

At your service!

Hindustan Sanitaryware & Industries Limited | Annual Report 2007-08



Forward-looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible

to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even

inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Customers are lost at the point of sale than most would care to concede. More customers are lost *after* the sale than most would care to recognise.

At Hindustan Sanitaryware, we have enjoyed one of the largest shares of India's sanitaryware and container glass segments for decades.

Through a singular commitment.

Service!



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Hindware stands for service

Right product



Right time

Right place



Right price



Right attitude



Right support



Pedigree

The Company was incorporated as Hindustan Twyford Ltd. in 1960 by the Somany family (promoter group) in collaboration with Twyford Ltd., UK, to introduce vitreous china ceramic sanitaryware in India. The Company changed its name to Hindustan Sanitaryware & Industries Ltd. in 1969 and has since been popularly known as 'HSIL'.

Product portfolio

- ◆ The Company is the most respected sanitaryware manufacturer in India today
- ◆ It diversified into the manufacture of glass containers through the acquisition of Associated Glass Industries Limited in 1981
- ◆ It widened its product basket with a range of bathroom and kitchen appliances products, leveraging the power of the *Hindware* brand
- ◆ It expanded in the retail business of Speciality Home Interior Solutions in 2007 through a wholly owned subsidiary, called Hindware Home Retail Pvt. Ltd. (HHRL). Its first store commenced operations in May 2008 under the 'EVOK' brand

Prestige

- ◆ The Company's *Hindware* brand has been recognised as a Superbrand for the last four years in a row

- ◆ It holds a significant market share in all the business verticals of its presence
- ◆ Its institutional customers in the Building Products Division comprises reputed builders like DLF, Unitech L&T, Raheja's and Puravankara
- ◆ Its institutional customers in the Container Glass Division (AGI) comprises brand-enhancing names like Coca Cola, Pepsi, GlaxoSmithkline, Pfizer, AstraZenca, Ranbaxy, Dr Reddy's Laboratories, Hindustan Unilever, Priya, Global Green, Continental Coffee, Reckitt Benckiser, Seagram, Sab Miller, McDowell, Shaw Wallace and United Breweries to name a few
- ◆ It possesses the largest distribution network in India's building products industry, supported by 1086, 4109, and 6000 dealers, sub-dealers and retail outlets respectively

Public holding

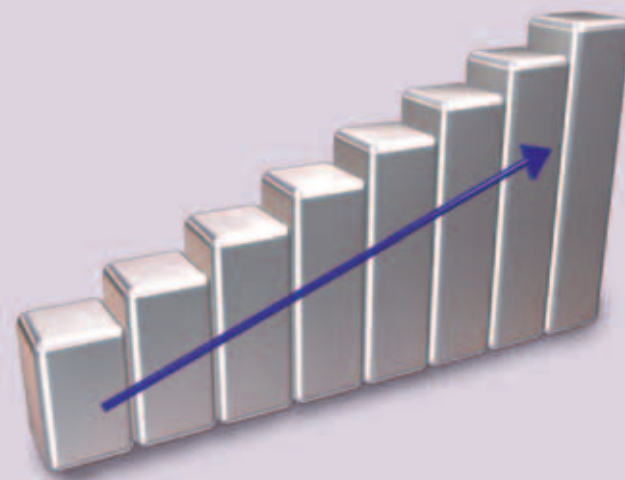
- ◆ The Company's shares are listed on the Bombay Stock Exchange and the National Stock Exchange
- ◆ Its non-promoter shareholding is 44.37% denoting 24,416,963 equity shares

Presence

- ◆ The Company is headquartered in New Delhi, supported by four regional offices and four area offices
- ◆ It derived nearly 89.87% of revenues from within India and 10.13% from exports to 54 countries in 2007-08

Business segment	Location	Annual capacity
Building Products Division	Bahadurgarh (Haryana)	14,000 MT
Building Products Division	Somanypuram, (Andhra Pradesh)	18,000 MT
Container Glass Division (AGI)	Sanathnagar (Hyderabad)	953.10 million pieces

This is what we achieved in 2007-08



Absolutes

- ◆ 9.58% increase in revenue from Rs. 5,329.74 million in 2006-07 to Rs. 5,840.38 million in 2007-08; a CAGR of 13.67% over the last five years
- ◆ 4.77% increase in EBIDTA from Rs. 846.92 million in 2006-07 to Rs. 887.33 million in 2007-08; a CAGR of 11.57% over the last five years
- ◆ 1.91% increase in cash profit from Rs. 539.37 million in 2006-07 to Rs. 549.65 million in 2007-08; a CAGR of 7.33% over the last five years

Marketing

- ◆ 13.10% increase in revenue from the Building Products Division to Rs. 3,044.33 million
- ◆ 5.19% increase in revenue of the Container Glass Division to Rs. 2,752.39 million
- ◆ Introduced 28 new designs in the manufactured sanitaryware products and added 138 new models in the outsourced product range

Manufacturing

- ◆ Highest capacity utilisation of 107.10% at the Bahadurgarh plant
- ◆ Capacity utilisation of 89.28% at the Somanyapuram plant
- ◆ Sanitaryware plants witnessed a 8.55% increase in capacity utilisation to 97.08%
- ◆ AGI witnessed a 8.87% increase in plant capacity utilisation to 89.65%
- ◆ 3.42% reduction in power consumption at Bahadurgarh
- ◆ 6.21% reduction in power consumption at Somanyapuram
- ◆ 13.42% increase in people productivity at Bahadurgarh
- ◆ 10.39% increase in people productivity at Somanyapuram

Recognition

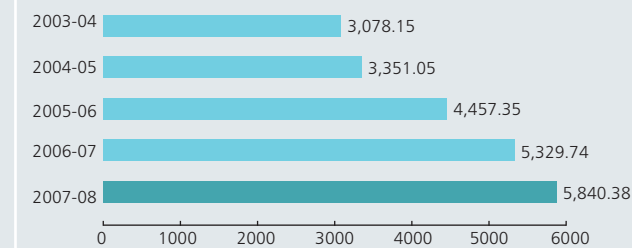
The *Hindware* brand was recognised through the following in 2007-08:

- ◆ Superbrand Consumer Validated
- ◆ Business Superbrand Award
- ◆ Reader's Digest Trusted Brands Gold Award
- ◆ 4P's India's 100 most Valuable Brands
- ◆ 4P's Most Admired Companies Award
- ◆ Mera Brand Award

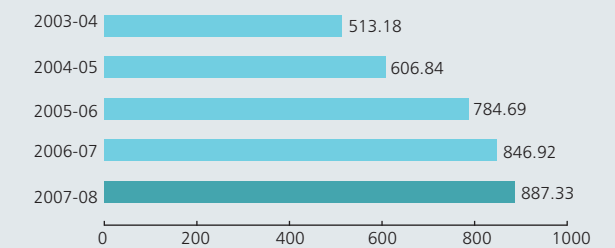
Board room

The Company approved the setting up of a 475 TPD container glass manufacturing facility at Bhongir, 60 kms from Hyderabad.

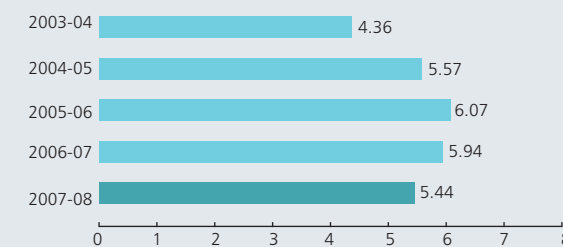
Growing revenue from operations (Rs. million)



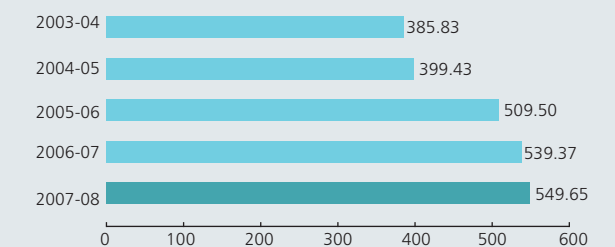
Strengthening EBIDTA (Rs. million)



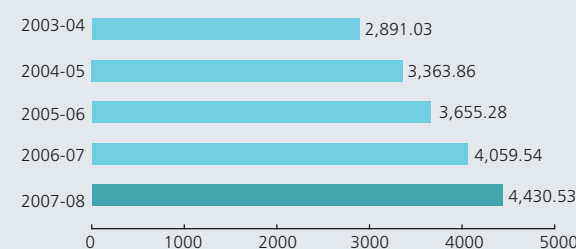
Robust interest cover



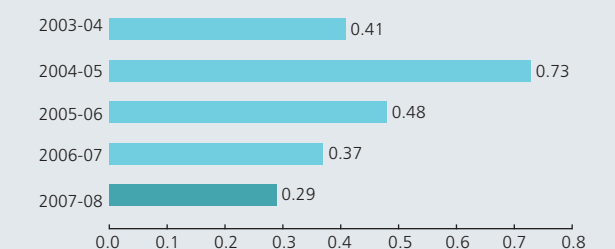
Rising cash profit (Rs. million)



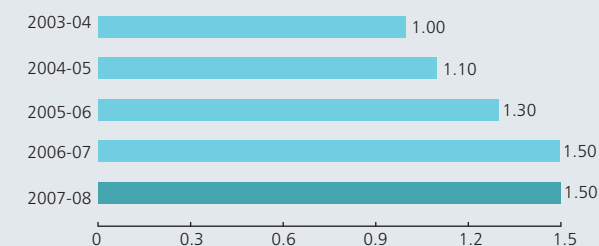
Increasing gross block (Rs. million)



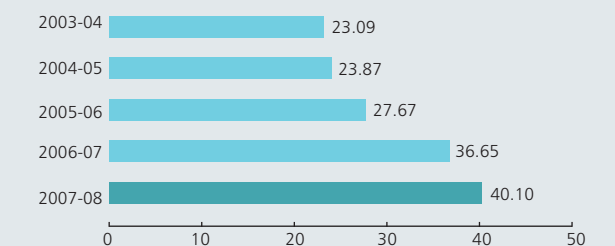
Strong long term debt-equity ratio



Attractive dividend per share on the face value of Rs. 2 (Rs.)



Rising book value per share (Rs.)



We strengthened our customer support function through the creation of an exclusive service team by extending beyond the quality of the product to the quality of customer experience.



Superior service through a differentiated mindset

Sell the product. Forget the customer.
Unfortunate general reality.

At Hindustan Sanitaryware, we have countered this reality through a simple conviction. That the transaction truly begins while the customer is still undecided on which brand to select from the vast choice available at the point of purchase and across the broad life cycle of the product thereafter. The result is an end-to-end management of the customer experience.

This distinctive mindset has helped us not just create customers, but retain their loyalty for life – across repurchase and referrals.

During 2007-08, we strengthened our customer support function through the creation of an exclusive service team by extending beyond the quality of the product to the quality of customer experience.

We created a management tier – seven functional teams in the service department with a customer-centric focus i.e. customer relations, parts operations, service operations, strategy and MIS, training and development – to institutionalise service delivery.

We established helpline facilities across key locations in India.

We created a team of 52 technical professionals to address product problems with speed and service quality.

Going ahead, we will offer various value-added services comprising annual maintenance contracts, installation services, home solutions and bathroom renovations, among others.

This service delivery will be measured by the customer and dealer satisfaction (Voice of Customer).

An ongoing interaction with customers will generate feedback on product and service quality.

The complement of these will graduate customer satisfaction to customer delight.

We created the EWC ('Matrix extra high') and wash basin ('Matrix small') for convenient use by the physically challenged



Service through a diversely wide range

Same kind of sanitaryware products. Same features. Same colours. That's one of the reasons why their purchase would inevitably be delegated to someone else. No longer.

Pioneering products introduced

- ◆ The Company introduced European Water Closet (EWC) called 'Matrix extra high' and wash basin called 'Matrix small' for convenience of less abled people
- ◆ It introduced the 'Aqua Free' waterless urinal that does not require water flushing
- ◆ It introduced the 'Senso Urinal' and 'Sensomatic Urinal' with built-in sensors for pre-and post-use auto flushing
- ◆ It introduced the EWC called 'Automate' a remote control-operated system with features like adjustable seat temperature for comfort during cold weather; cleaning, drying and dual flushing options to conserve water; night lighting, slow falling seat cover and automatic deodorizing among several others

- ◆ It introduced over the counter/under the counter and pedestal wash basins to complement the design, aesthetics and utility of contemporary washrooms
- ◆ It introduced accessories like mini angle valves, health faucets and vario bends to support Hindware products
- ◆ It made innovations in seat covers comprising slow falling detachable seat covers and seat covers with inbuilt wash jets
- ◆ It launched shower panels, Multi Functions, Massage Tubs, shower enclosures, concealed cisterns and new range of faucets

Over the years, the Company developed the following value-added products:

- ◆ Various small wash basins for enhanced economy of space
- ◆ Wall mounted EWCs for easy floor cleaning
- ◆ Wash basins with built-in counters for optimum space use
- ◆ Wash basin and water closet in attractive colours and animated designs for convenient use by children

We entered the speciality home interior solutions segment through brand 'EVOK' of our subsidiary Hindware Home Retail Pvt. Ltd. EVOK Home Fashion Mega Stores provide contemporary lifestyle concepts across the living, kitchen and bath domains



Superior service through convenience

Different products. Different places. Different experiences. That's the way products have been usually marketed.

At Hindustan Sanitaryware, we have countered this reality through a simple belief. That more people want to buy all their products and services from a single location.

During 2007-08, this progressive realisation helped us to strengthen our services portfolio by transforming from a Company manufacturing products to a brand providing solutions and enriching the consumer experience.

Initiatives

- ◆ We entered into the speciality home interior solutions segment through brand 'EVOK' of our subsidiary Hindware Home Retail Pvt. Ltd. Our 'EVOK' Home Fashion Mega Store provides contemporary lifestyle concepts in living, kitchen and bath domains
- ◆ We developed a global sourcing base of best-in-class suppliers across all product categories
- ◆ We provided personalised interior design and visualisation services through 'Home Viz' design studios integrated with our retail formats. We extended our services portfolio through EVOK Easy Finance consumer credit schemes, warranty and installation services

We launched our first 25,000 sq.ft 'EVOK' – Home Fashion Mega Store in May 2008 at Crown Interiorz Mall, Mathura Road (Faridabad), near New Delhi. Going ahead, we plan to open another three mega stores in the NCR in 2008-09 followed by 50 such pan-India stores with a retail footprint of 1.5 mn sq.ft within the next four-five years. Our objective is to emerge as the first choice partner for customers, aspiring for a value-rich single-window Home Interior Solutions.

We rationalised the consumption of water per flush in our products from 15 litres in 1962 to 10 litres in 1984 to 6 litres in 2004 (a potential saving of 35,000 litres annually by a four-member family)



Superior service through environmental friendliness

Customer-friendly alright. But earth-friendly? Most people are not even aware that this concept exists.

At Hindustan Sanitaryware, we have for long extended our service mindset from the direct customer to the indirect customer. From the person who pays for the product to the world that finally foots the bill.

This far-reaching maturity reconciled economic realities with a respect for deeply ecological considerations.

Over the years, we have been painfully aware of the reality that potable water is also used in flushing water closets and that bathroom applications account for a third of the water consumed in Indian households.

We responded to this reality through following initiatives:

- ◆ We were instrumental in helping the Bureau of Indian Standards (BIS) for reduction in water consumption per flushing over the years;
- ◆ We commissioned an R&D centre (recognised by the, Department of Science & Technology, Ministry of Science, Govt. of India for more than 30 years), the first such instance in our industry;
- ◆ We rationalised the consumption of water per flush in our products from 15 litres in 1962 to 10 litres in 1984 and 6/3 litres in 2004 (a potential saving of 35,000 litres per annum across a family of four),
- ◆ We launched European Water Closet (EWC) which consumes only 3.5 litres of water per flush



“We expect to capitalise on rising disposable incomes and change in the consumption pattern towards ‘lifestyle’ products.”

Mr. R.K. Somany, Chairman and Managing Director, outlines the basis of his optimism across the foreseeable future.

Pear fellow Shareowners,

I must start on a point of humility: 2007-08 was not a superlative year for us. We grew our revenues by 9.58% and EBIDTA by 4.77% over the previous year.

And yet, I am optimistic and a happy man.

The short term aberration notwithstanding, I am convinced that the future is bright for the following reasons:

There is a critical need for our business presence. One in every 10 diseases and 6% of all deaths globally are caused by unsafe water and improper hygiene. In India, 10.30 million people die annually and, of this, nearly 7.5% – 0.78 million deaths – is related to water, sanitation and hygiene. The report 'Safer water for better health' – the first WHO report depicting country-by-country estimates of the burden of disease due to water, sanitation and hygiene – indicates that 9.1% of the global burden of disease could be prevented simply by promoting cleanliness and sanitation. The figure is even higher in the 32 worst-hit countries including India, where 15% of the disease burden could be prevented by improving water, sanitation and hygiene. The WHO report says investing in drinking water

and sanitation will allow healthcare agencies to save US\$7 billion and individuals US\$340 million a year on healthcare costs. Interestingly, this is the implication:

- ◆ Those aged 15-59 could gain 320 million productive working days
- ◆ This would mean an extra 272 million school attendance days a year
- ◆ That would add 1.50 billion healthy days for children under five years of age
- ◆ This would translate into productivity gains of US\$9.90 billion a year
- ◆ The value of deaths averted, based on future earnings, would amount to US\$3.60 billion a year
- ◆ This would mean a total payback of US\$84 billion a year from the US\$11.73 billion annual investment needed to meet the drinking water and sanitation target of Millennium Development Goal-7

Challenges

India is passing through one of its highest inflation rates in years, marked by rising land, fuel, cement, steel and people costs. This has vast implications for companies like ours, with high energy intensity in both of our businesses – Sanitaryware and Container Glass manufacture. We need to counter this reality through enhanced operational efficiencies and proactive price negotiations with

customers. By doing so, we expect to rationalize the impact of rising costs, although we are fully aware that we may not be able to reduce the absolute outgo.

In the Container Glass Division, the availability of other substitutes for packaging represents an area of great concern. However, studies have shown that harmful chemicals present in plastic containers can have a damaging impact on food contents, may lead to health problems and are environment unfriendly. With this awareness gradually rising, we expect the trend to soon reverse in favour of glass packaging.

Increasing competition from foreign brands in the Building Products Division is another challenge. However, our extensive pan-India presence comprising the largest dealer network in the industry, top-of-the-mind recall of the Hindware brand and the largest collection of designs are expected to serve as an effective hedge. HSIL possesses a dealer and sub-dealer network nearly 25% larger than its nearest competitor. The Hindware brand has been recognised as a Superbrand for the last four years. The Company has been consistently adding new design to its product mix. The result: the total number of designs in our product portfolio far exceeds the other imported brands. In 2007-08, we reinforced our service by creating a

dedicated wing to address the needs of customers and in doing so expect to emerge as the only sanitaryware brand in India offering an end-to-end solution.

Our social responsibility

Our service mindset is rooted from our manufacturing operations. We are committed to a hygienic and safe working environment for employees. Our plant sites are ISO 9002:14001:18001 certified, showcasing our commitment in meeting the highest operational health and safety standards. All our sites are equipped with effluent treatment plants making zero discharge. The treated water is used in green belt development enhancing the aesthetics of our factory environment.

Outlook

At HSIL, we expect that the interplay of market bullishness and business strengths will translate into superior returns. While competitors attempt to merely satisfy customers, we will delight them through superior service.

In doing so, we expect the market share for AGI to grow from 15% to 26% and our market share in the Building Products Division to grow substantially as well by 2010.

Rajendra K Somany
Chairman and Managing Director

- ◆ There is a shortage of about 24.71 million housing units in India today
- ◆ The share of construction as a proportion of the GDP has grown from 5.2% in 2003 to over 7% in 2007-08.
- ◆ The hotel industry has a shortage of 150,000 rooms; demand is expected to exceed supply by at least 100% over the next two years; rising room rates have created a demand for budget hotels
- ◆ About 80% of the demand for office spaces in India is driven by the IT/ ITes sector. This sector is expected to grow at a CAGR of 20-25% (NASSCOM estimate)



“We have been outperforming the industry CAGR for the last five years. We have now laid the foundation to accelerate this momentum.”

Mr. Sandip Somany, Joint Managing Director, reviews the performance of the Company in 2007-08 and outlines the Company's growth strategy.

Q: How would you assess the performance of the Company in 2007-08?

We did moderately well during the year under review. Our revenues increased by 9.58% during the year and EBITDA rose by 4.77%. The Building Products Division accounted for 52.13% and the Container Glass Division contributed 47.13% during the year.

However, the reality is that our performance was below our projections for two reasons. One, we embarked on a structural change in our interaction with channel partners (dealers) that improved the quality of our revenues but moderated volumes marginally and temporarily; two, our business was affected by rising energy prices.

Q: Can you elaborate?

We integrated our sales and distribution functions with SAP during the year. This gave us a precise understanding of the amount of credit

within the distribution pipeline. It also gave us an insight into how dealers would over-order material from us against an extended credit period, giving us a misplaced confidence of sales within the system. Besides, in some cases, after ordering, the dealers would be compelled to liquidate their stocks at a discount or press on returning back to us. From a brand perspective, this was damaging and needed to be corrected.

We responded with an increase in the proportion of Cash/PDC (post-dated cheque) transactions in the total sales mix from 45% in 2005-06 to 82% in 2007-08. This translated into a decline in receivables by 7% in terms of the days of turnover equivalent. In other words, we achieved a significant improvement in the quality of our revenues and also reallocated organisational time from chasing debtors to directly growing our business.

Q: What about the increase in fuel costs?

Nearly 24% of the total cost of

production in our Container Glass Division comprised power and fuel. The average cost of fuel, comprising principally LPG and heavy oil, increased by 17% over the previous year. We looked inward to mitigate the impact of this unprecedented increase. Enhanced efficiencies helped maintain the energy cost as a percentage of net revenue at 21.07% in 2007-08 compared with 19.31% in 2006-07.

Q: What were some of the other highlights and challenges for the year?

During the year under review, we invested Rs. 103.98 million in an aggressive sales promotion and advertisement of building products in the print and audio-visual media. This depressed our profits proportionately although the benefits of this will transpire over the next few years. We were also affected by the rupee appreciation in our export realisations.

In September 2007, our Board approved the setting up of a greenfield container glass plant in central Andhra Pradesh. This will expand the AGI capacity by 86% to 1.80 billion pieces.

Q: In what ways did the management strengthen the Company's business during 2007-08?

We strengthened the business through a number of initiatives:

Retail foray: Our wholly owned subsidiary, HHRL, launched a chain of mega home improvement and solution stores. We are convinced that the sales pattern of the future will be completely convenience-driven; an increasing number of buyers will like to buy from a central point rather than commute from shop to shop. Our store will offer end-to-end Home Interior Solutions across various price points. Branded under the name of 'EVOK', we will set up 50 such stores across India in four to five years.

Dedicated after-sales service: We pioneered the concept of a dedicated after-sales service unit in our industry.

This will enable customers to call our helpline numbers anywhere in the country for a better understanding of features and maintenance procedure of new products.

Ramp-up of operational efficiency in the Building Product Division: We recorded the highest capacity utilisation of 107.10% at our Bahadurgarh plant through effective de-bottlenecking, which is the highest in India and at par with the best international standards.

Greenfield expansion: In September 2007, our Board approved the setting up of a greenfield container glass plant in central Andhra Pradesh. This will expand the AGI capacity by 86% to 1.80 billion pieces per annum. The plant, machinery and designs will be imported from Europe for the manufacture of internationally benchmarked products. The plant will be located near natural gas source enabling us to reduce fuel costs through a substitution of heavy fuel with economical natural gas. The project – expected to be completed by March 2009 – will sharpen our

competitive edge through economies of scale and superior quality manufacture.

Q: How will the Company fund this expansion?

The Company expects to fund this Rs. 2,300 million Container Glass Division expansion through a prudent mix (80:20) of debt and accruals. The skew will be more towards debt, which, when you consider our overall gearing (long-term debt to equity) of 0.29, is a fair initiative in enhancing shareholder value without endangering our repayment capability or credit rating.

Q: How does the Company expect to capitalise on industry opportunities?

Building Products Division: We have formulated aggressive plans for the

launch of new product designs in the coming years to maintain the growth momentum. We are strengthening our competitive edge through improved cost efficiency, superior service and the addition of new distribution verticals like 'EVOK'.

Container Glass Division: Given the buoyant economy and the consequent demand for high-value food, pharmaceuticals and beverages, our customers are experiencing robust growth. It will interest shareholders to know that our capacity utilisation was 89.65% in 2007-08 with finished goods stock levels declining year-on-year. During the year under review, we embarked on a greenfield Container Glass project to address this burgeoning demand.

Q: Going ahead, how does the Company expect to enhance shareholder value?

We expect to do so through the following:

The 'next big leap': We are looking at acquisition opportunities within/outside India for our Building Products Division, leveraging our existing brand, distribution and knowledge capitals.

AGI capacity expansion: We are expanding our Container Glass capacity in a phased manner at a new location, which will result in a value-added

product portfolio on the one hand and improved operational efficiencies on the other. More importantly, this decision will help us liberate precious real estate in Hyderabad for more profitable uses.

EVOK retail stores: We believe that a diversification into this new business vertical will offer us an early bird's advantage and help create significant market share and value.

We expect that these strategies will translate into a reasonable growth in our topline and bottomline in 2008-09, followed by accelerated momentum as we go along over the foreseeable future.

Other income

The Company presently possesses nearly 83.50 acres of unutilised land property in Isnapur, Andhra Pradesh. It is in the process of employing services of renowned consultants to estimate the value of the asset. The estimation is being made on a standalone basis as well as in various developed forms, such as SEZ, residential and commercial housing complex, etc, providing direction on the best course of action that will unlock the maximum asset value.

Management Discussion and Analysis



“Although the growth in sales was moderate compared to the previous year, we improved our revenue quality. The percentage of sales made through cash and post-dated cheques improved from 45% to 82% in 2007-08.”

Mr. R.B. Kabra, President, Building Products Division, reviews the performance during 2007-08 and outlines the division's growth strategy.

Q: How would you review the performance of your division during 2007-08?

The performance of the division can be summarised as follows: a 13.10% growth in revenue to Rs. 3,044.33 million including a 22.04% growth in revenues from outsourced products to Rs. 1,337.62 million and a 6% growth in average realisations.

Q: What factors resulted in this performance?

Change in product portfolio: We increased the contribution of premium products in our sales mix from 27% to 37% in 2007-08. These products enjoyed higher realisations over the broad segment and were supported by aggressive promotions. The Company invested Rs. 103.98 million to undertake aggressive promotions and advertisements of its range of products,

which was charged against the income of the current year.

Stricter debtor control: The implementation of the SAP, ERP system integrated our operations across locations, including two manufacturing units and three trading divisions and 18 depots. This enabled us to get a precise understanding of our debtors' position on a real-time basis. We responded with speed: we insisted on cash or post-dated cheques (PDC) and this restructuring temporarily staggered sales of manufactured and outsourced

products. However, I am pleased to state that the proportion of Cash/PDC transactions in the overall sales mix increased from a mere 45% in 2005-06 to 82% in 2007-08, while receivables (post implementation of SAP) declined by Rs. 93.60 million on higher turnover.

Outsourced products: We added 138 new products in the range of outsourced products. This enhanced their cumulative contribution by 22% and the proportion of such products in the revenues of the division increased from 42.72% in 2006-07 to 43.94% in 2007-08.

Q: How would you review the manufacturing performance?

Our performance was significantly better than in the previous year for the following reasons:

Production: We achieved the highest ever production at our Bahadurgarh plant in 2007-08. Capacity utilisation stood at 107.10%, which increased by 3.47% over the previous year. This was achieved through an improvement in the input-output ratio through a reduction in process losses, improved raw material mix and the installation of state-of-the-art balancing equipments, leading to superior control of process parameters.

Reduction in power and fuel consumption: One of the biggest challenges that we faced during the year under review was an increase in

energy prices. However, enhanced operational efficiencies enabled us to reduce power and fuel consumption at our Bahadurgarh and Somanypuram plants. We enhanced energy efficiency through the use of waste heat recovered from the kilns in the drying process, improved setting of the firing curve that ensured faster movement of ceramicware through the kilns and improved kiln loading. As a result, power consumption reduced by 3.42% and 6.21% at our Bahadurgarh and Somanypuram plants respectively.

People productivity: People productivity increased by 12.10% over 2006-07 due to reduction in the rejects rate, increased production of saleable units and introduction of productivity-linked wage agreement in 2007 at the Bahadurgarh plant.

Q: What were some of the other challenges faced by your division during the year?

The other challenges comprised the following:

- ♦ Introduction of a new dealer strategy led to sales falling short of projections. However, with the dealer network reconciling itself to the new terms of trade, we expect to register significant sales growth in 2008-09
- ♦ Implementation of SAP led to some employee resistance as it requires a strict adherence to pre-determined processes. However, we countered this

by imparting training that familiarised them with various features of the ERP platform

- ♦ Achieving a capacity utilisation of 107.10%, the highest in the Indian sanitaryware ceramic industry, was a challenge. We leveraged our R&D insight to enhance operational efficiency and process innovation

Q: What is the outlook for the division in 2008-09 and beyond?

In view of the real estate projects already under construction across the country, we expect demand from this sector to grow at a robust CAGR of 12-15% over the near future. Aggressive marketing and a referral focus through the conduct of architect meets, builder meets, plumber meets etc are expected to reinforce the *Hindware* brand demand. Besides, we expect to strengthen our operational efficiency at both our facilities.

Somanypuram plant: We expect to replicate the successful capacity utilisation story of Bahadurgarh at this facility, coupled with improved efficiency.

Bahadurgarh plant: We expect to scale output in line with international standards.

Having said that, we expect to register a significant revenue growth in 2008-09, enhancing the profitability of this division.



Sanitaryware Industry

Overview

The Indian Sanitaryware industry reflected an appreciable growth in the last few years with leading players increasing their production capacities. The demand for high value Sanitaryware grew faster in percentage terms than the broad market. The total demand for the organised manufacturers was estimated at 9 million pieces and unorganised sector 13 million pieces growing at 12-15% annually. The super-premium category was estimated at Rs. 300 million, growing at around 25% annually. The region-wise demand pattern was estimated as follows

(in million pieces)				
North	South	East	West	Total
5	9	4	4	22

Source: INCOSAMA

The organised manufacturers coupled aggressive advertisement campaigns with stronger dealer networks. The unorganised sector marketed their products in the domestic market at prices around 70% cheaper than the organised sector, targeting the lower-end of the market. The country's Sanitaryware was exported primarily to Middle East, West Asia, Africa and Europe.

Industry break-up

Segment	Amount (Rs. billion)
Floor and wall tiles	65
Sanitaryware	10
Faucets	14
Accessories	5

Production

India accounted for 8% of the world's sanitaryware production. The market size is estimated to be Rs. 10,500 million. The branded segment accounts for a larger share of 60% and is growing at a rate of 15-17%, whereas the market share of the non-branded segment has shrunk to 40%, growing at a lower pace of 8-9%. The organised sector, comprising nine units, reported a production of 108,000 TPA against a total capacity of 118,000 TPA; the 250 units in the unorganised sector produced about 180,000 TPA against a total capacity of 220,000 TPA.

Sanitaryware industry statistics

World production:	300 million pieces
India's share:	22 million pieces
Global industry growth rate:	5-7%
Growth rate (India's domestic market):	12-15%
Organised sector:	
% share of production:	60%
Number of units:	9
Production capacity:	118,000 TPA
Actual production:	108,000 TPA
Unorganised sector:	
% share of production:	40%
Number of units:	250
Production capacity:	220,000 TPA
Actual production:	180,000 TPA

Source: INCOSAMA

The organised sector produces fully vitrified sanitaryware, using latest technology and best ceramic raw materials available in India. The unorganised sector has adapted technologies to manufacture basic sanitaryware products. Unorganised sanitaryware manufacturers come under the small-scale category and enjoy the benefit of zero excise duty. The cost of producing sanitaryware in India is substantially low compared to the developed countries because of cheap labour costs and the indigenous, abundant and economical availability of most of raw materials.

Demand drivers

Housing: Research indicates an increased demand for permanent, non-slum houses across India driven primarily by the growth in population, urbanisation and income. The total stock of housing in 2007 was estimated at 255 million units and is expected to grow to 286 million units by 2011, adding an average 7.75 million units annually.

Housing demand estimation (in million units)

	2007	2011
Estimated housing stock	255.00	286.00
Estimated housing shortage	24.71	30.00

Source: INCOSAMA

A Planning Commission Survey Report indicates a shortage of

about 24.71 million houses in India. A home with hygienic toilets has become a basic necessity, as people in India are looking for improved sanitation. The concept of formal toilets is fast growing even in villages, where toilets did not exist even until two years ago. An increasing demand for housing, government initiatives for the housing sector and sanitation consciousness has led to a growing market for sanitaryware in India over the last five years.

Commercial space: About 80% of the demand for office space is driven by the IT/ITES sector. India has over 3,000 IT service providers. The IT industry has grown by 21-24% in 2007-08. The IT-enabled services (ITES) sector grew by 28% in 2007-08. It is expected that overall software and service revenues will grow by 21-24% to touch US\$50 billion by 2008-09. Growing office spaces with sophisticated interiors will lead to an increased demand for high-end sanitaryware.

Organised retail: Organised retail segment is growing at a rapid pace, increasing its share from 4% of total retail sales in 2006 to approximately 5% in 2007. This has increased the demand for retail space. Mall space for example has increased from a meagre 1 million sq.ft in 2002 to 40 million sq.ft by 2007 and is expected to reach 60 million sq.ft by 2008. Estimates suggest that organised retail segment will account for 12-15% of total retail sales by 2011 (Source: IBEF).

Hospitals: The size of India's private healthcare sector is expected to double from Rs. 690 billion to Rs. 1560 billion by 2012 (National Commission on Macroeconomics and Health estimates). Of the proposed Rs. 1000-1500 billion investment in healthcare, nearly 80% will come from the private sector, driving the demand for high-end sanitaryware.

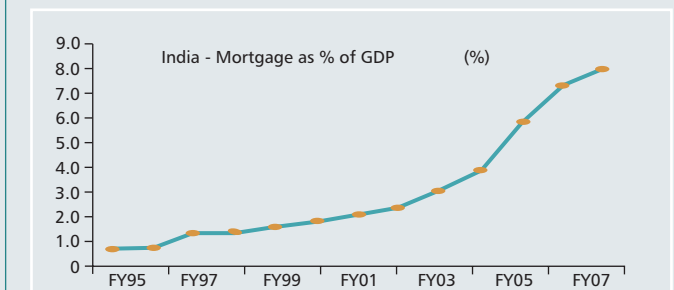
Hotels: Estimates suggest that the hotel industry can supply 110,000 rooms, with a 150,000 room deficit. Demand will exceed supply by at least 100% over the next two years. The government has applications for 300 hotel projects, nearly half in the luxury range, leading to a growing demand for premium sanitaryware products.

Increasing incomes: India's per capita income grew nearly 12% from Rs. 29,642 in 2006-07 to Rs. 33,131 in 2007-08 (government estimates). Net national income at factor cost is likely to stand at Rs. 2,760,325 million this fiscal, up 9.1% over Rs. 2,530,495 million in 2006-07. With enhanced incomes, more Indians are opting for hygienic living conditions, enhancing the demand for sanitaryware products.

Housing finance: Coupled with rising incomes and increasing middle-income households, there has been an availability of easy financing and aggressive lending by private banks/housing finance companies. This has provided the much-needed liquidity to households to fund their growing housing demands. Consequently, mortgage penetration in

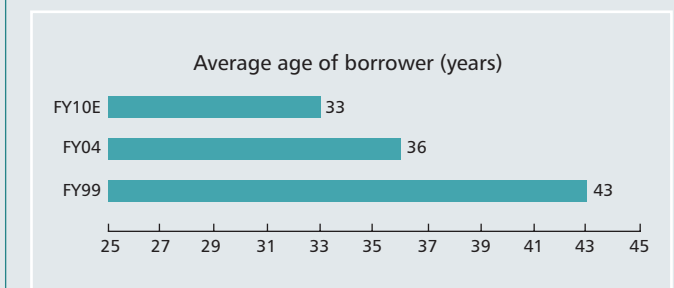
India has grown at a robust five-year CAGR of 127%. However, the home loans to GDP ratio in India continues to be a meagre 5% as against 50% in the US and UK, indicating vast room for growth.

Housing finance – ample room for growth



Source: ICICI, National Housing Board

Easy credit – falling age of home loan seekers

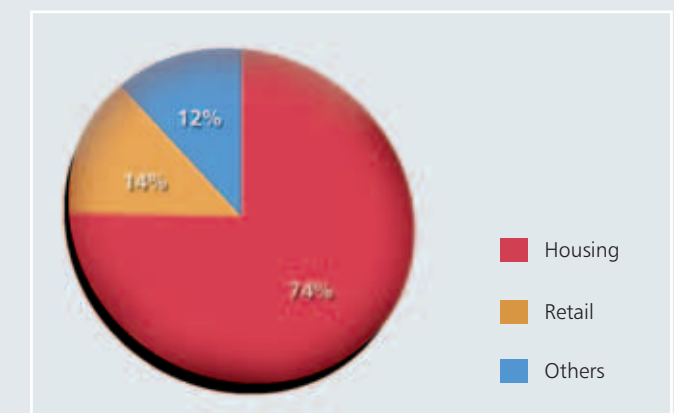


Source: LIC Housing Finance

Opportunities for the Indian real estate sector

- ◆ Market expected to grow at 33% through 2005-10 to US\$50 billion
- ◆ About 31 million new housing units expected to be added in four years
- ◆ A five-fold increase in office space expected over the next three-five years
- ◆ 200 million sq.ft of space for organised retail by 2010
- ◆ Over 1,50,000 new hotel rooms to be added in five years

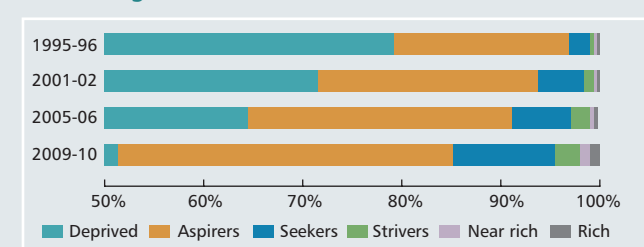
Approximately US\$50 billion



Source: ENAM Securities

India is the world's fourth largest economy in terms of purchasing power parity. According to estimates, the Indian middle-class will spend an additional US\$420 billion during the next four years. With growing aspirations, the demand for premium range sanitaryware is expected to remain robust.

Increasing affluence of Indian households



Source: NCAER

The Company’s presence in the Building Products segment

Industry position: Largest manufacturer of sanitaryware products in India

Industry market share, 2007-08: 40%

Divisional revenues, 2007-08: Rs. 3,044.33 million

% contribution to total revenue: 52.13%

Product segments: Manufactured products (sanitaryware) and outsourced (bathroom products and kitchen appliances)

Product segments	Range	
Manufactured	European water closets, wash basins, squatting pans, pedestals and bidets	
Outsourced	Bathroom segment	Kitchen segment
	PVC cisterns, fittings and seat covers, faucets, bath tubs, whirlpools, airpools, shower enclosures and shower panels, MFMT, concealed cisterns, steam cabins and pressure pumps and bath accessories	Sinks, chimneys and hobs

Sub segment: Building Products

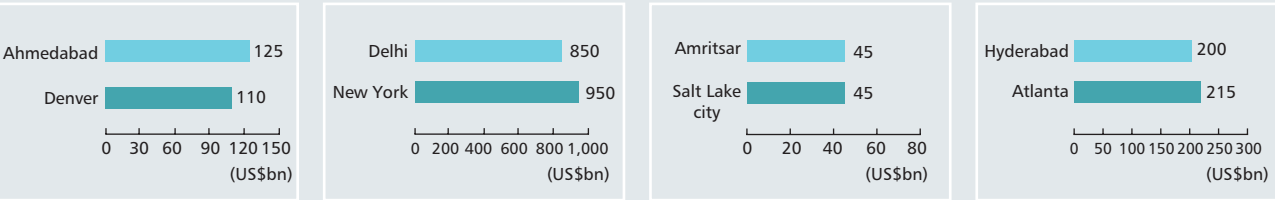
Manufacturing

Manufactured products (sanitaryware) contributed 56.06% to the division’s revenues in 2007-08. The mainstay of the division. The plant sites were located at Bahadurgarh (Haryana) and Somanypuram (Andhra Pradesh), with a combined capacity of 32,000 TPA (equivalent to 2.8 million pieces)

Location	Somanypuram	Bahadurgarh
Capacity	18,000 TPA	14,000 TPA
Markets addressed	South and West India	North and East India

Growth in spending power

By 2010, the top 50 Indian cities will enjoy a gross income exceeding US\$20 billion, comparable with some of the largest US cities today.



Source: Enam Securities

Home loan disbursements grew by 10% from Rs. 1,021 billion in 2006-07 to Rs. 1,119 billion in 2007-08, catalysed by a focus on high-ticket financing. High-end housing projects are expected to strengthen the demand for premium sanitaryware, HSIL’s principal business segment.

Disbursements moving towards higher loan slabs

2005-06	Below 5 lac	5-10 lacs	10-25 lacs	25-50 lacs	Above 50 lacs
(%)	47	12	20	7	14
2007-08	Below 5 lac	5-10 lacs	10-25 lacs	25-50 lacs	Above 50 lacs
(%)	38	8	25	11	18

Source: CRISIL Research

Tightening interest rates led to an increase in the floating rate on home loans. A 100 bps hike in home loan rates translated to about a 6.30% increase in monthly payouts for a 20-year mortgage. However, despite rising interest rates, the affordability of an average Indian to own a house remained on the higher side. Besides, in view of the projects already under construction, the demand for sanitaryware in the country is expected to remain strong.

Government initiatives

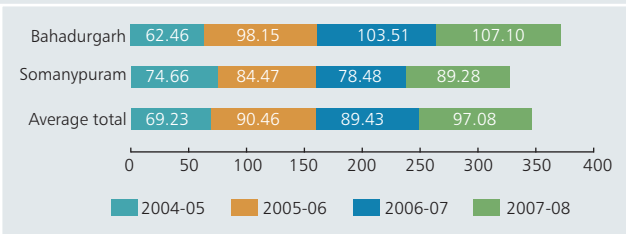
The Government of India sanctioned TSC projects in all districts in 2006-07 to achieve full sanitation coverage by 2012. It planned to provide all rural schools and *anganwadis* with safe drinking water and sanitation. Sanitation facilities continued to elude India, even as the country played host to the World Toilet Summit in New Delhi in October 2007. At the Summit, the Indian government pledged to make the country free of defecation in the open and meet relevant international commitments.

Performance, 2007-08

- ◆ 3.47% and 13.75% increase in production at the Bahadurgarh and Somanyapuram plants respectively
- ◆ 3.47% increase in capacity utilisation at Bahadurgarh to 107.10%, the highest in the Company's history; 10.79% increase in capacity utilisation to 89.28% at Somanyapuram
- ◆ 10.39% increase in productivity value person at Somanyapuram
- ◆ 3.42% decline in power consumption at Bahadurgarh.
- ◆ 6.21% decline in power consumption at Somanyapuram

- ◆ 2.25% decline in the consumption of process fuel at Bahadurgarh
- ◆ 10.56% decline in the consumption of process fuel at Somanyapuram

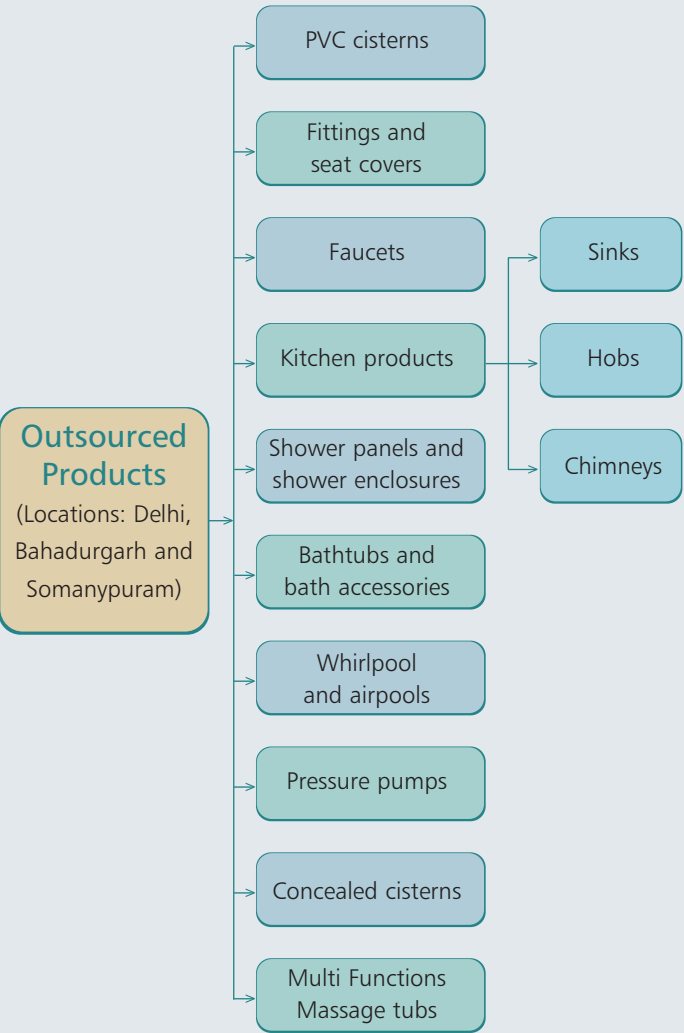
Combined capacity utilisation



Outsourced products business

Overview

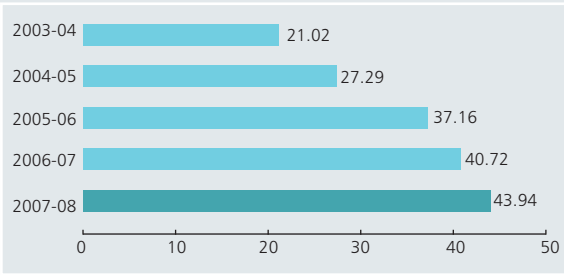
Outsourced products contributed 43.94% of the Building Products Division's revenue. The Company ventured into the marketing and distribution of outsourced products to capitalize on its existing brand and distribution network. The Company also aimed to emerge as an end-to-end building product solution provider.



Key highlights, 2007-08

- ◆ 7.90% increase in the share of outsourced products in the Building Product Division's revenue
- ◆ 22.04% increase in the revenues from outsourced products to Rs. 1,337.6 million
- ◆ Launched 138 new models in the outsourced product category
- ◆ Launched more than 20 new models in the Hindware Italian Collection range

% contribution of outsourced products to Building Products Division's revenue





'EVOK' and growth

During 2007-08, the Company through its subsidiary, launched brand 'EVOK' associated with its Home Fashion Mega Stores to provide a range of home interior products – proprietary and outsourced – under one roof.

- ◆ The stores will be scaled in three retail formats – 'EVOK' Living, 'EVOK' Bath and 'EVOK' Kitchen – offering end-to-end home interior solutions. These stores will be rolled out on an all-India basis, with each store sprawling across an area 8,000-30,000 sq.ft, depending on its format
- ◆ The interiors will be designed to comprise complete – living room, bedroom, bathroom, children's room, and home offices – concepts. Customers will have the option to mix and match from over 7,500 products in its retail portfolio spread across diverse categories (home furniture, soft furnishing, home décor and accessories, wall fashion, lighting, flooring, modular kitchen and bath concepts) to evolve a personalised mix
- ◆ It will be equipped with the sophisticated Home-Viz software comprising 3-D simulation facilities, enabling customers to enjoy a 'walk through' digitally simulated experience. These specialised work stations will be equipped with state-of-the-art support infrastructure like LCD monitors, 3D product library, etc. and manned by professional interior designers
- ◆ Going ahead, the Company is establishing a dedicated project division to service institutional segments architects, builders, interior designers and corporates, with home interior solutions

Sales and distribution



In a business where customers are nationally dispersed, brand alternatives increasing all the time and buying patterns evolving, there is an ongoing priority to be close to the customers, showcasing products which enjoy the quickest offtake.

The Company has a fair record to present in this respect. It marketed its products through the retail and institutional channels, contributing 70% and 30% to the total sales, respectively. While the former resulted in relatively higher realisations and the spreading of the sales risk from dependence on a few customers to a wider customer cross-section, sales through the institutional channel helped the

Company generate a large sales volume leading to back-to-back benefits in terms of economies of scale. In view of this, both channels served distinctive roles within the Company's distribution system.

The Company's retail distribution network comprised 1,086 authorised dealers, approximately 1,000 sub dealers and retail outlets and 18 depots. Nearly 70% of the total dealer

The Company undertook new dealer development activities in under-represented towns. It achieved this successfully across 55 towns against a target of 50.

network was exclusive. The dealer and sub-dealer network, nearly 20% and 30% higher than the closest competitor, enjoyed the widest national presence extending to towns with a population of 30,000; the Company’s products enjoyed retail space that was nearly 20% higher than competing brands. The Company assisted in commissioning two Hindware Arcades (3,500 to 4,000 sq.ft each) and 30 Hindware Boutiques (1,000 to 1,500 sq.ft each) operated by dealers through responsible cost sharing.

The Company marketed its products directly to institutional clients like DLF, Unitech, Parshvnath, L&T, Raheja’s, Puravankara, ATS Green, The Taj Hotels and ITC Hotels.

Highlights, 2007-08

- ◆ 6.87% increase in premium products as a proportion of total sales to 21%
- ◆ 6.96% increase in revenue to Rs. 1,706.71 million, from products manufactured following the addition of new models
- ◆ 22.04% increase in revenues from traded and outsourced products to Rs. 1,337.62 million following the addition of new models to the products portfolio

New initiatives

- ◆ The Company added four new depots during the year to cater to the distribution network. This was concurrent with its

new policy to encourage cash-and-carry sales, eliminating the need for dealers to stock products for a longer period

- ◆ It undertook new dealer development activities in under-represented towns. The Company achieved this successfully across 55 towns against a target of 50
- ◆ It undertook market share rectification activities in 20 markets through branding, networking, non-performing dealer replacement and internal goal-setting
- ◆ It undertook network-building exercises in unrepresented areas, peripherally located to the metro cities of Delhi, Mumbai, Kolkata and Bangaluru
- ◆ It ventured into the ‘shop-in-shop’ concept within retail outlets, enhancing the aesthetics of Hindware products display
- ◆ It strengthened the high-end Keramag positioning to counter competition from foreign brands

Outlook, 2008-09

- ◆ The Company expects to report a significant sales growth in the manufactured and traded product segments
- ◆ It expects to rejuvenate the kitchen segment, enhancing revenues and value-addition from this segment
- ◆ It expects to improve the quality of display of premium products across retail units

Branding

In a business marked by competition, it is imperative to graduate to a distinctive recall. The Company achieved this recall through a differentiated communication strategy for its various customer segments. In the sanitaryware business, its *Hindware Art* and *Hindware Italian Collection* brands were positioned to cater to these segregated customer groups. The result was leadership in the premium segment, at least 15% ahead of the nearest competitor. The Company’s *Hindware Italian Collection* possessed the largest range of products benchmarked against international brands.

Highlights, 2007-08

- ◆ The Building Products Division reported a CAGR of 17.07% over five years, surpassing the industry growth rate of 12-15% with the premium segment generating 21% of the revenues
- ◆ The Company was recognised through the Superbrand Consumer Validated, Business Superbrand, Reader’s Digest Consumer Trusted Brands Gold Award, 4P’s India’s 100 most Valuable Brands, 4P’s Most Admired Companies Award and Mera Brand Award in 2007-08, vindicating its branding strategy

Initiatives

- ◆ The Company repositioned its *Hindware Italian* brand by focusing its communication strategy around international appeal through marketing campaigns that made use of Italian models, attire and fashion accessories. Aggressive promotion was conducted in the print, audio-visual and outdoor media

- ◆ The Company increased its focus on institutional and referral (architects, builders, developers, interior designers) segments. It conducted architect meets across the country, showcasing its product range
- ◆ It partnered with channel partners in the distribution network to enhance the quality of retail product display

Outlook, 2008-09

Going ahead, the Company expects to grow its market share through the following initiatives:

- ◆ Addition of new designs to the *Hindware Italian Collection* to compete with foreign brands
- ◆ Enhanced focus on differentiating products from domestic competitors on the basis of international appeal, enabling it to cater to rising aspirations
- ◆ Conduct of a larger number of architect and builder meets to enhance product awareness in the referral segment



The world is
obsessed
with Italian creations.

...so are we.



Sienna

Fiona

HINDWARE Italian Collection

A unique collection of Italian designs and shapes, exclusively imported and marketed by Hindustan Sanitaryware, with the back-up of nation wide after sales service.



BATH FITTINGS AND COMPLETE BATH SOLUTIONS

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*The accessories shown above are not a part of the standard product supplied by the company.



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“Despite increase in the cost of our key inputs by about 11.90%, our biggest achievement was that we succeeded in maintaining our profitability”

Mr. D. Arun Kumar, President, Container Glass Division, outlines the reasons for the division's success in 2007-08

Q: How would you assess the performance of the division during 2007-08?

Our performance during the year was encouraging. We recorded a sales revenue of Rs. 2,752.39 million, the highest in the history of the division. However, this was not easy. For example, the cost of raw material and energy, our key inputs, increased by 11.90% over 2006-07. Despite this, we were able to maintain our profitability margin at the levels of the previous year.

Q: What reasons would you ascribe to this performance?

An interplay of value and volume. While robust demand from our various customer segments reinforced volumes on the one hand, our focussed on value-added products for the

pharmaceutical and soft drink sectors enhanced our margins on the other. We invested Rs. 216 million during 2007-08 in balancing equipment that enhanced production through de-bottlenecking. Besides, products catering to the soft drink and pharmaceutical sectors fetched realisations that were 18% higher than the other product variety. The contribution of value-added products to the total sales mix increased from 28% to 34% in 2007-08.

You indicated cost reduction as well.

In a number of ways it was the finest hour for the division. Our enhanced operational efficiencies enabled us to exercise stronger control over ballooning raw material costs. While the absolute outgo on account of raw materials increased by 3.26%, we reduced our per unit consumption. As a result, raw material costs as a percentage of total sales were maintained at 26.12% in 2007-08 as against 26.37% in 2006-07,

which went a long way in protecting our profitability.

Please elaborate on some of these cost-cutting measures.

Optimisation of run levels: One of the ways in which we reduced costs was through enhanced economies of scale. Better production planning and process innovation enabled us to manufacture container glass for different customer segments with the similar weights in one batch. This helped in the optimisation of the batch size, reducing job changes and excessive inventory. We also undertook changes in the design and material of about 25-30 moulds that enhanced our operational speed. As a result, capacity utilisation increased to 89.65% in 2007-08.

Reduction of bottle-weights: Sophisticated precision equipment helped us reduce the weight of each unit and save energy and material without compromise on quality.

Q: What challenges did the division face during the year?

Reduction in inventory levels: Finished goods inventory as on March 31, 2008 declined by 10% when compared to the same date in the previous year, an indication of enhanced demand. Going ahead, the challenge will be to address the additional demand or see our customers go elsewhere. We expect to match it successfully through enhanced operational efficiencies and capacity additions.

Securing price increase from our customers: We engaged in proactive negotiations with our customers, resulting in an increase in realisations that helped us compensate nearly 90% of the increased input costs.

Attrition: We re-structured the compensation package of key employees through a performance-based incentive scheme. Besides,

internal and outbound training, active participation in seminars conducted by equipment manufacturers, trade bodies, furnace designers, etc. enhanced employee morale and competencies.

What is your outlook for the division?

We expect to enhance the turnover from this division by 15% in 2008-09.

However, we are strengthening our division in a more fundamental way. In an environment where our business is challenged by competing alternatives, our conviction is that the most successful manufacturer will be one that graduates to a lower cost of production on the one hand, and enhances capacity in favour of superior quality products on the other. During the year under review, we embarked on an Rs. 2,300-million capex programme to address both these requirements. We are setting up a 475 TPD, state-of-the-

art production unit at Bhongir in central Andhra Pradesh, proximate to natural gas sources. This proximity will enable us to replace the conventional use of heavy oil with natural gas; this will reduce our fuel costs. Besides, an investment in cutting-edge equipments will enable us to manufacture sophisticated glass containers with corresponding value-addition. This dual play will take our competitiveness into a new generation. The land acquisition of the same has been completed and the unit is expected to be commissioned by March 2009.

On the demand side, we expect a growing appetite for specialised bottles from the pharmaceutical and liquor manufacturing sectors. Our optimism for the liquor sector stems from the large number of multi national and local liquor brands with aggressive marketing plans for India. Our challenge will be to develop innovative designs for them at competitive prices and we expect to do so at our new facility.

Optimism in Andhra Pradesh

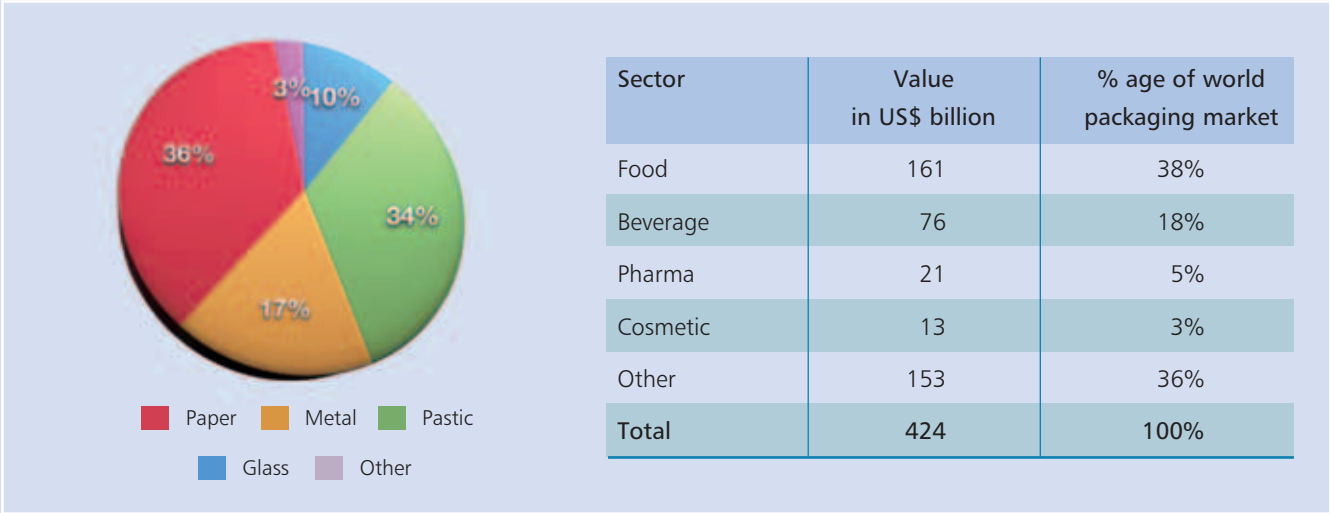
- ◆ United Breweries, which accounts for 48% of the total beer sales in India, plans to set up two mega breweries in Andhra Pradesh and Karnataka as part of its Rs. 12,000-million capacity expansion and modernisation
- ◆ Andhra Pradesh is the biggest manufacturer of bulk drugs and formulations in India, accounting for nearly one-third of its total production. The setting up of a pharma city near Visakhapatnam will act as a boost to the industry in the state
- ◆ The National Pharmaceutical Policy 2006 reduced the excise duty on pharmaceutical products produced in the state. This will remove the tax arbitrage that made companies move to low-tax areas like Himachal Pradesh and Uttarakhand



The container glass industry

Overview

Global packaging – the segment of which container glass is a part – is valued at around US\$424 billion. Western Europe and North America were the largest packaging markets, accounting cumulatively for 58% of the global industry. Increasing globalisation translated into an increase in the consumption of packaged foods, clearly the largest consumer of the world’s packaged products with an estimated value of US\$161 billion.



Source: SPG Media Group

Value packaging enhances product quality

- ◆ Helps preserve quality and prolongs shelf life
- ◆ Addresses the product integrity of milk, biscuits, drugs, foods, fruits, vegetables and edible oils
- ◆ Enhances branding, recall and premium realisations

India's per capita packaging consumption is nearly a seventh of the global average. With the Indian economy projected to achieve a sustainable 8% GDP growth, the packaging industry is expected to double its growth.

Indian packaging industry overview

- ◆ The Indian packaging industry is growing at more than 15% annually
- ◆ There are about 600-700 packaging machinery manufacturers, 95% in the small and medium sector across India
- ◆ The government is keen to create world-class manufacturing units and vocational institutes specifically designed to train manpower for the packaging industry
- ◆ The Indian packaging equipment imports were around US\$125 million. Major equipment suppliers included Germany, Italy, Switzerland, Taiwan, Korea, China and U.S.A
- ◆ India's per capita packaging consumption was less than US\$15 against the global average of nearly US\$100
- ◆ A large growing middle-class, liberalisation and organised retail sector were packaging sector catalysts; increased demand from the food and pharmaceutical sectors drove the industry's growth

Indian packaging market (by value)

Flexible	22%
Rigid plastics	18%
Printed	17%
Glass	12%
Metal	8%
Cap	6%
Label	3%
Others	14%

Container glass market

North	48%
South	23%
West	19%
East	10%

Container glass industry

Container glass is a part of the rigid packaging segment, the latter accounting for more than 80% of the total packaging in India. The Indian market for container glass is estimated at Rs. 22,000 million, accounting for around 12% of the country's packaging industry. The offtake in the container glass industry is driven by a growth in downstream user industries like processed foods (FMCG), beverages, beer, liquor, pharma and retail.

End-user segments

Liquor	42%
Food	20%
Soft drinks	10%
Pharma	21%
Others	7%
Production (tons)	1,500,000

Industry challenges

- ◆ Increasing awareness regarding hygiene and product integrity has made it necessary for manufacturers to offer more than a product – an integrated content preservation solution
- ◆ Manufacturers need to innovate in the area of packaging

options

- ◆ Manufacturers need to be located proximate to consumption points to reduce chances of breakage during transportation
- ◆ The segment is marked by an increase in fuel and raw material costs
- ◆ There is a growing need to partner with large institutional buyers to provide customised products and just-in-time delivery
- ◆ Manufacturers need operational flexibility to adapt to the seasonal demand of bottled carbonated beverages
- ◆ Manufacturers need a wide product portfolio to cater to the increasing demand for single-use and thin-walled glass bottles

Container glass advantages

- ◆ Glass represents an effective barrier against oxygen; when tinted it protects against light and ultra-violet rays – major reasons for packaged food deterioration. On this count, the product represents premium packaging material for alcoholic drinks in Northern America and Europe
- ◆ It is recyclable with the lowest cost (per cycle)
- ◆ It is environment friendly when considering greenhouse effect, acidification and purification
- ◆ It is ideal for use in high-speed filling lines
- ◆ It does not deteriorate, corrode, stain or fade on storage
- ◆ It is microwavable – depending on the jar type
- ◆ It is hygienic and odourless
- ◆ It possesses proven qualities against the impact of

chemicals and solvents

- ◆ It is the only packaging material to receive the US-FDA approval
- ◆ It is transparent with attractive product visibility implications
- ◆ It can be labeled, coloured, silk-screened, enameled, etched, sand-blasted or coated, leading to numerous aesthetic applications
- ◆ It enjoys almost a zero rate of transmission, with established moisture resistance, contributing to product strength, freshness and aroma

Outlook

India's per capita packaging consumption is nearly a seventh of the global average. With the Indian economy projected to achieve a sustainable 8% GDP growth, the packaging industry is expected to double its growth. With discretionary spending also expected to rise, the annual growth of the packaging industry is expected to double to around 20-25%. The container glass industry, which grew at a CAGR of 8% over five years, is expected to grow at 10%-plus over the foreseeable future.

Demand drivers

Pharmaceutical industry: Pharma packaging is one of the fastest growing sectors. The worldwide demand for packaging equipment for the pharmaceutical and personal care products sector is growing at 5.4%, an all-time high. The Indian industry is growing at 15% annually, which is double the global packaging industry growth (Source: *Indian Institute of Packaging (IIP), Hyderabad*). Despite this, only a few companies in India have used the latest technology in

pharma packaging.

Food processing industry: According to the 'India Food Report 2008', investments of around US\$23.5 billion are likely to be made in the food processing industry over three years. The opportunity is huge compared to the fact that while a mere 1.3% of food is processed in India, nearly 80% of food is processed in the developed world. Processed food exports increased from US\$6.98 billion in 2002-03 to US\$20.51 billion in 2006-07. To realise India's rich potential in this segment, the Government has set an ambitious target to double India's share in global food trade from 1.6% to 3% by 2015, increase the processing of perishable foods from 6% to 20% and achieve a value-addition from 20% to 35% (Source: IBEF).

Retail growth: Organised retail accounts for only around 4% of India's total retail sales. The segment is expected to grow at a CAGR of about 25% and increase its proportion of total retail to around 15% by 2015, accelerating the offtake of FMCG products and packaging demand.

Changing lifestyles: Increased globalisation will evolve aesthetic and consumer aspirations, stimulating the consumption of branded products and increase the use of rigid packaging.

Increased alcohol consumption: The alcohol business in India comprises beer (22%), IMFL (24%) and country liquor (54%). A further breakup of the IMFL market is 1.2% vodka, 3.5% gin, 17.6% rum, 18.2% brandy and 59.5% whisky. The segmental

Comparative analysis with substitute products

Plastics: Difficult to dispose of, contaminates and degrades slowly. Nearly 10% of our rubbish consists of different types of plastics.

Aluminum: Requires a lot of mined resources (bauxite) and energy to make. It also requires compulsory re-cycling.

Brick carton: Complex material, made up of several layers of plastic, paper and aluminium, hence difficult to recycle.

Card board: Its use may prove to be unnecessary for products already packaged sufficiently.

Glass: Ideal for liquid foods. It is made of raw materials that are available in plenty. It is unalterable, strong and easy to recycle.

growth of the country's alcohol industry is as follows:

	Growth rate (%)
Strong beer	30 – 40
Light beer	10 – 15
Wine	35 – 40
Scotch whisky	35 – 40
Vodka	20 – 22
Rum	15 – 20
Overall	14 – 15

The country's beer market is estimated to be 155 million cases a year and is growing at 30% annually. According to industry experts, the growth for 2008-09 is likely to be in line with the growth of the preceding year. Most of the global breweries like Anheuser Busch, Carlsberg, InBev and Sab Miller have major expansion plans for the Indian market. Asia has emerged as the strongest region in the global beer market with an estimated volume growth pegged at 105 MHL (million hectalitre) during the 2005-10 period.

in '000 HL					
Country	Per capita (L) 2005	Consumption volume 2005	Consumption volume 2010F	Growth	Growth% 2005-2010F
China	24	309.25	406.07	96.82	31
India	1	8.28	10.42	2.15	26
Vietnam	14	11.68	18.44	6.76	58
South Korea	35	16.66	16.48	(184.00)	(1)
Cambodia	5	698.00	1.10	398.00	57
Laos	14	826.00	1.32	489.00	59
Hong kong	23	1.58	1.69	489.00	59
Malaysia	5	1.39	1.31	(81.00)	(6)
Singapore	16	711.00	750.00	39.00	6
Sri lanka	2	496.00	520.00	24.00	5
Nepal	1	235.00	254.00	19.00	8
Total		351.82	458.36	106.54	30
Asia	13	462.44	578.32	115.88	25
World	24	1,572.21	1,779.23	207.02	13

Source : Express International

The Company's presence in the container glass industry



Industry position: Second largest manufacturer of container glass in India
Market shares: 15% and 50% share of the national and South Indian markets respectively
Location: Hyderabad
Divisional revenues: Rs. 2,752.39 million
Revenue increase over 2006-07: 5.14%
% contribution of total revenue: 47.13%
Brand: AGI
Installed capacity: 953.10 million pieces annually
Product portfolio: 400 varieties in three colours – flint, green and amber.

The Company catered to the growing needs of customers in the Philippines, Yemen, Nigeria, Bangladesh, Jordan, CIS countries and USA, among others. Exports accounted for 18% of the total sales of the division in 2007-08.

Manufacturing

Strengths

Captive mould-making capability: This enables the Company to develop glass-making moulds in line with customer requirements with speed and efficiency.

Flexibility: All the Company's production lines possess the flexibility to shift between different products in response to changes in downstream demand, leading to low inventories at the customer's end.

Cutting-edge technology: Superior precision technology facilitates the manufacture of light-weight bottles that reduces the consumption of raw materials and energy on the one hand and enhances revenues on the other.

Process innovations: Continuous process innovations have facilitated the manufacture of products, catering to different customer segments without weight changes. This has enabled the Company to effectively service the increased demand from downstream users, especially the carbonated beverages sector.

Quality discipline: The Company's three-stage quality control system is audited by external agencies and customers. The entire output is subject to thorough visual inspections and a formalised process of quality clearance, prior to dispatch. The quality department works closely with the marketing and production teams, matching market needs with internal availability. The introduction of software strengthened quality control through a mechanised analysis of lapses identified during visual inspection.

Highlights, 2007-08

◆ 5.14% increase in revenue from Rs. 2,617.93 million to Rs. 2,752.39 million

- ◆ 8.87% increase in production from 784.90 to 854.50 million units through de-bottlenecking
- ◆ 7.30% increase in capacity utilisation from 82.35% to 89.65% through process innovation and reduction in bottle weight
- ◆ Introduction of 25 new designs, including light-weight bottle varieties

Marketing

Dominant market share: The division serviced 15% of India's container glass demand and 50% of South India's container glass demand.

Price competitiveness: All the customers in South, West and Central India are located within a radius of 800 km from the plant site, reducing freight cost.

Diversified markets: The Company also catered to the growing needs of customers in the Philippines, Yemen, Nigeria, Bangladesh, Jordan, CIS countries and USA, among others. Exports accounted for 18% of the total sales of the division in 2007-08.

Diversified customer base: The Company possesses a diversified 400-item product portfolio catering to various downstream users like the food processing, pharmaceutical, soft drinks and alcohol segments.

A brand-enhancing client base: The Company's customers comprise brand-enhancing names like Coca Cola, Pepsi, GlaxoSmithkline, Pfizer, AstraZenca, Ranbaxy, Dr Reddy's Laboratories and Hindustan Unilever, among others.

Highlight, 2007-08

◆ 5.19% increase in turnover from Rs. 2,594.21 million to Rs. 2,728.81 million

Human resource management



In competitive businesses, people make the difference.

In view of this, the Company emphasises a performance-driven work culture with a human face. Corporate targets are linked to individual goals segregated into several key result areas (KRAs) across which individual performance is evaluated. To enable its key managerial employees to excel in the desired competencies, the Company undertook several training sessions in 2007-08, covering 89% of the managerial staff.

Recruitment

The Company recruited graduate engineering trainees (GETs) and diploma holders through campus placements from reputed institutes like Engineering College of Ceramic etc. from all over India and hired management trainees from recognised institutes in the NCR region.

Training

- ◆ HSIL started a three-day induction training programme for 'New Hire' to enhance familiarity with the Company's vision and mission. This was followed by a 10-day product training session to highlight product attributes and features
- ◆ Continuous competence-based training was imparted in communication skills, inter-personal skills and conflict management
- ◆ A special emphasis was laid on ISO and OHSAS trainings across all divisions of HSIL. The Company also conducted outbound training activities to encourage team and inter-personal relation building

Retention

The Company recognised the importance of retaining key

employees, accounting for about 20% of its total strength. It groomed high performers to assume key positions created through organisational re-structuring that included formation of new divisions and new regions for the sales team. This successfully served the purpose of talent retention and the creation of a second line of command.

Initiatives

The Company restructured its compensation package in line with industry standards. It introduced several motivational schemes to encourage employees. It introduced Operation Vijay, a theme-based sales motivational exercise.

The Company undertook adventurous sporting activities with compulsory participation for key managerial employees, enhancing their decision-making capabilities.

Outlook

The Company introduced an employee satisfaction survey to undertake corrective measures. It documented its newly introduced mentoring process and induction training programme to facilitate better record keeping. In view of all these initiatives, the Company expects to retain its position as a preferred employer in the country.

Our HR goal

- ◆ Lean, trim and flexible manning
- ◆ Continuous skill enhancement leading to innovation
- ◆ Optimal manpower utilisation
- ◆ Greater leverage of information technology for enhanced efficiency
- ◆ Active communication across tiers, departments and geographies for enhanced transparency
- ◆ Better planning for management succession at all levels leading to organisational continuity
- ◆ Career planning resulting in greater motivation
- ◆ Benchmarking performance to international levels

Financial analysis



Highlights, 2007-08

- ◆ 9.58% gross revenue growth to Rs. 5,840.38 million
- ◆ 13.10% revenue growth in the Building Products Division to Rs. 3,044.33 million
- ◆ 5.14% revenue growth in the Container Glass Division to Rs. 2,752.39 million
- ◆ 22.04% growth in outsourced product revenues of the Building Products Division to Rs. 1,337.62 million
- ◆ 4.77% increase in EBITDA to Rs. 887.33 million
- ◆ 1.91% increase in cash profit to Rs. 549.65 million
- ◆ 0.69% decline in EBITDA margin to 17.04%

Revenues

The Company registered a 9.58% growth in total revenues due to a robust market demand and enhanced focus on the sale of value-added products. The Building Products Division and the Container Glass Division contributed 52.13% and 47.13% to the total revenues, resulting in revenue increase by 13.10% and 5.14% respectively over the previous year.

(Rs./million)

	Building Products	Container Glass
2003-04	1,384.24	1,688.14
2004-05	1,709.27	1,636.12
2005-06	2,359.23	2,075.35
2006-07	2,691.78	2,617.93
2007-08	3,044.33	2,752.39

Building Products Division: The 13.10% increase in revenue from this division was attributed to the following reasons:

- ◆ Increase in revenues from value-added products, which enhanced average realisations by 6%. The Company introduced 28 new designs in the premium category during the year under review
- ◆ 22.04% increase in revenues from the outsourced products segment contributed 43.94% to the division's revenue. The Company launched 138 new products in the outsourced product segment in 2007-08
- ◆ **Container Glass Division:** Revenues from this division grew 5.14% to a record Rs. 2,752.39 million in 2007-08, due to an 8.87% increase in the production to 854.50 million bottles through de-bottlenecking and enhanced capacity utilisation and increase in the contribution of value-added products catering to the carbonated drinks and pharmaceutical segments

Costs

Total costs (excluding interest, depreciation and tax) increased by 10.46% over the previous year. However, as a percentage of total income, they increased only marginally from 82.50% to 83.44%. The increase in total outgo was partially offset by a decline in raw material consumption. Increased innovation in process, improved capacity utilisation and increased realisation compromised increased cost to a large extent, resulting in a nominal fall in EBITDA.

Revenue break-up

(Rs./million)

Product group	2003-04	2004-05	2005-06	2006-07	2007-08
Manufactured	1093.32	1242.81	1482.62	1595.70	1706.71
Outsourced	290.92	466.46	876.61	1096.08	1337.62

Individual cost heads as a proportion of total income

Cost heads	Percentage of total income	
	2006-07 (%)	2007-08 (%)
Goods purchased for resale	15.34	15.26
Stock increase	(1.97)	(3.74)
Raw material	16.80	16.06
Stores and spares	2.67	3.28
Power and fuel	19.31	21.07
Employee costs	10.11	10.59
Other manufacturing expenses	5.63	5.78
Administrative and Selling expenses	14.37	14.60
Interest	2.94	3.08
Depreciation	5.13	4.98
Tax	3.41	3.08

Raw materials consumed: Raw material cost as a proportion of total income declined from 16.80% in 2006-07 to 16.06% in 2007-08. This reduction was achieved, despite an increase in the cost of principal raw materials across the two divisions, through process innovation that reduced consumption per unit of production.

Power and fuel: Energy costs increased by 19.17% in

quantum terms in 2007-08. However, as a proportion of total income, it increased only marginally from 19.31% to 21.07% on account of the following power-saving measures:

- ◆ Better production planning, reducing the number of batch changes and the manufacture of lighter container varieties helped rationalise energy consumption in the Container Glass Division
- ◆ Use of waste heat from kilns and optimisation of the firing cycle helped rationalise energy consumption in the Building Products Division

Employee costs: There was 14.42% increase in employee cost during 2007-08 on account of enhanced recruitment and a restructured compensation package. However, due to increased productivity, employee cost as a proportion of total income increased only by 0.48% over the previous year.

Margins

The Company was able to protect its EBITDA margin by proactive management of power, fuel and raw material costs and the EBITDA declined by only 0.69% from 17.73% in 2006-07 to 17.04% in 2007-08. Besides, the Company responded through higher asset utilisation, improved product mix, enhanced production, better productivity and higher efficiency. The Company also undertook an aggressive advertisement campaign of Rs. 104.56 million to promote its Hindware brand, the entire amount of which was charged against income. The sales growth of the Building Products Division was moderate and the growth could not be higher without deterioration in the quality of credit and large outstandings. We decided to convert a substantial part of its sales to cash from credit and decided to serve the normal market demand avoiding sales policies aimed at forcing this demand, carrying out constant control and monitoring measures on the credit exposure towards the dealers, which led to improvement in credit and sales quality. This resulted in reduced outstanding debtors despite sales growth.

Funds

Equity capital: The Company’s equity capital was maintained at Rs.110.05 million, with no equity dilution during 2007-08. The equity capital consisted of 55,025,508 equity shares of Rs.2 each.

Reserves: The Company’s reserves increased by Rs.1,906.81 million to Rs. 2,096.74 million in 2007-08. The net addition was on account of profits earned during the year in addition to what was transferred from the previous year (net of dividend paid and tax thereupon). The Company does not have any revaluation reserve. Almost 99.23% of its total reserves comprised free reserves. The Company’s book value of shares strengthened from Rs.36.65 in 2006-07 to Rs.40.10 in 2007-08.

Loan funds: The Company’s total debt increased by 4.63% to Rs. 2,018.62 million, mainly on account of loans taken for meeting increased working capital requirements to match the business growth. Despite an increase in loan funds, the Company remained attractively geared with the ratio of total long-term debt to total equity at 0.29:1. Besides, an interest cover of 5.44 ensured adequate credit worthiness.

Long-term debt-equity ratio

2003-04	2004-05	2005-06	2006-07	2007-08
0.41	0.73	0.48	0.37	0.29

Interest cover

2003-04	2004-05	2005-06	2006-07	2007-08
4.36	5.57	6.07	5.94	5.44

Fixed assets

During 2007-08, the Company added Rs. 388.65 million to its fixed assets. Addition to plant and machinery accounted for Rs. 218.89 million (56.32% of the total addition). The investment in plant and machinery was on account of balancing equipment addition that enhanced production

through de-bottlenecking. The Company was able to sweat its assets better, reflected in the strengthening of the fixed assets-turnover ratio from 2.37 to 2.46.

Fixed asset gross turnover ratio

2003-04	2004-05	2005-06	2006-07	2007-08
1.98	1.67	2.14	2.37	2.46

Investments

The Company’s investments declined 27.69% as on March 31, 2008 (Rs. 350.10 million) compared to that on March 31, 2007 (Rs. 484.15 million), mainly on account of a liquidation in short-term investments held in mutual funds.

Working capital

Working capital at the end of the financial year increased from Rs. 1,368.15 million to Rs. 1,596 million in 2007-08 for the following factors:

- ◆ Rise in the stock of finished goods in the Building Products Division due to a change in the sales policy from credit to cash. However, with partners in the distribution channel gradually reconciling, the Company expects to reverse this trend in 2008-09
- ◆ Increase in debtors in the Container Glass Division corresponding to record sales from this division in the history of the Company. The Company’s debtors comprised reputable institutional buyers from the pharmaceutical, FMCG and liquor sectors with a negligible record of payment default

The working capital outlay as a proportion of total capital employed increased from 31.86% in 2006-07 to 34.95% in 2007-08. The current and quick ratios were maintained at the levels of the previous year, indicating stable short-term liquidity.

Liquidity ratios

	2007-08	2006-07
Current ratio	2.43	2.40
Quick ratio	1.14	1.15

Inventory

The inventory of the Company constituted approximately 53.03% of the current assets as at the year end. Total inventory increased by 18.01% at the year end to Rs. 1,437.63 million. The inventory-turnover tenure increased from 84 days to 91 days of turnover equivalent during the year, attributable to:

- ◆ Change in the sales policy in the Building Products Division
- ◆ Maintaining a large inventory of finished goods to cater to diverse requirements across geographies
- ◆ Large number SKUs
- ◆ Maintaining a large stock of raw materials and large volumes of packaging material due to seasonal availability
- ◆ Servicing an increased demand for outsourced products

Debtors

Debtors constituted approximately 33.55% of the current assets at the end of the year. Debtors increased by 18.07% to Rs. 909.58 million in 2007-08. The debtors’ cycle in the Building Products Division improved from 45 days to 42 days in 2007-08, due to a greater proportion of cash-and-carry sales. However, Container Glass Division witnessed an increase in the debtors cycle from 64 days in 2006-07 to 76 days in 2007-08.

Creditors

The creditors (including creditors for services and expenses) increased from Rs. 891.06 million in 2006-07 to Rs. 973.05 million in 2007-08 due to an increase in business activity. The creditors’ cycle declined from 51 days of turnover in 2006-07 to 44 days in 2007-08 as the Company availed of attractive discounts on quicker payments.

Tax

Tax liability (current, deferred and fringe benefit) decreased from Rs. 165.03 million in 2006-07 to Rs. 162.80 million in 2007-08.

Risk management



At HSIL, risks are assessed, controlled and mitigated through an institutionalised approach.

Economy risk

A downturn in the economy might negatively impact purchasing power and the Company's earnings.

Risk mitigation

- ◆ The Indian economy registered a GDP growth of 9% in 2007-08 and is expected to report a robust CAGR of 7-9% in the next few years, adequate to maintain the bullishness in the demand for the Company's product
- ◆ Per capita income is expected to grow substantially, ensuring continuous demand for the Company's products
- ◆ The Company's products address the hygiene and safety needs of consumers which remain unaltered during small downturn in the economy

Market intelligence risk

The Company may be unable to identify and capitalise upon opportunities.

Risk mitigation

- ◆ The Company responded to the broad need for enhanced convenience among consumers through a diversification into the nascent home décor market in 2007-08. It expects to leverage decades of industry experience to provide end-to-end home interior solutions
- ◆ The real estate sector is expected to grow at 33% through 2005-10 to US\$50 billion. The Company expects to encash a share of this growth through its brand equity

Risks pertaining to the Building Products Division

Industry risk

Climbing interest rates on home loans could weaken real estate demand and hence, the offtake of the Company's home building products.

Risk mitigation

- ◆ Despite rising interest rates, the net cost of home loans (post-tax) continues to be half of the gross prevailing cost of funds. Besides, an average Indian's housing loan EMI affordability is increasing due to increase in incomes
- ◆ Demand for sanitaryware is expected to remain strong over the coming years, based on increasing residential projects under construction and in the planning stage due to a shortage of housing units

Energy risk

The rising cost of fuel and power could affect profitability in the Building Products Division.

Risk mitigation

- The Building Products Division reduced energy consumption (power and fuel) at both its Bahadurgarh and Somanyapuram facility through process innovation and waste heat reuse in 2007-08. The expense on account of power and fuel as a proportion of the total cost of production increased marginally from 19.31% in 2006-07 to 21.07% in 2007-08. The Company is continuing its efforts on energy conservation for the last few years.

Competition risk

Increasing competition from imported brands could dent the Company's market share.

Risk mitigation

- ◆ The Company has the largest array of designs in its building products portfolio in India. The total number of designs being offered by the Company outnumbered competing international brands
- ◆ It re-positioned its Hindware Italian Collection that enhanced the international appeal
- ◆ It extended its presence from bathroom products to kitchen products for a large share of the customer's wallet

Debtors’ risk

The Company may not be able to recover dues from dealers/distributors, resulting in losses arising out of bad debts.

Risk mitigation ◆ The Company has increased its share of cash sales from 45% to 82% in this year. It will further increase its share of cash sales	◆ Although this temporarily depressed sales, receivables (equivalent to days of turnover) also declined by 7% (post implementation of SAP)	◆ Informed decision-making through the implementation of SAP is expected to shrink these receivables further
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Product unavailability risk

An inability to provide the right product at the right time and place could lead to customer attrition.

Risk mitigation ◆ The Company has the widest network of dealers, sub-dealers and retail outlets in the industry ◆ Its products are available in all Indian states and across most Indian towns	with a population of 30,000 ◆ It invested significantly in strengthening its distribution network in un-represented towns and ‘threat’ markets and in improving the quality of retail display	◆ The Number of depots have been increased to ensure faster availability of products to consumers
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Risks pertaining to the Container Glass Division

Alternative product risk

The container glass manufactured by the Company could be progressively substituted with cheaper alternatives like PET bottles.

Risk mitigation ◆ Glass bottles score over PET for the following reasons: they represent a lower cost per use as they can be recycled, provide a better barrier	against oxygen, prevent food deterioration, can carry printed advertisements and have been conclusively proved to be hygienic and non-carcinogenic with corresponding	approvals by the US-FDA, one of the most demanding approving agencies in the world
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Client attrition risk

Inability to supply products in the right quantity and price may lead to client attrition and subsequent loss of market share.

Risk mitigation ◆ The Company is setting up a new state-of-the art Container Glass facility in Bhongir (60 kms from Hyderabad), proximate to natural gas sources. The superior precision technology of this	plant will facilitate the manufacture of light containers leading to material savings and reduction of energy consumption in a significant way ◆ At its existing manufacturing facility, increased production by batch size	optimisation, process innovation and better production planning will address any demand-supply mismatch
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User industry risk

An excessive dependence on a particular container glass user industry could impact revenues in the event of an industry downturn.

Risk mitigation ◆ The division’s diversified products portfolio caters to the soft drink,	alcoholic beverage, food processing and pharmaceutical sectors ◆ Its plant has the production flexibility	to shift from one product category, catering to different user industries, depending on market conditions
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Packaging quality risk

The Company’s products are used in high-speed packaging lines at the customers’ end, prioritising the need for enhanced quality.

Risk mitigation ◆ A prudent mix of cutting-edge technology, backward integration into quartz crushing that enhances the captive availability of quality sand and the use of specialised quality control equipment (electronic temperature controls, motor devices and an automatic inspection machine)	translated into enhanced product standards ◆ The Company’s container glass unit is ISO:9001-certified, resulting in process discipline and consistency ◆ The Company’s quality commitment is showcased in its brand-enhancing customer profile: Coca Cola, Pepsi,	GlaxoSmithkline, Pfizer, AstraZenca, Ranbaxy, Dr Reddy’s Laboratories, Hindustan Unilever, Priya, Global Green, Continental Coffee, Reckitt Benckiser, Seagram, Sab Miller, McDowell, Shaw Wallace and United Breweries
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Board of Directors



R.K. Somany

Chairman & Managing Director of the Company with 51 years of working experience, has prestigious fellowship of the Institute of Ceramics, U.K., Chartered Institute of Management, U.K., and Institute of Materials, Minerals and Mining, U.K., and he is a Life Fellow of the All India Management Association. He is also a Member Emeritus of the American Ceramic Society, past President of the (ASSOCHAM), PHD Chamber of Commerce and Industry (PHDCCI) and

Employers' Federation of India and past Chairman of the Council of Indian Employers. He is the founder of Vitreous China ceramic sanitaryware Industry with the formation of 'HSIL'.

Promoter and Director since January 9, 1988.

Sandip Somany

Joint Managing Director, commerce graduate and a diploma holder in ceramic manufacturing technology from the US with 23 years of experience. He is the Managing

Committee member of PHD Chambers, FICCI and (ASSOCHEM) and a member of All India Glass Manufacturer's Association and various committees of the Bureau of Indian Standards and governing body of All India Organisation of Employers. He is also the Chairman of INCOSAMA and a member of the Delhi Chapter of the Young Presidents' Organisation and Delhi Achievers' Round Table.

Associated with the Company since October 1, 1985 and Director since November 11, 1994.

Ashok Jaipuria

Independent Director, qualified in business administration and marketing sciences. He is the Chairman and Managing Director of Cosmo Films Ltd., Chairman of Cosmo Ferrites Ltd and Director of Cosmo Films, Inc. He is a member of the Executive Committee of the Federation of Indian Chamber of Commerce and Industry (FICCI) and President of The Golf Foundation - a charitable society formed with an objective of helping the underprivileged potential golfers in India.

Director since May 15, 2004

V.K. Bhandari

Independent Director, F.C.A. and an ex-banker by profession and former General Manager of the Central Bank of India. He has over 30 years of experience in banking industry and had been the head of credit, credit monitoring, treasury, investment, funds management, merchant banking and international banking divisions. He is the Chairman of our Audit Committee and member of the Remuneration and Shareholders'/ Investors' Grievance Committee.

Director since January 17, 2004.

Binay Kumar

Independent Director, degree in business science, Chairman of Benaras House Ltd. and Chairman of U.P. Hotel Clark Ltd. He is the President of Indo-Polish Chamber of Commerce & Industry, a member of Indo-German Chamber of Commerce and Executive Committee of FICCI, a life member of Indian National Trust for Art & Cultural Heritage and Confederation of Asian Chamber of

Commerce & Industry, Taiwan. He is the past President of the Federation of Indian Exporters Organisation, Rotary Club of Delhi Midtown, Indo-American Chamber of Commerce & Industry, Indo-French Chamber of Commerce & Industry and PHDCCI.

Director since September 21, 1996.

S.B. Budhiraja

Independent Director, management consultant by profession, is a mechanical engineer and was the youngest ever Managing Director of Indian Oil Corporation Ltd. He was the Managing Director of IBP, Balmer Lawrie, Indian Oxygen Ltd., and Director of the Al Futtaim Group, UAE. He is the past President of the Institute of Management Consultants of India and Indian Chamber of Commerce, and ex-Executive Director of the Management Development Institute (MDI), Gurgaon. He is a Fellow of All India Management Association and Institute of Management Consultants of India. He was a member of the World Bank team to study restructuring of the Haryana power sector. He is the Chairman of the Remuneration Committee and Shareholders'/Investors' Grievance Committee and member of the Audit Committee of the Company.

Director since October 30, 2003.

G.L. Sultania

Director, F.C.A., F.C.S. is a consultant by profession. He is Member of the Capital Market Committee of Merchants' Chamber of Commerce and nominated member by FICCI of the Cost Accounting Standard Board of ICWAI. He is a member of

Shareholders'/ Investors' Grievance Committee of the Company.

Associated with the Company since November 15, 1971 and Director since January 9, 1988.

Vishal K.K. Marwaha

Investor Director, is a chartered accountant associated with renowned international banks and leading private equity investors. He was a Director of HSBC Private Equity Management (Mauritius) Ltd. and business head for management of the private equity operation for US\$60 million Indian dedicated fund. He is the representative of our investor HPC (Mauritius) Ltd. Mauritius (Henderson) and associated with the Henderson Equity Partners (India) Partners Ltd., as Director for sourcing investments in South Asia. He is a member of the Audit Committee of the Company.

Director since July 14, 2005.

N.G. Khaitan

Independent Director, an attorney-at-law, advocate and notary public practicing in high courts and the Supreme Court of India. He is a senior partner of Khaitan & Co., one of the oldest law firms in India. He is a notary public appointed by the Government of India. He is a Committee Member of the Federation of Indian Chambers of Commerce and Industry (FICCI) and also the Vice Chairman of Indian Council of Arbitration, Eastern Chapter. He is a member of the Audit, Shareholders'/ Investors' Grievance and Remuneration Committee of the Company.

Director since June 29, 1996.

Five-year financial summary

(Rs. in million)

	2003-04	2004-05	2005-06	2006-07	2007-08
Equity Share Capital	56.13	93.56	93.56	110.05	110.05
Reserve and Surplus	803.97	840.08	1028.89	1222.75	1412.68
Share Premium	220.15	182.73	171.74	684.06	684.06
Secured Loans	733.15	946.34	812.97	1649.86	1215.25
Unsecured Loans	428.99	760.98	1580.80	279.45	803.37
Deferred Tax Liability	296.73	325.67	317.06	348.53	340.98
TOTAL	2539.12	3149.36	4005.02	4294.70	4566.39
Gross Block	2891.03	3363.86	3655.28	4059.54	4430.53
Less: Depreciation	1345.86	1374.60	1606.55	1837.43	2091.54
Net Block	1545.17	1989.26	2048.73	2222.11	2338.99
Capital Work-in-Progress	131.35	13.44	38.03	220.29	281.30
Investments	236.59	235.58	577.96	484.15	350.10
Current Assets					
Inventories	595.92	752.65	1082.73	1218.18	1437.63
Sundry Debtors	516.02	706.81	916.55	770.39	909.58
Cash & Bank	50.70	107.60	123.95	86.06	121.25
Loans & Advances	120.78	94.64	141.27	272.75	241.43
Other Current Assets	6.34	9.80	11.89	0.91	1.00
Current Liabilities					
Sundry Creditors	461.15	549.01	612.77	667.39	630.56
Provisions	59.65	65.91	98.32	89.08	141.84
Other Liabilities	144.33	145.50	225.00	223.67	342.49
Net Current Assets (Working Capital)	624.63	911.08	1340.30	1368.15	1596.00
Misc Expenses	1.38	0.00	0.00	0.00	0.00
TOTAL	2539.12	3149.36	4005.02	4294.70	4566.39

(Rs. in million)

	2003-04	2004-05	2005-06	2006-07	2007-08
Gross Turnover	3054.66	3315.57	4383.18	5267.50	5762.74
Less: Excise Duty	339.51	344.43	417.96	489.86	554.36
Net Turnover	2715.15	2971.14	3965.22	4777.64	5208.38
Other Income	23.49	35.44	74.17	62.24	77.64
Stock Variation	-172.72	138.02	296.87	95.37	197.59
Total	2565.92	3144.60	4336.26	4935.25	5483.61
Goods Purchased for Resale	217.13	398.47	557.56	742.64	806.48
Power & Fuel	510.86	584.67	849.47	934.56	1113.69
Manufacturing, Administrative and other Expenses	996.40	1202.06	1720.89	1921.98	2116.44
Employee Cost	328.35	352.56	423.65	489.15	559.67
Total Expenses	2052.74	2537.76	3551.57	4088.33	4596.28
EBITDA	513.18	606.84	784.69	846.92	887.33
Interest	117.75	108.92	129.34	142.52	163.03
Gross Profit	395.43	497.92	655.35	704.40	724.30
Depreciation and Amortisation	180.87	208.18	251.35	248.25	263.15
PBT before Exceptional Items	214.56	289.74	404.00	456.15	461.15
Exceptional Items	29.93	0.00	0.00	0.00	-11.85
Profit after Exceptional Items	244.49	289.74	404.00	456.15	449.30
Taxation	39.53	98.49	145.85	165.03	162.80
PAT	204.96	191.25	258.15	291.12	286.50

Ratios analysis

(Rs. in million)

	2003-04	2004-05	2005-06	2006-07	2007-08
Net Worth (Eq. Cap + Res + Misc Exps)	1078.87	1116.37	1294.19	2016.86	2206.79
Capital Employed (N.W+Loans+Deferred T.Liab)	2537.74	3149.36	4005.02	4294.70	4566.39
Avg Capital Employed	2568.84	2843.55	3577.20	4149.86	4430.55
Avg Loan Funds	1289.20	1434.73	2050.55	2161.54	1973.97
Cash profit	385.83	399.43	509.50	539.37	549.65
Net Domestic Turnover	2382.49	2547.22	3409.68	4124.06	4680.76
Export Turnover	332.66	423.92	555.54	653.58	527.62
Dividend (%)	50.00	55.00	65.00	75.00	75.00
Market Price (Rs) (end of year)	105.50	116.00	148.35	89.45	43.05
Total Dividend Payout (including dividend tax)	31.66	58.18	69.34	91.04	96.57
Retained Earning	173.30	133.07	188.81	200.08	189.93

Balance Sheet Ratios

	2003-04	2004-05	2005-06	2006-07	2007-08
Return on networkth - %	19.00	17.13	19.95	14.43	12.98
Return on average capital employed - %	12.56	10.56	10.83	10.45	10.15
Debt Equity Ratio	1.08	1.53	1.85	0.96	0.91
Debtors Cycle (Days)	62	78	76	53	58
Creditors Cycle (Days)	62	67	56	51	44
Inventory Cycle (Gross Sales)	71	83	90	84	91
Net Current Assets Turnover (days)	84	112	123	105	112
Turnover/net current assets	4.35	3.26	2.96	3.49	3.26
Turnover/inventory	5.13	4.41	4.05	4.32	4.01
Turnover/capital employed	1.20	1.05	1.09	1.23	1.26
Turnover/net block	1.98	1.67	2.14	2.37	2.46
Net Block/capital employed	0.61	0.63	0.51	0.52	0.51
Working capital/Capital Employed	0.25	0.29	0.33	0.32	0.35

Profit & Loss Account Ratios

(figures in %)

	2003-04	2004-05	2005-06	2006-07	2007-08
Domestic sales/Turnover	87.75	85.73	85.99	86.32	89.87
Export sales/Turnover	12.25	14.27	14.01	13.68	10.13
Excise/Turnover	12.50	11.59	10.54	10.25	10.64
Margins					
EBITDA margin	18.90	20.42	19.79	17.73	17.04
Gross Profit margin	14.56	16.76	16.53	14.74	13.91
Pre tax profit margin	9.00	9.75	10.19	9.55	8.63
PAT margin	7.55	6.44	6.51	6.09	5.50
Expenses					
Goods Purchased for resale/Total expenses	10.58	15.70	15.70	18.16	17.55
Power/Total expenses	24.89	23.04	23.92	22.86	24.23
Manufacturing, admn Exps/Total expenses	48.54	47.37	48.45	47.01	46.05
Employee cost/Total expenses	16.00	13.89	11.93	11.96	12.18
Interest cover-times	4.36	5.57	6.07	5.94	5.44
Cost of Debt	9.13	7.59	6.31	6.59	8.26
Per Share Data (Rs.)					
EPS (Face value Rs.2/-)	4.38	4.09	5.52	5.55	5.21
CEPS (Face value Rs.2/-)	8.25	8.54	10.89	10.28	9.99
Book value (Rs.)	23.09	23.87	27.67	36.65	40.10

Directors’ Report

Dear Shareholders

Your Directors are pleased to present the 48th Annual Report and Audited Financial Statements of your Company for the year ended March 31, 2008.

Financial results

(Rs. in millions)

Parameters	2007-08	2006-07
Gross Revenue	5,840.38	5,329.74
Less Excise Duty	554.36	489.86
Net Revenue	5,286.02	4,839.88
EBITDA	887.33	846.92
Profit before Taxation and Extraordinary Items	461.15	456.15
Less Extraordinary Item	11.85	-
Profit before Taxation	449.30	456.15
Less Provision for Taxation	162.80	165.03
Profit after Taxation	286.50	291.12
Add Balance brought forward	756.31	560.40
Provision for Debenture Redemption Reserve written back	-	25.83
Amount Available for Appropriation	1,042.81	877.35
Appropriations:		
Transferred to General Reserve	30.00	30.00
Proposed Dividend on Equity Shares	82.54	78.41
Corporate Dividend Tax	14.03	12.63
Balance Carried Forward	916.24	756.31

Performance Review

Your Company reported a 9.58% increase in gross revenue to Rs. 5,840.38 million and 4.77% increase in EBITDA to Rs. 887.33 million during 2007-08, on account of following:

- ◆ 13.10% growth in revenue from the Building Products Division to

Rs. 3,044.33 million in 2007-08. This was achieved through highest production of 14994 MT. in the Bahadurgarh Plant against an installed capacity of 14000 MT, through superior operational efficiencies and enrichment of the product portfolio with the launch of 28 and 138 new products in the premium Sanitaryware

and outsourced products range

- ◆ 5.14% growth in revenue from the Container Glass Division to Rs. 2,752.39 million in 2007-08. This was achieved through a larger focus on high value customer segments from the soft drinks and pharmaceutical sector that enhanced realisations

Your Company’s net profits declined marginally by 1.58% in 2007-08 on account of the following:

- ◆ 4.37% increase in raw material cost
- ◆ 19.17% increase in power and fuel cost, due to increase in the international crude oil prices
- ◆ 3.42% increase in sales and promotional expenses, undertaken primarily for the aggressive promotion of *Hindware* brand.
- ◆ Building Products Division’s sales growth during the year was moderated and the growth could not have been higher without deterioration in quality of credit and large outstandings. We decided to convert substantial part of sales to cash from credit and decided to serve normal market demand avoiding sales policies aimed at forcing the demand, carrying out constant control and monitoring measures on the credit exposure towards the dealers which has led to improvement in credit and sales quality. This has resulted in reduced credit despite sales growth

The inflationary trend in input costs (power, fuel and raw materials) was a major cause of concern during the year under review. Power and fuel costs increased 19.17% to Rs. 1113.69 million in 2007-08, as a proportion of net revenue it surged from 19.31% in 2006-07 to 21.07% in 2007-08. But overall impact is less as part of

increased costs has been offset by improved process efficiencies and increased realisations.

During the year, there was no fresh issue of equity share leading to dilution of equity capital. However the total debt increased by 4.63% to Rs. 2018.62 million, mainly on account of loans taken for meeting increased working capital requirements to match enhanced production at the Building Products Division. Despite an increase in loan funds, the Company remained attractively geared with the ratio of Long term debt to total equity at 0.29:1. Besides, an interest cover of 5.44 ensured adequate credit worthiness.

Division-wise review

Building Product Division: The division registered a 13.10% growth in total revenue to Rs. 3,044.33 million driven by a larger focus on value added products. The division’s EBITDA increased marginally by 3.25% mainly effected by rise in fuel cost, SAP maintenance expenses, and higher selling and marketing cost undertaken during the year.

Major Initiatives during the year:

- ◆ Re-positioning of the *Hindware* Italian Collection around its international appeal through aggressive promotion in the print and media
- ◆ Improvement in the quality of display

at the retail end and strengthened distribution network through dealer development activities in unrepresented towns

- ◆ Increased per person productivity by enhancing motivation levels through extensive skill based training
- ◆ Created a dedicated after sales service management tier - seven functional team to address all kinds of product related queries of the customer
- ◆ Established an all India helpline facility, capable of addressing a multi-lingual customer base
- ◆ Created a team of technical professionals to address product problems with speed

Container Glass Division: The division registered a 5.14% increase in total revenue to Rs. 2,752.39 million in 2007-08, driven by better demand from various customer segments and larger focus on value added products catering to the soft drinks and pharmaceutical sectors. However rising prices of fuel and raw materials impacted costs. The Company rationalised its impact through enhanced operational efficiencies, reduction in bottle-weights and securing a corresponding price increase from customers. The division managed to maintain its EBITDA margin at 14.83%.

- ◆ We laid the blue-print for setting up

a Greenfield plant in central Andhra Pradesh, ramping up our production capacity to 1.8 billion pieces p.a. This will cater to the buoyant demand from downstream users manufacturing packaged food, pharmaceuticals and beverages. Being located in proximity to natural gas sources, this facility will also offer us superior cost advantage

- ◆ Expanded market share in the Container Glass Division by competently catering to diverse needs of the existing and upcoming players in the pharmaceutical, soft-drinks and liquor sectors

Management Outlook

HSIL is a leading player in both Building Products and Container Glass businesses, catering to the continuously growing demand across these segments. The Company makes constant effort to increase the capacity utilisation of its plants to fulfill the growing demand of its products.

The outlook of Indian industry is becoming more service oriented and to grow and sustain in the expanding domestic/ international market, we have to focus on the services provided not only to the customer but environment as a whole.

The Management focused towards increase in People Productivity through various motivational strategies. Innovative practices introduced during the year, will enhance their risk taking appetite in undertaking strategic decisions.

Your Company is undertaking activities to provide value added services to employees, customers and the environment.

“EVOK” – Home Fashion Mega Store- Entry in Retail Sector

Your Company has entered into the organised retail sector with its Home Interior Solutions business through Hindware Home Retail Pvt. Ltd. (HHRL), a wholly owned subsidiary. The first pilot store is launched in May 2008 with the brand “EVOK” in NCR and there are other three stores under finalisation to be introduced shortly.

HSIL intends to leverage on its core strengths in understanding diverse Consumer and Trade behavior, Retail Distribution network, Brand Equity, Global Sourcing and effective supply chain management. HHRL plans to invest around Rs. 2500 million over next four to five years to establish 45 large format stores across the country.

Dividend

Your Directors recommend a dividend of Rs. 1.50 per share on equity shares of face value of Rs. 2 each for the year ended March 31, 2008, which will result in an outflow of Rs. 96.57 million. (Inclusive of dividend tax)

Appropriations

It is proposed to transfer Rs. 30 million to the General Reserve while Rs. 916.24 million is proposed to be retained in the Profit and Loss Account.

Directors

During the year, Mr. Rahul Bhargava who was appointed as Alternate Director to Mr. Vishal K.K. Marwaha resigned w.e.f. May 11, 2007.

Mr. S.B. Budhiraja, Mr. Vishal K.K. Marwaha and Mr. N.G. Khaitan are

liable to retire by rotation, being eligible, have offered themselves for re-appointment.

Mr. R.K. Somany’s term as Chairman and Managing Director will expire on January 8, 2009 and a proposal for his re-appointment for a period of three years w.e.f January 9, 2009 shall be placed before the Shareholders for seeking their approval.

Changes in Share Capital

During the year under review, there is no change in Share capital of the Company.

ERP Program

The Company has implemented SAP on the ERP platform, in association with IBM, in Building Product Division and its implementation in Glass division is under progress. Capturing business transactions on one platform allows easy review of inventory, customer and vendor activity. On the technical side, a solution on a single platform will enable easier maintenance and support and reducing costs.

Corporate Governance

The Corporate Governance Report and a Certificate from the Statutory Auditors of the Company regarding compliance of the conditions of Corporate Governance, as stipulated under Clause 49 of the Listing Agreements with the Stock Exchanges, are attached after this report and form an integral part of the Report.

Wholly Owned Subsidiaries

As required under Section 212 of the Companies Act, 1956, the Annual Report of the Company’s subsidiaries,

AGI Glasspack Limited and Hindware Home Retail Private Limited, for the year ended March 31, 2008, have been attached to this report. Also statement as required under Section 212(3) is annexed with this report

Fixed deposit

Your Company did not invite or accept any fixed deposit pursuant to provisions of Section 58A of the Companies Act, 1956, during the year.

Particulars of Employees

Information as required by Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, in respect of the Company’s employees, has been given in an Annexure to this Report.

Awards & Recognition

The Company was recognised through the following:

- ◆ Consumer Validated Superbrand
- ◆ Business Superbrand Award
- ◆ Reader Digest Trusted Brands Gold Award
- ◆ 4P’s India’s 100 most Valuable Brands
- ◆ 4P’s Most Admired Companies Award
- ◆ Mera Brand Award

Directors’ Responsibility Statement pursuant to Section 217 (2AA) of the Companies Act, 1956

Your Directors hereby confirm that in the preparation of annual accounts, the applicable accounting standards were followed.

Your Directors selected such accounting policies and applied them consistently

and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the profit of your Company for that period.

Your Directors took proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities.

Your Directors prepared the annual accounts on a going concern basis.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings/ out-go

Information required under Section 217(1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in Report of the Board of Directors) Rules, 1988, is attached as Annexure to this report.

Auditors

Walker, Chandio & Company, Chartered Accountants, Auditors of the Company retire at the ensuing Annual General Meeting and offer themselves for re-appointment. They have confirmed that their re-appointment, if made, shall be within the limits laid down in Section 224 (1B) of the Companies Act, 1956.

The notes to the accounts referred to in the Auditors’ Report, are self explanatory and, therefore, do not require any further comments under Section 217 (3) of the Companies Act, 1956.

Internal Control System

The Company has adequate system of Internal Control to ensure compliance with policies and procedures. Internal Audit of all the units of the Company is regularly carried out to review the internal control systems. The Internal Auditors independently evaluate the adequacy of internal controls and independence of the audit is ensured by the direct reporting of internal audit function to the Audit Committee of the Board.

Management Discussion and Analysis Report

In terms of Clause 49 of the Listing Agreement with the Stock Exchanges the Management and Discussion Analysis Report is appended to and form part of the Annual Report.

Acknowledgement

Your Directors wish to place on record their sincere appreciation for the support and co-operation extended by all dealers, financial institutions, banks, customers, employees and all the stakeholders of your Company and look forward to their continued support in the days ahead.

For and on behalf of the Board of Directors

Rajendra K Somany
Chairman and Managing Director

Place: New Delhi
Date: May 17, 2008

Annexure to
Directors’ Report

A. Conservation of Energy

1. Energy Conservation Measures taken

- ◆ Studies have been conducted to optimize the use of LPG in Forehearths with the help of experts from Europe. Operational and Maintenance procedures have been standardised to monitor the same on regular basis and ensure optimal use of LPG in the process
- ◆ 32 Bottles have been light weighted which has resulted in saving of energy per unit of output
- ◆ Optimisation of batch sizes, by the manufacture of Container Glass for different customer segments having the similar weight, helped reduce job changes and energy consumption
- ◆ Changes in the design and material of 25-30 mould jars enhanced operational speed and enabled energy

savings

- ◆ Institutionalised a system for detection of compressed air leakage and pressure drops in the compressed air lines. The reduction in the wastage of compressed air has resulted in energy saving
- ◆ Replacement of old Motors with energy efficient Motors as per schedule is being implemented
- ◆ Waste heat is utilised for POP mould dryers
- ◆ Optimisation of kiln firing cycles and kiln loading density has helped conserve R-LNG fuel

2. Additional investments and proposals

- ◆ No additional investments and proposal being implemental for reduction of consumption of energy
- ◆ Replacement of old motors with

energy efficient motors as per schedule is being implemented

- ◆ Old heating systems were replaced by direct air heaters in casting floors

3. Impact of the above measures on Energy Conservation and Cost of Production

- ◆ Reduction in fuel consumption per unit.
- ◆ Reduction in fuel consumption per unit.

- ◆ Action taken on the cast floors and shop floor helped conserve power consumption per MT.

4. Total Energy Consumption and Energy Consumption per Unit

Total Consumption and Energy Consumption per unit of production in respect of Container Glass Division as per Form 'A' is as under:

Form 'A'

Energy Consumption & Consumption per unit of Production

Parameters	2007-08	2006-07
A) POWER AND FUEL CONSUMPTION		
1. a) Electricity (Purchased)		
Units (KWH)	74,013,294	67,098,162
Total Amount	227,795,519	194,310,493
Rate / Unit	3.08	2.90
b) Own Generation		
Units (KWH)	255,826	463,524
Units per LT of Fuel Oils	3.03	4.23
Rate / Unit	9.37	6.49
c) Total (A + B)		
Units (KWH)	74,269,120	67,561,686
Total Amount	230,193,595	197,319,537
Rate Per Unit	3.10	2.92

Parameters	2007-08	2006-07
2. FUELS (COAL, HSD, LDO, LPG & LSHS)		
Quantity in MT	24,056	23,579.16
Value	557,143,691	458,674,243
Rate / MT	23,160	19,453
B) CONSUMPTION PER MILLION UNIT OF PRODUCTION		
Glass Bottles (Production in million pcs)	854.50	784.89
Electricity (KWH)	86915	86078
FUELS (COAL, HSD, LDO, LPG & LSHS)	28.15	30.04

B. Technology Absorption

1. Research and Development

a) Specific areas in which R&D was carried out by the Company with benefits derived from it are as below:

Ceramic Division – Bahadurgarh

- ◆ Developmental work on improving glaze texture & finish
- ◆ Developmental work on application of nano coating for specialised surface properties in progress

Ceramic Division – Somanypuram

- ◆ Changes in the material of Block and Cases: From Plaster of Paris to Resin and rubber with in house R&D activities. The life of the Blocks increased from 200 to 20,000-30,000. This is the latest state of art technology for Block making which we absorbed from the foreign consultants. The other advantage is the superior surface finish of the working moulds
- ◆ **New Water Savings Model:** Through In-house R&D measures we have designed and developed new Water Saving high end products like Cornice,

Cornice Extended, Crystal 'S', Enigma and Blamont

- ◆ **New Carousal Spraying System:** We have developed Carousel Spraying system, which operates on PLC control programmer. This has resulted in improved Surface finish of the finished products due to controlled double spraying system. The reclamation of the over sprayed waste glaze became more effective, resulting in reduction in glaze consumption

- ◆ Installation of fuel saving assets resulting in fuel saving

Container Glass Division:

- ◆ Developed successfully UPS system for installation on I.S. Machines to avoid stoppage of the machines due to power tripping and fluctuations for short durations
- ◆ Significant progress has been achieved in the development of raw materials from alternate sources in the face of depletion of raw materials from the existing established sources

b) Future plan of action

- ◆ Process innovation for saving cost

- ◆ Launch of new user friendly models
- ◆ The above activities would be continued on an ongoing basis

2. Technology Absorption, Adaptation & Innovation
Efforts Made Towards Technology Absorption, Adaptation and Innovation

Process innovations with the objective of reduction in raw material and fuel costs.

New Products introduced having better aesthetics & utility.

Innovative Designs competing with international standards.

Benefits derived as a result of the above efforts

Cost reduction, product development to satisfy consumer needs,

Product improvements in terms of convenience and environmental friendly production.

Technology Import

No technology has been imported during last 5 years.

Expenditure on R & D			(Rs. in million)	
Parameters	2007-08	2006-07		
Capital Expenditure	NIL	NIL		
Recurring Expenditure	1.04	1.36		
Total	1.04	1.36		
Total R & D Expenditure as a percentage of total Building Products revenue	0.03%	0.06%		

3. Foreign Exchange Earnings & outgo:

Activities and Initiatives:

A number of new products were developed and exported. The export team was strengthened for better direct market penetration overseas especially for South East Asia and developed countries. Better strategies were lined up for more aggressive development of overseas opportunities.

			(Rs. in million)	
	2007-08	2006-07		
Earnings in Foreign Exchange	203.19	281.47		
Expenditure in Foreign Exchange				
Raw Material, Spare Parts and others	488.36	469.41		
Capital Equipments	141.69	59.70		

Statement regarding Subsidiary Companies Pursuant to Section 212 (3) of the Companies Act, 1956

			(Rs. In million)	
1. Name of Subsidiary	AGI Glasspack Ltd.	Hindware Home Retail Pvt. Ltd.		
2. Financial year	March 31, 2008	March 31, 2008		
3. Holding Company's interest	100%	100%		
4. Shares held by holding Company in subsidiary (no.)	4,301,200	3,625,000		
5. The net aggregate of profits / (losses) for the current financial year of the subsidiary so far as it concerns the members of the holding Company:				
(a) dealt with or provided for in the accounts of the holding Company	0.02	(18.49)		
(b) not dealt with or provided for in the accounts of the holding Company	—	—		
6. The net aggregate of profits / (losses) for the previous financial year of the subsidiary so far as it concerns the members of the holding Company:				
(a) dealt with or provided for in the accounts of the holding Company	(0.16)	(12.45)		
(b) not dealt with or provided for in the accounts of the holding Company	—	—		

For and on behalf of the Board of Directors

Place: New Delhi
Date: May 17, 2008

Rajendra K Somany
Chairman and Managing Director

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the financial year ended March 31, 2008.

Name of the Employee	Designation & Nature of Employment	Qualification (years)	Experience (years)	Date of Employment	Age (years)	Remuneration Received (Rs.)	Last Employment held and designation	
A. Employed throughout the period and in receipt of remuneration not less than Rs. 2,400,000 for the period								
Mr. R.K. Somany	Chairman & Managing Director Contractual	B.Com., FI(Cem.), FBIM (U.K.), LFIMA	53	01.10.1965	71	22,914,467	–	–
Mr. Sandip Somany	Joint Managing Director Contractual	B.Com., Diploma in Ceramics (USA)	23	01.10.1985	45	22,340,887	–	–
Mr. R.B. Kabra	President-Building Products Division	B.Com, FCA, ACS	27	07.09.1981	50	5,853,379	Hyderabad Asbestos Ltd.,	Chief Accountant
Mr. A.K. Dukkupati	President-Glass Division	B.E. (Mechanics)	36	02.12.1996	61	4,183,987	Nagarjuna Acqua Ltd.	President
Mr. J.K. Somani	Sr. V.P Accounts	B.Com., ACS	30	06.06.1977	51	3,792,539	–	
Mr. S.S. Kamath	V.P. -Works	B.Tech.	25	20.12.2005	47	2,614,876	ACC Ltd., Refractory Division	V.P.- Works
Mr. Sanjay Gaur	V.P.– H.R.	MBA	18	04.12.2006	41	2,996,940	Bharti Airtel Ltd.	GM-HR
Mr. Sanjay Kalra	V.P. - SALES	B.Sc., MBA	24	29.04.2002	46	3,365,148	Pedilite Industries	DGM
B. Employed for part of the period and in receipt of remuneration not less than Rs. 200,000 per month.								
Mr. Alok Vaish	Chief financial Officer	MBA (USA), ACA, B.Com (Hons)	13	18.04.2005	40	4,346,194	Ambit corporate Finance Ltd.	V.P.-M&A
Mr. Ajay Seth	AVP- Services	B.E.	18	10.09.2007	40	1,525,426	Reliance Industries Ltd.	GM Service

Notes:

- Employees named above are/were wholtime employees of the Company as per terms and conditions of the Company.
- Mr. R.K. Somany, Chairman and Managing Director and Mr. Sandip Somany, Joint Managing Director are related to each other. None of the other employees are related to any of the Directors of the Company.
- Mr. R.K. Somany, Chairman and Managing Director and Mr. Sandip Somany, Joint Managing Director are promoters of the Company and except them no other employee hold 2% or more of the equity share capital of the Company.
- Remuneration Received gross includes Salary, Bonus, Commission, performance incentive, ex-gratia, actual expenditure for provision of rent free accommodation or benefits or amenities, house rent allowance, medical expenses, leave travel assistance, other allowances, reimbursement of gas, water and electricity expenses. Company's contribution to provident fund, employee pension scheme, gratuity fund and provision of car valued as perquisites in accordance with rules under the Income Tax Act, 1961.

For and on behalf of the Board of Directors

Place: New Delhi
Date: May 17, 2008

Rajendra K Somany
Chairman and Managing Director

Corporate Governance Report

A. Our Governance philosophy

HSIL has a tradition of adopting and implementing the highest standards of Corporate Governance principles and best practices. The Company makes periodical reviews of the guidelines to ensure their continuing relevance, effectiveness and responsiveness to the needs of all stakeholders.

The Company's philosophy on Corporate Governance envisages the attainment of the highest levels of transparency, independent monitoring and equity, in all facets of its operations and interactions with its stakeholders, including shareholders, the government, lenders and the society. The Company's Corporate Governance structure, systems and processes are based on the following core principles:

1. Executive Management must have the freedom to drive the Company forward without undue restraint
2. Freedom of Management is exercised within the framework of appropriate controls
3. Ensuring timely disclosure of all information and matters of interest to our stakeholders
4. Demonstrating highest levels of personal responsibility, reaffirming that employees are responsible for the pursuit of excellence
5. Following ethical codes of conduct of the Company

Hence, the essence of Corporate Governance lies in the phrase "Your

Company". It is "Your" Company because it belongs to you, the shareholders. The Chairman and Directors are "Your" fiduciaries and trustees. The objective is to take the business forward to maximize "Your" Shareholder's value.

B. Board of Directors

The day-to-day business of the Company is conducted by the Presidents and Divisional heads under the direction of the Board led by the Chairman. The Company has a thoroughly professional Board with a majority of Non-Executive and Independent Directors. Presently, the Company's Board comprises nine Directors, out of whom two are Executive Director, five are Non-Executive Independent Directors, one is Non-Executive Non-Independent Director and one is Investor Director.

None of the Directors on the Company's Board is a Director in more than 15 public limited companies, neither a member of more than ten committees and Chairman of more than five committees across all the public limited companies in which he is a Director. All the Directors have made necessary disclosures regarding their Directorships and Committee memberships/Chairmanships in other companies.

The Board holds five-to-six meetings every year to review and discuss the performance of the Company, its future plans, strategies and other pertinent issues relating to the Company.

Meetings are governed by a structured agenda. The Board members in

consultation with the Chairman may bring up any matter for consideration of the Board. All major agenda items are backed by supportive information to enable the Board to take decisions. Agenda papers are generally circulated seven working days prior to the Board meeting.

In addition to oversee the business and the management the following are also periodically reviewed by the Board:

- ◆ Quarterly performance against plan, including business financials in respect of revenue, profits, cash flow, balance sheet, investment and capex
- ◆ Review, monitor and approve major financial and business strategies and corporate actions
- ◆ Assess critical business risks of the Company – review options for their mitigation
- ◆ Internal audit findings and external audit management reports (through the Audit Committee)
- ◆ Company's management development processes and compensation of senior management
- ◆ Status of safety, security and legal compliances
- ◆ Materially significant show cause, demand, prosecution and adjudication notices, if any
- ◆ Long term borrowings made, bank guarantees issued and investments made
- ◆ Forex policy, as and when changes take place
- ◆ Ensure that processes are in place for maintaining the integrity of the Company with its relationships with all the stakeholders

- ◆ Delegation of appropriate authority to the senior executives of the Company for effective management of operations

During the year under review, five Board meetings were held on May 19, 2007, July 27, 2007, September 15, 2007, October 27, 2007, and January 28, 2008 and the time-gap between any two consecutive meetings did not exceed four months.

The composition of the Board, attendance at Board meetings held during the financial year under review and at the last Annual General Meeting (AGM), number of Directorships, memberships/Chairmanships in public companies (excluding the Company) and their shareholding in the Company, are as follows:

Name	Designation	Category	No. of Board meetings attended during 2007-08	Whether attended the last AGM	No. of other Directorships*	No. of memberships (Chairmanships) of Board Committees of other companies**	No. of equity shares held in the Company***
1. Mr. R.K. Somany	Chairman & Managing Director	Executive (Promoter)	5	Yes	5	Nil	2,492,614
2. Mr. Sandip Somany	Joint Managing Director	Executive (Promoter)	4	No	5	Nil	2,736,528
3. Mr. V.K. Bhandari	Director	Non-Executive & Independent	5	Yes	5	2(1)	Nil
4. Mr. S.B. Budhiraja	Director	Non-Executive & Independent	4	No	3	2(1)	1,300
5. Mr. Ashok Jaipuria	Director	Non-Executive & Independent	1	No	3	Nil	18,000
6. Mr. N.G. Khaitan	Director	Non-Executive & Independent	5	Yes	10	6(2)	832
7. Mr. Binay Kumar	Director	Non-Executive & Independent	5	Yes	7	Nil	32,474
8. Mr. Vishal K.K. Marwaha	Director	Non-Executive & Independent	3	No	1	Nil	25,000
9. Mr. G.L. Sultania	Director	Non-Executive & Non-Independent	5	Yes	11	7(3)	6,705
10. Mr. Rahul Bhargava#	Alternate Director	Non-Executive & Independent	NIL	–	–	–	–

* Excludes Directorship in Indian private companies, foreign companies, membership of managing committees of chambers of commerce/professional bodies and alternate Directorship

** For this purpose only Audit Committees and Investors'/Shareholders' Grievance Committees of public companies, whether listed or not, are considered

*** Equity shares of Rs. 2 each, as per last declaration made to the Company.

Mr. Rahul Bhargava resigned as Alternate Director w.e.f. May 11, 2007

Mr. S.B. Budhiraja, Mr. Vishal K.K. Marwah and Mr. N.G. Khaitan are liable to retire by rotation and being eligible, have offered themselves for reappointment.

Mr. R.K. Somany’s term as Managing Director will expire on January 8, 2009 and a proposal for his reappointment for a period of three years w.e.f January 9, 2009 shall be placed before the members for seeking their approval.

Attention of the members is invited to the relevant items in the Notice of the Annual General Meeting for seeking their approval for the aforesaid appointments. The information as required under Clause 49 (IV) (G) of the Listing Agreement and Schedule XIII of the Companies Act, 1956 (the Act), wherever applicable, is annexed to the Notice of the AGM.

HSIL Code of Conduct

The Company had formulated the Code of Conduct (the Code) which is applicable to the Company’s Directors and senior management personnel. The Code is available on the Company’s website. All the Directors and senior management personnel of the Company have affirmed compliance with the Code for the financial year ended March 31, 2008. A Declaration to this effect, duly signed by the Chairman and Managing Director was placed before the Board and is annex to this report.

C. Committees of the Board

I. Audit Committee

◆ Constitution

The Board constituted the Audit Committee in compliance with requirements under Section 292A of the Act and Clause 49 of the Listing Agreement. Presently, it comprises five Non-Executive Directors with one Investor Director.

The Committee comprises:

1. Mr. V.K. Bhandari	Chairman
2. Mr. Binay Kumar	
3. Mr. N.G. Khaitan	
4. Mr. S.B. Budhiraja	
5. Mr. Vishal K.K. Marwaha	

The Committee is supervised by Mr. V.K. Bhandari, Independent Director, as Chairman of the Committee who is a Chartered Accountant by qualification and ex-banker by profession. He has a rich experience of over 30 years in banking and has been the Head of Credit, Credit Monitoring, Treasury, Investments, Funds Management, Merchant Banking, and International Banking Divisions of one of the leading banks of the country.

The Company Secretary acts as the Secretary to the Committee.

◆ Terms of Reference

The charter of the Committee is as prescribed under Section 292A of the

Act and Clause 49 of the Listing Agreement viz. to oversee the financial reporting and process, to review the financial statements of the Company before submission to the Board, to review with the management the statement of uses/application of funds raised through an issue, to review reports of the internal auditors, statutory auditors and discuss their findings, suggestions, internal control systems, scope of audit, observations of the auditors and other related matters etc., to recommend appointment/reappointment and remuneration of auditors and to select and review major accounting policies followed by the Company. The minutes of the Audit Committee meetings are circulated to the Board of Directors.

◆ Meetings and attendance

During the year under review, the Audit Committee met four times and the gap between two consecutive meetings did not exceed more than four months. The Committee had reviewed and considered the quarterly and annual results, related-party transactions, internal audit reports, appointment and remuneration of internal and statutory auditors, management discussion and analysis of financial condition and results of operations etc.

The following table summarises the date of each meeting attended by the members:

Date of meeting	19.05.2007	27.07.2007	27.10.2007	28.01.2008
Mr. V.K. Bhandari	√	√	√	√
Mr. Binay Kumar	√	√	√	√
Mr. N.G. Khaitan	√	√	√	√
Mr. S.B. Budhiraja	√	√	√	√
Mr. Vishal K.K. Marwaha	X	√	X	√

II. Remuneration Committee

◆ Constitution

The Committee comprises three Non-Executive and Independent Directors. The Committee comprises:

1. Mr. S.B. Budhiraja	Chairman
2. Mr. N.G. Khaitan	
3. Mr. V.K. Bhandari	

The Committee is chaired by Mr. S.B. Budhiraja, a gold-medallist in Mechanical Engineering from the University of Roorkee. Mr. Budhiraja held several significant posts and was the youngest ever Managing Director of Indian Oil Corporation of India from

Remuneration

◆ Non-Executive Directors’ Commission

Non-Executive Directors are remunerated by way of commission within the limits specified under the Act for each financial year as approved by the Shareholders. Non-Executive Directors’ commission is determined by the Board based, inter-alia, on the Company’s performance and regulatory provisions. Such commission is payable on a uniform basis to reinforce the principle of

1974-78. He was also the Managing Director of IBP, Balmer Lawrie and Indian Oxygen, during his career. He was a member of the World Bank team to study the restructuring of Haryana Power Sector and the Senior Advisor to the United Nations Secretary General's Office, for the Global Compact in India.

The Company Secretary acts as the Secretary to the Committee.

◆ Terms of Reference

The Remuneration Committee has been constituted to recommend and review the remuneration of the Executive Directors, and to formulate a broad policy framework for managerial

remuneration.

◆ Remuneration policy

The remuneration policy aims at recognising and rewarding performance and achievements. The policy is market-led and takes into account the current national and international practices, considering the highly competitive business scenario and the responsibilities shouldered by such Executive Directors.

◆ Meetings & attendance

During the year 2007-08, the Committee met twice. The following table summarises the date of meeting and attendance of the members:

Date of meeting	19.05.2007	28.01.2008
Mr. S.B. Budhiraja	√	√
Mr. N.G. Khaitan	√	√
Mr. V.K. Bhandari	√	√

collective responsibilities. Non-Executive Directors are also entitled to sitting fee for attending the meetings of the Board and committees thereof, within the guidelines notified by the Central Government.

◆ Details of Remuneration of Directors:

The details of the remuneration paid to the directors, during the financial year 2007-08 are as follows:-

Name	Basic	Perquisites	Commission (for the year 2006-07)	Cont. to PF	Sitting fees	Stock option	Total
Mr. R. K. Somany	6,274,194	368,380	15,521,990	752,903	–	–	22,917,467
Mr. Sandip Somany	4,680,000	1,577,297*	15,521,990	561,600	–	–	22,340,887
Mr. V. K. Bhandari	–	–	739,142	–	22,500	–	761,642
Mr. S. B. Budhiraja	–	–	739,143	–	20,000	–	759,143
Mr. Ashok Jaipuria	–	–	739,142	–	–	–	739,142
Mr. N. G. Khaitan	–	–	739,142	–	22,500	–	761,642
Mr. Binay Kumar	–	–	739,143	–	16,500	–	755,643
Mr. Vishal K.K. Marwaha	–	–	739,142	–	9,500	–	748,642
Mr. G. L. Sultania	–	–	739,142	–	16,500	–	755,642
TOTAL	10,954,194	1,945,677	36,217,976	1,314,503	107,500	–	50,539,850

Note :

* Includes Rs.1,044,000 on account of encashment of accrued leave at the end of last tenure on November 30, 2007

- ◆ The appointment of Mr. R.K. Somany, Chairman and Managing Director, is contractual for a period of three years with effect from January 9, 2006, a proposal for his reappointment for a period of three years w.e.f. January 9, 2009 shall be placed before the members for seeking their approval
- ◆ The services of Chairman and Managing Director and Joint Managing Director may be terminated by giving six months’ notice or alternatively six months’ salary in lieu of six months’ notice
- ◆ Mr. Ashok Jaipuria had relinquished his entitlement for sitting fee and he was only paid proportionate commission as Non-Executive Director

III. Shareholders’/Investors’ Grievance Committee

◆ Constitution

The Shareholders’/Investors’ Grievance Committee presently comprises four Non-Executive Directors. The constitution of the Committee is as under:

1. Mr. S.B. Budhiraja	Chairman
2. Mr. N.G. Khaitan	
3. Mr. V.K. Bhandari	
4. Mr. G.L. Sultania	

◆ Terms of reference

The Committee looks into redressing investors’ complaints like delay in

transfer of shares, non-receipt of dividends and non-receipt of Annual Reports etc.

The Company Secretary is the Secretary to the Committee. The Board has designated the Company Secretary as the Compliance Officer.

◆ Meetings and attendance

During the year 2007-08, the committee met four times. The following table summarises the date of each meeting and attendance of members:

Date of meeting	19.05.2007	27.07.2007	27.10.2007	28.01.2008
Mr. S.B. Budhiraja	√	√	√	√
Mr. N.G. Khaitan	√	√	√	√
Mr. V.K. Bhandari	√	√	√	√
Mr. G.L. Sultania	√	√	√	√

During the year under review, the Company received 70 letters/enquiries/complaints from shareholders, which were mainly enquiries about the split/sub-division of shares, split shares and non-receipt of dividend or Annual Report, which were replied/resolved to the satisfaction of shareholders. As on the date of this report, no complaints were pending.

IV. Share Transfer Committee

◆ Constitution

The Committee presently comprises one Non-Executive Director and two Executives of the Company. The Committee comprises:

1. Mr. G.L. Sultania	Chairman
2. Mr. N. Goenka (DGM – Finance)	
3. Mr. S. Banerjee (Investor Relations Manager)	

◆ Terms of reference

The Company constituted the Share Transfer Committee to consider and process various requests for transfer of shares, issue of duplicate shares, split/consolidation of shares and thereupon issue of fresh share certificates, transmissions or transposition of shares.

◆ Meetings

During the year under review, the committee met on 12 occasions for the approval of transfer of shares lodged with the Company and all the members attended all the meetings. As on date

of this report, no requests for transfer of shares are pending.

V. Corporate Affairs Committee

The primary role of the Corporate Affairs Committee is making strategic business decisions to ensure smooth business operations of the Company within the framework approved by the Board. The Company also formed other committees for some specific purposes like Borrowing Committee, Investment Committee and Finance Committee. All powers of these committees are now assigned to this committee for better monitoring and control.

Composition

Corporate Affairs Committee comprised two Executive and one Non-Executive Director:

1. Mr. R.K. Somany	Chairman
2. Mr. Sandip Somany	
3. Mr. G.L. Sultania	

Meetings and attendance

During the year 2007-08, there were five meeting of the committee, which were attended by all the members.

D. Subsidiary Companies

Your Company does not have any material non-listed Indian subsidiary Company. The Audit Committee reviews the financial statements and in particular, the investments made by the unlisted subsidiary companies. The minutes of the Board meetings as well as statements of all significant transactions of the unlisted subsidiary companies are placed before the Board of Directors of the Company for their review.

E. Disclosures

◆ Basis of related party transactions:

Related-party transactions are given at Note 13 of Schedule 21 of the Annual Accounts.

◆ Disclosure of Accounting Treatment

In preparation of financial statements, the Company had consistently followed the accounting standards.

◆ Risk management

The Company’s risk management strategies are continuously being refined and redefined. Despite the substantial increase in volume of

business over a period of years, risks were effectively managed through risk assessment framework and policies. The internal control systems provide a robust support for risk management for the Company in operating its business. The Company laid down a procedure to inform Board of Directors about Risk assessment and minimisation procedures.

- ◆ No non-compliances have taken place nor have any penalties or strictures been imposed on the Company by the Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets during the last three years.
- ◆ Proceeds from public issue, right issues, preferential issues etc. During the year under review, the Company did not raise money from public issue, right issues and

preferential issues, among others.

◆ Management

- i) The Management Discussion and Analysis Report forms a part of the Annual Report and is in accordance with the requirements laid out in Clause 49 of the Listing Agreement.
- ii) No material transaction has been entered into by the Company with the Promoters, Directors or the management, their subsidiaries or relatives etc. that may have a potential conflict with interests of the Company.

F. Report on Corporate Governance

This Corporate Governance Report forms a part of the Annual Report. The Company is fully compliant with all the provisions of Clause 49 of the Listing Agreement of the stock exchanges in India.

G. Compliance

Certificate from the statutory auditors confirming compliance with all the conditions of Corporate Governance, as stipulated in Clause 49 of the Listing Agreement of the stock exchanges in India, is annexed to the Directors' Report and forms a part of the Annual Report.

H. HSI Code of Conduct for prevention of insider trading

HSIL has a HSI Share Transaction Code for prevention of insider trading in the shares and securities of the Company. The code, inter alia, prohibits purchase/sale of shares of the Company by employees/Directors while in possession of unpublished price-sensitive information in relation to the Company.

newspapers and the regional newspapers.

- ◆ The results are also posted on the website of the Company at <http://www.hindwarebathrooms.com>. The results are also posted on the official website of SEBI – <http://www.sebidifar.nic.in>.

K. Shareholders' Information

(i) The 48th Annual General Meeting is proposed to be held on September 4, 2008, at 11.00 a.m. at Somany Conference Hall of Merchant's Chamber of Commerce, 15B, Hemant Basu Sarani, Kolkata - 700 001.

(ii) Tentative financial calendar for 2008-09

First quarter results	Last week of July, 2008
Second quarter results	Last week of October, 2008
Third quarter results	Last week of January, 2009
Audited annual results for the year	Last week of May, 2009.

(iii) Date of Book Closure

August 25, 2008 to September 4, 2008 (both days inclusive).

(iv) Dividend payment date

Latest by October 4, 2008.

(v) Listing on Stock Exchanges

The names of the Stock Exchanges at which the equity shares of the Company are listed and the respective stock codes comprise:

Name of the Stock Exchange	Stock Code
1. National Stock Exchange of India Ltd. (NSE)	HINDSANIT
2. Bombay Stock Exchange Ltd. (BSE)	500187

ISIN allotted for Company's equity shares of Rs. 2 each: INE 415A 01038.

Listing fees for the financial year 2008-09 has been paid to the Stock Exchanges.

I. General Body Meetings

- ◆ The last three general body meetings were held as under :

Financial year	Date	Time	Venue
2006-07	September 15, 2007	11:00 a.m.	Somany Conference Hall, Merchant's Chamber of Commerce, 15B, Hemant Basu Sarani, Kolkata – 700 001.
2005-06	September 9, 2006	11:30 a.m.	Same as above.
2004-05	August 24, 2005	11:30 a.m.	Same as above.

- ◆ Five special resolutions were passed in the Annual General Meetings held during last three financial years.
- ◆ During the financial year 2007-08, no special resolution passed through Postal Ballot.

J. Means of Communication

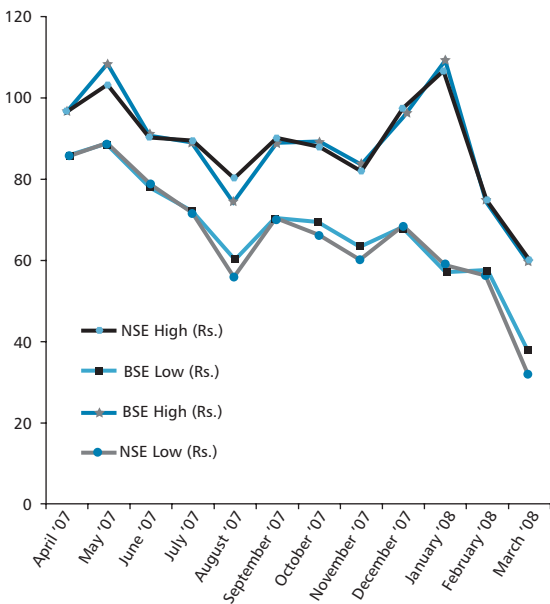
- ◆ The quarterly and annual financial results of the Company are sent to the stock exchanges, immediately after they are approved by the Board. The results are published in leading business newspapers of the country, general interest national

(vi) Market price data

Monthly stock market data of high-and-low prices of equity shares of the Company during the financial year 2007–08 and their performance in comparison with the broad-based index comprise:

Monthly stock market data:

Month	NSE		BSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April'07	96.00	85.20	96.00	85.00
May'07	102.90	88.35	108.00	88.65
June'07	89.95	78.10	90.00	77.60
July'07	89.00	71.60	89.00	72.00
August'07	80.00	55.35	73.95	60.05
September'07	89.45	70.10	88.80	70.10
October'07	88.00	66.00	89.00	69.30
November'07	81.90	60.00	83.00	63.00
December'07	96.90	68.20	94.80	68.10
January'08	106.40	58.20	108.85	57.10
February'08	74.05	56.20	74.00	57.30
March'08	59.60	31.55	59.10	37.00



(vii) Performance comparison with broad-based index

Month	HSIL*	NSE Nifty
April'07	92.80	4,087.90
May'07	89.40	4,295.80
June'07	85.70	4,318.30
July'07	74.20	4,528.85
August'07	72.15	4,464.00
September'07	85.60	5,021.35
October'07	70.15	5,900.65
November'07	69.40	5,762.75
December'07	87.25	6,138.60
January'08	67.05	5,137.45
February'08	58.20	5,223.50
March'08	43.05	4,734.50

*HSIL's monthly closing prices on NSE

(viii) Registrar and Transfer Agents

The Company appointed M/s Maheshwari Datamatics Private Limited as Registrar and Share Transfer Agent (RTA) for physical as well as electronic connectivity with the depositories for dematerialised shares. The contact details of RTA are:

Maheshwari Datamatics Private Limited
6, Mangoe Lane, Kolkata - 700 001.
Phone no. (033) 2243 5809/5029,
Fax No. (033) 2248 4787
Email : mdpl@cal.vsnl.net.in

(ix) Share Transfer System

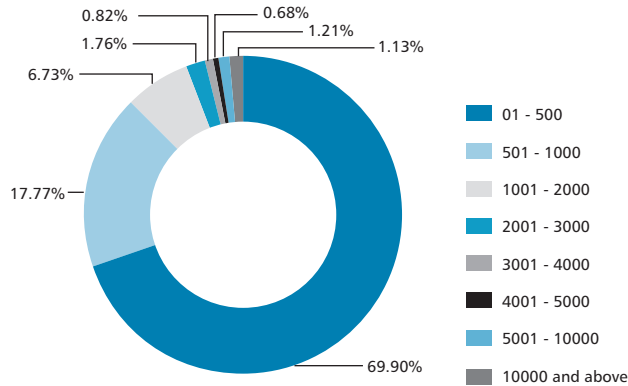
The Company's shares are traded on stock exchanges in compulsory demat mode. Share Transfer Committee of the Company is authorised to approve transfers of securities. Share transfers which are received in physical form are processed and the share certificates returned within a period

of 14 days from the date of receipt, subject to the documents being valid and complete in all respects. The dematerialised shares are transferred directly to the beneficiaries by the depositories.

(x) Distribution of Shareholding As on March 31, 2008

Shareholding	No. of shareholders	% shares
Upto 500	7,404	69.9
501-1000	1,882	17.77
1001-2000	713	6.73
2001-3000	186	1.76
3001-4000	87	0.82
4001-5000	72	0.68
5001-10000	128	1.21
10000 and above	120	1.13
Total	10,592	100

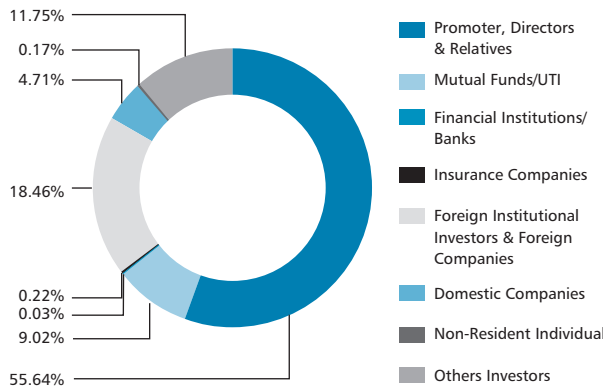
On the basis of number of shareholders



(xi) Category of Shareholders as on March 31, 2008

Category	No. of shares	% of shareholding
Promoter, Directors & Relatives	30,667,856	55.64
Mutual Funds/UTI	4,964,892	9.02
Financial Institutions/Banks	17,531	0.03
Insurance Companies	123,147	0.22
Foreign Institutional Investors & Foreign Companies	10,156,787	18.46
Domestic Companies	2,593,354	4.71
Non-Resident Individual	91,838	0.17
Others Investors	6,410,103	11.75
Total	55,025,508	100

Catagery of Shareholders as on 31.03.08



(xii) Dematerialisation of shares

The shares of the Company fall under the category of compulsory delivery in dematerialised mode by all categories of investors. The Company has signed agreements with the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) for this purpose. As on March 31, 2008, 28,620,130 equity shares of Rs. 2 each of the Company (52.01% of the paid-up capital) were in dematerialised form and 26,405,378 equity shares of Rs. 2 each (47.99% of the paid-up capital including 45.06%

of Company's shares held by the promoters) were held in physical form.

(xiii) Liquidity

The equity shares of the Company are frequently traded on the NSE as well as on the BSE.

(xiv) Outstanding GDRs/ADRs/warrant or any convertible instruments

As on March 31, 2008, the Company had no outstanding GDRs/ADRs/warrant or any convertible instruments.

(xv) Plant locations

I. Building Products Division

A. Bahadurgarh – 124507, District Jhajjar, Haryana

B. Somanypuram, Brahmanapally, Bibinagar – 508 126, Andhra Pradesh

II. Glass Division

Varadanagar, Kukatpally, Sanathnagar, Hyderabad – 500 018, Andhra Pradesh.

(xvi) Address for correspondence

2, Red Cross Place, Kolkata - 700 001
Phone: 91 - 33 -2248 7406/07
Fax: 91 - 33 - 2248 7045
email: hsilinvestors@hindware.co.in

Declaration by Chairman & Managing Director under Clause 49 of the Listing Agreement regarding adherence to Code of Conduct

In accordance with sub clause 1(D) of Clause 49 of the Listing Agreement with the Stock Exchanges, I hereby confirm that, all the Directors and the Senior Management have affirmed compliance with their respective codes of conduct as applicable to them, for the year ended on March 31, 2008.

Place: New Delhi
Date: May 17, 2008

Rajendra K. Somany
Chairman and Managing Director

CEO/ CFO Certification

As required by Clause 49(V) of the Listing Agreement with the Stock Exchanges, we have certified to the Board that for the financial year ended March 31, 2008 the Company has complied with the requirements of this sub clause.

Place: New Delhi
Date: May 17, 2008

Rajendra K. Somany
Chairman and Managing Director

V.K. Ajmera
Sr. G.M. (Corporate Finance)

Auditors’ Certificate on compliance with the conditions of Corporate Governance under Clause 49 of the Listing agreement

To the members of
Hindustan Sanitaryware and Industries Ltd.

We have examined the compliance of conditions of corporate governance by Hindustan Sanitaryware and Industries Ltd.(“the Company) for the year ended on 31 March 2008, as stipulated in Clause 49 of the Listing Agreement of the Company with the stock exchanges.

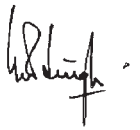
The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company, for ensuring the compliance of conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements oaf the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated in the above mentioned listing agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Place : New Delhi
Date : May 17, 2008

For Walker, Chandiok & Co.
Chartered Accountants


B.P.Singh
Partner

Membership No.070116


Auditors’ Report

To
The Members of
Hindustan Sanitaryware & Industries Limited

1. We have audited the attached Balance Sheet of Hindustan Sanitaryware & Industries Limited, (the ‘Company’) as at 31 March 2008, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto (collectively referred as the ‘financial statements’). These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor’s Report) Order, 2003 (the ‘Order’) (as amended), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (the ‘Act’), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. In our opinion, proper books of account as required by

- law have been kept by the Company so far as appears from our examination of those books;
- c. The financial statements dealt with by this report are in agreement with the books of account;
 - d. On the basis of written representations received from the directors, as on 31 March 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - e. In our opinion and to the best of our information and according to the explanations given to us, the financial statements dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act and the Rules framed there under and give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, in the case of:
 - i) the Balance Sheet, of the state of affairs of the Company as at 31 March 2008;
 - ii) the Profit and Loss Account, of the profit for the year ended on that date; and
 - iii) the Cash Flow Statement, of the cash flows for the year ended on that date

For Walker, Chandiok & Co.
Chartered Accountants


Per B. P. Singh
Partner

Place : New Delhi
Date : 17 May 2008

Membership No. 70116

Annexure to the Auditors' Report

Annexure to the Auditors' Report of even date to the members of Hindustan Sanitaryware & Industries Limited, on the financial statements for the year ended 31 March 2008

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

- (i)

(a)

The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b)

The Company has a regular programme of physical verification of its fixed assets by which fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c)

In our opinion, a substantial part of fixed assets has not been disposed off during the year.
- (ii)

(a)

Physical verification of inventory (except stocks in transit) have been conducted at reasonable intervals by the management.

(b)

The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c)

The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii)

(a)

The Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clauses 4(iii)(b) to (d) of the Order are not applicable.

(b)

The Company has not taken any loan, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clauses 4(iii)(f) and 4(iii)(g) of the Order are not applicable.

- (iv)

In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services.
- (v)

(a)

In our opinion, the particulars of all contracts or arrangements that need to be entered into the register maintained under Section 301 of the Act have been so entered.

(b)

There are no transactions in pursuance of contracts or arrangements entered in the registered maintained under Section 301 of the Act during the year aggregating to rupees five lakhs or more in respect of any party.
- (vi)

The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules, 1975. Accordingly, the provisions of clause 4(vi) of the Order are not applicable.
- (vii)

In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- (viii)

To the best of our knowledge and belief, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act, in respect of Company's products. Accordingly, the provisions of clause 4(viii) of the Order are not applicable.
- (ix)

(a)

The Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues, as applicable, with the appropriate authorities. Further, no undisputed amounts payable in respect thereof were outstanding at the year end for a period of more than six months from the date they become payable.

(b) The dues outstanding in respect of sales tax, income tax, custom duty, wealth tax, excise duty, cess on account of any dispute, are as follows:

Name of the Statute	Nature of dues	Rs. in million	Period to which the amount relates	Forum where dispute is pending
The Central Excise Act, 1944				
	Duty on captive consumption of plaster of paris	0.50	June 1990 to April 1991	Customs, Excise and Service tax Appellate Tribunal. Out of this Rs. 0.25 million has been paid under protest.
The Central Excise Act, 1944				
	Duty on cisterns cleared with fittings	2.78	February 1988 to July 1988	Commissioner of Central Excise, Rohtak
Delhi Sales Tax Act, 1975				
	Sales tax demand due to non submission of statutory forms	11.44	1998-99 to 2004-05	Commissioner (Appeals), sales tax. Out of this demand Rs. 2.98 million has been deposited by the Company and assessment for the year 2003-04 and 2004-05 involving disputed tax of Rs. 6.36 million has been remanded back to the Assessing officer.

- (x)

In our opinion, the Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi)

In our opinion, the Company has not defaulted in repayment of dues to a financial institution or a bank. There were no outstanding debentures during the year.
- (xii)

The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.
- (xiii)

In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable.
- (xiv)

In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.
- (xv)

In our opinion, the terms and conditions on which the Company has given guarantee for loans taken by others from banks or financial institutions are not, prima facie, prejudicial to the interest of the Company.
- (xvi)

In our opinion, the Company has applied the term loans for the purpose for which the loans were obtained.

- (xvii)

In our opinion, no funds raised on short-term basis have been used for long-term investment.
- (xviii)

The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable.
- (xix)

The Company has neither issued nor had any outstanding debentures during the year. Accordingly, the provisions of clause 4(xix) of the Order are not applicable.
- (xx)

The Company has not raised any money by public issues during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable.
- (xxi)

No fraud on or by the Company has been noticed or reported during the period covered by our audit.

For Walker, Chandiok & Co.
Chartered Accountants

Per B. P. Singh
Partner


Place : New Delhi
Date : 17 May 2008

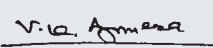
Membership No. 70116


BALANCE SHEET


(Rs. in Million)		
Schedule	As at 31 March 2008	As at 31 March 2007
SOURCES OF FUNDS		
Shareholders' fund		
Share Capital1	110.05	110.05
Reserves and surplus2	2,096.74	1,906.81
	2,206.79	2,016.86
Loan funds		
Secured3	1,215.25	1,649.86
Unsecured4	803.37	279.45
	2,018.62	1,929.31
Deferred tax liability (net) (Refer note 9 on Schedule 20)	340.98	348.53
	4,566.39	4,294.70
APPLICATION OF FUNDS		
Fixed assets5		
Gross block	4,430.53	4,059.54
Less: Accumulated depreciation and amortisation	2,091.54	1,837.43
Net block	2,338.99	2,222.11
Capital work-in-progress (including spares and capital advances)	281.30	220.29
	2,620.29	2,442.40
Investments6		
350.10	484.15	
Current assets, loans and advances		
Inventories7	1,437.63	1,218.18
Sundry debtors8	909.58	770.39
Cash and bank balances9	121.25	86.06
Other current assets10	1.00	0.91
Loans and advances11	241.43	272.75
	2,710.89	2,348.29
Less:		
Current liabilities and provisions12		
a) Current liabilities	973.05	891.06
b) Provisions	141.84	89.08
	1,114.89	980.14
Net current assets	1,596.00	1,368.15
	4,566.39	4,294.70
Significant accounting policies19		
Notes to the financial statements20		

The schedules referred to above form an integral part of the financial statements


Ruchika Gupta
Company Secretary



V. K. Ajmera
Sr. General Manager (Corporate Finance)


Sandip Somany
Joint Managing Director


R. K. Somany
Chairman & Managing Director

This is the Balance Sheet referred to in our report of even date.
For Walker, ChandioK & Co.
Chartered Accountants


Place : New Delhi
Date : 17 May 2008



Per B. P. Singh
Partner
Membership No. 70116


PROFIT AND LOSS ACCOUNT


(Rs. in Million)		
Schedule	Year ended 31 March 2008	Year ended 31 March 2007
INCOME		
Income from operations13	5,762.74	5,267.50
Less: Excise duty on sale of goods	554.36	489.86
	5,208.38	4,777.64
Other income14	77.64	62.24
Increase in stocks15	197.59	95.37
	5,483.61	4,935.25
EXPENDITURE		
Goods purchased for resale	806.48	742.64
Personnel cost16	559.67	489.15
Manufacturing, selling and general expenses17	3,230.13	2,856.54
	4,596.28	4,088.33
Profit before interest, depreciation, amortisation and tax	887.33	846.92
Interest18	163.03	142.52
Depreciation and amortisation5	263.15	248.25
Profit before tax and exceptional items	461.15	456.15
Loss in respect of exceptional transaction (Refer note 20 on Schedule 20)	11.85	–
Profit before tax	449.30	456.15
Tax expense:		
Current tax	161.50	125.43
Deferred tax	(7.56)	31.47
Fringe benefit tax	10.03	8.13
Profit after tax	285.33	291.12
Income tax for earlier years	1.17	–
Transferred from Debenture redemption reserve	–	25.83
	286.50	316.95
Balance transferred from previous year	756.31	560.40
Balance available for appropriation	1,042.81	877.35
APPROPRIATIONS		
Transferred to general reserve	30.00	30.00
Interim dividend paid on equity shares	–	23.38
Tax paid on interim dividend	–	3.28
Proposed dividend on equity shares	82.54	55.03
Tax on proposed dividend	14.03	9.35
Balance carried to balance sheet	916.24	756.31
	1,042.81	877.35
Earnings per share - Basic and Diluted (Rs.) (Refer note 10 on Schedule 20)	5.21	5.55
Significant accounting policies19		
Notes to the financial statements20		

The schedules referred to above form an integral part of the financial statements


Ruchika Gupta
Company Secretary



V. K. Ajmera
Sr. General Manager (Corporate Finance)


Sandip Somany
Joint Managing Director


R. K. Somany
Chairman & Managing Director

This is the Profit and Loss Account referred to in our report of even date.
For Walker, ChandioK & Co.
Chartered Accountants

Place : New Delhi
Date : 17 May 2008


Per B. P. Singh
Partner
Membership No. 70116

CASH FLOW STATEMENT


	(Rs. in Million)	
	Year ended 31 March 2008	Year ended 31 March 2007
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax	449.30	456.15
Adjustments for:		
Depreciation and Amortisation	263.15	248.25
(Profit)/loss on disposal of fixed assets (net)	(0.21)	(1.10)
Interest expense	163.03	142.52
Dividend	(1.30)	(10.87)
Interest income	(7.62)	(4.14)
(Profit)/loss on sale of investments (net)	(21.18)	5.93
Dimunition in the value of current investments	0.36	-
Provision for doubtful debts and advances	2.91	9.59
Bad debts written off	0.98	2.14
Sundry balances and liabilities no longer required written back	(8.16)	(7.66)
Operating Profit before working capital changes	841.26	840.81
Adjustments for:		
Inventories	(219.45)	(135.45)
Trade/other receivables	(114.61)	2.83
Trade/other payables	94.99	68.32
Cash generated from operations	602.19	776.51
Direct taxes paid	(153.38)	(151.17)
Net cash from operating activities	448.81	625.34
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets including capital work in progress	(449.67)	(613.77)
Proceeds from sale of fixed assets	8.83	11.40
Purchase of investments	(95.00)	(248.69)
Sale proceeds of investments	249.87	336.57
Movement in restricted cash	(14.36)	(1.83)
Interest received	8.38	15.12
Dividend received	1.30	10.87
Loans and advances recovered	2.00	0.13
Net cash used in investing activities	(288.65)	(490.20)

CASH FLOW STATEMENT (Contd.)


	(Rs. in Million)	
	Year ended 31 March 2008	Year ended 31 March 2007
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long term borrowings	-	400.00
Repayment of long term borrowings (net)	(76.23)	(259.31)
Proceeds from short term borrowings (net)	165.54	(76.32)
Interest paid	(164.47)	(143.71)
Dividend paid	(54.84)	(83.68)
Taxes on dividend	(9.35)	(11.81)
Net cash used in financing activities	(139.35)	(174.83)
Net increase in cash and cash equivalents	20.81	(39.69)
Cash and cash equivalents in the beginning	63.64	103.33
Cash and cash equivalents at the close	84.45	63.64
Note:		
Cash and cash equivalents include:		
Cash and cheques in hand and remittances in transit	67.33	32.73
Balances with bank	17.12	30.91
Cash and cash equivalents	84.45	63.64
Balances in fixed deposit accounts - pledged	33.76	19.58
Balances in unpaid dividend accounts	3.04	2.84
Balance in post office savings account (pledged)*	-	-
Balance with bank not considered as cash equivalents	36.80	22.42
Cash and bank balances as per Balance Sheet	121.25	86.06

* Rounded off to Nil


Ruchika Gupta
Company Secretary


V. K. Ajmera
Sr. General Manager (Corporate Finance)


Sandip Somany
Joint Managing Director

On behalf of the Board of Directors

R. K. Somany
Chairman & Managing Director

This is the Cash Flow Statement referred to in our report of even date.
For Walker, Chandiok & Co.
Chartered Accountants

Place : New Delhi
Date : 17 May 2008


Per B. P. Singh
Partner
Membership No. 70116

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(Rs. in Million)		
	As at 31 March 2008	As at 31 March 2007
1 SHARE CAPITAL		
Authorised		
75,000,000 (previous year 75,000,000) equity shares of Rs. 2 each	150.00	150.00
	150.00	150.00
Issued		
55,029,333 (previous year 55,029,333) equity shares of Rs. 2 each	110.06	110.06
	110.06	110.06
Subscribed and paid-up*		
55,025,508 (previous year 55,025,508) equity shares of Rs. 2 each fully paid-up	110.05	110.05
Add: Forfeited shares **	–	–
	110.05	110.05

*Of the above shares, 24,268,638 equity shares of Rs. 2 each (previous year 24,268,638 equity shares of Rs. 2 each) were allotted as fully paid-up by way of bonus shares by capitalisation of revenue reserves, 337,500 equity shares of Rs. 2 each (previous year 337,500 equity shares of Rs. 2 each) fully paid up were issued to the equity shareholders of the erstwhile The Associated Glass Industries Limited pursuant to the scheme of amalgamation and 1,828,225 equity shares of Rs. 2 each (previous year 1,828,225 shares of Rs. 2 each) fully paid-up were issued to the equity shareholders of the erstwhile Krishna Ceramics Limited pursuant to the scheme of amalgamation.

** Rounded off to Nil

(Rs. in Million)		
	As at 31 March 2008	As at 31 March 2007
2 RESERVES AND SURPLUS		
i) Capital reserve		
a) On account of amalgamation with erstwhile Krishna Ceramics Limited	0.33	0.33
b) Forfeited amount of debentures	2.00	2.00
c) Forfeited amount of upfront payment for naked warrants	9.75	9.75
	12.08	12.08
ii) Debenture redemption reserve		
As per last year	–	25.83
Less: Transferred to profit & loss account	–	25.83
	–	–
iii) Central subsidy reserve	2.50	2.50
iv) Securities premium account		
As per last year	684.06	171.74
Add: Premium on conversion of FCDs	–	512.32
	684.06	684.06
v) General reserve		
As per last year	450.36	426.58
Add: Transferred from profit and loss account	30.00	30.00
	480.36	456.58
Less: Transitional effect of liability on account of employee benefits on initial adoption of revised Accounting Standard 15	–	6.22
	480.36	450.36
vi) Capital redemption reserve	1.50	1.50
vii) Profit and loss account		
Surplus in profit and loss account	916.24	756.31
	2,096.74	1,906.81

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(Rs. in Million)		
	As at 31 March 2008	As at 31 March 2007
3 SECURED LOANS		
From banks		
Cash credit accounts	253.95	764.91
Packing credit accounts	93.01	22.40
Buyers credit	217.83	113.35
(Secured by hypothecation of stocks and book debts and further secured by second charge on all the fixed assets of the Company, except assets at Isnapur, Medak district, Andhra Pradesh)		
Term loans from banks	645.91	738.75
(Secured by way of hypothecation of the whole of fixed assets including moveable plant & machinery, machine spares, tools and accessories (both present and future) pertaining to the Glass division of the Company and further secured by first pari-passu charge by way of mortgage of deposit of title deeds of immovable properties of the Glass division of the Company)		
(Term loans of Rs. 162.50 million, Previous year Rs. 318.28 million) are payable within one year)		
Car finance loans from banks and bodies corporate	4.55	10.45
(Secured by hypothecation of vehicles financed out of proceeds of loans)		
(Amount payable within one year Rs. 3.16 million, previous year Rs. 5.12 million)		
	1,215.25	1,649.86

(Rs. in Million)		
	As at 31 March 2008	As at 31 March 2007
4 UNSECURED LOANS		
Short term		
Trade deposits from dealers	65.96	65.89
Interest accrued and due on above	0.18	0.18
From banks:		
Commercial paper	500.00	–
Supplier bills discounted	9.86	8.52
Other		
Deferred sales tax credit	227.37	204.86
	803.37	279.45

Notes:

- Maximum amount outstanding on commercial paper during the year Rs. 500 million (previous year Rs. 600 million).
- The amount of deferred sales tax credit is subject to assessment by sales tax authorities.
- As per agreement with Commercial Tax Department, Hyderabad deferred sales tax credit relating to the Glass Division amounting to Rs. 108.26 million (previous year Rs. 106.82 million) is secured against the moveable and immovable properties of the Company. However, the charge is pending registration with the Registrar of Companies, West Bengal.

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

5 FIXED ASSETS		(Rs. in Million)							
		GROSS BLOCK			DEPRECIATION/AMORTISATION			NET BLOCK	
Particulars	As at 01.04.2007	Addition during the year	Sales/ Adjustment	As at 31.03.2008	As at 01.04.2007	For the year	Sales/ Adjustment	As at 31.03.2008	As at 31.03.2007
Intangible									
Trade Mark	30.00	0.27	–	30.27	24.04	3.65	–	27.69	5.96
Tangible									
Land freehold	85.49	17.46	–	102.95	–	–	–	–	85.49
Land Leasehold	3.00	–	–	3.00	0.05	0.10	–	0.15	2.95
Building	561.46	121.03	–	682.49	135.17	16.68	–	151.85	426.29
Leasehold improvements	1.04	–	–	1.04	–	0.02	–	0.02	1.04
Plant & Machinery	3,081.18	218.89	0.02	3,300.05	1,587.71	199.39	–	1,787.10	1,493.47
Vehicles	107.62	20.40	17.37	110.65	32.30	21.21	8.93	44.58	75.32
Office Equipments	31.30	1.29	(1.38)	33.97	10.38	1.45	(0.60)	12.43	20.92
Computers(including software)	129.86	3.97	1.53	132.30	36.57	17.99	0.66	53.90	93.29
Furniture & Fixtures	28.59	5.34	0.12	33.81	11.21	2.66	0.05	13.82	17.38
Total	4,059.54	388.65	17.66	4,430.53	1,837.43	263.15	9.04	2,091.54	2,222.11
Previous Year	3,655.29	431.94	27.69	4,059.54	1,606.57	248.25	17.39	1,837.43	2,222.11

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

		(Rs. in Million)	
		As at 31 March 2008	As at 31 March 2007
6	INVESTMENTS		
Long Term			
Non Trade			
i) Government securities*			
Unquoted:			
National Savings Certificates		0.08	0.08
ii) Fully paid-up equity shares of Rs. 10 each			
Quoted:			
125 (previous year 125) Neycer India Limited**		-	-
50 (previous year 50) Swastik Sanitarywares Limited**		-	-
Trade - Unquoted:			
Subsidiary companies			
4,301,200 (previous year 4,301,200) AGI Glasspack Limited		128.02	128.02
3,625,000 (previous year 10,000) Hindware Home Retail Private Limited		85.00	0.10
Share Application Money (Hindware Home Retail Private Limited)		-	19.90
Others			
804,000 (previous year 804,000) Andhra Pradesh Gas Power Corporation Limited		107.36	107.36
		320.46	255.46
Current			
i) Mutual Fund - non trade (unquoted)			
(units of Rs.10 each fully paid)			
232,016.767 (previous year Nil) HDFC Prudence Fund - Growth		29.64	-
Nil (previous year 15,754,437.558) HDFC QIF-Plan A-Wholesale Growth		-	157.54
Nil (previous year 1,562,373.362) Prudential ICICI FMP 37 - 3 month Plan B-Retail Growth		-	15.62
Nil (previous year 1,909,809.041)Templeton India Horizon Fund Series II 3 months Plan-Inst-Gr.		-	19.10
Nil (previous year 3,642,485.290) Reliance Fixed Horizon Fund II-Qty Plan Series VI-Inst Gr.		-	36.43
		29.64	228.69
		350.10	484.15
Aggregate cost of quoted investments**		-	-
Aggregate cost of unquoted investments		350.10	484.15
Aggregate net asset value of Mutual Fund investments		29.64	228.69
* Deposited with government departments		0.04	0.04
** Rounded off to Nil			

During the year, the following current investments were purchased and sold:

- 848338.3440 units of Prudential Liquid Plan-Institutional Growth purchased at cost of Rs. 16.07 million and sold at Rs.16.09 million.
- 3141254.147 units of Reliance Floating Rate Fund-Growth Plan-Growth purchased at cost of Rs. 37.46 million and sold at Rs. 37.91 million.
- 46941.0110 units of Reliance Growth Fund-Retail Plan-Growth Plan purchased at cost of Rs. 15.00 million and sold at Rs. 15.85 million.
- 36980.4670 units of Reliance Liquid Plus Fund-Institutional Growth purchased at cost of Rs. 38.72 million and sold at Rs. 40.36 million.
- 17124500.957 units of HDFC Cash Management Fund-Savings Plus Plan-Wholesale Growth purchased at cost of Rs. 286.83 million and sold at Rs. 291.18 million.
- 6770125.6860 units of HDFC Cash Management Fund-Savings Plan-Growth purchased at cost of Rs. 109.82 million and sold at Rs. 109.87 million.
- 5000000 units of HDFC Arbitrage Fund-Wholesale Plan-MD-Rein purchased at cost of Rs. 50.00 million and sold at Rs. 50.53 million.
- 10342.101 units of Templeton India TMA Regular Plan-Growth purchased at cost of Rs. 19.65 million and sold at Rs. 19.65 million.
- 630140.90 units of Templeton India Flexi-Cap Fund-Growth purchased at cost of Rs. 15.00 million and sold at Rs. 16.27 million.
- 16230254.1900 units of Templeton India Money Market Account-Bonus purchased at cost of Rs. 16.23 million and sold at Rs. 16.93 million.
- 600270.8650 units of Fidelity Equity Fund-Growth Option purchased at cost of Rs. 15.00 million and sold at Rs. 15.70 million.
- 1564738.9073 units of Fidelity Liquid Plus-Institutional Growth purchased at cost of Rs. 15.67 million and sold at Rs. 16.09 million.
- 15019.0410 units of DSP Merrill Lynch Liquid Plus-Regular Growth purchased at cost of Rs. 16.23 million and sold at Rs. 16.79 million.
- 1393534.0020 units of DSP Merrill Lynch Equity Fund-Regular Growth purchased at cost of Rs. 15.00 million and sold at Rs. 16.27 million.
- 146499.540 units of Sundaram BNP Paribas Select Midcap-Appreciation purchased at cost of Rs. 15.00 million and sold at Rs. 16.19 million.
- 1559534.6260 units of Sundaram BNP Paribas Liquid Plus-Institutional Growth purchased at cost of Rs. 16.15 million and sold at Rs.16. 81 million.

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(Rs. in Million)

	As at 31 March 2008	As at 31 March 2007
7 INVENTORIES		
(As taken, valued and certified by the management)		
Stores, spares and packing materials	166.87	160.71
Raw materials and components	88.74	85.64
Stock-in-process	56.76	44.43
Goods in transit*	24.60	0.15
Finished goods including goods purchased for sale	1,100.66	927.25
	1,437.63	1,218.18

* Includes raw material & components Rs. Nil (previous year Rs. 0.10 million), stores & spares Rs. Nil (previous year Rs. 0.05 million) and finished goods Rs. 24.60 million (previous year Rs. Nil)

(Rs. in Million)

	As at 31 March 2008	As at 31 March 2007
8 SUNDRY DEBTORS		
(Unsecured unless otherwise stated)		
Debts outstanding for a period exceeding six months:		
Considered good		
– Secured	5.27	1.44
– Others	68.28	128.99
Considered doubtful	62.11	56.71
Other debts:		
Considered good		
– Secured	22.51	6.50
– Others	813.52	633.46
Considered doubtful	0.41	1.63
	972.10	828.73
Less: Provision for doubtful debts	62.52	58.34
	909.58	770.39

(Rs. in Million)

	As at 31 March 2008	As at 31 March 2007
9 CASH AND BANK BALANCES		
Cash in hand	2.23	2.40
Remittance-in-transit	65.10	30.33
Balances with scheduled banks in:		
Current accounts	16.54	30.16
Cash credit accounts	–	0.63
Deposit accounts*	34.34	19.70
Unpaid dividend accounts	3.04	2.84
With post office in savings account (pledged)**	–	–
	121.25	86.06

* Rs. 33.76 million (previous year Rs. 19.58 million) are pledged with banks as margin money

** Rounded off to Nil

(Rs. in Million)

	As at 31 March 2008	As at 31 March 2007
10 OTHER CURRENT ASSETS		
Interest accrued but not due on loans and deposits	1.00	1.76
Less: Provision for interest – doubtful of recovery	–	0.85
	1.00	0.91

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(Rs. in Million)

	As at 31 March 2008	As at 31 March 2007
11 LOANS AND ADVANCES		
(Unsecured, considered good except where otherwise stated)		
Loans to Bodies Corporate	–	2.00
(including Rs. Nil (previous year Rs. 2.00 million) considered doubtful of recovery)		
Advance recoverable in cash or in kind or for value to be received	171.11	192.36
(including Rs. 4.04 million (previous year Rs. 2.46 million) considered doubtful of recovery)		
Balance with excise/sales tax authorities	40.64	55.75
Deposits	33.72	27.10
	245.47	277.21
Less: Provision for doubtful loans & advances	4.04	4.46
	241.43	272.75

(Rs. in Million)

	As at 31 March 2008	As at 31 March 2007
12 CURRENT LIABILITIES AND PROVISIONS		
a) Current liabilities		
Acceptances	18.73	18.89
Sundry creditors for goods, services and expenses		
Due to Micro, Small and Medium enterprises	7.15	–
Others	604.68	648.50
Interest accrued but not due on loans/debentures	1.80	3.24
Advance against sales/orders	39.65	52.45
Investor education & protection fund**		
Unclaimed Dividend	3.04	2.84
Other liabilities*	298.00	165.14
	973.05	891.06
b) Provisions		
Employee benefits	26.79	23.21
Income tax (including fringe benefit tax)	18.48	1.49
(net of advance payment of Rs. 438.49 million, previous year Rs. 330.90 million)		
Proposed dividend	82.54	55.03
Tax on proposed dividend	14.03	9.35
	141.84	89.08
	1,114.89	980.14

* Including excise duty payable Rs. 143.01 million (previous year Rs. 132.07 million) on finished goods lying at Company's bonded warehouses

** Not due for deposit

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

	(Rs. in Million)	
	Year ended 31 March 2008	Year ended 31 March 2007
13 INCOME FROM OPERATIONS		
Sale of goods (net of returns)		
Domestic		
Sanitaryware, fittings and glassware	5,211.06	4,594.50
Export		
Sanitaryware, fittings and glassware	527.62	653.57
(including deemed export Rs. 294.52 million (previous year Rs. 339.93 million))		
	5,738.68	5,248.07
Others		
Scrap and other sales	24.06	19.43
	24.06	19.43
	5,762.74	5,267.50

	(Rs. in Million)	
	Year ended 31 March 2008	Year ended 31 March 2007
14 OTHER INCOME		
Rent received	2.84	0.08
Dividend received on investments in liquid mutual funds (non-trade unquoted)	1.30	10.87
Interest income (gross) on: *		
Loans to body corporate	1.35	0.22
Deposits	0.84	0.68
Margin money	1.87	0.80
Dealers	2.73	2.13
Other accounts	0.84	0.31
Profit on sale of investments in liquid mutual funds (non-trade unquoted)	21.18	5.45
Profit on disposal of fixed assets	0.96	1.10
Export incentives	12.75	11.13
Insurance claims received	2.39	1.69
Provision for doubtful debts and advances written back	2.85	–
Sundry balances and liabilities no longer required written back	8.16	7.66
Foreign Exchange gain (Previous year net of loss Rs. 2.10 million)	–	4.42
Miscellaneous receipts	17.58	15.70
	77.64	62.24
* Income tax deducted at source	1.13	0.35

	(Rs. in Million)	
	Year ended 31 March 2008	Year ended 31 March 2007
15 INCREASE IN STOCKS		
Opening stocks		
Finished goods including goods purchased for resale	927.25	847.48
Stock-in-process	44.43	28.83
	971.68	876.31
Less: loss in respect of exceptional transaction (Refer note 20 on schedule 20)	11.85	–
	959.83	876.31
Less: Closing stocks		
Finished goods including goods purchased for resale	1,100.66	927.25
Stock-in-process	56.76	44.43
	1,157.42	971.68
	197.59	95.37

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

	(Rs. in Million)	
	Year ended 31 March 2008	Year ended 31 March 2007
16 PERSONNEL COST		
Salaries, wages & bonus	497.52	431.60
Contribution to provident and other funds	34.85	32.98
Staff and labour welfare expenses	27.30	24.57
	559.67	489.15

	(Rs. in Million)	
	Year ended 31 March 2008	Year ended 31 March 2007
17 MANUFACTURING, SELLING AND GENERAL EXPENSES		
Raw materials consumed *	848.89	813.32
Stores and spares consumed	173.53	129.17
Excise duty on increase/(decrease) of stocks	28.60	11.53
Packing materials consumed	213.24	201.59
Power and fuel	1,113.69	934.56
Repairs to:		
Buildings	9.47	9.77
Plant and machinery (excluding stores consumption)	39.59	30.32
Other assets	10.50	5.96
Rent (including hire charges)	16.65	13.35
Rates and taxes	3.07	6.66
Directors fees	0.11	0.10
Expenditure on ceramic and applied research centre	1.04	1.36
Insurance	15.99	16.69
Travelling and conveyance	69.77	63.00
Discount	185.10	158.28
Commission on sales	14.55	14.58
Expenses on exports	62.02	69.50
Advertisement and publicity	104.56	100.89
Other selling and distribution expenses	159.86	160.23
Provision for doubtful debts and advances	5.76	9.59
Charity and donations	1.14	1.29
Foreign exchange fluctuation (Net of gain of Rs. 2.83 million)	30.62	–
Loss on disposal of fixed assets**	0.75	–
Loss on sale of investments in liquid mutual funds (non trade - unquoted)	–	11.39
Diminution in the value of current investments	0.36	–
Bad debts and doubtful advances written off	0.98	2.14
Miscellaneous expenses	120.29	91.27
	3,230.13	2,856.54

* Includes accessories and fittings aggregating to Rs. 35.07 million (previous year Rs. 28.70 million)

** Rounded off to Nil for previous year

	(Rs. in Million)	
	Year ended 31 March 2008	Year ended 31 March 2007
18 INTEREST		
On term loans	72.56	69.67
On debentures*	–	8.69
Others**	90.47	64.16
	163.03	142.52

* Includes interest of Rs. Nil (previous year Rs. 6.61 million) on 4% Fully Convertible Debentures

** Includes Rs. 40.44 million (previous year Rs. 44.18 million) incurred on account of discounting charges of commercial paper

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

19 SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation
- The financial statements are prepared on accrual basis under the historical cost convention, in accordance with the generally accepted accounting principles in India and to comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 and the Rules framed thereunder. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.
2. Use of estimates
- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported balances of assets and liabilities and the disclosure relating to contingent liabilities as at the date of financial statements and reported amount of income and expenses during the period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from those estimates. Any revision to accounting estimates is recognised in the current and future periods.
3. Revenue recognition
- Sale of goods
- Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the goods are transferred to the customer and is stated inclusive of excise duty and net of trade discounts, sales return and sales tax wherever applicable.
- Interest
- Interest income is recognised on time proportion basis at the applicable rates.
4. Export benefit/incentive
- Benefit under the advance license scheme and duty free replenishment certificate are accounted for at the time of purchase of imported raw materials or sale of the license.
5. Fixed assets
- Tangible
- Tangible assets are stated at cost of acquisition less accumulated depreciation. Cost comprises the purchase price (net of cenvat credit availed) and any attributable cost of bringing the asset to its working condition for its intended use. Expenditure on account of modification/ alteration in plant and machinery/building, which increases the future benefit from the existing asset beyond its previously assessed standard of performance, is capitalised.
- Intangible
- Intangible assets are recognised if and only if it is probable that the future economic benefits that are attributable to the assets will flow to the Company.
6. Depreciation and amortisation
- Tangible
- Depreciation on fixed assets has been provided on straight line method at the rates and in the manner prescribed under schedule XIV ("schedule") to the Companies Act, 1956 except the following:
- i. on assets acquired and put to use on or before 1 July 1987 in the glass division of the Company and on vehicles acquired till date in all the divisions of the Company, depreciation is provided on written down value method at the rates and in the manner prescribed in the schedule;

ii. on furnaces (included in plant and machinery) having a cost of Rs. 529.89 million used in the glass division, depreciation is provided on straight line method, as technically assessed from time to time, based on expected useful lives of the furnaces. The rate presently being 16.21% per annum which is the rate as prescribed in the schedule;

iii. cost of leasehold improvements is depreciated over the period of the lease.
- Intangible
- i. Pre-operative expenditure including borrowing cost (net of revenue, where applicable) incurred during the construction/trial run of the project is allocated on an appropriate basis to fixed assets on Commissioning.

ii. Trademarks are being amortised over a period of ten years;

iii. Computer software (included in Computers in Schedule 5) are amortized over a period of six years;
7. Investments
- Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments.
- Current investments are valued at the lower of cost and fair value. Long-term investments are stated at cost. Provision is made for

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

19 SIGNIFICANT ACCOUNTING POLICIES

- diminution in the value of long-term investments to recognise a decline, if any, other than temporary in nature.
- Profit /Loss on sale of investments are computed with reference to their cost determined on first in first out basis.
8. Inventories
- a) Inventories are valued as follows:
- Stores and spares, packing materials, raw materials including components - At lower of cost and net realisable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.
- Work- in-process - At cost upto estimated stage of completion.
- Finished goods and goods purchased for resale - At lower of cost and net realisable value.
- b) Cost of inventories is ascertained on the following basis:
- Raw materials, stores and spare parts and packing materials - On weighted average basis.
- Finished goods purchased for resale - On weighted average basis.
- Cost of manufactured finished goods and stock in process comprises of material, labour and other related production overheads including depreciation.
9. Foreign currency transactions
- Foreign currency transactions are recorded at the exchange rates prevailing on the date of transaction. Differences arising out of foreign currency transactions settled during the year are recognised in the profit and loss account.
- Monetary items outstanding at the balance sheet date and denominated in foreign currencies are restated at the exchange rates prevailing at the end of the year. Differences arising on such restatement are recognised in the profit and loss account.
- The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.
10. Taxes on income
- Tax expense comprises current income tax, deferred income tax and fringe benefit tax.
- Current tax is determined as the amount of tax payable in respect of taxable income for the year.
- Deferred income tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable/virtual certainty, depending on the nature of the timing differences, that sufficient future taxable income will be available against which such deferred tax assets can be realised.
- Fringe benefit tax is determined in accordance with applicable Income-tax laws.
11. Research and development
- Research and development expenditure is charged to profit and loss account except capital expenditure, which is added to the cost of respective fixed assets in the year in which it is incurred.
12. Leases
- a) Operating Lease
- Lease rentals in respect of assets taken on operating lease are charged to the profit and loss account on a straight-line basis over the lease term.
- b) Finance Lease
- Assets acquired on finance lease which transfer risk and rewards of ownership to the Company are capitalized as assets by the Company at the lower of fair value of the leased property or the present value of the related lease payments or where applicable, estimated fair value of such assets. Amortization of capitalised leased assets is computed on the Straight Line method over the useful life of the assets. Lease rental payable is apportioned between principal and finance charge using the internal rate of return method. The finance charge is allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of liability.
13. Employee benefits
- Expenses and liabilities in respect of employee benefits are recorded in accordance with Accounting Standard 15 Employee Benefits (Revised 2005) "Revised AS 15"

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

19 SIGNIFICANT ACCOUNTING POLICIES

- a) Provident fund

The Company makes contributions to two independently constituted trusts and regional provident fund recognised by income tax authorities. The plan is a defined contribution plan and contribution paid or payable is recognised as an expense in the period in which services are rendered by the employee.
- b) Gratuity

Gratuity is a post employment defined benefit plan. The liability recognised in respect of gratuity is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the profit and loss account in the year in which such gains or losses arise.
- c) Compensated absence

The Company measures and recognises the liability in respect of the expected cost of accumulating compensated absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date.
- d) Other short term benefits

Expenses relating to other short term benefit including performance bonus is recognised on the basis of amount paid or payable for the period during which services are rendered by the employee.

14. Earnings per share

Basic earnings per share are calculated by dividing net profit or loss for the period attributable to equity shareholders by weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue, share split and any new equity issue.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

15. Impairment of assets

The Company on an annual basis makes an assessment of any indicator that may lead to impairment of assets. If any such indication exists, the Company estimates the recoverable amount of the assets. If such recoverable amount is less than the carrying amount, then the carrying amount is reduced to its recoverable amount by treating the difference between them as impairment loss and is charged to the profit and loss account.

16. Contingent liabilities and provisions

Depending on facts of each case and after due evaluation of relevant legal aspects, the Company makes a provision when there is a present obligation as a result of a past event where the outflow of economic resources is probable and a reliable estimate of the amount of obligation can be made. The disclosure is made for all possible or present obligations that may but probably will not require outflow of resources as contingent liability in the financial statements.

20 NOTES TO THE FINANCIAL STATEMENTS

	(Rs. in Million)	
	2008	2007
1. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances Rs. 63.10 million ; Previous year Rs. 238.79 million)	363.59	184.82
2. Contingent liabilities not provided for in respect of:		
a) Demands raised by the excise authorities against which appeals have been filed	3.28	3.28
b) Demands made by the sales tax authorities against which appeals have been filed	11.44	72.51
c) Bank guarantees outstanding	89.79	36.74
d) Claims against the Company not acknowledged as debts	148.22	118.51
3. Unfulfilled export obligation under EPCG license of EXIM Policy	91.71	49.02

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

20 NOTES TO THE FINANCIAL STATEMENTS

4. Issue of Fully convertible debentures

During 2005–06 the Company had raised Rs. 528.83 million by way of issue of 3,300,000 - 4% unsecured fully convertible debentures of Rs. 160.25 each on a private placement basis. These debentures, pursuant to the option exercised by their holders as per the terms of the issue, were converted into 8,250,000 equity shares of Rs. 2 each on 24 July 2006.

The details regarding the utilisation of proceeds from the issues are;

	(Rs. in Million)	
	2008	2007
Details of utilisation		
Issue expenses debited to the securities premium account	–	15.04
Repayment of long-term loan and capital expenditure	228.69	285.10
Funds invested in liquid mutual funds	–	228.69
5. Sundry creditors/other liabilities include:

	(Rs. in Million)	
	2008	2007
Directors' commission payable	33.51	36.22
6. Amount due to entities covered under Micro, Small and Medium Enterprises have been identified on the basis of confirmations received from these entities and information available with the Company. There was no amount due for more than forty five days payable to these identified entities at any time during the year.
7. Miscellaneous expenses include payments to auditors for:

	(Rs. in Million)	
	2008	2007
a) Audit fee	0.70	0.70
b) Tax audit fee	0.11	0.11
c) Certification etc.	0.11	0.32
d) Reimbursement of expenses (including service tax wherever applicable)	0.21	0.04
	1.13	1.17
8. Employee benefits

During the year the Company has recognized the following amounts in the profit and loss account.

a) Defined contribution plans

	(Rs. in Million)	
	2008	2007
Employer’s contribution to provident fund *	20.81	19.55
Employer’s contribution to ESI *	5.58	5.21

* included in contribution to provident and other funds (refer schedule 16)

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

20 NOTES TO THE FINANCIAL STATEMENTS

b) Defined benefit plans

(Rs. in Million)

	As at 31 March 2008		As at 31 March 2007	
	Gratuity Funded	Leave encashment Unfunded	Gratuity Funded	Leave encashment Unfunded
Amount recognised in the balance sheet :				
Present value of obligations	99.81	16.21	76.26	13.00
Fair value of plan assets	92.75	–	75.27	–
	7.06	16.21	0.99	13.00
Unrecognised past service cost	–	–	–	–
Net liability recognised in the balance sheet	7.06	16.21	0.99	13.00
Amount recognised in profit and loss account:				
Current service cost	5.77	1.75	6.33	1.36
Interest cost	6.10	1.04	5.10	0.79
Expected return on plan assets	(6.02)	–	(6.40)	–
Net Actuarial (gain)/ loss	9.37	0.42	(1.15)	0.97
Past service cost	–	–	–	–
Curtailment and settlement cost/(gain)	–	–	–	–
Total included in 'Personnel Cost' *	15.22	3.21	3.88	3.12
Actual return on plan assets	17.37	–	5.42	–
* Refer schedule 16				
Reconciliation of opening and closing balances of benefit obligations and plan assets				
Change in defined benefit obligation				
Opening defined benefit obligation	76.26	13.00	75.54	9.88
Current service cost	5.77	1.75	6.33	1.36
Interest cost	6.10	1.04	5.10	0.79
Benefits paid	(9.04)	–	(8.57)	–
Curtailment and settlement cost/(credit)	–	–	–	–
Contribution by plan participants	–	–	–	–
Past service cost	–	–	–	–
Actuarial (gain)/ loss	20.72	0.42	(2.14)	0.97
Closing defined benefit obligation	99.81	16.21	76.26	13.00
Change in fair value of plan assets				
Fair value of plan assets at the beginning of the year	75.27	–	74.93	–
Expected return on plan assets	6.02	–	6.40	–
Actuarial gain/ (loss)	11.35	–	(0.99)	–
Employer's contribution	9.15	–	3.50	–
Contribution by plan participants	–	–	–	–
Settlement cost	–	–	–	–
Benefits paid	(9.04)	–	(8.57)	–
Fair value of plan assets at the end of the year	92.75	–	75.27	–
Assumptions used to determine the benefit obligations:				
Discount rate	8.50%	8.00%	8.00%	8.00%
Expected rate of increase in compensation levels	6.00%	5.50%	5.70%	5.50%
Expected rate of return on plan assets	8.00%	N.A.	8.55%	N.A.
Expected average remaining working lives of employees	16 Years	17.19 Years	17.59 Years	17.59 Years

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

20 NOTES TO THE FINANCIAL STATEMENTS

8. Employee benefits (Contd.)

(Rs. in Million)

Amounts for the current and previous periods are as follows:	2007-08	2006-07
Defined benefit plan - Gratuity		
Defined benefit obligation	(99.81)	(76.26)
Plan Assets	92.75	75.27
Surplus/(deficit)	(7.06)	(0.99)
Defined benefit plan - Leave encashment		
Defined benefit obligation	(16.21)	(13.00)
Plan Assets	–	–
Surplus/(deficit)	(16.21)	(13.00)

The Company made annual contribution to the Birla Sun Life Insurance Company Limited ('BSL') of an amount advised by the BSL. The Company was not informed by BSL of the investment made or the break down of plan assets by investment type.

Estimated amount of benefits payable within next year are Rs. 6.22 million (previous year Rs. 4.09 million).

9. Deferred tax

Major components of deferred tax assets and liabilities are as given below:

(Rs. in Million)

	2008	2007
Deferred tax liability		
On fiscal allowances on fixed assets	374.28	385.73
Deferred tax assets		
On provision for doubtful debts, loans and advances	22.62	21.30
Other timing differences	10.68	15.90
	33.30	37.20
Deferred tax liability (net)	340.98	348.53

10. Earnings per share

(Rs. in Million)

	2008	2007
Basic earnings per share		
Profit after tax	285.33	291.12
Tax earlier years	1.17	–
Profit attributable to equity shareholders	286.50	291.12
Number of Shares	55,025,508	55,025,508
Weighted average number of shares outstanding during the year	55,025,508	52,448,796
Nominal value per share (Rs.)	2	2
Earnings per Share – Basic and Diluted (Rs.)	5.21	5.55

11. Related party transactions

a) Name of related parties and description of relationship:

- Subsidiaries** – AGI Glasspack Limited
Hindware Home Retail Private Limited
- Key management personnel**
(Name of the relatives of key management personnel with whom the Company had transactions during the year are listed below)
Mr. R. K. Somany (Father)
Mr. Sandip Somany (Son)

b) Entities where significant influence is exercised by key management personnel and/ or their relatives having transactions with the Company:

- Textool Mercantile Private Limited
- Bigoo Investments Limited
- Paco Exports Limited
- New Delhi Industrial Promotors and Investors Limited
- Soma Investments Limited
- Hindusthan National Glass & Industries Limited

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

20 | NOTES TO THE FINANCIAL STATEMENTS

11. Related party transactions (Contd.) (Rs. in Million)

Particulars	Subsidiaries		Key Management Personnel and their Relatives		Other parties which significantly influence/ are influenced by the Company (either individually or otherwise)	
	2008	2007	2008	2007	2008	2007
A. a) Sale of Goods	–	–	0.03	–	–	–
b) Expenses paid on behalf of Subsidiary	7.76	12.43	–	–	–	–
c) Rent paid	–	–	–	–	0.03	0.03
d) Investment made	65.00	20.00	–	–	–	–
e) Balance outstanding at the year end:						
– Receivable	7.76	–	–	–	–	–
B. Directors’ remuneration	–	–	42.93	41.54	–	–
Balance outstanding at the year end–payable	–	–	28.72	31.04	–	–

12. In the opinion of the board of directors, current assets, loans and advances have a value on realisation in the ordinary course of the business at least equal to the amounts at which they are stated and provision for all known liabilities have been made.

13. Loans and advances include Rs. Nil (Previous year Rs. 61.99 million) on account of advances given for purchase of capital goods.

14. The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

	(Rs. in Million)	
	2008	2007
Receivables and Advances:		
Exports outstanding	65.39	114.69
Payables:		
Payable on imports	41.63	53.57
Loans:		
Buyers credit	217.83	113.35
Export packing credit	93.01	–
Term loan	264.66	–
	682.52	281.61

15. Payments to directors * (Rs. in Million)

	2008	2007
a) Salary	10.95	8.91
b) Contribution to provident fund	1.31	1.07
c) Leave encashment paid	1.04	–
d) Commission	33.51	36.22
e) Monetary value of perquisites	0.90	0.52
f) Directors’ sitting fee	0.11	0.10
Total	47.82	46.82

* exclusive of provision for future liability in respect of gratuity and leave encashment which is based on actuarial valuation done on overall Company basis.

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

20 | NOTES TO THE FINANCIAL STATEMENTS

Computation of net profit in accordance with Section 198 of the Companies Act, 1956 and the commission payable to directors (Rs. in Million)

	2008	2007
Net profit before tax from ordinary activities	449.30	456.15
Add: Directors’ remuneration including directors’ fee	47.82	46.82
Add: Loss on sale of investments (net)	–	5.93
Add: Provision for doubtful debts and advances (net)	2.91	9.59
	500.03	518.49
Less: Profit on sale of fixed assets (net)	0.21	1.10
Less: Profit on sale of investments (net)	21.18	–
Net profit for the year in accordance with Section 198 of the Companies Act, 1956	478.64	517.49
i) Commission payable to whole–time directors		
a) Chairman & Managing Director (Restricted to 3% per annum of net profit as calculated above)	14.36	15.52
b) Joint Managing Director (Restricted to 3% per annum of net profit as calculated above)	14.36	15.52
ii) Commission payable to non-whole-time directors (Restricted to 1% per annum of net profit as calculated above)	4.79	5.17

16. Particulars relating to foreign exchange

a) Value of imports calculated on C.I.F. basis (Rs. in Million)

	2008	2007
Raw materials and components	205.03	213.53
Spares	33.37	17.54
Capital goods	141.69	59.70
Goods purchased for resale	226.22	212.51
Total	606.31	503.28

b) Expenditure in foreign currency (Rs. in Million)

	2008	2007
Commission on exports	3.83	6.33
Travelling	8.77	8.87
Consultancy fee (net of tax)	10.96	5.09
Interest on debenture (net of tax)	–	5.23
Rent	0.18	–
Others	–	0.31
Total	23.74	25.83

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

20 | NOTES TO THE FINANCIAL STATEMENTS

c) Earnings in foreign exchange (Rs. in Million)

	2008	2007
Commission	–	2.79
FOB value of export of goods	203.19	278.68
Total	203.19	281.47

d) Value of imported and indigenous raw materials, stores and spares consumed

Raw material and components: (Rs. in Million)

	2008		2007	
	(Rs.)	%	(Rs.)	%
Imported	233.65	28	239.18	29
Indigenous	615.24	72	574.14	71
Total	848.89	100	813.32	100

Stores and spare parts consumed:

	2008		2007	
	(Rs.)	%	(Rs.)	%
Imported	17.67	10	12.30	10
Indigenous	155.86	90	116.87	90
Total	173.53	100	129.17	100

17. Raw material and components consumed

(Rs. in Million)

Description	2008		2007	
	Qty. (M.T.)	Value	Qty. (M.T.)	Value
Clays	22,449	58.03	22,265	59.01
Soda Ash	20,987	223.20	23,815	250.65
Cullets	90,218	263.76	72,244	201.52
Quartz/Feldspar	15,333	23.28	6,786	9.68
Others	–	280.62	–	292.46
Total		848.89		813.32

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

20 | NOTES TO THE FINANCIAL STATEMENTS

18. Particulars in respect of goods manufactured/traded

(Rs. in Million)

Class of Goods	Unit of Measure-ment	Licensed/ Registered Capacity	Installed Capacity	Production Quantity	Purchase Value	Opening Stock		Closing Stock		Sales	
						Qty.	Value	Qty.	Value	Qty.	Value
Sanitaryware, fittings and other allied products	M.T	NA	32,000 (32,000)	31,064 (28,618)	806.48 (742.64)	13,185 (10,603)	712.82 (499.63)	17,208 (13,185)	901.93 (712.82)	27,041 (26,036)	3,019.73 (2,668.47)
Plaster of Paris	M.T	NA	3,000 (3,000)	317 (36)	–	100 (64)	0.36 (0.23)	95 (100)	0.10 (0.36)	322 –	–
Refractories	M.T	NA	1,200 (1,200)	–	–	–	–	–	–	–	–
Zirconium Opacifier	M.T	NA	600 (600)	–	–	7 (7)	0.25 (0.25)	–	–	–	–
Heat Rings	NOS.	NA	500,000 (500,000)	78,520 (55,250)	–	18,200 (27,450)	–	18,970 (18,200)	–	77,750 (64,500)	0.17 (0.20)
Acide Resistant Tiles	NOS.	NA	650,000 (650,000)	7,530 –	–	9,470 (9,470)	–	160 (9,470)	–	16,840 –	0.06 –
Glass Bottles / Containers	Lac Pcs.	NA	9,531 (9,531)	8,545 (7,849)	–	1,162 (1,883)	213.83 (347.38)	1,042 (1,162)	198.63 (213.83)	8,664 (8,570)	2,718.72 (2,579.60)
Scrap & Other Sales											24.06 (19.23)

1. Installed capacity has been certified by the management, which the auditors have relied on without verification as this is a technical matter.
2. Production includes captive consumption.
3. Sales quantities include free replacement, breakage, samples, etc. the quantity whereof has not been separately determined.
4. Value of purchases, sales & stocks of sanitaryware & fittings include the value of fitting items. In view of practical difficulties, the quantitative details of fitting items have not been included above.
5. Previous year's figures are given in brackets.

19. Expenditure on ceramic and applied research centre


(Rs. in Million)

	2008	2007
Salaries, wages and bonus	0.83	1.20
Contribution to provident and other funds	0.04	0.07
Stores and spares consumed	0.17	0.09
Total	1.04	1.36


20. Exceptional item represents one time loss on return of goods to Grohe due to termination of long term agency contract.

21. Previous year figures have been regrouped/ recast wherever considered necessary to make them comparable with those of the current year.


Ruchika Gupta
Company Secretary



V. K. Ajmera
Sr. General Manager (Corporate Finance)


Sandip Somany
Joint Managing Director

On behalf of the Board of Directors

R. K. Somany
Chairman & Managing Director

For Walker, Chandiok & Co.
Chartered Accountants

Place : New Delhi
Date : 17 May 2008


Per B. P. Singh
Partner
Membership No. 70116

BALANCE SHEET ABSTRACT AND COMPANY’S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.

2

4

5

3

9

Balance Sheet Date

3

1

0

3

2

0

0

8

State Code

2

1

II. Capital Raised during the year (Rs. in million)

Public Issue

N

I

L

Bonus Issue

N

I

L

Right Issue

N

I

L

Private Placement

N

I

L

III. Position of mobilisation and deployment of funds (Rs. in million)

Total Liabilities

4

5

6

6

Sources of Funds

Paid-up Capital

1

1

0

Secured Loan

1

2

1

5

Application of Funds

Net Fixed Assets

2

6

2

0

Net Current Assets

1

5

9

6

Accumulated Losses

N

I

L

Total Assets

4

5

6

6

Reserves and Surplus

2

0

9

7

Unsecured Loan

8

0

3

Deferred Tax Liabilities

3

4

1

Investment

3

5

0

Miscellaneous Expenditure

N

I

L

IV. Performance of the Company (Rs. in million)

Net Turnover (including other income)

5

2

8

6

Profit before Tax

4

4

9

Basic Earning Per Share (Rs.)

5

.

2

1

Total Expenditure

4

8

3

7

Profit after Current Year Tax

2

8

5

Dividend Rate (%)

7

5

V. Generic Names of Two Principal Products of the Company

Item Code No. (ITC Code)

6

9

1

0

1

0

0

0

Product/Service Description

S

A

N

I

T

A

R

Y

W

A

R

E

S

Item Code No. (ITC Code)

7

0

1

0

9

0

0

0

Product/Service Description

G

L

A

S

S

B

O

T

T

L

E

S

CONSOLIDATED AUDITORS’ REPORT

To
The Board of Directors of
Hindustan Sanitaryware & Industries Limited

We have audited the attached consolidated balance sheet of Hindustan Sanitaryware & Industries Limited (“the Company”) and its subsidiaries collectively referred to as “the Hindustan Sanitaryware Group” as at 31 March 2008, the consolidated profit and loss account and also the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the management of the Hindustan Sanitaryware Group and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of the subsidiaries, whose financial statements reflect total assets of Rs. 195.88 million as at 31 March 2008, the total revenue of Rs. 0.27 million and cash out flows amounting to Rs. 6.78 million for the year then ended. These financial statements and other financial information have been audited by other auditors

whose reports have been furnished to us, and our opinion is based solely on the reports of other auditors.

We report that the consolidated financial statements have been prepared by Hindustan Sanitaryware Group’s management in accordance with the requirements of Accounting Standard 21, Consolidated financial statements, issued by the Institute of Chartered Accountants of India.

Based on our audit and on consideration of report of other auditor on separate financial statements and on the other financial information of the component, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India; in case of:

- a) the consolidated balance sheet, of the state of affairs of the Hindustan Sanitaryware Group as at 31 March 2008;
- b) the consolidated profit and loss account, of the profit for the year ended on that date; and
- c) the consolidated cash flow statement, of the cash flows for the year ended on that date.

For Walker, Chandiok & Co.
Chartered Accountants

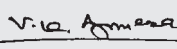


Per B. P. Singh
Partner


Place : New Delhi
Date : 17 May 2008

Membership No. 70116


Ruchika Gupta
Company Secretary


V. K. Ajmera
Sr. General Manager (Corporate Finance)


Sandip Somany
Joint Managing Director


On behalf of the Board of Directors

R. K. Somany
Chairman & Managing Director


Place : New Delhi
Date : 17 May 2008

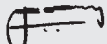
CONSOLIDATED BALANCE SHEET


(Rs. in Million)			
Schedule	As at 31 March 2008	As at 31 March 2007	
SOURCES OF FUNDS			
Shareholders' fund			
Share Capital	1	110.05	110.05
Reserves and surplus	2	2,065.62	1,894.16
		2,175.67	2,004.21
Loan funds			
Secured	3	1,229.96	1,649.86
Unsecured	4	803.37	279.45
		2,033.33	1,929.31
Deferred tax liability (net)			
(Refer note 9 on Schedule 21)		331.58	348.53
	4,540.58	4,282.05	
APPLICATION OF FUNDS			
Fixed assets			
Gross block	5	4,571.99	4,187.12
Less: Accumulated depreciation and amortisation		2,092.58	1,837.44
Net block		2,479.41	2,349.68
Capital work-in-progress (including spares and capital advances)		294.77	220.29
		2,774.18	2,569.97
Investments			
6	137.24	336.27	
Current assets, loans and advances			
Inventories	7	1,470.44	1,218.18
Sundry debtors	8	909.58	770.39
Cash and bank balances	9	122.05	93.66
Other current assets	10	1.00	0.91
Loans and advances	11	249.68	272.76
		2,752.75	2,355.90
Less:			
Current liabilities and provisions			
12			
a) Current liabilities		981.15	891.06
b) Provisions		142.44	89.08
		1,123.59	980.14
Net current assets			
		1,629.16	1,375.76
Miscellaneous expenditure (To the extent not written off or adjusted)			
13	-	0.05	
	4,540.58	4,282.05	
Significant accounting policies			
20			
Notes to the financial statements			
21			

The schedules referred to above form an integral part of the Consolidated financial statements


Ruchika Gupta
Company Secretary


V. K. Ajmera
Sr. General Manager (Corporate Finance)


Sandip Somany
Joint Managing Director


R. K. Somany
Chairman & Managing Director

This is the Consolidated Balance Sheet referred to in our report of even date.
For Walker, Chandiok & Co.
Chartered Accountants


Place : New Delhi
Date : 17 May 2008


Per B. P. Singh
Partner
Membership No. 70116

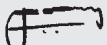
CONSOLIDATED PROFIT AND LOSS ACCOUNT


(Rs. in Million)			
Schedule	Year ended 31 March 2008	Year ended 31 March 2007	
INCOME			
Income from operations	14	5,762.77	5,267.50
Less: Excise duty on sale of goods		554.36	489.86
		5,208.41	4,777.64
Other income	15	77.88	62.26
Increase in stocks	16	230.40	95.37
		5,516.69	4,935.27
EXPENDITURE			
Goods purchased for resale		839.31	742.64
Personnel cost	17	574.30	494.76
Manufacturing, selling and general expenses	18	3,242.02	2,863.53
		4,655.63	4,100.93
Profit before interest, depreciation, amortisation and tax			
		861.06	834.34
Interest	19	163.37	142.54
Depreciation and amortisation	5	264.18	248.25
Profit before tax and exceptional items			
		433.51	443.55
Loss in respect of exceptional transaction		11.85	-
(Refer note 15 on Schedule 21)			
Profit before tax			
		421.66	443.55
Tax expense			
Current tax		161.50	125.43
Deferred tax		(16.96)	31.47
Fringe benefit tax		10.26	8.13
Profit after tax			
		266.86	278.52
Income tax for earlier years		1.17	-
Transferred from Debenture redemption reserve		-	25.83
		268.03	304.35
Balance transferred from previous year		743.63	560.32
Balance available for appropriation			
		1,011.66	864.67
APPROPRIATIONS			
Transferred to general reserve		30.00	30.00
Interim dividend paid on equity shares		-	23.38
Tax paid on interim dividend		-	3.28
Proposed dividend on equity shares		82.54	55.03
Tax on proposed dividend		14.03	9.35
Balance carried to balance sheet		885.09	743.63
		1,011.66	864.67
Earnings per share - Basic and Diluted (Rs.)			
		4.87	5.31
(Refer note 12 on Schedule 21)			
Significant accounting policies			
20			
Notes to the financial statements			
21			

The schedules referred to above form an integral part of the Consolidated financial statements


Ruchika Gupta
Company Secretary


V. K. Ajmera
Sr. General Manager (Corporate Finance)


Sandip Somany
Joint Managing Director


R. K. Somany
Chairman & Managing Director

This is the Consolidated Profit and Loss Account referred to in our report of even date.
For Walker, Chandiok & Co.
Chartered Accountants

Place : New Delhi
Date : 17 May 2008

Per B. P. Singh
Partner
Membership No. 70116

CONSOLIDATED CASH FLOW STATEMENT


	(Rs. in Million)	
	Year ended 31 March 2008	Year ended 31 March 2007
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax	421.66	443.55
Adjustments for:		
Depreciation and amortisation	264.18	248.25
Miscellaneous expenditure	0.05	0.06
(Profit)/loss on fixed assets discarded/sold (net)	(0.21)	(1.10)
Interest expense	163.37	142.54
Dividend	(1.30)	(10.90)
Interest income	(7.65)	(4.14)
(Profit)/loss on sale of investments (net)	(21.39)	5.93
Sundry balances and liabilities no longer required written back	(8.16)	(7.66)
Dimution in the value of current investments	0.36	–
Bad debts written off	0.98	2.14
Provision for doubtful debts and advances	2.91	9.69
Operating Profit before working capital changes	814.81	828.36
Adjustments for :		
Inventories	(252.26)	(135.45)
Trade/other receivables	(122.77)	2.83
Trade/other payables	103.54	68.32
Cash generated from operations	543.31	764.06
Direct taxes paid	(153.53)	(151.17)
Net cash from operating activities	389.78	612.89
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets including capital work in progress	(477.03)	(613.77)
Proceeds from sale of fixed assets	8.83	11.40
Purchase of investments	(37.55)	(228.87)
Sale proceeds of investments	257.61	336.57
Movement in restricted cash equivalent	(14.36)	(1.83)
Interest received	8.41	15.12
Dividend received	1.30	10.90
Loans and advances recovered	1.94	0.13
Net cash used in investing activities	(250.85)	(470.35)

CONSOLIDATED CASH FLOW STATEMENT (Contd.)

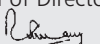
	(Rs. in Million)	
	Year ended 31 March 2008	Year ended 31 March 2007
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long term borrowings	–	400.00
Repayment of long term borrowings	(76.23)	(259.31)
Proceeds from short term borrowings (net)	180.25	(76.32)
Interest paid	(164.75)	(143.73)
Dividend paid	(54.84)	(83.68)
Taxes on dividend	(9.35)	(11.81)
Net cash from financing activities	(124.92)	(174.85)
Net increase in cash and cash equivalents	14.01	(32.31)
Cash and cash equivalents in the beginning	71.24	103.47
Cash and cash equivalents on acquisition of subsidiary	–	0.08
Cash and cash equivalents at the close	85.25	71.24
Note:		
Cash and cash equivalents include:		
Cash and cheques in hand and remittances in transit	67.35	40.27
Balances with bank	17.90	30.97
Cash and cash equivalents	85.25	71.24
Balances in fixed deposit accounts – pledged	33.76	19.58
Balances in unpaid dividend accounts	3.04	2.84
Balance in post office savings account (pledged)*	–	–
Balance with bank not considered as cash equivalents	36.80	22.42
Cash and bank balances as per Balance Sheet	122.05	93.66

* Rounded off to Nil


Ruchika Gupta
Company Secretary


V. K. Ajmera
Sr. General Manager (Corporate Finance)



Sandip Somany
Joint Managing Director

On behalf of the Board of Directors

R. K. Somany
Chairman & Managing Director

This is the Consolidated Cash Flow Statement referred to in our report of even date.

For Walker, Chandio & Co.
Chartered Accountants

Place : New Delhi
Date : 17 May 2008


Per B. P. Singh
Partner
Membership No. 70116

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Rs. in Million)		
	As at 31 March 2008	As at 31 March 2007
1 SHARE CAPITAL		
Authorised		
75,000,000 (previous year 75,000,000) equity shares of Rs. 2 each	150.00	150.00
	150.00	150.00
Issued		
55,029,333 (previous year 55,029,333) equity shares of Rs. 2 each	110.06	110.06
	110.06	110.06
Subscribed and paid-up*		
55,025,508 (previous year 55,025,508) equity shares of Rs. 2 each fully paid-up	110.05	110.05
Add: Forfeited shares**	–	–
	110.05	110.05

*Of the above shares, 24,268,638 equity shares of Rs. 2 each (previous year 24,268,638 equity shares of Rs. 2 each) were allotted as fully paid-up by way of bonus shares by capitalisation of revenue reserves, 337,500 equity shares of Rs. 2 each (previous year 337,500 equity shares of Rs. 2 each) fully paid up were issued to the equity shareholders of the erstwhile The Associated Glass Industries Limited pursuant to the scheme of amalgamation and 1,828,225 equity shares of Rs. 2 each (previous year 1,828,225 shares of Rs. 2 each) fully paid-up were issued to the equity shareholders of the erstwhile Krishna Ceramics Limited pursuant to the scheme of amalgamation.

** Rounded off to Nil

(Rs. in Million)		
	As at 31 March 2008	As at 31 March 2007
2 RESERVES AND SURPLUS		
i) Capital reserve		
a) On account of amalgamation with erstwhile Krishna Ceramics Limited	0.33	0.33
b) Forfeited amount of debentures	2.00	2.00
c) Forfeited amount of upfront payment for naked warrants	9.75	9.75
d) Profit on acquisition of shares	0.03	0.03
	12.11	12.11
ii) Debenture redemption reserve		
As per last year	–	25.83
Less: Transferred to profit and loss account	–	25.83
	–	–
iii) Central subsidy reserve	2.50	2.50
iv) Securities premium account		
As per last year	684.06	171.74
Add: Premium on conversion of FCDs	–	512.32
	684.06	684.06
v) General reserve		
As per last year	450.36	426.58
Add: Transferred from profit and loss account	30.00	30.00
	480.36	456.58
Less: Transitional effect of liability on account of employee benefits on initial adoption of revised Accounting Standard 15	–	6.22
	480.36	450.36
vi) Capital redemption reserve	1.50	1.50
vii) Profit and loss account		
Surplus in profit and loss account	885.09	743.63
	2,065.62	1,894.16

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Rs. in Million)		
	As at 31 March 2008	As at 31 March 2007
3 SECURED LOANS		
From banks		
Cash credit accounts	268.66	764.91
Packing credit accounts	93.01	22.40
Buyers credit	217.83	113.35
(Secured by hypothecation of stocks and book debts and further secured by second charge on all the fixed assets of the Company, except assets at Isnapur, Medak district, Andhra Pradesh)		
Term loans from banks	645.91	738.75
(Secured by way of hypothecation of the whole of fixed assets including moveable plant & machinery, machine spares, tools and accessories (both present and future) pertaining to the Glass division of the Company and further secured by first pari-passu charge by way of mortgage of deposit of title deeds of immovable properties of the Glass division of the Company)		
(Term loans of Rs. 162.50 million, Previous year Rs. 318.28 million are payable within one year)		
Car finance loans from banks and bodies corporate	4.55	10.45
(Secured by hypothecation of vehicles financed out of proceeds of loans)		
(Amount payable within one year Rs. 3.16 million, previous year Rs. 5.12 million)		
	1,229.96	1,649.86

(Rs. in Million)		
	As at 31 March 2008	As at 31 March 2007
4 UNSECURED LOANS		
Short term		
Trade deposits from dealers	65.96	65.89
Interest accrued and due on above	0.18	0.18
From banks:		
Commercial paper	500.00	–
Supplier bills discounted	9.86	8.52
Long term		
Deferred sales tax credit	227.37	204.86
	803.37	279.45

Notes:

- Maximum amount outstanding on commercial paper during the year Rs. 500 million (previous year Rs. 600 million).
- The amount of deferred sales tax credit is subject to assessment by sales tax authorities.
- As per agreement with Commercial Tax Department, Hyderabad deferred sales tax credit relating to the Glass Division amounting to Rs. 108.26 million (previous year Rs. 106.82 million) is secured against the moveable and immovable properties of the Company. However, the charge is pending registration with the Registrar of Companies, West Bengal.

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

5	FIXED ASSETS	(Rs. in Million)	
		NET BLOCK	NET BLOCK
	Particulars	As at 31.03.2008	As at 31.03.2007
		As at 31.03.2008	As at 31.03.2007
	Intangible	DEPRECIATION/AMORTISATION	
		Up to 31.03.2008	Up to 31.03.2007
	Trade Mark	Sales/ Adjustment	For the year
	Goodwill	Sales/ Adjustment	For the year
	Tangible	Sales/ Adjustment	For the year
	Land	Sales/ Adjustment	For the year
	Building	Sales/ Adjustment	For the year
	Plant & Machinery	Sales/ Adjustment	For the year
	Vehicles	Sales/ Adjustment	For the year
	Office Equipments	Sales/ Adjustment	For the year
	Computers	Sales/ Adjustment	For the year
	Furniture & Fixtures	Sales/ Adjustment	For the year
	Leasehold Land	Sales/ Adjustment	For the year
	Leasehold Building	Sales/ Adjustment	For the year
	Total	Sales/ Adjustment	For the year
	Previous Year	Sales/ Adjustment	For the year

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

		(Rs. in Million)	
		As at 31 March 2008	As at 31 March 2007
6	INVESTMENTS		
Long Term			
Non Trade			
i) Government securities*			
Unquoted:			
National Savings Certificates		0.08	0.08
ii) Fully paid-up equity shares of Rs. 10 each			
Quoted:			
125 (previous year 125) Neycer India Limited**		-	-
50 (previous year 50) Swastik Sanitarywares Limited**		-	-
Trade - Unquoted:			
Others			
804,000 (previous year 804,000) Andhra Pradesh Gas Power Corporation Limited		107.36	107.36
		107.44	107.44
Current			
i) Mutual Fund - non trade (unquoted)			
(units of Rs. 10 each fully paid)			
232,016.767 (previous year Nil) HDFC Prudence Fund - Growth		29.64	-
9,829.647 (previous year Nil) HDFC Liquid Fund - Growth		0.16	-
Nil (previous year 3,311) HDFC-Equity Fund-Dividend Plan		-	0.06
Nil (previous year 3,312) HDFC- Prudential Fund-Dividend Plan		-	0.08
Nil (previous year 15,754,437.558) HDFC QIF-Plan A-Wholesale Growth		-	157.54
Nil (previous year 1,562,373.362) Prudential ICICI FMP 37 -3 months Plan B-Retail Growth		-	15.62
Nil (previous year 1,909,809.041) Templeton India Horizon Fund Series II 3 months Plan-Inst-Gr.		-	19.10
Nil (previous year 3,642,485.290) Reliance Fixed Horizon Fund II-Qty Plan Series VI-Inst Gr.		-	36.43
		29.80	228.83
		137.24	336.27
Aggregate cost of quoted investments**		-	-
Aggregate cost of unquoted investments		137.24	336.27
Aggregate net asset value of Mutual Fund investments		29.80	228.83
* Deposited with government departments Rs. 0.43 million (previous year Rs. 0.43 million)			
** Rounded off to Nil			

During the year, the following current investments were purchased and sold:

- 848338.3440 units of Prudential Liquid Plan-Institutional Growth purchased at cost of Rs. 16.07 million and sold at Rs.16.09 million.
- 3141254.147 units of Reliance Floating Rate Fund-Growth Plan-Growth purchased at cost of Rs. 37.46 million and sold at Rs. 37.91 million.
- 46941.0110 units of Reliance Growth Fund-Retail Plan-Growth Plan purchased at cost of Rs. 15.00 million and sold at Rs. 15.85 million.
- 36980.4670 units of Reliance Liquid Plus Fund-Institutional Growth purchased at cost of Rs. 38.72 million and sold at Rs. 40.36 million.
- 17124500.957 units of HDFC Cash Management Fund-Savings Plus Plan-Wholesale Growth purchased at cost of Rs. 286.83 million and sold at Rs. 291.18 million.
- 6770125.6860 units of HDFC Cash Management Fund-Savings Plan-Growth purchased at cost of Rs. 109.82 million and sold at Rs. 109.87 million
- 5000000 units of HDFC Arbitrage Fund-Wholesale Plan-MD-Rein purchased at cost of Rs. 50.00 million and sold at Rs. 50.53 million.
- 10342.101 units of Templeton India TMA Regular Plan-Growth purchased at cost of Rs. 19.65 million and sold at Rs. 19.65 million.
- 630140.90 units of Templeton India Flexi-Cap Fund-Growth purchased at cost of Rs. 15.00 million and sold at Rs. 16.27 million.
- 16230254.1900 units of Templeton India Money Market Account-Bonus purchased at cost of Rs. 16.23 million and sold at Rs. 16.93 million.
- 600270.8650 units of Fidelity Equity Fund-Growth Option purchased at cost of Rs. 15.00 million and sold at Rs. 15.70 million.
- 1564738.9073 units of Fidelity Liquid Plus-Institutional Growth purchased at cost of Rs. 15.67 million and sold at Rs. 16.09 million.
- 15019.0410 units of DSP Merrill Lynch Liquid Plus-Regular Growth purchased at cost of Rs. 16.23 million and sold at Rs. 16.79 million.
- 1393534.0020 units of DSP Merrill Lynch Equity Fund-Regular Growth purchased at cost of Rs. 15.00 million and sold at Rs. 16.27 million.
- 146499.540 units of Sundaram BNP Paribas Select Midcap-Appreciation purchased at cost of Rs. 15.00 million and sold at Rs. 16.19 million.
- 1559534.6260 units of Sundaram BNP Paribas Liquid Plus-Institutional Growth purchased at cost of Rs. 16.15 million and sold at Rs. 16.81 million.
- 450432.738 units of HDFC Cash Management Fund-Savings Plus Plan-Wholesale Growth purchased at cost of Rs. 7.40 million and sold at Rs. 7.50 million.
- 468221.076 units of HDFC Cash Management Fund-Savings Plan-Growth, purchased at cost of Rs. 7.40 million and sold at Rs. 7.40 million.

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Rs. in Million)

	As at 31 March 2008	As at 31 March 2007
7 INVENTORIES		
(As taken, valued and certified by the management)		
Stores, spares and packing materials	166.87	160.71
Raw materials and components	88.74	85.64
Stock-in-process	56.76	44.43
Goods in transit*	24.60	0.15
Finished goods including goods purchased for sale	1,133.47	927.25
	1,470.44	1,218.18

* Includes raw material & components Rs. Nil (previous year Rs. 0.10 million), stores & spares Rs. Nil (previous year Rs. 0.05 million) and finished goods Rs. 24.60 million (previous year Rs. Nil)

(Rs. in Million)

	As at 31 March 2008	As at 31 March 2007
8 SUNDRY DEBTORS		
(Unsecured unless otherwise stated)		
Debts outstanding for a period exceeding six months:		
Considered good		
– Secured	5.27	1.44
– Others	68.28	128.99
Considered doubtful	62.11	56.71
Other debts:		
Considered good		
– Secured	22.51	6.50
– Others	813.52	633.46
Considered doubtful	0.41	1.63
	972.10	828.73
Less: Provision for doubtful debts	62.52	58.34
	909.58	770.39

(Rs. in Million)

	As at 31 March 2008	As at 31 March 2007
9 CASH AND BANK BALANCES		
Cash in hand	2.25	9.89
Remittance-in-transit	65.10	30.38
Balances with scheduled banks in:		
Current accounts	17.30	30.22
Cash credit accounts	–	0.63
Fixed deposit accounts	34.36	19.70
Rs. 33.76 million (previous year Rs. 19.58 million) are pledged with banks as margin money		
Unpaid dividend accounts	3.04	2.84
With post office in savings account (pledged)*	–	–
	122.05	93.66

* Rounded off to Nil

(Rs. in Million)

	As at 31 March 2008	As at 31 March 2007
10 OTHER CURRENT ASSETS		
Interest accrued but not due on loans and deposits	1.00	1.76
Less: Provision for interest – doubtful of recovery	–	0.85
	1.00	0.91

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Rs. in Million)

	As at 31 March 2008	As at 31 March 2007
11 LOANS AND ADVANCES		
(Unsecured, considered good except where otherwise stated)		
Loans to Bodies Corporate	–	2.00
(including Rs. Nil (previous year Rs. 2.00 million) considered doubtful of recovery)		
Advance recoverable in cash or in kind or for value to be received	172.41	192.36
(including Rs. 4.04 million (previous year Rs. 2.46 million) considered doubtful of recovery)		
Balance with excise/sales tax authorities	41.65	55.75
Deposits	39.66	27.11
	253.72	277.22
Less: Provision for doubtful loans & advances	4.04	4.46
	249.68	272.76

(Rs. in Million)

	As at 31 March 2008	As at 31 March 2007
12 CURRENT LIABILITIES AND PROVISIONS		
a) Current liabilities		
Acceptances	18.73	18.89
Sundry creditors for goods, services and expenses		
Due to Micro, Small and Medium enterprises	7.15	–
Others	611.19	648.50
Interest accrued but not due on loans/debentures	1.80	3.24
Advance against sales/orders	39.65	52.45
Investor education & protection fund**		
Unclaimed Dividend	3.04	2.84
Other liabilities*	299.59	165.14
	981.15	891.06
b) Provisions		
Employee benefits	27.30	23.21
Income tax (including fringe benefit tax)	18.57	1.49
(net of advance payment of Rs. 438.50 million, previous year Rs. 330.90 million)		
Proposed dividend	82.54	55.03
Tax on proposed dividend	14.03	9.35
	142.44	89.08
	1,123.59	980.14

* Including excise duty payable Rs. 143.01 million (previous year Rs. 132.07 million) on finished goods lying at Company's bonded warehouses.

** Not due for deposit

(Rs. in Million)

	As at 31 March 2008	As at 31 March 2007
13 MISCELLANEOUS EXPENDITURE		
Preliminary expenses	0.05	0.11
Less: Written off during the year	0.05	0.06
	–	0.05

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(Rs. in Million)

	Year ended 31 March 2008	Year ended 31 March 2007
14 INCOME FROM OPERATIONS		
Sale of goods (net of returns)		
Domestic		
Sanitaryware, fittings and glassware	5,211.09	4,594.50
Export		
Sanitaryware, fittings and glassware	527.62	653.57
(including deemed export Rs. 294.52 million (previous year Rs. 339.93 million))		
	5,738.71	5,248.07
Others		
Scrap and other sales	24.06	19.43
	24.06	19.43
	5,762.77	5,267.50

(Rs. in Million)

	Year ended 31 March 2008	Year ended 31 March 2007
15 OTHER INCOME		
Rent received	2.84	0.08
Dividend received on investments in liquid mutual funds (non-trade unquoted)	1.30	10.90
Interest income (gross) on: *		
Loans to body corporate	1.35	0.22
Deposits	0.86	0.68
Margin money	1.87	0.80
Dealers	2.73	2.13
Other accounts	0.84	0.31
Profit on sale of investments in liquid mutual funds (non-trade unquoted)	21.39	5.45
Profit on disposal of fixed assets	0.96	1.10
Export incentives	12.75	11.13
Insurance claims received	2.39	1.69
Provision for doubtful debts and advances written back	2.85	–
Sundry balances and liabilities no longer required written back	8.16	7.66
Foreign Exchange gain (Previous year net of loss Rs. 2.11 million)	–	4.41
Miscellaneous receipts	17.59	15.70
	77.88	62.26
* Income tax deducted at source	1.14	0.35

(Rs. in Million)

	Year ended 31 March 2008	Year ended 31 March 2007
16 INCREASE IN STOCKS		
Opening stocks		
Finished goods including goods purchased for resale	927.25	847.48
Stock-in-process	44.43	28.83
	971.68	876.31
Less: loss in respect of exceptional transaction (Refer note 15 on schedule 21)	11.85	–
	959.83	876.31
Less: Closing stocks		
Finished goods including goods purchased for resale	1,133.47	927.25
Stock-in-process	56.76	44.43
	1,190.23	971.68
	230.40	95.37

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Rs. in Million)

	Year ended 31 March 2008	Year ended 31 March 2007
17 PERSONNEL COST		
Salaries, wages & bonus	511.51	436.99
Contribution to provident and other funds	35.04	33.12
Staff and labour welfare expenses	27.75	24.65
	574.30	494.76

(Rs. in Million)

	Year ended 31 March 2008	Year ended 31 March 2007
18 MANUFACTURING, SELLING AND GENERAL EXPENSES		
Raw materials consumed *	848.89	813.32
Stores and spares consumed	173.53	129.17
Excise duty on increase/(decrease) of stocks	28.60	11.53
Packing materials consumed	213.24	201.59
Power and fuel	1,113.69	934.56
Repairs to:		
Buildings	9.47	9.77
Plant and machinery (excluding stores consumption)	39.59	30.32
Other assets	10.79	5.97
Rent (including hire charges)	17.94	13.81
Rates and taxes	3.72	6.67
Directors fees	0.11	0.10
Expenditure on ceramic and applied research centre	1.04	1.36
Insurance	16.07	16.75
Travelling and conveyance	70.97	65.46
Discount	185.10	158.28
Commission on sales	14.55	14.58
Expenses on exports	62.02	69.50
Advertisement and publicity	105.70	100.89
Other selling and distribution expenses	159.88	160.30
Provision for doubtful debts and advances	5.76	9.59
Charity and donations	1.14	1.29
Foreign exchange fluctuation (Net of gain of Rs. 2.89 million)	30.60	–
Loss on disposal of fixed assets**	0.75	–
Loss on sale of investments in liquid mutual funds (non trade – unquoted)	–	11.39
Diminution in the value of current investments	0.36	–
Bad debts and doubtful advances written off	0.98	2.24
Miscellaneous expenses	127.53	95.09
	3,242.02	2,863.53

* Includes accessories and fittings aggregating to Rs. 35.07 million (previous year Rs. 28.70 million)

** Rounded off to Nil for previous year

(Rs. in Million)

	Year ended 31 March 2008	Year ended 31 March 2007
19 INTEREST		
On term loans	72.56	69.67
On debentures*	–	8.69
Others**	90.81	64.18
	163.37	142.54

* Includes interest of Rs. Nil (previous year Rs. 6.61 million) on 4% Fully Convertible Debentures

** Includes Rs. 40.44 million (previous year Rs. 44.18 million) incurred on account of discounting charges of commercial paper

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

20	SIGNIFICANT ACCOUNTING POLICIES
1.	<p>Principles of consolidation</p> <p>These consolidated financial statements include the financial statements of Hindustan Sanitaryware & Industries Limited (the Parent Company) and its subsidiaries namely, AGI Glasspack Ltd. and Hindware Home Retail Pvt. Ltd. (collectively referred to as ‘the Group’).</p> <p>The consolidated financial statements have been combined on a line by line basis by adding the book value of the like items of the assets, liabilities, income and expenses after eliminating intra-group transactions and resulting unrealised profits in full. The amounts shown in respect of reserves comprise the amount of the relevant reserves as per balance sheet of the Parent Company and its share in the post-acquisition increase in the relevant reserves of the subsidiaries.</p> <p>The excess/deficit of cost to the Parent Company of its investment over its portion of equity in the subsidiaries at the respective date on which the investment in such entity was made is recognised in the financial statement as goodwill/capital reserve. The Parent Company’s portion of equity in such entities is determined on the basis of book value of assets and liabilities as per financial statements of the entity as on the date of investment.</p> <p>The consolidated statements are presented, to the extent possible, in the same format as that adopted by the Parent Company for its separate financial statements.</p>
2.	<p>Basis of preparation</p> <p>The financial statements are prepared on accrual basis under the historical cost convention, in accordance with the generally accepted accounting principles in India and to comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 and the Rules framed thereunder. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.</p>
3.	<p>Use of estimates</p> <p>The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported balances of assets and liabilities and the disclosure relating to contingent liabilities as at the date of financial statements and reported amount of income and expenses during the period. Although these estimates are based upon management’s best knowledge of current events and actions, actual results could differ from those estimates. Any revision to accounting estimates is recognised in the current and future periods.</p>
4.	<p>Revenue recognition</p> <p>Sale of goods</p> <p>Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the goods are transferred to the customer and is stated inclusive of excise duty and net of trade discounts, sales return and sales tax wherever applicable.</p> <p>Interest</p> <p>Interest income is recognised on time proportion basis at the applicable rates.</p>
5.	<p>Export benefit/incentive</p> <p>Benefit under the advance license scheme and duty free replenishment certificate are accounted for at the time of purchase of imported raw materials or sale of the license.</p>
6.	<p>Fixed assets</p> <p>Tangible</p> <p>Tangible assets are stated at cost of acquisition less accumulated depreciation. Cost comprises the purchase price (net of cenvat credit availed) and any attributable cost of bringing the asset to its working condition for its intended use. Expenditure on account of modification/alteration in plant and machinery/building, which increases the future benefit from the existing asset beyond its previously assessed standard of performance, is capitalised.</p> <p>Intangible</p> <p>Intangible assets are recognised if and only if it is probable that the future economic benefits that are attributable to the assets will flow to the Company.</p>
7.	<p>Depreciation/amortisation</p> <p>Tangible</p> <p>Depreciation on fixed assets has been provided on straight line method at the rates and in the manner prescribed under schedule XIV (“schedule”) to the Companies Act, 1956 except the following:</p> <p>i. on assets acquired and put to use on or before 1 July 1987 in the glass division of the Parent Company and on vehicles acquired till date in all the divisions of the Parent Company, depreciation is provided on written down value method at the rates and in the manner prescribed in the schedule;</p>

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

20	SIGNIFICANT ACCOUNTING POLICIES (Contd.)
	<p>ii. on furnaces (included in plant and machinery) having a cost of Rs. 529.89 million used in the glass division, depreciation is provided on straight line method, as technically assessed from time to time, based on expected useful lives of the furnaces. The rate presently being 16.21% per annum which is the rate as prescribed in the schedule;</p> <p>iii. cost of leasehold improvements is depreciated over the period of the lease.</p> <p>Intangible</p> <p>i. Pre-operative expenditure including borrowing cost (net of revenue, where applicable) incurred during the construction/trial run of the project is allocated on an appropriate basis to fixed assets on Commissioning.</p> <p>ii. Trademarks are being amortised over a period of ten years;</p> <p>iii. Computer software (included in Computers in Schedule 5) are amortized over a period of six years;</p>
8.	<p>Investments</p> <p>Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments.</p> <p>Current investments are valued at the lower of cost and fair value. Long-term investments are stated at cost. Provision is made for diminution in the value of long-term investments to recognise a decline, if any, other than temporary in nature.</p> <p>Profit/Loss on sale of investments are computed with reference to their cost determined on first in first out basis.</p>
9.	<p>Inventories</p> <p>a) Inventories are valued as follows:</p> <p>Stores and spares, packing materials, raw materials including components - At lower of cost and net realisable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.</p> <p>Work- in-process - At cost upto estimated stage of completion.</p> <p>Finished goods and goods purchased for resale - At lower of cost and net realisable value.</p> <p>b) Cost of inventories is ascertained on the following basis:</p> <p>Raw materials, stores and spare parts and packing materials - On weighted average basis.</p> <p>Finished goods purchased for resale - On weighted average basis.</p> <p>Cost of manufactured finished goods and stock in process comprises of material, labour and other related production overheads including depreciation.</p>
10.	<p>Foreign currency transactions</p> <p>Foreign currency transactions are recorded at the exchange rates prevailing on the date of transaction. Differences arising out of foreign currency transactions settled during the year are recognised in the profit and loss account.</p> <p>Monetary items outstanding at the balance sheet date and denominated in foreign currencies are restated at the exchange rates prevailing at the end of the year. Differences arising on such restatement are recognised in the profit and loss account.</p> <p>The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.</p>
11.	<p>Taxes on income</p> <p>Tax expense comprises current income tax, deferred income tax and fringe benefit tax.</p> <p>Current tax is determined as the amount of tax payable in respect of taxable income for the year.</p> <p>Deferred income tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable/virtual certainty, depending on the nature of the timing differences, that sufficient future taxable income will be available against which such deferred tax assets can be realised.</p> <p>Fringe benefit tax is determined in accordance with applicable Income-tax laws.</p>

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

20 SIGNIFICANT ACCOUNTING POLICIES (Contd.)

12. Research and development
Research and development expenditure is charged to profit and loss account except capital expenditure, which is added to the cost of respective fixed assets in the year in which it is incurred.
13. Leases

a) Operating Lease
Lease rentals in respect of assets taken on operating lease are charged to the profit and loss account on a straight-line basis over the lease term.

b) Finance Lease
Assets acquired on finance lease which transfer risk and rewards of ownership to the Company are capitalized as assets by the Company at the lower of fair value of the leased property or the present value of the related lease payments or where applicable, estimated fair value of such assets. Amortization of capitalised leased assets is computed on the Straight Line method over the useful life of the assets. Lease rental payable is apportioned between principal and finance charge using the internal rate of return method. The finance charge is allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of liability.
14. Employee benefits
Expenses and liabilities in respect of employee benefits are recorded in accordance with Accounting Standard 15 Employee Benefits (Revised 2005) "Revised AS 15"

a) Provident fund
The Company makes contributions to two independently constituted trusts and regional provident fund recognised by income tax authorities. The plan is a defined contribution plan and contribution paid or payable is recognised as an expense in the period in which services are rendered by the employee.

b) Gratuity
Gratuity is a post employment defined benefit plan. The liability recognised in respect of gratuity is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the profit and loss account in the year in which such gains or losses arise.

c) Compensated absence
The Company measures and recognises the liability in respect of the expected cost of accumulating compensated absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date.

d) Other short term benefits
Expenses relating to other short term benefit including performance bonus is recognised on the basis of amount paid or payable for the period during which services are rendered by the employee.
15. Earnings per share
Basic earnings per share are calculated by dividing net profit or loss for the period attributable to equity shareholders by weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue, share split and any new equity issue.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.
16. Impairment of assets
The Company on an annual basis makes an assessment of any indicator that may lead to impairment of assets. If any such indication exists, the Company estimates the recoverable amount of the assets. If such recoverable amount is less than the carrying amount, then the carrying amount is reduced to its recoverable amount by treating the difference between them as impairment loss and is charged to the profit and loss account.
17. Contingent liabilities and provisions
Depending on facts of each case and after due evaluation of relevant legal aspects, the Company makes a provision when there is a present obligation as a result of a past event where the outflow of economic resources is probable and a reliable estimate of the amount of obligation can be made. The disclosure is made for all possible or present obligations that may but probably will not require outflow of resources as contingent liability in the financial statements.

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

21 NOTES TO THE FINANCIAL STATEMENTS

- (Rs. in Million)

	2008	2007
1. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances Rs. 63.16 million; Previous year Rs. 238.79 million)	363.80	184.82
2. Contingent liabilities not provided for in respect of:		
a) Demands raised by the excise authorities against which appeals have been filed	3.28	3.28
b) Demands made by the sales tax authorities against which appeals have been filed	11.44	72.51
c) Bank guarantees outstanding	89.79	36.74
d) Claims against the Company not acknowledged as debts	148.22	118.51
3. Unfulfilled export obligation under EPCG license of EXIM Policy	91.71	49.02
4. Issue of Fully convertible debentures
During 2005–06 the Company had raised Rs. 528.83 million by way of issue of 3,300,000 - 4% unsecured fully convertible debentures of Rs. 160.25 each on a private placement basis. These debentures, pursuant to the option exercised by their holders as per the terms of the issue, were converted into 8,250,000 equity shares of Rs. 2 each on 24 July 2006.

The details regarding the utilisation of proceeds from the issues are:

(Rs. in Million)

	2008	2007
Details of utilisation		
Issue expenses debited to the securities premium account	–	15.04
Repayment of loan and capital expenditure	228.69	285.10
Funds invested in liquid mutual funds	–	228.69
5. Sundry creditors/ other liabilities include:

(Rs. in Million)

	2008	2007
Directors' commission payable	33.51	36.22
6. Amount due to entities covered under Micro, Small and Medium Enterprises have been identified on the basis of confirmations received from these entities and information available with the Company. There was no amount due for more than forty five days payable to these identified entities at any time during the year.
7. Miscellaneous expenses include payments to auditors of the Parent Company for:

(Rs. in Million)

	2008	2007
a) Audit fee	0.70	0.70
b) Tax audit fee	0.11	0.11
c) Certification etc.	0.11	0.32
d) Reimbursement of expenses (including service tax wherever applicable)	0.21	0.04
	1.13	1.17
8. Employee benefits
During the year the Company has recognized the following amounts in the profit and loss account.

a) Defined contribution plans

(Rs. in Million)

	2008	2007
Employer's contribution to provident fund *	20.81	19.55
Employer's contribution to ESI *	5.58	5.21

* included in contribution to provident and other funds (refer schedule 17)

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

21 NOTES TO THE FINANCIAL STATEMENTS (Contd.)

b) Defined benefit plans

(Rs. in Million)

	As at 31 March 2008		As at 31 March 2007	
	Gratuity Funded	Leave encashment Unfunded	Gratuity Funded	Leave encashment Unfunded
Amount recognised in the balance sheet :				
Present value of obligations	99.81	16.21	76.26	13.00
Fair value of plan assets	92.75	–	75.27	–
	7.06	16.21	0.99	13.00
Unrecognised past service cost	–	–	–	–
Net liability recognised in the balance sheet	7.06	16.21	0.99	13.00
Amount recognised in profit and loss account:				
Current service cost	5.77	1.75	6.33	1.36
Interest cost	6.10	1.04	5.10	0.79
Expected return on plan assets	(6.02)	–	(6.40)	–
Net Actuarial (gain)/loss	9.37	0.48	(1.15)	0.97
Past service cost	–	–	–	–
Curtailment and settlement cost/(gain)	–	–	–	–
Total included in 'Personnel Cost' *	15.22	3.21	3.88	3.12
Actual return on plan assets	17.37	–	5.42	–
* Refer schedule 17				
Reconciliation of opening and closing balances of benefit obligations and plan assets				
Change in defined benefit obligation				
Opening defined benefit obligation	76.26	13.00	75.54	9.88
Current service cost	5.77	1.75	6.33	1.36
Interest cost	6.10	1.04	5.10	0.79
Benefits paid	(9.04)	–	(8.57)	–
Curtailment and settlement cost/(credit)	–	–	–	–
Contribution by plan participants	–	–	–	–
Past service cost	–	–	–	–
Actuarial (gain)/ loss	20.72	0.42	(2.14)	0.97
Closing defined benefit obligation	99.81	16.21	76.26	13.00
Change in fair value of plan assets				
Fair value of plan assets at the beginning of the year	75.27	–	74.93	–
Expected return on plan assets	6.02	–	6.40	–
Actuarial gain/(loss)	11.35	–	(0.99)	–
Employer's contribution	9.15	–	3.50	–
Contribution by plan participants	–	–	–	–
Settlement cost	–	–	–	–
Benefits paid	(9.04)	–	(8.57)	–
Fair value of plan assets at the end of the year	92.75	–	75.27	–
Assumptions used to determine the benefit obligations:				
Discount rate	8.50%	8.00%	8.00%	8.00%
Expected rate of increase in compensation levels	6.00%	5.50%	5.70%	5.50%
Expected rate of return on plan assets	8.00%	N.A.	8.55%	N.A.
Expected average remaining working lives of employees	16 Years	17.19 Years	17.59 Years	17.59 Years

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

21 NOTES TO THE FINANCIAL STATEMENTS (Contd.)

8. Employee benefits (Contd.)

(Rs. in Million)

Amounts for the current and previous periods are as follows:	2007-08	2006-07
Defined benefit plan - Gratuity		
Defined benefit obligation	(99.81)	(76.26)
Plan Assets	92.75	75.27
Surplus/(deficit)	(7.06)	(0.99)
Defined benefit plan - Leave encashment		
Defined benefit obligation	(16.21)	(13.00)
Plan Assets	–	–
Surplus/(deficit)	(16.21)	(13.00)

The Company made annual contribution to the Birla Sun Life Insurance Company Limited ('BSL') of an amount advised by the BSL. The Company was not informed by BSL of the investment made or the break down of plan assets by investment type.

Estimated amount of benefits payable within next year are Rs. 6.22 million (previous year Rs. 4.09 million).

9. Deferred tax

Major components of deferred tax assets and liabilities are as given below:

(Rs. in Million)

	2008	2007
Deferred tax liability		
On fiscal allowances on fixed assets	374.51	385.73
Deferred tax assets		
Carrying Forward of Losses	9.63	–
On provision for doubtful debts, loans and advances	22.62	21.30
Other timing differences	10.68	15.90
	42.93	37.20
Deferred tax liability (net)	331.58	348.53

10. Segment Reporting

Identification of segment:

The group's operating business are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The group has accordingly identified two primary business segments, i.e. Sanitaryware and glassware.

The activities of the Company are primarily limited within Indian territories having no variation in risk and returns. Consequently, information in respect of geographical segment is not given.

Unallocated items:

The corporate and other segment includes general corporate income and expense items, which are not allocated to any business segment.

Information about primary business segments is given below:

(Figures in parenthesis are for the previous year)

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

21 NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Particulars	Sanitaryware	Glassware	Others	(Rs. in Million)
				Total year ended 31 March 2008
Segment Revenue				
External Sales (net)	2,797.24 (2,472.45)	2,401.17 (2,303.54)	9.97 (1.65)	5,208.38 (4,777.64)
Other Income	20.37 (20.12)	23.58 (23.72)	6.32 –	50.27 (43.84)
Segment results	477.80 (474.77)	198.18 (210.63)	8.33 (-1.77)	684.31 (683.63)
Unallocated corporate expenses (net)				99.28 (97.56)
Interest				163.37 (142.52)
Income Tax (including deferred & fringe benefit tax)				153.63 (165.03)
Profit after tax				268.03 (278.52)
Other Information				
Segment assets	2,522.45 (2,311.75)	2,585.59 (2,232.59)	126.75 (126.44)	5,234.79 (4,670.78)
Unallocated corporate assets				429.38 (591.36)
Total Assets				5,664.17 (5,262.14)
Segment Liabilities	1,242.96 (1,249.55)	1,716.77 (1,522.20)	– –	2,959.73 (2,771.75)
Unallocated corporate Liabilities				197.19 (137.70)
Total Liabilities (excluding shareholders' fund)				3,156.92 (2,909.45)
Capital Exenditure	154.28 (215.00)	234.05 (94.31)	– (125.16)	388.33 (434.47)
Depreciation	97.84 (82.76)	157.96 (161.15)	6.55 (3.29)	262.35 (247.20)
Other non-cash expenses				
Provision for doubtful debts and advances				6.74 (11.83)
Dimunition in the value of current investments				0.36 –
Preliminary expenditure written off				0.05 (0.05)

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

21 NOTES TO THE FINANCIAL STATEMENTS (Contd.)

11. Payments to directors of Parent Company		(Rs. in Million)	
		2008	2007
a) Salaries		10.95	8.91
b) Contribution to provident fund		1.31	1.07
c) Leave encashment paid		1.04	–
d) Commission		33.51	36.22
e) Monetary value of perquisites		0.90	0.52
f) Directors' sitting fee		0.11	0.10
Total		47.82	46.82

* exclusive of provision for future liability in respect of gratuity and leave encashment which is based on actuarial valuation done on overall Company basis.

12. Earnings per share		(Rs. in Million)	
		2008	2007
Basic earnings per share			
Profit after tax		266.86	278.52
Tax earlier years		1.17	–
Profit attributable to equity shareholders		268.03	278.52
Number of Shares		55,025,508	55,025,508
Weighted average number of shares outstanding during the year		55,025,508	52,448,796
Nominal value per share (Rs.)		2	2
Earnings per Share – Basic and Diluted (Rs.)		4.87	5.31

13. Related party transactions
- a) Name of related parties and description of relationship:
- (i) **Key management personnel**
(Name of the relatives of key management personnel with whom the Group had transactions during the year are listed below)
Mr. R. K. Somany (Father)
Mr. Sandip Somany (Son)
- b) **Entities where significant influence is exercised by key management personnel and/or their relatives having transactions with the Group:**
- i) Textool Mercantile Private Limited
ii) Bigoo Investments Limited
iii) Paco Exports Limited
iv) New Delhi Industrial Promotors and Investors Limited
v) Soma Investments Limited
vi) Hindusthan National Glass & Industries Limited

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

21 | NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(Rs. in Million)


Particulars	Key Management Personnel and their Relatives		Other parties which significantly influence/ are influenced by the Company (either individually or otherwise)	
	2008	2007	2008	2007
A. a) Sale of Goods	0.03	–	–	–
b) Rent paid	–	–	0.03	0.03
B. Directors’ remuneration	42.93	41.54	–	–
Balance outstanding at the year end–payable	28.72	31.04	–	–

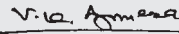
14. In the opinion of the board of directors, current assets, loans and advances have a value on realisation in the ordinary course of the business at least equal to the amounts at which they are stated and provision for all known liabilities have been made.
15. Exceptional item represents one time loss on return of goods to Grohe due to termination of long term agency contract.
16. The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

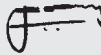
(Rs. in Million)


	2008	2007
Receivables and Advances:		
Exports outstanding	65.39	114.69
Payables:		
Payable on imports	41.63	53.57
Loans:		
Buyers credit	217.83	113.35
Export packing credit	93.01	–
Term loan	264.66	–
	682.52	281.61

17. Loans and advances include Rs. Nil (Previous year Rs. 61.99 million) on account of advances given for purchase of capital goods.
18. The subsidiary companies namely AGI Glasspack Limited and Hindware Home Retail Private Limited are incorporated in India and 100% of its share capital is held by the Parent Company.
19. Previous year figures have been regrouped/ recast wherever considered necessary to make them comparable with those of the current year.


Ruchika Gupta
Company Secretary



V. K. Ajmera
Sr. General Manager (Corporate Finance)


Sandip Somany
Joint Managing Director

On behalf of the Board of Directors

R. K. Somany
Chairman & Managing Director

Place : New Delhi
Date : 17 May 2008

For Walker, Chandio & Co.
Chartered Accountants


Per B. P. Singh
Partner
Membership No. 70116

DIRECTORS’ REPORT

Dear Members,

Your Directors present the Eleventh Annual Report together with audited accounts of the Company for the year ended 31st March, 2008.

Financial Results	
	Rupees
Profit before Tax	21,581.23
Less: Provision for Tax	2,300.00
Profit after Tax	19,281.23
Add: Balance brought forward from previous year	(205,923.38)
Balance carried to Balance Sheet	(186,642.15)

Dividend

In view of inadequacy of profit, your Directors do not recommend any dividend for the year under review.

Fixed deposits

The Company has not accepted any fixed deposit within the meaning of Section 58A of the Companies Act, 1956, during the year under review.

Auditors' Report

The Report of the Auditors read together with the Notes on Account is self explanatory and, therefore, does not need any comments under Section 217 of the Companies Act, 1956.

Directors

Mr. Sandip Somany, Director of the Company, retires by rotation at the ensuing Annual General Meeting and, being eligible, offers himself for re–appointment.

Auditors

M/s. Choudhari Pramod & Co., Chartered Accountants, Auditors of the Company retire at the ensuing Annual General Meeting and being eligible, expressed their willingness to continue in office, if re-appointed.

Particulars of Employees

The Company had no employee in the categories specified under Section 217(2A) of the Companies Act, 1956.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

The Company had no operations during the year under review and, hence, there are no details that may be furnished pursuant to the provisions of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Board of Directors) Rules, 1988.

Directors' Responsibility Statement

- The Directors of your Company confirm that:
- i) in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
 - ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of the affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
 - iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act,1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
 - iv) the Directors have prepared the annual accounts on a going concern basis.

For and on behalf of the Board

Place : Kolkata	N. Goenka	A. K. Dokania
Dated : 5th May, 2008	Director	Director

AUDITORS’ REPORT

To
The Members of
AGI Glasspack Limited

We have audited the attached Balance Sheet of AGI GLASSPACK LIMITED as at 31st March, 2008 and the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our auditing in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditors’ Report) Order, 2003 and as amended by Companies (Auditors’ Report) (Amendment Order), 2004 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said order.

Further to our comments in the Annexure referred to above, we report that:

- 1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- 2. In our opinion proper books of accounts as required by law have been kept by the Company so far as appears from our examination of such books.
- 3. The Balance Sheet and Profit & Loss Account are in agreement with the Books of Accounts.
- 4. In our opinion, the Profit and Loss account and the Balance

Sheet dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

- 5. During the course of our Audit, we have not come across with any such observation which has any adverse effect on the functioning of the Company.
- 6. Pursuant to the provisions of sub-section (1) (g) of Section 274 of the Companies Act, 1956, we report as under:

On the basis of written representation received from the directors, as on 31st March, 2008 and taken on record by the Board of directors, we report that none of the Director is disqualified as on 31st March, 2008 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

- 7. In our opinion and to the best of our information and according to the explanation given to us, the said accounts give the information required by the Companies Act, 1956 in the manner as required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2008; and
 - b) In the case of Profit & Loss Account of the Profit for the period ended on that date.

For Choudhari Pramod & Co.
Chartered Accountants

Place : Kolkata
Date : 5th May, 2008

D. Panda
Partner
Membership No. 66197

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF AGI GLASSPACK LIMITED

- 1. a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b) As explained to us, the management has physically verified the fixed assets during the year and there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of the assets. No material discrepancies were noticed on such verification.
 - c) The Company has not disposed off any fixed assets during the year and hence, it has not affected the going concern status of the Company.
- 2. The Company does not have any inventory during the year.
- 3. As inform to us, the Company has not granted loans secured or unsecured to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- 4. As inform to us, the Company has not taken loans secured or unsecured to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- 5. The Company has adequate internal control procedures commensurate with the size of Company and the nature of its business.
- 6. Based on the audit procedure applied by us and according to the information and explanations provided by the management, the Company does not have such transactions which need to be entered into the register maintained under Section 301 of the Companies Act, 1956.
- 7. The Company has not accepted any deposits from public.
- 8. In our opinion, the Company has an internal audit system commensurate with size of the Company and the nature of its business.
- 9. According to the records of the Company, the Company is regular in depositing undisputed statutory dues applicable to the Company among Provident Fund, Investor Education and Protection Fund, Employee’s State Insurance, Income Tax, Sales Tax, Customs duty and excise duty, cess and other statutory dues with appropriate authorities. According to the information and explanations given to us, there are no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, custom duty and excise duty which have remained outstanding as at 31st March, 2008 for a period of more than six months from the date they became payable.
- 10. The Company has accumulated losses at the end of the financial year 31st March, 2008. The Company has not incurred cash losses in the current financial year 31st March,

2008 but incurred cash losses of Rs. 5092.07 immediately preceding financial year 31st March, 2007.

- 11. Based on the audit procedure and on the information and explanations provided by the management, the Company has not borrowed any loan from financial institution or bank or debenture holders.
- 12. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13. In our opinion and according to the information and explanations given to us, the nature of the activities of the Company does not attract any special statute applicable to chit fund and nidhi/mutual fund/societies.
- 14. The Company is dealing and trading in shares, securities, debentures and other Investments and maintaining proper records of the transactions and contracts with timely entries therein: also held shares, securities, debentures and other securities in its own name.
- 15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- 16. Based on information and explanations given to us by the management, no term loans have taken from any Banks or Financial Institution.
- 17. According to the informations & explanations given to us and an overall examination of the balance sheet of the Company, we report that short term funds have not been used to finance long term investments and vice versa as the Company has not availed any financial facilities during the year.
- 18. The Company has not made any allotment of equity shares during the year.
- 19. During the year, since the Company has not issued any debentures, paragraph 4(xix) of the Order is not applicable.
- 20. During the year, since the Company has not raised any money by way of public issue, paragraph 4(xx) of the Order is not applicable.
- 21. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For Choudhari Pramod & Co.
Chartered Accountants

Place : Kolkata
Date : 5th May, 2008

D. Panda
Partner
Membership No. 66197

BALANCE SHEET

(Amount in Rs.)		
Schedule	As at 31st March, 2008	As at 31st March, 2007
SOURCES OF FUNDS		
Shareholders' fund		
Share Capital1	43,012,000.00	43,012,000.00
Reserves & Surplus2	85,000,000.00	85,000,000.00
Total	128,012,000.00	128,012,000.00
APPLICATION OF FUNDS		
Fixed Assets		
Land	127,569,500.00	127,569,500.00
Investments3	151,908.35	144,269.12
Current Assets, Loans & Advances		
Cash & Bank Balances4	36,207.50	36,408.50
Loans & Advances5	72,922.00	10,000.00
	109,129.50	46,408.50
Less:- Current Liabilities & Provisions		
Current Liabilities6	2,880.00	4,101.00
Provision for income Tax	2,300.00	–
	5,180.00	4,101.00
Net Current Assets	103,949.50	42,307.50
Miscellaneous Expenditure		
(To the extent not written off and/or adjusted)		
Preliminary Expenses	–	50,000.00
Profit & Loss Account	186,642.15	205,923.38
Total	128,012,000.00	128,012,000.00
Notes on Accounts7		

The schedules referred to above form an integral part of the Balance Sheet
This is the Balance Sheet referred to in our report of even date.

On behalf of the Board of Directors

For Choudhari Pramod & Co.
Chartered Accountants

D. Panda
Partner
Membership No. 66197
Place : Kolkata
Date : 5th May, 2008

N. Goenka
Director

A. K. Dokania
Director

PROFIT AND LOSS ACCOUNT

(Amount in Rs.)		
Schedule	Year ended 31st March, 2008	Year ended 31st March, 2007
INCOME		
Dividend	0.00	30,210.93
Profit on sale of Investments	113,322.23	–
	113,322.23	30,210.93
EXPENSES		
Electricity & Water Charges	14,740.00	7,770.00
Charges General	4,735.00	40.00
Bank Charges	1,453.00	106.00
Filing Fees	1,000.00	2,000.00
Audit Fees	2,809.00	2,806.00
Printing & Stationary	131.00	41.00
Rates & Taxes	16,190.00	16,190.00
Security Transaction Tax	683.00	–
Legal & Professional	–	850.00
Membership & Subscription	–	5,500.00
Advances written off	–	100,000.00
Preliminary Expenses written off	50,000.00	53,093.00
	91,741.00	188,396.00
Profit/(Loss) for the year	21,581.23	(158,185.07)
Less: Provision for Taxation	2,300.00	–
	19,281.23	(158,185.07)
Balance brought forward from previous year	(205,923.38)	(47,738.31)
Balance carried to Balance Sheet	(186,642.15)	(205,923.38)
Earnings per share	0.00	0.04
Notes on Accounts7		

The schedules referred to above form an integral part of the Profit and Loss Account
This is the Profit and Loss Account referred to in our report of even date.

On behalf of the Board of Directors

For Choudhari Pramod & Co.
Chartered Accountants

D. Panda
Partner
Membership No. 66197
Place : Kolkata
Date : 5th May, 2008

N. Goenka
Director

A. K. Dokania
Director

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(Amount in Rs.)		
	As at 31st March, 2008	As at 31st March, 2007
1 SHARE CAPITAL		
Authorised		
5,000,000 Equity Shares of Rs. 10/- each	50,000,000.00	50,000,000.00
Issued, Subscribed & Paid up		
4,301,200 Equity Shares of Rs. 10/- each fully paid up in cash	43,012,000.00	43,012,000.00
	43,012,000.00	43,012,000.00

(Amount in Rs.)		
	As at 31st March, 2008	As at 31st March, 2007
2 RESERVES AND SURPLUS		
Share Premium Account	85,000,000.00	85,000,000.00
	85,000,000.00	85,000,000.00

(Amount in Rs.)				
	As at 31st March, 2008		As at 31st March, 2007	
	No. of Units	Value	No. of Units	Value
3 INVESTMENTS (At Cost)				
Mutual Fund				
HDFC Equity Fund - Dividend Plan	–	–	3,310.939	59,269.12
HDFC Prudence Fund - Dividend Plan	–	–	3,111.907	85,000.00
HDFC Liquid Fund - Growth	9,829.647	151,908.35	–	–
Total		151,908.35		144,269.12
NAV of Mutual Fund		158,127.57		205,393.87

(Amount in Rs.)		
	As at 31st March, 2008	As at 31st March, 2007
4 CASH & BANK BALANCES		
Cash in hand (As Certified by the Management)	1,634.00	1,780.00
Balance with Scheduled Banks		
– In Current Accounts	34,573.50	34,628.50
	36,207.50	36,408.50

(Amount in Rs.)		
	As at 31st March, 2008	As at 31st March, 2007
5 LOANS & ADVANCES		
Advances (Recoverable in cash or in kind or for value to be received or pending adjustment)	62,922.00	–
Security Deposit (Telephone Department)	10,000.00	10,000.00
	72,922.00	10,000.00

(Amount in Rs.)		
	As at 31st March, 2008	As at 31st March, 2007
6 CURRENT LIABILITIES		
Liabilities for Expenses	2,880.00	4,101.00
	2,880.00	4,101.00

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

7 | SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. Significant Accounting policies

Basis of Preparation of financial statements

The Company adopts accrual basis of Accounting in preparation of accounts. All expenses and income to the extent considered payable and receivable respectively, unless stated otherwise, are accounted for on mercantile basis.

Investments

- i) In terms of Accounting Standard-13 issued by the Institute of Chartered Accountants of India, investments in securities are valued at cost, which includes brokerage, transfer stamp etc.
- ii) Provision for diminution in the value of investments are made if such fall is considered permanent in nature.

Fixed Assets

Fixed Assets are stated at cost.

Depreciation

Depreciation on Fixed Assets is provided at the rates in accordance with Schedule XIV of the Companies Act, 1956 as notified by the Department of Company Affairs vide notification no. GSR.756(E) dated 16.12.1993

Taxation

Provision for the Income Tax is made on estimates to arise on the results for the year at current rates of tax in accordance with the Income Tax Act,1961

Foreign Currency Transactions

The Company has no foreign currency transactions during the year.

Retirement Benefit

The Company has no employee during the year under review, hence provision for liabilities for provident fund, gratuity and accrued leave benefits are not required to be made by the Company on the date of Balance Sheet.

B. Notes on Accounts

- i) Estimated amount of contracts amounting to Rs. 2,17,078/- (Previous year Nil) net of advances Rs. 62,922/- (Previous year Nil) remaining to be executed on capital account and not provided for.
- ii) The entire paid-up Equity Share Capital of the Company is held by Hindustan Sanitaryware & Industries Limited, the holding Company and its nominees.
- iii) Previous year's figures have been regrouped /rearranged, wherever considered necessary.

Signature to Schedules “1” to “7”

In terms of our report of even date

On behalf of the Board of Directors

For Choudhari Pramod & Co.
Chartered Accountants

D. Panda
Partner
Membership No. 66197
Place : Kolkata
Date : 5th May, 2008

N. Goenka
Director

A. K. Dokania
Director

BALANCE SHEET ABSTRACT AND COMPANY’S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.

2

1

-

8

5

4

3

9

Balance Sheet Date

3

1

0

3

2

0

0

8

State Code

2

1

II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue

N

I

L

Bonus Issue

N

I

L

Right Issue

N

I

L

Private Placement

N

I

L

III. Position of mobilisation and deployment of funds (Amount in Rs. Thousands)

Total Liabilities

1

2

8

0

1

7

Sources of Funds

Paid-up Capital

4

3

0

1

2

Secured Loan

N

I

L

Application of Funds

Net Fixed Assets

1

2

7

5

7

0

Net Current Assets

1

0

4

Accumulated Losses

1

8

6

Total Assets

1

2

8

0

1

7

Reserves and Surplus

8

5

0

0

0

Unsecured Loan

N

I

L

Investments

1

5

2

Miscellaneous Expenditure

N

I

L

IV. Performance of the Company (Amount in Rs. Thousands)

Turnover

1

1

3

Profit/(Loss) before Tax

2

1

Earning per share (Rs.)

N

I

L

Total Expenditure

9

2

Profit/(Loss) after Tax

1

9

Dividend Rate (%)

N

I

L

V. Generic Names of Two Principal Products/Services of the Company

Item Code No. (ITC Code)

N

A

Product/Service Description

N

A

Place: Kolkata

N. Goenka

A. K. Dokania

Date: 5th May, 2008

Director

Director

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HINDWARE HOME RETAIL PRIVATE LIMITED

DIRECTORS’ REPORT

Dear Members,

Your Directors are pleased to present the Third Annual Report together with the audited accounts of the Company for the financial year ended 31st March, 2008.

Financial results

The Company incurred a loss of Rs. 18,486,520 for the year under review which has been carried forward to next year.

Operations

The Company is a wholly-owned subsidiary of Hindustan Sanitaryware & Industries Ltd. (HSIL). This venture was established to diversify the group into a total home solution enterprise.

The core vision of the Company is “to be the first choice partner of customers aspiring for Value and for Style home interior solutions” in Living, Kitchen and Bath domains. The Company plans to invest about Rs. 250 Crores over the next 5 years to establish 50 large formats (specialty destination Stores) across the country and will set new industry benchmarks in Home Interiors sector in India. The first pilot flagship store, "EVOK" - The Home Fashion Mega Store, will be launched in May 2008, at Crown Interiorz Mall, Mathura Road, Faridabad followed by three more such Mega stores in NCR during the year 2008-09.

The “EVOK” Store’s population will eventually be scaled up to a pan-India retail footprint of 1.2 Million square feet with target revenue turnover of Rs. 400 Crore over the next 5 years.

Besides the Retail foray, the Company will also service the Architects, Builders & Institutional segment through a dedicated Project division.

Dividend

In view of losses, your Directors do not recommend dividend for the year.

Share capital

During the year under review, the Company increased its authorised share capital from Rs. 20,000,000 to Rs. 50,000,000 to meet additional fund requirement of the Company for its proposed business. Your Company has issued and allotted 1,625,000 equity shares of Rs. 10 each at a premium of Rs. 30 each, for cash at par, to Hindustan Sanitaryware & Industries Limited (HSIL), the parent Company on 26th March, 2008.

Fixed deposits

The Company has not accepted any fixed deposit within the meaning of Section 58A of the Companies Act, 1956, during the year ended 31st March, 2008.

Auditors’ Report

The report of the auditors, read together with the Notes on Account, is self-explanatory and therefore, does not need any comments under Section 217 of the Companies Act, 1956.

Directors

Mr. G. L. Sultania, Director of the Company, retires by rotation at the ensuing Annual General Meeting of the Company and, being eligible, offers himself for re-appointment.

Smt. Sumita Somany, who has been appointed as an additional director w.e.f. 7th May, 2008 under Section 260 of the Companies Act,1956, holds office upto the date of ensuing Annual General

Meeting. Notice has been received from a Member, pursuant to Section 257 of the Companies Act,1956, intending to propose Smt. Sumita Somany for her appointment as regular director of the Company. Accordingly your directors recommend the resolution for your approval.

Auditors

M/s. Choudhari Pramod & Co., Chartered Accountants retire at the ensuing Annual General Meeting and do not offer themselves for re-appointment. The Board recommends to appoint M/s. Walker ChandioK & Co., Chartered Accountants, as Statutory Auditors of the Company to hold office from the conclusion of ensuing Annual General Meeting for conducting audit of the books of accounts of the Company for the financial year 2008-09, subject to approval of the shareholders at the ensuing Annual General Meeting.

Particulars of employees

The Company had no employee in the categories specified under Section 217(2A) of the Companies Act, 1956.

Conservation of energy, technology absorption and foreign exchange earnings and outgo

Information required under Section 217(1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988, is attached as annexure to this report.

Directors’ Responsibility Statement

The Directors of your Company confirm that:

- (i) in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) the Directors have selected such accounting policies and applied them consistently and made judgements and estimates, that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the Directors have prepared the annual accounts on a going concern basis.

Acknowledgement

Your Directors wish to place on record their sincere appreciation for the support and cooperation extended by all the banks and all the stakeholders of your Company.

For and on behalf of the Board

Place: Kolkata

N. Goenka

G. L. Sultania

Dated: 7th May, 2008

Director

Director

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ANNEXURE TO THE DIRECTORS’ REPORT

Additional information given as required under the Companies (Disclosure of the Particulars in the report of the Board of Directors) Rules, 1988.

A) Conservation Of Energy

- a) Energy conservation measures taken:
 - Synchronised and balanced running of equipments and machinery
 - Creating awareness in workmen and implementing discipline of switching off fans, lights and other equipments immediately after work to eliminate all kinds of power wastages
- b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:

The Company has installed energy efficient equipments to save consumption of energy.
- c) Impact of measures (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

Not applicable, since this being the first year of operations in the Company.
- d) Total energy consumption and energy consumption per unit of production:

Not applicable in case of our Company.

B) Technology Absorption

Research and Development (R&D)

- 1) Specific areas in which R&D was carried out by the Company: Not applicable
- 2) Benefits derived, as a result of the above R&D: Not applicable
- 3) Future plan of action and expenditure on R&D: Not applicable

Technology absorption, adaptation and innovation

Efforts made and benefit arrived: Not applicable

C) Foreign Exchange Earnings And Outgo:	(Rs. in thousands)
a. Foreign exchange outgo -	16,716
b. Foreign currency earned -	Nil

For and on behalf of the Board

Place: Kolkata	N. Goenka	G. L. Sultania
Dated: 7th May, 2008	Director	Director

AUDITORS’ REPORT

To
The Members of
Hindware Home Retail Private Limited

We have audited the attached Balance Sheet of HINDWARE HOME RETAIL PRIVATE LIMITED as at 31st March, 2008 and the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our auditing in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditors’ Report) Order, 2003 and as amended by Companies (Auditors’ Report) (Amendment Order), 2004 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said order.

Further to our comments in the Annexure referred to above, we report that:

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. In our opinion proper books of accounts as required by law have been kept by the Company so far as appears from our examination of such books.
3. The Balance Sheet and Profit & Loss Account are in agreement with the Books of Accounts.
4. In our opinion, the Profit and Loss account and the Balance Sheet dealt with by this report comply with the accounting

standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

5. During the course of our Audit, we have not come across with any such observation which has any adverse effect on the functioning of the Company.
6. Pursuant to the provisions of sub-section (1) (g) of Section 274 of the Companies Act, 1956, we report as under:

On the basis of written representation received from the directors, as on 31st March, 2008 and taken on record by the Board of directors, we report that none of the Director is disqualified as on 31st March, 2008 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
7. In our opinion and to the best of our information and according to the explanation given to us, the said accounts give the information required by the Companies Act, 1956 in the manner as required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2008; and
- b) In the case of Profit & Loss Account of the Loss for the period ended on that date.
- c) In the case of Cash Flow Statement of the Cash Flows for the year ended on that date.

For Choudhari Pramod & Co.
Chartered Accountants

	D. Panda
Place : Kolkata	Partner
Date : 7th May, 2008	Membership No. 66197

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF HINDWARE HOME RETAIL PRIVATE LIMITED

1. a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) As explained to us, the management has physically verified most of the fixed assets during the year and there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of the assets. No material discrepancies were noticed on such verification.
- c) The Company has not disposed off any fixed assets during the year and hence, it has not affected the going concern status of the Company.
- d) During the year, the Company has purchased fixed assets.
2. a) The stock of goods have been physically verified by the management at reasonable intervals during the year.
- b) In our opinion, the procedure and frequency of such verification is reasonable and adequate having regard to the size of the Company and nature of its business.
- c) In our opinion, the Company is maintaining proper records of inventory and no material discrepancies noticed on such physical verification.
3. As informed to us, the Company has not granted loans secured or unsecured to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
4. As informed to us, the Company has not taken loans secured or unsecured to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
5. The Company has adequate internal control procedures commensurate with the size of the Company and the nature of its business.
6. Based on the audit procedure applied by us and according to the

information and explanations provided by the management, we are of opinion that the transaction that need to be entered into the register maintained under Section 301 of the Companies Act, 1956, have been so entered.

7. The Company has not accepted any deposits from public.
8. In our opinion, the Company has an internal audit system commensurate with size of the Company and the nature of its business.
9. According to the records of the Company, the Company is regular in depositing undisputed statutory dues applicable to the Company among Provident Fund, Investor Education and Protection Fund, Employee's state insurance, Income Tax, Sales Tax, Customs duty and excise duty, cess and other statutory dues with appropriate authorities. According to the information and explanations given to us, there are no undisputed amounts payable in respect of income tax, wealth tax, sales tax, custom duty and excise duty which have remained outstanding as at 31st March, 2008 for a period of more than six months from the date they became payable.
10. The Company has accumulated losses as at the end of the financial year 31st March, 2008. Further the Company has incurred cash losses in the current financial year 31st March, 2008 and immediately preceding financial year 31st March, 2007.
11. The Company has not defaulted in repayment of dues to any Financial Institutions, banks or to debenture-holder during the year.
12. According to the information and explanations given to us, and based on the documents and records produced to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion and according to the information and explanations given to us, the nature of the activities of the Company does not attract any special statute applicable to chit

fund and nidhi/mutual fund/societies.

14. The Company is not dealing or trading in shares, securities, debentures and other Investments. Accordingly, the provision of Clause 4(xiv) of the Order are not applicable to the Company.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
16. Based on information and explanations given to us by the management, no term loans have been taken from any Banks or Financial Institution.
17. According to the information & explanations given to us and on overall examination of the balance sheet of the Company, we report that short term funds have not been used to finance long term investments and vice versa.
18. The Company has made allotment of equity shares to its holding Company which was covered in the register maintained under Section 301 of the Act and the price, at which shares have issued is not prejudicial to the interest of the Company.

19. During the year, since the Company has not issued any debentures, paragraph 4 (xix) of the Order is not applicable.
20. During the year, since the Company has not raised any money by way of public issue, paragraph 4 (xx) of the Order is not applicable.
21. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For Choudhari Pramod & Co.
Chartered Accountants

D. Panda
Partner

Place : Kolkata
Date : 7th May, 2008

Membership No. 66197

BALANCE SHEET

(Amount in Rs.)		
Schedule	As at 31st March, 2008	As at 31st March, 2007
SOURCES OF FUNDS		
Shareholders' fund		
Share Capital1	36,250,000.00	100,000.00
Share Application Money	–	19,900,000.00
Reserve and Surplus2	48,750,000.00	–
Loan Funds		
Secured Loan3	14,709,981.55	–
Total	99,709,981.55	20,000,000.00
APPLICATION OF FUNDS		
Fixed Assets		
Gross block4	13,882,804.64	–
Less: Accumulated Depreciation	1,026,673.50	–
Net block	12,856,131.14	–
Capital work in progress	13,460,462.00	–
	26,316,593.14	–
Deferred Tax Assets (Net) (Refer Note 7 on Schedule 15)	9,400,143.76	–
Current Assets, Loans & Advances		
Inventories5	32,811,445.20	–
Cash & Bank Balances6	760,445.01	7,541,046.88
Loans and advances7	8,307,506.43	–
	41,879,396.64	7,541,046.88
Less : Current Liabilities & Provisions8		
Current Liabilities	8,091,535.00	5,000.00
Provisions	743,530.00	–
	8,835,065.00	5,000.00
Net Current Assets	33,044,331.64	7,536,046.88
Miscellaneous Expenditure (To the extent not written off and/or adjusted)		
Preliminary Expenses9	3,120.00	4,680.00
Profit & Loss Account	30,945,793.01	12,459,273.12
Total	99,709,981.55	20,000,000.00
Notes On Accounts15		

Schedule 1 to 15 are part of the Balance Sheet in terms of our attached report of even date

On behalf of the Board of Directors

For Choudhari Pramod & Co.
Chartered Accountants

D, Panda
Partner
Membership No. 66197

Place : Kolkata
Date: 7th May, 2008

N. Goenka
Director

G. L. Sultania
Director

PROFIT AND LOSS ACCOUNT

(Amount in Rs.)		
Schedule	Year ended 31st March, 2008	Year ended 31st March, 2007
INCOME		
Income from Operations	31,995.00	–
Other Income10	147,993.36	–
Increase in stock11	32,811,445.20	–
	32,991,433.56	–
EXPENDITURE		
Goods purchased for resale	32,827,249.52	–
Personnel Cost12	14,633,190.21	5,616,989.77
Selling and general expenses13	11,655,950.80	6,815,906.35
	59,116,390.53	12,432,896.12
Profit/(Loss) before interest, depreciation, amortisation and tax	(26,124,956.97)	(12,432,896.12)
Interest & Finance charges14	500,865.18	20,330.00
Depreciation and amortisation	1,026,673.50	–
Profit/(Loss) before Tax	(27,652,495.65)	(12,453,226.12)
Tax expense		
Current Tax	–	–
Deferred Tax	(9,400,143.76)	–
Fringe Benefit Tax	234,168.00	–
Profit/(Loss) after Tax	(18,486,519.89)	(12,453,226.12)
Balance transferred from Previous year	(12,459,273.12)	(6,047.00)
Balance carried to Balance Sheet	(30,945,793.01)	(12,459,273.12)
Earnings Per Share - Basic & Diluted	(10.31)	(1,245.32)
(Refer Note No. 8 of Schedule 15)		
Notes on Accounts15		

Schedule 1 to 15 are part of the Profit and Loss Account in terms of our attached report of even date

On behalf of the Board of Directors

For Choudhari Pramod & Co.
Chartered Accountants

D. Panda
Partner
Membership No. 66197

Place : Kolkata
Date: 7th May, 2008

N. Goenka
Director

G. L. Sultania
Director

CASH FLOW STATEMENT

(Amount in Rs.)		
	Year ended 31st March, 2008	Year ended 31st March, 2007
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) before tax	(27,652,495.65)	(12,453,226.12)
Adjustments for		
– Depreciation and Amortisation	1,026,673.50	–
– Miscellaneous Expenditure	1,560.00	1,560.00
– Interest Expenses	338,710.90	20,330.00
– Interest Income	(30,782.48)	–
– (Profit)/Loss on sale of Investments in liquid mutual funds	(95,927.36)	–
Operating Profit/(Loss) before Working Capital Changes	(26,412,261.09)	(12,431,336.12)
Adjustments for		
– Inventories	(32,811,445.20)	–
– Trade/Other receivables	(8,163,898.43)	–
– Trade/Other payables	8,541,776.33	1,633.00
Cash Generated from Operations	(58,845,828.39)	(12,429,703.12)
– Direct tax paid	(143,608.00)	–
Net Cash from Operating Activities	(58,989,436.39)	(12,429,703.12)
B. CASH FLOW FROM INVESTING ACTIVITIES		
– Purchase of fixed Assets including work in progress	(27,343,266.64)	–
– Purchase of Investments	(7,400,000.00)	–
– Sale Proceeds of Investments	7,495,927.36	–
– Interest received	30,782.48	–
Net Cash Used in Investing Activities	(27,216,556.80)	–
C. CASH FLOW FROM FINANCING ACTIVITIES		
– Proceeds by way of Issue of Shares	65,000,000.00	–
– Share Application Money	–	19,900,000.00
– Proceeds from short term Borrowings (Net)	14,709,981.55	–
– Interest paid	(284,590.23)	(20,330.00)
Net Cash Used in Financing Activities	79,425,391.32	19,879,670.00
Net Increase in Cash & Cash Equivalents (A+B+C)	(6,780,601.87)	7,449,966.88
Cash and Cash Equivalents in the beginning	7,541,046.88	91,080.00
Cash and Cash Equivalents at the close	760,445.01	7,541,046.88

AUDITORS’ REPORT

We have examined the above Cash flow statement of the Hindware Home Retail Private Limited for the year ended 31st March, 2008. The statement has been prepared by the Company and is based on and in agreement with the corresponding Profit & Loss Account and the Balance Sheet for the Company covered by our report of even date to the members of the Company.

For Choudhari Pramod & Co.
Chartered Accountants

On behalf of the Board of Directors

D. Panda
Partner
Membership No. 66197

N. Goenka
Director

G. L. Sultania
Director

Place : Kolkata
Date: 7th May, 2008

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(Amount in Rs.)		
	As at 31st March, 2008	As at 31st March, 2007
1 SHARE CAPITAL		
Authorised		
50,00,000 (Previous year 20,00,000 Equity Shares of Rs. 10/- each)	50,000,000.00	20,000,000.00
Issued, Subscribed and Paid - up		
36,25,000 (Previous year 10,000 Equity Shares of Rs. 10/- each)	36,250,000.00	100,000.00
	36,250,000.00	100,000.00

(Amount in Rs.)		
	As at 31st March, 2008	As at 31st March, 2007
2 RESERVE & SURPLUS		
Securities Premium Account	48,750,000.00	–
	48,750,000.00	–

(Amount in Rs.)		
	As at 31st March, 2008	As at 31st March, 2007
3 SECURED LOAN		
From Bank		
Cash Credit Accounts	14,709,981.55	–
(The above loan from bank is secured by hypothecation of stocks and book debts and also secured against a corporate guarantee provided by the Hindustan Sanitaryware & Industries Limited, the holding Company)		
	14,709,981.55	–

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

4		FIXED ASSETS		(Amount in Rs.)							
		GROSS BLOCK			DEPRECIATION/AMORTISATION			NET BLOCK			
Particulars		As at 01.04.2007	Addition during the year	Sales/ Adjustment	As at 31.03.2008	Up to 31.03.2007	For the year	Sales/ Adjustment	Up to 31.03.2008	As at 31.03.2008	As at 31.03.2007
Plant & Machinery		–	2,047,329.00	–	2,047,329.00	–	4,681.40	–	4,681.40	2,042,647.60	–
Vehicles		–	3,504,931.00	–	3,504,931.00	–	377,684.60	–	377,684.60	3,127,246.40	–
Office Equipments		–	7,513.50	–	7,513.50	–	528.70	–	528.70	6,984.80	–
Computers		–	3,138,527.00	–	3,138,527.00	–	497,768.10	–	497,768.10	2,640,758.90	–
Furniture & Fixtures		–	5,184,504.14	–	5,184,504.14	–	146,010.70	–	146,010.70	5,038,493.44	–
Total		–	13,882,804.64	–	13,882,804.64	–	1,026,673.50	–	1,026,673.50	12,856,131.14	
Previous Year		–	–	–	–	–	–	–	–	–	
Capital work in Progress		–	13,460,462.00	–	13,460,462.00	–	–	–	–	13,460,462.00	–

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(Amount in Rs.)		
	As at 31st March, 2008	As at 31st March, 2007
5 INVENTORIES		
(As taken, valued and certified by the Management)		
Goods purchased for sale	32,811,445.20	-
	32,811,445.20	-
(Amount in Rs.)		
	As at 31st March, 2008	As at 31st March, 2007
6 CASH & BANK BALANCES		
Cash in hand including Cheques in hand (As certified by the Management)	15,498.00	7,531,046.88
Balances with Schedule Banks		
- in Current Account	724,947.01	10,000.00
- in margin money accounts	20,000.00	-
	760,445.01	7,541,046.88
(Amount in Rs.)		
	As at 31st March, 2008	As at 31st March, 2007
7 LOANS AND ADVANCES		
(Unsecured, considered good except where otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	1,221,190.85	-
Balances with excise/sales tax authorities	1,014,598.58	-
Deposits	5,928,109.00	-
Tax Deducted at Source	7,004.00	-
Advance Fringe Benefit Tax	136,604.00	-
	8,307,506.43	-
(Amount in Rs.)		
	As at 31st March, 2008	As at 31st March, 2007
8 CURRENT LIABILITIES AND PROVISIONS		
a) Current Liabilities		
Sundry Creditors for goods, services and expenses	6,499,113.78	-
Other liabilities	1,592,421.22	5,000.00
	8,091,535.00	5,000.00
b) Provisions		
Provision for Retirement Benefits	509,362.00	-
Provision for Fringe Benefit Tax	234,168.00	-
	743,530.00	-
	8,835,065.00	5,000.00
(Amount in Rs.)		
	As at 31st March, 2008	As at 31st March, 2007
9 MISCELLANEOUS EXPENDITURE		
(To the extent not written off and/or adjusted)		
Preliminary Expenses	4,680.00	6,240.00
Less: Written Off	1,560.00	1,560.00
	3,120.00	4,680.00

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(Amount in Rs.)		
	As at 31st March, 2008	As at 31st March, 2007
10 OTHER INCOME		
Interest on FDR Margin Money A/c	30,782.48	–
Profit on sale of investments in liquid mutual funds	95,927.36	–
Foreign Exchange gain	21,222.52	–
Miscellaneous receipts	61.00	–
	147,993.36	–
(Amount in Rs.)		
	As at 31st March, 2008	As at 31st March, 2007
11 INCREASE IN STOCK		
Opening Stock		
Traded goods	–	–
Less: Closing Stock		
Traded goods	32,811,445.20	–
	32,811,445.20	–
(Amount in Rs.)		
	As at 31st March, 2008	As at 31st March, 2007
12 PERSONNEL COST		
Salaries, wages, bonus & other allowance	12,952,852.61	5,616,989.77
Contribution to provident and other funds	452,773.00	–
Staff and labour welfare expenses	1,227,564.60	–
	14,633,190.21	5,616,989.77
(Amount in Rs.)		
	As at 31st March, 2008	As at 31st March, 2007
13 SELLING AND GENERAL EXPENSES		
Repairs & Maintenance	290,109.97	15,542.00
Rent	1,109,146.00	456,437.00
Rates and taxes	270,394.00	3,705.00
Insurance	82,446.17	55,193.00
Traveling and conveyance	1,525,584.75	2,455,763.00
Advertisement and publicity	1,136,720.00	–
Other selling and distribution expenses	17,738.00	64,935.00
Miscellaneous expenses	7,223,811.91	3,764,331.35
	11,655,950.80	6,815,906.35
(Amount in Rs.)		
	As at 31st March, 2008	As at 31st March, 2007
14 INTEREST		
Interest on Car Finance	31,028.00	–
Interest	124,930.06	20,330.00
LC Opening Charges	182,752.84	–
Bank Charges	162,154.28	–
	500,865.18	20,330.00

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

15 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS
A. ACCOUNTING POLICIES
1) Basis of preparation of Financial Statements The financial statements are prepared under the historical cost conventions in accordance with Generally Accepted Accounting Principles (GAAP) and comply with the mandatory accounting standards issued by the Institute of Chartered Accountants of India (ICAI).
2) Accounting Convention The financial statements have been prepared in accordance with the historical cost convention.
3) Revenue Recognition Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the goods are transferred to the customer and is stated net of trade discounts, sales return and sales tax wherever applicable.
4) Fixed Assets Fixed Assets are stated at cost.
5) Depreciation Depreciation on Fixed Assets is provided at the rates in accordance with Schedule XIV of the Companies Act, 1956 as notified by the Department of Company Affairs vide notification no. GSR.756(E) dated December 16, 1993.
6) Investments Current investments are valued at the lower of cost and fair value. Long-term investments are stated at cost. Provision is made for diminution in the value of long-term investments to recognise a decline, if any, other than temporary in nature.
7) Provision for Income-Tax Current tax is determined as the amount of tax payable in respect of taxable income for the year. However, no provision for Income tax has been made for current year due to losses. Deferred income tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Fringe benefit tax is determined in accordance with applicable Income Tax Laws.
8) Inventories Inventories are valued at cost or net realisable value, which ever is lower.
9) Foreign Currency Transactions Foreign Currency transactions are recorded in accordance with the relevant laws.
10) Retirement Benefit Contribution in respect of Provident Fund and Family Pension Fund whether in pursuance of any law or otherwise is accounted on accrual basis and is charged to Profit & Loss Account. Liability of Gratuity provided in accordance with law and Leave encasement provided on the basis of unavailed leave balance to the credit of the employees at the end of the year by applying encashable salary rates.
11) Earnings Per Share Basic earning per share is calculated by dividing net profit or loss for the period attributable to equity shareholders by weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue, share split and any new equity issue. For the purpose of calculating diluted earning per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.
B. NOTES ON ACCOUNTS
1) Contingent Liabilities Their are no contingent liabilities of the Company on the date of Balance Sheet.
2) Share Capital The entire paid-up Equity Share Capital of the Company is held by Hindustan Sanitaryware & Industries Limited, its Holding Company and its nominees.

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

15 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

- 3) Utilisation of Funds
- The Company issued and allotted 19,90,000 equity shares of Rs. 10/- each and 16,25,000 equity shares of Rs. 10/- each at a premium of Rs. 30/- each on 14th May, 2007 and 26th March, 2008 respectively to Hindustan Sanitaryware & Industries Limited, the Holding Company.
- The Company utilised the funds so raised for the purpose of its business operations.
- 4) Sundry Debtors & Creditors
- There is no debtors at the end of the year and creditors has been accounted for properly.
- 5) Amount due to entities covered under Micro, Small and Medium Enterprises have been identified on the basis of confirmations received from these entities and information available with the Company. There was no amount due for more than 45 (Forty five) days payable to these identified entities at any time during the year.

6) Remuneration to Auditors

Miscellaneous expenses include payments to Auditors for:	31.03.2008	31.03.2007
Audit Fee	15,000.00	5,000.00
Reimbursement of Expenses (including Service Tax, wherever applicable)	10,618.00	–
	25,618.00	5,000.00

7) Deferred Tax

Major components of deferred tax assets and liabilities are as given below:	31.03.2008	31.03.2007
Deferred Tax Liability		
– On fiscal allowance on fixed assets	225,733.20	–
Deferred Tax Assets		
– Carried forward of the losses	9,625,876.96	–
Deferred Tax Assets (Net)	9,400,143.76	–

8) Earnings Per Share

Basic & Diluted earnings per share	31.03.2008	31.03.2007
Profit/(Loss) Attributable to the Equity Share Holders (Rs.)	(18,486,519.89)	(12,453,226.12)
Number of Shares	3,625,000	10,000
Weighted Average No. of Equity Shares outstanding during the year	1,792,842	10,000
Nominal Value of Equity Shares (Rs.)	10	10
Basic/Diluted EPS (Rs.)	(10.31)	(1,245.32)

9) Related Party Transactions

Name of related parties and description of relationship:
i) Holding Company - M/s. Hindustan Sanitaryware & Industries Limited

Particulars	31.03.2008	31.03.2007
a) Amount paid by the holding Company on account of expenses pertaining to the Company	7,760,474	12,434,343
b) Amount received from the holding Company against allotment of shares	65,000,000	20,000,000

10) In the opinion of the Board of Directors, current assets, loans and advances have a value on realisation in the ordinary course of the business at least equal to the amounts at which they are stated and provision for all known liabilities have ben made.

11) Managerial Remuneration

The Company has not paid any managerial remuneration during the year.

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

15 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

12) Particulars relating to Foreign Exchange

	31.03.2008	31.03.2007
a) Value of Imports calculated on C.I.F. basis		
– Goods purchased for resale	26,046,626.00	–
b) Expenditure in Foreign Currency		
– Purchases	16,152,789.87	–
– Service Charges	303,743.93	–
– Travelling Expenses	259,797.00	–
	16,716,330.80	–
c) Earnings in Foreign Currency	–	–

13) Quantitative Information in respect of goods traded

Class of goods	Unit of measurement	31.03.2008		31.03.2007	
		Quantity	Value	Quantity	Value
Opening Stock					
Furniture & Home Furnishings	Sets	–	–	–	–
Furniture & Home Furnishings	Pcs.	–	–	–	–
Kitchen Accessories	Sq. ft.	–	–	–	–
			–		–
Purchases					
Furniture & Home Furnishings	Sets	3,034	7,133,952	–	–
Furniture & Home Furnishings	Pcs.	25,499	25,669,310	–	–
Kitchen Accessories	Sq. ft.	23.22	23,987	–	–
			32,827,249		–
Sales					
Furniture & Home Furnishings	Sets	–	–	–	–
Furniture & Home Furnishings	Pcs.	5	31,995	–	–
Kitchen Accessories	Sq. ft.	–	–	–	–
			31,995		–
Closing Stock					
Furniture & Home Furnishings	Sets	3,034	7,133,952	–	–
Furniture & Home Furnishings	Pcs.	25,494	25,653,506	–	–
Kitchen Accessories	Sq. ft.	23.22	23,987	–	–
			32,811,445		–

14) Previous year’s figure have been regrouped/rearranged, wherever considered necessary.

For Choudhari Pramod & Co.
Chartered Accountants

N. Goenka
Director

G. L. Sultania
Director

D. Panda
Partner
Membership No. 66197
Place : Kolkata
Date: 7th May, 2008

BALANCE SHEET ABSTRACT AND COMPANY’S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.

1

0

6

3

0

7

State Code

2

1

Balance Sheet Date

3

1

0

3

2

0

0

8

II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue

N

I

L

Right Issue

N

I

L

Bonus Issue

N

I

L

Private Placement

8

4

9

0

0

III. Position of mobilisation and deployment of funds (Amount in Rs. Thousands)

Total Liabilities

9

9

7

1

0

Total Assets

9

9

7

1

0

Sources of Funds

Paid-up Capital

3

6

2

5

0

Secured Loan

1

4

7

1

0

Reserves and Surplus

4

8

7

5

0

Unsecured Loan

N

I

L

Application of Funds

Net Fixed Assets

2

6

3

1

7

Deferred Tax Assets

9

4

0

0

Miscellaneous Expenditure

3

Investment

N

I

L

Net Current Assets

3

3

0

4

4

Accumulated Losses

3

0

9

4

6

IV. Performance of the Company (Amount in Rs. Thousands)

Turnover

3

2

9

9

1

Total Expenditure

6

0

6

4

4

Profit/(Loss) before Tax

(2

7

6

5

2)

Profit/(Loss) after Tax

(1

8

4

8

7)

Earning per share (Rs.)

(1

0

.

3

1)

Dividend Rate (%)

N

I

L

V. Generic Names of Two Principal Products/Services of the Company

Item Code No. (ITC Code)

N

A

Product/Service Description

N

A

Corporate Information

Board of Directors

Mr. R.K. Somany
Chairman and Managing Director
Mr. Sandip Somany
Joint Managing Director
Mr. S.B. Budhiraja
Mr. Binay Kumar
Mr. Ashok Jaipuria
Mr. V.K. Bhandari
Mr. N.G. Khaitan
Mr. G.L. Sultania
Mr. Vishal K.K. Marwaha

Company Secretary

Ms. Ruchika Gupta

Statutory Auditors

Walker, Chandio & Co.

Internal Auditors

Haribhakti & Co.

Registered Office

2, Red Cross Place, Kolkata- 700001
Tel: 033 22487406/07
Fax: 033 22487045
Email: hsilinvestors@hindware.co.in

Marketing Office

Tewari House, 2nd Floor,
11B/8, Main Pusa Road,
New Delhi-110005
Tel: 011 65960160-4
Fax: 011 25785278

Regional Offices

Mumbai
14, Vaswani Mansions
2nd Floor, Dinshaw Wachha Road
Backbay Reclamation
Mumbai – 400 020
Tel: 022-22044766

Kerala
Palaparambil Bldg, Kaloor-
Kadavandra Road,
Near Katrikadavu Bridge,
Emakulam- 682020, Kerala
Tel: 0481-2207016

Pune
Flat No 18, Bldg No. 2
Kalpataru Society, Above
Kering Hospital New Timer
Mkt Road, Opp Shanti Nagar
Society, Pune-411042

Bangaluru
Unit No. 9/2, Dhondusa
Complex, 3rd Flr, Residency Road,
Richmond Circle
Bangaluru – 560 025
Tel: 080-41136377

Secunderabad
304, Ashoka Bhoopal
Chambers, Sardar Patel Road,
Secunderabad
Tel: 040-6628800

Chennai
MKM Chambers (Annexe)
1st Flr, 154 & 155,
Kodambakkam High Rd
Nungambakkam, Chennai
Tel: 044-28220912

Plant Locations
Building Products Division
1. Bahadurgarh-124507,
Distt. Jhajjar, Haryana
Tel: 91 1276 230485/87
232226-8
Fax: 91 1276 230138

2. Somanypuram Brahmanapally
Bibinagar, Dist. Nalgonda
Andhra Pradesh 508126
Tel: 91 8685 651773/448

Glass Division
AGI Glaspac
Glass Factory Road, Off Motinagar,
P.B. No. 1930, Sanathnagar P.O.
Hyderabad 500018
Tel: 91 40 23831771
Fax: 91 40 23831787

Bankers
Canara Bank
Andhra Bank
Citibank, N.A.
HDFC Bank Ltd.

Place: Kolkata
Date: 7th May, 2008

N. Goenka
Director
G. L. Sultania
Director





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