

BUILDING A STRONGER ENTERPRISE

NITCO
LIMITED
Annual Report 2011-12

Forward-looking statement

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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For a number of years, we had strengthened our business through a combination of manufacture and prudent outsourcing.

This business model worked well for our Company. We reported handsome profits in 45 years out of the 47 years of our existence. During this period, we emerged as one of the highest margin tile companies India.

In 2011-12, we reported a loss of Rs. 55.45 crore on account of a sharp fluctuation in the value of the Indian currency.

At Nitco, we are capitalising on this experience to create a stronger and progressively de-risked company with the objective to return the Company to profits, high margins and enhanced shareholder value.

“IF IT IS INNOVATIVE, IT MUST BE FROM NITCO.”
THIS ONE LINE VOICED BY OUR TILE AND MARBLE CUSTOMERS ACROSS THE COUNTRY HAS UNDERLINED WHAT WE HAVE ALWAYS STOOD FOR – A PRIDE-ENHANCING PRODUCT.
THE RESULT IS THAT NITCO HAS GROWN REVENUES AT A CAGR OF 21 PER CENT IN THE FIVE YEARS LEADING TO 2011-12.
PAST INSPIRES. PRIDE WORKS. PASSION PAYS.

BACKGROUND

- Nitco (established in 1966 by Mr. Pran Nath Talwar) is among the top premium tile companies in India
- The Company is headed by Mr. Vivek Talwar (Managing Director)
- The Company diversified into the business of property development in 2007, leveraging decades of experience of the building materials industry

EXPERTISE

- Nitco is one of India's largest floor tiles manufacturers
- The Company's tile manufacturing facility is located in Alibaug (off Mumbai) with an installed capacity of **80.85 Lakhs Sq mt** (as on 31st March 2012); the plant's fuel supplies are assured through a 5.5 MW gas-based cogeneration power plant
- The Company's marble cutting and processing facilities are located at Kanjurmarg (Mumbai) and Silvassa (Dadra and Nagar Haveli)

PRODUCT PORTFOLIO

(The capacity for the entire Alibaug plant is 80.85 lakh Sqm. There is no separate capacity according to separate category of tiles)

Products	Portfolio
Floor tiles	Ceramic tiles, vitrified tiles, polished glazed vitrified tiles, naturoc gres tiles and duracottura tiles
Wall tiles	HD digital tiles and mosaic highlighters
Marble	Natural marble and engineered marble
Mosaic	Signature collection, magnum opus collection, décor collection, solitaire collection, naturale collection, crust collection, frame collection, steps, risers and skirting

PRESENCE

- The Company is headquartered in Mumbai, India
- Its pan-India presence is facilitated through 30 offices
- Its strong and vibrant distribution network comprises 1100 dealers and 5500 sub-dealers
- The Company exports 1% of its tile volumes to 24 countries (including the US, Canada, Oman and the UAE as well as countries from Europe, Africa)
- The Company's shares are listed on the BSE and NSE. The promoters own 48.90% of the Company's equity. The Company enjoyed a market capitalisation of Rs. 124 crore as on 31st March, 2012

AWARDS AND ACCREDITATION

- The Alibaug plant is certified for ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007
- The corporate office has been certified for ISO 9001:2008
- Awarded 13 Capexil awards for innovation and design
- Won two Construction World awards
- Awarded the 'Best SAP Project Implementation' by SAP India
- Won the 'Quality Excellence Award for Processing Unit' in Silvassa
- Bagged the 'Building Industry Leadership Award 2007' from the Builder Information Bureau

VISION

To be better and faster than everybody else in the business

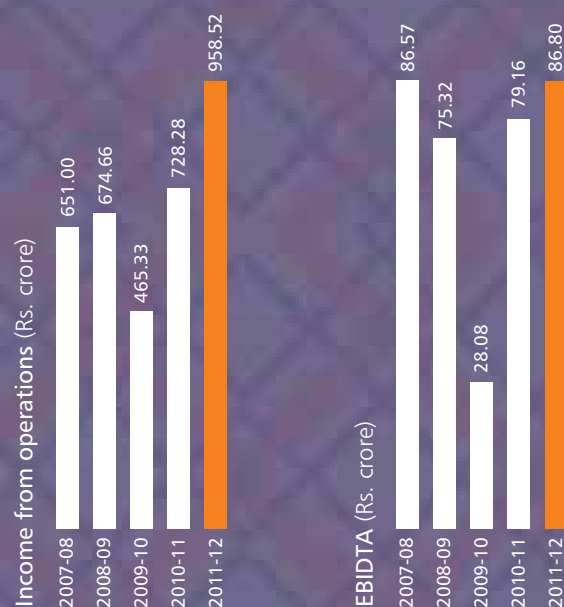
PIONEERING

- The Company produces safe lead-free glazed tiles, using lead-free inputs from Europe.
- The Company is the only Indian tile manufacturer (and one of 30 in the world) to have introduced rustic tiles reconciling a unique 'dry powder application' technology leading to a natural stone look. The uniqueness of the technology is that tiles with undulated surface can be decorated using special glazes to replicate the aesthetic finish of natural stone.
- The Company introduced super gloss floor tiles (with enhanced aesthetic finish similar to natural marble), dirt-free and anti-bacterial (nano-coated) and scratch resistant tiles.
- The Company introduced 600x600 mm glazed vitrified tiles, one of the largest in the country
- The Company introduced 100% matt finish tiles in satin and rustic finish with anti-skid properties addressing medium and heavy traffic
- The Company introduced dirt-free tiles leveraging unique sharp-edge technology wherein tiles are cut to a perfect square ensuring minimal joints following laying resulting in lower dirt accumulation; besides, the micro porosity makes the tiles dirt-free and antibacterial.
- The Company introduced rectangular wood strips for the first time in India, the product reconciling the texture and colours of natural wood with superior porcelain tile quality. These durable products do not need lower maintenance than traditional wood flooring.

MISSION

- To launch innovative and world-class products to help customers realise their dreams
- To manufacture products of the highest quality, creating industry benchmarks
- To be fast and flexible to be grasp opportunities in a fast-changing world
- To be transparent and fair to customers, shareholders, suppliers and employees in all our dealings

WHAT WE ACHIEVED OVER THE YEARS



KEY MILESTONES



1966

- Incorporated as Nitco Tiles Pvt. Limited
- Commenced cement tiles manufacture at Thane (Mumbai)



1984

Commenced marble processing at Kanjurmarg



1997

Commissioned the Alibaug ceramic tiles unit



2002

Received the quality excellence award for ceramic floor tiles from the Institute of Trade and Industrial Development



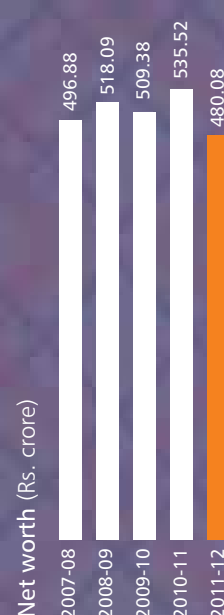
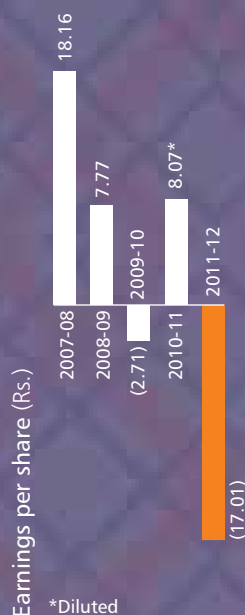
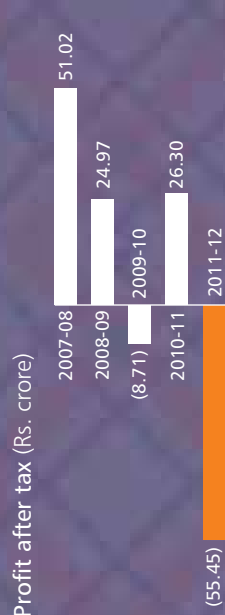
2004

Upgraded the Alibaug plant for manufacturing porcelain tiles



2006

- Mobilised Rs.168 crore through an IPO
- Installed six windmills (7.5 MW) at Dhule (Maharashtra)



2007

- Entered real estate development through Nitco Realities (subsidiary) with a 100 % shareholding
- Launched 16 exclusive showrooms under the Le Studio brand



2008

- Embarked on the creation of exclusive franchised showrooms under Le Studio Express



2009

- Received ISO 9001: 2008, ISO 14001: 2004 and OHSAS 18001: 2007 certifications
- GAIL commenced RLNG supplies at Alibaug



2010

- Launched premium category porcelain tiles under the Naturoc brand



2011

- Commissioned a 5.5-MW cogeneration gas-based power plant at Alibaug
- Completed construction of the Biz Park at Thane, admeasuring 2 lakh sq. ft



2012

- Marble processing plant at Silvassa commenced commercial operations.
- Installed automatic palletizer and polishing Line at ceramic tiles plant at Alibaug





BUILDING A STRONGER ENTERPRISE THROUGH


ALLIANCE

For years, Nitco outsourced material from dependable quality-driven tile manufacturers in China. These outsourcing agencies delivered material benchmarked to the prevailing trends in the largest volumes at the most competitive prices. However, this enduring outsourcing arrangement needed to be rationalised on account of growing global currency volatility and its cascading impact on the freight incidence.

Even as the economics of tile outsourcing continues to remain attractive, Nitco embarked on a decisive initiative during the year under review. The Company invested in a joint venture with a reputed Morbi tile manufacturer (capacity 8 msm per annum) with the longest kiln in India to manufacture quality vitrified floor and wall tiles.

This alliance represents a win-win proposition: the Gujarat-based manufacturer had reached a critical manufacturing scale which now warranted a sizeable investment in creating a pan-India branding and distribution infrastructure, which Nitco already possesses. On the other hand, Nitco enjoyed deep intangible capital but a dearth of manufacturing capacity, which the Gujarat-based company already possessed.

Following this alliance, the Gujarat-based company will continue to focus on production from within its plant without drawing on Nitco's management bandwidth; in turn, Nitco will be able to market the additional throughput through its distribution channels without increasing dealers or investments.



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