



joy per square feet

SOMANY CERAMICS LIMITED

Corporate Presentation

June 2014

Agenda

Industry Overview

Somany Ceramics Ltd. - Overview

Financial Overview

Global Scenario

- Global tiles production touched 11,166 mn sqm in CY2012, while consumption strengthened by 4.6% to 10,912 mn sqm
- Global tiles market is growing at a CAGR of 7% (2008-12)
- India's rank in the total world production improved from 5th in 2008 to 3rd in 2012, with a CAGR growth of ~15% during the period as against the global CAGR growth of ~7%
- Top-4 tile producing and consuming countries in CY12 and per capita consumption:

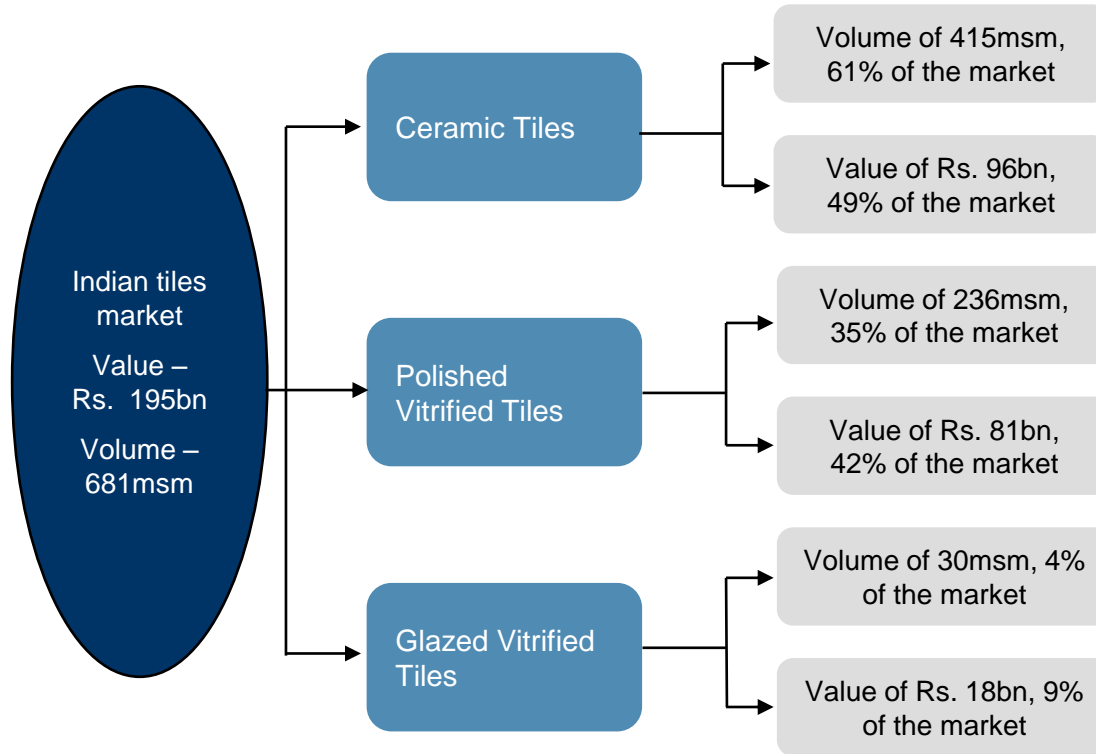
Country	Production (mn sqm)	Production (% share)	Consumption (mn sqm)	Consumption (% share)	Per capita consumption (sqm)
China	5200	47	4250	39	3.1
Brazil	866	8	803	7	4.0
India	691	6	681	6	0.5
Iran	500	4	375	3	4.8

- In view of very low per capita consumption of tiles, there is huge potential still to be tapped in the Indian market
- Tiles in India are still considered interiors products, while globally they are used equally outdoors (paving, claddings, external facades, etc.)

Source: Ceramic World Review

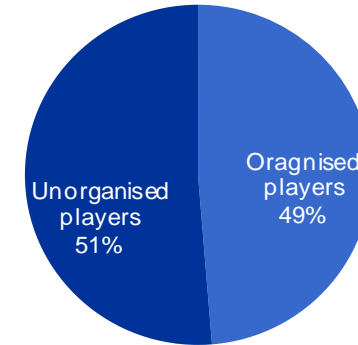
Indian Scenario

Ceramic tiles – market segmentation in CY12

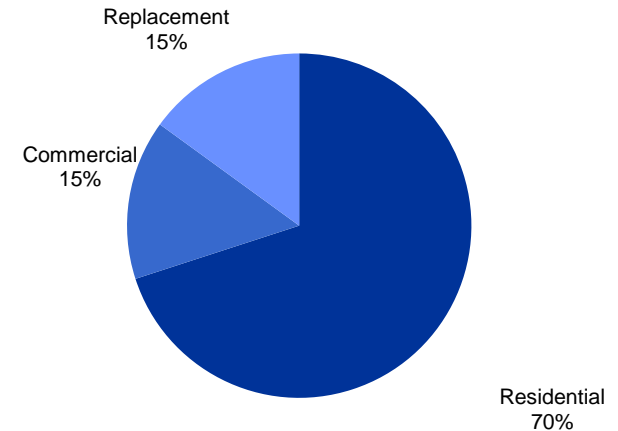


Source: Industry, msm stands for million square metres

Organized vs. Unorganized market – Equally split in value terms



Break up of tiles demand – Residential consumes 70% of demand

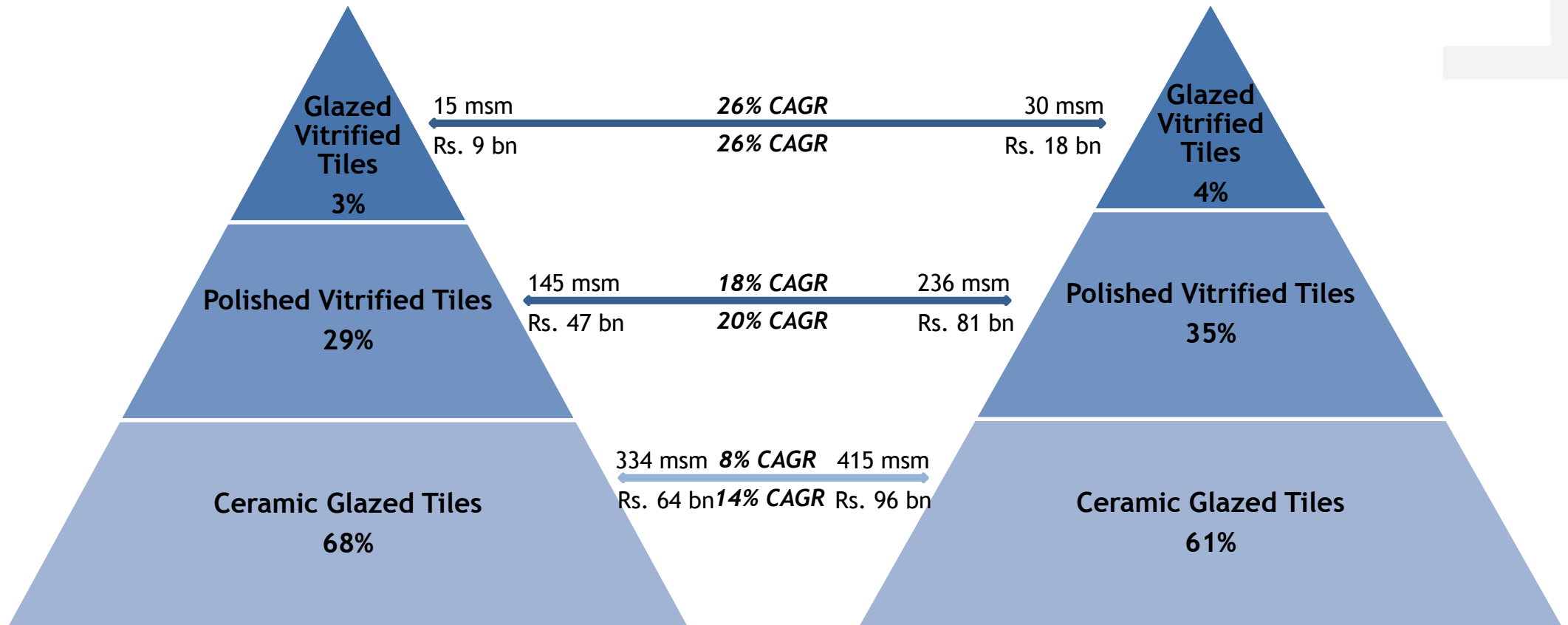


Source: Industry

Indian Scenario *(Cont'd)*

Structural Shift of the Pyramid

Increasing proportion of fast-growing glazed and polished vitrified segment tiles in the total consumption clearly shows a shift in consumer preference for higher value-added products



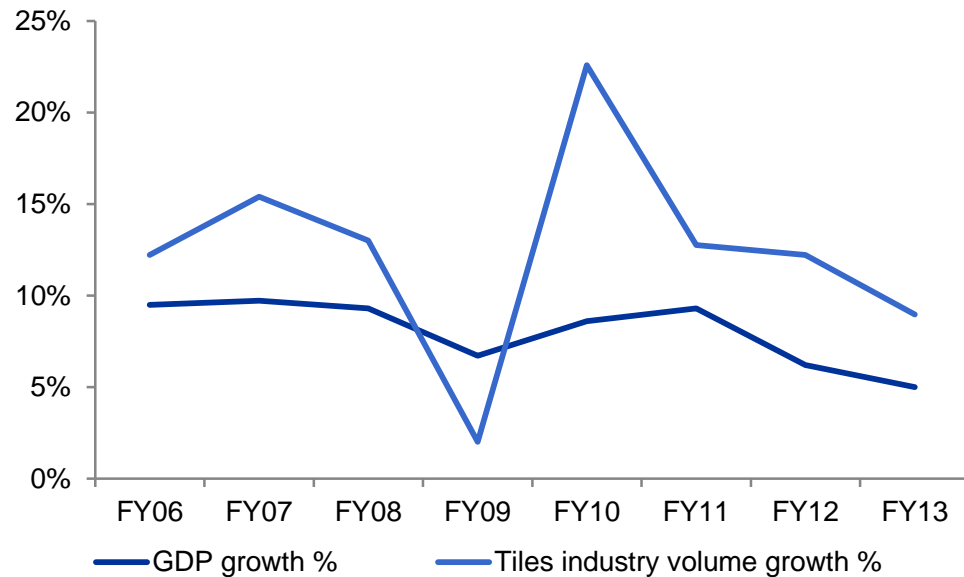
Indian Tile Industry Size in CY2009: 494 msm, Rs.120 bn

Indian Tile Industry Size in CY2012: 681 msm, Rs.195 bn

Source: Ceramic World Review, Industry

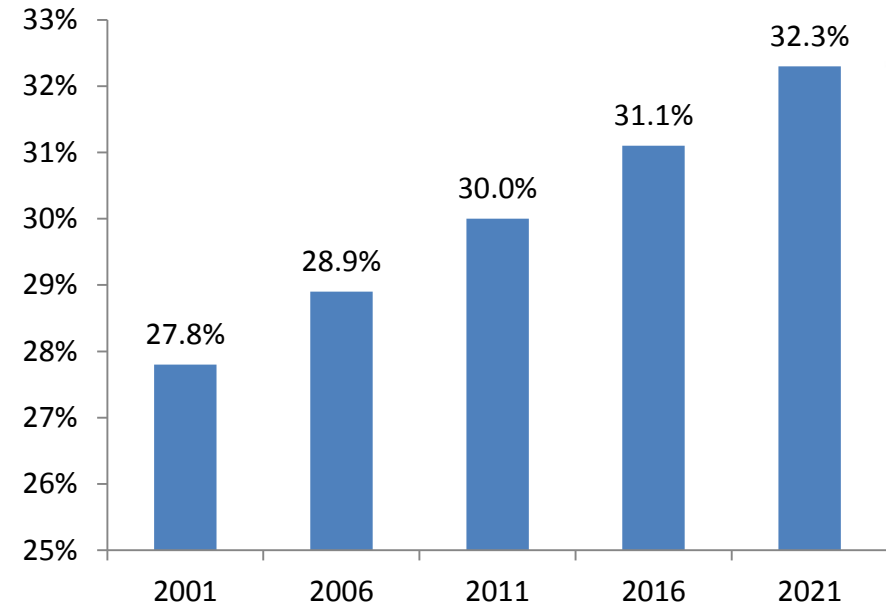
Indian Scenario *(Cont'd)*

GDP and tiles growth – Avg multiplier is 1.5x with a range of (1.3x-2.6x)



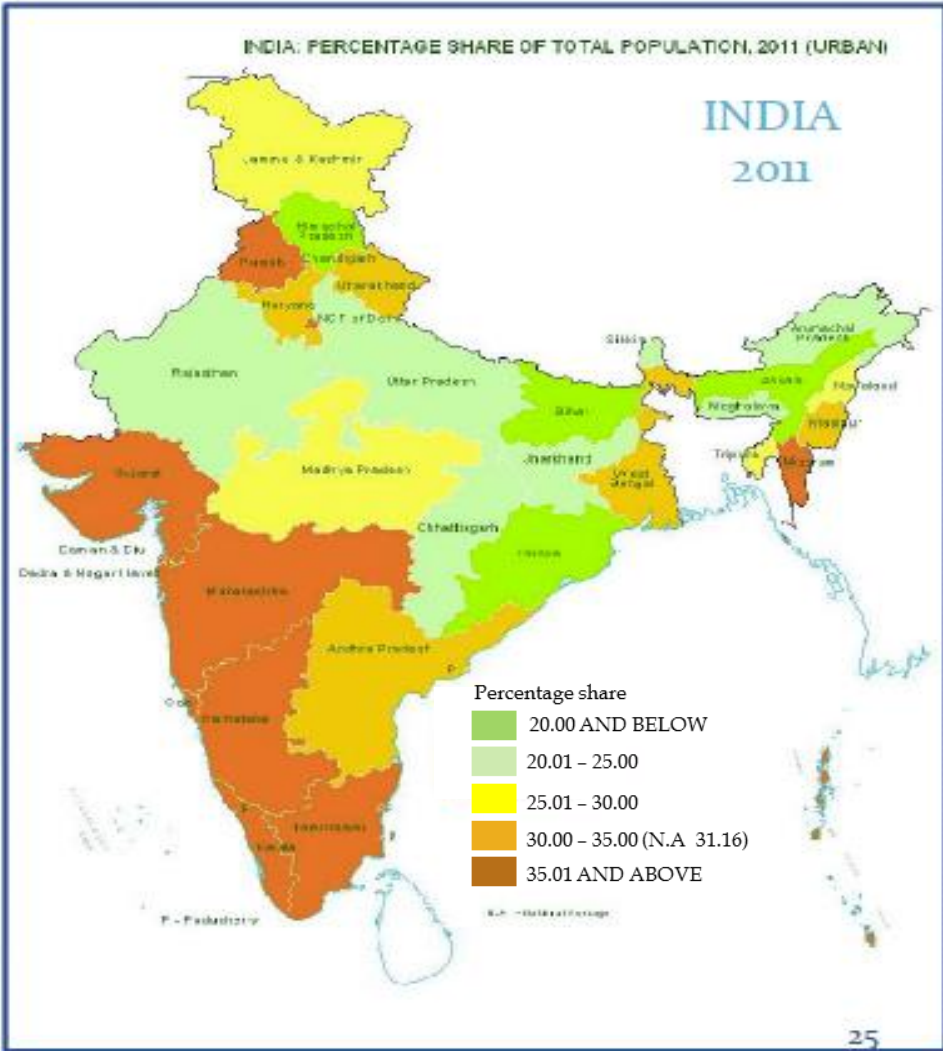
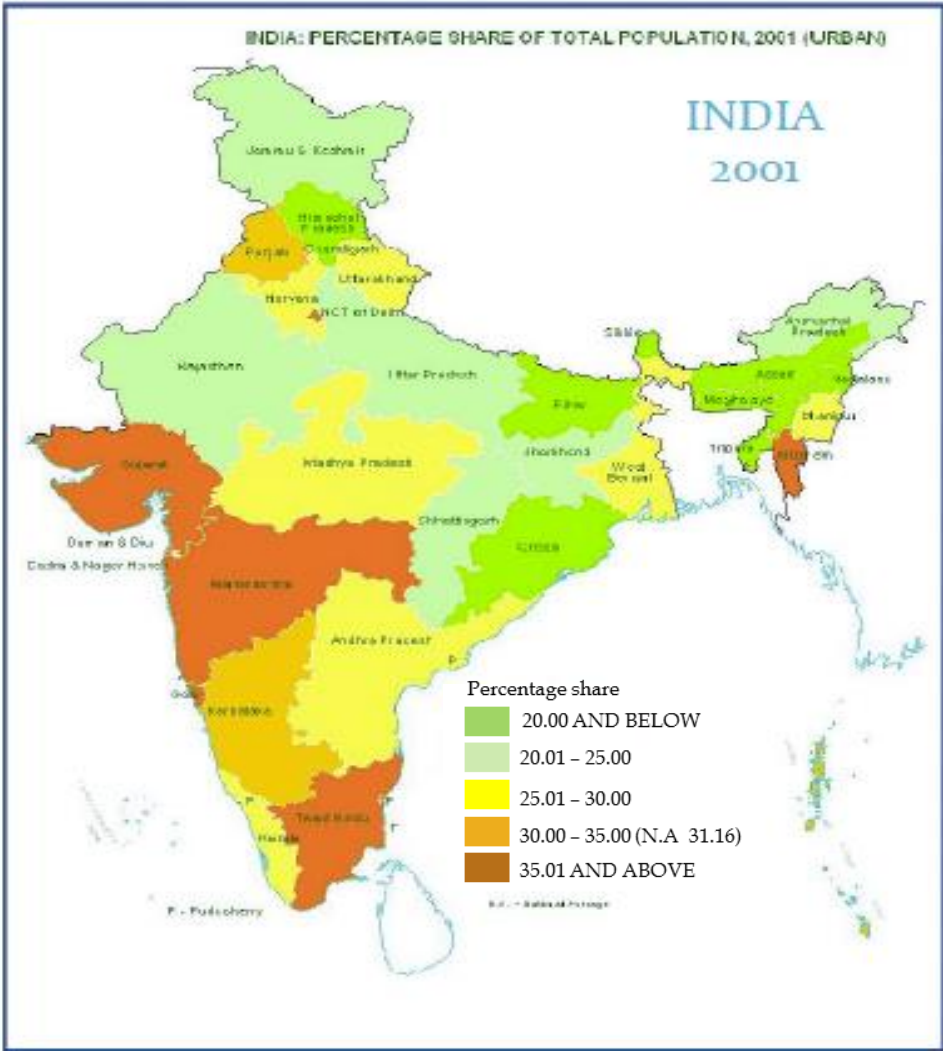
Source: Industry

Increasing urbanization trend is expected to continue



Source: Industry

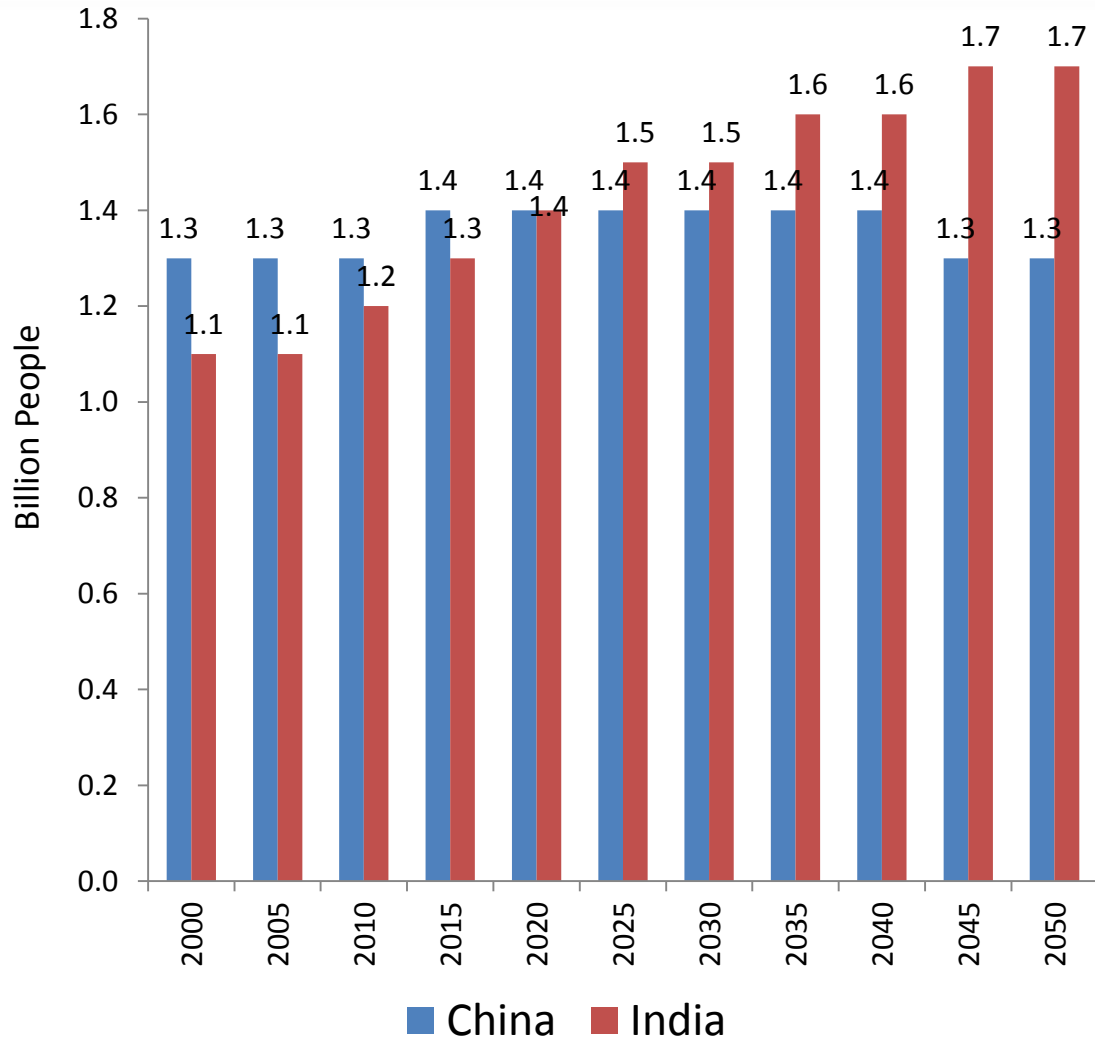
Indian Scenario *(Cont'd)*



Indian Tiles Market – Long term demand drivers in place: Expect continued increase in urbanisation

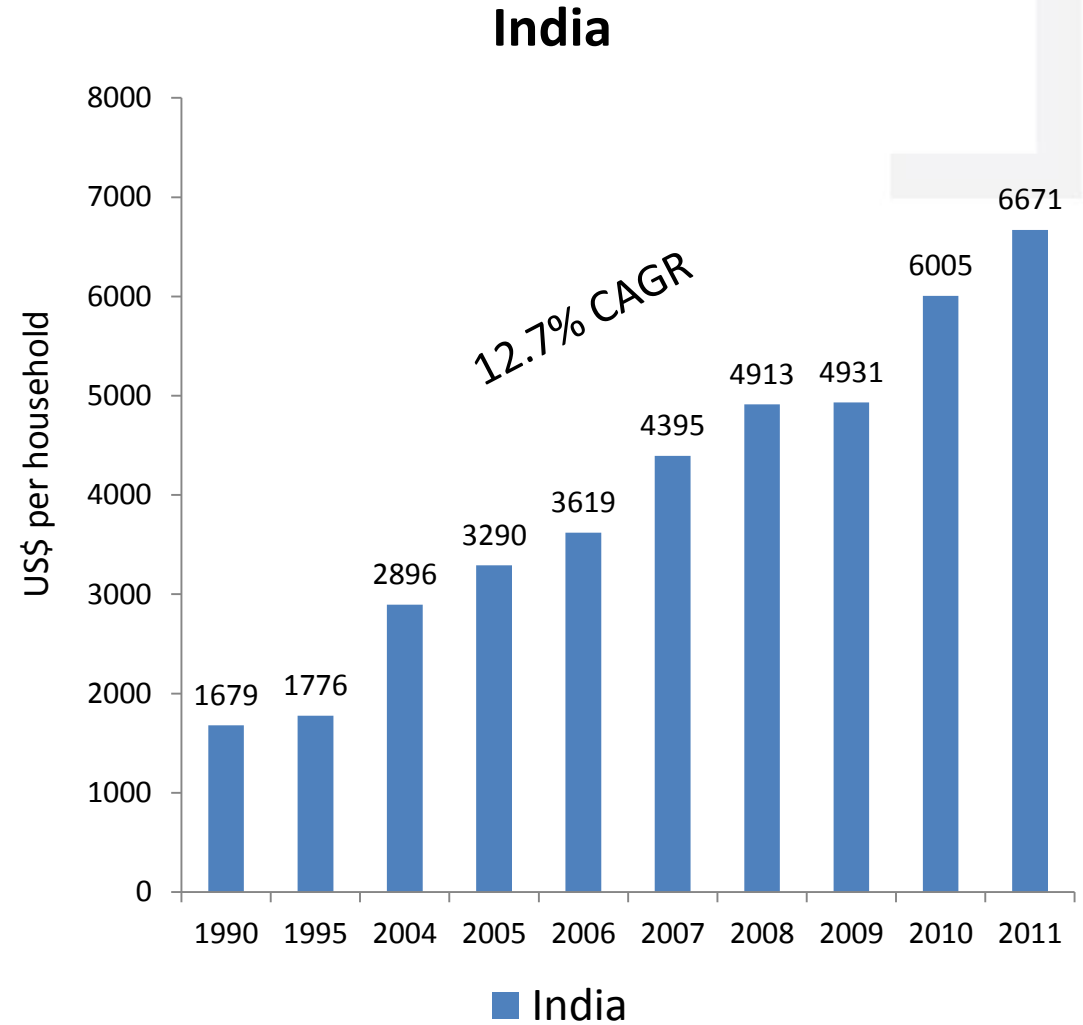
Indian Scenario *(Cont'd)*

India population to be higher than China from 2020



Source: United Nations

12.7% CAGR increase in disposable household income



Source: Euromonitor International

Indian Scenario *(Cont'd)*

➤ **Morbi - A large cluster of unorganized players**

- Located in Saurashtra (Gujarat), Morbi is home to more than 500 tile manufacturers, out of the total of over 750 in India.
- The ceramic tile industry of Morbi represents one-half (which is largely unorganized) of India's tile industry.
- Manufactures more than 50% of the total ceramic production in India.
- Gives direct and indirect employment to over 600,000 people across India.
- The main products of this ceramic city are vitrified tiles, wall tiles, floor tiles, quartz stone, sanitary ware, roofing tiles and mosaic tiles.
- The export markets such as the Middle East, Africa, Sri Lanka and Bangladesh, among others, are also catered to from here.
- Why Morbi is a hub of ceramic tile industry:
 - Key raw materials such as various types of clay; red and black soil; minerals, including calcite and wallastonite; and frits and glazes are readily available either locally or from neighboring Rajasthan.
 - Cost-effective, since an industrial gas line is installed in this region by GSPC.
 - Low transportation cost, as it is located in close proximity to major ports, Kandla and Mundra.
- The above reasons have made Morbi an essential outsourcing hub for many leading tile producers, both from branded and organized segments.

Agenda

Industry Overview

Somany Ceramics Ltd. - Overview

Financial Overview

Introduction

Founded in 1968 by Mr. H.L. Somany in collaboration with Pilkington's Tile Holding, UK, Somany is among the frontrunners in the ceramic tile industry in India. By the end of FY15 it will have access to manufacturing capacity of ~55 mn sqm of tiles per annum spread across two own manufacturing plants in Haryana and Gujarat (19.15 mn sqm), five existing associate plants in Gujarat (15.47 mn sqm), expansion of own plant & existing associate plants (7.90 mn sqm) and outsourcing tie ups for ~12 mn sqm.

In FY14, Somany achieved a top-line of Rs.1322.75 crores and a bottom-line (PAT) of Rs. 28.03 crores, demonstrating a CAGR (5 years) of 23.3% and 26.3%, respectively. The growth drivers are brand equity, a diverse product basket, moving towards further value addition, better quality, and a deeper distribution network.

Somany is the first and the only company in the Indian tile industry to have a patent for its highly abrasion-resistant tiles, VC Shield, making it the country's most durable tile.

Somany is listed on the BSE and the NSE, with a market capitalization of Rs. 1078 crores (as on 6th June, 2014). It has a pan-India presence, with one of the strongest distribution networks in the industry.

Key Strengths

- Strong brand created over the last 42 years.
- Wide product range in terms of price and formats.
- First in the tile industry to have government-recognized R&D facilities.
- Formidable distribution and marketing network spread across the country.
- Retail sales account for ~65% of the total sales.
- Formidable distribution network of ~6500 plus dealers & sub dealers and 223 franchisee showrooms/ own display centres
- India's largest in-house designing team dedicated to developing designs, products and concepts in collaboration with Spanish and Italian design houses.
- Long-term firm contract of natural gas with GAIL, IOC and GSPL at both manufacturing locations.
- Professionally qualified manpower. The average age of employees being ~34 years.
- High credibility enjoyed by promoters among dealers, suppliers, banks and financial institutions.

Accreditations

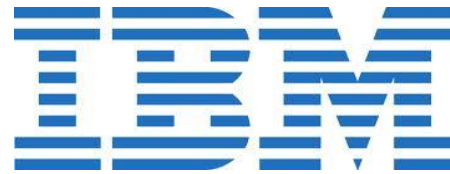


- ❖ ISO 9001 certification - for quality of manufacturing facility
- ❖ ISO 14001 certification - for environment-friendly manufacturing facility
- ❖ BIS certification - for its product, the first Indian tile company to be so accredited
- ❖ 5's certification - for maintaining an organized and efficient workplace.
- ❖ EN ISO 14411 (CE) certification - for complying quality norms defined by European Standard
- ❖ BS OHSAS 18001 certification - for maintaining health and safety standards
- ❖ ISO 22000 certification - for food safety management
- ❖ ISO 14051 certification - for Kadi unit being a model organisation for adopting the MFCA (Material Flow Cost Accounting) practices
- ❖ Corporate Technical Achievement Award - by American Ceramic Society (AcerS) for development of Somany Veil Craft (VC) Shield floor tiles
- ❖ Power brand award - for its perception, performance and brand recall
- ❖ Recognized as Asia's Most Promising Brand of the year 2012-13
- ❖ LACP Spotlight 'Silver' award - for its annual report of FY12-13

A few of our valued customers... **Developers**



A few of our valued customers... Corporates/ Banks



A few of our valued customers... **Government/ PSU**



दिल्ली मेट्रो रेल कॉर्पोरेशन लिमिटेड
DELHI METRO RAIL CORPORATION LTD.



IndianOil



A few of our valued customers... Retailers/ Hospitals/Hospitality



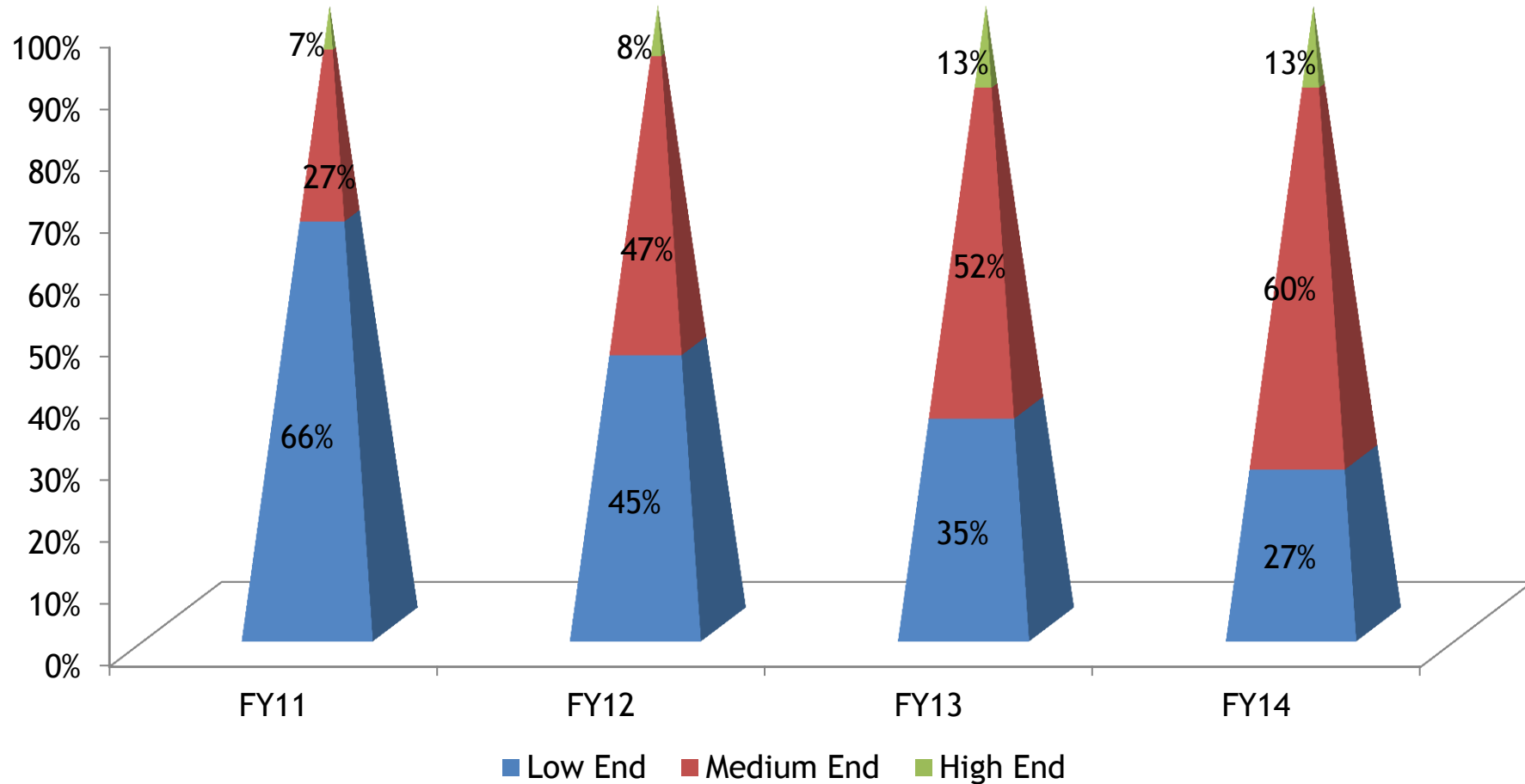
Is se *sasta* aur *accha* kahin nahi!



Moving up the Value Chain

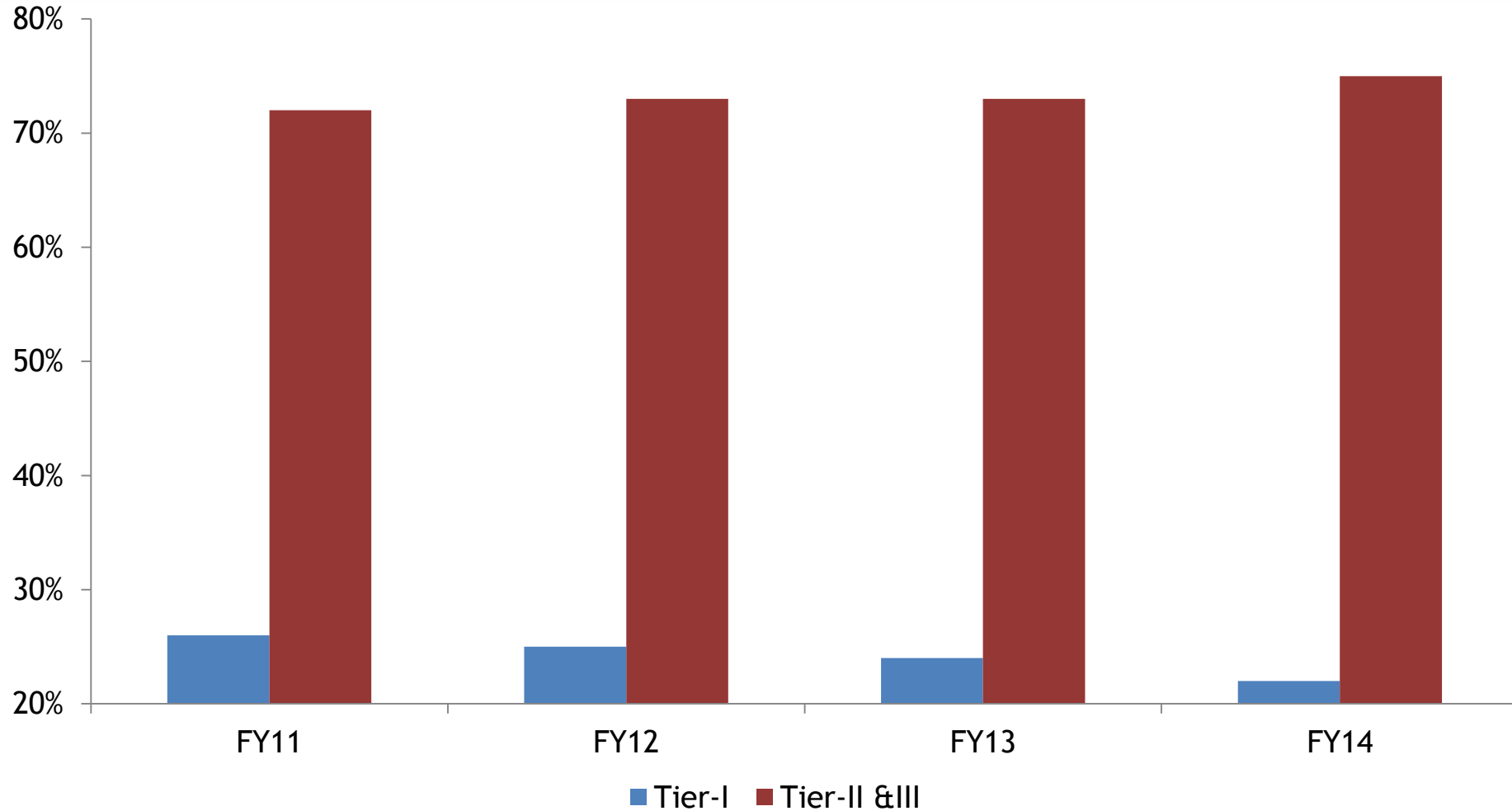
- Structural shift in the industry leading to increasing proportion of sales from high and mid-end tiles

Somany Ceramics - Sales Break-up



Taking Advantage of Rapid Urbanization

➤ Proportion of sales from Tier II & III increased to 75% in FY14 from 69% in FY09



Existing Manufacturing Facilities

Associate's Plant at
Morbi (Gujarat)
Vintage Tiles Pvt. Ltd.

Associate's Plant at
Morbi (Gujarat)
Commander Vitrified Pvt. Ltd.

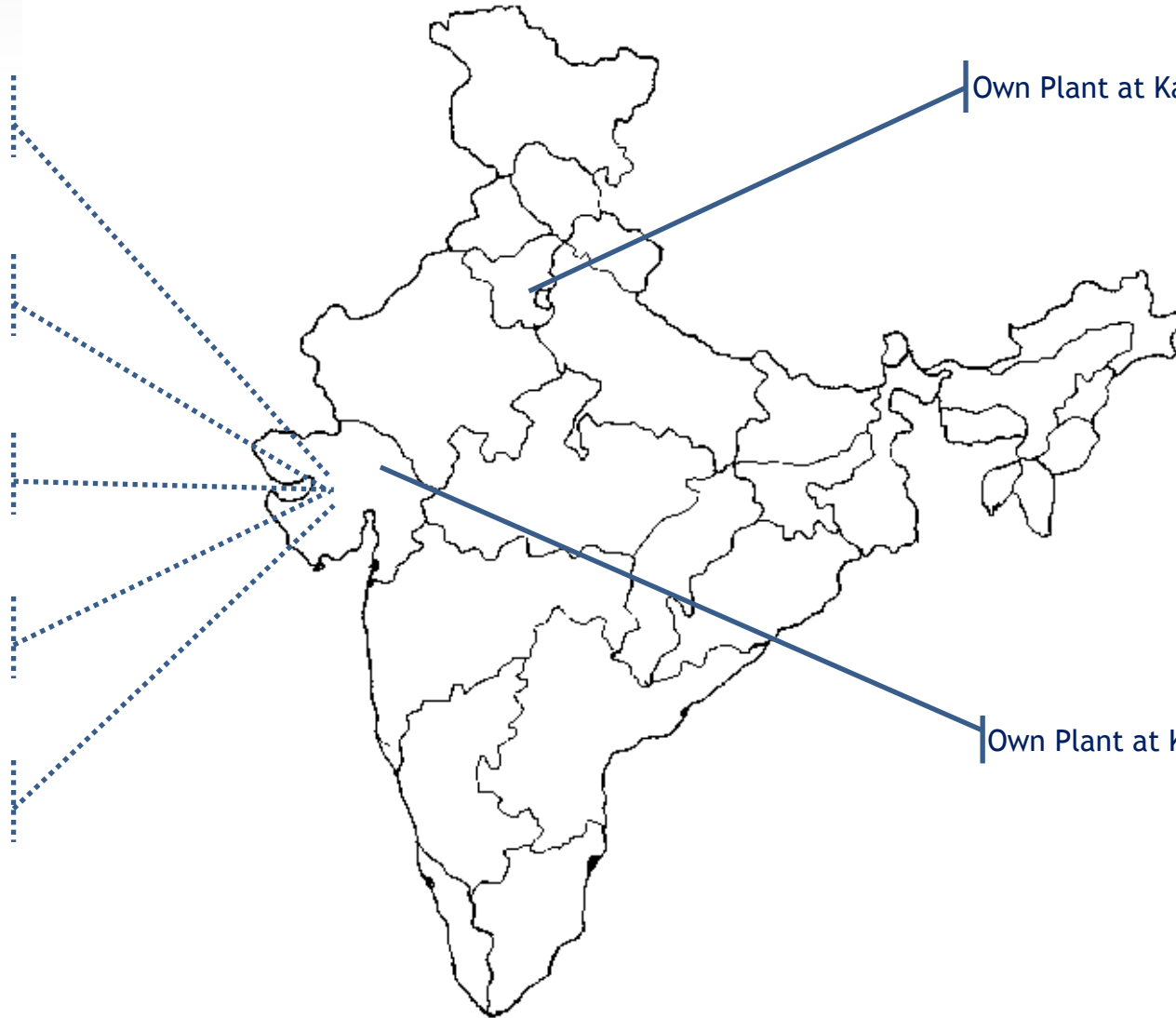
Associate's Plant at
Morbi (Gujarat)
Amora Tiles Pvt. Ltd.

Associate's Plant at
Morbi (Gujarat)
Vicon Ceramic Pvt. Ltd.

Associate's Plant at
Morbi (Gujarat)
Acer Granito Pvt. Ltd.

Own Plant at Kassar (Haryana)

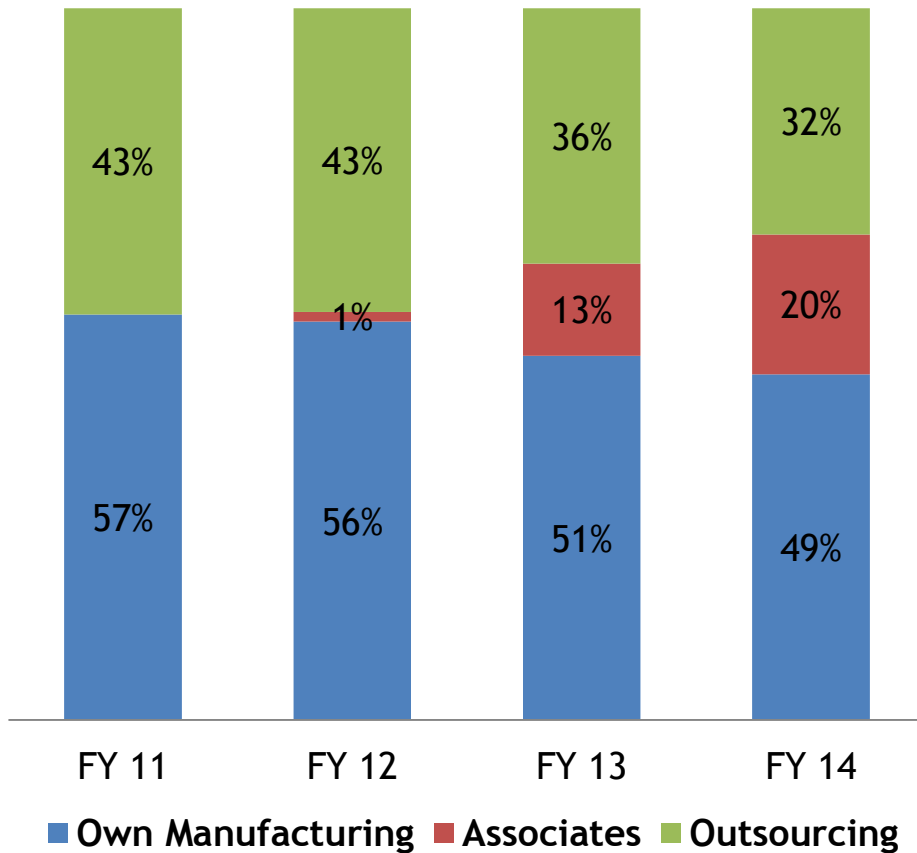
Own Plant at Kadi (Gujarat)



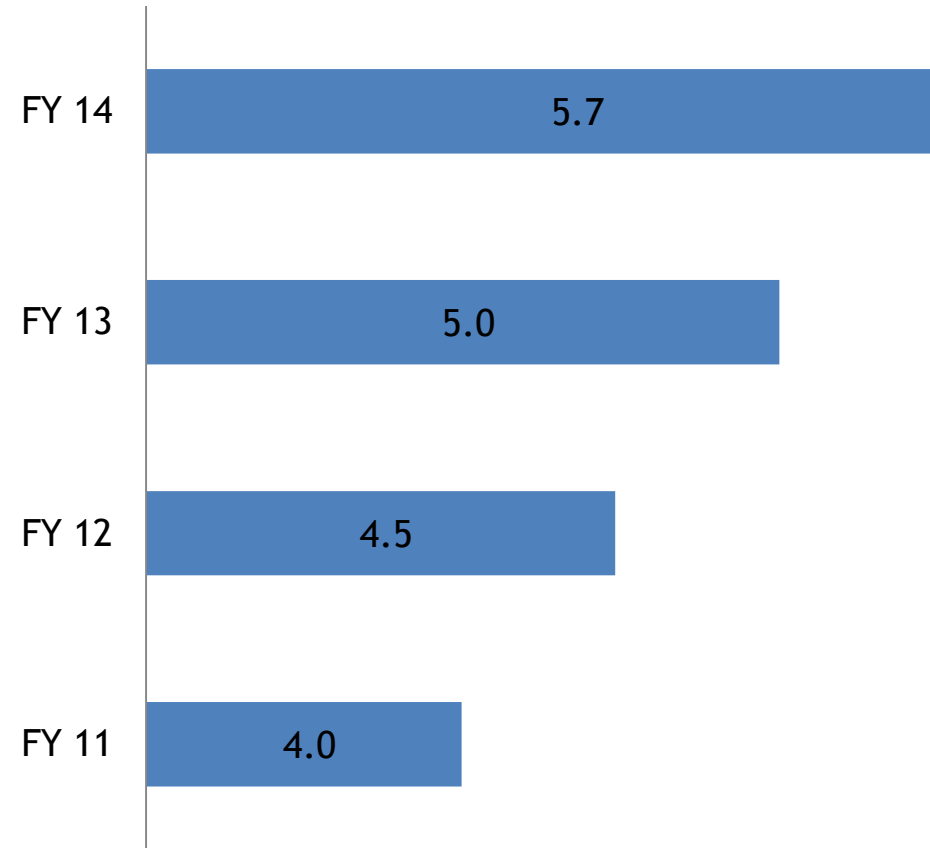
Outsourcing - An asset light model

- Focus on developing an asset light business model by increasing revenue from Associates/ Outsourcing

Revenue Break-up



Asset Turnover



Strategy of Expansion through Inorganic route

- Focusing on adding capacities by partnering with local/family-driven ventures, instead of going for greenfield expansion.
- Over the last few years, the company has made five such investments.
 - Invested Rs. 15.28 crores in acquiring a 26% stake in five plants in Morbi (Gujarat), with a right to buy back the entire capacity of 15.47 mn sqm
 - Invested Rs. 5.30 crores in acquiring a 51% stake in one plant in Morbi (Gujarat), with a right to buy back the entire capacity of 2.14 mn sqm
 - These 26% / 51% investment in equity is a cost efficient route of building production capacity versus the greenfield expansion of 2.40 mn sqm which may cost Rs. 40-50 crores.
- Key advantages of expanding through the joint venture route:
 - Low capital requirement.
 - Faster access to capacity (reduces lead-time by almost a year, since many approvals with respect to the land and plant are in place.).
 - Assured production.
 - Better control, as most of these ventures are family-driven.
 - Faster payback vis-à-vis a greenfield expansion.

Status of Joint Ventures

❖ Vintage Tiles Private Ltd.

- Acquired 26% equity stake adding capacity of ~2.55 mn sqm per annum of polished vitrified tiles
- Commenced production in January, 2012

❖ Commander Vitrified Private Ltd.

- Acquired 26% equity stake adding capacity of ~2.04 mn sqm per annum of glazed vitrified tiles
- Commenced production in June, 2012
- Capacity expansion to produce additional ~2.72 mn sqm of polished vitrified tiles completed and production started in December, 2013

❖ Vicon Ceramic Private Ltd.

- Acquired 26% stake in equity adding capacity of ~1.84 mn sqm per annum of industrial vitrified tiles and ~2.14 mn sqm per annum of ceramic wall tiles
- Commenced production in March, 2014

~Capacity based on current product mix

Status of Joint Ventures... contd.

❖ Amora Tiles Private Ltd.

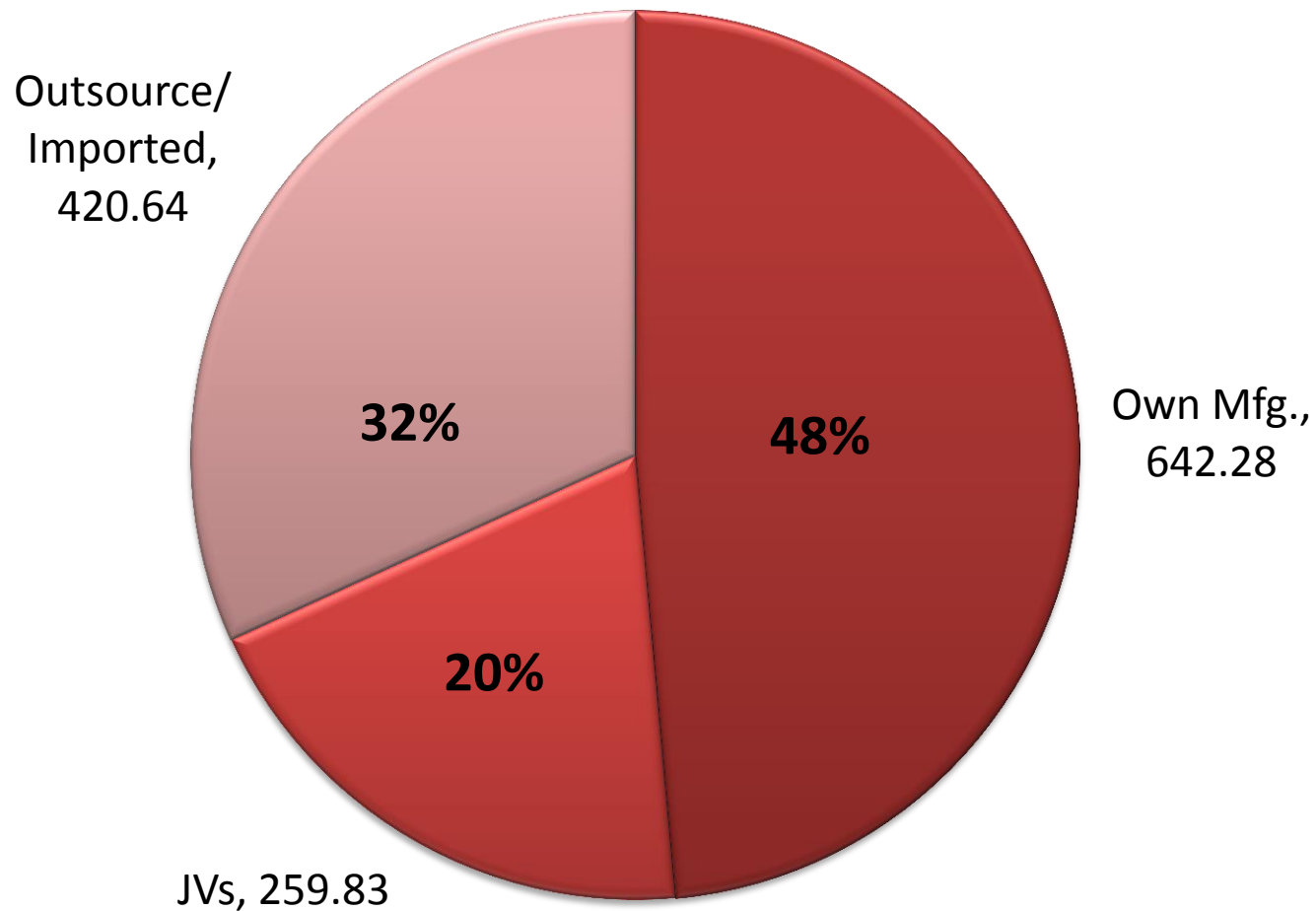
- Acquired 51% stake in equity stake adding capacity of ~2.14 mn sqm per annum of ceramic wall tiles
- Commenced production in March, 2014
- Proposed capacity expansion of ~2.44 mn sqm per annum of ceramic wall tiles, commissioning expected by October, 2014

❖ Acer Granito Private Ltd.

- Acquired 26% stake in equity adding capacity of ~2.04 mn sqm per annum of polished vitrified tiles
- Proposed capacity expansion of ~3.06 mn sqm per annum of polished vitrified tiles, commissioning expected by September, 2014

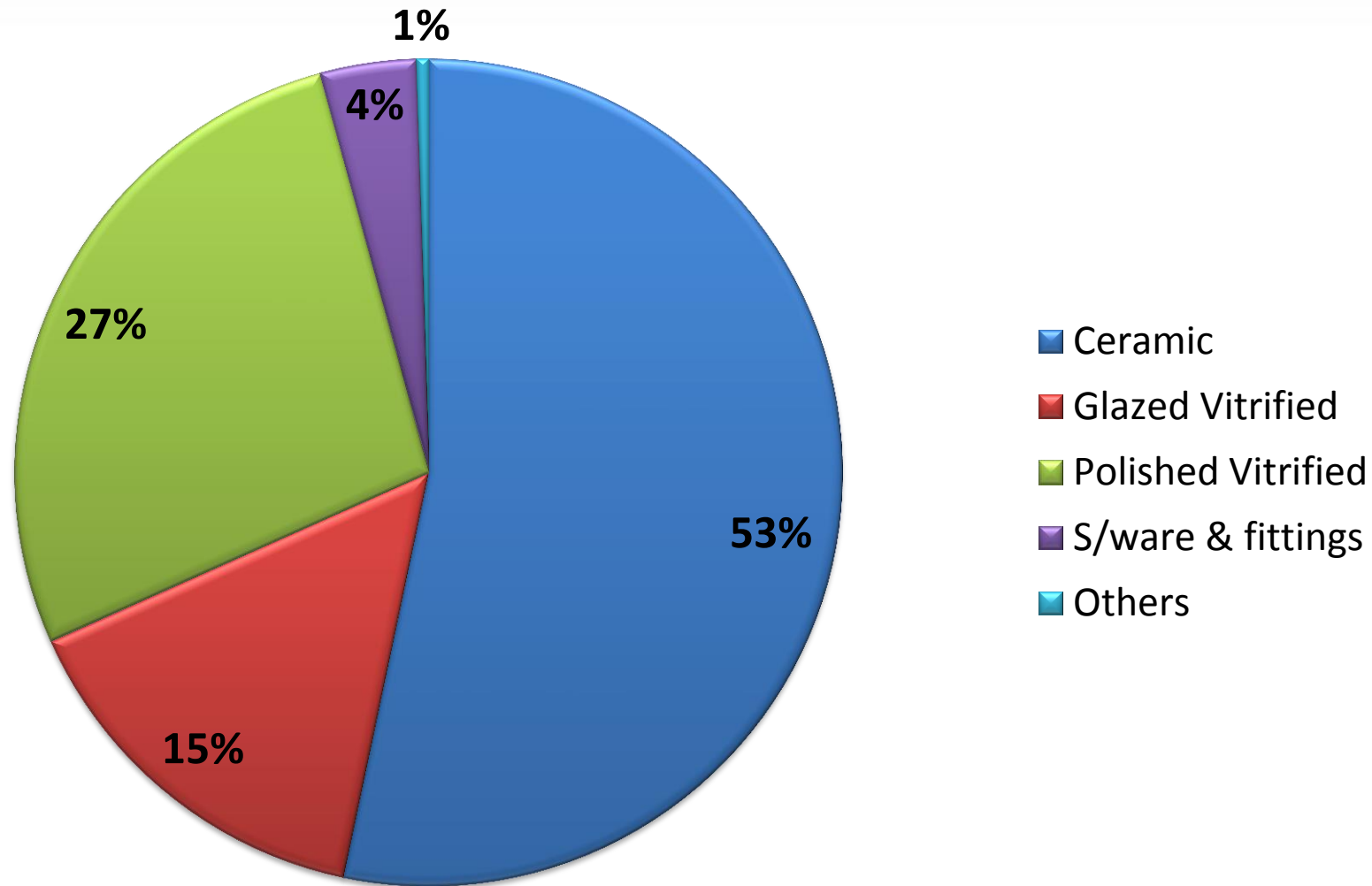
~Capacity based on current product mix

Sales Distribution - Activity-wise (FY14)



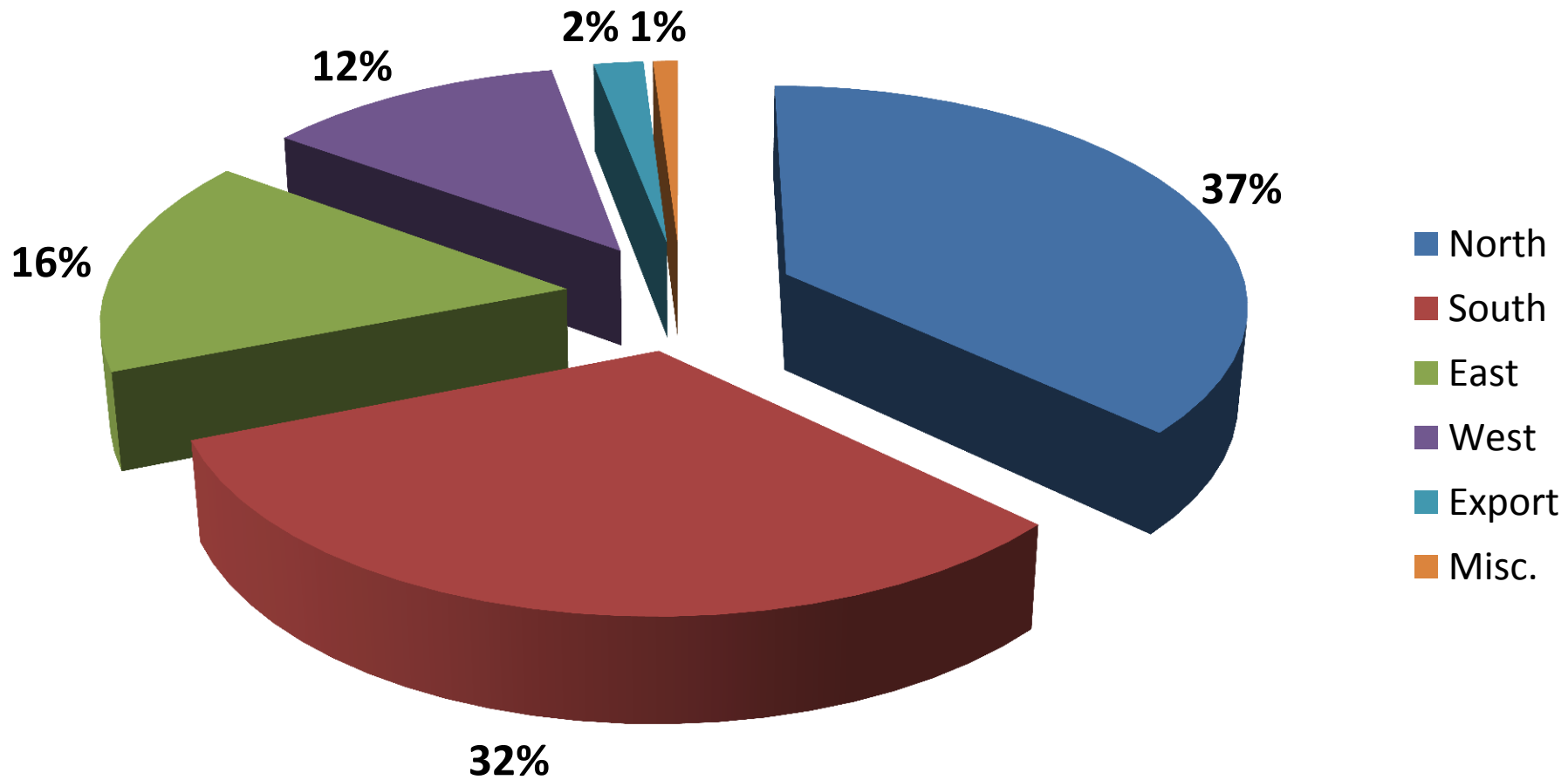
Standalone figures in Rs. Crores

Sales Distribution - Vertical-wise (FY14)



Standalone figures in Rs. Crores

Sales Distribution - Region-wise (FY14)



Distribution Strength

- Focus on leveraging the extensive distribution network to penetrate the SOMANY brand

31 Marketing/
Regional offices

19 Stock Points

500+ S&M
executives

~6500 plus dealers
& sub-dealers

25 exporting
countries

223 Somany
Showroom/ Studios

Branding & Marketing

VC Ad

SOMANY

VC SHIELD
Hard Coat Technology

India's Most Abrasion & Scratch Resistant Tiles
Super-resistant to abrasion, scratches and stains
Available in various designs and sizes

THE BETTER TILE

Powered by **HARD COAT Technology**

Scan the QR code on your smartphone to visit our website.

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RATNAPUR: 021-26121111 • SURAT: 079-26121111 • THIRUVANANTHAPURAM: 0471-26121111 • VISAKHAPATNAM: 086-26121111 • VIZAG: 086-26121111
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Glosstra Ad

SOMANY

All New **GLOSSTRA**
India's Glossiest Tiles
A range of glamorous designs
Available in vibrant colours

POWERED BY **ULTRAGLOSS TECHNOLOGY**

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DURASTONE
India's Strongest Full Body Vitrified Tiles
Ideal for outdoors | High load bearing strength

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40 YEARS
LEADERSHIP IN DESIGN AND RENOVATION

SOMANY

What makes THE BETTER TILE?

Better DESIGNS
that stay etched on the tile and the mind, forever.

Better Features
that give you an unmatched experience every time you step on the tile.

Better Technology
that sharpens quality with cutting-edge innovation.

Better Range
that perfectly suits your unique tastes and diverse needs.

GLOSSTRA
India's Glossiest Tiles

VITRO
India's Most Reflective Tiles

VC SHIELD
India's Most Abrasion-Resistant Tiles

SLIP SHIELD
India's First Anti-Skid Tiles

DURASTONE
India's Toughest Tiles

DURAGRES
India's Most Durable Tiles

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CP Fittings Ad

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Ecowood Ad

SOMANY

LET WOOD IN. KEEP STRESS OUT.

ECOWOODS, WOOD-FINISH TILES FROM THE HOUSE OF SOMANY.

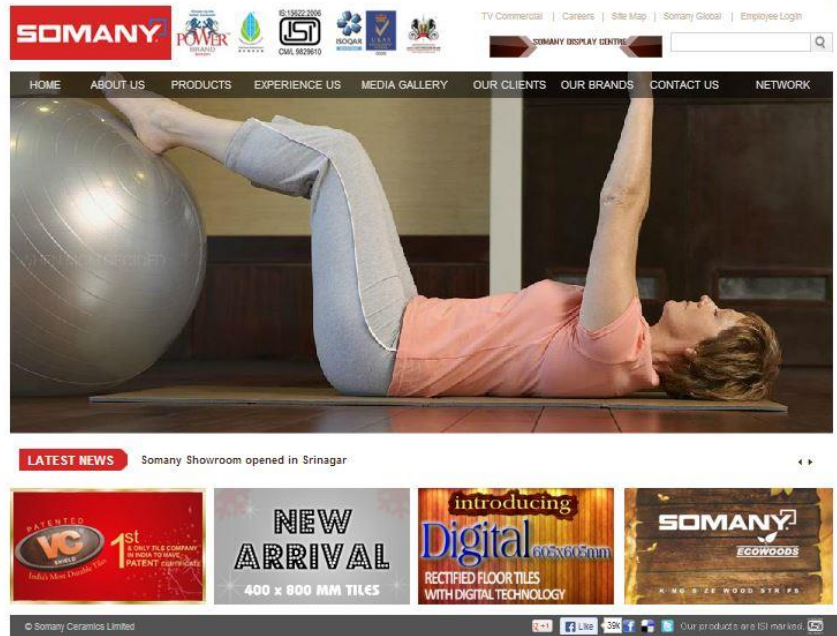
Available in 145X605mm, 150X800mm & 190X1200mm sizes.

Visit us at ACE Tech Exhibition
Mumbai: Somany Exhibition Centre, Stand No. D-4
Date: 17th-20th October 2013
Bangalore: DEC, Hall No.1, Stand No. A-6
Date: 08th-10th November 2013

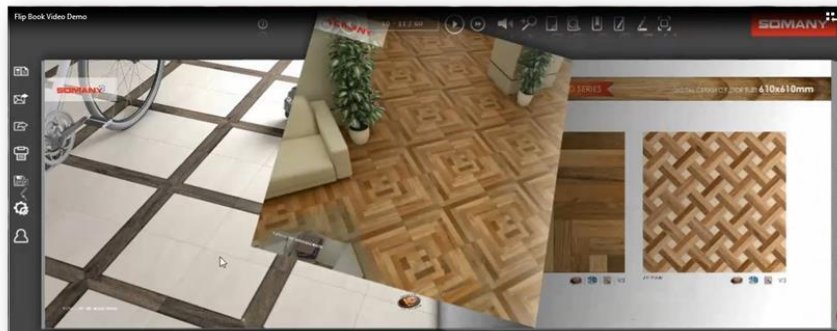
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Brand SOMANY (Cont'd)



- Extended branding from the physical domain to the virtual domain, enhanced exposure through a user friendly website and social media platforms is also helping gain a lot of mileage and traction around the brand.



- Transformed the static digital PDF files into interactive page turning Flip Books available on our website which give consumers a interactive product catalogue and ease of access.

Research & Development

- To combat competition and stand out in the market, it's imperative that the Company has a sacrosanct approach towards R & D.
- Key highlights of Somany's R&D efforts
 - First in the tile industry to have government-recognized R&D facilities
 - A research paper on “increasing the tile production of glazed vitrified tiles by using borate flux” published in the reputed international ceramic conference “Qualicer” at Spain - being first for any tile company from India
 - A highly experienced & qualified team in Design & Development
 - Close working relationship with Italian MNCs for development of new products
 - Use of latest software's available in the market
 - Innovations are done not only in designs as well as our products for which we have acquired many patents
 - Latest printing technologies in our production facilities

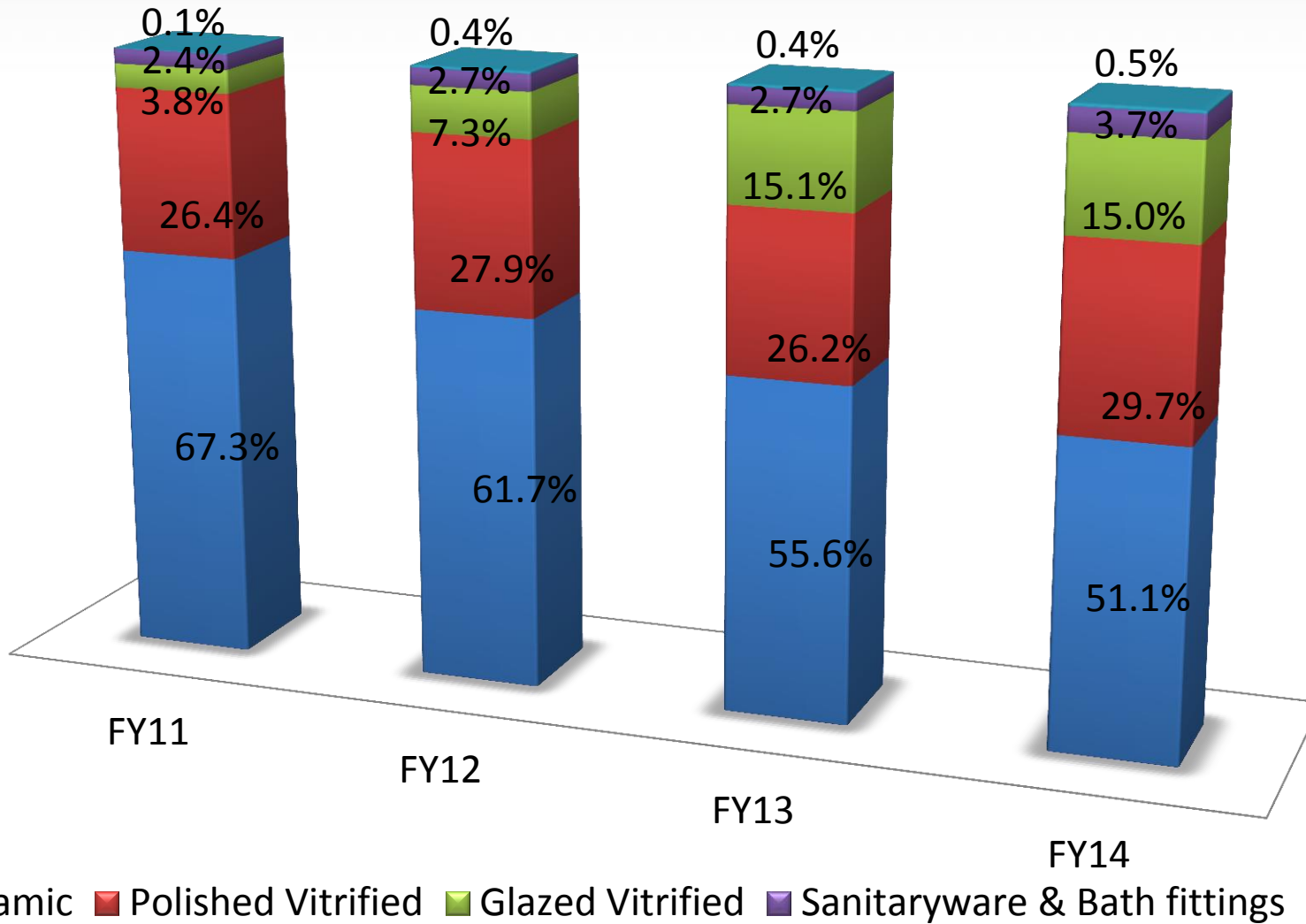
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Industry Overview

Somany Ceramics Ltd. - Overview

Financial Overview

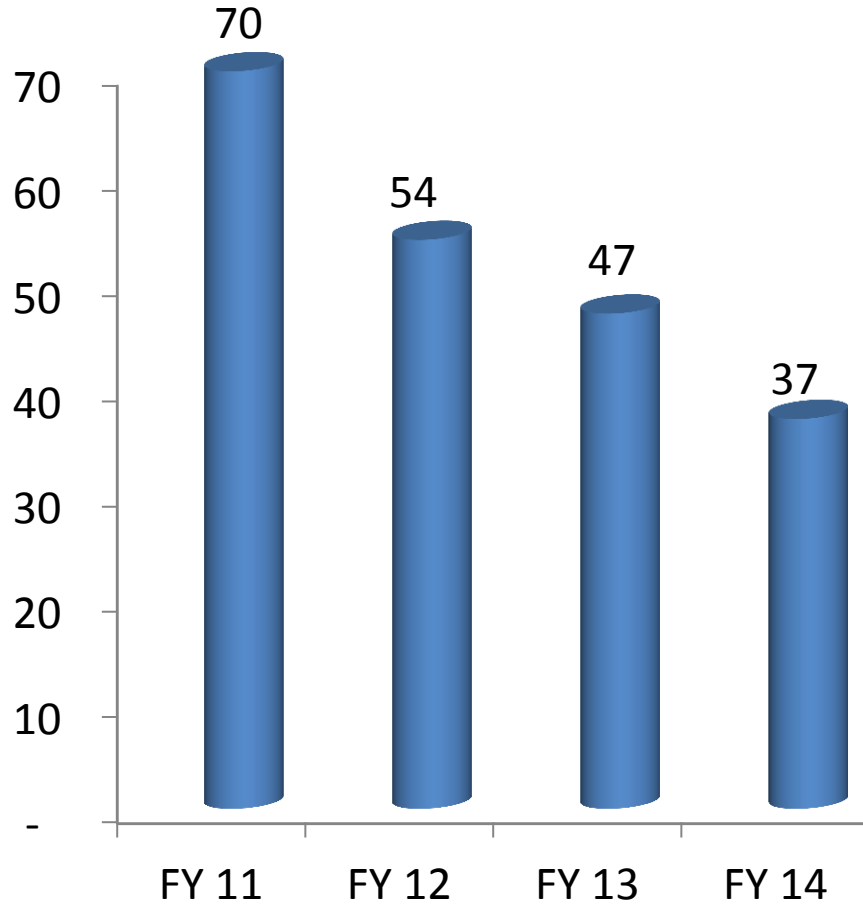
Sales Break-up



Steadily increasing proportion of high end products in total turnover

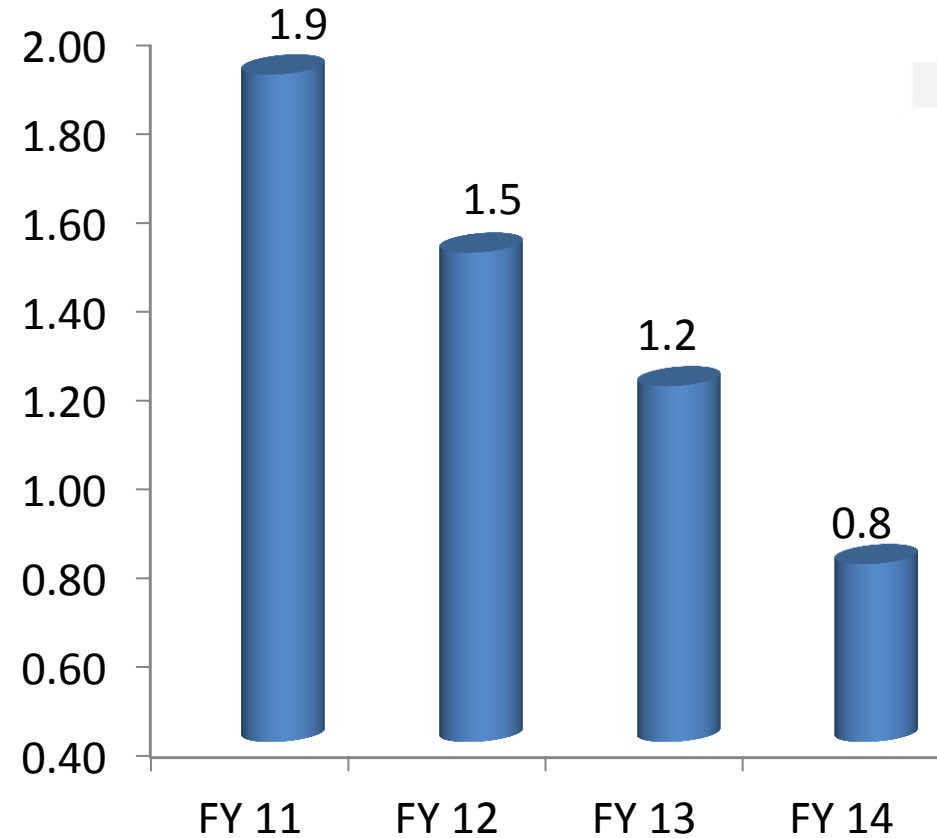
Debt Management

Working Capital Cycle (Days)*



*excludes Current Investment of Rs. 37.10 crores

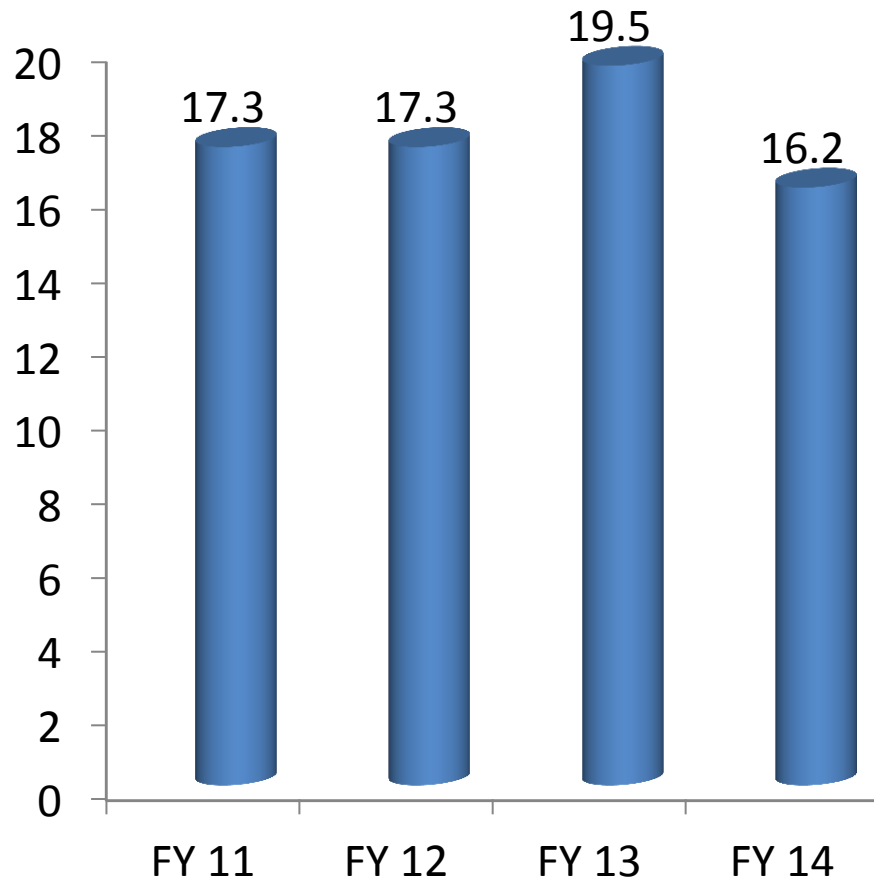
Debt Equity (Times)



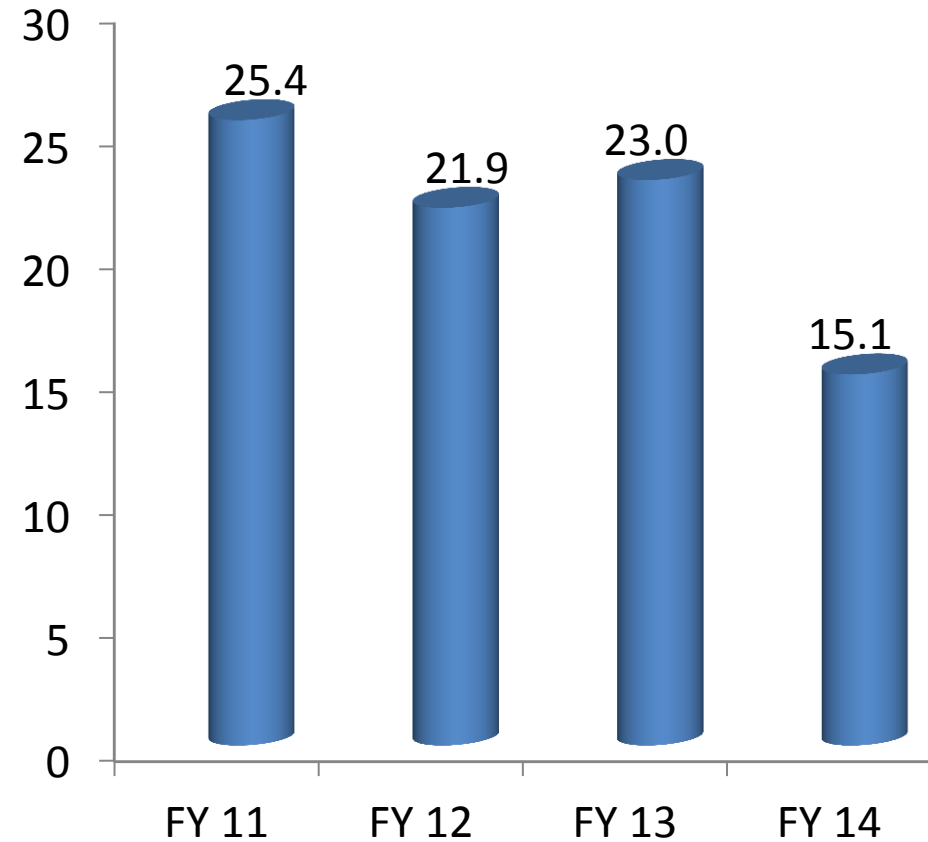
Strengthening balance sheet along with a healthy growth in turnover

Return Ratios

ROCE (%)



ROE (%)



Benefits of an asset light business model percolating to overall profitability

Financial Highlights - P&L

Particulars	FY 10	FY 11	FY 12	FY 13	FY 14
Gross Sales	563.02	749.54	921.10	1108.51	1322.75
Net Sales	536.94	708.34	870.36	1046.24	1252.96
EBIDTA	58.32	68.10	74.56	87.05	84.38
Depreciation	14.47	17.27	18.22	20.40	22.06
Finance cost	13.29	17.12	20.65	19.98	18.30
Profit before tax	30.56	33.71	35.69	46.67	44.02
Tax expenses	10.10	10.28	10.94	15.08	15.99
Profit after tax	20.46	23.43	24.75	31.59	28.03
Cash Profit	32.95	43.16	42.66	52.82	51.41
EPS (Rs.)	5.93	6.79	7.17	9.16	8.01

Standalone figures in Rs./ Crores

Financial Highlights - Balance Sheet

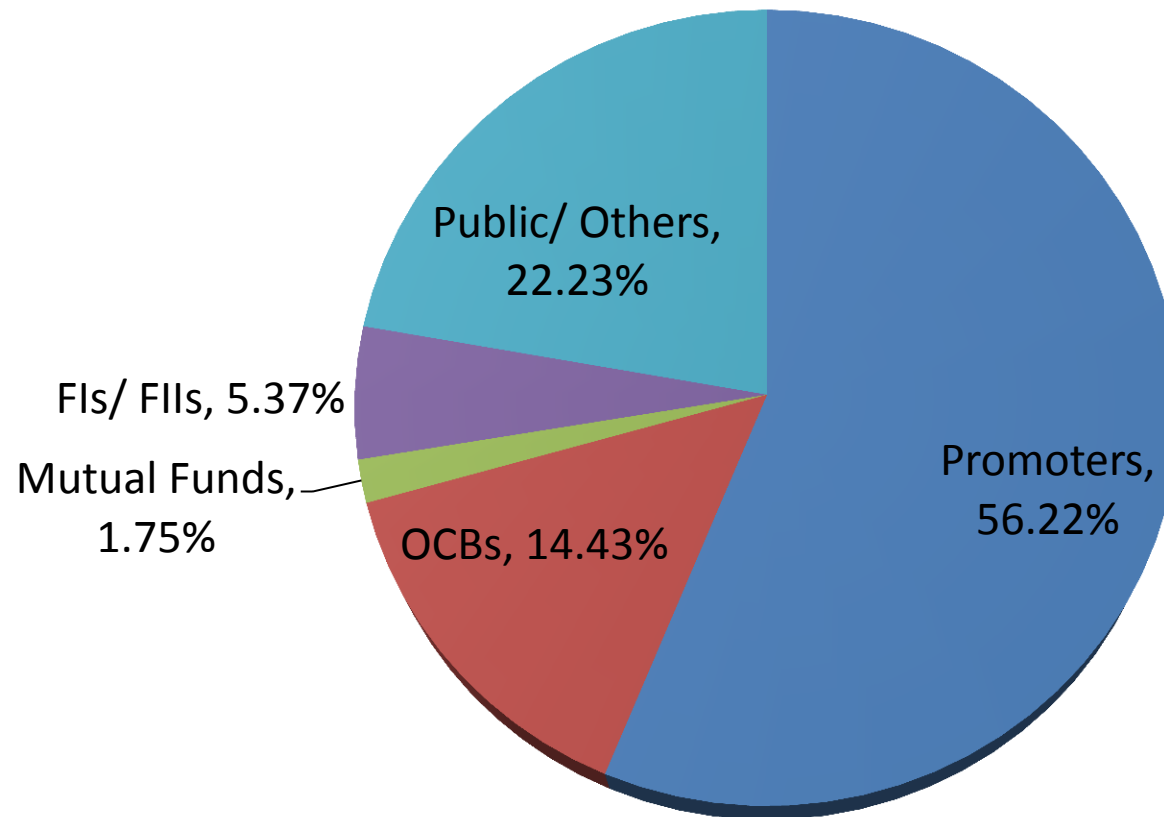
Particulars	FY 10	FY 11	FY 12	FY 13	FY 14
Equity Share Capital	6.90	6.90	6.90	6.90	7.77
Reserves & Surplus	74.95	95.57	117.11	143.86	212.74
<i>Net Worth</i>	<i>81.85</i>	<i>102.47</i>	<i>124.01</i>	<i>150.76</i>	<i>220.51</i>
Total Debt	162.23	191.22	180.97	176.08	169.75
Net Block	153.84	175.92	193.97	208.91	218.52
Investments	1.73	1.72	5.95	9.20	21.67
Net Current Assets	111.71	136.77	128.12	133.32	164.74

Standalone figures in Rs./ Crores

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Shareholding Pattern

As on 31st March, 2014



Equity Shares Outstanding – 38,844,826 of Rs. 2/- each

CMP (as on 6th June, 2014) – Rs. 277.60 per share

Market Capitalization (as on 6th June, 2014) – Rs. 1078 crores

Disclaimer

The information contained herein has been prepared to assist prospective investors in making their own evaluation of the Company and does not purport to be all-inclusive or to contain all of the information a prospective or existing investor may desire.

This Information may include certain statements and estimates provided by the Company with respect to the projected future performance of the Company. Such statements, estimates and projections reflect various assumptions by management concerning possible anticipated results, which assumptions may or may not be correct.

Prospective investors will be expected to have conducted their own due diligence investigation regarding these and all other matters pertinent to investment in the Company.

This presentation may contain statements that are “forward looking statements.” The company’s actual future results may differ materially from those suggested by such statements, depending on various factors for which the company and its management does not take any responsibility.

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