

DIRECTORS' REPORT AND MANAGEMENT DISCUSSION & ANALYSIS

Dear Members,

Your Directors hereby present the Thirty Sixth Annual Report and the Audited Financial Statements, for the year ended March 31, 2021.

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, 2021	For the year ended March 31, 2020
Revenue from operations (gross)	16465.4	21,973.7
Other Income	79.0	81.5
Total Revenue	16544.4	22,055.2
Profit before finance cost, depreciation and tax	1324.7	1,796.2
Finance Cost	135.6	50.2
Depreciation and amortization expenses	754.8	562.9
Profit before Tax	434.3	1183.1
Tax expense	103.3	347.8
Profit for the year	331.0	835.3

Dividend

Business was impacted in Financial year 2020-21 too due to Covid-19 Pandemic. Therefore, to conserve cash for planned capex for growth and new products and working capital during next year, your Directors do not recommend dividend for the year ended March 31, 2021.

Company Overview

Johnson Controls-Hitachi Air Conditioning is a joint venture Company between Johnson Controls Inc., USA and Hitachi Appliances Inc., Japan (Now, Hitachi Global Life Solutions Inc., Japan), which was formed on 1st October 2015. This joint venture has combined the rich heritage and innovative technology of Hitachi with the industry-leading expertise and global network of Johnson Controls. Johnson Controls-Hitachi Air Conditioning India Limited is a subsidiary of this JV. The Company provides a diversified range of customized and innovative air conditioning products. Hitachi is an established, premium brand in HVAC Segment in India. As a part of its growth strategy, post the global joint venture, the Company has been taking several initiatives to fortify its leadership in the air conditioning market. The Company's product offerings include Room Air Conditioners, Commercial Air Conditioners & Refrigerators.

The Company possesses a wide distribution network with 5 regional offices, 17 branch offices and more than 10,000 sales points. After sales services network comprises of more than 1,500 authorized service providing partners including standalone service partners as well as Sales & Service dealers providing after sales service to customers across length and breadth of India.

Industry Structure and Developments

Indian Air Conditioning market is highly skewed towards Room Air Conditioners (RAC), with RAC contributing as much as 80% of the market. While online sales of RAC have started growing in the recent years, majority of sales still continue to be driven heavily through offline retail showrooms and distribution channels. Moreover, over two thirds of the annual RAC sales take place in the first half of the financial year.

As the pandemic induced nation-wide lockdown was implemented starting March 24, 2020, Room air conditioner market experienced an estimated year on year de-growth of almost 60% during the first half of the year. The subsequent disruption to global supply chains, ocean freight, domestic logistics and overall slump in consumer demand resulted in an overall year on year primary sales decline by approx. 17%.

Business Overview

Room Air Conditioners

Over the past few years consumer's awareness is increasing about Inverter technology and with improved lifestyle, higher disposal income, year-round usage pattern, increasing urbanization, ease of finance options, warranty assurance etc. has led to higher traction of superior technology of Inverter models. Company has anticipated high demand of Inverter technology in advance and has accordingly built up strong product line up of inverter technology driven room air conditioner models.

Company had made a robust plan for summer season of 2020 with new product offerings with latest technology and advanced

features and was ready to reach out to the customer through strong & nationwide channel network with aggressive marketing strategies & plans. Unfortunately, pandemic situation occurred in March 2020, followed by nationwide lockdown during the peak summer season disrupting the sales of air conditioner. During first quarter, usually customer buying of room air conditioner is as high as 50% of the full year, however, during 2020-21 it got reduced significantly due to Covid-19 pandemic induced lockdown.

Company's room air conditioner business, declined by 62% on volume basis in the first half due to pandemic effect but made a strong comeback in the second half with 44% growth in volume and on yearly terms there was de-growth of 18% on volume basis. However, Company managed to retain its market share.

Anticipating pent up demand for 2021 summer season due to low buying in summer of 2020, Company has planned well in advance and has launched new products viz. Kiyora – 5 star Inverter series and Shizen – 3 star inverter series. Apart from new design aesthetics of Kiyora & Shizen, Company has introduced, a unique feature called 'Ambience Light', which makes easy for customer to choose the preferred ambience at a glance to the Air Conditioner. Other features added in existing range of products included (a) WiFi technology Split AC model featured with voice command & mobile app control of Split AC from anywhere (b) Frost wash technology in 3 star inverter category, which cleans the evaporator coil with just a press of a button (c) Heat pump Inverter model which can work between -20 deg C to +52 deg C in 3 star category which is an addition to already having similar feature in 5 star model. [Heat pump models are popular in Northern region] (d) Inverter compressor technology introduced for window AC category (e) expanded the large tonnage capacity range of Takeshi model ranging from 1.7 Tr to 3.1 Tr for big size rooms and (f) Launched 1.0 TR Inverter Split AC in fresh look with introduction of stunning design of outdoor unit & new indoor unit.

Company launched these new products with advanced features as above during virtual launch in February 2021. The launch created lot of excitement with more than 6500 participants attending the event.

For the growth of RAC business, the company plans to continue with its sales strategy of increasing its reach in Tier 2 & 3 towns, strengthening existing channels, expanding nationwide service network, bringing efficiencies to supply chain, enriching product portfolio and positioning brand as an aspirational brand during the year 2021-22.

Creating a comfort for our esteemed customers who are willing to have early adaptation of our advanced features and combining it with improved aesthetics of our new indoor unit with its design philosophy inspired from nature and Japanese roots, so with customer centric approach approach, our Mantra is, "New begins with You".

We are confident that various attributes of Air viz., Silent Air, Surround Air, Odour Free Air, Clean Air and Fresh Air grouped as 'Hitachi Air' combined with new features and improved aesthetics of our new indoor unit with its design philosophy inspired from nature and Japanese roots shall elevate our brand image and it will be able to create a connect with youth.

Commercial Air Conditioners:

Variable Refrigerant Flow (VRF)

VRF technology has been accepted & adopted widely now in Indian market and surpassing PAC market in value terms.

VRF - Variable Refrigerant Flow technology-based Air conditioning system is gaining immense popularity in India with the increasing adoption at offices, hotels, high-end residential apartments, villas, retail stores, supermarkets, hospitals, banks, education institutes etc.

With increased adoption of VRF system in the construction sector in the commercial & residential segments as mentioned above, the awareness is growing about its advantages such as energy efficient HVAC solution as it uses diversity principle of heat load variation pattern in the given context. Besides the energy efficiency part, it also offers flexibility of connecting various types of Indoor units (ductless & ducted type indoor units ranging from 0.8 HP to 20 HP) and can also connect with Air Handling Units (AHU) for specific applications making it more diverse & unique air conditioning system.

Company has introduced Global design platform - VRF Sigma series in mid-2018 for Indian market. This Sigma series has been very well accepted in Indian market. With the introduction of Sigma VRF, Hitachi has become the only Japanese brand having biggest single module up to 24 HP and combination upto 96 HP. VRF Sigma series adopted all inverter compressor design with newly designed high efficiency DC inverter compressor having precise frequency control in the range of 0.1Hz increments with 110 steps. Besides precision compressor control, a Sigma-shape heat exchanger, combined with dual fan for increasing air volume rate, new bell-mouth fan housing design, all electrical & electronic components are well integrated with precise microprocessor and together act as energy enhancers & allow Sigma range to achieve best in class efficiency even at partial load conditions. Easy access for maintenance and designed to work up to 52°C ambient temperature makes it more appropriate & suitable for India's tropical conditions.

Being a customer focused Company, JCH-IN has understood the latent wish of high-end residential customers, high-end cafes, restaurants etc. and has introduced a new range of product called SET FREE mini VRF. SET FREE mini is a unique product designed globally but keeping India's climatic conditions in mind. SET FREE mini works on variable refrigerant flow (VRF) principle and offers completely new experience for the premium homes & spaces. Customer will have an added advantage of choosing from a basket of eight different types of Indoor units and five different types of controllers. Outdoor capacity ranges from 3 HP to 7 HP. Its compact size offers space saving advantage against traditional one to one split AC catering to the similar requirement. Over and above, this new range of mini ODU also has a feature to connect 130 percent of IDU capacity & more as the case may be using cooling load diversity of usage pattern.

SET FREE mini & SET FREE Sigma can be centrally controlled through an innovative IoT VRF management mobile app - airCloud Pro. An intuitive mobile app that anyone can use, airCloud Pro makes managing air conditioning systems simpler than ever before and minimizes human interaction. This technology allows

customers to remotely control the VRF system(s) from a single mobile app, saving energy, easy control, monitoring, fault tracking & offers comfort at fingertips of such a large system.

During 2020-21, VRF market has experienced a de-growth of almost 40% due to pandemic situation. Many commercial projects have been stopped & delayed due to reduced demand, work from home culture and reduced construction activities. During the 2nd half of the year, there's a sign of recovery and market situation started improving. Company had de-growth of almost 50% in terms of outdoor HP in the 1st half due to pandemic and during the second half Company has started recovery from the first half situation. So, overall de-growth was 37% on outdoor HP terms.

Light commercial Air conditioners

Apart from VRF, Company offers large range of Packaged Air Conditioners with green refrigerant & multi circuit option for better part load operation and redundancy. In package AC segment, Company is having good presence with strong channel network. Company also offers one to one cassette ACs including inverter models for showrooms, restaurants, residences etc. During the year, Cassette AC business had a de-growth of 33% business over last year whereas PAC had de-growth of 37% business.

Post Covid period, Company is expecting increase demand on account of improvement in living standards along with recovery of the organized commercial sector characterized by the rising number of hypermarkets, supermarket and offices etc., and Company is expecting the growth of overall commercial chain, which in turn is expected to boost the sale of HVAC packaged units and Cassette ACs in the coming period.

Application-Based Air Conditioners – Telecom Air Conditioners

The Company continues to dominate this segment being the single largest air conditioning solution provider for cooling requirement in Telecom Towers. However, stiff competition and stressed margins in telecom industry has led to lower or marginal investments in Capex based infrastructure. This trend in telecom Industry has severely impacted this segment of our business. The future growth of telecom tower sector would be driven by 5G and IoT business. As demand for internet services continue to spike, owing to Covid 19 pandemic, the existing cellular infrastructure requires to be upgraded. We are hopeful that with the revival of telecom industry, our revenue from this segment will increase in near future.

Exports

The Company ventured into the export business segment four years back. In the last couple of years, the Company has started exporting to South Asian Countries (Nepal, Bhutan, Sri Lanka and Maldives) and South East Asian Countries like Indonesia and Vietnam. We are also exporting our Products in Middle East countries like UAE, Qatar, Oman, Bahrain, Iraq, Kuwait and Saudi Arabia.

This year we have started our direct business operations in Africa and other South Asian countries. With aggressive expansion plans, the Company has already appointed 21 new channel partners in almost 14 new territories (SAARC and Africa included). Company achieved 20% growth in revenue over last year, this growth has

majorly come from commencing operations in new territories. This was a welcome development considering the pandemic situation, wherein the existing markets experienced a declining trend in sales.

On Global map, today we are present in Middle East, Africa, South East Asia and South Asia region with not just our made in India product line up, but also other product lineups from Associate Companies established worldwide. The Company expects to increase its exports business in the coming years with much stabilized government policies after recovering from COVID-19 pandemic, which has heavily impacted the global business.

Home Appliances

In the Home Appliance segment, Company deals in premium range of Refrigerators and Air Purifiers.

Current lineup of Hitachi imported refrigerators are designed considering the eating consumption habits of Indian consumers. Company's advance dual fan cooling technology provides independent cooling of Refrigerator & Freezer (R&F) compartment separately and offers fast cooling and energy saving in the new series.

Company aims at offering a variety of premium range of Frost free and Bottom freezer refrigerators as per the Indian customer requirements. Today Hitachi has a complete Frost-free range with 8 series and 26 SKUs- starting from 385 Ltrs gross to 700 Ltrs gross capacity in 2-door, 3-door, and 4-door in top freezer, bottom freezer and side by side segments.

Service

Good Customer Care has always remained a key focus of the Company. The Company aims to offer best in class products along with utmost priority to customer care and after sales service. Customer Satisfaction has always been a crucial part of Company's strategy. For enhancing After Sales Services experience of our Customers, we've embarked upon several initiatives in this financial year. With an objective to serve our customers even better and faster response, we've widened our Network and added another 40 authorized service partners during this financial year, thereby expanding our Service reach.

Another area, where we have focused, is in technology led digitalization of some key service business-processes like implementation and adoption of technician's app, which is helping with faster resolution of customers' complaints, digital non-voice option for customers to register and view status of their service request; WhatsApp integration for customer convenience; online renewal / purchase of Annual Maintenance (AMC); Digital payments and e-AMC documentation.

Industry Outlook

The growth story for Indian Air Conditioning industry remains intact despite the near-terms disruptions caused by the pandemic. There are several critical macro trends such as increasing disposable income, growing demand for residential real estate, growing focus on higher energy efficiency, stable and reliable supply of electricity etc. that are expected to support strong growth of the Room Air Conditioning industry.

While the pandemic has more severely disrupted the demand for air conditioning from commercial segments such as hospitality, commercial real estate, educational institutes, retail stores, shopping malls etc, we expect positive outlook for commercial air conditioning from growing demand for robust medical and health care facilities, pharmacies, cold rooms, warehouses, data centres etc.

Apart from the above, several favourable Government initiatives such as Production Led Incentives (PLI) and Phased Manufacturing Plan (PMP) are expected to boost local manufacturing of critical components for Indian Air Conditioning Industry in the coming years.

Risks, Concerns and Challenges

Seasonality Risk

The Company's core product businesses are seasonal in nature and hence any unfavourable and unforeseen weather events may impact the demand forecast. To mitigate this risk of loss of opportunity or excess inventory, the Company has put in place a demand planning process that allows it to stay nimble and react to seasonal variations.

Supply Chain and Raw Material price fluctuations

The Company, in its endeavour to deliver world class products to its customers, engages in sourcing of key components and raw materials from reliable and high-quality sources across the world. Unforeseen disruptions to global supply chains as well as unfavourable fluctuations in raw material prices may put strain on Company's profitability. To mitigate this risk, the Company has actively engaged in developing a network of local vendors and dual sourcing for key components.

High price elasticity of demand

The Company's core product businesses are subject to high price elasticity of demand. To mitigate this risk, the Company engages in carrying the premium brand image by targeted marketing activities and improve customer stickiness by driving customer loyalty through product differentiation and high-end features.

Technology Changes

The Company's core product businesses operate in highly competitive marketplace with a need to keep pace with technological changes and frequent upgrades. To mitigate this risk, the Company has put in place robust product development process that develops a 3-year roadmap of new products and upgrades combining customer insights, smart technologies, and regulatory requirements.

Human Resources

The Company's Human Resources plays a strategic role in achieving organization goals. It's imperative to have a strategic plan to ensure the right people are hired and trained for the right job at the right time. We have ensured the Company's DNA is inculcated in each employee by creating a safe, diverse and inclusive work culture.

In these tougher times, our human resource team has played a key role in reaching out to employees, ensuring safety and general well-being of the workforce.

Human Capital

As on March 31, 2021 the total strength of employees (Staff and Operators) of the Company was 1462. The Company has a diverse talent force which brings varied ideas to the table and improves the overall work culture. There has been a major emphasis on enhancing the human capital and retaining the best talent. This year focus was on getting highly skilled and top-notch talents to the team with varied skills, which has given the organization a competitive edge over others.

Diversity and Inclusion

Diversity and Inclusion has been the main mantra of the Company, with equal opportunities given to all employees. A conscious effort has been made to improve diversity in the organization.

Company already has a significant workforce of female operators in its manufacturing setup. This year gradually in all fields and functions female employees have been inducted to bring more inclusion. The Company believes in women empowerment and has a 'Women's Interaction Support & Engagement' Forum (WISE forum) and Internal Complaint Committee (ICC) in place to reach out to all female employees. International Women's Day 2021 was celebrated on the theme of #ChoosetoChallenge. A plethora of activities were organized on 'International Women's Day' with gender sensitization training for all employees and felicitating female operators.

COVID Response Team (CRT)

The Company is committed to provide a safe and healthy workplace for all employees and customers. With the opening up of all offices and markets, an action plan was required to be formulated to deal with various COVID-19 related scenarios that employees may experience. The COVID response team (CRT) which was set up by the company ensured systematic response and support at various levels for proper management of various situations an employee and his family encountered in relation to COVID-19.

Performance Management

Career Conversations and Talent Assessment process - Career Conversation is a discussion between an employee and their manager that supports the employee in developing career goals, as well as an action plan for achieving these goals while Talent Assessment is a process to assess employee potential, have a better grasp on their aspirations and abilities to fulfil future roles. All employees were encouraged to complete their career profiles in system which led to having organised and documented career conversations and talent assessment process.

Talent Development

In this changing scenario, it's essential to develop the competencies and skills of the existing workforce. "TREND (Technical Skill

Recast Evaluate N Develop)”— JCH-IN intends to build a culture of “Continuous Improvement” and “Zero Harm” among its Plant Operators. To enhance the skill level, the operators need to be assessed on their level of technical skills as per their deployment of current processes and machines. To differentiate operators into different badges (i.e, Expert, Skilled, Entry level). Technical assessments were conducted under the TREND program during August 2020 and September 2020. A total of 637 permanent operators were assessed under the TREND program.

The Company values its workforce and considers them as the main catalyst for its growth. The organization believes in creating a motivated and committed talent force wherein equal career opportunities are being given to all and there is a continuous learning process.

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

At the Annual General Meeting held on July 25, 2016 (AGM-2016), Price Waterhouse & Co. Chartered Accountants LLP (Firm Registration No. 304026E / E300009) were appointed as Auditors of the Company to hold office from the conclusion of AGM-2016 till the conclusion of the sixth consecutive Annual General Meeting (AGM-2021).

Pursuant to Section 139(2) of the Companies Act, 2013 and subject to the recommendation of Audit Committee meeting and Board meeting and approval of Shareholders at AGM-2021, Price Waterhouse & Co. Chartered Accountants LLP (Firm Registration No. 304026E / E300009) is eligible to be re-appointed as Statutory Auditors of the Company for second term from conclusion of AGM-2021 till the conclusion of sixth Annual General Meeting (AGM-2026) (from FY 2021-22 to FY 2025-26).

Audit Committee meeting and Board Meeting held on 25th May, 2021, approved re-appointment of Price Waterhouse & Co. Chartered Accountants LLP (Firm Registration No. 304026E / E300009) as Statutory Auditors of the Company for second term from conclusion of AGM-2021 till the conclusion of sixth Annual General Meeting (AGM-2026) (from FY 2021-22 to FY 2025-26).

In that regard, Auditors have provided a consent letter as per Section 139(1) (first proviso) read with Rule 4 of the Companies (Audit and Auditors) Rules, 2014.

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.

Change in Board of Directors

During the year under review, there was no change in Board of Directors.

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(1) 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	22%	20: 1
Mr. Shinichi Iizuka	Director	NA	NA
Mr. Yoshikazu Ishihara	Director	NA	NA
Mr. Ashok Balwani	Independent Director	NA	0.7 : 1
Mr. Mukesh Patel	Independent Director	NA	0.7 : 1
Ms. Indira Parikh	Independent Director	NA	0.7 : 1
Mr. Rishi Mehta	Chief Financial Officer	18%	8.2 : 1
Mr. Parag Dave	Company Secretary	1%	2.3 : 1

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 increased by 19%
Percentage increase in the median remuneration of employees in the financial year	7%
No. of permanent employees on the rolls of Company	1462
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 7% - Total remuneration of KMP increased by 19%

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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 June 23, 2020, August 07, 2020, October 29, 2020 and February 09, 2021.
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 of the CSR amount spent for the year 2020-21 is attached as Annexure-A. Details about the Policy on Corporate Social Responsibility (CSR) and projects to be implemented by the Company for the year 2021-22, as required under Section 134(3)(o), 135(2) read with Companies (Corporate Social Responsibility Policy) Rules, 2014 has been placed on the website of the Company and Weblink is as under: <https://buy.hitachiaircon.in/content/investors>
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) has been placed on the website of the Company and Weblink is as under:

<https://buy.hitachiaircon.in/content/investors>

6. No commission paid to Directors of the Company, so no disclosure is required to be made under Section 197(14).
7. The Draft Annual Return in form MGT-7 as provided under sub-Section (3) of section 92 has been placed on the website of the Company and Weblink is as under:
<https://buy.hitachiaircon.in/content/investors>
8. No loan was granted by the Company to any person to purchase or subscribe to fully paid-up shares of the Company.
9. Details of the significant changes (i.e. change of 25% or more as compared to the immediately previous financial year) in key financial ratios, along with detailed explanations therefor, including:

Financial Ratios	2020-21	2019-20*	Change %
(i) Debtors Turnover	6.35	6.25	1.56%
(ii) Inventory Turnover*	1.44	2.18	-33.84%
(iii) Interest Coverage Ratio*	18.33	104.87	-82.52%
(iv) Current Ratio	1.46	1.39	5.26%
(v) Debt Equity Ratio*	0:1	0.23 : 1	-
(vi) Operating Profit Margin (%)	7.61%	8.21%	-7.25%
(vii) Net Profit Margin (%)*	2.01%	3.80%	-47.11%
(viii) Return On Net Worth*	4.59%	12.13%	-62.20%

*Explanation

- Figures of LY regrouped.

- Inventory turnover ratio is lower due to decline in sales in FY 2020-21 due to Covid19.

- Impact in Interest coverage ratio, Net Profit Margin and Return on Net Worth is due to lower profit in FY 2020-21 due to Covid19.

- Debt Equity Ratio has improved compared to last year due to Zero Debt as at the end of FY 2020-21.

10. 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 B.
11. There is no material fraud reported by Auditors under Section 143(12) of the Companies Act, 2013 during the year under review. One fraud case was reported by the Company to Audit Committee and Auditors in which four employees and one service provider were found to be involved. Company initiated necessary legal action and consequently was able to recover the defrauded amount.
12. 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.

13. 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.
14. There is no Company which has become or ceased to be its subsidiary, joint venture or associate Company during the year.
15. During the year, Company has not accepted deposits covered under Chapter V.
16. There is no qualification, reservation or adverse remark or disclaimer made by the Auditors in their report.
17. There is no qualification, reservation or adverse remark or disclaimer made by the Company Secretaries in practice in their Secretarial Audit Report.
18. 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.
19. Details of complaints relating to sexual harassment during the year under review:
Number of complaints pending as on 31st March, 2020 : 0
Number of complaints received during the year : 2
Number of complaints disposed of during the financial year : 1
Number of complaints pending as on 31st March, 2021 : 1
20. 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 C to this report.
21. The information as per Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 ('Rules'), forms part of this Report. However, as per second proviso to Section 136(1) of the Act and second proviso of Rule 5(3) of the Rules, the Report and Financial Statements are being sent to the Members of the Company excluding the statement of particulars of employees under Rule 5(2) of the Rules. Any Member interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office of the Company.
22. Related party transactions under Section 188(1): All transactions entered by the Company with related parties during the year under review were in ordinary course of business and on an arm's length basis. There were no material Related Party Transactions (RPTs) undertaken by the Company during the year that require shareholders' approval under Section 188 of the Act or under Regulation 23(4) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Therefore, the disclosure in Form AOC-2 under Section 134(3)(h) of the Companies Act, 2013 is not applicable.

Policy on dealing with Related Party Transactions has been disclosed on Company's website and a weblink is as under:

<https://buy.hitachiaircon.in/content/investors>

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 by the Company 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 has been disclosed on Company's website and a weblink is as under: <https://buy.hitachiaircon.in/content/investors>.
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 : Delhi
Date : May 25, 2021

Gurmeet Singh
Chairman & Managing Director

