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 CY UNMATCHED QUALITY MARKET-INSIGHT BUSINESS EXCELLEN
 PROCLIVITY ECO-SENSITIVITY ACQUAINTANCE LUXURY CONVER

We anticipate.
 We deliver.

FORWARD LOOKING STATEMENT

In this Annual Report, the forward-looking information if any, is for enabling 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 realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccuracies in our assumptions. Should known or unknown risks or our uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. We undertake no obligation to publicly update any forward-looking statements, arising as a result of new information, future events or otherwise.

Strategic Business Review

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Financial Statements

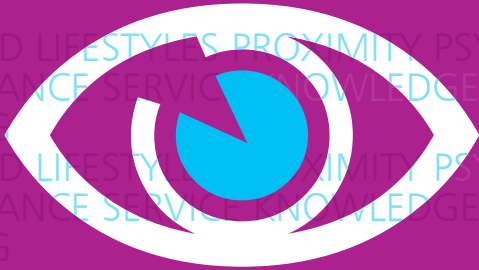
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Consolidated

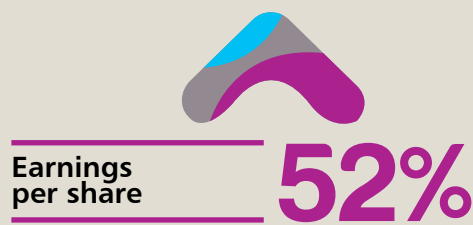
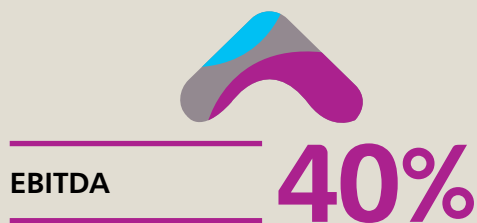
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At HSIL, we try to anticipate what the future will unfold: in terms of quality of life, customer aspirations and market trends globally.

Considerable year-on-year growth

CRAVING SWIFTNESS CONDUCT NEARNESS
CONSCIOUSNESS INSTANTANEOUS WISH STYLE
RESPONSIVENESS TRUST ACQUAINTANCE PAN-
INDIA VISIBILITY EXCEPTIONAL WORLD-CLASS
PRODUCTS URGE CUSTOMER DELIGHT EMINENCE
VARIETY



WE KNOW TOMORROW'S EMPOWERED CUSTOMER
WILL NOT ACCEPT 'GOOD ENOUGH' PRODUCTS.
CUSTOMER ENCHANTMENT IS THE NEW NORMAL. SO
THE CHALLENGE IS TO CONTINUE TO CAPTIVATE THE
CUSTOMER THROUGH INTELLIGENT ANTICIPATION AND
PROACTIVE DELIVERY.

Revisiting 2010-11

STRATEGIC

- Acquired UK based Barwood Products, a boutique Bathroom Products manufacturer
- Acquired a China Clay mine in Andhra Pradesh to secure raw material supply
- Completed QIP of Rs. 150 Crore to fund expansion and acquisitions in India and abroad
- Acquired the CP Bathroom fittings business of Havells India Ltd.

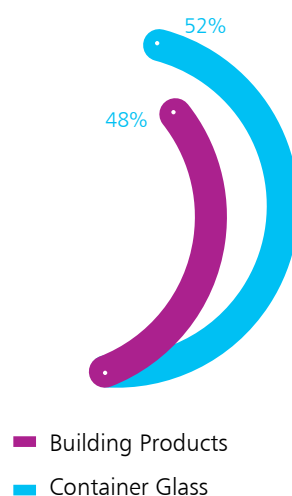
MARKETING AND DISTRIBUTION

- Launched the Cornice Collection, an elegant collection of sanitaryware, tiles and faucets, as a part of the 50th year celebration
- Rebranded the Crabtree brand of chrome plated bathroom fittings as Benelave
- Launched 1.5 litres flushing closet – Nano, probably the most efficient closet in the world in the non-vacuum assisted category
- Launched ceramic tiles as part of the Hindware Italian Collection brand
- Strengthened dealership network with addition of 150 dealers and over 2000 retailers
- Launched 66 new products in the container glass division and added 30 new customers

OPERATIONS

- Underwent a debottlenecking exercise at the Sanathnagar glass facility, resulting in capacity expansion (50 TPD)
- Achieved enhanced capacity utilisation and improved efficiencies at all manufacturing plants
- Improved production efficiencies at the container glass unit from 80% to 88%
- Achieved 6-20% weight reduction in 13 bottles through the introduction of Narrow Neck Press and Blow technology

Segmental revenue break-up in 2010-11

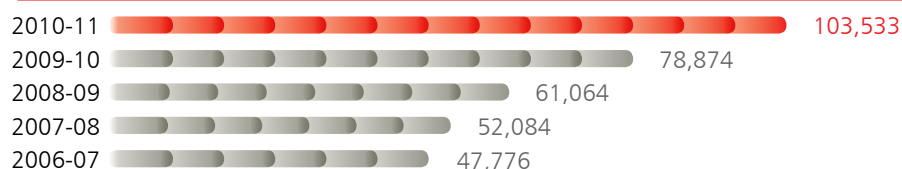


Five-year financial highlights

Net Turnover

(Rs. in lacs)

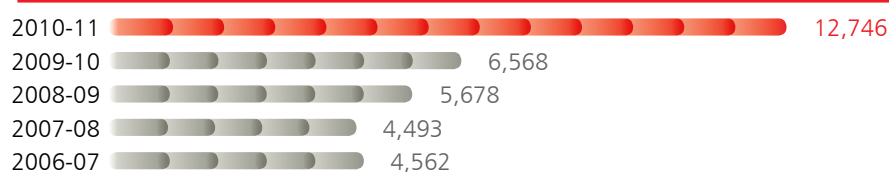
CAGR 21.16%



Profit Before Tax (PBT)

(Rs. in lacs)

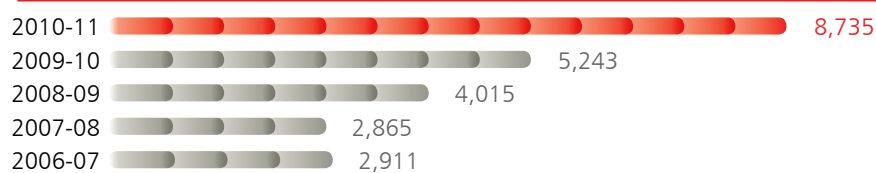
CAGR 25.83%



Profit After Tax (PAT)

(Rs. in lacs)

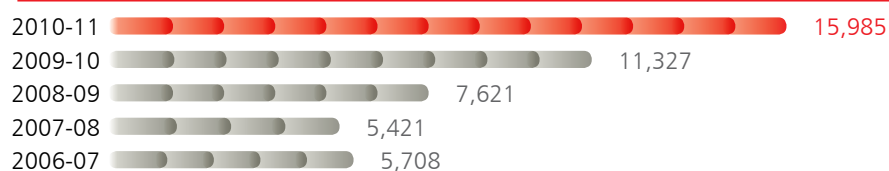
CAGR 27.61%



Cash Profit

(Rs. in lacs)

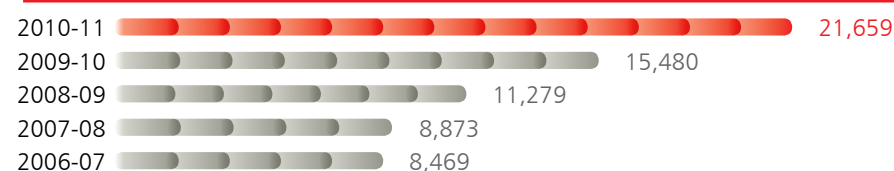
CAGR 25.92%



EBITDA

(Rs. in lacs)

CAGR 22.52%



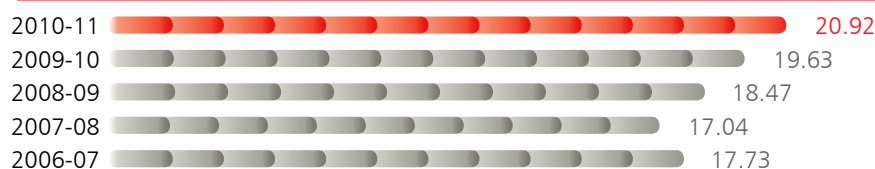
EAGERNESS
PACE HABITS
PERCEPTION
PROPINQUITY
LONGING
NO-WAITING
SENSITIVITY
ELEGANCE
FAMILIARITY
RELIABILITY
EXTRAORDINARY
WIDE-NETWORK
LONGING
AESTHETICS
EMPOWERED
INNOVATION

OUR SPECTRUM OF ANTICIPATION AND DELIVERY ENCOMPASSES ALL STAKEHOLDERS FOR WHOM WE WILL CONTINUE TO CREATE SUSTAINABLE VALUE ON THE STRENGTH OF DEEP MARKET INSIGHT, ACQUISITIONS, ADVANCED TECHNOLOGY LEVERAGE, CEASELESS INNOVATION, STRENGTHENED DISTRIBUTION NETWORK, ECO-SENSITIVITY, COMMUNITY OUTREACH AND A DEEP AND ABIDING EMPHASIS ON TRANSPARENCY, ACCOUNTABILITY AND INTEGRITY.

WE ARE COMMITTED TO SEE THE WORLD WITH THE VISION OF THE STAKEHOLDERS. TO FORGE CLOSER BONDS OF TRUST AND DEPENDENCE AND SHAPE THE FINER NUANCES OF AN ELEVATED WAY OF LIFE.

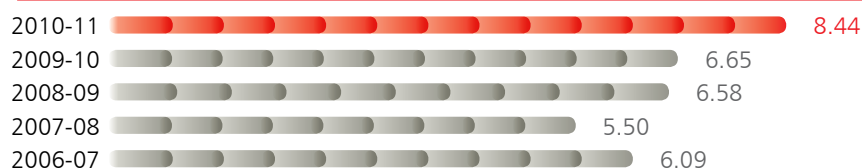
EBITDA Margin

(%)



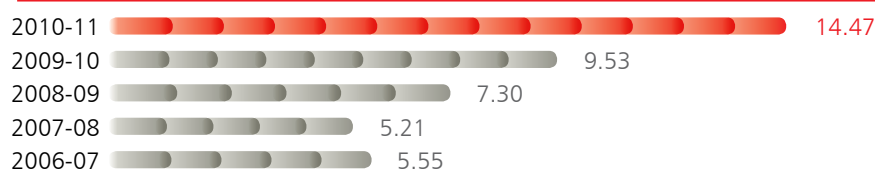
PAT Margin

(%)

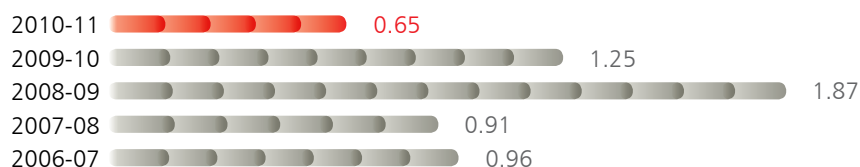


EPS

(Rs.)



Debt Equity Ratio



Interest Cover

(Rs. in lacs)



Strategies for tomorrow

ATIONS SPEED
LES PROXIMITY
RELENTLESS REACH
DESIGN AWARENESS
CE SERVICE
EDGE FUTURISTIC-
CTS PREMIUMISATION
RY-BEATING



IMMEDIATE-TERM PLANS

- Make Bibinagar the single largest sanitaryware production facility in India by increasing the annual production by 7 lac pieces, totalling 20 lac pieces annually
- Capacity addition of 3 lac pieces at the Bahadurgarh plant, to be completed by 2013
- Chrome plated fittings unit at Bhiwadi to nearly double capacity by FY 2012 from 3 lac pieces to 5 lac pieces
- To become number two player nationally in faucets with Hindware and Benelave brand of chrome plated bathroom fittings
- Glass capacity addition of 475 metric tonnes/per day at the Bhongir plant, to be commissioned by the fourth quarter FY 2012
- Set up green-field manufacturing facilities in Gujarat and Rajasthan
- Expand depot infrastructure in Mumbai, Indore and Guwahati

LONG-TERM GOALS

- Target revenue of Rs. 4500 Crore by 2016 to be achieved through brown-field capacity expansions, putting up green field production facilities, new product launches and acquisitions
- Rs. 650 Crore CAPEX launched for significant business expansion over the next three years



CAPEX outlay for the Rs. 650 Crore expansion plan

Proposed amount	Business segment	Capacity expansion target
Rs. 350 Crore	Container Glass	From 1,075 TPD to 1,550 TPD
Rs. 200 Crore	Sanitaryware	From 28 lac pieces to 50 lac pieces annually
Rs. 100 Crore	Chrome Plated Fittings	From 3 lac pieces to 30 lac pieces annually

I AM OFTEN TEMPTED TO THINK HOW THE
CONCEPT OF 'CUSTOMER' HAS EVOLVED
GLOBALLY, WITH ADVANCED RESEARCH ON
CUSTOMER PSYCHOLOGY AND BEHAVIOURAL
PATTERNS INFLUENCING BUSINESS STRATEGIES OF
ORGANISATIONS ACROSS THE WORLD



PROCLIVITY
ABLE-EXPERIENCE
PROMPTNESS
TIVITY
SUPREME

Chairman and Managing Director's Statement

EAGERNESS PACE HABITS PERCEPTION
 PROPINQUITY LONGING NO-WAITING
 SENSITIVITY ELEGANCE FAMILIARITY
 RELIABILITY EXTRAORDINARY WIDE-NETWORK
 LONGING AESTHETICS EMPOWERED
 INNOVATION

Dear Stakeholders,

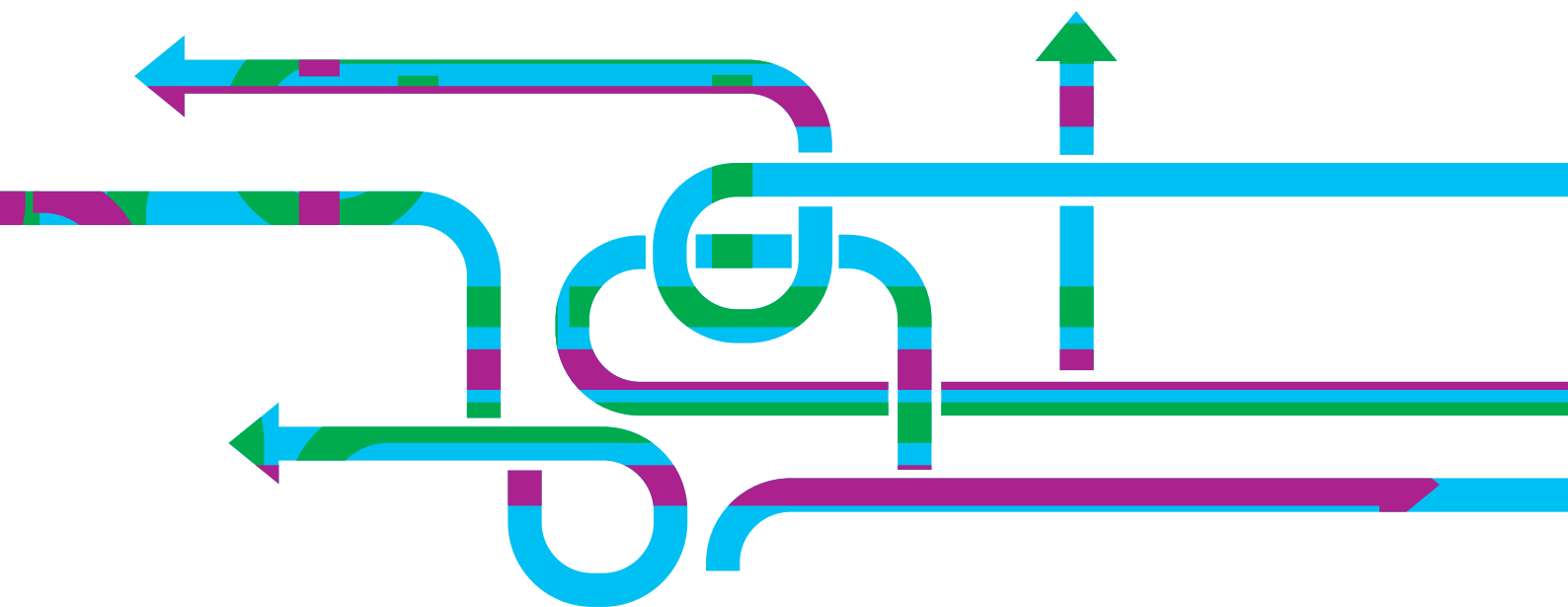
Let me start with an interesting paradox: the Indian economy is growing faster than all matured economies of the world, despite fears that this pace is unsustainable. No doubt there are challenges: persistent inflation, weak global recovery and policy slowdown. But the foundation of my optimism is one simple conviction: so long the fundamentals of a growing economy are strong, temporary setbacks cannot derail it. The primary growth drivers are enormous: productive population, enhanced savings and consumption, capital inflows, investment in infrastructure, strong government stimulus, continuous structural reforms undertaken by the government and globalisation.

The building product industry is driven by burgeoning young earners with rising disposable income, family nuclearisation and changing living standards. Today, the average age of a home buyer has declined considerably, due to rising income levels, double income families and thanks to easy housing loan facilities. These trends cumulatively are expected to create a demand spurt in building products. Now a few words about container glass industry. The container glass industry has not yet reached its full growth potential in India. Undoubtedly it is growing at an attractive 8-10% annually, but it is capable of much better performance by virtue of greater scale, acquisition of advanced technologies and deepening of consumer connect.

I am often tempted to think how the concept of 'customer' has evolved globally, with advanced research on customer psychology and behavioural patterns influencing business strategies of organisations across the world. There was a time when customers were largely viewed as a 'faceless crowd' whose needs had to be catered to. Today, the concept of customer has radically changed. Organisations now conduct extensive and intensive research to know how the mind of the customer operates, based on his/her social surroundings, level of awareness, purchasing power and aspirational quotient. The objective is to enchant the customer (customer satisfaction is passé) and provide him/her enduring value.



OUR VISION IS TO EMERGE AS AN
 AGILE AND FUTURISTIC ENTERPRISE,
 WHERE EXCEEDING CUSTOMER
 EXPECTATIONS IS NOT AN EXCEPTION
 BUT A NORM ▲



Customer enchantment at HSIL revolves around the DICE principle. Let me elucidate: our products are Deep (feature rich), Intelligent (anticipating future needs like eco-sensitivity and space constraints and solving them smartly), Comprehensive (offering a rich totality of experience through elegance, usefulness and easy availability) and Empowering (helping customers perform existing tasks better and faster; or even offering tools to do new things that one had not envisioned).

Customer enchantment is the secret of our continued industry leadership, enabling us to breach the Rs. 1100 Crore benchmark in 2010-11. Our sustained focus on innovation and customer engagement has made us the Business Superbrand 2010. We have also been bestowed The Golden Peacock Innovation Award 2011 and The BIZZ 2010 Award. Such recognition enhances our confidence in the fact that we are right on track.

Proximity to customer is also critical to retaining the element of delight. Our aim is to be present within 2 km radius to customers in any region across India. We are focusing on enhanced presence in tier II and tier III cities. With burgeoning middle class population and the economic miracle enhancing living standards, we foresee a considerable revenue-generating opportunity from these markets. We are focusing on strengthening our distribution network in

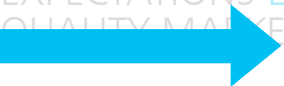
order to get close to the end customer. The after-sales service team is also being revamped and their operating efficiencies enhanced. We are conducting regular meets with architects and plumbers to educate them on new offerings and plumbing techniques.

We have always been at the forefront in the creation of water-smart products as part of our environmental sustainability. Water availability can emerge as a formidable global challenge for future generations, if we do not focus on this aspect. Water is nature's bounty, which needs to be used judiciously. Consumption of water in bathrooms in India is significant. If no water is available, our products will find no use. This warrants sustainable focus on products that conserve water. This year we launched the 1.5 litres flush closet – Nano, probably the best in its class in the World.

Our R&D and design team are continuing their efforts to further reduce water consumption in all our products. We have to reconcile ourselves to the grim reality that fresh water sources are slowly declining. So we cannot be as liberal in the use of water any more. We have to be judicious, so that our children have enough water for their needs.

At HSIL, stagnation is against our grain. We are not only thinking about the future, we are enhancing future preparedness. We are looking forward to expand capacities (organically and inorganically), enhance exports, enlarge

HANKERING READINESS DEMEANOUR IMMEDIACY ACUITY
INCLINATION COMPREHENSIVE-OFFERINGS SENTIENT
SOPHISTICATION COGNIZANCE EXCEEDING CUSTOMER
EXPECTATIONS EXQUISITENESS SIMPLICITY EXIGENCY UNMATCHED
QUALITY MARKET-INSIGHT BUSINESS EXCELLENCE



innovative products portfolio (including eco-friendly products) and faster after-sales services. We will also be focusing more on product premiumisation to cater to high-end customers.

Our vision is to emerge as an agile and futuristic enterprise, where exceeding customer expectations is not an exception but a norm. Tomorrow heralds opportunities and challenges. We have to reinforce our capabilities to leverage the opportunities and counter the challenges. I am grateful to our Directors, associates and the fraternity of shareowners, bankers, financial institutions, the Government of India and state governments for their wholehearted support and guidance. I would also thank our employees for their contribution in making HSIL not just a Superbrand in the market, but in the minds of innumerable customers.

Warm Regards

Rajendra K Somany
Chairman and Managing Director



WE HAVE ALWAYS BEEN AT THE
FOREFRONT IN THE CREATION
OF WATER-SMART PRODUCTS AS
PART OF OUR ENVIRONMENTAL
SUSTAINABILITY ▲

Delivering with passion and purpose



Operating in two diverse industries (building products and container glass) HSIL has emerged as:

- India's **largest** manufacturer of sanitaryware products
- India's **second largest** manufacturer of container glass

PRODUCT RANGE

Sanitaryware | Wellness | Faucets | Kitchen appliances | Container Glass

FLAGSHIP BRANDS

Hindware | Hindware Art | Hindware Italian Collection | Benelave

The organisation was established in 1960 as Hindusthan Twyford Ltd., a joint venture with Twyford Ltd., UK, to introduce vitreous china sanitaryware in India. For the first time, we entered the container glass business through the acquisition of Associated Glass Industries Ltd. in 1981.

We have leveraged enhanced business opportunities in a liberalised era to widen our portfolio of building products and container glass, bringing innovative products to life. We expanded capacities, upgraded technologies, strengthened pan-India distribution, made strategic acquisitions and even ventured into retail. The objective is to emerge as a global brand.

PIONEERING ACHIEVEMENTS

- The vitreous china technology
- The battery casting technology
- The computer-controlled, open flame tunnel-kiln technology
- The concept of waterless urinals
- The range of green building products
- The first dual flush concept and the 1.5 litre water per-flush technology
- Post-sales customer service in the building products industry
- The hot and cold end coating technology, which helps maintain the strength of container glass, despite weight reduction

2,500+

institutional clients for the building products division

550+

institutional clients for the container glass division

18

service centres all over India



300+

service force

ASPIRATIONS
SPEED LIFESTYLES
PROXIMITY
PSYCHE
RELENTLESS
DESIRE
DESIGN
AWARENESS
ELEGANCE
SERVICE
KNOWLEDGE
HISTORIC-
PRODUCTS
INNOVATION
INDUSTRY-
BEATING



CORE PURPOSE

 PASSIONATELY STRIVE TO ENRICH CUSTOMER'S QUALITY OF LIFE, THEREBY ENHANCING STAKEHOLDER VALUE 

Market Capitalisation
(31 March 2011):
Rs. 876 Crores

BSE Code:
500187
NSE Code:
HSIL

CORE VALUES

People Excellence	Nurturing Team Spirit	We believe in teamwork to enable our people to perform and succeed beyond their individual capacities
	Respect for Individual	We encourage a culture of trust and openness where each one is valued
	Continuous Learning	We relentlessly pursue learning for sustained competitive advantage
Business Excellence	Performance Excellence	We, individually and collectively, are passionately committed to exceed our goals
	Operational Excellence	We set standards in all operational processes through an unwavering focus on continuous and sustained improvement.
	Customer Centricity	We constantly strive to delight our customers
Leadership Excellence	Innovation	We conduct faster innovation in our processes and products to create and deliver value
	Agility	We are flexible, responsive and adaptable to the changing market dynamics

The business verticals



The Building Products Division



hindware

hindware
ART

hindware
ITALIAN COLLECTION

EVOK™

RAASI

BENELAVE™

Products

Sanitaryware, wellness, kitchen appliances, faucets and ceramic tiles

Flagship brands

Hindware, Hindware Art, Hindware Italian Collection, Benelave

Other brands

Raasi, Keramag, Hindware Lacasa

Retail

Speciality home interior products under the EVOK brand, operating through wholly-owned subsidiary, Hindware Home Retail Private Limited (HHRPL)

Market share

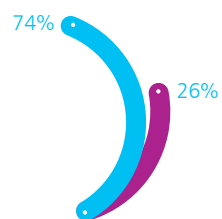
40% of organised Sanitaryware market



MANUFACTURING UNITS

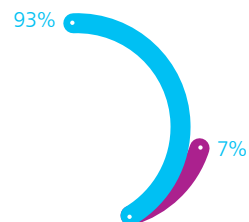
Unit	Installed Capacity (in MT)
Bahadurgarh, Haryana	14,000
Somanypuram, Andhra Pradesh	14,000
Bhiwadi, Rajasthan	215

Customer segments



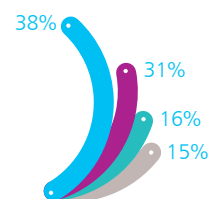
■ Retail
■ Institutional

Demand play



■ New Demand
■ Replacement Demand

Region-wise break-up



■ South ■ East
■ North ■ West

EAGERNESS PACE HABITS PERCEPTION
 PROPINQUITY LONGING NO-WAITING
 SENSITIVITY ELEGANCE FAMILIARITY RELIABILITY
 EXTRAORDINARY WIDE-NETWORK LONGING
 AESTHETICS EMPOWERED INNOVATION



The Container Glass Division



Products

Container glass

Flagship brands

AGI

Latest innovation

Acquisition of Narrow Neck Press and Blow technology, in collaboration with German-based Weigand Glass, a leading European player in glass manufacturing

Market share

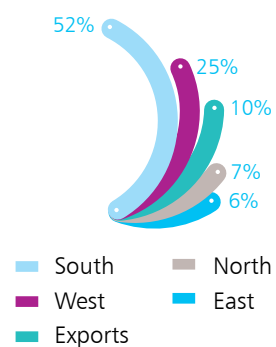
17%



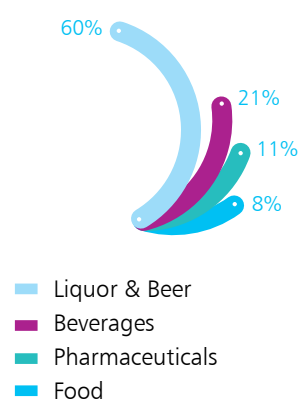
MANUFACTURING UNITS

Unit	Installed Capacity (pieces per annum)
Hyderabad, Andhra Pradesh	9,530 lacs
Bhongir, Andhra Pradesh	6,900 lacs
TOTAL	16,430 lacs

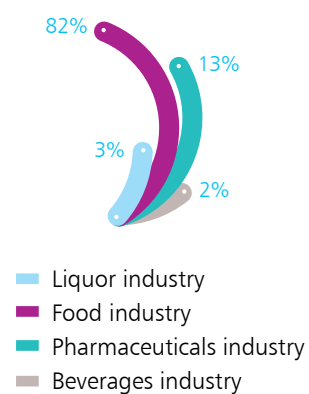
Region-wise break-up



Institutional domestic customer segments



Exports break-up (including deemed exports)





Anticipation

The customer would be increasingly hard-pressed for time, as daily commitments of work and family escalate at an amazing pace.

EAGERNESS PACE HABITS PERCEPTION PROPINQUITY
LONGING NO-WAITING SENSITIVITY ELEGANCE FAMILIARITY
RELIABILITY EXTRAORDINARY WIDE-NETWORK LONGING
AESTHETICS EMPOWERED INNOVATION



Delivery

We must reach the customer, before the customer reaches us. To drive pan-India visibility, we established a wide network of dealers and sub-dealers. Our primary focus: the customer should have less hardship in getting the desired products.

HANKERING READINESS DEMEANOUR
IMMEDIACY ACUITY INCLINATION
COMPREHENSIVE-OFFERINGS SENTIENT
SOPHISTICATION COGNIZANCE
EXCEEDING CUSTOMER EXPECTATIONS
EXQUISITENESS SIMPLICITY EXIGENCY
UNMATCHED QUALITY MARKET-INSIGHT
BUSINESS EXCELLENCE

DURING THE YEAR, WE CONDUCTED A PAN-INDIA SURVEY WITH OUR DEALERS TO UNDERSTAND VARIOUS CONSUMER NEEDS. BASED ON THOSE FINDINGS, WE DECIDED TO EXPAND OUR NETWORK TO TIER II AND TIER III CITIES. WE FURTHER STRENGTHENED OUR DISTRIBUTION NETWORK BY ESTABLISHING:



1,550+
direct dealers

14,000+
retailers

- An online communication system that immediately communicates the orders to the depot
- An online tracking system to track the cargoes
- Also upgraded the material handling systems at out depots

Today, HSIL's five decade old distribution network is considered to be the largest in the domestic building products industry. Our continued efforts towards strengthening the distribution network enhance customer proximity.



Anticipation



The empowered customer embraces brands that are globally aligned to quality standards and overwhelm the mind by creating a wholesome new experience. A rare harmony of simplicity, functionality and aesthetics.

YEARNING PROMPTNESS DEPORTMENT CLOSENESS
INDIVIDUALITY VALUE PROCLIVITY ECO-SENSITIVITY
ACQUAINTANCE LUXURY CONVERSANCE
UNFORGETTABLE-EXPERIENCE SUPREME ELEGANCE
DESIDERATUM MINDSET SATISFACTION



Delivery

To keep abreast with changing times, we evolved a new brand identity: unique, easy to comprehend and immediately recognisable. We also enhanced our focus on premiumisation.

ASPIRATIONS SPEED LIFESTYLES PROXIMITY
 PSYCHE RELENTLESS REACH DESIRE DESIGN
 AWARENESS ELEGANCE SERVICE KNOWLEDGE
 FUTURISTIC-PRODUCTS PREMIUMISATION
 INDUSTRY-BEATING



In order to achieve our objectives, we undertook the following strategic initiatives:

REBRANDING

We changed the brand logo to warm red to project ourselves as a youthful, confident, dynamic and contemporary organisation.

CORNICE COLLECTION

We launched the Cornice Collection, an elegant ensemble of sanitaryware products, vitrified tiles and faucets. The sophisticated collection has been designed by international designers and offers the germi-clean technology to ensure bacteria- free surface with a special glaze.

BARWOOD PRODUCTS

We acquired UK based Barwood Products to leverage their luxury range of brands, offering sanitaryware products to the Indian market.

REBRANDING CRABTREE

We rebranded the chrome plated bathroom fittings brand Crabtree as Benelave to launch more products in the same line.

CERAMIC TILES

We launched ceramic tiles (imported from European manufacturers) as part of the Hindware Italian Collection brand in the mid and premium segments.

KITCHEN APPLIANCES

We extended our product basket in kitchen appliances range.

CONTAINER GLASS

We invested significantly in technology and light-weighting the bottles and introduced the narrow neck press and blow bottles.



CRAVING SWIFTNESS CONDUCT NEARNESS
CONSCIOUSNESS INSTANTANEOUS WISH STYLE
RESPONSIVENESS TRUST ACQUAINTANCE PAN-INDIA
VISIBILITY EXCEPTIONAL WORLD-CLASS PRODUCTS
URGE CUSTOMER DELIGHT EMINENCE VARIETY

Anticipation

A dash of motivation can make difficult things look simple and achievable. At HSIL, we are motivated to create new experiences for the customer. Unforgettable and unmatched.



Delivery

Our technology edge and human ingenuity enhances knowledge and drives customer connect.

EAGERNESS PACE HABITS PERCEPTION PROPINQUITY
LONGING NO-WAITING SENSITIVITY ELEGANCE FAMILIARITY
RELIABILITY EXTRAORDINARY WIDE-NETWORK LONGING
AESTHETICS EMPOWERED INNOVATION



TECHNO-ENABLED

- Adopted the digital medium to connect to customers, especially the young generation; we help customers take an informed purchase decision and create more awareness about our product offerings and brands

KNOWLEDGEABLE AND SENSITIVE

- Training imparted to employees and workers across various levels at offices and plants on soft skills, technical, and general management
- Conducted workshops on 'Core Purpose and Values' to align employees towards customer centricity, agility and empowerment
- Undertook plans for overseas training of service personnel to improve after-sales service
- Entered into tie-ups and alliances with vendors and mine owners

- Organised cross-country plumber meets to enhance knowledge sharing
- Conducted seminars and workshops with architects from all over the country to share the latest knowhow and design innovations
- Developed a club for architects to exchange ideas, knowledge and information
- Initiated a product development mechanism to stay updated about customer requirements to improve product lines
- Established service centres and integrated call centre to address customer concerns, feedback and queries regarding prices, products and dealer locations within 24 hours
- Organised free service check-up camps regularly, wherein our service personnel visit our esteemed clients and offer free check-ups

Joint Managing Director's Statement



THE CORE STRATEGY OF THE YEAR WAS TO LEVERAGE ON THE STRENGTH OF THE DISTRIBUTION CHANNEL AND PLANT CAPACITIES AND LAUNCHING ALLIED PRODUCTS. THE OBJECTIVE WAS TO OPTIMISE COSTS AND REACH THE SAME CUSTOMER SEGMENTS WITH A WIDER PRODUCT PORTFOLIO ▲

Dear Stakeholders,

HSIL has always tried to be ahead of its times in delighting the customer by virtue of futuristic products. In other words, we focus on manufacturing products, which are easy to use and elegant to marvel at. We have even revamped our brand identity to evolve from a product-centric to a brand-centric company.

SNAPSHOT OF THE YEAR – BUILDING PRODUCTS

The core strategy of the year was to leverage on the strength of the distribution channel and plant capacities and launching allied products. The objective was to optimise costs and reach the same customer segments with a wider product portfolio. To emerge as a one-stop solutions provider, we strengthened our distribution channel, undertook brand-building initiatives, enriched the portfolio of products, formulated capacity expansion plans, adopted advanced technologies and secured raw material supply. We are developing a premium product range to provide lifestyle and luxury products to the Indian market. The focus is on chrome-plated fittings and ceramic tiles. On the acquisition front, we acquired the UK based Barwood Products. This acquisition will help us explore the UK and European markets.

We launched a Rs. 300 Crore capacity expansion plan to be completed in the next three years, which would make the Bibinagar plant the single largest sanitaryware production facility in India, and nearly double the capacities at Bhiwadi. Our plans to set up green field projects will help expand the sanitaryware capacity from 28 lacs per annum to 50 lacs per annum and to raise the faucets capacity from 3 lacs per annum to 30 lacs per annum.

SNAPSHOT OF THE YEAR – CONTAINER GLASS

The potential of the domestic container glass industry has not been fully explored; it needs a new capacity of 500 tonnes per day each year. Having achieved nearly full capacity utilisation, we find great opportunity in this segment. We currently export 10% of our production to Africa and South East Asia, with plans to export 15% of our production to the Middle East, Africa and Australia. As part of the capacity expansion plans and the ongoing in-plant technological improvements, we have installed the world's highest capacity furnace, which uses the latest end-fire technology to manufacture container glass.

To secure our supply of raw materials, we have formulated ambitious plans to acquire mines (which are proximate to our factory, reducing transport cost) in the next one year. We are also working on the possibility of natural gas use in one of our plants, resulting in reduced fuel costs. HSIL's container glass division would increasingly focus on research and development. We are embarking on a 350 Crore expansion, which will result in setting up of a new furnace at the Bhongir site raising our total capacity from 1075 to 1550 tonnes per day.

SNAPSHOT OF THE YEAR – RETAIL

Our retail business, under the EVOK brand, has grown significantly during the year. We now have eight large stores and two small stores across India, with ambitious plans of launching eight more stores in various cities, including Mumbai, Pune, Hyderabad, Bangalore and Jaipur.

OUR GROWING FINANCIALS

During the year, our revenues touched Rs. 1130 Crore, growing by 33%. Profit after tax grew 67% to reach Rs. 87 Crore during the year, as a result of increased capacity utilisation, improvement in manufacturing efficiency, extension of sales network and cost control. Our margins improved significantly during the year.

NURTURE AND GROW

We have always believed in nurturing our human resources and on the strength of their potential accelerate our organisational growth. Promptness in responding to customer queries has always been the hallmark of HSIL. We recently set up service centres and call centre that solve customer queries within 24 hours; we intend to expand the network and improve the quality of these centres in the coming years.

We strongly believe in establishing and strengthening our relationships with supply chain partners and vendors through organising meets, trainings and workshops. We at HSIL, regularly undertake to organise plumber training programmes wherein we have successfully trained more than 10,000 plumbers till date.

PLANS ON THE ANVIL

- Enhance automation saving time, costs and people requirements
- Upgrade the scale of customer service (providing comprehensive product update), after-sale service, products across all price points, warranty programmes
- Increase exports of faucets and sanitaryware to enhance the contribution of exports to the organisation's revenue pie
- Enlarge our portfolio of the recently introduced germi clean products and water conserving products

So let's prepare for more exciting days ahead as HSIL is well equipped to scale new orbits of growth by dint of collective dynamism and the unfailing trust of all our stakeholders.

My Best Regards



Sandip Somany
Joint Managing Director



WE HAVE ALWAYS BELIEVED
IN NURTURING OUR HUMAN
RESOURCES AND ON THE STRENGTH
OF THEIR POTENTIAL ACCELERATE
OUR ORGANISATIONAL GROWTH ▲

HANKERING READINESS
DEMEANOUR IMMEDIACY ACUIT
INCLINATION COMPREHENSIVE-
OFFERINGS SENTIENT
SOPHISTICATION COGNIZANCE
EXCEEDING CUSTOMER
EXPECTATIONS EXQUISITENESS
SIMPLICITY EXIGENCY
UNMATCHED QUALITY MARKET-
INSIGHT BUSINESS EXCELLENCE



WE STRONGLY BELIEVE IN ESTABLISHING
AND STRENGTHENING OUR
RELATIONSHIPS WITH SUPPLY CHAIN
PARTNERS AND VENDORS THROUGH
ORGANISING MEETS, TRAININGS AND
WORKSHOPS ▲

Awards and honours



- HSIL awarded The BIZZ Award in 2011 for being an Inspirational Company. The BIZZ award is given by World Confederation of Businesses, Houston, Texas
- HSIL awarded The BIZZ Award in 2011 – The Peak of Success Award for its excellence in Business Model by World Confederation of Businesses, Houston, Texas
- HSIL receives Business Superbrand 2010-11; HSIL has been selected as a Business Superbrand three times over
- HSIL honoured with Golden Peacock Innovation Award 2011
- HSIL has been rated the fastest growing building products company in the Sanitaryware and tiles category by Construction World Magazine, 4 times
- Brand Hindware honoured with Power Brand 2010-11 (India's Most Powerful Brands chosen by consumer) by IIPM
- Brand Hindware honoured with Star Brand 2011 from IIPM
- Readers Digest Trusted Brands - Gold Award 2011 awarded to Hindware in Sanitaryware category
- Hindware has been chosen amongst 'The 100 Most Valuable Brands in India' by the 4P's journal (also the only bathroom brand in this selection)
- Confederation of Indian Industry Green Building Council (CII GBC) 7th National Award for 'The Most Innovative Water Saving Products' for 2010



- Hindware's Nano EWC has been conferred the Elle Deco International Design Awards (EDIDA) in 2010
- Hindware has been honoured consistently with Consumer Superbrand Award by Superbrands Limited, U.K.
- League of American Communication Professionals (LACP), USA Awards for Best Annual Report 2009/10- Won Platinum Award in 2 categories viz. Best Report Financials and Best Report in Consumer Durable Category. Overall Ranking 4th, worldwide out of 4400 entries

Other awards and recognitions achieved by us:

- 2010 IMM Award for Excellence as Eminent Organisation
- Golden Peacock National Quality Award 2010
- BIZZ Awards 2010 for being Inspirational Company
- Capexil Award 2009
- IES Excellence Award 2009
- Golden Peacock Environment Management Award 2009
- Elle Deco International Design Award (EDIDA) in 2008 for Poncho Kids Series



1960-70



- Hindusthan Twyford Ltd. was incorporated as a joint venture with Twyford Ltd., UK
- Set up a greenfield factory in Bahadurgarh, Haryana, with production commencing in 1962
- Floated an IPO to mobilise Rs. 30 lacs through equity shares and Rs. 10 lacs through preferential shares, which got oversubscribed 78.2 times
- Hindusthan Twyford Ltd. was renamed Hindustan Sanitaryware & Industries Limited

1971-80



- Commenced building a strong and wide distribution network
- Extensive pan-India dealer survey was conducted for appointing dealers and sub-dealers
- Introduced fixed MRPs, even before the MRP law was implemented
- Launched the practice of offering cash discount to dealers and sub-dealers to strengthen the receivable cycle

1981-90



- Acquired Associated Glass Industries Ltd., Hyderabad, Andhra Pradesh
- Mr. Sandip Somany joined HSIL
- Expanded capacities and upgraded technology at our glass factory
- Acquired Krishna Ceramics Ltd., Bibinagar, Andhra Pradesh
- Commissioned the world's largest open flame kiln in the Bahadurgarh factory

FINANCIALS, A DECADE BACK AND TODAY

Particulars	(Rs. in lacs)	
	2000-01	2010-11
Net Turnover	16,576	1,03,533
Profit Before Tax (PBT)	475	12,746
Profit After Tax (PAT)	463	8,735
EBITDA	4,033	21,659

YEARNING PROMPTNESS DEPORTMENT CLOSENESS INDIVIDUALITY
VALUE PROCLIVITY ECO-SENSITIVITY ACQUAINTANCE LUXURY
CONVERSANCE UNFORGETTABLE-EXPERIENCE SUPREME
ELEGANCE DESIDERATUM MINDSET SATISFACTION



1991-2000



- Launched our flagship brand, Hindware
- Use of natural gas at our Bahadurgarh plant
- Upgraded technology at the container glass plant
- Crossed the Rs.100 Crore revenue milestone
- Launched the first water conservation product, a 3.5 litre flushing water closet
- Introduced PVC cisterns as a part of Hindware brand
- Acquired Raasi Ceramics
- Completed capacity expansion at Bibinagar doubling the capacity
- Received ISO certification for the Bahadurgarh plant, becoming the first Indian sanitaryware plant to receive the accreditation
- Launched the Hindware website
- Ventured into the wellness product's range, comprising bathtubs and showers

2001-10



- Our building products division received ISO 9001:2000 and 14001, 18001 OHSAS accreditations
- Launched Keramag brand in India as a part of our premiumisation initiative in partnership with Sanitec, Europe
- Ventured into chrome plated bathroom fittings (faucets)
- Rebranded the Hindware logo to contemporise our brand identity
- Launched light-weight glass bottles
- Upgraded production technology at the glass container division to make it one of the most flexible production facilities in India
- Crossed the Rs. 500 Crore revenue milestone
- Established two home interior fashion design retail stores in NCR under the brand name EVOK through its subsidiary HHRPL
- Renamed Hindustan Sanitaryware & Industries Limited as HSIL Limited
- Launched Hindware Lacasa display showrooms in Kochi and Mumbai
- Introduced the service guarantee, 'Hindware Care', assuring doorstep services within 24 hours of call registration programme.
- Commenced production at our greenfield project at Bhongir, which has installed Asia's largest glass furnace
- Acquired the chrome plated bathroom fittings business from Havells India Ltd.
- Established 33 Hindware Boutiques and Hindware Arcades, and designed 18-dealer showrooms

An inspiring culture of walking together

The Building Products Division

DLF	Emaar MGF	Godrej Properties	India Bulls	Jaypee
Larsen & Toubro	Mahindra Lifespaces	Marriott	Oberoi	Parshwanath
Prestige Properties	Puravankara	Shapoorjee Pallonjee	TATA	Unitech

ASPIRATIONS SPEED LIFESTYLES PROXIMITY PSYCHE
 RELENTLESS REACH DESIRE DESIGN AWARENESS
 ELEGANCE SERVICE KNOWLEDGE FUTURISTIC-PRODUCTS
 PREMIUMISATION INDUSTRY-BEATING

The Container Glass Division

Astrazeneca	Bacardi	Carlsberg	Coke	Diageo
Glaxo	Heinz	Hindustan Unilever	Nestle	Pepsi
Pernod Ricard	Ranbaxy Laboratories	SAB Miller	United Breweries	United Spirits

Board of Directors



1



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10

1 Rajendra K Somany

Chairman and Managing Director
Since: 09.01.1988

- Commerce graduate from St. Xavier's College, Calcutta University
- Provides the strategic direction and vision to the Company
- Extensive 56-year working experience
- Assisted the Bureau of Indian Standards to develop quality standards for the Sanitaryware Industry. He has been instrumental in aligning the Indian Standards with the European Standards.
- Former Chairman of Council of Indian Employers
- Former President of The Associated Chambers of Commerce and Industry of India (ASSOCHAM), PHD Chamber of Commerce and Industry (PHDCCI) and Employers' Federation of India
- Founder President of Bahadurgarh Chamber of Commerce and Industry
- His expertise has won him the fellowship of Institute of Ceramics, U.K. and life fellowship of All India Management Association
- He is also the Emeritus Member of the American Ceramic Society, Fellow of the Chartered Management Institute of UK (FCMI) and Member of the Institute of Materials, Minerals and Mining, UK (IOM³)

2 Sandip Somany

Joint Managing Director
Since: 11.11.1994 (Associated with the Company since 01.10.1985)

- Commerce graduate and a diploma holder in Ceramic Manufacturing Technology from the US
- A 26 year work experience of the ceramics and glass industry
- Senior Vice President of PHD Chamber of Commerce and Industry (PHDCCI)
- Chairman of Indian Council of Sanitaryware Manufacturers (INCOSAMA)
- Member of the Executive Committee of FICCI and Member of Managing Committee of ASSOCHAM
- Member of Governing Council of All India Glass Manufacturer's Association
- Member of Delhi Chapter of the Young Presidents'

Organisation (YPO) and Delhi Achievers Round Table

- Member of various committees of Bureau of Indian Standard

3 Ashok Jaipuria

Independent Director
Since: 15.05.2004

- Qualified in Business Administration and Marketing Sciences
- He has won multiple awards
- Chairman and Managing Director of Cosmo Films Ltd., an Indian multinational company, which is into the manufacture and exports of Biaxially Oriented Polypropylene (BOPP) films and having its manufacturing locations in India, Europe, Korea and U.S.A
- Chairman of Cosmo Ferrites Ltd.
- Member of the Executive Committee of the Federation of Indian Chamber of Commerce and Industry (FICCI)
- Member of Confederation of Indian Industry (CII)
- Board member of IIT Patna, Delhi Public School, Gurgaon and The Golf Foundation which is a charitable society formed with an objective of helping the under privileged potential golfers in India

4 Binay Kumar

Independent Director
Since: 27.09.1996

- Degree in Business Science
- Chairman of Banaras House Pvt. Ltd. and U.P. Hotel Clarks Ltd.
- Former President of Federation of Indian Exporters Organisation, Rotary Club of Delhi Midtown, Indo-American Chamber of Commerce & Industry, Indo-French Chamber of Commerce & Industry, PHD Chamber of Commerce & Industry and Indo-Polish Chamber of Commerce and Industry
- Member of Indo-German Chamber of Commerce and Executive Committee of FICCI
- Life member of Indian National Trust for Art & Cultural Heritage and the Confederation of Asian Chamber of Commerce & Industry, Taiwan.
- Member of Audit Committee of the Company

5 G.L. Sultania

Independent Director
Since: 09.01.1988

- B.Com, F.C.A., F.C.S. and consultant by profession
- Member of Capital Market Standing Committee of Merchants' Chamber of Commerce
- Member of Shareholders'/ Investors' Grievance Committee of the Company

6 N.G. Khaitan

Independent Director
Since: 29.06.1996

- Attorney-At-Law and a Notary Public appointed by the Government of India
- He practices in Calcutta High Court and in the Supreme Court of India
- Senior partner at Khaitan & Co., one of the leading law firms in India
- Awarded Bell Chambers Gold medal by the Incorporated Law Society, Calcutta High Court, for standing first in all the Law examinations
- Committee member of the Federation of Indian Chambers of Commerce and Industry (FICCI)
- President of Indian Council of Arbitration, New Delhi
- Committee member of the Bharat Chamber of Commerce, Calcutta
- Director to various companies
- Member of Audit Committee; Shareholders'/ Investors' Grievance Committee and Remuneration Committee of the Company

7 Dr. Rainer Siegfried Simon

Independent Director
Since: 18.05.2011

- A German Citizen, professional with over 30 years experience in international Building Products businesses
- Doctorate and a degree in Business Administration from St. Gallen University, Switzerland
- Owner of BirchCourt GmbH since 2005
- Former President and CEO of Sanitec International AG (Europe's largest Sanitaryware manufacturer)
- Held Senior Management positions at Friedrich Grohe AG (largest player in faucet business in the world), Continental AG and Keiper-Recaro etc.
- Chairman of the Supervisory Board of Joyou AG Hamburg/ Nan'an China
- Member of the Supervisory Board of Friedrich Grohe AG, Uponor OY Helsinki Finland, SARA Holdings, Beirut and Lecico Egypt S.A.E.

8 S.B. Budhiraja

Independent Director
Since: 30.10.2003

- Mechanical Engineer from the University of Roorkee (now IIT Roorkee); received the distinguished Alumni Award in 2008 from IIT Roorkee
- Management Consultant and Former President of the Institute of Management Consultants of India
- Youngest ever Managing Director of Indian Oil Corporation Ltd.
- Former Managing Director of IBP, Balmer Lawrie & Co. Ltd., Indian Oxygen Ltd. and Director of Al Futtaim Group, UAE

- Former President of Indian Chamber of Commerce, Kolkata
- Former Chairman of CII, Eastern Region
- Former Executive Director of Management Development Institute (MDI), Gurgaon
- Fellow of the All India Management Association and the Institute of Management Consultants of India
- Senior Advisor for India to the United Nations Secretary General's office for Global Compact
- Former Member of the World Bank team that studied the restructuring of the Haryana power sector
- Chairman of Remuneration Committee and Shareholders'/Investors' Grievance Committee of the Company
- Member of Audit Committee of the Company

9 Vishal Marwaha

Independent Director
Since: 14.07.2005

- A Chartered Accountant associated with renowned international banks and leading private equity investors
- Former Chief Representative of HSBC Private Equity Management (Mauritius) Ltd. for its India dedicated fund prior to joining the Private Equity operations of Henderson Global Investors
- Member of Audit Committee of the Company

10 V.K. Bhandari

Independent Director
Since: 17.01.2004

- An FCA with over 31 years of experience in the Banking Industry
- Former General Manager of Central Bank of India and had been the Head of Credit, Credit Monitoring, Treasury, Investment, Funds Management, Merchant Banking and International Banking Divisions
- Chairman of Audit Committee of the Company
- Member of Remuneration Committee and Shareholders'/ Investors' Grievance Committee of the Company

Year-wise Financial Highlights

Balance Sheet

(Rs. in lacs)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Equity Share Capital	1100.55	1100.55	1100.55	1100.55	1320.97
Reserve and Surplus	12227.50	14126.80	17111.97	40834.51	47650.69
Share Premium	6840.63	6840.63	6840.63	6840.63	21144.82
Secured Loans	16498.59	11222.32	43150.54	31026.64	33719.37
Unsecured Loans	2794.47	8963.84	3754.82	17889.11	5646.79
Deferred Tax Liability	3485.32	3409.75	4230.94	5411.85	7311.84
Total Liability	42947.06	45663.89	76189.45	103103.29	116794.48
Gross Block	40595.34	44305.23	62677.29	101191.13	106205.69
Less: Depreciation	18374.25	20915.33	22353.71	26611.70	28220.58
Net Block	22221.09	23389.90	40323.58	74579.43	77985.11
Capital Work-In-Progress	2202.81	2812.99	12515.10	779.26	5621.24
Investments	4841.51	3500.98	4275.26	5540.70	10038.23
Current Assets					
Inventories	12181.83	14376.31	14699.64	15658.67	20698.96
Sundry Debtors	7703.92	9095.77	10277.30	13973.72	16148.08
Cash & Bank	860.82	1212.54	7927.19	1621.12	2538.44
Loans & Advances	2727.46	2414.31	4030.82	7224.12	5234.41
Other Current Assets	9.07	10.01	83.23	44.99	41.05
Current Liabilities					
Sundry Creditors	6673.90	6305.62	12511.46	10272.93	13016.97
Provisions	890.80	1383.15	1533.16	1729.60	2452.51
Other Liabilities	2236.75	3460.15	3898.05	4316.19	6041.56
Net Current Assets (Working Capital)	13681.65	15960.02	19075.51	22203.90	23149.90
Total Assets	42947.06	45663.89	76189.45	103103.29	116794.48

Profit & Loss Account

(Rs. in lacs)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Gross Turnover	52675.03	57627.38	66145.74	83572.71	110928.29
Less: Excise Duty	4898.62	5543.59	5081.39	4699.20	7395.55
Net Turnover	47776.41	52083.79	61064.35	78873.51	103532.74
Other Income	622.42	776.43	914.53	1391.71	2049.09
Stock Variation	953.65	1975.92	424.44	1871.81	2843.50
Total Income	49352.48	54836.14	62403.32	82137.03	108425.33
Goods Purchased for Resale	7426.39	8064.78	9541.84	10798.68	15855.94
Power & Fuel	9345.56	11136.87	12336.84	16687.09	19904.74
Manufacturing, Administrative and Other Expenses	19219.85	21164.45	22830.74	30931.87	39496.44
Employee Cost	4891.46	5596.69	6415.06	8239.30	11508.78
Total Expenses	40883.26	45962.79	51124.48	66656.94	86765.91
EBITDA	8469.22	8873.35	11278.84	15480.09	21659.42
Interest	1425.21	1630.30	1663.64	4008.67	3563.27
Gross Profit	7044.01	7243.05	9615.20	11471.42	18096.15
Depreciation and Amortisation	2482.52	2631.52	2784.27	4903.81	5349.81
Profit before Tax & Exceptional Items	4561.49	4611.53	6830.93	6567.61	12746.34
Exceptional Items	0.00	(118.48)	(1153.26)	0.00	0.00
Profit Before Tax	4561.49	4493.05	5677.67	6567.61	12746.34
Tax	1335.60	1703.66	841.28	144.00	2111.15
Deferred Tax	314.70	(75.57)	821.19	1180.90	1899.99
Profit After Tax	2911.19	2864.96	4015.20	5242.71	8735.20
Cash Profit	5708.41	5420.91	7620.66	11327.42	15985.00

Ratio Analysis

Key Performance Indicators

(Rs. in lacs)

	2006-07	2007-08	2008-09	2009-10	2010-11
Networth*	20168.68	22067.98	25053.15	39008.32	60349.11
Capital Employed**	42947.06	45663.89	76189.45	103103.29	116794.48
Average Capital employed	41498.62	44305.48	60926.68	89646.37	109948.89
Average Loan Fund	21615.39	19739.61	33545.76	47910.56	44140.96
Cash Profit	5708.41	5420.91	7620.66	11327.42	15985.00
Net Domestic Turnover	41240.65	46807.54	54997.96	73298.27	97028.75
Export Turnover	6535.76	5276.25	6066.39	5575.24	6503.99
Dividend (%)	75.00	75.00	80.00	100.00	125.00
Market Price (Rs.) (end of year at NSE)	89.45	43.05	28.50	78.85	132.65
Total Dividend Payout (including Dividend Tax)	910.45	965.65	1030.04	1287.54	1919.02
Retained Earnings	2000.74	1899.31	2985.16	3955.17	6816.18

* Networth = Equity Share Capital + Reserve & Surplus - Miscellaneous Expenses - Business Reconstruction Reserve

** Capital Employed = Networth + Loans + Deferred Liability + Business Reconstruction Reserve

Balance Sheet Ratios

	2006-07	2007-08	2008-09	2009-10	2010-11
Return on Networth (%)	14.43	12.98	16.03	13.44	14.47
Return on Average Capital Employed (%)	14.43	13.82	12.05	11.80	14.83
Debt Equity Ratio	0.96	0.91	1.87	1.25	0.65
Debtors Cycle (Days)	53	58	57	61	53
Creditors Cycle (Days)	51	44	75	48	46
Inventory Cycle (Gross Sales)	84	91	81	68	68
Net Current Assets Turnover (Days)	105	112	114	103	82
Turnover/Net Current Assets	3.49	3.26	3.20	3.55	4.47
Turnover/Inventory	4.32	4.01	4.50	5.34	5.36
Turnover/Capital employed	1.23	1.26	0.87	0.81	0.95
Turnover/NET Block	2.37	2.46	1.64	1.12	1.42
Net Block/Capital Employed	0.52	0.51	0.53	0.72	0.67
Working Capital/Capital Employed	0.32	0.35	0.25	0.22	0.20

Profit & Loss Account Ratios

	(%)				
	2006-07	2007-08	2008-09	2009-10	2010-11
Domestic Sales/Turnover	86.32	89.87	90.07	92.93	93.72
Export Sales/Turnover	13.68	10.13	9.93	7.07	6.28
Excise/Turnover	10.25	10.64	8.32	5.96	7.14
MARGINS					
EBITDA Margin	17.73	17.04	18.47	19.63	20.92
Gross Profit Margin	14.74	13.91	15.75	14.54	17.48
Profit Before Tax Margin	9.55	8.63	9.30	8.33	12.31
Profit After Tax Margin	6.09	5.50	6.58	6.65	8.44
EXPENSES					
Goods Purchased for Resale/Total Expenses	18.16	17.55	18.66	16.20	18.27
Power/Total expenses	22.86	24.23	24.13	25.03	22.94
Manufacturing, Adm Expense/Total Expenses	47.01	46.05	44.66	46.40	45.52
Employee Cost/Total Expenses	11.96	12.18	12.55	12.36	13.26
Interest Coverage Ratio (Times)	5.94	5.44	6.78	3.86	6.08
Cost of Average Debt (%)	6.59	8.26	4.96	8.37	8.07
Per Share Data (Rs.)					
EPS (Face value Rs.2/-)	5.55	5.21	7.30	9.53	14.47
CEPS (Face value Rs.2/-)	10.88	9.85	13.85	20.59	24.20
Book value	36.65	40.11	45.53	70.89	91.37



CRAVING
 SWIFTNESS
 CONDUCT
 NEARNESS
 CONSCIOUSNESS
 INSTANTANEOUS
 WISH
 STYLE
 RESPONSIVENESS
 TRUST
 ACQUAINTANCE
 PAN-INDIA VISIBILITY
 EXCEPTIONAL
 URGE
 WORLD-CLASS PRODUCTS
 CUSTOMER DELIGHT
 EMINENCE



Management Discussion & Analysis

Report

HSIL's core purpose for doing business revolves around one overarching objective: to strive passionately to enrich the quality of life of customers across a wide social spectrum, transcending the barriers of time and space. Over more than five decades, it has been continually investing its energies and resources to fulfill the customer-centric agenda. Admittedly, 'customer' is a generic expression; it encompasses hundreds of thousands of people with multiple aspirations and innate desires. Remarkably, these aspirations continually evolve for products and services in line with global standards and perceptions and technological breakthroughs. Consequently, before we deliver, we try to anticipate those unstated and unmet customer desires and needs, based on socio-economic backgrounds, go back to our drawing board and start thinking.

From sanitaryware to wellness, from faucets to kitchen appliances, anticipation is the mother of all innovation and delivery at HSIL. Anticipation involves trying to understand the little nuances of the customer's life and being able to deliver on

THE PROFITS WERE A RESULT OF INCREASED CAPACITY, ACQUISITIONS, IMPROVEMENT IN MANUFACTURING EFFICIENCY, EXTENSION OF SALES NETWORK, AND CONTROL OF COSTS.



time. Besides, the element of speed is important to leverage a particular opportunity. Once the strategy is finalised, we focus on accelerated delivery.

HSIL stands for better value across all price points. The result is enhanced visibility across a wide customer cross-section. On the other hand, we enhance our offerings to reach new customers and to access new markets. While HSIL predominantly caters to the Indian market, both the Building Products Division and the Container Glass Division have extended their presence internationally, following the model of anticipation and delivery.

India's economic miracle and rapid urbanisation are driving opportunities in the sanitaryware, wellness, bathroom accessories, faucets and kitchen appliances segments. We believe, the opportunity is enormous and unprecedented: around 590 million people will live in India's urban areas in 2030, nearly twice the population of the US today; 91 million urban households will elevate to the level of middle class, up from 22 million today*; furthermore, the per capita income of average Indian households have increased from USD 300 to USD 1,700 in the last two decades, since the commencement of economic liberalisation**. These facts help us anticipate the contours of future markets and the demands of emerging customers, so that we can deliver with speed.

*Source: Mckinsey Global Institute, India's urban awakening: Building inclusive cities, sustaining economic growth

**Source: Economic Times

THE BUILDING PRODUCTS DIVISION

The focus of HSIL's building products division extends beyond sanitaryware to include wellness products, faucets, kitchen appliances and ceramic tiles. With increasing urbanisation and enhanced consumer awareness on aesthetics and hygiene, all our products in this division will enjoy greater recall. Consider this: a UN study suggests far more people in India have access to a mobile phone than to a toilet. It is projected that 15 mn new homes would be constructed in India by 2013. Besides, government impetus to improve sanitation, along with investments towards construction of more homes represents the primary growth drivers for HSIL's Building Products Division.

HSIL is suitably equipped to leverage this opportunity on the strength of superior quality, advanced technologies and innovative designs. In pursuance of our philosophy of anticipating and delivering, we foresee market scenarios and trends and try to create rejuvenating experience for the customer. In other words, we create the pride of ownership.

Building Products Industry in India

Sanitaryware

India's sanitaryware industry accounts for nearly 8% of the world's sanitaryware production. It grew 14-16% in 2010-11 to reach nearly Rs. 1800 Crore. Today, the sanitaryware industry in India has become the second largest sanitaryware market in South Asia and has emerged as a major bath and sanitaryware market in the Asia-Pacific region*. India is all set to become one of the largest manufacturing hub for international sanitaryware brands and one of the world's fastest growing sanitaryware markets**.

* Source: Netscribes Report & Unicon Research Report, November 2010

** Source: Research and Markets Report

In a country with 1.21-billion population, India's sanitation coverage touches around 40% of the people, considered to be one of the lowest in Asia. Almost 45% urban population and 80% rural population do not enjoy access to adequate sanitation*. With significantly increasing population and its awareness levels, combined with the Government's growing focus towards improving public health, the Indian sanitaryware market is expected to grow by 12-15% annually in the coming years**.

*Source: WHO

** Source: Netscribes Report & Unicon Research Report, November 2010

Rs. 1,437 billion

Investment towards water supply and sanitation in the 11th Five Year Plan

USD 358 billion

Needed between 2010 and 2015 to achieve the UN MDG of halving the proportion of people with inadequate sanitation from 2000 levels

30%

Of India's population is urban

2.4%

Is the annual rate of urbanisation



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Key industry trends over the decade

- Bathroom has evolved considerably over the decades: from being a primitive utility, limited to toilets alone, to the advanced range of bathroom solutions comprising bath tubs, basins and shower accessories; designer sanitaryware products, faucets, tiles, kitchen appliances and bath tubs have put the spotlight on luxury, style and elegance in Indian homes
- Industry leaders are progressively scaling production capacities, upgrading manufacturing processes and focusing on innovative technologies to produce ergonomically convenient designs
- Rising disposable incomes and change in lifestyle have raised the demand for sanitaryware, tiles, faucets, kitchen appliances, bath tubs and other wellness products (especially for premium quality and luxury sanitaryware) from the housing sector. Multiple housing finance options have also enhanced the end-user appetite
- Industry leaders in sanitaryware have manufactured dual flush mechanisms for water-conservation by reducing water consumption from 10 litres to just 3-6 litres per flush
- International brands offering high-end faucets, luxury bath and sanitaryware products have entered the Indian market
- Mid- to high-end faucets, kitchen appliances and ceramic tiles have recently gained prominence
- India's sanitaryware products are exported to Africa, the Middle East and other countries of Asia
- Increased awareness towards improved sanitary conditions, especially in the semi-urban and rural India. With economic empowerment, rural India is also responding to market developments in the sanitaryware industry
- As the water table in most cities is depleting, there is an increasing need for conservation

India's sanitaryware market structure

India's sanitaryware market comprises organised and the unorganised segments with the former accounting for 60% of the total market with a 14-15% growth rate*.

*Source: Unicon Research Report, November 2010

Key differentiators between the organised and the unorganised sector

Organised sector	Unorganised sector
Only a few key players lead the market	Dominated by small manufacturers
High contributor in terms of value	Mass supplier for high volumes
Produces fully vitrified high quality premium sanitaryware products, using the latest and imported technology and the best ceramic raw materials	Manufactures low quality non-vitreous sanitaryware products, using local technology

(Source: Research and Markets Report).

Most unorganised sanitaryware manufacturing facilities are located in Gujarat, where abundant and cheap labour and raw material are available. India's sanitaryware producers thus enjoy a cost advantage over competitors from countries like Thailand and Indonesia. For the same reason, in recent years, exports of sanitaryware products to Asia-Pacific countries have also risen*.

*Source: Research and Markets Report

Growth drivers

Target customers are divided into B2B (business to business) and B2C (business to consumer). B2B demand comes from the institutional sector, while the B2C demand emanates from the housing sector. These demands can either be for first-time fixtures or replacements.

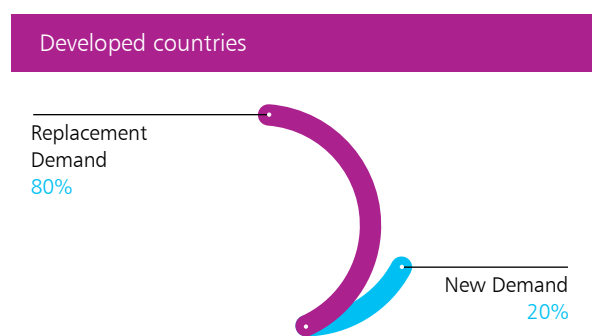
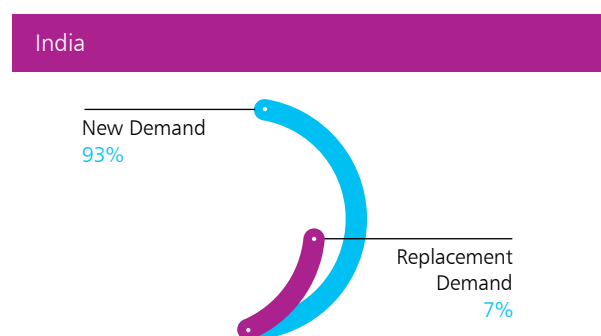
Demand drivers

Housing demand, a key growth driver for HSIL's building products

Almost 80% of the real estate demand emerges from the housing sector. Therefore, it is the highest demand driver for HSIL's building products.

Economic growth and rising young earners will drive HSIL's premium products range

India's economic expansion has empowered millions of young and not-so-young earners across the social spectrum. Despite temporary challenges, the GDP grew by 8.6% in 2010-11, primarily driven by a young population, constituting over 50% of the total population. A report by the National Council for Applied Economic Research (NCAER) suggests that by 2015-16, India will be home to 53.3 million middle-class households, translating into 267 million people falling in the category. This report, which uses 'household income' as the criterion, a family with an annual income of Rs. 3.4 lacs to Rs. 17 lacs (at 2009-10 price levels) falls in the middle-class category. This section of the population aspires for better homes, global convenience, premium quality products and amenities. At HSIL, we are focused on anticipating the aspirations of this section of the population to unveil advanced and eco-friendly products and services. The key point to be emphasised in this context is that the target consumers for this segment seek globally benchmarked products, which are futuristic and eco-friendly. HSIL's technology centricity and design capabilities are geared to that end.



(Source: Company data)

Government impetus

In a developing economy like India, the government remains the major facilitator of socio-economic transformation. The government has adopted various steps to build more homes, which would eventually generate demand for HSIL's products. It has allocated USD 1.17 billion to urban development and USD 215.8 mn to housing and urban poverty alleviation in 2010-11. 100% FDI has been allowed to the construction sector*.

*Source: Union Budget, 2010-11

A brief snapshot of faucets, kitchen appliances, and ceramic tiles

Faucets

Key features

Market Size in 2010-11: Rs. 3,500 Crore

Growth: 15-16% annually

Market Structure: The organised sector, consisting of the top five industry leaders, account for 40% of the total market

Kitchen appliances

Key features

Market Size in 2010-11: Rs. 325 Crore

Growth: 10% annually

Market Structure: The industry shapes simultaneously with emerging leaders and local players.

Ceramic tiles

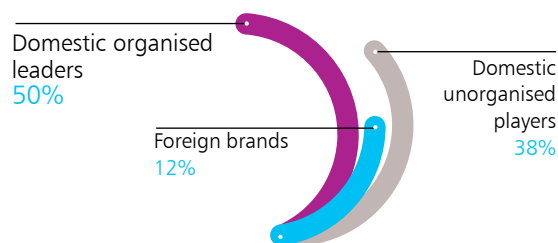
Key features

Market Size in 2010-11: Rs. 13,000 Crore

Growth: 12% annually

Market Structure: India is the fifth largest manufacturer of ceramic tiles.

Break-up of the Indian faucets market, 2010-11



(Sources: Company estimate)



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REVIEWING THE BUILDING PRODUCTS DIVISION

SCOT analysis

Strengths

- Leads the domestic sanitaryware industry with 40% organised market share
- Largest dealer and distribution network in the domestic building products industry
- Possesses backward integrated plants in Haryana and Andhra Pradesh
- Strong brand value of Hindware brands
- Wide product portfolio comprising sanitaryware, faucets, kitchen appliances, wellness products and ceramic tiles
- Low-cost producer
- Amongst the top three global organisations to possess the technology to make vacuum operated ceramic toilets used in ships
- Pioneers of customer service in the domestic sanitaryware industry. To establish a service division called Hindware Care with guaranteed response in 24 hours
- Launch of New Brand 'Benelave' for faucets
- Green Building Products – Aquafree Waterless Urinals & Nano (Won Elle Deco International design awards India 2010)

Challenges

- Increasing the reach of our distribution network to extensively cover Tier III cities and small towns
- Effectively addressing customer queries in the least time
- Increasing the pace of new product innovations
- Enhancing employee motivation and loyalty

Opportunities

- Build upon the premium value category of our products
- Tap international markets
- Penetrate Tier III cities and small towns
- Expand institutional sales
- Grow inorganically by acquiring overseas and in domestic space
- Enhance the supply chain and increase production capacity
- Venture into related product categories to leverage our distribution network and brands (have already ventured into ceramic tiles, faucets and kitchen appliances)

Threats

- Rising competition from international players in luxury segment
- Increasing fuel and transport costs



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Future strategies

Capacity expansions

- Bibinagar to become the single largest sanitaryware production facility in India with an annual additional production of 7 lac pieces, leading to total production capacity of 20 lac pieces per annum from the existing 13 lac pieces per annum
- Capacity addition of 3 lac pieces at the Bahadurgarh plant, to be completed by FY 2013, leading to total production capacity of 18 lac pieces per annum from the existing 15 lac pieces per annum
- Adoption of new technologies and machines to expand the faucets capacity at Bhiwadi plant from 3 lac pieces a year to 5 lac pieces a year

Distribution strength

- Setting up the depot infrastructure in Mumbai, Indore and Guwahati in addition to the existing 16 depots
- Increasing the warehousing area by nearly 30,000 square feet

Business development

- Penetrating deeper into existing markets and exploring new markets
- Launching new products in the sanitaryware, faucet, wellness, ceramic tiles and kitchen appliances segments
- Offering premium product ranges
- Consolidating the brand image



THE CONTAINER GLASS DIVISION

The corporate philosophy of anticipation and delivery is woven deep into HSIL's Container Glass Division. Our market insight helps us estimate short-term and long-term demand trends, based on which we formulate our delivery model. This entire exercise is supported by in-depth research and extensive customer interaction across all sections of society. We take into account demographic trends, economic growth, purchasing power and allied socio-economic factors.

HSIL's container glass division, AGI Glasspac, manufactures glass containers that cater to the packaging requirements of liquor, beverage, beer, pharmaceutical and the food industry segments. The division currently exports 10% of the production to Africa and South East Asia. The plants are running at 100% capacity utilisation. With growing preference of glass containers as a packaging medium,

HSIL's Container Glass Division business is expected to grow sustainably across national and international markets.

HSIL is the second largest manufacturer of container glass in India with around 17% market share. We are the biggest player in South India with 70% market share.

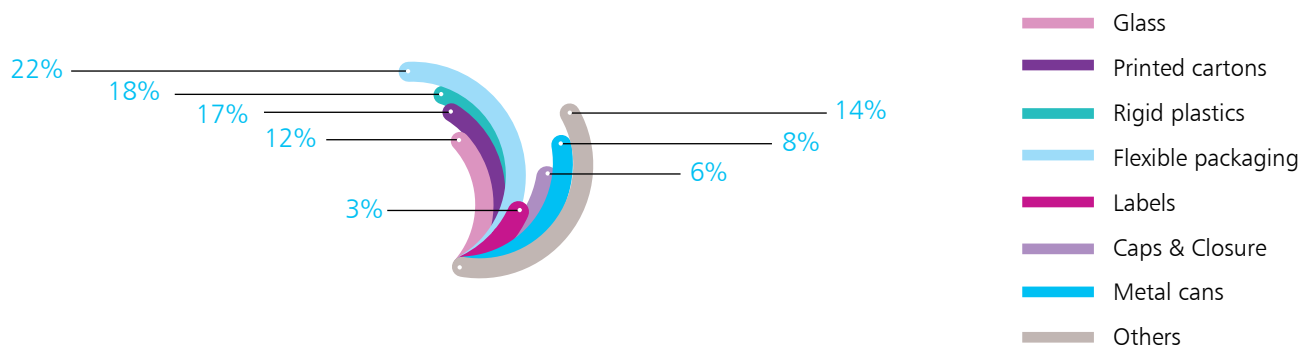
Container Glass Industry in India

A significant portion of glass containers in India is now manufactured using automatic machines. The ones manufactured using traditional manufacturing processes, i.e. the mouth blown and handcrafted processes, are used in decorative and glass tableware and are even exported. The ones manufactured using the latest technologies and automated processes are used for packaging products by various industries.

India's packaging industry is growing at 12-15% annually*.

*Source: Economic Times, February 2011

Indian packaging market, 2010-11



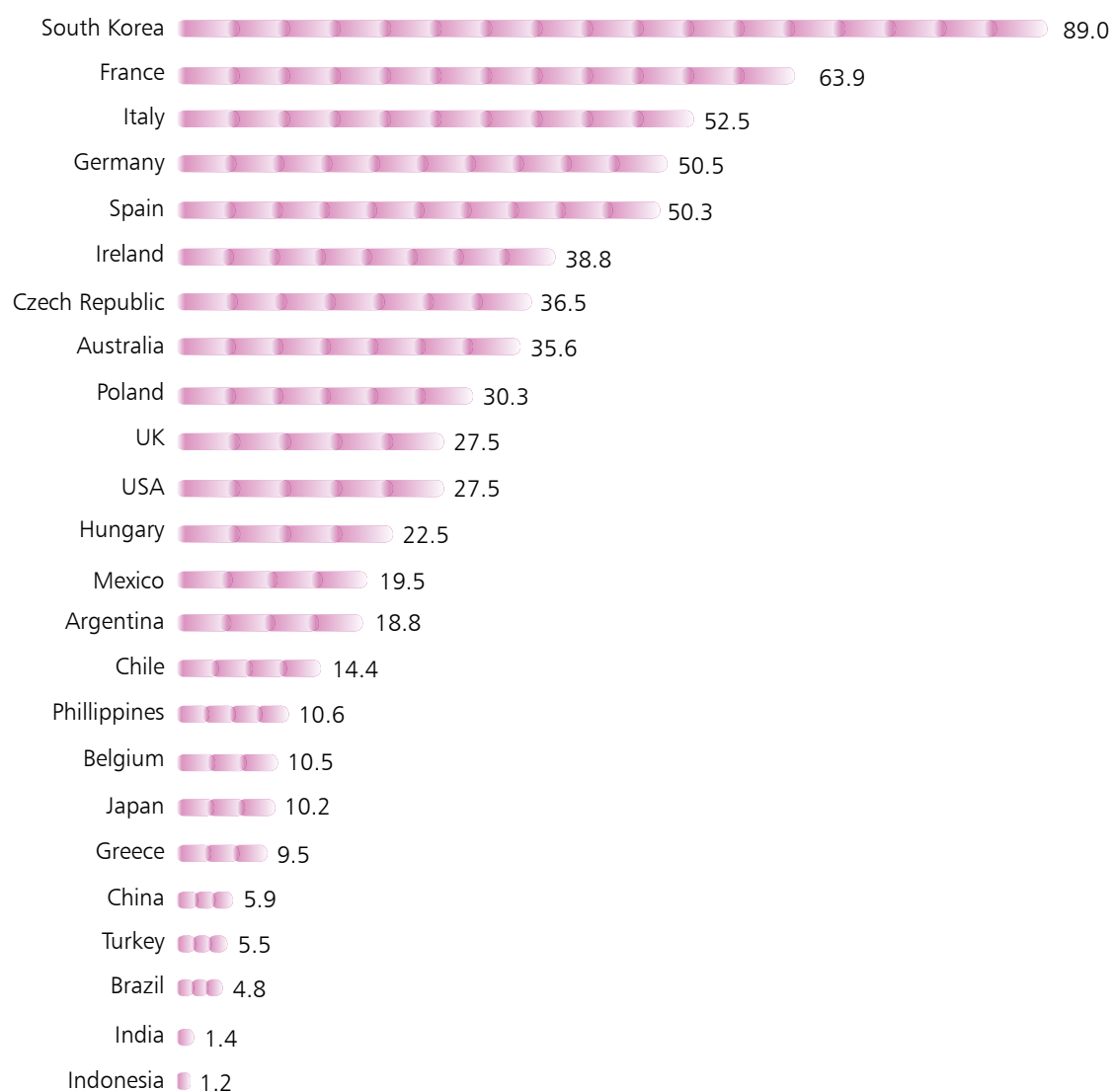
(Source: Stewart & Mackertich Research Report, October 2010)



The container glass industry has been growing at 8-10% consistently and stood at nearly USD 780 million in 2010-11, accounting for 12% of the entire domestic packaging industry. In terms of volume, total glass melting capacity was nearly 6,500 metric tonnes daily in 2010-11.

It is projected that the glass container market will grow at 10-12% every year. India's per capita consumption of container glass is low, compared with other countries of the world, a significant opportunity.

World Glass Container per capita consumption (kg), 2010



(Source: Unicon Research Report, November 2010)

Key industry trends over the decade

Since the second half of the last century, the glass industry started adopting modern equipment, both for melting and production. It was in the last decade of the twentieth century that the Indian glass industry started to seriously compete globally, installing improved furnaces to conserve energy and reduce production cost.

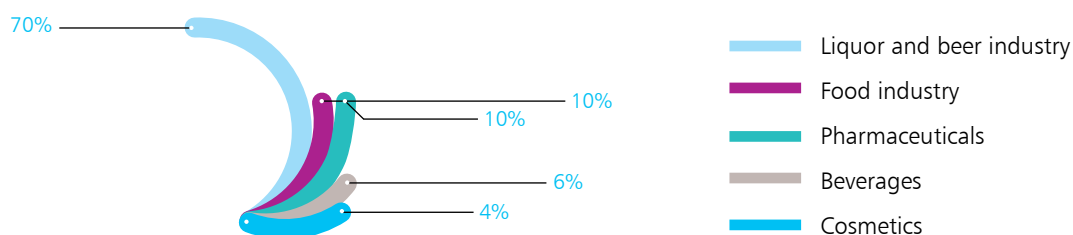
The key trends comprise:

- A number of high capacity manufacturing units and furnaces have been set up
- Substantial export growth
- Technological improvements in the manufacturing and finishing process
- Growth in automation
- Enhanced awareness towards environment and waste management

Key growth drivers

End user industry growth, catalysing HSIL's container glass range

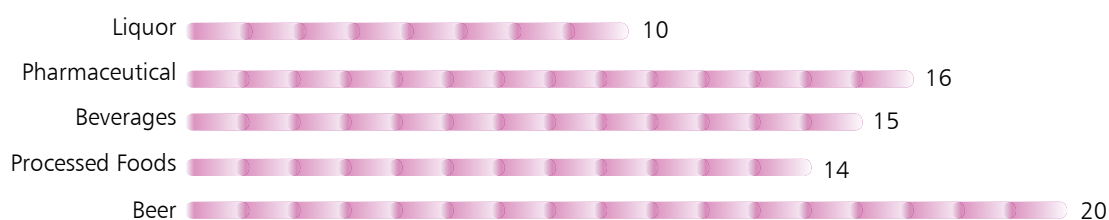
Glass container use in India, 2010-11



(Source: Unicon Research Report, November 2010)

The container glass market is expected to grow at 10-12% annually, backed by a CAGR growth of around 10%, 20%, 16%, 15% and 14% in liquor, beer, pharma, beverages and processed foods, respectively.

Expected industry growth (In CAGR %)



(Source: Unicon Research Report, March 2011)

The liquor and beer industry is the largest user of glass containers in India. The liquor industry is expected to grow 10% annually, with the Indian Made Foreign Liquor (IMFL) segment expected to grow at 15% every year. The domestic pharmaceuticals industry is expected to grow to USD 55 billion by 2020 from USD 12.3 billion in 2010. Pharmaceutical companies are increasingly accepting glass bottles as a packaging medium for cough syrups, tonics, liquid injectables and other drugs.

The country's retail food sector is expected to grow to USD 150 billion by 2025 and the fruit-drinks segment is growing at 25% annually. Glass containers comprise 10-12% of food and beverages packaging in India, compared with 40-50% in developed economies. The low penetration and growth in the food and beverages industry is expected to drive growth in the container glass industry*.

*Sources: Unicon Research Report, October 2010 and Economic Times, February 2011

Growing consumerism, driving premium container glass demand

At HSIL, we are anticipating a demand surge for container glass in India as well as other emerging economies. Container glass represents the most suitable packaging material for liquor, pharmaceutical and food sectors. The attractive growth in these sectors will drive the demand for container glass. This anticipation will shape our future delivery models across markets, both nationally and internationally.

With change in lifestyle patterns, rising economic growth, increase in per capita incomes, more and more consumers are demanding superior products. A combination of enhanced brand consciousness among consumers (especially the youth), celebrity endorsements, innovative advertising is driving companies to adopt the best and most reliable packaging medium. As container glass strengthen the brand image of premium products, they are being increasingly demanded by companies for packaging their products.

Rising export demands, a future growth driver

Apart from the growing domestic demand, the container glass industry is finding immense export opportunities to South East Asia, the Middle East and Africa.

Some of the advantages of glass comprise:

- Helps to maintain the purity of contents packed
- Preserves the taste
- High barrier resistance to ultraviolet rays
- 100% recyclable
- Resistant to chemicals and solvent
- Good packaging material
- Can be used very well in design and shapes

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REVIEWING THE CONTAINER GLASS DIVISION

SCOT analysis

Strengths

- The second largest manufacturer of container glass in India
- Operates the Asia's largest end-fired container glass furnace at the Bhongir plant
- Backward integrated into manufacturing processes, with in-house mould-making and raw material mines
- Prestigious clients across varied industries
- A wide portfolio of glass containers (around 600 variants)
- Consistent research and development to make lightweight bottles and reduce costs
- Advanced technology and largest furnace capacities, with quality control at each step
- Six colour bottle printing facilities

Challenges

- Responding to the rapid changes in the packaging industry
- Introducing high levels of automation in production processes

- Securing raw material sourcing
- Sourcing of cheap skilled and unskilled labour

Opportunities

- Foray into cosmetics and perfumery packaging and other packaging substitutes
- Acquisition of raw material mines or long-term contracts with raw material mines
- Explore new international and domestic markets and customers
- Use of natural gas to lower production cost
- Increased production of light weight glass containers
- Production of Speciality and Cleaner glass containers

Threats

- Hike in fuel costs and transport costs
- Rise in cost of raw materials



Future strategies

Capacity expansion

- Bhongir plant to add capacity of 475 metric tonnes by March 2012
- Conversion of one of the existing furnaces at Sanathnagar, Hyderabad into Speciality Glass

Enhance exports

- To export 15% of the production to unexplored markets of the Middle East, Africa and Asia

Technological pursuits

- Enhance process automation, overseen by highly qualified technical people
- Adopt cutting-edge technology to make bottles more lightweight
- Undertake R&D activities on a major scale
- Automation of in-process handling

Secured raw material supply and cost efficiency

- Enter into long-term contracts with nearby mine owners
- Use natural gas as a cheap fuel source
- Reduce manual labour by automation

REVIEWING 2010-11

HSIL's overall performance in 2010-11 reveals that the strategy of anticipation and delivery has stood us in great stead. In future, we will continue to pursue this strategy to drive growth and strengthen the brand recall. This principle has enabled us to counter competition and emerge as one of India's fastest growing manufacturers of building products and the strong second largest manufacturer of glass containers.

Building Products

Operational Review

- Successful acquisition of UK based Barwood Products
- Launch of the Cornice Collection of sanitaryware and faucets
- Rebranding of the Crabtree brand of chrome plated bathroom fittings as Benelave
- Introduced ceramic tiles as part of the Hindware Italian Collection brand
- 100% capacity utilisation and improved efficiencies at Bhiwadi, Bahadurgarh and Bibinagar
- To secure raw material supply, acquired a China Clay mine in Andhra Pradesh

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Financial Review

- Building Products gross revenues grew 36% from Rs. 38,790 lacs to Rs. 52,681 lacs
- 10% rise in average realisations of products
- 47% growth in EBIT from Rs. 7,223 lacs to Rs. 10,615 lacs

Quality Benchmarking

- Robust system for quality – ISO: 9001, ISO:14001, OHSAS:18001
- Strong product quality – first licensee of Bureau of Indian Standards – Indian standards are now aligned to European Standards
- Series of 18 quality tests before the final delivery to ensure minimal rejection rate (<0.1%)
- Golden Peacock Award for Quality

Container Glass

Operational Review

- The container glass green field facility at Bhongir continued successful operations
- A debottlenecking exercise at the Sanathnagar glass facility led to a capacity expansion of 50 TPD
- Production efficiencies improved from 80% to 88%
- 66 new products launched during the year
- Achieved weight reduction between 6-20% on 13 bottles during the year

Financial Review

- Container glass gross revenues grew 31% from Rs. 45,983 lacs to Rs. 60,089 lacs
- 7% rise in average realisations of products
- 74% growth in EBIT from Rs. 4,747 lacs to Rs. 8,237 lacs

Quality Benchmarking

- Quality accreditations from ISO: 9001, ISO:14001 and OHSAS: 18001



Derisking HSIL

We believe the most powerful pillar of our de-risked business model is our ability to anticipate future market trends and create operating efficiencies to deliver accordingly. In a dynamic business environment, where information flows at the speed of light, the customer is omniscient. The challenge is to continue to create value for such a discerning mind sustainably.

Macro economic factors

Macro economic factors like rising inflation and interest rates, economic slowdown, political uncertainty or any adverse fluctuation in exchange rates can significantly impact HSIL's regular operations and revenues.

Risk mitigation measures

- Increasing consumerism and brand consciousness
- Rapid urbanisation and fast developing Tier II, Tier III cities and towns
- Increasing youth population with higher disposable incomes
- Robust end user industry growth

Market share attrition

In a highly competitive industry, characterised by ever

changing consumer needs, the risk of losing market share exists.

Risk mitigation measures

- In sanitaryware, we offer the largest design portfolio in India
- Enhance product premiumisation
- Won multiple awards for our products
- Offering competitively priced products

Talent attrition

In today's competitive world, recruiting and retaining the best talent is a major challenge.

Risk mitigation measures

- We regularly recruit MBAs from reputed B-schools in India
- Employ engineering trainees (GETs) and diploma holders through campus placements from reputed institutes
- Provide industry-specific training and attractive performance-linked incentives
- Create a culture of learning and intellectual stimulation, enhancing retention

Customer attrition

Declining mind share among customers can jeopardise business growth



Risk mitigation measures

- Our portfolio of value-added services includes installation services, maintenance services, Hindware protection plan, Hindware home solutions and the Hindware home plumber
- Our dedicated after-sale service team across 18 states addresses service calls within 24 hours
- Regular spend on brand enhancement

Liquidity crunch

Paucity of liquid funds can decelerate execution of business strategies and expansion plans

Risk mitigation measures

- We efficiently manage and mobilise funds for smooth working capital management and funding
- We maintained a 53-day debtors' cycle, 68-day inventory cycle and a 46-day creditors' cycle during the year under review, resulting in comfortable cash inflow and outflow management, one of the best in the industry
- Our debt equity ratio of 0.65 and an interest cover of 6.08 facilitates faster capital mobilisation

Growing competition

Growing penetration of international players in India, along with the existence of a number of domestic players (organised and unorganised) represent a highly competitive environment for HSIL.

Risk mitigation measures

- Most reputed brands and a large product portfolio
- Globally benchmarked products and services
- International alliances and acquisitions
- Extensive brand promotion through advertisements and brochures
- Products across all price points (low, mid and high)
- Long-term relationships with the customers through our exclusive services

Labour unavailability

Labour unrest or unavailability can adversely impact operations.

Risk mitigation measures

- Signed long-term productivity linked agreements with unions by which they receive output linked incentives, along with their normal wages
- Regular training at factory sites
- Proper safety measures, adequate canteen, medicare facilities and other provisions are provided



Making a difference with people

We anticipate and deliver on the strength of our people; and in this dynamic business environment our people create and sustain our brand distinction and recall. Our HR team focuses on employee training, inculcation of values and enhancing functional expertise. The key HR objective is to ensure that our employees are aware of the role they are expected to play in the organisation to be able to drive organisational momentum.

During 2010-11, HSIL added 135 new members to its family. Consequently, our cumulative strength increased to 2799. The Company also launched an employee portal, 'Konnect', to enhance transparency in performance appraisal. The top management also conducted several open-house discussions with their employees to discuss on several issues. It also conducted a pan-organisational employee survey to determine leadership qualities, values, responsibilities, freedom to work and take decisions. Going ahead, HSIL will continue to invest in its people to strengthen its 'anticipation and delivery' model.

Corporate Social Responsibility

HSIL is environment conscious and has initiated value-enhancing initiatives to reduce water consumption in bathrooms. The Company has introduced closets which not only adhere to BIS standards but can flush efficiently with lesser water. At the beginning the water consumption per

flush was 15 litre, which was subsequently reduced to 12.5 litre and then to 10 litre, which is currently the BIS Standard. However, all our closets consume 6 litre water per flush, while some consume 4 litre water per flush. The Company has also launched one closet, which consumes only 1.5 litre of water per flush.

The company has been accredited with ISO 14001 & OHSAS 18001 quality certifications, for its adherence to environment conservation standards. The products sold by HSIL during the year are estimated to save about 537 Crore litres of water, considering four flushes per closet per day. This is a major initiative towards saving water, a scarce resource. HSIL also undertakes recycling of used water at plants so as to eliminate water discharge. The Company will continue its efforts towards environment protection and water conservation.

Internal control and systems

The Company has adequate internal controls for safeguarding its assets, ensuring transactions are in accordance with its policies and are duly authorised, recorded and reported and to prevent possibilities of frauds or other irregularities. The Internal Audit is outsourced to BDO Consulting Pvt. Ltd. The Company is working to further strengthen the systems for internal audit and risk assessment and mitigation. The annual audit plan is reviewed by the Audit Committee and major findings and actions are taken / proposed to be taken are also reported to the Audit Committee.

Cautionary Statement

Statements made in the Management Discussion and Analysis report relating to projections, estimates, expectations or predictions are based on certain assumptions. The Company cannot guarantee that these assumptions are accurate or will be realised. The actual results, performance or achievements of the Company could thus differ materially from those projected or estimated.

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Directors' Report

Dear Shareholders,

Your Directors are pleased to present their 51st Annual Report and Audited Financial Statements of your Company for the year ended 31 March 2011.

FINANCIAL RESULTS AT A GLANCE

Parameters	2010-11	2009-10
Gross revenue	112,977	84,964
Less excise duty	7,396	4,699
Net revenue	105,581	80,265
EBITDA	21,659	15,480
Profit before taxation and extraordinary items	12,746	6,568
Less extraordinary item	-	-
Profit before taxation	12,746	6,568
Less provision for taxation	4,011	1,325
Profit after taxation	8,735	5,243
Add balance brought forward	15,003	11,648
Amount available for appropriation	23,738	16,890
Appropriations		
Transferred to General Reserve	1,000	600
Proposed dividend on equity shares	1,651	1,101
Corporate dividend tax	268	186
Balance carried forward	20,819	15,003

PERFORMANCE ANALYSIS

Revenues for the year 2010-11 crossed the Rs. 100,000 lacs milestone. Net Profits surged by 67% to reach Rs. 8,735 lacs, strengthening the growth momentum throughout the organisation. The Company has in place increased capacity, improved manufacturing efficiency and an expanding sales network to drive accelerated growth. Effective cost control has resulted in improved margins.

Financial highlights of 2010-11 include the annual revenue increase by 33% nearing Rs.113,000 lacs, EBITDA growth of 40% crossing Rs. 21,600 lacs, EBIT Margin improved by 234 basis points to 15.75%, Cash Profit growth of 41% to Rs. 15,985 lacs which is indicative of the Company's financial strength and an EPS jump of 52% touching Rs. 14.47 per share.

The Container Glass Division experienced gross revenue growth of 31% to stand at Rs.60,089 lacs and the Building Products Division experienced a gross revenue growth of 36% to stand at Rs. 52,681 lacs.

The Company continued to focus on ensuring a strong balance sheet together with a consistent growing profitability. The debt equity was maintained at 0.65 in 2010-11 as against 1.25 in 2009-10, an interest cover of 6.08 in 2010-11 as against 3.86 in 2009-10. The total net worth of the Company increased to Rs. 60,349 lacs in 2010-11 as against Rs. 39,008 lacs in 2009-10.

The profits were a result of increased capacity, acquisitions, improvement in manufacturing efficiency, extension of sales network and control of costs. Both business divisions contributed strongly to HSIL's commendable performance for the year. Ongoing business expansion and business improvement initiatives have demonstrated favourable outcomes. Focused approach towards customers through deeper penetration in the market, new product introductions and market promotions have had an overarching benefit for business dynamics. Our consistent and dedicated focus on premium products across all product categories in the Building Products Division continues to depict favourable results.

The following strategies were the major contributors to this commendable performance:

- Differential positioning of the Company's products
- Continuous developments in the product offering, based on the consumer preference and demand
- Increased focus on the value-added product segments of faucets, kitchen appliances and tiles
- Cost control measures undertaken
- Enhanced distribution network strength
- Continuous process innovation for better capacity utilisation

BUSINESS DIVISION REVIEW

Performance of the Building Products Division in 2010-11

The divisional gross revenues grew 36%, mainly on account of higher share of premium products segment and increased volume.

Major initiatives

- Strengthened distribution channel to deepen market reach
- Rebranding the Hindware logo
- Launched new products and brands
- Acquired Barwood Products, UK
- Organised numerous architects and plumbers meets
- Enhanced production efficiencies through in-process innovations

Performance of the Container Glass Division in 2010-11

The divisional gross revenues increased 31%, on account of increased production volume and better product mix at the production units.

Major initiatives

- The container glass green field facility at Bhongir continued successful operations
- The debottlenecking exercise at the Sanathnagar facility led to capacity expansion of 50 TPD
- Strengthened quality checks
- Secured and strengthened raw material supplier base
- Optimised fuel consumption



THE PROFITS WERE A RESULT OF INCREASED CAPACITY, ACQUISITIONS, IMPROVEMENT IN MANUFACTURING EFFICIENCY, EXTENSION OF SALES NETWORK, AND CONTROL OF COSTS.

ACQUISITION OF UK BASED BARWOOD PRODUCTS

HSIL has, through its step down subsidiary, Haas International B.V., based in Netherlands, acquired 100% equity share capital of Barwood Products (Staffordshire) Ltd. (now Barwood Products Ltd. with effect from 16 December 2010), against a consideration of EURO 1155684 under a definitive Share Purchase Agreement dated 24 June 2010 in an all cash transactions.

The acquisition would help HSIL strengthen its reach in UK and other Countries in Europe. HSIL plans to launch the product portfolio of Barwood Products in India, to service niche customer segment in domestic market.

DIVIDEND

Your Directors recommend a dividend of Rs. 2.50/- per share on equity shares of Rs. 2/- each for the year ended 31 March 2011, for consideration of the Members at their ensuing Annual General Meeting. Total outgo on this account including tax thereon will be Rs. 1,919 lacs.

APPROPRIATIONS

A sum of Rs. 1,000 lacs has been transferred to the General Reserve account of the Company and the balance of Rs. 20,819 lacs has been carried to its Profit and Loss account.

MANAGEMENT FOCUS

HSIL is a leading player in both, Building Products and the Container Glass industry. The Company endeavours to anticipate customer needs and strives to deliver products and services to customers at the earliest, leveraging the strength of its well established distribution network. The Company strives to maintain a long-term association with the customers by satisfying their ever changing needs. HSIL seeks to achieve sustainable growth by strengthening its relationships with various customers and channel partners, penetrating unexplored markets, increasing production efficiencies, expanding capacities, widening the product and brand portfolio and strengthening the distribution network. The management also seeks to invest in good governance and fiscal discipline in accordance with the best practices relevant globally.

DIRECTORS

In accordance with the applicable provisions of the Companies Act, 1956 read with the Articles of Association of the Company, Mr. G. L. Sultania, Mr. Ashok Jaipuria and Mr. N. G. Khaitan, Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

The tenure of Mr. Rajendra K Somany, Chairman and Managing Director of the Company expires on 8 January 2012. The Board has therefore, proposed to re-appoint him for a further period of three years w.e.f. 9 January 2012 on the remuneration and perquisites as set out in the relevant explanatory statement attached to the notice of ensuing Annual General Meeting and as may be approved by the Members at the said General Meeting.

Dr. Rainer Siegfried Simon, appointed as an Additional Director on the Board with effect from 18 May 2011, holds office till the ensuing Annual General Meeting of the Company. Notice under Section 257 of the Companies Act, 1956 has been received from a Member of the Company signifying his consent, for his appointment as a Director of the Company.

Keeping in view the vast experience and strong credentials of Dr. Simon in the global sanitaryware and faucet business, the Company intends to obtain expert advisory services of Dr. Simon in the best interest of the Company, for a period of two years with effect from 1 June 2011 at a remuneration of EURO 50,000 (equivalent to Rs. 3,215,000/- per annum), subject however to the approval of Members of the Company at their ensuing Annual General Meeting and the Central Government.

INCREASE IN PAID-UP SHARE CAPITAL

During the year under review, the Company raised Rs. 1,499,942,721/- by way of issuance and allotment of 11020887 fully paid-up equity shares of Rs. 2/- each at a premium of Rs. 134.10/- per share on 6 October 2010, to Qualified Institutional Buyers (QIB) through Qualified Institutional Placement (QIP) as prescribed under Chapter

THE PROFITS WERE A RESULT OF INCREASED CAPACITY, ACQUISITIONS, IMPROVEMENT IN MANUFACTURING EFFICIENCY, EXTENSION OF SALES NETWORK, AND CONTROL OF COSTS.

VIII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009. Consequent upon, the Paid-up Share Capital of the Company has increased from Rs. 110,054,841/- to Rs. 132,096,615/-.

These equity shares were listed at the Bombay Stock Exchange Ltd. and National Stock Exchange of India Ltd. with effect from 12 October 2010.

CORPORATE GOVERNANCE

Your Company has been practicing the principle of good Corporate Governance over the years and it is a continuous and ongoing process. Your Company is committed to benchmark itself with global standards in all areas including appropriate standards for Good Corporate Governance. Towards this end, an effective Corporate Governance System has been put in place in the Company, which also ensures that the provisions of Clause 49 of the Listing Agreement are duly complied with.

A detailed report on the Corporate Governance Code and practices of the Company along with a certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement are given in a separate section in this Annual Report.

Further, the Management Discussion and Analysis Report is appended to and forms a part of the Annual Report.

WHOLLY OWNED SUBSIDIARIES

As per the requirement under Section 212 (3) of the Companies Act, 1956, a statement of particulars of the Company's subsidiaries for the year ended 31 March 2011, is annexed hereto and forms part of this Report.

PARTICULARS UNDER SECTION 212(8) OF THE COMPANIES ACT, 1956

In terms of general exemption granted by the Ministry of Corporate Affairs under Section 212 (8) of the Companies Act, 1956, copies of Balance Sheet, Profit and Loss Account, Reports of the Board of Directors and Auditors of the subsidiary Companies (including step down subsidiary Companies) have not been attached to the Balance Sheet of the Company. These documents will be made available upon

receipt of request from shareholders of the Company and shall be kept open for inspection by any shareholder at the Registered Office of the Company and that of the respective subsidiary Companies.

However, as directed by the said Ministry, the financial data of the Company's subsidiaries have been furnished under Financial Information of Subsidiary Companies forming part of the Annual Report. Further, pursuant to Accounting Standard-21 specified in the Companies (Accounting Standards) Rules, 2006, the Consolidated Financial Statements presented by the Company include financial information of its Subsidiaries.

EMPLOYEES

During 2010-11, your Company continued to have cordial relations with all employees at all the units. The Company recognises the importance of human capital and enrichment of professional and technical skills is an ongoing process within the organisation.

Your Directors recognise the team's valuable contribution and place on record their appreciation for the employees across the organisation.

STATUTORY DISCLOSURES

Pursuant to the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars of Employees) Rules, 1975, the statement giving names and other particulars of the employees annexed hereto forms part of 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.

AWARDS AND RECOGNITION

- HSIL awarded The BIZZ Award in 2011 for being an Inspirational Company. The BIZZ award is given by World Confederation of Businesses, Houston, Texas
- HSIL awarded The BIZZ Award in 2011 – The Peak of Success Award for its excellence in Business Model by World Confederation of Businesses, Houston, Texas

- HSIL receives Business Superbrand 2010-11; HSIL has been selected as a Business Superbrand three times over
- HSIL honoured with Golden Peacock Innovation Award 2011
- HSIL has been rated the fastest growing building products company in the Sanitaryware and tiles category by Construction World Magazine, 4 times
- Brand Hindware honoured with Power Brand 2010-11 (India's Most Powerful Brands chosen by consumer) by IIPM
- Brand Hindware honoured with Star Brand 2011 from IIPM
- Readers Digest Trusted Brands - Gold Award 2011 awarded to Hindware in Sanitaryware category
- Hindware has been chosen amongst 'The 100 Most Valuable Brands in India' by the 4P's journal (also the only bathroom brand in this selection)
- Confederation of Indian Industry Green Building Council (CII GBC) 7th National Award for 'The Most Innovative Water Saving Products' for 2010
- Hindware's Nano EWC has been conferred the Elle Deco International Design Awards (EDIDA) in 2010
- Hindware has been honoured consistently with Consumer Superbrand Award by Superbrands Limited, U.K.
- League of American Communication Professionals (LACP), USA Awards for Best Annual Report 2009/10- Won Platinum Award in 2 categories viz. Best Report Financials and Best Report in Consumer Durable Category. Overall Ranking 4th, worldwide out of 4400 entries

Other awards and recognitions achieved by us:

- 2010 IMM Award for Excellence as Eminent Organisation
- Golden Peacock National Quality Award 2010
- BIZZ Awards 2010 for being Inspirational Company
- Capexil Award 2009
- IES Excellence Award 2009
- Golden Peacock Environment Management Award 2009
- Elle Deco International Design Award (EDIDA) in 2008 for Poncho Kids Series

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 along with proper explanation relating to material departures, if any.

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 maintaining 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 / OUTGO

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 annexed to this Report.

AUDITORS

The Statutory Auditors of the Company, M/s Walker, Chandio & Co., Chartered Accountants retire at the ensuing Annual General Meeting and have confirmed their eligibility for re-appointment in terms of Section 224 (1B) of the Companies Act, 1956.

The Audit Committee and the Board of Directors recommend appointment of M/s Walker, Chandio & Co. as Statutory Auditors of the Company from the conclusion of ensuing Annual General Meeting upto the conclusion of the next Annual General Meeting of the Company.

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 AUDIT

The Company has an adequate system of internal control to ensure compliance with policies and procedures. Internal audit of all the units / divisions of the Company is regularly

carried out to review the internal control systems. The internal Auditors evaluate the adequacy of internal controls and independence of the audit is ensured by their direct reporting to the Audit Committee of the Board.

APPRECIATION

Your Directors are grateful for the valuable support and cooperation received from bankers, business associates, financial institutions, shareholders, various departments of Governments and other stakeholders.

The Board places on record its sincere indebtedness towards the Company's valued customers in India and abroad for the support and confidence reposed by them in the organisation and looks forward to the continuance of this mutually supportive relationship in future.

Your Directors also appreciate the employees of the Company for their contribution and hard work and its subsidiaries at all levels, who, through their competence, hard work, solidarity, cooperation and support, have enabled the Company to achieve consistent growth.

For and on behalf of the Board of Directors

Place: Gurgaon

Date: 18 May 2011

Rajendra K Somany

Chairman and Managing Director

Annexure to Directors' Report

A. CONSERVATION OF ENERGY

a) Energy Conservation Measures Taken :

- Automatic control of mould cooling pressure
- Modified Cooling water system for the plant and power factor improved from 0.97 to 0.986
- 3 stage air compressor replaced with 2 stage air compressor
- Additional thermal insulations carried out for LPG vaporisers
- Replaced old motors for water pumps with energy efficient motors
- Maximum use of CFL and power saving lighting
- Replacement of all MV lamps and halogens
- Maximisation of capacity utilisation of all machines and plant
- Switching off lights / fans / ACs etc. when not required through a disciplined process
- Idle running of equipment down to zero
- Introduction of VFD's in number of areas in plant
- Use of timers to switch on / switch off all street lighting etc
- Maximisation of loading of kilns at both Sanitaryware plants
- Improvement in process efficiencies
- Optimisation of use of energy in environment control system in cast houses through better controls
- Replacement of reciprocating compressors with energy efficient screw compressor
- Optimising the use of LPG vaporisers
- Providing the sky light roof sheets to utilise natural day light in plant
- Segregation of power distribution and provision of bed switch control for lights and fans in casting

area, thereby optimised the running of lights and fans to suit the requirement

- Improvement of performance of critical equipment through close monitoring and condition based maintenance practices
- Effective operational controls like fine tuning of burners
- Effective utilisation of waste heat to reduce fuel consumption in process
- Better heat retention in casting shops during silent hours by providing wicket gates to avoid usage of rolling shutters
- Heat retention in casting by providing insulation panels

b) Additional investment and proposals for reduction of consumption of energy:

- Mould cooling blowers will be provided with automatic pressure control systems
- Installation of separate blowers for blank side and blow side cooling on I.S. Machines
- Provision of capacitor panels at different locations
- Installation of additional capacitors
- Provision of soft starter for compressors
- Construction of rain water harvesting pits and recharged the ground water
- Effective utilisation of RO Plant reject water for straw wetting, gardening and fire hydrant system

c) Impact of the above measures at reduction of energy and consequent impact on cost of production:

Bahadurgarh plant: Energy consumption reduction of 6.1% approximately

Bibinagar plant: Energy consumption reduction of 13.16% approximately

Glass plants : Saving of Rs.33.83 lacs in energy cost.

d) Total energy consumption and consumption per unit of production as per Form A (applicable to Container Glass Division) was as under :

S. No.	Particulars	2010-11	2009-10
A.	Energy Consumption :		
1	a) Electricity (Purchased) :		
	Units (KWH)	107,652,939	108,143,410
	Total Amount (Rs.)	372,479,116	294,834,534
	Rate / Unit	3.46	2.86
	b) Own Generation :		
	Units (KWH)	1,948,646	3,657,757

S. No.	Particulars	2010-11	2009-10
	Units Per LT of Fuel Oils	4.41	4.85
	Total Amount (Rs.)	13,582,063	20,995,525
	Rate / Unit	6.97	5.74
c)	Total (a + b) :		
	Units (KWH)	109,601,585	106,801,167
	Total Amount (Rs.)	386,061,179	315,830,059
	Rate Per Unit	3.52	2.96
2	Fuels (Coal, HSD, LDO, LPG & LSHS):		
	Quantity in MT	40,081	42,578
	Value (Rs.)	1,256,140,217	1,160,100,555
	Rate / MT	31,340	27,246
B.	Consumption Per Unit of Production :		
	Glass Bottles (Production in mn pcs)	1267.73	1175.56
	Electricity (KWH)	86455	90851
	Fuels (Coal, HSD, LDO, LPG & LSHS)	31.62	36.22

B. TECHNOLOGY ABSORPTION

1) Specific areas in which R & D carried out by the company

- Development of Laser Repair system to reduce process rework
- Introduced New Silky White Glaze on Sanitaryware
- Replacement of costly as well as less available raw materials with the cost effective as well as with easily available raw materials

2) Future plan of action

- Adoption of NNPB technology to reduce weight of container glass.
- Development of raw materials to improve pull from furnace.
- Initiate automation of process in material handling to reduce manual work load.

Expenditure on R & D

	(Rs. In lacs)	
	2010-11	2009-10
Capital Expenditure	-	-
Recurring Expenditure	34.62	24.67
Total	34.62	24.67
Total R & D expenditure as a % of total building products revenue	0.07%	0.06%

3) Technology absorption, adaption and innovation:

1) Efforts, in brief, made towards technology absorption, adaption and innovation

- Introduction of new materials for mould manufacturing to improve operating speeds and pack efficiency has resulted in significant financial benefits.
- Rationalisation of grain size of raw materials has resulted in higher pull rates from the furnace.
- Computer based training has been extended to train trainees and also to cover larger number of engineers and workmen resulting in improvement in pack efficiency.
- Inputs from Weigand Glass on critical parameters continue to improve mould design efficiency and also quality of production.
- Continuous experimenting with weight reduction initiatives has resulted in significant saving of glass.
- Introduced special imported Alumina lining and Alumina Grinding Media for Glaze production which has helped to improve glaze properties and product aesthetics.
- Commercial introduction of Germiclean Glaze for specific products.

h) Optimised Product Designs to develop Water Conserving Products for Green Buildings.

2) Benefits derived as a result of the above efforts are inter alia

The above measures have contributed significantly for improvement of production efficiency.

4) Foreign Exchange Earnings and 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 southeast Asia and other developed countries. Better strategies were formulated for more aggressive development of international opportunities.

(Rs. In lacs)

	2010-11	2009-10
Earnings in foreign exchange	2,408.64	1,975.49
Expenditure on foreign exchange:		
Raw material, spare parts & others	13,599.44	10,275.99
Capital equipments	799.46	1,432.05

For and on behalf of the Board of Directors

Place : Gurgaon

Date : 18 May 2011

Rajendra K Somany

Chairman and Managing Director

INFORMATION AS PER SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

A. Employed throughout the period and in receipt of remuneration not less than Rs. 6,000,000 for the period

Name of the Employee	Designation and Nature of Employment	Qualification	Experience (Years)	Date of Employment	Age (Years)	Remuneration Received (Rs.)	Last Employment held and designation	
Mr. Rajendra K Somany	Chairman and Managing Director (Contractual)	B.Com., FI(Ceramics) (U.K.), LFAIMA, FCMI (UK), Member - IOM ³ (U.K.), Emeritus Member- American Ceramic Society	56	1 October 1965	74	32,736,691	-	-
Mr. Sandip Somany	Joint Managing Director (Contractual)	B.Com., Diploma in Ceramics (USA)	26	1 October 1985	48	31,802,741	-	-
Mr. Ram Babu Kabra	President - BPD	B.Com., FCA, ACS	30	7 September 1981	53	11,121,181	Hyderabad Asbestos Ltd.	Chief Accountant
Mr. Santosh Nema	President - (Market & Business Operations) - BPD	PGDBM (IIM-A)	28	21 September 2009	52	9,023,818	Cera Sanitaryware Ltd.	CEO & Director
Mr. Arun Kumar D.	President-AGI	B.E. (Mechanical)	39	2 December 1996	64	11,186,235	Nagarjuna Acqua Ltd.	President

B. Employed for the part of the period and in receipt of remuneration not less than Rs. 5,00,000 per month

None

Notes:

- Employees named above are Wholetime employees of the Company as per the Company's terms and conditions.
- Mr. Rajendra 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. Rajendra K Somany, Chairman and Managing Director and Mr. Sandip Somany, Joint Managing Director are promoters of the Company and except them no other employee holds 2% or more of the equity share capital of the Company.
- Remuneration received includes Gross 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 : Gurgaon
Date : 18 May 2011

Rajendra K Somany
Chairman and Managing Director



Corporate Governance Report

COMPANY'S PHILOSOPHY

The Company is committed to achieve and adopt best governance practices, their adherence in true spirit and conduct its affairs in a manner, which is transparent, clear and evident to those having dealings with or having stake in the Company. All major corporate decisions are taken by the Company's professional Board in conjunction with a competent management team, keeping in view the best interest of all its stakeholders. The corporate governance philosophy of the Company has been further strengthened with the adoption of the Code of Conduct and Code for Prevention of Insider Trading. The Company, through its Board and Committees, endeavours to strike and deliver the highest governing standards for the benefit of its stakeholders.

The Company's philosophy on Corporate Governance is to enhance the long-term economic value of the Company and its shareholders which encapsulates the society at large by adopting better corporate practices. Corporate Governance is not merely compliance and not simply creating checks and balances, it is an ongoing measure of superior delivery of Company's objects with a view to translate opportunities into reality.

The Company has set for itself the objective of expanding its capacities and becoming globally competitive in its business. As a part of its growth strategy, the Company believes in adopting the 'best practices' that are followed in the area of Corporate Governance across various geographies. The Company emphasises the need for full transparency and accountability in all its transactions, in order to protect the interests of its stakeholders. The Board considers itself as a Trustee of its Shareholders and acknowledges its responsibilities towards them for creation and safeguarding their wealth.

Your Company's Corporate Governance compliances are as follows:

A. Board of Directors

The Company is managed and controlled by a professional Board comprising a blend of Executive and Non-executive professional Directors. As on 31 March 2011, the Board of Directors consisted of nine Directors including Chairman and Managing Director, Joint Managing Director and other Non-executive Independent Directors.

None of the Directors on the Company's Board is a Director in more than 15 Companies, neither a member of more than 10 Committees nor Chairman of more than 5 Committees. All the Directors have made necessary disclosures regarding their Directorship and Committee Membership / Chairmanship in other Companies.

No Director is related to any other Director on the Board except Mr. Rajendra K Somany and Mr. Sandip Somany who are father and son. All Non-executive Directors are liable to retire by rotation. The appointment of the Managing Director including the tenure and terms of remuneration are approved by the members.

Four Board meetings were held during the year 2010-11 and the gap between two meetings did not exceed four months. The dates on which the Board meetings were held were as follows:

20 May 2010, 26 July 2010, 25 October 2010 and 31 January 2011.

Dates for the Board meetings are decided well in advance and the Agenda along with the supporting

ASPIRATIONS
SPEED
LIFESTYLES
PROXIMITY
PSYCHE
REACH DESIRE
DESIGN
AWARENESS
SERVICE
KNOWLEDGE
FUTURISTIC
PRODUCTS
PREMIUMISATION
ASPIRATIONS
SPEED
LIFESTYLES
PROXIMITY
PSYCHE
REACH DESIRE
DESIGN
AWARENESS
SERVICE
KNOWLEDGE
FUTURISTIC
PRODUCTS
PREMIUMISATION

THE PROFITS WERE A RESULT OF INCREASED CAPACITY, ACQUISITIONS, IMPROVEMENT IN MANUFACTURING EFFICIENCY, EXTENSION OF SALES NETWORK, AND CONTROL OF COSTS.

documents, explanatory notes and information as enumerated under Annexure IA to Clause 49 of the Listing Agreement are made available to the Board alongwith the notice of respective meetings. The Board periodically reviews compliance reports of all laws applicable to the Company. Steps are taken by the Company to rectify instances of non-compliance, if any.

The names and categories of the Directors on the Board along with their attendance at the Board meetings held during the year ended 31 March 2011 and at the last Annual General Meeting and the number of other Directorship and Chairmanship / Membership of Committees held by them, is given below:

Name of the Director	No. of Board meetings attended during 2010-11	Whether attended the last AGM	No. of other Directorships *	Committee position of other Companies**		No. of Equity Shares held
				Chairman	Member	
Executive (Promoter)						
1. Mr. Rajendra K Somany (Chairman and Managing Director)	4	Yes	4	Nil	Nil	2,620,114
2. Mr. Sandip Somany (Joint Managing Director)	4	No	6	Nil	Nil	2,854,028
Non-executive and Independent						
3. Mr. Ashok Jaipuria	2	No	2	Nil	1	18,000
4. Mr. Binay Kumar	4	No	5	Nil	Nil	29,473
5. Mr. G. L. Sultania	4	Yes	13	4	4	6,705
6. Mr. N. G. Khaitan	4	Yes	9	1	5	832
7. Mr. S. B. Budhiraja	4	No	3	1	2	8,500
8. Mr. V. K. Bhandari	4	Yes	8	3	1	-
9. Mr. Vishal Marwaha	4	No	1	1	Nil	25,000

* This includes Directorship in public limited companies (including subsidiaries of public limited companies) and excludes Directorship in associations, private, foreign and Section 25 companies.

** Represents Chairmanship / Membership of Audit Committee and Shareholders' / Investors' Grievance Committee, whether listed or not.

B. Committees of the Board

The Board of Directors has constituted following Committees of Directors with adequate delegation of powers to discharge requisite business of the Company:

- Audit Committee
- Remuneration Committee
- Shareholders' / Investors' Grievance Committee
- Share Transfer Committee
- Corporate Affairs Committee

The minutes of the meetings of all such committees are placed before the Board for discussion / noting.

Detail of the composition, number of meetings held during the year, attendance of members and scope of the committees are as below:

I. Audit Committee

■ Composition

The Committee comprises of 5 Non-executive Independent Directors. Mr. V. K. Bhandari, an ex-banker and financial expert is the Chairman of the Committee. The quorum of the Committee is two members or one-third of members, whichever is higher. The Chairman and Managing Director, Presidents of Divisions, Finance Head, Statutory Auditors and the Internal Auditors are invitees to the meetings of Audit Committee. The business and operation heads are invited to the meetings as and when required. The Company Secretary acts as the Secretary to the Committee.

■ Meetings and Attendance

During the year, four meetings of the Audit Committee were held on 20 May 2010, 26 July 2010, 25 October 2010 and 31 January 2011. The Chairman of the Audit Committee also attended the last Annual General Meeting of the Company.

The following table summarises attendance of committee members:

Name of Members	Status	No. of meetings attended
Mr. V. K. Bhandari	Chairman	4
Mr. Binay Kumar	Member	4
Mr. N. G. Khaitan	Member	4
Mr. S. B. Budhiraja	Member	4
Mr. Vishal Marwaha	Member	4

■ Scope of the Audit Committee

The Audit Committee, inter alia, supports the Board to ensure an effective internal control environment. The Committee discharges such duties and functions generally indicated in Clause 49 of the Listing Agreement with the Stock Exchanges.

Terms of reference

- Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, adequate and credible;
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the Statutory Auditors and the fixation of audit fee;
- Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors;
- Reviewing with the management the Quarterly / Annual Financial Statements before submission to the Board for approval;
- Reviewing, with the management, performance of Statutory and Internal Auditors and adequacy of internal control system;
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, reporting structure coverage and frequency of internal audit;
- Reviewing reports of internal audit and discussion with Internal Auditors on any significant findings of any internal investigations by the Internal Auditors and the executive management's response on matters and follow-up thereon;
- Reviewing the Company's financial and risk management policies;

- i) Looking into the reasons for substantial defaults, if any, in payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors;
- j) Reviewing the Management Discussion and Analysis of financial condition and results of operation;
- k) Reviewing the statement of significant related party transactions ;
- l) Reviewing the Management letters / letters of internal control weaknesses issued by the Statutory Auditors.

II. Remuneration Committee

■ Composition

The Committee comprises three members, all of them being Non-executive Independent Directors. The Chairman of Committee is Mr. S. B. Budhiraja. The Company Secretary acts as the Secretary to the Committee.

■ Meetings and Attendance

During the year Remuneration Committee met on 20 May 2010 and 31 January 2011. The following table summarises the attendance details of Committee members:

Name of Members	Status	No. of meetings attended
Mr. S. B. Budhiraja	Chairman	2
Mr. N. G. Khaitan	Member	2
Mr. V. K. Bhandari	Member	2

■ Scope of the Remuneration Committee

The Remuneration Committee is empowered to review and recommend to the Board of Directors, remuneration and commission of the Executive

Directors of the Company in accordance with the guidelines laid down under the statute.

■ Remuneration policy

1. For Executive Directors

The remuneration of Executive Directors is recommended by the Remuneration Committee based on Company's performance and industry benchmarks and decided by the Board of Directors within the limits approved by the members. The Company pays remuneration by way of salary, perquisites, allowances and commission among others. Annual increments are recommended by the Remuneration Committee as per salary grade approved by the Members of the Company.

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.

2. For Non Executive Directors

Non-executive Directors are remunerated by way of commission @1% of the net profits of the Company for each financial year computed in accordance with Section 309 of the Companies Act, 1956 as approved by the shareholders by way of special resolution passed at the 48th Annual General Meeting held on 4 September 2008. Non-executive Directors are also entitled to sitting fees for attending the meetings of the Board and committees thereof. The Company also reimburses out of pocket expenses to Directors attending the meetings.

■ Detail of Remuneration of Directors

The details of the remuneration paid to the Directors, during the financial year 2010-11 are as follows:-

Name	Basic	Perquisites	Commission (for the year 2009-10)	Contribution to PF	(Amount in Rs.)	
					Sitting Fee	Total
Mr. Rajendra K Somany	10,242,742	142,514	21,122,306	1,229,129	-	32,736,691
Mr. Sandip Somany	7,600,000	2,168,435*	21,122,306	912,000	-	31,802,741
Mr. V. K. Bhandari	-	-	1,005,824	-	20,000	1,025,824
Mr. S. B. Budhiraja	-	-	1,005,825	-	20,000	1,025,825
Mr. Ashok Jaipuria	-	-	1,005,824	-	**	1,005,824
Mr. N. G. Khaitan	-	-	1,005,824	-	20,000	1,025,824
Mr. Binay Kumar	-	-	1,005,824	-	14,000	1,019,824
Mr. Vishal Marwaha	-	-	1,005,824	-	14,000	1,019,824
Mr. G. L. Sultania	-	-	1,005,824	-	14,000	1,019,824
TOTAL	17,842,742	2,310,949	49,285,381	2,141,129	102,000	71,682,201

* This includes leave encashment amounting to Rs. 1,860,000 to Mr. Sandip Somany.

** Mr. Ashok Jaipuria relinquished his entitlement of sitting fee.

The Company has not issued any stock options to its Directors / Employees.

■ Directors with materially significant, pecuniary or business relationship with the Company

The transactions with related parties are furnished in Schedule 20, note no.10 to Annual Accounts as stipulated under Accounting Standard 18 (AS-18). Apart from aforesaid related party transactions there are no transactions of material nature with Directors or their relatives etc. which may have potential conflict with the interest of the Company. The Register of Contracts required to be maintained under Section 301 of the Companies Act, 1956 containing the contracts in which the Directors are concerned or interested is placed at the meeting of Board of Directors for their approval and noting, on a periodical basis.

No pecuniary or business relationship exists between the Non-executive Directors and the Company. M/s G.L. Sultania & Co., Proprietor Mr. G. L. Sultania, Independent Director of the Company, was paid consultancy fees for rendering professional services which is not to be construed as material transaction with the Company.

III. Shareholders' / Investors' Grievance Committee

■ Composition

The Committee comprises of four members all of them being Non-executive Independent Directors. The Chairman of Committee is Mr. S. B. Budhiraja. The Company Secretary acts as Secretary to the Committee and is also Compliance Officer of the Company.

■ Meetings and Attendance

During the year, four meetings of the Committee were held on 20 May 2010, 26 July 2010, 25 October 2010 and 31 January 2011.

The following table summarises the attendance details of Committee members:

Name of Members	Status	No. of meetings attended
Mr. S. B. Budhiraja	Chairman	4
Mr. N. G. Khaitan	Member	4
Mr. V. K. Bhandari	Member	4
Mr. G. L. Sultania	Member	4

■ Scope of Shareholders' / Investors' Grievance Committee

- o Reviewing and redressing Shareholders and Investors complaints / grievances concerning transfer of shares, non-receipt of dividends and non-receipt of Annual Reports among others.
- o Recommending measures for overall improvement in the quality of services being provided to the Shareholders / Investors.

During the year total 40 complaints were received and duly resolved by the Company.

IV. Share Transfer Committee

■ Composition

The Committee comprises of three members. The Chairman of the Committee is Mr. G. L. Sultania who is a Non-executive Director and the other two members are Executives of the Company.

■ Meetings and Attendance

The Committee conducts monthly meetings for the approval of transfer of shares lodged with the Company. As on date, no requests for transfer of shares were pending. The Committee met twelve times during the year under review and all the members of the Committee were present at the meetings.

■ Scope of Share Transfer Committee

The Board entrusts the Share Transfer Committee with the powers related to transfers, transmissions, consolidation, splitting, issue of share certificates in exchange of sub-divided / consolidated etc. and overseeing the performance of Registrar & Transfer Agents.

V. Corporate Affairs Committee

■ Composition

Corporate Affairs Committee comprises two Executive Directors and two Non-executive Directors. Mr. Rajendra K Somany, Chairman and Managing Director of the Company is Chairman of the Committee. The Company Secretary acts as Secretary to the Committee.

■ Meetings and Attendance

The Corporate Affairs Committee met on thirteen occasions during the year 2010-11 on 9 April 2010, 30 April 2010, 1 June 2010, 12 July 2010, 26 July 2010, 9 August 2010, 6 September 2010, 14 September 2010, 30 September 2010, 6 October 2010, 15 November 2010, 13 December 2010 and 18 February 2011.

The following table summarises the attendance details of Committee members:

Name of Members	Status	No. of meetings attended
Mr. Rajendra K Somany	Chairman	13
Mr. Sandip Somany	Member	10
Mr. G. L. Sultania	Member	4
Mr. Binay Kumar*	Member	Nil

*Appointed as member of the Committee w.e.f. 25 October 2010.

■ Scope of Corporate Affairs Committee

The Corporate Affairs Committee terms of reference includes banking, taxation, corporate and financial management issues arising in day to day operations of the Company and its powers are revised from time to time by Board of Directors to facilitate seamless operations of the Company.

C. Other Disclosures Recommended by SEBI

1. Subsidiary Companies

HSIL does not have any material non-listed Indian subsidiary whose turnover or net worth (i.e. paid-up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of

the Company and its subsidiaries in the immediately preceding accounting year. 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 noting.

2. Particulars of Directors seeking Re-appointment

All the Directors of the Company except Chairman and Managing Director and Joint Managing Director are liable to retire by rotation of which one-third retire every year and are eligible for re-appointment.

In accordance with the applicable provisions of the Companies Act, 1956 read with the Articles of Association of the Company, Mr. G. L. Sultania, Mr. Ashok Jaipuria and Mr. N. G. Khaitan, Directors of the Company will retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

The tenure of Mr. Rajendra K Somany, Chairman and Managing Director of the Company would expire on

8 January 2012. Keeping in view his vast experience, the Board has proposed to re-appoint him as Chairman and Managing Director of the Company for a further period of three years w.e.f. 9 January 2012 on the remuneration and perquisites as may be approved by the Members of the Company in the ensuing Annual General Meeting.

Dr. Rainer Siegfried Simon is appointed as an Additional Director on the Board with effect from 18 May 2011 and holds office till the ensuing Annual General Meeting. Notice under Section 257 of the Companies Act, 1956 has been received from a member of the Company, proposing appointment of Dr. Simon as a Director of the Company at the forthcoming Annual General Meeting.

For detailed particulars on the Directors seeking appointment / re-appointment, please refer to Explanatory Statement to the Notice of the Annual General Meeting scheduled to be held on 19 September 2011.

3. General Body Meetings

The last three Annual General Meetings were held as under:

Financial Year	Date	Time	Venue
2009-10	22 September 2010	11:30 a.m.	Somany Conference Hall, Merchants' Chamber of Commerce, 15B, Hemanta Basu Sarani, Kolkata – 700 001
2008-09	19 September 2009	11:30 a.m.	Same as above
2007-08	4 September 2008	11:00 a.m.	Same as above

Three Special Resolutions were passed at the Annual General Meetings held during last three financial years.

During the Financial year 2010-11, no Special Resolution was passed through Postal Ballot. Also no Extra Ordinary General Meeting was held during the year under review.

4. Disclosures

1) Disclosure of Accounting Treatment

The Company followed the guidelines of Accounting Standards laid down by the Institute of Chartered Accountants of India (ICAI) in preparation of its financial statements.

2) Risk management

The Company has an effective risk management procedure in place. The Company has formulated risk management in its procedures itself. It regularly analysis the risks and takes corrective action for managing / mitigating the same. The internal control system provides support for risk management for

the Company at various levels of operations of business. The Company has Foreign Exchange Risk Assessment Policy in place to effectively monitor and mitigate Foreign Exchange Risk.

3) Strictures / Penalties

No strictures / penalties were imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets during the last three years.

4) Proceeds from public issues, right issues, preferential issues

During the year 2010-11, the Company did not raise money from public issue and right issue. However, the Company raised Rs. 1,499,942,721 by way of issue and allotment of 11020887 fully paid equity shares of Rs. 2 each at a premium of Rs. 134.10 per share through Qualified Institutional Placement (QIP) to Qualified Institutional Buyers (QIB) on 6 October 2010 as prescribed under Chapter VIII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009.

5) Management

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

5. Means of Communication

The Quarterly, Half yearly and Annual results are submitted to the Stock Exchange(s) in accordance with Listing Agreement. Further the quarterly / half yearly / annual results in the prescribed format along with press release are published within 48 hours in any prominent daily newspaper i.e. The Economic Times / Business Standard / Financial Express and Kalantar (vernacular newspaper). All vital information of the performance of the Company including Financial Results, Annual Reports of last three years

and Shareholding Pattern have been posted on the Company's website www.hindwarehomes.com.

HSIL makes financial presentations to Institutional Investors and mutual funds etc. who have invested or intends to invest in the Company.

6. HSI Code of Conduct for Prevention of Insider Trading

The Company has formulated and implemented a Code of Conduct for Prevention of Insider Trading in accordance with the guidelines specified under the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 as amended till date. The Code of Conduct for Prevention of Insider Trading, inter alia, prohibits purchase / sale of shares of the Company by employees while in possession of unpublished price sensitive information in relation to the Company. The necessary procedures have been laid down for Directors, designated employees, connected persons and persons deemed to be connected for trading in the securities of the Company.

The said Code of Conduct is available on the Company's website.

7. Compliance Report on Non-Mandatory Requirements under Clause 49

The Company has adopted the non-mandatory requirement of Clause 49 to the extent of Remuneration Committee which has been discussed in the earlier section of this Report.

D. Shareholders Information

i) Contact Information

Registered Office

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

Corporate Office

301-302, Park Centra
Sector-30, National Highway - 8
Gurgaon, Haryana
Phone: +91- 124-477 9200
Fax: +91-124-429 2898-99

(ii) Plant locations

Location	Address
Haryana	
Building Products Division	District Jhajjar, Bahadurgarh, Haryana – 124507
Andhra Pradesh	
Building Products Division	Somanypuram, Brahmanapally, Bibinagar, District Nalgonda, Andhra Pradesh – 508126
Glass Division-I	Glass Factory Road, Off Motinagar, P.B No. 1930, Sanathnagar P.O., Hyderabad - 500 018, Andhra Pradesh.
Glass Division-II	Glass Factory Road, Thukkapur Road, Bhongir, District Nalgonda, Andhra Pradesh- 508116
Rajasthan	
Faucet Division	G 470-471, Phase I, RIICO Industrial Area, Bhiwadi - 131019, Rajasthan

(iii) Company Secretary

Ms. Payal M. Puri

(iv) Annual General Meeting

The 51st Annual General Meeting is proposed to be held on 19 September 2011 at 11:30 a.m. at Somany Conference Hall, Merchants' Chamber of Commerce, 15B, Hemanta Basu Sarani, Kolkata - 700 001.

(v) Financial Calendar

The Company follows April to March as its financial year. The results for every quarter beginning from April will be declared within 45 days of the end of quarter except for the last quarter, which will be submitted along with the annual audited results within 60 days of end of last quarter as permitted under the Listing Agreement.

(vi) Date of Book Closure

13 September 2011 to 19 September 2011 (both days inclusive).

(vii) Dividend Payment Date

Latest by 26 September 2011.

(viii) Listing on Stock Exchanges

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

National Stock Exchange of India Ltd. (NSE) : HSIL

Bombay Stock Exchange Ltd. (BSE) : 500187

ISIN of Company's equity shares having face value of Rs. 2 each is INE 415A 01038. Listing fees for the financial year 2011-12 has been paid to the stock exchanges.

(ix) Registrar and Transfer Agent

M/s Maheshwari Datamatics Private Limited is Company's Registrar and Share Transfer Agent (RTA) for its equity shares. The contact details of RTA are:

Maheshwari Datamatics Private Limited
6, Mangoe Lane, Kolkata – 700 001
Phone +91-33- 2243 5809/5029
Fax +91-33- 2248 4787
Email: mdpl@cal.vsnl.net.in

(x) Share Transfer System

The Company has constituted Share Transfer Committee to approve transfer 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.

(xi) Market Price Data

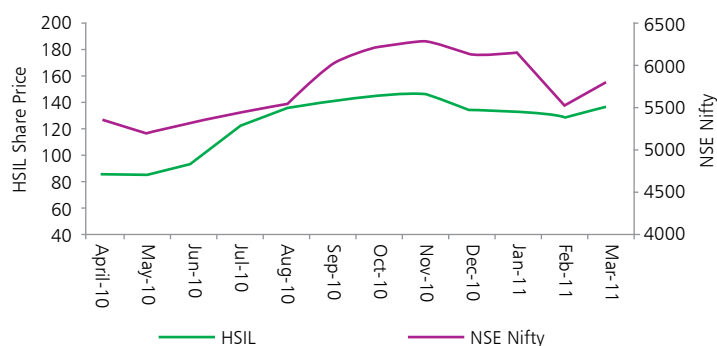
Monthly stock market data of high-and-low prices of equity shares of the Company during 2010-11 and their performance in comparison with the broad-based index comprise:

Monthly Stock Market Data

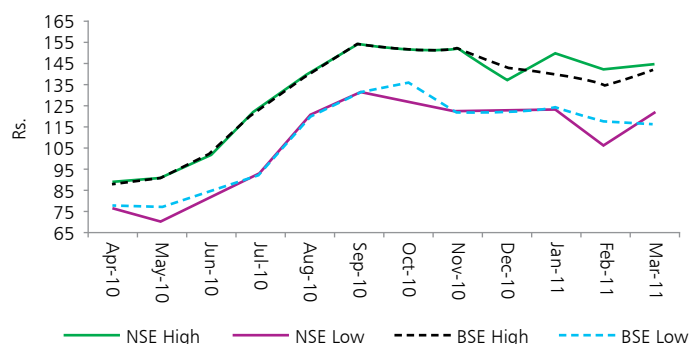
Month	NSE		BSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April'10	88.90	77.00	88.60	78.30
May'10	91.00	70.15	91.00	77.30
June'10	101.90	82.00	102.80	85.00
July'10	124.90	92.70	124.50	92.10
August'10	140.35	120.00	140.40	119.00
September'10	153.70	131.10	153.95	131.20
October'10	151.00	126.90	151.40	136.00
November'10	151.90	122.00	151.75	122.10
December'10	137.50	123.00	142.90	121.50
January'11	150.00	123.00	140.00	124.05
February'11	142.00	106.00	135.00	117.15
March'11	144.70	122.00	142.00	116.50

Performance comparison with broad-based index

Month	HSIL	NSE Nifty
April'10	87.10	5,374.65
May'10	86.75	5,222.75
June'10	96.25	5,353.30
July'10	122.65	5,449.10
August'10	136.85	5,543.50
September'10	141.55	6,035.65
October'10	145.70	6,233.90
November'10	147.60	6,312.45
December'10	135.40	6,134.50
January'11	133.45	6,157.60
February'11	130.20	5,546.45
March'11	137.90	5,833.75



Above prices are monthly highest closing prices on NSE & NSE Nifty.



(xii) Distribution of Shareholding as on 31 March 2011

Number of Shares held	Shareholders		Shares	
	Number	% of Total	Number	% of Total
Upto 500	8,958	74.21	1,387,993	2.10
501-1000	1,803	14.94	1,408,545	2.13
1001-2000	691	5.72	1,021,810	1.55
2001-3000	200	1.66	493,610	0.75
3001-4000	88	0.73	303,671	0.46
4001-5000	81	0.67	371,088	0.56
5001-10000	105	0.87	753,254	1.14
10001 and above	145	1.20	60,306,424	91.31
Total	12,071	100.00	66,046,395	100.00

(xiii) Category of Shareholders as on 31 March 2011

Category	No. of Shares of Rs. 2 each	% of Total
Promoter, Directors and Relatives	34,000,828	51.48
Mutual Fund / UTI	2,422,271	3.67
Financial Institutions / Banks	17,531	0.03
Insurance Companies	40,500	0.06
Foreign Institutional Investors	14,724,572	22.29
Foreign Companies	6,004,600	9.09
Domestic Companies / Bodies Corporate	1,900,654	2.88
Non-Resident Individual	142,293	0.22
Others	6,793,146	10.28
Total	66,046,395	100.00

(xiv) Dematerialisation of Shares

The detail of shares dematerialised and those held in physical form as on 31 March 2011

Particulars of Shares	Shares of Rs. 2 each		Shareholders	
	Number	% of Total	Number	% of Total
Dematerialised Form				
National Securities Depository Ltd. (NSDL)	38,250,126	57.91	6,805	56.38
Central Depository Services (India) Ltd. (CDSL)	1,550,754	2.35	2,499	20.70
Physical Form	26,245,515*	39.74	2,767	22.92
Total	66,046,395	100.00	12,071	100.00

* Out of this 24,793,222 shares comprising of 37.54% are held by Promoters.

(xv) The Company has not issued any GDRs / ADRs / Warrants or any convertible instruments.

E. CODE OF CONDUCT

The Board of Directors of the Company laid down and adopted a Code of Conduct under Corporate Governance for all the Directors and the Senior Management Personnel of your Company. The said Code of Conduct has also been posted on the website of the Company. The Board members and Senior Management Personnel have affirmed their compliance with the Code of Conduct for the year 2010-11.

A declaration signed by the Chairman and Managing Director of the Company to this effect is enclosed at the end of this report.

F. CEO AND CFO CERTIFICATION

The Certificate as required under Clause 49(V) of the Listing Agreement, duly signed by the Chairman and Managing Director and Vice President (Corporate Finance), was placed before the Board and the same is provided as Annexure to this report.

G. CERTIFICATION BY AUDITORS

As required under Clause 49 of the Listing Agreement, the Statutory Auditors of the Company, M/s Walker Chandio & Co., have verified the compliances of the Corporate Governance by the Company. We have obtained a Certificate affirming the compliance from M/s Walker Chandio & Co., Statutory Auditors of the Company and the same is annexed to this Report and forms a part of the Annual Report.

Declaration by Chairman and 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 Personnel have affirmed compliance with their respective code of conduct as applicable to them, for the year ended on 31 March 2011.

Rajendra K Somany

Chairman and Managing Director

Place: Gurgaon

Date: 18 May 2011

CEO/ CFO Certification

To Board of Directors

We hereby certify that:

- a) We have reviewed financial statements of HSIL Limited ('the Company') for the period upto 31 March 2011 and that to the best of our knowledge and belief:
 - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There were, to the best of our knowledge and belief, no transactions entered into by the Company during the above said period which were fraudulent, illegal or violate the Company's Code of Conduct.
- c) We accept the responsibility of establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the Auditors and the Audit Committee deficiencies in the design or operation of internal controls, if any, and the steps we have taken or propose to take to rectify these deficiencies.
- d) We have indicated to the Auditors and the Audit Committee:
 - i. significant changes in internal control over financial reporting during the abovesaid period;
 - ii. significant changes in accounting policies, if any, during the abovesaid period and that the same have been disclosed in the notes to the financial statements; and
 - iii. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the internal control system over financial reporting.

V.K. Ajmera

Vice President (Corporate Finance)

Rajendra K Somany

Chairman and Managing Director

Place : Gurgaon

Date : 18 May 2011

Auditors' Certificate on Corporate Governance

To the Members

HSIL Limited

We have examined the compliance of conditions of Corporate Governance by HSIL Limited ("the Company") for the year ended on 31 March 2011, 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 the conditions of Corporate Governance as stipulated in said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and as per representations made by Directors and the Management, 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.

For Walker, Chandio & Co.

Chartered Accountants

Firm Registration No. 001076N

per **B.P. Singh**

Partner

Membership no. 70116

Place: Gurgaon

Date: 18 May 2011

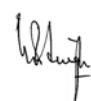
Auditors' Report

To,

The Members of HSIL Limited

1. We have audited the attached Balance Sheet of HSIL Limited, (the 'Company') as at 31 March 2011, and also the Profit and Loss Account and 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 (Auditors' 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 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2011 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 2011;
 - 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
Firm Registration No: 001076N



per B. P. Singh

Partner

Place : Gurgaon

Date : 18 May 2011

Membership No. 70116

Annexure to the Auditors' Report

Annexure to the Auditors' Report of even date to the members of HSIL Limited, on the financial statements for the year ended 31 March 2011

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) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (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 loans, 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) In our opinion, the transactions made in pursuance of such contracts or arrangements and exceeding the value of rupees five lacs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (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 the 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:

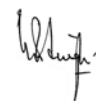
Name of the Statute	Nature of dues	Amount (Rs. in lacs)	Period to which the amount relates	Forum where dispute is pending
The Central Excise Act, 1944	Duty on captive consumption of plaster of paris	5.00	June 1990 to April 1991	Customs, Excise and Service tax Appellate Tribunal. Out of this, Rs. 2.50 lacs has been paid under protest
The Central Excise Act, 1944	Duty on cisterns cleared with fittings	27.80	Feb. 1988 to July 1988	Commissioner of Central Excise, Rohtak
The Central Excise Act, 1944	Duty on C.I boring/ brass/ copper boring/ capital goods scrap/ waste paper/ waste shrink/ stretch film	103.98	2004-05 to 2005-06	Commissioner of Customs & Central Excise (Appeals). Out of this demand, Rs. 10.74 lacs has been deposited by the Company under protest
The Central Excise Act, 1944	Duty on Structural Steel	166.12	2009-10	Commissioner of Customs & Central Excise (Appeals).
Delhi Sales Tax Act, 1975	Sales tax demand due to non submission of statutory forms	219.91	1998-99 to 2006-07	Commissioner (Appeals), sales tax. Out of this demand, Rs.32.28 lacs has been deposited by the Company and assessment for the year 1998-99 to 2004-05 involving disputed tax of Rs. 106.76 lacs has been remanded back to the Assessing Officer.
The Income Tax Act, 1961	Income tax and wealth tax demand	5.71	AY 2004-05	Commissioner of Income Tax (Appeals)

- (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 the 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, Chandio & Co**

Chartered Accountants

Firm Registration No: 001076N



per B. P. Singh

Partner

Place : Gurgaon

Date : 18 May 2011

Membership No. 70116

Balance Sheet

(Rs. in lacs)

	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS			
Shareholders' fund			
Share Capital	1	1,320.97	1,100.55
Reserves and surplus	2	68,795.51	47,675.14
		<u>70,116.48</u>	<u>48,775.69</u>
Loan funds			
Secured	3	33,719.37	29,779.23
Unsecured	4	5,646.79	19,136.52
		<u>39,366.16</u>	<u>48,915.75</u>
Deferred tax liability (net) (Refer note 8 of Schedule 20)		7,311.84	5,411.85
		<u>1,16,794.48</u>	<u>1,03,103.29</u>
APPLICATION OF FUNDS			
Fixed assets			
Gross block	5	1,06,205.69	1,01,191.13
Less: Accumulated depreciation and amortisation		<u>28,220.58</u>	<u>26,611.70</u>
Net block		77,985.11	74,579.43
Capital work-in-progress (including spares and capital advances)		5,621.24	779.26
		<u>83,606.35</u>	<u>75,358.69</u>
Investments			
	6	10,038.23	5,540.70
Current assets, loans and advances			
Inventories	7	20,698.96	15,658.67
Sundry debtors	8	16,148.08	13,973.72
Cash and bank balances	9	2,538.43	1,621.12
Other current assets	10	41.05	44.99
Loans and advances	11	5,234.42	7,224.12
		<u>44,660.94</u>	<u>38,522.62</u>
Less:			
Current liabilities and provisions			
a) Current liabilities	12	19,058.53	14,589.12
b) Provisions		2,452.51	1,729.60
		<u>21,511.04</u>	<u>16,318.72</u>
Net current assets			
		<u>23,149.90</u>	<u>22,203.90</u>
		<u>1,16,794.48</u>	<u>1,03,103.29</u>
Significant accounting policies	19		
Notes to the financial statements	20		

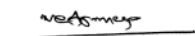
The schedules referred to above form an integral part of the financial statements

For and on behalf of the Board of Directors



Payal M. Puri

Company Secretary



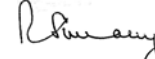
V.K. Ajmera

Vice President (Corporate Finance)



Sandip Somany

Joint Managing Director



Rajendra K Somany

Chairman & Managing Director

This is the Balance Sheet referred to in our report of even date

For **Walker, Chandiok & Co**
Chartered Accountants



Per **B. P. Singh**

Partner

Membership No. 70116

Place : Gurgaon

Date : 18 May 2011

Profit and Loss Account

(Rs. in lacs)

	Schedule	Year ended 31 March 2011	Year ended 31 March 2010
INCOME			
Income from operations	13	1,10,928.29	83,572.71
Less: Excise duty on sale of goods		7,395.55	4,699.20
		1,03,532.74	78,873.51
Other income	14	2,049.09	1,391.71
Increase in stocks	15	2,843.50	1,871.81
		1,08,425.33	82,137.03
EXPENDITURE			
Goods purchased for resale		15,855.94	10,798.68
Personnel cost	16	11,508.78	8,239.30
Manufacturing, selling and general expenses	17	59,401.19	47,618.96
		86,765.91	66,656.94
Profit before interest, depreciation, amortisation and tax		21,659.42	15,480.09
Interest	18	3,563.27	4,008.67
Depreciation and amortisation	5	5,349.81	4,903.81
Profit before tax and prior period items		12,746.34	6,567.61
Tax expense:			
Current tax		2,496.98	1,095.15
MAT credit entitlement		(404.85)	(1,085.70)
Deferred tax		1,899.99	903.91
Profit after tax before prior period item		8,754.22	5,654.25
Prior period item			
Taxes for earlier years (refer note 25 of schedule 20)		(19.02)	(411.54)
Profit after tax and prior period item		8,735.20	5,242.71
Balance transferred from previous year		15,002.70	11,647.53
Balance available for appropriation		23,737.90	16,890.24
APPROPRIATIONS			
Transferred to general reserve		1,000.00	600.00
Proposed dividend on equity shares		1,651.16	1,100.51
Tax on proposed dividend		267.86	187.03
Balance carried to balance sheet		20,818.88	15,002.70
		23,737.90	16,890.24
Basic & diluted earning per share before prior period item (Rs.)		14.50	10.28
Basic & diluted earning per share after prior period item (Rs.)		14.47	9.53
(Refer note 9 of Schedule 20)			
Significant accounting policies	19		
Notes to the financial statements	20		

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

For and on behalf of the Board of Directors

Payal M. Puri

Company Secretary

V.K. Ajmera

Vice President (Corporate Finance)

Sandip Somany

Joint Managing Director

Rajendra 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

Per **B. P. Singh**

Partner

Membership No. 70116

Place : Gurgaon

Date : 18 May 2011

Cash Flow Statement

	Year ended 31 March 2011	(Rs. in lacs) Year ended 31 March 2010
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax	12,746.34	6,567.61
Adjustments for:		
Depreciation and amortisation	5,349.81	4,903.81
(Profit)/loss on disposal of fixed assets (net)	(152.93)	(18.55)
Interest expense	3,563.27	4,008.67
Dividend	(76.02)	-
Interest income	(82.64)	(106.16)
(Profit)/loss on sale of investments (net)	(2.93)	(0.46)
Bad debts and provision for doubtful debts and advances	(296.08)	(150.00)
Sundry balances and liabilities no longer required written back	(275.19)	(141.92)
Operating Profit before working capital changes	20,773.63	15,063.00
Adjustments for :		
(Increase)/ decrease in inventories	(3,936.93)	(3,250.69)
(Increase)/ decrease in trade/other receivable	(273.68)	(6,946.01)
(Decrease)/ increase in trade/other payables	4,446.59	(1,613.27)
Cash generated from operations	21,009.61	3,253.03
Direct taxes paid	(1,667.31)	(1,326.73)
Net cash from operating activities	19,342.30	1,926.30
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets including capital work in progress	(10,160.67)	(8,646.30)
Proceeds from sale of fixed assets	330.65	147.62
Purchase of investments	(8,557.53)	(1,765.44)
(including investment in subsidiaries Rs. 1,300.00 lacs (previous year Rs. 1,265.39 lacs)		
Purchase of business unit pursuant to business transfer agreement with Havells India Limited	(1,643.91)	-
Sale proceeds of investments	4,062.93	500.46
Movement in restricted cash	(207.66)	(251.24)
Interest received	86.57	144.40
Dividend received	76.02	-
Net cash used in investing activities	(16,013.60)	(9,870.50)

(Rs. in lacs)

Year ended
31 March 2011

Year ended
31 March 2010

C. CASH FLOW FROM FINANCING ACTIVITIES

Proceeds from long term borrowings	3,891.80	6,652.11
Repayment of long term borrowings	(4,635.17)	(4,370.46)
Movement in short term borrowings (net)	(11,551.45)	4,262.40
Issue of share capital	14,524.61	-
Interest paid	(3,564.22)	(4,135.28)
Dividend paid	(1,098.10)	(872.26)
Taxes on dividend	(187.03)	(149.62)
Net cash (used in) from financing activities	(2,619.56)	1,386.89
Net (decrease)/increase in cash and cash equivalents	709.14	(6,557.31)
Cash received pursuant to business transfer agreement with Havells India Limited	0.50	-
Cash and cash equivalents in the beginning	1,032.54	7,589.85
Cash and cash equivalents at the close	1,742.18	1,032.54

Note:

Cash and cash equivalents include:

Cash and cheques in hand and remittances in transit	1,615.95	552.04
Balances with bank	126.23	480.50
Cash and cash equivalents	1,742.18	1,032.54
Balances in fixed deposit accounts - pledged	748.78	543.53
Balances in unpaid dividend accounts	46.78	44.37
Bonus fraction 2005 account	0.34	0.34
Share split fraction 2006 account	0.30	0.30
Balance in post office savings account (pledged)	0.04	0.04
Balance with bank not considered as cash equivalents	796.24	588.58
Cash and bank balances as per balance sheet	2,538.42	1,621.12

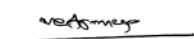
The schedules referred to above form an integral part of the financial statements

For and on behalf of the Board of Directors



Payal M. Puri

Company Secretary



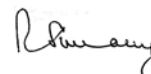
V.K. Ajmera

Vice President (Corporate Finance)



Sandip Somany

Joint Managing Director



Rajendra K Somany

Chairman & Managing Director

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

For **Walker, Chandio & Co**
Chartered Accountants



Per **B. P. Singh**

Partner

Membership No. 70116

Place : Gurgaon
Date : 18 May 2011

Schedules

forming part of the financial statements

(Rs. in lacs)

		As at 31 March 2011	As at 31 March 2010
SCHEDULE 1	Share capital		
Authorised			
100,000,000 (previous year 100,000,000) equity shares of Rs. 2 each		2,000.00	2,000.00
		2,000.00	2,000.00
Issued			
66,050,220 (previous year 55,029,333) equity shares of Rs. 2 each		1,321.00	1,100.59
		1,321.00	1,100.59
Subscribed and paid-up*			
66,046,395 (previous year 55,025,508) equity shares of Rs. 2 each fully paid-up		1,320.93	1,100.51
Add: Forfeited shares		0.04	0.04
		1,320.97	1,100.55

*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, 67,500 equity shares of Rs. 10 each fully paid-up (now stands split into 337,500 equity shares of Rs. 2 each, previous year 337,500 equity shares of Rs. 2 each) were issued to the equity shareholders of the erstwhile The Associated Glass Industries Limited pursuant to the scheme of amalgamation and 365,645 equity shares of Rs. 10 each fully paid up (now stands split into 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

SCHEDULE 2	Reserves and surplus		
i) Capital reserve			
a) On account of amalgamation of erstwhile Krishna Ceramics Limited		3.33	3.33
b) Forfeited amount of debentures		19.97	19.97
c) Forfeited amount of upfront payment for naked warrants		97.50	97.50
		120.80	120.80
ii) Central subsidy reserve			
		25.00	25.00
iii) Securities premium account			
As per last year		6,840.63	6,840.63
Add: Premium on allotment of shares to Qualified Institutional Buyers		14,779.01	-
Less: Expenses on QIP issue		474.82	-
		21,144.82	6,840.63
iv) General reserve			
As per last year		15,903.64	5,303.64
Add: Transferred from profit and loss account		1,000.00	600.00
Add: Transferred from business reconstruction reserve (refer note 21 of schedule 20)		-	10,000.00
		16,903.64	15,903.64
Note: Of the above Rs. 10,000 lacs cannot be used for issue of bonus shares and payment of dividend (refer note 21 of schedule 20)			
v) Capital redemption reserve			
		15.00	15.00
vi) Business reconstruction reserve (refer note 21 of Schedule 20)			
Revaluation of Land		9,767.37	23,500.00
Less: Transferred to profit and loss account (refer schedule 15 and 17)		-	3,732.63
Less: Transferred to general reserve (refer note 21 of schedule 20)		-	10,000.00
		9,767.37	9,767.37
vii) Profit and loss account			
Surplus in profit and loss account		20,818.88	15,002.70
		68,795.51	47,675.14

Schedules forming part of the financial statements

(Rs. in lacs)

		As at 31 March 2011	As at 31 March 2010
SCHEDULE 3	Secured loans		
From banks:			
Cash credit accounts		794.56	671.50
Buyers credit		3,375.54	904.72
(Secured by hypothecation of stocks and book debts and further secured by second charge on all the fixed assets of the company situated at Bahadurgarh, Bibinagar, Sanathnagar and Bhongir)			
Term loans from banks*		29,446.19	28,197.70
(Term loans of Rs. 5,019.96 lacs (Previous year Rs. 1,532.31 lacs) are payable within one year)			
Car finance loans from banks		103.08	5.31
(Secured by hypothecation of vehicles financed out of proceeds of loans)			
(Amount payable within one year Rs. 10.45 lacs (previous year Rs. 4.47 lacs))			
		33,719.37	29,779.23

*Notes:-

- 1) Term loan includes External Commercial Borrowings (ECB) from **Honkong and Shanghai Bank Corporation, CITI Bank and Standard Chartered Bank**, which are secured by way of hypothecation of the whole of fixed assets including movable plant & machinery, machine spares, tools and accessories (both present and future) pertaining to the glass divisions of the Company located at Sanathnagar and Bhongir and further secured by first pari-passu charge by way of mortgage of deposit of title deeds of immovable properties of glass divisions of the Company situated at Sanathnagar and Bhongir in Andhra Pradesh
- 2) Rupee term loan from :
 - i. **Andhra Bank:** Term loan is secured by way of hypothecation of the whole of fixed assets including movable plant & machinery, machine spares, tools and accessories (both present and future) pertaining to the ceramic division of the Company situated at Bibinagar, District Nalgonda Andhra Pradesh and further secured by first pari-passu charge by way of mortgage of deposit of title deeds of immovable properties of ceramic division located at Bibinagar, District Nalgonda, Andhra Pradesh and Gurgaon office of the Company
 - ii. **Dhanalakshmi Bank Ltd:** Term loan is secured by way of hypothecation of the whole of fixed assets including movable plant & machinery, machine spares, tools and accessories (both present and future) pertaining to the ceramic division of the Company located at Bahadurgarh, District Jhajjar, Haryana and further secured by first pari-passu charge by way of mortgage of deposit of title deeds of immovable properties of ceramic division of the Company located at Bahadurgarh, District Jhajjar, Haryana
 - iii. **DBS Bank Ltd:** Term loan is secured by first pari-passu charge by way of mortgage of deposit of title deeds of the Company pertaining to vacant freehold land situated at Sitarampur, Isnapur, PO Medak District, near Hyderabad, Andhra Pradesh

Schedules forming part of the financial statements

		(Rs. in lacs)	
		As at	As at
SCHEDULE 4	Unsecured loans	31 March 2011	31 March 2010
Short term			
Trade deposits from dealers		883.45	736.56
From banks			
Commercial paper		-	8,000.00
Short term loans		-	6,000.00
Buyer's credit		955.19	1,247.41
Other			
Deferred sales tax credit		3,808.15	3,152.55
		5,646.79	19,136.52

Notes:

- 1 Maximum amount outstanding on commercial paper during the year Rs. 8,000 lacs (previous year Rs. 8,000 lacs)
- 2 The amount of deferred sales tax credit is subject to assessment by sales tax authorities
- 3 As per agreement with Commercial Tax Department, Hyderabad, deferred sales tax credit relating to the glass division located at Sanathnagar amounting to Rs. 1,877.43 lacs (previous year Rs. 1,545.48 lacs) and ceramic division located at Bibinagar amounting to Rs. 1,930.72 lacs (previous year Rs 1,607.07 lacs) is secured against the moveable and immoveable properties of the Company. However, the charge is not yet been registered with the Registrar of Companies, West Bengal

Schedules forming part of the financial statements

SCHEDULE 5		Fixed assets		(Rs. in lacs)									
Particulars		Gross block					Depreciation and amortisation				Net block		
		As at 01 April 2010	Addition during the year	Sales/ Adjustment	Revaluation	As at 31 March 2011	As at 01 April 2010	For the year	Sales/ Adjustment	As at 31 March 2011	As at 31 March 2011	As at 31 March 2010	
Intangible													
Trade Mark		300.00	-	-	-	300.00	300.00	-	-	300.00	-	-	
Technical know how		-	207.30	-	-	207.30	-	19.03	-	19.03	188.27	-	
Tangible													
Land freehold		24,759.80	121.93	-	-	24,881.73	-	-	-	-	24,881.73	24,759.80	
Land leasehold		30.00	192.00	-	-	222.00	3.55	1.00	-	4.55	217.45	26.45	
Building		15,674.18	950.29	-	-	16,624.47	2,081.33	407.16	-	2,488.49	14,135.98	13,592.85	
Leasehold improvements		10.44	-	-	-	10.44	0.51	0.17	-	0.68	9.76	9.93	
Plant and machinery		56,329.11	6,491.92	3,463.48	-	59,357.56	22,673.34	4,328.64	3,434.53	23,567.45	35,790.11	33,655.77	
Vehicles		1,318.35	574.45	452.43	-	1,440.37	599.60	235.85	305.24	530.22	910.16	718.75	
Office equipments		437.51	57.87	0.53	-	494.85	123.60	22.70	0.03	146.25	348.60	313.91	
Computers (including software)		1,503.57	206.49	1.62	-	1,708.44	633.06	278.58	1.04	910.60	797.84	870.51	
Furniture and fixtures		828.17	130.95	0.60	-	958.52	196.71	56.68	0.07	253.32	705.21	631.46	
Total		1,01,191.13	8,933.22	3,918.65	-	1,06,205.69	26,611.70	5,349.81	3,740.93	28,220.58	77,985.11	74,579.43	
Previous year		62,677.29	15,788.73	774.89	23,500.00 *	1,01,191.13	22,353.71	4,903.81	645.82	26,611.70	74,579.43		

* Refer note 21 in schedule 20

Schedules forming part of the financial statements

		(Rs. in lacs)	
		As at 31 March 2011	As at 31 March 2010
SCHEDULE - 6	Investments		
Long Term			
Non Trade			
i)	Government securities* - unquoted:		
	National Savings Certificates	1.68	1.18
ii)	Fully paid-up equity shares of Rs. 10 each - quoted:		
	125 (previous year 125) Neycer India Limited	0.01	0.01
	50 (previous year 50) Swastik Sanitarywares Limited	0.01	0.01
	Trade - unquoted		
	(equity shares of Rs. 10 each)		
	Subsidiary companies		
	4,449,517 (previous year 4,449,517) AGI Glasspack Limited	1,428.46	1,428.46
	22,000,000 (previous year 9,000,000) Hindware Home Retail Private Limited	4,300.00	3,000.00
	50,000 (previous year 50,000) HSIL Associates Limited	5.00	5.00
	1,705,000 (previous year 5,000) Halis International Limited, Mauritius (Fully paid up equity shares of USD 1 each)	782.50	2.54
	Alchemy International Cooperatief U.A (Member's Contribution)	0.12	0.12
	Others		
	804,000 (previous year 804,000) Andhra Pradesh Gas Power Corporation Limited	1,073.61	1,073.61
iii)	Fully paid-up preference shares of USD 1 each		
	Subsidiary companies		
	60,000 (previous year 60,000) Halis International Limited, Mauritius	29.77	29.77
		7,621.16	5,540.70
Current			
	Mutual Fund - non trade (unquoted)		
	(units of Rs. 10 each fully paid)		
	9,998,800.144 (previous year Nil) ICICI Prudential Interval Fund-Half yearly Interval Plan-I-Inst. Dividend	1,000.00	-
	170,180.440 (previous year Nil) HDFC Cash Management Fund-Treasury Advantage Plan-Wholesale - Daily Dividend	17.07	-
	2,000,000.000 (previous year Nil) Birla Sun Life Short Term FMP Series 5 Dividend	200.00	-
	5,000,000.000 (previous year Nil) Birla Sun Life Short Term FMP Series 6 Dividend	500.00	-
	3,678,228.565 (previous year Nil) HDFC MF Monthly Income Plan-Long Term-Quarterly Dividend	500.00	-
	2,000,000.000 (previous year Nil) IDFC Fixed Maturity 100 days Series - Dividend	200.00	-
		2,417.07	-
		10,038.23	5,540.70
	Aggregate cost of quoted investments	0.02	0.02
	Aggregate cost of unquoted investments	10,038.21	5,540.68
	* Deposited with government departments	0.82	0.52

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

- 112,259.063 units of Reliance Money Manager Fund-Retail Option-Growth Plan- purchased at cost of Rs. 1,410.00 lacs and sold at Rs. 1,412.59 lacs
- 650,279.620 units of Reliance Liquid Fund-Treasury Plan-Institutional Option-Growth Option-Growth Plan-purchased at a cost of Rs. 150.00 lacs and sold at Rs. 150.34 lacs
- 5,000,000.000 units of HDFC FMP 100D September 2010 (5)-Dividend Series XIV- purchased at cost of Rs. 500.00 lacs and sold at Rs. 500.00 lacs
- 14,952,898.370 units of HDFC Cash Management Fund-Treasury Advantage Plan-Wholesale-Daily Dividend- purchased at cost of Rs. 1,500.00 lacs and sold at Rs. 1,500.00 lacs
- 5,000,000.000 units of LIC Nomura MF Interval Fund-Series I-Monthly Dividend Plan purchased at cost of Rs. 500.00 lacs and sold at Rs. 500.00 lacs

Schedules forming part of the financial statements

(Rs. in lacs)

SCHEDULE 7	Inventories	As at 31 March 2011	As at 31 March 2010
(As taken, valued and certified by the management)			
Stores, spares and packing materials		3,422.95	2,522.93
Raw materials and components		2,201.56	1,224.22
Stock-in-process		760.10	499.36
Goods in transit*		56.68	72.12
Finished goods including goods purchased for sale		14,257.67	11,340.04
		20,698.96	15,658.67

* Includes raw materials and components Rs. Nil (previous year Rs. 30.06 lacs) and stores and spares Rs. 56.68 lacs (previous year Rs. 42.06 lacs)

SCHEDULE 8	Sundry debtors		
(Unsecured unless otherwise stated)			
Debts outstanding for a period exceeding six months:			
Considered good			
Secured		18.42	-
Others		77.38	46.53
Considered doubtful		111.21	73.50
Other debts:			
Considered good			
Secured		387.42	339.48
Others		15,664.86	13,587.71
Considered doubtful		78.50	414.24
		16,337.79	14,461.46
Less: Provision for doubtful debts		189.71	487.74
		16,148.08	13,973.72

SCHEDULE 9	Cash and bank balances		
Cash in hand		56.59	34.67
Remittance-in-transit		1,559.36	517.37
Balances with scheduled banks in:			
Current accounts		117.06	148.17
Deposit accounts *		757.96	875.86
Unpaid dividend accounts		46.79	44.37
Bonus fraction 2005 account		0.34	0.34
Share fraction 2006 account		0.30	0.30
With post office in savings account (pledged)		0.04	0.04
		2,538.43	1,621.12

* Rs. 748.78 lacs (previous year Rs. 543.53 lacs) are pledged with banks as margin money

SCHEDULE 10	Other current assets		
Interest accrued but not due on loans and deposits		41.05	44.99
		41.05	44.99

Schedules forming part of the financial statements

(Rs. in lacs)

		As at 31 March 2011	As at 31 March 2010
SCHEDULE 11	Loans and advances		
(Unsecured, considered good except where otherwise stated)			
Advances recoverable in cash or in kind or for value to be received *		1,664.96	3,447.07
(including Rs. 28.83 lacs (previous year Rs 26.89 lacs) considered doubtful of recovery)			
Balances with excise/sales tax authorities		1,382.09	2,127.69
Deposits		725.65	590.55
MAT credit entitlement		1,490.55	1,085.70
		5,263.25	7,251.01
Less: Provision for doubtful advances		28.83	26.89
		5,234.42	7,224.12

* Advances recoverable in cash or in kind includes share application money amounting to Rs. Nil (previous year Rs. 779.96 lacs) given to Halis International Limited, Mauritius, wholly owned subsidiary of the Company

SCHEDULE 12	Current liabilities and provisions		
a) Current liabilities			
Acceptances		644.09	478.06
Sundry creditors for goods, services and expenses			
Due to micro, small and medium enterprises (refer note 5 of schedule 20)		241.22	58.79
Others		12,131.67	9,736.08
Interest accrued but not due on loans		248.69	249.63
Advances against sales/ orders		587.66	333.73
Investor education and protection fund**			
Unclaimed dividend		46.78	44.37
Unclaimed share fraction 2006		0.30	0.30
Unclaimed bonus fraction 2005		0.34	0.34
Other liabilities*		5,157.80	3,687.82
		19,058.53	14,589.12
b) Provisions			
Employee benefits		349.76	297.32
Income tax		183.73	144.74
(net of advance payment of Rs. 4,450.70 lacs, previous year Rs. 3,701.88 lacs)			
Proposed dividend		1,651.16	1,100.51
Tax on proposed dividend		267.86	187.03
		2,452.51	1,729.60
		21,511.04	16,318.72

* Including excise duty payable Rs. 1,201.92 lacs (previous year Rs 1,120.87 lacs) on finished goods lying at the Company's bonded warehouses

** Not due for deposit

Schedules forming part of the financial statements

(Rs. in lacs)

	Year ended 31 March 2011	Year ended 31 March 2010
SCHEDULE 13 Income from operations		
Sale of goods (net of returns)		
Domestic		
Sanitaryware, fittings and glassware	1,04,009.69	77,645.08
Export		
Sanitaryware, fittings and glassware	6,503.99	5,575.24
(including deemed export Rs. 3,204.48 lacs (previous year Rs. 3,221.93 lacs))		
	1,10,513.68	83,220.32
Others		
Scrap and other sales	414.61	352.39
	1,10,928.29	83,572.71

SCHEDULE 14 Other income		
Operating income		
Export incentives	346.66	352.32
Sundry balances and liabilities no longer required written back	275.19	141.92
Foreign exchange gain	179.14	295.19
Insurance claims received	183.27	142.67
Annual maintenance charges	24.90	21.57
Service charges	9.89	10.03
Provision for doubtful debts written back	482.15	150.00
Miscellaneous receipts	187.79	118.70
Total operating income	1,688.99	1,232.40
Non-operating income		
Rent received *	35.56	24.13
Dividend received on investment in liquid mutual funds (non-trade - unquoted)	76.02	-
Interest income (gross) on: *		
- Loans to bodies corporate	2.86	0.20
- Deposits with banks	66.83	89.36
- Advance to suppliers	10.92	16.60
- Other accounts	2.03	-
Profit on sale of investments in liquid mutual funds (non trade - unquoted)	2.93	0.46
Profit on disposal of fixed assets	162.95	28.56
Total non-operating income	360.10	159.31
Total other income	2,049.09	1,391.71
* Income tax deducted at source	7.78	16.15

Schedules forming part of the financial statements

(Rs. in lacs)

SCHEDULE 15		As at	As at
Increase in stocks		31 March 2011	31 March 2010
Opening stocks			
Finished goods including goods purchased for resale		11,340.04	11,014.25
Stock-in-process		499.36	333.43
		11,839.40	11,347.68
Add: Stocks bought over as per business transfer agreement with Havells India Limited		253.82	-
		12,093.22	11,347.68
Less: Closing stocks			
Finished goods including goods purchased for resale		14,257.67	13,059.09
Stock-in-process		760.10	469.57
Less: Obsolete inventories written off		-	(2,131.99)
Add: Transferred from business reconstruction reserve (refer note 21 of schedule 20)		-	2,131.99
		15,017.77	13,528.66*
		2,924.55	2,180.98
Less: Excise duty on increase in stock:			
Excise duty on opening stock		1,120.87	780.27
Less: Excise duty on closing stock		1,201.92	1,089.44*
		81.05	309.17
Increase in stocks		2,843.50	1,871.81

* (Includes adjustment of business reconstruction reserve and capitalisation of trial run at Bhongir plant)

SCHEDULE 16	Personnel cost		
Salaries, wages and bonus		10,453.20	7,471.26
Contribution to provident and other funds		605.44	368.78
Staff and labour welfare expenses		450.14	399.26
		11,508.78	8,239.30

Schedules forming part of the financial statements

(Rs. in lacs)

SCHEDULE 17	Manufacturing, selling and general expenses	Year ended 31 March 2011	Year ended March 31, 2010
Raw materials consumed *		17,500.59	13,939.09
Stores and spares consumed		3,305.40	2,843.34
Excise duty on stock transfers and others		171.27	99.84
Packing materials consumed		5,489.65	3,749.47
Power and fuel		19,904.74	16,687.09
Repairs to:			
Buildings		290.27	130.12
Plant and machinery (excluding stores consumption)		632.68	565.57
Other assets		230.04	201.48
Rent (including hire charges)		376.60	271.75
Rates and taxes		49.43	61.48
Directors fees		1.02	1.18
Expenditure on ceramic and applied research centre		34.62	24.67
Insurance		230.00	170.27
Traveling and conveyance		1,244.00	876.15
Discount		2,418.89	1,774.57
Commission on sales		362.12	249.99
Expenses on exports		469.58	391.79
Advertisement and publicity		781.23	1,040.93
Other selling and distribution expenses		3,888.23	3,250.02
Provision for doubtful debts and advances		186.06	-
Bad debts and advances written off		13.99	1,291.99
Charity and donations		56.85	60.22
Foreign exchange fluctuation		99.06	182.39
Loss on disposal and assets written off		10.02	69.77
Miscellaneous expenses		1,654.85	1,286.43
		59,401.19	49,219.60
Less: Transferred from business reconstruction reserve (refer note 21 of schedule 20)		-	1,600.64
		59,401.19	47,618.96

* Includes accessories and fittings aggregating to Rs. 1,461.79 lacs (previous year Rs. 548.39 lacs)

SCHEDULE 18	Interest		
On term loans		2,974.57	2,846.03
Others*		588.70	1,162.64
		3,563.27	4,008.67

* Includes Rs. 17.61 lacs (Previous Year Rs. 393.92 lacs) paid on account of discounting charges of commercial paper.

Schedules forming part of the financial statements

SCHEDULE 19

Significant Accounting Policies

1. Basis of preparation

The financial statements are prepared on accrual basis under the historical cost convention, as supplemented by revaluation of certain fixed assets, 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 including the Rules framed thereunder, except as specifically stated in note 21 of schedule 20 and also the Scheme of Arrangement as approved by the Hon'ble High Court of Calcutta. 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 amounts 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 a time proportion basis at the applicable rates.

4. Fixed assets

Tangible

Tangible assets are stated at cost of acquisition less accumulated depreciation and impairment losses, if any. 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 restoration/ modification/ alteration in plant and machinery/ building, which increases the future benefit from the existing asset beyond its previously assessed standard of performance/ estimated useful life, 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.

5. Depreciation and amortisation

A. 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 01 July 1987 in the Glass Division, Sanathnagar, Andhra Pradesh 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. 11,604.27 lacs (previous year Rs. 11,245.15 lacs) used in the glass divisions, 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;

Schedules forming part of the financial statements

- iii. cost of leasehold improvements is amortised over the period of the lease or estimated useful life of the leasehold improvements, whichever is lower.
- iv. pre-operative expenditure including borrowing cost (net of revenue, where applicable) and foreign exchange differences on specific project loans incurred during the construction/trial run of the project is allocated on an appropriate basis to fixed assets upon commissioning.

B. Intangible

- i. Technical knowhow is being amortised over a period of ten years; and
- ii. Computer software (included in Computers in Schedule 5) are amortised over a period of six years

The depreciation and amortisation rates are indicative of the expected useful lives of the assets.

6. 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 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.

7. Inventories

a) Inventories are valued as follows:

Stores and spares, packing materials, raw materials including components and goods in transit - 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 up to 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.

8. 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 balance sheet date. Differences arising on such restatement are recognised in the profit and loss account except to the extent permitted by the transitional provisions contained in the Companies (Accounting Standards) Amendment Rules, 2009 in respect of long term foreign currency monetary items, in which case the cost of fixed assets are adjusted by the translation differences and amortised over the remaining useful life of the related asset.

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.

Forward exchange contracts and other currency derivative contracts that are not in principle forward contracts in accordance with Accounting Standard 11 'Effect of change in Foreign Exchange Rates' that are entered to hedge the foreign currency risk

Schedules forming part of the financial statements

of highly probable forecast transactions and firm commitments are marked to market at the balance sheet date and exchange loss is recognised in the profit and loss account immediately. Any gain is ignored and not recognised in the financial statements, in accordance with the principles of prudence enunciated in Accounting Standard 1- Disclosure of Accounting Policies.

9. Taxes on income

Tax expense comprises current income tax and deferred income tax.

Current tax is determined as the amount of tax payable in respect of taxable income for the year, in accordance with the Income Tax Act, 1961.

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.

Minimum Alternate Tax ('MAT') credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in guidance note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT credit entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent it is not reasonably certain that the Company will pay normal income tax during the specified period.

10. 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.

11. 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 term of the lease.

b) Finance Lease

Assets acquired on finance lease which transfer risk and rewards of ownership to the Company are capitalised 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. Amortisation 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.

12. 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" as notified by Companies (Accounting Standards) Rules, 2006:

a) Provident fund

The Company makes contributions to two independently constituted trusts recognised by income tax authorities and regional provident fund. In terms of the Guidance on implementing the revised AS – 15, issued by the Accounting Standard Board of the Institute of Chartered Accountants of India (the 'ICAI'), the provident fund set up by the Company is treated as a defined benefit plan since the Company has to meet the interest shortfall, if any. Accordingly, the contribution paid or payable and the interest shortfall, if any is recognised as an expense in the period in which services are rendered by the employee.

Schedules forming part of the financial statements

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 recorded as expense or income in the profit and loss account in the year in which such gains or losses arise.

c) **Compensated absence**

Liability in respect of compensated absences becoming due or expected to be availed within one year from the balance sheet date is recognised on the basis of undiscounted value of estimated amount required to be paid or estimated value of benefit expected to be availed by the employees. Liability in respect of compensated absences becoming due or expected to be availed more than one year after the balance sheet date is estimated on the basis of actuarial valuation performed by an independent Actuary using the projected unit credit method. Actuarial gains or losses are recognised in the profit and loss account in the year they arise.

d) **Other short term benefits**

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

13. **Earnings per share**

Basic earnings per share is calculated by dividing net profit or loss for the year attributable to equity shareholders by weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year 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 year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

14. **Impairment of assets**

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

15. **Contingent liabilities and provisions**

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 the obligation can be made.

A disclosure is made for a contingent liability when there is a:

- possible obligation, the existence of which will be confirmed by the occurrence/non-occurrence of one or more uncertain events, not fully within the control of the Company;
- present obligation, where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- present obligation, where a reliable estimate cannot be made.

Schedules forming part of the financial statements

SCHEDULE 20

Notes to the Financial Statements

		(Rs. in lacs)
	2011	2010
1. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances Rs. 2,543.14 lacs; previous year Rs. 1,592.87 lacs)	11,167.13	2,965.21
2. Contingent liabilities not provided for in respect of:		
a) Demands raised by the excise authorities against which appeals have been filed	302.89	124.28
b) Demands raised by the income tax authorities against which appeals have been filed	5.71	182.29
c) Demands made by the sales tax authorities against which appeals have been filed	219.91	172.50
d) Bank guarantees including those given for availment of credit facilities by a subsidiary Company for Rs. 1,835 lacs. Amount outstanding as at year end is:	2,815.25	1,229.25
e) Claims against the Company not acknowledged as debts	2,001.30	1,964.20
f) Duty availed on imports against EPCG licenses	2,569.82	2,859.88
3. Unfulfilled export obligation under EPCG license of EXIM Policy	20,558.57	22,879.02
4. Other liabilities include:		
Directors' commission payable	1,238.08	492.85
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 forty five days payable to these identified entities at any time during the year.		

6. Miscellaneous expenses include payments to auditors for:

		(Rs. in lacs)
	2011	2010
a) Audit fee	15.44	12.13
b) Tax audit fee	2.21	1.65
c) Certification and other services	5.13	2.10
d) Reimbursement of expenses (including service tax wherever applicable)	4.53	2.74
	27.31	18.62

7. Employee benefits

During the year the Company has recognised the following amounts in the profit and loss account:

a) Provident fund and other funds*:		(Rs. in lacs)
	2011	2010
Employer's contribution to provident fund **	348.67	281.84
Employer's contribution to ESI	101.83	63.73

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

** The Fund does not have any existing deficit or interest shortfall. In regard to any future obligation arising due to interest shortfall, pending the issuance of the Guidance Note from the Actuarial Society of India, the measurement of actuarial valuation liability towards Provident Fund is not feasible. Accordingly, other related disclosures in respect of provident fund have not been furnished.

Schedules forming part of the financial statements

b) Defined benefit plan

	(Rs. in lacs)	
	2011 Gratuity Funded	2010 Gratuity Funded
Amount recognised in the balance sheet :		
Present value of obligations	1,095.89	1,006.32
Fair value of plan assets	1,114.43	1,072.59
Net (asset)/liability recognised in the balance sheet	(18.54)	(66.27)
Amount recognised in profit and loss account :		
Current service cost	87.82	89.33
Past service cost	120.89	-
Interest cost	76.16	61.25
Expected return on plan assets	(85.81)	(69.20)
Actuarial (gain)/ loss (net)	(76.34)	(110.40)
Total included in 'Personnel Cost' *	122.72	(29.02)
Actual return on plan assets	75.57	205.53
* Refer schedule 16		
Reconciliation of opening and closing balances of benefit obligations and plan assets		
Change in defined benefit obligation :		
Opening defined benefit obligation	1,006.32	920.29
Current service cost	87.82	89.33
Past Service cost	120.89	-
Interest cost	76.16	61.25
Benefits paid	(108.72)	(90.48)
Actuarial (gain)/ loss	(86.58)	25.93
Closing defined benefit obligation	1,095.89	1,006.32
Change in fair value of plan assets :		
Fair value of plan assets at the beginning of the year	1,072.59	865.06
Expected return on plan assets	85.81	69.20
Actuarial gain/ (loss)	(10.24)	136.33
Employer's contribution	75.00	92.48
Contribution by plan participants	-	-
Settlement cost	-	-
Benefits paid	(108.73)	(90.48)
Fair value of plan assets at the end of the year	1,114.43	1,072.59
Assumptions used to determine the benefit obligations :		
Discount rate	8.00%	7.00%
Expected rate of increase in compensation levels	5.00%	6.00%
Expected rate of return on plan assets	8.00%	8.00%
Expected average remaining working lives of employees	17 Years	16 Years

Schedules forming part of the financial statements

	(Rs. in lacs)				
Amounts for the current and previous periods are as follows:	2010-11	2009-10	2008-09	2007-08	2006-07
Defined benefit plan – Gratuity					
Defined benefit obligation	(1,095.89)	(1,006.32)	(920.29)	(998.18)	(762.63)
Plan Assets	1,114.43	1,072.59	865.06	927.55	752.70
Surplus/ (deficit)	18.54	66.27	(55.23)	(70.63)	(9.93)

The Company made annual contribution to the Birla Sun Life Insurance Company Limited ('BSL') of an amount advised by them. The Company was not informed by BSL of the investment made or the break down of plan assets by investment type, accordingly related disclosures are not included in these financial statements.

c) Other long term benefit plans

	(Rs. in lacs)	
	2011 Leave encashment	2010 Leave encashment
Amount recognised in the balance sheet :		
Present value of obligations	349.76	297.32
Fair value of plan assets	-	-
	349.76	297.32
Unrecognised past service cost	-	-
Net liability recognised in the balance sheet	349.76	297.32
Amount recognised in profit and loss account:		
Current service cost	49.00	40.06
Interest cost	23.79	15.46
Expected return on plan assets	-	-
Actuarial (gain)/ loss (net)	64.74	82.78
Past service cost	-	-
Curtailment and settlement cost/(gain)	-	-
Total included in 'Personnel Cost' *	137.53	138.30
Actual return on plan assets	-	-
* Refer schedule 16		
Reconciliation of opening and closing balances of benefit obligations		
Change in benefit obligation		
Opening benefit obligation	297.32	206.14
Current service cost	49.00	40.06
Interest cost	23.79	15.46
Benefits paid	(85.09)	(47.12)
Curtailment and settlement cost/ (credit)	-	-
Contribution by plan participants	-	-
Past service cost	-	-
Actuarial (gain)/ loss	64.74	82.78
Closing benefit obligation	349.76	297.32
Assumptions used:		
Discount rate	8.00%	7.50%
Expected rate of increase in compensation levels	5.50%	5.00%
Expected average remaining working lives of employees	21.04 Years	19.67 Years

Schedules forming part of the financial statements

8. Deferred tax

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

	2011	2010
(Rs. in lacs)		
Deferred tax liability		
On fiscal allowances on fixed assets	7,092.54	6,229.74
Other timing differences	290.20	-
	7,382.74	6,229.74
Deferred tax assets		
On provision for doubtful debts, loans and advances	70.90	174.92
Other timing differences	-	642.97
	70.90	817.89
Deferred tax liability (net)	7,311.84	5,411.85

9. Earnings per share

	2011	2010
(Rs. in lacs)		
Basic earnings per share		
Profit after tax before prior period	8,754.22	5,654.25
Less: Prior period item	(19.02)	(411.54)
Profit attributable to equity shareholders after prior period	8,735.20	5,242.71
Number of shares	66,046,395	55,025,508
Weighted average number of shares outstanding during the year.	60,369,883	55,025,508
Nominal value per share (Rs.)	2	2
Earnings per share – basic and diluted before prior period (Rs.)	14.50	10.28
Earnings per share – basic and diluted after prior period (Rs.)	14.47	9.53

10. Related party transactions

a) Name of related parties and description of relationship:

(i) Subsidiaries – AGI Glasspack Limited.

Hindware Home Retail Private Limited.

HSIL Associates Limited.

Alchemy International Cooperatief U.A.

Haas International B.V.

Halis International Limited, Mauritius

Barwood Products Limited {formerly Barwood Products (Staffordshire) Limited, name changed w.e.f. 16 December 2010}

(ii) Key management personnel

(Name of the relatives of key management personnel with whom the Company had transactions during the year are listed below).

Mr. Rajendra K Somany

Mr. Sandip Somany

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

(a) Textool Mercantiles Private Limited

(b) Paco Exports Limited

(c) New Delhi Industrial Promoters and Investors Limited

(d) Soma Investments Limited

(e) Hindusthan National Glass & Industries Limited

Schedules forming part of the financial statements

11. Related party disclosures

(Rs. in lacs)

Particulars	Subsidiaries		Key management Personnel and their Relatives		Other parties which significantly influence/ are influenced by the Company (either individually or otherwise)	
	2011	2010	2011	2010	2011	2010
A. a) Sale of Goods Hindware Home Retail Private Limited	279.23	89.10	-	-	-	-
b) Purchase of trading goods Hindware Home Retail Private Limited	2.76	0.94	-	-	-	-
c) Purchase of capital goods Hindware Home Retail Private Limited	4.96	-	-	-	-	-
d) Expenses paid on behalf of subsidiary Hindware Home Retail Private Limited	6.29	7.21	-	-	-	-
e) Expenses paid by subsidiary on our behalf Hindware Home Retail Private Limited	50.85	-	-	-	-	-
f) Rent paid						
Mr. Rajendra K Somany	-	-	4.80	4.80	-	-
Textool Mercantiles Private Limited	-	-	-	-	0.50	0.47
Paco Exports Limited	-	-	-	-	16.80	9.80
g) Display charges Hindware Home Retail Private Limited	180.00	195.00	-	-	-	-
h) Investment made Hindware Home Retail Private Limited	1,300.00	1,110.00	-	-	-	-
Alchemy International Cooperatief U.A	-	0.12	-	-	-	-
AGI Glasspack Limited	-	148.32	-	-	-	-
Halis International Limited	-	6.95	-	-	-	-
i) Share application money Halis International Limited	-	779.96	-	-	-	-
j) Balance outstanding at the year end (receivable)/ payable						
Hindware Home Retail Private Limited	108.89	210.78	-	-	-	-
Halis International Limited	-	(779.96)	-	-	-	-
B. Directors remuneration						
Mr. Rajendra K Somany	-	-	666.40	310.58	-	-
Mr. Sandip Somany	-	-	657.06	289.26	-	-
Balance outstanding at the year end-payable						
Mr. Rajendra K Somany	-	-	550.26	211.22	-	-
Mr. Sandip Somany	-	-	550.26	211.22	-	-

Schedules forming part of the financial statements

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. Un-hedged position

The foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below as of each balance sheet date:

	(Rs. in lacs)	
	2011	2010
Receivables and advances:		
Exports outstanding	474.57	610.89
Payables:		
Payable on imports	725.13	489.34
Loans:		
Buyers credit	4,330.73	1,630.53
Term Loan	891.80	-

Details of Derivative Instruments outstanding as on 31 March 2011

(Figures in brackets are for previous year)

Particulars of Hedged derivatives	Purpose
Sell (in US\$)	
5,000,000	Hedge of future receipts towards External Commercial Borrowings
(-)	
600,000	Hedge of future receipts towards export
(250,000)	
Buy (in US\$)	
-	Hedge of future payments towards foreign creditors
(1,224,720)	
48,787,594	Hedge of future payments towards External Commercial Borrowings
(49,750,000)	

14. Payment to Directors*

	(Rs. in lacs)	
	2011	2010
a) Salary	178.43	153.43
b) Contribution to provident fund	21.41	18.41
c) Leave encashment paid	18.60	-
d) Commission	1,238.08	492.85
e) Monetary value of perquisites	4.51	5.55
f) Directors' sitting fee	1.02	1.18
Total	1,462.05	671.42

* 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

Computation of net profit in accordance with Section 198 of the Companies Act, 1956 and the commission payable to Directors

	2011	2010
Net profit before tax	12,746.34	6,567.61
Add: Directors' remuneration including Directors' fee	1,462.05	671.42
	14,208.39	7,239.03
Less: Provisions for doubtful debts and advances written back (net)	296.09	150.00
Less: Profit on sale of fixed assets (net)	152.93	18.54
Less: Profit on sale of investments (net)	2.93	0.46
Net profit for the year in accordance with section 198 of the Companies Act, 1956	13,756.44	7,070.03
i) Commission payable to Wholetime Directors		
a) Chairman & Managing Director	550.26	211.22
(Restricted to 4% (previous year 3%) of net profit as calculated above)		
b) Joint Managing Director	550.26	211.22
(Restricted to 4% (previous year 3%) of net profit as calculated above)		
ii) Commission payable to Non-Wholetime Directors	137.56	70.41
(Restricted to 1% (previous year 1%) of net profit as calculated above)		

15. Particulars relating to foreign exchange

	2011	2010
a) Value of imports calculated on C.I.F. basis		
Raw materials and components	5,750.90	4,668.61
Spares	1,449.09	822.09
Capital goods	799.46	1,432.05
Goods purchased for resale	5,107.16	3,441.53
Total	13,106.61	10,364.28
b) Expenditure in foreign currency		
Commission on exports	-	19.78
Travelling	209.24	129.35
Consultancy fee (net of tax)	366.00	413.72
Interest to bank (net of tax)	707.40	759.12
Rent	4.93	2.34
Others	4.72	19.45
Total	1,292.29	1,343.76
c) Earnings in foreign exchange		
FOB value of export of goods	2,408.64	1,975.49
Total	2,408.64	1,975.49

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

	2011	2010
Raw material and components:		
	Value	Value
Imported	6,052.86	5,292.04
Indigenous	11,447.73	8,647.05
Total	17,500.59	13,939.09
Stores and spare parts consumed:		
	Value	Value
Imported	540.60	392.67
Indigenous	2,764.80	2,450.67
Total	3,305.40	2,843.34

Schedules

forming part of the financial statements

16 Particulars in respect of goods manufactured / traded

Class of Goods	Unit of Measurement	Licensed/ Registered Capacity	Installed Capacity	Production Qty.	Purchase Value	Opening Stock		Closing Stock		Sales	
						Qty.	Value	Qty.	Value	Qty.	Value
(Rs. in lacs)											
Sanitaryware, fittings and other allied products	M.T.	NA	28,000	31,166	15,855.94	10,771	6,438.00	11,835	8,539.28	30,102	51,670.01
			(28,000)	(23,167)	(10,798.68)	(14,205)	(8,847.53)	(10,697)	(6,326.37)	(26,675)	(38,161.36)
Plaster of Paris	M.T.	NA	3,000	894	-	6	2.06	-	-	900	-
			(3,000)	(466)	-	(56)	(3.24)	(6)	(2.06)	(516)	-
Refractories	M.T.	NA	1,200	-	-	-	-	-	-	-	-
			(1,200)	-	-	-	-	-	-	-	-
Zirconium Opacifier	M.T.	NA	600	-	-	-	-	-	-	-	-
			(600)	-	-	-	-	-	-	-	-
Heat Rings	NOS.	NA	5,00,000	32,500	-	42,800	-	22,800	-	52,500	2.13
			(5,00,000)	(1,00,650)	-	(40,600)	-	(42,800)	-	(98,450)	(2.40)
Acid Resistant Tiles	NOS.	NA	6,50,000	-	-	160	-	160	-	-	-
			(6,50,000)	-	-	(160)	-	(160)	-	-	-
Glass Bottles / Containers	Lac Pcs.	NA	16,431	12,677	-	2,066	5,011.61	2,185	5,718.39	12,558	58,841.54
			(16,431)	(11,756)	-	(942)	(2,163.48)	(2,066)	(5,011.61)	(10,632)	(45,056.56)
Scrap & Other Sales			-	-	-	-	-	-	-	-	414.61
			-	-	-	-	-	-	-	-	(352.39)

- 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
- 6 Opening Stock in sanitaryware includes inventory received pursuant to business transfer agreement with Havells India Limited

Schedules forming part of the financial statements

17. Raw material and components consumed

(Rs. in lacs)

Description	2011		2010	
	Qty. (M.T.)	Value	Qty. (M.T.)	Value
Clays	26,955	819.53	20,561	649.57
Soda Ash	48,051	5,864.32	42,143	4,973.89
Cullets	101,936	3,802.99	93,827	3,226.56
Quartz/Feldspar	15,541	271.22	10,724	236.04
Others	-	6,742.53	-	4,853.03
Total		17,500.59		13,939.09

18. Expenditure during construction period

(Rs. in lacs)

	2011	2010
Balance brought forward from previous year	-	-
Add:		
- Raw material consumed	-	397.88
- Packing material consumed	-	55.74
- Repairs	-	3.74
- Selling expenses	-	1.82
- Stores and spares consumed	-	204.27
- Power and fuel	-	476.27
- Insurance	-	5.49
- Rates and taxes	-	0.29
- Traveling and conveyance	-	7.88
- Rent and hiring charges	-	19.08
- Salary, wages and bonus	-	66.45
- Contribution to provident and other funds	-	2.61
- Staff and labour welfare expenses	-	2.77
- Interest paid	-	226.48
- Foreign exchange fluctuation loss	-	54.02
- Miscellaneous expenses	-	20.35
Total (A)	-	1,545.14
Less :		
- Sales	-	636.42
- Increase in stocks including excise duty	-	411.30
- Miscellaneous receipts	-	10.94
- Miscellaneous sales	-	0.97
- Interest received	-	18.45
- Provision for taxation	-	(6.27)
- Insurance claim received	-	-
Total (B)	-	1,071.81
Total (A-B)	-	473.33
Allocated to fixed assets	-	473.33
Balance allocated to capital work-in-progress	-	-
Balance carried forward	-	-

Schedules forming part of the financial statements

(Rs. in lacs)

19. Expenditure on ceramic and applied research centre	2011	2010
Salaries, wages and bonus	29.41	16.19
Contribution to provident and other funds	1.62	0.84
Stores and spares consumed	3.59	7.64
Total	34.62	24.67

20. Upto 31 March 2008, the Company was recognising translation differences arising on long term foreign currency monetary items (i.e. monetary assets or liabilities expressed in foreign currency and having a term of 12 months or more at the date of origination) in the profit and loss account. Pursuant to Companies (Accounting Standards) Amendment Rules, 2009, the Company has exercised the option of deferring the recognition of Profit and Loss account in respect of accounting periods commencing on or after 07 December 2006. As a result, net foreign exchange transaction gain amounting to Rs. 1,377.58 lacs relating to the acquisition of depreciable capital assets have been adjusted with cost of such assets.

21. The Hon'ble Calcutta High Court vide its order dated 26 March 2010 approved a scheme of arrangement between the Company and its shareholders ("the Scheme"). The Scheme provides that with effect from 01 April 2009, the Appointed Date, all or such of the immovable properties in the form of land and buildings, as the Company considers relevant and appropriate, will be reinstated at their respective fair values as determined by recognised valuers. Consequently, any adjustments (debit/credit) on account of such revaluation would be reflected in Business Reconstruction Reserve Account ("BRR") of the Company.

The Scheme provides that in addition to the aforementioned revaluation, any or all of the immovable properties in the form of land and buildings, as the Company considers relevant and appropriate up to 31 March 2012, may further be reinstated at their respective fair values as determined by recognised valuers with the consequent adjustments (debit/credit) on account of such revaluation being reflected in the Business Reconstruction Reserve Account of the Company.

The Scheme further provides that the aggregate amount under the BRR created by way of revaluation of land and buildings would be utilised, to the extent considered necessary and appropriate by the Board of Directors of the Company from time to time, to adjust certain expenses as mentioned in the Scheme until the balance is available in the BRR account.

In terms of the Scheme, during the year ended 31 March 2010 the Company revalued one of its freehold land by crediting Rs. 23,500.00 lacs to the BRR and has transferred Rs. 3,732.63 lacs from the BRR to the profit and loss account for the year ended 31 March 2010, as deemed appropriate by the Board of Directors on account of the certain expenses charged to the profit and loss account.

Pursuant to the Scheme, the Company also transferred Rs. 10,000 lacs from the BRR to the General Reserve as on 31 March 2010. As per undertaking provided by the Company to Stock Exchange, the amount so transferred to the General Reserve shall not be utilised for either payment of dividends or issue of bonus shares in accordance with the provisions of the Companies Act, 1956.

22. The Company vide Business Transfer Agreement ('the Agreement') dated 16 March 2010 acquired, w.e.f. 01 May 2010, the industrial undertaking of the faucet division of Havells India Limited located at Bhiwadi in the State of Rajasthan as a going concern on 'as is where is basis'. The total purchase consideration of Rs. 1,643.91 lacs has been allocated to the acquired assets and liabilities on the basis of a valuation exercise performed by a approved independent valuer:-

(Rs. in lacs)

Fixed assets	662.00
Technical know-how	207.30
Current assets	1,123.59
	1,992.89
Less: Current liabilities	326.12
Trade deposits	22.86
Net consideration paid	1,643.91

Some of the licenses and registrations still continue in the name of Havells India Limited, which are in the process of being transferred in the Company's name.

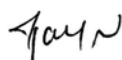
Schedules forming part of the financial statements

23. On 06 October 2010, the Company allotted 11,020,887 equity shares of Rs. 2 each at a price of Rs. 136.10 aggregating to Rs. 14,999.43 lacs to Qualified Institutional Buyers (QIBs) under a qualified institutional placement offer. The abovementioned shares have been listed on both BSE and NSE and trading permission were received on 08 October 2010. Detail of utilisation of funds so raised is as follows:-

Particulars	(Rs. in lacs)
Issue expenses debited to the securities premium account	474.82
Repayment of working capital facilities	13,000.00
Temporary investments made in mutual funds	1,524.61

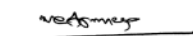
24. Segment information, as required under AS-17 "Segment Reporting", has been provided in the consolidated financial statements of the Company and therefore no separate disclosure on segment information is given in these standalone financial statements.
25. Prior period item comprise of income tax corrections of Rs. 19.02 lacs (previous year Rs. 134.54 lacs) and deferred tax correction of Rs. Nil (previous year Rs. 277.00 lacs).
26. Previous year figures have been regrouped /recast wherever considered necessary to make them comparable with those of the current year.

For and on behalf of the Board of Directors



Payal M. Puri

Company Secretary



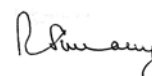
V .K . Ajmera

Vice President (Corporate Finance)



Sandip Somany

Joint Managing Director



Rajendra K Somany

Chairman & Managing Director

Place : Gurgaon

Date : 18 May 2011

Balance Sheet Abstract and Company's General Business Profile

i Registration Details

Registration No./CIN : L51433 WB1960PLC024539 State Code No. : 21
Balance Sheet Date : 31 03 2011

ii. Capital raised during the year (Rs. in lacs)

Public Issue : NIL Right Issue : NIL
Bonus Issue : NIL Private Placement : 220

iii. Position of mobilisation and deployment of funds (Rs. in lacs)

Total Liabilities : 116794 Total Assets : 116794

Sources of Funds

Paid-up Capital : 1321 Reserves & Surplus : 68795
Secured Loans : 33719 Unsecured Loans : 5647
Deferred Taxation : 7312

Application of Funds

Net Fixed Assets : 83606 Investments : 10038
Net Current Assets : 23150 Miscellaneous Expenditure : NIL
Accumulated Losses : NIL

iv. Performance of the Company (Rs. in lacs)

Net Turnover (including other income) : 105582 Total Expenditure : 92836
Profit Before Tax : 12746 Profit After Tax : 8735
Basic earning per share (Rs) : 14.47 Dividend % : 125

V. Generic Names of Two Principal Products of the Company

Item Code No. (ITC Code) : 69101000
Product/Service Description : SANITARY WARE
Item Code No. (ITC Code) : 70109000
Product/Service Description : GLASS BOTTLES

Payal M. Puri

Company Secretary

V.K. Ajmera

Vice President (Corporate Finance)

Sandip Somany

Joint Managing Director

Rajendra K Somany

Chairman & Managing Director

STATEMENT REGARDING SUBSIDIARY COMPANIES PURSUANT TO SECTION 212(3) OF THE COMPANIES ACT, 1956

(Rs. in lacs)

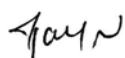
1	Name of Subsidiaries	AGI GlassPac (Subsidiary of HSIL Ltd.)	HSIL Associates Ltd. (Subsidiary of HSIL Ltd.)	Hindware Home Retail Pvt. Ltd. (Subsidiary of HSIL Ltd.)	Halis International Ltd. (Subsidiary of HSIL Ltd.)	Alchemy International Cooperatief U.A. (Subsidiary of Halis International Ltd.)	Haas International B.V. (Subsidiary of Alchemy International Cooperatief U.A.)	Barwood Products Ltd. (Subsidiary of Haas International B.V.)
2	Financial Year	31 March 2011	31 March 2011	31 March 2011	31 March 2011	31 March 2011	31 March 2011	31 March 2011
3	Holding company's Interest	100%	100%	100%	100%	0.01%	-	-
4	Shares held by holding company in subsidiary (Number)	4,449,517	50,000	22,000,000	1,765,000	180*	-	-
5	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	-	-	-	-	-	-	-
(b)	Not dealt with or provided for in the accounts of the holding company	(1.78)	(0.14)	(870.35)	(3.84)	(5.72)	(25.11)	(13.13)
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	-	-	-	-	-	-	-
(b)	Not dealt with or provided for in the accounts of the holding company	(1.45)	0.04	(860.96)	(4.42)	(4.62)	(6.46)	-

*This denotes member's contribution in Euro

STATEMENT OF FINANCIALS OF SUBSIDIARIES (INCLUDING SUBSIDIARIES OF SUBSIDIARIES)

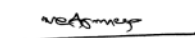
(Rs. in lacs)

1	Name of Subsidiaries	AGI GlassPac (Subsidiary of HSIL Ltd.)	HSIL Associates Ltd. (Subsidiary of HSIL Ltd.)	Hindware Home Retail Pvt. Ltd. (Subsidiary of HSIL Ltd.)	Halis International Ltd. (Subsidiary of HSIL Ltd.)	Alchemy International Cooperatief U.A. (Subsidiary of Halis International Ltd.)	Haas International B.V. (Subsidiary of Alchemy International Cooperatief U.A.)	Barwood Products Ltd. (Subsidiary of Haas International B.V.)
(a)	Capital	444.95	5	2,200	812.27	798.29	790.84	35.83
(b)	Reserves	983.49	0	2,100	(2.67)	(1.08)	15.88	285.84
(c)	Total Assets	1,423.16	4.72	2,606.67	800.14	786.67	775.15	366.68
(d)	Total Liabilities	1,423.16	4.72	2,606.67	800.14	786.67	775.15	366.68
(e)	Details of investment (except in case of investment in the subsidiaries)	73.98	4.59	0	0	0	0	0
(f)	Turnover	0	0	3,564.83	0	0	0	1,041.27
(g)	Profit before taxation	(1.78)	(0.14)	(870.35)	(3.84)	(5.72)	(25.11)	(16.77)
(h)	Provision for taxation	0	-	-	-	-	-	(3.64)
(i)	Profit after taxation	(1.78)	(0.14)	(870.35)	(3.84)	(5.72)	(25.11)	(13.13)
(j)	Proposed dividend	-	-	-	-	-	-	-



Payal M. Puri

Company Secretary



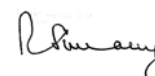
V.K. Ajmera

Vice President (Corporate Finance)



Sandip Somany

Joint Managing Director



Rajendra K Somany

Chairman & Managing Director

Consolidated Auditors' Report

To


The Board of Directors of HSIL Limited

1. We have audited the attached consolidated balance sheet of HSIL Limited ("the Company") and its subsidiaries collectively referred to as the "HSIL Group" as at 31 March 2011, 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 HSIL 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.
2. 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.
3. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs. 4,369.05 lacs as at 31 March 2011, the total revenue of Rs 1,041.27 lacs and cash out flows amounting to Rs 666.12 lacs 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.
4. We report that the consolidated financial statements have been prepared by HSIL Group's management in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India.
5. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiaries, 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 HSIL Group as at 31 March 2011;
 - (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

Firm Registration No: 001076N



per **B. P. Singh**

Partner

Place : Gurgaon

Date : 18 May 2011

Membership No. 70116

Consolidated Balance Sheet

(Rs. in lacs)

	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS			
Shareholders' fund			
Share capital	1	1,320.97	1,100.55
Reserves and surplus	2	65,866.96	45,628.48
		<u>67,187.93</u>	<u>46,729.03</u>
Loan funds			
Secured	3	34,907.87	30,126.29
Unsecured	4	5,646.79	19,136.52
		<u>40,554.66</u>	<u>49,262.81</u>
Deferred tax liability (net)		7,316.28	5,411.85
(Refer note 8 on Schedule 21)			
		<u>1,15,058.87</u>	<u>1,01,403.69</u>
APPLICATION OF FUNDS			
Fixed assets			
Gross block	5	1,09,757.15	1,03,589.83
Less: Accumulated depreciation and amortisation		<u>28,589.19</u>	<u>26,800.12</u>
Net block		81,167.96	76,789.71
Capital work-in-progress (including spares and capital advances)		5,629.94	806.49
		<u>86,797.90</u>	<u>77,596.20</u>
Investments	6	3,570.95	1,172.49
Current assets, loans and advances			
Inventories	7	22,233.08	16,257.80
Sundry debtors	8	16,373.47	14,191.88
Cash and bank balances	9	2,784.25	2,468.28
Other current assets	10	41.05	44.99
Loans and advances	11	5,676.96	6,736.33
		<u>47,108.81</u>	<u>39,699.28</u>
Less:			
Current liabilities and provisions			
Current liabilities	12	19,940.60	15,319.93
Provisions		<u>2,478.31</u>	<u>1,744.53</u>
		<u>22,418.91</u>	<u>17,064.46</u>
Net current assets		24,689.90	22,634.82
Miscellaneous expenditure	13	0.12	0.18
(To the extent not written off or adjusted)			
		<u>1,15,058.87</u>	<u>1,01,403.69</u>
Significant accounting policies	20		
Notes to the consolidated financial statements	21		

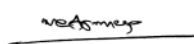
The schedules referred to above form an integral part of the consolidated financial statements

For and on behalf of the Board of Directors



Payal M. Puri

Company Secretary



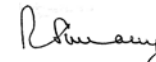
V.K. Ajmera

Vice President (Corporate Finance)



Sandip Somany

Joint Managing Director




Rajendra 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


Per **B. P. Singh**

Partner

Membership No. 70116

Place : Gurgaon

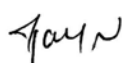
Date : 18 May 2011

Consolidated Profit and Loss Account

	Schedule	Year ended 31 March 2011	Year ended 31 March 2010
INCOME			
Income from operations	14	1,15,247.44	85,122.87
Less: Excise duty on sale of goods		7,395.55	4,699.20
		1,07,851.89	80,423.67
Other income	15	2,070.02	1,462.43
Increase in stocks	16	3,592.17	2,075.85
		1,13,514.08	83,961.95
EXPENDITURE			
Goods purchased for resale		18,983.07	11,912.34
Personnel cost	17	12,317.18	8,799.37
Manufacturing, selling and general expenses	18	61,209.93	48,511.25
		92,510.18	69,222.96
Profit before interest, depreciation, amortisation and tax		21,003.90	14,738.99
Interest	19	3,644.98	4,019.49
Depreciation and amortisation	5	5,536.31	5,029.36
Profit before tax and prior period items		11,822.61	5,690.14
Tax expense			
Current tax		2,488.90	1,095.18
MAT credit entitlement		(404.85)	(1,085.70)
Taxes for earlier years		-	0.38
Deferred tax		1,904.43	903.91
Profit after tax before prior period item		7,834.13	4,776.37
Prior period item			
Taxes for earlier years (refer note 22 of schedule 21)		(19.02)	(411.54)
Profit after tax and prior period item		7,815.11	4,364.83
Balance transferred from previous year		12,970.72	10,493.43
Balance available for appropriation		20,785.83	14,858.26
APPROPRIATIONS			
Transferred to general reserve		1,000.00	600.00
Proposed dividend on equity shares		1,651.16	1,100.51
Tax on proposed dividend		267.86	187.03
Balance carried to balance sheet		17,866.81	12,970.72
		20,785.83	14,858.26
Basic & diluted earning per share before prior period item (Rs.)		12.98	8.68
Basic & diluted earning per share after prior period item (Rs.)		12.95	7.93
(Refer note 11 on schedule 21)			
Significant accounting policies	20		
Notes to the consolidated financial statements	21		

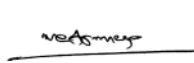
The schedules referred to above form an integral part of the consolidated financial statements

For and on behalf of the Board of Directors



Payal M. Puri

Company Secretary



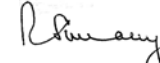
V.K. Ajmera

Vice President (Corporate Finance)



Sandip Somany

Joint Managing Director




Rajendra 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



Per **B. P. Singh**

Partner

Membership No. 70116

Place : Gurgaon

Date : 18 May 2011

Consolidated Cash Flow Statement

	Year ended 31 March 2011	(Rs. in lacs) Year ended 31 March 2010
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax	11,822.61	5,690.14
Adjustments for:		
Depreciation and amortisation	5,536.31	5,029.36
Miscellaneous expenditure	0.06	0.06
Profit on disposal of fixed assets (net)	(150.06)	(15.55)
Interest expense	3,644.98	4,019.49
Dividend	(76.02)	-
Interest income	(84.28)	(106.42)
Profit on sale of investments (net)	(3.72)	(0.80)
Sundry balances and liabilities no longer required written back	(275.19)	(141.92)
Unrealised foreign exchange on consolidation (gain)/loss (net)	38.20	(14.94)
Bad debts and provision for doubtful debts and advances	(296.09)	(150.00)
Operating Profit before working capital changes	20,156.80	14,309.42
Adjustments for :		
(Increase)/ decrease in inventories	(4,688.90)	(3,455.49)
(Increase)/ decrease in trade/other receivable	(1,002.56)	(6,489.40)
(Decrease)/ increase in trade/other payables	4,421.11	(1,200.12)
Cash generated from operations	18,886.45	3,164.41
Direct taxes paid	(1,659.02)	(1,333.48)
Net cash from operating activities	17,227.43	1,830.93
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets including capital work in progress	(10,936.09)	(9,098.51)
Proceeds from sale of fixed assets	352.96	157.79
Purchase of investments	(6,477.57)	(597.55)
Purchase of business unit pursuant to business transfer agreement with Havells India Limited	(1,643.91)	-
Investment in Barwood Products Limited, UK (Subsidiary Company)	(622.22)	-
Sale proceeds of investments	4,082.83	505.39
Movement in restricted cash equivalent	(201.30)	(272.66)
Interest received	88.22	144.66
Dividend received	76.02	-
Net cash used in investing activities	(15,281.06)	(9,160.88)

(Rs. in lacs)

Year ended
31 March 2011

Year ended
31 March 2010

C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long term borrowings	3,891.80	6,806.09
Repayment of long term borrowings	(4,196.48)	(4,370.46)
Proceeds from short term borrowings (net)	(11,148.68)	4,286.66
Proceeds from issue of share capital and share premium	14,524.61	-
Interest paid	(3,645.93)	(4,146.09)
Dividend paid	(1,098.10)	(872.26)
Taxes on dividend	(187.03)	(149.62)
Net cash (used in)/ from financing activities	(1,859.81)	1,554.32
Net increase/ (decrease) in cash and cash equivalents	86.56	(5,775.63)
Cash received pursuant to business transfer agreement with Havells India Limited	0.50	-
Cash received pursuant to purchase of Barwood Products Limited, UK	27.61	-
Cash and cash equivalents in the beginning	1,857.25	7,632.88
Cash and cash equivalents at the close	1,971.92	1,857.25
Note:		
Cash and cash equivalents include:		
Cash and cheques in hand and remittances in transit	1,666.40	581.47
Balances with bank	305.52	1,275.78
Cash and cash equivalents	1,971.92	1,857.25
Balances in fixed deposit accounts - pledged	764.87	565.98
Balances in unpaid dividend accounts	46.78	44.37
Bonus fraction 2005 account	0.34	0.34
Share split fraction 2006 account	0.30	0.30
Balance in post office savings account (pledged)	0.04	0.04
Balance with bank not considered as cash equivalents	812.33	611.03
Cash and bank balances as per Balance Sheet	2,784.25	2,468.28

For and on behalf of the Board of Directors

Payal M. Puri

Company Secretary

V.K. Ajmera

Vice President (Corporate Finance)

Sandip Somany

Joint Managing Director

Rajendra 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

Per **B. P. Singh**

Partner

Membership No. 70116

Place : Gurgaon

Date : 18 May 2011

Schedules forming part of the consolidated financial statements

(Rs. in lacs)

SCHEDULE 1	Share capital	As at 31 March 2011	As at 31 March 2010
Authorised			
100,000,000 (previous year 100,000,000) equity shares of Rs. 2 each		2,000.00	2,000.00
		2,000.00	2,000.00
Issued			
66,050,220 (previous year 55,029,333) equity shares of Rs. 2 each		1,321.00	1,100.59
		1,321.00	1,100.59
Subscribed and paid-up*			
66,046,395 (previous year 55,025,508) equity shares of Rs. 2 each fully paid-up		1,320.93	1,100.51
Add: Forfeited shares		0.04	0.04
		1,320.97	1,100.55

*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, 67,500 equity shares of Rs. 10 each fully paid-up (now stands split into 337,500 equity shares of Rs. 2 each, previous year 337,500 equity shares of Rs. 2 each) were issued to the equity shareholders of the erstwhile The Associated Glass Industries Limited pursuant to the scheme of amalgamation and 365,645 equity shares of Rs. 10 each fully paid up (now stands split into 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

SCHEDULE 2	Reserves and surplus		
i) Capital reserve			
a)	On account of amalgamation of erstwhile Krishna Ceramics Limited	3.33	3.33
b)	Forfeited amount of debentures	19.97	19.97
c)	Forfeited amount of upfront payment for naked warrants	97.50	97.50
d)	Profit on acquisition of shares	0.26	0.26
		121.06	121.06
ii) Central subsidy reserve		25.00	25.00
iii) Securities premium account			
As per last year		6,840.63	6,840.63
Add: Premium on allotment of shares to Qualified Institutional Buyers		14,779.01	-
Less: Expenses on QIP issue		474.82	-
		21,144.82	6,840.63
iv) General reserve			
As per last year		15,903.64	5,303.64
Add: Transferred from profit and loss account		1,000.00	600.00
Add: Transferred from Business reconstruction reserve (refer note 18 of schedule 21)		-	10,000.00
		16,903.64	15,903.64
Note: Of the above Rs. 10,000 lacs cannot be used for issue of bonus shares and payment of dividend (refer note 18 of schedule 21)			
v) Capital redemption reserve		15.00	15.00
vi) Business reconstruction reserve (refer note 18 on schedule 21)			
Revaluation of land		9,767.37	23,500.00
Less: Transfer to Profit and Loss Account (refer schedule 16 & 18)		-	3,732.63
Less: Transfer to General Reserve		-	10,000.00
		9,767.37	9,767.37
vii) Foreign currency translation reserve account		23.26	(14.94)
viii) Profit and loss account			
Surplus in profit and loss account		17,866.81	12,970.72
		65,866.96	45,628.48

Schedules forming part of the consolidated financial statements

(Rs. in lacs)

SCHEDULE 3 Secured loans	As at	As at
	31 March 2011	31 March 2010
From banks:		
Cash credit accounts	1,390.40	864.58
Buyer's credit	3,375.54	904.72
(Secured by hypothecation of stocks and book debts and further secured by second charge on all the fixed assets of the Parent Company situated at Bahadurgarh, Bibinagar, Sanathnagar and Bhongir)		
Term loans from banks*	30,038.85	28,351.68
(Term loans of Rs. 5,195.96 lacs (Previous year Rs. 1,532.31 lacs) are payable within one year)		
Car finance loans from banks and bodies corporate	103.08	5.31
(Secured by hypothecation of vehicles financed out of proceeds of loans)		
(Amount payable within one year Rs. 10.45 lacs (previous year Rs. 4.47 lacs))		
	34,907.87	30,126.29

*Notes:-

- 1) Term loan includes External Commercial Borrowings (ECB) from **Honkong and Shanghai Bank Corporation, CITI Bank and Standard Chartered Bank**, which are secured by way of hypothecation of the whole of fixed assets including movable plant & machinery, machine spares, tools and accessories (both present and future) pertaining to the glass divisions of the Company located at Sanathnagar and Bhongir and further secured by first pari-passu charge by way of mortgage of deposit of title deeds of immovable properties of glass divisions of the Company situated at Sanathnagar and Bhongir in Andhra Pradesh
- 2) Rupee term loan from :
 - i. **Andhra Bank:** Term loan is secured by way of hypothecation of the whole of fixed assets including movable plant & machinery, machine spares, tools and accessories (both present and future) pertaining to the ceramic division of the Company situated at Bibinagar, District Nalgonda Andhra Pradesh and secured by first pari-passu charge by way of mortgage of deposit of title deeds of immovable properties of ceramic division situated at Bibinagar, District Nalgonda, Andhra Pradesh and Gurgaon office of the Company
 - ii. **Dhanalakshmi Bank Ltd:** Term loan is secured by way of hypothecation of the whole of fixed assets including movable plant & machinery, machine spares, tools and accessories (both present and future) pertaining to the ceramic division of the Company situated at Bahadurgarh, District Jhajjar, Haryana and further secured by first pari-passu charge by way of mortgage of deposit of title deeds of immovable properties of ceramic division of the Company situated at Bahadurgarh, District Jhajjar, Haryana
 - iii. **DBS Bank Ltd:** Term loan is secured by first pari-passu charge by way of mortgage of deposit of title deeds of the Company pertaining to vacant freehold land situated at Sitarampur, Isnapur, PO Medak District, Andhra Pradesh, near Hyderabad
 - iv. **Central Bank of India:** Term loan is secured by way of hypothecation of the furniture, fixture, plant, machineries, equipments and all other fixed assets of Hindware Home Retail Private Ltd. and also secured against a corporate guarantee provided by HSIL Limited

Schedules forming part of the consolidated financial statements

(Rs. in lacs)

		As at 31 March 2011	As at 31 March 2010
SCHEDULE 4	Unsecured loans		
Short term			
Trade deposits from dealers		883.45	736.56
From banks:			
Commercial paper		-	8,000.00
Short term loans		-	6,000.00
Buyer's Credit		955.19	1,247.41
Other			
Deferred sales tax credit		3,808.15	3,152.55
		5,646.79	19,136.52

Notes:

- Maximum amount outstanding on commercial paper during the year Rs. 8,000 lacs (previous year Rs. 8,000 lacs)
- 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 located at Sanathnagar amounting to Rs. 1,877.43 lacs (previous year Rs. 1,545.48 lacs) and ceramic division located at Bibinagar amounting to Rs. 1,930.72 lacs (previous year Rs 1,607.07 lacs) is secured against the moveable and immoveable properties of the Company. However, the charge is not yet been registered with the Registrar of Companies, West Bengal

Schedules forming part of the consolidated financial statements

SCHEDULE 5 Fixed assets		(Rs. in lacs)									
Particulars	Gross block				Depreciation and amortisation				Net block		
	As at 01 April 2010	Addition during the year	Sales / Adjustment	Revaluation	As at 31 March 2011	As at 01 April 2010	For the year	Sales / Adjustment	As at 31 March 2011	As at 31 March 2010	As at 31 March 2010
Intangible											
Trade Mark	300.00	-	-	-	300.00	300.00	-	-	-	-	-
Technical know how	-	207.30	-	-	207.30	-	19.03	-	188.27	-	-
Goodwill	0.26	347.53	-	-	347.79	0.12	-	-	347.67	0.14	0.14
Tangible											
Land freehold	26,035.49	121.93	-	-	26,157.42	-	-	-	26,157.42	26,035.49	26,035.49
Building	15,674.18	950.29	-	-	16,624.47	2,081.33	407.16	-	2,488.49	13,592.85	13,592.85
Plant & Machinery	56,360.93	6,556.70	3,463.48	-	59,454.15	22,675.52	4,336.07	3,434.53	23,577.06	33,685.41	33,685.41
Vehicles	1,421.31	596.41	483.92	-	1,533.80	615.82	244.98	311.57	549.23	805.49	805.49
Office Equipments	458.37	81.21	0.53	-	539.05	125.65	24.62	0.03	150.24	332.72	332.72
Computers (including software)	1,643.52	282.63	1.62	-	1,924.53	672.87	307.07	1.04	978.90	970.65	970.65
Furniture & Fixtures	978.27	152.04	0.60	-	1,129.71	213.77	68.42	0.07	282.12	764.50	764.50
Leasehold Land	30.00	192.00	-	-	222.00	3.55	1.00	-	4.55	26.45	26.45
Leasehold Building	687.50	629.43	-	-	1,316.93	111.49	127.96	-	239.45	576.01	576.01
Total	1,03,589.83	10,117.47	3,950.15	-	1,09,757.15	26,800.12	5,536.31	3,747.24	28,589.19	76,789.71	76,789.71
Previous Year	64,667.05	16,213.71	790.93	23,500.00 *	1,03,589.83	22,419.43	5,029.36	648.67	76,789.71	-	-

* Refer note 18 of schedule 21

Schedules forming part of the consolidated financial statements

(Rs. in lacs)

SCHEDULE 6	Investments	As at 31 March 2011	As at 31 March 2010
Long Term			
Non Trade			
i) Government securities* - Unquoted:			
National Savings Certificates		1.68	1.18
ii) Fully paid-up equity shares of Rs. 10 each - Quoted:			
125 (previous year 125) Neycer India Limited		0.01	0.01
50 (previous year 50) Swastik Sanitarywares Limited		0.01	0.01
<i>Trade - Unquoted</i>			
<i>Others</i>			
804,000 (previous year 804,000) Andhra Pradesh Gas Power Corporation Limited		1,073.61	1,073.61
		1,075.31	1,074.81
Current			
i) Mutual Fund - Non trade (unquoted)			
(Units of Rs 10 each fully paid up)			
2,624.886 (previous year 2,624.886) HDFC Prudence Fund - Growth		4.50	4.50
499.028 (previous year 1,042.341) HDFC Liquid Fund - Growth		0.09	0.18
9,998,800.144 (previous year Nil) ICICI Prudential Interval Fund-Half yearly Interval Plan-I-Inst. Dividend		1,000.00	-
170,180.440 (previous year Nil) HDFC Cash Management Fund-Treasury Advantage Plan-Wholesale - Daily Dividend		17.07	-
2,000,000.000 (previous year Nil) Birla Sun Life Short Term FMP Series 5 Dividend		200.00	-
5,000,000.000 (previous year Nil) Birla Sun Life Short Term FMP Series 6 Dividend		500.00	-
3,678,228.565 (previous year Nil) HDFC MF Monthly Income Plan-Long Term-Quarterly Dividend		500.00	-
2,000,000.000 (previous year Nil) IDFC Fixed Maturity 100 days Series - Dividend		200.00	-
388,419.333 units (previous year 488,273.599) Reliance Medium Term Fund - Growth		73.98	93.00
		2,495.64	97.68
		3,570.95	1,172.49
Aggregate cost of quoted investments		0.02	0.02
Aggregate cost of unquoted investments		3,570.93	1,172.47
Aggregate net asset value of mutual fund investments		2,495.64	97.68
* Deposited with government departments Rs. 0.82 lacs (previous year Rs. 0.52 lacs)			

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

- 112,259.063 units of Reliance Money Manager Fund-Retail Option-Growth Plan- purchased at cost of Rs. 1,410.00 lacs and sold at Rs. 1,412.59 lacs
- 650,279.620 units of Reliance Liquid Fund-Treasury Plan-Institutional Option-Growth Option-Growth Plan- purchased at a cost of Rs. 150.00 lacs and sold at Rs. 150.34 lacs
- 5,000,000.000 units of HDFC FMP 100D September 2010 (5)-Dividend Series XIV- purchased at cost of Rs. 500.00 lacs and sold at Rs. 500.00 lacs
- 5,000,000.000 units of LIC Nomura MF Interval Fund-Series I-Monthly Dividend Plan purchased at cost of Rs. 500.00 lacs and sold at Rs. 500.00 lacs
- 14,952,898.370 units of HDFC Cash Management Fund-Treasury Advantage Plan-Wholesale-Daily Dividend- purchased at cost of Rs. 1,500.00 lacs and sold at Rs. 1,500.00 lacs

Schedules forming part of the consolidated financial statements

(Rs. in lacs)

SCHEDULE 7	Inventories	As at 31 March 2011	As at 31 March 2010
(As taken, valued and certified by the management)			
Stores, spares and packing materials		3,422.95	2,522.93
Raw materials and components		2,201.56	1,224.22
Stock-in-process		760.10	499.36
Goods in transit*		60.73	72.87
Finished goods including goods purchased for sale		15,787.74	11,938.42
		22,233.08	16,257.80

* Includes raw materials and components Rs. Nil (previous year Rs. 30.06 lacs), stores and spares Rs. 56.68 lacs (previous year Rs. 42.06 lacs) and finished goods Rs. 4.05 lacs (previous year Rs. 0.75 lacs)

SCHEDULE 8	Sundry debtors		
(Unsecured unless otherwise stated)			
Debts outstanding for a period exceeding six months:			
Considered good			
- Secured		18.42	-
- Others		78.84	52.65
Considered doubtful		111.21	73.50
Other debts:			
Considered good			
- Secured		387.42	339.48
- Others		15,888.79	13,799.75
Considered doubtful		78.50	414.24
		16,563.18	14,679.62
Less: Provision for doubtful debts		189.71	487.74
		16,373.47	14,191.88

SCHEDULE 9	Cash and bank balances		
Cash in hand		107.04	55.34
Remittances-in-transit		1,559.36	526.13
Balances with banks in:			
Current accounts		251.13	943.45
Fixed deposit accounts		819.26	898.31
Rs. 764.87 lacs (previous year Rs. 565.98 lacs) are pledged with banks as margin money			
Unpaid dividend accounts		46.78	44.37
Bonus fraction 2005		0.34	0.34
Share fraction 2006		0.30	0.30
With post office in savings account (pledged)		0.04	0.04
		2,784.25	2,468.28

Schedules forming part of the consolidated financial statements

(Rs. in lacs)

SCHEDULE 10	Other current assets	As at 31 March 2011	As at 31 March 2010
	Interest accrued but not due on loans and deposits	41.05	44.99
		41.05	44.99

SCHEDULE 11	Loans and advances		
	(Unsecured, considered good except where otherwise stated)		
	Advances recoverable in cash or in kind or for value to be received (including Rs. 28.83 lacs (previous year Rs 26.89 lacs) considered doubtful of recovery)	1,887.44	2,815.51
	Balances with excise/sales tax authorities	1,384.30	2,127.69
	Deposits	931.93	728.79
	Advance tax (net of provision for tax of Rs. 5.33 lacs (previous year Rs. 5.33 lacs))	11.57	5.53
	MAT credit entitlement	1,490.55	1,085.70
		5,705.79	6,763.22
	Less: Provision for doubtful advances	28.83	26.89
		5,676.96	6,736.33

SCHEDULE 12	Current liabilities and provisions		
a)	Current liabilities		
	Acceptances	644.09	478.06
	Sundry creditors for goods, services and expenses		
	Due to micro, small and medium enterprises (refer note 5 of schedule 21)	241.22	58.79
	Others	12,736.96	10,230.80
	Interest accrued but not due on loans/debentures	248.69	249.63
	Advance against sales/orders	587.66	333.73
	Investor education & protection fund**		
	Unclaimed dividend	46.78	44.37
	Unclaimed share fraction 2006	0.30	0.30
	Unclaimed bonus fraction 2005	0.34	0.34
	Other liabilities*	5,434.56	3,923.91
		19,940.60	15,319.93
b)	Provisions		
	Employee benefits	370.88	312.22
	Income tax (net of advance payment of Rs. 4,450.73 lacs, previous year Rs. 3,712.74 lacs)	188.41	144.77
	Proposed dividend	1,651.16	1,100.51
	Tax on proposed dividend	267.86	187.03
		2,478.31	1,744.53
		22,418.91	17,064.46

* Including excise duty payable Rs. 1201.92 lacs (previous year Rs. 1120.87 lacs) on finished goods lying at Company's bonded warehouses.

** Not due for deposit.

SCHEDULE 13	Miscellaneous expenditure		
	Preliminary expenses	0.18	0.24
	Less: Written off during the year	0.06	0.06
		0.12	0.18

Schedules forming part of the consolidated financial statements

(Rs. in lacs)

SCHEDULE 14	Income from operations	Year ended 31 March 2011	Year ended 31 March 2010
Sale of goods (net of returns)			
Domestic			
Sanitaryware, fittings and glassware	1,04,771.73	77,555.98	
Others	3,557.11	1,639.26	
	1,08,328.84	79,195.24	
Export			
Sanitaryware, fittings and glassware	6,503.99	5,575.24	
(including deemed export Rs. 3,204.48 lacs (previous year Rs. 3,221.93 lacs))			
	1,14,832.83	84,770.48	
Others			
Scrap and other sales	414.61	352.39	
	1,15,247.44	85,122.87	

SCHEDULE 15	Other income		
Operating income			
Export incentives	346.66	352.32	
Sundry balances and liabilities no longer required written back	275.19	141.92	
Foreign exchange gain	181.74	298.30	
Insurance claims received	186.15	150.70	
Annual maintenance charges	24.90	21.57	
Service charges	9.89	51.42	
Miscellaneous receipts	200.81	131.58	
Provision for doubtful debts written back	482.15	150.00	
Commission on sales	-	0.86	
Total operating income	1,707.49	1,298.67	
Non-operating income			
Rent received *	35.56	24.13	
Dividend received on investment in liquid mutual funds (non-trade unquoted)	76.02	-	
Interest income (gross) on: *			
- Loans to bodies corporate	2.86	0.20	
- Deposits with banks	48.97	62.27	
- Margin money	19.50	27.34	
- Advance to suppliers	10.92	16.60	
- Other accounts	2.03	-	
Profit on sale of investments in liquid mutual funds (non trade - unquoted)	3.72	0.81	
Profit on disposal of fixed assets	162.95	28.56	
Shop in shop income	-	3.85	
Total non-operating income	362.53	163.76	
Total other income	2,070.02	1,462.43	
* Income tax deducted at source	7.89	16.17	

Schedules forming part of the consolidated financial statements

(Rs. in lacs)

	Year ended 31 March 2011	Year ended 31 March 2010
SCHEDULE 16 Increase in stocks		
Opening stocks		
Finished goods including goods purchased for resale	11,938.42	11,408.59
Stock-in-process	499.36	333.43
	12,437.78	11,742.02
Add: Stocks received pursuant to purchase of Barwood Products Limited, UK	183.02	-
Add: Stocks bought over as per business transfer agreement with Havells India Limited	253.82	-
	12,874.62	11,742.02
Less: Closing stocks		
Finished goods including goods purchased for resale	15,787.74	13,657.47
Stock-in-process	760.10	469.57
Less: Obsolete inventories written off	-	(2131.99)
Add: Transferred from business reconstruction reserve (refer note 18 of schedule 21)	-	2,131.99
	16,547.84	14,127.04*
	3,673.22	2385.02
Less: Excise duty on increase in stock		
Excise duty on opening stock	1,120.87	780.27
Less: Excise duty on closing stock	1,201.92	1,089.44*
Increase in excise duty on finished stocks	81.05	309.17
Increase in stocks	3,592.17	2,075.85

* (Includes adjustment of business reconstruction reserve and capitalisation of trial run at Bhongir plant)

SCHEDULE 17 Personnel cost		
Salaries, wages and bonus	11,221.68	7,996.19
Contribution to provident and other funds	622.55	387.68
Staff and labour welfare expenses	472.95	415.50
	12,317.18	8,799.37

Schedules forming part of the consolidated financial statements

(Rs. in lacs)

SCHEDULE 18	Manufacturing, selling and general expenses	Year ended 31 March 2011	Year ended 31 March 2010
Raw materials consumed *		17,500.59	13,939.09
Stores and spares consumed		3,305.40	2,843.34
Excise duty on stock transfers and others		171.27	99.84
Packing materials consumed		5,489.65	3,749.47
Power and fuel (net)		19,904.74	16,687.09
Repairs to:			
Buildings		290.41	137.69
Plant and machinery (excluding stores consumption)		634.13	565.57
Other assets		260.41	202.26
Rent (including hire charges)		1,048.34	750.72
Rates and taxes		73.28	113.24
Directors fees		1.02	1.18
Expenditure on ceramic and applied research centre		34.62	24.67
Insurance		244.06	178.55
Traveling and conveyance		1,326.51	917.34
Discount		2,418.89	1,774.57
Commission on sales		362.12	249.99
Expenses on exports		469.58	391.79
Advertisement and publicity		1,046.18	1,239.62
Other selling and distribution expenses		4,246.90	3,198.87
Bad Debts and advances written off		186.06	1,291.99
Provision for doubtful debts and advances		14.00	-
Charity and donations		56.85	60.22
Foreign exchange fluctuation		112.59	182.39
Loss on disposal and assets written off		12.88	72.77
Miscellaneous expenses		1,999.45	1,439.63
		61,209.93	50,111.89
Less: Transferred from business reconstruction reserve (refer note 18 of schedule 21)		-	1,600.64
		61,209.93	48,511.25

* Includes accessories and fittings aggregating to Rs. 1,461.79 lacs (previous year Rs. 548.39 lacs)

SCHEDULE 19	Interest		
On term loans		3,010.04	2,846.03
Others*		634.94	1,173.46
		3,644.98	4,019.49

* Includes Rs. 17.61 lacs (previous year Rs. 393.92 lacs) paid on account of discounting charges of commercial paper

Schedules

forming part of the consolidated financial statements

SCHEDULE 20 Significant Accounting Policies

1. Principles of Consolidation

These consolidated financial statements include the financial statements of HSIL Limited, the Parent Company and its subsidiaries namely, AGI Glasspack Ltd., Hindware Home Retail Pvt. Ltd., HSIL Associates Ltd., Halis International Ltd., Alchemy International Cooperatief U.A., Barwood Products Limited {formerly Barwood Products (Staffordshire) Limited, name changed w.e.f. 16 December 2010} and Haas International B.V.(collectively referred to as 'the Group').

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.

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 statements 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.

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.

Statement of entities consolidated

Company	Date of Shareholding	Country of Incorporation	Percentage of shareholding
Hindware Home Retail Private Limited	09 September 2006	India	100%
AGI Glasspack Limited	29 May 2003	India	100%
HSIL Associates Limited	04 September 2008	India	100%
Halis International Limited	14 January 2009	Mauritius	100%
Alchemy International Cooperatief U.A. (Subsidiary of Halis International Limited)	24 April 2009	Netherland	100%
Haas International B.V. (Subsidiary of Alchemy International Cooperatief U.A.)	08 July 2009	Netherland	100%
Barwood Products (Staffordshire) Limited (Now, Barwood Products Limited w.e.f. 16 December 2010) (Subsidiary of Haas International B.V.)	23 June 2010	U.K.	100%

2. Basis of preparation

The consolidated financial statements are prepared on an accrual basis under the historical cost convention, as supplemented by revaluation of certain fixed assets, 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 including the Rules framed there under, except as specifically stated in note 18 in schedule 21 and also the Scheme of Arrangement as approved by the Hon'ble Calcutta High Court. The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year.

3. Use of estimates

The preparation of consolidated 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 amounts 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.

Schedules forming part of the consolidated financial statements

4. 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 a time proportion basis at the applicable rates.

5. 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.

6. Fixed assets

Tangible

Tangible assets are stated at cost of acquisition less accumulated depreciation and impairment losses, if any. 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 restoration/modification/ alteration in plant and machinery/ building, which increases the future benefit from the existing asset beyond its previously assessed standard of performance/estimated useful life, 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 Group.

7. Depreciation and amortisation

A. 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 01 July 1987 in the glass division, Sanathnagar, Andhra Pradesh, 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;
- ii. on furnaces (included in plant and machinery) having a cost of Rs. 11,604.27 lacs (previous year Rs 11,245.15 lacs) used in the glass divisions, 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 amortised over the period of the lease or estimated useful life of the leasehold improvements, whichever is lower.
- iv. pre-operative expenditure including borrowing cost (net of revenue, where applicable) and foreign exchange differences on specific project loans incurred during the construction/trial run of the project is allocated on an appropriate basis to fixed assets upon commissioning.

B. Intangible

- i. Technical knowhow is being amortised over a period of ten years; and
- ii. Computer software (included in Computers in Schedule 5) are amortised over a period of six years. The depreciation and amortisation rates are indicative of the expected useful lives of the assets.

8. 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 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.

Schedules forming part of the consolidated financial statements

9. Inventories

a) Inventories are valued as follows:

Stores and spares, packing materials, raw materials including components and goods in transit - 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, labor and other related production overheads including depreciation.

10. Foreign currency transactions

Indian Rupee is the reporting currency for the Group. However, the local currencies of non-integral overseas subsidiaries are different from the reporting currency of the Group. The translation of local currencies into Indian Rupee is performed for assets and liabilities (excluding share capital, opening reserves and surplus), using the exchange rate as at the balance sheet date, and for revenues, costs and expenses using average exchange rate during the reporting period. Share capital, opening reserves and surplus are carried using historical rates. Resultant currency translation exchange gain/loss is carried as foreign currency translation reserve under reserves and surplus. Investments in foreign entities are recorded at the exchange rate prevailing on the date of making the investment.

Income and expenditure items of integral foreign operations are translated at the yearly average exchange rate of their respective foreign currencies. Monetary items at the balance sheet date are translated using the rates prevailing on the balance sheet date. Non- monetary assets are recorded at the rates prevailing on the date of the transaction. Any resultant gains or losses are accounted for in the consolidated profit and loss account.

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 except to the extent permitted by the transitional provisions contained in the Companies (Accounting Standards) Amendment Rules, 2009 in respect of long term foreign currency monetary items, in which case the cost of fixed assets are adjusted by the translation differences and amortised over the remaining useful life of the asset.

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.

Forward exchange contracts and other currency derivative contracts that are not in principle forward contracts in accordance with Accounting Standard 11 'Effect of change in Foreign Exchange Rates' that are entered to hedge the foreign currency risk of highly probable forecast transactions and firm commitments are marked to market at the balance sheet date and exchange loss is recognised in the profit and loss account immediately. Any gain is ignored and not recognised in the financial statements, in accordance with the principles of prudence enunciated in Accounting Standard 1- Disclosure of Accounting Policies.

11. Taxes on income

Tax expense comprises current income tax and deferred income 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

Schedules forming part of the consolidated financial statements

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.

Minimum Alternate Tax ('MAT') credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in guidance note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT credit entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent it is not reasonably certain that the Company will pay normal income tax during the specified period.

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 capitalised 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. Amortisation 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" as notified by Companies (Accounting Standards) Rules, 2006:

a) Provident fund

The Group makes contributions to two independently constituted trusts recognised by income tax authorities and regional provident fund. In terms of the Guidance on implementing the revised AS – 15, issued by the Accounting Standard Board of the Institute of Chartered Accountants of India (the 'ICAI'), the provident fund set up by the Parent Company is treated as a defined benefit plan since the Company has to meet the interest shortfall, if any. Accordingly, the contribution paid or payable and the interest shortfall, if any 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 recorded as expense or income in the profit and loss account in the year in which such gains or losses arise.

c) Compensated absence

Liability in respect of compensated absences becoming due or expected to be availed within one year from the balance sheet date is recognised on the basis of undiscounted value of estimated amount required to be paid or estimated value of benefit expected to be availed by the employees. Liability in respect of compensated absences becoming due or expected to be availed more than one year after the balance sheet date is estimated on the basis of actuarial valuation performed by an independent Actuary using the projected unit credit method. Actuarial gains or losses are recognised in the profit and loss account in the year they arise.

Schedules forming part of the consolidated financial statements

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 an employee.

15. Earnings per share

Basic earnings per share is calculated by dividing net profit or loss for the year attributable to equity shareholders by weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year 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 year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

16. Impairment of assets

The Group assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

17. Contingent liabilities and provisions

The Group 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 the obligation can be made.

A disclosure is made for a contingent liability when there is a:

possible obligation, the existence of which will be confirmed by the occurrence/non-occurrence of one or more uncertain events, not fully within the control of the Group;

- present obligation, where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- present obligation, where a reliable estimate cannot be made.

18. Segment reporting

The accounting policies adopted for segment reporting are in line with those of the Group with the following additional policies for segment reporting:

- a) Revenues and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment.
- b) Revenues and expenses, which relate to the Group as a whole and are not allocable to segments on a reasonable basis, have been included as unallocated corporate expenses.
- c) Assets and liabilities, which relate to the Group as a whole and are not allocable to segments on a reasonable basis, are shown as unallocated assets and liabilities respectively.

Schedules forming part of the consolidated financial statements

SCHEDULE 21 Notes to the Consolidated Financial Statements

		(Rs. in lacs)
	2011	2010
1. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances Rs. 2,616.48 lacs ; previous year Rs. 1649.27 lacs)	11,170.45	3,058.81
2. Contingent liabilities not provided for in respect of:		
a) Demands raised by the excise authorities against which appeals have been filed	302.89	124.28
b) Demands raised by the income tax authorities against which appeals have been filed	5.71	182.29
c) Demands made by the sales tax authorities against which appeals have been filed	219.91	172.50
d) Service tax liability on lease rent	59.66	26.36
e) Bank guarantees outstanding	1,411.59	758.75
f) Claims against the Group not acknowledged as debts	2,001.30	1,964.20
g) Duty availed on imports against EPCG licenses	2,569.82	2,859.88
3. Unfulfilled export obligation under EPCG license of EXIM Policy	20,558.57	22,879.02
4. Other liabilities include:		
Directors' commission payable	1,238.08	492.85

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 Group. There was no amount due for more than forty five days payable to these identified entities at any time during the year.

6. Miscellaneous expenses include payments to auditors of the Parent Company for:

		(Rs. in lacs)
	2011	2010
a) Audit fee	15.44	12.13
b) Tax audit fee	2.21	1.65
c) Certification and other services	5.13	2.10
d) Reimbursement of expenses (including service tax wherever applicable)	4.53	2.74
	27.31	18.62

7. Employee benefits

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

a) Provident fund and other funds**:		(Rs. in lacs)
	2011	2010
Employer's contribution to provident fund **	360.92	291.93
Employer's contribution to ESI*	106.47	64.77

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

** The Fund does not have any existing deficit or interest shortfall. In regard to any future obligation arising due to interest shortfall, pending the issuance of the Guidance Note from the Actuarial Society of India, the measurement of actuarial valuation liability towards Provident Fund is not feasible. Accordingly, other related disclosures in respect of provident fund have not been furnished.

Schedules forming part of the consolidated financial statements

b) Defined benefit plan

	(Rs. in lacs)	
	2011	2010
	Gratuity Funded	Gratuity Funded
Amount recognised in the balance sheet :		
Present value of obligations	1,108.14	1,014.96
Fair value of plan assets	1,114.44	1,072.59
Net (asset)/liability recognised in the balance sheet	(6.30)	(57.63)
Amount recognised in profit and loss account:		
Current service cost	92.84	93.04
Past service cost	120.89	-
Interest cost	76.85	61.63
Expected return on plan assets	(85.81)	(69.20)
Actuarial (gain)/ loss (net)	(78.39)	(109.49)
Total included in 'Personnel Cost' *	126.38	(24.02)
Actual return on plan assets	75.56	205.53
* Refer schedule 17		
Reconciliation of opening and closing balances of benefit obligations and plan assets		
Change in defined benefit obligation		
Opening defined benefit obligation	1,014.96	925.35
Current service cost	92.84	93.04
Past Service cost	120.89	-
Interest cost	76.85	61.63
Benefits paid	(108.77)	(91.90)
Actuarial (gain)/ loss	(88.63)	26.84
Closing defined benefit obligation	1,108.14	1,014.96
Change in fair value of plan assets		
Fair value of plan assets at the beginning of the year	1,072.59	865.06
Expected return on plan assets	85.81	69.20
Actuarial gain/ (loss)	(10.24)	136.33
Employer's contribution	75.05	93.90
Benefits paid	(108.77)	(91.90)
Fair value of plan assets at the end of the year	1,114.44	1,072.59
Assumptions used to determine the benefit obligations:		
Discount rate	8.00%	7.00%
Expected rate of increase in compensation levels	5.00%	6.00%
Expected rate of return on plan assets	8.00%	8.00%
Expected average remaining working lives of employees	17Years	16 Years

Schedules forming part of the consolidated financial statements

(Rs. in lacs)

Amounts for the current and previous periods are as follows:	2010-11	2009-10	2008-09	2007-08	2006-07
Defined benefit plan – Gratuity					
Defined benefit obligation	(1,108.14)	(1,014.96)	(925.35)	(998.18)	(762.63)
Plan Assets	1,114.44	1,072.59	865.06	927.55	752.70
Surplus/ (deficit)	6.30	57.63	(60.29)	(70.63)	(9.93)

The Group made annual contribution to the Birla Sun Life Insurance Company Limited ('BSL') of an amount advised by them. The Group was not informed by BSL of the investment made or the break down of plan assets by investment type, accordingly related disclosures are not included in these financial statements.

c) Other long term benefit plans

(Rs. in lacs)

	2011 Leave encashment	2010 Leave encashment
Amount recognised in the balance sheet :		
Present value of obligations	358.76	303.58
Fair value of plan assets	-	-
	358.76	303.58
Unrecognised past service cost	-	-
Net liability recognised in the balance sheet	358.76	303.58
Amount recognised in profit and loss account:		
Current service cost	52.41	42.15
Interest cost	24.29	15.77
Expected return on plan assets	-	-
Actuarial (gain)/ loss (net)	67.50	83.15
Past service cost	-	-
Curtailment and settlement cost/(gain)	-	-
Total included in 'Personnel Cost' *	144.20	141.07
Actual return on plan assets	-	-
* Refer schedule 17		
Reconciliation of opening and closing balances of benefit obligations		
Change in benefit obligation		
Opening benefit obligation	303.58	210.29
Current service cost	52.41	42.15
Interest cost	24.29	15.77
Benefits paid	(89.11)	(47.78)
Actuarial (gain)/ loss	67.50	83.15
Closing benefit obligation	358.67	303.58
Assumptions used:		
Discount rate	8.00%	7.50%
Expected rate of increase in compensation levels	5.50%	5.00%
Expected average remaining working lives of employees	21.04 Years	19.67 Years

Schedules forming part of the consolidated financial statements

8. Deferred tax

Major components of deferred tax assets and liabilities are as given below: (Rs. in lacs)

Particulars	2011	2010
Deferred tax liability		
On fiscal allowances on fixed assets	7,096.98	6,229.74
Other timing differences	290.20	-
	7,387.18	6,229.74
Deferred tax assets		
On provision for doubtful debts, loans and advances	70.90	174.92
Other timing differences	-	642.97
	70.90	817.89
Deferred tax liability (net)	7,316.28	5,411.85

9. Segment Reporting

Identification of segment:

The Group's operating business are organised 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 Group 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 as follows:

(Figures in parenthesis are for the previous year)

Particulars	Sanitaryware	Glassware	Others	(Rs. in lacs)
				Year Ended 31 March 2011
Segment Revenue				
External Sales (net)	49,072.49	54,062.19	4,717.21	1,07,851.89
	(36,697.15)	(41,949.79)	(1,776.73)	(80,423.67)
Other Income	834.44	850.15	22.90	1,707.49
	(514.86)	(664.48)	(119.33)	(1,298.67)
Segment results	10,614.54	8,237.29	(5,954.37)	12,897.46
	(7,222.76)	(4,746.85)	(-820.66)	(11,148.96)
Unallocated corporate expenses (net)				(2,570.15)
				(1,439.33)
Interest				3,644.98
				(4,019.49)
Income Tax (including deferred tax)				4,007.51
				(1,325.31)
Profit after tax				7,815.11
				(4,364.83)

Schedules forming part of the consolidated financial statements

Particulars	Sanitaryware	Glassware	Others	(Rs. in lacs)
				Year Ended
				31 March 2011
Other Information				
Segment assets	55,767.20	67,949.73	176.69	1,23,893.62
	(46,493.02)	(61,910.90)	(116.93)	(1,08,520.85)
Unallocated corporate assets				13,584.04
				(9,947.13)
Total Assets				1,37,477.66
				(1,18,467.97)
Segment liabilities	17,656.95	51,746.76	2,100.80	71,504.51
	(16,803.29)	(46,339.30)	(1,092.77)	(64,235.36)
Unallocated corporate liabilities				(1,214.66)
				(7,503.74)
Total Liabilities (excluding shareholders' fund)				70,289.85
				(71,739.11)
Capital expenditure	2,548.73	6,195.56	1,373.18	10,117.47
	(1,150.88)	(14,637.14)	(425.68)	(16,213.71)
Depreciation and amortisation	999.88	4,150.18	386.25	5,536.31
	(978.27)	(3,812.51)	(238.58)	(5,029.36)
Other non-cash expenses				
Provision for doubtful debts and advances				186.06
				(0.00)
Preliminary expenditure written off				0.06
				(0.06)

10. Payment to directors of Parent Company*

	(Rs. in lacs)	
	2011	2010
a) Salary	178.43	153.43
b) Contribution to provident fund	21.41	18.41
c) Leave encashment paid	18.60	-
d) Commission	1,238.08	492.85
e) Monetary value of perquisites	4.51	5.55
f) Directors' sitting fee	1.02	1.18
Total	1,462.05	671.42

* 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 consolidated financial statements

11. Earnings per share		(Rs. in lacs)
Particulars	2011	2010
Basic earnings per share:		
Profit before prior period item	7,834.13	4,776.37
Prior period item (deferred tax for earlier years)	(19.02)	(411.54)
Profit after prior period item	7,815.11	4,364.83
Number of shares	66,046,395	55,025,508
Weighted average number of shares outstanding during the year	60,369,883	55,025,508
Nominal value per share (Rs.)	2	2
Earnings per share – Basic and diluted		
Before prior period item	12.98	8.68
After prior period item	12.95	7.93

12. Related party transactions

a) Name of related parties and description of relationship:

Key management personnel

(Name of the relatives of key management personnel with whom the Group had transactions during the year are listed below).

Mr. Rajendra K Somany

Mr. Sandip Somany

Mrs. Sumita Somany

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

(i) Textool Mercantiles Private Limited

(ii) Paco Exports Limited

(iii) New Delhi Industrial Promoters and Investors Limited

(iv) Soma Investments Limited

(v) Hindusthan National Glass & Industries Limited

Schedules forming part of the consolidated financial statements

Related party disclosures

(Rs. in lacs)

Particulars	Key management Personnel and their Relatives		Other parties which significantly influence/are influenced by the Group (either individually or otherwise)	
	2011	2010	2011	2010
A. a) Sale of trading goods				
Mr. Rajendra K Somany	-	6.77	-	-
b) Rent Paid				
Mr. Rajendra K Somany	4.80	4.80	-	-
Textool Mercantile Private Limited	-	-	0.50	0.47
Paco Export Limited	-	-	16.80	9.80
B. Directors remuneration				
Mr. Rajendra K Somany	666.40	310.58	-	-
Mr. Sandip Somany	657.06	289.26	-	-
Mrs. Sumita Somany	-	-	19.92	14.78
Balance outstanding at the year end- payable				
Mr. Rajendra K Somany	550.26	211.22	-	-
Mr. Sandip Somany	550.26	211.22	-	-

13. One of the subsidiaries of the Group is a lessee under various operating leases for premises taken on lease. These leasing arrangements, which are non-cancellable, ranges between 0 month to 36 months and are renewable on mutually agreeable terms. Aggregate rental expenses under operating leases amounted to Rs. 543.54 lacs (previous year Rs. 379.00 lacs) for the year has been charged to the profit and loss account. The future lease payments in respect of these leases as at 31 March 2011 and 31 March 2010 are as follows.

(Rs. in lacs)

Minimum lease Payments	2011	2010
Not later than one year	477.56	493.93
Later than one year but not later than five years	537.99	462.53
Later than five years	-	-

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.

Schedules forming part of the consolidated financial statements

15. Un-hedged positions

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

(Rs. in lacs)

	2011	2010
Receivables and Advances:		
Exports outstanding	487.32	644.03
Payables:		
Payable on imports	725.16	490.00
Loans:		
Buyers credit	4,330.73	1,630.53
Term Loan	891.80	-

Detail of Derivative Instruments outstanding as on 31 March 2011

(Figures in brackets are for previous year)

Particulars of Hedged derivatives	Purpose
Sell (in US\$)	
5,000,000 (-)	Hedge of future receipts towards External Commercial Borrowings
600,000 (250,000)	Hedge of future receipts towards export
Buy (in US\$)	
- (1,224,720)	Hedge of future payments towards foreign creditors
48,787,594 (49,750,000)	Hedge of future payments towards External Commercial Borrowings

16. Expenditure during construction period

(Rs. in lacs)

	2011	2010
Balance brought forward from previous year	-	-
- Raw material consumed	-	397.88
- Packing material consumed	-	55.74
- Repairs	-	3.74
- Selling expenses	-	1.82
- Stores & spares consumed	-	204.27
- Power & fuel	-	476.27
- Insurance	-	5.49
- Rates & taxes	-	0.29
- Travelling & conveyance	-	7.88
- Rent & hiring charges	-	19.08
- Salary, wages & bonus	-	66.45
- Contribution to provident and other funds	-	2.61
- Staff & labour welfare expenses	-	2.77
- Interest paid	-	226.48

Schedules forming part of the consolidated financial statements

16. Expenditure during construction period (Contd.)

(Rs. in lacs)

	2011	2010
- Foreign exchange fluctuation loss	-	54.02
- Miscellaneous expenses	-	20.35
Total (A)	-	1,545.14
Less :		
- Sales	-	636.42
- Increase in stocks including excise duty	-	411.30
- Miscellaneous receipts	-	10.94
- Miscellaneous sales	-	0.97
- Interest received	-	18.45
- Provision for taxation	-	(6.27)
- Insurance claim received	-	-
Total (B)	-	1,071.81
Total (A-B)	-	473.33
Allocated to fixed assets	-	473.33
Balance allocated to capital work-in-progress	-	-
Balance carried forward	-	-

17. Upto 31 March 2008, the Group was recognising translation differences arising on long term foreign currency monetary items (i.e. monetary assets or liabilities expressed in foreign currency and having a term of 12 months or more at the date of origination) in the profit and loss account. Pursuant to Companies (Accounting Standards) Amendment Rules, 2009, the Group has exercised the option of deferring the recognition of Profit and Loss account in respect of accounting periods commencing on or after 07 December 2006. As a result, net foreign exchange transaction gain amounting to Rs. 1,377.58 lacs relating to the acquisition of depreciable capital assets have been adjusted with cost of such assets.

18. The Hon'ble Calcutta High Court vide its order dated 26 March 2010 approved a scheme of arrangement between the Parent Company and its shareholders ("the Scheme"). The Scheme provides that with effect from 01 April 2009, the Appointed Date, all or such of the immovable properties in the form of land and buildings, as the Parent Company considers relevant and appropriate, will be reinstated at their respective fair values as determined by recognised valuers. Consequently, any adjustments (debit/credit) on account of such revaluation would be reflected in Business Reconstruction Reserve Account ("BRR") of the Parent Company.

The Scheme provides that in addition to the aforementioned revaluation, any or all of the immovable properties in the form of land and buildings, as the Parent Company considers relevant and appropriate up to 31 March 2012, may further be reinstated at their respective fair values as determined by recognised valuers with the consequent adjustments (debit/credit) on account of such revaluation being reflected in the Business Reconstruction Reserve Account of the Parent Company.

The Scheme further provides that the aggregate amount under the BRR created by way of revaluation of land and buildings would be utilised, to the extent considered necessary and appropriate by the Board of Directors of the Parent Company from time to time, to adjust certain expenses as mentioned in the Scheme until the balance is available in the BRR account.

In terms of the Scheme, during the year ended 31 March 2010, the Parent Company revalued one of its freehold land by crediting Rs. 23,500.00 lacs to the BRR and has transferred Rs. 3,732.63 lacs from the BRR to the profit and loss account for the year ended 31 March 2010, as deemed appropriate by the Board of Directors on account of the certain expenses charged to the profit and loss account

Pursuant to the Scheme, the Parent Company also transferred Rs. 10,000 lacs from the BRR to the General Reserve as on 31 March 2010. As per undertaking provided by the Parent Company to Stock Exchange, the amount so transferred to the General Reserve shall not be utilised for either payment of dividends or issue of bonus shares in accordance with the provisions of the Companies Act, 1956.

19. The Parent Company vide Business Transfer Agreement ('the Agreement') dated 16 March 2010 acquired, w.e.f. 01 May 2010, the industrial undertaking of the faucet division of Havells India Limited located at Bhiwadi in the State

Schedules forming part of the consolidated financial statements

of Rajasthan as a going concern on 'as is where is basis'. The total purchase consideration of Rs. 1,643.91 lacs has been allocated to the acquired assets and liabilities on the basis of a valuation exercise performed by a approved independent valuer:

	(Rs. in lacs)
Fixed assets	662.00
Technical know-how	207.30
Current assets	1,123.59
	1,992.89
Less: Current liabilities	326.12
Trade deposits	22.86
Net consideration paid	1,643.91

Some of the licenses and registrations still continue in the name of Havells India Limited, which are in the process of being transferred in the Parent Company's name.

20. On 06 October 2010, the Parent Company allotted 11,020,887 equity shares of Rs. 2 each at a price of Rs. 136.10 aggregating to Rs. 14,999.43 lacs to Qualified Institutional Buyers (QIBs) under a qualified institutional placement offer. The abovementioned shares have been listed on both BSE and NSE and trading permission also received on 08 October 2010. Detail of utilisation of funds raised is as follows:-

Particulars	(Rs. in lacs)
Issue expenses debited to the securities premium account	474.82
Repayment of working capital facilities	13,000.00
Temporary investments made in mutual funds	1,524.61

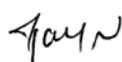
21. Haas International B.V., Netherlands, a wholly owned subsidiary of the Group has, vide 'Share Purchase Agreement' dated 24 June 2010 acquired 100% equity share capital of Barwood Products (Staffordshire) Limited (Now, Barwood Products Limited w.e.f. 16 December 2010)("Barwood") located in UK for a consideration of Rs. 622.22 lacs. Details of the assets and liabilities as of the date of investment are as below:

	(Rs. in lacs)
Fixed assets	42.78
Current assets	419.30
	462.08
Less: Current liabilities	187.39
Book value of the investee (A)	274.69
Net consideration paid (B)	622.22
Goodwill (B)-(A)	347.53

As on 31 March 2011, total paid up share capital of Barwood is GBP 501 divided into 501 ordinary shares of GBP 1 each, which is held by Haas International B.V., Netherlands.

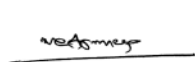
22. Prior period item comprise of income tax corrections of Rs. 19.02 lacs (previous year Rs. 134.54 lacs) and deferred tax correction of Rs. Nil (previous year Rs. 277.00 lacs).
23. Previous year figures have been regrouped/ recast wherever considered necessary to make them comparable with those of the current year.

For and on behalf of the Board of Directors



Payal M. Puri

Company Secretary



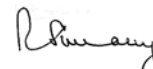
V.K. Ajmera

Vice President (Corporate Finance)



Sandip Somany

Joint Managing Director



Rajendra K Somany

Chairman & Managing Director

NOTICE

Notice is hereby given that the 51st Annual General Meeting of HSIL Limited will be held at Somany Conference Hall, Merchants' Chamber of Commerce, 15B, Hemanta Basu Sarani, Kolkata-700 001 on Monday, the 19th day of September, 2011 at 11:30 a.m. to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31 March 2011, the Profit and Loss Account for the year ended on that date and the Reports of the Auditors and Directors thereon.
2. To declare a Dividend on Equity Shares for the year ended 31 March 2011.
3. To appoint a Director in place of Mr. G.L. Sultania, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Ashok Jaipuria, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. N.G. Khaitan, who retires by rotation and, being eligible, offers himself for re-appointment.
6. To appoint M/s. Walker, Chandio & Co., Chartered Accountants, as Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS

7. **Re-appointment of Mr. Rajendra K Somany as Chairman and Managing Director**

To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310 & 311 and other applicable provisions, if any, read with Schedule XIII to the Companies Act, 1956 (the Act), and subject to such other approvals and / or sanctions as may be necessary, consent and / or approval of the Shareholders of the Company be and is hereby accorded to the re-appointment of Mr. Rajendra K Somany (Mr. Somany) as Non-retiring Chairman and Managing Director of the Company for three year-term, commencing from 9 January 2012 till 8 January 2015 on terms and conditions including remuneration by way

of salary, commission, perquisites and / or allowances as recommended by the Remuneration Committee and as set out in the draft Agreement to be entered into between the Company and Mr. Somany, which Agreement is hereby specifically approved and sanctioned with liberty to the Board of Directors to alter, vary and modify the terms, conditions and stipulations of the said draft Agreement as to re-appointment of Mr. Somany including the terms of remuneration payable to him upon his re-appointment as may be agreed to between the Board of Directors and Mr. Somany provided, however, that the remuneration payable to Mr. Somany, shall not exceed the maximum limits for payment of managerial remuneration specified in Section I of Part II of Schedule XIII to the said Act or any amendment thereto as may be made from time to time or the laws or guidelines as may for the time being be in force."

"RESOLVED FURTHER THAT, where in any financial year, during the currency of term of Mr. Somany, the Company makes no profits or its profits are inadequate, the Company may pay Mr. Somany the existing remuneration as minimum remuneration by way of salary, perquisites and / or allowance exceeding the limit laid down in Section II of Part II of Schedule XIII to the Companies Act, 1956, as applicable to the Company or such other limits, as may be prescribed by the Central Government from time to time as to minimum remuneration and in compliance with provisions stipulated therein subject to the prior approval of the Central Government if and to the extent necessary."

"RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to do and perform all such acts, deeds, matters and things, as may be considered necessary, desirable or expedient to give effect to this resolution."

8. **Increase in Commission payable to Chairman and Managing Director and Joint Managing Director**

To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT in partial modification to the Special Resolution passed by the Members of the Company at the Annual General Meeting held on 4 September 2008, concerning the re-appointment of Mr. Rajendra K Somany as Chairman and Managing Director of the Company for a period of 3 years commencing on and from 9 January 2009 and ending on 8 January 2012, in accordance with Sections 198, 269, 309, 310 & 311 read

with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the increase in commission from 3% to 4% of the net profits of the Company w.e.f. 1 April 2010 payable to Mr. Rajendra K Somany for the remaining tenure of his office ending on 8 January 2012."

"RESOLVED FURTHER THAT in partial modification to the Special Resolution passed by the Members of the Company at the Annual General Meeting held on 15 September 2007, concerning the re-appointment of Mr. Sandip Somany as the Joint Managing Director of the Company for a period of 3 years commencing on and from 1 December 2007 and ended on 30 November 2010 and further in partial modification to the Special Resolution passed by the Members of the Company at the Annual General Meeting held on 22 September 2010, concerning the re-appointment of Mr. Sandip Somany as the Joint Managing Director of the Company for a further period of 3 years commencing on and from 1 December 2010 and ending on 30 November 2013 respectively, in accordance with Sections 198, 269, 309, 310 & 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the increase in commission from 3% to 4% of the net profits of the Company w.e.f. 1 April 2010 payable to Mr. Sandip Somany for the previous tenure of his office ended on 30 November 2010 and with effect from 1 December 2010 for the remaining tenure of his office, ending on 30 November 2013."

"RESOLVED FURTHER THAT all other terms and conditions of appointment of Mr. Rajendra K Somany and Mr. Sandip Somany as approved earlier by the Members, as stated herein above shall remain unchanged / unaltered."

"RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to do and perform all such acts, deeds, matters and things, as may be considered necessary, desirable or expedient to give effect to this resolution."

9. Appointment of Dr. Rainer Siegfried Simon as Director

To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Dr. Rainer Siegfried Simon, who was appointed as an Additional Director of the Company by the Board of the Company w.e.f. 18 May 2011 and who holds office upto this Annual General Meeting under Section 260 of the Companies Act, 1956, be and is

hereby appointed as Director of the Company, liable to retire by rotation, in terms of the Article 85 of the Articles of Association of the Company, read with the provisions of Sections 255 and 257 and other applicable provisions, if any, of the Companies Act, 1956."

10. Payment of Remuneration to Dr. Rainer Siegfried Simon

To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 198, 309, 310 and such other applicable provisions, if any, of the Companies Act, 1956, Articles of Association of the Company and subject to the approval of the Central Government, consent be and is hereby accorded for payment of remuneration of an amount not exceeding Euro 50,000 (equivalent to Rs. 3,215,000/-) per annum to be paid either on monthly, quarterly or annual basis to Dr. Rainer Siegfried Simon, Non -executive and Independent Director, with effect from 1 June 2011 for a period of two years."

"RESOLVED FURTHER THAT the Board of Directors (hereinafter referred to as 'the Board' which term shall be deemed to include the Remuneration Committee constituted by the Board) of the Company be and is hereby authorised to make modification (including any statutory modification(s) or re-enactment(s) thereof) to the terms of remuneration of Dr. Simon as it considers appropriate and / or as may be required by the Central Government in accordance with any provision under the Act, for the time being in force and to do all acts, deeds, matters and things as may be considered necessary, desirable or expedient to give effect to this resolution."

By order of the Board
For HSIL Limited

Place: Gurgaon

Date: 18 May 2011

(PAYAL M. PURI)

Company Secretary

NOTES:

1. The relative explanatory statement pursuant to Section 173 of the Companies Act, 1956 in respect of the business under item nos. 7, 8, 9 and 10 as set out above is annexed hereto.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL ON HIS / HER BEHALF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.** A proxy should be sent in the form enclosed and in order to be effective must reach

the registered office of the Company at least FORTY EIGHT HOURS before the scheduled time of the meeting.

Proxies submitted on behalf of limited companies, societies etc. must be supported by appropriate resolution / authority as applicable, issued by member of the organisation.

3. A copy of the Balance Sheet as at 31 March 2011 and the Profit and Loss Account for the year ended on that date together with the Auditors' and Directors' Reports thereon are enclosed. Members and Proxy-holders are requested to bring their copies of Annual Report to the meeting.
4. Members are requested to write to the Company their query(ies), if any, on the Accounts and operations of the Company at least 10 days before the meeting to keep the information ready at the meeting.
5. The Register of Members and the Share Transfer Books of the Company will remain closed from 13 September 2011 to 19 September 2011 (both days inclusive) for determination of payment of dividend, if declared, and will be paid to those shareholders whose names are on the Company's Register of Members on 13 September 2011 and in respect of shares held in the dematerialised form, dividend will be paid to the beneficial owners as per details furnished by the Depositories for this purpose as on close of business hours of 13 September 2011. The dividend, if declared, shall be paid on 26 September 2011.
6. Members who hold shares in dematerialised form are requested to bring their Depository ID Number and Client ID Number for easy identification of attendance at the meeting.
7. In terms of the provisions of Section 205A of the Companies Act, 1956, the unclaimed Dividends upto and including for the financial year 1994-95 have been transferred to the General Revenue Account of the Central Government. Members who have so far not claimed or collected their dividend for the said financial year(s), may claim the same by submitting an application in the prescribed Form II to the Registrar of Companies, West Bengal, 'Nizam Palace', 234/4, A.J.C. Bose Road, Kolkata – 700 020.

In accordance with the provisions of Section 205C of the Companies Act, 1956, the Company has transferred unpaid / unclaimed amount of Refunds against Rights Cum Public Issue of the Company in the year 1993 and dividend for the financial years ended 31 March 1996 to 31 March 2003 to Investor Education and Protection Fund (IEPF). Similarly, unpaid / unclaimed amount of Preference

Shares redeemed on 31 March 1998 and unclaimed dividend thereon for the year ended 31 March 1998 have after been transferred to the IEPF. Members are informed that in accordance with the provisions of Section 205C of the Companies Act, 1956, no claim shall lie with respect to unclaimed dividend after it is transferred to IEPF.

Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, unclaimed / unencashed dividend amount for the financial year 2003-04 is due for transfer on 29 July 2011 to IEPF.

8. Section 109A of the Companies Act, 1956 has extended nomination facility to individuals holding shares in Companies. Shareholders holding shares in physical mode and in particular those holding shares in single name, are advised to avail the above facility by furnishing to the Company the particulars of their nominations in the prescribed Nomination Form 2B. Shareholders holding shares in demat form are also advised to avail nomination facility by submitting the prescribed form to their concerned Depository Participants (DPs).
9. Member(s) of the Company who have multiple folios in identical name(s) under different Ledger Folio(s) are requested to apply for consolidation of such folio(s) and send the relevant Share Certificates to the Company's Registrar & Transfer Agent viz. M/s. Maheshwari Datamatics Private Limited, 6, Mangoe Lane, Kolkata – 700 001, for necessary endorsement thereon.
10. The Securities and Exchange Board of India (SEBI) has made it mandatory for all Companies to use the bank account details furnished by the Depositories for crediting dividend to the account of respective shareholders. Accordingly, the Company has made arrangements for crediting the dividend through National Electronic Clearing Services (NECS) / Electronics Clearing Services (ECS) to Members account where NECS / ECS facility is available. Members holding shares in electronic form are therefore requested to furnish their Bank particulars in which they wish to receive dividend, through their Depository Participants (DPs). Members holding shares in physical form and desirous of availing the NECS / ECS facility, are requested to update their Bank particulars by sending it to the Company's Registrar and Share Transfer Agent, M/s. Maheshwari Datamatics Private Limited, directly.
11. The Securities and Exchange Board of India (SEBI) has now mandated to furnish a copy of PAN Card in all the cases of transfer of shares in physical form.

12. A general exemption under Section 212(8) of the Companies Act, 1956 has been granted by the Ministry of Corporate Affairs (MCA), Government of India vide circular No. 2/2011/51/12/2007-CL-III dated 8 February 2011, for not attaching the copy of Balance Sheets, Profit and Loss accounts, reports of the Board of Directors and Auditors' thereon of the subsidiaries (including step down subsidiaries) in the Balance Sheet of the Company. These documents will be made available upon receipt of request from a Member of the Company and shall be available at the Registered Office of the Company as well as its subsidiary Companies for inspection by Members.
13. The Ministry of Corporate Affairs (MCA), Government of India has vide Notification dated 21 April 2011 has taken "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies stating that the service of documents like AGM Notice, Annual Report and other correspondence by a Company can be made through electronic mode. In order to enable the Company to send the documents in the electronic form, the members are requested to register their e-mail ID with us and those holding shares in electronic mode are requested to register / update their e-mail ID with their Depository Participant (DP) also, with whom they are maintaining their demat account.
14. As required under Clause 49 of the Listing Agreement, the relevant information in respect of the Directors seeking appointment / re-appointment at the Annual General Meeting is enclosed and form part of this Notice.
15. Please send all correspondence including requests for transfer / transmission of shares, change of address etc. to Registrar & Transfer Agent of the Company.
16. The Company has designated an exclusive email Id i.e. hsilinvestors@hindware.co.in for redressal of shareholders' complaints / grievances. If you have any query please write to us at hsilinvestors@hindware.co.in

EXPLANATORY STATEMENT

[Pursuant to Section 173(2) of the Companies Act, 1956]

ITEM NO. 7

The present term of Mr. Rajendra K Somany as Chairman and Managing Director of the Company (hereinafter referred to as Mr. Somany) will expire by efflux of time on 8 January 2012. The Board of Directors at its meeting held on Wednesday, 18 May 2011, has recommended to re-appoint Mr. Somany as Non-retiring Chairman and Managing Director of the

Company on the remuneration as recommended by the Remuneration Committee for a further period of three years, commencing from 9 January 2012 and upto 8 January 2015. His appointment and remuneration fixed by the Board are in accordance with Schedule XIII to the Companies Act, 1956 ("the Act") and are subject to the approval of the shareholders for which purpose relevant resolution as set out in the Notice is proposed.

The Board of Directors has recommended the remuneration payable to Mr. Somany, as stated hereunder, during the tenure of his re-appointment with power to the Board to make such variation or increase therein as may be thought fit from time to time, but within the ceiling laid down in Schedule XIII to the Companies Act, 1956 or any statutory amendment or relaxations thereof.

The Abstract of Terms and Conditions of the appointment and remuneration payable to Mr. Somany, as embodied in the draft Agreement to be entered into by Mr. Somany with the Company for his appointment and remuneration payable to him, are as follows:-

1. Period of Appointment

3 (Three) years commencing from 9 January 2012 to 8 January 2015.

2. Remuneration

- | | | |
|-----------------|---|--|
| (a) SALARY | : | Rs. 1,100,000/- per month.
(In the scale of Rs.1,100,000 - Rs. 200,000 - Rs.1,700,000) |
| (b) COMMISSION | : | At the rate of 4% of net profits of the Company for each financial year computed in the manner as laid down in Section 198 and 309 of the Companies Act, 1956. |
| (c) PERQUISITES | : | Mr. Somany will be entitled to the following perquisites in addition to his salary and commission. |

Unless the context otherwise requires, perquisites are classified into three categories A, B and C as follows:-

CATEGORY - A

This will comprise of house rent allowance, leave travel concession, medical reimbursement, fees of clubs, personal accident insurance and such other benefits, facilities and allowances as may be available and allowed to Mr. Somany, as per rules of the Company. These may be provided for as under:-

Housing

- i) The expenditure incurred by the Company on hiring furnished accommodation for Mr. Somany will be subject to the ceiling – 60 (sixty) percent of the salary, over and above 10 (ten) percent payable by Mr. Somany.
- ii) In case the accommodation is owned by the Company, 10 (ten) percent of the salary of Mr. Somany shall be deducted by the Company.
- iii) In case no accommodation is provided by the Company, Mr. Somany shall be entitled to House Rent Allowance subject to the ceiling laid down under Clause (i) above.

Explanation

The expenditure incurred by the Company on Gas, Electricity, Water and Furnishing shall be valued as per the Income Tax Rules, 1962. This shall, however, be subject to a ceiling of 10 (ten) percent of the salary of Mr. Somany.

Medical Reimbursement

All medical expenses incurred for self and his family including hospitalisation, Nursing Home and Surgical charges in India and / or Abroad or both subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.

Leave Travel Concession

For Mr. Somany and his family once in a year incurred in accordance with the Rules of the Company.

Club Fees

Fees of Clubs subject to a maximum of two Clubs.

Personal Accident Insurance

Of an amount, the annual premium of which does not exceed Rs.10,000/- per annum for Mr. Somany.

Other Benefits and Allowances

Any other benefits, facilities and allowances as may be available and allowed to Mr. Somany, as per rules of the Company.

The value of the perquisites for the purpose of calculating the above annual ceiling shall be evaluated as per Income Tax Rules wherever applicable, otherwise at actual.

CATEGORY – B

- i) Contributions to Provident Fund and Superannuation / Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- ii) Gratuity payable shall be half a month's salary for each completed year of service.
- iii) Encashment of Leave at the end of the tenure will be permitted and will not be included in the computation of the ceiling on perquisites.

CATEGORY - C

Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to Mr. Somany. Mr. Somany shall also be provided with a mobile, laptop and internet connection for the purpose of the Company's business, which will also not form part of perquisites.

Overall Remuneration

Subject to an overall limit of 5% of the net profits individually and 10% of the net profits collectively payable to the Chairman & Managing Director and Joint Managing Director as calculated in accordance with Section 198 and 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act, as may be for the time being in force.

Minimum Remuneration

In the event of loss or inadequacy of profits in any financial year during the currency of tenure of office of Mr. Somany, the Company shall pay him remuneration by way of consolidated salary and perquisites in accordance with the provisions of Section II of Part II of the amended Schedule XIII to the Companies Act, 1956 subject to necessary approvals, as may be for the time being in force.

Sitting Fee

Mr. Somany shall not, so long as he acts as the Wholetime Director, designated as the Chairman and Managing Director of the Company, be paid any sitting fee for attending any meeting of the Board or any Committee thereof.

Other Terms

Mr. Somany shall not, during the continuance of his employment hereunder or at any time thereafter, divulge or disclose to any person or make use whatever for his own or for any other purpose any confidential information or knowledge acquired by him during his employment under the Company as to the business or affairs of the Company or as to any trade secret or secrets, processes of the Company and shall, during the continuance of his employment hereunder, use his best endeavors to prevent any other person from doing so.

Mr. Somany hereby undertakes that so long as he functions as the Wholetime Director, designated as Chairman and Managing Director of the Company, he shall not become interested or otherwise concerned directly or indirectly in any selling agency of the Company in future without the prior approval of the Central Government.

The Board of Directors may, in their discretion, revise or modify any of the terms of appointment and remuneration from time to time within the limits laid down in Schedule XIII to the Act.

Termination

Notwithstanding anything contained in this Agreement, either

party shall be entitled to determine this Agreement by giving 6 (six) months' notice in writing in that behalf to the other party and on the expiry of the period of such notice, this Agreement shall stand terminated. The Company shall also be entitled without assigning any reason whatsoever, to terminate the Agreement on giving to Mr. Somany 6 (six) months' salary as specified in Clause 2 (a) in lieu of six months' notice required to be given under this Clause.

Service of Notice

Any notice to be given hereunder shall be sufficiently given or served in case of Mr. Somany by being delivered either personally to him or left for him at his address last known to the Company or sent by registered post addressed to him at such address and in the case of the Company by being delivered at or sent by registered post addressed to its registered office, any such notice if so posted shall be deemed served on the day following that on which it was posted.

In pursuance of Section II of Part II of Schedule XIII of the Act, following further information is given:

1. General Information

General Information:									
(a) Nature of industry	Manufacturing of Sanitaryware & Container Glass								
(b) Date or expected date of commencement of commercial production.	8 February 1962								
(c) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus.	Not applicable								
(d) Financial performance based on given indicators.	<div>Financial year 2010-11</div> <div>Gross Revenue : Rs. 112,977.38 lacs</div> <div>Profit after Tax : Rs. 8,735.20 lacs</div> <div>Rate of Dividend : 125%</div> <div>Earning per Share : Rs. 14.47</div>								
(e) Export performance and net foreign exchange earnings.	<div>The Company had exported products worth Rs. 2,408.64 lacs during the financial year 2010-11.</div> <div>Foreign Exchange earned and used during financial year 2010-11 and 2009-10:</div> <table><tr><td></td><td>(Rs. in lacs)</td></tr><tr><td></td><td>2010-112009-10</td></tr><tr><td>Foreign exchange earned :</td><td>2,408.641,975.49</td></tr><tr><td>Foreign exchange used :</td><td>14,398.9011,708.04</td></tr></table>		(Rs. in lacs)		2010-112009-10	Foreign exchange earned :	2,408.641,975.49	Foreign exchange used :	14,398.9011,708.04
	(Rs. in lacs)								
	2010-112009-10								
Foreign exchange earned :	2,408.641,975.49								
Foreign exchange used :	14,398.9011,708.04								
(f) Foreign investments or collaborators, if any.	<div>Holdings of FIIs / NRIs and other non-residents is 31.60% [out of which 9.09% is held by HPC (Mauritius) Ltd.] in the Company as at 31 March 2011.</div> <div>The Company has no foreign collaborations.</div>								

2. Information about the appointee:

Background Details	Mr. Rajendra K Somany, commerce graduate from St. Xavier's College, Calcutta University, possesses an extensive 56-year working experience and provides the strategic direction and vision to the Company. His expertise has won him the fellowship of Institute of Ceramics, U.K. and life fellowship of All India Management Association. Other memberships he holds include – Emeritus Member of the American Ceramic Society, Fellow of the Chartered Management Institute of UK (FCMI) and Member of the Institute of Materials, Minerals and Mining, UK (IOM ³). Mr. Somany assisted Bureau of Indian Standards (BIS) to develop quality standards for sanitaryware industry. He has been instrumental in aligning the Indian Standards with the European Standards. Mr. Somany has headed various national chambers of commerce in the past : Chairman of Council of Indian Employers; President of Employers' Federation of India; President of The Associated Chambers of Commerce and Industry of India; President of PHD Chamber of Commerce & Industry, etc. He was the Founder President of Bahadurgarh Chamber of Commerce and Industry.
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Past Remuneration	The remuneration drawn by Mr. Rajendra K Somany during the past four years is as follows:	
	Year	Rs. in lacs
	2007-08	229.17
	2008-09	238.72
	2009-10	287.70
	2010-11	327.37
Recognition or Awards	Past Chairman of Council of Indian Employers; Past President of Employers' Federation of India; Past President of The Associated Chambers of Commerce and Industry of India (ASSOCHAM); Past President of PHD Chamber of Commerce & Industry	
Job Profile and his suitability	He is the Chairman and Managing Director of the Company and devotes whole time attention to the management of the affairs of the Company and exercises powers under the supervision and superintendence of the Board of the Company.	
Remuneration Proposed	As mentioned above.	
Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person	Considering the responsibility shouldered by him of the enhanced business activities of the Company and also considering the levels of remuneration in India and worldwide, the remuneration proposed is considered reasonable. Remuneration Committee consisting of three Independent Directors, after elaborate discussion, have approved the proposed remuneration.	
Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any.	Does not have any pecuniary relationship with the Company except remuneration drawn as Chairman and Managing Director and as a member to the extent of his shareholding in the Company. He is related to Mr. Sandip Somany, Joint Managing Director.	

3. Other Information

Reasons of loss or inadequate profits	There is profit, but as an abundant caution for payment of minimum remuneration to the Chairman and Managing Director in case of no profit or inadequate profit in any particular year, the information is provided to the Shareholders.
Steps taken or proposed to be taken for improvement	
Expected increase in productivity and profits in measurable terms	

The Board of Directors are of the view that it is in the interest of the Company to continue to avail the services of Mr. Somany as Chairman and Managing Director of the Company.

Approval of members is sought for re-appointment of Mr. Rajendra K Somany as Chairman and Managing Director and for payment of remuneration including minimum remuneration.

Memorandum of Interest

None of the Directors of the Company are concerned or interested in the resolution set out under Item No. 7 of the accompanying Notice of 51st Annual General Meeting of the Company except Mr. Rajendra K Somany and Mr. Sandip Somany, being relatives of each other.

Inspection of Documents

The draft of the proposed supplemental Agreement to be entered into between the Company and Mr. Rajendra K Somany is available for inspection by the Members of the Company at its Registered Office, on any working day prior to the date of the meeting during 3:00 p.m to 5:00 p.m and will also be

available at the meeting.

Abstract of Terms and Conditions

This should be treated as an abstract of the terms of appointment and memorandum of interest of Mr. Somany as required under Section 302 of the Act.

The Board commends the Resolution for approval of the Members.

Item No. 8

The Members of the Company, at the 48th Annual General Meeting held on 4 September 2008, had approved the appointment of Mr. Rajendra K Somany as Chairman and Managing Director of the Company for a period of three years w.e.f. 9 January 2009.

Similarly the members of the Company at the 50th Annual General Meeting held on 22 September 2010, had approved the appointment of Mr. Sandip Somany as Joint Managing Director for a period of three years w.e.f. 1 December 2010.

The details of present remuneration payable to Mr. Rajendra K Somany and Mr. Sandip Somany had been earlier approved by the Members of the Company are as follows:

Particulars	Mr. Rajendra K Somany	Mr. Sandip Somany
Date of approval of Remuneration by Shareholders	At the 48th AGM held on 4 September 2008	At the 50th AGM held on 22 September 2010
Designation	Chairman and Managing Director	Joint Managing Director
Tenure of Appointment	9 January 2009 to 8 January 2012	1 December 2010 to 30 November 2013
Remuneration		
a. Salary	Rs. 700,000/- p.m. (in the scale of Rs. 700,000-125,000 -1,075,000)	Rs. 700,000/- p.m. (in the scale of Rs. 700,000-100,000- 1000,000)
b. Commission	At the rate of 3% of the net profits of the Company for each financial year, computed in the manner laid down in Sections 198 and 309 of the Companies Act, 1956	At the rate of 3% of the net profits of the Company for each financial year, computed in the manner laid down in Sections 198 and 309 of the Companies Act, 1956
c. Perquisites and other terms	As set out in the Agreement entered into between the Company and Mr. Rajendra K Somany.	As set out in the Agreement entered into between the Company and Mr. Sandip Somany.

Board of Directors have, on due recommendation of the Remuneration Committee at its meeting held on 18 May 2011 proposed to revise the commission from 3% to 4% of the net profits with effect from 1 April 2010, payable to Mr. Rajendra K Somany for the remaining tenure of his office ending on 8 January 2012 and also to Mr. Sandip Somany for the previous tenure of his office ended on 30 November 2010 and with effect from 1 December 2010 for the remaining tenure of his office ending on 30 November 2013, keeping all other terms of remuneration payable to them unchanged, subject to and within the overall limits as provided under Sections 198, 269, 309, 310, 311 read with Section I of Part II of Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, subject, however, to the approval of the members of the Company.

The Board recommend the resolution for approval of the Members of the Company.

None of the Directors of the Company except Mr. Rajendra K Somany and Mr. Sandip Somany is in any way concerned or interested in this resolution.

The draft of the proposed Agreements to be entered into between the Company and Mr. Rajendra K Somany and Mr. Sandip Somany are available for inspection by the Members of the Company at its Registered Office, on any working day prior to the date of the meeting during 3:00 p.m to 5:00 p.m and will also be available at the meeting.

This should be treated as an abstract of the terms of appointment and memorandum of interest of Mr. Rajendra K Somany and Mr. Sandip Somany as required under Section 302 of the Act.

Members are requested to signify their approval to the above proposal for increase in the commission payable to Mr. Rajendra K Somany and Mr. Sandip Somany by passing of this resolution.

Item no. 9 and 10

Dr. Rainer Siegfried Simon, who has been appointed as an Additional Director, pursuant to the provisions of Section 260 of the Companies Act, 1956, w.e.f. 18 May 2011, holds office upto the date of this Annual General Meeting and as required by Section 257 of the Companies Act, 1956, a notice alongwith requisite deposit has been received from a member signifying his intention to propose Dr. Simon as a candidate for the office of Director.

Dr. Simon is a Doctorate from St. Gallen University, Switzerland and also holds a degree in Business Administration from the aforementioned University. He has more than 20 years of experience with significant expertise in restructuring activities. He is Owner of BirchCourt GmbH since 2005. He was President and CEO Sanitec International AG between 2002 and 2005. He also held senior management positions at Friedrich Grohe AG, Continental AG and Keiper-Recaro etc. Dr. Simon holds vast experience and expertise in the bathroom industry, both in Europe and internationally and his continuance as Director will bring unique insights to help the future growth of the Company.

He presently serves as the Chairman of the Supervisory Board of Joyou AG Hamburg / Nan'an China, is a member of the Supervisory Board of Friedrich Grohe AG, Uponor OY Helsinki Finland, SARA Holdings Beirut and Lecico Egypt S.A.E.

It is proposed to appoint Dr. Simon as Director of the Company, and therefore, the resolution at item no. 9 in the notice is recommended for approval.

In his capacity as Non executive and Independent Director of the Company, Dr. Simon will render such services and guidance to the Company as the Board may from time to time determine and entrust to him.

It is proposed to pay remuneration not exceeding Euro 50000 (equivalent to Rs. 3,215,000/-) per annum to Dr. Simon, with effect from 1 June 2011, for a period of two years, for availing the vast experience and expertise of Dr. Simon for the growth of the Company and such remuneration would be paid either on a monthly, quarterly or annual basis as may be mutually agreed between the Board and Dr. Simon.

Pursuant to the provisions of section 198, 309, 310 and such other applicable provisions, if any, of the Companies Act, 1956,

the payment of above remuneration is subject to the approval of the Shareholders and Central Government.

Accordingly, the resolution mentioned in item no. 10 of the notice is recommended for your approval as a Special Resolution.

Details of Dr. Simon, pursuant to the requirement of the Listing Agreement with the Stock Exchanges, relating to Corporate Governance, are given in the statement attached.

None of the Directors, except Dr. Simon is, in any way, concerned or interested in the resolutions set out at items no. 9 and 10 of the notice.

By order of the Board
For HSIL Limited

Place : Gurgaon
Date : 18 May 2011

(PAYAL M. PURI)
Company Secretary

Information pursuant to clause 49 of the Listing Agreement regarding Directors seeking appointment / re-appointment

Mr. Rajendra K Somany

Qualification	Commerce Graduate from St. Xavier's College, Calcutta University
Brief Resume and Area of Expertise	<p>Mr. Somany possesses an extensive 56-year working experience and provides the strategic direction and vision to the Company. His expertise has won him the fellowship of Institute of Ceramics, U.K. and life fellowship of All India Management Association. Other memberships he holds include – Emeritus Member of the American Ceramic Society, Fellow of the Chartered Management Institute of UK (FCMI) and Member of the Institute of Materials, Minerals and Mining, UK (IOM³).</p> <p>Mr. Somany assisted Bureau of Indian Standards (BIS) to develop quality standards for sanitaryware industry. He has been instrumental in aligning the Indian Standards with the European Standards.</p> <p>Mr. Somany has headed various national chambers of commerce in the past : Chairman of Council of Indian Employers; President of Employers' Federation of India; President of The Associated Chambers of Commerce and Industry of India; President of PHD Chamber of Commerce & Industry, etc. He was the Founder President of Bahadurgarh Chamber of Commerce and Industry.</p>
Other Directorship	<ol style="list-style-type: none"> 1. Ceramic Services Ltd. 2. Soma Investment Ltd. 3. Paco Exports Ltd. 4. HSIL Associates Ltd.
Chairman / Member of the Committees of Boards of other companies	-
No. of shares held	2,620,114

Mr. Ashok Jaipuria

Qualification	Degree in Associate of Arts in Business Administration and Diploma in Marketing Science
Brief Resume and Area of Expertise	He is Chairman and Managing Director of Cosmo Films Ltd., a businessman with strong vision who made Cosmo Films Ltd., the largest BOPP film manufacturer and exporter. He is a member of the Executive Committee of the Federation of Indian Chamber of Commerce and Industry (FICCI) as well as Confederation of Indian Industry (CII) and The Golf Foundation, a charitable society formed with an objective of helping the under privileged potential golfers in India.
Other Directorship	1. Cosmo Films Ltd. 2. Cosmo Ferrites Ltd.
Chairman / Member of the Committees of Boards of other companies	Chairman
	-
	Member
	Audit Committee
	1. Cosmo Films Ltd.
No. of shares held	18,000

Mr. G. L. Sultania

Qualification	B.Com, F.C.A., F.C.S.
Brief Resume and Area of Expertise	He is a qualified Chartered Accountant and Company Secretary. He has vast knowledge and experience of Financial Restructuring, Corporate Laws and Legal Compliance. He is Member of the Capital Market Standing Committee of Merchants' Chamber of Commerce.
Other Directorship	1. Somany Ceramics Ltd. 2. SR Continental Ltd 3. Schablona India Ltd. 4. The United Provinces Sugar Co. Ltd. 5. SKP Securities Ltd. 6. Paco Exports Ltd. 7. Bhilwara Holdings Ltd. 8. Sarvottam Vanijya Ltd. 9. Somany Global Ltd. 10. SPA Capital Services Ltd. 11. Kirtivardhan Finvest Services Ltd. 12. Intimate Fashions Ltd. 13. Hindware Home Retail Pvt. Ltd.

Chairman / Member of the Committees of Boards of other companies	Chairman
	Audit Committee
	1. Schablona India Ltd.
	2. SKP Securities Ltd.
	Shareholders' / Investors' Grievance Committee
	1. Schablona India Ltd.
	2. SKP Securities Ltd.
	Member
	Audit Committee
	1. Somany Ceramics Ltd.
	2. Intimate Fashions Ltd.
	3. Hindware Home Retail Pvt. Ltd.
	Shareholders' / Investors' Grievance Committee
	1. Somany Ceramics Ltd.
No. of shares held	6,705

Mr. N. G. Khaitan

Qualification	B.Com., L.L.B.
Brief Resume and Area of Expertise	He is an Attorney-At-Law, Advocate and Notary, practicing in the Hon'ble High Court Calcutta and the Hon'ble Supreme Court of India. He is a Senior Partner of Khaitan & Co. having experience in legal profession. He has handled various kinds of corporate and arbitration matters, commercial and civil litigation, mergers, acquisitions and joint ventures. He holds the reputation of being a committee member of the Federation of Indian Chambers of Commerce and Industry (FICCI), President of Indian Council of Arbitration, New Delhi and committee member of the Bharat Chamber of Commerce, Calcutta.
Other Directorship	1. Chase Bright Steel Ltd.
	2. Gobind Sugar Mills Ltd.
	3. JK Lakshmi Cement Ltd.
	4. Mangalam Timber Products Ltd.
	5. Mangalam Cement Ltd.
	6. Naga Dhunseri Group Ltd.
	7. Reliance Chemotex Industries Ltd.
	8. Rasoi Ltd.
	9. DPSC Ltd.

Chairman / Member of the Committees of Boards of other companies	Chairman
	Audit Committee
	1. Mangalam Timber Products Ltd.
	Member
	Audit Committee
	1. JK Lakshmi Cement Ltd.
	2. Reliance Chemotex Industries Ltd.
	3. Mangalam Cement Ltd.
	Shareholders' / Investors' Grievance Committee
	1. JK Lakshmi Cements Ltd.
	2. Gobind Sugar Mills Ltd.
No. of shares held	832

Dr. Rainer Siegfried Simon

Qualification	Doctorate and Degree in Business Administration from University of St. Gallen, Switzerland
Brief Resume and Area of Expertise	He has more than 20 years of experience with significant expertise in restructuring activities. He is Owner of BirchCourt GmbH since 2005. He was President and CEO Sanitec International AG between 2002 and 2005. He also held senior management positions at Friedrich Grohe AG, Continental AG and Keiper-Recaro etc. Dr. Simon holds vast experience and expertise in the bathroom industry, both in Europe and internationally. He presently serves as the Chairman of the Supervisory Board of Joyou AG Hamburg / Nan'an China, is a member of the Supervisory Board of Friedrich Grohe AG, Uponor OY Helsinki Finland, SARA Holdings Beirut and Lecico Egypt S.A.E.
Other Directorship	Not a Director in any Indian Company
Chairman / Member of the Committees of Boards of other companies	-
No. of shares held	Nil

NOTES

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Registered Office: 2, Red Cross Place, Kolkata – 700 001.

Phone: 91-33-2248 7406/07, Fax: 91-33-2248 7045

E-mail: hsilinvestors@hindware.co.in

ATTENDANCE SLIP

The Folio No. and Name(s) of the Member(s) are to be furnished below in block letters

Folio No No. of Shares held

Client ID DP ID

Full Name(s) of Member / Joint Members

1 2

3 4

Full Name of the Proxy if attending the Meeting

I hereby record my presence at the Fifty First Annual General Meeting of the Company held at Somany Conference Hall of Merchants' Chamber of Commerce, 2nd Floor, 15 B, Hemanta Basu Sarani, Kolkata – 700 001 on Monday, 19th September, 2011 at 11:30 A.M.

Signature of the Member / Joint Members / Proxy attending the Meeting

Please complete this attendance slip and hand it over at the entrance of the Meeting hall.



Registered Office: 2, Red Cross Place, Kolkata – 700 001.

Phone: 91-33-2248 7406/07, Fax: 91-33-2248 7045

E-mail: hsilinvestors@hindware.co.in

PROXY FORM

I / We of

being a Member(s) of HSIL Limited hereby appoint

of failing him / her

of failing him / her

of as my / our proxy to vote for me / us and on my / our behalf at the Fifty First Annual General Meeting of the Company to be held at Somany Conference Hall of Merchants' Chamber of Commerce, 2nd Floor, 15 B, Hemanta Basu Sarani, Kolkata - 700 001 on Monday, 19th September, 2011 at 11:30 A.M.

Signed at this day of 2011

Affix Re.1/-
Revenue
Stamp

Folio No Client ID and DP ID Signature

Note:

The proxy in order to be effective must reach the Registered Office of the Company at 2, Red Cross Place, Kolkata – 700 001, not less than 48 hours before the time for holding the aforesaid Meeting.

Corporate information

BOARD OF DIRECTORS

Mr. Rajendra K Somany, Chairman and Managing Director
Mr. Sandip Somany, Joint Managing Director
Mr. Ashok Jaipuria
Mr. Binay Kumar
Mr. G. L. Sultania
Mr. N. G. Khaitan
Dr. Rainer Siegfried Simon
Mr. S. B. Budhiraja
Mr. Vishal Marwaha
Mr. V. K. Bhandari

COMPANY SECRETARY

Ms. Payal M. Puri

STATUTORY AUDITORS

M/s Walker, Chandiok & Co., Chartered Accountants

REGISTERED OFFICE

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

CORPORATE OFFICE

301-302, Park Centra, Sector 30, National Highway 8,
Gurgaon-122 001
Tel: 91 124 477 9200-201 Fax: 91 124 429 2898

REGIONAL OFFICES

Bengaluru: Jai Krishna Krupa, No.6 Crescent Road,
Highgrounds, Bengaluru -560 001, Karnataka
Tel: 91 80 4081 1011

Chennai: Shivay Apartments No. 5
4th Street, Nandanam Extension
Chennai-600 035, Tamil Nadu
Tel: 91 44 4341 2777

Ernakulam: 1st Floor, Heavenly Plaza, Colony Stop,
Civil Lane Road, Padamughal, Kakkanad PO,
Ernakulam-682 021, Kerala
Tel: 91 484 242 6587

Mumbai: 2nd Floor, Satyanarayan Prasad Commercial Centre,
Plot no. 200, Next to State Bank of India, Dayaldas Road,
Vile Parle (East), Mumbai- 400 057, Maharashtra
Tel: 91 22 4342 0600

Pune: Vastushree Complex, Office No. 31, D Wing, 1st Floor,
Near Hydepark, Market Yard, Bibewadi,
Pune – 411 037, Maharashtra
Tel: 91 20 2426 9582

Secunderabad: 304-305, Ashoka Bhoopal Chambers,
Sardar Patel Road, Secunderabad – 500 003, Andhra Pradesh
Tel: 91 40 6628 8000

Chandigarh: SCO-82, 1st Floor,
Sec. 12, Panchkula, Haryana

BANKERS

Andhra Bank
Canara Bank
Central Bank of India
Citibank, N.A.
Dhanalakshmi Bank
DBS Bank
Standard Chartered Bank
The Hongkong and Shanghai Banking Corporation

INTERNAL AUDITORS

BDO Consulting Pvt. Ltd.

PLANT LOCATIONS

Building Products Division

1. Bahadurgarh-124 507, Dist. Jhajjar, Haryana
Tel: 91 1276 230 485/87- 232 226-8
Fax: 91 127 6230 138
2. Somanypuram Brahmanapally Village, Bibinagar,
Dist. Nalgonda, Andhra Pradesh – 508 126
Tel: 91 8685 651 773/448
3. G 470-471, Phase I, RIICO Industrial Area,
Bhiwadi – 301 019, Rajasthan

Container Glass Division

AGI GLASPAC

1. Glass Factory Road, Off Motinagar, P.B. No. 1930,
Sanathanagar P.O., Hyderabad - 500 018,
Andhra Pradesh
Tel: 91 40 2383 1771 Fax: 91 40 2383 1787
2. Glass Factory Road, Bhongir – 508 116,
Nalgonda District, Andhra Pradesh

EVOK STORES

Delhi: West Gate Mall, Rajouri Garden; GK-II Market

Haryana: Crown Interiorz Mall, Faridabad; JMD Mall, Gurgaon

Uttar Pradesh: Shipra Mall, Ghaziabad; Dharam
Palace, Noida; Shalimar Tower, Lucknow

Punjab: Paras Down Town Square, Zirakpur, Chandigarh

Maharashtra: Pulse Mall, Pune; 32/2D, Ghodbuner Road, Thane



Corporate Office

Unit No 301-302, III Floor, Park Centra, Sector 30, N.H-8, Gurgaon, Haryana - 122001

Phone no.: +91-124-4779200, Fax no.: +91-124-4292898, +91-124-4292899

E-mail: delhi@hindware.co.in

www.hindwarehomes.com



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