

Kajaria Ceramics Limited

ANNUAL REPORT 1996 - 97

MD	/		BKC	NA
CS	/		DPY	NA
R	/		DIV	/
TRA	/		AC	/
AGM	NA		SH	/
YE	/			

Kajaria

FUTURE BEGINS WITH VISION

FINANCIAL HIGHLIGHTS

	1993-94	1994-95	1995-96	Rs lacs 1996-97
Turnover	4873	7309	11848	13021
Gross Profit	1551	2369	3580	3688
Profit after tax	860	1295	2102	2019
Cash Accruals	1092	1687	2577	2559
Share Capital	879	1429	1471	1471
Net Worth	2608	5546	7396	9025
Debts	3236	3032	5714	7330
Book Value of Share (Rs.)	30	38	49	59
Gross Profit (%)	31.8	32.4	30.2	28.3
Net Profit (%)	17.6	17.7	17.7	15.5
Earning Per Share (diluted)	6.02	9.07	14.29	13.72
Current Ratio	1.97	1.72	2.31	2.05
Debts/Equity (%)	124	55	77	81
Return on net worth (%)	33	23	28	22
Dividend (%)	20	20	22	23



Today when we are one more year closer to 2000 A.D. it signifies a momentous period for us. The challenges we have faced have strengthened our resolve and commitment towards corporate and product excellence. Our strength and prowess have clearly been instrumental in keeping us buoyant in a rather turbulent year, as has been the goodwill and appreciation which the market has favoured us with. Our mission now is to enhance the high leadership standards established by us. With the unequivocal aim of forging ahead in the country, and the world, our obsession with unparalleled quality will be our strategy and our strength. This is our chosen path, tiled with perfection.

A.K.Kalaria
Chairman & Managing Director

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BEGINNING OF A NEW ERA

FROM STRENGTH TO STRENGTH

In the business and industrial world, there is always a higher peak that comes into view from the top, another step to climb from the topmost rung of the ladder. So it was with Kajaria.

The Company which had recorded an year of significance for the year ended March 1996, in all its areas of operations, even as it changed the face of the tile industry, went a step further during the year ended March 1997.

Despite the fact that there was no addition in capacity during this year, it continued to consolidate its strengths and grew by achieving greater operational efficiencies. Higher capacity utilisation was a major success for the Company, enabling it to surpass its previous performance and improve upon its results.

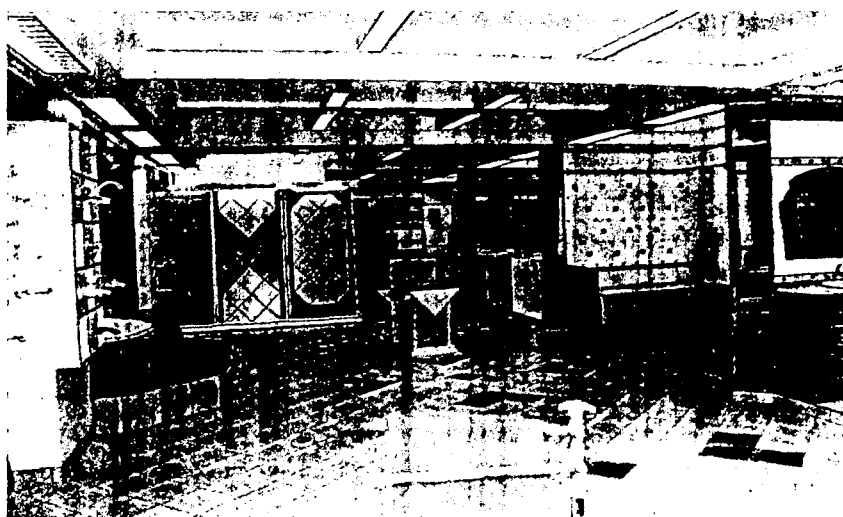
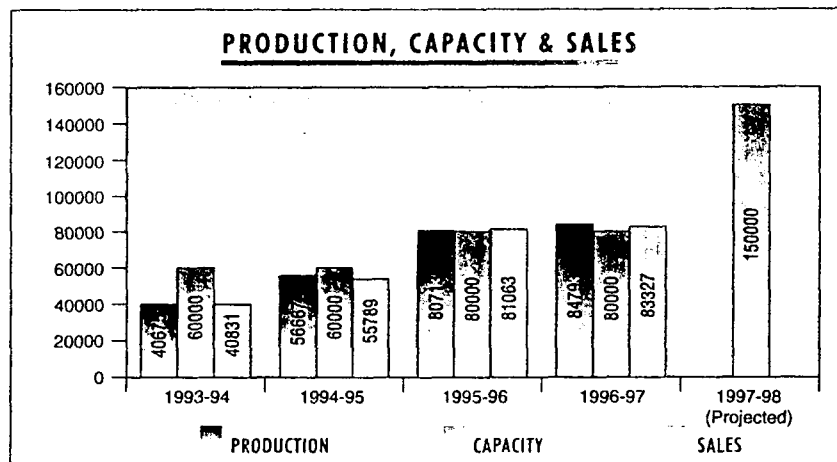
The Company recorded an increase of 10% in turnover, from Rs 118.5 crores to Rs 130.2 crores.

FOR A CLOSER CUSTOMER TIES

This achievement was mainly due to the **strength of innovative marketing**. The total commitment to outstanding quality standards

that had been introduced in the past became a hallmark of the Company, resulting in widespread customer appreciation. The marketing and distribution network was further strengthened in order to reduce external delays and achieve rapid product deliveries. Our Customer Support Division provides after sales service which

helps in advising various combination of Floor & Wall tiles and proper laying techniques. A major advantage of the Company over its competitors was its success in building a strong presence in the retail market segment. This was evident from the composition of its customers.



*A panoramic view of the
Kajaria Tile shoppe, New Delhi*

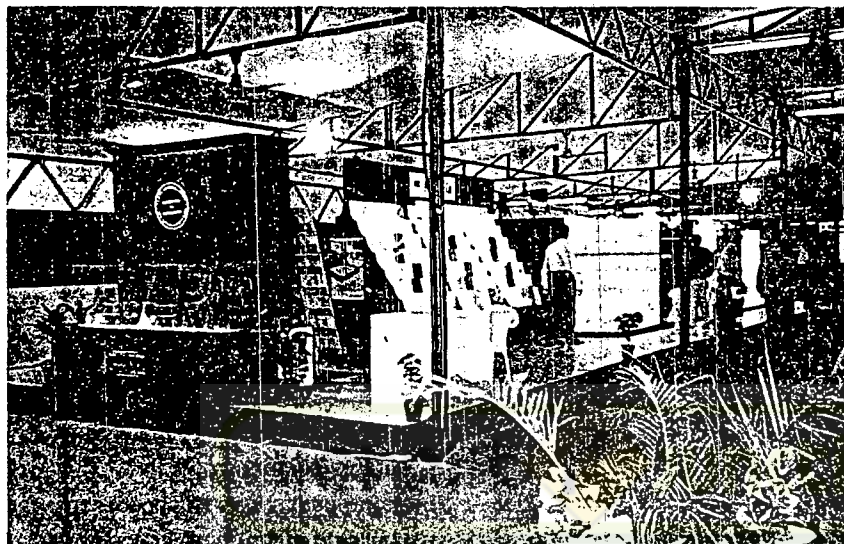
Over 80% of the Company's sale came from the retail market against the industry average of 60%. This not only ensured higher margins and better realisation but also crystallised the vision of a brighter future. With the emphasis, being on customer oriented service, the Company enhanced its reputation as being "closer to the customer".

BRAND BUILDING

The Company also initiated a series of innovative activities



• Mr. A.K. Kalaria seen with
• Lt. Governor, Delhi at our
• Exhibition Stall in New Delhi



Bangalore Exhibition
attracted a large clientele
- a thrust in the growing market

calculated to strengthen its Brand image as a market leader.

- **Kalaria Tile Shoppes** were opened in Delhi, Chennai and Ghaziabad to enable customers to view the full range of wall and floor tiles. It displays the entire system of Floor & Walls with various combinations to satisfy the customers with diverse needs and requirements.
- **Participation in Local and National Exhibitions** was also continued with vigour. Valuable

feedback was thus directly received from a large cross section of customers who visited the Kalaria pavilion at the exhibitions in Delhi, Mumbai and Bangalore.

- **Seeing is believing.** The Company has also set up an attractive Tile Centre at their Corporate Office for the benefit of Builders, Architects and Designers to update and familiarise themselves with benchmark products launched by the Company throughout the year. Here the customers had

the privilege of experimenting with various designs and colours from among the vast range of wall and floor tiles. It also enables the Company to gauge customer expectations vis-a-vis designs for specific applications in the future.

- **Architects Meet.** The Company organised an informal Architects' Meet at the Tile Centre at Corporate Office. While there was an extremely encouraging response to the meet, the Company was able to directly get wide appreciation

from this very potential segment of influential architects for its products. This will go a long way in influencing purchase decisions. The end benefit was the first hand information obtained by the Company for future product introductions.

QUALITY FOCUS ON REPLACEMENT MARKET

Rather than remain a 'single sale' product, Kajaria Ceramics has been devotedly and untiringly pursuing a strategy derived from marketing techniques for non durable brands. This has led it to focus on a growing segment of customers to induce repeat purchase. The vast potential that exists among upcoming middle class, hotels, clubs, restaurants, gymnasiums auditoriums etc. in respect of replacement sales has led the company to vigorously pursue this segment for repeat sales during establishment renovations. With its focus on customer satisfaction, the Company has been able to secure tremendous market goodwill and approval in order to make replacement sales a profitable reality.

INNOVATIVE PRODUCT LAUNCHES

- The Company has during the year introduced unique designs of Group-5 tiles.
- The Company has for the first time introduced branded Lustre Wall tiles in India.

All the new designs and products got a tremendous response from the market as it provides value for money and cater to every application.

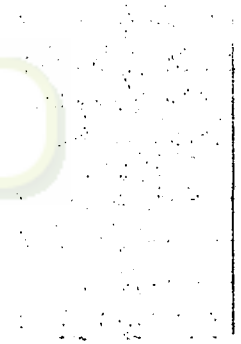
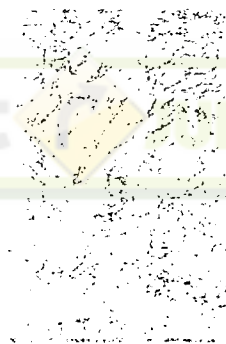
SETTING LEADERSHIP STANDARDS

With customer appreciation and approval for the Kajaria brand surging ahead, a unique system of

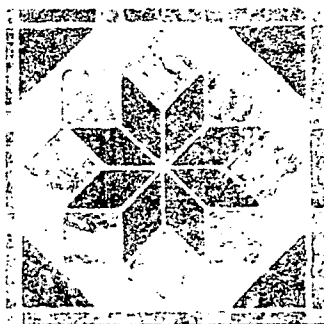
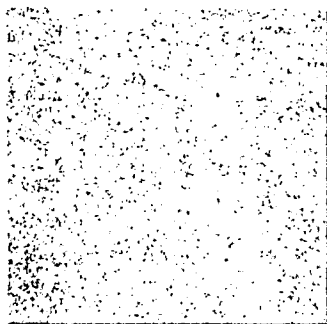
performance linked incentives and rewards were introduced for dealers with the objective being to inspire them to excel. For the first time in the history of the industry, 100 dealers were rewarded with a trip to the Far East for having surpassed the targets laid down.

As a consequence of its multifarious marketing activities, the Company increased the awareness and popularity of its products throughout the country. While the visibility of the brand was improved, new dealers were also appointed in South and East India to further extend the Company's reach in the country.

Designer Tiles - addition to aesthetics



Lustre Tiles



Group - 5 Tiles



- Quality gets recognition by the management - Our M D delivers a memento to one of the employees

SYNERGISING A QUALITY CULTURE

Alert and ever responsive to corporate business and commercial trends, the Company has focused on quality as the single most vital element for achieving success on all fronts. Kajaria Ceramics is the first tile Company to have received the **ISO 9002 Certification** which is symbolic to maintaining the highest standards of quality, in keeping with stringent international specifications. For the Company, this has been interpreted not as quality of products or services, but as quality of mind which encompasses all actions and activities directed towards achieving total customer satisfaction. The company has accordingly developed a number of systems and technology that enable it to apply the quality element without any distraction or deviation. By adopting a quality approach, the Company has

*R & D at work -
enhancing product value
and versatility*

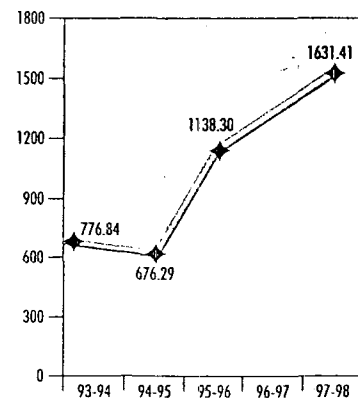
successfully engineered a unique quality culture in the minds of all its personnel. This has precisely enabled it to respond to the challenges of a dynamic market and emerge as a leader in the industry, not just in products and services but also in customer response and relationship.

CONTINUING EXCELLENCE IN EXPORTS

The Export performance of 1995-96 once again yielded the **CAPEXIL Award** for outstanding achievements in exports. This has become a regular feature for the company depicting the brand



EXPORTS (Rs. lacs)



leadership not only in the domestic market but in the international market also.

Its exports has increased from Rs 11.38 crores to Rs 16.31 crores during 96-97 showing an impressive growth of 43%. The higher sales was due to Company's efforts and initiatives in tapping new markets abroad, apart from making further inroads into existing ones. However, there is a long way to go in the global export market of US\$ 8 Billion.

R & D - A DECISIVE COMPETITIVE EDGE

While the R & D process for better products continues to be an



ongoing activity, the focus on customer oriented R & D has led to a number of actions being initiated to improve not just product attributes but also marketing operations, distribution systems, and new product developments. The Company's close collaboration in technology with one of the best world Tile manufacturers, Todagres of Spain has established an enviable reputation for the Company.

HRD - BUILDING A UNITED TEAM

The unique system of human resource management ensures a



Company canteen for all employees

highly motivated and responsible team. The key aspect has been to develop HRD policies that provide an environment of total employee satisfaction. Career growth and advancement plans for employees are given due importance and weightage. With the opportunity to realise their own aspirations, employees focus on achieving corporate goals and targets in a cooperative, unified and dedicated effort. The welfare of the employees and their families gets the utmost attention.

BRIGHT FUTURE AHEAD FOR THE INDUSTRY

The Ceramic Tile Industry was dominated by just two players, using the conventional Double Firing technology till 1985. The subsequent delicensing of the industry and removal of restriction on capital imports had a synergistic impact. It led to the emergence of dynamic new players with Single Firing Technology. Since then the industry has reached a capacity level of 9,00,000MT approx by 1997. In the past the growth in industry was restricted due to the high excise duty as high as 55% till 1993. It was only in 1994 that the Government became conscious of the need for hygiene and the utility of the product for the common masses. This realisation led to the slashing of duties from 55% to 25% between 1994 and 1997.

The industry has witnessed a compound growth of 30% between 1994 to 1996. In 1996-97, the growth was restricted due to a market slow down in construction activity, and high interest rates. A 19% growth was recorded in the organised sector, taking industry turnover to Rs 900 crores. It is still

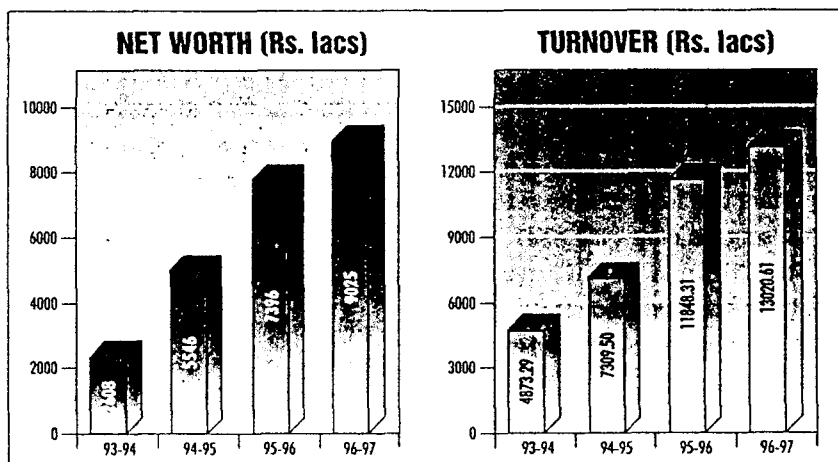
less than 1.25% of the total global turnover of US\$ 25 Billion.

Going by the estimates of 1997, there is a housing shortage of around 33 Million units, out of which the rural sector alone estimates for 23.5 Million units and the urban segment 9.5 Million units reflecting large potential for the Ceramic industry.

The proposed amendment to the Urban Land (Ceiling & Regulation Act), 1956 would defreeze large areas of unutilised urban land bringing more areas for the development of housing. This augurs well for the future growth of industry.

According to the latest CII estimates for quarter ended June 1997, the construction sector has shown a growth of 13%. The interest rates have substantially come down as compared to last year and the liquidity position too has shown improvement. These factors are a clear indication that there is going to be substantial increase in demand for the Ceramic Tiles in the coming months.

We expect the industry growth @ 25% p.a. in the next 2-3 years.

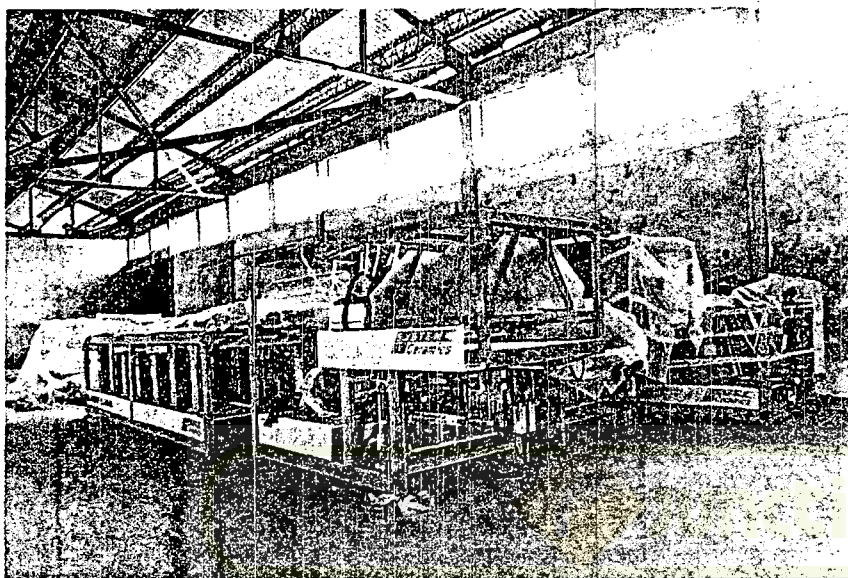




Imported machinery awaiting installation for ongoing expansion at Gailpur, Rajasthan



Foundation for erection of Silos ready



Imported machinery for installation at the new Plant

EXPANSION - RESPONDING TO MARKET NEEDS

The Company's programme of capacity expansion from 80,000 MT to 1,50,000 MT is also proceeding satisfactorily. The site at Bhiwadi is strategically important due to its close proximity to the sources of raw material and markets. The new plant will also be using the sophisticated single firing technology. In addition, the new plant will enjoy exemption from sales tax as it is located in a backward area.

The civil construction too is in an advanced stage and imported plant and machinery has already arrived at site.

Scheduled to commence production in December 1997, the new plant will further enhance the Company's image in the market, due to the use of the most updated technology, machinery, systems and processes. The company turnover too is expected to double with targets being set beyond Rs 250 crore, once the expansion comes on stream.

VISION FOR THE COMPANY

Today, the Company has clearly demonstrated its strength and prowess in a challenging environment. Geared to maintain the high standards established by its qualitative customer oriented approach, the company is poised to convert its vision of being the best tiles manufacturing and marketing Company and a leader in its own right, to hard reality. Its credentials for quality and excellence in a competitive market with a demanding customer base have been established time and again. The proof of this is the growing band of loyal and committed customers. With its enhanced manufacturing capacity nearing completion, the advantages of adopting multifarious marketing strategies, Kajaria Ceramics is geared and focussed to take a convincing and decisive lead in the Ceramic Tile industry in the future.