

Let the numbers speak.

Communicating a year of shareholder
value accretion

Kajaria
Create. Grow. Innovate...

J-1/B-1 (Extn), Mohan Co-operative Industrial Estate
Mathura Road, New Delhi-110044
Phone: +91-11-26946409, Fax: +91-11-26946407
E-mail: info@kajariaceramics.com
Website: www.kajariaceramics.com

Kajaria Ceramics Limited | Annual report, 2009-10



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 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 'anticipates', 'estimates', '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 our assumptions. The achievement of results is subject to risks, uncertainties and estimates taken as 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.



constitute the only universal language.” - Nathanael West 

Contents

Corporate identity	12		Highlights 2009-10	14		Shareholders' return	16		Strategic review	
by the management	18		Management discussion and analysis	22		Business segment review				
	26		Financial analysis	30		Derisking at Kajaria	32		5-year highlights	34
	Value-added statement	35		Directors' report	36		Corporate Governance report	44		
	Financial section	55		Corporate information	75					

It could have been a usual annual report headlined with the usual words.

Grew. Strengthened. Enriched. Reinforced. Planned. Projected. Estimated. Revived. Added. Multiplied.

We thought it more fitting to communicate our 2009-10 performance differently.

Through
numbers
instead.

“Words could be misleading, so could appearances.
Numbers, on the other hand, are always honest” - Anonymous

The first number.



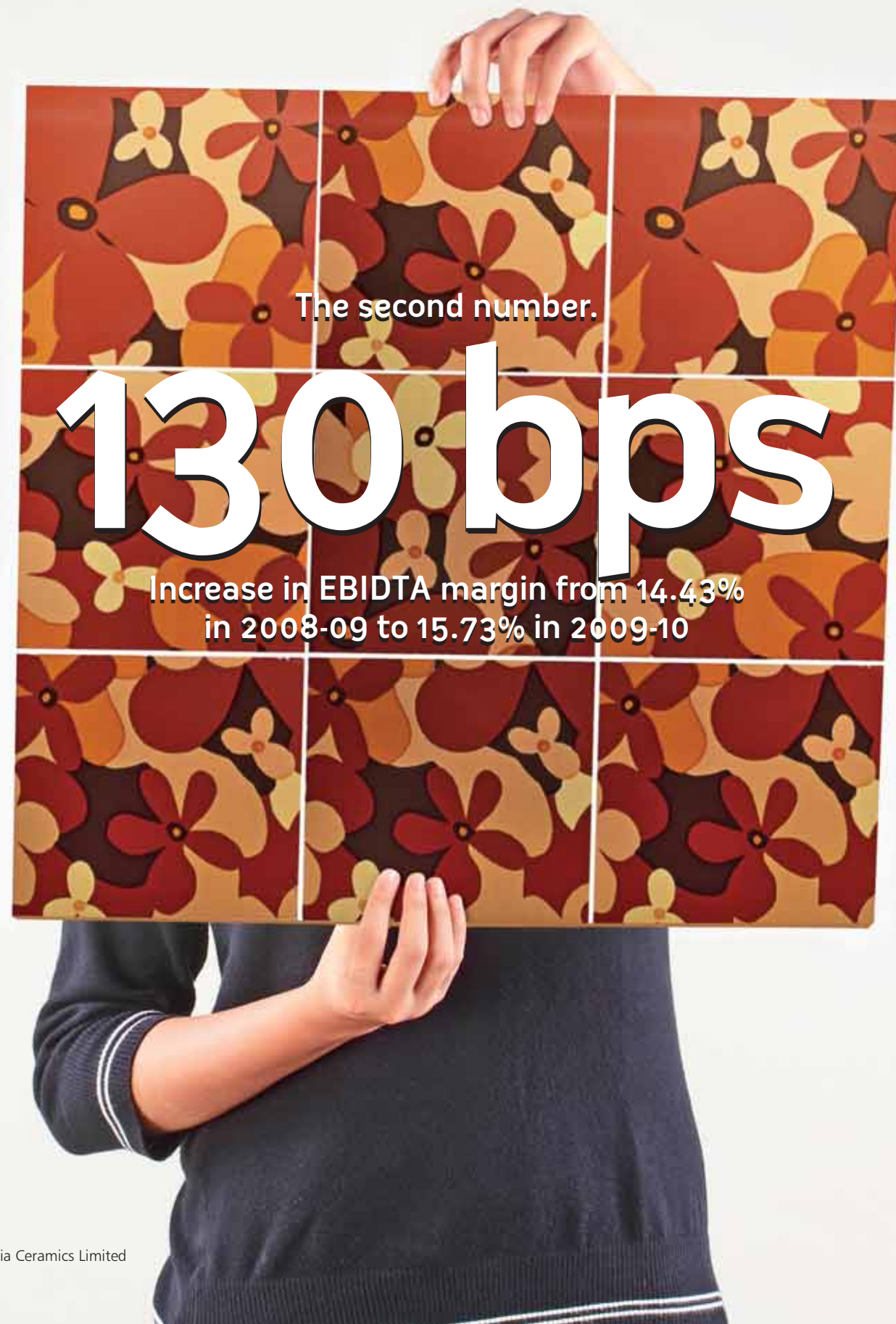
Growth in PBT, 2009-10.

From ₹ 12.75 crore in 2008-09 to ₹ 51.44 crore in 2009-10



One number. Numerous initiatives.

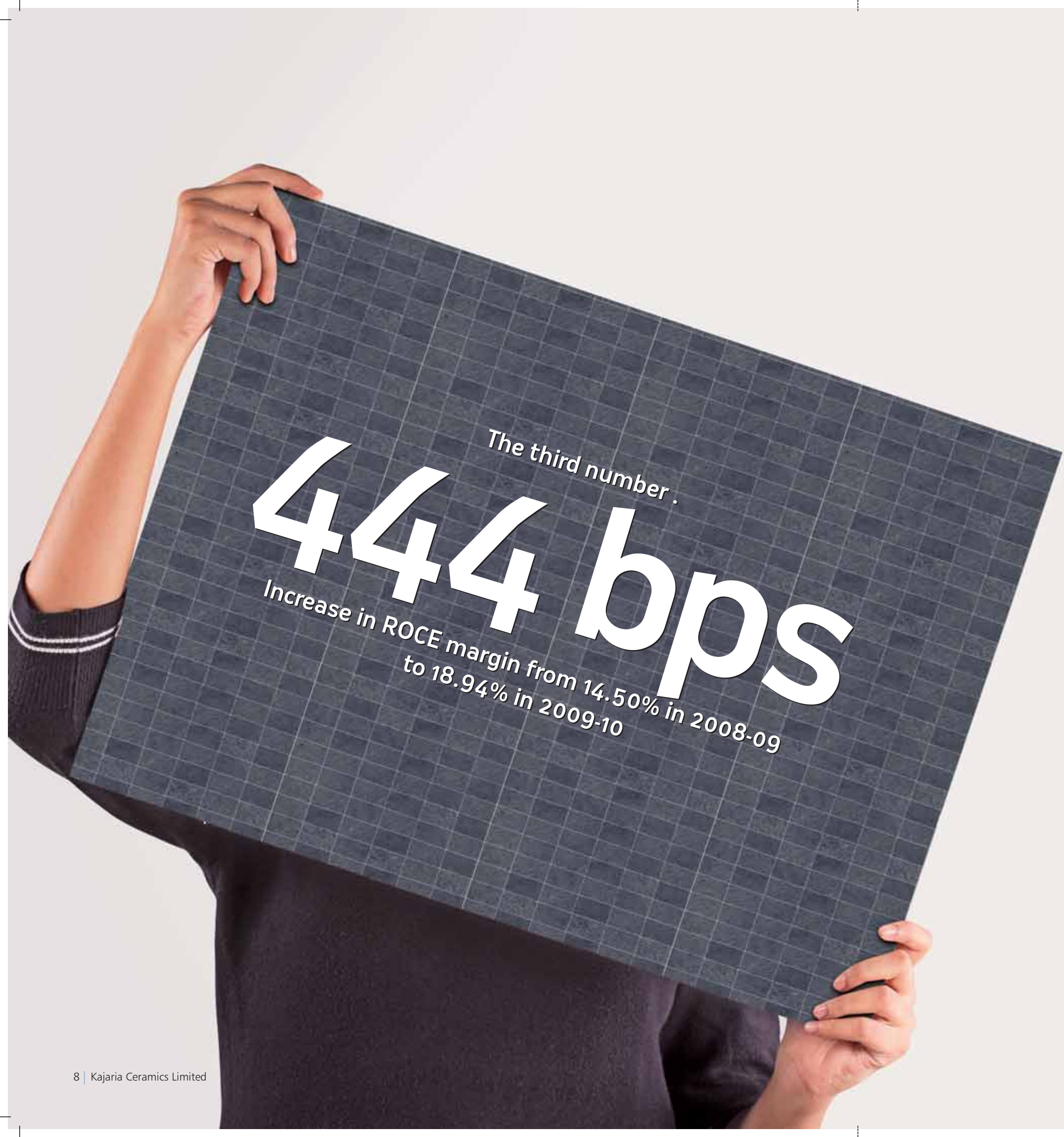
Value-addition. Continuous improvement. Higher productivity. Quality checks. Informed marketing. Customer proximity. Improved packaging. Safer transportation. Brand appeal. Product visibility. Inventory control. Dealer and receivables management. Financial tightening.



Graduated towards value-added tiles.

AT KAJARIA, WE STRENGTHENED OUR PRODUCT RANGE (CERAMIC GLAZED TILES, VITRIFIED POLISHED AND GLAZED TILES, IMPORTED TILES AND SANITARYWARE) IN 2009-10.

- Manufactured new dimension products – a 15x60 cm wall tile with a wooden flooring look
- Provided an unmatched offering of more than 80 new designs for wall and floor tiles and 120 for highlighters
- Provided more than 40 designs for our niche Powerline series (floor tiles matched with wall tiles)
- Opened 12 exclusive Kajaria Prima showrooms across the country
- Focused on retail sales, accounting for 70% of our revenues
- Commissioned polished vitrified tiles production at Sikandrabad (2.4 mn sqm annual capacity) in February 2010
- Introduced the latest fourth-generation vitrified tiles in India
- Launched 45x90 cm, the big size tile format from Spain



The third number.


444 bps

Increase in ROCE margin from 14.50% in 2008-09 to 18.94% in 2009-10

Enhanced our manufacturing efficiency.

AT KAJARIA, OUR CONVICTION IN THE SAYING 'A RUPEE SAVED IS A RUPEE EARNED' WAS REFLECTED IN VARIOUS INITIATIVES.

- Enhanced our average capacity utilisation from 76% in 2008-09 to 94% in 2009-10
- Achieved average standard quality of 98% in 2009-10 for wall tiles, a new record for the Company
- Optimised working capital management by reducing inventory cycle by 6 days, accelerating our receivables by 2 days and enjoying better credit from vendors by 13 days



The fourth number.

36%

Decline in interest outflow from ₹ 582.42 mn
in 2008-09 to ₹ 375.24 mn in 2009-10

Managed funds effectively.

AT KAJARIA, WE UTILISED THE RUPEE BETTER IN 2009-10 THROUGH THE FOLLOWING INITIATIVES:

- Reduced external debt by 19.17% from ₹ 3,251.67 mn in 2008-09 to ₹ 2,628.28 mn in 2009-10 (including a high-cost debt prepayment of ₹ 255 mn)
- Strengthened the debt-equity ratio from 2.01 as on 31st March, 2009 to 1.39 as on 31st March, 2010
- Negotiated with financial partners to reduce coupon rates on external debt; average cost of debt declined by more than 200 bps
- Strengthened interest cover from 1.65 in 2008-09 to 3.08 in 2009-10
- Reduced interest as a proportion of net sales from 9% in 2008-09 to 5% in 2009-10

Corporate identity

220 MSM

The quantum of wall and floor space covered (in mn sqm) by Kajaria Ceramics in its 22-year existence as India’s leading tile manufacturer

KAJARIA CERAMICS IS ONE OF INDIA’S LEADING CERAMIC FLOOR AND WALL TILES MANUFACTURER WITH AN INSTALLED CAPACITY OF 23.4 MN SQM AS ON 31ST MARCH, 2010, A 23-FOLD GROWTH SINCE THE COMMENCEMENT OF COMMERCIAL OPERATIONS IN 1988.

Headquartered in New Delhi, the Company has two ISO 9001:2000 certified manufacturing facilities in Sikandrabad and Gailpur, producing ceramic-glazed wall and floor tiles and polished vitrified tiles in over

500 designs. Other product offerings include high-end imported tiles and sanitaryware.

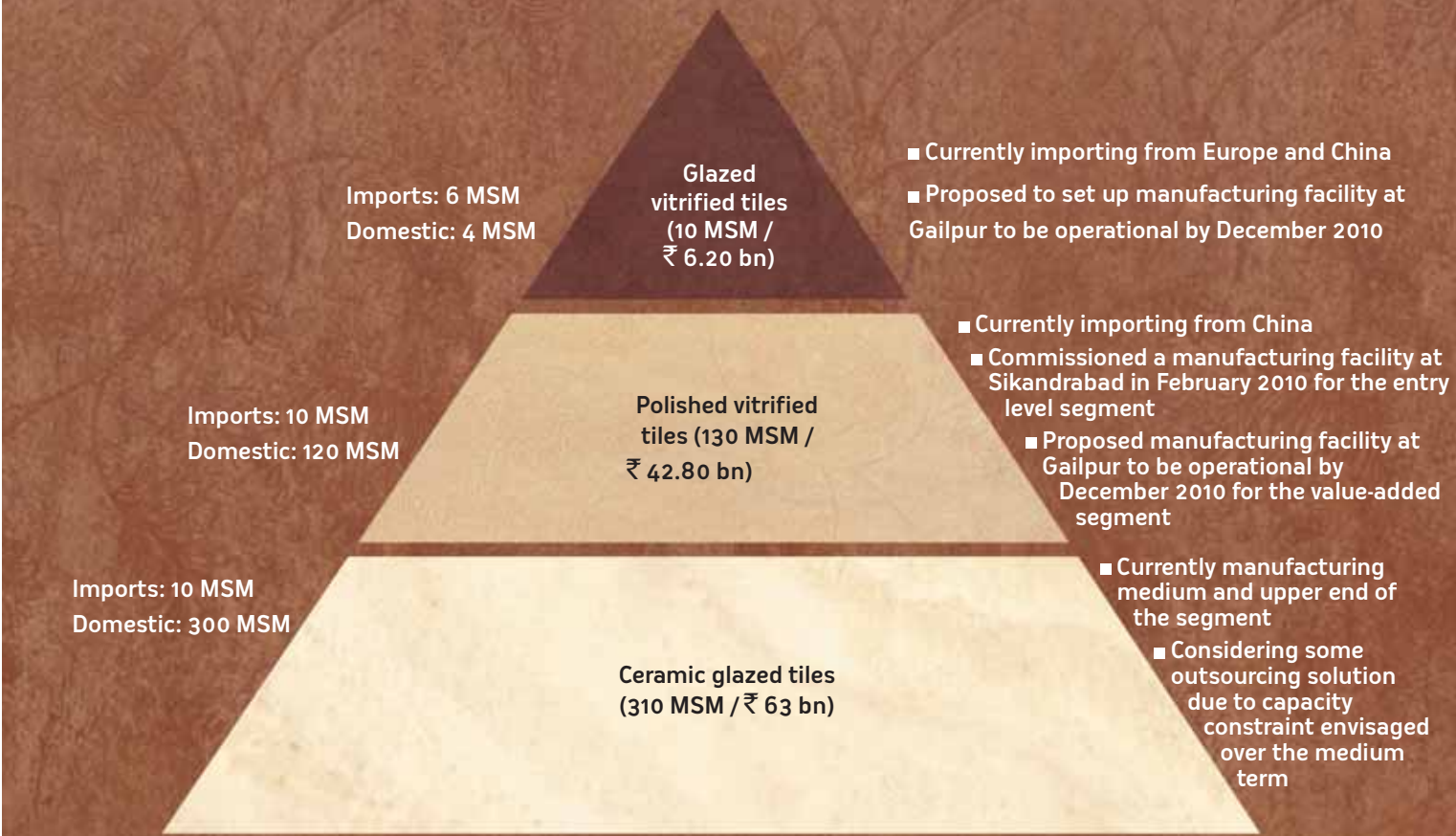
Kajaria Ceramics is the largest exporter of tiles from India with a global footprint across 20 nations; the domestic market is catered by a robust pan-India distribution network comprising a prudent mix of own exclusive outlets, dealers and sub-dealers.

Kajaria earned the coveted Business Superbrand status in 2004, the only tile Company in the Indian ceramic tile industry to be given this accreditation fourth time in a row.

Brand-enhancing institutional customers



How Kajaria is catering to all the segments of the 450-mn sqm (₹ 112 bn) Indian tile industry

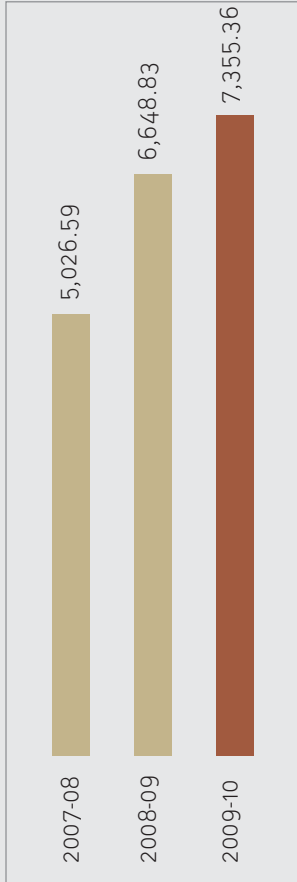


Manufacturing facilities

Unit	Products	Installed capacity
Gailpur	Ceramic glazed wall tiles	14.10 mn sqm
Sikandrabad	Ceramic glazed floor tiles	6.90 mn sqm
Sikandrabad	Polished vitrified tiles	2.40 mn. sqm

What was. What is.

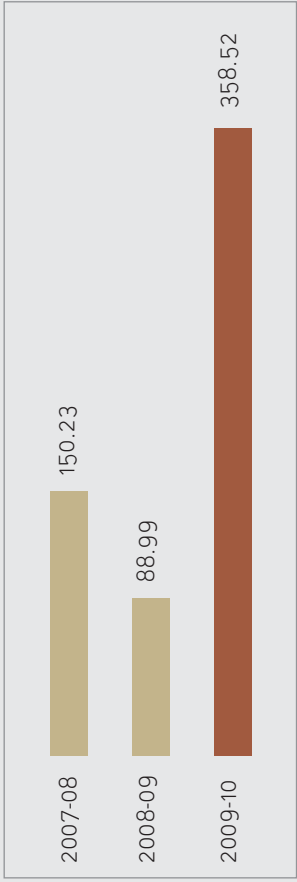
Net sales (₹ mn)



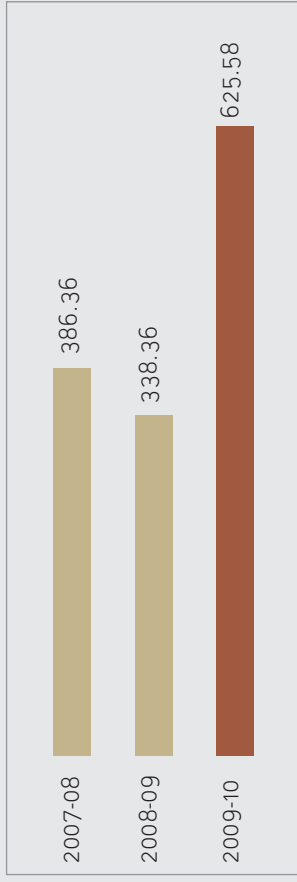
EBIDTA (₹ mn)



PAT (₹ mn)



Cash profit (₹ mn)



- Revenue increased 10.63% from ₹ 6,648.83 mn in 2008-09 to ₹ 7,355.36 mn
- Post-tax profit increased 302.88% from ₹ 88.99 mn in 2008-09 to ₹ 358.52 mn
- Operating margin strengthened 133 bps from 14.28% in 2008-09 to 15.61%
- RONW and ROCE of 20.40% and 18.94%
- Proposed dividend of 50% comprising a dividend payout commitment of 20% of post-tax earnings

