

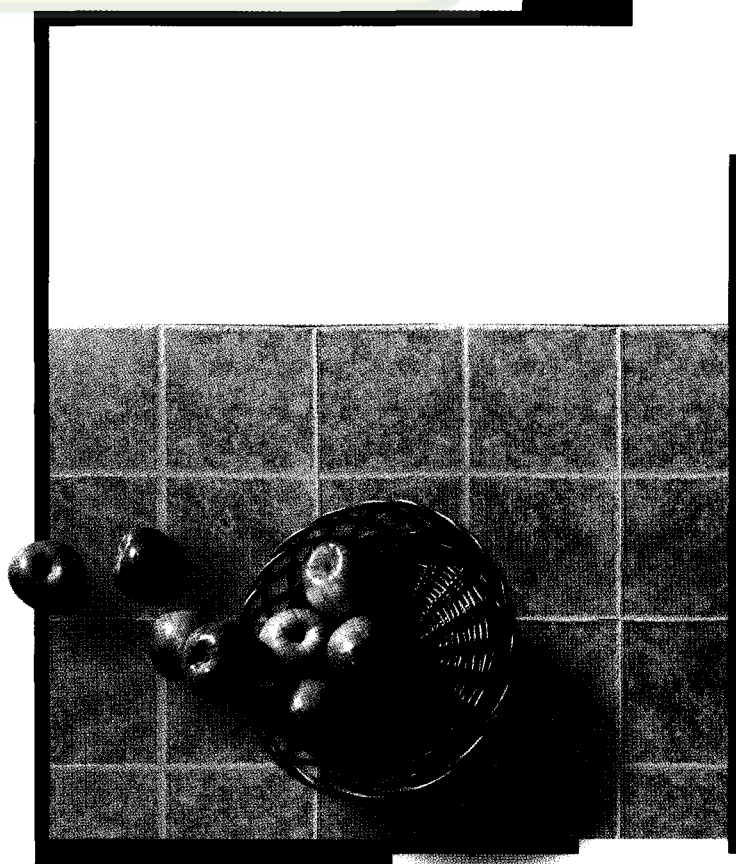
Kajaria
Complete Wall & Floor Solutions



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THE BUSINESS SUPERBRAND

Kajaria Ceramics Limited
Annual Report 2004-05



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 realised, 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 materialise, 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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KAJARIA
CERAMICS
LIMITED IS THE
LARGEST
EXPORTER AND
THE SECOND
LARGEST
MANUFACTURER
OF CERAMIC
TILES IN INDIA.

Parentage: Kajaria Ceramics (commenced operations in 1988) was promoted by Ashok Kajaria and Kajaria Exports Limited (a group company) supported by a technical collaboration with Todagres S.A., Spain.

Plants: Kajaria Ceramics has an annual 18 mn sq mtr capacity distributed across two plants – Sikandrabad at Uttar Pradesh (capacity 9.70 mn sq mtrs) and Gailpur at Rajasthan (capacity 8.30 mn sq mtrs). The Company has received the ISO 9001 (for quality management), ISO 14001 (for environment management) and OHSAS 18001 (for safety and health management) certifications across its plants.

Penetration: Kajaria Ceramics' distribution network comprises about 600 dealers, a complement of exclusive Kajaria Plus showrooms and a Kajaria World showroom.

Presence: Kajaria Ceramics' export to more than 20 countries is supported by a specialist export division as well as a network of international agents and distributors.

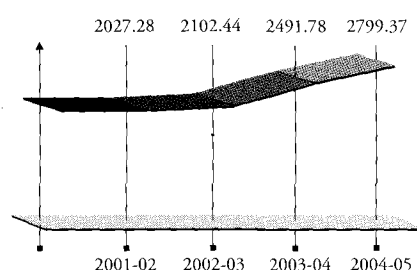
Prominence: Kajaria Ceramics' shares are listed on the National, Mumbai and Kolkata Stock Exchanges. The Company's market capitalisation was Rs. 2244.34 mn (as on March 31, 2005 on the Mumbai Stock Exchange).



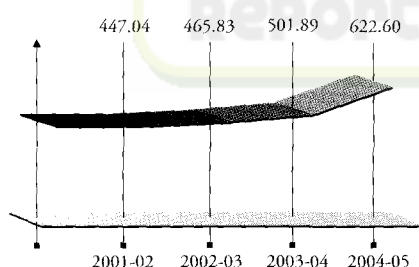
HIGHLIGHTS, 2004-05

KAJARIA DEVELOPED DIFFERENT DESIGNER

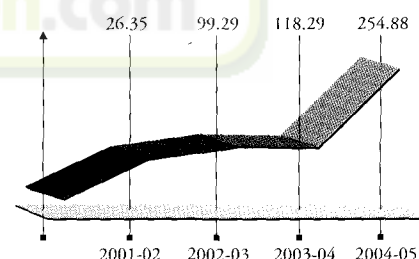
Net sales (Rs./mn)



EBIDTA (Rs./mn)



Profit after tax (Rs./mn)



OUR BUSINESS

We emerged as the only Company in India's ceramic tile industry to be awarded the title of a 'Business Superbrand'

Indicating the power of our 'consumer pull' in a 'product push' environment

OUR NUMBERS

We recorded a turnover of Rs. 3003.96 mn, 11.32 per cent higher than 2003-04

Indicating a sustainable growth in the acceptance of the Company's products

We reported an increase in our EBIDTA from Rs. 501.89 mn in 2003-04 to Rs. 622.60 mn in 2004-05

Indicating our ability to extend our value chain and improve efficiencies

We reported a cash profit of Rs. 403.64 mn, 61.36 per cent higher than 2003-04

Indicating our ability to make growth sustainable

We reported a net profit of Rs. 254.88 mn,

an increase of 115.47 per cent over 2003-04

Indicating our ability to enhance shareholder value

OUR OPERATIONS

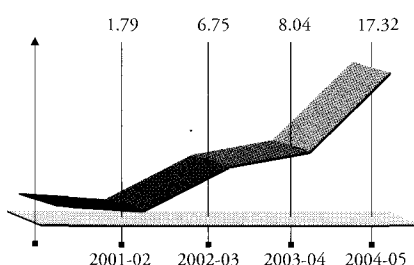
We produced at 102.28 per cent of our installed capacity

Indicating our ability to optimise our man-machine combination

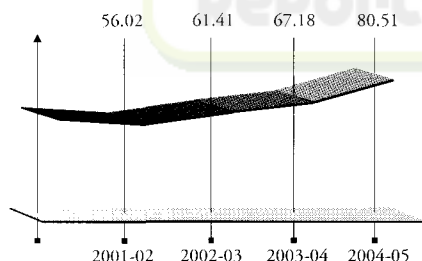
We enhanced productivity by 16.46 per

MORE THAN 350 CONCEPTS LAST YEAR.

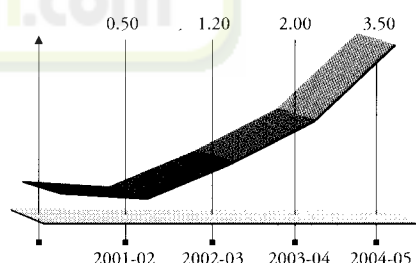
Earning per share (Rs.)



Book value (Rs.)



Dividend per share (Rs.)



cent to 16,665 square metres per person over the previous year

Indicating our ability to benchmark our productivity in line with the best standards

OUR PROJECT MANAGEMENT

We increased our manufacturing capacity from 13.8 mn square metres to 18 mn square metres

Indicating our ability to strengthen our competitive edge

OUR FISCAL MANAGEMENT

We reduced our debt-equity ratio from 1.48 in 2003-04 to 1.23 in 2004-05

Indicating our ability to leverage our financial prowess

OUR MARKETING

We increased the stake in our Kajaria Plus subsidiary from 50 per cent to 100 per cent

Indicating our commitment to concentrate on the core business of marketing tiles

We introduced about 100 new products during the year

Indicating our ability to meet customer aspirations faster than the rest of the industry

OUR VALUE

Our market capitalization increased to Rs. 2244.34 mn as on March 31, 2005 – a growth of 114.79 per cent

VOLUME

KAJARIA CERAMICS — A BUSINESS SUPERBRAND

The ceramic tile industry is volume-driven.

In this environment, we have progressively ramped up our capacity, resulting in a larger share of the market.

We have done so through a number of proactive initiatives:

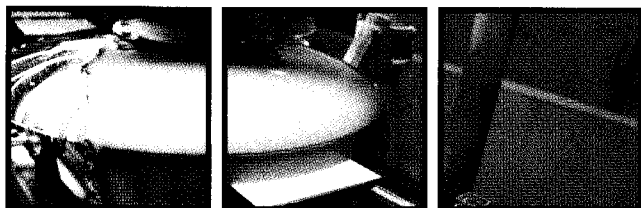
- ◆ Increased our capacity 18-fold over 17 years – from 1 mn sq mtrs in 1988 to 18 mn sq mtrs as on March 31, 2005

- ◆ In 2004-05, we increased our annual tile making capacity by 30.44 per cent or 4.2 mn sq mtrs at our Sikandrabad unit

In doing so, we have:

- ◆ Enabled the company to leverage its economies of scale and strengthen its competitive edge

- ◆ Positioned the company to capitalise immediately on emerging opportunities



AT KAJARIA CERAMICS, WHILE OUR GROSS BLOCK
INCREASED FROM RS. 2541.02 MN IN 1999-00 TO
RS. 3605.36 MN IN 2004-05, OUR EMPLOYED CAPITAL
DECLINED FROM RS. 3111.20 MN TO RS. 2636.74 MN,
INDICATING A SUPERIOR USE OF FUNDS



KAJARIA CERAMICS — A BUSINESS SUPERBRAND

EFFICIENCY

The competitive ceramic tiles industry necessitates a high capacity utilisation.

In this business, we have raised the bar continuously with the objective to strengthen our edge in a challenging market place.

We have done so through the following initiatives:

- ◆ Improved the process to reduce kiln cycle time
- ◆ Streamlined systems to reduce agitator operations
- ◆ Rationalised power consumption by improving operational processes

As a result,

- ◆ We have manufactured in excess of our installed capacity in every single year of our existence
- ◆ We strengthened our EBIDTA from Rs. 447.04 mn in 2001-02 to Rs. 622.60 mn in 2004-05



KAJARIA CERAMICS IS THE FIRST INDIAN
CERAMIC TILE MANUFACTURER TO HAVE
SUCCESSFULLY ADOPTED AND ABSORBED THE
SINGLE FIRING TECHNOLOGY FOR WALL TILES



KAJARIA CERAMICS — A BUSINESS SUPERBRAND

INNOVATION

In the ceramic tiles industry, the first in the market is usually the first in the mind.

In this business, we have addressed evolving consumer preferences with a widening product portfolio - faster than our competitors.

Over the years, we have strengthened our reputation of being able to provide tiles for every application through the following initiatives:

- ◆ Pioneering introduction in India of lustre tiles with a satin finish
- ◆ Pioneering introduction of 'Group 5' tiles in India for use in heavy footfall areas like malls, shopping centres and airports
- ◆ Pioneering introduction of the internationally popular, large format wall tiles for use in bathrooms; stone finish floor tiles to provide a rustic look; Rectificado tiles for seamless glamorous floors
- ◆ Pioneering introduction of premium tiles outsourced from international Spanish and Italian brands for discerning consumers, and showcasing them through our Kajaria World outlet

As a result,

- ◆ Kajaria Ceramics offers more than 400 different tile varieties, among the widest in India
- ◆ 'Kajaria' has been rated as one of the top economic brands by CMIE in one of its recent surveys
- ◆ 'Kajaria' is synonymous with innovation in the Indian ceramic tile industry
- ◆ Kajaria provides a complete solution of tiles – from ceramic tiles in different shapes, designs and sizes to imported vitrified and designer tiles

