

# Corporate Governance Report

## I. The Company's Philosophy on Corporate Governance

Corporate governance guidelines and best practices have evolved over a period of time. We, at Kajaria Ceramics believe that sound corporate governance is critical in enhancing and retaining investor trust. Accordingly, we always seek to ensure that we attain our performance goals with integrity. Our Board exercises its fiduciary responsibilities in the widest sense of the term. We always ensure timely and accurate disclosure of information regarding the financial situation, performance, ownership and governance of the Company. All our steps help in protecting the long-term interests of all our stakeholders.

## II. Board of Directors

The Board of Directors of the Company has adequate combination of executive, non-executive and independent Directors. As on 31st March 2011, the Company has 8 Directors on its Board, of which 4 Directors are independent. The Company is in compliance with Clause 49 of the listing Agreement pertaining to the composition of Board of Directors. The non-executive Directors are eminent and experienced professionals drawn from the fields of business, finance and public entrepreneurs. None of the Directors on the Board is a member of more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49).

The composition of the Board, attendance of Directors at Board Meetings during the year and at the last Annual General Meeting and the number of directorships and Committee memberships held by them in other companies are given below:

Name	Status	No. of Board Meetings held	No. of Board meetings attended	No. of other Directorship*	Committee Membership**	Whether attended the last AGM
Mr. Ashok Kajaria	Chairman & Managing Director (Executive)	6	6	5	3	Yes
Mr. Chetan Kajaria	Joint Managing Director (Executive)	6	6	6	2	Yes
Mr. Rishi Kajaria	Joint Managing Director (Executive)	6	6	9	1	Yes
Mr. R P Goyal	Director (Independent Non- Executive)	6	5	2	1	Yes
Mr. Raj Kumar Bhargava	Director (Independent Non- Executive)	6	6	8	2	Yes
Mr. R R Bagri	Director (Independent Non- Executive)	6	6	4	4	Yes
Mr. D P Bagchi	Director (Independent Non- Executive)	6	6	8	1	Yes
Mr. B.K. Sinha	Director- Technical (Executive)	6	6	1	-	Yes

\* includes directorship in private limited companies.

\*\* for this purpose only the Committees namely Audit Committee, Remuneration Committee, Share Transfer and Investors Grievances Committee and Project Management Committee of the Company.

During the financial year ended 31st March 2011, six Board Meetings were held on 30.04.2010, 10.07.2010, 21.08.2010, 12.10.2010, 20.01.2011 and 25.02.2011. The intervening period between two Board Meetings was within the maximum time gap of 4 months prescribed under corporate governance norms. The Non-Executive Directors have no material pecuniary relationship or transactions with the Company in their personal capacity.

Mr. Ashok Kajaria has been re-appointed as Chairman and Managing Director of the Company w.e.f 1st April, 2011 subject to the approval of members.

Mr. Ashok Kajaria is the father of Mr. Chetan Kajaria and Mr. Rishi Kajaria, Joint Managing Directors of the Company.

In accordance with Article 100 of the Articles of Association of the Company, Mr. R P Goyal and Mr. R.R. Bagri, Directors of the Company, retires by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment. The Board recommends their re-appointment.

The required information of all these Directors who are to be appointed/re-appointed in the forthcoming Annual General Meeting is given in the annexure attached.

### Information supplied to the Board

The Board has complete access to all information within the Company including the information as per Clause 49 of the Listing Agreement. Dates of Board Meetings are informed well in advance and communicated to the Directors. The agenda for the Board Meeting is circulated in advance of each meeting.

### III. Audit Committee

As on March 31 2011, the Audit Committee consists of three Directors, all being non – executive and independent. All members of the Committee are financially literate and have expertise in accounting and financial management.

The composition of the Audit Committee and the details of the meetings attended by the Directors are as follows:

Sl. No.	Name of the Members	Category	No. of meetings attended
1.	Mr. R P Goyal	Chairman	4
2.	Mr. R K Bhargava	Member	4
3.	Mr. R R Bagri	Member	4

Mr. R C Rawat, Sr. Vice President (A&T) & Company Secretary is the Secretary of the Audit Committee. The Chairman of the Audit Committee has attended the Annual General Meeting of the Company held on 21st August 2010.

During the year under review, the Audit Committee met four times i.e. 30.04.2010, 10.07.2010, 12.10.2010 and 20.01.2011. The necessary quorum was present in all the meetings.

### Role of Audit Committee

Audit Committee of the Board is entrusted with the powers and role that are in accordance with Clause 49 of the Listing Agreement as well as Section 292A of the Companies Act 1956. The role of Audit Committee inter alia includes the following:

- Overview of the Company's financial reporting process and disclosure of its financial information;
- Recommending the appointment/removal of statutory auditors, fixation of audit fee, discussion about the nature and scope of audit and approval of payment of fees for any other service rendered by statutory auditors;
- Reviewing with the management, the quarterly, half yearly and annual financial statements before submission to the Board;
- Reviewing the internal audit reports and report of the Statutory Auditors with the management.

- e) Reviewing the adequacy of internal audit function, the internal control system of the Company, compliance with the Company's policies and applicable laws and regulations;
- f) Reviewing the Company's financial and risk management policies.
- g) To look into the reasons for substantial defaults, if any, in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividend) and creditors.

The Audit Committee may also review such matters as may be referred to it by the Board or which may be specified as the role of the Audit Committee under amendments, if any, from time to time, to the Listing Agreement, Companies Act and other statutes.

#### IV. Remuneration Committee

The Company has a Remuneration Committee of Board of

Directors consisting of the following four members:

Name of the Director	Category	No. of Meetings Attended
Mr. Ashok Kajaria	Chairman	1
Mr. R K Bhargava	Member	1
Mr. R R Bagri	Member	1
Mr. D.P. Bagchi	Member	1

The terms of reference to this Committee include:

- Formulation of policy relating to, and fixation of, remuneration payable, and other service terms and conditions applicable to the Executive Directors, and other senior executives of the Company and
- Fees payable to the Non-Executive Directors for meetings of the Board and/or various committees attended

During the year under review, the Committee met once on 30.04.2010.

The details of remuneration paid to directors during the financial year ended 31st March 2011 is as under:

₹ in lacs

S No.	Name of Directors	Salary	Perquisites and other Benefits	Sitting fees	Total
1	Mr. Ashok Kajaria	60.00	47.00	-	107.00
2	Mr. Chetan Kajaria	48.00	37.60	-	85.60
3	Mr. Rishi Kajaria	48.00	37.60	-	85.60
4	Mr. B. K. Sinha	14.85	09.90	-	24.75
5	Mr. R P Goyal	-	-	1.80	1.80
6	Mr. R R Bagri	-	-	3.80	3.80
7	Mr. R K Bhargava	-	-	2.20	2.20
8	Mr. D P Bagchi	-	-	1.40	1.40

The Company has not issued any stock options and no commission was paid to any Director.

The number of shares held by Non- Executive Directors as on 31.03.11 is as follows:

S.No.	Name of Non-Executive Director	No. of shares held as on 31.03.11
1	Mr. R P Goyal	2500
2	Mr. R K Bhargava	14296
3	Mr. R R Bagri	27000
4	Mr. D P Bagchi	-

## V. Project Management Committee

The Company has a Project Management Committee of Board of Directors to review the expansion/capital investments. The composition of Project Management Committee is as under: -

Name of the Director	Category
Mr. Ashok Kajaria	Chairman
Mr. Chetan Kajaria	Member
Mr. Rishi Kajaria	Member
Mr. R. R. Bagri	Member

During the year under review, the Committee met four times on 10.07.2010, 20.01.2011, 28.03.2011 and 29.03.2011

## VI. Share Transfer and Investors Grievances Committee

The Committee oversees redressal of shareholders and investors grievance like transfer of shares, non receipt of balance sheet, dividend and approval of transfer of shares, subdivision, transmission, issue of duplicate share certificates etc. The composition of the Committee is as under: -

Name of the Director	Category
Mr. R R Bagri	Chairman
Mr. Ashok Kajaria	Member
Mr. Chetan Kajaria	Member

Mr. R.C.Rawat, Sr. V.P. (A&T) & Company Secretary is the Compliance Officer of the Company.

During the year, six meeting of Share Transfer and Investors Grievances Committee were held on 01.04.2010, 10.07.2010, 21.08.2010, 18.10.2010, 22.12.2010 and 25.02.2011.

During the year, 23 complaints were received. All the 23 complaints were disposed off and no complaints were pending as of 31.03.2011.

## VI. General Body Meetings

The last three Annual General Meetings were held as per details given below:

Year	Date	Time	Venue
2008	25.09.2008	12.00 Noon	A-27 & 28, Sikandrabad Indl Area Sikandrabad, Distt Bulandshahr (U P)
2009	28.08.2009	12.00 Noon	-do-
2010	21.08.2010	12.00 Noon	-do-

There is no proposal for passing any resolution through postal ballots in the ensuing AGM.

## VII. Disclosures

### a) Disclosure on materially significant related party transactions:

Details of related party transactions of the year have been set out under Note No. 20 of Schedule No. 22 of the Annual Accounts. During the year under review, the Company has not entered into any transaction of a material nature that may have any potential conflict with the interests of the Company.

### b) Details of non-compliance by the Company, penalties, strictures imposed on the Company by the Stock Exchanges, SEBI or any statutory authority or any matter related to capital markets:

The Company has complied with all the requirements of the listing agreements with the Stock Exchanges as well as regulations and guidelines of SEBI. No penalties have been imposed or stricture issued by SEBI, Stock Exchanges or any statutory authority on matters

relating to capital markets during the last three years.

**c) Disclosure of accounting treatment in preparation of financial statements:**

The Company has followed the guidelines of the accounting standards laid down by the Institute of Chartered Accountants of India in preparation of its financial statements.

**d) Whistle blower**

Though the Company has already laid down a whistle blower policy, however, the employees of the Company are given access to the Audit Committee to report any unethical behaviour.

**e) Proceeds from public/rights/preferential issues etc.**

The Company does not have any un-utilised money raised through public/rights/preferential issues.

**f) Managing Director and V.P. (Finance & Corporate Strategy) of the Company have given the “CEO/CFO Certification” to the Board of Directors in accordance with Clause 49 of the Listing Agreement.**

**g) The Company has complied with all the mandatory requirements. Among the non-mandatory requirements, the Company has set up the Remuneration Committee. The Company has also formulated the framework for risk management and procedure for informing the members of the Board about the risk assessment and minimisation procedures.**

## VIII. Means of Communication

- Quarterly Results : Through Newspapers
- Newspapers wherein results normally published : 1) Financial Express, Economic Times  
2) Jansatta (Hindi)
- Any website, where displayed : www.kajariaceramics.com
- Send to Stock Exchange : Yes, within 15 minutes of Board Meeting
- Notice relating to Annual General Meeting is sent to the members at the registered address.

## IX. General Share Holders Information

### i) Annual General Meeting (Financial Year 2010-11):

Date	Time	Venue
2nd June, 2011	12.00 Noon	A-27 & 28, Sikandrabad Indl Area Sikandrabad, Distt Bulandshahr (U P)
<b>ii) Next dates of book closure</b>		23rd May, 2011 to 2nd June, 2011 (both days inclusive)
<b>iii) Date of dividend payment</b>		Dividend, if any, will be paid within the stipulated period after its declaration by the members at the AGM.

### iv) Unpaid/unclaimed dividend :

All the unpaid/unclaimed dividend upto the financial year 2002-03 have been transferred to Investor Education and Protection Fund. No claims will lie against the Company or the Fund in respect of unclaimed amount so transferred.

The unclaimed dividend declared in respect of the financial year 2003-04 is due to be transferred to Investor Education and Protection Fund.

### v) Listing on Stock Exchanges:

- Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400001.
  - National Stock Exchange of India Ltd, “Exchange Plaza”, Bandra-Kurla Complex, Bandra(E), Mumbai 400051
- BSE/NSE listing fees for the financial year 2011-12 has been paid.

### vi) Stock Code

500233 (BSE) / KAJARIACER (NSE)

**vii) Market Price Data :** Monthly high and low quotation of shares traded on Mumbai/National Stock Exchange during the year 2010-11: -

Amount in ₹

Months	B S E		N S E	
	High	Low	High	Low
April, 2010	69.20	60.00	69.20	59.80
May, 2010	69.10	58.95	69.65	60.35
June, 2010	65.80	58.25	65.50	56.50
July, 2010	72.00	60.10	71.90	57.25
August, 2010	71.75	66.30	71.90	65.00
September, 2010	79.70	67.75	79.70	67.80
October, 2010	81.95	73.60	83.60	72.00
November, 2010	80.80	69.50	80.90	69.00
December, 2010	79.35	70.00	79.40	70.10
January, 2011	77.45	66.05	76.45	66.10
February, 2011	72.50	60.80	72.00	60.30
March, 2011	78.90	65.00	78.90	66.30

**viii) Registrar & Share Transfer Agent**

MCS Ltd  
F-65, 1st Floor  
Okhla Industrial Area, Phase-1  
New Delhi 110020  
Phone: 011-41406151-52  
Fax: 011-41709881

**ix) Share Transfer System**

M/s MCS Ltd is the Registrar and Transfer Agents for handling both the share registry work relating to shares held in physical and electronic form at single point. All the share transfers were duly registered and returned in the normal course within stipulated period, if the documents were clear in all respects.

**x) Distribution of Shareholding as on 31st March, 2011**

	Category	No. of Shares Held	Percentage of Shareholding
1	Indian promoters	37771815	51.33
2	Mutual Funds and UTI	5142472	6.99
3	Bank, financial institutions,	35940	0.05
4	Insurance companies.	500000	0.68
5	FII's	2538365	3.45
6	Private corporate bodies	8552275	11.62
7	Indian public	18639815	25.33
8	NRI's /OCB's	400298	0.55
9	Any other (trust and foundation)	2600	0.00
	<b>GRAND TOTAL</b>	<b>73583580</b>	<b>100.00</b>

Range-wise distribution is as follows:

Range	No. of Shareholders		No. of Shares	
	Total	% of shareholders	Total	% of share capital
1-500	7572	74.16	1244670	1.74
501-1000	1087	10.65	926335	1.30
1001-2000	657	6.44	993228	1.39
2001-3000	282	2.76	714030	1.00
3001-4000	113	1.11	404542	0.57
4001-5000	137	1.34	652190	0.91
5001-10000	141	1.38	1033878	1.45
10001 and above	221	2.16	65371131	91.64
<b>Total:</b>	<b>10210</b>	<b>100%</b>	<b>73583580</b>	<b>100%</b>

#### **xi) Dematerialisation of shares and liquidity**

The Company's equity shares are compulsorily traded in the Stock Exchanges in the dematerialised mode and are available for trading under both Depository Systems in India – National Securities Depository Limited and Central Depository Service (India) Ltd.

As on 31st March 2011, 96.95% shares of the Company have been dematerialised.

#### **xii) Outstanding GDRs/ADRs /warrants or other convertible instruments**

The Company has not issued any GDR/ADR/warrants or other convertible instruments, which are pending for conversion.

#### **xiii) Plant Locations**

The plants of the Company are located at the following addresses:

- A-27 & 28, Sikandrabad Industrial Area, Sikandrabad, Distt Bulandshahr (U P).
- 19 Km Stone, Bhiwadi – Alwar Road, Village Gailpur, Distt Alwar (Rajasthan).

#### **xiv) Subsidiary company**

There is no material non-listed subsidiary Company requiring appointment of Independent Director of the Company on the Board of Directors of subsidiary company. The requirements of the Clause 49 of the Listing Agreement with regard to the subsidiary companies have been complied with.

However the Company has one subsidiary company which does not fall in the category of material non-listed company:

#### **Soriso Ceramic Private Limited**

*Registered Office & Factory*  
8-A, National Highway,  
Lakhdhipur Road,  
Morbi, Gujarat, 363642

#### **xv) Address for Correspondence**

*Registered Office:*  
Kajaria Ceramics Ltd  
A-27 & 28, Sikandrabad Indl Area,  
Sikandrabad, Distt Bulandshahr (U P)

*Corporate Office:*  
Kajaria Ceramics Ltd  
J-1/B-1 (Extn), Mohan Co-operative Indl Estate  
Mathura Road, New Delhi-110044  
Phone: 26946409 Fax: 26946407, Email for Investors

The Company has designated investors@kajariaceramics.com as email address, especially for investors' grievance(s).

#### **xv) Certificate related to Code of Conduct to Directors/ Senior Management**

This is to certify that as per revised Clause 49 of the Listing Agreement, the Code of Conduct has been laid down for all the Board Members and senior management of the Company. The Board Members and senior management personnel have affirmed compliance with the Code of Conduct.

For and on behalf of the Board

Place: New Delhi  
Date: 30th April, 2011

**Ashok Kajaria**  
*Chairman & Managing Director*

# ANNEXURE TO THE CORPORATE GOVERNANCE

## 1. Mr. Ashok Kajaria

Mr. Ashok Kajaria is B.Sc., BSME from California. He is the promoter of the Company and has more than 36 years of rich experience in the tiles industry, global marketing and business relating to construction industry. He is holding 28,34,500 equity shares of the Company as on 31st March 2011.

Directorships in other companies :

S.No.	Name of Company	Position
1	Kajaria Exports Limited	Director
2	Kajaria Infrastructure Limited	Director
3	Kajaria Energy Limited	Director
4	Ramya Agrotech Private Limited	Director
5	Indian Council of Ceramic Tile and Sanitaryware	Director

**2. Mr. R.P.Goyal** is M.Com, CAIIB. He served the Imperial

Bank of India (later named as State Bank of India) as Probationary Officer and after going through various level of promotion retired as Chairman. He was also a consultant of the Foreign Bank from 1984 to 1999 and also an advisor for several public sector banks. Further, he was a visiting faculty of the Institute of Banking, Pune. He has rich experience in the field of finance, banking and accounts. He serves as a Director on the boards of various reputed Companies.

Mr. R.P.Goyal joined the Board of Directors of the Company on 24th May 1988. He is holding 2500 equity shares of the Company as on 31st April, 2011.

Directorships in other companies:

S.No.	Name of Company	Position
1	Mark Exhaust Limited	Director
2	Nilkamal Limited	Director

## Committees' Membership in the Other Companies

S.No.	Name of Company	Name of the Committee	Position
1	Mark Exhaust Limited	Audit Committee	Chairman
2	Mark Exhaust Limited	Remuneration Committee	Chairman
3	Nilkamal Limited	Audit Committee	Member

**3. Mr. R.R. Bagri** is B.Sc. (Engg.), M.S. (Sans) and FIPHE (New York). He has formally served M/s Geo Miller & Co. P. Ltd. as Sr. Project Engineer from 1967 to 1972, leading designers and contractors in the field of public health engineering. Since June 1972, he is the Managing Director of Clear Water Ltd., a company specialising in setting up projects on turnkey basis in the field of public health engineering. He joined the Board of Directors of the Company on 21st January, 2000. He is a refined industrialist and expert in the field of engineering and finance.

He holds 27000 equity shares of the Company as on 31st March 2011.

Directorships in other companies:

S.No.	Name of Company	Position
1	Clear Water Limited	Managing Director
2	Faridabad Paper Mills Limited	Director
3	APM Industries Limited	Director
4	Bagri Udyog (P) Limited	Director

Committees' Membership in the Other Companies

S.No.	Name of Company	Name of the Committee	Position
1	Clear Water Limited	Audit Committee	Chairman
2	Clear Water Limited	Remuneration Committee	Chairman
3	Clear Water Limited	Share Transfer Committee	Chairman
4	Bagri Udyog (P) Limited	Remuneration Committee	Chairman
5	Bagri Udyog (P) Limited	Share Transfer Committee	Chairman
6	Bagri Udyog (P) Limited	Audit Committee	Chairman
7	APM Industries Limited	Remuneration Committee	Member
8	APM Industries Limited	Shareholders/Investor Grievance Committee	Member
9	APM Industries Limited	Audit Committee	Member