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SELECTED
Superbrand
INDIA 2009-10
CONSUMER VALIDATED

Let the numbers speak.

Communicating a year of shareholder value accretion

Kajaria Ceramics Limited | Annual report, 2009-10

"Numbers constitute the only universal language." - Nathanael West

Forward-looking statement

In this annual report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and estimates taken as assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

Contents

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

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

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

Through numbers instead.

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

The first number.

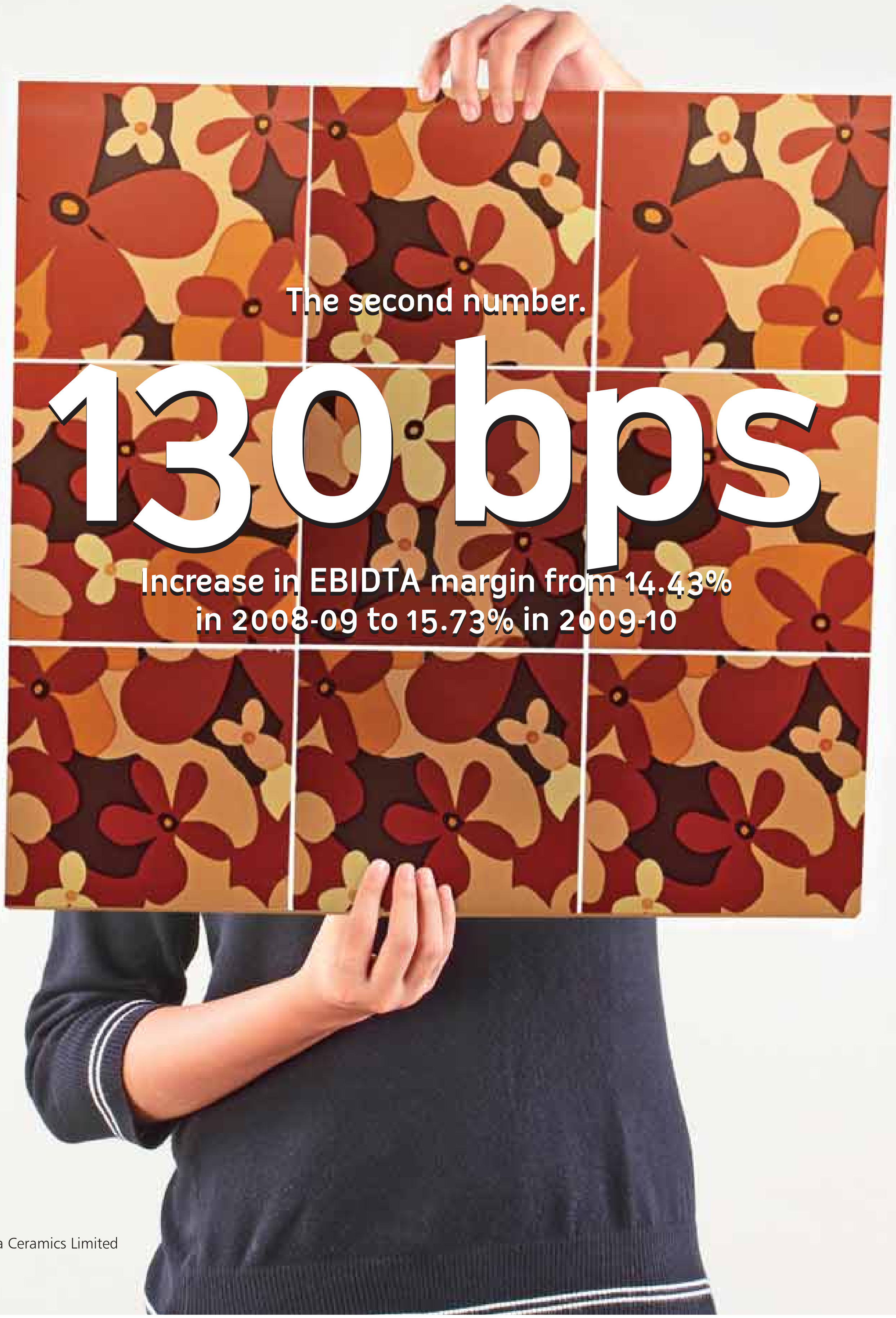
304%

Growth in PBT, 2009-10.

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

One number. Numerous initiatives.

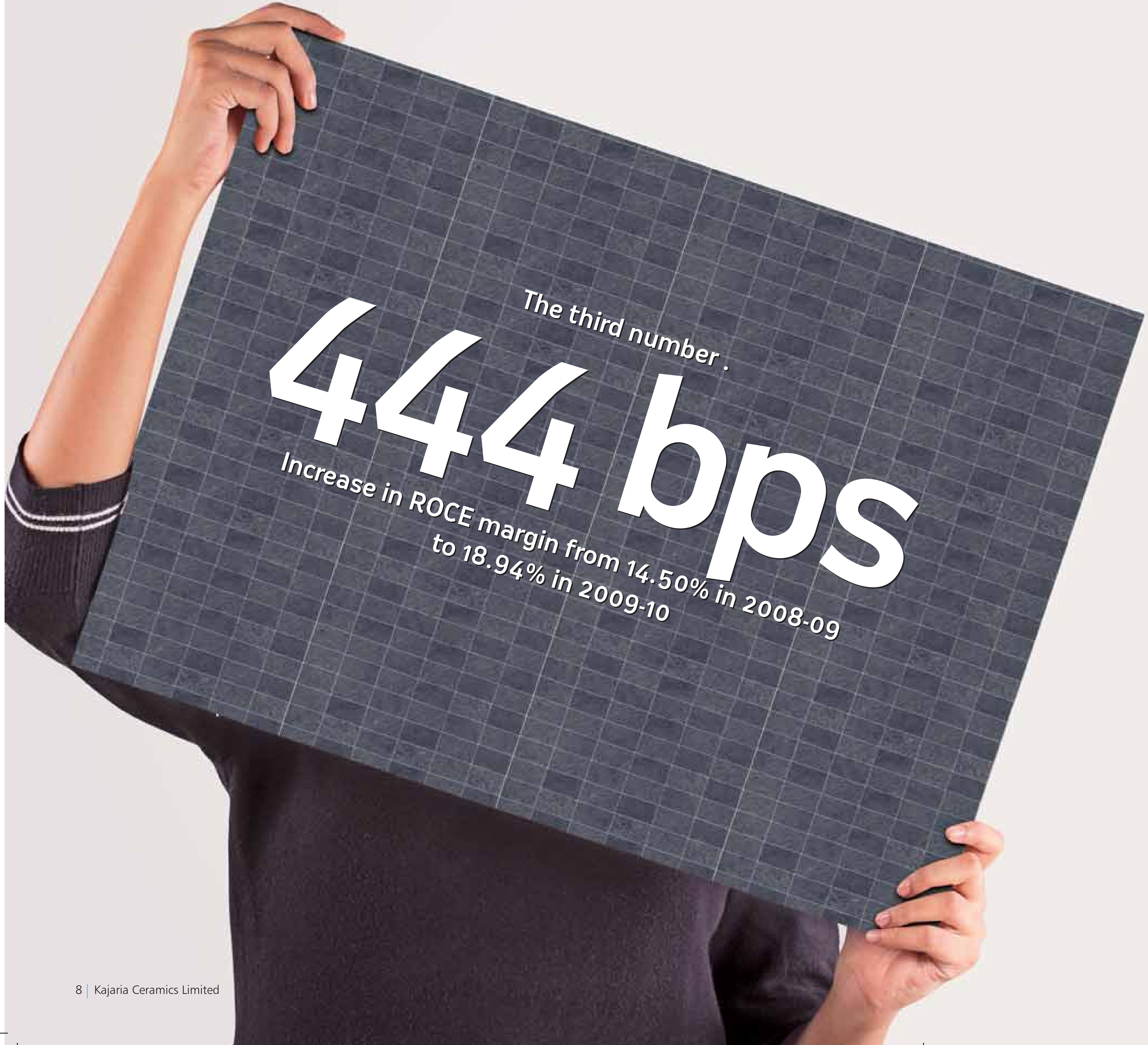
Value-addition. Continuous improvement. Higher productivity. Quality checks. Informed marketing. Customer proximity. Improved packaging. Safer transportation. Brand appeal. Product visibility. Inventory control. Dealer and receivables management. Financial tightening.



Graduated towards value-added tiles.

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

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



Enhanced our manufacturing efficiency.

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

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

Managed funds effectively.

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

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

Corporate identity

220 MSM

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

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

Headquartered in New Delhi, the Company has two ISO 9001:2000 certified manufacturing facilities in Sikandrabad and Gailpur, producing ceramic-glazed wall and floor tiles and polished vitrified tiles in over 500 designs. Other product offerings include high-end imported tiles and sanitaryware.

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

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

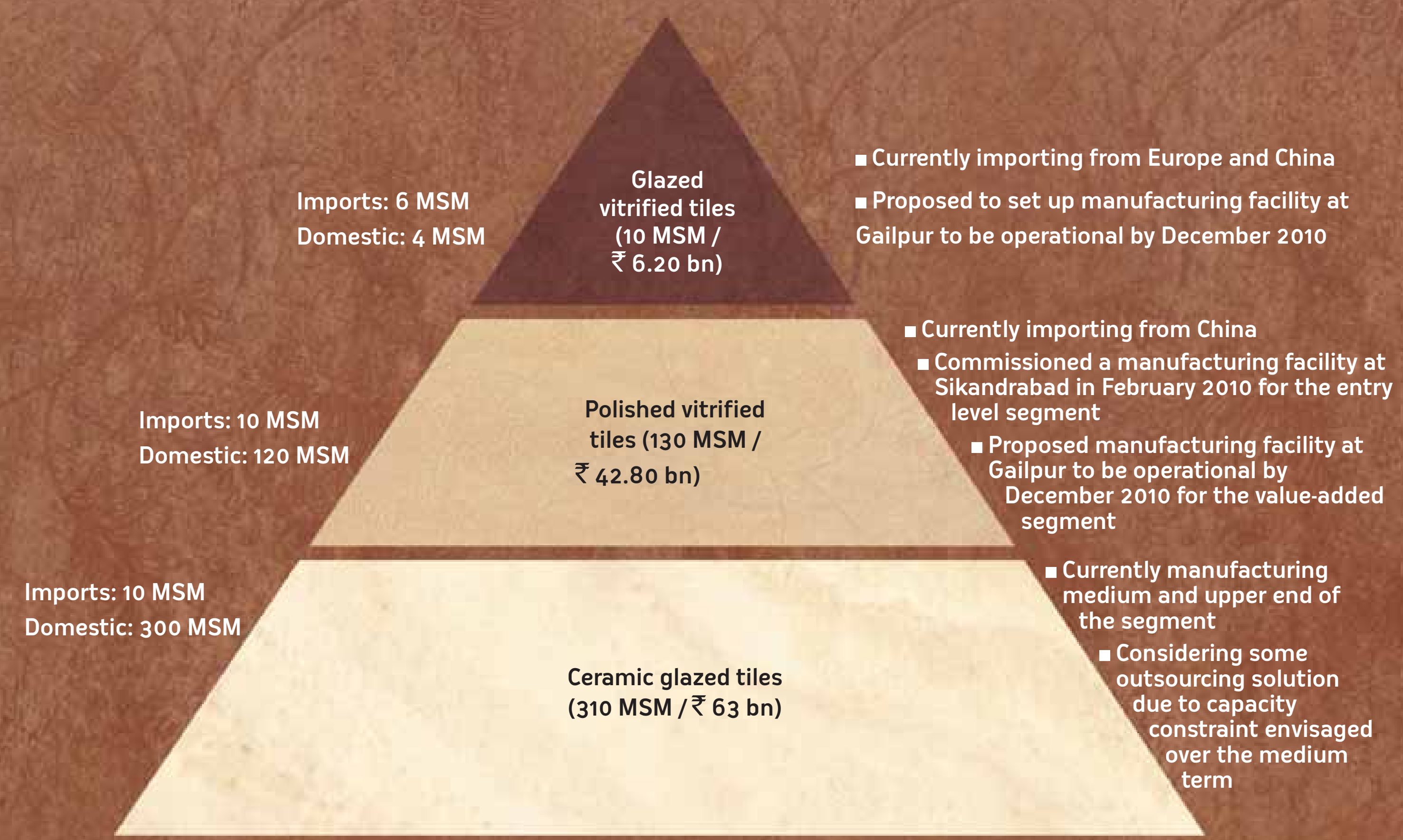
Brand-enhancing institutional customers

dlf, Hiranandani, EMAAR MGF, Mantri, Raheja Developers, Prestige Group, Sobha, Unitech, Ansal Housing & Construction Ltd., Parsvnath Developers Limited, Magarpatta City, Omaxe

Manufacturing facilities

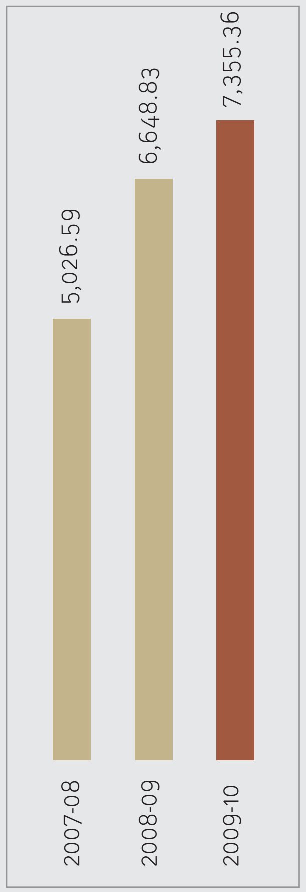
Unit	Products	Installed capacity
Gailpur	Ceramic glazed wall tiles	14.10 mn sqm
Sikandrabad	Ceramic glazed floor tiles	6.90 mn sqm
Sikandrabad	Polished vitrified tiles	2.40 mn. sqm

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

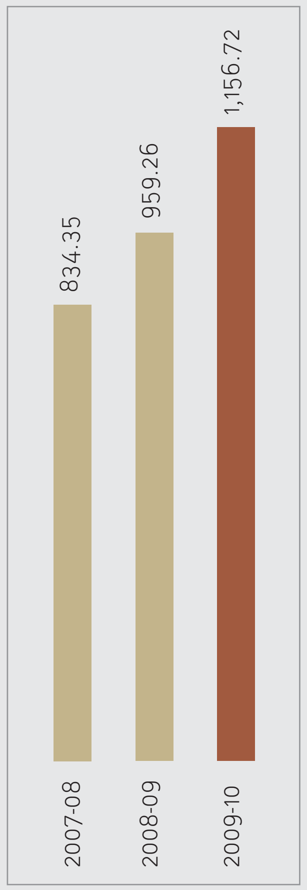


What was. What is.

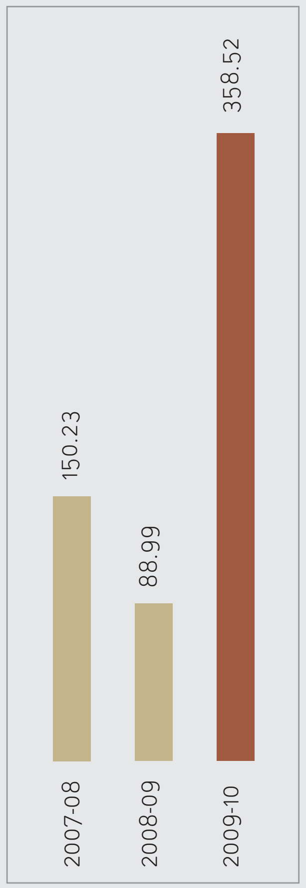
Net sales *(₹ mn)*



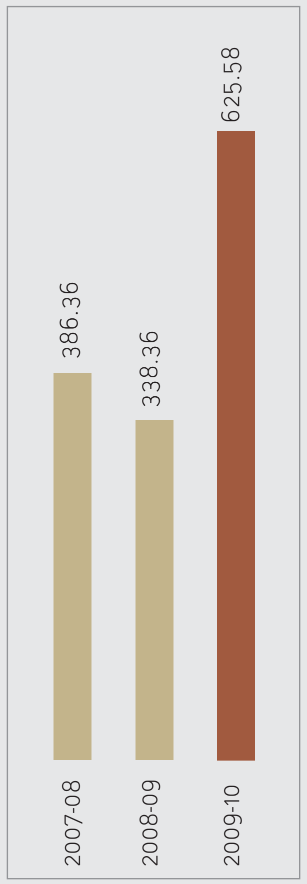
EBIDTA *(₹ mn)*



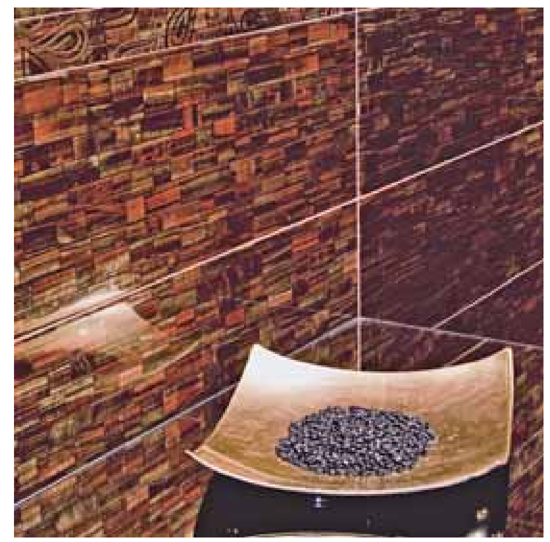
PAT *(₹ mn)*



Cash profit *(₹ mn)*



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

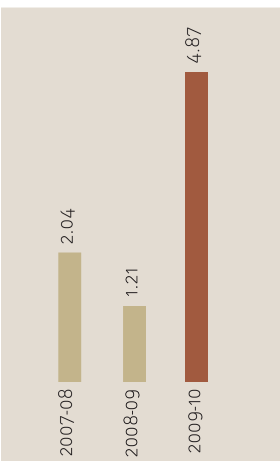


Shareholder return

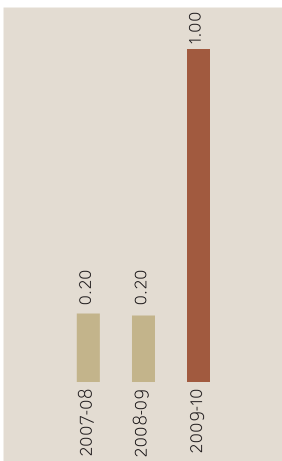
1,478 bps

Increase in our RONW from 5.62% in 2008-09 to 20.40% in 2009-10

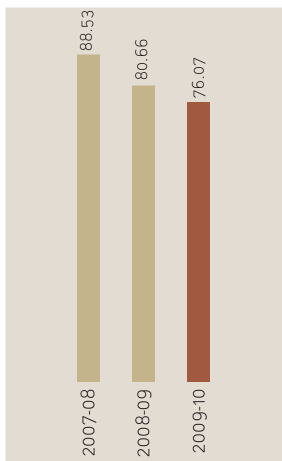
Earnings per share (₹)



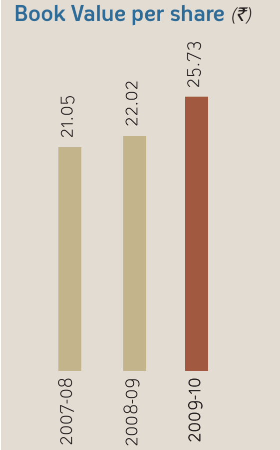
Dividend per share (₹)



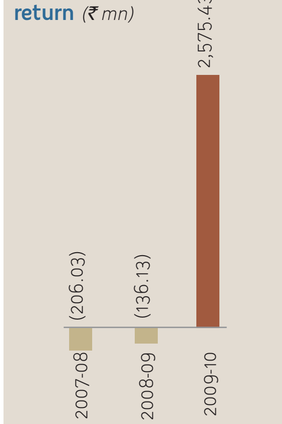
Surplus plough back as a percentage of PAT *(%.)*



Book Value per share (₹)



Total shareholders' return *(₹ mn)*



The result of continued focus on value-added products, innovative designs, optimising operations and superior returns.

Earnings per share

Kajaria's single-minded focus on increasing earning per share is reflected in growing business profitability through the following initiatives:

- Adding high-growth lucrative products to the existing product portfolio
- Scaling operational volumes
- Managing funds and working capital responsibly

Dividend

The determination to reward shareholders with a sizeable share of the profits is reflected in a consistent dividend over the last decade. While rewarding shareholders, the Company maintained a prudent balance between shareholder payout and reinvestment into business for funding growth.

Book value

Book value is an effective tool that highlights the intrinsic value of every equity share represented by the Company's assets, an important indicator on the under or overvaluation of the Company's share value on the bourses. Kajaria's consistent plough-back philosophy significantly enhanced the shareholder value.

Total shareholders' return (TSR)

Kajaria reported a TSR of ₹ 2,575.43 mn in 2009-10. TSR reflected the gain earned by shareholders – directly and indirectly (directly in the form of the dividend received by them; indirectly in form of the capital appreciation registered by the stock during 2009-10).

Economic value-added (EVA)

Kajaria reported a positive economic value-added (EVA) of ₹ 135.79 mn for 2009-10. This is evidence of the fact that its performance exceeded shareholder expectations during the year under review. EVA is an internationally respected shareholder value measurement tool, unique in the following ways:

- Accounts for the profit generated by a company in excess of the return it would have earned from a risk-free instrument
- Arrives at the number through a unique methodology, taking into account factors such as cost of debt and equity, through techniques that measure them separately, as opposed to conventional cumulative measurement

Going ahead

Kajaria is poised at a stage where every rupee re-invested in the business is expected to generate higher returns than what stakeholders would otherwise have earned from investments in risk-free financial securities, reflected in an improvement in all the tools that measure growing shareholder value.

Dear Shareholders,

THE YEAR 2009-10 WAS REMARKABLE FOR THE COMPANY, MARKED BY A SIGNIFICANT INCREASE IN THE SALE OF VALUE-ADDED TILES, LEADING TO A SIGNIFICANT REBOUND IN PROFITS.

The rebound

At a time when the Indian economy was still tentative, the Company posted a decisive rebound for several reasons, documented earlier in this report. We feel that these drivers will enable us sustain our topline growth and help us emerge more profitable. The double-play – volume and value – will help strengthen our gearing, rightsize our balance sheet and enhance our sustainability further.

40%

The growth in our installed capacity expected to transpire between February 2010 and December 2010.

Making growth sustainable

We do not merely intend to increase volumes but also enrich tile value for the following reasons:

- We understand that with a growing Indian economy and increased urbanisation, there will be more money in the hands of the average Indian, enhancing aspirations for improved products.
- We recognise the existence of home-proud consumers willing to invest adequately to enhance aesthetics. Wall and floor tiles comprise only 6% of the total construction cost of a residential home; in view of this, consumers will be willing to spend more on tiles and other aesthetically-defined material.
- The fast creation of world-class infrastructure – airports, education, health and hospitality – will grow the market for value-added material significantly, graduating this niche into the industry's robust growth engine .

Kajaria's business

We recognised the growing demand of vitrified tiles, contributing almost 50% of the industry's revenue, having established ourselves through prudent outsourcing, we felt the time was right to engage in direct manufacture.

We commissioned our 2.4-mn sqm polished vitrified tile facility at Sikandrabad in February 2010 (setup with an investment of ₹ 360 mn). We will commence high-end polished vitrified tiles (PVT) and glazed vitrified tiles (GVT) manufacturing, with an annual capacity of 6 mn sqm at our Gailpur unit from December 2010 (a brownfield expansion of ₹ 1,250 mn). These cumulative expansions are expected to increase our overall capacity by a significant 40%, from 21 mn sqm in February 2010 to 29.4 mn sqm by December 2010.

These facilities will help replace imported products with in-house manufactured products, strengthening our profitability. The additional capacities provide attractive prospects:

- They can potentially add ₹ 3,500 mn to our topline at optimum capacity.
- They can help reduce the asset turnover ratio, going forward.
- The high-end tile capacities will increase overall average realisations by about 50%.

Business-strengthening initiatives

Our Gailpur unit (two-thirds of the Company's ceramic tile capacity) started receiving the supply of natural gas from 7th May, 2010, against the previously used high-cost propane. This is expected to reduce power and fuel costs substantially.

In line with growing consumer need to buy wide product range from a single location, we opened 12 Kajaria Prima showrooms across India.

Chetan Kajaria (left), **Ashok Kajaria** (centre) **and Rishi Kajaria** (right)

Shareholder value

Kajaria Ceramics is now competently placed to see its strategic intent through to its logical conclusion. Our priority is to drive topline growth without compromising margins. We have some interesting leads:

- Even as the overall Indian ceramic tile industry grows annually at 15%, the vitrified tile segment is growing at around 20% annually.
- Our expansion in polished and glazed vitrified tiles is expected to drive profitable growth in 2010-11 and 2011-12.
- Our debt-equity ratio corrected from 2.01 in 2008-09 to 1.39 in 2009-10 following debt-reduction.
- The imposition of an anti-dumping duty of ₹ 137 per sqm on ceramic glazed tiles imported from China will benefit domestic manufacturers.

Consequently, we are targeting a 20% plus growth in our topline for 2010-11, outperforming the industry average. We are also optimistic that our higher asset turnover ratio, fuel savings and increasing sale from value-added products will lead to superior margins and enhance shareholder value.

The best is yet to be.

The management team

Corporate strengths

Prominent Kajaria strengths shareholders ought to know about (in addition to many others)

Ratio of retail and institutional sales

70:30

Integrated model

Present across the entire value-chain ranging from affordable ceramic glazed tiles to upper-end ceramic glazed tiles to polished and glazed vitrified tiles

Competitive scale

Tile manufacturing capacity of 23.4 mn sqm, expected to increase to 29.4 mn sqm by December 2010 following the Gailpur unit expansion

Cutting-edge technology

Completely automated manufacturing units (including robotic car application), minimising human errors

Specialised products

Specialised floor tile manufacturer addressing the diverse needs of heavy footfall spaces, pavements, landscapes, living rooms, kitchens and bathrooms, among others

Continuous innovation

Developed more than 200 exciting design concepts a year

Price range

Product range from ₹ 200 a sqm going up to ₹ 3,000 a sqm

Far-reaching presence

Strong nation-wide distribution network of dealers and sub-dealers and own showrooms; exports to 20 countries

Efficient sales mix

Prudent customer mix (retail and institutional segments in a 70:30 ratio) driving volume growth

Strong financials

Gearing of 1.39, interest cover of 3.08, EBIDTA margin of 15.73%, ROCE 18.94% and RONW 20.40% as on 31st March, 2010

Prestigious certifications

Confidence-enhancing certifications like ISO 9001:2000, ISO 9002, ISO 14001, OHSAS 18001 and SA 8000.
Member, Indian Green Building Council.
Only tile Company with 'Superbrand' status for the fourth time in a row.

Management discussion and analysis

Global and Indian economies

The world economy is recovering. After a sharp, broad and synchronised global downturn in late 2008 and early 2009, a number of countries registered positive quarterly gross domestic product growth. Correspondingly, global growth is expected to rebound from a negative territory in 2009 to 3.9% in 2010 and 4.3% in 2011 (Source: World Economic Outlook). Global recoveries are led by emerging economies, notable recoveries in international trade and global industrial production. World equity markets also rebounded and risk premium on borrowings declined. The prospect of global economy recovery enhanced confidence in the Indian economy, which rebounded from 6.7% growth in 2008-09 to 7.4% growth in 2009-10.

Global ceramic tiles industry

The US$36-bn world ceramic tiles industry is growing at 6% annually. The annual per capita consumption of ceramic tiles is led by Turkey at 2.44 sqm; India's per capita consumption is a low 0.36 sqm.

Production: China is the largest ceramic tiles producer, accounting for 40% of the global ceramic production while India ranks fifth, accounting for just 4.6%.

Consumption: China is the largest consumer of ceramic tiles, accounting for 34% of the world consumption, while India, accounting for just 5%, ranks third.

World ceramic tile production (mn sqm)

	CY' 06	CY' 07	CY' 08	CAGR	% share
China	3,000	3,200	3,400	10%	40%
Brazil	594	637	713	6%	8%
Italy	569	559	513	-3%	6%
Spain	608	585	495	-5%	6%
India	340	385	390	10%	5%
Iran	210	250	320	16%	4%
Indonesia	170	235	278	14%	3%
Vietnam	199	254	270	18%	3%
World	**7,725**	**8,210**	**8,495**	**6%**	

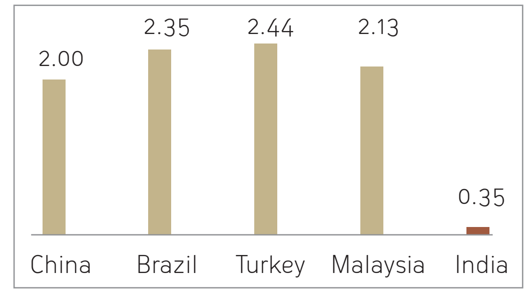
(Source: Ceramic World Review 2009)

World ceramic tile consumption (mn sqm)

	CY' 06	CY' 07	CY' 08	CAGR	% share
China	2,450	2,700	2,830	11%	34%
Brazil	486	535	605	11%	7%
India	350	397	403	10%	5%
Iran	182	236	265	20%	3%
Indonesia	148	178	262	19%	3%
Spain	319	314	240	-7%	3%
Vietnam	145	210	220	22%	3%
USA	308	248	197	-13%	2%
World	**7,420**	**8,825**	**8,263**	**7%**	

(Source: Ceramic World Review 2009)

Per capita consumption (sqm)



(Source: ICCTAS, Fortune Research)

In India, marble and granite have traditionally adorned interiors. However, not everyone can afford marble and granite; vitrified tiles are consequently an attractive, strong, good quality, stain-resistant and inexpensive alternative. Besides, they entail a lower installation time and offer wider designs. Moreover, manufactured vitrified tiles are considered superior to naturally occurring marble and granite in which superior quality is often coincidental.

Indian industry

India ranks among the world's top five tile producing countries with a total annual production of around 450 mn sqm as on March 2010. The ceramic tile industry is classified into two key segments –ceramic glazed tiles and vitrified tiles (polished and glazed). The introduction of vitrified/porcelain tiles widened the ceramic tile market. India's ceramic tile industry continued to grow at around 15% annually. The recent imposition of the anti-dumping duty by the Indian government (₹ 137 per sqm on ceramic glazed tiles imported from China) is expected to catalyse domestic production.

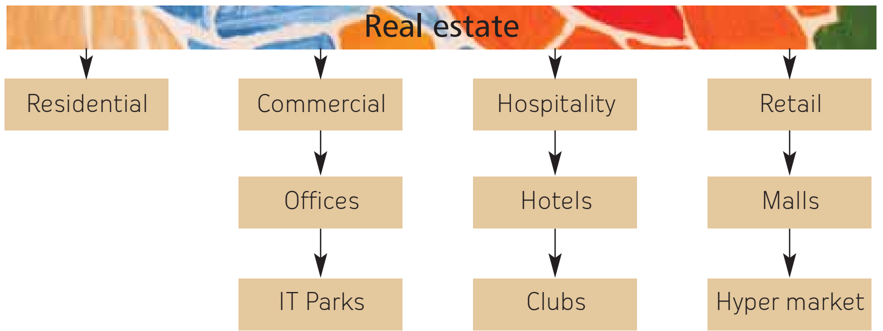
Know your tiles

	Ceramic glazed tiles	Vitrified tiles
Nature	Ceramic tiles are glazed and burned clay products principally used for decorative and sanitary effects on the wall and floor tiles. It has 3-6% water absorption.	Vitrified tiles are a specialised kind, hard-backed with low porosity and water absorption (less than 0.5%), making it stain-resistant and strong.
Composition	Have decorative coat on the top of the tile body, hence their composition is non-consistent	Have a homogeneous body and consistent in composition
Application	Majorly used in wall covering of bathrooms and kitchens	Majorly used for all type of flooring
Price range	₹ 200- 700 per sqm	₹ 400- 3000 per sqm

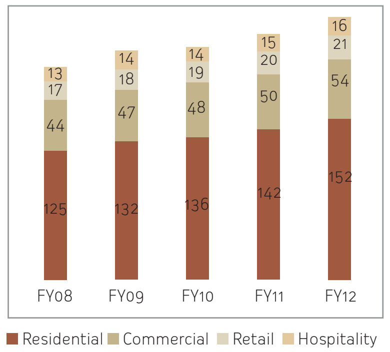
Industry optimism

The long-term scenario for the Indian tile industry appears healthy owing to the following reasons:

Real estate growth: The Indian real estate industry is expected to touch US$50 bn by 2010. The sector accounts for 4.5% of the gross domestic product (GDP) with urban housing accounting for 3.13%. This contribution is expected to rise to 6% in five years.



Real estate demand composition
(mn sq.ft.)



(Source: Crisil, Fortune Research)

The real estate boom is driven by rising middle-class incomes, nuclear families, low interest rates, increased mortgage finance penetration, growing home ownership and attitude changes in the working population. Loan disbursal to the housing sector increased from ₹ 2 trillion in 2006 to ₹ 2.9 trillion in 2009, implying a CAGR of 11%.

- The medium housing segment is expected to record a CAGR of around 25% and luxury housing, a CAGR of nearly 33% during 2009-2013
- The Eleventh Five Year Plan (2007-12) indicates a shortage of more than 25 mn housing units among the middle and low income groups.
- The Finance Minister allocated US$207 mn to grant 1% (up to US$20,691) on home loans below US$41,382 (Source: IBEF).
- The real estate market is expected to grow at a CAGR of 15-16% over 2010-2015, driven by 18-19% growth in real estate, 55-60% growth in retail markets and 20-22% growth in the commercial real estate segment

Growing affluence: The average net worth of the Indian household is expected to grow from US$ 12,000 in 2007 to US$ 57,000 in 2017. Per capita nominal gross domestic product is likely to grow at a compounded annual growth rate (CAGR) of 12.2% over FY 10-14 to reach US$ 1,666 in 2014 (Source: Financial Express, 5th January, 2010). This increase will enhance consumer purchasing power and reduce the number of people living below the poverty line. Per capita income increased 5.30% from ₹ 38,695 in 2008-09 to ₹ 40,745 in 2009-10 (Source: CSO). The annual household income in the top 20 Indian cities is projected to grow 10% over the next eight years. Additionally, India is urbanising at 28%, faster than its population growth (Source: Indian Urban Poverty report). Increase in income will improve affordability, driving demand for residential units. Moreover, tile demand from the replacement market is 12% in India, compared with 40% in countries like Italy and Spain. Discretionary spending on lifestyle and premium products is expected to increase to around 70% of most of the household expense pie by 2025.

Growth of organised retail: Increasing disposable income and rising aspirations resulted in 25% acceleration in the organised retail market. The Indian retail market is the world's fifth-largest and organised retail is expected to grow from the present 5% to 10.4% of the retail market by 2012 (Source: KPMG report). The organised retail industry is likely to require an additional 323 mn sq. ft. by 2012. The number of malls is expected to rise from 105 in 2006 to above 400 by 2012 (Source: Fortune Research).

Growth in hospitality sector: Strong influx of business travellers and medical tourists and hosting of the upcoming Commonwealth Games led to the re-emergence of India as a preferred tourist destination. The Indian hotel industry is likely to add over 90,000 rooms across the next five years. The contribution of the hotel industry to India's GDP was 6.1% in 2008-09. The demand for travel and tourism in India is expected to grow 8.2% between 2010 and 2019, making India the third-fastest growing in this segment. Capital investment in India's travel and tourism sector is expected to grow 8.8% between 2010 and 2019 (Source: IBEF). Also, revenues from the Indian travel and tourism industry are expected to increase from US$ 100 bn in 2008 to US$ 276 bn in 2018. India is projected to become the fifth-fastest growing business travel destination across 2010-2019 with an estimated real growth-rate of 7.6% which will increase the demand for hotels and correspondingly boost the demand for value-added tiles. The sector is expected to invest US$ 11.5 bn over two years as more than 40 international brands should establish their presence in India by 2011, strengthening the demand for value-added tiles (Source: Fortune Research).

Growth in health infra: Changing demographics, disease profiles and rising treatment costs are expected to drive the healthcare industry in India. The industry is projected to grow 23% from the current estimated size of US$ 35 bn to US$ 77 bn by 2012 (Source: Yes Bank and ASSOCHAM report). Revenues from the healthcare sector account for 5% of the GDP and are expected to reach 8% by 2012, triggering an infrastructure investment of ₹ 1,300 bn.

Airport modernisation and creation: During the Eleventh Five Year Plan, a total investment of US$9.7 bn is projected for airport infrastructure, 60% of which is expected from private participation. A private consortium invested over US$800 mn to privatise and upgrade the Mumbai and Delhi airports while greenfield airports are operational in Bangalore and Hyderabad. The greenfield airport being planned at Navi Mumbai, will be developed using the public-private partnership (PPP) mode for US$ 2.5 bn. More than 50 operational airports are being modernised whereas feasibility studies are being undertaken to operationalise several others. The government envisaged a plan to modernise 37 non-metro airports by 2020; Indian airports are estimated to handle 100 mn passengers and 3.4 mtpa of cargo (Source: IBEF); air travel passengers are expected to increase from 102.73 mn in 2008 to 290.19 mn by 2014 at a CAGR of 15% (Source: Frost and Sullivan).

The average net worth of the Indian household is expected to grow from US$12,000 in 2007 to US$

57,000

in 2017.

Kajaria's business segments

Ceramic wall and floor tiles

Snapshot

Number of sizes: Six for wall tiles, two for floor tiles

Designs: 517

Price range: ₹ 200 per sqm to ₹ 700 per sqm

Sourcing: Manufactured at the Company's facilities

Kajaria Ceramics, among India's leading wall and floor tile manufacturers, has its manufacturing facilities at Gailpur and Sikandrabad (cumulative capacity 21 mn sqm).

The Company manufactures tiles of different dimensions, catering to diverse customer needs. Wall tiles are available in 250-300 designs and in six different sizes – 20x20 cm, 25x40 cm, 30x20 cm, 30x45 cm, 30x60 cm and 15x60 cm – while floor tiles come in two sizes – 30x30 cm and 45x45 cm – and in over 100 designs. The 30x45 cm and 30x60 cm sizes are popular in retail and premium residential projects, whereas the 30x20 cm size is primarily demanded by low-cost housing, hospitals and institutes, among others. The Company further provides decorations, called highlighters and borders, in more than 150 designs, providing a complete bathroom solution of wall, floor tiles and highlighters under one roof.

The Company markets ceramic tiles through its 6,000-dealer-strong, pan-India network. While the retail segment accounts for 80% of domestic sales, institutional customers account for the rest. About 15% of the sales volume accrues from exports.

The Company initiated the 'Kajaria Prima' concept in 2009-10. Through this, it graduated select dealers to a position of recognition, based on key parameters namely exclusivity, volume, showroom space, track record with the Company and location. The dealers dedicate showroom space to displaying the Company's best and latest products. The décor and design of the showroom is also altered as per the Company's specifications and requirements, the investment in which is shared by the Company and the dealer. The Company highlights these showrooms in all its external communication, strengthening footfalls and providing additional business opportunities for the dealers.

Highlights, 2009-10

- Witnessed a 20% increase in sales volume owing to a market rebound which boosted tile demand
- Launched a new wall tile variety (size 15x60 cm) with a wooden plank look in December 2009, widely accepted by customers
- Established 10 exclusive Kajaria Prima showrooms

Road ahead, 2010-11

The Company plans to strengthen the Kajaria Prima showrooms to about 40 by the end of fiscal 2010-11. It is additionally working on evolving new designs matching customer tastes and increasing sales volume.

Kajaria's business segments

Polished vitrified tiles

Snapshot

Designs: 50

Sizes: Three

Price range: ₹ 400 per sqm to ₹ 1,600 per sqm

Sourcing: Manufactured at the Sikandrabad facility; sourced from China

Kajaria has been present in this market segment for 6 years, with products in three sizes, namely 60x60 cms, 80x80 cms and 120x60 cms, imported from China. These are primarily floor-application tiles.

The Company established the Solitaire range comprising technologically advanced large-format products (80x80 cms and 60x120 cms), providing Indian customers an authentic alternative to natural/Italian marble for the first time. These products are manufactured by super-white, translucent and expensive colour bodies fused with integrative feeding of die and pressing.

The team created the 'Kajaria Vitro Studio' as a shop-in-shop concept for select dealers who provide the Company space to showcase its polished vitrified products. This enables proper product display, creating stronger customer engagement and higher off-take. The retail segment accounts for an estimated 70% of the sales volume; the balance is used by projects of leading developers namely Hiranandani, Unitech, HDIL, Nagarjuna Construction Company, Godrej and many more.

The Company commissioned a 2.4 msm per annum capacity at its Sikandrabad unit in February 2010 to manufacture 60x60 cm products. Products from this facility are expected to cater to North-Indian demand, other regional demands being addressed by Chinese imports.

Highlights, 2009-10

- Created 40 Kajaria Vitro Studios
- Establishing a footprint in B category cities for better penetration

Road ahead, 2010-11

- Establish its second manufacturing line 3 msm per annum at Gailpur to manufacture high-end products like the double-charge, premium series and solitaire series (similar to Italian marble)
- Set up 100 exclusive display points of Kajaria Vitro Studios and to expand its domestic dealer/sub-dealer network to the district level

Kajaria's business segments

Glazed vitrified tiles

Kajaria eternity
choice of experts

Snapshot

Designs: 50

Sizes: Four

Price range: ₹ 600 per sqm to ₹ 1,300 per sqm

Sourcing: Sourced from the best manufacturers in China

Kajaria pioneered glazed vitrified tile (GVT) import in India in 2007-08 with the brand name of Kajaria Eternity, being the country's largest importer of GVT with the widest range of 30x60 cm and 60x60 cm sizes, available in finishes like rustic, matt, satin, wood and metal, among others, for wall and floor applications. The Company sources these from the top two GVT manufacturers in China, providing globally accepted quality products to customers.

Of the total sales volume, about 60% finds acceptance with the retail segment and balance from institutional customers like Vodafone, Yes Bank, DLF, DMRC, Emar MGF and UNITECH among others.

Kajaria Ceramics Ltd markets GVT in India under the Kajaria Eternity brand, reflecting product durability. These are distributed through dealer networks and Kajaria World showrooms. The Company recently launched the Kajaria Eternity Studio, a shop-in-shop concept for select dealers in key cities, enhancing the Company's brand visibility.

The Company is creating its own GVT manufacturing facility at its Gailpur unit (capacity of 3 mn sqm per year). The unit, expected to commence operations by December 2010, would provide consistent supply, strengthen profitability and allow a focus on novel tile import, first time solutions for Indian markets. The unit will be capable of manufacturing all sizes which are currently imported, namely 60x60 cm, 30x60 cm and value-added 80x80 cm and 45x90 cm. The Company further plans to address North and West Indian markets through in-house manufactured products and South Indian markets through imports.

Highlights, 2009-10

- Witnessed a 40% increase in sales volume over the 2008-09 level
- Introduced the Lappato range of tiles with a smooth, shiny and non-slippery surface, a first for Indian markets
- Extended reach to category B cities by enrolling more dealers
- Undertook extensive product promotion through architect, builder and mason meets
- Created a robust customer base to accept increased sales volume (with the manufacturing unit commencement)

Road ahead, 2010-11

- Commission and stabilise its own GVT manufacturing facility
- Extend reach covering all category B cities in India
- Open 50 Kajaria Eternity Studios
- Grow sales volume by 100%

Kajaria's business segments

Retail chain - Kajaria World

KAJARIA
world
Lifestyles - and more...

Snapshot

Designs: 183

Sizes: Many formats and sizes

Price range: ₹ 1,000 per sqm to ₹ 3,000 per sqm

Sourcing: Sourced from Aparici , Saloni, Grespania, Balldocer and Argenta From Europe

Kajaria World is India's largest imported tile retail network with 14 retail points. It is the first organised Retail chain for imported tiles, with 9 Company owned showrooms and 5 Franchisees. Kajaria World is the first to bring the Franchisee concept in tile industry in India.

Kajaria World showcases imported tiles and sanitaryware sourced through its alliances with European brands like Saloni, Grespania, Argenta and Baldocer, among others, for premium products. The brand signifies international style and appeal and is popular among India's architect fraternity.

The Company offers the widest range of imported tiles including the large-format tile collection (45x90 cm and 30x90 cm tile series) and the stone collection series (i.e. exterior tile). Tiles are also available in 30x60cm sizes with different finishes like rustic, matt, satin, wood, metal and fabric, among others. The price range varies from ₹ 1,000 per sqm to ₹ 3,000 per sqm

The Company imports tiles designed with digital printing technology, the latest in tile designing. Under this, the design of each tile is marginally different from others, but after layout, the cladding resembles that of natural stone.

To meet ever-growing customer expectations, the Company unveiled a magnificent range of sanitaryware and wellness products. The Company possesses the largest logistic support for imported tiles and its 15 warehouses across India enable the efficient supply and storage of products.

Highlights, 2009-10

- Opened four Kajaria World showrooms, extending the Company's reach to Hyderabad, Chennai, Coimbatore and Cochin
- Initiated tile imports from two European companies namely Argenta (providing stone-finish tiles, a new addition to the tile offering) and Balldocer (providing a rich repository of tiles in the 30x60 cm size)
- Enhanced sales volume by 50% owing to introduction of new products and extension of reach
- Added numerous designs in the 30x90 cm tile range, subsequently receiving good customer response and boosting sales volume

Road ahead, 2010-11

- Increase the product range to cater to diverse customer tastes
- Widen the reach by strengthening the Kajaria World network

Financial analysis

Snapshot, 2009-10

Particulars	2009-10	2008-09	Absolute change	% change
Total income (₹ mn)	7,366.35	6,549.32	817.03	12.48
EBIDTA (₹ mn)	1,156.72	959.26	197.46	20.58
PAT (₹ mn)	358.52	88.99	269.53	302.88
EPS (₹)	4.87	1.21	3.66	302.48

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.

Revenue (net sales)

The Company's revenue grew 10.63% from ₹ 6,648.83 mn in 2008-09 to ₹ 7,355.36 mn in 2009-10, driven by volume growth (22.60 mn sqm in 2008-09 to 25.28 mn sqm in 2009-10, increase in the proportion of value-added tiles).

Cost analysis

The total operating cost (excluding depreciation, interest and finance charges) increased 11.08% from ₹ 5,590.06 mn in 2008-09 to ₹ 6,209.63 mn in 2009-10. This was a result of an increase in operational scale. But operational expense, as a percentage of total income, declined 105 bps from 85.35% in 2008-09 to 84.30% in 2009-10, a reflection of efficiency in optimising operational costs.

Purchases: Comprised the sourcing of vitrified and other high-end tiles. Although the sale of these tiles increased in this year as compared with the previous year, purchases declined 5.15% from ₹ 2,282.63 mn in 2008-09 to ₹ 2,165.03 mn in 2009-10 owing to a reduction in inventories.

Raw material: The cost of materials increased 14.86% from ₹ 1,251.84 mn in 2008-09 to ₹ 1,437.91 mn in 2009-10 because of an increase in production. However, the cost of raw material per square metre of production declined around 8%.

Power and fuel: This cost increased 15.73% from ₹ 906.21 mn in 2008-09 to ₹ 1,048.76 mn in 2009-10 owing to increase in operational capacity. Power and fuel cost is expected to decline in the coming years as the Company started receiving low-cost natural gas at its Gailpur unit.

Employee cost: Employee costs increased 21.39% from ₹ 504.86 mn in 2008-09 to ₹ 612.84 mn in 2009-10 owing to wage increments and increase in the workforce to manage a new production line.

Geography-wise distribution of revenue

	Revenue 2009-10 (₹ mn)	Percent increase over the previous year	Percent contribution to net sales
Domestic	6988	9.68%	95.01%
Exports	367	31.82%	4.99%

Margins

EBIDTA increased 20.58% from ₹ 959.26 mn in 2008-09 to ₹ 1,156.72 mn in 2009-10 and EBIDTA margins grew 130 basis points to 15.73% in 2009-10 (14.43% in 2008-09), facilitated by a volume and value combination. Net margin grew 353 bps from 1.34% in 2008-09 to 4.87% in 2009-10, largely owing to a steep reduction in interest costs.

Capital employed

The capital employed in the business decreased 7.20% from ₹ 4,872.37 mn in 2008-09 to ₹ 4,521.68 mn in 2009-10 owing to a significant reduction in debt. Interestingly, despite a decline in the employed capital, revenue increased 10.63% in 2009-10, signifying that each rupee invested in the business earned a higher revenue. The efficiency of fund management is also reflected in an important derivative – return on capital employed strengthened from 14.50% in 2008-09 to 18.94% in 2009-10.

Shareholders' funds: This comprised share capital and reserves and surplus. It increased 16.83% to ₹ 1,893.40 mn in 2009-10 from ₹ 1,620.68 mn in 2008-09; the increase was only owed to the plough back of operational surplus into the business. As a result, book value per share grew from ₹ 22.02 as on 31st March, 2009 to ₹ 25.73 as on 31st March, 2010.

Equity capital: During the year under review, the equity capital remained unchanged. The Company's equity share comprised 7,35,83,580 equity shares with a face value of ₹ 2 each. The promoter's holding was 51.33% as on 31st March, 2010; no part of the promoter's holding was pledged as on 31st March, 2010.

Reserves and surplus: The reserves and surplus increased 18.51% during the year largely owing to reinvestments of business profits.

External funds: The reliance on external funding decreased significantly by 19.17% during the year. The Company's total debt stood at ₹ 2,628.28 mn on 31st March, 2010 as against ₹ 3,251.67 mn on 31st March, 2009 despite an increase in operations. The debt-equity ratio strengthened from 2.01 in 2008-09 to 1.39 in 2009-10.

Interest cost: Interest liability decreased 35.57% from ₹ 582.42 mn in 2008-09 to ₹ 375.24 mn in 2009-10 owing to better working capital management and a reduction in external debt

	FY'08	FY'09	FY'10
Debt-equity	2.18	2.01	1.39
Interest cover	2.10	1.65	3.08

(the Company prepaid most of its high-cost debt) and improved negotiations with bankers for reduction in interest rates; average interest cost declined 200 bps in 2009-10 and interest cover strengthened from 1.65 times in 2008-09 to 3.08 times in 2009-10

Gross block

The Company's gross block increased 8.39% from ₹ 5,014.92 mn in 2008-09 to ₹ 5,435.46 mn in 2009-10 largely owing to the capitalisation of the vitrified tile manufacturing line at the Sikandrabad unit. The Company invested ₹ 360 mn for this project, which was funded through a prudent mix of debt and internal accruals.

Depreciation: The Company consistently charged depreciation under the Straight Line Method as specified in the Companies Act, 1956. The Company's depreciation increased from ₹ 249.37 mn to ₹ 267.06 mn in 2009-10. The accumulated depreciation, which is 36.57% of the gross block, represented the newness of its assets.

Capital work-in-progress: This represented a part of the investments in the vitrified tile unit at Gailpur which is expected to be commissioned by December 2010. The balance in this account stood at ₹ 25.43 mn as on 31st March, 2010.

Investments

The Company's investments remain unchanged during the year and stood at ₹ 33.94 mn as on 31st March, 2010.

Working capital

The working capital (net current assets) of the Company decreased 25.45% from ₹ 2,096.43 mn in 2008-09 to ₹ 1,562.94 mn in 2009-10 owing to an increase in current liabilities and provisions by ₹ 541.62 mn. Working capital, as a proportion of capital employed, stood at 34.57% as on 31st March, 2010 as against 43.03% on 31st March, 2009. This clearly reflects the Company's superior liquidity management.

Inventory: Inventory increased marginally from ₹ 1,384.57 mn in 2008-09 to ₹ 1,402.55 mn in 2009-10. The inventory cycle declined from 76 days in 2008-09 to 70 days in 2009-10 owing to increased acceptance of the Company's products.

Sundry debtors: Debtors increased 14.04% from ₹ 678.04 mn in 2008-09 to ₹ 773.21 mn in 2009-10. The average debtors' cycle reduced to 35 days in 2009-10, compared with 37 days in the previous year.

Loans and advances: Loans and advances decreased 8.59% from ₹ 826.82 mn in 2008-09 to ₹ 755.76 mn in 2009-10.

Current liabilities and provisions: Current liabilities and provisions increased 62.12% from ₹ 871.87 mn in 2008-09 to ₹ 1,413.49 mn in 2009-10 owing to project creditors amounting to ₹ 147.81 mn, increased provision for tax and dividend (₹ 215.80 mn in 2009-10, compared with ₹ 42.02 mn in the previous year) and increase in other sundry creditors.

Derisking Kajaria

Every company is threatened by unforeseen contingencies which can hamper its business prospects. Considering this, the Company identified certain key risks which might impact its growth.

Industry risk

Downturn in related sectors may impact the Company's regular business.

Mitigation measures

There are certain facts about related industries, which indicate an opportunity for Kajaria:

- The Indian real estate industry is expected to touch US$ 90 bn by 2015 (Source: Indian Express).
- The domestic housing demand is expected to grow at a CAGR of around 10% across 2009-2013 (Source: Indian housing sector analysis report).
- The hospitality sector is expected to invest US$ 11.5 bn across the next two years.
- The residential sector is expected to grow 18-20% up to 2010 (Source: IBEF).

Regulatory risk

Any unfavourable government regulation could hamper the Company's strategic decisions.

Mitigation measures

- The government announced favourable regulatory policies which are expected to enhance the demand for dwelling units, correspondingly fuelling the demand for tiles.
- The Finance Ministry imposed an anti-dumping duty of ₹ 137 per sqm on ceramic glazed tiles imported from China, providing growth opportunities for domestic manufacturers like Kajaria.

Competition risk

Growing number of players in India's tile industry could dent the Company's market share

Mitigation measures

- The Company was conferred the Superbrand status, the only brand in its industry to be so recognised for four times in a row.
- The Company provides complete tile solutions for all market segments, attracting customers.
- The Company facilitates any-time availability of finished products across a pan-India distribution network of dealers and sub-dealers and exclusive showrooms.
- The Company introduces around 200 designs annually to stay abreast the continuously changing trends in interior designing.
- The Company is the country's largest tile exporter and exports to 20 nations worldwide, insulating itself from an adverse domestic industry environment.

Cost risk

Increase in operational costs can affect the Company's bottomline performance

Mitigation measures

- The Company's use of efficient technologies as well as its recent tie-up with GAIL for cheap fuel requirements will translate into low production cost.
- The Company's capacity utilisation improved to 94% (annualised) in 2009-10, compared with 76% in FY 2008-09, reducing the production cost and helping the EBIDTA margin improve by 130 bps in 2009-10.

Funding risk

Inadequate funding could affect the Company's profitability

Mitigation measures

- The Company optimised resource procurement and consumption, reducing the inventory cycle by about 36 days. It also reduced the credit period for its customers by about 13 days, reducing a reliance on external funds for daily operations.
- The Company's debt-equity ratio strengthened to 1.39 as of March 2010, compared with 2.01 in March 2009. The same is expected to strengthen further, despite the ongoing capex of ₹ 1,250 mn because of a high asset turnover ratio.

5-year highlights

(₹ in mn)

	2005-06	2006-07	2007-08	2008-09	2009-10
Share Capital	147.17	147.17	147.17	147.17	147.17
Reserves	1209.03	1268.85	1401.74	1473.51	1746.23
Loan funds	2025.77	3323.67	3372.57	3251.67	2628.28
Gross Block	3885.01	5141.91	4900.74	5014.92	5435.46
Net Block	2500.87	3550.46	3382.02	3276.53	3447.90
Capital work-in-progress	316.76	29.80	26.28	0.00	25.43
Investments	44.60	64.60	33.94	33.94	33.94
Current assets	1472.17	2262.67	2794.64	2968.30	2976.43
Current Liabilities	467.72	670.29	793.39	871.87	1413.49
Net Current Assets	1004.55	1592.38	2001.24	2096.43	1562.94
Deferred tax assets	(484.81)	(497.55)	(522.00)	(534.55)	(548.52)
Turnover	3517.92	4368.03	5289.07	6911.99	7667.54
Other Income	8.10	9.75	15.30	9.96	8.24
Material costs	1330.13	1852.08	2380.32	3601.85	3643.53
Power costs	602.03	748.05	777.02	906.21	1048.76
Employee Cost	208.03	285.54	416.34	504.87	612.84
Other manufacturing expenses	100.84	131.90	140.30	133.69	167.77
Admn & selling exps	390.16	556.35	493.59	552.92	733.99
EBIDTA	685.44	573.25	834.35	959.26	1156.72
Interest	142.80	249.00	397.79	582.42	375.24
EBDT	542.64	324.25	436.56	376.84	781.48
Depreciation	181.20	216.84	236.14	249.37	267.06
PBT	361.44	107.41	200.43	127.47	514.42
Tax	79.73	30.67	50.20	38.48	155.90
PAT	281.71	76.74	150.23	88.99	358.52
Extraordinary items	0.00	0.00	0.00	0.00	0.00
Net Profit	281.71	76.74	150.23	88.99	358.52
Networth	1356.20	1416.02	1548.91	1620.68	1893.40
Capital Employed	3381.97	4739.69	4921.48	4872.35	4521.68
EPS (₹)*	3.83	1.04	2.04	1.21	4.87
Book value (₹)*	18.43	19.24	21.05	22.02	25.73
Dividend (₹)*	0.70	0.20	0.20	0.20	1.00
RONW (%)	22.17	5.54	10.13	5.62	20.40
ROCE (%)	16.76	8.78	12.38	14.50	18.94

** Face value of ₹ 2 per share*

Value-added statement

(₹ in mn)

	2005-06	2006-07	2007-08	2008-09	2009-10
Sales (gross)	3517.92	4368.03	5289.07	6911.98	7667.54
Other income	8.10	9.75	15.30	9.96	8.24
Increase/(Decrease) in Stock	140.50	425.48	291.97	(67.38)	(40.60)
	3666.52	**4803.25**	**5596.34**	**6854.56**	**7635.18**
Less					
Raw Material consumed	966.19	1227.67	1169.58	1251.84	1437.91
Trading goods	504.44	1049.89	1502.71	2282.63	2165.03
Manufacturing expenses	702.87	879.95	917.32	1039.89	1216.53
Other expenses	390.16	556.34	493.59	552.92	733.99
	2563.66	**3713.85**	**4083.20**	**5127.28**	**5553.45**
TOTAL VALUE ADDITION	**1102.86**	**1089.39**	**1513.14**	**1727.28**	**2081.73**
Distribution of value-added					
To the Government					
Excise duty	209.39	230.61	262.48	263.16	312.18
Dividend tax	7.22	2.08	2.50	2.50	12.22
Current tax	44.74	17.93	25.74	25.93	141.93
	261.35	**250.62**	**290.72**	**291.59**	**466.33**
To the employees	208.03	285.54	416.34	504.86	612.84
To providers of finance	142.80	249.00	397.79	582.42	375.24
To shareholders	51.51	14.72	14.72	14.72	73.58
Depreciation	181.20	216.84	236.14	249.37	267.06
Deferred tax	34.99	12.74	24.45	12.55	13.97
Profit ploughed back	222.98	59.93	133.00	71.78	272.71
Retained in business	**439.17**	**289.51**	**393.58**	**333.70**	**553.74**
TOTAL VALUE ADDED DISTRIBUTED	**1102.86**	**1089.39**	**1513.14**	**1727.28**	**2081.73**

DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present the 24th Annual Report together with the audited accounts of your Company for the financial year ended 31st March, 2010.

(₹ in mn)

Particulars	Year ended 31st March, 2010	Year ended 31st March, 2009
Sales (net of excise duty)	7,355	6,649
Profit before interest, depreciation and tax	1,156	958
Financial charges	375	582
Depreciation	267	249
Profit before taxation	514	127
Provision for income tax	130	17
Provision for fringe benefit tax	0	8
Provision for deferred tax	14	12
Income tax adjustment	12	1
Profit after tax	358	89
Add: Balance brought forward from the previous year	819	728
Profit available for appropriation	**1,177**	**817**
Transferred from debenture redemption reserve	(2)	(19)
Proposed dividend on equity shares	73	15
Corporate dividend tax	12	2
Transfer to General Reserve	100	0
Balance carried forward	994	819
	1,177	**817**

Financial review

The fiscal 2009-10 marks an important milestone in the history of your Company. Your Company recorded its best performance in its more than two decade history.

Gross sales grew 11% from ₹ 6,911.99 mn to ₹ 7, 667.54 mn. Improved operational efficiency, higher capacity utilisation and improved product quality facilitated in strengthening the EBIDTA. The EBIDTA increased from ₹ 959.26 mn in 2008-09 to ₹ 1156.72 mn in 2009-10 and EBIDTA margin improved by 130 bps during the same period.

Prudent financial management enabled your Company to reduce external debt by ₹ 623.39 mn. Besides, better working capital management and negotiation with the banks have resulted in decline in interest cost from ₹ 582.42 mn in FY 2008-09 to ₹ 375.24 mn in FY 2009-10 – improving your Company's profitability.

The net profit increased by 303% from ₹ 88.99 mn in 2008-09 to ₹ 358.52 mn in 2009-10. The earnings per share increased from ₹ 1.21 to ₹ 4.87 per share during the same period. The book value per share strengthened from ₹ 22.02 as on 31st March, 2009 to ₹ 25.73 as on 31st March, 2010. More importantly, every rupee invested in business delivered much superior returns – reflected by the improved return on average capital employed from 14.50% in 2008-09 to 18.94% in 2009-10.

Dividend

The Directors recommended a 50% dividend on equity shares (₹ 1 per equity share, face value of ₹ 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 11th August, 2010.

Corporate highlights

Improved product offering: Your Company only increased its product offering in 2009-10; thereby strengthening its recall as an innovative tile manufacturer. The team developed more than 60 new design concepts in 2009-10; it introduced the paper finish and satin wall paper finish for its wall tiles; it introduced more than 40 designs for the powerline series, comprising large format tiles, where the floor tile design matched with that of wall tiles. In addition we ventured into manufacturing new dimension (15x60 cms) wall tiles with a wooden flooring look in December 2009.

New product vertical: Your Company commissioned its 2.40 mn sqm vitrified tile facility at Sikandrabad (Uttar Pradesh) in February 2010; adding a margin-accretive product vertical to the business model. This facility will replace some part of imports with in-house manufacturing, strengthening your Company's profitability.

Operational efficiency: Your Company improved the average capacity utilisation from 76% in 2008-09 to 94% in 2009-10.

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 thereunder.

Outlook

The outlook for the tile industry appears to be positive over the medium term. This optimism stems from certain credible estimates which highlight the likelihood of robust demand over the medium term:

The real estate market is expected to grow at CAGR 15% to 16% over 2010 to 2015. Estimates suggest a shortage of an approximate 25 mn housing units in the middle and low income groups at the beginning of the Eleventh Plan. It is also expected that the medium housing segment will record around 25% CAGR while luxury housing will experience a 33% CAGR during 2009-13. More importantly, the prices of residential apartments increased considerably in recent times; reducing the flooring budget. Hence, the residence owners are looking for value-added products which would be in sync with the residential unit. This should result in increased demand of high-value products from the organised realty sector and the retail market. The organised retail market is expected to grow from present 5% to 10.4% of the retail market by 2012. The healthcare segment is also expected to further improve the demand for tiles

Growth drivers for your Company

Your Company expects to improve its performance in the current year. This assumption is based on the following realities:

Impact of new products: Your Company expects its new products (large format wall tile - 30x60 cm and 30x45 cm) and vitrified tiles launched in 2009-10 to contribute significantly to your Company's performance in the coming years. The current year will mark the first full year of operations of the vitrified tile unit at Sikandrabad

Fuel cost reduction: Your Company's Gailpur plant received low cost natural gas from May 2010 against the high cost propane being used. This is expected to reduce power and fuel cost substantially.

New manufacturing line: In view of the future growth in the vitrified tile segment your Company is commissioning 6 mn sqm annual capacity of high end polished vitrified and glazed porcelain tiles at the existing location in Gailpur at an investment of ₹ 1,250 mn, which is being funded by debt and internal accruals. The plant is expected to commence operations by December 2010.

Directors

Mr. Chetan Kajaria and Mr. Rishi Kajaria were appointed as Joint Managing Directors of the Company, w.e.f 1st April, 2010 subject to the approval of the members.

Mr. B.K.Sinha has been appointed as additional Director to be designated as Director-Technical for a period of 3 years w.e.f. 1st May, 2010 whose appointment is subject to confirmation in the ensuing Annual General Meeting. He is liable to retire by rotation.

Mr. D. D. Rishi resigned from the Board of Directors w.e.f 30th April, 2010. Mr. D. D. Rishi joined Kajaria Group in January 1987 and was given the responsibility of both the plants (Sikandrabad and Gailpur). He managed all operations meticulously. The Board extends their best wishes to him.

In accordance with the Articles 100 of the Articles of Association of the Company, Shri R. K. Bhargava and Shri D. P. Bagchi, 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.

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 reappointment. The Company received a certificate from the auditors to the effect of their reappointment. The observations of the auditors are suitably explained in the notes on accounts.

Personnel

Your Company maintained cordial relations during the year under review. The Company continued its endeavour to grow the learning curve through a 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:

i) In the preparation of the annual accounts, the applicable accounting standards were followed along with proper explanations relating to material departures
ii) 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.
iii) 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.
iv) The Directors prepared the annual accounts on a going concern basis. .

Corporate Governance Report

Pursuant to Clause 49 of the Listing Agreement with the stock exchanges, the Company complied with the Corporate Governance. A separate section on Corporate Governance along with the certificate from auditors confirming the compliance is annexed and forms part of 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 take this opportunity to offer their thanks and deep sense of 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.

We would also like to place on record, our sincere appreciation for the total commitment, dedication, contribution and hard work of employees across all levels. The credit for the Company's achievement goes to them.

We are deeply grateful to our shareholders for the confidence and faith reposed on us.

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

Place: New Delhi
Date: 10th July, 2010

Ashok Kajaria
Chairman and Managing Director

ANNEXURE-I TO THE DIRECTORS' REPORT

A) Employed throughout the financial year and in receipt of the remuneration aggregating ₹ 2.4 mn or more per annum.

Sr. No.	Name	Age	Designation	Qualification	Experience	Date of joining	Remuneration (₹ mn)	Particulars of Last Employment
1	Mr. Ashok Kajaria	63	Chairman and Managing Director	B.SC., BSME., California	35	1st January, 1987	5.80	Managing Director-Kajaria Exports Limited
2	Mr. Chetan Kajaria	36	Joint Managing Director	BE- Pune University, MBA- Boston University, USA	11	15th January, 2000	2.80	Managing Director - Kajaria Plus Limited
3	Mr. Rishi Kajaria	32	Joint Managing Director	B Sc (Business Admn) Boston University, USA	7	26th July, 2003	2.51	Director – Kajaria Infotech Ltd.
4	Mr. R. C. Rawat	54	Sr VP (F&A) and Co Secy.	M.COM.,FCA,FCS	30	14th July, 1987	5.17	Chief Accounts Officer - RCS Vanaspati Limited
5	Dr. Rajveer Chaudhary	56	Chief Operating Officer (Gailpur)	M.A, Ph.D. (Economics)	29	3rd August, 1998	4.22	Vice- President- Venus Sugars Ltd, Moradabad (U.P.)
6	Mr. G. P. Nirmal	49	Vice President (Import and Export)	B.Com(H)	26	1st August, 1997	3.59	Manager - Kajaria Export Limited
7	Mr. Sanjeev Agarwal	46	Vice President -(Finance & Corporate Strategy)	B Com, FCA	23	9th February, 1994	3.14	Deputy Manager - Finance - JK Corp. Limited
8	Mr. Pankaj Sethi	39	General Manager -(Marketing)	BE-Civil Engg.	18	1st April, 2003	4.26	Regional Manager- Kajaria Infotech Limited
9	Mr. Rajiv Goel	40	General Manager -(Marketing)	BSC(Chemistry), PGD - Marketing	19	8th June, 1998	3.96	Branch Manager- Aristocrat Mkt Ltd
10	Mr. Vivek Goyal	40	General Manager -(Marketing)	PGDBA	19	1st May, 2007	3.59	DGM- Marketing - Kajaria Plus Ltd
11	Mr. Gautam Seth	36	General Manager -(Marketing)	BE-Mech.Engg	11	1st September, 2009	2.55	V.P. Marketing - Kajaria Plus Ltd
12	Mr. Alok Kumar	44	General Manager -(Accounts)	B.Com	20	27th June, 1989	2.55	–
13	Mr. Sarat Chandak	39	Deputy General Manager-Marketing	MBA	16	1st July, 2006	2.67	A G M - Marketing - Bell Granito Ceramics Ltd
14	Mr. Jayant Bhagwat Shriniwas	47	Deputy General Manager-Marketing	MBA	19	2nd August, 1999	2.57	Assistant Manager.- Sales -Amogh Plastopack Pvt Ltd
15	Mr. Karan Sood	43	Deputy General Manager-Marketing	PGDBA	23	5th June, 1996	2.45	Senior Sales Executive Spartek Ceramics India Ltd

B) Employed for a part of the financial year and in receipt of the remuneration aggregating ₹ 0.20 mn or more per month.

Sr. No.	Name	Age	Designation	Qualification	Experience	Date of joining	Date of end of the term	Remuneration (₹ in mn)	Particular of last employment
1	Mr. D. D. Rishi	61	Joint Managing Director	B.SC. (Engg.), Chem Hons, Dim	37	15th January, 1987	31st December, 2009	2.74	General Manager – Ram Ganga Fertiliser Limited
2	Mr. Bhupendra Vyas	53	Senior Vice President Marketing	B.Com, MMS-Marketing	29	15th January, 2007	31st October, 2009	4.26	V.P.(Marketing) – Beil Granito Ceramics Limited

Notes

1. Remuneration includes salary, allowances, the 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.

2. Appointments of Shri Ashok Kajaria, Chairman and Managing Director, Sh. Chetan Kajaria, Joint Managing Director and Mr. Rishi Kajaria, Joint Managing Director, are contractual.

3. Shri Ashok Kajaria, Chairman and Managing Director is relative of Shri Chetan Kajaria and Shri Rishi Kajaria, Joint Managing Directors of the Company.

For and on behalf of the Board

Place: New Delhi
Date: 10th July, 2010

Ashok Kajaria
Chairman and Managing Director

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) Continuous maintenance of high power factor for effective utilisation of grid power in conjunction with mitigation/reduction of harmonics by broad band reactors resulting in reduction of apparent energy consumption.
2) Synchronisation of gas Gensets to ensure equal and optimum load sharing for effective utilisation of Genset capacity and reduction in specific fuel consumption of Gensets.
3) Installation of BEE (Bureau of Energy Efficiency) certified electrical items/equipments resulting in savings in power consumptions.
4) Installed 1,000 LPD solar water heating system, use of energy saving lights and T5 lamps for lesser energy consumption.
5) The Company also re-uses recycled waste water for conserving the precious natural resource.

Technology absorption

A. Research and Development (R&D)

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

1) Research for development of vitrified tiles and large wall (15 x 60 cm) and floor (60 x 60 cm) ceramic tiles conforming both EN & IS standards.
2) Development, evaluation, selection and optimisation of process parameters of production lines for improvement in yield and quality.
3) Optimising process parameters of production lines for improvement in yield and quality.
4) Dimension tolerance of finished product reduced for improvement in product quality and to increase customer satisfaction.
5) To get consistent quality products, some of the imported glaze materials have been replaced with indigenous materials.
6) In house analytical steps have been taken for fine tuning of formulations and operations.

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

1) Successfully improved the quality of the products, reducing the cost of production.
2) The Company offers wider range of ceramic and vitrified tiles at competitive cost, which increases the customer satisfaction to a great extent.
3) The product became more effective and preferable to all type of consumers due to its availability in wide range of ceramic and vitrified tiles.

(iii) Future plan of action

1) Introduction of bigger size of ceramic (wall and floor) and polished/glazed vitrified 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 vitrified and ceramic tiles

(iv) Expenditure on (R&D)

(₹ in mn)

	2009-10	2008-09
(a) Capital	–	–
(b) Recurring	0.82	0.20
Total	0.82	0.20
(c) Total R&D expenditure as a percentage of total turnover.	0.011	0.003

[B] Technology absorption, adaptation and innovation

The Company has fully adopted and further updating the latest technology available for producing vitrified and ceramic tiles in European market.

Benefits derived as a result of the above

This continues to be an on going process and the Company has successfully managed significant saving in energy and water consumption by recycling process waste. The Company is continuously updating for standardisation and installation of required machineries in the process of manufacturing vitrified and ceramic tiles.

Technology imported

Process of technology	Monocuttura	Monoporosa	Vitrified
-Year of import	1988	1994	2010
-Has technology been fully absorbed	Yes	Yes	Yes

Social and 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 2009-10.

Foreign exchange earning and outgo

(₹ in mn)

	2009-10	2008-09
Earned		
Exports (FOB)	367	207
Spent		
Imports (CIF) Capital goods	163	30
Raw material	147	146
Stores and spares	47	69
Traded goods	1,107	1,976
Others (on accrual basis)	37	14

For and on behalf of the Board

Place: New Delhi
Date: 10th July, 2010

Ashok Kajaria
Chairman and Managing Director

CORPORATE GOVERNANCE REPORT

I. The Company's Philosophy on Corporate Governance

At Kajaria Ceramics, we are expanding capacities of our business and the Corporate Governance has been an integral part of the way we have been doing our business since inception. We believe that good Corporate Governance emerges from the application of the best and sound management practices, and compliance with the law coupled with the total adherence to the highest norms of business ethics. The Company places great emphasises on full transparency and accountability in all its transaction, in order to protect the interests of its stakeholders.

The Company also ensures to take proactive approach and revises 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, 2010 the Company had 8 Directors on its Board, of which 4 Directors were Independent. The Company is in compliance with the 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 record of Directors at Board Meetings during the year and at the last AGM and the details of the Directorships, Chairmanships and the Committee Memberships held by them in other Companies as on 31st March, 2010, are given below:

Name	Status	No. of Board Meetings held	No. of Board meetings attended	No. of other Director ship*	Chairman-ship of Committees in other Companies	Committee Member-ship in other Companies	Whether attended the last AGM
Mr. Ashok Kajaria	Chairman & Managing Director (Executive)	6	6	2	–	–	Yes
Mr. Chetan Kajaria	Joint Managing Director (Executive)	6	6	4	–	–	Yes
Mr. Rishi Kajaria	Joint Managing Director (Executive)	6	5	7	–	–	Yes
Mr. R. P. Goyal	Director (Independent Non Executive)	6	6	2	2	1	Yes
Mr. Raj Kumar Bhargava	Director (Independent Non Executive)	6	6	9	2	7	Yes
Mr. R. R. Bagri	Director (Independent Non Executive)	6	6	5	–	–	Yes
Mr. D. P. Bagchi	Director (Independent Non Executive)	6	6	8	3	3	Yes
Mr. D. D. Rishi **	Director (Non- Executive)	6	5	-	-	-	Yes

** includes Directorship in Private Limited Companies ** Retired w.e.f 31st December,2009 and re-appointed as Non- Executive Director of the Company. Resigned from the Board of Directors of the Company w.e.f 30th April, 2010*

During the financial year ending 31st March, 2010, Six Board Meetings were held on 5th May, 2009, 18th July, 2009, 28th August, 2009, 10th October, 2009, 19th January, 2010 and 16th March, 2010. The intervening period between two Board Meetings was within the maximum time gap of 4 months prescribed under Corporate Governance norms. The Non-Executive Directors have no material pecuniary relationship or transactions with the Company in their personal capacity.

Mr. Chetan Kajaria and Mr. Rishi Kajaria have been appointed as Joint Managing Directors of the Company w.e.f 1st April, 2010.

Mr. Chetan Kajaria and Mr. Rishi Kajaria, Joint Managing Directors of the Company, are sons of Mr. A. K. Kajaria, Chairman and Managing Director of the Company.

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

Further, Mr. B.K.Sinha has been appointed as additional Director to be designated as Director- Technical for a period of 3 years w.e.f. 1st May, 2010 whose appointment is subject to confirmation in the ensuing Annual General Meeting. He is liable to retire by rotation.

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

Information supplied to the Board

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

III. Audit Committee

As on 31st March, 2010, the Audit Committee consist of 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	4

Mr. R.C. Rawat, Senior Vice President (F&A) and Company Secretary, is the Secretary of the Audit Committee. The Chairman of the Audit Committee attended the Annual General Meeting of the Company held on 28th August, 2009.

During 2009-10, the Audit Committee met four times i.e. 5th May, 2009, 18th July, 2009, 10th October, 2009 and 19th January, 2010. The necessary quorum was present in all the meetings.

Role of Audit Committee

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

a) Overview of the Company's financial reporting process and disclosure of its financial information;

b) 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;

c) Reviewing with the management, the quarterly, half yearly and annual financial statements before submission to the Board;

d) Reviewing the internal audit reports and report of the Statutory Auditors with the management.

e) Reviewing the adequacy of internal audit function, the internal control system of the Company, compliance with the Company's policies and applicable laws and regulations;

f) Reviewing the Company's financial and risk management policies.

g) To look into the reasons for substantial defaults, if any, in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividend) and creditors.

The Audit Committee may also review such matters as may be referred to it by the Board or which may be specified as 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. Ashok Kajaria	Chairman	2
Mr. R. K. Bhargava	Member	2
Mr. R. R. Bagri	Member	2
Mr. D.P. Bagchi	Member	2

The terms of reference to this Committee include:

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

During 2009-10, the Committee met twice on 18th July, 2009 and 16th March, 2010

The details of remuneration paid to directors during the financial year ended 31st March, 2010 is as under:

(₹ in lakhs)

S No.	Name of Directors	Salary	Perquisites & other Benefits	Sitting fees	Total
1	Mr. Ashok Kajaria	33.75	24.26	NIL	58.01
2	Mr. Chetan Kajaria	16.20	11.77	NIL	27.97
3	Mr. Rishi Kajaria	14.40	10.76	NIL	25.16
4	Mr. D. D. Rishi*	13.73	13.72	0.40	27.85
5	Mr. R. P. Goyal	NIL	NIL	0.65	0.65
6	Mr. R. R. Bagri	NIL	NIL	1.35	1.35
7	Mr. R. K. Bhargava	NIL	NIL	0.90	0.90
8	Mr. D. P. Bagchi	NIL	NIL	0.70	0.70

** Retired w.e.f 31st December, 2009 and re-appointed as Non- Executive Director of the Company. Resigned from the Board of Directors of the Company w.e.f 30th April, 2010.*

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 31st March, 2010 is as follows:

S.No.	Name of Non- Executive Director	No. of Shares held as on 31st March, 2010
1	Mr. R. P. Goyal	2,500
2	Mr. R. K. Bhargava	14,296
3	Mr. R. R. Bagri	25,500
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 composition of Project Management Committee is as under: -

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

During 2009-10, the Committee met twice on 18th July, 2009 and 16th March, 2010.

VI. Share Transfer and Investors Grievance Committee

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

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

Mr. R.C.Rawat, Senior Vice President (F&A) & Company Secretary is the Compliance Officer of the Company.

During the year six Share Transfer and Investor Grievances Committee Meetings were held on 5th May, 2009, 18th July, 2009, 23rd September, 2009, 18th November, 2009, 26th December, 2009 and 2nd February, 2010.

During the year 30 complaints were received. All the 30 complaints were disposed off and no complaints were pending as on 31st March, 2010.

VI. General Body Meetings

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

Year	Date	Time	Venue
2007	26th September, 2007	12.00 Noon	A- 27 & 28, Sikandrabad Indl. Area Sikandrabad, District Bulandshahr (U P)
2008	25th September, 2008	12.00 Noon	-do-
2009	28th August, 2009	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. 21 of Schedule No. 22 of the Annual Accounts. During the 2009-10, 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 Chartered Accountant of India in preparation of its financial statements.

d) Whistle Blower Policy

The Company has laid down the whistle blower policy, and the employees of the Company are given access to the Audit Committee to inform any unethical behavior / fraud.

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

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

f) Chairman and Managing Director and Senior Vice President (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 complied with all the mandatory requirements. Among the non-mandatory requirements, the Company has set up the remuneration committee. The Company has also formulated the framework for 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) Financial Express/Business Standard/Economic Times 2) Jansatta/Dainik Jagran
- 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 2009-10):

Date	Time	Venue
21st August, 2010	12.00 Noon	A-27 & 28, Sikandrabad Indl. Area Sikandrabad, District: Bulandshahr (U P)
ii) Next Dates of Book closure	:	12th August, 2010 to 21st August, 2010 (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 2001-02 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 2002-03 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 2010-11 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 2009-10: -

	BSE		NSE	
Months	High	Low	High	Low
April, 2009	29.90	25.55	30.00	26.00
May, 2009	45.00	26.35	44.90	27.00
June, 2009	40.90	29.30	40.90	29.20
July, 2009	42.85	29.00	42.45	28.75
August, 2009	44.75	35.00	44.70	33.20
September, 2009	43.70	37.20	49.60	38.60
October, 2009	43.90	38.85	43.85	39.00
November, 2009	46.50	37.15	46.40	37.55
December, 2009	54.00	42.75	53.90	43.20
January, 2010	59.95	47.30	59.85	47.50
February, 2010	55.95	49.25	56.50	49.75
March, 2010	62.25	55.50	61.95	52.65

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 Agent 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, 2010

Shareholding pattern of The Company as on 31st March, 2010

	Category	No.of Shares Held	Percentage of Shareholding
A.	**PROMOTERS' HOLDING**		
	Promoters:		
	- Indian Promoters	37,771,815	
	- Foreign Promoters	–	
	Sub Total (A)	**37,771,815**	**51.33**
B.	**NON-PROMOTERS HOLDING**		
	Institutional Investors:		
a	Mutual Funds and UTI	3,611,464	
b	Bank, Financial Institutions,	36,525	
c	Insurance Companies.	1,099,253	
d	FII's	2,300,000	
	Sub Total (B)	**7,047,242**	**9.58**
C.	**OTHERS:**		
a	Private Corporate Bodies	12,927,284	
b	Indian Public	15,569,571	
c	NRI's /OCB's	2,67,068	
d	Any other (Trust & Foundation)	600	
	Sub Total (C)	**28,764,523**	**39.09**
	GRAND TOTAL (A+B+C)	**73,583,580**	**100.00**

Range Wise Distribution is as follows:

Range	No. of Shareholders Total	No. of Shareholders % of share holders	No. of Shares Total	No. of Shares % of share capital
1-500	8843	71.71	1,931,551	2.63
501-1000	1796	14.56	1,486,148	2.02
1001-2000	849	6.88	1,279,374	1.74
2001-3000	335	2.72	8,38,514	1.14
3001-4000	117	0.95	4,16,325	0.56
4001-5000	108	0.88	5,13,261	0.70
5001-10000	128	1.04	9,63,642	1.31
10001 and above	156	1.26	66,154,765	89.90
Total:		**100%**	**73,583,580**	**100%**

xi) Dematerialisation of Shares and liquidity

The Company's equity shares are traded in the Stock Exchange 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, 2010, 96.69% 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, District Bulandshahr (Uttar Pradesh).
- 19 Km Stone, Bhiwadi – Alwar Road, Village Gailpur, District Alwar (Rajasthan).

xiv) Address for Correspondence

Registered Office:
Kajaria Ceramics Ltd
A-27 & 28, Sikandrabad Industrial Area
Sikandrabad, District Bulandshahr (U P)

Corporate Office:
Kajaria Ceramics Ltd
J-1/B-1 (Extn), Mohan Co-operative Indl Estate
Mathura Road, New Delhi-110044
Phone: 26946409, Fax: 26946407
Email for Investors: The Company has designated investors@kajariaceramics.com as email address especially for investors' grievance(s).

xv) Certificate related to code of conduct to Directors/ Senior Management

This is to certify that as per revised Clause 49 of the Listing Agreement, the code of conduct has been laid down for all the Board Members and Senior Management of the Company. The Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct for the year 2009-10.

For and on behalf of the Board

Place: New Delhi
Date: 10th July, 2010

Ashok Kajaria
Chairman & Managing Director

ANNEXURE TO THE CORPORATE GOVERNANCE

1. **CHETAN KAJARIA** is a gold medalist in Engineering from Pune University and MBA from Boston University, USA. He has joined the Board on 15th January, 2000. He was appointed as Wholetime Director of the Company with effect from 1st July, 2007 for a period of 5 years. During his tenure the Company has carried out the major expansion at its existing plants in Sikandrabad and Gailpur, thereby increasing its capacity from 13.80 mn TPA to 21.00 mn. TPA. Keeping in view of excellent performance of the Company under his dynamic leadership, it is proposed to appoint him as Joint Managing Director of the Company for a period of 5 years w.e.f. 1st April, 2010.

As on 31st March, 2010, Mr. Chetan Kajaria is holding 7,50,000 equity shares of the Company.

Directorships in other companies:

S.No.	Name of Company	Position
1	Kajaria Housing and Infrastructure Limited	Director
2	Kajaria Plus Private Limited	Director
3	Kajaria Vision Private Limited	Director
4	Cheri Ceramics Private Limited	Director

2. **Mr. RISHI KAJARIA** is B.Sc. in Business Administration from Boston University (USA). He has joined the Board on 26th July, 2003. He was appointed as Wholetime Director of the Company on 17th July, 2004. He was further re-appointed as Wholetime Director of the Company w.e.f 17th July, 2009. During his tenure the Company has made remarkable growth in the trading of vitrified / glaze porcelain tiles. Keeping in view of excellent performance of the Company under his dynamic leadership, it is proposed to appoint him as Joint Managing Director of the Company for a period of 5 years w.e.f. 1st April, 2010.

As on 31st March, 2010, Mr. Rishi Kajaria is holding 9,22,858 equity shares of the Company.

Directorships in other Companies :

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

3. **Mr. DEBI PRASAD BAGCHI,** retired IAS officer, MA (Economics) and M Phil in Public Administration. During his tenure with Government of India, he served as Secretary to Government. of India. He was also Chief Secretary to Government of Orissa, and is also serving the Board of Directors of the other companies of different business. He has rich experience in General Administration, Management Strategy, Government Industry Relationship and Corporate Governance. Mr. Debi Prasad Bagchi has joined the Board of the Company on 29th June, 2007 as an Additional Director and further appointed as Director in the Annual General Meeting of the Company held on 26th September, 2007. He is not holding any share of the Company.

Directorship in other companies (Mr. DEBI PRASAD BAGCHI)

S. No.	Name of the Company	Position
1	Nilachal Ispat Nigam Ltd	Director
2	Visa Steel Limited	Director
3	PTC India Ltd.	Director
4	Jindal India Thermal Power Ltd.	Director
5	Jindal India Powertech Limited	Director
6	TK International Ltd.	Director
7	Sahara Prime City Limited	Director
8	Ind-Barath Power Infra Ltd.	Director

Committees' membership in the other companies

S. No.	Name of the Company	Name of The Committee	Chairman/Member
1	Nilachal Ispat Nigam Ltd.	Audit Committee	Chairman
2	TK International Ltd.	Audit Committee	Chairman
3	Visa Steel Limited	a. Selection Committee	Chairman
		b. Audit Committee	Member
4	PTC India Ltd.	Audit Committee	Member
5	Jindal India Powertech Limited	Audit Committee	Member

4. Mr. R. K. BHARGAVA, retired IAS officer, is BA (Hon.) and M.A. During his tenure with Government of India, he served as Industry Secretary, Finance Secretary, Irrigation & Power Secretary and Chief Secretary in U.P. He has also served Government of India as Jt. Secretary Petroleum, Jt. Secretary Industries, Secretary Home and Secretary Urban Development. He has wide experience in industry, finance and infrastructure. Mr. R. K. Bhargava joined the Board of the Company on 9th November, 1998. He is holding 14,296 equity shares of the Company.

Directorship in other companies

S. No.	Name of the Company	Position
1	WBW Consultants Pvt. Ltd.	Director
2	Duncan's Ltd.	Director
3	H. B. Portfolio Ltd.	Director
4	Vidhi Vedika Heritage Pvt. Ltd.	Director
5	Innova Hotels & Resorts Pvt. Ltd.	Director
6	Andhra Cements Ltd.	Director
7	JCL International Pvt. Ltd.	Director
8	Asian Hotels (West) Ltd.	Director
9	Noida Toll Bridge Company Ltd.	Director

Committees' Chairmanship / membership in the other companies

S.No.	Name of the Company	Committee Name	Member/ Chairman
1	Noida Toll Bridge Company Limited	1. Audit Committee	Chairman
		2. Investor Grievance Committee	Member
2	Asian Hotels (West) Limited	1. Audit Committee	Member
		2. Share Transfer Committee	Member
3	Duncan's Limited	1. Audit Committee	Member
		2. Share Transfer Committee	Member
4	H.B. Portfolio Limited	1. Audit Committee	Chairman
		2. Shareholders Committee	Member
5	Andhra Cement Limited	1. Audit Committee	Member

5. Mr. B.K.SINHA

Mr. B.K.Sinha is B.Tech (IIT Kanpur), PGDM (AIMA). He started his career as Graduate Engineer with Hindustan Sanitaryware and subsequently served with Orient Ceramics, Somany Tiles as General Manager (Production), Asian Granito as SeniorVice President, and Kaneria Granito as Technical Director. He has rich experience of about 40 years in the field of tiles production, quality control, R&D, technology transfer, standardisation, projects, training and organisation development etc.

He is not holding any directorship / Committee membership in any other Company. He is not holding any shares in the Company.

TO WHOMSOEVER IT MAY CONCERN

We have reviewed financial statements and the cash flow statement for the year ended 31st March, 2010 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 became 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

For **Kajaria Ceramics Limited**

R C Rawat
Sr.V P (F&A) and Co-Secretary

Place: New Delhi

Date : 30th April, 2010.

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, 2010, 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

Sd/-

O. P. BAGLA
PARTNER
M No. 8858

Place: New Delhi
Date: 6th July, 2010

Auditors' Report

To
The Members of
Kajaria Ceramics Limited

We have audited the attached Balance Sheet of **KAJARIA CERAMICS LIMITED** as at 31st March, 2010 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, 2010 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, 2010 in terms of section 274(1) (g) of the Companies Act, 1956.
   f) 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 – 22, 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 31st March, 2010.
      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
Membership No. 91885
Firm Registration No. 000018N

Place : New Delhi
Dated : 30th April, 2010

Annexure to the Auditors' Report

Annexure referred to in paragraph 1 of the Auditors' Report on Accounts for the year ended 31st March, 2010

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, during the year, granted loan to a Company covered in the register maintained under section 301 of the Act. The loan has been fully repaid during the year. In our opinion and as per information and explanations given to us, the terms and conditions of the loan were not prima facie prejudicial to the interest of the Company.

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 ₹ 106.72 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 a guarantee for loan taken by an associate amounting to ₹ 50 million from bank and in our opinion, the terms and conditions of the same 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 utilised 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 31st March, 2010.

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
Membership No. 91885
Firm Registration No. 000018N

Place : New Delhi
Dated : 30th April, 2010

Balance Sheet As at 31st March, 2010

(₹ in Million)

	Schedules	31.03.2010	31.3.2009
SOURCE OF FUNDS			
Shareholders' Funds			
Share Capital	1	147.17	147.17
Reserves and Surplus	2	1,746.23	1,473.51
		1,893.40	**1,620.68**
Loan Funds			
Secured Loans	3	2,588.28	2,926.67
Unsecured Loans	4	40.00	325.00
		2,628.28	3,251.67
Deferred Tax Liabilities	5	548.52	534.55
Total		**5,070.20**	**5,406.90**
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	6	5,435.46	5,014.92
Less : Depreciation		1,987.57	1,738.39
Net Block		3,447.89	3,276.53
Capital Work-in-Progress		25.43	–
		3,473.32	3,276.53
Investments	7	33.94	33.94
Current Assets, Loans & Advances			
Inventories	8	1,402.55	1,384.57
Sundry Debtors	9	773.21	678.04
Cash and Bank Balances	10	44.91	78.87
Loans and Advances	11	755.76	826.82
		2,976.43	2,968.30
Less : Current Liabilities & Provisions			
Liabilities	12	1,197.69	829.85
Provisions	13	215.80	42.02
		1,413.49	871.87
Net Current Assets		1,562.94	2,096.43
Total		**5,070.20**	**5,406.90**
Significant Accounting Policies and Notes on Accounts	22		

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: 30th April, 2010

For and on behalf of the Board

Ashok Kajaria
Chairman & Managing Director

Chetan Kajaria
Rishi Kajaria
Jt. Managing Directors

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

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

Profit and Loss Account For the year ended 31st March, 2010

(₹ in Million)

	Schedules	31.03.2010	31.3.2009
INCOME			
Sales (Gross)		7,667.54	6,911.99
Less: Excise Duty on Sales		312.18	263.16
		7,355.36	6,648.83
Other Income	14	8.24	9.96
Increase/Decrease in Stocks	15	2.75	(109.47)
		7,366.35	**6,549.32**
EXPENDITURE			
Material Manufacturing & Other Expenses	16	4,811.17	4,485.61
Salaries, Wages and Amenities	17	612.84	504.87
Repairs and Maintenance	18	51.63	46.67
Administrative & Other Expenses	19	298.78	240.94
Selling & Distribution Expenses	20	435.21	311.97
Financial Charges	21	375.24	582.42
Depreciation		267.06	249.37
		6,851.93	6,421.85
Profit before Tax		**514.42**	**127.47**
Provisions for:			
Income Tax		130.00	16.80
Fringe Benefit Tax		–	8.00
Deferred Tax		13.97	12.55
Income Tax / Wealth Tax Adjustment		11.93	1.13
Profit after Tax		**358.52**	**88.99**
Balance as per last year		819.03	728.51
Profit Available For Appropriation		**1,177.55**	**817.50**
APPROPRIATIONS			
Proposed Dividend on Equity Shares		73.58	14.72
Corporate Dividend Tax		12.22	2.50
Transfer to General Reserve		100.00	–
Transfer from Debenture Redemption Reserve		(2.40)	(18.75)
Surplus Carried Over		994.15	819.03
		1,177.55	**817.50**
Basic/Diluted Earnings per share (₹)		4.87	1.21
Significant Accounting Policies and Notes on Accounts	22		

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: 30th April, 2010

For and on behalf of the Board

Ashok Kajaria
Chairman & Managing Director

Chetan Kajaria
Rishi Kajaria
Jt. Managing Directors

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

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

Schedules forming part of the Accounts As at 31st March, 2010

(₹ in Million)

	31.03.2010	31.03.2009
SCHEDULE 1 SHARE CAPITAL		
Authorised		
125,000,000 (125,000,000) Equity Shares of ₹ 2/- each	250.00	250.00
10,00,000 (10,00,000) Preference of Shares ₹ 100/- each	100.00	100.00
	350.00	350.00
Issued, Subscribed & Paid up		
73,583,580 (73,583,580) Equity Shares of ₹ 2/- each fully paid up in cash	147.17	147.17
	147.17	147.17

	31.03.2010	31.03.2009
SCHEDULE 2 RESERVES AND SURPLUS		
A. Capital Reserve		
Share Premium	142.35	142.35
B. Debenture Redemption Reserve		
Balance B/f	48.44	67.19
Less : Written Back	(2.40)	(18.75)
	46.04	48.44
C. General Reserve	413.69	413.69
Add : Transferred During the Year	100.00	–
	513.69	413.69
D. Capital Redemption Reserve	50.00	50.00
E. Profit & Loss Account	994.15	819.03
	1,746.23	1,473.51

	31.03.2010	31.03.2009
SCHEDULE 3 SECURED LOANS		
A. Debentures		
Non Convertible Debentures	46.04	48.44
B. Term Loans		
- From Financial Institutions	290.00	166.60
- From Banks	1,314.09	1,683.47
- Car loan from Others	30.81	14.43
C. Working Capital Facilities		
From Banks	907.34	1,013.73
	2,588.28	2,926.67

Notes :

1. a) Debentures from IFCI and Term loans from Financial Institutions & Banks, except as stated below in 1 (b) & 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-pasu with the charges created in favour of participating Financial Institutions and Banks and further guaranteed by the Managing Director of the Company.
   b) Term Loan from Rabo Bank of ₹ 39.62 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 Windmill Project.
2. 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.
3. Other terms and conditions of Debentures are duly reflected in schedule 22.
4 Car Loan from others ₹ 30.81 million is seured against repective cars.

Schedules forming part of the Accounts As at 31st March, 2010

(₹ in Million)

	31.03.2010	31.03.2009
SCHEDULE 4 UNSECURED LOANS		
Short Term Loans & Advances		
- from Scheduled Banks	–	250.00
- From Companies	40.00	75.00
	40.00	325.00

	31.03.2010	31.03.2009
SCHEDULE 5 DEFERRED TAX ASSETS/(LIABILITIES)		
Deferred tax Liability		
As at 1st April, 2009	534.55	522.00
Additional adjustment for current year	13.97	12.55
	548.52	534.55

SCHEDULE 6 FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1.4.2009	Additions	Sale/ Transfer	As at 31.3.2010	Upto 31.3.2009	For the year	Sale/ Transfer	Upto 31.3.2010	As at 31.3.2010	As at 31.3.2009
Land and Site Development	105.60	–	–	105.60	–	–	–	–	105.60	105.60
Building	885.50	61.79	0.07	947.23	241.17	29.02	0.03	270.16	677.07	644.33
Plant & Machinery	3,789.79	333.45	14.35	4,108.90	1,392.24	211.85	10.08	1,594.02	2,514.89	2,397.55
Furniture and Fixtures	52.57	3.38	1.94	54.01	27.02	3.31	0.95	29.38	24.63	25.55
Vehicles	70.46	35.22	13.17	92.51	17.55	7.44	6.29	18.69	73.82	52.91
Fixed Assets - Sales Outlet	110.99	17.25	1.03	127.21	60.41	15.44	0.53	75.32	51.89	50.58
Current Year	**5,014.92**	**451.09**	**30.56**	**5,435.46**	**1,738.39**	**267.06**	**17.88**	**1,987.57**	**3,447.89**	**3,276.53**
Previous Year	4,900.74	160.43	46.24	5,014.92	1,518.72	249.37	29.70	1,738.39	3,276.53	3,382.02

	31.03.2010	31.03.2009
SCHEDULE 7 INVESTMENTS		
Investment in Equity Shares - Long Term (at cost)		
(Other than trade)		
Quoted		
3,00,000 Equity Shares of Regency Trust Ltd. of ₹ 10/- each		
(Note: Market Value has not been given as no quotation is available)	4.50	4.50
Unquoted		
29,39,500 Equity Shares (Previous year 29,39,500) of		
Kajaria Plus Pvt. Ltd. of ₹ 10/- each fully paid up	29.44	29.44
	33.94	33.94

	31.03.2010	31.03.2009
SCHEDULE 8 INVENTORIES		
(As certified by the Management)		
Raw Materials	149.65	145.22
Stores and Spares	155.83	145.02
Finished Goods	1,036.20	1,031.69
Work-in-Process	60.87	62.64
	1,402.55	1,384.57

Schedules forming part of the Accounts As at 31st March, 2010

(₹ in Million)

	31.03.2010	31.03.2009
SCHEDULE 9 SUNDRY DEBTORS (UNSECURED)		
a) Debts outstanding for a period exceeding six months		
- Considered Good	34.63	49.91
- Considered Doubtful	30.86	34.41
b) Other Debts		
- Considered Good	708.65	594.92
- Considered Doubtful	0.27	–
	774.41	679.24
Less: Provision for Doubtful Debts	1.20	1.20
	773.21	678.04
SCHEDULE 10 CASH AND BANK BALANCES		
Cash in hand and imprest	5.71	6.37
Balance with Scheduled Banks		
- in current account	35.62	57.74
- in Margin / FDR	3.58	14.76
	44.91	78.87
SCHEDULE 11 LOANS & ADVANCES		
(Unsecured Considered Good)		
Loans	6.00	7.00
Advances recoverable in cash or in kind or for value to be received	378.65	502.12
Balance With Excise Authorities	32.97	17.98
Exports Benefit Accrued	6.20	53.39
Security Deposits		
- With Govt. Deptts.	28.92	26.97
- With Others	178.30	172.00
Prepaid Expenses	6.24	9.05
Income Tax / FBT	118.48	38.31
	755.76	826.82
SCHEDULE 12 CURRENT LIABILITIES		
Sundry Creditors - Micro, Small & Medium Enterprises	–	–
- Others	1,024.66	730.42
Investors Education & Protection Fund		
- Unclaimed Dividend	2.28	2.21
Other Liabilities	132.75	72.47
Interest accrued but not due	2.05	2.07
Security Deposits	35.95	22.68
	1,197.69	829.85
SCHEDULE 13 PROVISIONS		
Income Tax	130.00	16.80
Fringe Benefit Tax	–	8.00
Proposed Dividend	73.58	14.72
Corporate Dividend Tax	12.22	2.50
	215.80	42.02

Schedules forming part of the Accounts For the year ended 31st March, 2010

(₹ in Million)

		31.03.2010	31.03.2009
SCHEDULE 14 OTHER INCOME			
Miscellaneous Income		8.24	9.96
		8.24	9.96
SCHEDULE 15 INCREASE/DECREASE IN STOCKS			
Stock as on 1st April, 2009			
Work-in-process		62.64	58.07
Finished Goods		1,031.69	1,145.73
	'A'	1,094.33	1,203.80
Stock as on 31st March, 2010			
Work-in-process		60.88	62.64
Finished Goods		1,036.20	1,031.69
	'B'	1,097.08	1,094.33
	B-A	2.75	(109.47)
SCHEDULE 16 MATERIAL, MANUFACTURING AND OTHERS			
Raw Material Consumed		1,437.91	1,251.84
Goods Purchased for Resale		2,165.03	2,282.63
Stores and Spares Consumed		116.13	87.02
Power and Fuel		1,048.76	906.21
Finished Goods used for Fixed Assets		(2.77)	–
Excise Duty on Stocks		46.11	(42.09)
		4,811.17	4,485.61
SCHEDULE 17 SALARIES, WAGES & AMENITIES			
Salary, Wages and Allowances		552.27	461.85
Contribution to ESI, PF & FPF etc.		28.07	24.82
Staff Welfare		14.30	12.39
Contribution to LIC Group Gratuity Expense		18.20	5.81
		612.84	504.87
SCHEDULE 18 REPAIRS & MAINTENANCE			
Building		8.41	10.46
Machinery		19.58	18.31
Others		23.64	17.90
		51.63	46.67

Schedules forming part of the Accounts For the year ended 31st March, 2010

(₹ in Million)

	31.03.2010	31.03.2009
SCHEDULE 19 ADMINISTRATIVE & OTHER EXPENSES		
Printing, Stationery & EDP Expenses	6.96	6.57
Rent, Rates & Taxes	88.62	58.61
Vehicle Expenses	12.78	11.72
Communication Expenses	32.99	27.43
Traveling & Conveyance Expenses	88.24	81.32
Insurance Charges	8.75	9.34
Legal & Professional Charges	13.78	11.04
Loss on Sale / Scrapping of Fixed Assets	6.65	3.07
Directors Sitting Fees	0.40	0.17
Auditors' Remuneration :		
- As Audit Fees	0.75	0.65
- For Tax Audit, Certification & Tax Representations	0.62	0.15
- For Other matters	0.51	0.47
- For Reimbursement of Expenses	0.03	0.05
Miscellaneous Expenses	24.48	18.00
Share Transfer Expenses	0.13	0.09
Electricity & Water Charges	11.94	10.74
Foreign Technician Expenses	0.05	0.10
Social Relief & Welfare Expenses	0.28	0.09
Bad Debts Written Off	–	1.13
Research & Development Expenses	0.82	0.20
	298.78	240.94

SCHEDULE 20 SELLING & DISTRIBUTION EXPENSES		
Packing Freight & Forwarding Expenses	179.21	107.54
Advertisement, Publicity & Sales Promotion	128.20	112.12
Commission	127.80	92.31
	435.21	311.97

SCHEDULE 21 FINANCIAL CHARGES		
Interest on Fixed Loans	241.00	273.57
Interest on others (Net)	143.84	166.46
Exchange Difference	(49.45)	119.49
Bank & Other Charges	39.85	22.90
	375.24	582.42

Schedules forming part of the Accounts

SCHEDULE 22 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:

   a) Fixed assets are stated at their original cost of acquisition inclusive of inward freight, duties and expenditure incurred in the acquisition, construction/installation.

   b) 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.

   c) 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 ₹ 5,000/- are fully depreciated in the year of purchase.

   d) CENVAT credit availed on capital equipment is accounted for by credit to respective fixed assets.

   e) Capital Work-in-progress includes project advances pending execution.

4. Investments:

   Long term investments are stated at cost.

5. Inventories:

   Inventories are valued on the following basis:

   a) Stores and Spares - at moving weighted average basis.

   b) Raw Materials - at moving weighted average basis.

   c) Work-in-Process - at estimated cost

   d) Finished Goods - at lower of cost or estimated realisable value.

   e) Material in Transit - at cost.

6. Excise & Custom Duty:

   a) Custom Duty is accounted for at the time receipt of goods in custom warehouse.

   b) 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 recognised when substantially all conditions appurtenant thereto have been fulfilled.

8. Foreign Currency Transactions:

   a) Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction or that approximates the actual rate at the date of the transaction.

   b) Monetary items denominated in foreign currencies at the year end are restated at year end rates, except in cases covered by forward exchange contracts.

   c) Any income or expense on account of exchange difference either on settlement or on translation is recognised in the Profit and Loss Account.

9. Export Benefits:

   Export Benefits in respect of unutilised Advance Licences under DEPB 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.

SCHEDULE 22 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

10. Employee Benefits:
   a) Short term employee benefits are recognised as an expense at the undiscounted amount in the Profit and Loss Account of the year in which the related service is rendered.
   b) Gratuity liability has been provided on the basis of actuarial valuation.

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. Provision, Contingent Liabilities and Contingent Assets:
   Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognised but are disclosed in the notes. Contingent assets are neither recognised nor disclosed in the financial statements.

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

(₹ in Million)

		As at 31.03.2010	As at 31.03.2009
1	Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of advances)	136.41	0.29
2	Letters of Credit opened in favour of inland/overseas suppliers (Net)	942.42	691.11
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	72.48	66.67
	b) Counter guarantees issued in respect of guarantees issued by Company's bankers	29.69	–
	c) Guarantees issued on behalf of limited Companies	50.00	100.00
	d) In respect of Excise Duty, Sales Tax, Service Demands pending before various authorities and in dispute	3.35	2.25
	e) Export Obligation under EPCG Scheme	2.69	–
	f) In respect of disputed Electricity Demand pending with appellate authorities and other consumer cases	4.54	4.34

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

No of Debenture	Rate	Original Amount (₹ million)	Amount Outstanding (₹ million)	Date of redemption
10,00,000	13.00%	100.00	46.04	₹ 5 million on 15.04.10, ₹ 6 million on 15.07.10, ₹ 7 million on 15.10.10 & final installment of ₹ 28.04 million on 15.01.11.

SCHEDULE 22 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

5. Details of Raw Material Consumed:

	Unit	2009-10 Qty	2009-10 Value (₹ million)	2008-09 Qty	2008-09 Value (₹ million)
a) Body Materials	MT	334158	352.98	278311	284.88
b) Glaze, Frits & Chemicals	MT	24959	830.12	19856	722.39
c) Packing Materials	NOS	21243141	254.80	16640006	244.57
			1,437.91		1251.84

6 Particulars of Sales & Stock:

	Unit	2009-10 Qty (Million)	2009-10 Value (₹ million)	2008-09 Qty (Million)	2008-09 Value (₹ million)
a) Opening Stock					
Tiles	Sq. Mtrs	3.81	1031.69	4.79	1145.73
b) Purchases					
Tiles	Sq. Mtrs	5.31	2165.03	5.57	2282.60
c) Sales					
Tiles	Sq. Mtrs	25.28	7653.55	22.60	6900.28
Power			13.99		11.70
d) Closing Stock					
Tiles	Sq. Mtrs	3.90	1036.20	3.81	1031.69

Sales Quantity includes goods used for sampling & own consumption.

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

(₹ in Million)

	Year ended 31.03.2010	Year ended 31.03.2009
- Salary	7.81	7.44
- Perquisites	5.72	5.34
- Contribution to Provident Fund	0.33	0.36

8. Details of registered & installed capacities and production:

	Unit (Million)	2009-10	2008-09
a) Registered Capacity	Sq Mtrs	N.A.	N.A.
b) Installed Capacity*			
- Tiles	Sq Mtrs	23.40	21.00
c) Production			
- Tiles	Sq Mtrs	20.06	16.05

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

SCHEDULE 22 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

9. Value of Imports on CIF basis: *(₹ in Million)*

	2009-10	2008-09
• Capital Goods	163.02	29.51
• Raw Materials	146.62	145.86
• Spares and Consumables	46.72	68.82
• Traded Goods	1107.02	1976.46

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

	2009-10	2008-09
a) Interest on FC Loan	13.82	1.88
b) Commission of Export Sales	7.85	0.24
c) Others including travel etc.	15.74	11.95

B) Payment of Dividend in Foreign Currency pertaining to:

	2009-10	2008-09
• No of persons	15	187
• No of shares	31,830	362,538
• Amount in ₹	6,366	72,508

11. Earnings in Foreign Currency: *(₹ in Million)*

	2009-10	2008-09
FOB Value of Exports (₹)	367.39	207.45

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

	2009-10		2008-09	
	%	(₹ million)	%	(₹ million)
Imported	10.35	148.89	15.08	188.83
Indigenous	89.65	1,289.02	84.92	1063.01

13. Dues to Small, Micro & Medium Enterprises #: *(₹ in Million)*

	2009-10	2008-09
1. Principal amount due and remaining unpaid	–	–
2. Interest due on (1) above and the unpaid interest	–	–
3. Interest paid on all delayed payments under MSMED Act	–	–
4. Payment made beyond the appointed date during the year	–	–
5. Interest due and payable for the period of delay other than (3) above	–	–
6. Interest accrued and remaining unpaid	–	–
7. Amount of further interest remaining due and payable in succeeding years	–	–

The details of amounts outstanding to Micro, Small and Medium Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 are as per available information with the Company.

SCHEDULE 22 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

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 ₹ 75.11 million has been included in the value of inventories as on 31st March, 2010 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 ₹ 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 ₹ 51.70 million towards the same in its accounts for the year ended 31st March, 2006. A further sum of ₹ 103.37 million, paid under protest in subsequent years has been shown as amount recoverable. The amount of additional liability is contested before Hon'ble Allahabad High Court and/or Trade Tax Tribunal. On the basis of the opinion given by the law department of the Uttar Pradesh Government, and other 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. 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 summarise 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 plan:

Profit and Loss Account

Net employee benefit expense (recognised in Employee cost) *(₹ in Million)*

Particulars	31.03.2010	31.03.2009
Current Service cost	4.37	3.03
Interest cost on benefit obligation	3.12	2.28
Net actuarial loss recognised in the year	9.59	2.04
Past service cost	-	-
Net benefit expense	17.08	7.35

Balance Sheet

Details of provision for Gratuity *(₹ in Million)*

Particulars	31.03.2010	31.03.2009
Defined benefit obligation	35.54	26.05
Less: Unrecognised past service cost	-	-
Plan liability	35.54	26.05

SCHEDULE 22 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

Changes in the present value of the defined benefit obligation are as follows: *(₹ in Million)*

Particulars	31.03.2010	31.03.2009
Defined benefit obligation as at 1st April, 2009	34.67	28.52
Interest Cost	3.12	2.28
Current service cost	4.37	3.03
Benefit paid	(0.03)	(1.21)
Actuarial losses on obligation	7.77	(2.04)
Defined benefit obligation as at 31st March, 2010	49.91	34.67

Changes in the fair Value of plan assets are as follows: *(₹ in Million)*

Particulars	31.03.2010	31.03.2009
Fair value of plan assets as at 1st April, 2009	11.00	11.26
Expected return	1.30	0.96
Contributions by employer	5.20	-
Benefits paid	(0.03)	(1.21)
Actuarial (losses)	(3.11)	-
Fair value of plan assets as at 31st March, 2010	14.37	11.00

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

Particulars	31.03.2010	31.03.2009
Discount rate	8%	8%
Expected rate of return on plant assets	6%	6%
Salary Escalation	7%	6%
Attrition Rate	1%	2%

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.

20. Tax Expense is the aggregate of current year income tax and deferred tax charged to the Profit and Loss Account for the year.

a) Current Year Charge:

Income Tax provision of ₹ 130 million has been made on regular income after adjusting MAT credit available from earlier years.

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: *(₹ in Million)*

Particulars	Opening as at 1.04.2009	Charge/(credit) during the year	Closing as at 31.03.2010
Depreciation	534.55	13.97	548.52
Net Deferred Tax Liability	**534.55**	**13.97**	**548.52**

Schedules forming part of the Accounts

SCHEDULE 22 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

21. 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	Director
Sh. Chetan Kajaria	Joint Managing Director
Sh. Rishi Kajaria	Joint Managing Director

II. Relatives of Key Management Personnel:

Smt. Versha Devi Kajaria

Sh. A.K. Kajaria (HUF)

III. Associates/Enterprises over which key management personnel are able to exercise significant influence:

Kajaria Plus Pvt Limited

M/s Sudarshan Rishi

Kajaria Home Solutions Pvt Ltd

Kajaria Exports Ltd (Kajaria Infrastructure)

Kajaria Securities Pvt Ltd

Dua Engineering Works Pvt Ltd

B. The following transactions were carried out with related parties in the ordinary course of business: *(₹ in Million)*

Related Party Transactions	Key Management Personnel & Relatives	Others
Purchase of Raw Material, Goods & Services	-	24.41
Sale of Goods	-	5.37
Discount and other claims paid	-	15.89
Rent Paid	2.03	7.56
Sale of fixed assets	0.35	-
Purchase of Fixed assets	-	13.00
Remuneration	13.86	-

C. Outstanding balance and balance written off/written back: *(₹ in Million)*

	Outstanding Balances		Written off/Written back		Maximum Debit Balances
	As at 31.03.10	As at 31.03.09	As at 31.03.10	As at 31.03.09	
Key Management Personnel & Relatives	-	-	-	-	4.99
Others	-	57.90	-	-	245.27

Schedules forming part of the Accounts

SCHEDULE 22 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

22. 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.

23. Pre-operative expenses capitalised to fixed assets:

Pre-operative Expenses incurred & capitalised in New Projects during the year are as under: *(₹ in Million)*

Particulars	31.03.2010
Administrative & Other Expenses	8.29
Salary & Wages	0.27
Total	8.56

24. Earnings per share (EPS) – The numerators and denominators used to calculate Basic and Diluted Earning per share:

	Year ended 31.03.2010	Year ended 31.03.2009
Profit attributable to the Equity Shareholders – (A) (₹ in millions)	358.52	88.99
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 (₹)	2.00	2.00
Basic/Diluted Earnings per share (₹) – (A)/(B)	4.87	1.21

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

Signature to the schedule 1 to 22

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: 30th April, 2010

For and on behalf of the Board

Ashok Kajaria
Chairman & Managing Director

Chetan Kajaria
Rishi Kajaria
Jt. Managing Directors

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

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

Balance Sheet Abstract and Company's General Business Profile

(As per Schedule VI, Part (IV) of the Companies Act, 1956)

(₹ in Million)

I. Registration Details

Registration No.	L26924UP1985PLC007595	State Code	2 0
Balance Sheet Date	3 1 (Date) 0 3 (Month) 2 0 1 0 (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	6483.69	Total Assets	6483.69

Sources of Funds

Paid-up Capital	147.17	Reserves & Surplus	1746.23
Secured Loans	2588.28	Unsecured Loans	40.00
Deferred Tax Liabilities	548.52		

Application of Funds

Net Fixed Assets	3447.89	Investments	33.94
Net Current Assets	1562.94	Misc. Expenditure	N I L
Capital Work in Progress	25.43	Accumulated Losses	N I L

IV. Performance of the Company

Turnover (Including Other Income)	7363.60	Total Expenditure	6849.18
Profit Before Tax	514.42	Profit After Tax	358.52
Earning Per Share (in ₹)	4.87	Dividend Rate (%)	5 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 8 9 0 9 0
Vitrified Tiles	6 9 0 7 1 0 1 0

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: 30th April, 2010

For and on behalf of the Board

Ashok Kajaria
Chairman & Managing Director

Chetan Kajaria
Rishi Kajaria
Jt. Managing Directors

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

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

Cash Flow Statement For the year ended 31st March, 2010

(₹ in Million)

	31.03.2010		31.03.2009	
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before tax and extraordinary items		514.42		127.48
Adjusted for :				
Depreciation	267.06		249.37	
Preliminary Expenses W/off	–		–	
Investments Written Off	–		–	
Interest Received	–		–	
Interest Paid	241.00		273.57	
Dividend Received	–		–	
Loss on sale of Fixed Assets	6.66	514.72	3.07	526.01
Operating Profit before Working Capital Changes		1,029.14		653.49
Adjusted for :				
Trade & Other Receivables	56.05		(328.77)	
Inventories	(17.98)		154.84	
Trade Payable	367.85	405.92	82.27	(91.66)
Cash Generated from Operations		1,435.06		561.83
Interest Paid	(241.00)		(273.57)	
Direct Taxes Paid	(116.91)		(33.35)	
Cash Flow before Extraordinary Items	–		–	
Extraordinary items	–	(357.91)	–	(306.92)
Net Cash from operating activities		1,077.15		254.91
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	(476.52)		(134.15)	
Sale of Fixed Assets	6.02		13.47	
Acquisitions of Companies	–		–	
Purchase of Investments	–		–	
Sale of Investments	–		–	
Interest Received	–		–	
Dividend Received	–		–	
Net Cash used in Investing Activities		(470.50)		(120.68)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from Issue of Share Capital	–		–	
Proceeds from Long Term Borrowings	(623.38)		(120.90)	
Repayment of Borrowings	–		–	
Redemption of Preference Shares	–		–	
Dividend and Dividend Tax Paid	(17.22)		(17.22)	
Net Cash used in Financing Activities	–	(640.61)	–	(138.12)
Net increase in Cash and Cash Equivalents		(33.96)		(3.89)
Cash and Cash Equivalents as on 1st April, 2009		78.87		82.76
Cash and Cash Equivalents as on 31st March, 2010		44.91		78.87

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: 30th April, 2010

For and on behalf of the Board

Ashok Kajaria
Chairman & Managing Director

Chetan Kajaria
Rishi Kajaria
Jt. Managing Directors

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

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

Corporate information

Board of Directors

Mr. Ashok Kajaria	(Chairman & Managing Director)
Mr. Chetan Kajaria	(Joint Managing Director)
Mr. Rishi Kajaria	(Joint Managing 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. B.K.Sinha	(Director- Technical)
Mr. R.C. Rawat	Sr. VP *(Accounts & Taxation)* & Company Secretary
Mr. Sanjeev Agarwal	VP (Finance & Corporate Strategy)

Committees 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. Chetan Kajaria - *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. Chetan Kajaria - *Member*
Mr. Rishi Kajaria - *Member*
Mr. R.R.Bagri - *Member*

Registered office

A-27 & 28, Sikandrabad Industrial Area, Sikandrabad,
Distt. 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, Distt 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
IDBI Bank

Registrar & Share Transfer Agent

M/s MCS Limited
F-65, 1st Floor
Okhla Industrial Area, Phase-1
New Delhi 110020

Shares listing at

National Stock Exchange
Bombay Stock Exchange

"What we call results are beginnings."

- Ralph Waldo Emerson

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