



FORM-A

| | | |
|----|--|--|
| 1. | NAME OF THE COMPANY | M/s. KAJARIA CERAMICS LIMITED CIN NO: L26924UP1985PLC007595 |
| 2. | ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED | 31 st MARCH, 2014 |
| 3. | TYPE OF AUDIT OBSERVATION | UN-QUALIFIED |
| 4. | FREQUENCY OF OBSERVATION | NOT APPLICABLE. |

For M/s Kajaria Ceramics Limited

R. C Rawat
Executive V.P (A &T) & Company Secretary.

Encl :- Annual Report F.Y 2013-14

Kajaria Ceramics Limited

Corporate Office : J1/B1 (Extn.), Mohan Co - op Industrial Estate, Mathura Road, New Delhi - 110044, Ph.: +91-11-26946409 | Fax: +91-11- 26946407
Registered Office : A-27 to 30, Industrial Area, Sikandrabad, Distt. Bulandshahr (U.P.) 203205, Ph.: +91-5735-222393, 222819 | Fax: +91-5735-222140
CIN No. : L26924UP1985PLC007595, E-mail: info@kajariaceramics.com | Web: www.kajariaceramics.com



Date: 02nd July 2014

The Deputy General Manager,
Bombay Stock Exchange
Corp. relation Department,
1st Floor, New trading Ring, Rotunda Bldg
P J Towers, Dalal Street,
Fort, Mumbai-400001

(fax no. : 022-22723121 / 22723719 / 22722037)
(e-mail : corp.relations@bseindia.com)
(Stock Code : 500233)

SUB- Annual Report

Dear Sir,

Pursuant to its obligation under the Listing Agreement, Please find enclosed herewith the 6 Copies of the Annual Report for the Financial Year ended 31st March 2014.

Yours faithfully
For Kajaria Ceramics Ltd.

R C Rawat
Executive V P (A&T) & Co Secretary

Copy to:

Mr. Hari K- Vice –President
National Stock Exchange of India Ltd.
Exchange Plaza, Bandra-Kurla Complex
Bandra (E), Mumbai-400051

(Fax : 022-26598237 / 38 / 47 / 48)
(E-mail: cm1ist@nse.co.in)
(Stock Code : KAJARIACER)

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NO LOOKING BACK

Kajaria. India's best-known tile brand

- ° Leadership presence in the second most populous country of the world
- ° The most certified tile company in the world
- ° The fastest growing tile company in India
- ° The only Indian 'Superbrand' tile company - for the seventh successive time.

Content

Highlights 2013-14

Kajaria registered healthy growth despite the numerous challenges



statement from the management

"The best way forward lies in never looking back."

Competitive advantage

Kajaria footprint across the tile value chain allows it to address a wide opportunity matrix.



management discussion and analysis

Ceramic tiles are integral to home improvement.

5-year financial

Even though we have provided our five-year performance on this page, we are not quite looking back.

Value added statement

directors' report

Your Directors are pleased to present the 28th Annual Report together with the audited accounts

report on Corporate Governance

We believe that the governance process should ensure that large corporates are managed in a manner that meets stakeholders aspirations and societal expectations.



Financial statements

No looking back.

Even as the rest of the country was marked by an economic slowdown, there was no such trace at Kajaria Ceramics.

India's GDP grew less than 5% in the last two years; Kajaria's revenues grew an average 18% during the period.

This sustained growth in the face of sectoral and economic challenges was derived from an institutionalised mindset.

Whatever the odds, think bigger, think better, think quicker.

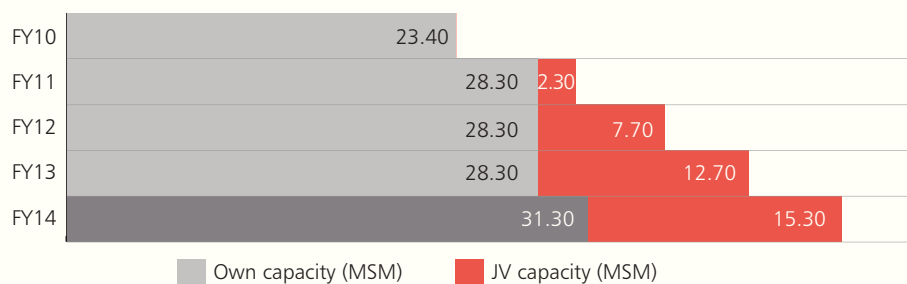
In other words, no looking back.

*"The woods are lovely, dark and deep. But I have promises to keep.
And miles to go before I sleep." – Robert Frost*

A forward-looking Kajaria means a number of things.

Proactive capacity-creation.
Judicious cost reduction.
Widening product portfolio.
Progressive value-addition.

When you put all these together, you get one of the fastest growing tile companies in the world.

Proactive **expansion**Strengthening **business**

| | | | |
|------|-------|------|-------|
| FY10 | 15.73 | FY10 | 5.36 |
| FY11 | 15.64 | FY11 | 7.08 |
| FY12 | 15.83 | FY12 | 9.42 |
| FY13 | 15.65 | FY13 | 12.29 |
| FY14 | 15.61 | FY14 | 14.03 |

EBIDTA margins (%) – industry beating

Despite a huge hike in RLNG prices (US\$/mmbtu)

Liquid **Balance Sheet**

| | | | |
|------|-------|------|------|
| FY10 | 1,077 | FY10 | 1.39 |
| FY11 | 1,594 | FY11 | 1.28 |
| FY12 | 909 | FY12 | 0.96 |
| FY13 | 976 | FY13 | 0.82 |
| FY14 | 1,661 | FY14 | 0.41 |

Healthy cash flow (₹ million)

Falling debt-equity (x)

MULTI-LOCATIONAL

ADDITION

KAJARIA NEVER LOOKS BACK

SCALING

VERTICALLY

BUSINESS

NORTH AND WEST

KAJARIA ALWAYS DOES BEST

CAPACITY

CREATE

CAPACITY

AND THEN

MORE

CAPACITY

BROWNFIELD

₹850

NEXT 24

REPLICATE

MILLION

ANOTHER
7.50 MSM

LEAST
USED
WORD

FILE
PASSION

GREENFIELD

MULTI-LOCATIONAL CAPACITY ADDITION

Most corporates create capacity cautiously.

So when Kajaria grew its capacity by 10.60 MSM multi-locationally in 24 months, most observers expected consolidation to follow.

But then Kajaria never looks back.

So Kajaria did what Kajaria does best. The Company invested ₹850 million in 2013-14 to add 5.60 MSM (14% addition of its March 2013 base) across its North and West locations.

And then ... it engaged in the implementation of another 7.50 MSM capacity (expected to be operational in the first half of 2014-15). And announced a plan to add 10 MSM through greenfield and brownfield initiatives.

The word 'enough' is probably the least used at Kajaria.



50%

KAJARIA'S CAPACITY ADDITION PLANS IN THE NEXT TWO YEARS (OVER ITS MARCH 2014 CAPACITY).

The word 'enough' is probably the least used at Kajaria.

INDIA'S FIRST HOLISTIC
BATHROOM SOLUTIONS

PROGRESSING

PURE-PLAY TILE
COMPANY

VERSUS
TURNING
EFFORTS

NO LOOKING BACK
KAJARIA
IS INDIA'S MOST
RESPECTED TILE BRAND

LATE RALLY

SYNERGIC BUSINESS VENTURES

Most companies successful in their niche generally select to grow their capacity within it.

So when Kajaria reported yet another successful year, the general analyst conclusion was that the Company would make more of the same.

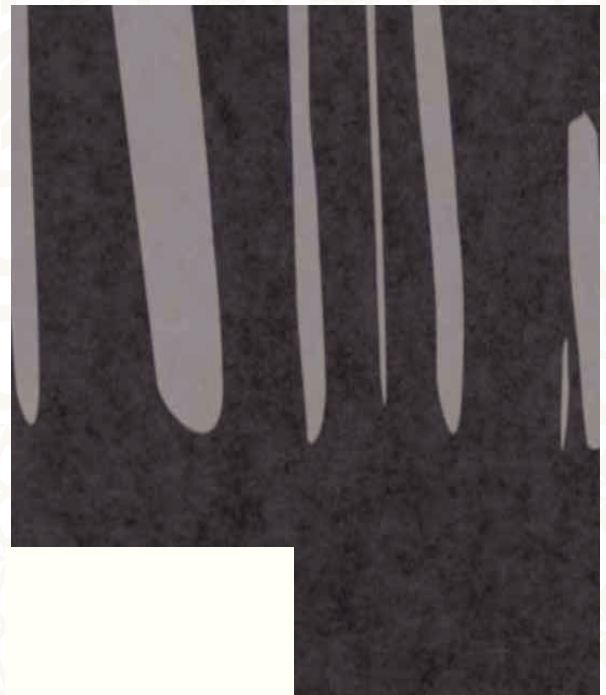
But then Kajaria is forward-looking.

The Company selected to emerge as an industry outlier through the following initiatives:

- Kajaria Sanitaryware, in which Kajaria (through its wholly-owned subsidiary Kajaria Bathware) holds a 64% stake, set up a 7 lac piece per annum sanitaryware manufacturing facility at Morbi, Gujarat which commenced operation in May 2014
- Kajaria Bathware plans to commission a ₹500 million faucet facility in Rajasthan (1.50 million piece per annum)

For years, Kajaria was a pure-play tile company. The Company now expects to transform into India's first holistic bathroom solutions provider.

The words 'no looking back' are not just used loosely at Kajaria Ceramics.



The words 'no looking back' are not just used loosely at Kajaria Ceramics.

Even though we have provided our five-year performance on this page, **we are not quite looking back.**

| | | |
|-------------------------------|---------|--------|
| Revenue (₹ million) | 2009-10 | 7,355 |
| | 2010-11 | 9,523 |
| | 2011-12 | 13,115 |
| | 2012-13 | 15,822 |
| | 2013-14 | 18,387 |

Growth **16.22%** **22.56%**
Over 2012-13 CAGR over 5 years

| | | |
|------------------------------|---------|-------|
| EBIDTA (₹ million) | 2009-10 | 1,157 |
| | 2010-11 | 1,490 |
| | 2011-12 | 2,077 |
| | 2012-13 | 2,477 |
| | 2013-14 | 2,870 |

Growth **15.87%** **24.51%**
Over 2012-13 CAGR over 5 years

| | | |
|----------------------------------|---------|-------|
| Net profit (₹ million) | 2009-10 | 359 |
| | 2010-11 | 606 |
| | 2011-12 | 809 |
| | 2012-13 | 1,045 |
| | 2013-14 | 1,242 |

Growth **18.86%** **69.42%**
Over 2012-13 CAGR over 5 years

| | | |
|-----------------------------------|---------|-------|
| Cash profit (₹ million) | 2009-10 | 626 |
| | 2010-11 | 903 |
| | 2011-12 | 1,201 |
| | 2012-13 | 1,491 |
| | 2013-14 | 1,712 |

Growth **14.81%** **38.30%**
Over 2012-13 CAGR over 5 years

| | | |
|--------------------------|---------|------|
| Net margin (%) | 2009-10 | 4.87 |
| | 2010-11 | 6.37 |
| | 2011-12 | 6.17 |
| | 2012-13 | 6.61 |
| | 2013-14 | 6.76 |

Growth **15 bps** **189 bps**
Over 2012-13 Over 5 years

| | | |
|--------------------|---------|-------|
| ROCE (%) | 2009-10 | 16.98 |
| | 2010-11 | 22.09 |
| | 2011-12 | 27.96 |
| | 2012-13 | 28.89 |
| | 2013-14 | 29.06 |

Growth **17 bps** **1,208 bps**
Over 2012-13 Over 5 years

FY 2013-14

in numbers.

Net sales

₹18,387 mn

EBIDTA

₹2,870 mn

Profit after tax

₹1,242 mn

EBIDTA margin

15.61%

Net margin

6.76%

ROE

27.91%

ROCE

29.06%

Net cash flow
from operations

₹1,661 mn

Networth

₹5,292 mn

Working capital cycle

25 days

Net block

₹6,916 mn

Debt-equity
ratio

0.41x

The **management's** perspective

**"The best way
forward lies in never
looking back."**

Dear shareholders,

Each of our business reviews over the last few years has begun with why the Company performed better.

Permit us to be different this time.

We would rather begin with an analysis of why the Company should not - hypothetically - have reported another improved year.

One, public spending declined as the country's economy reported a sub-5% growth. Most consumers selected to postpone purchases and renovation (bathroom solutions included).

Two, the country's real estate sector remained sluggish; in Mumbai and Delhi there was an unsold inventory equivalent to a few years of sustained offtake.

Three, interest rates stayed high, eating into cost and profit structures.

Four, high fuel prices threatened margins.

By these realities, it would have been reasonable to assume that the Company would have reversed its excellent run of the last few years with an interruption.



Mr. Ashok Kajaria
Chairman and Managing Director

“Our subsidiaries enhanced production, productivity and cost optimisation making a more meaningful contribution to the consolidated performance.”

Performance

We are absolutely delighted to state that at Kajaria Ceramics no such reversal transpired during the financial year under review.

Kajaria Ceramics reported an all-round improvement instead.

- We increased turnover by 16.77% in 2013-14.
- We strengthened our average realisation from ₹348 per sq mtr in 2012-13 to ₹354 per sq mtr in 2013-14.
- Our subsidiaries enhanced production, productivity and cost optimisation making a more meaningful contribution to the consolidated performance.
- We attracted an investment of ₹1.50 billion from WestBridge Crossover Fund, LLC., a validation of our business model.

The next big leap

Having reported a record year, it would have been easy to become complacent. On the contrary, we continued to stand outside our comfort zone through various business strengthening initiatives.

The tiles segment

Capacities: Having consolidated our capacity



Mr. Chetan Kajaria, Joint Managing Director

addition (10.40 MSM in the 24 months leading to March 2013), we embarked on fresh capacity addition.

Our subsidiary Jaxx acquired a 2.60 MSM unit in Morbi (Gujarat). We set up a 3.40 MSM glazed vitrified tile unit in Sikandrabad at the space vacated by the closure of our polished vitrified tile unit.

We are in the process of adding 4.50 MSM at our Jaxx and 3 MSM capacities at our Cosa units. We are planning to commission a 5 MSM greenfield polished vitrified tile unit in Rajasthan. We have entered into a new joint venture with Taurus Tiles for putting up a 5 MSM of polished vitrified tile unit at Morbi.

Value-addition: These capacity expansion programmes will enhance value-addition as well; the new unit in Sikandrabad will strengthen our glazed vitrified tile presence; our 4.50 MSM double-charged polished vitrified tile addition at Jaxx will trend towards higher realisations.

Optimism: In the decade ending 2008, Chinese GDP grew at 9% and urban population scaled from 33% to 47% of its population. As the Indian GDP progresses at 6-7% growth between 2013 and 2023, urbanisation is expected to increase from 32%



Mr. Rishi Kajaria, Joint Managing Director

“Kajaria initiated the manufacture of sanitaryware in Morbi with the objective to complement its trading model – a differentiated approach from the existing practice of tile companies selecting to outsource sanitaryware.”

to 37%, catalysing home building (and hence tile offtake). Besides, India is getting younger, wealthier, aspirational and aesthetic. The number of census-covered towns increased 3x between 2001 and 2011, a trend expected to sustain in line with growth in the country's road infrastructure.

Sectoral trend: An industry churn towards organised manufacture will catalyse the growth of the country's sector. In October 2013, the Gujarat High Court directed unorganised Morbi tile manufacturers to stop using coal due to pollution concerns, reducing their cost advantage.

The sanitaryware and faucet segment

Kajaria initiated the manufacture of sanitaryware in Morbi with the objective to complement its trading model – a differentiated approach from the existing practice of tile companies selecting to outsource sanitaryware. The Company is also setting up a faucet plant in Rajasthan.

This response has been inspired by two reasons: Tiles, sanitaryware and faucets are marketed by a majority of the tile retail outlets, so the decision to manufacture sanitaryware will help address a larger share of the dealer's business and customer's

wallet. Over the last number of years, the Company seeded sanitaryware demand through prudent outsourcing (imports) for which it is now creating a captive manufacturing back-end.

Besides, India's sanitaryware and faucet demand is addressed by few brands (Indian and global). A growing emphasis on pan-India sanitation projects will only widen the market and help Kajaria capture a large market share.

Message to shareholders

At Kajaria, the outlook is exciting as we widen our multi-locational footprint, increase capacities, strengthen the supply chain, enhance value-addition, enter a new vertical and make fresh investments. We expect that these initiatives will translate into sustained sectoral outperformance that translates into enhanced shareholder value across the foreseeable future.

Warm regards
The management team

Kajaria's revenue milestones

First ₹10 billion...

23 years

March 2011

...next ₹10 billion...

3 years

March 2014

...and the next ₹10 billion!

2 years

March 2016 (E)

Competitive advantage



Across the value chain: Kajaria footprint across the tile value chain allows it to address a wide opportunity matrix.



Wide distribution: Kajaria's wide and deep distribution network (more than 900 dealers) serviced more than 10,000 sales points across the country - metros to Tier-III markets and small towns. This strategy made it possible to market more than 70% of its output to retail consumers.



Joint venture: Kajaria adopted the joint-venture capacity creation model resulting in a pan-India manufacturing presence. It acquired a majority stake in unbranded regional players, which provided it access to the output from these facilities. This strengthened the Company's sectoral competitiveness as revenue accretion started immediately and made it possible to distribute products faster across India.



Wide product range: Kajaria offered customers products at every price point (₹200 per sqm to ₹1800 per sqm) through the widest array of designs, finishes and sizes.



Brand acceptance: Kajaria institutionalised the cash-and-carry sales model for its dealers, which enhanced liquidity. Besides its ability to create popular products moderated inventory.



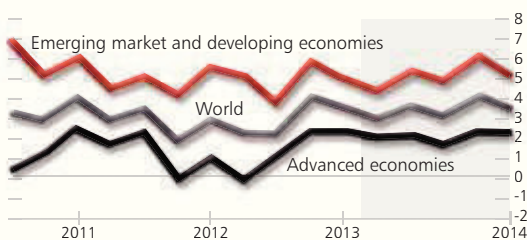
Liquidity: Kajaria's financial muscle reflected in its low gearing at 0.41 (March 31, 2014) and an industry-beating working capital cycle of only 25 days of turnover equivalent.

Management discussion and analysis



Global economic progression

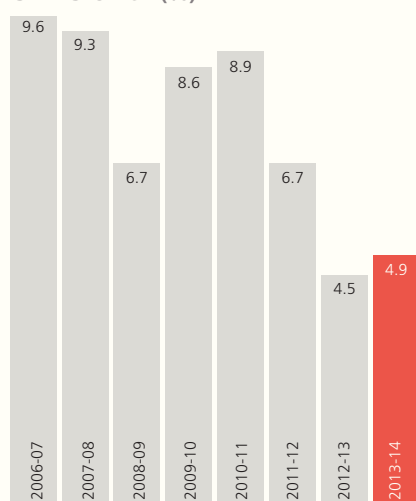
Global GDP Growth (%)
(Quarter over quarter, annualised)



Source: IMF staff estimates

India's economic growth

GDP Growth (%)



Source: Central Statistics Office

Economic overview

The world economy reached subdued growth of 3% in 2013 against 3.1% in 2012 primarily due to the economic volatility in the first half of the year.

While most developed economies continued to grapple with the challenge of taking appropriate fiscal and monetary policy actions in the aftermath of the financial crisis, a number of emerging economies, which had already experienced a notable slowdown in the past two years, encountered new domestic and international headwinds during the period.

In the second half of the year however, demand in advanced economies improved primarily due to inventory restocking. In emerging market economies, an export rebound strengthened the improved performance even as domestic demand remained subdued – providing momentum to the global GDP. India's economic growth in 2013-14

was estimated at 4.9%, faster than in the previous year mainly following improved performance in the agriculture and allied sectors.

The IMF indicates that emerging markets will account for much of global growth, with their economies forecast to expand nearly four times faster over advanced economies. As far as advanced economies are concerned, the US is expected to emerge as the key growth driver. The Eurozone is turning the corner after recovering from recession and is expected to post positive economic growth in 2014. The result is that global growth is projected slightly higher (around 3.7%) in 2014, rising to 3.9% in 2015 (Source: IMF). According to NCAER, India's economic growth is likely to rebound to 5.6% while Asian Development Bank has projected India's GDP growth at 5.5% for 2014-15 depending on its ability to implement structural reforms.

The Indian tile industry

Ceramic tiles are integral to home improvement. The Indian tile industry, despite an overall economic slowdown, continues to grow at about 11% in 2013-14. Ceramic tiles are primarily hygiene products, evident from their varied use in bathrooms and kitchens in most Indian households to medical centres, labs, milk booths, schools, public convenience spaces, shopping malls and other centres.

Indian tile sector snapshot

Tile volume growth

| | CY 2008 | CY 2009 | CY 2010 | CY 2011 | CY 2012 |
|-------------------|---------|---------|---------|---------|---------|
| Consumption (MSM) | 403 | 494 | 557 | 625 | 681 |
| Y-o-Y growth (%) | 2 | 23 | 13 | 12 | 9 |

Source: Ceramic World Review

Increasing usage of tiles

Percentage of households by material of floor

| | India | | | Rural | | Urban | |
|----------------------|-------|------|------|-------|------|-------|------|
| Material | 1991 | 2001 | 2011 | 2001 | 2011 | 2001 | 2011 |
| Mud | 67.0 | 57.1 | 46.5 | 72.3 | 62.6 | 18.0 | 12.2 |
| Stone | – | 5.8 | 8.1 | 4.5 | 6.2 | 9.1 | 12.2 |
| Cement | 21.3 | 26.5 | 31.1 | 18.0 | 24.2 | 48.3 | 45.8 |
| Mosaic / floor tiles | 3.8 | 7.3 | 10.8 | 2.2 | 3.7 | 20.5 | 25.9 |
| Others | 7.9 | 3.3 | 3.5 | 3.0 | 3.2 | 4.1 | 3.8 |

Source: Census 2011

Sectoral shifts

Shift in flooring solutions: While the Indian tile industry was historically dominated by ceramic floor tiles, there is now an increasing shift towards vitrified flooring solutions in view of their strength and low water absorption.

Unorganised players being organised: Growing disposable incomes have enhanced a preference for branded products. Unorganised players lack marketing expertise; they do not possess the resources to create large brands. As a result, they find it easier to partner organised players owning brands and distribution channels.

Imports become marginal: Imports from China are declining as domestic players have developed the capability to manufacture quality and cost-efficient products. Chinese manufacturing costs have increased and the Indian currency has weakened.

Outlook

The spread of roads, telephones and electricity is helping urban centres extend, creating new population clusters – the number of 'census towns' in 2011 was 3x that in 2001, resulting in the emergence of significant housing demand from non-metro locations (smaller urban centres, Tier-II and III towns).

Global tile sector – facts and figures

Growing steadily Production (MSM)

| | |
|---------|--------|
| CY 2008 | 8,594 |
| CY 2009 | 8,581 |
| CY 2010 | 9,619 |
| CY 2011 | 10,596 |
| CY 2012 | 11,166 |

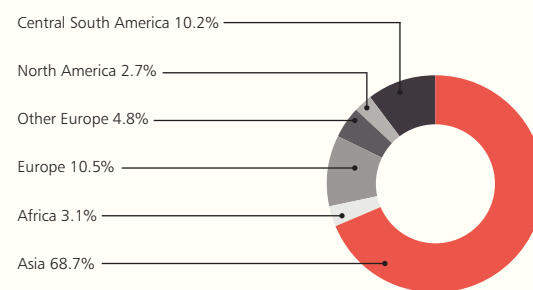
Where they are rolled out...

Leading manufacturing nations

| Regions | 2012 (MSM) | % age of world production | 2011 (MSM) | % age of world production | % age variance (12/11) |
|-------------|------------|---------------------------|------------|---------------------------|------------------------|
| China | 52,00 | 47 | 4,800 | 46 | 8 |
| Brazil | 866 | 8 | 844 | 8 | 3 |
| India | 691 | 6 | 617 | 6 | 12 |
| Iran | 500 | 5 | 475 | 5 | 5 |
| Italy | 367 | 3 | 400 | 4 | (8) |
| Spain | 404 | 4 | 392 | 4 | 3 |
| Vietnam | 298 | 3 | 380 | 4 | (22) |
| Indonesia | 330 | 3 | 317 | 3 | 4 |
| Turkey | 280 | 3 | 260 | 3 | 8 |
| Mexico | 229 | 2 | 219 | 2 | 5 |
| World Total | 11,166 | 100 | 10,596 | 100 | 5 |

Source: Ceramic World Review

World manufacturing share (2012)



6.4%

Increase in Asia's tile production over CY2011

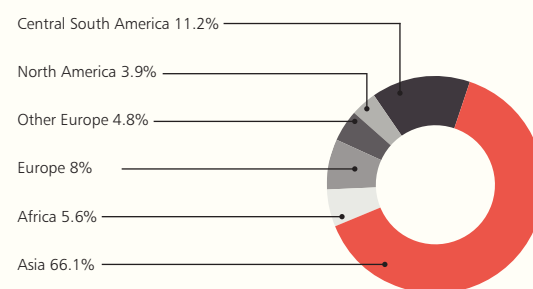
Where they are laid out...

Leading consuming nations

| Regions | 2012 (MSM) | % age of world consumption | 2011 (MSM) | % age of world consumption | % age variance (12/11) |
|--------------|------------|----------------------------|------------|----------------------------|------------------------|
| China | 4,250 | 39 | 4,000 | 39 | 6 |
| Brazil | 803 | 7 | 775 | 8 | 4 |
| India | 681 | 6 | 625 | 6 | 9 |
| Iran | 375 | 3 | 395 | 4 | (5) |
| Vietnam | 247 | 2 | 360 | 4 | (31) |
| Indonesia | 340 | 3 | 312 | 3 | 9 |
| Saudi Arabia | 230 | 2 | 203 | 2 | 13 |
| Russia | 213 | 2 | 181 | 2 | 18 |
| US | 204 | 2 | 194 | 2 | 5 |
| Mexico | 187 | 2 | 177 | 2 | 6 |
| World Total | 10,912 | 100 | 10,432 | 100 | 5 |

Source: Ceramic World Review

World consumption pattern (2012)



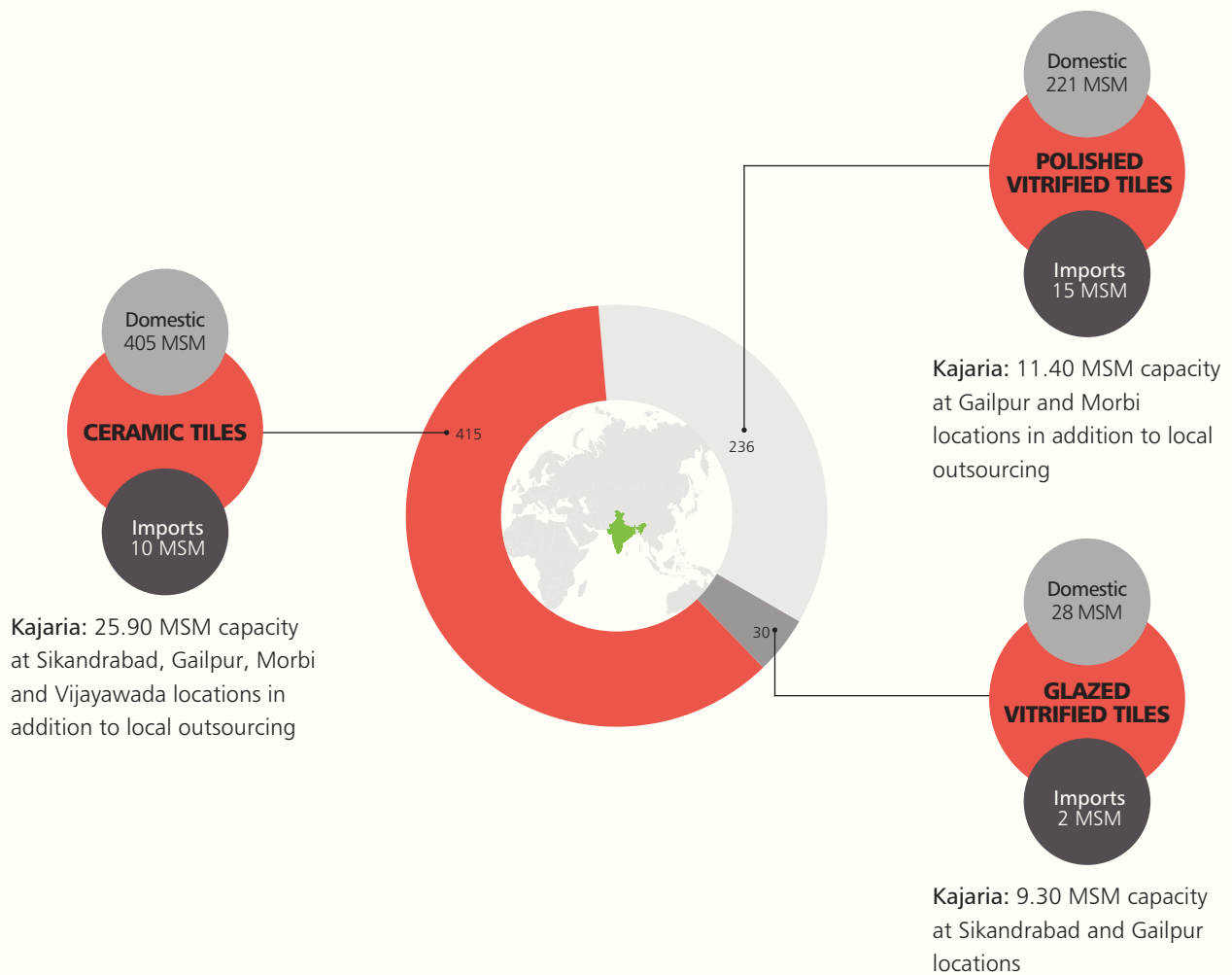
4.4%

Increase in Asia's tile consumption over CY2011

Kajaria.

Present across the entire tile value chain

Kajaria enjoys a broad presence across ceramic tiles, polished vitrified tiles and glazed vitrified tiles. The Company offers over 1,200 SKUs in different sizes, operating through a network of 900 pan-India dealers, translating into a dominant market share in Northern India. Kajaria caters to all the segments of the 681 MSM Indian tile industry (₹195 billion as at March 2013).



Kajaria. Pan-India reach

Largest distribution network

Kajaria possesses one of the largest sectoral dealership networks comprising more than 900 dealers that caters to more than 10,000 sales points across India. The Company created multiple distribution channels – product-focused dealers, brand-focused dealers and the rest – to address mushrooming opportunities.

25

Kajaria Galaxy

A standalone store (about 4,000 sq ft) that provides dedicated space to all tile verticals.

95

Kajaria Prima

A dealer store which provides dedicated space for display of ceramic wall and floor tiles without keeping any other ceramic tile brands

Multi-channel distribution network

19

Kajaria World

A standalone store that provides (about 2,000 sq. ft. +) dedicated space to high end tiles

222

Kajaria Studio

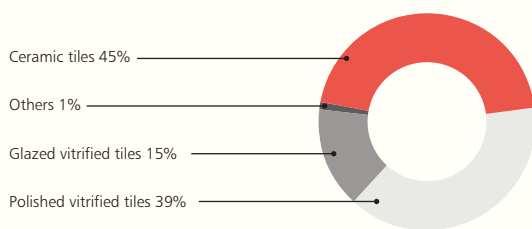
A shop-in-shop concept where the dealer provides dedicated space only for the Company's polished vitrified and/or glazed vitrified tile verticals

550

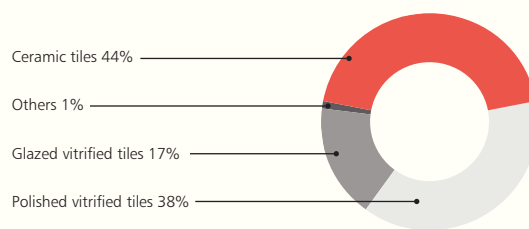
Kajaria

Multi-brand dealers

Revenue-split



2012-13



2013-14

Business segment - 1

Ceramic wall and floor tiles

25.90
MSM

Cumulative capacity

932

Designs

11

Sizes

**₹200 –
800**

Price per sqm

44%

Proportion of net sales



Business in 2013-14

- Sales volumes and value increased by 10% and 15% respectively over the previous year
- Average realisation increased 4% over the previous year

Overview

At Kajaria, ceramic tiles are manufactured in four locations – wall tiles are manufactured in Gailpur and Vijayawada (Vennar);

floor tiles are produced in Sikandrabad and Morbi (Soriso); in addition the Company also procures these tiles from quality-conscious manufacturers in Morbi.

Kajaria offers ceramic wall and floor tiles in diverse sizes, designs and finishes to cater to all customer segments. The Company's investment in contemporary digital-printing machines widened its product range with novel finishes



(stone, wood and natural stone). Kajaria has the largest number of digital printing machines in India in this segment.

Kajaria's products are marketed through a robust distribution network of dealers and sub-dealers; Kajaria Galaxy and Kajaria Prima showrooms are present in major Indian towns.

Product attributes

Ceramic glazed tiles provide

consumers with an unmatched choice of colours and finishes customised to their bathroom, flooring, interior and wall-cladding solutions. The tiles provide a stronger bonding with walls due to their high porosity.

Ceramic tile account for more than 60% share of the tile industry volume. The tile sales volume has grown each year over the last decade due to growing affordability, aesthetics (unique designs and sizes), multiple applications and enhanced accessibility. The advent of digital printing technology and an increasing preference for large-format tiles catalysed the demand for ceramic tiles. These tiles are also increasingly used as exterior wall solutions and interior decoration, replacing terracotta tiles, and natural stone, among other options.

Performance in 2013-14

Making our business more competitive

- Maximised the production of large tiles, which improved realisations
- Streamlined operations at the Gailpur unit, which enhanced productivity

Making our business more compelling

- Increased the production of digitally-printed tiles (70% of production), which improved offtake and realisations
- Introduced more than 200 designs



in 2013-14 – more than 75% digitally printed – which enhanced aesthetic appeal

Making our business more connected

- Added more dealers to the network in North and South India's Tier II and III towns
- Strengthened our dealer presence; introduced novel product display techniques
- Invested in branding and promotion, which enhanced customer awareness
- Engaged entrepreneurs from other businesses as dealers

Outlook

The Company plans to acquire more wall and floor ceramic tile capacities in Morbi, introduce new sizes, enhance product display and widen its distribution network.

Business segment - 2

Polished vitrified tiles

Business in 2013-14

Sales volumes and value increased by 16% and 14% respectively over the previous year despite a production disruption in Morbi.

Overview

Kajaria manufactures polished vitrified tiles at its Gailpur, Jaxx and Cosa facilities, which allows it to address its pan-India distribution network. Its wide tile variety is marketed through Kajaria Galaxy and Kajaria Studio

chains as well as the pan-India Kajaria dealer network.

Product attributes

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

Soluble salts

Vitrified tiles that are printed with screen printing technology and then polished are called soluble salt vitrified tiles.

Low-end vitrified tiles in India

Limited design options due to technology limitations

Double charge

Vitrified tiles where the press feeds two colours on the tiles bisque and makes a 3-4mm thick layer of design on the top.

These tiles have a longer life than soluble salt tiles

Limited design options due to technology limitations

Full body vitrified tiles

Vitrified tiles have colour throughout the body (thickness) of the tile. Because of this chipping or scratches are less noticeable

Design will never fade

Ideal flooring which can resist heavy traffic areas such as shopping complex, airports etc.



Performance in 2013-14

Making our business more competitive

- Replaced the import of soluble salts from China with outsourced products from Morbi; streamlined logistics and distribution channels, which reduced the lead time between the Morbi

plant and dealer warehouse; reduced the depot sizes, which optimised distribution costs

- Streamlined operations at the Gailpur unit to enhance productivity; replaced natural gas with coal gas in spray driers to optimise production costs



11.40 MSM

Cumulative capacity

60

Designs

2

Sizes

₹400 – 800

Price per sqm

38%

Proportion of net sales

■ Streamlined processes at the Cosa unit (acquired November 2012), which enhanced capacity utilisation to 100%; improved operational practices to increase output from the newly acquired unit

Making our business more compelling

Launched 10 new designs which received a heartening customer response

Making our business more connected

■ Added new dealers in East, Central

and South India; consolidated the sizeable network addition in the last 24 months

■ Occupied more showroom space among leading 200 dealers; institutionalised regular display monitoring and upgradation; improved the offtake of value-added tiles (35% of the total segment sales against 30% in 2012-13)

Outlook

The team is gearing for strong value-led and volume-driven growth to achieve ₹1,000 crore revenues by 2015.

The Company is commissioning its 4.50 MSM unit at Jaxx by August 2014 to produce large tiles (80x80 cm and 80x120cm), increasing the value-added portfolio. It is implementing a brownfield expansion of 3.00 MSM per annum of soluble salt vitrified tiles (Cosa unit).

The Company is commissioning a 5 MSM greenfield polished vitrified tile unit in Rajasthan. It is also working on the addition of 5 MSM polished vitrified tiles capacity at Morbi through the joint-venture route.

Business segment - 3

Glazed vitrified tiles



Business in 2013-14

Sales volumes and value increased 34% and 25% respectively over the previous year

Overview

Having introduced glazed vitrified tiles (GVT) in India in 2007-08 for the first time in an organised manner by way of imports, Kajaria today possesses the largest product basket in terms of designs and sizes.

Currently, Kajaria manufactures glazed vitrified tiles at its Gailpur and

Sikandrabad facilities. The Company offers the largest number of wood and stone finish tiles in the large format. Its products are marketed through its high-end Kajaria World, Kajaria Galaxy and Kajaria Studio chains, primarily in metros and urban locations.

Product attribute

Vitrified tiles with a glazed surface coating are referred to as Glazed vitrified tiles. These tiles represent the premium segment in the tile



value chain, marked by quality, durability and flexibility to impart unique designs and textures. The use of digital printing technology on vitrified tiles has widened design and texture options.

Performance in 2013-14

Making our business more competitive

- Streamlined operations of the Sikandrabad line commissioned in February 2013, which resulted in robust sales volumes

- Invested in a line commissioned in March 2014.

Making our business more compelling

- Introduced the Eternity HD Wood range in two sizes
- Launched 80x80 cm, 40x80 cm and 20x120 cm Digital Wooden planks

Making our business more connected

- Increased the dealer network in Tier I and II cities and towns
- Increased space occupation within select dealer showrooms
- Initiated exports to the US for the first time
- Increased the domestic retail presence



Outlook

The team will streamline operations of the newly converted line to maximise productivity. The Company will also shift product manufacture between facilities with the objective to enhance margins. The team will enhance product display across various showrooms pan-India and create a market for some high value product sizes. The team will also expand its global presence.

New is everything

The new line at Sikandrabad will showcase contemporary technologies:

- A 6-head digital printing machine, which will significantly enhance the team's creative and designing capability.
- A high-speed cutting unit sourced from Italy will strengthen productivity and optimise production costs.
- This line will enable the manufacture of tiles where the colour of the body can be matched with the surface.

Analysis of financial statements



Kajaria registered healthy growth despite the numerous challenges faced by the domestic tile manufacturers. Interestingly, the Company has sustained profitable business growth over the last 4-5 years.

In 2013-14, we will not highlight the performance with the previous year, but analyse how Kajaria has created strong financial statements and multiplied shareholder value in the face of a persistent economic slowdown.

Topline and working capital

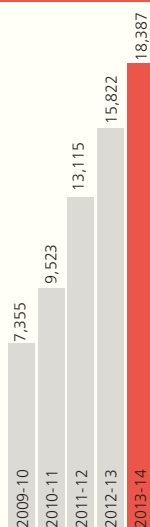
Net sales grew by 16.22% over 2012-13; more importantly net sales grew at 22.56% CAGR (five-year) due to a value-volumes play marked by a consumer pull.

Normally, an increase in the scale of business is accompanied by an increase in working capital requirement. For Kajaria, the reverse transpired; working capital declined from 80 days of turnover equivalent in 2009-10 to 32 days in 2012-13

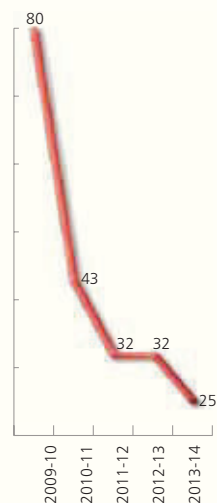
and 25 days in 2013-14 (an industry benchmark). This was largely due to a faster product offtake and faster payments by the dealers. What makes the working capital reduction even more interesting is that this transpired despite a reduction in the creditors' cycle from 66 days in 2009-10 to 47 days in 2013-14.

The shorter working capital cycle increased net cash from operations – at ₹1,661 million in 2013-14, an increase of 70% over 2012-13.

Net sales (₹ million)



Working capital cycle (days)



Gross block and debt

Gross block increased 11.32% over 2012-13; it grew at 15.34% CAGR (5 years) as the Company expanded its manufacturing base in West and South India, increased capacity in North India and invested in improvement and modernisation across all units. In the last five years, the Company invested ₹5,612 million in its gross block.

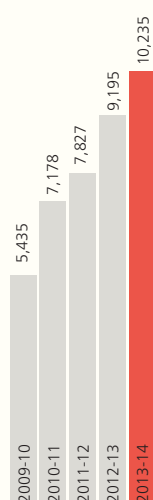
One would imagine that these sizeable investments would have significantly increased the Company's debt burden or the reserves would have been depleted. The reality was the opposite. Debt as a percentage of capital employed reduced from 52% in 2009-10 to 41% in 2012-13 and 27% in 2013-14. Debt-equity ratio stood at

0.41x as on March 31, 2014 against 1.39x as on March 31, 2010, largely due to the healthy cash flow, working capital reduction and equity infusion

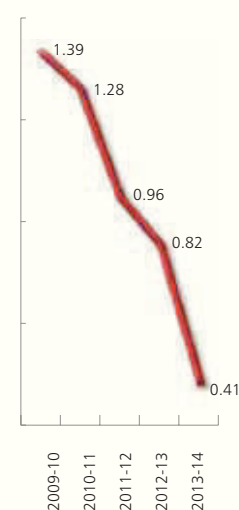
As debt declined, interest liability dropped – interest, which was 4.89% of turnover in 2009-10 stood at only 2.02% of turnover in 2013-14. The interest cover (showcases the strength to repay interest liability) strengthened to 5.88x in 2013-14 from 2.37x in 2009-10.

The Company's reserves and surplus stood at ₹5140 million as on March 31, 2014 – 48.50% higher than the balance as on March 31, 2013 and a growth of 28.39% (CAGR) over the balance as on March 31, 2010.

Gross block (₹ million)



Debt-equity (x)



Operating cost and EBITDA

An increase in business scale – more volumes, more locations and more people – would justify an increase in operational costs. Besides, increasing fuel costs and rupee depreciation only added to the cost structure. Under such circumstances, it would have been reasonable to estimate a reduced operating profit.

At Kajaria, it was different. While fuel cost doubled between 2009-10 and 2013-14, the rupee depreciated sharply, the wage cost increased consistently over the period under review; operating cost as a proportion of net sales remained largely stable – at 83.82% in 2009-10, 85.91% in 2012-13 and 82.97% in 2013-14. EBITDA jumped more than two-fold between 2009-10 and 2013-14.

This increase in profitability was possible due to a single-minded focus on creating a demand for value-added tiles as well as a process realignment to increase productivity and eliminate wastage.

Dividend and ploughback

The Company needs to tread a balance between rewarding shareholders with a high dividend and retaining surplus for capital-intensive projects. Generally, one increases at the compromise of the other. At Kajaria, this did not happen. For one, increasing volumes, increased value-addition, optimised costs and reduced interest outflow accelerated net profit growth faster

than others in the tile industry. Hence, while dividend payout to shareholders grew 78.20% CAGR over the five years (upto 2013-14), the ploughback of business surplus leapfrogged 67.01% CAGR over the same period.

In 2013-14, the dividend payout at ₹264.54 million and the surplus ploughback at ₹932.71 million were 20% and 18% higher than the previous year's allocations.

As a result, shareholder value doubled - incremental income (through growing dividend) and growing wealth (through outperformance of the share price with the broader index).

Internal control and adequacy

The Company maintains a system of well-established policies and procedures for internal control of operations and activities.

The internal control systems consist of comprehensive internal and statutory audits. Internal auditors independently evaluate adequacy of internal controls and concurrently audit majority of transactions in value terms. The internal audit function is further strengthened in consultation with Statutory Auditors for monitoring statutory and operational issues. Independence of the audit and compliance function is ensured by the direct reporting of the internal audits to the Audit Committee of the Board.

Kajaria Ceramics

Market price

₹349

March 31, 2014

Returns

477.55%

over 4 years



Kajaria Ceramics



SENSEX

SENSEX

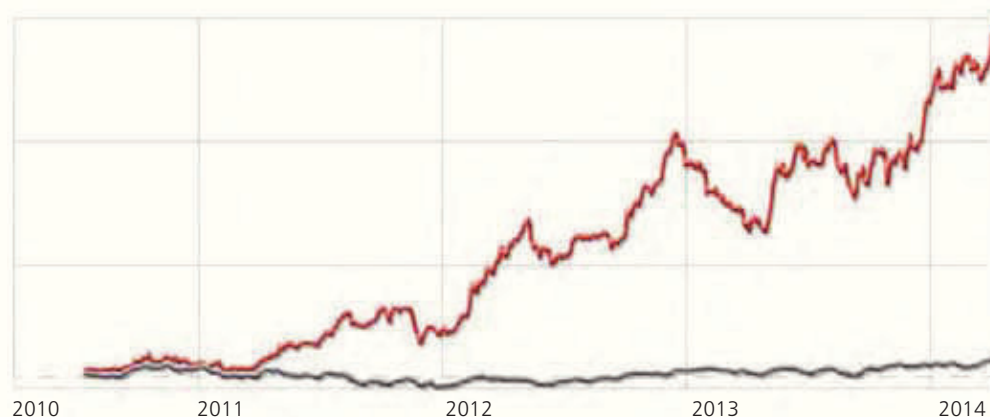
22,386

March 31, 2014

Returns

26.53%

over 4 years



Managing business uncertainties

Risk is the face of business uncertainty, affecting corporate performance and prospects.

As a diversified enterprise, Kajaria had a system-based approach to business risk management. Its risk mitigation framework comprises a study of emerging business trends, framing policies and strategies, structured reporting and control. The disciplined approach coupled with timely execution of proactive counter-measures strengthened our viability across verticals, products, geographies and market cycles.

Industry risk

The economic slowdown may force the average Indian to curtail expenses – impacting the demand for tiles.

Risk mitigation

Despite the persisting economic slowdown and a sluggish housing sector over the last three years, the demand for tiles registered

healthy growth – a trend, which is expected to continue over the coming years as aspiration, affordability and availability of the average Indian continues to scale northward. Moreover,

the investment-favouring government policies are expected to provide a thrust to the housing sector which could cascade into a stronger demand for tiles.

Fuel risk

Increased gas prices, coupled with a weak Indian rupee, could eat into business margins.

Risk mitigation

The increase in energy bill is a factor which impacts all players of the Indian tile industry and Kajaria is no exception. Despite a two-fold increase in RLNG prices over the last five years coupled with a sharp depreciation of the rupee during the same period,

(increases the gas price to the purchaser) the Company sustained its operating margins due to the following reasons:

- Increased the proportion of value added tiles in its sales mix
- Customers have accepted to pay some part of the

cost increase due to the unparalleled value-proposition provided by Kajaria

- Implemented numerous small and critical process improvements which optimised consumption of gas eliminated wastages which reduced the cost increase

Competition risk

Increased attraction to India, the fast-growing, third largest global tile market could impact the Company's performance.

Risk mitigation

This risk is applicable for all the players of the domestic tile industry. For a clear understanding, it would be relevant to understand the various risk elements:

Imports: The depreciating rupee has made imports expensive, hence imported volumes have dropped. Further, the organised sector has developed capabilities to offer reasonably-priced, internationally-benchmarked

products, which reduced the relevance of imports significantly.

Organised sector: Kajaria is the brand leader in the organised sector; this position has been retained due to its ability to create niche products (prints and sizes) and stunning designs – some of which are first-time launches in the Indian market. This creative ability has etched a unique recall of being a product conceptualiser among discerning customers allowing

it to earn a premium over competing products.

Unorganised sector: The recent Government order to ban the use of coal gas by some of the unorganised players will marginalise competition. Besides, increasing disposable income has fueled branded aspirations. The wide and deep distribution networks of organised sector players have increased branded product availability.

Rupee depreciation risk

Depreciation of the rupee could hamper business profitability.

Risk mitigation

While the rupee depreciation will result in increased cost

(primarily fuel) and lower margins, it will also make imports unviable. Thus, the

industry can pass on this price hike in the absence of imports.

5-Year Financials

(Based on Consolidated Financial Statements)

(₹ in million)

| | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
|---------------------------------------|----------------|----------------|-----------------|-----------------|-----------------|
| Share Capital | 147.17 | 147.17 | 147.17 | 147.17 | 151.17 |
| Reserves | 1746.23 | 2078.02 | 2673.54 | 3461.61 | 5140.34 |
| Loan funds | 2628.28 | 2879.68 | 2781.92 | 3201.66 | 2364.19 |
| Gross Block | 5435.47 | 7178.08 | 7826.60 | 9194.50 | 10235.02 |
| Net Block (Fixed Assets) | 3447.90 | 4914.92 | 5209.21 | 6199.68 | 6915.89 |
| Capital work-in-progress | 25.43 | 0.64 | 23.58 | 78.14 | 405.33 |
| Investments | 33.94 | 33.94 | 0.81 | 0.81 | 0.81 |
| Current assets | 2976.43 | 3152.48 | 3675.87 | 4196.88 | 4434.08 |
| Current Liabilities | 1413.49 | 2375.46 | 2590.96 | 2733.61 | 2974.87 |
| Net Current Assets | 1562.94 | 777.02 | 1084.91 | 1463.27 | 1459.21 |
| Deferred tax liabilities | 548.52 | 603.20 | 643.68 | 656.27 | 713.21 |
| Revenue (Net Sales) | 7355.36 | 9523.13 | 13115.31 | 15821.74 | 18387.42 |
| Other Income and Operating Income | 7.45 | 12.56 | 29.71 | 41.45 | 75.84 |
| Material costs | 3643.54 | 5375.78 | 6508.32 | 7197.83 | 8251.80 |
| Power costs | 1048.76 | 936.77 | 2106.80 | 3065.98 | 3716.95 |
| Employee Cost | 612.84 | 760.83 | 1071.85 | 1364.02 | 1726.38 |
| Other manufacturing expenses | 167.76 | 203.25 | 480.26 | 682.52 | 774.79 |
| Admn & selling expenses | 733.20 | 769.53 | 901.06 | 1075.98 | 1123.31 |
| EBIDTA | 1156.71 | 1489.53 | 2076.73 | 2476.86 | 2870.03 |
| Interest | 375.24 | 300.52 | 485.11 | 453.53 | 408.22 |
| Depreciation | 267.06 | 296.80 | 392.58 | 446.18 | 470.00 |
| PBT | 514.42 | 892.21 | 1199.04 | 1577.14 | 1991.81 |
| Tax | 155.90 | 285.28 | 380.56 | 498.78 | 678.31 |
| PAT (Before minority interest) | 358.51 | 606.93 | 818.48 | 1078.36 | 1313.50 |
| Minority Interest | - | 0.72 | 9.65 | 33.25 | 71.29 |
| PAT (After minority interest) | 358.51 | 606.21 | 808.83 | 1045.11 | 1242.21 |
| Networth | 1893.40 | 2225.19 | 2820.71 | 3608.78 | 5291.51 |
| Capital Employed | 5070.20 | 5726.52 | 6318.51 | 7741.90 | 8777.49 |
| EPS (Basic) (₹)* | 4.87 | 8.24 | 10.99 | 14.20 | 16.71 |
| Book value (₹)* | 25.73 | 30.24 | 38.33 | 49.04 | 70.01 |
| Dividend (₹)* | 1.00 | 2.00 | 2.50 | 3.00 | 3.50 |
| Debt Equity | 1.39 | 1.28 | 0.96 | 0.82 | 0.41 |
| RONW / ROE (%) | 20.40 | 29.44 | 32.06 | 32.51 | 27.91 |
| ROCE (%) | 16.98 | 22.09 | 27.96 | 28.89 | 29.06 |

*Face Value of ₹ 2/- per share.

Note: Current Assets, Current Liabilities, Loan Funds and Capital Employed have been reclassified in the Audited Balance Sheet as per new Schedule VI of Companies Act 1956. The same have been adjusted in line with old format for ease of comparison.

Value-added statement

(₹ in million)

| | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
|-----------------------------|----------------|-----------------|-----------------|-----------------|-----------------|
| Sales (gross) | 7667.54 | 10051.31 | 14072.12 | 17335.80 | 20242.93 |
| Other income | 7.45 | 12.56 | 29.71 | 41.45 | 75.84 |
| Stock Adjustments | (40.60) | (42.60) | 218.01 | 205.99 | (337.26) |
| | 7634.39 | 10021.28 | 14319.84 | 17583.24 | 19981.51 |
| Less | | | | | |
| Raw Material consumed | 1437.91 | 1573.84 | 3105.80 | 3717.38 | 4198.30 |
| Trading goods | 2165.03 | 3759.34 | 3620.53 | 3686.44 | 3716.24 |
| Manufacturing expenses | 1216.53 | 1140.02 | 2587.06 | 3748.50 | 4491.74 |
| Other expenses | 733.20 | 769.53 | 901.06 | 1075.98 | 1123.31 |
| | 5552.67 | 7242.73 | 10214.45 | 12515.31 | 13529.59 |
| TOTAL VALUE ADDITION | 2081.73 | 2778.55 | 4105.39 | 5354.94 | 6451.92 |

Distribution of value-added

(₹ in million)

| | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| To the Government | 466.33 | 784.11 | 1326.73 | 2036.05 | 2521.84 |
| Excise duty | 312.18 | 528.20 | 956.81 | 1514.05 | 1855.51 |
| Dividend tax | 12.22 | 23.87 | 29.84 | 35.81 | 44.96 |
| Current tax | 141.93 | 232.04 | 340.08 | 486.19 | 621.37 |
| To the employees | 612.84 | 760.83 | 1071.85 | 1364.02 | 1726.38 |
| To providers of finance | 375.24 | 300.52 | 485.11 | 453.53 | 408.22 |
| To shareholders | 73.58 | 147.17 | 183.96 | 220.75 | 264.54 |
| Retained in business | 553.74 | 785.92 | 1037.74 | 1280.58 | 1530.94 |
| Depreciation | 267.06 | 296.80 | 392.58 | 446.18 | 470.00 |
| Deferred tax | 13.97 | 53.24 | 40.48 | 12.59 | 56.94 |
| Minority Interest | — | 0.72 | 9.65 | 33.25 | 71.29 |
| Profit ploughed back | 272.71 | 435.16 | 595.03 | 788.56 | 932.71 |
| TOTAL VALUE ADDED DISTRIBUTED | 2081.73 | 2778.55 | 4105.39 | 5354.94 | 6451.92 |

Directors' Report

Dear shareholders,

Your Directors are pleased to present the 28th Annual Report together with the audited accounts of your Company for the financial year ended 31st March 2014.

(₹ million)

| Particulars | Standalone | | Consolidated | |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | Year ended 31st March 2014 | Year ended 31st March 2013 | Year ended 31st March 2014 | Year ended 31st March 2013 |
| Revenue (Net Sales) | 18779 | 15882 | 18400 | 15833 |
| Profit Before Depreciation, Interest and taxes | 2396 | 2249 | 2870 | 2477 |
| Profit Before Tax | 1768 | 1480 | 1992 | 1577 |
| Tax Expense | 601 | 475 | 678 | 499 |
| Profit After Tax | 1167 | 1005 | 1314 | 1078 |
| Minority Interest | — | — | 71 | 33 |
| Profit After Tax and Minority Interest | 1167 | 1005 | 1243 | 1045 |
| Balance of Profit & Loss brought forward from previous year | 2068 | 1619 | 2109 | 1620 |
| Profit available for appropriation | 3235 | 2624 | 3352 | 2666 |
| APPROPRIATIONS | | | | |
| Proposed Dividend | 265 | 221 | 265 | 221 |
| Dividend Distribution Tax | 45 | 36 | 45 | 36 |
| Transferred to General Reserve | 300 | 300 | 300 | 300 |
| Surplus Credited to Balance Sheet | 2626 | 2068 | 2742 | 2109 |

Financial review

(The financial discussion in this section is based on the Standalone Financial Statements).

Your Company's strong business model stood the test of challenges for another year. Despite the economic slowdown, policy paralysis and rising fuel prices which dampened industry prospects, your Company sustained its growth momentum.

Your Company's ability in fueling and consistently delivering on customer's aspiration resulted in a 18% growth in net sales from ₹15882 million to ₹18779 million. Its painstaking efforts in streamlining costs facilitated in a 6.51 % increase

in EBITDA from ₹2249 million in 2012-13 to ₹2396 million in 2013-14.

Profit after tax increased from ₹1005 million to ₹1167 million, a 16.11 % growth over the previous year. The earnings per share (basic) increased from ₹13.66 to ₹15.70 per share during the same period. The book value per share strengthened from ₹48.49 as on 31st March 2013 to ₹68.48 as on 31st March 2014.

Dividend

With significant expansion plans on the anvil, the Board needed to strike a prudent balance between dividend payout and reinvestment of

business surplus for organisational growth. But considering robust business growth and improved profitability, the Board of Directors recommended 175% dividend on equity shares (₹3.50 per equity share, face value of ₹2). The total payout will be ₹309.50 million (including dividend distribution tax of ₹44.96 million).

Corporate highlights

Inorganic growth: Jaxx Vitrified, a subsidiary of your Company acquired a unit proximate to its existing facility having 2.60 MSM capacity for manufacturing polished vitrified tile at an investment of ₹350 million. The unit strengthened your Company presence in West and South India markets.

Value addition: Your Company also commissioned a 3.40 MSM glazed vitrified tile unit in the area vacated by the closure of the polished vitrified tile unit at our Sikandrabad facility. Your Company's growing presence in the glazed vitrified tile segment will enhance realisation and strengthen business margins going ahead.

Visibility expansion: Your Company expanded its Kajaria Galaxy network by opening 25 state-of-the-showrooms in the last 24 months. These 4000 sq ft outlets exclusively feature the Kajaria product range comprising ceramic, polished vitrified and glazed vitrified tiles – providing the discerning customer with a multitude of décor solutions under one roof. This initiative will facilitate in achieving our business targets.

Investment: WestBridge Crossover Fund, LLC. agreed to invest ₹1.50 billion in your Company. Kajaria issued 20 lac equity shares at a price of ₹250/- aggregating to ₹500 million and ₹38.85 lac warrants convertible into equity shares of the Company at a price ₹257.372433 per share aggregating to ₹1 billion. These warrants are

convertible by November 2014. The Company has received ₹250 million as advance towards warrants.

Consolidated Financial Statements

In accordance with the Accounting Standards (AS-21) Consolidated Financial Statement are attached and form part of the Annual Report and Accounts.

Accounts of subsidiaries

Pursuant to the general circular no. 1/2011 issued by Ministry of Corporate Affairs, Government of India the Individual accounts of the five subsidiaries of the Company (M/s Soriso Ceramic Private Limited, M/s Jaxx Vitrified Private Limited, M/s Vennar Ceramics Limited, M/s Cosa Ceramics Private Limited, Kajaria Sanitaryware Private Limited) for the year ended on 31st March 2014 have not been attached to the Annual Report. However a statement giving 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 of 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 there under.

Outlook

The 'new urban' consumption from Tier II and Tier III locations has significantly expanded the opportunity pie for the Indian tile sector. As India stands steadfast in its resolve to accelerate

economic progress, demand for tiles will continue to increase over the foreseeable future.

Further, growing urbanisation, gravitation to the aesthetic, increasing aspiration towards brands and deeper penetration of distribution networks of organised players is expected to increase the offtake of branded products.

Growth drivers for the current year

Your Company's growth will be driven by a prudent volume-value play that will strengthen business profitability and facilitate in providing superior shareholder value.

Recent addition: The 5.60 MSM capacity addition in 2013-14 will be operational for the entire 2014-15 making a meaningful contribution to the Company's growth target.

Capacity augmentation: Your Company is adding 4.50 MSM at Jaxx and 3 MSM capacity at Cosa units. Your Company is also analyzing the prospects of and studying the opportunities for adding capacity in the tile segment which would materialise in 2014-15.

Directors

Pursuant to the provisions of section 161 (1) of the Companies Act 2013 and articles of association of the Company, Mr. Sandeep Singhal – was appointed as an additional director, designated as independent director, by the Board of directors in its meeting held on 8th October 2013, upto the conclusion of the ensuing Annual General Meeting of the Company. The appointment of Mr. Sandeep Singhal, as an Independent Director of the Company, is subject to the approval of the members. The Company has received requisite notice in writing from a member proposing Mr. Sandeep Singhal for appointment as an Independent Director.

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.

The Board recommends for their re-appointment.

The Company has received declarations from all independent directors of the Company confirming that they meet the criteria of independence as prescribed under section 149(6) of the Companies Act 2013 and under clause 49 of the Listing Agreement.

Auditors and their observations

M/s O P Bagla & Co., Chartered Accountants, the auditors of the Company would retire at the ensuing Annual General Meeting. The Company has received a letter from them that their re-appointment, if made, would be within the prescribed limits under section 141(3) (g) of the Companies Act 2013 and they are not disqualified for re-appointment.

The Board of Directors recommends the re-appointment of M/s O.P.Bagla & Company as Statutory Auditors from the Conclusion of ensuing Annual General Meeting till the Conclusion of next Annual General Meeting.

The notes on financial statements referred to in the Auditor's report are self-explanatory and do not call for any further comments.

Cost Auditors and their observations

The Board of Directors on the recommendation of the Audit Committee appointed M/s. G T & Co. Cost Accountants, as the Cost Auditors of the Company for the Financial Year 2014-15. M/s. G T & Co. have confirmed that their appointment is within the limits of the Section 141(3) (g) of the Companies Act, 2013 and have also certified that they are free from any disqualifications.

The Audit Committee has also received a certificate from the Cost Auditor certifying their independence and arm's length relationship with the Company. Pursuant to Cost Audit (Report) Rules 2001, the Compliance certificate for the financial year 2012-13 was filed on 04.09.2013 vide SRN S22118764 on the Ministry of Corporate Affairs website.

Particulars of Employees

In terms of the provisions of Section 217(2A)

of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the annexure to the Directors' Report. Having regard to the provisions of Section 219(1)(b)(iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all the members of the Company and other entitled thereto. Any member interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

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 2014 and the profit and cash flow of the Company for the period 31st March 2014.
- 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 has 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-I and forms part of this Report.

Acknowledgment

Your Directors take this opportunity to express their deep sense of gratitude to the banks, Central and State governments and their departments and the local authorities for their continued guidance and support. 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 family. To them goes the credit for the Company's achievements. And to you, our Shareholders, we are deeply grateful for the confidence and faith that you have always reposed in us.

Place: New Delhi
Date: 7th May 2014

For and on behalf of the Board
Ashok Kajaria
Chairman and Managing Director

Annexure 'I' to the Directors' Report

Conservation of Energy:

The Energy Conservation efforts in the Company are being pursued on a continuous basis. Close monitoring of power consumption is maintained to minimise wastage and facilitate optimum utilisation of energy. Regular maintenance and repairs of all the equipments and machineries are carried out to ensure optimum efficiency. Having the right spares parts at all times especially during emergencies, improves the availability of equipments too.

The other Energy Conservation measures taken are -

- 1) Optimised the operating voltage for machines and lighting points at different level for effective utilisation of Grid power and reduction of apparent energy consumption. Maintaining a good power factor with reduction of harmonics by broad band reactors resulting in reduction of apparent as well as active energy consumption.
- 2) 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 LED lighting & equipments, variable frequency drives are extensively installed and used wherever possible for lesser energy consumption. Efficient PLC programs for reduction of idle running of equipments resulting in saving of power consumptions.
- 4) Considerable savings are achieved by the installation of Chain stoves in our spray Driers for switching of fuel from Gas to coal.
- 5) Fuel savings are achieved through optimise combustion air/fuel ratio of each burner, optimum utilisation of process control

parameters of the products and Optimise tile thickness / specific weight of tiles thus reduce the cycle of Kiln and increase the availability of machines and reduction of heat loss.

Technology absorption

A. Research and Development (R&D)

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

A new size Digital wall tile has been developed in 25x75cm available in glossy, wooden and satin finish, ideal for any kind of interior. A new product has been developed i.e. in Polished Vitrified category (60X60cm), Technica series available in high matt finish. Also new digital tiles were developed in dimensions of 20x120cm, 40x80cm, 60x60cm, 80x80cm & 60x120cm in Glazed Vitrified category based on different themes and concepts. These products are designed by European designers. The designs were created keeping in mind the ultra modern luxury lifestyles and other concepts. These products are available in different finish i.e. E Shield, Lappato, Rustic, Stone & Nanotech High gloss.

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

Continuous innovations and coming out with a new products of international standards has helped the Company to be in the forefront among its competitors.

Future plan of action

- 1) To Introduce new sizes of Ceramic (Wall & Floor) & Polished/Glazed Vitrified tiles.
- 2) To update technology as per advancement and competitiveness observed from the Global market.

Expenditure on (R&D)

(₹ in million)

| Particulars | 2013-14 | 2012-13 | 2011-12 |
|---|--------------|--------------|--------------|
| a) Capital | 2.35 | 4.55 | 2.37 |
| b) Recurring | 46.63 | 21.15 | 29.75 |
| Total | 48.98 | 25.70 | 32.12 |
| c) Total R&D expenditure as a percentage of total revenue | 0.26 | 0.16 | 0.24 |

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 market of Tiles
- 2) Our R&D / Technical experts visits 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 machineries when manufacturing Vitrified and Ceramic tiles. A considerable amount of Energy is being conserved by total use of COAL & RLNG in both the Plants (at Sikandrabad / Gailpur), and innovation in controlling the Natural Mineral Resources by using recycled waste.

Technology imported

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

Social & community welfare

Business growth and societal progress go hand in hand. As a successful company, we believe in sharing what we create. Towards that end, we continued to implement initiatives and demonstrate our corporate social responsibility. We focused on higher education, granting scholarships, improving infrastructure and maintaining higher standards of living, among others.

We also value the scarce natural resources i.e Water & Raw materials and thus using efficiently by recycling & reusing them regularly.

Company has a long and strong tradition of supporting its surrounding communities like Govt. Schools, NGO's, Ashram, Dharamshala, Medical camps, Contribution to Help age India, Child and

woman care centre, Sai Help Age Foundation and help care societies by providing Funds, Facilities, Education fees to economically weaker sections.

Foreign exchange earning and outgo

(₹ in million)

| Particulars | 2013-14 | 2012-13 |
|---------------------------|---------|---------|
| Earned: | | |
| Exports (FOB) | 348 | 132 |
| Spent: | | |
| Imports (CIF) | | |
| Capital goods | 475 | 130 |
| Raw Material | 40 | 64 |
| Stores & Spares | 145 | 168 |
| Traded Goods | 1005 | 1753 |
| Others (on accrual basis) | 28 | 40 |

Place: New Delhi
Date: 7th May 2014

For and on behalf of the Board
Ashok Kajaria
Chairman and Managing Director

Report on Corporate Governance

I. THE COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

KAJARIA DEFINES CORPORATE GOVERNANCE AS A SYSTEMIC PROCESS BY WHICH COMPANIES ARE DIRECTED AND CONTROLLED TO ENHANCE THEIR WEALTH GENERATING CAPACITY. WE BELIEVE THAT THE GOVERNANCE PROCESS SHOULD ENSURE THAT LARGE CORPORATES ARE MANAGED IN A MANNER THAT MEETS STAKEHOLDERS ASPIRATIONS AND SOCIETAL EXPECTATIONS.

The Company has set itself the objective of expanding its capacities and becoming globally competitive in its business. As a part of its growth strategy, the Company believes in adopting "best practices" that are followed in the area of Corporate Governance. Your Company is committed to sound principles of Corporate Governance with respect to all its procedures, policies and practices. Comprehensive disclosures, structured accountability in exercise of powers, adhering to best practices and commitment to compliance with regulations and statutes in letter as well as spirit have enabled your Company to enhance shareholder value.

In Accordance with Clause 49 of the Listing Agreement, the report containing the Corporate Governance Policies and Practices adopted by the Company for the financial year 2013-14 is as under:

II. BOARD OF DIRECTORS

Composition

The Company has a very balanced structure of Board of Directors comprising of Executive, Non-

Executive and Independent Directors, which primarily takes care of the business needs and shareholders' interest. As on 31st March 2014 the Company has 9 Directors on its Board. As per the provisions of Companies Act 1956 and clause 49 of the listing agreement as on date, 5 Directors are Independent.

The Independent directors are experienced, competent and highly renowned persons from their respective fields. They take active part at the Board and Committee Meetings and play critical role on strategic issues which enhances the transparency and value in decision making process of Board of Directors.

Meetings, Agenda, Attendance and Proceedings of the Board Meeting

The Board meets at least once in every quarter to review the quarterly financial results and other items on Agenda. Additional meetings are held when necessary. During the financial year ended 31st March 2014, eight Board Meetings were held and the gap between two Board Meetings did not exceed four months. The Date on which the Board Meetings were held are as follows:

| | | |
|-------------|---------------|-------------|
| 30.04.2013, | 04.06.2013, | 30.07.2013, |
| 08.10.2013, | 06.11.2013, | 11.11.2013, |
| 20.01.2014 | & 18.02.2014. | |

The details of composition of the Board, nature of directorship, Number of directorships in other companies, Chairmanship/ Membership of the Committee of each director in other Companies, attendance of the Directors at Board Meeting and Last Annual General Meeting are given on the following page:

| Name | Nature of Directorship | Board Meeting attended | Annual General Meeting attended | Directorship* in other companies | Committee Chairman-Ship | Committee Member-ship** |
|-------------------------|--|------------------------|---------------------------------|----------------------------------|-------------------------|-------------------------|
| Mr Ashok Kajaria | Chairman & Managing Director (Executive) | 8 | Yes | 3 | – | 2 |
| Mr Chetan Kajaria | Joint Managing Director (Executive) | 8 | Yes | 2 | – | 1 |
| Mr Rishi Kajaria | Joint Managing Director (Executive) | 7 | Yes | 3 | – | – |
| Mr R.K. Bhargava | Director (Independent Non-Executive) | 8 | Yes | 4 | 5 | 4 |
| Mr R R Bagri | Director (Independent Non-Executive) | 8 | Yes | 3 | 1 | 1 |
| Mr D P Bagchi | Director (Independent Non-Executive) | 6 | Yes | 7 | 1 | 4 |
| Mr. H. Rathnakara Hegde | Director (Independent Non-Executive) | 6 | Yes | 4 | 1 | 2 |
| Mr. B.K.Sinha | Director- Technical (Executive) | 1 | No | – | – | – |
| Mr. Sandeep Singhal# | Additional Director- (Independent Non-Executive) | 1 | NA | 1 | – | – |

* Excluding the directorship held in private limited companies, foreign companies and companies incorporated under section 25 of the Companies Act 1956

** for this purpose only the membership / chairmanship in Audit Committee, Share Transfer cum Investor Grievances Committee in all Public Limited Companies has been considered.

The Number of directorships, chairmanships and committee memberships of each director is in compliance with the relevance provisions of the Companies Act 1956 and Listing Agreement.

Appointed as an additional director w.e.f 8th Oct. 2013.

Mr. Ashok Kajaria is 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.

Appointment / re-appointment of directors

Pursuant to the provisions of section 161 (1) of the Companies Act 2013 and articles of association of the Company, Mr. Sandeep Singhal – was appointed as an additional director, designated as independent director, by the Board of directors in its meeting held on 8th October 2013, upto the conclusion of the ensuing Annual General Meeting of the Company. The appointment of Mr. Sandeep Singhal, as an Independent Director of the Company, is subject to the approval of the members. The Company has received requisite notice in writing from a member proposing Mr. Sandeep Singhal for appointment as an Independent Director.

Mr. R.K.Bhargava & 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.

The Board recommends for their re-appointment.

The Company has received declarations from all independent directors of the Company confirming that they meet the criteria of independence as prescribed under section 149(6) of the Companies Act 2013 and under clause 49 of the Listing Agreement.

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.

Agenda

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

Company including the information as per clause 49 of the Listing Agreement.

Post meeting action

Post Meetings, all the important decisions taken at the meeting are communicated to the concerned officials and departments. Action Taken Report is prepared and reviewed by the Company Secretary and reported to the Board in the next Board Meeting.

III. AUDIT COMMITTEE

As on March 31 2014, the Audit Committee comprises of following members:

| Name | Status | No. of Meetings Attended |
|-------------------------|----------|--------------------------|
| Mr. R. K. Bhargava | Chairman | 4 |
| Mr. Ashok Kajaria | Member | 4 |
| Mr. R. R. Bagri | Member | 4 |
| Mr. H. Rathnakara Hegde | Member | 4 |

During the year under review, the Audit Committee met four times i.e. 30.04.2013, 30.07.2013, 06.11.2013 and 20.01.2014.

The Committee's Composition meets the requirements of Section 177 of the Companies Act 2013 and Clause 49 of the Listing Agreement. Members of the committee possess sound knowledge of accounts, audit, banking, finance and internal controls.

Mr R C Rawat, Executive V P (A&T) & Company Secretary is the Secretary of the Audit Committee. The Chairman of the Audit Committee also attended the last Annual General Meeting of the Company.

Terms of Reference

The Role of Audit Committee as per Provisions of Companies Act 2013 read with Clause 49 of the listing agreement inter alia includes the following:

- Overseeing the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- Recommending to the Board, the appointment

/ re-appointment, and if required, replacement or removal of the statutory auditors, fixation of audit fee and approving payments for any other service rendered by statutory auditors.

- Discussion with the statutory auditors about the nature and scope of audit as well as post audit discussion to ascertain areas of concern, if any.
- Recommending to the Board of Directors, the appointment / re-appointment of Cost Auditor of the Company.
- Reviewing with the management, the quarterly, half yearly and annual financial statements before submission to the Board;
- Reviewing with the internal auditor and Statutory Auditors, the adequacy of internal controls and steps taken for strengthening the areas of weakness in internal controls.
- Reviewing with the management, the statements of uses/application of funds raised through preferential issue.
- Looking 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.
- Reviewing the Management Discussion and Analysis of Financial Condition and results of Operations.
- Scrutiny of inter corporate loans and investments
- Valuation of undertakings or assets of the Company, whenever it is necessary.
- Reviewing the functioning of the Whistle Blower mechanism.
- Reviewing the statements of significant related party transactions.

IV. REMUNERATION COMMITTEE

It comprises of the four directors. During the year under review, the Committee met once on 30.04.2013. The details of the meetings attended

by the directors are as follows:

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

However, in Accordance with the provisions of the Companies Act 2013, Remuneration Committee has been reconstituted and renamed as Nomination and Remuneration committee w.e.f 07.05.2014. The new constitution would be as follows:

| Name | Status |
|-------------------------|----------|
| Mr. D. P. Bagchi | Chairman |
| Mr. Ashok Kajaria | Member |
| Mr. H. Rathnakara Hegde | Member |
| Mr. R. R. Bagri | Member |

The terms of reference to this Committee include:

- This committee shall identify persons who are qualified to become directors and who may be appointed as Key Managerial Persons in accordance with the criteria laid down, recommend the board their appointment and removal and shall carry out evaluation of every director's performance.
- This Committee is empowered to review and recommend to the Board of Directors, remuneration and commission of Directors and other senior executives of the Company.
- This committee shall formulate a remuneration policy in accordance with the applicable provisions of the Companies Act 2013 and Listing agreement, amended from time to time.

The details of remuneration paid to directors during the financial year ended 31st March 2014 is as under:

(₹ in million)

| S No. | Name of Directors | Salary | Perquisites & other Benefits | Commission | Sitting fees | Total |
|-------|-------------------------|--------|------------------------------|------------|--------------|-------|
| 1 | Mr. Ashok Kajaria | 14.52 | 11.37 | - | - | 25.89 |
| 2 | Mr. Chetan Kajaria | 12.00 | 9.40 | 18.00 | - | 39.40 |
| 3 | Mr. Rishi Kajaria | 12.00 | 9.40 | 18.00 | - | 39.40 |
| 4 | Mr. B. K. Sinha | 2.57 | 1.76 | - | - | 4.33 |
| 5 | Mr. R. R. Bagri | - | - | - | 0.38 | 0.38 |
| 6 | Mr. R. K. Bhargava | - | - | - | 0.26 | 0.26 |
| 7 | Mr. D. P. Bagchi | - | - | - | 0.14 | 0.14 |
| 8 | Mr. H. Rathnakara Hegde | - | - | - | 0.20 | 0.20 |

The Company has not issued any Stock options to any director during the year.

The Number of shares held by Non- Executive Directors as on 31.03.14 are as follows:

| S. No. | Name of Non- Executive Director | No. of Shares held as at 31.03.2014 |
|--------|---------------------------------|-------------------------------------|
| 1 | Mr. R. K. Bhargava | 6296 |
| 2 | Mr. R. R. Bagri | 21000 |
| 3 | Mr. D. P. Bagchi | NIL |
| 4 | Mr. H. Rathnakara Hegde | NIL |
| 5 | Mr. Sandeep Singhal | NIL |

V. SHARE TRANSFER & INVESTORS GRIEVANCES COMMITTEE

The Committee is responsible for the satisfactory redressal of investor's grievances and recommends measures for overall improvement in the quality of investors services. During the year, the Committee met five times on 04.06.2013, 30.07.2013, 08.10.2013, 31.12.2013 and 31.03.2014. The details of the meetings attended by the directors are as follows:

| Name of the Director | Category | No. of Meetings Attended |
|----------------------|----------|--------------------------|
| Mr. R. R. Bagri | Chairman | 5 |
| Mr. Ashok Kajaria | Member | 5 |
| Mr. Chetan Kajaria | Member | 5 |

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

During the year 40 complaints were received. All the queries and complaints received during the financial year ended 31st March 2014 were duly addressed and no queries are pending for reply on that date except where the Registrar & Share Transfer Agent is constrained by dispute or legal impediment or due to incomplete or non-submission of documents by the shareholders.

Pursuant to the provisions of Section 178 (5), the Committee has been renamed as Stakeholders Relationship Committee vide resolution passed by the Board in its meeting held on 07.05.2014. The constitution of the committee shall remain the same.

The terms of reference to this Committee include:

1. Review, on periodic basis, status of grievances relating to transfer, transmission of shares, issue of duplicate shares.
2. Monitor expeditious redressal of investor's grievances
3. Review instances of non- receipt of Annual Report and declared dividend.
4. Consider all matters related to all security holders of the Company.

VI. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Pursuant to the provisions of Section 135 of the

Companies Act 2013, the Committee has been constituted as Corporate Social Responsibility Committee vide resolution passed by the Board in its meeting held on 07.05.2014. The constitution of the committee shall be as follows:

| | |
|----------------------|----------|
| 1 Mr. Ashok Kajaria | Chairman |
| 2 Mr. Chetan Kajaria | Member |
| 3 Mr. Rishi Kajaria | Member |
| 4 Mr. R. R. Bagri | Member |

The terms of reference to this Committee include:

- (a) Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII;
- (b) Recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and
- (c) Monitor the Corporate Social Responsibility Policy of the Company from time to time.

VII. 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 once on 30th July 2013. The details of the meetings attended by the directors are as follows:

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

VIII. GENERAL BODY MEETINGS

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

| Year | Date | Time | Venue |
|------|------------|------------|---|
| 2011 | 02.06.2011 | 12.00 Noon | A- 27 & 28 , Sikandrabad Indl Area Sikandrabad, Distt Bulandshahr (U P) |
| 2012 | 13.07.2012 | 12.00 Noon | -do- |
| 2013 | 04.06.2013 | 12.00 Noon | -do- |

- b) In addition to Annual General Meeting, the Company holds an Extra Ordinary General Meeting of the shareholders on 06.11.2013. Following Special Resolutions were passed :

1. To Increase in the FII's Limit from 24% to 40 %
2. To approve the issued and allotment of 20,00,000 equity shares and 38,85,420 warrants to M/s WestBridge Crossover Fund, LLC.

- c) **POSTAL BALLOT:** During the year, no postal Ballot process was undertaken.

IX. DISCLOSURES

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

There are no materially significant transactions with the related parties' viz. Promoters, Directors or the Management, their subsidiaries or relatives that had potential conflict with the Company's Interest. Suitable disclosure as required by Accounting Standard (AS18) has been made under note No. 42 of the Annual Accounts.

- b) 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) **DETAILS OF COMPLIANCE WITH NON – 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 below:

- i) **Tenure of Independent Director:** No Maximum tenure for the independent director has been specifically determined. However pursuant to the provisions of the Companies Act 2013, all future re-

appointments would be for a term upto five consecutive years but shall be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's Report.

- ii) **Remuneration Committee:** The Board has set up 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 year 2014 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 has framed a mechanism which allows any employee to approach the Management without informing his supervisor to report about the unethical behavior, or fraud or violation of Company's Code of Conduct. This mechanism also provides the adequate safeguard against the victimisation of such employee. No personnel has been denied access to the audit committee.

- vii) **Code of Conduct:** The Board of directors has laid down a Code of conduct for all

the Board Members and all the senior management personnel of the Company. The Code covers amongst other things the Company's commitment to honest & ethical personal conduct, fair competition, health & safety, transparency and compliance of laws regulations etc. 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 the guidelines specified under the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations) 1992 as amended till date, the Company has formulated and implemented the code of conduct for prevention of insider trading. The Code of Conduct for prevention of Insider Trading, inter alia, prohibits purchase/ sale of shares of the Company by employees while in possession of unpublished price sensitive information in relation to the Company. The necessary procedures have been laid down for Directors, designated employees, connected persons and persons deemed to be connected for trading in securities of the Company.

The said Code of Conduct is available on the Company's Website.

- d) Chairman and Managing Director and Exec. V.P. (A&T) & Company Secretary, of the Company have given the "CEO/CFO Certification" to the Board of Directors in accordance with Clause 49 of the Listing Agreement.

X. MEANS OF COMMUNICATION

The quarterly, half yearly and annual financial

results of the Company are sent to the stock exchange immediately through their e-portal NSE NEAPS and BSE Listing Center after these have been approved by the Board. These are widely published in the Economic Times, The Financial Express / Business Standard (both English & Hindi), Jansatta and other newspapers.

These results are simultaneously posted on the website of 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 2014

| | |
|---|---------------|
| First Quarter Results | July 2013 |
| Second Quarter/ Half Yearly Results | November 2013 |
| Third Quarter / Nine Months Results | January 2014 |
| Fourth Quarter / Annual Results for the year ending 31st March 2014 | May, 2014 |

XI. 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 2014-15):

| Date | Time | Venue |
|-----------------|------------|---|
| 1st August 2014 | 12.00 Noon | A-27 to 30, Indl Area, Sikandrabad, Distt Bulandshahr (U P)- 203205 |

- ii) **Next Dates of Book closure:** 21st July 2014 to 1st August 2014 (both days inclusive).
- iii) **Dividend:** The Board of Directors at its meeting held on 7th May 2014 recommended a dividend of ₹3.50 per share subject to the approval of the shareholders at the ensuing Annual General Meeting, will be paid / dispatched within stipulated time.

Details of the dividend declared and paid by the Company for the last 5 years are as follows:

| Year | Percentage | In ₹ Per Share | Dividend Amount (Rupees In million) |
|---------|------------|----------------|-------------------------------------|
| 2008-09 | 10 | 0.20 | 14.72 |
| 2009-10 | 50 | 1.00 | 73.58 |
| 2010-11 | 100 | 2.00 | 147.17 |
| 2011-12 | 125 | 2.50 | 183.96 |
| 2012-13 | 150 | 3.00 | 220.75 |

iv) Unpaid / Unclaimed Dividend :

All the unpaid / unclaimed dividend upto the financial year 2005-06 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 2006-07 is due to be transferred to the investor education and protection fund.

v) Listing on Stock Exchanges:

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

BSE/NSE listing fees for the financial year 2014-15 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 2013-14: -

| Months | BSE | | NSE | |
|-----------------|--------|--------|--------|--------|
| | High | Low | High | Low |
| April, 2013 | 209.25 | 177.00 | 209.25 | 177.15 |
| May, 2013 | 249.00 | 212.00 | 248.80 | 211.50 |
| June, 2013 | 259.40 | 228.05 | 257.75 | 228.10 |
| July, 2013 | 259.50 | 230.00 | 259.85 | 227.05 |
| August, 2013 | 241.40 | 199.50 | 242.00 | 199.00 |
| September, 2013 | 254.85 | 213.05 | 254.80 | 213.55 |
| October, 2013 | 256.00 | 214.10 | 253.40 | 215.00 |
| November, 2013 | 259.85 | 227.55 | 259.95 | 228.50 |
| December, 2013 | 313.00 | 249.10 | 314.60 | 248.25 |
| January, 2014 | 325.00 | 291.00 | 318.90 | 290.00 |
| February, 2014 | 329.95 | 305.00 | 333.00 | 306.00 |
| March, 2014 | 354.95 | 294.00 | 358.10 | 292.00 |

viii) Registrar & Share Transfer Agent

The name of the share transfer agent of the Company has been changed from MCS Limited to MCS Share Transfer Agent Limited. The correspondence address of MCS Share Transfer Agent Limited is as follows:

MCS Share Transfer Agent Ltd

F- 65, Okhla Industrial Area, Phase- 1

New Delhi – 110020

Ph. No. : 91-11-41406149-52 : Fax No.: 91-11-51709881

ix) Share Transfer System

M/s MCS Share Transfer Agent Limited is the Registrar and Share 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 the 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. A Summary of all the transfers, transmissions, deletion requests etc 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 2014

| S.No. | Category | No. of Shares Held | Percentage of Shareholding |
|-------|---------------------------------|--------------------|----------------------------|
| 1 | Indian Promoters | 39371815 | 52.09 |
| 2 | Mutual Funds & UTI | 2948370 | 3.90 |
| 3 | Banks, Financial Institutions, | 28810 | 0.04 |
| 4 | FII's | 19295812 | 25.53 |
| 5 | Private Corporate Bodies | 2086733 | 2.76 |
| 6 | Foreign Company | 2000000 | 2.65 |
| 7 | NRI's / OCB's | 779561 | 1.03 |
| 8 | Any Other (Trust & Foundations) | 48779 | 0.06 |
| 9 | Indian Public | 9023700 | 11.94 |
| Total | | 75583580 | 100.00 |

Shareholding pattern of the Company as on 31.03.2014

Range Wise Distribution is as follows:

| Range | No. of Shareholders | | No. of Shares | |
|-----------------|---------------------|-------------------|---------------|--------------------|
| | Total | % of shareholders | Total | % of share capital |
| 1-500 | 9855 | 78.26 | 1553701 | 2.05 |
| 501-1000 | 1333 | 10.59 | 1071140 | 1.42 |
| 1001-2000 | 674 | 5.35 | 996933 | 1.32 |
| 2001-3000 | 232 | 1.84 | 582355 | 0.77 |
| 3001-4000 | 90 | 0.71 | 315550 | 0.42 |
| 4001-5000 | 90 | 0.71 | 425041 | 0.56 |
| 5001-10000 | 133 | 1.06 | 934156 | 1.24 |
| 10001 and above | 186 | 1.48 | 69704704 | 92.22 |
| Total: | 12593 | 100 | 75583580 | 100 |

xi) Dematerialisation of Shares

As on 31st March 2014, 97.52% of total equity share capital is held in dematerialised form with the following two depositories:

| S.No. | Name & Address of Depository | ISIN |
|-------|---|---------------|
| 1 | National Securities Depository Limited Trade World, "a" Wing, 4&5, Kamala Mills Compound, Lower Parel, Mumbai 400013 | INE 217B01028 |
| 2 | Central Depository Service (India) Ltd. P J Towers, 17th Floor, Dalal Street, Fort, Mumbai 400001 | INE 217B01028 |

xii) Outstanding GDRs / ADRs / Warrants or other Convertible Instruments

- a.) The Company has not issued any GDR/ADR.
- b.) The Company in its Extraordinary General Meeting held on 6th November 2013, had approved, the issuance and allotment of 38,85,420 warrants (ISIN : INE 217B13015) , convertible into equity shares, on or before 11th Nov. 2014, at an exercise price of ₹257.372433 per underlying share of face value of ₹2 each to WestBridge Crossover Fund LLC.

xiii) Other Information

- a) Corporate Identification Number (CIN NO.) - L26924UP1985PLC007595
- b) Secretarial Audit for Share Capital Reconciliation - As on 31st March, 2014

Secretarial Audit for Share 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 in physical form.

xiv) Plant Locations

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

- A-27 to 30, Industrial Area, Sikandrabad, Distt Bulandshahr (U P)-203205.
- 19 Km Stone, Bhiwadi – Alwar Road, Village Gailpur, Distt Alwar (Rajasthan).

xv) Subsidiary Company

The Company does not have any material non-listed subsidiary Company as defined in clause 49 of the Listing Agreement.

As on 31st March 2014, the Company has following five subsidiary Companies which do not fall in the category of material non-listed company:

- i. M/S SORISO CERAMIC PRIVATE LIMITED
Registered Office & Factory
8-A, National Highway, Lakhdhipur Road, Morbi, Gujarat, 363642
- ii. M/S JAXX VITRIFIED PRIVATE LIMITED
Registered office
SN-72/P1 & 72/P2, Timbadi, Morbi, Gujarat – 363642
- iii. M/S VENNAR CERAMICS LIMITED,
Registered Office
Plot No. 153, Sitha, Nilayam, Dwarakapuri Colony, Panjagutta, Hyderabad 500082
- iv. M/S COSA CERAMICS PRIVATE LIMITED
Registered Office
Lakhdhipur Road, Nr GSPC Gas Terminal, Morbi, Gujarat– 363 642
- v. M/S KAJARIA SANITARYWARE PRIVATE LIMITED
J-1/B-1 (Extension), Mohan Cooperative Industrial Estate, Mathura Road, New Delhi 110044

xvi) Address for Correspondence

Registered Office:

Kajaria Ceramics Ltd
A-27 to 30, Industrial Area, Sikandrabad, Distt Bulandshahr (U P)- 203205
Tel No.: 05735-222393 Fax No. : 05735-222140

Corporate Office:

Kajaria Ceramics Ltd
J-1/B-1 (Extn), Mohan Co-operative Industrial Estate, Mathura Road, New Delhi-110044
Phone: 91-11-26946409 Fax: 91-11- 26946407

Email for Investors

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

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

In Accordance with clause 49 of the Listing Agreement with stock exchange, I hereby declare that all directors and Senior Management Personnel have confirmed the compliance with the code of conduct as adopted by the Company.

Place: New Delhi
Date: 7th May 2014

For and on behalf of the Board
Ashok Kajaria
Chairman and Managing Director

Annexure to the Corporate Governance Report

1. Mr. SANDEEP SINGHAL

Mr. Sandeep Singhal was appointed as an additional director w.e.f 8th October 2013 by the Board. He is a co- founder and Managing Director of WestBridge Capital India. Prior to that he was also a co- founder and Managing Director of Sequoia Capital India and has 18 years of work experience that includes 13 years of investing and 5 years of operating/ consulting experience in India. Mr. Singhal received an MBA with distinction from IIM, Ahmedabad, an MS in Molecular Simulation from University of Illinois where he was granted the Abraham Lincoln Fellowship and a B.Tech from IIT, Delhi in Chemical Engineering.

He started his career with Hindustan Unilever

Limited, where he headed new product development for SURF and RIN, two of their largest consumer franchisees.

Mr. Singhal has also served on the Boards of several private and public limited companies.

Directorships in other public limited Companies:

| S. No. | Name of Company | Position |
|--------|-------------------|------------------|
| 1 | DFM Foods Limited | Nominee Director |

He is not holding any chairmanship / membership in any committees of other public limited company.

He is not holding any shares in the Company.

2. Mr. R. K. BHARGAVA

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 6,296 equity shares of the Company.

Directorship in other public limited companies

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

2. Mr. DEBI PRASAD BAGCHI

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

26th September, 2007.

He is not holding any share of the Company.

Directorship in other public limited companies

| S. No. | Name of Company | Position |
|--------|--------------------------------------|----------|
| 1 | Nilachal Ispat Nigam Ltd | Director |
| 2 | Visa Steel Limited | Director |
| 3 | Ind Barath Power Infra Ltd. | Director |
| 4 | Jindal India Thermal Power Ltd. | Director |
| 5 | TK International Ltd. | Director |
| 6 | Green Valley Energy Ventures Limited | Director |
| 7 | Mideast Integrated Steels Limited | Director |

Committees' Chairmanship / membership in the other companies

| S.No. | Name of the Company | Committee Name | Member/ Chairman |
|-------|------------------------------------|-----------------|------------------|
| 1 | Nilachal Ispat Nigam Ltd. | Audit Committee | Chairman |
| 2 | Visa Steel Limited | Audit Committee | Member |
| 3 | Jindal India Thermal Power Limited | Audit Committee | Member |
| 4 | TK International Ltd. | Audit Committee | Member |
| 5 | Mideast Integrated Steels Ltd. | 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 2014, as stipulated in clause 49 of the Listing Agreement of the said Company 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

Sd/-

Place: New Delhi
Date: 7th May, 2014

Atul Bagla
Partner
M. No. 91885
Firm registration no. 000018N

Independent Auditor's Report

To the Members of
KAJARIA CERAMICS LIMITED
 New Delhi

Report on the Financial Statements

We have audited the accompanying financial statements of **M/s. Kajaria Ceramics Limited** (the "Company"), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 of India (the "Act"), read with the General Circular 15/ 2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, and to the best of our information and according to the explanations given to us, the accompanying financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity

with the accounting principles generally accepted in India:

- (i) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014;
- (ii) in the case of the statement of profit and loss, of the profit for the year ended on that date; and
- (iii) in the case of the cash flow statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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 of India in terms of sub-section (4A) of section 227 of the Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - i) 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;
 - ii) 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 those books;
 - iii) the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - iv) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the Accounting Standards notified under the Act read with the General Circular 15/ 2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013; and
 - v) On the basis of written representations received from the directors as on March 31, 2014 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

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

(Atul Bagla)
 Partner

Place : New Delhi
 Dated : 7th May, 2014

Membership No. 91885

Annexure to the Auditor's Report

Annexure referred to in Paragraph 1 of the Auditors' Report on Accounts for the year ended 31st March, 2014

1. a) The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets.
- b) As explained to us, all the fixed assets have been physically verified by the management in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such physical verification.
- c) In our opinion, the Company has not disposed off a substantial part of its fixed assets during the year and the going concern status of the Company is not affected.
2. a) Physical verification has been conducted by the management at reasonable intervals in respect of finished goods, stores, spare parts and raw materials. We were informed that physical verification of clay was made on the basis of volume and density which is approximately correct.
- b) In our opinion and according to the information and explanation given to us, the procedure of physical verification of these stocks followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) In our opinion the Company is maintaining proper records of inventories. The discrepancies noticed on such verification between the physical stocks and book records were not significant and the same has been properly dealt with in the books of account.
3. The Company has not granted any loan to Companies, firms or other parties covered in the register maintained under section 301 of the Act, except loans of ₹307.38 million given to five Subsidiary Companies. As per the information and explanations given to us, the terms and conditions of the loan are not Prima facie prejudicial to the interest of Company. There are no overdue balances outstanding in relation to the loans as on 31.03.2014.
4. The Company has not taken any loan from companies, firms or other parties covered in the register maintained under section 301 of the Act.
5. In our opinion and according to the information and explanations given to us there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories, fixed assets and with regard to the sale of goods and services. During the course of audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
6. a) In our opinion and according to information and explanations given to us the transactions that needed to be entered in the register maintained under section 301 of the Act have been entered in the register.
- b) In our opinion, the transactions made in pursuance of contracts/ arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of ₹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 ₹67.23 million in respect of VAT, Service Tax and Entry Tax are pending in appeals with the Commissioner Appeals/High Court as per details below:

| Particulars | Amount Demanded (₹) | Remarks |
|-------------|------------------------|--|
| Entry Tax | 59,545,922 | Appeal pending with Rajasthan High Court |
| VAT | 459,735 | Appeal pending before Commissioner (Appeals) |
| Income Tax | 7,221,300 | Appeal pending before Commissioner (Appeals) |

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. The Company has maintained proper records of the transactions and contracts in respect of investment in shares and timely entries have been made therein. All such investments are held by company in its own name.

16. According to information and explanations given to us, the Company has not given any guarantee for loan taken by others from banks or financial institutions, the terms and conditions whereof are prejudicial to the interest of the Company.

17. 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.

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

19. 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.

20. Since the Company has not issued any debentures, paragraph 4 (xix) of the order is not applicable.

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

22. Based upon the audit procedures performed and information and explanations given by the management, we report that, no fraud on or by the Company has been noticed or reported during the course of our audit for the year ended 31.03.2014.

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

(Atul Bagla)

Place : New Delhi
Dated : 7th May, 2014

Partner
Membership No. 91885

Balance Sheet as at 31 March, 2014

| | Note | As at 31.03.2014 ₹ in million | As at 31.03.2013 ₹ in million |
|--|------|-------------------------------------|-------------------------------------|
| EQUITY AND LIABILITIES | | | |
| Shareholders' Funds | | | |
| Share Capital | 2 | 151.17 | 147.17 |
| Reserves and Surplus | 3 | 4,774.61 | 3,420.68 |
| Money received against share warrants | | 250.00 | – |
| | | 5,175.78 | 3,567.85 |
| Non-current Liabilities | | | |
| Long-term borrowings | 4 | 15.89 | 278.71 |
| Deferred tax liabilities | 5 | 663.02 | 638.59 |
| Long-term provisions | 6 | 87.55 | 87.32 |
| | | 766.46 | 1,004.62 |
| Current liabilities | | | |
| Short-term Borrowings | 7 | 593.79 | 1,425.78 |
| Trade payables | 8 | 1,441.18 | 1,558.98 |
| Other current liabilities | 9 | 1,142.27 | 965.90 |
| Short-term provisions | 10 | 374.36 | 336.41 |
| | | 3,551.60 | 4,287.07 |
| TOTAL | | 9,493.84 | 8,859.54 |
| ASSETS | | | |
| Non-current Assets | | | |
| Fixed assets | | | |
| Tangible assets | 11 | 5,018.16 | 4,630.00 |
| Intangible assets | 12 | 22.60 | 17.07 |
| Capital Work-in-Progress | | 119.36 | 68.46 |
| Non-current investments | 13 | 449.46 | 371.56 |
| Long-term loans and advances | 14 | 386.05 | 362.19 |
| | | 5,995.63 | 5,449.28 |
| Current Assets | | | |
| Inventories | 15 | 1,517.99 | 1,765.30 |
| Trade receivables | 16 | 1,583.24 | 1,365.81 |
| Cash and bank balances | 17 | 39.50 | 27.94 |
| Short-term loans and advances | 18 | 354.63 | 246.25 |
| Other current assets | 19 | 2.85 | 4.96 |
| | | 3,498.21 | 3,410.26 |
| TOTAL | | 9,493.84 | 8,859.54 |
| Significant Accounting Policies | 1 | | |

The accompanying Notes 1 to 47 form an integral part of these financial statements.

In terms of our report of even date annexed

For and on behalf of the Board

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

Chartered Accountants

Atul Bagla

Partner

Membership No.: 91885

Ashok Kajaria

Chairman & Managing Director

Chetan Kajaria

Rishi Kajaria

Jt. Managing Directors

D. P. Bagchi

R. K. Bhargava

R. R. Bagri

H. Rathnakara Hegde

Sandeep Singhal

Directors

R. C. Rawat

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

Place: New Delhi

Dated: 7th May, 2014

Statement of Profit and Loss for the year ended 31 March, 2014

| | Note | Year ended 31.03.2014 ₹ in million | Year ended 31.03.2013 ₹ in million |
|--|---------|--|--|
| REVENUE | | | |
| Revenue from Operations | 20 | 20,034.42 | 17,072.62 |
| Less : Excise Duty | | 1,255.55 | 1,190.61 |
| | | 18,778.87 | 15,882.01 |
| Other Income | 21 | 64.92 | 34.23 |
| Total Revenue | | 18,843.79 | 15,916.24 |
| EXPENSES | | | |
| Cost of Materials Consumed | 22 | 2,748.66 | 2,867.25 |
| Purchases of Stock in Trade | | 7,947.77 | 5,787.46 |
| Changes in Inventories | 23 | 254.04 | (49.10) |
| Employee benefits Expense | 24 | 1,498.25 | 1,221.30 |
| Finance costs | 25 | 262.72 | 354.77 |
| Depreciation and amortization expense | 11 & 12 | 364.85 | 383.63 |
| Other Expenses | 26 | 3,999.44 | 3,840.21 |
| Total Expenses | | 17,075.73 | 14,405.52 |
| Profit before exceptional and extraordinary items and tax | | 1,768.06 | 1,510.72 |
| Exceptional/Extraordinary items | | | |
| Provision for loss in subsidiary (Refer Note.38) | | - | (30.33) |
| Profit before tax | | 1,768.06 | 1,480.39 |
| Tax expense: | | | |
| Current tax | | | |
| Current year | | 546.70 | 451.40 |
| Earlier years | | 29.49 | 21.23 |
| Deferred tax | | | |
| Current year | | 24.43 | 2.31 |
| Profit for the Period | | 1,167.44 | 1,005.45 |
| Basic Earnings per equity share (₹) | | 15.70 | 13.66 |
| Diluted Earnings per equity share (₹) | | 15.68 | 13.66 |
| Significant Accounting Policies | 1 | | |

The accompanying Notes 1 to 47 form an integral part of these financial statements.

In terms of our report of even date annexed

For and on behalf of the Board

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

Atul Bagla
Partner
Membership No.: 91885

Place: New Delhi
Dated: 7th May, 2014

Ashok Kajaria
Chairman & Managing Director

Chetan Kajaria
Rishi Kajaria
Jt. Managing Directors

D. P. Bagchi
R. K. Bhargava
R. R. Bagri
H. Rathnakara Hegde
Sandeep Singhal
Directors

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

Notes on Accounts

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:

- 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.
- In case of assets acquired out of foreign currency loans, the increase/decrease in liability on account of fluctuation in exchange rates has been charged to Profit & Loss Account.
- Depreciation is charged on Straight Line Method 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. Cost of fitments at sale outlets are depreciated @ 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:

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

VI. Excise Duty:

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:

- 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.
- Monetary items denominated in foreign currencies at the year end are restated at year end rates, except in cases covered by forward exchange contracts.
- Any income or expense on account of exchange difference either on settlement or on translation is recognised in the profit and loss account.

IX. Government grants and subsidies:

Grants and subsidies from the government are recognized when there is reasonable assurance that (i) the Company will comply with the conditions attached to them, and (ii) the grant/ subsidy will be received.

Where the grant or subsidy relates to revenue, it is recognized as income on a accrual basis in the statement of profit and loss.

Where the grant relates to a fixed asset, it is net off from the relevant asset.

X. Employee Benefits:

- Short-term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.
- Liability towards Gratuity and unavailed leaves 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.

Notes on Accounts

1. SIGNIFICANT ACCOUNTING POLICIES

XII. Provision, Contingent Liabilities and Contingent Assets:

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized 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.

| | As at 31.03.2014 ₹ in million | As at 31.03.2013 ₹ in million |
|---|-------------------------------------|-------------------------------------|
| 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 |
| 10,00,000 (10,00,000) Preference of Shares of par value of ₹100/- each | 100.00 | 100.00 |
| | 350.00 | 350.00 |
| Issued, Subscribed & Paid up | | |
| 75,583,580 (Previous year 73,583,580) Equity Shares of par value of ₹2/- each fully paid up in cash | 151.17 | 147.17 |
| | 151.17 | 147.17 |

a) Reconciliation of equity shares outstanding at the beginning and at the end of the reporting period is given below:

| Particulars | As at 31.03.2014 | As at 31.03.2013 |
|--|---------------------|---------------------|
| Number of shares outstanding as at the beginning of the year | 73,583,580 | 73,583,580 |
| Shares issued during the year | 2,000,000 | – |
| Number of shares outstanding as at the closing of the year | 75,583,580 | 73,583,580 |

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 | As at 31.03.2014 | |
|---|------------------|-------------------|
| | No. of Shares | % of Shareholding |
| Kajaria Exports Ltd. | 15,283,545 | 20.22% |
| Kajaria Securities Pvt. Ltd. | 6,581,905 | 8.71% |
| Pearl Tile Marketing Pvt. Ltd. | 5,080,240 | 6.72% |
| Cheri Ceramics Pvt. Ltd. | 5,088,385 | 6.73% |
| HSBC Bank (Mauritius) Ltd. A/c Jawalamukhi Investments Holdings | 7,252,005 | 9.59% |

| Name of Shareholder | As at 31.03.2013 | |
|---|------------------|-------------------|
| | No. of Shares | % of Shareholding |
| Kajaria Exports Ltd. | 15,283,545 | 20.77% |
| 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 | 5,777,005 | 7.85% |
| Bengal Finance & Investment Pvt. Ltd. | 4,004,427 | 5.44% |

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

Notes on Accounts

| | As at 31.03.2014 ₹ in million | As at 31.03.2013 ₹ in million |
|--|-------------------------------------|-------------------------------------|
| 3. RESERVES AND SURPLUS | | |
| Securities Premium Reserve | | |
| As per last Balance Sheet | 142.35 | 142.35 |
| Add : Amount received on issue of shares | 496.00 | – |
| | 638.35 | 142.35 |
| General Reserve | | |
| Balance b/f | 1,160.33 | 860.33 |
| Add : Transferred During the Year | 300.00 | 300.00 |
| | 1,460.33 | 1,160.33 |
| Capital Redemption Reserve | | |
| As per last Balance Sheet | 50.00 | 50.00 |
| Surplus | | |
| As per last balance sheet | 2,067.99 | 1,619.11 |
| Add : Net Profit after Tax tfrd from Statement of Profit & Loss | 1,167.44 | 1,005.45 |
| Less : Proposed Dividend on Equity Shares [Dividend per share ₹3.50 (Previous year ₹3)] | 264.54 | 220.75 |
| Less : Corporate Dividend Tax | 44.96 | 35.81 |
| Less : Transfer to General Reserve | 300.00 | 300.00 |
| | 2,625.93 | 2,068.00 |
| | 4,774.61 | 3,420.68 |

4. LONG-TERM BORROWINGS

| | | |
|----------------------------------|--------------|---------------|
| A. TERM LOANS | | |
| From Banks | | |
| - Secured | – | 259.00 |
| Vehicle Loan from banks & others | | |
| - Secured | 15.89 | 19.71 |
| | 15.89 | 278.71 |

NOTES :

- The term loan from IDBI bank is repayable in the next year and outstanding balance is shown under the head 'current maturities of long term debts' under other current liabilities. The loans from Bank is secured by 1st charge on immovable and movable assets (present and future) of the Company situated at Sikandrabad Industrial Area (U.P.) and Village Gailpur (Rajasthan) (subject to prior charges on movables in favour of banks) ranking pari-pasu with the charges created in favour of participating Banks and further guaranteed by the Managing Director of the Company.
- Vehicle Loans are secured against respective assets financed.

5. DEFERRED TAX LIABILITY

| | | |
|--|---------------|---------------|
| As At 1st April 2013 | 638.59 | 636.28 |
| Add : Additional adjustment for current year | 24.43 | 2.31 |
| | 663.02 | 638.59 |

The net increase during the year in the deferred tax liability ₹24.43 million (previous year increase ₹2.31 million) has been debited to the Statement of Profit & Loss.

Notes on Accounts

| | As at 31.03.2014 ₹ in million | As at 31.03.2013 ₹ in million |
|--|-------------------------------------|-------------------------------------|
| 6. LONG TERM PROVISIONS | | |
| Provision for Gratuity Obligation | | |
| As per last balance sheet | 87.32 | 62.24 |
| Add: Additions during the year | 25.33 | 25.08 |
| Less : Paid during the year | 25.10 | – |
| Total | 87.55 | 87.32 |

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

| | | |
|----------------------------------|---------------|-----------------|
| 7. SHORT-TERM BORROWINGS | | |
| Loans Repayable On Demand | | |
| Working Capital Facilities | | |
| - From Banks (Secured) | 593.79 | 1,225.78 |
| Short Term Loans | | |
| - From Banks (Unsecured) | – | 200.00 |
| Total | 593.79 | 1,425.78 |

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.

| | | |
|--|-----------------|-----------------|
| 8. TRADE PAYABLES | | |
| Trade Payables - Micro & Small Enterprises | 110.11 | 149.16 |
| - Others | 1,331.07 | 1,409.82 |
| | 1,441.18 | 1,558.98 |

| | | |
|--|-----------------|---------------|
| 9. OTHER CURRENT LIABILITIES | | |
| Current maturities of long term debts | 278.27 | 459.34 |
| Amount payable to capital creditors | 276.10 | – |
| Interest accrued but not due on borrowings | – | 0.39 |
| Unpaid Dividends | 7.30 | 5.79 |
| Provision for expenses | 192.37 | 123.33 |
| Deposits Received | 61.20 | 59.35 |
| Advance from Customers | 96.67 | 95.83 |
| Statutory Dues Payable | 230.36 | 221.87 |
| TOTAL | 1,142.27 | 965.90 |

| | | |
|--|---------------|---------------|
| 10. SHORT TERM PROVISIONS | | |
| Provision for employee benefits | | |
| Unavailed leave | 61.56 | 50.93 |
| Others | | |
| Proposed Dividend | 264.54 | 220.75 |
| Provision for : | | |
| Income Taxes * | 3.30 | 28.92 |
| Tax on Dividend | 44.96 | 35.81 |
| TOTAL | 374.36 | 336.41 |

* Net of Income Tax Advances ₹543.71 million (P. Y. ₹422.25 million)

Notes on Accounts

11. TANGIBLE ASSETS

(₹ in million)

| Particulars | Gross Block | | | | Depreciation | | | | Net Block | |
|---|---------------------|---------------|-------------------|--------------------|-------------------|-----------------|-------------------|-------------------|--------------------|--------------------|
| | As at 01.04.2013 | Additions | Sale/ Transfer | As at 31.3.2014 | Upto 31.3.2013 | For the year | Sale/ Transfer | Upto 31.3.2014 | As at 31.3.2014 | As at 31.3.2013 |
| Land : (including development expenses) | | | | | | | | | | |
| - Freehold | 74.86 | - | - | 74.86 | - | - | - | - | 74.86 | 74.86 |
| - Leasehold | 31.22 | - | - | 31.22 | 6.39 | 1.25 | - | 7.64 | 23.58 | 24.83 |
| Building | 1,539.74 | 69.75 | 3.77 | 1,605.72 | 395.79 | 49.60 | 2.07 | 443.32 | 1,162.40 | 1,143.95 |
| Plant and machinery | 5,408.11 | 652.78 | 172.29 | 5,888.60 | 2,241.68 | 271.34 | 132.31 | 2,380.71 | 3,507.89 | 3,166.43 |
| Furniture and fixtures | 58.51 | 4.46 | 0.56 | 62.41 | 30.47 | 3.72 | 0.49 | 33.70 | 28.71 | 28.04 |
| Vehicles | 148.51 | 44.45 | 18.61 | 174.35 | 32.41 | 15.42 | 7.18 | 40.65 | 133.70 | 116.10 |
| Office equipment | 45.18 | 4.22 | 1.19 | 48.21 | 19.32 | 2.00 | 0.75 | 20.57 | 27.64 | 25.86 |
| Computers | 56.95 | 5.42 | 2.79 | 59.58 | 42.70 | 6.05 | 2.42 | 46.33 | 13.25 | 14.25 |
| Other Equipments | 118.30 | 22.03 | 0.73 | 139.60 | 82.62 | 11.36 | 0.51 | 93.47 | 46.13 | 35.68 |
| Current Year | 7,481.38 | 803.11 | 199.94 | 8,084.55 | 2,851.38 | 360.74 | 145.73 | 3,066.39 | 5,018.16 | 4,630.00 |
| Previous Year | 7,213.74 | 383.70 | 116.05 | 7,481.39 | 2,538.86 | 380.34 | 67.82 | 2,851.39 | 4,630.00 | 4,674.88 |

12. INTANGIBLE ASSETS

(₹ in million)

| Particulars | Gross Block | | | | Depreciation | | | | Net Block | |
|---------------------|---------------------|-------------|-------------------|--------------------|-------------------|-----------------|-------------------|-------------------|--------------------|--------------------|
| | As at 01.04.2013 | Additions | Sale/ Transfer | As at 31.3.2014 | Upto 31.3.2013 | For the year | Sale/ Transfer | Upto 31.3.2014 | As at 31.3.2014 | As at 31.3.2013 |
| Software | 24.08 | 9.64 | - | 33.72 | 7.01 | 4.11 | - | 11.12 | 22.60 | 17.07 |
| Current Year | 24.08 | 9.64 | - | 33.72 | 7.01 | 4.11 | - | 11.12 | 22.60 | 17.07 |
| Previous Year | 19.53 | 4.57 | 0.02 | 24.08 | 3.74 | 3.29 | 0.01 | 7.01 | 17.07 | 15.79 |

| | As at 31.03.2014 ₹ in million | As at 31.03.2013 ₹ in million |
|---|-------------------------------------|-------------------------------------|
| 13. NON CURRENT INVESTMENTS | | |
| Long Term Investments (At Cost) | | |
| (Other than trade) | | |
| Equity Instruments (fully paid up) | | |
| UNQUOTED | | |
| IN SUBSIDIARIES | | |
| 1,530,000 (P.Y. 15,30,000) Equity Shares of M/s Soriso Ceramic Pvt. Ltd. of ₹10/- each. | 56.20 | 56.20 |
| 4,156,500 (P.Y. 23,20,500) Equity Shares of M/s Jaxx Vitrified Pvt. Ltd. of ₹10/- each. | 108.71 | 62.81 |
| 7,650,000 (P.Y. 76,50,000) Equity Shares of M/s Vennar Ceramics Ltd. of ₹10/- each. | 136.50 | 136.50 |
| 4,642,040 (P.Y. 46,42,040) Equity Shares of M/s Cosa Ceramics Pvt. Ltd. of ₹10/- each. | 116.05 | 116.05 |
| Nil (P.Y. 1,696) Equity Shares of M/s Kajaria Ceramics Addis PLC. of 1000 Birr each. | - | 4.51 |
| 3,200,000 (P.Y. NIL) Equity Shares of M/s Kajaria Sanitaryware Pvt. Ltd. of ₹10/- each. | 32.00 | - |
| | 449.46 | 376.07 |
| Less : | | |
| Provision for diminution in value of investment (Refer Note 38) | - | 4.51 |
| | 449.46 | 371.56 |
| Unquoted Investments | | |
| Book Value | 449.46 | 376.07 |

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

Notes on Accounts

| | As at 31.03.2014 ₹ in million | As at 31.03.2013 ₹ in million |
|---|-------------------------------------|-------------------------------------|
| 14. LONG TERM LOANS AND ADVANCES | | |
| (Unsecured Considered good, unless otherwise stated) | | |
| CAPITAL ADVANCES | 0.63 | 19.19 |
| SECURITY DEPOSITS | 83.04 | 108.23 |
| LOANS | | |
| - To Subsidiaries | 302.38 | 216.77 |
| ADVANCES | | |
| Advance / Share Application Money | | |
| - to Subsidiary Company | - | 25.82 |
| - to Others | - | 18.00 |
| Less: Provision for doubtful advances (Refer Note.38) | - | 25.82 |
| Total | 386.05 | 362.19 |

| | | |
|----------------------------------|-----------------|-----------------|
| 15. INVENTORIES | | |
| (As certified by the Management) | | |
| Raw Materials | 247.79 | 231.20 |
| Work-in-Process | 51.44 | 60.73 |
| Finished Goods | 810.70 | 915.86 |
| Stock In Trade | 145.49 | 285.08 |
| Stores and Spares | 262.57 | 272.43 |
| | 1,517.99 | 1,765.30 |

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

| | | |
|---|-----------------|-----------------|
| 16. TRADE RECEIVABLES | | |
| (Unsecured Considered good unless otherwise stated) | | |
| a) Debts outstanding for a period exceeding six months | | |
| - Considered Good | 11.65 | 10.57 |
| - Considered Doubtful | 17.30 | 20.12 |
| Less: Provision for Doubtful Debts | 2.00 | 2.00 |
| | 15.30 | 18.12 |
| | 26.95 | 28.69 |
| b) Other Debts | | |
| - Considered Good | 1,556.29 | 1,337.12 |
| - Considered Doubtful | - | - |
| | 1,556.29 | 1,337.12 |
| | 1,583.24 | 1,365.81 |

| | | |
|------------------------------------|--------------|--------------|
| 17. CASH AND BANK BALANCES | | |
| Cash & Cash Equivalents | | |
| Balance with Banks | | |
| - in current and deposit accounts* | 27.59 | 17.56 |
| Cash on hand | 4.61 | 4.59 |
| | 32.20 | 22.15 |
| Other Bank Balances | | |
| Unpaid dividend accounts | 7.30 | 5.79 |
| | 39.50 | 27.94 |

* Bank deposits held as margin money against guarantee for ₹4.77 million (Prev. Year ₹4.42 million)

Notes on Accounts

| | As at 31.03.2014 ₹ in million | As at 31.03.2013 ₹ in million |
|--|-------------------------------------|-------------------------------------|
| 18. SHORT TERM LOANS AND ADVANCES | | |
| (Unsecured Considered good unless otherwise stated) | | |
| Loans | | |
| - To Subsidiaries | 5.00 | - |
| - To Others | 18.68 | 16.86 |
| Advances for supply of goods and rendering of services | 205.51 | 151.68 |
| Balance With Excise Authorities | 111.80 | 66.10 |
| Advance to gratuity trust | 0.16 | 0.97 |
| Prepaid Expenses | 13.16 | 10.32 |
| Income Tax Advances | 0.32 | 0.32 |
| | 354.63 | 246.25 |

| | | |
|---|-------------|-------------|
| 19. OTHER CURRENT ASSETS | | |
| (Unsecured Considered good unless otherwise stated) | | |
| Exports Benefit Accrued | 2.85 | 4.96 |
| | 2.85 | 4.96 |

| | Year ended 31.03.2014 ₹ in million | Year ended 31.03.2013 ₹ in million |
|--------------------------------------|--|--|
| 20. REVENUE FROM OPERATIONS | | |
| Sale of Products | | |
| Tiles | 20,003.70 | 17,044.40 |
| Power | 36.86 | 37.44 |
| Less : Inter division sales of power | 18.86 | 20.09 |
| | 20,021.70 | 17,061.75 |
| Other operating revenue | | |
| Sale of Scrap | 12.72 | 10.87 |
| | 20,034.42 | 17,072.62 |

| | | |
|-----------------------------|--------------|--------------|
| 21. OTHER INCOME | | |
| Miscellaneous Income | 16.67 | 4.03 |
| Rent Received | 1.20 | 1.20 |
| Sundry Balances Written Off | 1.72 | 2.40 |
| Interest Received | 14.05 | 13.18 |
| VAT Subsidy | 31.28 | 13.42 |
| | 64.92 | 34.23 |

| | | |
|---|-----------------|-----------------|
| 22. COST OF MATERIAL CONSUMED | | |
| Raw Material & Packing Material Consumed | | |
| Body Material | 1,105.35 | 1,213.25 |
| Glaze, Frits and Chemicals | 1,137.10 | 1,129.07 |
| Packing Material | 506.21 | 524.93 |
| | 2,748.66 | 2,867.25 |

Notes on Accounts

| | Year ended 31.03.2014 ₹ in million | Year ended 31.03.2013 ₹ in million |
|-----------------------------------|--|--|
| 23. CHANGES IN INVENTORIES | | |
| Stock as on 1.4.2013 | | |
| Work-in-process | 60.73 | 83.32 |
| Finished Goods | 915.86 | 655.84 |
| Stock In Trade | 285.08 | 473.41 |
| 'A' | 1,261.67 | 1,212.57 |
| Stock as on 31.03.2014 | | |
| Work-in-process | 51.44 | 60.73 |
| Finished Goods | 810.70 | 915.86 |
| Stock In Trade | 145.49 | 285.08 |
| 'B' | 1,007.63 | 1,261.67 |
| B-A | (254.04) | 49.10 |

| | | |
|---|-----------------|-----------------|
| 24. EMPLOYEE BENEFITS EXPENSE | | |
| Salaries and wages | 1,398.22 | 1,124.30 |
| Contribution to provident and other funds | 78.35 | 74.68 |
| Staff welfare expenses | 21.68 | 22.32 |
| | 1,498.25 | 1,221.30 |

| | | |
|---|---------------|---------------|
| 25. FINANCE COSTS | | |
| Interest on: | | |
| Term loans | 64.65 | 139.95 |
| Others | 144.93 | 168.25 |
| Other Borrowing costs: | | |
| Processing Fees | 16.56 | 23.56 |
| Net gain/loss in foreign currency transactions & translations | 36.58 | 23.01 |
| | 262.72 | 354.77 |

Notes on Accounts

| | Year ended 31.03.2014 ₹ in million | Year ended 31.03.2013 ₹ in million |
|--|--|--|
| 26. OTHER EXPENSES | | |
| Other Manufacturing Expenses | | |
| Stores and Spares Consumed | 351.09 | 335.02 |
| Power and Fuel | 2,437.97 | 2,327.19 |
| Excise Duty on Stocks | (10.91) | 43.62 |
| | 2,778.15 | 2,705.83 |
| Repairs & maintenance | | |
| - Building | 43.00 | 31.18 |
| - Machinery | 48.21 | 36.37 |
| - Others | 22.10 | 26.14 |
| | 113.31 | 93.69 |
| Administrative Expenses | | |
| Printing , Stationery & EDP Expenses | 9.26 | 9.67 |
| Rent, Rates & Taxes | 82.63 | 94.38 |
| Vehicle Expenses | 28.01 | 22.38 |
| Communication Expenses | 31.72 | 31.90 |
| Travelling & Conveyance Expenses | 199.05 | 184.28 |
| Insurance Charges | 15.77 | 16.65 |
| Legal & Professional Charges | 16.83 | 15.95 |
| Directors Sitting Fees | 1.00 | 0.74 |
| Auditors' Remuneration : | | |
| - As Audit Fees | 2.20 | 1.80 |
| - For Tax Audit, Certification & Tax Representations | 0.75 | 0.42 |
| - For Other Matters | 1.15 | 1.16 |
| - For Reimbursement of Expenses | 0.01 | 0.22 |
| Miscellaneous Expenses | 49.95 | 40.83 |
| Share Transfer Expenses | 0.20 | 0.19 |
| Electricity & Water Charges | 12.55 | 13.28 |
| Foreign Technician Expenses | 0.85 | 0.71 |
| Bank Charges | 1.48 | 4.34 |
| | 453.41 | 438.90 |
| Selling & Distribution Expenses | | |
| Packing Freight & Forwarding Expenses | 160.65 | 144.36 |
| Advertisement, Publicity & Sales Promotion | 320.66 | 266.12 |
| Commission | 117.34 | 152.30 |
| | 598.65 | 562.78 |
| Others | | |
| Loss on Sale / Scrapping of Fixed Assets | 9.17 | 17.81 |
| Social Relief & Welfare Expenses | 0.12 | 0.05 |
| Research & Development Expenses | 46.63 | 21.15 |
| | 55.92 | 39.01 |
| | 3,999.44 | 3,840.21 |

Notes on Accounts

| | As at 31.03.2014 ₹ in million | As at 31.03.2013 ₹ in million |
|---|-------------------------------------|-------------------------------------|
| 27. CONTINGENT LIABILITIES | | |
| (excluding matters separately dealt with in other notes): | | |
| a) In respect of Bills discounted With the Company's Bankers | 37.86 | 73.72 |
| b) Counter guarantees issued in respect of guarantees issued by company's bankers | 0.50 | Nil |
| c) Guarantees issued on behalf of subsidiaries | 1457.50 | 299.00 |
| d) In respect of Excise Duty, Sales Tax, Service Tax, Custom Duty Demands pending before various authorities and in dispute | 94.56 | 57.11 |
| e) In respect of pending income tax demands | 7.22 | – |
| f) In respect of Consumer Cases | 25.21 | 16.00 |
| g) In respect of disputed Electricity Demand pending with appellate authorities. | – | 9.41 |

28. COMMITMENTS

| | | |
|---|--------|--------|
| a) Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of advances) | 10.55 | 54.62 |
| b) Letters of Credit opened in favour of inland/overseas suppliers (Net) | 618.95 | 658.16 |

| | Value (₹ in million) | |
|--|--------------------------|--------------------------|
| | Year ended 31.03.2014 | Year ended 31.03.2013 |
| 29. PARTICULARS OF SALES & STOCKS | | |
| a) Opening Stock | | |
| Tiles | 1200.94 | 1129.25 |
| b) Purchases | | |
| Tiles | 7947.77 | 5787.46 |
| c) Sales | | |
| Tiles (Manufactured) | 10695.02 | 9841.23 |
| Tiles (Trading) | 9308.68 | 7203.17 |
| Power | 18.00 | 17.35 |
| d) Closing Stock | | |
| Tiles | 956.19 | 1200.94 |

30. VALUE OF IMPORTS ON CIF BASIS:

| | | |
|--------------------------|---------|---------|
| ▪ Capital Goods | 474.72 | 130.31 |
| ▪ Raw Materials | 39.54 | 64.16 |
| ▪ Spares and Consumables | 145.24 | 167.86 |
| ▪ Traded Goods | 1004.94 | 1753.48 |

Notes on Accounts

| | Year ended 31.03.2014 ₹ in million | Year ended 31.03.2013 ₹ in million |
|---|--|--|
| 31. | | |
| A) Expenditure in Foreign Currency (on accrual basis) : | | |
| a) Commission of Export Sales | 0.94 | 0.07 |
| b) Others including travel etc. | 27.41 | 40.15 |
| B) Payment of Dividend in Foreign Currency pertaining to : | F.Y. 2013-14 | F.Y. 2012-13 |
| ▪ No of persons | 15 | 15 |
| ▪ No of shares | 31830 | 31,830 |
| ▪ Amount in ₹ | 95490 | 79,575 |

32. EARNINGS IN FOREIGN CURRENCY :

| | | |
|----------------------|--------|--------|
| FOB Value of Exports | 347.85 | 132.05 |
|----------------------|--------|--------|

| | 2013-14 | | 2012-13 | |
|--|---------|-------------|---------|-------------|
| | % | (₹ million) | % | (₹ million) |
| 33. VALUE OF IMPORTED AND INDIGENOUS RAW MATERIAL CONSUMED AND THE PERCENTAGE OF EACH TO TOTAL CONSUMPTION: | | | | |
| Imported | 1.89% | 51.85 | 4.40% | 126.24 |
| Indigenous | 98.11% | 2696.81 | 95.60% | 2741.02 |

| | 2013-14 ₹ in million | 2012-13 ₹ in million |
|---|-------------------------|-------------------------|
| 34. DUES TO SMALL, MICRO & MEDIUM ENTERPRISES #: | | |
| 1. Principal amount outstanding | 110.11 | 149.16 |
| 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.

35. As per policy of the Company for Directors and other senior employees, the Company has, during the year, paid a sum of ₹5 million 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.

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

37. 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.

38. The Company was setting up a ceramic tile unit in Ethiopia and accordingly, had incorporated a subsidiary, Kajaria Ceramics Addis Plc. in Ethiopia. The Company had invested an amount of ₹30.3 million in the subsidiary by way of Equity and Advances. Due to adverse change in the business environment, the Company had abandoned the project and created a provision of ₹30.3 million towards the loss of investment in the subsidiary in the previous year. Pursuant to resolution passed in the meeting of board of

Notes on Accounts

directors in the current year, the amount has been written off. Necessary formalities for obtaining regulatory permission from RBI are underway. Since full provision was created in the previous year, the write off has no impact on current year profits.

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 ₹124.43 million (previous year ₹135.34 million) has been included in the value of inventories as on 31.03.2014 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 recognized in the balance sheet for the plan:

| Profit and Loss account | March 31, 2014 ₹ in million | March 31, 2013 ₹ in million |
|--|--------------------------------|--------------------------------|
| Net employee benefit expense (recognized in Employee cost) | | |
| Current Service cost | 15.51 | 13.83 |
| Interest cost on benefit obligation | 10.00 | 7.13 |
| Net actuarial loss recognized in the year | 3.06 | 6.61 |
| Past service cost | – | – |
| Expected Return on Plan Assets | (3.24) | (1.99) |
| Net benefit expense | 25.33 | 25.08 |

Balance Sheet

Details of provision for Gratuity

| | | |
|--|--------|--------|
| Fair Value of Plan Assets at the end of the period | 48.15 | 23.86 |
| Liability at the end of the period | 135.70 | 111.17 |
| Difference | 87.55 | 87.32 |
| Less: Unrecognised past service cost | NIL | NIL |
| Amount recognized in the Balance Sheet | 87.55 | 87.32 |

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

| | | |
|---|--------|--------|
| Defined benefit obligation as at April, 2013 | 111.17 | 86.59 |
| Interest Cost | 10.00 | 7.13 |
| Current service cost | 15.51 | 13.83 |
| Benefit paid | (2.95) | (2.99) |
| Past Service Cost – Vested Benefit | – | – |
| Actuarial losses on obligation | 1.97 | 6.61 |
| Defined benefit obligation as at 31st March, 2014 | 135.70 | 111.17 |

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

| | | |
|--|--------|--------|
| Fair value of plan assets as at 1st April, 2013 | 23.85 | 24.35 |
| Return on Plan Assets | 3.24 | 2.50 |
| Contributions by employer | 25.10 | – |
| Benefits paid | (2.95) | (2.99) |
| Actuarial Gains / (losses) | (1.09) | – |
| Fair value of plan assets as at 31st March, 2014 | 48.15 | 23.86 |

Notes on Accounts

| The principal assumption used in determining gratuity benefit obligations for the Company's plans are shown below: | March 31, 2014 % | March 31, 2013 % |
|--|---------------------|---------------------|
| Discount rate | 9.00% | 8.25% |
| Expected rate of return on plan assets | 9.00% | 8.25% |
| Salary Escalation | 8.50% | 7.75% |
| Attrition Rate | 1% | 1% |
| Retirement Age | 60 Years | 60 Years |

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.

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 546.70 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:

| | Opening as at 1st April, 2013 (₹ million) | Charge/(credit) during the year (₹ million) | Closing as at 31st March, 2014 (₹ million) |
|-----------------------------------|---|---|--|
| Depreciation | 638.60 | 24.43 | 663.02 |
| Net Deferred Tax Liability | 638.60 | 24.43 | 663.02 |

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

II. Relatives of Key Management Personnel

Smt. Versha Devi Kajaria

III. Subsidiary Companies

: Soriso Ceramic Pvt. Ltd.
Jaxx Vitrified Pvt. Ltd.
Cosa Ceramics Pvt. Ltd.
Vennar Ceramics Limited
Kajaria Sanitaryware Pvt. Ltd.

IV. Enterprises over which key management personnel or their relatives are able to exercise significant influence

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

Notes on Accounts

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

(₹ in million)

| Related Party Transactions | Key Management Personnel & their relatives | Subsidiaries | Others |
|-------------------------------------|--|----------------------|------------------|
| Purchase of Goods | | | |
| Soriso Ceramic Pvt. Ltd. | – (–) | 873.36 (639.40) | – (–) |
| Jaxx Vitrified Pvt. Ltd. | – (–) | 1,483.25 (735.32) | – (–) |
| Cosa Ceramics Pvt. Ltd. | – (–) | 1,217.98 (368.84) | – (–) |
| Vennar Ceramics Limited | – (–) | 751.99 (415.84) | – (–) |
| Purchase of Fixed Asset | | | |
| Kajaria Infrastructure Ltd. | – (–) | – (–) | – (16.68) |
| Sale of Fixed Asset | | | |
| Dua Engineering Works Pvt. Ltd. | – (–) | – (–) | 0.09 (–) |
| Jaxx Vitrified Pvt. Ltd. | – (–) | – (0.06) | – (–) |
| Vennar Ceramics Limited | – (–) | 3.40 (1.82) | – (–) |
| Sale of Raw Material /Stores | | | |
| Jaxx Vitrified Pvt. Ltd. | – (–) | 3.85 (0.85) | – (–) |
| Vennar Ceramics Limited | – (–) | 0.12 – | – (–) |
| Rent Paid | | | |
| Dua Engineering Works Pvt. Ltd. | – (–) | – (–) | 14.02 (14.02) |
| Vennar Ceramics Limited | – (–) | 0.67 (0.48) | – (–) |
| Service Charges Paid | | | |
| Dua Engineering Works Pvt. Ltd. | – (–) | – (–) | 13.48 (10.79) |
| Directors' Remuneration | | | |
| Sh. Ashok Kajaria | 25.89 (36.54) | – (–) | – (–) |
| Sh. Chetan Kajaria | 39.40 (32.69) | – (–) | – (–) |
| Sh. Rishi Kajaria | 39.40 (32.69) | – (–) | – (–) |
| Sh. B. K. Sinha | 4.33 (3.94) | – (–) | – (–) |
| Donation Paid | | | |
| Malti Devi Kajaria Charitable Trust | – (–) | – (–) | 4.25 (2.63) |

(Figures in brackets are for previous year)

Notes on Accounts

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

(₹ in million)

| Related Party Transactions | Key Management Personnel & their relatives | Subsidiaries | Others |
|--|--|-------------------|------------|
| Interest Received | | | |
| Soriso Ceramic Pvt. Ltd. | - (-) | 3.44 (4.86) | - (-) |
| Vennar Ceramics Limited | - (-) | 4.19 (3.52) | - (-) |
| Cosa Ceramics Pvt. Ltd. | - (-) | 1.89 (-) | - (-) |
| Purchase / subscription of shares of subsidiary company | | | |
| Jaxx Vitrified Pvt. Ltd. | - (-) | 45.90 (-) | - (-) |
| Cosa Ceramics Pvt. Ltd. | - (-) | - (116.05) | - (-) |
| Kajaria Sanitaryware Pvt. Ltd. | - (-) | 31.80 (-) | - (-) |
| Vennar Ceramics Limited | - (-) | - (136.50) | - (-) |
| Smt. Versha Devi Kajaria | 0.01 (-) | (-) (-) | (-) (-) |
| Sh. Chetan Kajaria | 0.01 (-) | - (-) | - (-) |
| Sh. Rishi Kajaria | 0.01 (-) | - (-) | - (-) |
| Loan Given | | | |
| Jaxx Vitrified Pvt. Ltd. | - (-) | 482.50 (30.00) | - (-) |
| Vennar Ceramics Limited | - (-) | 22.20 (65.00) | - (-) |
| Kajaria Sanitaryware Pvt. Ltd. | - (-) | 102.00 (-) | - (-) |
| Soriso Ceramic Pvt. Ltd. | - (-) | - (25.00) | - (-) |
| Cosa Ceramics Pvt. Ltd. | - (-) | - (75.00) | - (-) |
| Loan Repaid | | | |
| Soriso Ceramic Pvt. Ltd. | - (-) | 39.27 (15.00) | - (-) |
| Jaxx Vitrified Pvt. Ltd. | - (-) | 379.40 (-) | - (-) |
| Vennar Ceramics Limited | - (-) | 5.00 (-) | - (-) |
| Cosa Ceramics Pvt. Ltd. | - (-) | 40.00 (-) | - (-) |
| Kajaria Sanitaryware Pvt. Ltd. | - (-) | 52.42 (-) | - (-) |

(Figures in brackets are for previous year)

Notes on Accounts

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

(₹ in million)

| Related Party Transactions | Key Management Personnel & their relatives | Subsidiaries | Others |
|---|--|--------------|--------|
| Security Deposit received back | | | |
| Dua Engineering Works Pvt. Ltd. | - | - | 29.00 |
| | (-) | (-) | (-) |
| Advance\Share Application Money paid | | | |
| Kajaria Ceramics Addis Plc | - | - | - |
| | (-) | (22.22) | (-) |

(Figures in brackets are for previous year)

C. Net outstanding balance :-

(₹ in million)

| Related Party Transactions | Key Management Personnel & their relatives | Subsidiaries | Others |
|------------------------------------|--|--------------|--------|
| Long term /Short term loans | | | |
| Soriso Ceramic Pvt. Ltd. | - | 7.50 | - |
| | (-) | (46.77) | (-) |
| Jaxx Vitrified Pvt. Ltd. | - | 133.10 | - |
| | (-) | (30.00) | (-) |
| Vennar Ceramics Limited | - | 82.20 | - |
| | (-) | (65.00) | (-) |
| Cosa Ceramics Pvt. Ltd. | - | 35.00 | - |
| | (-) | (75.00) | (-) |
| Kajaria Sanitaryware Pvt. Ltd. | - | 49.58 | - |
| | (-) | (-) | (-) |
| Kajaria Ceramics Addis Plc | - | - | - |
| | (-) | (25.82) | (-) |
| Trade Payables | | | |
| Jaxx Vitrified Pvt. Ltd. | - | 101.21 | - |
| | (-) | (53.62) | (-) |
| Soriso Ceramic Pvt. Ltd. | - | 33.23 | - |
| | (-) | (16.04) | (-) |
| Vennar Ceramics Limited | - | 133.71 | - |
| | (-) | (108.34) | (-) |
| Cosa Ceramics Pvt. Ltd. | - | 98.68 | - |
| | (-) | (49.81) | (-) |

(Figures in brackets are for previous year)

D. Balance written off

(₹ in million)

| Related Party Transactions | Key Management Personnel & their relatives | Subsidiaries | Others |
|--------------------------------------|--|--------------|--------|
| Share Investment | | | |
| Kajaria Ceramics Addis Plc | - | 4.51 | - |
| | (-) | (-) | (-) |
| Short term loans and advances | | | |
| Kajaria Ceramics Addis Plc | - | 25.82 | - |
| | (-) | (-) | (-) |

(Figures in brackets are for previous year)

Notes on Accounts

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. Share Warrants:

The Company had, in its EOGM dated 6th November, 2013 approved the issuance of 3885420 warrants to M/s. WestBridge Crossover Fund LLC and as per terms of issue, 25% of the total consideration, amounting to ₹250 million has been received during the year. Each warrant is convertible into one equity share of ₹2/- each at a premium of ₹255.372433 per share as per SEBI (ICDR) regulations, 2009 for Preferential issues, within one year from the date of allotment, i.e., 11th November, 2013.

45. Research and Development expenditure incurred from 2011-12 to 2013-14:

(₹ in million)

| Particulars | 2011-12 | 2012-13 | 2013-14 |
|---------------------|---------|---------|---------|
| Capital Expenditure | 2.37 | 4.55 | 2.35 |
| Revenue Expenses | 29.75 | 21.15 | 46.63 |

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

| | Year ended 31.03.2014 | Year ended 31.03.2013 |
|--|--------------------------|--------------------------|
| Basic Earnings Per Share | | |
| Profit attributable to the Equity Shareholders – (A) (₹ in millions) | 1167.44 | 1005.45 |
| Basic /Weighted average number of Equity Shares outstanding during the year (B) | 7,43,56,183 | 7,35,83,580 |
| Nominal value of Equity Shares (₹) | 2.00 | 2.00 |
| Basic Earnings per share (₹) – (A)/(B) | 15.70 | 13.66 |
| Diluted Earnings Per Share | | |
| Profit attributable to the Equity Shareholders – as above (₹ in millions) | 1167.44 | 1005.45 |
| Interest Paid on Potential Equity Shares net of tax impact (₹ in millions) | – | – |
| Profit considered for Diluted E.P.S. (C) | 1167.44 | 1005.45 |
| Basic Weighed average number of Equity Shares outstanding during the year as above | 7,43,56,183 | 7,35,83,580 |
| Weighted Average Potential Equity Shares for the Year | 111,772 | – |
| Total weighted average shares considered for Diluted E.P.S. (D) | 7,44,67,955 | 7,35,83,580 |
| Nominal value of Equity Shares (₹) | 2.00 | 2.00 |
| Diluted Earning per share (₹)- (C)/(D) | 15.68 | 13.66 |

47. The Company has reclassified previous year figures to conform to this year’s classification

Signature to the Notes 1 to 47

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: 7th May, 2014

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. Rathnakara Hegde
Sandeep Singhal
Directors

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

Cash Flow Statement for the year ended 31 March, 2014

| | Year ended 31.03.2014 ₹ in million | Year ended 31.03.2013 ₹ in million |
|---|--|--|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit before tax and extraordinary items | 1,768.08 | 1,510.72 |
| Adjusted for : | | |
| Depreciation | 364.84 | 383.63 |
| Interest Received | (14.05) | (13.18) |
| Interest Paid | 209.57 | 308.20 |
| Profit on sale of Investment | – | – |
| Dividend Received | – | – |
| Loss on sale of Fixed Assets | 9.17 | 17.81 |
| Operating Profit before Working Capital Changes | 2,337.61 | 2,207.18 |
| Adjusted for : | | |
| Trade & Other Receivables | (347.62) | (313.85) |
| Inventories | 247.32 | (7.47) |
| Trade Payable | 69.45 | (233.25) |
| Cash Generated from Operations | 2,306.76 | 1,652.61 |
| Interest Paid | (209.57) | (308.20) |
| Direct Taxes Paid | (601.81) | (473.26) |
| Extraordinary items | – | – |
| Net Cash from operating activities | 1,495.38 | 871.15 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets | (863.66) | (439.15) |
| Sale of Fixed Assets | 45.05 | 30.42 |
| Purchase of Investments | (77.90) | (252.55) |
| Sale of Investments | – | – |
| Interest Received | 14.05 | 13.18 |
| Dividend Received | – | – |
| Net Cash used in Investing Activities | (882.46) | (648.10) |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from Issue of Share Capital / Warrants | 750.00 | – |
| Proceeds/ (Repayment) of Long Term Borrowings (Net) | (262.82) | (431.27) |
| Proceeds / (Repayment) of Short Term Borrowings (Net) | (833.49) | 389.29 |
| Dividend and Dividend Tax Paid | (256.56) | (213.80) |
| Net Cash used in Financing Activities | (602.87) | (255.79) |
| Net increase in Cash and Cash Equivalents | 10.05 | (32.74) |
| Cash and Cash Equivalents as on 1.4.2013 | 22.15 | 54.89 |
| Cash and Cash Equivalents as on 31.3.2014 | 32.20 | 22.15 |

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: 7th May, 2014

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. Rathnakara Hegde
Sandeep Singhal
Directors

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

Section 212

Financial Information 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)

[illegible]

Independent Auditor's Report on Consolidated Financial Statements

To the Members of
KAJARIA CERAMICS LIMITED

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of **KAJARIA CERAMICS LIMITED** ('the Company'), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 of India (the "Act"), read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of

accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

1. We did not audit the financial statements of four subsidiaries, whose financial statements reflect total assets of ₹2851.41 million as at 31st March, 2014, total revenue of ₹3860.47 million and cash flows amounting to ₹7.08 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 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 notified by the Companies (Accounting Standard) Rules, 2006.
3. 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 :-
 - i) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014;
 - ii) in the case of the statement of profit and loss, of the profit for the year ended on that date; and
 - v) in the case of the cash flow statement, of the cash flows for the year ended on that date.

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

(Atul Bagla)

Place : New Delhi
Dated : 7th May, 2014

Partner
Membership No. 91885

Consolidated Balance Sheet as at 31 March, 2014

| | Note | As at 31.03.2014 ₹ in million | As at 31.03.2013 ₹ in million |
|---|------|-------------------------------------|-------------------------------------|
| EQUITY AND LIABILITIES | | | |
| Shareholders' Funds | | | |
| Share Capital | 2 | 151.17 | 147.17 |
| Reserves and Surplus | 3 | 4,890.34 | 3,461.61 |
| Money received against share warrants | | 250.00 | – |
| | | 5,291.51 | 3,608.78 |
| Share Application Money - Pending Allotment | | 3.75 | – |
| Minority Interest | | 408.58 | 275.19 |
| Non-current Liabilities | | | |
| Long-term borrowings | 4 | 851.22 | 892.69 |
| Deferred tax liabilities | 5 | 713.21 | 656.27 |
| Long-term provisions | 6 | 88.56 | 87.32 |
| | | 1,652.99 | 1,636.28 |
| Current liabilities | | | |
| Short-term Borrowings | 7 | 1,086.77 | 1,735.06 |
| Trade payables | 8 | 1,520.13 | 1,658.27 |
| Other current liabilities | 9 | 1,401.22 | 1,211.70 |
| Short-term provisions | 10 | 391.16 | 350.22 |
| | | 4,399.28 | 4,955.26 |
| TOTAL | | 11,756.11 | 10,475.50 |
| ASSETS | | | |
| Non-current Assets | | | |
| Fixed assets | | | |
| Tangible assets | 11 | 6,836.78 | 6,125.73 |
| Intangible assets | 12 | 79.11 | 73.95 |
| Capital Work-in-Progress | | 405.33 | 78.14 |
| Non-current investments | 13 | 0.81 | 0.81 |
| Long-term loans and advances | 14 | 281.05 | 189.96 |
| | | 7,603.08 | 6,468.59 |
| Current Assets | | | |
| Inventories | 15 | 1,930.92 | 2,197.07 |
| Trade receivables | 16 | 1,648.48 | 1,436.28 |
| Cash and bank balances | 17 | 61.02 | 39.99 |
| Short-term loans and advances | 18 | 509.76 | 328.61 |
| Other current assets | 19 | 2.85 | 4.96 |
| | | 4,153.03 | 4,006.91 |
| TOTAL | | 11,756.11 | 10,475.50 |
| Significant Accounting Policies | 1 | | |

The accompanying Notes 1 to 40 form an integral part of these financial statements.

In terms of our report of even date annexed

For and on behalf of the Board

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

Atul Bagla
Partner
Membership No.: 91885

Ashok Kajaria
Chairman & Managing Director

Chetan Kajaria
Rishi Kajaria
Jt. Managing Directors

D. P. Bagchi
R. K. Bhargava
R. R. Bagri
H. Rathnakara Hegde
Sandeep Singhal
Directors

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

Place: New Delhi
Dated: 7th May, 2014

Statement of Consolidated Profit and Loss for the year ended 31 March, 2014

| | Note | Year ended 31.03.2014 ₹ in million | Year ended 31.03.2013 ₹ in million |
|---|---------|--|--|
| REVENUE | | | |
| Revenue from operations | 20 | 20,255.85 | 17,346.82 |
| Less: Excise Duty | | 1,855.51 | 1,514.06 |
| | | 18,400.34 | 15,832.76 |
| Other Income | 21 | 62.92 | 30.43 |
| Total Revenue | | 18,463.26 | 15,863.19 |
| EXPENSES: | | | |
| Cost of Materials Consumed | 22 | 4,198.30 | 3,717.38 |
| Purchases of Stock in Trade | | 3,716.24 | 3,686.44 |
| Changes in Inventories | 23 | 337.26 | (205.99) |
| Employee benefits Expense | 24 | 1,726.38 | 1,364.02 |
| Finance costs | 25 | 408.22 | 453.53 |
| Depreciation and amortization expense | 11 & 12 | 470.00 | 446.18 |
| Other Expenses | 26 | 5,615.05 | 4,824.48 |
| Total expenses | | 16,471.45 | 14,286.04 |
| Profit before exceptional and extraordinary items and tax | | 1,991.81 | 1,577.15 |
| Exceptional / Extraordinary items | | - | - |
| Profit before tax | | 1,991.81 | 1,577.15 |
| Tax expense: | | | |
| Current tax | | | |
| Current year | | 591.02 | 464.10 |
| Earlier years | | 30.35 | 22.09 |
| Deferred tax | | | |
| Current year | | 56.94 | 12.59 |
| PROFIT AFTER TAX (Before adjustment for Minority Interest) | | 1,313.50 | 1,078.37 |
| Less : Share of profit transferred to Minority | | 71.29 | 33.25 |
| PROFIT AFTER TAX (After adjustment for Minority Interest) | | 1,242.21 | 1,045.12 |
| Basic Earnings per equity share (₹) | | 16.71 | 14.20 |
| Diluted Earnings per equity share (₹) | | 16.68 | 14.20 |
| Significant Accounting Policies | 1 | | |

The accompanying Notes 1 to 40 form an integral part of these financial statements.

In terms of our report of even date annexed

For and on behalf of the Board

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

Atul Bagla
Partner
Membership No.: 91885

Place: New Delhi
Dated: 7th May, 2014

Ashok Kajaria
Chairman & Managing Director

Chetan Kajaria
Rishi Kajaria
Jt. Managing Directors

D. P. Bagchi
R. K. Bhargava
R. R. Bagri
H. Rathnakara Hegde
Sandeep Singhal
Directors

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

Notes on Accounts

1. SIGNIFICANT ACCOUNTING POLICIES TO THE CONSOLIDATED BALANCE SHEET AND STATEMENT OF PROFIT & LOSS

I. Principles of Consolidation

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

- 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.
- 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.
- 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.
- 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.
- 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.
- 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% |
| Vennar Ceramics Limited | India | 51% |
| Cosa Ceramics Pvt. Ltd. | India | 51% |
| Kajaria Sanitaryware Pvt. Ltd. | India | 64% |

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. Tangible, Intangible Assets & Depreciation:

- Fixed assets are stated at their original cost of acquisition inclusive of inward freight, duties and expenditure incurred in the acquisition, construction/installation. CENVAT/ VAT credit availed on capital equipment is accounted for by credit to respective fixed assets.
- 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.
- 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. Cost of fitments at sale outlets are depreciated @ 20% on SLM basis. Assets costing upto ₹5,000/- are fully depreciated in the year of purchase. Goodwill arising on consolidation is tested for impairment at the Balance Sheet date.

V. Investments:

Long term investments are stated at cost.

Notes on Accounts

1. SIGNIFICANT ACCOUNTING POLICIES TO THE CONSOLIDATED BALANCE SHEET AND STATEMENT OF PROFIT & LOSS

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 Duty:

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 recognized in the statement of profit & loss.

X. Government grants and subsidies:

Grants and subsidies from the government are recognised when there is reasonable assurance that (i) the Company will comply with the conditions attached to them, and (ii) the grant/ subsidy will be received.

Where the grant or subsidy relates to revenue, it is recognised as income on a accrual basis in the statement of profit and loss. Where the grant relates to a fixed asset, it is net off from the relevant asset.

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) Liability towards Gratuity and unavailed leaves 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 recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognised nor disclosed in the financial statements.

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

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

Notes on Accounts

| | As at 31.03.2014 ₹ in million | As at 31.03.2013 ₹ in million |
|---|-------------------------------------|-------------------------------------|
| 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 |
| 10,00,000 (10,00,000) Preference of Shares of par value of ₹100/- each | 100.00 | 100.00 |
| | 350.00 | 350.00 |
| Issued, Subscribed & Paid up | | |
| 75,583,580 (Previous Year 73,583,580) Equity Shares of par value of ₹2/- each fully paid up in cash | 151.17 | 147.17 |
| | 151.17 | 147.17 |

a) Reconciliation of equity shares outstanding at the beginning and at the end of the reporting period is given below:

| Particulars | As at 31.03.2014 | As at 31.03.2013 |
|---|---------------------|---------------------|
| Number of shares outstanding as at the beginning of the year | 73,583,580 | 73,583,580 |
| Shares issued during the year | 2,000,000 | – |
| Number of shares outstanding as at the closing of the year | 75,583,580 | 73,583,580 |

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 | As at 31.03.2014 | |
|---|------------------|-------------------|
| | No. of Shares | % of Shareholding |
| Kajaria Exports Ltd. | 15,283,545 | 20.22% |
| Kajaria Securities Pvt. Ltd. | 6,581,905 | 8.71% |
| Pearl Tile Marketing Pvt. Ltd. | 5,080,240 | 6.72% |
| Cheri Ceramics Pvt. Ltd. | 5,088,385 | 6.73% |
| HSBC Bank (Mauritius) Ltd. A/c Jawalamukhi Investments Holdings | 7,252,005 | 9.59% |

| Name of Shareholder | As at 31.03.2013 | |
|---|------------------|-------------------|
| | No. of Shares | % of Shareholding |
| Kajaria Exports Ltd. | 15,283,545 | 20.77% |
| 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 | 5,777,005 | 7.85% |
| Bengal Finance & Investment Pvt. Ltd. | 4,004,427 | 5.44% |

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

Notes on Accounts

| | As at 31.03.2014 ₹ in million | As at 31.03.2013 ₹ in million |
|---|-------------------------------------|-------------------------------------|
| 3. RESERVES AND SURPLUS | | |
| Securities Premium Reserve | | |
| As per last Balance Sheet | 142.35 | 142.35 |
| Add : Amount received on issue of shares | 496.00 | - |
| | 638.35 | 142.35 |
| General Reserve | | |
| Balance b/f | 1,160.33 | 860.33 |
| Add : Transferred During the Year | 300.00 | 300.00 |
| | 1,460.33 | 1,160.33 |
| Capital Redemption Reserve | | |
| As per last Balance Sheet | 50.00 | 50.00 |
| Surplus | | |
| As per last balance sheet | 2,108.93 | 1,620.37 |
| Add: Net Profit after Tax transferred from Statement of Profit & Loss | 1,242.23 | 1,045.12 |
| Less : Proposed Dividend on Equity Shares | 264.54 | 220.75 |
| [Dividend per share ₹3.50 (Previous year ₹3.00)] | | |
| Less : Corporate Dividend Tax | 44.96 | 35.81 |
| Less : Transfer to General Reserve | 300.00 | 300.00 |
| | 2,741.66 | 2,108.93 |
| | 4,890.34 | 3,461.61 |

4. LONG-TERM BORROWINGS

| | | |
|--|---------------|---------------|
| A. TERM LOANS | | |
| From Banks | | |
| - Secured | 709.67 | 775.25 |
| From Others | | |
| - Secured | 11.05 | - |
| Vehicle Loan from banks & others | | |
| - Secured | 16.70 | 19.71 |
| B. PROMOTER LOANS | | |
| - From Directors, shareholders & relatives | | |
| Unsecured | 113.80 | 97.73 |
| | 851.22 | 892.69 |

NOTES :

1. Term loans from Banks are secured by 1st charge on immovable and movable assets (present and future) of the Company (subject to prior charges on movables in favour of banks) ranking pari-pasu with the charges created in favour of participating Banks and further guaranteed by Directors of the Company.
2. Term Loans from others parties are secured against respective assets financed.
3. The term loans are repayable generally over a period of three to five years after a moratorium period of one to two years in installments as per the terms of the respective agreements.

5. DEFERRED TAX LIABILITY

| | | |
|--|---------------|---------------|
| As At 1st April 2013 | 656.27 | 643.68 |
| Add : Additional adjustment for current year | 56.94 | 12.59 |
| | 713.21 | 656.27 |

The net increase during the year in the deferred tax liability ₹56.94 million (previous year increase ₹12.59 million) has been debited to the Statement of Profit & Loss.

Notes on Accounts

| | As at 31.03.2014 ₹ in million | As at 31.03.2013 ₹ in million |
|-----------------------------------|-------------------------------------|-------------------------------------|
| 6. LONG TERM PROVISIONS | | |
| Provision for Gratuity Obligation | | |
| As per last balance sheet | 87.32 | 62.24 |
| Add: Additions during the year | 26.34 | 25.08 |
| Less : Paid during the year | (25.10) | - |
| Total | 88.56 | 87.32 |

Refer Note No. 33 for detailed disclosure as per AS 15.

7. SHORT-TERM BORROWINGS

| | | |
|-----------------------------|-----------------|-----------------|
| LOANS REPAYABLE ON DEMAND | | |
| Working Capital Facilities | | |
| - From Banks (Secured) | 1,086.77 | 1,535.06 |
| Short Term Loans & Advances | | |
| - From Banks (Unsecured) | - | 200.00 |
| Total | 1,086.77 | 1,735.06 |

Working Capital Facilities from Banks are secured by 1st charge on inventories and book debts and second charge on immoveable and movable assets of the Company ranking pari passu amongst the Banks and further guaranteed by the Directors of the Company.

8. TRADE PAYABLES

| | | |
|--|-----------------|-----------------|
| Trade Payables - Micro & Small Enterprises | 110.11 | 149.16 |
| - Others | 1,410.02 | 1,509.11 |
| | 1,520.13 | 1,658.27 |

9. OTHER CURRENT LIABILITIES

| | | |
|--|-----------------|-----------------|
| Current maturities of long term debts | 426.20 | 573.91 |
| Amount payable to capital creditors | 331.67 | - |
| Interest accrued but not due on borrowings | - | 0.39 |
| Unpaid Dividends | 7.30 | 5.79 |
| Provision for expenses | 217.26 | 230.78 |
| Deposits Received | 61.20 | 59.35 |
| Advance from Customers | 96.79 | 95.87 |
| Statutory Dues Payable | 260.80 | 245.62 |
| TOTAL | 1,401.22 | 1,211.70 |

10. SHORT TERM PROVISIONS

| | | |
|---------------------------------|---------------|---------------|
| Provision for employee benefits | | |
| Unavailed leave | 61.56 | 50.93 |
| Others | | |
| Proposed Dividend | 264.54 | 220.75 |
| Provision for : | | |
| Income Taxes * | 20.10 | 42.73 |
| Tax on Dividend | 44.96 | 35.81 |
| TOTAL | 391.16 | 350.22 |

* Net of Income Tax Advances ₹574.68 million (P.Y. ₹424.05 million)

Notes on Accounts

11. TANGIBLE ASSETS

(₹ in million)

| Particulars | Gross Block | | | | Depreciation | | | | Net Block | |
|---|---------------------|-----------------|-------------------|--------------------|-------------------|-----------------|-------------------|-------------------|--------------------|--------------------|
| | As at 01.04.2013 | Additions | Sale/ Transfer | As at 31.3.2014 | Upto 31.3.2013 | For the year | Sale/ Transfer | Upto 31.3.2014 | As at 31.3.2014 | As at 31.3.2013 |
| Land : (including development expenses) | | | | | | | | | | |
| - Freehold | 81.93 | 72.25 | 0.02 | 154.16 | - | - | - | - | 154.16 | 81.93 |
| - Leasehold | 76.82 | 1.01 | - | 77.83 | 6.39 | 1.25 | - | 7.64 | 70.19 | 70.43 |
| Building : | 1,820.58 | 213.45 | 3.77 | 2,030.26 | 414.19 | 64.54 | 2.07 | 476.66 | 1,553.60 | 1,406.39 |
| Plant and machinery | 6,667.99 | 858.00 | 172.42 | 7,352.69 | 2,355.08 | 358.02 | 132.31 | 2,580.04 | 4,772.65 | 4,312.91 |
| Furniture and fixtures | 64.38 | 6.14 | 0.56 | 69.96 | 32.01 | 4.19 | 0.49 | 35.71 | 34.25 | 32.37 |
| Vehicles | 151.19 | 46.81 | 18.61 | 179.39 | 33.16 | 15.70 | 7.18 | 41.68 | 137.71 | 118.04 |
| Office equipment | 72.13 | 5.00 | 1.19 | 76.82 | 20.83 | 3.86 | 0.75 | 24.69 | 52.13 | 51.30 |
| Computers | 60.06 | 6.28 | 2.79 | 63.55 | 43.38 | 6.63 | 2.42 | 47.59 | 15.96 | 16.68 |
| Other Equipments | 118.30 | 22.03 | 0.73 | 139.60 | 82.62 | 11.36 | 0.51 | 93.47 | 46.13 | 35.68 |
| Current Year | 9,113.38 | 1,230.97 | 200.09 | 10,144.26 | 2,987.66 | 465.55 | 145.73 | 3,307.48 | 6,836.78 | 6,125.73 |
| Previous Year | 7,752.41 | 1,481.83 | 120.85 | 9,113.39 | 2,604.80 | 451.59 | 68.73 | 2,987.66 | 6,125.73 | 5,147.61 |

12. INTANGIBLE ASSETS

(₹ in million)

| Particulars | Gross Block | | | | Depreciation | | | | Net Block | |
|---------------------|---------------------|-------------|-------------------|--------------------|-------------------|-----------------|-------------------|-------------------|--------------------|--------------------|
| | As at 01.04.2013 | Additions | Sale/ Transfer | As at 31.3.2014 | Upto 31.3.2013 | For the year | Sale/ Transfer | Upto 31.3.2014 | As at 31.3.2014 | As at 31.3.2013 |
| Software | 26.46 | 9.64 | - | 36.10 | 7.15 | 4.50 | - | 11.65 | 24.45 | 19.29 |
| Goodwill | 54.66 | - | - | 54.66 | - | - | - | - | 54.66 | 54.66 |
| Current Year | 81.12 | 9.64 | - | 90.76 | 7.15 | 4.50 | - | 11.65 | 79.11 | 73.95 |
| Previous Year | 74.19 | 6.93 | 0.02 | 81.12 | 12.58 | (5.41) | 0.01 | 7.16 | 73.95 | 61.60 |

| | As at 31.03.2014 ₹ in million | As at 31.03.2013 ₹ in million |
|--|-------------------------------------|-------------------------------------|
| 13. NON CURRENT INVESTMENTS | | |
| Long Term Investments (At Cost) | | |
| (Other than trade) | | |
| Gold Coin | 0.81 | 0.81 |
| | 0.81 | 0.81 |
| Unquoted Investments | | |
| Book Value | 0.81 | 0.81 |

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

Notes on Accounts

| | As at 31.03.2014 ₹ in million | As at 31.03.2013 ₹ in million |
|--|-------------------------------------|-------------------------------------|
| 14. LONG TERM LOANS AND ADVANCES | | |
| (Unsecured Considered good, unless otherwise stated) | | |
| CAPITAL ADVANCES | 86.16 | 19.19 |
| SECURITY DEPOSITS | 111.44 | 132.29 |
| Bank deposits with more than 12 months maturity | 83.45 | 20.47 |
| ADVANCES | | |
| Advance / Share Application Money | | |
| - To Others | – | 18.00 |
| Total | 281.05 | 189.96 |

* Bank deposits held as margin money against guarantee for ₹50.71 million (Prev. Year ₹8.14 million)

| | | |
|----------------------------------|-----------------|-----------------|
| 15. INVENTORIES | | |
| (As certified by the Management) | | |
| Raw Materials | 393.78 | 345.04 |
| Work-in-Process | 80.93 | 85.47 |
| Finished Goods | 966.98 | 1,160.10 |
| Stock In Trade | 145.49 | 285.08 |
| Stores and Spares | 343.74 | 321.38 |
| | 1,930.92 | 2,197.07 |

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

| | | |
|---|-----------------|-----------------|
| 16. TRADE RECEIVABLES | | |
| (Unsecured Considered good unless otherwise stated) | | |
| a) Debts outstanding for a period exceeding six months | | |
| - Considered Good | 20.47 | 15.86 |
| - Considered Doubtful | 28.17 | 30.05 |
| Less: Provision for Doubtful Debts | 2.00 | 2.00 |
| | 26.17 | 28.05 |
| | 46.64 | 43.91 |
| b) Other Debts | | |
| - Considered Good | 1,601.84 | 1,392.37 |
| - Considered Doubtful | – | – |
| | 1,601.84 | 1,392.37 |
| | 1,648.48 | 1,436.28 |

| | | |
|---|--------------|--------------|
| 17. CASH AND BANK BALANCES | | |
| Cash & Cash Equivalents | | |
| Balance with Banks | | |
| - in current and deposit accounts* | 41.21 | 27.72 |
| Cash on hand | 10.01 | 6.49 |
| | 51.22 | 34.20 |
| Other Bank Balances | | |
| Bank deposits with more than three months maturity* | 2.50 | – |
| Unpaid dividend accounts | 7.30 | 5.79 |
| | 61.02 | 39.99 |

* Bank deposits held as margin money against guarantee for ₹7.00 million (Prev. Year ₹4.4 million)

Notes on Accounts

| | As at 31.03.2014 ₹ in million | As at 31.03.2013 ₹ in million |
|--|-------------------------------------|-------------------------------------|
| 18. SHORT TERM LOANS AND ADVANCES | | |
| (Unsecured Considered good unless otherwise stated) | | |
| Loans | | |
| - To Others | 24.01 | 25.88 |
| Advances for supply of goods and rendering of services | 305.76 | 194.90 |
| Balance With Excise Authorities | 149.01 | 89.36 |
| Advance to Gratuity Trust | 0.16 | 0.97 |
| Prepaid Expenses | 16.99 | 12.52 |
| Income Tax Advances | 8.24 | 4.99 |
| Interest Receivable | 5.59 | – |
| | 509.76 | 328.61 |

| | | |
|---|-------------|-------------|
| 19. OTHER CURRENT ASSETS | | |
| (Unsecured Considered good unless otherwise stated) | | |
| Exports Benefit Accrued | 2.85 | 4.96 |
| | 2.85 | 4.96 |

| | | |
|------------------------------------|------------------|------------------|
| 20. REVENUE FROM OPERATIONS | | |
| Sale of Products | | |
| Tiles | 20,224.93 | 17,318.45 |
| Power | 18.00 | 17.35 |
| | 20,242.93 | 17,335.80 |
| Other operating revenue | | |
| Sale of Scrap | 12.92 | 11.02 |
| | 20,255.85 | 17,346.82 |

| | | |
|-----------------------------|--------------|--------------|
| 21. OTHER INCOME | | |
| Miscellaneous Income | 19.33 | 5.11 |
| Rent Received | 1.98 | 1.86 |
| Sundry Balances Written Off | 1.72 | 2.37 |
| Interest Recovered | 8.61 | 7.68 |
| VAT Subsidy | 31.28 | 13.42 |
| | 62.92 | 30.43 |

| | | |
|---|-----------------|-----------------|
| 22. COST OF MATERIAL CONSUMED | | |
| Raw Material & Packing Material Consumed | | |
| Body Material | 1,962.29 | 1,993.65 |
| Glaze, Frits And Chemicals | 1,552.38 | 1,153.00 |
| Packing Material | 683.63 | 570.73 |
| | 4,198.30 | 3,717.38 |

Notes on Accounts

| | Year ended 31.03.2014 ₹ in million | Year ended 31.03.2013 ₹ in million |
|-----------------------------------|--|--|
| 23. CHANGES IN INVENTORIES | | |
| Stock as on 1.4.2013 | | |
| Work-in-process | 85.47 | 94.65 |
| Finished Goods | 1,160.10 | 729.27 |
| Stock In Trade | 285.08 | 472.72 |
| Stock on takeover | – | 28.02 |
| 'A' | 1,530.65 | 1,324.66 |
| Stock as on 31.03.2014 | | |
| Work-in-process | 97.49 | 85.47 |
| Finished Goods | 950.41 | 1,160.10 |
| Stock In Trade | 145.49 | 285.08 |
| 'B' | 1,193.39 | 1,530.65 |
| B - A | (337.26) | 205.99 |

24. EMPLOYEE BENEFITS EXPENSE

| | | |
|---|-----------------|-----------------|
| Salaries and wages | 1,617.57 | 1,261.33 |
| Contribution to provident and other funds | 82.38 | 76.91 |
| Staff welfare expenses | 26.43 | 25.78 |
| | 1,726.38 | 1,364.02 |

25. FINANCE COSTS

| | | |
|---|---------------|---------------|
| Interest on: | | |
| Term loans | 155.33 | 214.92 |
| Others | 199.93 | 191.82 |
| Other Borrowing costs: | | |
| Processing Fees | 16.56 | 23.56 |
| Net gain/loss in foreign currency transactions & translations | 36.40 | 23.24 |
| | 408.22 | 453.53 |

Notes on Accounts

| | Year ended 31.03.2014 ₹ in million | Year ended 31.03.2013 ₹ in million |
|--|--|--|
| 26. OTHER EXPENSES | | |
| Other Manufacturing Expenses | | |
| Stores and Spares Consumed | 600.36 | 463.16 |
| Power and Fuel | 3,716.95 | 3,065.98 |
| Excise Duty on Stocks | (24.62) | 63.67 |
| | 4,292.69 | 3,592.82 |
| Repairs & maintenance | | |
| - Building | 43.96 | 32.54 |
| - Machinery | 66.87 | 55.76 |
| - Others | 25.23 | 28.19 |
| | 136.06 | 116.49 |
| Administrative Expenses | | |
| Printing , Stationery & EDP Expenses | 11.54 | 10.76 |
| Rent, Rates & Taxes | 84.55 | 97.38 |
| Vehicle Expenses | 31.13 | 26.82 |
| Communication Expenses | 34.10 | 33.50 |
| Traveling & Conveyance Expenses | 203.00 | 188.30 |
| Insurance Charges | 18.34 | 18.21 |
| Legal & Professional Charges | 55.55 | 19.17 |
| Directors Sitting Fees | 1.00 | 3.24 |
| Auditors' Remuneration : | | |
| - As Audit Fees | 2.31 | 1.80 |
| - For Tax Audit, Certification & Tax Representations | 0.76 | 0.42 |
| - For Other matters | 1.15 | 1.16 |
| - For Reimbursement of Expenses | 0.03 | 0.22 |
| Miscellaneous Expenses | 56.27 | 70.50 |
| Share Transfer Expenses | 0.20 | 0.19 |
| Electricity & Water Charges | 15.48 | 17.13 |
| Foreign Technician Expenses | 0.87 | 0.74 |
| Bank Charges | 6.71 | 8.88 |
| | 522.99 | 498.41 |
| Selling & Distribution Expenses | | |
| Packing Freight & Forwarding Expenses | 162.07 | 144.47 |
| Advertisement, Publicity & Sales Promotion | 320.91 | 266.25 |
| Commission | 117.34 | 166.85 |
| | 600.32 | 577.57 |
| Others | | |
| Loss on Sale / Scrapping of Fixed Assets | 9.00 | 17.87 |
| Social Relief & Welfare Expenses | 0.12 | 0.05 |
| Bad Debts Written Off | 7.24 | 0.13 |
| Research & Development Expenses | 46.63 | 21.15 |
| | 62.99 | 39.20 |
| | 5,615.05 | 4,824.48 |

Notes on Accounts

| | As at 31.03.2014 ₹ in million | As at 31.03.2013 ₹ in million |
|---|-------------------------------------|-------------------------------------|
| 27. CONTINGENT LIABILITIES | | |
| (excluding matters separately dealt with in other notes): | | |
| a) In respect of bills discounted with the Company's Bankers | 37.86 | 73.72 |
| b) Counter guarantees issued in respect of guarantees issued by Company's bankers | 56.00 | Nil |
| c) In respect of Excise Duty, Sales Tax, Service Tax, Custom Duty Demands pending before various authorities and in dispute | 101.49 | 63.94 |
| d) In respect of pending income tax demands | 7.22 | – |
| In respect of Consumer Cases | 25.21 | 16.00 |
| In respect of disputed Electricity Demand pending with appellate authorities. | – | 9.41 |

28. COMMITMENTS

| | | |
|---|--------|--------|
| a) Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of advances) | 556.20 | 54.62 |
| b) Letters of Credit opened in favour of inland/overseas suppliers (Net) | 983.22 | 732.84 |

| | Value (₹ in million) | |
|--|--------------------------|--------------------------|
| | Year ended 31.03.2014 | Year ended 31.03.2013 |
| 29. PARTICULARS OF SALES & STOCKS | | |
| a) Opening Stock | | |
| Tiles | 1445.18 | 1201.99 |
| b) Purchases | | |
| Tiles | 4,294.49 | 3973.45 |
| c) Sales | | |
| Tiles (Manufactured) | 16213.82 | 13206.77 |
| Tiles (Trading) | 4011.11 | 4111.68 |
| Power | 18.00 | 17.35 |
| d) Closing Stock | | |
| Tiles | 1095.90 | 1445.18 |

30. As per policy of the Company for Directors and other senior employees the Company has, during the year, paid a sum of ₹5 million 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.

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

32. 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.

33. 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.

Notes on Accounts

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 | March 31, 2014 | March 31, 2013 |
|--|-----------------------|-----------------------|
| Net employee benefit expense (recognized in Employee cost) | ₹ in million | ₹ in million |
| Current Service cost | 15.76 | 13.83 |
| Interest cost on benefit obligation | 10 | 7.13 |
| Net actuarial loss recognised in the year | 3.82 | 6.61 |
| Past service cost | – | – |
| Expected Return on Plan Assets | (3.24) | (1.99) |
| Net benefit expense | 26.34 | 25.08 |

Balance Sheet

Details of provision for Gratuity

| | | |
|--|--------|--------|
| Fair Value of Plan Assets at the end of the period | 48.15 | 23.86 |
| Liability at the end of the period | 136.71 | 111.17 |
| Difference | 88.56 | 87.32 |
| Less: Unrecognised past service cost | NIL | NIL |
| Amount recognized in the Balance Sheet | 88.56 | 87.32 |

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

| | | |
|--|--------|--------|
| Defined benefit obligation as at April 2013 | 111.17 | 86.59 |
| Interest Cost | 10 | 7.13 |
| Current service cost | 15.76 | 13.83 |
| Benefit paid | (2.95) | (2.99) |
| Past Service Cost – Vested Benefit | – | – |
| Actuarial losses on obligation | 2.73 | 6.61 |
| Defined benefit obligation as at 31st March 2014 | 136.71 | 111.17 |

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

| | | |
|--|--------|--------|
| Fair value of plan assets as at April 1 2013 | 23.85 | 24.35 |
| Return on Plan Assets | 3.24 | 2.50 |
| Contributions by employer | 25.1 | – |
| Benefits paid | (2.95) | (3.00) |
| Actuarial Gains / (losses) | (1.09) | – |
| Fair value of plan assets as at March 31, 2014 | 48.15 | 23.85 |

| The principal assumption used in determining gratuity benefit obligations for the Company's plans are shown below: | March 31, 2014 | March 31, 2013 |
|---|-----------------------|-----------------------|
| | % | % |
| Discount rate | 9.00% | 8.25% |
| Expected rate of return on plan assets | 9.00% | 8.25% |
| Salary Escalation | 8.50% | 7.75% |
| Attrition Rate | 1% | 1% |
| Retirement Age | 60 Years | 60 Years |

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”.

Notes on Accounts

34. 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 ₹591.02 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:

| Particulars | Opening as at 1st April, 2013 (₹ million) | Charge/(credit) during the year (₹ million) | Closing as at 31st March, 2014 (₹ million) |
|-----------------------------------|---|---|--|
| Depreciation | 656.27 | 56.94 | 713.21 |
| Net Deferred Tax Liability | 656.27 | 56.94 | 713.21 |

35. Related Party Disclosures:

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

A. Relationships

I. Key Management Personnel

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

II. Relatives of Key Management Personnel

Smt. Versha Devi Kajaria

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

For Holding Company

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

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

(₹ in million)

| Related Party Transactions | Key Management Personnel & their relatives | Others |
|---------------------------------|--|------------------|
| Purchase of Fixed Asset | | |
| Kajaria Infrastructure Ltd. | - (-) | - (16.68) |
| Sale of Fixed Asset | | |
| Dua Engineering Works Pvt. Ltd. | - (-) | 0.09 - |
| Rent Paid | | |
| Dua Engineering Works Pvt. Ltd. | - (-) | 14.02 (14.02) |

Notes on Accounts

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

(₹ in million)

| Related Party Transactions | Key Management Personnel & their relatives | Others |
|---|--|------------------|
| Service Charges Paid | | |
| Dua Engineering Works Pvt. Ltd. | – (–) | 13.48 (10.79) |
| Directors' Remuneration | | |
| Sh. Ashok Kajaria | 25.89 (36.54) | – (–) |
| Sh. Chetan Kajaria | 39.40 (32.69) | – (–) |
| Sh. Rishi Kajaria | 39.40 (32.69) | – (–) |
| Sh. B. K. Sinha | 4.33 (3.94) | – (–) |
| Purchase of shares of Subsidiary | | |
| Sh. Versha Devi Kajaria | 0.01 (–) | (–) (–) |
| Sh. Chetan Kajaria | 0.01 (–) | – (–) |
| Sh. Rishi Kajaria | 0.01 (–) | – (–) |
| Donation Paid | | |
| Malti Devi Kajaria Charitable Trust | – (–) | 4.25 (2.63) |
| Security Deposit received back | | |
| Dua Engineering Works Pvt. Ltd. | – (–) | 29.00 (–) |

(Figures in brackets are for previous year)

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

| Description | Outstanding Balances (₹ million) | | Written off/Written back (₹ million) | |
|--------------------------|-------------------------------------|------------------------------|---|------------------------------|
| | As At 31st March, 2014 | As At 31st March, 2013 | As At 31st March, 2014 | As At 31st March, 2013 |
| Key Management Personnel | – | – | – | – |
| Others | – | – | – | – |

36. 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.

37. Share Warrants:

The Company had, in its EOGM dated 6th November, 2013 approved the issuance of 3885420 warrants to M/s. WestBridge Crossover Fund LLC and as per terms of issue, 25% of the total consideration, amounting to ₹250 million has been received during the year. Each warrant is convertible into one equity share of ₹2/- each at a premium of ₹255.372433 per share as per SEBI (ICDR) regulations, 2009 for Preferential issues, within one year from the date of allotment, i.e., 11th November, 2013.

Notes on Accounts

38. Research and Development expenditure incurred from 2011-12 to 2013-14:

(₹ in million)

| Particulars | 2011-12 | 2012-13 | 2013-14 |
|---------------------|---------|---------|---------|
| Capital Expenditure | 2.37 | 4.55 | 2.35 |
| Revenue Expenses | 29.75 | 21.15 | 46.63 |

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

| | Year ended 31.03.2014 | Year ended 31.03.2013 |
|--|--------------------------|--------------------------|
| Basic Earnings Per Share | | |
| Profit attributable to the Equity Shareholders – (₹ in millions) (A) | 1242.21 | 1045.12 |
| Basic /Weighted average number of Equity Shares outstanding during the year (B) | 74,356,183 | 73,583,580 |
| Nominal value of Equity Shares (₹) | 2.00 | 2.00 |
| Basic Earnings per share (₹) – (A)/(B) | 16.71 | 14.20 |
| Diluted Earnings Per Share | | |
| Profit attributable to the Equity Shareholders – as above (₹ in millions) | 1242.21 | 1045.12 |
| Interest Paid on Potential Equity Shares net of tax impact (₹ in millions) | – | – |
| Profit considered for Diluted E.P.S. (C) | 1242.21 | 1045.12 |
| Basic Weighed average number of Equity Shares outstanding during the year as above | 74,356,183 | 7,35,83,580 |
| Weighted Average Potential Equity Shares for the Year | 111,772 | – |
| Total weighted average shares considered for Diluted E.P.S. (D) | 74,467,955 | 7,35,83,580 |
| Nominal value of Equity Shares (₹) | 2.00 | 2.00 |
| Diluted Earning per share (₹)- (C)/(D) | 16.68 | 14.20 |

40. The Company has reclassified previous year figures to conform to this year's classification.

Signature to the Notes 1 to 40

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: 7th May, 2014

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. Rathnakara Hegde****Sandeep Singhal**

Directors

R. C. Rawat

Ex. Vice President (A & T) &

Company Secretary

Consolidated Cash Flow Statement for the year ended 31 March, 2014

| | Year ended 31.03.2014 ₹ in million | Year ended 31.03.2013 ₹ in million |
|---|--|--|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit before tax and extraordinary items | 1,991.81 | 1,577.15 |
| Adjusted for : | | |
| Depreciation | 470.00 | 446.18 |
| Interest Received | (8.61) | (7.68) |
| Interest Paid | 355.26 | 406.73 |
| Profit on sale of Investment | – | – |
| Dividend Received | – | – |
| Loss on sale of Fixed Assets | 9.00 | 17.87 |
| Operating Profit before Working Capital Changes | 2,817.46 | 2,440.25 |
| Adjusted for : | | |
| Trade & Other Receivables | (483.09) | (186.62) |
| Inventories | 266.15 | (332.24) |
| Trade Payable | 63.24 | (55.44) |
| Cash Generated from Operations | 2,663.76 | 1,865.95 |
| Interest Paid | (355.26) | (406.73) |
| Direct Taxes Paid | (647.25) | (482.90) |
| Extraordinary items | – | – |
| Net Cash from operating activities | 1,661.25 | 976.32 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets | (1,567.74) | (1,543.33) |
| Sale of Fixed Assets | 45.36 | 34.26 |
| Purchase of Investments | – | – |
| Interest Received | 8.61 | 7.68 |
| Dividend Received | – | – |
| Net Cash used in Investing Activities | (1,513.77) | (1,501.39) |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from Issue of Share Capital / Warrants | 753.75 | – |
| Proceeds from contribution by minority shareholders | 62.10 | 169.72 |
| Proceeds/ (Repayment) of Long Term Borrowings (Net) | (41.47) | (24.06) |
| Proceeds / (Repayment) of Short Term Borrowings (Net) | (648.29) | 593.28 |
| Dividend and Dividend Tax Paid | (256.56) | (213.80) |
| Net Cash used in Financing Activities | (130.46) | 525.14 |
| Net increase in Cash and Cash Equivalents | 17.02 | 0.07 |
| Cash and Cash Equivalents as on 1.4.2013 | 34.20 | 34.14 |
| Cash and Cash Equivalents as on 31.3.2014 | 51.22 | 34.20 |

In terms of our report of even date annexed

For and on behalf of the Board

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

Atul Bagla
Partner
Membership No.: 91885

Place: New Delhi
Dated: 7th May, 2014

Ashok Kajaria
Chairman & Managing Director

Chetan Kajaria
Rishi Kajaria
Jt. Managing Directors

D. P. Bagchi
R. K. Bhargava
R. R. Bagri
H. Rathnakara Hegde
Sandeep Singhal
Directors

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

Corporate Information

BOARD OF DIRECTORS

| | |
|-------------------------|--------------------------------|
| Mr. Ashok Kajaria | (Chairman & Managing Director) |
| Mr. Chetan Kajaria | (Joint Managing Director) |
| Mr. Rishi Kajaria | (Joint Managing Director) |
| Mr. B. K. Sinha | (Director-Technical) |
| Mr. Sandeep Singhal | (Independent Director) |
| 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 | Executive VP (A&T) & Company Secretary |
| Mr. Sanjeev Agarwal | Senior 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 |

STAKEHOLDERS RELATIONSHIP COMMITTEE

| | |
|--------------------|----------|
| Mr. R. R. Bagri | Chairman |
| Mr. Ashok Kajaria | Member |
| Mr. Chetan Kajaria | Member |

NOMINATION AND REMUNERATION COMMITTEE

| | |
|-------------------------|----------|
| Mr. D. P. Bagchi | Chairman |
| Mr. Ashok Kajaria | Member |
| Mr. H. Rathnakara Hegde | Member |
| Mr. R. R. Bagri | Member |

PROJECT MANAGEMENT COMMITTEE

| | |
|--------------------|----------|
| Mr. Ashok Kajaria | Chairman |
| Mr. Chetan Kajaria | Member |
| Mr. Rishi Kajaria | Member |
| Mr. R. R. Bagri | Member |

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

| | |
|--------------------|----------|
| Mr. Ashok Kajaria | Chairman |
| Mr. Chetan Kajaria | Member |
| Mr. Rishi Kajaria | Member |
| Mr. R. R. Bagri | Member |

REGISTERED OFFICE

A-27 to 30, Industrial Area, Sikandrabad
District Bulandshahr, (U.P.) 203205
Telephone 91-5735-222393, 222819
Fax No. 91-5735 222140

CIN No. L26924UP1985PLC007595

CORPORATE OFFICE

J-1 / B-1 (Extn.), Mohan Co-operative Industrial Estate,
Mathura Road, New Delhi 110044
Telephone 91-11-26946409
Fax No. 91-11-26946407

WORKS

1. A-27 to 30, Industrial Area, Sikandrabad, Distt. Bulandshahr, (U.P.) 203205.
2. 19 km Stone, Bhiwadi - Alwar Road, Village Gailpur, Distt Alwar (Rajasthan)

SUBSIDIARIES

1. M/S Soriso Ceramic Private Limited
2. M/S Jaxx Vittrified Private Limited
3. M/S Vennar Ceramics Limited
4. M/S Cosa Ceramics Private Limited
5. M/S Kajaria Sanitaryware Private Limited

AUDITORS

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

BANKERS

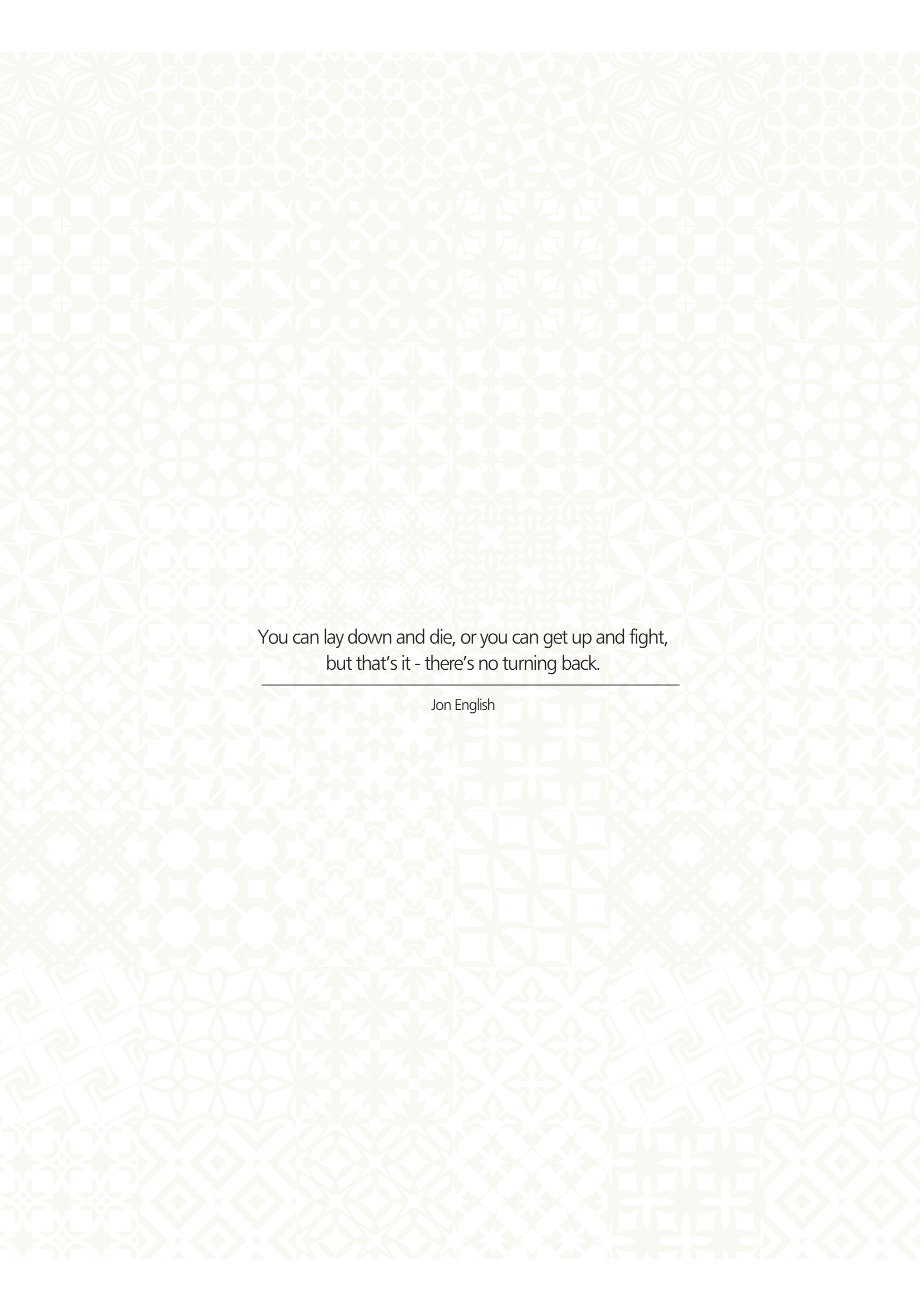
State Bank of India
IDBI Bank
HDFC Bank Limited
Canara Bank

REGISTRAR & SHARE TRANSFER AGENT

M/s MCS Share Transfer Agent Ltd
F-65, 1st floor, Okhla Industrial Area, Phase I, New Delhi-110020
Ph. No.: 91-11-41406149-52
Fax No.: 91-11-51709881

SHARES LISTED AT

National Stock Exchange Limited
The Bombay Stock Exchange Limited



You can lay down and die, or you can get up and fight,
but that's it - there's no turning back.

Jon English

NO LOOKING BACK

Kajaria. India's best-known tile brand

- ° Leadership presence in the second most populous country of the world
- ° The most certified tile company in the world
- ° The fastest growing tile company in India
- ° The only Indian 'Superbrand' tile company - for the seventh successive time.

Content

Highlights 2013-14

Kajaria registered healthy growth despite the numerous challenges



statement from the management

"The best way forward lies in never looking back."

Competitive advantage

Kajaria footprint across the tile value chain allows it to address a wide opportunity matrix.



management discussion and analysis

Ceramic tiles are integral to home improvement.

5-year financial

Even though we have provided our five-year performance on this page, we are not quite looking back.

Value added statement

directors' report

Your Directors are pleased to present the 28th Annual Report together with the audited accounts

report on Corporate Governance

We believe that the governance process should ensure that large corporates are managed in a manner that meets stakeholders aspirations and societal expectations.



Financial statements

No looking back.

Even as the rest of the country was marked by an economic slowdown, there was no such trace at Kajaria Ceramics.

India's GDP grew less than 5% in the last two years; Kajaria's revenues grew an average 18% during the period.

This sustained growth in the face of sectoral and economic challenges was derived from an institutionalised mindset.

Whatever the odds, think bigger, think better, think quicker.

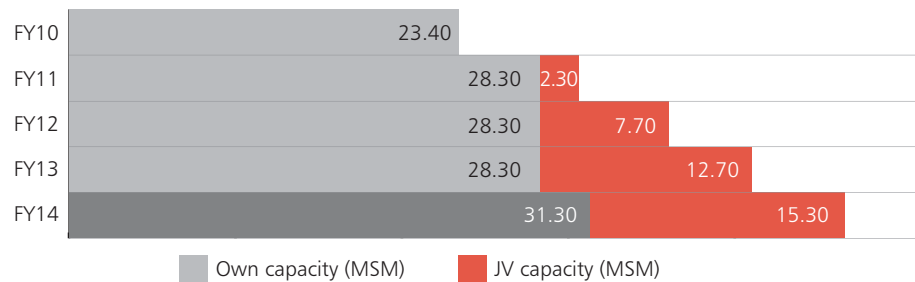
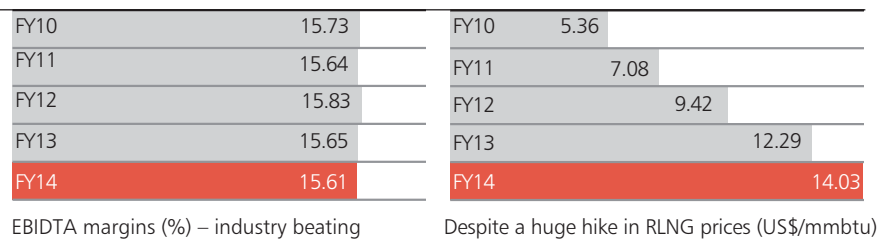
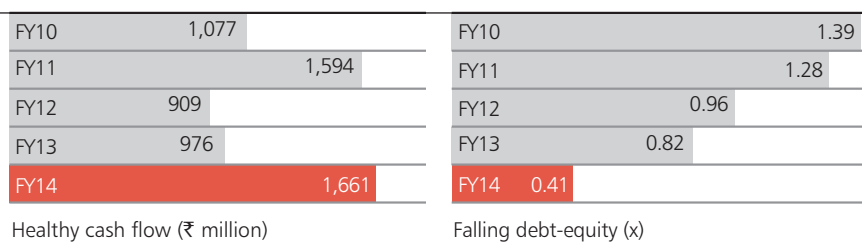
In other words, no looking back.

*"The woods are lovely, dark and deep. But I have promises to keep.
And miles to go before I sleep." – Robert Frost*

A forward-looking Kajaria means a number of things.

Proactive capacity-creation.
Judicious cost reduction.
Widening product portfolio.
Progressive value-addition.

When you put all these together, you get one of the fastest growing tile companies in the world.

Proactive **expansion**Strengthening **business**Liquid **Balance Sheet**

MULTI-LOCATIONAL

ADDITION

KAJARIA NEVER LOOKS BACK

SCALING

VERTICALLY

BUSINESS

NORTH AND WEST

KAJARIA ALWAYS DOES BEST

CAPACITY

CREATE

CAPACITY
AND THEN

MORE

CAPACITY

BROWNFIELD

₹850

NEXT 24

REPLICATE

MILLION

ANOTHER
7.50 MSM

**LEAST
USED
WORD**

TILE

PASSION

GREENFIELD

MULTI-LOCATIONAL CAPACITY ADDITION

Most corporates create capacity cautiously.

So when Kajaria grew its capacity by 10.60 MSM multi-locationally in 24 months, most observers expected consolidation to follow.

But then Kajaria never looks back.

So Kajaria did what Kajaria does best. The Company invested ₹850 million in 2013-14 to add 5.60 MSM (14% addition of its March 2013 base) across its North and West locations.

And then ... it engaged in the implementation of another 7.50 MSM capacity (expected to be operational in the first half of 2014-15). And announced a plan to add 10 MSM through greenfield and brownfield initiatives.

The word 'enough' is probably the least used at Kajaria.



50%

KAJARIA'S CAPACITY ADDITION PLANS IN THE NEXT TWO YEARS (OVER ITS MARCH 2014 CAPACITY).

The word 'enough' is probably the least used at Kajaria.

INDIA'S FIRST HOLISTIC
BATHROOM SOLUTIONS

PROGRESSING

PURE-PLAY TILE
COMPANY

VERSUS
EFFECT

NO LOOKING BACK
KAJARIA

IS INDIA'S MOST
RESPECTED TILE BRAND

SYNERGIC BUSINESS VENTURES

Most companies successful in their niche generally select to grow their capacity within it.

So when Kajaria reported yet another successful year, the general analyst conclusion was that the Company would make more of the same.

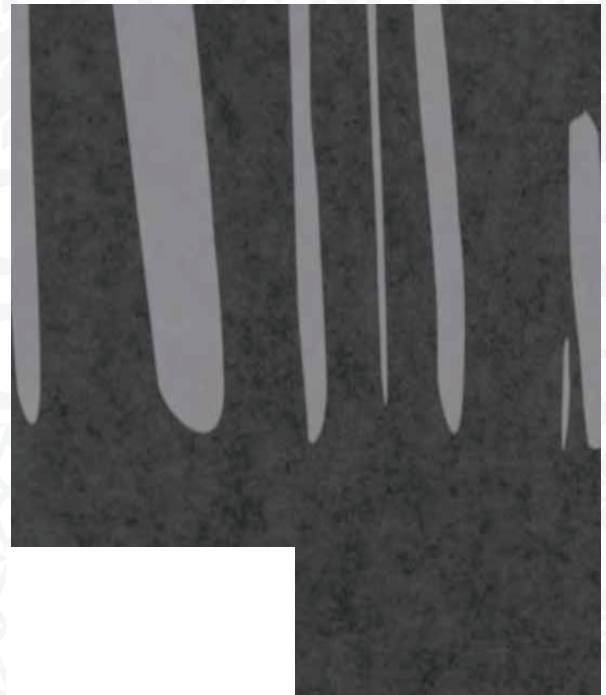
But then Kajaria is forward-looking.

The Company selected to emerge as an industry outlier through the following initiatives:

- Kajaria Sanitaryware, in which Kajaria (through its wholly-owned subsidiary Kajaria Bathware) holds a 64% stake, set up a 7 lac piece per annum sanitaryware manufacturing facility at Morbi, Gujarat which commenced operation in May 2014
- Kajaria Bathware plans to commission a ₹500 million faucet facility in Rajasthan (1.50 million piece per annum)

For years, Kajaria was a pure-play tile company. The Company now expects to transform into India's first holistic bathroom solutions provider.

The words 'no looking back' are not just used loosely at Kajaria Ceramics.



The words 'no looking back' are not just used loosely at Kajaria Ceramics.

Even though we have provided our five-year performance on this page, **we are not quite looking back.**

| | | |
|-------------------------------|---------|--------|
| Revenue (₹ million) | 2009-10 | 7,355 |
| | 2010-11 | 9,523 |
| | 2011-12 | 13,115 |
| | 2012-13 | 15,822 |
| | 2013-14 | 18,387 |

Growth **16.22%** **22.56%**
Over 2012-13 CAGR over 5 years

| | | |
|------------------------------|---------|-------|
| EBIDTA (₹ million) | 2009-10 | 1,157 |
| | 2010-11 | 1,490 |
| | 2011-12 | 2,077 |
| | 2012-13 | 2,477 |
| | 2013-14 | 2,870 |

Growth **15.87%** **24.51%**
Over 2012-13 CAGR over 5 years

| | | |
|----------------------------------|---------|-------|
| Net profit (₹ million) | 2009-10 | 359 |
| | 2010-11 | 606 |
| | 2011-12 | 809 |
| | 2012-13 | 1,045 |
| | 2013-14 | 1,242 |

Growth **18.86%** **69.42%**
Over 2012-13 CAGR over 5 years

| | | |
|-----------------------------------|---------|-------|
| Cash profit (₹ million) | 2009-10 | 626 |
| | 2010-11 | 903 |
| | 2011-12 | 1,201 |
| | 2012-13 | 1,491 |
| | 2013-14 | 1,712 |

Growth **14.81%** **38.30%**
Over 2012-13 CAGR over 5 years

| | | |
|--------------------------|---------|------|
| Net margin (%) | 2009-10 | 4.87 |
| | 2010-11 | 6.37 |
| | 2011-12 | 6.17 |
| | 2012-13 | 6.61 |
| | 2013-14 | 6.76 |

Growth **15 bps** **189 bps**
Over 2012-13 Over 5 years

| | | |
|--------------------|---------|-------|
| ROCE (%) | 2009-10 | 16.98 |
| | 2010-11 | 22.09 |
| | 2011-12 | 27.96 |
| | 2012-13 | 28.89 |
| | 2013-14 | 29.06 |

Growth **17 bps** **1,208 bps**
Over 2012-13 Over 5 years

FY 2013-14

in numbers.

Net sales

₹18,387 mn

EBIDTA

₹2,870 mn

Profit after tax

₹1,242 mn

EBIDTA margin

15.61%

Net margin

6.76%

ROE

27.91%

ROCE

29.06%

Net cash flow
from operations

₹1,661 mn

Networth

₹5,292 mn

Working capital cycle

25 days

Net block

₹6,916 mn

Debt-equity
ratio

0.41x

The **management's** perspective

**"The best way
forward lies in never
looking back."**

Dear shareholders,

Each of our business reviews over the last few years has begun with why the Company performed better.

Permit us to be different this time.

We would rather begin with an analysis of why the Company should not - hypothetically - have reported another improved year.

One, public spending declined as the country's economy reported a sub-5% growth. Most consumers selected to postpone purchases and renovation (bathroom solutions included).

Two, the country's real estate sector remained sluggish; in Mumbai and Delhi there was an unsold inventory equivalent to a few years of sustained offtake.

Three, interest rates stayed high, eating into cost and profit structures.

Four, high fuel prices threatened margins.

By these realities, it would have been reasonable to assume that the Company would have reversed its excellent run of the last few years with an interruption.



Mr. Ashok Kajaria
Chairman and Managing Director

“Our subsidiaries enhanced production, productivity and cost optimisation making a more meaningful contribution to the consolidated performance.”

Performance

We are absolutely delighted to state that at Kajaria Ceramics no such reversal transpired during the financial year under review.

Kajaria Ceramics reported an all-round improvement instead.

- We increased turnover by 16.77% in 2013-14.
- We strengthened our average realisation from ₹348 per sq mtr in 2012-13 to ₹354 per sq mtr in 2013-14.
- Our subsidiaries enhanced production, productivity and cost optimisation making a more meaningful contribution to the consolidated performance.
- We attracted an investment of ₹1.50 billion from WestBridge Crossover Fund, LLC., a validation of our business model.

The next big leap

Having reported a record year, it would have been easy to become complacent. On the contrary, we continued to stand outside our comfort zone through various business strengthening initiatives.

The tiles segment

Capacities: Having consolidated our capacity



Mr. Chetan Kajaria, Joint Managing Director

addition (10.40 MSM in the 24 months leading to March 2013), we embarked on fresh capacity addition.

Our subsidiary Jaxx acquired a 2.60 MSM unit in Morbi (Gujarat). We set up a 3.40 MSM glazed vitrified tile unit in Sikandrabad at the space vacated by the closure of our polished vitrified tile unit.

We are in the process of adding 4.50 MSM at our Jaxx and 3 MSM capacities at our Cosa units. We are planning to commission a 5 MSM greenfield polished vitrified tile unit in Rajasthan. We have entered into a new joint venture with Taurus Tiles for putting up a 5 MSM of polished vitrified tile unit at Morbi.

Value-addition: These capacity expansion programmes will enhance value-addition as well; the new unit in Sikandrabad will strengthen our glazed vitrified tile presence; our 4.50 MSM double-charged polished vitrified tile addition at Jaxx will trend towards higher realisations.

Optimism: In the decade ending 2008, Chinese GDP grew at 9% and urban population scaled from 33% to 47% of its population. As the Indian GDP progresses at 6-7% growth between 2013 and 2023, urbanisation is expected to increase from 32%



Mr. Rishi Kajaria, Joint Managing Director

“Kajaria initiated the manufacture of sanitaryware in Morbi with the objective to complement its trading model – a differentiated approach from the existing practice of tile companies selecting to outsource sanitaryware.”

to 37%, catalysing home building (and hence tile offtake). Besides, India is getting younger, wealthier, aspirational and aesthetic. The number of census-covered towns increased 3x between 2001 and 2011, a trend expected to sustain in line with growth in the country's road infrastructure.

Sectoral trend: An industry churn towards organised manufacture will catalyse the growth of the country's sector. In October 2013, the Gujarat High Court directed unorganised Morbi tile manufacturers to stop using coal due to pollution concerns, reducing their cost advantage.

The sanitaryware and faucet segment

Kajaria initiated the manufacture of sanitaryware in Morbi with the objective to complement its trading model – a differentiated approach from the existing practice of tile companies selecting to outsource sanitaryware. The Company is also setting up a faucet plant in Rajasthan.

This response has been inspired by two reasons: Tiles, sanitaryware and faucets are marketed by a majority of the tile retail outlets, so the decision to manufacture sanitaryware will help address a larger share of the dealer's business and customer's

wallet. Over the last number of years, the Company seeded sanitaryware demand through prudent outsourcing (imports) for which it is now creating a captive manufacturing back-end.

Besides, India's sanitaryware and faucet demand is addressed by few brands (Indian and global). A growing emphasis on pan-India sanitation projects will only widen the market and help Kajaria capture a large market share.

Message to shareholders

At Kajaria, the outlook is exciting as we widen our multi-locational footprint, increase capacities, strengthen the supply chain, enhance value-addition, enter a new vertical and make fresh investments. We expect that these initiatives will translate into sustained sectoral outperformance that translates into enhanced shareholder value across the foreseeable future.

Warm regards
The management team

Kajaria's revenue milestones

First ₹10 billion...

23 years

March 2011

...next ₹10 billion...

3 years

March 2014

...and the next ₹10 billion!

2 years

March 2016 (E)

Competitive advantage



Across the value chain: Kajaria footprint across the tile value chain allows it to address a wide opportunity matrix.



Wide distribution: Kajaria's wide and deep distribution network (more than 900 dealers) serviced more than 10,000 sales points across the country - metros to Tier-III markets and small towns. This strategy made it possible to market more than 70% of its output to retail consumers.



Joint venture: Kajaria adopted the joint-venture capacity creation model resulting in a pan-India manufacturing presence. It acquired a majority stake in unbranded regional players, which provided it access to the output from these facilities. This strengthened the Company's sectoral competitiveness as revenue accretion started immediately and made it possible to distribute products faster across India.



Wide product range: Kajaria offered customers products at every price point (₹200 per sqm to ₹1800 per sqm) through the widest array of designs, finishes and sizes.



Brand acceptance: Kajaria institutionalised the cash-and-carry sales model for its dealers, which enhanced liquidity. Besides its ability to create popular products moderated inventory.



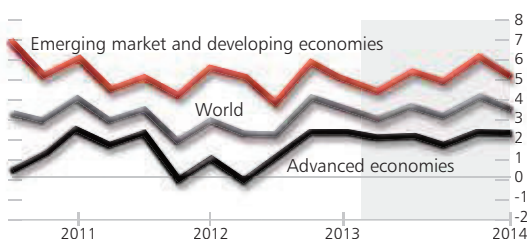
Liquidity: Kajaria's financial muscle reflected in its low gearing at 0.41 (March 31, 2014) and an industry-beating working capital cycle of only 25 days of turnover equivalent.

Management discussion and analysis



Global economic progression

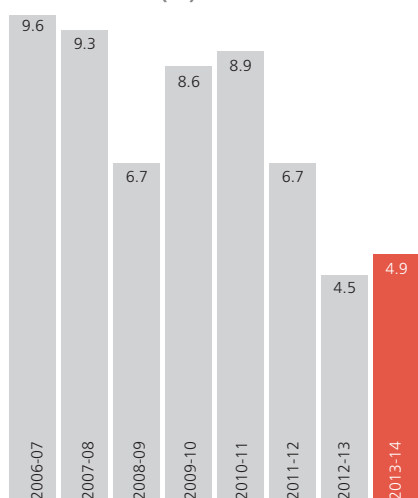
Global GDP Growth (%)
(Quarter over quarter, annualised)



Source: IMF staff estimates

India's economic growth

GDP Growth (%)



Source: Central Statistics Office

Economic overview

The world economy reached subdued growth of 3% in 2013 against 3.1% in 2012 primarily due to the economic volatility in the first half of the year.

While most developed economies continued to grapple with the challenge of taking appropriate fiscal and monetary policy actions in the aftermath of the financial crisis, a number of emerging economies, which had already experienced a notable slowdown in the past two years, encountered new domestic and international headwinds during the period.

In the second half of the year however, demand in advanced economies improved primarily due to inventory restocking. In emerging market economies, an export rebound strengthened the improved performance even as domestic demand remained subdued – providing momentum to the global GDP. India's economic growth in 2013-14

was estimated at 4.9%, faster than in the previous year mainly following improved performance in the agriculture and allied sectors.

The IMF indicates that emerging markets will account for much of global growth, with their economies forecast to expand nearly four times faster over advanced economies. As far as advanced economies are concerned, the US is expected to emerge as the key growth driver. The Eurozone is turning the corner after recovering from recession and is expected to post positive economic growth in 2014. The result is that global growth is projected slightly higher (around 3.7%) in 2014, rising to 3.9% in 2015 (Source: IMF). According to NCAER, India's economic growth is likely to rebound to 5.6% while Asian Development Bank has projected India's GDP growth at 5.5% for 2014-15 depending on its ability to implement structural reforms.

The Indian tile industry

Ceramic tiles are integral to home improvement. The Indian tile industry, despite an overall economic slowdown, continues to grow at about 11% in 2013-14. Ceramic tiles are primarily hygiene products, evident from their varied use in bathrooms and kitchens in most Indian households to medical centres, labs, milk booths, schools, public convenience spaces, shopping malls and other centres.

Indian tile sector snapshot

Tile volume growth

| | CY 2008 | CY 2009 | CY 2010 | CY 2011 | CY 2012 |
|-------------------|---------|---------|---------|---------|---------|
| Consumption (MSM) | 403 | 494 | 557 | 625 | 681 |
| Y-o-Y growth (%) | 2 | 23 | 13 | 12 | 9 |

Source: Ceramic World Review

Increasing usage of tiles

Percentage of households by material of floor

| | India | | | Rural | | Urban | |
|----------------------|-------|------|------|-------|------|-------|------|
| Material | 1991 | 2001 | 2011 | 2001 | 2011 | 2001 | 2011 |
| Mud | 67.0 | 57.1 | 46.5 | 72.3 | 62.6 | 18.0 | 12.2 |
| Stone | – | 5.8 | 8.1 | 4.5 | 6.2 | 9.1 | 12.2 |
| Cement | 21.3 | 26.5 | 31.1 | 18.0 | 24.2 | 48.3 | 45.8 |
| Mosaic / floor tiles | 3.8 | 7.3 | 10.8 | 2.2 | 3.7 | 20.5 | 25.9 |
| Others | 7.9 | 3.3 | 3.5 | 3.0 | 3.2 | 4.1 | 3.8 |

Source: Census 2011

Sectoral shifts

Shift in flooring solutions: While the Indian tile industry was historically dominated by ceramic floor tiles, there is now an increasing shift towards vitrified flooring solutions in view of their strength and low water absorption.

Unorganised players being organised: Growing disposable incomes have enhanced a preference for branded products. Unorganised players lack marketing expertise; they do not possess the resources to create large brands. As a result, they find it easier to partner organised players owning brands and distribution channels.

Imports become marginal: Imports from China are declining as domestic players have developed the capability to manufacture quality and cost-efficient products. Chinese manufacturing costs have increased and the Indian currency has weakened.

Outlook

The spread of roads, telephones and electricity is helping urban centres extend, creating new population clusters – the number of 'census towns' in 2011 was 3x that in 2001, resulting in the emergence of significant housing demand from non-metro locations (smaller urban centres, Tier-II and III towns).

Global tile sector – facts and figures

Growing steadily Production (MSM)

| | |
|---------|--------|
| CY 2008 | 8,594 |
| CY 2009 | 8,581 |
| CY 2010 | 9,619 |
| CY 2011 | 10,596 |
| CY 2012 | 11,166 |

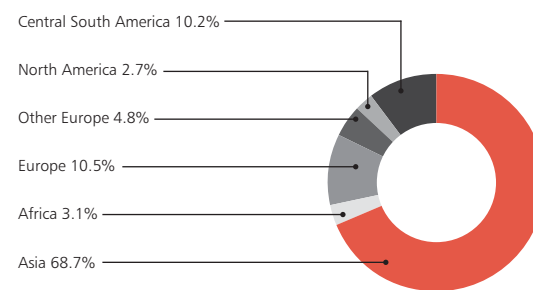
Where they are rolled out...

Leading manufacturing nations

| Regions | 2012 (MSM) | % age of world production | 2011 (MSM) | % age of world production | % age variance (12/11) |
|-------------|------------|---------------------------|------------|---------------------------|------------------------|
| China | 52,00 | 47 | 4,800 | 46 | 8 |
| Brazil | 866 | 8 | 844 | 8 | 3 |
| India | 691 | 6 | 617 | 6 | 12 |
| Iran | 500 | 5 | 475 | 5 | 5 |
| Italy | 367 | 3 | 400 | 4 | (8) |
| Spain | 404 | 4 | 392 | 4 | 3 |
| Vietnam | 298 | 3 | 380 | 4 | (22) |
| Indonesia | 330 | 3 | 317 | 3 | 4 |
| Turkey | 280 | 3 | 260 | 3 | 8 |
| Mexico | 229 | 2 | 219 | 2 | 5 |
| World Total | 11,166 | 100 | 10,596 | 100 | 5 |

Source: Ceramic World Review

World manufacturing share (2012)



6.4%

Increase in Asia's tile production over CY2011

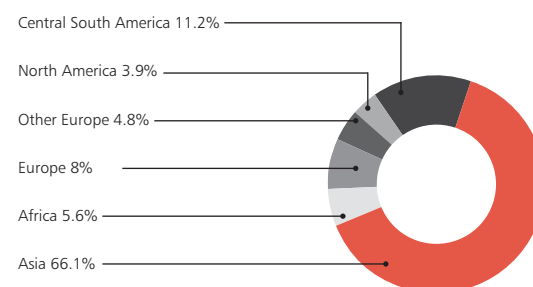
Where they are laid out...

Leading consuming nations

| Regions | 2012 (MSM) | % age of world consumption | 2011 (MSM) | % age of world consumption | % age variance (12/11) |
|--------------|------------|----------------------------|------------|----------------------------|------------------------|
| China | 4,250 | 39 | 4,000 | 39 | 6 |
| Brazil | 803 | 7 | 775 | 8 | 4 |
| India | 681 | 6 | 625 | 6 | 9 |
| Iran | 375 | 3 | 395 | 4 | (5) |
| Vietnam | 247 | 2 | 360 | 4 | (31) |
| Indonesia | 340 | 3 | 312 | 3 | 9 |
| Saudi Arabia | 230 | 2 | 203 | 2 | 13 |
| Russia | 213 | 2 | 181 | 2 | 18 |
| US | 204 | 2 | 194 | 2 | 5 |
| Mexico | 187 | 2 | 177 | 2 | 6 |
| World Total | 10,912 | 100 | 10,432 | 100 | 5 |

Source: Ceramic World Review

World consumption pattern (2012)



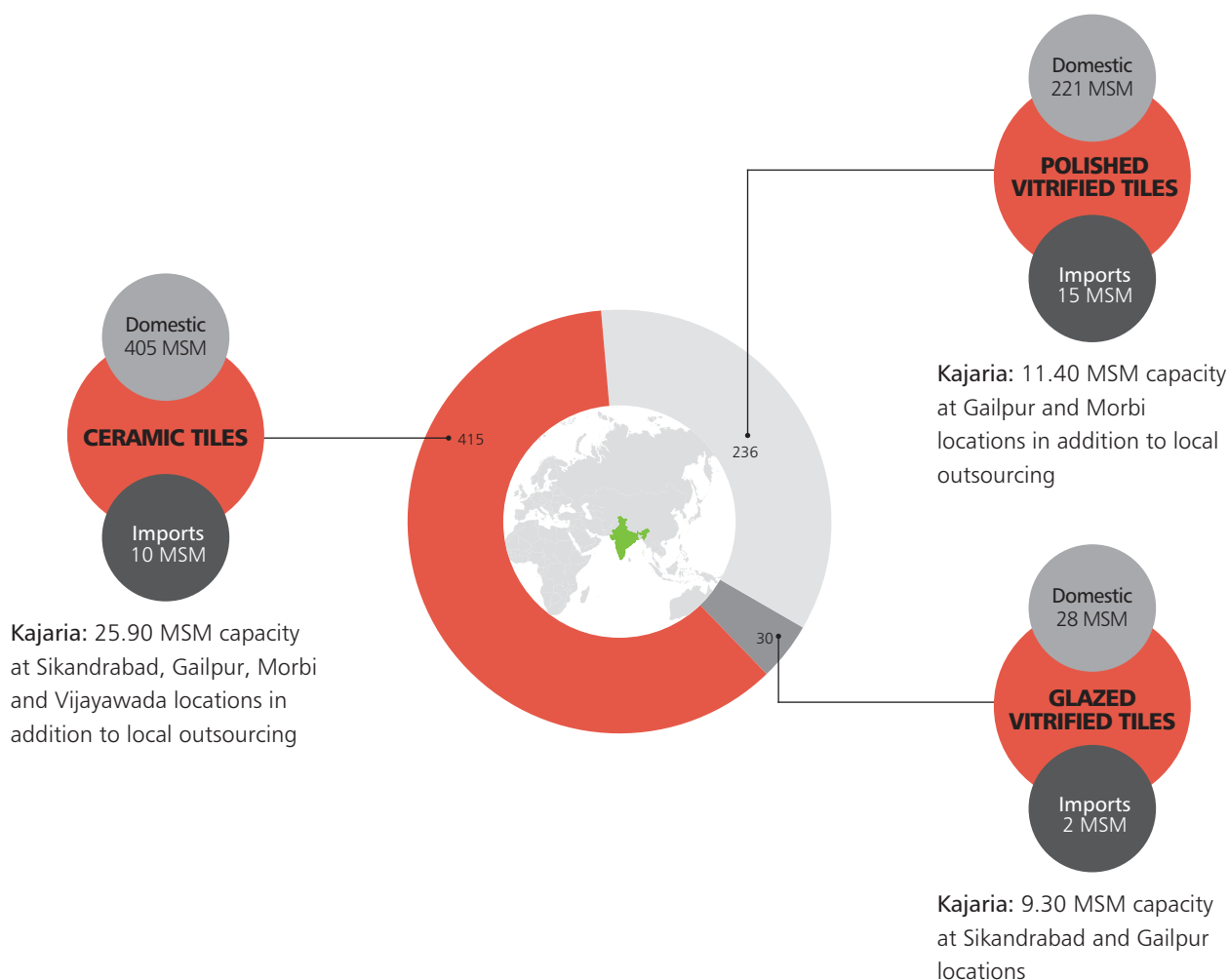
4.4%

Increase in Asia's tile consumption over CY2011

Kajaria.

Present across the entire tile value chain

Kajaria enjoys a broad presence across ceramic tiles, polished vitrified tiles and glazed vitrified tiles. The Company offers over 1,200 SKUs in different sizes, operating through a network of 900 pan-India dealers, translating into a dominant market share in Northern India. Kajaria caters to all the segments of the 681 MSM Indian tile industry (₹195 billion as at March 2013).



Kajaria. Pan-India reach

Largest distribution network

Kajaria possesses one of the largest sectoral dealership networks comprising more than 900 dealers that caters to more than 10,000 sales points across India. The Company created multiple distribution channels – product-focused dealers, brand-focused dealers and the rest – to address mushrooming opportunities.

25

Kajaria Galaxy

A standalone store (about 4,000 sq ft) that provides dedicated space to all tile verticals.

95

Kajaria Prima

A dealer store which provides dedicated space for display of ceramic wall and floor tiles without keeping any other ceramic tile brands

Multi-channel distribution network

19

Kajaria World

A standalone store that provides (about 2,000 sq. ft. +) dedicated space to high end tiles

222

Kajaria Studio

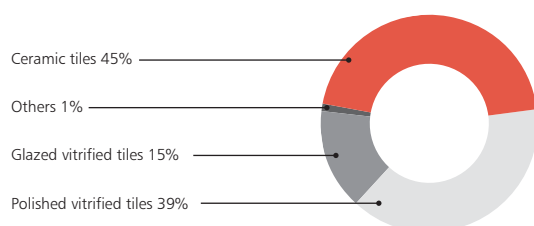
A shop-in-shop concept where the dealer provides dedicated space only for the Company's polished vitrified and/or glazed vitrified tile verticals

550

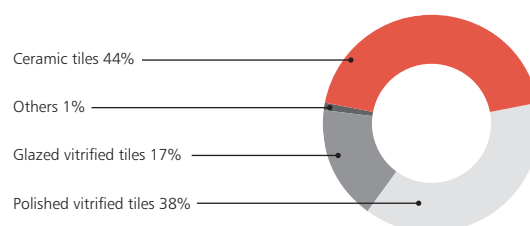
Kajaria

Multi-brand dealers

Revenue-split



2012-13



2013-14

Business segment - 1

Ceramic wall and floor tiles

25.90
MSM

Cumulative capacity

932

Designs

11

Sizes

₹200 –
800

Price per sqm

44%

Proportion of net sales



Business in 2013-14

- Sales volumes and value increased by 10% and 15% respectively over the previous year
- Average realisation increased 4% over the previous year

Overview

At Kajaria, ceramic tiles are manufactured in four locations – wall tiles are manufactured in Gailpur and Vijayawada (Vennar);

floor tiles are produced in Sikandrabad and Morbi (Soriso); in addition the Company also procures these tiles from quality-conscious manufacturers in Morbi.

Kajaria offers ceramic wall and floor tiles in diverse sizes, designs and finishes to cater to all customer segments. The Company's investment in contemporary digital-printing machines widened its product range with novel finishes



(stone, wood and natural stone). Kajaria has the largest number of digital printing machines in India in this segment.

Kajaria's products are marketed through a robust distribution network of dealers and sub-dealers; Kajaria Galaxy and Kajaria Prima showrooms are present in major Indian towns.

Product attributes

Ceramic glazed tiles provide

consumers with an unmatched choice of colours and finishes customised to their bathroom, flooring, interior and wall-cladding solutions. The tiles provide a stronger bonding with walls due to their high porosity.

Ceramic tile account for more than 60% share of the tile industry volume. The tile sales volume has grown each year over the last decade due to growing affordability, aesthetics (unique designs and sizes), multiple applications and enhanced accessibility. The advent of digital printing technology and an increasing preference for large-format tiles catalysed the demand for ceramic tiles. These tiles are also increasingly used as exterior wall solutions and interior decoration, replacing terracotta tiles, and natural stone, among other options.

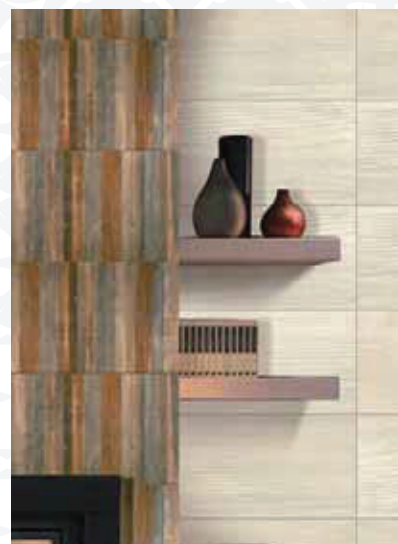
Performance in 2013-14

Making our business more competitive

- Maximised the production of large tiles, which improved realisations
- Streamlined operations at the Gailpur unit, which enhanced productivity

Making our business more compelling

- Increased the production of digitally-printed tiles (70% of production), which improved offtake and realisations
- Introduced more than 200 designs



in 2013-14 – more than 75% digitally printed – which enhanced aesthetic appeal

Making our business more connected

- Added more dealers to the network in North and South India's Tier II and III towns
- Strengthened our dealer presence; introduced novel product display techniques
- Invested in branding and promotion, which enhanced customer awareness
- Engaged entrepreneurs from other businesses as dealers

Outlook

The Company plans to acquire more wall and floor ceramic tile capacities in Morbi, introduce new sizes, enhance product display and widen its distribution network.

Business segment - 2

Polished vitrified tiles

Business in 2013-14

Sales volumes and value increased by 16% and 14% respectively over the previous year despite a production disruption in Morbi.

Overview

Kajaria manufactures polished vitrified tiles at its Gailpur, Jaxx and Cosa facilities, which allows it to address its pan-India distribution network. Its wide tile variety is marketed through Kajaria Galaxy and Kajaria Studio

chains as well as the pan-India Kajaria dealer network.

Product attributes

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

Soluble salts

Vitrified tiles that are printed with screen printing technology and then polished are called soluble salt vitrified tiles.

Low-end vitrified tiles in India

Limited design options due to technology limitations

Double charge

Vitrified tiles where the press feeds two colours on the tiles bisque and makes a 3-4mm thick layer of design on the top.

These tiles have a longer life than soluble salt tiles

Limited design options due to technology limitations

Full body vitrified tiles

Vitrified tiles have colour throughout the body (thickness) of the tile. Because of this chipping or scratches are less noticeable

Design will never fade

Ideal flooring which can resist heavy traffic areas such as shopping complex, airports etc.



Performance in 2013-14

Making our business more competitive

- Replaced the import of soluble salts from China with outsourced products from Morbi; streamlined logistics and distribution channels, which reduced the lead time between the Morbi

plant and dealer warehouse; reduced the depot sizes, which optimised distribution costs

- Streamlined operations at the Gailpur unit to enhance productivity; replaced natural gas with coal gas in spray driers to optimise production costs



11.40 MSM

Cumulative capacity

60

Designs

2

Sizes

₹400 – 800

Price per sqm

38%

Proportion of net sales

■ Streamlined processes at the Cosa unit (acquired November 2012), which enhanced capacity utilisation to 100%; improved operational practices to increase output from the newly acquired unit

Making our business more compelling

Launched 10 new designs which received a heartening customer response

Making our business more connected

■ Added new dealers in East, Central

and South India; consolidated the sizeable network addition in the last 24 months

■ Occupied more showroom space among leading 200 dealers; institutionalised regular display monitoring and upgradation; improved the offtake of value-added tiles (35% of the total segment sales against 30% in 2012-13)

Outlook

The team is gearing for strong value-led and volume-driven growth to achieve ₹1,000 crore revenues by 2015.

The Company is commissioning its 4.50 MSM unit at Jaxx by August 2014 to produce large tiles (80x80 cm and 80x120cm), increasing the value-added portfolio. It is implementing a brownfield expansion of 3.00 MSM per annum of soluble salt vitrified tiles (Cosa unit).

The Company is commissioning a 5 MSM greenfield polished vitrified tile unit in Rajasthan. It is also working on the addition of 5 MSM polished vitrified tiles capacity at Morbi through the joint-venture route.

Business segment - 3

Glazed vitrified tiles

9.30
MSM

Cumulative capacity

320

Designs

6

Sizes

₹600 –
1800

Price per sqm

17%

Proportion of net sales



Business in 2013-14

Sales volumes and value increased 34% and 25% respectively over the previous year

Overview

Having introduced glazed vitrified tiles (GVT) in India in 2007-08 for the first time in an organised manner by way of imports, Kajaria today possesses the largest product basket in terms of designs and sizes.

Currently, Kajaria manufactures glazed vitrified tiles at its Gailpur and

Sikandrabad facilities. The Company offers the largest number of wood and stone finish tiles in the large format. Its products are marketed through its high-end Kajaria World, Kajaria Galaxy and Kajaria Studio chains, primarily in metros and urban locations.

Product attribute

Vitrified tiles with a glazed surface coating are referred to as Glazed vitrified tiles. These tiles represent the premium segment in the tile



value chain, marked by quality, durability and flexibility to impart unique designs and textures. The use of digital printing technology on vitrified tiles has widened design and texture options.

Performance in 2013-14

Making our business more competitive

- Streamlined operations of the Sikandrabad line commissioned in February 2013, which resulted in robust sales volumes

- Invested in a line commissioned in March 2014.

Making our business more compelling

- Introduced the Eternity HD Wood range in two sizes

- Launched 80x80 cm, 40x80 cm and 20x120 cm Digital Wooden planks

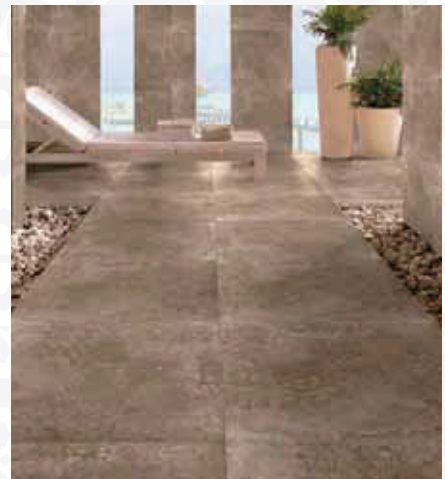
Making our business more connected

- Increased the dealer network in Tier I and II cities and towns

- Increased space occupation within select dealer showrooms

- Initiated exports to the US for the first time

- Increased the domestic retail presence



Outlook

The team will streamline operations of the newly converted line to maximise productivity. The Company will also shift product manufacture between facilities with the objective to enhance margins. The team will enhance product display across various showrooms pan-India and create a market for some high value product sizes. The team will also expand its global presence.

New is everything

The new line at Sikandrabad will showcase contemporary technologies:

- A 6-head digital printing machine, which will significantly enhance the team's creative and designing capability.

- A high-speed cutting unit sourced from Italy will strengthen productivity and optimise production costs.

- This line will enable the manufacture of tiles where the colour of the body can be matched with the surface.

Analysis of financial statements



Kajaria registered healthy growth despite the numerous challenges faced by the domestic tile manufacturers. Interestingly, the Company has sustained profitable business growth over the last 4-5 years.

In 2013-14, we will not highlight the performance with the previous year, but analyse how Kajaria has created strong financial statements and multiplied shareholder value in the face of a persistent economic slowdown.

Topline and working capital

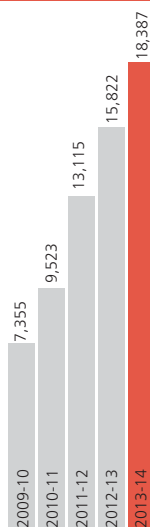
Net sales grew by 16.22% over 2012-13; more importantly net sales grew at 22.56% CAGR (five-year) due to a value-volumes play marked by a consumer pull.

Normally, an increase in the scale of business is accompanied by an increase in working capital requirement. For Kajaria, the reverse transpired; working capital declined from 80 days of turnover equivalent in 2009-10 to 32 days in 2012-13

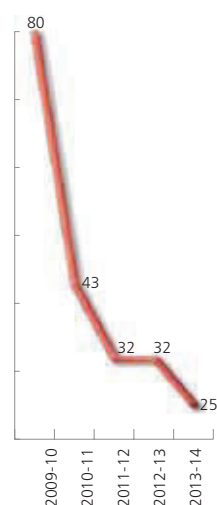
and 25 days in 2013-14 (an industry benchmark). This was largely due to a faster product offtake and faster payments by the dealers. What makes the working capital reduction even more interesting is that this transpired despite a reduction in the creditors' cycle from 66 days in 2009-10 to 47 days in 2013-14.

The shorter working capital cycle increased net cash from operations – at ₹1,661 million in 2013-14, an increase of 70% over 2012-13.

Net sales (₹ million)



Working capital cycle (days)



Gross block and debt

Gross block increased 11.32% over 2012-13; it grew at 15.34% CAGR (5 years) as the Company expanded its manufacturing base in West and South India, increased capacity in North India and invested in improvement and modernisation across all units. In the last five years, the Company invested ₹5,612 million in its gross block.

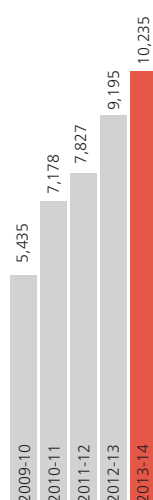
One would imagine that these sizeable investments would have significantly increased the Company's debt burden or the reserves would have been depleted. The reality was the opposite. Debt as a percentage of capital employed reduced from 52% in 2009-10 to 41% in 2012-13 and 27% in 2013-14. Debt-equity ratio stood at

0.41x as on March 31, 2014 against 1.39x as on March 31, 2010, largely due to the healthy cash flow, working capital reduction and equity infusion

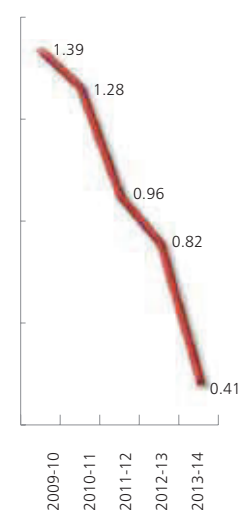
As debt declined, interest liability dropped – interest, which was 4.89% of turnover in 2009-10 stood at only 2.02% of turnover in 2013-14. The interest cover (showcases the strength to repay interest liability) strengthened to 5.88x in 2013-14 from 2.37x in 2009-10.

The Company's reserves and surplus stood at ₹5140 million as on March 31, 2014 – 48.50% higher than the balance as on March 31, 2013 and a growth of 28.39% (CAGR) over the balance as on March 31, 2010.

Gross block (₹ million)



Debt-equity (x)



Operating cost and EBITDA

An increase in business scale – more volumes, more locations and more people – would justify an increase in operational costs. Besides, increasing fuel costs and rupee depreciation only added to the cost structure. Under such circumstances, it would have been reasonable to estimate a reduced operating profit.

At Kajaria, it was different. While fuel cost doubled between 2009-10 and 2013-14, the rupee depreciated sharply, the wage cost increased consistently over the period under review; operating cost as a proportion of net sales remained largely stable – at 83.82% in 2009-10, 85.91% in 2012-13 and 82.97% in 2013-14. EBITDA jumped more than two-fold between 2009-10 and 2013-14.

This increase in profitability was possible due to a single-minded focus on creating a demand for value-added tiles as well as a process realignment to increase productivity and eliminate wastage.

Dividend and ploughback

The Company needs to tread a balance between rewarding shareholders with a high dividend and retaining surplus for capital-intensive projects. Generally, one increases at the compromise of the other. At Kajaria, this did not happen. For one, increasing volumes, increased value-addition, optimised costs and reduced interest outflow accelerated net profit growth faster

than others in the tile industry. Hence, while dividend payout to shareholders grew 78.20% CAGR over the five years (upto 2013-14), the ploughback of business surplus leapfrogged 67.01% CAGR over the same period.

In 2013-14, the dividend payout at ₹264.54 million and the surplus ploughback at ₹932.71 million were 20% and 18% higher than the previous year's allocations.

As a result, shareholder value doubled - incremental income (through growing dividend) and growing wealth (through outperformance of the share price with the broader index).

Internal control and adequacy

The Company maintains a system of well-established policies and procedures for internal control of operations and activities.

The internal control systems consist of comprehensive internal and statutory audits. Internal auditors independently evaluate adequacy of internal controls and concurrently audit majority of transactions in value terms. The internal audit function is further strengthened in consultation with Statutory Auditors for monitoring statutory and operational issues. Independence of the audit and compliance function is ensured by the direct reporting of the internal audits to the Audit Committee of the Board.

Kajaria Ceramics

Market price

₹349

March 31, 2014

Returns

477.55%

over 4 years



Kajaria Ceramics



SENSEX

SENSEX

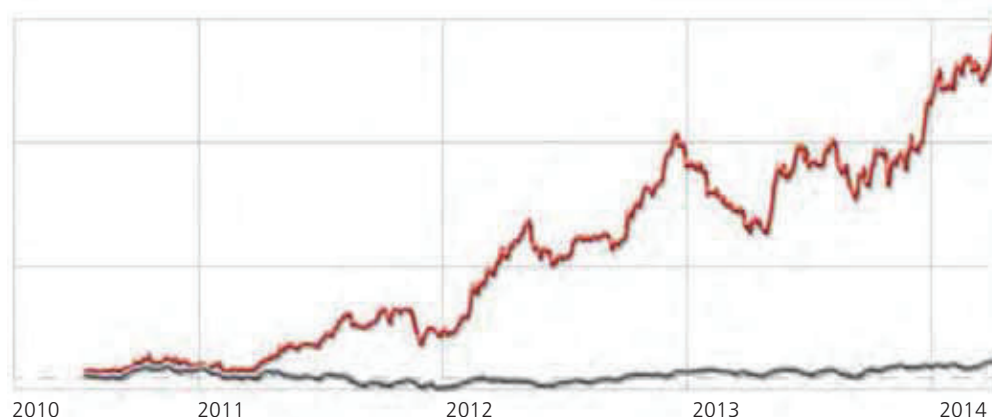
22,386

March 31, 2014

Returns

26.53%

over 4 years



Managing business uncertainties

Risk is the face of business uncertainty, affecting corporate performance and prospects.

As a diversified enterprise, Kajaria had a system-based approach to business risk management. Its risk mitigation framework comprises a study of emerging business trends, framing policies and strategies, structured reporting and control. The disciplined approach coupled with timely execution of proactive counter-measures strengthened our viability across verticals, products, geographies and market cycles.

Industry risk

The economic slowdown may force the average Indian to curtail expenses – impacting the demand for tiles.

Risk mitigation
Despite the persisting economic slowdown and a sluggish housing sector over the last three years, the demand for tiles registered

healthy growth – a trend, which is expected to continue over the coming years as aspiration, affordability and availability of the average Indian continues to scale northward. Moreover,

the investment-favouring government policies are expected to provide a thrust to the housing sector which could cascade into a stronger demand for tiles.

Fuel risk

Increased gas prices, coupled with a weak Indian rupee, could eat into business margins.

Risk mitigation
The increase in energy bill is a factor which impacts all players of the Indian tile industry and Kajaria is no exception. Despite a two-fold increase in RLNG prices over the last five years coupled with a sharp depreciation of the rupee during the same period,

(increases the gas price to the purchaser) the Company sustained its operating margins due to the following reasons:

- Increased the proportion of value added tiles in its sales mix
- Customers have accepted to pay some part of the

cost increase due to the unparalleled value-proposition provided by Kajaria

- Implemented numerous small and critical process improvements which optimised consumption of gas eliminated wastages which reduced the cost increase

Competition risk

Increased attraction to India, the fast-growing, third largest global tile market could impact the Company's performance.

Risk mitigation
This risk is applicable for all the players of the domestic tile industry. For a clear understanding, it would be relevant to understand the various risk elements:

Imports: The depreciating rupee has made imports expensive, hence imported volumes have dropped. Further, the organised sector has developed capabilities to offer reasonably-priced, internationally-benchmarked

products, which reduced the relevance of imports significantly.

Organised sector: Kajaria is the brand leader in the organised sector; this position has been retained due to its ability to create niche products (prints and sizes) and stunning designs – some of which are first-time launches in the Indian market. This creative ability has etched a unique recall of being a product conceptualiser among discerning customers allowing

it to earn a premium over competing products.

Unorganised sector: The recent Government order to ban the use of coal gas by some of the unorganised players will marginalise competition. Besides, increasing disposable income has fueled branded aspirations. The wide and deep distribution networks of organised sector players have increased branded product availability.

Rupee depreciation risk

Depreciation of the rupee could hamper business profitability.

Risk mitigation
While the rupee depreciation will result in increased cost

(primarily fuel) and lower margins, it will also make imports unviable. Thus, the

industry can pass on this price hike in the absence of imports.

5-Year Financials

(Based on Consolidated Financial Statements)

(₹ in million)

| | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
|---------------------------------------|----------------|----------------|-----------------|-----------------|-----------------|
| Share Capital | 147.17 | 147.17 | 147.17 | 147.17 | 151.17 |
| Reserves | 1746.23 | 2078.02 | 2673.54 | 3461.61 | 5140.34 |
| Loan funds | 2628.28 | 2879.68 | 2781.92 | 3201.66 | 2364.19 |
| Gross Block | 5435.47 | 7178.08 | 7826.60 | 9194.50 | 10235.02 |
| Net Block (Fixed Assets) | 3447.90 | 4914.92 | 5209.21 | 6199.68 | 6915.89 |
| Capital work-in-progress | 25.43 | 0.64 | 23.58 | 78.14 | 405.33 |
| Investments | 33.94 | 33.94 | 0.81 | 0.81 | 0.81 |
| Current assets | 2976.43 | 3152.48 | 3675.87 | 4196.88 | 4434.08 |
| Current Liabilities | 1413.49 | 2375.46 | 2590.96 | 2733.61 | 2974.87 |
| Net Current Assets | 1562.94 | 777.02 | 1084.91 | 1463.27 | 1459.21 |
| Deferred tax liabilities | 548.52 | 603.20 | 643.68 | 656.27 | 713.21 |
| Revenue (Net Sales) | 7355.36 | 9523.13 | 13115.31 | 15821.74 | 18387.42 |
| Other Income and Operating Income | 7.45 | 12.56 | 29.71 | 41.45 | 75.84 |
| Material costs | 3643.54 | 5375.78 | 6508.32 | 7197.83 | 8251.80 |
| Power costs | 1048.76 | 936.77 | 2106.80 | 3065.98 | 3716.95 |
| Employee Cost | 612.84 | 760.83 | 1071.85 | 1364.02 | 1726.38 |
| Other manufacturing expenses | 167.76 | 203.25 | 480.26 | 682.52 | 774.79 |
| Admn & selling expenses | 733.20 | 769.53 | 901.06 | 1075.98 | 1123.31 |
| EBIDTA | 1156.71 | 1489.53 | 2076.73 | 2476.86 | 2870.03 |
| Interest | 375.24 | 300.52 | 485.11 | 453.53 | 408.22 |
| Depreciation | 267.06 | 296.80 | 392.58 | 446.18 | 470.00 |
| PBT | 514.42 | 892.21 | 1199.04 | 1577.14 | 1991.81 |
| Tax | 155.90 | 285.28 | 380.56 | 498.78 | 678.31 |
| PAT (Before minority interest) | 358.51 | 606.93 | 818.48 | 1078.36 | 1313.50 |
| Minority Interest | - | 0.72 | 9.65 | 33.25 | 71.29 |
| PAT (After minority interest) | 358.51 | 606.21 | 808.83 | 1045.11 | 1242.21 |
| Networth | 1893.40 | 2225.19 | 2820.71 | 3608.78 | 5291.51 |
| Capital Employed | 5070.20 | 5726.52 | 6318.51 | 7741.90 | 8777.49 |
| EPS (Basic) (₹)* | 4.87 | 8.24 | 10.99 | 14.20 | 16.71 |
| Book value (₹)* | 25.73 | 30.24 | 38.33 | 49.04 | 70.01 |
| Dividend (₹)* | 1.00 | 2.00 | 2.50 | 3.00 | 3.50 |
| Debt Equity | 1.39 | 1.28 | 0.96 | 0.82 | 0.41 |
| RONW / ROE (%) | 20.40 | 29.44 | 32.06 | 32.51 | 27.91 |
| ROCE (%) | 16.98 | 22.09 | 27.96 | 28.89 | 29.06 |

*Face Value of ₹ 2/- per share.

Note: Current Assets, Current Liabilities, Loan Funds and Capital Employed have been reclassified in the Audited Balance Sheet as per new Schedule VI of Companies Act 1956. The same have been adjusted in line with old format for ease of comparison.

Value-added statement

(₹ in million)

| | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
|-----------------------------|----------------|-----------------|-----------------|-----------------|-----------------|
| Sales (gross) | 7667.54 | 10051.31 | 14072.12 | 17335.80 | 20242.93 |
| Other income | 7.45 | 12.56 | 29.71 | 41.45 | 75.84 |
| Stock Adjustments | (40.60) | (42.60) | 218.01 | 205.99 | (337.26) |
| | 7634.39 | 10021.28 | 14319.84 | 17583.24 | 19981.51 |
| Less | | | | | |
| Raw Material consumed | 1437.91 | 1573.84 | 3105.80 | 3717.38 | 4198.30 |
| Trading goods | 2165.03 | 3759.34 | 3620.53 | 3686.44 | 3716.24 |
| Manufacturing expenses | 1216.53 | 1140.02 | 2587.06 | 3748.50 | 4491.74 |
| Other expenses | 733.20 | 769.53 | 901.06 | 1075.98 | 1123.31 |
| | 5552.67 | 7242.73 | 10214.45 | 12515.31 | 13529.59 |
| TOTAL VALUE ADDITION | 2081.73 | 2778.55 | 4105.39 | 5354.94 | 6451.92 |

Distribution of value-added

(₹ in million)

| | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| To the Government | 466.33 | 784.11 | 1326.73 | 2036.05 | 2521.84 |
| Excise duty | 312.18 | 528.20 | 956.81 | 1514.05 | 1855.51 |
| Dividend tax | 12.22 | 23.87 | 29.84 | 35.81 | 44.96 |
| Current tax | 141.93 | 232.04 | 340.08 | 486.19 | 621.37 |
| To the employees | 612.84 | 760.83 | 1071.85 | 1364.02 | 1726.38 |
| To providers of finance | 375.24 | 300.52 | 485.11 | 453.53 | 408.22 |
| To shareholders | 73.58 | 147.17 | 183.96 | 220.75 | 264.54 |
| Retained in business | 553.74 | 785.92 | 1037.74 | 1280.58 | 1530.94 |
| Depreciation | 267.06 | 296.80 | 392.58 | 446.18 | 470.00 |
| Deferred tax | 13.97 | 53.24 | 40.48 | 12.59 | 56.94 |
| Minority Interest | — | 0.72 | 9.65 | 33.25 | 71.29 |
| Profit ploughed back | 272.71 | 435.16 | 595.03 | 788.56 | 932.71 |
| TOTAL VALUE ADDED DISTRIBUTED | 2081.73 | 2778.55 | 4105.39 | 5354.94 | 6451.92 |

Directors' Report

Dear shareholders,

Your Directors are pleased to present the 28th Annual Report together with the audited accounts of your Company for the financial year ended 31st March 2014.

(₹ million)

| Particulars | Standalone | | Consolidated | |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | Year ended 31st March 2014 | Year ended 31st March 2013 | Year ended 31st March 2014 | Year ended 31st March 2013 |
| Revenue (Net Sales) | 18779 | 15882 | 18400 | 15833 |
| Profit Before Depreciation, Interest and taxes | 2396 | 2249 | 2870 | 2477 |
| Profit Before Tax | 1768 | 1480 | 1992 | 1577 |
| Tax Expense | 601 | 475 | 678 | 499 |
| Profit After Tax | 1167 | 1005 | 1314 | 1078 |
| Minority Interest | — | — | 71 | 33 |
| Profit After Tax and Minority Interest | 1167 | 1005 | 1243 | 1045 |
| Balance of Profit & Loss brought forward from previous year | 2068 | 1619 | 2109 | 1620 |
| Profit available for appropriation | 3235 | 2624 | 3352 | 2666 |
| APPROPRIATIONS | | | | |
| Proposed Dividend | 265 | 221 | 265 | 221 |
| Dividend Distribution Tax | 45 | 36 | 45 | 36 |
| Transferred to General Reserve | 300 | 300 | 300 | 300 |
| Surplus Credited to Balance Sheet | 2626 | 2068 | 2742 | 2109 |

Financial review

(The financial discussion in this section is based on the Standalone Financial Statements).

Your Company's strong business model stood the test of challenges for another year. Despite the economic slowdown, policy paralysis and rising fuel prices which dampened industry prospects, your Company sustained its growth momentum.

Your Company's ability in fueling and consistently delivering on customer's aspiration resulted in a 18% growth in net sales from ₹15882 million to ₹18779 million. Its painstaking efforts in streamlining costs facilitated in a 6.51 % increase

in EBIDTA from ₹2249 million in 2012-13 to ₹2396 million in 2013-14.

Profit after tax increased from ₹1005 million to ₹1167 million, a 16.11 % growth over the previous year. The earnings per share (basic) increased from ₹13.66 to ₹15.70 per share during the same period. The book value per share strengthened from ₹48.49 as on 31st March 2013 to ₹68.48 as on 31st March 2014.

Dividend

With significant expansion plans on the anvil, the Board needed to strike a prudent balance between dividend payout and reinvestment of

business surplus for organisational growth. But considering robust business growth and improved profitability, the Board of Directors recommended 175% dividend on equity shares (₹3.50 per equity share, face value of ₹2). The total payout will be ₹309.50 million (including dividend distribution tax of ₹44.96 million).

Corporate highlights

Inorganic growth: Jaxx Vitrified, a subsidiary of your Company acquired a unit proximate to its existing facility having 2.60 MSM capacity for manufacturing polished vitrified tile at an investment of ₹350 million. The unit strengthened your Company presence in West and South India markets.

Value addition: Your Company also commissioned a 3.40 MSM glazed vitrified tile unit in the area vacated by the closure of the polished vitrified tile unit at our Sikandrabad facility. Your Company's growing presence in the glazed vitrified tile segment will enhance realisation and strengthen business margins going ahead.

Visibility expansion: Your Company expanded its Kajaria Galaxy network by opening 25 state-of-the-showrooms in the last 24 months. These 4000 sq ft outlets exclusively feature the Kajaria product range comprising ceramic, polished vitrified and glazed vitrified tiles – providing the discerning customer with a multitude of décor solutions under one roof. This initiative will facilitate in achieving our business targets.

Investment: WestBridge Crossover Fund, LLC. agreed to invest ₹1.50 billion in your Company. Kajaria issued 20 lac equity shares at a price of ₹250/- aggregating to ₹500 million and ₹38.85 lac warrants convertible into equity shares of the Company at a price ₹257.372433 per share aggregating to ₹1 billion. These warrants are

convertible by November 2014. The Company has received ₹250 million as advance towards warrants.

Consolidated Financial Statements

In accordance with the Accounting Standards (AS-21) Consolidated Financial Statement are attached and form part of the Annual Report and Accounts.

Accounts of subsidiaries

Pursuant to the general circular no. 1/2011 issued by Ministry of Corporate Affairs, Government of India the Individual accounts of the five subsidiaries of the Company (M/s Soriso Ceramic Private Limited, M/s Jaxx Vitrified Private Limited, M/s Vennar Ceramics Limited, M/s Cosa Ceramics Private Limited, Kajaria Sanitaryware Private Limited) for the year ended on 31st March 2014 have not been attached to the Annual Report. However a statement giving 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 of 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 there under.

Outlook

The 'new urban' consumption from Tier II and Tier III locations has significantly expanded the opportunity pie for the Indian tile sector. As India stands steadfast in its resolve to accelerate

economic progress, demand for tiles will continue to increase over the foreseeable future.

Further, growing urbanisation, gravitation to the aesthetic, increasing aspiration towards brands and deeper penetration of distribution networks of organised players is expected to increase the offtake of branded products.

Growth drivers for the current year

Your Company's growth will be driven by a prudent volume-value play that will strengthen business profitability and facilitate in providing superior shareholder value.

Recent addition: The 5.60 MSM capacity addition in 2013-14 will be operational for the entire 2014-15 making a meaningful contribution to the Company's growth target.

Capacity augmentation: Your Company is adding 4.50 MSM at Jaxx and 3 MSM capacity at Cosa units. Your Company is also analyzing the prospects of and studying the opportunities for adding capacity in the tile segment which would materialise in 2014-15.

Directors

Pursuant to the provisions of section 161 (1) of the Companies Act 2013 and articles of association of the Company, Mr. Sandeep Singhal – was appointed as an additional director, designated as independent director, by the Board of directors in its meeting held on 8th October 2013, upto the conclusion of the ensuing Annual General Meeting of the Company. The appointment of Mr. Sandeep Singhal, as an Independent Director of the Company, is subject to the approval of the members. The Company has received requisite notice in writing from a member proposing Mr. Sandeep Singhal for appointment as an Independent Director.

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.

The Board recommends for their re-appointment.

The Company has received declarations from all independent directors of the Company confirming that they meet the criteria of independence as prescribed under section 149(6) of the Companies Act 2013 and under clause 49 of the Listing Agreement.

Auditors and their observations

M/s O P Bagla & Co., Chartered Accountants, the auditors of the Company would retire at the ensuing Annual General Meeting. The Company has received a letter from them that their re-appointment, if made, would be within the prescribed limits under section 141(3) (g) of the Companies Act 2013 and they are not disqualified for re-appointment.

The Board of Directors recommends the re-appointment of M/s O.P.Bagla & Company as Statutory Auditors from the Conclusion of ensuing Annual General Meeting till the Conclusion of next Annual General Meeting.

The notes on financial statements referred to in the Auditor's report are self-explanatory and do not call for any further comments.

Cost Auditors and their observations

The Board of Directors on the recommendation of the Audit Committee appointed M/s. G T & Co. Cost Accountants, as the Cost Auditors of the Company for the Financial Year 2014-15. M/s. G T & Co. have confirmed that their appointment is within the limits of the Section 141(3) (g) of the Companies Act, 2013 and have also certified that they are free from any disqualifications.

The Audit Committee has also received a certificate from the Cost Auditor certifying their independence and arm's length relationship with the Company. Pursuant to Cost Audit (Report) Rules 2001, the Compliance certificate for the financial year 2012-13 was filed on 04.09.2013 vide SRN S22118764 on the Ministry of Corporate Affairs website.

Particulars of Employees

In terms of the provisions of Section 217(2A)

of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the annexure to the Directors' Report. Having regard to the provisions of Section 219(1)(b)(iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all the members of the Company and other entitled thereto. Any member interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

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 2014 and the profit and cash flow of the Company for the period 31st March 2014.
- 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 has 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-I and forms part of this Report.

Acknowledgment

Your Directors take this opportunity to express their deep sense of gratitude to the banks, Central and State governments and their departments and the local authorities for their continued guidance and support. 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 family. To them goes the credit for the Company's achievements. And to you, our Shareholders, we are deeply grateful for the confidence and faith that you have always reposed in us.

Place: New Delhi
Date: 7th May 2014

For and on behalf of the Board
Ashok Kajaria
Chairman and Managing Director

Annexure 'I' to the Directors' Report

Conservation of Energy:

The Energy Conservation efforts in the Company are being pursued on a continuous basis. Close monitoring of power consumption is maintained to minimise wastage and facilitate optimum utilisation of energy. Regular maintenance and repairs of all the equipments and machineries are carried out to ensure optimum efficiency. Having the right spares parts at all times especially during emergencies, improves the availability of equipments too.

The other Energy Conservation measures taken are -

- 1) Optimised the operating voltage for machines and lighting points at different level for effective utilisation of Grid power and reduction of apparent energy consumption. Maintaining a good power factor with reduction of harmonics by broad band reactors resulting in reduction of apparent as well as active energy consumption.
- 2) 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 LED lighting & equipments, variable frequency drives are extensively installed and used wherever possible for lesser energy consumption. Efficient PLC programs for reduction of idle running of equipments resulting in saving of power consumptions.
- 4) Considerable savings are achieved by the installation of Chain stoves in our spray Driers for switching of fuel from Gas to coal.
- 5) Fuel savings are achieved through optimise combustion air/fuel ratio of each burner, optimum utilisation of process control

parameters of the products and Optimise tile thickness / specific weight of tiles thus reduce the cycle of Kiln and increase the availability of machines and reduction of heat loss.

Technology absorption

A. Research and Development (R&D)

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

A new size Digital wall tile has been developed in 25x75cm available in glossy, wooden and satin finish, ideal for any kind of interior. A new product has been developed i.e. in Polished Vitrified category (60x60cm), Technica series available in high matt finish. Also new digital tiles were developed in dimensions of 20x120cm, 40x80cm, 60x60cm, 80x80cm & 60x120cm in Glazed Vitrified category based on different themes and concepts. These products are designed by European designers. The designs were created keeping in mind the ultra modern luxury lifestyles and other concepts. These products are available in different finish i.e. E Shield, Lappato, Rustic, Stone & Nanotech High gloss.

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

Continuous innovations and coming out with a new products of international standards has helped the Company to be in the forefront among its competitors.

Future plan of action

- 1) To Introduce new sizes of Ceramic (Wall & Floor) & Polished/Glazed Vitrified tiles.
- 2) To update technology as per advancement and competitiveness observed from the Global market.

Expenditure on (R&D)

(₹ in million)

| Particulars | 2013-14 | 2012-13 | 2011-12 |
|---|--------------|--------------|--------------|
| a) Capital | 2.35 | 4.55 | 2.37 |
| b) Recurring | 46.63 | 21.15 | 29.75 |
| Total | 48.98 | 25.70 | 32.12 |
| c) Total R&D expenditure as a percentage of total revenue | 0.26 | 0.16 | 0.24 |

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 market of Tiles
- 2) Our R&D / Technical experts visits 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 machineries when manufacturing Vitrified and Ceramic tiles. A considerable amount of Energy is being conserved by total use of COAL & RLNG in both the Plants (at Sikandrabad / Gailpur), and innovation in controlling the Natural Mineral Resources by using recycled waste.

Technology imported

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

Social & community welfare

Business growth and societal progress go hand in hand. As a successful company, we believe in sharing what we create. Towards that end, we continued to implement initiatives and demonstrate our corporate social responsibility. We focused on higher education, granting scholarships, improving infrastructure and maintaining higher standards of living, among others.

We also value the scarce natural resources i.e Water & Raw materials and thus using efficiently by recycling & reusing them regularly.

Company has a long and strong tradition of supporting its surrounding communities like Govt. Schools, NGO's, Ashram, Dharamshala, Medical camps, Contribution to Help age India, Child and

woman care centre, Sai Help Age Foundation and help care societies by providing Funds, Facilities, Education fees to economically weaker sections.

Foreign exchange earning and outgo

(₹ in million)

| Particulars | 2013-14 | 2012-13 |
|---------------------------|---------|---------|
| Earned: | | |
| Exports (FOB) | 348 | 132 |
| Spent: | | |
| Imports (CIF) | | |
| Capital goods | 475 | 130 |
| Raw Material | 40 | 64 |
| Stores & Spares | 145 | 168 |
| Traded Goods | 1005 | 1753 |
| Others (on accrual basis) | 28 | 40 |

Place: New Delhi
Date: 7th May 2014

For and on behalf of the Board
Ashok Kajaria
Chairman and Managing Director

Report on Corporate Governance

I. THE COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

KAJARIA DEFINES CORPORATE GOVERNANCE AS A SYSTEMIC PROCESS BY WHICH COMPANIES ARE DIRECTED AND CONTROLLED TO ENHANCE THEIR WEALTH GENERATING CAPACITY. WE BELIEVE THAT THE GOVERNANCE PROCESS SHOULD ENSURE THAT LARGE CORPORATES ARE MANAGED IN A MANNER THAT MEETS STAKEHOLDERS ASPIRATIONS AND SOCIETAL EXPECTATIONS.

The Company has set itself the objective of expanding its capacities and becoming globally competitive in its business. As a part of its growth strategy, the Company believes in adopting "best practices" that are followed in the area of Corporate Governance. Your Company is committed to sound principles of Corporate Governance with respect to all its procedures, policies and practices. Comprehensive disclosures, structured accountability in exercise of powers, adhering to best practices and commitment to compliance with regulations and statutes in letter as well as spirit have enabled your Company to enhance shareholder value.

In Accordance with Clause 49 of the Listing Agreement, the report containing the Corporate Governance Policies and Practices adopted by the Company for the financial year 2013-14 is as under:

II. BOARD OF DIRECTORS

Composition

The Company has a very balanced structure of Board of Directors comprising of Executive, Non-

Executive and Independent Directors, which primarily takes care of the business needs and shareholders' interest. As on 31st March 2014 the Company has 9 Directors on its Board. As per the provisions of Companies Act 1956 and clause 49 of the listing agreement as on date, 5 Directors are Independent.

The Independent directors are experienced, competent and highly renowned persons from their respective fields. They take active part at the Board and Committee Meetings and play critical role on strategic issues which enhances the transparency and value in decision making process of Board of Directors.

Meetings, Agenda, Attendance and Proceedings of the Board Meeting

The Board meets at least once in every quarter to review the quarterly financial results and other items on Agenda. Additional meetings are held when necessary. During the financial year ended 31st March 2014, eight Board Meetings were held and the gap between two Board Meetings did not exceed four months. The Date on which the Board Meetings were held are as follows:

| | | |
|-------------|---------------|-------------|
| 30.04.2013, | 04.06.2013, | 30.07.2013, |
| 08.10.2013, | 06.11.2013, | 11.11.2013, |
| 20.01.2014 | & 18.02.2014. | |

The details of composition of the Board, nature of directorship, Number of directorships in other companies, Chairmanship/ Membership of the Committee of each director in other Companies, attendance of the Directors at Board Meeting and Last Annual General Meeting are given on the following page:

| Name | Nature of Directorship | Board Meeting attended | Annual General Meeting attended | Directorship* in other companies | Committee Chairman-Ship | Committee Member-ship** |
|-------------------------|--|------------------------|---------------------------------|----------------------------------|-------------------------|-------------------------|
| Mr Ashok Kajaria | Chairman & Managing Director (Executive) | 8 | Yes | 3 | – | 2 |
| Mr Chetan Kajaria | Joint Managing Director (Executive) | 8 | Yes | 2 | – | 1 |
| Mr Rishi Kajaria | Joint Managing Director (Executive) | 7 | Yes | 3 | – | – |
| Mr R.K. Bhargava | Director (Independent Non-Executive) | 8 | Yes | 4 | 5 | 4 |
| Mr R R Bagri | Director (Independent Non-Executive) | 8 | Yes | 3 | 1 | 1 |
| Mr D P Bagchi | Director (Independent Non-Executive) | 6 | Yes | 7 | 1 | 4 |
| Mr. H. Rathnakara Hegde | Director (Independent Non-Executive) | 6 | Yes | 4 | 1 | 2 |
| Mr. B.K.Sinha | Director- Technical (Executive) | 1 | No | – | – | – |
| Mr. Sandeep Singhal# | Additional Director- (Independent Non-Executive) | 1 | NA | 1 | – | – |

* Excluding the directorship held in private limited companies, foreign companies and companies incorporated under section 25 of the Companies Act 1956

** for this purpose only the membership / chairmanship in Audit Committee, Share Transfer cum Investor Grievances Committee in all Public Limited Companies has been considered.

The Number of directorships, chairmanships and committee memberships of each director is in compliance with the relevance provisions of the Companies Act 1956 and Listing Agreement.

Appointed as an additional director w.e.f 8th Oct. 2013.

Mr. Ashok Kajaria is 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.

Appointment / re-appointment of directors

Pursuant to the provisions of section 161 (1) of the Companies Act 2013 and articles of association of the Company, Mr. Sandeep Singhal – was appointed as an additional director, designated as independent director, by the Board of directors in its meeting held on 8th October 2013, upto the conclusion of the ensuing Annual General Meeting of the Company. The appointment of Mr. Sandeep Singhal, as an Independent Director of the Company, is subject to the approval of the members. The Company has received requisite notice in writing from a member proposing Mr. Sandeep Singhal for appointment as an Independent Director.

Mr. R.K.Bhargava & 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.

The Board recommends for their re-appointment.

The Company has received declarations from all independent directors of the Company confirming that they meet the criteria of independence as prescribed under section 149(6) of the Companies Act 2013 and under clause 49 of the Listing Agreement.

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.

Agenda

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

Company including the information as per clause 49 of the Listing Agreement.

Post meeting action

Post Meetings, all the important decisions taken at the meeting are communicated to the concerned officials and departments. Action Taken Report is prepared and reviewed by the Company Secretary and reported to the Board in the next Board Meeting.

III. AUDIT COMMITTEE

As on March 31 2014, the Audit Committee comprises of following members:

| Name | Status | No. of Meetings Attended |
|-------------------------|----------|--------------------------|
| Mr. R. K. Bhargava | Chairman | 4 |
| Mr. Ashok Kajaria | Member | 4 |
| Mr. R. R. Bagri | Member | 4 |
| Mr. H. Rathnakara Hegde | Member | 4 |

During the year under review, the Audit Committee met four times i.e. 30.04.2013, 30.07.2013, 06.11.2013 and 20.01.2014.

The Committee's Composition meets the requirements of Section 177 of the Companies Act 2013 and Clause 49 of the Listing Agreement. Members of the committee possess sound knowledge of accounts, audit, banking, finance and internal controls.

Mr R C Rawat, Executive V P (A&T) & Company Secretary is the Secretary of the Audit Committee. The Chairman of the Audit Committee also attended the last Annual General Meeting of the Company.

Terms of Reference

The Role of Audit Committee as per Provisions of Companies Act 2013 read with Clause 49 of the listing agreement inter alia includes the following:

- Overseeing the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- Recommending to the Board, the appointment

/ re-appointment, and if required, replacement or removal of the statutory auditors, fixation of audit fee and approving payments for any other service rendered by statutory auditors.

- Discussion with the statutory auditors about the nature and scope of audit as well as post audit discussion to ascertain areas of concern, if any.
- Recommending to the Board of Directors, the appointment / re-appointment of Cost Auditor of the Company.
- Reviewing with the management, the quarterly, half yearly and annual financial statements before submission to the Board;
- Reviewing with the internal auditor and Statutory Auditors, the adequacy of internal controls and steps taken for strengthening the areas of weakness in internal controls.
- Reviewing with the management, the statements of uses/application of funds raised through preferential issue.
- Looking 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.
- Reviewing the Management Discussion and Analysis of Financial Condition and results of Operations.
- Scrutiny of inter corporate loans and investments
- Valuation of undertakings or assets of the Company, whenever it is necessary.
- Reviewing the functioning of the Whistle Blower mechanism.
- Reviewing the statements of significant related party transactions.

IV. REMUNERATION COMMITTEE

It comprises of the four directors. During the year under review, the Committee met once on 30.04.2013. The details of the meetings attended

by the directors are as follows:

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

However, in Accordance with the provisions of the Companies Act 2013, Remuneration Committee has been reconstituted and renamed as Nomination and Remuneration committee w.e.f 07.05.2014. The new constitution would be as follows:

| Name | Status |
|-------------------------|----------|
| Mr. D. P. Bagchi | Chairman |
| Mr. Ashok Kajaria | Member |
| Mr. H. Rathnakara Hegde | Member |
| Mr. R. R. Bagri | Member |

The terms of reference to this Committee include:

- This committee shall identify persons who are qualified to become directors and who may be appointed as Key Managerial Persons in accordance with the criteria laid down, recommend the board their appointment and removal and shall carry out evaluation of every director's performance.
- This Committee is empowered to review and recommend to the Board of Directors, remuneration and commission of Directors and other senior executives of the Company.
- This committee shall formulate a remuneration policy in accordance with the applicable provisions of the Companies Act 2013 and Listing agreement, amended from time to time.

The details of remuneration paid to directors during the financial year ended 31st March 2014 is as under:

(₹ in million)

| S No. | Name of Directors | Salary | Perquisites & other Benefits | Commission | Sitting fees | Total |
|-------|-------------------------|--------|------------------------------|------------|--------------|-------|
| 1 | Mr. Ashok Kajaria | 14.52 | 11.37 | - | - | 25.89 |
| 2 | Mr. Chetan Kajaria | 12.00 | 9.40 | 18.00 | - | 39.40 |
| 3 | Mr. Rishi Kajaria | 12.00 | 9.40 | 18.00 | - | 39.40 |
| 4 | Mr. B. K. Sinha | 2.57 | 1.76 | - | - | 4.33 |
| 5 | Mr. R. R. Bagri | - | - | - | 0.38 | 0.38 |
| 6 | Mr. R. K. Bhargava | - | - | - | 0.26 | 0.26 |
| 7 | Mr. D. P. Bagchi | - | - | - | 0.14 | 0.14 |
| 8 | Mr. H. Rathnakara Hegde | - | - | - | 0.20 | 0.20 |

The Company has not issued any Stock options to any director during the year.

The Number of shares held by Non- Executive Directors as on 31.03.14 are as follows:

| S. No. | Name of Non- Executive Director | No. of Shares held as at 31.03.2014 |
|--------|---------------------------------|-------------------------------------|
| 1 | Mr. R. K. Bhargava | 6296 |
| 2 | Mr. R. R. Bagri | 21000 |
| 3 | Mr. D. P. Bagchi | NIL |
| 4 | Mr. H. Rathnakara Hegde | NIL |
| 5 | Mr. Sandeep Singhal | NIL |

V. SHARE TRANSFER & INVESTORS GRIEVANCES COMMITTEE

The Committee is responsible for the satisfactory redressal of investor's grievances and recommends measures for overall improvement in the quality of investors services. During the year, the Committee met five times on 04.06.2013, 30.07.2013, 08.10.2013, 31.12.2013 and 31.03.2014. The details of the meetings attended by the directors are as follows:

| Name of the Director | Category | No. of Meetings Attended |
|----------------------|----------|--------------------------|
| Mr. R. R. Bagri | Chairman | 5 |
| Mr. Ashok Kajaria | Member | 5 |
| Mr. Chetan Kajaria | Member | 5 |

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

During the year 40 complaints were received. All the queries and complaints received during the financial year ended 31st March 2014 were duly addressed and no queries are pending for reply on that date except where the Registrar & Share Transfer Agent is constrained by dispute or legal impediment or due to incomplete or non-submission of documents by the shareholders.

Pursuant to the provisions of Section 178 (5), the Committee has been renamed as Stakeholders Relationship Committee vide resolution passed by the Board in its meeting held on 07.05.2014. The constitution of the committee shall remain the same.

The terms of reference to this Committee include:

1. Review, on periodic basis, status of grievances relating to transfer, transmission of shares, issue of duplicate shares.
2. Monitor expeditious redressal of investor's grievances
3. Review instances of non- receipt of Annual Report and declared dividend.
4. Consider all matters related to all security holders of the Company.

VI. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Pursuant to the provisions of Section 135 of the

Companies Act 2013, the Committee has been constituted as Corporate Social Responsibility Committee vide resolution passed by the Board in its meeting held on 07.05.2014. The constitution of the committee shall be as follows:

| | |
|----------------------|----------|
| 1 Mr. Ashok Kajaria | Chairman |
| 2 Mr. Chetan Kajaria | Member |
| 3 Mr. Rishi Kajaria | Member |
| 4 Mr. R. R. Bagri | Member |

The terms of reference to this Committee include:

- (a) Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII;
- (b) Recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and
- (c) Monitor the Corporate Social Responsibility Policy of the Company from time to time.

VII. 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 once on 30th July 2013. The details of the meetings attended by the directors are as follows:

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

VIII. GENERAL BODY MEETINGS

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

| Year | Date | Time | Venue |
|------|------------|------------|---|
| 2011 | 02.06.2011 | 12.00 Noon | A- 27 & 28 , Sikandrabad Indl Area Sikandrabad, Distt Bulandshahr (U P) |
| 2012 | 13.07.2012 | 12.00 Noon | -do- |
| 2013 | 04.06.2013 | 12.00 Noon | -do- |

- b) In addition to Annual General Meeting, the Company holds an Extra Ordinary General Meeting of the shareholders on 06.11.2013. Following Special Resolutions were passed :

1. To Increase in the FII's Limit from 24% to 40 %
2. To approve the issued and allotment of 20,00,000 equity shares and 38,85,420 warrants to M/s WestBridge Crossover Fund, LLC.

- c) **POSTAL BALLOT:** During the year, no postal Ballot process was undertaken.

IX. DISCLOSURES

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

There are no materially significant transactions with the related parties' viz. Promoters, Directors or the Management, their subsidiaries or relatives that had potential conflict with the Company's Interest. Suitable disclosure as required by Accounting Standard (AS18) has been made under note No. 42 of the Annual Accounts.

- b) 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) **DETAILS OF COMPLIANCE WITH NON – 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 below:

- i) **Tenure of Independent Director:** No Maximum tenure for the independent director has been specifically determined. However pursuant to the provisions of the Companies Act 2013, all future re-

appointments would be for a term upto five consecutive years but shall be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's Report.

- ii) **Remuneration Committee:** The Board has set up 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 year 2014 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 has framed a mechanism which allows any employee to approach the Management without informing his supervisor to report about the unethical behavior, or fraud or violation of Company's Code of Conduct. This mechanism also provides the adequate safeguard against the victimisation of such employee. No personnel has been denied access to the audit committee.

- vii) **Code of Conduct:** The Board of directors has laid down a Code of conduct for all

the Board Members and all the senior management personnel of the Company. The Code covers amongst other things the Company's commitment to honest & ethical personal conduct, fair competition, health & safety, transparency and compliance of laws regulations etc. 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 the guidelines specified under the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations) 1992 as amended till date, the Company has formulated and implemented the code of conduct for prevention of insider trading. The Code of Conduct for prevention of Insider Trading, inter alia, prohibits purchase/ sale of shares of the Company by employees while in possession of unpublished price sensitive information in relation to the Company. The necessary procedures have been laid down for Directors, designated employees, connected persons and persons deemed to be connected for trading in securities of the Company.

The said Code of Conduct is available on the Company's Website.

- d) Chairman and Managing Director and Exec. V.P. (A&T) & Company Secretary, of the Company have given the "CEO/CFO Certification" to the Board of Directors in accordance with Clause 49 of the Listing Agreement.

X. MEANS OF COMMUNICATION

The quarterly, half yearly and annual financial

results of the Company are sent to the stock exchange immediately through their e-portal NSE NEAPS and BSE Listing Center after these have been approved by the Board. These are widely published in the Economic Times, The Financial Express / Business Standard (both English & Hindi), Jansatta and other newspapers.

These results are simultaneously posted on the website of 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 2014

| | |
|---|---------------|
| First Quarter Results | July 2013 |
| Second Quarter/ Half Yearly Results | November 2013 |
| Third Quarter / Nine Months Results | January 2014 |
| Fourth Quarter / Annual Results for the year ending 31st March 2014 | May, 2014 |

XI. 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 2014-15):

| Date | Time | Venue |
|-----------------|------------|---|
| 1st August 2014 | 12.00 Noon | A-27 to 30, Indl Area, Sikandrabad, Distt Bulandshahr (U P)- 203205 |

- ii) **Next Dates of Book closure:** 21st July 2014 to 1st August 2014 (both days inclusive).
- iii) **Dividend:** The Board of Directors at its meeting held on 7th May 2014 recommended a dividend of ₹3.50 per share subject to the approval of the shareholders at the ensuing Annual General Meeting, will be paid / dispatched within stipulated time.

Details of the dividend declared and paid by the Company for the last 5 years are as follows:

| Year | Percentage | In ₹ Per Share | Dividend Amount (Rupees In million) |
|---------|------------|----------------|-------------------------------------|
| 2008-09 | 10 | 0.20 | 14.72 |
| 2009-10 | 50 | 1.00 | 73.58 |
| 2010-11 | 100 | 2.00 | 147.17 |
| 2011-12 | 125 | 2.50 | 183.96 |
| 2012-13 | 150 | 3.00 | 220.75 |

iv) Unpaid / Unclaimed Dividend :

All the unpaid / unclaimed dividend upto the financial year 2005-06 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 2006-07 is due to be transferred to the investor education and protection fund.

v) Listing on Stock Exchanges:

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

BSE/NSE listing fees for the financial year 2014-15 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 2013-14: -

| Months | BSE | | NSE | |
|-----------------|--------|--------|--------|--------|
| | High | Low | High | Low |
| April, 2013 | 209.25 | 177.00 | 209.25 | 177.15 |
| May, 2013 | 249.00 | 212.00 | 248.80 | 211.50 |
| June, 2013 | 259.40 | 228.05 | 257.75 | 228.10 |
| July, 2013 | 259.50 | 230.00 | 259.85 | 227.05 |
| August, 2013 | 241.40 | 199.50 | 242.00 | 199.00 |
| September, 2013 | 254.85 | 213.05 | 254.80 | 213.55 |
| October, 2013 | 256.00 | 214.10 | 253.40 | 215.00 |
| November, 2013 | 259.85 | 227.55 | 259.95 | 228.50 |
| December, 2013 | 313.00 | 249.10 | 314.60 | 248.25 |
| January, 2014 | 325.00 | 291.00 | 318.90 | 290.00 |
| February, 2014 | 329.95 | 305.00 | 333.00 | 306.00 |
| March, 2014 | 354.95 | 294.00 | 358.10 | 292.00 |

viii) Registrar & Share Transfer Agent

The name of the share transfer agent of the Company has been changed from MCS Limited to MCS Share Transfer Agent Limited. The correspondence address of MCS Share Transfer Agent Limited is as follows:

MCS Share Transfer Agent Ltd
F- 65, Okhla Industrial Area, Phase- 1
New Delhi – 110020
Ph. No. : 91-11-41406149-52 : Fax No.: 91-11-51709881

ix) Share Transfer System

M/s MCS Share Transfer Agent Limited is the Registrar and Share 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 the 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. A Summary of all the transfers, transmissions, deletion requests etc 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 2014

| S.No. | Category | No. of Shares Held | Percentage of Shareholding |
|-------|---------------------------------|--------------------|----------------------------|
| 1 | Indian Promoters | 39371815 | 52.09 |
| 2 | Mutual Funds & UTI | 2948370 | 3.90 |
| 3 | Banks, Financial Institutions, | 28810 | 0.04 |
| 4 | FII's | 19295812 | 25.53 |
| 5 | Private Corporate Bodies | 2086733 | 2.76 |
| 6 | Foreign Company | 2000000 | 2.65 |
| 7 | NRI's / OCB's | 779561 | 1.03 |
| 8 | Any Other (Trust & Foundations) | 48779 | 0.06 |
| 9 | Indian Public | 9023700 | 11.94 |
| Total | | 75583580 | 100.00 |

Shareholding pattern of the Company as on 31.03.2014

Range Wise Distribution is as follows:

| Range | No. of Shareholders | | No. of Shares | |
|-----------------|---------------------|-------------------|---------------|--------------------|
| | Total | % of shareholders | Total | % of share capital |
| 1-500 | 9855 | 78.26 | 1553701 | 2.05 |
| 501-1000 | 1333 | 10.59 | 1071140 | 1.42 |
| 1001-2000 | 674 | 5.35 | 996933 | 1.32 |
| 2001-3000 | 232 | 1.84 | 582355 | 0.77 |
| 3001-4000 | 90 | 0.71 | 315550 | 0.42 |
| 4001-5000 | 90 | 0.71 | 425041 | 0.56 |
| 5001-10000 | 133 | 1.06 | 934156 | 1.24 |
| 10001 and above | 186 | 1.48 | 69704704 | 92.22 |
| Total: | 12593 | 100 | 75583580 | 100 |

xi) Dematerialisation of Shares

As on 31st March 2014, 97.52% of total equity share capital is held in dematerialised form with the following two depositories:

| S.No. | Name & Address of Depository | ISIN |
|-------|---|---------------|
| 1 | National Securities Depository Limited Trade World, "a" Wing, 4&5, Kamala Mills Compound, Lower Parel, Mumbai 400013 | INE 217B01028 |
| 2 | Central Depository Service (India) Ltd. P J Towers, 17th Floor, Dalal Street, Fort, Mumbai 400001 | INE 217B01028 |

xii) Outstanding GDRs / ADRs / Warrants or other Convertible Instruments

a.) The Company has not issued any GDR/ADR.

b.) The Company in its Extraordinary General Meeting held on 6th November 2013, had approved, the issuance and allotment of 38,85,420 warrants (ISIN : INE 217B13015) , convertible into equity shares, on or before 11th Nov. 2014, at an exercise price of ₹257.372433 per underlying share of face value of ₹2 each to WestBridge Crossover Fund LLC.

xiii) Other Information

a) Corporate Identification Number (CIN NO.) - L26924UP1985PLC007595

b) Secretarial Audit for Share Capital Reconciliation - As on 31st March, 2014

Secretarial Audit for Share 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 in physical form.

xiv) Plant Locations

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

- A-27 to 30, Industrial Area, Sikandrabad, Distt Bulandshahr (U P)-203205.
- 19 Km Stone, Bhiwadi – Alwar Road, Village Gailpur, Distt Alwar (Rajasthan).

xv) Subsidiary Company

The Company does not have any material non-listed subsidiary Company as defined in clause 49 of the Listing Agreement.

As on 31st March 2014, the Company has following five subsidiary Companies which do not fall in the category of material non-listed company:

- i. M/S SORISO CERAMIC PRIVATE LIMITED
Registered Office & Factory
8-A, National Highway, Lakhdhipur Road, Morbi, Gujarat, 363642
- ii. M/S JAXX VITRIFIED PRIVATE LIMITED
Registered office
SN-72/P1 & 72/P2, Timbadi, Morbi, Gujarat – 363642
- iii. M/S VENNAR CERAMICS LIMITED,
Registered Office
Plot No. 153, Sitha, Nilayam, Dwarakapuri Colony, Panjagutta, Hyderabad 500082
- iv. M/S COSA CERAMICS PRIVATE LIMITED
Registered Office
Lakhdhipur Road, Nr GSPC Gas Terminal, Morbi, Gujarat– 363 642
- v. M/S KAJARIA SANITARYWARE PRIVATE LIMITED
J-1/B-1 (Extension), Mohan Cooperative Industrial Estate, Mathura Road, New Delhi 110044

xvi) Address for Correspondence

Registered Office:

Kajaria Ceramics Ltd
A-27 to 30, Industrial Area, Sikandrabad, Distt Bulandshahr (U P)- 203205
Tel No.: 05735-222393 Fax No. : 05735-222140

Corporate Office:

Kajaria Ceramics Ltd
J-1/B-1 (Extn), Mohan Co-operative Industrial Estate, Mathura Road, New Delhi-110044
Phone: 91-11-26946409 Fax: 91-11- 26946407

Email for Investors

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

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

In Accordance with clause 49 of the Listing Agreement with stock exchange, I hereby declare that all directors and Senior Management Personnel have confirmed the compliance with the code of conduct as adopted by the Company.

Place: New Delhi
Date: 7th May 2014

For and on behalf of the Board
Ashok Kajaria
Chairman and Managing Director

Annexure to the Corporate Governance Report

1. Mr. SANDEEP SINGHAL

Mr. Sandeep Singhal was appointed as an additional director w.e.f 8th October 2013 by the Board. He is a co- founder and Managing Director of WestBridge Capital India. Prior to that he was also a co- founder and Managing Director of Sequoia Capital India and has 18 years of work experience that includes 13 years of investing and 5 years of operating/ consulting experience in India. Mr. Singhal received an MBA with distinction from IIM, Ahmedabad, an MS in Molecular Simulation from University of Illinois where he was granted the Abraham Lincoln Fellowship and a B.Tech from IIT, Delhi in Chemical Engineering.

He started his career with Hindustan Unilever

Limited, where he headed new product development for SURF and RIN, two of their largest consumer franchisees.

Mr. Singhal has also served on the Boards of several private and public limited companies.

Directorships in other public limited Companies:

| S. No. | Name of Company | Position |
|--------|-------------------|------------------|
| 1 | DFM Foods Limited | Nominee Director |

He is not holding any chairmanship / membership in any committees of other public limited company.

He is not holding any shares in the Company.

2. Mr. R. K. BHARGAVA

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 6,296 equity shares of the Company.

Directorship in other public limited companies

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

2. Mr. DEBI PRASAD BAGCHI

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

26th September, 2007.

He is not holding any share of the Company.

Directorship in other public limited companies

| S. No. | Name of Company | Position |
|--------|--------------------------------------|----------|
| 1 | Nilachal Ispat Nigam Ltd | Director |
| 2 | Visa Steel Limited | Director |
| 3 | Ind Barath Power Infra Ltd. | Director |
| 4 | Jindal India Thermal Power Ltd. | Director |
| 5 | TK International Ltd. | Director |
| 6 | Green Valley Energy Ventures Limited | Director |
| 7 | Mideast Integrated Steels Limited | Director |

Committees' Chairmanship / membership in the other companies

| S.No. | Name of the Company | Committee Name | Member/ Chairman |
|-------|------------------------------------|-----------------|------------------|
| 1 | Nilachal Ispat Nigam Ltd. | Audit Committee | Chairman |
| 2 | Visa Steel Limited | Audit Committee | Member |
| 3 | Jindal India Thermal Power Limited | Audit Committee | Member |
| 4 | TK International Ltd. | Audit Committee | Member |
| 5 | Mideast Integrated Steels Ltd. | 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 2014, as stipulated in clause 49 of the Listing Agreement of the said Company 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

Sd/-

Place: New Delhi
Date: 7th May, 2014

Atul Bagla
Partner
M. No. 91885
Firm registration no. 000018N

Independent Auditor's Report

To the Members of
KAJARIA CERAMICS LIMITED
 New Delhi

Report on the Financial Statements

We have audited the accompanying financial statements of **M/s. Kajaria Ceramics Limited** (the "Company"), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 of India (the "Act"), read with the General Circular 15/ 2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, and to the best of our information and according to the explanations given to us, the accompanying financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity

with the accounting principles generally accepted in India:

- (i) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014;
- (ii) in the case of the statement of profit and loss, of the profit for the year ended on that date; and
- (iii) in the case of the cash flow statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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 of India in terms of sub-section (4A) of section 227 of the Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - i) 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;
 - ii) 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 those books;
 - iii) the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - iv) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the Accounting Standards notified under the Act read with the General Circular 15/ 2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013; and
 - v) On the basis of written representations received from the directors as on March 31, 2014 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

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

(Atul Bagla)

Partner

Membership No. 91885

Place : New Delhi
 Dated : 7th May, 2014

Annexure to the Auditor's Report

Annexure referred to in Paragraph 1 of the Auditors' Report on Accounts for the year ended 31st March, 2014

1. a) The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets.
- b) As explained to us, all the fixed assets have been physically verified by the management in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such physical verification.
- c) In our opinion, the Company has not disposed off a substantial part of its fixed assets during the year and the going concern status of the Company is not affected.
2. a) Physical verification has been conducted by the management at reasonable intervals in respect of finished goods, stores, spare parts and raw materials. We were informed that physical verification of clay was made on the basis of volume and density which is approximately correct.
- b) In our opinion and according to the information and explanation given to us, the procedure of physical verification of these stocks followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) In our opinion the Company is maintaining proper records of inventories. The discrepancies noticed on such verification between the physical stocks and book records were not significant and the same has been properly dealt with in the books of account.
3. The Company has not granted any loan to Companies, firms or other parties covered in the register maintained under section 301 of the Act, except loans of ₹307.38 million given to five Subsidiary Companies. As per the information and explanations given to us, the terms and conditions of the loan are not Prima facie prejudicial to the interest of Company. There are no overdue balances outstanding in relation to the loans as on 31.03.2014.
4. The Company has not taken any loan from companies, firms or other parties covered in the register maintained under section 301 of the Act.
5. In our opinion and according to the information and explanations given to us there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories, fixed assets and with regard to the sale of goods and services. During the course of audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
6. a) In our opinion and according to information and explanations given to us the transactions that needed to be entered in the register maintained under section 301 of the Act have been entered in the register.
- b) In our opinion, the transactions made in pursuance of contracts/ arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of ₹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 ₹67.23 million in respect of VAT, Service Tax and Entry Tax are pending in appeals with the Commissioner Appeals/High Court as per details below:

| Particulars | Amount Demanded (₹) | Remarks |
|-------------|------------------------|--|
| Entry Tax | 59,545,922 | Appeal pending with Rajasthan High Court |
| VAT | 459,735 | Appeal pending before Commissioner (Appeals) |
| Income Tax | 7,221,300 | Appeal pending before Commissioner (Appeals) |

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. The Company has maintained proper records of the transactions and contracts in respect of investment in shares and timely entries have been made therein. All such investments are held by company in its own name.

16. According to information and explanations given to us, the Company has not given any guarantee for loan taken by others from banks or financial institutions, the terms and conditions whereof are prejudicial to the interest of the Company.

17. 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.

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

19. 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.

20. Since the Company has not issued any debentures, paragraph 4 (xix) of the order is not applicable.

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

22. Based upon the audit procedures performed and information and explanations given by the management, we report that, no fraud on or by the Company has been noticed or reported during the course of our audit for the year ended 31.03.2014.

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

(Atul Bagla)

Place : New Delhi
Dated : 7th May, 2014

Partner
Membership No. 91885

Balance Sheet as at 31 March, 2014

| | Note | As at 31.03.2014 ₹ in million | As at 31.03.2013 ₹ in million |
|--|------|-------------------------------------|-------------------------------------|
| EQUITY AND LIABILITIES | | | |
| Shareholders' Funds | | | |
| Share Capital | 2 | 151.17 | 147.17 |
| Reserves and Surplus | 3 | 4,774.61 | 3,420.68 |
| Money received against share warrants | | 250.00 | – |
| | | 5,175.78 | 3,567.85 |
| Non-current Liabilities | | | |
| Long-term borrowings | 4 | 15.89 | 278.71 |
| Deferred tax liabilities | 5 | 663.02 | 638.59 |
| Long-term provisions | 6 | 87.55 | 87.32 |
| | | 766.46 | 1,004.62 |
| Current liabilities | | | |
| Short-term Borrowings | 7 | 593.79 | 1,425.78 |
| Trade payables | 8 | 1,441.18 | 1,558.98 |
| Other current liabilities | 9 | 1,142.27 | 965.90 |
| Short-term provisions | 10 | 374.36 | 336.41 |
| | | 3,551.60 | 4,287.07 |
| TOTAL | | 9,493.84 | 8,859.54 |
| ASSETS | | | |
| Non-current Assets | | | |
| Fixed assets | | | |
| Tangible assets | 11 | 5,018.16 | 4,630.00 |
| Intangible assets | 12 | 22.60 | 17.07 |
| Capital Work-in-Progress | | 119.36 | 68.46 |
| Non-current investments | 13 | 449.46 | 371.56 |
| Long-term loans and advances | 14 | 386.05 | 362.19 |
| | | 5,995.63 | 5,449.28 |
| Current Assets | | | |
| Inventories | 15 | 1,517.99 | 1,765.30 |
| Trade receivables | 16 | 1,583.24 | 1,365.81 |
| Cash and bank balances | 17 | 39.50 | 27.94 |
| Short-term loans and advances | 18 | 354.63 | 246.25 |
| Other current assets | 19 | 2.85 | 4.96 |
| | | 3,498.21 | 3,410.26 |
| TOTAL | | 9,493.84 | 8,859.54 |
| Significant Accounting Policies | 1 | | |

The accompanying Notes 1 to 47 form an integral part of these financial statements.

In terms of our report of even date annexed

For and on behalf of the Board

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

Atul Bagla
Partner
Membership No.: 91885

Ashok Kajaria
Chairman & Managing Director

Chetan Kajaria
Rishi Kajaria
Jt. Managing Directors

D. P. Bagchi
R. K. Bhargava
R. R. Bagri
H. Rathnakara Hegde
Sandeep Singhal
Directors

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

Place: New Delhi
Dated: 7th May, 2014

Statement of Profit and Loss for the year ended 31 March, 2014

| | Note | Year ended 31.03.2014 ₹ in million | Year ended 31.03.2013 ₹ in million |
|--|---------|--|--|
| REVENUE | | | |
| Revenue from Operations | 20 | 20,034.42 | 17,072.62 |
| Less : Excise Duty | | 1,255.55 | 1,190.61 |
| | | 18,778.87 | 15,882.01 |
| Other Income | 21 | 64.92 | 34.23 |
| Total Revenue | | 18,843.79 | 15,916.24 |
| EXPENSES | | | |
| Cost of Materials Consumed | 22 | 2,748.66 | 2,867.25 |
| Purchases of Stock in Trade | | 7,947.77 | 5,787.46 |
| Changes in Inventories | 23 | 254.04 | (49.10) |
| Employee benefits Expense | 24 | 1,498.25 | 1,221.30 |
| Finance costs | 25 | 262.72 | 354.77 |
| Depreciation and amortization expense | 11 & 12 | 364.85 | 383.63 |
| Other Expenses | 26 | 3,999.44 | 3,840.21 |
| Total Expenses | | 17,075.73 | 14,405.52 |
| Profit before exceptional and extraordinary items and tax | | 1,768.06 | 1,510.72 |
| Exceptional/Extraordinary items | | | |
| Provision for loss in subsidiary (Refer Note.38) | | - | (30.33) |
| Profit before tax | | 1,768.06 | 1,480.39 |
| Tax expense: | | | |
| Current tax | | | |
| Current year | | 546.70 | 451.40 |
| Earlier years | | 29.49 | 21.23 |
| Deferred tax | | | |
| Current year | | 24.43 | 2.31 |
| Profit for the Period | | 1,167.44 | 1,005.45 |
| Basic Earnings per equity share (₹) | | 15.70 | 13.66 |
| Diluted Earnings per equity share (₹) | | 15.68 | 13.66 |
| Significant Accounting Policies | 1 | | |

The accompanying Notes 1 to 47 form an integral part of these financial statements.

In terms of our report of even date annexed

For and on behalf of the Board

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

Atul Bagla
Partner
Membership No.: 91885

Place: New Delhi
Dated: 7th May, 2014

Ashok Kajaria
Chairman & Managing Director

Chetan Kajaria
Rishi Kajaria
Jt. Managing Directors

D. P. Bagchi
R. K. Bhargava
R. R. Bagri
H. Rathnakara Hegde
Sandeep Singhal
Directors

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

Notes on Accounts

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:

- 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.
- In case of assets acquired out of foreign currency loans, the increase/decrease in liability on account of fluctuation in exchange rates has been charged to Profit & Loss Account.
- Depreciation is charged on Straight Line Method 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. Cost of fitments at sale outlets are depreciated @ 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:

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

VI. Excise Duty:

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:

- 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.
- Monetary items denominated in foreign currencies at the year end are restated at year end rates, except in cases covered by forward exchange contracts.
- Any income or expense on account of exchange difference either on settlement or on translation is recognised in the profit and loss account.

IX. Government grants and subsidies:

Grants and subsidies from the government are recognized when there is reasonable assurance that (i) the Company will comply with the conditions attached to them, and (ii) the grant/ subsidy will be received.

Where the grant or subsidy relates to revenue, it is recognized as income on a accrual basis in the statement of profit and loss. Where the grant relates to a fixed asset, it is net off from the relevant asset.

X. Employee Benefits:

- Short-term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.
- Liability towards Gratuity and unavailed leaves 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.

Notes on Accounts

1. SIGNIFICANT ACCOUNTING POLICIES

XII. Provision, Contingent Liabilities and Contingent Assets:

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized 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.

| | As at 31.03.2014 ₹ in million | As at 31.03.2013 ₹ in million |
|---|-------------------------------------|-------------------------------------|
| 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 |
| 10,00,000 (10,00,000) Preference of Shares of par value of ₹100/- each | 100.00 | 100.00 |
| | 350.00 | 350.00 |
| Issued, Subscribed & Paid up | | |
| 75,583,580 (Previous year 73,583,580) Equity Shares of par value of ₹2/- each fully paid up in cash | 151.17 | 147.17 |
| | 151.17 | 147.17 |

a) Reconciliation of equity shares outstanding at the beginning and at the end of the reporting period is given below:

| Particulars | As at 31.03.2014 | As at 31.03.2013 |
|--|---------------------|---------------------|
| Number of shares outstanding as at the beginning of the year | 73,583,580 | 73,583,580 |
| Shares issued during the year | 2,000,000 | – |
| Number of shares outstanding as at the closing of the year | 75,583,580 | 73,583,580 |

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 | As at 31.03.2014 | |
|---|------------------|-------------------|
| | No. of Shares | % of Shareholding |
| Kajaria Exports Ltd. | 15,283,545 | 20.22% |
| Kajaria Securities Pvt. Ltd. | 6,581,905 | 8.71% |
| Pearl Tile Marketing Pvt. Ltd. | 5,080,240 | 6.72% |
| Cheri Ceramics Pvt. Ltd. | 5,088,385 | 6.73% |
| HSBC Bank (Mauritius) Ltd. A/c Jawalamukhi Investments Holdings | 7,252,005 | 9.59% |

| Name of Shareholder | As at 31.03.2013 | |
|---|------------------|-------------------|
| | No. of Shares | % of Shareholding |
| Kajaria Exports Ltd. | 15,283,545 | 20.77% |
| 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 | 5,777,005 | 7.85% |
| Bengal Finance & Investment Pvt. Ltd. | 4,004,427 | 5.44% |

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

Notes on Accounts

| | As at 31.03.2014 ₹ in million | As at 31.03.2013 ₹ in million |
|---|-------------------------------------|-------------------------------------|
| 3. RESERVES AND SURPLUS | | |
| Securities Premium Reserve | | |
| As per last Balance Sheet | 142.35 | 142.35 |
| Add : Amount received on issue of shares | 496.00 | – |
| | 638.35 | 142.35 |
| General Reserve | | |
| Balance b/f | 1,160.33 | 860.33 |
| Add : Transferred During the Year | 300.00 | 300.00 |
| | 1,460.33 | 1,160.33 |
| Capital Redemption Reserve | | |
| As per last Balance Sheet | 50.00 | 50.00 |
| Surplus | | |
| As per last balance sheet | 2,067.99 | 1,619.11 |
| Add : Net Profit after Tax tfrd from Statement of Profit & Loss | 1,167.44 | 1,005.45 |
| Less : Proposed Dividend on Equity Shares | 264.54 | 220.75 |
| [Dividend per share ₹3.50 (Previous year ₹3)] | | |
| Less : Corporate Dividend Tax | 44.96 | 35.81 |
| Less : Transfer to General Reserve | 300.00 | 300.00 |
| | 2,625.93 | 2,068.00 |
| | 4,774.61 | 3,420.68 |

4. LONG-TERM BORROWINGS

| | | |
|----------------------------------|--------------|---------------|
| A. TERM LOANS | | |
| From Banks | | |
| - Secured | – | 259.00 |
| Vehicle Loan from banks & others | | |
| - Secured | 15.89 | 19.71 |
| | 15.89 | 278.71 |

NOTES :

- The term loan from IDBI bank is repayable in the next year and outstanding balance is shown under the head 'current maturities of long term debts' under other current liabilities. The loans from Bank is secured by 1st charge on immovable and movable assets (present and future) of the Company situated at Sikandrabad Industrial Area (U.P.) and Village Gailpur (Rajasthan) (subject to prior charges on movables in favour of banks) ranking pari-pasu with the charges created in favour of participating Banks and further guaranteed by the Managing Director of the Company.
- Vehicle Loans are secured against respective assets financed.

5. DEFERRED TAX LIABILITY

| | | |
|--|---------------|---------------|
| As At 1st April 2013 | 638.59 | 636.28 |
| Add : Additional adjustment for current year | 24.43 | 2.31 |
| | 663.02 | 638.59 |

The net increase during the year in the deferred tax liability ₹24.43 million (previous year increase ₹2.31 million) has been debited to the Statement of Profit & Loss.

Notes on Accounts

| | As at 31.03.2014 ₹ in million | As at 31.03.2013 ₹ in million |
|--|-------------------------------------|-------------------------------------|
| 6. LONG TERM PROVISIONS | | |
| Provision for Gratuity Obligation | | |
| As per last balance sheet | 87.32 | 62.24 |
| Add: Additions during the year | 25.33 | 25.08 |
| Less : Paid during the year | 25.10 | – |
| Total | 87.55 | 87.32 |

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

| | | |
|----------------------------------|---------------|-----------------|
| 7. SHORT-TERM BORROWINGS | | |
| Loans Repayable On Demand | | |
| Working Capital Facilities | | |
| - From Banks (Secured) | 593.79 | 1,225.78 |
| Short Term Loans | | |
| - From Banks (Unsecured) | – | 200.00 |
| Total | 593.79 | 1,425.78 |

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.

| | | |
|--|-----------------|-----------------|
| 8. TRADE PAYABLES | | |
| Trade Payables - Micro & Small Enterprises | 110.11 | 149.16 |
| - Others | 1,331.07 | 1,409.82 |
| | 1,441.18 | 1,558.98 |

| | | |
|--|-----------------|---------------|
| 9. OTHER CURRENT LIABILITIES | | |
| Current maturities of long term debts | 278.27 | 459.34 |
| Amount payable to capital creditors | 276.10 | – |
| Interest accrued but not due on borrowings | – | 0.39 |
| Unpaid Dividends | 7.30 | 5.79 |
| Provision for expenses | 192.37 | 123.33 |
| Deposits Received | 61.20 | 59.35 |
| Advance from Customers | 96.67 | 95.83 |
| Statutory Dues Payable | 230.36 | 221.87 |
| TOTAL | 1,142.27 | 965.90 |

| | | |
|--|---------------|---------------|
| 10. SHORT TERM PROVISIONS | | |
| Provision for employee benefits | | |
| Unavailed leave | 61.56 | 50.93 |
| Others | | |
| Proposed Dividend | 264.54 | 220.75 |
| Provision for : | | |
| Income Taxes * | 3.30 | 28.92 |
| Tax on Dividend | 44.96 | 35.81 |
| TOTAL | 374.36 | 336.41 |

* Net of Income Tax Advances ₹543.71 million (P. Y. ₹422.25 million)

Notes on Accounts

11. TANGIBLE ASSETS

(₹ in million)

| Particulars | Gross Block | | | | Depreciation | | | | Net Block | |
|---|---------------------|---------------|-------------------|--------------------|-------------------|-----------------|-------------------|-------------------|--------------------|--------------------|
| | As at 01.04.2013 | Additions | Sale/ Transfer | As at 31.3.2014 | Upto 31.3.2013 | For the year | Sale/ Transfer | Upto 31.3.2014 | As at 31.3.2014 | As at 31.3.2013 |
| Land : (including development expenses) | | | | | | | | | | |
| - Freehold | 74.86 | - | - | 74.86 | - | - | - | - | 74.86 | 74.86 |
| - Leasehold | 31.22 | - | - | 31.22 | 6.39 | 1.25 | - | 7.64 | 23.58 | 24.83 |
| Building | 1,539.74 | 69.75 | 3.77 | 1,605.72 | 395.79 | 49.60 | 2.07 | 443.32 | 1,162.40 | 1,143.95 |
| Plant and machinery | 5,408.11 | 652.78 | 172.29 | 5,888.60 | 2,241.68 | 271.34 | 132.31 | 2,380.71 | 3,507.89 | 3,166.43 |
| Furniture and fixtures | 58.51 | 4.46 | 0.56 | 62.41 | 30.47 | 3.72 | 0.49 | 33.70 | 28.71 | 28.04 |
| Vehicles | 148.51 | 44.45 | 18.61 | 174.35 | 32.41 | 15.42 | 7.18 | 40.65 | 133.70 | 116.10 |
| Office equipment | 45.18 | 4.22 | 1.19 | 48.21 | 19.32 | 2.00 | 0.75 | 20.57 | 27.64 | 25.86 |
| Computers | 56.95 | 5.42 | 2.79 | 59.58 | 42.70 | 6.05 | 2.42 | 46.33 | 13.25 | 14.25 |
| Other Equipments | 118.30 | 22.03 | 0.73 | 139.60 | 82.62 | 11.36 | 0.51 | 93.47 | 46.13 | 35.68 |
| Current Year | 7,481.38 | 803.11 | 199.94 | 8,084.55 | 2,851.38 | 360.74 | 145.73 | 3,066.39 | 5,018.16 | 4,630.00 |
| Previous Year | 7,213.74 | 383.70 | 116.05 | 7,481.39 | 2,538.86 | 380.34 | 67.82 | 2,851.39 | 4,630.00 | 4,674.88 |

12. INTANGIBLE ASSETS

(₹ in million)

| Particulars | Gross Block | | | | Depreciation | | | | Net Block | |
|---------------------|---------------------|-------------|-------------------|--------------------|-------------------|-----------------|-------------------|-------------------|--------------------|--------------------|
| | As at 01.04.2013 | Additions | Sale/ Transfer | As at 31.3.2014 | Upto 31.3.2013 | For the year | Sale/ Transfer | Upto 31.3.2014 | As at 31.3.2014 | As at 31.3.2013 |
| Software | 24.08 | 9.64 | - | 33.72 | 7.01 | 4.11 | - | 11.12 | 22.60 | 17.07 |
| Current Year | 24.08 | 9.64 | - | 33.72 | 7.01 | 4.11 | - | 11.12 | 22.60 | 17.07 |
| Previous Year | 19.53 | 4.57 | 0.02 | 24.08 | 3.74 | 3.29 | 0.01 | 7.01 | 17.07 | 15.79 |

| | As at 31.03.2014 ₹ in million | As at 31.03.2013 ₹ in million |
|---|-------------------------------------|-------------------------------------|
| 13. NON CURRENT INVESTMENTS | | |
| Long Term Investments (At Cost) | | |
| (Other than trade) | | |
| Equity Instruments (fully paid up) | | |
| UNQUOTED | | |
| IN SUBSIDIARIES | | |
| 1,530,000 (P.Y. 15,30,000) Equity Shares of M/s Soriso Ceramic Pvt. Ltd. of ₹10/- each. | 56.20 | 56.20 |
| 4,156,500 (P.Y. 23,20,500) Equity Shares of M/s Jaxx Vitrified Pvt. Ltd. of ₹10/- each. | 108.71 | 62.81 |
| 7,650,000 (P.Y. 76,50,000) Equity Shares of M/s Vennar Ceramics Ltd. of ₹10/- each. | 136.50 | 136.50 |
| 4,642,040 (P.Y. 46,42,040) Equity Shares of M/s Cosa Ceramics Pvt. Ltd. of ₹10/- each. | 116.05 | 116.05 |
| Nil (P.Y. 1,696) Equity Shares of M/s Kajaria Ceramics Addis PLC. of 1000 Birr each. | - | 4.51 |
| 3,200,000 (P.Y. NIL) Equity Shares of M/s Kajaria Sanitaryware Pvt. Ltd. of ₹10/- each. | 32.00 | - |
| | 449.46 | 376.07 |
| Less : | | |
| Provision for diminution in value of investment (Refer Note 38) | - | 4.51 |
| | 449.46 | 371.56 |
| Unquoted Investments | | |
| Book Value | 449.46 | 376.07 |

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

Notes on Accounts

| | As at 31.03.2014 ₹ in million | As at 31.03.2013 ₹ in million |
|---|-------------------------------------|-------------------------------------|
| 14. LONG TERM LOANS AND ADVANCES | | |
| (Unsecured Considered good, unless otherwise stated) | | |
| CAPITAL ADVANCES | 0.63 | 19.19 |
| SECURITY DEPOSITS | 83.04 | 108.23 |
| LOANS | | |
| - To Subsidiaries | 302.38 | 216.77 |
| ADVANCES | | |
| Advance / Share Application Money | | |
| - to Subsidiary Company | - | 25.82 |
| - to Others | - | 18.00 |
| Less: Provision for doubtful advances (Refer Note.38) | - | 25.82 |
| Total | 386.05 | 362.19 |

| | | |
|----------------------------------|-----------------|-----------------|
| 15. INVENTORIES | | |
| (As certified by the Management) | | |
| Raw Materials | 247.79 | 231.20 |
| Work-in-Process | 51.44 | 60.73 |
| Finished Goods | 810.70 | 915.86 |
| Stock In Trade | 145.49 | 285.08 |
| Stores and Spares | 262.57 | 272.43 |
| | 1,517.99 | 1,765.30 |

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

| | | |
|---|-----------------|-----------------|
| 16. TRADE RECEIVABLES | | |
| (Unsecured Considered good unless otherwise stated) | | |
| a) Debts outstanding for a period exceeding six months | | |
| - Considered Good | 11.65 | 10.57 |
| - Considered Doubtful | 17.30 | 20.12 |
| Less: Provision for Doubtful Debts | 2.00 | 2.00 |
| | 15.30 | 18.12 |
| | 26.95 | 28.69 |
| b) Other Debts | | |
| - Considered Good | 1,556.29 | 1,337.12 |
| - Considered Doubtful | - | - |
| | 1,556.29 | 1,337.12 |
| | 1,583.24 | 1,365.81 |

| | | |
|------------------------------------|--------------|--------------|
| 17. CASH AND BANK BALANCES | | |
| Cash & Cash Equivalents | | |
| Balance with Banks | | |
| - in current and deposit accounts* | 27.59 | 17.56 |
| Cash on hand | 4.61 | 4.59 |
| | 32.20 | 22.15 |
| Other Bank Balances | | |
| Unpaid dividend accounts | 7.30 | 5.79 |
| | 39.50 | 27.94 |

* Bank deposits held as margin money against guarantee for ₹4.77 million (Prev. Year ₹4.42 million)

Notes on Accounts

| | As at 31.03.2014 ₹ in million | As at 31.03.2013 ₹ in million |
|--|-------------------------------------|-------------------------------------|
| 18. SHORT TERM LOANS AND ADVANCES | | |
| (Unsecured Considered good unless otherwise stated) | | |
| Loans | | |
| - To Subsidiaries | 5.00 | - |
| - To Others | 18.68 | 16.86 |
| Advances for supply of goods and rendering of services | 205.51 | 151.68 |
| Balance With Excise Authorities | 111.80 | 66.10 |
| Advance to gratuity trust | 0.16 | 0.97 |
| Prepaid Expenses | 13.16 | 10.32 |
| Income Tax Advances | 0.32 | 0.32 |
| | 354.63 | 246.25 |

| | | |
|---|-------------|-------------|
| 19. OTHER CURRENT ASSETS | | |
| (Unsecured Considered good unless otherwise stated) | | |
| Exports Benefit Accrued | 2.85 | 4.96 |
| | 2.85 | 4.96 |

| | Year ended 31.03.2014 ₹ in million | Year ended 31.03.2013 ₹ in million |
|--------------------------------------|--|--|
| 20. REVENUE FROM OPERATIONS | | |
| Sale of Products | | |
| Tiles | 20,003.70 | 17,044.40 |
| Power | 36.86 | 37.44 |
| Less : Inter division sales of power | 18.86 | 20.09 |
| | 20,021.70 | 17,061.75 |
| Other operating revenue | | |
| Sale of Scrap | 12.72 | 10.87 |
| | 20,034.42 | 17,072.62 |

| | | |
|-----------------------------|--------------|--------------|
| 21. OTHER INCOME | | |
| Miscellaneous Income | 16.67 | 4.03 |
| Rent Received | 1.20 | 1.20 |
| Sundry Balances Written Off | 1.72 | 2.40 |
| Interest Received | 14.05 | 13.18 |
| VAT Subsidy | 31.28 | 13.42 |
| | 64.92 | 34.23 |

| | | |
|---|-----------------|-----------------|
| 22. COST OF MATERIAL CONSUMED | | |
| Raw Material & Packing Material Consumed | | |
| Body Material | 1,105.35 | 1,213.25 |
| Glaze, Frits and Chemicals | 1,137.10 | 1,129.07 |
| Packing Material | 506.21 | 524.93 |
| | 2,748.66 | 2,867.25 |

Notes on Accounts

| | Year ended 31.03.2014 ₹ in million | Year ended 31.03.2013 ₹ in million |
|-----------------------------------|--|--|
| 23. CHANGES IN INVENTORIES | | |
| Stock as on 1.4.2013 | | |
| Work-in-process | 60.73 | 83.32 |
| Finished Goods | 915.86 | 655.84 |
| Stock In Trade | 285.08 | 473.41 |
| 'A' | 1,261.67 | 1,212.57 |
| Stock as on 31.03.2014 | | |
| Work-in-process | 51.44 | 60.73 |
| Finished Goods | 810.70 | 915.86 |
| Stock In Trade | 145.49 | 285.08 |
| 'B' | 1,007.63 | 1,261.67 |
| B-A | (254.04) | 49.10 |

24. EMPLOYEE BENEFITS EXPENSE

| | | |
|---|-----------------|-----------------|
| Salaries and wages | 1,398.22 | 1,124.30 |
| Contribution to provident and other funds | 78.35 | 74.68 |
| Staff welfare expenses | 21.68 | 22.32 |
| | 1,498.25 | 1,221.30 |

25. FINANCE COSTS

| | | |
|---|---------------|---------------|
| Interest on: | | |
| Term loans | 64.65 | 139.95 |
| Others | 144.93 | 168.25 |
| Other Borrowing costs: | | |
| Processing Fees | 16.56 | 23.56 |
| Net gain/loss in foreign currency transactions & translations | 36.58 | 23.01 |
| | 262.72 | 354.77 |

Notes on Accounts

| | Year ended 31.03.2014 ₹ in million | Year ended 31.03.2013 ₹ in million |
|--|--|--|
| 26. OTHER EXPENSES | | |
| Other Manufacturing Expenses | | |
| Stores and Spares Consumed | 351.09 | 335.02 |
| Power and Fuel | 2,437.97 | 2,327.19 |
| Excise Duty on Stocks | (10.91) | 43.62 |
| | 2,778.15 | 2,705.83 |
| Repairs & maintenance | | |
| - Building | 43.00 | 31.18 |
| - Machinery | 48.21 | 36.37 |
| - Others | 22.10 | 26.14 |
| | 113.31 | 93.69 |
| Administrative Expenses | | |
| Printing , Stationery & EDP Expenses | 9.26 | 9.67 |
| Rent, Rates & Taxes | 82.63 | 94.38 |
| Vehicle Expenses | 28.01 | 22.38 |
| Communication Expenses | 31.72 | 31.90 |
| Travelling & Conveyance Expenses | 199.05 | 184.28 |
| Insurance Charges | 15.77 | 16.65 |
| Legal & Professional Charges | 16.83 | 15.95 |
| Directors Sitting Fees | 1.00 | 0.74 |
| Auditors' Remuneration : | | |
| - As Audit Fees | 2.20 | 1.80 |
| - For Tax Audit, Certification & Tax Representations | 0.75 | 0.42 |
| - For Other Matters | 1.15 | 1.16 |
| - For Reimbursement of Expenses | 0.01 | 0.22 |
| Miscellaneous Expenses | 49.95 | 40.83 |
| Share Transfer Expenses | 0.20 | 0.19 |
| Electricity & Water Charges | 12.55 | 13.28 |
| Foreign Technician Expenses | 0.85 | 0.71 |
| Bank Charges | 1.48 | 4.34 |
| | 453.41 | 438.90 |
| Selling & Distribution Expenses | | |
| Packing Freight & Forwarding Expenses | 160.65 | 144.36 |
| Advertisement, Publicity & Sales Promotion | 320.66 | 266.12 |
| Commission | 117.34 | 152.30 |
| | 598.65 | 562.78 |
| Others | | |
| Loss on Sale / Scrapping of Fixed Assets | 9.17 | 17.81 |
| Social Relief & Welfare Expenses | 0.12 | 0.05 |
| Research & Development Expenses | 46.63 | 21.15 |
| | 55.92 | 39.01 |
| | 3,999.44 | 3,840.21 |

Notes on Accounts

| | As at 31.03.2014 ₹ in million | As at 31.03.2013 ₹ in million |
|---|-------------------------------------|-------------------------------------|
| 27. CONTINGENT LIABILITIES | | |
| (excluding matters separately dealt with in other notes): | | |
| a) In respect of Bills discounted With the Company's Bankers | 37.86 | 73.72 |
| b) Counter guarantees issued in respect of guarantees issued by company's bankers | 0.50 | Nil |
| c) Guarantees issued on behalf of subsidiaries | 1457.50 | 299.00 |
| d) In respect of Excise Duty, Sales Tax, Service Tax, Custom Duty Demands pending before various authorities and in dispute | 94.56 | 57.11 |
| e) In respect of pending income tax demands | 7.22 | – |
| f) In respect of Consumer Cases | 25.21 | 16.00 |
| g) In respect of disputed Electricity Demand pending with appellate authorities. | – | 9.41 |

28. COMMITMENTS

| | | |
|---|--------|--------|
| a) Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of advances) | 10.55 | 54.62 |
| b) Letters of Credit opened in favour of inland/overseas suppliers (Net) | 618.95 | 658.16 |

| | Value (₹ in million) | |
|--|--------------------------|--------------------------|
| | Year ended 31.03.2014 | Year ended 31.03.2013 |
| 29. PARTICULARS OF SALES & STOCKS | | |
| a) Opening Stock | | |
| Tiles | 1200.94 | 1129.25 |
| b) Purchases | | |
| Tiles | 7947.77 | 5787.46 |
| c) Sales | | |
| Tiles (Manufactured) | 10695.02 | 9841.23 |
| Tiles (Trading) | 9308.68 | 7203.17 |
| Power | 18.00 | 17.35 |
| d) Closing Stock | | |
| Tiles | 956.19 | 1200.94 |

30. VALUE OF IMPORTS ON CIF BASIS:

| | | |
|--------------------------|---------|---------|
| ▪ Capital Goods | 474.72 | 130.31 |
| ▪ Raw Materials | 39.54 | 64.16 |
| ▪ Spares and Consumables | 145.24 | 167.86 |
| ▪ Traded Goods | 1004.94 | 1753.48 |

Notes on Accounts

| | Year ended 31.03.2014 ₹ in million | Year ended 31.03.2013 ₹ in million |
|---|--|--|
| 31. | | |
| A) Expenditure in Foreign Currency (on accrual basis) : | | |
| a) Commission of Export Sales | 0.94 | 0.07 |
| b) Others including travel etc. | 27.41 | 40.15 |
| B) Payment of Dividend in Foreign Currency pertaining to : | F.Y. 2013-14 | F.Y. 2012-13 |
| ▪ No of persons | 15 | 15 |
| ▪ No of shares | 31830 | 31,830 |
| ▪ Amount in ₹ | 95490 | 79,575 |

32. EARNINGS IN FOREIGN CURRENCY :

| | | |
|----------------------|--------|--------|
| FOB Value of Exports | 347.85 | 132.05 |
|----------------------|--------|--------|

| 33. VALUE OF IMPORTED AND INDIGENOUS RAW MATERIAL CONSUMED AND THE PERCENTAGE OF EACH TO TOTAL CONSUMPTION: | 2013-14 | | 2012-13 | |
|--|---------|-------------|---------|-------------|
| | % | (₹ million) | % | (₹ million) |
| Imported | 1.89% | 51.85 | 4.40% | 126.24 |
| Indigenous | 98.11% | 2696.81 | 95.60% | 2741.02 |

| | 2013-14 ₹ in million | 2012-13 ₹ in million |
|---|-------------------------|-------------------------|
| 34. DUES TO SMALL, MICRO & MEDIUM ENTERPRISES #: | | |
| 1. Principal amount outstanding | 110.11 | 149.16 |
| 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.

35. As per policy of the Company for Directors and other senior employees, the Company has, during the year, paid a sum of ₹5 million 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.

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

37. 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.

38. The Company was setting up a ceramic tile unit in Ethiopia and accordingly, had incorporated a subsidiary, Kajaria Ceramics Addis Plc. in Ethiopia. The Company had invested an amount of ₹30.3 million in the subsidiary by way of Equity and Advances. Due to adverse change in the business environment, the Company had abandoned the project and created a provision of ₹30.3 million towards the loss of investment in the subsidiary in the previous year. Pursuant to resolution passed in the meeting of board of

Notes on Accounts

directors in the current year, the amount has been written off. Necessary formalities for obtaining regulatory permission from RBI are underway. Since full provision was created in the previous year, the write off has no impact on current year profits.

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 ₹124.43 million (previous year ₹135.34 million) has been included in the value of inventories as on 31.03.2014 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 recognized in the balance sheet for the plan:

| Profit and Loss account | March 31, 2014 ₹ in million | March 31, 2013 ₹ in million |
|--|--------------------------------|--------------------------------|
| Net employee benefit expense (recognized in Employee cost) | | |
| Current Service cost | 15.51 | 13.83 |
| Interest cost on benefit obligation | 10.00 | 7.13 |
| Net actuarial loss recognized in the year | 3.06 | 6.61 |
| Past service cost | – | – |
| Expected Return on Plan Assets | (3.24) | (1.99) |
| Net benefit expense | 25.33 | 25.08 |

Balance Sheet

Details of provision for Gratuity

| | | |
|--|--------|--------|
| Fair Value of Plan Assets at the end of the period | 48.15 | 23.86 |
| Liability at the end of the period | 135.70 | 111.17 |
| Difference | 87.55 | 87.32 |
| Less: Unrecognised past service cost | NIL | NIL |
| Amount recognized in the Balance Sheet | 87.55 | 87.32 |

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

| | | |
|---|--------|--------|
| Defined benefit obligation as at April, 2013 | 111.17 | 86.59 |
| Interest Cost | 10.00 | 7.13 |
| Current service cost | 15.51 | 13.83 |
| Benefit paid | (2.95) | (2.99) |
| Past Service Cost – Vested Benefit | – | – |
| Actuarial losses on obligation | 1.97 | 6.61 |
| Defined benefit obligation as at 31st March, 2014 | 135.70 | 111.17 |

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

| | | |
|--|--------|--------|
| Fair value of plan assets as at 1st April, 2013 | 23.85 | 24.35 |
| Return on Plan Assets | 3.24 | 2.50 |
| Contributions by employer | 25.10 | – |
| Benefits paid | (2.95) | (2.99) |
| Actuarial Gains / (losses) | (1.09) | – |
| Fair value of plan assets as at 31st March, 2014 | 48.15 | 23.86 |

Notes on Accounts

| The principal assumption used in determining gratuity benefit obligations for the Company's plans are shown below: | March 31, 2014 % | March 31, 2013 % |
|--|---------------------|---------------------|
| Discount rate | 9.00% | 8.25% |
| Expected rate of return on plan assets | 9.00% | 8.25% |
| Salary Escalation | 8.50% | 7.75% |
| Attrition Rate | 1% | 1% |
| Retirement Age | 60 Years | 60 Years |

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.

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 546.70 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:

| | Opening as at 1st April, 2013 (₹ million) | Charge/(credit) during the year (₹ million) | Closing as at 31st March, 2014 (₹ million) |
|-----------------------------------|---|---|--|
| Depreciation | 638.60 | 24.43 | 663.02 |
| Net Deferred Tax Liability | 638.60 | 24.43 | 663.02 |

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

II. Relatives of Key Management Personnel

Smt. Versha Devi Kajaria

III. Subsidiary Companies

: Soriso Ceramic Pvt. Ltd.
Jaxx Vitrified Pvt. Ltd.
Cosa Ceramics Pvt. Ltd.
Vennar Ceramics Limited
Kajaria Sanitaryware Pvt. Ltd.

IV. Enterprises over which key management personnel or their relatives are able to exercise significant influence

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

Notes on Accounts

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

(₹ in million)

| Related Party Transactions | Key Management Personnel & their relatives | Subsidiaries | Others |
|-------------------------------------|--|----------------------|------------------|
| Purchase of Goods | | | |
| Soriso Ceramic Pvt. Ltd. | – (–) | 873.36 (639.40) | – (–) |
| Jaxx Vitrified Pvt. Ltd. | – (–) | 1,483.25 (735.32) | – (–) |
| Cosa Ceramics Pvt. Ltd. | – (–) | 1,217.98 (368.84) | – (–) |
| Vennar Ceramics Limited | – (–) | 751.99 (415.84) | – (–) |
| Purchase of Fixed Asset | | | |
| Kajaria Infrastructure Ltd. | – (–) | – (–) | – (16.68) |
| Sale of Fixed Asset | | | |
| Dua Engineering Works Pvt. Ltd. | – (–) | – (–) | 0.09 (–) |
| Jaxx Vitrified Pvt. Ltd. | – (–) | – (0.06) | – (–) |
| Vennar Ceramics Limited | – (–) | 3.40 (1.82) | – (–) |
| Sale of Raw Material /Stores | | | |
| Jaxx Vitrified Pvt. Ltd. | – (–) | 3.85 (0.85) | – (–) |
| Vennar Ceramics Limited | – (–) | 0.12 (–) | – (–) |
| Rent Paid | | | |
| Dua Engineering Works Pvt. Ltd. | – (–) | – (–) | 14.02 (14.02) |
| Vennar Ceramics Limited | – (–) | 0.67 (0.48) | – (–) |
| Service Charges Paid | | | |
| Dua Engineering Works Pvt. Ltd. | – (–) | – (–) | 13.48 (10.79) |
| Directors' Remuneration | | | |
| Sh. Ashok Kajaria | 25.89 (36.54) | – (–) | – (–) |
| Sh. Chetan Kajaria | 39.40 (32.69) | – (–) | – (–) |
| Sh. Rishi Kajaria | 39.40 (32.69) | – (–) | – (–) |
| Sh. B. K. Sinha | 4.33 (3.94) | – (–) | – (–) |
| Donation Paid | | | |
| Malti Devi Kajaria Charitable Trust | – (–) | – (–) | 4.25 (2.63) |

(Figures in brackets are for previous year)

Notes on Accounts

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

(₹ in million)

| Related Party Transactions | Key Management Personnel & their relatives | Subsidiaries | Others |
|--|--|-------------------|------------|
| Interest Received | | | |
| Soriso Ceramic Pvt. Ltd. | - (-) | 3.44 (4.86) | - (-) |
| Vennar Ceramics Limited | - (-) | 4.19 (3.52) | - (-) |
| Cosa Ceramics Pvt. Ltd. | - (-) | 1.89 (-) | - (-) |
| Purchase / subscription of shares of subsidiary company | | | |
| Jaxx Vitrified Pvt. Ltd. | - (-) | 45.90 (-) | - (-) |
| Cosa Ceramics Pvt. Ltd. | - (-) | - (116.05) | - (-) |
| Kajaria Sanitaryware Pvt. Ltd. | - (-) | 31.80 (-) | - (-) |
| Vennar Ceramics Limited | - (-) | - (136.50) | - (-) |
| Smt. Versha Devi Kajaria | 0.01 (-) | (-) (-) | (-) (-) |
| Sh. Chetan Kajaria | 0.01 (-) | - (-) | - (-) |
| Sh. Rishi Kajaria | 0.01 (-) | - (-) | - (-) |
| Loan Given | | | |
| Jaxx Vitrified Pvt. Ltd. | - (-) | 482.50 (30.00) | - (-) |
| Vennar Ceramics Limited | - (-) | 22.20 (65.00) | - (-) |
| Kajaria Sanitaryware Pvt. Ltd. | - (-) | 102.00 (-) | - (-) |
| Soriso Ceramic Pvt. Ltd. | - (-) | - (25.00) | - (-) |
| Cosa Ceramics Pvt. Ltd. | - (-) | - (75.00) | - (-) |
| Loan Repaid | | | |
| Soriso Ceramic Pvt. Ltd. | - (-) | 39.27 (15.00) | - (-) |
| Jaxx Vitrified Pvt. Ltd. | - (-) | 379.40 (-) | - (-) |
| Vennar Ceramics Limited | - (-) | 5.00 (-) | - (-) |
| Cosa Ceramics Pvt. Ltd. | - (-) | 40.00 (-) | - (-) |
| Kajaria Sanitaryware Pvt. Ltd. | - (-) | 52.42 (-) | - (-) |

(Figures in brackets are for previous year)

Notes on Accounts

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

(₹ in million)

| Related Party Transactions | Key Management Personnel & their relatives | Subsidiaries | Others |
|---|--|--------------|--------|
| Security Deposit received back | | | |
| Dua Engineering Works Pvt. Ltd. | - | - | 29.00 |
| | (-) | (-) | (-) |
| Advance\Share Application Money paid | | | |
| Kajaria Ceramics Addis Plc | - | - | - |
| | (-) | (22.22) | (-) |

(Figures in brackets are for previous year)

C. Net outstanding balance :-

(₹ in million)

| Related Party Transactions | Key Management Personnel & their relatives | Subsidiaries | Others |
|------------------------------------|--|--------------|--------|
| Long term /Short term loans | | | |
| Soriso Ceramic Pvt. Ltd. | - | 7.50 | - |
| | (-) | (46.77) | (-) |
| Jaxx Vitrified Pvt. Ltd. | - | 133.10 | - |
| | (-) | (30.00) | (-) |
| Vennar Ceramics Limited | - | 82.20 | - |
| | (-) | (65.00) | (-) |
| Cosa Ceramics Pvt. Ltd. | - | 35.00 | - |
| | (-) | (75.00) | (-) |
| Kajaria Sanitaryware Pvt. Ltd. | - | 49.58 | - |
| | (-) | (-) | (-) |
| Kajaria Ceramics Addis Plc | - | - | - |
| | (-) | (25.82) | (-) |
| Trade Payables | | | |
| Jaxx Vitrified Pvt. Ltd. | - | 101.21 | - |
| | (-) | (53.62) | (-) |
| Soriso Ceramic Pvt. Ltd. | - | 33.23 | - |
| | (-) | (16.04) | (-) |
| Vennar Ceramics Limited | - | 133.71 | - |
| | (-) | (108.34) | (-) |
| Cosa Ceramics Pvt. Ltd. | - | 98.68 | - |
| | (-) | (49.81) | (-) |

(Figures in brackets are for previous year)

D. Balance written off

(₹ in million)

| Related Party Transactions | Key Management Personnel & their relatives | Subsidiaries | Others |
|--------------------------------------|--|--------------|--------|
| Share Investment | | | |
| Kajaria Ceramics Addis Plc | - | 4.51 | - |
| | (-) | (-) | (-) |
| Short term loans and advances | | | |
| Kajaria Ceramics Addis Plc | - | 25.82 | - |
| | (-) | (-) | (-) |

(Figures in brackets are for previous year)

Notes on Accounts

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. Share Warrants:

The Company had, in its EOGM dated 6th November, 2013 approved the issuance of 3885420 warrants to M/s. WestBridge Crossover Fund LLC and as per terms of issue, 25% of the total consideration, amounting to ₹250 million has been received during the year. Each warrant is convertible into one equity share of ₹2/- each at a premium of ₹255.372433 per share as per SEBI (ICDR) regulations, 2009 for Preferential issues, within one year from the date of allotment, i.e., 11th November, 2013.

45. Research and Development expenditure incurred from 2011-12 to 2013-14:

(₹ in million)

| Particulars | 2011-12 | 2012-13 | 2013-14 |
|---------------------|---------|---------|---------|
| Capital Expenditure | 2.37 | 4.55 | 2.35 |
| Revenue Expenses | 29.75 | 21.15 | 46.63 |

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

| | Year ended 31.03.2014 | Year ended 31.03.2013 |
|---|--------------------------|--------------------------|
| Basic Earnings Per Share | | |
| Profit attributable to the Equity Shareholders – (A) (₹ in millions) | 1167.44 | 1005.45 |
| Basic /Weighted average number of Equity Shares outstanding during the year (B) | 7,43,56,183 | 7,35,83,580 |
| Nominal value of Equity Shares (₹) | 2.00 | 2.00 |
| Basic Earnings per share (₹) – (A)/(B) | 15.70 | 13.66 |
| Diluted Earnings Per Share | | |
| Profit attributable to the Equity Shareholders – as above (₹ in millions) | 1167.44 | 1005.45 |
| Interest Paid on Potential Equity Shares net of tax impact (₹ in millions) | – | – |
| Profit considered for Diluted E.P.S. (C) | 1167.44 | 1005.45 |
| Basic Weighted average number of Equity Shares outstanding during the year as above | 7,43,56,183 | 7,35,83,580 |
| Weighted Average Potential Equity Shares for the Year | 111,772 | – |
| Total weighted average shares considered for Diluted E.P.S. (D) | 7,44,67,955 | 7,35,83,580 |
| Nominal value of Equity Shares (₹) | 2.00 | 2.00 |
| Diluted Earning per share (₹)- (C)/(D) | 15.68 | 13.66 |

47. The Company has reclassified previous year figures to conform to this year's classification

Signature to the Notes 1 to 47

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: 7th May, 2014

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. Rathnakara Hegde
Sandeep Singhal
Directors

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

Cash Flow Statement for the year ended 31 March, 2014

| | Year ended 31.03.2014 ₹ in million | | Year ended 31.03.2013 ₹ in million | |
|---|--|----------|--|----------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| Net Profit before tax and extraordinary items | | 1,768.08 | | 1,510.72 |
| Adjusted for : | | | | |
| Depreciation | 364.84 | | 383.63 | |
| Interest Received | (14.05) | | (13.18) | |
| Interest Paid | 209.57 | | 308.20 | |
| Profit on sale of Investment | – | | – | |
| Dividend Received | – | | – | |
| Loss on sale of Fixed Assets | 9.17 | 569.53 | 17.81 | 696.46 |
| Operating Profit before Working Capital Changes | | 2,337.61 | | 2,207.18 |
| Adjusted for : | | | | |
| Trade & Other Receivables | (347.62) | | (313.85) | |
| Inventories | 247.32 | | (7.47) | |
| Trade Payable | 69.45 | (30.85) | (233.25) | (554.57) |
| Cash Generated from Operations | | 2,306.76 | | 1,652.61 |
| Interest Paid | (209.57) | | (308.20) | |
| Direct Taxes Paid | (601.81) | | (473.26) | |
| Extraordinary items | – | (811.38) | – | (781.46) |
| Net Cash from operating activities | | 1,495.38 | | 871.15 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| Purchase of Fixed Assets | (863.66) | | (439.15) | |
| Sale of Fixed Assets | 45.05 | | 30.42 | |
| Purchase of Investments | (77.90) | | (252.55) | |
| Sale of Investments | – | | – | |
| Interest Received | 14.05 | | 13.18 | |
| Dividend Received | – | | – | |
| Net Cash used in Investing Activities | | (882.46) | | (648.10) |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| Proceeds from Issue of Share Capital / Warrants | 750.00 | | – | |
| Proceeds/ (Repayment) of Long Term Borrowings (Net) | (262.82) | | (431.27) | |
| Proceeds / (Repayment) of Short Term Borrowings (Net) | (833.49) | | 389.29 | |
| Dividend and Dividend Tax Paid | (256.56) | | (213.80) | |
| Net Cash used in Financing Activities | | (602.87) | | (255.79) |
| Net increase in Cash and Cash Equivalents | | 10.05 | | (32.74) |
| Cash and Cash Equivalents as on 1.4.2013 | | 22.15 | | 54.89 |
| Cash and Cash Equivalents as on 31.3.2014 | | 32.20 | | 22.15 |

In terms of our report of even date annexed

For **O. P. Bagla & Co.**
Chartered Accountants**Atul Bagla**
Partner
Membership No.: 91885Place: New Delhi
Dated: 7th May, 2014**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. Rathnakara Hegde
Sandeep Singhal
Directors**R. C. Rawat**
Ex. Vice President (A & T) &
Company Secretary

Section 212

Financial Information 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)

[illegible]

Independent Auditor's Report on Consolidated Financial Statements

To the Members of
KAJARIA CERAMICS LIMITED

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of **KAJARIA CERAMICS LIMITED** ('the Company'), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 of India (the "Act"), read with the General Circular 15/ 2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of

accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

1. We did not audit the financial statements of four subsidiaries, whose financial statements reflect total assets of ₹2851.41 million as at 31st March, 2014, total revenue of ₹3860.47 million and cash flows amounting to ₹7.08 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 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 notified by the Companies (Accounting Standard) Rules, 2006.
3. 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 :-
 - i) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014;
 - ii) in the case of the statement of profit and loss, of the profit for the year ended on that date; and
 - v) in the case of the cash flow statement, of the cash flows for the year ended on that date.

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

(Atul Bagla)

Place : New Delhi
Dated : 7th May, 2014

Partner
Membership No. 91885

Consolidated Balance Sheet as at 31 March, 2014

| | Note | As at 31.03.2014 ₹ in million | As at 31.03.2013 ₹ in million |
|---|------|-------------------------------------|-------------------------------------|
| EQUITY AND LIABILITIES | | | |
| Shareholders' Funds | | | |
| Share Capital | 2 | 151.17 | 147.17 |
| Reserves and Surplus | 3 | 4,890.34 | 3,461.61 |
| Money received against share warrants | | 250.00 | – |
| | | 5,291.51 | 3,608.78 |
| Share Application Money - Pending Allotment | | 3.75 | – |
| Minority Interest | | 408.58 | 275.19 |
| Non-current Liabilities | | | |
| Long-term borrowings | 4 | 851.22 | 892.69 |
| Deferred tax liabilities | 5 | 713.21 | 656.27 |
| Long-term provisions | 6 | 88.56 | 87.32 |
| | | 1,652.99 | 1,636.28 |
| Current liabilities | | | |
| Short-term Borrowings | 7 | 1,086.77 | 1,735.06 |
| Trade payables | 8 | 1,520.13 | 1,658.27 |
| Other current liabilities | 9 | 1,401.22 | 1,211.70 |
| Short-term provisions | 10 | 391.16 | 350.22 |
| | | 4,399.28 | 4,955.26 |
| TOTAL | | 11,756.11 | 10,475.50 |
| ASSETS | | | |
| Non-current Assets | | | |
| Fixed assets | | | |
| Tangible assets | 11 | 6,836.78 | 6,125.73 |
| Intangible assets | 12 | 79.11 | 73.95 |
| Capital Work-in-Progress | | 405.33 | 78.14 |
| Non-current investments | 13 | 0.81 | 0.81 |
| Long-term loans and advances | 14 | 281.05 | 189.96 |
| | | 7,603.08 | 6,468.59 |
| Current Assets | | | |
| Inventories | 15 | 1,930.92 | 2,197.07 |
| Trade receivables | 16 | 1,648.48 | 1,436.28 |
| Cash and bank balances | 17 | 61.02 | 39.99 |
| Short-term loans and advances | 18 | 509.76 | 328.61 |
| Other current assets | 19 | 2.85 | 4.96 |
| | | 4,153.03 | 4,006.91 |
| TOTAL | | 11,756.11 | 10,475.50 |
| Significant Accounting Policies | 1 | | |

The accompanying Notes 1 to 40 form an integral part of these financial statements.

In terms of our report of even date annexed

For and on behalf of the Board

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

Atul Bagla
Partner
Membership No.: 91885

Ashok Kajaria
Chairman & Managing Director

Chetan Kajaria
Rishi Kajaria
Jt. Managing Directors

D. P. Bagchi
R. K. Bhargava
R. R. Bagri
H. Rathnakara Hegde
Sandeep Singhal
Directors

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

Place: New Delhi
Dated: 7th May, 2014

Statement of Consolidated Profit and Loss for the year ended 31 March, 2014

| | Note | Year ended 31.03.2014 ₹ in million | Year ended 31.03.2013 ₹ in million |
|---|---------|--|--|
| REVENUE | | | |
| Revenue from operations | 20 | 20,255.85 | 17,346.82 |
| Less: Excise Duty | | 1,855.51 | 1,514.06 |
| | | 18,400.34 | 15,832.76 |
| Other Income | 21 | 62.92 | 30.43 |
| Total Revenue | | 18,463.26 | 15,863.19 |
| EXPENSES: | | | |
| Cost of Materials Consumed | 22 | 4,198.30 | 3,717.38 |
| Purchases of Stock in Trade | | 3,716.24 | 3,686.44 |
| Changes in Inventories | 23 | 337.26 | (205.99) |
| Employee benefits Expense | 24 | 1,726.38 | 1,364.02 |
| Finance costs | 25 | 408.22 | 453.53 |
| Depreciation and amortization expense | 11 & 12 | 470.00 | 446.18 |
| Other Expenses | 26 | 5,615.05 | 4,824.48 |
| Total expenses | | 16,471.45 | 14,286.04 |
| Profit before exceptional and extraordinary items and tax | | 1,991.81 | 1,577.15 |
| Exceptional / Extraordinary items | | - | - |
| Profit before tax | | 1,991.81 | 1,577.15 |
| Tax expense: | | | |
| Current tax | | | |
| Current year | | 591.02 | 464.10 |
| Earlier years | | 30.35 | 22.09 |
| Deferred tax | | | |
| Current year | | 56.94 | 12.59 |
| PROFIT AFTER TAX (Before adjustment for Minority Interest) | | 1,313.50 | 1,078.37 |
| Less : Share of profit transferred to Minority | | 71.29 | 33.25 |
| PROFIT AFTER TAX (After adjustment for Minority Interest) | | 1,242.21 | 1,045.12 |
| Basic Earnings per equity share (₹) | | 16.71 | 14.20 |
| Diluted Earnings per equity share (₹) | | 16.68 | 14.20 |
| Significant Accounting Policies | 1 | | |

The accompanying Notes 1 to 40 form an integral part of these financial statements.

In terms of our report of even date annexed

For and on behalf of the Board

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

Chartered Accountants

Atul Bagla

Partner

Membership No.: 91885

Place: New Delhi

Dated: 7th May, 2014

Ashok Kajaria

Chairman & Managing Director

Chetan Kajaria

Rishi Kajaria

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D. P. Bagchi

R. K. Bhargava

R. R. Bagri

H. Rathnakara Hegde

Sandeep Singhal

Directors

R. C. Rawat

Ex. Vice President (A & T) &

Company Secretary

Notes on Accounts

1. SIGNIFICANT ACCOUNTING POLICIES TO THE CONSOLIDATED BALANCE SHEET AND STATEMENT OF PROFIT & LOSS

I. Principles of Consolidation

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

- 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.
- 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.
- 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.
- 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.
- 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.
- 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% |
| Vennar Ceramics Limited | India | 51% |
| Cosa Ceramics Pvt. Ltd. | India | 51% |
| Kajaria Sanitaryware Pvt. Ltd. | India | 64% |

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. Tangible, Intangible Assets & Depreciation:

- Fixed assets are stated at their original cost of acquisition inclusive of inward freight, duties and expenditure incurred in the acquisition, construction/installation. CENVAT/ VAT credit availed on capital equipment is accounted for by credit to respective fixed assets.
- 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.
- 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. Cost of fitments at sale outlets are depreciated @ 20% on SLM basis. Assets costing upto ₹5,000/- are fully depreciated in the year of purchase. Goodwill arising on consolidation is tested for impairment at the Balance Sheet date.

V. Investments:

Long term investments are stated at cost.

Notes on Accounts

1. SIGNIFICANT ACCOUNTING POLICIES TO THE CONSOLIDATED BALANCE SHEET AND STATEMENT OF PROFIT & LOSS

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 Duty:

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 recognized in the statement of profit & loss.

X. Government grants and subsidies:

Grants and subsidies from the government are recognised when there is reasonable assurance that (i) the Company will comply with the conditions attached to them, and (ii) the grant/ subsidy will be received.

Where the grant or subsidy relates to revenue, it is recognised as income on a accrual basis in the statement of profit and loss. Where the grant relates to a fixed asset, it is net off from the relevant asset.

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) Liability towards Gratuity and unavailed leaves 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 recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognised nor disclosed in the financial statements.

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

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

Notes on Accounts

| | As at 31.03.2014 ₹ in million | As at 31.03.2013 ₹ in million |
|---|-------------------------------------|-------------------------------------|
| 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 |
| 10,00,000 (10,00,000) Preference of Shares of par value of ₹100/- each | 100.00 | 100.00 |
| | 350.00 | 350.00 |
| Issued, Subscribed & Paid up | | |
| 75,583,580 (Previous Year 73,583,580) Equity Shares of par value of ₹2/- each fully paid up in cash | 151.17 | 147.17 |
| | 151.17 | 147.17 |

a) Reconciliation of equity shares outstanding at the beginning and at the end of the reporting period is given below:

| Particulars | As at 31.03.2014 | As at 31.03.2013 |
|---|---------------------|---------------------|
| Number of shares outstanding as at the beginning of the year | 73,583,580 | 73,583,580 |
| Shares issued during the year | 2,000,000 | – |
| Number of shares outstanding as at the closing of the year | 75,583,580 | 73,583,580 |

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 | As at 31.03.2014 | |
|---|------------------|-------------------|
| | No. of Shares | % of Shareholding |
| Kajaria Exports Ltd. | 15,283,545 | 20.22% |
| Kajaria Securities Pvt. Ltd. | 6,581,905 | 8.71% |
| Pearl Tile Marketing Pvt. Ltd. | 5,080,240 | 6.72% |
| Cheri Ceramics Pvt. Ltd. | 5,088,385 | 6.73% |
| HSBC Bank (Mauritius) Ltd. A/c Jawalamukhi Investments Holdings | 7,252,005 | 9.59% |

| Name of Shareholder | As at 31.03.2013 | |
|---|------------------|-------------------|
| | No. of Shares | % of Shareholding |
| Kajaria Exports Ltd. | 15,283,545 | 20.77% |
| 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 | 5,777,005 | 7.85% |
| Bengal Finance & Investment Pvt. Ltd. | 4,004,427 | 5.44% |

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

Notes on Accounts

| | As at 31.03.2014 ₹ in million | As at 31.03.2013 ₹ in million |
|---|-------------------------------------|-------------------------------------|
| 3. RESERVES AND SURPLUS | | |
| Securities Premium Reserve | | |
| As per last Balance Sheet | 142.35 | 142.35 |
| Add : Amount received on issue of shares | 496.00 | - |
| | 638.35 | 142.35 |
| General Reserve | | |
| Balance b/f | 1,160.33 | 860.33 |
| Add : Transferred During the Year | 300.00 | 300.00 |
| | 1,460.33 | 1,160.33 |
| Capital Redemption Reserve | | |
| As per last Balance Sheet | 50.00 | 50.00 |
| Surplus | | |
| As per last balance sheet | 2,108.93 | 1,620.37 |
| Add: Net Profit after Tax transferred from Statement of Profit & Loss | 1,242.23 | 1,045.12 |
| Less : Proposed Dividend on Equity Shares | 264.54 | 220.75 |
| [Dividend per share ₹3.50 (Previous year ₹3.00)] | | |
| Less : Corporate Dividend Tax | 44.96 | 35.81 |
| Less : Transfer to General Reserve | 300.00 | 300.00 |
| | 2,741.66 | 2,108.93 |
| | 4,890.34 | 3,461.61 |

4. LONG-TERM BORROWINGS

| | | |
|--|---------------|---------------|
| A. TERM LOANS | | |
| From Banks | | |
| - Secured | 709.67 | 775.25 |
| From Others | | |
| - Secured | 11.05 | - |
| Vehicle Loan from banks & others | | |
| - Secured | 16.70 | 19.71 |
| B. PROMOTER LOANS | | |
| - From Directors, shareholders & relatives | | |
| Unsecured | 113.80 | 97.73 |
| | 851.22 | 892.69 |

NOTES :

1. Term loans from Banks are secured by 1st charge on immovable and movable assets (present and future) of the Company (subject to prior charges on movables in favour of banks) ranking pari-pasu with the charges created in favour of participating Banks and further guaranteed by Directors of the Company.
2. Term Loans from others parties are secured against respective assets financed.
3. The term loans are repayable generally over a period of three to five years after a moratorium period of one to two years in installments as per the terms of the respective agreements.

5. DEFERRED TAX LIABILITY

| | | |
|--|---------------|---------------|
| As At 1st April 2013 | 656.27 | 643.68 |
| Add : Additional adjustment for current year | 56.94 | 12.59 |
| | 713.21 | 656.27 |

The net increase during the year in the deferred tax liability ₹56.94 million (previous year increase ₹12.59 million) has been debited to the Statement of Profit & Loss.

Notes on Accounts

| | As at 31.03.2014 ₹ in million | As at 31.03.2013 ₹ in million |
|-----------------------------------|-------------------------------------|-------------------------------------|
| 6. LONG TERM PROVISIONS | | |
| Provision for Gratuity Obligation | | |
| As per last balance sheet | 87.32 | 62.24 |
| Add: Additions during the year | 26.34 | 25.08 |
| Less : Paid during the year | (25.10) | - |
| Total | 88.56 | 87.32 |

Refer Note No. 33 for detailed disclosure as per AS 15.

7. SHORT-TERM BORROWINGS

| | | |
|-----------------------------|-----------------|-----------------|
| LOANS REPAYABLE ON DEMAND | | |
| Working Capital Facilities | | |
| - From Banks (Secured) | 1,086.77 | 1,535.06 |
| Short Term Loans & Advances | | |
| - From Banks (Unsecured) | - | 200.00 |
| Total | 1,086.77 | 1,735.06 |

Working Capital Facilities from Banks are secured by 1st charge on inventories and book debts and second charge on immoveable and movable assets of the Company ranking pari passu amongst the Banks and further guaranteed by the Directors of the Company.

8. TRADE PAYABLES

| | | |
|--|-----------------|-----------------|
| Trade Payables - Micro & Small Enterprises | 110.11 | 149.16 |
| - Others | 1,410.02 | 1,509.11 |
| | 1,520.13 | 1,658.27 |

9. OTHER CURRENT LIABILITIES

| | | |
|--|-----------------|-----------------|
| Current maturities of long term debts | 426.20 | 573.91 |
| Amount payable to capital creditors | 331.67 | - |
| Interest accrued but not due on borrowings | - | 0.39 |
| Unpaid Dividends | 7.30 | 5.79 |
| Provision for expenses | 217.26 | 230.78 |
| Deposits Received | 61.20 | 59.35 |
| Advance from Customers | 96.79 | 95.87 |
| Statutory Dues Payable | 260.80 | 245.62 |
| TOTAL | 1,401.22 | 1,211.70 |

10. SHORT TERM PROVISIONS

| | | |
|---------------------------------|---------------|---------------|
| Provision for employee benefits | | |
| Unavailed leave | 61.56 | 50.93 |
| Others | | |
| Proposed Dividend | 264.54 | 220.75 |
| Provision for : | | |
| Income Taxes * | 20.10 | 42.73 |
| Tax on Dividend | 44.96 | 35.81 |
| TOTAL | 391.16 | 350.22 |

* Net of Income Tax Advances ₹574.68 million (P.Y. ₹424.05 million)

Notes on Accounts

11. TANGIBLE ASSETS

(₹ in million)

| Particulars | Gross Block | | | | Depreciation | | | | Net Block | |
|---|---------------------|-----------------|-------------------|--------------------|-------------------|-----------------|-------------------|-------------------|--------------------|--------------------|
| | As at 01.04.2013 | Additions | Sale/ Transfer | As at 31.3.2014 | Upto 31.3.2013 | For the year | Sale/ Transfer | Upto 31.3.2014 | As at 31.3.2014 | As at 31.3.2013 |
| Land : (including development expenses) | | | | | | | | | | |
| - Freehold | 81.93 | 72.25 | 0.02 | 154.16 | - | - | - | - | 154.16 | 81.93 |
| - Leasehold | 76.82 | 1.01 | - | 77.83 | 6.39 | 1.25 | - | 7.64 | 70.19 | 70.43 |
| Building : | 1,820.58 | 213.45 | 3.77 | 2,030.26 | 414.19 | 64.54 | 2.07 | 476.66 | 1,553.60 | 1,406.39 |
| Plant and machinery | 6,667.99 | 858.00 | 172.42 | 7,352.69 | 2,355.08 | 358.02 | 132.31 | 2,580.04 | 4,772.65 | 4,312.91 |
| Furniture and fixtures | 64.38 | 6.14 | 0.56 | 69.96 | 32.01 | 4.19 | 0.49 | 35.71 | 34.25 | 32.37 |
| Vehicles | 151.19 | 46.81 | 18.61 | 179.39 | 33.16 | 15.70 | 7.18 | 41.68 | 137.71 | 118.04 |
| Office equipment | 72.13 | 5.00 | 1.19 | 76.82 | 20.83 | 3.86 | 0.75 | 24.69 | 52.13 | 51.30 |
| Computers | 60.06 | 6.28 | 2.79 | 63.55 | 43.38 | 6.63 | 2.42 | 47.59 | 15.96 | 16.68 |
| Other Equipments | 118.30 | 22.03 | 0.73 | 139.60 | 82.62 | 11.36 | 0.51 | 93.47 | 46.13 | 35.68 |
| Current Year | 9,113.38 | 1,230.97 | 200.09 | 10,144.26 | 2,987.66 | 465.55 | 145.73 | 3,307.48 | 6,836.78 | 6,125.73 |
| Previous Year | 7,752.41 | 1,481.83 | 120.85 | 9,113.39 | 2,604.80 | 451.59 | 68.73 | 2,987.66 | 6,125.73 | 5,147.61 |

12. INTANGIBLE ASSETS

(₹ in million)

| Particulars | Gross Block | | | | Depreciation | | | | Net Block | |
|---------------------|---------------------|-------------|-------------------|--------------------|-------------------|-----------------|-------------------|-------------------|--------------------|--------------------|
| | As at 01.04.2013 | Additions | Sale/ Transfer | As at 31.3.2014 | Upto 31.3.2013 | For the year | Sale/ Transfer | Upto 31.3.2014 | As at 31.3.2014 | As at 31.3.2013 |
| Software | 26.46 | 9.64 | - | 36.10 | 7.15 | 4.50 | - | 11.65 | 24.45 | 19.29 |
| Goodwill | 54.66 | - | - | 54.66 | - | - | - | - | 54.66 | 54.66 |
| Current Year | 81.12 | 9.64 | - | 90.76 | 7.15 | 4.50 | - | 11.65 | 79.11 | 73.95 |
| Previous Year | 74.19 | 6.93 | 0.02 | 81.12 | 12.58 | (5.41) | 0.01 | 7.16 | 73.95 | 61.60 |

| | As at 31.03.2014 ₹ in million | As at 31.03.2013 ₹ in million |
|--|-------------------------------------|-------------------------------------|
| 13. NON CURRENT INVESTMENTS | | |
| Long Term Investments (At Cost) | | |
| (Other than trade) | | |
| Gold Coin | 0.81 | 0.81 |
| | 0.81 | 0.81 |
| Unquoted Investments | | |
| Book Value | 0.81 | 0.81 |

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

Notes on Accounts

| | As at 31.03.2014 ₹ in million | As at 31.03.2013 ₹ in million |
|--|-------------------------------------|-------------------------------------|
| 14. LONG TERM LOANS AND ADVANCES | | |
| (Unsecured Considered good, unless otherwise stated) | | |
| CAPITAL ADVANCES | 86.16 | 19.19 |
| SECURITY DEPOSITS | 111.44 | 132.29 |
| Bank deposits with more than 12 months maturity | 83.45 | 20.47 |
| ADVANCES | | |
| Advance / Share Application Money | | |
| - To Others | – | 18.00 |
| Total | 281.05 | 189.96 |

* Bank deposits held as margin money against guarantee for ₹50.71 million (Prev. Year ₹8.14 million)

| | | |
|----------------------------------|-----------------|-----------------|
| 15. INVENTORIES | | |
| (As certified by the Management) | | |
| Raw Materials | 393.78 | 345.04 |
| Work-in-Process | 80.93 | 85.47 |
| Finished Goods | 966.98 | 1,160.10 |
| Stock In Trade | 145.49 | 285.08 |
| Stores and Spares | 343.74 | 321.38 |
| | 1,930.92 | 2,197.07 |

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

| | | |
|---|-----------------|-----------------|
| 16. TRADE RECEIVABLES | | |
| (Unsecured Considered good unless otherwise stated) | | |
| a) Debts outstanding for a period exceeding six months | | |
| - Considered Good | 20.47 | 15.86 |
| - Considered Doubtful | 28.17 | 30.05 |
| Less: Provision for Doubtful Debts | 2.00 | 2.00 |
| | 26.17 | 28.05 |
| | 46.64 | 43.91 |
| b) Other Debts | | |
| - Considered Good | 1,601.84 | 1,392.37 |
| - Considered Doubtful | – | – |
| | 1,601.84 | 1,392.37 |
| | 1,648.48 | 1,436.28 |

| | | |
|---|--------------|--------------|
| 17. CASH AND BANK BALANCES | | |
| Cash & Cash Equivalents | | |
| Balance with Banks | | |
| - in current and deposit accounts* | 41.21 | 27.72 |
| Cash on hand | 10.01 | 6.49 |
| | 51.22 | 34.20 |
| Other Bank Balances | | |
| Bank deposits with more than three months maturity* | 2.50 | – |
| Unpaid dividend accounts | 7.30 | 5.79 |
| | 61.02 | 39.99 |

* Bank deposits held as margin money against guarantee for ₹7.00 million (Prev. Year ₹4.4 million)

Notes on Accounts

| | As at 31.03.2014 ₹ in million | As at 31.03.2013 ₹ in million |
|--|-------------------------------------|-------------------------------------|
| 18. SHORT TERM LOANS AND ADVANCES | | |
| (Unsecured Considered good unless otherwise stated) | | |
| Loans | | |
| - To Others | 24.01 | 25.88 |
| Advances for supply of goods and rendering of services | 305.76 | 194.90 |
| Balance With Excise Authorities | 149.01 | 89.36 |
| Advance to Gratuity Trust | 0.16 | 0.97 |
| Prepaid Expenses | 16.99 | 12.52 |
| Income Tax Advances | 8.24 | 4.99 |
| Interest Receivable | 5.59 | - |
| | 509.76 | 328.61 |

| | | |
|---|-------------|-------------|
| 19. OTHER CURRENT ASSETS | | |
| (Unsecured Considered good unless otherwise stated) | | |
| Exports Benefit Accrued | 2.85 | 4.96 |
| | 2.85 | 4.96 |

| | | |
|------------------------------------|------------------|------------------|
| 20. REVENUE FROM OPERATIONS | | |
| Sale of Products | | |
| Tiles | 20,224.93 | 17,318.45 |
| Power | 18.00 | 17.35 |
| | 20,242.93 | 17,335.80 |
| Other operating revenue | | |
| Sale of Scrap | 12.92 | 11.02 |
| | 20,255.85 | 17,346.82 |

| | | |
|-----------------------------|--------------|--------------|
| 21. OTHER INCOME | | |
| Miscellaneous Income | 19.33 | 5.11 |
| Rent Received | 1.98 | 1.86 |
| Sundry Balances Written Off | 1.72 | 2.37 |
| Interest Recovered | 8.61 | 7.68 |
| VAT Subsidy | 31.28 | 13.42 |
| | 62.92 | 30.43 |

| | | |
|---|-----------------|-----------------|
| 22. COST OF MATERIAL CONSUMED | | |
| Raw Material & Packing Material Consumed | | |
| Body Material | 1,962.29 | 1,993.65 |
| Glaze, Frits And Chemicals | 1,552.38 | 1,153.00 |
| Packing Material | 683.63 | 570.73 |
| | 4,198.30 | 3,717.38 |

Notes on Accounts

| | Year ended 31.03.2014 ₹ in million | Year ended 31.03.2013 ₹ in million |
|-----------------------------------|--|--|
| 23. CHANGES IN INVENTORIES | | |
| Stock as on 1.4.2013 | | |
| Work-in-process | 85.47 | 94.65 |
| Finished Goods | 1,160.10 | 729.27 |
| Stock In Trade | 285.08 | 472.72 |
| Stock on takeover | – | 28.02 |
| 'A' | 1,530.65 | 1,324.66 |
| Stock as on 31.03.2014 | | |
| Work-in-process | 97.49 | 85.47 |
| Finished Goods | 950.41 | 1,160.10 |
| Stock In Trade | 145.49 | 285.08 |
| 'B' | 1,193.39 | 1,530.65 |
| B - A | (337.26) | 205.99 |

24. EMPLOYEE BENEFITS EXPENSE

| | | |
|---|-----------------|-----------------|
| Salaries and wages | 1,617.57 | 1,261.33 |
| Contribution to provident and other funds | 82.38 | 76.91 |
| Staff welfare expenses | 26.43 | 25.78 |
| | 1,726.38 | 1,364.02 |

25. FINANCE COSTS

| | | |
|---|---------------|---------------|
| Interest on: | | |
| Term loans | 155.33 | 214.92 |
| Others | 199.93 | 191.82 |
| Other Borrowing costs: | | |
| Processing Fees | 16.56 | 23.56 |
| Net gain/loss in foreign currency transactions & translations | 36.40 | 23.24 |
| | 408.22 | 453.53 |

Notes on Accounts

| | Year ended 31.03.2014 ₹ in million | Year ended 31.03.2013 ₹ in million |
|--|--|--|
| 26. OTHER EXPENSES | | |
| Other Manufacturing Expenses | | |
| Stores and Spares Consumed | 600.36 | 463.16 |
| Power and Fuel | 3,716.95 | 3,065.98 |
| Excise Duty on Stocks | (24.62) | 63.67 |
| | 4,292.69 | 3,592.82 |
| Repairs & maintenance | | |
| - Building | 43.96 | 32.54 |
| - Machinery | 66.87 | 55.76 |
| - Others | 25.23 | 28.19 |
| | 136.06 | 116.49 |
| Administrative Expenses | | |
| Printing , Stationery & EDP Expenses | 11.54 | 10.76 |
| Rent, Rates & Taxes | 84.55 | 97.38 |
| Vehicle Expenses | 31.13 | 26.82 |
| Communication Expenses | 34.10 | 33.50 |
| Traveling & Conveyance Expenses | 203.00 | 188.30 |
| Insurance Charges | 18.34 | 18.21 |
| Legal & Professional Charges | 55.55 | 19.17 |
| Directors Sitting Fees | 1.00 | 3.24 |
| Auditors' Remuneration : | | |
| - As Audit Fees | 2.31 | 1.80 |
| - For Tax Audit, Certification & Tax Representations | 0.76 | 0.42 |
| - For Other matters | 1.15 | 1.16 |
| - For Reimbursement of Expenses | 0.03 | 0.22 |
| Miscellaneous Expenses | 56.27 | 70.50 |
| Share Transfer Expenses | 0.20 | 0.19 |
| Electricity & Water Charges | 15.48 | 17.13 |
| Foreign Technician Expenses | 0.87 | 0.74 |
| Bank Charges | 6.71 | 8.88 |
| | 522.99 | 498.41 |
| Selling & Distribution Expenses | | |
| Packing Freight & Forwarding Expenses | 162.07 | 144.47 |
| Advertisement, Publicity & Sales Promotion | 320.91 | 266.25 |
| Commission | 117.34 | 166.85 |
| | 600.32 | 577.57 |
| Others | | |
| Loss on Sale / Scrapping of Fixed Assets | 9.00 | 17.87 |
| Social Relief & Welfare Expenses | 0.12 | 0.05 |
| Bad Debts Written Off | 7.24 | 0.13 |
| Research & Development Expenses | 46.63 | 21.15 |
| | 62.99 | 39.20 |
| | 5,615.05 | 4,824.48 |

Notes on Accounts

| | As at 31.03.2014 ₹ in million | As at 31.03.2013 ₹ in million |
|---|-------------------------------------|-------------------------------------|
| 27. CONTINGENT LIABILITIES | | |
| (excluding matters separately dealt with in other notes): | | |
| a) In respect of bills discounted with the Company's Bankers | 37.86 | 73.72 |
| b) Counter guarantees issued in respect of guarantees issued by Company's bankers | 56.00 | Nil |
| c) In respect of Excise Duty, Sales Tax, Service Tax, Custom Duty Demands pending before various authorities and in dispute | 101.49 | 63.94 |
| d) In respect of pending income tax demands | 7.22 | – |
| In respect of Consumer Cases | 25.21 | 16.00 |
| In respect of disputed Electricity Demand pending with appellate authorities. | – | 9.41 |

28. COMMITMENTS

| | | |
|---|--------|--------|
| a) Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of advances) | 556.20 | 54.62 |
| b) Letters of Credit opened in favour of inland/overseas suppliers (Net) | 983.22 | 732.84 |

| | Value (₹ in million) | |
|--|--------------------------|--------------------------|
| | Year ended 31.03.2014 | Year ended 31.03.2013 |
| 29. PARTICULARS OF SALES & STOCKS | | |
| a) Opening Stock | | |
| Tiles | 1445.18 | 1201.99 |
| b) Purchases | | |
| Tiles | 4,294.49 | 3973.45 |
| c) Sales | | |
| Tiles (Manufactured) | 16213.82 | 13206.77 |
| Tiles (Trading) | 4011.11 | 4111.68 |
| Power | 18.00 | 17.35 |
| d) Closing Stock | | |
| Tiles | 1095.90 | 1445.18 |

30. As per policy of the Company for Directors and other senior employees the Company has, during the year, paid a sum of ₹5 million 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.

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

32. 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.

33. 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.

Notes on Accounts

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 | March 31, 2014 | March 31, 2013 |
|--|-----------------------|-----------------------|
| Net employee benefit expense (recognized in Employee cost) | ₹ in million | ₹ in million |
| Current Service cost | 15.76 | 13.83 |
| Interest cost on benefit obligation | 10 | 7.13 |
| Net actuarial loss recognised in the year | 3.82 | 6.61 |
| Past service cost | – | – |
| Expected Return on Plan Assets | (3.24) | (1.99) |
| Net benefit expense | 26.34 | 25.08 |

Balance Sheet

Details of provision for Gratuity

| | | |
|--|--------|--------|
| Fair Value of Plan Assets at the end of the period | 48.15 | 23.86 |
| Liability at the end of the period | 136.71 | 111.17 |
| Difference | 88.56 | 87.32 |
| Less: Unrecognised past service cost | NIL | NIL |
| Amount recognized in the Balance Sheet | 88.56 | 87.32 |

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

| | | |
|--|--------|--------|
| Defined benefit obligation as at April 2013 | 111.17 | 86.59 |
| Interest Cost | 10 | 7.13 |
| Current service cost | 15.76 | 13.83 |
| Benefit paid | (2.95) | (2.99) |
| Past Service Cost – Vested Benefit | – | – |
| Actuarial losses on obligation | 2.73 | 6.61 |
| Defined benefit obligation as at 31st March 2014 | 136.71 | 111.17 |

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

| | | |
|--|--------|--------|
| Fair value of plan assets as at April 1 2013 | 23.85 | 24.35 |
| Return on Plan Assets | 3.24 | 2.50 |
| Contributions by employer | 25.1 | – |
| Benefits paid | (2.95) | (3.00) |
| Actuarial Gains / (losses) | (1.09) | – |
| Fair value of plan assets as at March 31, 2014 | 48.15 | 23.85 |

| The principal assumption used in determining gratuity benefit obligations for the Company's plans are shown below: | March 31, 2014 | March 31, 2013 |
|---|-----------------------|-----------------------|
| | % | % |
| Discount rate | 9.00% | 8.25% |
| Expected rate of return on plan assets | 9.00% | 8.25% |
| Salary Escalation | 8.50% | 7.75% |
| Attrition Rate | 1% | 1% |
| Retirement Age | 60 Years | 60 Years |

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”.

Notes on Accounts

34. 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 ₹591.02 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:

| Particulars | Opening as at 1st April, 2013 (₹ million) | Charge/(credit) during the year (₹ million) | Closing as at 31st March, 2014 (₹ million) |
|-----------------------------------|---|---|--|
| Depreciation | 656.27 | 56.94 | 713.21 |
| Net Deferred Tax Liability | 656.27 | 56.94 | 713.21 |

35. Related Party Disclosures:

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

A. Relationships

I. Key Management Personnel

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

II. Relatives of Key Management Personnel

Smt. Versha Devi Kajaria

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

For Holding Company

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

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

(₹ in million)

| Related Party Transactions | Key Management Personnel & their relatives | Others |
|---------------------------------|--|------------------|
| Purchase of Fixed Asset | | |
| Kajaria Infrastructure Ltd. | - (-) | - (16.68) |
| Sale of Fixed Asset | | |
| Dua Engineering Works Pvt. Ltd. | - (-) | 0.09 - |
| Rent Paid | | |
| Dua Engineering Works Pvt. Ltd. | - (-) | 14.02 (14.02) |

Notes on Accounts

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

(₹ in million)

| Related Party Transactions | Key Management Personnel & their relatives | Others |
|---|--|------------------|
| Service Charges Paid | | |
| Dua Engineering Works Pvt. Ltd. | – (–) | 13.48 (10.79) |
| Directors' Remuneration | | |
| Sh. Ashok Kajaria | 25.89 (36.54) | – (–) |
| Sh. Chetan Kajaria | 39.40 (32.69) | – (–) |
| Sh. Rishi Kajaria | 39.40 (32.69) | – (–) |
| Sh. B. K. Sinha | 4.33 (3.94) | – (–) |
| Purchase of shares of Subsidiary | | |
| Sh. Versha Devi Kajaria | 0.01 (–) | (–) (–) |
| Sh. Chetan Kajaria | 0.01 (–) | – (–) |
| Sh. Rishi Kajaria | 0.01 (–) | – (–) |
| Donation Paid | | |
| Malti Devi Kajaria Charitable Trust | – (–) | 4.25 (2.63) |
| Security Deposit received back | | |
| Dua Engineering Works Pvt. Ltd. | – (–) | 29.00 (–) |

(Figures in brackets are for previous year)

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

| Description | Outstanding Balances (₹ million) | | Written off/Written back (₹ million) | |
|--------------------------|-------------------------------------|------------------------------|---|------------------------------|
| | As At 31st March, 2014 | As At 31st March, 2013 | As At 31st March, 2014 | As At 31st March, 2013 |
| Key Management Personnel | – | – | – | – |
| Others | – | – | – | – |

36. 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.

37. Share Warrants:

The Company had, in its EOGM dated 6th November, 2013 approved the issuance of 3885420 warrants to M/s. WestBridge Crossover Fund LLC and as per terms of issue, 25% of the total consideration, amounting to ₹250 million has been received during the year. Each warrant is convertible into one equity share of ₹2/- each at a premium of ₹255.372433 per share as per SEBI (ICDR) regulations, 2009 for Preferential issues, within one year from the date of allotment, i.e., 11th November, 2013.

Notes on Accounts

38. Research and Development expenditure incurred from 2011-12 to 2013-14:

(₹ in million)

| Particulars | 2011-12 | 2012-13 | 2013-14 |
|---------------------|---------|---------|---------|
| Capital Expenditure | 2.37 | 4.55 | 2.35 |
| Revenue Expenses | 29.75 | 21.15 | 46.63 |

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

| | Year ended 31.03.2014 | Year ended 31.03.2013 |
|---|--------------------------|--------------------------|
| Basic Earnings Per Share | | |
| Profit attributable to the Equity Shareholders – (₹ in millions) (A) | 1242.21 | 1045.12 |
| Basic /Weighted average number of Equity Shares outstanding during the year (B) | 74,356,183 | 73,583,580 |
| Nominal value of Equity Shares (₹) | 2.00 | 2.00 |
| Basic Earnings per share (₹) – (A)/(B) | 16.71 | 14.20 |
| Diluted Earnings Per Share | | |
| Profit attributable to the Equity Shareholders – as above (₹ in millions) | 1242.21 | 1045.12 |
| Interest Paid on Potential Equity Shares net of tax impact (₹ in millions) | – | – |
| Profit considered for Diluted E.P.S. (C) | 1242.21 | 1045.12 |
| Basic Weighted average number of Equity Shares outstanding during the year as above | 74,356,183 | 7,35,83,580 |
| Weighted Average Potential Equity Shares for the Year | 111,772 | – |
| Total weighted average shares considered for Diluted E.P.S. (D) | 74,467,955 | 7,35,83,580 |
| Nominal value of Equity Shares (₹) | 2.00 | 2.00 |
| Diluted Earning per share (₹)- (C)/(D) | 16.68 | 14.20 |

40. The Company has reclassified previous year figures to conform to this year's classification.

Signature to the Notes 1 to 40

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: 7th May, 2014

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. Rathnakara Hegde****Sandeep Singhal**

Directors

R. C. Rawat

Ex. Vice President (A & T) &

Company Secretary

Consolidated Cash Flow Statement for the year ended 31 March, 2014

| | Year ended 31.03.2014 ₹ in million | | Year ended 31.03.2013 ₹ in million | |
|--|--|-------------------|--|-------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| Net Profit before tax and extraordinary items | | 1,991.81 | | 1,577.15 |
| Adjusted for : | | | | |
| Depreciation | 470.00 | | 446.18 | |
| Interest Received | (8.61) | | (7.68) | |
| Interest Paid | 355.26 | | 406.73 | |
| Profit on sale of Investment | – | | – | |
| Dividend Received | – | | – | |
| Loss on sale of Fixed Assets | 9.00 | 825.65 | 17.87 | 863.10 |
| Operating Profit before Working Capital Changes | | 2,817.46 | | 2,440.25 |
| Adjusted for : | | | | |
| Trade & Other Receivables | (483.09) | | (186.62) | |
| Inventories | 266.15 | | (332.24) | |
| Trade Payable | 63.24 | (153.70) | (55.44) | (574.30) |
| Cash Generated from Operations | | 2,663.76 | | 1,865.95 |
| Interest Paid | (355.26) | | (406.73) | |
| Direct Taxes Paid | (647.25) | | (482.90) | |
| Extraordinary items | – | (1,002.51) | – | (889.63) |
| Net Cash from operating activities | | 1,661.25 | | 976.32 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| Purchase of Fixed Assets | (1,567.74) | | (1,543.33) | |
| Sale of Fixed Assets | 45.36 | | 34.26 | |
| Purchase of Investments | – | | – | |
| Interest Received | 8.61 | | 7.68 | |
| Dividend Received | – | | – | |
| Net Cash used in Investing Activities | | (1,513.77) | | (1,501.39) |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| Proceeds from Issue of Share Capital / Warrants | 753.75 | | – | |
| Proceeds from contribution by minority shareholders | 62.10 | | 169.72 | |
| Proceeds/ (Repayment) of Long Term Borrowings (Net) | (41.47) | | (24.06) | |
| Proceeds / (Repayment) of Short Term Borrowings (Net) | (648.29) | | 593.28 | |
| Dividend and Dividend Tax Paid | (256.56) | | (213.80) | |
| Net Cash used in Financing Activities | | (130.46) | | 525.14 |
| Net increase in Cash and Cash Equivalents | | 17.02 | | 0.07 |
| Cash and Cash Equivalents as on 1.4.2013 | | 34.20 | | 34.14 |
| Cash and Cash Equivalents as on 31.3.2014 | | 51.22 | | 34.20 |

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: 7th May, 2014

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. Rathnakara Hegde
Sandeep Singhal
Directors

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

Corporate Information

BOARD OF DIRECTORS

| | |
|-------------------------|--------------------------------|
| Mr. Ashok Kajaria | (Chairman & Managing Director) |
| Mr. Chetan Kajaria | (Joint Managing Director) |
| Mr. Rishi Kajaria | (Joint Managing Director) |
| Mr. B. K. Sinha | (Director-Technical) |
| Mr. Sandeep Singhal | (Independent Director) |
| 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 | Executive VP (A&T) & Company Secretary |
| Mr. Sanjeev Agarwal | Senior 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 |

STAKEHOLDERS RELATIONSHIP COMMITTEE

| | |
|--------------------|----------|
| Mr. R. R. Bagri | Chairman |
| Mr. Ashok Kajaria | Member |
| Mr. Chetan Kajaria | Member |

NOMINATION AND REMUNERATION COMMITTEE

| | |
|-------------------------|----------|
| Mr. D. P. Bagchi | Chairman |
| Mr. Ashok Kajaria | Member |
| Mr. H. Rathnakara Hegde | Member |
| Mr. R. R. Bagri | Member |

PROJECT MANAGEMENT COMMITTEE

| | |
|--------------------|----------|
| Mr. Ashok Kajaria | Chairman |
| Mr. Chetan Kajaria | Member |
| Mr. Rishi Kajaria | Member |
| Mr. R. R. Bagri | Member |

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

| | |
|--------------------|----------|
| Mr. Ashok Kajaria | Chairman |
| Mr. Chetan Kajaria | Member |
| Mr. Rishi Kajaria | Member |
| Mr. R. R. Bagri | Member |

REGISTERED OFFICE

A-27 to 30, Industrial Area, Sikandrabad
District Bulandshahr, (U.P.) 203205
Telephone 91-5735-222393, 222819
Fax No. 91-5735 222140

CIN No. L26924UP1985PLC007595

CORPORATE OFFICE

J-1 / B-1 (Extn.), Mohan Co-operative Industrial Estate,
Mathura Road, New Delhi 110044
Telephone 91-11-26946409
Fax No. 91-11-26946407

WORKS

1. A-27 to 30, Industrial Area, Sikandrabad, Distt. Bulandshahr, (U.P.) 203205.
2. 19 km Stone, Bhiwadi - Alwar Road, Village Gailpur, Distt Alwar (Rajasthan)

SUBSIDIARIES

1. M/S Soriso Ceramic Private Limited
2. M/S Jaxx Vittrified Private Limited
3. M/S Vennar Ceramics Limited
4. M/S Cosa Ceramics Private Limited
5. M/S Kajaria Sanitaryware Private Limited

AUDITORS

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

BANKERS


State Bank of India
IDBI Bank
HDFC Bank Limited
Canara Bank

REGISTRAR & SHARE TRANSFER AGENT

M/s MCS Share Transfer Agent Ltd
F-65, 1st floor, Okhla Industrial Area, Phase I, New Delhi-110020
Ph. No.: 91-11-41406149-52
Fax No.: 91-11-51709881

SHARES LISTED AT

National Stock Exchange Limited
The Bombay Stock Exchange Limited



You can lay down and die, or you can get up and fight,
but that's it - there's no turning back.

Jon English

KAJARIA CERAMICS LIMITED

CIN NO. : L26924UP1985PLC007595

Reg. Office: A-27 to 30, Industrial Area, Sikandrabad, District Bulandshahr, U.P. – 203205

Phones: +91-5735-222393, 222819 Fax: +91-5735-222140

Corp. Office : J-1/B-1 [Extn], Mohan Co-operative Industrial Estate, Mathura Road, New Delhi-110044

Phones: +91-011-26946409 Fax: +91-011-26946407

E-Mail: investors@kajariaceramics.com Web Site: <http://www.kajariaceramics.com>

NOTICE

NOTICE is hereby given that Twenty Eighth Annual General Meeting of the members of Kajaria Ceramics Ltd will be held on Friday, the 1st day of August 2014 at 12.00 Noon at the registered office of the Company situated at A-27 to 30, Industrial Area, Sikandrabad, Distt Bulandshahr (U P) - 203205, to transact the following business: -

Ordinary Business:

1. To receive, consider and adopt the standalone and consolidated financial statements which includes the Audited Balance Sheet as at March 31, 2014, the Statement of Profit and Loss for the financial year ended as on that date and the Cash Flow Statement together with the reports of the Board of Directors and Statutory Auditors thereon.
2. To declare dividend on Equity Shares for the financial year 2013-14.
3. To appoint a Director in place of Mr. Raj Kumar Bhargava (DIN : 00016949), who retire by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Debi Prasad Bagchi (DIN : 00061648), who retire by rotation and being eligible offers himself for re-appointment.
5. To appoint Statutory Auditors of the company and to fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT M/s. O.P Bagla & Co., Chartered Accountants (ICAI Registration No. 000018N) be and is hereby appointed as Statutory Auditors of the Company, to hold the office from the conclusion of this Annual General Meeting of the Company till the Conclusion of next Annual General Meeting of the Company, (but shall not exceed for more than three years i.e upto conclusion of 31st Annual General Meeting of the Company, subject to annual ratification by the members at the Annual General Meeting in accordance with the provisions of Section 139 of the Companies Act, 2013 and rules thereunder) at such remuneration as shall be fixed by the Board of Directors of the Company.”

Special Business:

6. **To Appoint Mr. Sandeep Singhal (DIN : 00040491) as an Independent Director**

To consider and, if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of section 149, 150, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and clause 49 of the Listing Agreement, as amended upto the date, Mr. Sandeep Singhal (DIN : 00040491), who was appointed as an additional director in terms of Section 161 (1) of the Companies Act, 2013 and Articles of Association of the company and who holds office upto the date of this Annual General Meeting, and in respect of whom the company has received a notice in writing under section 160 of the Companies Act 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the company, not liable to retire by rotation, to hold office for five consecutive years for a term up to the conclusion of the 33rd Annual General Meeting of the Company in the Calendar Year 2019.”

“RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution(s) the Board of Directors of the company or any officer(s) authorized by it be and is hereby authorized to do all such acts, deeds and things as it may in its absolute discretion thinks necessary and desirable.”

7. **To Appoint Mr. Raj Kumar Bhargava (DIN : 00016949) as an Independent Director**

To consider and, if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of section 149, 150, 152 read with Schedule IV and any other applicable provisions of the Companies Act, 2013 including any statutory modification(s) or re-enactment thereof for the time being in force and Companies (Appointment and Qualification of Directors) Rules, 2014 and clause 49 of the Listing Agreement, as

amended upto the date, Mr. Raj Kumar Bhargava (DIN : 00016949), Director of the Company, who retire by rotation at this Annual General Meeting and in respect of whom the company has received a notice in writing under section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company, not liable to retire by rotation, to hold office, for five consecutive years for a term up to the conclusion of the 33rd Annual General Meeting of the Company in the Calendar Year 2019.”

“**RESOLVED FURTHER THAT** for the purpose of giving effect to the above resolution(s) the Board of Directors of the company or any officer(s) authorized by it be and is hereby authorized to do all such acts, deeds and things as it may in its absolute discretion thinks necessary and desirable.”

8. **To Appoint Mr. Debi Prasad Bagchi (DIN : 00061648) as an Independent Director**

To consider and, if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

“**RESOLVED THAT** pursuant to the provisions of section 149, 150, 152 read with Schedule IV and any other applicable provisions of the Companies Act, 2013 including any statutory modification(s) or re-enactment thereof for the time being in force and Companies (Appointment and Qualification of Directors) Rules, 2014 and clause 49 of the Listing Agreement, as amended upto the date, Mr. Debi Prasad Bagchi (DIN : 00061648), Director of the Company, who retire by rotation at the Annual General Meeting, be and is hereby appointed as an Independent Director of the Company to hold office, for five consecutive years for a term up to the conclusion of the 33rd Annual General Meeting of the Company in the Calendar Year 2019.”

“**RESOLVED FURTHER THAT** for the purpose of giving effect to the above resolution(s) the Board of Directors of the company or any officer(s) authorized by it be and is hereby authorized to do all such acts, deeds and things as it may in its absolute discretion thinks necessary and desirable.”

9. **To Approve Remuneration of Cost Auditor for the financial year ending 31st March 2015**

To consider and, if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

“**RESOLVED THAT** pursuant to the provisions of Section 148 and other applicable provisions of the Companies Act, 2013, if any, and Companies (Audit and Auditors) Rules 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), M/s G.T & Company, the Cost Auditor (REGN No: 000253), appointed by the Board of Directors of the Company to conduct the audit of the Cost Records of the Company for the financial year ending March 31, 2015, be paid the remuneration as set out in the explanatory statement annexed to the Notice convening this meeting.”

“**RESOLVED FURTHER THAT** the Board of Directors of the Company or any officer(s) authorized by it, be and is hereby authorized to do all such acts, deeds and things and to take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

By Order of the Board
For Kajaria Ceramics Ltd

Dated: 07.05.2014
Place: New Delhi

R. C. Rawat
Executive VP (A&T) & Co. Secretary

NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON POLL INSTEAD OF HIMSELF/ HERSELF AND THE PROXY SO APPOINTED NEED NOT BE A MEMBER OF THE COMPANY. A PROXY IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING. A PROXY SO APPOINTED SHALL NOT HAVE ANY RIGHT TO SPEAK AT THE MEETING.**

A PERSON CAN ACT AS PROXY ON BEHALF OF THE MEMBERS NOT EXCEEDING FIFTY (50) AND HOLDING IN AGGREGATE NOT MORE THAN 10% OF THE TOTAL SHARE CAPITAL OF THE COMPANY, CARRYING VOTING RIGHTS. A MEMBER HOLDING MORE THAN 10% OF THE TOTAL SHARE CAPITAL OF THE COMPANY CARRYING VOTING RIGHTS MAY APPOINT SINGLE PERSON AS PROXY AND SUCH PERSON SHALL NOT ACT AS PROXY FOR ANY OTHER PERSON OR SHAREHOLDER.

2. Corporate Members intending to send their authorized representatives to attend the Meeting are requested to send to the Company a Certified True Copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the meeting.

3. Members/Proxies are requested to bring the duly completed and signed Attendance slip along with their copies of Annual Report at the Meeting.
4. In case of joint holders attending the Meeting, only such joint holders who is higher in the order of name will be entitled to vote.
5. Members holding shares in single name and physical form are advised to make nomination in respect of their shareholding in the Company. The nomination form has been available at the company's website.
6. Members holding shares in physical form are requested to notify/send the following to the Registrar & Share Transfer Agent of the Company i.e M/s MCS Share Transfer Agent Limited, F-65, Okhla Industrial Area, Phase-1, New Delhi 110020: -
 - i) any change in their mailing address;
 - ii) particulars of their bank account & e-mail ids in case the same have not been sent earlier.
 - iii) Members having multiple folios in identical names or joint holding in the same order of names are requested to send the share certificate for consolidation into single folio.

Further, please note that Members holding equity shares in electronic form are requested to contact for updation required in address, e-mail ids, bank details, bank mandate, ECS mandate, power of attorney and also requests for registration of nomination are to be intimated to their Depository Participant with whom they are maintaining the demat accounts.

7. The relevant Explanatory Statement pursuant to section 102 (1) of the Companies Act, 2013, in respect of Special Business at the meeting, is annexed hereto and forms part of this notice.
8. All documents referred to in the accompanying notice and the explanatory statement, are open for inspection at the registered office of the Company during office hours from 10 A.M. upto 5 P.M. The Register of Directors' and Key Managerial Personnel and their shareholding maintained under section 170 of the Companies Act, 2013, the Register of Contracts or arrangements in which Directors are interested under section 189 of the Companies Act, 2013 will be available for inspection at the Annual General Meeting.
9. Brief resume and other particulars as required under clause 49 of the Listing Agreement with stock exchanges, of Mr. Sandeep Singhal, Mr. Raj Kumar Bhargava and Mr. Debi Prasad Bagchi are enclosed herewith.
10. The Registers of members and the share transfer books of the company will remain closed from 21st July 2014 to 1st August 2014 (both days inclusive) for the purpose of final dividend for the financial year ended March 31, 2014.
11. The dividend, if approved by the members at the Annual General Meeting will be paid to those members
 - a) whose names are appearing on the Register of Members of the Company as on 1st August, 2014, after giving effect to all the valid transfers in physical forms lodged with the Company and its Registrar and Share Transfer Agent on or before 19th July, 2014.
 - b) In respect of the members whose shares are held in electronic form, the dividend will be paid to those beneficial owners as per details furnished by the depositories at the close of business hours on 19th July, 2014.
12. Members, who have not encashed their dividend warrant for the financial year ended 31st March, 2007 and/or the dividend warrants issued after 1st April, 2007 or any subsequent financial year so far, are requested to make their claim to the Secretarial Department / Share Transfer Agent of the company or send an email to investors@kajariaceramics.com. However, all the unclaimed dividend pertaining to the financial years before the financial year ended on 31st March 2006 have been transferred to the Investor Education and Protection Fund as per the provision of Sec. 205A of the Companies Act, 1956.
13. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in the securities market. However, the members having their shareholding in the Demat form are requested to provide their PAN details to their respective DPs and those who have in physical mode are requested to provide their PAN details to the company or its registrar.
14. (a) The Electronic copy of the Annual Report for the financial year ending 31st March, 2014 is being sent to all the members whose email ID are registered with the Company/Depository Participant(s).
- (b) We propose to send all future communication in electronic mode to the email address provided by you. **So, all the shareholders whose email –id is not registered with us are requested to register their email-id with DP / Registrar / Company, so that your company can contribute to the safety of environment.**
- (c) For members who have not registered their email address, physical copies of the Annual report for the year ending 31st March, 2014 is being sent in the permitted mode and the same is placed on the website of the company viz. www.kajariaceramics.com.

15. The businesses as set out in the Notice may be transacted through electronic voting system and the Company will provide a facility for voting by electronic means. In compliance with the provisions of section 108 of the Companies Act, 2013 read with Rule 20 of the companies (Management and Administration) Rules, 2014, the company is pleased to offer the facility of the voting through electronic means, as an alternate, to all its members to enable them to cast their votes electronically instead of casting their vote at the meeting.

The procedure and instructions for e-voting are as follows:

INSTRUCTIONS FOR E-VOTING

- i. Members are requested to follow the instructions below to cast their vote through e-voting:
- Launch the internet browser by typing the following <https://www.evoting.nsdl.com>.
 - Click on "Shareholder-Login":
 - Enter your user ID and Password (as mentioned in the Attendance slip) as the initial password and Click login. If you are already registered with NSDL for e-voting then you can use your existing User ID and Password for Login.
 - If you are logging in for the first time, Password Change Menu appears. Change the Password of your choice with minimum 8 digits / characters or a combination thereof. Please note the new Password for all the future e-voting cycles offered on NSDL e-voting Platform. It is strongly recommended not to share your Password with any other person and take utmost care to keep your Password confidential.
 - Home page of "e-voting" opens. Click on "e-voting": Active Voting Cycles.
 - Select "EVEN (E-Voting Event Number)" of **Kajaria Ceramics Limited** (as mentioned in the Attendance slip). For EVEN, you can login any number of times on e-voting platform of NSDL till you have voted on the resolution during the voting period.
 - Now you are ready for "e-voting" as "Cast Vote" Page opens.
 - Cast your vote by selecting appropriate option and click "Submit" and also "Confirm" when prompted. Kindly note that vote once cast cannot be modified.
 - Institutional members (i.e. members other than individuals, HUF, NRIs, etc.) are also required to send scanned copy (PDF/JPG format) of the relevant Board resolution / authority letter, etc. together with the attested specimen signature(s) of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through email at : chetan.gupta@apac.in with a copy marked to evoting@nsdl.co.in.
 - Once the vote on a resolution is cast by the shareholder, it shall not be allowed to change it subsequently.
 - In case of any queries you may refer the Frequently Asked Questions (FAQs) for members and e-voting user manual for members available at the "downloads" section of <https://www.evoting.nsdl.com> or contact NSDL by email at evoting@nsdl.co.in
- ii.) Members can cast their vote online from 23rd July 2014 at 10:00 AM to 25th July 2014 upto 6:00 P.M.
16. The scrutinizer shall within a period not exceeding three (3) working days from the conclusion of the e-voting period, unblock the votes in the presence of at least two witnesses, not in the employment of the company and make a scrutinizer report of the votes cast in favour or against, if any, forthwith to the chairman of the company. The result of the e-voting shall be posted on the website of the Company within two days of passing of the resolutions at the AGM of the Company.
17. Members desirous of getting any information about the accounts and operations of the Company are requested to address their queries to the Company Secretary at the Corporate Office of the Company at J-1/B-1(Extn), Mohan Co-operative Industrial Estate, Mathura road, New Delhi-110044, 10 days before the meeting enabling the Management to keep the information ready.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 (1) OF THE COMPANIES ACT, 2013.

ITEM NO. 6

Mr. Sandeep Singhal (DIN : 00040491) was appointed as an additional director w.e.f 8th October 2013 by the Board. He is a co-founder and Managing Director of WestBridge Capital India. Prior to that he was also a co-founder and Managing Director of Sequoia Capital India and has 18 years of work experience that includes 13 years of investing and 5 years of operating/ consulting experience in India. Mr. Sandeep Singhal received an MBA with distinction from IIM, Ahmedabad, an MS in Molecular Simulation from University of Illinois where he was granted the Abraham Lincoln Fellowship and a B.Tech from IIT, Delhi in Chemical Engineering. He started his career with Hindustan Unilever Limited, where he headed new product development for SURF and RIN, two of their largest consumer franchisees. Mr. Sandeep Singhal has also served on the Boards of several private and public limited companies.

Mr. Sandeep Singhal has joined the Board of the company as an additional Director of the company as per section 161(1) and other applicable provisions, if any of the Companies Act, 2013 read with rules made thereunder and in pursuance to the Articles of Association of the company and would hold office up to the date of this ensuing Annual General Meeting.

The Company has received a notice in writing from a member along with a deposit of the requisite amount under section 160 of the Companies Act, 2013 proposing the Candidature of Mr. Sandeep Singhal for the Office of Director of the Company.

Mr. Sandeep Singhal is not disqualified from being appointed as a Director in terms of Section 164 and also meets the criteria of independence as prescribed under section 149(6) of the Companies Act, 2013 and has given his consent to act as a Director.

In the opinion of the Board, Mr. Sandeep Singhal fulfills the conditions specified in the Companies Act, 2013 and clause 49 of the Listing Agreement for appointment as an Independent Director.

Keeping in view of his vast experience and knowledge, It is proposed to appoint him as an Independent Director of the company for a period of 5 (five) consecutive years upto conclusion of the 33rd Annual General Meeting of the Company in the Calendar Year 2019 as per provisions of section 149 of the Companies Act, 2013 and he shall not be included in the total number of Directors for retirement by rotation.

Accordingly, the Board recommends the resolution in relation to the appointment of Mr. Sandeep Singhal as an Independent Director, for the approval by the shareholders of the company.

Copy of the draft letter of appointment of Mr. Sandeep Singhal as an Independent Director setting out the terms and conditions is available for inspection by the members at the Registered Office of the Company and is also available on the website of the Company i.e www.kajariaceramics.com.

Save and except Mr. Sandeep Singhal, being an appointee, none of the Directors and Key Managerial personnel of the company and their relatives is concerned or interested, financial or otherwise, in the resolution set out in item No. 6.

ITEM NO. 7

Mr. Raj Kumar Bhargava (DIN : 00016949), a retired IAS officer, is BA (Hons) and M.A. During his tenure with the Government of India, he served as an 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. Raj Kumar Bhargava joined the Board of the company on 9th November, 1998 as an Independent Director, liable to retire by Rotation at this Annual General Meeting.

In accordance with the relevant provisions of the Articles of Association of the Company and the erstwhile provisions of the Companies Act, 1956, Mr. Raj Kumar Bhargava was re-appointed on 13th July 2012.

The provisions of the Companies Act, 2013 with respect to the appointment and tenure of the Independent Directors have come into effect. The Board of Directors of the Company has decided to adopt the provisions with respect to the appointment and tenure of the Independent Directors which is consistent with the Companies Act, 2013 and the amended listing agreement. The transition to the Companies Act, 2013 will be managed by appointing Mr. Raj Kumar Bhargava as an Independent Director for a period of 5 (five) consecutive years for a term up to the conclusion of the 33rd Annual General Meeting of the Company in the Calendar Year 2019. He shall not be included in the total number of Directors for retirement by rotation.

The Company has received a notice in writing from a member along with a deposit of the requisite amount under section 160 of the Companies Act, 2013 proposing the Candidature of Mr. Raj Kumar Bhargava for the Office of Director of the Company.

In the opinion of the Board, Mr. Raj Kumar Bhargava fulfills the conditions specified in the Companies Act, 2013 for such an appointment and is not disqualified from being appointed as a Director in terms of Section 164 of the Companies Act, 2013 and has given his consent to act as Director. He also meets the criteria of independence as prescribed under section 149(6) of the Companies Act, 2013 and Listing agreement.

The Board considers that his continued association would be of immense benefit to the company and it is desirable to continue to avail his services on the Board of the Company. Accordingly, the Board recommends the resolution in relation to the appointment of Mr. Raj Kumar Bhargava as an Independent Director, for the approval by the shareholders of the company.

Copy of the draft letter of appointment of Mr. Raj Kumar Bhargava as an Independent Director setting out the terms and conditions is available for inspection by the members at the Registered Office of the Company and is also available on the website of the Company i.e www.kajariaceramics.com.

Except Mr. Raj Kumar Bhargava, being an appointee, none of the Directors and Key Managerial personnel of the company and their relatives is concerned or interested, financial or otherwise, in the resolution set out in item No. 7.

ITEM No. 8

Mr. Debi Prasad Bagchi (DIN : 00061648), retired IAS officer, is M.A (Economics) and M. Phil in Public Administration. During his tenure with Government of India, he served as Secretary to the Government of India. He was also Chief Secretary to the Govt. 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 joined the Board of the company on 29th June, 2007 as an Independent Director, liable to retire by Rotation at this Annual General Meeting.

In accordance with the relevant provisions of the Articles of Association of the Company and the erstwhile provisions of the Companies Act, 1956, Mr. Debi Prasad Bagchi was re-appointed on 13th July 2012.

The provisions of the Companies Act, 2013 with respect to the appointment and tenure of the Independent Directors have come into effect. The Board of Directors of the Company has decided to adopt the provisions with respect to the appointment and tenure of the Independent Directors which is consistent with the Companies Act, 2013 and the amended listing agreement. The transition to the Companies Act, 2013 will be managed by appointing Mr. Debi Prasad Bagchi as an Independent Director for a period of 5 (five) consecutive years for a term up to the conclusion of the 33rd Annual General Meeting of the Company in the Calendar Year 2019. He shall not be included in the total number of Directors for retirement by rotation.

The Company has received a notice in writing from a member along with a deposit of the requisite amount under section 160 of the Companies Act, 2013 proposing the Candidature of Mr. Debi Prasad Bagchi for the Office of Director of the Company.

In the opinion of the Board, Mr. Debi Prasad Bagchi fulfills the conditions specified in the Companies Act, 2013 for such an appointment and is not disqualified from being appointed as a Director in terms of Section 164 of the Companies Act, 2013 and has given his consent to act as Director. He also meets the criteria of independence as prescribed under section 149(6) of the Companies Act, 2013 and Listing agreement.

The Board considers that his continued association would be of immense benefit to the company and it is desirable to continue to avail his services on the Board of the Company. Accordingly, the Board recommends the resolution in relation to the appointment of Mr. Debi Prasad Bagchi as an Independent Director, for the approval by the shareholders of the company.

Copy of the draft letter of appointment of Mr. Debi Prasad Bagchi as Independent Director setting out the terms and conditions is available for inspection by the members at the Registered Office of the Company and is also available on the website of the Company i.e www.kajariaceramics.com.

Except Mr. Debi Prasad Bagchi, being an appointee, none of the Directors and Key Managerial personnel of the company and their relatives is concerned or interested, financial or otherwise, in the resolution set out in item No. 8.

ITEM NO. 9

The Board on recommendation of Audit Committee, has approved the appointment and remuneration of M/s G.T & Co., Cost Auditors (REGN: 000253) to conduct the audit of the Cost records of the Company for the financial year ending March 31st, 2015 on the remuneration of Rs.1,30,000 plus Service Tax and out of pocket expenses. The consent to act as the Cost Auditor of the Company and Certificate for independence and Arm's Length relationship with the Company has been obtained.

In accordance with the Provisions of Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 the remuneration payable to the Cost Auditors has to be ratified by the shareholders of the Company.

Accordingly the consent of the members is sought for passing Ordinary resolution as set out at Item No. 9 of the notice for ratification of remuneration payable to the Cost Auditors for the financial year ending March 31st, 2015.

Copy of the consent to act as the Cost Auditor and Certificate of independence and Arm's Length relationship is available for inspection by the members at the Registered Office of the Company.

None of the Directors and Key managerial personnel of the company and their respective relatives is concerned or interested, financial or otherwise, in passing of the resolution set out in item No. 9.

By Order of the Board
For Kajaria Ceramics Ltd

Date : 07.05.2014
Place: New Delhi

R. C. Rawat
Executive VP (A&T) & Co. Secretary

Details of the Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting
(in pursuance of Clause 49 of the Listing Agreement)

| | | | |
|---|--|---|---|
| Name of Directors | Mr. Sandeep Singhal | Mr. Raj Kumar Bhargava | Mr. Debi Prasad Bagchi |
| DIN No. | 00040491 | 00016949 | 00061648 |
| Date of Birth | 31/12/1969 | 26/10/1935 | 21/10/1942 |
| Date of Appointment | 8 th Oct 2013 | 9 th Nov. 1998 | 29 th June 2007 |
| Qualification | M.B.A form IIM Ahmedabad, B.tech From IIT from Delhi Chemical Engineering & MS in Molecular Simulation from University of Illinois. | IAS officer, B.A (Hon.) and M.A | IAS officer, M.A (Economics) & M. Phil in public Administration. |
| Experience in specific | He is a co-founder and managing director of the Westbridge Capital India and Sequioa Capital India and 18 years of Work experience that includes 13 years on investing and 5 years of Operating/consulting experience in india. He started with Hindustan Unilever Limited, heads New product developments for SURF and RIN. | He served as industry Secretary, finance Secretary, irrigation & Power Secretary and Chief Secretary in U.P. He Served as Jt. secretary Petroleum to Govt. of india, Jt. Secretary industries, Secretary Home and Secretary Urban Development. He has wide experience in industry, finance and infrastructure. | He served as Secretary to te Govt. of India, he was also chief secretary to Govt. of Orissa, is also serving the Board of Directors of the other companies of different business He has a rich experience in general administration, management strategy, government industry, relationship and corporate governance. |
| Directorship held in other Public Companies | (i) DFM Foods Limited. | (i) Duncan's Limited (ii) H.B Portfolio Limited (iii) Asian Hotels Limited (West) (iv) Noida Toll Bridge Company Limited. | (i) TK International Limited (ii) Visa Steel Ltd (iii) Mideast Integrated Steels Limited (iv) Nilachal Ispat Nigam Ltd (v) Jindal India Thermal Power Ltd (vi) Ind Barath Power Infra Ltd. (vii) Green Valley Energy Ventures Ltd. |
| Chairman/Members of the Committee of the Board of Directors of the Company | N.A | (i) Chairman of Audit Committee | N.A |
| Chairman/Members of the Committee of the Board of Directors of other Public Companies | N.A | (i) Chairman of Audit Committee and Investor Grievance Committee in Noida Toll Bridge Company Limited. (ii) Chairman of Audit Committee and Member of Share Transfer Committee in Asian Hotels Limited (West) (iii) Member of Audit committee and Share Transfer Committee in Duncan's Limited (iv) Chairman in Audit Committee and Member of Shareholders Committee in H.B. Portfolio Limited | (i) Member of Audit committee in T.K International Ltd (ii) Member of Audit Committee in Visa Steel Ltd. (iii) Chairman of Audit committee in Nilachal Ispat Nigam Ltd (iv) Member of Audit Committee in Mideast Integrated Steels Ltd (v) Member of Audit Committee in Jindal India Thermal Power Ltd |
| Shareholding as on 31 st March 2014 (No.of equity shares) | NIL | 6296 Equity Shares | NIL |

KAJARIA CERAMICS LIMITED

CIN: L26924UP1985PLC007595
Regd. Office: A-27 to 30, Industrial Area, Sikandrabad, District Bulandshahr, U.P.-203205
Tel No. :+91-5735-222393, 222819 ; Fax No. +91-5735-222140
Email: investors@kajariaceramics.com ; Website: www.kajariaceramics.com

ATTENDANCE SLIP

28TH ANNUAL GENERAL MEETING

I/we hereby record my/our presence at the 28th Annual general Meeting of the company held on 1st August, 2014 at 12:00 Noon, at the registered office of the company situated A- 27 to 30, Industrial Area, Sikandrabad, District Bulandshahr, U.P – 203205.

| | | | |
|-----------|--|----------------------|--|
| DP ID | | Master Folio No. | |
| Client ID | | No. of Share(s) held | |

NAME OF THE SHAREHOLDER..... (Signature)

NAME OF THE PROXY..... (IN BLOCK LETTERS) (Signature)

Note:

1. Please fill the Attendance Slip and hand it over at the Attendance Verification Counter at the ENTRANCE OF THE MEETING

E-VOTING PARTICULARS

ELECTRONIC VOTING PARTICULARS

| EVEN (E-Voting Event Number) | USER ID | PASSWORD / PIN |
|------------------------------|---------|----------------|
| | | |

Member's Folio/DP ID-Client ID No.
(to be filled by the member)

Member's/ Proxy's Name in Block Letters
(to be filled by the member)

Member's/ Proxy's Signature
(to be filled by the member/proxy)

KAJARIA CERAMICS LIMITED

CIN: L26924UP1985PLC007595
Regd. Office: A-27 to 30, Industrial Area, Sikandrabad, District Bulandshahr, U.P.-203205
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Email: investors@kajariaceramics.com ; Website: www.kajariaceramics.com

PROXY FORM

28TH ANNUAL GENERAL MEETING

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

| | | | |
|-----------|--|----------------------|--|
| DP ID | | Master Folio No. | |
| Client ID | | No. of Share(s) held | |

I/We.....R/o.....having email id....., being the member(s) and having.....shares of the above named company, hereby appoint..... R/o..... having email id.....or failing him/her.....R/o..... having email id..... or failing him/her..... R/o.....having email id..... as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 28th Annual General Meeting of the company, to be held on the 1st day of August 2014 at 12:00 Noon at registered office of the company situated at A-27 to 30, Industrial Area, Sikandrabad, District Bulandshahr, U.P.-203205 and at any adjournment thereof in respect of such resolutions as are indicated below:

1. To receive, consider and adopt standalone and consolidated financial statements for the year ended 31st March, 2014.
2. To declare Dividend for the financial year 2013-14
3. To appoint a Director in place of Mr. Raj Kumar Bhargava, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Debi Prasad Bagchi, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Statutory Auditors and fix their remuneration.
6. To appoint Mr. Sandeep Singhal as an Independent Director.
7. To appoint Mr. Raj Kumar Bhargava as an Independent Director.
8. To appoint Mr. Debi Prasad Bagchi as an Independent Director.
9. To approve remuneration of the Cost Auditor.

Signed this..... day of..... 2014

Signature of the Shareholder: _____

Signature of Proxy holder(s) : _____

Please
Affix
Revenue
Stamp

Note: This Form of Proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.