joy per square feet

SOMANY CERAMICS LIMITED

Corporate Presentation

December 2013

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Agenda

Industry Overview

Somany Ceramics Ltd. - Overview

Financial Overview

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Global Scenario

- Global tiles production touched 11,166mn sq.m. in CY2012, while consumption strengthened by 4.6% to 10,912mn sq.m.
- Global tiles market is growing at a CAGR of 7% (2008-12).
- India's rank in the total world production improved from 5th in 2008 to 3rd in 2012, with a CAGR growth of ~15% during the period as against the global CAGR growth of ~7%
- Top-3 tile producing and consuming countries in CY2012:

Country	Production (mn sqm)	Production (% share)	Consumption (mn sqm)	Consumption (% share)
China	5200	47	4250	39
Brazil	866	8	803	7
India	691	6	681	6

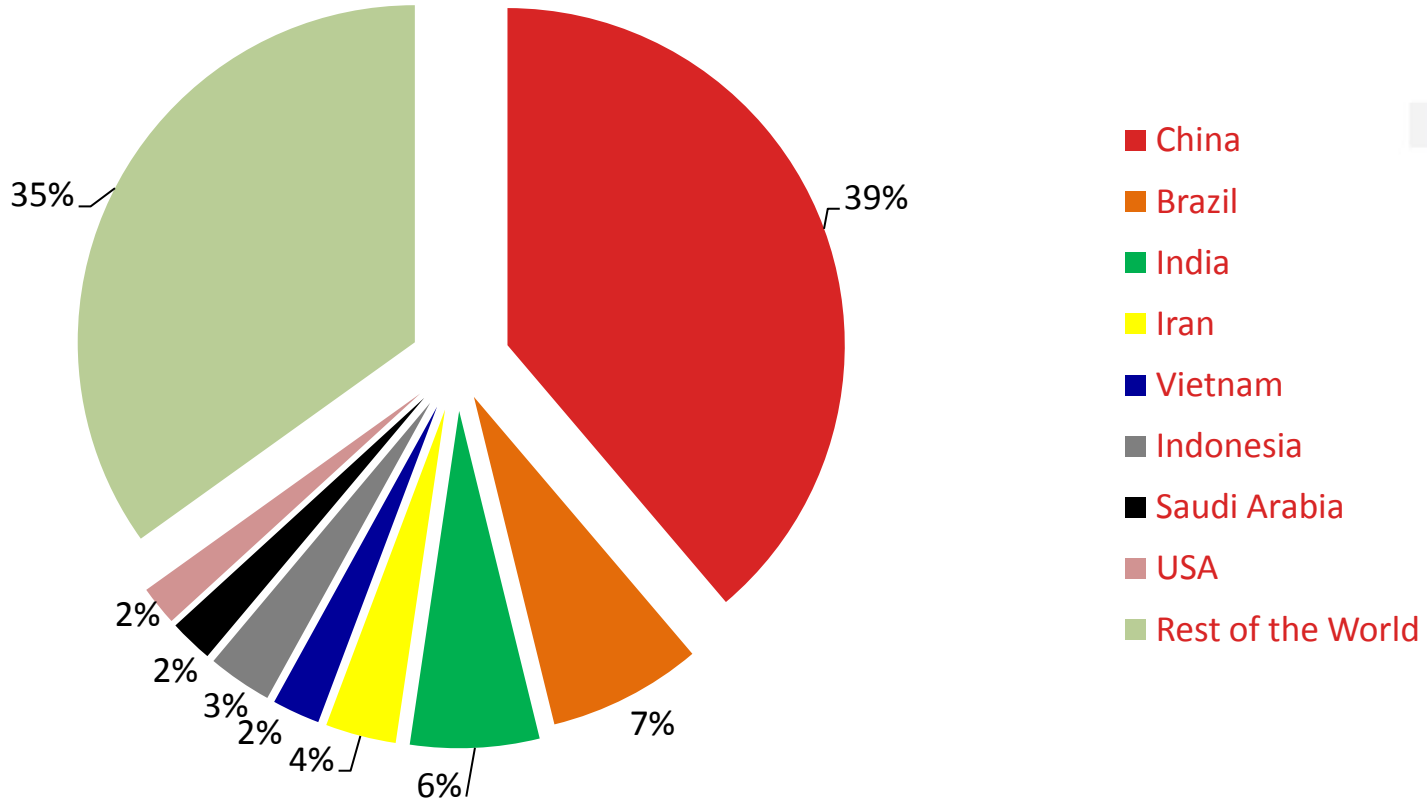
- Tiles in India are still considered interiors products, while globally they are used equally outdoors (paving, claddings, external facades, etc.)

Source: Ceramic World Review

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Global Scenario *(Cont'd)*

Ceramic Tiles Consumption Region wise - 2012

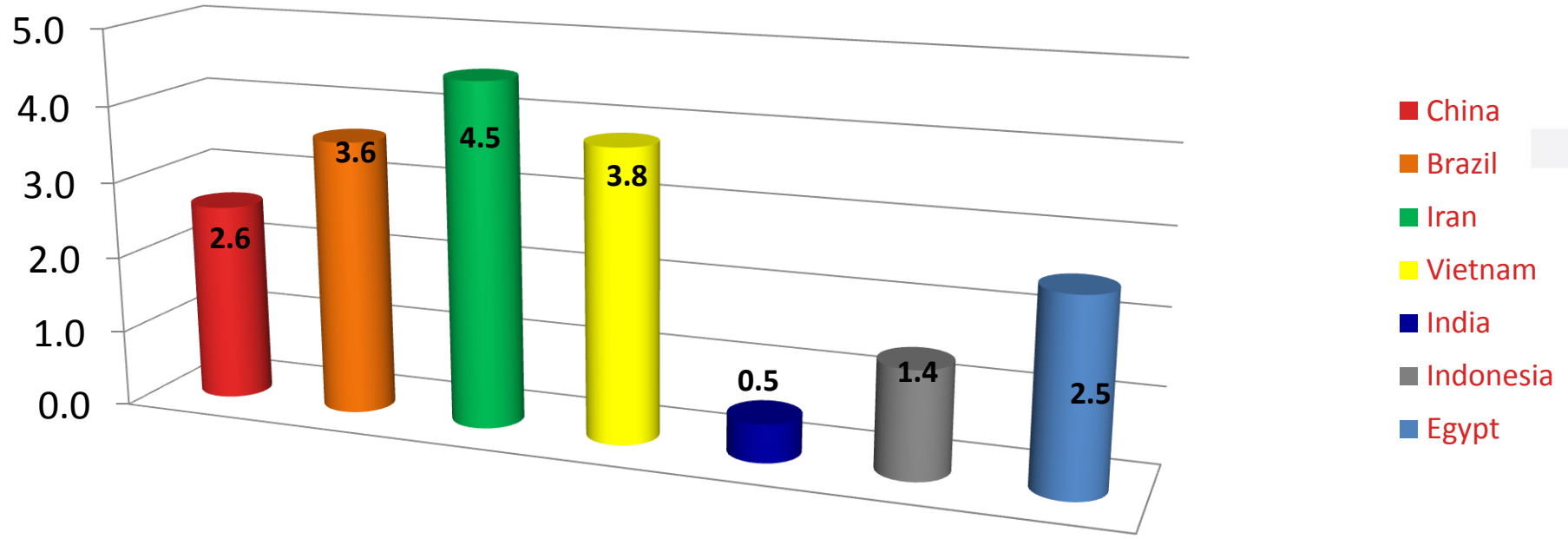


Source: Ceramic World Review

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Global Scenario *(Cont'd)*

Per capita consumption of tiles in CY 2010



- In view of very low per capita consumption of tiles, there is huge potential still to be tapped in the Indian market.

Source: Ceramic World Review

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Indian Scenario

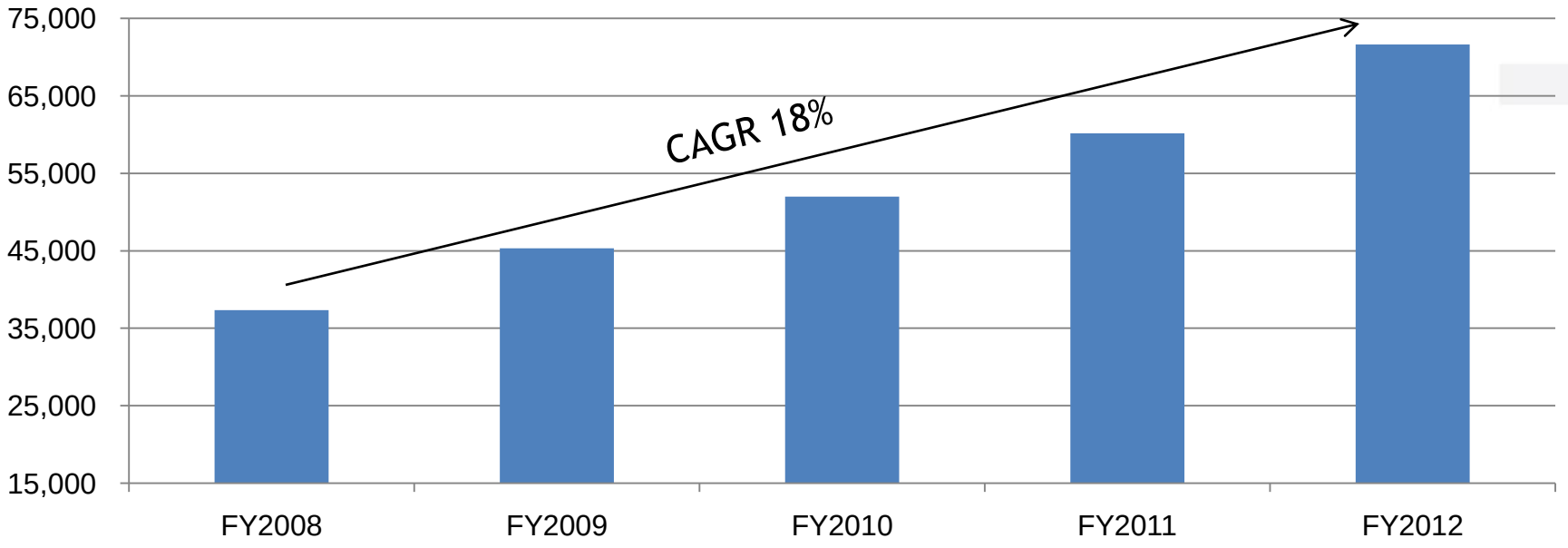
- The 681mn sq.m. Indian tile industry was estimated at around ~Rs.190bn at the end of CY2012.
- The country's organized segment accounts for ~50% of the domestic tile industry, while the balance ~50% is represented by other unbranded players, which are largely present at Morbi in Gujarat.
  - Out of the total branded market, ~50% is controlled by top-3 players, including Somany.
- India's tile production increased at a CAGR of 15% between 2008 and 2012 to 691mn sq.m., whereas its consumption grew by ~2x the global average to 681mn sq.m. during the same period.
- While Indian tile industry has been growing at a CAGR of 14% over the last 4 years, the branded players have been growing at a higher pace.
- Some of the major players in the Indian ceramic industry are H&R Johnson, Kajaria Ceramics, Somany Ceramics, Nitco, Asian Granito, Orient Bell, etc.

Source: Ceramic World Review, Industry Sources

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Indian Scenario *(Cont'd)*

- Key growth drivers
  - Rising Disposable Income (Rs. bn)



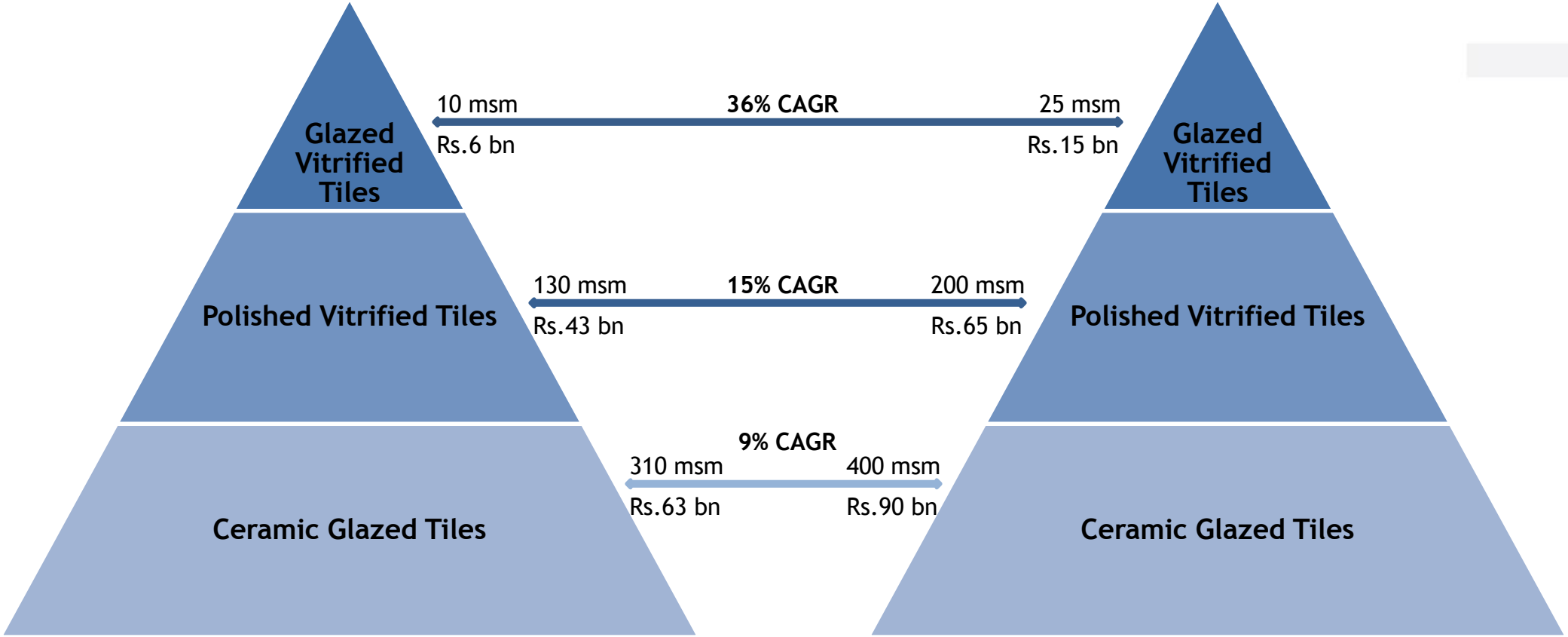
  - Low Per Capita Consumption in India
    - Despite double-digit growth clocked by the tiles sector over the past few years, the per capita consumption of ceramic tiles in India is only a seventh of Brazil's, a fifth of China's and a third of Indonesia's.

Source: Handbook of Statistics on Indian Economy 2012-13, RBI

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Indian Scenario *(Cont'd)*

- **Structural Shift of the Pyramid**
  - Increasing proportion of fast-growing glazed and polished vitrified segment tiles in the total consumption clearly shows a shift in consumer preference for higher value-added products



Indian Tile Industry Size in CY2009: 450 msm, Rs.112 bn

Indian Tile Industry Size in CY2011: 625 msm, Rs.170 bn

Source: Ceramic World Review, Industry Sources

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Indian Scenario *(Cont'd)*

- **Indian tile industry size: The market share of the organized segment has been inching up over the last few years.**

	CY09/FY10	CY10/FY11	CY11/FY12	CY12/FY13
Indian Consumption (Rs. Mn)	112,000	140,000	170,000	194,208
% growth		*25.0%*	*21.4%*	*14.2%*
Organized Segment Sales# (Rs. Mn)	44,174	57,063	68,730	81,788
% growth		*29.2%*	*20.4%*	*19.0%*
% market share	*39.4%*	*40.8%*	*40.4%*	*42.1%*
Unorganized Segment Sales (Rs. Mn)	67,827	82,937	101,270	112,420
% growth		*22.3%*	*22.1%*	*11.0%*
% market share	*60.6%*	*59.2%*	*59.6%*	*57.9%*

Source: Emkay Research

 # Consists of top 12 players including HRJ, Kajaria, Somany, Asian Granito, Nitco, Orient Bell, RAK, Varmora, Murudeshwar, Euro and Regency

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Indian Scenario *(Cont'd)*

- **Morbi - A large cluster of unorganized players**
  - Located in Saurashtra (Gujarat), Morbi is home to closely 500 tile manufacturers, out of the total of over 750 in India.
  - The ceramic tile industry of Morbi represents one-half (which is largely unorganized) of India's tile industry.
  - Manufactures more than 70% of the total ceramic production in India.
  - Total installed capacity is 1.8mn sq.m, tiles per day.
  - Gives direct and indirect employment to over 600,000 people across India.
  - The main products of this ceramic city are vitrified tiles, wall tiles, floor tiles, quartz stone, sanitary ware, roofing tiles and mosaic tiles.
  - The export markets such as the Middle East, Africa, Sri Lanka and Bangladesh, among others, are also catered to from here.
  - Why Morbi is a hub of ceramic tile industry:
    - Key raw materials such as various types of clay; red and black soil; minerals, including calcite and wollastonite; and frits and glazes are readily available either locally or from neighboring Rajasthan.
    - Cost-effective, since an industrial gas line is installed in this region by GSPC.
    - Low transportation cost, as it is located in close proximity to major ports, Kandla and Mundra.
  - The above reasons have made Morbi an essential outsourcing hub for many leading tile producers, both from branded and organized segments.

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Introduction

Founded in 1968 by Mr. H.L. Somany in collaboration with Pilkington's Tile Holding, UK, Somany is among the frontrunners in the ceramic tile industry in India. By the end of current financial year it will have access to manufacturing capacity of ~43.72 mn sq.m. of tiles per annum spread across two own manufacturing plants in Haryana and Gujarat (19.15 mn sqm), two existing joint venture plants in Gujarat (5.30 mn sqm), three new joint ventures & expansion of existing joint venture (9.27 mn sqm) and outsourcing tie ups for ~10.0 mn sqm.

In FY13, Somany achieved a top-line of Rs.1108.51cr and a bottom-line (PAT) of Rs.31.59cr, demonstrating a CAGR (5 years) of 25.8% and 50.7%, respectively. The growth drivers are brand equity, a diverse product basket, moving towards further value addition, better quality, and a deeper distribution network.

Somany is the first and the only company in the Indian tile industry to have a patent for its highly abrasion-resistant tiles, VC Shield, making it the country's most durable tile.

Somany is listed on the BSE and the NSE, with a market capitalization of Rs.3,792mn (as on December 20, 2013). It has a pan-India presence, with one of the strongest distribution networks in the industry.

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Mission & Vision

MISSION

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

VISION

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

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Key Strengths

- Strong brand created over the last 41 years.
- Wide product range in terms of price and formats.
- First in the tile industry to have government-recognized R&D facilities.
- Formidable distribution and marketing network spread across the country.
- Retail sales account for ~65% of the total sales.
- India's largest in-house designing team dedicated to developing designs, products and concepts in collaboration with Spanish and Italian design houses.
- Long-term firm contract of natural gas with GAIL, IOC and GSPL at both manufacturing locations.
- Professionally qualified manpower. The average age of employees being ~34 years.
- High credibility enjoyed by promoters among dealers, suppliers, banks and financial institutions.

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Accreditations

- ISO 9001 certification – for quality of manufacturing facility
- ISO 14001 certification – for environment-friendly manufacturing facility
- BIS certification – for its product, the first Indian tile company to be so accredited
- 5's certification – for maintaining an organized and efficient workplace.
- EN ISO 14411 (CE) certification – for complying quality norms defined by European Standard
- Power brand award – for its perception, performance and brand recall
- LACP Spotlight 'Silver' award – for its annual report of FY12-13
- Recognized as Asia's Most Promising Brand of the year 2012-13
- BS OHSAS 18001 certification – for maintaining health and safety standards
- ISO 22000 certification – for food safety management

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A few of our valued customers...

Developers

Parsvnath
Parsvnath Developers Limited

DLF

Shapoorji Pallonji & Co Ltd

OMAXE
Turning dreams into reality

Hiranandani
creating better communities

vatika

LODHA
BUILDING A BETTER LIFE

IVRCL
Engineering a new world

GAURS
Commitment Absolute
Since 1995

unitech

ELDECO

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A few of our valued customers... Corporates/ Banks

UltraTech CEMENT
The Engineer's Choice

YES BANK
EXPERIENCE OUR EXPERTISE

Infosys®

TATA
TATA MOTORS

JINDAL STEEL & POWER

IBM

LARSEN & TOUBRO
It's all about Imagineering

HSBC
The world's local bank

IDBI BANK

TATA
TATA CHEMICALS LIMITED

HDFC BANK

ITC Limited

UTI BANK
Solutions for a life time

TATA
TATA CONSULTANCY SERVICES

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A few of our valued customers... Government/ PSU























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A few of our valued customers... Retailers/ Hospitals/Hospitality

Cooper University Hospital

ALL INDIA INSTITUTE OF MEDICAL SCIENCES
शरीरमाद्यं खलु धर्मसाधनम्

SHOPPERS STOP

Pantaloon Retail (India) Limited
a future group venture

BIG BAZAAR
Is se sasta aur accha kahin nahi!

crossroads

THE LaLiT

PACIFIC MALL
太古廣場

lifestyle
YOUR STYLE. YOUR STORE.

ginger
A TATA Enterprise

HomeTown
Ab ghar banana kitna aasaan!

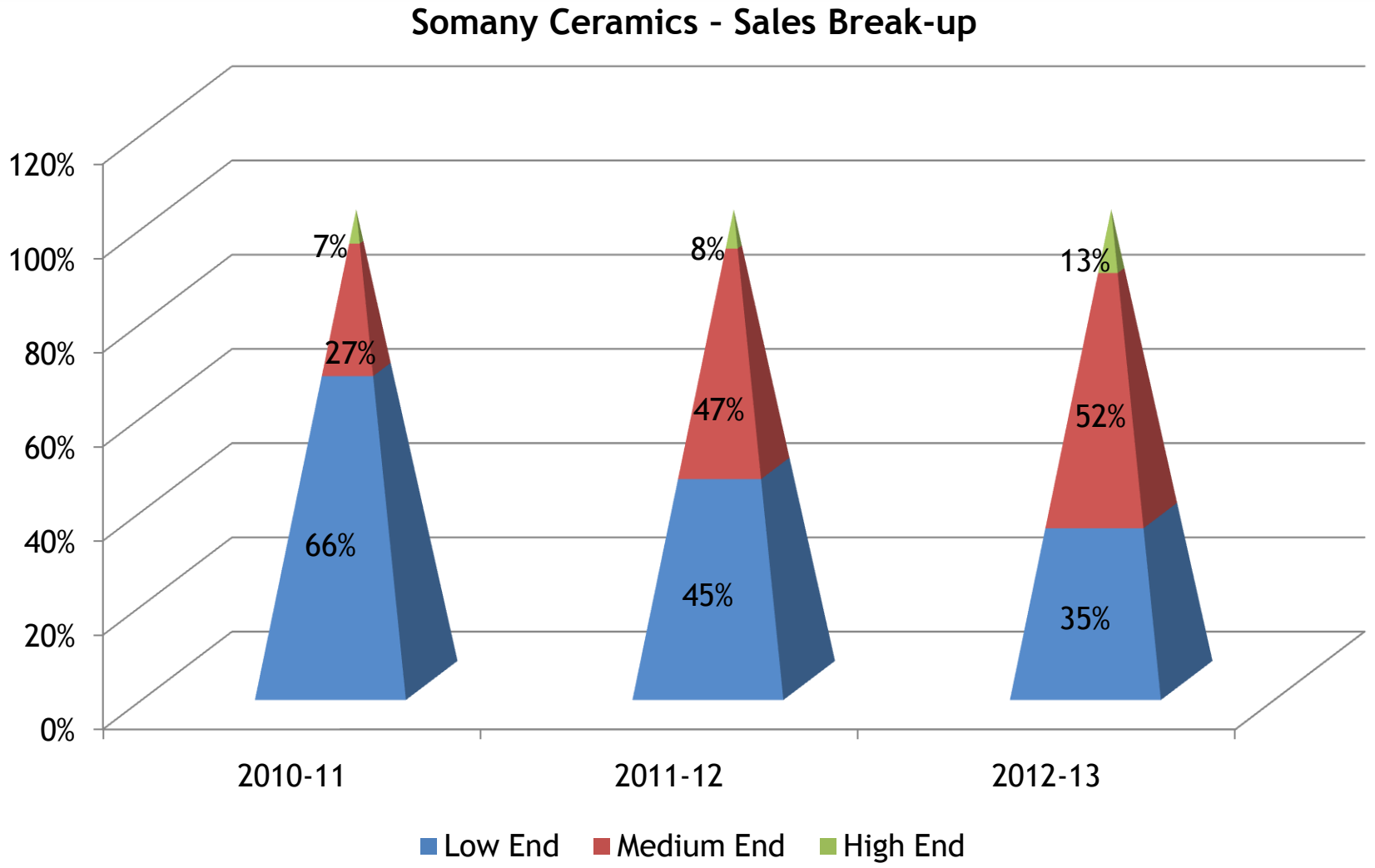
RelianceMART

lemon tree HOTELS

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Moving up the Value Chain

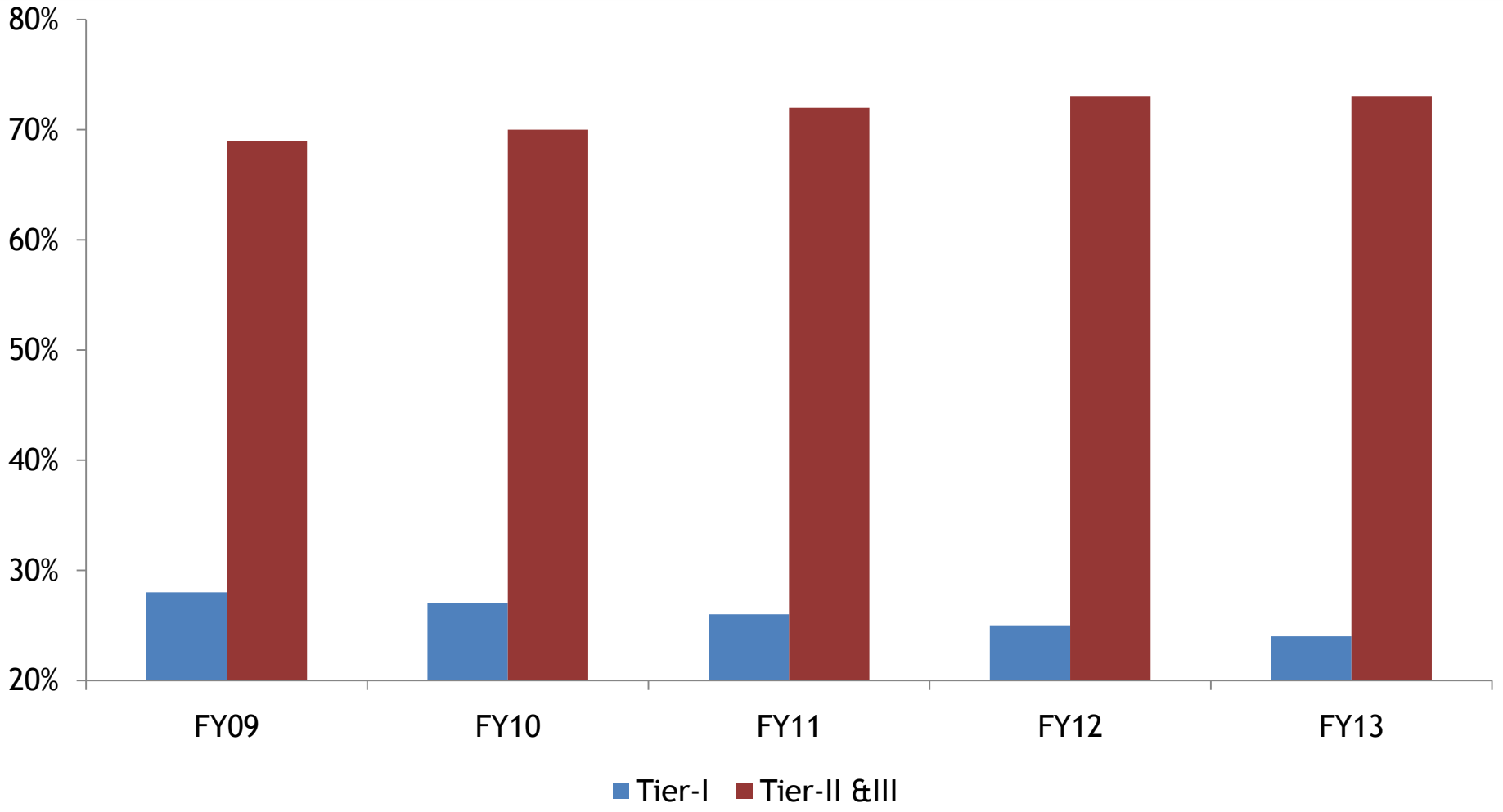
- Structural shift in the industry leading to increasing proportion of sales from high to mid-end tiles



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Taking Advantage of Rapid Urbanization

- Proportion of sales from Tier II & III increased to 73% in FY13 from 66% in FY08

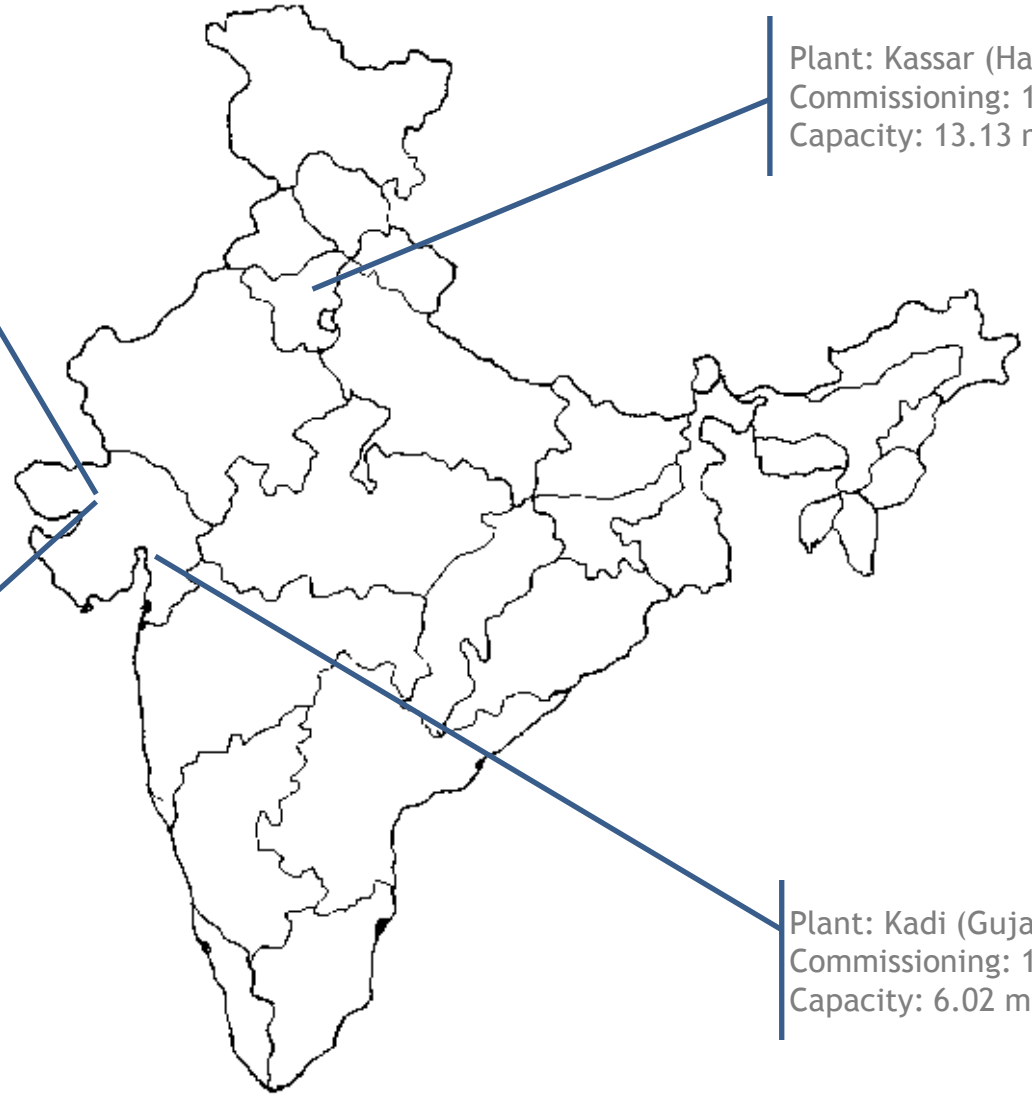


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Existing Manufacturing Facilities

Plant: Morbi (Gujarat), JV with
Commander Vitrified Pvt. Ltd.
Commissioning: 2012
Capacity: 2.65 mn sqm

Plant: Kassar (Haryana)
Commissioning: 1972
Capacity: 13.13 mn sqm



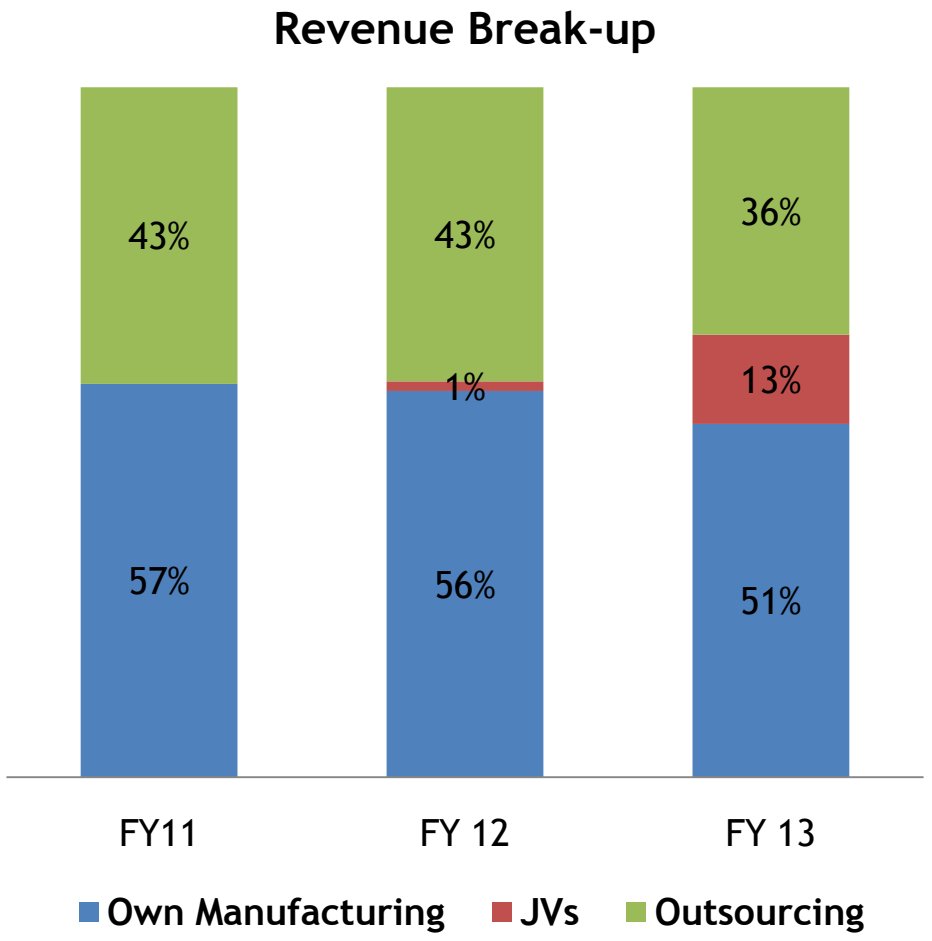
Plant: Morbi (Gujarat), JV with
Vintage Tiles Pvt. Ltd.
Commissioning: 2012
Capacity: 3.35 mn sqm

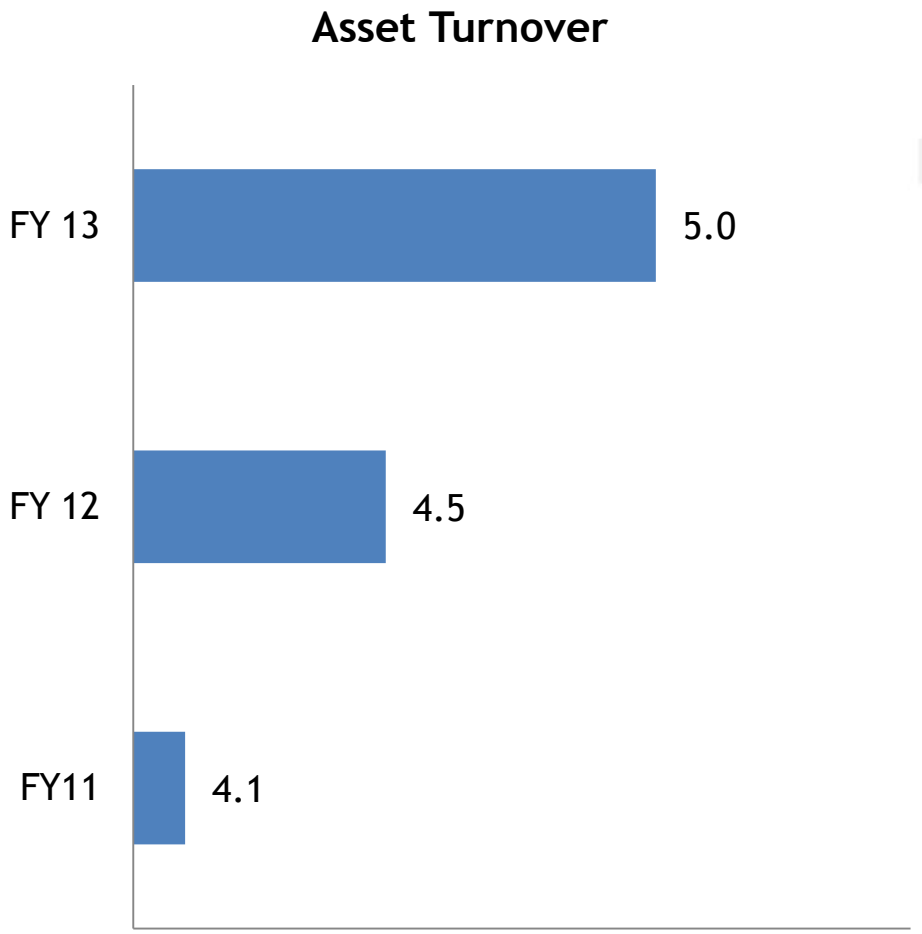
Plant: Kadi (Gujarat)
Commissioning: 1983
Capacity: 6.02 mn sqm

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Outsourcing – An asset light model

- Focus on developing an asset light business model by increasing revenue from JVs / outsourcing





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Strategy of Expansion Through JVs

- Focusing on adding capacities by partnering with local/family-driven ventures, instead of going for greenfield expansion.
- Over the last two years, the company has invested in two such joint ventures.
  - Invested Rs.82.8mn in acquiring a 26% stake in two new plants in Morbi (Gujarat), with a right to buy back the entire capacity of 5.30mn sq. m.
  - The 26% investment in equity of JV is a cost efficient route of building production capacity versus the greenfield expansion, which may cost Rs. 400-500 mn.
- Key advantages of expanding through the joint venture route:
  - Low capital requirement.
  - Faster access to capacity (reduces lead-time by almost a year, since many approvals with respect to the land and plant are in place.).
  - Assured production.
  - Better control, as most of these ventures are family-driven.
  - Faster payback vis-à-vis a greenfield expansion.

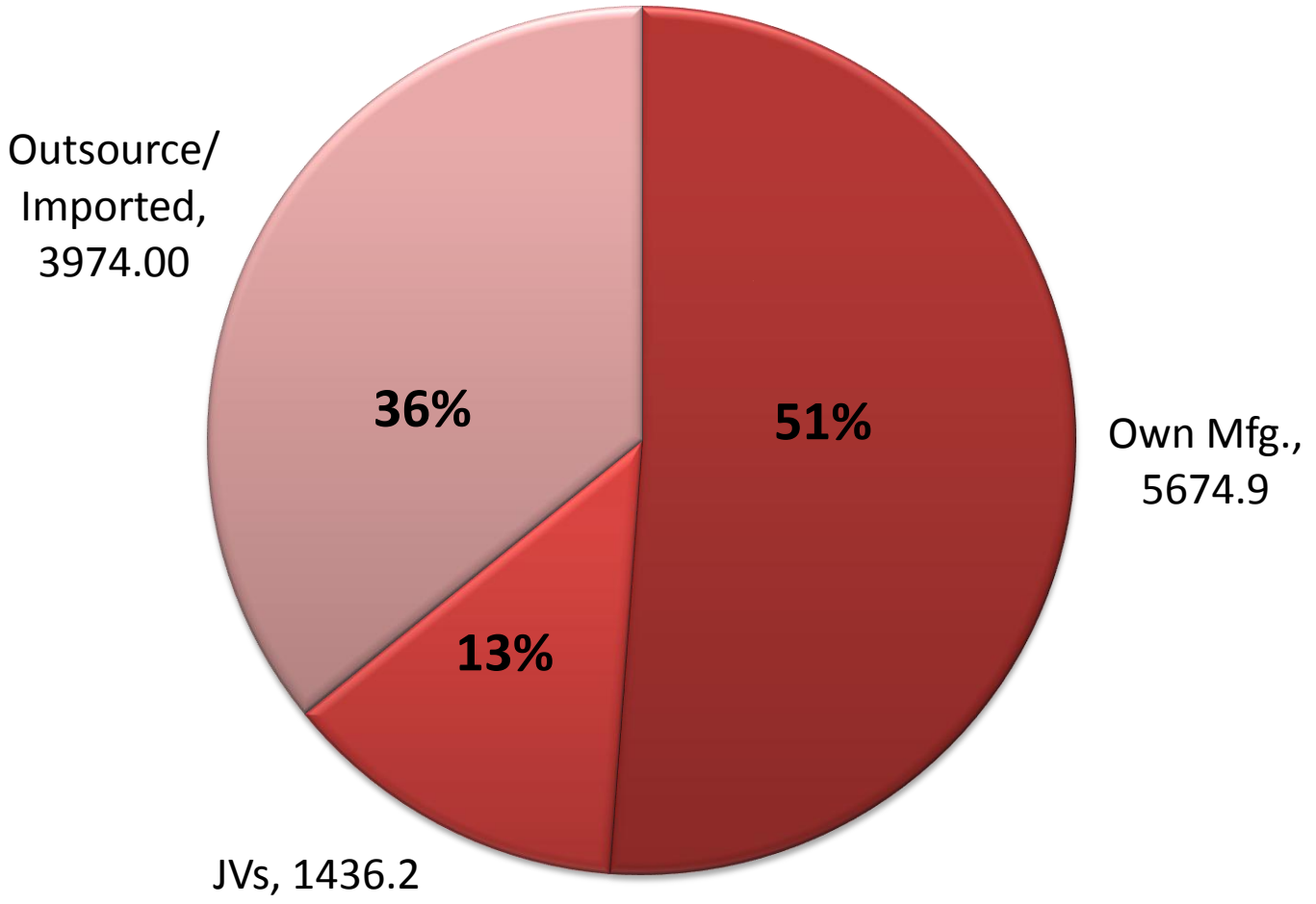
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Strategy of Expansion Through JVs *(Cont'd)*

- The company intends to follow an asset light model with most of its future expansion through JVs.
- The asset light model would help the company to focus on marketing.
- The company expects its net sales to grow at a CAGR of 25% over the next four years
- Benefits of expansion through JV route and increasing proportion of value added products expected to result in
  - approx. 50 bps expansion p.a. in PBT over the next three years beginning FY15
  - improvement in debt to equity levels
  - improvement in working capital cycle from the current levels

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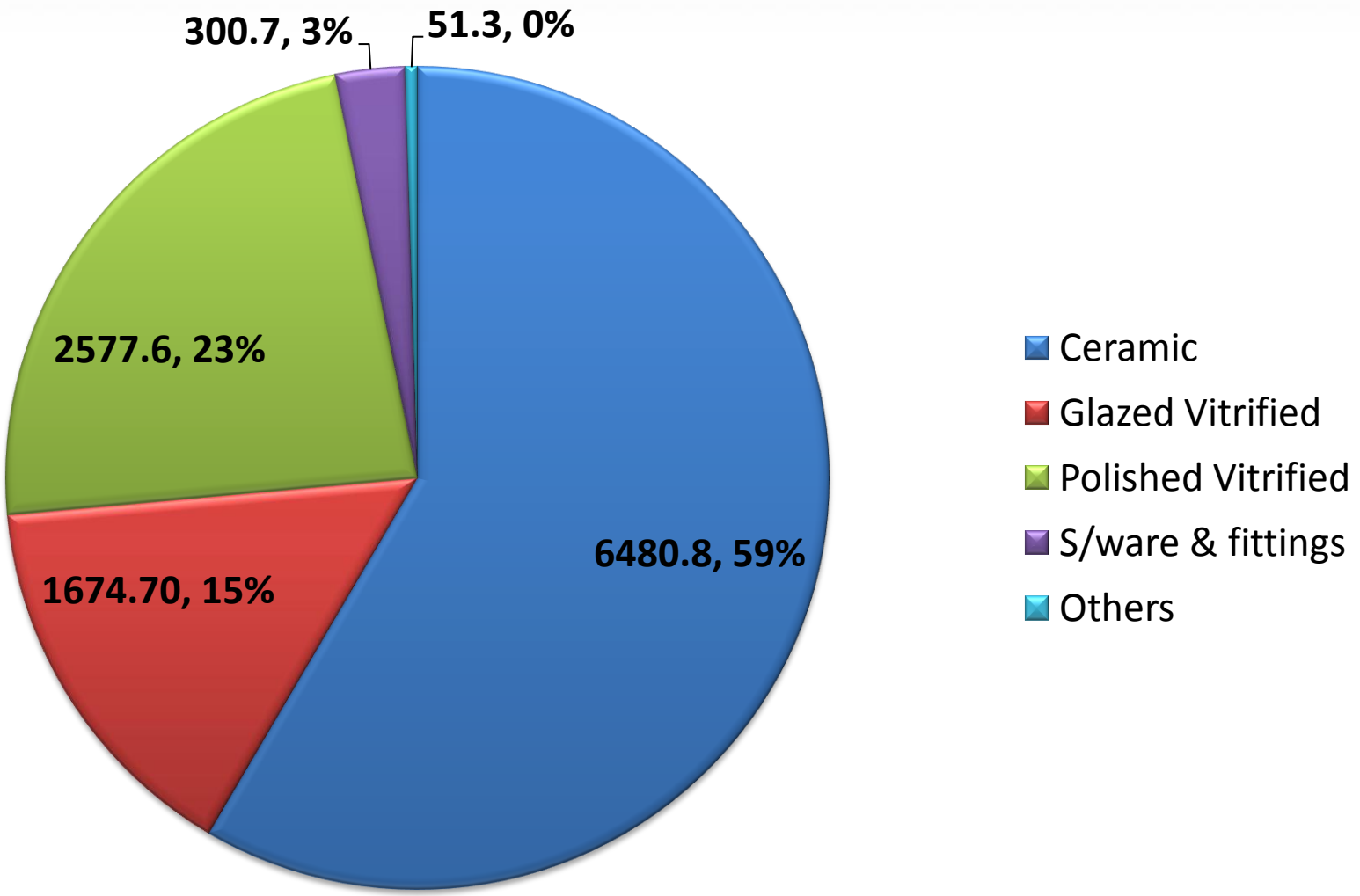
Sales Distribution – Activity-wise (FY13)



Standalone figures in Rs./ Mn

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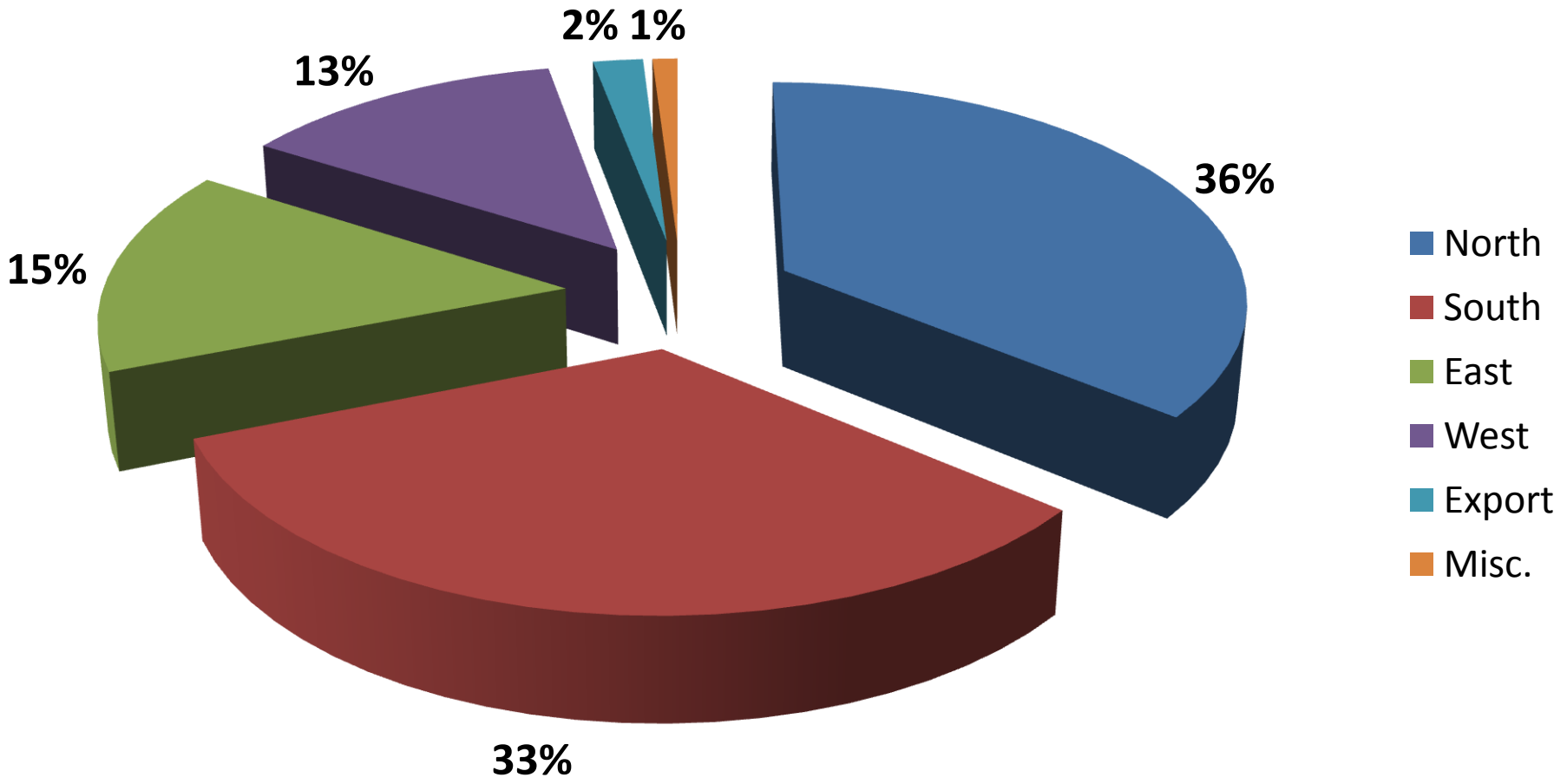
Sales Distribution – Vertical-wise (FY13)



Standalone figures in Rs./ Mn

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Sales Distribution – Region-wise (FY13)



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Distribution Strength

- Focus on leveraging the extensive distribution network to penetrate the SOMANY brand



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Branding & Marketing

VC Ad



Duragres – GVT Ad



Ecowood Ad



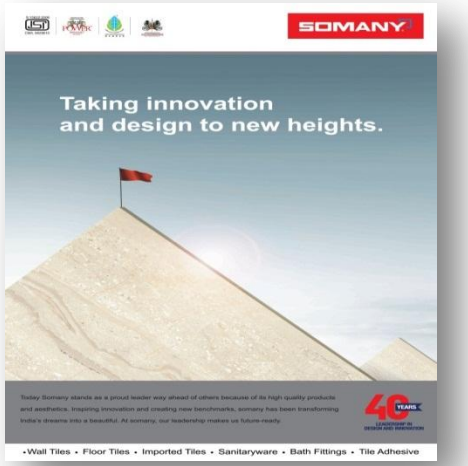
CP Fittings Ad



Corporate Ad - 1



Corporate Ad - 2

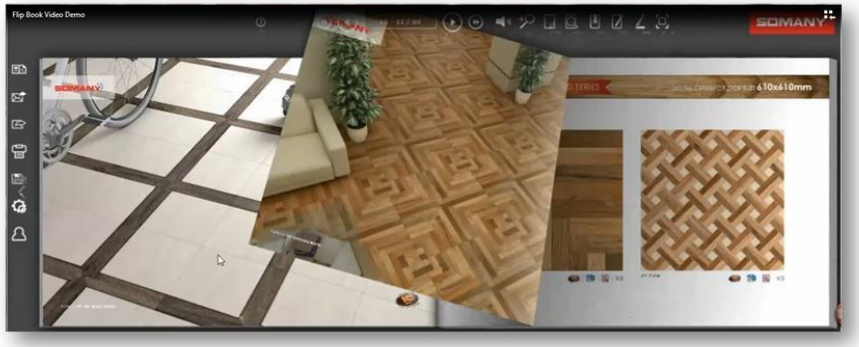


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Brand SOMANY *(Cont'd)*



- Extended branding from the physical domain to the virtual domain, enhanced exposure through a user friendly website and social media platforms is also helping gain a lot of mileage and traction around the brand.



- Transformed the static digital PDF files into interactive page turning Flip Books available on our website which give consumers a interactive product catalogue and ease of access.

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Research & Development

- To combat competition and stand out in the market, its imperative that the Company has a sacrosanct approach towards R & D.
  - Key highlights of Somany's R&D efforts
    - First in the tile industry to have government-recognized R&D facilities
    - A highly experienced & qualified team in Design & Development
    - Close working relationship with Italian MNCs for development of new products
    - Use of latest software's available in the market
    - Innovations are done not only in designs as well as our products for which we have acquired many patents
    - Latest printing technologies in our production facilities

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Agenda

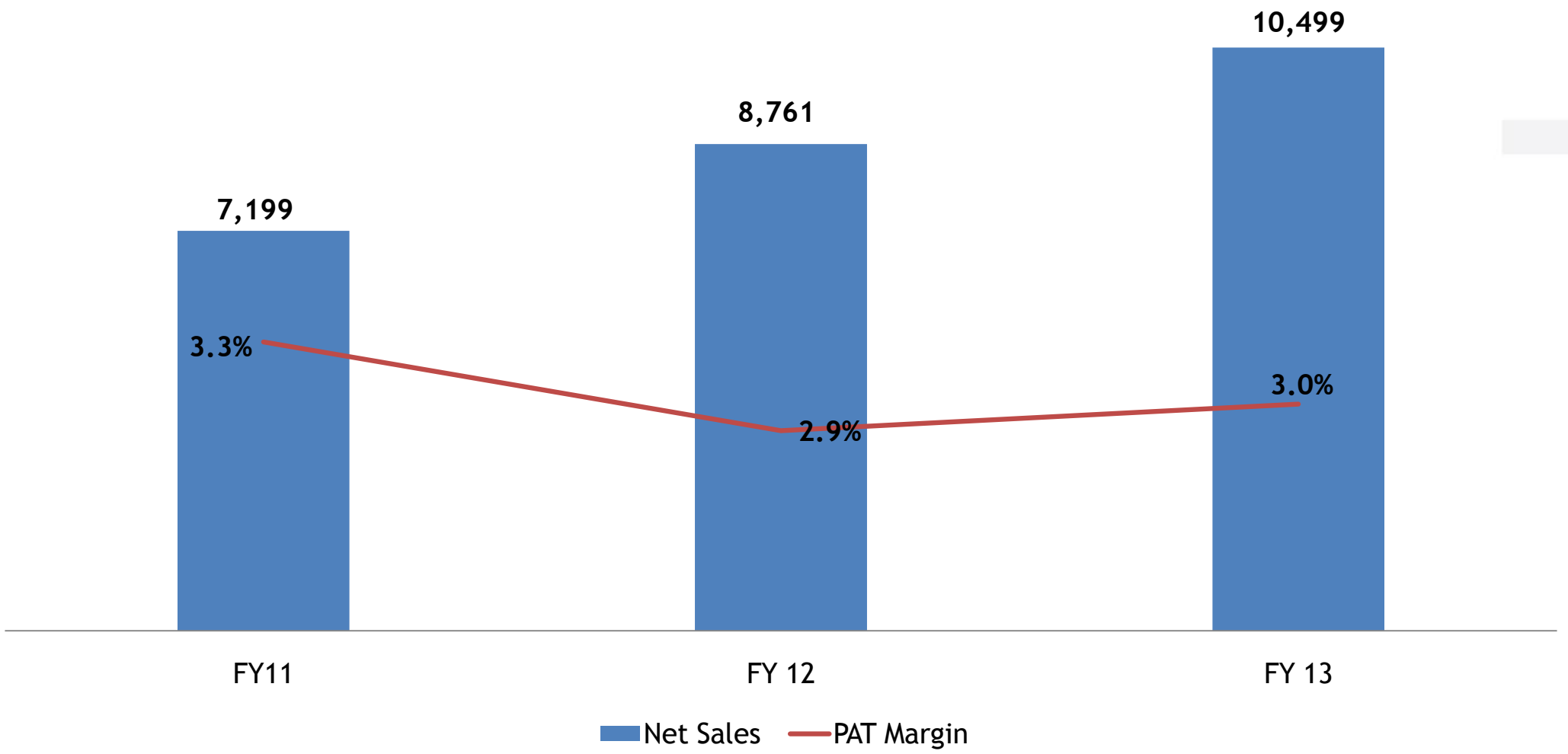
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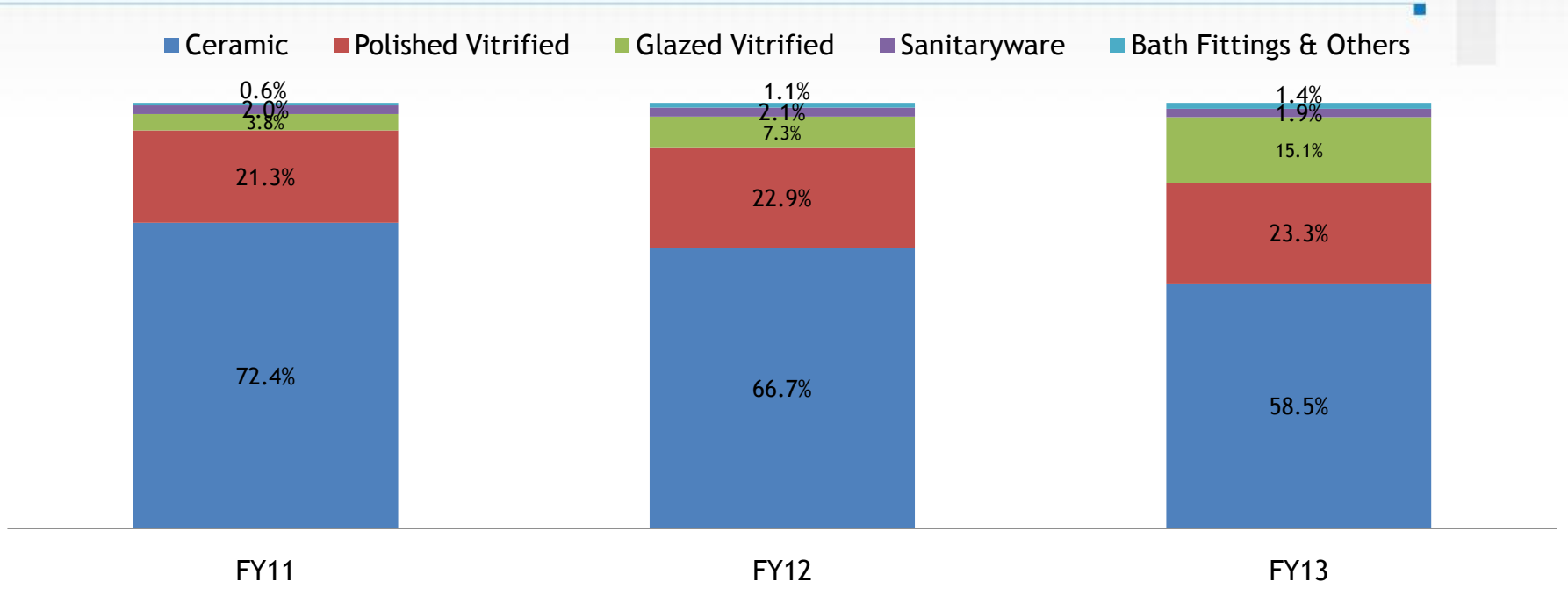
Sales Growth & Profitability



Consolidated figures in Rs./ Million

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Sales Break-up



Standalone figures in Rs./ Million

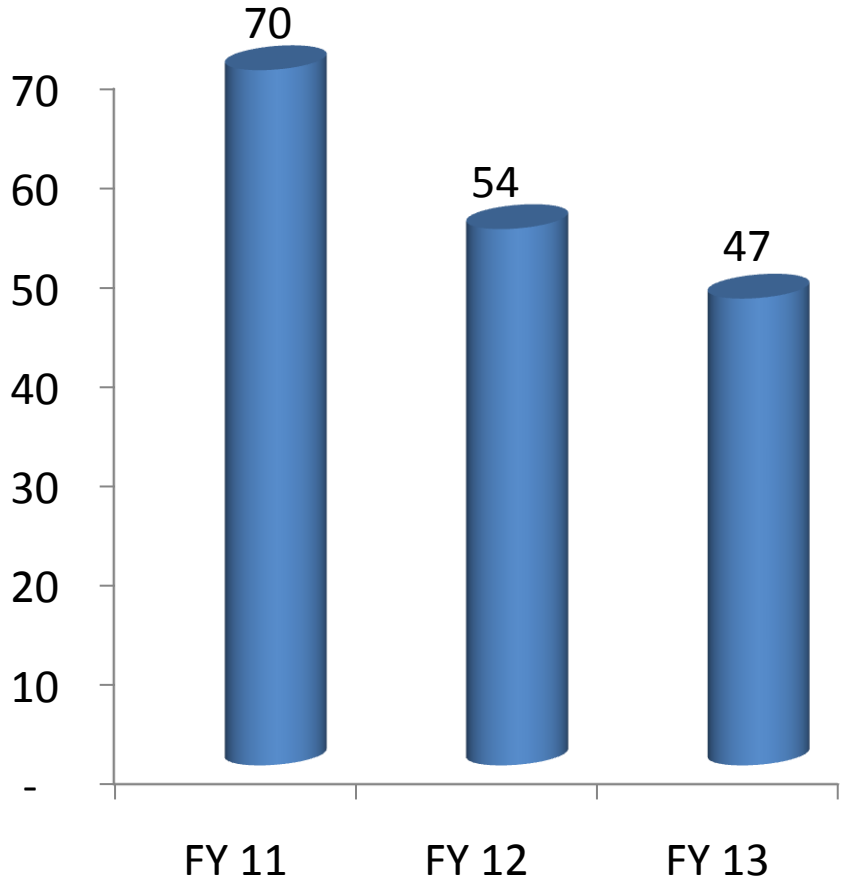
Particulars	FY11	FY12	FY13
Ceramic Tiles	5,429	6,143	6,481
Polished Vitrified Tiles	1,593	2,114	2,578
Glazed Vitrified Tiles	284	670	1,675
Sanitaryware	146	189	205
Bath Fittings & Others	43	96	145

Steadily increasing proportion of value added products in total turnover

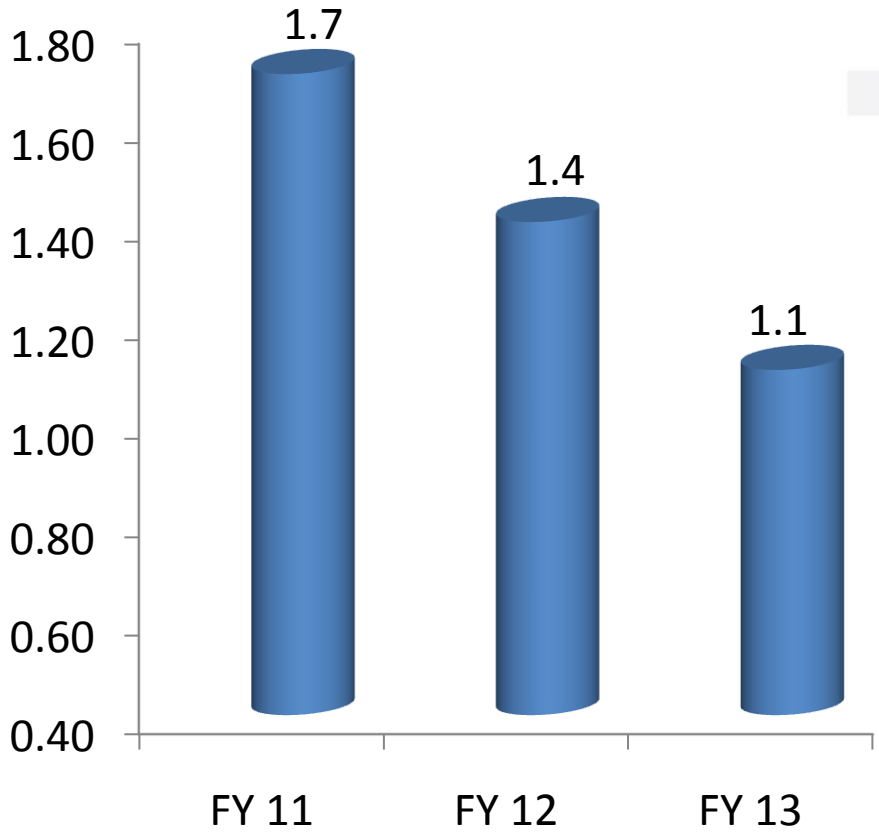
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Debt Management

Working Capital Cycle (Days)



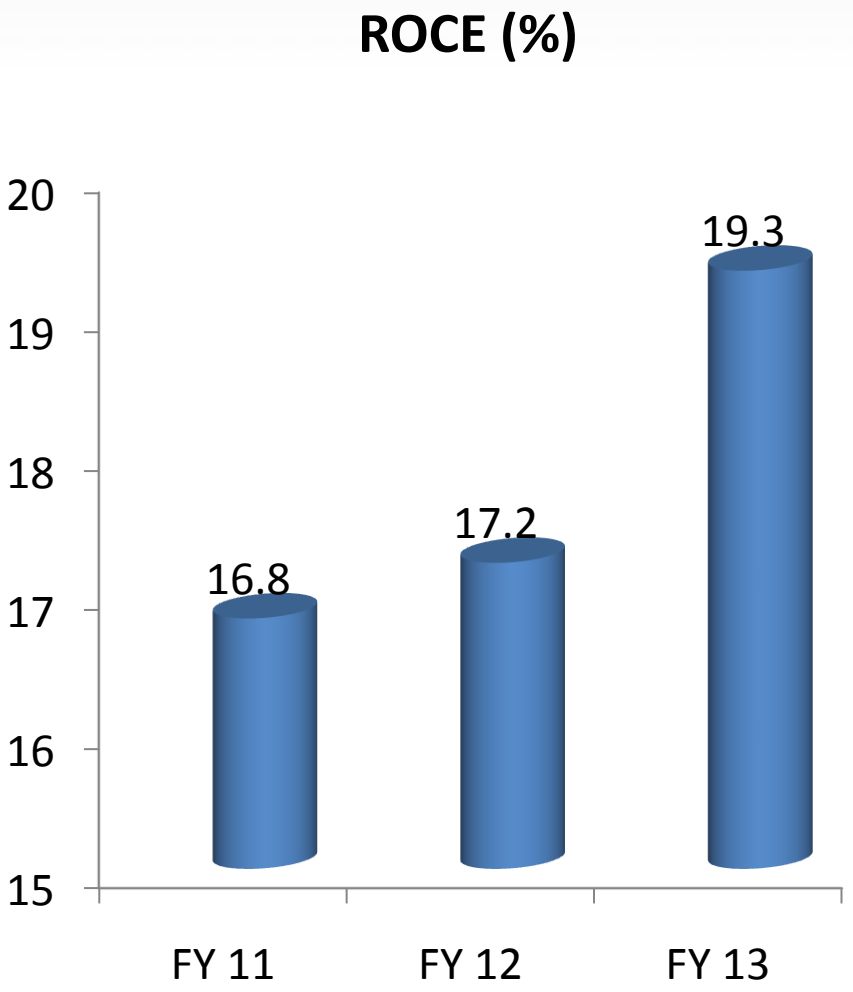
Debt Equity (Times)

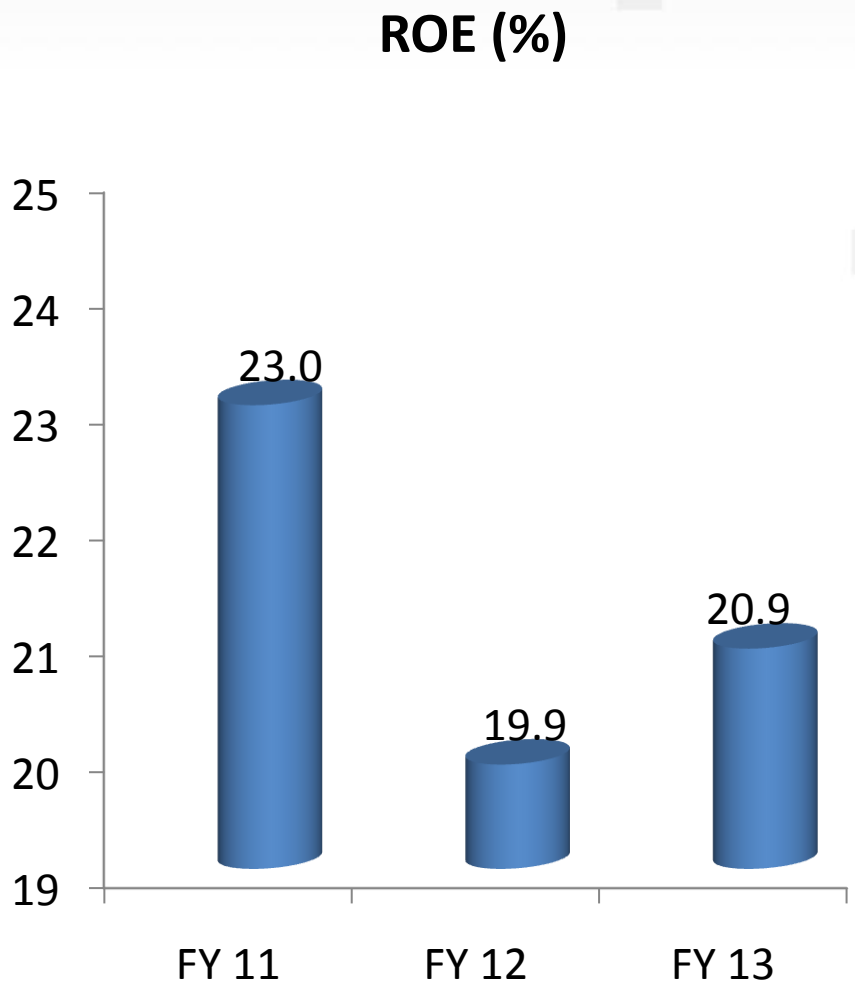


Strengthening balance sheet along with a healthy growth in turnover

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Return Ratios





Benefits of an asset light business model percolating to overall profitability

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Financial Highlights – P&L

	Audited		
Particulars	**FY11**	**FY 12**	**FY 13**
Gross Sales	7,615	9,274	11,127
Net Sales	7,199	8,761	10,499
EBIDTA	690	752	883
Depreciation	175	183	205
EBIT	519	569	678
Finance cost	171	207	200
Profit before tax	344	362	478
Tax expenses	105	111	152
Profit after tax *	239	251	320
Cash Profit	438	434	525
EPS (Rs.)	6.28	7.28	9.28

* After minority interest and share of profit in associates

Consolidated figures in Rs./ Million

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Financial Highlights – Balance Sheet

	Audited		
Particulars	**FY11**	**FY 12**	**FY 13**
Liabilities			
Networth	1,039	1,259	1,530
Total Debt	1,785	1,787	1,725
Trade Payables	970	1,114	1,612
Assets			
Net Block	1,737	1,944	2,092
Long Term Investments	9.9	52	87
Inventories	988	1,006	1,205
Trade Receivables	1,294	1,400	1,747
Cash & Bank	158	222	258

Consolidated figures in Rs./ Million

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Financial Highlights – Key Ratios

	Audited		
Particulars	**FY11**	**FY 12**	**FY 13**
Growth Matrix			
Net Sales		21.7%	19.8%
EBITDA		9.0%	17.4%
PAT		5.0%	27.5%
Profitability			
EBITDA Margin	9.6%	8.6%	8.4%
EBIT Margin	7.2%	6.5%	6.5%
PBT Margin	4.8%	4.1%	4.6%
PAT Margin	3.3%	2.9%	3.0%
RoCE	16.8%	17.2%	19.3%
RoE	23.0%	19.9%	20.9%
Leverage & Coverage			
D/E	1.7x	1.4x	1.1x
Total Debt / EBITDA	2.6x	2.4x	2.0x
EBIT / Interest	3.0x	2.8x	3.4x
Asset Management			
Working Capital Days		54	47
Net Fixed Assets Turnover		4.5x	5.0x
Valuation			
P/E		15.1x	11.9x
Mcap/Sales		0.4x	0.4x
EV/Sales		0.6x	0.5x

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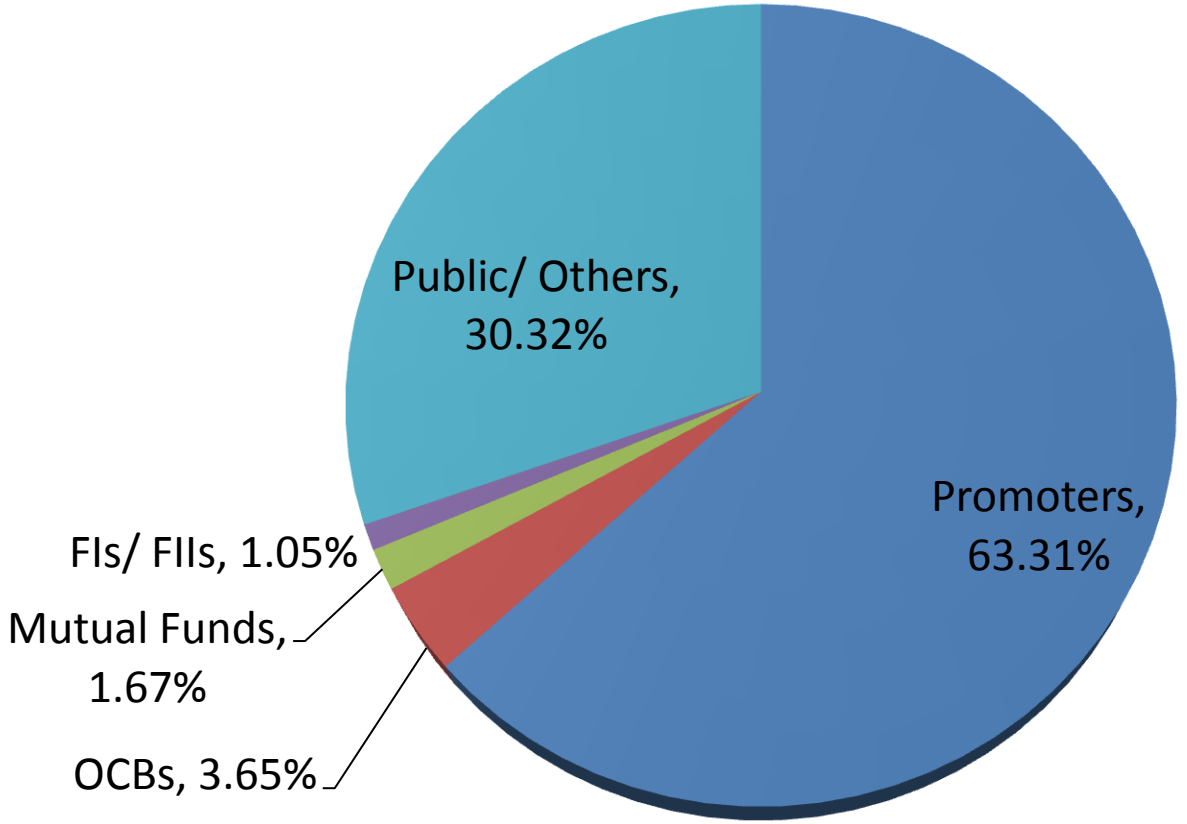
Financial Highlights – Q2 & H1 FY2014

Particulars	Q2' FY13	Q2'FY14	% Chg	HY1' FY13	HY1' FY14	% Chg
Gross Sales	2,720.5	3,206.1	*17.8*	4,760.0	5,930.2	*24.6*
Net Sales	2,566.2	3,038.2	*18.4*	4,463.0	5,617.9	*25.9*
EBIDTA	215.3	196.9	*(8.5)*	394.2	382.7	*(2.9)*
Depreciation	50.0	54.6	*9.2*	98.8	107.2	*8.5*
EBIT	165.3	142.3	*(13.9)*	295.4	275.5	*(6.7)*
Finance cost	49.0	47.7	*(2.7)*	100.3	92.5	*(7.8)*
PBT	116.3	94.6	*(18.7)*	195.1	183.0	*(6.2)*
Tax expenses	36.1	32.1	*(11.1)*	62.2	62.3	*0.2*
PAT	80.2	62.5	*(22.1)*	132.9	120.7	*(9.2)*
Cash Profit	129.3	118.6	*(8.3)*	228.3	227.4	*(0.4)*
EPS	2.3	1.8	*(22.0)*	3.9	3.5	*(9.1)*
Margins			***Chg (bps)***			***Chg (bps)***
EBIDTA (%)	8.4	6.5	*(191)*	8.8	6.8	*(202)*
EBIT (%)	6.4	4.7	*(176)*	6.6	4.9	*(171)*
PAT (%)	3.1	2.1	*(107)*	3.0	2.1	*(83)*

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Shareholding Pattern

As on 30th September, 2013



Equity Shares Outstanding – 34,497,000 of Rs. 2/- each
CMP (as on 20-Dec-2013) – Rs.109.90 per share
Market Capitalization (as on 20-Dec-2013) – Rs.3,792 mn

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Disclaimer

The information contained herein has been prepared to assist prospective investors in making their own evaluation of the Company and does not purport to be all-inclusive or to contain all of the information a prospective or existing investor may desire.

This Information may include certain statements and estimates provided by the Company with respect to the projected future performance of the Company. Such statements, estimates and projections reflect various assumptions by management concerning possible anticipated results, which assumptions may or may not be correct.

Prospective investors will be expected to have conducted their own due diligence investigation regarding these and all other matters pertinent to investment in the Company.

This presentation may contain statements that are “forward looking statements.” The company’s actual future results may differ materially from those suggested by such statements, depending on various factors for which the company and its management does not take any responsibility.

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joy per square feet

THANK YOU

For further information:
Somany Ceramics Ltd.
Mr. R.K.Lakhotia, VP-Finance
Email: fin@somanytiles.co.in

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