

# 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 in 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. 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, 2021, Board of the Company consists of one (1) Executive Director (Chairman and Managing Director), two (2) Non-executive Directors and three (3) Independent Directors (Including one (1) woman Director).

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. Shinichi Iizuka	Promoter / Non-Executive	1	-	-
Mr. Yoshikazu Ishihara	Promoter / Non-Executive	1	-	1
Mr. Ashok Balwani	Non-Executive / Independent	1	-	1
Ms. Indira Parikh	Non-Executive / Independent	2	-	2
Mr. Mukesh Patel	Non-Executive / Independent	3	3	6**

\*Includes only Audit Committee and Stakeholders Relationship Committee.

\*\*Mr. Mukesh Patel is member in 6 committees out of which he is chairman in 3 committees.

Directors are holding Directorship in following Listed Companies (excluding this Company)

Name of Director	Name of Company	Category of Directorship
Mr. Mukesh Patel	Cadila Healthcare Limited	Independent Director
	The Sandesh Limited	Independent Director
Ms. Indira Parikh	Force Motors Limited	Independent Director

**Skills/expertise/competence of the Board**

List of Core Skills / expertise / competencies identified by the Board of Directors as required in the Context of the Company’s Business for it to function effectively and available with the Board are as under:

Skills	Mr. Singh	Mr. Iizuka	Mr. Ishihara	Mr. Balwani	Ms. Parikh	Mr. Patel
<b>Leadership skill</b>	Experience to lead and advise large scale organization	√	√	√	√	√
	Guiding Board / Company on all aspects of business and having high governance standards	√	√	√	√	√
	Helping to build team’s confidence to use own initiative	√	√	√	√	√
	Inspiring team with a vision for success	√	√	√	√	√
	Effective Delegation	√	√	√	√	√
<b>Vision, Strategic planning and Decision Making</b>	Know where business is heading and how to position it to get desired goals	√	√	√	√	√
	Understand the challenges and opportunities business faces and the advice best ways to address them	√	√	√	√	√
	Intuition, reasoning and application of techniques	√	√	√	√	√
	Analysis and use of information	√	√	√	√	√
	Risk Management and mitigation capabilities	√	√	√	√	√
<b>Business skill</b>	Industry knowledge - Experience and knowledge of the Air conditioning and Refrigeration Industry	√	√	√	√	√
	Design and development of products of the Company	√	√	√	√	
	Procurement and buying - managing contracts, stock control and inventory planning	√	√	√	√	√
	Production - knowledge of effective and efficient processes of production	√	√	√	√	
	Marketing - advertising, promotion and PR, Sales - pricing, negotiating, customer service and tracking competitors	√	√	√	√	√
<b>Functional Skill</b>	Finance - Ability to read and understand basic financial statements i.e. balance sheet, profit and loss account, and statement of cash flows, and knowledge of accounts and taxation, Budgeting, cash flow planning and credit-management	√	√	√	√	√
	Legal – Understanding laws and regulations relevant to Company / Industry	√	√	√	√	√
	Internal Controls - Ability to advice on strengthening of checks and balances	√	√	√	√	√
	Personnel - recruitment, dispute resolution, motivating staff and managing training	√	√	√	√	√
<b>Team Management Skills</b>	Ensure team knows their role	√	√	√	√	√
	Set clear goals and communicate	√	√	√	√	√
	Put in place clear lines of communication	√	√	√	√	√
	Clarify lines of responsibility	√	√	√	√	√
	Involve all team members in decision-making as much as possible	√	√	√	√	√
	Introduce ways to manage and resolve differences	√	√	√	√	√

**Certification regarding Directors**

Company has obtained a certificate from Tejal Shah & Associates that none of the directors on the board of the company have been debarred or disqualified from being appointed or continuing as directors of companies by the Board/Ministry of Corporate Affairs or any such statutory authority.

**Independent Directors**

Company has received declarations from Independent Directors under Section 149(7) of the Companies Act, 2013 and Regulation 25(8) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Board opines that they meet criteria of Independence and they fulfill the conditions specified in Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and are independent of the management.

No Independent Director has resigned during the year.

The independent directors of the Company held a meeting during the year, without the presence of non-independent directors and members of the management, and all the independent directors were present at the said meeting.

The details of familiarization program have been disclosed on the Company’s website and a web link is as under:  
<https://buy.hitachiaircon.in/cms/materials/97fb4fad4e.pdf>

**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, 2020 to March 31, 2021, 4 (Four) Board Meetings were held, i.e., on June 23, 2020, August 07, 2020, October 29, 2020 and February 09, 2021. The last Annual General Meeting (AGM) was held on September 15, 2020. 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. Shinichi Iizuka	4	Present
Mr. Yoshikazu Ishihara	4	Present
Mr. Ashok Balwani	4	Present
Ms. Indira Parikh	4	Present
Mr. Mukesh Patel	4	Present

**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, 2021 are as under:

Name of Director	No of Shares held
Mr. Shinichi Iizuka	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 177 of the Companies Act, 2013.

Members of the Audit Committee as on March 31, 2021 are as under:

Mr. Mukesh Patel – Chairman

Mr. Ashok Balwani – Member

Ms. Indira Parikh – Member

During the year from April 01, 2020 to March 31, 2021, 4 (Four) Audit committee meetings were held, i.e., on June 23, 2020, August 07, 2020, October 29, 2020 and February 09, 2021. Attendances of the members at the meetings were as under:

Name of Members of Committee	Meetings attended
Mr. Mukesh Patel	4
Mr. Ashok Balwani	4
Ms. Indira Parikh	4

**Nomination and Remuneration Committee**

Nomination and Remuneration Committee takes 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.

Members of the Nomination and Remuneration Committee as on March 31, 2021 are as under:

Mr. Mukesh Patel – Chairman

Mr. Ashok Balwani – Member

Ms. Indira Parikh – Member

Mr. Shinichi Iizuka – Member

During the year under review, 1 (One) Nomination and Remuneration Committee Meeting was held, i.e., on February 09, 2021. Attendance of the members at this meeting was as under:

Name of Members of Committee	Meetings attended
Mr. Mukesh Patel	Present
Mr. Ashok Balwani	Present
Ms. Indira Parikh	Present
Mr. Shinichi Iizuka	Present

**Terms of Appointment / Remuneration**

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

Services of the Chairman & Managing Director may be terminated by either party, giving the other party 90 days’ notice or either party paying 90 days’ salary in lieu thereof.

Independent Directors are paid sitting fees of ₹ 80,000 for attending Board meeting, ₹ 80,000 for attending Audit Committee Meeting, ₹ 60,000 for attending CSR Committee meeting, ₹ 20,000 for attending Nomination and Remuneration Committee Meeting, ₹ 20,000 for attending Executive Committee Meeting and ₹ 30,000 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	20.6	0.1	1.0	1.4	Nil	23.1**
Mr. Shinichi Iizuka	Nil	Nil	Nil	Nil	Nil	Nil
Mr. Yoshikazu Ishihara	Nil	Nil	Nil	Nil	Nil	Nil
Mr. Mukesh Patel	Nil	Nil	Nil	Nil	0.8	0.8
Mr. Ashok Balwani	Nil	Nil	Nil	Nil	0.8	0.8
Ms. Indira Parikh	Nil	Nil	Nil	Nil	0.8	0.8

\*These are primarily based on objective evaluation of individual and the Company performance against pre-set performance parameters.

\*\* Remuneration does not include provisions for encashable leave, gratuity and premium paid for group health insurance, as separate actuarial valuation / premium paid are not available.

No Director is holding share under Stock Option since no Stock Option Scheme has been given 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 on the website of the Company.

**Stakeholders Relationship Committee**

Stakeholders Relationship Committee consisted of following members as on March 31, 2021:

- Mr. Mukesh Patel – Chairman
- Mr. Gurmeet Singh – Member
- Mr. Yoshikazu Ishihara – Member

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

Number of pending complaints as on April 01, 2020	1
Number of complaints received	1
Number of complaints redressed	2
Number of pending complaints as on March 31, 2021	Nil

All the complaints and share transfers requests were redressed within one month except one (1) complaint which was pending due to a technical reason.

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:

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

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 stricture has been imposed on the Company for such matters by Stock Exchanges or SEBI or any statutory authority.

**Commodity price risk/foreign exchange risk and hedging activities**

The Company’s robust planning and strategy ensures that its interest is protected against Foreign Currency fluctuation risk and Commodity price risk in general. The Company enters into forward contracts to hedge against its foreign currency exposures. However, Company do not enter into forward contracts to hedge against the Commodity price risk.

The details of foreign exchange exposures as on March 31, 2021 are disclosed in Notes to the financial statements.

**Performance evaluation criteria for independent directors**

The performance evaluation of Independent Directors is done by Board of Directors, excluding the Director being evaluated. While making assessment, Board considers the

active participation during discussions on various agenda items on the basis of his/her experience and expertise.

**Credit rating**

Company is not required to obtain credit rating as during the year under review no debt instruments were issued by the Company. There is no fixed deposit program or any scheme or proposal involving mobilization of funds whether in India or abroad.

**No preferential allotment or qualified institutions placement**

During the year under review no preferential allotment or qualified institutions placement was made by the Company.

**Total Fees paid to Auditors**

Company has paid total fees of ₹ 5.5 million (excluding reimbursement of expenses) during the year to Statutory Auditors.

**Disclosure in relation to Sexual harassment of women at Workplace (Prevention, Prohibition and Redressal) Act, 2013**

Number of complaints pending as at beginning of the year (1 <sup>st</sup> April, 2020)	Nil
Number of complaints received during the year	2
Number of complaints disposed of during the financial year	1
Number of complaints pending as on March 31, 2021	1

**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.

**Others:**

- a. There is no non-compliance of requirement under sub para (2) to (10) of Schedule V(C) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- b. There is no share in demat suspense account/unclaimed suspense account. Accordingly, no disclosure is required under Schedule V(F) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- c. Company has not adopted non-mandatory requirements as prescribed under Schedule II(E) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- d. The Company has complied with corporate governance requirements as specified in regulation 17 to 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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

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- Date and Time:** July 27, 2018, 9.30 a.m  
**Venue:** Center for Environment Education, Nehru Foundation for Development, Vastrapur-Gurudwara Road, Ahmedabad: 380054  
**Special resolutions passed:**
1. To approve continuation of appointment of Ms. Indira Parikh as an Independent Director of the Company.
- 
- Date and Time:** August 14, 2019, 9.30 a.m  
**Venue:** Center for Environment Education, Nehru Foundation for Development, Vastrapur-Gurudwara Road, Ahmedabad: 380054  
**Special resolutions passed:**
1. To approve continuation of appointment of Mr. Ashok Balwani as an Independent Director of the Company.
  2. To approve continuation of appointment of Mr. Mukesh Patel as an Independent Director of the Company.
  3. To revise remuneration of Mr. Gurmeet Singh, Chairman and Managing Director of the Company.
- 
- Date and Time:** September 15, 2020, 9.30 a.m  
**Venue:** Through Video Conferencing / Other Audio Video Means (Deemed Venue - Registered Office, 9th Floor, Abhijeet-1, Mithakhali Six Roads, Ahmedabad: 380006)  
**Special resolutions passed:**
1. To approve re-appointment of Mr. Gurmeet Singh as Chairman & Managing Director of the Company.

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 <https://buy.hitachiaircon.in/content/investors>. 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
Wednesday, 15th September, 2021	10.00 a.m.	Video Conferencing

Financial year: From April 01, 2020 to March 31, 2021

**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 2021-22 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		Company's Share Price quoted at NSE		NIFTY	
	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW
April-2020	2,566.00	2,000.00	33,887.25	27,500.79	2,574.00	2,010.00	9,889.05	8,055.80
May-2020	2,489.00	2,050.00	32,845.48	29,968.45	2,460.00	2,055.00	9,598.85	8,806.75
June-2020	2,650.00	2,241.05	35,706.55	32,348.10	2,639.80	2,242.20	10,553.15	9,544.35
July-2020	2,307.35	2,043.70	38,617.03	34,927.20	2,304.75	2,032.80	11,341.40	10,299.60
August-2020	2,440.95	2,000.00	40,010.17	36,911.23	2,439.80	1,980.05	11,794.25	10,882.25
September-2020	2,350.00	2,027.75	39,359.51	36,495.98	2,348.50	2,025.10	11,618.10	10,790.20
October- 2020	2,450.00	2,092.00	41,048.05	38,410.20	2,393.95	2,089.90	12,025.45	11,347.05
November-2020	2,306.80	2,106.00	44,825.37	39,334.92	2,308.80	2,101.50	13,145.85	11,557.40
December-2020	2,747.00	2,080.00	47,896.97	44,118.10	2,750.00	2,031.20	14,024.85	12,962.80
January-2021	2,844.05	2,400.00	50,184.01	46,160.46	2,850.00	2,399.45	14,753.55	13,596.75
February-2021	2,659.95	2,399.75	52,516.76	46,433.65	2,665.00	2,403.35	15,431.75	13,661.75
March-2021	2,936.70	2,505.00	51,821.84	48,236.35	2,940.00	2,500.00	15,336.30	14,264.40

The Equity Shares of the Company were not delisted or suspended during the year ended March 31, 2021.

**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, 2021**

Category	No. of Shares Held	% of Shareholding
Promoters' Holding	20,190,529	74.25
Non-Promoters' Holding		
Mutual Funds	3,611,583	13.28
Alternate Investment Funds	213,357	0.79
Foreign Portfolio Investors	255,449	0.94
Financial Institutions/ Banks	3,392	0.01
Insurance Companies	248,043	0.91
IEPF	142,342	0.53
Bodies Corporate	201,751	0.74
NRIs	114,448	0.42
Individuals	2,209,990	8.13
<b>Total</b>	<b>27,190,884</b>	<b>100.00</b>

**Distribution of shareholding as on March 31, 2021**

Shares Balance	No. of Holders	% of Holders	No. of Shares	% of Shares
1-500	22954	97.39	1355072	4.98
501-1000	333	1.41	249809	0.92
1001-2000	120	0.51	173677	0.64
2001-3000	42	0.18	105126	0.39
3001-4000	18	0.08	65703	0.24
4001-5000	10	0.04	47446	0.17
5001-10000	40	0.17	311284	1.14
10001 and above	53	0.22	24882767	91.52
<b>Total</b>	<b>23570</b>	<b>100.00</b>	<b>27,190,884</b>	<b>100.00</b>

**Dematerialization of shares and liquidity**

The Company's shares are available for dematerialization on both the depositories viz. National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL). As on March 31, 2021, 26,926,102 (99.03%) shares of the Company were in Dematerialized form. Demat ISIN No. of the Equity Shares of the Company is: 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 – 384 440 Ta.: Kadi, Dist.: Mehsana, Gujarat

**Addresses for Correspondence**

**Company:**

Johnson Controls-Hitachi Air Conditioning India Limited.  
9th Floor, Abhijeet-1, 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@linkintime.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**

**Gurmeet Singh**

Chairman and Managing Director