

# WATCH THIS SPACE

SOMANY CERAMICS LIMITED  
ANNUAL REPORT 2015-16



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### 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/uncertainty and that actual results could differ materially from those expressed or implied. Important factors that could cause differences include input costs and/or its 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, labor negotiations and fiscal regimes.



## WATCH THIS SPACE

A quality suspense thriller seldom allows the viewers' attention to drift away. Amid the volatile and unevenly distributed global economic growth, an economy continues to defy the trends. An industry segment of that economy, a company from that industry and some nascent business division of that company; all three delivered ahead-of-the-curve performances in the fiscal year 2015-16.

Besides scoring high on current deliverables, the fabulous-four went on to strengthen their respective fundamentals in the year gone by. Just as fortune favouring the brave, ensuing fiscal year 2016-17 is presenting a highly promising landscape to our own fab-four, which stand prepared to mine the opportunities. And that's where drifting away from this space would be akin to losing the plot, quite literally. Keep watching these fabulous four, just like an epic suspense thriller, as the thrill of discovering value goldmines appears certainly worth the journey. And journey remains dotted with many a hidden gems unearthing, every now and then.



## WE ARE SOMANY CERAMICS

At Somany Ceramics, we are India's 3rd largest manufacturer and marketer of tiles and also offer wide range of Sanitary ware and Bath Fittings. We export our products to more than 55 countries across 6 continents. Our access to tiles manufacturing capacity stands at ~60 million square meters (msm), through two units owned by the Company (Kadi, Gujarat and Kassar, Haryana), six units of our associates/subsidiary companies and some more units belonging to other manufacturers.



We have spearheaded product and design innovations and also adoption of best-in-class technologies in the Indian ceramics Industry. Our innovative VC Shield and Slip Shield ranges stand testimony to our technological prowess. We offer complete Décor solutions across a wide range of products and also tile laying services.

## OUR VISION

Most sought after tile and allied product in India and be the best employer in the tile industry.

## OUR MISSION

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

## OUR PRODUCT BOUQUET

- Ceramic Tiles • Polished Vitrified Tiles (Pvt) • Glazed Vitrified Tiles (Gvt)
- Sanitary ware • Bath Fittings

## OUR MANUFACTURING CAPACITIES

		Stake	Unit	Annual Capacity
Tiles	Company	100%	Kassar, Haryana	17.13 msm
		100%	Kadi, Gujarat	8.42 msm
	Associates / Subsidiaries	26%	Vintage Tiles Pvt. Ltd.	2.99 msm
		26%	Commander Vitrified Pvt. Ltd.	4.76 msm
		26%	Vicon Ceramic Pvt. Ltd.	3.98 msm
		51%	Amora Tiles Pvt. Ltd.	4.58 msm
		26%	Acer Granito Pvt. Ltd.	5.10 msm
		51%	Somany Fine Vitrified Pvt. Ltd.	4.29 msm
	Outsourced capacity (zero equity stake)			9.00 msm
Sanitary ware	Subsidiary	51%	Somany Sanitary Ware Pvt. Ltd.	303,000 pcs.

# FINANCIAL HIGHLIGHTS

## Key Figures (Consolidated)

(in ₹ lacs, except for those specified otherwise)

Particulars	FY 16	FY 15	FY 14	FY 13	FY 12
Gross Sales	180,105	161,335	133,095	111,275	92,738
Net Sales	171,004	153,516	126,061	104,993	87,613
EBIDTA	15,197	11,523	8,447	8,830	7,521
Finance Costs	2,247	2,054	1,852	1,998	2,067
EBDT	12,950	9,469	6,595	6,832	5,454
Depreciation	2,828	2,659	2,243	2,050	1,834
PBT	9,679^	6,810	4,352	4,782	3,620
PAT	6,470	4,639	2,887	3,201	2,511
Share Capital	848	777	777	690	690
Reserves & Surplus	41,969	25,024	21,569	14,615	11,899
Net Worth	42,817	25,801	22,346	15,305	12,589
Deferred Tax Liability	3,287	2,874	2,838	2,619	2,538
Loan Funds#	26,366	21,044	18,854	17,662	18,077
Gross Block (including CWIP)	62,938	49,515	45,227	41,478	38,820
Net Block (including CWIP)	38,687	26,460	24,348	20,924	19,441
Investments	1,981	1,947	1,765	867	519
Current Assets	61,601	47,960	47,006	39,904	32,472
Current Liabilities##	29,521	27,860	29,920	26,275	19,501
Net Current Assets	32,080	20,100	17,086	13,629	12,971
Capital Employed	74,471	50,250	44,482	35,586	33,204
EPS (₹)*	16.25	11.94	8.25	9.28	7.28
Book value (₹)*	107.53	66.42	63.85	44.37	36.49
Dividend (₹)*	2.30	2.00	1.50	1.20	0.80
Return on Net Worth (%)	18.86	19.27	15.34	22.95	21.86
Return on Capital Employed (%)	19.83	18.71	15.50	19.71	17.34
Debt Equity (times)	0.62	0.82	0.84	1.15	1.44

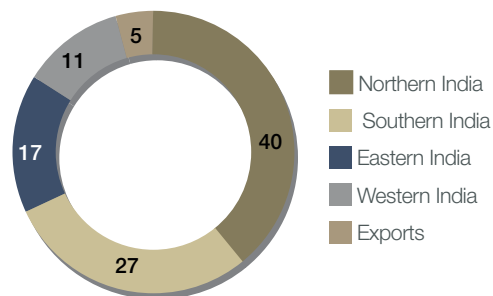
# including current maturities of loans

## excluding current maturities of loans

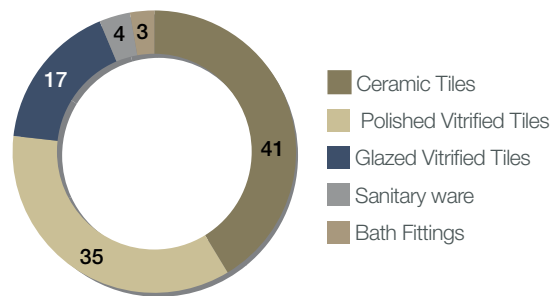
\* Face Value of ₹ 2/- per share

^ after exceptional item of ₹ 443 lacs

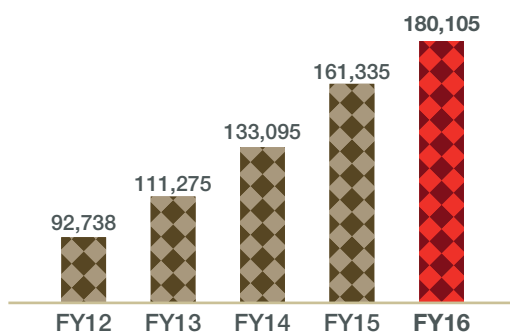
### Revenue-mix By Region (%)



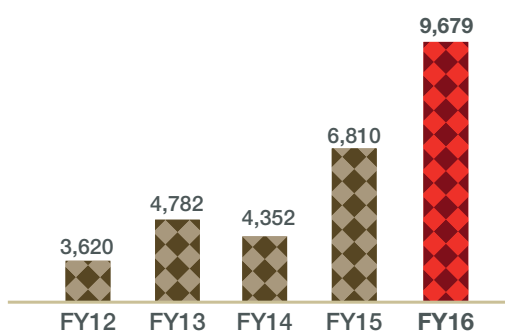
### Revenue-mix By Product (%)



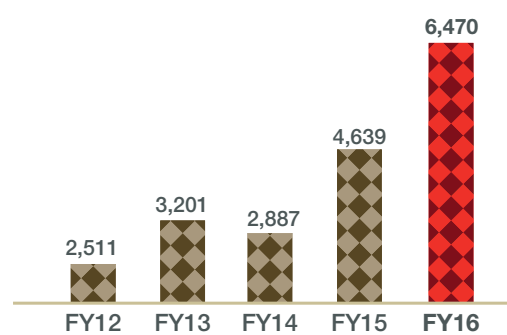
Gross Sales (₹ lacs)



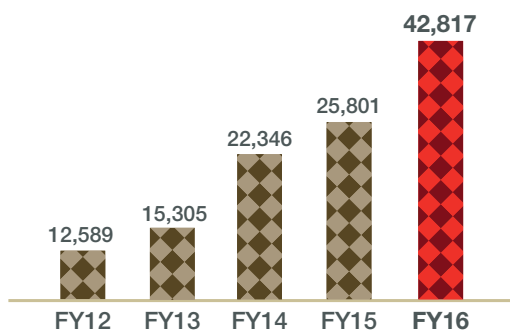
PBT (₹ lacs)



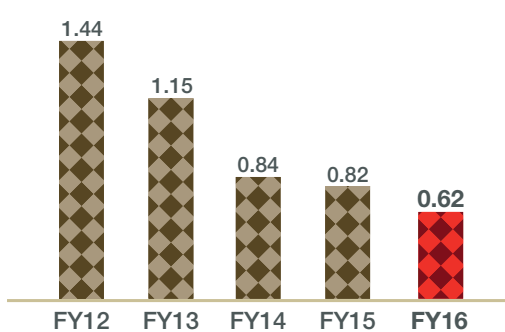
PAT (₹ lacs)



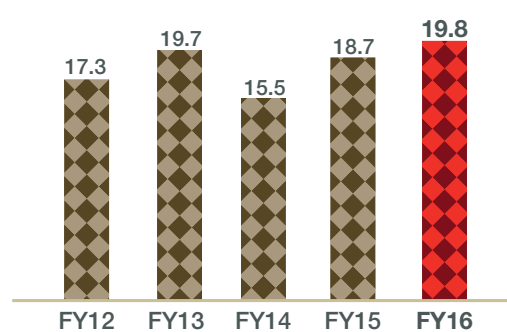
Net Worth (₹ lacs)



Debt Equity (times)



Return on Capital Employed (%)







## CHAIRMAN'S MESSAGE

**Dear Shareholders,**

It gives me great pleasure to share with you that your Company has posted yet another spirited performance in the fiscal year 2015-16, which otherwise was a testing year for the Indian tiles industry. Your Company's revenue growth of 11.4% is creditable in the light of depressing environment that led to a much lower growth of the Indian tile industry.



Our steadfast focus on margin improvement by way of increased brand play, stringent cost control, asset light business model and intense focus on value-added products paid rich dividends in a PBT growth of 42.1%. At ₹ 6,470 lacs, our consolidated net profit was 39.5% higher than the previous year. Your Board of Directors has proposed a dividend of 115% (₹ 2.3 per share) for the year 2015-16.

The building construction industry, our principal user segment, confronted sluggish growth with the organised real estate in metro and other tier I cities, depressed demand in tier II and tier III cities and rural housing also witnessing moderated growth in demand. The consequent competitive pressure was further aggravated with the mass dumping of tiles from China, particularly in the Southern markets. The silver linings came in healthy demand from the Government Sector and Commercial Real estate and some policy measures addressing the structural issues faced by the industry.

Indian economy sustained its growth momentum. With a GDP growth of 7.6%, the country retained its status of the fastest growing major economy. Continued softening of global commodity prices including that of crude oil helped contain inflation and also the government deficits. The second consecutive year of near drought situation did dent the rural economy.

Looking ahead, the forecast and the early trend of monsoon rainfall appear to lend a good beginning to the fiscal year 2016-17. The pay increase on account of the 7<sup>th</sup> Pay Commission and OROP (One Rank One Pension), increased budgetary allocations for the rural economy, increased pace of manufacturing activities and Government initiatives such as Smart Cities, Housing for All, Modernisation of Railways, etc. shall all provide the necessary fillip to construction activities. The passage of Real Estate Bill shall go on to increase consumer confidence at a time when interest rates are likely to further reduce.

The improvement in the availability and affordability of natural gas shall aid the Indian ceramic industry in becoming more competitive. Led by the major brands including Somany, the shift towards organised play shall steadily gain momentum. Innovation, design and leveraging of the fast unfolding digital commerce shall augment the evolution of the Industry. The time has come for the industry to expand its priorities beyond economic success. Social

and Environmental Success by way of community upliftment, energy efficient manufacturing, skill development among mason and their support resources, etc. will need to be invested in. The onus of setting examples in this direction rests with the market leaders.

Our 'Tile Master' initiative has cumulatively trained more than 5,000 mason workers on tile laying techniques. Being a pioneering program in the country, it has received appreciation and acknowledge at the various platforms. In another social initiative during the year, the Company extended the non-slippery attribute of our Slip Shield tiles in a social media campaign titled 'Nahi Phisalenge' (we will not slip). A range of social, family and individual issues including responsibility towards parents, the value of keeping resolutions was highlighted through this campaign. The campaign got instant trending among young Indian and we intend to extend this campaign further in coming times.

Continued expansion of our access to manufacturing capacities holds key to future growth. During the year under review, we added 8 msm of tile making capacity at our two facilities. Our relatively younger Sanitary ware and Bath Fittings businesses have both shaped very well. In an initiative to scale up our Sanitary ware play, we initiated work to treble our manufacturing capacities, which shall get completed in the ensuing financial year. We intend to repeat the same in our Bath Fittings business as well and are exploring all possibilities including making strategic investment.

On behalf of your Board of Directors, I take this opportunity to acknowledge the restless contributions of our Management, employees and the distribution partners in making brand 'Somany' synonymous with quality, trends and customer service. I thank you, our valued shareholder, for your continued trust and patronage.

With best regards,

**Shreekant Somany**

Chairman & Managing Director





## Q&A SESSION WITH THE MANAGING DIRECTOR

Amid the fast evolving dynamics of the Indian Ceramics Industry, Abhishek Somany is pursuing a noble mission of beautifying Indian homes with trendy, functional and affordable tiles, sanitary ware and bath fittings. He has quite a task at hand - delivering value to shareholders with steady revenue growth and margin enhancements, balancing interests of joint venture partners and associates, young talent pool and that of aspirational Indian consumers. In a detailed interaction with the Annual Report team, the man of clearer thoughts and affirmative action, Abhishek, spoke on a range of vital aspects and issues related to Company's business performance and future direction.

Abhishek Somany