around 7% wherein, the Split AC Segment registered a considerable growth of around 10% with a slight contraction in the Window AC segment. Presently, the Company enjoys a significant 11% volume of market share in the Indian AC industry. According to Motilal Oswal report, the Indian RAC industry, being at an inflection point, is speculated to register a CAGR of 15% to 7.2m units in FY20. Despite demonetization-driven weakness, the AC sales are expected to gain considerable momentum in FY18. During 2017-18, the Company registered a 24.5% year-on-year (YoY) growth in sales of Room ACs, which was considerably higher than the overall industry growth rate. This growth was attributed to the various initiatives taken under the Product Strategy coupled with strong channel support, marketing and promotion support and dynamic expansion in new markets.

Innovation has always been at the core of Hitachi. Propelled by this philosophy, the Company has introduced various unique and customer friendly products and technologies time and again. With initiatives such as I-Care and technologies like Tropical Inverter, I-Clean Plus, I-See, I-Sense, and Wi-Fi-enabled control system, Hitachi's Room ACs have always been offering expert and most innovative cooling solutions. Hitachi's inverter AC range uses R-410A refrigerant which is eco-friendly, thus ensuring minimum ozone layer depletion. The star I-Clean Plus technology automatically cleans the AC's filter every 5 hours. With unrestricted airflow, the machine's energy efficiency remains factory fresh throughout its life time.

In its current lineup of products, Hitachi offers approximately 36 new models of Room ACs with 108 SKUs. The Company's world-class and efficient design and development team are working

relentlessly on the development of new technologies, with an aim to ease the life of its consumers. Besides designing and developing innovative products, we also strive to educate our customers, bringing more power to them. In our marketing campaigns, we are imparting more awareness about the benefits of a 5-star tropical inverter technology enabled AC to the customers. In order to keep up with the rising demand of Split ACs in Tier-II and Tier-III markets, 'Merai' is the new range launched during this period. These new stylish round-edge design models offer best-in-class features like 100% cooling capacity which in turn, ensures less energy consumption, wide angle deflectors, and powerful air flow, thus providing a long-lasting cooling experience across every corner of the room.

Moving progressively ahead on its endeavor to further increase the market share in India, Hitachi upgraded its product range by launching various new models. The Company's current product range consists of 2, 3, 4 and 5 Star rated fixed speed and inverter ACs. The Company's range of Split Air Conditioners consists of 'Kashikoi' Range, 'Neo', 'I Connect', 'Zunoh', 'Toushi', 'Star Sumo' 'ACE Reidan', 'Waza' and 'Ridaa'. Its 'Kashikoi' range has industry leading technologies like 'I See', 'I sense', 'I clean', Tropical Inverter Compressor etc. Aligned to the goal of providing efficient cooling to every Indian house hold, the Company launched a campaign called "Every Home Deserves Hitachi Inverter AC" to promote Hitachi inverter AC and make Hitachi brand more accessible and approachable in mid segment level.

In Window AC segment, the Company continued to have more than 10 Models in 2, 3, 4 and 5 Star rating category, offering technologies like Twin Motor, Hot & Cold, Auto Climate, etc. Despite the shrinking Window AC market, it gained considerable traction in the Northern and Western India markets leading to a rise in demand. Besides this, the Company also focused on channel enhancement as a strategic move, enabling it to expand its outreach in Tier II and Tier III towns. Special emphasis was laid on increasing the Company's presence in e-commerce sector by collaborating with online retail platforms and modern retail partners.

Commercial Air Conditioners

Despite a challenging phase of the Indian economy during 2017-18 owing to demonetization and implementation of GST, which had a direct impact on the commercial business, the Company's Commercial Air Conditioning segment witnessed a remarkable growth during this period. Hitachi's Packaged Air Conditioner category also registered a significant growth of around 18% in the fiscal year. Channel expansion and Business extraction strategies adopted by the Company were the two driving factors behind the growth. The Company continuously focused on exploring new business avenues leading to a far better growth in PAC business as compared to the industry growth. In the years to come, with the stabilization of the impact of demonetization and GST, the Company is expecting a robust growth resulting in increased profitability.

During the period, the Company also saw a positive growth in the VRF systems primarily because of adoption of eco-friendly, energy efficient air-conditioning and flexibility of operations. The Company also maintained its focus on Set-free VRF systems which is expected to grow at CAGR of 14%. For further expansion in this category, the Company worked on various initiatives such as new product development, new technology enhancement, development of eco-friendly products, channel expansion and marketing of this product. The Company's VRF segment registered a growth of 10% in the previous financial year while, during this period, the growth rate was 8% (HP Basis). The Company is confident that with the inclusion of new products in the current VRF product range, its commitment to provide enhanced technology, drive to enhance channel availability, it will be able to provide better cooling solutions to customers and experience an exponential growth in set-free VRF category.

The Chiller business segment was impacted drastically due to the economic slowdown witnessing a de-growth during the period. The Company's Chiller trading business declined by 54.4% while the Chiller manufacturing business declined by 2.1%. With the normalization of Demonetization and GST, the Company expects the Chiller business segment to gain traction and revive demand in the near future.

Application-Based Air Conditioners

The Company's special Air-conditioning product like Telecom AC, has a huge dependence on the growth of telecom industry. FY17-18 was a difficult year for the entire telecom industry due to market disruptions. This year, Hitachi's telecom tower AC category registered a decline of around 32% over that of the last year. This situation is likely to improve due to the rising demand and growing business of telecom in upcountry and rural markets, boosting the demand of telecom tower ACs.

EXPORTS

The Company ventured into the export business segment 3 years back. In the last couple of years, the Company has started exporting to Sri Lanka, Indonesia, Bangladesh, UAE, Middle-East and Nepal. However, the business suffered due to change in govt. policies owing to which exports declined by 24% mainly due to fall in the exports of Split ACs as compared to last year. The Company expects to increase its exports business in the coming years with much stabilized government policies in FY18-19.

HOME APPLIANCES

The company has a strong business in the trading of premium range of Refrigerators and Air purifiers. The Company offers a range of premium refrigerators starting from 250 ltr capacity. Being aesthetically superior and embedded with consumer convenience focused technologies, these products cater to the niche audience looking for good quality and reliable products. The Company's diversified and enhanced range of refrigerators makes the brand

more premium and desirable. Presently, the refrigerator range consists of 2-door, 3-Door, 4-door and 6-door refrigerators with unique colour options suitable to the customer's lifestyle and interiors. Hitachi's Refrigerator business grew by 24% in FY17-18 and is expected to grow exponentially owing to the rising demand of big capacity refrigerators.

Apart from Refrigerators, the Company's range of Air Purifiers is developed to purify polluted air and create a healthy environment. Though the air purifier category is expanding at a much faster rate in India, Hitachi's Air Purifier business declined by 19% primarily because of the availability of multiple low cost air purifier brands in the market. The increasing level of air pollution in India is likely to generate awareness about quality of filters resulting in a steady demand of Air Purifiers in the upcoming years.

SERVICE

The Company, along with offering good quality products to customers, has also given utmost priority to good customer care and service.Realizing the importance of service segment, the Company has undertaken multiple service-oriented initiatives during the year like free service camp, customer delight program, free product check-up in off season, discounted service in pre-summer, multiple customer care touch points with query escalation matrix. A combination of all these factors led the Company to successfully retain its client base and provide service to more than 500,000 customers. The Company has grown tremendously in this sector in FY17-18 and is expected to witness robust growth in the future. The Company continues to invest in training of the human resources and up gradation of their technical skills to ensure growth stability.

During the year, to improve the level of technical skills of its technicians, company also started a major initiative which was in line with the Government's Skill India project. We inaugurated Engineering Excellence Centres (EECs) in Delhi and Chennai to provide skilled manpower and professionally trained technical resources to employees of JCH-IN and its dealers. We are very happy to see the positive response we are getting from our channel partners and the participation we are getting from both our Hitachi's Service Team and our Channel Partner's Service Teams. And, we hope that this will bridge the gap that the Indian HVAC industry has been facing till date by generating skilled taskforce and also generate employment avenues for all.

OPPORTUNITIES AND OUTLOOK

1. The Government's Smart City Project provides a lucrative opportunity for Smart Air Conditioners' and Home Appliances' manufacturers. This Project will also boost the growth of energy efficient and environment friendly products.

2. Increasing standards of Bureau of Energy Efficiency (BEE) for energy efficiency in products and focus on promoting Inverter ACs is a huge opportunity for companies who have large line-up of energy efficient products.

3. Industry focus on energy efficient and Inverter technology products has prompted the customers in shifting to energy efficient inverter technology products.

4. Demand for energy efficient air-conditioning solutions is likely to spur due to increased focused on curbing Global warming and increase in temperature.

5. Increasing acceptability of E-Retail market in India is likely to enhance sales through online portals. With e-retailing, customers will be able to reach to the products in a much better and convenient manner.

6. Growth of organized retail formats in Tier II and III towns is a good opportunity for RAC category to deepen its market penetration.

7. Commercial and hospitality segments will contribute highest to the HVAC demand and likely to grow at 10-11% till FY'22.

RISKS, CONCERNS AND CHALLENGES

1. Increasing raw material cost impact the cost for products.

2. Continued investments into design and manufacturing are required to keep pace with upcoming technological changes and constant up gradation of its features.

3. De-growth in window AC segment is a big concern as the Company is one of the leading brands in Window AC segment. Reducing price gap between Split AC and Window AC is affecting the margins of window AC sales.

4. Electricity consumption in India is a big concern. The growth of Air Conditioner market and its penetration is highly dependent on availability of electricity.

5. Hike in the cost of import components like compressor, copper and depreciation of Indian rupee against USD is impacting the margins on product sales.

HUMAN RESOURCES

The Company operates in a highly competitive business environment which makes it absolutely essential to recruit and retain talented and dynamic Human Resources. The Company always strives to provide all-round holistic development to its employees enhancing their morale and motivation to perform better. In order to make the employees future ready so that they can stay ahead of the competition, various new HR initiatives have been undertaken by the Company. During the year, the Company has been adding more value to the HR processes and practices to fulfill its aim of becoming the best place to work for in the country.

JCH-IN's Human Capital

The total Strength of employees (Staff and Operators) of the Company was 1481 as on March 31, 2018.

Diversity & Inclusion

To develop a culture of Diversity & Inclusion (D&I) across the organization has been the mission of the Company since long

backed by a strong belief in achieving operational excellence, growth and employee engagement as a result of this mission. Increased collaboration and empowering engagement with all employees of the organization is highly essential to attain progress in the area of Diversity & Inclusion. Over the next year, several programs and initiatives are planned to imbibe the importance of D&I mission among all the employees. As a part of the D&I activities, the Company has also created a WISE (Women's Interaction, Support and Engagement) Forum.

The International Women's Day 2018 was celebrated at the Company as Press for Progress theme. This day was celebrated by conducting various activities like Workshop on Basic Awareness on Diversity & Inclusion, Workshop on Prevention, Prohibition & Redressal of Sexual Harassment of Women at Workplace and Outbound Training activities for all female workforce across the organization.

Talent Retention

Retaining talent is highly important for any organization to ensure steady growth and timely execution and achievement of organizational objectives. Various talent retention initiatives were conducted by the Company last year to ensure reduction in attrition effectively.

For New Joiners, programs like New Employee Orientation (NEO) and New Employee Experience Intervention (NEXINT) were rolled out to capture their early post-joining feedback. These initiatives enabled the Company to succeed in its agenda of helping new employees to settle down in the organization and provide proper on boarding training to them. Furthermore, a High Growth Potential (HGP) Hotline process was streamlined to retain talented employees with high potential from leaving the organization.

Industrial Relations

Amicable and friendly industrial relations throughout the organization are a prerequisite for overall growth and development. The Company has always endeavored to maintain industrial harmony amongst its employees, one example of it being timely negotiations and closure of Charter of Demands (COD). Last year the COD of both the registered unions of the Company were successfully completed for a period of 3 years.

JCMS – Empowered People

The Johnson Controls Manufacturing System, or JCMS, is the one way of manufacturing to attain world-class performance. The entire JCMS encompasses 9 principles which are required to be adhered to various stringent standards, practices and processes that are essential to achieve various Maturity levels from Level 1 (Unmet) to Level 5 (Distinguished). Out of these 9 principles, one of the principles is Empowered People. Led by the Human Resources department, the Empowered People (EP) Principle caters to the Integrated Goals, High Performance Teams, Employee Performance Assessment, Talent Management and Employee Engagement Strategy.

Learning & Development:

As part of our ongoing efforts in developing and enhancing skills of our employees and making them target oriented, various initiatives have been rolled out for organizational talent development.

For the Senior Management Team – Under the "Shikhar" program, 3 Leading Business activities, through the Learning Lab aligning the Senior Management team's performance in Leading the Business were carried out.

For the Middle Management Team – Under the "Samarthya" program, the Functional Overview for Business Alignment (FOBA) workshops were conducted to provide them Inter-Functional learning.

For the Field Technicians – Under the "Kaushalya" program, On-the-Job Trainings (OJTs) and Classroom Trainings (CRTs) were administered at pan-India locations. These trainings included basics of Product Installation, Troubleshooting and Customer Handling Skills.

Organizational Talent Review (OTR)

OTR is the comprehensive process for reviewing organizational talent. Various activities such as Succession Planning, High Potential (HiPot) Identification and Individual Development Plans (IDP) were carried out for the Management Team under this program.

The overall objective of the OTR process is to ensure alignment between organization's growth strategies and employee's skills and career aspirations and thereafter, anticipate talent needs, fill talent gaps and offer development experiences to the employees that support the business.

INTERNAL CONTROL AND SYSTEMS

The Company has a well-defined and adequate internal control system commensurate to the size of its business and the nature of industry it operates in. The Internal Control system ensures safeguarding and protecting the assets of the Company. Internal Audit has been conducted by external Auditors at plant as well as at all the branches of the Company within the detailed scope defined and approved by the Audit Committee. The Internal Audit is planned to substantiate and review the adequacy of internal 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 on a periodic basis.

AUDITORS

Pursuant to the provisions of Section 139 of the Companies Act, 2013, Members of the Company, at the Annual General Meeting held on July 25, 2016, appointed M/s. Price Waterhouse & Co. Chartered Accountants LLP (Firm Registration No. 304026E / E300009) as Auditors of the Company to hold office from the

conclusion of Annual General Meeting held on July 25, 2016 till the conclusion of the sixth consecutive Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm that:

a) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures;

b) Such accounting policies 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 and of the profit of the Company for that period;

c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities

d) Annual accounts have been prepared on a going concern basis;

e) Internal financial controls which are to be followed by the Company have been laid down and that such internal financial controls are adequate and were operating effectively; and

f) Proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

BOARD OF DIRECTORS

During the year under review, following changes have been made:

1. Mr. Gurmeet Singh, Managing Director of the Company has been appointed as Chairman of the Company effective from 30th January, 2018. Subsequent to this change:
   a. Mr. Gurmeet Singh holds position of Chairman & Managing Director of the Company.
   b. Mr. Franz Cerwinka holds position of Non-Executive Non-Independent Director of the Company.
2. Mr. Yoshikazu Ishihara has been appointed as a Director of the Company effective from 30th January, 2018.
3. Ms. Indira Parikh has been re-appointed as an Independent Director by passing a Special Resolution during the year under review.
4. Following Directors have tendered resignation as a Director of the Company:
   a. Mr. Varghese Joseph has resigned as an Executive Director of the Company with effect from 30th January, 2018.
   b. Mr. Vinay Chauhan has resigned as an Executive Director of the Company with effect from 30th January, 2018.
   c. Mr. Devender Nath has resigned as an Independent Director of the Company with effect from 30th January, 2018.
   d. Mr. Ravindra Jain has resigned as an Independent Director of the Company with effect from 30th January, 2018.
   e. Mr. Ramachandran Subra Mani has resigned as an Independent Director of the Company with effect from 30th January, 2018.
   f. Mr. Vinesh Sadekar has resigned as an Independent Director of the Company with effect from 30th January, 2018.

   Board do place on record its sincere appreciation for Support, Inspiration, devoting valuable time and the significant contribution of all above Independent Directors and Executive Directors of the Company, made during their tenure in development and progress of the Company by giving their mature advice and guidance.

PERFORMANCE EVALUATION

The Board has carried out an annual evaluation of the performance of the Board, Audit Committee, Stakeholder Relationship Committee, Nomination and Remuneration Committee, Executive Committee, Vigil Mechanism Committee and CSR Committee.

The Board has also carried out annual evaluation of the performance of individual Directors, who were evaluated considering levels of their engagement and contribution, safeguarding the interests of the Company and its minority shareholders, etc. The performance evaluation of the Chairman and the Non-Independent Directors were carried out by the Independent Directors at their separate meeting.

DETAILS OF ESTABLISHMENT OF VIGIL MECHANISM

The Company has established a Vigil Mechanism process as an extension of the Company's Code of Conduct whereby an employee, director, customer, vendor or associate of the Company can disclose his genuine doubt in good faith to any member of Vigil Mechanism Committee about unethical behavior, actual or suspected fraud or violation of the Company's Code of Conduct or ethics policy, so that appropriate action can be taken to safeguard the interest of the Company. In exceptional cases, a complaint can be reported by a complainant to a Chairperson of Audit Committee. This mechanism is overseen by the Audit Committee.

DISCLOSURE UNDER SECTION 197(12) OF THE COMPANIES ACT, 2012 READ WITH RULE 5 OF COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014:

Name of Director and Key Managerial Personnel (KMP)	Designation	% increase in remuneration of director and KMP	Ratio of the remuneration of director to the median remuneration of the employees of the Company for the financial year
Mr. Gurmeet Singh	Chairman and Managing Director	21.51	16.23 : 1
Mr. Franz Cerwinka	Director	NA	NA
Mr. Yoshikazu Ishihara	Director	NA	NA
Mr. Vinay Chauhan	Executive Director	Note 1	Note 1
Mr. Varghese Joseph	Executive Director	Note 1	Note 1
Mr. Ashok Balwani	Independent Director	Note 4	0.50 : 1
Mr. Mukesh Patel	Independent Director	Note 4	0.41 : 1
Ms. Indira Parikh	Independent Director	Note 4	0.15 : 1
Mr. Devender Nath	Independent Director	Note 2	0.50 : 1
Mr. R S Mani	Independent Director	Note 2	0.27 : 1
Mr. Ravindra Jain	Independent Director	Note 2	0.50 : 1
Mr. Vinesh Sadekar	Independent Director	Note 2	0.20 : 1
Mr. Rishi Mehta	Chief Financial Officer	Note 3	Note 3
Mr. Anil Shah	Chief Financial Officer	Note 3	Note 3
Mr. Parag Dave	Company Secretary	10%	2.72:1

Note 1 : Mr. Vinay Chauhan and Mr. Varghese Joseph ceased to be an Executive Director with effect from January 30, 2018.

Note 2 : Mr. Devender Nath, Mr. R S Mani, Mr. Ravindra Jain and Mr. Vinesh Sadekar ceased to be an Independent Director with effect from January 30, 2018.

Note 3 : Mr. Anil Shah retired as a Chief Financial Officer and Mr. Rishi Mehta appointed as a Chief Financial Officer with effect from January 30, 2018.

Note 4 : Sitting fees payable to Independent Directors for attending various meeting remained same.

Comparison of remuneration against Company's performance	
- Increase in remuneration of each KMP	As mentioned in above table
- Increase in total remuneration of all KMP	Total remuneration of KMP decreased by 6.85% due to resignation of Executive Directors

Percentage increase in the median remuneration of employees in the financial year	15%
No. of permanent employees on the rolls of Company	1481
Average percentage increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentage increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	- Average % increase in the salaries of employees other than the managerial personnel 19.34% - Average % increase in the managerial remuneration 21%

We hereby affirm that the remuneration given to all the employees, Directors and KMP is as per the Remuneration policy of the Company.

RISK MANAGEMENT SYSTEM

Company has implemented Enterprise Risk Management (ERM) system to identify, assess, monitor and mitigate the various risks associated with the Company.

Risks are identified and then classified into different categories such as Strategic, Operational, Business risk and Risk related to act of god. Then score based on level and significance of risk is given and subsequently risk mitigation steps are taken.

Every quarter a statement identifying new risks and updation on pre-identified risks along with their mitigation process or counter measures taken are reported before the Audit Committee.

INTERNAL FINANCIAL CONTROL:

Internal Financial Control plan adopted by the Company is adequate with reference to the Financial Statement.

1. Conduct of its business by adherence to Company's policies.
2. Safeguarding of assets.
3. The accuracy and completeness of the accounting records, Prevention and detection of frauds and errors and timely preparation of reliable financial information.

OTHER DISCLOSURES:

1. Number of meetings of the Board: Four meetings of the Board of Directors of the Company were held during the year under review on May 23, 2017, August 08, 2017, November 07, 2017 and January 30, 2018.
2. Members of the Audit Committee are as under:
   a. Mr. Mukesh Patel – Chairman
   b. Mr. Ashok Balwani – Member
   c. Ms. Indira Parikh – Member
3. The Company has received necessary declaration from each Independent Director under Section 149(7) of the Companies Act, 2013, that he/she meets the criteria of independence laid down in Section 149(6) of the Companies Act, 2013.
4. Details about the Policy on Corporate Social Responsibility (CSR) and projects implemented by the Company during the year under review, as required under Section 134(3)(o), 135(2) read with Companies (Corporate Social Responsibility Policy) Rules, 2014 have been provided as Annexure A.
5. Formal Appointment and Evaluation Policy of the Board of Directors and Senior Management of the Company which has been formulated and recommended by Nomination and Remuneration Committee and adopted by Board of Directors covering appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under Section 178(3) is attached as Annexure B.
6. No commission paid to any Director of the Company, so no disclosure is required to be made under Section 197(14).
7. The details forming part of the extract of the Annual Return in form MGT 9 as provided under sub-Section (3) of section 92 is annexed as Annexure C.
8. No loan was granted by the Company to any person to purchase or subscribe to fully paid-up shares of the Company.
9. Secretarial Audit Report: Pursuant to the provisions of Section 204 of the Companies Act, 2013, the Report of the Secretarial Auditors is annexed as Annexure D.
10. There is no fraud reported by Auditors under Section 143(12) of the Companies Act, 2013 during the year under review.
11. Particulars of loans, investments or guarantees under section 186: Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered under Section 186. Company has not made any investment in securities of other Body Corporate. Company has given guarantee of ₹ 150 Million against the credit facilities availed by dealers.
12. There is no subsidiary, associate and joint venture Company, so no disclosure is required on the performance and financial position of each of the subsidiaries, associates and joint venture companies in Form AOC 1.
13. There is no Company which has become or ceased to be its subsidiary, joint venture or associate Company during the year.
14. During the year, Company has not accepted deposits covered under Chapter V.
15. There is no qualification, reservation or adverse remark or disclaimer made by the Auditors in their report.
16. There is no qualification, reservation or adverse remark or disclaimer made by the Company Secretaries in practice in their Secretarial Audit Report.
17. There is no significant and material order passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future.
18. Details of complaints relating to sexual harassment during the year under review: Received during the year: 1; Pending as on 31st March, 2018: 1.
19. Information pursuant to Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014, relating to Conservation of energy, technology absorption and foreign exchange earnings and outgo is given as Annexure E to this report.
20. Statement showing particulars of employees under Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is attached with this Annual Report.
21. Contract or arrangement under Section 188(1): There were no contracts or arrangements entered by the party falling under Section 188(1). Particulars of contracts or arrangements with related parties are provided in Form AOC 2 as Annexure F.
22. Policy on dealing with Related Party Transactions has been disclosed on Company's website and a weblink is as under:

    http://www.jci-hitachi.in/cms/materials/ef34acd1ff.pdf
23. Revision in Accounts or Board's Report: There are no revisions made in the Accounts or Board's Report.
24. Issue of Equity Shares with differential rights: There was no Equity Share issued with differential voting rights during the year under review.

25. Issue of Sweat Equity Shares: There was no issue of Sweat Equity Share during the year under review.

26. Employee Stock Option and Employee Stock Purchase Schemes: No Employee Stock Option and Employee Stock Purchase Schemes were launched during the year under review.

27. Disclosure under Regulation 34(3) read with Schedule V of the SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015:
    a. The Equity Shares of the Company are not delisted or suspended during the year under review.
    b. Equity Shares of the Company are listed on the BSE Limited and the National Stock Exchange of India Limited.
    c. Annual listing fees have been paid to both the stock exchanges mentioned above.

28. Dividend Distribution Policy is given as Annexure G to this report

29. Company has complied with Secretarial Standards applicable to Company.

ACKNOWLEDGEMENT

Your Directors thank all Customers, Suppliers, Investors, Bankers 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, 2018

Gurmeet Singh
Chairman & Managing Director

Annexure A

CSR Policy and the details of CSR activities initiated by the Company

1. **A brief outline of the Company's CSR policy, including overview of projects or programmes proposed to be undertaken:**

   Corporate Social Responsibility (CSR) is the contribution from the Corporate towards Social and Economic development of Society. The purpose of CSR has been to catalyse sustainable growth and development by creating an enabling environment for the Company to work in partnership with the Government, Non-Government, and Civil Society Organizations, as well as Community Organizations in the field of Corporate Social Responsibility.

   The Company's philosophy for CSR has been to initiate sustainable projects in Health and Education to uplift the area in which the Company Plant is located.

   Company has undertaken and proposes to undertake Projects / activities under Corporate Social Responsibility as specified in Schedule VII of the Companies Act, 2013.

   CSR Policy has been disclosed on Company's website and a web link is as under:

   http://www.jci-hitachi.in/cms/materials/2e539fff55.pdf

2. Composition of CSR Committee (as on 31.03.2018):

   Mr. Gurmeet Singh (Chairman of Committee)

   Mr. Ashok Balwani (Independent Director)

   Mr. Yoshikazu Ishihara (Director)

3. Average net profit of the Company for last three financial years: Average net profit: ₹ 970.4 Million.

4. Prescribed CSR Expenditure (two percent of the amount as in item 3 above): ₹ 19.4 Million.

5. Details of CSR spent during the financial year:

   a. Total amount to be spent for the financial year: ₹ 19.4 Million

   b. Amount unspent, if any ₹ 4.7 Million

c. Manner in which the amount spent during the financial year: (₹ in Million)

Sr.	CSR Project / activities	Sector	Locations of the Project	Amount Outlay (Budget) Project or Programs wise	Amount Spent on the project or programs - Sub heads		Cumulative Expenditure upto reporting period	Amount spent: Direct or through implement-ting agency
					Direct expenditure	Overheads		
1	Training for self-employment –	Vocational Education	ITI Kadi Taluka, Gujarat	0.6	0.4	-	0.4	
2	Training for self-employment –	Vocational Education	ITI - Andhra Pradesh	0.4	0.4	-	0.4	Direct by the Company
3	Physical Health Center Karan Nagar	Health	Karan Nagar Village	1.3	1.0	-	1.0	Direct by the Company
4	Construction of 10 Class rooms, Store Room, 30 Computers Toilets	Basic Infrastructure	Budasan and Acharasan Village	6.9	6.2		6.2	Direct by the Company
5	Construction of Toilets	Basic Infrastruc-ture	Indrad & Budasan Village	7.5	2.5		2.5	Direct by the Company
6	Support to 10 Para Athlets	Paralympic sports	Pan India	3.6	3.6		3.6	Direct by the Company
7	Remuneration to employees of CSR Dept.	Overheads				0.6	0.6	Direct by the Company
	Total Expenditure			**20.3**	**14.1**	**0.6**	**14.7**	

6. Reasons for not spending the entire amount:

Each project that has been initiated necessitated detailed recce on ground, verification of land and documents, government permissions and deliberations with all stakeholders. This entailed spending considerable time in planning and then selecting suitable vendors to execute the projects. Also, one of the projects (Skilling youth in AC repairing), that was being budgeted in the current FY in conjunction with Berkeley Haas University and Govt of Andhra Pradesh had to be carried forward to the next FY due to lengthy finalization process.

7. Implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

For Johnson Controls-Hitachi Air Conditioning India Limited

Gurmeet Singh
Chairman & Managing Director
(Chairman CSR Committee)

Annexure -B

Formal Appointment and Evaluation Policy of the Board of Directors and Senior Management

Formal Appointment and Evaluation Policy of the Board of Directors and Senior Management of the Company formulated and recommended by Nomination and Remuneration Committee and adopted by Board of Directors is as under:

Composition of the Board

The size of the Board shall not be less than three and not more than fifteen members. The Board shall have a "balanced" membership, with representation of relevant areas of experience, types of expertise, and backgrounds.

At least one half of the Board members shall be independent members. Board shall observe criteria for independence prescribed under Companies Act and SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015.

Qualifications of Members and Senior Management

A candidate should meet the following criteria who is proposed to be appointed as a member on the Board or in the Senior Management:

(a) He/she has proven integrity with a record of substantial achievement in an area of relevance to the Company.

(b) He/she has demonstrated ability and sound judgment that usually will be based on broad experience.

(c) He/she must be able and willing to devote the required amount of time to the Company's affairs and in case of Directors, to attend Board meetings, Board committee meetings.

(d) He/she must possess a judicious and critical temperament that will enable objective appraisal of management's plans and programs.

(e) He/she must be committed to building sound, long-term Company's growth.

Function of the Board and Senior Management:

The mission of the Board, its committees and Senior Management is to protect the interests of the Company's shareholders. (Senior Management includes the persons who are in cadre of Asst. Vice President and above who directly report to Managing Director or Executive Directors of the Company.) The Board is responsible for the affairs of the Company. Following duties of the Board are prescribed under the Companies Act.

(1) Subject to the provisions of this Act, a Director of a Company shall act in accordance with the articles of the Company.

(2) A Director of a Company shall act in good faith in order to promote the objects of the Company for the benefit of its members as a whole, and in the best interests of the Company, its employees, the shareholders, the community and for the protection of environment.

(3) A Director of a Company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.

(4) A Director of a Company shall not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Company.

(5) A Director of a Company shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates, and if such Director is found guilty of making any undue gain, he shall compensate the Company by any amount equivalent to gain made by him.

These duties should be discharged by the Board, committees, or the independent members of the Board, Senior Management as appropriate in the circumstances.

Remuneration and Compensation of Board Members and Senior Management

While deciding the candidature of the Board Members and Senior Management of the Company, the Nomination and Remuneration Committee will ensure that:

(a) The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Company successfully;

(b) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and

(c) Remuneration to Directors, Key Managerial Personnel and Senior Management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.

Assessment of the Board and Committees

The Board will assess its effectiveness as a body and take necessary steps to improve its collective capability to represent the shareholders and guide the Company.

The performance evaluation of Individual Directors shall be done by the Board of Directors, excluding the Director being evaluated. While making assessment, Board will consider the active participation and the guidance and direction given in the subject matter of the Agenda on the basis of his experience and expert knowledge.

Further, Board will assess annually, the performance of the Committees against the role assigned to such Committee. In case it is required, Board will decide to reconstitute the Committee.

Johnson Controls

HITACHI
Air conditioning solutions

Annexure - C

FORM NO. MGT - 9
Extract of Annual return
As on the financial year ended March 31, 2017
[Pursuant to Section 92(3) of the Companies Act, 2013, and
Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

i.	CIN	:	L29300GJ1984PLC007470
ii.	Registration Date	:	7th December, 1984
iii.	Name of the Company	:	Johnson Controls-Hitachi Air Conditioning India Limited (Formerly known as Hitachi Home & Life Solutions (India) Limited)
iv.	Category / Sub-Category of the Company	:	Public Limited Company having Share Capital
v.	Address of the Registered Office and contact details	:	9th Floor, Abhijeet, Mithakhali Six Roads, Ahmedabad: 380006 Ph. 079-26402024
vi.	Whether listed Company	:	Yes
vii.	Name, address and contact details of Registrar and Transfer Agent, if any	:	Link Intime India Pvt. Limited, 506-508 Amarnath Business Center-1, Beside Gala Business Centre, Nr. St. Xavier's College Corner, Off C.G Road, Navrangpura, Ahmedabad-380009

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the Business Activities contributing 10% or more of the total turnover of the Company shall be stated:

Sr. No.	Name and Description of main Products / Services	NIC Code of the Product / Service	% to total turnover of the Company
1	Sales and service of Air conditioners	28192	90%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. No.	Name and Address of the Company	CIN / GLN	Holding/ Subsidiary/ Associate	% of Shares Held	Applicable Section
1.	JCHAC India Holdco Limited C/o Mofo Notices Limited City Point, One Ropemaker Street, London, EC2Y 9AW, United Kingdom	Not applicable	Holding Company	74.252	Section 2(87)(ii)
2	Johnson Control Hitachi Air Conditioning Holding (UK) Limited 2, The Briars, Waterlooville, Hampshire, PO7 7YH, United Kingdom	Not applicable	Holding Company	0.003	Section 2(87)(ii)
	Total			**74.255**	

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Shareholding

Category of shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
A. Promoters & Promoters Group									
(1) Indian									
a) Individual / HUF	-	-	-	-	-	-	-	-	-
b) Central Govt.	-	-	-	-	-	-	-	-	-
c) State Govt.(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corporate	-	-	-	-	-	-	-	-	-
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any Other….	-	-	-	-	-	-	-	-	-
Sub-Total (A)(1)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
(2) Foreign									
a) NRIs - Individuals	-	-	-	-	-	-	-	-	-
b) Other-Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	20190069	460	20190529	74.25	20190529	-	20190529	74.25	-
d) Banks / FI	-	-	-	-	-	-	-	-	-
e) Any Other….	-	-	-	-	-	-	-	-	-
Sub-Total (A)(2)	**20190069**	**460**	**20190529**	**74.25**	**20190529**	**-**	**20190529**	**74.25**	**-**
Total Shareholding of Promoters (A) = (A)(1)+(A)(2)	**20190069**	**460**	**20190529**	**74.25**	**20190529**	**-**	**20190529**	**74.25**	**-**
B. Public Shareholding									
1. Institutions									
a) Mutual Funds/ UTI	2695189	0	2695189	9.91	2984777	100.00	2984877	10.98	1.07
b) Banks / FI	1870	100	1970	0.01	1635	100.00	1735	0.01	0.00
c) Central Govt.	-	-	-	-	107954	0.00	107954	0.40	0.40
d) State Govt.(s)	-	-	-	-					
e) Venture Capital Funds	-	-	-	-					
f) Insurance Companies	1028543	800	1029343	3.79	947060	800.00	947860	3.49	-0.30
g) FIIs	0	0	0	0.00	445047	0.00	445047	1.64	1.64
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (Foreign Portfolio Investors)	-	-	-	-	-	-	-	-	-
Sub-Total (B)(1):	**3725602**	**900**	**3726502**	**13.70**	**4486473**	**1000**	**4487473**	**16.50**	**2.80**
2. Non Institutions									
a) Bodies Corporate									
i) Indian	378870	0	378870	1.39	264830	0	264830	0.97	-0.42
ii) Overseas	337243	0	337243	1.24	0	0	0	0.00	-1.24

Category of shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
b) Individuals									
i) Individual Shareholders holding nominal share capital upto ₹ 1 lac	570706	0	570706	2.10	425503	0	425503	1.56	-0.53
ii) Individual Shareholders holding nominal share capital in excess of ₹ 1 lac	1448585	493280	1941865	7.14	1286840	369466	1656306	6.09	-1.05
c) Others (NRI)	44769	400	45169	0.17	47283	0	47283	0.17	0.01
d) Others (Trust / HUF)	0	0	0	0.00	118960	0	118960	0.44	0.44
Sub-Total (B)(2)	**2780173**	**493680**	**3273853**	**12.04**	**2143416**	**369466**	**2512882**	**9**	**-2.80**
Total Shareholding of Public (B) = (B)(1)+(B)(2)	**6505775**	**494580**	**7000355**	**25.75**	**6629889**	**370466**	**7000355**	**26**	**0.00**
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-					
Grand Total (A+B+C)	**26696304**	**494580**	**27190884**	**100**	**26820418**	**370466**	**27190884**	**100**	**0.00**

(ii) Shareholding of promoters

Sr. No.	Shareholders Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of Shares	% of total shares of the Company	% of Shares Pledged / Encumbered to total shares	No. of Shares	% of total shares of the Company	% of Shares Pledged / encumbered to total shares	
1	JCHAC India Holdco Limited	20189894	74.25	-	20189894	74.25	-	-
2	Johnson Control Hitachi Air Conditioning Holding(UK)Limited	635	0.00	-	635	0.00	-	-
	Total	**20190529**	**74.25**	**-**	**20190529**	**74.25**	**-**	**-**

iii) Change in Promoters' Shareholding:

Sr. No.		No. of Shares	% of total shares of the Company
1	At the beginning of the year	20190529	74.25
2	Datewise Increase/Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc):	No change during the year	
3	At the end of the year	20190529	74.25

iv) Shareholding pattern of Top ten Shareholders (other than Directors and Promoters)*:

Sr	Name of Shareholder		Change in Shareholding				
			Date	Increase / Decrease No of Shares	No of Shares	Reasons for increase / decrease	% of total shares of the Company
1.	Bajaj Allianz Life Insurance Company Ltd	At the beginning of the year	01.04.17		665983		2.45
			07.04.17	13000	678983	Transfer	2.50
			28.04.17	3000	681983	Transfer	2.51
			19.05.17	-5000	676983	Transfer	2.49
			26.05.17	-1000	675983	Transfer	2.49
			02.06.17	-3000	672983	Transfer	2.48
			09.06.17	-6414	666569	Transfer	2.45
			16.06.17	-850	665719	Transfer	2.45
			30.06.17	1500	667219	Transfer	2.45
			28.07.17	-15000	652219	Transfer	2.40
			18.08.17	-195	652024	Transfer	2.40
			25.08.17	-2000	650024	Transfer	2.39
			01.09.17	-4000	646024	Transfer	2.38
			08.09.17	-5000	641024	Transfer	2.36
			15.09.17	-13000	628024	Transfer	2.31
			22.09.17	-20000	608024	Transfer	2.24
			06.10.17	3000	611024	Transfer	2.25
			27.10.17	-4465	606559	Transfer	2.23
			19.01.18	-8350	598209	Transfer	2.20
			02.02.18	-240	597969	Transfer	2.20
			09.02.18	-1400	596569	Transfer	2.19
		At the end of the year	31.03.18	14000	610569	Transfer	2.25
2.	Reliance Capital Trustee Co. Ltd	At the beginning of the year	01.04.17		161569		0.59
			15.09.17	10000	171569	Transfer	0.63
			22.09.17	39775	211344	Transfer	0.78
		At the end of the year	31.03.18		211344	Transfer	0.78
3.	Franklin India Smaller Companies Fund	At the beginning of the year	01.04.17		228419		0.84
			07.04.17	-5000	223419	Transfer	0.82
			27.10.17	-5000	218419	Transfer	0.80
		At the end of the year	31.03.18		218419		0.80
4.	Birla Sun Life Trustee Company Pvt. Ltd	At the beginning of the year	01.04.17		890915		3.28
			07.04.17	-5309	885606	Transfer	3.26
			14.04.17	-21550	864056	Transfer	3.18
			28.04.17	-15300	848756	Transfer	3.12
			27.10.17	-5733	843023	Transfer	3.10
		At the end of the year	31.03.18		843023		3.10
5.	Canara HSBC Oriental Bank Of Commerce	At the beginning of the year	01.04.17		362560		1.33
			07.04.17	1954	364514	Transfer	1.34
			14.04.17	1082	365596	Transfer	1.34
			21.04.17	-2493	363103	Transfer	1.34
			28.04.17	114	363217	Transfer	1.34
			05.05.17	-3763	359454	Transfer	1.32
			12.05.17	326	359780	Transfer	1.32
			19.05.17	-183	359597	Transfer	1.32

Sr	Name of Shareholder		Change in Shareholding				
			Date	Increase / Decrease No of Shares	No of Shares	Reasons for increase / decrease	% of total shares of the Company
5	Canara HSBC Oriental Bank Of Commerce		26.05.17	298	359895	Transfer	1.32
			02.06.17	-527	359368	Transfer	1.32
			09.06.17	-213	359155	Transfer	1.32
			23.06.17	-1258	357897	Transfer	1.32
			30.06.17	-292	357605	Transfer	1.32
			07.07.17	-1874	355731	Transfer	1.31
			14.07.17	-632	355099	Transfer	1.31
			28.07.17	-1406	353693	Transfer	1.30
			04.08.17	-2608	351085	Transfer	1.29
			11.08.17	-1450	349635	Transfer	1.29
			18.08.17	274	349909	Transfer	1.29
			25.08.17	176	350085	Transfer	1.29
			01.09.17	-1838	348247	Transfer	1.28
			08.09.17	-635	347612	Transfer	1.28
			15.09.17	-1622	345990	Transfer	1.27
			22.09.17	-1573	344417	Transfer	1.27
			29.09.17	20	344437	Transfer	1.27
			06.10.17	-5029	339408	Transfer	1.25
			13.10.17	-631	338777	Transfer	1.25
			20.10.17	-1401	337376	Transfer	1.24
			27.10.17	-998	336378	Transfer	1.24
			03.11.17	-795	335583	Transfer	1.23
			10.11.17	-946	334637	Transfer	1.23
			17.11.17	-1039	333598	Transfer	1.23
			24.11.17	-576	333022	Transfer	1.22
			08.12.17	-823	332199	Transfer	1.22
			15.12.17	-2970	329229	Transfer	1.21
			22.12.17	-3317	325912	Transfer	1.20
			05.01.18	398	326310	Transfer	1.20
			19.01.18	3428	329738	Transfer	1.21
			26.01.18	-1007	328731	Transfer	1.21
			02.02.18	1177	329,908	Transfer	1.21
			09.02.18	2201	332109	Transfer	1.22
		At the end of the year	31.03.18	4382	336491	Transfer	1.24
6.	Birla Sun Life Trustee Company Pvt. Ltd.	At the beginning of the year	01.04.17		224000		0.82
			12.05.17	32446	256446	Transfer	0.94
			26.05.17	33500	289946	Transfer	1.07
			22.09.17	-19500	270446	Transfer	0.99
			20.10.17	-120000	150446	Transfer	0.55
			27.10.17	-5000	145446	Transfer	0.53
			01.12.17	-30000	115446	Transfer	0.42
			22.12.17	-15446	100000	Transfer	0.37
			02.02.18	-35000	65,000	Transfer	0.24
		At the end of the year	31.03.18	-35000	30000	Transfer	0.11

Sr	Name of Shareholder		Change in Shareholding				
			Date	Increase / Decrease No of Shares	No of Shares	Reasons for increase / decrease	% of total shares of the Company
7.	Birla Sun Life Trustee Company Pvt. Ltd.	At the beginning of the year	01.04.17		666743		2.45
			07.04.17	12509	679252	Transfer	2.50
			14.04.17	12221	691473	Transfer	2.54
			21.04.17	10476	701949	Transfer	2.58
			28.04.17	16085	718034	Transfer	2.64
			05.05.17	1899	719933	Transfer	2.65
			12.05.17	3809	723742	Transfer	2.66
			19.05.17	2581	726323	Transfer	2.67
			26.05.17	6834	733157	Transfer	2.70
			02.06.17	7880	741037	Transfer	2.73
			09.06.17	4123	745160	Transfer	2.74
			16.06.17	9257	754417	Transfer	2.77
			23.06.17	5890	760307	Transfer	2.80
			30.06.17	5955	766262	Transfer	2.82
			07.07.17	11462	777724	Transfer	2.86
			14.07.17	10895	788619	Transfer	2.90
			28.07.17	10356	798975	Transfer	2.94
			04.08.17	3605	802580	Transfer	2.95
			11.08.17	5362	807942	Transfer	2.97
			18.08.17	6002	813944	Transfer	2.99
			25.08.17	7351	821295	Transfer	3.02
			01.09.17	6777	828072	Transfer	3.05
			08.09.17	4860	832932	Transfer	3.06
			15.09.17	3780	836712	Transfer	3.08
			22.09.17	3375	840087	Transfer	3.09
			29.09.17	5674	845761	Transfer	3.11
			06.10.17	12997	858758	Transfer	3.16
			13.10.17	3229	861987	Transfer	3.17
			20.10.17	6660	868647	Transfer	3.19
			03.11.17	3690	872337	Transfer	3.21
			10.11.17	4547	876884	Transfer	3.22
			17.11.17	4468	881352	Transfer	3.24
			24.11.17	4479	885831	Transfer	3.26
			01.12.17	909	886740	Transfer	3.26
			08.12.17	1194	887934	Transfer	3.27
			15.12.17	565	888499	Transfer	3.27
			22.12.17	2074	890573	Transfer	3.28
			29.12.17	9336	899909	Transfer	3.31
			05.01.18	13585	913494	Transfer	3.36
			19.01.18	36538	950032	Transfer	3.49
			26.01.18	11305	961337	Transfer	3.54
			02.02.18	16338	977675	Transfer	3.60
			09.02.18	6191	983866	Transfer	3.62
		At the end of the year	31.03.18	38268	1022134	Transfer	3.76
8.	Blue Diamond Properties Private Limited	At the beginning of the year	01.04.17		94491		0.35
		At the end of the year	31.03.18		94491		0.35
9.	Kotak Mahindra (International) Ltd.	At the beginning of the year	01.04.17		96771		0.36
			07.04.17	-60	96711	Transfer	0.36
		At the end of the year	31.03.18		96,711		0.36

Sr	Name of Shareholder		Change in Shareholding				
			Date	Increase / Decrease No of Shares	No of Shares	Reasons for increase / decrease	% of total shares of the Company
10.	Aditya Birla Sun Life Trustee Private Limited A/C	At the beginning of the year	01.04.17		-		0.00
			08.12.17	150000	150000	Transfer	0.55
			22.12.17	15000	165,000	Transfer	0.61
			02.02.18	35000	200,000	Transfer	0.74
		At the end of the year	31.03.18	35000	235000	Transfer	0.86
11.	Aditya Birla Sun Life Trustee Company Private Limited	At the beginning of the year	01.04.17		107744		0.40
			14.04.17	2156	109900	Transfer	0.40
			21.04.17	1674	111574	Transfer	0.41
			28.04.17	2285	113,859	Transfer	0.42
			05.05.17	126	113,985	Transfer	0.42
			19.05.17	135	114,120	Transfer	0.42
			02.06.17	1390	115,510	Transfer	0.42
			09.06.17	647	116,157	Transfer	0.43
			16.06.17	1202	117359	Transfer	0.43
			23.06.17	641	118,000	Transfer	0.43
			30.06.17	858	118,858	Transfer	0.44
			07.07.17	1768	120,626	Transfer	0.44
			14.07.17	1129	121755	Transfer	0.45
			28.07.17	974	122,729	Transfer	0.45
			04.08.17	283	123,012	Transfer	0.45
			11.08.17	504	123,516	Transfer	0.45
			18.08.17	360	123,876	Transfer	0.46
			25.08.17	1029	124,905	Transfer	0.46
			01.08.17	243	125148	Transfer	0.46
			29.08.17	176	125,324	Transfer	0.46
			06.10.17	1673	126,997	Transfer	0.47
			13.10.17	371	127,368	Transfer	0.47
			20.10.17	540	127,908	Transfer	0.47
			10.11.17	247	128,155	Transfer	0.47
			17.11.17	668	128,823	Transfer	0.47
			24.11.17	1684	130,507	Transfer	0.48
			01.12.17	227	130,734	Transfer	0.48
			08.12.17	563	131,297	Transfer	0.48
			15.12.17	396	131,693	Transfer	0.48
			26.01.18	851	132,544	Transfer	0.49
			02.02.18	1815	134,359	Transfer	0.49
			09.02.18	399	134,758	Transfer	0.50
		At the end of the year	31.03.18	108	134866	Transfer	0.50

v) Shareholding of Directors and Key Managerial Personnel

For each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
Mr. Mukesh Patel	1500	0.01	1500	0.01
Mr. Vinay Chauhan*	440	0.00	-	-
Mr. Varghese Joseph*	200	0.00	-	-

* Directors have resigned with effect from January 30, 2018

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

(₹ In Million)

	Secured Loans Excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	0.0	595.2	0.0	**595.2**
ii) Interest due but not paid	0.0	0.0	0.0	**0.0**
iii) Interest accrued but not due	0.0	0.0	0.0	**0.0**
Total (i+ii+iii)	**0.0**	**595.2**	**0.0**	**595.2**
Change in Indebtedness during the financial year				
Addition	0.0	126.6	0.0	**126.6**
Reduction	0.0	595.2	0.0	**595.2**
Net Change	**0.0**	**-468.6**	**0.0**	**-468.6**
Indebtedness at the end of the financial year				
i) Principal Amount	0.0	126.6	0.0	**126.6**
ii) Interest due but not paid	0.0	0.0	0.0	**0.0**
iii) Interest accrued but not due	0.0	0.0	0.0	**0.0**
Total (i+ii+iii)	**0.0**	**126.6**	**0.0**	**126.6**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager: (Rs. In Million)

Sr. No.	Particulars of Remuneration	Mr. Gurmeet Singh	Mr. Vinay Chauhan*	Mr. Varghese Joseph*	Total Amount
		Chairman and Managing Director	Executive Director	Executive Director	
1	Gross Salary				
(a)	Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	10.5	7.5	5.2	23.2
(b)	Value of perquisites under Section 17(2) Income Tax Act, 1961	2.9	1.1	1.2	5.2
(c)	Profit in lieu of salary under Section 17(3) Income Tax Act, 1961	-	-	-	-
2	Stock Options	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission	-	-	-	-
	- as % of profit	-	-	-	-
	- others, specify….	-	-	-	-
5	Others, please specify– Retirement benefits	0.9	0.8	0.5	2.2
	Total (A)	**14.3**	**9.4**	**6.9**	**30.6**
	Ceiling as per the Act (10% of the net profits of the Company calculated as per Section 198 of the Companies Act, 2013)				156.9

* Directors resigned with effect from January 30, 2018

B. Remuneration to other Directors: (₹ In Million)

		Name of Director							Total Amount
1.	**Independent Directors**								
Sr. No	**Particulars of Remuneration**	**Mr. Ashok Balwani**	**Mr. Devender Nath**	**Ms. Indira Parikh**	**Mr. Mukesh Patel**	**Mr. Ravindra Jain**	**Mr. R S Mani**	**Mr. Vinesh Sadekar**	
1	Fee for attending Board/ Committee Meetings	0.4	0.4	0.1	0.4	0.4	0.2	0.2	2.1
2	Commission	-	-	-	-	-	-	-	-
3	Others, please Specify	-	-	-	-	-	-	-	-
	Total (1)								**2.1**
2.	Other Non-Executive Directors								
		Mr. Franz Cerwinka				**Mr. Yoshikazu Ishihara**			
1	Fee for attending Board /Committee Meetings	-				-			-
2	Commission	-				-			-
3	Others, please Specify	-				-			-
	Total (2)								**-**
	Total (B)=(1+2)								**2.1**
	Total Managerial Remuneration (Excluding Sitting Fees)								**30.6**
	Overall Ceiling as per the Act (11% of the net profits of the Company calculated as per Section 198 of the Companies Act, 2013)								172.6

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

(₹ In Million)

	Key Managerial Personnel				
Sr. No.	**Particulars of Remuneration**	**Mr. Anil Shah**	**Mr. Rishi Mehta**	**Mr. Parag Dave**	**Total Amount**
		Chief Financial Officer*	**Chief Financial Officer***	**Company Secretary**	
1	Gross Salary				
	a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	8.6	0.8	1.7	11.1
	(b) Value of perquisites under Section 17(2) Income Tax Act, 1961	-	0.2	0.3	0.5
	(c) Profit in lieu of salary under Section 17(3) Income Tax Act, 1961	-	-	-	-
2	Stock Options	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission	-	-	-	-
	- as % of profit	-	-	-	-
	- others, specify….	-	-	-	-
5	Others, please specify – Retirement benefits	-	0.1	0.1	0.2

* Mr. Anil Shah retired as a Chief Financial Officer and Mr. Rishi Mehta appointed as a Chief Financial Officer with effect from January 30, 2018.

VII. Material Penalties / Punishments / Compounding of Offences

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment / Compounding fees imposed	Authority [RD / NCLT / COURT]	Appeal made, if any (give details)
A. Company					
Penalty					
Punishment			None		
Compounding					
B. Directors					
Penalty					
Punishment			None		
Compounding					
C. Other Officers in Default					
Penalty					
Punishment			None		
Compounding					

Johnson Controls

HITACHI
Air conditioning solutions

Annexure - D

Form No. MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2018

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
Johnson Controls - Hitachi Air Conditioning India Limited,
(Formerly Known as Hitachi Home and Life Solutions (India) Limited)
9th Floor, Abhijeet-1,
Mithakhali Six Roads,
Ahmedabad – 380 006

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Johnson Controls - Hitachi Air Conditioning India Limited (Formerly Known as Hitachi Home and Life Solutions (India) Limited) (CIN: L29300GJ1984PLC007470) (hereinafter called "the company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on our verification of the Johnson Controls - Hitachi Air Conditioning India Limited's (Formerly Known as Hitachi Home and Life Solutions (India) Limited) books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, We hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31st March, 2018 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by "the company", having its Registered Office at "9th Floor, Abhijeet-1, Mithakhali Six Roads, Ahmedabad – 380 006 for the financial year ended on 31st March, 2018 according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the rules made there under;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):

(a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

(b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

(c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;

(d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014; (Not applicable to the Company during the Audit Period)

(e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

(f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

(g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and (Not applicable to the Company during the Audit Period)

(h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; (Not applicable to the Company during the Audit Period)

(vi) The Company has complied with the following specifically other applicable laws to the Company:

(a) E-waste Management Rules, 2012

We have also examined compliance with the applicable clauses of the following:

(i) Secretarial Standards issued by The Institute of Company Secretaries of India.

(ii) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc.

We further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were usually sent seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

There were no dissenting views on any matter.

We further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period the company has no specific events / actions having a major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc.

FOR M C Gupta & Co,
Company Secretaries
UCN: S1986GJ003400

Mahesh C Gupta
Proprietor
FCS: 2047 (CP: 1028)

Place : Ahmedabad
Date : May 23, 2018

Note: This Report is to be read with Our Letter of even date which is annexed as Annexure "A" and forms an integral part of this report.

Annexure: "A"

To,
The Members,
Johnson Controls - Hitachi Air Conditioning India Limited,
(Formerly Known as Hitachi Home and Life Solutions (India) Limited)
9th Floor, Abhijeet-1,
Mithakhali Six Roads,
Ahmedabad – 380 006

Our Report of even date is to be read along with this Letter;

1. Maintenance of Secretarial Record is the responsibility of the management of the company. Our responsibility is to express an opinion on Secretarial Records based on our Audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial Records. The verification was done on test basis to ensure that correct facts are reflected in Secretarial records. We believe that the processes and practices we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and books of accounts of the company.
4. Wherever required, we have obtained the Management Representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of the management. Our examination was limited to the verification of the procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company not of the efficacy or effectiveness with which the management has conducted the affairs of the company.

FOR M C Gupta & Co,
Company Secretaries
UCN: S1986GJ003400

Mahesh C Gupta
Proprietor
FCS: 2047 (CP: 1028)

Place : Ahmedabad
Date : May 23, 2018

Johnson Controls

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Annexure - E

Information pursuant to Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014, relating to conservation of energy, Technology absorption and Foreign exchange earnings and outgo.

Conservation of Energy

1. CFL lights replaced by LED lights in offices resulting in saving of 70K Kwh per year.
2. Modified compressed air distribution system thus reduced overall pressure resulting in saving of 354K Kwh.
3. Old belt driven convection High Pressure compressor replaced by Energy efficient direct driven compressors saving 13K Kwh.
4. Paint shop speed capacity increased by 14 % by modification of component hanging pattern & redesigning of Jigs.
5. Nitrogen Generation Plant installed eliminating sourcing from outside.

Research and development

1. Development of Eco refrigerant (R-32) Constant speed Split Air conditioners.
2. Development of Star Rated Inverters with Change of Outdoor controller from Smart Vector to Cascade Vector Technology.
3. Development of High SEER 1.5Tr (18K BTU) Inverter with 5.2 ISEER and 1.0Tr with 6.1 ISEER.
4. Development of Cassette Inverter.
5. Development of Premium Remote Handset.
6. Development of Inverter Indoor unit with AC Fan Motor.

Technology absorption

1. Optimization of Compressor Motor to achieve high efficiency.
2. Study of original Hitachi Japan VRF In the Ceiling IDU logics and modifying it to use single bigger capacity electronic expansion valve (EXV) in place of 2 Nos small capacity EXV.
3. Study and implementation of BMS protocol converters, i.e Hitachi Proprietary protocol to Modbus Open RTU to BACnet

During the year Company has purchased and absorbed Technology as under:

(i) Inverter Technology for Cascade Vector Control.

(ii) Indoor unit with AC Fan Motor technology for Inverter.

(iii) R-32 refrigerant know how for design, manufacturing and service.

The expenditure incurred on research and development have been given in the notes forming part of the Financial Statements.

Foreign exchange earnings and outgo

The required information in respect of foreign exchange earnings and outgo has been given in the notes forming part of the Financial Statements.

Annexure - F

Form No. AOC-2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis :

Name(s) of the related party and nature of relationship	Nature of contracts arrange-ments transactions	Duration of the contracts / arrange-ments transactions	Salient terms of the contracts or arrange-ments or transactions including the value, if any	Justification for entering into such contracts or arrange-ments or transactions	Date(s) of approval by the Board	Amount paid as advances, if any:	Date on which the special resolution was passed in general meeting as required under first proviso to section 188
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
No such transaction							

2. Details of material contracts or arrangement or transactions at arm's length basis:

Name(s) of the related party and nature of relationship	Nature of contracts arrangements transactions	Salient terms of the contracts or arrange-ments or transactions including the value, if any:	Date(s) of approval by the Board, if any:	Amount paid as advances, if any:	Duration of the contracts / arrangements / transactions
(a)	(b)	(d)	(e)	(f)	(c)
Details of Related party transactions are disclosed in Financial Statement			Approval of Board of Directors is not required	No advance amount paid for Related party transactions	Royalty payment: Seven years. Technical Know How fees: On receipt of Technical Information. Other transactions: Ongoing nature

Annexure - G

Dividend Distribution Policy

Introduction

As required under SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016, Company is required to formulate a Dividend Distribution Policy.

The Board of Directors shall recommend dividend in compliance with this policy, the provisions of the Companies Act, 2013 and Rules made thereunder and other applicable legal provisions.

Company, presently, has only one class of shares, i.e. Equity Shares, for which this Dividend policy is applicable.

Circumstances under which the shareholders may expect dividend:

1 Adequate profit for current year calculated as per Companies Act, 2013 and adequate accumulated profit of previous year(s).

2 Company's current and future financial requirements, including growth opportunities.

Circumstances under which the shareholders may not expect dividend:

1. Inadequate profit of current year and / or inadequate accumulated profit of previous year(s).
2. Board has planned Capital expenditure for next year.

Financial parameters that shall be considered while declaring dividend:

1. Current year profits.
2. Possibilities of increasing cash requirements in the business including capital expenditure.
3. Any potential unforeseen events and contingencies with financial implications.

Internal and external factors that shall be considered for declaration of dividend:

1. Available distributable surplus.
2. Company's liquidity position and future cash flow needs.
3. Track record of Dividends distributed by the Company.
4. Capital expenditure requirements for expansion and other opportunities.
5. Further business potential for the Company.
6. Any other relevant factors that the Board may deem fit to consider before declaring Dividend.

Policy as to how the retained earnings shall be utilized:

Retained earnings will be used inter alia for the Company's growth plans, working capital requirements, debt repayments, if any and other contingencies.

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 six members. Directors have expertise in diversified field viz. Business Planning, Production Planning, Sales & Marketing, Finance, Taxation, Human Resources, etc. The Executive Board member 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 Regulation 17(1) of the SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015. The Board of Company has optimum combination of Non-independent and Independent Directors. As on March 31, 2018, Board of the Company consists of one (1) Executive Director (Managing Director), two (2) Non-executive Directors and three (3) Independent Directors. Details of their position and number of Board / Committees in which they are Chairman / Member are as under:

Name of Director	Promoter / Executive / Non-executive / Independent	No. of Directorship in Listed Indian Companies (Including this Company)	No. of Committees* Position held as	
			Chairman	Member
Mr. Gurmeet Singh	Chairman / Executive (Managing Director)	1	-	1
Mr. Franz Cerwinka	Promoter / Non-Executive	1	-	-
Mr. Yoshikazu Ishihara	Promoter / Non-Executive**	1	-	-
Mr. Ashok Balwani	Non-Executive / Independent	1	-	-
Ms. Indira Parikh	Non-Executive / Independent	7	-	6
Mr. Mukesh Patel	Non-Executive / Independent	3	4	2

* Includes only Audit Committee and Stakeholders Relationship Committee.

** Appointed as Director w.e.f. January 30, 2018

Mr. Vinay Chauhan and Mr. Varghese Joseph (both Executive Director) and Mr. Devender Nath, Mr. Ravindra Jain, Mr. R S Mani and Mr. Vinesh Sadekar (all Four Non-Executive / Independent Directors) have resigned as Director w.e.f. January 30, 2018

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, 2017 to March 31, 2018, Four Board Meetings were held i.e. on May 23, 2017, August 08, 2017, November 07, 2017 and January 30, 2018. The last Annual General Meeting (AGM) was held on August 08, 2017. The attendance of Directors at these Board Meetings and the last AGM were as under:

Name of Director	Board Meetings	Annual General Meeting
Mr. Gurmeet Singh	4	Present
Mr. Franz Cerwinka	2	Absent
Mr. Yoshikazu Ishihara*	1	Not applicable
Mr. Vinay Chauhan**	4	Present
Mr. Varghese Joseph**	4	Present
Mr. Ashok Balwani	4	Present
Mr. Devender Nath**	4	Present
Ms. Indira Parikh	2	Present
Mr. Mukesh Patel	3	Present
Mr. R S Mani**	4	Present
Mr. Ravindra Jain**	4	Present
Mr. Vinesh Sadekar**	4	Present

* Mr. Yoshikazu Ishihara appointed as a Director with effect from January 30, 2018

** Directors have resigned with effect from 30.01.2018

Number of Shares held by Non-Executive Directors

Details of Number of Shares held by Non-executive Directors in their own name or in the name of other persons on beneficial basis as on March 31, 2018 are as under:

Name of Director	No of Shares held
Mr. Franz Cerwinka	Nil
Mr. Yoshikazu Ishihara	Nil
Mr. Ashok Balwani	Nil
Ms. Indira Parikh	Nil
Mr. Mukesh Patel	1,500

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 three members, all being Non-executive Independent Directors. Audit Committee is empowered to exercises its role, responsibilities and powers as prescribed in Regulation 18(3) Part C of schedule 2 of SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015 and Section 177A of the Companies Act, 2013.

The composition of Audit Committee was reconstituted due to resignation of certain Directors during the year. The members of the Audit Committee as on March 31, 2018 are as under:

Mr. Mukesh Patel – Chairman

Mr. Ashok Balwani – Member

Ms. Indira Parikh – Member

During the year from April 01, 2017 to March 31, 2018 4 (Four) Audit committee meetings were held i.e. on May 23, 2017, August 08, 2017, November 07, 2017 and January 30, 2018. Attendances of the members at the meetings were as under:

Name of Members of Committee	Meetings attended
Mr. Mukesh Patel	3
Mr. Ravindra Jain*	4
Mr. Devender Nath*	4

* With effect from 30.01.2018, Mr. Ravindra Jain and Mr. Devender Nath has resigned as a Director.

Nomination and Remuneration Committee

Nomination and Remuneration Committee takes all decisions relating to remuneration of Executive Directors and recommends appointment of Directors and Senior Management Personnel of the Company subject to such approval of Shareholders and Central Government as and when required.

The composition of Nomination and Remuneration Committee was reconstituted due to resignation of certain Directors during the year. The members of the Nomination and Remuneration Committee as on March 31, 2018 are as under:

Mr. Mukesh Patel – Chairman

Mr. Ashok Balwani – Member

Ms. Indira Parikh – Member

During the year under review, Two Nomination and Remuneration Committee Meetings were held i.e. on May 23, 2017, and January 30, 2018. Attendance of the members at the meetings were as under:

Name of Members of Committee	Meetings attended
Mr. Mukesh Patel	1
Mr. Devender Nath*	2
Mr. Ravindra Jain*	2

* With effect from 30.01.2018, Mr. Ravindra Jain and Mr. Devender Nath has resigned as a Director.

Terms of Appointment / Remuneration

Executive Directors including Managing Director are usually appointed for three years at the remuneration within the limit prescribed under the Companies Act, 2013.

Independent Directors are paid sitting fees of ₹ 60,000 for attending Board meeting, ₹ 40,000 for attending Audit Committee Meeting, ₹ 60,000 for attending CSR Committee meeting, ₹ 20,000 for attending Nomination and Remuneration Committee Meeting, ₹15000 for attending Executive Committee Meeting and ₹ 10,000 for attending Stakeholders Relationship Committee Meeting.

Details of Remuneration of directors during the year under review are as under: (Rs in Million)

Name of Director	Salary	Perquisites	Performance linked Incentives	Retirement benefits	Sitting Fees	Total Remuneration
Mr. Gurmeet Singh	10.1	2.9	0.4	0.9	Nil	14.3
Mr. Franz Cerwinka	Nil	Nil	Nil	Nil	Nil	Nil
Mr. Yoshikazu Ishihara	Nil	Nil	Nil	Nil	Nil	Nil
Mr. Vinay Chauhan*	7.1	1.1	0.4	0.8	Nil	9.4
Mr. Varghese Joseph*	4.9	1.2	0.3	0.5	Nil	6.9
Mr. Ashok Balwani	Nil	Nil	Nil	Nil	0.4	0.4
Mr. Devender Nath*	Nil	Nil	Nil	Nil	0.4	0.4
Ms. Indira Parikh	Nil	Nil	Nil	Nil	0.1	0.1
Mr. Mukesh Patel	Nil	Nil	Nil	Nil	0.4	0.4
Mr. R S Mani*	Nil	Nil	Nil	Nil	0.2	0.2
Mr. Ravindra Jain*	Nil	Nil	Nil	Nil	0.4	0.4
Mr. Vinesh Sadekar*	Nil	Nil	Nil	Nil	0.2	0.2

* Directors have resigned with effect from 30.01.2018

No Director is holding share under Stock Option since no Stock Option Scheme is launched by the Company.

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

Formal appointment and evaluation policy of the Board and senior management has been placed as Annexure B as a part of Directors' Report.

Stakeholders Relationship Committee

Stakeholders Relationship Committee consisted of following members as on March 31, 2018:

Mr. Mukesh Patel – Chairman

Mr. Gurmeet Singh – Member

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

Number of pending complaints as on April 01, 2017	Nil
Number of complaints received	12
Number of complaints redressed	12
Number of pending complaints as on March 31, 2018	Nil

None of the complaints and share transfers are pending for a period exceeding one month where all the documents required under the statutory regulations are submitted with the Company.

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

E-mail ID of Compliance Officer : parag.dave@jci-hitachi.com

III. Other disclosures

Statutory Disclosures:

There were no materially significant related party transactions that may have potential conflict with the interests of Company at large. Policy on dealing with Related Party Transactions has been disclosed on Company's website and a weblink is as under:

http://www.jci-hitachi.in/cms/materials/ef34acd1ff.pdf.

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.

The details of familiarization program have been disclosed on the Company's website and a web link is as under:

http://www.jci-hitachi.in/cms/materials/1061141191.pdf.

Commodity price risk/foreign exchange risk and hedging activities:

Company's robust planning and strategy ensures that its interest is protected against Commodity price risk. Company enters into the forward contracts to hedge against its foreign currency exposures.

The details of foreign exchange exposures as on March 31, 2018 are disclosed in Notes to the financial statements.

Performance evaluation criteria for independent directors:

The performance evaluation of Independent Directors shall be done by the Board of Directors, excluding the Director being evaluated. While making assessment, Board will consider the active participation and the guidance and direction given in the subject matter of the Agenda on the basis of his experience and expert knowledge.

Whistle Blower Policy:

The Whistle Blower policy has been put on the website of the Company and we affirm that:

The Company has an adequate Whistle Blower mechanism and that no personnel was denied access to the audit Committee.

All mandatory requirements have been complied with by the Company during the year.

Information relating to last three Annual General Meetings

Date and Time : July 25, 2015, 9.30 a.m.

Venue : H T Parekh Convention Centre, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Vastrapur Road, Ahmedabad – 380015

Special resolutions passed:

1. To appoint Mr. Gurmeet Singh as Executive Director for a period of three years w.e.f from July 21, 2014.
2. To increase remuneration of Mr. Shoji Tsubokuta as Managing Director w.e.f from April 01, 2015.

Date and Time : July 25, 2016, 9.30 a.m.

Venue : J B Auditorium, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Vastrapur Road, Ahmedabad – 380015

Special resolutions passed:

1. To appoint Mr. Atsushi Ohtsuka as Managing Director for a period of 3 years w.e.f September 01, 2015.
2. To appoint Mr. Varghese Joseph as an Executive Director of Company for the period of 3 years w.e.f August 01, 2015.
3. To increase remuneration of Mr. Anil Shah as CFO and Executive Director of the Company from the Financial Year 2015-16.
4. To Re-appoint Mr. Anil Shah as CFO and Executive Director of the Company for a period of 3 years w.e.f June 01, 2016.
5. To increase remuneration of Mr. Vinay Chauhan as an Executive Director of the Company from Financial Year 2015-16.
6. To Re-appoint Mr. Vinay Chauhan as an Executive Director of the Company for a period of 3 years w.e.f May 15, 2016.
7. To increase remuneration of Mr. Gurmeet Singh as an Executive Director of the Company from Financial Year 2015-16.
8. To approve Change of Name of the Company.
9. To maintain the Register of Member at Ahmedabad office of M/s Link Intime India Pvt. Limited, Registrar and Transfer Agent.
10. To substitute all Articles of 'Articles of Association'.

Date and Time : August 08, 2017, 9.30 a.m.

Venue : H T Parekh Convention Center, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Vastrapur Road, Ahmedabad – 380015

Special resolutions passed:

1. Re-appointment of Ms. Indira Parikh as an Independent Director of the Company.
2. To appoint Mr. Gurmeet Singh as a Managing Director of the Company.
3. To maintain Register of members at Office of Registrar and Share Transfer Agent – Link Intime India Pvt. Ltd.

No special resolution has been passed through postal ballot in last financial year.

Means of communication

The quarterly results are published in Business Standard (English) and Jaihind (Gujarati) and the same are also displayed on the website of the Company www.jci-hitachi.in. The information is being made available to the Stock Exchanges to upload the same on their websites.

The official news releases are displayed on the website of the Company.

No presentations are made to institutional investors or to the analysts.

General Shareholder Information

Ensuing Annual General Meeting

Day and Date	Time	Venue
Friday, July 27, 2018	9.30 a.m.	Center for Environment Education, Nehru Foundation for Development, Vastrapur-Gurudwara Road, Ahmedabad: 380054

Financial year : From April 01, 2017 to March 31, 2018

Book closure : From July 21, 2018 to July 27, 2018 (Both days inclusive)

Dividend Payment Date : Dividend, if declared, will be paid on or after August 16, 2018.

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

Stock Code	Stock Exchange
523398	BSE Limited, Floor 25, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.
JCHAC	National Stock Exchange of India Limited, Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051

The Company has paid Annual Listing Fees for the year 2018-19 to the Stock Exchanges.

Market Price Data

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

	Company's Share Price quoted at BSE		SENSEX		JCHAC Share Price quoted at NSE		NIFTY	
	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW
April-2017	1,880.00	1,750.00	30,184.22	29,241.48	1,889.95	1,745.05	9,367.15	9,075.15
May-2017	2,107.95	1,642.15	31,255.28	29,804.12	2,117.55	1,626.30	9,649.60	9,269.90
June-2017	2,300.00	1,920.00	31,522.87	30,680.66	2,308.00	1,925.00	9,709.30	9,448.75
July-2017	2,080.00	1,930.00	32,672.66	31,017.11	2,079.00	1,921.00	10,114.85	9,543.55
August-2017	2,075.00	1,875.00	32,686.48	31,128.02	2,068.00	1,867.30	10,137.85	9,685.55
September-2017	2,069.40	1,850.00	32,524.11	31,081.83	2,110.00	1,851.30	10,178.95	9,687.55
October- 2017	2,775.00	1,957.70	33,340.17	31,440.48	2,775.00	1,975.00	10,384.50	9,831.05
November-2017	2,655.00	2,293.00	33,865.95	32,683.59	2,649.90	2,293.00	10,175.45	10,094.00
December-2017	2,700.00	2,445.00	34,137.97	32,565.16	2,730.05	2,450.00	10,552.40	10,033.35
January-2018	2,727.50	2,435.00	36,443.98	33,703.37	2,735.00	2,445.05	11,171.55	10,404.65
February-2018	2,594.40	2,140.05	36,256.83	33,482.81	2,587.30	2,133.00	11,117.35	10,276.30
March-2018	2,595.00	2,250.00	34,278.63	32,483.84	2,608.80	2,242.25	10,525.50	9,951.90

Registrars and Share Transfer Agent

Link Intime India Pvt. Ltd.
506-508 Amarnath Business Center-1 (ABC-1), Beside Gala Business Centre, Nr. St. Xavier's College Corner, Off C.G. Road, Ahmedabad-380006

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, 2018

Category	No. of Shares Held	% of Shareholding
Promoters' Holding	20,190,529	74.25
Non-Promoters' Holding		
Mutual Funds	2,984,877	10.98
Foreign Portfolio Investors	445,047	1.64
Financial Institutions/ Banks	1,735	0.01
Insurance Companies	947,860	3.49
Central Government	107,954	0.40
Bodies Corporate	252,526	0.93
NRIs	47,283	0.17
Individuals	2,213,073	8.13
Total	**27,190,884**	**100.00**

Distribution of shareholding as on March 31, 2018

Shares Balance	No. of Holders	% of Holders	No. of Shares	% of Shares
1-500	13,452	95.65	1,133,534	4.17
501-1000	338	2.41	256,271	0.94
1001-2000	116	0.83	170,945	0.63
2001-3000	36	0.25	91,044	0.33
3001-4000	23	0.16	83,070	0.31
4001-5000	12	0.09	54,456	0.20
5001-10000	33	0.23	246,426	0.91
10001 and above	55	0.38	25,155,138	92.51
Total	**14,065**	**100.00**	**27,190,884**	**100.00**

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, 2018, 26,820,418 (98.64%) shares of the Company were in Dematerialised form. Demat ISIN No. of the Equity Shares of the Company: INE782A01015

Outstanding Financial Instruments which have an impact on Equity

The Company has not issued any GDRs/ADRs/warrants as on date.

Plant Location

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

Addresses for Correspondence

Company:

Johnson Controls-Hitachi Air Conditioning India Limited.
(Formerly Known as Hitachi Home & Life Solutions (India) Limited)
9th Floor, Abhijeet, Mithakhali Six Roads, Ahmedabad: 380 006
Ph.: 079-26402024

Registrars and Share Transfer Agent:

Link Intime India Pvt. Ltd
506-508 Amarnath Business Center-1 (ABC-1),
Beside Gala Business Centre, Nr. St. Xavier's College Corner,
Off C.G Road, Ahmedabad-380006.
Ph.: 079-26465186 E-mail: ahmedabad@linkintme.co.in

Declaration under Code of Conduct

To the Shareholders of
Johnson Controls-Hitachi Air Conditioning India Limited

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 Johnson Controls-Hitachi Air Conditioning India Limited

Sd/-
Gurmeet Singh
Chairman & Managing Director

Auditors' Certificate regarding compliance of conditions of Corporate Governance

To the Members of Johnson Controls-Hitachi Air Conditioning India Limited

We have examined the compliance of conditions of Corporate Governance by Johnson Controls-Hitachi Air Conditioning India Limited, for the year ended March 31, 2018, as stipulated in Regulations 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 and para C , D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (collectively referred to as "SEBI Listing Regulations, 2015).

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance, issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of 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 SEBI Listing Regulations, 2015.

We 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 Price Waterhouse & Co. Chartered Accountants LLP
Firm Registration Number: 304026E/E-300009
Chartered Accountants

Sachin Parekh
Partner
Membership Number: 107038

Place : Ahmedabad
Date : May 23, 2018

BUSINESS RESPONSIBILITY REPORT

SECTION A: GENERAL INFORMATION ABOUT THE Company

1.	Corporate Identity Number (CIN) of the Company	L29300GJ1984PLC007470
2.	Name of the Company	Johnson Controls-Hitachi Air Conditioning India Limited (Formerly known as Hitachi Home & Life Solutions (India) Limited)
3.	Registered address	9th Floor, Abhijeet, Mithakhali Six Roads, Ahmedabad: 380006
4.	Website	www.jci-hitachi.in
5.	E-mail id	hitachi@jci-hitachi.com
6.	Financial Year reported	April 01, 2017 to March 31, 2018
7.	Sector(s) that the Company is engaged in (industrial activity code-wise)	Division 28: Manufacturing of Air conditioners
8.	List three key products/services that the Company manufactures/provides (as in balance sheet)	Manufacturing of Air conditioners
9.	Total number of locations where business activity is undertaken by the Company	
	a. Number of International Locations (Provide details of major 5)	None
	b. Number of National Locations	5 Regional Offices, 23 Branch Offices, 8 Company owned Service Center
10.	Markets served by the Company – Local/State/National/ International	Pan India

SECTION B: FINANCIAL DETAILS OF THE Company

1.	Paid up Capital (INR)	271.9 Million
2.	Total Turnover (INR)	22582 Million
3.	Total profit after taxes (INR)	1001 Million
4.	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%) of current year	1.94%
5.	List of activities in which expenditure in 4 above has been incurred	6

SECTION C: OTHER DETAILS

1.	Does the Company have any Subsidiary Company/ Companies?	No
2.	Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent Company? If yes, then indicate the number of such subsidiary Company(s)	No
3.	Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]	No

SECTION D: BR INFORMATION

1. Details of Director/Directors responsible for BR

a.	**Details of the Director responsible for implementation of the BR policies**		
	1.	DIN	06938403
	2.	Name	Mr. Gurmeet Singh
	3.	Designation	Not applicable
b.	**Details of the BR head**		
	1.	DIN Number (if applicable)	Not applicable
	2.	Name	Mr. Sanjay Kumar
	3.	Designation	Vice President – Human Resources
	4.	Telephone No.	+91-2764-277571
	5.	Email Id	hitachi@jci-hitachi.com

2. (a) Principle-wise (as per NVGs) BR Policy/policies (Reply in Y/N)

No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	Do you have a policy/ policies for....	Y	Y	Y	Y	Y	Y	Y	Y	Y
2	Has the policy been formulated in consultation with the relevant stakeholders?	All policies have been formulated in consultation with the stakeholders of the Company.								
3	Does the policy conform to any national / international standards? If yes, specify?	Policies are in line with International standards and practices such as ISO 9000, ISO 14000, OHSAS 18000 guidelines.								
4	Has the policy being approved by the Board? Is yes, has it been signed by MD/ owner/ CEO/ appropriate Board Director?	All policies have been approved by Board. Policies are signed by Managing Director / Owner of the policy.								
5	Does the Company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy?	Process owners are responsible for implementation of policies.								
6	Indicate the link for the policy to be viewed online?	Policies are available on website of the Company. Links are as under: 1. www.jci-hitachi.in/cms/materials/387ddc9fc6.pdf 2. www.jci-hitachi.in/cms/materials/3aa857e9d6.pdf 3. www.jci-hitachi.in/cms/materials/14955dcfd1.pdf 4. www.jci-hitachi.in/cms/materials/0b23554d12.pdf								
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Yes								
8	Does the Company have in-house structure to implement the policy / policies?	Yes								
9	Does the Company have a grievance redressal mechanism related to the policy/ policies to address stakeholders' grievances related to the policy/ policies?	Yes								
10	Has the Company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	Yes								

2 (b) If answer to the question at Serial Number 1 against any principle, is 'No', please explain why:

- Not applicable

3. Governance related to BR

a.	Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year	Annual
b.	Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?	BR report will be part of Annual Report of the Company and will be placed on the website of the Company

SECTION E: PRINCIPLE-WISE PERFORMANCE

Principle 1

1. Does the policy relating to ethics, bribery and corruption cover only the Company? Yes/ No. Does it extend to the Group/Joint Ventures/ Suppliers/Contractors/NGOs /Others?

   Integrity is at the centre of everything we do at Johnson Controls. The Company's ongoing success stems from deeply engrained culture of ethics and integrity which strengthens relationships with customers, employees, suppliers and communities.

   Ethics policy applies to everyone at Johnson Controls including the Board of Directors, employees, contract workers and everyone who deals with the Company.

   The Company is committed to transparency and best practices are also extended to suppliers through the Code of Conduct for suppliers. This code warrants compliance with laws prohibiting child labour, taking responsibility for the health and safety of their employees, and ensuring that suppliers act in accordance with applicable statutory and international standards regarding environmental protection. Similarly, all channel partners are covered through Code of Conduct for Channel Partners.

2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management?

   Integrated complaint mechanism is available to all Stakeholders under Johnson Controls Ethics Policy. Such complaints are handled globally by Johnson Controls. At local level, such type of complaints are handled by HR Department of the Company.

Principle 2

1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.

   a. Room Air Conditioners.

   b. Packaged Air Conditioners.

   c. VRF and Chillers.

2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management?

   Integrated complaint mechanism is available to all Stakeholders under Johnson Controls Ethics Policy. Such complaints are handled globally by Johnson Controls. At local level, such type of complaints are handled by HR Department of the Company.

   During the financial year 2017-18, three complaints were received from employees regarding disciplinary transactional matters and all three complaints have been resolved satisfactorily.

3. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.):

   a) Reduction during sourcing/production/ distribution achieved since the previous year throughout the value chain?

   Company is committed and focused towards reduction of energy, water and other utilities consumption by utilizing optimum resources as per the prescribed norms by regulatory authorities / bodies.

   We carried out geo hydrological study at our site as a part of CGWA guidelines and as per the outcome of the study we have constructed 6 nos. of recharge wells in Company premises for recharge of ground water during monsoon season.

   For pre-treatment process in our paint shop we have started using sludge free chemical for reduction of hazardous waste. Hence, we have reduced the requirement of landfilling of sludge generated.

   We are in process of upgrading our effluent treatment facility consisting of primary, secondary & tertiary stages of treatment for improving our final outlet water quality.

   We have switched from LPG to PNG as our fuel which is cleaner and more sustainable and carried out various activities to reduce our electricity consumption to reduce our carbon footprint.

   b) Reduction during usage by consumers (energy, water) has been achieved since the previous year?

   Government of India (Bureau of Energy Efficiency, Ministry of Power) introduced the Standards and Labelling Program in May 2006. Under this program the manufacturers are required to disclose a label showing how much electricity the appliance will consume during operations. Energy Efficiency is indicated by Number of 'Stars'. More Stars indicates more energy efficient appliance. Company's products are available in the range of 2 Star to 5 Star. Company focuses on

promoting and developing energy efficient products. During previous year more than 50% of Company's models were 4 star and 5 star rated models.

4. Does the Company have procedures in place for sustainable sourcing (including transportation)?

   (a) If yes, what percentage of your inputs was sourced sustainably?

   Sustainability agenda is extended to suppliers through the Supplier Code to which all suppliers have been made aware. It lays down the requirements on various aspects of sustainability such as legal compliance, bribery and corruption, human rights, health and safety and environment protection. The Company sources its materials through suppliers and vendors who are compliant with applicable regulatory requirements.

   Supplier selection, assessment and evaluation process includes elements of sustainability. This includes self-assessments by suppliers, risk assessments by the Company and external audits by third party.

5. Has the Company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?

   Material from third party suppliers is sourced locally from within the boundary of India. Out of this some are sourced from local and small producers. Several local and small producers are attached to the Company.

   Company has developed many local producers within 50 kms radius of the Company. Having mutual beneficial relationship with the Company these associated local producers have also grown and established themselves fruitfully and has increased the ratio of local employment.

6. Does the Company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste.

   The Company is committed to increase waste efficiency through the ISO 14001 certification. Waste is segregated into hazardous and non-hazardous waste and managed through a waste management system.

   Hazardous waste is sent to authorized hazardous waste processors recyclers or to GPCB / CPCB Authorized TSDF (transportation, storage and disposal facilities) for disposal. E-waste is sent to registered E-waste recyclers.

   Plastic waste is sent to registered and authorized recycler for recycle.

   Industrial Effluent and Sewage is treated in the effluent treatment plant and sewage treatment plant for treatment of water used in processes and maintaining a green belt.

   The Company complies with the requirements of RoHS & Waste Management Rules.

Principle 3

1.	Please indicate the Total number of employees:	4520
2.	Please indicate the Total number of employees hired on temporary/contractual/casual basis.	3039
3.	Please indicate the Number of permanent women employees.	44
4.	Please indicate the Number of permanent employees with disabilities	3
5.	Do you have an employee association that is recognized by management?	Yes
6.	What percentage of your permanent employees is members of this recognized employee association?	45%
7.	Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.	

No.	Category	No of complaints filed during the financial year	No of complaints pending as on end of the financial year
a.	Child labour/forced labour/involuntary labour	Nil	Nil
b.	Sexual harassment	1	1
c.	Discriminatory employment	Nil	Nil
8.	What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year?		
a.	Permanent Employees	74%	
b.	Permanent Women Employees	55%	
c.	Casual/Temporary/Contractual Employees	73%	
d.	Employees with Disabilities	100%	

Principle 4

1. Has the Company mapped its internal and external stakeholders?

   Yes

2. Out of the above, has the Company identified the disadvantaged, vulnerable & marginalized stakeholders.

   Yes, the Company has identified the marginalized stakeholders.

3. Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalized stakeholders?

   The Company provides free of cost training in its state of the art training facilities to mechanics, repairers and technicians employed by dealers, which community, the Company has identified as disadvantaged, vulnerable and marginalised. Adopting a win-win approach for its business, customers, dealers such trainings not only help trainees to learn skills which are helpful in their future employability and entrepreneurship but also help Company to provide quality after sales services at affordable cost.

Principle 5

1. Does the policy of the Company on human rights cover only the Company or extend to the Group/Joint Ventures/ Suppliers/Contractors/NGOs/Others?

   Policy is extended to the Group, Suppliers and Contractors.

2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?

   No complaint has been received in the past financial year.

Principle 6

1. Does the policy related to Principle 6 cover only the Company or extends to the Group/Joint Ventures/Suppliers/Contractors/ NGOs/others.

   The Environmental Policy of the Company covers all employees and contractors of the Company.

2. Does the Company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc.? Y/N. If yes, please give hyperlink for webpage etc.

   Yes. The Company is committed towards a sustainable global environment by encouraging use of R410 & R32 refrigerant which is an eco-friendly gas. Hence preventing ozone layer depletion.

   Also, rain water harvesting project has been installed to promote recharging of ground water during rainy season.

3. Does the Company identify and assess potential environmental risks?

   Yes. Risk assessments for the environment, mitigation strategies and contingency measures are reviewed and revised every year.

4. Does the Company have any project related to Clean Development Mechanism? Also, if Yes, whether any environmental compliance report is filed?

   The Company has not applied for any projects under the Clean Development Mechanism. However, the Company has been active in reducing its waste in all its operating sites by implementing measures to minimize waste.

   Additionally, we have also implemented organic convertor, where all food and organic wastes are converted to compost and used for gardening.

   Company is upgrading its waste water treatment plant to improve the treatment and increasing the treatment capacity.

5. Has the Company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc.?

   The Company is continually developing products leading to energy efficiency and enhancement of eco-friendly products like usage of R410A & R32 refrigerant.

6. Are the Emissions/Waste generated by the Company within the permissible limits given by CPCB / SPCB for the financial year being reported?

   Yes. The emissions/waste generated by the Company for the Financial Year 2017-18 are within permissible limits given by CPCB / SPCB.

   Analysis of treated effluent is carried out by GPCB approved schedule-II laboratory.

7. Number of show cause/ legal notices received from CPCB / SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.

   As on 31 March, 2018, there is no pending show cause or legal notice received from CPCB or SPCB.

Principle 7

1. Is your Company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:

   Yes. Johnson Controls –Hitachi Air conditioning India Ltd is a member of following industrial and trade bodies namely:

   a. CEAMA (Consumer Electronics and Appliances Manufacturers Association).
   b. RAMA (Refrigeration and Air-conditioning Manufacturers Association of India).
   c. The Gujarat Chamber of Commerce and Industry.

2. Have you advocated/lobbied through above associations for the advancement or improvement of public good?

   Yes. Company is actively involved and advocated through the above organizations on Energy Security and industry developments.

Principle 8

1. Does the Company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8?

   Following projects/programmes initiated by the Company during the year.

Project	Amount in INR Million
Training for self-employment - ITI Kadi	0.4
Training for self-employment - ITI Andhra Pradesh	0.4
Physical Health Center Karan Nagar	1.0
Construction of additional Class roooms at School at Budasan and Acharasan Village	6.2
Construction of Toilets at Indrad and Budasan Village	2.5
Support to 10 Para Athlets	3.6

2. Are the programmes/projects undertaken through in-house team/own foundation/external NGO/government structures/any other organization?

   The programmes has been undertaken by in-house team.

3. Have you done any impact assessment of your initiative?

   Yes. We have gathered case studies from the people who have availed services provided by the Company under CSR and according to them such services are beneficial to them as they are not required to travel for availing medical services as well as at the time of emergency, they can use the Ambulance to reach higher medical facilities.

4. What is your Company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken?

Project	Amount in INR Million
Training for self-employment - ITI Kadi	0.4
Training for self-employment - ITI Andhra Pradesh	0.4
Physical Health Center Karan Nagar	1.0
Construction of additional Class rooms at School at Budasan and Acharasan Village	6.2
Construction of Toilets at Indrad and Budasan Village	2.5
Support to 10 Para Athletes	3.6

5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community?

   The facilities created by the Company are being fully utilized by the affected person at the community.

Principle 9

1. What percentage of customer complaints/consumer cases are pending as on the end of financial year.

   During the year 2017-18, 2.10% complaints are pending at the end of financial year. Out of these 1.6% complaints received during last five days of the financial year.

2. Does the Company display product information on the product label, over and above what is mandated as per local laws?

   Labels / packages of Company's products are complying with the applicable regulations such as Legal Metrology Act, Star rating under Bureau of Energy Efficiency and E-Waste (Management) Rules.

3. Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as at end of financial year?

   No case is filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years.

4. Did your Company carry out any consumer survey/ consumer satisfaction trends?

   As a process of taking consumer feedbacks, we carry out regular happy calling surveys of our customers. Currently the happy calling score indicates that approx 90% of our customers are satisfied with our product and services.

5. Does the Company have a mechanism to recycle products and waste?

   Company does not have a mechanism to recycle products and waste. However Company complies with E-Waste (Management) Rules according to which all e-waste generated during manufacturing process and after sales service process as well as 'End of life' e-waste received from customers are sent to Authorised recyclers for environment friendly disposal.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF
JOHNSON CONTROLS-HITACHI AIR CONDITIONING INDIA LIMITED

Report on the Indian Accounting Standards (Ind AS) Financial Statements

1. We have audited the accompanying Ind AS financial statements of Johnson Controls-Hitachi Air Conditioning India Limited("the Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Ind AS Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements to give a true and fair view of the financial position, financial performance (including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified in the Companies (Indian Accounting Standards) Rules, 2015 (as amended) under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design,implementation and maintenance of adequate internal financial controls,that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these Ind AS financial statements based on our audit.

4. We have taken into account the provisions of the Act and the Rules made thereunder including the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

5. We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10)of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.

6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS financial statements. The procedures selected depend on the auditors' judgment,including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements.

7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements 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, of the state of affairs of the Company as at March 31, 2018, and its total comprehensive income (comprising of profit for the year and other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Other Matter

9. The transition date opening balance sheet as at April 1, 2016 included in these Ind As financial statements, are based on the previously issued statutory financial statements for the year ended March 31, 2016 prepared in accordance with the Companies (Accounting Standards) Rules, 2006 (as amended) which were audited by the predecessor auditor who expressed an unmodified opinion vide report dated May 30, 2016. We have audited the adjustments to those financial statements for the differences in accounting principles adopted by the Company on transition to the Ind AS.

10. The comparative financial information of the Company for the year ended March 31, 2017included in these Ind AS financial statements, are based on the previously issued statutory financial statements for the year ended March 31, 2017 prepared in accordance with the Companies (Accounting Standards) Rules, 2006 (as amended) which were audited by us, on which we expressed an unmodified opinion dated May 23, 2017. We have audited the adjustments to those financial statements for the differences in accounting principles adopted by the Company on transition to the Ind AS.

Report on Other Legal and Regulatory Requirements

11. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act ("the Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure B a statement on the matters specified in paragraphs 3 and 4 of the Order.

12. As required by Section 143 (3) of the Act, we report that:

    (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

    (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those.

    (c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Cash Flow Statement and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.

    (d) In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act.

    (e) On the basis of the written representations received from the directors as on March 31, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164 (2) of the Act.

    (f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure A.

    (g) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:

        i. The Company has disclosed the impact, if any, of pending litigations as at March 31, 2018on its financial position in its Ind As financial statements – Refer Note 25;

        ii. The Company has long-term contracts as at March 31, 2018 for which there were no material foreseeable losses. The Company did not have any long-term derivative contracts as at March 31, 2018;

        iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the year ended March 31, 2018; and

        iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Company for the year ended March 31, 2018.

For Price Waterhouse & Co. Chartered Accountants LLP
Firm Registration Number: 304026E/E-300009
Chartered Accountants

Sachin Parekh
Partner
Membership Number 107038

Place : Ahmedabad
Date : May 23, 2018

Annexure A to Independent Auditors' Report

Referred to in paragraph 12(f) of the Independent Auditors' Report of even date to the members of Johnson Controls-Hitachi Air Conditioning India Limited on the Ind AS financial statements for the year ended March 31, 2018

Report on the Internal Financial Controls with reference to financial statements under Clause (i) of Sub-section 3 of Section 143 of the Act

1. We have audited the internal financial controls with reference to financial statements of Johnson Controls-Hitachi Air Conditioning India Limited("the Company") as of March 31, 2018 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

2. The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated An the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design,implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the"Guidance Note") and the Standards on Auditing deemed to be prescribed under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system with reference to financial statements.

Meaning of Internal Financial Controls with reference to financial statements

6. A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail,accurately and fairly reflect the transactions and dispositions of the assets of the company; (2)provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with reference to financial statements

7. Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial control controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Price Waterhouse & Co. Chartered Accountants LLP
Firm Registration Number: 304026E/E-300009
Chartered Accountants

Sachin Parekh
Partner
Membership Number 107038

Place : Ahmedabad
Date : May 23, 2018

Annexure B to Independent Auditors' Report

Referred to in paragraph 11 of the Independent Auditors' Report of even date to the members of Johnson Controls-Hitachi Air Conditioning India Limited on theInd AS financial statements as of and for the year ended March 31, 2018

i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.

(b) The fixed assets of the Company have been physically verified by the Management during the year and no material discrepancies have been noticed on such verification. In our opinion, the frequency of verification is reasonable.

(c) The title deeds of immovable properties, as disclosed in Note 3 -Property, plant and equipment and Note 5 – Investment property to the Ind AS financial statements, are held in the name or erstwhile name of the Company.

ii. The physical verification of inventory (excluding stocks with third parties)have been conducted at reasonable intervals by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. The discrepancies noticed on physical verification of inventory as compared to book records were not material.

iii. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189of the Act. Therefore, the provisions of Clause 3(iii), (iii)(a), (iii)(b) and (iii)(c) of the said Order are not applicable to the Company.

iv. In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Section 186 of the Act in respect of the loans or investments made, or guarantees or security provided by it. The Company has not granted any loans or provided any guarantees or security to the parties covered under Section 185 of the Act.

v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.

vi. Pursuant to the rules made by the Central Government of India, the Company is required to maintain cost records as specified under Section 148(1) of the Act in respect of its products.

We have broadly reviewed the same, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues, including provident fund, employees' state insurance, income tax, sales tax, service tax, duty of customs, duty of excise, value added tax, cess, goods and service tax with effect from July 1, 2017and other material statutory dues, as applicable, with the appropriate authorities.

(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of duty of customs or goods and service tax which have not been deposited on account of any dispute. The particulars of dues of income tax,sales tax, service tax, duty of excise and value added tax as at March 31, 2018 which have not been deposited on account of a dispute, are as follows:

Name of the statute	Nature of dues	Amount* (₹ In Million)	Period to which the amount relates	Forum where the dispute is pending
The Central Excise Act, 1944	Excise duty including Interest and Penalty as applicable	12.9	2005-06 to 2009-10 and 2012-13	The Custom, Excise and Service Tax Appellate Tribunal
		0.9	2008-09 and 2010-11	Commissioner (Appeals)
The Finance Act, 1994	Service tax including Interest and Penalty as applicable	153.2	2004-05 to 2013-14	The Custom, Excise and Service Tax Appellate Tribunal
		2.4	July 2012 to October 2015	Commissioner (Appeals)
Sales Tax Acts (Central & States)	Sales tax/value added tax including Interest and Penalty as applicable	2.9	2002-03 to 2003-04	Hon'ble Supreme Court of India
		7.4	2000-01 to 2014-15	Appellate Tribunal
		80.4	2005-06 to 2015-16	Upto Commissioner (Appeals)
The Income Tax Act, 1961 **	Income Tax including Interest and Penalty as applicable	39.6	2003-04 to 2006-07	Commissioner of Income Tax (Appeals)
		103.2	2007-08 to 2011-12	Income Tax Appellate Tribunal
		2.3	2003-04 to 2006-07	High Court

* Net of deposits under protest

** Represents matters decided in favour of the Company against which department has filed further appeals.

viii. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans or borrowings to any banks as at the balance sheet date. The Company did not have any outstanding loans or borrowings to any financial institution or Government nor has it issued any debentures as at the balance sheet date.

ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.

x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.

xi. The Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.

xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of related party transactions have been disclosed in the financial statements as required under Indian Accounting Standard (Ind AS) 24, Related Party Disclosures specified under Section 133 of the Act.

xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under audit. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.

xv. The Company has not entered into any non-cash transactions with its directors or persons connected with him within the meaning of Section 192 of the Act. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.

xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For Price Waterhouse & Co. Chartered Accountants LLP
Firm Registration Number: 304026E/E-300009
Chartered Accountants

Sachin Parekh
Partner
Membership Number 107038

Place : Ahmedabad
Date : May 23, 2018

BALANCE SHEET

AS AT 31 MARCH 2018

(₹ in million)

	Notes	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
ASSETS				
Non-current assets				
Property, Plant and Equipment	3	2,221.8	2,343.0	2,403.2
Capital work-in-progress	4	15.8	14.9	7.6
Investment Property	5	12.7	12.0	12.2
Intangible assets	6	208.2	218.6	278.1
Intangible assets under development		-	26.4	-
Financial Assets				
i. Trade receivables	7(a)	-	10.7	24.4
ii. Loans	7(b)	44.0	35.6	38.4
iii. Other financial assets	7(c)	2.4	2.2	-
Deferred tax assets (net)	22	138.8	81.2	38.5
Non current tax assets (net)	8(a)(i)	13.5	33.5	2.4
Other non-current assets	8(b)	260.1	281.4	273.7
Total non-current assets		**2,917.3**	**3,059.5**	**3,078.5**
Current assets				
Inventories	9	4,421.0	4,599.6	4,943.7
Financial Assets				
i. Trade receivables	7(a)	4,142.7	2,819.9	2,775.1
ii. Cash and cash equivalents	7(d)	354.9	233.0	33.8
iii. Bank balances other than (ii) above	7(e)	3.2	3.2	7.9
iv. Loans	7(b)	14.5	20.8	17.0
v. Other financial assets	7(c)	205.3	196.8	98.7
Current Tax Assets (Net)	8(a)(i)	-	-	24.0
Other current assets	8(b)	502.1	272.4	260.9
Total current assets		**9,643.7**	**8,145.7**	**8,161.1**
Total assets		**12,561.0**	**11,205.2**	**11,239.6**
EQUITY AND LIABILITIES				
Equity				
Equity Share capital	10(a)	271.9	271.9	271.9
Other Equity	10(b)	5,080.1	4,130.4	3,368.1
Total Equity		**5,352.0**	**4,402.3**	**3,640.0**
LIABILITIES				
Non-current liabilities				
Provisions	11	376.3	340.3	340.8
Employee benefit obligations	12	81.7	66.6	51.9
Other non-current liabilities	13	31.5	27.8	30.3
Total non-current liabilities		**489.5**	**434.7**	**423.0**
Current liabilities				
Financial Liabilities				
i. Borrowings	14(a)	126.6	595.2	1,335.3
ii. Trade payables	14(b)	4,958.1	4,437.9	4,170.9
iii. Other financial liabilities	14(c)	525.8	358.2	713.2
Other current liabilities	13	880.7	770.7	810.2
Provisions	11	147.8	145.1	130.1
Employee benefit obligations	12	22.1	18.5	16.9
Current Tax Liabilities (Net)	8(a)(ii)	58.4	42.6	-
Total current liabilities		**6,719.5**	**6,368.2**	**7,176.6**
Total liabilities		**7,209.0**	**6,802.9**	**7,599.6**
Total equity and liabilities		**12,561.0**	**11,205.2**	**11,239.6**

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

As per our report of even date

For Price Waterhouse & Co Chartered Accountants LLP
Firm Registration No.304026E/E300009
Chartered Accountants

Sachin Parekh
Partner
Membership No: 107038
Place : Ahmedabad
Date : May 23, 2018

For and on behalf of the Board of Directors

Gurmeet Singh
Chairman & Managing Director
(DIN: 06938403)

Yoshikazu Ishihara
Director
(DIN: 07998690)

Rishi Mehta
Chief Financial Officer

Parag Dave
Company Secretary

Place : Ahmedabad
Date : May 23, 2018

Johnson Controls

HITACHI
Air conditioning solutions

STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED 31 MARCH 2018

(₹ in million)

	Notes	Year ended 31 March 2018	Year ended 31 March 2017
Income			
Revenue From Operations	15	22,582.7	20,985.5
Other Income	16	73.9	67.8
Total income		**22,656.6**	**21,053.3**
Expenses			
Cost of materials consumed		8,425.0	7,046.7
Purchase of Stock-in-Trade		5,575.7	4,540.7
Changes in inventories of finished goods, Stock-in -Trade and work-in-progress	17	175.7	611.0
Excise duty		728.8	1,812.5
Employee benefits expense	18	1,409.8	1,222.3
Finance costs	19	19.8	43.9
Depreciation and amortization expense	20	529.2	518.5
Other expenses	21	4,279.0	4,074.7
Total expenses		**21,143.0**	**19,870.3**
Profit before tax		**1,513.6**	**1,183.0**
Tax expense:	22		
- Current tax		569.7	412.4
- Deferred tax		(57.6)	(42.7)
Total tax expenses		512.1	369.7
Profit for the year		**1,001.5**	**813.3**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations - gain / (loss)		(4.2)	(2.9)
Income tax relating to the above		1.5	1.0
Other comprehensive income for the year, net of tax		(2.7)	(1.9)
Total comprehensive income for the year		**998.8**	**811.4**
Earnings per equity share	24		
Basic and Diluted earnings per share [face value ₹ 10 each] in ₹		36.8	29.9

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

As per our report of even date

For Price Waterhouse & Co Chartered Accountants LLP
Firm Registration No.304026E/E300009
Chartered Accountants

Sachin Parekh
Partner
Membership No: 107038
Place : Ahmedabad
Date : May 23, 2018

For and on behalf of the Board of Directors

Gurmeet Singh
Chairman & Managing Director
(DIN: 06938403)

Yoshikazu Ishihara
Director
(DIN: 07998690)

Rishi Mehta
Chief Financial Officer

Parag Dave
Company Secretary

Place : Ahmedabad
Date : May 23, 2018

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

(₹ in million)

		Year ended 31 March 2018	Year ended 31 March 2017
A)	**Cash flow from operating activities**		
	Profit before tax	1,513.6	1,183.0
	Adjustments for		
	Loss on sale of assets (net)	2.0	2.3
	Unrealised foreign exchange (gain)/loss (net) at year end	0.6	2.4
	Government Grants	(15.3)	(10.4)
	Depreciation and amortisation	529.2	518.5
	Provision for doubtful debts and Bad Debts	33.4	8.2
	Lease rent income	(3.3)	(2.5)
	Interest income	(26.4)	(13.1)
	Finance Costs	19.8	43.9
	Operating Profit before working capital changes	**2,053.6**	**1,732.3**
	(Increase) in trade receivables	(1,345.3)	(39.8)
	(Increase) in other financial assets	(26.4)	(126.8)
	(Increase) / Decrease in other current assets	(186.3)	1.9
	Decrease in inventories	178.6	344.1
	Increase in current liabilities	741.5	158.3
	Increase in other provisions	46.2	22.4
	Cash generated from operations	**1,461.9**	**2,092.4**
	Income taxes paid (net of refunds)	(489.8)	(376.9)
	Net cash inflow from operating activities	**972.1**	**1,715.5**
B)	**Cash flow from investing activities:**		
	Purchase of fixed assets (including capital work in progress and capital advance)	(372.7)	(449.5)
	Proceeds from sale of fixed assets	23.5	16.7
	Redemption of bank deposits (with maturity more than three months)	-	5.1
	Investment in bank deposits (with maturity of more than three months)	(0.2)	(2.2)
	Lease rent income	3.3	2.5
	Interest received	26.4	13.2
	Net cash outflow from investing activities	**(319.7)**	**(414.2)**
C)	**Cash flow from financing activities**		
	Repayment of long-term borrowings	-	(276.0)
	Repayment of short-term borrowings (net)	(473.4)	(728.0)
	Finance cost paid	(8.0)	(49.5)
	Dividend paid (including tax provision thereon)	(49.1)	(48.6)
	Net cash inflow/(outflow) from financing activities	**(530.5)**	**(1,102.1)**
Net increase in cash and cash equivalents		**121.9**	**199.2**
Add: Cash and cash equivalents at the beginning of the financial year		233.0	33.8
Cash and cash equivalents at the end of the year (refer note 7(d))		**354.9**	**233.0**

(₹ in million)

Notes:

a) The above Statement of Cash Flows has been prepared under the "Indirect Method" as set out in the Ind AS - 7 on Statement of Cash Flows.

b) Cash flow from Operating activities includes ₹ 13.0 million (31 March 2017 - ₹ 3.0 million) being cash flows towards Corporate social responsibility initiatives. [Refer Note 21(b)]

c) Net debt reconciliation:

	Borrowings	
	Working capital loans	**Commercial papers**
Net Debt as on 31 March, 2017	-	595.2
Cash Inflow / (Outflow)	126.6	(600.0)
Finance costs	8.0	4.8
Finance cost paid	(8.0)	-
Net Debt as on 31st March, 2018	**126.6**	**-**

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

As per our report of even date

For Price Waterhouse & Co Chartered Accountants LLP
Firm Registration No.304026E/E300009
Chartered Accountants

Sachin Parekh
Partner
Membership No: 107038
Place : Ahmedabad
Date : May 23, 2018

For and on behalf of the Board of Directors

Gurmeet Singh
Chairman & Managing Director
(DIN: 06938403)

Yoshikazu Ishihara
Director
(DIN: 07998690)

Rishi Mehta
Chief Financial Officer

Parag Dave
Company Secretary

Place : Ahmedabad
Date : May 23, 2018

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

A) Equity Share Capital

(₹ in million)

	Notes	
As at 1 April 2016		**271.9**
Changes in equity share capital	10(a)	-
As at 31 March 2017		**271.9**
Changes in equity share capital	10(a)	-
As at 31 March 2018		**271.9**

B) Other equity

(₹ in million)

	Notes	Reserves and Surplus				Total
		Capital Reserve	Securities Premium Account	General Reserve	Retained Earnings	
Balance as at 1 April 2016		0.7	895.4	229.8	2,242.2	3,368.1
Profit for the year		-	-	-	813.3	813.3
Other comprehensive income for the year		-	-	-	(1.9)	(1.9)
Total comprehensive income for the year		**-**	**-**	**-**	**811.4**	**811.4**
Transactions with owners in their capacity as owners:						-
Dividend paid (including dividend distribution tax)	10(b)	-	-	-	(49.1)	(49.1)
Balance as at 31 March, 2017		**0.7**	**895.4**	**229.8**	**3,004.5**	**4,130.4**
Profit for the year		-	-	-	1,001.5	1,001.5
Other comprehensive income for the year		-	-	-	(2.7)	(2.7)
Total comprehensive income for the year		**-**	**-**	**-**	**998.8**	**998.8**
Transactions with owners in their capacity as owners:						-
Dividend paid (including dividend distribution tax)	10(b)	-	-	-	(49.1)	(49.1)
Balance as at 31 March, 2018		**0.7**	**895.4**	**229.8**	**3,954.2**	**5,080.1**

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

As per our report of even date

For Price Waterhouse & Co Chartered Accountants LLP
Firm Registration No.304026E/E300009
Chartered Accountants

Sachin Parekh
Partner
Membership No: 107038
Place : Ahmedabad
Date : May 23, 2018

For and on behalf of the Board of Directors

Gurmeet Singh
Chairman & Managing Director
(DIN: 06938403)

Yoshikazu Ishihara
Director
(DIN: 07998690)

Rishi Mehta
Chief Financial Officer

Parag Dave
Company Secretary

Place : Ahmedabad
Date : May 23, 2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

Background

Johnson Controls-Hitachi Air Conditioning India Company (formerly known as Hitachi Home and Life Solutions (India) Limited) ('the Company') was incorporated in December 1984 as "Acquest Air Conditioning Systems Private Limited".

The Company is engaged in the business of manufacturing, selling and trading of 'Hitachi' brand of Air conditioners, refrigerators, chillers and VRF (variable refrigerant flow) systems. Manufacturing facility for Air conditioners is set up at Kadi (North Gujarat). The Company performs its marketing activities through twenty three branches and eight service centers spread across India. The Company is a public limited company incorporated in India and is listed on the BSE Limited and National Stock Exchange of India Limited.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of financial statements. These accounting policies are applied consistently to all the periods presented in the financial statements, unless otherwise stated.

(a) Basis of accounting and preparation of financial statements

(i) Compliance with Ind AS

The financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 ("the Act") [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act. The financial statements up to year ended 31 March 2017 were prepared in accordance with the accounting standards notified under Companies (Accounting Standards) Rules, 2006 (as amended) and other relevant provisions of the Act.

These financial statements are the first financial statements of the Company under Ind AS. Refer note 32 for an explanation of how the transition from previous GAAP to Ind AS has affected the Company's financial position, financial performance and cash flows.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities (including derivative instruments) that is measured at fair value; and
- defined benefit plans - plan assets measured at fair value.

(iii) Current /Non-Current Classification

The entity presents assets and liabilities in the balance sheet based on current/non-current classification.

An asset is treated as current when it is:

a. Expected to be realized or intended to be sold or consumed in the normal operating cycle

b. Held primarily for the purpose of trading

c. Expected to be realized within twelve months after the reporting period, or

d. Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

a. It is expected to be settled in the normal operating cycle

b. It is held primarily for the purpose of trading

c. It is due to be settled within twelve months after the reporting period, or

d. There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Operating cycle

Based on the nature of products / activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

(b) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chairman & Managing Director (CMD) of the Company who is identified as the chief operating decision maker (CODM). The CMD assesses the financial performance and position of the Company, and makes strategic decisions.

The Company is engaged in the business of manufacturing, selling and trading of 'Hitachi' brand of Air conditioners, refrigerators, chillers and VRF (variable refrigerant flow)

systems and, accordingly, the CODM have identified that the Company's business falls within a single business segment of Cooling Products for comfort and commercial use.

(c) Foreign currency transactions and translations

(i) Functional and presentation currency

Items included in financial statements are measured using the currency of 'the primary economic environment in which the entity operates (" the functional currency"). The financial statements are presented in Indian Rupees (₹), which is the entity's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using exchange rates at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in the statement of profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are inclusive of excise duty and net of returns, trade allowances, rebates, value added taxes, goods and service tax and amounts collected on behalf of third parties. The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below.

Revenue from Sale of Goods

Timing of recognition:

The Company manufactures, sells and trades in 'Hitachi' brand of Air conditioners, refrigerators, air purifiers, chillers and VRF (variable refrigerant flow) systems. The sales are recorded when the significant risks and rewards associated with ownership are transferred to the buyer usually on delivery of the goods. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the buyer, and either the buyer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

Measurement of recognition:

The Company provides various incentives to dealers and to its dealer's customers. Revenue from sales is based on the price specified in the sales contracts, net of sales incentives which represent a reduction in the fair value or incentives which are directly linked to the sale of the product. No element of financing is deemed present as the sales are made within the normal credit term consistent with market practice.

Revenue from Services

Timing of recognition:

The Company provides the following services:

1. Revenue from Annual Maintainance Contracts (AMCs) is recognised over the period of respective contract on a straight line basis.
2. Revenue from specific repairs and maintenance (other than AMCs) contracts is recognised as and when services are rendered in accordance with the terms of the contract.
3. Commission income is recognized as and when earned, unless there is significant uncertainty regarding realization thereof.

Measurement of recognition:

Revenue from services is measured at fair value which is usually the transaction value net of service tax / goods and service tax.

Revenue from long term contracts

Timing of recognition:

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately irrespective of the amount of work done.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

Measurement of construction contract revenue and expense:

The Company uses the 'percentage-of-completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference

to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

(e) Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to income are deferred and recognised in the Statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate and presented within other income.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the Statement of profit or loss on a straight-line basis over the expected lives of the related assets and presented within other income.

(f) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences.

Current and deferred tax is recognized in the Statement of Profit and Loss except to the extent it relates to items recognized directly in equity or other comprehensive income, in which case it is recognized in equity or other comprehensive income, respectively.

Current income tax

Current tax payable is based on taxable profit for the year. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences could be utilized.

Deferred tax assets and liabilities are measured based on the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each reporting date and adjusted to reflect changes in probability that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are off-set against each other and the resultant net amount is presented in the Balance Sheet, if and only when, (a) the Company has a legally enforceable right to set-off the current income tax assets and liabilities, and (b) the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority.

(g) Cash and cash equivalents

For the purpose of presentation in the Statement of Cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(h) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment if any.

(i) Inventories

Inventories are stated at lower of cost and net realisable value. Cost is determined using the weighted average method.

The cost of raw materials, stores and spares and stock in trade comprises purchase cost and all cost incurred in bringing the inventory to their present location and condition. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

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.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated cost necessary to make the sale.

Custom duty on goods where title has passed to the Company and material has reached Indian ports is included in the value of inventories.

Provision for inventory obsolescence is made considering various factors such as likely usage, technical obsolescence, etc.

(j) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

(i) Financial assets

Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Initial Recognition & Measurement

Financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through Statement of Profit and Loss, transaction costs that are attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through Profit and Loss are expensed in the Statement of Profit and Loss.

Subsequent Measurement

After initial recognition, financial assets are measured at:

- fair value (either through Other Comprehensive Income or through Profit and Loss), or
- amortized cost.

Debt instruments:

Debt instruments are subsequently measured at amortized cost, fair value through other comprehensive income ('FVOCI') or fair value through Profit and Loss ('FVTPL') till de-recognition on the basis of (i) the entity's business model for managing the financial assets and (ii) the contractual cash flow characteristics of the financial asset.

Amortised cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost is recognised in the Statement of Profit and Loss when the asset is derecognised or impaired. Interest income from these financial assets is included in other income using the effective interest rate method.

Fair Value Through Other Comprehensive Income (FVOCI):

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in the Statement of Profit and Loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to Statement of Profit and Loss and recognised in other income. Interest income from these financial assets is included in other income using the effective interest rate method.

Fair Value Through Profit and Loss (FVTPL):

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in Statement of Profit and Loss in the period in which it arises. Interest income from these financial assets is recognised in the Statement of profit and loss.

Equity instruments:

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading are classified as at FVTPL. For all other equity instruments, the Company decides to classify the same either as at FVTOCI or FVTPL.

The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the

instrument, excluding dividends, are recognized in other comprehensive income (OCI). There is no recycling of the amounts from OCI to Statement of Profit and Loss, even on sale of such investments.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the Statement of Profit and Loss.

Impairment of financial assets:

The Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- financial assets that are debt instruments, and are measured at amortised cost e.g., loans, deposits, and bank balance.
- trade receivables.

The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables which do not contain a significant financing component.

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

Derecognition of financial assets:

A financial asset is derecognized only when:

.• the Company has transferred the rights to receive cash flows from the financial asset or
- retains the contractual rights to receive the cash flows from the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the entity has transferred an asset, the Company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognized. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognized.

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognized if the Company has not retained control of the financial asset. Where the Company retains control of the financial asset, the asset is continued to be recognized to the extent of continuing involvement in the financial asset.

Income recognition:

Interest income:

Interest income from debt instruments is recognized using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset.

(ii) Financial liabilities:

Initial recognition and measurement:

Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially measured at its fair value plus or minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability.

Subsequent measurement:

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in statement of profit and loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in statement of profit and loss. Any gain or loss on derecognition is also recognized in statement of profit and loss.

Derecognition

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

(iii) Derivative financial instruments:

The Company uses derivative financial instruments, such as foreign exchange forward contracts to manage its exposure to foreign exchange risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The Company enters into derivative contracts to hedge risks and are not designated in any hedging relationship i.e. hedge accounting is not followed. Such contracts are accounted for at FVTPL .

(k) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

(l) Property, plant and equipment

Freehold land is carried at historical cost. All other items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the Statement of profit or loss during the reporting period in which they are incurred.

(i) Transition to Ind AS

On transition to Ind AS, the Company has elected to continue with the carrying value of all of its property, plant and equipment recognised as at 1 April 2016 measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment.

(ii) Depreciation methods, estimated useful lives and residual value

Depreciation on tangible fixed assets is provided on a pro-rata basis on the straight line method over the following useful life based on management technical estimate:

Class of assets	Useful Life followed by the management (in years)	Useful Life prescribed in Schedule II to the Companies Act (in years)
Building	28 to 58	30 to 60
Road	10	10
Moulds and tools	3	8
Toolkits	3	5
Plant and Machinery (Other than moulds and tools, and toolkits)	3 to 15	15
Server and network	4	6
End user devices such as desktops and laptops	3	3
Furniture & fittings	3 to 7	10
Office equipment	3 to 5	5
Electric Installations	7	10
Vehicles	4 to 8	8

Amortisation of leased assets are over the lease period or userful life as above, whichever is lower.

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

The useful lives have been determined based on technical evaluation done by the management in order to reflect the actual usage of the assets. The residual values are not more than 5% of the original cost of the asset.

The assets residual values and useful lives are reviewed, and adjusted if appropriate at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of profit or loss within other income.

(m) Investment Property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment properties are depreciated using the straight-line method over their estimated useful lives. Investment properties generally have a useful life of 28 years. The useful life has been determined based on technical evaluation performed by the management's expert.

(n) Intangible assets

Intangible assets are stated at acquisition cost, net of accumulated amortisation and accumulated impairment losses, if any. They have a finite useful life. Costs associated with maintaining software programmes are recognised as an expense as incurred.

(i) Amortisation methods and periods

The Company amortises intangible assets with a finite useful life using the straight-line method over the following periods:

Class of assets	Useful Life (in years)
Computer Software	3
Licensed Technical Know-how	5

The amortisation period and the amortisation method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.

Gains or losses arising from the retirement or disposal of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised as income or expense in the Statement of Profit and Loss.

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

(ii) Research and development cost

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognised as an intangible asset when all of the following criteria are met:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale.
- There is an intention to complete the asset
- There is an ability to use or sale the asset
- The asset will generate future economic benefits
- Adequate resources are available to complete the development and to use or sell the asset
- The expenditure attributable to the intangible asset during development can be measured reliably.

Following the initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Amortisation of the asset begins when development is complete and the asset is available for use and it is amortised on straight line basis over the estimated useful life.

(iii) Transition to Ind AS

On transition to Ind AS, the Company has elected to continue with the carrying value of all of intangible assets recognised as at 1 April 2016 measured as per the previous GAAP and use that carrying value as the deemed cost of intangible assets.

(o) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(p) Capital work in progress

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

(q) Borrowings costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

(r) Provisions and contingencies

Provisions

Provisions (including for litigation and service warranties) are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provision for service warranty consider historical trends and experience regarding, average failure rate, replacement cost and other variables.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Contingencies

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

When there is possible obligation or present obligation but the likelihood of outflow of resources is remote, no provision or disclosure is made.

(s) Employees Benefits

(i) Short-term employee benefits

Liabilities for wages and salaries, accumulated leave and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are actuarially valued at the end of year measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in statement of profit or loss.

The classification of compensated absences into current and non-current as shown in financial statements is as per actuarial valuation report.

(iii) Post-employment obligations

The Company operates the following post-employment schemes:

(a) defined benefit plans - gratuity, and

(b) defined contribution plans – superannuation, provident fund and employees' state insurance.

Defined benefit plans

The liability or asset recognised in the balance sheet in respect of defined benefit gratuity plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated at the year end by an independent actuary using the projected unit credit method

The present value of the defined benefit obligation denominated in INR is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the Statement of profit and loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the Statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the Statement of profit or loss as past service cost.

Defined contribution plans

The Company contributes on a defined contribution basis to Employees' Provident Fund / Pension Fund, Employees' State Insurance and Superannuation Fund. The contributions towards Provident Fund / Pension Fund and State Insurances is made to regulatory authorities and contribution towards Superannuation Fund is made to Life Insurance Corporation of India. Such benefits are classified as Defined Contribution Schemes as the Company does not carry any further obligations, apart from the contributions made on a monthly basis.

(t) Leases

As a lessee

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of profit or loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

As a lessor

Lease income from operating leases where the Company is a lessor is recognised in income on a straight-line basis over the lease term unless the receipts are structured to increase in line with expected general inflation to compensate for the expected inflationary cost increases. The respective leased assets are included in the balance sheet based on their nature. Initial direct costs incurred in negotiating and managing an operating lease are added to the cost of the leased asset and recognised as an expense over the term on the same basis as the lease income.

(u) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to equity share holders of the Company
- by the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and
- the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

(v) Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest million of rupees as per the requirement of Schedule III, unless otherwise stated.

(w) New standards or interpretations

a) The Company has applied the following amendment for the first time for its annual reporting period commencing 1st April, 2017:

Amendment to Ind AS 7 "Statement of Cash Flows":

The amendment to Ind AS 7 requires the entities to provide disclosures that enable users of Standalone Financial Statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities, to meet the disclosure requirement.

The adoption of these amendments did not have any impact on the amounts recognised in prior periods. When the Company first applies these amendments, it is not required to provide comparative information for preceding periods.

Refer note (c) under Statement of Cash Flows.

b) New standards or interpretations issued but not yet effective:

The Company will apply the following standard for the first time for its annual reporting period commencing 1st April, 2018:

Ind AS 115 – Revenue from Contracts from Customers

The Ministry of Corporate Affairs (MCA) has notified the Companies (Indian Accounting Standards) Amendment

Rules, 2018 on 28 March 2018 which includes Ind AS 115 'Revenue from Contracts with Customers'. This will replace Ind AS 18 which covers contracts for goods and services and Ind AS 11 which covers construction contracts.

Ind AS 115 – Revenue from contracts with Customers outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The standard replaces most current revenue recognition guidance. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services. The new standard also will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively including service revenues and contract modifications and improve guidance for multiple-element arrangements. The new standard will come into effect for the annual reporting periods beginning on or after April 1, 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

In order to identify the potential impact of the standard on the Company's financial statement, the Company is analyzing contracts of the revenue streams of the Company. The Company has begun the analysis on the key areas identified, in order to estimate the effect of the application of the new standard for which the work is ongoing and impact areas may be identified as we progress further in the implementation process. As a result, at this stage the Company is not able to estimate the impact of the new standard on the Company's financial statements. The Company will make more detailed assessments of the impact over the following periods.

Ind AS 40 - Investment Property

The amendments to the standard clarify that transfers to, or from, investment property can only be made if there has been a change in use that is supported by evidence. A change in use occurs when the property meets, or ceases to meet, the definition of investment property. A change in intention alone is not sufficient to support a transfer.

The amendment provides two transition options. Entities can choose to apply the amendment:

- Retrospectively without the use of hindsight; or
- Prospectively to changes in use that occur on or after the date of initial application (i.e. 1 April 2018 for entities with March year-end). At that date, an entity shall reassess the classification of properties held at that date and, if applicable, reclassify properties to reflect the conditions that exist as at that date.

Management has assessed the effects of the amendment on classification of existing property at April 1, 2018 and concluded that no reclassifications are required.

There are no other standards, changes in standards and interpretations that are not in force up to reporting period that the Company expects to have a material impact arising from its application in its financial statements.

NOTE 2: CRITICAL ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgements is included in relevant notes together with information about the basis of calculation for each affected line item in the financial statements.

The areas involving critical estimates or judgements are:

- Estimated useful life of property, plant & equipment and intangible assets (note – 1 (l), 1(m), 1(n), 3, 5 and 6)
- Estimation of defined benefit obligation (note – 1(s) and 12)
- Estimation of provision for warranty claims (note – 1(r) and 11)
- Impairment of trade receivables (note – 1(j) and 7(a))
- Recognition of revenue from construction contracts (note – 29)
- Provision for sales incentives schemes (note – 1(d) and 14(c))
- Contingent liabilities (note – 1(r) and 25)
- Current tax expense and payable (note – 1(f) and 22)
- Inventory obsolescence (note – 1(i) and 9)

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances.

Note 3: Property, plant and equipment

(₹ in million)

	Freehold Land	Buildings	Leasehold Improvements	Plant & Machinery	Computers	Furniture and fixture	Office equipments	Electrical installations	Vehicles	Total
Year ended 31 March 2017										
Gross carrying amount										
Deemed cost as at 1 April 2016	208.5	375.1	13.8	1,508.7	61.3	45.5	41.2	63.7	85.4	2,403.2
Additions	19.8	22.0	0.7	195.8	38.4	11.9	15.8	20.6	46.4	371.4
Disposals	-	-	-	(3.0)	(1.8)	(1.4)	(2.7)	(1.1)	(13.8)	(23.8)
Closing gross carrying amount	**228.3**	**397.1**	**14.5**	**1,701.5**	**97.9**	**56.0**	**54.3**	**83.2**	**118.0**	**2,750.8**
Accumulated depreciation										
Depreciation charge for the year	-	18.2	3.2	302.5	26.2	11.4	14.1	14.7	22.3	412.6
Disposals	-	-	-	(0.6)	(0.4)	(0.3)	(0.6)	(0.3)	(2.6)	(4.8)
Closing accumulated depreciation	**-**	**18.2**	**3.2**	**301.9**	**25.8**	**11.1**	**13.5**	**14.4**	**19.7**	**407.8**
Closing net carrying amount	**228.3**	**379.0**	**11.4**	**1,399.6**	**72.1**	**44.9**	**40.7**	**68.7**	**98.3**	**2,343.0**
Year ended 31 March 2018										
Gross carrying amount										
Opening gross carrying amount	228.3	397.1	14.5	1,701.5	97.9	56.0	54.3	83.2	118.0	2,750.8
Additions	-	16.7	7.1	190.8	8.4	31.3	30.3	22.6	25.3	332.5
Transfer to investment property	-	(1.0)	-	-	-	-	-	-	-	(1.0)
Disposals	-	-	-	(12.0)	(2.1)	(2.2)	(4.6)	(2.1)	(17.5)	(40.5)
Closing gross carrying amount	**228.3**	**412.8**	**21.6**	**1,880.3**	**104.2**	**85.1**	**80.0**	**103.7**	**125.8**	**3,041.8**
Accumulated Depreciation										
Opening accumulated depreciation	-	18.2	3.2	301.9	25.8	11.1	13.5	14.4	19.7	407.8
Depreciation charge for the year	-	18.5	3.8	303.7	30.9	13.6	16.1	17.6	23.0	427.2
Transfer to investment property*	-	(0.0)	-	-	-	-	-	-	-	(0.0)
Disposals	-	-	-	(3.6)	(1.2)	(0.9)	(2.6)	(0.5)	(6.3)	(15.1)
Closing accumulated depreciation	**-**	**36.7**	**7.0**	**602.0**	**55.5**	**23.8**	**27.0**	**31.5**	**36.4**	**819.9**
Closing net carrying amount	**228.3**	**376.1**	**14.6**	**1,278.3**	**48.7**	**61.3**	**53.0**	**72.2**	**89.4**	**2,221.8**

*Depreciation pertaining to Investment Property amounts to ₹ 32,998

a. Freehold Land aggregating ₹ 228.3 million and building having gross block of ₹ 1.4 million (31 March 2017 - ₹ 18.9 million) (excludes self constructed buildings on freehold land) is held in the erstwhile name of the Company. The Company has initiated the process of getting title deeds updated with the present name of the Company viz. Johnson Controls-Hitachi Air Conditioning India Limited.

b. Refer Note 25(b) for disclosure of capital commitments in respect of acquisition of property, plant and equipment.

c. Refer Note 33 for information on property, plant and equipment pledged as security by the Company for borrowings from banks.

d. No borrowing costs have been capitalised during the year ended 31 March 2018 and in the previous year ended 31 March 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

Note 4: Capital work in progress (₹ in million)

	31 March 2018	31 March 2017	1 April 2016
Capital Work in Progress (refer note below)	15.8	14.9	7.6

Note: Capital work-in-progress mainly comprises of Plant and Machinery and Building.

Note 5: Investment Property (₹ in million)

Buildings	31 March 2018	31 March 2017
Gross carrying amount		
Opening gross carrying amount/deemed cost	12.2	12.2
Transfer from Property, plant and equipment	1.0	-
Disposals	-	-
Closing gross carrying amount	**13.2**	**12.2**
Accumulated depreciation		
Opening accumulated depreciation	0.2	-
Transfer from Property, plant and equipment	0.0	-
Depreciation charge for the year	0.3	0.2
Disposals	-	-
Closing accumulated depreciation	**0.5**	**0.2**
Net carrying amount	**12.7**	**12.0**

Note (i) Amounts recognised in the Statement of profit and loss for investment properties (₹ in million)

	31 March 2018	31 March 2017
Rental Income	3.3	2.5
Profit from investment property before depreciation	**3.3**	**2.5**
Depreciation	0.3	0.2
Profit from investment property	**3.0**	**2.3**

Note (ii) Fair Value (₹ in million)

	31 March 2018	31 March 2017	1 April 2016
Investment Property (Buildings)	36.7	33.4	30.3

Note (iii) Estimation of fair value

Considering nature of properties, the Company obtains valuation for investment properties atleast annually. The best evidence of fair value is current prices in an active market for similar properties in the area in which these properties are located adjusted for certain factors. The fair value estimates for investment properties are categorised as level 3 as per Ind AS 113 - Fair Value Measurement.

Note (iv) Leasing arrangements

Certain investment property are leased to tenants under cancellable operating lease arrangement for a period of 11 months.

Note 6: Intangible Assets (₹ in million)

	Software and Licenses	Licensed technical know-how	Total
Year ended 31 March 2017			
Gross carrying amount			
Deemed cost as at 1 April 2016	16.6	261.5	278.1
Additions	36.0	10.2	46.2
Deductions	-	-	-
Closing gross carrying amount	**52.6**	**271.7**	**324.3**
Accumulated amortization			
Amortization charge for the year	14.2	91.5	105.7
Deductions	-	-	-
Closing accumulated amortization	**14.2**	**91.5**	**105.7**
Closing net carrying amount	**38.4**	**180.2**	**218.6**
Year ended 31 March 2018			
Gross carrying amount			
Opening gross carrying amount	52.6	271.7	324.3
Additions	10.3	81.0	91.3
Disposals	-	-	-
Closing gross carrying amount	**62.9**	**352.7**	**415.6**
Accumulated amortization			
Opening accumulated amortization	14.2	91.5	105.7
Amortization charge for the year	20.4	81.3	101.7
Closing accumulated amortization	**34.6**	**172.8**	**207.4**
Closing net carrying amount	**28.3**	**179.9**	**208.2**

Note 7: Financial assets

Note 7(a): Trade receivables (₹ in million)

	31 March 2018		31 March 2017		1 April 2016	
	Current	Non-current	Current	Non-current	Current	Non-current
Secured						
Considered good	18.5	-	21.2	-	22.3	-
	18.5	**-**	**21.2**	**-**	**22.3**	**-**
Unsecured						
Considered good:						
Receivables from related parties (Refer Note 30)	23.8	-	40.4	-	25.2	-
Others	4,100.4	-	2,758.3	10.7	2,727.6	24.4
Considered doubtful - Others	72.5	-	49.6	-	41.4	-
Less: Allowance for doubtful debts	(72.5)	-	(49.6)	-	(41.4)	-
	4,124.2	**-**	**2,798.7**	**10.7**	**2,752.8**	**24.4**
Total trade receivables	**4,142.7**	**-**	**2,819.9**	**10.7**	**2,775.1**	**24.4**

Note 7(b): Loans

(₹ in million)

	31 March 2018		31 March 2017		1 April 2016	
	Current	Non-current	Current	Non-current	Current	Non-current
Unsecured, considered good						
Loans to Employees	6.0	2.0	9.1	3.2	8.7	5.1
Security deposits	8.5	42.0	11.7	32.4	8.3	33.3
Total loans	**14.5**	**44.0**	**20.8**	**35.6**	**17.0**	**38.4**

Note 7(c): Other financial assets

(₹ in million)

	31 March 2018		31 March 2017		1 April 2016	
	Current	Non-current	Current	Non-current	Current	Non-current
Unsecured, considered good						
Unbilled revenue	145.3	-	133.2	-	39.6	-
Margin money deposits with banks	-	2.4	-	2.2	-	-
Derivative Contracts	8.7	-	-	-	-	-
Receivables from related parties (Refer Note 30)	51.2	-	55.0	-	56.2	-
Other receivables	0.1	-	8.6	-	2.9	-
Total other financial assets	**205.3**	**2.4**	**196.8**	**2.2**	**98.7**	**-**

Note 7(d): Cash and cash equivalents

(₹ in million)

	31 March 2018	31 March 2017	1 April 2016
Cash on hand	0.1	0.1	0.9
Balances with banks:			
- in current accounts	21.8	39.2	32.9
- in cash credit account	333.0	193.7	-
Total cash and cash equivalents	**354.9**	**233.0**	**33.8**

Note 7(e): Bank Balances other than cash and cash equivalents

(₹ in million)

	31 March 2018	31 March 2017	1 April 2016
Margin money deposit (against LC and bank guarantee)	-	-	5.2
Unpaid Dividend	3.2	3.2	2.7
Total bank balances other than cash and cash equivalents	**3.2**	**3.2**	**7.9**

Note 8(a): Tax assets/Liabilities (Net)

(i) Tax Assets (Net)

(₹ in million)

	31 March 2018		31 March 2017		1 April 2016	
	Current	Non-current	Current	Non-current	Current	Non-current
Advance income tax*	-	13.5	-	33.5	24.0	2.4
Total tax assets (Net)	**-**	**13.5**	**-**	**33.5**	**24.0**	**2.4**

* Net of provision for taxation ₹ 1,298.3 million, 31 March 2017: ₹ 900.4 million, 1 April 2016: ₹ 664.0 million

(ii) Tax Liabilities (Net) (₹ in million)

	31 March 2018		31 March 2017		1 April 2016	
	Current	Non-current	Current	Non-current	Current	Non-current
Income tax liability*	58.4	-	42.6	-	-	-
Total tax liability (Net)	**58.4**	**-**	**42.6**	**-**	**-**	**-**

* Net of advance tax ₹ 512.6 million, 31 March 2017: ₹ 352.9 million

Note 8(b): Other Assets (₹ in million)

	31 March 2018		31 March 2017		1 April 2016	
	Current	Non-current	Current	Non-current	Current	Non-current
Capital advances	-	21.0	-	23.8	-	27.7
Advances to suppliers	67.8	-	47.3	-	53.9	-
Balance with government authorities	335.4	74.4	118.2	72.1	132.9	59.2
VAT credit receivable	52.9	108.9	62.3	108.9	41.6	108.9
Employee Advances	1.6	-	1.2	-	3.0	-
Prepaid expenses	44.4	-	43.4	-	29.5	-
Tax paid against appeal	-	55.8	-	76.6	-	77.9
Total other assets	**502.1**	**260.1**	**272.4**	**281.4**	**260.9**	**273.7**

Note 9: Inventories (valued at cost and net realisable value whichever is lower) (₹ in million)

	31 March 2018	31 March 2017	1 April 2016
Raw materials (Including goods in transit - ₹ 182.9 million (31 March 2017 - ₹ 284.0 million, 1 April 2016 - ₹ 241.9 million))	1,466.7	1,469.7	1,226.5
Work-in-progress	152.8	237.5	152.4
Finished goods	1,283.9	1,583.5	2,329.8
Stock-in-trade (Including goods in transit - ₹ 119.1 million (31 March 2017 - ₹ 71.6 million, 1 April 2016 - ₹ 154.6 million))	1,417.3	1,208.7	1,158.5
Stores and spares	100.3	100.2	76.5
Total inventories	**4,421.0**	**4,599.6**	**4,943.7**

Amounts recognized in the Statement of profit and loss

Write-downs of inventories amounted to ₹ 122.5 million (31 March 2017 - ₹ 124.1 million). These were recognized as an expense during the year and included in 'Changes in inventories of finished goods, work-in-progress and stock-in-trade' in the Statement of profit and loss.

Note 10:Equity share capital and other equity

Note 10(a):Equity Share Capital (₹ in million)

	Number of shares	Amount
Authorized equity share capital		
As at 1 April 2016	30,000,000	300.0
As at 31 March 2017	30,000,000	300.0
As at 31 March 2018	**30,000,000**	**300.0**

(i) Issued, subscribed and fully paid-up equity share capital and movement in equity share capital

(₹ in million)

	Number of shares	Equity share capital (Face value of INR 10 each)
As at 1 April 2016	27,190,884	271.9
As at 31 March 2017	27,190,884	271.9
As at 31 March 2018	**27,190,884**	**271.9**

The above excludes 47,281 (31 March 2017: 47,281, 1 April 2016: 47281) equity shares of ₹ 10/- each relating to rights issue (2003-04) and rights issue (2013-14), which are kept in abeyance since the matter is pending for disposal at City Civil Court, Kolkata.

Rights, preferences & restrictions attached to equity shares

The Company has only one class of equity shares having a face value of ₹ 10/- per share. Each holder of equity shares is entitled to one vote per share. The dividend recommended by the Board of Directors is subject to the approval of the Shareholders in the ensuing Annual General Meeting, except in case of interim dividend.

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

(ii) Number of Shares of the Company held by holding company or ultimate holding company or subsidiaries of ultimate holding company

	31 March 2018	31 March 2017	1 April 2016
JCHAC India Holdco Limited, UK - Holding Company	20,189,894	20,189,894	20,189,894
Johnson Controls Hitachi Air Conditioning Holding (UK) Limited - Subsidiary of Ultimate Holding Company	635	635	635

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

	31 March 2018		31 March 2017		1 April 2016	
	Number of shares	% holding	Number of shares	% holding	Number of shares	% holding
JCHAC India Holdco Limited	20,189,894	74.25%	20,189,894	74.25%	20,189,894	74.25%
Aditya Birla Sun Life Trustee Company Pvt Limited	2,320,367	8.53%	2,028,676	7.46%	1,309,795	4.82%

(iv) There were no shares bought back nor allotted either as full paid-up bonus shares or under any contract without payment being received in cash during five years immediately preceding 31 March, 2018.

Note 10(b): Other Equity

(₹ in million)

	31 March 2018	31 March 2017	1 April 2016
Reserves and Surplus			
Capital Reserve (Note (i) below)	0.7	0.7	0.7
Securities Premium Account (Note (ii) below)	895.4	895.4	895.4
General Reserve (Note (iii) below)	229.8	229.8	229.8
Retained Earnings (Note (iv) below)	3,954.2	3,004.5	2,242.2
Total reserves and surplus	**5,080.1**	**4,130.4**	**3,368.1**

Note:

(i) Capital reserve has arisen mainly on account of re-issue of forfeited shares.

(ii) Securities premium account is used to record the premium on issue of shares. It is to be utilized in accordance with the provisions of the Act.

(iii) General Reserve represents amounts appropriated out of retained earnings in accordance with the provisions of the Act.

(iv) Retained Earnings (₹ in million)

	31 March 2018	31 March 2017
Opening balance	3,004.5	2,242.2
Add : Profit for the year	1,001.5	813.3
Less : Remeasurement gain/(loss) of post retirement benefit plan (Net of taxes)	(2.7)	(1.9)
Less : Dividends	(40.8)	(40.8)
Less : Dividend Distribution Tax	(8.3)	(8.3)
Closing Balance	**3,954.2**	**3,004.5**

Note 11: Provisions (₹ in million)

	31 March 2018		31 March 2017		1 April 2016	
	Current	Non-current	Current	Non-current	Current	Non-current
Provision for Warranty	147.8	121.8	145.1	91.2	130.1	91.7
Provision for litigations	-	254.5	-	249.1	-	249.1
Total provisions	**147.8**	**376.3**	**145.1**	**340.3**	**130.1**	**340.8**

(i) Information about individual provisions and significant estimates:

Provision for Warranty

The Company gives one year complete warranty (service and parts) and 5/10 years warranty on compressors at the time of sale to the ultimate customer of its products. It is expected that the most of expenses against the provision will be incurred within warranty period, as the case may be. Provision for warranty during the year and utilization do not include ₹ 232.4 million for the year ended 31 March 2018 (31 March 2017 - ₹ 1,98.4 million) contractually payable to dealers and service providers to meet warranty cost.

Provision for litigations

Provision for litigations include likely claims against the Company in respect of certain legal matters like VAT, Service tax, excise duty, etc., whose outcome depends on ultimate settlement / conclusion with relevant authorities.

(ii) Movement in provisions:

Movement in each class of provision during the financial year, are set out below: (₹ in million)

	Provision for Warranty	Provision for litigations	Total
As at 1 April 2016	**221.8**	**249.1**	**470.9**
Charged/(credited) to profit or loss	-		
- additional provision recognized	124.4	-	124.4
- unused amounts reversed	(6.6)	-	(6.6)
- unwinding of discount	6.5	-	6.5
Amounts used during the year	**(109.8)**	**-**	**(109.8)**
As at 31 March 2017	**236.3**	**249.1**	**485.4**
Charged/(credited) to profit or loss			
- additional provision recognized	173.9	5.4	179.3
- unused amounts reversed	(4.6)	-	(4.6)
- unwinding of discount	7.0	-	7.0
Amounts used during the year	**(143.0)**	**-**	**(143.0)**
As at 31 March 2018	**269.6**	**254.5**	**524.1**

Note 12: Employee benefit obligations (₹ in million)

	31 March 2018		31 March 2017		1 April 2016	
	Current	Non-current	Current	Non-current	Current	Non-current
Compensated absences	22.1	81.7	17.6	66.6	16.5	51.9
Gratuity	-	-	0.9	-	0.4	-
Total employee benefit obligations	**22.1**	**81.7**	**18.5**	**66.6**	**16.9**	**51.9**

(a) Long term employee benefit obligations

Compensated absences

The Compensated absences covers the liability for privilege leave and sick leave. The classification of compensated absences into current and non-current is based on the report of independent actuary.

(b) Post employment obligations

Defined contribution plans

The Company also contributes to defined contribution plan viz., employees' provident fund / pension fund, employees state insurance and superannuation fund.

The obligation of the Company is limited to the amount contributed and it has no further contractual or constructive obligation. The expense recognized during the year towards defined contribution plan is as under:

(₹ in million)

	31 March 2018	31 March 2017
Employer's Contribution to Provident fund	47.2	41.1
Employer's Contribution to Employee State Insurance	7.5	4.7
Employer's Contribution to Superannuation fund	9.6	7.2
	64.3	**53.0**

Note : The above amount does not include administrative charges

Defined benefit plans

Gratuity

The Company provides gratuity to employees in India. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The amount of gratuity payable on retirement/termination is the employees last drawn basic salary per month computed proportionately for 15 days salary multiplied for the number of years of service. The gratuity plan is a funded plan. The scheme is funded with Life Insurance Corporation in the form of a qualifying insurance policy.

The amount recognized in the balance sheet and movement of defined benefit obligation for the year are as follows:

(₹ in million)

	Present value of obligation	Fair value of plan assets	Net amount
1 April 2016	107.1	(106.7)	0.4
Current service cost	14.6	-	14.6
Interest expense/(income)	7.9	(7.9)	-
Total amount recognized in the Statement of Profit and Loss	**22.5**	**(7.9)**	**14.6**
Remeasurements			
Return on plan assets, excluding amounts included in interest expense / (income)	-	(7.2)	(7.2)
(Gain)/loss from change in demographic assumptions	(2.2)	-	(2.2)
(Gain)/loss from change in financial assumptions	5.1	-	5.1
Experience (gains)/losses	7.2	-	7.2
Total amount recognized in Other comprehensive income	**10.1**	**(7.2)**	**2.9**
Employer contributions	-	(17.0)	(17.0)
Benefit payments	(10.6)	10.6	-
31 March 2017	**129.1**	**(128.2)**	**0.9**

	Present value of obligation	Fair value of plan assets	Net amount
1 April 2017	129.1	(128.2)	0.9
Current service cost	17.7	-	17.7
Interest expense/(income)	9.0	(9.0)	-
Total amount recognized in the Statement of Profit and Loss	**26.7**	**(9.0)**	**17.7**
Remeasurements			
Return on plan assets, excluding amounts included in interest expense / (income)	-	1.7	1.7
(Gain)/loss from change in demographic assumptions	-	-	-
(Gain)/loss from change in financial assumptions	(7.6)	-	(7.6)
Experience (gains)/losses	10.1	-	10.1
Total amount recognized in Other comprehensive income	**2.5**	**1.7**	**4.2**
Employer contributions	-	(18.3)	(18.3)
Benefit payments	(15.7)	11.2	(4.5)
31 March 2018	**142.6**	**(142.6)**	**-**

The net liability disclosed above relates to funded plan is as follows: (₹ in million)

	31 March 2018	31 March 2017	1 April 2016
Fair value of plan assets	(142.6)	(128.2)	(106.7)
Present value of funded obligation	142.6	129.1	107.1
Surplus/(Deficit) of gratuity plan	**-**	**(0.9)**	**(0.4)**

Categories of plan assets are as follows: (₹ in million)

	31 March 2018	31 March 2017	1 April 2016
Insurer managed fund	142.6	128.2	106.7
Total	**142.6**	**128.2**	**106.7**

Significant estimates: Actuarial assumptions and sensitivity

The significant actuarial assumptions were as follows:

	31 March 2018	31 March 2017	1 April 2016
Discount rate (p.a.)	7.85%	7.20%	7.75%
Salary growth rate (p.a.)	7.00%	7.00%	7.00%

Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Defined benefit obligation (INR in million)					
	Change in assumptions		Increase in assumptions		Decrease in assumptions	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Discount rate	1.00%	1.00%	132.1	119.2	154.6	140.9
Salary growth rate	1.00%	1.00%	154.6	140.8	131.9	119.1

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method) has been applied as when calculating the defined benefit liability recognized in the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

Risk Exposure

Through its defined benefit plans, the Company is exposed to a number of risks, the most significant of which are detailed as below:

Investment risk : If the actual return on plan assets were below the return anticipated on the basis of the discount rate, the net defined benefit obligation would increase, assuming there were no changes in other parameters. This could happen as a result of a drop in return by Life Insurance Corporation.

Interest-rate risk: A decrease in the market yields in the government bond will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.

Demographic risk: The gratuity plan provides a lump sum payment to vested employees at the time of retirement, death, incapacitation or termination of employment. Change in attrition rate or mortality assumption as compared to actual rate may result in change in benefit obligations, benefit expense and/ or payments than previously anticipated.

Salary escalation: The present value of defined benefit plan liability is calculated considering future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

Defined benefit liability and employer contributions

Expected contributions to post-employment benefit plans for the year ending 31 March 2019 is ₹ 12.5 million.
The weighted average duration of the defined benefit obligation is 9.67 years (31 March 2017 – 9.42 years, 1 April 2016 - 8.22 years).
The expected maturity analysis of undiscounted gratuity benefits is as follows:

(₹ in million)

	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
31 March 2018					
Defined benefit obligation (gratuity)	12.5	15.4	36.4	68.1	132.4
31 March 2017					
Defined benefit obligation (gratuity)	8.8	10.3	34.2	59.1	112.4
1 April 2016					
Defined benefit obligation (gratuity)	12.0	10.8	29.7	48.5	101.0
The above disclosure of obligation is limited to outflows over the period of wighted average duration.					

Note 13: Other Liabilities

(₹ in million)

	31 March 2018		31 March 2017		1 April 2016	
	Current	Non-current	Current	Non-current	Current	Non-current
Deferred Income	16.4	31.5	15.3	27.8	9.3	30.3
Advances received from customers	270.6	-	235.3	-	278.2	-
Statutory dues payable	513.3	-	488.2	-	494.7	-
Employee payables	80.4	-	31.9	-	28.0	-
Total other liabilities	**880.7**	**31.5**	**770.7**	**27.8**	**810.2**	**30.3**

Note 14: Financial Liabilities

14(a): Current Borrowings

(₹ in million)

	Rate of Interest (p.a.)	31 March 2018	31 March 2017	1 April 2016
Secured				
Working capital loans repayable on demand from bank	10.60 - 12.50%	-	-	49.2
Unsecured				
Working capital loans repayable on demand from bank	8.25-9.85%	126.6	-	1,278.8
Commercial papers*	6.75%	-	595.2	-
Total current borrowings	**126.6**	**595.2**	**1,328.0**	
Add: Interest accrued	-	-	7.3	
Current borrowings (as per balance sheet)	126.6	595.2	1,335.3	

Refer Note 33 for details of assets pledged as security for the above borrowings.

* Commercial papers were issued @ 6.75% p.a. for 119 days, starting from January 16, 2017.

Note 14(b): Trade Payables (₹ in million)

	31 March 2018	31 March 2017	1 April 2016
- Outstanding dues of micro and small enterprises (Refer note below)	183.8	-	-
- Others	4,774.3	4,437.9	4,170.9
Total trade payables	**4,958.1**	**4,437.9**	**4,170.9**

The Company has certain dues payable to suppliers registered under Micro, Small and Medium EnterprisesDevelopment Act, 2006 ('MSMED Act'). The disclosures pursuant to the said MSMED Act are as follows:

(₹ in million)

	31 March 2018	31 March 2017	1 April 2016
Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end	46.6	-	-
Interest due on above principal amount payable to suppliers registered under the MSMED Act and remaining unpaid as at year end	0.4	-	-
Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year	262.8	-	-
Interest paid, other than under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-	-
Interest paid, under Section 16 of MSMED Act,to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-	-
Interest due and payable towards suppliers registered under MSMED Act, for payments already made	1.4	-	-
Interest accrued and remaining unpaid at the end of each accounting year	1.8	-	-
Further interest remaining due and payable for earlier years	-	-	-

Note : The above information regarding dues payable to Micro and Small enterprises is complied by management to the extent the information is available with the Company regarding the status of suppliers as Micro and Small enterprises.

Note 14(c): Other Financial Liabilities (₹ in million)

	31 March 2018		31 March 2017		1 April 2016	
	Current	Non-current	Current	Non-current	Current	Non-current
Current maturities of long term borrowings*	-	-	-	-	276.0	-
Deposits (from dealers and others)	20.5	-	22.4	-	23.6	-
Capital Creditors	28.3	-	25.7	-	41.5	-
Unclaimed dividends**	3.2	-	3.2	-	2.7	-
Amount due to customers	30.2	-	70.8	-	66.2	-
Derivative contracts	0.7	-	27.6	-	-	-
Payable for Discount to customers	442.9	-	208.5	-	303.2	-
Total other financial liabilities	**525.8**	**-**	**358.2**	**-**	**713.2**	**-**

* ECB of USD 10 million, taken from a bank, carries interest @ 6 month LIBOR plus 125 basis points which is repayable in two equal instalments i.e. in year 2014-15 (paid) and 2016-17 (paid).

** There are no amounts due for payment to the Investor Education and Protection Fund under Section 125 of the Companies Act, 2013 as at the year end.

Note 15: Revenue from operations (₹ in million)

	31 March 2018	31 March 2017
Sale of Products		
Finished Goods	14,116.3	13,733.2
Traded Goods	7,150.8	5,764.9
	21,267.1	**19,498.1**
Sale of services (including revenue from contracts)	1,158.8	1,359.7
Other operating revenue	156.8	127.7
Total revenue from operations	**22,582.7**	**20,985.5**

Note 16: Other Income (₹ in million)

	31 March 2018	31 March 2017
Interest income		
from banks on term deposits	26.4	13.1
from others	8.5	7.5
Lease rent income	3.6	17.5
Government Grants	15.3	10.4
Miscellaneous income	20.1	19.3
Total other income	**73.9**	**67.8**

Note 17: Changes in inventories of finished goods, work-in-progress and stock-in-trade (₹ in million)

	31 March 2018	31 March 2017
Inventories at the end of the year		
Work-in-progress	152.8	237.5
Finished goods	1,283.9	1,583.5
Stock-in-trade	1,417.3	1,208.7
Total inventories at the end of the year	**2,854.0**	**3,029.7**
Inventories at the beginning of the year		
Work-in-progress	237.5	152.4
Finished goods	1,583.5	2,329.8
Stock-in-trade	1,208.7	1,158.5
Total inventories at the beginning of the year	**3,029.7**	**3,640.7**
Total changes in inventories of finished goods, Stock-in -Trade and work-in-progress	**175.7**	**611.0**

Note 18: Employee benefit expense (₹ in million)

	31 March 2018	31 March 2017
Salaries, wages and bonus	1,213.0	1,044.6
Contribution to provident and other funds (Refer Note 12)	84.9	70.9
Workmen and Staff welfare expense	111.9	106.8
Total employee benefit expense	**1,409.8**	**1,222.3**

Note 19: Finance costs (₹ in million)

	31 March 2018	31 March 2017
Interest cost on borrowings at amortised cost	12.8	37.4
Unwinding of interest on provisions	7.0	6.5
Total finance costs	**19.8**	**43.9**

Note 20: Depreciation and amortization expenses (₹ in million)

	31 March 2018	31 March 2017
Depreciation of property, plant and equipment (Refer Note 3)	427.2	412.6
Depreciation on investment properties (Refer Note 5)	0.3	0.2
Amortization of intangible assets (Refer Note 6)	101.7	105.7
Total depreciation and amortization expenses	**529.2**	**518.5**

Note 21: Other Expenses (₹ in million)

	31 March 2018	31 March 2017
Consumption of stores and spares	27.7	26.2
Power and Fuel	84.7	78.2
Rent (Refer Note 31)	387.6	342.3
Repairs & Maintenance - Building	7.1	6.5
Repairs & Maintenance - Machinery	29.6	26.7
Repairs & Maintenance - Others	46.4	25.5
Insurance	52.0	41.3
Rates & Taxes	27.0	45.0
Advertisement and sales promotion (net of recoveries)	716.4	564.7
Annual Maintenance Contract (AMC) expenses	289.2	280.6
Freight and forwarding expenses	795.4	825.6
Legal and professional fees	93.2	65.2
Provision for doubtful debts	22.9	8.2
Bad Debt	10.5	-
Contract labour / staff charges	470.8	492.1
Loss on Foreign Exchange Fluctuations (net)	59.3	26.8
Net loss on sale of fixed assets	2.0	2.3
Payment to Auditors (Refer Note 21(a))	4.0	3.7
Royalty	434.4	366.9
Warranty expenses	401.7	316.2
Corporate Social Responsibility expenses (refer note 21(b))	14.7	2.6
Miscellaneous expenses	302.4	528.1
Total other expenses	**4,279.0**	**4,074.7**

Note 21(a): Details of payments to auditors (₹ in million)

	31 March 2018	31 March 2017
Payments to auditors		
As auditors:		
- Statutory Audit	1.8	1.7
- Limited reviews	1.4	1.4
- Certification	0.1	-
In respect of other audit services:		
- Tax audit	0.5	0.5
- Certification	0.1	-
Reimbursement of expenses	0.1	0.1
Total payments to auditors	**4.0**	**3.7**

Note 21(b): Corporate Social Responsibility expenditure

(₹ in million)

		31 March 2018	31 March 2017
(a)	Gross amount required to be spent by the Company :	19.4	12.4
(b)	Amount spent :		
	(i) Construction/acquisition of any asset	-	1.4
	(ii) On purposes other than (i) above	14.7	2.6

Note 22: Current and deferred tax

Note (a): Movement of Current tax expense

(₹ in million)

	31 March 2018	31 March 2017
Tax expenses		
Current tax		
Current tax on profits for the year	572.5	396.5
Adjustments for current tax of prior periods	(2.8)	15.9
Total current tax expense	**569.7**	**412.4**
Deferred tax		
Decrease / (increase) in deferred tax assets	(18.7)	(41.8)
(Decrease) / increase in deferred tax liabilities	(38.9)	(0.9)
Total deferred tax expense/(credit)	**(57.6)**	**(42.7)**
Tax expenses	**512.1**	**369.7**

Note (b): Income Tax of ₹ 1.5 million (31 March 2017 - ₹ 1.0 million) has been recognised in other comprehensive income on account of actuarial remeasurements of post employment benefit obligations.

No aggregate amounts of current and deferred tax have arisen in the reporting periods which have not been recognized in net profit or loss or other comprehensive income but directly debited/ (credited) to equity.

Note (c): The reconciliation between the statutory income tax rate applicable to the Company and the effective income tax rate of the Company is as follows:

(₹ in million)

	31 March 2018	31 March 2017
Profit before tax from continuing operations	**1,513.6**	**1,183.0**
Income tax expenses calculated at 34.608 %	523.8	409.4
Differences due to:		
Expenses not deductible for tax purposes	5.7	1.6
Additional deduction for Research and Development expenses	(18.6)	(44.1)
Income exempt from income tax or taxable at concessional rate	(0.3)	(0.3)
Others	1.5	3.1
Expense recognised	**512.1**	**369.7**

Note (d):Deferred tax assets (net)

(₹ in million)

	31 March 2018	31 March 2017	1 April 2016
The balance comprises temporary differences attributable to:			
Provision for doubtful debts	25.4	17.2	14.3
Provision for compensated absences	27.8	21.5	17.4
Provision for litigations	55.7	55.2	55.2
Provision for inventory obsolescence	79.3	74.9	42.9
Other disallowance	19.9	20.6	17.8
Total deferred tax assets	**208.1**	**189.4**	**147.6**
Differences in block of fixed assets as per tax books and financial books	62.2	101.7	103.1
Others	7.1	6.5	6.0
Total deferred tax liabilities	**69.3**	**108.2**	**109.1**
Deferred tax assets (net)	**138.8**	**81.2**	**38.5**

Note: Deferred tax assets and deferred tax liabilities have been offset as they relate to the same governing taxation laws.

Note (e):Movement in deferred tax assets/liabilities (₹ in million)

	At 1 April 2016	(Charged)/ credited to profit or loss / OCI	At 31 March 2017	(Charged)/ credited to profit or loss / OCI	At 31 March 2018
Deferred Tax Assets					
Provision for doubtful debts	14.3	2.9	17.2	8.2	25.4
Provision for compensated absences	17.4	4.1	21.5	6.3	27.8
Provision for litigations	55.2	-	55.2	0.5	55.7
Provision for inventory obsolescence	42.9	32.0	74.9	4.4	79.3
Other disallowance	17.8	2.8	20.6	(0.7)	19.9
Total	**147.6**	**41.8**	**189.4**	**18.7**	**208.1**
Deferred Tax Liabilities					
Differences in block of fixed assets as per tax books and financial books	(103.1)	1.4	(101.7)	39.5	(62.2)
Others	(6.0)	(0.5)	(6.5)	(0.6)	(7.1)
Total	**(109.1)**	**0.9**	**(108.2)**	**38.9**	**(69.3)**
Total	**38.5**	**42.7**	**81.2**	**57.6**	**138.8**

Note 23: Research and Development

Details of expenditure incurred on approved in-house Research and Development facilities: (₹ in million)

	31 March 2018	31 March 2017
Capital expenditure	5.5	56.0
Revenue expenditure	93.2	57.7
	98.7	**113.7**

Note 24: Earnings Per Share

	31 March 2018	31 March 2017
Net profit after tax for the year attributable to equity share holders of the Company (₹ in million)	1,001.5	813.3
Weighted average number of equity shares (in million)	27.2	27.2
Nominal value of equity share (₹)	10.0	10.0
Earnings per share - Basic and Diluted (₹)	36.8	29.9

Note: The Company does not have any outstanding dilutive potential equity shares. Consequently, the basic and diluted earning per share of the Company remain the same.

Note 25: Contingent Liabilities, contingent assets & commitments

(a) Contingent liabilities (₹ in million)

	31 March 2018	31 March 2017	1 April 2016
Contingent liabilities			
Legal matters under dispute :			
Service tax	156.1	156.3	158.5
Sales tax	89.5	60.6	36.5
Excise duty	14.4	15.4	5.1
Guarantees given by the bankers on behalf of the Company	2.9	2.9	0.3
Claims against the Company not acknowledged as debts	5.4	10.5	9.8
Bonus liability pertaining to FY 2014-15	5.8	5.8	5.8
Total	**274.1**	**251.5**	**216.0**

1. **Legal matters under dispute :**
   The Company is contesting the demands and the management believes that its position is likely to be upheld in the appellate process. It is not practicable to estimate the timing of cash outflows, if any in respect of legal matters, pending resolution of the proceedings with the appellate authorities.
2. **Bonus liability :** Based on stay order of Gujarat High Court dated 5th April, 2016, the Company has not provided bonus liability for 2014-15.

(b) Capital commitments (₹ in million)

	31 March 2018	31 March 2017	1 April 2016
Estimated value of contracts in capital account remaining to be executed and not provided for (net of advances)	38.7	20.9	51.9
Total	**38.7**	**20.9**	**51.9**

(c) Other commitments (₹ in million)

	31 March 2018	31 March 2017	1 April 2016
The Company has imported Capital Goods under the Export Promotion Capital Goods Scheme, of the Government of India, at concessional rates of duty on an undertaking to fulfil quantified exports in within specified years. Export obligation outstanding at the year end is:	566.6	264.2	337.4
Corporate guarantees given to bank against the credit facilities availed by dealers *	150.0	150.0	150.0
Total	**716.6**	**414.2**	**487.4**

* Corporate guarantee : The first loss default guarantees given to bank are excluding interest and other charges payable.

(d) Contingent assets (₹ in million)

	31 March 2018	31 March 2017	1 April 2016
Contingent assets	-	-	-
Total	**-**	**-**	**-**

Note 26: Fair value measurements

(i) Classification of Financial Instruments

This section mentions the classification of financial instruments as under: (₹ in million)

	31 March 2018			31 March 2017			1 April 2016		
	FVPL	FVOCI	Amortised cost	FVPL	FVOCI	Amortised cost	FVPL	FVOCI	Amortised cost
Financial assets									
Trade Receivables	-	-	4,142.7	-	-	2,830.6	-	-	2,799.5
Loans to Employees	-	-	8.0	-	-	12.3	-	-	13.8
Unbilled revenue	-	-	145.3	-	-	133.2	-	-	39.6
Derivative Contracts	8.7	-	-	-	-	-	-	-	-
Other receivables	-	-	51.3	-	-	63.6	-	-	59.1
Margin money deposits	-	-	2.4	-	-	2.2	-	-	-
Security deposits	-	-	50.5	-	-	44.1	-	-	41.6
Cash and cash equivalents	-	-	354.9	-	-	233.0	-	-	33.8
Bank balances other than Cash and cash equivalents above	-	-	3.2	-	-	3.2	-	-	7.9
Total financial assets	**8.7**	**-**	**4,758.3**	**-**	**-**	**3,322.2**	**-**	**-**	**2,995.3**
Financial liabilities									
Borrowings	-	-	126.6	-	-	595.2	-	-	1,611.3
Trade payables	-	-	4,958.1	-	-	4,437.9	-	-	4,170.9
Deposits (from dealers and others)	-	-	20.5	-	-	22.4	-	-	23.6
Capital Creditors	-	-	28.3	-	-	25.7	-	-	41.5
Unclaimed dividends	-	-	3.2	-	-	3.2	-	-	2.7
Amount due to customers	-	-	30.2	-	-	70.8	-	-	66.2
Derivative Contracts	0.7	-	-	27.6	-	-	-	-	-
Payable for Discount to customers	-	-	442.9	-	-	208.5	-	-	303.2
Total financial liabilities	**0.7**	**-**	**5,609.8**	**27.6**	**-**	**5,363.7**	**-**	**-**	**6,219.4**

(ii) Fair value hierarchy

This section explains the judgements & estimates made in determining the fair value of the financial instruments. The fair value of financial instruments as referred to in note above have been classified into three categories depending on the inputs used in the valuation technique. The hierarchy gives the highest priority to quoted prices in active market for identical assets or liabilities (level 1 measurements) and lowest priority to unobservable inputs (level 3 measurements).

(a) Only derivative contracts are measured at fair value. These derivative contracts are categorised as Level 2 financial instruments.

(b) Assets and liabilities which are measured at amortised cost for which fair values are disclosed.

For all financial instruments referred above that have been measured at amortised cost, their carrying values are reasonable approximations of their fair values. These are classified as level 3 financial instruments.

There were no transfers between Level 1, Level 2 and Level 3 during the year.

The categories used are as follows :

Level 1 : Level 1 hierarchy includes financial instruments measured using quoted prices.

Level 2 : The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. Considering that all significant inputs required to fair value such instruments are observable, these are included in level 2.

Level 3 : If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(iii) Valuation technique used to determine fair value of financial instruments

- Measured at FVPL / FVOCI

  The fair value of derivative contracts is determined using counterparty quote based on forward exchange rates as at the balance sheet date.

- Measured at amortised cost

  The carrying amounts of current financial assets and liabilities are considered to be the same as their fair values due to short-term nature of such balances and no material differences in the values. Difference between fair value of non-current financial instruments carried at amortised cost and the carrying value is not considered to be material to the financial statement.

(iv) Valuation processes

The finance department of the Company includes a team that performs the valuations of financial assets and liabilities required for financial reporting purposes, including level 3 fair values. This team reports directly to the Chief Financial Officer (CFO).

Note 27: Financial risk management and Capital management

Financial risk management

The Company's activities expose it to variety of financial risks namely market risk, credit risk and liquidity risk. The Company has various financial assets such as deposits, trade and other receivables and cash and bank balances directly related to their business operations. The Company's principal financial liabilities comprise of trade and other payables. The Company's senior management's focus is to foresee the unpredictability and minimize potential adverse effects on the Company's financial performance. The Company's overall risk management procedures to minimise the potential adverse effects of financial market on the Company's performance are as follows :

The Company's Board of Directors have overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management is carried out by the management in consultation with the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific risk areas.

Financial instruments that are subject to concentrations of credit risk principally consist of trade receivables, unbilled revenue, derivative financial instruments, cash and cash equivalents, bank deposits and other financial assets.

This note explains the sources of risk which the entity is exposed to and how the entity manages the risk.

(A) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and from deposits with banks and other financial instruments.

i) Trade receivables

The carrying amount of trade receivables represent the maximum credit exposure net of provision for impairment. The maximum exposure to credit risk was ₹ 4,142.7 million as of 31 March 2018 (31 March 2017 - ₹ 2,830.6 million and 1 April 2016 - ₹ 2,799.5 million).

Trade receivables are derived from revenue earned from customers. Credit risk for trade receivable is managed by the Company through credit approvals, establishing credit limits and periodic monitoring of the creditworthiness of its customers to which the Company grants credit terms in the normal course of business. Trade receivables are typically unsecured and are derived from revenue earned from customers primarily located in India.

The Company does not have a high concentration of credit risk to a single customer exceeding 10% of company revenue. Single largest customer have the total exposure in receivables of ₹.360.8 million as of 31 March 2018 (31 March 2017 - ₹ 244.9 million and 1 April 2016 - ₹.234.48 million).

On account of adoption of Ind AS 109, the Company uses the Expected Credit Loss (ECL) model to assess the impairment gain or loss. As per ECL simplified approach, the Company uses a provision matrix to compute the expected credit loss allowance for trade receivables. The provision matrix takes into account a continuing credit evaluation of Company's customers' financial condition; aging of trade accounts receivable; the value and adequacy of collateral received from the customers in certain circumstances (if any); the Company's historical loss experience; and adjustment based on forward looking information. The Company defines default as an event when there is no reasonable expectation of recovery.

The movement in the allowance for impairment in respect of trade receivables follows: (₹ in million)

	31 March 2018	31 March 2017
Balance at the beginning	49.6	41.4
Impairment loss recognised/(reversed)	33.4	8.2
Amounts written off	(10.5)	-
Balance at the end	**72.5**	**49.6**

ii) Cash and cash equivalents, bank balances, bank deposits, unbilled revenue and other financial assets

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk was ₹ 624.3 million, ₹ 491.6 million and ₹ 195.8 million as at 31 March 2018, 31 March 2017 and 1 April 2016, respectively, being the total of the carrying amount of balances with banks, bank deposits, unbilled revenue and other financial assets.

The bank balances and deposits are held with banks having high credit rating. None of the other financial instruments of the Company result in material concentration of credit risk.

(B) Management of Liquidity risk

Liquidity risk is the risk that the Company will face in meeting its obligations associated with its financial liabilities. The Company's approach to managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due without incurring unacceptable losses. In doing this, management considers both normal and stressed conditions. A material and sustained shortfall in cash flow could undermine the Company's credit rating and impair investor confidence.

Maturities of financial liabilities

The following table shows the maturity analysis of the company's financial liabilities based on contractually agreed undiscounted cash flows as at the Balance sheet date:

(₹ in million)

31 March 2018	Note	Carrying amount	Less than 12 months	More than 12 months	Total
Non derivatives					
Borrowings	14(a)	126.6	126.6	-	126.6
Trade payables	14(b)	4958.1	4958.1	-	4,958.1
Deposits (from dealers and others)	14(c)	20.5	20.5	-	20.5
Capital Creditors	14(c)	28.3	28.3	-	28.3
Unclaimed dividends	14(c)	3.2	3.2	-	3.2
Amount due to customers	14(c)	30.2	30.2	-	30.2
Payable for Discounts to customers	14(c)	442.9	442.9	-	442.9
Derivatives					
Derivative contracts	14(c)	0.7	0.7	-	0.7
Total liabilities		5610.5	5610.5	-	5,610.5

(₹ in million)

31 March 2017	Note	Carrying amount	Less than 12 months	More than 12 months	Total
Non derivatives					
Borrowings	14(a)	595.2	595.2	-	595.2
Trade payables	14(b)	4,437.9	4,437.9	-	4,437.9
Deposits (from dealers and others)	14(c)	22.4	22.4	-	22.4
Capital Creditors	14(c)	25.7	25.7	-	25.7
Unclaimed dividends	14(c)	3.2	3.2	-	3.2
Amount due to customers	14(c)	70.8	70.8	-	70.8
Payable for Discounts to customers	14(c)	208.5	208.5	-	208.5
Derivatives					
Derivative contracts	14(c)	27.6	27.6	-	27.6
Total liabilities		**5,391.3**	**5,391.3**	**-**	**5,391.3**

(₹ in million)

1 April 2016	Note	Carrying amount	Less than 12 months	More than 12 months	Total
Non derivatives					
Borrowings	14(a)	1,611.3	1,611.3	-	1,611.3
Trade payables	14(b)	4,170.9	4,170.9	-	4,170.9
Deposits (from dealers and others)	14(c)	23.6	23.6	-	23.6
Capital Creditors	14(c)	41.5	41.5	-	41.5
Unclaimed dividends	14(c)	2.7	2.7	-	2.7
Amount due to customers	14(c)	66.2	66.2	-	66.2
Payable for Discounts to customers	14(c)	303.2	303.2	-	303.2
Total liabilities		**6,219.4**	**6,219.4**	**-**	**6,219.4**

(C) Market Risk

Market risk comprises of foreign currency risk and interest rate risk. Interest rate risk arises from variable rate borrowings that expose the Company's financial performance, financial position and cash flows to the movement in market rates of interest. Foreign currency risk arises from transactions that are undertaken in a currency other than the functional currency of the Company. Further, the financial performance and financial position of the Company is exposed to foreign currency risk that arises on outstanding receivable and payable balances at a reporting year end date.

Foreign currency risk

The fluctuation in foreign currency exchange rates may have potential impact on the Statement of profit and loss and other comprehensive income and equity.

Considering the countries and economic environment in which the Company operates, its operations are subject to risks arising from fluctuations in foreign currency exchange rates in those countries. The risks primarily relate to fluctuations in US Dollar (USD) and Japanese Yen (JPY) to the functional currency (₹) of the Company.

The Company, as per risk management policy, uses forward exchange derivative contracts to hedge foreign currency risk. The Company evaluates the impact of foreign exchange rate fluctuations by assessing exposure to exchange rate risks. It hedges a part of these risks by using derivative financial instruments in line with risk management policies. The foreign exchange rate sensitivity is calculated by aggregation of the net foreign exchange exposure and a simultaneous parallel foreign exchange rate shift of USD by 5% and JPY by 4% against the functional currency of the Company.

The Company undertakes import and export transactions which expose the Company to foreign currency risk. It imports capital goods, raw materials, components, spare parts and stock-in-trade.

The Company's foreign currency exposure arises mainly from foreign currency imports. As at the end of the reporting period, the carrying amount of the Company's foreign currency denominated monetary assets and liabilities in respect of various foreign currency and derivative to hedge the exposure is as follows:

Foreign currency exposure

(₹ in million)

	31 March 2018			31 March 2017			1 April 2016		
	USD	JPY	Others	USD	JPY	Others	USD	JPY	Others
Financial Assets									
Trade Receivables	2.9	-	-	20.8	-	-	16.9	-	-
Other financial assets	51.2	-	-	55.0	-	-	56.2	-	-
	54.1	**-**	**-**	**75.8**	**-**	**-**	**73.1**	**-**	**-**
Financial Liabilities									
Trade Payable	1,077.7	16.6	-	1,185.7	16.3	-	918.1	28.9	-
Other financial liabilities	8.0	1.6	4.2	-	13.9	-	0.4	24.9	-
	1,085.7	**18.2**	**4.2**	**1,185.7**	**30.2**	**-**	**918.5**	**53.8**	**-**
Derivative to hedge exposure									
Forward contracts (Buy)	1,029.6	-	-	981.4	-	-	-	-	-

Sensitivity - Foreign Currency

The sensitivity of profit or loss to changes in the exchange rates is as follows: (₹ in million)

	Increase / (decrease) in profit after tax	
	31 March 2018	31 March 2017
USD Sensitivity		
Depreciation of INR against USD by 5% (31 March 2017 - 4%)*	(0.1)	(3.5)
Appreciation of INR against USD by 5% (31 March 2017 - 4%)*	0.1	3.5
JPY Sensitivity		
Depreciation of INR against JPY by 4% (31 March 2017 - 3%)*	(0.5)	(0.6)
Appreciation of INR against JPY by 4% (31 March 2017 - 3%)*	0.5	0.6

* Holding all other variables constant

Interest rate risk

The Company's short term borrowings are primarily in fixed rate interest bearing borrowings. Hence, the Company is not significantly exposed to interest rate risk.

Capital management

(a) Risk management

The Company considers the following components of its balance sheet to be managed as capital:

Total equity as shown in the balance sheet includes share capital, general reserve, retained earnings, capital reserve & securities premium account.

The Company aims to manage its capital efficiently so as to safeguard its ability to continue as a going concern and to optimise returns to shareholders. The capital structure of the Company is based on management's judgement of the appropriate balance of key elements in order to meet its strategic and day-to day needs. The Company considers the amount of capital in proportion to risk and manage the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Company's policy is to maintain a stable and strong capital structure with a focus on total equity so as to maintain investor, creditors and market confidence and to sustain future development and growth of its business. The Company will

take appropriate steps in order to maintain, or if necessary adjust, its capital structure. The Company is not subject to financial covenants in any of its significant financing agreements.

The Board of directors monitors the return on capital as well as the level of dividends to shareholders. The Company's goal is to continue to be able to provide return to shareholders by continuing to distribute dividends in future periods. Refer the below note for dividend declared and paid.

(b) Dividend (₹ in million)

	31 March 2018	31 March 2017
Equity shares		
Final Dividend for the year ended 31 March 2017 - ₹ 1.5 (31 March 2016 - ₹ 1.5) per fully paid-up share	40.8	40.8
Dividends not recognised at the end of the reporting period		
In addition to the above dividends, since year end, the directors have recommended the payment of a final dividend of ₹ 1.5 per fully paid-up equity share (31 March 2017 – ₹ 1.5). This proposed dividend is subject to the approval of shareholders in the ensuing annual general meeting.	40.8	40.8

Note 28: Segment reporting

The Company's chief operating decision maker (CODM), Chairman & Managing Director (CMD), assesses the financial performance and position of the Company, and makes strategic decisions.

The Company is engaged in the business of manufacturing, selling and trading of 'Hitachi' brand of Air Conditioners, Refrigerators, chillers and VRF (variable refrigerant flow) systems. The Company's business falls within a single business segment of cooling products for comfort and commercial use. The segment revenue is measured in the same way as in the Statement of Profit or Loss.

The Company's revenue from geographic locations other than India are insignificant to the total revenue of the Company.

The Company does not have any customer contributing 10 per cent or more of total revenue.

Note 29: Construction Contracts (₹ in million)

	31 March 2018	31 March 2017
Contract Revenue recognised for the year	734.9	847.0
For on-going contracts as on 31st March		
Cost incurred plus recognised profits (or, less recognised losses)	1,996.6	1,580.2
Advances received (included in Advances received from customers)	15.7	36.1
Retention amount (included in Trade receivables)	21.3	43.1
Gross amount due from customers (Unbilled revenue)	145.3	133.2
Gross amount due to customers	30.2	70.8

(i) Construction contracts

On the balance sheet, the Company reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

(ii) Amounts due from/(to) customers under construction contracts

The net balance sheet position for ongoing construction contracts is as follows: (₹ in million)

	31 March 2018	31 March 2017
Amounts due from customers for contract work	145.3	133.2
Amounts due to customers for contract work	30.2	70.8

Note 30: Related party disclosures (As per Ind AS - 24)

(a) Relationships

(i) Parties exercising control

Ultimate Parent
Johnson Controls International PLC, Inc., USA (JC)

Intermediate Parent
Johnson Controls, Inc., USA

Immediate Parent
JCHAC India Holdco Limited, UK

(ii) Fellow Subsidiary Companies
Johnson Controls-Hitachi Air Conditioning Technology (Honkong) Ltd., Hong kong
Johnson Controls-Hitachi Components (Thailand) Co. Ltd., Thailand
Johnson Controls Hitachi Air Conditioning Malaysia Sdn. Bhd., Malaysia
Johnson Controls India Pvt. Ltd., India
Johnson Controls Marine And Refrigeration India Limited, India
Johnson Controls-Hitachi Air Conditioning Spain, S.A.U., Spain
Johnson Controls-Hitachi Air Conditioning Wuhu Co. Ltd., China
Johnson Controls-Hitachi Wanbao Air Conditioning Guangzhou Co. Ltd., China
Johnson Controls Hitachi Air Conditioning Holding (UK) Ltd, United Kingdom
Johnson Controls (S) PTE Ltd.
Johnson Controls-Hitachi Air Conditioning Taiwan Co. Ltd., Taiwan
Hitachi Johnson Controls Air Conditioning Inc., Japan
Rola Star Pvt. Limited, India
Ruskin Titus India Pvt. Limited, India

(iii) Associate /Joint Venture in JC group
Shanghai Hitachi Electrical Appliances Co. Ltd., China
Highly Electrical Appliances India Pvt. Ltd.

(iv) Associates

Entities having significant influence over the Company
Hitachi Appliances Inc., Japan

Subsidiaries of entities having significant influence over the Company
Hitachi Asia Ltd.

Hitachi Automotive System (India) Pvt. Limited
Hitachi Consumer Marketing Inc.
Hitachi Consumer Products (Thailand) Ltd.
Hitachi Data Systems India Pvt. Limited
Hitachi High Technologies Hong Kong Ltd.
Hitachi High-Technologies (Shanghai) Co. Ltd.
Hitachi High-Technologies Corporation
Hitachi High- Technologies India Pvt. Ltd.
Hitachi Home Electronics Asia(s) Pte. Limited
Hitachi India Pvt. Ltd.
Hitachi Koki India Ltd.
Hitachi Terminal Solutions India Pvt. Ltd
Hitachi Lift India Pvt. Ltd.
Hitachi Metals (India) Pvt. Limited
Hitachi Metals Singapore Pte Ltd.
Hitachi Payment Services Pvt. Ltd
Hitachi Plant Technologies India Pvt. Ltd.
Hitachi Sales (Malaysia) Sdn. Berhad
Hitachi Procurement Service Co. Ltd.
Tata Hitachi Construction Machinery Company Pvt. Ltd.
Hitachi Hirel Power Electronics Pvt. Ltd.

(v) Key Management Personnel

Mr. Gurmeet Singh (Chairman and Managing Director)
Mr. Franz Cerwinka (Non-executive non-independent Director)
Mr. Yoshikazu Ishihara (Director) (With effect from 30 January 2018)
Mr. Mukesh Patel (Independent Director)
Mr. Ashok Balwani (Independent Director)
Ms. Indira Parikh (Independent Director)
Mr. Vinay Chauhan (Executive Director) (upto 30 January 2018)
Mr. Varghese Joseph (Executive Director) (upto 30 January 2018)
Mr. Devender Nath (Independent Director) (upto 30 January 2018)
Mr. Ravindra Jain (Independent Director) (upto 30 January 2018)
Mr. R S Mani (Independent Director) (upto 30 January 2018)
Mr. Vinesh Sadekar (Independent Director) (upto 30 January 2018)
Mr. Anil Shah (Executive Director) (upto 03 Sptember,2016)

(vi) Post employment benefit plan of Johnson Controls-Hitachi Air Conditioning India Limited

Johnson Controls-Hitachi Air Conditioning India Limited Employees' Gratuity Scheme (Trust) (Refer Note 12 for contribution made)

The nature and volume of transactions carried out and balances with related parties in the ordinary course of business are as follows:

a) Transactions during the year (₹ in million)

	31 March 2018	31 March 2017
Parties exercising control		
Dividend	30.3	30.3
Reimbursement of salaries & other expenses	5.4	-
Fellow Subsidiaries		
Purchase of raw material	667.6	173.4
Purchase of stock-in-trade	157.4	49.0
Technical know-how fees (capitalised)	56.8	33.3
Commission income	4.2	4.0
Sale of products	15.8	4.1
Sale of services	0.2	-
Advertisement, Sales Promotion & Other Expense recovery	11.4	7.0
Royalty (excluding service tax)	246.7	210.5
Purchase of capital goods	0.5	0.6
Reimbursement of salaries & other expenses	55.1	15.5
Associate /Joint Venture of JC group		
Purchase of raw material	1593.9	1,842.3
Associates		
Purchase of raw material	143.7	227.3
Purchase of stock-in-trade	1332.5	727.9
Sale of products	38.2	72.7
Sale of services	7.6	4.5
Advertisement, sales promotion & other expense recovery	3.5	27.2
Royalty (excluding service tax)	180.2	150.6
Purchase of capital goods	6.9	50.3
Reimbursement of salaries, insurance & other expenses	5.5	7.8
Import freight, local freight and custom clearing expenses	-	-

b) Balances at the year end

(₹ in million)

	31 March 2018	31 March 2017	1 April 2016
Parties exercising control			
Receivable	-	-	-
Payable	5.4	-	-
Fellow Subsidiaries			
Receivable	18.4	3.6	1.8
Payable	261.1	128.0	128.0
Associate /Joint Venture of JC group			
Receivable	-	-	-
Payable	592.3	796.8	735.2
Associates			
Receivable	56.6	91.8	79.6
Payable	294.9	139.5	331.9

There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from related parties.

(c) Key management personnel compensation*

(₹ in million)

	31 March 2018	31 March 2017
Short Term Employee Benefits	30.6	54.2
Directors sitting fees	2.1	2.4
Total	**32.7**	**56.6**

* Exclude provision for gratuity and compensated absences since these are based on actuarial valuation on an overall company basis.

Terms and Conditions

1) Transactions with related parties were made on normal commercial terms and conditions.
2) All outstanding balances are unsecured and repayable in cash.

Note 31: Leases

(a) Company as lessee

Certain premises and equipments are obtained on cancellable and non-cancellable operating leases that are renewable either at the option of lessor or lessee, or both. Further, there are no subleases nor any restrictions imposed in lease agreements. Lease rentals debited to Statement of Profit and Loss for the year is ₹ 387.6 million (Previous year ₹ 342.3 million).

The future minimum lease rentals payable at the balance sheet date in respect of non-cancellable operating leases are as follows:

(₹ in million)

	31 March 2018	31 March 2017	1 April 2016
Not later than one year	40.3	24.0	29.3
Later than one year but not later than five years	58.0	39.9	59.8
Later than five years	-	-	-

(b) Company as lessor

Certain premises and equipments are given on cancellable operating leases 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.

(₹ in million)

	31 March 2018	31 March 2017
Lease rentals credited to the Statement of Profit and Loss	3.6	17.5

Note 32: First time adoption of Ind AS

Transition to Ind AS

These are the Company's first financial statements prepared in accordance with Ind AS.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2018, the comparative information presented in these financial statements for the year ended 31 March 2017 and in the preparation of an opening Ind AS balance sheet as at 1 April 2016 (the Company's date of transition). In preparing its opening Ind AS balance sheet, the Company has adjusted the amounts reported previously in financial statements prepared in accordance with the accounting standards notified under Companies (Accounting Standards) Rules, 2006 (as amended) and other relevant provisions of the Act (previous GAAP or Indian GAAP or IGAAP). An explanation of how the transition from previous GAAP to Ind AS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and notes.

A. Exemptions and exceptions availed

Set out below are the applicable Ind AS 101 optional exemptions and mandatory exceptions applied in the transition from previous GAAP to Ind AS.

A.1 Ind AS optional exemptions

A. 1. 1. Deemed cost

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition after making necessary adjustments for de-commissioning liabilities. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets.

Accordingly, the Company has elected to measure all of its property, plant and equipment, and intangible assets at their previous GAAP carrying value.

A.2 Ind AS mandatory exceptions

The Company has applied the following exceptions from full retrospective application of Ind AS as mandatorily required under Ind AS 101:

A. 2.1 Estimates

An entity's estimates in accordance with Ind AS at the date of transition shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were on error. Ind AS estimates as at 1 April 2016 are consistent with the estimates as at the same date made in conformity with previous GAAP. The Company has made estimates for impairment of financial assets based on expected credit loss model in accordance with Ind AS at the date of transition as this was not required under previous GAAP. There is no material difference arising due to this change.

A. 2.2 Classification and measurement of financial assets

Ind AS 101 requires an entity to assess classification and measurement of financial assets on the basis of the facts and circumstances that exist at the date of transition to Ind AS. Further, the standard permits measurement of financial assets accounted at amortised cost based on facts and circumstances existing at the date of transition if retrospective application is impracticable.

B: Reconciliations between previous GAAP and Ind AS

Ind AS 101 requires an entity to reconcile equity, total comprehensive income and cash flows for prior periods. The following tables represent the reconciliations from previous GAAP to Ind AS. The previous GAAP information is derived based on the audited financial statements of the Company for the year ended 31 March 2016 and 31 March 2017.

(i) Reconciliation of total equity as at 31 March 2017 and 1 April 2016 (₹ in million)

	Notes to first time adoption	31 March 2017	1 April 2016
Total equity (shareholder's funds) as per previous GAAP		4,389.9	3,579.5
Adjustments:			
Reversal of proposed dividend and dividend distribution tax thereon	1	-	49.1
Impact of recognition of warranty provision at present value	3	19.0	17.4
Impact of recognition of government grant on property, plant and equipment	4	-	-
Tax impact on above	5	(6.6)	(6.0)
Total adjustments		12.4	60.5
Total equity as per Ind AS		**4,402.3**	**3,640.0**

(ii) Reconciliation of total comprehensive income for the year ended 31 March 2017 (₹ in million)

	Notes to first time adoption	31 March 2017
Profit after tax as per previous GAAP		810.4
Adjustments:		
Warranty expenses recognised at present value	3	8.0
Finance cost on warranty provision	3	(6.5)
Income from government grant	4	10.4
Additional depreciation on Property, plant and equipment	4	(10.4)
Reclassification of actuarial gains or loss on defined benefit plans	2	2.9
Tax impact on above	5	(1.5)
Total adjustments		**2.9**
Profit after tax as per Ind AS		**813.3**
Other comprehensive income		
Remeasurements of post-employment benefit obligations (net of tax)	2	(1.9)
Total comprehensive income as per Ind AS		**811.4**

(iii) There is no change in cash and cash equivalents on account of adoption of Ind AS. Also, there is no impact of Ind AS on the Statement of Cash Flows.

C Notes to first-time adoption:

Note 1: Proposed Dividend

Under the previous GAAP until 31 March 2016, dividends proposed by the board of directors after the balance sheet date but before the approval of the financial statements were considered as adjusting events. Accordingly, provision for proposed dividend was recognised as a liability. Under Ind AS, such dividends are recognised when the same is approved by the shareholders in the general meeting. Accordingly, proposed dividend and dividend distribution tax thereon to the tune of ₹ 49.1 million has been reversed as at 1 April 2016 and was recognised in financial year 2016-2017. Accordingly, total equity has increased to that extent as at 1 April 2016. There is no impact on profit for the year ended 31 March 2017.

Note 2: Remeasurements of post-employment benefit obligations

Under Ind AS, remeasurements i.e. actuarial gains and losses and the return on plan assets, excluding amounts included in the net interest expense on the net defined benefit liability are recognised in other comprehensive income instead of profit or loss. Under the previous GAAP, these remeasurements were forming part of the profit or loss for the year. As a result of this change, the profit for the year ended 31 March 2017 increased by ₹ 2.9 million (before tax) and by ₹ 1.9 million (net of tax) and Other comprehensicve income reduced by an equal amount. There is no impact on the total equity as at 1 April 2016 or 31 March 2017.

Note 3: Provisions

Under the previous GAAP, discounting of provisions was not allowed. Under Ind AS, provisions are measured at discounted amounts, if the effect of time value is material. Accordingly, non-current provisions have been discounted to their present values. This change reduced the non-current provisions as at 31 March 2017 by ₹ 19.0 million. (1 April 2016 - ₹ 17.5 million). Consequent to the same, finance cost increased by ₹ 6.5 million, warranty expenses reduced by ₹ 8.0 million and equity as at 31 March 2017 increased by ₹ 1.5 million.

Note 4: Government Grant

Under previous GAAP, duty saved under the EPCG scheme were presented as deduction from property, plant and equipment. Under Ind AS, the duty saved under EPCG scheme is recognised as a government grant. Consequently, grant under the EPCG scheme amounting to ₹ 39.6 million is recognised as deferred income on 1 April 2016 and an equivalent amount is increased in property, plant and equipment. During 31 March 2017, deferred income of ₹ 3.5 million is recognised and an equivalent amount is added to property, plant and equipment. Income from government grant of ₹ 10.4 million is recognised and depreciation of an equivalent amount is charged to the Statement of Profit and Loss for year ended 31 March 2017.

Note 5: Tax Expenses

Tax expenses have been recognised on the adjustments made on transition to Ind AS.

Note 6: Excise Duty

Under the previous GAAP, revenue from sale of products was presented exclusive of excise duty. Under Ind AS, revenue from sale of goods is presented inclusive of excise duty. The excise duty paid is presented on the face of the Statement of Profit and Loss as part of expenses. This change has resulted in an increase in total revenue and total expenses for the year ended 31 March 2017 by ₹ 1,812.5 million. There is no impact on the total equity and profit for the year ended 31 March, 2017.

Note 7: Trade receivables

As per Ind AS 109, the group is required to apply expected credit loss model for recognising the allowance for doubtful debts. There is no material difference with respect to the amount for allowance for doubtful debts computed based on expected credit loss model compared to previous GAAP.

Note 8: Borrowings

Ind AS 109 requires transaction costs incurred towards origination of borrowings to be deducted from the carrying amount of borrowings on initial recognition. These costs are recognised in the Statement of profit and loss over the tenure of the borrowing as part of the interest expense by applying the effective interest rate method.

Under previous GAAP, these transaction costs were charged to Statement of profit and loss over the term of the borrowings and unamortised amount was disclosed as unamortised borrowing cost under other current asset. Accordingly, borrowings as at 31 March 2017 have been reduced by ₹ 4.8 million.

Note 9: Investment Property

Under the previous GAAP, investment properties were presented as part of tangible assets under the heading property, plant & equipment. Under Ind AS, investment properties are required to be separately presented on the face of the balance sheet. There is no impact on the total equity or profit as a result of this adjustment.

Note 10: Advertisement, Sales promotion expenditure and Cash discount

Under the previous GAAP, certain advertisement and sales promotion expenditure, and cash discount were presented as expenses. Under Ind AS, these expenses are netted off from revenue. Consequently, revenue and other expenses for the year ended 31 March 2017 is lower by ₹ 545.2 million. There is no impact on total profit or total equity.

Note 33: Assets pledged as security

As at 1 April 2016, Working capital loans (Rate of Interest during the year ranging from 10.60% to 12.50% per annum) from banks were secured by hypothecation of inventories, book debts, movable fixed assets and by equitable mortgage of certain land and buildings of the Company. The charge on these assets has since been released.

Note 34:

(a) The disclosure relating to Specified Bank Notes* (SBNs) is not applicable to the Company during the year.

(b) For 31 March 2017, disclosures relating to SBNs held and transacted during the period from 8th November, 2016 to 30th December, 2016 is as follows:

(₹ in million)

Particulars	SBNs*	Other denomination notes	Total
Closing cash in hand as on 08.11.2016	0.8	0.4	1.2
(+) Permitted receipts	-	2.6	2.6
(-) Permitted payments	-	-	-
(-) Amount deposited in Banks	0.8	2.9	3.7
Closing cash in hand as on 30.12.2016	-	0.1	0.1

* Specified Bank Notes (SBNs) mean the bank notes of denominations of the existing series of the value of five hundred rupees and one thousand rupees as defined under the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs no. S.O. 3407(E), dated the 8th November, 2016.

Note 35: Disclosures pursuant to section 186(4) of the Companies Act, 2013

(₹ in million)

Particulars	Purpose	Amount outstanding and maximum balance outstanding during the year		
		31 March 2018	31 March 2017	1 April 2016
Corporate guarantees given to bank against the credit facilities availed by dealers	To partially address dealers working capital requirement	150.0	150.0	150.0

Note 36: Events occurring after reporting period

The Company evaluated subsequent events through 23 May 2018, the date the financial statements were available for issuance, and determined that there were no additional material subsequent events requiring disclosure.

As per our report of even date

For Price Waterhouse & Co Chartered Accountants LLP
Firm Registration No.304026E/E300009
Chartered Accountants

Sachin Parekh
Partner
Membership No: 107038
Place : Ahmedabad
Date : May 23, 2018

For and on behalf of the Board of Directors

Gurmeet Singh
Chairman & Managing Director
(DIN: 06938403)

Yoshikazu Ishihara
Director
(DIN: 07998690)

Rishi Mehta
Chief Financial Officer

Parag Dave
Company Secretary

Place : Ahmedabad
Date : May 23, 2018

NOTES :

NOTES :

Johnson Controls

HITACHI
Air conditioning solutions

GLIMPSES OF THE YEAR

Hitachi Partners at India Today Conclave

Hitachi Partners in ACQUEST 2018

Hitachi at ACREX 2018

Launch of 'High Performance Team' of Manufacturing Operators

Annual Business Meet and Product Launch

JCMS Obeya Room Launch

Johnson Controls-Hitachi Air Conditioning India Limited.
(Formerly known as Hitachi Home & Life Solutions (India) Limited).
Head Office: Hitachi Complex, Karan Nagar, Kadi, Distt. Mehsana - 382727, Gujarat, India. Tel: (02764) 277571.
Registered address: 9th Floor, Abhijeet, Mithakhali Six Roads, Ahmedabad: 380006.
Website: www.jci-hitachi.in | Email: sales@jci-hitachi.com

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https://www.pinterest.com/hitachihome/ Live Chat at www.jci-hitachi.in Download Hitachi Care App Google play

GO GREEN. We can do more together. Partner us in Ministry of Corporate Affairs ("MCA") "Green Initiative in the Corporate Governance" by choosing not to receive notices / reports / documents in paper form. When you register to get annual reports and other communications through email instead of paper mode, you SAVE A TREE
For registering your e-mail ID please drop a mail to us at parag.dave@jci-hitachi.com containing your Folio No. / CLID-DPID.

HITACHI
Dial-a-Care
1860 258 4848
3232 4848*

Air Conditioners/ refrigerators are e-waste product and should not be mixed with general household waste at the end of its life. For more details, kindly visit our website or contact Hitachi Dial-a-Care.

*Prefix local city/state capital STD code or 079. Available only in limited states.

Concept, Content & Design
WYATT Prism COMMUNICATIONS (info@wyatt.co.in)