

PANASONIC HOME APPLIANCES INDIA COMPANY LIMITED
TWENTY THIRD ANNUAL GENERAL MEETING

CHAIRMAN'S SPEECH

Dear Members,

On behalf of my colleagues on the Board and the Management of the Company, it gives me great pleasure in welcoming you all to the 23rd Annual General Meeting of your Company.

Notice of Annual General Meeting

The Notice convening the Annual General Meeting, the Directors' Report and the Audited Accounts for the financial year ended 31st March 2011 have already been sent to you and therefore with your kind permission, I shall take them as read.

Economy and Industry

During 2010-11, the Indian economy regained its growth momentum where it was able to achieve a growth rate of 8.5% in Gross Domestic Product (GDP) as against 8% in 2009-10. The growth during 2010-11 reflects a rebound in agriculture and sustained levels of activity in industry and services. As inflation stayed above the projections during 2010-11, monetary policy was continually tightened throughout the year by Reserve Bank of India. As a result Interest rates firmed up and this increased the cost of borrowing which had an adverse effect on the profitability of corporates having more dependence on the borrowed capital.

Reserve Bank's Industrial Outlook Survey shows that the Indian manufacturing sector is concerned about slowdown in overall demand conditions as rising input costs may result in higher selling prices. The profits margins may also come under pressure with rising input costs.

Review of Performance

During the year under review, your Company has registered an impressive growth in its sales where the gross sales increased to Rs.201.69 Crores from Rs. 144.66 Crores in the previous year registering a growth rate of 39.42%. The increase in sales was mainly contributed by the Electric Cooker segment. During the year, exports were increased by over 350% which stood at Rs.13.42 Crores as against Rs.2.98 Crores in the previous year.

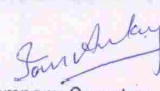
The consumption cost of raw materials increased by 53% from Rs. 48.35 crores to Rs.74.06 crores not only because of increase in production but also due to steep increase in the cost of major raw materials like Copper, Aluminium, Poly Carbonate, ABS the prices of which have increased by 28%, 16%, 21% and 15% respectively. The staff cost was Rs. 15.47 crores for the year as against Rs.11.97 crores in the previous year mainly due to the addition of manpower to cater to the sales and marketing requirements. Interest cost was higher at Rs. 2.21 crores as against Rs.0.94 crore in the previous year. Depreciation was higher at Rs. 2.75 crores as against Rs. 2.27 crores in the previous year.

Profit before interest, taxes and depreciation increased by 22% from Rs. 6.20 crores to Rs.7.59 crores. The operating profit increased by 23% from Rs. 3.85 crores to Rs.4.75 crores. Your Company has registered a profit before tax of Rs.2.62 crores as against Rs. 2.99 crores, in the previous year. The profit after tax of your Company stood at Rs.1.79 crore as against Rs. 1.93 crore in the previous year. In spite of increase in sales and operating profit there was drop in net profit compared to the previous year mainly on account of increase in interest expenses and depreciation. Despite the difficult financial situation, your Company was able to maintain the dividend rate at 10%.

Imported Products Business

You may recall that at the Annual General Meeting of the Company held in September 2009, the shareholders were informed that the Company was considering a proposal to integrate its sales and marketing activities with Panasonic India Private Limited (PI), which is a company registered in India and wholly owned by Panasonic Corporation, Japan. The Proposal was mooted in the context of the global policy of Panasonic Corporation, Japan of "One Country - One Sales Company". Pending finalization of an agreement in this regard, your Company had agreed to a "routing arrangement" with effect from 01.07.2009, under which all the sales of your Company are routed through PI. However the negotiations in this regard could not be successfully completed till now due to differences between your Company and PI, on several issues like consideration for the transfer of marketing activities, guaranteed volume of business, introduction of new products to be manufactured in the factory of your Company etc.,

For PANASONIC HOME APPLIANCES INDIA Co. LTD.


Company Secretary

The Shareholders are aware that your Company has been dealing with imported products which includes Beauty Care and Health Care Products, Microwave Oven, Iron, Stand-by Light, Vacuum Cleaner etc., manufactured by various Panasonic group companies situated in various countries. However your company was informed that with effect from 01.04.2011 the business of marketing of such imported products will be undertaken by PI. Consequent to this your company could not continue the business of imported products mentioned above.

Taking into account the fact that no progress has been made in finalizing the agreement for transfer of marketing activities of your Company and also the decision to take over the marketing activities of imported products by PI, your Company has decided to discontinue the "routing arrangement" with effect from 01.10.2011.

The Board of Directors is fully aware that the profitability of the Company will be substantially affected by the discontinuance of the imported products business which is substantiated by the fact that in the first quarter of 2011-12 the Company has suffered a loss of Rs.2.90 Crores on a turnover of Rs.32.75 Crores. One of the main reasons for the loss was continuation of fixed costs associated with the imported products business which was shifted to PI without giving sufficient time to your Company to reduce such cost. The Board is taking necessary steps to ensure that the above mentioned developments will not affect the profitability of the Company by reducing the overhead cost and increasing the sale of Cookers and is confident that the Company would be able to maintain the present level of profitability in the current year.

The Business Plan for the current year has been prepared with the objective of selling 1 million units of Electric Cookers. As a result of the meeting Mr.Aso, Managing Director of your Company had with Panasonic Corporation, Japan, your Company has been allowed to import and market small kitchen appliances like Thermo pot, Juicer, Hand Mixer, Bowl Mixer, Oven Toaster, Coffee Maker, Sandwich Maker, Pop Up Toaster etc., with effect from 01.07.2011.

Dividend

Keeping in mind the fund requirements of the Company and the shareholders expectations, the Board of Directors have recommended a dividend of 10 % (Rs.1/- per equity share) for the financial year 2010-11. The dividend, together with dividend distribution tax of Rs.0.14 Crore amounts to Rs.1 Crore.

Future Prospects

As you are aware "Quality" of the products continues to be the strength of the Company to secure maximum customer satisfaction. As a testimony of quality and durability of its products viz., Electric Cooker and Mixer Grinder, your Company has started giving 5 year warranty for the Heater, a critical part of Electric Cooker and Motor in Mixer Grinder. In addition to this 2 year warranty is given for body of both Electric Cooker and Mixer Grinder. Your Company has expanded the number of models of Cooker and Mixie manufactured by it which made it possible to have a wide price range for its products to meet the price expectations of various categories of its consumers. Your Company considers that these steps will counter the growing competition effectively.

With the manufacture of Electric Cooker and Mixer Grinder meeting the international IEC standard, your Company was able to expand its export market to new countries. This has helped your Company to achieve substantial growth in the export sales during 2010-11. Your Company continues its efforts to increase the export sales as it would help in reducing the exchange risk associated with import payments. The major risk faced by the Company both in the domestic and export market is the growing competition from cheap Chinese made Cookers. Sensing opportunity in the growing Electric Cooker Market, some of the major players in the Kitchen Appliances Market have started Electric Cooker business by sourcing a major portion of their requirement from China at a cheaper rate and selling them under their established brands. Since Andhra Pradesh is a major market for your Company, the growing restlessness due to the Telegana Issue is a major risk which if continue further will seriously affect the sales and profitability of your Company in the current year.

Your Company has embarked upon a major expansion of its Electric Cooker production capacity which is expected to be completed during the year 2011-12. Upon completion of the expansion project, your company would be able to produce One million Cookers per annum. The investment requirements for the ongoing expansion project and for the development of new models of electric cooker and mixer grinder are being met through a combination of internal accruals and debt.

Acknowledgements

I thank my fellow Directors on the Board for their active participation and suggestions in the functioning of the Company. I also thank the Shareholders, our collaborator, M/s. Panasonic Corporation, Japan, Banks and other Associates for their continued patronage to your Company. I also take this opportunity to appreciate the dedicated service of all the employees of the Company.

Thank you