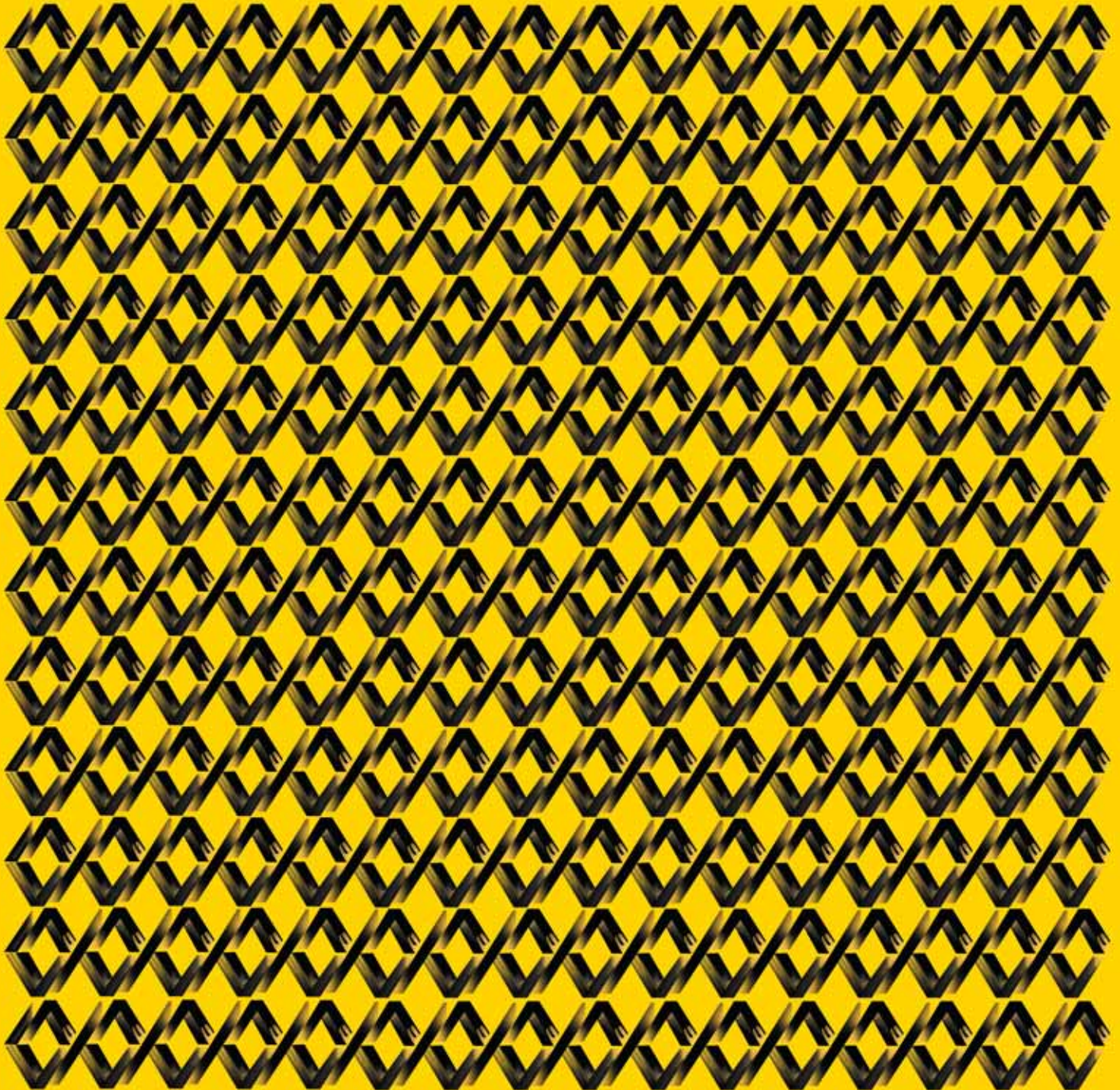


DESPITE...



DESPITE INFLATION. DESPITE
GREECE. DESPITE REFORM
SLOWDOWN. **DESPITE** WEAK
MARKETS. DESPITE HIGHER
INTEREST RATES. DESPITE TIGHTER
WALLETS. DESPITE RUPEE
DEVALUATION. DESPITE SLOWER
APARTMENT OFFTAKE. **DESPITE** RBI
SQUEEZING LIQUIDITY. DESPITE
DEARER RAW MATERIALS.

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DESPITE EVERYTHING.

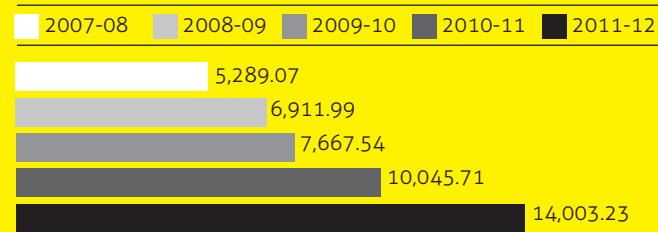
REGARDLESS OF AN **INCREASING** NUMBER
OF SOCIALITES SAYING, 'ER...UM, WE'VE
DECIDED TO WAIT ANOTHER YEAR BEFORE
MOVING INTO OUR OH SO
BEAUUUUUUTIFUL APARTMENT, SO WE
WON'T NEED TO BUY THOSE **GORGEOUS**
TILES JUST YET', THERE WAS THE
OCCASIONAL FLASH IN CORPORATE
PERFORMANCE, MAKING INVESTORS
THUMP THE TABLE AND EXCLAIM
'WOW!'



THE WOW.

KAJARIA CERAMICS' TURNOVER GROWTH OF 39% AND PAT GROWTH OF 33% IN A DISMAL AND DESPONDENT 2011-12.

Turnover (₹ million)



Turnover growth

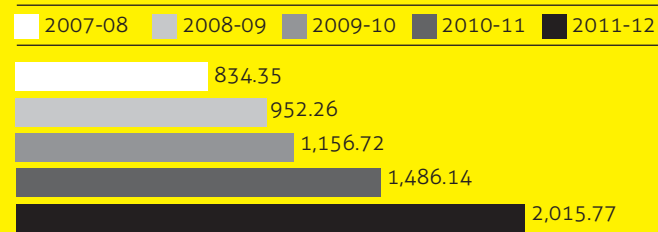
39%

Over 2010-11

26%

CAGR over 5 years

EBIDTA (₹ million)



EBIDTA growth

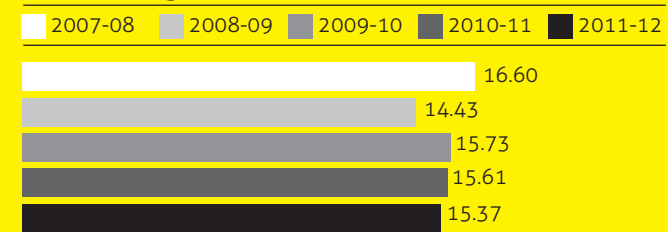
36%

Over 2010-11

29%

CAGR over 5 years

EBIDTA margin (%)



EBIDTA margin growth

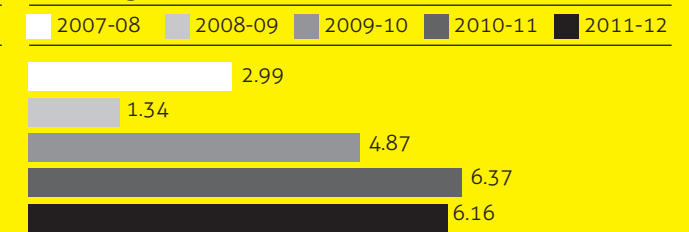
(24) bps

Over 2010-11

(123) bps

Over 2007-08

Net margin (%)



Net margin growth

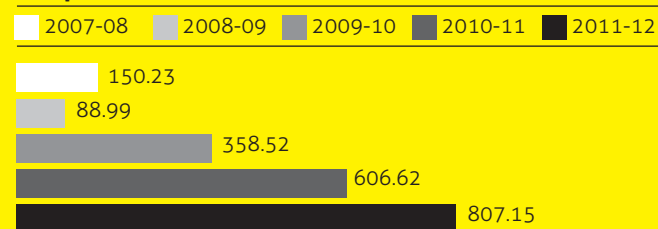
(21) bps

Over 2010-11

317 bps

Over 2007-08

Net profit (₹ million)



Net profit growth

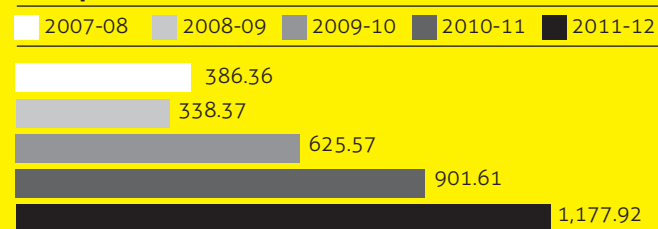
33%

Over 2010-11

60%

CAGR over 5 years

Cash profit (₹ million)



Cash profit growth

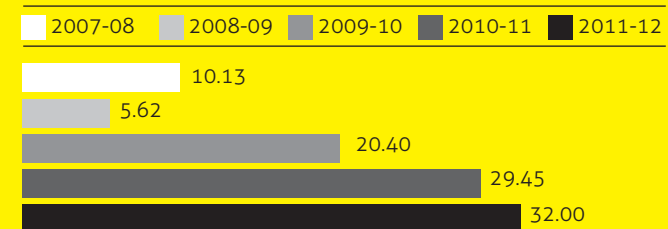
31%

Over 2010-11

32%

CAGR over 5 years

ROE (%)



ROE growth

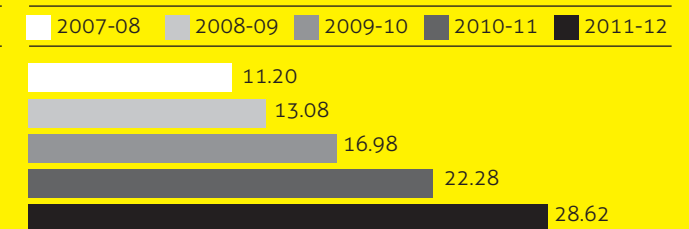
255 bps

Over 2010-11

2,187 bps

Over 2007-08

ROCE (%)



ROCE growth

634 bps

Over 2010-11

1,742 bps

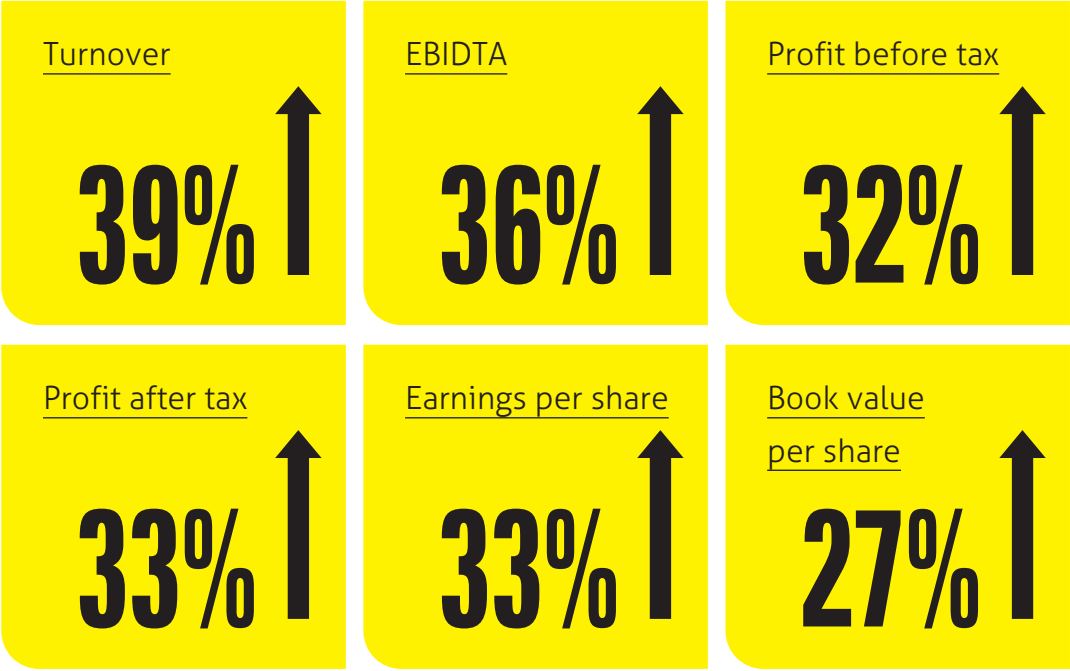
Over 2007-08

THE SECOND-LARGEST POPULATION IN THE WORLD.
ONE OF THE FASTEST-GROWING COUNTRIES.
ONE OF THE LARGEST NUMBER OF PEOPLE SEEKING TO MOVE INTO THEIR FIRST HOMES.
WHEN YOU PUT ALL OF THIS TOGETHER, WHAT YOU GET IS SIMPLE. OPPORTUNITY.
THIS WAS TRUE MORE THAN A DECADE AGO. AND TRUE NOW.
THE ONE COMPANY TO HAVE CAPITALISED ON THESE REALITIES IS KAJARIA CERAMICS.
EMERGING AS THE MOST RESPECTED TILE BRAND IN INDIA TODAY.

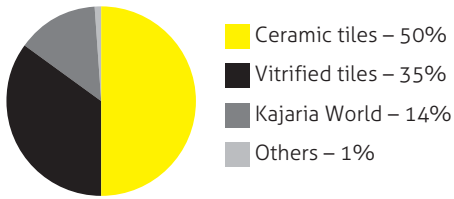
Kajaria Ceramics is India's largest tile manufacturer. Kajaria manufactures ceramic tiles, polished and glazed vitrified tiles for wall and floor applications. It markets international tile brands, bathware and wooden flooring solution as well. Kajaria's four units - Sikandrabad (UP), Gailpur (Rajasthan) and Soriso Ceramic and Jaxx Vitrified, Morbi, (Gujarat) - possess a cumulative production capacity of 36 MSM (31st March, 2012), the largest in India. Kajaria reaches products across the country through an extensive distribution network of dealers, sub-dealers and own showrooms. The imported tiles are marketed through the Kajaria World retail chain. The Company also caters to brand-enhancing names like Ansal, DLF, EMAAR-MGF, Vodafone and Mantri Group, Jaypee Greens, Unity Infra and to many Government and semi-Government projects among others, through project sales.

Kajaria Ceramics was awarded the 'Superbrand' status for the sixth consecutive time in 2012, the only Indian ceramic tile company to receive this honour.

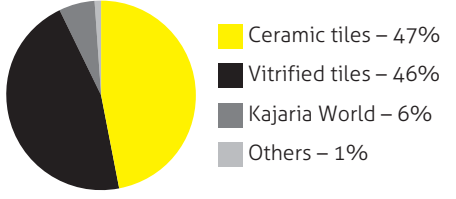
FINANCIAL HIGHLIGHTS, 2011-12



	2010-11	2011-12	Growth (%)
	Amount (₹in million)	Amount (₹in million)	
Turnover	10,045.71	14,003.23	39.40
EBIDTA	1,486.14	2,015.77	35.64
Profit before tax	891.76	1,175.18	31.78
Profit after tax	606.62	807.15	33.06
Plough back into business	435.58	593.35	36.22
EBIDTA margin (%)	15.61	15.37	(24) bps
Earnings per share (₹)	8.24	10.97	33.06
Interest cover (x)	3.98	3.50	
Gross block	6,999.88	7,233.27	3.33
Net worth	2,225.61	2,818.97	26.66
Book value per share (₹)	30.25	38.31	26.66
Return on net worth (%)	29.45	32.00	255 bps
Return on capital employed (%)	22.28	28.62	634 bps

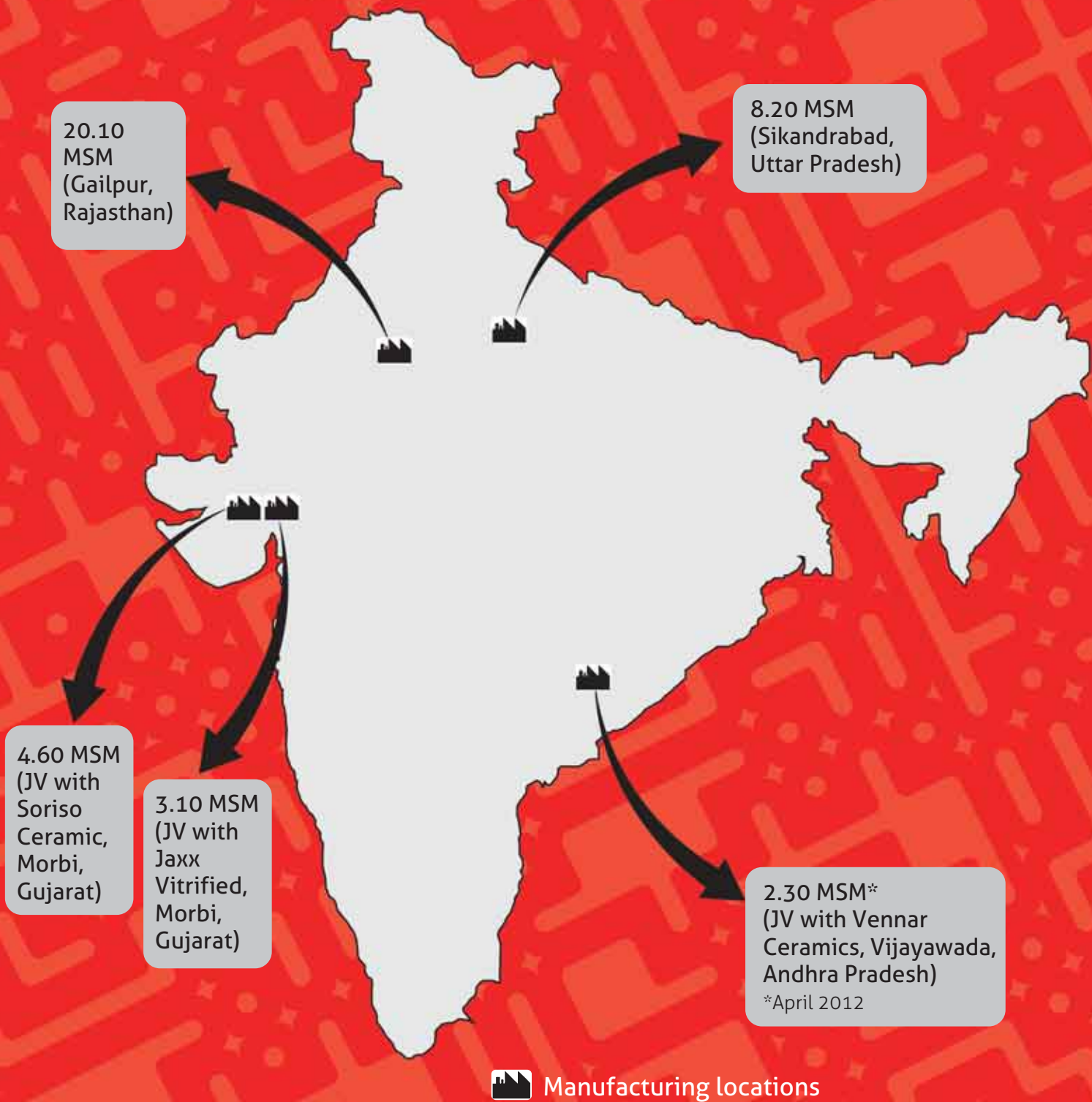


Revenue split (2010-11)



Revenue split (2011-12)

GEOGRAPHICAL SPREAD OF THE PRODUCTION CAPACITY



36 MSM
Kajaria's installed capacity (31st March, 2012)

800
Kajaria's in-house developed active designs (31st March, 2012)

Did you know?
Kajaria pioneered the digitally polished glazed vitrified tile in India (60x60cm)

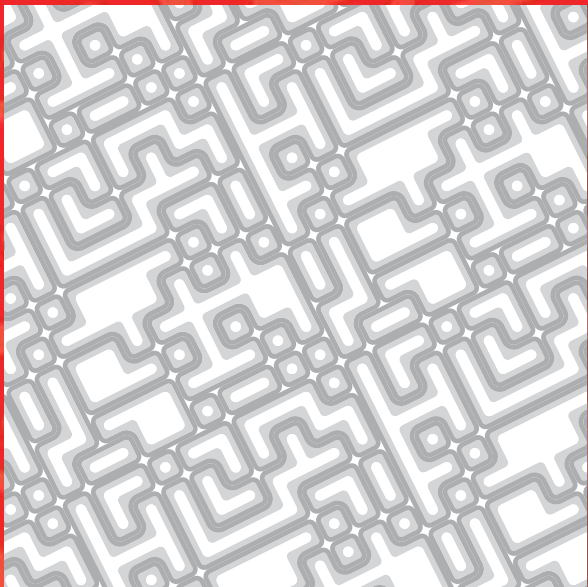
Did you know?
Global production rose 11.7%, which was higher than the annual historical average (6-7% up to 2007)

13
Kajaria's in-house tile sizes (31st March, 2012)

145
Kajaria's manufacturing facilities land spread (in acres)

39 MSM
Kajaria's sales volume in 2011-12 – among the largest by any Indian tile manufacturer

15 MSM
Capacity addition by Kajaria in the last three years



Did you know?
Kajaria's Gailpur plant is India's largest tile manufacturing capacity in a single location

5.8%
India is the world's third-largest consumer and producer of ceramic tiles, accounting for 5.8% of total global consumption

30x45cm
Kajaria is India's first to launch 30x45 cm-sized interlock tiles

Did you know?
Kajaria is a member of the Indian Green Building Council, reassuring that its products are eco-friendly

Did you know?
Kajaria is the world's only ceramic tile company to receive the ISO:50001 certificate (for energy conservation)

DESPITE SLOWER URBAN GROWTH. DESPITE DEFERRED PROJECTS.

Our annual budget for 2011-12 was drawn up towards the close of 2010-11 when all of India Inc. had placed their chips on larger numbers. The world applied the brakes thereafter.

Caught on the wrong foot, most management teams regrouped, recognised emerging realities, drew down estimates, revised the official guidance and blamed it on the world.

And sure enough, outside observers had reconciled to the reality that we ought to shift the goalpost as well.

But at Kajaria, we said we could continue to do as well as we had initially projected.

Enduring strengths

- Our widest (also fastest-growing) product basket graduated to the 'If it's something new, it's gotta be Kajaria' recall
- Our distribution network worked with the objective that 'Kajaria is not far from customers'
- Our responsible dealer policies emphasised that 'Kajaria means holistic growth'
- Our continued branding investment ensured that customers merely said 'Kajaria dikhana'

2011-12 initiatives

- Our capacity expansions went on stream in March 2011, resulting in a significantly larger product availability for consumers
- Our newly acquired capacity in Gujarat made it possible to establish a more meaningful presence in west and south India
- We established a meaningful presence in hitherto under-penetrated demand pockets in Tier-II and Tier-III towns in selected regions and added new dealers

The result is that the slowdown notwithstanding, Kajaria's turnover increased

39%
in 2011-12.

DESPITE KILLING INFLATION. DESPITE RUPEE DEPRECIATION.

When inflation kicked in harder during 2011-12, the greybeards adjusted their monocles and concluded that consumers would now have lower surpluses to spend on interior accessories.

Tiles not excepted.

Similarly, when the Indian currency yielded ground to strong international currencies, most finance teams fretted losing their bonuses on account of higher raw material costs that would be difficult to pass on to buyers leaving to lower bottomlines.

At Kajaria, we said we would continue to do as well as we predicted through an effective control of one factor.

Knowledge.

Value-addition

- We commissioned a 6.00 MSM value-added vitrified tile capacity at Gailpur in March 2011, which internalised margins and reduced import dependency from this product vertical
- We increased our focus on marketing large format/value-added tiles
- We introduced digital printing technology in ceramic and glazed vitrified tiles – our digitally printed product basket includes ceramic wall tiles (30x60 cms and 30x90 cms) with matching floor tiles (30x30 cms), ceramic wall tiles (15x45 cms), interlock tiles (30x45 cms) and the EternityHD Range large format 60x60 cm GVT tiles, among others

Cost management

- We conserved energy through innovative solutions across our units
- We widened our manufacturing footprint to service proximate markets cost-effectively

In doing so, our return on equity and return on capital employed expanded

255 bps and **634** bps respectively over the previous year.

DESPITE HIGHER INTEREST RATES. DESPITE SCARCE LIQUIDITY.

It's an old story.

When the trade cycle slows, the first thing that dealers demand is longer credit.

To continue to pay for the overheads and raw material, a number of CFOs are compelled to borrow more - at higher rates.

Suddenly, all profitability ratios need to be recast. And logically enough, the 'fresh capex' file is put into the 'out' tray.

Interestingly, at Kajaria, it was 'business as usual'.

Capital investment

- We adopted the low-cost joint-venture route, by minimising the gestation period for revenue generation with a superior return on investment
- Soriso Ceramic, Gujarat was our first such venture with a 2.30 MSM capacity; in 2011-12 we doubled its capacity at an outlay (significantly lower than our initial investment) which will strengthen business profitability and liquidity going forward
- Jaxx Vitrified, Gujarat is our second venture on the same principle where we invested ₹62.65 million for a 51% stake in this 3.10 MSM vitrified tile facility, the unit commenced operations in March, 2012
- Vennar Ceramics, Andhra Pradesh is our third venture with a similar mindset where our 51% stake will necessitate an investment of ₹136.50 million with access to 2.30 MSM of high-end digitally printed ceramic tile capacity; the unit is expected to commence operations in June, 2012

Fund management

- We shrunk working capital use (42 days of turnover equivalent as in March 2011 to 27 days as in March 2012)
- We adopted a dual-approach with business surpluses – we reduced total debt (from ₹2,797 million as on 31st March, 2011 to ₹2,417 million as on 31st March, 2012) and increased our gross block (from ₹7,000 million to ₹7,233 million over the same period)

The result is that Kajaria enjoyed a comfortable debt-equity ratio of 0.86 as on 31st March, 2012 and an interest cover of 3.50 in 2011-12. We registered a positive operating free cash flow of

₹
1,489.88
million
in 2011-12.

**“ASPIRATION.
AFFORDABILITY.
AVAILABILITY. THESE
THREE A’S WILL
ACCELERATE INDIAN
TILE DEMAND OVER
THE MEDIUM-TERM.”**

The year 2011-12 was a challenging year for India Inc.

Diverse challenges surfaced sequentially. For instance, inflationary headwinds led to hardening interest rates, euro zone financial crisis, global economic fragility, and sharp rupee depreciation against the US dollar. These factors resulted in an industry-wide performance that was appreciably lower than initial guidance.

For us, these adversities translated into a considerable increase in key raw material prices, a sizeable hike in gas prices (due to rising crude prices and rupee depreciation) and expensive tile imports. Additionally, teething issues at our newly commissioned vitrified tile facilities staggered our growth prospects.