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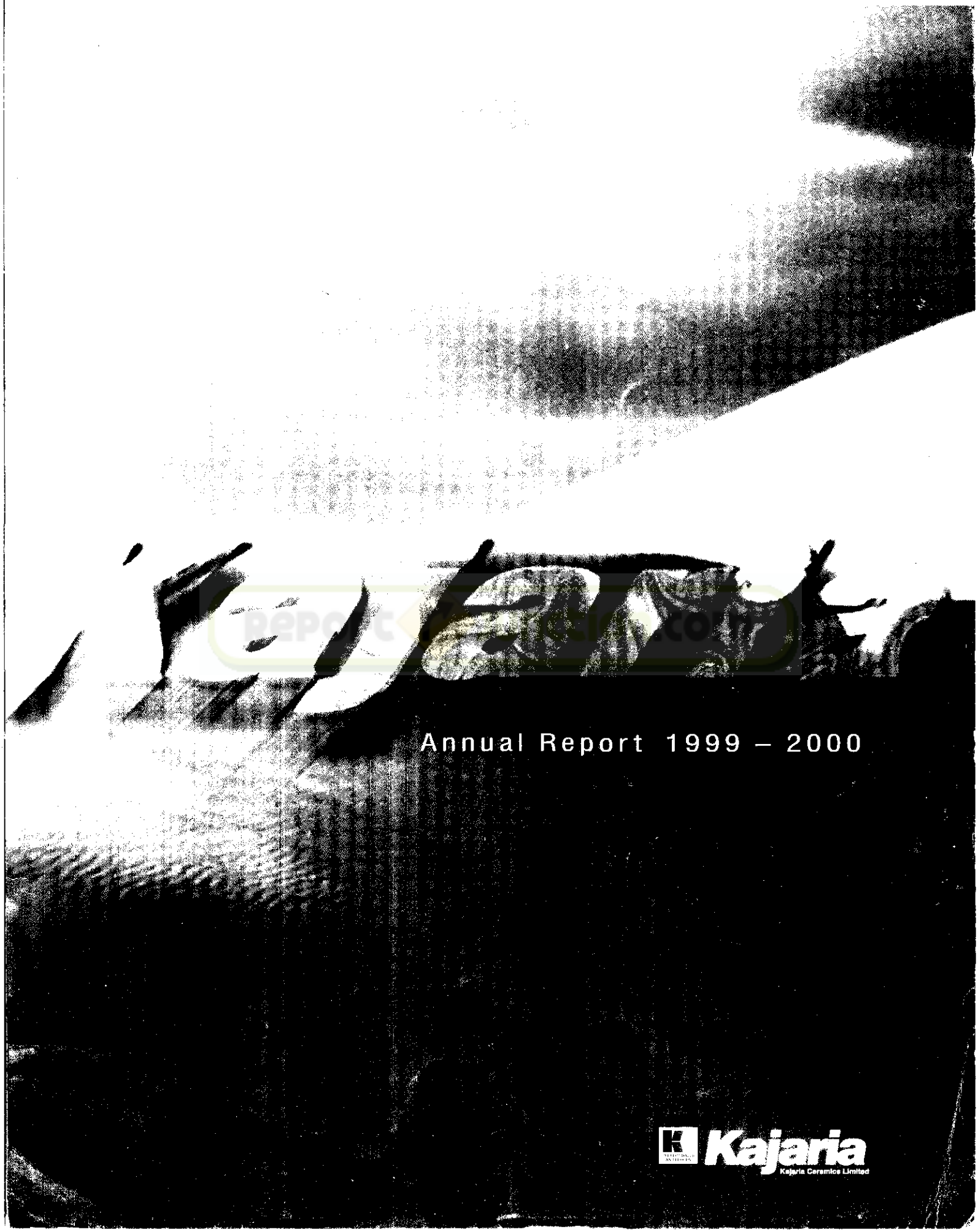

Annual Report 1999 – 2000

Kajaria

Kajaria Ceramics Limited

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CONTENTS

Message from Chairman	
Vision	
Growth and Leadership	
Ceramic Tile Industry - an overview	
Quality and Innovation	
Managing the Future	
Directors' Report	13
Auditors' Report	16
Balance Sheet	18
Profit & Loss Account	19
Schedules to Accounts	20
Balance Sheet Abstract	30
Cash Flow Statement	31
Branch Offices cum Showrooms	32

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A message

A. K. Kajaria
Chairman and Managing Director

The arrival of Year 2000 was momentous for Kajaria Ceramics. While the world entered the third millennium heralding a new era; it marked a significant new beginning for Kajaria Ceramics in many ways.

Our performance and turnover has shown remarkable growth, ending a period of lacklustre operation in spite of our success in building a strong customer base and a national presence. Since 1996, the industry has been seeing developments that affected profitability to an extent. Besides the entry of new players, the large capacity addition by existing companies had doubled the production capacity from 5.42 lakh tonnes to 12 lakh tonnes in a period of five years, from 1995 to 2000. In addition, the profitability from exports was also affected by the South East Asian currency crisis.

Our sales turnover during the financial year under review stood at Rs 245.08 crores, which reflects a healthy growth of 24% over the last year's turnover of Rs 198.24 crores. Similarly, we have recorded substantial increase in profit after tax, from Rs 6.74 crores to Rs 11.06 crores, an impressive growth of 64%. We have operated at 105% of our installed capacity and produced 1,67,416 MT, while our total sales stood at 1,69,355 MT.

As we are discussing growth, let me also bring to your attention that we have kept a steady growth in exports, too. Export turnover has increased from Rs 42 crores in 1998-99 to Rs 53 crores in 1999-2000.

Quality – the very foundation of success

Our plants are most modern and are using the energy efficient single firing Technology for both Wall & Floor Tiles. We have successfully carried out modernisation of the old plant just before the start of new millennium. The average age of the plant is 5 years.

Signs of change

It looks like good days are here again. While our financial results indicate this, a view of the future signifies the positive scenario emerging in the industry. I am glad to bring to your notice that better growth in housing construction is anticipated due to the reduction in the rate of interest on housing finance. The government has introduced tax incentives on housing finance loan repayment & interest thereon for individuals, exemption of capital gains tax for buying second house, and corporate

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depreciation for buying/building houses for its employees. These measures will indeed give a boost to the industry and I anticipate, it will result in a growth above 25%.

We are attuned to exploiting the new trends in the industry to the maximum. There has been a sea change in the marketing of tiles and customer preferences. Tiles are no more merchandise stored at the back of a shop. Now it's displayed proudly in exclusive showrooms and adorns showroom windows like other fast moving consumer goods. The imaginative designs we develop and the trust we enjoy in the minds of the customers would sway the benefits of new changes in the industry in our favour. Since the very beginning of our existence, our focus has been the customer and we will keep doing everything to strengthen this bond.

"As our excellent financial results indicate and a peek into the future signifies, a positive scenario is emerging in the industry."

Opening new doors

We reach out to our customers through a nationwide network of over 450 dealers. With 80% of our products being sold to retail customers, we enjoy the advantage of higher brand preference. Meeting the expectation of our customers by offering products of international standards, we have been able to leverage our brand image and equity. Our association with HDFC and our participation in exhibitions and fairs give us strategic possibilities for reaching out to different segments of customers. Besides, our exclusive one-stop shop for ceramic wares in several cities, ***Kajaria Plus,*** opens the door to a new experience in selling and buying our products.

Growing from strength to strength...

Coupled with commitment to the customer, quality and innovation in design, a focus on R&D and building an ever-wider network, and a zeal for creating brand image, Kajaria Ceramics has adapted the FMCG concept to its products with great success. Today, it is one of the most preferred brands across the nation. A sizeable percent of the products also find its way to the Middle East, South Africa and other destinations worldwide.

Moving into the future

We have begun the new millennium on a positive note. With our committed, customer-focussed efforts still carrying momentum, the quality edge and customer preference we enjoy, let us look forward to a greater future. With achievements as glazed and shining like some of our tiles!

A. K. Kajaria

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The Kajaria Vision

To remain in the forefront in the Ceramic Tile Industry.

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 reach into everyone's dream home.

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

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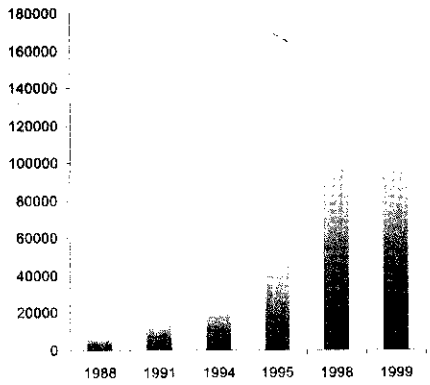
A tale of success in ceramic tiles

In the beginning...

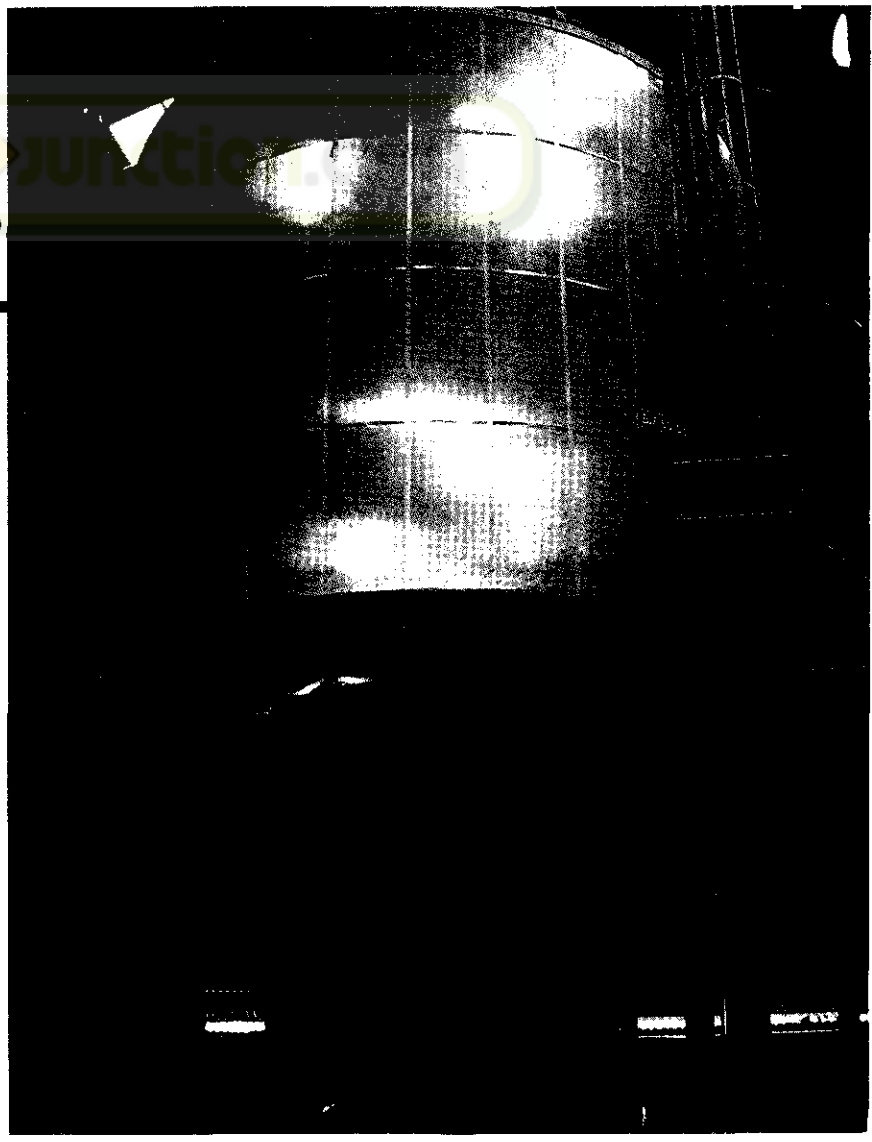
Kajaria Ceramics began as a small venture in Sikandrabad (U.P) in technical collaboration with Todagres SA, Spain in 1988 for the manufacture of Ceramic Tiles. Today, it also has another sophisticated plant at Galipur (Rajasthan). The increase in production capacity from a meagre 12,000 MT in 1988 to a mammoth 1,50,000 MT in 1998 reflects the long strides Kajaria Ceramics has taken in a short span. Besides that, the modernisation of its old Plant in 1999 to bring it at par with the latest technology has resulted in enhancement of capacity by 10,000 MT taking the aggregate capacity to 1,60,000 MT.

Growth in Production Capacity
(In M.T)



Kajaria Ceramics is the only one of its kind in India to use the superior single-firing technology for floor and wall tiles. With state-of-the-art technology from Todagres SA, Spain and plant and machinery from SACMI and OMIS DUE, Italy, Kajaria today enjoys tremendous confidence in marketing of wall and floor tiles of international standards.

Changing Times.
Changing Trends
Changing Tiles.



Spray Drier

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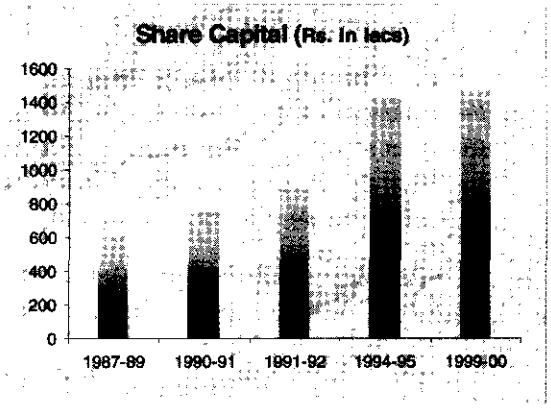
Leadership and team spirit at work

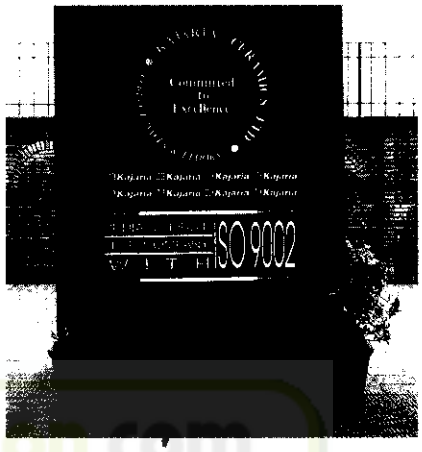
The growth of Kajaria from a small venture into a successful corporate has been a result of a great vision and concerted teamwork. Inspired by the dynamic leadership of Mr. Ashok Kajaria, a technocrat and visionary, and assisted by a well-knit team of Board of Directors, Executives and a dedicated workforce, Kajaria Ceramics is still on the move...to reach into the dream home of people everywhere.



The edge in R & D

Research and Development has always been a thrust area at Kajaria Ceramics. Development of tiles with new textures, designs and high abrasion resistant on a continuous basis keeps the company ahead of competition.

Today, major emphasis in R & D continues to be on process improvement, as any changes in the glaze used requires adjustment of the body, process controls, and temperature controls on the Kiln, to produce tiles of international quality. Expenditure is charged to the revenue.



Winning over hearts, and accolades

Through changing times and trends, Kajaria Ceramics has come through as a winner. The accolades have been remarkable: Six prestigious export awards, the distinction of being the largest exporter of ceramic tiles, and the first ceramic tile company with ISO 9002 for quality systems in India. The fastest growth attained has also given Kajaria the recognition as a top performing Global Growth Company from India by World Economic Forum in 1997.

But what's more gratifying than winning awards has been winning the heart and soul of millions of homemakers!

Mr. A.K. Kajaria, CMD, interacting with visitors at Dubai exhibition

First...many times over!

Kajaria Ceramics has always kept abreast of new developments in technology. This has reflected in achieving several Firsts in the industry.

- First to get ISO 9002 certification.
- First to introduce Monoporosa Technology in India.
- First to introduce big size wall tile i.e. 20 x 30 cm size in 1994.
- First to produce PEI IV Floor tiles.
- First to produce PEI V floor tiles.
- First to introduce floor listellos.
- First to introduce Bathroom, Kitchen & Living Room concepts.

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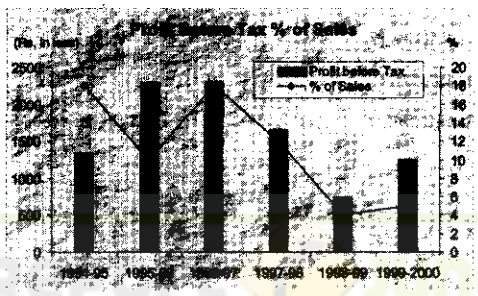
Ceramic tile industry - an overview

The global ceramic tile industry, estimated at US $ 30 billion, has been seeing an annual growth of 7 - 8%, and the worldwide export market is estimated at US $ 8 billion. Compared to this, the Indian ceramic industry is still in its infancy. The combined turnover of the industry in 1999-2000 has been around Rs.15 billion, just 1.25% of the global turnover. In fact, this has been achieved as a result of the excellent growth rate of the Indian ceramic tile industry - a compound annual growth of 20% over last five years.

India hardly figures in the international ceramic industry dominated by Italy, a share of 18%; Spain – 15% and Brazil 10%. Other countries including China, Turkey and Malaysia share 57% of the global market.

The emerging Indian scenario

The ceramic industry has been very profitable till 1996. High profit margins and high growth in demand attracted several new players to the industry. Combined with the large capacity addition made by the existing players, this resulted in doubling of the capacity from 5.42 lakh MT in 1994-95 to 12 lakh MT in 1999-2000. The increased supply-demand gap resulted in erosion of profitability during the last few years. In addition, the profitability on the overseas sales was affected due to South East Asian currency crisis.



Kajaria Ceramics Limited

The closure of several units/acquisitions have changed the picture now. The excess supply created in the industry in earlier years has been fully absorbed. No major new capacity addition was made during 1999-2000 and is also not expected in the coming 2 years as the gestation period for setting up new capacity is 24 – 36 months depending upon the size of the unit.

New Fiscal initiatives brings new hopes

A number of benefits were announced for the housing sector in the Finance Act, 1999, which included an increase in the deduction limit for interest on housing loans for self-occupied houses from Rs 30,000/- to Rs 75,000/- and an increase in the depreciation rate on certain categories of corporate owned housing from 20% to 40%. In addition, scheduled commercial banks were required to earmark 3% (as against 1.5% earlier) of their incremental deposits for housing sector.

Further, the Finance Act, 2000 has enhanced benefits for individual home buyers. These comprise of an increase in the deduction limit for interest on housing loans for self-occupied houses from Rs 75,000/- to Rs 1,00,000/-, an increase in qualifying amount for principal repayments on housing loans under Section 88 from Rs 10,000/- to Rs 20,000/- and exemption from capital gains in respect of proceeds invested in a second house. Such measures together with lower lending rates, stable property prices and increased income levels will lead to a substantial growth in the housing sector.

Naturally, this will boost retail sales of tiles across the country. We expect to maintain the current growth trend, with improved profitability.

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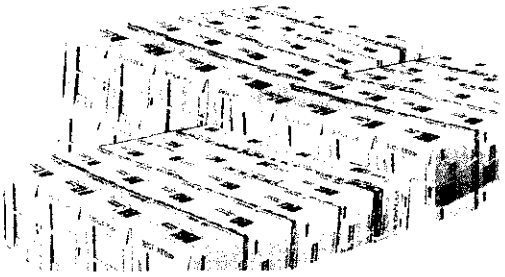

Till 1985, ceramic tiles were sold as a commodity. Tiles were sold in a generic category, and brand awareness or preference was non-existent.

Changes in the market scenario coincided with the opening of capital imports. When Spartek introduced floor tiles with single firing technology, the evolution of the ceramic tiles industry began.

By 1990, ceramic tiles had entered a new era. Brand identities emerged and Dealers started displaying tiles of different colours and designs. Brand awareness and preferences started making an impact. Customers preferred to view a display before making a purchase decision.

Moving up from a generic commodity to a preferred brand

Customer expectation and demand rose with aggressive brand promotion and increased awareness. The transformation of the market was complete. Ceramic tiles were now in the competitive, consumer driven FMCG segment.

Building brand image

Moving from a commodity to a brand also meant increased competition for creating brand image. To meet the new challenges, Kajaria started selling 'concepts' for bathroom, kitchen and living room by opening various Tile Shoppe and Tile Galleria all over the country.

The battle for market supremacy continues with new innovation, products and marketing strategies. Opening exclusive showrooms that provide 'total solutions', in arrangement with Kajaria Plus Ltd., is a new beginning in this direction. Kajaria Plus provides complete solutions for bathroom, living room and kitchen by offering all kinds of tiles, listellos, sanitaryware, granite tiles and various other products. Kajaria Plus showrooms are already open at Jaipur, Udaipur, Noida, Bareilly, Calcutta and Varanasi and more are being planned in different cities.

Changing style of Display

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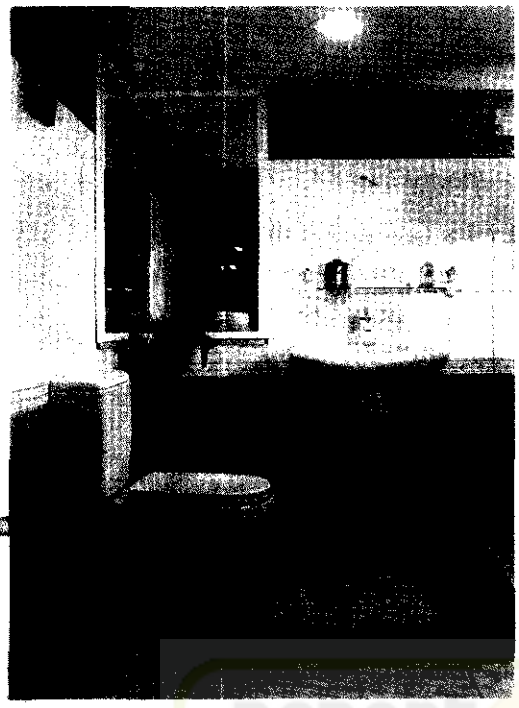
Creating a great cover story... across the world



Walls that speak the language of sophistication and grace. Floors that look fascinating. Interiors that spell magic. Living rooms, bathrooms, kitchens...wherever a tile fits in, there's Kajaria. Every inch a classic, every tile a masterpiece.

When it comes to tiles, the most discerning customers in India and in several countries across the world choose Kajaria.

Reaching out to the customer

To get closer to the customer and user, we have been participating in special events. Joining hands with HDFC, the premier housing finance company, Kajaria has been participating in Property Fairs. Two of these Fairs held at New Delhi and Lucknow have generated excellent response. Through Kajaria Plus, we are offering special discounts to individuals availing loans from HDFC.

Mr. Ashok Kajaria with Mr. Deepak.S.Parekh Chairman, HDFC at the Property Fair of Delhi

To educate the discerning customers and create the feeling of possessing the dream home, Kajaria has also been participating in various exhibitions organised by *Inside-Outside* on an all-India basis. Kajaria Ceramics has won the Best Display award at various *Inside-Outside* Mega Shows for home products in Pune, Hyderabad, Chennai, Ahmedabad, Chandigarh, Bangalore and Delhi.

The Best Display Award at Inside Outside Mega Show again goes to Kajaria...

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