



IT'S NOT
ONLY
ABOUT
THE TILE

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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.

At Somany Ceramics Limited, the tile represents the last mile.

The last mile of a journey that comprises the prudent use of technology, endurance, design, branding and capital allocation.

At Somany Ceramics, what drives us to a higher level of excellence is the first mile – the attitude we bring to our workplace.

The hunger to push the envelope when most observers are saying 'Not worth it.'

The desire to enhance efficiencies when most are saying 'Impossible.'

The endless quest to service our customers better when most in our position could well have said, 'We've arrived.'

The result is something that you don't immediately perceive at our company.

The attitude. The mindset. The persistence. The foresight.

Our story is different.

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things you need
to know about
Somany Ceramics

1

OUR POSITIONING

Somany Ceramics is an internationally acclaimed organization that specializes in ceramic tiles and allied products. In the last four decades, Somany Ceramics has established itself as one of the leading companies in the Indian tile industry

2

OUR PROMOTERS

Founded in 1968 by late Shri H. L. Somany, the Company has 48 years of experience in the tiles and décor segment. It enjoys a reputation of creating ground-breaking and innovative products with a pan-India presence. The promoters held 51.5% of the Company's equity capital as on March 31st, 2018.

3

OUR PRODUCTS

Somany Ceramics Limited is engaged in manufacturing a range of home décor solutions comprising ceramic wall & floor tiles, polished vitrified tiles, glazed vitrified tiles, sanitaryware and bath fittings as well as offering tile laying solutions.

4

OUR LOCATIONS

The Company has its own tile manufacturing units in Kadi (Gujarat) and Kassar (Haryana). It also has six associate/subsidiary plants manufacturing tiles and one subsidiary plant, manufacturing sanitaryware. Somany recently began manufacturing faucets by acquiring a majority stake in a plant situated in North India.

5

OUR FOOTPRINT

The Company has a pan-India presence, with a market share of about 7%. The Company possesses about 10,000 touch points including a network of 1736 active dealers and 324 showrooms/ display centres. Somany Ceramics also exports to a number of countries in Europe, Middle East, Asia and Africa, generating about 4% of its revenue from exports.

6

OUR VALUATION

Somany Ceramics is listed on the BSE Limited and the National Stock Exchange of India Limited. The Company's market capitalisation was ₹2843.24 crore as on 31st March 2018.

CORPORATE INFORMATION

Somany Ceramics Limited is India's second largest manufacturer of tiles with its headquarters in Noida. Besides tiles, the Company is also engaged in the manufacture of sanitaryware and bath fittings. The Company had a combined tile manufacturing capacity of 61 MSM as on 31st March, 2018. The Company also exported products to over 55 countries. Somany has two of its own manufacturing units at Kadi and Kassar; six ancillary units of associates/subsidiaries and arrangements with other manufacturers. Innovation has been a key focus area and Somany leverages technology to create unique products with aesthetic and functional appeal. Somany also offers sanitaryware and bath fitting solutions, resulting in a one-stop shop for home décor needs.

VISION

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



MISSION

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



INITIATIVES, 2017-18

Products

- Launched a ceramic polished range in ceramic tiles and two new product ranges, namely Duragres Tesoro and Duragres Artistain Duragres (GVT)
- Launched Glosstra Plus, India's glossiest wall tiles, utilising Ultra Gloss Technology

Operations

- Upgraded our plant with state-of-the-art Italian technology to enable the manufacture of GVT tiles with uniform colours comprising natural textures
- Upgraded product lines at Kassar and Kadi to produce higher volumes of value-added products
- Tripled the sanitaryware plant capacity to 1.15 million pieces per annum
- Acquired 51% stake in a faucet manufacturing plant with a capacity of 6.5 lakh pieces per annum.
- Expanded tile manufacturing capacity in Vintage, an associate, from 2.99 MSM to 4.80 MSM per annum.

Distribution

- Added 100 retail outlets across all formats
- Added ~500 new dealers in key markets, which resulted in a net addition of 326 dealers.
- Reached out to a larger corpus of corporate clients and builders

IT upgradation

- Implemented SAP (S4 HANA) in April, 2017 to provide a robust IT/ERP platform

OUTLOOK, 2018-19

- Add 1000 franchisees over the next three years
- Aim to have a showroom in every town with a population of 1 lac
- Faucet manufacturing capacity to be trebled in a phased manner
- Commissioning of glazed vitrified tile plant in South India

CHAIRMAN'S MESSAGE



Shreekant Somany, Chairman

I am optimistic that the coming together of realities – financialisation, formalisation and residentialisation – will strengthen the country, incomes, sector and the Company.



At Somany Ceramics, we are more optimistic now than ever for some good reasons.

Even as India passed through a sluggish 2017-18, reflected in a slower GDP growth of 6.7%, the reality is that the ground has been prepared for robust sustainable economic growth through the coming together of financialisation, formalisation and residentialisation.

My optimism with regard to financialisation is derived from the fact that the country is moving away from investment in physical assets and increasing its investment in financial equivalents. This is best illustrated by the China example: the country's GDP was almost equivalent to that of India some three-and-a-half decades ago.

The one reason for the sharp subsequent divergence is that China continued to invest in financial assets while India preferred to invest in gold and cash. The result is that in the last quarter of a century, China's GDP increased almost five times to \$ 11 trillion; India's economy is estimated at only \$ 2.6 trillion.

This divergence is reflected in the numbers: India's credit / GDP proportion for private non-finance entities is 57% while China's is 211% (BIS data, 2016). Clearly, China's investment in financial assets enhanced velocity of money, which in turn translated into a higher access to financial resources within that country, accelerating

the economic momentum. Following demonetisation, currency as a percentage India's GDP declined from 12 per cent to 10 per cent and I believe this starts a structural correction that should progressively narrow the gap between the two countries.

The second point why I am optimistic of India's prospects is formalisation. The imposition of GST, comprising the unification of tax structures, will accelerate the formalisation of the economy. This means that a number of small-scale businesses in the country, who survived outside the purview of the tax system, will need to rethink their cost structures. When GST stabilises, the large cost differential between the organised and unorganised manufacturers could narrow and this could incentivise a number of consumers to upgrade their purchases towards established brands (like Somany).

The third dimension of my optimism is residentialisation. India is likely to build more homes in the next five years than it has done in the preceding few decades. The Pradhan Mantri Awas Yojana is likely to translate into the building of 75.88 lakh homes; besides, the vast residential inventory within the country is likely to be progressively sold, widening the market. Even as this is happening, I see a larger proportion of Indians – in metro and non-metro locations – refurbishing

their homes with superior tiles. This residentialisation is likely to grow the market for tiles faster than we have possibly seen in the country.

The message that I wish to send out is that at Somany Ceramics, we are prepared. We have invested in widening our distribution network as a result of which our products are available wider and deeper than before; our stores have been adapted to stock a wider range of our products; we have made shopping convenient through the introduction of tiles, sanitaryware and faucets; we are branding aggressively with the objective to enhance recall; we have modernised and expanded existing capacities and we are commissioning an entirely new plant in a region (South India) where we will be present for the first time.

I am optimistic that the coming together of these realities – financialisation, formalisation and residentialisation – will strengthen the country, incomes, sector and the Company.

Our shareholders can definitely look forward to considerably better days ahead.

Shreekant Somany, Chairman

OPERATIONAL REVIEW



“We expect to generate 12–15% increase in annual revenues for the next two years starting 2018–19 coupled with

profitable growth.”

ABHISHEK SOMANY, Managing Director,
reviews the Company's 2017–18 performance

Q: Was the management pleased with the working of the Company in 2017–18?

A: The management was not pleased and the reasons are largely reflected in the financials: revenue contracted by 2.1% on a like-to-like basis (after adjusting the accounting treatment of GST) while profit after tax was lower by 28.2 per cent. Some of the reasons for this decline were within the control of the management and some of the reasons were largely sectoral in nature. The question then is: could we have done better? My answer is we could and towards the later part of the financial year, we were able to get the pieces together, reflected in our performance of the second half of the fiscal under review.

Q: What were some of the reasons that contributed to the weaker performance?

A: The first reason was that the Company faltered in the seamless implementation of SAP. The result was that we encountered zero billing in a major part of April 2017 because the transfer from one system to another was not smooth. In April 2017: revenues at around ₹40 crore were a little more than a third of the previous April and this affected our performance in the first quarter of the last financial year.

Q: What was the next reason for the under-performance?

A: By the time we had our SAP implementation sorted (we had a good May 2017), we ran into the next big challenge: the GST. The implementation of this tax was a step in the right direction but the reality is that in June 2017 most of our primary customers selected to de-inventorise in anticipation of lower taxes that would otherwise have saddled them with higher-taxed stocks. The