



# SOMANY CERAMICS LIMITED

## Corporate Presentation

*OCTOBER 2014*

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**Industry Overview**

**Somany Ceramics Ltd. - Overview**

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# Global Tiles Market



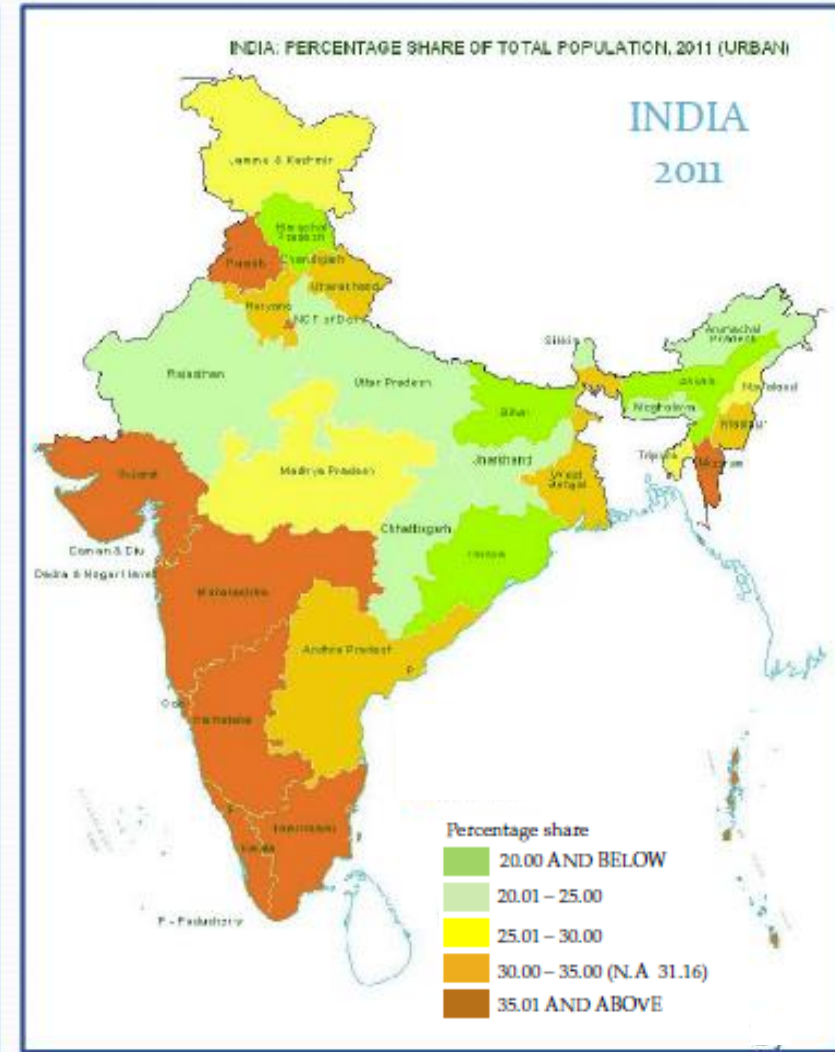
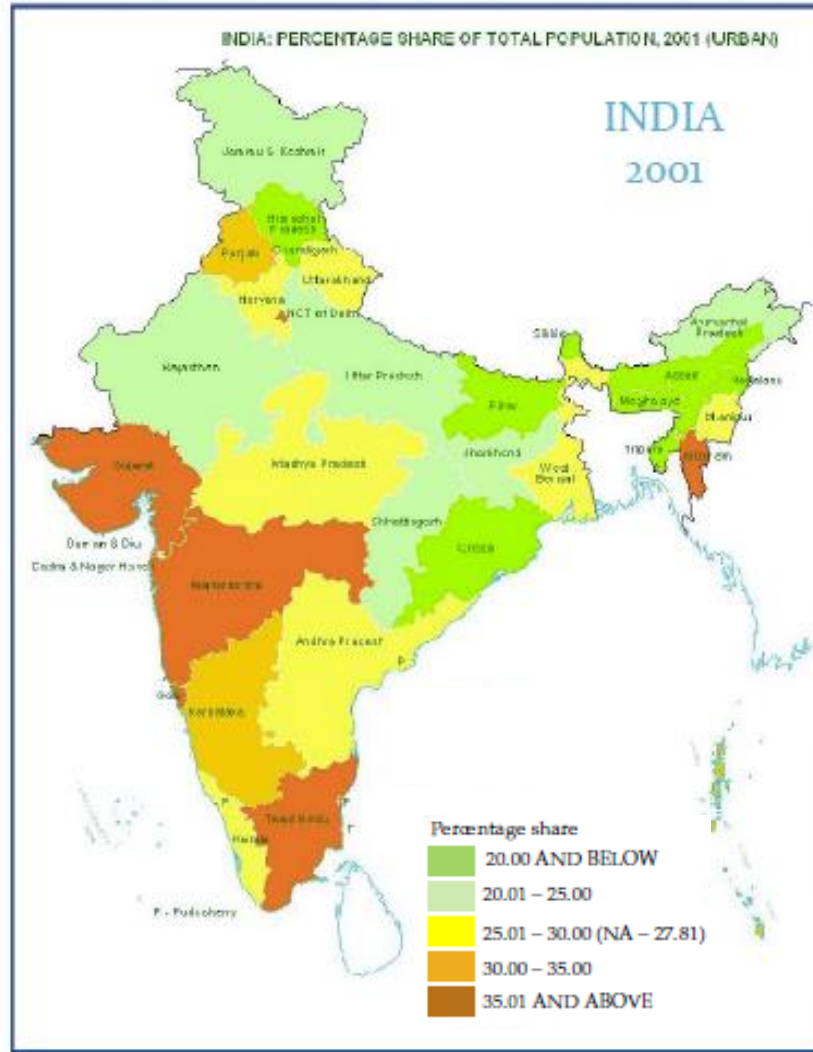
- Global tiles production touched 11.91 bn sqm in CY2013, while consumption strengthened by 5.9% to 11.57 bn sqm
- Estimated value of global tile market was \$ 48 bn out of which India's share is \$ ~3.6 bn
- Global tiles market grew at a CAGR of 7.9% (2009-13)
- India's rank in the total world production improved from 5th in 2008 to 3rd in 2013; Indian market CAGR higher than that of Global
- Top-3 tile producing and consuming countries in CY13 and per capita consumption:

Country	Production (MSM)	Production (% share)	Consumption (MSM)	Consumption (% share)	Per capita consumption (sqm)
China	5,700	48	4,556	39	3.4
Brazil	871	7	837	7	4.1
India	750	6	748	6	0.5

- Huge potential in Indian tiles market owing to low per capita consumption
- Unlike India, globally tiles are used extensively outdoors (paving, claddings, external facades etc.)

Source: Ceramic World Review, Industry

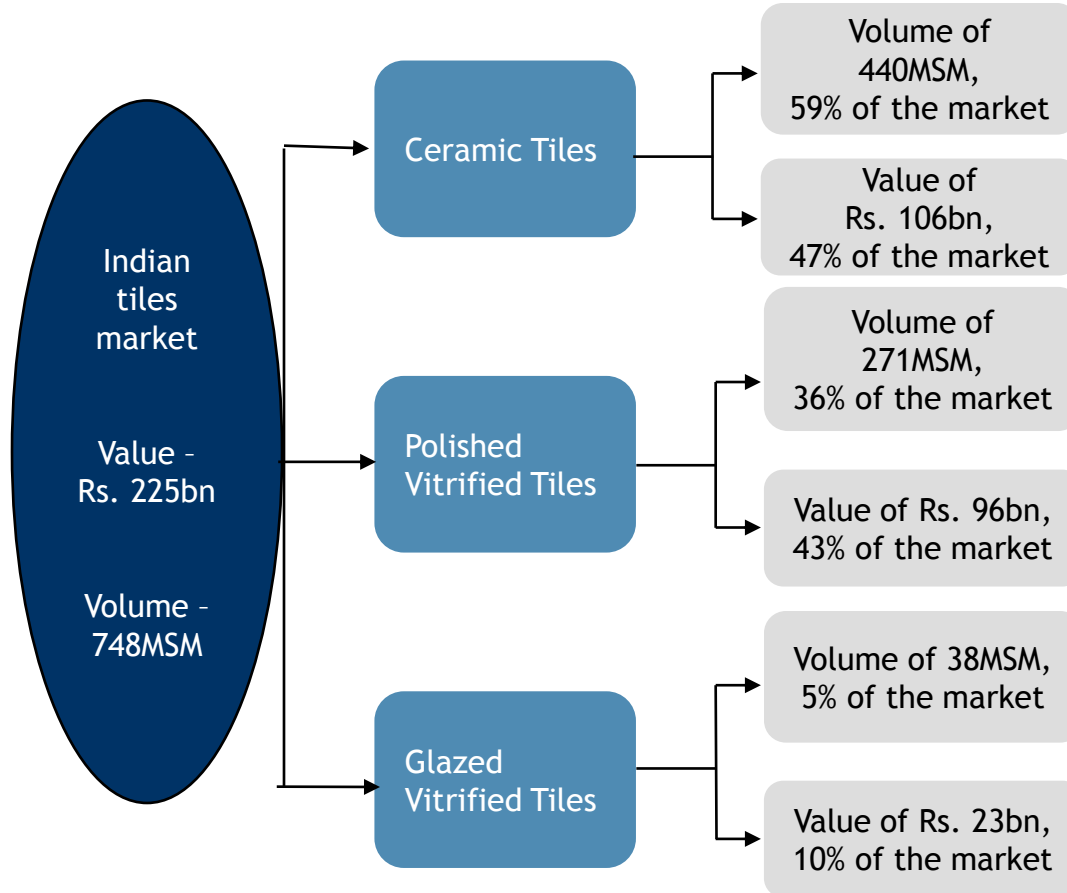
# Indian Tiles Market (Macro)



Increased Urbanisation is the key driving factor of the Indian Tiles Market

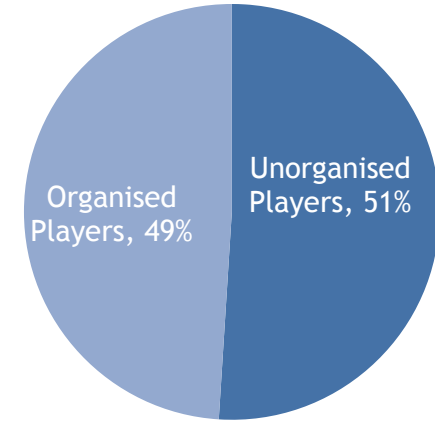
# Indian Tiles Market (Macro)

## Ceramic tiles - market segmentation in CY13

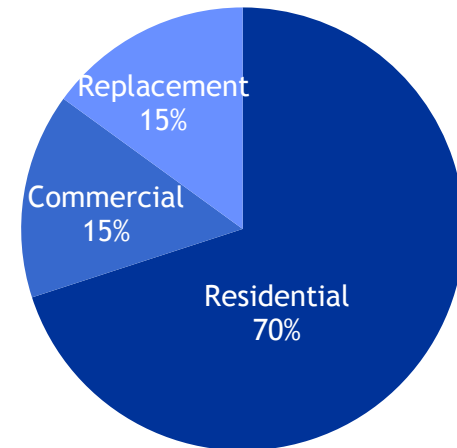


Source: Industry, MSM - million square metres

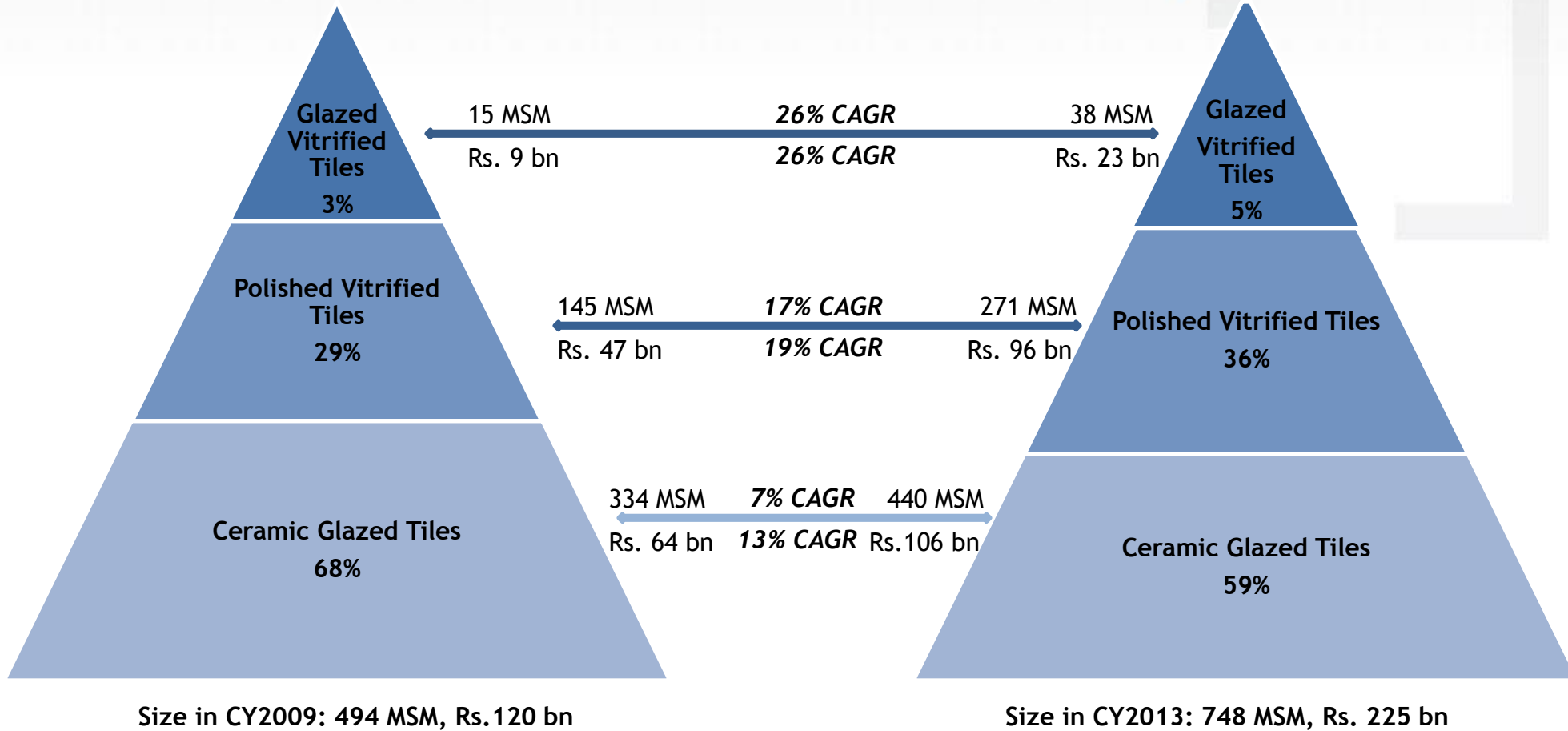
## Organized vs. Unorganized market - Equally split in value terms



## Break up of tiles demand - Residential consumes 70% of demand



# Indian Tiles Market (Macro)



Structural shift in consumer preference to better value proposition vitrified tiles to drive profitability improvement especially for branded players

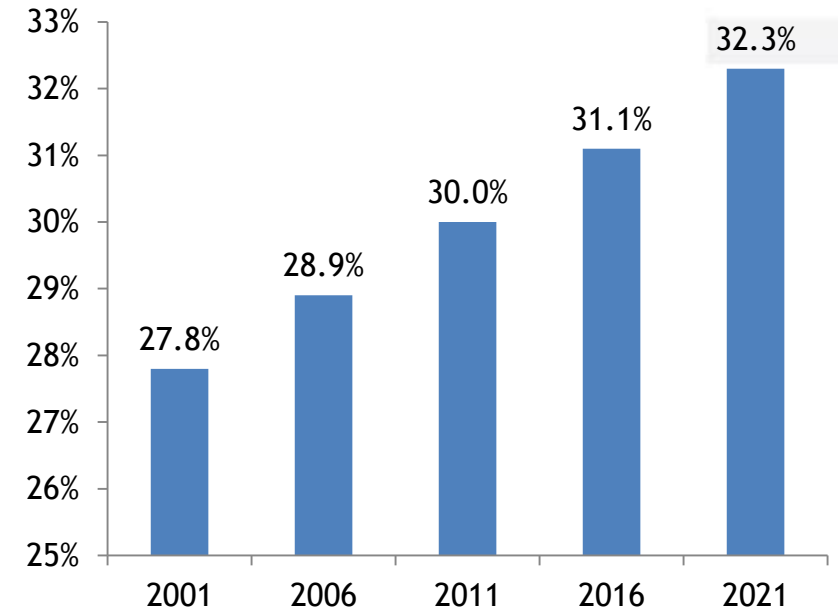
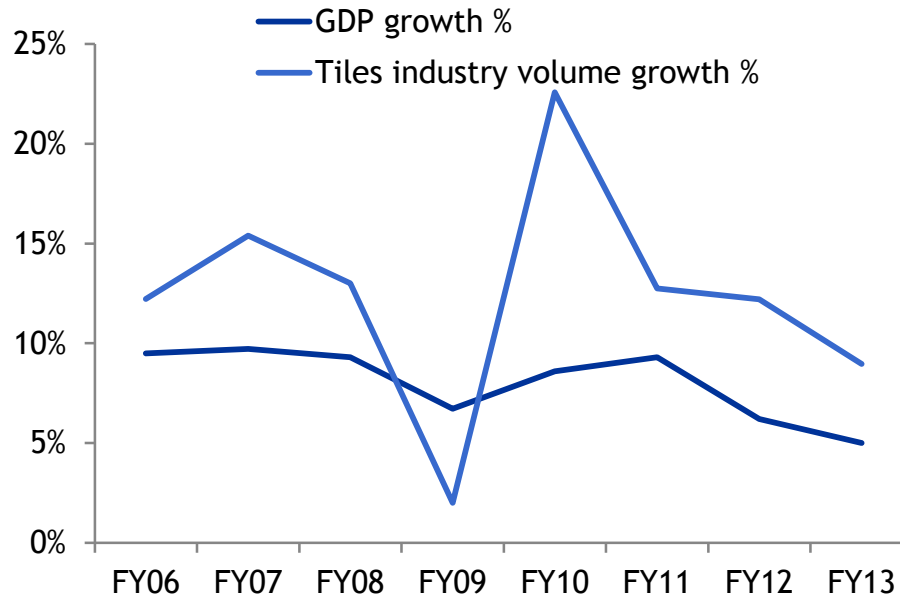
Source: Industry

# Indian Tiles Market (Macro)



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

Increasing urbanization trend is expected to continue



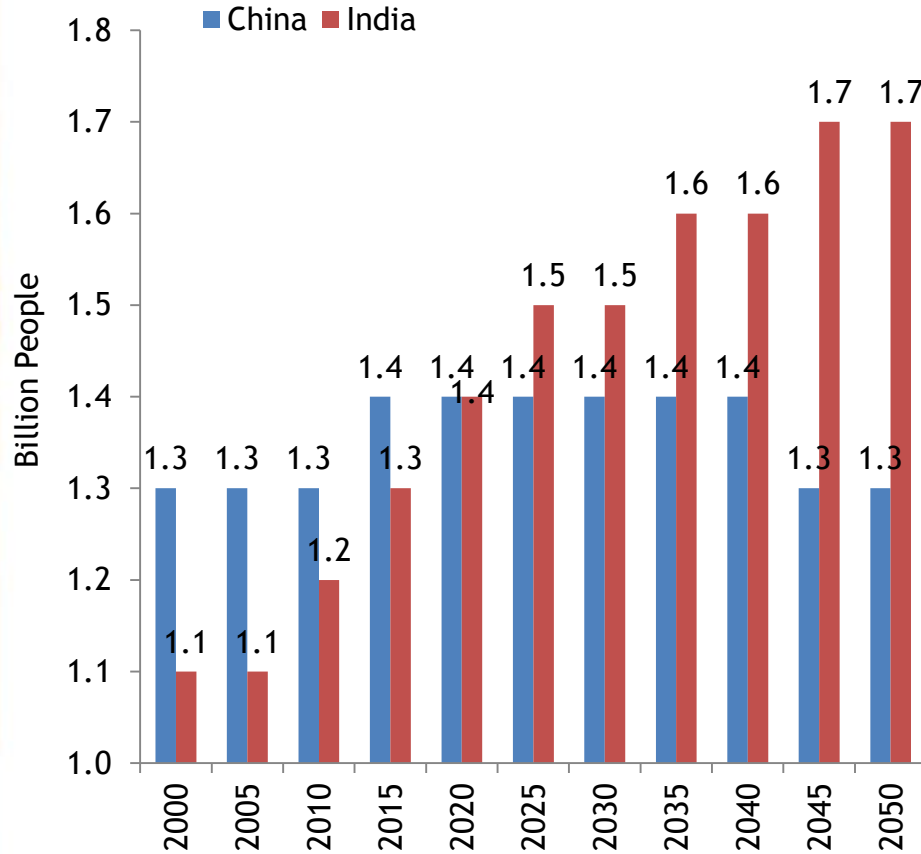
Tiles Industry is the direct beneficiary of Economic boom in the country and is positively correlated to the GDP growth

Source: Industry

# Indian Tiles Market (Macro)

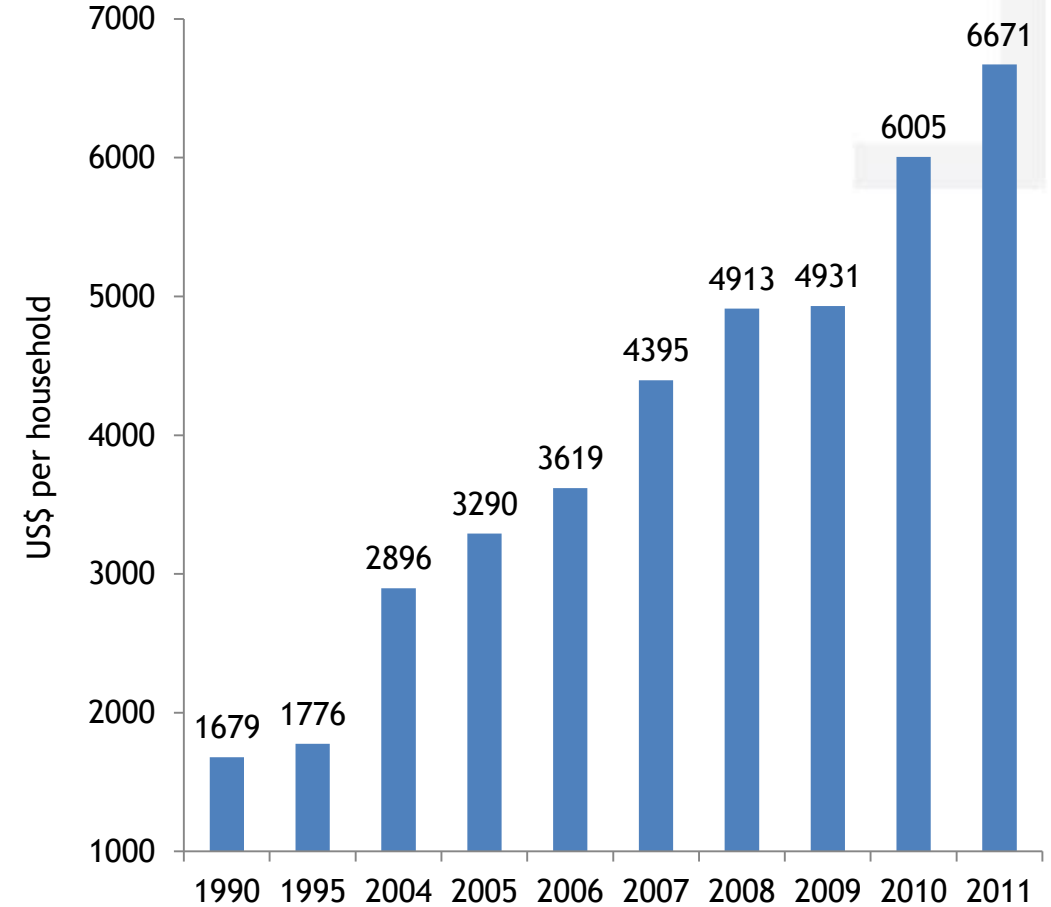


India population to be higher than China from 2020



Source: United Nations

12.7% CAGR increase in disposable household income



Source: Euromonitor International



# Government Initiatives to augur well

## Infrastructure development is the DNA of Modi Govt.

Swachh Bharat Abhiyan (SBA) - to make Rural areas "open defecation free"- ODF by enabling construction of individual, cluster & community toilets

Development of 100 smart cities as satellite towns of larger cities

Development of Industrial corridors

Housing for all by 2022

Rural housing fund under National Housing Board (NHB)

## Corporate India committed to SBA...

Coal India to spend Rs. 2.35bn on building toilets and improving sanitation

Bharti foundation to spend Rs. 1bn for building toilets over the next 3 years

TCS has pledged Rs. 1bn towards sanitation facilities for girl students

HUL plans to construct 24,000 toilets by 2015

ITC plans to construct 10,000 toilets

Vedanta group announced to build 10,000 more toilets

Aditya Birla Center plans to build 10,000 toilets in MP, UP, TN and Gujarat

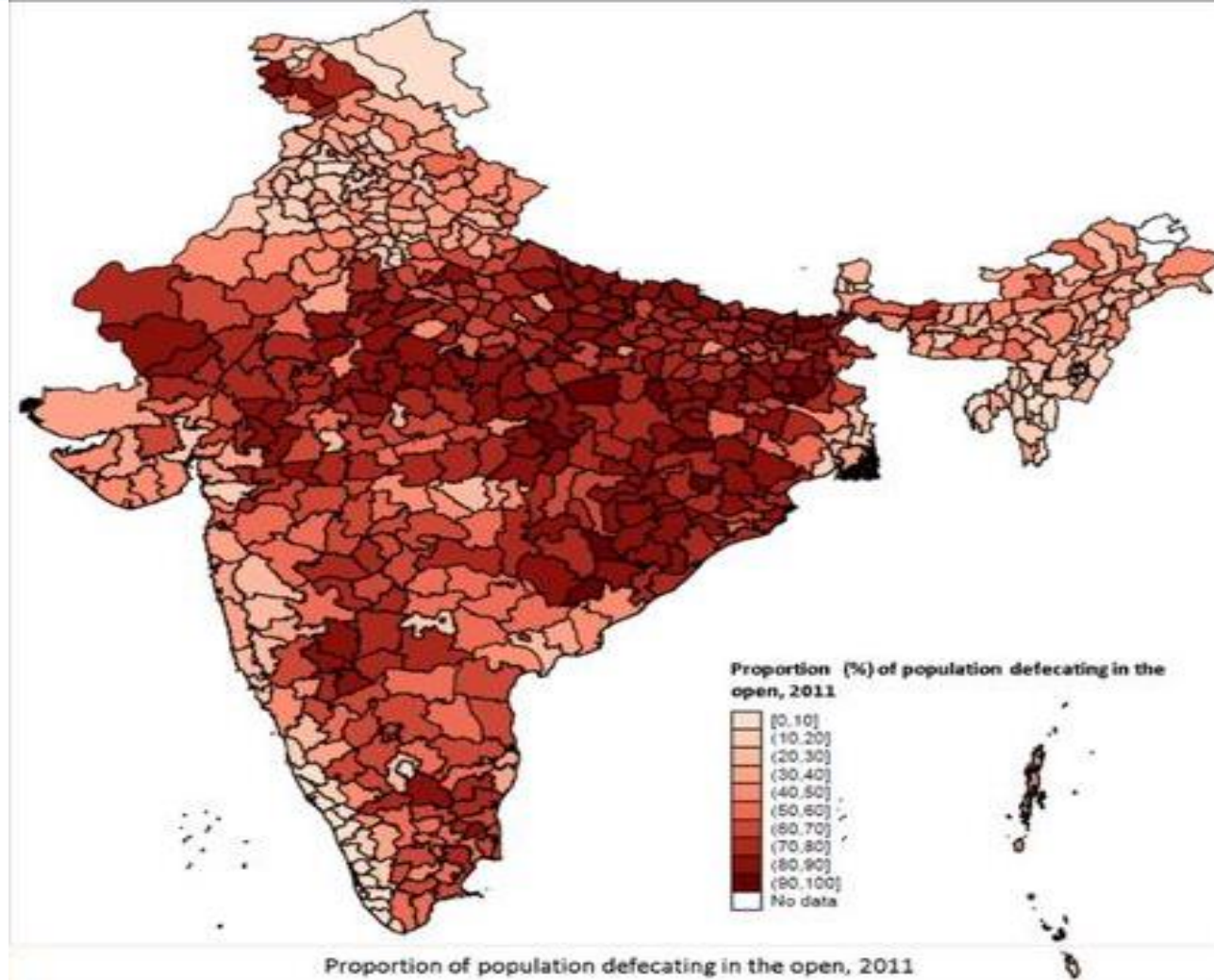
L&T committed to build 5,000 toilets under L&T Public Charitable Trust

GAIL to spend Rs. 270mn for building toilets

Dabur & NBCC plans to build 100 toilet each in rural areas & for girls students respectively

Focus of the Modi Government on Infrastructure to create exponential business opportunities for companies in the Tiles and Sanitary Ware Industry

# ... toilets before temples key agenda



Government to target to achieve Total Sanitation/Swachh Bharat and make India Open Defecation Free (ODF) by 2019

# Morbi - Mecca of Indian Tile Industry (Micro)



## Mecca of Indian Tile Industry

- Home to >600 tile manufacturers out of over 700 in India
- Represents almost entire unorganized tile market of India
- Manufactures ~60% of the total tiles production in India

## Competitive

- Capability to manufacture vitrified tiles, floor tiles, quartz stone, sanitary ware, roofing tiles and mosaic tiles
- Exports to markets such as Middle East, Africa, Sri- Lanka and Bangladesh along with supplying significant quantities to the Indian branded players
- Proximity to ports make it a low transport hub

## Proximity to Raw Materials

- Proximity to key raw materials make it a formidable region for tile manufacturers
- Clay, red and black soil, minerals including calcite and wallastonite, frits and glazes are abundantly available locally or from neighboring region of Rajasthan
- Dedicated gas lines are available from GSPC

Morbi in Gujarat is the nerve centre of the Indian Tile Industry and is witnessing structural shift via exclusive tie up with Branded Tile Players



**Industry Overview**

**Somany Ceramics - An overview**

**Financial Overview**

# Strong Promoter Pedigree



**Mr. Hira Lall Somany - Chairman Emeritus**

- Patriarch of Somany Family which promoted leading companies in Ceramics space in India such as HSIL Limited (Sanitaryware), Hindusthan National Glass & Industries Limited (Container Glass) and Somany Ceramics Limited (Tiles)
- Held key positions in reputed industry associations such as ASSOCHAM, PHDCC, FICCI, Capexil etc.



**Mr. Shreekant Somany - Chairman & Managing Director**

- Science Graduate from Kolkata University
- Over 40 years of hand on experience in Ceramics and Glass industry
- Currently Deputy Chairman of CII Northern India
- Held key positions in ASSOCHAM, PHDCC and ICCTAS



**Mr. Abhishek Somany - Joint Managing Director**

- Graduate in Business Administration from Richmond University, UK
- Received specialized intensive training at Pilkington Tiles, UK
- 18 years of experience in the Ceramic Industry
- Member of Executive Committee of FICCI



# Company Overview



## SOMANY'S JOURNEY SO FAR

1970



In technical collaboration with Pilkington's Tile Holding (U.K.), Somany Pilkington's Ltd. established a manufacturing unit in Kassar, Bahadurgarh (Haryana) and started its first commercial production in 1970

1973 : Somany Pilkington Ltd. got listed on Calcutta Stock Exchange and made a right and public issue.

1978: Total production capacity at Kassar was 6000 sq. mt. per day.

1980



1981: Second manufacturing unit set up in Kadi (Gujarat) taking total production capacity to 7500 sq. mt. per day.

1990



1992 : A new production line added at Kassar floor plant with manufacturing capacity of 3500 sq. mt. per day.

1995 : Floor tiles manufacturing capacity enhanced in Kassar by 3500 sq. mt. per day.

1996 : Wall tile DFF plant set up in Kadi with manufacturing capacity of 6000 sq. mt. per day.

1997: Floor Tile Plant capacity at Kassar further expanded by 5000 sq. mt. per day.

# Company Overview...Contd.



STAYING AHEAD  
OF THE  
GROWTH CURVE

2000



2001: A new floor tiles manufacturing plant set up in Kadi with a capacity of 6000 sq. mt. per day.

2002 : Wall tiles SFF (Single Fast Firing) plant with a capacity of 6000 sq. mt. per day set up at Kassar (Haryana).

2004: FTP at Kadi setup with manufacturing capacity of 6000 sq. mt. per day.

2007: MTP at Kassar setup with a capacity of 7500 sq. mt. per day.

2009: Somany Ceramics earned the PATENT for its invention of a "HIGH ABRASION RESISTANT GLAZE COMPOSITION", which is known as VC SHIELD HARD-COAT technology.

2010



2010 : A new production plant of GVT (Glazed Vitrified Tiles) installed at Kassar with a capacity of 7000 sq. mt. per day.

2012 : Acquired 26 percent equity stake in 2 JVs with an aggregate annual capacity of 5.30 mn sqm. Entered into the sanitary ware business.

2013 : Got the CE Certification for exports in European Union. Forayed into Bath Fittings. Launched Slip Shield tiles taking a lead in innovations in the Indian Ceramic Industry. Added 3 more JVs.

2014: JV for Sanitaryware production.



# Evolution of the Brand



1972



In technical collaboration with Pilkington's Tile Holding (U.K.), Somany Pilkington's Ltd. established a manufacturing unit in Kassar, Bahadurgarh (Haryana) and started its first commercial production in 1972.

1996



Indian promoters of SPL Ltd. bought all the equity shares held by Pilkington's Tile Holding (UK)

1998



Changed the logo from SPL Ltd. To Somany Tiles.

1999



Changed to Somany Wall & Floor Tiles to bring in more product focus.

2004



Launched India's toughest heavy duty vitrified tiles – Durastone'.

2005



Somany invented a 'High Abrasion Resistant Glaze Composition' called 'VC shield'.

2007



Changed our company name from SPL Ltd. to Somany Ceramics Ltd.

2010



Brand Somany changed to more vibrant, young, bold and smart look. The brand got 'Power Brand' status on the basis of research conducted by ICMR.

2007



Introduced polished vitrified tiles under the brand name 'Somany Vitro'.

2010



Launched 'Duragres' (GVT) an alternative to high end marble & mosaic varieties.



# Evolution of the Brand...Contd.



## 2011



Received the prestigious  
'Powerbrand Award'

## 2012



Received the Indian  
'Powerbrand Award' for the  
second year in a row

Declared 'Asia's Most  
Promising Brand'

## 2013



Won Inc. India  
Innovative 100  
award for our  
smart innova-  
tion 'VC Shield'  
technology.

## 2013



Taking the lead in  
innovations, 'Slip  
Shield' tiles were  
launched.

## 2014

'BEST IN  
CLASS DISTRIBUTION'

India's strongest  
distribution and  
one of the best  
retail footprint -  
1700 dealers &  
8000 retailers.

## 2014



Presented India's  
glossiest tiles -  
'Glosstra'

# Accreditations & Recognitions

Global Communications Award



Power Brand Award 2010-11



Ceramics Brand of the Year 2012-13



ISOQAR, UK accreditation



IGBC Member



ISI Council Accreditation



# Institutional Customers

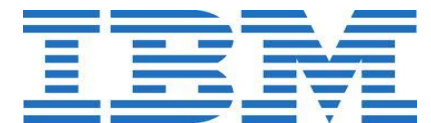
## Developers



Shapoorji Pallonji & Co Ltd



## Corporates/Banks



# Institutional Customers



## PSU



दिल्ली मेट्रो रेल कॉर्पोरेशन लिमिटेड  
DELHI METRO RAIL CORPORATION LTD.

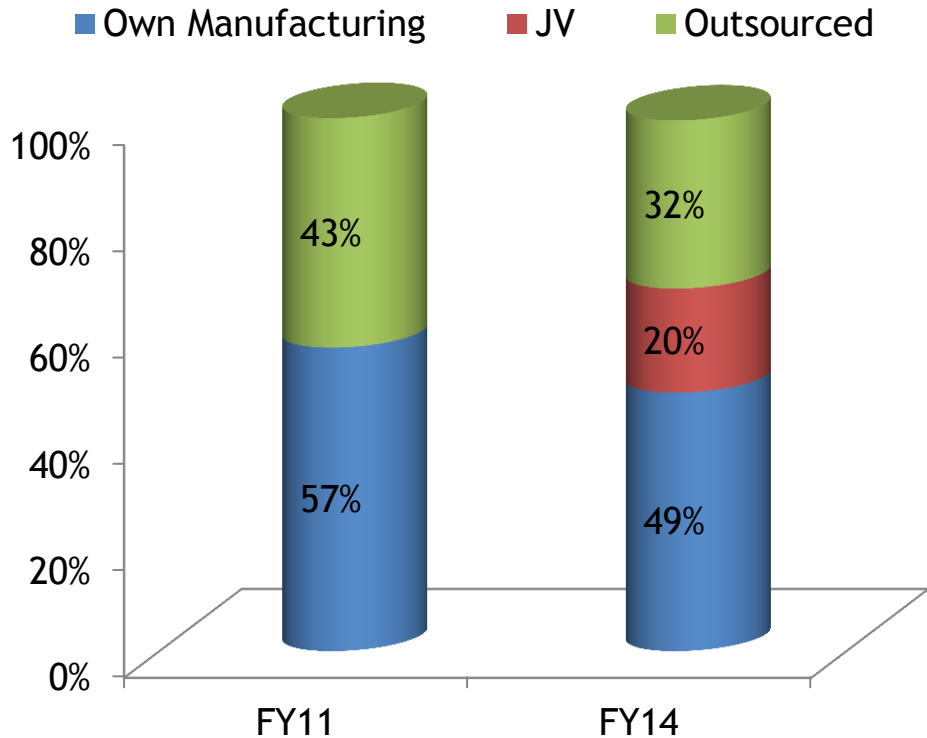


## Retailers/Hospitals/Hospitality

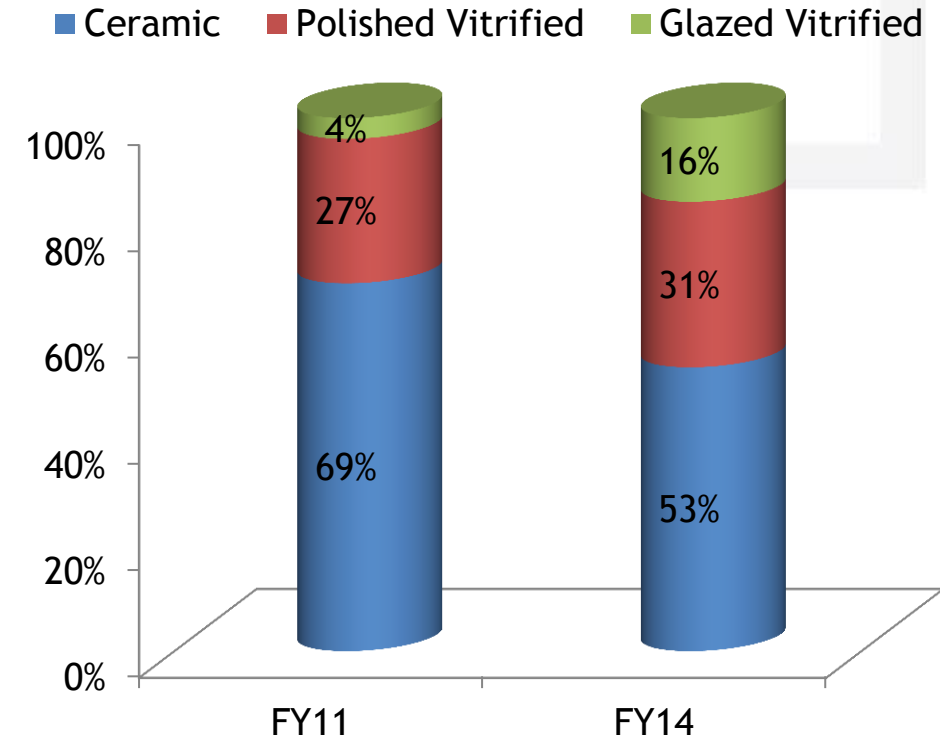


# Strategically moving up the value chain...

Increasing Share of Outsourced & JV Sales in Overall Sales



Increasing Share of Vitrified Tiles in Overall Sales



Moving up the value chain likely to improve profitability margins going forward and provide operational flexibility

# ... to gain faster market share



## Vintage Tiles Pvt. Ltd

- 26% equity acquired in 2012
- ~2.55 MSM of Polished Vitrified Tiles

## Commander Vitrified Pvt. Ltd.

- Acquired 26% equity
- ~ 2.04 MSM of Glazed Vitrified Tiles
- ~2.72 MSM of Polished Vitrified Tiles

## Vicon Ceramic Pvt. Ltd.

- Acquired 26% equity stake
- ~1.84MSM of Industrial Vitrified Tiles
- ~2.14MSM of Ceramic Wall Tiles

## Amora Tiles Pvt. Ltd.

- Acquired 51% equity stake
- ~2.14MSM of Ceramic Wall Tiles
- ~2.44MSM of Ceramic Wall Tiles under expansion (start up by Dec. 14)

## Acer Granito Pvt. Ltd.

- Acquired 26% equity stake
- ~2.04MSM of polished Vitrified Tiles
- ~3.06MSM of polished Vitrified Tiles under expansion (start up by Oct. 14)

Low capital requirement

Faster access to capacity

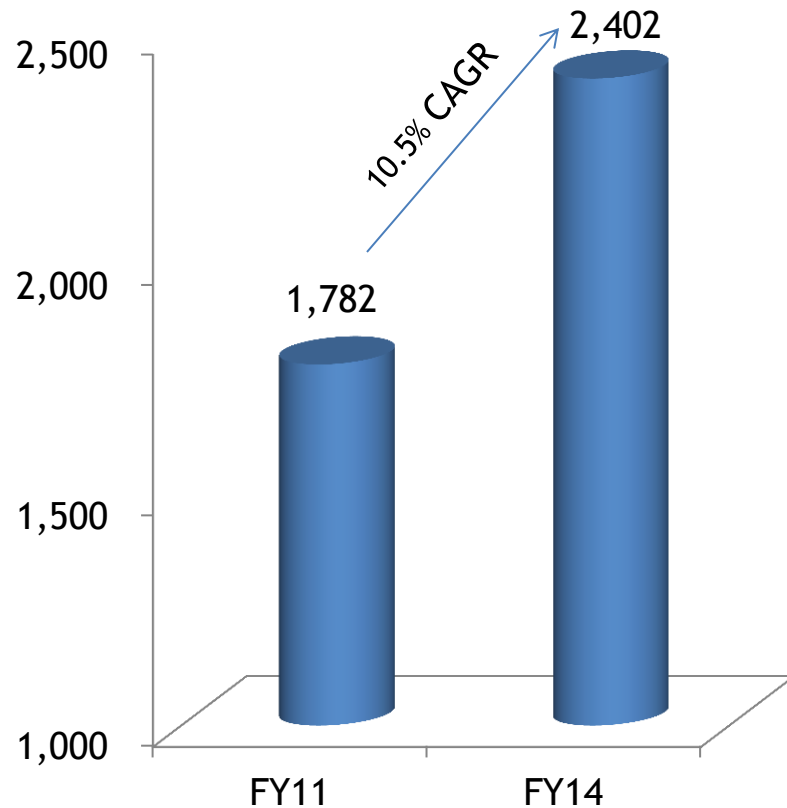
Faster Payback

Better controlled co-owners

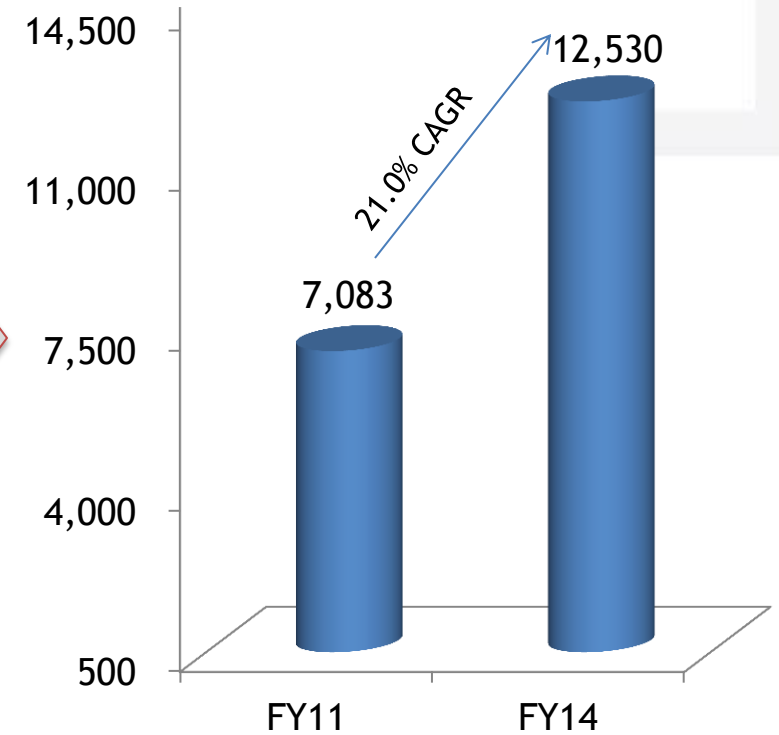
MSM - million square metres

# Outsourcing - An asset light model...

Net Block + CWIP + Investments (Rs. mn)



Net Sales (Rs. mn)



Lean Balance Sheet approach without sacrificing growth

Higher asset turnover will lead to faster gain of market share ultimately strengthening Brand Somany

# Capacity Profile



## JV Plants in Morbi, Gujarat

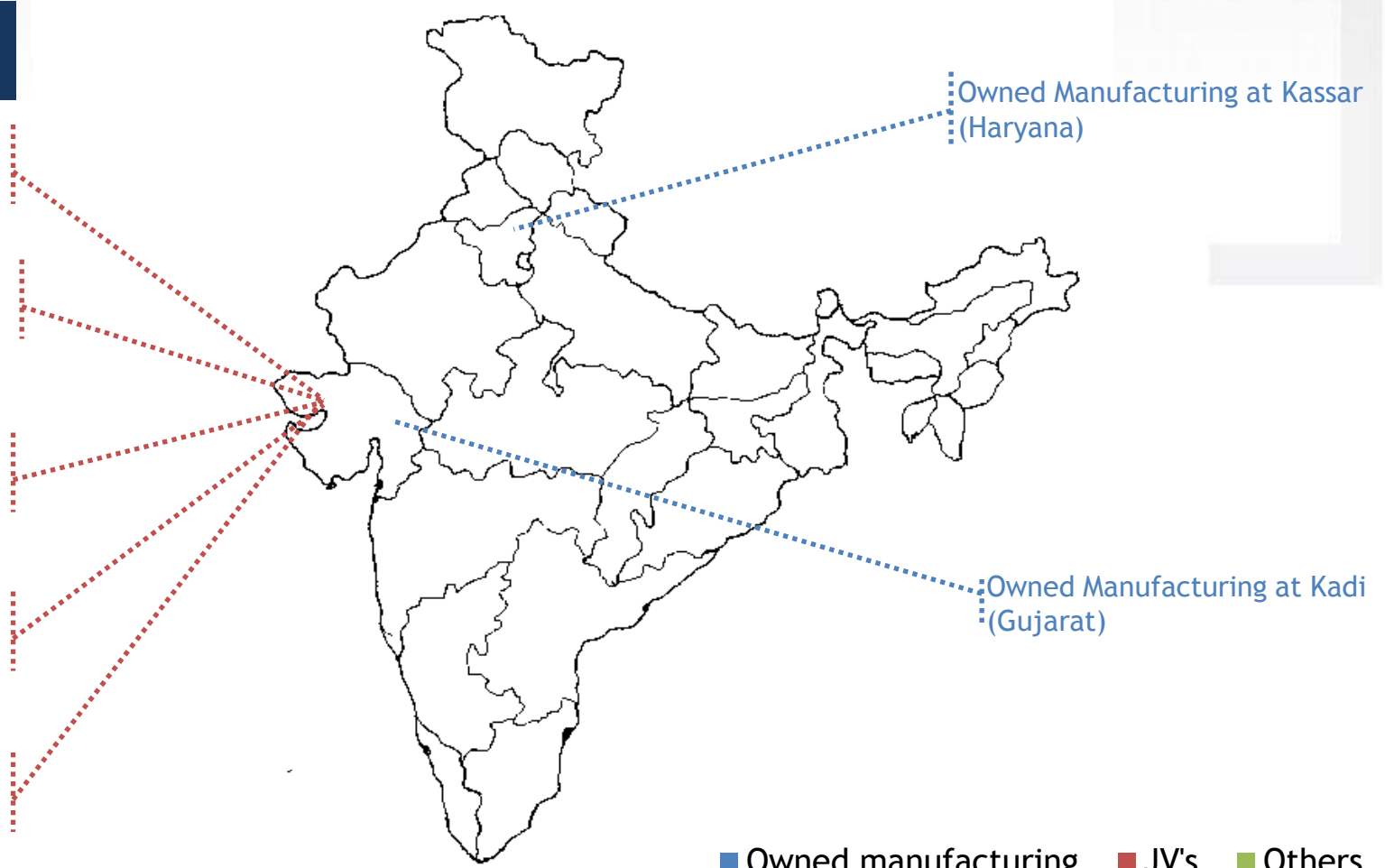
Vintage Tiles Pvt. Ltd.  
26% Equity holding

Commander Vitrified Pvt. Ltd.  
26% Equity holding

Amora Tiles Pvt. Ltd.  
51% Equity shareholding

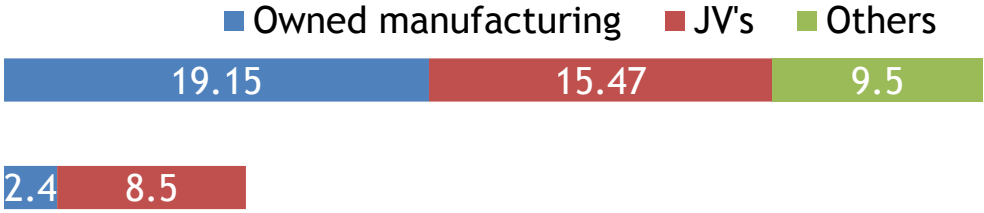
Vicon Ceramic Pvt. Ltd.  
26% Equity shareholding

Acer Granito Pvt. Ltd.  
26% Equity shareholding



Existing capacity as on date = 44.12MSM

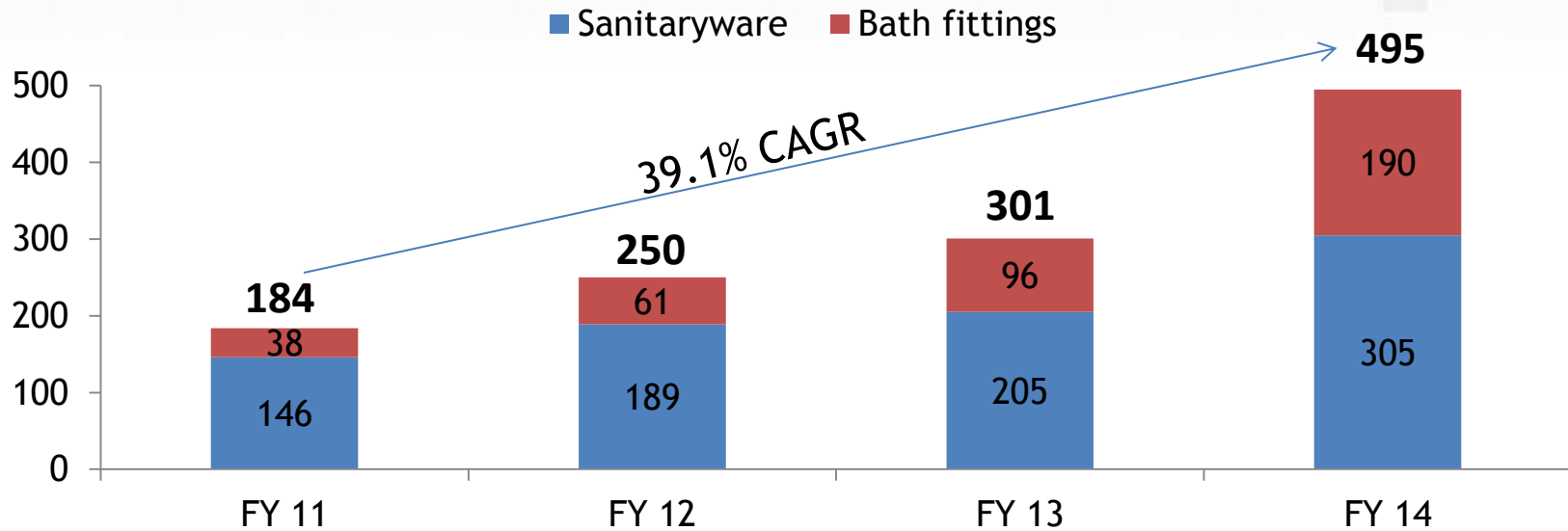
Ongoing Expansions = 10.9MSM



MSM - million square metres



# Sanitaryware & Bath fittings...



## Business Synergy

- Products are sold mostly through the same dealer network
- Surrogate advertising due to higher brand visibility
- Lower outward freight
- Higher margins

## Mfg. Capacity

- Acquired equity stake in M/s Sonec Sanitaryware Pvt. Ltd. to produce 0.3 mn pieces of sanitaryware per annum. Expansion on cards
- Exploring opportunities (Joint Venture/ Greenfield) for bath fittings

# Increasing Global Footprints...



- Currently present in more than 40 countries
- Exclusive showrooms in 6-7 countries with Galleries in 4 continents

Global Presence

- 1<sup>st</sup> Indian company to participate in Italy - CERSAIE from last 3 years
- 1<sup>st</sup> Indian company to participate in Mosbuild, Russia

Creating a Global Brand Image

- Exports grown from ~1% of sales in FY11 to ~2.5% of Sales in FY14
- Added four countries in Q1FY15

Growth in Exports

Future Strategy for Exports Division

- Establish global office & warehouse
- Work out International Business Division as an SBU

Exports higher from Rs. 80mn in 2010-11 to Rs. 320mn in 2013-14 and growing...

# Innovating to stay...



Translated Technology in to everyday benefits by launching VC Tiles (Vield Craft) in 2009



India's first Process & Product patent in the Ceramic tiles industry



Patent authorizes exclusive rights for production & commercialization of VC tiles in India for 20 years



VC Shield technology which solves the key issue of tiled surfaces which is abrasion resistance. It shields the tile against weathering - wear and tear, stains and scratches, keeping it fresh and new as ever

1<sup>st</sup> mover advantage has helped create a Rs. ~2 billion blockbuster brand (VC Shield) for Somany



**Abrasion-Resistant.  
Against the  
World's Most  
Dangerous  
Stilettoes.**



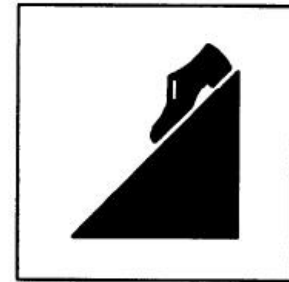
**Abrasion-Resistant.  
Against the  
World's  
Toughest  
Skates.**



# ...ahead of the curve



**SOMANY**  
SLIP SHIELD



Another innovation - Slip Shield tiles - a unique coating technology which gives anti-skid property to ceramic tiles

Patent application filed with the Controller of Patents and Designs (Indian Patent Office)

- Characteristics of Slip Shield tiles:
- No dirt accumulation on the surface; easy to clean and maintain
  - Feel of original surface/ design does not get altered by this coating
  - Coefficient of friction is high enough even in wet or soapy condition thus making it highly slip resistant



**Industry Overview**

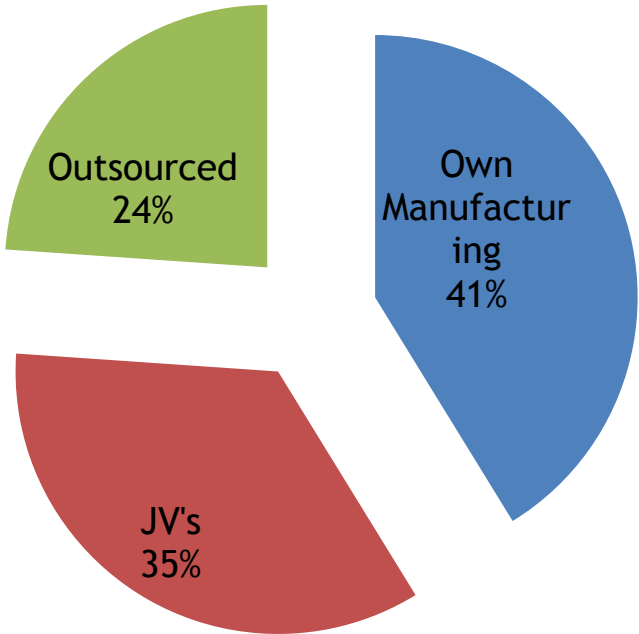
**Somany Ceramics Ltd. - Overview**

**Financial Overview**

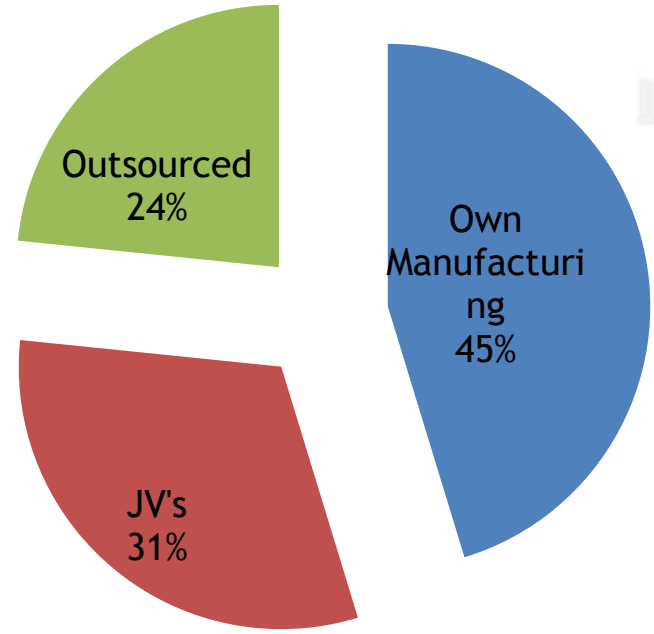
# HY1 'FY15 Operating Performance



Gross Sales - Rs. 7307mn



Volume - 19.59 MSM



Strategy to move to higher sales from Outsourced and JV's segment and push up sales of Value added products. Strategy to reflect in higher PBT margins over 3-5 year period

# Q2/HY1'FY15 Financial Highlights

Particulars	Q2'FY15	Q2'FY14	Growth %	H1'FY 15	H1'FY14	Growth %
Net Sales	3,702	3,038	21.9%	6,985	5,618	24.3%
EBIDTA	256	197	30.0%	466	383	21.9%
Depreciation	55	54	1.1%	106	107	-0.7%
Finance cost	37	48	-22.0%	74	93	-19.7%
Profit before tax	164	95	72.8%	286	183	56.1%
Tax expenses	59	32	82.2%	100	62	60.4%
Profit after tax	105	63	68.0%	186	121	53.9%
EPS (Rs.)	2.70	1.81	49.2%	4.78	3.50	36.6%

*Standalone figures in Rs. million*

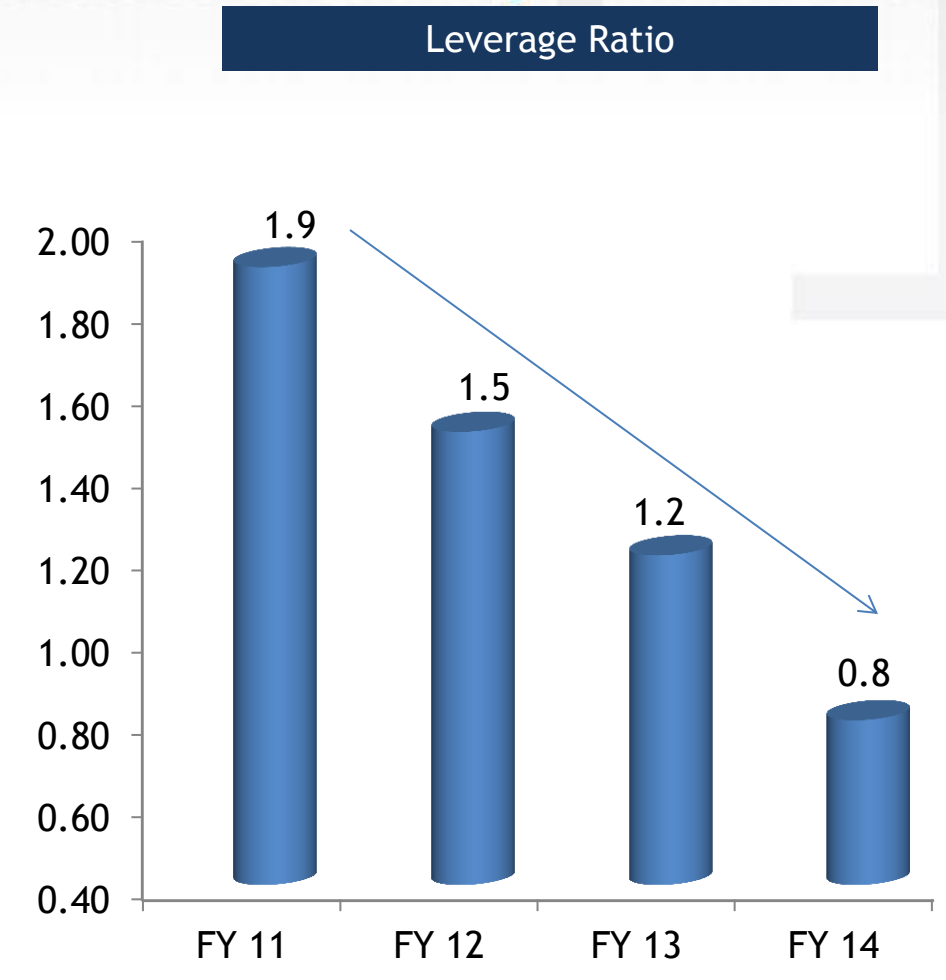
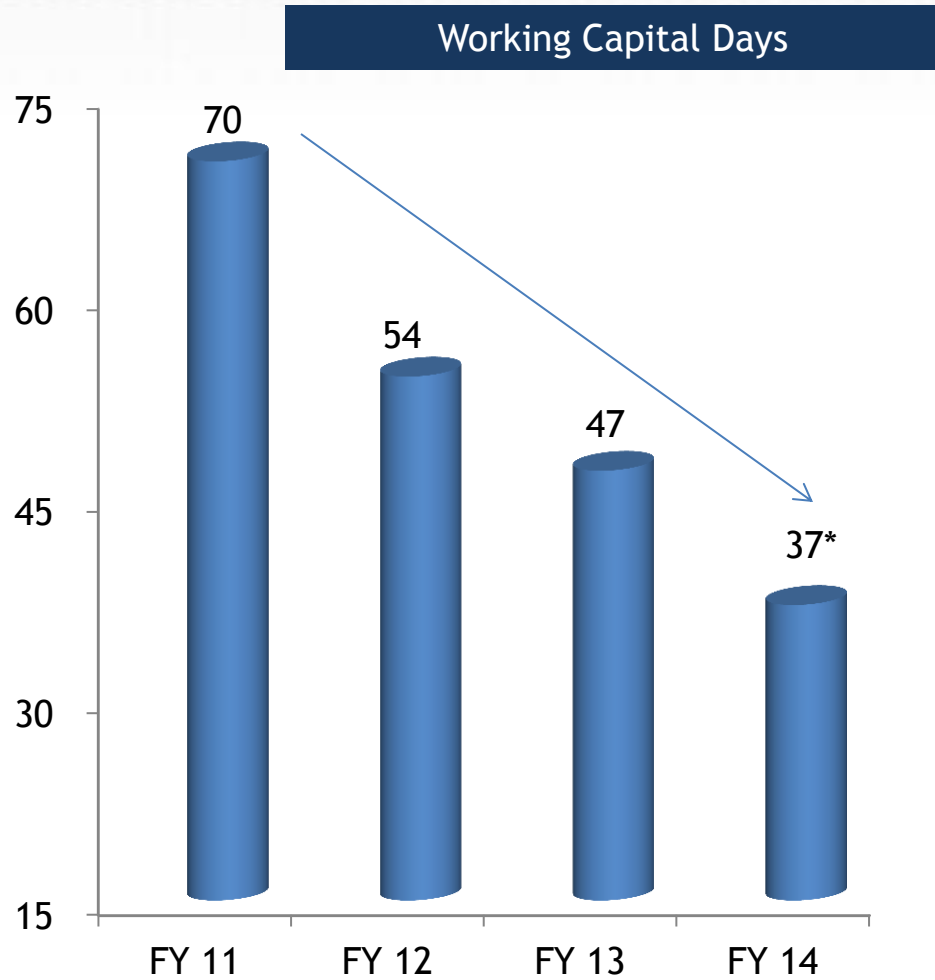
# HY1'FY15 Financial Highlights

Particulars	HY1'FY15	FY 14	HY1'FY14
Equity Share Capital	78	78	69
Reserves & Surplus	2,297	2,127	1,559
Net Worth	2,375	2,205	1,628
Total Debt	1,657	1,698	1,887
Net Block	2,265	2,185	2,190
Investments	217	217	92
Net Current Assets	1,649	1,647	1,406

*Standalone figures in Rs. million*



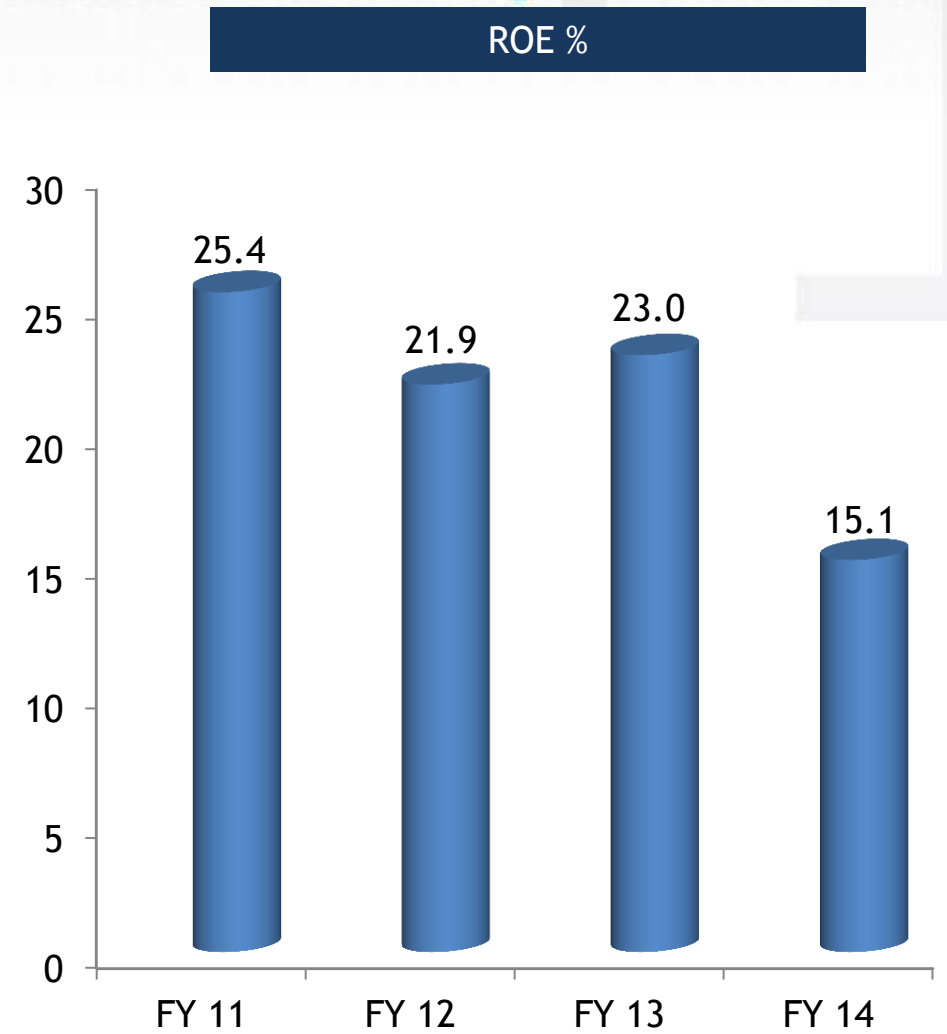
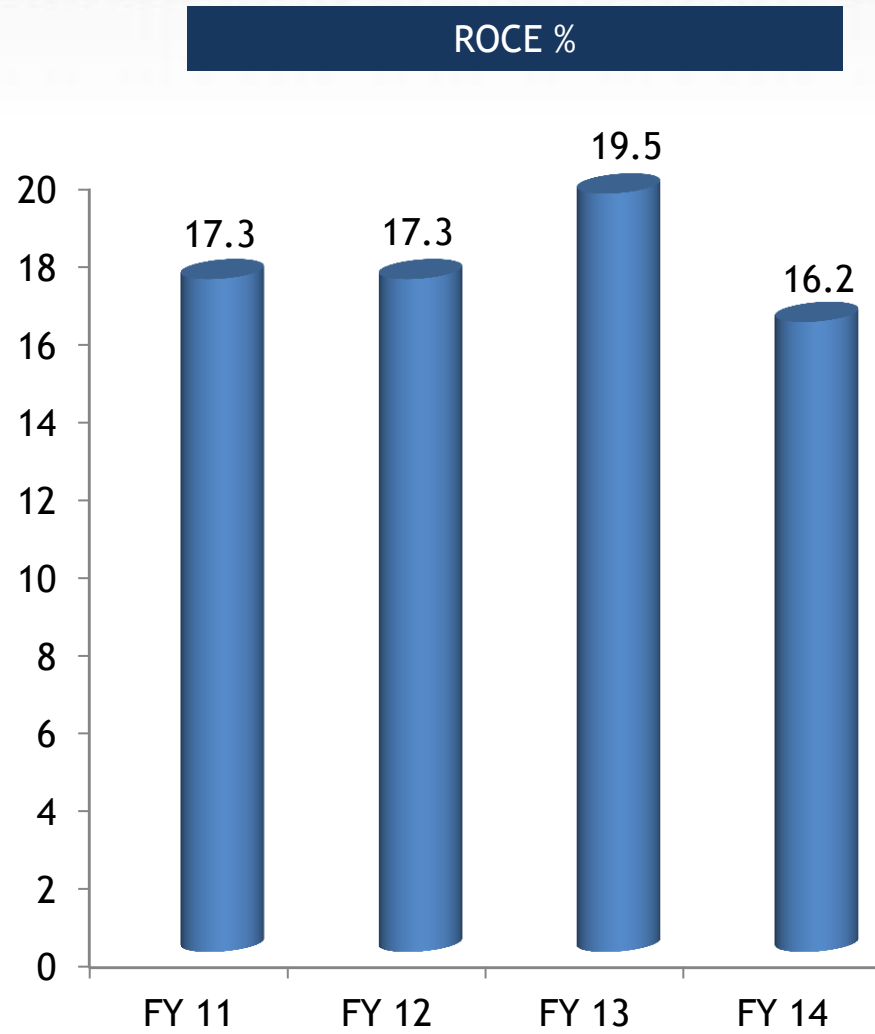
# Debt Management



Improving operational efficiency thus validating the management strategy of adoption of outsourcing

\*excludes Current Investment of Rs. 371 mn in FY14

# Return Ratios



# Historical Profit & Loss Statement

Particulars	FY 10	FY 11	FY 12	FY 13	FY 14
Net Sales	5,369	7,083	8,704	10,462	12,530
EBIDTA	583	681	746	871	844
Depreciation	145	173	182	204	221
Finance cost	133	171	207	199	183
Profit before tax	306	337	357	467	440
Tax expenses	101	103	109	151	159
Profit after tax	205	234	248	316	280
Cash Profit	329	432	427	528	514
EPS (Rs.)	5.93	6.79	7.17	9.16	8.01

*Standalone figures in Rs. million*

# Historical Balance Sheet

Particulars	FY 10	FY 11	FY 12	FY 13	FY 14
Equity Share Capital	69	69	69	69	78
Reserves & Surplus	750	956	1,171	1,439	2,127
Net Worth	819	1,025	1,240	1,508	2,205
Total Debt	1,622	1,912	1,809	1,761	1,698
Net Block	1,538	1,759	1,939	2,089	2,185
Investments	17	17	59	92	217
Net Current Assets	1,117	1,367	1,281	1,333	1,647

*Standalone figures in Rs. million*

# Key Strengths



## Focused Management

- Committed to value enhancement by adopting asset light model and increasing share of value add products
- 1<sup>st</sup> in the Indian Tile industry to have Government recognized R&D facilities, thereby giving credibility to 'Brand Somany'
- Long term firm contract with GAIL, GSPC and IOC for supply of natural gas
- High credibility & reputation for 'Brand Somany' and its Promoters amongst dealers, suppliers and financial institutions

## Strong Distribution Network

- Pan India distribution and marketing network creating stronger Brand Somany
- 1700 active dealers, 8500 retailers and 243 franchise showrooms/display centers
- Strong brand recall in retail segment which contributes ~65% of overall sales
- Formidable association with large institutional clients comprising of Governments, Corporates and Private Builders

## Wide Variety

- Wide product range covering Ceramic, Vitrified Tiles, Sanitaryware & Bath fittings
- India's largest in-house designing team dedicated to developing designs, products and concepts in collaboration with Spanish and Italian design houses
- Asset model allows company to respond faster to changing trends and market dynamics

# Strategically building a sustainable growth path



## Sustainable Business Growth



1

**Increase market share**

- Increase coverage through distributors and franchise stores

2

**Faster access to capacity**

- Build access to capacity through JV, outsourcing model

3

**Innovation**

- Increase R&D efforts to introduce new & innovative products to the market

4

**Improvement in Product Mix**

- Focus on high value added segments

5

**Increase Branding and marketing efforts**

- Improving recall of 'Brand Somany'
- Increase spend to 2-2.5% of Sales

6

**Export Markets**

- Increase exports to newer geographies

## Future Growth Strategies



# 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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[www.sgapl.net](http://www.sgapl.net)