

need

Customers are
becoming increasingly
demanding

Hindustan Sanitaryware is
delighting customers by
delivering tomorrow's
demands today

olutions



ReportJunction.com



‘Don’t ever make the mistake of thinking of buildings, computers, consultants, or even employees as your company’s greatest assets. Every company’s greatest assets are its customers because without **customers** there is no company. It’s that simple.’

– Michael Leboeuf, business consultant,
speaker and author

what's inside

what we are **3**
vision **4**
guiding principles **5**
what we achieved in 1998-99 **6**
post balance sheet date developments **7**

the soul **8 - 9**
interview with the joint managing director **10 - 15**
measure of shareholder value **16**
the power of the brand **17**

creating value in the company **18 - 19**
financial ratios **20 - 21**
value-added statement **22**
five-year financial summary **23**
business analysis and management practices **24 - 25**

Report  Junction.com

investor information **26 - 29**
directors' report **30 - 35**
annexure to directors' report **36 - 38**
section 212 **39**
management responsibility statement **40**

company secretary's responsibility statement **41**
a tour of the accounts **42**
auditors' report **43**
annexure to the auditors' report **44 - 45**
balance sheet **46**

profit and loss account **47**
schedules **48 - 68**
balance sheet abstract **69**
cash flow statement **70 - 71**

accounts of subsidiary company **72 - 75**
management structure **76**
profile of directors' **77 - 78**
corporate information **79**

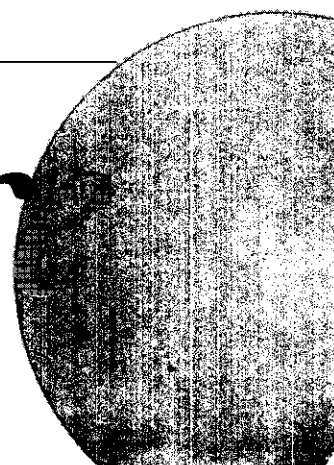
Hindustan Sanitaryware and Industries Limited (HSIL) is India's **leading** sanitaryware and container glass manufacturer. The company was established in 1960 as Hindustan Twyford's Ltd by the Somany group in collaboration with Twyford's Ltd, UK.

The company has four units - three dedicated to sanitaryware and one to container glass (bottles). The first sanitaryware unit was set up in Bahadurgarh (Haryana), and commenced commercial production in 1962; the company acquired Krishna Ceramics Ltd, Bibinagar (Andhra Pradesh) in 1989 followed by the acquisition of Raasi Ceramics at Isnapur (Andhra Pradesh) in 1999. The resulting installed sanitaryware capacity of 32,000 tonnes per annum (28 lac pcs. per annum) makes the company the largest in the industry in India. Market share : 41 per cent.

Shackled by the MRTP Act in force at that time and unable to grow its sanitaryware business, HSIL entered the container glass industry in 1981 through the acquisition of the loss making Associated Glass Industries Ltd. This unit was turned around and has helped the company emerge as the market leader in container glass in south India with an **impressive** list of multinational customers. A modernisation cum expansion is expected to lift melting capacity to 340 tpd from December 1999, strengthening the company's position as the region's leading container glass manufacturer.

The company is **professionally** managed and registered a turnover of Rs 166.12 cr in 1998-99 with a profit after tax of Rs 13.59 cr. The company's shares are listed on the National, Mumbai and Calcutta stock exchanges.

what
we are





vision

Delight our
customers with
products and
services
leading to
above-average
returns for our
employees,
customers and
consumers

Report  Junction.com

- Develop **people** as a basic unit of sustainable growth
- Invest intelligently in assets, delivering a long-term competitive **edge** to the business in the form of a lower than prevailing commissioning cost per tonne of capacity
- Foster a spirit of daring by pushing the **technology** frontiers in our business
- Translate this spirit into **manufacturing** excellence, reflected in an efficient conversion cost and a superior quality of the end product
- **Innovate** aggressively with new design and features that offer unique customer solutions
- Translate the customer **loyalty** into enhanced financial value per product sold
- Conduct business with a respect for the **environment**

Report



Junction

guiding
principles

achieved

This is what we
in 1998-99

Corporate

- Turnover growth by 23.27 per cent to Rs 166.12 cr.
- Cash flow growth by 9.86 per cent to Rs 27.17 cr.
- Growth in profit after tax by 13.67 per cent to Rs 13.59 cr.

Summary

- Sales growth (by value) was 21.88 per cent.
- Capacity was expanded at the Bibinagar plant by 4500 tpa.
- Capacity increased by an additional 6000 tpa through the acquisition of Raasi Ceramics.
- The 'Hindware' brand was consciously strengthened to accelerate offtake in the premium segment.
- The polymer cistern was launched to broaden the choice for consumers.
- The Bahadurgarh division was awarded the ISO 9002 certification.

Glass

- Nineteen new products were launched.
- The product mix was strengthened with an increasing orientation to making products for the soft drinks and pharmaceutical industry which fetched better realisations.
- Offtake was accelerated by supplying to the high volume liquor and beer industries.
- Work was initiated on the modernisation cum expansion programme.
- The division was awarded the ISO 9001 certification.

Corporate

The company reported gross sales of Rs 41.13 cr during the first quarter of 1999-2000, a rise of 16.75 per cent over the corresponding quarter of 1998-99.

Profit before tax rose to Rs 3.50 cr; a corresponding rise of 25.45 per cent. Cash flow (tax to be accounted for at the end of the financial year) rose by 20.77 per cent over the previous quarter to Rs 6.57 cr; an annualised cash earnings per share of Rs 52.42.

Sanitaryware

■ A heavy oil based DG set was commissioned in Bahadurgarh in August 1999 with an attractive energy cost savings potential.

■ The Bahadurgarh unit received additional sanction for natural gas, helping to circumvent the bottleneck in fuel supply.

■ Within three months of taking over Raasi Ceramics, the HSIL management has been able to improve efficiencies and the plant throughput by 25 per cent.

Glass

■ Stable sales conditions prevailed. The company accelerated its efforts towards completing modernisation cum expansion programme by December 1999.

Post-
balance sheet
date developments

e soul

of the company

The balance sheet can be deceptive. What it reveals is indicative. What it conceals is vital. So let me step beyond the numbers and describe for you the essential character of Hindustan Sanitaryware & Industries Limited.

Law abiding

We respect the laws of the land and go by integrity over short-term gains or benefits.

Quality

'Why do you swear by quality when demand far exceeds supply and you can sell just about whatever you make?' I used to be asked time and again when a different economy prevailed in our industry a decade ago.

In retrospect, the quality obsession is the most decisive thing we ever did. In creating the company what we actually did was create the culture that would continue to deliver to the market place products that matched the best standards in the world. The result : we recently made a vacuum-assisted closet flushing with less than a thirtieth of the water consumption when compared to a conventional system, only the third company in the world to do so.

Technology

We are technology-obsessed. Let me give you an instance : the technology to make zirconium opacifier glazes was closely guarded among only four companies in the world in the Sixties. With resident expertise we cracked the knowhow, made improvements on it, surprised our collaborators, and helped to improve global standards even before the term 'reverse technology' had been coined.

Pioneering

Two steps ahead is our mantra. We were the first in the country to launch vitreous sanitaryware. Down the years, the company launched models much ahead of the competition and the expectation of the marketplace, offering unique conveniences to customers. The company's Super Constellation model is an excellent instance : we are helping a family of four save nearly 28,000 litres of water per year - one of the best standards of water consumption achieved by any