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Years Celebrating

NITCO

ANNUAL REPORT

2015-16

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.

Corporate
Information

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CORPORATE INFORMATION

Board of Directors

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

Key Managerial Personnel

Mr. Ashok Kumar Goyal, Chief Executive Officer
 Mr. Bhaskar Borkar, Chief Financial Officer
 Mr. Puneet Motwani, Company Secretary and Compliance Officer

Statutory Auditor

A.Husein Noumanali & Company, Chartered Accountant

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

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

Works

Ceramic Tiles Division

Village Shirgaon, Taluka Alibaug, 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

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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.

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 mosaico. The Company has also forayed into real estate.

The Company's equity shares are listed on the Bombay Stock Exchange and National Stock Exchange. The promoters held 69.57% of the Company's equity as on March 31, 2016.

Presence

NITCO is headquartered in Mumbai and possesses a pan-India presence through a wide distribution network comprising approximate 1300 dealers and 5000 retail outlets (at the close of 2015-16).

The Company's manufacturing units are strategically located in multiple states. While its marble division is located in Mumbai (Maharashtra) and Silvassa (Dadra and Nagar Haveli), its ceramic tiles division and mosaico division is located in Alibaug (Maharashtra), 51% JV for manufacturing Vitrified and Wall Tiles is located in Gujarat.

Clientele

Apart from catering to domestic demands, the Company enjoys a sizeable client base overseas as well through exports to Belgium, Germany, Argentina, Oman, Qatar, Saudi Arabia, Europe, Africa, Nepal and others.

Innovation at NITCO

NITCO manufactures a wide range of innovative products and has always been the pioneer in setting design trends and creating trendsetters for the industry.

1. The journey of innovation stems from its design ethos in creating designs which look and feel like a slice of nature, designs created and inspired from its own library of natural stone/wood/natural imported marble.
2. It's unique 6 color digital printing blended with rotocolor and dry application provides it technology to combine the best of all printing technologies and replicate the natural look and color on each tile making every design unique and asymmetric.
3. The launch of a new finish called ECLAT finish which fused the natural veins and surface with a sheen creating a new dimension in Ceramic floor tiles range called DuraDigi.
4. NITCO also launched its premium range of wall tiles under the Casa collection combining digital reactive print gloss with drop application, designed infused for future homes, most of the designs are like masterpieces making the application of wall tiles take centre stage from living rooms to standalone walls.
5. Not only is it surface innovation but also on tangibles like strength where NITCO surpassed all competitors with its launch of Magnified range of floor tiles with the highest industry strength.

Certifications

NITCO is certified with world-class credentials comprising ISO 9001:2008, 14001:2004 and 18001:2007.

Key corporate highlights 2015-16

1. NITCO strengthened its premium positioning with the launch of NITCO Magnified range of large size GVT and PGVT floor tiles (1200X600mm) 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 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 600X600mm 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.

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 DGFT for 15,895 MT. Entered real estate development through Nitco Realities Pvt. Ltd. (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 from Alibaug factory (196x1200mm, 600x1200mm)
2016	<ul style="list-style-type: none"> Launch of GVT tiles from JV (800x800 mm, 600x600 mm & 600x1200mm)

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 capex costs that would be required for greenfield projects, strengthening long-term profitability and moderating capital costs.

Multi-segment

Although a major segment of the Company's business comprises floor 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.

Key corporate strengths

Marketing network

Over 5000 retail outlets mark NITCO's presence in the country. The Company possesses over 1300 direct dealers, backed by 21 depots powering the distribution network. It also operates 13 exclusive showrooms, Le Studio pan-India, for displaying its exquisite range of tiles, mosaico and marbles. The Company also has around 68 showrooms operating as franchisees under Le Studio Express (LSE) and 88 franchisees under 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 plants.

The premium digital wall tile segment consists of various sizes such as 300x600 mm, 300x900 mm and 300x450 mm. It has a Glossy, Matte and Satin matte finish with 72 SKUs. The wall grandeur segment comes in two sizes 600x300 mm, 300x450 mm and a glossy, matte and lapato finish. The GVT segment consists of Matte, Rustic, Lapato, Barnio, Enamelia and glossy finish which also has 56 SKUs.

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.

Five years financials

	₹ in Crores				
	2015-16	2014-15	2013-14	2012-13	2011-12
Share capital	54.70	54.70	54.70	32.60	32.60
Share application money	-	-	-	28.00	-
Reserves	(156.59)	(93.83)	38.49	216.14	447.48
Loan funds *	1,300.74	1,305.14	1,305.68	1,186.79	1,217.12
Other long term liabilities	2.36	2.32	2.85	2.67	-
Gross block	895.04	907.52	903.71	900.40	889.13
Net block	563.53	608.32	671.23	709.54	737.58
Capital work in progress	1.94	3.73	4.57	2.95	3.38
Non current investments	27.35	27.35	31.24	31.24	11.84
Non current assets	188.84	188.57	179.45	177.66	156.55
Current assets other than real estate	469.54	443.70	462.30	474.67	653.46
Current assets - real estate	179.59	178.84	185.91	186.01	192.91
Current liabilities*	209.23	161.85	112.63	95.53	38.18
Net current assets	439.89	460.69	535.58	565.15	808.18
Deferred tax (assets)/ liability	20.35	20.35	20.35	20.35	20.35
Net sales	775.95	823.99	758.59	770.34	839.82
Other income (incl. other operating revenues)	5.16	3.89	3.02	1.92	1.55
Material cost	550.75	582.58	524.27	527.33	546.29
Power cost	49.63	63.89	64.71	53.09	37.67
Employee cost	72.22	72.13	68.79	68.59	46.65
Other manufacturing expenses	23.71	20.36	17.56	18.94	10.48
Administration & selling expenses	88.54	104.73	111.84	143.95	113.48
EBITDA	(3.74)	(15.81)	(25.55)	(39.63)	86.80
Interest	5.19	42.17	143.69	151.67	75.11
EBDT	(8.93)	(57.98)	(169.25)	(191.31)	11.69
Depreciation	51.31	62.28	41.99	40.03	32.66
Exceptional items	2.53	6.97	-	-	34.47
PBT	(62.77)	(127.22)	(211.23)	(231.34)	(55.45)
PAT	(62.77)	(127.22)	(211.23)	(231.34)	(55.45)
Net worth	(101.89)	(39.13)	93.19	276.74	480.08
Capital employed	1,041.97	1,109.83	1,236.16	1,300.53	1,524.63
EPS (₹)	(11.47)	(23.26)	(55.41)	(70.96)	(17.01)
Book value (₹)	(18.63)	(7.15)	17.04	84.89	147.26

* Loan funds includes current maturity of long term debts and outstanding letter of credit, accordingly these have been deducted from the current liabilities.

Our contribution to National Ex-chequer

	₹ in Crores				
	2015-16	2014-15	2013-14	2012-13	2011-12
Contribution to Ex-chequer					
Excise Duty/Service Tax	92.31	85.60	71.58	51.19	30.49
Custom Duty	13.91	17.79	12.90	21.19	68.02
Sales tax/Octroi	42.53	48.02	53.33	83.49	87.42
Total	148.75	151.41	137.82	155.87	185.93