

# Chairman's Statement

## DEAR SHAREHOLDERS,

In my last letter to you, I had dwelt extensively on how the relentless pursuit of excellence has been a value multiplier for us for over six decades. This year too, I intend to reiterate on the same guiding philosophy and inspiration. You may ask, why is that so? My simple answer is that as a company, we follow an abiding commitment to excellence.

Our strategies over the years may differ, as the macro environment suggests, but the commitment to excellence remains enduring. At HSIL, we are crafting an inspiring legacy of excellence, which when looked at a granular level translates into an urgent call to ceaseless action, innovation and forward movement.

We know our journey will seldom be smooth sailing; there will always be unpredictable storms trying to deflect our course. We are operating in a sluggish macroeconomic environment, where global growth prospects will continue to remain fragile to downside risks. Headwinds, however, can be best addressed by concerted efforts and measured optimism. Measured because we must constantly assess where our Company is heading towards, or if there is a need for course correction; and optimism, along with dynamism is the only Holy Grail to move forward.

We are all aware that the COVID-19 outbreak has impacted global economies and businesses in a manner that we have not seen before. There are going to be further hurdles in the coming few months, before the economy reboots and revives itself. We wholeheartedly welcome the Government of India's economic stimulus package of ~₹ 20 lakh crore to help support businesses and the lives and livelihoods of millions of people, especially the disadvantaged sections of society. I must also praise the Reserve Bank of India's (RBI's) role in enhancing the liquidity in the economy through aggressive interest rate cuts and temporary moratorium on loans to help cushion the hardship faced by citizens and small businesses.

Although the nation-wide lockdown has impacted our businesses, we are keeping a close watch on the evolving scenario, and I can assure you that based on current market conditions, the Company currently has enough liquidity within its undrawn banking limits to service its debt and other financing arrangements.

Other than the sudden COVID-19 challenge, the financial year 2019-20 was a rather satisfying year for us. Our customer centricity continued to be the cornerstone of our success during the reporting period. We delivered value with speed and cost-efficiency, along with sustainable resource management.

At HSIL, sustainability and operational priorities are closely interwoven. Our manufacturing capabilities remain best-in-class and can match efficiency benchmarks of any advanced country of the world. We are consistently working on surpassing our quality benchmarks, incorporating global best practices in manufacturing and upskilling our team members.

Most of you are already aware that our plastic pipes and fittings and counterfeit-resistant security caps and closures manufacturing plants at Telangana comply with green building norms and have received the platinum rating by the Indian Green Building Council (IGBC). Our plants have achieved a very high watermark benchmark in terms of manufacturing capabilities, waste management and water management (zero-water discharge). You will be glad to know that we have embedded sustainability even in our factory design. Our other measures comprise ensuring energy and water conservation with process waste being collected and reused.

As you know, our demerger was a strategic move to enhance capabilities, create future-focused institutions of excellence and unleash stakeholder value. The aim is to accomplish the next orbit of growth. Following the demerger which got approved by the Hon'ble Kolkata Bench of National Company Law Tribunal vide its order dated 26 June 2019, HSIL is now manufacturing and selling Packaging Products, which offer a comprehensive basket (glass containers, PET bottles and products and security caps and closures); and also houses the manufacturing of Building Products businesses (sanitaryware, faucets and plastic pipes and fittings).

Our Packaging Products division saw encouraging growth on the back of growing sales volume and pricing, while effectively managing costs. Through pricing, product innovation and ongoing efficiency efforts, we could offset higher-than-expected raw material and logistics cost. At the heart of our success is our value proposition – the best results at the lowest total cost and environmental impact for our customers. During FY 2019-20, we witnessed growth across both our packaging and plastic pipes and fittings manufacturing businesses, along with better realisations.

Going forward, we see significant opportunities for our Packing Products businesses to create value for our discerning customers by offering efficient packaging solutions aligned to their needs. In the Building Products manufacturing businesses, our focus remains relentless on achieving optimum utilisation of capacities and better efficiencies. We will continue to invest to deliver more value to our customers and communities and sharpen our focus on our core businesses.

Our core purpose is to passionately strive to enrich the customers' quality of life; and over the years we have evolved a talented team of highly motivated go-getters, who continue to deliver on our purpose, keeping the customer at the heart of all initiatives. We are investing proactively in nurturing our talent pool and enabling them to shoulder more responsibilities and embrace a greater measure of challenges. Our people provide us with the best competitive advantage; and we will continue to sharpen the skills of our human assets, as we equip ourselves for the third decade of the twenty-first century.

Holistic excellence cannot flourish without the participation of the community. Our approach is participatory growth that takes into account the interests and addresses the concerns of community stakeholders. We are committed to community welfare and undertake various programmes around hygiene and sanitation, healthcare, skill development, women empowerment, education and disaster management.

Before I conclude, it is pertinent to mention that our initiatives for decades have made us an even more efficient, effective company for the long term, and improved our profitability curve and growth potential. Over the years, we have accomplished many milestones, but the journey continues. HSIL's message is simple: Excellence can't wait. HSIL celebrates excellence every day, and I am happy to know that we remain a company that our shareholders, customers, our team, can count on, today and in the years to come.

Thank you for your trust.

Warm regards,

**DR. RAJENDRA KUMAR SOMANY**

*Chairman and Managing Director*



## Vice-Chairman and Managing Director's Insight



"We continue to be an agile, profitable, and sustainable business, and with your trust and support we will scale new heights in the years ahead."

### DEAR SHAREHOLDERS,

We are prepared to confront challenges and seek opportunities with more resilience and tenacity, as the operating scenario continues to be uncertain. I will reiterate what I had said in my last year's address to you that we see adversity as a 'positive harbinger of change' that motivates us to try harder, think smarter and drive 360-degree innovation across products and services, processes, customer engagements and relationships with all stakeholders, encapsulating our 'excellence every step of the way' philosophy.

We are confident that our 60 years-rich legacy, technology-enabled expertise and focus on sustainable business practices will hold us in good stead, despite headwinds. We are now consolidating our capabilities and gradually taking the Company to its next growth phase. FY 2019-20 too saw us putting significant emphasis on rationalising our cost structure and enhancing liquidity to generate strong cash flow in the business.

### COMBATING HEADWINDS RELENTLESSLY

Our revenue from operations for FY 2019-20 stood at ₹ 1,859 crore vis-à-vis ₹ 1,605 crore in FY 2018-19, despite the COVID-19 outbreak during in the last quarter of FY 2019-20, vindicating yet again the fact that our unwavering focus on excellence is helping us enhance our financial performance. Our continued emphasis on operational excellence and resilience against headwinds is reflected in the strong financial results we achieved for our shareholders. Despite challenges, our EBITDA for the year stood at ₹ 291 crore compared to ₹ 213 crore in FY 2018-19, reflecting a growth of ~37%. Our growth in EBITDA, demonstrates our capability to create margin-accretive products that are industry leading. I should also emphasise that our net profit during the reporting year stood at ₹ 48.42 crore, compared to ₹ 15.27 crore last year, which reflects our emphasis on streamlining operations, controlling costs, seeking new revenue streams and launching margin-accretive products.

Although our overall performance during the reporting year was impacted owing to industry volatility, economic headwinds and tepid consumer confidence – further exacerbated by COVID-induced nation-wide lockdown and consequent disruption in supply chain – we continue to focus on creating sustained value for stakeholders with a long-term vision. This, we are doing by strengthening our R&D initiatives, manufacturing capabilities and supply chain – the reliable conduits of our core competitiveness and customer value creation. Also, engaging more with customers and business partners, and finding innovative ways of working and learning from each other's experiences and insights remain our priority.

In an increasingly volatile context and constantly shifting consumer behaviour and intensifying competition, we are continuously adapting and transforming to stay ahead of our game. Our core values continue to anchor our overarching culture and operations. We are committed to sharpen our strategies to achieve stable financial outcomes for our shareholders, while continuing to invest in our future. Going forward, our demerger will help us further streamline our capabilities and focus more on future priorities.

We will continue to focus more on developing and supporting indigenous talent and skills in our business ecosystem as well as in our community outreach. Our people are at the heart of everything we do. The diversity of their expertise and professional background helps enrich our culture and brings greater agility and adaptability in an increasingly volatile context.

## DIVISIONAL PERFORMANCE

Our Packaging Products division saw robust demand, and our revenues during the year grew by over 13% to ₹ 1,242 crore in FY 2019-20. We undertook significant modernisation and cost reduction measures during the reporting year. We also explored new export markets to widen our geographic presence and expanded our product portfolio. We introduced a new brand in the B2C space, Greendrop Glassware, the bottles under the brand are free from BPA, toxins, chemicals and lead, making them the safest and most durable choice for consumers.

In the PET bottles and products segment, we are strengthening our market reach and offering innovative products to diverse industries. We forayed into the flavoured drink market and have designed innovative Child Resistant Caps (CRC) which are well received by the market.

Our security caps and closures segment is progressing well through better capacity utilisation, addition of more export markets and innovative offerings. Our sustainable manufacturing practices have set a new benchmark in the industry, as we have the first IGBC platinum-rated facility in the Indian caps and closures market.

Our Building Products division saw over 24% revenue growth in FY 2019-20, which stood at ₹ 610 crore. Following the demerger, we now manufacture and sell the building products on contract basis. This strategy has enabled us to build on our legacy of excellence and unlock

enhanced value for all stakeholders. We are focusing on robotics and automation to reduce the level of human intervention; and enhance quality and consistency of our Building Products. We will continue to strengthen our product portfolio and maintain our leading position in the segment.

We ventured into the plastic pipes and fittings segment in FY 2018-19, as it is a natural extension of our portfolio of bathroom product streams from 'front of wall' to 'behind the wall. To ensure product and technological dominance in the markets in which we operate, we entered into an alliance with Japan's Sekisui Chemical Co. Ltd., a 70-year-old ~US\$10.43 billion turnover company, for the supply of Chlorinated Polyvinyl Chloride (CPVC) resin to ensure we offer best-in-class products in the Indian market. The plant complies with the green building norms laid down by the IGBC and is the first platinum-rated green plant in this sector. Our commitment to environment conservation continues to be an integral part of our strategy.

## COMMITTED TO ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

The COVID-19 pandemic has brought to the fore with unambiguous clarity the relevance of ESG in the way we all look at business operations. ESG needs to be an integral part of the value creation model of all businesses in the post-COVID-19 era. We have integrated ESG in our day-to-day operations with focus on reducing our environment footprint by optimising the utilisation of resources, caring for the health and safety of our people and supporting community wellbeing through transparent and ethical business practices. And in all that we do, we are guided by our strong culture of governance.

## EXCELLENCE IS A MOVING TARGET

We have the right leadership to inculcate our culture of excellence in our teams and handhold our colleagues to achieve their full potential. Excellence for us is a moving target, and we are committed to our legacy of excellence, no matter what the challenges are.

Amidst the escalating global health crisis, we are doing our best to support our people, business partners, customers and communities in the best way we can. We are resuming operations post-lockdown in a phased manner by observing all safety protocols mandated by the Government of India and other state Governments. I thank everyone working on the ground for their unflinching commitment and professionalism. With the support of all stakeholders, we will continue to drive our strategic priority with enhanced focus. We continue to be an agile, profitable, and sustainable business, and with your trust and support we will scale new heights in the decades ahead.

Warm regards,

### SANDIP SOMANY

*Vice-Chairman and Managing Director*