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# 17<sup>th</sup>

## ANNUAL REPORT

### 2002-2003



**Bell**

CERAMICS LIMITED

Wall & Floor Tiles

[www.bellceramic.com](http://www.bellceramic.com)



*Healthy & Happy Homes*



## National Recognition For Export



Report  junction.com



**Mr. K. M. Pai**  
**Chief Operating Officer,**  
**Bell Ceramics Limited**  
**receiving**  
**the National Award for**  
**Outstanding Export**  
**Performance.**



**BOARD OF DIRECTORS**

Mr. Lalit Bhasin	Chairman
Mr. S. K. Jatia	Vice-Chairman
Mr. R. K. Jatia	
Mr. G. R. Divan	
Mr. N. K. Ahuja	
Mr. N. C. Mehta	
Mr. P. Ojha	Nominee Director
Mr. Ramesh Jatia	Managing Director

**CHIEF OPERATING OFFICER**

Mr. K. M. Pai

**VICE PRESIDENT (CA) & COMPANY SECRETARY**

Mr. S. R. Vyas

**BANKERS**

Bank of India  
 Bank of Bahrain and Kuwait  
 Hongkong and Shanghai Banking Corporation

**AUDITORS**

M/s. R. P. Malhan & Co.  
 Chartered Accountants  
 IA & C, Vandhana Building,  
 11, Tolstoy Marg,  
 New Delhi - 110 001

**REGISTERED OFFICE**

Village Dora, Taluka Amod,  
 Dist. Bharuch, Gujarat.

**WORKS**

1. Village Dora, Taluka Amod,  
Dist. Bharuch, Gujarat.
2. Village Chokkahalli,  
Taluka Hoskote, Rural Bangalore,  
Karnataka.

**REGISTRAR & SHARE TRANSFER AGENT**

M/s. MCS Limited  
 Neelam Apartment, 88, Sampatrao Colony,  
 Behind Federation Building,  
 Alkapuri, Vadodara - 390 007.

**MANAGEMENT TEAM**

Mr. A. N. Rangaswamy	- Vice President (Sales & Marketing)
Mr. S. Vijaykumar	- D.G.M. (Operations)
Mr. A. N. Markande	- D.G.M. (Operations)
Mr. C. S. Murthy	- A.G.M. (Production)
Mr. Sunil Mehra	- A.G.M. (Maintenance)
Mr. G. P. Zala	- A.G.M. (Finance & Accounts)

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## NOTICE

NOTICE is hereby given that the Seventeenth Annual General Meeting of the Members of Bell Ceramics Limited will be held on Saturday, the 27<sup>th</sup> September, 2003 at 12.00 noon at the Registered Office of the Company at Village Dora, Taluka Amod, District Bharuch, Gujarat to transact the following business.

### ORDINARY BUSINESS:

- 1> To receive, consider, approve and adopt the audited Balance Sheet as at 31<sup>st</sup> March, 2003, the Profit and Loss Account for the period ended on that date and the Directors' and Auditors' Report thereon.
- 2> To appoint a Director in place of Shri Lalit Bhasin who retires by rotation and being eligible offers himself for re-appointment.
- 3> To appoint a Director in place of Shri R.K. Jatia who retires by rotation and being eligible offers himself for re-appointment.
- 4> To appoint a Director in place of Shri N.C. Mehta who retires by rotation and being eligible offers himself for re-appointment.
- 5> To appoint auditors and to fix their remuneration.

### SPECIAL BUSINESS:

To consider and if thought fit to pass the following resolutions with or without modifications.

#### Item No.6 – SPECIAL RESOLUTION:

"RESOLVED THAT the Company do apply for Voluntary delisting of the Equity Shares of the Company from the Stock Exchanges at Vadodara, Ahmedabad and New Delhi subject to the Equity Shares of the Company remaining listed in a Stock Exchange having nationwide trading terminals as referred to the Securities and Exchange Board of India (Delisting of Securities) Guideline 2003 and further subject to other compliance, clearances as mandated under the said Guidelines."

#### Item No.7 – SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to Section 163 of the Companies Act, 1956 (the Act), the Company hereby approves that the Register of Members, Index to the Register of Members, Register and Index of Debenture-holders and copies of Annual Report prepared under section 159 of the Act, together with copies of the certificates and documents required to be annexed thereto or any one or more of them be kept either at the Registered Office of the Company or at the office of M/s. MCS Limited, Neelam Apartment, 88, Sampatrao Colony, Alkapuri, Vadodara 390 007 (Registrar and Transfer Agent) as may be decided by the Board of Directors from time to time."

"RESOLVED FURTHER THAT the aforesaid Registers, Index, Returns and copies of certificates and other documents shall except when the Register of Members or Debenture holders is closed under the provisions of the Act, be open to inspection of any shareholder, debenture holder or any other person on

payment of such fee, if any, as is permissible under the Act, on any working day (except Sundays) between 11AM to 1PM at the Registered Office of the Company or at the office of the Registrar and transfer agent as the case may be."

#### Item No: 8 –SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to the provisions of Section 78,100 and other applicable provisions, if any of the Companies Act, 1956, Article 54 of the Articles of Association of the Company and subject to the confirmation of the National Company Law Tribunal/ High Court and/or any other regulatory authority as may be prescribed under the provisions of applicable laws, the consent of the company be and is hereby accorded to apply an amount of Rs.2019.44 lacs out of the balance stands in the Share Premium Account in the books of account as at 31.03.2003 to reduce the debit balance of Rs. 2586.56 lacs by Rs 2019.44 lacs in the Profit & Loss account of the Company as at 31.03.2003."

"RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution and for removal of any difficulties or doubts, the Board of Directors of the Company (which shall deem to include any Committee thereof or any other person who may be nominated/authorised to exercise its powers, including the powers conferred under the Resolution) be and is hereby authorised to do all such acts deeds, matters and things as may in its absolute discretion deem necessary, expedient usual or proper and to settle any question, difficulty, that may arise with regard to application/ utilisation adjustment of the Share Premium Account including passing of such accounting entries and/or making such adjustments in the books of accounts as considered necessary to give effect to this resolution or to carry out modifications/ directions as may be ordered by the National Company Law Tribunal/ High Court and/or any other regulatory authority as may be applicable to implement these resolution."

#### Item No.9 – ORDINARY RESOLUTION

"RESOLVED THAT in accordance with the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 and further subject to such other approvals as may be necessary, the consent of the Company be and is hereby accorded to the Board of Directors of the Company to mortgage and/or charge all the immovable and movable properties of the Company, wherever situate, both present and future or the whole or substantially the whole of the undertaking or undertakings of the Company:

On the first charge basis in favour of :-

(a) Bank of Bahrain & Kuwait B.S.C. (BBK) for the Deferred Payment Guarantee (DPG) facility for an aggregate amount in Euro Currency equivalent to Rs.700 lacs (Rupees Seven Hundred Lacs only) at the time of issue of DPGs and

(b) any of the Banks/Financial Institutions for the proposed short term loan not exceeding Rs.300 lacs to part finance the expansion of the Hoskote Plant and

On the second charge basis in favour of Small Industries Development Bank of India (SIDBI) for their Bills Discounting





Facilities for an amount aggregating Rs. 50 lacs,

together with interest, commission, costs, charges, expenses and any other money payable by the Company to the Banks/ Institutions as above towards the financial assistance granted/ to be granted by them to the Company.

"RESOLVED FURTHER THAT the mortgage and/or charge so created on the first charge/second charge basis shall be pari passu with the existing 1st charges/second charges respectively created in favour of institutions/banks".

"RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution the Board of Directors of the Company be and is hereby authorised to make and/or agree to any modifications in the terms and conditions and to settle or resolve any question or difficulty or matter of interpretation of whatsoever nature as they consider necessary, expedient, usual or proper or otherwise in the best interest of the Company.

Regd. Office:  
Village Dora, Taluka Amod  
District Bharuch, Gujarat  
Date: 28.06.2003

By Order of the Board  
**S.R. Vyas**  
Vice President  
(Corporate Affairs)  
& Company Secretary

both physical and electronic/demat shares to a single point (i.e. either in-house by the Company or by a SEBI registered Registrar and Transfer Agent), the Company has appointed M/s. MCS Ltd, Neelam Apartment, 88, Sampatrao Colony, Alkapuri, Vadodara 390 007 as Registrar and Transfer Agent to also handle share registry work in respect of shares held in physical form. The said Agent is already handling registry work in respect of shares held in electronic/demat form.

8. Pursuant to Section 109A of the Companies Act, 1956, shareholders holding shares in electronic/demat form may file nomination in the prescribed Form 2B (in duplicate with the respective Depository Participant and in respect of shares held in physical form, such nomination may be filed with the Company's Registrar and Transfer Agent.
9. Members are requested to bring their copy of the Annual Report to the Annual General Meeting.
10. In respect of item 2, 3 and 4 of the Notice relating to re-election of Directors, Members may refer to the particulars of the Director and the number of Companies in which the Director holds office as Director, as furnished in the Directors' Report.

#### NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOITE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Explanatory statement pursuant to Section 173 of the Companies Act, 1956, in respect of special business is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 16<sup>th</sup> August, 2003 to 22<sup>nd</sup> August, 2003 (both days inclusive)
4. The Company has admitted its Equity Shares in the Depository System of National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDS) and has offered investors the facility to hold shares in electronic/demat form and to carry out script-less trading of these shares.
5. The shares of the Company are mandated by the Securities and Exchange Board of India (SEBI) for trading in demat form by all investors.
6. Shareholders are requested to get their signatures verified and attested by their Bankers before submitting dematerialization request to their Depository Participants (DPs) to avoid Demat Request being rejected by the Registrars and Transfer Agents due to difference in signature. This is with a view to expedite the process of dematerialization of Shares.
7. Based on the directives issued by SEBI requiring the Company to transfer the share registry work in respect of

#### Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956:

##### Item No.6

The Equity Shares of the Company are listed with the Stock Exchange at Mumbai, Vadodara, Ahmedabad, New Delhi and with the National Stock Exchange of India Ltd.

Pursuant to the Securities and Exchange Board of India (De-listing of Securities) Guidelines, 2003 (the Guidelines), it is open for the listed companies to voluntarily de-list its securities from all other Stock Exchanges provided its securities continue to remain listed at a Stock Exchange having nation wide trading terminal.

During the last three financial years there has been no significant trading of the Company's equity shares in the stock exchanges at Ahmedabad, Vadodara and New Delhi. The Company's equity shares have been mandated by SEBI for compulsory trading in demat form by all investors. The Stock Exchange, Mumbai and the National Stock Exchange of India Ltd. have trading terminals in various cities affording to the investors access to trade and deal in the Company's equity shares across the country. In view of this it is proposed to de-list the equity shares of the Company from the stock exchange at Ahmedabad, Vadodara and New Delhi.

Pursuant to the de-listing of the equity shares of the Company, there would be no change in the capital structure and shareholding pattern of the Company.

None of the Directors of the company are concerned or interested in this resolution. The resolution at item No.6 of the notice is recommended for approval.

##### Item No.7

In respect of the equity shares of the company held in electronic/

demat form, the Company had earlier appointed M/s. MCS Ltd, Neelam Apartment, 88, Sampatrao Colony, Alkapuri, Vadodara 390 007 as Registrar and Transfer Agent. The activity of transfer of shares in physical form was carried out in house by the secretarial department of the company. Accordingly the Register of Members is being maintained at the Registered Office of the company.

Pursuant to the intimation received from the stock exchange conveying the instructions of SEBI vide its circular No.D&CC/FITTC/CIR-15/2002 dt.27.12.2002, all work related to share registry of both physical and electronic form should be maintained at a single point i.e. either in-house by the Company or by a SEBI registered Registrar and Transfer Agent. Accordingly the Company has already appointed MCS Ltd as Registrar and Transfer Agent to comply the aid requirements.

The resolution at item No. 7 of the accompanying notice is consequential nature to afford the required flexibility to maintain the Registers, Returns and documents either at the Registered Office of the Company or at the office of the Registrar and Transfer Agent.

None of the Directors of the company are concerned or interested in this resolution. The resolution at item No.7 of the notice is recommended for approval.

#### Item No: 8

In order to reflect the correct financial position of the Company with the financial institutions/banks and to enable them to consider the company's request for reduction in the finance cost, it would be prudent to undertake a scheme of financial restructuring by making necessary adjustments in the Balance Sheet of the Company. The carried forward losses of the Company to the extent of amount available in the Share Premium Account (now known as Securities Premium Accounts) in the books of accounts be adjusted to enable a leaner balance sheet and better financial ratios.

As at 31.03.2003 the balance in the Share Premium Account was at Rs.2019.44 lacs and that of the carried forward losses was at Rs.2586.56, (Rs. 1306.91 lakhs after adjusting from General Reserve) In accordance with the provisions of Section 78 and 80 read with Section 100 of the Companies Act, 1956, the balance in the Share Premium Account can not be applied for any other purposes except as prescribed in Section 78 (2) of the Companies Act, 1956. For application of Share Premium Account for any other purposes the procedure of reduction of share capital has to be followed.

The financial restructuring as above is expected to enhance shareholder value through improvement in future profitability and consequent increase in Earning per Share. The restructuring will also help the Company to reflect better operational efficiency in the future years. Further there would be a positive impact on various key financial ratios.

The restructuring will also not cause any prejudice to the creditors of the Company. For the sake of clarity, it is specified that the reduction of capital does not involve either diminution of any liability

in respect of unpaid capital or the payment to any shareholders of any paid-up capital nor is any call being waived. The creditors of the Company are in no way affected by the proposed restructuring of the Share Capital as there is neither reduction in the amount payable to any of the creditors, nor any compromise or arrangement is contemplated with the creditors. Further the proposed adjustment would not in any way adversely affect the operation of the Company or its liability to honour the commitments or to pay its debts in the ordinary course of business.

Article 54 of the Articles of Association of the Company provide for the reduction in the capital of the Company and the utilisation of the Share Premium Account in accordance with the provisions of the Companies Act.

The proposal of restructuring as above is however subject to the confirmation of the National Company Law Tribunal/High Court and/or such other approvals of any regulatory authorities that may be required according to the laws in force.

None of the Directors of the company are concerned or interested in this resolution. The resolution at item No.8 of the notice is recommended for approval.

#### Item No.9

The Company has been sanctioned financial assistance in the form of Deferred Payment Guarantees (DPGs) for an aggregate sum of Euro equivalent to Indian Rupees Seven Hundred Lacs by Bank of Bahrain & Kuwait BSC (BBK) to part finance the expansion of the Hoskote Plant. The Company has also approached various Banks, Institutions to provide short term financial assistance not exceeding Rs.300 lacs to meet with the urgent fund requirement to implement the expansion. With the improved working, SIDBI has once again shown interest to sanction bills discounting facilities for an amount of Rs. 50 lacs. The said assistance will be secured by way of 1<sup>st</sup> pari passu/2nd pari passu charge on the assets of the Company both present and future as detailed in the resolution. Creation of Charge/ Mortgage as above required approval of shareholders under section 293(1)(a) of the Companies Act, 1956.

Note of the Directors of the Company are considered to be interested in the resolution.

The Directors recommend to approve the resolution.

Copy of the Loan Agreement and other documents are available for inspection by members at the Registered Office of the Company during usual office hours.

Regd. Office:  
Village Dora, Taluka Amod  
District Bharuch, Gujarat  
Date: 28.06.2003

By Order of the Board  
**S.R. Vyas**  
Vice President  
(Corporate Affairs) &  
Company Secretary

## DIRECTORS' REPORT:

### To The Members:

Your Directors submit herewith the Seventeenth Annual Report and the Audited Accounts of the Company for the Financial Year ended 31<sup>st</sup> March, 2003.

### FINANCIAL RESULTS:

The summarized financial results for the year are as under:

(Rs. In lacs)

	Current Year 2002-03 (9 months)	Previous Year 2001-02 (12 months)
Sales & Other Income	11,344.54	13,627.28
Operating Profit	2,292.90	3,088.63
Interest	1,250.03	1,721.43
Profit Before Depreciation & Amortisation	1,042.87	1,367.20
Less: Depreciation & Amortisation	736.19	958.53
Profit for the year	306.68	408.67
Less: Prior Period Expenses	209.61	141.45
Profit Before Tax	97.07	267.22
Less: Provision for Deferred Income Tax	-131.08	166.36
Net Profit	228.15	100.86
Add: Losses Brought Forward	(2,586.56)	(2,586.56)
Amount available for appropriation	(2,358.41)	(2,485.70)
Transfer to Debenture Redemption Reserve	228.15	100.86
Losses carried to Balance Sheet	(2,586.56)	(2,586.56)

### Dividends:

Due to inadequacy of profit for the year, your Directors have not recommended any dividend on the Preference and Equity Capital.

### MANAGEMENT DISCUSSIONS & ANALYSIS:

Management discussion and analysis report annexed herewith is forming part of this report *inter alia* adequately deals with the operation and the current and future outlook of the Company.

### CORPORATE GOVERNANCE:

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, a separate section titled "Corporate Governance" is attached to this Annual Report.

### Directors Responsibility Statement:

Pursuant to the provisions of Sub-section 2AA of Section 217 of the Companies Act, 1956, your Directors confirm that:-

- in the preparation of the Annual Accounts, the applicable Accounting Standards had been followed along with proper explanation relating to material departures.
- the accounting policies selected had been 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 at the end of the financial year as at 31<sup>st</sup> March, 2003 and of the Profit of the Company for that period.
- proper and sufficient care had 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 and
- the annual accounts had been prepared on a going concern business.

### AUDITOR'S REPORT:

Referring to the remarks printed in italic in para (viii) of the Auditor's Report, the Directors would like to refer to Note No: 12 of the Schedule 15 B of the Accounts which are self explanatory.

### SUBSIDIARY COMPANIES:

During the year, the Company has initiated the process of striking off the name of M/s. Bell Trachem Ceramics Limited, the subsidiary of the Company. The value of the investment in that Company has already been dimunated in the books of accounts. Similarly the Company has

initiated the process for winding up of Bell International Pte. Limited, Singapore.

Till the time the final proceeding are completed, the Reports pursuant to Section 212 of the Companies Act, 1956 for M/s. Bell Trachem Ceramics Limited and Bell International Pte. Limited are annexed to this Report.

### PUBLIC DEPOSITS:

As at 31.03.2003, the Company hold 6 deposits amounting to Rs.0.46 lakhs matured but not claimed. Out of this, 1 deposit of Rs. 0.10 have since been paid/renewed.

### DIRECTORS:

Shri Lalit Bhasin Shri R K Jatia and Shri N C Mehta are liable to retire by rotation and being eligible offer themselves for re-appointment.

### PARTICULARS OF EMPLOYEES:

Companies (Particulars of Employees) Rules, 1975, forms part of this Report. However, as per the provisions 219(1)(b) of the Companies Act, 1956, the Report and Accounts are being circulated to the shareholders do not include the Statement of Particulars of Employees under Section 217 (2A) of the Act. Any shareholder interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office.

### PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY ETC.

Information as per Section-217(1) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in respect of the Board of Directors) Rules, 1988 and forming part of this report is given as annexure to this report.

### ACKNOWLEDGEMENT:

Yours Directors place on record their deep appreciation of the continued co-operation and support extended by financial institutions, bankers, suppliers, dealers, C&F Agents, customers, employees and various State and Central Government Agencies. The Directors also take this opportunity to thank the shareholders for their continued confidence reposed in the Management of the Company.

FOR BELL CERAMICS LIMITED

Dated: 28.06.2003  
Place: New Delhi

Lalit Bhasin  
Chairman

### MANAGEMENT DISCUSSIONS AND ANALYSIS:

#### Industrial Scenario:

During the year many corrective steps were noticed in the country to reduce the adverse effects of the long continued stagnation in the manufacturing sector. Thanks to the Central Government for giving priority to the infrastructure sector. Despite this the economy could not totally come out of recession.

#### Outlook of the Industry:

The ceramic tile industry in India has witnessed growth in the production capacity more particularly in the unorganized sector. The position of the organized sector remains almost unchanged during the year except the enhancement through optimising productivity of the existing equipments and by small expansion in the plants to achieve additional productivity through installing the balancing equipments.

The thrust is to withstand the competition from the high segment product i.e. vitrified tiles from Indian manufacturers as well as import in a big way from abroad at a most competitive prices. In this kind of competitive business environment, the focus is on consistent improvement in the product mix.

The Government's support to encourage the housing sector continued. The concessions announced in the previous two budgets were further extended. The Housing financial institutions and banks have supported the government's efforts by declaring reduction in the interest rate on housing loan from time to time. Delay in introduction of VAT has come in a way of the rationalization of the tax structure.

#### Operations:

##### (a) Dora (Gujarat) Unit: -

During the year this unit continued to face the problem of low calorific value of the natural gas supplied by GAIL as also shortage in its availability. The unit has tried to meet the situation by procuring the



alternate fuel i.e. LPG. Due to declaration of the Iraq war, the prices of the LPG remained hardened for most part of the year resulting in to overall increase in cost of power & fuel. However post war, the industry is observing reduction in LPG prices which will help to maintain the cost of power & fuel under control.

The technical assistance arrangement with M/s. Keraben, Spain has proved beneficial in the operations of the Dora plant of the company. The terms of the assignment were reviewed at the end of the 1<sup>st</sup> year of association. The focus is now towards cost reduction, improvement in the process parameters, and higher quantity of 1<sup>st</sup> quality tiles to improve the overall sales realisation. The capacity utilisation of the plant during the year at this unit was 92% as compared to 89% in the previous year. Efforts continued for value additions in the products. Additions/delations in the designs were made on a regular basis to cater the requirements of various segments of the consumers.

#### (b) Hoskote (Bangalore) Unit:

The operations of this unit remained satisfactory. The plant continued to be operated above the 100% installed capacity level through out the year. The cost of power & fuel remained high due to increase in the prices of LPG and HSD. Efforts were made to keep the overall manufacturing cost per unit under control by higher capacity utilisation of the plant. The state of the art Roller printing machines imported from Italy were installed during the year which has improved the quantity and quality of the printed tiles.

#### Proposed expansion in the installed capacity of Hoskote plant:

Considering good response in the domestic market to the product of Hoskote unit, it has been decided to enhance the production capacity of the plant to almost 100% in the phased manner. The expansion is proposed to be financed by way of DPG / finance from the company's bankers, supplier's credits and by internal accruals. Barring unforeseen circumstances the production at the expanded capacity shall commence from 01.01.2004.

#### Risks and Concerns:

- Upward revision in the prices of natural gas supplied at the Dora unit by GAIL is under active consideration by the Government implementing a proposal to link the gas prices with international prices of crude oil. On implementation of the said proposal the cost of production is likely to go up.
- The current trend of Euro going up sharply against Indian Rupee would result in to increase in the cost of imported spares and other raw materials like pigments and chemicals used in frit manufacturing.
- Delay in implementation of VAT has adversely affected the selling cost of the product and the product would continue to face the unhealthy competition from unorganised sector enjoying various concessions in tax structure.
- Increase in the prices of petrol and diesel will have an impact on the freights for both the incoming of raw materials and the outgoing of the finished goods respectively.

#### Internal Control Systems and their adequacy:

The various internal control system prevalent in the Company include:-

- Generation of periodic management/other reports to monitor various statutory and other compliances.
- Implementation of Mfgpro ERP system for outbound logistic to monitor day-to-day activities and the accounts receivables at all the sales depots.
- Periodical verification of stocks and assets and adjustments of discrepancies, if any noticed during such verification.
- Internal audit coverage is carried out at both the Units and at all depots through independent firms of Chartered Accountants.
- Review of the internal audit system and compliance of Accounting Standards prescribed by the Institute of Chartered Accountants of India by an Audit committee.

#### Discussion on Financial Performance with respect to operations:

The income from sales during the current year (9 months period) has been reported at Rs. 11173 lacs, which is on an annualized basis higher by 11.6% compared to the income of Rs.13341 lacs for the previous year. The operating profit of Rs.2293 lacs generated during the year was sufficient to meet the commitments of interest and principal liabilities

to the institutions and banks. The net profit before tax and prior period adjustments for the year has been reported at Rs.307 lacs as against the said profit of Rs.409 lacs for the previous year. The above financials reflects the positive effects of the corrective measures taken during the year.

Due to better management control on the accounts receivables there was a constant improvement in the cash flow and the Company was able to meet its commitments to the financial institutions and banks. The company was able to reduce the loan funds by almost Rs.1383 Lacs by repaying the loans in time. If the same trends continue the interest cost is expected to go down. The Company has been continuously exploring the possibilities to opt for various options to reduce interest cost on working capital borrowings. The liability of interest and principals to the institutions/banks or the year under review has been met in full without any unusual delay.

#### Material development in Human Resource, Industrial Relations:

The Company maintained the thrust for the ongoing training of its employees to enhance their skills. The arrangements were made to provide training on the process parameters and preventive maintenance of equipments to the senior technicians at the plant of M/s. Keraben in Spain. The technicians of the collaborators extended such training by regularly visiting the Company's factory in India. The results of the said actions have been encouraging and improved the performance of the employees at individual level.

#### ANNEXURE TO THE DIRECTOR'S REPORT:

##### Conservation of Energy:

##### A. Energy Conservation measure taken:

The operation of 1 MW Turbo Generation remained satisfactory for generation of electricity and for operation of Spray Dryer with its exhaust gasses resulting in to substantial conservation of energy.

Regular planned preventive maintenance has helped in considerable energy saving.

##### B. Technology absorption:

The dry process technology at Hoskote plant was fully absorbed. By achieving higher capacity utilisation, the consumption of LPG per unit production at this unit could be controlled effectively.

##### Research and Development (R&D):

Following R&D activities were carried by the Company:

##### Production Development:

- trial were successful replacing the nearby available clays & minerals used in the common body both for the wall tiles and floor tiles.
- development of wall tiles & floor tiles with new tones/hues in popular designs, new textures as per the requirement of the market.
- development of new frits to match the changes in the body of the tiles & special effect (reaction) frits resulted into saving of considerable foreign exchange outgo.
- development of indigenous sources for supply of spares for the imported plants to reduce dependence on import.

##### Cost Reduction:

- Efforts made to source alternative raw materials for reduction in the cost as also flexibility in the input materials.

##### Benefits derived as a result of the above R&D:

- Common body for wall & floor tiles has resulted into reduction in energy cost and in wastages.
- The Company has developed local substitutes for some of the imported components
- Established quality assurance by adopting procedures to ensure international quality.
- Due to wide range of product, the market share has increased.

##### Future Plan of Action:

- Efforts to continue to increase the production level and to concentrate on quality products.

##### Expenditure on R&D:

- During the year Company has spent nominal amount on R&D.

##### Foreign Exchange Earnings & Outgo:

The information of foreign exchange earnings & outgo are contained in the notes to accounts in Schedule 15(B) item 17 & 18.



## **CORPORATE GOVERNANCE**

The Company strongly believes that good Corporate Governance is a pre-requisite for enhancing shareholders' long term to shareholders. The Company has been consistently improving transparency and accountability to all its stakeholders.

### ❖ **Board Of Directors :**

#### ➤ **Composition and Category of Directors**

As per the Corporate Governance the Company has an appropriate mix of Executive and Independent Directors to maintain the independence of the Board and to separate the Board functions of Governance and management. The Board consists of 8 Directors, 1 of whom is Executive or Whole time Director ( WTD ) and 5 are Independent Directors.

**Table hereunder gives the composition of Board.**

Sr. No.	Category	Name of Director
I.	➤ Promoter and Non – Executive Director	a. Shri S.K.Jatia- Vice Chairman b. Shri. R.K.Jatia
II.	➤ Promoter and Executive Directors ➤ Independent and Non – Executive Directors	c. Shri Ramesh Jatia-Managing Director a. Shri Lalit Bhasin, Chairman b. Shri N K Ahuja c. Shri G R Divan d. Shri N C Mehta
III.	➤ Nominee Director	a. Shri P Ojha-Nominee IDBI

- Attendance of Directors at the Meeting of Board of Directors ( BoD ) held during the financial year 2002-2003 and the Annual General Meeting ( AGM ) held on 25<sup>th</sup> November, 2002 are as follows :

### ❖ **Details of Meeting of Board of Directors and AGM held during the year 2002-2003**

Meeting	Date	No. of Directors Present
Board	30.09.2002	7 (Seven)
Board	26.10.2002	5 (Five)
Board	27.01.2003	5 (Five)
AGM	25.11.2002	2 (Two)

### ❖ **The Record of attendance of Directors**

Name of Director	No. of Board Meetings attended	Attendance at the AGM
(a)Shri Lalit Bhasin	2(Two)	No
(b)Shri S.K.Jatia	2(Two)	No
(c)Shri R.K.Jatia	1(One)	No
(d)Shri Ramesh Jatia	2(Two)	Yes
(e)Shri N.K.Ahuja	3(Three)	No
(f)Shri G.R.Divan	3(Three)	Yes
(g)Shri N.C.Mehta	3(Three)	No
(h)Shri P.Ojha	1(One)	No


**Number of Directorships of the other Public Limited companies and memberships of Board Committees.**

Name of Director	No. of BoDs of Public Companies	No. of Membership of Board Committees	No. of Chairmanship of Board Committees
(a) Shri Lalit Bhasin	8(eight)	5(five)	1(one)
(b) Shri S.K.Jatia	7(seven)	1(one)	Nil
(c) Shri R.K.Jatia	2(two)	Nil	Nil
(d) Shri Ramesh Jatia	1(one)	Nil	Nil
(e) Shri N.K.Ahuja	Nil	Nil	Nil
(f) Shri G.R.Divan	2(two)	1(one)	1(one)
(g) Shri N.C.Mehta	1(one)	Nil	Nil
(h) Shri P.Ojha	Nil	Nil	Nil

**❖ AUDIT COMMITTEE**
**➤ Brief description of Terms of Reference :**

To oversee the Company's financial reporting process, internal control systems, reviewing the accounting policies and practical financial and risk management policies.

[a] Constitution : Constituted by the Board of Directors at its meeting held on 28th April, 2001.

[b] Composition, Names of Members and Chairperson : Consists of 3 independent Directors as under :

- i. Shri G.R.Divan - [ Chairman ]
- ii. Shri N.K.Ahuja
- iii. Shri P.Ojha

Name of Director	No. of Meetings held	No. of Meetings attended
(a) Shri G.R.Divan (Chairman)	Three	Three
(b) Shri N.K.Ahuja	Three	Two
(c) Shri P.Ojha	Three	One

**❖ SHARE TRANSFER COMMITTEE AND SHARE HOLDERS / INVESTORS' GRIEVANCE COMMITTEE :**
**➤ Brief description of terms of Reference :**

etc. received from shareholders / investors and improve the efficiency in investors service, wherever possible.

[a] Constitution : Constituted by the Board of Directors at its meeting held on 29th April, 2002.

[b] Composition, Names of Members and Chairperson :

1. Shri S.K.Jatia [Chairman]
2. Shri N.K.Ahuja
3. Shri Ramesh Jatia