

HSIL Limited

Corporate Presentation

November 2015

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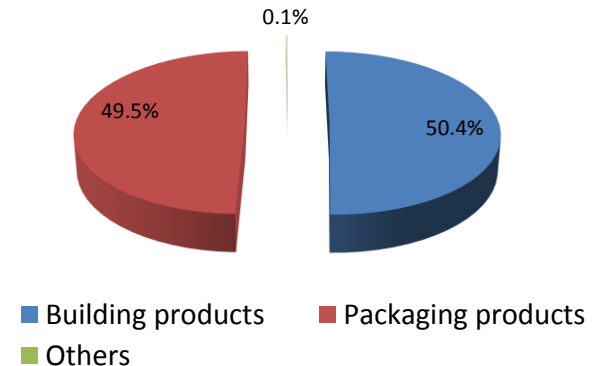
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HSIL – An Overview

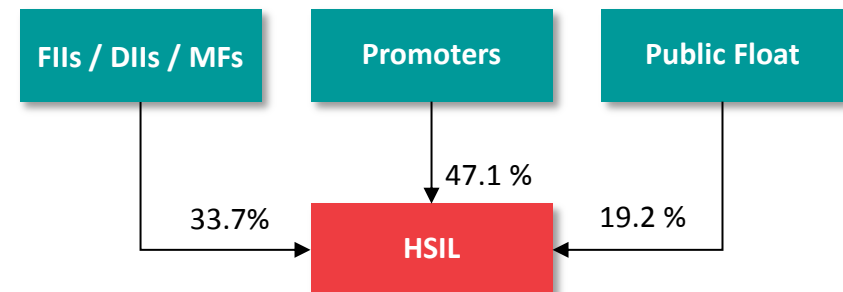
Overview

- One of the leading players in two business segments – Building products (BPD) and Packaging products (PPD)
 - Bathroom solutions
 - Glass and plastic containers for packaging beverages, liquor, pharmaceuticals and food products
- 8 manufacturing facilities
- Incorporated in 1960
- Registered office at Kolkata, State of West Bengal; Corporate office in Gurgaon, Haryana & 15 Regional offices
- Listed on NSE and BSE - Market Capitalization of Rs.2013 crore* (as of November 6, 2015)
- Pan India distribution network with around 3,000+ dealers
- FY15 Total Income from Operations (Net)/Net Revenue of Rs.1857 crore & EBITDA of Rs.345 crore
- Consistent dividend track record

Net Revenue break-up (FY 2014-15)



Ownership Profile as on September 30, 2015



* Rs. 1 crore = Rs.10 million

HSIL - key brands

hindware

hindware
ART

hindware
ITALIAN COLLECTION

QUEO

VENTS 

hindware
 atlantic
Water Heaters

Amorè 

hindware
KITCHEN ENSEMBLE


BENELAVE™


RAASI






EVOK®

HSIL (standalone) - financial snapshot

Profit & loss account

Rs. Crore

	FY 11	FY 12	FY 13	FY 14	FY 15	CAGR
Net Revenue	1,052	1,339	1,574	1,746	1,857	18.3%
EBITDA	217	258	264	271	345	17.4%
%	20.6%	19.3%	16.8%	15.5%	18.6%	
EBIT	163	202	179	165	226	16.4%
%	15.5%	15.1%	11.4%	9.5%	12.2%	
PBT	127	163	139	98	152	18.3%
%	12.1%	12.1%	8.8%	5.6%	8.2%	
PAT	87	110	99	56	104	14.7%
EPS	14.47	16.67	15.01	8.51	15.7	10.5%

Balance Sheet

	FY 11	FY 12	FY 13	FY 14	FY 15
Sources of fund					
Share holders Funds	701	1,013	1,089	1,121	1,436
Loan fund	391	793	956	1,081	765
Deferred Tax Liability	73	74	110	115	104
Total	1,166	1,880	2,156	2,318	2,305
Application of fund					
Fixed Asset (Inc CWIP)	836	1,431	1,478	1,638	1,605
Investment	100	186	197	133	144
Net current asset	229	263	481	547	555
Total	1,166	1,880	2,156	2,318	2,305

Debt/ Equity* ratio	0.78	1.34	1.43	1.55	0.75
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*Equity/Net Worth is net of Business Reconstruction Reserve

Net Revenue figures above includes other operating income

HSIL – an overview

Products

Building Products Division

- ◆ Sanitaryware
- ◆ Bathroom fittings and Faucets
- ◆ Wellness & Allied Products
- ◆ Consumer products, kitchen appliances & water heaters, etc.

Packaging Products Division

- ◆ Glass Bottles
- ◆ PET Bottles, Containers
- ◆ Security caps & closures

Highlights

Key Brands



Institutional Clients

Pernod Ricard	United Spirits	Reckitt Benckiser India	GSK Pharma
Carlsberg	SAB Miller	United Breweries	Coca Cola & Pepsi Co



Manufacturing Facilities

Sanitaryware plants (3.8 Mn. Pcs per annum)

- ◆ Bahadurgah, Haryana
- ◆ Bibinagar, Telangana

Faucets plants (3Mn. Pcs per annum)

- ◆ Bhiwadi, Rajasthan (Temporary shutdown)
- ◆ Kaharani, Rajasthan

Glass Bottle Plants (1600 tonnes per day)

- ◆ Hyderabad*, Telangana
- ◆ Bhongir, Telangana

PET Bottle Plants (9500 tonnes per year)

- ◆ Dharwad, Karnataka
- ◆ Selaqui, Uttarakhand

*furnace having capacity of 300tons/Day is under shutdown

Key Financials

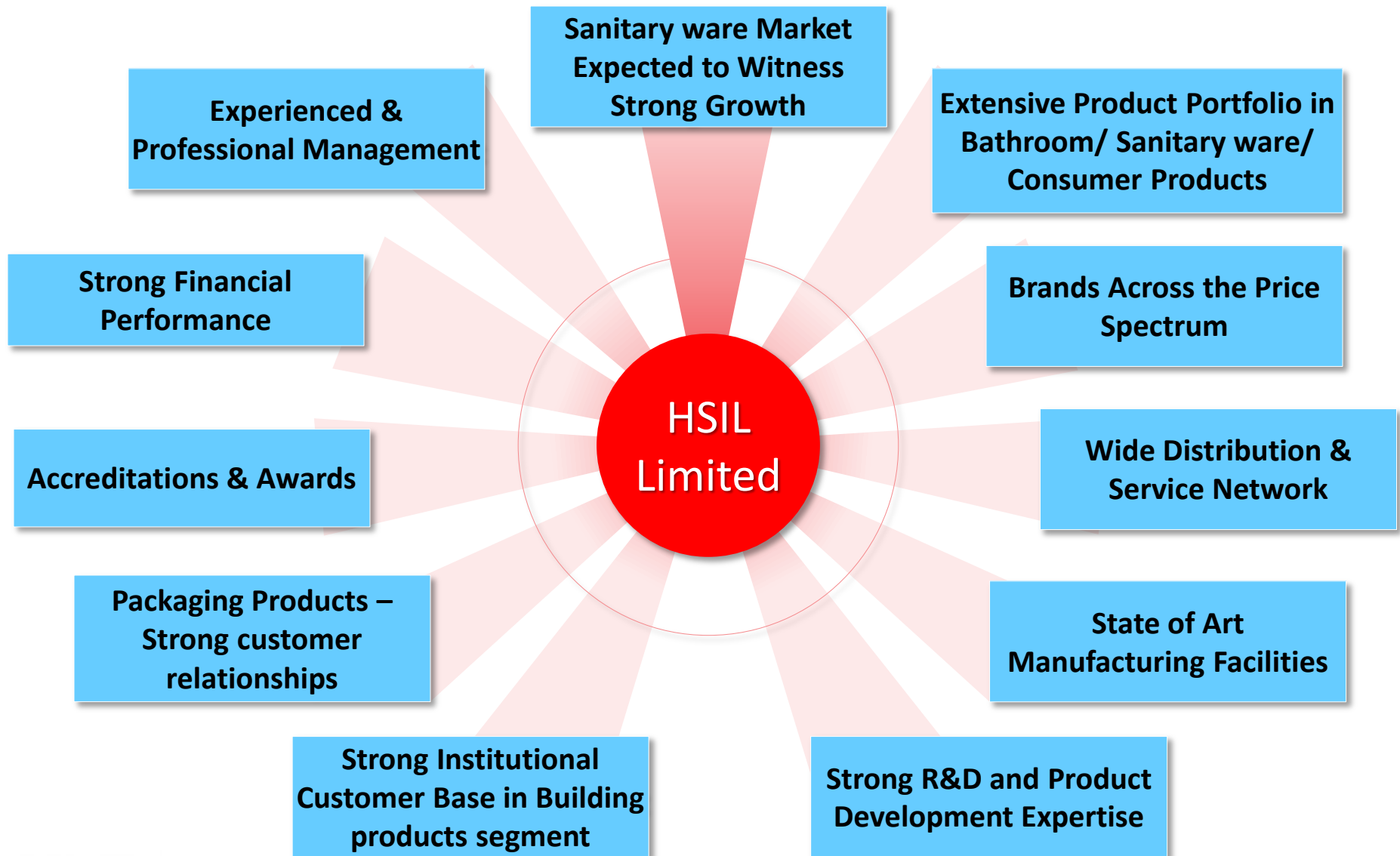
Rs. Crore

BPD	FY13	FY14	FY15
Net Revenue	747	881	936
EBIT	136	183	178
EBIT %	18.2%	20.7%	19.0%

Rs. Crore

PPD	FY13	FY14	FY15
Net Revenue	826	864	920
EBIT	71	10	84
EBIT %	8.6%	1.1%	9.1%

HSIL - key strengths



Sanitation Industry - on growth path

▪ Sanitary ware market

- Historical CAGR of around 12-13% in 2010 -2014
- Industry size estimated at around Rs.35 billion in 2015 and expected to grow at CAGR of 12% till 2017
 - Around 60% of market with organized players

▪ Faucet Market

- Historical CAGR of around 14-15% in 2010 -2014
- Industry size estimated at around Rs.60 billion in 2015 and expected to grow at CAGR of 12% till 2017
 - Around 45% of market with organized players

▪ Demand of premium products

- Bathroom products and its aesthetics being part of premium lifestyle
- Urbanization and rise in middle class income group
- By 2025 India expected to have additional new mega cities, accommodating a population of 10 million or more

▪ Replacement Market

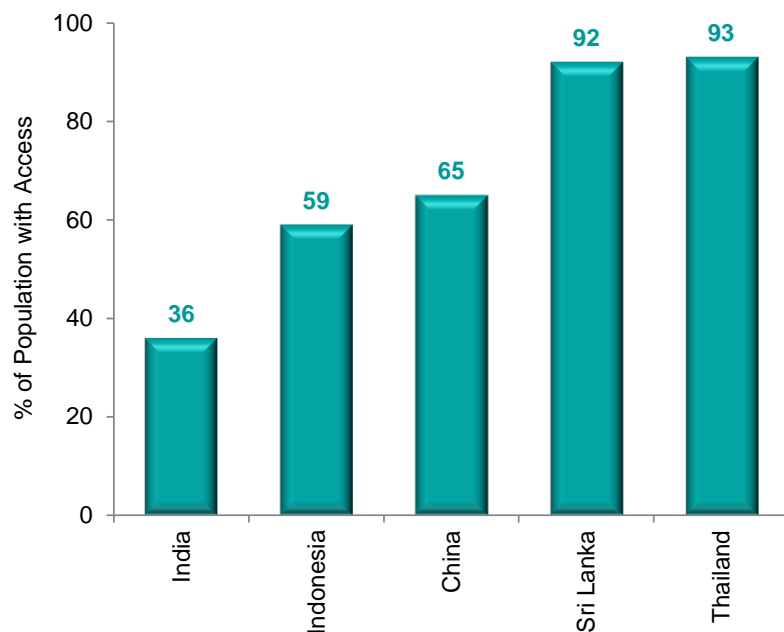
- The demand for replacement market in the sanitary ware industry is low in India at around 12% compared to developed countries at around 80%
 - Demand from replacement market expected to grow further due to improved macro economic factors, higher per capita incomes & increasing desire for better bathrooms
- Average life of a bathroom in urban India is expected to come down from 20 years to 10 years

▪ Government Initiative for better sanitation to provide long term support to industry

- Swachh Bharat Mission (SBM) launched on 2nd October, 2014 with an aim to eliminate open defecation
- Swachh Bharat Abhiyan is a valid CSR activity
- Government has recently decided to levy the Swachh Bharat cess of 0.50%

Sanitation Industry - robust long term growth trend

Sanitation Growth Potential Given Low Sanitation Penetration in the Country



Source: WHO/Unicef (2012)

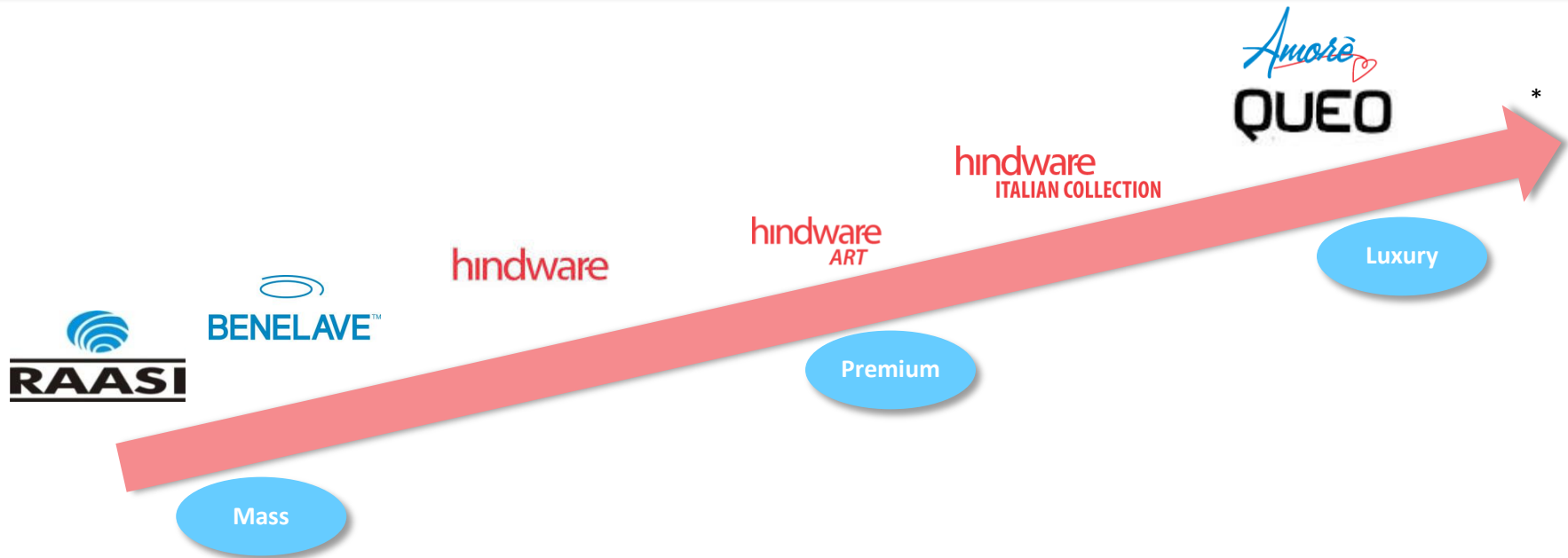
Environment Conducive for Growth of the Sanitaryware Industry in India

Strong demand growth expected given:

- Housing for all : 2 Crore houses in Urban areas and 4 Crore houses in Rural areas till 2022
- Sanitation penetration is low in India relative to other emerging economies with only about 36% of the households have access to safe sanitation facilities as of 2012
- Increasing trends in replacement demand for sanitary ware products
- Major thrust on improving sanitation standards in the country
- Increased demand for new houses due to sustained economic growth, rapid urbanization, higher aspiration levels
- Rising middle class- increasing affordability
- Consumer preferences are changing from low end basic product mix towards middle and high end premium products

HSIL - brands across the price spectrum

- building products business



* Vents, Evok excluded as they are not sanitaryware products

hindware
ITALIAN COLLECTION
hindware
ART

- Wide choice of products at various price points appeal to a large customer base
- The brands aim is to create a luxurious experience in the bathroom
- Products include cisterns, water closets, urinals, and wash basins

hindware

- Hindware offers quality products with modern designs across sanitaryware, bathroom fittings & kitchen appliances
- Faucets: This collection offers 17 ranges of faucets, manufactured using advanced technology with critical components from Europe
- Kitchen Appliances: Products for an effortless cooking experience such as chimneys, built-in-ovens & hobs

BENELAVE™

- Range of bath fittings, accessories & sanitaryware
- Premium looks and design, durability, and ease of use are the main selling points

HSIL - investing into future

- strengthening brand recognition



- King of Bollywood Shah Rukh Khan is brand ambassador of “**hindware**”
- Bollywood actress Jacqueline Fernandez is brand ambassador for Luxury Brand “**Queo**”
- Focus on further reinforcing reach, respect & recall of flagship brands



HSIL - luxury brands

QUEO

- Luxury sanitary ware & faucet brand Queo is imported from Europe
- First Queo Emporio showroom in Gurgaon was launched in September 2012, followed by a second one in Delhi
- As of September 30, 2015, the Company has over 80 dealers in Metros & Tier 1 Cities



Amore

- Amore is a new brand launched under the category of Wellness & SPA.
- Along with Queo, Amore is the second brand from HSIL targeted to the luxury bath ware market.
- As of September 30, 2015, Amore has over 90 dealers



HSIL - extensive product portfolio in building products

Extensive Product Portfolio Catering to the Bathroom/Home Improvement Space

Sanitaryware Products*



Wash Basins



Water Closets



Cisterns



Urinals



Concealed
cisterns



PVC Cisterns

Bathroom Fittings*



Faucets



Showers



Health Faucets



Stop Cocks



Accessories



Wellness Products & Others*



Massage Tubs



Multifunction Shower Enclosures



Shower Panels



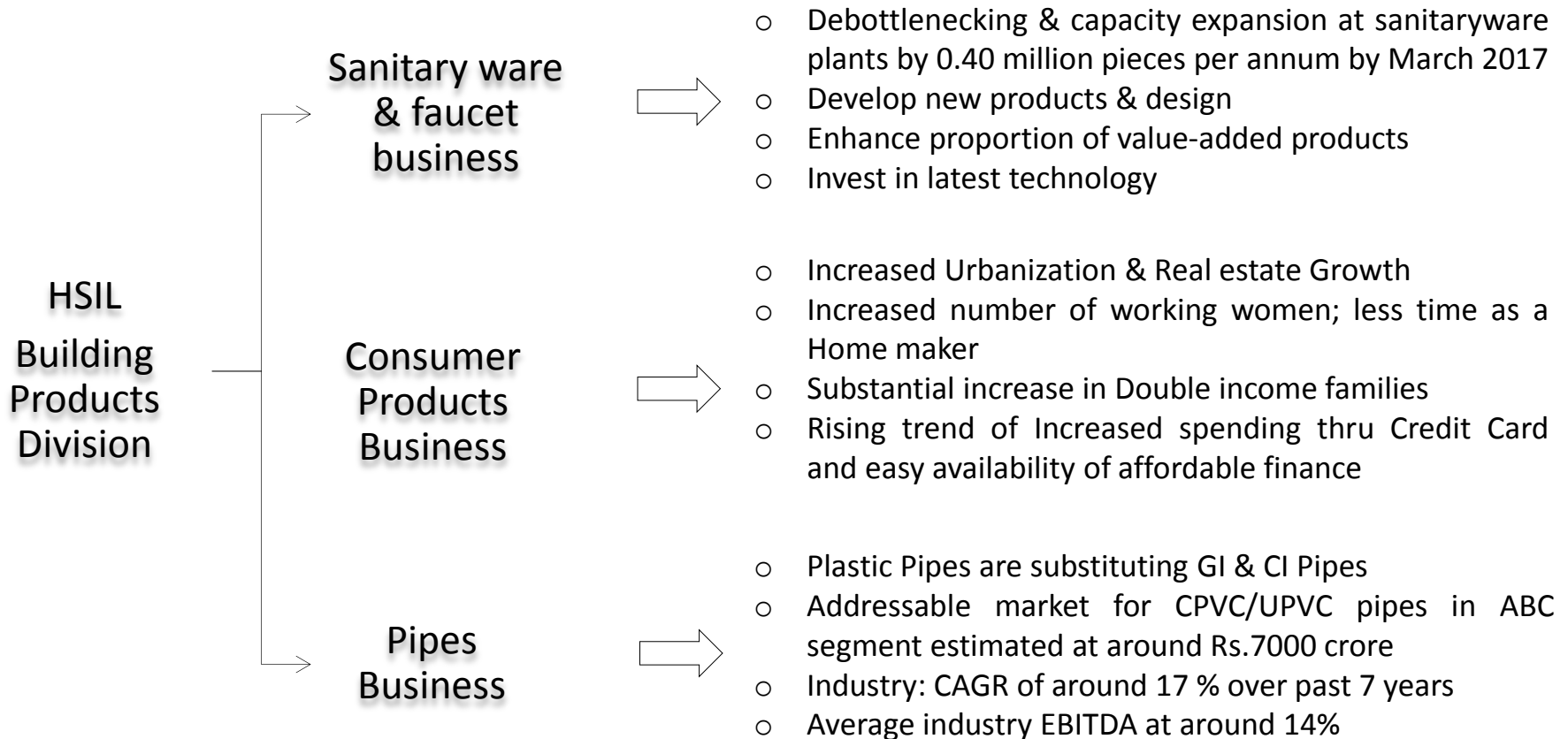
* Not an exhaustive representation of the product portfolio

HSIL – extensive distribution & service network

- Pan India distribution and service network through a variety of platforms, as of September 30, 2015
 - 3000 + Pan India dealer network
 - 19000 + Pan India retail spread
 - 125+ Hindware Galleria and 500 Hindware shop-in-shops
 - In house 20 service locations and over 300 certified plumbers provide service across India
- Exclusive Hindware Lacasa display centre
 - Showcase Hindware's entire collection of top-tier products, for customers, architects, designers and end consumers
 - Currently 4 Lacasa display centres are in place and more are being rolled out
- Aggressive retail expansion being planned
 - Plans to further expand dealer network, Gallerias, and shop-in-shops
 - Increasing coverage of Tier II and III towns

HSIL - building products division is expanding its horizons

Leverage on existing brand and sales & distribution strength to further synergize the existing portfolio of products



HSIL - consumer product business

- To be amongst the 3 largest players in any category where we operate within 3-4 years of the launch of that category
- To be the preferred choice of consumer in the categories where we operate
- To bring consumer delight at each and every step of our interaction with the consumer
- To bring not marginal but meaningful changes in the life of our consumers
- To be amongst the most customer centric company in the Indian subcontinent

- Kitchen Appliances (hoods, cook tops, built-in hobs & sinks) market size is Rs.1500 crore
- Water heater market currently estimated at around Rs.1800 crore
- Water Purification industry is around Rs.6000 crore & expected to touch Rs.12500 crore by 2020
- Air purification market currently estimated at Rs.200 crore & estimated to grow fast with increased focus on better air quality
- More products planned for the business

- HSIL has tied up with key players in respective markets for high quality products:
 - Groupe Atlantic of France a leading European player for water heaters
 - Indian subsidiary of The Marmon Group (a subsidiary of Group Berkshire Hathaway, USA) for water purification products

HSIL - CPVC & UPVC pipes business

- Overall Pipes industry estimated at around Rs.25000 crore market
- Hindware entering into the plastic piping business in the field of plumbing & sanitation for Building and Construction industry
- Market size of this targeted segment in India is estimated at around Rs.7000 crore
- Product Range planned is:
 - CPVC pipes & fitting for Hot & Cold water application
 - UPVC pipes & fittings for only cold water application
 - SWR Pipes & Fittings for soil waste & rainwater systems
- Capital Expenditure of Rs.105 crore for setting up plant for manufacturing of CPVC and UPVC pipes & fitting
- Company has entered into arrangement with M/s Sekisui Chemical Co Limited, Japan for supply of CPVC resin
- Pipes business will be further extension to the building product portfolio of the company & would also utilize the existing sales & distribution network
- Project located in State of Telangana & expected to be completed by March 2017

HSIL - strong institutional customer base

- building products segment

Building products segment

Adani	Godrej Properties	Marriot	Shapoorjee Pallonjee
Amrapali Group	GMR	Omaxe	Shobha Developers
Ansal Group	Infosys	Oris Infrastructure	Tata Housing
ATS Infrastructure	Jaypee	Parsvnath Developers	the 3C company
DLF	JMD	Prestige Developers	The Taj Hotels
Emaar MGF	L&T	Purvanchal Projects	Unitech
	M2K		Vipul

Supplied to projects developed by the above Developers

Most of the sales to institutional customers are routed through dealers which aids in optimizing working capital

HSIL - state of art manufacturing facilities

- building products segment

Building Products	Facility	Estimated Installed Capacity (million pieces/ p.a.)
Sanitaryware	Bahadurgarh (Haryana)	1.8
	Bibinagar (Telangana)	2.0
Faucets	Bhiwadi (Rajasthan) – Temporarily shutdown	0.5
	Kaharani (Rajasthan)	2.5



HSIL - strong R&D and product development expertise

- building products segment

- Quality products and an expanding product portfolio

- The Company has a strong R&D pipeline with a focus on Green Building Products
- 23 products certified by IAMPO, as of September 30, 2015
- These products are designed to increase water and cost efficiency and reduce environmental impact

Green Building Products



Aquafree
Waterless Urinals



Nano with 1.5 Ltrs.
Flushing



4 / 2 Ltrs. Flushes



Transition from 6 /
3 Ltrs. Flushes

Poncho (Kids Series)

- Focused on developing more customer categories



HSIL - packaging products segment

State of the Art Manufacturing Facilities

- Two Container Glass (CG) Plants located in Hyderabad, Telangana and Bhongir, Telangana with combined capacity of 1600 tpd
- Two PET bottles plants located in Dharwad (Karnataka) and Selaqui (Uttarakand) with combined capacity of 9500 tons per annum

Strong Institutional Customer Base

Liquor & Beer

Carlsberg

Pernod Recard

SAB Miller

United Breweries

United Spirits

Pharmaceuticals

Abbott

GSK

Johnson & Johnson

Pfizer

Ranbaxy

Food

GSK

Heinz

Hindustan Unilever
Limited

ITC

Global Green

Soft Drink

Coca Cola

Pepsi Co

Packaging product market scenario

- Global container and packaging market is expected to grow at 6.8%
- Indian Packaging Industry is growing and is estimated at around USD 8.7 billion with annual average growth rate of around 13-15%
- India's per capita consumption of packaging is only 4.3 kgs as compared to China – 6 kgs and Taiwan – 19 kgs
- Glass packaging is preferred for its barrier properties as compared to other material for foods, beer and liquor industry
- Liquor and beer represent the largest user segment of container glass and constitute 50% of the requirement and have been growing at around 10-12% annually
 - Total IMFL market estimated at around 316 million cases in year 2014-15
 - Beer market in country is estimated at 3.241 billion liters in 2014 and over 98% beer is packaged in glass bottles with crown closure
 - India's per capita beer consumption of 1.9 bottles is lowest in BRIC nations
- Food and beverage, soft drinks and pharmaceutical's account for rest and are growing around 12-15% annually
 - Demand for carbonated soft drinks both in rural and semi-urban markets continue to grow
 - As per market sources, Indian market for non alcoholic beverage, is expected at around USD5.18 billion by end of 2015
 - Pharmaceutical industry has been consistently growing at around 15% over last few years
 - Food packaging industry is expected to grow by 15-20%

HSIL - key initiatives for turnaround in glass division

- packaging products division

- Substitution of high cost fuel (furnace oil) by alternate fuel, which has helped reduce the fuel cost
- Renegotiation of various raw materials and other input material prices
- Enhances proportion of cullet's usage and reduced wastages and rejects to less than 1% through stringent process control
- Improved input/output ratio by 2% on account of process modernization and technological improvements
- Development of new bottles through design improvements
- Delivered several varieties of Light weight bottles through narrow neck press & blow technology

HSIL - further value addition with security caps & closures

- packaging products division

- Packing product division has planned further value addition to its existing product profile with new product - safety & temper evident caps and closures
 - Security caps are currently used in the semi premium and premium brands in liquor industry to differentiate from other regular brands.
 - Complimentary product to its existing line of businesses of glass & pet bottles
 - These products can further expand to the customer base of existing products
- Estimated market size is 3700 million pieces of caps per annum & with strong growth potential
- Security caps and closure has been developed & necessary product patents has been filed
- Capital Expenditure of Rs.112 crore towards setting up a project
- New project will have capacity to produce 720 million pieces of caps per annum
- Project located in State of Telangana & expected to be completed by March 2017

HSIL - accreditation & credentials

Certifications

OHSAS – 18001:2007

ISO – 9001:2008

ISO – 14001:2004

FSSC -22000

ISO – 15378 : 2011

Key Awards



Super Brand - Consumer Validated
(2013-14)



Asia's Most Promising Award 2012-13



Readers Digest Most Trusted Brand –
2012 & 2013



Good Homes Award for Best WC Design -
2013



Power Brand 2011 - 2012

Power Brand Award - 2012



Master Brand Award by CMO Asia - 2012



Value for Relationship Award by Coca
Cola - 2012



Super Brand - Consumer Validated
(2011-12)

Experienced & professional management



Mr. R.K. Somany – Chairman and Managing Director

- ◆ Has over 59 years of work experience across the sanitaryware and ceramics industries
- ◆ Presented with *Lifetime Achievement* award by the India Plumbing Association (IPA)
- ◆ Recognized as a *World Leader Businessperson* by the World Confederation of Business
- ◆ Chairman of Indian Plumbing Skills Council (IPSC) and Executive Board member of Indian Green Building Council (IGBC)
- ◆ Commerce graduate from St. Xavier's College, Calcutta University



Mr. Sandip Somany – Joint Managing Director

- ◆ Chairman of the Indian Council of Sanitaryware Manufacturers (INCOSAMA)
- ◆ Member of the Executive Committee of FICCI & member of Managing Committee of ASSOCHAM
- ◆ Former President of PHD Chamber of Commerce and Industry
- ◆ President of International Chamber of Commerce (Paris) – India Chapter
- ◆ A commerce graduate and holds a diploma in Ceramic Manufacturing Technology from the US

Board of Directors

Mr. Rajendra K. Somany
*Chairman and Managing
Director*

Mr. Sandip Somany
Joint Managing Director

Mr. G.L Sultania
Director

Ms. Sumita Somany
Director

Mr. Ashok Jaipuria
Independent Director

Mr. N.G. Khaitan
Independent Director

Dr. Rainer Siegfried Simon
Independent Director

Mr. V.K. Bhandari
Independent Director

Mr. Salil Bhandari
Independent Director

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