

 **Kajaria**
Kajaria Ceramics Limited
Annual Report 2002-2003

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To follow the principles of transparency,
high business ethics, global quality standards
and in creating new intellectual assets

To reach into everyone's dream home

To retain the highest brand recall in the mind
of discerning customers for quality, designs
and as a provider of new concepts and ideas

To remain in the forefront in the
Ceramic Tile Industry

OUR VISION FOR THE FUTURE

A MESSAGE FROM THE CHAIRMAN AND MANAGING DIRECTOR



The year 2002-2003 was marked by several external and internal constraints in the operating environment, while global economy continued to be in slow-down mode. The growth rate of the country's GDP was lower at 4.4% in 2002-2003 as compared to 5.6% in 2001-2002, mainly due to decline in the agricultural production brought about by monsoon failure. However, during the year 2002-2003 we also witnessed positive features like estimated overall growth of 5.8% in the industrial sector and around 7.1% growth in the service sector. This was mainly on account of higher growth in construction and infrastructure, increase in domestic trade, and encouraging developments in services and transport sector. The year witnessed continued macro-economic stability in terms of inflation, orderly currency market conditions, buoyant performance of the foreign trade sector and comfortable foreign exchange reserves.

Ceramic Tile Industry - The Year That Was

An overview of the Indian Ceramic Tile Industry shows that during the financial year

2002-2003, the growth of the industry remained at around 8% against the CAGR of 15 % during the previous 5-6 years. Due to easy access to finance at lower cost and income tax benefits for housing, the industry is expected to grow at around 12% in the current financial year.

Kajaria - Performance, Achievements, Success

During the year, the company registered a turnover of Rs. 2390 Million as compared to Rs. 2278 Million in the previous year. This indicates a growth of 5%, which was made possible by operating at more than 100% capacity during the year. Despite a cut in Natural Gas supply at Sikandrabad plant and a substantial increase in fuel price, the net profit registered an upsurge from Rs. 26 Million to Rs. 99 Million, a significant increase of 280%. This substantial rise in profit has been mainly due to the enhanced demand in domestic markets, effective cost control measures, better cash management and reduction in the interest cost.

It is a matter of pride for all of us that Kajaria Ceramics is among the 500 most valuable Indian companies which are eligible for exemption from long-term capital gains tax on purchase of shares from 1st March, 2003.

Continuing its tradition of innovative product development, the company has pioneered and introduced the latest international quality products in India. During the year the company has launched square, deep colour wall tiles in smaller size. This has set a new

trend and has inspired interior designers/architects to recast their designs to provide a better combination series to discerning customers. The company has also launched a series of new products like Ranger, Smoke, Alfa, Europa and Cedar, which have been widely accepted by the customers in the market.

The company continues to provide up-to-date product information to the consumers by organising exhibitions and product displays at exclusive showrooms of Kajaria Plus Ltd., Tile Shoppe, Tile Galleria and Tile Studio across the country. The company has also opened a new, international style showroom dedicated to imaginative display, 'Kajaria World' at Gurgaon (Haryana) covering an area of over 14,000 Sq. Ft. This most innovative and state-of-the-art addition to the company's showrooms presents an aesthetic environment for display of a large range of imported tiles.

A Renewed Confidence in the Future

The macro-economic indicators during the year appear to be robust and I expect Indian economy to perform better as compared to the last year. Continued fiscal incentives and

availability of cheaper home finance will result in increased demand in the domestic market. During the financial year 2003-2004 the profitability of the company will further improve because of reduction in interest cost due to repayment and replacement of high cost loans with low cost loans and reduction in the input cost.

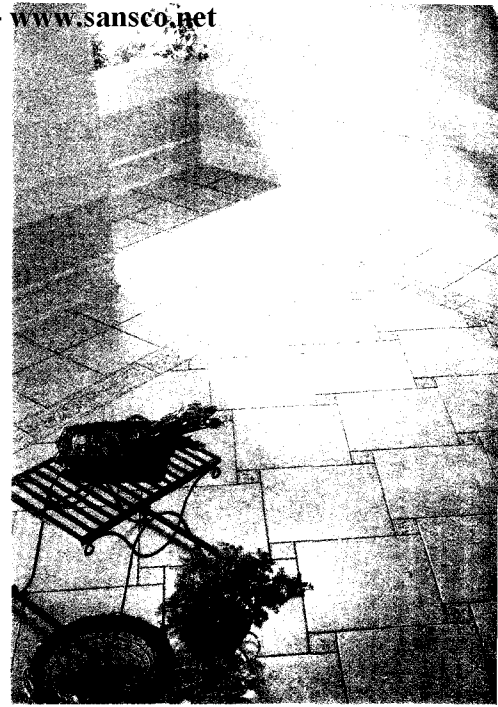
In view of the robust growth in the housing sector, I am pleased to inform you that the company is expanding its capacity of wall tiles at the Gaillpur plant by 2 Million Sq. Mtr. Per annum, at an estimated cost of Rs. 256 Million, which will also contribute in bringing down production costs and improving profitability.

The company will always remain transparent and committed to growth, dedicated to good corporate governance and will strive to generate consistently greater shareholder value. Industrial relations continued to be harmonious and cordial with workers at both units enabling the company to achieve better performance levels on all fronts.



Ashok Kajaria

RANGER The Ranger series offers an innovative stone effect in 4 different natural colours. The tiles are perfect for floor and wall and can be used for interior space as well as the exteriors.



At Kajaria, innovation and expansion are an intrinsic part of business. Keen product development and market research has kept us at the forefront of emerging trends and consumer choice. Each year Kajaria introduces new products, innovative designs and fresh, exciting concepts that suit the ever-changing needs of consumers. This year too Kajaria added several new series to its expanding range of tiles for homes and offices, interior as well as exterior.

Developed by our state-of-the-art R&D centre, the new series capture the current trends in design and style.

NEW STYLES, NEW ADDITIONS

SMOKE Smoke captures the colours of nature and brings them to your home. The range offers tiles in bright colours such as yellow, green, blue etc. The tiles have already found favour among interior designers and architects.



ALFA A never before seen innovation, Alfa tiles come with a special wavy texture that has not been printed but is in fact built into the tiles. Introduced for the first time in India, this innovation has been much appreciated by the consumers. The tiles lend a truly remarkable effect to walls.



EUROPA The Europa series of tiles comes with a new pattern and new design. Impeccably crafted, the tiles impart a distinct look to walls.



CEDAR The Cedar tiles come with a wood finish that gives them a truly premium feel. The wood finish innovation has been recently introduced by Kajaria and has already been much appreciated.



TAKING A LOOK AT KAJARIA SHOWROOMS

Kajaria has exclusive showrooms dotted across the country that cater to the needs of the consumers. These exclusive showrooms provide information and demonstration to architects and interior designers as well.

Designed for an international shopping experience, the showrooms are equipped with state-of-the-art designs and concepts. The showrooms provide elaborate product display and offer pre and post sales support to help customers decide on the right colour, size, design and quantity. Apart from these showrooms, kajaria tiles are also sold through a wide network of dealers spread across the entire country.

Kajaria showrooms are broadly divided into Kajaria Tile Galleria, Kajaria Tile Shoppe, Kajaria Tile Centre, dealer/sub dealer showrooms, Kajaria Plus and the latest Kajaria World.



Kajaria Tile Galleria and Tile Shoppe

These exclusive showrooms are dedicated to only displaying and selling Kajaria products. There are 13 Tile Shoppes and 17 Tile Galleries across the country with the latest one in Kathmandu, Nepal with an area of over 4,000 Sq. Ft. These showrooms display various bathroom concepts and provide the ultimate shopping experience for customers. The company's display engineers update the concepts from time to time.

Kajaria Tile Centre

The tile Centres across the country are display showrooms that showcase the most innovative and exciting products from Kajaria. The Tile Centres offer a unique experience. Customers are invited to browse through the products and concepts on display so that they can make an informed decision before purchase.

Dealer/Sub-dealer Showrooms

These showrooms showcase innovative products, panels and display various colour combinations for customers to choose from. The display division of the marketing department has done a remarkable job by upgrading 30 sub dealer showrooms in Punjab and 100 sub-dealer showrooms across the country.



ADDING STRENGTH TO KAJARIA PLUS

In a short span of 4 years Kajaria Plus has opened 15 company owned exclusive showrooms at various locations such as Jaipur, Noida, Varanasi, Kolkata, Nagpur, Hyderabad, Indore, Bangalore, Coimbatore, Goa with a combined display area of over 30,000 Sq. Ft. in prime locations.

A consumer can now choose bathroom and kitchen concepts, starting at Rs. 7500, according to his liking and place the order with us. Kajaria Plus takes care of the rest. This is the first time in India that such a concept is being offered by Kajaria.

All Kajaria Plus showrooms have a team of masons who go to the customer's house/office for laying of tiles. Also, there are trained marketing personnel ready to solve customer related problems such as design selection etc.



In addition Kajaria Plus showrooms also provide doorstep delivery of tiles to the customers.

Over the past year, Kajaria Plus continued to improve its communication process with architects, builders, masons, interior decorators and designers in order to update their product information and provide them convenient access to the diverse range.

Today, Kajaria Plus is leading a revolution. Through quality service and product innovation it is reaching out to the consumers and making its presence felt in the market.

KAJARIA PLUS

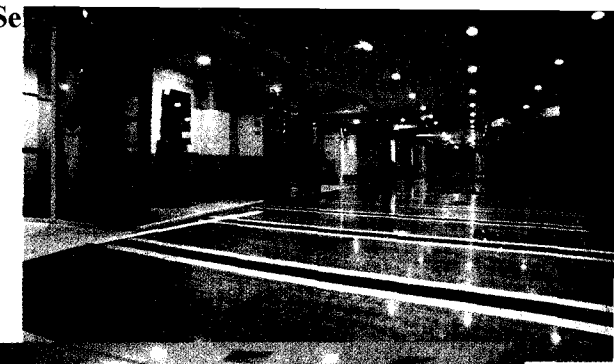




INTRODUCING A WHOLE NEW WORLD OF KAJARIA

As its most bold step, Kajaria introduced Kajaria World, the biggest and most elegant imported tile showroom in the country. Opened in Gurgaon over an area of 14,000 Sq. Ft., Kajaria World is the last word in premium and high quality concepts for home design.

The entire area at Kajaria World is divided into a vitrified tile section, a ceramic floor tile section, bathroom concepts and mock up flats where consumers can browse through and view thousands of options and their applications.



The company's in-house team of designers has done a remarkable job of creating an elegant and exclusive ambience.

On display consumers will find, modern bathroom concepts with over 100 alluring creative patterns and ideas. Mock-up flats where they can walk through and find out how Kajaria tiles and ideas suit kitchens, living rooms, dining halls, study rooms and bedrooms. Imported porcelain tiles in various shades and marble finishes selected from leading tile manufacturers of the world, ranging from 60x60 cm to large format 1x1 Mtr. tiles.

Kajaria World also offers customers advise from trained experts in the fields of architecture and interior design to help them make the right choice for their dream home.

