

Doing things
right.
Doing the right
things.



Kajaria
Create. Grow. Innovate.

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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 '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 realized, 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 materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

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Corporate Information

Board of Directors

Mr. Ashok Kajaria	(Chairman & Managing Director)
Mr. D.D.Rishi	(Joint Managing Director)
Mr. Chetan Kajaria	(Whole Time Director)
Mr. Rishi Kajaria	(Whole Time Director)
Mr. R.P.Goyal	(Independent Director)
Mr. R.K.Bhargava	(Independent Director)
Mr. D.P.Bagchi	(Independent Director)
Mr. R.R.Bagri	(Independent Director)
Mr. R.C. Rawat	VP (F&A) & Company Secretary

Committee of the Board

Audit Committee

Mr. R.P.Goyal	- Chairman
Mr. R.K.Bhargava	- Member
Mr. R.R.Bagri	- Member

Share Transfer and Investors Grievances Committee

Mr. R.R.Bagri	- Chairman
Mr. Ashok Kajaria	- Member
Mr. D.D.Rishi	- Member

Remuneration Committee

Mr. Ashok Kajaria	- Chairman
Mr. R.K. Bhargava	- Member
Mr. R.R. Bagri	- Member
Mr. D.P. Bagchi	- Member

Project Management Committee

Mr. Ashok Kajaria	- Chairman
Mr. D.D. Rishi	- Member
Mr. Chetan Kajaria	- Member
Mr. Rishi Kajaria	- Member

Registered Office

A-27 & 28, Sikandrabad Industrial Area,
Sikandrabad, Dist. Bulandshahr, (U.P.)

Corporate Office

J-1 / B-1 (Extn.), Mohan Co-operative Industrial Estate,
Mathura Road, New Delhi 110044

Works

1. A-27 & 28, Sikandrabad Industrial Area,
Sikandrabad, Distt. Bulandshahr, (U.P.)
2. 19 km Stone, Bhiwadi- Alwar Road,
Village Gailpur, Dist. Alwar (Rajasthan)

Auditors

M/s O.P.BAGLA & CO.,
Chartered Accountants

Bankers

State Bank of India
Canara Bank
State Bank of Mysore
Oriental Bank of Commerce
HDFC Bank Limited
State Bank of Indore

Registrar & Share Transfer Agent

M/s MCS Limited

F-65, 1st Floor
Okhla Industrial Area, Phase-1
New Delhi 110020

Shares Listed on

National Stock Exchange Ltd.
The Bombay Stock Exchange Ltd.



Doing things right. Doing the right things.

Small change. Big difference.

At Kajaria, we responded with both in a challenging 2008-09.

Widening our portfolio.

Strengthening our quality.

Delighting our customers.

The result: outperformed industry and peer performance.

Kajaria Ceramics.

Superbrand.

India's largest ceramic floor and wall tile manufacturer and exporter.

Offers the widest range in wall and floor tiles.

Pioneered the introduction of 'Group 5' tiles in India.



Pedigree

- Commenced operations in 1988.
- Promoted by Mr. Ashok Kajaria and Kajaria Exports Limited in technical collaboration with Todagres, S. A., Spain.

Products

- Manufactures ceramic glazed wall and floor tiles.
- Customises floor tiles for diverse applications in heavy footfall spaces, pavements, landscapes, living rooms and bathrooms, among others.
- Imports vitrified tiles of superior quality, gloss, polish and durability from China.
- Imports high-end tiles from leading European brands.
- Imports sanitaryware marketed under the Kerovit brand.

Presence

- Headquartered in New Delhi (India) with two manufacturing facilities in Sikandrabad and Gailpur.
- Sikandrabad unit's annual floor tile capacity is 6.9 mn sq. mtrs ; Gailpur unit's annual wall tile capacity is 14.10 mn sq. mtrs.
- Pan-India dealer and sub-dealer network.
- Kajaria World showrooms exhibiting imported tiles across India.
- Export presence across more than 20 nations.

Pride

- Selected as a 'Business Superbrand' for the fourth time in a row.
- Awarded the membership of Indian Green Building Council, the first ceramic tile company with this accreditation.

Our value-chain



Most people postponed purchases in a challenging 2008-09.

Kajaria's principal achievement is that it marketed more in this difficult year.

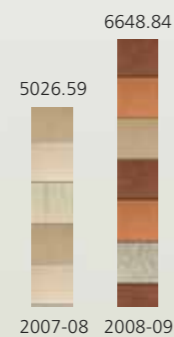


Financial highlights

Sales (mn sq. mtrs)



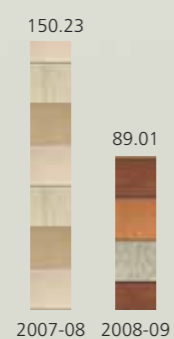
Net sales (Rs. million)



EBIDTA (Rs. million)



PAT (Rs. million)



- ▣ Introduced new tile sizes – 30x60 cm and 30x45 cm in rectified wall tiles and 45x45 cm joint-free floor tiles.
- ▣ Strengthened dealers and sub-dealers network; opened seven Kajaria World showrooms in 2008-09.

Post-balance sheet developments

- ▣ The Company entered into an agreement with Gas Authority of India Ltd (GAIL) for the supply of natural gas to the Gailpur facility, which is currently using propane, a higher cost fuel; supply is expected to commence from January 2010.
- ▣ The Indian Government imposed an anti-dumping duty of Rs. 137 per sq. mtr on ceramic glazed wall and floor tiles imported from China, strengthening opportunities for the Indian ceramic tile industry.

Analysis of our Q1/2009-10 performance

Kajaria registered an improved performance of the last five quarters in the quarter ending June 30, 2009. The Company reported a turnover of Rs. 1,598.8 million for the quarter ended 30th June 2009 against Rs. 1,660.2 million in the corresponding previous quarter. The EBIDTA for the quarter ended June 30, 2009 increased to Rs. 253.5 million as against Rs. 195.8 million in the corresponding previous quarter. Net profit grew to Rs. 60.4 million against Rs. 23.2 million in the corresponding previous quarter. This was largely due to the positive impact of operating efficiencies at its units and an increased share of value added tiles in its product basket.

Doing the right thing. Delighting the customer.

In a challenging 2008-09, it would have been easy to focus completely inward when external sales declined. At Kajaria, we continued to focus on customer delight instead, which increased market share by 100 bps.

- ▣ We moved closer to customers. We added dealers and retailers and opened seven Kajaria World showrooms and display centres. Result: enhanced visibility.
- ▣ We passed on the benefit of the fuel cost reduction to our customers. Result: enhanced product affordability.
- ▣ We extended our product offering from Rs. 200 per sq. mtr to Rs. 3,000 per sq. mtr. Result: wider choice.
- ▣ We showcased our large format tiles in innovative display centres with 'interactive and experiential' simulation techniques. Result: enhanced customer convenience.
- ▣ We installed unique software at our showrooms providing a preview of the application area with the selected tiles. Result: facilitated right tile selection.





Doing the right thing.
Enhancing
value addition.

In a difficult business environment, it would have been easy to focus on liquidating inventories. At Kajaria, we attempted the more difficult – enhancing realisations of manufactured tiles by 18% through enhanced focus on high-end products.

- ▣ We induced consumers through novel designs: the Company's R&D team created more than 40 designs for the Powerline series, which comprises large format tiles, where the floor tile design was matched with the wall tiles.
- ▣ We commenced the import of international quality sanitaryware showcased at our Kajaria World outlets, providing the customer with a complete bathroom solution.
- ▣ We expect to commission our 2.5 mn sq. mtr vitrified tile facility at Sikandrabad (Uttar Pradesh), adding a margin-accretive product vertical to the business model.



“We outperformed our industry performance in 2008-09 through a focus on verticals, range and relationships.”

A strategic review by the management.

Dear Shareholders,

At Kajaria, our resolve remained strong in a challenging year and the result was a satisfactory performance.

During the first six months, input costs (especially power) increased significantly. We struggled to pass these to consumers as enhanced product supply, low-cost Chinese imports and reduced realty offtake dampened industry sentiment.

If one keeps these realities in mind, then Kajaria registered a satisfactory performance wherein revenues grew 31% and EBIDTA 15%, outperforming the 12% industry growth even as the bottomline declined 41% owing to high fuel cost in the first half and currency volatility and high finance cost in the second.

The right things

We weathered the sectoral downturn due to the following reasons:

Derisked business model: Declining institutional offtake was responsible for the decline in our sector’s annual growth from 15-16% to about 12% in 2008-09. We derisked ourselves through our retail-oriented business model that generated nearly 70% of our sales volume (manufactured and traded).

Value-added initiatives: We introduced large-format wall and

floor tiles in August 2007 and March 2008 in line with the international trend, resulting in superior look and feel. The Company’s realisation per sq. mtr increased significantly over basic varieties.

Opportunity in adversity: In the aftermath of the global meltdown, crude oil prices declined from US\$147 per barrel in July 2008 to about US\$40 per barrel, saving fuel cost. We extended the cost drawdown to customers and enhanced volumes.

Sectoral optimism

If the sectoral buoyancy is not affected by unpredictable events, we expect the ceramic tile industry to return to its historical growth rate of 15-17% in 2009-10 for the following reasons:

- ▣ Growing confidence of banks, enhancing sectoral lending.
- ▣ Increasing disposable income in the hands of the average Indian through salary hikes and budgetary concessions.
- ▣ The government’s anti-dumping duty (Rs. 137 per sq. mtr) imposed on the import of Chinese ceramic glazed tiles.

Steps forward

Kajaria is suitably positioned to leverage the sectoral rebound for the following reasons:

▣ **We invested in relationships:** At Kajaria, business is not a transitory reality; it represents an enduring value proposition for customers. Even in a challenging 2008-09, we extended the temporary respite from fuel cost reduction to customers, reinforcing relationships.

▣ **We enriched products portfolio:** We believe that if we cannot excite customers, we can never stay in business. Our value-added product range (large format wall and floor tiles in more than 150 designs) is expected to rise, growing profit and profitability.

▣ **We renegotiated interest rates:** We are renegotiating with our financing partners for reducing the interest rate, enhancing profitability.

▣ **We restructured forex policy:** Our restructured forex policy will insulate us from currency fluctuation losses in future.

Message to shareholders

We believe that adversity is the best teacher as it eliminates complacency, challenges capabilities and presents unexplored opportunities.

We must assure shareholders that we are using this downturn to build capabilities and capitalise on the next rebound, enhancing revenues, profits and shareholder value.

Strengths at Kajaria

Experience

The top management enjoys a tile industry experience of more than two decades

Scale

Kajaria is India’s largest ceramic floor and wall tile manufacturer; its expanded capacity and improved capacity utilisation provides attractive economies of scale.

Value-chain

Kajaria is present across the entire value chain, from glazed ceramic tiles to polished porcelain tiles to glazed porcelain tiles.

Innovation

Kajaria’s R&D team creates around 8-10 designs every month and was credited with a number of pioneering initiatives.

Reach

Kajaria’s multi-layered distribution channel (owned showrooms and dealer/sub-dealer network) in India and 20-nation footprint enhance reach.

Brand

Kajaria’s institutional clients in India, comprising DLF, Unitech, Mantri Group and Raheja Developers, among others, drive product offtake.



Management discussion and analysis

Global economy

Global economic growth declined from 3.8% in 2007 to 2.5% in 2008 in the aftermath of the demand slowdown in developed countries and collapse of major financial institutions like Lehman Brothers and Washington Mutual, Fannie Mae and Freddie Mac (holding US\$5 trillion worth of mortgage loans). To revive demand, stimulus packages were announced in the US, EU and other countries. Sino-Indian economies enjoyed positive growth. While developing economies grew 5.9%, China grew 9.1% and India 6.7% in 2008-09.

Indian economy

India's economic growth decelerated in the face of the global downturn. The first half of the year witnessed growth followed by a high inflationary environment. The RBI took monetary measures to contain inflation as it reached a 16-year high of 12.63%. This led to a liquidity crunch and affected domestic growth.

Indian economy – snapshot

	2004-05	2005-06	2006-07	2007-08	2008-09
GDP at factor cost	7.5%	9.5%	9.7%	9.0%	6.7%
Agriculture	–	5.8%	4%	4.9%	1.6%
Manufacturing	8.7%	9.1%	11.8%	8.2%	2.4%
Construction	16.1%	16.2%	11.8%	10.1%	7.2%
Financing, insurance, real estate and business services	8.7%	11.4%	13.8%	11.7%	7.8%

The Indian government announced two stimulus packages totalling US\$115 billion to enhance liquidity. These packages expect to inject a US\$88 billion direct liquidity, create additional avenues to raise tax-free bonds from the domestic market (US\$8 billion) and expand the FII limit for rupee-dominated corporate bonds to US\$9 billion. The state governments were allowed to refinance state level capital expenditure to the tune of US\$6 billion and PSU banks were allowed to raise capital of US\$4 billion.

The economic optimism

Positive growth of the automotive segment: The Indian automotive segment recorded positive growth in April-May 2009 after months of de-growth; the passenger car segment grew 1.68% over the previous period.

Positive IIP growth: After two consecutive months of negative growth, the Index of Industrial Production turned positive at 1.2% in April 2009 and grew 2.7% in May 2009.



India's ceramic tiles industry ranked fifth globally in terms of production with a 385 mn sq. mtrs market size as on 31st March 2008. This was estimated at 430 mn sq. mtr with the market pegged at Rs. 9,500 crore as on 31st March 2009.

GDP outlook: The Economic Survey forecasts a GDP growth of 6.25% in 2009-10 if the global recession continues and a growth of 7.75% if the global economy rebounds by the autumn of 2009.

Global ceramic tiles industry

The global ceramic tiles industry is estimated at US\$35 billion and is dependent on the global real estate and replacement markets.

Production: Global ceramic production is dominated by Asia; China accounted for around 39% of the total global ceramic tiles production (8,125 mn sq. mtrs) for the year ended December 2007.

Consumption: China also led in global ceramic tiles

consumption; global consumption of ceramic tiles was 7,955 mn sq. mtrs in 2007, with China accounting for 34%.

Indian ceramic tiles industry

India's ceramic tiles industry ranked fifth globally in terms of production with a 385 mn sq. mtrs market size as on 31st March 2008. This was estimated at 430 mn sq. mtr with the market pegged at Rs. 9,500 crore as on 31st March 2009. The main product segments comprise wall and floor tiles, vitrified tiles and glazed porcelain tiles. More than 50% of the industry comprises around a dozen national players; the rest comprises smaller regional players. The industry maintained a consistent growth between 15-17% owing to the growing awareness of ceramic tiles usage, replacement demand and tiles emerging as cheaper substitutes of high-end alternatives.

World ceramic tiles production (mn sq. mtrs)

	CY'04	CY'05	CY'06	CY'07
China	2,300	2,500	3,000	3,200
Brazil	566	568	594	637
Spain	596	609	608	585
Italy	589	570	569	559
India	270	298	340	385
Turkey	216	261	265	260
Mexico	177	196	210	215
Indonesia	163	175	170	170
Total world production	6,620	7,050	7,725	8,125

World ceramic tiles consumption (mn sq. mtrs)

	CY'04	CY'05	CY'06	CY'07
China	1,850	2,050	2,450	2,700
Brazil	448	443	486	535
India	270	303	350	397
Spain	286	303	319	314
USA	293	304	308	248
Iran	140	153	182	236
Vietnam	115	120	145	210
Italy	192	192	199	199
Total world consumption	6,250	6,740	7,420	7,955



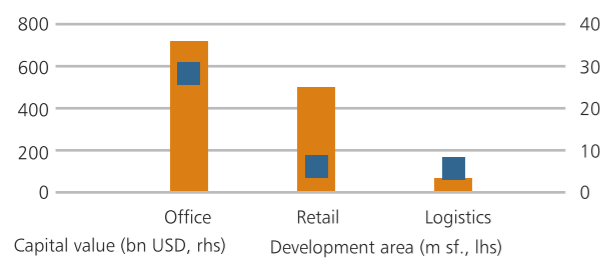
India will emerge as the world's fifth largest consumer market by 2025. Consider this: over 40 million households belong to either middle or upper middle class level; about 1.6 million households earn over US\$ 100,000 and spend around US\$ 9,000 on luxury goods annually. In 2008, the salaries of Indians grew 13.3% on an average and are expected to grow at an 8.2% average in 2009, the slowdown notwithstanding.

The industry's optimism is driven by the following realities:

Housing demand: During the Eleventh Plan, housing requirement is expected to be 26.53 mn units. The Government of India is also allowing non-FDI investments in real-estate projects. By 2030, India will require about 10 mn new units annually, a DB Research report suggests.

Growth of organised retail: The Indian retail sector is worth US\$350 billion and is growing at over 20% annually. Organised retail's share is expected to grow to 10.4% of the overall retail market by 2012 against the present 5% as per the KPMG report. This is expected to fuel the creation of organised retail infrastructure (namely malls), driving the demand for ceramic tiles.

Growth potential on India's commercial real estate market change in total stock, 2006-10



Sources: RREEF Research, DB Research

Growth in hospitality sector: This sector is expected to receive a US\$11.5 billion investment over the next two years as more than 40 international brands establish their presence in India by 2011. This is expected to grow the demand for value-added tiles.

Growth in health infrastructure: Changing demographics, disease profiles and rising treatment cost will drive healthcare spend to over Rs. 200,000 crore by 2012. Revenues from the

healthcare sector account for 5.2% of the GDP and are expected to reach 6.5-7.2% of GDP, necessitating a Rs. 100,000-140,000 crore investment in infrastructure. India's medical tourism is projected to grow six times from US\$350 million to an over US\$2 billion industry by 2012 and is correspondingly expected to grow demand for globally-benchmarked infrastructure.

Airport modernisation and creation: Investment in airport infrastructure was over US\$5 billion (Rs. 25,500 crore) in 2008 and will go up US\$9 billion (Rs. 45,900 crore) by 2013, of which close to US\$6.8 billion (Rs. 34,680 crore) is expected to come through public private partnerships (PPP) model, according to a recent study by Frost & Sullivan – the key driver being the upgradation of 35 non-metro airports identified by the Airports Authority of India.

Demand drivers

Higher affordability: India will emerge as the world's fifth largest consumer market by 2025. Consider this: over 40 million households are either middle or upper middle class level; about 1.6 million households earn over US\$ 100,000 and spend around US\$ 9,000 on luxury goods annually. In 2008, the salaries of Indians grew 13.3% on an average and are expected to grow at an 8.2% average in 2009, the slowdown notwithstanding.

Increasing urbanisation: India's cities are growing at 28% and the urban population is increasing at a faster rate; around 41% of the population (575 million) will live in cities and towns by 2030 (286 million in 2008).

Low per capita consumption: India's per capita ceramic tiles consumption at 0.35 sq mtrs is lower compared with 1.88 sq. mtrs in China.



Business driver 1

Operations

Significance: In a competitive market, it is imperative to manufacture cost-effective products, representing contemporary tastes and preferences.

Facilities: The Company manufactures ceramic wall and floor tiles at the Gailpur and Sikandrabad facilities with an annual 21 MSM cumulative capacity. The Gailpur unit is India's largest single-location glazed tile facility.

Highlights, 2008-09

- Manufactured large format wall and floor tiles in more than 150 designs to suit diverse customer preferences; the Company emerged as the only Indian ceramic tile manufacturer to produce five different wall tile sizes.
- Streamlined the manufacture of 30x30 cm floor tiles to match the large format wall tiles.

- Installed the sophisticated roto-colour printer to generate a four-colour print on tiles and improved colour uniformity over the usual two-colour tile design.

- Implemented process optimisation measures, which enhanced quality production over the previous year

- Identified alternative raw material sources, swapped international vendors with domestic sources to optimise procurement cost.

Way forward

- The Company expects to receive natural gas for its Gailpur unit, which will reduce fuel costs substantially.
- The Company is implementing its vitrified tiles manufacturing line at its Sikandrabad unit; this line is expected to commence operations by January 2010.



Business driver 2 Marketing

Significance: In a business where market diversity is huge and customer aspirations change frequently, it is extremely essential to evolve and showcase contemporary products, reflecting the fast-changing Indian lifestyle.

Network: The Company enjoys one of the widest distribution networks in the Indian ceramic tile industry, facilitating a pan-India presence; its distribution network comprises owned showrooms, dedicated franchisees, multi-product dealers and sub-dealers. Besides, the Company is the largest exporter of ceramic tiles in India with a 20-nation footprint.

The Company's marketing strategy is aligned with different product classes that it manufactures and trades. Likewise, it has clearly segregated its distribution network, catering to specific product segments.

Spanish and Italian tiles: This high-value, eye-catching product line targets the high-end user segment. The Company collaborated with major Spanish and Italian brands -- Aparici, Grespania, Saloni -- to provide Indian customers with best-in-class European products, ranging around Rs. 700-3,000 per sq. mtr. The Company showcases its high-end tiles through the Kajaria World showrooms, providing customers with the best three-dimensional visual experience and an opportunity to create customised designs. It adopted the franchise model for the rapid scaling of Kajaria World showrooms in metros, Tier-I and Tier-II cities.

Vitrified tiles: Imported from China, vitrified tiles (polished porcelain tiles) cater to the commercial and residential segments and are priced between Rs. 400 and Rs. 1,000 per sq. mtr. These tiles are marketed under the 'Kerrogres' brand through exclusive dealer showrooms and Kajaria World showrooms. The Company launched the Solitaire Series (Rs. 1000-1,250 per sq. mtr) based on the glass-frit technology as a cost-effective marble substitute.

Ceramic tiles: The Company widened its distribution network across India with a range of floor and wall tiles priced between Rs. 180 and Rs. 500 per sq.mtr. With two decades of experience in the ceramic tile segment, the Company strengthened its product range with matching floor and wall tiles. The Company marketed ceramic tiles through dealers, sub-dealers and retailers. Its corporate office provided customers with insights on new product ranges.

Solitaire Series

The Solitaire Series represents a high-end, value-added product. It is the result of the latest advances made in the technology of cavity charging and mixing of quality body materials to give a three dimensional, random-designed and authentic natural-stone-look to compete with premium Italian marble, known for unique designs and aesthetics.



Financial analysis

Accounting policy

The Company followed the applicable Accounting Standards and Generally Accepted Accounting Principles as per the Companies Act, 1956, for preparing its financial statements. It followed the accrual basis of accounting for income and expenditure.

Revenue (net sales)

The Company's revenues grew 32.27% from Rs. 5,026.59 million to Rs. 6,648.84 million in 2008-09, driven by volume growth (20.79 million sq. mtr in 2007-08 to 22.60 million sq. mtr in 2008-09), increasing the proportion of value-added products and increased vitrified and high-end tiles trading.

Margins

While EBIDTA increased 14.97% from Rs. 834.35 million in 2007-08 to Rs. 959.28 million in 2008-09, EBIDTA margin declined 217 basis points from 16.60% in 2007-08 to 14.43% in 2008-09 owing to increase in fuel cost in the first half of the year. Besides, enhanced interest liability and currency fluctuation losses reduced post-tax margin from 2.99% in 2007-08 to 1.34% in 2008-09.

Cost management

The Company's total cost increased 25.17% from Rs. 4,499.52 million in 2007-08 to Rs. 5,632.14 million in 2008-09,

following enhanced operations and increase in trading sales.

Raw material: Raw material cost increased 7.03% from Rs. 1,169.59 million in 2007-08 to Rs. 1,251.84 million in 2008-09 despite decrease in production. The increase was due to change of the Company's product mix towards the high-end.

Purchases: This comprised purchase of vitrified tiles and high-end glazed porcelain tiles from Italy and Spain. The purchases increased 51.90% from Rs. 1,502.72 million in 2007-08 to Rs. 2,282.63 million in 2008-09 to cater to the growing demand for value-added tiles – clearly reflecting the changing preference of the Indian customer towards superior products.

Power and fuel: Power and fuel consumption increased 16.63% from Rs. 777.02 million in FY 2007-08 to Rs. 906.21 million in 2008-09 owing to spiralling propane prices (used at the Gailpur plant) in the first half of the last financial year.

Employees: Wage bill increased 21.26% from Rs. 416.34 million in 2007-08 to Rs. 504.86 million in 2008-09 owing to a wage increment and an increase in the workforce. This improved productivity:

▣ Revenue per employee increased from Rs. 3.66 million in 2007-08 to Rs. 4.70 million in 2008-09.

▣ EBIDTA per employee increased from Rs. 0.61 million in 2007-08 to Rs. 0.68 million in 2008-09.

Capital employed

Despite the global downturn and liquidity crisis, the Company improved its turnover and operating profit with a reduced base. The Company's total capital employed declined marginally from Rs. 4,921.48 million as on 31st March 2008 to Rs. 4,872.37 million as on 31st March 2009. While net worth increased 4.63% over the previous year, external debt reduced 3.58%. Every rupee invested in the business generated Rs. 1.36 revenue in 2008-09 against Rs. 1.02 in 2007-08. The Company's return on average capital employed (ROCE) stood at 14.50% in 2008-09 against 12.38% in 2007-08. This increase reflected the efficient utilisation of every rupee invested in the business.

Equity

The Company's equity share capital comprised 73,583,580 equity shares with a face value of Rs. 2 each. During 2008-09, the Company's equity capital remained unchanged. The promoters' holding as on 31st March 2009 stood at 51.60% as against 49.39% as on 31st March 2008.

Reserves

Reserves and surplus increased 5.12% from Rs. 1,401.74 million as on 31st March 2008 to Rs. 1,473.53 million as on 31st March 2009, owing to profit reinvestments.

External funding

The Company's reliance on external funds declined marginally from Rs. 3,372.57 million as on 31st March 2008 to Rs. 3,251.67 million as on 31st March 2009 and comprised 66.74% of the capital employed in the business as on 31st March 2009 (against 68.53% as on 31st March 2008).

Interest

Interest cost increased substantially by 46.41% from Rs. 397.79 million in 2007-08 to Rs. 582.42 million in 2008-09 owing to a general increase in the prime lending rate of all banks, a sudden rise in the cost of overseas refinance credit and foreign currency rate fluctuation with regard to imports.

Fixed assets

The Company's net block declined marginally by 3.12% from Rs. 3,382.02 million to Rs. 3,276.54 million owing to capex. The return on net block stood at 21.32% in 2008-09 as

against 17.26% in 2007-08, reflecting enhanced asset sweating.

Depreciation

The Company consistently charged depreciation under the Straight Line Method as specified in the Companies Act, 1956. The Company's depreciation increased from Rs. 236.14 million in 2007-08 to Rs. 249.37 million in 2008-09. The accumulated depreciation, as a proportion of gross block, stood at 34.66% as on 31st March 2009, reflecting asset newness.

Working capital

The Company's working capital (net current assets) increased marginally by 4.76% from Rs. 2,001.24 million as on 31st March 2008 to Rs. 2,096.43 million as on 31st March 2009, despite a more than 31% increase in topline. Working capital, as a proportion of capital employed, stood at 43.03% as on 31st March 2009 against 40.66% as on 31st March 2008.

Inventory: Inventory declined 10.06% from Rs. 1,539.41 million as on 31st March 2008 to Rs. 1,384.57 million as on 31st March 2009, largely owing to efficient raw material and finished goods inventory management. Inventory declined from 112 days of net sales equivalent in 2007-08 to 76 days in 2008-09, following ERP intervention.

Debtors: Outstanding receivables declined 4.84% from Rs. 712.49 million as on 31st March 2008 to Rs. 678.04 million as on 31st March 2009, despite a significant increase in topline. The Company's debtors' turnover reduced from 49 days of turnover equivalent in 2007-08 to 36 days in 2008-09, reflecting stronger terms of trade and lower pressure on working capital funding.

Loans and advances: Loans and advances increased 79.75% from Rs. 459.97 million as on 31st March 2008 to Rs. 826.81 million as on 31st March 2009 owing to increase in accrued export benefits, security deposit, insurance claim receivable and custom duty receivable (special additional duty) on imports.

Creditors: Outstanding creditor liability increased from Rs. 604.70 million to Rs. 730.42 million, thanks to growing trading business and better negotiations with business partners.



"At Kajaria, we looked at the economic downturn as the right opportunity to strengthen our resilience against external vagaries." - Ashok Kajaria

What is risk?

Risk represents uncertainties and adversities that could have a material impact on the performance and prospects of a company. A responsible corporate identifies, assesses and takes proactive measures to minimise or eradicate the potential loss arising from exposure to particular risks on the one hand and maximise returns on the other.

How is Kajaria countering risks associated with the business?

The Company's comprehensive risk management model encompasses a culture of strict norms, reporting and control for effective implementation. The risk management policy is attuned to the Company's strategic direction.

A downturn in the realty sector can impact corporate performance and long-term sustainability.

Relevance to Kajaria

The realty sector is the largest consumer of ceramic tiles in India.

Derisking initiatives

The medium term growth of the infrastructure sector remains stable despite the short-term economic meltdown. This optimism is expected to sustain the demand from ceramic tiles over the medium-term.

Sectoral opportunities

During the Eleventh Plan, the total housing requirement is estimated at 26.53 mn units, warranting around Rs. 510,000 crore investments, the National Urban Housing & Habitat Policy, 2007 suggests. The Planning Commission estimates a domestic scarcity of 1.5 lakh hotel rooms by 2010. Around US\$9 billion investment has been planned for the development of Indian airports during the Eleventh Plan.

In addition, the Indian Government imposed an anti-dumping duty of Rs. 137 per sq. mtr on ceramic glazed wall and floor tiles imported from China, strengthening the opportunities for the Indian ceramic tile industry.

Inability to reach the areas of potential demand can hamper the Company's growth.

Relevance to Kajaria

More than 70% of the business is retail in nature.

Derisking initiatives

The Company maintained a prudent balance between retail and institutional sales to generate volumes and grow profitability. The Company possesses a well-established pan-India network, comprising more than 7,000 dealers and sub-dealers, the largest in the Indian ceramic tile industry. In 2008-09, the Company further strengthened its distribution

network to ensure swift delivery. In addition, it opened seven Kajaria World showrooms to strengthen its brand visibility. The brand visibility was further strengthened through exhibitions and melas across Tier II and III cities across India. Moreover, the Company caters to large institutional clients namely DLF, Unitech, Rahejas and EMAAR-MGF, among others, providing significant volume growth. The domestic revenue accruals were fairly balanced: northern and western India comprised 70% of the revenue, with the balance accruing from the southern and eastern markets. The strength of the Company's reach is reflected in its growing share in an otherwise depressed market environment.

The Company's inability to delight customers with products matching emerging trends may adversely impact product offtake.

Relevance to Kajaria

The Company has a pan-India presence; tastes and preferences vary in each state of the country.

Derisking initiatives

The Company ensured that it delighted customers consistently through the following initiatives:

Infrastructure: The Company has a strong R&D team to conceptualise novel designs. It creates 8-10 new designs every month in line with customer preferences to strengthen the brand recall. The Company organises several meets with its dealers and sub-dealers which provides a rich insight into evolving customer tastes and preferences on a regional basis.

Product range: The Company evolved one of the largest product ranges in the Indian ceramic tiles industry. It maintained a strong presence in key tile-based flooring solutions, namely ceramic and vitrified tiles. It offered the

maximum number of product sizes in wall and floor tiles; introduced large format tiles to strengthen product offering. In addition, it was the first ceramic tile company to offer a set of large format wall and floor tiles with highlighters and borders (the solitaire range)

Alliances: The Company prudently extended its presence to the high-premium imported tiles, in the vitrified and glazed porcelain segments through alliances with leading Chinese and European tile manufacturers. Additionally, in 2008-09, the Company allied with a leading Turkish ceramic tile brand for expanding its wall tile offering, strengthening its ability to cater to niche markets.

New vertical: The Company created a new business vertical – sanitaryware and other bathroom accessories from globally reputed brands. This enabled it to transform from a flooring solution provider to a complete bathroom solution brand.

The Company's continuous drive towards excellence is reflected in it being selected as 'Business Superbrand' for the fourth time in a row, the only Indian ceramic tile company with this achievement.



An inability to optimise costs could hamper the Company's ability to deliver superior shareholder returns.

Relevance to Kajaria

The Indian ceramic tiles sector is a highly competitive segment, with 12-13 national players and a host of regional players.

Derisking initiatives

Over the years, the Company continuously improved the operating processes to optimise resource consumption and offer a value proposition to customers, improving its profitability.

Global presence: The Company maintained a strong footprint across more than 20 nations globally; this enabled the Company to maintain high capacity utilisation at its units, despite a shrinking demand and facilitated better absorption of fixed costs.

Value addition: The introduction of large format tiles enabled the Company to increase realisation and generate higher margins.

Power cost: The Company is expected to get gas as fuel for its Gailpur unit from January 2010, which is expected to significantly enhance its profitability.

Working capital: The Company streamlined its operations significantly. It optimised resource procurement and consumption (reflected in a declining inventory cycle by about 36 days) and reduced the credit period for its customers (reflected in a reduced debtors cycle by about 13 days), reducing the reliance on external funds for its daily operations. The resultant decline in the interest liability will be visible in 2009-10.

Interest cost: The Company has negotiated with its financial allies for reducing the interest cost of its external funds, which is expected to significantly improve its profitability in the current year.

The impact of these initiatives is reflected in an improving return from the employed capital in 2008-09 over the previous year by 212 basis points.

5-year highlights

(Rs. in mn)

As on	2004-05	2005-06	2006-07	2007-08	2008-09
Share Capital	147.17	147.17	147.17	147.17	147.17
Reserves	1037.75	1209.03	1268.85	1401.74	1473.53
Loan funds	1451.82	2025.77	3323.67	3372.57	3251.67
Gross Block	3605.36	3885.01	5141.91	4900.74	5014.92
Net Block	2402.85	2500.87	3550.46	3382.02	3276.54
Capital Work-in-progress	61.82	316.76	29.80	26.28	-
Investments	44.60	44.60	64.60	33.94	33.94
Current Assets	1213.59	1472.17	2262.67	2794.63	2968.29
Current Liabilities	636.30	467.72	670.29	793.39	871.86
Net Current Assets	577.29	1004.55	1592.38	2001.24	2096.43
Deferred Tax Assets	(449.82)	(484.81)	(497.55)	(522.00)	(534.55)
Turnover	3003.96	3517.92	4368.03	5289.07	6911.99
Other income	10.21	8.10	9.75	15.30	9.96
Material costs	1035.79	1330.13	1852.08	2380.34	3601.85
Power costs	530.01	602.03	748.05	777.02	906.21
Employee cost	169.78	208.03	285.54	416.34	504.86
Other manufacturing expenses	102.95	100.84	131.90	140.29	133.69
Administrative & selling expenses	348.45	390.16	556.35	493.59	552.92
EBIDTA	622.60	685.44	573.25	834.35	959.27
Interest	146.16	142.80	249.00	397.79	582.42
EBDT	476.44	542.64	324.25	436.56	376.85
Depreciation	148.76	181.20	216.84	236.14	249.37
Profit before tax	327.68	361.44	107.41	200.43	127.48
Tax	57.79	79.73	30.67	50.20	38.47
Profit after tax	269.89	281.71	76.73	150.23	89.01
Extraordinary items	15.01	-	-	-	-
Net profit	254.88	281.71	76.73	150.23	89.01
Networth	1184.92	1356.20	1416.02	1548.91	1620.70
Capital Employed	2636.74	3381.97	4739.69	4921.48	4872.37
EPS (Rs.)*	3.46	3.83	1.04	2.04	1.21
Book value (Rs.)*	16.10	18.43	19.24	21.05	22.02
Dividend (Rs.)*	0.70	0.70	0.20	0.20	0.20
Return on net worth (%)	23.45	22.17	5.54	10.13	5.62
Return on capital employed (%)	18.61	16.76	8.78	12.38	14.50

* Face value of Rs. 2 per share

Value-added statement

(Rs. in mn)

	2004-05	2005-06	2006-07	2007-08	2008-09
Sales (gross)	3003.96	3517.92	4368.03	5289.07	6911.99
Other income	10.06	8.10	9.75	15.30	9.96
Increase/(Decrease) in Stock	1.96	140.50	425.48	291.97	(67.38)
	3015.98	3666.52	4803.25	5596.34	6854.57
Less					
Raw Material consumed	928.89	966.19	1227.67	1169.59	1251.84
Trading goods	113.78	504.44	1049.89	1502.72	2282.63
Manufacturing expenses	632.96	702.87	879.95	917.32	1039.89
Other expenses	363.46	390.16	556.34	493.59	552.92
	2039.09	2563.66	3713.85	4083.22	5127.28
Total value addition	976.89	1102.86	1089.39	1513.12	1727.29
Distribution of value-added					
To the Government					
Excise duty	199.66	209.39	230.61	262.48	263.16
Dividend tax	7.22	7.22	2.08	2.50	2.50
Current tax	20.94	44.74	17.93	25.74	25.93
	227.82	261.35	250.62	290.72	291.59
To the employees					
	169.77	208.03	285.54	416.34	504.86
To providers of finance					
	146.02	142.80	249.00	397.79	582.42
To shareholders					
	51.51	51.51	14.72	14.72	14.72
Depreciation	148.76	181.20	216.84	236.14	249.37
Deferred tax	36.86	34.99	12.74	24.45	12.55
Profit ploughed back	196.15	222.98	59.93	132.98	71.79
Retained in business	381.77	439.17	289.51	393.56	333.71
Total value addition (distributed)	976.89	1102.86	1089.39	1513.12	1727.29



Dennis Shancholberg

Your Directors are pleased to present the 23rd Annual Report together with the audited accounts of your Company for the financial year ended 31st March 2009.

(Rs in Million)

Particulars	Year ended 31st March 2009	Year ended 31st March 2008
Net sales	6912	5289
Profit before interest, depreciation and tax	959	834
Financial charges	582	398
Depreciation	249	236
Profit before taxation	127	200
Provision for income tax	17	22
Provision for fringe benefit tax	8	6
Provision for deferred tax	13	24
Income tax adjustment	1	(3)
Profit after tax	89	151
Add: Balance brought forward from the previous year	729	589
Profit available for appropriation	818	740
Transferred from debenture redemption reserve	(19)	(6)
Proposed dividend on equity shares	15	15
Corporate dividend tax	3	3
Balance carried forward	819	728
	818	740

Financial review

In one of the most challenging years in terms of sales, your Company performed exceedingly well. Gross sales grew by 30.68% from Rs. 5,289.07 million to Rs. 6,911.99 million,

outperforming the 12% industry growth. This achievement was due to the sizeable increase in sales of the large format glazed ceramic wall and floor tiles, resulting in higher realisation for the Company. The EBIDTA increased from Rs. 834.35 million in

2007-08 to Rs. 959.28 million in 2008-09. High fuel cost in line with the spiralling crude oil prices in the first half of the fiscal impacted the margins. The Company's strategic decision to pass on the fuel cost decline to the customers in the second half of 2008-09 improved the market share. The high finance cost and currency volatility impacted the bottom line significantly – the net profit declined 40.75% from Rs. 150.23 million in 2007-08 to Rs. 89.01 million in 2008-09 and the earnings per share declined from Rs. 2.04 per share to Rs. 1.21 per share over the same period. The book value per share strengthened from Rs. 21.05 as on 31st March 2008 to Rs. 22.02 as on 31st March 2009.

Dividend

The Directors recommended a 10% dividend on equity shares (Re. 0.20 per equity share, face value of Rs. 2). The dividend, if approved, at the forthcoming Annual General Meeting, will be paid to all equity shareholders whose names appear in the Register of Members as on 28 August 2009.

Corporate highlights

Extended reach: Your Company extended its reach by adding dealers and sub-dealers to its distribution network. The Company opened seven new Kajaria World showrooms. The Company organised several exhibitions and *melas* in Tier I and Tier II cities across India to strengthen its brand recall among customers.

Recognition: Your Company was selected as 'Business Superbrand' for the fourth time in a row the only Indian ceramic tile company with this recognition. Your Company was also awarded the membership of the Indian Green Building Council, the first Indian ceramic tile company with this accreditation.

New business vertical: Your Company commenced the import of international quality sanitary ware which is being marketed under the 'Kerovit' brand and is showcased at the Kajaria World outlets, providing customers with complete bathroom solutions.

Fixed deposits

The Company did not invite/accept any fixed deposit within the meaning of Section 58A of the Companies Act, 1956, and the rules made there under.

Outlook

Though the market conditions are expected to remain challenging over the short term depending on the depth of the global economic crisis, the medium term outlook for the Indian economy and the ceramic tile industry is expected to remain positive. This optimism is reinforced by the favourable government regulation. The Indian Government imposed an anti-dumping duty of Rs. 137 per sq. mtr. on ceramic glazed wall and floor tiles imported from China, strengthening the opportunities for the Indian ceramic tile industry. It is expected that the industry would sustain its historic average growth of 15-17% from the 12% growth in 2008-09.

As an industry leader, your Company expects to outperform the industry growth. This optimism is based on the following factors:

Impact of new products: Your Company expects that the new products (large format wall tile - 30 x 60 cm and 30 x 45 cm and joint free floor tiles - 45 x 45 cm) launched in 2008-09 will significantly strengthen your Company's performance in the coming years.

Fuel cost reduction: Your Company entered into an agreement with the Gas Authority of India Ltd (GAIL) for supply of natural gas for the Gailpur facility which is currently using propane, a high-cost fuel compared to natural gas; the supply is expected to commence from December 2009.

New manufacturing line: Your Company expects to commission its 2.5-million sq. mtr. Vitrified tile facility at Sikandrabad (Uttar Pradesh) by January 2010. – adding a margin-accretive product vertical to the business model.

Directors

In accordance with the Articles 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 details of their re-appointment together with nature of their expertise in specific functional areas and names of the Companies in which they hold of a Director or Chairman / membership of the committees of the Board are provided in the notice of the ensuing Annual General Meeting.

Further, Mr. Rishi Kajaria is re-appointed as Whole Time Director w.e.f 17.07.09 for a period of 5 years by the Board in their meeting held on 18.07.2009 subject to the approval of the members.

Auditors and their observations

M/s O P Bagla & Co., Chartered Accountants, the auditors of the Company retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. The Company received a certificate from the auditors to the effect of their re-appointment. The observations of the auditors are suitably explained in the notes on accounts.

Personnel

Your Company maintained cordial industrial relations during the year under review. The Company continued its endeavour to grow the learning curve through an regular training programmes for its team members enabling them to attain higher productivity and superior quality. The information required to be furnished in terms of Section 217(2A) of the Companies (Particulars of Employees) Rules, 1975, as amended, is set out in the statement annexed hereto as Annexure-I, forming part of the Report.

Directors' responsibility statement

Pursuant to the provisions of the Companies Act 1956, your Directors confirm that:

- In the preparation of the annual accounts, the applicable accounting standards were followed along with proper explanations relating to material departures.
- The Directors selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
- The Directors took proper and sufficient care to maintain adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The Directors prepared the annual accounts on a going concern basis.

Corporate Governance Report

A separate section on the Corporate Governance Report and a certificate from the statutory auditors of the Company regarding compliance of the conditions of Corporate Governance, as stipulated under Clause 49 of the Listing Agreement with stock exchanges forms a part of the Annual Report.

Management discussion and analysis report

Management discussion and analysis on matters related to the business performance, as stipulated in Clause 49 of the Listing Agreement with stock exchanges, is given as a separate section in the Annual Report.

Conservation of energy, technology absorption and foreign exchange earnings/outgo

Information required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (disclosure on particulars in the Report on the Board of Directors) Rules, 1988 is given in Annexure-II and forms part of this Report.

Acknowledgements

Your Directors express their gratitude for the cooperation and support received from the central and state government authorities, financial institution/banks, customers, vendors, shareholders and the society at large. Your Directors also place, on record, their appreciation for the contribution and hard work of employees across all levels. Without the commitment, inspiration and hard work, of these people, your Company's consistent growth would not have been possible. Your Company looks forward to their continued cooperation in realisation of the corporate goals in the years ahead.

For and on behalf of the Board

Ashok Kajaria

Chairman and Managing Director

Place: New Delhi

Date: 18th July 2009

Annexure-I to the Directors' Report

The statement of particulars of the employees pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956, forms a part of the Directors' Report for the year ended 31st March 2009.

Sr. No.	Name	Age	Designation & Nature of Duties	Qualification	Total Experience (including present employment)	Date of Commencement of employment	Remuneration (Rs. Mn.)	Particulars of Last Employment
1	Mr. Ashok Kajaria	62	Chairman & Managing Director	B.SC., BSME., California	34	01.01.1987	5.10	Managing Director - Kajaria Exports Limited
2	Mr. D.D.Rishi	60	Joint Managing Director	BSC. (Engg.), Chem Hons, Dim	36	15.01.1987	3.28	General Manager - Ram Ganga Fertiliser Limited
3	Mr. Chetan Kajaria	35	Whole-time Director	BE Pune Univ. MBA, Boston College	10	23.05.2003	2.47	Managing Director - Kajaria Plus Limited
4	Mr. Prakash Guddad	58	President - Marketing	B.E.(MECH.), M.I.E, PGDET(N.I.D)	36	15.01.1996	3.54	V.P. (Marketing) - Murudeshwar Ceramics
5	Mr. R C Rawat	53	VP (F&A) & Company Secretary	M. COM, FCA, FCS	29	14.07.1987	4.52	Chief Financial Officer - RCS Vanaspati Limited
6	Mr. Bhupender Vyas	52	Vice President - Marketing	B.COM, M.M.S.(MKTG)	28	15.01.2007	4.67	V.P. (Marketing) - Bell Granito Ceramics Ltd
7	Mr. G.P.Nirmal	48	Sr. G M- Import & Export	B.COM(H)	25	01.08.1997	2.79	Manager - Kajaria Exports Limited
8	Mr. Sanjeev Agarwal	45	G.M.- Finance	B COM, FCA	22	09.02.1994	2.71	Deputy Manager - Finance, J.K Corp. Ltd
9	Mr. Rajiv Goel	43	G.M.- Marketing	BSC (Chemistry) PGD-Marketing	18	08.06.1998	3.28	Branch Manager- Aristocrat Mkt Ltd
10	Mr. Pankaj Sethi	38	G.M.- Marketing	BE-CIVIL ENGG.	17	01.04.2003	2.87	Regional Manager- Kajaria Infotech Limited

Notes:

- Remuneration includes salary, allowances, Company's contribution to PF, perquisites exclude contribution to Gratuity Fund and Personal Accident Insurance as the same is paid for the Company as a whole.
- Appointments of Mr. Ashok Kajaria, Chairman & Managing Director, Mr. D D Rishi, Jt. Managing Director and Mr. Chetan Kajaria, Whole Time Director are contractual.
- Mr. Ashok Kajaria, Chairman & Managing Director is relative of Mr. Chetan Kajaria, Whole-time Director of the Company.

For and on behalf of the Board

Ashok Kajaria

Chairman & Managing Director

Place: New Delhi

Date: 18th July 2009

Annexure-II to the Directors' Report

I. Conservation of Energy :

The Energy Conservation efforts in the Company are being pursued on a continuous basis. Close monitoring of power consumption is maintained to minimise wastage and facilitate optimum utilisation of energy. Regular maintenance and repairs of all the equipments and machineries are carried out to ensure optimum efficiency. The Energy Conservation measures taken are -

1. Installation of RO Plant to ensure proper Water Management and control water consumption.
2. The Company also re-use / re-cycle the waste water for conserving the precious natural resource.
3. Installation of BEE (Bureau of Energy Efficiency) certified electrical items / equipments resulting in savings of Power consumptions.
4. Continuous maintenance of high Power Factor for effective utilisation of Grid power and reduction of apparent energy consumption.
5. Energy saving Lights are installed with Replacement of fluorescent lamps and also 250W HPWW lamps with HPSV Lamps for outdoor lighting for lesser energy consumption.
6. Optimisation of Plant Operating Voltage from 415V to 400V to reduce magnetisation losses of MOTORS, resulting in lesser energy consumption.

II. Technology Absorption:

[A] Research and Development [R&D]

(i) Specified Areas in which (R&D) carried out by the Company:

1. Research for further development of New & Large size of Wall and Floor Tiles conforming of EN / IS standards.
2. Optimising process parameters of production lines for improvement in yield and quality.

3. Dimension tolerance of finished product reduced for improvement in product quality and to increase customer satisfaction.
4. Development of alternative source of basic Raw Materials for cost reduction and to improve availability of Raw Materials.
5. In house analytical steps have been taken for fine tuning of formulations & operations.

(ii) Benefits derived as a result of the above R & D

1. The success has been achieved in maintaining the quality of products by development of various Raw material / Glazes for both Wall & Floor Tiles with improved resistance and longer uniformity resulting in development & receipt of several fresh customer orders.
2. The Company is able to increase Customer satisfaction and offer wider range of Wall & Floor Tiles at competitive cost.
3. The product has become more effective and preferable to all type of consumers due to its availability in wide range of floor & wall tiles.

(iii) Future plan of action:

The Company have always been a leader in producing special effect Wall & Floor Tiles that shares the advantage of existing market scenario.

1. Introduction of higher size of Floor & Wall Tiles.
2. Introduction of new type of decorated tiles.
3. To continue updating technology as per advancement and competitiveness observed from the market of China.
4. To maintain with the advance infrastructures available in the tile industry and train/educate the R&D team with updated technology of ceramic Floor & Wall Tiles.

(iv) Expenditure on (R&D)

(Rs.in Million)

	2008-2009	2007-2008
(a) Capital	--	--
(b) Recurring	0.20	1.13
Total	0.20	1.13
(c) Total R&D expenditure as a percentage of total turnover.	0.01	0.01

[B] Technology Absorption, Adaptation and Innovation

(I) The Company has fully adopted and further updating the latest technology of Monocuttura Process & Monoporosa Technology available in Giant European market of Ceramic Tiles.

(II) Benefits derived as a result of the above

This continues to be an on going process and the Company has successfully managed the Dry cutting of Tiles with significant saving in Energy and Water consumption. The Company is further planning for standardisation and installation of required machinery in the process of manufacturing ceramic glazed Floor & Wall Tiles.

Technology Imported

Process of Technology	Monocuttura	Monoporosa	Dry Grinding Process
Year of Import	1988	1994	2005
Has technology been fully absorbed	Yes	Yes	Yes

Social & Community Welfare

The Company has constantly endeavoured to contribute to the development and up-liftment of the Social strata around its area of operation.

The efforts focus on the various social amenities like Promotion of Sports, Medical Aid, Aid to the weaker section of students are some notable activities undertaken by the Company during the year 2008-09.

Foreign Exchange Earning and Outgo

(Rs in Million)

	2008-09	2007-08
Earned:		
Exports (FOB)	207	213
Spent:		
Imports (CIF)		
Capital goods	30	31
Raw Material	146	156
Stores & Spares	69	40
Traded Goods	1976	974
Others (on accrual basis)	14	25

For and on behalf of the Board of Directors

Place: New Delhi
Date: 18th July 2009

Ashok Kajaria
Chairman and Managing Director



Corporate Governance Report

The Company emphasises the need for full transparency and accountability in all its transaction, in order to protect the interests of its stakeholders. The Company takes proactive approach and revisits its governance practices and policies from time to time so as to meet the changing business and regulatory needs

I. The Company's Philosophy On Corporate Governance

The sole objective of the Company is to expand its capacities and becoming globally competitive in its business by building a strong foundation of good Corporate Governance. As a part of growth strategy, the Company believes in adopting the "best practices" that are followed in the area of Corporate Governance. The Company emphasises the need for full transparency and accountability in all its transaction, in order to protect the interests of its stakeholders. The Company takes proactive approach and revisits its governance practices and policies from time to time so as to meet the changing business and regulatory needs.

II. Board of Directors

The Board of Directors of the Company has an optimum

combination of executive, non-executive and independent Directors. As on 31st March 2009 the Company has 8 Directors on its Board, of which 4 Directors are Independent. The Company is in compliance with the recent amendments of 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 & at the last Annual General Meeting and the number of Directorships and Committee Memberships held by them in other Companies are given hereinafter:

Name	Status	No. of Board Meeting held	No. of Board meetings attended	No. of other Director-ship*	Committee Member-ship**	Whether attended the last AGM
Mr A K Kajaria	Chairman & Managing Director (Executive)	5	5	4	3	Yes
Mr D D Rishi	Jt Mg Director (Executive)	5	4	-	2	Yes
Mr Chetan Kajaria	Wholetime Director (Executive)	5	5	4	1	Yes
Mr Rishi Kajaria	Wholetime Director (Executive)	5	3	8	1	No
Mr R P Goyal	Director (Independent Non Executive)	5	4	1	1	Yes
Mr Raj Kumar Bhargava	Director (Independent Non Executive)	5	5	12	2	Yes
Mr R R Bagri	Director (Independent Non Executive)	5	4	4	3	Yes
Mr D P Bagchi	Director (Independent Non Executive)	5	5	3	1	Yes

* includes Directorship in Private Limited Companies.

** for this purpose only the Committees namely Audit Committee, Remuneration Committee, Share Transfer cum Investor Grievances Committee and Project Management Committee.

During the financial year ended 31st March 2009, Five Board Meetings were held on 03.05.2008, 25.07.2008, 25.09.2008, 25.10.2008, & 30.01.2009. 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.

In accordance with the Articles 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. Further, Mr. Rishi Kajaria is re-appointed as Whole

Time Director w e f 17.07.09 for a period of 5 years by the Board in their meeting held on 18.07.2009 subject to the approval of the members. The required information of 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 or are tabled in the course of such meeting.

III. Audit Committee

As on March 31 2009, the Audit Committee consist three Directors all being non – executive & 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:

S. 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	3

Mr R C Rawat, Vice President (F&A) & 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 25th September 2008.

During the year under review, the Audit Committee met four times i.e. 03.05.2008, 25.07.2008, 25.10.2008 and 30.01.2009.

Role of Audit Committee

The Role of Audit Committee 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.
- 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 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 following four members:

Name of the Director	Category	No. of Meetings Attended
Mr. A K Kajaria	Chairman	1
Mr. R K Bhargava	Member	1
Mr. R R Bagri	Member	1
Mr. D.P.Bagchi (appointed w.e.f. 25.09.08)	Member	-

The terms of reference to this Committee include:

a) 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

b) Remuneration payable to the non executive Directors for meetings of the Board and/or various committees attended.

The Committee met once during the year on 25.07.2008 to consider and recommend the remuneration of Mr. D.D.Rishi, Joint Managing Director of the Company.

The details of remuneration paid to directors during the financial year ended 31st March 2009 is as under:

S No.	Name of Directors	Salary	Perquisites and other Benefits	Sitting fees	Rs. in lacs
					Total
1	Mr A K Kajaria	30.00	21.00	NIL	51.00
2	Mr D D Rishi	16.80	15.95	NIL	32.75
3	Mr Chetan Kajaria	14.40	10.26	NIL	24.66
4	Mr Rishi Kajaria	13.20	9.79	NIL	22.99
5	Mr R P Goyal	NIL	NIL	0.35	0.35
6	Mr R R Bagri	NIL	NIL	0.50	0.50
7	Mr R K Bhargava	NIL	NIL	0.50	0.50
8	Mr D P Bagchi	NIL	NIL	0.30	0.30

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 31.03.09 are as follows:

S.No.	Name of Non- Executive Director	No. of Shares held as on 31.03.09
1	Mr R P Goyal	2500
2	Mr R R Bagri	3000
3	Mr R K Bhargava	9296
4	Mr D P Bagchi	NIL

V. Project Management Committee

The Company has a Project Management Committee of Board of Directors to review the expansion/Capital investments. The revised composition of Project Management Committee w.e.f 30th January 2009 is as under: -

Name of the Director	Category
Mr. A K Kajaria	Chairman
Mr. D D Rishi	Member
Mr. Chetan Kajaria	Member
Mr. Rishi Kajaria	Member

Being there was no new project/expansion during the financial year ended 31st March 2009, hence no Project Management Committee meeting was held.

VI. Share Transfer And Investors Grievance Committee

The Committee oversees redressal of shareholders and investors governance 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 committee is under: -

Name of the Director	Category
Mr. R R Bagri	Chairman
Mr. A K Kajaria	Member
Mr. D D Rishi	Member

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

During the year Four Share Transfer cum Investor Grievances Committee Meetings were held on 20.06.2008, 29.08.2008, 26.12.2008 and 06.03.2009.

During the year 42 complaints were received. All the 42 complaints were disposed off and no complaints were pending as at 31.03.2009.

VI. General Body Meetings

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

Year	Date	Time	Venue
2006	28.08.2006	12.00 Noon	A- 27 & 28, Sikandrabad Indl Area, Sikandrabad, Distt Bulandshahr (U.P.)
2007	26.09.2007	12.00 Noon	-do-
2008	25.09.2008	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. 23 of Schedule No. 23 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 authorities 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 has been issued by SEBI, Stock Exchanges or any Statutory Authorities 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 not laid down any whistle blower policy, however, the employees of the Company are given access to the Audit Committee to inform any unethical behavior.

e) Proceeds from Public/Rights/Preferential Issues etc.

The Company does not have any unutilised money raised through public / rights / preferential issues.

f) Managing Director and VP (F&A) & Company Secretary, 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 formulated the framework for the 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) The Business Standard
2) Dainik Jagran (Hindi)
- Any Web-site, 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 2008-09):

Date	Time	Venue
28th August, 2009	12.00 Noon	A-27 & 28, Sikandrabad Indl, Area Sikandrabad, Distt, Bulandshahr (U.P.)

- ii) Next Dates of Book closure : 18th August 2009 to 28th August 2009 (both days inclusive)

- iii) Date of Dividend payment : 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 2000-01 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 2001-02 is due to be transferred to investor education and protection fund.

v) Listing on Stock Exchanges:

□ The Stock Exchange, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400001.

□ The National Stock Exchange of India Ltd, "Exchange Plaza", Bandra-Kurla Complex, Bandra (E), Mumbai 400051

BSE/NSE listing fees for the financial year 2009-10 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 2008-09: -

Months	B S E		N S E	
	High	Low	High	Low
April, 2008	31.95	26.75	32.40	27.15
May, 2008	34.25	28.80	34.30	28.90
June, 2008	31.15	25.30	31.25	25.60
July, 2008	34.25	22.70	34.50	23.15
August, 2008	36.80	31.85	36.65	30.10
September, 2008	37.85	29.65	40.00	30.30
October, 2008	34.95	24.00	34.90	23.65
November, 2008	34.80	24.30	31.50	25.00
December, 2008	31.35	26.00	34.95	26.10
January, 2009	34.00	27.15	35.80	27.05
February, 2009	31.40	24.75	30.00	24.15
March, 2009	31.50	21.00	31.00	23.00

viii) Registrar & Share Transfer Agent MCS Ltd

F-65, 1st Floor
Okhla Industrial Area, Phase-1
New Delhi 110020
Phone: 011-41406151-52 Fax: 011-51709881

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 2009

Shareholding Pattern of the Company as on 31.03.2009

Category	No. of Shares Held	Percentage of Shareholding
A. Promoters' Holding		
1 Promoters:		
- Indian Promoters	37971815	51.60 %
- Foreign Promoters	-	-
Sub Total (A)	37971815	51.60 %
B. Non-Promoters Holding		
2 Institutional Investors:		
a Mutual Funds and UTI	68150	
b Banks & Financial Institutions	36525	
c Insurance Companies.	999253	
d FII's	106008	
Sub Total (B)	1209936	1.64 %
C. Others		
a Private Corporate Bodies	18950336	
b Indian Public	15247842	
c NRI's /OCB's	203051	
d Any other (Trust & Foundation)	600	
Sub Total (C)	34401829	46.76 %
Grand Total (A+B+C)	73583580	100.00%

Range Wise Distribution is as follows:

No. of shareholders	No. of Shareholders		No. of Shares	
	Total	% of Share holders	Total	% of share capital
1-500	10784	73.15	2418415	3.29
501-1000	2159	14.64	1806389	2.45
1001-2000	928	6.29	1426679	1.94
2001-3000	346	2.35	868442	1.18
3001-4000	121	0.82	428004	0.58
4001-5000	109	0.74	525555	0.71
5001-10000	124	0.84	953720	1.30
10001 and above	172	1.16	65156376	88.55
Total:		100%	73583580	100%

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 2009, 96.60% 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 two 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) 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: 91-11-26946409 Fax: 91-11-26946407

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 the year 2008-09.

For and on behalf of the Board

Place: New Delhi

Date: 18th July 2009

Ashok Kajaria

Chairman & Managing Director

Annexure to the Corporate Governance

1. Mr. R.P.Goyal is M.Com, CAIIB. He has served the imperial Bank of India (later on 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 Foreign Bank from 1984 to 1999 and also advisor of several public sector banks. Further, he was also a visiting faculty of the Institute of Banking, Pune. He has rich experience in the field of Finance, Banking and Accounts. He is director on the Board of various reputed Companies.

Mr. R.P.Goyal has joined the Board of Directors of the Company on 24th May 1988.. He is holding 2500 equity shares of the Company.

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

2. Mr. R.R. Bagri is B.Sc. (Engg.), M.S. (Sans) & FIPHE (New York). He has served with M/s Geo Miller & Co. P. Ltd. as Sr. Project Engineer from 1967 to 1972 a leading designers and contractors in the field of Public Health Engineering. Since June 1972, he has been running Clear Water Ltd., a company specialising in setting up projects Turnkey Basis in the field of Public Health Engineering. He has joined the Board of Directors of the Company on 21st January, 2000.

He is holding 3000 equity shares of the Company.

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	Bagari 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

3. Mr. Rishi Kajaria is B.Sc. in Business Administration from Boston University (USA). He has been working as whole time Director in the Company since 2004. He has been exceptional in his performance and helped the Company in diversifying itself into the market of polished Vitrified tiles. His performance is outstanding in increasing the exports of tiles.

Mr. Rishi Kajaria is holding 12,22,858 equity shares of the Company.

Directorships in other Companies :

S.No.	Name of Company	Position
1	Kajaria Export Limited	Director
2	Kajaria Housing & Infrastructure Limited	Director
3	Pearl Tile Marketing Pvt. Ltd.	Director
4	Minar Durobuild Pvt. Ltd.	Director
5	Kajaria Homesolutions Pvt. Limited	Director
6	R.S. Infrarealtors Pvt. Ltd.	Director
7	Rishi Infradevelopers Pvt. Ltd.	Director
8	Kajaria Vision Pvt. Limited	Director

To whomsoever it may concern

We have reviewed financial statements and the cash flow statement for the year ended 31st March 2009 and that to the best of their knowledge and belief we state that :

1. i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
ii these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's code of conduct.
3. We accept responsibility for establishing and maintaining internal controls for financial reporting. We have evaluated the effectiveness of the internal control systems of the

Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit committee, deficiencies in the design or operation of the internal control, if any, of which we are aware and the steps taken or propose to be taken to rectify these deficiencies.

4. We have indicated to the auditors and the Audit Committee:-
 - a. Significant change in internal control during the year.
 - b. Significance change in accounting policies made during this year and that the same have been disclosed in the notes to the financial Statement.
 - c. Instances to significant fraud of which we have become aware and the involvement therein, of management or an employee having a significant role in the Company's internal control system over financial reporting.

For Kajaria Ceramics Limited

Ashok Kajaria

Chairman & Managing Director

Place: New Delhi

Date : 5th May 2009

For Kajaria Ceramics Limited

R C Rawat

VP (F&A) and Co-Secretary

Auditors' certificate on compliance with the conditions of Corporate Governance under clause 49 of the Listing Agreement (S)

To

The Members of Kajaria Ceramics Ltd,

We have examined the compliance of conditions of Corporate Governance by Kajaria Ceramics Ltd for the year ended 31st March 2009, as stipulated in clause 49 of the Listing Agreement of the said with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management.

Our examination was limited to review the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders' Grievance Committee.

We further state that such compliance is neither an assurance as to future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For O P Bagla & Co.
Chartered Accountants

Mukul Bagnla
Partner

Membership No. 94156

Place: New Delhi

Date: 18th July 2009

Financial Section

Auditors' Report

To
The Members of
KAJARIA CERAMICS LIMITED

We have audited the attached Balance Sheet of **KAJARIA CERAMICS LIMITED** as at 31st March, 2009 and also the Profit & Loss Account and the Cash Flow statement for the Year Ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) order, 2003 as amended by the Companies (Auditor's Report) (Amendment) order 2004 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in the paragraphs 4 & 5 of the said order to the extent applicable to the Company.
2. Further to our comments in the annexure referred to above, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books.
 - c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the balance sheet, profit and loss account and Cash Flow statement dealt with by this report comply with the applicable accounting standards referred to in sub-section (3c) of section 211 of the Companies Act, 1956.
 - e) On the basis of written representations received from

the directors as on 31st March, 2009 and taken on record by the Board of Directors, we report that none of the directors of the Company is disqualified from being appointed as Director as at 31st March, 2009 in terms of section 274(1) (g) of the Companies Act, 1956.

- f)
 - i) The Company is accounting for Profit / loss from foreign exchange derivative transactions on actual receipt/ payment basis. The liability for the same, if any, on 'mark to market' basis as at the year end could not be ascertained.
 - ii) Attention is invited to Note Number 19 in Schedule 23 regarding recognizing Export benefits on unutilized advance licences under DERC scheme to the extent of duty leviable on imports to be made in future which has resulted into increase of net profit by Rs. 53.38 Million.
- g) Subject to our comments in para f (i) above, relating to profits/ losses on foreign exchange derivative transactions, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with Significant Accounting Policies and other Notes thereon in Schedule – 23, give the information required by the Companies Act, 1956 in the manner so required and give true and fair view in conformity with the accounting principles generally accepted in India :
 - i) In the case of the Balance Sheet of the state of affairs of the Company as at 31.3.2009.
 - ii) In the case of the Profit & Loss Account of the PROFIT of the Company for the year ended on that date.
 - iii) In case of cash flow statement of the cash flow of the Company for the year ended on that date.

For **O. P. Bagla & Co.**
Chartered Accountants

Atul Bagla
Partner

Place: New Delhi
Dated : 5th May 2009

Membership No. 91885

Annexure to the Auditors' Report

Annexure referred to in paragraph 1 of the Auditors' Report on Accounts for the year ended 31st March 2009

1. a) The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets.
b) As explained to us, major fixed assets have been physically verified by the management during the year. We have been informed that the discrepancies noticed on such verification as compared to book record were not material and have been properly dealt with in the books of account. In our opinion the frequency of verification is reasonable.
c) As the Company has not disposed off a substantial part of fixed assets during the year, paragraph 4 (i) (c) of the said order is not applicable.
2. a) Physical verification has been conducted by the management at reasonable intervals in respect of finished goods, stores, spare parts and raw materials except clay. We were informed that physical verification of clay was difficult due to its volume and loose nature.
b) In our opinion and according to the information and explanation given to us, the procedure of physical verification of these stocks followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
c) In our opinion the Company is maintaining proper records of inventories. The discrepancies noticed on such verification between the physical stocks and book records were not significant and the same has been properly dealt with in the books of account.
3. The Company has not granted any loan during the year to companies, firms or other parties covered in the register maintained under section 301 of the Act.
4. The Company has not taken any loan from companies, firms or other parties covered in the register maintained under section 301 of the Act.
5. In our opinion and according to the information and explanations given to us there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories, fixed assets and with regard to the sale of goods and services. During the course of audit, no major weakness has been noticed in the internal control system.
6. a) In our opinion and according to information and explanations given to us the transactions that needed to be entered in the register maintained under section 301 of the Act have been entered in the register.
b) As per information and explanations given to us aforesaid transactions have been made at prices which are reasonable having regard to the prevailing market price at the relevant time.
7. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits within the meaning of provisions of section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.
8. In our opinion and according to the information and explanations given to us, the Company has adequate internal audit system commensurate with its size and nature of its business.
9. We are informed that the Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 for the products of the Company.
10. a) As per information and explanations given to us the Company has been regular in depositing the undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess, Octroi, entry tax and other statutory dues with the appropriate Authorities. There are no undisputed statutory dues at the year end outstanding for a period of more than six months from the date they become payable.
b) We have been informed that disputed demands of Rs. 2.25 million in respect of Sales Tax and Service Tax are pending in appeals with the Commissioner Appeals/High Court.
11. There are no accumulated losses of the Company as at the end of the year. the Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
12. Based on our audit procedures and on the basis of information and explanations given to us by the management, we are of the opinion that there is no default in repayment of dues to the Financial Institutions, banks or debenture holders as at the year end.
13. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Hence paragraph 4 (xii) of the order is not applicable.
14. According to information and explanations given to us the Company has given guarantee for loans taken by associates amounting to Rs.50 Million and by others amounting to Rs. 50 Million from bank and in our opinion the terms and conditions whereof are not prejudicial to the interest of the Company.
15. According to the information and explanations given to us the term loans taken by the Company have been applied for the purposes for which the loans were obtained.
16. According to the information and explanations given to us the funds raised on short term basis have not been utilized for long term investment.
17. During the year the Company has not made any preferential allotment of shares to parties and Companies covered in the Register maintained u/s 301 of the Companies Act 1956. As such paragraph 4 (xviii) of the order is not applicable.
18. According to the information & explanation given to us the Company has already created securities or charge in respect of debentures issued.
19. Since the Company has not raised money by way of Public Issue during the year paragraph 4 (xx) of the order is not applicable.
20. Based upon the audit procedures performed and information and explanations given by the management, we report that, no fraud on or by the Company has been noticed or reported during the course of our audit for the year ended 31.03.2009.
21. Other clauses of the order are not applicable to the Company for the year under report.

For O. P. Bagla & Co.
Chartered Accountants

Atul Bagla
Partner

Place: New Delhi
Dated : 5th May 2009

Membership No. 91885

Balance Sheet As at 31st March 2009

(Rs. in Million)

Schedules	31.3.2009	31.3.2008
SOURCES OF FUNDS		
Shareholders' Funds		
Share Capital 1	147.17	147.17
Reserves and Surplus 2	1,473.53	1,401.74
	1,620.70	1,548.91
Loan Funds		
Secured Loans 3	2,926.67	2,905.98
Unsecured Loans 4	325.00	466.59
	3,251.67	3,372.57
Total	4,872.37	4,921.48
APPLICATION OF FUNDS		
Fixed Assets		
Gross Block 5	5,014.92	4,900.74
Less : Depreciation	1,738.38	1,518.72
Net Block	3,276.54	3,382.02
Capital Work-in-Progress	-	26.28
	3,276.55	3,408.30
Investments 6	33.94	33.94
Current Assets, Loans & Advances		
Inventories 7	1,384.57	1,539.41
Sundry Debtors 8	678.04	712.49
Cash and Bank Balances 9	78.87	82.76
Loans and Advances 10	826.81	459.97
	2,968.29	2,794.64
Less : Current Liabilities & Provisions		
Liabilities 11	829.84	747.57
Provisions 12	42.02	45.82
	871.86	793.39
Net Current Assets	2,096.43	2,001.24
Deferred Tax Assets/ (Liabilities) 12A	(534.55)	(522.00)
Total	4,872.37	4,921.48
Significant Accounting Policies and Notes on Accounts 23		

In terms of our report of even date Annexed

For O. P. Bagla & Co.

Chartered Accountants

Atul Bagla

Partner

Membership No.: 91885

Place: New Delhi

Dated: 5th May 2009

For and on behalf of the Board

Ashok Kajaria

Chairman & Managing Director

D. D. Rishi

Jt. Managing Director

Chetan Kajaria

Rishi Kajaria

Wholetime Directors

R. P. Goyal

D. P. Bagchi

R. K. Bhargava

R. R. Bagri

Directors

R. C. Rawat

Vice President (F & A) &

Company Secretary

Profit and Loss Account For the year ended 31st March 2009

(Rs. in Million)

Schedules	31.3.2009	31.3.2008
INCOME		
Sales (Gross)	6,911.99	5,289.07
Less: Excise Duty on Sales	263.16	262.48
	6,648.84	5,026.60
Other Income 13	9.96	15.30
Increase/Decrease in Stocks 14	(67.38)	291.97
	6,591.42	5,333.87
EXPENDITURE		
Purchases	2,282.63	1,502.71
Raw Material Consumed 15	1,251.84	1,169.58
Stores Consumed 16	87.02	107.26
Power & Fuel 17	906.21	777.02
Salaries, Wages and Amenities 18	504.86	416.34
Repairs and Maintenance 19	46.67	33.04
Administrative & Other Expenses 20	240.95	216.89
Selling & Distribution Expenses 21	311.97	276.70
Financial Charges 22	582.42	397.79
Depreciation	249.37	236.14
	6,463.94	5,133.46
Profit for the Year	127.48	200.41
Profit Before Tax	127.48	200.41
Provisions for:		
Income Tax	16.80	22.00
Fringe Benefit Tax	8.00	6.60
Deferred Tax	12.55	24.45
Income Tax / Wealth Tax Adjustment	1.13	(2.86)
Profit After Tax	89.01	150.23
Balance as per last year	728.51	589.37
Profit Available for Appropriation	817.52	739.60
APPROPRIATIONS		
Proposed Dividend on Equity Shares	14.72	14.72
Corporate Dividend Tax	2.50	2.50
Provision for Doubtful Debtors	-	0.07
Transfer from Debenture Redemption Reserve	(18.75)	(6.25)
Surplus Carried Over	819.05	728.56
	817.52	739.60
Basic/Diluted Earnings per share (Rs)	1.21	2.04
Significant Accounting Policies and Notes on Accounts 23		

In terms of our report of even date Annexed

For O. P. Bagla & Co.

Chartered Accountants

Atul Bagla

Partner

Membership No.: 91885

Place: New Delhi

Dated: 5th May 2009

For and on behalf of the Board

Ashok Kajaria

Chairman & Managing Director

D. D. Rishi

Jt. Managing Director

Chetan Kajaria

Rishi Kajaria

Wholetime Directors

R. P. Goyal

D. P. Bagchi

R. K. Bhargava

R. R. Bagri

Directors

R. C. Rawat

Vice President (F & A) &

Company Secretary

Schedules forming part of the Accounts As at 31st March 2009

(Rs. in Million)

	31.3.2009	31.3.2008
Schedule 1 SHARE CAPITAL		
Authorised		
125,000,000 (125,000,000) Equity Shares of Rs. 2/- each	250.00	250.00
10,00,000 (10,00,000) Preference Shares of Rs.100/- each	100.00	100.00
	350.00	350.00
Issued, Subscribed & Paid up		
73,583,580 (73,583,580) Equity Shares of Rs. 2/- each fully paid up in cash	147.17	147.17
	147.17	147.17
Schedule 2 RESERVES AND SURPLUS		
A. Capital Reserve		
Share Premium	142.35	142.35
B. Debenture Redemption Reserve		
Balance B/f	67.19	73.44
Less : Written Back	(18.75)	(6.25)
	48.44	67.19
C. General Reserve	413.69	413.69
D. Capital Redemption Reserve	50.00	50.00
E. Profit & Loss Account	819.05	728.51
	1,473.53	1,401.74
Schedule 3 SECURED LOANS		
A. Debentures		
Non Convertible Debentures	48.44	67.19
B. Term Loans		
– From Financial Institutions	166.60	71.25
– From Banks	1,683.47	1,809.63
– Car loan from Others	14.43	4.95
C. Working Capital Facilities		
From Banks	1,013.73	952.96
	2,926.67	2,905.98

Notes

- Debentures from IFCI and Term loans from Financial Institutions & Banks, except as stated below in 1 (b) & 1(c) and 2, are secured by 1st charge on immovable and movable assets (present and future) of the Company situated at Sikandrabad Industrial Area (U. P.) and Village Gailpur (Rajasthan) (subject to prior charges on movables in favour of banks) ranking pari passu with the charges created in favour of participating Financial Institutions and Banks and further guaranteed by the Managing Director of the Company.
 - Short Term Loan from HDFC Bank of Rs. 50.02 Million is secured against exclusive 1st charge on specified area of land & building constructed thereon at Gailpur Factory of the Company.
 - Term Loan from Rabo Bank of Rs. 72.22 Million is secured against exclusive charge on all wind mills in Maharashtra and on 1.25 MW wind power plant in Rajasthan and equitable mortgage of land in respect of Wind mill Project.
- Working Capital Facilities from Banks are secured by 1st charge on inventories and book debts and second charge on immovable and movable assets of the Company ranking pari passu amongst the Banks and further guaranteed by the Managing Director of the Company.
- Other terms and conditions of Debentures are duly reflected in Schedule 23.
- Car Loan from others Rs.14.43 million is secured against respective cars.

Schedules forming part of the Accounts As at 31st March 2009

(Rs. in Million)

	31.3.2009	31.3.2008								
Schedule 4 UNSECURED LOANS										
Short Term Loans & Advances										
– from Scheduled Banks	250.00	391.59								
– From Companies	75.00	75.00								
	325.00	466.59								
Schedule 5 FIXED ASSETS										
PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1.4.2008	Additions	Sale/ Transfer	As at 31.3.2009	Upto 31.3.2008	For the year	Sale/ Transfer	Upto 31.3.2009	As at 31.3.2009	As at 31.3.2008
Land and Site Development	105.59	0.01	0.00	105.60	0.00	0.00	0.00	0.00	105.60	105.59
Building	873.41	12.10	0.00	885.50	212.76	28.41	0.00	241.17	644.33	660.65
Plant & Machinery	3,727.74	98.58	36.53	3,789.79	1,217.82	199.45	25.03	1,392.24	2,397.55	2,509.91
Furniture and Fixtures	50.66	2.10	0.19	52.57	23.83	3.21	0.02	27.02	25.55	26.84
Vehicles	59.01	20.97	9.52	70.46	15.67	6.53	4.65	17.55	52.91	43.34
Fixed Assets - Sales Outlet	84.34	26.67	0.00	110.99	48.65	11.76	0.00	60.41	50.58	35.69
CURRENT YEAR	4,900.74	160.43	46.24	5,014.92	1,518.72	249.36	29.70	1,738.38	3,276.52	3,382.02
PREVIOUS YEAR	5,141.91	113.92	355.10	4,900.74	1,591.45	236.14	308.87	1,518.72	3,382.02	3,550.46
Schedule 6 INVESTMENTS										
Investments in Equity Shares - long term (at cost) (Other than trade)										
Quoted										
3,00,000 Equity Shares of Regency Trust Ltd. of Rs. 10/- each (Note: Market Value has not been given as no quotation is available.)		4.50								
Unquoted										
29,39,500 Equity Shares (Previous year 29,39,500) of Kajaria Plus Pvt. Ltd. of Rs. 10/- each fully paid up	29.44	29.44								
	33.94	33.94								
Schedule 7 INVENTORIES (As certified by the Management)										
Raw Materials	145.22	209.67								
Stores and Spares	145.02	125.95								
Finished Goods	1,031.69	1,145.73								
Work-in-Process	62.64	58.07								
	1,384.57	1,539.43								
Schedule 8 SUNDRY DEBTORS (UNSECURED)										
a) Debts outstanding for a period exceeding six months										
– Considered Good	49.91	39.50								
– Considered Doubtful	34.41	32.25								
b) Other Debts										
– Considered Good	594.92	641.94								
	679.24	713.69								
Less: Provision for Doubtful Debts	1.20	1.20								
	678.04	712.49								

Schedules forming part of the Accounts As at 31st March 2009

(Rs. in Million)

	31.3.2009	31.3.2008
Schedule 9 CASH AND BANK BALANCES		
Cash in hand and imprest	6.37	4.45
Balance with Scheduled Banks		
– in current account	57.74	77.96
– in Margin / FDR	14.76	0.35
	78.87	82.76

Schedule 10 LOANS & ADVANCES

(Unsecured Considered Good)		
Loans	7.00	7.00
Advances recoverable in cash or kind or for value to be received (Including Rs.1,69,034/- Doubtful Previous Year 4,08,736/-)	502.12	291.68
Balance With Excise Authorities	17.98	21.35
Exports Benefit Accrued	53.39	–
Security Deposits		
– With Government Departments	26.97	27.27
– With Others	172.00	69.86
Prepaid Expenses	9.05	8.12
Income Tax / FBT	38.31	34.69
	826.82	459.97

Schedule 11 CURRENT LIABILITIES

Sundry Creditors	730.42	604.70
Investors Education & Protection Fund		
– Unclaimed Dividend	2.21	2.15
Other Liabilities	72.47	113.02
Interest accrued but not due	2.07	7.04
Security Deposits	22.68	20.66
	829.85	747.57

Schedule 12 PROVISIONS

Income Tax	16.80	22.00
Fringe Benefit Tax	8.00	6.60
Proposed Dividend	14.72	14.72
Corporate Dividend Tax	2.50	2.50
	42.02	45.82

Schedule 12A DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax Liability		
As at 1st April 2008	(522.00)	(497.55)
Additional adjustment for current year	(12.55)	(24.45)
	(534.55)	(522.00)

Schedules forming part of the Accounts For the year ended 31st March 2009

(Rs. in Million)

	31.3.2009	31.3.2008
Schedule 13 OTHER INCOME		
Profit on Sale of Investment	–	10.66
Miscellaneous Income	9.96	4.64
	9.96	15.30

Schedule 14 INCREASE/DECREASE IN STOCKS

Stock as on 1.4.2008		
Work-in-process	58.07	58.76
Finished Goods	1,145.73	831.86
	'A'	1,203.80
Stock as on 31.03.2009		
Work-in-process	62.64	58.07
Finished Goods	1,031.69	1,145.73
Excise Duty on Stocks	42.09	(21.20)
	'B'	1,136.42
	B-A	(67.38)

Schedule 15 RAW MATERIAL CONSUMED

Opening Stock	209.67	170.96
Purchases	1,187.39	1,208.30
	1,397.06	1,379.25
Less : Closing Stock	145.22	209.67
	1,251.84	1,169.58

Schedule 16 STORES CONSUMED

Opening Stock	102.00	94.31
Purchases	116.40	114.94
	218.40	209.26
Less : Closing Stock	131.38	102.00
	87.02	107.26

Schedule 17 POWER & FUEL

Power & Fuel Charges	926.64	805.38
Less: Electricity Generated for Self Use	20.42	20.33
Less: Claim for Shortfall in Generation	–	8.03
	906.22	777.02

Schedule 18 SALARIES, WAGES & AMENITIES

Salary, Wages and Allowances	461.85	372.05
Contribution to ESI, PF & FPF etc.	24.82	21.02
Staff Welfare	12.39	12.07
Contribution to LIC Group		
Gratuity Scheme	5.81	11.20
	504.87	416.34

Schedules forming part of the Accounts For the year ended 31st March 2009

(Rs. in Million)

	31.3.2009	31.3.2008
Schedule 19 REPAIRS & MAINTENANCE		
Building	10.46	9.69
Machinery	18.31	17.82
Others	17.90	5.54
	46.67	33.06

Schedule 20 ADMINISTRATIVE & OTHER EXPENSES

Printing, Stationery & EDP expenses	6.57	6.39
Rent, Rates & Taxes	58.61	50.38
Vehicle Expenses	11.72	8.85
Communication Expenses	27.43	21.97
Traveling & Conveyance expenses	81.32	80.63
Insurance Charges	9.34	10.86
Legal & Professional Charges	11.04	7.90
Loss on Sale of Fixed Assets	3.07	1.95
Directors Sitting Fees	0.17	0.22
Auditors' Remuneration :		
– As Audit Fees	0.65	0.60
– For Certification etc.	0.01	0.02
– For Tax & other matters	0.61	0.48
– For Reimbursement of expenses	0.05	0.03
Miscellaneous expenses	18.00	16.33
Share Transfer expenses	0.09	0.10
Electricity & Water Charges	10.74	8.52
Foreign Technician expenses	0.10	0.48
Social Relief & Welfare expenses	0.09	0.05
Bad Debts Written Off	1.13	–
Research & Development expenses	0.20	1.13
	240.94	216.89

Schedule 21 SELLING & DISTRIBUTION EXPENSES

Packing Freight & Forwarding Expenses	107.54	133.95
Advertisement, Publicity & Sales Promotion	112.12	71.71
Commission	92.31	71.04
	311.97	276.70

Schedule 22 FINANCIAL CHARGES

Interest on Fixed Loans	273.57	264.45
Interest on others (Net)	166.46	137.76
Exchange Difference	119.49	(20.82)
Bank & Other Charges	22.90	16.40
	582.42	397.79

Schedules forming part of the Accounts

Schedule 23 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

The Company prepares its financial statements in accordance with applicable accounting standards and generally accepted accounting principles and also in accordance with the requirements of the Companies Act, 1956.

2. Income and Expenditure

Accounting of Income & Expenditure is done on accrual basis except Interest on export bills which is accounted for on actual realization.

3. Fixed Assets & Depreciation

- Fixed assets are stated at their original cost of acquisition inclusive of inward freight, duties and expenditure incurred in the acquisition, construction/installation.
- In case of assets acquired out of foreign currency loans, the increase/decrease in liability on account of fluctuation in exchange rates has been charged to Profit & Loss Account.
- Depreciation is charged on Straight Line Method (SLM) at the rates provided in Schedule XIV of the Companies Act, 1956. Continuous process plant as defined in Schedule XIV has been considered on technical evaluation. In case of assets of sale outlets of dealers, depreciation is charged @ 20% on SLM basis. Assets costing upto Rs. 5,000/- are fully depreciated in the year of purchase.
- CENVAT credit availed on capital equipment is accounted for by credit to respective fixed assets.

4. Investments

Long term investments are stated at cost.

5. Inventories

Inventories are valued on the following basis:

- Stores and Spares - at moving weighted average basis.
- Raw Materials - at moving weighted average basis.
- Work-in-Process - at estimated cost
- Finished Goods - at lower of cost or estimated realisable value.
- Material in Transit - at cost.

6. Excise & Custom Duty

- Custom Duty is accounted for at the time receipt of goods in custom warehouse.
- CENVAT Credit, to the extent availed, is adjusted towards cost of materials.

7. Sales

Sales are inclusive of excise duty and after deducting sales tax and discounts. Discounts are recognized when substantially all conditions apparent thereto have been fulfilled.

8. Foreign Currency Transactions

- Debtors receivable in Foreign Currency are substantially represented by export bills/bills of exchange which in most cases, are immediately discounted with Bankers.
- All outstanding liabilities including working capital loans are revalued at year-end exchange rates. Exchange differences arising on such revaluation are recognised in the Profit & Loss Account. Exchange differences relating to acquisition of fixed assets from outside India are adjusted against the relevant fixed assets.
- The Company is accounting for profit / loss arising from forex derivative transactions on actual receipt / payment basis. The recognition of profits / losses on 'mark to market' basis, as provided in Accounting Standard – 30 issued by ICAI shall be adhered to when the said accounting standard becomes mandatory w.e.f. 1st April, 2011.

9. Export Benefits

Export Benefits in respect of unutilized Advance Licences under DERC Scheme are accounted for in the year of Export to the extent of duty leviable on imports to be made in future. The consumption of Raw Material, Stores and other inputs and the valuation of closing stock are stated net of such export benefits.

10. Gratuity/Retirement Benefits

Gratuity liability has been provided on the basis of actuarial valuation and liability for leave encashment benefits has been provided on an arithmetical basis.

Schedules forming part of the Accounts

Schedule 23 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

11. Research & Development

Revenue Expenditure on research and development is charged to Profit & Loss Account in the year in which it is incurred. Capital Expenditure on research and development is treated as additions to Fixed Assets in case the same qualifies as an intangible asset as per AS – 26 issued as ICAI.

12. Contingent Liabilities

Contingent liabilities are determined on the basis of available information and are disclosed by way of notes to the accounts.

13. Sundry Debtors

Sundry Debtors are shown net of bills discounted.

14. Dividend received is accounted for as and when it is declared.

15. Unless specifically stated to be otherwise, these policies are consistently followed.

B. NOTES ON ACCOUNTS

(Rs. in Million)

	As at 31.03.2009	As at 31.03.2008
1. Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of advances)	0.29	–
2. Letters of Credit opened in favour of inland/overseas suppliers (Net)	691.11	506.90
3. Contingent liabilities not provided for (excluding matters separately dealt with in the notes):		
a) In respect of bills discounted with the Company's bankers	66.67	32.60
b) Counter guarantees issued in respect of guarantees issued by Company's bankers	–	–
c) Guarantees issued on behalf of limited companies	100.00	150.00
d) In respect of excise duty, sales tax, service demands pending before various authorities and in dispute	2.25	0.38
e) In respect of disputed electricity demand pending with appellate authorities and other consumer cases.	4.34	0.16

4. Terms and conditions of issue and redemption of Non Convertible Debentures are as under:

No of Debenture	Rate	Amount (Rs. million)	Date of commencement of redemption
10,00,000	13.00%	100.00	Redeemable in 21 installments of 15.625 lacs from 15.1.03 to 15.1.08; 3 installments of Rs. 62.50 lacs from 15.4.08 to 15.10.08; Rs. 24 lacs on 15.01.2010, Rs. 50 lacs on 15.04.10, Rs 60 lacs on 15.07.10, Rs. 70 lacs on 15.10.10 & final installment of Rs 280.375 lacs on 15.01.11.

5. Details of Raw Material Consumed

	Unit	2008-09		2007-08	
		Qty	Value (Rs. million)	Qty	Value (Rs. million)
a) Body Materials	MT	278311	284.88	296067	274.21
b) Glaze, Frits & Chemicals	MT	19856	722.39	21366	689.50
c) Packing Materials	NOS	16640006	244.57	18314795	205.88
			1251.84		1169.59

Schedules forming part of the Accounts

Schedule 23 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

6. Particulars of Sales & Stock

	Unit	2008-09		2007-08	
		Qty (million)	Value (Rs. million)	Qty (million)	Value (Rs. million)
a) Opening Stock					
Glazed Tiles	Sq. Mtrs	4.79	1145.73	3.79	831.86
b) Purchases					
Glazed Tiles	Sq. Mtrs	5.57	2282.60	3.77	1,502.72
c) Sales					
Glazed Tiles	Sq. Mtrs	22.60	6900.28	20.79	5270.97
Power			11.70		18.10
d) Closing Stock					
Glazed Tiles	Sq. Mtrs	3.81	1031.69	4.79	1145.73

Sales Quantity includes goods used for sampling & own consumption.

7. Salary includes following remuneration to the Managing Director, Jt. Managing Director & Whole Time Director

(Rs. in Million)

	Year ended 31.03.2009	Year ended 31.03.2008
– Salary	7.44	6.73
– Perquisites	5.34	5.33
– Contribution to Provident Fund	0.36	0.34

8. Details of registered & installed capacities and production

	Unit (million)	2008-09	2007-08
a) Registered Capacity	Sq Mtrs	N.A.	N.A.
b) Installed Capacity*			
– Tiles	Sq Mtrs	21.00	21.00
c) Production			
– Tiles	Sq Mtrs	16.05	18.02

* As certified by the Management and relied on by the Auditors being a technical matter.

9. Value of Imports on CIF basis:

(Rs. in Million)

	2008-09	2007-08
• Capital Goods	29.51	30.82
• Raw Materials	145.86	155.93
• Spares and Consumables	68.82	40.48
• Traded Goods	1976.46	974.46

Schedules forming part of the Accounts

Schedule 23 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

10. A) Expenditure in Foreign Currency (on accrual basis) : (Rs. in Million)

	2008-09	2007-08
a) Interest on FC Loan	1.88	4.38
b) Commission of Export Sales	0.24	2.61
c) Others including travel etc.	11.95	18.36

10. B) Payment of Dividend in Foreign Currency pertaining to :

	2008-09	2007-08
• No of persons	187	26
• No of shares	362,538	57,900
• Amount	Rs. 72,508	Rs. 11,580

11. Earnings in Foreign Currency : (Rs. in Million)

	2008-09	2007-08
FOB Value of Exports (Rs.)	207.45	212.51

12. Value of imported and indigenous raw material consumed and the percentage of each to total consumption:

	2008-09		2007-08	
	%	(Rs. million)	%	(Rs. million)
Imported	15.08	188.83	11.32	132.39
Indigenous	84.92	1063.01	88.68	1037.19

13. The Company is in the process of identifying vendors registered under Micro, Small and Medium Enterprises Development Act, 2006 and gathering information to make the necessary disclosures as mentioned in the amendment to Schedule VI of the Companies Act, 1956 vide the notification dated November 16, 2007.

14. No provision for decline in the value of quoted long term investments has been made. It is considered that this decline is of a temporary nature and the net worth of the investee company does not warrant any such provision.

15. Balances of certain debtors, creditors, loans and advances are subject to confirmation.

16. In the opinion of the Management current assets, loans and advances have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated except where indicated otherwise.

17. To comply with the guidance note on "Accounting Treatment of Excise Duty" issued by Institute of Chartered Accountants of India, excise duty amounting to Rs. 32.18 Million has been included in the value of inventories as on 31.03.2009 and the corresponding amount of excise duty payable has been included in other liabilities. However, this accounting policy has no impact on the profit for the year.

18. The Sales Tax Department of Uttar Pradesh had demanded a sum of Rs. 155.00 million in earlier years representing the amount of sales tax payable as a result of withdrawal of exemption by the aforesaid department in respect of three expansions undertaken by the Company at its Sikandrabad unit. The withdrawal of exemption was further confirmed by the Hon'ble Supreme Court of India. The Company had provided a sum of Rs. 51.70 million towards the same in its accounts for the year ended 31st March, 2006. A further sum of Rs. 92.39 million, paid under protest has been shown as amount

Schedules forming part of the Accounts

Schedule 23 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

recoverable. Keeping in view the Company's contention and as per opinion given by the law department of the Uttar Pradesh Government also as the amount of additional liability is contested before Hon'ble Allahabad High Court and/or Trade Tax Tribunal. On the basis of legal opinion received, the Company is confident of getting the refund of extra amount paid and as such, no provision for the same has been made in the current financial statements.

19. During the year, the Company has recognized Export Benefits on unutilized Advance Licences under DERC Scheme to the extent of duty leviable on imports to be made in future, which has resulted into increase of Net Profit by Rs. 53.38 Million.

20. Consequent to change of ERP software to SAP, the Company has changed the cost formula for valuation of raw material and store items from FIFO to moving weighted average basis during the year. This has resulted in an insignificant increase in profits for the year by Rs. 0.28 Million.

21. Gratuity And Other Post-Employment Benefit Plans:

The Company has a defined benefit gratuity plan. Gratuity (being administered by a Trust) is computed as 15 days salary, for every completed year of service or part thereof in excess of 6 months and is payable on retirement / termination / resignation. The benefit vests on the employee completing 5 years of service. The Gratuity plan for the Company is a defined benefit scheme where annual contributions are deposited to a Gratuity Trust Fund established to provide gratuity benefits. The Trust Fund has taken a Scheme of Insurance, whereby these contributions are transferred to the insurer. The Company makes provision of such gratuity asset/liability in the books of accounts on the basis of actuarial valuation as per the Projected unit credit method. Plan assets also include investments and bank balances used to deposit premiums until due to the insurance company.

The following tables summarize the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the respective plans:

Profit and Loss Account

Net employee benefit expense (recognised in Employee cost)

(Rs. in Million)

Particulars	31.03.2009
Current service cost	3.03
Interest cost on benefit obligation	2.28
Net actuarial loss recognised in the year	2.04
Past service cost	NIL
Net benefit expense	7.35

Balance Sheet

Details of provision for Gratuity

(Rs. in Million)

Particulars	31.03.2009
Defined benefit obligation	26.05
Less: Unrecognised past service cost	NIL
Plan liability	26.05

Schedules forming part of the Accounts

Schedule 23 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

Changes in the present value of the defined benefit obligation are as follows:

(Rs. in Million)

Particulars	31.03.2009
Defined benefit obligation as at April 2008	28.52
Interest cost	2.28
Current service cost	3.03
Benefit paid	(1.21)
Actuarial losses on obligation	(2.04)
Defined benefit obligation as at 31st March 2009	34.67

Changes in the fair value of plan assets are as follows:

(Rs. in Million)

Particulars	31.03.2009
Fair value of plan assets as at April 1 2008	11.26
Expected return	0.96
Contributions by employer	-
Benefits paid	(1.21)
Actuarial (losses)	NIL
Fair value of plan assets as at March 31, 2009	11.00

The principal assumption used in determining gratuity benefit obligations for the Company's plans are shown below:

Particulars	31.03.2009
Discount rate	8%
Expected rate of return on plant assets	6%
Employee turnover - Age Group	
• Upto 30 years	2%
• 30 – 40 Years	5%
• Above 44 years	1%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

22. Tax Expense is the aggregate of current year income tax, fringe benefit tax and deferred tax charged to the Profit and Loss Account for the year.

a) **Current Year Charge:**

Income Tax provision of Rs. 16.70 Million has been made on regular income after adjusting MAT credit available from earlier years. No provision has been made towards disputed income tax liabilities pending in appeal and payments made there against have been shown as advances. Provision for fringe benefit tax has been made for Rs. 0.80 Million as per Section 115 W of the Income Tax Act.

Schedules forming part of the Accounts

Schedule 23 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

b) **Deferred Tax**

The Company estimates the deferred tax charge using the applicable rate of taxation based on the impact of timing differences between financial statements and estimated taxable income for the current year. The movement of provision for deferred tax is given below:

(Rs. in Million)

Particulars	Opening as at 01.04.2008	Charge/(credit) during the year	Closing as at 31.03.2009
Depreciation	521.99	12.46	534.45
Net Deferred Tax Liability	521.99	12.46	534.45

23. **Related Party Disclosures:**

In accordance with the Accounting Standards (AS-18) on Related Party Disclosures, where control exists and where key management personnel are able to exercise significant influence and, where transactions have taken place during the year, alongwith description of relationship as identified, are given below:

A. **Relationships**

I. **Key Management Personnel**

Name	Designation
Sh. A.K. Kajaria	Chairman & Managing Director
Sh. D.D. Rishi	Jt. Managing Director
Sh. Chetan Kajaria	Whole Time Director
Sh. Rishi Kajaria	Whole Time Director

II. **Associates**

Kajaria Plus Pvt Limited
M/s Sudarshan Rishi
Kajaria Home Solutions Pvt Ltd
Kajaria Exports Ltd (Kajaria Infrastructure)

B. **The following transactions were carried out with related parties in the ordinary course of business :-**

(Rs. in Million)

Related party transactions	Key Management Personnel & Relatives	Associates
Purchase of Raw Material, Goods & Services	0.63	-
Commission & other claims paid	-	5.75
Sale of Goods	-	3.18
Sale of fixed assets	-	0.18
Purchase of Fixed assets	-	2.26
Remuneration	13.14	-
Directors Sitting Fees	0.16	-

Schedules forming part of the Accounts

Schedule 23 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

C. Outstanding balance and balance written off/written back :-

Description	Outstanding Balance (Rs. million)		Written off/Written back (Rs. million)		Maximum Debit Balance
	As at 31.03.2009	As at 31.03.2008	As at 31.03.2009	As at 31.03.2008	
Key Management Personnel & Relatives	-	-	-	-	-
Associates	57.90	49.99	-	-	41.60

24. Segmental Reporting:

The business activity of the Company falls within one broad business segment viz "Ceramic Tiles" and substantially sale of the product is within the country. The Gross income and profit from the other segment is below the norms prescribed in AS-17 of The Institute of Chartered Accountants of India. Hence the disclosure requirement of Accounting Standard 17 of "Segment Reporting" issued by the Institute of Chartered Accountants of India is not considered applicable.

25. Earnings per share (EPS)

The numerators and denominators used to calculate Basic and Diluted Earning per share:

	Year ended 31.03.2009	Year ended 31.03.2008
Profit attributable to the Equity Shareholders – (A) (Rs in Millions)	89.01	150.23
Basic /Weighted average number of Equity Shares outstanding during the year (B)	7,35,83,580	7,35,83,580
Nominal value of Equity Shares (Rs)	2.00	2.00
Basic/Diluted Earnings per share (Rs) – (A)/(B)	1.21	2.04

26. Previous year figures have been regrouped / recast wherever necessary.

Signature to the schedule 1 to 23

In terms of our report of even date Annexed
For O. P. Bagla & Co.
Chartered Accountants

Atul Bagla
Partner
Membership No.: 91885

Place: New Delhi
Dated: 5th May 2009

Ashok Kajaria
Chairman & Managing Director

D. D. Rishi
Jt. Managing Director

Chetan Kajaria
Rishi Kajaria
Wholetime Directors

R. P. Goyal
D. P. Bagchi

R. K. Bhargava
R. R. Bagri
Directors

R. C. Rawat
Vice President (F & A) &
Company Secretary

For and on behalf of the Board

Balance Sheet Abstract and Company's General Business Profile (As per Schedule VI, Part (IV) of the Companies Act, 1956)

(Rs. in Million)

I. Registration Details

Registration No. [][][][][][] 7 5 9 5 State Code [][][][][][] 2 0
Balance Sheet Date [3][1][0][3][2][0][0][9]
Date Month Year

II. Capital Raised during the year

Public Issue [][][][][][] N I L Rights Issue [][][][][][] N I L
Bonus Issue [][][][][][] N I L Private Placement [][][][][][] N I L

III. Position of Mobilisation and Deployment of Funds

Total Liabilities [5][7][4][4][.] [2][3] Total Assets [5][7][4][4][.] [2][3]

Sources of Funds

Paid-up Capital [][][1][4][7][.] [1][7] Reserves & Surplus [][][1][4][7][3][.] [5][3]

Secured Loans [][][2][9][2][6][.] [6][7] Unsecured Loans [][][3][2][5][.] [0][0]

Application of Funds

Net Fixed Assets [][][3][2][7][6][.] [5][4] Investments [][][][][3][3][.] [9][4]

Net Current Assets [][][2][0][9][6][.] [4][3] Misc. Expenditure [][][][][][] N I L

Capital Work in Progress [][][][][][] N I L Deferred Tax Assets/
(Liabilities) [([5][3][4][.] [5][5])]

Accumulated Losses [][][][][][] N I L

IV. Performance of the Company

Turnover (Including Other Income) [6][6][5][8][.] [8][0] Total Expenditure [6][5][3][1][.] [3][2]

Profit Before Tax [][][1][2][7][.] [4][8] Profit After Tax [][][8][9][.] [0][1]

Earning Per Share (in Rs.) [][][][][1][.] [2][1] Dividend Rate (%) [][][][][][] 1 0

V. Generic Names of Principal Products / Services of Company

Product Description Item Code No. (ITC Code)
Ceramic Glazed Wall & Floor Tiles [6][9][0][1][0][0][0][3]

In terms of our report of even date Annexed
For O. P. Bagla & Co.
Chartered Accountants

Atul Bagla
Partner
Membership No.: 91885

Place: New Delhi
Dated: 5th May 2009

For and on behalf of the Board

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D. D. Rishi
Jt. Managing Director

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D. P. Bagchi
R. K. Bhargava
R. R. Bagri
Directors

R. C. Rawat
Vice President (F & A) &
Company Secretary

Cash Flow Statement For the year ended 31st March 2009

(Rs. in Million)

	31.3.2009		31.3.2008	
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before tax and extraordinary items		127.48		200.38
Adjusted for :				
Depreciation	249.37		236.14	
Preliminary Expenses W/off	-			
Investments Written Off	-		-	
Interest Received	-		-	
Interest Paid	273.57		264.45	
Dividend Received	-		-	
Loss on sale of Fixed Assets	3.07	526.01	1.95	502.54
Operating Profit before Working Capital Changes		653.49		702.92
Adjusted for :				
Trade & Other Receivables	(328.78)		(146.24)	
Inventories	154.84		(349.63)	
Trade Payable	82.27	(91.67)	110.18	(385.69)
Cash Generated from Operations		561.82		317.23
Interest Paid	(273.57)		(264.45)	
Direct Taxes Paid	(33.35)		(6.56)	
Cash Flow before Extraordinary Items	-		-	
Extraordinary items	-	(306.92)	-	(271.01)
Net Cash from operating activities		254.90		46.22
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	(134.15)		(110.40)	
Sale of Fixed Assets	13.47		44.28	
Acquisitions of Companies	-		-	
Purchase of Investments	-		-	
Sale of Investments	-		30.65	
Interest Received	-		-	
Dividend Received	-		-	
Net Cash used in Investing Activities		(120.68)		(35.47)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from Issue of Share Capital	-		-	
Proceeds from Long Term Borrowings	(120.90)		48.90	
Repayment of Borrowings	-		-	
Redemption of Preference Shares	-		-	
Dividend and Dividend Tax Paid	(17.22)		(16.80)	
Net Cash used in Financing Activities		(138.12)		32.10
Net increase in Cash and Cash Equivalents		(3.90)		42.85
Cash and Cash Equivalents as on 1.4.2008		82.77		39.92
Cash and Cash Equivalents as on 31.3.2009		78.87		82.77

In terms of our report of even date Annexed

For O. P. Bagla & Co.

Chartered Accountants

Atul Bagla

Partner

Membership No.: 91885

Place: New Delhi

Dated: 5th May 2009

For and on behalf of the Board

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Vice President (F & A) &

Company Secretary

“People don't want to be
"marketed TO";
they want to be
"communicated WITH.”
- Flint McGlaughlin

“You must have mindshare
before you can have marketshare.”
- Christopher M. Knight