Demanding customers buy Hermes.
Invest in Souza.
Prefer Armani.
Admire Swarovski.
Swear by Apple.
And trust Kajaria.

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

At Kajaria Ceramics, our business model is concised in three lines. Understand aspiration. Induce ownership. Accelerate returns. The year 2010-11 was proof.

29%

Growth in revenue
₹7,355.36 million in 2009-10 to
₹9,523.45 million in 2010-11

44%

Growth in cash profit
₹625.58 million in 2009-10 to
₹901.63 million in 2010-11

28%

Growth in EBIDTA
₹1,156.72 million in 2009-10 to
₹1,485.33 million in 2010-11

69%

Growth in profit after tax
₹358.52 million in 2009-10 to
₹606.64 million in 2010-11

97 bps

Growth in cash profit margin

600 bps

Growth in return on capital employed

150 bps

Growth in net margin

905 bps

Growth in return on equity

India. Potentially, the third largest ceramic tile market in the world.

Kajaria Ceramics. India's largest tile manufacturer.

Capacity*

30.60 MSM

March 31, 2011

Team size

1,782 members

March 31, 2011

*Including subsidiary's capacity

Background

Kajaria Ceramics Limited was promoted by Mr. Ashok Kajaria in technical collaboration with Todagres, S.A., Spain and commenced the manufacturing of ceramic floor tiles at Sikandrabad (Uttar Pradesh) in 1988.

Presence

The Company is headquartered in New Delhi and possesses state-of-the-art manufacturing facilities at Sikandrabad (Uttar Pradesh), Gailpur (Rajasthan) and Morbi (Gujarat). Its equity shares are listed on the Bombay Stock Exchange and National Stock Exchange.

Growth

The Company's production capacity has grown 30-fold from 1 MSM in 1988 to 30.60 MSM in 2011. Shareholders' funds has grown 28-fold from ₹80.78 million to ₹2,225.62 million in that period.

Reach

The Company's products are marketed across India through an extensive distribution network of dealers, sub-dealers, own showrooms and also through the project sale to brand-enhancing names like Ansal, DLF, EMAAR-MGF, Vodafone, Mantri Group, Omaxe, Parsvnath, Magarpatta, Prestige Group and Raheja Developers, among others.

Product basket

The Company manufactures ceramic wall and floor tiles, glazed and polished vitrified tiles; it markets international tile brands, bathware and wooden flooring solutions as well.

Certifications

The Company's facilities are ISO 9001:2000, ISO 14001, OHSAS 18001, SA 8000 and ISO 22000-certified, testifying its process discipline.

Manufacturing units

Plant	Ceramic tiles	Vitrified tiles	Total
Sikandrabad (UP)	3.20	5.00	8.20
Gailpur (Rajasthan)	14.10	6.00	20.10
Soriso (Gujarat)	2.30	-	2.30

Distribution network

700 dealers

(other than sub-dealers)

March 31, 2011

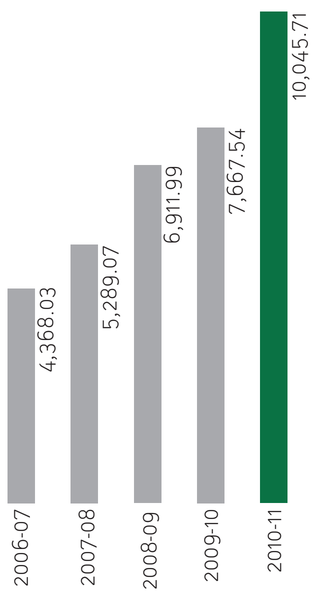
Market capitalisation

₹ 5,563 million

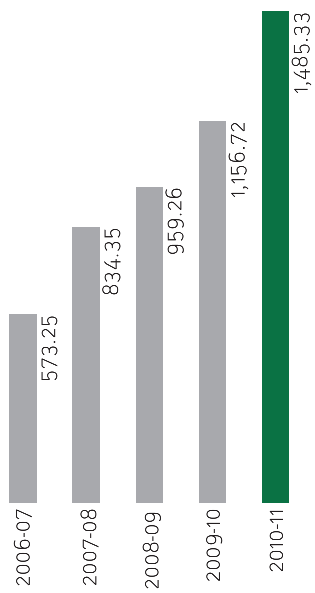
March 31, 2011

Financial trend

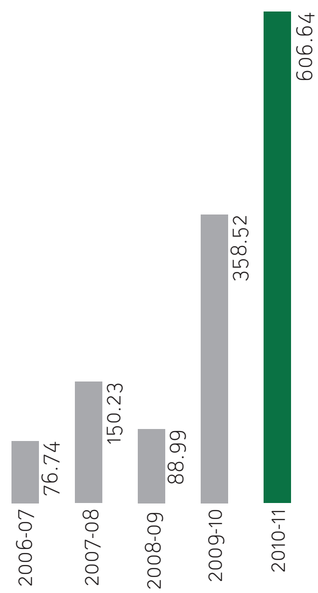
Turnover (₹ million)



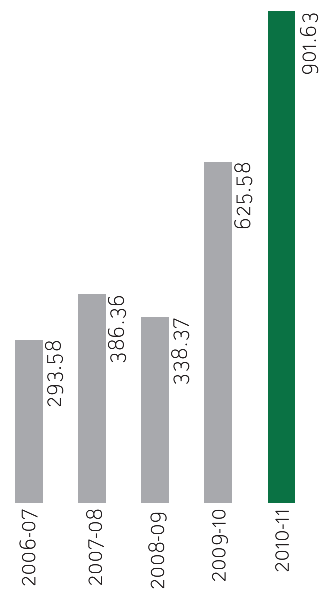
EBIDTA (₹ million)



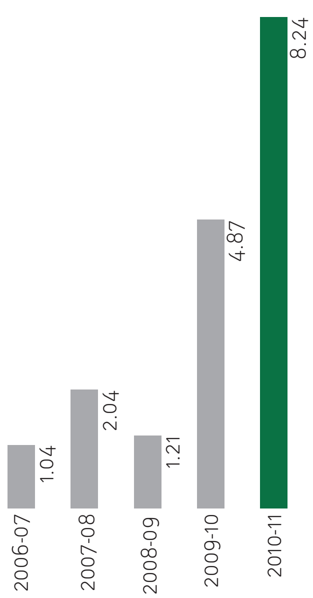
Profit after tax (₹ million)



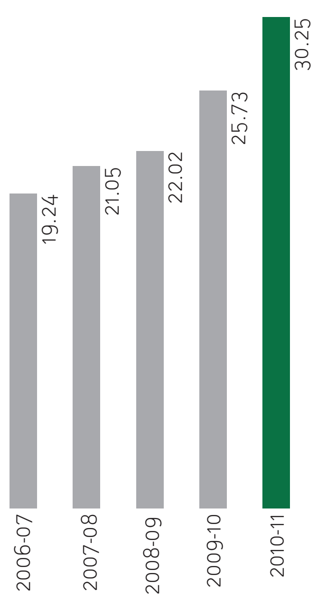
Cash profit (₹ million)



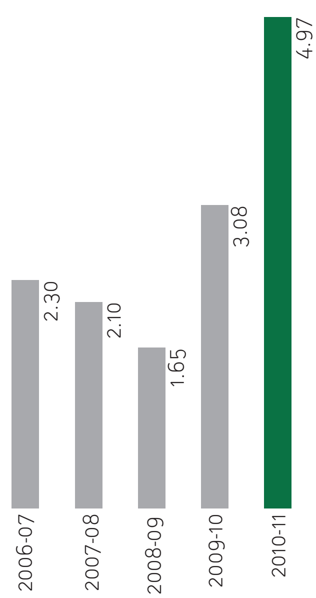
Earning per share (₹)



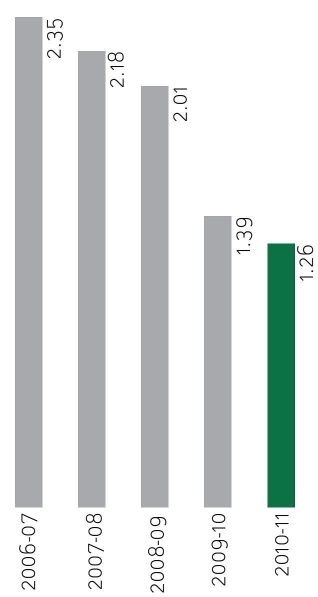
Book value per share (₹)



Interest cover (x)



Debt-equity ratio (x)



Highlights, 2010-11

Shop floor

- Witnessed tiles production decline from 20.06 MSM in 2009-10 to 19.30 MSM due to conversion of a part of the ceramic tile capacity to vitrified tiles (2.60 MSM), which commenced operations on March 28, 2011
- Commissioned the 6 MSM tile units (polished and glazed vitrified) at Gailpur
- Replaced high-cost propane with low-cost gas at Gailpur

Market place

- Registered an 18% increase in sales of tiles from 25.28 MSM in 2009-10 to 29.71 MSM in 2010-11
- Introduced five tile sizes and over 200 tile designs
- Introduced digitally-printed ceramic wall tiles

Board room

- Collaborated with *'VitrA'*, a leading European brand that is part of the US$2-billion Eczacibasi Group to market high-end VitrA bathware products in India
- Created a new business vertical to market wooden flooring solutions
- Acquired a 51% stake in a floor tile manufacturing company (Soriso Ceramic Pvt. Ltd.) in Gujarat for ₹56.20 million

profit ability

Mr Shah. Our longstanding shareholder. Clamours for profit growth at each AGM. Suddenly a big change. He looks at returns on invested capital instead.

Most shareholders like Mr. Shah have seen through the facade of business growth.

'Business growth is no longer topline and bottomline addition,' they insist. 'It is how much you earn from every rupee invested in business that is more important as it reflects on the strength of the business model.'

The Kajaria Ceramics management is happy to state that it had cottoned onto this logic in the recent past.

And evolved its business model: from a point where profit growth is a percentage of business growth to a point where profit growth is a multiplier of business growth.

Mr. Shah has gone through a personality transformation: he does not have questions to ask at the AGM (partly ascribed to an information-friendly annual report), smiles through the event, applauds after speeches and goes home happy.

Amen.

- Moving towards producing value added / bigger size tile, generating higher realisation per square metre.
- Seeded new verticals (wooden flooring solutions and bathware) around a trading model that leveraged its distribution and brand for a pan-India presence and translated revenues into bottomline
- Grew revenue 29%, profit after tax 69% and ROE and ROCE climbed from 20% and 19% in 2009-10 to 29% and 25% in 2010-11 respectively

premium

Guptaji. Committed grocery-haggler. But when he went to buy tiles, he turned up his nose and said, 'Show me something expensive.'

India is perhaps the most cost-price allergic market in the world.

Consumers jettison longstanding loyalties over nominal price variations.

In this challenging environment, the corporate strategist has the cushiest job. Every year, his brief to the core team is: make average products, reduce prices, eat market share.

At Kajaria Ceramics, we escaped this trap long ago. We said that a new consumer has emerged. He wants the best. He wants something different. He is willing to pay well.

The whisper has travelled. More buyers are turning up at Kajaria stores saying 'Give us a house we can be proud of' or 'Give us flooring that stamps the character of our home.'

The old marketing spreadsheets have long been fed to the paper shredder.

- Launched digitally printed tiles replicating the natural stone look for discerning customers
- Started producing high-end polished and glazed vitrified tiles in Gailpur
- Entered the high-end bathware segment to reinforce our relevance as a complete bathroom solutions provider
- Penetrated the wooden flooring segment to provide high-value solutions

avail ability

Missus Bhalla shrieked 'Ohmigod' when she saw a tile at a Ludhiana store. Luckily, they had smelling salts at hand.

Many Indians who holidayed abroad in 2010 returned with lighter pockets.

Sadly – it's true – they ordered tiles to be delivered home.

Quite like delivering liquid fuel to Dammam or coals to Newcastle... you get it, don't you?

Because some of the best tiles in the world are available right here in India.

Means that the best international standards that people see in Milan or Madrid or Montreal are actually available right here in India at Kajaria outlets.

Simply so that discerning jet-setters like Ms Bhalla don't need to order tiles from abroad and realise that the same products are available just a stone's throw away from their residence.

- Possesses the largest chain of imported tile showrooms in India – 'Kajaria World'.
- Marketed latest tile varieties imported from globally recognised brands namely Saloni, Grespania, Argenta and Baldocer through its Kajaria World outlets, where style, quality and service are the DNA
- Sourced high-end glazed vitrified tiles from globally-respected Chinese brands

An outline of the management strategy

"Kajaria is at the cusp of a new growth phase, one which will overshadow our previous achievements."

Dear Shareholders,

The year 2010-11 was our best ever.

We crossed ₹10 billion turnover milestone, our revenue grew 29% and bottomline jumped 69%. Returns on investment in the business strengthened – ROCE grew 600 bps and ROE climbed 905 bps.

Overview

Our positive performance divergence resulted from the following factors:

- **Sales growth:** Sales volumes increased by 18% from 25.28 MSM in 2009-10 to 29.71 MSM in 2010-11. What is heartening is that we strengthened our average realisation per sq. m – we sold more large-format ceramic and vitrified tiles.
- **Value-addition:** We increased the share of value-added tiles in our product mix from about 43% in 2009-10 to 52% in 2010-11, strengthening profitability.

Ashok Kajaria *Chairman & Managing Director*

- **Cost edge:** We received gas for our Gailpur unit (major share of our production capacity) from May 2010 replacing high-cost propane, significantly reducing energy costs.
- **Operational excellence:** We operated our facilities at peak capacity; our R&D and operation teams strengthened material management and production processes to counter inflation and increase first quality tile output.
- **Stronger financials:** We ploughed our cash flow into capital-intensive growth initiatives (capacity expansion and creation) – our total capex in 2010-11 stood at about ₹1,564.42 million, the net addition to external debt was only ₹168.51 million – reducing our debt-equity ratio. Besides, we negotiated for better coupon rates, which reduced interest liability in 2010-11 by 20% even as general interest rates climbed.

Next level

Rather than merely address the requirements of the moment, we created the building blocks of our future in 2010-11.

Capacity expansion: We increased value-added capacity. We commissioned our 6 MSM brownfield expansion in March 2011 at Gailpur to manufacture high-end vitrified tiles (glazed and polished). Our additional 2.60 MSM vitrified capacity (conversion from ceramic tiles) at Sikandrabad also commenced operations in March 2011. The result is that in 14 months (February 2010 to March 2011), we added 11 MSM of vitrified tile capacity, the largest by any single company in India, which will emerge as the game changer for important reasons: selling vitrified tiles through import impacted our ability to cater to the market in North India due to the logistics cost. The manufacturing facilities will strengthen our competitive advantage to carve a sizeable market share in this segment and our shift from trading to manufacture is expected to improve operating margins from this business segment.

Capacity acquisition: We acquired a 51% stake in Soriso Ceramic Pvt Ltd, having a 2.30 MSM per annum ceramic floor tile manufacturing facility in Gujarat in February 2011 for an investment of ₹56.20 million -- a first in our history. This is important for Kajaria for two reasons. Firstly, this extended our geographical presence with manufacturing facilities in the North and West, allowing us to effectively cater to large tile consuming markets and secondly, the unit manufactures large format tiles, which is a fast growing segment in ceramic tile flooring.

A benchmark of benchmarks

Kajaria is the only Indian ceramic tile company awarded ‘Superbrand’ status for the fifth consecutive time.

Kajaria – accelerated growth

	March 2009	March 2010	March 2011
Ceramic tiles (MSM)	21.00	21.00	19.60
Vitrified tiles (MSM)	-	2.40	11.00
Total	**21.00**	**23.40**	**30.60**

New business verticals: We initiated new businesses – bathware and wooden flooring – to leverage our distribution and brand competencies.

- We tied up with a leading European brand 'VitrA', a brand of Eczacibasi – one of the largest industrial groups in Turkey – for the marketing and sales of the innovative product line of VitrA products as an exclusive and sole marketer and distributor for India. This trading venture will enable us to emerge as a complete bathroom solution provider. To start with, we opened two exclusive showrooms showcasing the entire product range.
- Wooden flooring, a high perception-value flooring solution has emerged as an important lifestyle product. Its demand is increasing rapidly driven by high aspirations of the modern apartment-purchasing community (28-32 years) – the customer buying tiles are likely to buy wooden flooring. Hence, this business vertical was a perfect fit in our business model. We expect to grow this vertical into a meaningful business over the medium term.

New products: We developed digital wall tiles in two sizes (30x60 cm and 15x45 cm). These products are increasingly gaining acceptance in the Indian market. We have developed more than 50 unique designs through our newly commissioned digital printing machine – we expect these tiles to gain market acceptance, driving volumes and revenue.

Branding: We expect to strengthen our recall -- 'Think tiles. Think Kajaria!' – by reaching products wide and deep, investing in print and electronic media promotions and earmarking a sizeable amount for brand strengthening initiatives in 2011-12.

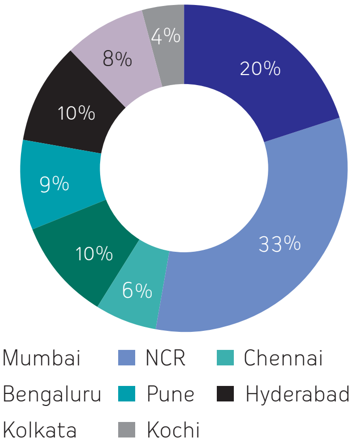
Chetan Kajaria *Joint Managing Director*

Real estate demand composition (mn sq. ft.)

	FY 2009	FY 2010	FY 2011	FY 2012
Residential	132	136	142	152
Commercial	47	48	50	54
Retail	18	19	20	21
Hospitality	14	14	15	16

Source: Crisil

Total construction of realty space 895 mn sq. ft. in metro cities according to Eleventh Plan



Source: Crisil, Five-year Plan

Optimism over the medium term

The Indian tile segment is expected to grow significantly over the coming years. This optimism is based on credible estimates and sectoral realities. India's per capita ceramic tile consumption at 0.42 sq m is the lowest globally while China stands at 2.26 sq m. The replacement market is also much lower than in China, providing tremendous growth opportunity. This upward revision is based on an important fact. India is likely to remain a 'work-in-progress' economy in the near future on the back of massive infrastructure and housing space creation.

Message to shareholders

We are on the threshold of the second growth phase, one that we expect will surpass our previous achievements. The challenges are sizeable – producing quality products and tapping the deepest demand pockets. The anticipated returns are expected to be satisfying. We expect business growth between 25% to 30% in 2011-12 with a higher growth in profitability.

Warm regards,

The management team

Rishi Kajaria *Joint Managing Director*

Pride in ownership

Investment opportunities for diverse risk appetites are galore – equities, debt, physical assets and the list continues; the choice in each is further mind-boggling. So what induces an individual to stick to equity, a highly risk-prone asset category? It is only on two occasions – either a colossal loss in the investment forcing him to stick on with the hope of recovering losses or the organisation provided sustained growth to shareholder value in good times and bad.

Kajaria happens to be in the latter category of reputed organisations which strengthened shareholders' pride in ownership consistently across decades through tangible and intangible measures.

Tangible value addition

Kajaria grew business and profits; it strengthened profitability; it added to its asset base and increased its dividend payout to shareholders, and, in doing, so increased shareholders' wealth, reflected in growing market capitalisation.

Business growth: Over three decades, the Company introduced pioneering solutions and emerged as the first-mover in most of its products, growing its topline faster than peers in its sector. In some business segments, it continues to enjoy undisputed leadership while in others, it strengthened competitive advantage by creating huge barriers.

	2008-09	2009-10	2010-11
Revenue (₹ million)	6,648.83	7,355.36	9,523.45
EBIDTA (₹ million)	959.26	1,156.72	1,485.33
Profit after tax (₹ million)	88.99	358.52	606.64

Improving profitability: Over the years, the Company grew business capacities through multi-locational facilities with dual benefits – economies of scale and proximity with the users. More importantly, the Company's competitive advantage lies in the application of the right technology for cost-effective operations which maintained business profitability despite low cost variants from competition.

	2008-09	2009-10	2010-11
Return on networth (%)	5.62	20.40	29.45
Return on capital employed (%)	14.50	18.94	24.94

Strengthening shareholder funds: Over the years, the Company maintained a prudent ratio between the need to reward shareholders for their faith in the management and its own investment need to capitalise on emerging business opportunities. On one hand, the Company increased the plough-back of operational surplus year-on-year to strengthen the financial statements while on the other, it sustained the dividend payout.

	2008-09	2009-10	2010-11
Shareholders' fund (₹ million)	1,620.68	1,893.40	2,225.63
Dividend per share (₹)	0.20	1.00	2.00
Gross block (₹ million)	5,014.92	5,435.46	6,999.88

Business stability: The intelligently devised business model, the growth in business size and profitability was reflected in the significant growth in market capitalisation and enterprise value. This derisked the business from any takeover bids and facilitated the Company in seamlessly implementing its strategic initiatives for growing shareholder value.

	2008-09	2009-10	2010-11
Market capitalisation (₹ million)	2,020	4,529	5,563
Enterprise Value (₹ million)	5,193	7,112	8,330

Intangible value addition

The Company strengthened its brand recall and maintained highly ethical business standards to ensure and strengthen shareholder confidence in the management's ability to sustain business growth over the long term.

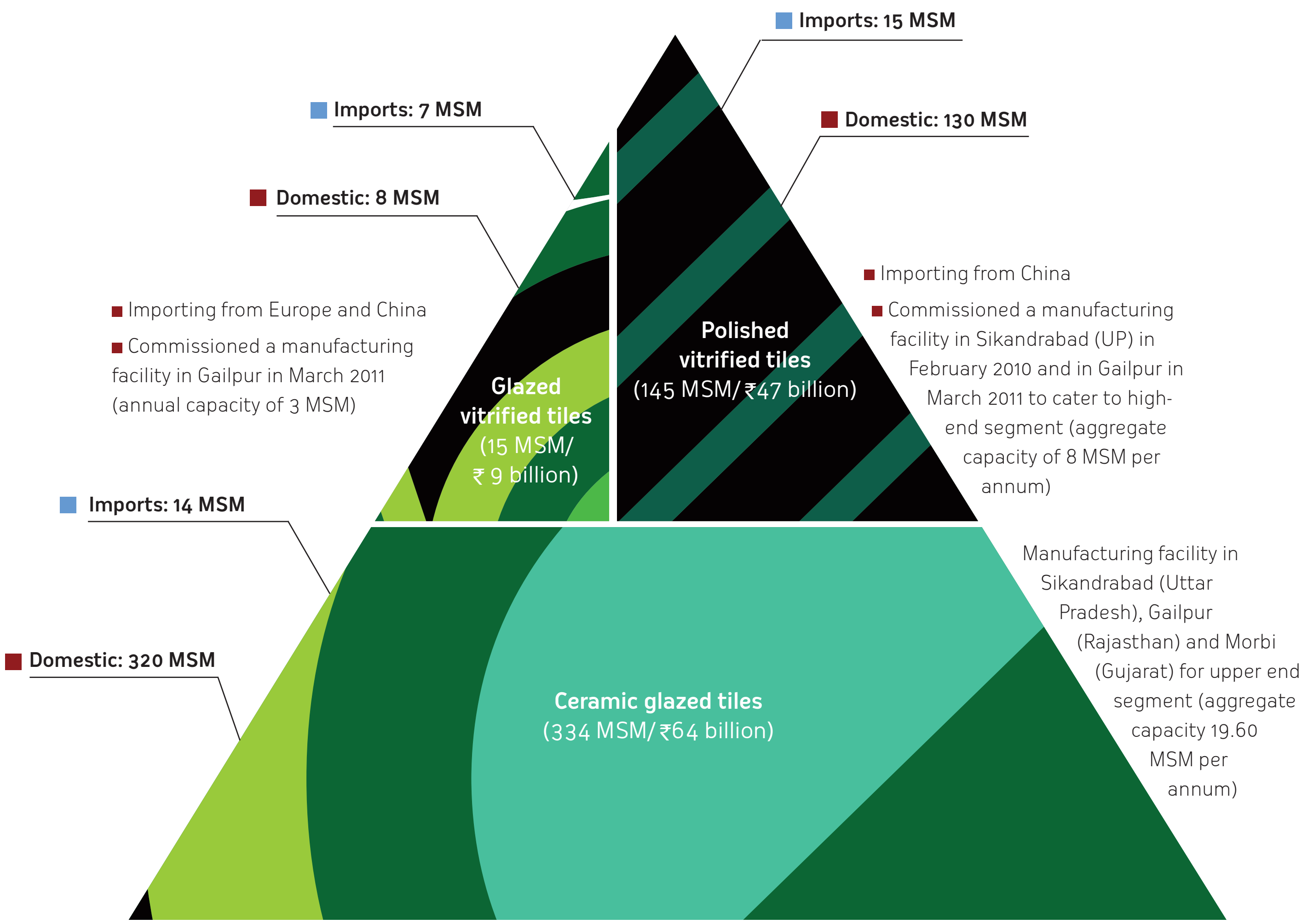
Top-of-mind: Over the years, the Company undertook a plethora of brand-strengthening initiatives in addition to addressing critical issues through innovative business solutions which strengthened brand recall on a pan-India basis – growing shareholder pride in association with the brand.

Awards and recognition: The Company's awards and recognitions bear testimony to the organisation's stability and external confidence in its management – Kajaria is the only Indian ceramic tile company awarded 'Superbrand' status for a fifth consecutive time.

Ethical practices: The Company is recognised for its high ethical practices, reflected in an important reality. It has never been involved in any litigation regarding governance issues in its entire history, which exudes confidence in the Company's management team.

Kajaria's value-chain

The size of the Indian tile industry was estimated at ₹120 billion with a capacity of 494 MSM as on March 31, 2010. Kajaria is placed in various categories through the products given in the pyramid below:



Management discussion and analysis

Economic overview

Global economy grew 5% in 2010 compared with a 0.6% degrowth in 2009. Although the world is on its way to recovering from the global economic crisis, key concerns in the international economy and financial system, including high unemployment and banking problems, require attention. The global economy is forecast to grow 4.5% in 2011 while growth in emerging and developing economies is expected to remain buoyant at 6.5% in 2011 and 2012 *(source: IMF)*. India's GDP grew 8.6% in 2010-11 (8% in 2009-10).

Indian economy snapshot

	2006-07	2007-08	2008-09	2009-10	2010-11
GDP at factor cost	9.7%	9.0%	6.7%	8.0%	8.6%
Agriculture	4%	4.9%	1.6%	0.4%	5.4%
Manufacturing	11.8%	8.2%	2.4%	8.8%	8.8%
Construction	11.8%	10.1%	7.2%	7.0%	8.0%
Financing, insurance, real estate and business services	13.8%	11.7%	7.8%	9.2%	10.6%

Global ceramic tiles industry

Production: The global production of ceramic and vitrified tiles was 8,515 MSM by end CY 2009. Global production grew at 6-7% CAGR across CY 2004-2008 but hardly in CY 2009. The 27-member EU (European Union) suffered the most significant fall in production by 25% in 2009. The impact was not felt globally because of positive growth in Asia (6.3%) and Africa (11.90%). China is the world's largest producer of ceramic tiles, contributing 42% of the world's total production. India's rank improved from fifth in 2006 to third in 2009 with a growth of around 44% during that period.

Consumption: A similar trend was witnessed in terms of global consumption. China is the largest consumer of ceramic tiles while Asia commands 62% of the total demand. Asia once again showed the largest demand growth at 7.9%. India, in CY2009, registered the maximum growth in the world at 22.58%.

World tiles production (MSM)

	CY' 06	CY' 07	CY' 08	CY' 09	Share (%)
China	3,000	3,200	3,400	3,600	42.28
Brazil	594	637	713	715	8.40
India	340	385	390	490	5.75
Italy	569	559	513	368	4.32
Iran	210	250	320	350	4.11
Spain	608	585	495	324	3.81
Vietnam	199	254	270	295	3.46
Indonesia	170	235	275	278	3.27
Turkey	265	260	225	205	2.41
Egypt	122	140	160	200	2.35
Total	**7,760**	**8,252**	**8,520**	**8,515**	

World tiles consumption (MSM)

	CY' 06	CY' 07	CY' 08	CY' 09	Share (%)
China	2,450	2,700	2,830	3,030	35.81
Brazil	484	535	605	645	7.62
India	350	397	403	494	5.84
Indonesia	148	178	262	297	3.51
Iran	182	236	265	295	3.49
Vietnam	145	210	220	240	2.84
Egypt	103	105	140	180	2.13
USA	308	249	197	169	2.00
Spain	319	314	240	156	1.84
Italy	199	199	176	146	1.73
Total	**7,450**	**8,060**	**8,350**	**8,460**	

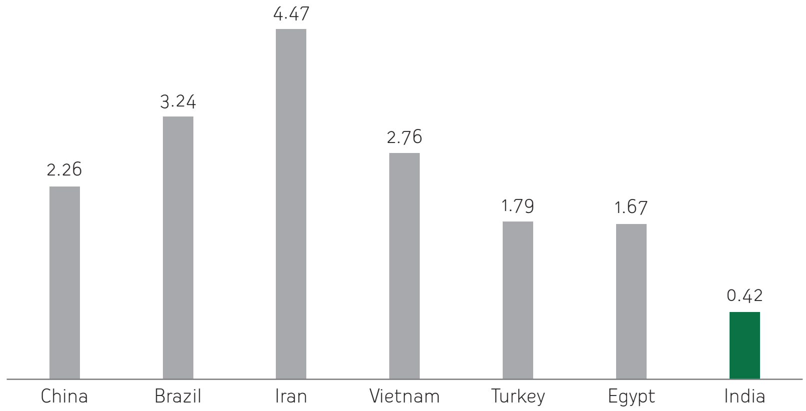
Indian ceramic tiles industry

The Indian ceramic tiles industry is the world's third largest producer as well as consumer after China and Brazil. The industry grew 15% annually over the last few years (outpacing global average growth of 6% per annum) owing to the emergence of tiles as a durable, cost-effective and convenient flooring solution over natural stone. Increasing disposable incomes, affordability, urbanisation, brand aspiration and home aesthetics also catalysed the demand for high-end variants. The 494-MSM domestic ceramic tile industry was estimated at around ₹120 billion as on March 31, 2010.

The Indian ceramic industry is equally divided into the branded and unbranded segments. The unbranded segment comprises small players concentrated in Gujarat. Kajaria Ceramics is the largest player in the Indian space in terms of installed capacity.

The branded segment is gaining market share owing to rapid capacity addition and shift to value-added products, which explains the 20% growth of the top 10 players as against the industry average of 10%, correspondingly increasing market share from 32% in 2005-06 to about 40% in 2010-11.

Per capita consumption: India's per capita tiles consumption is a mere 0.42 sq. m while the world average is three times higher at 1.20 sq. m and China's average is more than five times higher at 2.26 sq. m.



Source: Ceramic World Review

Shift towards vitrified tiles

The tile industry is classified into ceramic glazed tiles and vitrified tiles (polished and glazed). The market for flooring is witnessing a shift from marble, granite and ceramic tiles to glazed and polished vitrified tiles owing to superior mechanical strength, resistance to scratches, acids, alkalis, chemicals and staining.

Ceramic glazed tiles vs vitrified tiles

	Ceramic glazed tiles	Vitrified tiles
Nature	Glazed and burned clay products principally used for decorative and sanitary effects on walls and floors; has 3-6% water absorption	Specialised kind, hard-backed with low porosity and water absorption (less than 0.5%), making it stain-resistant and strong
Composition	Decorative coat on the top of the tile body, hence their composition is non-consistent	Homogeneous body and consistent in composition
Application	Mainly used in wall coverings for bathrooms and kitchens	Used for all types of flooring
Price range	₹200-700 per sq. m	₹400-1,500 per sq. m

Optimism

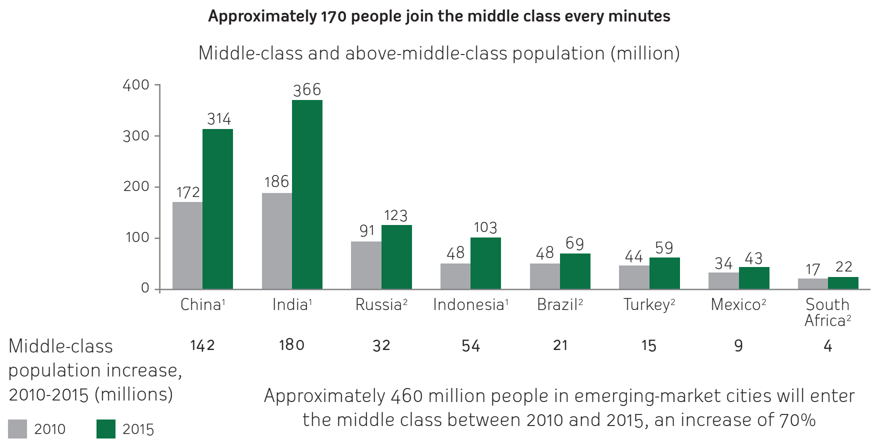
The demand for tiles as a flooring solution is expected to accelerate over the medium term. This optimism is based on sizeable growth estimates in India's real estate sector. Across 2010-15, this business vertical is expected to grow at a CAGR of 15-16%, driven by 18-19% growth in residential real estate, 55-60% growth in retail markets and 20-22% growth in the commercial real estate segment.

A. Retail demand

The retail segment is a significantly growing segment and is particularly important for Kajaria as over 70% of its tiles are distributed in this segment (against the industry average of about 50%), providing superior returns. The growth in this segment is expected to continue due to the following reasons:

Burgeoning middle-class: India's middle-class is expected to account for 85% of urban households and 70% of consumption by 2015; the upper-class will account for 7% of households and 28% of consumption.

The middle-class population of emerging-market cities is burgeoning



Sources: Economist Intelligence Unit; Brazilian Institute of Geography and Statistics (IBGE); Instituto Nacional de Estadistica y Geograffa (INEGI); BCG China population and income forecast database, 2010; "The Great Indian Middle Class," National Council of Applied Economic Research (NCAER), 2004; BCG analysis.

[1]Middle-class households are those with annual income exceeding US$5,000
[2]Middle-class households are those with annual income exceeding US$10,000

Source: Ceramic World Review

Rising population: India's urban population is expected to increase by 100 million over 10 years or 10 million annually – the size of London each year – creating a huge annual demand for houses and flooring solutions *(Source: Morgan Stanley)*.

Disposable income: Improved corporate performance and favourable government policies catalysed per capita incomes from ₹35,430 in 2007-08 to ₹54,527 in 2010-11, influencing consumerist spending. Discretionary spending in lifestyle and premium products is expected to increase to around 70% of annual household expenses by 2025.

Demographics: Among BRIC, India is projected to stay the youngest with its working-age population estimated to grow to 70% of its total population by 2030 – the largest such quantum in the world. India expects to attract 70 million new workers in five years, expected to catalyse consumerism.

Retail consumption: The concept of tile usage in India transformed from convenience to fashion and lifestyle. Tiles are increasingly emerging as style statements and are fast replacing carpets – growing the demand for niche, high-end tiles from the branded sector.

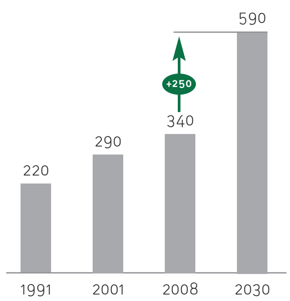
Replacement market: Growing earnings in rural and semi-urban markets due to government policies (MGNREGS and higher price fixation for agri-commodities) have fuelled aspirations, manifested in improved flooring solutions.

Brands in demand

India ranks third on the list of brand-conscious countries
(Source: AC Nielsen)

B. Institutional segment

With the organised sector playing a dominant role in realty creation, the realty sector is becoming increasingly significant for the Indian tile industry. Going ahead, Kajaria is working to leverage long-standing business relations with branded players (providing larger volumes and superior designs) for carving a larger share of the market.



	1991	2001	2008	2030
Total population Million	856	1,040	1,155	1,470
Urbanisation rate %	26	28	30	40

Source: McKinsey

Urbanisation: India is still in the early stages of urbanisation, which accounts for around 30% of its total population. This urbanisation will accelerate as about 91 million households are expected to turn middle-class (22 million today) by 2030.

Commercial real space: The Indian commercial space is expected to grow 20-22% over five years *(Source: Cushman & Wakefield report)*. Sectors including IT/ITeS, BPO, banking and financial services, pharmaceutical and telecom are expected to drive this demand, especially in large Indian cities. The IT/ITeS sector alone is expected to require in excess of 250 mn sq. ft of commercial space by 2012-13 *(Source: Emkay research report)*.

Organised retail: The market share of organised retail is expected to grow from 5% to 15% by 2016 *(Source: Cushman & Wakefield report)*, covering 323 mn sq. ft by 2012 across 400 new malls *(Source: Fortune research)*.

Hospitality sector: As India emerges as a preferred tourist destination, the number of branded hotel rooms is expected to double in three years. 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)*.

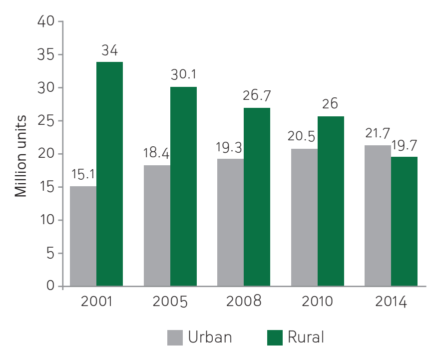
Healthcare sector: Over a million beds need to be added to reach a ratio of 1.85 per thousand, still lower than the international average. At the same time the industry is looking to achieve a doctor-patient ratio of 1:1000, for which about six lakh doctors and ten lakh nurses are required. To support this growth, the industry is looking at massive capacity expansion.

Airport modernisation: As per the Federation of Indian Airlines, the government plans to upgrade, redevelop and modernise around 80 Indian airports under the Airport Development Program for ₹300 billion. Seven greenfield airport projects in Tier II and Tier III cities are planned for an indicative ₹100 billion *(Source: Emkay research report)*.

Urban demand

Rural housing shortage is expected to decline to 53.8 million units by 2013-14 from 59.4 million units at the end of 2008. Interestingly, rural housing shortage is expected to report a decline even as urban housing shortage rises owing to migration and the incidence of nuclear families. Urban housing shortage is likely to touch 21.7 million units by end 2014.

Housing shortage in India



Source: CRISIL Research

Business segment

Ceramic wall and floor tiles

Sizes	Designs	Price range per sq m	Sourcing
7 wall tiles 3 floor tiles	545	₹ 200 - 700	Own manufacturing and outsourced

Overview

The Company manufactures wall and floor tiles in diverse sizes, designs and finishes to cater to all segments of customers. The Company also provides decorative additions like highlighters and borders along with matching floors leading to comprehensive bathroom solutions. The Company's products are marketed through a robust distribution network of dealers and sub-dealers and Kajaria Prima showrooms present in every major town of the country.

At Kajaria, wall tiles are manufactured at its Gailpur facility (capacity 14.10 MSM) in six different sizes (20x20 cm, 25x40 cm, 30x20 cm, 30x45 cm, 30x 60 cm and 15x60 cm). Floor tiles are manufactured at the Sikandrabad facility (capacity 3.2 MSM) in the 30x 30 cm size and at its recently acquired Morbi unit (capacity 2.30 MSM) in the 60x60 cm size. Some wall (45x90 cm) and floor tiles (39.5 x 39.5 cm) are outsourced.

Achievements, 2010-11

- Improved mix of large format, value-added tiles from 48% in 2009-10 to 53%
- Received natural gas from GAIL for the Gailpur plant, replacing high-cost propane and resulting in significant fuel costs
- Streamlined operational processes and introduced new check points across the process lines, which reduced fuel consumption and resource wastage
- Introduced state-of-the-art digital printing technology, which allows high definition design imprints on any tile surfaces without shade variations
- Received the ISO 22000 for Food Safety Management System, the first in the Indian tile sector to receive this accreditation

Road ahead

Kajaria developed unique designs in digitally printed tiles in multiple sizes for exterior wall cladding and interior applications. Going ahead, the Company will continue to develop new sizes and designs in value-added, large-format tiles in line with customer aspirations.

The R&D team developed unique designs in 15x45 cm digitally printed tiles which can also be used for exterior wall cladding, launched in April 2011

Business segment

Polished vitrified tiles

Sizes	Designs	Price range per sq m	Sourcing
3	50 March 31, 2011	₹ 400 - 1,200	Outsourced and own manufacturing

Overview

Polished vitrified tiles are considered 'next generation flooring' marked by a polished surface, high gloss, extraordinary quality and durability. They are designed to withstand abrasion, chemical and fire resistance and staining.

Kajaria enjoys a seven-year presence in this business, marketing imported variants from China in three different sizes – 60x60 cm, 80x80 cm, 120x60 cm. The Company commissioned a 2.4 MSM polished vitrified tiles (60x60 cm) facility at its Sikandrabad unit which commenced operations in February 2010, its first vitrified tile manufacturing facility.

During 2010-11, the Company converted part of ceramic floor tile capacity into a vitrified tile capacity by adding balancing equipment and another 2.60 MSM of capacity, making the total polished vitrified capacity 5 MSM at Sikandrabad by March 2011. The Company further added 3 MSM high-end polished vitrified tile capacity in Gailpur which commenced production in March, 2011.

Kajaria launched the Solitare series comprising technologically-advanced, large-format tiles (80x80 cm and 120x60 cm), providing Indian customers an authentic alternative to natural/Italian marble. These products are manufactured by super-white, translucent and expensive colour bodies fused with integrative feeding of die and pressing.

The Company markets polished vitrified tiles through dealer and 'Kajaria Vitro Studio' network, a shop-in-shop concept for select high-performing dealers providing dedicated space to showcase Kajaria's products, facilitating customer engagement and offtake.

Achievements, 2010-11

- Witnessed 80% increase in sales volume over the 2009-10 level
- Expanded reach by establishing a presence in untapped towns and districts; established 78 Kajaria Vitro Studios

Road ahead

Kajaria will optimise capacity utilisation of its newly commissioned capacities at the Gailpur and Sikandrabad plants. The marketing team strategised to increase the proportion of high-end tiles in the sales volume by expanding distribution network to establish presence in every district in India and introducing new product variants and contemporary designs by way of own production and import.

The Company markets polished vitrified tiles through dealer and 'Kajaria Vitro Studio' network, a shop-in-shop concept for select dealers

Business segment

Glazed vitrified tiles

Sizes	Designs	Price range per sq m	Sourcing
3	> 60	₹ 500 -1,500	Outsourced and own manufacturing

Overview

Kajaria was the first company to introduce glazed vitrified tiles (GVT) in India in 2007-08 in an organised manner under the Kajaria Eternity brand. The Company sourced products from the two leading GVT manufacturers in China.

Currently, the Company is the largest importer of GVT providing the widest product offering: in terms of sizes (30x60 cm and 60x60 cm) and finishes (rustic, matt, satin, wood, stone, silk and metal, among others) for wall and floor applications.

The Company commissioned a 3 MSM capacity to produce glazed vitrified tiles (60x60 cm, 30x60 cm and 45x90 cm) at its Gailpur unit which commenced commercial operations in March 2011.

The products are distributed through Kajaria Eternity Studios and select dealers. The Kajaria Eternity Studios represent a shop-in-shop concept for select dealers in key cities – showrooms are upgraded, product visibility is enhanced and additional sales promotion schemes are offered – leading to a win-win situation.

Improved lifestyle consequent to increasing aspirations and disposable incomes is driving the demand for glazed vitrified tiles, which provide a superior-value proposition over natural stone.

Achievements, 2010-11

- Witnessed 75% increase in sales volume over the 2009-10 level
- Introduced a large format tile (45x90 cm) for the first in India for high-end residential and commercial applications
- Introduced the polished vitrified glazed tile (PGVT) finish for residential applications
- Widened the dealer network, opened 50 Kajaria Eternity Studios (shop-in-shop floor) to showcase glazed vitrified tiles

Road ahead

The Company's manufacturing facility will minimise import of glazed vitrified tiles (about 10% of sales volumes) and yield benefits through a reduction in product price, consistent supply of quality material and customised solutions. Consequently, the team will grow its market share (volume and value) and enter uncharted territories. The Company plans to introduce digital printing on glazed vitrified tiles and open more studios in 2011-12 to strengthen market share.

The Company commissioned a 3 MSM capacity to produce glazed vitrified tiles at its Gailpur unit which commenced commercial operations in March 2011.

Business segment

Retail chain - Kajaria World

Network	Sizes	Designs	Price range per sq m
12 outlets	Multiple	> 200	₹1,000-3,000

Overview

Kajaria World showcases high-end imported tiles sourced through its alliances with European brands (Saloni, Grespania, Argenta and Baldocer, among others) through a network of twelve showrooms across the country. The brand signifies international style and appeal and is popular in India's architect fraternity.

This chain offers the widest range of imported tiles including the large format tiles collection (45x90 cm and 30x90 cm series) and the stone collection series (i.e. exterior tile). Tiles are also available in 30x60 cm sizes with different finishes like rustic, matt, satin, wood, metal and fabric, among others. The price range varies from ₹1,000 per sq. m to ₹3,000 per sq. m.

The Company imports tiles produced with the latest digital printing technology, wherein the design of each tile is different and following commissioning, the cladding resembles natural stone. The Company possesses the largest logistic support for imported tiles; its 14 warehouses ensure seamless product supply across its network.

Achievements, 2010-11

- Witnessed 40% increase in sales volume over 2009-10 level
- Increased footfalls through regional showroom promotional activities
- Installed a customised design software which demonstrated to the customer the concept and design as it would appear when made

Road ahead

The Company is looking to extend the Kajaria World network to all Tier I cities and implement new initiatives to accelerate retail sales.

Kajaria World showcases high-end imported tiles sourced through its alliances with European brands (Saloni, Grespania, Argenta and Baldocer, among others).

Business segment
Bathware

Overview

Kajaria entered the bathware segment to emerge as a one-stop solution provider. The business showcases bathware and wellness products (bath tubs, Jacuzzi, shower cubicles).

Kajaria-VitrA tie-up

Kajaria tied up with VitrA, a leading European brand, in January 2011 to market high-end bathware and bath fittings. VitrA is a part of Eczacibasi, one of the largest industrial groups in Turkey, with a turnover of ₹100 billion. The arrangement will position Kajaria as an exclusive and sole marketer and distributor of the VitrA range in India. The alliance will leverage the strong brand and distribution network of Kajaria. Kajaria and VitrA inaugurated the first showroom (3,000-sq. ft.) of VitrA products showroom in Gurgaon. VitrA products will also be showcased in all Kajaria World showrooms across India.

Achievements, 2010-11

- Contributed ₹60 million to the Company's topline, within three months of business initiation
- Recruited a marketing team dedicated to this product line

Road ahead

The real returns from the tie-up are expected in 2011-12 after the Company opens 10 VitrA-Kajaria showrooms and appoints 30 exclusive dealers across India.

Business segment
Wooden flooring

Overview

Kajaria entered the wooden flooring space as a trading initiative in November 2010, representing a neat fit with its existing businesses for the following reasons:

- Western culture is being replicated across Indian households faster than before
- The average age of the urban house purchaser is declining (from about 37-39 years to about 28-30 years) with a corresponding increase in their receptivity to lifestyle products
- The target buyer group (builder/architect in urban locations) is largely the same as ceramic and vitrified tiles.
- The new product helps fill dealer shelf-space, enhancing opportunity and returns.

The Company procures the product from quality-respecting Chinese suppliers and markets it under the Kajaria Wood brand, supported by regional marketing teams and incentivised dealer offtake.

Road ahead

The Company is strengthening pan-India product visibility through focused marketing, new product variants and distribution network addition and also exploring the possibility of importing value added products from reputed European companies.

Financial analysis

Kajaria registered another year of improved performance where the profit growth was significantly larger than business growth, strengthening shareholder value.

Revenue	EBIDTA	PAT
29% growth	28% growth	69% growth

A. Profit and loss account

Revenue (net sales)

Grew 29.48% from ₹7,355.36 million to ₹9,523.45 million driven by volume growth (25.28 million to 29.71 million) and change in product mix towards value added tiles. Besides, an increased focus on domestic markets strengthened realisations.

Cost analysis

Increased scale and spiralling input cost increased absolute operational expenses from ₹6,208.84 million in 2009-10 to ₹8,009.63 million in 2010-11. Operating cost, as a percentage of total income, increased marginally from 84.30% in 2009-10 to 84.36% in 2010-11.

Power and fuel: The Company's Gailpur unit received the natural gas connection in May 2010, reducing power and fuel cost significantly. Now all the plants operate on low-cost natural gas resulting in significant savings in per square meter cost of production.

Employee cost: Increase in the team size for managing expanded operations and widened reach resulted in a 23.70% increase in employee cost. The increased expense was more than covered by the contribution of the team efficiency – reflected in the following realities:

- Revenue per employee increased 14.10% from ₹4.68 million in 2009-10 to ₹5.34 million in 2010-11
- EBIDTA per employee increased 12.16% from ₹0.74 million in 2009-10 to ₹0.83 million in 2010-11

Margins

EBIDTA grew from ₹1,156.72 million in 2009-10 to ₹1,485.33 million in 2010-11. The EBIDTA margin declined marginally by 13 bps from 15.73% in 2009-10 to 15.60 % in 2010-11. This was primarily due to a higher proportion of trading sales in 2010-11 where the margin was lower than manufacturing operations. Net margin increased 150 basis points from 4.87% in 2009-10 to 6.37% in 2010-11 owing to a sizeable decline in interest costs.

Taxation

The provision for current tax stood at ₹285.14 million in 2010-11 against ₹155.90 million in 2009-10. The average tax rate was 31.97% in 2010-11.

Ploughback

The Company ploughed back ₹435.59 million into the business in 2010-11 against ₹272.71 million in 2009-10 – a 59.73% increase. These funds would be deployed for capital intensive initiatives and de-leveraging the Balance Sheet.

B. Balance sheet

Capital employed

Capital employed in the business increased 11.07% from ₹4,521.68 million in 2009-10 to ₹5,022.42 million in 2010-11 to fund organic and inorganic capacity enhancing initiatives. The average return on capital employed climbed 600 bps from 18.94% as on March 31, 2010 to 24.94% as on March 31, 2011.

Net worth

The Company's net worth increased 17.55% from ₹1,893.40 million as on March 31, 2010 to ₹2,225.63 million as on March 31, 2011 owing to increased reserves. Average return on net worth stood at 29.45% for 2010-11 against 20.40% for 2009-10. Net worth, as a percentage of capital employed, increased marginally from 41.87% as on March 31, 2010 to 44.31% as on March 31, 2011. Book value per share increased from ₹25.73 as on March 31, 2010 to ₹30.25 as on March 31 2011.

Equity capital: The equity capital comprised 7,35,83,580 equity shares with a face value of ₹2 each, as on March 31, 2011. Promoters held 51.33% stake in the Company as on March 31, 2011; foreign holding stood at 3.99% as on that date.

Reserves and surplus: Reserves represented zero-cost funds for undertaking growth initiatives. Reserves grew 19.03% from ₹1,746.23 million as on March 31, 2010 to ₹2,078.46 million as on March 31, 2011 owing to reinvestment of operational surplus in 2010-11.

External debt

The debt portfolio increased marginally 6.41% from ₹2,628.28 million as on March 31, 2010 to ₹2,796.79 million as on March 31, 2011 despite significant growth in operation and capacity addition. The debt equity declined from 1.39 to 1.26.

Interest management: Interest liability declined 20.43% from ₹375.24 million in 2009-10 to ₹298.56 million in 2010-11 consequent to superior debt management. The Company prepaid and repaid debt, swapped high-cost debt with low-cost options and negotiated better for optimised coupon rates. The average interest rate increased 116 bps from 10.50% in 2009-10 to 11.66% in 2010-11 despite a seven-time hike in the prime interest rates by the RBI in 2010-11. Interestingly, interest cost, as percentage of net sales, declined from 5.10% in 2009-10 to 3.14% in 2010-11, reflecting superior returns from the deployment of every rupee borrowed. Interest cover strengthened from 3.08 times in 2009-10 to 4.97 times in 2010-11, reflecting the Company's ability to comfortably service its interest liability.

Interest liability declined 20.43% from ₹375.24 million in 2009-10 to ₹298.56 million in 2010-11 consequent to superior debt management.

Fixed assets
Gross block increased 28.78% primarily due to creation of vitrified tile manufacturing capacity. The Company incurred a capital expenditure of ₹1,564.42 million in 2010-11, expected to deliver superior returns in 2011-12.

Depreciation: The Company consistently charged depreciation under the Straight Line Method as specified in the Companies Act, 1956. Despite the sizeable capex, depreciation increased only marginally from ₹267.06 million in 2009-10 to ₹294.99 million in 2010-11 due to the commissioning of the capacities at the end of the financial year – depreciation is expected to increase significantly in 2011-12. Accumulated depreciation, as a proportion of the gross block, stood at 31.56% as on March 31, 2011 which represented newness of its assets.

Investments
The Company's investment increased during the year by ₹56.20 million as on March 31, 2011 due to the acquisition of a 51% stake in Soriso Ceramic Private Limited.

Working capital
Working capital (net current assets) declined significantly from ₹1,562.94 million as on March 31, 2010 to ₹743.17 million as on March 31, 2011, largely owing to an increase in project liabilities, a decrease in the inventory holding period and superior terms of trade with debtors and creditors, increasing liquidity in the organisation. As a result, working capital, as a proportion of capital employed, declined to 14.80% as on March 31, 2011 against 34.57% as on March 31, 2010.

Inventory: It increased from ₹1,402.55 million as on March 31, 2010 to ₹1,515.11 million as on March 31, 2011. Inventory cycle declined to 58 days in 2010-11 in comparison to 70 days in 2009-10 owing to faster product offtake.

Sundry debtors: It increased 17.57% from ₹773.21 million as on March 31, 2010 to ₹909.04 million as on March 31,2011. Average debtors' cycle reduced to 31 days in 2010-11 as compared with 35 days in 2009-10.

Loans and advances: Loans and advances increased marginally by 6.97% from ₹755.76 million as on March 31, 2010 to ₹808.43 million as on March 31, 2011 mainly due to higher advance tax payment.

Current liabilities and provisions: It increased 78.23% from ₹1,413.49 million as on March 31, 2010 to ₹2519.33 million as on March 31, 2011 due to project creditors totalling ₹435.42 million, increased provision for tax and dividend (₹389.44 million in 2010-11 as compared to ₹215.80 million in previous year) and increase in sundry creditors.

%

Working capital (net current assets) declined significantly from 1,562.94 million as on March 31, 2010 to ₹743.17 million as on March 31, 2011

Derisking the organisation

"The best we can do is size up the chances, calculate the risks involved, estimate our ability to deal with them, and then make our plans with confidence." – Henry Ford

Kajaria assesses and initiates counter-measures to minimise potential losses arising owing to particular risks. The Company created a comprehensive risk management model implemented across the organisation.

Risk: A downturn in user sectors could adversely impact tile offtake

Risk minimising factors

- As per the Eleventh Plan, India faces a housing shortage of more than 26 million units, primarily in the low and middle income groups. Moreover, India adds nearly 10 million annually to its population which needs to be housed
- Huge thrust on creating world-class infrastructure is expected to drive tile consumption; massive demand is expected from the commercial sector (office space, IT&ITeS, hotels, organised retail)
- Kajaria maintains a prudent sales mix between retail and institutional business which derisks the business from sectoral downturn. This model was effectively vindicated in the realty sector downturn in 2008-09 when the Company grew its topline 31%.

Risk: The Company may not be in a position to sustain its growth

Risk minimising factors

- Commissioning of the new vitrified tile capacities at Sikandrabad and Gailpur to provide a huge volume-value play which will accelerate business and drive profitability
- Acquisition of the ceramic tile unit in Gujarat and the new value-added product development in the ceramic tiles is expected to significantly contribute to business growth
- Continuous expansion of the multi-channel distribution network should facilitate in capturing pan-India opportunity pockets
- Much larger allocation for brand promotion and awareness, going forward, should strengthen the recall resulting in increased sales volumes

Risk: Low-cost Chinese imports could affect market share

Risk minimising factors

- The Indian government imposed anti-dumping duty on Chinese ceramic tiles coming into India. Increased labour cost in China, hardening of the Chinese currency and increase in sea-borne freight cost made imports from China cost-ineffective
- Chinese imports are particularly not viable for the North Indian tile markets – the Kajaria strength – due to the additional internal logistics
- The Chinese government has indicated its intention of creating sizeable domestic demand for its products in its Twelfth Plan – dissuading exports

Risk: Competition from the unbranded sector could dent profitability

Risk minimising factors

- Significantly increased disposable income in the hands of the average Indian has raised his aspiration for branded products
- Delta between products from the unbranded and branded sectors has reduced significantly for the following realities
  - Sizeable expansion and cutting-edge technology absorption provides economies of scale and superior designing capability – unmatched by the unbranded sector
  - The branded sector is better equipped to absorb cost-push inflation
- The Company's product range (sizes, designs, finishes and price points) enables it to cater to almost all customer segments.
- Growing participation of organised players in the real estate space will further minimise the relevance of the unbranded tile manufacturers

Risk: Cost-push inflation could dent margins

Risk minimising factors

- Raw material costs for all tile manufacturers players is largely similar; Kajaria being the second largest tile manufacturer in India gets the advantage of superior negotiating power and better economies of scale.
- The Company's long-term agreement with GAIL for the supply of gas to the Gailpur unit (2/3rd of the Company's operational capacity) will reduce operational costs. More importantly, it brings Kajaria at par with other branded players in the tile segment.
- Absorption of superior technology on manufacturing lines and robotics at its material handling optimises manpower requirement, controlling costs.

Risk: Hardening interest rates could dent shareholder value creation

Risk minimising factors

- The Company followed a prudent policy of reinvesting operational surpluses in equipment and debt reduction; in 2010-11, it ploughed 71.80% of its net profit into its business.
- The Company strengthened its debt-equity ratio from 1.39 in 2009-10 to 1.26 in 2010-11.
- The Company's efficient working capital management reduced reliance on external debt for working capital requirement.
- The Company's interest liability reduced ₹76.68 million and interest cover strengthened to 4.97 in 2010-11 from 3.08 in 2009-10.
- The Company's strength in the financial statements could be leveraged for low-cost debt mobilisation for expansion and for reducing average coupon rates through loan swap options.

5 year financials

(₹ in million)

	2006-07	2007-08	2008-09	2009-10	2010-11
Share Capital	147.17	147.17	147.17	147.17	147.17
Reserves	1268.85	1401.74	1473.51	1746.23	2078.46
Loan funds	3323.67	3372.57	3251.67	2628.28	2796.79
Gross Block	5141.91	4900.74	5014.92	5435.46	6999.88
Net Block	3550.46	3382.02	3276.53	3447.90	4790.39
Capital work-in-progress	29.80	26.28	0.00	25.43	0.63
Investments	64.60	33.94	33.94	33.94	90.14
Current assets	2262.67	2794.64	2968.30	2976.43	3262.50
Current Liabilities	670.29	793.39	871.87	1413.49	2519.33
Net Current Assets	1592.38	2001.24	2096.43	1562.94	743.17
Deferred tax liabilities	497.55	522.00	534.55	548.52	601.91
Turnover	4368.03	5289.07	6911.99	7667.54	10045.71
Other Income	9.75	15.30	9.96	7.45	10.73
Material costs	1852.08	2380.32	3601.85	3643.53	5397.43
Power costs	748.05	777.02	906.21	1048.76	926.61
Employee Cost	285.54	416.34	504.87	612.84	758.07
Other manufacturing expenses	131.90	140.30	133.69	167.77	202.15
Admn & selling exps	556.35	493.59	552.92	733.20	786.32
EBIDTA	**573.25**	**834.35**	**959.26**	**1156.72**	**1485.33**
Interest	249.00	397.79	582.42	375.24	298.56
EBDT	324.25	436.56	376.84	781.48	1186.76
Depreciation	216.84	236.14	249.37	267.06	294.99
PBT	107.41	200.43	127.47	514.42	891.78
Tax	30.67	50.20	38.48	155.90	285.14
PAT	**76.74**	**150.23**	**88.99**	**358.52**	**606.64**
Networth	**1416.02**	**1548.91**	**1620.68**	**1893.40**	**2225.63**
Capital Employed	4739.69	4921.48	4872.35	4521.68	5022.42
EPS (₹)*	1.04	2.04	1.21	4.87	8.24
Book value (₹)*	19.24	21.05	22.02	25.73	30.25
Dividend (₹)*	0.20	0.20	0.20	1.00	2.00
RONW (%)	**5.54**	**10.13**	**5.62**	**20.40**	**29.45**
ROCE (%)	**8.78**	**12.38**	**14.50**	**18.94**	**24.94**

** face value of ₹ 2 per share*

Value Added Statement

(₹ in million)

	2006-07	2007-08	2008-09	2009-10	2010-11
Sales (gross)	4368.03	5289.07	6911.98	7667.54	10045.71
Other income	9.75	15.30	9.96	7.45	10.73
Stock adjustments	425.48	291.97	(67.38)	(40.60)	(16.07)
	4803.25	**5596.34**	**6854.56**	**7634.39**	**10040.37**
Less:					
Raw material consumed	1227.67	1169.58	1251.84	1437.91	1555.67
Trading goods	1049.89	1502.71	2282.63	2165.03	3803.95
Manufacturing expenses	879.95	917.32	1039.89	1216.53	1128.77
Other expenses	556.34	493.59	552.92	733.20	786.32
	3713.85	**4083.20**	**5127.28**	**5552.67**	**7274.71**
Total value addition	**1089.39**	**1513.14**	**1727.28**	**2081.73**	**2765.66**

Distribution of Value-Addition

(₹ in million)

	2006-07	2007-08	2008-09	2009-10	2010-11
To the Government					
Excise duty	230.61	262.48	263.16	312.18	522.26
Dividend tax	2.08	2.50	2.50	12.22	23.87
Current tax	17.93	25.74	25.93	141.93	231.75
	250.62	**290.72**	**291.59**	**466.33**	**777.88**
To the employees	285.54	416.34	504.86	612.84	758.07
To providers of finance	249.00	397.79	582.42	375.24	298.56
To shareholders	14.72	14.72	14.72	73.58	147.17
Depreciation	216.84	236.14	249.37	267.06	294.99
Deferred tax	12.74	24.45	12.55	13.97	53.39
Profit ploughed back	59.93	133.00	71.78	272.71	435.59
Retained in business	**289.51**	**393.58**	**333.70**	**553.74**	**783.97**
Total value addition distributed	**1089.39**	**1513.14**	**1727.28**	**2081.73**	**2765.66**

Directors' Report

Dear Shareholders,

Your Directors are pleased to present the 25th Annual Report together with the audited accounts of your Company for the financial year ended 31st March 2011.

(₹ in million)

Particulars	Standalone		Consolidated
	Year ended 31st March 2011	Year ended 31st March 2010	Year ended 31st March 2011
Sales (net of excise duty)	9,523	7,355	9,523
Profit before interest, depreciation and tax	1,485	1,157	1,490
Financial charges	298	376	301
Depreciation	295	267	297
Profit before taxation	892	514	892
Tax expenses	285	156	285
Profit after tax	607	358	607
Balance brought forward from the previous year	994	819	994
Profit available for appropriation	**1,601**	**1,177**	**1,601**
Transferred from debenture redemption reserve	(46)	(2)	(46)
Proposed dividend on equity shares	147	73	147
Corporate dividend tax	24	12	24
Transfer to general reserve	200	100	200
Balance carried forward	1,276	994	1,276
	1,601	**1,177**	**1,601**

** consolidated results include the financial results of Soriso Ceramic Pvt Ltd (subsidiary) for the period 25.2.11 to 31.03.11.*

Financial review

During the financial year under review your Company took various strategic initiatives to improve its volume and profitability, which helped the Company to achieve important milestones in the history of the Company.

Gross sales grew 31% from ₹7,667.54 million to ₹10,045.71 million primarily due to increase in sales volume and increase in the average realisation per sq mtr. The EBIDTA increased from ₹1157 million in 2009-10 to ₹1,485 million in 2010-11.

The net profit after tax increased from ₹358 million to ₹607 million registering a 69% growth over the previous year 2009-10. The earnings per share increased from ₹4.87 to ₹8.24 per share during the same period. The book value per share strengthened from ₹25.73 as on 31st March 2010 to ₹30.25 as on 31st March 2011. More importantly, every rupee invested in business delivered much superior returns – reflected by the improved return on employed capital from 18.94% in 2009-10 to 24.94% in 2010-11.

Dividend

Considering the growth of business and the improved profitability, the Directors recommended a 100% dividend on equity shares (₹2/- 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 21st May 2011.

Corporate highlights

Capacity addition: Commissioned our 6 MSM tiles brownfield expansion (polished and glazed vitrified) on 29th March 2011 at Gailpur with an investment of ₹1,299 million and 2.60 MSM converted capacity of ceramic floor tile into vitrified tile manufacturing at Sikandrabad unit on 28th March 2011 with an investment of ₹203 million. The total investment is being funded by debt and internal accruals.

Inorganic growth: Acquired a 51% stake in Soriso Ceramic Pvt. Ltd., a Gujarat-based floor tile manufacturing company (capacity 2.30 MSM per annum) for ₹56.20 million which is expected to increase the volumes of large format tiles and strengthen the Company's capability in catering to the West and South markets.

Gas connection: Received the gas connection from GAIL for our Gailpur facility replacing high-cost propane with R-LNG – significantly reducing the power and fuel cost for your Company.

Marketing Tie-up: The Company has entered into a marketing tieup with Eczacibasi Yapi Gerecleri A.S., a leading European manufacturer, for selling its high-end 'VitrA' bathware products in India

Recognition: Awarded the 'Superbrand' status for fifth consecutive time, emerging as the only Indian tile company to create this record.

Accounts of Subsidiaries

Pursuant to the general circular no. 1/2011 issued by the Ministry of Corporate Affairs, Government of India, the Individual Annual Accounts of the subsidiary (M/s Soriso Ceramic Private Limited) for the year ended on 31st March 2011, have not been attached to the Annual Report. Copies of these Annual Accounts and related information will be made available on request. The Annual Accounts of the subsidiary Company will be available at the registered office of the Company and also at the venue during the Annual General Meeting.

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:

Real estate growth: Real estate plays a crucial role in the Indian economy. It is the second largest employer after agriculture and is slated to grow at 30% over the next decade. The Indian real estate market size is expected to touch $180 billion by 2020.

The housing sector alone contributes to 5-6% of the country's GDP. Retail, hospitality and commercial real estate are also growing significantly, providing the much-needed infrastructure for India's growing needs.

According to a study by ICRA, the construction industry ranks 3rd among the 14 major sectors in terms of direct, indirect and induced effects in all sectors of the economy. A unit increase in construction expenditure generates five times the income, having a multiplier effect across the board. With backward and forward linkages to over 250 ancillary industries, the positive effects of real estate growth spread far and wide. Truly, real estate is a growth engine for India's economy.

Real estate developers play a leading role in the industry, bridging the gap between construction ability and the customer's need. Developers offer value in terms of design, cost, functionality and location. They work hard to absorb international trends, analyse the customers' expectations and deliver quality realty products based on their experience. In India, real estate developers fulfil a critical need for infrastructure to serve a growing economy in areas like housing, office space, retail and entertainment, among others.

Commercial segment demand: The share of organised retail in the total Indian retail trade pie is projected to grow at 40% per annum. The number of shopping malls is expected to increase at an 18.9% CAGR between 2007 and 2015. This is expected to drive the demand for large-format, value-added tiles for flooring solutions and high-end wall tiles for the external façade.

Social infrastructure creation: The healthcare sector is estimated to become a US$ 280 billion industry by 2020 from the current US$ 40 billion (source: ibef). With India emerging as a preferred destination for medical treatment, medical tourism in the country is expected to grow at a CAGR (2011-2013) of 26% to reach US$ 3 billion by 2013, reflecting the necessity to create world-class health infrastructure – accelerating the demand for value-added tiles.

Growth drivers for the current year

Your Company expects to leverage a volume-value play in the current year to accelerate its growth momentum and strengthen value creation for its valued shareholders.

Volumes expansion

The product volumes are expected to expand substantially following the commissioning of its brownfield expansion at Gailpur and conversion of part of ceramic tile manufacturing facility in to vitrified– adding a cumulative 8.60 MSM capacity.

Value enhancement

Your Company has added 8.6 MSM of vitrified tile capacity which provides superior realisation. Besides, the important change from importing these tiles to in-house manufacturing is expected to significantly strengthen business profitability.

Your Company developed a range of new value added products which are expected to be commercialised in 2011-12, shoring margins. Wall tiles for exterior wall applications is one important development; digitally printed tiles in more than 10 designs (providing a natural stone look and feel) is the other – strengthening realisations and margins.

In addition, the trading models for bathware and wooden flooring solutions are expected to make sizeable contributions to the topline and business profitability

Directors

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

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

The details of their re-appointment together with nature of their expertise in specific functional areas and names of the companies in which they hold 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 re-appointment. The Company received a certificate from the auditors to the effect of their re-appointment. The observations of the auditors are suitably explained in the notes on accounts.

Personnel

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

Acknowledgement

The Board greatly appreciate the commitment and dedication of employees at all levels who have contributed on the growth and success of the Company. The credit for the Company's achievement goes to them.

We would also take this opportunity to offer 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 are deeply grateful to our shareholders for the confidence and faith reposed on us.

Your Company looks forward to their continued support in future.

For and on behalf of the Board

Place: New Delhi
Date: 30th April, 2011

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 ₹6.00 million or more per annum.

Sr. No.	Name	Age	Designation	Qualification	Experience	Date of joining	Remuneration (₹ million)	Particulars of Last Employment
1	Mr. Ashok Kajaria	64	Chairman & Managing Director	B.SC., BSME., California	36	01.01.1987	10.70	Managing Director-Kajaria Exports Limited
2	Mr. Chetan Kajaria	37	Joint Managing Director	BE- Pune University, MBA- Boston University, USA	12	15.01.2000	8.56	Managing Director-Kajaria Plus Limited
3	Mr. Rishi Kajaria	33	Joint Managing Director	B Sc (Business Admn) Boston University, USA	8	26.07.2003	8.56	Director, Kajaria Infotech Ltd

B) Employed for a part of the financial year and in receipt of remuneration aggregating to ₹0.50 million or more per month.	NIL

Notes:

1. Remuneration includes salary, allowances, Company's contribution to PF, perquisites exclude contribution to Gratuity Fund and Personal Accident Insurance as the same is paid for the Company as a whole.
2. Appointments of Mr. Ashok Kajaria, Chairman & Managing Director, Mr. Chetan Kajaria, Joint Managing Director and Mr. Rishi Kajaria, Joint Managing Director, are contractual.
3. Mr. Ashok Kajaria, Chairman & Managing Director is relative of Mr. Chetan Kajaria and Mr. Rishi Kajaria, Joint Managing Directors of the Company.

For and on behalf of the Board

Place: New Delhi
Date: 30th April, 2011

Ashok Kajaria
Chairman & 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 equipment and machinery 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 and reduction of apparent energy consumption and in conjunction with mitigation/reduction of harmonics by broadband reactors resulting in reduction of apparent as well as active 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 latest generation energy efficient lighting and equipment, variable frequency drives are extensively installed and used wherever possible for lesser energy consumption in motors by exploring their speed, installation of BEE (Bureau of Energy Efficiency) certified electrical items / equipment resulting in saving of power consumption.
4) Considerable fuel saving by complete change-over to use of RLNG (Re-gasified Liquid Natural Gas) in both the plants.

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 further development of new and large wall (15 x 60 cm) and floor (60x60 cm) tiles conforming both EN & IS standards.
2) Developed a new tile (15x45cm) with a stone look in matt finish and self design by using new Inkjet Digital Printing Technology, Size (30x60cm) has a very high glossy finish and self design by using Inkjet Digital Printing Technology.
3) Development, evaluation, selection and optimisation of process parameters of production lines for improvement in yield and quality.
4) To get consistent and economical quality products, some of the imported glaze materials have been replaced with indigenous materials.
5) 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) The Company is able to offer wider range of ceramic and vitrified tiles at competitive cost, which increases the customer satisfaction to a great extent and becomes more effective and preferable to all types of customers.
2) Continuous improvement in achieving the higher standard of quality product with success in reducing the cost of production.

(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 global market.
4) To maintain with the advance infrastructure available in the tile industry and train/educate the R&D team with updated technology of ceramic wall tiles.

(iv) Expenditure on (R&D)

₹/ in Million

Particulars	2010-11	2009-10
a) Capital	4.08	–
b) Recurring	0.43	0.82
c) Total R&D expenditure as a percentage of total turnover	0.05%	0.01%

[B] Technology Absorption, Adaptation and Innovation

1) The Company has fully adopted and further updating the latest technology available for producing vitrified and ceramic tiles at par with European / China market of tiles

2) Our R&D / Technical expert's visit global market for adopting and updating the latest technology available.

Benefits derived as a result of the above

The Company is continuously updating for standardisation and installation of required machineries in the process of manufacturing vitrified and ceramic tiles. A considerable amount of energy is being conserved by total use of RLNG in both the plants (at Sikandrabad / Gailpur), and innovation in controlling the natural mineral resources by the use of recycled waste.

Technology Imported

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

Social & Community Welfare

As a national and global corporate citizen, the Company nurtures relationships across the entire range of social and community welfare areas. The Company intends to be excellent in world class operational levels by maintaining quality, health and safety, environment, social accountability and food safety.

The Company has a long and strong tradition of supporting its surrounding communities that it connects with – from education, health, fire explosion, Prajapita Brahma Kumaris Ishwaria Vishwa Vidyalaya, Jain International Sansathan, Dosa Ashram, Dharamsala, development of employable skills, Helpage India, to weaker sections of society.

Foreign Exchange Earning and Outgo

₹ in Million

	2010-11	2009-10
Earned:		
Exports (FOB)	138	367
Spent:		
Imports (CIF):		
Capital goods	573	163
Raw material	106	147
Stores & spares	95	47
Traded goods	2,176	1,107
Others (on accrual basis)	40	37

For and on behalf of the Board

Place: New Delhi
Date: 30th April, 2011

Ashok Kajaria
Chairman and Managing Director

Corporate Governance Report

I. The Company's Philosophy on Corporate Governance

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

II. Board of Directors

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

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

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

* *includes directorship in private limited companies.*

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

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

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

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

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

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

Information supplied to the Board

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

III. Audit Committee

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

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

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

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

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

Role of Audit Committee

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

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 the role of the Audit Committee under amendments, if any, from time to time, to the Listing Agreement, Companies Act and other statutes.

IV. Remuneration Committee

The Company has a Remuneration Committee of Board of Directors consisting of the following four members:

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

The terms of reference to this Committee include:

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

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

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

₹ in lacs

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

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

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

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

V. Project Management Committee

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

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

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

VI. Share Transfer and Investors Grievances Committee

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

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

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

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

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

VI. General Body Meetings

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

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

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

VII. Disclosures

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

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

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

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

c) **Disclosure of accounting treatment in preparation of financial statements:**
The Company has followed the guidelines of the accounting standards laid down by the Institute of Chartered Accountants of India in preparation of its financial statements.

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

e) **Proceeds from public/rights/preferential issues etc.**
The Company does not have any un-utilised money raised through public/rights/preferential issues.

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

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

VIII. Means of Communication

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

IX. General Share Holders Information

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

Date	Time	Venue
2nd June, 2011	12.00 Noon	A-27 & 28, Sikandrabad Indl Area Sikandrabad, Distt Bulandshahr (U P)
ii) Next dates of book closure		23rd May, 2011 to 2nd June, 2011 (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 2002-03 have been transferred to Investor Education and Protection Fund. No claims will lie against the Company or the Fund in respect of unclaimed amount so transferred.

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

v) Listing on Stock Exchanges:

- Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400001.
- National Stock Exchange of India Ltd, "Exchange Plaza", Bandra-Kurla Complex, Bandra(E), Mumbai 400051

BSE/NSE listing fees for the financial year 2011-12 has been paid.

vi) Stock Code

500233 (BSE) / KAJARIACER (NSE)

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

Amount in ₹

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

viii) Registrar & Share Transfer Agent

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

ix) Share Transfer System

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

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

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

Range-wise distribution is as follows:

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

xi) Dematerialisation of shares and liquidity

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

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

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

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

xiii) Plant Locations

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

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

xiv) Subsidiary company

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

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

Soriso Ceramic Private Limited

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

xv) Address for Correspondence

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

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

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

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

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

For and on behalf of the Board

Place: New Delhi
Date: 30th April, 2011

Ashok Kajaria
Chairman & Managing Director

ANNEXURE TO THE CORPORATE GOVERNANCE

1. Mr. Ashok Kajaria

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

Directorships in other companies :

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

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

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

Directorships in other companies:

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

Committees' Membership in the Other Companies

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

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

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

Directorships in other companies:

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

Committees' Membership in the Other Companies

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

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 2011, 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 Share Tranfer and Investors 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/-

Place: New Delhi
Date: 30th April, 2011

Mukul Bagla
PARTNER
M No. 94156
Firm Registration No. 000018N

Auditors' Report

To
The Members of
Kajaria Ceramics Limited

We have audited the attached Balance Sheet of **KAJARIA CERAMICS LIMITED** as at 31st March, 2011 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, 2011 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, 2011 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 31.3.2011.
      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

O. P. Bagla
Partner
Membership No. 8858
Firm Registration No. 000018N

Place : New Delhi
Dated : 30 April 2011

Annexure to the Auditors' Report

Annexure referred to in paragraph 1 of the Auditors' Report on Accounts for the year ended 31st March 2011

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, all the fixed assets have been physically verified by the management in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such physical verification.

   c) In our opinion, the Company has not disposed off a substantial part of its fixed assets during the year and the going concern status of the Company is not affected.

2. a) Physical verification has been conducted by the management at reasonable intervals in respect of finished goods, stores, spare parts and raw materials. We were informed that physical verification of clay was made on the basis of volume and density which is approximately correct.

   b) In our opinion and according to the information and explanation given to us, the procedure of physical verification of these stocks followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.

   c) In our opinion the Company is maintaining proper records of inventories. The discrepancies noticed on such verification between the physical stocks and book records were not significant and the same has been properly dealt with in the books of account.

3. The Company has not granted any loan to Companies, firms or other parties covered in the register maintained under section 301 of the Act, except an interest free loan of ₹10.54 million given to a Subsidiary Company. As per the information and explanations given to us, the terms and conditions of the loan are not Prima facie prejudicial to the interest of Company. There are no overdue balances outstanding in relation to the loans as on 31.03.2011.

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, we have not observed any continuing failure to correct major weaknesses in 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) In our opinion, the transactions made in pursuance of contracts/ arrangements entered in the register maintained under Section 301 of the Companies Act,1956 and exceeding the value of ₹500000 in respect of each party during the year have been made at prices which appear reasonable as per information available with the Company.

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 ₹60.12 million in respect of Sales Tax and Service Tax are pending in appeals with the Commissioner Appeals/High Court as per details below:

Particulars	Amt Demanded	Remarks
Sales Tax Cases	1040103	Appeals pending with Commissioner (Appeals)
Customs Duty	140165	Appeal pending with Commissioner (Appeals)
Entry Tax	55628781	Appeal pending with High Court, Rajasthan
Service Tax	346927	Appeal pending with High Court, Rajasthan
Service Tax	2961472	Appeal pending with Commissioner, Central Excise, Jaipur

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. In our opinion, the Company is not a chit fund/ nidhi/ mutual benefit fund/ society. Therefore, the provisions of clause (xiii) of paragraph 4 of the order are not applicable to the Company.

15. 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.

16. 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.

17. According to the information and explanations given to us and on overall examination of the Balance Sheet of the Company, we are of the opinion that the funds raised on short term basis have not been utilized for long term investment.

18. 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.

19. Since the Company has not raised money by way of Public Issue during the year paragraph 4 (xx) of the order is not applicable.

20. Based upon the audit procedures performed and information and explanations given by the management, we report that, no fraud on or by the Company has been noticed or reported during the course of our audit for the year ended 31.03.2011.

21. Other clauses of the order are not applicable to the Company for the year under report.

For O. P. Bagla & Co.
Chartered Accountants

O. P. Bagla
Partner

Place : New Delhi
Dated : 30 April 2011

Membership No. 8858
Firm Registration No. 000018N

Balance Sheet As at 31st March 2011

(₹ in million)

	Schedules	31.03.2011	31.3.2010
SOURCE OF FUNDS			
Shareholders' Funds			
Share Capital	1	147.17	147.17
Reserves and Surplus	2	2,078.46	1,746.23
		2,225.63	1,893.40
Loan Funds			
Secured Loans	3	2,756.79	2,588.28
Unsecured Loans	4	40.00	40.00
		2,796.79	2,628.28
Deferred Tax Liabilities	5	601.91	548.52
Total		**5,624.33**	**5,070.20**
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	6	6,999.88	5,435.46
Less : Depreciation		2,209.49	1,987.57
Net Block		4,790.39	3,447.89
Capital Work-in-Progress		0.63	25.43
		4,791.02	3,473.32
Investments	7	90.14	33.94
Current Assets, Loans & Advances			
Inventories	8	1,515.11	1,402.55
Sundry Debtors	9	909.04	773.21
Cash and Bank Balances	10	29.92	44.91
Loans and Advances	11	808.43	755.76
		3,262.50	2,976.43
Less : Current Liabilities & Provisions			
Current Liabilities	12	2,129.89	1,197.69
Provisions	13	389.44	215.80
		2,519.33	1,413.49
Net Current Assets		743.17	1,562.94
Total		**5,624.33**	**5,070.20**
Significant Accounting Policies and Notes on Accounts	22		

In terms of our report of even date Annexed

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

O. P. Bagla
Partner
Membership No.: 8858

Place: New Delhi
Dated: 30 April 2011

For and on behalf of the Board

Ashok Kajaria
Chairman & Managing Director

Chetan Kajaria
Rishi Kajaria
Jt. Managing Directors

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

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

Profit and Loss Account For the year ended 31st March 2011

(₹ in million)

	Schedules		31.03.2011	31.3.2010
INCOME				
Sales (Gross)			10,045.71	7,667.54
Less: Excise Duty on Sales			522.26	312.18
			9,523.45	7,355.36
Other Income	14		10.73	7.45
			9,534.18	**7,362.81**
EXPENDITURE				
Material Manufacturing & Other Expenses	15		6,410.40	4,811.17
Increase/Decrease in Stocks	16		39.22	(2.75)
Salaries, Wages and Amenities	17		758.07	612.84
Repairs and Maintenance	18		54.84	51.63
Administrative & Other Expenses	19		356.49	297.99
Selling & Distribution Expenses	20		429.83	435.21
Financial Charges	21		298.56	375.24
Depreciation			294.99	267.06
Sales Tax of earlier years		103.37		
Less: Transferred from General Reserve (See Note 17 of Schedule 22)		103.37	–	–
			8,642.40	**6,848.39**
Profit Before Tax			**891.78**	**514.42**
Provisions for:				
Income Tax			218.40	130.00
Deferred Tax			53.39	13.97
Income Tax / Wealth Tax Adjustment			13.35	11.93
Profit After Tax			**606.64**	**358.52**
Balance as per last year			994.15	819.03
Profit Available For Appropriation			**1,600.79**	**1,177.55**
APPROPRIATIONS				
Proposed Dividend on Equity Shares			147.17	73.58
Corporate Dividend Tax			23.87	12.22
Transfer to General Reserve			200.00	100.00
Transfer from Debenture Redemption Reserve			(46.04)	(2.40)
Surplus Carried Over			1,275.79	994.15
			1,600.79	**1,177.55**
Basic/Diluted Earnings per share (₹)			8.24	4.87
Significant Accounting Policies and Notes on Accounts	22			

In terms of our report of even date Annexed

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

O. P. Bagla
Partner
Membership No.: 8858

Place: New Delhi
Dated: 30 April 2011

For and on behalf of the Board

Ashok Kajaria
Chairman & Managing Director

Chetan Kajaria
Rishi Kajaria
Jt. Managing Directors

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

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

Schedules forming part of the Accounts As at 31st March 2011

(₹ in million)

	31.03.2011	31.03.2010
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**

	31.03.2011	31.03.2010
SCHEDULE 2 RESERVES AND SURPLUS		
A. Capital Reserve		
Share Premium	142.35	142.35
B. Debenture Redemption Reserve		
Balance B/F	46.04	48.44
Less : Written Back	(46.04)	(2.40)
	–	46.04
C. General Reserve	513.69	413.69
Less: Transferred to Profit & Loss Account	(103.37)	–
Add : Transferred During the Year	200.00	100.00
	610.32	513.69
D. Capital Redemption Reserve	50.00	50.00
E. Profit & Loss Account	1,275.79	994.15
	2,078.46	**1,746.23**

	31.03.2011	31.03.2010
SCHEDULE 3 SECURED LOANS		
A. Debentures		
Non Convertible Debentures	–	46.04
B. Term loans		
- From Financial Institutions	–	290.00
- From Banks	1,734.48	1,314.09
- Car loan from Others	21.93	30.81
C. Working Capital Facilities		
From Banks	1,000.38	907.34
	2,756.79	**2,588.28**

Notes :

1. Term loans from Financial Institutions & Banks are secured by 1st charge on immovable and movable assets (present and future) of the Company situated at Sikandrabad Industrial Area (UP) 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.
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. Car Loan from others ₹ 21.93 million are secured against respective cars.

Schedules forming part of the Accounts As at 31st March 2011

(₹ in million)

	31.03.2011	31.03.2010
SCHEDULE 4 UNSECURED LOANS		
Short Term Loans & Advances		
- From Companies	40.00	40.00
	40.00	**40.00**

SCHEDULE 5 DEFERRED TAX LIABILITIES		
Deferred tax Liability		
As at 1st April 2010	548.52	534.55
Additional adjustment for current year	53.39	13.97
	601.91	**548.52**

SCHEDULE 6 FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1.4.2010	Additions	Sale/ Transfer	As at 31.3.2011	Upto 31.3.2010	For the year	Sale/ Transfer	Upto 31.3.2011	As at 31.3.2011	As at 31.3.2010
Land and Site Development	105.60	–	–	105.60	–	–	–	–	105.60	105.60
Building	947.23	438.66	–	1,385.89	270.16	31.68	–	301.84	1,084.05	677.07
Plant & Machinery	4,108.90	1,191.25	76.87	5,223.28	1,594.02	233.23	64.80	1,762.46	3,460.82	2,514.89
Furniture and Fixtures	54.01	4.60	5.68	52.94	29.38	3.27	4.23	28.42	24.51	24.63
Vehicles	92.51	19.88	6.10	106.29	18.69	9.27	2.49	25.46	80.83	73.82
Fixed Assets - Sales Outlet	127.21	1.32	2.65	125.88	75.32	17.54	1.55	91.31	34.57	51.89
Current Year	**5,435.47**	**1,655.71**	**91.30**	**6,999.88**	**1,987.57**	**294.99**	**73.07**	**2,209.49**	**4,790.39**	**3,447.91**
Previous Year	5,014.92	451.10	30.55	5,435.46	1,738.39	267.06	17.88	1,987.57	3,447.90	3,276.53

	31.03.2011	31.03.2010
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 ₹270.00 Lacs)	4.50	4.50
Unquoted		
29,39,500 Equity Shares of Kajaria Plus Pvt. Ltd. of ₹10/- each fully paid up	29.44	29.44
In Subsidiary Company		
15,30,000 Equity Shares of M/s Soriso Ceramic Pvt. Ltd. of ₹10/- each fully paid up	56.20	–
	90.14	**33.94**

SCHEDULE 8 INVENTORIES		
(As certified by the Management)		
Raw Materials	251.40	149.65
Stores and Spares	205.85	155.83
Finished Goods	989.98	1,036.20
Work-in-Process	67.88	60.87
	1,515.11	**1,402.55**

Schedules forming part of the Accounts As at 31st March 2011

(₹ in million)

	31.03.2011	31.03.2010
SCHEDULE 9 SUNDRY DEBTORS (UNSECURED)		
a) Debts outstanding for a period exceeding six months		
- Considered Good	27.41	34.63
- Considered Doubtful	22.41	30.86
b) Other Debts		
- Considered Good	860.41	708.65
- Considered Doubtful	0.01	0.27
	910.24	774.41
Less: Provision for Doubtful Debts	1.20	1.20
	909.04	**773.21**
SCHEDULE 10 CASH AND BANK BALANCES		
Cash in hand and imprest	4.03	5.71
Balance with Scheduled Banks		
- in current account	22.31	35.62
- in Margin / FDR	3.58	3.58
	29.92	**44.91**
SCHEDULE 11 LOANS & ADVANCES		
(Unsecured Considered Good)		
Loans		
- To Subsidiary	10.54	–
- To Others	–	6.00
Advances recoverable in cash or kind or for value to be received	310.25	378.65
Balance With Excise Authorities	86.19	32.97
Exports Benefit Accrued	4.47	6.20
Security Deposits		
- With Govt. Deptts.	21.53	28.92
- With Others	180.48	178.30
Prepaid Expenses	9.54	6.24
Income Tax	185.43	118.48
	808.43	**755.76**
SCHEDULE 12 CURRENT LIABILITIES		
Sundry Creditors - Micro, Small & Medium Enterprises	10.30	–
- Others	1,955.69	1,024.66
Investors Education & Protection Fund		
- Unclaimed Dividend	3.17	2.28
Other Liabilities	120.65	132.75
Interest accrued but not due	0.47	2.05
Security Deposits	39.61	35.95
	2,129.89	**1,197.69**
SCHEDULE 13 PROVISIONS		
Income Tax	218.40	130.00
Proposed Dividend	147.17	73.58
Corporate Dividend Tax	23.87	12.22
	389.44	**215.80**

Schedules forming part of the Accounts For the year ended 31st March 2011

(₹ *in million)*

		31.03.2011	31.03.2010
SCHEDULE 14 OTHER INCOME			
Miscellaneous Income		10.73	7.45
		10.73	**7.45**

		31.03.2011	31.03.2010
SCHEDULE 15 MATERIAL, MANUFACTURING AND OTHERS			
Raw Material Consumed		1,555.67	1,437.91
Goods Purchased for Resale		3,803.95	2,165.03
Stores and Spares Consumed		147.31	116.13
Power and Fuel		926.61	1,048.76
Finished Goods used for Fixed Assets		(1.40)	(2.77)
Excise Duty on Stocks		(21.74)	46.11
		6,410.40	**4,811.17**

		31.03.2011	31.03.2010
SCHEDULE 16 INCREASE/DECREASE IN STOCKS			
Stock as on 1st April, 2010			
Work-in-process		60.88	62.64
Finished Goods		1,036.20	1,031.69
	'A'	1,097.08	1,094.33
Stock as on 31st March, 2011			
Work-in-process		67.88	60.88
Finished Goods		989.98	1,036.20
	`B'	1,057.86	1,097.08
	B-A	**(39.22)**	**2.75**

		31.03.2011	31.03.2010
SCHEDULE 17 SALARIES, WAGES & AMENITIES			
Salary, Wages and Allowances		684.28	552.27
Contribution to ESI, PF & FPF etc.		33.86	28.07
Staff Welfare		18.30	14.30
Contribution to LIC Group Gratuity Expense		21.63	18.20
		758.07	**612.84**

		31.03.2011	31.03.2010
SCHEDULE 18 REPAIRS & MAINTENANCE			
Building		10.14	8.41
Machinery		21.79	19.58
Others		22.91	23.64
		54.84	**51.63**

Schedules forming part of the Accounts For the year ended 31st March 2011

(₹ in million)

	31.03.2011	31.03.2010
SCHEDULE 19 ADMINISTRATIVE & OTHER EXPENSES		
Printing, Stationery & EDP Expenses	7.58	6.96
Rent, Rates & Taxes	93.23	88.62
Vehicle Expenses	14.44	12.78
Communication Expenses	37.04	32.99
Traveling & Conveyance Expenses	113.78	88.24
Insurance Charges	10.80	8.75
Legal & Professional Charges	9.22	13.78
Loss on Sale / Scrapping of Fixed Assets	15.97	6.65
Directors Sitting Fees	0.92	0.40
Auditors' Remuneration :		
- As Audit Fees	1.00	0.75
- For Tax Audit, Certification & Tax Representations	1.14	0.62
- For Other matters	0.73	0.51
- For Reimbursement of Expenses	–	0.03
Miscellaneous Expenses	32.84	23.69
Share Transfer Expenses	0.18	0.13
Electricity & Water Charges	13.46	11.94
Foreign Technician Expenses	0.15	0.05
Social Relief & Welfare Expenses	3.58	0.28
Research & Development Expenses	0.43	0.82
	356.49	**297.99**

SCHEDULE 20 SELLING & DISTRIBUTION EXPENSES		
Packing Freight & Forwarding Expenses	113.92	179.21
Advertisement, Publicity & Sales Promotion	163.11	128.20
Commission	152.80	127.80
	429.83	**435.21**

SCHEDULE 21 FINANCIAL CHARGES		
Interest on Fixed Loans	162.79	241.00
Interest on others (Net)	125.66	143.84
Exchange Difference	(32.45)	(49.45)
Bank & Other Charges	42.56	39.85
	298.56	**375.24**

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.

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 VAT 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 rates 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 recognized 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 by ICAI.

12. **Provision, Contingent Liabilities and Contingent Assets:**
    Provisions involving substantial degree of estimation in measurement are recognized 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 31.03.2011	As at 31.03.2010
1. Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of advances)	3.96	136.41
2. Letters of Credit opened in favour of inland/overseas suppliers (Net)	1623.52	942.42
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	34.23	72.48
b) Counter guarantees issued in respect of guarantees issued by Company's bankers	8.76	29.69
c) Guarantees issued on behalf of limited Companies	50.00	50.00
d) In respect of Excise Duty, Sales Tax, Service Tax, Custom Duty demands pending before various authorities and in dispute	60.12	57.88
e) Export Obligation under EPCG scheme	–	2.69
f) In respect of disputed Electricity demand pending with Appellate Authorities and other consumer cases.	4.68	4.54

4. **Details of Raw Material Consumed:**

	Unit	2010-11		2009-10	
		Qty	Value (₹ million)	Qty	Value (₹ million)
a) Body Materials	MT	348115	524.29	334158	352.98
b) Glaze, Frits & Chemicals	MT	21516	717.03	24959	830.12
c) Packing Materials	NOs	19290850	314.36	21243141	254.80
			1555.68		1,437.91

Schedules forming part of the Accounts

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

5. Particulars of Sales & Stock:

	Unit	2010-11 Qty (million)	2010-11 Value (₹ million)	2009-10 Qty (million)	2009-10 Value (₹ million)
a) **Opening Stock**					
Tiles	Sq. Mtrs	3.90	1036.20	3.81	1031.69
b) **Purchases**					
Tiles	Sq. Mtrs	9.64	3803.95	5.31	2165.03
c) **Sales**					
Tiles	Sq. Mtrs	29.71	10033.46	25.28	7653.55
Power			12.25		13.99
d) **Closing Stock**					
Tiles	Sq. Mtrs	3.13	989.98	3.90	1036.20

Sales Quantity includes goods used for sampling & own consumption.

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

(₹ in million)

	Year ended 31.03.2011	Year ended 31.03.2010
- Salary	17.09	7.81
- Perquisites	13.21	5.72
- Contribution to Provident Fund	–	0.33

7. Details of registered & installed capacities and production:

	Unit (million)	2010-11	2009-10
a) Registered Capacity	Sq Mtrs	N.A.	N.A.
b) Installed Capacity*			
- Tiles	Sq Mtrs	28.30	23.40
c) Production			
- Tiles	Sq Mtrs	19.30	20.06

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

8. Value of Imports on CIF basis:

(₹ in million)

	2010-11	2009-10
• Capital Goods	572.83	163.02
• Raw Materials	105.87	146.62
• Spares and Consumables	95.20	46.72
• Traded Goods	2176.18	1107.02

9. A) Expenditure in Foreign Currency (on accrual basis):

(₹ in million)

	2010-11	2009-10
a) Interest on FC Loan	17.07	13.82
b) Commission of Export Sales	0.79	7.85
c) Others including travel etc.	22.29	15.74

Schedules forming part of the Accounts

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

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

	2010-11	2009-10
• No of persons	15	15
• No of shares	31,830	31,830
• Amount in ₹	31,830	6,366

10. Earnings in Foreign Currency: *(₹ in million)*

	2010-11	2009-10
FOB Value of Exports (₹)	137.60	367.39

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

	2010-11		2009-10	
	%	(₹ million)	%	(₹ million)
Imported	5.85	90.94	10.35	148.89
Indigenous	94.15	1464.73	89.65	1,289.02

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

	2010-11	2009-10
1. Principal amount due and remaining unpaid	10.30	–
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.

13. As per policy of the Company for Directors and other senior employees the Company has, during the year, paid a sum of ₹50 lacs on account of insurance premium under the employer employee policy obtained on the life of key Directors and the same lies debited under the head 'Insurance Charges'. The policy may be assigned in the name of the insured in future. In such an event of assignment of the policy, the same shall be treated as perquisite in the hands of the key personnel.

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

15. 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.

16. To comply with the guidance note on "Accounting Treatment of Excise Duty" issued by Institute of Chartered Accountants of India, excise duty amounting to ₹56.55 million (previous year ₹75.11 million) has been included in the value of inventories as on 31.03.2011 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.

17. a) Reference is invited to note no. 18 on the accounts of the Company for the financial year ended 31.3.2010. A sum of ₹103.37 million has been debited to the Profit & Loss Account under the head 'Sales Tax of Earlier Years', representing sales tax paid as a result of withdrawal of exemption by sales tax department in respect of three expansions undertaken by the Company. After getting no favourable outcome, the Company, based on legal opinion, has withdrawn the claims filed in earlier years and accordingly the amount paid has been written off in the Profit & Loss Account.

    b) Since the liability relates to earlier years, an equivalent amount has been withdrawn from General Reserve and credited to Profit & Loss Account.

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

18. Gratuity And Other Post-Employment Benefit Plans:

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

The following tables summarize the components of net benefit expense recognised in the Profit and Loss Account and the funded status and amounts recognised in the Balance Sheet for the plan:

Profit and Loss account

Net employee benefit expense (recognised in Employee cost)

(₹ in million)

Particulars	31.03.2011	31.03.2010
Current Service cost	7.18	4.37
Interest cost on benefit obligation	3.99	3.12
Net actuarial loss recognised in the year	4.80	9.59
Past service cost	6.80	–
Expected Return on Plan Assets	(1.15)	–
Net benefit expense	**21.62**	**17.08**

Balance Sheet

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

Particulars	30.03.2011	31.03.2010
Defined benefit obligation	42.16	35.54
Less: Unrecognised past service cost	–	–
Plan liability	**42.16**	**35.54**

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

Particulars	31.03.2011	31.03.2010
Defined benefit obligation as at 1st April 2010	49.91	34.67
Interest Cost	3.99	3.12
Current service cost	7.18	4.37
Benefit paid	(5.04)	(0.03)
Past Service Cost – Vested Benefit	6.80	–
Actuarial losses on obligation	4.93	7.77
Defined benefit obligation as at 31st March, 2011	67.77	49.91

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

Particulars	31.03.2011	31.03.2010
Fair value of plan assets as at 1st April, 2010	14.37	11.00
Expected return	1.15	1.30
Contributions by employer	15.00	5.20
Benefits paid	(5.04)	(0.03)
Actuarial Gains / (Losses)	0.12	(3.11)
Fair value of plan assets as at 31st March, 2011	25.60	14.37

Schedules forming part of the Accounts

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

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

Particulars	31.03.2011	31.03.2010
Discount rate	8.25%	8.00%
Expected rate of return on plan assets	8.00%	6.00%
Salary Escalation	7.75%	7.00%
Attrition Rate	1.00%	1.00%

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.

19. 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 ₹218.40 million has been made on regular income.

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 1.04.2010	Charge/(credit) during the year	Closing as at 31.03.2011
Depreciation	548.52	53.39	601.91
Net Deferred Tax Liability	**548.52**	**53.39**	**601.91**

20. 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. Ashok Kajaria	Chairman & Managing Director
Sh. Chetan Kajaria	Joint Managing Director
Sh. Rishi Kajaria	Joint Managing Director
Sh. B.K. Sinha	Director Technical

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 Ltd

Kajaria Vision Pvt Ltd

Dua Engineering Works Pvt Ltd

IV. Subsidiary Company

Soriso Ceramic 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	Subsidiary	Others
Purchase of Raw Material, Goods & Services	–	55.14	10.15
Rent Paid	–	–	3.71
Remuneration	30.30	–	–
Investment in shares	–	56.20	–
Loan Given	–	10.54	–

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

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

(₹ in million)

	Outstanding Balances		Written off/Written back		Maximum Debit Balances
	As at 31.03.11	As at 31.03.10	As at 31.03.11	As at 31.03.10	
Key Management Personnel & Relatives	–	–	–	–	7.89
Subsidiary	10.54	–	–	–	10.54
Others	–	57.90	–	–	0.40

21. **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.

22. **Pre-operative expenses capitalised to fixed assets:**

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

Particulars	31.03.2011
Administrative & Other Expenses	11.94
Salary & Wages	7.45
Financial Charges	17.01
Trial Run	14.89
Total	**51.29**

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

	Year ended 31.03.2011	Year ended 31.03.2010
Profit attributable to the Equity Shareholders – (A) (₹ in millions)	606.64	358.52
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)	8.24	4.87

24. 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

O. P. Bagla
Partner
Membership No.: 8858

Place: New Delhi
Dated: 30 April 2011

For and on behalf of the Board

Ashok Kajaria
Chairman & Managing Director

Chetan Kajaria
Rishi Kajaria
Jt. Managing Directors

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

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

Balance Sheet Abstract and Company's General Business Profile

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

I. Registration Details

Registration No.	L26924UP1985PLC007595	State Code	20
Balance Sheet Date	31 (Date) 03 (Month) 2011 (Year)		

II. Capital Raised during the year (Amount in ₹ millions)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

III. Position of Mobilisation and Deployment of Funds (Amount in ₹ millions)

Total Liabilities	8143.66	Total Assets	8143.66
Sources of Funds			
Paid-up Capital	147.17	Reserves & Surplus	2078.46
Secured Loans	2756.79	Unsecured Loans	40.00
Deferred Tax Liabilities	601.91		
Application of Funds			
Net Fixed Assets	4790.39	Investments	90.14
Net Current Assets	743.17	Misc. Expenditure	NIL
Capital Work in Progress	0.63	Accumulated Losses	NIL

IV. Performance of the Company (Amount in ₹ millions)

Turnover (Including Other Income)	9534.18	Total Expenditure	8642.40
Profit Before Tax	891.78	Profit After Tax	606.64
Earning Per Share (in ₹.)	8.24	Dividend Rate (%)	100

V. Generic Names of Principal Products / Services of Company

Product Description	Item Code No. (ITC Code)
Ceramic Glazed Wall & Floor Tiles	69089090
Vetrified Tiles	69071010

In terms of our report of even date Annexed

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

O. P. Bagla
Partner
Membership No.: 8858

Place: New Delhi
Dated: 30 April 2011

For and on behalf of the Board

Ashok Kajaria
Chairman & Managing Director

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Rishi Kajaria
Jt. Managing Directors

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R. R. Bagri
B. K. Sinha
Directors

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

Cash Flow Statement For the year ended 31st March 2011

(₹ in million)

	31.03.2011		31.03.2010	
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before tax and extraordinary items		**891.77**		**514.42**
Adjusted for :				
Depreciation	294.99		267.06	
Preliminary Expenses W/off	–		–	
Investments W/off	–		–	
Interest Received	–		–	
Interest Paid	288.45		241.00	
Dividend Received	–		–	
Loss on sale of Fixed Assets	15.97	599.41	6.66	514.72
Operating Profit before Working Capital Changes		**1,491.18**		**1,029.14**
Adjusted for :				
Trade & Other Receivables	(121.52)		56.05	
Inventories	(112.56)		(17.98)	
Trade Payable	932.20	698.12	367.85	405.92
Cash Generated from Operations		**2,189.30**		**1,435.06**
Interest Paid	(288.45)		(241.00)	
Direct Taxes Paid	(210.30)		(116.91)	
Cash Flow before Extraordinary Items	–		–	
Extraordinary Items	(103.37)	(602.12)	–	(357.91)
Net Cash from operating activities		**1,587.18**		**1,077.15**
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	(1,630.93)		(476.52)	
Sale of Fixed Assets	2.26		6.02	
Acquisitions of Companies	–		–	
Purchase of Investments	(56.20)		–	
Sale of Investments	–		–	
Interest Received	–		–	
Dividend Received	–		–	
Net Cash used in Investing Activities		**(1,684.87)**		**(470.50)**
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from Issue of Share Capital	–		–	
Proceeds from Long Term Borrowings	168.51		(623.38)	
Repayment of Borrowings	–		–	
Redemption of Preference Shares	–		–	
Dividend and Dividend Tax Paid	(85.80)		(17.22)	
Net Cash used in Financing Activities	–	82.70	–	(640.61)
Net increase in Cash and Cash Equivalents		**(14.99)**		**(33.96)**
Cash and Cash Equivalents as on 1st April, 2010		44.91		78.87
Cash and Cash Equivalents as on 31st March, 2011		**29.92**		**44.91**

In terms of our report of even date Annexed

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

O. P. Bagla
Partner
Membership No.: 8858

Place: New Delhi
Dated: 30 April 2011

For and on behalf of the Board

Ashok Kajaria
Chairman & Managing Director

Chetan Kajaria
Rishi Kajaria
Jt. Managing Directors

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

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

Information on the financials of the Subsidiary Company

(As per general circular no. 1/2011 dated 08 Feb 2011 issued by MCA)

(₹ in million)

Name of Subsidiary Company	Soriso Ceramic Pvt Ltd
Capital	30
Reserves	7.65
Total Assets	187.17
Total Liabilities	149.52
Investments made by Subsidiary	–
Revenues (Turnover & other income)	44.35
Profit before Taxation	1.62
Provisions for Taxation	0.14
Profit After Tax	1.48
Proposed Dividend	–

Statement pursuant to section 212 of the Companies Act 1956 relating to Subsidiary Companies

Name of the Subsidiary Company	Soriso Ceramic Pvt Ltd
Financial year of the Subsidiary Company ended on	31st March 2011
Holding Company's interest	
i) No. of equity share	1530000
ii) Percentage (%) of Holding.	51%
The net aggregate amount of the Subsidiary's Profit / Loss so far as it concerns the members of the Holding Company not dealt within the Holding Company's Account	
i) For the Current Financial year	₹ 0.72 mn
ii) For the Previous Financial years since it became subsidiary.	N A
The net aggregate amount of Profit / Loss of the Subsidiary which has been dealt within the account of the Holding Company	
i) For the Current Financial year	–
ii) For the Previous Financial years since it became subsidiary.	–

Consolidated Auditors' Report

To
The Members of
Kajaria Ceramics Limited

We have audited the attached Consolidated Balance Sheet of **KAJARIA CERAMICS LIMITED** as at 31st March, 2011 and the Consolidated Profit & Loss Account for the Year Ended 31st March, 2011, annexed thereto and 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. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, AS 23, Accounting for Investments in Associates in Consolidated Financial Statements and AS 27, Financial Reporting of Interests in Joint Ventures, as notified by the Companies (Accounting Standard) Rules, 2006.

2. We further report that on the basis of the information and explanations given to us and on the basis of the separate audited financial statements of the subsidiary Company, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India :-

   a) In the case of the Consolidated Balance Sheet of the consolidated state of affairs of the Group as at 31st March 2011,

   b) In the case of Consolidated Profit & Loss Account, of the consolidated results of operations of the Group for the year on that date and;

   c) In case of Consolidated Cash Flow Statement, of the consolidated cash flows of the Group for the year ended on that date.

For O. P. Bagla & Co.
Chartered Accountants

O. P. Bagla
Partner
Membership No. 8858
Firm Registration No. 000018N

Place : New Delhi
Dated : 30 April 2011

Consolidated Balance Sheet As at 31st March 2011

(₹ in million)

	Schedules	31.3.2011
SOURCE OF FUNDS		
Shareholders' Funds		
Share Capital	1	147.17
Reserves and Surplus	2	2,078.04
		2,225.21
Minority Interest		18.45
Loan Funds		
Secured Loans	3	2,839.68
Unsecured Loans	4	40.00
		2,879.68
Deferred Tax Liabilities	5	603.21
Total		**5,726.54**
APPLICATION OF FUNDS		
Fixed Assets		
Gross Block	6	7,178.09
Less : Depreciation		2,263.16
Net Block		4,914.93
Capital Work-in-Progress		0.63
		4,915.56
Investments	7	33.94
Current Assets, Loans & Advances		
Inventories	8	1,546.48
Sundry Debtors	9	942.45
Cash and Bank Balances	10	37.71
Loans and Advances	11	811.03
		3,337.68
Less : Current Liabilities & Provisions		
Current Liabilities	12	2,171.20
Provisions	13	389.44
		2,560.64
Net Current Assets		777.04
Total		**5,726.54**
Significant Accounting Policies and Notes on Accounts	22	

In terms of our report of even date Annexed

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

O. P. Bagla
Partner
Membership No.: 8858

Place: New Delhi
Dated: 30 April 2011

For and on behalf of the Board

Ashok Kajaria
Chairman & Managing Director

Chetan Kajaria
Rishi Kajaria
Jt. Managing Directors

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

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

Consolidated Profit and Loss Account For the year ended 31st March 2011

(₹ in million)

	Schedules		31.03.2011
INCOME			
Sales (Gross)			10,051.33
Less: Excise Duty on Sales			528.20
			9,523.13
Other Income	14		10.80
			9,533.92
EXPENDITURE			
Material Manufacturing & Other Expenses	15		6,396.71
Increase/Decrease in Stocks	16		42.60
Salaries, Wages and Amenities	17		760.83
Repairs and Maintenance	18		56.49
Administrative & Other Expenses	19		356.88
Selling & Distribution Expenses	20		430.59
Financial Charges	21		300.79
Depreciation			296.80
Sales Tax of earlier years		103.37	
Less: Transferred from General Reserve (See Note 9 of Schedule 22)		(103.37)	–
			8,641.70
Profit Before Tax			**892.22**
Provisions for:			
Income Tax			218.69
Deferred Tax			53.24
Income Tax / Wealth Tax Adjustment			13.35
Profit After Tax (Before adjustment for Minority Interest)			**606.94**
Less : Share of profit transferred to Minority			(0.72)
Profit After Tax (After adjustment for Minority Interest)			**606.22**
Balance as per last year			994.15
Profit Available For Appropriation			**1,600.37**
APPROPRIATIONS			
Proposed Dividend on Equity Shares			147.17
Corporate Dividend Tax			23.87
Transfer to General Reserve			200.00
Transfer from Debenture Redemption Reserve			(46.04)
Surplus Carried Over			1,275.37
			1,600.37
Basic/Diluted Earnings per share (₹)			8.24
Significant Accounting Policies and Notes on Accounts	22		

In terms of our report of even date Annexed

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

O. P. Bagla
Partner
Membership No.: 8858

Place: New Delhi
Dated: 30 April 2011

For and on behalf of the Board

Ashok Kajaria
Chairman & Managing Director

Chetan Kajaria
Rishi Kajaria
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D. P. Bagchi
R. K. Bhargava
R. R. Bagri
B. K. Sinha
Directors

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

Schedules forming part of the Consolidated Accounts As at 31st March 2011

(₹ in million)

SCHEDULE 1 SHARE CAPITAL	31.03.2011
Authorised	
125,000,000 (125,000,000) Equity Shares of ₹2/- each	250.00
10,00,000 (10,00,000) Preference of Shares ₹100/- each	100.00
	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

SCHEDULE 2 RESERVES AND SURPLUS	
A. Capital Reserve	
Share Premium	142.35
B. Debenture Redemption Reserve	
Balance B/F	46.04
Less : Written Back	(46.04)
	–
C. General Reserve	513.69
Less: Transferred to Profit & Loss Account	(103.37)
Add : Transferred During the Year	200.00
	610.32
D. Capital Redemption Reserve	50.00
E. Profit & Loss Account	1,275.37
	2,078.04

SCHEDULE 3 SECURED LOANS	
A. Term Loans	
- From Banks	1,790.03
- Car loan from Others	22.82
B. Working Capital Facilities	
From Banks	1,026.83
	2,839.68

Notes :

1. Term loans from Financial Institutions & Banks are secured by 1st charge on immovable and movable assets (present and future) of the Company (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.
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. Car Loan from others ₹21.93 million are secured against respective cars.

(₹ in million)

	31.03.2011
SCHEDULE 4 UNSECURED LOANS	
Short Term Loans & Advances	
- From Companies	40.00
	40.00

	31.03.2011
SCHEDULE 5 DEFERRED TAX LIABILITIES	
Deferred tax Liability	
As at 1st April 2010	550.59
Additional adjustment for current year	52.62
	603.21

SCHEDULE 6 FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK
	As at 1.4.2010	Additions	Sale/ Transfer	As at 31.3.2011	Upto 31.3.2010	For the year	Sale/ Transfer	Upto 31.3.2011	As at 31.3.2011
Land and Site Development	105.72	–	–	105.72	–	–	–	–	105.72
Building	969.15	438.66	–	1,407.81	277.55	31.81	–	309.36	1,098.45
Plant & Machinery	4,222.99	1,191.25	76.87	5,337.37	1,636.43	234.13	64.80	1,805.76	3,531.61
Furniture and Fixtures	56.14	4.60	5.68	55.06	30.18	3.29	4.23	29.24	25.82
Vehicles	94.72	19.88	6.10	108.50	19.96	9.30	2.49	26.77	81.73
Fixed Assets - Sales Outlet	127.21	1.32	2.65	125.88	75.32	17.54	1.55	91.31	34.57
Goodwill	–	37.75	–	37.75	–	0.72	–	0.72	37.03
Current Year	**5,575.93**	**1,693.46**	**91.30**	**7,178.09**	**2,039.44**	**296.79**	**73.07**	**2,263.16**	**4,914.93**

	31.03.2011
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 ₹270.00 Lacs)	4.50
Unquoted	
29,39,500 Equity Shares of Kajaria Plus Pvt. Ltd. of ₹10/- each fully paid up	29.44
	33.94

	31.03.2011
SCHEDULE 8 INVENTORIES	
(As certified by the Management)	
Raw Materials	257.65
Stores and Spares	210.20
Finished Goods	1,007.64
Work-in-Process	70.99
	1,546.48

(₹ in million)

	31.03.2011
SCHEDULE 9 SUNDRY DEBTORS (UNSECURED)	
a) Debts outstanding for a period exceeding six months	
- Considered Good	40.66
- Considered Doubtful	30.20
b) Other Debts	
- Considered Good	872.78
- Considered Doubtful	0.01
	943.65
Less: Provision for Doubtful Debts	1.20
	942.45

SCHEDULE 10 CASH AND BANK BALANCES	
Cash in hand and imprest	4.32
Balance with Scheduled Banks	
- in current account	22.66
- in Margin / FDR	10.74
	37.71

SCHEDULE 11 LOANS & ADVANCES	
(Unsecured Considered Good)	
Advances recoverable in cash or kind or for value to be received	311.64
Balance with Excise Authorities	92.99
Exports Benefit Accrued	4.47
Security Deposits	
- With Govt. Deptts.	24.57
- With Others	180.48
Prepaid Expenses	9.88
Income Tax	187.00
	811.03

SCHEDULE 12 CURRENT LIABILITIES	
Sundry Creditors - Micro, Small & Medium Enterprises	10.30
- Others	1,989.66
Investors Education & Protection Fund	
- Unclaimed Dividend	3.17
Other Liabilities	127.99
Interest accrued but not due	0.47
Security Deposits	39.61
	2,171.20

SCHEDULE 13 PROVISIONS	
Income Tax	218.40
Proposed Dividend	147.17
Corporate Dividend Tax	23.87
	389.44

(₹ in million)

		31.03.2011
SCHEDULE 14 OTHER INCOME		
Miscellaneous Income		10.80
		10.80

SCHEDULE 15 MATERIAL, MANUFACTURING AND OTHERS		
Raw Material Consumed		1,573.83
Goods Purchased for Resale		3,759.34
Stores and Spares Consumed		149.73
Power and Fuel		936.77
Finished Goods used for Fixed Assets		(1.40)
Excise Duty on Stocks		(21.56)
		6,396.71

SCHEDULE 16 INCREASE/DECREASE IN STOCKS		
Stock as on 1st April, 2010		
Work-in-process		62.70
Finished Goods		1,058.54
	'A'	1,121.24
Stock as on 31st March, 2011		
Work-in-process		70.99
Finished Goods		1,007.64
	`B'	1,078.63
	B-A	**(42.60)**

SCHEDULE 17 SALARIES, WAGES & AMENITIES		
Salary, Wages and Allowances		686.98
Contribution to ESI, PF & FPF etc.		33.88
Staff Welfare		18.35
Contribution to LIC Group Gratuity Expense		21.63
		760.83

SCHEDULE 18 REPAIRS & MAINTENANCE		
Building		11.78
Machinery		21.80
Others		22.91
		56.49

Schedules forming part of the Consolidated Accounts For the year ended 31st March 2011

(₹ in million)

SCHEDULE 19 ADMINISTRATIVE & OTHER EXPENSES	31.03.2011
Printing, Stationery & EDP Expenses	7.66
Rent, Rates & Taxes	93.23
Vehicle Expenses	14.47
Communication Expenses	37.09
Traveling & Conveyance Expenses	113.82
Insurance Charges	10.80
Legal & Professional Charges	9.25
Loss on Sale / Scrapping of Fixed Assets	15.98
Directors Sitting Fees	0.92
Auditors' Remuneration :	
- As Audit Fees	1.10
- For Tax Audit, Certification & Tax Representations	1.14
- For Other matters	0.73
- For Reimbursement of Expenses	–
Miscellaneous Expenses	32.90
Share Transfer Expenses	0.18
Electricity & Water Charges	13.46
Foreign Technician Expenses	0.15
Social Relief & Welfare Expenses	3.58
Research & Development Expenses	0.43
	356.88

SCHEDULE 20 SELLING & DISTRIBUTION EXPENSES	
Packing Freight & Forwarding Expenses	114.64
Advertisement, Publicity & Sales Promotion	163.12
Commission	152.83
	430.59

SCHEDULE 21 FINANCIAL CHARGES	
Interest on Fixed Loans	163.92
Interest on others (Net)	125.66
Exchange Difference	(32.45)
Bank & Other Charges	43.67
	300.79

Schedules forming part of the Consolidated Accounts

SCHEDULE 22 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. Principles of Consolidation

   The consolidated financial results of Kajaria Ceramics Ltd ("the Company") and its subsidiary have been prepared on the following basis:-

   a) The financial statements of the Company and its Subsidiary Company have been consolidated on a line-by-line basis by adding together with the book value of like items of assets, liabilities and after eliminating the inter subsidiary balances in accordance with Accounting Standard (AS) 21-" Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.

   b) As far as possible the consolidated financial statement have been prepared using uniform accounting policies for like transactions and in similar circumstances and are presented to the extent possible in the same manner as the Company's separate financial statements.

   c) The difference between the cost of investment in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries is recognised in the financial statements as Goodwill or Capital Reserve as the case may be.

   d) Minority Interest's share of net profit of Subsidiary for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholders of the Company.

   e) Minority Interest's share of net assets of the subsidiary Company is identified and presented in the Consolidated Balance Sheet separate from liabilities and the equity of the Company's shareholders.

   f) Particulars of Subsidiary Company considered in the consolidated financial statements are :

Name of the Subsidiary	Main Activities	Country of Incorporation	Proportion of ownership interest
Soriso Ceramic Pvt Ltd	Manufacturing of Tiles	India	51%

2. 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.

3. Income and Expenditure:

   Accounting of Income & Expenditure is done on accrual basis.

4. 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 at the rates provided in Schedule XIV of the Companies Act, 1956 on Straight Line Method (SLM) on assets of Holding Compay and on Written Down Value (WDV) Method on assets of Subsidiary Company. 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. Goodwill is amortised using Straight Line Method in 5 years.

   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.

5. Investments:

   Long term investments are stated at cost.

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

6. 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.

7. 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.

8. Sales:

   Sales are inclusive of excise duty and after deducting VAT and discounts. Discounts are recognised when substantially all conditions appurtenant thereto have been fulfilled.

9. Foreign Currency Transactions:

   a) Transactions denominated in foreign currencies are recorded at the exchange rates 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.

10. 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.

11. 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.

12. 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 by ICAI.

13. 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.

14. Sundry Debtors:

    Sundry Debtors are shown net of bills discounted.

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

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

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

B. NOTES ON ACCOUNTS

(₹ in million)

	As at 31.03.2011
1. Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of advances)	3.96
2. Letters of Credit opened in favour of inland/overseas suppliers (Net)	1623.52
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	34.23
b) Counter guarantees issued in respect of guarantees issued by Company's bankers	8.76
c) Guarantees issued on behalf of limited Companies	50.00
d) In respect of Excise Duty, Sales Tax, Service Tax, Custom Duty demands pending before various Authorities and in dispute	66.92
e) In respect of disputed Electricity demand pending with appellate authorities and other consumer cases.	4.68

4. Salary includes following remuneration to the Managing Director, Jt. Managing Director & Director Technical

(₹ in million)

	Year ended 31.03.2011
- Salary	20.70
- Perquisites	13.21
- Contribution to Provident Fund	–

5. As per policy of the Company for Directors and other senior employees the Company has, during the year, paid a sum of ₹50 lacs on account of insurance premium under the employer employee policy obtained on the life of key Directors and the same lies debited under the head 'Insurance Charges'. The policy may be assigned in the name of the insured in future. In such an event of assignment of the policy, the same shall be treated as perquisite in the hands of the key personnel.

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

7. 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.

8. To comply with the guidance note on "Accounting Treatment of Excise Duty" issued by Institute of Chartered Accountants of India, excise duty amounting to ₹58.29 million has been included in the value of inventories as on 31.03.2011 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.

9. a) A sum of ₹103.37 million has been debited to the Profit & Loss Account under the head 'Sales Tax of Earlier Years', representing sales tax paid as a result of withdrawal of exemption by sales tax department in respect of three expansions undertaken by the Company. After getting no favourable outcome, the Company, based on legal opinion, has withdrawn the claims filed in earlier years and accordingly the amount paid has been written off in the Profit & Loss Account.

   b) Since the liability relates to earlier years, an equivalent amount has been withdrawn from general reserve and credited to Profit & Loss Account.

10. 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

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

gratuity asset/liability in the books of accounts on the basis of actuarial valuation as per the Projected unit credit method. Plan assets also include investments and bank balances used to deposit premiums until due to the insurance Company.

The following tables summarize the components of net benefit expense recognised in the Profit and Loss Account and the funded status and amounts recognised in the Balance Sheet for the plan:

Profit and Loss Account

Net employee benefit expense (recognised in Employee cost)

(₹ in million)

Particulars	31.03.2011
Current Service cost	7.18
Interest cost on benefit obligation	3.99
Net actuarial loss recognised in the year	4.80
Past service cost	6.80
Expected Return on Plan Assets	(1.15)
Net benefit expense	**21.62**

Balance Sheet

Details of provision for Gratuity

(₹ in million)

Particulars	31.03.2011
Defined benefit obligation	42.16
Less: Unrecognised past service cost	–
Plan liability	**42.16**

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

(₹ in million)

Particulars	31.03.2011
Defined benefit obligation as at 1st April, 2010	49.91
Interest Cost	3.99
Current service cost	7.18
Benefit paid	(5.04)
Past Service Cost – Vested Benefit	6.80
Actuarial losses on obligation	4.93
Defined benefit obligation as at 31st March, 2011	67.77

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

(₹ in million)

Particulars	31.03.2011
Fair value of plan assets as at 1st April, 2010	14.37
Expected return	1.15
Contributions by employer	15.00
Benefits paid	(5.04)
Actuarial Gains / (Losses)	0.12
Fair value of plan assets as at 31st March, 2011	25.60

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

Particulars	31.03.2011
Discount rate	8.25%
Expected rate of return on plan assets	8.00%
Salary Escalation	7.75%
Attrition Rate	1.00%

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.

Schedules forming part of the Consolidated Accounts

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

11. 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 ₹218.69 million has been made on regular income.

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 1.04.2010	Charge/(credit) during the year	Closing as at 31.03.2011
Depreciation	550.59	52.62	603.21
Net Deferred Tax Liability	**550.59**	**52.62**	**603.21**

12. 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. Ashok Kajaria	Chairman & Managing Director
Sh. Chetan Kajaria	Joint Managing Director
Sh. Rishi Kajaria	Joint Managing Director
Sh. B.K. Sinha	Director Technical

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 Ltd

Kajaria Vision 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	–	10.15
Rent Paid	–	3.71
Remuneration	33.91	–

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

	Outstanding Balances	Written off/ Written back	Maximum Debit Balances
	As at 31.03.11	As at 31.03.11	
Key Management Personnel & Relatives	–	–	7.89
Others	–	–	0.40

Schedules forming part of the Consolidated Accounts

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

13. 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.

14. Pre-operative expenses capitalised to fixed assets:

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

Particulars	31.03.2011
Administrative & Other Expenses	11.94
Salary & Wages	7.45
Financial Charges	17.01
Trial Run	14.89
Total	**51.29**

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

	Year ended 31.03.2011
Profit attributable to the Equity Shareholders – (A) (₹ in millions)	606.94
Basic /Weighted average number of Equity Shares outstanding during the year (B)	7,35,83,580
Nominal value of Equity Shares (₹)	2.00
Basic/Diluted Earnings per share (₹) – (A)/(B)	8.24

16. Previous year figures have not been given as these are the first consolidated financial statements of the Company.

Signature to the schedule 1 to 22

In terms of our report of even date Annexed

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

O. P. Bagla
Partner
Membership No.: 8858

Place: New Delhi
Dated: 30 April 2011

For and on behalf of the Board

Ashok Kajaria
Chairman & Managing Director

Chetan Kajaria
Rishi Kajaria
Jt. Managing Directors

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

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

Consolidated Cash Flow Statement For the year ended 31st March 2011

(₹ in million)

			31.03.2011
A.	CASH FLOW FROM OPERATING ACTIVITIES		
	Net Profit before tax and extraordinary items		**892.22**
	Adjusted for :		
	Depreciation	296.80	
	Preliminary Expenses W/off	–	
	Investments W/off	–	
	Interest Received	–	
	Interest Paid	289.58	
	Dividend Received	–	
	Loss on sale of Fixed Assets	15.98	602.35
	Operating Profit before Working Capital Changes		**1,494.57**
	Adjusted for :		
	Trade & Other Receivables	(97.90)	
	Inventories	(110.78)	
	Trade Payable	914.89	706.20
	Cash Generated from Operations		**2,200.77**
	Interest Paid	(289.58)	
	Direct Taxes Paid	(210.30)	
	Cash Flow before Extraordinary Items	–	
	Extraordinary Items	(103.37)	(603.24)
	Net Cash from operating activities		**1,597.53**
B.	CASH FLOW FROM INVESTING ACTIVITIES		
	Purchase of Fixed Assets	(1,668.03)	
	Sale of Fixed Assets	2.26	
	Acquisitions of Companies	–	
	Purchase of Investments	–	
	Sale of Investments	–	
	Interest Received	–	
	Dividend Received	–	
	Net Cash used in Investing Activities		**(1,665.77)**
C.	CASH FLOW FROM FINANCING ACTIVITIES		
	Proceeds from Issue of Share Capital	–	
	Proceeds from Long Term Borrowings	139.17	
	Repayment of Borrowings	–	
	Redemption of Preference Shares	–	
	Dividend and Dividend Tax Paid	(85.80)	
	Net Cash used in Financing Activities	–	53.36
	Net increase in Cash and Cash Equivalents		**(14.87)**
	Cash and Cash Equivalents as on 1st April, 2010		52.58
	Cash and Cash Equivalents as on 31st March, 2011		**37.71**

In terms of our report of even date Annexed

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

O. P. Bagla
Partner
Membership No.: 8858

Place: New Delhi
Dated: 30 April 2011

For and on behalf of the Board

Ashok Kajaria
Chairman & Managing Director

Chetan Kajaria
Rishi Kajaria
Jt. Managing Directors

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

R. C. Rawat
Sr. Vice President (A & T) &
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)

Committee of The Board

Audit Committee

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

Share Transfer and Investors Grievances Committee

Mr. R.R.Bagri - Chairman
Mr. Ashok Kajaria - Member
Mr. 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)

Subsidiary Unit (Soriso Ceramic Pvt. Ltd.)

8-A, National Highway, Lakhdhipur Road, Morbi (Gujarat)

Auditors

M/s O.P.Bagla & Co.,
Chartered Accountants

Bankers

State Bank of India
State Bank of Mysore
IDBI Bank
Oriental Bank of Commerce
HDFC Bank
Canara Bank

Registrar & Share Transfer Agent

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

Shares Listed at

National Stock Exchange of India Limited
Bombay Stock Exchange Limited

“Customers must recognize that you stand for something.”

– Howard Schultz, Starbucks

"The ability to perceive or think differently is more important than the knowledge gained."

– David Bohm

Kajaria
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