



joy per square feet

SOMANY CERAMICS LIMITED

Corporate Presentation

December 2013

Agenda

Industry Overview

Somany Ceramics Ltd. - Overview

Financial Overview

Global Scenario

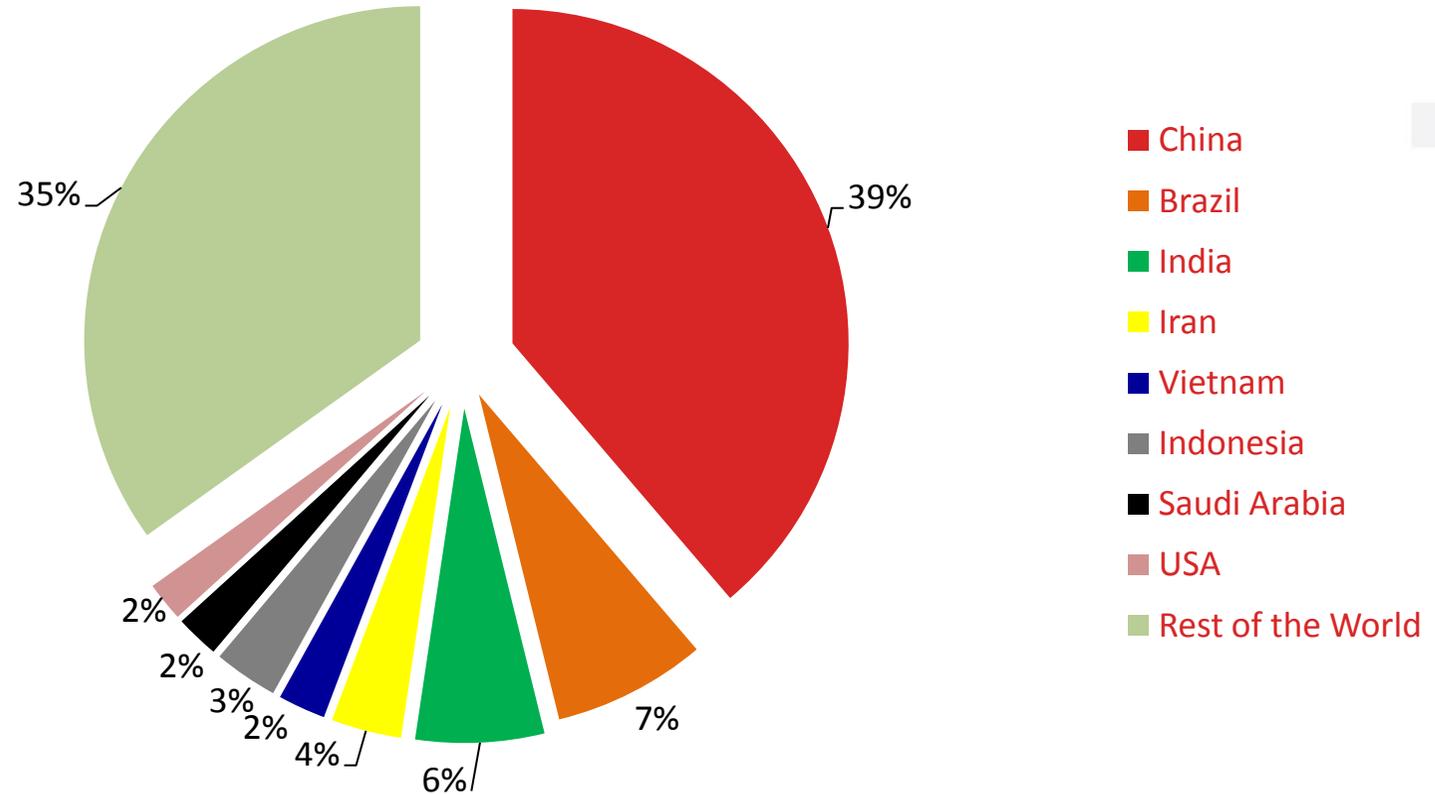
- Global tiles production touched 11,166mn sq.m. in CY2012, while consumption strengthened by 4.6% to 10,912mn sq.m.
- Global tiles market is growing at a CAGR of 7% (2008-12).
- India's rank in the total world production improved from 5th in 2008 to 3rd in 2012, with a CAGR growth of ~15% during the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

Country	Production (mn sqm)	Production (% share)	Consumption (mn sqm)	Consumption (% share)
China	5200	47	4250	39
Brazil	866	8	803	7
India	691	6	681	6

- Tiles in India are still considered interiors products, while globally they are used equally outdoors (paving, claddings, external facades, etc.)

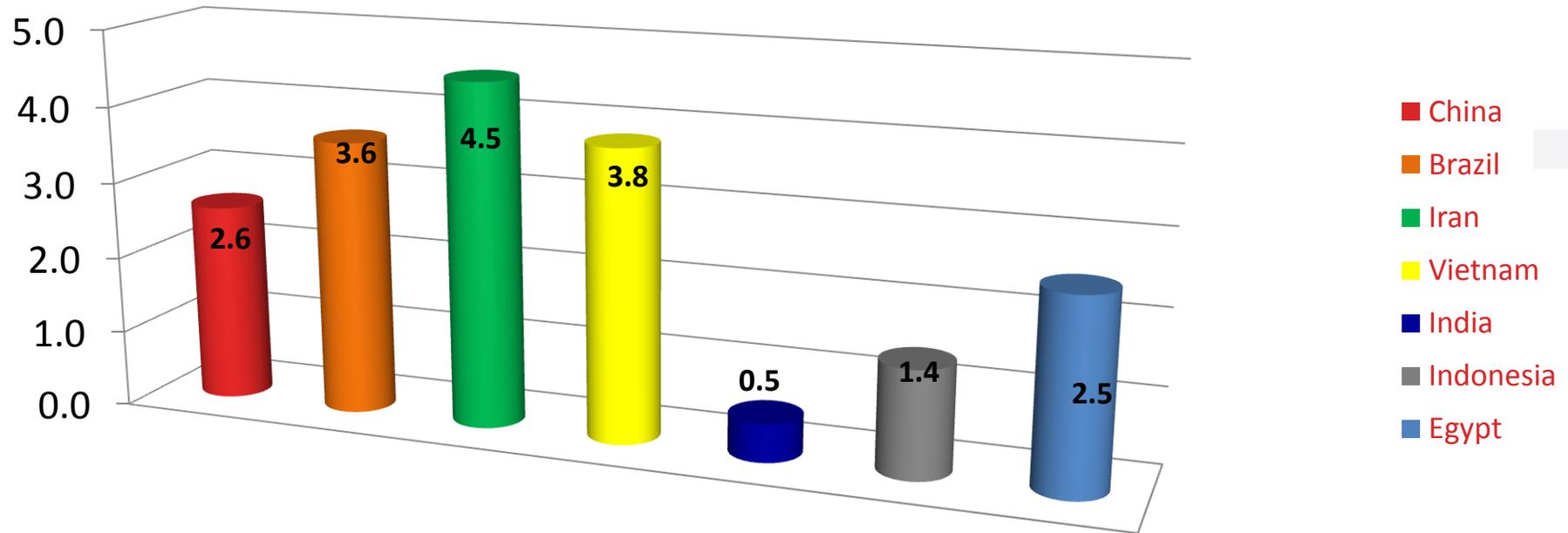
Global Scenario *(Cont'd)*

Ceramic Tiles Consumption Region wise - 2012



Global Scenario *(Cont'd)*

Per capita consumption of tiles in CY 2010



- In view of very low per capita consumption of tiles, there is huge potential still to be tapped in the Indian market.

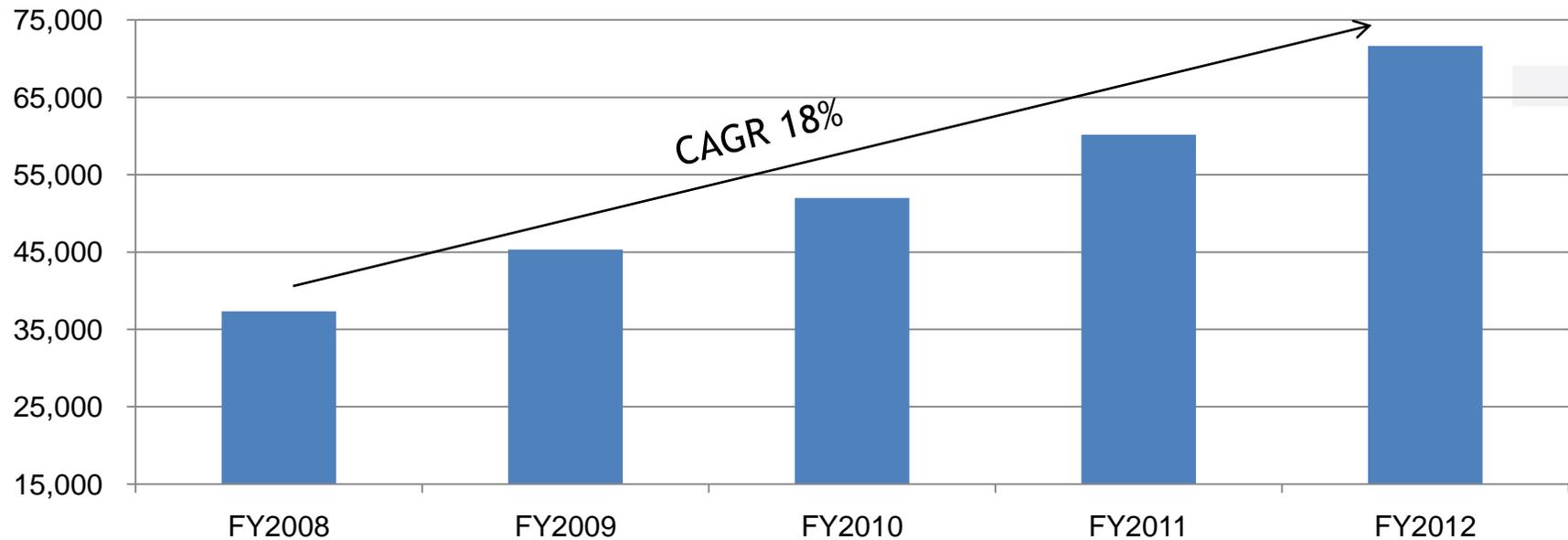
Indian Scenario

- The 681mn sq.m. Indian tile industry was estimated at around ~Rs.190bn at the end of CY2012.
- The country's organized segment accounts for ~50% of the domestic tile industry, while the balance ~50% is represented by other unbranded players, which are largely present at Morbi in Gujarat.
 - Out of the total branded market, ~50% is controlled by top-3 players, including Somany.
- India's tile production increased at a CAGR of 15% between 2008 and 2012 to 691mn sq.m., whereas its consumption grew by ~2x the global average to 681mn sq.m. during the same period.
- While Indian tile industry has been growing at a CAGR of 14% over the last 4 years, the branded players have been growing at a higher pace.
- Some of the major players in the Indian ceramic industry are H&R Johnson, Kajaria Ceramics, Somany Ceramics, Nitco, Asian Granito, Orient Bell, etc.

Indian Scenario *(Cont'd)*

➤ Key growth drivers

➤ Rising Disposable Income (Rs. bn)



➤ Low Per Capita Consumption in India

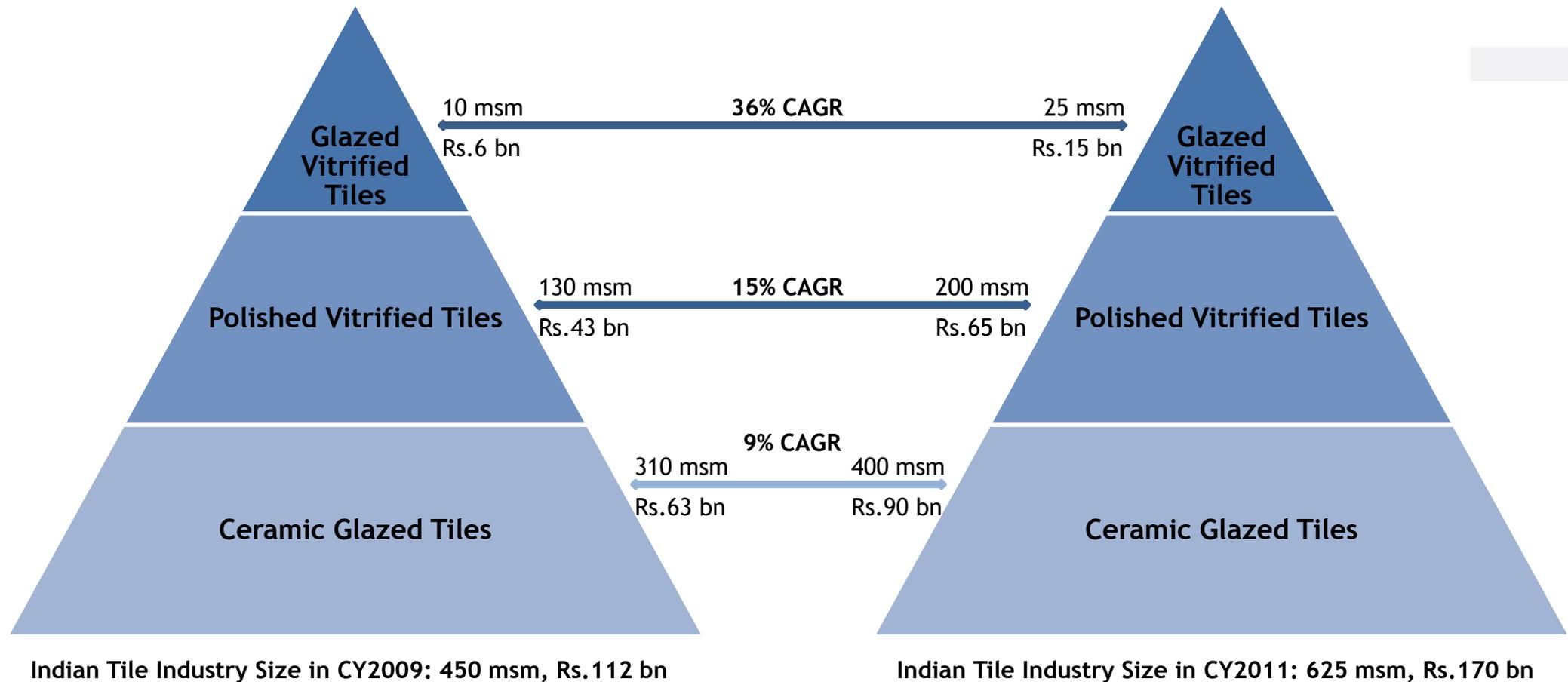
- Despite double-digit growth clocked by the tiles sector over the past few years, the per capita consumption of ceramic tiles in India is only a seventh of Brazil's, a fifth of China's and a third of Indonesia's.

Source: Handbook of Statistics on Indian Economy 2012-13, RBI

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 Scenario *(Cont'd)*

- Indian tile industry size: The market share of the organized segment has been inching up over the last few years.

	CY09/FY10	CY10/FY11	CY11/FY12	CY12/FY13
Indian Consumption (Rs. Mn)	112,000	140,000	170,000	194,208
% growth		25.0%	21.4%	14.2%
Organized Segment Sales [#] (Rs. Mn)	44,174	57,063	68,730	81,788
% growth		29.2%	20.4%	19.0%
% market share	39.4%	40.8%	40.4%	42.1%
Unorganized Segment Sales (Rs. Mn)	67,827	82,937	101,270	112,420
% growth		22.3%	22.1%	11.0%
% market share	60.6%	59.2%	59.6%	57.9%

Source: Emkay Research

Consists of top 12 players including HRJ, Kajaria, Somany, Asian Granito, Nitco, Orient Bell, RAK, Varmora, Murudeshwar, Euro and Regency

Indian Scenario *(Cont'd)*

➤ Morbi - A large cluster of unorganized players

- Located in Saurashtra (Gujarat), Morbi is home to closely 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 70% of the total ceramic production in India.
- Total installed capacity is 1.8mn sq.m, tiles per day.
- 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 wollastonite; 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 current financial year it will have access to manufacturing capacity of ~43.72 mn sq.m. of tiles per annum spread across two own manufacturing plants in Haryana and Gujarat (19.15 mn sqm), two existing joint venture plants in Gujarat (5.30 mn sqm), three new joint ventures & expansion of existing joint venture (9.27 mn sqm) and outsourcing tie ups for ~10.0 mn sqm.

In FY13, Somany achieved a top-line of Rs.1108.51cr and a bottom-line (PAT) of Rs.31.59cr, demonstrating a CAGR (5 years) of 25.8% and 50.7%, 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.3,792mn (as on December 20, 2013). It has a pan-India presence, with one of the strongest distribution networks in the industry.

Mission & Vision

MISSION

“Achieving customer delight through business innovation and cost effectiveness while pursuing latest fashion trends in ceramic & allied products for creating stakeholders values”

VISION

“Most sought after tile and allied product brand in India and be the best employer in the tile industry”

Key Strengths

- Strong brand created over the last 41 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.
- 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

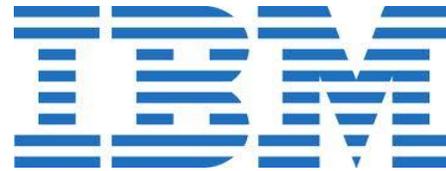


- ❖ ISO 9001 certification - for quality of manufacturing facility
- ❖ ISO 14001 certification - for environment-friendly manufacturing facility
- ❖ BIS certification - for its product, the first Indian tile company to be so accredited
- ❖ 5's certification - for maintaining an organized and efficient workplace.
- ❖ EN ISO 14411 (CE) certification - for complying quality norms defined by European Standard
- ❖ Power brand award - for its perception, performance and brand recall
- ❖ LACP Spotlight 'Silver' award - for its annual report of FY12-13
- ❖ Recognized as Asia's Most Promising Brand of the year 2012-13
- ❖ BS OHSAS 18001 certification - for maintaining health and safety standards
- ❖ ISO 22000 certification - for food safety management

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



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



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



IndianOil



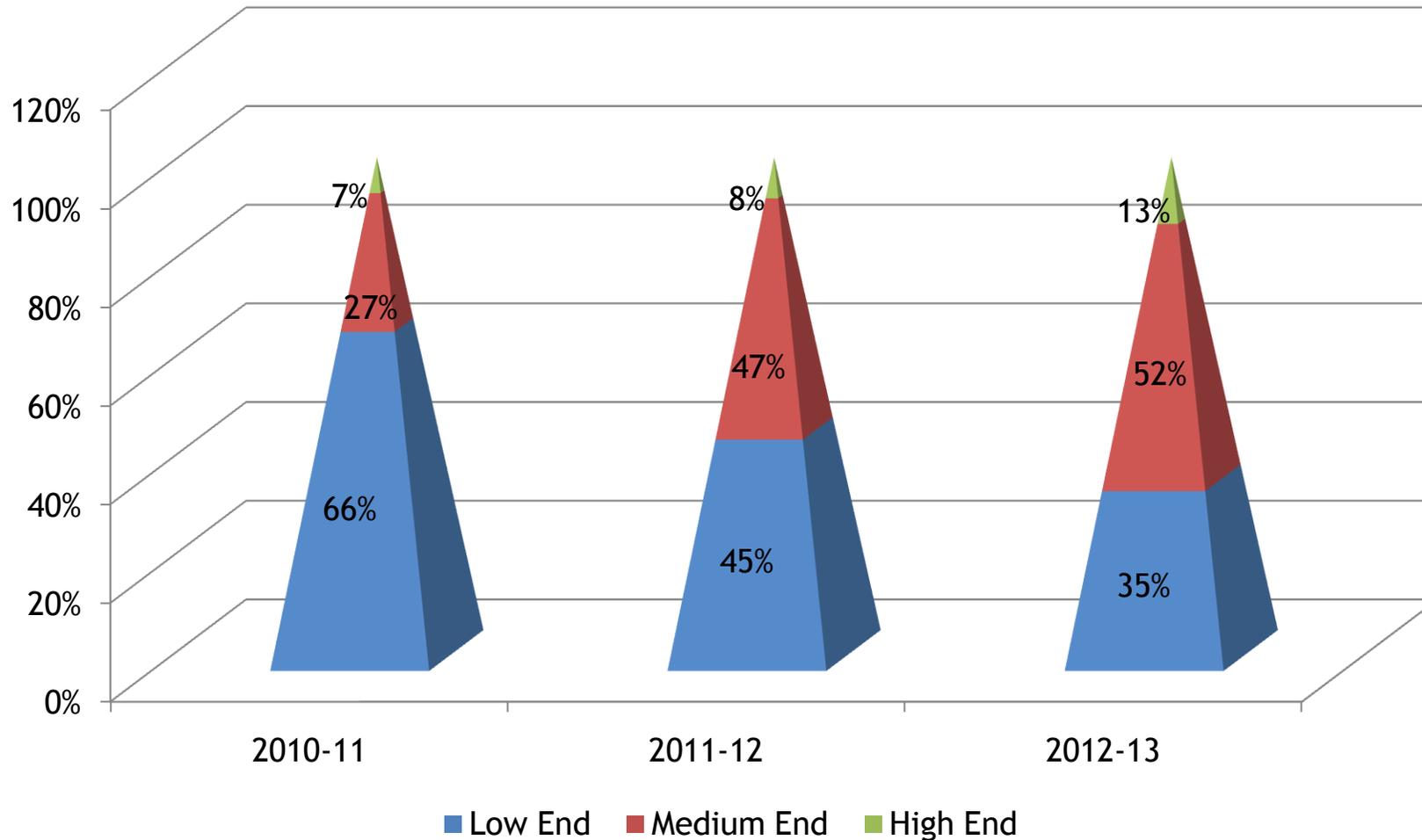
A few of our valued customers... Retailers/ Hospitals/Hospitality



Moving up the Value Chain

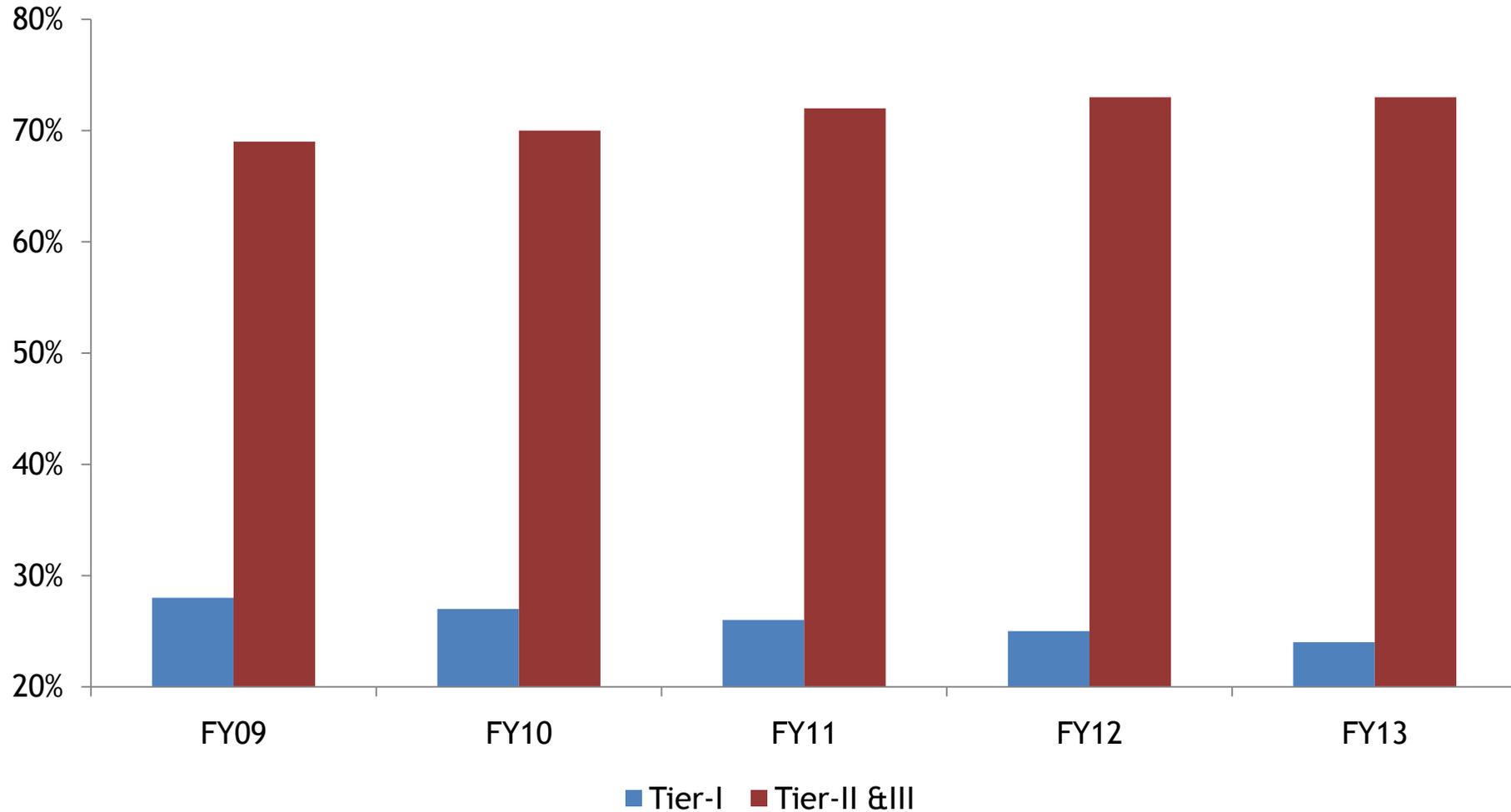
- Structural shift in the industry leading to increasing proportion of sales from high to mid-end tiles

Somany Ceramics - Sales Break-up

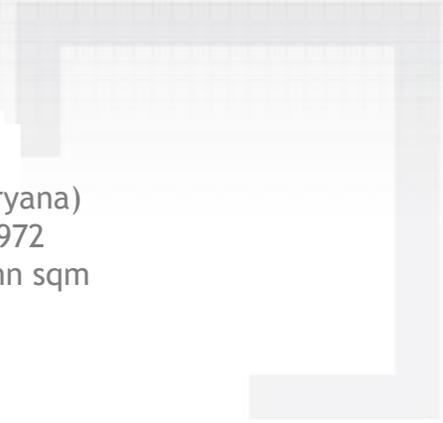


Taking Advantage of Rapid Urbanization

➤ Proportion of sales from Tier II & III increased to 73% in FY13 from 66% in FY08

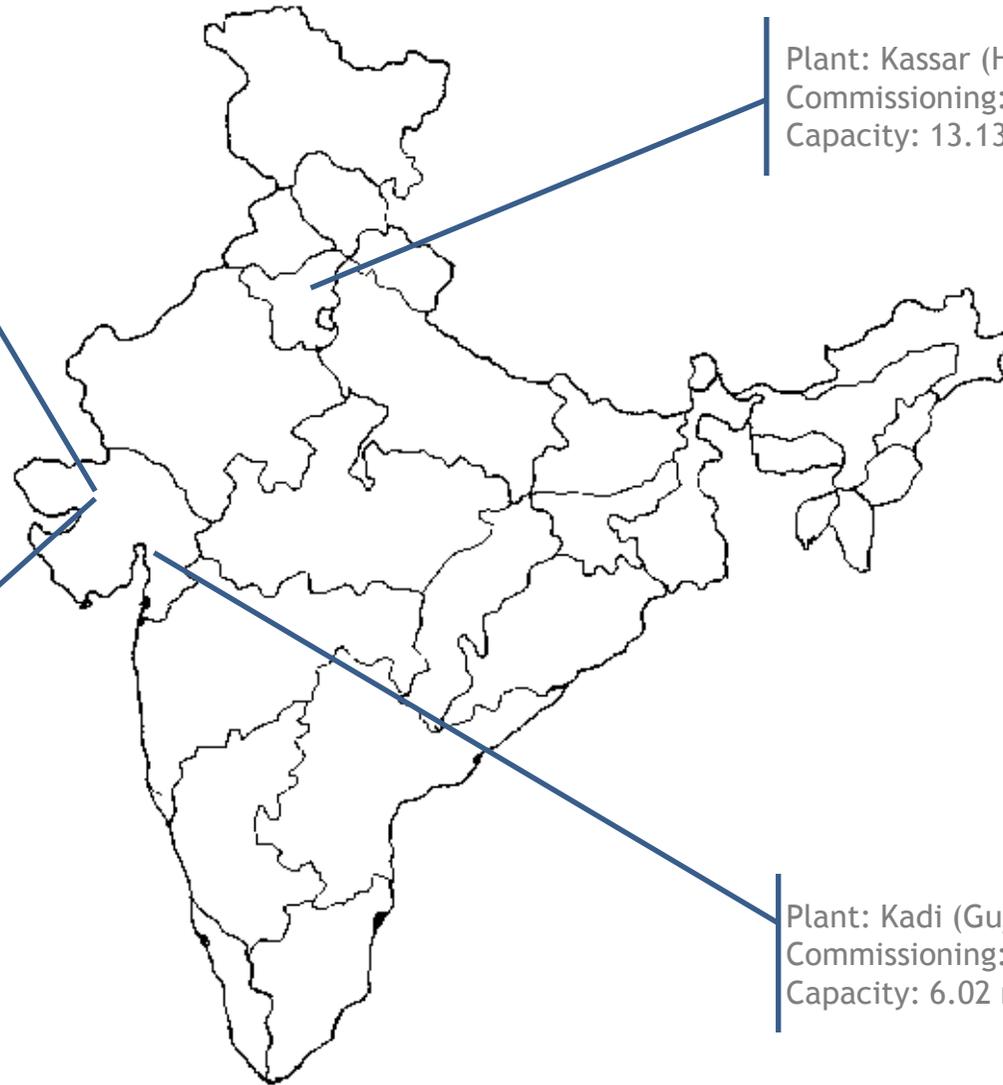


Existing Manufacturing Facilities



Plant: Morbi (Gujarat), JV with
Commander Vitrified Pvt. Ltd.
Commissioning: 2012
Capacity: 2.65 mn sqm

Plant: Kassar (Haryana)
Commissioning: 1972
Capacity: 13.13 mn sqm



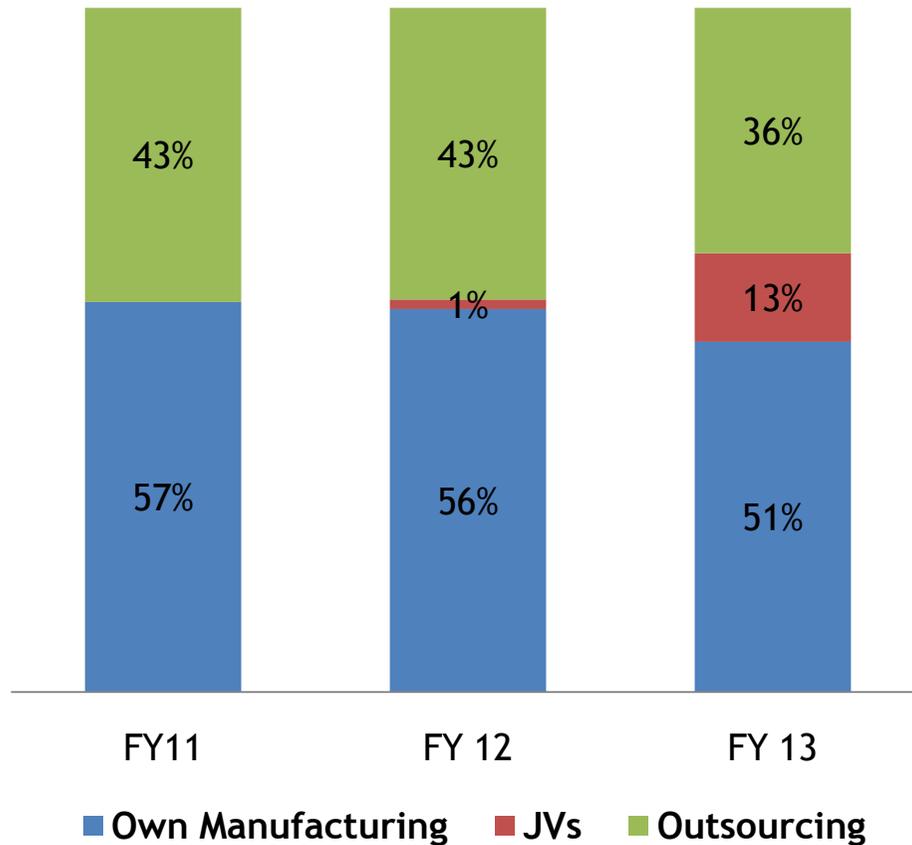
Plant: Morbi (Gujarat), JV with
Vintage Tiles Pvt. Ltd.
Commissioning: 2012
Capacity: 3.35 mn sqm

Plant: Kadi (Gujarat)
Commissioning: 1983
Capacity: 6.02 mn sqm

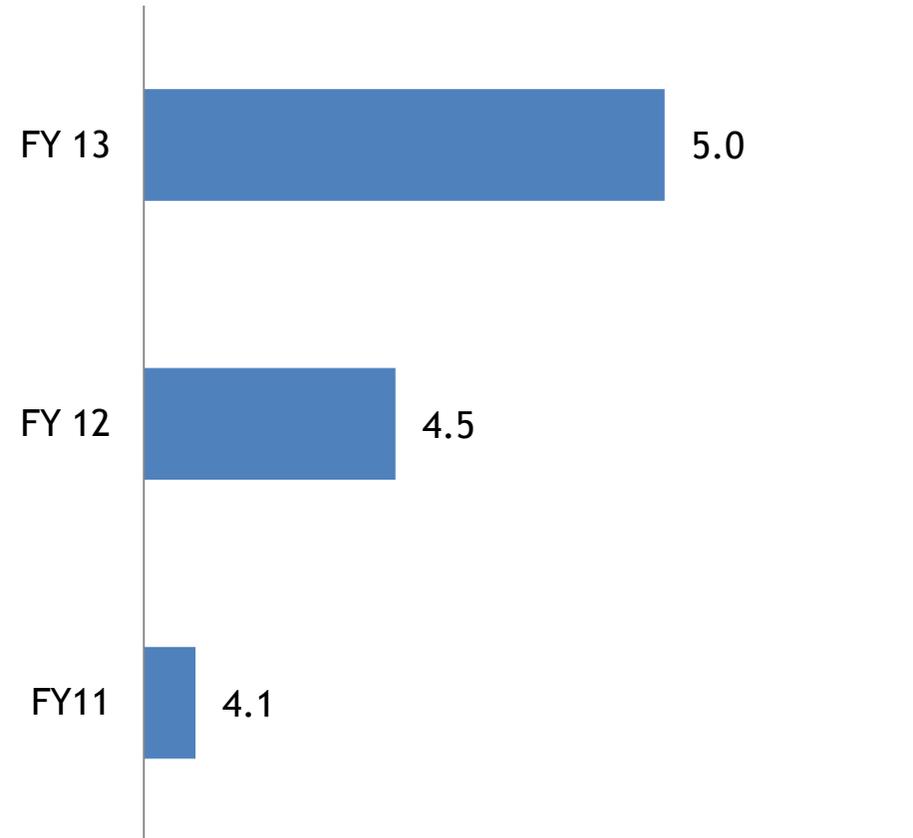
Outsourcing - An asset light model

- Focus on developing an asset light business model by increasing revenue from JVs / outsourcing

Revenue Break-up



Asset Turnover



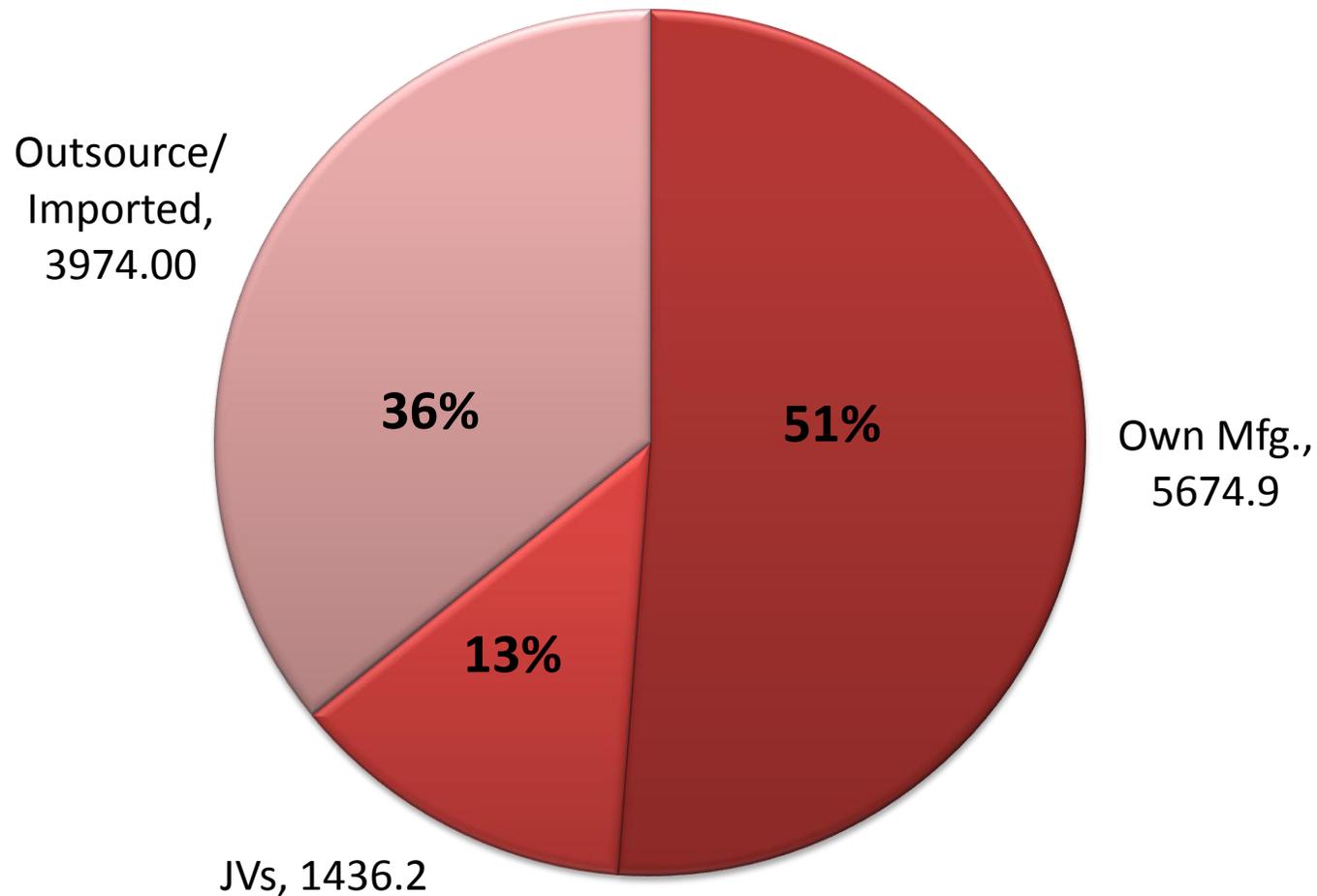
Strategy of Expansion Through JVs

- Focusing on adding capacities by partnering with local/family-driven ventures, instead of going for greenfield expansion.
- Over the last two years, the company has invested in two such joint ventures.
 - Invested Rs.82.8mn in acquiring a 26% stake in two new plants in Morbi (Gujarat), with a right to buy back the entire capacity of 5.30mn sq. m.
 - The 26% investment in equity of JV is a cost efficient route of building production capacity versus the greenfield expansion, which may cost Rs. 400-500 mn.
- 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.

Strategy of Expansion Through JVs *(Cont'd)*

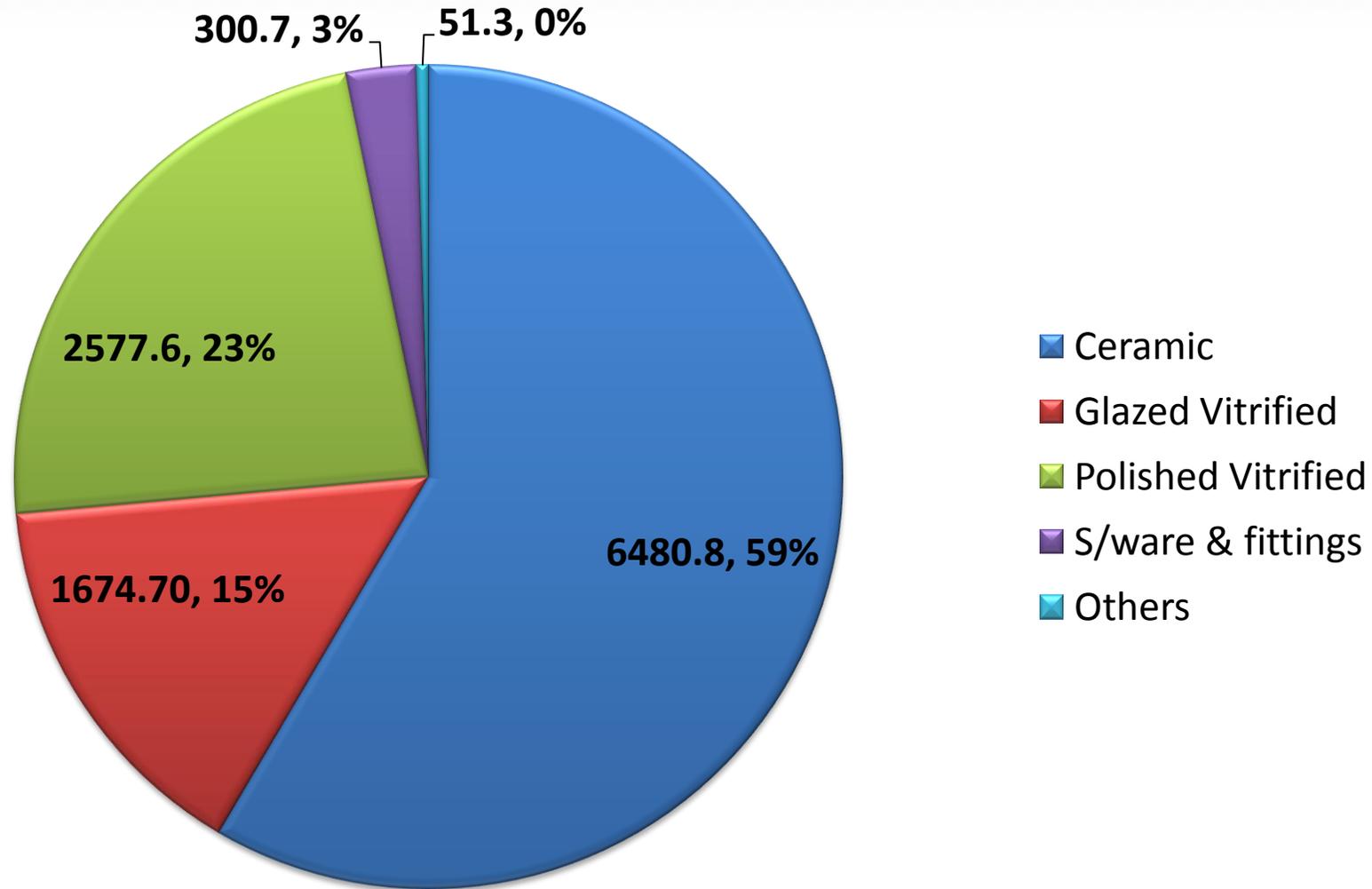
- The company intends to follow an asset light model with most of its future expansion through JVs.
- The asset light model would help the company to focus on marketing.
- The company expects its net sales to grow at a CAGR of 25% over the next four years
- Benefits of expansion through JV route and increasing proportion of value added products expected to result in
 - approx. 50 bps expansion p.a. in PBT over the next three years beginning FY15
 - improvement in debt to equity levels
 - improvement in working capital cycle from the current levels

Sales Distribution - Activity-wise (FY13)



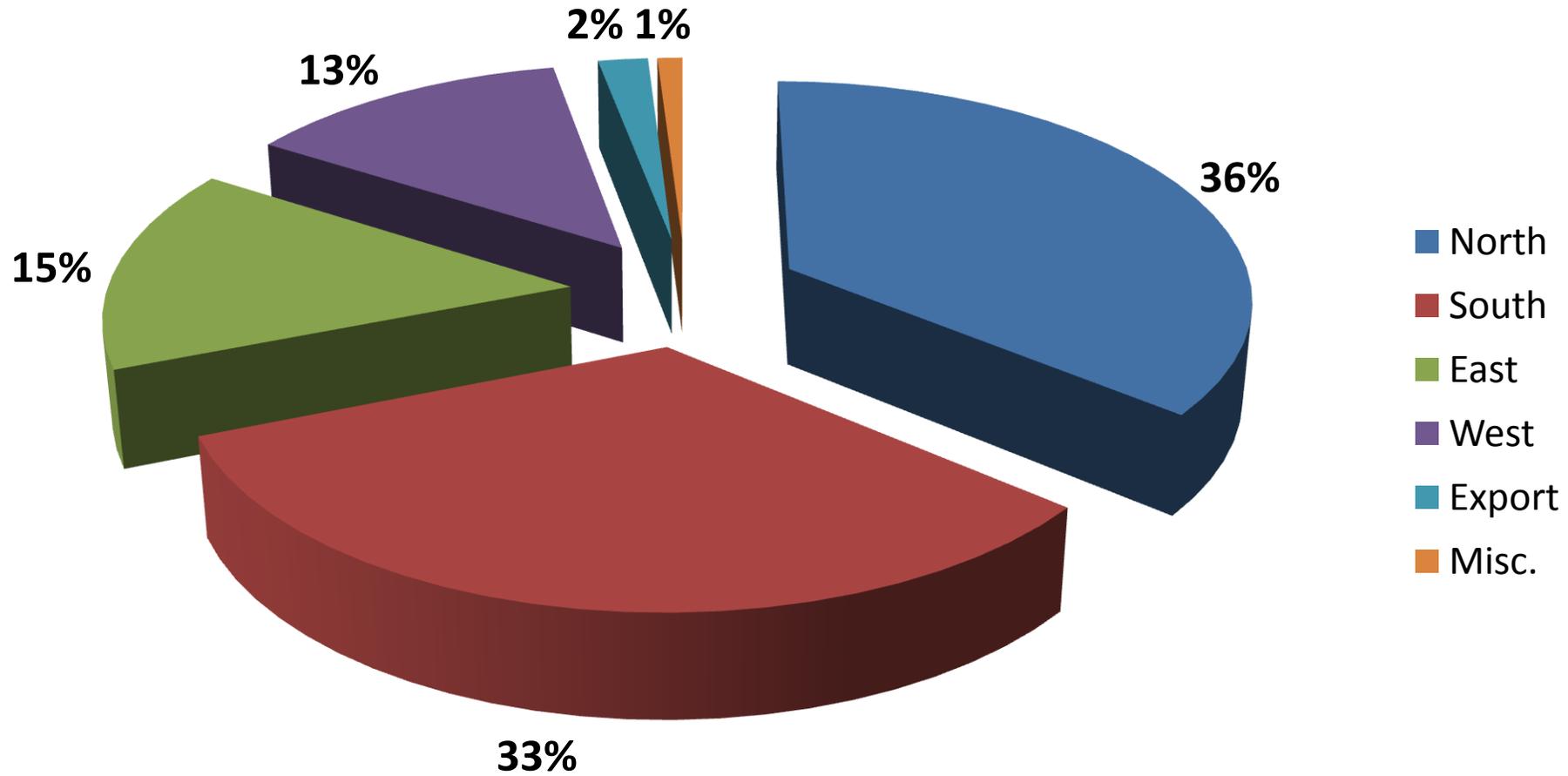
Standalone figures in Rs./ Mn

Sales Distribution - Vertical-wise (FY13)



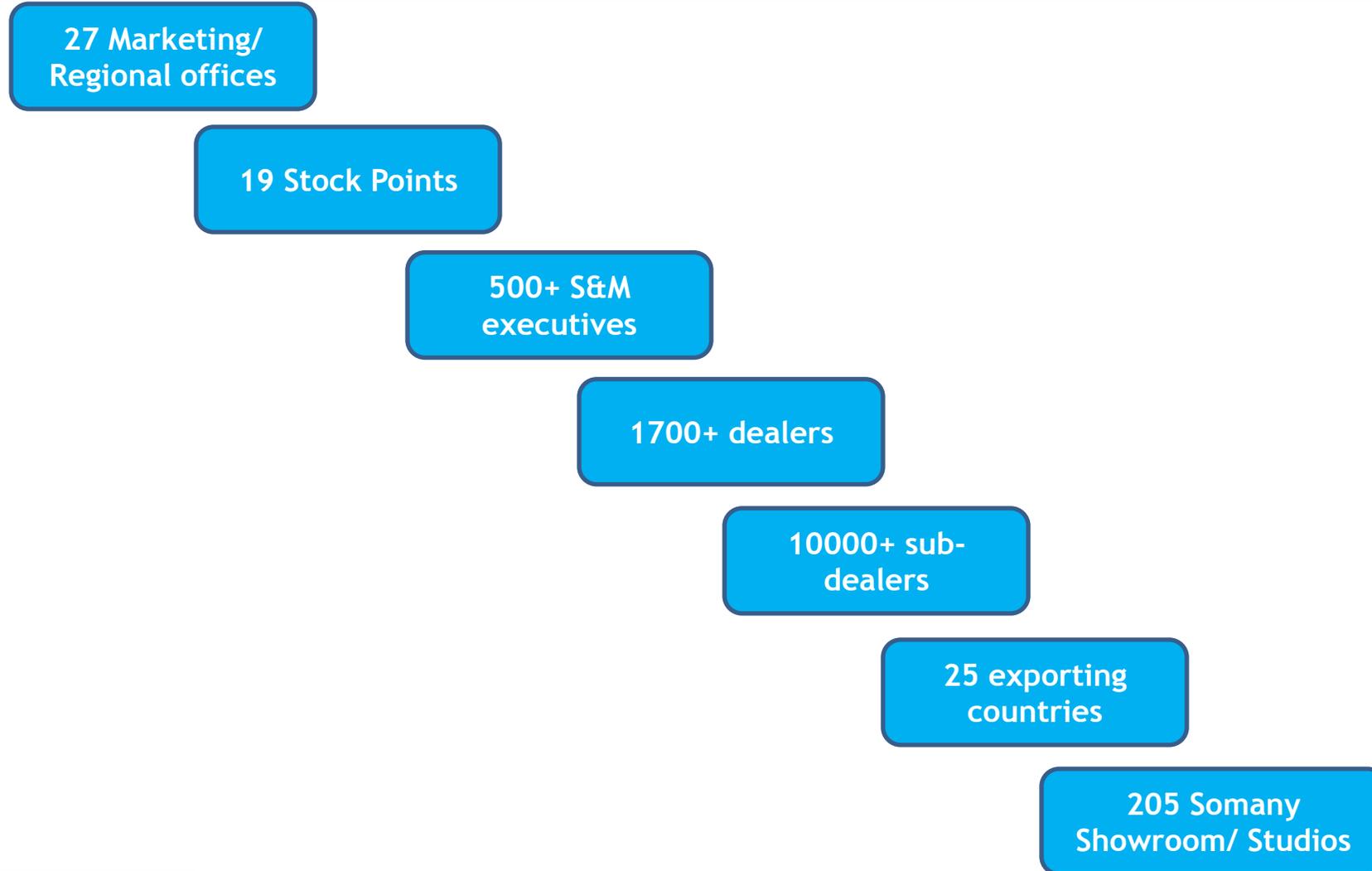
Standalone figures in Rs./ Mn

Sales Distribution - Region-wise (FY13)



Distribution Strength

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



Branding & Marketing

VC Ad

SOMANY

Abrasion-Resistant. Against the World's Most Dangerous Stilettos.

Presenting floor tiles with **Hardcoat VC Technology** that are **Abrasion-Resistant and Scratch-Resistant.**

Our revolutionary VC Technology has created the world's most durable floor tile. It keeps floors looking and feeling fresh as new, year after year, even after a million footfalls of stiletto, skates or football cleats.

Visit us at ACETECH Exhibition

Member: Bombay Exhibition Centre, Stand No. 2-4
Date: 17th-20th October 2013

Member: Bangalore Exhibition Centre, Stand No. 1, 2
Date: 15th-18th November 2013

Visit us at ACETECH Exhibition

Member: Bombay Exhibition Centre, Stand No. 2-4
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Member: Bangalore Exhibition Centre, Stand No. 1, 2
Date: 15th-18th November 2013

Duragres – GVT Ad

SOMANY

MIRROR-FINISH TILES FROM SOMANY.
Presenting polished vitrified tiles that offer a true reflection of the beauty of your space.

Visit us at ACETECH Exhibition

Member: Bombay Exhibition Centre, Stand No. 2-4
Date: 17th-20th October 2013

Member: Bangalore Exhibition Centre, Stand No. 1, 2
Date: 15th-18th November 2013

Ecowood Ad

SOMANY

LET WOOD IN. KEEP STRESS OUT.

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

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

Visit us at ACETECH Exhibition

Member: Bombay Exhibition Centre, Stand No. 2-4
Date: 17th-20th October 2013

Member: Bangalore Exhibition Centre, Stand No. 1, 2
Date: 15th-18th November 2013

CP Fittings Ad

SOMANY

A THING OF BEAUTY IS A JOY FOREVER.

Visit us at ACETECH Exhibition

Member: Bombay Exhibition Centre, Stand No. 2-4
Date: 17th-20th October 2013

Member: Bangalore Exhibition Centre, Stand No. 1, 2
Date: 15th-18th November 2013

Corporate Ad - 1

INSPIRED TO CHANGE LIFESPACES, YET AGAIN.

SOMANY

- 2008. Somany patents VC-Block technology – creating the most scratch and abrasion resistant tiles ever known to mankind.
- 2010. Somany produces India's first anti-bacterial tiles suitable for hygiene sensitive applications such as hospitals and hotels.
- 2011. The only Indian company to receive ISO 50001 certification. First in industry to enter the Indian Green Building Council. Somany has again set a new benchmark by earning GREEN POWERWARDS AWARD.
- 2012. Somany introduces the largest sized tile in India the 600x1200 mm 'King of all other' Floor tile.
- 2013. Somany awarded Asia's most promising brand of the year (2012-2013) in the industry category of ceramic tiles by the World Consulting & Research Corporation.

It takes a visionary to propose trends and work towards them. At Somany, we have been pioneering ideas, concepts and techniques that set the bar for our customers. With our legacy of trust and innovation, we are ready to change your Lifespaces and the world, yet again.

Visit us at ACETECH Exhibition

Member: Bombay Exhibition Centre, Stand No. 2-4
Date: 17th-20th October 2013

Member: Bangalore Exhibition Centre, Stand No. 1, 2
Date: 15th-18th November 2013

Corporate Ad - 2

SOMANY

Taking innovation and design to new heights.

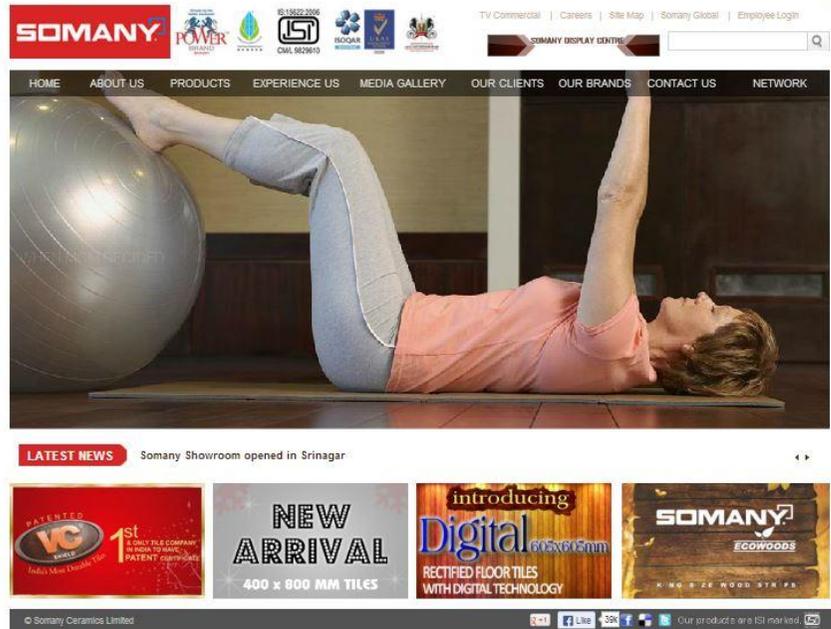
Today Somany stands as a proud leader way ahead of others because of its high quality products and aesthetic. Inspiring innovation and creating new benchmarks, Somany has been transforming India's flooring into a beautiful. All Somany, our technological prowess and future vision.

Visit us at ACETECH Exhibition

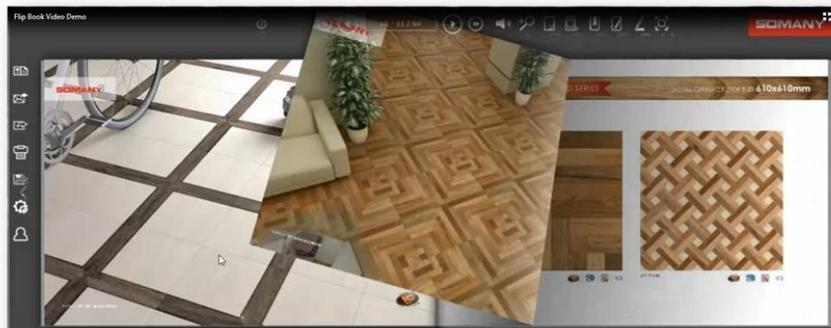
Member: Bombay Exhibition Centre, Stand No. 2-4
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Brand SOMANY (Cont'd)

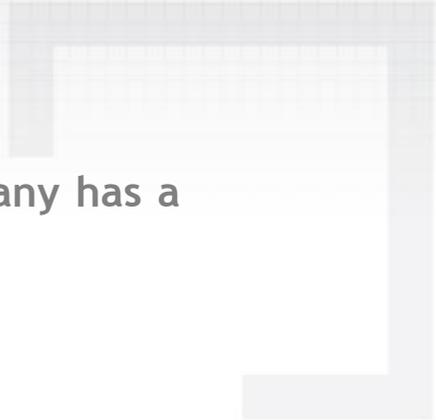


- Extended branding from the physical domain to the virtual domain, enhanced exposure through a user friendly website and social media platforms is also helping gain a lot of mileage and traction around the brand.



- 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, its 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 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

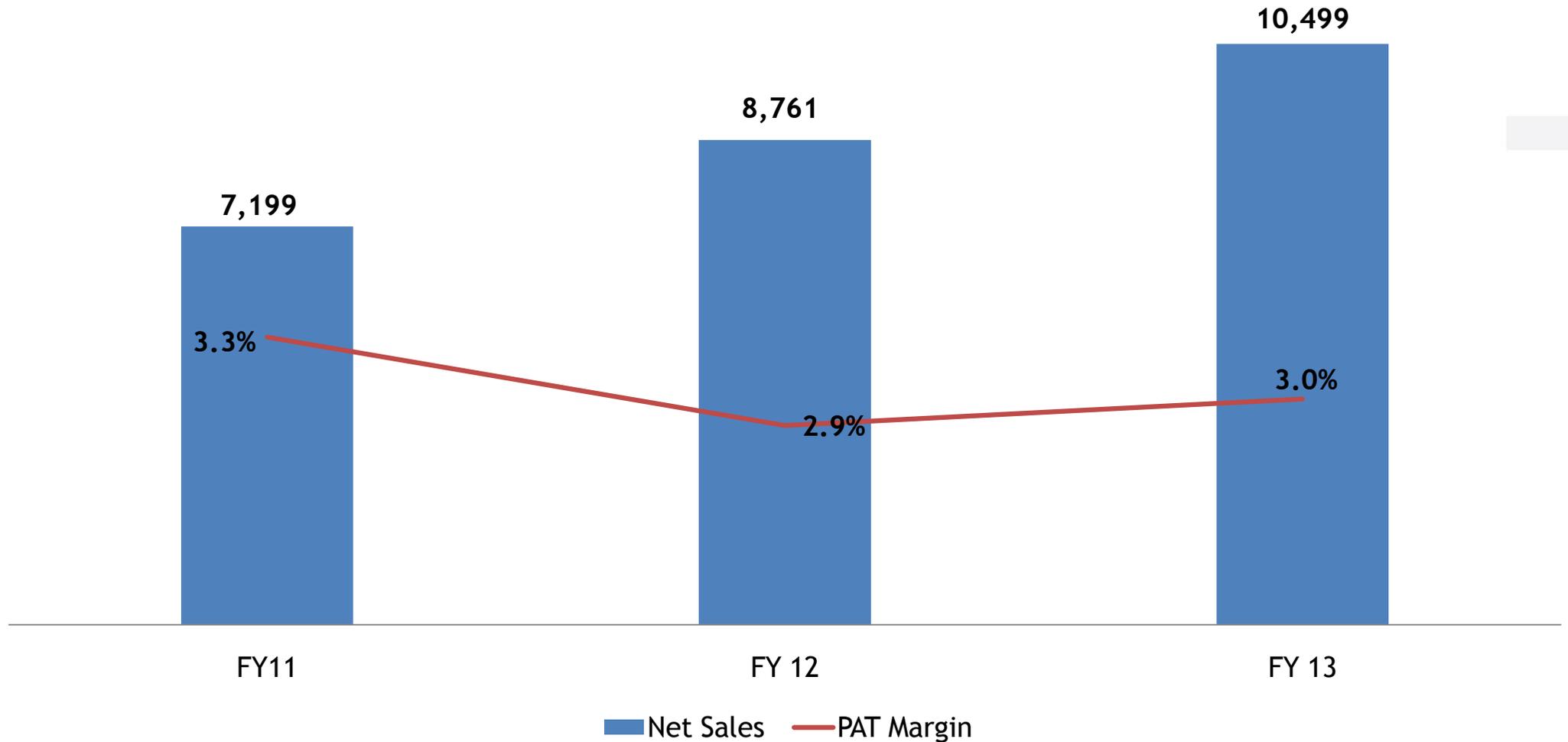
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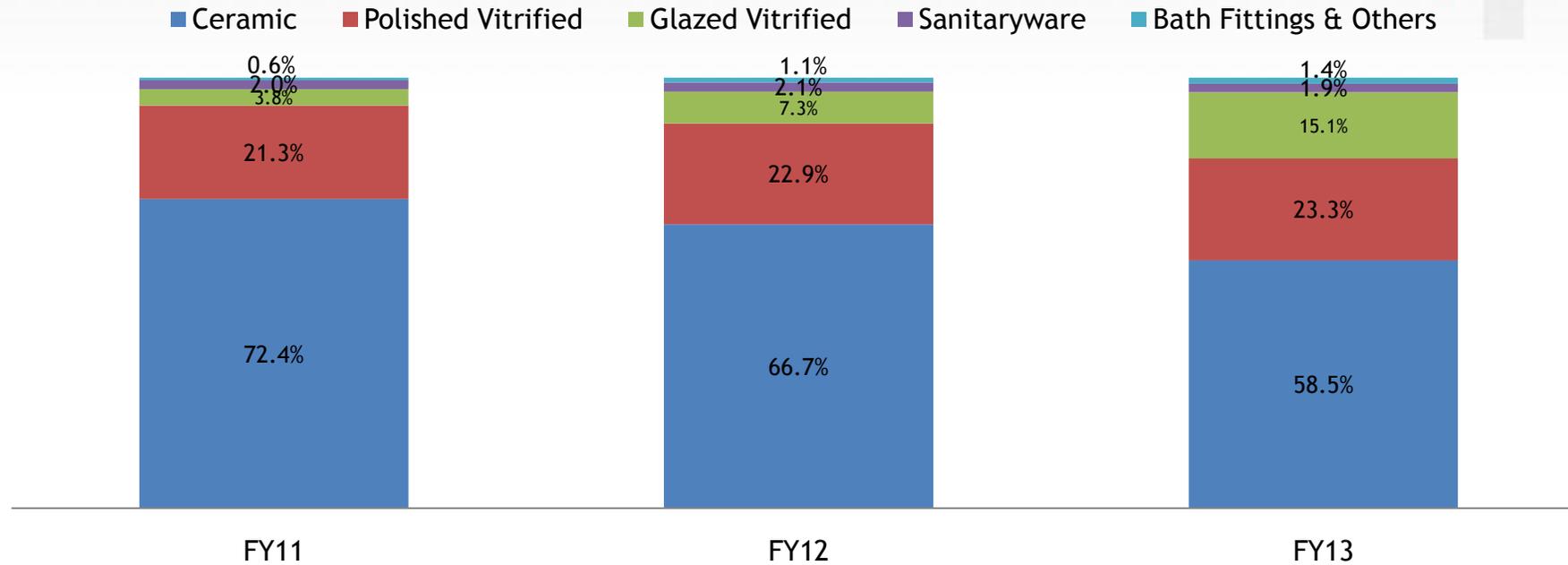
Financial Overview

Sales Growth & Profitability



Consolidated figures in Rs./ Million

Sales Break-up



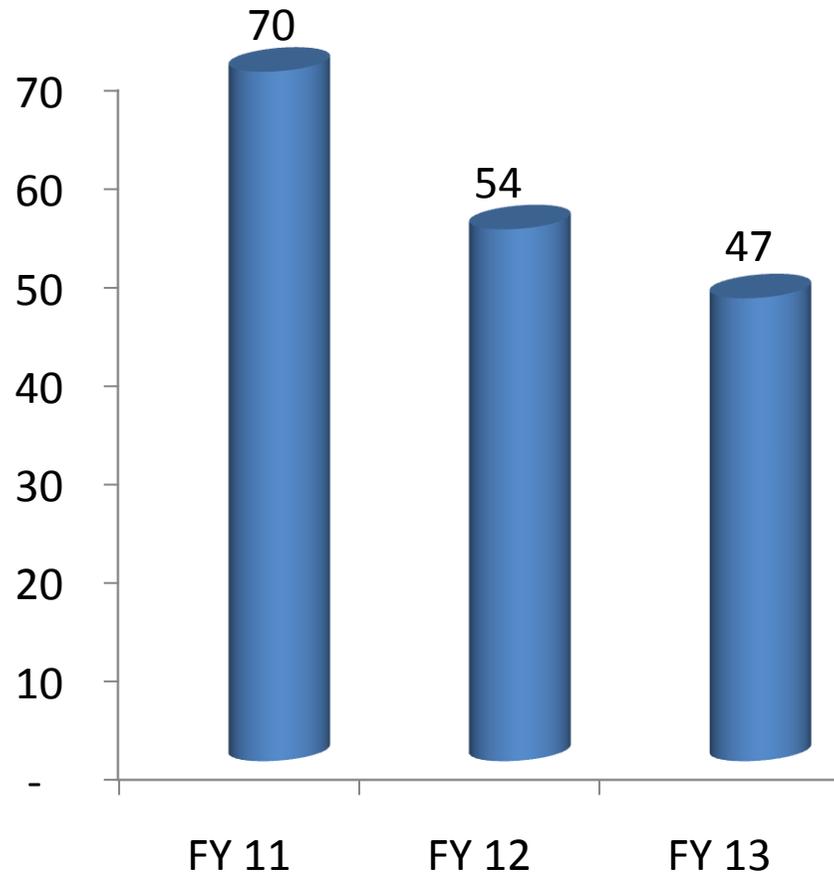
Standalone figures in Rs./ Million

Particulars	FY11	FY12	FY13
Ceramic Tiles	5,429	6,143	6,481
Polished Vitrified Tiles	1,593	2,114	2,578
Glazed Vitrified Tiles	284	670	1,675
Sanitaryware	146	189	205
Bath Fittings & Others	43	96	145

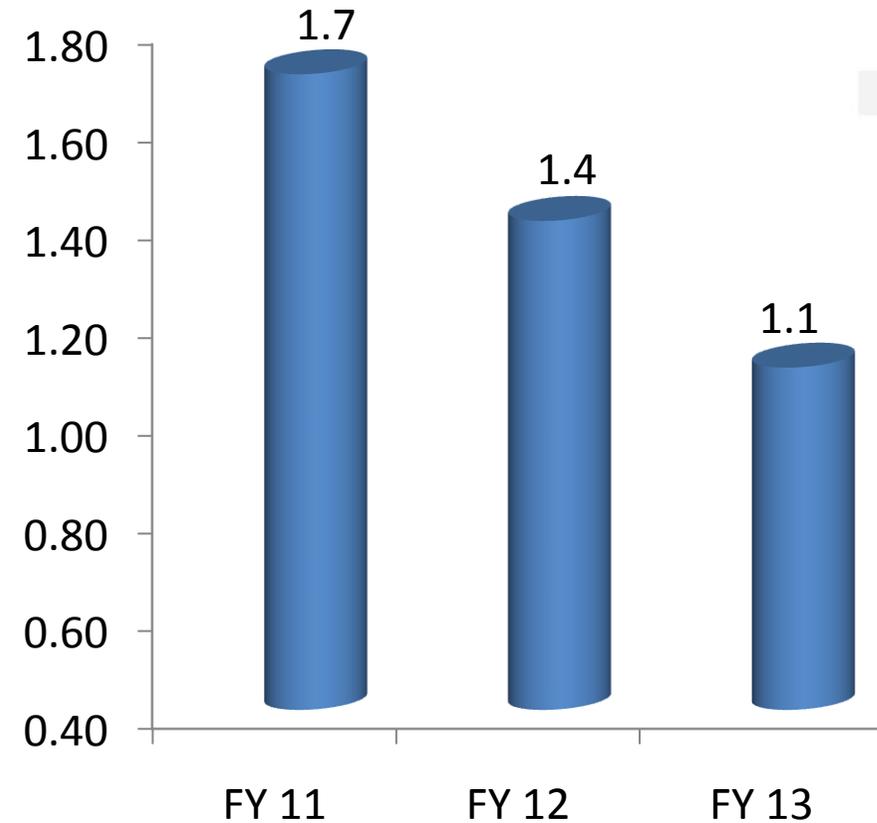
Steadily increasing proportion of value added products in total turnover

Debt Management

Working Capital Cycle (Days)



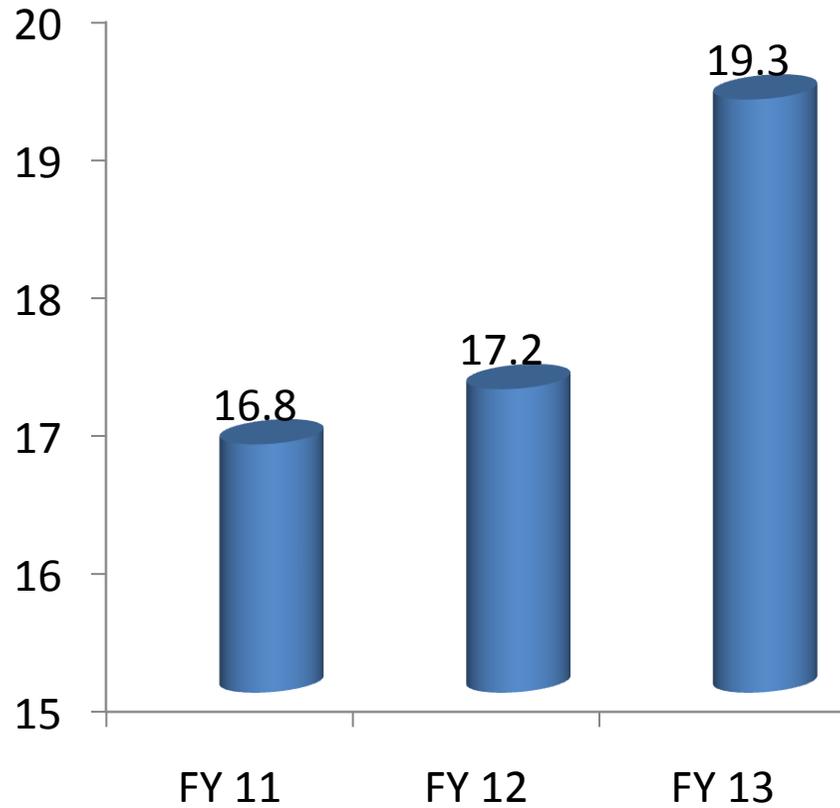
Debt Equity (Times)



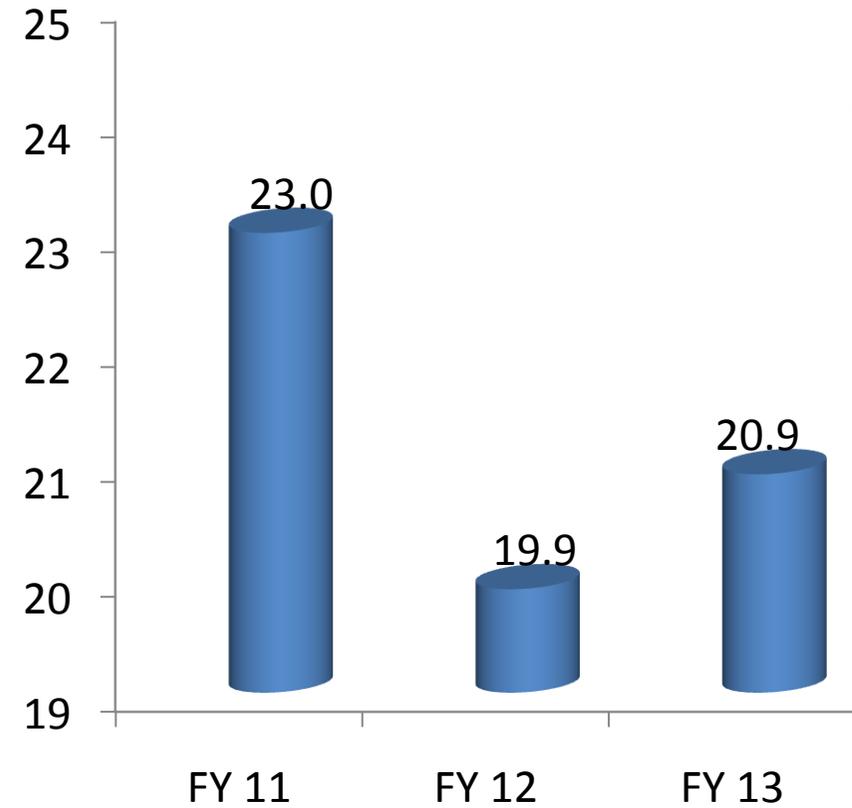
Strengthening balance sheet along with a healthy growth in turnover

Return Ratios

ROCE (%)



ROE (%)



Benefits of an asset light business model percolating to overall profitability

Financial Highlights - P&L

Particulars	Audited		
	FY11	FY 12	FY 13
Gross Sales	7,615	9,274	11,127
Net Sales	7,199	8,761	10,499
EBIDTA	690	752	883
Depreciation	175	183	205
EBIT	519	569	678
Finance cost	171	207	200
Profit before tax	344	362	478
Tax expenses	105	111	152
Profit after tax *	239	251	320
Cash Profit	438	434	525
EPS (Rs.)	6.28	7.28	9.28

* After minority interest and share of profit in associates

Consolidated figures in Rs./ Million

Financial Highlights - Balance Sheet

Particulars	Audited		
	FY11	FY 12	FY 13
Liabilities			
Networth	1,039	1,259	1,530
Total Debt	1,785	1,787	1,725
Trade Payables	970	1,114	1,612
Assets			
Net Block	1,737	1,944	2,092
Long Term Investments	9.9	52	87
Inventories	988	1,006	1,205
Trade Receivables	1,294	1,400	1,747
Cash & Bank	158	222	258

Consolidated figures in Rs./ Million

Financial Highlights - Key Ratios

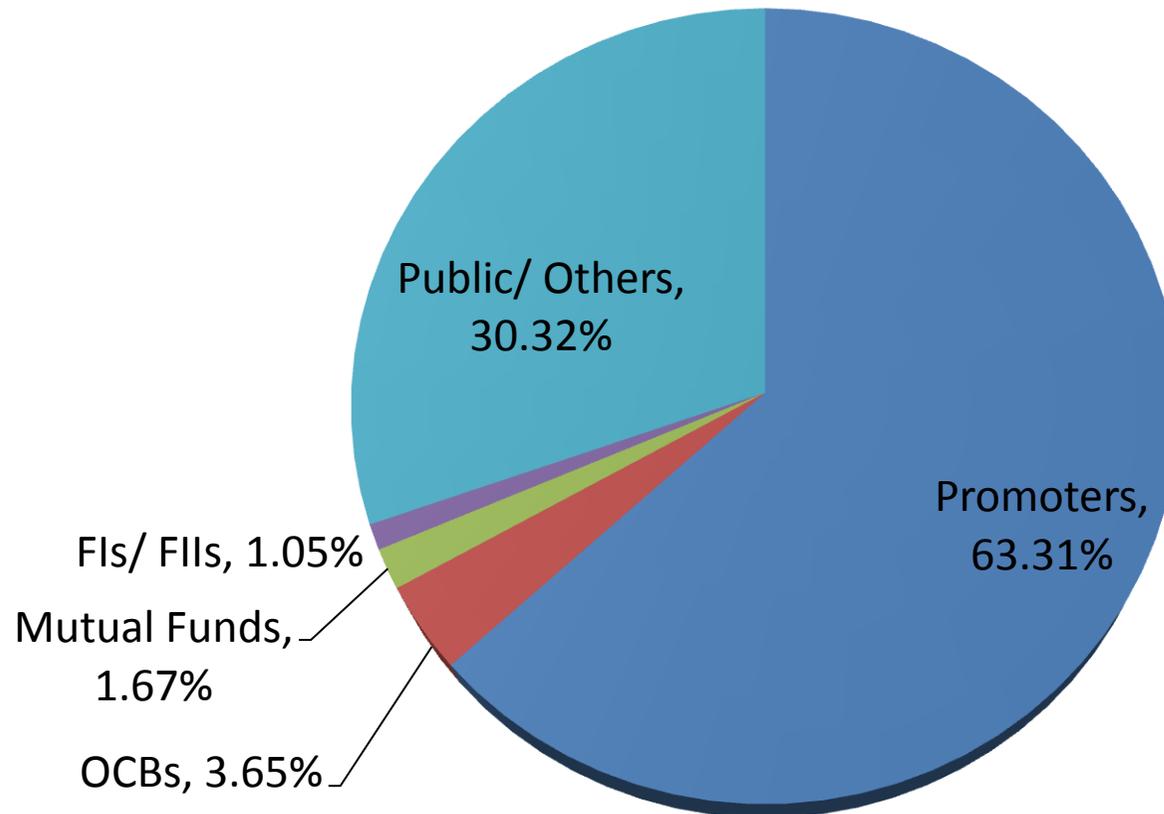
Particulars	Audited		
	FY11	FY 12	FY 13
Growth Matrix			
Net Sales		21.7%	19.8%
EBITDA		9.0%	17.4%
PAT		5.0%	27.5%
Profitability			
EBITDA Margin	9.6%	8.6%	8.4%
EBIT Margin	7.2%	6.5%	6.5%
PBT Margin	4.8%	4.1%	4.6%
PAT Margin	3.3%	2.9%	3.0%
RoCE	16.8%	17.2%	19.3%
RoE	23.0%	19.9%	20.9%
Leverage & Coverage			
D/E	1.7x	1.4x	1.1x
Total Debt / EBITDA	2.6x	2.4x	2.0x
EBIT / Interest	3.0x	2.8x	3.4x
Asset Management			
Working Capital Days		54	47
Net Fixed Assets Turnover		4.5x	5.0x
Valuation			
P/E		15.1x	11.9x
Mcap/Sales		0.4x	0.4x
EV/Sales		0.6x	0.5x

Financial Highlights - Q2 & H1 FY2014

Particulars	Q2' FY13	Q2' FY14	% Chg	HY1' FY13	HY1' FY14	% Chg
Gross Sales	2,720.5	3,206.1	17.8	4,760.0	5,930.2	24.6
Net Sales	2,566.2	3,038.2	18.4	4,463.0	5,617.9	25.9
EBIDTA	215.3	196.9	(8.5)	394.2	382.7	(2.9)
Depreciation	50.0	54.6	9.2	98.8	107.2	8.5
EBIT	165.3	142.3	(13.9)	295.4	275.5	(6.7)
Finance cost	49.0	47.7	(2.7)	100.3	92.5	(7.8)
PBT	116.3	94.6	(18.7)	195.1	183.0	(6.2)
Tax expenses	36.1	32.1	(11.1)	62.2	62.3	0.2
PAT	80.2	62.5	(22.1)	132.9	120.7	(9.2)
Cash Profit	129.3	118.6	(8.3)	228.3	227.4	(0.4)
EPS	2.3	1.8	(22.0)	3.9	3.5	(9.1)
Margins			Chg (bps)			Chg (bps)
EBIDTA (%)	8.4	6.5	(191)	8.8	6.8	(202)
EBIT (%)	6.4	4.7	(176)	6.6	4.9	(171)
PAT (%)	3.1	2.1	(107)	3.0	2.1	(83)

Shareholding Pattern

As on 30th September, 2013



Equity Shares Outstanding – 34,497,000 of Rs. 2/- each
CMP (as on 20-Dec-2013) – Rs.109.90 per share
Market Capitalization (as on 20-Dec-2013) – Rs.3,792 mn

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.

SOMANY[®]

joy per square feet

THANK YOU

For further information:
Somany Ceramics Ltd.
Mr. R.K.Lakhotia, VP-Finance
Email: fin@somanytiles.co.in