DESPITE...

KAJARIA CERAMICS LIMITED | ANNUAL REPORT 2011-12

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

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DESPITE EVERYTHING.

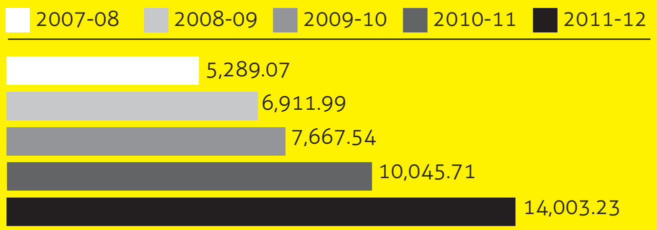
REGARDLESS OF AN INCREASING NUMBER OF SOCIALITES SAYING, 'ER…UM, WE'VE DECIDED TO WAIT ANOTHER YEAR BEFORE MOVING INTO OUR OH SO BEAUUUUUUTIFUL APARTMENT, SO WE WON'T NEED TO BUY THOSE GORGEOUS TILES JUST YET', THERE WAS THE OCCASIONAL FLASH IN CORPORATE PERFORMANCE, MAKING INVESTORS THUMP THE TABLE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

'WOW!'

THE WOW.

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

Turnover (₹ million)

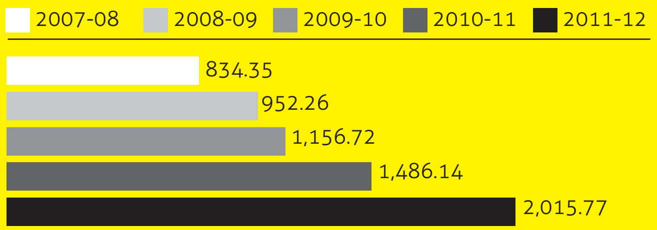


Turnover growth

39% Over 2010-11

26% CAGR over 5 years

EBIDTA (₹ million)

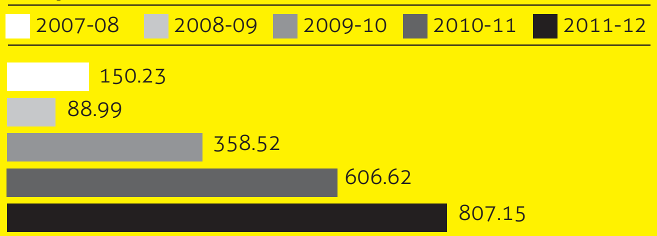


EBIDTA growth

36% Over 2010-11

29% CAGR over 5 years

Net profit (₹ million)

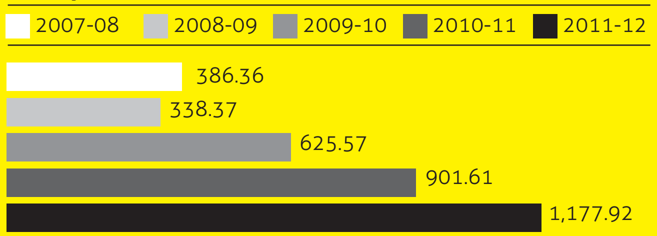


Net profit growth

33% Over 2010-11

60% CAGR over 5 years

Cash profit (₹ million)

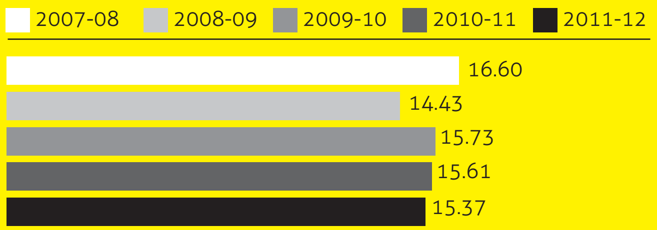


Cash profit growth

31% Over 2010-11

32% CAGR over 5 years

EBIDTA margin (%)

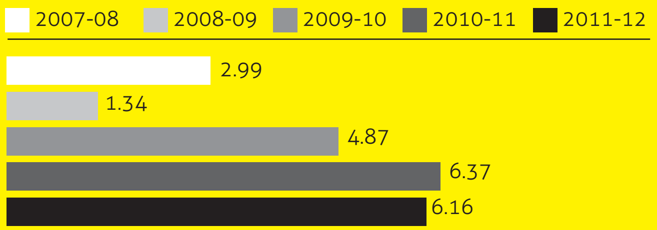


EBIDTA margin growth

(24) bps Over 2010-11

(123) bps Over 2007-08

Net margin (%)

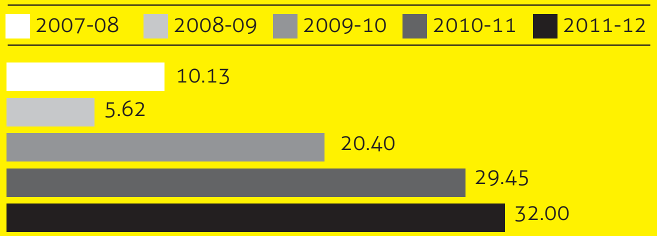


Net margin growth

(21) bps Over 2010-11

317 bps Over 2007-08

ROE (%)

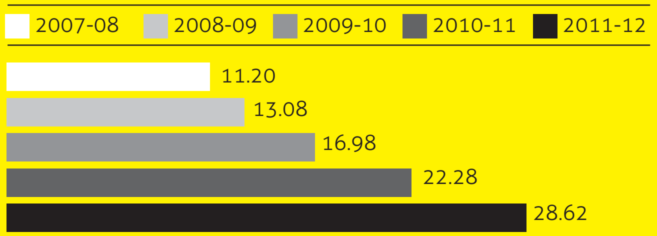


ROE growth

255 bps Over 2010-11

2,187 bps Over 2007-08

ROCE (%)



ROCE growth

634 bps Over 2010-11

1,742 bps Over 2007-08

THE SECOND-LARGEST POPULATION IN THE WORLD.

ONE OF THE FASTEST-GROWING COUNTRIES.

ONE OF THE LARGEST NUMBER OF PEOPLE SEEKING TO MOVE INTO THEIR FIRST HOMES.

WHEN YOU PUT ALL OF THIS TOGETHER, WHAT YOU GET IS SIMPLE. OPPORTUNITY.

THIS WAS TRUE MORE THAN A DECADE AGO. AND TRUE NOW.

THE ONE COMPANY TO HAVE CAPITALISED ON THESE REALITIES IS KAJARIA CERAMICS.

EMERGING AS THE MOST RESPECTED TILE BRAND IN INDIA TODAY.

Kajaria Ceramics is India's largest tile manufacturer.

Kajaria manufactures ceramic tiles, polished and glazed vitrified tiles for wall and floor applications. It markets international tile brands, bathware and wooden flooring solution as well.

Kajaria's four units - Sikandrabad (UP), Gailpur (Rajasthan) and Soriso Ceramic and Jaxx Vitrified, Morbi, (Gujarat) - possess a cumulative production capacity of 36 MSM (31st March, 2012), the largest in India.

Kajaria reaches products across the country through an extensive distribution network of dealers, sub-dealers and own showrooms. The imported tiles are marketed through the Kajaria World retail chain.

The Company also caters to brand-enhancing names like Ansal, DLF, EMAAR-MGF, Vodafone and Mantri Group, Jaypee Greens, Unity Infra and to many Government and semi-Government projects among others, through project sales.

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

FINANCIAL HIGHLIGHTS, 2011-12

Turnover
39%

EBIDTA
36%

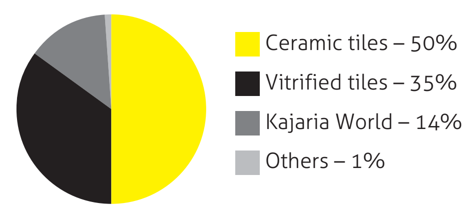
Profit before tax
32%

Profit after tax
33%

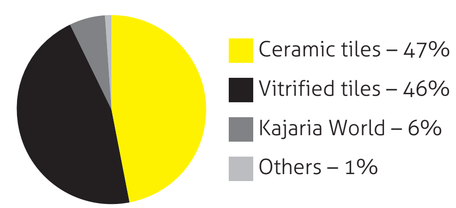
Earnings per share
33%

Book value per share
27%

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

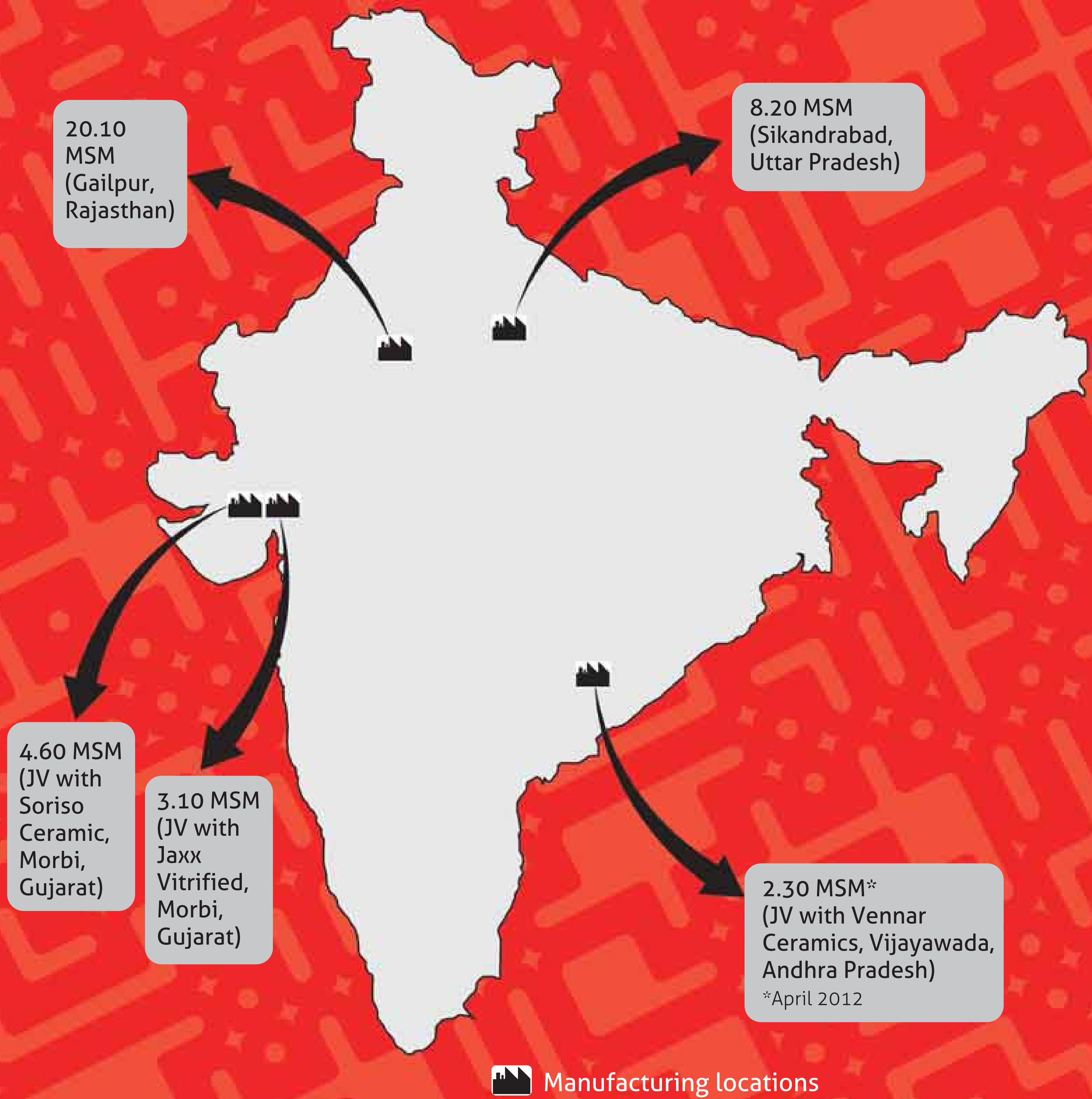


Revenue split (2010-11)



Revenue split (2011-12)

GEOGRAPHICAL SPREAD OF THE PRODUCTION CAPACITY



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

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

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

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

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

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

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

15 MSM
Capacity addition by Kajaria in the last three years

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

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

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

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

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

DESPITE SLOWER URBAN GROWTH. DESPITE DEFERRED PROJECTS.

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

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

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

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

Enduring strengths

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

2011-12 initiatives

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

The result is that the slowdown notwithstanding, Kajaria's turnover increased **39%** in 2011-12.

DESPITE KILLING INFLATION. DESPITE RUPEE DEPRECIATION.

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

Tiles not excepted.

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

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

Knowledge.

Value-addition

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

Cost management

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

In doing so, our return on equity and return on capital employed expanded **255** bps and **634** bps respectively over the previous year.

DESPITE HIGHER INTEREST RATES. DESPITE SCARCE LIQUIDITY.

It's an old story.

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

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

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

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

Capital investment

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

Fund management

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

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

₹ 1,489.88 million in 2011-12.

"ASPIRATION. AFFORDABILITY. AVAILABILITY. THESE THREE A'S WILL ACCELERATE INDIAN TILE DEMAND OVER THE MEDIUM-TERM."

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

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

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

Just when most outsiders reconciled to subdued growth from Kajaria, we pleasantly surprised our stakeholders with a record that exceeded our year-start guidance.

Our topline grew 39% against our initial guidance of 30%. What is particularly satisfying is that we strengthened business returns despite being plagued by margin-eroding adversities. Our return on equity and capital employed improved 255 bps and 634 bps respectively, vindicating our commitment to grow shareholder value in good times and bad.

Doing the unexpected

How did we achieve the unexpected? Let us explain.

The industry-led slowdown cascaded across India but its impact was more pronounced on the realty sector in metro cities for an important reason: speculative demand is significantly higher in these areas. Interestingly, opportunities continued to manifest in the largely under-penetrated markets of Tier-II and III towns, which remained liquid, supported by largely user-led non-speculative demand. Two factors worked in our favour - our incremental capacities (organic and inorganic) came on stream just at the right time and our robust and deep distribution network assured that our products were always proximate to demand pockets.

Accelerating growth

The AAA phenomenon will accelerate tile demand pan-India over the medium term.

Aspiration: The number of Indians exposed to a high-end lifestyle is increasing substantially through increased travel (domestic and international) and frequent visits to malls and entertainment centres.

Affordability: Robust economic growth and favourable policies are increasing disposable incomes.

Availability: The bottom of the pyramid story is known to all. Few corporates have effectively capitalised on this opportunity, creating product visibility.

We believe that tile demand will not be confined to urban pockets but will extend pan-India; players with adequate capacities and an entrenched presence will capitalise on this unique opportunity.

Blueprint

Proximity + Innovation = Profitable growth is an equation that pretty much encapsulates our strategic blueprint.

Proximity

We are getting closer to consumers through a two-pronged approach. In doing so, we understand consumer preferences better, develop products that suit their aspirations with speed, enhance our visibility and emerge as the preferred brand.

We are working towards a pan-India manufacturing base.

North: We strengthened our base in the North. We expanded capacities at our existing units – Gailpur by 6 MSM and Sikandrabad by 2.30 MSM.

West: We doubled our Soriso unit capacity (ceramic tiles) in West India to 4.60 MSM within a year of acquisition. The full impact of this will be visible in 2012-13. Additionally, we invested ₹62.65 million for a 51% stake in Jaxx Vitrified (Gujarat), resulting in the ownership of a 3.10 MSM new polished vitrified tile unit. This unit commenced operations in March, 2012.

South: We acquired 51% in Vennar Ceramics, Andhra Pradesh, a brand new ceramic tile facility (2.30 MSM capacity) to manufacture digitally printed high-end wall tiles. The unit will further benefit from economies of scale when on-site capacity increases. The unit is expected to commence operations in June 2012.

Following the commission of this capacity, we will be possessing manufacturing facilities in the north (28.30 MSM), west (7.70MSM) and south (2.30 MSM).

We continued to extend our distribution network deeper into under-penetrated pockets – primarily the Tier-II and III towns pan-India – creating a 'demand pull' for our products. In doing so, we expect our sales mix to remain retail-dominant.

Innovation

Our key growth engine has been our undying passion to offer unique products which are a first for the Indian customer – increasing the market size and our share in it. We were among the first few to introduce the game-changing digital printing technology in ceramic and vitrified tiles in India, enhancing realisations over vanilla variants.

In ceramic tiles, we launched large-format digitally printed ceramic wall (30x90 cms) and interlock tiles (30x45 cms) for the first time in 2011-12. We will strengthen volumes and product-showcasing on a pan-India basis. Our Soriso unit will focus on the large-format 60x60 cm floor tiles while our newly acquired Vennar unit will focus on digitally printed high-end wall tiles. In the vitrified tiles business, we launched digitally-printed, glazed vitrified tiles – 'EternityHD range' - in various finishes to an enthusiastic response. These and other innovations planned for 2012-13 will distance us from competitors, in addition to strengthening business profitability.

Optimism

India's per capita tile consumption at 0.46 sq mtr is among the lowest globally. This is expected to multiply over the coming years. There is a large latent demand in India, which will be increasingly leveraged.

• City limits are expanding; not too long ago, Delhi and Gurgaon were differentiated by vast empty tracts, whereas it is now difficult to delineate where Delhi ends and Gurgaon begins. The same holds true for most metros in India. A large number of corporates are moving to these areas to optimise overheads.

• Liquidity at the bottom of the pyramid is multiplying faster than ever before consequent to the government's appetite for land for infrastructure projects and favourable policies which increased disposable incomes.

• Corporates are setting up operational units in Tier-I cities and Tier-II towns, particularly the BFSI and the IT & ITeS sectors, to leverage these low-cost havens to sustain margins. This realty development is expected to trigger a huge commercial and corresponding residential demand.

Message to shareholders

The value that we deliver to shareholders will now be accelerated by a significant increase in production volumes, a widening manufacturing presence proximate to large consumers and rising value addition derived from new products, sizes and designs.

Regards,
The Management Team

PRIDE OF OWNERSHIP

Kajaria has enhanced shareholder pride in various ways

Tangible value-addition

The Company has grown its business, profits, profitability, assets, dividend and market capitalisation through the following initiatives:

Business growth: Kajaria grew business in good markets and bad, pioneered unique solutions (floor and façade) and widened its distribution network. The result is that the Company enjoys undisputed leadership and revenue growth, higher than the industry average. In just the last three years, the Company added 15 MSM capacity through brownfield and inorganic initiatives, introduced new products and added dealers, catalysing growth.

(₹ in Million)

	2009-10	2010-11	2011-12
Net sales	7,355.36	9,523.45	13,113.53
EBIDTA	1,156.72	1,486.14	2,015.77
Profit after tax	358.52	606.62	807.15

Improving profitability: The Company pursued value-addition and cost optimisation. It scaled the value chain into vitrified and high-end imported tiles on the one hand and grew capacities leading to economies of scale, customer proximity and cost optimisation on the other. In just the last three years, expanded distribution network and acquired manufacturing capacities in West and South India to accelerate offtake and reduce logistics costs.

The result of these initiatives is that the Company sustained margins under challenging circumstances even as competitors encountered a reduction.

	2009-10	2010-11	2011-12
ROE (%)	20.40	29.45	32.00
ROCE (%)	16.98	22.28	28.62

Strengthening shareholder funds: The Company grew free cash flows through volume and value-driven initiatives, maintaining a prudent ratio between the need to reward shareholders and make business investments. In just the last three years, the Company deployed retained earnings to repay debt, raise its gross block, enhance dividend payout and strengthen investor recall.

	2009-10	2010-11	2011-12
Shareholders' fund (₹ million)	1,893.40	2,225.61	2,818.97
Dividend per share (₹)	1.00	2.00	2.50
Gross block (₹ million)	5,435.47	6,999.88	7,233.27

Business stability: The Company's business model strengthened market capitalisation and enterprise value.

(₹ in Million)

	2009-10	2010-11	2011-12
Market capitalisation	4,529	5,563	12,528
Enterprise value	7,112	8,330	14,886

Intangible value addition

The Company conducted business in an ethical way.

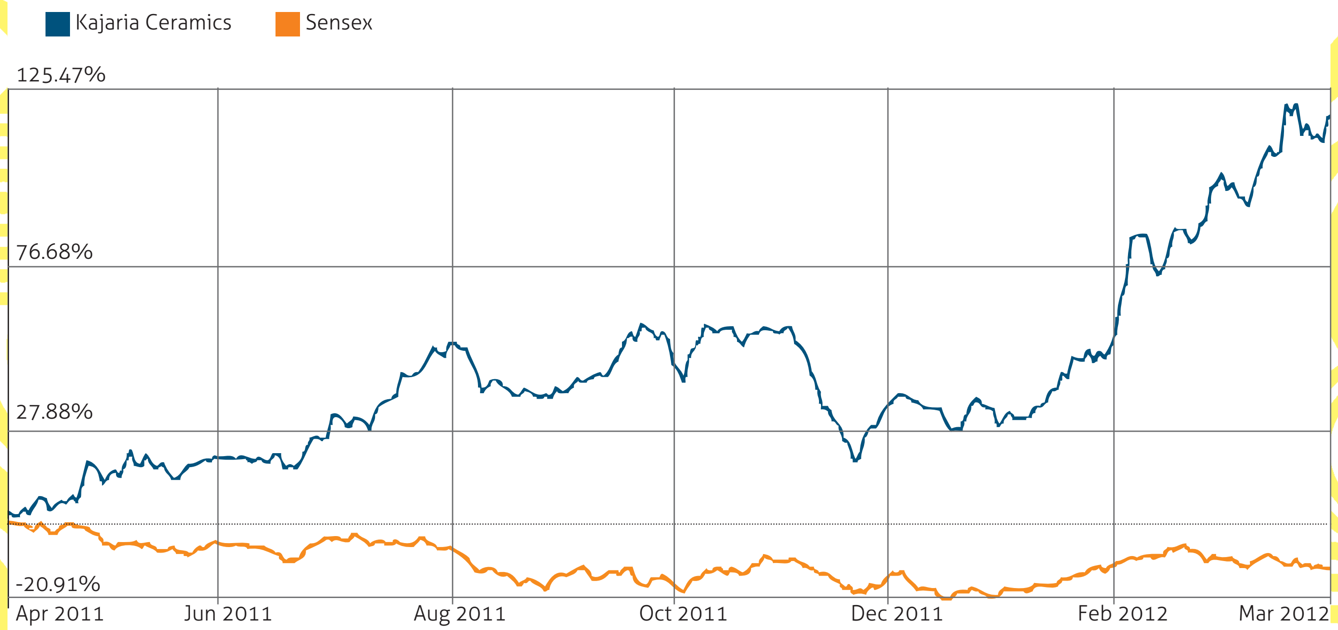
Top-of-mind: The Company's sense of innovation enhances shareholder pride.

Awards and recognition: Kajaria is the only Indian ceramic tile company to be awarded the 'Superbrand' status for six consecutive years.

Ethical practices: The Company is recognised for its ethical practices and has never been involved in litigations regarding governance issues.

Outperforming the broader index!

Kajaria's business strategy was vindicated when it outperformed the broad market index in 2011-12.



MANAGEMENT DISCUSSION AND ANALYSIS

Indian economy

The Indian economy grew 6.9% in 2011-12 against 8.4% in 2010-11.

The industrial sector was plagued by multiple issues. Inflation eroded margins. Interest rate hikes throttled consumer spending. The depreciation of the Indian rupee against the US dollar eroded corporate profitability. The euro zone turmoil affected exports. Despite lower growth, India retained its position among the world's fastest-growing economies.

INDIA'S GDP GROWTH 2011-12 (%)

Sector	2010-11	2011-12 (AE)
Agriculture and allied activities	**7.0**	**2.5**
Industry	**6.8**	**3.6**
Mining and quarrying	5.0	(2.2)
Manufacturing	7.6	3.9
Electricity gas & water supply	3.0	8.3
Services	**9.2**	**8.8**
Construction	8.0	4.8
Trade, hotels, transport storage and communication	11.1	11.2
Financing, insurance, realty and business services	10.4	9.1
Community, social and personal services	4.5	5.9
GDP at factor cost	**8.4**	**6.9**

*AE – advanced estimates

(Source: Reserve Bank of India, March bulletin)

SECTORAL CONTRIBUTION TO INDIA'S GDP (%)

Period	Agriculture	Industry	Services
1990-91	29.6	27.7	42.7
2000-01	22.3	27.3	50.4
2010-11	14.5	27.8	57.7
2011-12	13.9	27.0	59.0

Global tile industry

Following the 2008 and 2009 slowdowns, production and consumption rebounded with double-digit growth in CY 2010. Global production rose 11.7%, which was higher than the annual historical average (6-7% up to 2007).

Production: The most remarkable production increase came out of Asia, increasing its share to more than 66% of the global production due to sizeable volume increases by all leading tile manufactures – China (+600 MSM), Vietnam (+80 MSM), India (+60 MSM) and Iran (+50 MSM).

WORLD MANUFACTURING LOCATIONS

Regions	2010 (MSM)	%age of world production	%age variance (2010/2009)
European Union (27)	1,128	11.9	+4.8
Other Europe (Turkey included)	443	4.7	+12.2
North America (Mexico included)	257	2.7	+8.2
Central-South America	940	9.9	+4.9
Asia	6,370	66.9	+14.9
Africa	370	3.9	+6.6
Oceania	7	0.1	0.0
TOTAL	9,515	100.0	+11.7

Source: Ceramic world review

Consumption: Global ceramic tile consumption increased from 8,460 billion sq. m to 9,350 billion sq. m (10.5% up from 2009) while it declined only in the EU from 991 MSM to 941 MSM (-5%). Asia reported the biggest consumption growth, up 14% to 6.026 billion sq. m, 64.4% of the global consumption. China, India, Iran, Vietnam, Saudi Arabia, Thailand, the UAE and Malaysia reported large capacity increases.

WORLD CONSUMING LOCATIONS

Regions	2010 (MSM)	%age of world production	%age variance (2010/2009)
European Union (27)	941	10.1	-5.0
Other Europe (Turkey included)	456	4.9	+9.1
North America (Mexico included)	389	4.2	+7.0
Central-South America	978	10.5	+7.6
Asia	6,026	64.4	+14.0
Africa	516	5.5	+9.3
Oceania	44	0.5	+2.3
TOTAL	9,350	100.0	+10.5

Source: Ceramic world review

Tiles tend to be produced near their consumption areas. Asia accounted for 66.9% of production and 64.4% of world consumption, Europe (EU+ non-EU) 16.6% and 15% respectively, the US 12.6% and 14.7% and Africa 4% and 5.5%.

TOP-10 PRODUCING NATIONS

Country	2007	2008 (MSM)	2009 (MSM)	2010 (MSM)	%age on 2010 world production	% variance (10/09)
China	3,200	3,400	3,600	4,200	44.1	+16.7
Brazil	637	713	715	753	7.9	+5.4
India	385	390	490	550	5.8	+12.2
Iran	250	320	350	400	4.2	+14.3
Italy	559	513	368	387	4.1	+5.3
Vietnam	254	270	295	375	3.9	+27.1
Spain	585	495	324	366	3.8	+12.8
Indonesia	235	275	278	287	3.0	+3.2
Turkey	260	225	205	245	2.6	+19.5
Egypt	140	160	200	220	2.3	+10.0

Source: Ceramic world review

TOP-10 CONSUMING NATIONS

Country	2007	2008 (MSM)	2009 (MSM)	2010 (MSM)
China	2,700	2,830	3,030	3,500
Brazil	535	605	645	700
India	397	403	494	557
Iran	236	265	295	335
Vietnam	210	220	240	330
Indonesia	178	262	297	277
Egypt	105	140	180	200
USA	249	211	173	186
Saudi Arabia	110	136	166	182
Mexico	173	176	163	168

Source: Ceramic world review

Indian tile industry

The Indian tile industry ranks third in terms of production and consumption (estimated at ₹140 billion as of March 2011). The industry reported strong growth owing to the emergence of tiles as durable, cost-effective and convenient solutions over natural stone.

India's consumption grew 12.95% CAGR between 2006-07 and 2010-11 to 557 MSM, which was about 2x the global average. Its production grew at a 13.04% CAGR over the same period to 550 MSM in FY11.

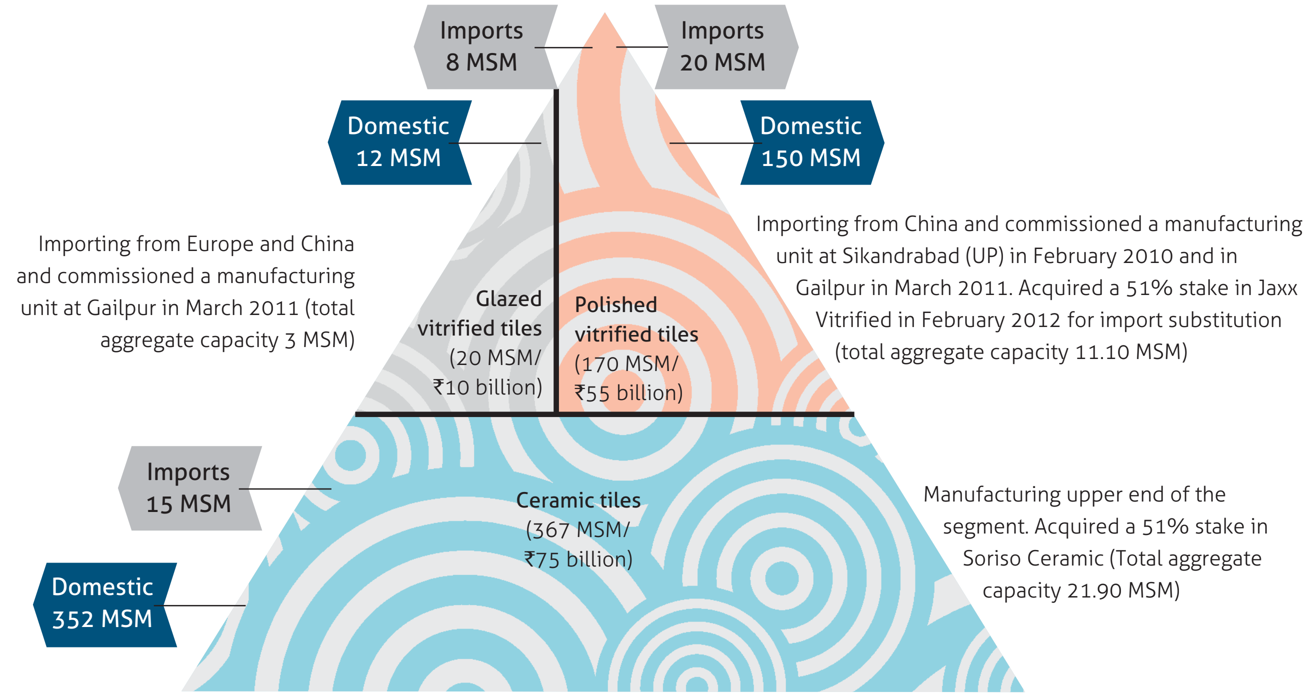
The tiles industry largely comprises ceramic wall and floor tiles and polished and glazed vitrified tiles. The competitive intensity is less in the vitrified tiles segment; the country imports vitrified tiles (especially glazed). Tiles are largely consumed by residential, commercial, retail, hospitality and aviation segments.

The industry is fragmented with organised players accounting for 50% of the industry turnover; the balance was represented by small unorganised/unbranded players, primarily in Gujarat.

Rapid capacity addition, increased home ownership and rising brand aspirations resulted in a gradual shift of consumer preference towards value-added products.

KAJARIA'S VALUE-CHAIN

Kajaria is placed in various categories through the products given in the pyramid below:



Sectoral optimism

Tiles represent a preferred flooring solution on account of their aesthetic appeal, longevity, variety and application ease. The convergence of the AAAs – aspiration, affordability and availability – catalysed tile demand in the last few years and this trend is expected to continue over the medium-term.

Aspiration drivers

Urban areas

Reasons
- Increased earning members in the family
- Increased working youth population
- Increased earnings and disposable income

Semi-urban areas

Reasons
- Increased government programmes
- Earning through land acquisition
- IT and banking penetration growing earning propensity

Drivers of consumption

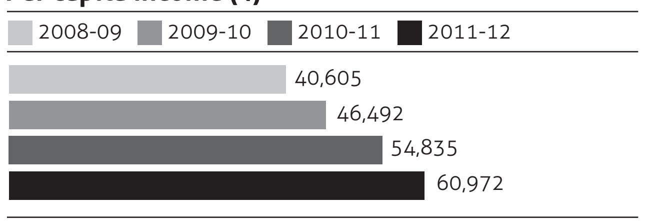
1. The Urban growth

• **Increase in earning family members:** The dependency ratio among Indian families declined from 58% in 2005 to 55% in 2010 and is expected to decline to 52% in 2015 and 49% in 2020 *(Source: ENAM).*

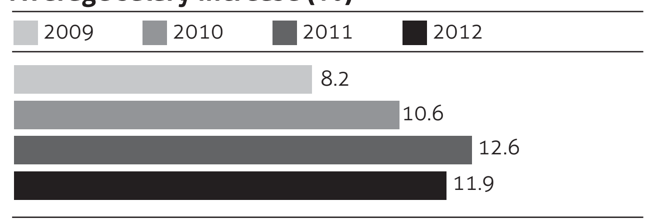
• **India gets younger:** In India, the working age declined sharply, providing high disposable incomes. Close to 65% of Indians between 20-60 years are working, leading to higher disposable incomes and lifestyle aspirations. Among BRIC nations, India is expected to remain the youngest with its working-age population estimated to rise to 70% of the total demographic by 2030 – the largest in the world. Some estimates suggest that India will see 70 million new entrants into its workforce over five years

• **Increasing earnings and disposable income:** The salary of the average Indian grew 12.6% in 2011, higher than most other global nations. India's per capita income is estimated to rise 14.3% to ₹60,972 in 2011-12 *(Source: Deccan Herald).* In line with economic growth, estimates suggest that PFCE is expected to scale from US$790 billion in 2010 to US$3.6 trillion by 2020 *(Source: ENAM)*

Per capita income (₹)



Average salary increase (%)



2 Semi-urban markets

• **Bharat Nirman:** The Build India government initiative expects to build world-class infrastructure across rural land areas.

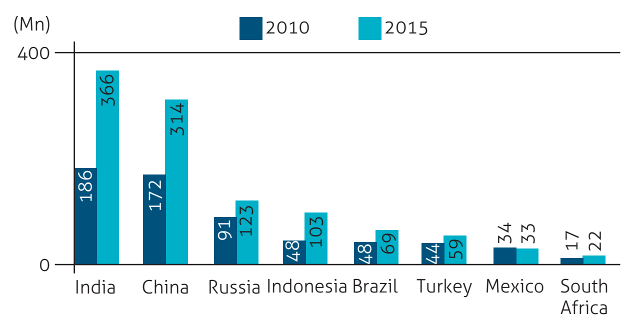
• **Preferred locations:** Increasing corporates are shifting focus to Tier-II and III cities, accounting for over 61% of the total job creation in India in 2010-11. The IT/ITeS sector is expected to add 14 million direct and 55 million indirect job opportunities pan-India *(Source: ENAM)*

3. Housing demand growth

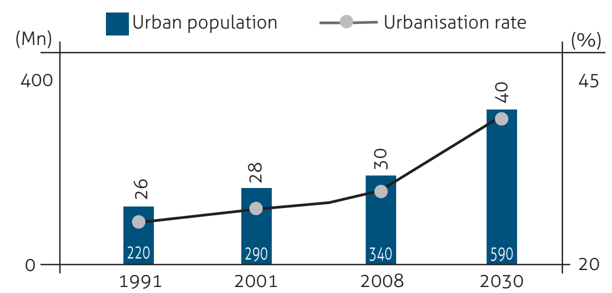
• **Population growth:** India's population rose to 1.21 billion in the last 10 years, an increase by 181 million; overall growth is pegged at 1.76% in 2011, which will catalyse residential demand.

• **Urbanisation:** India is the fastest urbanising country; UN estimates that 40% of India's population will be living in urban areas by 2030 *(Source: Forbes India).* Rising disposable income (FY08-11 CAGR of ~15%), growing middle-class and increasing urbanisation (currently ~30% of the population) will boost the demand for improved flooring solutions and value-added products.

Growth in middle class population highest in India among large EMs



Growth in urban population



Business segment

CERAMIC WALL AND FLOOR TILES

PRODUCT BASKET	PRICE RANGE	SOURCING	DISTRIBUTION CHAIN
Sizes: 11 (8 wall and 3 floor) **Designs:** 750	₹200-900 psm	Own manufacturing, JV's and outsourcing	Network of dealers and sub-dealers, Kajaria Prima showrooms and Kajaria Galaxy

This segment contributes 47% to the Company's net sales. Kajaria is the market leader in this segment primarily due a large product portfolio comprising diverse sizes, designs and finishes.

The Company's Gailpur facility manufactures wall tiles in nine different sizes 20x20cm, 30x20cm, 25x33cm, 30x30cm, 15x45 cm, 30x45cm, 30x60cm, 30x90cm and 15x60cm) and matching floor tiles in 30x30cm.

The Sikandrabad facility manufactures in 30x30cm size and recently acquired unit at Morbi manufacture (39.5x39.5cm, 60x60cm sizes). Some wall tiles (45x90cm) are also outsourced.

The Company's products are marketed through a robust distribution network of dealers and sub-dealers as well as Kajaria Prima and Kajaria Galaxy showrooms in major towns.

2011-12 in retrospect

• Altered the feeding technique to the kiln, shoring of kiln capacity at the Gailpur unit

• Introduced five new wall tile sizes – 15x45cm Digistone, 30x45cm interlock, 30x90cm and 30x60cm (digital) with matching floor 30x30cm. These digitally-printed tiles comprised high-end gloss finish, satin finish, stone finish, among others, which reinforced the value-added category

• Increased the proportion of digitally printed tiles.

Blueprint for 2012-13

• Improve product packaging to protect product integrity during delivery

• Stabilise the new capacity at the Soriso unit to optimum levels

• Introduce novel product sizes and niche designs and finishes

• Penetrate deeper in southern markets through the newly formed JV – Vennar Ceramic, at Vijaywada (Andhra Pradesh) – to manufacture high-end wall tiles

• Create new markets by reaching into the interiors of the country

The Company introduced five new wall tile sizes – 15x45cm Digistone, 30x45cm interlock, 30x90cm and 30x60cm with matching floor 30x30cm. These digitally-printed tiles comprised high-end gloss finish, satin finish, stone finish, among others.

Business segment

POLISHED VITRIFIED TILES

PRODUCT BASKET	PRICE RANGE	SOURCING	DISTRIBUTION CHAIN
Sizes: 3 **Designs:** 60	₹400 - 1,200 psm	Own manufacturing, JV and imports	Dealers, Kajaria Studio and Kajaria Galaxy network for select dealers

Kajaria enjoys a seven-year presence in this business, marketing imported variants from China in three different sizes – 60x60cm, 80x80cm and 100x100cm. To cater to the fast-growing demand for these products, the Company commissioned assembly lines at its existing location at Sikandrabad and Gailpur units.

Kajaria launched the Solitaire series comprising technologically-advanced, large format tiles (80x80cm and 100x100cm), providing customers an authentic alternative to natural/Italian marble.

2011-12 in retrospect

- Introduced the new Marbella Series
- Expanded reach by establishing 50 Kajaria Studios in untapped towns and districts
- Continued import to cater to the western and southern markets
- Acquired a new unit at Morbi (Jaxx Vitrified) to manufacture polished vitrified tiles to reduce import dependence in the western markets
- Expand distribution network and introduce new range in 60x60cm and 80x80cm

Blueprint for 2012-13

- Launch 'ORION' series in May 2012 , these products are made with veining technology with variations similar to Italian marble
- Plan to introduce 'Microcrystal' tiles in the middle of this year. These are vitrosa glass surface tiles with a vitrified body. It gives the look of a glass-like surface with italian marble and granite design.

Kajaria launched the Solitaire series comprising technologically-advanced, large format tiles (80x80cm and 100x100cm), providing customers an authentic alternative to natural/Italian marble.

Business segment

GLAZED VITRIFIED TILES

PRODUCT BASKET	PRICE RANGE	SOURCING	DISTRIBUTION CHAIN
Sizes: 2 **Designs:** > 100	₹600 -1,200 psm	Own manufacturing and imports	Dealers, Kajaria Eternity Studio, Kajaria Galaxy and Kajaria World network for select dealers

Improved lifestyles are driving the demand for glazed vitrified tiles, providing a superior value proposition over natural stone.

Kajaria was the first to introduce glazed vitrified tiles (GVT) in India in 2007 through imports under the Kajaria Eternity brand, with a wide product offering: in terms of sizes (30x60cm and 60x60cm) and finishes (rustic, matt, satin, wood, stone, polished and metal, among others) for wall and floor applications.

The Company's products are distributed through Kajaria Eternity Studios, Kajaria World showrooms and select dealers.

In 2010-11, the Company commissioned a 3 MSM capacity to produce glazed vitrified tiles (60x60cm and 30x60cm) at Gailpur, which commenced operations in March 2011.

2011-12 in retrospect

- Stabilised operations of the newly commissioned capacity at Gailpur
- Focused on creating a repository of in-house manufactured products; developed 65 SKUs within six months of stabilised operations
- Launched the digitally printed large format (60x60cm) glazed vitrified tiles for the first time in India
- Introduced polished, digitally-printed, glazed vitrified tiles (PDGVT)
- Strengthened the Kajaria Eternity Studios network by opening 28 pan-India outlets

Blueprint for 2012-13

- Increase product volume to grow market share
- Focus on value-addition by introducing premium tiles
- Penetrate into new market segments specially in Tier-II and Tier-III cities
- Increase the proportion of digitally printed glazed vitrified tiles in the sales mix
- Introduce large format 60x120cm in digital range which will resemble natural stone and will be available in super hone, stone and high gloss polished finishes

Kajaria was the first to introduce glazed vitrified tiles (GVT) in India in 2007 through imports under the Kajaria Eternity brand, with a wide product offering.

Business segment

KAJARIA WORLD

PRODUCT BASKET	PRICE RANGE	SOURCING	DISTRIBUTION CHAIN
Sizes: Multiple **Designs:** > 200	₹1,000 -3,000 psm	Outsourcing (Imports)	17 Kajaria world showrooms and select dealers

Kajaria World provides customers with a huge repository of high-end tiles, excellent display and impeccable service.

This network – four Company-owned showrooms and 13 franchisees – showcases high-end imported tiles sourced through alliances with European brands (Saloni, Grespania, Argenta, Eco Ceramic and Baldocer, among others) and Chinese business partners.

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.

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

The brand signifies international style and appeal and is popular among India's architect fraternity. The Company possesses the comprehensive logistics support for imported tiles; its 10 warehouses ensure seamless product supply across the network.

2011-12 in retrospect

- Expanded distribution network to 17 outlets; extended the Kajaria World network to Tier-II cities namely Lucknow, Moradabad, Ranchi and Dehradun
- Initiated import of high-end tiles from China (floor tiles)
- Introduced new sizes (60x120cm, 60x90cm and 150x90cm digitally printed wood finish tiles) for floor applications

Blueprint for 2012-13

- Expand distribution network to locations with significant demand potential
- Manufacture and local outsourcing of high-end digitally printed wall tiles for sales exclusively through the Kajaria World network
- Strengthen the Tier-I distribution network and establish a Tier-II network
- Balance retail sales and projects to maximise volumes and profitability
- Intensive training in product display and customer servicing

Business segment

OTHER VERTICALS

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 Turkey's largest industrial groups. This arrangement positions Kajaria as an exclusive and sole marketer and distributor of the VitrA range in India. While VitrA provides world-class products, Kajaria provides a strong distribution network.

2011-2012 in retrospect

- Expanded product range visibility pan-India in 14 leading market
- Enrolled exclusive dealers for the business vertical pan-India by opening 30 stores in 2011-12
- Added new SKUs to the product basket

Blueprint for 2012-2013

- Expand visibility dovetailed with aggressive Kajaria World showroom rollout and widening of the exclusive dealer base
- Provide specialised team training to showcase products and enhance customer service
- Expand channel network from 30 to 70
- Launch VitrA wellness products in select exclusive stores pan-India

Kajaria enrolled exclusive dealers for the business vertical pan-India by opening 30 stores in 2011-12.

ANALYSIS OF THE FINANCIAL STATEMENTS

In a challenging year, the Company registered robust growth vindicating the resilience and robustness of the business model to deliver superior returns in good times and bad.

A) Profit and Loss Account

Revenue

Revenue growth was driven by a combination of volume and value-led initiatives. Interestingly, the growth was better than estimated initially and also on a higher base.

Volume growth: Sales volumes increased 33% from 29.71 MSM in 2010-11 to 39.37 MSM in 2011-12. This increase was driven by a number of factors:

- Full impact of expended capacities which were commissioned in the last quarter of 2010-11 and addition of 2.30 MSM capacity due to Soriso acquisition in February 2011
- Continued increase in domestic outsourcing and imports

Value addition: The Company's sales mix altered in favour of high-end tiles consequent to the launch of unique products which met customer aspiration and were well accepted in the markets. The newly launched digital printing (on ceramic and vitrified tiles) enhanced realisations significantly.

Operational cost

Operational expenses grew 40.79% from ₹8,010.58 million in 2010-11 to ₹11,278.14 million in 2011-12. This sizeable increase was influenced by a combination of factors namely increased operational scale, increased outsourcing, inflationary pressures which hiked input cost and sharp rupee depreciation which made imports dearer.

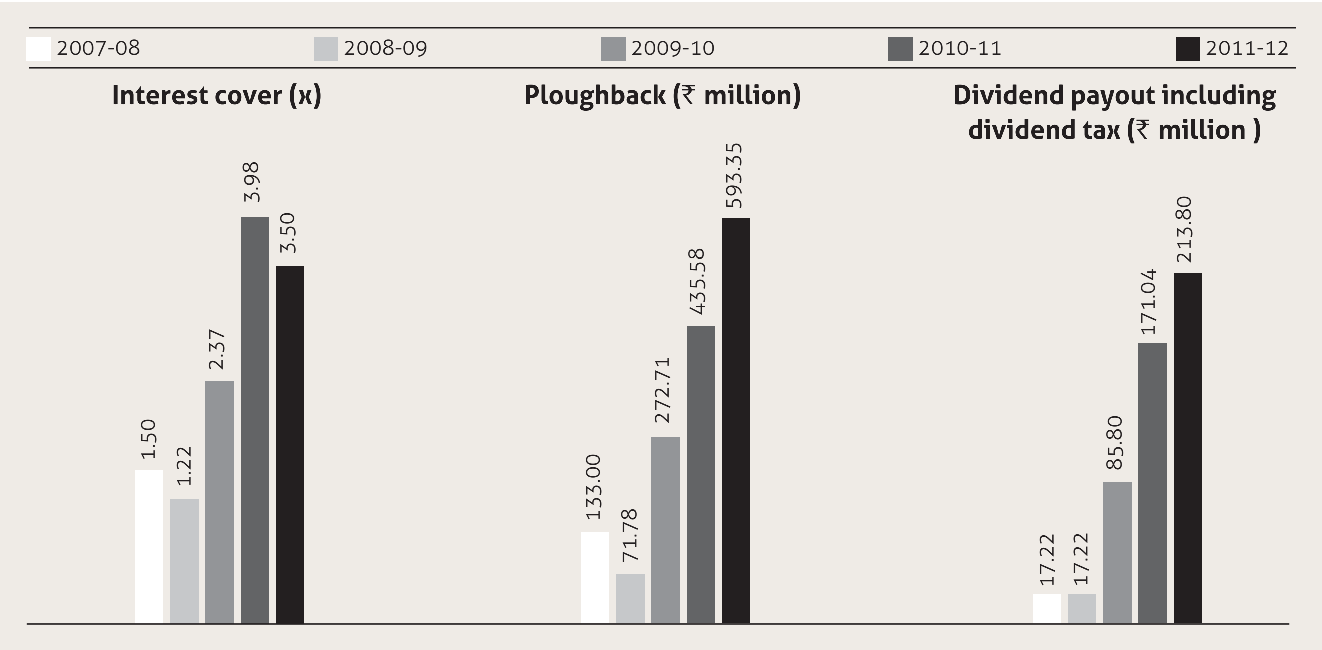
Power and fuel cost jumped sharply from ₹926.61 million in 2010-11 to ₹1,937.81 million in 2011-12. This steep hike can be attributed to three factors – increased production from 19.30 MSM in 2010-11 to 27.14 MSM in 2011-12, a higher gas price for the additional production capacity as compared with the earlier supply contract and the sharp rupee depreciation which further fuelled the gas price northwards.

Employee costs increased from ₹758.07 million in 2010-11 to ₹1,036.57 million in 2011-12 for the following reasons:

- Increased team size for manning expanding operational scale
- Annual increment and performance incentives which added to the employee bill

But this increase was offset with the growing contribution of team members towards the Company's growth reflected in important statistics:

- Revenue per employee increased 18.25% from ₹5.34 million in 2010-11 to ₹6.32 million in 2011-12.
- EBIDTA per employee increased 16.49% from ₹0.83 million in 2010-11 to ₹0.97 million 2011-12



Margins

Notwithstanding, the adverse external environment, EBIDTA grew from ₹1,486.14 million in 2010-11 to ₹2,015.77 million in 2011-12. However, the EBIDTA margin declined marginally by 24 bps from 15.61% in 2010-11 to 15.37% in 2011-12 - the downward slide arrested by the Company's focus on value-added tiles and cost optimisation initiatives. The net margin also declined 21 bps from 6.37% to 6.16% over the same period primarily due to foreign exchange loses on imports.

Interest

Interest liability increased from ₹299.39 million in 2010-11 to ₹469.82 million in 2011-12 despite a decline in the total debt position. This was primarily due to interest on loans taken for expansions in 2010-11 (capitalised in that year) charged to profit and loss in 2011-12, foreign exchange losses amounting to ₹79.11 million due to import of tiles and raw materials (as against a gain of ₹32.45 million in 2010-11) and successive interest rate hikes during the year.

Taxation

Provision for current tax stood at ₹368.03 million in 2011-12 against ₹285.14 million in 2010-11 in due to a 31.78% increase in profit before tax. The average tax was 31.32% in 2011-12.

Ploughback

The Company ploughed ₹593.35 million into the business in 2011-12 against ₹435.58 million in 2010-11 - a 36.22% increase. These funds will be progressively utilised for capital intensive initiatives – organic and inorganic – and de-leveraging the Balance Sheet.

B) Balance Sheet

Capital employed

Capital employed in the business increased 4.41% from ₹5,624.31 million in 2010-11 to ₹5,872.49 million in 2011-12 consequent to reinvestment of operational surplus in the business. The Company's well-timed business strategies and intelligently funding practices resulted in growing the Return on Average Capital Employed by 634 bps from 22.28% as on 31st March, 2011 to 28.62% as on 31st March, 2012. Capital Employed has been calculated as shown in Table 1:

Networth

Networth (shareholders' fund) increased 26.66% from ₹2,225.61 million as on 31st March, 2011 to ₹2,818.97 million as on 31st March, 2012 owing to an increase in reserves. Hence, networth as a proportion of capital employed, increased from 39.57% as on 31st March, 2011 to 48.00% as on 31st March, 2012. The book value per share climbed from ₹30.25 as on 31st March, 2011 to ₹38.31 as on 31st March, 2012.

Equity capital: It comprised 7,35,83,580 equity shares with a face value of ₹2 each as on 31st March, 2012. The promoters holding comprised 53.51% of the issued equity capital as on 31st March, 2012 while foreign holding stood at 9.61% as on that date.

Reserves and surplus: These zero-cost funds grew 28.55% from ₹2,078.44 million as on 31st March, 2011 to ₹2,671.80 million as on 31st March, 2012, owing to reinvestment of operational surplus in 2011-12. The Company's prudent policy of utilising these free-cost funds for business growth and asset de-leveraging strengthened the Return on equity (ROE) by 255 bps from 29.45% as on 31st March, 2011 to 32.00% as on 31st March, 2012.

External debt

Total external debt stood at ₹2,417.24 million as of 31st March, 2012 against ₹2,796.79 million as on 31st March, 2011 a decrease of 13.57% despite significant investments in acquisitions and routine capital expenditure. As a result, the debt-equity ratio declined from 1.26 as on March 31 2011 to 0.86 as on 31st March, 2012.

Total debt is reflected in the Balance Sheet (as on 31st March, 2012) in the various heads as shown in Table 2 on page 34:

Long-term borrowings: It represents the term loans taken for capital intensive projects. The Company prudently deployed business surplus

Table1: Reconciliation of Capital employed

(₹ in Million)

	As at 31st March, 2012	As at 31st March, 2011
Shareholder's funds	2,818.97	2,225.61
External debt	2,417.24	2,796.79
Deferred tax liabilities	636.28	601.91
Capital employed	5,872.49	5,624.31
Average capital employed	5,748.40	5,347.26

to reduce the balance under this head.

Short-term borrowings: It represents working capital facilities for managing day-to-day business operations. What is worth highlighting is that despite the huge increase in operational scale, working capital facilities declined (albeit marginally) – primarily due to better working capital management and the strength in the brand.

Current maturities of long term debts: It represents the term loans repayable in the next 12 months shown in the current liabilities as per the new Schedule VI of the Companies Act, 1956.

Fixed Assets

Gross block increased marginally by 3.33% from ₹6,999.88 million as on 31st March, 2011 to ₹7,233.27 million as on 31st March, 2012 due to routine capex and investment in digital printing machines.

Depreciation: The Company consistently charged depreciation under the Straight Line Method as specified in the Companies Act, 1956. Despite the marginal capex in 2011-12, provision for depreciation increased significantly from ₹294.99 million in 2010-11 to ₹370.77 million in 2011-12. This is due to the full year depreciation on capital expenditure of ₹1,546.42 million in 2010-11 (capitalised only in the fourth quarter of 2010-11).

Accumulated depreciation, as a proportion of the gross block, stood at 35.15% as on 31st March, 2012 representing the newness of the gross block – an important competitive edge in a cluttered industry space.

Investments

The Company's investment increased to ₹123.52 million as on 31st March, 2012 from ₹90.14 million as on 31st March, 2011. This is primarily due to the acquisition of a 51% stake in Jaxx Vitrified Private Limited for ₹62.80 million and formation cost at ₹4.51 million of M/s Kajaria Ceramics Addis PLC – Ethiopia, our subsidiary. The Company exited from earlier investments namely Kajaria Plus Ltd and Regency Trust Ltd.

Net current assets

Net current assets (working capital) increased from ₹743.15 million as on 31st March, 2011 to ₹1,040.70 million as on 31st March, 2012. Despite an increase in operational scale, the working capital cycle decrease from 42 days in 2010-11 to 27 days 2011-12 primarily due to a decrease in the inventory holding period and improved terms of trade with creditors and increasing business liquidity.

Current Assets

Current assets stood at ₹3,763.88 million as on 31st March, 2012 against ₹3,077.30 million as on 31st March, 2011. This is in line with the growing operations of the Company. As per the new Balance Sheet format prescribed, the balance under current assets are reflected in the various heads as shown in Table 3:

In the old format loans and advances which are long term in nature were included with other current assets, in the new format it is part of non-current assets. The current assets increased 22% over the previous year despite a 38% increase in net sales.

Inventory: Increased from ₹1,515.11 million as on 31st March, 2011 to ₹1,757.82 million as on 31st March, 2012. While the increase in absolute numbers is primarily on account of finished good inventory, the finished good (finished goods and stock in trade) cycle has declined to 29 days in 2011-12 from 36 days in FY 2010-11. Overall, the inventory cycle declined to 46 days in 2011-12 from 55 days in 2010-11.

Sundry Debtors: Increased 55.12% from ₹909.04 million as on 31st March, 2011 to ₹1,410.11 million as on 31st March, 2012 in line with increased turnover. The debtors' cycle increased to 37 days in 2011-12 from 33 days in 2010-11 – due to huge sale in the month of March 12. More than 97% of the receivables were outstanding for less than 180 days – reflecting the strength in the debtors balance.

Loans and Advances: Decreased from ₹623.23 million on 31st March, 2011 to ₹536.99 million as on 31st March, 2012. As per the new Balance Sheet format, the balance under loans and advances is reflected in the various heads as shown in Table 4:

Long-term loans and advances represent balances recoverable over a period exceeding 12 months. Other current assets represent advances to suppliers and balances with government authorities.

Current Liability and Provisions: The balance under this sub-head stood at ₹2,723.18 million as on 31st March, 2012 against ₹2,334.15 million as on 31st March, 2011. The increase is largely on account of an increase in the provision for expenses and higher dividend (proposed) for 2011-12.

As per the new Balance Sheet format, the balance under current liabilities and provisions is reflected in various heads as shown in Table 5:

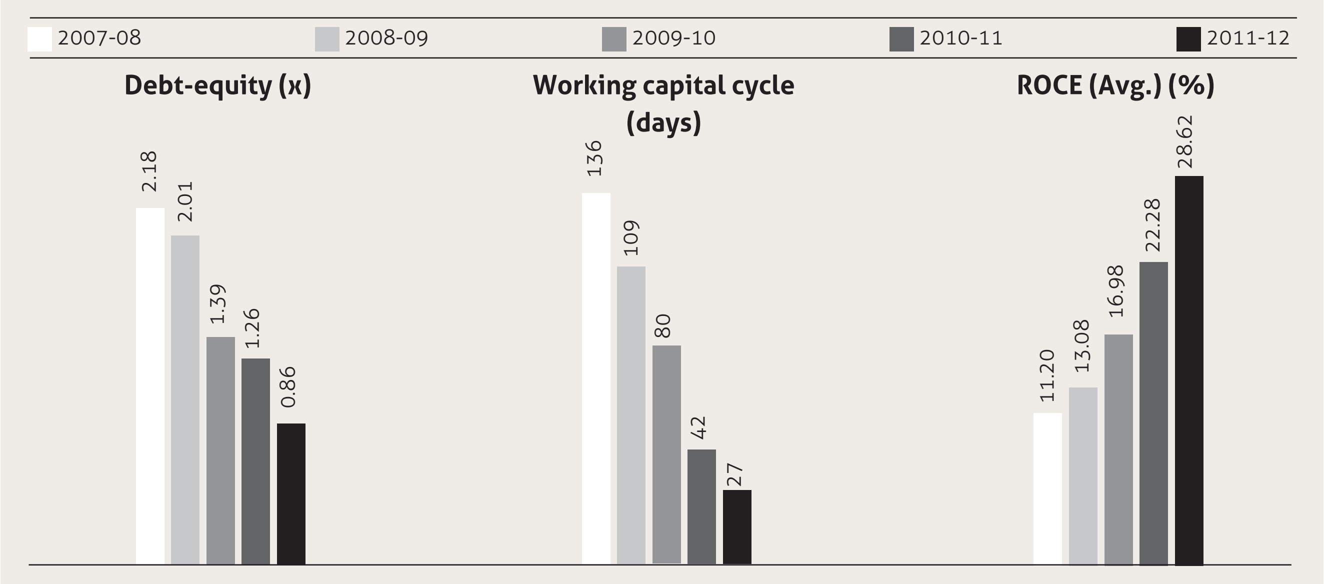


Table 2: Reconciliation of External debt (₹ in Million)

	Note of Balance Sheet	As at 31st March, 2012	As at 31st March, 2011
Long-term borrowings	4	709.98	959.92
Short-term borrowings	7	1,038.00	1,040.38
Current liabilities - current maturities of long-term debts	9	669.26	796.49
Total		2,417.24	2,796.79

Table 3: Reconciliation of current assets (₹ in Million)

	Note of Balance Sheet	As at 31st March, 2012	As at 31st March, 2011
Current assets - As per Balance Sheet (new format)	16-20	3,605.34	2,784.69
Long-term loans and advances	14	157.86	291.29
Other non-current assets	15	0.68	1.32
Total		3,763.88	3,077.30

Table 4: Reconciliation of loans and advances (₹ in Million)

	Note of Balance Sheet	As at 31st March, 2012	As at 31st March, 2011
Long-term loans and advances	14	157.86	291.29
Other non-current assets	15	0.68	1.32
Short-term loans and advances	19	15.21	-
Other current assets	20	363.24	330.62
Total		536.99	623.23

Table 5: Reconciliation of current liabilities (₹ in Million)

	Note of Balance Sheet	As at 31st March, 2012	As at 31st March, 2011
Current liabilities - As per Balance Sheet (new format)	7-10	4,368.20	4,128.86
Add: Long-term provisions (for gratuity)	6	62.24	42.16
		4,430.44	4,171.02
Less: Short-term borrowings	7	1,038.00	1,040.38
Less: Current maturities of long-term debts	9	669.26	796.49
Total		2,723.18	2,334.15

MINIMISING RISKS. MAXIMISING RETURNS.

At Kajaria, we understand the impact of industry uncertainty and their possible outcomes. It is through this deep knowledge that we survived and succeeded.

Fiscal 2011-12 vindicated the robustness and resilience of our business model and the effectiveness of our de-risking strategies.

As a result, we continued on our growth path despite external volatilities.

As a responsible corporate, the management has a robust de-risking discipline which is centrally initiated and progressively decentralised across hierarchies, facilitating organisation-wide risk mitigation.

"Often the difference between a successful man and a failure is not one's better abilities or ideas, but the courage that one has to bet on his ideas, to take a calculated risk, and to act." - Maxwell Maltz

A FALL IN DEMAND FROM USER SECTORS COULD IMPACT THE COMPANY'S GROWTH

Mitigation argument: The Indian tiles industry is expected to grow 15-16% annually till 2015 owing to strong demand from user segments:

- Increasing affordability and soaring aspirations for superior products pan-India will continue to accelerate the demand for superior products – a marginal upward movement will shore volumes significantly, correcting the low per capita tile consumption at 0.46 sq mtr towards the global average.
- Institutional demand is expected to emerge from the large planned realty development. Credible sources suggest that office space, malls and retail demand is likely to be 410 msf during 2011-15 (Cushman and Wakefield Research). Additionally, India is likely to add 150,000 hotel rooms in five years, 1.8 million hospital beds by 2025 and an additional 30 airports by 2017.

CHEAPER CHINESE IMPORTS COULD DAMPEN THE DOMESTIC MARKET, IMPACTING VOLUMES AND MARGINS

Mitigation argument: The threat of cheaper imports reduced significantly. This is due to the following reasons:

Rising costs: China posed a major threat for cheaper imports till a few years back. However, increasing labour costs, environmental concerns and the depreciation of the Chinese currency in the last two years made Chinese products dearer.

Currency depreciation: Depreciation of the rupee against the US dollar makes imports from China more expensive.

Freight costs: Inland transportation costs from the ports to the northern states made imports from China almost unviable.

INCREASING COMPETITION FROM ORGANISED AND UNORGANISED PLAYERS COULD IMPACT MARKET SHARE AND MARGINS

Mitigation argument: Over the years, the Company strengthened competitive barriers to outperform sectoral growth.

Capacity and locational reach: The multi-locational manufacturing capability (North, West and South India) makes it possible to service large consuming markets cost-effectively and with speed.

Across the value chain: The Company is present across the entire value chain comprising affordable and high-end ceramic tiles, basic and high-end and polished vitrified tiles, glazed vitrified tiles and high-end imported tiles covering floor and wall applications in a range of sizes, designs and finishes. Its product basket comprises tiles ranging between ₹200 to ₹3,000 per sq mtr.

Distribution network: The Company's robust pan-India distribution network helps extend products to the deepest consuming region in the domestic market The Company's distribution policies and clearly demarcated areas ensured business growth for dealers.

Recall: The Company created a strong recall among institutional and retail customers to pioneer new product concepts, designs and sizes.

5-YEAR FINANCIALS

(₹ million)

	2007-08	2008-09	2009-10	2010-11	2011-12
Share Capital	147.17	147.17	147.17	147.17	147.17
Reserves	1,401.74	1,473.51	1,746.23	2,078.44	2,671.80
Loan funds	3,372.57	3,251.67	2,628.28	2,796.79	2,417.24
Gross Block	4,900.74	5,014.92	5,435.47	6,999.88	7,233.27
Net Block (Fixed Assets)	3,382.02	3,276.53	3,447.90	4,790.39	4,690.67
Capital work-in-progress	26.28	–	25.43	0.63	17.60
Investments	33.94	33.94	33.94	90.14	123.52
Current assets	2,794.64	2,968.30	2,976.43	3,077.30	3,763.88
Current Liabilities	793.39	871.87	1,413.49	2,334.15	2,723.18
Net Current Assets	2,001.24	2,096.43	1,562.94	743.15	1,040.70
Deferred tax liabilities	522.00	534.55	548.52	601.91	636.28
Turnover	5,289.07	6,911.99	7,667.54	10,045.71	14,003.23
Other Income and Operating Income	15.30	9.96	7.45	12.49	25.67
Material costs	2,380.32	3,601.85	3,643.53	5,398.85	6,825.83
Power and fuel costs	777.02	906.21	1,048.76	926.61	1,937.81
Employee Costs	416.34	504.87	612.84	758.07	1,036.57
Other manufacturing expenses	140.30	133.69	167.77	198.99	429.61
Admn and selling expenses	493.59	552.92	733.20	767.28	893.61
EBIDTA	**834.35**	**959.26**	**1,156.72**	**1,486.14**	**2,015.77**
Interest	397.79	582.42	375.24	299.39	469.82
EBDT	436.56	376.84	781.48	1,186.75	1,545.95
Depreciation	**236.14**	**249.37**	**267.06**	**294.99**	**370.77**
PBT	200.43	127.47	514.42	891.76	1,175.18
Tax	**50.20**	**38.48**	**155.90**	**285.14**	**368.03**
Net Profit	**150.23**	**88.99**	**358.52**	**606.62**	**807.15**
Networth	1,548.91	1,620.68	1,893.40	2,225.61	2,818.97
Capital Employed	5,443.48	5,406.90	5,070.20	5,624.31	5,872.49
EPS (₹)*	2.04	1.21	4.87	8.24	10.97
Book value (₹)*	21.05	22.02	25.73	30.25	38.31
Dividend (₹)*	0.20	0.20	1.00	2.00	2.50
RONW / ROE (%)	**10.13**	**5.62**	**20.40**	**29.45**	**32.00**
ROCE (%)	**11.20**	**13.08**	**16.98**	**22.28**	**28.62**

*Face Value of ₹2/- per share.

Note: As per new schedule VI of the Companies act, some of the heads, like current assets, current liabilities, loan funds, etc have been classified differently in the balance sheet for 2010-11 and 2011-12. We have adjusted these numbers in line with the old Schedule VI, for ease of comparison with earlier years. The basis of comparison and reconciliation have been provided in financial analysis section (page 32 to page 35).

VALUE ADDED STATEMENT

(₹ million)

	2007-08	2008-09	2009-10	2010-11	2011-12
Sales (gross)	5,289.07	6,911.98	7,667.54	10,045.71	14,003.23
Other income and operating income	15.30	9.96	7.45	12.49	25.67
Stock Adjustments	291.97	(67.38)	(40.60)	(39.22)	154.71
	5,596.34	**6,854.56**	**7,634.39**	**10,018.98**	**14,183.61**
Less					
Raw Material consumed	1,169.58	1,251.84	1,437.91	1,555.68	2,862.79
Trading goods	1,502.71	2,282.63	2,165.03	3,803.95	4,117.75
Manufacturing expenses	917.32	1,039.89	1,216.53	1,125.60	2,367.42
Other expenses	493.59	552.92	733.20	767.28	893.61
	4,083.20	**5,127.28**	**5,552.67**	**7,252.51**	**10,241.57**
TOTAL VALUE ADDITION	**1,513.14**	**1,727.28**	**2,081.73**	**2,766.47**	**3,942.04**

DISTRIBUTION OF VALUE-ADDED

(₹ million)

	2007-08	2008-09	2009-10	2010-11	2011-12
To the Government					
Excise duty	262.48	263.16	312.18	522.26	889.70
Dividend tax	2.50	2.50	12.22	23.87	29.84
Current tax	25.74	25.93	141.93	231.75	333.66
	290.72	**291.59**	**466.33**	**777.88**	**1253.20**
To the employees	416.34	504.86	612.84	758.07	1036.57
To providers of finance	397.79	582.42	375.24	299.39	469.82
To shareholders	14.72	14.72	73.58	147.17	183.96
Depreciation	236.14	249.37	267.06	294.99	370.77
Deferred tax	24.45	12.55	13.97	53.39	34.37
Profit ploughed back	133.00	71.78	272.71	435.58	593.35
Retained in business	**393.58**	**333.70**	**553.74**	**783.96**	**998.49**
TOTAL VALUE ADDED DISTRIBUTED	**1,513.14**	**1,727.28**	**2,081.73**	**2,766.47**	**3,942.04**

DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present the 26th Annual Report together with the audited accounts of your Company for the financial year ended 31st March 2012.

(₹ million)

Particulars	Standalone		Consolidated	
	Year ended 31st March 2012	Year ended 31st March 2011	Year ended 31st March 2012	Year ended 31st March 2011
Gross Sales	14,003	10,046	14,072	10,051
Profit before interest, depreciation and tax	2,016	1,486	2,077	1,490
Financial charges	470	299	485	301
Depreciation	371	295	393	297
Profit before taxation	1,175	892	1199	892
Tax expenses	368	285	380	285
Minority interest	–	–	10	1
Profit after tax	807	607	809	607
Balance brought forward from the previous year	1,276	994	1,275	994
Profit available for appropriation	**2,083**	**1,601**	**2,084**	**1,601**
Transferred from debenture redemption reserve	–	(46)	–	(46)
Proposed dividend on equity shares	184	147	184	147
Corporate dividend tax	30	24	30	24
Transfer to General Reserve	250	200	250	200
Balance carried forward	1,619	1,276	1,620	1,276
	2,083	**1,601**	**2,084**	**1,601**

Financial review

In 2011-12, your Company successfully implemented various strategic initiatives, improving business volumes and profitability, despite a challenging external environment plagued with stubborn inflation and rising interest rates.

Gross sales grew 39% from ₹10,046 million to ₹14003 million, facilitated by a robust growth in sales volume and an increased average realisation per sq mtr. The EBIDTA increased from ₹1,486 million in 2010-11 to 2016 in 2011-12.

The net profit after tax increased from ₹607 million to ₹807 million, registering a 33% growth over the previous year. The earnings per share increased from ₹8.24 to ₹10.97 per share during the same period. The book value per share strengthened from ₹30.25 as on 31st March 2011 to ₹38.31 as on 31st March 2012. More importantly, every rupee invested in business delivered superior returns – reflected by the improved return on employed capital.

Dividend

Considering business growth and improved profitability, the Board of Directors recommended a 125% dividend on equity shares (₹2.50 per equity share, face value of ₹2.00). The total payout will be ₹213.80 million (including dividend distribution tax of ₹29.84 million).

Corporate highlights

Capacity addition: The Company embarked on a brownfield capacity expansion project (from 2.30 MSM to 4.60 MSM) at its Soriso unit at total investment of ₹30 million, which is significantly lesser than the initial investment. The Company's 6 MSM high-end polished and glazed vitrified tile unit at the Gailpur unit (a brownfield expansion) commenced operations in March, 2011 and significantly contributed to the Company's growth.

Inorganic growth: The Company acquired 51% stake in Jaxx Vitrified Pvt. Ltd, Gujarat, with an annual capacity of 3.10 MSM of polished vitrified tiles at an investment of ₹62.65 million. The unit commenced operations in March, 2012. The Company also acquired 51% stake in Vennar Ceramics (2.30 MSM high-end digitally printed ceramic tile capacity) on 9th April, 2012 which is expected to commence production in June, 2012 at an investment of ₹136.50 million. The plant will cater to the South Indian markets.

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

The Company's Board approved an inorganic initiative - a 51% stake in Vennar Ceramics (2.30 MSM high-end digitally printed ceramic tile capacity) expected to commercialise in June, 2012 at an investment of ₹136.50 million.

Accounts of subsidiaries

Pursuant to the general circular no. 1/2011 dated 8th February, 2011, issued by Ministry of Corporate Affairs, Government of India the Individual accounts of the three subsidiaries of the Company (M/s Soriso Ceramic Private Limited, M/s Jaxx Vitrified Private Limited and M/s Kajaria Ceramics Addis PLC, Ethiopia) for the year ended on 31st March 2012 have not been attached to the Annual Report. However, a statement giving the information as required by the aforesaid Circular is attached to the Annual Report. The Annual Accounts of the subsidiary companies will be available at the registered office of the Company and also at the venue during the Annual General Meeting. The Company shall provide, free of cost, the copy Annual Accounts of its subsidiary companies to the shareholders upon their request.

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 given the rising aspirations and availability of high-end tiles with a wide range of finishes and designs. This optimism stems from certain credible estimates which highlight the likelihood of robust demand over the medium term.

Real estate growth: The real estate demand in Tier-II and III cities in India is estimated to be 354 msf of residential space in the next three years. Also, the demand for premium housing and housing for investment purposes is also expected to witness a significant growth with the networth of HNIs expected to grow from ₹45 trillion in 2010-11 to ₹235 trillion in 2015-16. As per investment trends, a report by Kotak suggests that HNIs invest nearly 8% of wealth in the real estate segment.

Commercial segment demand: The demand for malls and retail space in the top seven cities in India is expected to reach 112.57 msf in 2015 from 57 msf in 2011. During the same period, office space supply is expected to reach 243.5 msf. This is expected to drive demand for large-format, value-added tiles for flooring solutions.

Social infrastructure creation: The healthcare sector in India is estimated to invest US$86 billion upto 2025 to add 1.8 million beds and 700,000 doctors. India, being a low-cost destination with an improving healthcare scenario is emerging as an attractive destination for medical treatment. The medical tourism in the country, pegged at US$2.5 billion, is growing at 25% annually. This necessitates growing alliances between hospitals and hoteliers to create better infrastructure to cater to the growth in the sector.

Growth drivers for the current year

Your Company expects to leverage this opportunity through a volume-value play in the current year to enhance revenues and margins and focus on strengthening shareholder value.

Volumes expansion: The product volumes are expected to expand substantially following the commissioning of a 2.30 MSM ceramic tiles capacity expansion at Soriso unit, commencement of 3.10 MSM vitrified tile capacity from Jaxx and 2.30 MSM ceramic tiles capacity from Vennar complemented with continued outsourcing from Europe/China and Gujarat.

Value enhancement: Your Company commissioned 6 MSM of value-added vitrified tile capacity in March, 2011, stabilising operations during the second half of the year. Its full impact will be felt in 2012-13. Vitrified tiles capacity of 2.30 MSM from Jaxx Vitrified is expected to generate a premium.

During the year, your Company increased the proportion of digital printed tiles and also manufactured matching digital floor tiles. It introduced large format floor tiles (150x90cm, 120x60cm, 80x80cm, 90x30cm, 60x60 cm) and high definition digital vitrified tiles with various designs and finishes, offering better aesthetic appeal to customers.

Visibility: Expanded Kajaria World distribution network to seven-owned and 11 franchisees to market high-end tiles apart from widening its dealer network.

Directors

Appointment: Mr. H. Rathnakara Hegde was appointed as an Additional Director of the Company by the Board in its meeting held on 17th January 2012. It is proposed to appoint him as a Director of the Company, liable to retire by rotation, at the ensuing Annual General Meeting.

Retirement by rotation: In accordance with Article 100 of the Articles of Association of the Company, Mr. R. K. Bhargava and Mr. D. P. Bagchi, Directors of the Company, will retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment.

Cessation: Mr. R. P. Goyal passed away during the year 2011-12. He was an eminent member of the Company's Board of Directors. The Board extends its condolences to his family at this hour of bereavement.

Brief resumes of the directors being appointed/re-appointed together with other relevant details form part of the Notice of the ensuing Annual General Meeting. The Board recommends their appointment/ reappointment.

Auditors and their observations

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

Personnel

Talent development remained a key focus during the year. Well structured HR systems were used for talent identification, development and retention. The organisation continues to develop home-grown leaders to support its growth and maintain its competitiveness and leadership in the industry. Systematic identification of successors to key positions enabled a proper succession plan with their respective development plans in place. The Company maintained cordial relations during the year under review. 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 Section 217 (2AA) of the Companies Act 1956 as amended, Directors confirm that:

i) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures

ii) Appropriate accounting policies have been selected and applied consistently and judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st March 2012 and the profit and cash flow of the Company for the period ended on 31st March 2012.

iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

iv) The annual accounts have been prepared on a going concern basis.

Corporate Governance Report

The Company complied with the Corporate Governance requirements as stipulated under the Listing Agreement with the stock exchanges. A separate section on corporate governance, along with a certificate from the auditors confirming the compliance, is annexed and forms part of the Annual Report.

Management discussion and analysis report

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

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

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

Acknowledgements

We would also like to place on record our sincere appreciation for the commitment, dedication and hard work put in by every member of the Kajaria Group. To them goes the credit for the Company's achievements.

Your Directors take this opportunity to express their deep sense of gratitude to the banks/ financial institutions, Central and state governments, customers, vendors and the society at large for their continued support.

And to you, our shareholders, we are deeply grateful for the confidence and faith that you have always reposed in us.

For and on behalf of the Board

Place: New Delhi
Date: 27th April 2012

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 million or more per annum.

Sr no.	Name	Age	Designation	Qualification	Exp	Dt of Joining	Remuneration (₹In Million)	Particular of Last Employment
1	Mr. Ashok Kajaria	65	Chairman & Managing Director	B.SC., BSME., California	37	01.01.1987	18.19	Managing Director- Kajaria Exports Limited
2	Mr. Chetan Kajaria	38	Joint Managing Director	BE- Pune University, MBA- Boston College, USA	13	15.01.2000	14.98	Managing Director- Kajaria Plus Limited
3	Mr. Rishi Kajaria	34	Joint Managing Director	B Sc (Business Admn) Boston University, USA	9	26.07.2003	14.98	Director, Kajaria Infotech Ltd
4.	Mr. R C Rawat	56	Sr V P (A&T) & Co Secretary	M Com. FCA, FCS	32	14.07.1987	6.47	Chief Accounts Officer RCS Vanaspathi Ltd
5.	Dr. Rajveer Choudhary	58	Chief Operating Officer	M.A., PH.D	30	03.08.1998	6.13	V.P. – Venus Sugar Limited
6.	Mr. Pankaj Sethi	41	AVP (Marketing)	BE – Civil Engg	20	01.04.2003	6.47	Regional Manager Kajaria Infotech Ltd
7.	Mr. Gautam Seth	38	General Manager (Marketing)	BE-Mech Engg	13	01.09.2009	6.24	VP – Marketing Kajaria Plus Ltd

B) Employed for a part of the financial year and in receipt of remuneration aggregating to ₹0.5 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 father 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: 27th April 2012

Ashok Kajaria
Chairman and Managing Director

ANNEXURE-II TO THE DIRECTORS' REPORT

I. Conservation of Energy

The Energy Conservation efforts by 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 broad band 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 power consumption savings.
4) Considerable fuel saving by complete changeover to RLNG (Re-gasified Liquid Natural Gas) at both plants.

II. Technology Absorption

A. Research and Development (R&D)

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

1) Research for development of vitrified tiles and further development of new and large wall tiles (15x45cm, 30x30cm, 30x60cm, 30x90cm, 30x45cm and 25x33cm) and floor (60 x 60 cm, 30x60cm) conforming to both EN & IS standards.
2) New digital tiles were developed with new dimensions based on different themes and concepts. New products were developed with the help of the digital printing machine. Some products are self-designed. The designs were created keeping in mind ultra modern luxury lifestyles and other concepts. These products are a combination of interior or exterior design. A new product was developed with a new dimension 30x45cm (Interlock). The product has a natural stone and pebble look self-design with interlock design.
3) A new product was developed – dimension wall tiles (25x33cm). The product has a glossy and matt finish and self-design, also available in size (30x45cm), it has a 3D glossy finish by Rotocolor Printing Technology.
4) Developed, evaluated, selected and optimised process parameters of production lines to improve yield and quality.
5) In-house analytical steps were taken to fine-tune formulations and operations.

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

1) The Company offers a wide range of ceramic and vitrified tiles at competitive costs, increasing customer satisfaction and becoming more effective and preferable to all types of customers.
2) Continuous improvement in manufacturing quality products by reducing production costs.

(iii) Future plan of action

1) Introduced larger size Ceramic (Wall & Floor) & Polished/Glazed Vitrified tiles.
2) Introduced new type of decorated tiles.

3) Update technology as per advancement and competitiveness observed from the global market.

4) Maintain the advance infrastructures available in the tile industry and educate the R&D team with new ceramic wall tile technology.

(iv) Expenditure on (R&D) (₹in Million)

		2011-12	2010-11
(a)	Capital	2.37	4.08
(b)	Recurring	29.75	0.43
	Total	32.12	4.51
(c)	Total R&D expenditure as a percentage of total turnover	0.24%	0.05%

[B] Technology absorption, adaptation and Innovation

1) The Company has fully adopted and further updating the latest technology available for producing Vitrified & Ceramic tiles in tune with European/Chinese tile markets

2) Our R & D/Technical experts visit global markets to adopt and update the latest technology available.

3) During the year, the R&D unit at Gailpur plant has received the recognition certificate from Department of Scientific & Industrial Research (DSIR).

Benefits derived as a result of the above

The Company is continuously updating itself to standardise and install required machinery when manufacturing vitrified and ceramic tiles. A considerable amount of energy is being conserved by total use of RLNG at both plants (at Sikandrabad/Gailpur), and innovation in controlling the Natural Mineral Resources by using recycled waste.

Technology imported

Process of technology	Monocuttura	Monoporosa	Dry Grinding	Vitrified
Year of import	1988	1994	2005	2010
Has technology been Fully absorbed	YES	YES	YES	YES

Social & community welfare

Your Company believes that it should do good to society and create a better world. The key areas in which it is striving to make a difference include socially relevant causes such as maintaining quality health & Safety, education, environment & Food safety.

Your Company strive to use the scare resource of water efficiently by recycling & reusing wherever possible.

The Company has long and strong tradition of supporting its surrounding community by providing education fees to weaker section and maintaining ashram, dharamshala, development of employable skills and contribution to helpage india, child and woman care centre, sai helpage foundation, leprosy centre, medical camps and helpcare society etc.

Foreign exchange earning and outgo (₹ in Million)

	2011-12	2010-11
Earned		
Exports (FOB)	129	138
Spent		
Imports (CIF)		
Capital goods	93	573
Raw Material	178	106
Stores & Spares	175	95
Traded Goods	2120	2176
Others		
(on accrual basis)	26	40

For and on behalf of the Board

Place: New Delhi **Ashok Kajaria**
Date: 27th April 2012 Chairman and Managing Director

CORPORATE GOVERNANCE REPORT

I. The Company's Philosophy on Corporate Governance

AT KAJARIA, CORPORATE GOVERNANCE HAS BEEN AN INTEGERAL PART OF THE WAY WE DO OUR BUSINESS SINCE INCEPTION. We believe that corporate governance is a pre-requisite for attending the sustainable growth in this competitive corporate world.

Good Corporate Governance emerges from the application of the best business practices coupled with adherence to the highest standards of transparency, disclosures and business ethics. Accordingly, all procedures, policies and practices followed by your Company are based on sound governance principles that ensure timely and accurate disclosure of information regarding the financial situation, performance, ownership and governance of the Company. These principles govern the Company's relations with customers, employees, shareholders, suppliers, regulatory authorities and the communities that it operates in.

II. Board of Directors

Composition

The Company has a balanced structure of Board of Directors, which primarily takes care of the business needs and shareholders' interest. The Company has an adequate combination of executive, and independent Directors. As on 31st March 2012, the Company has eight Directors on its Board, of which four Directors are Independent. The Composition of the Board is in conformity with Clause 49 of the Listing Agreement..

The Independent 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 director of more than 15 public companies and a member of more than 10 Committees and Chairman of more than five Committees

Meetings, Agenda, Attendance and Proceedings of the Board Meeting

The Board meets at least once in a quarter to review the quarterly financial results and operations of the Company. Additionally, the Board also meets as and when necessary to address specific issues relating to business. During the financial year ended 31st March 2012, seven Board Meetings were held on 30.04.2011, 02.06.2011, 18.07.2011, 13.10.2011, 17.01.2012, 30.01.2012 & 31.03.2012. The intervening period between two Board Meetings was within the maximum time gap of four months prescribed under corporate governance norms.

The details of composition of the Board, nature of directorship, no of meetings attended and directorship in other companies of the directors of the Company is as follows:

Name	Nature of Directorship	Board Meeting attended	Annual General Meeting attended	Directorship* in other companies	Committee Chairmanship**	Committee Membership**
Mr. Ashok Kajaria	Chairman & Managing Director (Executive)	7	Yes	3	2	2
Mr. Chetan Kajaria	Joint Managing Director (Executive)	7	Yes	6	–	2
Mr. Rishi Kajaria	Joint Managing Director (Executive)	7	Yes	9	–	1
Mr. Raj Kumar Bhargava	Director (Independent Non Executive)	7	Yes	7	5	5
Mr. R R Bagri	Director (Independent Non Executive)	6	No	4	–	4

Name	Nature of Directorship	Board Meeting attended	Annual General Meeting attended	Directorship* in other companies	Committee Chairmanship**	Committee Membership**
Mr. D P Bagchi	Director (Independent Non Executive)	7	Yes	9	1	6
Mr. H. Rathnakara Hegde*	Director (Independent Non- Executive)	2	No	3	–	4
Mr. B.K.Sinha	Director- Technical (Executive)	3	Yes	–	–	–

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

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

There is no relationship between any of the Independent Directors.

*Mr. R.P. Goyal, expired on 22nd October 2011.The Board of Directors at their meeting held on 17th January 2012 appointed Mr. H. Rathnakara Hegde, as an Additional director of the Company with effect from 17th January 2012.

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

The required information of all these directors who are to be appointed / reappointed in the forthcoming annual general meeting is given in the annexure attached.

Agenda

Dates of Board Meetings are informed well in advance and communicated to the Directors. All the meetings are conducted as per well structured Agenda. All the agenda Items are backed by necessary supporting documents and information to enable the Board to take the informed and effective decision. The Board has complete access to all information within the Company including information as per Clause 49 of the Listing Agreement.

Post Meeting Action

Post Meetings, all important decisions taken at the meeting are communicated to the concerned officials and departments. An Action Taken report is prepared and reviewed by the Company Secretary for the action taken and reported to the Board.

III. Audit Committee

As on 31st March 2011, the Audit Committee was consisted of three members – Mr. R.P. Goyal, Mr. R.K. Bhargava and Mr. R.R. Bagri. During the year under review, the Audit Committee met four times – 30.04.2011, 18.07.2011, 13.10.2011 and 17.01.2012. All the meetings were attended by Mr. R.K. Bhargava & Mr. R.R. Bagri.

After the passing away of Mr. R.P. Goyal on 22nd October, 2011, the Audit Committee has been re-constituted and Mr. A.K. Kajaria and Mr. H. Rathnakara Hegde have been appointed on 17th January 2012 as the members of the Audit Committee.

As on 31st March, 2012, the Audit Committee comprises the following Four Directors:.

S.No.	Name	Status
1.	Mr. R. K. Bhargava	Chairman
2.	Mr. R.R. Bagri	Member
3.	Mr. A.K. Kajaria	Member
4.	Mr. H. Rathnakara Hegde	Member

All members of the committee possess sound knowledge of accounts, audit, finance and internal controls.

Mr. R C Rawat, Sr. Vice President (A&T) & Company Secretary is the Secretary of the Audit Committee. The Chairman of the Audit Committee could not attend the Annual General Meeting of the Company held on 2nd June 2011 due to ill health. However, Mr. R.K. Bhargava, being a member of the Audit Committee attended the Annual General Meeting of the Company.

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 nonpayment of declared dividend) and creditors

h) Reviewing the statements of significant related party transactions

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

IV. Remuneration Committee

The Remuneration Committee comprises of four directors. During the year under review, the Committee met once on 30.04.2011. The details of the meetings attended by the directors are as follows:

The terms of reference to this Committee include:

Name of the Director	Status	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

- 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

The details of remuneration paid to directors during the financial year ended 31st March 2012 is as under:

₹ in Million

S No	Name of Directors	Salary	Perquisites & other Benefits	Sitting fees	Total
1	Mr. Ashok Kajaria	10.20	7.99	-	18.19
2	Mr. Chetan Kajaria	8.40	6.58	-	14.98
3	Mr. Rishi Kajaria	8.40	6.58	-	14.98
4	Mr. B.K.Sinha	1.98	1.35	-	3.33
5	Mr. R R Bagri	-	-	0.36	0.36
6	Mr. R K Bhargava	-	-	0.24	0.24
7	Mr. D P Bagchi	-	-	0.16	0.16
8	Mr. H. Rathnakara Hegde	-	-	0.04	0.04

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 31.03.12 is as follows:

S.No.	Name of Non- Executive Director	No. of Shares held as on 31.03.12
1	Mr. R K Bhargava	14296
2	Mr. R R Bagri	37000
3	Mr. D P Bagchi	NIL
4	Mr. H. Rathnakara Hegde	NIL

V. Project Management Committee

The Company has a Project Management Committee of Board of Directors to review the expansion/capital investments. During the year under review, the Committee met only once on 30.04.2011. The details of the meetings attended by the directors are as follows:

Name of the Director	Status	No. of Meetings Attended
Mr. Ashok Kajaria	Chairman	1
Mr. Chetan Kajaria	Member	1
Mr. Rishi Kajaria	Member	1
Mr. R.R. Bagri	Member	1

VI. Share Transfer And Investors Grievances Committee

The Committee administers the redressal of shareholders and investor grievances like transfer of shares, non-receipt of balance sheet, dividend, and approval of transfer of shares, subdivision, transmission, issue of duplicate share certificates, among others. During the year, six Share Transfer-cum-Investor Grievances Committee meetings were held on 30.04.2011, 23.05.2011, 18.07.2011, 12.09.2011, 28.11.2011 and 15.03.2012. The details of the meetings attended by the directors are as follows:

Name of the Director	Status	No. of Meetings Attended
Mr. R R Bagri	Chairman	6
Mr. Ashok Kajaria	Member	6
Mr. Chetan Kajaria	Member	6

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

During the year, 38 complaints were received. 33 complaints were disposed off and five complaints were pending as at 31.03.2012.

All queries received during the financial year ended 31st March 2012 were duly addressed and no queries are pending for reply on that date except where the Registrar & Transfer Agent is constrained by dispute or legal impediment or due to incomplete or non-submission of documents by the shareholders.

VI. General Body Meetings

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

Year	Date	Time	Venue
2009	28.08.2009	12.00 Noon	A- 27 & 28 , Sikandrabad Indl Area, Sikandrabad , Distt Bulandshahr (U P)
2010	21.08.2010	12.00 Noon	-do-
2011	02.06.2011	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. 42 (Point A) 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) COMPLIANCE:

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

c) ACCOUNTING TREATMENT IN PREPARATION OF FINANCIAL STATEMENTS:

The Company has followed all relevant accounting standards notified by the Companies Accounting Standards Rules 2006 and relevant provisions of the Companies Act 1956 while preparing its financial statements.

d) DETAILS OF COMPLIANCE WITH MANDATORY/NON – MANDATORY REQUIREMENTS OF CLAUSE 49 OF THE LISTING AGREEMENT.

Your Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement. The status of compliance with non-mandatory requirements of Clause 49 of the Listing Agreement is provided as follows:

i) **Tenure of Independent Director:** No maximum tenure for the independent director has been specifically determined.

ii) **Remuneration Committee:** The Board has set a remuneration committee for which details have been provided in this report under clause IV above.

iii) **Shareholders' Right:** As the quarterly and half yearly performance are published in the newspapers and are also posted on the Company's website, the same are not being sent separately to the shareholders.

iv) **Audit Qualification :** The Company's financial statement for the financial year ended on 31.03.2012 does not contain any audit qualification

v) **Training of the Board Members :** The Board members are well experienced to perform their role best suited to the business. The Board members are fully updated on all the new initiatives proposed by the Company, developments in the domestic / global corporate and industry scenario, changes in statutes / legislation & economic environment and critical business issues. On the matters of specialised nature, the Company engages outside experts/consultants for presentation and discussion with the Board members.

vi) **Whistle Blower Policy**: The Company adopted a whistle blower policy with an objective to provide employees and business associates a framework and to establish a formal mechanism and process whereby concerns can be raised in line with the Company's commitment to higher standards of ethical, moral and legal business conduct and its commitment to open communication.

vii) The Board of Directors laid down a Code of Conduct for all the Board Members and senior management personnel of the Company. The Code covers among other things, the Company's commitment to honest & ethical personal conduct, fair competition, health & safety, transparency and compliance of laws and regulations. The Code of Conduct is posted on the website of the Company. All the Board Members and senior management personnel have confirmed compliance with the Code. A declaration to that effect signed by Chairman and Managing Director is attached and forms part of Annual Report of the Company.

viii) **Prevention of Insider Trading**: As per SEBI (Prevention of Insider Trading) Regulations 1992, the Company adopted a Code of Conduct for prevention of insider trading. All the Directors, employees at senior management level and other employees who could have access to the unpublished price sensitive information of the Company are governed by this Code. The Company has appointed Mr. R.C. Rawat as compliance Officer who is responsible for setting forth the procedures and implementation of Code of Conduct for trading in Company's securities. During the year, there has been due compliance with the said Code.

e) Chairman and 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.

VIII. Means of Communication

The quarterly, half yearly and annual financial results of the Company are sent to the stock exchange immediately after these are approved by the Board. These are widely published in the Economic Times, The Financial Express / Business Standard, Jansatta and other newspapers.

These results are simultaneously posted on the website for the Company at www.kajariaceramics.com.

The official press release and presentation made to institutional Investors / Analysts, if any, are also available on the Company's website.

Financial Year 2011-12	
First Quarterly Results	July 2011
Second Quarterly/ Half Yearly Results	October 2011
Third Quarterly / Nine months Results	January. 2012
Fourth Quarterly /Annual Results for the year ending 31st March 2012	April 2012

IX. General Share Holders Information

i) Notice relating to Annual General Meeting is sent to the members at the registered address.

Annual General Meeting (Financial Year 2011-12):

Date	Time	Venue
13th July 2012	12.00 Noon	A-27 & 28, Sikandrabad Indl Area Sikandrabad, Distt Bulandshahr (U P)

ii) Next Dates of Book closure: 4th July, 2012 to 13th July, 2012 (both days inclusive)

iii) Dividend

The Board of Directors at its meeting held on 27th April 2012 recommended a dividend of ₹2.50 per share subject to the approval of the shareholders at the ensuing Annual General Meeting, will be paid/dispatched within the stipulated time.

Details of the dividend declared and paid by the Company in the last five years are as follows:

Year	Percentage	In ₹ Per Share	Dividend Amount (₹ In Million)
2006-07	10	₹0.20	14.72
2007-08	10	₹0.20	14.72
2008-09	10	₹0.20	14.72
2009-10	50	₹1.00	73.58
2010-11	100	₹2.00	147.17

iv) Unpaid / Unclaimed Dividend :

All the unpaid/unclaimed dividend upto the financial year 2003-04 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 2004-05 is due to be transferred to Investor Education and Protection Fund.

v) Listing on Stock Exchanges:

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

  BSE/NSE listing fees for the financial year 2012-13 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 2011-12: -

	B S E		N S E	
Months	High	Low	High	Low
April, 2011	89.90	74.10	89.80	73.10
May, 2011	92.90	83.00	92.45	82.55
June, 2011	95.70	86.40	95.80	86.95
July, 2011	115.90	91.60	115.65	93.05
August, 2011	116.85	96.30	116.85	96.20
September, 2011	121.40	103.00	121.50	102.80
October, 2011	121.45	106.25	121.50	106.00
November, 2011	121.85	84.00	122.00	83.25
December, 2011	104.75	90.50	104.95	95.00
January, 2012	115.50	96.30	119.90	95.10
February, 2012	152.80	112.05	159.00	112.20
March, 2012	173.20	144.05	173.90	142.65

viii) Registrar & Share Transfer Agent
MCS Ltd
F-65, 1st Floor, Okhla Industrial Area, Phase-1
New Delhi 110020
Phone: 011-41406151-52 Fax: 011-51709881

ix) Share Transfer System
M/s MCS Ltd is the Registrar and Transfer Agents for handling the share registry work relating to shares held in physical and electronic form at single point. The applications and request received by Registrar and Share Transfer Agent for transfer of shares held in physical form are processed and the share certificate for the same are sent to the transferee within the stipulated period under the Companies Act 1956 and the Listing Agreement. A summary of all the transfers, transmissions, deletion requests, among others approved by the share transfer and investors' grievance committee is placed before the Board of Directors from time to time.

x) Distribution of Shareholding as on 31st March 2012
Shareholding pattern of the Company as on 31st March 2012

Category	No.Of Shares Held	Percentage Of Shareholding
1 Indian Promoters	39371815	53.51
2 Mutual Funds and UTI	4999688	6.79
3 Bank, Financial Institutions,	35940	0.05
4 FII's	6357814	8.64
5 Private Corporate Bodies	7935950	10.78
6 Indian Public	14167591	19.26
7 NRI's /OCB's	712066	0.97
8 Any other (Trust & Foundation)	2716	–
Grand total	73583580	100.00

xi) Dematerialisation of Shares and liquidity
The Company's equity shares are compulsorily traded on 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 2012, 97.16% 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) Your Company has not obtained any public funding in last three years.

xiv) Other Information
a) Corporate Identification Number (CIN NO.) L26924UP1985PLC007595
b) Secretarial Audit for Capital Reconciliation
Secretarial Audit for Capital Reconciliation is carried out at every quarter and the report thereon is submitted to the stock exchange and is also placed before the Board of Directors. The Audit Report inter alia confirms that the total listed and paid up capital of the Company is an agreement with the aggregate of the total number of shares in dematerialised form (held with NSDL and CDSL) and the total number of shares in physical form.

Range Wise Distribution is as follows:

	No. of Shareholders		No. of Shares	
Range	Total	% of shareholders	Total	% of share capital
1-500	9255	74.15	1735966	2.36
501-1000	1571	12.59	1279175	1.74
1001-2000	765	6.13	1146839	1.56
2001-3000	267	2.14	669528	0.91
3001-4000	103	0.82	366438	0.50
4001-5000	94	0.75	447327	0.61
5001-10000	128	1.02	962815	1.31
10001 and above	299	2.40	66975492	91.01
Total:	12482	100%	73583580	100%

xv) Plant Locations
The two plants of the Company are located at the following addresses:

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

xvi) Subsidiary Company
As on 31st March 2012, the Company has the following three subsidiary companies which do not fall in the category of material non-listed companies as defined in Clause 49 of the Listing Agreement:

i. SORISO CERAMIC PRIVATE LIMITED
8-A, National Highway,
Lakhdhipur Road,
Morbi, Gujarat, 363642

ii. JAXX VITRIFIED PRIVATE LIMITED
SN-72/P1 & 72/P2
Timbadi, Morbi,
Gujarat – 363642

iii. KAJARIA CERAMICS ADDIS PLC
Addis Ababa
Kirkos Sub city Kebere 20,
House No. 640,
Ethiopia

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

Corporate Office:
Kajaria Ceramics Ltd
J-1/B-1 (Extn), Mohan Co-operative Indl Estate
Mathura Road, New Delhi-110044
Phone: +91-11-2694 6409 Fax: +91-11-26946407

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

xviii) Certificate related to code of conduct to Directors/ Senior Management
This is to certify that as per 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: 27th April 2012

Ashok Kajaria
Chairman & Managing Director

ANNEXURE TO THE CORPORATE GOVERNANCE REPORT

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

He is holding 14,296 equity shares of the Company.

Directorship in other companies

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

Committees' Chairmanship / membership in the other companies

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

2. Mr. DEBI PRASAD BAGCHI, retired IAS officer, MA (Economics) and M Phil in Public Administration. During his tenure with Government of India, he served as Secretary to Government. of India. He was also Chief Secretary to Government of Orissa, and is also serving the Board of Directors of the other companies of different business. He has rich experience in General Administration, Management Strategy, Government Industry Relationship and Corporate Governance. Mr. Debi Prasad Bagchi has joined the Board of the Company on 29th June, 2007.

He is not holding any share of the Company.

Directorship in other companies

S. No.	Name of the Company	Position
1	Neelachal Ispat Nigam Ltd	Director
2	Visa Steel Limited	Director
3	Ind Barath Power Infra Ltd.	Director
4	Jindal India Thermal Power Ltd.	Director
5	Sahara India Financial Corporation Limited	Director
6	TK International Ltd.	Director
7	Green Valley Energy Ventures Limited	Director
8	Mideast Integrated Steels Limited	Director
9	Sahara Prime City Limited	Director

Committees' Chairmanship / membership in the other companies

S.No.	Name of the Company	Committee Name	Member/ Chairman
1	Neelachal Ispat Nigam Ltd.	Audit Committee	Chairman
2	Visa Steel Limited	Audit Committee	Member
3	Jindal India Powertech Limited	Audit Committee	Member
4	Sahara India Financial Corporation Limited	Audit Committee	Member
5	TK International Ltd.	Audit Committee	Member
6	Mideast Integerated Steels Ltd.	Audit Committee	Member

3. Mr. H. Rathnakara Hegde was appointed as an additional director w.e.f 17th January 2012 by the Board. Mr. H. Rathnakara Hegde has served the banking industry for four decades. His most recent position was as the Executive Director of the Oriental Bank of Commerce (OBC), a premier public sector bank in India. Mr Hegde assumed his responsibilities at OBC on May 16th, 2008. Prior to this, Mr. Hegde held the position of General Manager (Credit, Human Resource, Treasury, Marketing) at Vijaya Bank that was the culmination of 38 years of exemplary service in various capacities. Mr. Hegde has a formidable wealth of knowledge of the Indian banking industry.

Directorship in other companies

S. No.	Name of the Company	Position
1	Sical Logistics Limited	Director
2	Sical Iron Ore Terminals Limited	Director
3	Su- Raj Diamonds & Jewellery Limited	Director

Committees' Chairmanship / membership in the other companies

S.No.	Name of the Company	Committee Name	Member/ Chairman
1	Sical Logistics Limited	Audit Committee	Member
2	Sical Iron Ore Terminals Limited	Audit Committee	Member
3	Su- Raj Diamonds & Jewellery 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 2012, 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 Transfer 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

Atul Bagla
Partner
M No. 91885

Place: New Delhi
Date: 27th April 2012

Auditors' Report

To
The Members of
Kajaria Ceramics Limited

We have audited the attached Balance Sheet of **KAJARIA CERAMICS LIMITED** as at 31st March, 2012 and also the Statement of Profit & Loss 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, statement of Profit & Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account.
   d) In our opinion, the Balance Sheet, statement of Profit & Loss 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, 2012 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, 2012 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, give the information required by the Companies Act, 1956 in the manner so required and give true and fair view in conformity with the accounting principles generally accepted in India :-
      i) In the case of the Balance Sheet of the state of affairs of the Company as at 31st March, 2012.
      ii) In the case of the Statement of Profit & Loss 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
Firm Registration No. 000018N

Atul Bagla
Partner
Membership No. 91885

Place : New Delhi
Dated : 27 April 2012

Annexure to the Auditors' Report

Annexure referred to in paragraph 1 of the Auditors' Report on Accounts for the year ended 31st March 2012

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 Companies Act, 1956 except an interest free loan of ₹ 36.77 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 31st March, 2012.
4. The Company has not taken any loan from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
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 Companies Act, 1956 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 ₹ 500,000 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. The central government has prescribed the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 in respect of the manufacturing activities of the Company. We have broadly reviewed the accounts and records of the Company in this connection and are of the opinion, that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, carried out a detailed examination of the same.
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 ₹ 64.34 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	1,366,298	Appeals pending with Commissioner (Appeals)
Customs Duty	140,165	Appeal pending before Commissioner (Appeals)
Entry Tax	62,631,098	Appeal pending with Supreme Court
Service Tax	346,927	Appeal pending with High Court, Rajasthan

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 not given any guarantee for loan taken others from Banks or Financial Institutions, the terms and conditions whereof are 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 utilised 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 31st March, 2012.
21. Other clauses of the order are not applicable to the Company for the year under report.

For O. P. Bagla & Co.
Chartered Accountants
Firm Registration No. 000018N

Atul Bagla
Partner
Membership No. 91885

Place : New Delhi
Dated : 27 April 2012

Balance Sheet As at 31st March 2012

(₹ in million)

	Notes	31.03.2012	31.3.2011
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2	147.17	147.17
Reserves and Surplus	3	2,671.80	2,078.44
		2,818.97	2,225.61
Non-current Liabilities			
Long-term borrowings	4	709.98	959.92
Deferred tax liabilities	5	636.28	601.91
Long-term provisions	6	62.24	42.16
		1,408.50	1,603.99
Current liabilities			
Short-term Borrowings	7	1,038.00	1,040.38
Trade payables	8	1,678.12	1,671.99
Other current liabilities	9	1,363.91	1,172.26
Short-term provisions	10	288.17	244.23
		4,368.20	4,128.86
Total		**8,595.67**	**7,958.46**
ASSETS			
Non-current Assets			
Fixed assets			
Tangible assets	11	4,674.88	4,782.70
Intangible assets	12	15.79	7.69
Capital Work-in-Progress		17.60	0.63
Non-current investments	13	123.52	90.14
Long-term loans and advances	14	157.86	291.29
Other non-current assets	15	0.68	1.32
		4,990.33	5,173.77
Current Assets			
Inventories	16	1,757.82	1,515.11
Trade receivables	17	1,410.11	909.04
Cash and Cash equivalents	18	58.96	29.92
Short-term loans and advances	19	15.21	–
Other current assets	20	363.24	330.62
		3,605.34	2,784.69
Total		**8,595.67**	**7,958.46**
Significant Accounting Policies	1		

The accompanying Notes 1 to 45 form an integral part of these financial statements.

In terms of our report of even date Annexed

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

Atul Bagla
Partner
Membership No.: 91885

Place: New Delhi
Dated: 27 April 2012

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
H. Ratnakar Hegde
Directors

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

Statement of Profit and Loss For the year ended 31st March 2012

(₹ in million)

	Notes	31.03.2012	31.3.2011
REVENUE			
Revenue from operations	21	14,017.57	10,055.04
Less: Excise Duty		889.70	522.26
		13,127.87	9,532.78
Other Income	22	11.33	3.16
Total Revenue		**13,139.20**	**9,535.94**
EXPENSES			
Cost of Materials Consumed	23	2,862.79	1,555.68
Purchases of Stock in Trade		4,117.75	3,803.95
Changes in Inventories	24	(154.71)	39.22
Employee benefits expenses	25	1,036.57	758.07
Finance costs	26	469.82	299.39
Depreciation and amortisation expenses		370.77	294.99
Other expenses	27	3,261.03	1,892.88
Total expenses		**11,964.02**	**8,644.18**
Profit before exceptional and extraordinary items & tax		1,175.18	891.76
Exceptional/Extraordinary items		–	–
Profit before tax		1,175.18	891.76
Tax expense:			
Current tax			
Current year		320.00	218.40
Earlier years		13.66	13.35
Deferred tax			
Current year		34.37	53.39
Profit for the Period		**807.15**	**606.62**
Basic/Diluted Earnings per equity share (₹)		10.97	8.24
Significant Accounting Policies	1		

The accompanying Notes 1 to 45 form an integral part of these financial statements.

In terms of our report of even date Annexed

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

Atul Bagla
Partner
Membership No.: 91885

Place: New Delhi
Dated: 27 April 2012

For and on behalf of the Board

Ashok Kajaria
Chairman & Managing Director

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D. P. Bagchi
R. K. Bhargava
R. R. Bagri
H. Ratnakar Hegde
Directors

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

Notes on Accounts

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

I. 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.

II. Income and Expenditure:
Accounting of Income & Expenditure is done on accrual basis.

III. Tangible, Intangible 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. CENVAT/ VAT credit availed on capital equipment is accounted for by credit to respective fixed assets.

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 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.

IV. Investments:
Long term investments are stated at cost.

V. 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) Stock in trade - at lower of cost or estimated realisable value.
f) Material in Transit - at cost.

VI. 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.

VII. Sales
Sales are inclusive of excise duty and after deducting VAT and discounts.

VIII. 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.

IX. 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.

Notes on Accounts

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES *(Contd...)*

X. 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.

XI. 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 a tangible asset as per AS – 10 issued by ICAI.

XII. 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.

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

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

(₹ in million)

	31.03.2012	31.03.2011
NOTE 2 SHARE CAPITAL		
Equity Share Capital		
Authorised		
125,000,000 (125,000,000) Equity Shares of par value of ₹ 2/- each	250.00	250.00
1,000,000 (1,000,000) Preference of Shares of par value of ₹ 100/- each	100.00	100.00
	350.00	**350.00**
Issued, Subscribed & Paid up		
73,583,580 (73,583,580) Equity Shares of par value of ₹ 2/- each fully paid up in cash	147.17	147.17
	147.17	**147.17**

a) The Company has not issued any shares during the year.

b) The holders of the equity shares are entitled to receive dividends as declared from time to time, and are entitled to voting rights proportionate to their share holding at the meetings of shareholders.

c) Following Shareholders hold equity shares more than 5% of the total equity shares of the Company at the end of the period :-

Name of Shareholder	No. of Shares	% of Shareholding
Kajaria Exports Ltd.	14,703,545	19.98%
Kajaria Securities Pvt. Ltd	6,611,905	8.99%
Pearl Tile Marketing Pvt. Ltd.	5,080,240	6.90%
Cheri Ceramics Pvt. Ltd	5,058,385	6.87%
HSBC Bank (Mauritius) Ltd. A/c Jawalamukhi Investments Holdings	4,780,344	6.50%
Bengal Finance & Investment Pvt. Ltd	4,126,427	5.61%

d) The Company has not issued shares for a consideration other than cash or bonus shares during the immediately preceding 5 years.

(₹ in million)

	31.03.2012	31.03.2011
NOTE 3 RESERVES AND SURPLUS		
Securities Premium Account		
As per last Balance Sheet	142.35	142.35
General Reserve		
Balance b/f	610.33	513.69
Less: Amount withdrawn from reserve	–	(103.37)
Add : Transferred during the year	250.00	200.00
	860.33	610.32
Capital Redemption Reserve		
As per last Balance Sheet	50.00	50.00
Surplus		
As per last Balance Sheet	1,275.77	994.15
Add: Net Profit after Tax transferred from Statement of Profit & Loss	807.15	606.62
Less : Proposed Dividend on Equity Shares	183.96	147.17
Less : Corporate Dividend Tax	29.84	23.87
Less : Transfer to General Reserve	250.00	200.00
Add : Transfer from Debenture Redemption Reserve	–	46.04
	1,619.12	1,275.77
	2,671.80	**2,078.44**

	31.03.2012	31.03.2011
NOTE 4 LONG-TERM BORROWINGS		
A. TERM LOANS		
- From Banks		
Secured	700.99	946.28
- From Other Parties		
Secured	8.99	13.64
	709.98	**959.92**

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 (U P) and village Gailpur (Rajasthan) (subject to prior charges on movables in favour of Banks) ranking pari-passu with the charges created in favour of participating Financial Institutions and Banks and further guaranteed by the Managing Director of the Company.
2. Loan from others parties are secured against respective assets financed.
3. There has been no continuing default on the Balance Sheet date in repayment of loan and interest.
4. The term loans are repayable generally over a period of three to five years after a moratarium period of one to two years in installments as per the terms of the respective agreements.

	31.03.2012	31.03.2011
NOTE 5 DEFERRED TAX LIABILITIES		
As at 1st April 2011	601.91	548.52
Add : Additional adjustment for current year	34.37	53.39
	636.28	**601.91**

The net increase during the year in the deferred tax liability ₹ 34.37 million (previous year increase ₹ 53.39 million) has been debited to the statement of Profit & Loss.

Notes on Accounts As at 31st March 2012

(₹ in million)

	31.03.2012	31.03.2011
NOTE 6 LONG TERM PROVISIONS		
Provision for Gratuity Obligation		
As per last Balance Sheet	42.16	35.54
Additions during the year	20.08	6.62
Total	**62.24**	**42.16**

Refer Note No. 40 for detailed disclosure as per AS 15.

	31.03.2012	31.03.2011
NOTE 7 SHORT-TERM BORROWINGS		
LOANS REPAYABLE ON DEMAND		
Working Capital Facilities		
- From Banks		
Secured	1,038.00	1,000.38
Short Term Loans & Advances		
- From Companies	–	40.00
Total	**1,038.00**	**1,040.38**

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.

There has been no defaults in repayment of any of the loans or interest thereon as at the end of the year.

	31.03.2012	31.03.2011
NOTE 8 TRADE PAYABLES		
Trade Payables - Micro, Small & Medium Enterprises	323.76	230.74
- Others	1,354.36	1,441.25
	1,678.12	**1,671.99**

	31.03.2012	31.03.2011
NOTE 9 OTHER CURRENT LIABILITIES		
Current maturities of long term debts	669.26	796.49
Interest accrued but not due on borrowings	–	0.47
Unpaid Dividends	4.65	3.17
Provision for expenses	461.52	211.87
Deposits Received	50.78	39.61
Statutory Dues Payable	177.70	120.65
Total	**1,363.91**	**1,172.26**

	31.03.2012	31.03.2011
NOTE 10 SHORT TERM PROVISIONS		
Provision for employee benefits		
Unavailed leave	44.82	39.97
Others		
Proposed Dividend	183.96	147.17
Provision for		
Income Taxes *	29.55	33.22
Tax on dividend	29.84	23.87
Total	**288.17**	**244.23**

* Net of Income Tax Advances ₹ 290.45 million (previous year ₹ 185.18 million)

(₹ in million)

NOTE 11 TANGIBLE ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.4.2011	Additions	Sale/ Transfer	As at 31.3.2012	Upto 31.3.2011	For the year	Sale/ Transfer	Upto 31.3.2012	As at 31.3.2012	As at 31.3.2011
Land :										
(including development expenses)										
Freehold	74.38	–	–	74.38	–	–	–	–	74.38	74.38
Leasehold	31.22	–	–	31.22	–	5.14	–	5.14	26.08	31.22
Building :	1,385.89	85.68	0.05	1,471.52	301.84	45.62	0.02	347.43	1,124.09	1,084.05
Plant and machinery	5,122.29	149.40	33.44	5,238.33	1,711.71	281.13	11.25	1,981.66	3,256.68	3,410.58
Furniture and fixtures	52.94	8.37	4.23	57.08	28.42	3.43	1.89	29.96	27.12	24.51
Vehicles	106.29	28.02	11.76	122.55	25.46	11.10	5.99	30.57	91.98	80.83
Office equipment	41.37	6.21	2.75	44.94	17.17	1.88	0.50	18.56	26.38	24.19
Computers	50.01	6.68	0.04	56.65	31.65	6.03	0.03	37.65	19.00	18.37
Other Equipments	125.88	17.04	25.65	117.06	91.31	14.63	17.97	87.90	29.17	34.57
Current year	**6,990.27**	**301.40**	**77.92**	**7,213.74**	**2,207.57**	**368.96**	**37.66**	**2,538.87**	**4,674.88**	**4,782.70**
Previous year	5,433.32	1,648.26	91.31	6,990.27	1,985.93	294.70	73.07	2,207.57	4,782.70	3,447.39

NOTE 12 INTANGIBLE ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.4.2011	Additions	Sale/ Transfer	As at 31.3.2012	Upto 31.3.2011	For the year	Sale/ Transfer	Upto 31.3.2012	As at 31.3.2012	As at 31.3.2011
Software	9.61	9.92	–	19.53	1.93	1.81	–	3.74	15.79	7.69
Total	**9.61**	**9.92**	**–**	**19.53**	**1.93**	**1.81**	**–**	**3.74**	**15.79**	**7.69**
Previous year	2.15	7.46	–	9.61	1.64	0.29	–	1.93	7.69	0.51

NOTE 13 NON CURRENT INVESTMENTS

	31.03.2012	31.03.2011
Long Term Investments (At Cost)		
(Other than trade)		
Equity Instruments (fully paid up)		
Unquoted		
In Subsidiaries		
1,530,000 (P.Y. 1,530,000) Equity Shares of M/s Soriso Ceramic Pvt. Ltd. of ₹ 10/- each.	56.20	56.20
2,320,500 (P.Y. NIL) Equity Shares of M/s Jaxx Vetrified Pvt. Ltd. of ₹ 10/-.	62.81	–
1,696 (P.Y. NIL) Equity Shares of M/s Kajaria Ceramics Addis Plc. of 1,000 BRR each.	4.51	–
	123.52	**56.20**
Others		
0 Equity Shares (P.Y. 2,939,500) of Kajaria Plus Pvt. Ltd. of ₹ 10/- each	–	29.44
Quoted		
0 Equity Shares (P.Y. 300,000) of Regency Trust Ltd. of ₹ 10/- each	–	4.50
	123.52	**90.14**
Quoted Investments		
Book Value	–	4.50
Market Value	–	2.70
Unquoted Investments		
Book Value	123.52	85.64

Investments have been valued as per accounting policy no.4 disclosed in Note no. 1 to these financial statements.

(₹ in million)

NOTE 14 LONG TERM LOANS AND ADVANCES

	31.03.2012	31.03.2011
(Unsecured Considered good, unless otherwise stated)		
Capital Advances	–	78.75
Security Deposits	117.43	202.00
Loans		
- To Subsidiaries	36.77	10.54
Advances		
- Share Application Money paid to Subsidiary Company	3.66	–
Total	**157.86**	**291.29**

NOTE 15 OTHER NON-CURRENT ASSETS

	31.03.2012	31.03.2011
(Unsecured Considered good, unless otherwise stated)		
Others		
Advance to gratuity trust	0.68	1.32
Total	**0.68**	**1.32**

NOTE 16 INVENTORIES

	31.03.2012	31.03.2011
(As certified by the Management)		
Raw Materials	259.60	251.40
Work-in-Process	83.32	67.88
Finished Goods	655.84	402.67
Stock in Trade	473.41	587.31
Stores and Spares	285.65	205.85
	1,757.82	**1,515.11**

Inventory items have been valued considering the Significant Accounting Policy No.V disclosed in Note no.1 to these financial statements.

NOTE 17 TRADE RECEIVABLES

	31.03.2012	31.03.2011
(Unsecured Considered good unless otherwise stated)		
a) **Debts outstanding for a period exceeding six months**		
- Considered Good	16.15	38.57
- Considered Doubtful	20.40	22.41
Less: Provision for Doubtful Debts	2.00	1.20
	18.40	**21.21**
	34.55	**59.78**
b) **Other Debts**		
- Considered Good	1,375.56	849.25
- Considered Doubtful	–	0.01
	1,375.56	**849.26**
	1,410.11	**909.04**

Notes on Accounts As at 31st March 2012

(₹ in million)

	31.03.2012	31.03.2011
NOTE 18 CASH AND BANK BALANCES		
Cash & Cash Equivalents		
Balance with Banks		
- in current and deposit accounts	48.96	22.31
Cash on hand	5.93	4.03
	54.89	26.34
Other Bank Balances		
Bank deposits with more than three months maturity*	4.07	3.58
	58.96	**29.92**
Balances with banks in unpaid dividend accounts	4.65	3.17
Deposit accounts with more than 12 months maturity	4.07	3.58
Balances with banks held as margin money deposits against guarantees	3.78	3.78

	31.03.2012	31.03.2011
NOTE 19 SHORT TERM LOANS AND ADVANCES		
(Unsecured Considered good unless otherwise stated)		
Advances		
- To Others	15.21	–
	15.21	**–**

	31.03.2012	31.03.2011
NOTE 20 OTHER CURRENT ASSETS		
(Unsecured Considered good unless otherwise stated)		
Advances		
For supply of goods and rendering of services	303.69	230.17
Balance With Excise Authorities	47.90	86.19
Exports Benefit Accrued	1.65	4.47
Prepaid Expenses	9.68	9.54
Income Tax Advances	0.32	0.25
	363.24	**330.62**

	31.03.2012	31.03.2011
NOTE 21 REVENUE FROM OPERATIONS		
Sale of Products		
Tiles	13,988.36	10,033.47
Power	14.87	12.24
	14,003.23	10,045.71
Other operating revenue		
Sale of Scrap	14.34	9.33
	14,017.57	**10,055.04**

Notes on Accounts For the year ended 31st March 2012

(₹ in million)

		31.03.2012	31.03.2011
NOTE 22 OTHER INCOME			
Miscellaneous Income		0.94	1.40
Rent Received		2.40	–
Sundry Balances Written Off		4.03	(0.60)
Interest Recovered		3.84	2.36
Profit on sale of Investments		0.12	–
		11.33	**3.16**
NOTE 23 COST OF MATERIAL CONSUMED			
Raw Material & Packing Material Consumed			
Body Material		1,254.25	524.29
Glaze, Frits and Chemicals		1,119.43	717.03
Packing Material		489.11	314.36
		2,862.79	**1,555.68**
NOTE 24 CHANGES IN INVENTORIES			
Stock as on 1st April 2011			
Work-in-process		67.88	60.88
Finished Goods		402.67	598.09
Stock in Trade		587.31	438.11
	'A'	**1,057.86**	**1,097.08**
Stock as on 31st March 2012			
Work-in-process		83.32	67.88
Finished Goods		655.84	402.67
Stock in Trade		473.41	587.31
	'B'	**1,212.57**	**1,057.86**
	B-A	**154.71**	**(39.22)**
NOTE 25 EMPLOYEE BENEFITS EXPENSE			
Salaries and wages		948.66	684.28
Contribution to provident and other funds		67.63	55.49
Staff welfare expenses		20.28	18.30
		1,036.57	**758.07**
NOTE 26 FINANCE COSTS			
Interest on:			
Term loans		208.64	162.79
Others		159.81	150.00
Other Borrowing costs:			
Processing Fees		22.26	19.05
Net gain/loss in foreign currency transactions & translations		79.11	(32.45)
		469.82	**299.39**

Notes on Accounts For the year ended 31st March 2012

(₹ in million)

NOTE 27 OTHER EXPENSES	31.03.2012	31.03.2011
Other Manufacturing Expenses		
Stores and Spares Consumed	268.71	147.31
Power and Fuel	1,937.81	926.61
Finished Goods used for Fixed Assets	–	(1.40)
Excise Duty on Stocks	35.17	(21.74)
	2,241.69	**1,050.78**
Repairs & maintenance		
- Building	18.41	10.14
- Machinery	33.10	21.79
- Others	23.22	22.91
	74.73	**54.84**
Administrative Expenses		
Printing, Stationery & EDP Expenses	9.36	7.58
Rent, Rates & Taxes	102.44	93.23
Vehicle Expenses	18.18	14.44
Communication Expenses	37.55	37.04
Traveling & Conveyance Expenses	145.22	113.78
Insurance Charges	12.82	10.80
Legal & Professional Charges	14.50	9.22
Directors Sitting Fees	0.80	0.92
Auditors' Remuneration :		
- As Audit Fees	1.20	1.00
- For Tax Audit, Certification & Tax Representations	0.69	1.14
- For Other matters	0.80	0.73
Miscellaneous Expenses	41.50	32.24
Share Transfer Expenses	0.18	0.18
Electricity & Water Charges	15.28	13.46
Foreign Technician Expenses	3.66	0.15
Bank Charges	1.37	1.54
	405.55	**337.45**
Selling & Distribution Expenses		
Packing, Freight & Forwarding Expenses	142.02	113.92
Advertisement, Publicity & Sales Promotion	217.79	163.11
Commission	128.25	152.80
	488.06	**429.83**
Others		
Loss on Sale / Scrapping of Fixed Assets	14.63	15.97
Social Relief & Welfare Expenses	0.32	3.58
Bad Debts Written Off	5.50	–
Provision for doubtful debts	0.80	–
Research & Development Expenses	29.75	0.43
	51.00	**19.98**
	3,261.03	**1,892.88**

Notes on Accounts

OTHER NOTES ON ACCOUNTS

28. Contingent Liabilities (₹ in million)

	As at 31.03.2012	As at 31.03.2011
(excluding matters separately dealt with in other notes):		
a. In respect of Bills discounted with the Company's Bankers	21.13	34.23
b. Counter guarantees issued in respect of guarantees issued by company's bankers	0.50	8.76
c. Guarantees issued on behalf of limited companies	90.00	50.00
d. In respect of Excise Duty, Sales Tax, Service Tax, Custom Duty Demands pending before various authorities and in dispute	64.48	60.12
e. In respect of disputed Electricity Demand pending with Appellate Authorities and other consumer cases.	16.67	4.68

29. Commitments

	As at 31.03.2012	As at 31.03.2011
a. Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of advances)	10.18	3.96
b. Letters of Credit opened in favour of inland/overseas suppliers (Net)	1,303.13	1,623.52

30. Particulars of Sales & Stocks

	Year ended 31.03.2012	Year ended 31.03.2011
a) Opening Stock		
Tiles	989.98	1,036.20
b) Purchases		
Tiles	4,117.75	3,803.95
c) Sales		
Tiles (Manufactured)	8,766.56	5,430.37
Tiles (Trading)	5,221.80	4,603.10
Power	14.87	12.25
d) Closing Stock		
Tiles	1,129.25	989.98

31. Value of Imports on CIF basis:

	Year ended 31.03.2012	Year ended 31.03.2011
Capital Goods	93.32	572.83
Raw Materials	177.88	105.87
Spares and Consumables	175.45	95.20
Traded Goods	2,119.62	2,176.18

32. Foreign Currency

	Year ended 31.03.2012	Year ended 31.03.2011
A) Expenditure in Foreign Currency (on accrual basis) :		
a) Interest on FC Loan	–	17.07
b) Commission of Export Sales	0.18	0.79
c) Others including travel etc.	25.84	22.29
B) Payment of Dividend in Foreign Currency pertaining to :		
a) No of persons	15	15
b) No of shares	31,830	31,830
c) Amount in (₹)	63,660	31,830

OTHER NOTES ON ACCOUNTS *(CONTD...)*

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

	Year ended 31.03.2012	Year ended 31.03.2011
FOB Value of Exports (₹)	129.36	137.60

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

	2011-12		2010-11	
	%	₹ million	%	₹ million
Imported	7.92	226.80	5.85	90.95
Indigenous	92.08	2,635.99	94.15	1,464.73

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

	Year ended 31.03.2012	Year ended 31.03.2011
1. Principal amount outstanding	323.76	230.74
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.

36. 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.

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

38. 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.

39. To comply with the guidance note on "Accounting Treatment of Excise Duty" issued by Institute of Chartered Accountants of India, excise duty amounting to ₹ 91.72 million (previous year ₹ 56.55 million) has been included in the value of inventories as on 31st March 2012 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.

40. 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:

OTHER NOTES ON ACCOUNTS *(CONTD...)*

Profit and Loss account

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

	Year ended 31.03.2012	Year ended 31.03.2011
Current Service cost	11.21	7.18
Interest cost on benefit obligation	5.93	3.99
Net actuarial loss recognised in the year	5.56	4.80
Past service cost	–	6.80
Expected Return on Plan Assets	(1.12)	(1.15)
Net benefit expense	21.58	21.62

Balance Sheet

Details of provision for Gratuity

	Year ended 31.03.2012	Year ended 31.03.2011
Fair Value of Plan Assets at the end of the period	24.35	25.60
Liability at the end of the period	86.59	67.77
Difference	62.24	42.16
Less: Unrecognised past service cost	–	–
Amount recognised in the Balance Sheet	62.24	42.16

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

	Year ended 31.03.2012	Year ended 31.03.2011
Defined benefit obligation as at 1st April 2011	67.77	49.91
Interest Cost	5.93	3.99
Current service cost	11.21	7.18
Benefit paid	(3.87)	(5.04)
Past Service Cost – Vested Benefit	–	6.80
Actuarial losses on obligation	5.56	4.93
Defined benefit obligation as at 31st March 2012	86.60	67.77

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

	Year ended 31.03.2012	Year ended 31.03.2011
Fair value of plan assets as at 1st April 2011	25.60	14.37
Return on Plan Assets	1.12	1.15
Contributions by employer	1.50	15.00
Benefits paid	(3.87)	(5.04)
Actuarial Gains / (losses)	–	0.12
Fair value of plan assets as at 31st March 2012	24.35	25.60

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

	Year ended 31.03.2012	Year ended 31.03.2011
Discount rate	8.75%	8.25%
Expected rate of return on plan assets	4.48%	8.00%
Salary Escalation	7.75%	7.75%
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.

On consideration of materiality, the entire liability has been classified as a 'non current liability'.

41. 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 ₹ 320 million has been made on regular income.

Notes on Accounts

OTHER NOTES ON ACCOUNTS *(CONTD...)*

b) Deferred Tax:

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

Particulars	Opening as at 01.04.2011	Charge/(credit) during the year	Closing as at 31.03.2012
Depreciation	601.91	34.37	636.28
Net Deferred Tax Liability	**601.91**	**34.37**	**636.28**

42. Related Party Disclosures:

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

A. Relationships

I. Key Management Personnel:

Name	Designation
Sh. A. K. Kajaria	Chairman & Managing Director
Sh. Chetan Kajaria	Joint Managing Director
Sh. Rishi Kajaria	Joint Managing Director
Sh. B.K. Sinha	Director Technical

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

Kajaria Infrastructure Ltd
Kajaria Exports Ltd
Dua Engineering Works Pvt Ltd
Malti Devi Kajaria Charitable Trust

III. Subsidiary Companies

Soriso Ceramic Pvt Ltd
Jaxx Vitrified Pvt Ltd
Kajaria Ceramics Addis Plc

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 Goods & Services	– (–)	497.22 (55.14)	6.60 (10.15)
Purchase of Fixed Assets	– (–)	– (–)	5.41 (–)
Rent Paid	– (–)	– (–)	8.16 (3.71)
Remuneration	51.48 (30.30)	– (–)	– (–)
Investment in shares	– (–)	67.32 (56.20)	– (–)
Sale of Shares	– (–)	– (–)	14.70 (–)
Donation Paid	– (–)	– (–)	3.08 (–)
Loan Given	– (–)	26.23 (10.54)	– (–)
Share Application Money Paid	– (–)	3.66 (–)	– (–)

(Figures in brackets are for previous year)

Notes on Accounts

OTHER NOTES ON ACCOUNTS *(CONTD...)*

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

	Outstanding Balances		Written off/Written back	
	As at 31.03.2012	As at 31.03.2011	As at 31.03.2012	As at 31.03.2011
Key Management Personnel	–	–	–	–
Subsidiaries	20.54	10.54	–	–
Others	–	–	–	–

43. 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.

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

	Year ended 31.03.2012	Year ended 31.03.2011
Profit attributable to the Equity Shareholders - (A) (₹ in Millions)	807.15	606.62
Basic /Weighted average number of Equity Shares outstanding during the year (B)	73,583,580	73,583,580
Nominal value of Equity Shares (₹)	2.00	2.00
Basic/Diluted Earnings per share (₹) - (A)/(B)	10.97	8.24

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

Signature to the schedule 1 to 45

In terms of our report of even date Annexed

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

Atul Bagla
Partner
Membership No.: 91885

Place: New Delhi
Dated: 27 April 2012

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
H. Ratnakar Hegde
Directors

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

Cash Flow Statement For the year ended 31st March 2012

(₹ in million)

	31.03.2012		31.03.2011	
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before tax and extraordinary items		**1,175.16**		**891.77**
Adjusted for :				
Depreciation	370.77		294.99	
Preliminary Expenses Written Off	–		–	
Investments Written Off	–		–	
Interest Received	(3.84)		–	
Interest Paid	368.45		162.79	
Profit on sale of Investment	(0.12)		–	
Dividend Received	–		–	
Loss on sale of Fixed Assets	14.63	749.89	15.97	473.75
Operating Profit before Working Capital Changes		**1,925.05**		**1,365.52**
Adjusted for :				
Trade & Other Receivables	(415.18)		(125.17)	
Inventories	(242.72)		(112.56)	
Trade Payable	222.73	(435.17)	932.20	694.47
Cash Generated from Operations		**1,489.88**		**2,059.99**
Interest Paid	(368.45)		(162.79)	
Direct Taxes Paid	(337.39)		(210.30)	
Cash Flow before Extraordinary Items	–		–	
Extraordinary items	–	(705.84)	(103.37)	(476.46)
Net Cash from operating activities		**784.04**		**1,583.53**
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	(328.32)		(1,630.87)	
Sale of Fixed Assets	25.63		2.26	
Acquisitions of Companies	–		–	
Purchase of Investments	(67.32)		(56.20)	
Sale of Investments	34.06		–	
Interest Received	3.84		–	
Dividend Received	–		–	
Net Cash used in Investing Activities		**(332.11)**		**(1,684.81)**
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from Issue of Share Capital	–		–	
Proceeds from Long Term Borrowings	(249.95)		168.51	
Proceeds from Short Term Borrowings	(2.38)		–	
Repayment of Borrowings	–		–	
Redemption of Preference Shares	–		–	
Dividend and Dividend Tax Paid	(171.04)		(85.80)	
Net Cash used in Financing Activities		**(423.38)**		**82.70**
Net increase in Cash and Cash Equivalents		28.55		(18.58)
Cash and Cash Equivalents as on 1.4.2011		26.34		44.92
Cash and Cash Equivalents as on 31.3.2012		**54.89**		**26.34**

In terms of our report of even date Annexed

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

Atul Bagla
Partner
Membership No.: 91885

Place: New Delhi
Dated: 27 April 2012

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
H. Ratnakar Hegde
Directors

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

Auditors' Report on Consolidated Financial Statements

To
The Members of
Kajaria Ceramics Limited

We have audited the attached Consolidated Balance Sheet of **KAJARIA CERAMICS LIMITED** as at 31st March, 2012 and the Consolidated Statement of Profit & Loss for the year ended 31st March, 2012, 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 did not audit the financial statements of two subsidiaries, whose financial statements reflect total assets of ₹ 696.95 million as at 31st March, 2012, total revenue of ₹ 503.45 million and cash flows amounting to ₹ 0.67 million for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.
2. We have relied on the unaudited financial statements of one subsidiary whose financial statements reflect total assets of ₹ 8.17 million as on 31st March, 2012. The subsidiary is yet to commence commercial operations and hence has no revenues or cash flows. These unaudited financial statements have been approved by the management and our report, in so far as it relates to the amounts included in respect of the subsidiary is based solely on such approved unaudited financial statements.
3. 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.
4. We further report that on the basis of the information and explanations given to us, 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, 2012,
   b) In the case of Consolidated Statement of Profit & Loss, 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
Firm Registration No. 000018N

Atul Bagla
Partner
Membership No. 91885

Place : New Delhi
Dated : 27 April 2012

Consolidated Balance Sheet As at 31st March 2012

(₹ in million)

	Notes	31.03.2012	31.3.2011
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2	147.17	147.17
Reserves and Surplus	3	2,673.54	2,078.02
		2,820.71	**2,225.19**
Minority Interest		**72.20**	**18.45**
Non-current Liabilities			
Long-term borrowings	4	916.75	1,016.36
Deferred tax liabilities	5	643.68	603.20
Long-term provisions	6	62.24	42.16
		1,622.67	**1,661.72**
Current liabilities			
Short-term Borrowings	7	1,143.28	1,066.83
Trade payables	8	1,775.80	1,705.96
Other current liabilities	9	1,433.06	1,179.60
Short-term provisions	10	294.48	244.23
		4,646.62	**4,196.61**
Total		**9,162.20**	**8,101.97**
ASSETS			
Non-current Assets			
Fixed assets			
Tangible assets	11	5,147.61	4,870.21
Intangible assets	12	61.60	44.71
Capital Work-in-Progress		23.58	0.64
Non-current investments	13	0.81	33.94
Long-term loans and advances	14	135.85	283.79
Other non-current assets	15	0.68	1.32
		5,370.13	**5,234.61**
Current Assets			
Inventories	16	1,864.84	1,546.48
Trade receivables	17	1,442.21	942.45
Cash and bank balances	18	71.57	37.72
Short-term loans and advances	19	15.72	–
Other current assets	20	397.73	340.72
		3,792.07	2,867.36
Total		**9,162.20**	**8,101.97**
Significant Accounting Policies	1		

The accompanying Notes 1 to 39 form an integral part of these financial statements.

In terms of our report of even date Annexed

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

Atul Bagla
Partner
Membership No.: 91885

Place: New Delhi
Dated: 27 April 2012

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
H. Ratnakar Hegde
Directors

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

Consolidated Statement of Profit and Loss For the year ended 31st March 2012

(₹ in million)

	Notes	31.03.2012	31.3.2011
REVENUE			
Revenue from operations	21	14,087.09	10,060.66
Less: Excise Duty		956.81	528.20
		13,130.28	9,532.46
Other Income	22	14.74	3.23
Total Revenue		**13,145.02**	**9,535.68**
EXPENSES			
Cost of Materials Consumed	23	3,105.80	1,573.84
Purchases of Stock in Trade		3,620.53	3,759.34
Changes in Inventories	24	(218.01)	42.60
Employee benefits expenses	25	1,071.85	760.83
Finance costs	26	485.11	300.52
Depreciation and amortisation expenses		392.58	296.80
Other expenses	27	3,488.12	1,909.55
Total expenses		**11,945.98**	**8,643.48**
Profit before exceptional and extraordinary items & tax		**1,199.04**	**892.20**
Exceptional/Extraordinary items		–	–
Profit before tax		**1,199.04**	**892.20**
Tax expense:			
Current tax			
Current year		326.31	218.69
Earlier years		13.77	13.35
Deferred tax			
Current year		40.48	53.24
PROFIT AFTER TAX (Before adjustment for Minority Interest)		**818.48**	**606.92**
Less : Share of profit transferred to Minority		9.65	0.72
PROFIT AFTER TAX (After adjustment for Minority Interest)		**808.83**	**606.20**
Basic/Diluted Earnings per equity share (₹)		10.99	8.24
Significant Accounting Policies	1		

The accompanying Notes 1 to 39 form an integral part of these financial statements.

In terms of our report of even date Annexed

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

Atul Bagla
Partner
Membership No.: 91885

Place: New Delhi
Dated: 27 April 2012

For and on behalf of the Board

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Sr. Vice President (A & T) & Company Secretary

Notes on Consolidated Accounts

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

I. Principles of Consolidation

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

a) The financial statements of the Company and its subsidiary companies 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 companies considered in the consolidated financial statements are :

Name of the Subsidiary	Country of Incorporation	Proportion of ownership interest
Soriso Ceramic Pvt Ltd	India	51%
Jaxx Vitrified Pvt Ltd	India	51%
Kajaria Ceramics Addis Plc	Ethiopia	100%

II. 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.

III. Income and Expenditure:

Accounting of Income & Expenditure is done on accrual basis.

IV. 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. CENVAT/ VAT credit availed on capital equipment is accounted for by credit to respective fixed assets.

b) In case of assets acquired out of foreign currency loans, the increase/decrease in liability on account of fluctuation in exchange rates is charged to the Statement of Profit & Loss.

c) Depreciation is charged at the rates provided in Schedule XIV of the Companies Act, 1956 on Straight Line Method on assets of Holding Company and on 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.

V. Investments:

Long term investments are stated at cost.

VI. 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) Stock in trade - at lower of cost or estimated realisable value.

f) Material in Transit - at cost.

VII. 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.

VIII. Sales

Sales are inclusive of excise duty and after deducting VAT and discounts.

IX. 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 statement of Profit & Loss.

X. 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.

XI. 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.

XII. 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 a tangible asset as per AS - 10 issued by ICAI.

XIII. 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.

XIV. Sundry Debtors:

Sundry Debtors are shown net of bills discounted.

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

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

Notes on Consolidated Accounts As at 31st March 2012

(₹ in million)

	31.03.2012	31.03.2011
NOTE 2 SHARE CAPITAL		
Equity Share Capital		
Authorised		
125,000,000 (125,000,000) Equity Shares of par value of ₹ 2/- each	250.00	250.00
1,000,000 (1,000,000) Preference of Shares of par value of ₹ 100/- each	100.00	100.00
	350.00	**350.00**
Issued, Subscribed & Paid up		
73,583,580 (73,583,580) Equity Shares of par value of ₹ 2/- each fully paid up in cash	147.17	147.17
	147.17	**147.17**

a) The Company has not issued any shares during the year.

b) The holders of the equity shares are entitled to receive dividends as declared from time to time, and are entitled to voting rights proportionate to their share holding at the meetings of shareholders.

c) Following Shareholders hold equity shares more than 5% of the total equity shares of the Company at the end of the period :-

Name of Shareholder	No. of Shares	% of Shareholding
Kajaria Exports Ltd.	14,703,545	19.98%
Kajaria Securities Pvt. Ltd	6,611,905	8.99%
Pearl Tile Marketing Pvt. Ltd.	5,080,240	6.90%
Cheri Ceramics Pvt. Ltd	5,058,385	6.87%
HSBC Bank (Mauritius) Ltd. A/c Jawalamukhi Investments Holdings	4,780,344	6.50%
Bengal Finance & Investment Pvt. Ltd	4,126,427	5.61%

d) The Company has not issued shares for a consideration other than cash or bonus shares during the immediately preceding 5 years.

(₹ in million)

	31.03.2012	31.03.2011
NOTE 3 RESERVES AND SURPLUS		
Securities Premium Account		
As per last Balance Sheet	142.35	142.35
General Reserve		
Balance b/f	610.33	513.69
Less: Amount withdrawn from reserve	–	(103.37)
Add : Transferred During the Year	250.00	200.00
	860.33	610.32
Capital Redemption Reserve		
As per last Balance Sheet	50.00	50.00
Exchange Fluctuation Reserve	0.48	–
Surplus		
As per last Balance Sheet	1,275.35	994.15
Add: Net Profit after Tax transferred from Statement of Profit & Loss	808.83	606.20
Less : Proposed Dividend on Equity Shares	183.96	147.17
Less : Corporate Dividend Tax	29.84	23.87
Less : Transfer to General Reserve	250.00	200.00
Add : Transfer from Debenture Redemption Reserve	–	46.04
	1,620.38	1,275.35
	2,673.54	**2,078.02**

Notes on Consolidated Accounts As at 31st March 2012

(₹ in million)

	31.03.2012	31.03.2011
NOTE 4 LONG TERM BORROWINGS		
A. TERM LOANS		
- From Banks		
Secured	898.41	1,002.72
- From Other Parties		
Secured	18.34	13.64
	916.75	**1,016.36**

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-passu with the charges created in favour of participating Financial Institutions and Banks and further guaranteed by the Directors of the Company.
2. Loan from others parties are secured against respective assets financed.
3. There has been no continuing default on the Balance Sheet date in repayment of loan and interest.
4. The term loans are repayable generally over a period of three to five years after a moratarium period of one to two years in installments as per the terms of the respective agreements.

	31.03.2012	31.03.2011
NOTE 5 DEFERRED TAX LIABILITIES		
As At 1st April 2011	603.20	550.59
Add : Additional adjustment for current year	40.48	52.62
	643.68	**603.20**

The net increase during the year in the deferred tax liability ₹ 40.48 million (previous year increase ₹ 52.62 million) has been debited to the Statement of Profit & Loss.

	31.03.2012	31.03.2011
NOTE 6 LONG TERM PROVISIONS		
Provision for Gratuity Obligation		
As per last Balance Sheet	42.16	35.54
Additions during the year	20.08	6.62
Total	**62.24**	**42.16**

Refer Note No. 34 for detailed disclosure as per AS 15.

	31.03.2012	31.03.2011
NOTE 7 SHORT-TERM BORROWINGS		
LOANS REPAYABLE ON DEMAND		
Working Capital Facilities		
- From Banks		
Secured	1,106.24	1,026.83
Short Term Loans & Advances		
- From Companies	37.04	40.00
Total	**1,143.28**	**1,066.83**

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 Directors of the Company.

There has been no defaults in repayment of any of the loans or interest thereon as at the end of the year.

	31.03.2012	31.03.2011
NOTE 8 TRADE PAYABLES		
Trade Payables - Micro, Small & Medium Enterprises	323.76	230.74
- Others	1,452.04	1,475.22
	1,775.80	**1,705.96**

(₹ in million)

	31.03.2012	31.03.2011
NOTE 9 OTHER CURRENT LIABILITIES		
Current maturities of long term debts	721.89	796.49
Interest accrued but not due on borrowings	–	0.47
Unpaid Dividends	4.65	3.17
Provision for expenses	462.00	211.87
Deposits Received	50.78	39.61
Statutory Dues Payable	193.74	127.99
Total	**1,433.06**	**1,179.60**

NOTE 10 SHORT TERM PROVISIONS

Provision for employee benefits		
Unavailed leave	44.82	39.97
Others		
Proposed Dividend	183.96	147.17
Provision for		
Income Taxes *	35.86	33.22
Tax on dividend	29.84	23.87
Total	**294.48**	**244.23**

* Net of Income Tax Advances ₹ 290.45 million (previous year ₹ 185.18 million)

NOTE 11 TANGIBLE ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.4.2011	Additions	Sale/ Transfer	As at 31.3.2012	Upto 31.3.2011	For the year	Sale/ Transfer	Upto 31.3.2012	As at 31.3.2012	As at 31.3.2011
Land										
(including development expenses)										
Freehold	74.51	4.82	–	79.32	–	–	–	–	79.32	74.51
Leasehold	31.22	3.31	–	34.53	–	5.14	–	5.14	29.39	31.22
Building :	1,407.63	143.15	0.05	1,550.73	309.31	47.23	0.02	356.52	1,194.21	1,098.32
Plant and machinery	5,235.48	482.66	35.30	5,682.93	1,754.55	292.58	11.95	2,035.24	3,647.69	3,480.93
Furniture and fixtures	55.25	8.77	4.23	59.79	29.29	3.70	1.89	31.09	28.70	25.96
Vehicles	108.49	28.07	11.76	124.80	26.76	11.34	5.99	32.11	92.69	81.73
Office equipment	41.83	6.73	2.75	45.92	17.33	1.94	0.50	18.78	27.14	24.50
Computers	50.44	6.93	0.04	57.32	31.96	6.09	0.03	38.02	19.31	18.48
Other Equipments	125.88	17.04	25.65	117.06	91.31	14.63	17.97	87.90	29.17	34.57
Current Year	**7,130.72**	**701.47**	**79.78**	**7,752.41**	**2,260.52**	**382.65**	**38.36**	**2,604.80**	**5,147.61**	**4,870.21**
Previous year	5,567.11	1,657.98	94.37	7,130.72	2,026.39	307.68	73.56	2,260.52	4,870.21	3,540.72

NOTE 12 INTANGIBLE ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.4.2011	Additions	Sale/ Transfer	As at 31.3.2012	Upto 31.3.2011	For the year	Sale/ Transfer	Upto 31.3.2012	As at 31.3.2012	As at 31.3.2011
Software	9.61	9.92	–	19.53	1.93	1.81	–	3.74	15.79	7.68
Goodwill	37.75	16.91	–	54.66	0.72	8.12	–	8.84	45.82	37.03
Total	**47.36**	**26.83**	**–**	**74.19**	**2.65**	**9.94**	**–**	**12.58**	**61.60**	**44.71**
Previous year	2.15	45.21	–	47.36	1.64	1.01	–	2.65	44.71	0.51

(₹ in million)

	31.03.2012	31.03.2011
NOTE 13 NON CURRENT INVESTMENTS		
Long Term Investments (At Cost)		
(Other than trade)		
Gold Coin	0.81	–
Equity Instruments (fully paid up)		
Unquoted		
Others		
0 Equity Shares (P.Y. 2,939,500) of Kajaria Plus Pvt. Ltd. of ₹ 10/- each	–	29.44
Quoted		
0 Equity Shares (P.Y. 300,000) of Regency Trust Ltd. of ₹ 10/- each	–	4.50
	0.81	**33.94**
Quoted Investments Equity Instruments		
Book Value	–	4.50
Market Value	–	2.70
Unquoted Investments Equity Instruments		
Book Value	–	29.44
Quoted Investments Others		
Book Value	0.81	–
Market Value	0.79	–

Investments have been valued as per accounting policy no.V disclosed in Note no. 1 to these financial statements.

NOTE 14 LONG TERM LOANS AND ADVANCES

(Unsecured Considered good, unless otherwise stated)		
Capital Advances	–	78.75
Security Deposits	135.85	205.04
Total	**135.85**	**283.79**

NOTE 15 OTHER NON-CURRENT ASSETS

(Unsecured Considered good, unless otherwise stated)		
Others		
Advance to gratuity trust	0.68	1.32
Total	**0.68**	**1.32**

NOTE 16 INVENTORIES

(As certified by the Management)		
Raw Materials	273.25	257.65
Work-in-Process	94.64	70.99
Finished Goods	728.59	420.33
Stock in Trade	473.41	587.31
Stores and Spares	294.95	210.20
	1,864.84	**1,546.48**

Inventory items have been valued considering the Significant Accounting Policy No.VI disclosed in Note no.1 to these financial statements.

Notes on Consolidated Accounts As at 31st March 2012

(₹ in million)

	31.03.2012	31.03.2011
NOTE 17 TRADE RECEIVABLES		
(Unsecured Considered good unless otherwise stated)		
a) Debts outstanding for a period exceeding six months		
- Considered Good	17.83	51.82
- Considered Doubtful	35.52	30.20
Less: Provision for Doubtful Debts	2.00	1.20
	33.52	29.00
	51.35	80.82
b) Other Debts		
- Considered Good	1,390.86	861.62
- Considered Doubtful	–	0.01
	1,390.86	**861.63**
	1,442.21	**942.45**

	31.03.2012	31.03.2011
NOTE 18 CASH AND BANK BALANCES		
Cash& Cash Equivalents		
Balance with Banks		
- in current and deposit accounts	53.98	29.82
Cash on hand	8.11	4.32
	62.09	34.14
Other Bank Balances		
Bank deposits with more than three months maturity*	9.48	3.58
	71.57	**37.72**
Balances with banks in unpaid dividend accounts	4.65	3.17
Deposit accounts with more than 12 months maturity	9.48	3.58
Balances with banks held as margin money deposits against guarantees	3.78	3.78

	31.03.2012	31.03.2011
NOTE 19 SHORT TERM LOANS AND ADVANCES		
(Unsecured Considered good unless otherwise stated)		
Advances		
- To Others	15.72	–
	15.72	**–**

	31.03.2012	31.03.2011
NOTE 20 OTHER CURRENT ASSETS		
(Unsecured Considered good unless otherwise stated)		
Advances		
For supply of goods and rendering of services	309.35	231.56
Balance With Excise Authorities	74.66	92.99
Exports Benefit Accrued	1.65	4.47
Prepaid Expenses	10.66	9.88
Income Tax Advances	1.41	1.82
	397.73	**340.72**

Notes on Accounts For the year ended 31st March 2012

(₹ in million)

		31.03.2012	31.03.2011
NOTE 21 REVENUE FROM OPERATIONS			
Sale of Products			
Tiles		14,057.25	10,039.09
Power		14.87	12.24
		14,072.12	**10,051.33**
Other operating revenue			
Sale of Scrap		14.97	9.33
		14,087.09	**10,060.66**
NOTE 22 OTHER INCOME			
Miscellaneous Income		3.26	1.47
Rent Received		2.40	–
Sundry Balances Written Off		4.10	(0.60)
Interest Recovered		4.86	2.36
Profit on sale of Investments		0.12	–
		14.74	**3.23**
NOTE 23 COST OF MATERIAL CONSUMED			
Raw Material & Packing Material Consumed			
Body Material		1,365.69	531.90
Glaze, Frits and Chemicals		1,217.15	724.90
Packing Material		522.96	317.04
		3,105.80	**1,573.84**
NOTE 24 CHANGES IN INVENTORIES			
Stock as on 1st April 2011			
Work-in-process		70.99	62.70
Finished Goods		420.33	620.43
Stock in Trade		587.31	438.11
	'A'	**1,078.63**	**1,121.24**
Stock as on 31st March 2012			
Work-in-process		94.64	70.99
Finished Goods		728.59	420.33
Stock in Trade		473.41	587.31
	`B'	**1,296.64**	**1,078.63**
	B-A	**218.01**	**(42.60)**
NOTE 25 EMPLOYEE BENEFITS EXPENSE			
Salaries and wages		982.42	686.98
Contribution to provident and other funds		67.86	55.51
Staff welfare expenses		21.57	18.35
		1,071.85	**760.83**
NOTE 26 FINANCE COSTS			
Interest on:			
Term loans		211.49	163.92
Others		172.25	150.00
Other Borrowing costs:			
Processing Fees		22.26	19.05
Net gain/loss in foreign currency transactions & translations		79.11	(32.45)
		485.11	**300.52**

Notes on Accounts For the year ended 31st March 2012

(₹ in million)

NOTE 27 OTHER EXPENSES	31.03.2012	31.03.2011
Other Manufacturing Expenses		
Stores and Spares Consumed	297.72	149.73
Power and Fuel	2,106.80	936.77
Finished Goods used for Fixed Assets	–	(1.40)
Excise Duty on Stocks	43.83	(21.56)
	2,448.35	1,063.55
Repairs & maintenance		
- Building	18.81	11.78
- Machinery	45.30	21.80
- Others	23.32	22.91
	87.43	56.49
Administrative Expenses		
Printing , Stationery & EDP Expenses	9.67	7.66
Rent, Rates & Taxes	102.81	93.23
Vehicle Expenses	18.76	14.47
Communication Expenses	38.17	37.09
Traveling & Conveyance Expenses	145.76	113.82
Insurance Charges	13.39	10.80
Legal & Professional Charges	15.62	9.35
Directors Sitting Fees	0.80	0.92
Auditors' Remuneration :		
- As Audit Fees	1.20	1.00
- For Tax Audit, Certification & Tax Representations	0.69	1.14
- For Other matters	0.80	0.73
Miscellaneous Expenses	43.02	32.30
Share Transfer Expenses	0.18	0.18
Electricity & Water Charges	15.29	13.46
Foreign Technician Expenses	3.66	0.15
Bank Charges	1.92	2.65
	411.74	338.94
Selling & Distribution Expenses		
Packing, Freight & Forwarding Expenses	142.07	114.64
Advertisement, Publicity & Sales Promotion	219.00	163.12
Commission	128.25	152.83
	489.32	430.59
Others		
Loss on Sale / Scrapping of Fixed Assets	14.91	15.98
Social Relief & Welfare Expenses	0.32	3.58
Bad Debts Written Off	5.50	–
Provision for doubtful debts	0.80	–
Research & Development Expenses	29.75	0.43
	51.28	19.99
	3,488.12	1,909.55

Notes on Consolidated Accounts

OTHER NOTES ON ACCOUNTS

28. Contingent Liabilities

(₹ in million)

	As at 31.03.2012	As at 31.03.2011
28. Contingent Liabilities (excluding matters separately dealt with in other notes):		
a) In respect of Bills discounted with the Company's Bankers	21.13	34.23
b) Counter guarantees issued in respect of guarantees issued by company's bankers	0.50	8.76
c) Guarantees issued on behalf of limited companies	90.00	50.00
d) In respect of Excise Duty, Sales Tax, Service Tax, Custom Duty Demands pending before various authorities and in dispute	71.28	66.92
e) In respect of disputed Electricity Demand pending with appellate authorities and other consumer cases.	16.67	4.68

29. Commitments

	As at 31.03.2012	As at 31.03.2011
a. Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of advances)	10.18	3.96
b. Letters of Credit opened in favour of inland/overseas suppliers (Net)	1,303.13	1,623.52

30. Particulars of Sales & Stocks

	Year ended 31.03.2012	Year ended 31.03.2011
a) Opening Stock		
Tiles	1,007.64	1,058.54
b) Purchases		
Tiles	3,620.53	3,759.34
c) Sales		
Tiles (Manufactured)	8,850.42	5,445.31
Tiles (Trading)	5,221.80	4,603.10
Power	14.87	12.25
d) Closing Stock		
Tiles	1,202.00	1,007.64

31. 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.

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

33. 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.

34. 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.

OTHER NOTES ON ACCOUNTS *(CONTD...)*

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)*

	Year ended 31.03.2012	Year ended 31.03.2011
Current Service cost	11.21	7.18
Interest cost on benefit obligation	5.93	3.99
Net actuarial loss recognised in the year	5.56	4.80
Past service cost	–	6.80
Expected Return on Plan Assets	(1.12)	(1.15)
Net benefit expense	21.58	21.62

Balance Sheet

Details of provision for Gratuity

	Year ended 31.03.2012	Year ended 31.03.2011
Fair Value of Plan Assets at the end of the period	24.35	25.60
Liability at the end of the period	86.59	67.77
Difference	62.24	42.16
Less: Unrecognised past service cost	–	–
Amount recognised in the Balance Sheet	62.24	42.16

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

	Year ended 31.03.2012	Year ended 31.03.2011
Defined benefit obligation as at 1st April 2011	67.77	49.91
Interest Cost	5.93	3.99
Current service cost	11.21	7.18
Benefit paid	(3.87)	(5.04)
Past Service Cost – Vested Benefit	–	6.80
Actuarial losses on obligation	5.56	4.93
Defined benefit obligation as at 31st March 2012	86.60	67.77

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

	Year ended 31.03.2012	Year ended 31.03.2011
Fair value of plan assets as at 1st April 2011	25.60	14.37
Return on Plan Assets	1.12	1.15
Contributions by employer	1.50	15.00
Benefits paid	(3.87)	(5.04)
Actuarial Gains / (losses)	–	0.12
Fair value of plan assets as at 31st March 2012	24.35	25.60

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

	Year ended 31.03.2012	Year ended 31.03.2011
Discount rate	8.75%	8.25%
Expected rate of return on plan assets	4.48%	8.00%
Salary Escalation	7.75%	7.75%
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.

On consideration of materiality, the entire liability has been classified as a 'non current liability'.

OTHER NOTES ON ACCOUNTS *(CONTD...)*

35. 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 ₹ 326.31 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 1.04.2011	Charge/(credit) during the year	Closing as at 31.03.2012
Depreciation	603.20	40.48	643.68
Net Deferred Tax Liability	**603.20**	**40.48**	**643.68**

36. Related Party Disclosures:

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

A. **Relationships**

I. **Key Management Personnel:**

Name	Designation
Sh. A. K. Kajaria	Chairman & Managing Director
Sh. Chetan Kajaria	Joint Managing Director
Sh. Rishi Kajaria	Joint Managing Director
Sh. B.K. Sinha	Director Technical

II. **Key Management Personnel (Subsidiary Companies)**

Name	Designation
Sh. Ramesh Bhai L. Patel	Director Soriso Ceramic Pvt Ltd
Sh. Manoj Bhai V. Kakasania	Director Soriso Ceramic Pvt Ltd

III. **Associates/Enterprises over which key management personnel or their relatives are able to exercise significant influence**

Kajaria Infrastructure Ltd
Kajaria Exports Ltd
Dua Engineering Works Pvt Ltd
Malti Devi Kajaria Charitable Trust
Face Ceramics
Face Ceramics Pvt Ltd
Face Impex Pvt Ltd

Notes on Accounts

OTHER NOTES ON ACCOUNTS *(CONTD...)*

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 Goods & Services	– (–)	11.29 (10.15)
Purchase of Fixed Assets	– (–)	5.41 (–)
Rent Paid	– (–)	8.16 (3.71)
Remuneration	56.08 (33.91)	– (–)
Sale of Shares	– (–)	14.70 (–)
Donation Paid	– (–)	3.08 (–)

(Figures in brackets are for previous year)

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

(₹ in million)

	As at 31.03.2012	As at 31.03.2011	As at 31.03.2012	As at 31.03.2011
Key Management Personnel	–	–	–	–
Others	–	–	–	–

37. 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.

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

	Year ended 31.03.2012	Year ended 31.03.2011
Profit attributable to the Equity Shareholders – (A) (₹ in Millions)	808.83	606.20
Basic /Weighted average number of Equity Shares outstanding during the year (B)	73,583,580	73,583,580
Nominal value of Equity Shares (₹)	2.00	2.00
Basic/Diluted Earnings per share (₹) – (A)/(B)	10.99	8.24

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

Signature to the schedule 1 to 39

In terms of our report of even date Annexed

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

Atul Bagla
Partner
Membership No.: 91885

Place: New Delhi
Dated: 27 April 2012

Ashok Kajaria
Chairman & Managing Director

Chetan Kajaria
Rishi Kajaria
Jt. Managing Directors

For and on behalf of the Board

D. P. Bagchi
R. K. Bhargava
R. R. Bagri
H. Ratnakar Hegde
Directors

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

Consolidated Cash Flow Statement For the year ended 31st March 2012

(₹ in million)

	31.03.2012		31.03.2011	
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before tax and extraordinary items		**1,199.04**		**892.22**
Adjusted for :				
Depreciation	392.58		296.80	
Preliminary Expenses W/off	–		–	
Investments Written Off	–		–	
Interest Received	(4.86)		–	
Interest Paid	383.74		289.58	
Profit on sale of Investment	(0.12)		–	
Dividend Received	–		–	
Loss on sale of Fixed Assets	14.91	786.25	15.98	602.35
Operating Profit before Working Capital Changes		**1,985.29**		**1,494.57**
Adjusted for :				
Trade & Other Receivables	(385.34)		(101.47)	
Inventories	(318.36)		(110.78)	
Trade Payable	348.23	(355.46)	914.89	702.63
Cash Generated from Operations		**1,629.83**		**2,197.20**
Interest Paid	(383.74)		(289.58)	
Direct Taxes Paid	(337.32)		(210.30)	
Cash Flow before Extraordinary Items	–		–	
Extraordinary items	–	(721.06)	(103.37)	(603.24)
Net Cash from operating activities		**908.77**		**1,593.96**
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	(751.23)		(1,668.03)	
Sale of Fixed Assets	26.51		2.26	
Acquisitions of Companies	–		–	
Purchase of Investments	–		–	
Sale of Investments	33.25		–	
Interest Received	4.86		–	
Dividend Received	–		–	
Net Cash used in Investing Activities		**(686.62)**		**(1,665.77)**
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from Issue of Share Capital	–		–	
Proceeds from Long Term Borrowings	–		139.17	
Proceeds from Short Term Borrowings	76.45		–	
Repayment of Borrowings	(99.61)		–	
Redemption of Preference Shares	–		–	
Dividend and Dividend Tax Paid	(171.04)		(85.80)	
Net Cash used in Financing Activities	**–**	**(194.20)**	**–**	**53.36**
Net increase in Cash and Cash Equivalents		27.95		(18.44)
Cash and Cash Equivalents as on 1.4.2011		34.14		52.58
Cash and Cash Equivalents as on 31.3.2012		**62.09**		**34.14**

In terms of our report of even date Annexed

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

Atul Bagla
Partner
Membership No.: 91885

Place: New Delhi
Dated: 27 April 2012

Ashok Kajaria
Chairman & Managing Director

Chetan Kajaria
Rishi Kajaria
Jt. Managing Directors

For and on behalf of the Board

D. P. Bagchi
R. K. Bhargava
R. R. Bagri
H. Ratnakar Hegde
Directors

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

Section 212

Information on the financials of the Subsidiary Company

(In terms of Government of India, Ministry of Corporate Affairs, general Circular No 2/2011, No. 51/12/2007-CL-III dated 8th February 2011)

(₹ in million)

Name of Subsidiary Co	Soriso Ceramic Pvt Ltd		Jaxx Vitrified Pvt Ltd		Kajaria Ceramics Addis Plc	
Financial Year ends on	31.03.12	31.03.11	31.03.12 (w.e.f. 30.1.12)	31.03.11	30.06.11	30.06.10
Capital	30.00	30.00	45.50	–	4.51	–
Reserves	27.30	7.65	44.54	–	0.48	–
Total Assets	300.12	187.17	359.46	–	8.65	–
Total Liabilities	242.82	149.52	269.42	–	3.66	–
Investments made by Subsidiary	–	–	–	–	–	–
Revenues (Turnover & other income)	492.26	44.35	10.78	–	–	–
Profit before Taxation	32.17	1.62	0.05	–	–	–
Provisions for Taxation	12.52	0.14	–	–	–	–
Profit After Tax	19.68	1.48	0.04	–	–	–
Proposed Dividend	–	–	–	–	–	–

Statement pursuant to section 212 (3) of the Companies Act, 1956 relating subsidiary Companies

Name of Subsidiary Co	Soriso Ceramic Pvt Ltd	Jaxx Vitrified Pvt Ltd	Kajaria Ceramics Addis Plc
Financial year ended	31.03.12	31.03.12 (w.e.f 30.1.12)	30.06.11
Holding Company's interest			
i) No of equity share	1,530,000	2,320,500	1,696
ii) Percentage (%) of Holding	51%	51%	99.76%
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	9.63 mn	0.02 mn	–
ii) For the previous Financial years since it became subsidiary	10.35mn	NA	NA
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	10.02 mn	0.02 mn	–
ii) For the previous Financial years since it became subsidiary	10.77 mn	NA	NA

CORPORATE INFORMATION

Board of Directors

Mr. Ashok Kajaria	(Chairman & Managing Director)
Mr. Chetan Kajaria	(Joint Managing Director)
Mr. Rishi Kajaria	(Joint Managing Director)
Mr. B.K.Sinha	(Director- Technical)
Mr. R.K.Bhargava	(Independent Director)
Mr. D.P.Bagchi	(Independent Director)
Mr. R.R.Bagri	(Independent Director)
Mr. H. Rathnakara Hegde	(Independent Director)
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.K.Bhargava - Chairman
Mr. Ashok Kajaria - Member
Mr. R.R. Bagri - Member
Mr. H. Rathnakara Hegde - 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)

Subsidiaries

1. Soriso Ceramic Private Limited, Morbi (Gujarat)
2. Jaxx Vitrified Private Limited, Morbi (Gujarat)
3. Kajaria Ceramics Addis Plc, Ethiopia
4. Vennar Ceramics Limited, Andhra Pradesh

Auditors

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

Bankers

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

Cautionary 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.

Kajaria

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