

Somany Ceramics Limited
Annual report 2012-13

Disclaimer

Statements in this report that describe the Company's objectives, projections, estimates, expectations or predictions of the future may be 'forward-looking statements' within the meaning of the applicable securities laws and regulations. The Company cautions that such statements involve risks and uncertainty and that actual results could differ materially from those expressed or implied. Important factors that could cause differences include raw materials' cost or availability, cyclical demand and pricing in the Company's principal markets, changes in government regulations, economic developments within the countries in which the Company conducts business, and other factors relating to the Company's operations, such as litigation, labour negotiations and fiscal regimes.

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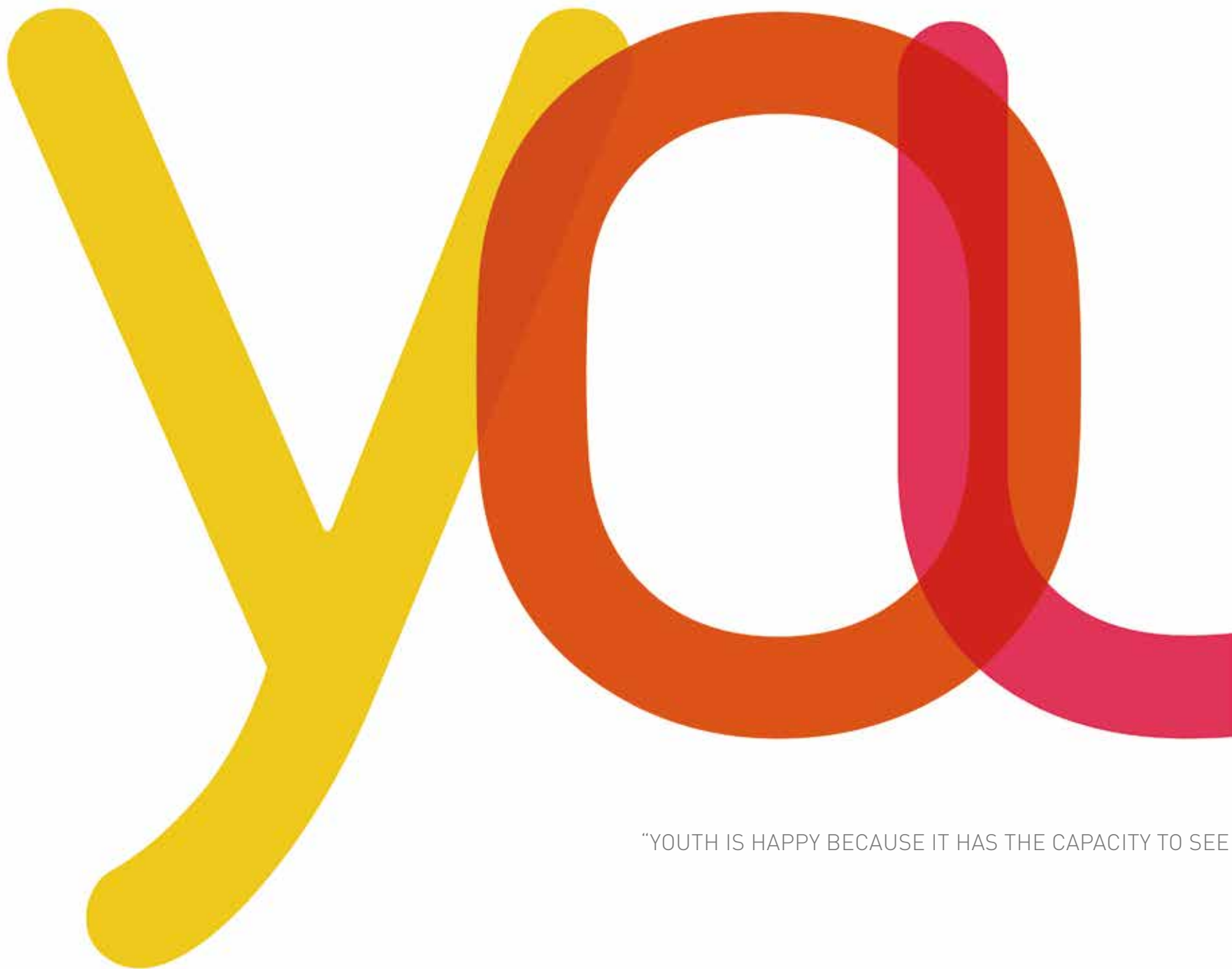
102 CONSOLIDATED FINANCIAL STATEMENTS





forever
young

Somany Ceramics Limited | Annual report 2012-13



“YOUTH IS HAPPY BECAUSE IT HAS THE CAPACITY TO SEE



INDIA'S GDP GROWTH OF 5 PER CENT IN 2012-13 WAS THE SLOWEST IN 10 YEARS. SOMANY'S FIVE-YEAR CAGR IN REVENUES OF ~26 PER CENT WAS WAY ABOVE THE INDUSTRY AVERAGE.

YOUTHFULNESS MAKES UNTHINKABLE THINGS HAPPEN.

BEAUTY. ANYONE WHO KEEPS THE ABILITY TO SEE BEAUTY NEVER **GROWS OLD.**" - Franz Kafka

“THOSE WHOM THE GODS LOVE GROW

young

- Oscar Wilde

Vision

To remain the most sought after tile and allied products brand in India and emerge as the best employer in the tiles industry.

Mission

Achieve customer delight through business innovation and cost-effectiveness while pursuing the latest fashion trends in ceramics and allied products for creating stakeholder value.

Legacy

Somany Ceramics (incorporated in the late Sixties) is a part of the prestigious H.L. Somany Group. The Company commenced operations in collaboration with the UK-based Pilkington Tiles (registered as Somany Pilkington Ltd.). Transformed to Somany Ceramics Limited in 2007.

Expansion

The Company expanded its tiles production capacity from 0.52 mn sqm per annum in 1972 to 24.45 mn sqm in FY 2013 (including 5.30 mn sqm per annum from two JVs). The Company's networth stood at Rs. 150.76 crores in March 2013.

Customer spread

Somany markets products pan-India through a robust 1,768-dealer network, over 6,000 sub-dealers, 181 showrooms and 19 stock points. Its corporate clients comprise Tata Motors, DLF, Unitech, Café Coffee Day, JP Associates, L&T, Vatika, Shapoorji Pallonji, M2K, Prestige, Sobha Developers, Ansal, CPWD, MES, AWHO, DGMAP, AFNHB, DDA and ESIC, among others.

Presence

Somany is headquartered in Noida (Uttar Pradesh) with four modern manufacturing facilities in Kassar (Haryana), Kadi (Gujarat) and Morbi (Gujarat, two joint ventures) supported by marketing offices across major Indian cities. The

Company's shares are listed on the Bombay and National Stock Exchanges. Market capitalisation was Rs. 222.71 crore as on 31st March 2013.

Market share

Somany is the third largest tiles manufacturing company in India (by value) with a ~12 percent organised market share and ~6 percent share by value of the overall Indian tiles market.

Portfolio

Somany's product basket comprises ceramic wall and floor tiles, glazed and polished vitrified tiles, internationally-branded tiles, sanitaryware and bath-ware fittings.

Acquisitions

Vintage Tiles Private Limited (one of the joint ventures in Morbi) will provide the Company access to polished vitrified tiles (2.65 mn sqm per annum) with the capacity to generate a potential turnover in excess of Rs.100 crore per annum.

Commander Vitrified Private Limited (the other JV company) will provide the Company access to polished and glazed vitrified tiles (2.65 mn sqm per annum) with potential annual revenues worth more than Rs. 150 crore.

Somany owns a 26% equity stake in both companies.

1968

Established by Shri Hira Lal Somany (Founder and Chairman Emeritus)

1971

Collaborated with Pilkington Tiles Holdings, UK

1972

Commenced commercial production at the first unit at Kassar with an annual capacity of 0.52 msm

1974

Doubled annual production capacity to 1.04 msm

1978

Doubled annual production capacity to 2.07 msm

youth has

1998

Expanded annual production capacity to 11.06 msm

1999

- Accredited with the ISO-14001 certification for embracing environment-friendly manufacturing practices at Kadi
- Accredited with the ISO-9001 certification for adherence to the highest quality standards

2000

Received the 'Export House' award

2001

Expanded annual production capacity to 12.49 msm

2002

Replaced two old tunnel kilns with a single fast-firing kiln resulting in a capacity increase to 13.69 msm

1983

Set up the second unit at Kadi (Gujarat), expanding capacity to 2.65 msm

1986

Expanded annual production capacity to 3.13 msm

1992

Expanded annual production capacity to 3.60 msm

1994

Indian promoters acquired Pilkington's equity stake

1995

Expanded annual production capacity to 6.70 msm

1996

- R&D facility received government recognition, a first in the Indian industry
- Expanded annual production capacity to 8.51 msm

no age - Pablo Picasso

2007

- Rechristened the Company to Somany Ceramics Limited
- Expanded annual production capacity to 16.70 msm
- Ventured into tiles retailing
- Entered into the sanitaryware business with a focused brand 'Aquaware'

2009

Received patent for VC Shield, India's highest abrasion-resistant tile – a first in the Indian industry

2010

- Expanded annual production capacity to 19.15 msm
- Widened the Aquaware segment by adding bathroom-fitting products
- Acquired 15 acres of land near the existing Kadi unit for future expansions

2011

- Received BIS certification, the first Indian tiles manufacturing Company to be accredited with it
- Received the prestigious 'Powerbrand Award'
- Re-branded the Company with a more youth-oriented logo

2012

- Acquired 26 percent equity stake each in Vintage Tiles Private Limited and Commander Vitrified Private Limited with an aggregate annual capacity of 5.30 mn sqm
- Received the Indian 'Powerbrand Award' for the second consecutive time
- Launched digital tiles

2013

- Revenue crossed the Rs. 1,000-cr mark

“THERE’S SOMETHING AMAZING ABOUT THE



OF YOUTH AND ITS POWER TO SUSTAIN. IF THERE’S A MORE POWERFUL ENERGY SOURCE, I DON’T KNOW ABOUT IT.” -

TAKAYUKI IKKAKU

Somany Ceramics. Five year financials (standalone)

(Rs. in lacs)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Share capital	690	690	690	690	690
Reserves	5,692	7,495	9,557	11,711	14,386
Loan funds	13,725	16,223	19,122	18,097	17,608
Gross block (including CWIP)	27,789	31,454	35,274	38,642	41,300
Net block (including CWIP)	13,002	15,384	17,592	19,397	20,891
Investments	81	173	172	595	920
Current assets	17,600	24,758	29,502	32,071	39,540
Current liabilities	8,058	13,587	15,825	19,259	26,208
Net current assets	9,542	11,171	13,677	12,812	13,332
Net sales	43,919	53,482	70,834	87,037	104,623
Operating and other income	448	504	721	394	567
Material costs	11,016	10,473	12,746	15,318	16,576
Energy costs	6,365	6,311	8,683	10,917	13,058
Employee costs	3,333	4,328	5,431	6,552	7,375
Other manufacturing, administrative and selling expenses	19,300	27,042	37,885	47,187	59,478
EBIDTA	4,354	5,832	6,810	7,456	8,705
Interest and finance costs	1,603	1,329	1,712	2,065	1,998
EBDT	2,751	4,503	5,098	5,391	6,707
Depreciation	1,404	1,447	1,727	1,822	2,040
PBT	1,347	3,056	3,371	3,569	4,667
Tax expense	473	1,010	1,028	1,094	1,508
PAT	874	2,046	2,343	2,475	3,159
Networth	6,382	8,185	10,247	12,401	15,076
Capital employed	22,625	26,728	31,935	33,033	35,302
EPS (Rs.)*	2.53	5.93	6.79	7.17	9.16
Book value (Rs.)*	18.50	23.73	29.70	35.95	43.70
Dividend (Rs.)*	0.30	0.60	0.70	0.80	1.20
RONW (%)	14.55	28.09	25.42	21.86	22.99
ROCE (%)	12.89	17.77	17.33	17.34	19.51

* Face value of Rs 2 per share

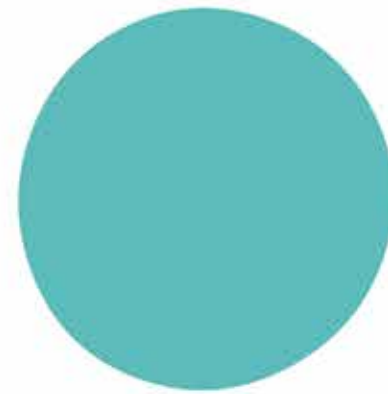
Note: As per the new Schedule VI of the Companies Act, some of the heads of assets and liabilities have been classified differently in the Balance Sheet for 2010-11 onwards. These numbers have been adjusted in line with the old Schedule VI for ease of comparison with earlier years.

OUR MANUFACTURING FACILITIES

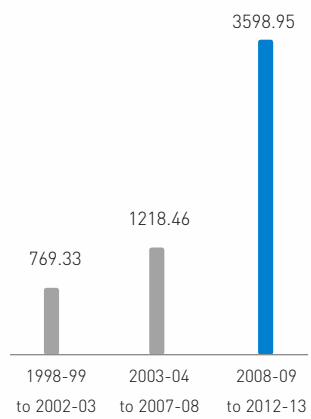


TOTAL ANNUAL CAPACITY OF
24.45 MN SQM

youth invigorates



Net sales (In Rs. crore)



IT TOOK SOMANY 38 YEARS TO ACHIEVE
RS 535 CR IN NET SALES IN 2009-10.

In the following three years, the Company almost doubled net sales to Rs. 1,046 crores in 2012-13.

A youthful Somany has replicated revenues in this ongoing productive phase in a fraction of the duration of its existence.

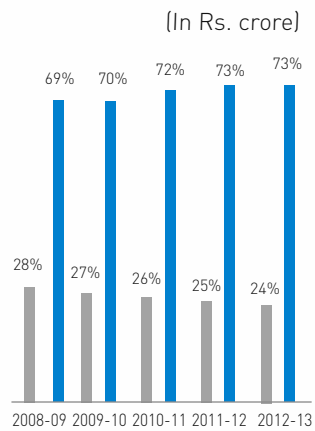
- Sales grew every single year in the last 10 years; the Company achieved a five year CAGR in revenues of 26% leading to 2012-13
- PAT grew every single year at an impressive five-year CAGR of 50.7%
- Average net sales per day (assuming a 300-day year) increased from Rs 1.46 cr in 2008-09 to Rs 3.49 cr in 2012-13

Youth invigorates. Youth multiplies.

PAT grew every single year at an impressive five-year CAGR of

50.7%

youth. reorients



- Revenues from Tier-1 cities Revenue
- Revenues from Tier-2 and Tier-3 cities

The proportion of revenues from Tier-2 and Tier-3 Indian locations increased from 66% in 2007-08 to

73%

SOMANY WAS ONE OF THE FIRST INDIAN TILE COMPANIES TO RECOGNISE THE CONNECTION BETWEEN BUSINESS GROWTH AND A NON-METRO PRESENCE.

Some years ago, a significant part of the Company's products were marketed in metro-cum-Tier-1 Indian cities.

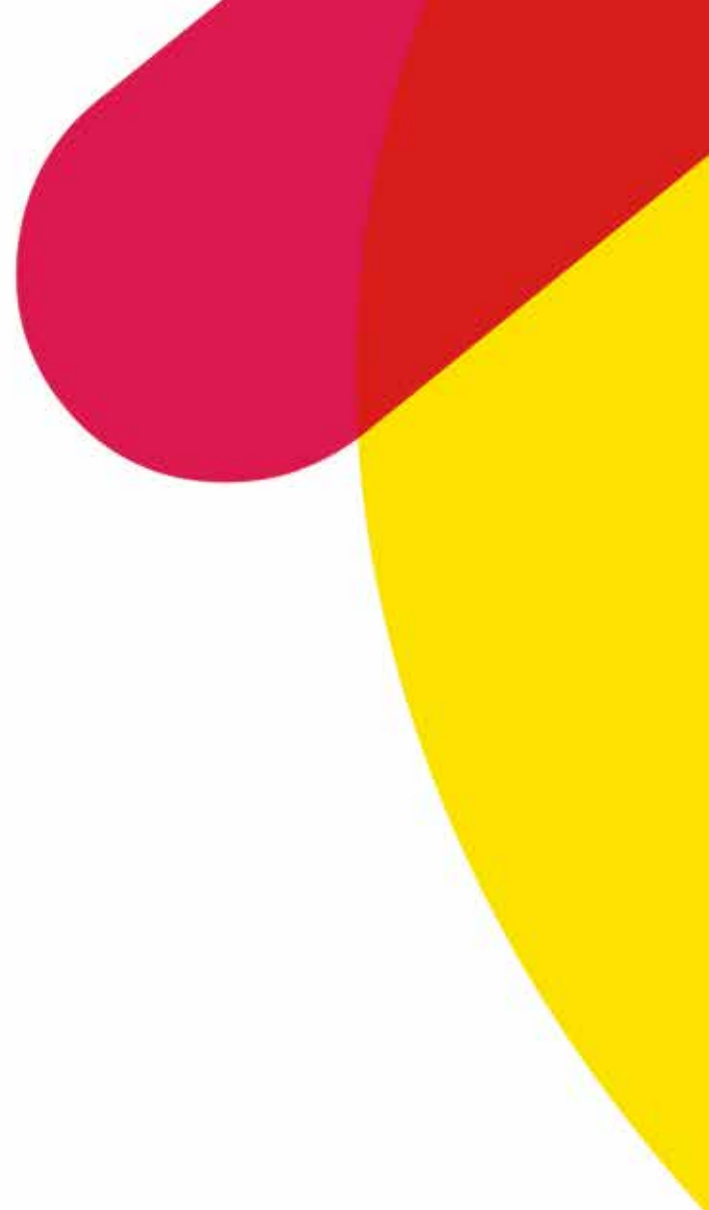
A youthful Somany has made a dramatic shift since.

As the benefits of India's consumption-driven boom percolated to Tier-2 and Tier-3 cities, Somany reoriented itself.

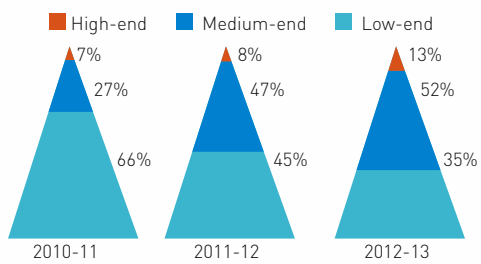
- The proportion of revenues from Tier-2 and Tier-3 Indian locations increased from 66% in 2007-08 to 73% in 2012-13
- Average Tier-2 and Tier-3 cities revenue per day (assuming a 300-day year) increased from Rs 0.77 cr in 2007-08 to Rs 2.67 cr in 2012-13

Youth re-orient. Youth liberates.

youth reinv ents



VALUE PYRAMID



The proportion of outsourced revenues increased from 28.4% in 2008-09; to

51.7%

in 2012-13

UNTIL 2002-03, SOMANY WAS LARGELY A TILE MANUFACTURING COMPANY. WHAT THE COMPANY DID NOT MAKE, IT DID NOT SELL.

A high 98 per cent of the Company's revenues were derived from tiles.

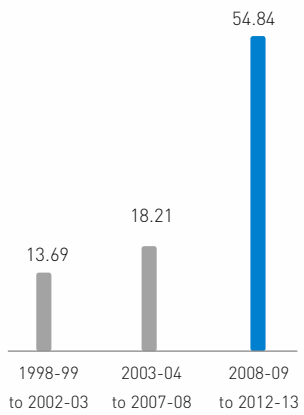
A youthful Somany dared to reinvent itself. The Company would widen its portfolio to include complementary products. Besides, the Company would market products (even tiles!) made by other companies.

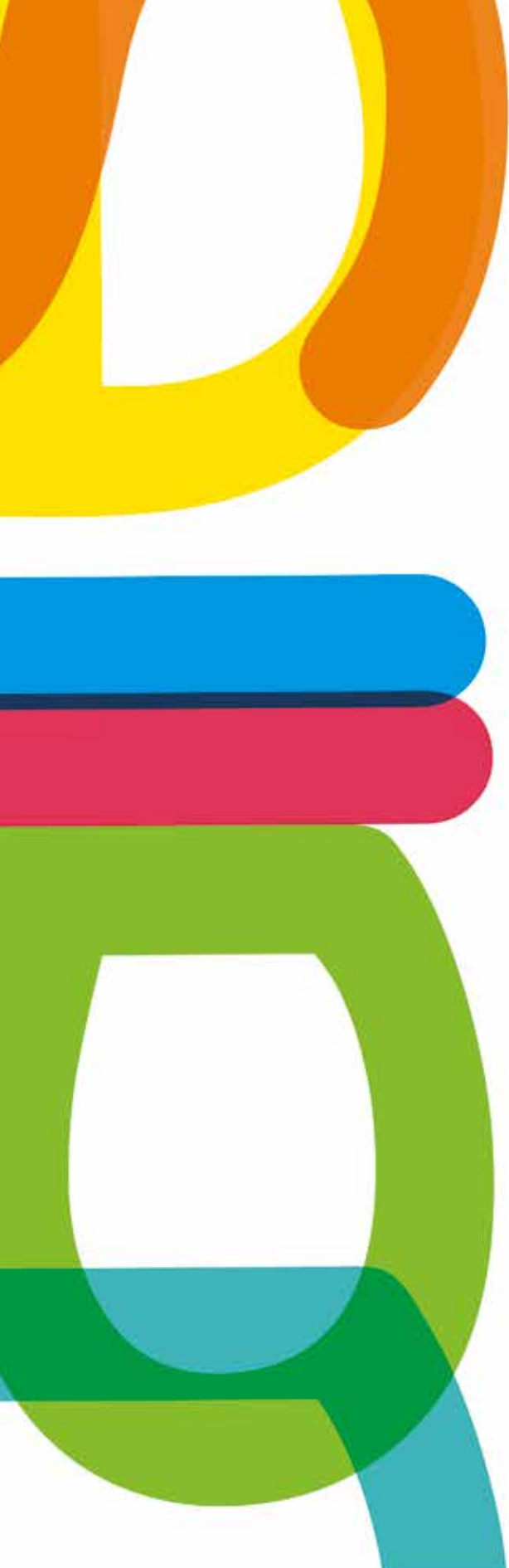
- Non-tile revenue increased from Rs 9.39 cr in 2008-09 to Rs 35.20 cr in 2012-13
- Outsourced revenues increased from Rs 124.76 cr in 2008-09 to Rs 541.02 cr in 2012-13
- Outsourced revenues accounted for 28.4 per cent of net sales in 2008-09; they accounted for 51.7 per cent in 2012-13

Youth reinvents. Youth prevails.



**Investment in intangibles
(branding activities)** (In Rs. crore)





IN THE PAST, IT WOULD HAVE BEEN USUAL FOR TILE COMPANIES TO BELIEVE THAT CUSTOMERS WERE LOYAL AND THAT A CERTAIN BRAND PURCHASED BY AN ANCESTOR GOT SELECTED OVER THE OTHER BRANDS BY EACH SUCCESSIVE GENERATION WHEN THEY BUILT THEIR RESPECTIVE HOMES. .

Times have changed since. As industry-wide quality standards have improved, consumer preferences have tended to gravitate towards prominent and credible brands.

Somany has consistently invested 1.5 to 2.0 percent of its annual net sales in brand building. In the five years leading to 2012-13, Somany invested a consolidated Rs. 55 crores in branding through advertisements in electronic/print/social media, participation in prestigious exhibitions (nationally and internationally) and via exclusive/shop-in-shop retail outlets.

These proactive branding and distribution initiatives translated into a higher share of the market: ~6% of the Indian tile industry and ~12% among branded players.

Youth dares. Youth wins.

In the five years leading to 2012-13, Somany invested a consolidated Rs.

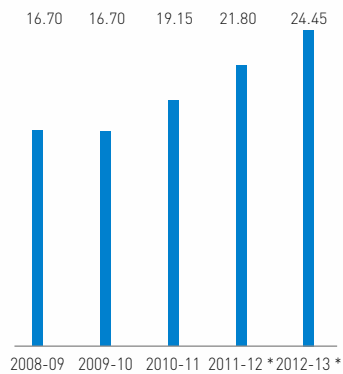
55 crores

in branding through advertisements
in electronic/print/social media

youth enriches

Annual production capacity

(mn sqm)



*includes JV capacities

Percentage growth over last year **12.2%**

During 2012-13, these investments in JV added Rs. 143.62 crores in revenues, accounting for

14%

of the overall turnover.

UNTIL RECENTLY, SOMANY INVESTED IN THE DIRECT OWNERSHIP OF MANUFACTURING CAPACITIES IN LINE WITH THE PREVAILING BELIEF THAT DIRECT CONTROL WOULD REINFORCE QUALITY MANAGEMENT AND THAT THE CONSEQUENTLY LOWER COSTS OF MANUFACTURE WOULD HELP RECOUP THE INVESTMENT.

The result was that Somany invested Rs. 385 cr for its production capacity of 19.15 mn sq m – an average Rs 20 crores per mn sq m of its installed capacity.

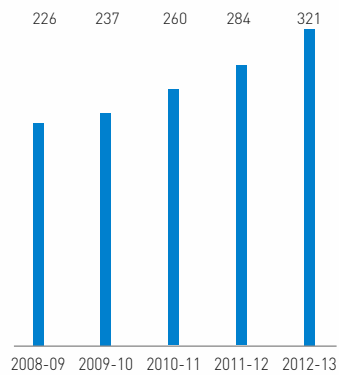
A youthful Somany figured out a more competitive way of growing its manufacturing capabilities.

- It invested Rs 8.28 cr in acquiring a 26% stake in two new plants in Morbi (Gujarat) with a right to buyback their entire capacity of 5.30 mn sq m
- The cost per mn sq m of the acquired plants was an estimated ~20 per cent of the greenfield cost with correspondingly attractive returns on investment
- For every rupee invested directly in gross block, Somany generated Rs 2.53 in net sales; every rupee invested in the acquired units translated into Rs. 7.18 of net sales in FY 13
- During 2012-13, these investments in JV added Rs. 143.62 crores in revenues, accounting for 14% of the overall turnover

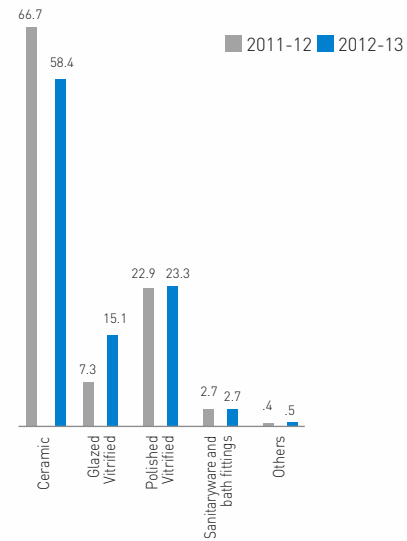
Youth explores. Youth excels.

youth creates

Realisation per sqm



Change in product mix (In %)



Digital tiles contributed

19.6%

of total tile sales as against 4.4% in 2011-12

SOMANY WAS ALWAYS PROACTIVE IN INTRODUCING THE LATEST GLOBAL TRENDS INTO INDIAN INDUSTRY, GAINING THE RESPECT FOR BEING A FIRST-MOVER.

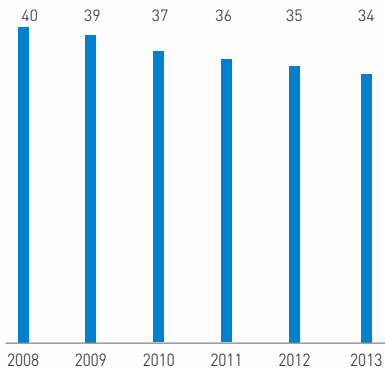
A youthful Somany has stepped on the accelerator since.

- It made product creation and commercialisation a priority that would progressively evolve its brand image
- New products introduced in the last three years leading to 2012-13 contributed to 49.2% of turnover
- It patented the VC Shield in 2009, which has since become a Rs. 157 cr brand
- Digital tiles contributed 19.6% of total tile sales as against 4.4% in 2011-12
- The value-accretive new products enjoyed a higher margin, lifting overall realisations from Rs. 226 per sqm in 2008-09 to Rs. 321 per sqm in 2012-13; interestingly, the biggest quantum increase of Rs 37 per sqm transpired in a year (2012-13) when the overall Indian economy grew at its slowest pace in a decade.
- The high and medium-end product range grew annually at a CAGR of 67.4 percent; the share of the high and medium-end products increased from 19.5 percent of the overall sales mix in 2008-09 to 64.7 percent in 2012-13

Youth creates. Youth enriches.

youth.
excites

Average age (Years)



Net sales per employee
strengthened from Rs 0.34 crores
in 2008-09 to Rs

0.60

crores in 2012-13



UNTIL A FEW YEARS AGO, SOMANY WAS
DISMISSED AS A MIDDLE-AGED COMPANY OF
FUDDY-DUDDIES.

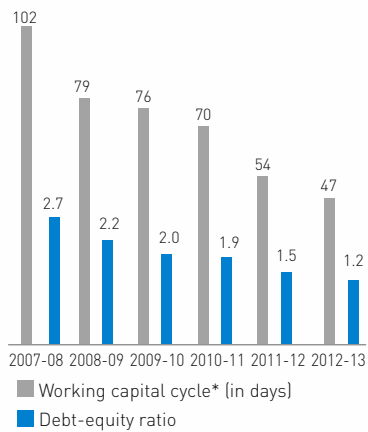
In more senses than one: for a company which started production 40 years ago, the average age of its plant was 20 years; the average age of its people was in excess of 40 years.

A youthful Somany completely transformed this reality.

- Thanks to a continuous investment in technology, modernisation and expansion, the average age of the Company's own plant is now only ~15 years; the newest manufacturing facilities of 5.30 mn sqm in two JVs are just 15 months old
- The Company launched around 1,400 new designs during the year taking the total tally to more than 5,200
- The Company is the only tile company in India to respond to technological shifts and transform itself from a traditional roto-driven environment to more than 75 percent coverage through its digitised capacity
- The Company's average age of employees declined from 39 in 2008-09 to 34 in 2012-13
- Net sales per employee strengthened from Rs 0.34 crores in 2008-09 to Rs 0.60 crores in 2012-13

Youth excites. Youth excels.

youth steadies



Even as long-term debt remained at the same level over the last four years leading to 2012-13, net sales almost doubled and networth strengthened

84.2%

over the same period

UNTIL A DECADE AGO, OUR DETRACTORS WERE PRONOUNCING THE WORST FOR SOMANY.

The Company thereafter graduated to a gearing of 1.17 as against 2.67 in 2007-08

A youthful Somany selected to sweat its assets more effectively and use relatively less cash to grow its business

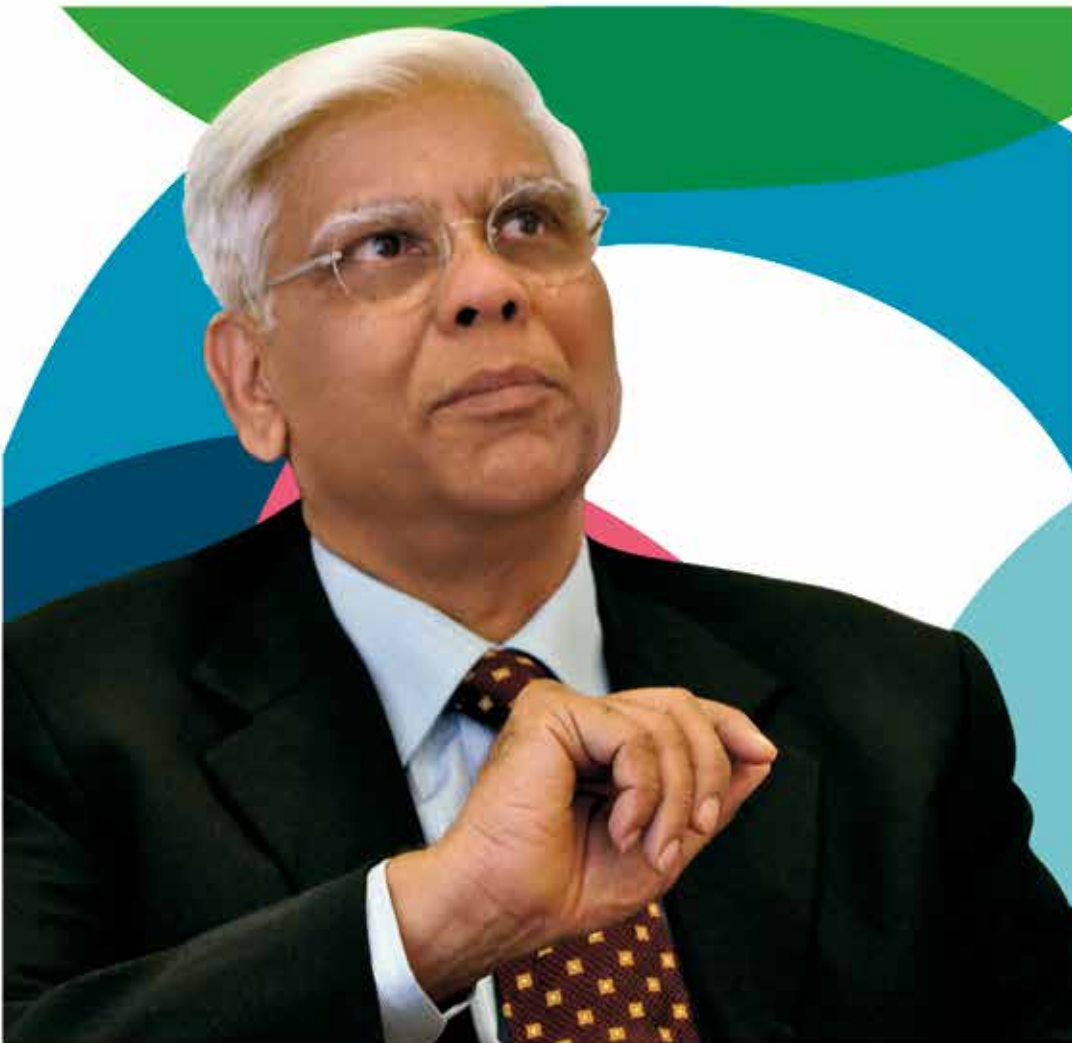
- As product development accelerated, the Company's working capital cycle declined from 103 days of net sales equivalent in 2007-08 to 47 days in 2012-13; logistics as a percentage of net sales declined from 9.1% in 2007-08 to 2.7% in 2012-13
- Even as long-term debt remained at the same level over the last four years leading to 2012-13, net sales almost doubled and networth strengthened 84.2% per cent over the same period
- The cash profit of around 20 months equivalent was more than the Company's long-term debt in 2012-13
- ROCE strengthened from 11.3% in 2007-08 to 19.5% in 2012-13 and RONW from 7.4% to 23% in 2012-13, despite a double-dip recession

Youth steadies. Youth sustains.



MIDDLE-AGED AND GROWING YOUNGER!”

Statement by **Mr. Shreekant Somany**,
Chairman and Managing Director



Dear friends

In a business where the end product is transforming to become increasingly youthful, there is but one strategy for all those wanting to succeed in this space.

Become youthful themselves.

Just consider: a tile is no longer a kitchen and bathroom product; it is now widely used in other residential areas.

A tile is no longer something that one would like to use as functional flooring material; it is the object of domestic pride marked by branded preferences.

A tile is not commodity any more; a consumer can customise tile designs and ask for a low print run for specific customised use.

A tile is no longer viewed as a functional accessory; it is a full-fledged and value-added fashion statement.

A tile is not perceived as an item of conspicuous consumption; following an escalation in real estate values, even the best quality of tiles account for anywhere between 12-20 percent of the total cost of sprucing up one's interiors.

The youthfulness premium

These realities make it imperative for tile manufacturers to demonstrate a youthfulness that is reflected in pioneering product launches, enhancing their brand image, strengthening their distribution network and ensuring quicker offtake.

Since inception, Somany demonstrated this vibrancy, an attribute increasingly visible in the last few years.

Growing: Somany went into production in 1972 with a capacity of 0.52 mn sqm, which increased to four times (2.07 mn sqm) in four years. Today we have access to 36.45 mn sqm capacity (19.15 mn sqm through own plants, 5.30 mn sqm through JVs and the rest through other contract manufacturers) leading to ~12% share of India's branded tile industry.

Adaptability: Somany has ridden the technology curve with élan. We were among the first companies in India to implement the roto-printing technology; when the industry passed through a major technological shift, Somany extended to the production of digital tiles (with the capacity to cover more than 75 per cent of its output). Besides, the introduction of the digital printers helped in reducing inventory, optimise batch size, increase design range and ensure faster processing.

Innovative: Somany has responded with speed to the growing preference for larger tiles (on account of lower joints and higher gloss); the Company was the first in India to launch the 800x800 mm glazed vitrified tiles (GVT) followed by the introduction of the 600x1200 mm GVT, 400x800mm GVT and 800x800 polished vitrified tiles (PVT) What pleases me is that despite intense

competition, Somany continues to be the market leader in this product segment.

Expanding: Somany responded to the Indian consumption boom by widening its distribution network. The Company extended from a predominant focus on one country to a globally pervasive presence that now extends to about 25 countries.

Choice: Somany spoils for choice. It is possible to buy a Somany tile for Rs. 20 per sq.ft as well for Rs. 275 per sq. ft with diverse intervening choices; besides, Somany has extended from tiles to a complete range of sanitaryware and bath fittings.

Youthfulness in the numbers

The result is reflected in our numbers.

It took Somany 38 years to achieve Rs 535 cr in net sales in 2009-10; it took only three to nearly double it.

During 2012-13, the Company reported a robustly consistent growth in revenues across the quarters: 12.3% in the first quarter, 24.3% in the second quarter, 22.9% in the third quarter and 20.4% in the fourth quarter.

We had a working capital cycle of 78-plus days of turnover equivalent in 2008-09; we have since shrunk it to 47 days of turnover equivalent.

Our return on capital employed was less than 13 per cent until 2008-09; we have an ROCE that is 19.5 per cent today, reflecting a superior return on invested capital.

Case for youthful India

I am optimistic because the long-term demographics and consumption averages are moving in favour of youthfulness. For one, India is increasingly becoming brand-driven, the country is getting younger (average age 33 years) and the quantum of employed youth will remain one of the highest in the world for decades.

As the country enters this demographic sweet spot, a youthful Somany expects to strengthen its consumer connect, enlarge the product basket, widen/deepen its reach and grow its market share.

The result, I am sure, will translate into stronger financials and superior value in the hands of all those who hold shares in our Company.

Shreekant Somany

Chairman & Managing Director

A TILE IS NO LONGER VIEWED AS
A FUNCTIONAL ACCESSORY; IT IS
A FULL-FLEDGED VALUE-ADDED
FASHION STATEMENT.

We have an ROCE that is

19.5%

today, reflecting a superior return on invested capital.



“THE BIGGER THE CHALLENGE, THE MORE SPIRITED THE RESPONSE. THE RESULT WAS A RECORD YEAR AT SOMANY IN 2012-13.”

Mr. Abhishek Somany, Joint Managing Director, reflects on the year gone by and looks ahead with optimism

Q: How would you appraise the Company's 2012-13 performance?

A: The Indian economy continued to be fragile through most of fiscal 2012-13, impacted by high interest rates, high headline inflation, and low consumer spends, postponement of big purchases, unprecedented increase in gas prices by 36 per cent and a weak investor sentiment. What is heartening is that even as the country grew at around 5% in 2012-13, the Indian tiles sector grew at around 12-14% and Somany grew at 20%.

Q: What reasons would you ascribe for this out-performance?

A: It wasn't just one thing but the convergence of a number of factors that translated into the out performance:

- Successful low cost acquisitions that translated into higher and more profitable revenues
- Higher sales of high and medium end products, strengthening PBT margins by 36 bps to 4.46 percent despite a sharp increase in fuel costs
- Wider pan-India product availability, extensive branding and strong distribution, which accelerated product offtake
- Increase in first-pass products from 83% to 85% across a five year period
- Addition of brand-enhancing institutional customers
- Launch of ~1400 designs to cater to diverse consumer preferences.
- Addition of 54 Somany showrooms to strengthen retail offtake.

The result was an improvement that extended well beyond an increase in revenues and profits to an overall improvement in the quality of our numbers.

Q: What were some key business-strengthening initiatives undertaken in 2012-13?

A: At Somany, we strengthened our competitive edge through the following initiatives:

- **One**, we increased the proportion of outsourced manufacture from 44 per cent in 2011-12 to 49 per cent in 2012-13, emphasising the asset-lightness of our business model and our strengthening brand leverage.
- **Two**, our strategic joint venture-cum-acquisition with of Commander Vitrified Private Limited and Vitrified Tiles Private Limited gave us access to additional 5.30 mn sqm capacity at just around 20% of the capital cost we would have had to incur in case of greenfield expansion of a similar capacity.
- **Three**, we intensified our brand building through an increased participation in trade expos (nationally and internationally), organised more dealer meets and widened our footprint. The result of our branding and advertising investment of 1.5% of net sales translated into higher revenue returns.
- **Four**, we launched around 1,400 new products, designs and textures including next generation products like digital tiles in 2012-13.


Five, we strengthened our dealer network to optimise distribution, holding costs and better working capital management.

Q: You mentioned an improvement in the quality of earnings.


A: There are a number of ways in which we reported an improvement in terms of numbers. One, we strengthened average realisations by 13 per cent over the previous year to Rs. 321 per sq m. Our revenue from high and medium-end

products climbed from 55 percent in 2011-12 to 65 percent in 2012-13. The result is that our gearing strengthened from 1.46x to 1.17x and interest cover improved from 2.73x to 3.34x.

Interestingly, what we achieved in 2012-13 must not be seen as a one-off event. Despite two of the sharpest slowdowns in the Indian economy over the last five years, we have reduced our gearing every single year—from a high of 2.15x in 2008-09 to 1.17x in 2012-13; our revenues were 4.6x working capital in 2008-09 increasing to 7.9x during the year under review; we increased our cash profit from Rs 22.76 cr to Rs 52.82 cr in 2012-13; from a position where our long-term debt was the equivalent of nearly 44 months of cash profit in 2008-09, we were down to a mere 20 months of cash profit equivalent in 2012-13.



THE BIGGER THE CHALLENGE, THE MORE SPIRITED THE RESPONSE.




Q: What drives optimism at Somany?

A: We expect that India's urbanisation will increase from 33% to an estimated 40% by 2020. This urbanisation will largely happen in Tier-2 and Tier-3 cities resulting in the creation of more homes, schools, colleges, hotels, malls and restaurants. We expect that this will translate into a growth in the offtake of tiles over conventional flooring material and as an extension, benefit the leading branded players over the unorganised majority. Besides, the

imposition of the GST will widen the tax net, make evasion difficult and benefit organised industry players over unorganised competition.

I expect a few strategic realities to emerge from this industry churn: one, organised manufacturers will progressively buy out unorganised capacities, the bigger players will gravitate towards asset-light models and there will be a greater respect for the intangibles driving business realities translating into a stronger return on invested capital.

At Somany, we have already arrived at this point and the result is increasingly evident in our revenues, margins, terms of trade and return on employed capital, which we expect will translate into superior value in the hands of our shareholders.

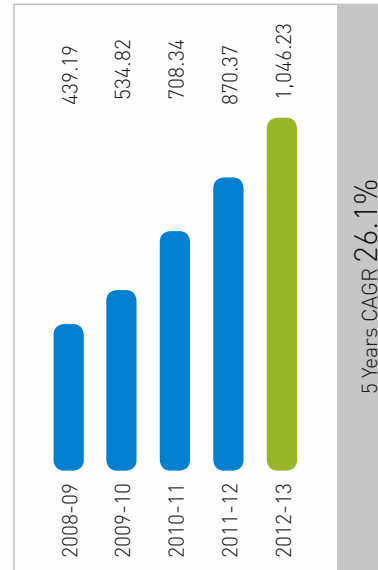


We increased the proportion of outsourced manufacture from 44 per cent in 2011-12 to

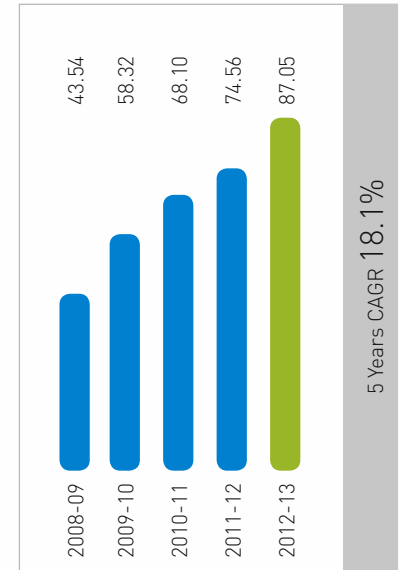
49%

in 2012-13

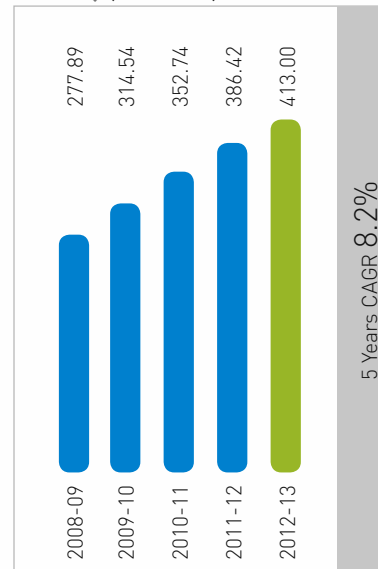
Net sales (Rs. crore)



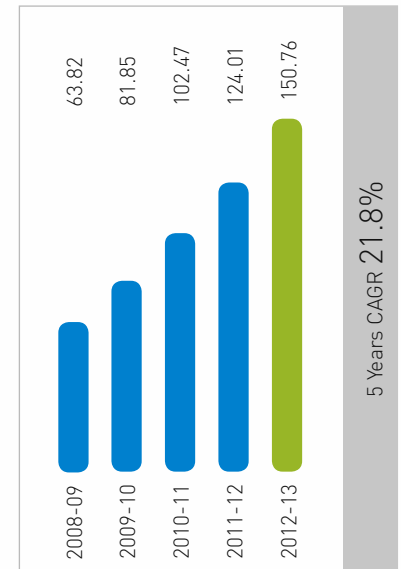
EBIDTA (Rs. crore)



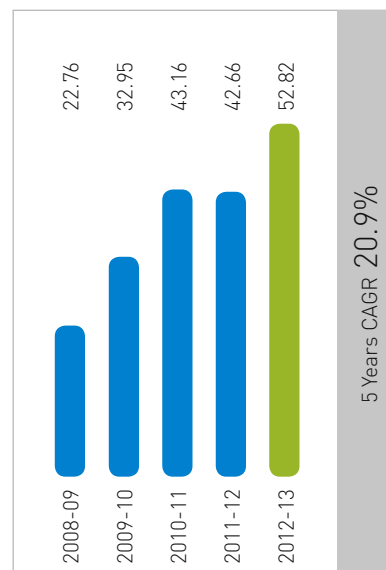
Gross block (including CWIP) (Rs. crore)



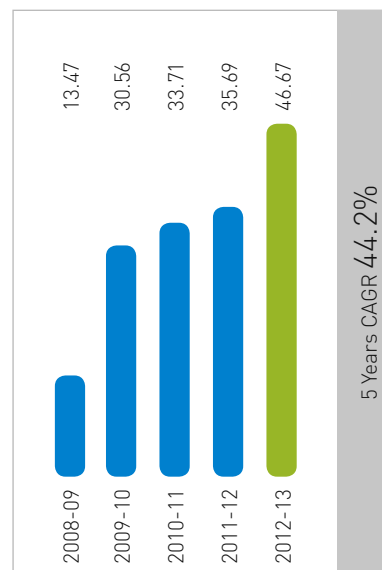
Network (Rs. crore)



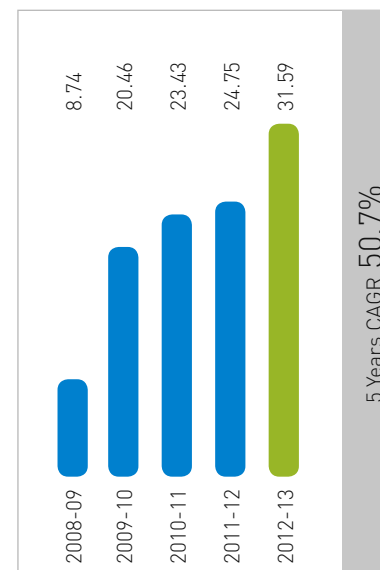
Cash profit (Rs. crore)



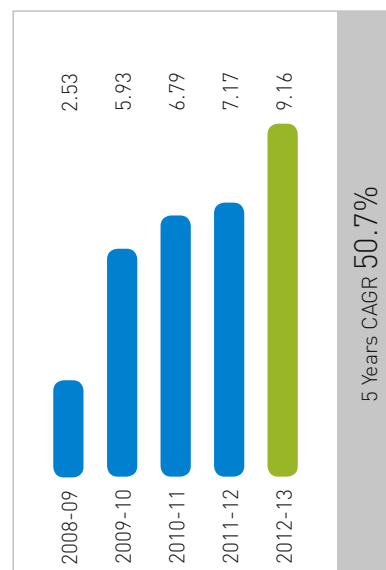
Profit before tax (Rs. crore)



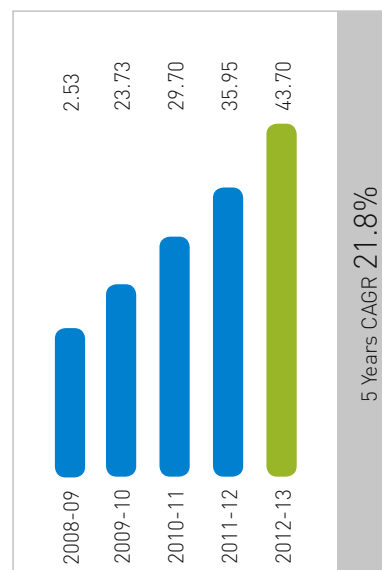
Profit after tax (Rs. crore)



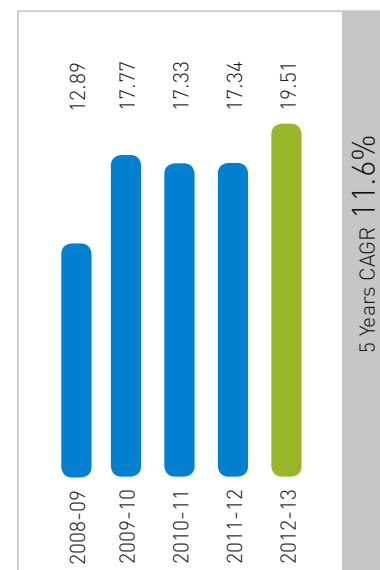
EPS (basic) (Rs.)



Book value per share (basic) (Rs.)



ROCE (per cent)



BUSINESS MODEL

“YOUTHFULNESS IS ABOUT

how you live

NOT WHEN YOU WERE BORN.” — KARL LAGERFELD



Product basket

Somany commenced business with wall and floor tiles. However, the business environment has evolved considerably since; customers are more likely to buy the complete range of their requirements (tiles, sanitaryware and fittings) from a single location than commute to different points and buy them piecemeal. Somany has correspondingly evolved: from a tiles company to a multi-product interiors (tiles, sanitaryware, adhesives, CP fittings and imported tiles) organisation. This explains how non-tile revenues have increased from 2.3 per cent of the Company's overall revenues in 2009-10 to 3.2 per cent in 2012-13.

Portfolio

Somany stands for a solution for every pocket with a product at every price point, making it possible for prospective consumers to graduate to the next higher-priced product with incremental spending. Besides, the Company is present across the widest product selection categories as well – ceramic wall and floor, polished vitrified tiles, and glazed vitrified tiles and digital tiles across categories.

Differentiation

Somany emphasises differentiation, which explains its consistent investment in R&D with the objective to develop new products and technologies. This translated into a consistent ability to be among the first in the country to introduce the next generation tiles or products or technologies. Somany reinforced its differentiation through the patented VC Shield technology in 2009, which not only enhanced its industry respect but also translated into Rs. 157 cr worth of revenues in just four years.

Asset-lightness

Somany has selected to emerge as an asset-light company, marked by alliances and partnerships with small unbranded players enjoying low manufacturing costs. This model makes it possible for Somany to grow its manufacturing capacities without overloading its Balance Sheet and thereafter commission these capacities with speed and accelerate revenue inflow.

Intangibles

Somany has been investing sustainably in intangibles (brand and distribution) to enhance market visibility and penetration. It invested in experiential showrooms to provide a unique shopping ambience.

Retailisation

Somany is effectively moving its revenue mix from the institutional to the retail. It increased retail presence from almost negligible to 181 owned/franchisee showrooms in 2012-13, contributing around 25% of the total turnover (and likely to increase).

Solidity

Somany has demonstrated a growth in revenues with a nearly-unchanged debt profile. In 2008-09, the Company possessed Rs 137.25 cr of debt against a networth of Rs 63.82 cr corresponding to net sales of Rs 439.19 cr; in 2012-13, the Company possessed a debt of Rs 176.08 cr against a networth of Rs 150.76 cr corresponding to net sales of Rs 1,046.23 cr.

Brand

Somany is a brand with growing Indian and international visibility. The Company markets products abroad under its own brand name, creating a foundation for a growing global presence.

Market share

Somany enjoys ~12 per cent market share of India's branded tile industry and ~6 per cent share of the country's overall tile industry. Somany emerged amongst the fastest growing brand in the value-added segment

Digital

Somany possesses the capability to digitise more than 75 percent of its production. Digitisation facilitates the replication of more colours, faster output, easy maintenance, and reduction in inventory, lower manpower requirements, enhanced colour consistency, increase in first-pass percentage and an overall increase in price-value with a nominal increase in overall costs. Digital tiles as a percentage of total tiles turnover increased from 4.4 percent in 2011-12 to 19.6 per cent in 2012-13.

“IT IS ALL THAT THE YOUNG CAN DO FOR THE OLD, TO SHOCK THEM AND KEEP THEM

Presence

Somany is a geographically diversified organisation as far as revenues are concerned. The Northern and Southern Indian markets contribute around 70 percent of revenues. The Company extended its presence across 25 countries.

Broadly retail

As against competing brands who derive 70 per cent of their revenues from 20 per cent of their dealers, Somany's retail revenues are more broadbased: 50 per cent of revenues are derived from 20 per cent of its dealers.

Clients

Somany's institutional clients comprise brand-enhancing names like Tata Motors, DLF, Unitech, Café Coffee Day, JP Associates, L&T, Vatika, Shapoorji Pallonji, M2K, Prestige, Sobha Developers, Ansal, CPWD, MES, AWHO, DGMAP, AFNHB, DDA and ESIC, among others.

Designs

Somany possesses one of India's largest tile designing teams, committed to the development of new designs, products and concepts in collaboration with premier design houses in Spain and Italy.

up to date

- GEORGE BERNARD SHAW

Research

Somany owns a patent for the VC Shield technology, a first in the Indian tile industry, which makes it possible to produce durable and abrasion-resistant tiles.

Quality

Somany's culture of excellence is showcased in its high proportion of first-pass tiles - 85% in 2012-13 - which translated into a premium in realisations.

Marketing

Somany created a market-facing team of more than 400 professionals (up from a mere 50 a decade ago), nearly 80 per cent being MBAs with necessary qualifications and experience.

invention
IS THE TALENT OF YOUTH, AS
judgment
IS OF AGE." - JONATHAN SWIFT

Business driver - 1

Quality and R&D

Team size

16

March 31, 2013



New designs developed

1,398

2012-13



Revenue derived through
products introduced in

Rs. 234.12

crore, 2012-13

Overview

In a business where competition is increasing on one hand and consumer preferences evolving on the other, a competitive distinctiveness is derived through an ability to differentiate the product, rise above the 'usual' and create a consumer pull.

It is with this perspective that Somany established its R&D division, which received governmental recognition in 1996 and has since grown to a 16-member team which plays the critical role of an organisational driver. This team is engaged in the progressive launch of new products, designs, sizes and textures to address emerging consumer requirements. The 30-member quality assurance team conducts stringent quality checks along

established standards.

The effectiveness of this initiative is reflected in the fact that products introduced in the three years leading to 2012-13 accounted for 49.2 per cent of the Company's revenues during the year under review. Besides, the proportion of first-pass products increased from 84 per cent in 2009-10 to 85 per cent in 2012-13.

Highlights, 2012-13

- The patented VC Shield product emerged as a Rs. 157 cr brand and generated a premium in realisations
- First-pass quality increased to 85 percent
- Increased the quantum of digital tiles in the overall product mix from 4.5 per cent to 19.1 percent;

Outlook

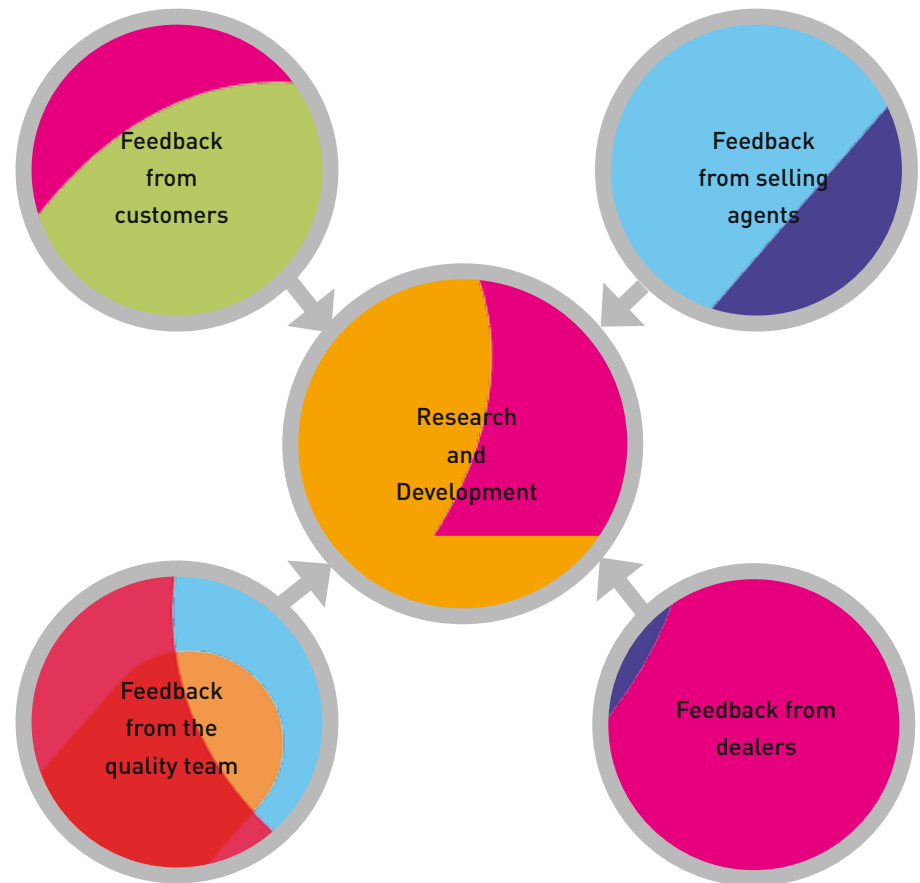
The division expects to take the Company's business ahead through the following initiatives:

- Strengthen tile realisations
- Launch new products in 2013-14 in digital floor and wall tiles
- Benchmark output to stringent international requirements with the objective to enhance export sales and realisations
- Continue to work towards optimisation of manufacturing costs

Certified by the best

Somany's own plants have been accredited with the ISO-9001:2008 certification for quality management systems; ISO-14001 for environment management; ISO 22000 for food safety management; EN ISO 14411 (EN) for complying quality norms defined by European Standard; OHSAS 18001 for maintaining health and safety standard and also 5'S for maintaining organised and efficient workplace. The Company's R&D facilities are recognised by the Department of Scientific and Industrial Research, Government of India.

Feedback is our driving force



Rs. **260**
Average realisation
per sq. m in 2010-11

Rs. **284**
Average realisation
per sq. m in 2011-12

Rs. **321**
Average realisation
per sq. m in 2012-13

Retail presence

Retail space (in lakh sq. ft)

1.30

March 31, 2013



Total retail outlets

181

March 31, 2013



Overview

In the business of tiles and related products, a company can either market a large proportion of the products to institutional buyers with a relatively low proportion allocated for retail sales. Over the years, Somany has selected to increase the proportion of its retail presence and offtake with the objective to generate higher realisations and also progressively insulate itself from sectoral downtrends through wider risk dispersal.

In view of this emerging strategy, Somany didn't just extend its geographic reach within India to be available wherever people wanted to buy, but embarked on providing the consumer a superior product mix (designs, sizes, colours and tile textures along with a variety of bath ware fittings and sanitaryware) and overturning the established tenets of shopping for tiles.

Highlights, 2012-13

- Increased retail outlets (Somany exclusives/studios)

from 127 to 181 leading to a retail space surge to around 1.30 lakh sq ft in 2012-13

- Achieved 24.4 percent increase in revenues from these retail outlets
- Retail outlets accounted for 25.2 per cent of the Company's revenues (24.4 per cent in 2011-12)
- Provided additional display graphics to dealers to accelerate sales

Type	Number of showrooms	Products
Somany Global Exclusive	13	<ul style="list-style-type: none"> ● Exclusive imported tiles (in wooden, fabric, denim and stone finishes, among others) ● Imported sanitaryware products
Somany Exclusive	51	Wide range of premium value-added tiles, sanitaryware and bathroom fittings
Somany Studio	117	Complete range of tiles, sanitaryware and bathroom fittings

The Somany footprint is growing...

Somany showrooms (exclusive and studio) cover around a humungous 1.30 lacs sq. ft today.

Outlook

Going ahead, the Company intends to commission more Somany Exclusive showrooms in Tier-2 and Tier-3 cities, increase interactions with architects, dealers and sub-dealers, streamline the supply chain to optimise dealer inventory management and strengthen its overall branding campaign.

181

Number of Somany owned retail outlets as on March 31, 2013 compared to 68 in 2010-11

Marketing and distribution

Dealers

1,768

March 31, 2013



Revenue per dealer

Rs. 0.63

crores 2012-13



Team size

436

2012-13

Overview

In the business of tiles, products are manufactured in a handful of locations but must be sold across the country and the world. This makes it imperative for companies to create a marketing and distribution network that makes it compelling and convenient for people to buy.

Over the years, Somany progressively invested in this capability to the point that this is one of the Company's most potent advantages. Somany sold an average Rs 1.17 cr worth of products a day on an average (assuming a 300-day year) in 2007-08; this increased to Rs 3.70 cr a day in 2012-13, an increase clearly derived from the ability to push a larger quantity through its domestic distribution pipeline on the one hand and extend this pipeline to emerging demand pockets on the other (within India and abroad).

This ability to pump growing volumes through the distribution network has been derived from a widening and deepening of the Company's presence. The Company enhanced penetration in Tier-2 and Tier-3 markets, reflected in the fact that the

contribution in Tier-2 and Tier-3 revenue increased from 66% in 2007-08 to 72% in 2012-13.

The result is that what was once considered only an urban label is now a broadly dispersed national brand; what was a largely an Indian label until as recently as four years ago is now a progressively international brand.

However, what makes the Somany story compelling is not just a quantitative increase in offtake but a qualitative improvement as well. The Company has increased the average realisation of its tile products every single year over the last five years, reported a CAGR increase in net sales of 26 per cent that was considerably higher than the prevailing industry average.

Highlights, 2012-13

- Reported a 94.1% growth in exports and a 19.4% growth in domestic sales.
- Strengthened distribution network through addition of 278 dealers.
- Strengthened the marketing team from around 50

a decade ago to more than 400 (out of total organisational strength of 1,743) with 80% being qualified MBAs.

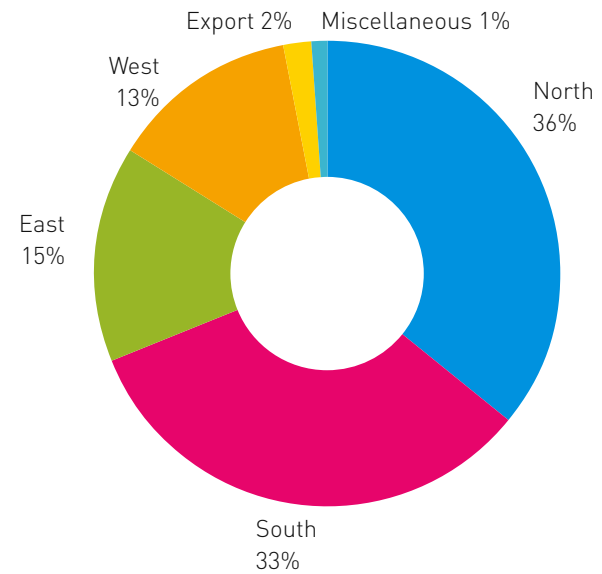
- Increased the number of professionals heading state-wise responsibilities from 18 in 2011-12 to 27.
- Captured a 20% market share in the large tile segment (800mm x 800mm) expected to grow at 100% annually for three years.
- Appointed dedicated product managers to grow the presence of diverse products.

Outlook

The Company expects to penetrate more countries, strengthen its on-field marketing team to deepen its semi-urban presence, quadruple digital tile sales, double the offtake of Polished Vitrified Tiles and double the offtake of sanitaryware products.

- Embarked on innovative merchandising.
- Generated more than 50 per cent of revenue from only 20 per cent of our dealer network compared to 70 per cent revenues being derived by peer companies from 20 per cent of their dealers.
- Entered seven new geographies (Germany, the UK, South Africa, Russia, Australia and the Middle East) taking Somany's total international presence to more than 25 countries; exports climbed from Rs. 12 cr in 2011-12 to more than Rs. 23 cr.

Sales break-up (percent)



Intellectual capital

Team size
1,743
March 31, 2013

Average organisation age
34
years, March 31, 2013

Investment in team training
Rs. **1.26** crores
over last five years

35.6
Percentage of growth
in employees from 2008-09
to 2012-13

Net sales per employee
Rs. **0.34**
crores 2008-09

Net sales per employee
Rs. **0.60**
crores 2012-13

Overview

In an industry differentiated by numerous designed products and brands, the singular differentiator is the quality of a company's human resource assets. Somany possesses a vibrant 1,743 member team characterised by a unique blend of youth and experience.

Over the last few years, the Company restructured its business with a greater emphasis on outsourcing, which rationalised the proportion of professionals looking into operations on its payroll. Correspondingly, the Company expanded marketing executives and professionals during the period.

This showcases the evolution in the Company's manning in line with its intent to emerge as a market-facing multi-products company.

Highlights, 2012-13

- Strengthened its manning from 1675 in 2011-12 to 1743.
- The marketing function accounted for 64.3 per cent of the non-operations team.
- Productivity per-person improved from Rs 0.52 crores in 2011-12 to Rs 0.60 crores.

Outlook

Going ahead, the Company expects to cover a larger number of members under its managerial programme, strengthen its leadership pipeline and enhance its ERP-based system to strengthen productivity.

Brand management

Investments in branding

Rs. **49.69**
FY10-FY13



Net sales

534.82
crores

March 31, 2009



Net sales

1,046.23
crores

March 31, 2013



Value of its patented
VC Shield brand

Rs. **156.84**
crores March 31, 2013

Overview

In a business marked by a declining lead between companies following the launch of differentiated products, success comes down to one word: brand. How positively a brand is perceived is critical in sustainable product offtake.

The Somany brand is the Company's most precious asset. The brand stands for youthfulness, affordability, fashion, durability and status. The cohesion of these attributes translated into increasing offtake on the one hand and a rising sales proportion of high and medium-end products (and complementary products) on the other. The result: Somany emerged as one of the fastest growing Indian brand for the high and medium-end products.

Over the years, the Company's brand management capabilities were tested (and vindicated) following the decision to outsource manufacturing, albeit with adequate supervision. What was once perceived as a risk has been turned into a business advantage with an increase in the proportion of outsourced products.

Highlights, 2012-13

- Brand SOMANY was recognised as Asia's Most Promising Brand.
- Increased brand spend from Rs 5.15 crores in 2008-09 to Rs 15.19 crores in 2012-13; strengthened brand spend from 1.2 per cent of net sales in 2008-09 to 1.5 per cent in 2012-13.
- Leveraged brand equity following an increase in the sale of outsourced products – from Rs 124.76 cr in 2008-09 to Rs 541.02 cr in 2012-13.

- Tightened the Company's receivables (one of the most visible indices of the Company's branding muscle) from 64 days of net sales equivalent in 2008-09 to 57 days in 2012-13.
- Emerged as the only Indian tiles brand to participate in the prestigious international exhibition 'Cersaie' in Italy, enhancing global visibility.
- The Annual Report of the Company received the prestigious League of American Communication Professional Awards (LACP) and was ranked among the top 100 Communication Materials in the world.
- Extended branding from the physical to the virtual domain; enhanced brand exposure through a refurbished website and social media platforms.
- Customised Somany Exclusive outlets to impart a distinct local flavour.
- Updated the presence on social networks (Facebook) generating more than 23,000 likes since its launch in October, 2011.

Outlook

Going ahead, the company expects to launch innovative advertising campaigns, increase global sales and enhance revenues from sub-brands (VC, Duragres and Digital).

54.84

Rs. crore of investment in intangible investments from 2008-09 to 2012-13

Manufacturing

Production capacity

16.70

mn sqm
2008-09



Production capacity

19.15

mn sqm
2012-13



Proportion of first-pass

85 %

2012-13



Capacity utilisation

91%

2012-13

Overview

In a business marked by growing competition, there is an increasing need to sweat manufacturing assets to the fullest, amortise fixed costs better and strengthen overall competitiveness.

Over the years, Somany transformed legacy assets into efficient units through periodic technology upgrades. The results have been reflected in higher asset utilisation, superior output and lower resource consumption. These reflected in an effective capacity utilisation of 91% in 2012-13 and a higher first-pass production of 85 per cent.

Highlights, 2012-13

- The proportion of digitally printed tiles increased from 4.5% in 2011-12 to 19.1% in 2012-13
- During the year Company has spent around Rs. 23 crores on plant and machineries towards technology upgradation, modernisation and balancing equipments.

- Effective steps were taken to contain the impact of fuel price hike such as the use of alternate cheaper fuel, reduction in consumption and sourcing of more power through power trading.

Outlook

Going ahead, the Company expects to further increase production of digitally printed tiles, value added products and optimising manufacturing costs.

Outsourcing (including JVs)

Sales volume (Total)

5.18

mn sqm
2008-09



Sales volume (Total)

16.30

mn sqm
2012-13



Sales volume (JVs)

3.04

mn sqm
2012-13



JVs capacity

5.30

mn sqm
2012-13

Overview

The strong brand, credibility and transparency of Somany attracted a large number of small and medium-sized manufacturers who wanted to join hands with the Company due to their inability to operate on their own in a challenging business environment with a high degree of competition and cost-related pressures.

Somany on the other hand realised that leveraging on its brand and distribution network by outsourcing manufacturing requirements would be the right strategy going forward and would expand business faster, dilute competition and result in better returns on capital employed.

This asset light business model worked pretty well and what started off as a vanilla outsource in the year 2004-05, is a Rs. 505.82 crores business today accounting for 45.6% of turnover of the Company.

Highlights, 2012-13

- Acquired 26% stake in Commander Vitrified Private Ltd (second JV) having an annual capacity of 2.65 million square metres. Started producing polished and glazed vitrified tiles exclusively for Somany from June 2012.
- The two JVs operated at about 75% capacity utilisation with a first-pass production of 87%.

- Of a total tiles turnover of Rs. 505.82 crores from outsourcing, the two JVs accounted for a turnover of 28.4%
- Successfully manufactured in the JV plant the country's largest tiles in the sizes 800mmx800mm, 600mmx1200mm and 400mmx800mm.
- The high and medium-end tiles constituted 67% of the total tiles turnover from outsourcing.

Outlook

Somany would continue to tread this path of inorganic growth in future also by engaging more unorganised/unbranded manufacturers, expanding existing JVs and forging new JV partnerships.

Successfully manufactured in the JV plant the country's largest tiles in the sizes 800mmx800mm, 600mmx1200mm and 400mmx800mm.



The segment's turnover

45.6%

in the Company's business.

Ceramic wall and floor tiles

Sizes

43



Designs

4,435



Turnover

648.08

crores
March 31, 2013



Share in Total Turnover

58.5%

March 31, 2013

Overview

The ceramic tile is an inorganic non-metallic product. It represents the mainstay of India's non-mosaic wall and floor consumption.

Somany manufactures a broad range of tiles (wall and floor) in various sizes, designs, textures and finishes in its Kadi and Kassar facilities, while also engaging in outsourced production (25 percent of the total ceramic wall and floor tiles sales of the company in 2012-13). The Company also imports premium tiles (wall and floor) from Spain, Italy, Turkey, China, Malaysia, Indonesia and Vietnam, among others, that are then marketed through the Company's superior distribution network. The outsourced proportion has progressively risen, indicating the Company's progressive asset-lightness, growing insight into evolving marketplace requirements and a corresponding ability to source material from dependable vendors.

Highlights, 2012-13

- Introduced digital printers to manufacture digital tiles (can potentially cover more than 75% of the Company's own production).
- Strengthened divisional revenue from Rs. 641.27 crores in 2011-12 to Rs. 648.08 crores.
- Increased the proportion of value-added digital tiles from 5.28 percent of turnover in 2011-12 to 16.24 percent; increased VC Shield revenues from Rs 104.71 crores in 2011-12 to Rs 156.84 crores in 2012-13.
- Introduced 583 new designs in digitally-printed wall and floor tiles.

Outlook

Going ahead, the Company will develop new value-added sizes and designs as well as large format tiles in line with emerging requirements.

VC Shield: Pioneering. Popular. Profitable

Veil Craft Shield technology (patented by Somany in 2009) is not just another technology. This represents a pioneering high-abrasion-resistant glaze composition tile. This radical technology makes it possible for a tile to remain resistant to abrasion, scratches and stains. The result is that even after years, the tile continues to look new. VC Shield (registered as a patent under the Indian Patent Act) is not just pioneering; it is popular as well. Within just four years of launch, VC Shield revenue surged from Rs. 63 crores to Rs. 157 crores in 2012-13.



Polished vitrified tiles (Somany Vitro)

Sizes

3



Designs

68



Turnover

257.76

crores

March 31, 2013



Share in total turnover

23.3%

March 31, 2013

Overview

Polished vitrified tiles are unglazed vitrified tiles; a polishing agent gives the tiles a glaze. There is a growing preference of these tiles due to high gloss surface, stain resistance, dirt resistance, hygienic and low maintenance. The Company also has a double-charged variant, which is fed through a press that prints the pattern with a double layer of pigment, 3 to 4 mm thicker than other tile types. This process does not permit complex patterns but results in a long-wearing tile surface, suitable for heavy traffic commercial projects.

Somany introduced polished vitrified tiles in 2006. Its popularity is reflected in this transition: since the Company started, it grew to 7.40 mn sq. m in 2012-13 (including the acquisition of Vintage Tiles in 2012, bringing 2.65 mn sq. m capacity to the Company).

Highlights, 2012-13

- Reported revenue growth of 21.9 percent from Rs. 211.39 crores in 2011-12 to Rs. 257.76 crores in 2012-13

- Introduced double-charge polished vitrified tiles in larger sizes (605x605, 400x800 mm and 800x800 mm); the double-charge proportion in the overall polished vitrified family increased from 5.3 percent in 2011-12 to 15.2 percent in 2012-13

Outlook

The Company intends to optimise the capacity utilisation of its newly-acquired polished vitrified tile plants (JVs) followed by a significant quantum growth in double-charge polished vitrified tiles.

Owner's pride

Somany's polished vitrified tiles are marked by a high gloss surface, stain-resistance, dirt-resistance, durability and low maintenance.

Glazed vitrified tiles (Duragres)

Sizes

9



Designs

707



Turnover

167.47

crore

March 31, 2013



Share in total turnover

15.1%

March 31, 2013

Overview

Glazed vitrified tiles possess a glazed surface, increasingly preferred on account of variety of designs, art work and surface textures (wood grains, bamboo, slate or stone).

Somany launched glazed vitrified tiles in 2010 as an attractive alternative for high-end marble and mosaic varieties. The company launched this product in a range of sophisticated rust, matte, satin, wood, stone, wood, silk and metal finishes. The company's success in this space is showcased in a simple reality: even as the Company commenced with a modest offtake, Duragres tile offtake grossed a substantial 2.66 mn sqm in 2012-13.

Value-addition

Duragres VC 50

Somany Digital Duragres

A blend of technology of VC Shield and glazed vitrified tiles	Digital polished and unpolished tiles
Strengthened durability	Innovative tiles available across a wide range of finishes – stone, rock, bamboo, marble, silk and wood
Ideal for high footfall areas	High abrasion resistance
Available in large sizes and sophisticated designs	Elegant, stylish and affordable

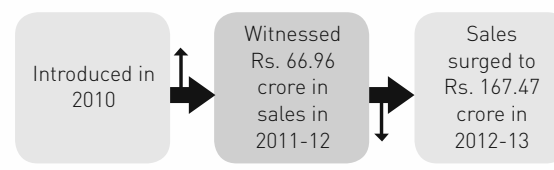
Highlights, 2012-13

- Reported a 150 percent revenue increase from Rs. 66.96 crores in 2011-12 to Rs. 167.47 crores in 2012-13
- Introduced large format glazed vitrified tiles for the first time in India (sizes of 800x800 mm and 600x1200 mm)
- Improved the proportion of digitally-glazed vitrified tiles in the overall sales mix from 0.8 percent in 2011-12 to 9.5 percent in 2012-13
- Established additional 19 new Duragres studios, taking the total to 54

Outlook

The Company intends to increase the production of digitally-glazed vitrified tiles supplemented with additional Duragres studios, while plans are also in place to increase the volume and value sales of Duragres tiles.

Duragres in motion



Sanitaryware

Turnover

Rs.

20.51

crore

March 31, 2013



Share in total turnover

1.85%

March 31, 2013

Overview

Sanitaryware comprises a range of toilets, WCs, wash basins, concealed cisterns, urinals and sinks, among others. They are increasingly preferred on account of attractive designs, diverse range and various applications.

The Company entered the business of sanitaryware outsourcing and marketing in 2007 following a growing recognition that consumers preferred to buy all their tile and related requirements from a single location. The business of sanitaryware product marketing served the Company's business model in various ways: the products were higher priced than tiles, were seen as complementary to tiles (with a high conversion) and helped the company strengthen its holistic branding.

The company possesses a strong basket of

sanitaryware products (sourced from reputed national and international brands). These products are marketed under 'Somany' and 'Somany Signature' brands, comprising the most extensive range of sanitaryware products.

Highlights, 2012-13

- Registered a 8.4 percent revenue growth to Rs 20.51 crores in 2012-13 from 18.93 crores in 2011-12
- Average realisations increased by 4.1 percent

Outlook

Since sanitaryware products share the same space as tiles, it has a good synergy with Somany's main business. There is a large untapped potential for sanitaryware products in the form of housing shortages and inadequate sanitation facilities. The outlook for this business segment continues to be optimistic.

Bathroom fittings

Turnover

Rs.

9.56

crore, March 31, 2013



Share in total turnover

0.9%

March 31, 2013

Overview

Bathroom fittings comprise faucets, showers, taps and allied products, which are increasingly preferred on account of their wide range and exclusive designs.

The Company entered the business of bathroom fittings in 2010 following a growing trend that consumers preferred to buy all their tile and related requirements from a single location. The business of bathroom fittings marketing served the Company's business model in various ways: the products were seen as complementary to tiles and helped the Company strengthen realisations.

Somany completed its third full-year of presence in this business under the Aquaware brand in 2012-13.

Its product portfolio is equipped with a wide range of bath fittings.

Highlights, 2012-13

- Registered a 56.7 percent revenue growth to Rs. 9.56 crore in 2012-13 from Rs. 6.10 crore in 2011-12.
- Accounted for 0.9% of total revenue in 2012-13 (0.7% in 2011-12).

Outlook

This business segment complements both tiles and sanitarywares and thus has a great synergy with Somany's existing business. The outlook for bath fittings continues to be good.



Management discussion and analysis

Indian economy

The Indian economy decelerated for the second year in a row to an estimated 5% percent in 2012-13 as against 6.2 percent in 2011-12. The industrial sector was marked by inflation-stifled growth; high interest rates throttled consumer spending; the depreciation of the Indian rupee against the US dollar eroded corporate profitability; eurozone issues adversely affected overall business sentiment.

The year 2012 closed with a few notes of optimism as the inflation was below the Reserve Bank of India's (RBI's) projected levels and the Index of Industrial Production (IIP) growth increased in the last two months of the calendar year, raising hopes for 2013.

On the overall, 2012 was a dull year for the country's real estate sector. Office space absorption remained lower than 2011. Residential demand improved even as developers struggled with unsold inventory.

Going ahead, policies will focus towards growth in 2013, although inflation risks remain. Interest rates are expected to witness a downward correction of 100 to 150 bps in 2013, which is

expected to rationalise home loan rates, catalysing real estate purchases. Increasing urbanisation and consumption despite the slowdown in GDP growth could still be the key economy drivers in 2013.

Global tiles industry

Global tiles production was 10,512 mn sqm, India's share standing at 617 mn sqm. Global tiles consumption strengthened by 10.1 percent from 9,410 mn sqm in 2010 to 10,370 mn sqm in 2011. India ranked in the top three countries in terms of tiles production after China and Brazil.

Indian tiles industry

Ceramic tiles today have become an integral part of home improvement. It can make a huge difference to the way your interiors and outdoors look and express. The Indian tile industry, despite an overall slowdown of the economy continues to grow at a healthy pace. India's consumption grew 12.4% CAGR between 2006-2007 and 2011-12 to 625 MSM, about 3x the global average. Production grew at a 12.5% CAGR over the period to 617 MSM.

The overall size of the Indian ceramic tile industry is approximately Rs 17,000 crore (FY12). The consumption during 2011-12 stood at approximately 625 mn sqm. The Indian tile

Production grew at a

12.5%

CAGR over the period to 617 MSM.

industry is divided into organised and unorganised sector. The organised sector comprised more than 15 players. India's organised segment accounts for 50% of the country's tile industry; the balance 50% is represented by other unbranded players largely present in Morbi (Gujarat).

A major change that took over the ceramic tiles industry, was the introduction of vitrified and porcelain tiles. These new entrant product types are said to be the tiles of the future. Internationally, these tiles are already the major sellers. These products account for almost 50% of total tile sales (by value) in the global industry – in India they comprise a relatively small share of the entire demand.

Despite a double digit growth by the tiles sector over the past few years, per capita consumption of ceramic tiles in India is only a seventh of Brazil's, a fifth of China's and a third of Indonesia's.

Trends: The tiles sector is ever-dynamic, marked by a number of ongoing preference changes. Some of the emerging preferences comprise the following:

- Large format tiles (2ft by 1ft) with advanced

digital printing continue to be preferred replicating diverse designs (marble, stones, metal, wood, wallpaper, coloured, and along with different gradients in colour, textile and floral patterns).

- Retro geometrical designs for normal wall applications.
- Skinny tiles (4 to 5 mm thickness) for wall decoration as they are easier to carry and cut, less expensive, easier to transport, easy to handle and install.
- Weathered wood-used finish, rustic with reclaimed looks, bold new colors, formats and the reinterpretation of classic designs tiles.
- Wall décor tiles featuring dimensional layers, curves and waves around contemporary look as room dividers and shower niches.
- Vitrified floor tiles (basic salt and pepper technology to economical soluble salt printing) with Lapato, high gloss-polished, full mass products (MDR) with multiple charge; growing preference for soluble salt printing, multicolor granular products in polished and honed finish, rustic stone effect tiles, glazed vitrified tiles in popular sizes of 60x60cm, 80x80cm, 1m x1m).

Growth drivers

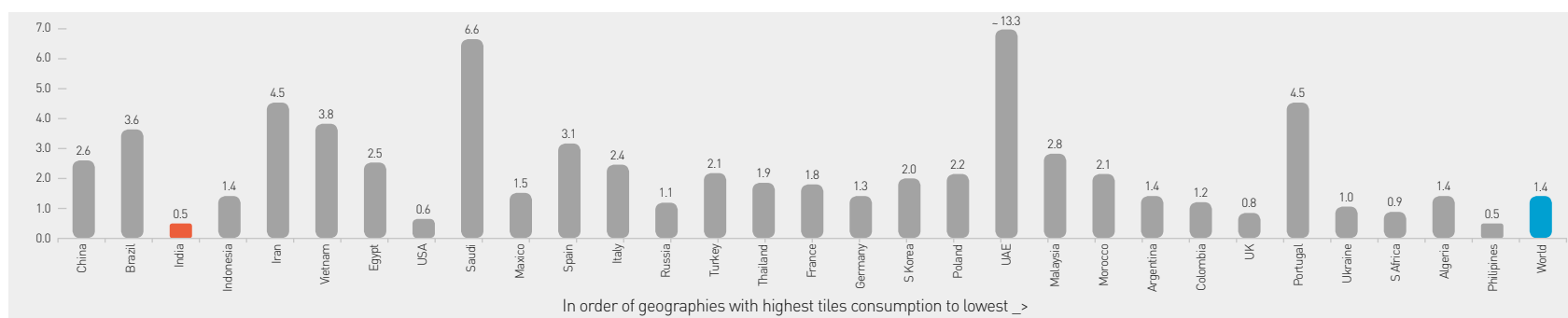
Commercial real estate: With several foreign retailers expected to establish stores in India over the medium-term, demand for office space is likely to increase. In 2012, office space absorption stood at 27 mn sq. ft, a 24 percent drop from 2011's 35.6 mn sq. ft. However, office space absorption in 2013 is likely to be higher at about 32 mn sq. ft.

Hospitality: The average hotel room rates for 2012-13 are expected to fall 5-10 percent with occupancy likely to come down 5 percent compared with 2011-12. Due to the expanding presence of new international brands, supply has exceeded demand in the luxury segment in several cities. With multiple centres of economic activity transpiring within large metropolitan cities, there is a steady growth in demand, which portends a bounce back of room rates and occupancy levels.

Rising incomes: India's per capita income, a gauge for measuring the country's living standard, is estimated to have gone up 11.7 percent to Rs 5,729 per month in 2012-13 (at current prices) compared with Rs 5,130 in the previous fiscal. This is translating into a greater investment in homes.

Organised retail: With per capita income crossing

India has the lowest per capita consumption in the category dominated by emerging nations Per capita consumption (sq. m) of tiles among the top 30 consumers globally



Note: for CY10. Source: Ceramics World Review, World Bank and Credit Suisse

the USD 1,000-mark, India now an important global retail destination. Organised retail in India is less than 10 per cent of the overall sector, while the corresponding figure is in excess of 90 per cent in USA. As Indian retail becomes more organized, the offtake of large format polished tiles will increase.

Healthcare: The Indian healthcare sector is expected to grow from USD 65 bn to USD 100 bn by 2015 and USD 280 bn by 2020 on the back of increasing demand for specialised and quality healthcare. The hospital services market is expected to be worth USD 81.2 bn by 2015.

Growing middle-class: The Indian middle-class – probably the largest such segment in the world in PPP terms – is expected to grow from 58million in 2010 to 110 million by 2020 (40% of the total national households from 24% in 2010). This segment is evolving towards international standards, translating into an upsurge in the demand for modern tiles.

Aviation: India is the ninth largest civil aviation market in the world and ranks fourth in domestic passenger volumes with a market worth of USD 12 bn. The Indian aviation sector is likely to witness investments of up to USD 150 bn by the government of India. Moreover, increasing liberalisation in aviation policies is leading to

greater private sector participation and private operators are expected to contribute more than three-fourths of the total investments over the next five years.

Urbanisation: By 2030, it is expected that India will have 68 cities with a population of over 1mn, up from 42, catalyzing the demand for commercial and residential spaces. Commercial space demand across all major cities is estimated to rise to 160 million sq. ft. over the next four years.

Financial Statement Analysis

The Company reported an improvement in its numbers in 2012-13: sales increased 20.4%, EBITDA increased 16.7% and PAT increased 27.6%, emphasising that the Company was engaged in profitable growth that was not derived from compromised margins.

Revenue

Gross sales increased from Rs. 921 crores in 2011-12 to Rs. 1109 crores in 2012-13 (20.4%), owing to the following reasons:

- Increased revenues from value-added products such as VC Shield (patented) Duragres (glazed vitrified tiles) and digital tiles.
- Substantial increase in the revenues from outsourced/traded goods (domestic) in general

and glazed vitrified tiles in particular

- Wider distribution network (increased dealer, sub-dealer and retail showrooms) that made it possible to accelerate rural offtake.

Operating expenditure

Expenditure (including excise duty) increased from Rs. 889.17 crores to Rs. 1067.52 crores in 2012-13 (20.6%), which was higher than the percentage increase in revenues, indicating a pressure on margins, owing to an increase in energy and input costs and a higher composition of traded/outsourced volumes.

Energy costs: Owing to a drastic increase in energy costs during the year under review, energy cost as a percentage of production value increased from 23.5% in FY 12 to 25.2% in FY 13. During the year, average fuel price costs increased 36%, even as the use of alternative fuel and a higher volume of power trading helped contain the impact to 20%.

Sources of funds

An increase in capital outlay (debt and accruals) from Rs. 525.22 crores to Rs. 617.55 crores in FY 13 funded the growing operations of the company and larger traded/outsourced businesses.

Sources of funds	FY 13	% of total	FY 12	% of total	Y-o-Y growth %
Equity capital	6.90	1.12	6.90	1.31	-
Reserves and surplus	143.86	23.29	117.12	22.30	22.83
External funds	440.61	71.35	375.85	71.56	17.23
Deferred tax liability	26.18	4.24	25.35	4.83	3.27
Total	617.55	100.00	525.22	100.00	17.58

Networth: Networth increased 21.6% from Rs. 124.01 crores as on 31st March, 2012 to Rs. 150.76 crores as on 31st March, 2013, owing to an increased surplus plough back. Consequently, net worth as a proportion of the overall capital increased from 23.6% as on 31st March, 2012 to 24.4% as on 31st March, 2012.

Debt management: Long-term debt (including current maturity debts, net of fresh loans) declined from Rs. 83.24 crores in FY 12 to Rs. 82.21 crores in FY 13. Short-term borrowings reduced

from Rs. 83.53 crores to Rs. 79.71 crores due to superior working capital management. A decline in debt and an increase in net worth resulted in a substantial improvement in gearing from 1.46 to 1.17; total outside liabilities-to-net worth strengthened from 3.03 to 2.92.

Current liabilities and provisions: Trade payables increased 45.5% from Rs. 110.75 crores in FY 12 to Rs. 161.18 crores in FY 13, mainly due to increase in vendors' bill discounting and creditors. Other current liabilities (excluding current maturity

debts) increased 6.6% from Rs. 39.91 crores in FY 12 to Rs. 42.54 crores in FY 13. Provisions increased 39.2% from Rs. 41.93 crores in FY 12 to Rs. 58.36 crores in FY 13, owing to an increase in the provision for tax by Rs. 14.25 crores.

Application of funds

The capital employed was deployed to support a larger business volume and fund capital expenditure.

Application of funds (Rs / cr)	FY 13	% of total	FY 12	% of total	Y-o-Y growth %
Net fixed assets including capital WIP	208.91	33.83	193.97	36.93	-
Long-term investments	9.20	1.49	5.95	1.13	54.62
Long-term loans and advances	4.05	0.66	4.59	0.88	-11.76
Current assets	395.39	64.02	320.71	61.06	23.29
Total	617.55	100.00	525.22	100.00	17.58

Fixed assets including capital WIP: Gross block, including capital work in progress, increased by Rs. 26.58 crores, mainly owing to capital expenditure related to the commissioning of three digital printers, two spray dryers and infrastructure improvement at the Kassar plant. After adjusting for depreciation, net fixed assets and capital WIP remained at 208.91 crores.

Investments: A sum of Rs. 3.25 crores was invested in acquiring a 26% equity stake in Commander Vitrified Pvt. Ltd.

Current assets: Increase in current assets by 23.3% was commensurate with the increase in the volume of business; the increase in current assets has been explained under following heads.

Inventories: Finished/traded goods inventories increased from Rs. 69.02 crores to Rs. 87.37 crores

in FY13 due to wide range of products and large number of new SKUs introduced during the year. However, finished goods inventory cycle increased marginally from 29 days to 30 days of net sales. Raw material, store and spare inventories, among others, increased marginally by 6.1% from Rs. 29.49 crores to Rs. 31.28 crores in FY 13.

Trade receivables: Trade receivables increased 25.6% from Rs. 138.84 crores to Rs. 174.35 crores owing to challenging market conditions. Total receivables increased marginally from 55 days 57 days of sales equivalent.

Short-term loans and advances: Loans and advances increased by Rs. 15.92 crores from Rs. 60.43 crores to Rs. 76.35 crores mainly on account of advance tax payment of Rs. 15.50 crores during the year.

Trade receivables increased 25.6% from Rs. 138.84 crores to Rs. 174.35 crores owing to challenging market conditions. Total receivables increased marginally from 55 days 57 days of sales equivalent.

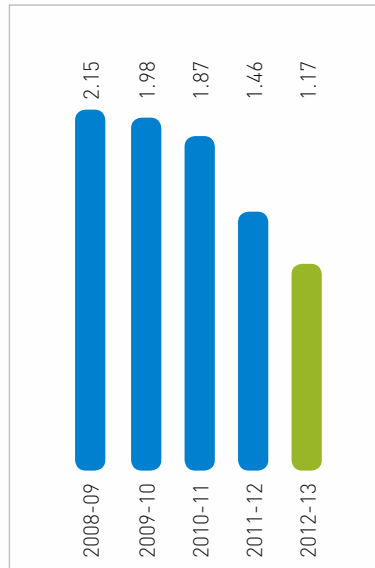
Increase in current assets by

23.3%

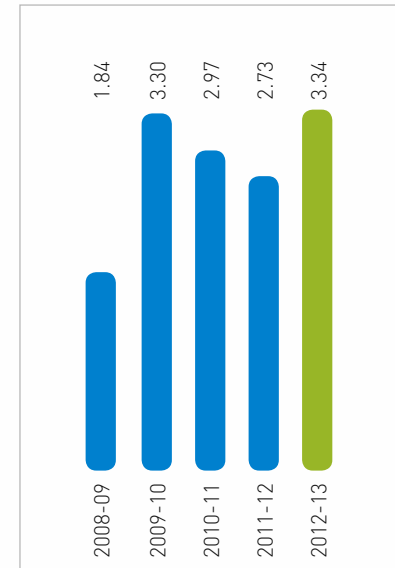
was commensurate with the increase in the volume of business

Financial Statement Analysis

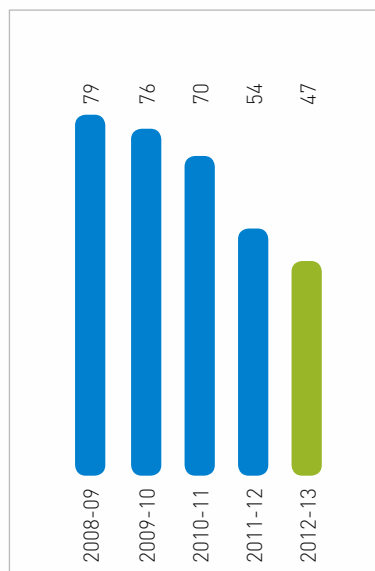
Debt equity (Times)



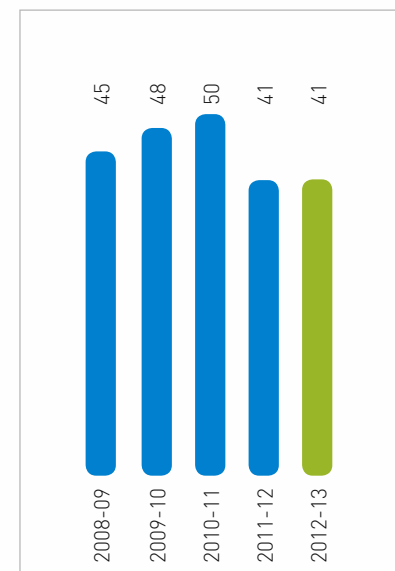
Interest coverage (Times)



Working capital cycle (Days)



Inventory cycle (Days)



Managing risks at Somany

Industry risk

Unfavourable economic conditions could impact offtake.

Risk mitigation

- The growth potential for the Indian ceramic tiles industry is robust when one considers the low per capita consumption of the product at 0.5 sq. m as compared with China's 2.6 sq. m, Brazil's 3.4 sqm and Europe's 5-6 sq. m
- Even as 2012-13 was an unfavourable year for the Indian real estate sector (degrowth in office space absorption and large unsold homes in cities like Mumbai), the Indian tile

industry grew in double digit, an index of its latent potential

- As per the Twelfth Five Year Plan approach paper, the Indian urban housing shortage stands at a massive 18.7 mn units in 2012, a substantial growth prospect for the real estate industry leading to a rise in demand for the tile industry
- Somany maintains a prudent sales mix between retail and institutional customers, mitigating excessive dependence on either

Foreign exchange risk

Currency volatility could adversely impact the Company's profitability.

Risk mitigation

- The Company is partially hedged naturally owing to both import and export of finished products.
- The Company monitors the forex fluctuation on daily basis

and takes corrective action from time to time.

The Company has a foreign exchange risk management policy in place

Competition risk

The Company faces stiff competition from the organised and unorganised sectors.

Risk mitigation

- The Company has been prudently moving up the value chain over years where price sensitivity is relatively lower.

- The Company is focusing more and more on brand building, quality and customer service to act as a differentiator in the market place

Operations risk

Increase in cost of operations could adversely impact the Company's profitability.

Risk mitigation

- The Company has in-house R&D set up which continuously works towards better productivity and cost optimisation
- The Company started usage of cheaper fuels and power trading to mitigate steep hike in energy costs

- Somany has graduated towards a unique asset-light model, making it possible to source tiles outright from committed vendors and joint ventures; product outsourcing increased from 17 per cent of turnover in 2007-08 to 49 per cent in 2012-13.

directors' report

Dear members

Your Directors have the pleasure in presenting the 45th Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2013.

Financial Results

(Rs. in Lacs)

Particulars	2012-13	2011-12
Gross Revenues from Operations	111242	92397
Net Revenues from Operations	105014	87323
Other income	176	106
Profit before Interest, depreciation and tax	8705	7456
Interest and finance charges (net)	1998	2065
Profit Before Depreciation	6707	5391
Less: Depreciation	2040	1822
Profit before tax	4667	3569
Less: Provision for tax (net)	1508	1094
Profit after tax	3159	2475
Add: Balance brought forward	8086	6182
Surplus available for appropriation	11245	8657
Appropriations:		
Proposed dividend on equity shares	414	276
Tax on proposed dividend	70	45
Transferred to general reserve	320	250
Balance Carried to balance sheet	10441	8086
Total	11245	8657

Operating Results

Your Company once again outperformed the average industry growth of 12-14% despite sluggish economic growth in almost all sectors of economy including construction. During the year under review, gross revenues increased from Rs. 92,397 lac in previous year to Rs. 11,1242 lac in the current year scaling a growth of 20.4% for the year and a 5 years' CAGR of 25.9%. This could be achieved due to larger share of value added sales and also expanding volumes from outsourcing business. This in turn could be made possible due to further strengthening of the sales and distribution network backed by higher brand visibility.

However, the profit margins remained under pressure mainly due to substantial increase in cost of fuels (natural gas) and some of the raw materials along with the limited ability to pass on this cost burden to the end consumer due to competition.

Despite of the above, the Earnings before interest, depreciation and tax (EBIDTA), Profit before and after tax increased to Rs. 8,705 lac (16.8%), Rs. 4,667 lac (30.8%) and Rs. 3,159 lac (27.6%) respectively.

Dividend

Encouraged by good operating and financial performance, your Director's recommended a dividend of 60% on equity shares at Rs.1.20 per share (face value of Rs. 2/- each) for the year under review as against 40% at Rs.0.80 per share in the previous year.

Corporate Highlights

Capacity Expansion: Your Company forged another joint venture by acquiring 26% equity stake in Commander Vitrified Private Ltd. which has set up a new plant at Morbi, Gujarat with an annual capacity to produce up to 2.65 million square meters of large format polished and glazed vitrified tiles. The plant started production since June 2012.

Vintage Tiles Private Ltd, the first JV with a manufacturing facility to produce up to 2.65 million square meters of polished vitrified tiles in which also your company acquired 26% stake last year continued production of polished vitrified tiles for the full year.

Your Company is entitled to buy and sell the entire production of both the JVs under its own brand name. The combined sales of your company from the products of both the JVs

stood at Rs.143.62 crore, which is 12.96% of your company's gross turnover.

Technological upgradation: Your Company continued to invest significantly in upgrading its plant and machinery. With addition of three more state-of-the-art imported digital printers for producing digital tiles, the total number of the same increased to six during the year under review. New age digital tiles will continue to enhance your Company's sales realizations over vanilla variants.

Retail outlets: Your Company strengthened its distribution network by further increasing its retail foot prints. During the year under review, fifty four (54) new franchisee-run / self- managed retail outlets were added. With this, the total number of retail outlets (Somany Exclusives, Somany Global and Somany Studios) stood at 181 as on March, 2013.

Recognitions and accreditations: Your Company was awarded with following recognitions and accreditations during the year:

- Participated in LACP (League of American Communication Professionals), a global

communication platform and received Gold award for our annual report of FY 12.

- Accredited with OHSAS 18001 (Health and Safety Standard) and ISO 22000 (Food safety management) for both the plants.
- ISO 14001 (Environment friendly manufacturing facility) and 5'S' certification to Kassar plant.
- Brand 'SOMANY' recognized as Asia's most promising brand for the year 2012-13.

Industrial Scenario and Outlook

Despite economic downturn and subdued construction activity, the Indian ceramic tile industry is estimated to grow in double digits in the year under review. The size of the industry is estimated at about Rs.17,000 crore which is almost equally divided between branded national players and unbranded regional players, mostly based out of Morbi(Gujarat). The branded segment is continuing to grow significantly higher than the unbranded players.

Within branded segment, three players including your Company command more than 50% market share.

The long term outlook for the tile industry in India is expected to be good owing to certain factors such as increasing disposable incomes, increasing urbanization, growth in the middle class, huge shortage of housing and commercial space and government's thrust on building necessary infrastructure to spur economic growth.

The profit margins of the industry continued to be under pressure mainly due to substantial increase in cost of energy (mainly natural gas) and inability on the part of industry to fully pass on this cost burden to end consumer due to severe competition.

On the other hand, faced with cost pressures and lack of brand and distribution set up, more and more unbranded players are willing to partner with branded players producing exclusively for the latter.

Having already done two such JVs, your Company would continue to look out for more such alliances.

Human Resource

Your Company remains committed to the enrichment of skill set and upgradation of its human resource through training, performance appraisals and various welfare activities. Industrial relations continued to remain cordial throughout the year. However, availability of skilled/semi-skilled human resource and their retention at desired compensation levels continued to be a challenge.

Public Deposits

Your Company has not accepted any fixed deposits and as such no amount of principal and interest was outstanding as on the date of balance sheet.

Subsidiary/Joint Venture Companies

M/s SR Continental Limited, a wholly-owned subsidiary company continued its business of manufacturing and selling of refractories,

colours used in the ceramic industry and also business of outsourcing and selling of ceramic tiles.

M/s Somany Global Limited, another wholly-owned subsidiary company continued its operations of selling imported and other high-end tiles and sanitaryware through its three showrooms named 'SOMANY GLOBAL'.

The Annual Report does not contain the financial statement of our subsidiaries pursuant to circular no. 2/2011 dated 8th February, 2011 issued by the Ministry of Corporate Affairs. The Board of Directors hereby undertakes that the audited accounts and related information of subsidiary companies, where applicable, will be made available upon request. The said documents will also be available for inspection during business hours at registered office of the Company as well as at the registered office of the subsidiary Companies.

The information on two JVs with Commander Vitrified Private Ltd and Vintage Tiles Private Ltd are covered under the sub heading 'Capacity Expansion' under the main heading 'Corporate Highlights'.

There was no business activity in M/s Somany Keraben Private Limited, a 50:50 joint venture between your Company and M/s Keraben, Spain.

The statement required under Section 212 of the Companies Act 1956 in respect of the subsidiary company is appended.

Auditors' Report

All the items on which the Auditors' have commented in their report are self-explanatory and suitably explained in the Notes to the Accounts.

Directors' Responsibility Statement

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statement in terms of Section 217 (2AA) of the Companies Act 1956.

In the preparation of the Annual Accounts, the applicable accounting standards have been followed.

- The Company has selected such accounting policies, 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 the Company at the end of the financial year and of the profit of the Company for that period.
- The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The Company has prepared the attached annual Statement of Accounts for the year ended 31st March, 2013 on a going concern basis.

Consolidated Financial Statements

In accordance with the Accounting Standard AS-21 and other applicable Accounting Standards on Consolidated Financial Statements, your Directors have the pleasure in attaching the Consolidated Financial Statements which form part of the Annual Report and Accounts.

Directors

In accordance with the provisions of the Companies Act, 1956, Mr. Salil Singhal and Dr. Y.K. Alagh retire by rotation at the ensuing Annual General Meeting and both being eligible, offer themselves for reappointment.

Auditors

M/s Lodha & Company, Chartered Accountants and statutory auditors of your Company retired at the conclusion of ensuing Annual General Meeting and are eligible for reappointment. The Company has received a letter from them to the effect that their reappointment, if made, would be within the prescribed limits under Section 224 (1B) of the Companies Act, 1956.

Corporate Governance

Your Company has been following the principles and practices of good Corporate Governance. A separate report on Corporate Governance, with a certificate from the Statutory Auditors confirming compliance with the Corporate Governance requirements, forms part of the Annual Report.

Management Discussion and Analysis

Management Discussion and Analysis report forms part of the Annual Report.

Conservation Of Energy, Research and Development, Technology Absorption, Foreign Exchange Earnings and Outgo

The information as required under Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed forming part of this report..

Particulars of Employees

A statement giving the particulars of employees as required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particular of Employees) Rules, 1975 is annexed forming part of this report.

Acknowledgements

Your Directors acknowledge with sincere gratitude, the co-operation and help extended by all the stakeholders of your Company including its esteemed shareholders, government departments and agencies, financial institutions and banks, customers, vendors and employees.

For and on behalf of the Board

Shreekant Somany

Place: New Delhi

Chairman and

Dated: 21st May, 2013

Managing Director

Annexure to the directors' report

Information pursuant to Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 forming part of Directors' Report for the year ended 31st March, 2012.

A. Conservation of energy

Your Company continues to be committed to energy conservation in its manufacturing operations.

(a) Energy conservation measures taken:

- I. Utilization of waste heat from gas-based generators resulting into savings of natural gas in spray dryer.
- II. Utilization of kiln exhaust into dryers resulting into saving of natural gas.
- III. Using energy-efficient lighting (LED), variable frequency drives in fans, blowers and pumps, efficient transformers and low power loss capacitors for reducing consumption of electricity/ power.
- IV. Restarted two saw dust based FBCs in place of natural gas based combustion.
- V. Power trading activity resulted into reduction in frequent power interruptions and usage of gas/diesel-based captive generation.

(b) Additional investments and proposals if any being implemented for reduction of consumption of energy:

- I. Continuous efforts and necessary investments are being made to conserve electricity and natural gas
- II. To further reduce gas based captive generation through UPS supply to critical equipments.

(c) Impact of measures (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.

The measures indicated as per (a) and (b) above are resulting in substantial reduction in energy consumption/costs.

(d) Total energy consumption and energy consumption per unit of production in respect of specified industries:

The Company is not covered under the list of specified industries.

B. Technology Absorption

1. Research and Development

(a) The Company carried out following major R&D activities during the year

- I. Successfully added three more digital printing machines to manufacture more value-added products.
- II. A patent filed for newly developed slip resistant tiles
- III. Continuous fine tuning of body and glaze materials composition for better productivity and cost reduction.

(b) Benefits derived as a result of above R&D Development of value-added products, resulting in better sales realisations and reduced manufacturing costs and wastages.

(c) Further plans and expenditure of R&D

- I. To introduce large number of designs

using digital printing technology to further improve the basket of own manufactured value-added tiles.

- II. To brace new technologies related to products, designs and processes being introduced in the ceramic tile industry globally.

(d) Expenditure on R&D

There was no major expenditure incurred to carry out the R&D when compared with the size of the turnover of the Company.

2. Technology absorption, adaptation and innovation

This continues to be an ongoing process and has been resulting in improved sales realisations, productivity and quality on one hand and saving in energy and materials consumption costs on the other.

C. Foreign Exchange Earnings and Outgo

Foreign Exchange

Earnings Rs. 2,227 lac

Foreign Exchange Outgo Rs. 5,514 lac

For and on behalf of the Board

Shreekant Somany

Chairman and

Managing Director

Place: New Delhi

Dated: 21st May, 2013

Annexure to the directors' report

Information as per Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2013

Employed for the financial year and in receipt of remuneration at a rate which was not less than Rs. 60 lac per annum.

Particulars	Shri Shreekant Somany	Shri Abhishek Somany	Shri G.G.Trivedi
Age	65 years	41 years	67 years
Designation	Chairman and Managing Director	Joint Managing Director	Chief Executive Officer
Nature of Duties	Overall management of the Company and policy decisions	Management of company operations	Management of plant operations
Remuneration Received	Rs. 226.44 Lac	Rs. 239.53 Lac	Rs. 87.58 Lac
Nature of Employment	Contractual	Contractual	Contractual
Qualifications	B. Sc	BBA (UK)	M. Sc , AICWA, LLB
Experience	42 years	17 years	42 years
Date of Commencement of Employment	1st September, 1992	1st July, 1996	1st May, 1987
Name of last Employment	Hindustan Sanitary ware & Industries Ltd.		LMP Precision Engineering Ltd.
Position Held	President	-	President
Percentage of Equity Shares of the Company held	0.47%	0.25%	-

Note:

- I. The gross remuneration includes salary, leave encashment, reimbursement of medical expenses and the Company's contribution to provident fund besides value of other perquisites calculated in accordance with Income Tax Act / Rules.
- II. Shri Shreekant Somany, Chairman and Managing Director is father of Shri Abhishek Somany, Joint Managing Director of the Company, hence they are related to each other.

For and on behalf of the Board

Shreekant Somany

Chairman and
Managing Director

Place: New Delhi

Dated: 21st May, 2013

section 212

Statement pursuant to Section 212 of the Companies Act, 1956

Name of the Subsidiary companies	SR Continental Ltd.	Somany Global Ltd.
(A) Financial Year of the subsidiary Company	31st March 2013	31st March 2013
(B) Shares of the subsidiary held by Somany Ceramics Ltd on the above date		
(a) Number and face value	185000 equity shares of Rs. 10/- each fully paid up	500000 equity shares of Rs. 10/- each fully paid up
(b) Extent of holding (together with nominees)	100%	100%
(C) The net aggregate of profit / loss of the subsidiary Company so far as it concerns the members of Somany Ceramics Ltd		
(a) Not dealt in the accounts of Somany Ceramics Ltd for the year ended 31st March 2013 amounted to:		
I. For the subsidiary financial year ended as in (A) above	Rs. 15.48 Lac	Rs. 13.50Lac
II. For the previous financial years of the subsidiary since it became the Holding Company's subsidiary	Rs.229.80 Lac	(Rs. 32.83 Lac)
(a) Dealt with in the accounts of Somany Ceramics Ltd for the year ended 31st March 2012 amounted to:		
I. For the subsidiary financial year ended as in (A) above	-	R-
II. For the previous financial years of the subsidiary since it became the Holding Company's subsidiary	-	-

Shreekant Somany
Chairman & Managing Director

Abhishek Somany
Joint Managing Director

Ambrish Julka
AGM (Legal) & Company Secretary

Place: New Delhi
Date: 21stMay 2013

corporate governance report

Company's philosophy on corporate governance

Good Corporate Governance Practices are strength of any successful enterprise. The Company's visionary founder had laid the foundation for good governance and made it an integral part of the Company's philosophy of good Corporate Governance which has characteristics of fairness, accountability, disclosure and transparency. This has enabled

your Company to achieve sustainable growth on its journey to continue success, thereby meeting the expectations of the stakeholders. The Company places emphasis on business ethics and responsible conduct and to disclosures of operating performance and other key events on timely basis to its shareholders and the stakeholders. The Company views their role as trustees of its shareholders, stakeholders and society at large.

Board of Directors

The Board comprises of nine Directors as of 31st March, 2013. None of the non-executive directors of the Company has any pecuniary relationship or transaction with the Company. The non-executive directors of the Company are highly respected and accomplished professionals in the corporate and academic world. The Composition of the Board is in conformity with Clause 49 of the Listing Agreement.

The details of the Directors by category, attendance and other Directorships including Memberships/Chairmanships of Board Committees and number of shares held are:

Director	Category	No. of Board Meeting held	No. of Board Meeting attended	Attended last AGM	Number of Directorships in other companies (\$)	No. of Committee positions held in companies (®)		No. of shares held
						Chairman	Member	
Mr. Shreekant Somany	P	4	4	Yes	5	-	-	161,385
Mr. Abhishek Somany	P	4	4	Yes	2	-	-	85,500
Mr. R. K. Daga	I	4	4	Yes	2	3	1	5,000
Mr. R. L. Gagar	I	4	3	No	11	-	9	-
Mr. G. L. Sultania	I	4	4	Yes	11	4	4	1,250
Mr. Salil Singhal	I	4	2	No	5	-	3	-
Dr. Y. K. Alagh	I	4	3	No	4	1	6	-
Mr. Ravinder Nath	I	4	3	No	3	1	1	-
Mr. Sandeep Kumar	I	4	4	No	-	-	-	-

Category: P=Promoter, I=Independent

(\$) Excludes Directorships in Indian Private Limited Companies other than subsidiaries of Public Limited Companies and memberships of various Chambers and other non-corporate organizations.

(®) Includes the membership/chairmanship in Audit Committee and Shareholders'/Investors' Grievance Committee only of Public Limited Companies.

Board functions

Apart from review and consideration of matters referred to under Clause 49 of the Listing Agreement, the Board also undertakes the following:

- Laying down the corporate philosophy and the mission of the Company;
- Formulating the strategic business plans;
- Setting standard for ethical behavior;
- Compliance with all the rules and regulations;
- Informing shareholders of the various developments within the Company.

Meeting of the Board of Directors

There were Four Board meetings during the year 2012-13 i.e. on 19th May, 18th July, 17th October, in 2012 and on 16th January in 2013.

Code of Conduct

The Board of Directors has adopted a Code of Conduct for its members and senior personnel of the Company in terms of Clause 49 of the Listing Agreement. A declaration to this effect, duly signed by Chief Executive Officer was placed before the Board and is enclosed forming part of this report. The code of conduct framed by the Company is posted on the Company's website.

COMMITTEES OF THE BOARD

Audit Committee

Composition and Terms of Reference

The Audit Committee comprises of five members and all are independent and non-executive directors. Mr. R.K. Daga is the Chairman of the Committee. The other members of the committee are Dr. Y.K. Alagh, Mr. Salil Singhal, Mr. R. L. Gaggar and Mr. G. L. Sultania. The Audit Committee members are accomplished professionals from the corporate and academic world

and are financially literate. The Committee meets the requirements of provisions under Section 292A of the Companies Act, 1956 and clause 49 of the Listing Agreement in regard to constitution of this Committee. The Company Secretary of the Company acts as the Secretary to the Committee. The minutes of the each Audit Committee Meeting are placed and discussed in the next meeting of the Board. The terms of reference of the audit committee cover the areas as contemplated under Clause 49 of the Listing Agreement and Section 292 of the Companies Act, 1956, besides other terms as may be referred by the Board of Directors.

Terms of reference

Brief description of the terms of reference is:-

- Effective supervision of the financial reporting process, ensuring financial and accounting controls and compliance with the policies of the Company.
- Periodical interaction with the statutory and internal auditors to ascertain the quality and veracity of the Company's transactions.
- Review of adequacy and effectiveness of Internal Audit Function and the Internal Control System.
- Overall direction on the risk management policies.
- Review of the annual and quarterly financial statements with management before submission to the Board.
- Compliance with Listing.
- Related party transactions.
- Qualifications in the audit report etc.

Invitees to the Audit Committee

Both the statutory and internal auditors of the Company are regular invitees to the Audit

Committee meetings to brief the members. The meeting of the Audit Committee is generally attended by the Chairman & Managing Director, Chief Executive Officer, President (Marketing), Vice-President (Finance) & other departmental heads.

Frequency of meetings

During the year 2012-13 four Audit Committee meetings were held on 19th May, 18th July and 17th October, in 2012 and on 16th January in 2013.

The maximum gap between any two meetings was less than four months.

The attendance of the Audit Committee Meetings is given below:

Name of Member Director	No. of Meetings attended
Mr. R. K. Daga (Chairman)	4
Mr. R. L. Gaggar (Member)	3
Dr. Y. K. Alagh (Member)	3
Mr. G. L. Sultania (Member)	4
Mr. Salil Singhal (Member)	2

The Chairman of the committee was present at the last Annual General Meeting of the Company to answer shareholders queries.

SHARE TRANSFER COMMITTEE

Your Company has a Share Transfer Committee comprising of Mr. G.L. Sultania (who chairs the meeting), Mr. N. Goenka and Mr. S. Banerjee. The Committee met twelve times during the year under review. The Board has delegated the power of Share Transfer to the Company's Registrar & Share

Transfer Agents, who process the transfers, in respect of physical and shares under Demat. During the year under review, total of 16350 shares were transferred and dispatched within 15 days of receipt in respect of shares, documents of which were found valid in all respects. There were no pending transfers as on 31st March, 2013.

SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

The Committee was constituted to oversee redressal of shareholders'/ Investors' grievances relating to transfers, transmissions, issue of duplicate share

certificate(s) and all other matters concerning shareholders' complaints. Mr. R. K. Daga the non-executive independent director is heading the committee along with Mr. R. L. Gaggar and Mr. G. L. Sultania, the other members who are also non-executive and Independent Directors. Mr. Ambrish Julka, Assistant General Manager (Legal) and Company Secretary is the compliance officer. Three meetings of the Committee were held on 4th May and 12th September in the year 2012 and 2nd January in 2013. During the year 20 complaints were received and resolved. There were no complaints of Shareholders pending

as on 31st March, 2013.

REMUNERATION COMMITTEE

The Remuneration Committee was formed inter alia to deal with all elements of remuneration for whole-time directors, service contracts, severance fee, notice period etc. Mr. R. K. Daga, the Non-Executive Independent Director is the Chairman of the Committee and Mr. R. L. Gaggar and Mr. G. L. Sultania are the other members, who are also Independent non-executive Directors of the Company. Two meetings of the Remuneration Committee were held during the year 2012-13 i.e on 4th May, 2012 and 3rd October, 2012.

Remuneration to Directors

Name of the Directors	Salary & perquisites (Rs.)	Commission for 2011-12 (Rs.)	Sitting Fees (Rs.)	Total (Rs.)
Mr. Shreekant Somany*	1,36,91,535**	89,51,927	--*	2,26,43,462
Mr. Abhishek Somany*	1,33,06,761**	1,06,46,056	--*	2,39,52,817
Mr. R. K. Daga	--	5,00,000	1,05,000	6,05,000
Mr. R. L. Gaggar	--	5,00,000	85,000	5,85,000
Mr. G. L. Sultania	--	5,00,000	1,05,000	6,05,000
Mr. Salil Singhal	--	5,00,000	40,000	5,40,000
Dr.Y.K.Alagh	--	5,00,000	60,000	5,60,000
Mr. Ravinder Nath	--	5,00,000	45,000	5,45,000
Mr. Sandeep Kumar	--	--	60,000	60,000

* Whole time Directors are not entitled for sitting fee.

** The remuneration includes Company's contribution to Provident Fund and leave encashment and the same is being paid in accordance with Schedule XIII of the Companies Act, 1956. The value of perquisites being calculated in accordance with the rules framed under the Income Tax Act, 1961.

The appointments of Mr. Shreekant Somany, Chairman & Managing Director and Mr. Abhishek Somany, Joint Managing Director are contractual for a period of three years which was renewed with effect from 1st September, 2011 in respect of Chairman & Managing Director and in respect of Joint Managing Director, with effect from 1st June, 2012 .

The services of Chairman & Managing Director and Joint Managing Director may be terminated by giving three months' notice or alternatively three months' salary in lieu of notice. No severance fees is payable to them under their respective service agreements entered into by them with the Company.

Apart from sitting fees, the Non-Executive directors are entitled for commission @1% of net profits of the Company in terms of resolution passed by the Shareholders of the Company at their Annual General Meeting held on 22nd September, 2008 subject to maximum of Rs, 5,00,000/- to each Non-Executive Director as subsequently approved vide special resolution passed by the shareholders of the Company at their Annual General Meeting held on 16th August, 2010.

Mr. Sandeep Kumar was appointed as Nominee Director of Export Import Bank of India, therefore he is not liable to retire by rotation and shall not be taken into account for computing the number of directors to such retirement.

GENERAL BODY MEETINGS

The details of general body meeting conducted in the past 3 years:

Year	Date	Time	Venue
2012-2013	13th August, 2012	11.00 A.M.	44th Annual General Meeting held at H.L Somany Hall, ASSOCHAM, 47 Prithvi Raj Road, New Delhi - 110011
2011-2012	11th August, 2011	11.00 A.M.	43rd Annual General Meeting held at H.L Somany Hall, ASSOCHAM, 47 Prithvi Raj Road, New Delhi - 110011
2010-2011	18th March, 2011	11.00 A.M.	Extra-Ordinary General Meeting held at H.L Somany Hall, ASSOCHAM, 47 Prithvi Raj Road, New Delhi - 110011
2010-2011	30th October, 2010	11.00 A.M.	Extra-Ordinary General Meeting held at H.L Somany Hall, ASSOCHAM, 47 Prithvi Raj Road, New Delhi - 110011
2010-2011	16th August, 2010	11.00 A.M.	42nd Annual General Meeting held at H.L Somany Hall, ASSOCHAM, 47 Prithvi Raj Road, New Delhi - 110011

Special Resolutions passed in the previous three AGMs/EOGMs:

Date of Meeting held	AGM/EOGM	Subject matter of the resolution
13th August, 2012	AGM	NIL
11th August, 2011	AGM	(i) Re-appointment of Mr. Shreekant Somany as Chairman and Managing Director of the Company. (ii) Re-appointment of Mr. Abhishek Somany as Joint Managing Director of the Company.
18th March, 2011	EOGM	(i) Authorization for raising Capital. (ii) Increase in Limit for Investments in Capital of the Company by Foreign Investors.

No Special Resolution was put through postal ballot last year. As of now no Special Resolution is proposed to be conducted through postal ballot at the ensuing Annual General Meeting.

DISCLOSURES

There were no transactions of material nature between the Company and its Directors or management and their relatives or promoters that may have a potential conflict with the interests of the Company. Related party transactions are disclosed in the Notes to Accounts.

There has been no instance of non-compliance by the Company on any matter related to capital markets and hence the question of imposition of penalties or strictures on the

Company by the Stock Exchanges or SEBI or any statutory authority, does not arise.

The Company complies with all mandatory requirements of Clause 49 of the Listing Agreement and one non mandatory requirement viz. Remuneration Committee of Directors.

MEANS OF COMMUNICATION

The annual, half yearly and quarterly results of the Company are generally published in Economic Times (Delhi, Mumbai), (English

edition), Economic Times (Mumbai (Gujarati edition)) & Navbharat Times (Hindi edition) newspapers at New Delhi. The results of the Company are submitted to the Stock Exchanges in accordance with the Listing Agreements and posted on its website: www.somanyceramics.com. During the year the Company has not made any presentation to Institutional investors or analysts.

"Management Discussion and Analysis" is a part of the Annual Report.

GENERAL SHAREHOLDER'S INFORMATION

Registered Office

82/19, Bhakerwara Road, Mundka
New Delhi – 110 041
Phone : 011-28341085, Fax : 011-28341085
Email : cs@somanytiles.co.in

Plant locations

- i) V&P Kassar, Bahadurgarh
Distt. Jhajjar, Haryana - 124507
Phone: 01276-241002/3/4/5
Fax : 01276-241006/11
Email: cs@somanytiles.co.in
- ii) GIDC Industrial Area,
Distt. Mehsana, Kadi,
Gujarat - 382715
Ph : 02764-242153/54
Fax : 02764-263011

Date and Venue of Annual General Meeting

Annual General Meeting of the Company will be held on Monday, 2nd September, 2013 at 10.30 a.m at Laxmipat Singhania Auditorium, at PHD Chamber of Commerce and Industry, PHD House, 4/2, Siri Institutional Area, August Karanti Marg, New Delhi-110016.

Financial Calendar: 1st April to 31st March
Financial Reporting for 2013-2014 is as follows:

First Quarter	Fourth week of July, 2013
Second Quarter	Fourth week of October, 2013
Third Quarter	Fourth week of January, 2014
Fourth Quarter	Fourth week of May, 2014

Book Closure Date

17th August, 2013 to 2nd September, 2013
(both days inclusive)

Dividend

The Board of Directors of Company has recommended a dividend of Rs. 1.20 per share on equity shares of Rs. 2/- each for the year ended 31st March, 2013 subject to approval of the Shareholders at the ensuing Annual General Meeting.

Listing on Stock Exchange:

Shares of the Company are listed at National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE). The Company has paid annual listing fees to both the Exchanges for the financial year 2013-2014.

Stock Code :

NSE	SOMANYCERA
BSE	531548
Demat ISIN Number for NSDL and CDSL	INE 355A01028

Market Price Data:

Month	National Stock Exchange of India Limited*			The Bombay Stock Exchange Limited*		
	High Rs.	Low Rs.	No. of Shares Traded	High Rs.	Low Rs.	No. of Shares Traded
April 2012	48.70	38.10	1,72,028	49.00	39.00	97,914
May 2012	48.00	41.00	63,018	47.80	40.95	69,362
June 2012	48.10	39.10	57,008	49.70	40.25	38,034
July 2012	48.50	40.00	58,634	50.00	40.50	26,650
August 2012	48.95	39.00	91,322	49.00	40.10	39,055
September 2012	59.70	41.50	4,19,354	59.70	41.00	2,69,693
October 2012	94.70	52.00	25,13,268	93.90	46.00	14,57,281
November 2012	95.95	78.10	5,23,498	95.85	78.55	4,23,663
December 2012	106.40	86.75	1,50,325	106.70	87.10	1,33,729
January 2013	115.00	82.85	2,00,618	114.95	82.00	2,18,873
February 2013	88.00	60.90	1,16,697	86.65	61.00	1,71,258
March 2013	83.85	59.00	91,399	83.95	61.00	2,00,138

*Source : Official website of BSE and NSE

Registrar & Share Transfer Agent

(Both for physical and demat segment)

Maheshwari Datamatics Pvt. Ltd.

6, Mangoe Lane, Kolkata – 700 001

Phone No. 033-2243 5809/2243 5029,

Fax No. 033-2248 4787

E-mail: mdpl@cal.vsnl.net.in

Share Transfer system

The Company's shares are traded on stock exchanges in compulsory demat mode. Shares in physical mode lodged with the Company with valid documents are transferred and share certificates are returned in physical form within the time prescribed under the Listing Agreement.

Your Company has not issued any GDRs/ADRs/Warrants or any convertible instruments.

Distribution of Shareholding as on 31st March, 2013

No. of Equity Shares	Number of Shareholders	Percentage of Shareholders	No. of Shares	Percentage of Shareholding
1- 500	2,658	62.42	4,82,521	1.40
501-1000	722	16.96	577,077	1.67
1001-2000	326	7.66	5,07,466	1.47
2001-3000	130	3.05	3,40,069	0.99
3001-4000	69	1.62	2,50,714	0.73
4001-5000	91	2.14	4,25,886	1.23
5001-10000	122	2.86	9,03,265	2.62
10001 and above	140	3.29	31,010,002	89.89
Total	4258	100.00	3,44,97,000	100.00

Categories of Shareholding as on 31st March, 2013

Category	Number of Shares	Percent
Indian Promoters	2,18,39,360	63.31
Mutual Funds & UTI	5,71,844	1.66
Banks, Financial Institutions, Insurance Companies	92,030	0.26
Foreign Institutional Investors	68,550	0.20
Corporate Bodies	22,26,515	6.46
Indian Public	83,29,383	24.15
NRIs/OCBs	13,48,916	3.91
Trusts	12,050	0.03
Clearing Member	8,352	0.02
Total	3,44,97,000	100.00

Dematerialisation of shares

The Company's equity shares enjoy the DEMAT facilities with NSDL as well as CDSL. Total 33575640 Equity shares representing 97.33 of the paid-up capital of the Company as on 31st March, 2013 was in demat form.

Contact for Clarification on Financial Statements:

Individuals may contact Mr. R.K. Lakhota, Vice President (Finance) at: Kassar – 124507, Bahadurgarh Distt. Jhajjar, Haryana, India
Phone : 01276-241001-05
Fax : 01276-241006/11
Email : fin@somanytiles.co.in

Shareholder's Enquiries:

Individual may contact Mr. Shyamalendu Banerjee at:
2, Red Cross Place, Kolkata – 700 001
Phone : 033-22487406/7
Fax : 033-22487045
Email : sclinvestors@somanytiles.co.in

Pursuant to the listing agreement with Stock Exchanges, the Company has created email-id for the redressal of investor grievances

viz.sclinvestors@somanytiles.co.in.

Declaration on compliance with the Code of Conduct:

The Company has framed a specific Code of Conduct for the members of the Board of Directors and Senior Management Personnel of the Company pursuant to Clause 49 of the Listing Agreement with Stock Exchanges. All the members of the Board and Senior Management Personnel have affirmed due observation of the said Code of Conduct in so far as it is applicable to them and there is no non-compliance thereof during the year ended 31st March, 2013.

G.G.Trivedi
Chief Executive Officer
Place : New Delhi
Date : 21st May, 2013

As required under Clause 49 of the Listing Agreement, the particulars of the Directors seeking appointment or re-appointment Mr.Salil Singhal

Aged about 67 years Mr. Singhal holds a B.A (Hons.) degree. He has more than 45 years

of experience in the fields of fine chemicals, agrochemicals, mining and mineral products, metering and energy management. He brings with him a strong marketing and business development focus to the business. He is well known personality in agrochemical business in India and has been on several committees of the Govt. of India on agriculture and pesticide related policies. Mr. Singhal was a member of the Executive Committee of the Federation of Indian Chamber of Commerce and Industry (FICCI) and the Chairman of FICCI's Environment Committee for 5 years. Presently he is Chairman of CII National Council on Agriculture. He is also an active member of CII's National Environment Council and the CII Task Force on Integrity and Transparency in Governance. Mr. Singhal has addressed many conferences and seminars on the subjects of Indian agriculture, environment, national policies, chemical industry etc. He is also associated with various social, cultural and educational organizations.

The details of his directorship and membership in other Companies are given below :

Sl. No.	Name of the Public Limited Companies in which he is a Director	Chairman/ Director	Position held in	
			Audit Committee	Shareholders' Investor Grievance Committee
1	PI Industries Limited	Chairman and Managing Director	-	Member
2	Secure Meters Limited	Chairman	-	-
3	Wolkem India Limited	Chairman	-	-
4	PILL Finance and Investments Limited	Director	-	-
5	Somany Ceramics Limited	Director	Member	-
6	Usha Martin Limited	Director	Member	-

Dr. Y.K.Alagh

Aged about 74 years Dr. Alagh is a noted Indian economist and former Union Minister of Government of India, a doctorate in Economics from the University of Pennsylvania, USA. Recently he has been appointed as the Chancellor of the Central University of Gujarat, Gandhinagar.

Sl. no.	Name of the Public Limited Companies in which he is a Director	Chairman/ Director	Position held in	
			Audit Committee	Shareholders' Investor Grievance Committee
1	Tata Chemicals Limited	Director	Member	Chairman
2	Shree Cement Limited	Director	Member	Member
3	Somany Ceramics Limited	Director	Member	-
4	Rallis India Limited	Director	Member	-
5	Star Agriwarehousing and Collateral Management Limited	Director	Member	-

auditors' certificate

We have audited the compliance of conditions of Corporate Governance procedure implemented by Somany Ceramics Limited for the year ended on 31st March, 2013 as stipulated in Clause 49 of the listing agreement of the said Company with the Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of

Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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.

On the basis of our review and according to the information and explanations given to us, the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement with the Stock Exchanges have

been complied with in all material respect by the Company and that no investor grievance(s) is/are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders'/ Investors' Grievance Committee.

For LODHA & CO.
Chartered Accountants
Firm Reg. No. 301051E

N.K.LODHA
Partner
M.No.85155

Place: New Delhi
Date: 21.05.2013

financial sections

Independent Auditors' Report

To
The members of
Somany Ceramics Limited

Report on the financial statements

We have audited the accompanying financial statements of Somany Ceramics Limited, which comprise the balance sheet as at 31st March 2013, and the statement of the profit and loss and the cash flow statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the company in accordance with the accounting principles generally accepted in India, including accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by Institute of Chartered Accountant of India. Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain the reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for audit opinion.

Opinion

In our opinion and best to our information and according to the explanations given to us, the financial statements read together with note no. 2.5 and other notes thereon, give the information required by Act in the manner so require and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a. In the case of the balance sheet, of the state of the affairs of the company as at 31st March 2013,
- b. In case of the statement of the profit and loss, of the profit for the year ended on that date, and
- c. In case of the cash flow statement, of the cash flows for the year ended on that date.

Report on other legal and the regulatory requirements:

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give the Annexure a statement on the, manners specified in the paragraphs 4 and 5 of the order.
2. As required by section 227(3) of the Act, 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 Balance Sheet, Statement of Profit & Loss and Cash Flow Statement referred to in this report are in agreement with the books of account;
 - d. In our opinion, the Balance Sheet, Statement of Profit & Loss and Cash Flow Statement referred to in this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of Companies Act, 1956;
 - e. On the basis of the written representations received from the Directors and taken on records by the Board of Directors, we report that none of the directors of the Company is disqualified as on 31st March 2013 from being appointed as a Director of the Company in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For **LODHA & CO.,**
Firm Registration Number: 301051E
Chartered Accountants

N.K. LODHA
Partner

Membership No: 85155

Place: New Delhi
Date: May 21, 2013

Annexure referred to in paragraph 1 under the heading “Report on other legal and regulatory requirements” of our report of even date

Re: Somany Ceramics Limited for the year ended 31st March 2013

1. (a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets except in case of certain locations where records are in process of updation / compilation.
(b) As per the information and explanations given to us, certain fixed assets have been physically verified by the management according to a regular programme of periodic verification in a phased manner which in our opinion is reasonable having regard to the size of the company and nature of fixed assets. The discrepancies noticed on such physical verification were not material.
(c) As per records and information and explanation given to us, no substantial part of fixed assets has been disposed off during the year.
2. (a) As per the information and explanations given to us, the inventories (except stocks with third parties and in transit which have been verified based on subsequent receipt/ reconciliation) have been physically verified by the management at reasonable intervals.
(b) In our opinion and according to the information and explanations given to us, 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) On the basis of our examination of the records of inventory, we are of the opinion that the company is maintaining proper records of inventory (in respect of process stock records are updated after physical verification). The discrepancies noticed on such physical verification of inventory as compared to book records were not material which have been properly dealt with.
3. (a) As informed to us, 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. Hence clause (b) to (d) is not applicable. Accordingly we are not able to offer any comment.
(b) As per the information and records made available, the Company has not taken any loans secured or unsecured from companies, firms or other parties except from one company covered in the register maintained under section 301 of the Act. The maximum amount involved during the year is ₹ 75.00 Lacs and the year end balance of such loans are ₹ NIL.
- (c) In our opinion, the rate of interest and other terms and conditions of loans taken are not prima facie prejudicial to the interest of the Company.
(d) In accordance with the information and explanations given to us in respect of the aforesaid loans, there is no as such stipulated schedule for repayment of principal and interest and the same are repayable on demand.
4. In our opinion and according to the information and explanations given to us, having regard to the explanations that certain items purchased/sold are of special nature for which, as explained, suitable alternatives sources do not exist for obtaining comparative quotations, taking in to consideration the quality, usage and such other factors, there are adequate internal control systems (read with note no. 2.6 & 2.16) commensurate with the size of the company and nature of its business with regard to purchase of inventory, fixed assets and for the sale of goods and services. Further on the basis of examination of the books and records of the company, carried out in accordance with the generally accepted auditing principles in India, and according to the information and explanation given, we have neither come across nor have we been informed of any instance of major weakness in internal control systems of the company.
5. (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements (exceeding the value of ₹ 5 lacs in respect of any party during the financial year) have been made at prices which are generally reasonable having regard to prevailing market prices at the relevant time (read with para 4 above).
6. In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public within the meaning of section 58A and 58AA or any other relevant provisions of the Act and rules framed there under. We have been informed that no order has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal in this regard.

7. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209 (1) (d) of the Act in respect of the Company's products to which the said rules are made applicable and are of the opinion that prima facie, the prescribed records have been made and maintained. We have however not made a detailed examination of the said records with a view to determine whether they are accurate or complete.
9. (a) According to the records and information made available to us, the company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues to the extent applicable to it and there are no undisputed statutory dues payable for a period of more than six months from the date they became payable as at 31st March 2013.
- (b) According to the records and information and explanations given to us, there are no dues in respect of income tax, wealth tax, service tax, custom duty, excise duty and cess that have not been deposited with appropriate authorities on account of disputes and dues in respect of customs duty, excise duty, service tax, local area development tax and sales tax including Turnover tax that have not been deposited with appropriate authorities on account of disputes and the forum where the dispute is pending are as given below:

Name of Statute	Nature of Dues	Period to which it relates	Amount (₹ in Lacs)	Forum where dispute is pending
Custom Act	Custom Duty	1997-1999	5.91	Deputy Commissioner of Customs, (Import) Tughlakabad
Central Excise Act	Excise duty	1999-2004	317.43	CESTAT, New Delhi
		2005-2007	13.04	Commissioner (A), Gurgaon
		1996-2000	9.33	CCE Appeals, Ahemdabad
		1994-1995	0.07	Asst. Commissioner, Kalol
Sales Tax Act	Local Area Development Tax	2002-2003	5.15	Haryana Tax Tribunal, Chandigarh
		2006-2007	60.12	Supreme Court of India
		2007-2008	76.40	Supreme Court of India
		2008-2009	89.27	Supreme Court of India
		2009-2010	93.56	Supreme Court of India
		2010-2011	59.62	Supreme Court of India
		2011-2012	60.16	Supreme Court of India
		2012-2013	73.54	Supreme Court of India
	Turnover Tax	1990-1993	45.83	Maharashtra Sales Tax Tribunal, Mumbai
		2006-2007	52.61	Asst. Commissioner, Ahemdabad
		2007-2008	28.76	Joint. Commissioner, Commercial Taxes, Bangalore
2009-2010		6.33	Deputy Commissioner, Commercial Taxes, Ernakulam	
Finance Act	Service Tax	2007-2008	0.74	CESTAT, Ahemdabad
		2007-2009	2.80	Asstt. Commissioner, Rohtak
Income Tax Act*	Income Tax	2004-2005	113.79	CIT Appeals, Kolkata
		2006-2007	5.00	CIT Appeals, Kolkata
		2008-2009	5.55	CIT Appeals, Kolkata
		2009-2010	42.51	CIT Appeals, Kolkata
		2010-2011	63.36	CIT Appeals, Kolkata

* Excluding penalty if any (Refer note no. 2.1)

10. The company does not have accumulated losses as at the end of the financial year and has not incurred cash losses in the current financial year and in the immediately preceding financial year.
11. Based on our audit procedures and on the information and explanations given by the management, the Company has not defaulted in repayment of dues to financial institution, banks or debenture holders.
12. According to the information and explanations given to us, the Company has not granted any loans and/or advances on the basis of security by way of pledge of shares, debentures and other securities.
13. Clause 4 (xiii) of the Order is not applicable to the Company as the Company is not a chit fund or a nidhi / mutual benefit fund / society.
14. In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly Clause 4 (xiv) of the Order is not applicable to the Company.
15. According to the information and explanations given to us, the terms and conditions on which Company has given guarantee for amount aggregating to ₹ 12,30,00,000/- for loans taken by others from banks and financial institutions, are not prima facie prejudicial to the interest of the Company.
16. According to the information and explanations given to us, the term loans were applied for the purposes for which the loans were obtained.
17. On an overall examination of the financial statements of the Company and on the basis of information and explanations given to us, we are of the opinion that the company has not used funds raised on short-term basis for long-term investment.
18. According to the information and explanations given to us, the Company has not made any preferential allotment of shares to any parties and companies covered in the register maintained under Section 301 of the Act during the year.
19. On the basis of the records made available to us, the Company has no debentures outstanding during the year.
20. The company has not raised any money through public issue during the year.
21. During the course of our examination of the books and records of the company carried out in accordance with the auditing standards generally accepted in India, we have neither come across any material instance of fraud on or by the company, noticed or reported during the year nor we have been informed of such case by the management.

For **LODHA & CO.,**
Chartered Accountants
Firm Registration Number: 301051E

N.K. LODHA
Partner
Membership No: 85155

Place: New Delhi
Date: May 21, 2013

Balance Sheet as at 31st March 2013

(₹ in Lacs)

	Note No.	31.03.13	31.03.12
EQUITY AND LIABILITIES			
Shareholders' funds			
Share Capital	3	689.94	689.94
Reserves & Surplus	4	14385.92	11711.52
		15075.86	12401.46
Non-current Liabilities			
Long term Borrowings	5	6155.38	6684.67
Deffered Tax Liabilities (Net) (Refer Note No. 2.7)		2618.00	2535.16
Other Long-term Liabilities	6	1415.66	1419.75
Long-term Provisions	7	245.26	229.38
		10434.30	10868.96
Current Liabilities			
Short-term Borrowings	8	7971.49	8353.08
Trade Payables (Refer Note No. 2.6 & 2.20)		16117.87	11074.82
Other Current Liabilities	9	6319.76	5630.01
Short-term Provisions	10	5836.12	4193.22
		36245.24	29251.13
Total		61755.40	52521.55
ASSETS			
Non-current Assets			
Fixed Assets			
Tangible Assets	11	19871.80	18991.92
Intangible Assets	11	80.80	75.38
Capital work-in-progress		937.97	329.67
		20890.57	19396.97
Non-current Investments	12	919.69	595.05
Long-term Loans and Advances	13	405.57	458.53
Total		22215.83	20450.55
Current Assets			
Inventories	14	11864.85	9850.75
Trade Receivables	15	17435.02	13884.07
Cash and Bank Balances	16	2522.84	2203.37
Short-Term Loans and Advances	17	7635.34	6043.08
Other Current Assets	18	81.52	89.73
		39539.57	32071.00
Total		61755.40	52521.55
Significant Accounting Policies & Explanatory Notes 1&2			
The accompanying Notes are an integral part of the Financial Statements.			

As per our report of even date

For and on Behalf of Board of Directors

For **Lodha & Co.**

Chartered Accountants
(ICAI FRN. NO.: 301051E)

N. K. Lodha

Partner
M.NO.85155

Shreekant Somany

Chairman & Managing Director

Abhishek Somany

Joint Managing Director

Ambrish Julka

AGM (Legal) and Company Secretary

Place: New Delhi

Dated : The 21 st day of May , 2013

The Statement of Profit & Loss for the year ended 31st March , 2013

(₹ in Lacs)

	Note No.	31.03.13	31.03.12
INCOME:			
Revenue from Operations	19	105014.59	87323.32
Other Income	20	176.07	106.53
Total Revenue		105190.66	87429.85
EXPENSES:			
Cost of Materials Consumed	21	16575.44	15318.09
Purchases of Stock-in-Trade		46995.39	35208.00
Change in Inventories of Finished Goods ,			
Work-in-progress and Stock-in-Trade	22	(1607.94)	30.26
Employee Benefit Expense	23	7374.65	6552.28
Finance Costs	24	1998.00	2065.01
Depreciation and Amortization Expense	11	2040.11	1822.06
Other Expenses	25	27148.46	22847.95
Total Expenses		100524.11	83843.65
Profit Before Exceptional and Extraordinary Items and Tax		4666.55	3586.20
Exceptional Items (Net)		0.00	17.30
Profit before tax		4666.55	3568.90
Tax Expense:			
(1) Current Tax		1425.00	1125.00
(2) Deferred Tax Charges/Credit		82.84	(31.28)
Profit After Tax		3158.71	2475.18
Earnings Per Equity Share (Per Share Value of Rs. 2 each)			
Basic		9.16	7.18
Diluted		9.16	7.18
(Refer Note No.2.12)			
Significant Accounting Policies & Explanatory Notes 1&2			
The accompanying Notes are an integral part of the Financial Statements.			

As per our report of even date
For **Lodha & Co.**
Chartered Accountants
(ICAI FRN. NO.: 301051E)

For and on Behalf of Board of Directors

N. K. Lodha
Partner
M.NO.85155

Shreekant Somany
Chairman & Managing Director

Abhishek Somany
Joint Managing Director

Amrish Julka
AGM (Legal) and Company Secretary

Place: New Delhi
Dated : The 21 st day of May , 2013

Cash Flow Statement for the year ended 31st March , 2013

(₹ in Lacs)

	31.03.13	31.03.12
A. CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT BEFORE TAX & EXCEPTIONAL ITEMS as per Statement of Profit & Loss	4,666.55	3,586.20
I. ADJUSTED FOR :		
Depreciation & Amortisation Expense	2,040.11	1,822.06
Interest and Finance Charges	1,998.00	2,065.01
Interest Income	(156.47)	(74.17)
Dividend Income	(1.67)	(1.74)
Profit on Sales of Investment (Net)	(2.75)	-
Unrealized Foreign Exchange (Gain)/Loss (Net)	(18.93)	53.91
Diminution in the value of Investment (net)	-	2.71
Provision for Doubtful Debts (net of write back)	-	17.33
Liabilities no longer required written back (net)	(15.43)	(21.09)
Sundry Balances written off / (back) (net)	10.38	17.30
Loss on sale / Discard of Fixed Assets/ Assets written off (net)	50.50	17.11
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	8,570.29	7,484.63
II. ADJUSTED FOR :		
Trade & Other Receivable	(3,564.40)	(633.34)
Inventories	(2,014.10)	(86.63)
Trade & Other Payable	5,648.67	2,165.80
Cash Generated from Operation	8,640.46	8,930.46
Income Taxes Paid	(1,539.13)	(1,087.14)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	7,101.33	7,843.32
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(3,812.04)	(3,160.61)
Sale of Fixed Assets	42.41	53.76
Sale of Investment	3.11	-
Purchase of Investment	(325.00)	(503.10)
Interest Income	143.43	77.95
TDS on Interest	(11.21)	(5.91)
Dividend Income	1.67	1.74
NET CASH (Used In) INVESTING ACTIVITIES (B)	(3,957.63)	(3,536.17)

Cash Flow Statement (contd.) for the year ended 31st March , 2013

(₹ in Lacs)

	31.03.13	31.03.12
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term Borrowings	1,828.46	1,292.97
Repayment of Long Term Borrowings	(1,936.73)	(1,962.92)
Short Term Loans Borrowings (net)	(375.73)	(665.93)
Interest Paid	(2,022.49)	(2,047.96)
Dividend Paid (including corporate dividend tax)	(317.74)	(278.26)
NET CASH (Used In) FINANCING ACTIVITIES (C)	(2,824.23)	(3,662.10)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	319.47	645.05
CASH AND CASH EQUIVALENTS		
Opening		
Cash & Cash Equivalent	1,428.98	946.93
Other Bank Balances	774.39	611.39
	2,203.37	1,558.32
Closing		
Cash & Cash Equivalent	1,693.13	1,428.98
Other Bank Balances	829.71	774.39
	2,522.84	2,203.37
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	319.47	645.05

Notes :

- a) Cash & Cash Equivalents represents cash and bank balances.(Note No.16)
b) Figures for the previous year have been regrouped/rearranged wherever considered necessary.

As per our report of even date
For **Lodha & Co.**
Chartered Accountants
(ICAI FRN. NO.: 301051E)

For and on Behalf of Board of Directors

N. K. Lodha
Partner
M.NO.85155

Shreekant Somany
Chairman & Managing Director

Abhishek Somany
Joint Managing Director

Ambrish Julka
AGM (Legal) and Company Secretary

Place: New Delhi
Dated : The 21 st day of May , 2013

Notes to the Balance Sheet

(₹ in Lacs)

	31.03.13	31.03.12
Note 3 SHARE CAPITAL		
Authorised		
Equity Shares 125,000,000 (Previous year 125,000,000) of Rs. 2 /-each	2500.00	2500.00
Issued, Subscribed and Paid up		
Equity Shares 34,497,000(previous year 34,497,000) of Rs 2/- each fully paid up	689.94	689.94
	689.94	689.94
Notes :		
(a) Reconciliation of Equity Share Capital (In numbers)		
Shares outstanding at the beginning of the year	34,497,000	34,497,000
Add : Shares issued during the year	-	-
Less : Shares bought back during the year	-	-
Shares outstanding at the end of the year	34,497,000	34,497,000
(b) Equity Shares:		
The Company has only one class of Equity Shares having face value of Rs. 2/- each and each shareholder is entitled to one vote per share.Each shareholders have the right in profit / surplus in proportion to amount paid up with respect to share holder. In the event of winding up, the equity shareholders will be entitled to receive the remaining balance of assets if any, in proportionate to their individual shareholding in the paid up equity capital of the the company.		
(c) List of shareholders holding more than 5% of the Equity Share Capital of the Company (In numbers)		
i) Bhilwara Holding Limited	9,009,840	9,009,840
ii) Sarvottam Vanijay Limited	6,212,980	6,212,980
iii) Scope Vinimoy Private Limited	3,491,075	3,491,075
	18,713,895	18,713,895
Note 4 RESERVES AND SURPLUS		
Capital Reserve		
Balance at the beginning of the year	45.00	45.00
Addition/ (Transfer) during the year	-	-
Closing balance	45.00	45.00
Capital Redemption Reserve		
Balance at the beginning of the year	0.03	0.03
Addition/ (Transfer) during the year	-	-
Closing balance	0.03	0.03
General Reserve		
Balance at the beginning of the year	3579.82	3329.82
Addition/ (Transfer) during the year	320.00	250.00
Closing balance	3899.82	3579.82
Surplus in Statement of Profit & Loss Account		
Balance at the beginning of the year	8086.67	6182.24
Net Profit for the current Year	3158.71	2475.18
Amount available for appropriation	11245.38	8657.42
Less : Appropriation:		
Transfer to General Reserve:	320.00	250.00
Proposed Dividend	413.96	275.98
Corporate Dividend Tax	70.35	44.77
Closing Balance	10441.07	8086.67
Total of Reserves & Surplus	14385.92	11711.52

Notes to the Balance Sheet

(₹ in Lacs)

	31.03.13	31.03.12
Note 5 LONG-TERM BORROWINGS		
Secured		
Term Loans		
- From Banks	5493.44	5138.63
- From Financial Institutions	1275.00	1500.00
Car Loans		
- From Banks	228.28	236.05
- From Others	128.69	110.32
Deferred Payment Liabilities	1095.76	1338.93
	8221.17	8323.93
Less: Current Maturities of Long Term Borrowings		
Term loans		
- From Banks	1629.08	1213.34
- From Financial Institutes	300.00	225.00
Car Loans		
- From Banks	79.30	83.88
- From others	47.02	36.69
Deferred Payment Liabilities	10.39	80.35
	2065.79	1639.26
	6155.38	6684.67

NOTES

- Rupee Loan of Rs.164.71 Lacs (Previous Year Rs. 329.41 Lacs) from a Bank are secured by first charge by way of hypothecation of all movable assets and mortgage of all immovable properties of the Company, both present and future, excluding assets exclusively charged and subject to prior charges created and/or to be created in favour of Company's Bankers on the stock of raw materials, finished and semi-finished goods, consumable stores and such other movables, for securing the borrowings for working capital requirements in the ordinary course of business. Above mortgages and charges shall rank pari-passu with other Banks/Financial Institutions and is repayable in 4 quarterly equal installments from June-2013.
- Rupee loan of Rs. 404.76 Lacs (Previous Year Rs. 750.00 Lacs) from a Bank s secured by First exclusive charge over hypothecation of machinery, equipment and other fixed assets purchased/ to be purchased out of the said loan. The aforesaid loans are repayable in 12 monthly installments starting from April-2013.
- Rupee loan of Rs.2303.92 Lacs(Previous year Rs.1322.88 Lacs) from a Bank and Deferred Suppliers Credit Rs. 42.57 Lacs (Previous year Rs. 1338.93 Lacs) (Equivalent Euro 0.61 Lacs, Previous year Euro 19.41 Lacs) is secured by Pari Passu charges on existing and proposed plant & machinery and other movable fixed assets. The aforesaid loans are repayable in 12 quarterly installments starting from April 2013.
- Rupee loan of Rs. NIL Lacs (Previous Year Rs. 325.00 Lacs) from a Bank is secured by First charge by way of hypothecation of stocks of raw material, finished goods stock and all other movable fixed assets, both present and future and mortgage of immovable properties of the Company. Above charges shall rank pari passu with other Financial Institutions.
- Rupee loan of Rs. 900.00 Lacs (Previous year Rs 1197.34 Lacs) from a Bank is secured by first pari passu charge by way of hypothecation of all movable assets and mortgage of all immovable properties of the Company, both present and future, excluding assets exclusively charged to other Banks and are repayable in 12 equal quarterly installments from April 2013.
- Rupee loan of Rs. 1275.00 Lacs (Previous Year Rs.1500.00Lacs) from a Financial Institution is secured by all Plant & Machinery, Land & building, Furniture, Fixtures and equipments of Company excluding Government Land at Kassar/Kadi and are repayable in 17 equal quarterly installments from June 2013.
- Rupee Loan of Rs. 1720.05 Lacs (Previous Year Rs.1214.00 Lacs) from a Bank and deferred suppliers credit Rs 1053.19 lacs (previous year: Rs Nil), (Equivalent Euro 15.02 lacs, previous year: Euro Nil) is secured by first pari passu charges by way of hypothecation of Plant & Machinery and other movable fixed assets of the company situated at Kassar and Kadi excluding those exclusively charged to other Banks and second pari- passu on current assets of the company both present and future and are repayable in 20 quarterly installments starting from June-2013.
- Car loan from Banks and others are secured by hypothecation of cars purchased there under are repayable in monthly installment over the period of loan.

Notes to the Balance Sheet

(₹ in Lacs)

	31.03.13	31.03.12
Note 6 OTHER LONG TERM LIABILITIES		
Trade Deposit	1007.84	943.87
Security Deposit & others {Refer note 2.4 (a)}	407.82	475.88
	1415.66	1419.75

Note 7 LONG-TERM PROVISIONS		
Employee Benefit	245.26	229.38
	245.26	229.38

Note 8 SHORT-TERM BORROWINGS		
Secured Loans:*		
Working Capital Facilities from Banks		
Working Capital Demand Loans	2060.00	4697.67
Cash Credit	5216.03	2140.10
Buyer's Import Credit	695.46	1440.31
Un-Secured Loans:		
From Body Corporate (From Wholly owned Subsidiary)	0.00	75.00
	7971.49	8353.08

* Working Capital Facilities from Banks are secured by :

- First charge by way of hypothecation of stocks of raw materials, finished goods and stock in process, stores & spares and book debts and ranking pari-passu and
- Second and subservient charge by way of Equitable Mortgage on all assets, both present and future, of the company, both movable and immovable & ranking pari-passu, excluding assets exclusively charged.

Note 9 OTHER CURRENT LIABILITIES		
Current Maturities of Long Term Borrowings	2065.79	1639.26
Interest Accrued But not Due on Borrowings	4.47	18.77
Interest Accrued and Due on Borrowings	30.58	45.58
Statutory Dues	1184.29	1090.92
Capital Creditors(Refer Note 2.6)	200.84	423.05
Security Deposit	126.19	45.02
Advance from Customers	672.99	482.18
Unclaimed Dividends #	9.70	6.70
Other Liability(Refer Note 2.6)	2024.91	1878.53
	6319.76	5630.01

#Investor Education & Protection Fund shall be credited when due

Note 10 SHORT TERM PROVISION		
Proposed Dividend	413.96	275.98
Corporate Dividend Tax	70.35	44.77
Income Tax	5107.00	3682.00
Fringe Benefit Tax	153.50	153.50
Employees Benefits	91.31	36.97
	5836.12	4193.22

Notes to the Balance Sheet

Note 11 FIXED ASSETS

(₹ in Lacs)

Particulars	GROSS CARRYING VALUE				DEPRECIATION				NET CARRYING VALUE	
	Book Value at 01.04.2012	Additions	Deductions/ Adjustments	Book Value at 31.03.2013	Up to 31.03.2012	For the year	Written Back / Adjustments	Up to 31.03.2013	As on 31.03.2013	As on 31.03.2012
TANGIBLE ASSETS										
1. (a) Freehold Land	334.64	63.62		398.26					398.26	334.64
(b) Leasehold Land	116.09			116.09	9.64	1.31		10.95	105.14	106.45
2. Buildings	5121.83	217.93	23.47	5316.29	1982.53	178.42	20.90	2140.05	3176.24	3139.30
3. Plant & Equipment	30107.00	2296.69	824.73	31578.96	16045.55	1482.45	773.69	16754.31	14824.65	14061.45
4. Furniture & Fixtures	1165.13	125.98	26.80	1264.31	589.77	119.01	21.93	686.85	577.46	575.36
5. Office Equipments	438.70	92.42	19.93	511.19	205.34	66.54	17.12	254.76	256.43	233.36
6. Vehicles	885.98	194.81	73.13	1007.66	344.62	170.93	41.51	474.04	533.62	541.36
Sub Total (A)	38169.37	2991.45	968.06	40192.76	19177.45	2018.66	875.15	20320.96	19871.80	18991.92
Previous year	34874.00	3625.63	330.26	38169.37	17635.79	1801.05	259.39	19177.45		
INTANGIBLE ASSETS										
Computer Software	142.24	26.87		169.11	66.86	21.45		88.31	80.80	75.38
Sub Total (B)	142.24	26.87		169.11	66.86	21.45		88.31	80.80	75.38
Previous year	117.94	24.30		142.24	45.85	21.01		66.86		
Total's (A+B) Current Year	38311.61	3018.32	968.06	40361.87	19244.31	2040.11	875.15	20409.27	19952.60	19067.30
Previous year	34991.94	3649.93	330.26	38311.61	17681.64	1822.06	259.39	19244.31		

Note :

- Plant and equipment includes Machinery Gross Rs. 62.29 Lacs (previous year Rs. 62.29 Lacs) lying with third parties, pending confirmation.[Note No. 2.4(a)]
- Furniture & Fixtures includes certain expenditure on lease hold premises Gross Rs. 324.93 Lacs WDV Rs. 192.77 Lacs (Previous Year Gross Rs. 297.58 Lacs WDV Rs.209.23 Lacs) which are amortised over the useful life of the respective assets.
- Addition to Plant & equipments includes foreign exchange loss amounting to Rs. 89.84 Lacs capitalised (Previous year Rs.89.95 Lacs)

(₹ in Lacs)

	31.03.13	31.03.12
Note 12 NON-CURRENT INVESTMENTS		
Long term Investments (At cost less provision)		
Trade- Investment in Equity Shares		
A) Unquoted, fully paid up shares		
(a) Equity Shares of Subsidiary Company Rs. 10/- each 185,000 SR Continental Limited (Previous year 185,000) (including 7 Equity Shares of Rs. 10/- each fully paid up held in the name of nominees)	18.50	18.50
(b) Equity Shares of Subsidiary Company Rs. 10/- each 500,000 (Previous year 500,000) Somany Global Ltd.	50.00	50.00
(c) 773,000 Equity Shares of Rs. 10/- each (Previous year 773,000) of Somany Keraben (P) Ltd *	77.30	77.30
(d) Equity Shares of Associates company Rs. 10/- each 2,340,000 Equity Shares Rs. 10/- each (Previous year 2,340,000) Vintage Tiles P.Ltd.	503.10	503.10
(e) Equity Shares of Associates company Rs. 10/- each 3,250,000 (Previous year Nil) Commander Vitrified P.Ltd.	325.00	-
	973.90	648.90

Notes to the Balance Sheet

(₹ in Lacs)

	31.03.13	31.03.12
B) Quoted, fully paid up (Others)		
(a) Equity Shares of Rs. 4/- each 2,00,000 (Previous year 2,00,000) Schablona India Ltd	20.00	20.00
(b) Equity Shares of Rs. 10 each 2,250 (Previous year 5,850) Orient Ceramics & Industries Ltd (Including Bonus shares)	0.22	0.58
	20.22	20.58
Non Trade others-Quoted		
(a) Equity Shares of Rs. 10/- each 110 (Previous Year 110) Punjab National Bank Ltd.	0.43	0.43
(b) Equity Shares of Rs.10/-each 66,698 (Previous year 66,698) Soma Textile & Industries Ltd.*	10.74	10.74
TOTAL	11.17	11.17
	1005.29	680.65
*Less: Provision for diminution in value of investment	85.60	85.60
	919.69	595.05
Aggregated Book Value of Quoted Investment	31.39	31.75
Market value of Quoted Investments	38.21	68.21
Aggregated Book Value of Unquoted Investment	973.90	648.90
Aggregated provision for diminution in value of investment	85.60	85.60

Note 13 LONG TERM LOAN AND ADVANCES

(Unsecured, Considered Good Unless Stated Otherwise)

Deposit with Government Authorities	85.81	83.02
Deposit with Others	210.90	212.30
Prepaid Expenses	3.89	4.82
Capital Advance	82.39	118.47
Inter Corporate Deposit	7.50	25.50
Others	15.08	14.42
	405.57	458.53

Note 14 INVENTORIES

(Valued at Lower of Cost and Net Realisable value)

(As taken , Valued and Certified by the Management)

Raw Materials & Packing Material (Including Goods in transit Rs.29.08 Lacs ,Previous Year Rs.20.74 Lacs)	1122.26	1322.03
Work -in-Process	338.63	293.27
Finished Goods	4721.43	3451.48
Stock in Trade (Refer note no 2.21A) (Including Goods in transit Rs. 204.42 Lacs,Previous Year Rs.8.65 Lacs)	4015.95	3450.85
Stores and Spares (Including Goods in transit Rs.10.56 Lacs,Previous Year Rs.14.82 Lacs)	1666.58	1333.12
	11864.85	9850.75

Notes to the Balance Sheet

(₹ in Lacs)

	31.03.13	31.03.12
Note 15 TRADE RECEIVABLES		
(Unsecured, Considered Good Unless Stated Otherwise)		
Exceeding Six month from Due Date		
i) Good	541.89	359.02
ii) Doubtful	127.73	127.73
	669.62	486.75
Less: Provision for Doubtful Debt	127.73	127.73
	541.89	359.02
Others	16893.13	13525.05
	17435.02	13884.07
Note 16 CASH & BANK BALANCES		
Cash & Cash Equivalents (As certified by the management)		
Cash in Hand (Including Stamp in Hand Rs Nil Lacs Previous year Rs.0.39 Lacs)	9.65	10.26
Draft / Cheque in hand	1.50	27.31
Balance with Banks :		
Current Accounts	1681.98	1391.41
Earmarked Balance with Banks		
Bank Deposit (Pledge with Government Department)	138.67	56.49
Unclaimed Dividend Accounts	9.70	6.70
Other Bank Balance		
Fixed Deposits held as Margin Money with Banks/ FI's	681.34	711.20
	2522.84	2203.37
Note 17 SHORT TERM LOANS AND ADVANCES		
(Unsecured, Considered Good Unless Stated Otherwise)		
Inter Corporate Deposit		
- With Others	18.00	18.00
Advance Income Tax / Tax Deducted at Source	5425.32	3874.98
Balance with Government Authorities	1297.79	952.20
Deposit with Others	40.40	169.98
Prepaid Expenses	166.01	121.27
Other Advances	687.82	906.65
	7635.34	6043.08
Note 18 OTHER CURRENT ASSETS		
Accrued Interest	16.36	3.32
Export Incentive Receivable	52.80	72.69
Derivative Financial Assets	12.36	13.72
	81.52	89.73

Notes to the Statement of Profit and Loss

(₹ in Lacs)

	31.03.13	31.03.12
Note 19 REVENUE FROM OPERATIONS		
Sales of Tiles	56748.71	51552.87
Sale of traded goods (Refer note 2.21(A))	54102.42	40556.85
Other operating revenue		
Scrap Sales	218.92	192.59
Liabilities No Longer Required Written Back (Net)	15.43	21.09
Sundry Balance Written Back (Net)	0.61	0.81
Provision for Doubtful Debt Written Back	0.00	8.07
Insurance Claim	156.03	64.56
	111242.12	92396.84
Less: Excise Duty	6227.53	5073.52
	105014.59	87323.32
Note 20 OTHER INCOME		
Interest Received	156.47	74.17
Dividend on long term Investments	1.67	1.74
Rent and Lease Rent Received	0.46	2.98
Profit on Sale of Fixed assets	8.36	15.05
Profit on Sale of Long Term Investment	2.75	0.00
Miscellaneous Receipts	6.36	12.59
	176.07	106.53
Note 21 COST OF MATERIALS CONSUMED		
Raw Material Consumed	13721.70	12552.64
Packing Material Consumed	2853.74	2765.45
	16575.44	15318.09
Note 22 CHANGE IN INVENTORIES OF FINISHED GOODS WORK-IN-PROGRESS AND STOCK-IN-TRADE		
Closing Stock*		
Finished Goods	4721.43	3451.48
Stock-in-Trade	3811.53	3442.20
Total Finished Goods	8532.96	6893.68
Work-in-Process	338.63	293.27
	8871.59	7186.95
Less: Opening Stock*		
Finished Goods	3451.48	3390.74
Stock-in-Trade	3442.20	3506.42
Total Finished Goods	6893.68	6897.16
Work-in-Process	293.27	230.09
	7186.95	7127.25
(Increase)/ Decrease in Stock	(1684.64)	(59.70)
Add / (Less): (Increase) Decrease in Excise duty on Stock	(76.70)	(89.96)
	(1607.94)	30.26

*Excluding Goods in transit
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Notes to the Statement of Profit and Loss

(₹ in Lacs)

	31.03.13	31.03.12
Note 23 EMPLOYEE BENEFIT EXPENSE		
Salary, Wages, Bonus etc.	6669.40	5934.50
Contribution to Provident Fund and Other Funds	431.43	395.10
Workmen & Staff Welfare	273.82	222.68
	7374.65	6552.28

Note 24 FINANCE COST		
Interest	1867.33	1937.55
Other Borrowing Cost	104.57	75.44
Applicable Net Loss on Foreign Currency Transactions/ Translation	26.10	52.02
	1998.00	2065.01

Note 25 OTHER EXPENSES		
Stores and Spare Parts Consumed	2376.12	1777.62
Power & Fuel	13057.71	10917.40
Repairs and Maintenance:		
Buildings	171.91	157.62
Plant & Machinery	155.10	166.42
Others	105.16	93.12
Rent	512.68	468.28
Rates & Taxes	127.93	77.71
Insurance	47.83	40.07
Travelling & Conveyance Expenses	867.56	790.76
Exchange Rate Difference (Net)	27.78	99.82
Directors' Fees	5.00	5.35
Non Executive Directors' Commission	30.00	35.00
Selling & Distribution Expenses	2711.46	2179.68
Discount	1099.29	1031.13
Freight Outward and Handling Charges	2801.89	2444.24
Export Expenses	79.82	43.48
Advertisement & Sales Promotion Expenses	1519.23	1104.85
Commission to Agents	197.64	359.28
Provision for Doubtful Debts	-	25.40
Provision for Diminution in Value of Long Term Investment	-	2.71
Prior Period Adjustment(Net)	0.16	0.01
Sundry Balances Written Off (Net)	10.99	18.11
Legal & Professional Expenses	290.66	238.86
Loss on Sale of Fixed Assets	22.82	32.16
Fixed Assets Discard /Written Off	36.04	-
Other Expenses	893.68	738.87
	27148.46	22847.95

Notes to the Balance Sheet and the Statement of Profit and Loss

For the year ended 31st March 2013

Note **1** SIGNIFICANT ACCOUNTING POLICIES

1.1 Accounting Concepts

The financial statements have been prepared under the historical cost convention on accrual basis in compliance with applicable accounting standards notified by the companies (Accounting standards) Rules, 2006 (as amended) and relevant provisions of the Companies Act, 1956. The Company follows the mercantile system of accounting and recognizes income and expenditure on accrual basis except where otherwise stated.

1.2 Fixed Assets

- (i) Fixed assets are shown at cost of acquisition and/or construction less accumulated depreciation and impairment losses.
- (ii) Intangible assets are stated at cost less amortisation.
- (iii) Pre-operative expenditure during the construction/erection period is included under capital work-in-progress and is allocated to the respective fixed assets on completion of construction/erection.

1.3 Depreciation, Amortisation and Impairment Loss

- (a) Fixed assets are depreciated using written down value method except fixed assets of the floor tile unit (including MTP & GVT plant) and addition made after 1st April, 1995 to plant and machinery of wall tile units, where depreciation is provided on a straight line method, at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956. Continuous process plant as defined in Schedule XIV have been considered on technical evaluation. Impaired assets are amortised over the estimated balance useful life.
- (b) In case of indication of impairment of the carrying amount of the Company's assets, an asset recoverable amount is estimated. Impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Reversal of impairment loss recognised in prior periods is recorded when there is an indication that the impairment losses recognised for the assets no longer exist or have decreased. Post impairment, depreciation is provided on the revised carrying value of the asset over its remaining useful life.
- (c) Intangible assets being computer software is amortised over a period of five years.

1.4 Transaction of Foreign Currency Items

Transactions denominated in foreign currencies are recorded at exchange rate prevailing at the time of transactions. Monetary items denominated in foreign currencies at the year end translated at exchange rates prevailing on the balance sheet date. Premium in respect of forward contract is accounted over the period of the contract. Exchange differences arising on settlement/translation of monetary items including forward contracts are dealt in the statement of Profit and Loss except foreign exchange loss/gain arising after 1st April, 2012 on long-term foreign currency monetary items used for depreciable assets, which are capitalised.

1.5 Investments

Long-term investments are stated at cost less provision for diminution in the value other than temporary. Current investments are stated at cost or market value whichever is lower.

1.6 Inventories

Inventories are valued at lower of cost and net realisable value except waste/scrap which is valued at net realisable value. Cost of raw materials and stores and spare parts is computed on weighted average basis. Cost of finished goods and stock in process is determined by taking material, labour and related overheads. Cost of finished goods includes excise duty.

Notes to the Balance Sheet and the Statement of Profit and Loss

Note 1 SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

1.7 Revenue expenditure on research and development is charged to Statement of Profit & Loss and capital expenditure is added to fixed assets.

1.8 Interest on Borrowings

Interest on borrowings is charged to the Statement of Profit & Loss for the year in which it is incurred except interest on borrowings for qualifying fixed assets which is capitalised till the date of commercial use of the asset.

1.9 Employee Benefits

(a) Defined Contribution Plan:

Employee benefits in the form of Provident Fund (with Government Authorities) and Employees' pension Scheme are defined as contribution plan and charged as expenses during the period in which the employees perform the services.

(b) Defined Benefit Plan:

Retirement benefits in the form of gratuity, long-term compensated leaves, other long-term employee benefit and provident fund (multi-employer plan) are considered as defined benefit obligations and are provided for on the basis of an actuarial valuation, using the projected unit credit method, according to the date of the Balance Sheet. Actuarial gain/losses, if any, are immediately recognised in the Statement of Profit & Loss.

(c) Short-term employee benefit:

Short-term benefits are charged off at the undiscounted amount in the year in which the related services rendered.

1.10 Government Grants

Grants from government relating to fixed assets are shown as a deduction from the gross value of fixed assets and those of the nature of project capital subsidy are credited to capital reserve. Other government grants including incentive, duty drawback among others are credited to Statement of Profit & Loss or deducted from the related expenses.

1.11 Provision for Current and Deferred Tax

Provision for current tax liability of the Company is estimated considering the provisions of the Income Tax Act, 1961.

Deferred tax is recognised subject to the consideration of timing differences being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

1.12 Intangible assets are being recognised if the future economic benefits attributable to the assets are expected to flow to the Company and cost of the assets can be measured reliably. The same are being amortised over the expected duration of benefits.

1.13 Use of Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions in certain circumstances, affecting amounts reported in these financial statements and related notes. Actual results could differ from these estimates.

1.14 Contingent Liability, Contingent Assets and Provision

Contingent liabilities if material, are disclosed by way of notes, contingent assets are not recognised or disclosed in the financial statement, a provision is recognised when the Company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle obligation(s), in respect to which an estimate can be made for the amount of obligation.

Notes to the Balance Sheet and the Statement of Profit and Loss

Note 2 EXPLANATORY NOTES

2.1 Contingent liabilities and commitments (to the extent not provided for) (As certified by the Management)

		(₹ in Lacs)	
Sr. No.	Particulars	31.03.13	31.03.12
(i)	Estimated amount of contracts remaining to be executed on capital account and not provided for [net of advances]	652.97	829.97
(ii)	Contingent liabilities not provided for in respect of: (As certified by the Management)		
a)	Claims and other demands against the Company not acknowledged as debts.	127.00	115.84
b)	Sales tax and purchase tax demands, among others against which the Company has preferred appeals.	254.97	200.72
c)	Excise and custom duty (excluding interest and penalty) and service tax demands and show-cause notices issued against which the Company/Department has preferred appeals/filed replies.	353.39	361.86
d)	Disputed income tax and wealth tax demand (excluding penalty if any)	230.20	166.85
e)	Against the imposition of Local Area Development Tax (LADT) levied by Haryana Government, the Hon'ble Supreme Court of India vide its order dated 10th May, 2006 has accepted the Company's application for stay. Further, Hon'ble Supreme Court vide their order dated 30th October, 2009 stated the assessee to file the LADT returns; however, no recovery of tax will be made till further order. In the meantime, the Haryana Government has repealed the LADT Act and introduced another Act by the name of 'Entry Tax' on the same line, which was also been held ultra vires by the Hon'ble Punjab and Haryana High court. Pending the final Order of the Hon'ble Supreme Court on the above matter And there is no act either LADT/Entry Tax prevalent in Haryana, no provision for the same is considered necessary by the Company for the period from 1st April, 2006.	517.82	439.13
(iii)	Bond executed in favour of sales tax/custom authorities.	25.00	25.00
(iv)	Custom duty, which may arise if obligation for exports is not fulfilled against import for capital under EPCG.	3662.65	-
(v)	As against a term loan of Rs.1,230 lacs (previous year Rs. 1230 lacs) by a financial institution to M/s Schablona India Ltd (SIL), the Company has given an undertaking to the former for non-disposal of its shareholding in SIL.		

2.2 Sales are reported net of trade discounts and returns and includes export benefits of Rs. 105.26 lacs (previous year Rs. 67.34 lacs).

2.3 Since it is not possible to ascertain with reasonable certainty the quantum of accrual in respect of certain insurance and other claims and interest on overdue bills from customers, the same are continued to be accounted for as and when received/settled.

2.4 (a) Other long-term liabilities include encashment of bank guarantee in earlier years amounting to Rs. 202.50 lacs (previous year Rs. 202.50 lacs) provided by the supplier of machinery. The supplier of machinery has challenged the encashment of bank guarantee and the case is pending before Hon'ble High Court of Delhi and Kolkata. Pending decision, no adjustment has been carried out in accounts.

Notes to the Balance Sheet and the Statement of Profit and Loss

Note 2 EXPLANATORY NOTES (CONTD.)

(b) During the year, a demand of Rs. 925.65 lacs (including interest Rs. 97.41 lacs) for difference between market rate of gas and contracted price for the period 2005-2010 has been received from GAIL (India) Ltd. The Company along with others have filed a Special Civil Application (SCA) in the Hon'ble Gujrat High Court and the Hon'ble Divisional Bench has admitted the SCA on submission of Bank Guarantee of Rs. 118 lacs. Pending decision/ further direction, no provision in this regard at this stage is considered necessary by the company.

2.5 Trade receivable above six months and advance recoverable in cash/kind (net) includes amount due from JV Company (SKPL) amounting to Rs. 41.17 lacs and Rs. 8.80 lacs respectively (previous year Rs. 41.17 lacs and Rs. 6.17 lacs respectively), for which management is confident about recovery and accordingly the same has been considered good.

2.6 The Company has not received full information from vendors regarding their status under Micro, Small and Medium Enterprises Development Act, 2006 (MSMED ACT); hence, disclosure relating to amount unpaid at year end together with interest paid/payable have been given based on the information so far available with the Company/identified by the Company management. The detail of the same is as under:-

		(₹ in Lacs)	
Sr. No.	Particulars	31.03.13	31.03.12
a)	i) Principal amount remaining unpaid at the end of the accounting year		
	ii) Interest due on above	-	-
b)	i) Interest paid by the Company in terms of Section 16 of MSMED Act.	-	-
	ii) Payment made to supplier beyond the appointed day during the year.	-	-
c)	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the due date during the year) but without adding interest specified under this Act.	-	-
d)	The amount of interest accrued and remaining unpaid at the end of financial year.	-	-
e)	The amount of further interest remaining due and payable even in succeeding years, until such date when the interest due as above are actually paid.	-	-

2.7 The major components of Deferred Tax Liability and Deferred Tax Assets are as under:

		(₹ in Lacs)	
Particulars	31.03.13	31.03.12	
Deferred Tax Liability			
Related to Depreciable Assets	2765.61	2676.81	
Deferred Tax Assets			
Provisions for Doubtful Debts	41.44	41.44	
Disallowance under Income Tax Act, 1961	106.17	100.21	
	147.61	141.65	
Deferred Tax Liability (Net)	2618.00	2535.16	
Deferred tax Liability/(Assets) for the year	82.84	(31.28)	

Notes to the Balance Sheet and the Statement of Profit and Loss

Note 2 EXPLANATORY NOTES (CONTD.)

2.8 Employee Benefits:

(a) The status of the gratuity, leave encashment and sick leave as at 31st March, 2013 is as follows: (₹ in Lacs)

	Gratuity (Funded)	Leave Encashment and Sick Leave (Non-Funded)	Gratuity (Funded) (Previous Year]	Leave Encashment and Sick Leave (Non-Funded) (Previous Year)
I Expense recognised in the statement of Profit and Loss				
a) Current service cost	68.49	47.26	58.59	44.27
b) Past service cost	-	-	-	-
c) Interest cost	50.91	20.85	48.23	18.41
d) Expected return on plan assets	(53.94)	-	(56.45)	-
e) Curtailment cost /(credit)	-	-	-	-
f) Settlement cost /(credit)	-	-	-	-
g) Net actuarial (gain)/loss recognised in the period	36.34	(0.88)	76.10	44.76
h) Total expenses	101.80	67.23	126.47	107.44
II Net assets/(liability) recognised in the Balance sheet as at 31st March, 2013				
a) Present value of obligation as at the end of the period	769.65	285.10	679.88	260.68
b) Fair value of plan assets as at the end of the period	718.17	-	674.21	-
c) Funded status	(51.47)	(285.10)	(5.67)	(260.68)
d) Net asset/(liability) recognised in balance sheet	(51.47)	(285.10)	(5.67)	(260.68)
III Change in present value of obligation				
a) Present value of obligation as at the beginning of the period*	679.88	260.68	604.87	216.61
b) Acquisition adjustment	-	-	-	-
c) Interest cost	50.91	20.85	48.23	18.41
d) Past service cost	-	-	-	-
e) Current service cost	68.49	47.26	58.59	44.27
f) Curtailment cost/(credit)	-	-	-	-
g) Settlement cost/(credit)	-	-	-	-
h) Benefits paid	(86.96)	(42.81)	(75.01)	(63.36)
i) Actuarial (gain)/loss on obligation	57.33	(0.88)	43.20	44.76
j) Present value of obligation as at the end of the period	769.65	285.10	679.88	260.68
IV Changes in the fair value of plan assets				
a) Fair value of plan assets at the beginning of the period	674.21	-	705.66	-
b) Acquisition adjustment	-	-	-	-
c) Expected return on plan assets	53.94	-	56.45	-
d) Contributions	56.00	-	20.00	-
e) Benefits paid	(86.96)	-	(75.01)	-
f) Actuarial gain/(loss) on plan assets	(20.99)	-	(32.90)	-
g) Fair value of plan assets at the end of the period	718.17	-	674.21	-

Notes to the Balance Sheet and the Statement of Profit and Loss

Note 2 EXPLANATORY NOTES (CONTD.)

2.8 Employee Benefits: (contd.)

(a) The status of the gratuity, leave encashment and sick leave as at 31st March, 2013 is as follows: (₹ in Lacs)

				Gratuity (Funded)	Leave Encashment and Sick Leave (Non-Funded)	Gratuity (Funded) (Previous Year)	Leave Encashment and Sick Leave (Non-Funded) (Previous Year)	
V The Major Category of plan assets as a percentage of total plan								
Mutual Funds				100%		100%		
Government securities				0%		0%		
Bank				0%		0%		
VI Actuarial Assumptions								
Economic Assumptions:								
Discounting rate				8.00 %	8.00 %	8.50 %	8.50 %	
Future salary increase				5.00 %	5.50 %	5.00 %	6.00 %	
Expected rate of return on plan assets				8.00 %	0.00 %	8.00 %	0.00 %	
Demographic Assumptions:								
Retirement age				58	58	58	58	
Mortality table				LIC (1994-96) duly modified			LIC (1994-96) duly modified	
Withdrawal rates	Ages	Withdrawal Rate (%)	Ages	Withdrawal Rate (%)	Ages	Withdrawal Rate (%)	Ages	Withdrawal Rate (%)
	Upto 29 years	1	Upto 30 years	3	Upto 29 years	1	Upto 30 years	3
	Upto 45 years	3	Upto 44 years	2	Upto 45 years	3	Upto 44 years	2
	Above 45 years	6	Above 44 years	1	Above 45 years	6	Above 44 years	1

* Based on the actuarial valuation done by an actuary appointed during the year.

- (b) Amounts recognised as an expense/ (income) and included in the Note Number 24 are as under:
- (i) 'Contributions to Provident and other Funds' of the statement of Profit and Loss includes Rs. 306.52 lacs (previous year Rs. 281.48 lacs) towards contribution to Provident Fund [including Rs. 105.07 lacs (previous year Rs. 92.55 lacs) towards Somany Provident Fund, a multi-employer plan, refer to (c) below].
- (c) The Guidance issued by the Accounting Standard Board (ASB) on implementing AS-15, Employee Benefits (revised 2005) states that provident funds set up by employers, the investment and actuarial risk of which fall on the employer, needs to be treated as defined benefit plan. Its effect in this respect has not been ascertained and the same has been accounted for, as defined. The Fund has a surplus, determined net of investments less corpus (contribution plus interest thereon).
- (d) The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.
- (e) The expected return on the plan assets is determined by considering several applicable factors mainly the composition of the plan assets held, assessed risks of assets management, historical results of return on plan assets and the policy for plan assets management.
- (f) The principal assumptions are the discount rate and salary growth rate. The discount rate is generally based upon the market yields available on Government bonds at the accounting date with a term that matches that of the liabilities.

Notes to the Balance Sheet and the Statement of Profit and Loss

Note 2 EXPLANATORY NOTES (CONTD.)

2.9 The business activity of the Company falls within a single primary business segment viz. 'Ceramic Tiles and allied products' and basically sale of the product is within the country. Hence, the disclosure requirement of Accounting Standard 17 of 'Segment Reporting' notified under Companies (Accounting Standards) Rules, 2006 is not considered applicable.

2.10 Related Party Transactions (As certified by the Management)

A. Names of related parties where control exists and nature of relationship:

Subsidiary Company	:	M/s SR Continental Ltd.
		M/s Somany Global Ltd. (Formerly Somany Retail Ltd)

B. Other related parties with whom transactions have taken place and description of relationship:

1. Joint Venture	:	M/s Somany Keraban Private Ltd.
2. Key Management Personnel	:	Mr. Shreekant Somany, Chairman & Managing Director Mr. Abhishek Somany, Joint Managing Director (Son of Chairman & Managing Director)
3. Relatives of Key Management Personnel	:	Mrs. Minal Somany (Wife of Joint Managing Director)
4. Associates	:	Vintage Tiles Private Ltd. Commander Vitrified Private limited

C. Details of transactions with related parties

(₹ in Lacs)

Particulars	31.03.13	31.03.12
SR Continental Ltd.		
Purchase of goods	396.62	395.49
Sale of goods	2.91	51.74
Job work charges	37.61	36.99
Rent received	0.06	0.06
Rent paid	1.08	1.08
Interest paid	8.42	5.67
Inter-corporate loans taken	-	105.00
Repayment of inter-corporate loans (including interest)	83.42	84.30
Payment made on their behalf	34.19	32.76
Sundry balances written off	-	1.01
Outstanding at the year-end:		
Sundry debtors	0.53	11.04
Sundry creditors	63.90	-
Advance given against supply	-	2.77
Unsecured loans	-	75.00
Co-surety taken	12.50	12.50
Somany Global Ltd.		
Expenses incurred on their behalf	5.98	3.38
Payment made on their behalf	29.05	29.41

Notes to the Balance Sheet and the Statement of Profit and Loss

Note 2 EXPLANATORY NOTES (CONTD.)

C. Details of transactions with related parties (contd.)

(₹ in Lacs)

Particulars	31.03.13	31.03.12
Inter-corporate loans received back	-	20.00
Interest received	-	4.19
Sales of goods (including samples)	156.39	193.76
Incentive paid	-	5.82
Outstanding at the year-end:		
Advance received against supply	1.92	8.46
Somany Keraben Private Ltd.		
Advances given for asset/material	0.50	0.75
Payment made on behalf of Somany Keraben Pvt. Ltd.	4.04	0.16
Purchase of fixed assets	-	1.61
Settlement/Claims	-	50.00
Diminution in the value of investments	-	77.30
Outstanding at the year-end:		
Sundry debtors	41.17	41.17
Sundry creditors	-	1.52
Advances	8.80	7.69
Mr. Shreekant Somany		
Remuneration paid	136.92	117.35
Commission	126.20	89.52
Mr. Abhishek Somany		
Remuneration paid	133.07	100.41
Rent paid	7.16	6.82
Commission	143.27	106.46
Outstanding at the year end	0.55	0.52
Mrs. Minal Somany		
Rent paid	8.05	7.52
Remuneration paid	20.82	14.42
Outstanding at the year end	0.63	0.58
Vintage Tiles Private Limited		
Investment made	-	503.10
Purchase of goods	6911.63	1152.03
Sale of goods	5.46	-
Advance against material supply	26.00	-
Interest Received	28.58	-
Outstanding at the year- end:		
Sundry Creditors	-	216.50
Advance given against supply	36.92	-
Advance against material supply	26.00	-

Notes to the Balance Sheet and the Statement of Profit and Loss

Note 2 EXPLANATORY NOTES (CONTD.)

C. Details of transactions with related parties (contd.)

Particulars	(₹ in Lacs)	
	31.03.13	31.03.12
Commander Vitrified Private Limited		
Investment made	325.00	-
Purchase of goods	6039.76	-
Sale of goods	3.63	-
Advance against material supply	170.00	-
Interest Received	6.29	-
Outstanding at the year-end:		
Sundry Creditors	540.69	-
Sundry debtors	1.09	-
Advance against material supply	170.00	-

2.11 Interest in Joint Venture Company

- a) Company's contribution in the joint venture (by the name Somany Keraben Private Ltd., a 50:50 Joint Venture Company) till 31st March, 2013 is Rs.77.30 lacs (previous year Rs 77.30 lacs) towards share capital of Joint Venture entity.

Pursuant to Accounting Standard 27 "Financial Reporting of Interests in Joint Venture" the relevant information relating to Joint Venture Company (JVC) are given below:

Name of the JVC	Country of Incorporation	Proportion of Ownership Interest
Somany Keraben Private Limited	India	50%

- b) The Company's share in the aggregate amounts of each of the assets, liabilities, income, expense, contingent liabilities and capital commitments as at/for the years ended 31st March, 2013 in the above company, as per its unaudited financial statements is as under:

Proportion of Company's Interest in JVC	(₹ in Lacs)	
	2012-13 (Unaudited)*	2011-12 (Audited)**
Assets		
Fixed assets(net block) (including CWIP)	0.48	0.61
Cash and bank balances	0.19	0.02
Loans and advances	22.46	28.76
Liabilities		
Current liabilities and provisions	33.21	32.13
Income		
Other incomes	0.10	2.35
Expenses		
Administrative and other expenses	7.30	2.27
Interest and financial charges	0.00	0.03
Depreciation	0.13	0.35

* Unaudited and certified by the management

** Revised as subsequent to the adoption and made available to the Company.

Notes to the Balance Sheet and the Statement of Profit and Loss

Note 2 EXPLANATORY NOTES (CONTD.)

2.12 **Earning Per Share:** The numerators and denominators used to calculate basic and diluted earnings per share: (₹ in Lacs)

		31.03.13	31.03.12
Profit /(Loss) attributable to the equity share holders (Rs. in Lacs)	(A)	3158.71	2475.18
Weighted average number of equity shares outstanding during the year	(B)	34,497,000	34,497,000
Nominal value of equity shares (Rs.)		2	2
Basic earning per share (Rs.)	(A/B)	9.16	7.18
Diluted earning per share (Rs.)	(A/B)	9.16	7.18

2.13 Capital work in progress includes machinery under installation and/or in transit, construction/erection material and pre-operative expenses pending allocation/appropriation. The details of pre-operative expenses are as follows:- (₹ in Lacs)

Particulars	31.03.13	31.03.12
Opening Balance	87.69	106.98
i) Raw material consumed	-	1.89
ii) Stores and spares consumed	55.05	-
iii) Travelling expenses	-	0.13
iv) LC Charges /Bank Charges	0.95	2.88
v) Legal and professional charges	5.03	-
vi) Foreign technology expenses	-	3.17
Total	148.72	115.05
Less: Allocated to fixed assets/adjusted	46.96	27.36
Closing Balance	101.76	87.69

2.14 Research and development expenditure on revenue account amounting to Rs. 45.30 lacs (previous year Rs. 21.37 lacs) has been charged to statement of profit and loss.

2.15 In the opinion of the management, current assets and loans and advances have a value on realisation in ordinary course of business at least equal to the amount at which they are stated.

2.16 Balances of certain trade receivables, trade payables, other liabilities and other advances are in process of confirmation or reconciliation.

2.17 Profit and/or Loss on sale of stores and raw materials remain adjusted in respective consumption accounts.

2.18 (a) Foreign exchange derivatives and exposures outstanding at the year-end:

Name	Amount (In Foreign Currency) 31.03.2013	Amount (In Lacs equivalent) 31.03.2013	Amount (In Foreign Currency) 31.03.2012	Amount (In Lacs equivalent) 31.03.2012
Derivatives				
Forward contract	EURO 4,92,555	345.48	EURO 11,16,729	764.96
Forward contract	USD 1,05,679	57.66	USD 7,39,883	396.00
Open Exposures				
Receivables	USD 3,16,798	171.32	USD 4,44,830	226.42
Receivables	-	-	GBP 4,589	3.73
Payables	USD 2,85,932	156.01	USD 6,39,708	328.53
Payables	EURO 22,86,262	1603.59	EURO 22,96,542	1573.13

(b) The Company uses derivative instruments for hedging and/or reducing finance cost.

Notes to the Balance Sheet and the Statement of Profit and Loss

Note 2 EXPLANATORY NOTES (CONTD.)

2.19 (a) Payments to Auditors :

(₹ in Lacs)

	31.03.13	31.03.12
Statutory audit fees	5.25	4.45
Tax audit fees	1.50	1.00
Certification fee	1.25	2.49
Other services	0.00	3.50
Reimbursement of expenses	0.73	1.13
Total	8.73	12.57

2.20 Trade payables includes acceptance Rs. 8553.13 lacs (previous year Rs.5521.42 lacs)

2.21 A. Purchases, stocks and sales of trading goods

(₹ in Lacs)

Particulars	Tiles	Sanitary ware	CP Fittings	Others	Total
Opening stock	2737.48 (2882.35)	458.53 (432.79)	178.35 (176.79)	76.49 (33.07)	3450.85 (3525.00)
Purchases	44002.57 (33176.30)	1701.95 (1256.09)	892.30 (492.28)	398.57 (283.33)	46995.39 (35208.00)
Closing stock	2799.34 (2737.48)	801.78 (458.53)	311.13 (178.35)	103.70 (76.49)	4015.95 (3450.85)
Sales	50582.50 (37708.34)	2061.29 (1893.26)	945.31 (610.20)	513.32 (345.05)	54102.42 (40556.85)

Note: Figures in bracket shows previous year figures

(b) Raw Material/Packing Material Consumed

(₹ in Lacs)

Particulars	2012-13	2011-12
Clay and minerals*	5700.44	5557.77
Chemicals and glaze materials*	8021.26	6994.87
Packing material*	2853.74	2765.45
Total	16575.44	15318.09

* including processing charges

(C) Value of Imported & Indigenous Raw Materials/Packing and Spares Consumed

	Raw Materials/Packing Material				Stores, Spares among others			
	2012-2013		2011-2012		2012-2013		2011-12	
	In lacs	%	In lacs	%	In lacs	%	In lacs	%
Imported	404.10	2.44	526.41	3.44	907.91	38.21	653.00	36.73
Indigenous	16171.34	97.56	14791.68	96.56	1468.21	61.79	1124.62	63.27
Total	16575.44	100.00	15318.09	100.00	2376.12	100.00	1777.62	100.00

Notes to the Balance Sheet and the Statement of Profit and Loss

Note 2 EXPLANATORY NOTES (CONTD.)

(d) Details of Work-in-process			(₹ in Lacs)
Particulars	2012-13	2011-12	
Body	31.84	80.04	
Glaze	195.72	126.34	
Semi finished goods	111.07	86.89	
Total	338.63	293.27	

(e) C.I.F. Value of Imports			(₹ in Lacs)
Particulars	2012-13	2011-12	
Raw materials	335.33	404.44	
Spare parts	1105.78	715.57	
Capital goods	1488.52	1,204.62	
Trading goods	2471.31	4,210.23	

(f) Expenditure in Foreign Currency			(₹ in Lacs)
Particulars	2012-13	2011-12	
Travelling expenses	55.23	53.63	
Commission to selling agents	3.74	8.99	
Export promotion	5.60	6.06	
Exhibition Expenses	30.51	0.00	
Others	17.62	10.03	

(g) Earnings in Foreign Currency			(₹ in Lacs)
Particulars	2012-13	2011-12	
Exports on FOB basis	2227.39	1,115.76	

- 2.22 In term of the agreement and on acquisition of 26% of equity stake in M/s Vintage Tiles Pvt. Ltd. (VTPL), the company is having right to buy and sell the entire production of 26.50 lacs square metre per annum of polished vitrified tiles from VTPL.
- 2.23 In term of the agreement dated 03rd April 2012, the company has acquired 32.50 lacs numbers of fully paid up equity shares of Rs. 10 each at the rate of Rs. 10 per share amounting to Rs. 325 lacs representing 26% equity stake in M/s Commander Vitrified Pvt. Ltd. (CVPL). By this agreement, the company is having right to buy and sell the entire production of CVPL in its own brand.
- 2.24 The previous year's figures have been regrouped, rearranged wherever consider necessary.

As per our report of even date
For **Lodha & Co.**
Chartered Accountants
(ICAI FRN. NO.: 301051E)

For and on Behalf of Board of Directors

N. K. Lodha
Partner
M.NO.85155

Shreekant Somany
Chairman & Managing Director

Abhishek Somany
Joint Managing Director

Ambrish Julka
AGM (Legal) and Company Secretary

Place: New Delhi
Dated : The 21 st day of May , 2013

Consolidated Financial Statement

Independent Auditor's Report on the Consolidated Financial Statements

Auditors' Report to the Board of Directors of **Somany Ceramics Limited** on the Consolidated Financial Statements of Somany Ceramics Limited, Its Subsidiaries, Joint Venture and Associates

We have audited the accompanying consolidated financial statements of SOMANY CERAMICS LIMITED, its subsidiaries, joint venture and associates (collectively referred to as "the Group") which comprise the Consolidated Balance Sheet as at 31st March 2013, and the Consolidated statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India including Accounting Standards referred to in Section 211(3c) of the Companies Act, 1956 ("The Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter:

(a) We have relied on the unaudited financial statements of a Joint Venture wherein the Company's share of losses aggregate to Rs. 87.36 Lacs. These financial statements have been certified by Management and furnished to us (read with note no. 2.11), and in our opinion, insofar as it relates to the amounts included in respect of a Joint Venture, are based solely on the these certified financial statements.

(b) We have relied on the unaudited financial statements of Associates namely Commandar Vitrified Pvt. Ltd. and Vintage Tiles Pvt. Ltd. whose financial statements reflect total assets of Rs. 6232.25 Lacs and Rs. 5077.32 Lacs respectively as at 31st March 2013 and total revenues of Rs. 5258.95 Lacs and Rs. 5931.67 Lacs respectively for the year then ended. These respective financial statements have been certified by the Management and furnished to us (read with note no. 2.12), and in our opinion, insofar as it relates to the amounts included in respect of the associates, are based solely on the these certified financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the auditors on the financial statements of the Subsidiary as noted below, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:-

- (a) In the case of consolidated Balance Sheet, of the state of affairs of the Company as at 31st March, 2013;
- (b) In the case of consolidated Statement of Profit & Loss, of the Profit for the year ended on that date; and
- (c) In the case of consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Other Matters

- (a) Financial Statements of a subsidiary company namely Somany Global Ltd. (Formerly known as Somany Retail Ltd.), whose financial statements reflect total assets of Rs. 65.00 lacs as at 31st March 2013 and total revenues of Rs. 361.04 lacs and net Cash Flow of amounting to Rs. 7.08 lacs for the year then ended, have been audited by us.
- (b) We did not audit the financial statements of a subsidiary namely SR Continental Ltd., whose financial statements reflect total assets of Rs. 483.37 Lacs as at 31st March 2013 and total revenues of Rs. 616.79 Lacs and net Cash Flow of amounting to Rs. 30.46 Lacs for the year then ended. These financial statements have been audited by other auditor, whose report have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the subsidiary, is based solely on the report of the other auditor.

For **LODHA & CO.,**
Chartered Accountants
Firm Registration Number: 301051E

N.K. LODHA
Partner

Place: New Delhi
Date: May 21, 2013

Membership No: 85155

Consolidated Balance Sheet as at 31st March 2013

(₹ in Lacs)

	Note No.	31.03.13	31.03.12
EQUITY AND LIABILITIES			
Shareholders' funds			
Share Capital	3	689.94	689.94
Reserves & Surplus	4	14614.85	11899.44
		15304.79	12589.38
Non- current Liabilities			
Long term Borrowings	5	6157.84	6724.68
Deffered Tax Liabilities (Net)		2619.09	2537.71
Other Long-term Liabilities	6	1421.11	1421.57
Long-term Provisions	7	249.27	232.62
		10447.31	10916.58
Current Liabilities			
Short-term Borrowings	8	8015.86	8327.44
Trade Payables		16123.73	11138.64
Other Current Liabilities	9	6348.70	5720.46
Short-term Provisions	10	5869.67	4244.03
		36357.96	29430.57
Total		62110.06	52936.53
ASSETS			
Non-current Assets			
Fixed Assets			
Tangible Assets	11	19905.40	19035.41
Intangible Assets	11	80.80	75.38
Capital work-in-progress		937.97	329.67
		20924.17	19440.46
Non-current Investments	12	867.05	519.34
Long-term Loans and Advances	13	414.59	504.98
Total		22205.81	20464.78
Current Assets			
Inventories	14	12049.81	10056.57
Trade Receivables	15	17474.99	13996.84
Cash and Bank Balances	16	2580.15	2222.96
Short-Term Loans and Advances	17	7717.71	6105.65
Other Current Assets	18	81.59	89.73
		39904.25	32471.75
Total		62110.06	52936.53
Significant Accounting Policies & Explanatory Notes 1&2			
The accompanying Notes are an integral part of the Financial Statements.			

As per our report of even date
For **Lodha & Co.**
Chartered Accountants
(ICAI FRN. NO.: 301051E)

For and on Behalf of Board of Directors

N. K. Lodha
Partner
M.NO.85155

Shreekant Somany
Chairman & Managing Director

Abhishek Somany
Joint Managing Director

Amrish Julka
AGM (Legal) and Company Secretary

Place: New Delhi
Dated : The 21 st day of May , 2013

Consolidated Statement of Profit & Loss for the year ended 31st March , 2013

(₹ in Lacs)

	Note No.	31.03.13	31.03.12
INCOME			
Revenue from Operations	19	105386.96	87903.75
Other Income	20	258.76	116.82
Total Revenue		105645.72	88020.57
EXPENSES			
Cost of Materials Consumed	21	16463.60	15241.63
Purchases of Stock-in-Trade		47237.94	35678.00
Change in Inventories of Finished Goods ,			
Work-in-progress and Stock-in-Trade	22	(1602.92)	(44.32)
Employee Benefit Expense	23	7470.06	6649.58
Finance Costs	24	1997.49	2066.82
Depreciation and Amortization Expense	11	2050.46	1833.72
Other Expenses	25	27246.90	22957.06
Total Expenses		100863.53	84382.49
Profit Before Exceptional and Extraordinary Items and Tax		4782.19	3638.08
Exceptional Items (Net)		0.00	17.30
Profit before tax		4782.19	3620.78
Extraordinary Items		0.00	0.00
Profit before tax		4782.19	3620.78
Tax Expense:			
(1) Current Tax		1439.50	1138.34
(2) Deferred Tax Charges/Credit		81.38	(29.53)
(3) Tax for Earlier Year		3.64	1.13
Profit After Tax		3257.67	2510.84
Share in Profit of Associate		(57.01)	0.32
Profit after tax (including associate)		3200.66	2511.16
Earnings Per Equity Share (Rs.)			
Basic		9.28	7.28
Diluted (Refer Note No. 2.4)		9.28	7.28
Significant Accounting Policies & Explanatory Notes 1&2			
The accompanying Notes are an integral part of the Financial Statements.			

As per our report of even date
For **Lodha & Co.**
Chartered Accountants
(ICAI FRN. NO.: 301051E)

For and on Behalf of Board of Directors

N. K. Lodha
Partner
M.NO.85155

Shreekant Somany
Chairman & Managing Director

Abhishek Somany
Joint Managing Director

Ambrish Julka
AGM (Legal) and Company Secretary

Place: New Delhi
Dated : The 21 st day of May , 2013

Consolidated Cash Flow Statement for the year ended 31st March , 2013

(₹ in Lacs)

	31.03.13	31.03.12
A. CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT / (LOSS) BEFORE TAX & EXCEPTIONAL ITEMS	4,782.19	3,638.08
I. ADJUSTED FOR		
Depreciation	2,050.46	1,833.72
Interest and Finance Charges	1,997.49	2,066.82
Interest Received	(156.71)	(73.44)
Dividend Income	(4.80)	(4.87)
Unrealized Foreign Exchange Loss (Net)	(18.93)	53.91
Profit on Sale of Long Term Investment	(2.75)	-
Diminution in the value of Investment (net)	-	5.91
Provision for Doubtful Debts (written Off) (net)	(0.43)	17.14
Bad Debts	0.43	1.06
Liabilities/Provision no longer required written back (net)	(94.53)	(24.81)
Sundry Balances written off / (back) (net)	9.46	16.13
(Profit) Loss on sale / Discard of Fixed Assets/ Assets written off (net)	50.50	22.16
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	8,612.38	7,551.81
II. CHANGES IN		
Trade & Other Receivable	(3,490.74)	(789.41)
Inventories	(1,993.24)	(174.95)
Trade Payable	5,494.80	2,377.21
Cash Generated from Operation	8,623.20	8,964.66
Income Taxes Refund /(paid)	(1,551.88)	(1,102.50)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	7,071.32	7862.16
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(3,812.49)	(3166.72)
Sale of Fixed Assets	42.41	59.50
Purchase of Current Investment	(328.10)	(503.10)
Sale of Investment	3.11	-
Interest Received	143.43	77.23
TDS on Interest	(12.83)	(5.91)
Dividend Received	4.80	4.87
NET CASH USED IN INVESTING ACTIVITIES (B)	(3,959.67)	(3,534.13)

Consolidated Cash Flow Statement (contd.) for the year ended 31st March , 2013

(₹ in Lacs)

	31.03.13	31.03.12
C. CASH FLOW FROM FINANCING ACTIVITIES		
Long Term Loans raised during the year	1,827.69	1,297.07
Repayment of Long Term Loans	(1,936.73)	(1,962.92)
Increase / (Decrease) in Short Term Loans	(305.70)	(693.27)
Interest Paid	(2,021.98)	(2,049.78)
Dividend Paid	(317.74)	(278.26)
NET CASH USED IN FINANCING ACTIVITIES (C)	(2,754.46)	(3,687.16)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	357.19	640.87
CASH AND CASH EQUIVALENTS		
Opening		
Cash & Cash Equivalent	1,448.57	970.70
Other Bank Balances	774.39	611.39
	2,222.96	1,582.09
Closing		
Cash & Cash Equivalent	1,750.44	1,448.57
Other Bank Balances	829.71	774.39
	2,580.15	2,222.96
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	357.19	640.87

Notes :

- a) Cash & Cash Equivalents represents cash and bank balances.(Note No.16)
b) Figures for the previous year have been regrouped/rearranged wherever considered necessary.

As per our report of even date
For **Lodha & Co.**
Chartered Accountants
(ICAI FRN. NO.: 301051E)

For and on Behalf of Board of Directors

N. K. Lodha
Partner
M.NO.85155

Shreekant Somany
Chairman & Managing Director

Abhishek Somany
Joint Managing Director

Ambrish Julka
AGM (Legal) and Company Secretary

Place: New Delhi
Dated : The 21 st day of May , 2013

Notes to the Consolidated Balance Sheet

(₹ in Lacs)

	31.03.13	31.03.12
Note 3 SHARE CAPITAL		
Authorised		
Equity Shares 125,000,000 (Previous year 125,000,000) of Rs. 2 /-each	2500.00	2500.00
Issued, Subscribed and Paid up		
Equity Shares 34,497,000(previous year 34,497,000) of Rs 2/- each fully paid up	689.94	689.94
	689.94	689.94
Notes :		
(a) Reconciliation of Equity Share Capital (In numbers)		
Shares outstanding at the beginning of the year	34,497,000	34,497,000
Add : Shares issued during the year	-	-
Less : Shares bought back during the year	-	-
Shares outstanding at the end of the year	34,497,000	34,497,000
(b) Equity Shares:		
The Company has only one class of Equity Shares having face value of Rs. 2/- each and each shareholder is entitled to one vote per share.Each shareholders have the right in profit / surplus in proportion to amount paid up with respect to share holder. In the event of winding up, the equity shareholders will be entitled to receive the remaining balance of assets if any, in proportionate to their individual shareholding in the paid up equity capital of the company.		
(c) List of shareholders holding more than 5% of the Equity Share Capital of the Company (In numbers)		
i) Bhilwara Holding Limited	9009840	9009840
ii) Sarvottam Vanijay Limited	6212980	6212980
iii) Scope Vinimoy Private Limited	3491075	3491075
	18713895	18713895
Note 4 RESERVES AND SURPLUS		
Capital Reserve		
Balance at the beginning of the year	45.00	45.00
Addition/ (Transfer) during the year	-	-
Closing balance	45.00	45.00
Capital Redemption Reserve		
Balance at the beginning of the year	0.03	0.03
Addition/ (Transfer) during the year	-	-
Closing balance	0.03	0.03
General Reserve		
Balance at the beginning of the year	3658.87	3408.87
Addition/ (Transfer) during the year	320.00	250.00
Closing balance	3978.87	3658.87
Surplus in Statement of Profit & Loss Account		
Balance at the beginning of the year (Refer note no 2.11)	8194.60	6255.13
Net Profit for the current Year	3200.66	2511.16
Amount available for appropriation	11395.26	8766.29
Less : Appropriation		
Transfer to General reserve	320.00	250.00
Proposed Dividend	413.96	275.98
Corporate Dividend Tax	70.35	44.77
Closing Balance	10590.95	8195.54
Total of Reserves & Surplus	14614.85	11899.44

Notes to the Consolidated Balance Sheet

(₹ in Lacs)

	31.03.13	31.03.12
Note 5 LONG-TERM BORROWINGS		
Secured		
Term Loans		
- From Banks	5493.44	5138.63
- From Financial Institutions	1275.00	1500.00
Car Loans		
- From Banks	231.61	239.38
- From Others	128.68	110.32
Deferred Payment Liabilities	1095.76	1338.93
	8224.49	8327.26
Less: Current Maturities of Long Term Borrowings		
Term loans		
- From Banks	1629.08	1213.35
- From Financial Institutes	300.00	225.00
Car Loans		
-From Banks	80.16	83.88
-From others	47.02	0.00
Deferred Payment Liabilities	10.39	80.35
	2066.65	1602.58
	6157.84	6724.68

NOTES

- Rupee Loan of Rs.164.71 Lacs (Previous Year Rs. 329.41 Lacs) from a Bank are secured by first charge by way of hypothecation of all movable assets and mortgage of all immovable properties of the Company, both present and future, excluding assets exclusively charged and subject to prior charges created and/or to be created in favour of Company's Bankers on the stock of raw materials, finished and semi-finished goods, consumable stores and such other movables, for securing the borrowings for working capital requirements in the ordinary course of business. Above mortgages and charges shall rank pari-passu with other Banks/Financial Institutions and is repayable in 4 quarterly equal installments from June-2013.
- Rupee loan of Rs. 404.76 Lacs (Previous Year Rs. 750.00 Lacs) from a Bank s secured by First exclusive charge over hypothecation of machinery, equipment and other fixed assets purchased/ to be purchased out of the said loan. The aforesaid loans are repayable in 12 monthly installments starting from April-2013.
- Rupee loan of Rs.2303.92 Lacs(Previous year Rs.1322.88 Lacs) from a Bank and Deferred Suppliers Credit Rs. 42.57 Lacs (Previous year Rs. 1338.93 Lacs) (Equivalent Euro 0.61 Lacs, Previous year Euro 19.41 Lacs) is secured by Pari Passu charges on existing and proposed plant & machinery and other movable fixed assets. The aforesaid loans are repayable in 12 quarterly installments starting from April 2013.
- Rupee loan of Rs. NIL Lacs (Previous Year Rs. 325.00 Lacs) from a Bank is secured by First charge by way of hypothecation of stocks of raw material, finished goods stock and all other movable fixed assets, both present and future and mortgage of immovable properties of the Company. Above charges shall rank pari passu with other Financial Institutions.
- Rupee loan of Rs. 900.00 Lacs (Previous year Rs 1197.34 Lacs) from a Bank is secured by first pari passu charge by way of hypothecation of all movable assets and mortgage of all immovable properties of the Company, both present and future, excluding assets exclusively charged to other Banks and are repayable in 12 equal quarterly installments from April 2013.
- Rupee loan of Rs. 1275.00 Lacs (Previous Year Rs.1500.00Lacs) from a Financial Institution is secured by all Plant & Machinery, Land & building, Furniture, Fixtures and equipments of Company excluding Government Land at Kassar/Kadi and are repayable in 17 equal quarterly installments from June 2013.
- Rupee Loan of Rs. 1720.05 Lacs (Previous Year Rs.1214.00 Lacs) from a Bank and deferred suppliers credit Rs 1053.19 lacs (previous year: Rs Nil), (equivalent Euro 15.02 lacs, previous year: Euro Nil) is secured by first pari passu charges by way of hypothecation of Plant & Machinery and other movable fixed assets of the company situated at Kassar and Kadi excluding those exclusively charged to other Banks and second pari- passu on current assets of the company both present and future and are repayable in 20 quarterly installments starting from June-2013.
- Car loan from Banks and others are secured by hypothecation of cars purchased there under are repayable in monthly installment over the period of loan.

Notes to the Consolidated Balance Sheet

(₹ in Lacs)

	31.03.13	31.03.12
Note 6 OTHER LONG TERM LIABILITIES		
Trade Deposit	1008.68	944.73
Security Deposit	411.22	274.34
Others	1.21	202.50
	1421.11	1421.57

Note 7 LONG-TERM PROVISIONS		
Employee Benefit	249.27	232.62
	249.27	232.62

Note 8 SHORT-TERM BORROWINGS		
Secured Loans:*		
Working Capital Facilities from Banks		
Working Capital Demand Loans	2060.00	4697.67
Cash Credit	5260.40	2189.46
Buyer's Import Credit	695.46	1440.31
	8015.86	8327.44

* Working Capital Facilities from Banks are secured by :

- First charge by way of hypothecation of stocks of raw materials, finished goods and stock in process, stores & spares and book debts and ranking pari-passu and
- Second and subservient charge by way of Equitable Mortgage on all assets, both present and future, of the company, both movable and immovable & ranking pari-passu, excluding assets exclusively charged.

Note 9 OTHER CURRENT LIABILITIES		
Current Maturities of Long Term Borrowings	2066.65	1603.32
Interest Accrued But not Due on Borrowings	4.47	18.77
Interest Accrued and Due on Borrowings	30.58	45.58
Statutory Dues	1191.43	1093.76
Capital Creditors (Refer Note 2.3)	200.84	423.05
Security Deposit	126.19	45.02
Advance from Customers	679.32	573.52
Unclaimed Dividends#	9.70	6.70
Other Liability (Refer Note 2.3)	2039.52	1910.74
	6348.70	5720.46

Investor Education & Protection Fund shall be credited when due.

Note 10 SHORT TERM PROVISIONS		
Proposed Dividend	413.96	275.98
Corporate Dividend Tax	70.35	44.77
Income Tax	5139.45	3727.59
Fringe Benefit Tax	153.50	153.50
Employees Benefits	92.41	42.19
	5869.67	4244.03

Notes to the Consolidated Balance Sheet

Note 11 FIXED ASSETS

(₹ in Lacs)

Particulars	GROSS CARRYING VALUE				DEPRECIATION				NET CARRYING VALUE	
	Book Value at 01.04.2012	Additions	Deductions/ Adjustments	Book Value at 31.03.2013	Up to 31.03.2012	For the year	Written Back/ Adjustments	Up to 31.03.2013	As on 31.03.2013	As on 31.03.2012
TANGIBLE ASSETS										
1. (a) Freehold Land	335.64	63.62	-	399.26	-	-	-	-	399.26	335.64
(b) Leasehold Land	116.09	-	-	116.09	9.64	1.31	-	10.95	105.14	106.45
2. Buildings	5213.67	217.92	23.47	5408.12	2050.02	185.41	20.90	2214.53	3193.59	3163.65
3. Plant & Equipment	30169.85	2296.83	824.73	31641.95	16102.21	1483.40	773.70	16811.91	14830.04	14067.64
4. Furniture & Fixtures	1178.10	125.98	26.80	1277.28	597.11	119.95	21.93	695.13	582.15	580.99
5. Office Equipments	442.14	92.74	19.93	514.95	207.33	66.75	17.12	256.96	257.99	234.81
6. Vehicles	892.03	194.81	73.13	1013.71	345.80	172.19	41.51	476.48	537.23	546.23
Sub Total (A)	38347.52	2991.90	968.06	40371.36	19312.11	2029.02	875.16	20465.96	19905.40	19035.41
Previous year	35084.37	3631.75	368.60	38347.52	17786.33	1812.72	286.94	19312.11		
INTANGIBLE ASSETS										
Computer Software	142.24	26.87	-	169.11	66.86	21.45	-	88.31	80.80	75.38
Sub Total (B)	142.24	26.87	-	169.11	66.86	21.45	-	88.31	80.80	75.38
Previous year	118.09	24.30	0.15	142.24	46.01	21.00	0.15	66.86		
Total's (A+B) Current Year	38489.76	3018.77	968.06	40540.47	19378.97	2050.46	875.16	20554.27	19986.20	19110.79
Previous year	35202.46	3656.05	368.75	38489.76	17832.34	1833.72	287.09	19378.97		

Note :

- Plant and equipment includes Machinery Gross Rs. 62.29 Lacs (previous year Rs. 62.29 Lacs) lying with third parties, pending confirmation.[Note No. 2.4(a)]
- Furniture & Fixtures includes certain expenditure on lease hold premises Gross Rs. 324.93 Lacs WDV Rs. 192.77 Lacs (Previous Year Gross Rs. 297.58 Lacs WDV Rs.209.23 Lacs) which are amortised over the useful life of the respective assets.
- Addition to Plant & equipments includes foreign exchange loss amounting to Rs. 89.84 Lacs capitalised (Previous year Rs.89.95 Lacs)

(₹ in Lacs)

		31.03.13	31.03.12
Note 12 NON-CURRENT INVESTMENTS			
Long term Investments (At cost)			
Trade- Investment in Equity Shares			
A) Unquoted, fully paid up shares			
(a) Equity Shares of Subsidiary Company Rs. 10/- each 185,000 SR Continental Limited (Previous year 185,000) (including 7 Equity Shares of Rs. 10/- each fully paid up held in the name of nominees)		0.00	0.00
(b) Equity Shares of Subsidiary Company Rs. 10/- each 500,000 (Previous year 500,000) Somany Global Ltd.		0.00	0.00
(c) Equity Shares of a Joint Venture company Rs. 10/- each Nil (Previous year 773,000)Somany Keraban (p) Ltd		0.00	0.00
(d) 2,340,000 Equity Shares of Rs. 10/- each (Previous year 2,340,000) Vintage Tiles P.Ltd. Cost of Investment: 503.10 Add: Share in profit of associate -82.88		420.22	503.42
(e) 3,250,000 Equity Shares of Rs. 10/- each (Previous year Nil) Commander Vitrified P.Ltd. Cost of Investment: 325.00 Add: Share in profit of associate 25.87		350.87	0.00
		771.09	503.42

Notes to the Consolidated Balance Sheet

(₹ in Lacs)

	31.03.13	31.03.12
B) Quoted, fully paid up (Others)		
(a) Equity Shares of Rs. 4/- each 5,90,800 (Previous year 5,90,800) Schablona India Ltd	23.91	23.91
(b) Equity Shares of Rs. 10 each 2,250 (Previous year 5,850) Orient Ceramics & Industries Ltd (Including Bonus shares)	0.22	0.58
	24.13	24.49
Non Trade others-Quoted		
(a) Equity Shares of Rs. 10/- each 110 (Previous Year 110) Punjab National Bank Ltd.	0.43	0.43
(b) Equity Shares of Rs.10/-each 68,771 (Previous year 68,771) Soma Textile & Industries Ltd.	11.06	11.06
(c) Equity Shares of Rs. 10/- each 19,500 (Previous year 19,500) Bhilwara Holding Ltd.	3.94	3.94
TOTAL	15.43	15.43
	810.65	543.34
Less: Provision for diminution in value of investment	11.50	88.80
	799.15	454.54
In Mutual Fund		
38698.11 (Previous year 37360.51) HDFC Mutual Fund	67.90	64.80
	867.05	519.34
Aggregated book value of quoted investment	39.57	39.93
Market value of quoted investments	129.34	183.59
Aggregated book value of unquoted investment	984.78	714.02
NAV of Mutual Fund	86.09	80.47
Aggregated provision for diminution in value of investment	11.50	88.80

Note 13 LONG TERM LOAN AND ADVANCES

(Unsecured, Considered Good Unless Stated Otherwise)

Deposit with Government Authorities	89.62	112.08
Deposit with Others	214.70	226.82
Prepaid Expenses	4.71	4.82
Capital Advance	82.39	118.46
Inter Corporate Deposit	7.50	25.50
Others	15.67	17.30
	414.59	504.98

Note 14 INVENTORIES

(Valued at lower of cost and net realisable value)

(As taken , valued and certified by the management)

Raw Materials & Packing Material (Including Goods in transit Rs.29.08 Lacs ,Previous Year Rs.20.74 Lacs)	1159.03	1372.20
Work -in-Process	359.82	302.22
Finished Goods	4731.43	3461.06
Stock in Trade (Including Goods in transit Rs.204.42 Lacs, Previous Year Rs.12.20 Lacs)	4116.27	3572.49
Stores and Spares (Including Goods in transit Rs.10.56 Lacs,Previous Year Rs.14.82 Lacs)	1683.26	1348.60
	12049.81	10056.57

Notes to the Consolidated Balance Sheet

(₹ in Lacs)

	31.03.13	31.03.12
Note 15 TRADE RECEIVABLES		
(Unsecured, Considered Good Unless Stated Otherwise)		
Exceeding Six month from Due Date		
i) Good	588.11	369.26
ii) Doubtful	140.01	128.79
	728.12	498.05
Less: Provision for Doubtful Debt	140.01	128.79
	588.11	369.26
Others	16886.88	13627.58
	17474.99	13996.84

Note 16 CASH & BANK BALANCES		
Cash & Cash Equivalents (As certified by the management)		
Cash in Hand	10.46	11.14
Draft / Cheque in Hand	3.25	34.23
Balance with Banks		
Current Accounts	1736.73	1403.20
Earmarked balance with banks		
Bank Deposit	138.67	56.49
Unclaimed Dividend Accounts	9.70	6.70
Other Bank Balance		
Held as Margin Money in Fixed Deposit	681.34	711.20
	2580.15	2222.96

Note 17 SHORT TERM LOANS AND ADVANCES		
(Unsecured, Considered Good Unless Stated Otherwise)		
Inter Corporate Deposits With Others	18.00	18.00
Advance Income Tax / Tax deducted at source	5465.24	3931.15
Balance with Government Authorities	1328.43	958.13
Deposit with Others	41.41	171.48
Prepaid Expenses	166.66	121.27
Other Advances	697.97	905.62
	7717.71	6105.65

Note 18 OTHER CURRENT ASSETS		
Accrued Interest	16.43	3.32
Export Incentive Receivable	52.80	72.69
Derivative Financial Assets	12.36	13.72
	81.59	89.73

Notes to the Consolidated Statement of Profit and Loss

(₹ in Lacs)

	31.03.13	31.03.12
Note 19 REVENUE FROM OPERATIONS		
Sales of Tiles	56748.70	51503.06
Sales of Colours/Refractory	107.79	121.11
Sale of Traded Goods	54418.52	41113.59
Other Operating Revenue		
Scrap Sales	218.92	191.02
Liabilities No Longer Required Written Back (Net)	17.23	24.81
Sundry Balance Written Back (Net)	1.54	2.42
Provision for Doubtful Debt Written back	0.43	8.26
Incentive Income	0.00	0.04
Insurance Claim Recd	156.03	64.55
	111669.16	93028.86
Less: Excise Duty	6282.20	5125.11
	105386.96	87903.75
Note 20 OTHER INCOME		
Interest Received	156.71	73.44
Dividend on long term Investments	4.80	4.87
Rent and Lease Rent Received	0.64	3.16
Profit on Sale of Fixed assets	8.36	20.07
Profit on Sale of Long Term Investment	2.75	0.00
Miscellaneous Receipts	85.50	15.28
	258.76	116.82
Note 21 COST OF MATERIALS CONSUMED		
Raw Material Consumed	13608.18	12474.04
Packing Material Consumed	2855.42	2767.59
	16463.60	15241.63
Note 22 CHANGE IN INVENTORIES OF FINISHED GOODS WORK-IN-PROGRESS AND STOCK-IN-TRADE		
Closing Stock*		
Finished Goods	4731.43	3461.06
Stock-in-Trade	3911.85	3560.29
Total Finished Goods	8643.28	7021.35
Work-in-Process	359.82	302.22
	9003.10	7323.57
Less: Opening Stock*		
Finished Goods	3461.06	3397.96
Stock-in-Trade	3560.29	3553.65
Total Finished Goods	7021.35	6951.61
Work-in-Process	302.22	236.92
	7323.57	7188.53
Increase/(Decrease) in Stock	(1679.53)	(135.04)
Add / (Less): Increase/(Decrease) in Excise duty on Stock	(76.61)	(90.72)
	(1602.92)	(44.32)

*Excluding Goods in Transit

Notes to the Consolidated Statement of Profit and Loss

(₹ in Lacs)

	31.03.13	31.03.12
Note 23 EMPLOYEE BENEFIT EXPENSE		
Salary, Wages, Bonus etc.	6754.37	6019.74
Contribution to Provident Fund and Other Funds	436.20	400.53
Workmen & Staff Welfare	279.49	229.31
	7470.06	6649.58

Note 24 FINANCE COST		
Interest	1866.80	1939.22
Other Borrowing Cost	104.59	75.58
Applicable Net Loss on Foreign Currency Transactions/ Translation	26.10	52.02
	1997.49	2066.82

Note 25 OTHER EXPENSES		
Stores and Spare Parts Consumed	2388.76	1779.57
Power & Fuel	13105.67	10951.73
Repairs and Maintenance:		
Buildings	172.82	158.97
Plant & Machinery	155.52	167.09
Others	105.64	94.71
Rent	513.37	468.72
Rates & Taxes	130.12	79.78
Insurance	48.07	40.92
Travelling & Conveyance Expenses	869.86	797.87
Exchange Rate Difference (Net)	27.78	99.82
Directors' Fees	5.00	5.37
Directors' Commission	30.00	35.00
Selling & Distribution Expenses	2718.39	2201.14
Discount	1099.98	1032.57
Freight Outward and Handling Charges	2802.07	2445.29
Export Expenses	79.82	43.48
Advertisement & Sales Promotion Expenses	1519.23	1105.13
Commission to Agents	198.06	360.91
Provision for Doubtful Debts	0.00	25.40
Bad Debts	0.43	1.06
Provision for Diminution in Value of Long Term Investment	0.00	5.91
Prior Period Adjustment(Net)	0.40	0.32
Sundry Balances Written Off (Net)	11.00	18.55
Legal & Professional Expenses	292.20	241.13
Loss on sale of Fixed Assets	22.82	42.23
Fixed Assets Discard /Written Off	36.04	0.00
Other Expenses	913.85	754.39
	27246.90	22957.06

Notes to the Consolidated Financial Statements of Somany Ceramics Limited, It's Subsidiaries, Joint Venture and Associate for the year ended 31st March, 2013

Note 1 PRINCIPLES OF CONSOLIDATION

- 1.1 The financial statements of the parent company and its subsidiary companies have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating intra group balances and intra group transactions resulting in unrealized profits or losses, if any, as per Accounting Standard (AS) 21, "Consolidated Financial Statements", notified under Companies (Accounting Standards) Rules,2006. Interest in assets, liabilities, income and expenses of the Joint Venture Company have been consolidated using proportionate consolidation method. Intra Group balances, transactions and unrealized profits/losses have been eliminated to the extent of parent company's proportionate shares as per Accounting Standard-27, Financial Reporting of Interests in Joint Ventures, notified under Companies (Accounting Standards) Rules,2006. Investments in associates & share in profits/losses in associate after eliminating intra group transactions resulting in unrealized profits or losses if any, as per accounting standard-23, Accounting for Investment in associates in Consolidated Financial Statement, notified under Companies (Accounting Standards) Rules,2006.
- 1.2 The consolidated financial statements include the accounts of Somany Ceramics Limited (Parent Company), its subsidiaries companies S R Continental Limited & Somany Global Limited (Formerly Somany Retail Limited) incorporated in India and wholly owned by the parent company, Joint Venture Company(JVC) Somany Keraben Private Limited(a 50:50 Joint Venture with Keraben S.A. of Spain) and its associate companies Vintage Tiles Private Limited and Commander Vitrified Private Limited.
- 1.3 As the subsidiary companies are wholly owned by the parent company there is no minority interest.
- 1.4 All intra group balances and intra group transactions resulting into unrealized profits / losses are eliminated in full on consolidation.

Note 2 EXPLANATORY NOTES

2.1 Contingent liabilities and commitments (to the extent not provided for) (As certified by the Management)

		(₹ in Lacs)	
Sr. No.	Particulars	31.03.13	31.03.12
(i)	Estimated amount of contracts remaining to be executed on capital account and not provided for [net of advances]	652.97	829.97
(ii)	Contingent liabilities not provided for in respect of: (As certified by the Management)		
a)	Claims and other demands against the Company not acknowledged as debts.	127.00	115.84
b)	Sales tax and purchase tax demands, among others against which the Company has preferred appeals.	254.97	202.32
c)	Excise and custom duty (excluding interest and penalty) and service tax demands and show-cause notices issued against which the Company/Department has preferred appeals/filed replies.	353.39	361.86
d)	Disputed income tax and wealth tax demand (excluding penalty if any)	230.20	167.30
e)	Against the imposition of Local Area Development Tax (LADT) levied by Haryana Govt ,the Hon'ble Supreme court of India vide its order dated 10th May 2006 has accepted the company's application for stay. Further Hon'ble Supreme Court vide their order dated 30th October 2009 stated the assesses to file the LADT returns, however no recovery of tax will be made till further order. In the meantime the Haryana Government has repealed the LADT Act and introduced another Act by the name of "Entry Tax" on the same line, which was also been held ultravires by the Hon'ble Punjab and Haryana high court. Pending the final Order of the Hon'ble Supreme Court on the above matter And there is no act either LADT/ Entry Tax prevalent in Haryana state, no provision for the same is considered necessary by the company for the period from 1st April 2006. In this regard, liability provided but not paid amounting to Rs. 60 lacs for the financial year 2006-07 has been written back as advised to the company.	517.82	439.13

Notes to the Consolidated Financial Statements of Somany Ceramics Limited, It's Subsidiaries, Joint Venture and Associate for the year ended 31St March, 2013

Note 2 EXPLANATORY NOTES (CONTD.)

2.1 Contingent liabilities and commitments (to the extent not provided for) (As certified by the Management)

(₹ in Lacs)

Sr. No.	Particulars	31.03.13	31.03.12
(iii)	Bond executed in favour of sales tax/custom authorities.	25.00	25.00
(iv)	Custom duty, which may arise if obligation for exports is not fulfilled against import for capital under EPCG.	3662.65	-
(v)	As Against a term loan of Rs.1230 Lacs (previous Year Rs.1230 lacs) by a Financial Institution to M/s Schablona India Ltd (SIL), the company has given an undertaking to the former for non disposal of its shareholding in SIL.		

2.2 a) Other long term liabilities include encashment of performance bank guarantee in earlier years amounting to Rs. 202.50 lacs (Previous Year Rs. 202.50 lacs) provided by the supplier of machinery. The supplier of machinery has challenged the encashment of bank guarantee and the case is pending before Hon'ble High Court of Delhi and Kolkata. Pending decision, no adjustment has been carried out in accounts.

b) During the year, a demand of Rs. 925.65 lacs (including interest Rs. 97.41 lacs) for difference between market rate of gas and contracted price for the period 2005-2010 has been received from GAIL (India) Limited. The Company along with others have filed a Special Civil Application (SCA) in the Hon'ble Gujrat High Court and the Hon'ble Divisional Bench has admitted the SCA on submission of Bank Guarantee of Rs. 118 lacs. Pending decision/ further direction, no provision in this regard at this stage is considered necessary by the company.

2.3 The Company has not received full information from vendors regarding their status under Micro, Small and Medium Enterprises Development Act, 2006 (MSMED ACT); hence disclosure relating to amount unpaid at year end together with interest paid/payable have been given based on the information so far available with the Company / identified by the Company management. The detail of the same is as under:-

(₹ in Lacs)

Sr. No.	Particulars	31.03.13	31.03.12
a)	i) Principal amount remaining unpaid at the end of the accounting year		
	ii) Interest due on above	-	-
b)	i) Interest paid by the Company in terms of Section 16 of MSMED Act.	-	-
	ii) Payment made to supplier beyond the appointed day during the year.	-	-
c)	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the due date during the year) but without adding interest specified under this act.	-	-
d)	The amount of interest accrued and remaining unpaid at the end of financial year.	-	-
e)	The amount of further interest remaining due and payable even in succeeding years, until such date when the interest due as above are actually paid.	-	-

Notes to the Consolidated Financial Statements of Somany Ceramics Limited, It's Subsidiaries, Joint Venture and Associate for the year ended 31St March, 2013

Note 2 EXPLANATORY NOTES (CONTD.)

2.4 **Earning Per Share:** The numerators and denominators used to calculate basic and diluted earnings per share: (₹ in Lacs)

		31.03.13	31.03.12
Profit /(Loss) attributable to the equity share holders (Rs. in Lacs)	(A)	3200.66	2511.16
Weighted average number of equity shares outstanding during the year	(B)	34497000	34497000
Nominal value of equity shares (Rs.)		2/-	2/-
Basic earning per share (Rs.)	(A/B)	9.28	7.28
Diluted earning per share (Rs.)	(A/B)	9.28	7.28

2.5 Balances of certain trade receivables, trade payables, other liabilities and other advances are in process of confirmation reconciliation.

2.6 The business activity of the company falls within a single primary business segment viz. Ceramic Tiles and allied products and basically sale of the product is within the country. Hence the Disclosure requirement of Accounting Standard 17 of 'Segment Reporting' notified under Companies (Accounting Standards) Rules, 2006 is not considered applicable.

2.7 (a) Foreign exchange derivatives and exposures outstanding at the year-end:

Name	Amount (In Foreign Currency) 31.03.2013	Amount (In Lacs equivalent) 31.03.2013	Amount (In Foreign Currency) 31.03.2012	Amount (In Lacs equivalent) 31.03.2012
Derivatives				
Forward contract	EURO 492555	345.48	EURO 1116729	764.96
Forward contract	USD 105679	57.66	USD 739883	396.00
Open Exposures				
Receivables	USD 316798	171.32	USD 444830	226.42
Receivables	-	-	GBP 4589	3.73
Payables	USD 285932	156.01	USD 639708	328.53
Payables	EURO 2286262	1603.59	EURO 2296542	1573.13

(b) The Company uses derivative instruments for hedging and/or reducing finance cost.

2.8 The net worth of Somany Keraben Private limited (JV Company-negative net worth) has been considerably eroded on account of losses.

2.9 In respect of the joint venture company (Somany Keraben Private Limited), the auditors have drawn attention in their audit report for the year ended March 2012 regarding the accounts being prepared as going concern assumption even after negative net worth of the company.

2.10 Accounting policies and Notes on Accounts (including disclosure requirements of Accounting Standard 15 – Employee Benefits, Accounting Standard 18 -Related Party Disclosures and Accounting Standard 22- Accounting for taxes on income notified under Companies (Accounting Standards) Rules, 2006 of the financial statement of the parent company and subsidiary company are set out in their respective financial statement.

Notes to the Consolidated Financial Statements of Somany Ceramics Limited, It's Subsidiaries, Joint Venture and Associate for the year ended 31st March, 2013

Note 2 EXPLANATORY NOTES (CONTD.)

- 2.11 The Financial statements of JVC (Somany Keraben private limited) are unaudited and are certified by the management. Subsequent to the approval of financial statement of previous year, Audited financial statements of JVC were made. Accordingly the effect of audited financial statements of the previous year has been given in the current year for the purposes of consolidation.
- 2.12 (a) Financial statements of Associates namely Vintage Tiles Pvt. Ltd. and Commander Vitrified Private Limited are unaudited and are certified by the management.
- (b) While applying equity method, the company has considered cost of acquisition of shares in Associate & adjusted it by the profits/loss earned for the year 2011-12 on proportionate basis. Subsequent to the approval of financial statement of previous year, Audited financial statements of an Associates namely Vintage Tiles Pvt. Ltd. were made. Accordingly the effect of audited financial statements of the previous year has been given in the current year for the purposes of consolidation.
- 2.13 In term of the agreement and on acquisition of 26% of equity stake in M/s Vintage Tiles Pvt. Ltd. (VTPL), the company is having right to buy and sell the entire production of 26.50 lacs square metre per annum of polished vitrified tiles from VTPL.
- 2.14 In term of the agreement dated 03rd April 2012, the company has acquired 32.50 lacs numbers of fully paid up equity shares of Rs. 10 each at the rate of Rs. 10 per share amounting to Rs. 325 lacs representing 26% equity stake in M/s Commander Vitrified Pvt. Ltd. (CVPL). By this agreement, the company is having right to buy and sell the entire production of CVPL in its own brand.
- 2.15 The previous year's figures have been regrouped, rearranged wherever consider necessary.

As per our report of even date
For **Lodha & Co.**
Chartered Accountants
(ICAI FRN. NO.: 301051E)

For and on Behalf of Board of Directors

N. K. Lodha
Partner
M.NO.85155

Shreekant Somany
Chairman & Managing Director

Abhishek Somany
Joint Managing Director

Amrish Julka
AGM (Legal) and Company Secretary

Place: New Delhi
Dated : The 21 st day of May , 2013

Financial Information of Subsidiary Companies

(₹ in Lacs)

Name of the Subsidiary Company	SR Continental Limited		Somany Global Limited	
	2012-13	2011-12	2012-13	2011-12
Share Capital	18.50	18.50	50.00	50.00
Reserves & Surplus/ (Accumulated Losses)	315.33	299.85	(19.33)	(32.83)
Total Assets	483.37	604.74	65.00	71.73
Total Liabilities	483.37	604.74	65.00	71.73
Details of Investment (other than investment in subsidiary Companies)	72.88	69.78	Nil	Nil
Turnover including other income	616.79	896.87	361.04	378.72
Profit/ (Loss) Before Taxation	20.86	43.76	24.81	7.80
Income Tax Expenses	5.38	14.88	11.31	1.34
Profit/ (Loss) after taxation	15.48	28.88	13.50	6.46
Proposed Dividend	Nil	Nil	Nil	Nil

The Company has complied with the conditions as stipulated by Ministry of Corporate Affairs, Govt. of India, New Delhi vide its General Circular No.2/2011 dated 8th February, 2011, whereby direction u/s 212(8) of the Companies Act, 1956 was issued granting general exemption from attaching the Accounts of Subsidiaries of the Company. However, annual accounts of the subsidiary companies and the related details information will be made available to the investors of the company and its subsidiaries seeking such information at any point of time. The annual accounts of the subsidiary companies are available for inspection by any investor at the Head Office of the Company and the concerned subsidiary.

SOMANY CERAMICS LIMITED

Regd. Office: 82/19, Bhakerwara Road, Mundka, New Delhi – 110 041

NOTICE of the 45th Annual General Meeting

Notice is hereby given that the 45th Annual General Meeting of the Members of Somany Ceramics Limited will be held at Lakshmi Pat Singhania Auditorium at PHD Chamber of Commerce and Industry, PHD House, 4/2, Siri Institutional Area, August Kranti Marg, New Delhi-110 016 on Monday the 2nd September, 2013 at 10:30 A.M. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2013 and the Profit & Loss Account for the year ended on that date together with the Reports of Directors' and Auditors' thereon.
2. To declare a dividend on equity shares.
3. To appoint a Director in place of Shri Salil Singhal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. Y.K. Alagh, who retires by rotation and being eligible, offers himself for re-appointment.

5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

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

6. As a Special Resolution

Remuneration by way of Commission to Non-Executive Directors

“RESOLVED that in accordance with and subject to the provisions of Section 309(4) of the Companies Act, 1956, the Company do hereby authorize the payment to the Directors of the Company (other than Managing and Whole Time Directors, if any) of a commission (to be divided amongst them, in such amounts or in proportion and in such manner as may be determined by the Board of Directors of the Company, from time to time and in default of such determination, equally) of 1% (one percent) of the net profits of the Company, to be computed in the manner prescribed in Sub-Section (1) of Section 198 of the Companies

Act, 1956, referred to in Sub section (5) of Section 309 of the Companies Act, 1956 in any financial year of the Company subject to a maximum of Rs. 5,00,000/- to each Non-Executive Director in any financial year in proportion to their tenure of directorship and subject however, further to such limit as may be decided by the Board in this behalf for a further period of five years, commencing from 1st April, 2013 and upto 31st March, 2018.”

“RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to do all such acts, deeds, matters and things as may be considered necessary, proper and expedient in order to give effect to the above Resolution.”

By Order of the Board

Ambrish Julka

Place: New Delhi

AGM (Legal) and

Dated: 21st May, 2013

Company Secretary

NOTES:

1. **A Member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on a poll, instead of himself. A Proxy need not be a member of the Company. Proxies, in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the meeting.**
2. An Explanatory statement in respect of Special Business pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto and forms part of this Notice.
3. Corporate members intending to send their authorized representatives to attend the meeting are requested to send the Company a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the meeting.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from Saturday, the 17th August, 2013 to Monday, the 2nd September, 2013 (both days inclusive).
5. Dividend on equity shares as recommended by the Board of Directors, if declared at the meeting will be payable to those Members whose name appears on the Register of Members of the Company as on 16th August, 2013 and in respect of

shares held in the dematerialised form, to those beneficial owners whose particulars will be furnished by the Depositories on the said date.

6. Members/Proxy holders are requested to bring their copies of Annual Report alongwith them at the meeting.
7. In accordance with the provisions of Section 205A of the Companies Act, 1956 the Company had from time to time transferred unclaimed/unpaid dividend for and upto the Financial Year ended 31st March, 1995 to the General Revenue Account of the Central Government. Members who have a valid claim to any of the unclaimed/ unpaid dividend as aforesaid may claim the same from the Registrar of Companies, NCT of Delhi & Haryana, New Delhi.
8. Pursuant to the provisions of Section 205A (5) read with Section 205C of the Companies Act, 1956, the Company has transferred, unpaid/unclaimed amount of refunds against Rights Cum Public Issue of the Company made in the year 1993, unclaimed dividend for the year ended 31st March, 1996 to 31st March, 2002 and unclaimed Debenture Redemption amount including unclaimed interest on such Debentures upto 30th September, 2000, to Investor Education and Protection Fund. The amount of dividend for the

financial year ended on 31st March, 2008 and thereafter remaining unclaimed or unpaid for a period of 7 (seven) years from the dates of their respective payment or transfer to the unpaid dividend account shall be transferred by the Company to the Investor Education and Protection Fund established by the Central Government and no claim shall lie against the Company or the said Fund for such transfer and upon such transfer.

The Company did not declare any dividend during the financial year 2002-03 to 2006-07.

Members who have not encashed their Dividend Warrants for the financial year ended 31st March, 2008 and onwards are requested to lodge their claim with the Company forthwith.

9. Members are requested to write to the Company, their query(ies), if any, on the Accounts and operations of the Company atleast 10 days before the meeting to keep the information ready at the meeting.
10. Members holding shares in physical form are requested to notify changes, if any, in their address and the Bank Account particulars to the Company's Registrar & Transfer Agent M/s. Maheshwari Datamatics Pvt. Ltd., 6, Mangoe Lane, Kolkata 700 001. Telephone No. 2248 2248, Fax No. 2248 4787.

11. Members who hold shares in dematerialized form are requested to bring their Depository ID Number and Client ID Number for easier identification of attendance at the Annual General Meeting.
12. Members having multiple folios in the same order of name(s) may inform the Company for consolidation into one folio.
13. Brief resume along with other particulars, pursuant to Clause 49 of the Listing Agreement in respect of Non-Executive Directors, offered themselves for re-appointment, are given under the Corporate Governance section of the Annual Report.
14. 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 Pvt. Ltd., directly quoting their respective Folio Number under which shares of the Company are held by them.

15. Furnishing a copy of PAN Card has been made mandatory by SEBI in all the cases of transfer of shares in physical form.
16. A general exemption was granted under Section 212(8) of the Companies Act, 1956 by the Ministry of Corporate Affairs (MCA), Government of India vide Circular No. 2/2011/51/12/2007-CL-III dated 8th February, 2011, from attaching the copy of Balance Sheet, Statement of Profit and Loss, reports of the Board of Directors and Auditors thereon of the subsidiaries of the Company with the Balance Sheet of the Company. However, 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 the Members.

17. Important Communication to Members

As you all may be aware, the Ministry of Corporate Affairs (MCA), Government of India vide Notification dated 21st April 2011 had 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 available to the Members through electronic mode. Accordingly the Company had sent the Annual Reports for year ended 31st March, 2011 and 31st March, 2012 in electronic form to the e-mail IDs of the Members made available to the Company by the Depository and/or Members of the Company holding shares in physical form. Such Annual Reports are also available on the Company's Website www.somanyceramics.com. In order to enable the Company to continue 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), with whom they are maintaining their demat account.

By Order of the Board

Ambrish Julka

Place: New Delhi

AGM (Legal) and

Dated: 21st May, 2013

Company Secretary

EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 6

The Company by a Special Resolution passed by the Members of the Company at its 40th Annual General Meeting held on Monday, the 22nd September, 2008, was authorised to make payments to its Directors (other than the Managing and Whole time Directors of the Company) of a Commission of 1% (One percent) of the net profits of the Company for each of the Financial Year for a period of Five (5) years commencing from the 1st day of April, 2008 and ending on the 31st day of March, 2013.

The Company however by a Special Resolution passed in its 42nd Annual General Meeting held on 16th August, 2010 restricted the amount of payment of Commission to its Non-Executive Directors (other than the Managing and Whole time Directors) to Rs. 5,00,000/- (Rupees Five Lac Only) within the overall limit of 1% of the net profit of the Company to be computed in the manner prescribed in Sub Section(5) of Section 309 of the Companies

Act, 1956 in each financial year for the remaining period of three years, commencing from 1st April, 2010 and upto 31st March, 2013 in proportionate to their tenure of directorship and subject however, further to such limit as may be decided by the Board in this behalf from time to time.

In terms of the provision of Section 309(7) of the Companies Act, 1956, which provides that a Special Resolution passed under Section 309(4) of the Act shall not remain in force for more than 5(five) years at a stretch, the previous resolution as such stated to have passed hereinabove remained valid upto the end of Company's Financial year ended on 31st March, 2013. Accordingly, it is proposed to pass a Special Resolution authorising the Company for payment of Commission to its Non-Executive Directors (other than the Managing and Whole time Directors) up to Rs. 5,00,000/- (Rupees Five Lac only) within the overall limit of 1% of the net profit of the Company to be computed in the manner

prescribed in Sub Section(5) of Section 309 of the Companies Act, 1956 in any financial year in pursuance of Section 309(4) read with Section 309(7) of the Companies Act, 1956 for a further period of 5 (Five) years commencing from 1st day of April, 2013 and ending on the 31st day of March, 2018. The Resolution set out under item no. 6 of the accompanying Notice is intended for seeking Member's approval and your Directors accordingly recommend the same.

All the Directors except Shri Shreekant Somany and Shri Abhishek Somany may deem to be interested or concerned in the said Resolution.

By Order of the Board

Ambrish Julka

Place: New Delhi
Dated: 21st May, 2013

AGM (Legal) and
Company Secretary

SOMANY CERAMICS LIMITED

Registered Office :82/19, Bhakerwara Road, Mundka, New Delhi – 110 041

ATTENDANCE SLIP

The Folio No. and Name(s) of the Member(s) is/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/Authorised Representative if attending the meeting _____

I hereby record my presence at the forty-fifth Annual General Meeting of the Company being held on Monday, the 2nd September, 2013 at LakshmiPat Singhanian Auditorium at PHD Chamber of Commerce and Industry, PHD House, 4/2, Siri Institutional Area, August Kranti Marg, New Delhi-110 016 and any adjournment thereof.

Signature of the Member / Joint Members / Proxy / Authorised Representative attending the meeting

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

SOMANY CERAMICS LIMITED

Registered Office :82/19, Bhakerwara Road, Mundka, New Delhi – 110 041

PROXY FORM

I/We _____ resident of _____

being a Member(s) of Somany Ceramics Limited hereby appoint _____

resident of _____ failing him/her _____

resident of _____ failing him/her _____

resident of _____ as my/our Proxy to vote for me/us and on my/our behalf at the

forty-fifth Annual General Meeting of the Company to be held on Monday, the 2nd September, 2013 at 10.30 A.M. at LakshmiPat Singhanian Auditorium at PHD Chamber of Commerce and Industry, PHD House, 4/2, Siri Institutional Area, August Kranti Marg, New Delhi- 110 016 and at any adjournment thereof.

Signed at _____ this _____ day of _____ 2013



Folio No. _____ Client ID and DP ID _____ Signature _____

Note:

The Proxy form in order to be effective must reach the registered office of the Company not less than 48 hours before the time for holding the aforesaid meeting or adjourned meeting.

Corporate information

BOARD OF DIRECTORS

Mr. Shreekant Somany, Chairman and Managing Director

Mr. Abhishek Somany, Joint Managing Director

Mr. R.K. Daga, Independent Director / Audit Committee Chairman

Mr. R.L. Gaggar, Independent Director / Audit Committee Member

Mr. Salil Singhal, Independent Director / Audit Committee Member

Dr. Y.K. Alagh, Independent Director / Audit Committee Member

Mr. G.L. Sultania, Independent Director / Audit Committee Member

Mr. Ravinder Nath, Independent Director

Mr. Sandeep Kumar, Nominee Director – Exim Bank

CHIEF EXECUTIVE OFFICER

Mr. G. G. Trivedi

COMPANY SECRETARY

Mr. Ambrish Julka

BANKERS

Punjab National Bank

IDBI Bank

ING Vysya Bank

HDFC BANK

AUDITORS

Lodha & Company

Chartered Accountants

REGISTERED OFFICE

82/19, Bhakerwara Road, Mundka

New Delhi – 110041

Email: marketing@somanyceramics.com

CORPORATE OFFICE

F-36, Sector 6, Noida (U.P)- 201301

Phone: 0120-4627900

WEBSITE

www.somanyceramics.com

PLANTS

Haryana

KASSAR WORKS

P.O – Kassar – 124507,

Bahadurgarh

Distt. Jhajjar, Haryana

Gujarat

KADI WORKS

14, G.I.D.C, Industrial Estate,

Kadi – 382715

Distt. Mehsana, Gujarat

PLANTS UNDER JV

VINTAGE TILES PVT.LTD.

Nazar Baug Road

Behind Science College

Bhadiyad, Morbi - 363642

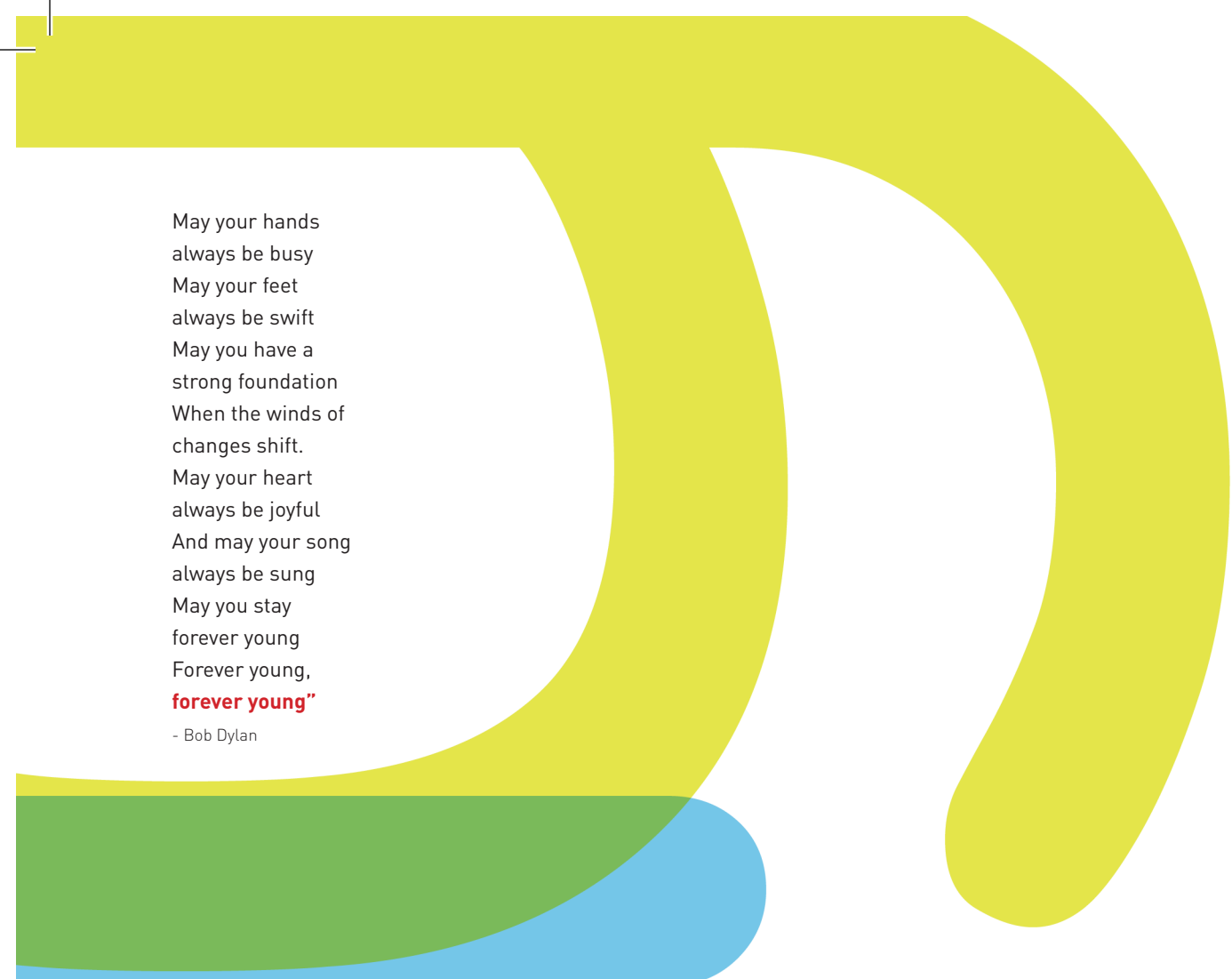
Distt. Rajkot, Gujarat

COMMANDER VITRIFIED PVT. LTD.

8-A, National Highway

At. Sartanpar, Ta. Wankaner – 363621

Distt. Rajkot, Gujarat



May your hands
always be busy
May your feet
always be swift
May you have a
strong foundation
When the winds of
changes shift.
May your heart
always be joyful
And may your song
always be sung
May you stay
forever young
Forever young,
forever young"

- Bob Dylan



SOMANY