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18th

**Annual Report
2003-2004**



Healthy & Happy Homes



Corporate Profile



- Established in 1985.
- Objective - To manufacture world-class ceramic glazed floor and wall tiles for domestic & international markets.
- Two plants, strategically located near major Indian markets.
- International tie up for technology.
- Both plants are ISO 9001-2000 & 14001 certified.
- Wide spread distribution network, comprising Depots, Dealers and retailers.
- Nationally connected through world class ERP software.
- Manufacturing according to COMITE EUROPEAN DE NORMALISATION (CEN)
- Wide range of products, sizes, patterns and shades.
- Export Markets : AUSTRALIA, PHILLIPINES, UAE, BAHRAIN, SAUDI ARABIA, SULTANATE OF OMAN, QATAR, KUWAIT, SINGAPORE, MAURITIUS, NEW ZEALAND, SRI LANKA, BANGLADESH, SOUTH AFRICA, KENYA and many more.
- Recipient of many awards including Award from President of India for Excellent Export Performance.
- Committed to providing *Healthy & Happy Homes*

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 EXECUTIVE OFFICER

Mr. K.M. Pai

SR. 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 Faderation Building,
 Alkapuri, Vadodara - 390 007.

MANAGEMENT TEAM

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

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NOTICE

NOTICE is hereby given that the Eighteenth Annual General Meeting of the Members of Bell Ceramics Limited will be held on Saturday, the 19th June, 2004 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 31st March, 2004, the Profit and Loss Account for the year ended on that date and the Directors' and Auditors' Report thereon.
- 2> To appoint a Director in place of Shri G.R. Divan who retires by rotation and being eligible offers himself for re-appointment.
- 3> To appoint a Director in place of Shri N.K. Ahuja who retires by rotation and being eligible offers himself for re-appointment.
- 4> To appoint a Director in place of Shri S.K. Jatia 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 pursuant to the provisions of the Articles of Association of the Company, guidelines issued by Securities & Exchange Board of India (SEBI), and subject to the provisions of Section 81, Section 91(1)(a) and other applicable provisions if any, of the Companies Act, 1956 and further subject to such other approvals, permissions and consents that may be necessary and subject to such conditions and modifications if any required in the scheme by such authorities while granting their consents, the consent of the Company be and is hereby granted to the Board of Directors of the Company to issue upto 461000 Equity shares of Rs. 10/- each as fully paid-up in the capital of the Company for cash at a price to be decided in terms of SEBI guidelines in operation on a preferential basis to the Employees of the Company under the Employees Stock Option Plan (ESOP) scheme."

'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 may consider necessary, expedient, usual or proper or otherwise in the best interest of the Company."

Item No.7 - SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to provision of Article 110 of the Articles of Association, Section 198, 310, 311 and other

applicable provisions if any of the Companies Act, 1956 read with Schedule XIII of the said Act as may be amended from time to time and subject to other approvals as may be necessary, the Company hereby accords its consent and approval for the re-appointment of Shri Ramesh Jatia as Managing Director of the Company for a period of five years w.e.f. 26.05.2005 and the payment of remuneration to him as per the terms and conditions set out in the explanatory statements annexed hereto and as set out in the Agreement dated 12.5.2004 executed between the Company and Shri Ramesh Jatia."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take such steps as may be necessary to give effect to this resolution".

Regd. Office:
Village Dora, Taluka Amod
District Bharuch, Gujarat
Date: 12.05.2004

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

NOTES:

- 1 A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- 2 The Register of Members and Share Transfer Books of the Company shall remain closed from Tuesday the 08.06.04 to Saturday the 12.06.04 (both days inclusive)
- 3 The shareholders are requested to: -
 - a) intimate the Company immediately of the change in their address for shares held in physical mode and for shares held in electronic mode changes in address be intimated to their respective DPs.
 - b) quote Ledger Folio/client ID numbers in all their correspondence.
 - c) bring copy of the Annual Report and Attendance slip with them at the AGM.
 - d) address their communication at least seven days before the date of the meeting to SR.VP (CA) & CS seeking information concerning the account & operations of the Company.

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

Item No.6

As the members are aware, The Employees Stock Option Plan (ESOP) is an employee benefit plan to make them part in the ownership of the Company. In order to reward and retain their services for a long period, a scheme was devised originally in the year 2000. The said scheme was approved by the shareholders by passing a special resolution at the Annual General Meeting held on 27.11.2000. On account of the shares of the company was always quoted below par it was not advisable for the company to implement the same. Now with the improved

performance the Board of Directors have decided to revive the same. Accordingly a consent is sought for the members to offer and allot maximum upto 461000 Equity Shares of Rs. 10/- each at a price to be decided as per the guidelines in this respect.

None of the Directors are interested in this resolution.

The resolution places at item no. 6 of the accompanying notice is recommended for your approval.

Item No: 7

Shri Ramesh Jatia, Managing Director holds office up to 26.05.05. At the meeting of Remuneration Committee and the Board of Directors of the Company both held on 12.05.2004, he was re-appointed as Managing Director of the Company for a period of 5 years w.e.f. 26.05.05 subject to the terms and conditions and remuneration as mentioned in the Abstract reproduced at the end of this item. The said consent is subject to necessary approval including the Central Government, if required. The other details regarding the performance of the Company and the appointee are as under:

Statement as required under the Provisions of the Companies Act, 1956:

1) General Information:

1) Nature of Industry	Manufacturing of Ceramic Glazed floor & Wall tiles at its two factories situated at Village Dora, Taluka Amod, Dist. Bharuch, Gujarat and at Village Chokkanhalli, Taluk Hoskote, Rural Bangalore, Karnataka
2) Date of Commencement of commercial production	Gujarat Plant : 26.05.1988 Karnataka Plant : 26.03.1997
3) Financial Performance For the financial year ended 31.03.2004	Turnover : Rs.13861.60 lakhs Operating Profit : Rs. 3330.95 lakhs Net Profit Before Tax : Rs. 835.76 lakhs Debt Equity : 1.66:1 Current Ratio : 1: 0.89 Net Worth : Rs. 5281.58 lakhs
4) Export Performance	For the year ended 31.03.04, the Company has achieved export turnover FOB value of Rs.286.31 lakhs
5) Foreign Investment or Collaboration	a) NRI Promoter holds 35.42% of Equity b) The Plants were established in technical collaboration with:- i) Gujarat Plant - SITI Spa, Italy Karnataka Plant - Ceramica Mirage Spa, Italy.

2. Information about the appointee:

Background details: Shri Ramesh Jatia has been associated with the management of the Company since its inception as detailed hereunder:-

From 01.02.87 to 31.01.88 as Management Trainee.
 From 01.02.88 to 31.05.91 as Vice President
 From 01.06.91 to 31.03.94 as Executive Director
 From 28.05.92 to 31.03.94 as Joint Managing Director
 From 01.04.94 as Managing Director of the Company

Shri Ramesh Jatia is a Commerce Graduate having varied experience in the industry for about 17 years.

Present Remuneration:

Due to inadequacy of profit, presently Shri Ramesh Jatia is being paid monthly minimum remuneration as under:

(Rs)

a)	Salary	200000
b)	HRA @ 45%	90000
c)	Leave Travel Allowance	16660
d)	Reimbursement of Medical Expenses 10%	20000
e)	Reimbursement of Gas, Electricity etc. 15%	30000
f)	Children Education Allowance	10000
g)	Others - Perks	2506
		369160

He is also entitled for Company's contribution for PF, Superannuation, Gratuity and other benefits as per Company's rules.

Reorganization of Awards:

Both the units of the Company have been registered for ISO 9002 certification and ISO 14001 certification.

The Company was awarded certificate of merit from Government of India, Ministry of Commerce for outstanding export performance for the year 92-93. The Company has also been sanctioned certificate of merit from Government of India, Ministry of Commerce for outstanding export performance for the year 2001-2002.

Job Profile and his suitability:

As a Managing Director, he is responsible for the day to day management of the Company and assisted by Senior Executives. He is working under the superintendence and control of the Board of Directors. He is responsible for all the day to day activities of the Company.

Remuneration proposed:

As mentioned in the abstract of remuneration given in the subsequent paras.

Comparative Remuneration, profile with respect of industry:

The proposed remuneration is in commensurate to the size of units in the industry.

Pecuniary Relationship:

He is brother of Shri S.K. Jatia and Shri R.K. Jatia the promoter Directors of the Company.

Other Information:

Reason for inadequacy of Profits, steps taken for improvement and expected increased in productivity:

The main reason for inadequacy of profit is high cost of finance which was raised for expansion of the plant capacity and subse-



quently the Indian economy faced heavy recession . There is over capacity situation in the industry. Various steps taken to improve the performance by reducing cost of production and implementing innovative marketing practices. Both the plants are now operating almost above 100 percent capacity. Efforts are on to improve further production capacities. The turnover of the Company has also improved in last 5 years from almost Rs.97 crores to Rs.138 crores.

ABSTRACT OF THE TERMS OF APPOINTMENT AND REMUNERATION OF SHRI RAMESH JATIA AS MANAGING DIRECTOR OF THE COMPANY:

- A) Salary:** Rs.250000 - 50000 - 450000 per month.
- B) Commission:** 1½ % of the net profit of the Company. (Subject to the overall ceiling of Managerial Remuneration laid down in section 198, 309 of the Companies Act, 1956)

C) Perquisites/Amenities:

Housing: House rent allowance @ 45% of the salary.

Gas, Electricity, Water: Expenses pertaining to gas, electricity, water and other utilities shall be borne/reimbursed by the Company. (subject to a ceiling of 15% of the salary)

Medical reimbursement: Reimbursement of actual medical expenses incurred in India and/or abroad including hospitalization, nursing home and surgical charges for self and family. (Subject to a ceiling of 10% of the salary)

Leave Travel Concession: Leave travel concession for self and family as may be decided by the Board of Directors. (in accordance with the rules of the Company)

Children Education Allowance: Children Education Allowance subject to a ceiling of 5% of the salary.

Club Fees: Membership fees including life membership for maximum two clubs. Other minor memberships as may be decided by the Board of Directors.

Contributions to Provident fund, Superannuation fund, Gratuity fund, Personal Accident Insurance policy and Key Man Insurance Policy, leave with full pay and encashment of leave at the end of tenure.

Conveyance and communication facilities

The Company shall provide suitable conveyance and communication facilities such as telephones, tele fax, car etc. at his residence, as may be required.

Other Perquisites

Subject to overall ceiling on remuneration mentioned herein below, he may be given any other allowances, benefits and perquisites as the Board of Directors may decide from time to time.

Explanation:

Perquisites shall be evaluated as per Income Tax Rules, wherever applicable and in the absence of any such rules, the same shall be evaluated at actual cost.

D) Overall Remuneration:

The remuneration in any one financial year shall not exceed the limits prescribed under Sections 198, 309 and other applicable provisions of the Companies Act, 1956 as may for the time being be in force.

E) Minimum Remuneration:

In the event of loss or inadequacy of profits in any financial year during the currency or tenure of his service, the payment of remuneration shall be governed by the limits prescribed under Schedule XIII to the Companies Act, 1956 or any amendment thereof.

None of the Directors except Shri S K Jatia, Shri R K Jatia , the brothers and Shri Ramesh Jatia himself are interested or concerned in this resolution

The particulars set above may be treated as an abstract of the terms of contract for the remuneration/ appointment of Shri Ramesh Jatia as Managing Director of the Company which is required to be given to every member under the provisions of section 302(2) of the Companies Act,1956.

The resolution at item no. 7 of the accompanying notice is recommended for your approval.

Documents for Inspection:

Copy of the Agreement entered with Shri Ramesh Jatia for his reappointment as Managing Director and the scheme for ESOP approved by the Board are available for inspection by the members at the Registered Office of the Company during usual office hours.

Regd. Office:
Village Dora, Taluka Amod
District Bharuch, Gujarat
Date: 12.05.2004

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

DIRECTORS' REPORT:

To
The Members:

Your Directors submit herewith the Eighteenth Annual Report and the Audited Accounts of the Company for the financial year ended 31st March 2004.

FINANCIAL RESULTS:

The summarized financial results for the year are as under:

	Rs. in lacs	
	Current year 2003-04 (12 months)	Previous year 2002-03 (9 Months)
Sales & Other Income	13961.61	9654.50
Operating Profit	3330.95	2292.90
Interest	1333.83	1250.03
Profit Before Depreciation & Amortisation	1997.12	1042.87
Depreciation & Amortisation of Misc. Exp.	1161.36	736.19
Profit for the Year	835.76	306.68
Less : Prior Period Expenses/Adjustment	229.21	209.61
Profit Before Tax	606.55	97.07
Less: Provision for Tax-		
- Current year	52.00	0.00
- Deferred Income Tax	411.65	-131.08
Net Profit	142.90	228.15
Profit B/F from previous year	-2586.56	-2586.56
Transfer to Debenture Redemption Reserve	-142.90	-228.15
Profit carried to Balance Sheet	-2586.56	-2586.56

Dividends:

Due to inadequacy of the profits 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 the future outlook of the Company.

CORPORATE GOVERNANCE:

Pursuant to clause 49 of the Listing Agreement with the Stock Exchange, separate section titled as "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 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 judgements 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 31st March 2004 and of the profit 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

d the annual accounts had been prepared on a going concern basis.

AUDITOR'S REPORT:

Referring to the remarks printed in italic in the last para of the Auditors Report, the Directors would like to refer to Note 8 of the Schedule 15 of the Accounts which are self explanatory.

SUBSIDIARY COMPANIES:

Formalities for striking off the name of Bell Trachem Ceramics Limited have already been completed under the exit policy of the Govt of India. Order for winding up of Bell International Pte. Limited, Singapore has already been issued by the concerned authority in Singapore.

PUBLIC DEPOSITS:

As on the 31.03.2004, the Company hold deposits amounting to Rs. 0.57 lakhs matured but not claimed. Out of this deposits amounting to Rs. nil have since been paid/renewed.

DIRECTORS:

At the ensuing Annual General Meeting, Shri G.R.Divan, Shri N. K. Ahuja and Shri S.K. Jatia, the Directors of the Company shall retire by rotation and they being eligible offer themselves for re-appointment.

PARTICULARS OF EMPLOYEES:

The information required under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, forms part of this Report. However, as per the provisions of Section 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 (Disclosures of Particulars in respect of the Board of Directors) Rules 1988 and forming part of this report is given as annexure to this report.

AUDITORS:

The Auditors M/s. RP Malhan & Company, Chartered Accountants, New Delhi, shall retire at the conclusion of the ensuing Annual General Meeting and confirmation has been received from them that if re-appointed, their re-appointment shall be within the limits prescribed under section 224(1B) of the Companies Act, 1956.

ACKNOWLEDGEMENT:

Yours Directors place on record their deep appreciation of the continued co-operation and support extended by financial institutions, banks, 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

Place: New Delhi
Date : 12.05.2004

Lalit Bhasin
Chairman



MANAGEMENT DISCUSSIONS & ANALYSIS:

Industrial Scenario:

The year under review had shown considerable improvement in the Indian economy. The country noticed overall economic growth in general. Good rains in most part of the country has helped the growth in the agricultural sector. The consumer demand had started showing the positive trend. The effect of the growth could be very well noticed in service sectors like Banking and the IT sector.

The Government of India continued implementation on the policy of rationalization of tax structure in order to support the domestic industries. The reduction in the custom duty has opened the doors to source better quality of the required raw materials, stores and spares at a very competitive prices from abroad.

Continuous reduction in the interest rate and easy availability of the housing loans both from the private and public sector banks had provided boost in the construction industry. It is believed that about 250 industries are directly and indirectly linked with the housing sector. This had been providing employment on a very large scale through out the country. Globally the construction industry has proved as a tool to bring the economy out of recession.

OUTLOOK OF THE INDUSTRY:

The Ceramic tile industry is closely linked with the housing sector. The improvement in the housing sector has to some extent helped to overcome the problem of over capacity position prevailing in this industry. Competition continued intense between the organized vis-a-vis unorganized sector. Import of ceramic tiles at a very cheap rate more particularly from China have created a threat to the industry. The competition in the global market has reduced the export of the ceramic tiles from India. Reduction in the effective rate of Central excise duty from 16% to 8% has helped the domestic industry to withstand this competition. However the Modvat benefit on the inputs have been withdrawn for the units availing the lower rate of the excise duty. Delay in introduction of VAT in all the States of the country has delayed the process of rationalization of the tax structure.

REVIEW OF COMPANY'S OPERATIONS:

Higher utilisation of the plant capacity and better management in the outbound logistic has helped in two fold i.e. increase in the volume of sales and speedy recovery of the receivables. In order to maintain the market share in the domestic market, there was heavy pressure on selling prices. However due to increase in the total quantity of sales and speedy recovery of the receivables there was an overall improvement in the Company's working.

a DORA (Baroda) Unit:

During the year under review, there was overall improvement in the working of this plant. Various steps were taken to reduce cost per unit of production. Efforts were continued for value addition to the products. Number of designs were introduced to cater the requirements of various segments of the consumers. There was a good response in domestic and export market for the Monoporosa wall tiles and the exotic floor tiles manufactured in this Unit. This plant was operated almost at 100% of its installed capacity.

PROPOSED EXPANSION IN THE INSTALLED CAPACITY OF THE DORA UNIT:

With the improved performance for sales from this unit, the company is planning to enhance the installed capacity of this

plant from 3650000 m2 p.a. to 4927500 m2 p.a. by installing a kiln, upgrading existing machines and by improving other facilities. The total cost of this expansion is estimated to Rs. 19 crores. This is being financed from internal accruals and by borrowings from banks/ institutions.

b HOSKOTE (Bangalore) Unit:

During the year under review, the performance of Bangalore Unit further improved. This plant of the Company was continued to be operated at almost 110% of the installed capacity. With higher productivity the cost per unit of production has been kept under control despite increase in the energy and freight costs.

During the year, the company has enhanced the production capacity of this plant from 3650000 m2 p.a. to 6570000 m2 p.a. The Company has spent about Rs 24 crores for import of machines and for improving the other facilities for this expansion. The capacity expansion was completed in the predetermined time schedule and the commercial production with the enhanced capacity commenced from 01.12.2003. This part of the expansion was financed from the internal accruals and by obtaining Deferred Payment Guarantee facilities of Rs. 700 lakhs from one of the bankers of the Company.

PROPOSED FURTHER EXPANSION IN THE INSTALLED CAPACITY OF THE HOSKOTE PLANT:

This unit is also in the process of further enhancing the installed capacity from 6570000 m2 p.a. to 8212500 m2 p.a. This 2nd phase of the expansion would cost to the company almost Rs. 17 crores. The second phase is being financed mainly from internal accruals and through deferment in repayment of the principal installments sanctioned by IDBI to the extent of Rs. 950 lakhs. Barring unforeseen circumstance the commercial production with the enhanced capacity from the 2nd part of the expansion would commence from the earlier part of the 2nd quarter of the current financial year.

RISKS AND CONCERNS:

- (a) With the depletion in the availability of natural gas from the domestic exploration GAIL has implemented an action plan among the existing consumers and this has resulted into reduction in the effective allotment of the gas to the extent of about 40% of the contracted quantity. In order to meet the shortage of availability of gas the Company has already entered into a 5 years contract with GAIL for supply of LNG (Liquidified Natural Gas) which GAIL has started importing at the Dahej port in Gujarat. This has however increased the cost of fuel as the LNG has been priced at almost 2.5 times higher than the natural gas prices earlier supplied from the domestic exploration.
- (b) The currency in Euro vis a vis Indian rupee remained unfavorable through out the year. The ceramic industry is more dependent on the countries which have been dealing in Euro. This has impacted the cost of imported parts, raw materials and the capital equipments.
- (c) With reduction in the custom duty on import of ceramic tiles the industry has been facing a big threat from cheaper imports more particularly from China.
- (d) Frequent increase in the prices of diesel and petrol have increased the freight cost for both the incoming and outgoing materials. In the international market the prices of crude has reached the highest level and its impact is expected to be noticed in India in this financial year.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY:

The various internal control system prevalent in the Company includes:

- (a) Implementation of an ERP System for out bound logistic (sales & marketing) and for company's accounting systems have strengthened the Management information system.
- (b) Periodical verification of assets at both the plants of the Company and stocks of finished goods at warehouses as well as at the depots through out the country were carried out at a regular intervals both internally as well as through independent firms of Chartered Accountants.
- (c) Generation of periodic management reports to monitor the statutory and other compliance.
- (d) Review of the internal audit system and compliance of the accounting standards prescribed by the Institute of Chartered Accountants of India by an independent audit committee.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO THE OPERATIONS OF THE COMPANY:

Despite the highly competitive market conditions, your Company could achieve the turnover of Rs.13962 lakhs during the year (12 months period) as against the turnover of Rs.9654 lakhs of the previous year (9 months) which shows annualized increase in turnover by 11% over the previous year.

For the year ended 31.03.2004, the Company has achieved cash profit of Rs. 1997 lakhs (previous year Rs. 1043 lakhs) and the net profit of Rs.835.76 lakhs (previous year Rs. 306.68 lakhs).

During the year under review, the Company was regular in payment of interest to all the financial institutions and banks. With improvement in the cash flow position the Company has paid Rs. 1106.29 lakhs towards the outstanding principals to IDBI and other institutions/banks.

The Company's request for reduction in the interest rate from 14.5% to 12.5% on the entire financial assistance has been favorably considered by IDBI w.e.f 01.01.2004. The bankers of the Company has also helped the Company in reduction of the effective rate of interest by regularly considering conversion of its loans into foreign currency with forward coverage.

The Company has been sanctioned reschedulement in the repayment schedule by IDBI to facilitate financing the expansion in the installed capacity of its plants.

MATERIAL DEVELOPMENT IN HUMAN RESOURCES AND INDUSTRIAL RELATIONS:

The Company has continued implementing its policy for enhancement in the skills of its employees by providing need based training.

Industrial Relations continued to be cordial during the year resulting in constant co-operation by all the employees in day- to-day work and implementing policies of your Company.

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 fuel efficient dry process technology at Bangalore Plant was fully absorbed. By achieving higher capacity utilisation, the per unit consumption of LPG at Bangalore Unit could be controlled by effectively managing the process parameter.

Research and Development (R&D):

Following R&D activities were carried by the Company:

Production Development:

- Common body both for Monoporosa wall tiles and floor tiles have been efficiently used.
- development of wall tiles & floor tiles with new tones/ hues in popular designs, new textures as per the requirement of the market.
- indigenous development of the formula for Monoporosa Frits & special effect (reaction) Frits and outsourcing its production facilities resulted into considerable saving of foreign exchange outgo.
- development of different spares 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 reduced inventory level as also substantial reduction in energy cost as also reduction in wastage.
- 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.

CORPORATE GOVERNANCE-2003-2004

The Company strongly believes that good Corporate Governance is a pre-requisite for enhancing shareholders' long term value. The Company's policies and practices are aimed at efficient conduct of business and effectively meeting its obligations 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
	➤ Promoter and Executive Directors	c. Shri Ramesh Jatia-Managing Director
II.	➤ Independent and Non - Executive Directors	a. Shri Lalit Bhasin, Chairman b. Shri N K Ahuja c. Shri G R Divan d. Shri N C Mehta
III.	➤ Nominee Director	Shri P Ojha-Nominee IDBI

- Attendance of Directors at the Meeting of Board of Directors (BoD) held during the financial year 2003-2004 and the Annual General Meeting (AGM) held on 27.09.2003 are as follows :

❖ **Details of Meeting of Board of Directors and AGM held during the year 2003-2004**

Meeting	Date	No. of Directors Present
Board	15.05.2003	5 (Five)
Board	28.06.2003	6 (Six)
Board	30.07.2003	7 (Seven)
Board	21.10.2003	5 (Five)
Board	12.01.2004	6 (Six)
AGM	27.09.2003	2 (Two)

❖ **The record of attendance of Directors**

	Name of Director	No. of Board Meetings attended	Attendance at the AGM
a.	Shri Lalit Bhasin	5	No
b.	Shri S.K.Jatia	4	No
c.	Shri R.K.Jatia	4	No
d.	Shri Ramesh Jatia	3	Yes
e.	Shri N.K.Ahuja	1	No
f.	Shri G.R.Divan	5	Yes
g.	Shri N.C.Mehta	5	No
h.	Shri P.Ojha	2	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	7 (Seven)	11 (Eleven)	2 (Two)
b.	Shri S.K.Jatia	7 (Seven)	1 (One)	Nil
c.	Shri R.K.Jatia	1 (One)	Nil	Nil