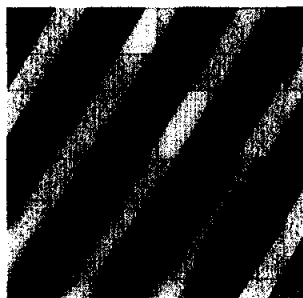




41st Annual Report 1998 - 99

 **Snowcem India Ltd.**



Bold New Stripes for Vibrant Future

A vibrant multi colour design with sub texture of different surfaces highlights the multi faceted activities of the company. This cover design is a variation on the blue and yellow stripes insignia appearing on products and literature of the company. This insignia is recognised country wide as an assurance of quality. The predominant blue colour denotes the solid foundation of the company and the golden yellow stripes represent the bold new initiatives being undertaken for future growth.

DIRECTORS

B.R. Ruia *Chairman & Managing Director*
P.J. Cook
Michael D. Simmons
S.N. Talwar *(Alternate)*
Dr. A.K. Bhattacharya *(Alternate)*
P.C.D. Nambiar
Field Marshal Sam Manekshaw
D.T. Ruia
A.V. Kale *Executive Director*

BANKERS

Allahabad Bank
State Bank of Hyderabad
The Federal Bank Limited

AUDITORS

R.S. Shah & Associates

ADVOCATES & SOLICITORS

Messrs. Crawford Bayley & Co.
Messrs. Malvi Ranchoddas & Co.

REGISTERED OFFICE

Killick House, Killick Estate,
Baji Pasalkar Marg,
Chandivali,
Mumbai - 400 072.

Chairman's Letter to Shareholders



Dear Shareholder,

The year 1998-99 is of significant achievement for your Company as the Company for the first time crossed the milestone of one hundred crores turnover. We are indeed very proud to have reached this milestone as specialists in exterior paint segment.

As you are aware, the Construction Industry had been affected because of general economic downturn in the last few years. This, in turn, has reflected in the performance of the paint industry in general. The Company has been able to partially insulate itself from this trend because of various timely measures undertaken. One of the factors which helped the Company in overcoming this situation is its concentration on repainting market. However, as I visualise, this downturn is close to bottoming out because of fiscal measures undertaken by the Government and expected improvement on the economic front. As I can see, an economic upswing is already visible and things should start looking up within 3 to 5 months.

As committed, the Company has already introduced two new products namely, SNOWCRYL XT - a premium exterior finish and IMPERMO (liquid) - an integral cement waterproofing compound in the last year.

It would not be out of place if I recapitulate the history of the Company for shareholders who joined SNOWCEM family recently.

Snowcem India Limited has been in existence for more than four decades now. In the year 1959 due to restrictions imposed by the Government of India on imports, the Company decided to enter the field of manufacturing cement paints and allied products. In October 1959, Snowcem India commenced operations with foreign collaboration with a member company of the Blue Circle Group. The foreign holding in the Company then was 50%. The foreign collaborator, active in Europe, still has about 28% share holding.

The Company started its manufacturing activities at its plant in Mumbai with Snowcem cement paint. Snowcem India manufactured and introduced waterproof cement paint for the first time in India and ever since then has remained the market leader. The Company also introduced Impermo, a cement waterproofing compound, in its early years. During the period between 1963 and 1969, more speciality

products, namely Hardcrete, Cemprover, Cemix, Snowfilla and Snowsol were successfully introduced by the Company for the first time in India. Sandtex Matt's introduction brought in the concept of premium liquid finishes, based on polymers, for the first time in India. This high performance product has become a market leader in textured finishes.

Due to diligent quality control and improved marketing and distribution channels, the Company's products were able to capture a lion's share of the premium market. The two main products of the Company, Snowcem and Sandtex Matt, enjoy the status of being the market leaders. The constant growth in demand for the Company's products necessitated increase in production capacities. Therefore, in 1988, the Company set up a modern manufacturing facility at Gotan, in Rajasthan, right in the heart of the white cement manufacturing region, as white cement is the principal input for cement paint.

In 1990, with increase in the demand of Sandtex Matt, the Company set up its third manufacturing facility at Gummidipundi near Chennai. This plant was set up as a backward integration and import substitution project for manufacture of copolymer resin base as well as Sandtex Matt, which was being hitherto imported. The Company at this plant has developed special resins conforming to international standards and suiting Indian climatic conditions. Thus Snowcem India had three strategically located manufacturing facilities to cater to the markets.

In 1994, the Company introduced an improved cement paint under the brand name - SNOWCEM PLUS. This product because of its superior finish, improved coverage and easier application has further reinforced company's status as the market leader. Snowcem Plus is considered to be the most economical option available for exteriors and has become a generic name for cement paints.

Ever increasing demand of Company's liquid paint necessitated doubling of the capacity of Resin production at Gummidipundi in 1996.

Since the Company was well entrenched in the Indian Market, it decided to explore the export markets. Moreover, the developed countries are doing away with the powder products which can afford the Company export avenue to meet residual demand for powder products in these countries. Further, the Company wanted to extend its reach in semi urban and rural markets. Keeping in mind all these factors, the Company decided to set up its fourth manufacturing facility at Sinnar, Nashik district. This shift to Sinnar was necessary as the Mumbai plant could not be expanded because of environmental regulations. The Sinnar facility went on stream in March 1997 and stabilized production was achieved in 1998-99.

The Company's philosophy is to offer value for money to each customer of the Company. This means that the customer must get assured quality. This philosophy is based not only on continuous Research and Development but also by offering technical support to end users. A product is only as good as its application. Towards fulfilling this goal, it is a must to constantly upgrade our technology. The Company is in advanced stage of negotiations with a reputed German paint manufacturer for technical know-how agreement.

Let me share with you my views on market and demand. With improvement in living standards and increase in buying capacity, I expect substantial growth in demand for products in every segment.

Paint users are becoming a very discerning lot and have specific requirements and preferences. The market research tools now allow to segregate the market in various niches and communication methods can target the message at a particular niche. There are users who are demanding specific performance regardless of the cost and there are users who demand value for money in a given budget. As of now, there are four identifiable niches.

SUPER PREMIUM NICHE - this segment is looking for very high performance and aesthetic paint. For this segment, the Company is launching a new product - UNI-GLOSS - multi surface paint system which can be applied on concrete, wood and metal. This will allow all exteriors of the building to have the same finish and avoid using of enamels and other paints.

PREMIUM NICHE - this segment is catered by the existing two products, i.e. Sandtex Matt and Snoweryl XT.

EFFICIENCY NICHE - Efficiency and time factor in the repainting cycle are very important along with the cost of the paint in Metropolitan cities. It is very inconvenient to have painting projects being carried out over weeks. Moreover, the cost of labour is also a major factor. At the same time, there are budgetary constraints on raising funds to undertake repairs and painting of the buildings. This sector has the wherewithal of spending money for liquid paint but not the capacity to pay for premium finish. The new product TRUMP to be introduced this season will meet the requirement of this niche as it offers a reasonable price and efficiency. There is every possibility of an expansion in this segment over the next few years.

In addition, Snowcem Plus offers the most economical option available to users today.

Thus, now the Company has products to meet the requirement of the four major niche markets. As and when further need arises, the Company will introduce new products. This wider range will allow the Company to meet the requirement of all types of customers and ensure that they remain with the Company.

As a further measure of increasing the turnover, the Company is looking at products which are compatible with its core competence, i.e. building industry products for exteriors and interiors. Thus, the Company is introducing SNOWPLAST - An Acrylic finishing plaster for interiors.

All in all I am very optimistic about the future of the Company because of our product range, emphasis on quality in all respects and our marketing expertise.

The Company is also planning to set up manufacturing bases abroad. I shall have more to communicate on this matter and other developments related to Company's progress from time to time.

I must thank you all for your valuable support and looking forward to receive the same in future.

With warm regards,



B. R. RUIA

Plants



Sinnar



Gotan



Gummidipundi



Gummidipundi

Year at a Glance

Rs. in Lacs

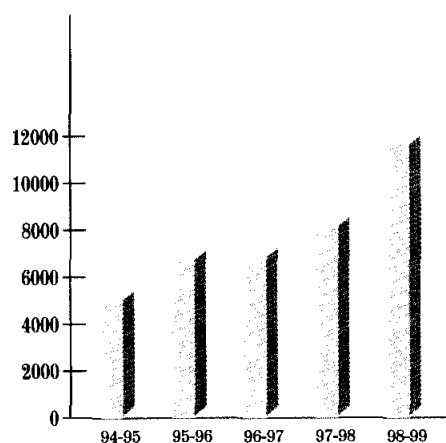
FOR THE YEAR ENDED MARCH 31st	1999	1998	1997
SALES	11119.77	7755.05	6459.22
PBDIT	1269.81	815.72	640.76
NET PROFIT	851.44	564.78	542.81
DIVIDEND AMOUNT	293.85	262.70	262.70
TOTAL ASSETS	12702.11	8805.29	6508.13
NET WORTH	5372.19	4762.79	4848.67

Financial Highlights

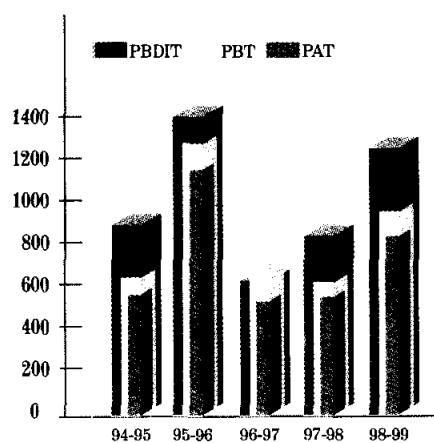
Rs. in Lacs

	98-99	97-98	96-97	95-96	94-95
Sales	11119.77	7755.05	6459.22	5810.78	4820.63
Total Income	11594.03	8103.18	6805.88	6667.42	4964.42
PBDIT	1269.81	815.72	640.76	1421.53	904.90
Depreciation	134.67	122.60	71.58	45.42	43.26
Interest (Net)	166.70	61.34	(123.63)	81.30	206.31
Profit before Tax (PBT)	968.44	631.78	692.81	1294.81	655.33
Profit after Tax (PAT)	851.44	564.78	542.81	1169.81	575.33
Dividend Amount	293.85	262.70	262.70	227.14	151.20
Equity Share Capital	1004.46	1004.18	1004.09	960.28	756.00
Reserves & Surplus	4707.50	4180.43	3906.23	3290.55	1376.35
Net Worth	5372.19	4762.79	4848.67	4186.78	1444.22
Gross Fixed Assets	3516.18	2783.52	2332.75	1580.44	2247.10
Net Fixed Assets	2930.14	2326.13	2000.36	1322.03	1934.91
Total Assets	12702.11	8805.29	6508.13	5509.27	3190.15

Total Income
Rs. in Lacs



Profits
Rs. in Lacs



EPS and CEPS
Rupees

