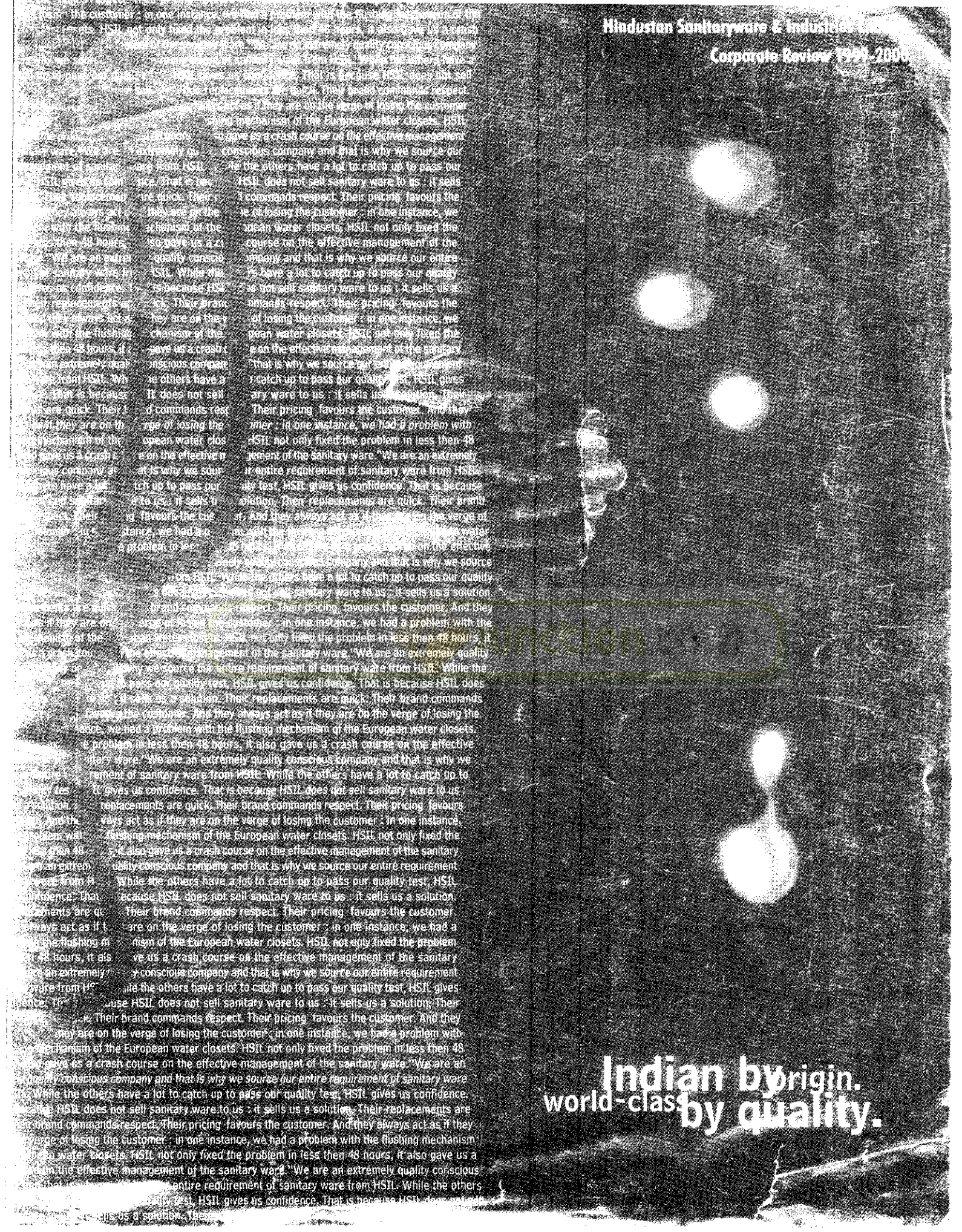
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VITREOUS
HINDWARE

RAASI

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Clarification on 'forward looking statements'

This annual report (including the Management Discussion and Analysis) contains statements relating to the future results of the company that are 'forward looking statements'. Readers are cautioned not to place an undue reliance on these forward-looking statements. Any such forward-looking statements are qualified in their entirety by reference to the following cautionary statements : all forward-looking statements speak only as things stood on a particular date; they are based on current expectations and involve a number of assumptions, risks and uncertainties; the latter could cause the actual results to differ materially from such forward-looking statements. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends' , 'plans', 'believes' and words and terms with similar substance in connection with any discussion of future operating or financial performance.

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The ultimate measure of a man is not where he stands in moments of comfort, but where he stands at times of challenge and controversy.

Martin Luther King Jr.

We have sustained our transparency initiative in this year's annual report.

The focus is on quality, leading to customer satisfaction, and generating an above-average return for the stakeholders of the company.

The transparency philosophy goes beyond the prevailing legal or SEBI requirements : this is reflected in our note on Corporate Governance as recommended by the Kumar Mangalam Birla Committee. The exhaustive Management Discussion and Analysis section covers far more details than are presently required statutorily under Clause 49 of the listing agreement; these will become binding after two years.

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Hindustan Sanitaryware & Industries Ltd. (HSIL) was established in 1960 by the Somany Group in collaboration with Twyfords Ltd. of U.K. HSIL was the first Indian company to manufacture vitreous china sanitaryware.

Today, HSIL manufactures and markets sanitaryware and glass bottles. The company is India's largest manufacturer of sanitaryware, with a 43 per cent market share, and is also one of India's largest exporters. The company's brands include Hindware and Raasi; the glass bottles are marketed under the brand name of AGI.

The company has its manufacturing plants in Bahadurgarh in Haryana, Bibinagar and Isnapur in Andhra Pradesh for sanitary ware and Kukatpally in Hyderabad for glass bottles. The company has 27 marketing offices in India supported by a 631 dealer network.

HSIL's clients for glass bottles includes reputed FMCG and pharmaceutical companies : McDowell, Coke, Pepsi,

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Smithkline Beecham Consumer Products and Glaxo, among others. The glass unit possesses a melting capacity of 340 tpd.

HSIL is a responsible manufacturer : not only are all its plants certified as per the ISO 9000, the company's Bahadurgarh plant is the only one in its industry in India to have received for the ISO 14001 certification covering environment compliance. The company is increasing its profit through an evolving mix of value-added products and reduction in costs.

The company posted a turnover of Rs.178.75 cr in 1999-2000, a growth of 9 per cent. The profit after tax registered an 18 per cent rise to Rs.16.05 cr. The market capitalisation of the company as on March 31, 2000 was Rs. 90 cr (market price Rs.180), a growth of 98 per cent over the previous year. HSIL is listed on the Calcutta, Mumbai and the National Stock Exchanges.

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he enhancement and protection of shareholder value is a priority at Hindustan Sanitaryware. The company has taken several initiatives towards this end. The implementation of the Kumar Mangalam Birla Committee's recommendations on Corporate Governance is one of them. A transparent annual report is another. The impact of these initiatives is reflected in the total shareholders' return and the Economic Profit that we posted for 1999-2000 – 102.76 per cent and Rs. 4.50 cr respectiely.

Normal response in a recession : cut costs. We did the opposite : we added value. When most business writers complained that consumers were cutting back on spending, HSIL's offtake of premium sanitaryware

Not surprisingly, our sanitaryware sales increased by 27.4 per cent.

We got the microscope out during 1999-2000. We put every process under the glass : better glaze application, raw material substitution, reduced stores consumption, lower process wastage. The company appointed Pricewaterhouse Coopers to advise on a business process re-engineering programme. The cumulative impact is visible : HSIL's pre-interest margin increased from 23.9 per cent to 25.2 per cent in 1999-2000.

Diogenes, the great philosopher, lived in a tub. If he were alive today, he might have been in a sleeker and more stylish bath tub equipped with a water massager, whirlpools, air bubble baths and a shower enclosure. HSIL brings these exotic products to India. Through its vast dealer network.

Carrying the Hindware brandname.

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Our Values

This is the reason for our existence. This must be reflected in world-class products and services that we provide. We must keep pioneering new applications that strengthen the value of what we deliver to our customers.

People represent our intellectual capital. We recognise their dignity, training and team work as the basic success drivers.

We will strive towards being recognised as a company that leverages frontline technologies leading to lower costs and a superior quality of products.

We will continue to innovate new styles, designs and conveniences that enhance customer value.

Integrity in our work and dealings with the outside world represent the cornerstone of our operations. We demand the highest ethical employee standards.

Our respect for the environment is reflected in the broad sweep of our operations.

Our corporate existence is directed towards making the world a happier place to live in.

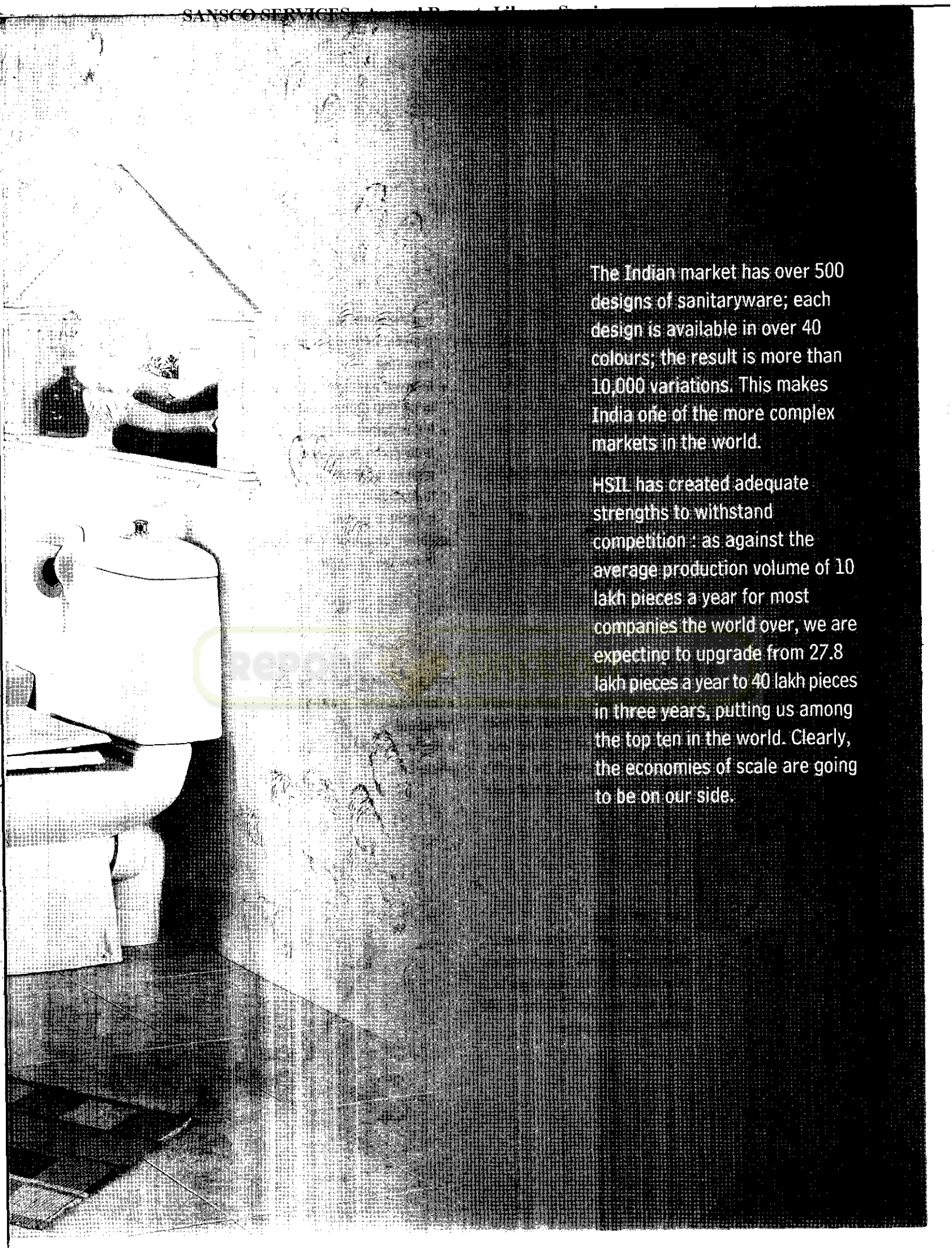
We recognise that corporate transparency leads to shareholder value. This annual report is proof.

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The Indian market has over 500 designs of sanitaryware; each design is available in over 40 colours; the result is more than 10,000 variations. This makes India one of the more complex markets in the world.

HSIL has created adequate strengths to withstand competition : as against the average production volume of 10 lakh pieces a year for most companies the world over, we are expecting to upgrade from 27.8 lakh pieces a year to 40 lakh pieces in three years, putting us among the top ten in the world. Clearly, the economies of scale are going to be on our side.

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The customer speaks...

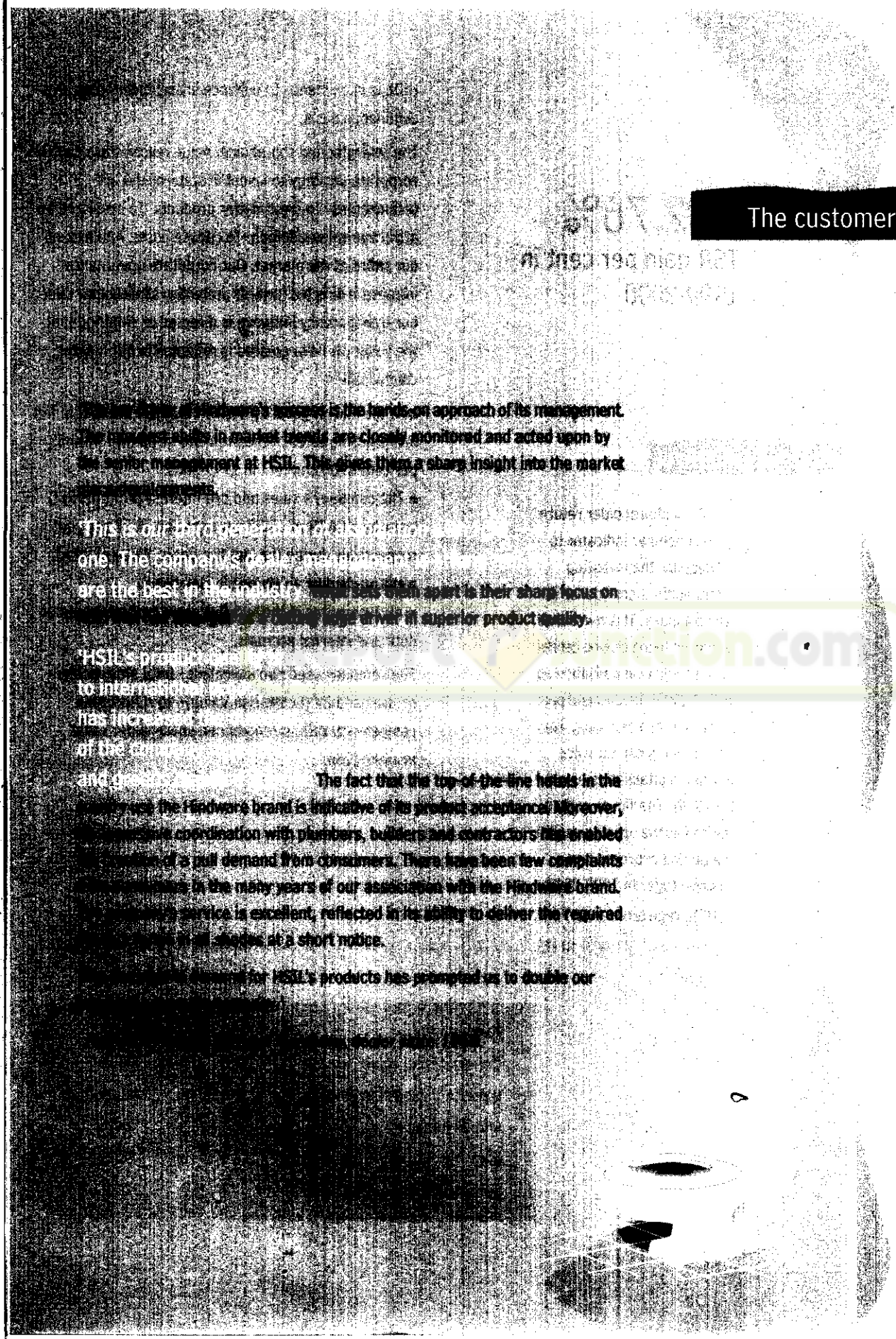
One of the keys of Hindware's success is the hands-on approach of its management. The minutest info in market trends are closely monitored and acted upon by the senior management at HSIL. This gives them a sharp insight into the market [illegible]

"This is our third generation [illegible] one. The company's [illegible] are the best in the industry. [illegible] is their sharp focus on [illegible] has increased [illegible] of the [illegible] and [illegible]

"HSIL's [illegible] to international [illegible]

The fact that the top-of-the-line hotels in the [illegible] use the Hindware brand is indicative of its product acceptance. Moreover, [illegible] coordination with plumbers, builders and contractors has enabled [illegible] of a pull demand from consumers. There have been few complaints [illegible] in the many years of our association with the Hindware brand. [illegible] service is excellent, reflected in its ability to deliver the required [illegible] at short notice.

[illegible] for HSIL's products has prompted us to double our [illegible]



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