

NITCO LTD

Annual Report 2014 - 2015

Responding to Challenges



Forward-looking statements

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 'anticipates', 'estimates', '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 our 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.



Future
Homes...

CONTENTS

	Page No
1. Corporate Information	3
2. Director's Report	5
3. Management Discussion & Analysis	13
4. Report on Corporate Governance	26
5. Standalone Financials	57
6. Consolidated Financials	90

CORPORATE INFORMATION

Corporate Office:

NITCO Limited,
NITCO House, Station Road,
Kanjur Marg (East),
Mumbai – 400 042, Maharashtra,
Tel No - +91 22 6752 1555
Fax No - +91 22 6752 1500

Registered Office:

NITCO House,
Recondo Compound, S.K Ahire Marg,
Worli, Mumbai – 400 030, Maharashtra,
Tel No - +91 22 6616 4555
Fax No - +91 22 6616 4657

Board of Directors

Mr. Vivek Talwar, Chairman & Managing Director
Mr. Rohan Talwar, Non-Independent Director
Mr. Pradeep Saxena, Independent Director
Mr. Rakesh Kumar, Nominee Director
Mr. Sharath Bolar, Independent Director
Mrs. Bharti Dhar, Independent Director

Key Managerial Personnel:

Mr. Ashok Goyal, Chief Executive Officer
Mr. B. G. Borkar, Chief Financial Officer
Mr. Rohit Darji, Asst. Company Secretary &
Compliance Officer

Statutory Auditor:

A. Husein Noumanali & Co., Chartered Accountant

Works:**Ceramic Tiles Division**

Village Shirgaon, Taluka Alibag,
Post Poynad,
District Raigad, Maharashtra.

Marble Division (Mumbai)

NITCO Marble Land,
Plot No 3, Kanjur Village Road,
Kanjur Marg (East),
Mumbai – 400 042, Maharashtra

Marble Division (Silvassa)

Survey No 176, Village Silli,
Silvassa – 330 396

Contents

Even in a challenging economic environment, NITCO was able to hold its ship steady.

In addition, it embraced a strategic shift towards engaging in outsourced products, optimizing costs and improving margins. It also ventured into digital tiles, enhancing product variety and strengthening customer convenience.

On the back of these positives, the Company looks is responding to the challenges and looks into the future with cautious optimism.

About us

NITCO (Northern India Tiles Corporation) Limited was established in 1966 by Late Mr. Pran Nath Talwar, a first generation entrepreneur. The Company is engaged in providing floor and wall solutions with a portfolio comprising a comprehensive range of tiles, marbles and mosaic. The Company has also forayed into real estate.

The Company's equity shares are listed on the Bombay and National stock exchanges.

The Stellar Stone

From the classic Stonehenge to the Standing Stones of Stenhouse, zoom in to these majestic beauties with NITCO Magnified Stone collection. Inspired by the heritage rocks to give your home a classic makeover.

Over the years...

Year	Highlights
1997	<ul style="list-style-type: none">• Commissioned the Alibaug ceramic tiles unit
2002	<ul style="list-style-type: none">• Received the Quality Excellence award for the Alibaug unit from the Institute of Trade and Industrial Development
2004	<ul style="list-style-type: none">• Upgraded the Alibaug plant for manufacturing porcelain tiles
2006	<ul style="list-style-type: none">• Expansion of ceramic tiles capacity at Alibaug• Listed on the BSE and NSE• Installed six windmills (7.5 MW) at Dhule (Maharashtra)
2007	<ul style="list-style-type: none">• Launch of the first Le Studio exclusive showrooms• Best SAP Project Implementation award from SAP India Ltd• Received marble import license by the DGFT for 15,895 MT.• Entered real estate development through Nitco Realities (subsidiary) with 100% shareholding• Launched 16 exclusive showrooms under the Le Studio brand
2008	<ul style="list-style-type: none">• First Construction World award win
2009	<ul style="list-style-type: none">• Second Construction World award win• Added wall tiles to its product portfolio• Received ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 certifications• GAIL commenced RLNG supplies at the Alibaug unit
2010	<ul style="list-style-type: none">• Set-up a marble processing facility with equipment supplied by Breton S.p.A at Silvassa• Launched premium category porcelain tiles under the Naturoc brand
2011	<ul style="list-style-type: none">• Commissioned a 5.5 MW cogeneration gas-based power plant at Alibaug• Completed the construction of the Biz Park at Thane, spread across 2 lac sq. ft
2012	<ul style="list-style-type: none">• Marble processing plant at Silvassa commenced commercial operations• Installed automatic pelletiser and polishing line at the ceramic tiles plant at Alibaug
2013	<ul style="list-style-type: none">• Ranked 20th among 'Dream companies to work for' by the World HRD Congress• Acquired 51% stake in the equity of New Vardhman Vitrified Private Limited
2014	<ul style="list-style-type: none">• Commercial production through the joint venture• Launched digital wall tiles
2015	<ul style="list-style-type: none">• Launch of large format GVT tiles

Business model

Distribution network

With a strong distribution network, NITCO caters to demand from across India. Widening its presence further, the Company has built a reliable client base overseas as well. The Company has increased its distribution network in the North and East zone of the country.

Brand equity

The NITCO brand stands for pioneering innovation in 600x600 mm glazed vitrified tiles of which the Company is among the largest manufacturers in India. We also manufacture rustic tiles utilising a unique 'dry powder application' technology which imparts a natural 'stone' feel with undulated surfaces embellished using a special glaze.

Asset-light

NITCO shuffled its operating model to a joint-venture led approach. The Company invested in brown field expansion at Gujarat-based facilities and saved on similar capex costs that would be required for green field projects, strengthening long-term profitability and moderating capital costs.

Multi-segment

Although a major segment of the Company's business comprises tiles, NITCO also has interests in marble and digital wall tiles, enabling it to offer complete flooring solutions. Besides, the Company is also engaged in real estate development.

Customer-focused

NITCO's products are sold across both retail and institutional channels, enabling it to enhance its customer base and drive both volumes and margins.

Wondrous Wood

Your quest to stay close to Mother Nature is over. With designs that soothes your soul to textures that caresses your mind; the NITCO Magnified Wood tile collection is sure to leave you breathless.

Key corporate highlights, 2014-15

1. NITCO strengthened its premium positioning with the launch of NITCO Magnified range of large size GVT and PGVT floor tiles (4ftX2ft) tiles...the rapid urbanization and opulence in the luxury segment have resulted in the Indian customer opting for larger size tiles less joints and more natural looking surface. NITCO Magnified range positioned to make the floor look larger than life was appreciated by all. The Launch experience which resulted in a magnified experience for the retail trade partners in the city of Jaipur where the new range was unveiled created awe and was overbooked further strengthening NITCO's position and the trust of the dealer network in NITCO's quality and superiority.
2. NITCO expanded its Ceramic digital floor range and expanded its presence across more counters and customer base with the launch of 2X2ft DuraDigi range of HD digital floor tiles, the unique geometric designs and ECLAT finish with the clarity of print, design sharpness and the unique innovative surface finish was appreciated by all and the demand overtook supply in a matter of time.
3. NITCO expanded its basket with the launch of NITCO Casa Wall tile range a collection launched after an immense study of future homes and studying the future design trends of homes and their impact on design and lifestyle, the collection saw unique designs and color palettes changing the norm and capturing the imagination of all with its range of designs and new reactive finish design surfaces.
4. Not only was it the year with the largest basket of new launch but also exciting with launch events done across more than 24 cities across India where the end customer/trade and influencers could be an integral part to be exposed to the same.
5. NITCO expanded its digital footprint in an era which is fast exploding with new innovations, its aligned an integrated new structured digital and social media presence from a new look website providing room visualization and imagery integrated across all platforms with cell phones, tabs, pc's enabling a 5 times increase in enquiries and direct customer feedback with the sales has recently been rated as one of the most innovative sites by the social media groups.



Key corporate strengths

Marketing network

Over 5000 retail outlets mark NITCO's presence in the country. The Company possesses over 1100 direct dealers, backed by 26 depots powering the distribution network. It also operates more than 13 exclusive showrooms, Le Studio, pan-India, for displaying its exquisite range of tiles, mosaic and marbles. The Company also has around 125 showrooms operating as franchisees under Le Studio Express (LSE) and NITCO Look.

Technology

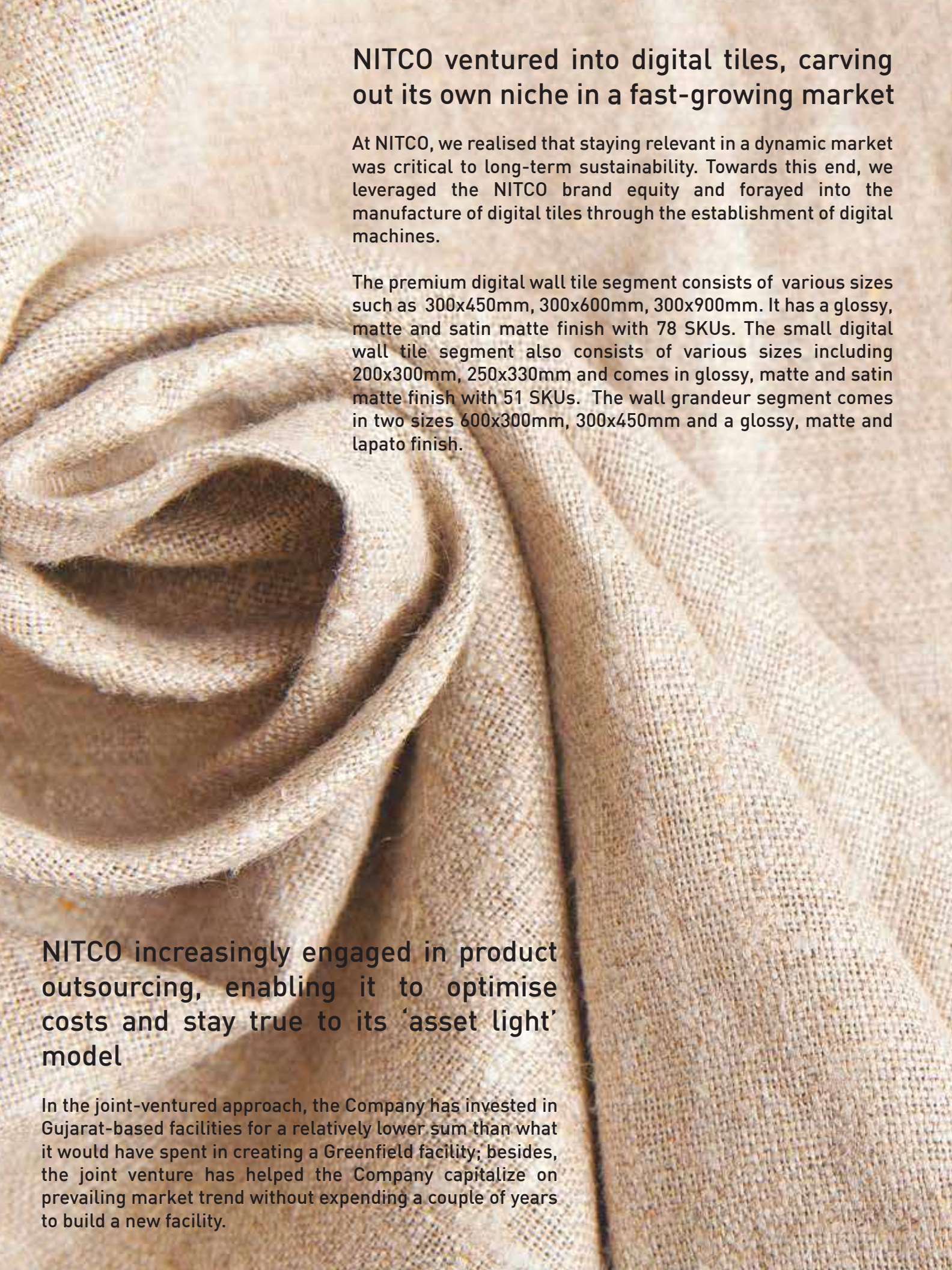
NITCO deploys world-class manufacturing technology with fully-automated production lines enabling the delivery of globally-benchmarked products. Stringent quality standards are also maintained at the marble division with the Breton equipment at Silvassa remaining the only one of its kind in India.

International expertise

NITCO leverages Italian know-how to gain an edge over peers. Superior marble is sourced from select quarries in Italy and other locations globally and thereafter cut and smoothened with finesse, enabling the supply of international standard products.

Innovative design

NITCO introduced rectangular wooden strips for the first time in India, reconciling wood textures and colours. The Company also introduced super gloss scratch-proof floor tiles (resistant to dirt and bacteria). Moreover, the Company's 100% matte finished tiles possess anti-skid properties, widening their scope of applicability. NITCO has also ventured into digital tiles, providing attractive and eye-catching designs.



NITCO ventured into digital tiles, carving out its own niche in a fast-growing market

At NITCO, we realised that staying relevant in a dynamic market was critical to long-term sustainability. Towards this end, we leveraged the NITCO brand equity and forayed into the manufacture of digital tiles through the establishment of digital machines.

The premium digital wall tile segment consists of various sizes such as 300x450mm, 300x600mm, 300x900mm. It has a glossy, matte and satin matte finish with 78 SKUs. The small digital wall tile segment also consists of various sizes including 200x300mm, 250x330mm and comes in glossy, matte and satin matte finish with 51 SKUs. The wall grandeur segment comes in two sizes 600x300mm, 300x450mm and a glossy, matte and lapato finish.

NITCO increasingly engaged in product outsourcing, enabling it to optimise costs and stay true to its 'asset light' model

In the joint-ventured approach, the Company has invested in Gujarat-based facilities for a relatively lower sum than what it would have spent in creating a Greenfield facility; besides, the joint venture has helped the Company capitalize on prevailing market trend without expending a couple of years to build a new facility.