

Optimism



Opportunity



Outperformance

Kajaria Ceramics Limited
Annual Report 2005-06

Kajaria
Create Grow Innovate...

Forward-looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



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Mr. Chetan Kajaria, Mr. Ashok Kajaria, Mr. Rishi Kajaria-promoters of Kajaria Ceramic Limited, the driving force behind the Company's robust growth and superior performance.



By the middle of 2006-07,
Kajaria Ceramics expects to emerge as
the largest
manufacturer of ceramic
wall and floor tiles
in one of the fastest growing tile
consuming countries in the world.





What makes Kajaria Ceramics
the only Company in its industry to be conferred
the **1** status?

Products

Kajaria Ceramics is a tile manufacturing and marketing company. It services consumer needs across small, medium and large format ceramic and vitrified categories in India and abroad.

Pride

Kajaria Ceramics is the only brand of ceramic tiles in India to be conferred the 'Superbrand' status.

Plants

The Company's plants possessed a cumulative manufacturing capacity of 18 mn sq metres per annum across two plants - Sikandrabad, Uttar Pradesh (capacity 9.70 mn sq metres) and Gailpur, Rajasthan (capacity 8.30 mn sq metres) - as on March 31, 2006. This is being increased to 26.4 mn sq metres by September 2006. The Company was the first to receive the ISO 9001 (for quality management); it has also received the EMS 14001 (for environment management) and OHSAS 18001 (for safety and health management) certifications across its plants.

❖ Presence

The Company enjoys the largest share in North India, one of the fastest growing regions in India today. Its distribution network comprises a complement of about 600 dealers, exclusive Kajaria Plus showrooms and a Kajaria World showroom. The Company is India's largest ceramic tile exporter, shipping products to more than 20 countries through a specialist export division as well as a network of international agents and distributors.

❖ Parentage

Kajaria Ceramics (commenced operations in 1988) was promoted by Mr. Ashok Kajaria and Kajaria Exports Limited (Group Company) in technical collaboration with Todagres, S.A., Spain.

❖ Potential

Kajaria Ceramics' market capitalisation was Rs. 3245.10 mn (as on March 31, 2006 on the Mumbai Stock Exchange).



At Kajaria Ceramics, we are pleased to report the fifth successive year of an increase in our topline, cash flow, bottomline and earnings per share.



17.11% growth in turnover from Rs. 3003.96 mn in 2004-05 to Rs. 3517.92 mn in 2005-06.

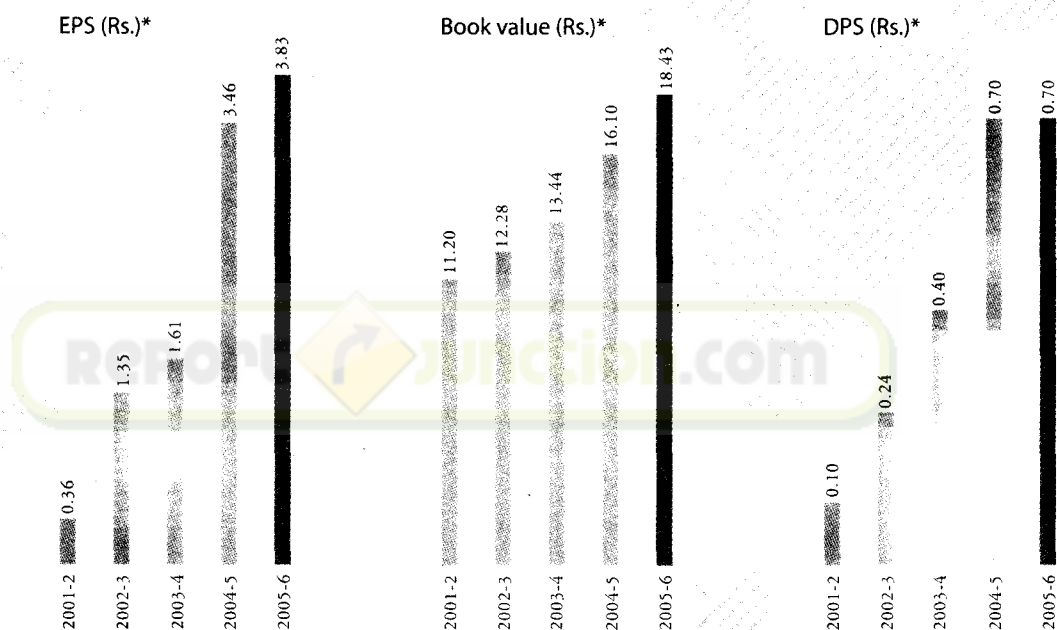
10.12% increase in EBITDA from Rs. 622.47 mn in 2004-05 to Rs. 685.44 mn in 2005-06.

14.68% increase in cash profit from Rs. 403.64 mn in 2004-05 to Rs. 462.91 mn in 2005-06.

10.53% increase in net profit from Rs. 254.88 mn in 2004-05 to Rs. 281.71 mn in 2005-06.

Though the Company achieved a capacity utilisation of 87.27% in 2005-06 due to a delay in the stabilisation of the Sikandrabad expansion of 4.2 mn sq mtr, the Company touched an aggregate capacity utilisation of 103 per cent in the month of March 2006.

Even as India is outperforming global growth,
Kajaria Ceramics is outperforming Indian growth.



*Face value of Rs. 2 per share

Increased the introduction of new products and designs from 350 in 2004-05 to 400 in 2005-06.

Introduced 75 new designer lines across the floor and wall tile categories.

Enjoyed a higher market capitalisation by 44.59% from Rs.2244.34 mn (March 31, 2005) to Rs. 3245.10 mn (March 31, 2006).



Opportunity is....
China's per capita ceramic tile consumption of 1.42 square metres is nearly six times the corresponding number in India.

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■ What happened yesterday in China is tomorrow's destiny in India.

■ China and India share almost similar demographics - the former has a population of approximately 1.3 bn (1,306,314,000), the latter 1 bn (1,094,979,275) as on January 2006.

■ Both countries have stepped out of decades of a closed economy and slow growth to drive the global economy today.

■ Interestingly, China and India are reflecting different consumption patterns; India lags behind China

across numerous products, ceramic tiles being one of them.

■ Interestingly, this trend is beginning to correct itself; the trend over the last few years indicates a sharp increase in the average consumption of a number of products in India.

■ There's still a lot of room waiting to be covered; India is producing less than half of Brazil's output with superior demographics and around one-eighth of China's with comparable demographics.