

Reshaping Our Business

NEW ERA

NEW ENERGY

NEW ENDEAVOURS

CORPORATE OVERVIEW

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hindwarehomes.com
Annual Report 2017-18
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The world is changing radically and at an unimaginable pace.

As a future-focused company, we are prepared to respond to the socio-economic transformation that is reshaping the lives of people in myriad and interesting ways.

Doing business in one of the most competitive and fastest-growing global economies is an exciting reality for us.

India's wide-ranging economic reforms, rapid urbanisation, infrastructure development and a growing aspirational population with a passion for premium brands that define an elevated quality of life, inspire us to think afresh, and reimagine our future roadmap.

The Annual Report demonstrates our key initiatives to unlock exceptional value for all stakeholders in a bigger, better and bolder playground.



**OUR INSPIRING
LEGACY, INHERENT
STRENGTH AND
PASSION TO PERFORM
PREPARE US FOR THE**



NEW GROWTH ERA.

Corporate Identity

Growing Through Innovation and Expertise

WE DESIGN PRODUCTS THAT ENRICH THE QUALITY OF CONSUMERS' LIVES. OUR CORPORATE PHILOSOPHY IS TO THINK BEYOND CONVENTIONS, EMBRACE REFRESHING IDEAS AND SET NEW TRENDS FOR THE INDUSTRY. OUR OPERATIONS ARE LEAN AND AGILE, OUR TECHNOLOGIES AHEAD OF THE CURVE AND OUR STRATEGIES CUSTOMER-CENTRIC.

ABOUT HSIL LIMITED (HSIL)

The Company was incorporated in 1960 as Hindusthan Twyford's Limited, with a technological collaboration with Twyford's, UK, to introduce vitreous china sanitaryware in India. The Company was subsequently renamed Hindustan Sanitaryware & Industries Limited in 1969 and HSIL Limited in 2009. We became the first sanitaryware company to be featured in the 2014 'Fortune India 500' list and continue to be a part of the list in 2017. Currently, HSIL has four distinct business segments, namely the Building Products Division (BPD), Consumer Products Division (CPD), Retail Division and Packaging Products Division (PPD).

Over the decades, our flagship brand '*Hindware*' has emerged as a leading Indian sanitaryware and faucet brand driven by consistent innovation. In FY 2015-16, we decided to expand our business into the synergic domain of plastic pipes and fittings under the brand name '*TRUFLO by hindware*' in agreement with ~USD 10 billion Japanese conglomerate Sekisui Chemical Co. Ltd, enabling us to provide end-to-end bathroom solutions to our customers.

Leveraging the Company's brand equity and vast distribution network,

we diversified into the Consumer Products space by introducing kitchen appliances under the brand '*hindware Kitchen Ensemble*'. We expanded our product portfolio by launching water heaters, in collaboration with Euro 1.6 billion Groupe Atlantic of France, the global leader in heating solutions. With both these categories performing exceptionally well, we forayed into purification products under the brand '*Moonbow by hindware*' to offer air and water purifiers and launched air coolers under the brand '*hindware Snowcrest*'.

We further expanded our offerings to include home furniture, soft furnishings, home decor and accessories, wall fashion, modular kitchens and modular wardrobes by launching a chain of large retail format stores under the brand '*EVOK*'.

In 1981, we entered the Packaging Products business by acquiring 'The Associated Glass Industries Limited' (AGI), manufacturer of container glass. With our acquisition of Garden Polymers Private Limited (GPPL) in 2011, we added PET bottles to our portfolio. We recognised a market for counterfeit-resistant caps and closures in developing economies like India and ventured into this business. We set up a state-of-the-art facility in Telangana,

BUSINESS DIVISIONS

BUILDING PRODUCTS

₹1,029 crore

Revenue from Operations

46%

Share in overall business

CONSUMER PRODUCTS

₹208 crore

Revenue from Operations

9%

Share in overall business

RETAIL

₹96 crore

Revenue from Operations

4%

Share in overall business

PACKAGING PRODUCTS

₹920 crore

Revenue from Operations

41%

Share in overall business

with the first phase of commercial production commencing in the last quarter of FY 2017-18.

Note: Revenue from Operations is reported net of GST, Excise, Service Tax and other Indirect taxes.

FY 2017-18 AT A GLANCE

48.43%

Promoter and Promoter's Group Holding

51.57%

Public Holding

₹2,250 crore

Revenue from Operations during the year

OUR MISSION

Helping our customers adopt a comfortable, luxurious and sustainable lifestyle while fostering innovation has been our aim at HSIL.

OUR CORE PURPOSE

Passionately strive to enrich customer's quality of life, thereby enhancing stakeholder value.



PEOPLE EXCELLENCE

PERFORMANCE EXCELLENCE

- Teamwork to enable people to succeed beyond their capabilities
- Recognising and rewarding team performance
- Promoting cross-functional teams

RESPECT FOR INDIVIDUAL

- A culture of trust and openness
- Nurturing high performance in teams

CORE PURPOSE AND VALUES

- Learning for sustained competitive advantage
- Developing personally and professionally

BUSINESS EXCELLENCE

PERFORMANCE EXCELLENCE

- Passionately committed to exceed our goals
- Maintain relentless focus on business objectives
- Strive to raise the performance in the businesses

OPERATIONAL EXCELLENCE

- Strive for consistent and assured performance
- Setting benchmarks in operational processes

CUSTOMER-CENTRICITY

- Provide best-in-class experience to our customers
- Doing right for our internal and external customers

LEADERSHIP EXCELLENCE

INNOVATION

- Foster innovation in our processes and products to create and deliver value
- Creativity and informed risk-taking

AGILITY

- Embracing change and adapting rapidly
- Respond quickly and effectively in order to seize opportunities

₹282 crore

EBITDA during the year

₹2,684 crore

Market Capitalisation
as per NSE

4,100+

Employee Strength

As on March 31, 2018

Chairman and Managing Director's Insight

Building on Our Legacy, Imagining Afresh



THE GOVERNMENT OF INDIA HAS ALSO UNDERTAKEN A SERIES OF REFORMS TO CATALYSE THE FORMALISATION AND DIGITISATION OF THE ECONOMY.

India is home to a predominantly young and aspirational population, whose affinity for brands is growing day by day. Two-thirds of the nation's ~1.3 billion people are below 35 years of age with growing disposable income. To offer you a perspective, that is more than twice the US population.

The Government of India has also undertaken a series of reforms to catalyse the formalisation and digitisation of the economy. From managing fiscal consolidation, rolling out the country's biggest indirect tax reform – the Goods and Services Tax (GST), improving the 'ease of doing business' to introducing the Real Estate (Regulation and Development) Act, the Government of India is energising the economy and ushering in transparency across sectors.

In this environment, our values of innovation, creativity, excellence and customer-centricity are really coming into their own. At HSIL, we are reimagining our businesses to serve a new India with new energy and endeavours and to unlock exceptional value for all our stakeholders. We have made encouraging progress in aligning the diverse aspects of the operational ecosystem, including systems and processes, to increase capabilities and grow steadily.

We have come a long way by developing innovative bathroom solutions for customers and now, over the past few years, are investing

Dear Shareholders,

OUR COUNTRY IS POWERING AHEAD AS ONE OF THE WORLD'S FASTEST-GROWING MAJOR ECONOMIES. THIS, IN TURN, IS CREATING OPPORTUNITIES FOR EMPLOYMENT AND ENTREPRENEURSHIP FOR MILLIONS OF PEOPLE.



to become more agile and aligned to evolving customer requirements. We have ventured into new and synergic businesses to create diverse revenue streams. At the same time, we continue to push the innovation envelope across our businesses. During the year, we introduced new product categories with a palette of offerings that incorporate different styles, functionalities, materials and colours for customised choices. Design is highly personal, we respect and value that element in our craft.

Our robust marketing capabilities, wide distribution network, strong relationship with existing dealers and customers and our wide range of offerings across the price spectrum have enabled us to grow consistently. In a digital-first economy, we are leveraging the reach and recall of e-commerce platforms and are partnering with them to grow our online presence. Moreover, we have further fortified our relationships with customers in the packaging products industry by enhancing our capabilities to provide them with industry-leading and innovative products.

Our overarching strategy has always been to foresee opportunities and build appropriate platforms for sustainable growth, taking into consideration rapidly shifting macro realities. During the year, the Board of Directors approved the scheme of arrangement that envisages the demerger of Marketing and Distribution Undertaking of the Consumer Products Division and Retail Division to a separate entity, Somany Home Innovation Limited (SHIL), and the demerger of Marketing and Distribution Undertaking of the Building Products Division to a separate entity, Brilloca Limited, a subsidiary of SHIL.

During the year, the Company launched an innovative product range of pipes and fittings under the brand 'TRUFLO by hindware' and initiated trial production from the state-of-the-art plant in Telangana, enabling us to further broaden our offerings for the Building Products Division. The Company also commissioned Phase I of the security caps and closures plant

in Telangana, strengthening the Packaging Product Division. We take immense pride in announcing that our pipes plant is first in the industry to be awarded Platinum rating by Indian Green Building Council (IGBC). Our security caps and closure plant has also been rated Platinum by IGBC. We are excited about the better value and opportunities our two new businesses will offer our customers and stakeholders. We also made key investments in growth drivers for the future and achieved yet another year of consistent shareholder returns.

We, at HSIL, are inspired by the strides we have taken as a company in sustainability and stewardship. We are steadfast in our sense of responsibility when it comes to the environment, the communities we operate in and our people. We have a passionate approach in our commitment to our communities. During the year, the Company supported various social issues such as sanitation and hygiene, skill development, healthcare, education and women empowerment, directly and in association with our partner organisations. We further instituted our CSR arm, HSIL Corporate Social Responsibility Foundation, to increase the impact and reach of our programmes. Business success for us goes hand in hand with what we can do to better our communities and the nation.

I foresee our teams performing and translating our core purpose into strategies that will help enrich the quality of life and enhance stakeholder value. We are continuously investing in training and empowerment to nurture the potential of our people so as to imbibe a passionate, go-getter attitude. I would like to thank the entire HSIL family for their hard work and dedication. Going forward, our priorities are to drive revenue growth with profitability, create innovative products and grow our brand reputation and recall.

The future will continue to present both opportunities and challenges. Our strategy will be to focus on the broad operational canvas to elevate performance and accelerate

WE HAVE COME A LONG WAY BY DEVELOPING INNOVATIVE BATHROOM SOLUTIONS FOR CUSTOMERS AND NOW, OVER THE PAST FEW YEARS, ARE INVESTING TO BECOME MORE AGILE AND ALIGNED TO EVOLVING CUSTOMER REQUIREMENTS. WE HAVE VENTURED INTO NEW AND SYNERGIC BUSINESSES TO CREATE DIVERSE REVENUE STREAMS.

the pace of innovation to sustain our leadership. This predominant business approach will continue to lead our inspiring legacy of sustainable growth despite economic volatilities, shifting consumer aspirations and industry dynamics.

Our commitment is to continue building our businesses with strategic clarity and value-assertive investments in our differentiated capabilities. I am grateful to all our stakeholders for their trust, engagement and support.

Warm regards,

Dr. Rajendra Kumar Somany
Chairman and Managing Director

Vice Chairman and Managing Director's Message

Blueprint for Growth and Accelerated Value Creation

Dear Shareholders,

In a dynamic global landscape, a business cannot be mired in status quo. It constantly needs to reshape its roadmap to stay relevant and create value for all. The macro context is more interesting and I believe, we are entering a new growth era in India, an era that will demand more from businesses in terms of smarter products, faster delivery mechanisms and better ways of customer engagement.

Our performance, during the year, continued to prove the strength and resilience of our business model. This resilience is nurtured by decades-rich experience and expertise and above all, our foresight and fortitude to back up drawing-board strategies with hard-hitting action on the ground.

During FY 2017-18, we registered 9% growth in revenue from operations of ₹2,250 crore compared to ₹2,072 crore last year, despite the rub-off of economic headwinds such as demonetisation and destocking owing to GST implementation. Hon'ble Supreme Court's restrictions in FY 2016-17 on the sale of alcohol near state and national highways affected the glass container business during the first half of the financial year. Overall, during the year, we made key investments in strategic growth drivers for the future and accomplished another year of good shareholder return.



WE ARE IMPLEMENTING A BUSINESS MODEL THAT COMBINES HIGH PERFORMANCE, CONSISTENT INNOVATION AND VALUE CREATION WITH RESPONSIBILITY TOWARDS ALL STAKEHOLDERS.

DURING FY 2017-18, WE REGISTERED 9% GROWTH IN REVENUE FROM OPERATIONS OF ₹2,250 CRORE COMPARED TO ₹2,072 CRORE LAST YEAR, DESPITE THE RUB-OFF OF ECONOMIC HEADWINDS SUCH AS DEMONETISATION AND DESTOCKING OWING TO GST IMPLEMENTATION.

IN LINE WITH OUR OBJECTIVE, WE FOCUSED ON STRENGTHENING QUEO, OUR LUXURY BRAND, AND INTRODUCED ALCHYMI, A SUPER-PREMIUM BRAND CURATED BY MANISH MALHOTRA.