



Eternal Luxury



HINDWARE



Total Bathroom Solutions

Hindustan Sanitaryware & Industries Limited, India's market leader in the sanitaryware industry, has always achieved excellence in the quality of the products it manufactures. Adding even more value for its customers and shareholders, it has launched several new products, including World-class Bathroom Fittings from Grohe (Germany), Bathtubs, Airpools, Turbopools, Shower Enclosures, Foot Spas, besides many others on the anvil. It has positioned itself as India's Premium and Total Bathroom Solutions provider.

Classification of forward-looking statements:

This annual report (including the Management Discussion and Analysis) contains statements relating to the future of the Company that are forward-looking statements. Readers are cautioned not to place an undue reference 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, expect, forecast, intend, plans, believes and words and terms with similar substance, in connection with any discussion of future operating or financial performance.

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"Laissez faire — Let business go forward. No interference"

— MARQUIS D'ARGENSON

Dear Shareholders,

It has been a difficult year for Hindustan Sanitaryware & Industries Limited (HSIL). During the year under review, HSIL did not perform very well, resulting in markedly lower profits. Though, it must be said, this speaks volumes on the Company's capabilities during better times, when real estate markets are more active. As Team HSIL moves relentlessly forward into a future that promises much, every individual is deeply committed towards the principles that have been inculcated within them right from the very inception of the Company.

Along the path travelled over the last four decades and more, HSIL has encountered many obstacles, undergoing numerous trials and tribulations. It has not only met those challenges successfully, but at the same time the Company has become stronger, learning from every situation, be it a positive one or a crisis. One key factor that is responsible for rising to a position of leadership, has been the commitment towards a continuous quality improvement programme. This has been the underlying driving force, even in times of plenty.

Consolidating on its core competencies and leveraging its greatest asset, its indomitable human spirit, HSIL is proud to have always abided by all governmental

requirements, while working within the parameters of a strict code of ethics. This has translated into a passionate though steady stance on environmental issues, on HR-related practices, and on the relationships the Company enjoys with various regulatory agencies. Every individual in Team HSIL, while fully empowered to perform singly, realises and utilises the power of effective and cohesive teamwork. The Company as a whole, also exemplifies this by working closely with its partners, suppliers, dealers & retailers, and is motivated immensely by the undying support of its valued shareholders.

All these factors have contributed towards imparting a unique and vibrant personality to Team HSIL... one that looks only for the positive aspect in any given situation. While looking at the broader view, analysing each point, noting key factors, every meeting or discussion or interaction ends on a forward-looking note, full of optimism and suffused with a feeling that is best described as – *we can improve ourselves even more!* After all, the largest room in the world is the room for improvement. No matter how much we achieve, there are always more doors to open, and more paths to explore.

This has led to the creation of world-class products, an enviable brand equity, a growing presence the

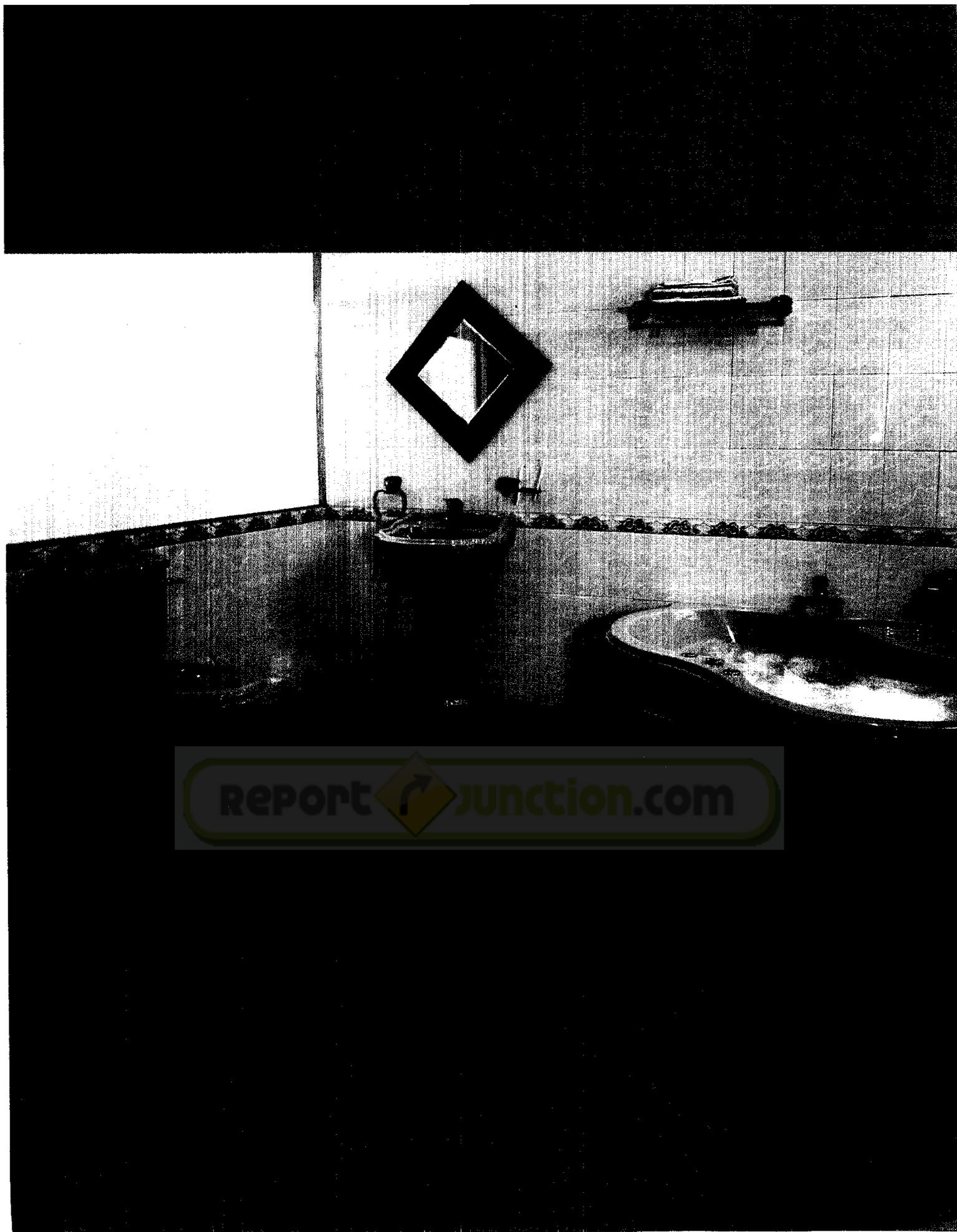
world over through a thrust in exports, resulting in an undeniable position of leadership. To raise itself to even greater heights, HSIL has implemented a diversification drive, expanding its areas of expertise, entering new realms. The Hindware brand is today India's premium choice when it comes to **Total Bathroom Solutions**. The Company's other major brand, AGI, is the market leader in Southern India due to locational advantages, and is also marketing its Container Glass products aggressively in other regions of the country.

Putting everything in perspective, and despite the fact that difficult market conditions will prevail for another 12 to 18 months, your Company's long-term future looks very bright, with things auguring well for our valued Shareholders. I would like to thank every one of them for their continued support and loyalty. I also express my gratitude to our partners, vendors, dealers, retailers, suppliers and everybody in Team HSIL, for their invaluable contribution towards the Company's success.

Wishing all of you the very best in the years to come,



R. K. Somany
Chairman & Managing Director



"Vision is the art of seeing things invisible"

— JONATHAN SWIFT

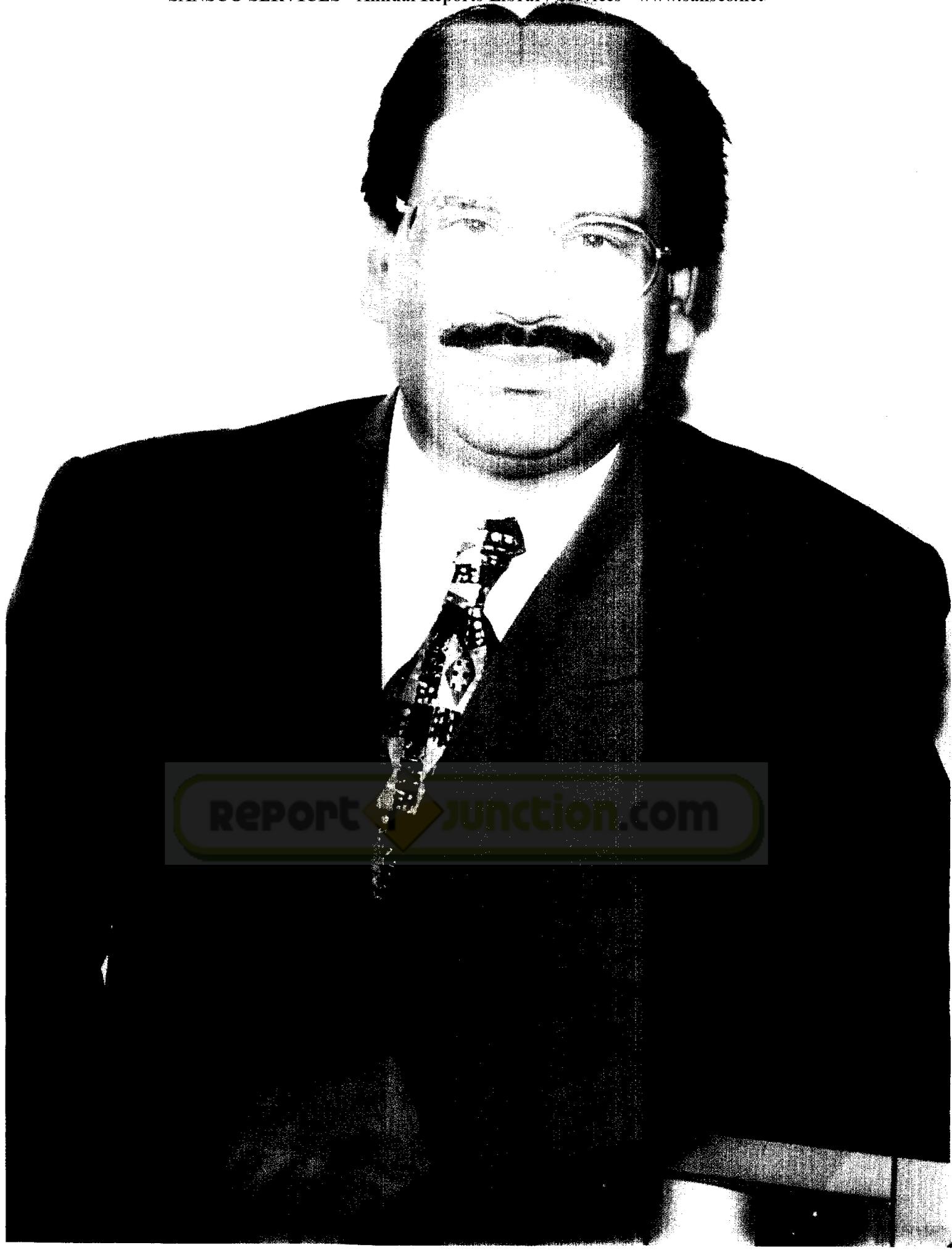
Vision

To be seen as a total bathroom solutions provider in the sanitaryware industry, while building on its strong foundation in the container glass industry. To offer convenience and comprehensive services, thereby achieving total customer delight.

Report  junction.com

Mission

To engage in an ongoing quality-improvement endeavour, thereby achieving an undisputed position of supreme leadership in the Indian market, while becoming a key player in the global industry scenario.



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"We are continually faced with a series of great opportunities, brilliantly disguised as insoluble problems."

— JOHN W. GARDNER

Our JMD, assays

Hindustan Sanitaryware & Industries Limited (HSIL) has broadened its outlook, and has introduced several new products in a desire to be seen as a **Total Bathroom Solutions** provider in the Sanitaryware industry. Mr. Sandip Somany, the Company's Joint Managing Director, discusses this and other crucial factors in a detailed and broad-vision dissertation.

How do you view the world economy and how has it affected the sanitaryware industry?

World economies have recently experienced a slowdown, as has India. People are now guarded about spending; they carefully evaluate and analyse situations before making a conscious decision to buy anything. At the same time, the number of quality products available in the market is on the rise, with every manufacturer and provider of services competing fiercely to gain market share. Markets are effervescent and wrought with unanticipated upheavals, and the sanitaryware industry in India too has not performed well. This is due to the slump in real estate and an escalation in petroleum prices. Those players who invest wisely, with long-term goals in mind, are going to be the only survivors tomorrow.

How has HSIL been affected during the year under review?

During the year under review, the gross revenue grew by 8.58% to

Rs.197.76 crores, EBIDT grew by 1.15% to Rs.40.33 crores, but the Profit After Tax (PAT) achieved was lower at Rs.4.31 crores.

This lower profitability is attributable to higher interest and depreciation charge on the large capital outlay on modernisation and expansion of the Glass Division, completed by the end of the previous financial year, and lower capacity utilisation in the Division.

The working of the Sanitaryware Division was also affected due to less than expected growth in the construction industry due to depressed prices of real estate markets throughout the country, depressed stock markets leading to an erosion of retail wealth, higher energy prices and increased competition from the unorganised sector which offers poor-quality and low-value options to customers.

A point to note is that the Bahadurgarh plant received the National Energy Conservation Award - 2000, a *Certificate of Merit*

in the Ceramics Sector, from the Ministry of Power, Government of India.

What is the Company's position as regards quality in the given economic scenario?

During its long and successful history, HSIL has made many 'broadband' decisions, reflecting the forward-thinking nature of the Company. Your Company has always endeavoured to improve the quality of its products, even when the demand was in excess of supply, a stance that has paid rich dividends as regards the Brand Equity the Company enjoys today. *If it's from HSIL, it has to be the best*, is the mantra across households nationwide. In fact, HSIL has been setting the trends in quality standards ever since inception, with all its products' quality being well above the BIS (formerly ISI) norms. This is exemplified by the first-time-in-India ISO certifications (9001 : 2000 and 14001 : 1996) it has received, made possible by a commitment towards an ongoing Continuous Quality Improvement

programme, and expressing concern for the environment.

What are the Company's long-term plans and how has it implemented them?

In a thrust to further improve product quality, in the recent past HSIL has made several investments in superior, state-of-the-art technologies sourced from international shores. Also, the Raasi plant in Isnapur, near Hyderabad, which was acquired as part of a strategy to counter the threat your Company faces from the unorganised sector, has been closed to allow refurbishing and upgradation to increase productivity and output. These bold and dynamic moves and other decisive strategies, are sure to further consolidate the Company's position of leadership in the near future.

Which are these strategies that address the needs of the future?

In a bid to capture even more of the market share, HSIL has broadened its outlook, and has introduced several new products in a desire to be seen as a Total Bathroom Solutions provider in the Sanitaryware industry. Some of these are the new and exciting Viceroy bathroom suite, already well accepted in the market, premium bathtubs & whirlpool systems, shower enclosures and Grohe exclusive bathroom fittings. *Grohe, a world leader in bathroom*

fittings, has awarded HSIL sole marketing rights in India. To create a nationwide network for distribution of premium quality Grohe fittings, your Company has created *Shop-in-Shop* displays at some of the existing dealer outlets.

Some products on the anvil include the Regal bathroom suite, a range of Star White sanitaryware soon to be exported overseas and Premium Stall Urinals. Additionally, new Water Closets have been developed that require less water per flush, saving water and money for every customer.

Have the investments made by HSIL impacted the Company in any other way?

As is the case with all long-term plans, these initiatives have caused some temporary setbacks. Along with the cutback in government spending, the depressed stock markets, an erosion of retail wealth, a steep hike in fuel prices and the prevalent lull in the real estate business, they have contributed towards a drop in the Company's PAT (by 73%) during the year under review, as compared with the previous year's performance. As the real estate business picks up, and the technological investments made by the Company start translating into greater improvements in efficiency, productivity and quality, HSIL is sure to substantially surpass past performances. The Company has

ready capacity to cater to increased demands that may arise when the economy picks up.

How has HSIL been affected by all of the above?

HSIL's sanitaryware products are marketed through an expansive and dedicated network of 650 dealers (of which 450 sell the Hindware brand exclusively) and 10,000 retail outlets across the country. HSIL produces India's largest sanitaryware range, catering to economic or luxurious, Indian or European styles, conventional or ultramodern, in a plethora of vibrant hues. The company's R&D Centre for sanitaryware product improvement, is the only one in India recognised by the Department of Science and Technology (Govt. of India) since the last 2½ decades.

The current scenario has actually strengthened the resolve of the Company, where every individual is committed towards the credo of Continuous Quality Improvements.

Its Glass Division enjoys a large and loyal customer base, who can choose from over 275 different types of containers / bottles. After the massive technology upgradation of its manufacturing facility, production has increased by 50% during the year under review.

Is there any other area that the Company is focusing on?

In order to increase its presence