


GROWING FROM
STRENGTH TO STRENGTH



Kajaria

Kajaria Ceramics Limited

ANNUAL REPORT 1998-99

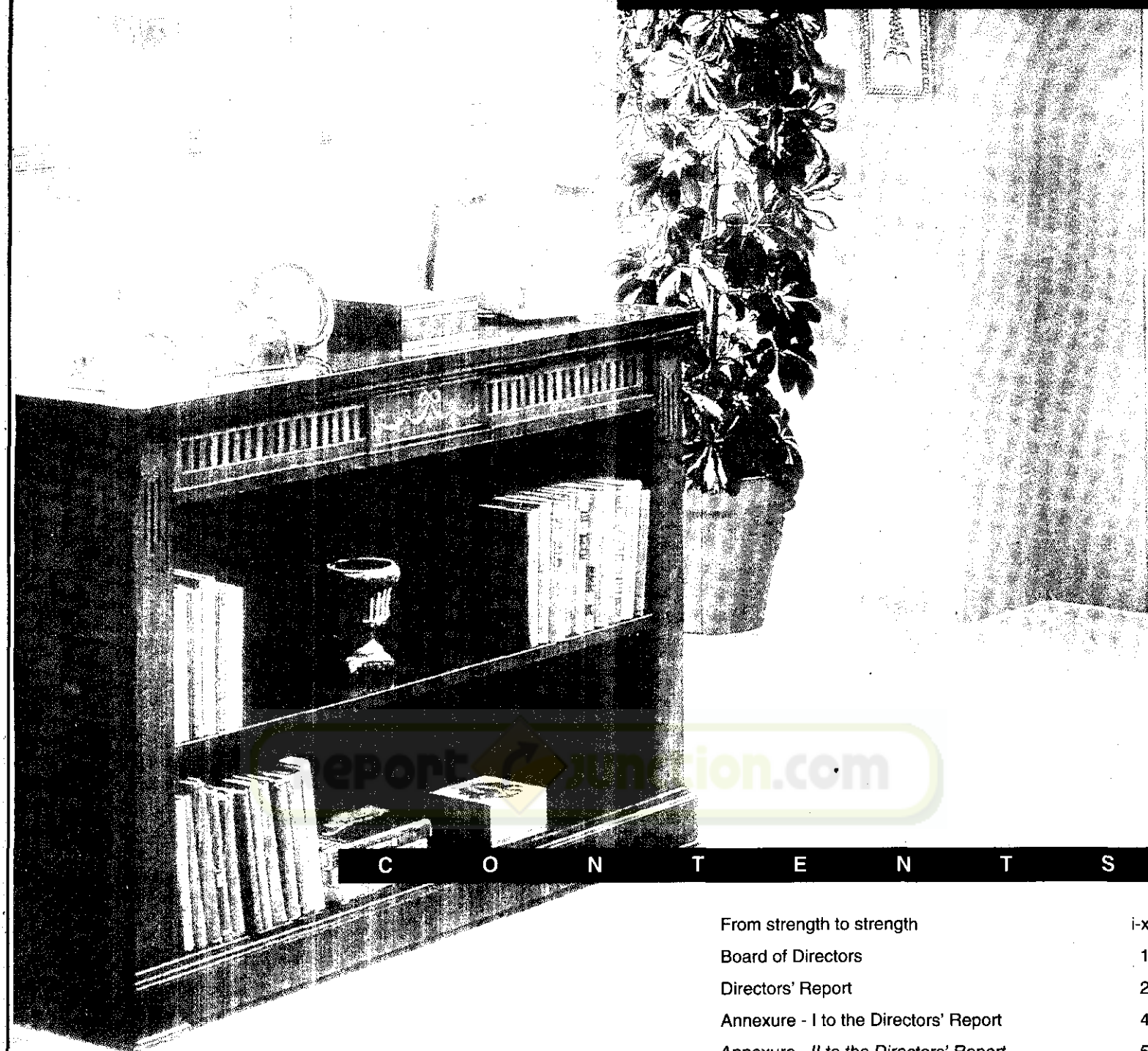
“An aggressive marketing, quality of operations and customer oriented commitment have been the vital ingredients in our continued growth.”

“The year 1999 has been, like its predecessor, a momentous period in our history. While it marks the end of one millennium and signals the beginning of another, it has also given greater meaning and form to our customer driven approach. For many years now our focus and emphasis has been on the customer. The objective of meeting his basic needs in ceramic applications was extended into fulfilling his enhanced expectations. In 1999, this was carried a step further by creating and implementing a diverse range of systems and processes that effectively secured his approval, appreciation and goodwill. Providing and retaining absolute satisfaction through quality driven operations was adopted as our corporate, marketing, and even individual goal. In the course of striving for excellence, our priority became an aggressive customer oriented marketing effort. This has been a vital input in our growth and development in 1999, in spite of the adverse conditions in the industry and economy. Despite the challenges faced during the year, Kajaria Ceramics displayed the indomitable strength of its resilience and synergy to innovate and achieve. As we cross one more year of commitment through a relentless adherence to quality, we have ample reason to be proud of our entire marketing infrastructure, including the external forces of Kajaria dealers and marketers, who imbibe and demonstrate the same standards of commitment and quality to our customers. And we do look to a future that promises to be even more encouraging and rewarding than before.”

A. K. Kajaria

Chairman & Managing Director





From strength to strength	i-x
Board of Directors	1
Directors' Report	2
Annexure - I to the Directors' Report	4
Annexure - II to the Directors' Report	5
Auditors' Report	6
Annexure - to the Auditors' Report	7
Balance Sheet	8
Profit & Loss Account	9
Schedules to the Accounts	10
Balance Sheet Abstract and Company's General Business Profile	21
Cash Flow Statement	22

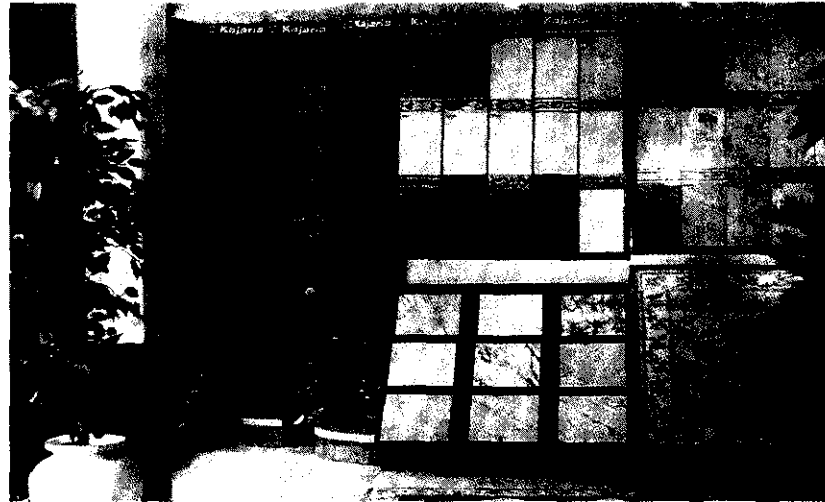
Focussing for success

As the second millennium draws to a close, making way for the third, a number of strategic lessons have been clearly indicated in the process of corporate growth and globalisation. One of the prime lessons learnt has been the complexities involved in facing the multiple challenges of global economies. In India, the ceramic industry too has had its full share of wholesale changes. Manufacturing standards, technology, user trends, competitiveness, customer preferences, all have played a major role in defining the extent or absence of success. For Kajaria Ceramics, while all these were given a special emphasis and attention, the key elements were clarity of focus and vision. As triumphs and victories were recorded and milestones surpassed, the company rapidly redefined and rewrote the dynamics of marketing in the course of completing its first decade and beginning the second.

Kajaria Ceramics once again demonstrated its deep rooted resilience and tenacity by translating challenges into opportunities and opportunities into successes, where lesser companies would have found the task daunting and failed, Kajaria Ceramics had a long range enduring philosophy and the vision to envisage the future. Its passion, acumen and

energy helped to chart a result oriented course in one single product, one single industry and one objective - to manufacture ceramic wall and floor tiles that would enjoy customer preference, not just in India but in the international arena too.

course that would define new chapters in technique, method and processes of marketing. From a modest beginning of 3000 sq. mtrs. per day, the company has crossed a phenomenal production level of 33,000 sq. mtrs. per day. Kajaria Ceramics has also the



Redefining the dynamics of marketing

The key to the company's undisputed success, year after year, lies in its attitude and approach to the sales and marketing of its brands. Primary among this has been the pioneering application of FMCG marketing techniques, in a unique adaptation for ceramic tiles. The single most dominant factor in this has been the obsession with quality. This has led the company to offer a range of ceramic tiles with multiple applications. Several new breakthroughs were achieved in the marketing strategy and the company embarked on a

- Wall and floor tiles being creatively presented at the Tile Centre.

unique distinction of being the first tile company to secure the ISO 9002 Certification. This prestigious recognition clearly demonstrates the company's unrestrained focus and commitment to quality in all its systems and operations, at par with international standards.

The benefit of Kajaria's unique quality through a technologically superior manufacturing process imparts an enhanced brand value to give the company a decisive edge in its productivity, marketing process, operations and brand equity.

Innovative Designing - a continuous process

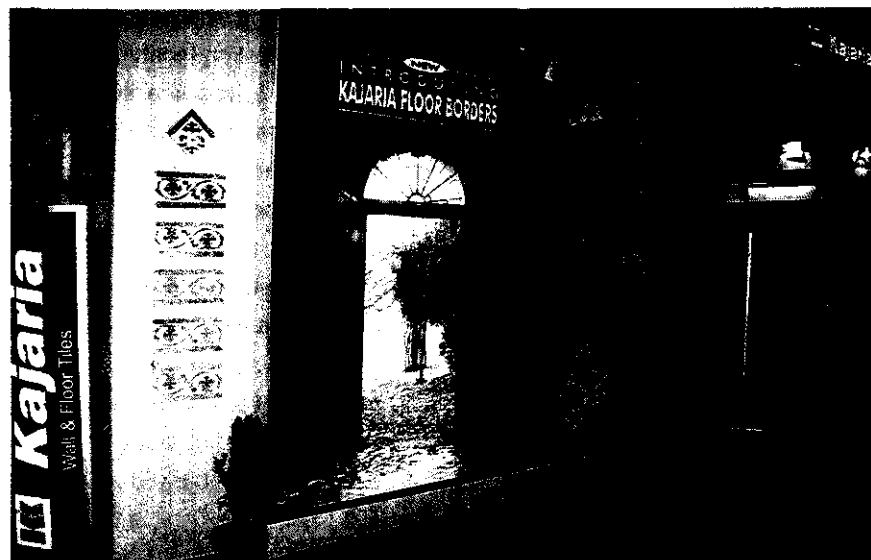
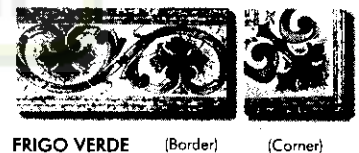
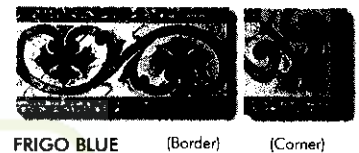
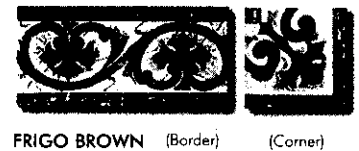
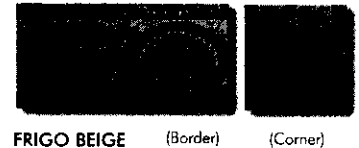
While customer preference continue to soar higher and higher, the Company launched another strategic initiative to accelerate its growth and progress. In an extraordinary departure from ordinary methods, it went about evolving and implementing systems and standards that gave a new dimension to the marketing and retailing of ceramic tiles. It opened and popularised exclusive tile shoppes and increased the demand by creating an ambience and opportunity for customers to experience the effect and impact of various combinations of colours and designs. This unique benefit allowed them the freedom to experiment in order to select an individual, specific taste oriented matching wall and floor tiles with accompanying border to give a distinct designer look to their establishment.



Unrivalled range and designs

The myriad designs and colours produced by the company were given an enhanced standard of quality and value by a complementary range of border tiles. The access to a wide variety of tiles, from the bold and sensational to elegant tranquility secured for the company a customer approval and preference that was unmatched by any other company. Shifting trends and changing tastes too were quickly gauged by the company, even anticipated. Exclusive and outstanding designs were rapidly produced. This market alertness and agility of response catapulted Kajaria as the most preferred ceramic

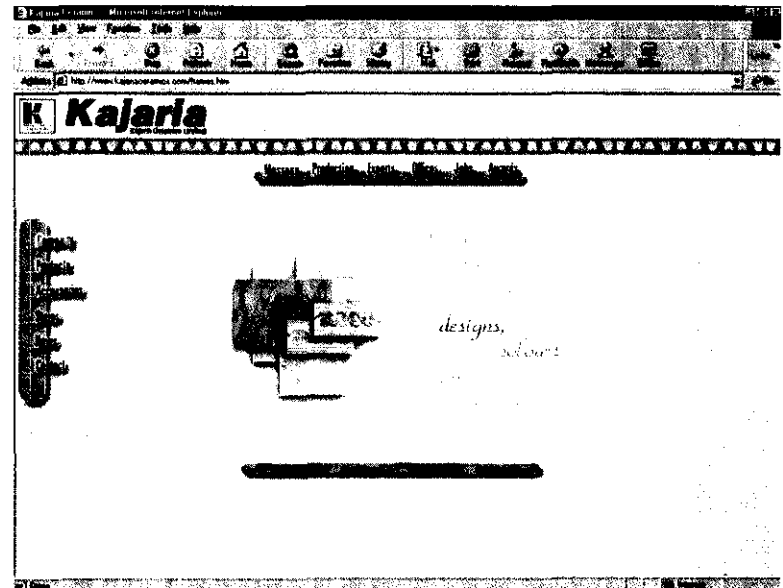
tile company in the country. Its incredible range of over 400 designs with as many as 50 different variations in Group-5 Category alone clearly indicate the commitment it has and the high standards it can achieve in providing absolute customer satisfaction through its brands.



A unique display of border tiles.

Information Technology - a key input

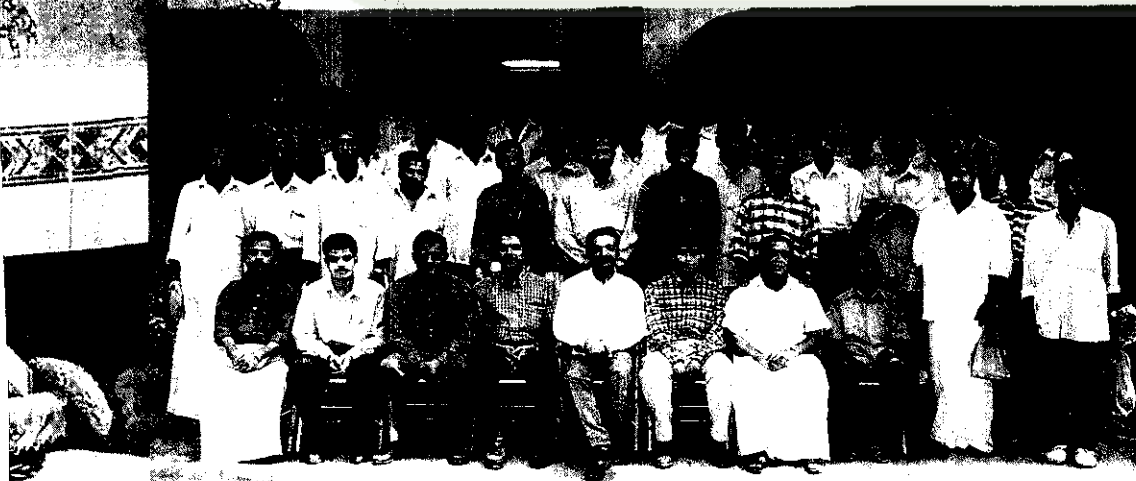
With the tremendous spurt taking place in the realm of information technology, Kajaria was quick to seize the benefits from the new medium, by hosting its own website on the internet. The Kajaria website provides a wealth of information on its entire range of wall and floor tiles, and borders, including detailed information on the various specifications. Exquisitely designed, the website contains the full range of visually appealing graphics on designs, colours and sizes. With access to this facility, customers and consumers



can avail the tremendous benefits of e-commerce of Kajaria tiles, and even place their orders for quick delivery.

- Advanced information technology, at work.
- The global reach of the internet being effectively used to communicate to customers worldwide.

Strong Marketing Distribution Network



Dealers alongwith masons at Cochin meet to discuss salient product features/benefits.

Kajaria's dominating presence in the country has been further consolidated by a uniquely engineered network of dealers. These highly visible retail outlets have sprung up not only in all

major cities and towns but even in the most strategic market locations. A huge force of sub dealers cover and penetrate into all target markets, urban and rural throughout the length and

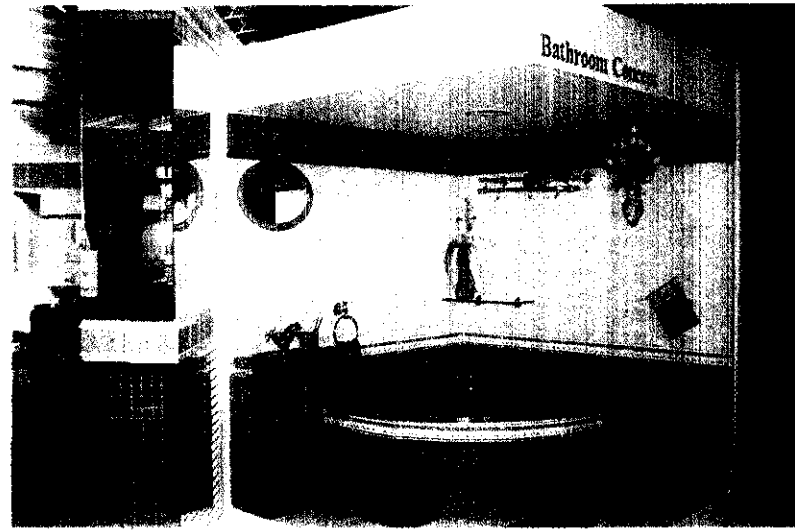
breadth of the country. The tremendous advantage from this marketing strength has been the easy access to and availability of Kajaria's entire range of wall and floor tiles and borders, right in the neighbourhood of the customers. In addition, the vast range and choice enables customers to select their own designs and create their own individual combinations in exclusive

preferences and tastes.

Even as markets were expanded and consolidated, Kajaria Ceramics turned its attention to another highly potential segment of customers, individual home owners and institutions, who represented a growing base of repeat purchasers. The activity of renovating premises in a regular time frame was identified as a profitable segment of target market and given due importance. Hotels, restaurants, hospitals, dispensaries, workshops, retail outlets, servicing centres were quickly tapped for securing repeat orders. Multiple product uses and applications further helped to improve and increase sales. Kajaria also continued to improve its communication process with architects, builders, masons, and interior decorators and designers in order to update their product information and provide them convenient access to its diverse brands, designs and

addition, the company emphasis on participating in national and local exhibitions also enabled it to enhance its visibility and reach on a continuous basis, throughout the year. This also helped to inspire and influence product usage at a more rapid pace.

A unique Kajaria bathroom concept giving value for money.



One of the numerous Mason contact programmes, in session, to build and retain confidence and approval through positive interaction.



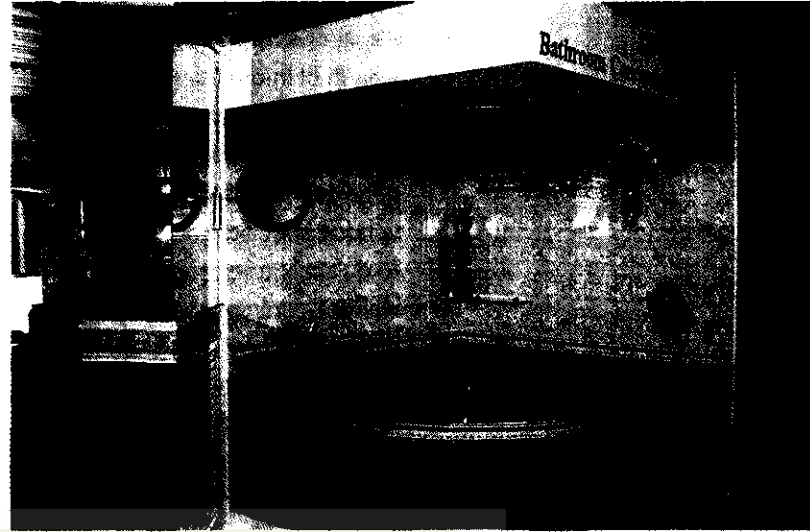
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colours. Using the effective technique of sampling with frequent and regular communication through pamphlets, product folders and catalogues helped to keep the Kajaria brand on a top-of-mind scale among the priority target customers. In

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Transparency in corporate governance

The entire approach to corporate governance at Kajaria was characterised by a new and refreshing stance of transparency. At the core of its philosophy is the recognition that management is fully accountable to all stakeholder for good governance. Implicit belief that

participants in the Board meetings of the company and have good understanding of the marketing, finance, technical besides knowledge of the company and other applicable laws. The company also does not pay any commission to the non-Executive Directors on the sales or profits of the company. Nor does it indulge in the practice of offering stock options. The Board also

needs for information. Determined to conduct its business in a dignified, distinctive and responsible manner, the company has given a vital significance and importance to develop its relationship on these lines. This in essence will continue to be the driving force in its growth strategy for the future.



key decisions must serve the goal of enhancing shareholders value over a sustained period of time has also been given the utmost priority. Kajaria's Board of Directors is comprised of 9 Directors including 8 external Directors. The company's Board meets atleast 6 times a year in addition to attending special sessions to review strategic, operational and financial matters. All the Directors are active

has a committee structure in place to balance the needs for board inputs, with the constraints on available time. The current functioning of the Board is also supported by the Audit Sub-committee and Share transfer committee. The company regularly maintains interaction with the institutional debt and equity investors to keep them updated on the current developments internally and to address their ongoing

- The vast range of
- Kajaria tiles enable
- customers to fulfil their
- own individual
- needs according
- to their own
- specific tastes.

The Industry Scenario

The world ceramic tile consumption is estimated at a mammoth 3.5 billion sq. mtrs. annually. The consumption is increasing at a faster rate than that of the world GNP, including even in the developed countries, which account for a major share and preference for this product, as compared to other building material. China's consumption alone touches 900 sq. mtrs. against the 85 million sq. mtrs

in the mid 90s gave a definite impetus to the organised sector. As a result the organised industry grew from INR 5000 million in 1994 to INR 12,000 million in 1998-99. Kajaria's market share too increased from 15% to 16% with the company achieving the number one status in terms of brand preference and demand.

In the industry, the minimum economic size of a modern plant for serving the customers on an all India basis is 80,000 TPA. At present

addition has occurred in the last year, neither is it expected in the current year. The excess capacity thus created in the earlier years has already been absorbed. An encouraging development has been the various incentives for the housing sector announced by the government in the recent budget. The impact and benefit of this will be felt in the ceramics industry in the second half. The industry is expected to grow at 25% with better realisation in the current year.



in India. The annual growth in worldwide consumption is also expected to be over 8% per annum.

The Indian Ceramics Industry has been dominated by the organised sector till recently due to the higher duty and restriction on imports. The recent reduction in the duty from 55% to 25%

estimates, this signifies a cost of Rs. 1600 million. Due to the economic recession in the last three years, the smaller and new players have been unable to compete with the established larger players resulting in merger and acquisitions to match capacities and technology of the large modern plants, like Kajaria. No major capacity

Kiln Control panel -
regulating precision
to the tile