

NITCO
L I M I T E D

Innovation for a better life
(Formerly Nitco Tiles Limited)

Annual Report 2007-08

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Think different. Do different.

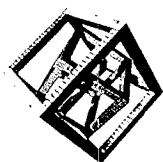
How we transformed a ceramic tile company into a building products organisation with just two sentences.

Forward-looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



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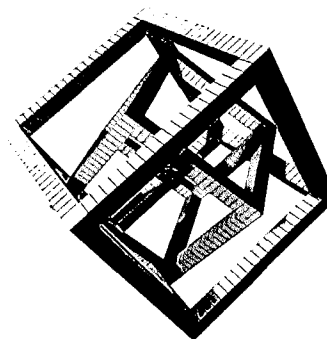
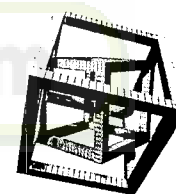
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Think different. Do different.
Exception everywhere. Rule at Nitco.

Most ceramic tile companies focused on the mass end of the market; Nitco dared to focus on the class end.

Most ceramic tile companies focused on direct vitrified manufacture; Nitco preferred to outsource instead.

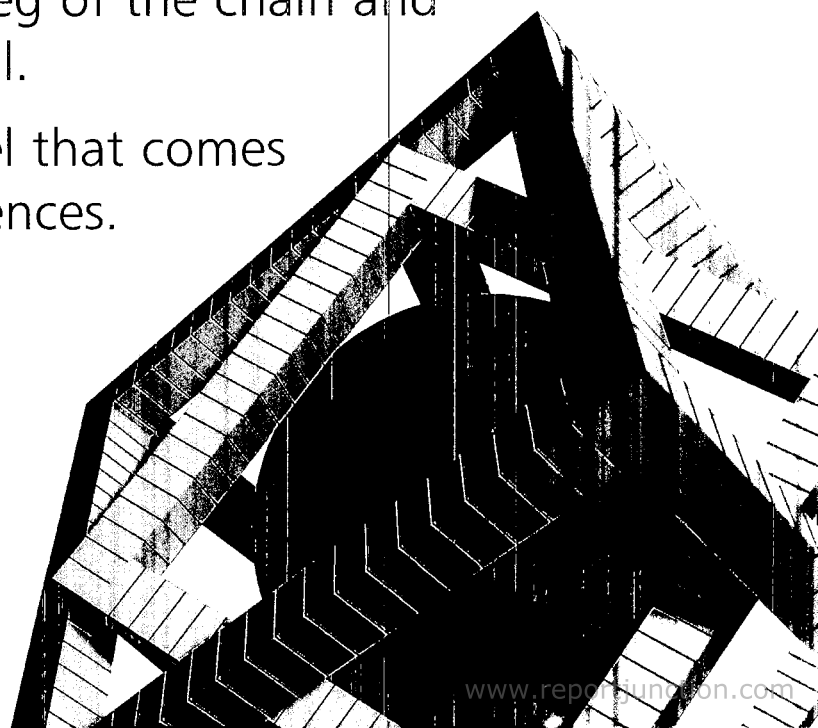
Most ceramic tile companies preferred to stick to the knitting; Nitco ventured into marketing complementary building products as well.

Most ceramic tile manufacturers stayed within the business; Nitco extended into real estate development.

Most tile companies focused on manufacture; Nitco crossed the last leg of the chain and extended to direct retail.

That's a business model that comes down to just two sentences.

Think different. Do different.





Vision

To be better and faster than everybody else in the business

Profile

■ Incorporated on July 25, 1966 by Pran Nath Talwar and headed by Vivek Talwar.

■ Established a prominent position in the building products segment with a rich products diversity, comprising vitrified tiles, marble, ceramic tiles and real estate.

■ Emerged as the first Indian company to formally outsource vitrified tiles from China for onward sale in India.

■ Entered real-estate development through its 100% subsidiary, Nitco Realities Pvt. Ltd. in 2006.

Products

Vitrified tiles: The Company sourced premium tiles from large Chinese manufacturers. Growth in sales by 32% from Rs. 252.88 cr in FY 2006-07 to Rs. 333.16 cr in FY 2007-08.

Ceramic tiles: The Company's Alibaug manufacturing facility produces a diverse product mix (glossy, matt, wood, metal, stone, leather, rustic, dirt-free and glazed aqua finishes). Ceramic tiles turnover increased by 25% from Rs. 117.17 cr in FY 2006-07 to Rs. 146.33 cr in FY 2007-08.

Mission

- To launch innovative and world-class products to help customers realise their dreams.
- To manufacture products of the highest quality which create a benchmark for the rest of the industry.
- To be fast and flexible so as to be able to grasp opportunity in the fast-changing world.
- To be transparent and fair to customers, shareholders, suppliers and employees in all our dealings.



Marble: The Company sources over 100 shades and patterns (including weather-proof, scratch-proof, stain-resistant and acid-resistant characteristics). Accounted for the highest share (12.2%) of marble sourcing into India in FY 08. Sales of marble surged 68% from Rs. 76.31 cr in 2006-07 to Rs. 128.19 cr in 2007-08

Presence

- Over 700 direct dealers and 5,000 retail outlets.
- 130 sales and display counters in multi-brand shops.
- 18 sales and marketing offices; 286 professionals.
- 21 warehouses.
- Plans to open 100 Le-Studio Express franchisee showrooms (1,000-1,500 sq. ft) and 20 exclusive display centres (Le Studio) across major Tier-I and Tier-II cities.

Realty

Construction of Thane IT Park I and II (Biz Park) commenced and is expected to be completed within the next year. Construction of a premium residential building at Worli (Mumbai) commenced.

Prestige

During 2007-08, Nitco received the following awards:

- Building Industry Leadership Award 2007 from the Builder Information Bureau.
- Ranked first at the Construction World Nicmar Awards 2007 for being the most profitable tile Company.

Highlights, 2007-08

Key numbers

- Turnover increased 38.55% from Rs. 470.43 cr in 2006-07 to Rs. 651.76 cr in 2007-08.
- EBDITA increased 22.26% from Rs. 70.97 cr in 2006-07 to Rs. 86.77 cr in 2007-08.
- Cash profit increased 29.19% from Rs. 48.07 cr in 2006-07 to Rs. 62.10 cr in 2007-08.
- Net profit increased 34.53% from Rs. 38.03 cr in 2006-07 to Rs. 51.17 cr in 2007-08.

How we grew over the years

1983

Commenced the manufacture of cement tiles in Thane, Mumbai.

1997

Set up a ceramic floor tiles manufacturing unit in Alibaug (8,000 sq. mt. per day).

1984

Commenced processing of imported marble.

Started outsourcing of vitrified tiles from China.

Post-balance sheet developments

For the quarter ended June 30, 2008

Gross sales increased 30.85% from Rs. 132.28 cr to Rs. 173.09 cr, driven by growth across key product segments:

- Vitrified tiles up 21% to Rs. 92.26 cr.
- Ceramic tiles up 11.21% to Rs. 38.71 cr.
- Marble up 21.84% to Rs. 20.64 cr.
- Cement sales stood at Rs. 19.33 cr.

EBITDA up 31.28% from Rs. 17.04 cr to Rs. 22.37 cr.

- Despite cost pressures, EBITDA margins in the tiles business improved from 14.62% to 15.82% due to an increase in selling prices and change in the product mix.
- EBITDA margin for the cement business was 4.37% (cement business started from Q4 FY08, hence no corresponding results available).



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2006

- Mobilised Rs. 1.68 bn through an IPO.
- Installed six windmills with a combined power-generation capacity of 7.5 MW in Dhule; these windmills supply power to the Company's plant and market the surplus power to the electricity grid.
- Increased ceramic tile production capacity by 56%.

- Ventured into real estate development.
- Launched 12 exclusive showrooms (Le Studio) across India.

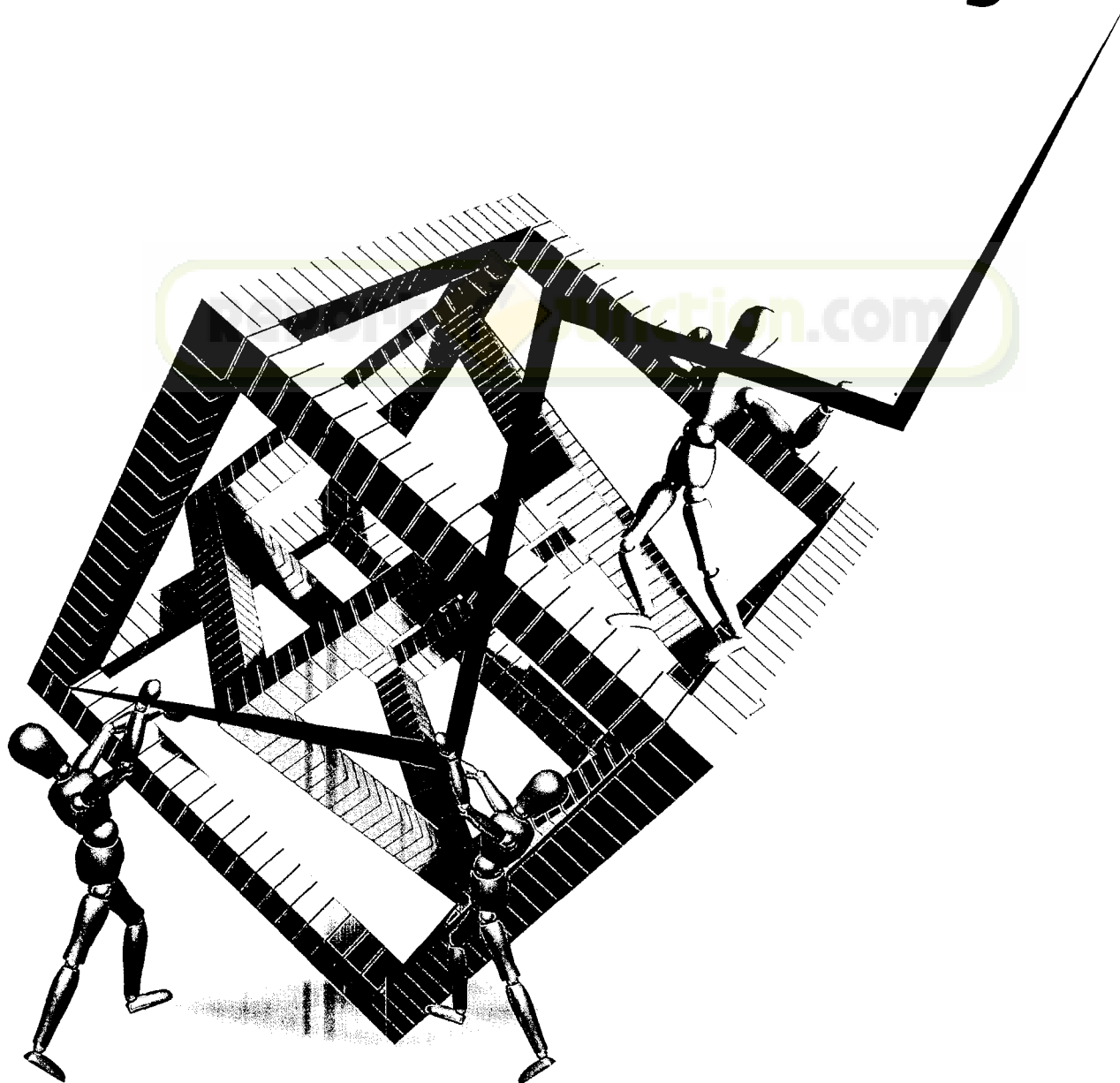
2004

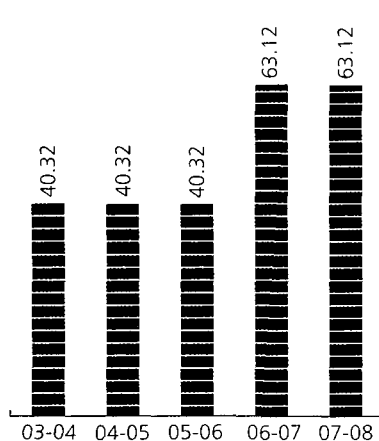
Upgraded the Alibaug plant for the manufacture of porcelain tiles.

2008

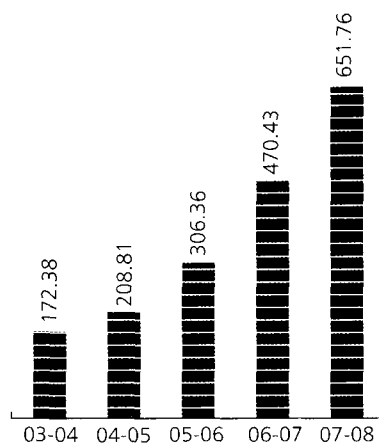
- Construction of two IT parks in Thane and a premium residential project in Worli has commenced.
- Embarked on the creation of 43 exclusive franchisee showrooms (Le Studio Express).
- Embarked on ceramic tile capacity expansion in Alibaug.

At Nitco, we let our
numbers do the talking...

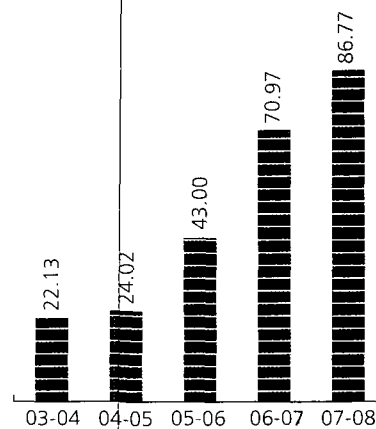




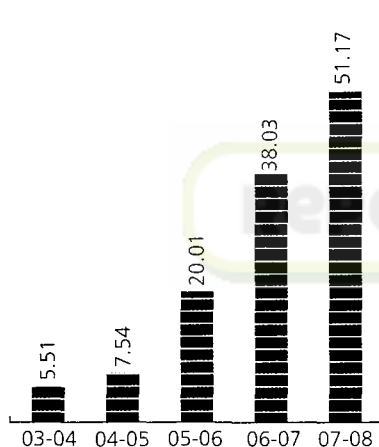
Growing production capacity
(sq. mt. in lacs)



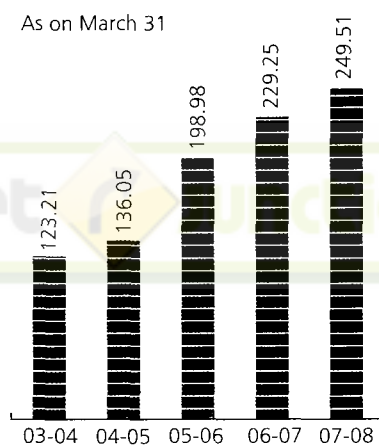
Increasing income from operations
(Rs. cr)



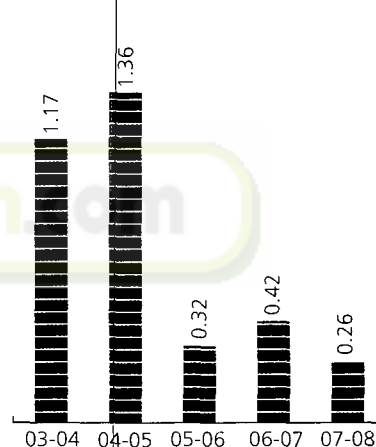
Robust EBIDTA
(Rs. cr)



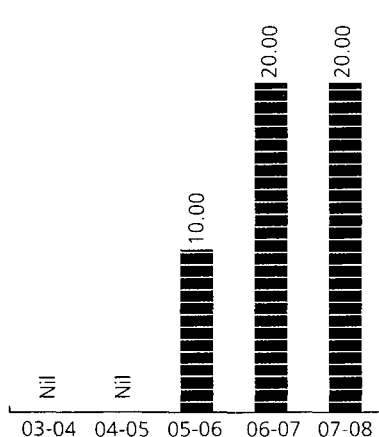
Growing post-tax profit
(Rs. cr)



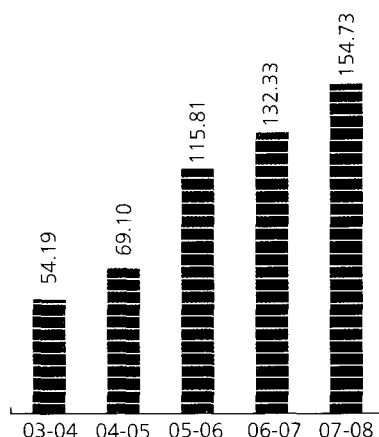
Rising gross block
(Rs. cr)



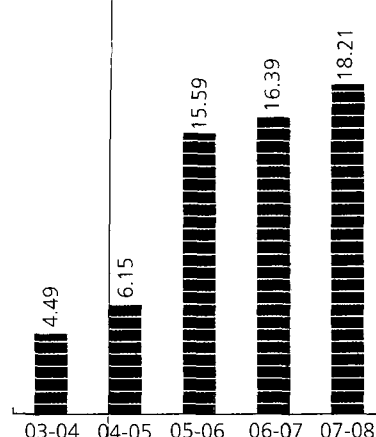
Strengthening debt-equity ratio



Growing dividend
(%)



Mounting book value per share
(Rs.)



Rising earnings per share
(Rs.)

