

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, labour negotiations and fiscal regimes.

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Countering the Slowdown

The world is passing through an unprecedented slowdown.

Rather than wait for realities to recover, Somany Ceramics embarked on a number of initiatives to protect its Balance Sheet and strengthen its competitiveness.

The Company is optimistic to remain among the last persons standing during the decline and among the first to recover when consumer sentiment revives.





Ethos

Vision: Becoming the most sought-after tile and allied products manufacturer 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 and allied products for creating stakeholder value.

Pedigree

Somany embarked on its journey in 1971, spearheaded by the late Shri H. L. Somany. Over the last 5 decades, the Company has emerged as a leader in the Indian ceramic industry on the back of its ability to evolve with changing décor aesthetics and trends.

Manufacturing plants

The Company's 11 state-of-the-art manufacturing units across the entire country possess an installed capacity of ~53 million square metres (msm) of tiles, 1.15 million pieces of sanitaryware per annum and 0.65 million pieces of bath fittings per annum.

Products

The Company has a diversified product portfolio ranging from ceramic wall and floor tiles, polished vitrified tiles and glazed vitrified tiles

to sanitaryware and bath fittings. The Company possesses the largest design archive of tiles in the country.

Employees

The Company was empowered by a strong workforce of 2,032 permanent employees and 916 contractual employees as on March 31, 2020.

Brand

The Company has following brands to market tile and bathware products:

- Somany Duragress Somany Durastone
- Somany Glostra Somany Vistoso Somany Vitro Somany Slipshield Somany VC Shield
- Somany Signature Somany French Collection

Network

The Company has a robust distribution network of more than 8,000 touch-points which comprises ~2,000 active dealers, ~6,000 subdealers and 328 showrooms/ display centres This makes it possible for the Company's products to be marketed across the country and in a significant part of the world.

Listing

Somany Ceramics is listed on BSE Limited and National Stock Exchange of India Limited.

| | Company | Stake | Unit | Annual capacity (in million sq metres) |
|----------|-----------------------|-------|---------------------------------|--|
| Tiles | Subsidiary/associates | 100% | Kassar, Haryana | 19.63 |
| | | 100% | Kadi, Gujarat | 6.65 |
| | | 60% | Sudha Somany Ceramics Pvt. Ltd. | 3.48 |
| | | 51% | Amora Tiles Pvt. Ltd. | 4.58 |
| | | 51% | Somany Fine Vitrified Pvt. Ltd. | 4.29 |
| | | 51% | Amora Ceramics Pvt. Ltd. | 3.30 |
| | | 50% | Vintage Tiles Pvt. Ltd. | 4.80 |
| | | 26% | Acer Granito Pvt. Ltd. | 3.30 |
| | | 26% | Vicon Ceramic Pvt. Ltd. | 2.64 |
| | Outsourced capacity | | | ~10.00 |
| Bathware | Subsidiary | 51% | Somany Sanitaryware Pvt. Ltd. | 1.15 mn pcs |
| | | 51% | Somany Bath Fittings Pvt. Ltd. | 0.65 mn pcs |

Milestones that shaped Somany Ceramics Limited

Inception by Late Shri Hira Lall Somany.



Technical collaboration with Pilkington's Tile Holdings, UK; First unit at Kassar, Haryana started commercial production with a capacity of 0.52 msm.



Set up second unit in Kadi, Gujarat



Indian promoters bought over all the equity shares held by Pilkington.





Received Government recognition for R&D facility - a first in the Indian tile industry.



Received Export House award.



Changed the name of the Company to Somany Ceramics Ltd.; Ventured into sanitaryware space



Received patent for its product – VC shield, India's highest abrasionresistant tiles – a first in Indian tile industry. Commissioned first GVT manufacturing facility; Widened the Bathware vertical by adding bathfitting products.



Re-branded the
Company with a
changed logo; Received
prestigious Power Brand
award for its perception,
performance and brand



Received the Indian Power Brands Award second time in a row; Launched Digital tiles.



Secured sanitaryware manufacturing facility; Received Corporate Technical Achievement Award form American Ceramic Society (ACerS)





Launched TVC campaign to reinforce brand visibility across digital, radio and print media.



Secured bath-fitting manufacturing facility.

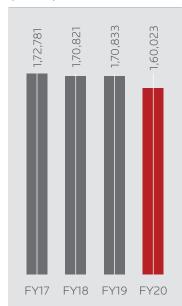


Commissioned first manufacturing facility in South India; Endorsed 'Salman Khan' as brand ambassador.

Performance of the last four years

Sales

(₹ Lakhs)



Definition

Sales figure net of taxes.

Why is this measured?

It highlights the brand's acceptance and reach of the company.

Performance

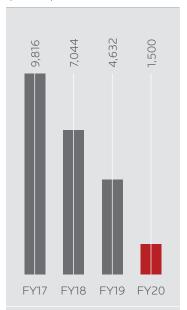
The Company maintained steady growth until the onset of COVID-19, which resulted in a revenue decline of 6.3%.

Value impact

Creates a robust growth engine on which to build profits.

Profit after tax

(₹ Lakhs)



Definition

Profit earned during the year after deducting all expenses and provisions.

Why is this measured?

It highlights the strength in the business model in generating value for shareholders.

Performance

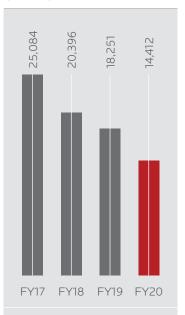
The Company reported a profit after tax of ₹1,500 Lakhs during the year under review.

Value impact

Ensures that adequate cash is available for reinvestment and allows the Company's growth engine to sustain.

EBIDTA

(₹ Lakhs)



Definition

Earnings before the deduction of interest, depreciation, extraordinary items and tax

Why is this measured?

It is an index that showcases the Company's ability to optimise operating costs despite inflationary pressures.

Performance

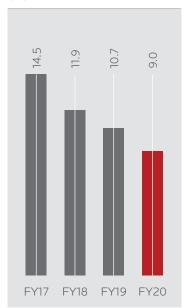
The Company's EBIDTA in 2019-20 declined by 26.6% to ₹14.412 Lakhs primarily on account of a lower scale of operations.

Value impact

Helps create a robust growth engine and allows the Company to build profits in a sustainable manner.

EBIDTA margin

(%)



Definition

EBIDTA margin is a profitability measure a company's operating efficiency

Why is this measured?

The EBIDTA margin provides an idea of how much a company earns (before accounting for interest, depreciation and taxes) on each rupee of sale

Performance

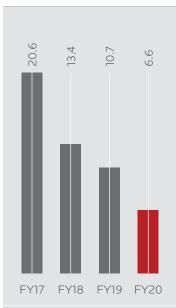
The Company reported an EBIDTA margin decline to 9.0% in 2019-20 compared to 10.7% in 2018-19 on account of the adverse impact of COVID-19.

Value impact

Demonstrates adequate buffer in the business, which, when multiplied by scale, enhances profitability.

ROCE

(%)



Definition

It is a financial measure of a company's profitability and the efficiency with which its capital is employed in the business

Why is this measured?

ROCE is a useful metric for comparing profitability across companies based on the amount of capital they use.

Performance

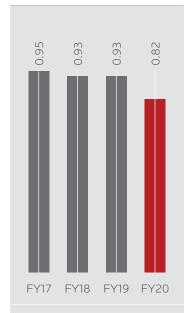
The return on capital employed of the Company declined by 539 bps during the year under review to 6.6% mainly due to lower profitability.

Value impact

Enhanced ROCE can potentially drive valuations and perceptions.

Debt equity ratio

 (\times)



Definition

This is derived through the ratio of debt to net worth (less revaluation reserves).

Why is this measured?

It is a measure of company's financial health, which indicates the financial leverage of the company compared to shareholders' funds

Performance

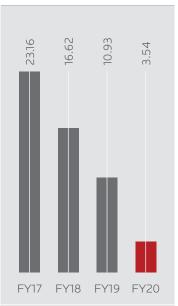
The Company's gearing stood at 0.82x in 2019-20 compared to 0.93x in 2018-19.

Value impact

Increases shareholder value by moderating debt compared with net worth.

Earnings per share*

(₹)



Definition

It is the portion of a company's profit allocated to each outstanding share of common stock.

Why is this measured?

This figure depicts the actual value the company has created for its shareholders.

Performance

The Company's EPS for 2019-20 declined to ₹3.54 from ₹10.93 in the previous fiscal.

Value impact

Adds value in the hands of shareholders through earnings per share

^{*} Face Value of ₹2/- per share

Chairman's overview

The big question that every business analyst seeks to ask is 'How will your Company survive the pandemic-induced slowdown?'



SHREEKANT SOMANY, CHAIRMAN

Overview

Instead of the conventional approach of providing you with an overview of our business, drawn from how we performed in the last financial year, I am taking a break to explain how we expect to counter the effects of the extended lockdown in the wake of the COVID-19 pandemic.

At the outset, permit me to state a few points upfront. I am a business person and not a scientist, so it will be difficult for me to estimate when the lockdown will end. I am not an economist so I may a have a limited perspective on when consumer sentiment will revive following the lifting of the lockdown. Thirdly, I am not a psychologist who studies demographic patterns so it would be early in the day to estimate the nature of demand when consumer sentiment revives.

Increased sectoral visibility

However, one is getting enhanced visibility of a few realities that I must share with you.

One, consumer sentiment will be defensive; even if the lockdown lifts, the consumers will seek to spend differently from the way they did in the past.

Two, there will be a greater price-sensitivity than we have seen in the past. This does not mean that the consumer will look for other lower-priced products; it only means that the consumer will seek the best price-value proposition.