



KEYTAKEAWAYS FROM ANNUAL REPORT 2015-16

HSIL in a nutshell

HSIL Limited is a diversified, consumer-focused organisation, with leadership position in sanitaryware and glass containers industries. While in the bathroom fittings business, the Company has already reached #3 position in the faucet category, it is concurrently gaining considerable market traction in the newly launched Consumer Products Business. As a consumer-centric entity, HSIL is driven by the strong support of its customers to deliver better quality products and solutions designed as per their evolving aspirations.

Our strategic foray into the consumer business space was further underlined by the introduction of a **new brand – moonbow - under which we introduced air purifiers**. We also entered a **co-branded marketing arrangement with Group Atlantic, France a leading USD 1.5 Billion player in heating, ventilation and air conditioning market in France & Europe, and experts in water heating systems –to introduce technologically superior and aesthetically appealing range of water heaters - hindware-atlantic**.

Further, to scale up our Building Products Division (BPD) in the coming years, **we decided to enter into the plastic pipes business during FY15-16**. We plan to utilise our existing sales and distribution networks to create a stronghold in both, the OEM and the replacement markets, in this business. We have also aggressively expanded into the luxury segment across our sanitaryware and bathroom product streams, in line with the desires and needs of the discerning consumers.

Our passion and dedication was evident in **our Packaging Products Division (PPD) too, as we decided to enter the security caps and closures market** to address the demands of our expanding institutional customer base.

The hindware-atlantic water heater and moonbow air purifier were presented with “Product of the year award “ (POY), world largest consumer voted award conducted by AC Neilson.

The Company has the distinction of manufacturing the largest range of faucets in the industry. Ten new ranges of faucets were added across the Company’s key brands during the year.

The Building Products Business signed up Shah Rukh Khan for hindware as a brand ambassador and rolled out new campaign "Bathrooms you keep admiring". These campaigns have helped take awareness of hindware brand to 85 per cent top-of-mind recall. While our luxury brand Queo managed to further entrench itself in consumer minds.

We customised our new series of sanitaryware and faucets to match two distinct categories of consumers – developers looking for designer products at affordable price points, and discerning consumers aspiring for luxury offerings.

In the Consumer Products Business, we are currently among the top three spenders in the geyser/water heater segment. Our water heater campaign - ‘Switch on Joy’, and moonbow air purification campaign - ‘Refresh your world’, received tremendous appreciation in the brand circles, and also gained excellent visibility in the market.

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In the Packaging Products Division (PPD) Business, we are the only leading company producing special coloured bottles for some niche partners.

Our service centres are committed to delivering prompt repair and replacement service, usually within 24 hours of receiving a complaint

New Potential

Consumer Products - Pan India distribution network

100 → 225

Distribution Points

650 → 4000

Retail Points

We expanded our Consumer Products network from a mere 100 distribution points to 225 in the end of year FY2015-16. On the whole the Consumer Products Business involving both Kitchen Appliances and Water Heater reached 4000 retailers.

To strengthen the retail reach of hindware, we added more than 15 new Gallerias during FY15-16 in cities such as Bangalore, Kolkata, Hyderabad and Chennai as well as tier 2 towns. Our four exclusive hindware Lacasa display centres at Mumbai, Bengaluru, Cochin and Ahmedabad are helping us attract architects, designers and end consumers by showcasing our complete hindware and Queo collection. Going forward, we plan to further expand our dealer network, Gallerias, and shop-inshops to penetrate deeper into the Tier II and III regions of the country.

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Key Products



Sanitaryware

- Water closets
- Wash basins
- Pedestals
- Squatting pans
- Urinals
- Cisterns
- Bidets



Wellness

- Bath tubs
- Shower panels
- Shower enclosures
- Whirlpools



Faucets/showers

- Showers
- Bathroom faucets
- Kitchen faucets



Allied Products

- Seat covers
- PVC cisterns
- Concealed cisterns

Key Building Products brands



Key Consumer Business Brands



Key Institutional Clients



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Going forward

The opportunity matrix is wide, especially in the 6,500 Crore faucet market, where we have shown remarkable growth. Launch of economy range faucets under the Benelave brand is also expected to boost growth in this segment.

The replacement market further offers exceptional growth opportunities for this division.

We shall also continue to further deepen our reach into Tier III cities, where the response to our products has been more than encouraging.




We shall strive to expand our Consumer Products Business through technologically and creatively differentiated products, that bring distinctive living to the doorstep of our consumers.

From **manufacturing glass and PET bottles, under the AGI and Garden Polymers (GP) brands** respectively, we have expanded the potential of our Packaging Products Division (PPD) Business to new horizons of growth.

Increased capacity utilisation for coloured bottles, as well as chemical and smaller bottles, led to a positive effect on the profitability of our PPD business as we passionately strove to deliver excellence to our **marquee clients, notable among them being Nestle, HUL and Pepsi.**

Key Products

Glass Containers, PET Bottles, Security Caps and Closures (under construction)

 Products	 Facility	 Capacity
Glass Containers (tonnes per day)	Sanathnagar, Hyderabad, (Telangana)	650*
	Bhongir (Telangana)	950
PET Bottles (tonnes per annum)	Selaqui (Uttarakhand)	7,050
	Dharwad (Karnataka)	2,450
Security Caps & Closures	Medak (Telangana)	(under construction)

*Out of total capacity 300 tonnes/day is shutdown at present.

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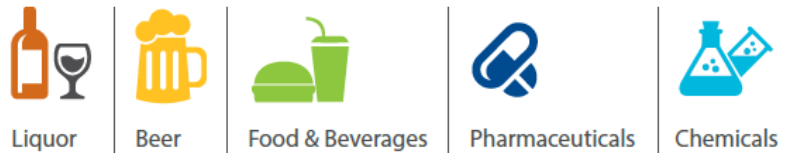


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Key Brands



Key Industries Catered



Key Clients



*In alphabetical order

In terms of the demand for sanitaryware, India is a market with the maximum potential in the Asia-Pacific region – and is expected to remain so for the next few year.

The total size of the sanitary ware market in India is currently estimated at 3,800 Crores with the long-term growth trend expected to be robust. As per industry reports, the overall market is growing at a CAGR (compound annual growth rate) of about 12-14 per cent over the last four years and is projected to have an even higher growth of nearly 14-16 per cent by 2021. Players in the organised sanitaryware market are expected to be a major beneficiary of this growth due to the shift in the preferences of the consumers towards high value products.

The faucet industry in India is currently estimated at 6500 Crores estimated and has been growing at a CAGR of 16 per cent. The market is mainly segmented into categories of kitchen faucets and bathroom faucets, with bathroom faucets being the predominant category. Currently, 52 per cent of the market

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share in this category is being held by organised players. This share is expected to see a significant increase in the coming years on the back of evolving consumer taste and increasing demand for branded and perceptive faucet designs. According to the Value notes Report - 'Faucets Industry in India: 2014-2019', the faucet market in India is projected to grow at a CAGR of 16 per cent, to reach 10,500 Crore by FY 2019.

Replacement market

The current demand in the replacement market in the Indian sanitary ware industry is very low - estimated at 15 per cent when compared with other developed nations where it is around 80 per cent. However, with exposure to global trends and Western styles, Indians are upgrading their bathrooms more frequently now. Bathrooms in urban clusters are estimated to be getting their sanitaryware replaced every 12-14 years, instead of the usual 20 years. Changing the bathroom (toilet bowls, faucets and shower fixtures) is the easiest way to upgrade a home, giving consumers an additional reason to transform the bathroom or the kitchen in the house.

HSIL has a manufacturing capacity of 3.8 million pieces of sanitaryware products at its plants located in Bahadurgarh (Haryana) and Bibinagar (Telangana). The Company also manufactures faucets. The total manufacturing capacity is 3 million pieces per annum, of which 2.5 million pieces are manufactured at the Greenfield faucet plant at Kaharani in Bhiwadi region of Rajasthan. The remaining is manufactured at another small faucet plant in Bhiwadi. The Company's two existing sanitaryware plants are being expanded to take production capacity from 3.8 million pieces a year to 4.2 million.

An important development during the year was HSIL's foray into the consumer products space. Leveraging its brand equity and strong distribution network, the Company introduced a range of state-of-the-art water heaters and air purifiers. The water heaters were launched in July 2015, in association with the French multinational company Groupe Atlantic, a specialist in heating systems. The water heater range has been branded 'hindware-atlantic'. Air purifiers under the brand name 'moonbow' were added to the basket of offerings in December 2015.

During the year under review, HSIL planned to add manufacturing capacities in diverse areas related to the building and construction sector. The PVC Pipe industry, which comprises of three sub-segments: (i) agricultural pipes (ii) plumbing & sanitation pipes and (iii) cold plumbing pipes, offers great synergies with the BPD business. The Company will be entering only the last segments, i.e., the Plastic Piping business in the field of Plumbing and Sanitation for Building and Construction industry. The market size for this targeted segment is 7000 Crores. Both segments offer attractive growth opportunities. While the plumbing and sanitation pipe segment is growing at a CAGR of 18%, the hot and cold plumbing pipe segment offers even better prospects as it is growing at a CAGR of 32%. The Company plans to leverage its sales and distribution network to expand its business into pipes, which are required not only in new real estate construction but also in the replacement market, where PVC/CPVC pipes are replacing the conventional GI pipes. The project for the production of CPVC pipes and UPVC pipes is underway in the state of Telangana. The combined capacity for CPVC and UPVC pipes will be around 30,000 metric tonnes per annum. The plant is expected to commence commercial production in approximately 12 months. HSIL entered into an arrangement with Sekisui Chemical Company Limited, Japan, for supply of CPVC resin – a key raw material manufactured by very few

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companies across the world. With strong domain knowledge and expertise in building products, this diversification opens up exciting opportunities for HSIL.

Key differentiators

Impressive brand portfolio

Impressive brand portfolio: HSIL appreciates the aspirations of every economic segment and provides quality product options across price points. Starting from entry level product for the masses, and moving up to premium and luxury products for the discerning customers, HSIL's sanitaryware portfolio comprises a range of brands designed to meet the needs of different types of customers.

HSIL BRANDS	SANITARYWARE & BATHROOM PRODUCTS
QUEO	Luxury
Amore	Wellness and Spa Range
hindware Italian Collection/hindware Art	Premium/Super premium
hindware	Mid Market
Benelave	Mass Market

New product categories

HSIL has diversified its product range by understanding and responding to consumer needs and expectations. Since the distribution structure for the new product categories has commonalities with the existing distribution cluster in the sanitaryware segment, the Company stands to gain from synergies in operation. Also, attractive growth opportunities exist in each of these new sectors, which additionally insulate the Company from dependency on any single product portfolio.

HSIL BRANDS	CONSUMER PRODUCTS
hindware-atlantic	Water heaters
hindware	Kitchen ensemble
moonbow	Air Purifiers
EVOK	Home interiors

The per capita consumption of packaged goods in India is still very low compared to other regions. While in countries like Germany and Taiwan, the per capita consumption is 42 kg and 19 kg respectively, in India it is only 4.3kg, indicating bright prospects for the packaging industry.

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Container Glass Segment

The main advantage of glass is that it is easily recyclable – in the European Union, glass recycling hit 73 per cent in 2015. Glass packaging causes much less environmental damage than plastic, even if it ends up in a landfill.

The Asia-Pacific region is potentially the biggest market for PET bottles. (Source: Euromonitor) In 2015, the global consumption of PET bottles across industries, e.g. beverages, foods, beauty and home care, amounted to 471 Billion bottles. About 42 per cent of this demand came from the Asia-Pacific region, and consumption is set to rise to 47 per cent by 2019 in this region.

HSIL's Packaging Products Division (PPD) is one of the leading container glass manufacturers in India, with a 17 per cent market share.

EVOK

HSIL had forayed into speciality home interior products, which are sold under the brand name 'Evok'. The home interior business is spearheaded by Hindware Home Retail Private Ltd (HHRPL), a wholly-owned subsidiary of HSIL. Evok stores showcase over 20000+ world class contemporary products in home interiors and also provides a vast array of services which includes Design to Build (Interior Design Services), Turnkey Installation and Post Care Services.

IV SHAREHOLDING PATTERN (Equity Share Capital Break up as % to Total Equity)

(i) Category-wise Shareholding

Category of Shareholders	No of Shares held at the beginning of the year [As on 01.04.2015]				No of Shares held at the end of the year [As on 31.03.2016]				% change during the Year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/ HUF	5747719	0	5747719	7.95	5747719	0	5747719	7.95	0.00
b) Central Govt/ State Govt(s)	0	0	0	0.00	0	0	0	0.00	0.00
c) Bodies Corp.	28314530	0	28314530	39.16	28314530	0	28314530	39.16	0.00
d) Banks/FI	0	0	0	0.00	0	0	0	0.00	0.00
e) Any other	0	0	0	0.00	0	0	0	0.00	0.00
Sub-total (A)(1)	34062249	0	34062249	47.11	34062249	0	34062249	47.11	0.00



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Remuneration to Managing Director, Whole Time Director and/or Manager:

Sr. No	Particular of Remuneration	Name of the MD/WTD/Manager		(₹ In lacs)
		Mr. Rajendra Kumar Somany	Mr. Sandip Somany	Total Amount
		1	Gross salary	
	(a) Salary as per provisions contained in section 17(1) of the Income Tax, 1961.	216.85	164.00	380.85
	(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961	33.50	21.76	55.26
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	-	-	
2	Stock option	-	-	
3	Sweat Equity	-	-	
4	Commission			
	- as % of profit	699.73	760.07	1459.8
	- others (specify)	-	-	
5	Others, please specify	-	-	
	Total (A)	950.08	945.83	1895.91
	Ceiling as per the Act (@ 10% of net profits as per Section 197 computed in the manner laid down in Section 198 of the Companies Act, 2013)			1895.91

Name of the entity	Net assets i.e. total assets minus total liabilities		Share in profit or (loss)	
	Amount	As a % of consolidated net assets	Amount	As a % of consolidated profit and loss
	Parent Company			
HSIL Limited	1,35,666.86	98.46	11,670.32	131.07
Subsidiaries:				
Hindware Home Retail Private Limited	1,942.51	1.41	(2,047.60)	(23.00)
HSIL Associates Limited(subsidiary upto 19 May 2015)	-	-	0.83	0.01
Halis International Limited	2.94	-	(6.48)	(0.07)
Alchemy International Cooperatief U.A.	(20.17)	(0.01)	(6.97)	(0.08)
Haas International B.V.	68.38	0.05	(37.56)	(0.42)
KS 615 Limited (formerly Barwood Products Limited)	133.00	0.10	(320.98)	(3.60)
Less: Goodwill on consolidation impaired	-	-	347.44	3.90
Total	1,37,793.52	100.00	8,904.12	100.00

OPERATIONAL REVIEW

Despite a challenging macro economic environment, your Company reported consistent performance during FY2015-16 to post continued growth across its key business segments. Your Company's net sales grew by 3.90% to reach 189195.83 lacs in 2015-16, compared with 1,82,088.96 lacs in 2014-15. Though overall, EBITDA declined marginally by 2.04% to 33,799.42 lacs in 2015-16 from 34,504.90 lacs in 2014-15, cash profit stood at 22,798.95 lacs in 2015-16 as against 21,473.60 lacs in 2014-15. Your Company's PAT grew by 12.05% to 11,670.32 lacs from 10,414.97 lacs in the previous fiscal, and EPS went up to 16.14 in 2015-16 from 15.70 in 2014-15, posting an increase of 2.80%.

Building Products Division

The BPD gross revenue went up by 10.74% to touch 1,09,298.70 lacs in 2015-16, as against 98,698.90 lacs in 2014-15. EBIT before unallocable expenditure declined by 15.09%. Capital employed increased 3.37%, going up from 94,991.35 lacs in 2014-15 to 98,189.61 lacs in 2015-16.

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Packaging Products Division

For the Packaging Products Division, the gross revenue was marginally down 1.33%, going from 1,01,571.91 lacs in 2014-15 to 1,00,221.64 lacs in 2015-16. EBIT before unallocable expenditure increased by 34.54%. Capital employed went down commensurately from 1,23,119.18 lacs in 2014-15 to 1,13,354.01 lacs in 2015-16.